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LATHAM&WATKINS LLP

April 25, 2018

VIA EMAIL

Ashley Smith
Planning and Development Services
County of San Diego
5510 Overland Avenue, Suite 310
San Diego, CA 92123

Re: Request for Recirculation of Draft Environmental Impact Report for the <u>Newland Sierra Project Due to Misleading and Inaccurate Claims</u>

Dear Ms. Smith:

I am writing on behalf of my client, Golden Door Properties, LLC ("Golden Door") to request that the County of San Diego withdraw the existing the Draft Environmental Impact Report ("EIR"), SCH No. 2015021036, and revise and recirculate it, pursuant to the California Code of Regulations, Title 14, section 15088.5(a)(4). Section 15088.5(a)(4) requires an EIR to be recirculated when it is "so fundamentally and basically inadequate and conclusory in nature that meaningful public review and comment were precluded."

That is the case here, because the project applicant, along with its primary environmental consultant (Dudek), have consistently and inaccurately set forth to the public a fundamentally inaccurate and misleading project comparison that includes "two million square feet of office space and big box retail" (See Enclosure 1: April 13, 2018 mailing by project applicant to County residents; see also Draft EIR at p. 1-34 [Project Description Chapter, asserting that "existing General Plan land use designations would allow approximately 99 residential dwelling units and 2,008,116 square feet of commercial space.") This oft-repeated statement by the project proponent and Dudek is false, and relying upon this assertion in the draft EIR leaves the County extremely vulnerable to liability under the California Environmental Quality and the Code of Civil Procedure section 1021.5.

Dudek's analysis is fundamentally flawed under Section 15088.5 for the following reasons.

First, under the California Environmental Quality Act ("CEQA"), an agency must use a reasonable measure of the environment's state absent the project to decide whether a given project's environmental effects are likely to be significant—typically referred to as the "baseline." The baseline consists of "the physical environmental conditions in the vicinity of the project, as they exist at the time . . . environmental analysis is commenced . . . ." (California

Code of Regulations, title 14, section 15125, subd. (a) [commencing with section 15000, the "CEQA Guidelines"].)

Dudek and Newland's repetition of the project's comparison to "two million square feet of office space and big box retail" is a clear violation of CEQA Guidelines section 15125—it is clear that "two million square feet of office space and big box retail" is a completely imaginary description of "the physical environmental conditions in the vicinity of the project, as they exist at the time . . . environmental analysis is commenced . . . ."

Second, the case law is clear—indeed the California Supreme Court has explained—that "**An approach using hypothetical allowable conditions as the baseline results in 'illusory' comparisons that 'can only mislead the public as to the reality of the impacts and subvert full consideration of the actual environmental impacts,' a result at direct odds with CEQA's intent.**" (*Communities for a Better Environment v. South Coast Air Quality Mgmt. Dist.* (2010) 48 Cal. 4th 310, 322 [emphasis added]; see also *San Joaquin Raptor Rescue Center v. County of Merced* (2007) 149 Cal. App. 4th 645, 658 ["the baseline environmental setting must be premised on realized physical conditions on the ground, as opposed to merely hypothetical conditions allowable under existing plans"].)

As in *Communities for a Better Environment* and *San Joaquin Raptor Rescue Center*, Dudek and Newland's repetition of the project's comparison to "two million square feet of office space and big box retail" is directly at odds with CEQA's intent. There is no entitled right to "two million square feet of office space and big box retail" in this area. There is no historical precedent for "two million square feet of office space and big box retail" in this area. There are no pending applications for "two million square feet of office space and big box retail" in this area. There is no market demand for "two million square feet of office space and big box retail" in this area. (Enclosure 2: Cushman & Wakefield Demand Study, dated July 31, 2017 ["[T]here does not appear to be significant demand for office space in the subject's designated site area. … [T]here is little to no current demand for retail development at the subject's site."].) When considering site-specific constraints and other County requirements, it is not physically possible to locate "two million square feet of office space and big box retail" in this area. (Enclosure 3: Delane Engineering, Independent Analysis of Zoning Regulations, Constraints, and Development Potential of Newland Owned Commercial Parcels.) Finally, the "two million square feet of office space and big box retail" claim is contradicted by the SANDAG Series 12, 2050 Growth Forecast, which projected fewer than 500,000 square feet of commercial uses in this area, not 2,000,000 square feet, *using inputs validated by the County of San Diego*. (Enclosure 4: Professional Land Use Analysis of SANDAG Growth Forecast Data on Newland Sierra Project Site Commercial Area.) Accordingly, there is no reasonable justification for using "two million square feet of office space and big box retail" as the environmental baseline for comparison for the project, nor is it appropriate to incorporate into the "No Project" or "Existing General Plan" alternatives.

Yet this erroneous and misleading baseline infects not only the applicant's communications to the public on this project, but also the analysis in the draft EIR. For example, Chapter 2.14 uses "projected" water demand based on full build-out of General Plan conditions. (DEIR at p. 2.14-67 [Table 2.14-1].) Using this purely hypothetical baseline, Dudek asserts that

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the project will result in a "35 percent reduction in water use compared with the 2011 General Plan water demand." (*Id.* at p. 2.14-45.) Notably, Dudek fails to provide a comparison of the project's water use based on existing conditions, which does not include "two million square feet of office space and big box retail." Newland makes similar claims regarding other significant, adverse environmental impacts, stating that the addition of a population the size of the City of Del Mar in this currently largely undeveloped area will somehow result in "less peak hour traffic." (Enclosure 1.) (E.g., *Woodward Park Homeowners Assn., Inc. v. City of Fresno* (2007) 150 Cal.App.4th 683, 691 ["the environmental impact report usually measured the project's impacts by comparing it to a massive hypothetical office park, instead of comparing it to the vacant land that actually exists at the project site. This hypothetical office park was a legally incorrect baseline, which resulted in a misleading report of the project's impacts."].)

Third, the "two million square feet of office space and big box retail" claim is not supported by any substantial evidence. CEQA Guidelines section 15384 explains that "substantial evidence" may not include "Argument, speculation, unsubstantiated opinion or narrative, [or] evidence which is clearly erroneous or inaccurate." Dudek and Newland's assertion that the Project site could support "two million square feet of office space and big box retail," either as a matter of the market or physical feasibility, constitutes "Argument, speculation, unsubstantiated opinion or narrative, [or] evidence which is clearly erroneous or inaccurate." The spurious claim of "two million square feet of office space and big box retail" comes from an overly simplistic and fundamentally misleading calculation of the total acreage zoned for General Commercial and Office-Professional multiplied by the maximum floor-area ratio for the site.[1] But common sense dictates that the maximum hypothetical development intensity, which does not account for other restrictions from site topography, height limits, setbacks, market demand, etc., does not mean that development to the maximum hypothetical intensity is physically possible, much less "reasonably foreseeable." As the evidence shows, "two million square feet of office space and big box retail" is neither physically possible nor economically foreseeable. (See Enclosures 2 and 3.)

Fourth, the purported "two million square feet of office space and big box retail" claim is not even consistently applied in the Draft EIR, as if even Dudek's sub-consultants do not really believe it. For example, the Draft EIR traffic study concedes that "two million square feet of office space and big box retail" on the project site is unlikely, by assessing traffic trips for the "general plan" condition corresponding to far fewer than "two million square feet of office space and big box retail" (about 850,000 to 942,000 square feet). (See Enclosure 5: STC Traffic, Inc. Newland Sierra Office Trip Generation Assessment.)

It is this type of clear and inherent contradiction in the Draft EIR analysis that renders it "so fundamentally and basically inadequate and conclusory in nature that meaningful public review and comment were precluded" such that the current Draft EIR must be withdrawn, revised to correct the severe deficiencies identified here, and recirculated for a new public review, comment, and response period. For the County to proceed in reliance upon this clearly

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[1] 53.6 acres Office-Professional * 43,560 s.f. per acre * maximum FAR of 0.8, plus 4.6 acres of General-Commercial * 43,560 s.f. per acre * maximum FAR of 0.7.

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faulty analysis will leave the County exposed to high risk of legal vulnerability under CEQA and other applicable laws. County staff should insist that Dudek and the applicant revise its analysis to comply with legal requirements.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

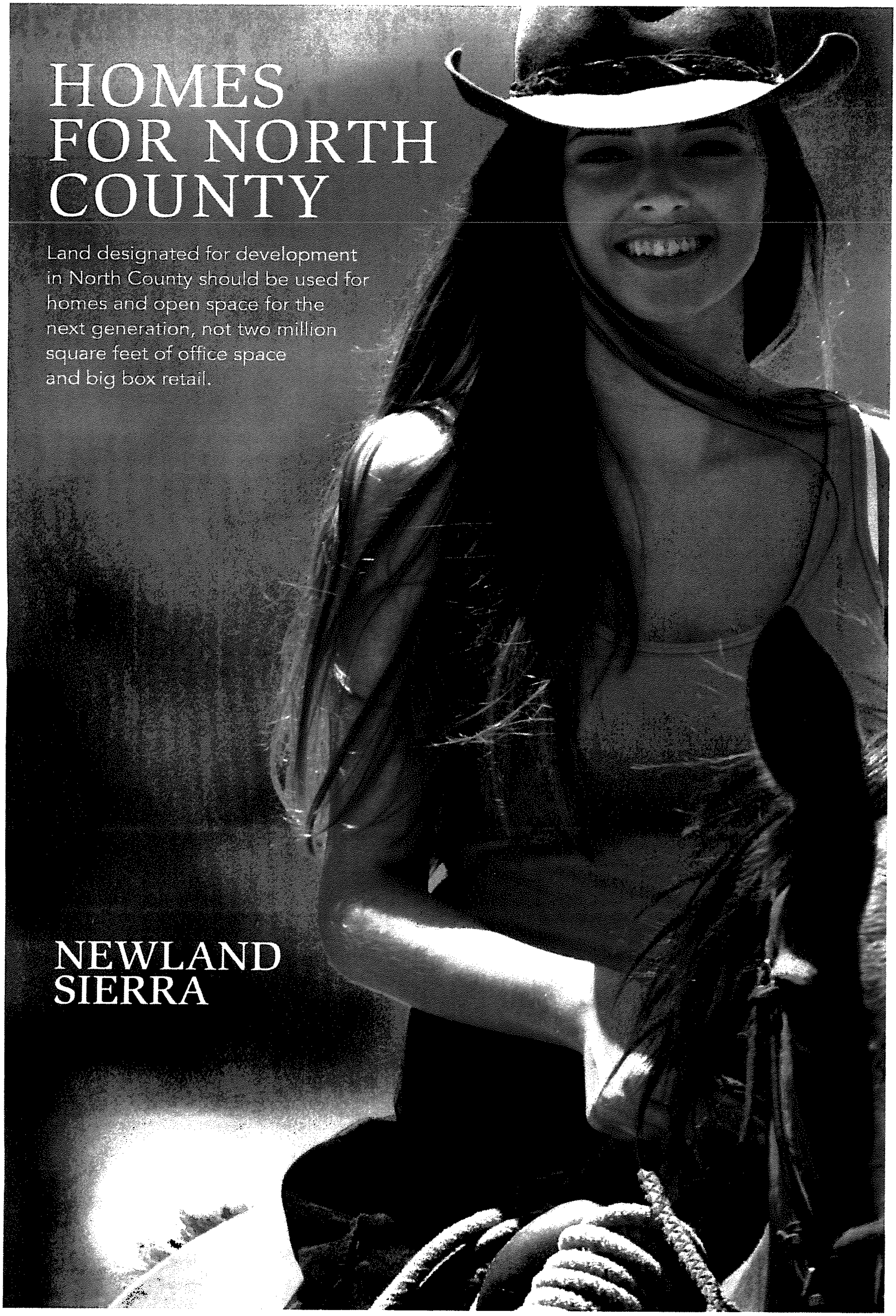
Taiga Takahashi
of LATHAM & WATKINS LLP

Enclosures

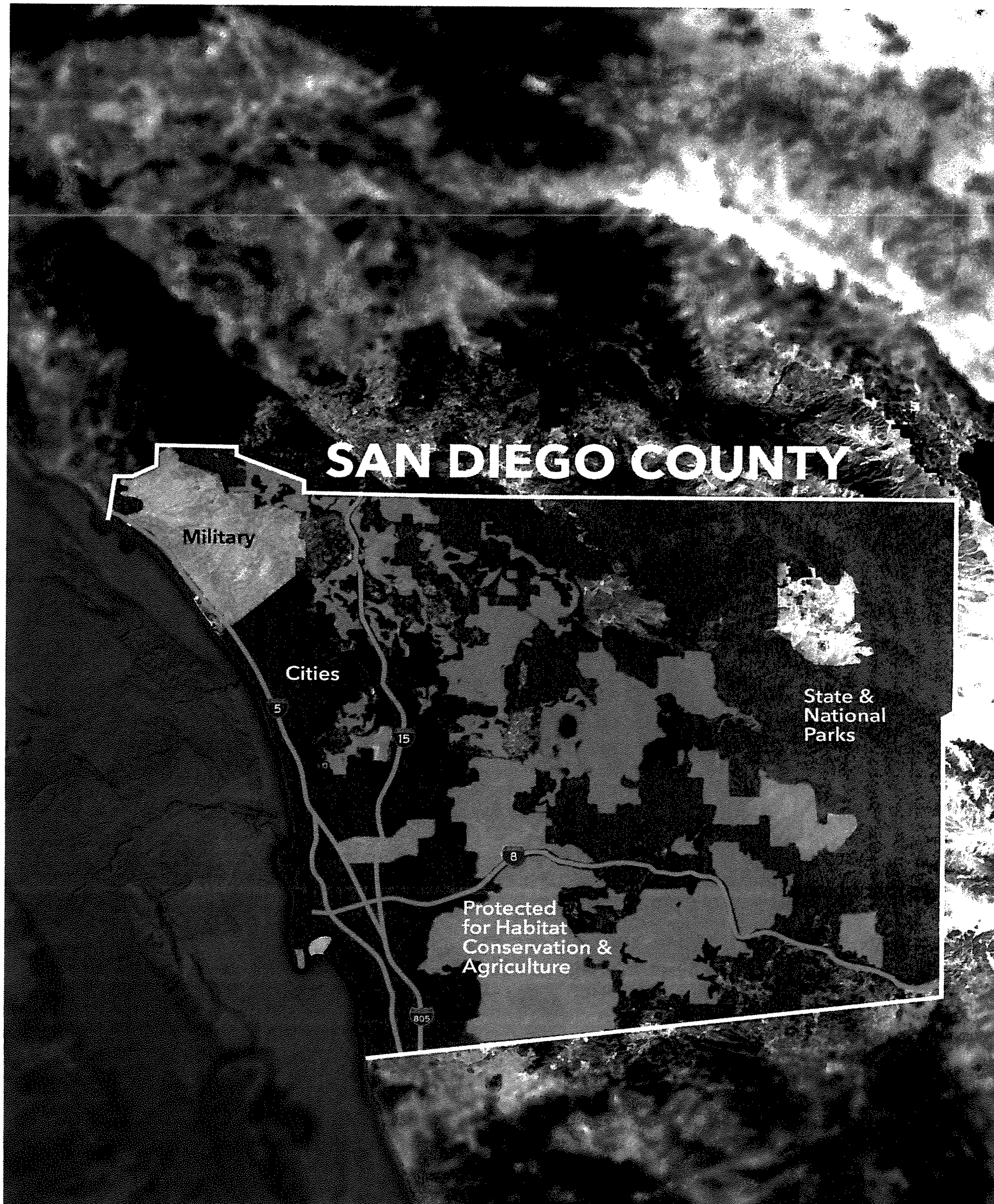
1: Newland Sierra Public Mailer, April 13, 2018
2: Cushman & Wakefield, Demand Study, Proposed Newland Sierra Town Center (July 2017)
3: Delane Engineering, Independent Analysis of Zoning Regulations, Constraints, and Development Potential of Newland Owned Commercial Parcels
4: Technical Memorandum, SANDAG Growth Forecast Data on Newland Sierra Project Site Commercial Area
5: STC Traffic, Inc. Newland Sierra Office Trip Generation Assessment.

cc: Mark Wardlaw, County Planning and Development Services
Mark Slovick, County Planning and Development Services
William W. Witt, Esq., Office of County Counsel
Claudia Silva, Esq., Office of County Counsel
Brian Grover, Dudek
Stephanie Saathoff, Clay Co.
Denise Price, Clay Co.
Christopher W. Garrett, Esq., Latham & Watkins LLP
Andrew Yancey, Esq., Latham & Watkins LLP
Kathy Van Ness, Golden Door

ENCLOSURE 1



HOMES FOR NORTH COUNTY
Land designated for development in North County should be used for homes and open space for the next generation, not two million square feet of office space and big box retail.
NEWLAND SIERRA



94.6% of County land is off limits to development, yet our site has been planned for development.

Protected for Habitat Conservation & Agriculture

State & National Parks

A BETTER CHOICE

With 94.6 percent of unincorporated County land set aside and protected, how we plan and develop the remaining 5.4 percent is important to the future of every resident of San Diego County.

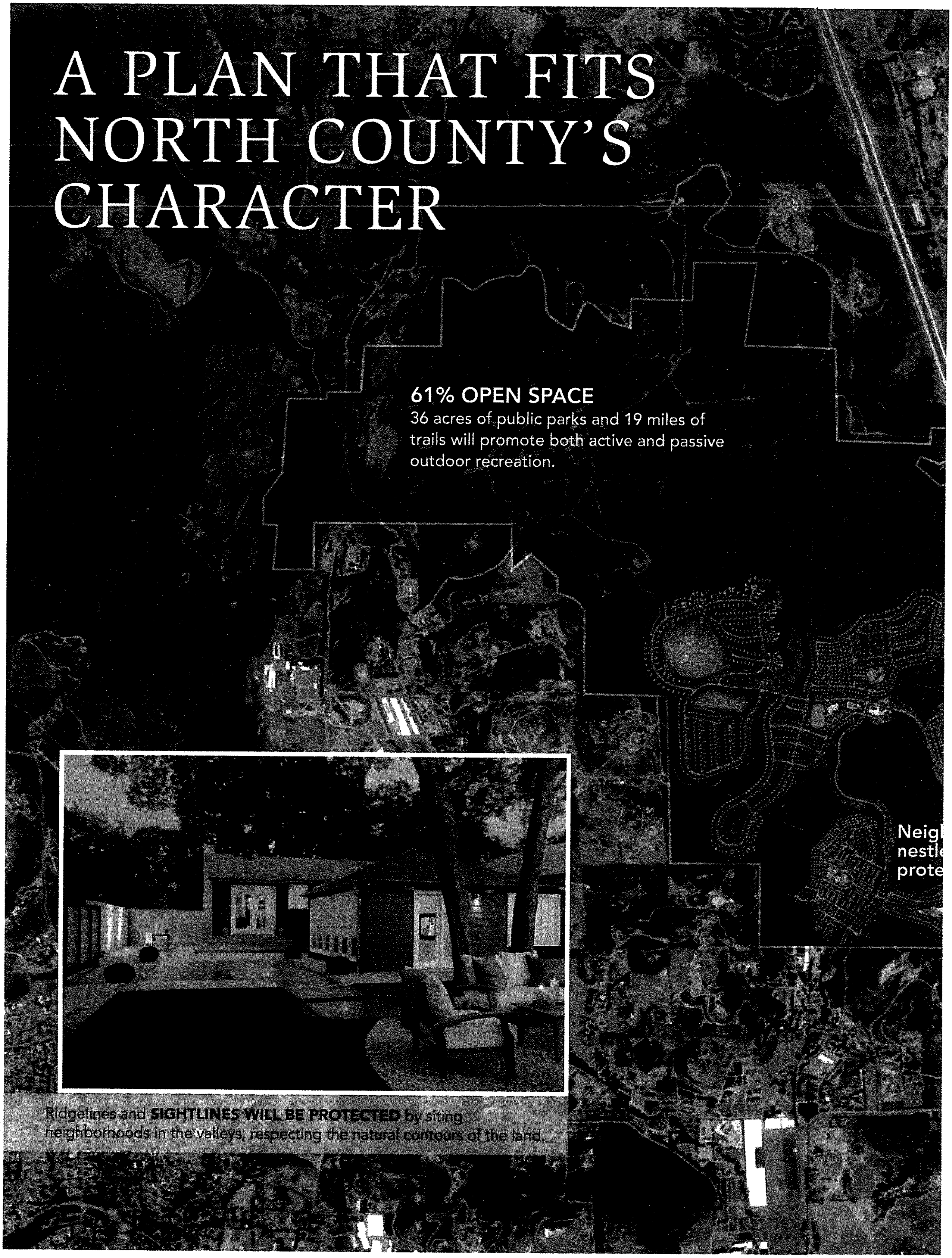
Currently, on a site one mile from Escondido and San Marcos, the County General Plan calls for two million square feet of office space, big box retail and parking (equal in size to the Westfield North County Mall), along with 99 large estates spread out on big lots.

