



Sorrento Valley Corridor Market Study

County of San Diego

November 5, 2021

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than absolute values. The process of making forward projections for such key elements involves assumptions which are acutely sensitive to changing conditions, variations in any one of which factors may significantly affect the viability of a project.

Such variables that might result in a material deviation from the findings put forth in the report include, but are not limited to:

- Volatility - Due to the global COVID-19 pandemic and the current situation of the global, national, and state economies, there may be a diminished propensity for equity investment or lending by financial institutions, impacting the availability of debt and equity to the real estate construction sector and the mortgage market.
- Supply and Demand Analysis - The supply and demand analyses put forth in the associated report are based in part on historic trends and may be impacted significantly due to unforeseen delays in supply growth given “construction cessation” orders or volatility in demand due to changing consumer behaviors and economic conditions.

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Executive Summary

Background



The County of San Diego (County) seeks to identify opportunities to acquire land along key corridors to support transit-oriented development (TOD). The San Diego Association of Governments (SANDAG) is completing its 2021 regional plan (SDRP), which outlines how San Diegans will move around the County and critical transportation priorities through 2025. The plan will invest in new transit infrastructure in major job centers, such as Sorrento Valley. New transit infrastructure, supported by transit-oriented land use planning, could transform the Sorrento Valley corridor into a thriving mixed-use, mixed-income, walkable community. However, transit and public infrastructure improvements will likely escalate land prices, making it increasingly difficult for local governments to secure sites for equitable housing development and neighborhood communities.

As a result, the County would like to assess opportunities for capturing potential land value increases through the acquisition and lease of land adjacent to major infrastructure projects (Project). To support this effort, the County has engaged JLL to:

1. Conduct a real estate market assessment of the Sorrento Valley Corridor (study area outlined in the map on the right) to document general market trends and conditions,
2. Identify parcels suitable for future acquisition and redevelopment, and
3. Document analysis and findings in a report.

Sorrento Valley Corridor Study Area



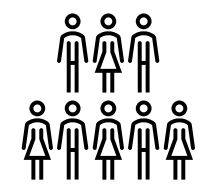
Source: SANDAG

Sorrento Valley Corridor Study Area

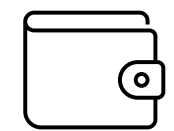


Summary Demographics and Employment

- Study area is approximately 18 square miles
- Growing population since 2010 and expected to continue
 - 0.9%: 2010-2021 Annual Population Growth Rate
 - 1.05%: 2021-2026 Annual growth rate
- Top Employment Sectors: State Government Education, Professional, Healthcare, Tech and Finance.
- Highly educated workforce and affluent population thanks to tech, healthcare industries



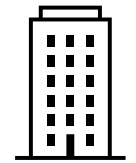
46,616 Population



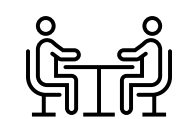
\$127,801 Median household income



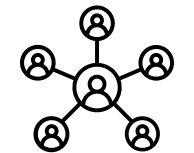
36.6 Median Age



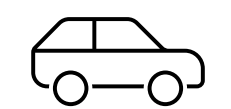
45.6% Owner-occupied housing units - 2021



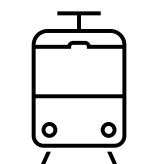
8,023 Total Businesses



113,044 Total Employees

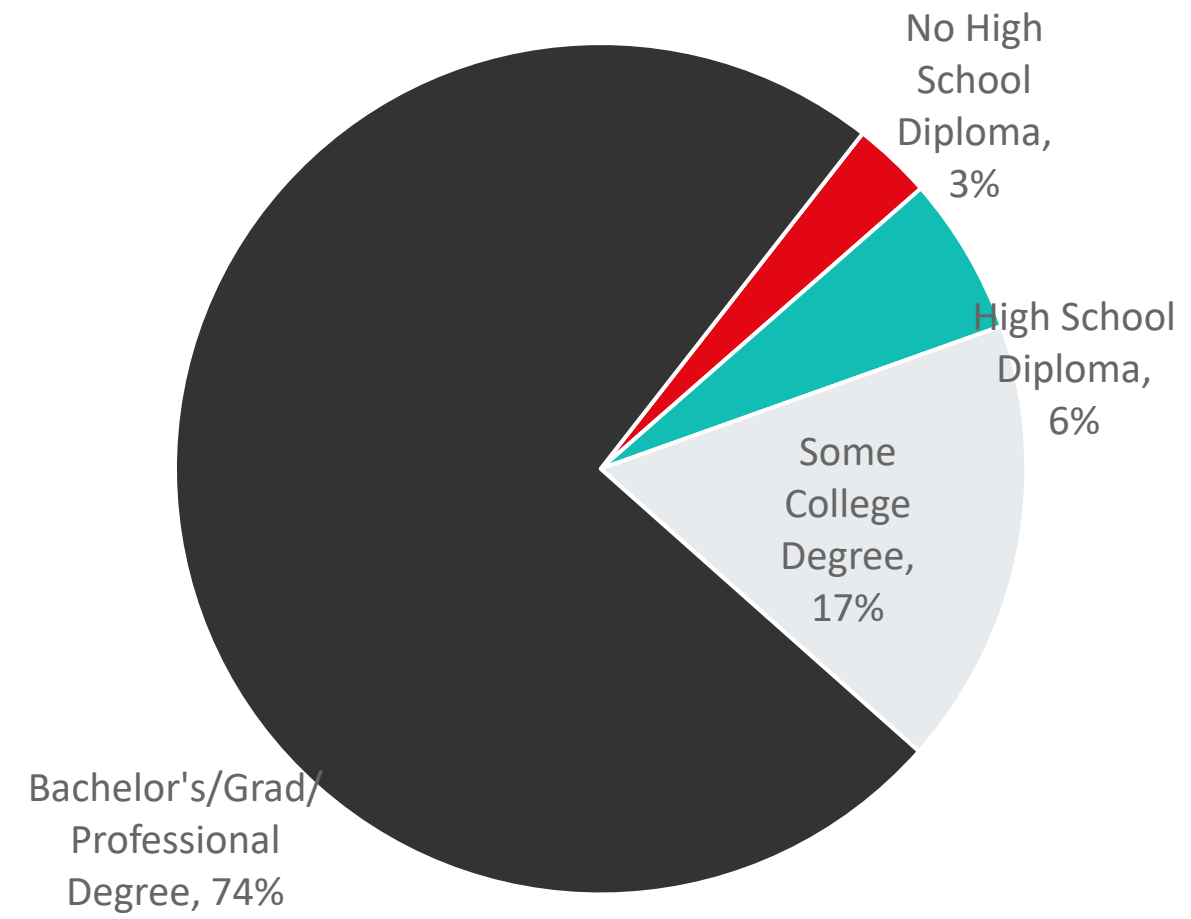


76.1% drive alone to work



4.2% use public transit

Educational Attainment



Real Estate Market Assessment



Key Takeaways



While the supply of multifamily residential units in Sorrento Valley is smaller than other San Diego submarkets, market fundamentals remain robust. **Rental rates have fully recovered from the drop experienced during the pandemic.** Moreover, rental rates have increased from 2019 levels and now average about \$3,000 per unit. The vacancy rate has also dropped significantly and **has reached its lowest level in the past ten years.**

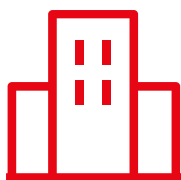


The Sorrento Valley Corridor study area falls within one of San Diego's core life sciences submarkets – Sorrento Mesa. **Record investment into the sector** has led to the continued expansion of the life sciences industry and prolific tenant demand, **resulting in record leasing activity, record low availability of space, and significant increases in rental rates.** The large amounts of capital allocated to San Diego have created a **hyper-competitive environment, with sales prices reaching new records.**

Real Estate Market Assessment



Key Takeaways



The Sorrento Valley Corridor study area is also home to corporate headquarters. **Office rents have been increasing, while vacancy has continued to decrease.** However, these trends can partially be attributed to **the growth in the life sciences sector.** Within the past 18 months, there have been roughly 2M square feet of office-to-lab conversions, primarily in the Sorrento Mesa submarket (which includes most of the Sorrento Valley Corridor study area). **Between 2022 and 2023, it is estimated that another 2M square feet of office in Sorrento Mesa will be converted to lab space.**



Consistent with the office market, the industrial market has experience dwindling availability and increasing rents, which can partially be attributed to the growth in the life sciences industry. **Industrial space is also being converted to lab space, resulting in record-high sales prices.**

Office Sales for Life Sciences Conversion/Redevelopment

Property	Size (SF)	Price	Price PSF	Sale Date
9980 & 10020 Huennekens St	92,830	\$41,300,000	\$445	10/2021
10525 Vista Sorrento Pkwy	62,156	\$19,850,000	\$319	10/2021
5717 Pacific Center Blvd	67,832	\$46,650,000	\$688	7/2021
9444 Waples St	88,315	\$23,000,000	\$260	6/2021
5910 Pac Center/9985 Pac Hts	102,143	\$43,220,000	\$423	5/2021
5785 Oberlin Dr	62,824	\$20,250,000	\$322	4/2021
5889-5893 Oberlin Dr	64,424	\$25,750,000	\$400	3/2021
Weighted Average			\$407	

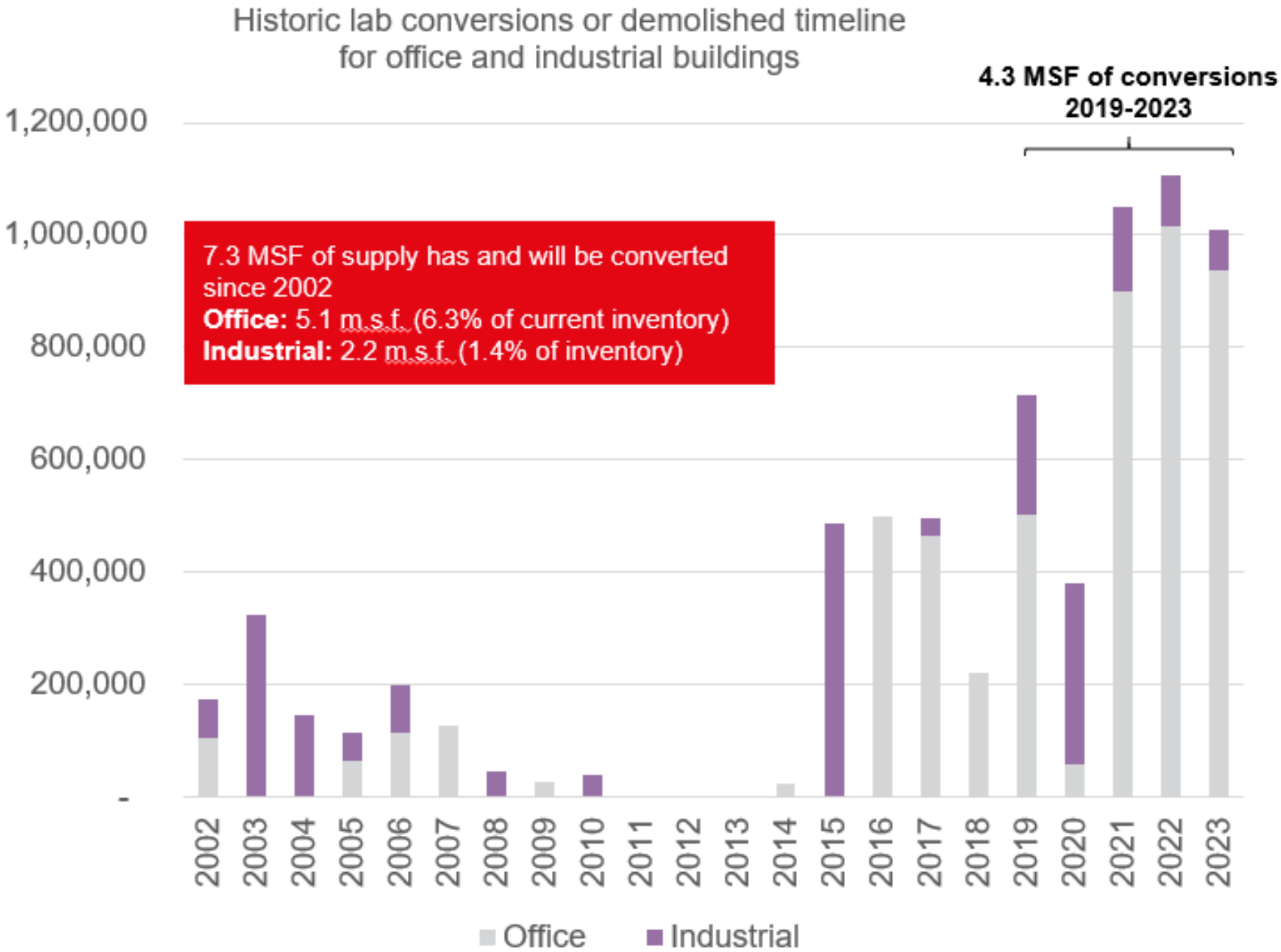
Industrial Sales for Life Sciences Conversion/Redevelopment

Property	Size (SF)	Price	Price PSF	Sale Date
6790 Flanders/10125 Mesa Rim	255,599	\$149,300,000	\$584	9/2021
10240 Flanders	64,036	\$13,300,000	\$207	12/2020
10045 Mesa	21,530	\$5,200,000	\$241	10/2020
10180 Barnes Canyon	93,840	\$39,000,000	\$416	5/2020
Weighted Average			\$475	