In contrast, Newland Sierra provides what is most needed in the community, homes and open space. Our plan leaves 61 percent of the property as public open space, along with 36 acres of parks and 19 miles of trails. There will be about one home per acre, located in seven smaller neighborhoods nestled between ridges, within the valleys.

This results in less peak hour traffic, 52 percent less water use, planned additional conservation areas and added fire protection. It will also be San Diego County's first carbon-neutral community.

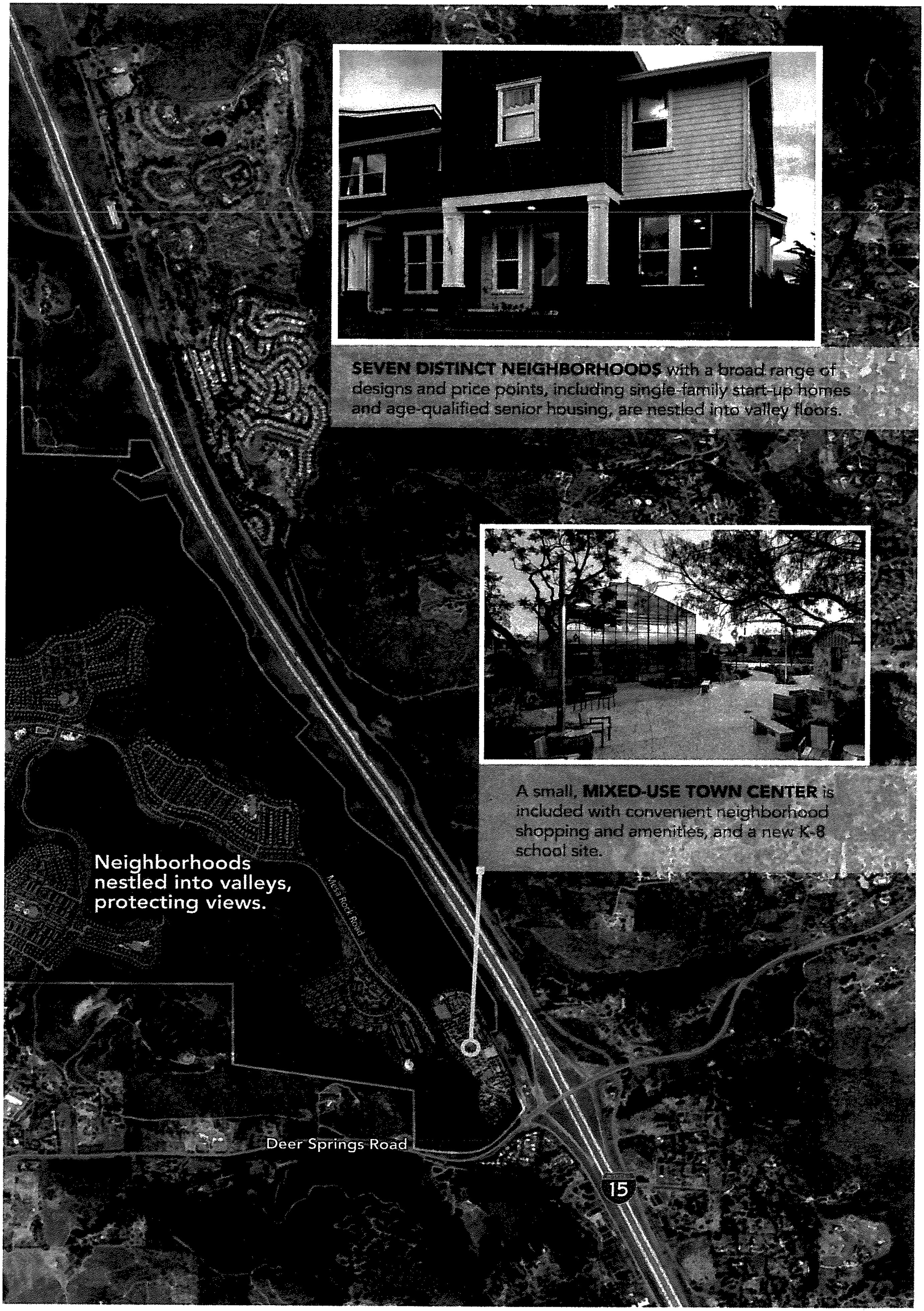
This information is provided based on current development concepts and is subject to governmental review and approvals. Actual development of the property may vary from the materials presented herein and are therefore, subject to change without notice.

A PLAN THAT FITS NORTH COUNTY'S CHARACTER



61% OPEN SPACE
36 acres of public parks and 19 miles of trails will promote both active and passive outdoor recreation.

Ridgelines and **SIGHTLINES WILL BE PROTECTED** by siting neighborhoods in the valleys, respecting the natural contours of the land.



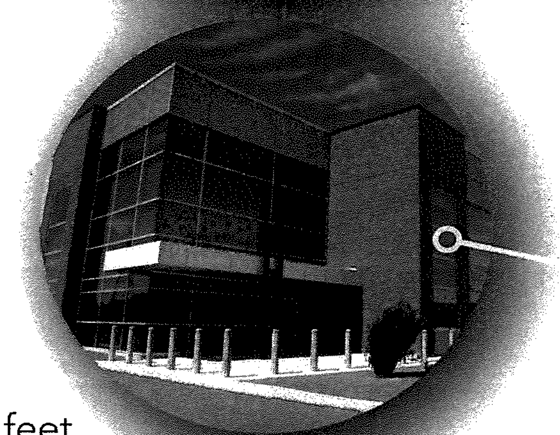
SEVEN DISTINCT NEIGHBORHOODS with a broad range of designs and price points, including single-family start-up homes and age-qualified senior housing, are nestled into valley floors.

A small, **MIXED-USE TOWN CENTER** is included with convenient neighborhood shopping and amenities, and a new K-8 school site.

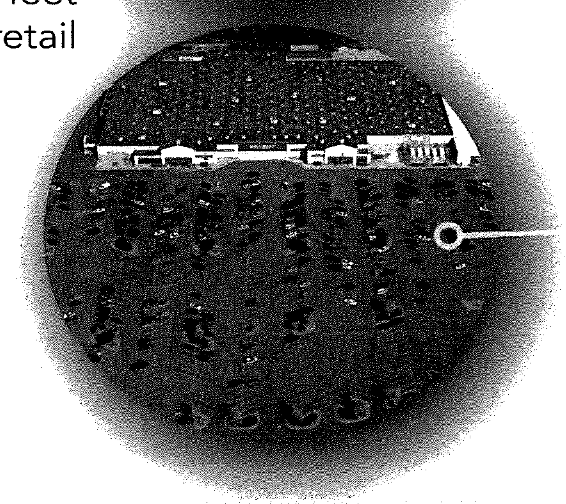
Neighborhoods nestled into valleys, protecting views.

THE CURRENT GENERAL PLAN IS NOT WHAT NORTH COUNTY NEEDS

99 estate homes on large lots



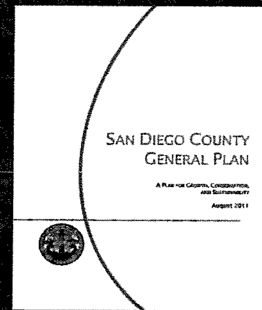
2 million square feet of office & retail

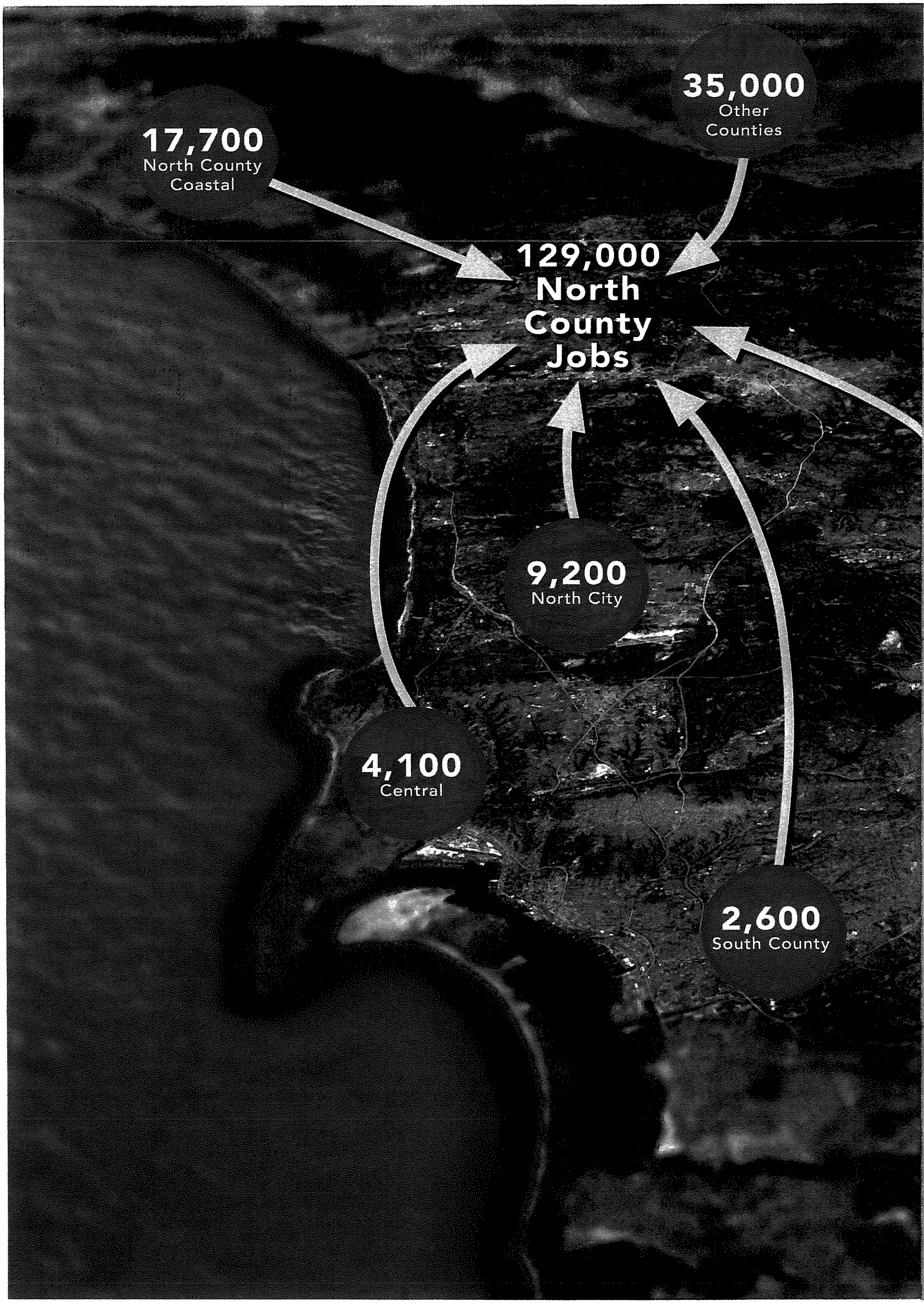


CURRENT GENERAL PLAN

Today, the San Diego County General Plan calls for massive development of retail and office along the freeway, plus 99 estate homes on large lots.

This results in more peak hour traffic, more water use and no public parks or open space.

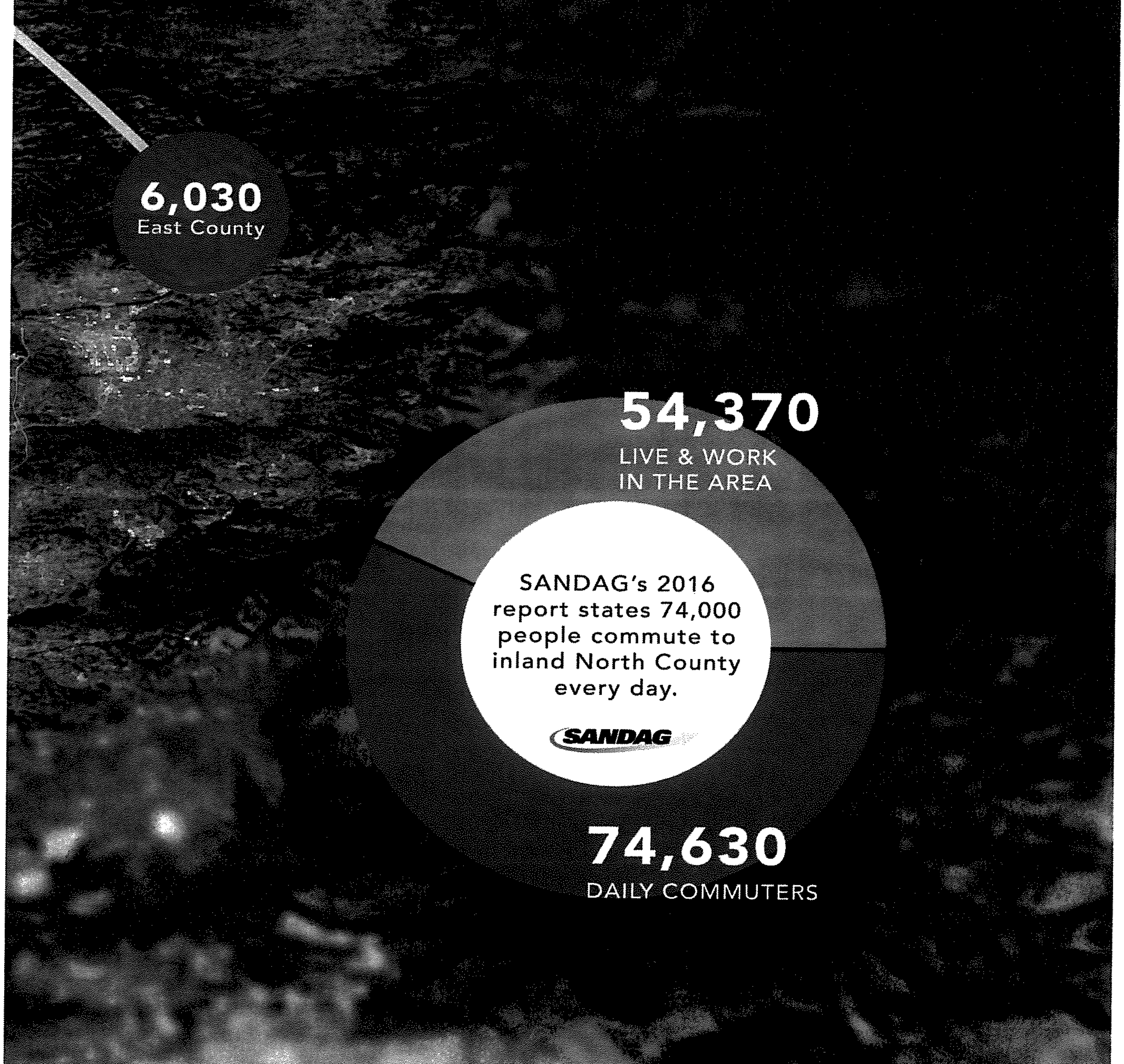




35,000
Other Counties
17,700
North County Coastal
129,000
North County Jobs
9,200
North City
4,100
Central
2,600
South County

HOMES WHERE THEY ARE NEEDED

Inland North County enjoys 129,000 jobs according to SANDAG, but 74,000 of those are filled by inbound commuters. Commuting is not sustainable for families, and it is not good for traffic, nor the environment. There is no better place to locate new housing than Newland Sierra.

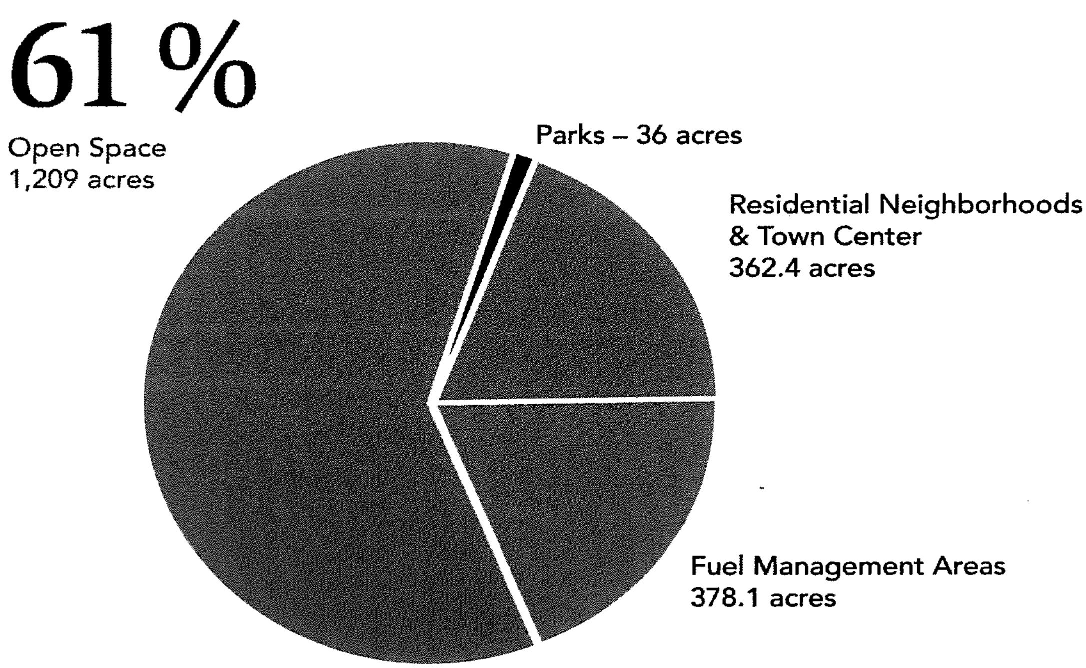


DEDICATED PUBLIC OPEN SPACE

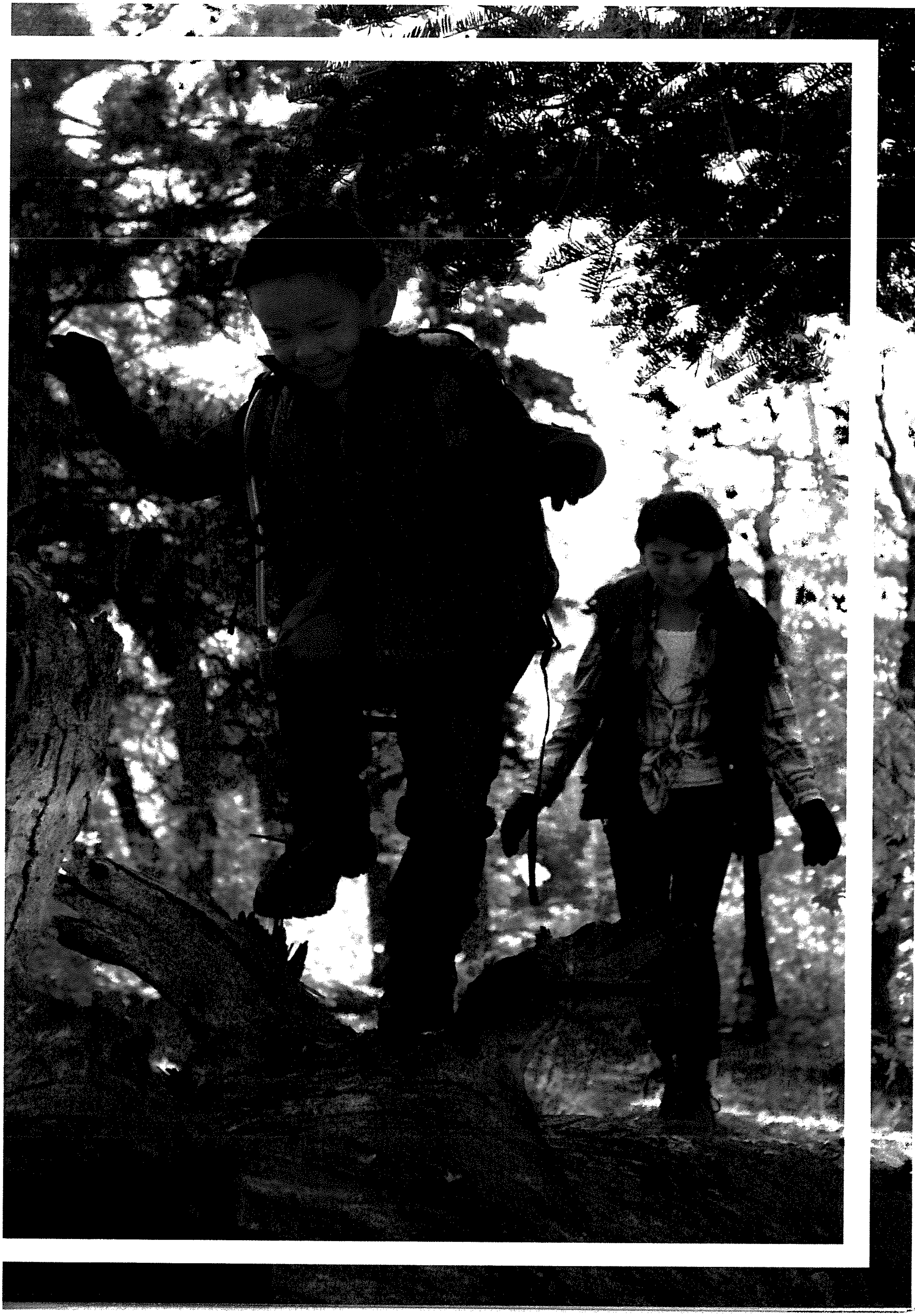
Of the Newland Sierra property's 1,986 acres, 1,209 will be preserved as permanent public open space.

Of the remaining 777 acres, nearly half (378 acres) will remain open space devoted to carefully maintained brush management areas, along with 36 acres of parks and 19 miles of trails.

Our design preserves the property's natural character and dramatic topography, while providing the opportunity for an incredible amount of open space that would be preserved forever.



NEWLAND SIERRA
LAND USE

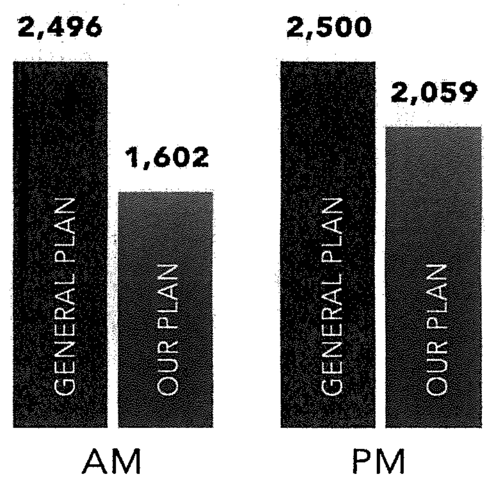


LESS PEAK HOUR TRAFFIC AND WATER USE

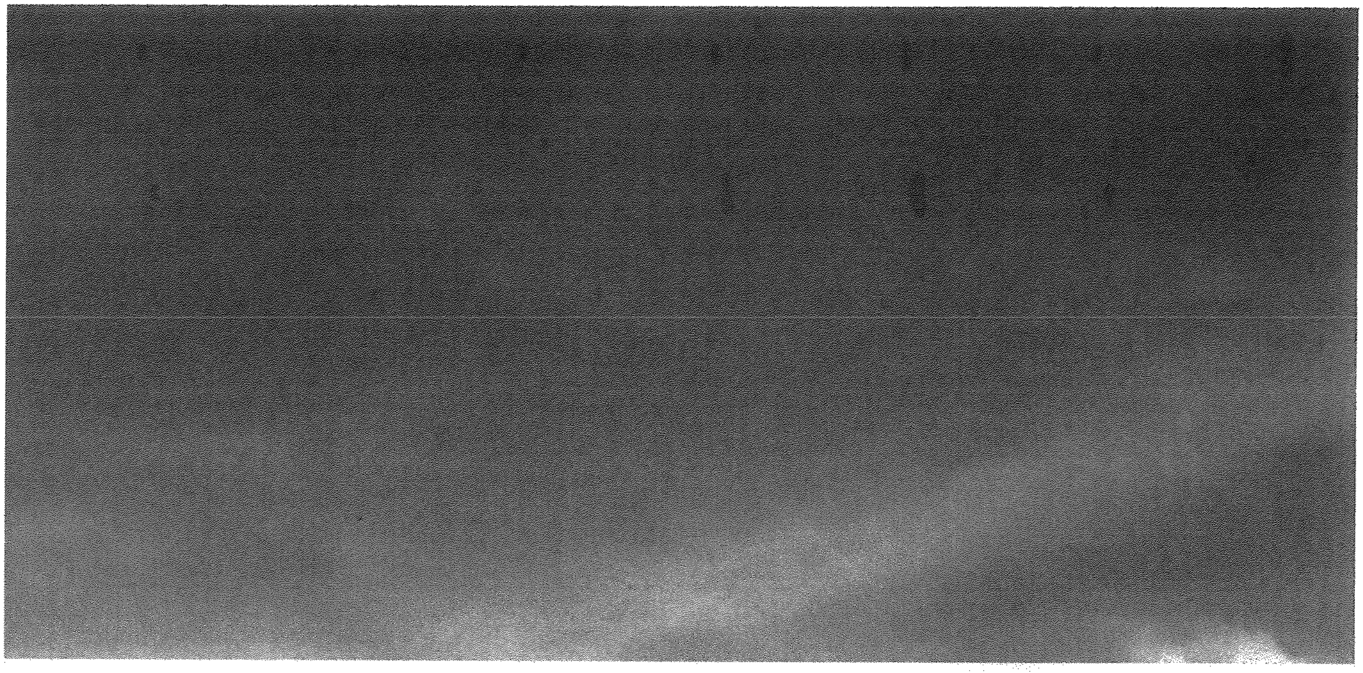
TRAFFIC

To alleviate existing problems and accommodate new houses, Deer Springs Road will be widened to four lanes from I-15 into the City of San Marcos. The I-15 interchange will also be improved.

Twin Oaks Valley Road will be widened to four lanes from Deer Springs Road to beyond Buena Creek Road to address current congestion problems.



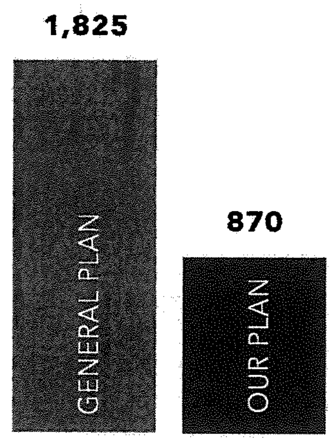
Peak hour traffic will be reduced by nearly 1,000 trips in the mornings and 500 trips in the evenings compared to the General Plan.



WATER

Newland Sierra reduces the property's water needs by 51% as compared to the uses in the current General Plan.

Our neighborhoods are designed to be a model for smart water use. Each home is required to have drought tolerant landscaping, while rainfall and runoff will be captured and directed into bioswales for landscaping and to recharge the aquifer.



ACRE-FEET OF PROJECTED WATER USE

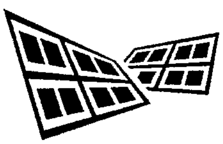
**GSI Water Conservation Report*

With thoughtful planning and abundant opportunities for outdoor recreation, Newland Sierra supports both a sustainable environment and a sustainable lifestyle.

SAN DIEGO'S 1ST
CARBON-NEUTRAL
NEWLAND SIERRA

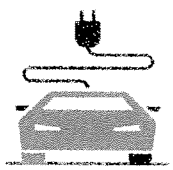
A COMMITMENT TO SUSTAINABILITY

Newland Sierra will be the most environmentally sustainable master-planned community in San Diego.



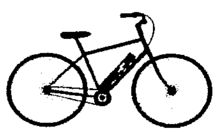
SOLAR PANELS

All homes will feature solar panels to offset residential electricity consumption, and community buildings and street lights will also be solar-powered.



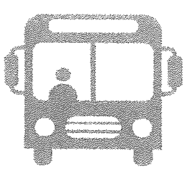
VEHICLE CHARGERS

To encourage electric vehicle use, each home will be equipped with an electric vehicle charger, helping to reduce energy needs and emissions.



ELECTRIC BICYCLES

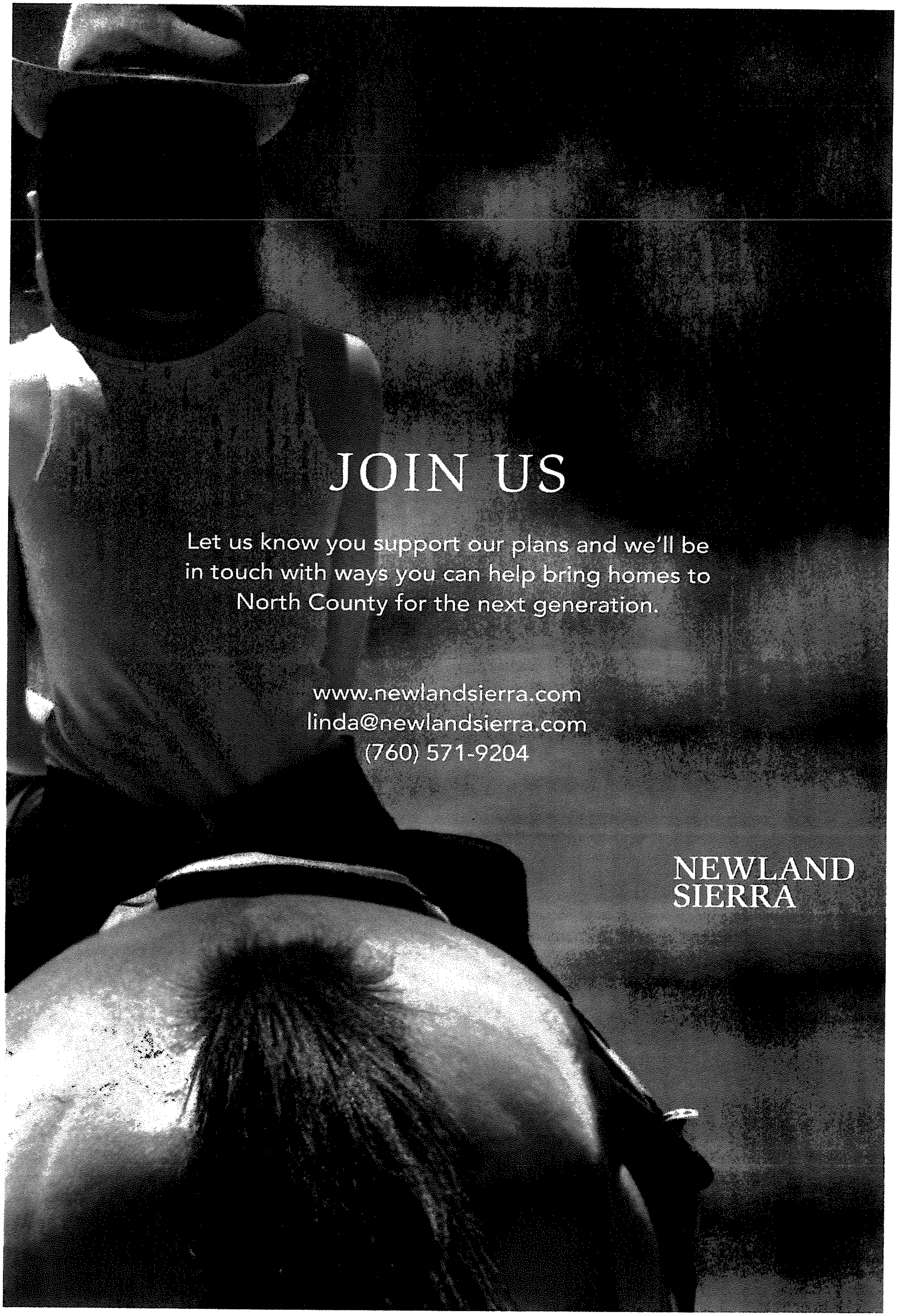
Electric bike stations will be placed throughout the neighborhoods to provide residents with alternative transportation within the community.



SHUTTLES ON & OFF SITE

A shuttle system will connect residents internally to the community parks and amenities, and externally to the public transportation network.

Newland Sierra will result in no net increase in greenhouse gas emissions. We will be the first 100 percent carbon-neutral plan in San Diego.


JOIN US
Let us know you support our plans and we'll be in touch with ways you can help bring homes to North County for the next generation.
www.newlandsierra.com
linda@newlandsierra.com
(760) 571-9204
NEWLAND SIERRA

SIERRA

April 13, 2018

[redacted]
Encinitas, CA 92024-[redacted]

Dear [redacted]

Just like any local will tell you, North County San Diego is a special place to live, with just the right balance of urban convenience, small-town feel and beautiful natural surroundings. As a planner and a builder, I don't hesitate to say that this community is unique, in all the right ways.

Yet it's no secret that the area finds itself in a tricky spot. Many large local employers and a burgeoning regional economy are stacked against the same challenge facing the whole county and state – not enough homes for working families, with prices steadily moving further and further out of reach.

In this context, there's a choice to be made – embrace an opportunity to help solve the problem, or keep moving toward a future where young families and workers are priced out of the area, forcing many to commute hours to and from work every day.

Our team at Newland Sierra believes we have the better choice for North County.

Included along with this letter is a fact booklet describing our approach and plan for the property just north of San Marcos, which provides new, affordable homes for North County's next generation while leaving more than 60 percent of the land as permanent public open space.

The San Diego County General Plan has specifically set this land aside for new development. It currently calls for two million square feet of office space, parking structures and big box retail, along with 99 estate-style homes spread out on big lots. That plan simply does not fit the community, and it does not address the county's housing needs.

Our vision is different, and better suited to the situation today. We're proposing a General Plan Amendment that provides a range of home types, and leaves more than 1,200 acres of the property as public open space, along with 36 acres of parks, and 19 miles of trails. New commercial development is designed to cater to the neighborhoods, with amenities like a grocery store, restaurants and a dry cleaner, as opposed to more big box retail or large office buildings.

Newland Sierra will add a new stock of homes that are right-priced for the area, allowing new families to stay and grow here in North County, and for empty nesters to find the right fit for their changing lives. And as a result of years of detailed study and thoughtful planning, our plan produces less traffic, reduces water needs, and improves fire protection compared to the current General Plan.

The enclosed booklet also describes how the plan has been designed to preserve the site's natural character and dramatic topography, with buildings nestled between ridges and within valleys, almost entirely out of view. We are also proud to share that Newland Sierra will be a carbon-neutral development, with all emissions from the project managed through sustainable planning features or investment in carbon credits.

This property will be developed. The question is how. Our plan will provide a range of new homes to meet the needs of North County's next generation, while opening more than 60 percent of the property as new public open space. The existing General Plan fills much of this space with luxury estates we don't need, along with massive office and big box retail development that doesn't fit.

I hope you agree Newland Sierra is the better plan for North County. Please take a moment and review the fact booklet. Then let us know what you think by completing and returning the enclosed postage-paid card. You can also send an email to linda@newlandsierra.com or give us a call at (760) 571-9204.

We hope to hear from you, and thanks.

Sincerely,

Rita Brandin

Rita Brandin
Senior Vice President and Development Director

ENCLOSURE 2

DEMAND STUDY

Proposed Newland Sierra Town Center
Deer Springs Road & I-15
Unincorporated Area of North San Diego County,
San Diego County, CA 92069

IN A CONSULTING ASSIGNMENT

As of July 31, 2017

Prepared For:

Golden Door Properties, LLC
777 Deer Springs Road
Unincorporated Area of North San Diego County, CA
92069

Prepared By:

Cushman & Wakefield Western, Inc.
Valuation & Advisory
4747 Executive Drive, 9th Floor
San Diego, CA 92121
Cushman & Wakefield File ID: 17-38503-900283

CUSHMAN & WAKEFIELD WESTERN, INC.
4747 EXECUTIVE DRIVE, 9TH FLOOR
SAN DIEGO, CA 92121

Town Center

Deer Springs Road & I-15

Unincorporated Area of North San Diego County, San Diego County, CA 92069

August 08, 2017

Ms. Kathy Van Ness
Golden Door Properties, LLC
777 Deer Springs Road
Unincorporated Area of North San Diego County, CA 92069

Re: A Demand Study for the Newland Sierra Town Center,
located at the northwest corner of Deer Springs Road & I-15
Unincorporated Area of North San Diego County, San Diego County, CA 92069

Cushman & Wakefield File ID: 17-38503-900283

Dear Ms. Van Ness:

In fulfillment of our agreement as outlined in the Letter of Engagement dated July 25, 2017, we are pleased to transmit our findings in the form of a demand study of the above referenced property.

The subject property consists of 2,535,192 square feet of land located in San Diego County, CA 92069. The subject property is located on the northwest corner of Deer Springs Road and Freeway I-15, in the City of Unincorporated Area of North San Diego County, County of San Diego. The site is unimproved hillside with steep terrain, sloping downward from West to East toward Freeway I-15.

This letter is invalid as an opinion of demand if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD WESTERN, INC.

Peter Savage, MAI, SRA
Director
CA Certified General Appraiser
License No. AG004946
peter.savage@cushwake.com
858.334.4013 Office Direct

Summary of Salient Facts and Conclusions

Client:	Golden Door Properties, LLC.
Intended Use:	This report is intended to provide an opinion of the existing market demand for office and commercial development of the subject property (Town Center) at the site of the Newland Sierra project.
Intended User:	This report was prepared for inclusion into a comment package to the County of San Diego regarding the proposed Newland Sierra development project and is not intended for any other users.
Identification of Real Estate:	Town Center site at the site of the proposed Newland Sierra project. Located at the northwest corner of Deer Springs Road & I-15. Unincorporated Area of North San Diego County, San Diego County, CA 92069.
Highest & Best Use (As if Vacant):	A commercial and residential use built to a density supportable by market demand.
Highest & Best Use (As Improved)	The site is unimproved hillside with steep terrain, sloping downward from West to East toward Freeway I-15
Current Ownership:	Newland Sierra LLC
Date of Inspection:	July 31, 2017
Date of Report:	August 08, 2017

Summary of Critical Observations

SUMMARY OF CRITICAL OBSERVATIONS

The strengths and weaknesses analysis applies both specifically (attributes internal or specific to the subject) and generally (external or economic considerations that influence the subject).

Strengths

- The subject is located adjoining Freeway I-15 which is the singular access from San Diego County to Riverside County.

Weaknesses

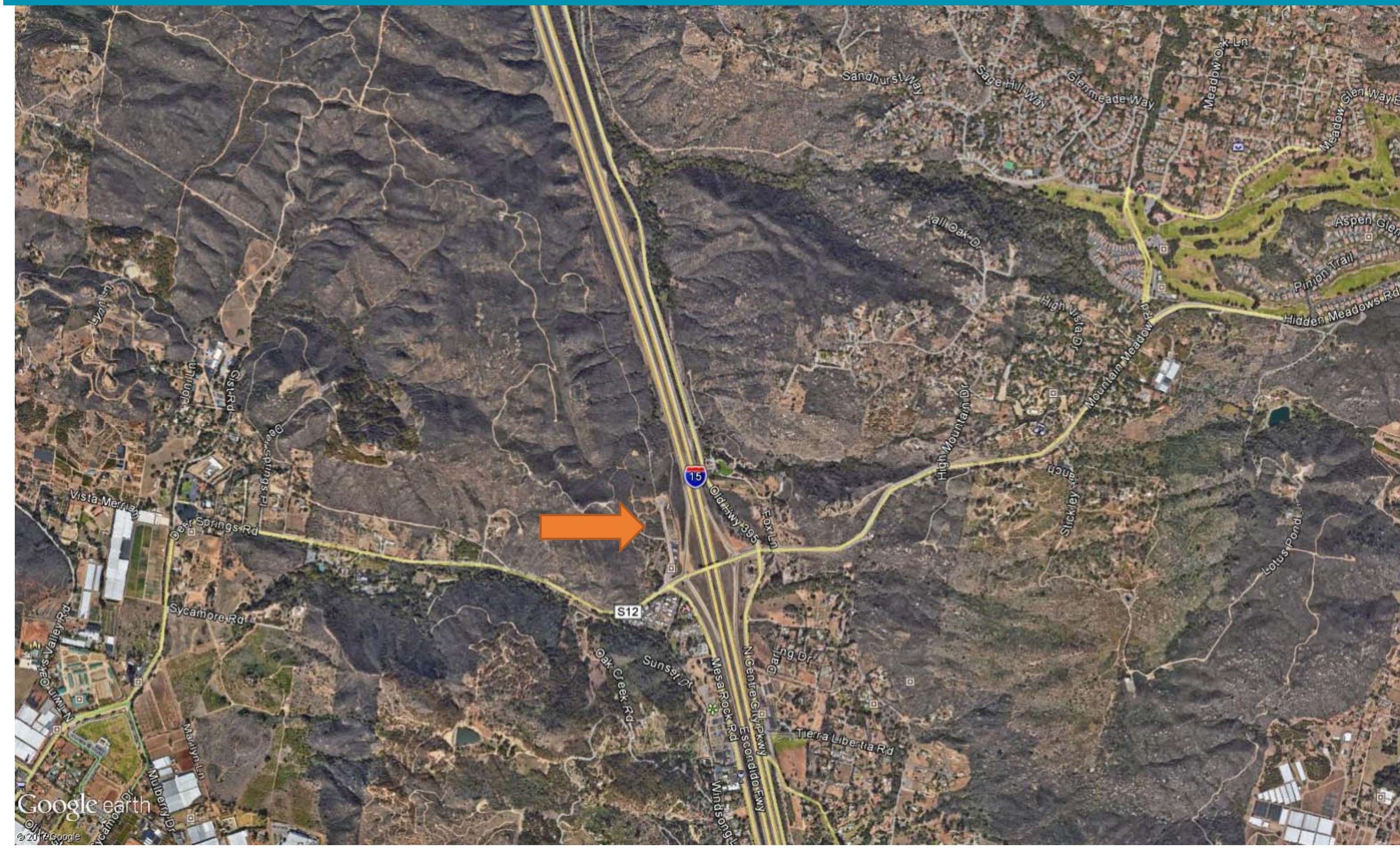
- The subject’s site is steep and will be difficult to develop. At present, there is insufficient homes to support any significant commercial development on the site.