Life Sciences Conversion / Redevelopment

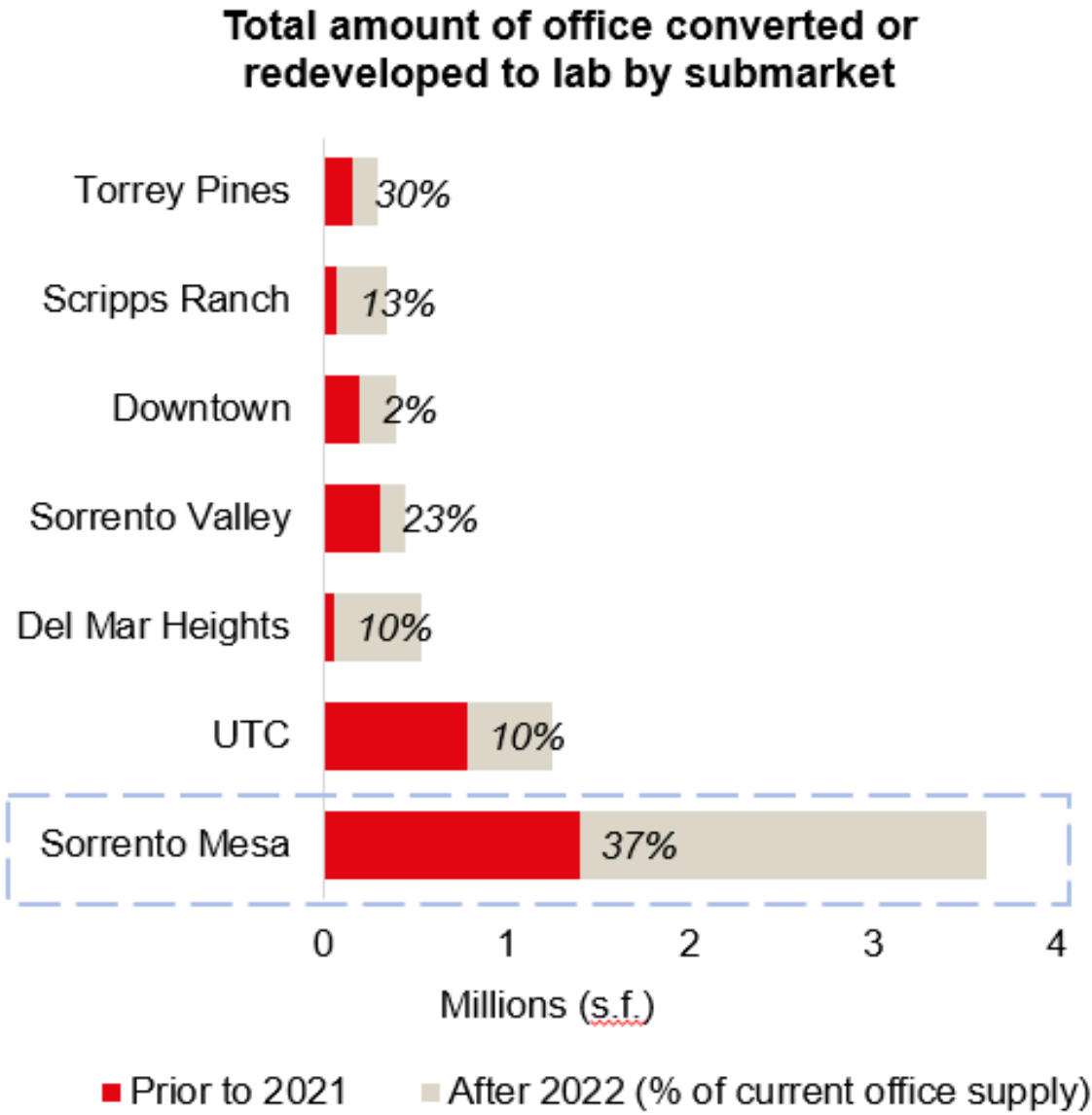


Office & industrial supply continues to shrink as lab (biotech) conversion activity accelerates



*Industrial (includes flex R&D and warehouse)

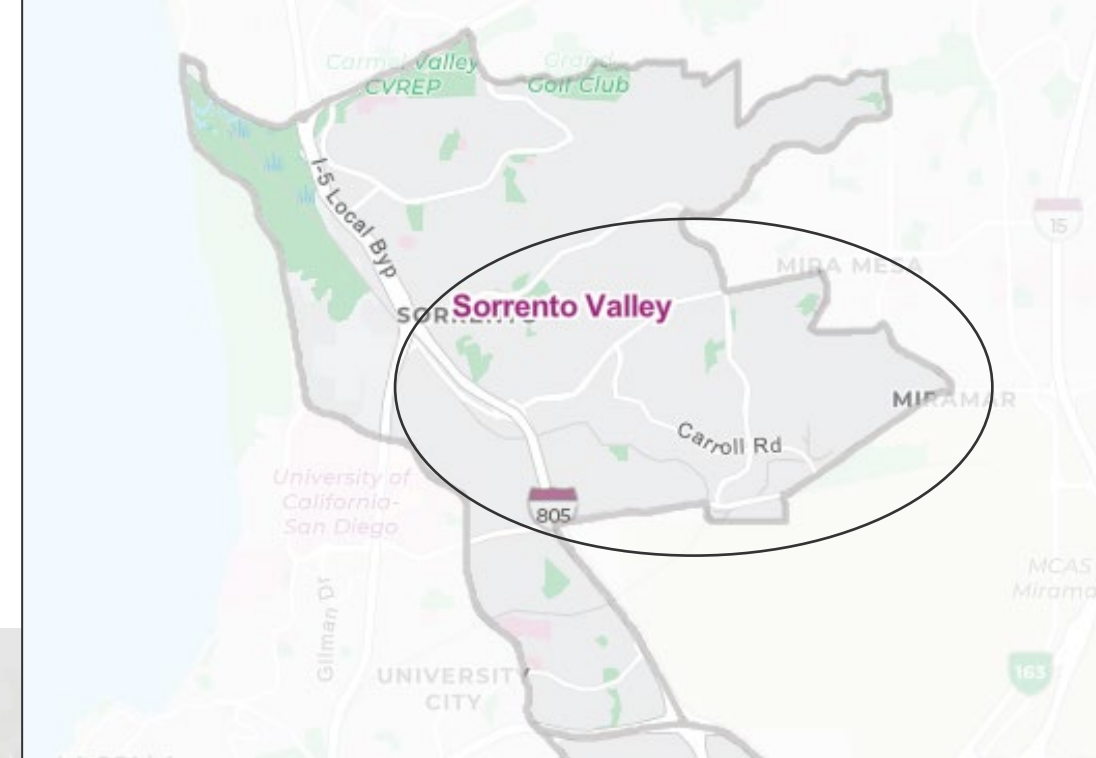
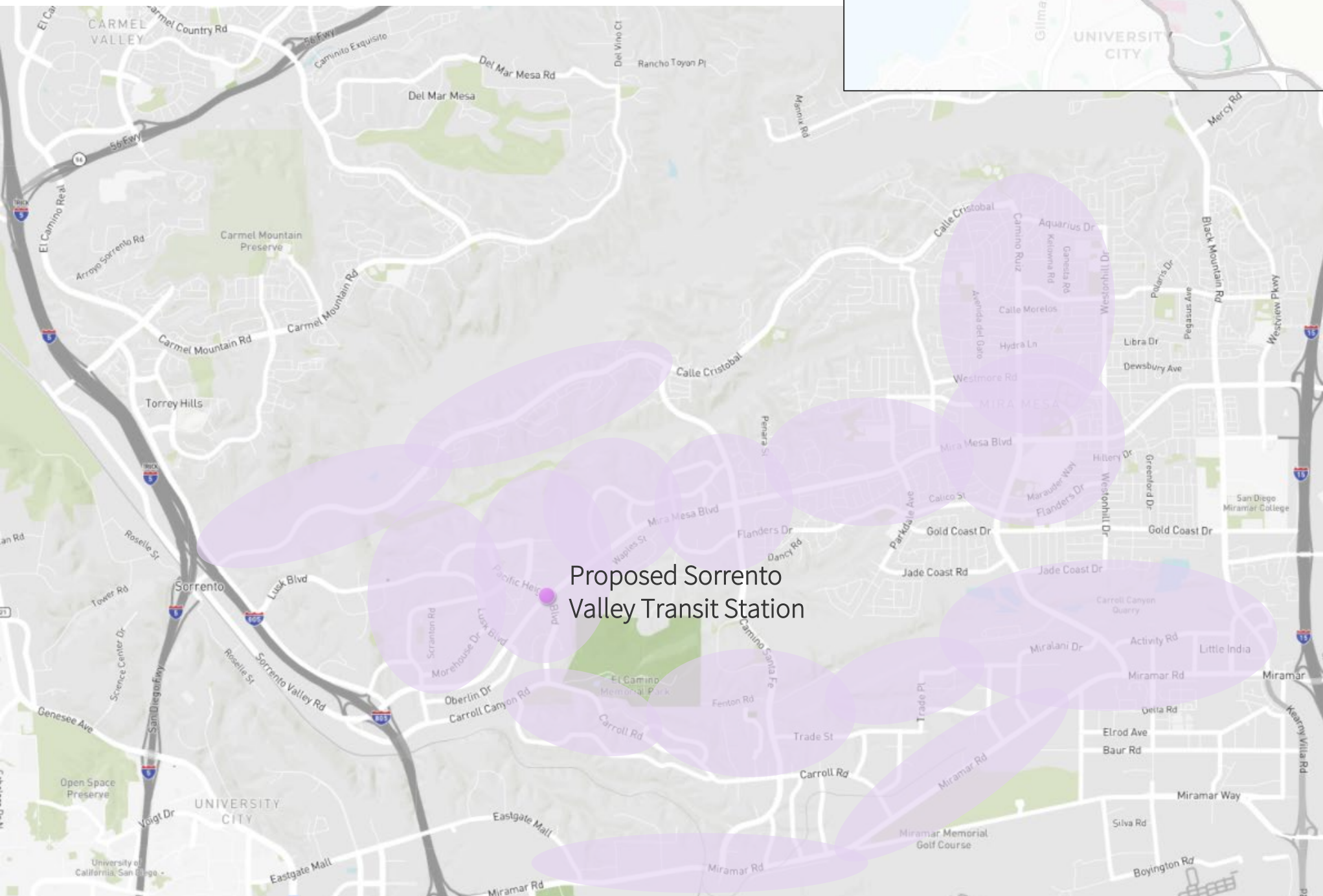
Source: JLL Research



Recommended Search Parameters

In order to further the County's goals for the Project. The property search should leverage the following:

- Transit improvements
 - Around new commuter and light rail stations
 - Along new light rail or rapid bus lines
- Zoning – Mira Mesa Community Plan update. Based on the recommended land use scenario, property acquisition should focus on:
 - Transit Priority Areas
 - Activity Hubs: 15-minute walkshed



Site Search

- Currently there are two properties being marketed for-sale in the Sorrento Valley Corridor study area that would be potential options for acquisition. There is also one that is included but is outside the search parameters. There are additional properties marketed for sale. However, they were not included in this search because they are:
 - Not located within search area;
 - Not on a large enough parcel (site size of at least one-acre is optimal for higher density, mixed-use development);
 - Currently in escrow
- JLL reviewed State-owned properties to determine if any would be suitable for redevelopment. The Sorrento Valley Park & Ride at 12791 Sorrento Valley Road is the only property in the study area. However, it does not fall in the recommended search area.
- County staff also provided a web map showing publicly-owned parcels that have been identified for affordable housing development. JLL reviewed the map. There is only one publicly-owned site that is a possible option for the County to acquire and redevelop. A few other sites were considered. However, it was determined they could not be developed because of either topography issues or preservation/natural habitat designations.
- The properties/sites with acquisition and redevelopment potential are summarized in the following pages.

6610 Nancy Ridge Rd



Privately-Owned Property for Sale

- Existing 34,000 square foot office/ flex building
- The property is currently for sale for \$5,399,000 (or \$159 per SF)
- The site is zoned Industrial Light Zone 2-1, which provides for manufacturing and distribution services
- This property falls within the Mira Mesa Community Plan Update
- A potential disadvantage of the site is its surrounding uses are not residential and the future allowable uses remain to be determined

APN	343-310-17
Zoning	Industrial Light Zone 2-1
Site Size	66,647 SF (1.53 acres)
Asking Sale Price	\$5,399,000 (\$159 per SF)
Existing Use	Freestanding industrial/flex building



Source: Costar; LandVision

7720 Kenamar Ct



Privately-Owned Property for Sale

- Existing 60,000 square foot flex/light manufacturing building
- The property is currently for sale for \$27,000,000 (or \$447 per SF)
- The site is zoned Industrial Light Zone 2-1, which provides for manufacturing and distribution services.
- This property falls within the Mira Mesa Community Plan Update
- A potential disadvantage of the site is its surrounding uses are not residential and the future allowable uses remain to be determined. In addition, the high cost can be a barrier to acquisition.

APN	343-321-24-00
Zoning	Industrial Light Zone 2-1
Site Size	121,096 SF (2.78 acres)
Asking Sale Price	\$27,000,000 (\$447 per SF)
Existing Use	Freestanding industrial/flex building

Source: Costar; LandVision



4475 Executive Drive



Privately-Owned Property for Sale

- Existing 29,000 square foot office building north of La Jolla Village Drive in the UTC office submarket
- The property is currently for sale for \$17,750,000 (or \$621 per SF)
- The site is zoned Industrial Light Zone 3-1, which provides for manufacturing and distribution services. However, the University Community Plan Update envisions a mix of residential and commercial uses in this area.
- It is surrounded by both commercial and residential zones and is also located near the new trolley stop on Genesee Ave.
- Potential disadvantages: the site is currently outside the search area, has a small footprint, and has a high asking price.

APN	345-080-17-00
Zoning	Industrial Light Zone 3-1
Site Size	26,136 SF (0.6 acres)
Asking Sale Price	\$17,750,000 (\$621 per SF)
Existing Use	Freestanding office building



Source: Costar; LandVision

Camino Ruiz & New Salem Street



Publicly-Owned Land

- Surface parking lot allows for easier redevelopment
- Surrounding parcels are zoned Office Commercial (provides for professional and financial services) and Community Commercial (intended to encourage a wide variety of retail goods and services for the community)
- The Mira Mesa Community Plan Update contemplates an Urban Village land use designation for this area with housing density of up to 73 dwelling units per acre
- However, given the relatively small site size this results in a limited amount of new housing

APN	311-320-56-00
Owner	City of San Diego
Site Size	23,522 square feet (0.54 acres)
Existing Use	Surface parking lot

Source: Costar; LandVision



Next Steps



The highly competitive and high-priced market could be a barrier to the County's acquisition of properties in the Sorrento Valley Corridor study area. Alternatively, the County and City of San Diego could collaborate to incentivize private development of mixed-use, residential projects in the study area through policies, such as reduced parking requirements, expedited approvals process, or fee waivers or reductions.



While it would be very difficult to compete with life science investors/developers in the near term, the County could work with the City of San Diego to further examine the redevelopment potential of the Camino Ruiz and New Salem St. site.