Conclusions

Based on the preceding strengths and weaknesses, the subject property's specific zoned use does not appear to be a feasible development at this time.

Property Photographs

AERIAL PHOTOGRAPH



NORTHEAST CORNER OF DEER SPRINGS RD. & I-15

SUBJECT – LOOKING WEST FROM MESA ROCK ROAD

SUBJECT – LOOKING NORTH FROM MESA ROCK RD.

Table of Contents

Scope of Work

Overview

Scope of work is the type and extent of research and analyses involved in an assignment. To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the relevant characteristics of the subject property, and other pertinent factors. Our concluded scope of work is summarized below, and in some instances, additional scope details are included in the appropriate sections of the report:

Research

- We inspected the property and its environs. Physical information on the subject was obtained from the property owner's representative, public records, and/or third-party sources.
- Regional economic and demographic trends, as well as the specifics of the subject's local area were investigated. Data on the local and regional property market (supply and demand trends, rent levels, etc.) was also obtained. This process was based on interviews with regional and/or local market participants, primary research, available published data, and other various resources.
- Other relevant data was collected, verified, and analyzed. Property data was obtained from various sources (public records, third-party data-reporting services, etc.) It is, however, sometimes necessary to rely on other sources deemed reliable, such as data reporting services.

Analysis

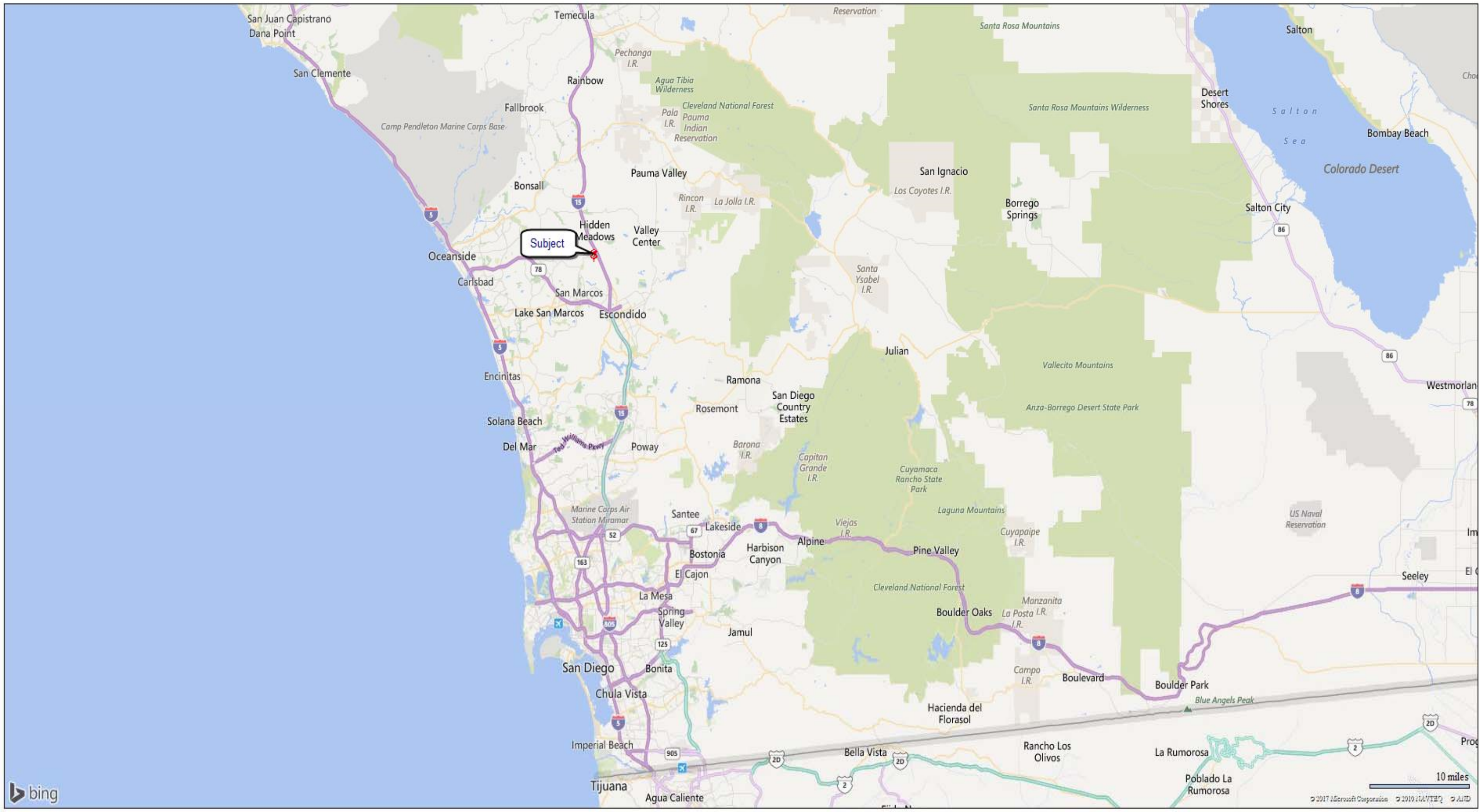
- Based upon the subject property characteristics, prevailing market dynamics, and other information, we developed an opinion of the market's demand for commercial use on the subject property.
- We analyzed the data gathered using generally accepted methodology to arrive at a probable demand.

This report is intended to comply with the reporting requirements outlined under USPAP for consulting assignment. Cushman & Wakefield Western, Inc. has an internal Quality Control Oversight Program. This Program mandates a "second read" of all appraisals. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

For this assignment, Quality Control Oversight was provided by Trevor Chapman, MAI.

Regional Analysis

REGIONAL MAP



Regional Analysis

Market Definition

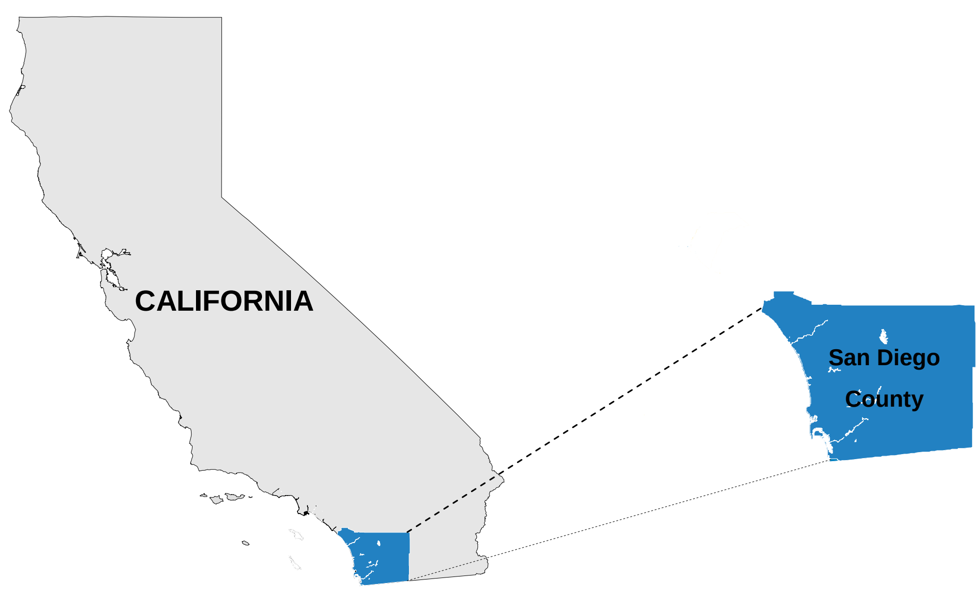
San Diego County is the second largest county by population in the state of California, with approximately 3.3 million residents, according to Experian Marketing Solutions' 2016 estimates. To the north, the county is bordered by Orange and Riverside County, and Imperial County to the east. San Diego is located north of Mexico, sharing a border with Tijuana. As a coastal community, the region is home to miles of beaches and mild-semi-arid climate, making it a desirable residential and commercial location. One of the strongest technology hubs in Southern California, the region also home to one of the largest concentrations of military defense services in the world, with military facilities hosting the United States Navy, Coast Guard and Marine Corps. Over the past three years as recovery has taken its course, construction and consumer spending has picked alongside substantial employment and income growth.

Further considerations are as follows:

- According to Experian Market Solutions' 2016 estimates, San Diego County is the fifth most populous county in the Unites States. Roughly half of the region's total population resides in the City of San Diego.
- The City of San Diego is the region's economic hub and home to well over half of the jobs and nearly three-quarters of the region's largest employers including Qualcomm, Sony Electronics, Inc., and Sempra Energy.

The San Diego-Carlsbad Metropolitan Statistical Area (MSA) is encapsulated within San Diego County, and is located at the southwestern-most corner of the continental United States. Below is a map of the region:

SAN DIEGO-CARLSBAD, CA
METROPOLITAN STATISTICAL AREA (MSA)



Source: Cushman & Wakefield Valuation & Advisory

Current Trends

San Diego County's expanding economy is driven by the region's diverse industry base and above-average employment opportunities. According to the State of California Employment Development Department, nonfarm employment in the region gained 18,200 jobs over the twelve month period ending in April 2017. San Diego County reported an unemployment rate of 3.8 percent as of April 2017, 1.0 percent below the state rate of 4.8 percent and 60 basis points below the national rate of 4.4 percent reported during the same month. The region's economy continues to expand with the professional & business services, high-tech, biotech and government sectors propelling regional employment growth. Unemployed workers continue to be absorbed as mid-wage jobs are increasing, however at a slower rate than exhibited over previous year. Recent layoffs by some of the region's major employers, including Qualcomm, have hindered growth in recent years, however displaced workers have made their way into the professional & business services sector, which is expected to be the primary driving force behind improving labor markets and income growth in the near term. Despite high business and real estate costs in the region, San Diego County is expected to exhibit positive economic trends in the near-term.

Further points for consideration include:

- After experiencing a slowdown in recent years, San Diego's biotechnology and nanotechnology clusters have again began to flourish. Biotech firms in the region are successfully raising early as well as growth stage capital, while others are either planning significant IPOs or are being acquired by larger-scale biotech and pharmaceutical companies. The San Diego-based pharmaceutical firm Tocagen filed the largest IPO the region has seen in the past three years of $98.0 million in April 2017, while Forge Therapeutics has raised $15.0 million in Series A financing, among a number of other regional firms. Growth in these leading industries will contribute to the expanding professional service payrolls through the near term.
- San Diego's specialization in military intelligence has enabled further expansion of the region's defense sector. Over first quarter 2017, numerous defense firms including General Atomics, Northrop Grumman, General Dynamics, QED Systems, Boeing and BAE Systems have received contracts amounting to over $1.0 billion for items ranging from military IT to electromagnetic aircraft launch systems, support systems and unmanned aerial vehicles. Additionally in March 2017, the region was awarded $1.6 million in federal grants from the Department of Defense's Office of Economic Adjustment to support the region's leading defense contractors. Despite some expected volatility and upside risks, San Diego's defense sector is positioned to grow through the near term.
- Demolition work began on Manchester Financial Group's $1.3 billion redevelopment of the Navy Broadway Complex in downtown San Diego, home the U.S. Navy's southwest regional headquarters. Plans for the mixed-use Manchester Pacific Gateway call for eventually replacing the entire campus with a new 17-story Navy office building, a 1,100-room convention center hotel, a 260-room boutique hotel, nearly 300,000 square feet of retail space. The development is expected to be completed over the next three years, creating more than 2,400 construction jobs and nearly 3,000 permanent jobs in the region.
- San Diego International Airport (SAN) officials have approved moving forward with plans to build a new $229.5 million federal inspection services facility in Terminal 2 of the airport. Slated for completion in June 2018, an accelerated construction schedule was implemented to support anticipated growth at the airport, which currently handles more than 300,000 international passengers annually. According to airport officials, international air travel in 2018 is anticipated to contribute $432.0 million in annual economic impact to the region.

- The U.S. Navy presented six construction firms with contracts collectively amounting to $500.0 million over the next five years during first quarter 2017. The construction deals call on the firms for the design and development of the Naval Special Warfare Command Coastal Campus at Naval Base Coronado, one of the region's major employers. Three of the construction companies are local San Diego firms, including Harper Construction Co., RQ Construction LLC and Soltek Pacific Construction Co. The development, among many others in San Diego County, will contribute to employment growth in the region's construction sector in the near term, projected at 1.6 percent growth through 2021.
- According the California Association of Realtors, home prices in San Diego County have exceeded values reported during the region's peak in 2007. As of March 2017, median closing prices for existing, single-family homes rose 3.8 percent year-over-year, to $571,000. Additionally, single-family home sales increased 42.3 percent over the previous month and 8.2 percent over the previous year. Experts have suggested that the lack of inventory, low mortgage rates, and an imbalance between home construction and demand have helped increase housing prices.

Demographic Trends

Demographic Profile

San Diego's median age of 35.0 years is 3.0 years lower than the national median age of 38.0 years. The region outperforms the nation in terms of affluence and educational attainment with an average annual income of $93,540 and 34.7 percent of its population holding Bachelor's degrees or higher. In comparison, only 29.0 percent of the nation's population holds a Bachelor's or advanced degree. San Diego's relative economic strengths can be attributed to the region's strong high-tech, biotech and professional services sectors, which provide high-wage positions and often require advanced degrees. Age and educational attainment contribute to the raised income levels in San Diego and relatively strong professional & business services sector, attracting high net worth individuals that should further elevate the region's demographics.

Further considerations regarding San Diego County's demographic trends are as follows:

- According to Experian Marketing Solutions, San Diego's median annual household income is currently $64,907, 19.1 percent higher than the national average of $54,505.
- San Diego County outperforms the U.S. in terms of households earning annual incomes of greater than $100,000, with 30.3 percent of the region's households versus 23.0 percent of the nation.
- San Diego's demographics have fueled growth in industries that require advanced education. These sectors include biotechnology, business and professional service sectors. The chart below provides a demographic comparison between San Diego and the United States:

Demographic Characteristics San Diego MSA vs. United States 2016 Estimates		
Characteristic	San Diego MSA	United States
Median Age (years)	35.0	38.0
Average Annual Household Income	$93,540	$78,425
Median Annual Household Income	$64,907	$54,505
Households by Annual Income Level:		
<$25,000	18.6%	23.0%
$25,000 to $49,999	20.9%	23.4%
$50,000 to $74,999	16.7%	18.3%
$75,000 to $99,999	13.4%	12.4%
$100,000 plus	30.3%	23.0%
Education Breakdown:		
< High School	14.4%	13.9%
High School Graduate	19.1%	28.1%
College < Bachelor Degree	31.8%	29.0%
Bachelor Degree	21.6%	18.2%
Advanced Degree	13.1%	10.9%

Source: © 2016 Experian Marketing Solutions, Inc. •All rights reserved•
Cushman & Wakefield Valuation & Advisory

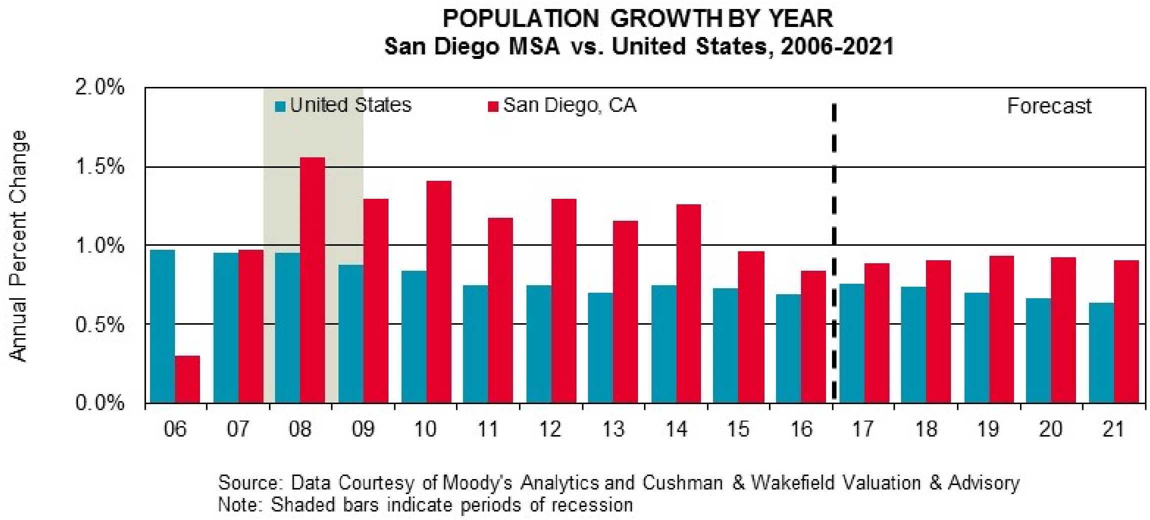
Population

According to Experian Marketing Solutions' 2016 estimates, the San Diego-Carlsbad MSA is home to a population of 3.3 million individuals. Over the past decade, San Diego's annual population growth of 1.2 percent followed national population growth trends closely. Since 2006, the region's population expansion has fluctuated between 1.0 and 1.5 percent, with further growth hindered by the high cost of living, business costs, and rising home values. Population growth in the San Diego area has historically outpaced that of the national average, as the favorable climate conditions and diverse economy make Southern California a primary location for individuals, families, and businesses. Despite the high cost of living (26.0 percent higher than the national average according to Moody's Analytics), the region has a young, well-educated employment base. San Diego's population is primarily concentrated along the 20-mile Pacific Coast. The greatest population densities, not surprisingly, are located in proximity to the region's few major freeways—Interstate 5 (I-5), Interstate 805 (I-805), Interstate 8 (I-8), and Interstate 15 (I-15).

The following highlights the key statistics for population growth for San Diego County:

- With a current population of 3.3 million individuals, San Diego grew at an average annual rate of 1.2 percent between 2006 and 2016. Over the corresponding period, the national population fell short of the region's growth by 40 basis points, reporting growth of 0.8 percent.
- Through 2021, San Diego's population is forecast to grow at an average rate of 0.9 percent. In comparison the population of the United States' is expected to grow at an average annual rate of 0.7 percent. Population growth may however be hindered as the San Diego housing market continues to appreciate. As housing prices and the overall cost of living continue to increase, lower-income residents will likely seek opportunities in more affordable markets.