Sorrento Valley Corridor Study Area

Sorrento Valley Corridor Study Area

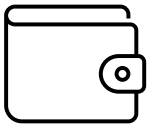


Demographics Summary

- Location overview
 - ~ 18 square miles
- Growing population since 2010 and expected to continue
 - 0.9% : 2010-2021 Annual Population Growth Rate
 - 2026 Population forecasted to be 49,112
 - 1.05%: 2021-2026 Annual growth rate



46,616 Population




\$127,801 Median household income



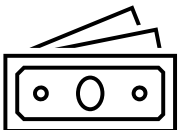
101,362 Daytime Population



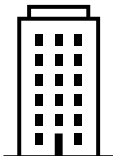
36.6 Median Age



2.7 Average household size



59,765 Per Capita Income



45.6% Owner-occupied housing units - 2021



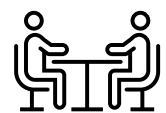
Source: SANDAG, ESRI Business Analyst

Sorrento Valley Corridor Study Area

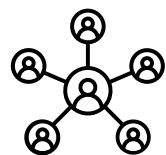


Employment Summary

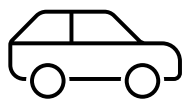
- Top Employment Sectors: State Government Education, Professional, Healthcare, Tech and Finance.
- Highly educated workforce and affluent population thanks to tech, healthcare industries



8,023 Total Businesses



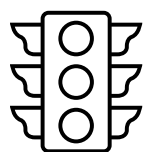
113,044 Total Employees



76.1% drive alone to work



4.2% use public transit

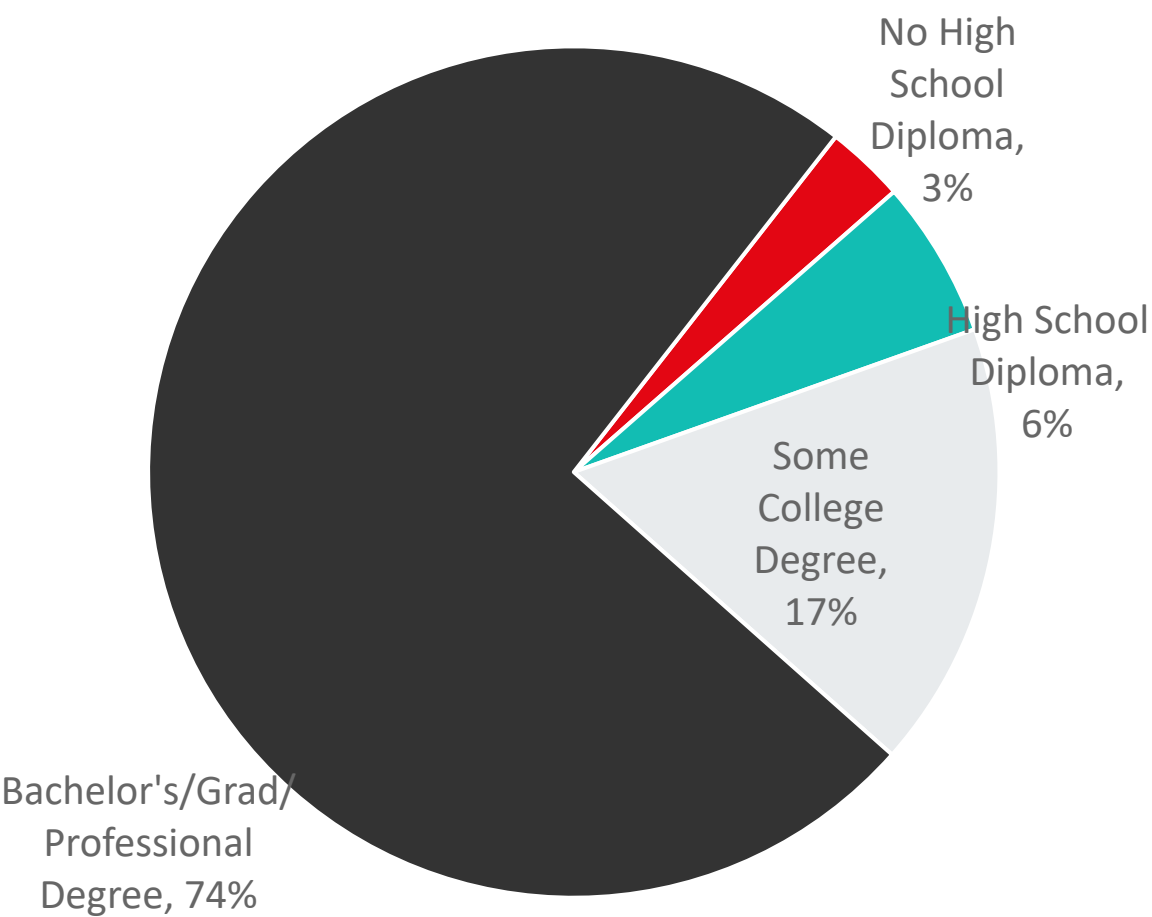


19% spend more than 7+ hours commuting to and from work



0.9% bike to work

Educational Attainment



Source: SANDAG, ESRI Business Analyst

Sorrento Valley Employment Center



- Sorrento Valley falls within the Sorrento Valley Employment Center, as defined by SANDAG
- The Employment Center is split into the east and the west
 - The top industry in the East is Professional, scientific and technical services, whereas in the west it is State government education
- The 129,242 jobs in the Sorrento Valley Employment Center represent 8.5% of the jobs in the region and 16.1% of the region's total labor income
- More than 60% of the commuters travel from within San Diego



Real Estate Market Assessment

Multifamily Housing Market



Sorrento Valley

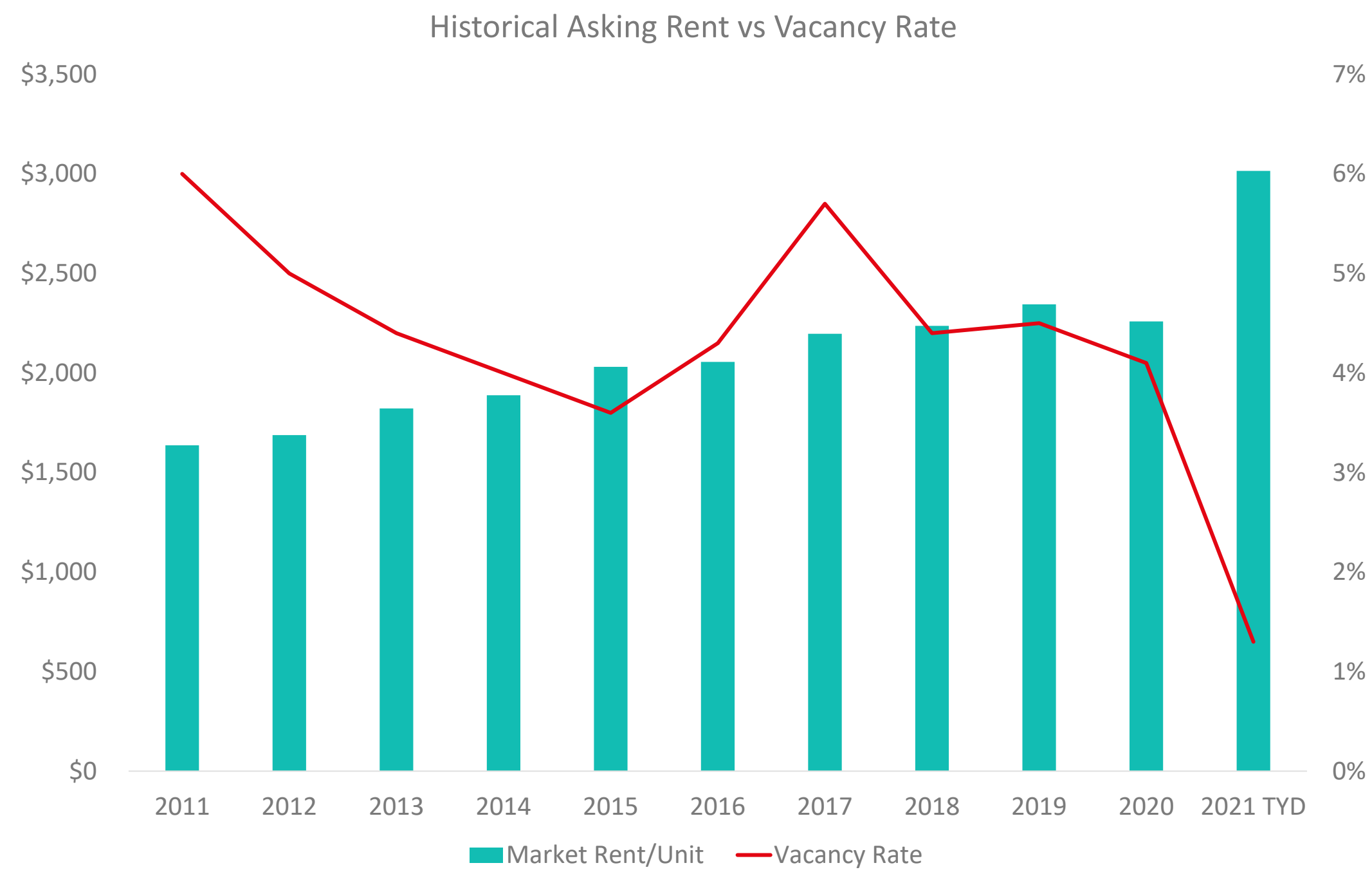
- For the purposes of this housing market overview, JLL excluded the portion of the study area west of the I-805, or University Town Center (UTC) area because the residential market in UTC is not indicative of the rest of Sorrento Valley as defined by SANDAG.
- Sorrento Valley – along with other markets – experienced a drop in rental rates the last year during the pandemic, but rates have fully recovered and rent growth has increased in 2021. The average asking rent per unit in 3Q 2021 was \$3,015.
- Sorrento Valley has limited inventory relative to the other submarkets in San Diego, but the market is as tight as the other residential-focused markets
- The recovery has been driven primarily by luxury communities and mid-tier inventory as many employees returned to their offices during 2021 following an initial surge in demand that was concentrated in more suburban submarkets.
- Vacancy has also stabilized since the onset of the pandemic where overall vacancy rates were 4.9% in Q2 2020 and have reached 1.3% in Q3 2021.
- Currently nothing is under construction, however a 750-unit development is proposed in the southern portion of Sorrento Valley (7131-7151 Carroll Road)



Source: Costar

Multifamily Housing Market

Sorrento Valley



- A limited number of developments have been built since 2010 – a total of three for a total of 665 units
- Rents have recovered since the pandemic, with rent growth turning positive in Q1 2021 after 3 negative quarters (2Q20-4Q20)
- Sales activity has been limited to only a few transactions in the last 5 years. One to note was 10500 W Ocean Air Drive in 2017 for \$55M (\$550K/unit)
 - 100 units; built in 2015

	Sorrento Mesa
Submarket Inventory	3,436 units
Total Vacancy	1.3%
Units under construction	0 units
12-month absorption	102 units
Market Sale Price/Unit	\$473K
Market Cap Rate	4.3%

Life Sciences Market

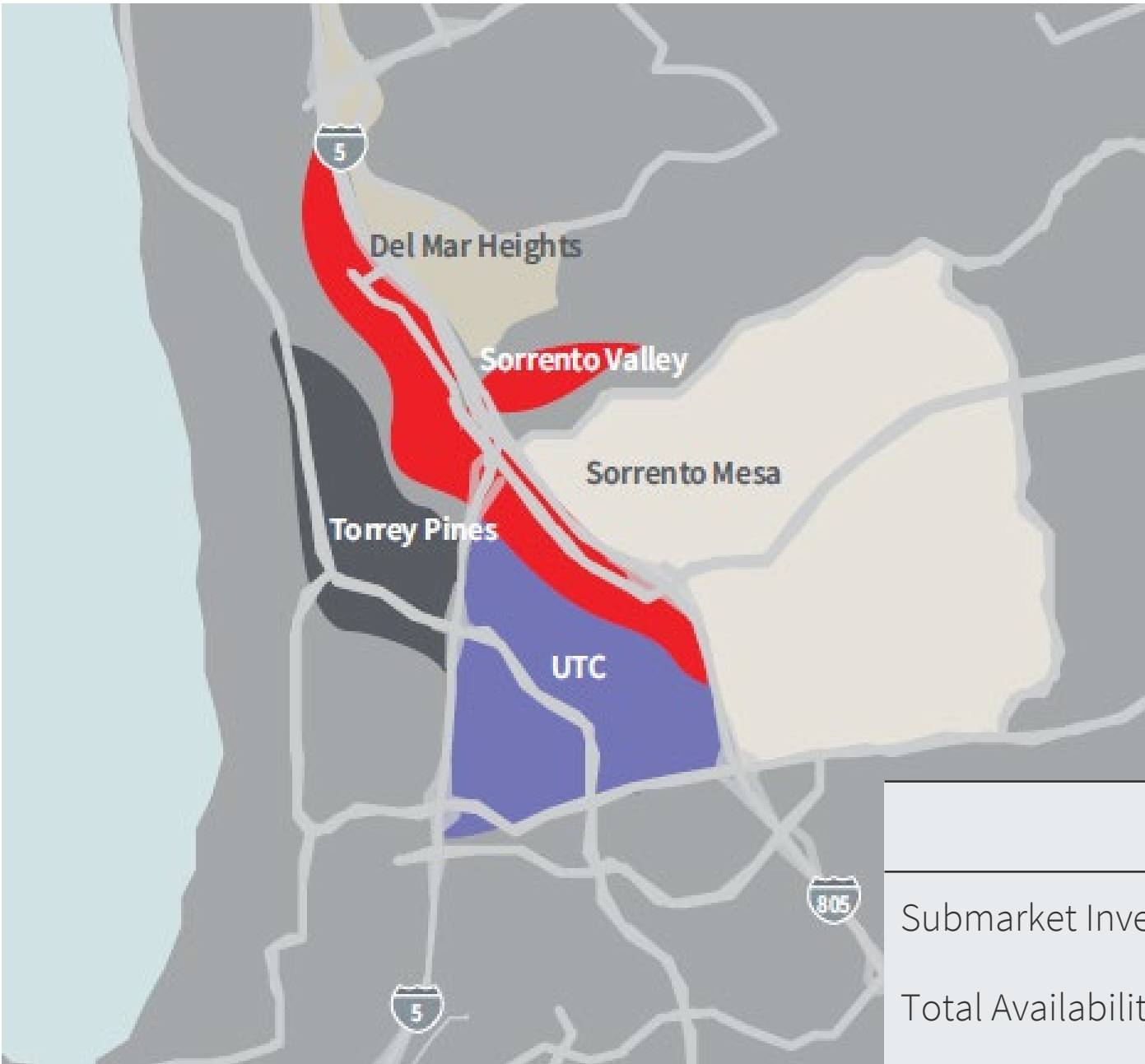
Sorrento Mesa Submarket



On the tailwinds of record investment into the sector, the expansion of the life sciences industry remains strong. San Diego remains one of the top three national clusters and continues to attract a strong flow of investment in both capital and talent.