The following graph compares historical and projected population growth between San Diego and the United States:



The following table compares historical and forecasted population growth trends for the San Diego-Carlsbad MSA and the United States between 2006 and 2021:

Annualized Population Growth
San Diego-Carlsbad Metropolitan Statistical Area
2006-2021

Population (000's)	2006	2016	Forecast 2017	Forecast 2021	Compound Annual Growth Rate 06-16	Compound Annual Growth Rate 17-21
United States	298,379.9	323,127.5	325,555.7	334,625.1	0.8%	0.7%
San Diego-Carlsbad, CA	**2,947.3**	**3,317.7**	**3,347.1**	**3,471.2**	**1.2%**	**0.9%**

Source: Data Courtesy of Moody's Analytics, Cushman & Wakefield Valuation & Advisory

Households

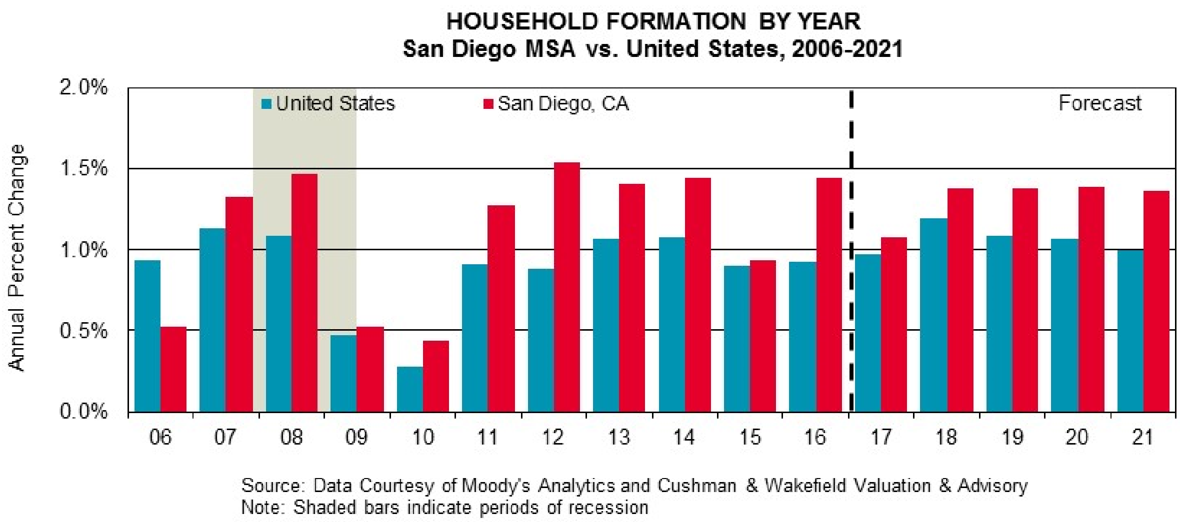
Between 2006 and 2016, household formation trends in San Diego outpaced the national growth by 30 basis points annually. Household formation trends in San Diego appear to mirror overall population gains, which is also similar to the performance for the nation. Over the past decade, household formation and population growth both averaged 1.2 percent annually, as the housing market recovered, income levels increased steadily, and the millennial generation entered the first-time home buyers' market. In March 2017, the California Association of Realtors reported an increase single-family home sales of nearly 8.2 percent over the previous year. Additionally single family permits in the region have increased in 2016 over the previous year, and are projected to continue increasing into the near term. The rise in home sales has been supported by the rise in income levels, which have kept pace with national rates, and the reaccelerating of high-tech and biotech, and professional services performance in the region. Through 2021, San Diego's household formation is projected to increase to an average annual rate of 1.4 percent, outperforming the nation's projected average.

Further considerations regarding San Diego County's household formation are:

- Annual household growth between 2006 and 2016 averaged 1.2 percent in San Diego County, 30 basis points higher than the nation's ten-year average growth rate of 0.9 percent.

- The projected five-year average household growth rate for San Diego County is forecasted at 1.4 percent, 30 basis points higher than the expected national average household growth rate of 1.1 percent.
- Household formation growth is limited by the available land for development and fluctuating single-family permits in the region. The tightness of the market has caused higher housing prices, and the high cost of living is likely to impede future population growth, ultimately pushing low to middle class residents out of the area.

The following graph compares historical and projected household formation between San Diego County and the United States:



Economic Trends

Gross Metro Product

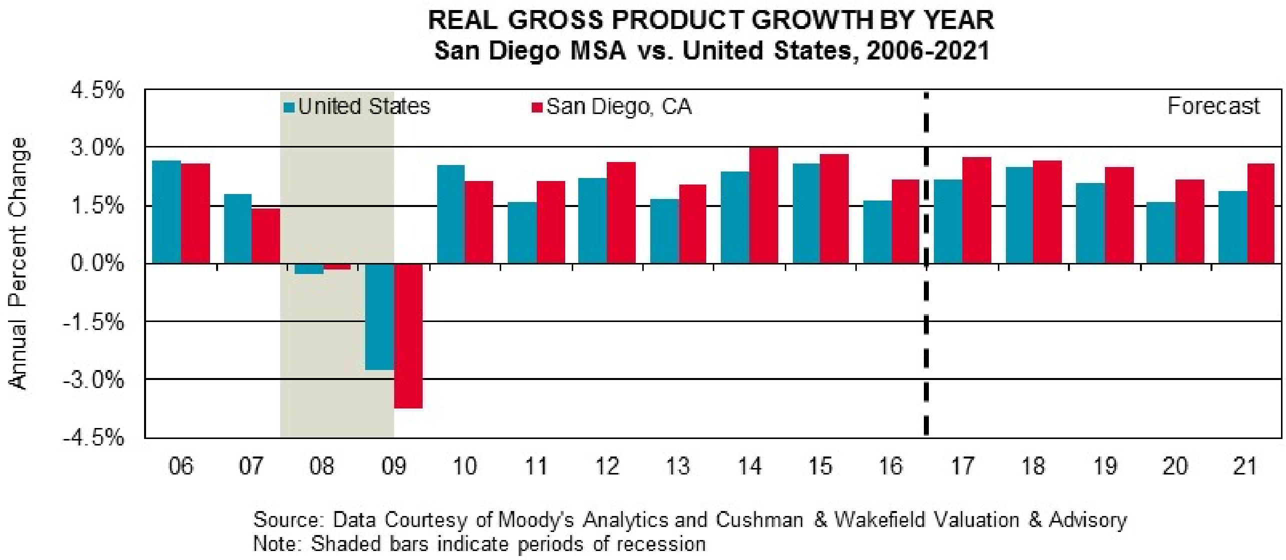
Between 2006 and 2016, San Diego's Gross Metro Product (GMP) grew by 1.4 percent annually, exceeding the nation's Gross Domestic Product (GDP) annual growth rate of 1.3 percent over the same period. A large share of the region's GMP output is produced by high-value industries including the high-tech, biotechnology and defense sectors. Historically, San Diego's Gross Metro Product growth trends have closely followed that of the nation. The most recent economic recession left a significant impact on the region and caused San Diego's GMP growth to decrease to lows of negative 4.2 percent in 2009, 1.4 percentage points lower than the national average during this period. Recovering from the last recession, San Diego has since surpassed the GMP growth trend of the nation over 2016. As the region continues to expand, San Diego's GMP growth is forecasted to exceed that of the nation through 2021, and reach peak growth of 2.7 percent in 2018.

Some notable considerations include:

- Between 2006 and 2016, the region averaged a 1.4 percent annual growth in GMP, 10 basis points higher than the average annual growth of 1.3 percent exhibited by the U.S. over the same time period.
- Over the next five years, San Diego's average annual GMP growth rate is projected to further accelerate to 2.5 percent annually, 50 basis points above the 2.0 percent projected rate of the nation over the same period. As indicated by its relative growth in GMP, the San Diego area is poised for a sustainable, long-term rate of growth.

- Growth in the San Diego region will be driven by expanding its professional and business services and technology sectors, as well as the strengthening of the construction sector. Increased consumer confidence coupled with income growth in the market have contributed to the expansion of the San Diego MSA's economy over the past decade, a trend that is expected to continue in the near term.

The following graph compares historical and projected real gross product growth between San Diego County and the United States:



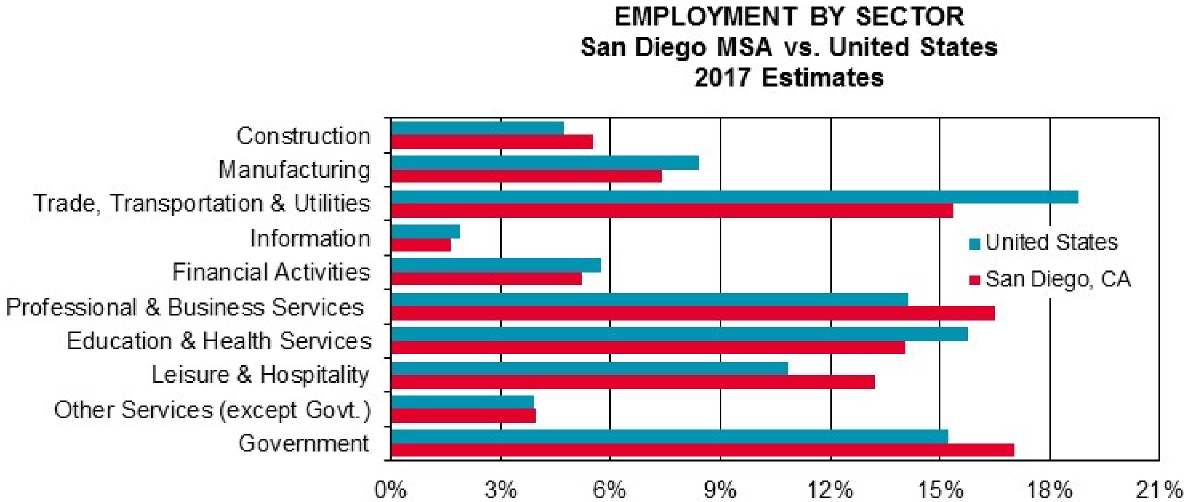
Employment Distribution

San Diego's industry sector composition includes economic diversity comparable to that of the nation. The region's industry mix is heavily weighted in the government, professional & business services, and trade, transportation & utilities sectors. Industries of the professional & business services sector, including biotech, defense, information technology and software engineering, have contributed significantly in terms of employment in the region over the past decade. Continued defense contracts will support employment and income stability in the region, while technology production and the bioscience sector in the area promote growth and fare well in the global economy. According to forecasts by Moody's Analytics, San Diego's main employment sectors are expected to remain healthy and contribute to employment growth in the near term.

Additional considerations regarding employment distribution in San Diego County are as follows:

- San Diego is most heavily weighted in the government and profession & business services sectors, holding employment shares of 17.0 percent and 16.5 percent, respectively. These leading sectors are more heavily weighted in the region's employment distribution than the nation, holding shares 1.7 percent and 2.4 percent greater than the nation, respectively.
- San Diego is relatively underweighted in the trade, transportation & utilities and education & health services sectors, compared to the nation, despite these sectors holding significant employment shares in the region (15.4 percent and 14.1 percent, respectively). However, the education & health services sector is expected to see some of the most significant growth in the region of 1.8 percent through the near term.

The chart below compares employment by industry sector between San Diego County and the United States:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory

Major Employers

San Diego's list of major employers reflects the region's relative strengths in its leading sectors including government, education and healthcare and high-tech sectors. The government sector accounts for the largest share of total nonfarm employment, as half of the region's major employers are military units. Despite being underweighted in comparison to the nation, nearly half of the largest employers in San Diego fall in the education and health services sector. The San Diego MSA is home to two Fortune 500 corporations, Qualcomm Inc. and Sempra Energy, ranked 110th and 279th respectively on the national list as of year-end 2016. Over the previous year, Qualcomm has moved up in the ranks from 123rd place, while Sempra Energy fell nine spots from the previous year's list. Despite layoffs in recent years, Qualcomm employs approximately 13,500 professionals, while Sempra Energy has approximately 5,000 employees in the San Diego region. Two other San Diego based companies, CareFusion Corp. and PriceSmart made Fortune's larger compilation of top 1,000 companies.

Additional considerations regarding San Diego County's major employers include:

- The government sector, specifically the military, has a great influence on the employment climate in San Diego. San Diego County's largest employer, the Marine Corps Base Camp Pendleton, continues to take on more employees and anchors to the local economy. Currently, there are more than 100,000 individuals employed by the United States Navy in the region.
- Despite the education & health services sector being underweighted in San Diego compared to the nation, the region's second largest employer, the University of California, San Diego, falls in the sector. The university currently employs 29,287 individuals. Although the top ten employers in the region, a number of educational institutes additionally contribute to employment numbers in the sector, including San Diego State University with 5,064 employees and the San Diego Community College District with 4,733 employees.
- As for the private sector employers in San Diego, Sharp Health is the region's largest private employer with 16,896 employees while Scripps Health is a close second with 14,644 employees.

The table below lists the top employers in terms of total employees in the San Diego County MSA:

Largest Employers San Diego-Carlsbad, CA		
Company	No. of Employees	Business Type
Marine Corps Base Camp Pendleton	43,331	Military
University of California, San Diego	29,287	Education
Naval Base Coronado (incl. North Island NAS)	23,985	Military
Naval Base San Diego	22,092	Military
Sharp Health	16,896	Healthcare
Scripps Health	14,644	Healthcare
Qualcomm Inc.	13,500	Technology
Naval Base Point Loma	12,464	Military
Marine Corps Air Station Miramar	10,152	Military
Kaiser Permanente	7,535	Healthcare

Source: San Diego Business Journal Book of Lists 2016, Guide to Military Installations and Cushman & Wakefield Valuation & Advisory

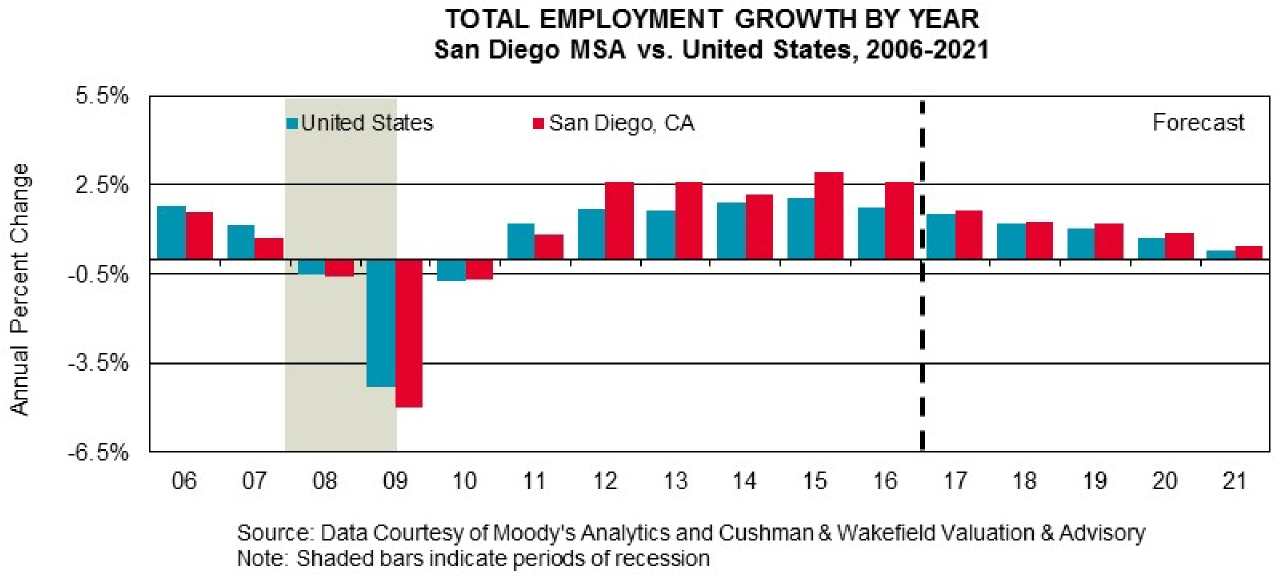
Employment Growth

Between 2006 and 2016, San Diego's total nonfarm employment averaged 0.8 percent growth annually, as significant losses were reported during the period of the last recession. The San Diego MSA has historically outperformed the nation with consistent year-over-year employment growth, however the impact of the last recession caused the region to trail national employment growth averages. Leading into and through the recession, San Diego's employment growth consistently fell short, reporting a record low growth rate of negative 5.0 percent in 2009. Coming out of the recent recession, San Diego has recorded a positive employment growth trend, with the region outperform the nation once again as of 2012. This performance trend alongside above-average income growth is expected to continue through 2021, as the region's high-tech sector fuels job growth and acts as a catalyst for the professional services job sector.

Employment sector trends are as follows:

- From 2006 to 2016, San Diego's annual employment growth average of 0.8 percent exceeded the nation's annual growth rate of 0.6 percent by 20 basis points during the same period.
- Extending the forecasted period through 2021, San Diego is expected to report average employment growth of 0.9 percent annually, 10 basis points higher than the national projected average annual growth rate of 0.8 percent over the same period. Growth will be supported by gains in the education & health services (1.8 percent), professional & business services (1.4 percent) and leisure & hospitality (1.4 percent) sectors.
- Professional & business services payroll expansion is projected to outpace overall employment growth in the region through 2021, with average annual growth of 1.4 percent. Highly-skilled professional sectors will be the driving force behind the region's improving labor market and above-average income growth.
- Biotechnology will propel the economy, although the outlook is more uncertain than in previously years. San Diego's biotechnology firms will continue to be an area of strength in the region, raising capital with ease for further growth. While the outlook is positive, risks are weighted to the downside.

The following graph compares historical and projected total employment growth between San Diego County and the United States:



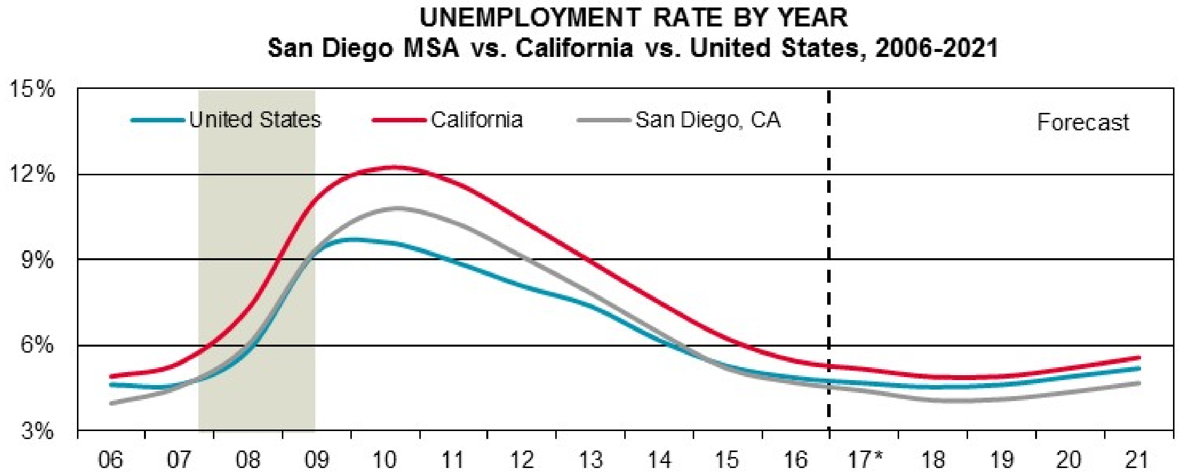
Unemployment

According to the Bureau of Labor Statistics' April 2017 data, the San Diego-Carlsbad MSA's unemployment rate is currently at 3.8 percent, 80 basis points below the rate reported during the same month of the previous year. The region's unemployment rate trended well below the state of California's average, reported at 4.8 percent, as well as the national rate of 4.4 percent as of April 2017. Through the near term, San Diego's unemployment rate is expected to maintain a similar rate, while remaining below state and national rates. San Diego's economy is projected to strengthen in the coming quarters, generating additional jobs that will continue to reduce the region's unemployment rate.

Notable points concerning the region's unemployment rate are as follows:

- Over the past decade between 2006 and 2016, San Diego County averaged an unemployment rate of 7.1 percent, 30 basis points higher than the national average of 6.8 percent for the same time period. The outlook for the next five years will be more favorable than the national projections.
- Unemployment in the region peaked during 2010 to 10.8 percent and declined steadily in subsequent years as economy recovery following the recession ran its course. Although improvements are expected in the near term, the local unemployment rate will remain slightly above the pre-recessionary record low of 4.0 percent recorded in 2006.
- Looking forward, Moody's Analytics forecasts that increased hiring will have significant positive impact on the unemployment rate in San Diego County. Through 2021, the unemployment rate is expected to remain below the 5.0 percent range, averaging at about 4.3 percent, while the national average is expected to be 4.8 percent during the same period.