The Sorrento Mesa submarket, which is slightly larger than the Sorrento Valley Corridor study area, is one of the submarkets that comprise the core San Diego Life Sciences cluster. With approximately 6.1M square feet of lab space, Sorrento Mesa has the largest inventory of all the submarkets.

Leasing activity during the third quarter reached record levels and strong company growth has reduced availability of lab space to record lows. The imbalance of supply and demand, coupled with rising construction costs, has caused significant increases in rental rates. Class A asking rental rates in Sorrento Mesa are now hovering between \$5.50 to \$5.80 NNN per square foot (PSF) per month.



Source: JLL Life Sciences Group

	Sorrento Mesa
Submarket Inventory	6,055,663 SF
Total Availability	4.8%
Direct Availability	4.6%
Sublease Availability	0.2%
Q3 Net Absorption	+2.8%
Average Asking Rent (NNN)	\$5.49 PSF

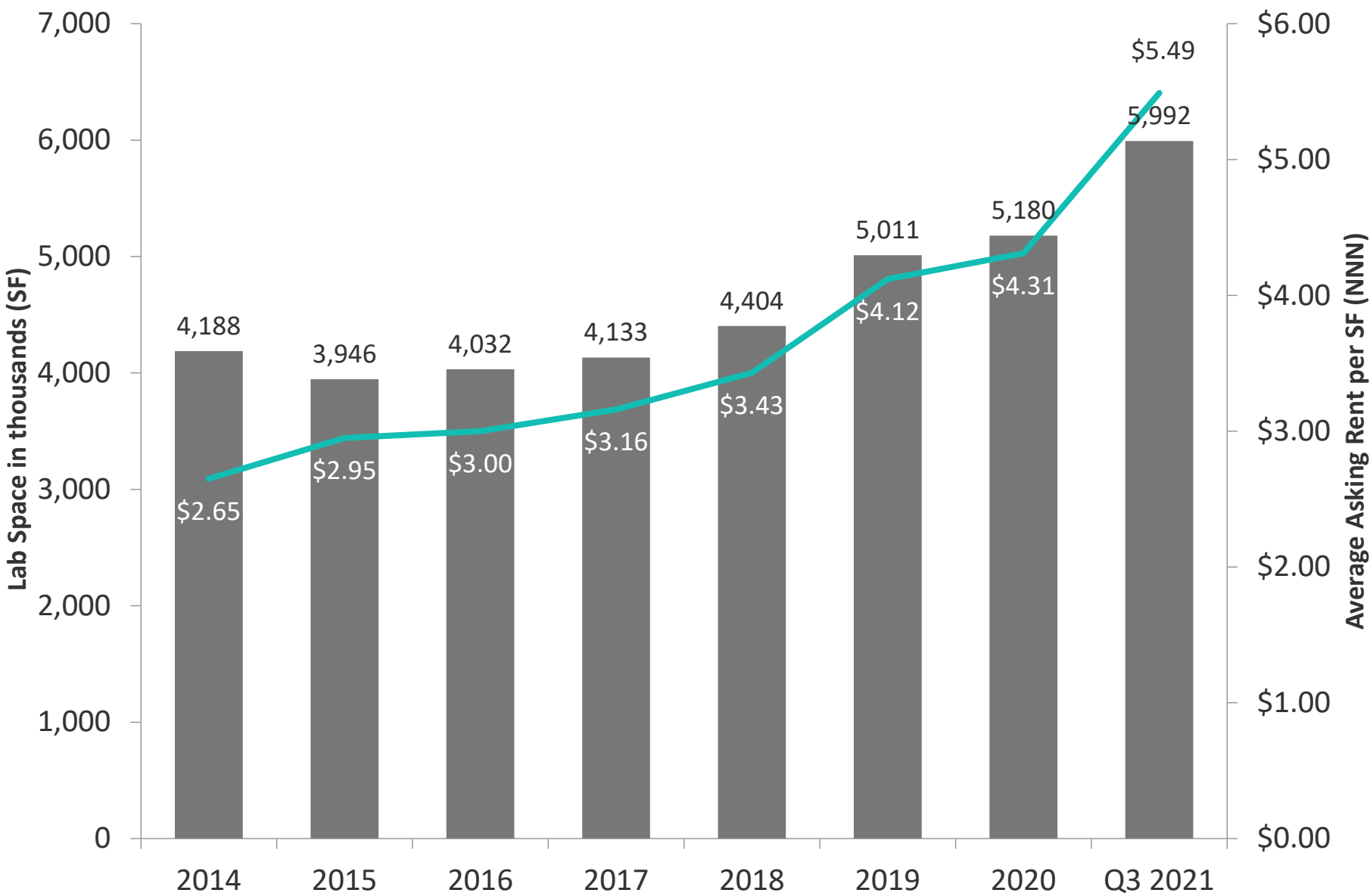
Life Science Market

Historic Inventory and Rents

Since 2014, increasing tenant demand has resulted in steady growth in inventory and rents in Sorrento Mesa.



Sorrento Mesa



Source: JLL Life Sciences Group

Life Sciences Market

Hyper-competitive environment with record sales pricing

- The list of real estate developers and investors with mandates to invest in the life sciences sector continues to grow.
- Large amounts of capital is being allocated to San Diego and in-turn creating a hyper-competitive environment.
- Pricing is reaching new records by San Diego standards, topping out at \$1,000 per square foot for new life science product.
- Over the past year, prolific tenant demand has caused an increasingly supply constrained environment leading investors to continue to underwrite stellar supply/demand fundamentals and accepting significant yield compression in order to win acquisition deals.
- This trend is expected to continue as tenant demand remains strong.

Source: JLL Life Sciences Group

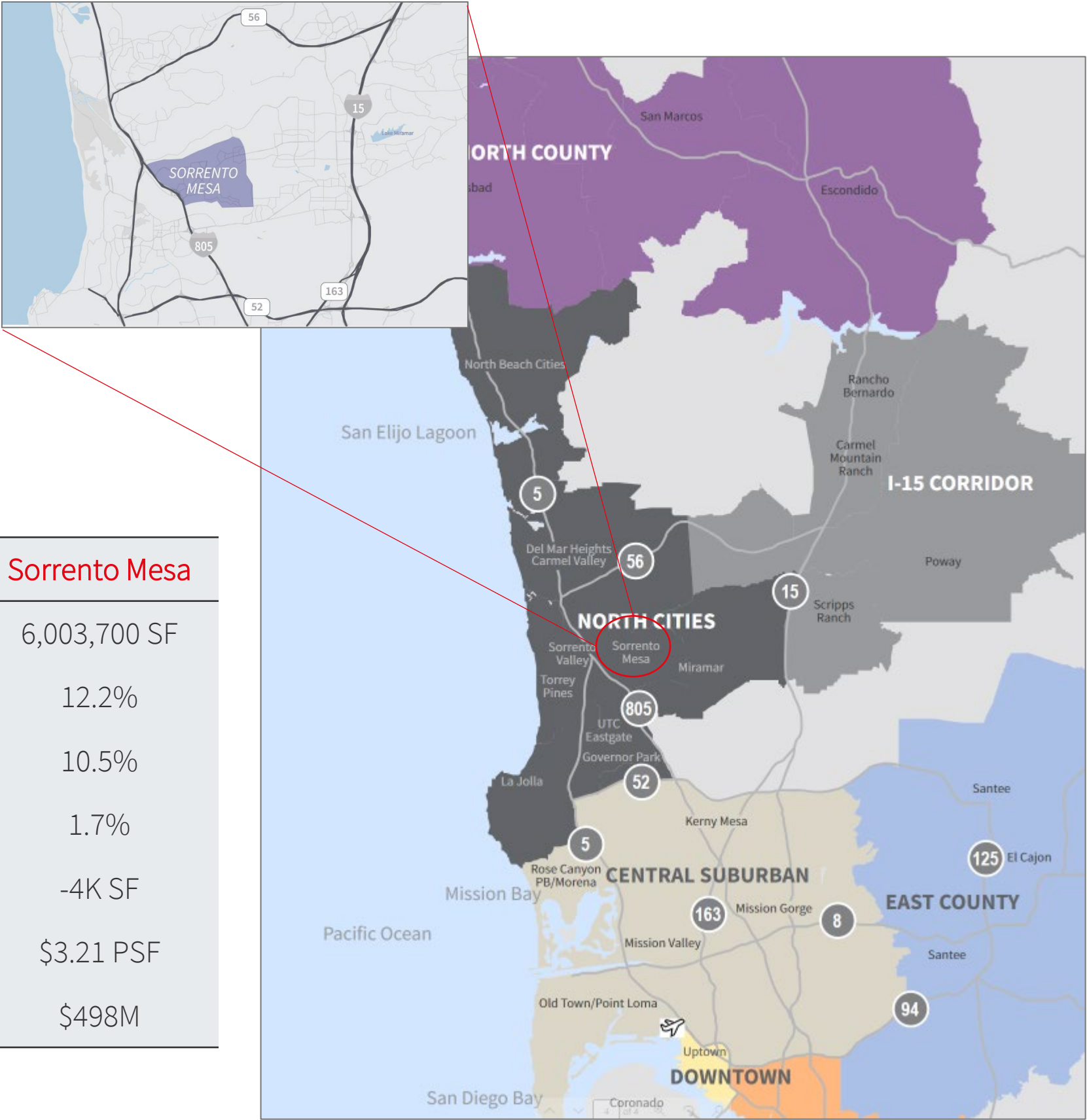
Office Market



Sorrento Mesa

- The Sorrento Mesa submarket, which includes most of the Sorrento Valley Corridor study area, is home to both life science tenants as well as corporate headquarters.
- Life Sciences continues to be a notable source for lab use
- Within the past 18 months, there has been roughly 2 million SF of office-to-lab conversions primarily in Sorrento Mesa.
 - Existing inventory has shrunk by about 7% since Q1 2018
- Market sentiment remains positive despite the uneven demand for office and lab space

	Sorrento Mesa
Submarket Inventory	6,003,700 SF
Total Availability	12.2%
Direct Availability	10.5%
Sublease Availability	1.7%
Q3 Net Absorption	-4K SF
Average Asking Rent (FSG)	\$3.21 PSF
YTD Sales Volume	\$498M



Source: JLL Research



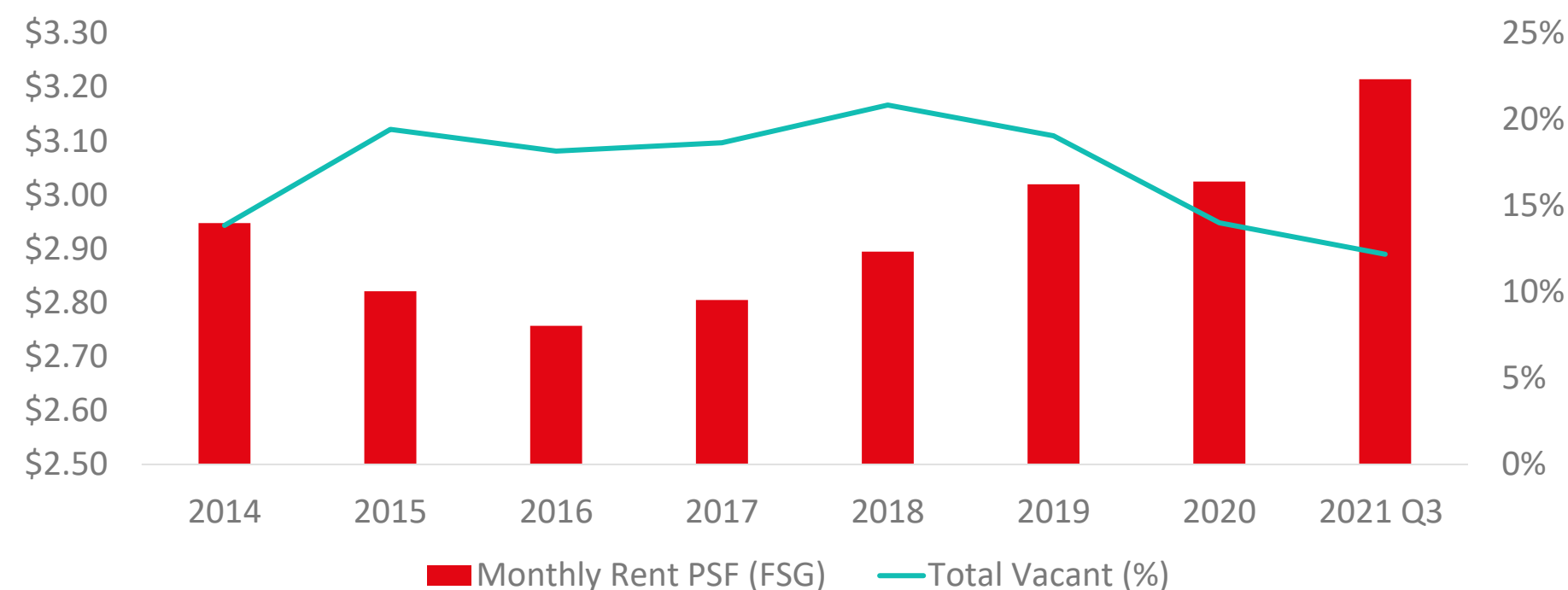
Office Market

Rents, Vacancy, Sales

Vacancy rates have been on the decline since Q4 2019, when vacancy rates were 19.1%. This can be partially attributed to office space coming off the market with conversions to lab space. Vacancy is expected to continue to decline with more conversions slated.

The table on the left shows the 2021 office sales transactions, which were purchased by developers for life science conversion or redevelopment. With limited inventory for sale, life science developers are driving up sale prices with many properties selling quickly and for prices above asking.

Historical Asking Rents vs Vacancy Rate



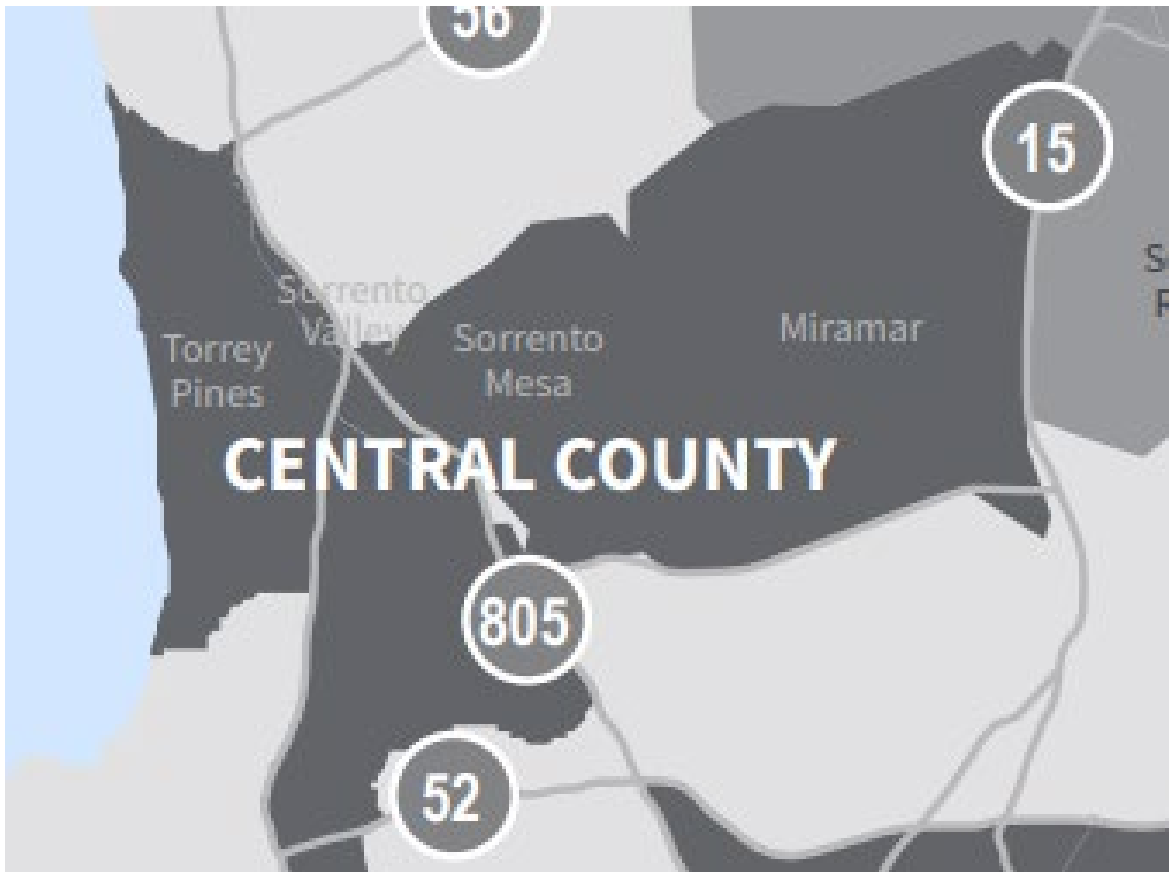
Recent Sorrento Mesa Office Sales for Life Sciences Conversion/Redevelopment

Property	Size (SF)	Price	Price PSF	Sale Date
9980 & 10020 Huennekens St	92,830	\$41,300,000	\$445	10/2021
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5889-5893 Oberlin Dr	64,424	\$25,750,000	\$400	3/2021
Weighted Average			\$407	

Source: JLL Research

Industrial Market

Sorrento Mesa & Miramar



Q3 2021 was another strong quarter for the San Diego industrial market, as year-to-date (YTD) absorption now sits at an all time high. Dwindling availability has driven rents to an all-time high. Moreover, investor confidence in industrial product across San Diego was evident in Q3 with total annual sales volume on pace to post the strongest year on record.

The Sorrento Valley Corridor study area spans across the Sorrento Mesa submarket and part of the Miramar submarket. These two submarkets have rents that are higher than the countywide average. In fact, Sorrento Mesa has the highest rent of all the industrial submarkets in San Diego.

	Sorrento Mesa	Miramar
Submarket Inventory	7,047,143 SF	13,569,474 SF
Total Vacancy	2.4%	2.7%
YTD Net Absorption	141,686 SF	153,073 SF
MFG, WH/DIST Asking Rent (NNN)	\$1.80	\$1.30
Flex* Asking Rent (NNN)	\$1.84	\$1.46

Note: *Flex space is defined as having more than 10% of the building dedicated for office use.

Source: JLL Research

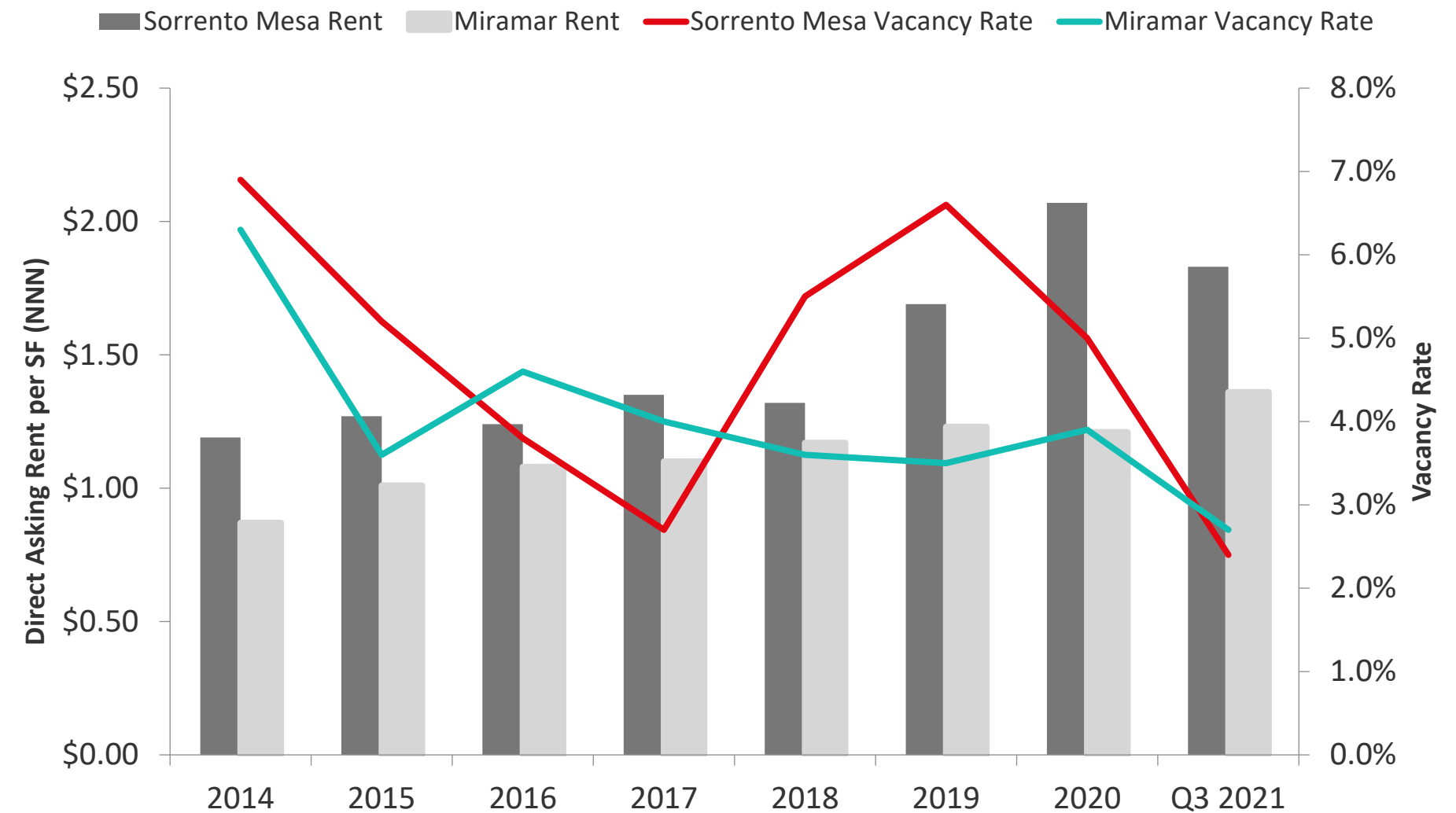
Industrial Market

Rents, Vacancy, Sales

Since 2014, average asking rent in the Sorrento Mesa submarket has steadily increased, while the vacancy rate has fluctuated and decreased dramatically since 2019. The Miramar submarket has seen the same positive trend in rents and decline in vacancy, though not as sharply over the past few years.

Similar to office, due to high demand in the life sciences industry, industrial properties are being purchased and converted to lab space – mainly in Sorrento Mesa. This has resulted in an increase in sales price for industrial properties with sales prices often above asking.

Historic Vacancy and Rent



Source: Costar

Recent Sorrento Mesa Industrial Sales for Life Sciences Conversion/Redevelopment

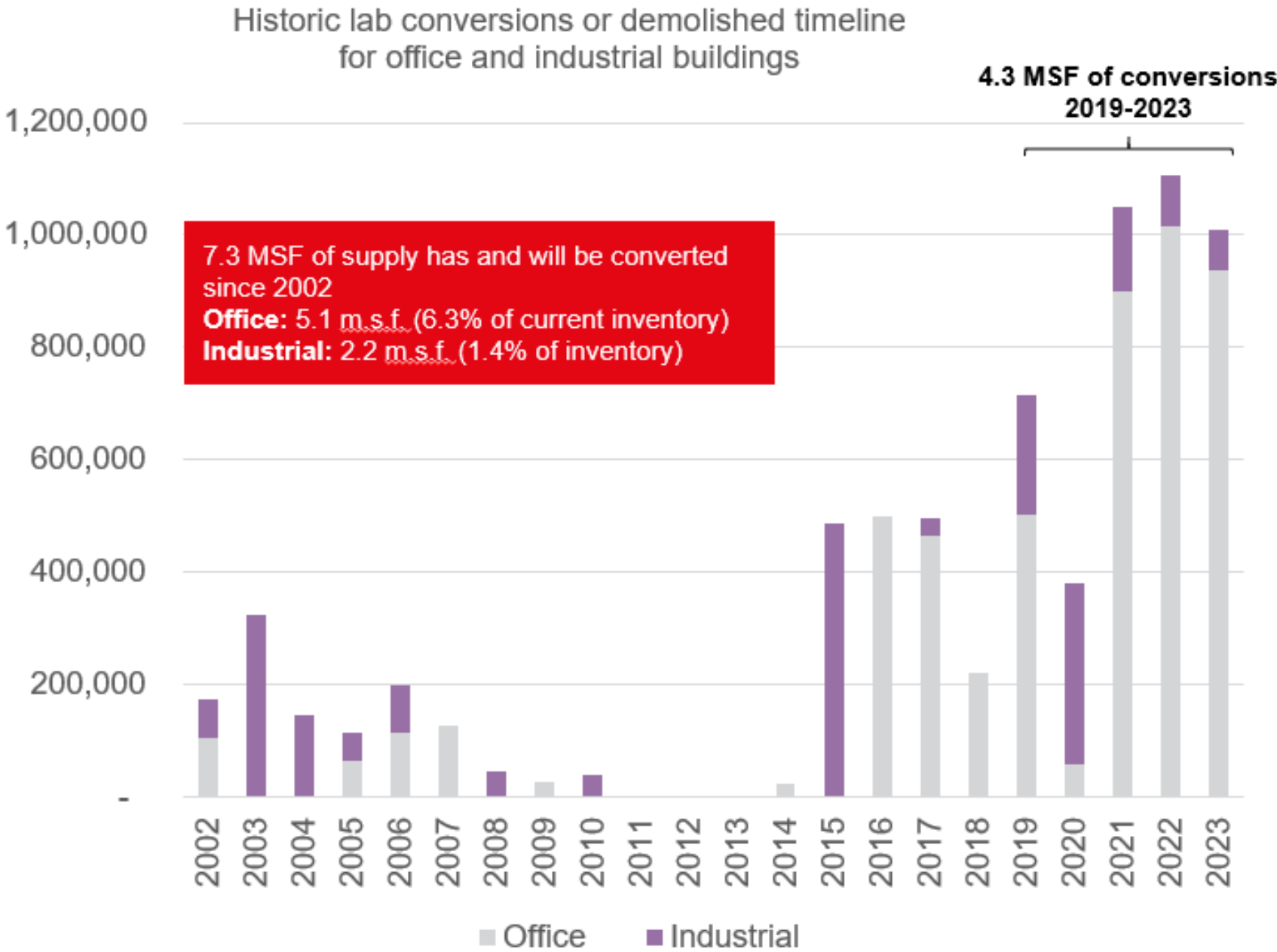
Property	Size (SF)	Price	Price PSF	Sale Date
6790 Flanders/10125 Mesa Rim	255,599	\$149,300,000	\$584	9/2021
10240 Flanders	64,036	\$13,300,000	\$207	12/2020
10045 Mesa	21,530	\$5,200,000	\$241	10/2020
10180 Barnes Canyon	93,840	\$39,000,000	\$416	5/2020
Weighted Average			\$475	

Source: JLL Research

Life Sciences Conversion / Redevelopment

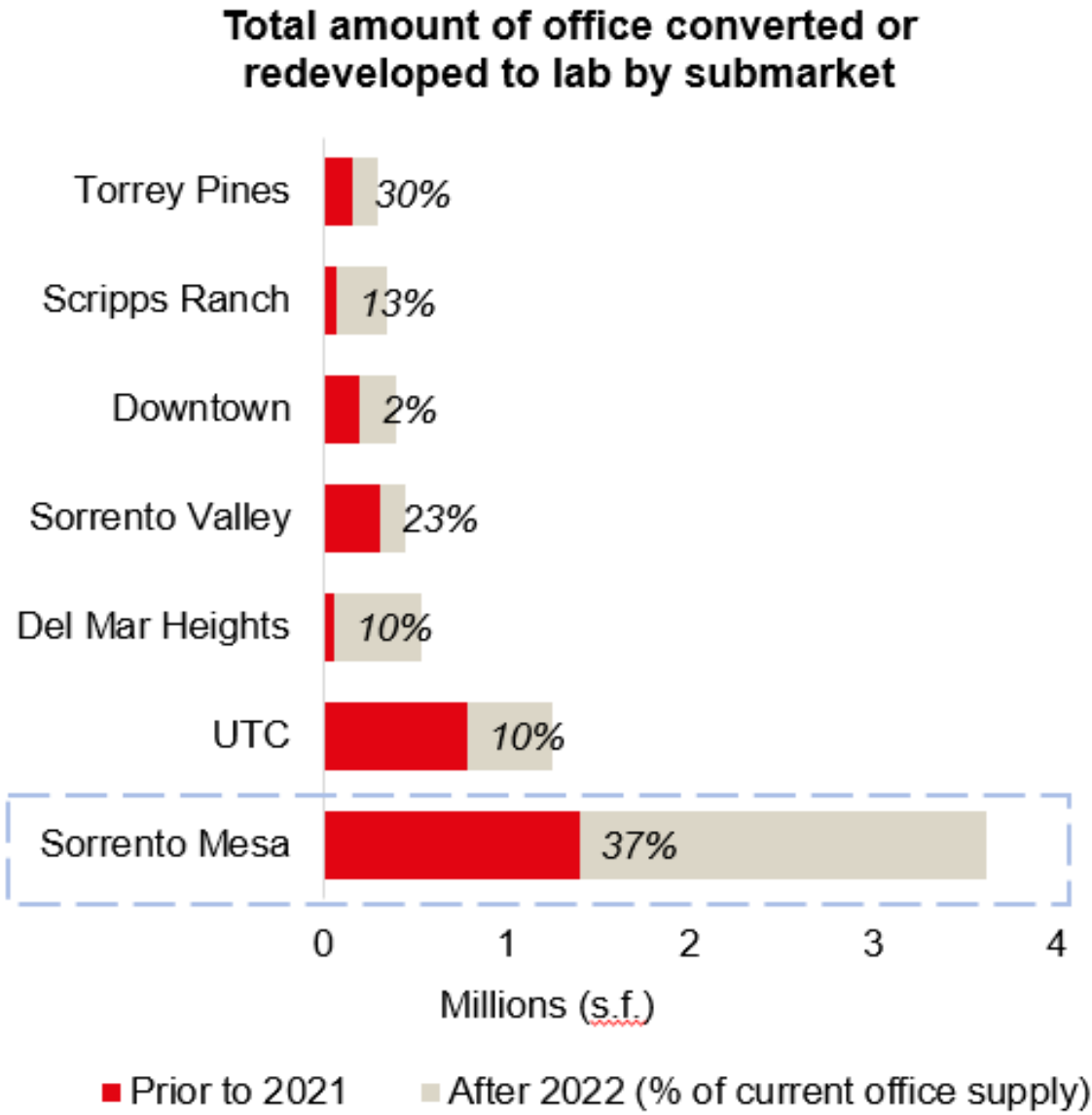


Supply continues to shrink as lab (biotech) conversion activity accelerates



*Industrial (includes flex R&D and warehouse)