The following graph compares historical and projected unemployment rate between San Diego County and United States:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession
*First Quarter 2017

Conclusion

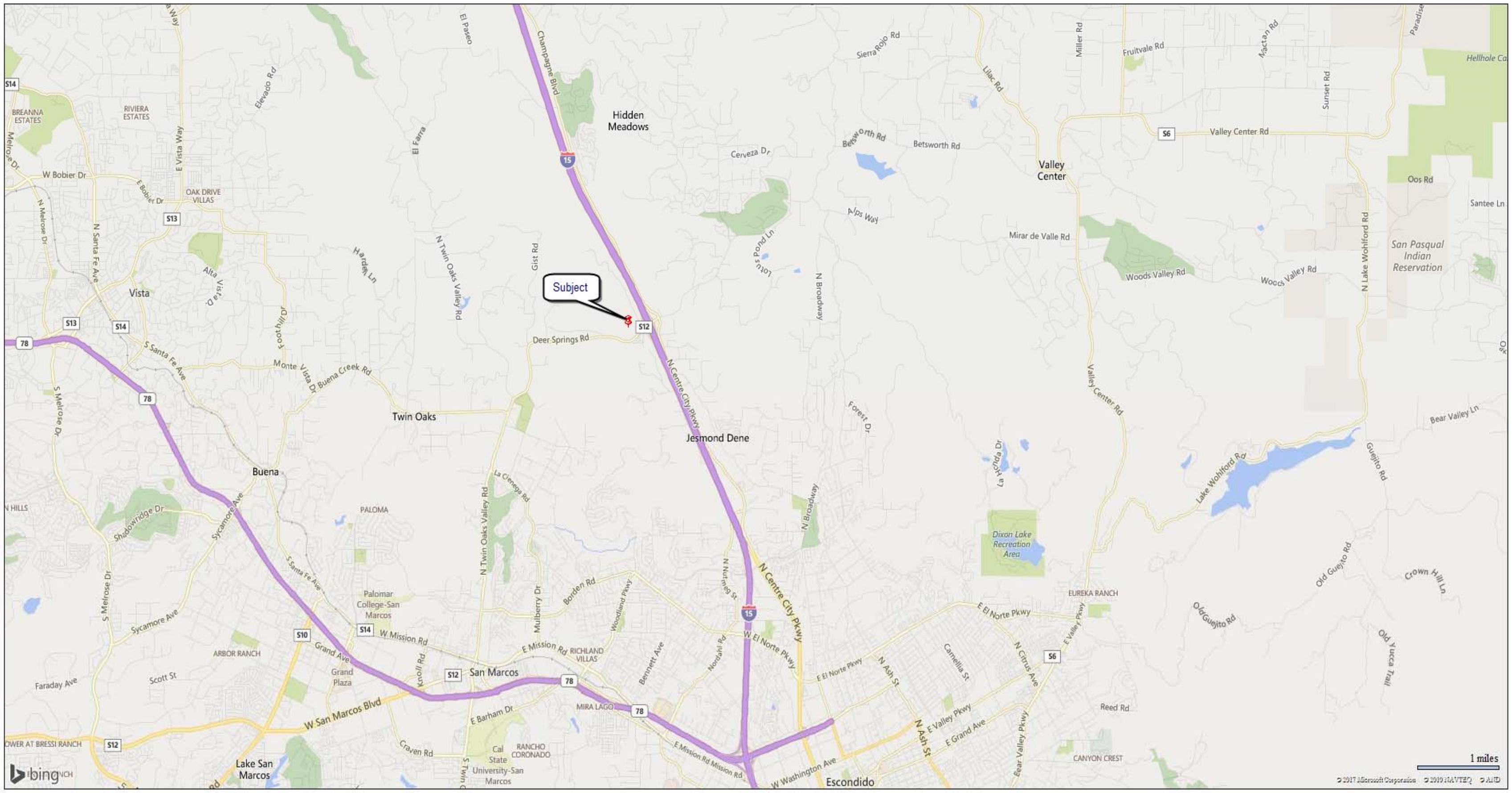
San Diego County's demographics and high-wage employment growth have supported economic expansion following the last recession. Despite slowing pace in recent years, the region continues to outperform the nation, with a similar trend expected in the near term. The region's diversified employment base will continue to compare favorably with the United States, although job growth will slow to the nation as the economy reaches full employment. The majority of employment growth will be driven by the high-skill professional and business services sector, with the high-tech and defense sectors continuing to support the region's economic growth. The high business and housing cost may dampen the region's growth, but forecasts are optimistic that the region's strong demographics and highly educated population will be able to mitigate these high costs. The layoffs at Qualcomm have had an impact on the region's performance, but in the long term, will continue to be a major factor in the area's growth. San Diego County is expected to continue as an above-average performer moving forward, keeping pace with the state and exceeding national growth in the near term.

Further considerations are as follows:

- San Diego's rising professional & business services sector is largely based on high-tech, pharmaceutical, military technology and software industries. Growth of jobs requiring high-skill and education levels will be the driving force behind the region's improving labor market and above-average income growth in the near term.
- The relative strength of the defense sector and specialization in military intelligence will contribute to the region's expansion modestly. After experiencing setbacks in recent year, the industry is positioned to experience growth despite upside risks.
- San Diego's desirable coastal location and high quality of life will continue to attract a younger, well-educated, and relatively affluent population to the area. The county's diversified economy makes the region an attractive choice for businesses as well.

Local Area Analysis

LOCAL AREA MAP



Neighborhood Analysis

Location

The community of Twin Oaks is located approximately 2½ miles north of the city of Escondido, west of Interstate 15 (I-15), west of the unincorporated Valley Center area, and south of Old Castle Road. Downtown San Diego is located 35± miles to the south and the closest beaches are located 15± miles to the southwest within the city of Carlsbad. The southern-most city of Riverside County, Temecula, is located 15± miles to the north along I-15. The community encompasses approximately 8 square miles of unincorporated territory in San Diego County characterized by mountainous terrain, rolling hills, some gently sloping valley floors, and rock outcroppings. The community is nestled amongst the rolling terrain of a mountaintop, several hundred feet above the I-15 corridor. No major watercourses cross the area.

Access / Transportation

The community is primarily accessed via the Mountain Meadow Road/Deer Springs Road exit off I-15. Mountain Meadow Road is a 4-lane secondary road which travels up the mountain to a network of 2-lane minor roads that provide access to the homes of the community. I-15 travels north and south, just east of the community, providing northern access to areas of San Diego and Riverside Counties. To the south, I-15 provides access to the cities of Escondido, San Marcos, and San Diego. State Highway 78 (SH-78) is located in the city of Escondido and provides access to the cities of San Marcos, Vista, Carlsbad, and Oceanside to the west. McClellan Palomar Airport, located 13± miles to the southwest in the city of Carlsbad, provides the nearest certified public carrier service.

Demographics

According to Experian Marketing Solutions Inc., the community (3-mile radius) consisted of 18,473 residents in 2016. The median household income increased from $73,539 in 2000 to $105,073 in 2016. Empty nesters and retirees have primarily resided in the community from the 1970s and 1980s, when most of the development occurred. However, some developments have attracted families as well.

Employment

According to www.city-data.com, industries providing employment to the area include education, health, and social services, professional, scientific, management, administrative, waste management, and retail. Employees commute to the nearby cities of Escondido, San Marcos, Vista, or throughout San Diego County as I-15 and SH-78 provide good access to major employment centers. A number of locally owned businesses support some of the community’s needs.

Amenities / Services

The Lawrence Welk Resort is located just north of the community along I-15 and also includes a golf course. The nearest medical center is located in Escondido. Fallbrook Community Airpark is located 12± miles to the northwest. Palomar College and University of California State University-San Marcos are located within 7± miles to the south in the city of San Marcos.

Land use

The majority of homes were custom built during the 1970s and 1980s on larger lots. More recently, home prices have been in the $600,000 to $800,000 range, with some homes above $1,000,000.

Conclusions

The community of Twin Oaks is located in northern San Diego County just north of the city of Escondido. Downtown San Diego is located 35± miles to the south and the closest beaches are located 15± miles to the southwest within the city of Oceanside. The community encompasses approximately 8 square miles of unincorporated territory in San Diego County characterized by mountainous terrain, rolling hills, some gently sloping valley floors, and rock outcroppings. The community has good access to I-15 but is more distant from community services and employment. However, as Twin Oaks has attracted many retirees and empty nesters, employment is not as critical as amenities and lifestyle.

DEMOGRAPHIC SUMMARY

			1.0-mile Radius	3.0-mile Radius	5.0-mile Radius	San Diego-Carls CBSA	County of San Diego	State of California
POPULATION STATISTICS								
2000			420	14,565	92,955	2,811,573	2,811,573	33,859,695
2016			555	18,473	117,598	3,324,463	3,324,463	39,320,109
2021			594	19,475	123,657	3,453,445	3,453,445	40,894,935
Compound Annual Change								
2000	-	2016	1.76%	1.50%	1.48%	1.05%	1.05%	0.94%
2016	-	2021	1.37%	1.06%	1.01%	0.76%	0.76%	0.79%
HOUSEHOLD STATISTICS								
2000			178	5,788	31,503	994,042	994,042	11,498,173
2016			215	6,891	38,538	1,162,742	1,162,742	13,319,273
2021			231	7,262	40,678	1,211,692	1,211,692	13,886,580
Compound Annual Change								
2000	-	2016	1.19%	1.10%	1.27%	0.98%	0.98%	0.92%
2016	-	2021	1.45%	1.05%	1.09%	0.83%	0.83%	0.84%
AVERAGE HOUSEHOLD INCOME								
2000			$81,071	$73,539	$60,512	$63,255	$63,255	$65,671
2016			$117,205	$105,073	$85,232	$93,540	$93,540	$92,715
2021			$135,520	$121,940	$99,301	$109,040	$109,040	$108,428
Compound Annual Change								
2000	-	2016	2.33%	2.26%	2.16%	2.48%	2.48%	2.18%
2016	-	2021	2.95%	3.02%	3.10%	3.11%	3.11%	3.18%
OCCUPANCY								
Owner Occupied			86.51%	82.56%	60.58%	52.73%	52.73%	54.15%
Renter Occupied			13.49%	17.44%	39.42%	47.27%	47.27%	45.85%

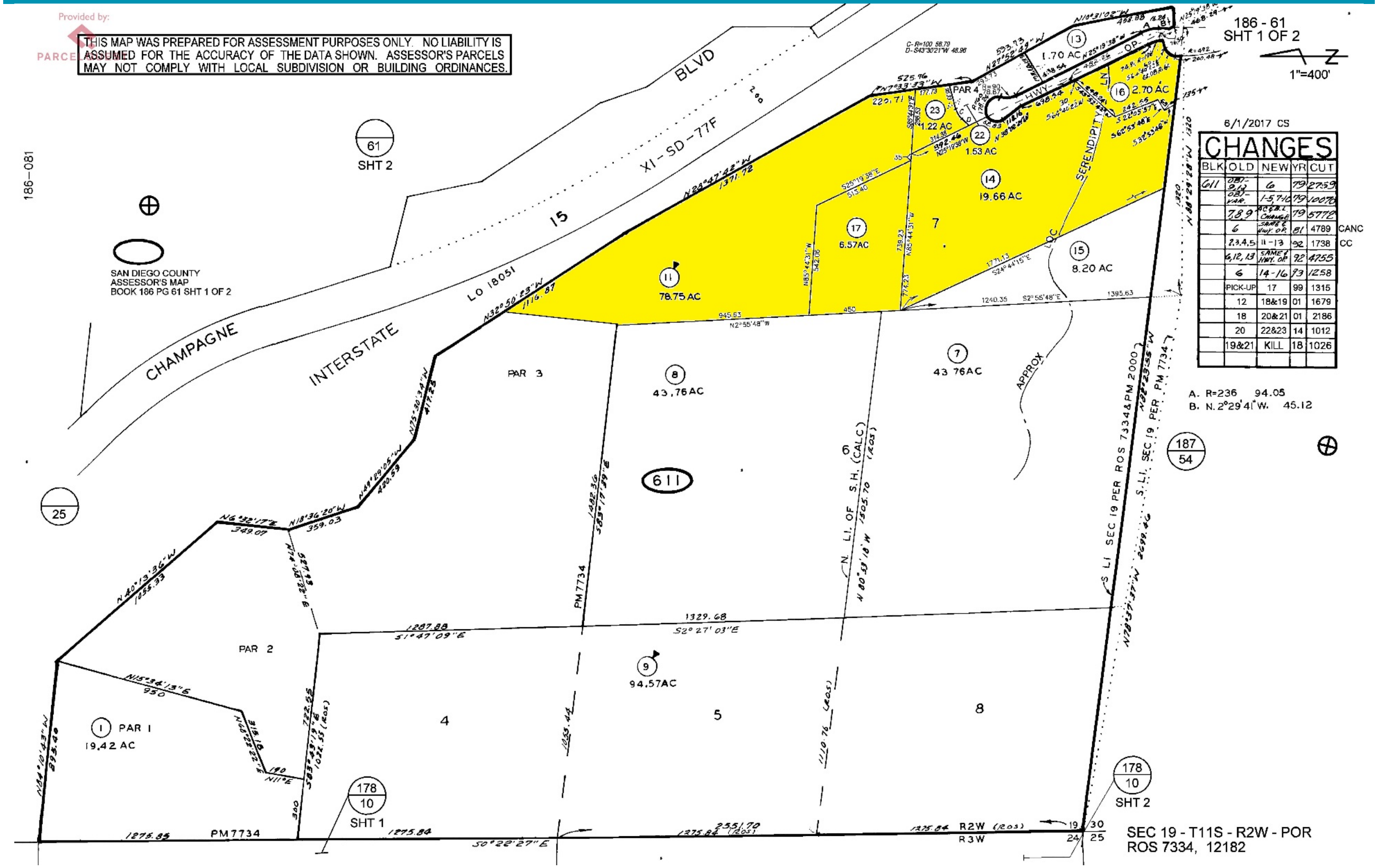
SOURCE:

Property Analysis

Site Description

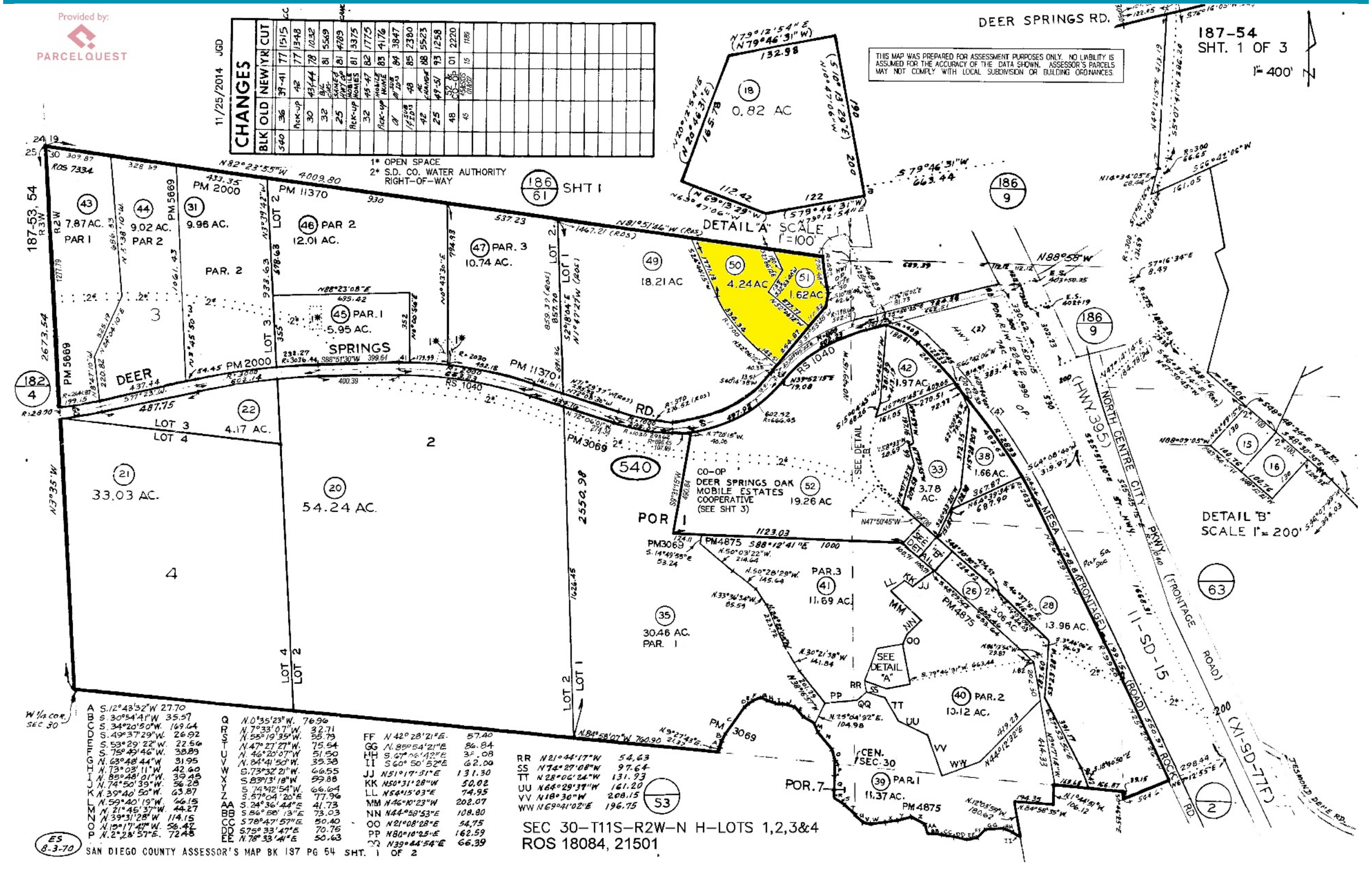
Shape:	Irregularly shaped
Topography:	Hilly
Primary Land Area:	58.200 acres / 2,535,192 square feet (A portion of the total 1,985 acre master-planned community)
Frontage/Access/Visibility:	The subject property has frontage on the following streets: Mesa Rock Road and Deer Springs Road. Access is considered good for the subject's current condition. Visibility is good.
Site Improvements:	The site is unimproved hillside with steep terrain, sloping downward from West to East toward Freeway I-15
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Flood Zone Description:	The subject property is located in flood zone X (Areas determined to be outside the 500 year flood plain) as indicated by FEMA Map 06073C0752H, dated May 16, 2012. The flood zone determination and other related data are provided by a third party vendor deemed to be reliable. If further details are required, additional research is required that is beyond the scope of this analysis.
Seismic Hazard:	Though Southern California generally has earthquake faults and associated hazard areas, the subject is not known to be within a designated earthquake fault hazard zone.
Overall Site Utility:	The subject site irregular in shape, but is functional for its current use.
Location Rating:	Good