Source: JLL Research



Retail Market

Sorrento Mesa/ Mira Mesa Submarket



Sorrento Mesa/Mira Mesa	
Submarket Inventory	4.3M SF
Total Availability	6.6%%
Under Construction	26K SF
Net Absorption	-18K SF
12-month Deliveries	5.3K SF
Market Sale Price/SF	\$390
Market Rent/SF	\$32.26

- With Statewide COVID-related restrictions expiring in Q2 2021, the retail sector now struggles with lack of workers. Despite this, retailers are still signing new leases as consumers’ comfort levels are returning to pre-pandemic levels.
- Sorrento Valley falls in the Sorrento Mesa/Mira Mesa submarket, which extends from just west of the 805 to east of the 15 freeway. The two major retail corridors are along Mira Mesa Blvd and Miramar Road
- The eastern portion of the submarket is filled with residential neighborhoods, which are becoming increasingly more coveted given their central location to employment nodes in Sorrento Mesa and UTC.
- The vacancy rate has fallen year over year from double digits, and rent growth, which has remained positive amid the pandemic, has outpaced the balance of the submarket.

Source: Costar

Search Parameters

Transit Improvements and Zoning Focus

Transportation Vision

SANDAG 2050 Regional Plan

Innovative new investments in the regional transportation network that adds capacity to the transportation system and offers people compelling alternatives to driving alone. Proximity or along proposed transit improvements will be a one of the parameters in the property search. A few of the strategies are described below:

- **Mobility Hubs** - communities with access to high-quality transit and a wide variety of travel options that connect people to their destinations.
- **Transit Leap** – new commuter rail services network that will provide faster, more frequent services to get people to employment and other destinations. The three main types of services are commuter rail, light rail, and Next Generation (Next Gen) Rapid bus.
- **Flexible Fleets** – shared mobility services, such as carshare, rideshare, bikeshare, and last-mile delivery options that will operate within and between Mobility Hubs.



Commuter Rail: uses higher-speed trains (more than 100 mph) in tunnels or on bridges, with trains every 5-10 minutes



Light Rail: uses fast trains (more than 55 mph) on rail lines, with light rail service every 7.5 minutes on Trolley lines and every 15 minutes on the SPRINTER



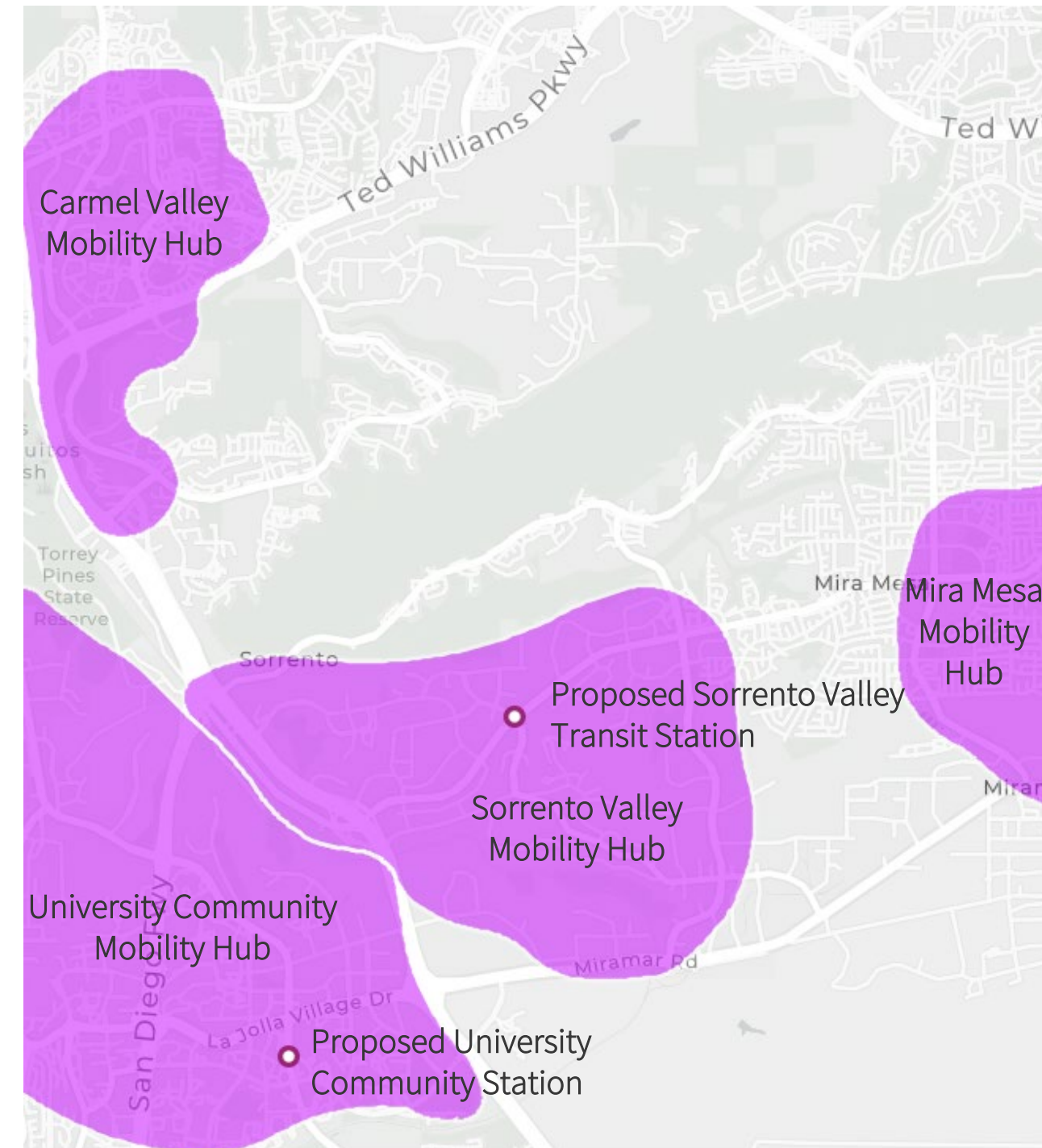
Next Gen Rapid bus: uses sleek and comfortable vehicles that can be configured to different size, can be automated in the future, and get priority on roads to enable travel at posted street speed, with vehicles every 10 minutes

Source: SANDAG

Sorrento Valley Transportation Improvements

Mobility Hubs and Anchor Stations

- The Sorrento Valley Corridor study area crosses four SANDAG identified Mobility Hubs
 - Entirety of the Sorrento Valley Mobility Hub
 - Eastern portion of the University Community Mobility Hub
 - Southeastern portion of the Carmel Valley Mobility Hub
 - Western portion of the Mira Mesa Mobility Hub.
- The following are the proposed anchor stations in the study area:
 - Sorrento Valley Transit Station: a focus area and proposed anchor station with access to commuter rail, light rail, next gen rapid, and all flexible fleet services. New and enhanced services could improve access to opportunities at San Diego's largest employment center.
 - University Community Station: anchor station with access to commuter rail, light rail, next gen rapid, and all flexible fleet services.



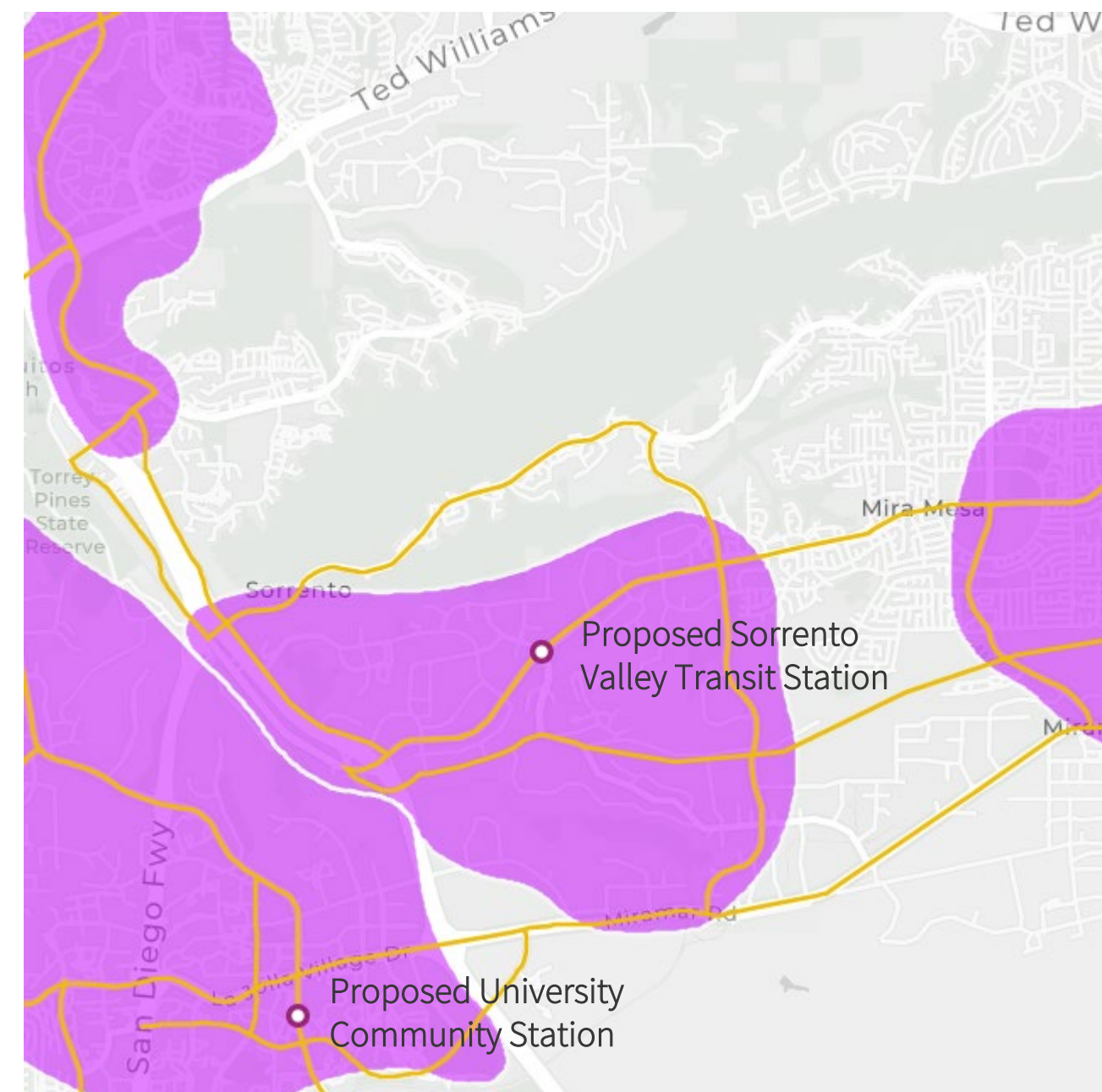
Source: SANDAG

Sorrento Valley Transportation Improvements

Complete Corridors – Regional Arterials

The arterial corridors would improve access for all modes with a focus on transit, active transportation, urban goods movement, and pooled ride services. The arterial corridors that fall within the Sorrento Valley Corridor study area (highlighted in yellow on the map) are along:

- Sorrento Valley Boulevard
- Mira Mesa Boulevard
- Carroll Canyon Road
- Miramar Road
- Camino Santa Fe
- Camino Ruiz

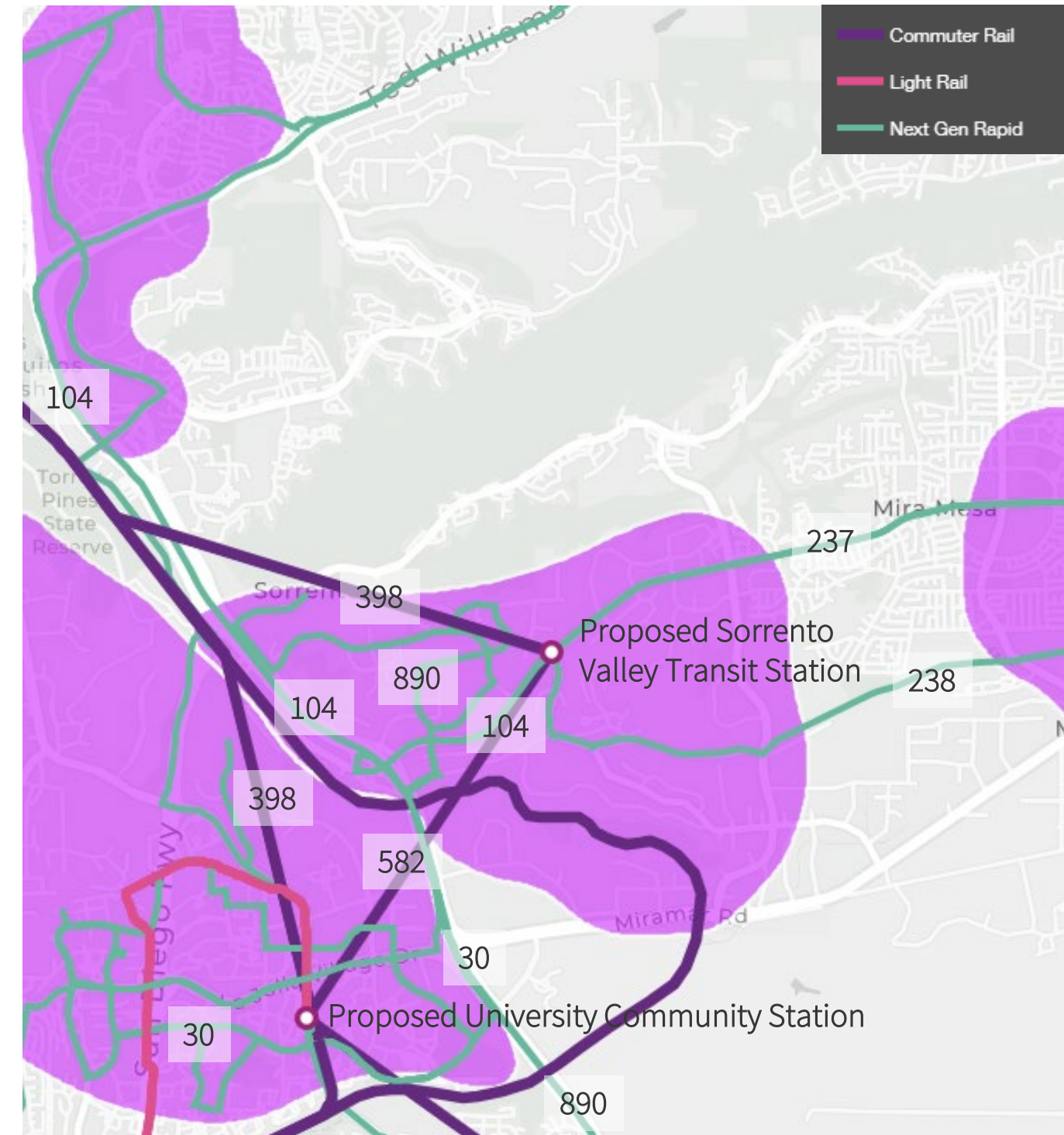


Source: SANDAG

Sorrento Valley Transportation Improvements

Transit Leap

- Commuter Rail
 - Commuter Rail 582: Sorrento Mesa to National City via UTC, Kearny Mesa, and University Heights. Planned for 2035.
 - Commuter Rail 398 (COASTER): From Oceanside to downtown San Diego (build Sorrento Mesa and UTC tunnels, add station at Balboa Ave). Planned for 2050.
- Next Gen Rapid
 - Rapid 104: Sorrento Valley Station to Sabre Springs via SR-56. Planned for 2050.
 - Rapid 238: UC San Diego to Rancho Bernardo via Sorrento Valley Station and Carroll Canyon. Planned for 2035.
 - Rapid 237: UC San Diego to Rancho Bernardo via Sorrento Valley Station and Mira Mesa. Planned for 2035.
 - Rapid 30: Balboa Station to Sorrento Mesa via Pacific Beach, La Jolla, UTC. Planned for 2035.
 - Rapid 890: El Cajon to Sorrento Mesa via Santee, SR-52, I-805. Planned for 2035.

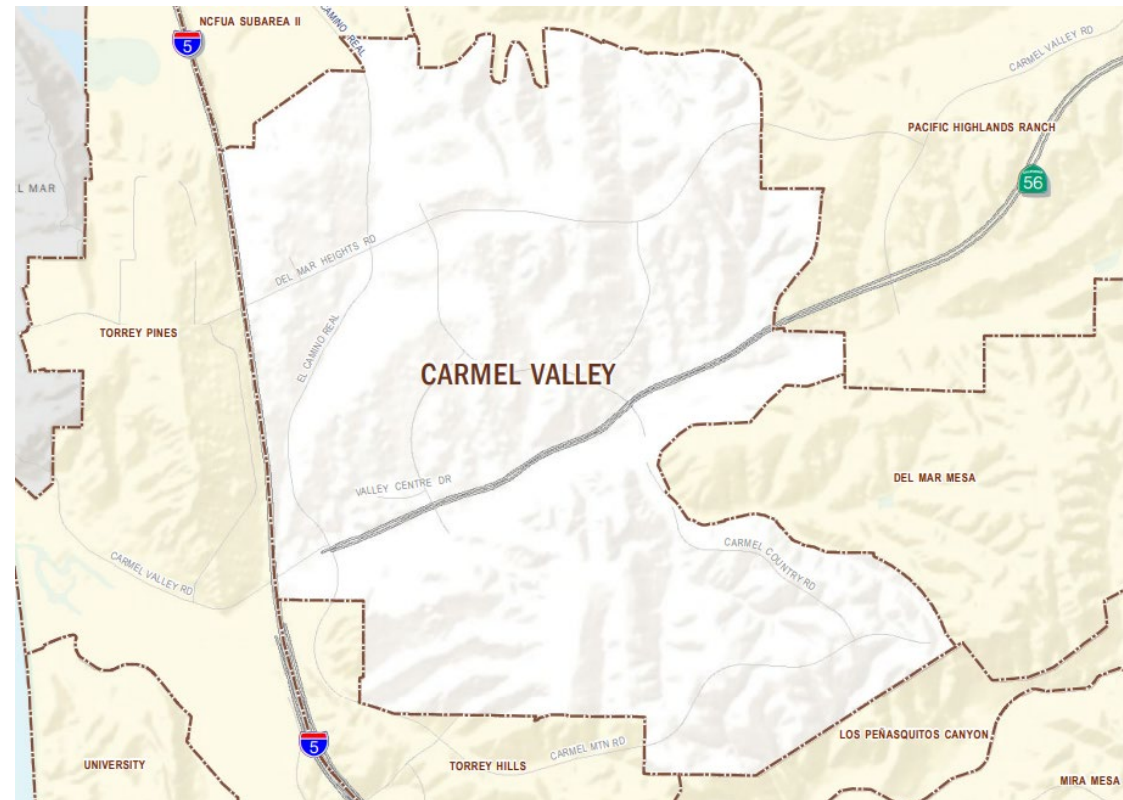


Source: SANDAG

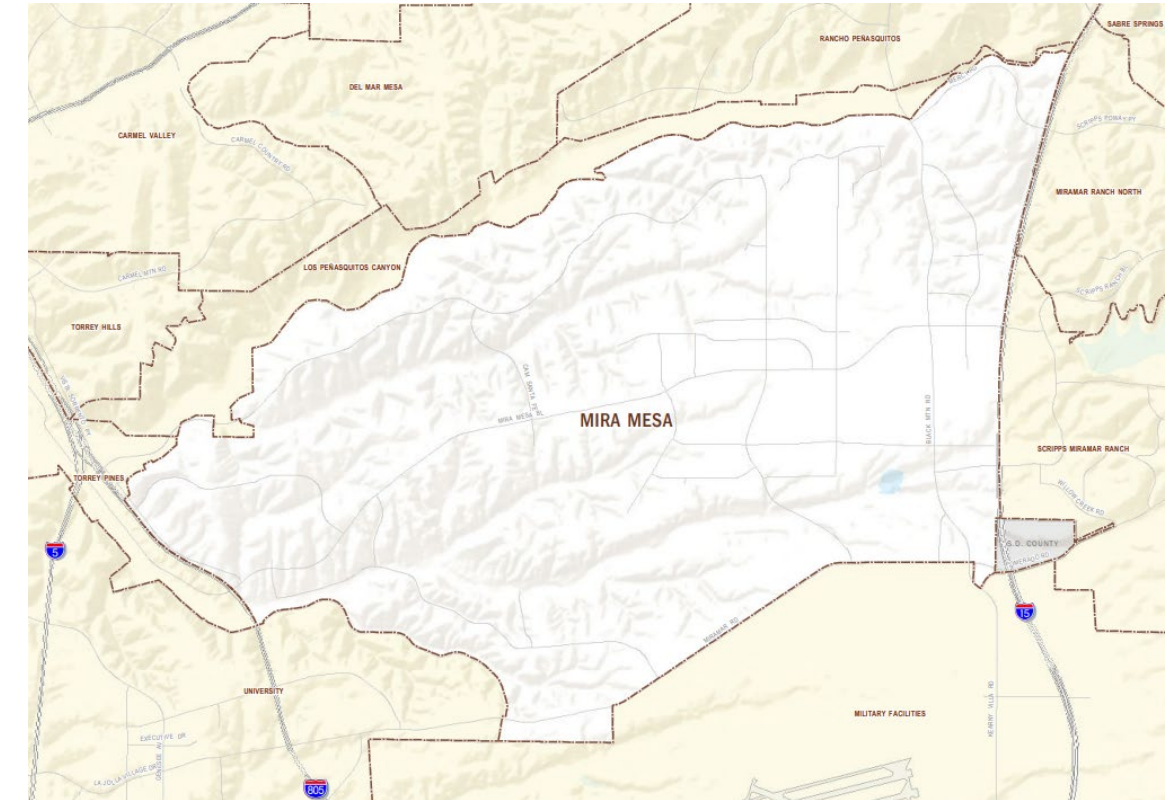
Zoning

The Sorrento Valley Corridor study area spans across two main planning areas

- Carmel Valley Community Plan (adopted in 1975), superseded by the City of San Diego's General Plan amendment in 2008
- Mira Mesa Community Plan is currently in the process of being updated. Therefore, the following pages will focus on the proposed changes and the impact this may have on the County's goals in the Sorrento Valley Corridor.



Carmel Valley Community Map



Mira Mesa Community Map

Mira Mesa Community Plan Update

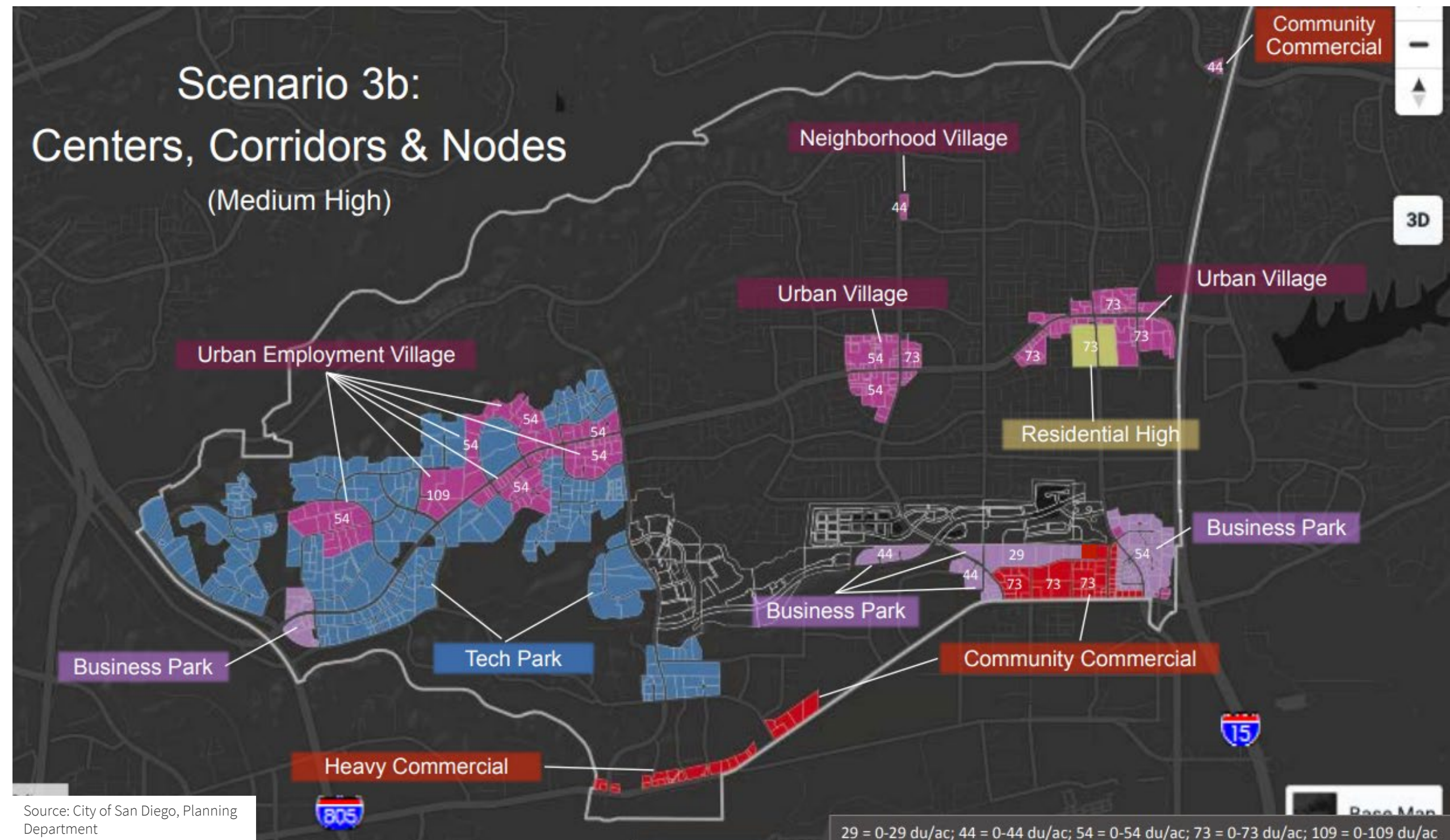


Recommended land use scenario

The City of San Diego is updating the Mira Mesa Community Plan, which was adopted in 1992. The process began in 2018 and is expected to conclude this year or in early 2022.

In May 2021, the Mira Mesa Community Plan Update Advisory Committee recommended a land use scenario (as shown on the right).

The recommended land use scenario plans for higher growth projections with a focus on more housing to address the jobs and housing balance. In addition, much of the housing growth is within a Transit Priority Area and within a 15-minute walk to activity hubs. The highest density housing is planned near the proposed Sorrento Valley Station.



Mira Mesa Community Plan Update



Mixed-use land use categories align with the type of development envisioned by the County

In particular, the mixed-use land use categories align with the type of development the County envisions through potential site acquisition.