SURVEY OR TAX MAP

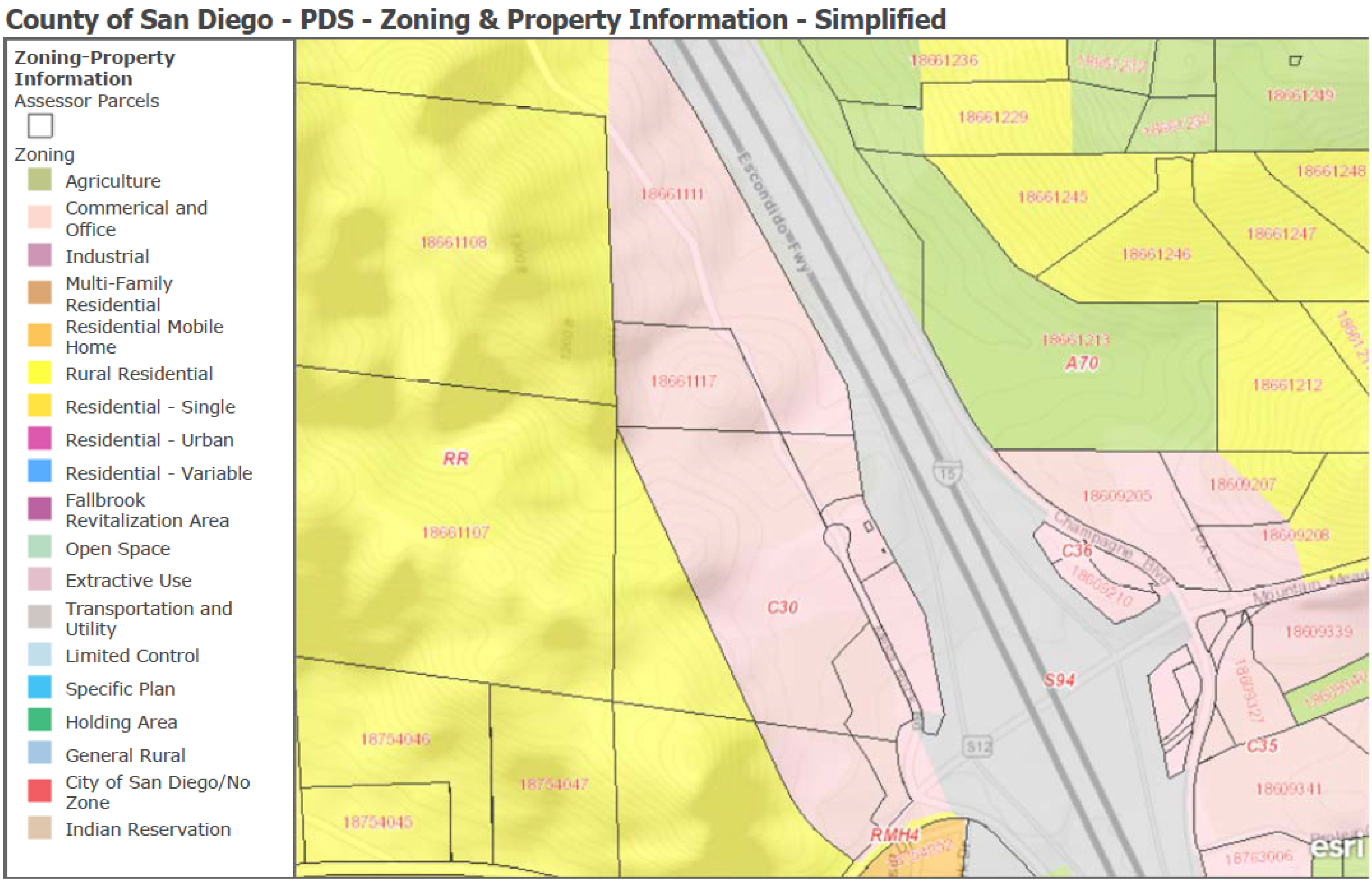


Note: The subject is a portion of the above parcel 11

SURVEY OR TAX MAP



EXISTING ZONING MAP



Zoning

LAND USE DESIGNATIONS

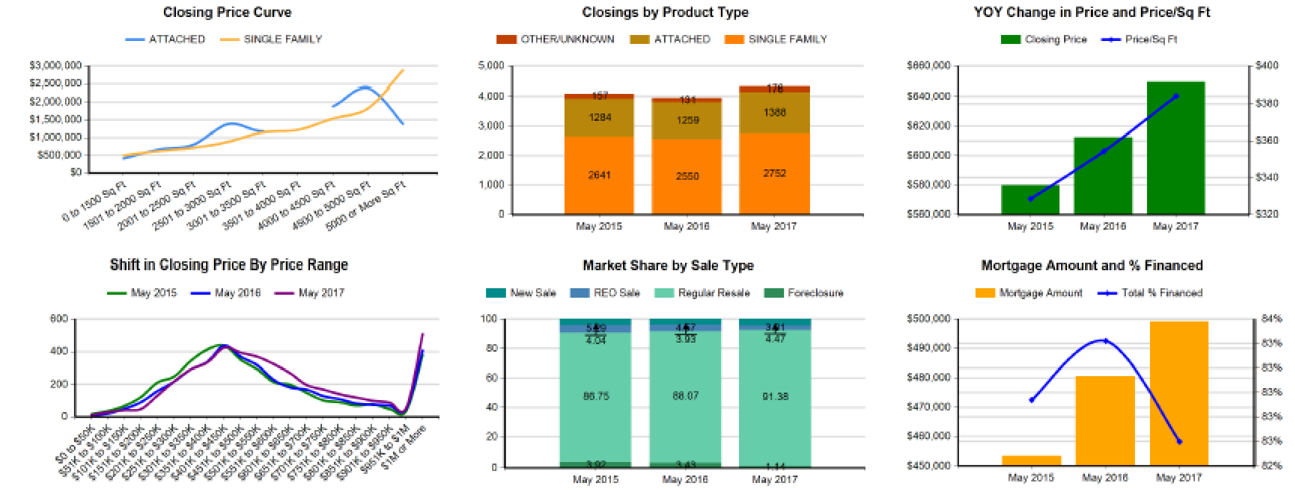
Zoning:	Existing: C30 (Office-Professional) and C35 (General Commercial / Limited Residential) Proposed: C34 (General Commercial / Residential Use)
Discussion:	Nonresidential building intensity is expressed as a maximum floor-area ratio (FAR). A floor- area ratio (FAR) is the ratio of the gross building square footage on a lot to the **net square footage** of the lot or parcel. Under the current zoning of C30, the maximum FAR (Floor Area Ratio) is .80 of the site area for Village areas and .45 for semi-rural areas. Based on the estimated site area at 53.6 acres, at a maximum, this translates to a total building area from 1,050,667 to 2,008,116 square feet. However, this does not mean that all of the allowed building area could be physically or economically constructed, as the net square footage of the site is unknown. Under the current zoning of C34, the maximum FAR is .70 of the site area for Village areas and .45 FAR for semi-rural areas. The estimated site area is 4.6 acres. At a maximum, this translates to a total building area from 90,169 to 140,263 square feet. Again, as the net site area is unknown, this does not mean that all of the allowed building area could be physically or economically constructed. According to the County of San Diego's General Plan, the maximum FAR is provided based on regional categories to guide intensity of development. This denotes the upper range for each component, but there is no expectation that this would be achieved when each component is applied in the same area. As well, the maximum density for lands designated as Semi-Rural is also based on the slope of the site.

Market Demand Analysis –

metrostudy

Market Activity Dashboard

Report Date: 8/1/2017, Month: May 2017
San Diego-Carlsbad-San Marcos, CA



	Total Number of Closings						Average Closing Price			Average Living Sq Ft			Average $/Sq. Ft.			Average Mortgage Amount		
	Current Period		One Year Prior		Two Years Prior		Current Period	One Year Prior	Two Years Prior	Current Period	One Year Prior	Two Years Prior	Current Period	One Year Prior	Two Years Prior	Current Period	One Year Prior	Two Years Prior
	Count	%	Count	%	Count	%												
By Product Type																		
ATTACHED	1,388	32%	1,259	32%	1,284	31%	$487,847	$459,428	$428,278	1,216sf	1,225sf	1,242sf	$407	$369	$341	$372,489	$359,844	$341,135
OTHER/UNKNOWN	176	4%	131	3%	157	4%	$401,607	$288,977	$331,723	1,557sf	1,556sf	1,477sf	$352	$232	$194	$407,292	$282,057	$234,671
SINGLE FAMILY	2,752	64%	2,550	65%	2,641	65%	$746,699	$705,656	$669,013	2,045sf	2,056sf	2,050sf	$374	$349	$325	$559,068	$540,101	$509,134
Total	4,316	100%	3,940	100%	4,082	100%	$649,153	$612,352	$579,625	1,768sf	1,782sf	1,789sf	$384	$354	$328	$499,163	$480,466	$453,519
By Sale Type																		
FORECLOSURE	49	1%	135	3%	160	4%				1,915sf	1,559sf	1,545sf				NA	NA	NA
REGULAR RESALE	3,944	91%	3,470	88%	3,541	87%	$648,148	$610,165	$580,307	1,761sf	1,773sf	1,779sf	$386	$357	$331	$495,356	$478,350	$448,540
REO SALE	130	3%	180	5%	216	5%	$540,010	$485,886	$460,075	1,535sf	1,720sf	1,659sf	$357	$311	$290	$507,052	$424,635	$428,727
NEW SALE	193	4%	155	4%	165	4%	$739,229	$799,992	$714,979	2,565sf	2,584sf	2,916sf	$339	$349	$312	$567,943	$577,808	$576,334

Closing Price Curves		0 to 1500 sf	1501 to 2000 sf	2001 to 2500 sf	2501 to 3000 sf	3001 to 3500 sf	3501 to 4000 sf	4000 to 4500 sf	4500 to 5000 sf	5000 or More sf
ATTACHED	Price Line	$413,112	$663,773	$800,707	$1,386,500	$1,189,273	NA	$1,883,333	NA	$1,386,250
	$/Sq. Ft.	$409.74	$397.23	$367.05	$511.56	$363.73	NA	$424.33	NA	$206.00
SINGLE FAMILY	Price Line	$496,128	$619,991	$713,036	$884,550	$1,155,492	$1,223,693	$1,540,082	$1,831,250	$2,882,990
	$/Sq. Ft.	$435.23	$354.34	$319.53	$323.47	$359.57	$330.84	$361.98	$385.46	$437.73

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Residential

As can be seen in the chart above, home sales and pricing have increased over the past two years, with attached product indicating a 31 percent increase. During the same time period, average home size decreased slightly from 1,789 to 1,768 square feet, resulting in an increase in price points from $328 to $384 per square foot, a 17 percent increase. As well, foreclosure activity has also been declining over the same time period.

Numerous articles in the San Diego Union and elsewhere describe the lack of affordable housing in the San Diego County. Many subdivisions and master-planned communities have been proposed to address this concern, but have some difficulty in obtaining approvals. The subject's previous efforts to obtain entitlements under the master-planned community known as Merriam Mountains was rejected by the County Board of Supervisors back in 2010. A recent proposal under new ownership, envisions less density (2,135 homes instead of 2,600 homes) and is currently in the entitlement process with the County of San Diego.

Office Market Analysis

The following is a summary of the office market in the outlying North San Diego County area (which includes the subject's area), as of the 2nd quarter 2017, according to CoStar Analytics.

Overview

Outlying SD County N Office

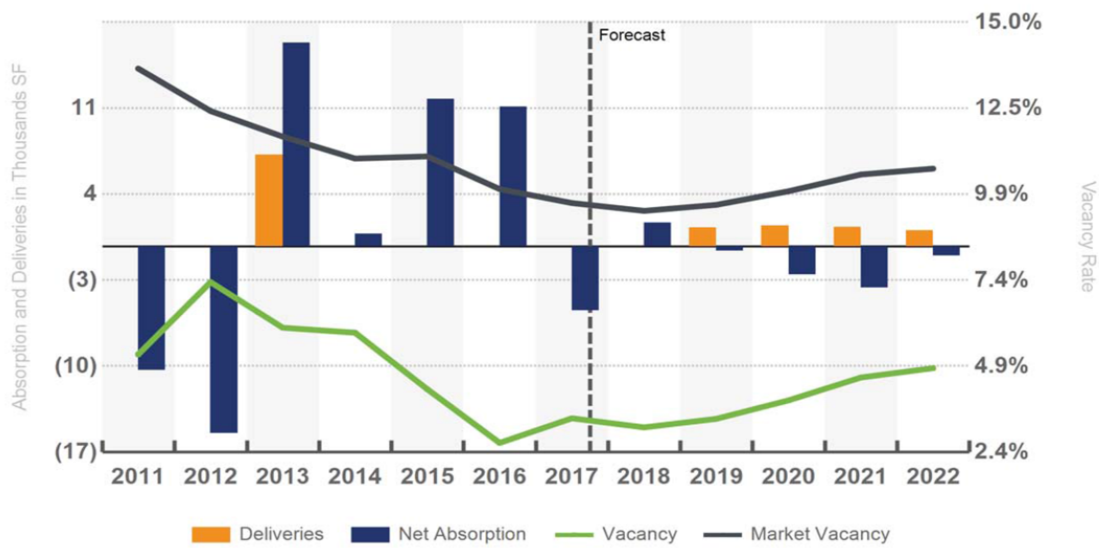
12 Mo. Deliveries in SF (000)	12 Mo. Net Absorption (000)	Vacancy Rate	12 Mo. Rent Growth
0	-7	3.8%	4.1%

KEY INDICATORS

Current Quarter	RBA (000)	Vacancy Rate	Gross Asking Rent	Availability Rate	Net Absorption (000)	Net Deliveries (000)	Under Const. (000)
4 & 5 Star	--	N/A	N/A	N/A	--	--	0
3 Star	120	1.7%	$26.44	5.2%	(2)	--	0
1 & 2 Star	614	4.2%	$18.34	5.9%	0	--	0
SUBMARKET	**735**	**3.8%**	**$19.64**	**5.8%**	**(2)**	**--**	**0**

Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	0.9%	3.5%	3.8%	7.8%	2013 Q2	0.6%	2006 Q4
Net Absorption (000)	(7)	2	(1)	35	2010 Q1	(45)	2008 Q3
Net Deliveries (000)	0	3	1	25	2003 Q2	0	2012 Q4
Rent Growth	4.1%	2.4%	2.7%	15.1%	2001 Q1	-10.4%	2009 Q3
Sales ($ millions)	$5	$3	N/A	$16	2017 Q2	$0	2012 Q3

NET ABSORPTION, NET DELIVERIES AND VACANCY RATE



Overview

Outlying SD County N Office

SUBMARKET SUPPLY AND DEMAND HISTORY AND FORECAST

	Inventory			Net Absorption		
Year	SF (000)	Growth (000)	% Growth	SF (000)	% Growth	Construction Ratio
2022	741	1	0.2%	(1)	-0.1%	--
2021	740	2	0.2%	(3)	-0.5%	--
2020	738	2	0.2%	(2)	-0.3%	--
2019	736	2	0.2%	0	0.0%	--
2018	735	0	0.0%	2	0.3%	0.0
2017	735	0	0.0%	(5)	-0.7%	--
2016	735	0	0.0%	12	1.6%	0.0
2015	735	0	0.0%	12	1.8%	0.0
2014	735	0	0.0%	1	0.2%	0.0
2013	735	8	1.0%	17	2.5%	0.5
2012	727	0	0.0%	(15)	-2.2%	--
2011	727	0	0.0%	(10)	-1.5%	--
2010	727	0	0.0%	15	2.2%	0.0
2009	727	15	2.2%	23	3.4%	0.7
2008	712	2	0.3%	(43)	-6.1%	--
2007	709	0	0.0%	0	0.0%	--
2006	709	0	0.0%	15	2.1%	0.0
2005	709	0	0.0%	(3)	-0.5%	--

As can be seen from the charts, vacancies have been increasing with nothing under construction and a negative in net absorption. The expected trend through 2022 is for little to no growth in the office market. The conclusion is that there is little to no demand for office space in the subject's location.

Existing office and other employment centers are located along the Highway 78 corridor and in the City of Escondido. It appears that the existing development adequately serves the region.

Retail Market Analysis

The following is a summary of the retail market in the outlying North San Diego County area (which includes the subject's area), as of the 2nd quarter 2017, according to CoStar Analytics.

Overview

Outlying SD County N Retail

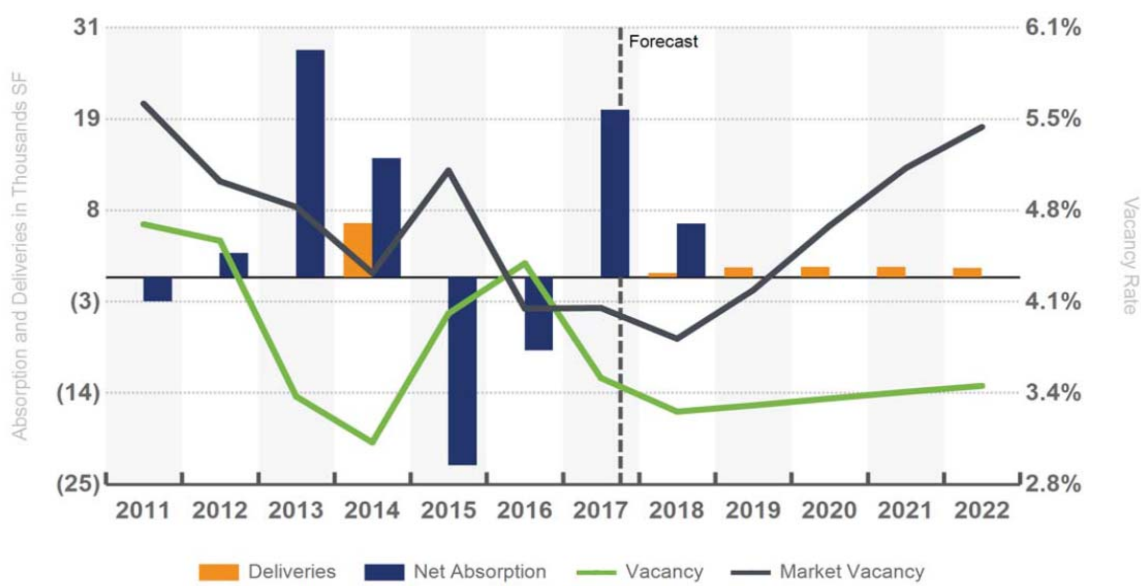
12 Mo. Deliveries in SF (000)	12 Mo. Net Absorption (000)	Vacancy Rate	12 Mo. Rent Growth
0	-4	4.0%	2.1%

KEY INDICATORS

Current Quarter	RBA (000)	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption (000)	Net Deliveries (000)	Under Const. (000)
Mall	146	7.5%	$21.70	7.5%	0	--	0
Power Center	--	N/A	N/A	N/A	--	--	0
Neighborhood Center	550	4.7%	$19.95	11.8%	(2)	--	0
SUBMARKET	**2,445**	**4.0%**	**$19.47**	**5.8%**	**(8)**	**--**	**0**

Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	0.2%	2.2%	3.4%	5.4%	2011 Q2	0.0%	2000 Q3
Net Absorption (000)	(4)	(5)	2	32	2013 Q3	(81)	2009 Q4
Net Deliveries (000)	0	1	1	7	2014 Q4	0	2009 Q1
Rent Growth	2.1%	0.9%	0.3%	5.4%	2007 Q1	-5.8%	2010 Q1
Sales ($ millions)	$3	$11	N/A	$36	2007 Q1	$1	2009 Q2

NET ABSORPTION, NET DELIVERIES AND VACANCY RATE



Overview

Outlying SD County N Retail

SUBMARKET SUPPLY AND DEMAND HISTORY AND FORECAST

	Inventory			Net Absorption		
Year	SF (000)	Growth (000)	% Growth	SF (000)	% Growth	Construction Ratio
2022	2,446	1	0.0%	0	0.0%	--
2021	2,445	1	0.0%	0	0.0%	--
2020	2,444	1	0.1%	0	0.0%	--
2019	2,442	1	0.0%	0	0.0%	--
2018	2,441	1	0.0%	7	0.3%	0.1
2017	2,441	0	0.0%	21	0.9%	0.0
2016	2,441	0	0.0%	(9)	-0.4%	--
2015	2,441	0	0.0%	(23)	-1.0%	--
2014	2,441	7	0.3%	15	0.6%	0.5
2013	2,434	0	0.0%	28	1.2%	0.0
2012	2,434	0	0.0%	3	0.1%	0.0
2011	2,434	0	0.0%	(3)	-0.1%	--
2010	2,434	0	0.0%	(2)	-0.1%	--
2009	2,434	0	0.0%	(81)	-3.4%	--
2008	2,434	0	0.0%	23	1.0%	0.0
2007	2,434	0	0.0%	(4)	-0.2%	--
2006	2,434	0	0.0%	(46)	-1.9%	--
2005	2,434	4	0.1%	4	0.1%	1.0

Though slightly better than the office market with a lower (and stabilizing) vacancy, there is no retail construction and a slight negative absorption expected through 2022.

Existing retail as well as community and regional centers are located along the Highway 78 corridor and in the City of Escondido. It appears that the existing development adequately serves the region.

CONCLUSIONS DEMAND (CURRENT)

Residential

Those factors typically gauged to determine demand for housing would indicate that demand in this submarket should improve in the future. As discussed, growth rates are expected to continue in San Diego County and the North County Inland MSA area in the long-term. It is anticipated that as remaining residential land inventory decreases in San Diego County, those projects available closer to employment centers should capture a larger market share of effective demand for housing. Though product continues to be absorbed and builders incentives have declined, pricing increases may plateau as interest rates are expected to increase.

In summary, overall long-term demand factors for San Diego County and the subject's submarket are positive. In the near-term, the upward pricing trends appear to be slowing and future interest rate increases may have an effect on absorption.

Office

Currently, office use is mostly located in the Escondido, San Marcos and Vista areas along the Route 78 corridor. Office workers in these areas generally commute from areas outside the trade area. There is no current construction of office and a net negative (2,000 sf) absorption as of the 2nd quarter 2017. Thus, there does not appear to be significant demand for office space in the subject's designated site area.