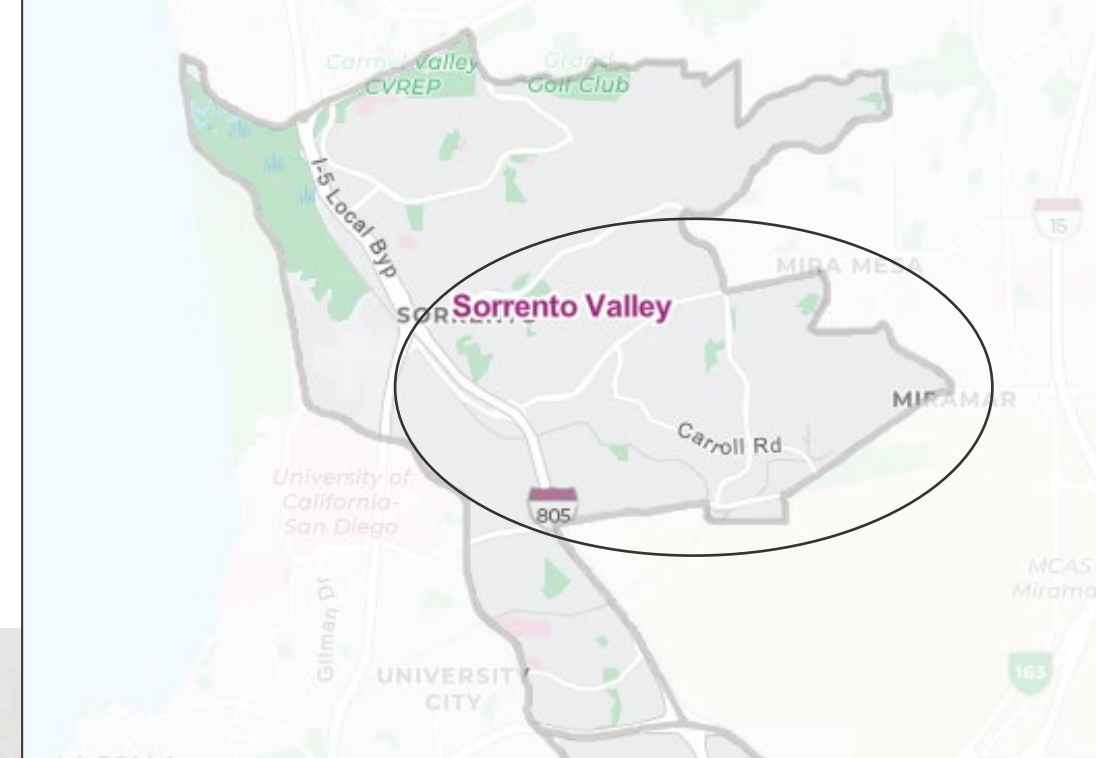
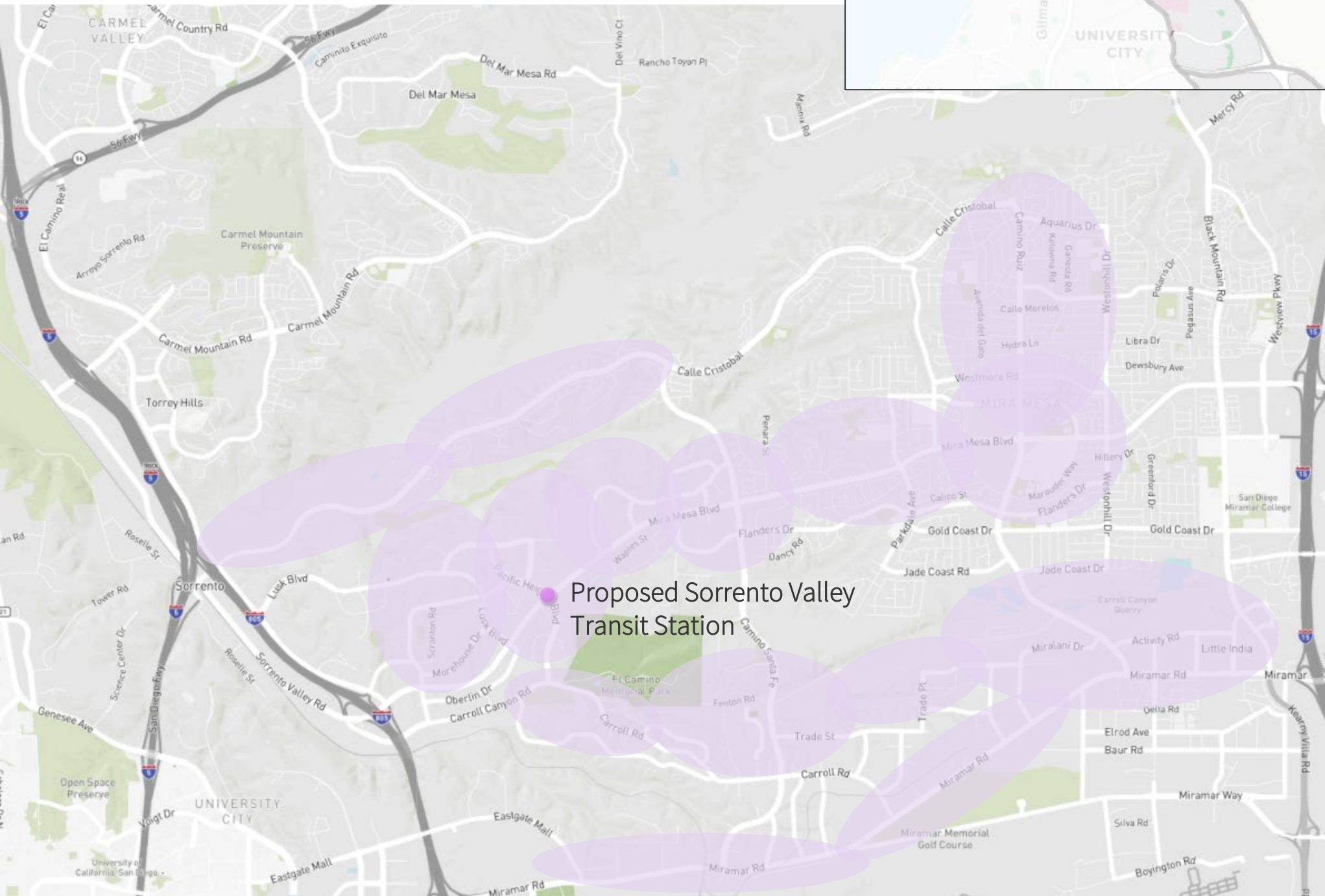
- Neighborhood Village: housing in a mixed-use setting and convenience shopping, civic uses, and services serving a three-mile radius. Residential density of 29-44 dwelling units per acre (du/ac).
- Community Village: housing in a mixed-use setting and serves the commercial needs of the community-at-large. Integration of commercial and residential use is emphasized; civic uses are an important component. Residential density of 29-54 du/ac.
- Urban Village: serves the region with many types of uses, including housing, in a high-intensity, mixed-use setting. Integration of commercial and residential use is emphasized; larger civic uses and facilities are a significant component. Residential density of 54-73 du/ac.
- Urban Employment Village: allows mixed-use development where employment uses are balanced with potential residential uses. Employment uses are the primary use with residential uses allowed. Developments can create unique housing opportunities that support creative office, business incubators, and high-tech research and development uses. Residential density of 29-109 du/ac.

Source: City of San Diego, Planning Department

Recommended Search Parameters

In order to further the County's goals for the Project. The property search should leverage the following:

- Transit improvements
 - Around new commuter and light rail stations
 - Along new light rail or rapid bus lines
- Zoning – Mira Mesa Community Plan update. Based on the recommended land use scenario, property acquisition should focus on:
 - Transit Priority Areas
 - Activity Hubs: 15-minute walkshed



Identified Properties

Site Search

- Currently there are two properties being marketed for-sale in the Sorrento Valley Corridor study area that would be potential options for acquisition. There is also one that is included but is outside the search parameters. There are additional properties marketed for sale. However, they were not included in this search because they are:
 - Not located within search area;
 - Not on a large enough parcel (site size of at least one-acre is optimal for higher density, mixed-use development);
 - Currently in escrow
- JLL reviewed State-owned properties to determine if any would be suitable for redevelopment. The Sorrento Valley Park & Ride at 12791 Sorrento Valley Road is the only property in the study area. However, it does not fall in the recommended search area.
- County staff also provided a web map showing publicly-owned parcels that have been identified for affordable housing development. JLL reviewed the map. There is only one publicly-owned site that is a possible option for the County to acquire and redevelop. A few other sites were considered. However, it was determined they could not be developed because of either topography issues or preservation/natural habitat designations.
- The properties/sites with acquisition and redevelopment potential are summarized in the following pages.

6610 Nancy Ridge Rd



Privately-Owned Property for Sale

- Existing 34,000 square foot office/ flex building
- The property is currently for sale for \$5,399,000 (or \$159 per SF)
- The site is zoned Industrial Light Zone 2-1, which provides for manufacturing and distribution services
- This property falls within the Mira Mesa Community Plan Update
- A potential disadvantage of the site is its surrounding uses are not residential and the future allowable uses remain to be determined

APN	343-310-17
Zoning	Industrial Light Zone 2-1
Site Size	66,647 SF (1.53 acres)
Asking Sale Price	\$5,399,000 (\$159 per SF)
Existing Use	Freestanding industrial/flex building



Source: Costar; LandVision

7720 Kenamar Ct



Privately-Owned Property for Sale

- Existing 60,000 square foot flex/light manufacturing building
- The property is currently for sale for \$27,000,000 (or \$447 per SF)
- The site is zoned Industrial Light Zone 2-1, which provides for manufacturing and distribution services.
- This property falls within the Mira Mesa Community Plan Update
- A potential disadvantage of the site is its surrounding uses are not residential and the future allowable uses remain to be determined. In addition, the high cost can be a barrier to acquisition.

APN	343-321-24-00
Zoning	Industrial Light Zone 2-1
Site Size	121,096 SF (2.78 acres)
Asking Sale Price	\$27,000,000 (\$447 per SF)
Existing Use	Freestanding industrial/flex building

Source: Costar; LandVision



4475 Executive Drive



Privately-Owned Property for Sale

- Existing 29,000 square foot office building north of La Jolla Village Drive in the UTC office submarket
- The property is currently for sale for \$17,750,000 (or \$621 per SF)
- The site is zoned Industrial Light Zone 3-1, which provides for manufacturing and distribution services. However, the University Community Plan Update envisions a mix of residential and commercial uses in this area.
- It is surrounded by both commercial and residential zones and is also located near the new trolley stop on Genesee Ave.
- Potential disadvantages: the site is currently outside the search area, has a small footprint, and has a high asking price.

APN	345-080-17-00
Zoning	Industrial Light Zone 3-1
Site Size	26,136 SF (0.6 acres)
Asking Sale Price	\$17,750,000 (\$621 per SF)
Existing Use	Freestanding office building



Source: Costar; LandVision

Camino Ruiz & New Salem Street



Publicly-Owned Land

- Surface parking lot allows for easier redevelopment
- Surrounding parcels are zoned Office Commercial (provides for professional and financial services) and Community Commercial (intended to encourage a wide variety of retail goods and services for the community)
- The Mira Mesa Community Plan Update contemplates an Urban Village land use designation for this area with housing density of up to 73 dwelling units per acre
- However, given the relatively small site size this results in a limited amount of new housing

APN	311-320-56-00
Owner	City of San Diego
Site Size	23,522 square feet (0.54 acres)
Existing Use	Surface parking lot

Source: Costar; LandVision



Transit-Oriented Development

Case Studies

Spring District/120th Street TOD

Bellevue, Washington

Sound Transit Transit-Oriented Development (TOD)

Sound Transit has established a TOD program, in concert with the expansion of its Link Light Rail service, partnering with private and non-profit developers to deliver affordable housing to a range of income levels, as well as new retail, restaurants, offices, and community spaces that contribute to creating vibrant neighborhoods with direct access to transit.

At **Spring District/120th Station**, TOD is planned on excess land comprising:

- 500 units of housing, of which 280 units will be affordable serving household income levels at or below 80% of area median income
- Creative financing strategies to support affordable housing development
- Over 400,000 square feet of office space
- Active ground floor retail and resident amenities and a public park

Wright-Runstead Spring District TOD

In addition to Sound Transit's TOD leadership, the private sector has responded to the benefit and value of transit connectivity. Wright-Runstead is developing a 36-acre, 16-block mixed use development of over 3 million square feet adjacent to the **Spring District/120th Station** with housing, office, hotel, residential and education uses. The development has already attracted top-tier companies. Facebook will occupy nearly 1 million square feet of owned and leased space, demonstrating the value of transit connectivity for the modern workforce.

Expansion of Sound Transit's Link service through Puget Sound's Eastside has been a centerpiece and catalyst for over **4**

million square feet of transit-oriented development serving public and private uses adjacent to the **Spring District/120th light rail station in Bellevue, Washington.**



San Carlos Transit Village

San Carlos, CA

San Carlos' Trestle Apartments

In 2013, the San Carlos City Council approved the Planned Development Plan, which includes:

- A TOD mixed-use development on 6.26 acre-site including eight new buildings (multi-family, commercial space), a public plaza in front of the San Carlos Historic Depot, and parking.
- The multi-family project (completed in 2019) consists of 202 units and will be spread across six three-story buildings
- 25,800 square feet of commercial space will be spread across two two-story buildings
- In addition to the mixed-use development, pedestrians now have wide sidewalks, street trees, pedestrian-scale lighting, parking along the new apartments, landscaped areas and courtyards to activate the pedestrian experience
- The development plan also includes a new multi-modal transit center, with parking for commuters.

Transit Center

The redesign of the two parking lots south of the station helped establish a multi-modal transit center, where those walking or biking to the station have dedicated access from El Camino Real.

It offers dedicated areas for shuttles, a bus stop, and bus and shuttle layovers.

Source: TGP, City of San Carlos, SM Daily

“(City of San Carlos) Mayor Olbert was glad to see the city’s housing stock get a boost from the development, which he noted has the potential to house many employees who previously worked in the city but could not find a place to live.”

-SM Daily Journal, August 31, 2019



Next Steps

Next Steps



The highly competitive and high-priced market could be a barrier to the County's acquisition of properties in the Sorrento Valley Corridor study area. Alternatively, the County and City of San Diego could collaborate to incentivize private development of mixed-use, residential projects in the study area through policies, such as reduced parking requirements, expedited approvals process, or fee waivers or reductions.



While it would be very difficult to compete with life science investors/developers in the near term, the County could work with the City of San Diego to further examine the redevelopment potential of the Camino Ruiz and New Salem St. site.



Thank you!