Retail

As stated in the Retail Market discussion, there is little to no current demand for retail development at the subject's site.

Assumptions and Limiting Conditions

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"Cushman & Wakefield" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of Cushman & Wakefield who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor Cushman & Wakefield shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of Cushman & Wakefield any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of Cushman & Wakefield is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without Cushman & Wakefield's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by Cushman & Wakefield in writing to use or rely thereon, hereby agrees to indemnify and hold Cushman & Wakefield, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. Cushman & Wakefield assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. Cushman & Wakefield recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
-

- In the event of a claim against Cushman & Wakefield or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by Cushman & Wakefield or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- • If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and Cushman & Wakefield, its employees and the Appraiser have no liability to such recipients. Cushman & Wakefield disclaims any and all liability to any party other than the party that retained Cushman & Wakefield to prepare the Report.
- Any estimate of actual cash value, if included within the agreed upon scope of work and presented within this Report, is based upon an agreed upon procedure with the client as identified by the client within their definition. C&W makes no warranties regarding the accuracy or relevance of this estimate.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

Addenda Contents

Addendum A: Qualifications of the Appraiser

Addendum A:
Qualifications of the Appraiser

Peter M. Savage, MAI, SRA

Director
Valuation & Advisory
Practice Group Member | Residential Development
Cushman & Wakefield Western, Inc.

Professional Expertise

Mr. Savage joined Cushman & Wakefield Western, Inc. Valuation & Advisory in 2006 and has specialized in residential development including appraising subdivisions, mixed-use properties and master planned communities. Mr. Savage began his career in real estate lending with California Federal Savings in 1974. After reaching management level in 1979, he joined Cuffaro Appraisal Services as a residential appraiser. Mr. Savage obtained the SRA and SRPA designations, becoming partner under the name of Cuffaro, Savage & Associates. In 1990 Mr. Savage opened Savage & Associates which became Certified Appraisals. He obtained the MAI designation in 1997 while operating Certified Appraisal.

Mr. Savage specializes in residential development properties including subdivisions and master planned communities. In addition, appraisal and consulting assignments include vacant land, office buildings, industrial buildings, business/industrial parks, shopping centers, industrial complexes, commercial properties, apartment buildings and mixed-use properties.

Appraisal assignments have been performed in San Diego County, San Luis Obispo County, Ventura County, Los Angeles, Riverside County and Imperial County, as well as in the states of Arizona and Idaho.

Memberships, Licenses, Professional Affiliations and Education

- Designated Member, Appraisal Institute (MAI #11293). As of the current date, Peter M. Savage, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Certified General Real Estate Appraiser in the following state:
  - California – AG004946
- Senior Real Property Appraiser, Appraisal Institute (SRPA)
- Designated Senior Residential Appraiser of the Appraisal Institute (SRA)
- Bachelor of Science degree in Real Esate, San Diego State University, 1976
- Mr. Savage has served on the board of directors for the San Diego chapter of the Appraisal Institute as well as chairing the education committee.

CALIFORNIA

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Peter M. Savage

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 004946

Effective Date: November 22, 2016
Date Expires: November 21, 2018

Jim Martin, Bureau Chief, BREA

3028705

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

ENCLOSURE 3

12670 High Bluff Drive
San Diego, California 92130
Tel: +1.858.523.5400 Fax: +1.858.523.5450
www.lw.com

LATHAM&WATKINS LLP

April 17, 2018

VIA EMAIL & US MAIL

Ashley Smith
Planning and Development Services
County of San Diego
5510 Overland Avenue, Suite 310
San Diego, Ca 92123

Re: Revised Independent Analysis of Zoning Regulations, Constraints and Development Potential of Newland Owned Commercial Parcels Report prepared by Delane Engineering

Dear Ms. Smith

Please find enclosed a revised report by Delane Engineering regarding the "Independent Analysis of Zoning Regulations, Constraints and Development Potential of Newland Owned Commercial Parcels." Our office previously submitted the report with our comment letter on the Draft Environmental Impact Report for the Newland Sierra Project. The previously submitted report incorrectly showed that Newland Sierra owned land currently occupied by the AM/PM gas station at Mesa Rock Road. This has been corrected, and the exhibits to the report have also been revised to reflect this change.

The revision, however, does not change the conclusion of the report which finds that due to regulatory and environmental constraints on the site a maximum of 618,000 square feet of office professional uses, and 77,000 square feet of general commercial uses could be built on the portions of the Newland Sierra Project site currently designated for office commercial and general commercial, for a total of 695,000 square feet. Therefore, the report finds that the site would not accommodate the 2 million square feet of commercial retail space including "big box" retail, claimed by Newland Sierra and repeated often by Newland Sierra in media reports and at community meetings.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Clifton Williams, Land Use Analyst
LATHAM & WATKINS LLP

Enclosure

TECHNICAL MEMORANDUM

DATE	August 4, 2017 Rev. March 29, 2018 (revised developable area removing parcels not owned by Newland)
TO	Andrew Yancey – Latham and Watkins, LLP
FOR	Kathy Van Ness – COO/GM Golden Door Resort
FROM	John Prince, PE, PMP – DELANE Engineering, Inc.
SUBJECT	**Independent Analysis of Zoning Regulations, Constraints, and Development Potential of Newland Owned Commercial Parcels**

According to the June 2017 Draft Environmental Impact Report (DEIR) prepared for the Newland Sierra Development, the entire project area is currently zoned for 99 dwelling units and 58.2 acres of commercial office space (53.6 acres of C30, Office Professional, and 4.6 acres of C36, General Commercial). The Newland project proposes amending the General Plan and zoning to allow for the project's proposed 2,135 dwelling units and 81,000 square feet (SF) of commercial retail (C-5). See **Figure 1** for a land use breakdown from the Project Description section of the Newland DEIR.

The Newland DEIR claims that the 58.2 acres of currently zoned commercial property yields 2,008,116 SF of potential development under the Existing General Plan and that the proposed zoning changes result in similar or fewer overall land use and traffic impacts. The Newland DEIR also concludes that 2,008,116 SF of commercial development is feasible on the project site, and marketing material distributed by Newland at public meetings suggests the commercial parcels could include "big box" retail stores.

The Newland DEIR does not provide any detail on how the parcels would support over 2 million SF of development and does not own all the parcels. Per the County Zoning ordinance, development on the parcels is limited to two-stories and 35-ft in total height, with setbacks up to 60-ft. In addition, much of the property lies on "steep slopes". Per the County Resource Protection Ordinance (RPO), steep slopes are defined as those natural slopes exceeding 25% in slope gradient and are a protected resource. Over 30% of the area of the commercial parcels qualifies as steep slopes per the RPO. As shown in **Figure 2,** the percent of steep slope area in several of the parcels exceeds 10% of the parcel area and requires an open space easement on the area of steep slopes (the yellow and red colored areas of Figure 2). Proposed development is not allowed to encroach more than 10% into an open space easement. In addition to steep slopes as a protected resource, the entire site consists of significant sloping that increases development costs and reduces development potential.

As shown in **Figure 3**, deducting for area of steep slopes and parking (at County ordinance rate of 4 stalls per thousand SF) yields a total developable building area available of 309,000 SF for C30 Office Professional and 38,500 SF for C36 General Commercial for a total of 347,500 SF. At 2 story height restriction, the total building square footage feasible is 618,000 SF for C30 Office Professional and 77,000 SF of C36 General Commercial, for a total building square footage of 695,000 SF[1]. Note that there are additional potential constraints not taken into account that may further reduce feasible building square footage, including slope grading and earthwork, views, cost, economic viability, and other environmental factors.

The C30 zone does not allow "big box" retail stores. Section 2300 of the County Zoning Ordinance states that the intent of the C30 zone is as follows: "The C30 Use Regulations are intended to create and enhance areas where administrative, office and professional services are the principal and dominant use. It is also intended that uses involving high volumes of vehicular traffic be excluded from the C30 Use Regulations. Typically, the C30 Use Regulations would be applied near residential areas, have a scale and appearance compatible with and complementary to the adjacent residential use, and have pedestrian as well as vehicular access."

The C36 General Commercial Zone does allow General Retail Sales which would include "big box" retail. However, as noted approximately 77,000 SF of retail would be allowed, which is smaller than the typical Costco (144,500 SF), Home Depot (105,000 SF), or Wal-Mart supercenter store (182,000 SF).[2] The 4.6 acres zoned C36 is bisected by Mesa Rock Road, further diminishing the ability for the property to develop in a single block, as would be required for any type of large format retail. Small convenience store retail, akin to the existing AM/PM minimart is more likely.

The Newland DEIR claims that the trip generation and distribution of the proposed residential development would be similar to and offset by the current commercial property. However, while the commercial parcels are limited to the far southeast corner of the entire project site, the Newland Sierra project as proposed sprawls out far across the hillsides northwest of the commercial parcels. Proposed project trip distribution is then spread out through three project access roads (Mesa Rock Road, Sarver Lane, and Twin Oaks Valley Road) causing further travel to and from the freeway and increased traffic on Deer Springs Road. However, when current land use is compared to proposed land use, it is apparent that trip distribution for the commercial parcels (if fully developed to current general plan) would result in differing trip distribution, with all traffic required to access the parcels from Mesa Rock Road. This is not addressed in the Newland project documents.

Finally, any development of only the commercial properties would not result in the environmental impacts and earth moving, blasting, noise, and other construction related impacts of the proposed Newland development across it's nearly 2,000 acre site.

[1] The high level conceptual footprint designs provided in this memorandum are for the purpose of approximating the buildable area on the Newland Sierra project site under the existing General Plan and are not be to construed as a development proposal or design-level engineering.

[2] http://investor.costco.com/phoenix.zhtml?c=83830&p=irol-homeprofile_pf; https://corporate.homedepot.com/about; http://stock.walmart.com/investors/investor-resources/faqs/default.aspx;

Figure 1 – Existing Land Use (per Newland DEIR)

Commercial and Residential Yield Analysis (Existing Land Use Regulations)

Land Use	Acres	Allowable Density per General Plan	Number of Units/Square Feet
SR-10 (0%–25% slope)	19.6	1 dwelling unit/10 acres	5*
SR-10 (25%+)	0.0	1 dwelling unit/20 acres	0
RL-20	1,907.8	1 dwelling unit/20 acres	94
C-1	4.6	0.70 floor area ratio	140,263 square feet
C-2	53.6	0.80 floor area ratio	1,867,853 square feet
Total	**1,985 acres**	–	**99 dwelling units and 2,008,116 square feet**

Source: Appendix C
* One dwelling unit per parcel per existing legal lot
SR-10 = Semi-Rural 10; RL-20 = Rural Land; C-1 = General Commercial; C-2 = Office Professional

FIGURE 2 - STEEP SLOPES

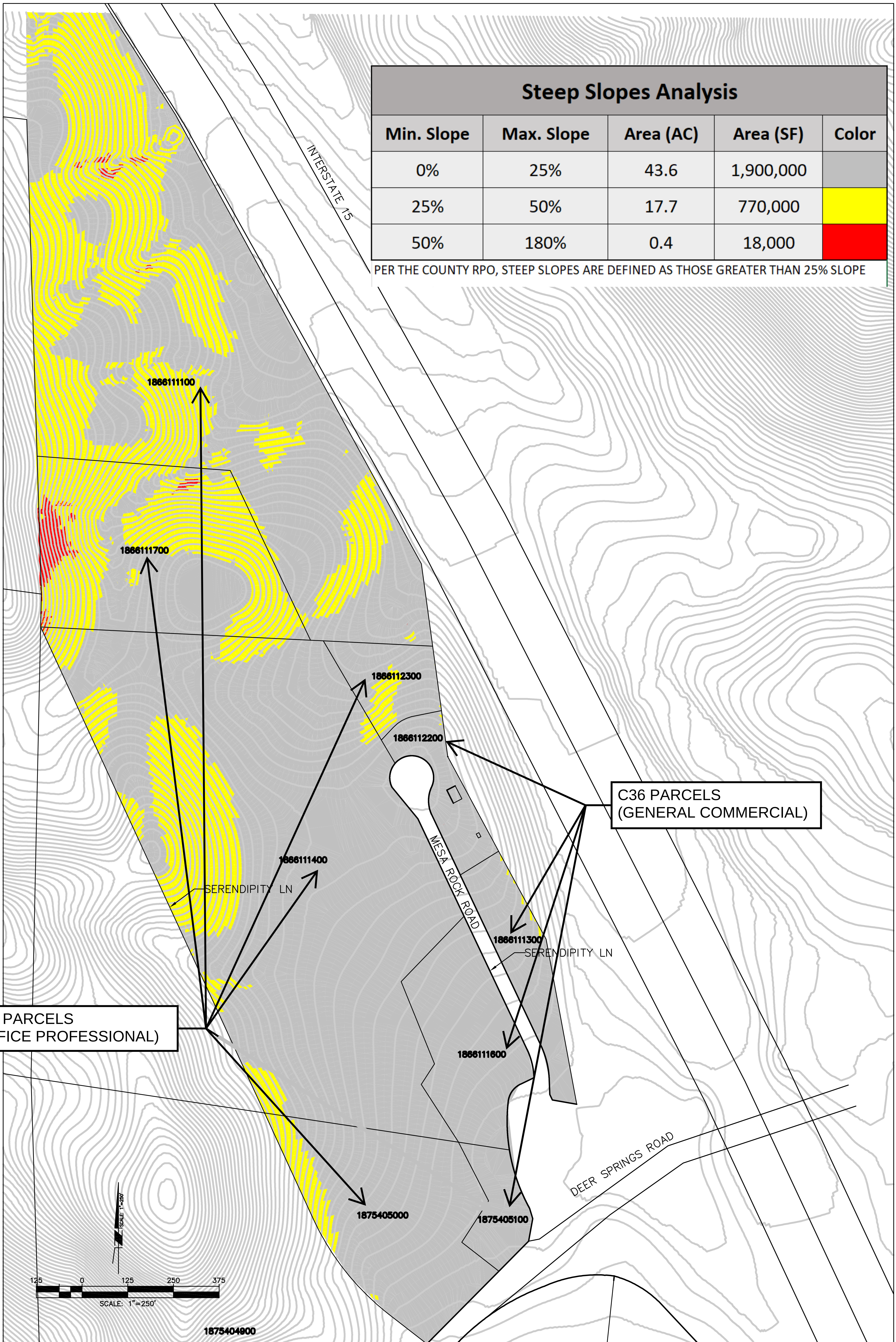


FIGURE 3 - DEVELOPABLE AREA

Developable Area (SF)[1]

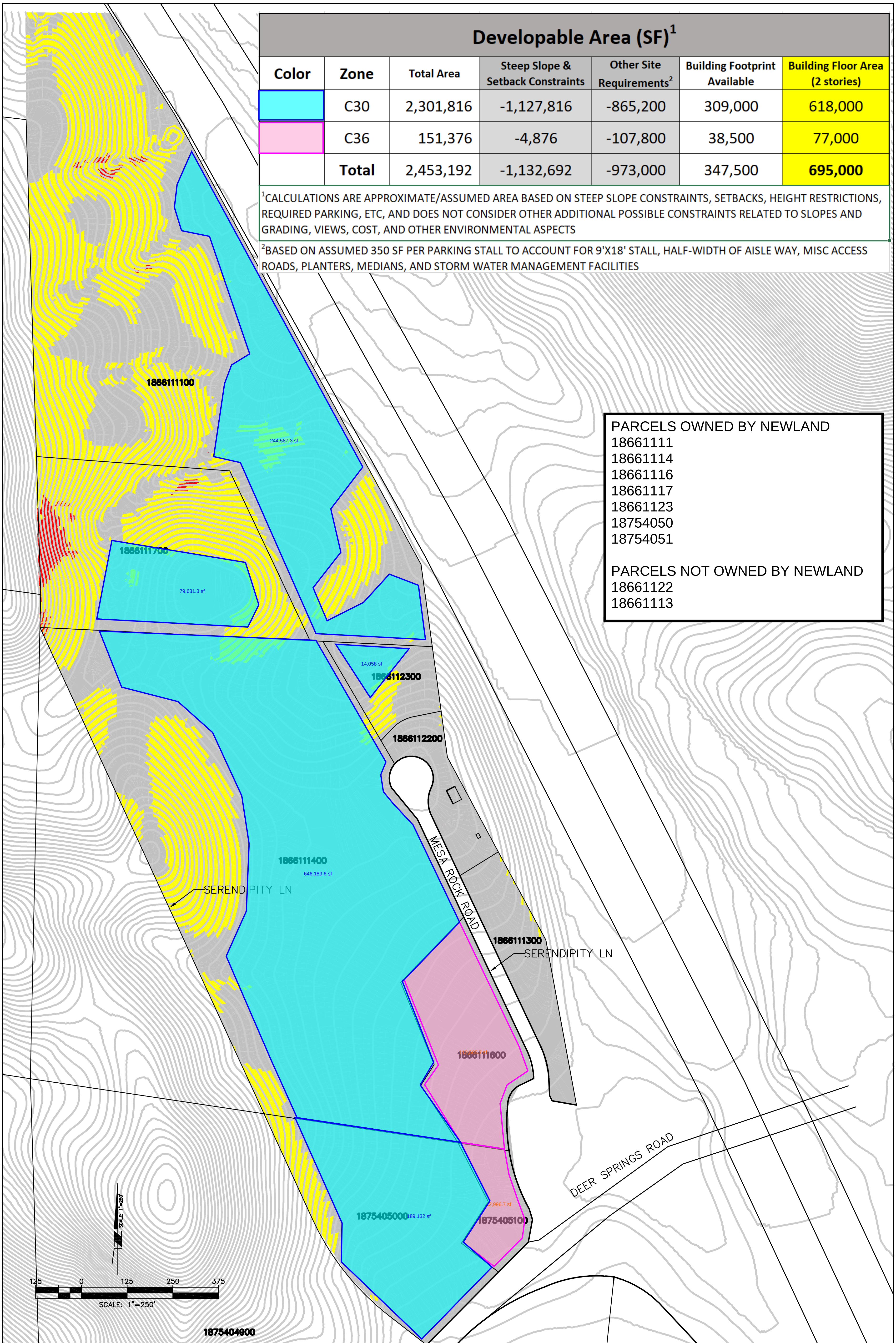
Color	Zone	Total Area	Steep Slope & Setback Constraints	Other Site Requirements[2]	Building Footprint Available	Building Floor Area (2 stories)
(cyan)	C30	2,301,816	-1,127,816	-865,200	309,000	618,000
(pink)	C36	151,376	-4,876	-107,800	38,500	77,000
	Total	2,453,192	-1,132,692	-973,000	347,500	**695,000**

[1]CALCULATIONS ARE APPROXIMATE/ASSUMED AREA BASED ON STEEP SLOPE CONSTRAINTS, SETBACKS, HEIGHT RESTRICTIONS, REQUIRED PARKING, ETC, AND DOES NOT CONSIDER OTHER ADDITIONAL POSSIBLE CONSTRAINTS RELATED TO SLOPES AND GRADING, VIEWS, COST, AND OTHER ENVIRONMENTAL ASPECTS

[2]BASED ON ASSUMED 350 SF PER PARKING STALL TO ACCOUNT FOR 9'X18' STALL, HALF-WIDTH OF AISLE WAY, MISC ACCESS ROADS, PLANTERS, MEDIANS, AND STORM WATER MANAGEMENT FACILITIES

PARCELS OWNED BY NEWLAND
18661111
18661114
18661116
18661117
18661123
18754050
18754051

PARCELS NOT OWNED BY NEWLAND
18661122
18661113



ENCLOSURE 4

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LATHAM & WATKINS LLP

TECHNICAL MEMORANDUM
April 17, 2018

From: Clifton Williams, Land Use Analyst
Subject: SANDAG Growth Forecast Data on Newland Sierra Project Site Commercial Area

The following technical land use memorandum reviews and evaluates information from the San Diego Association of Governments ("SANDAG") on the land use assumptions made in the SANDAG Series 12, 2050 Growth Forecast, for the area zoned C36 Office Commercial and C30 General Commercial on the Newland Sierra Project site.

Newland Sierra, LLC ("Newland" or the "Project Applicant") claims in its draft environmental impact report ("EIR"), marketing brochures, and web site, that "2 million square feet of office space and big box retail" could currently be built within the commercially zoned areas of the Newland Sierra Project site. SANDAG's Series 12 model contradicts this claim. This especially important, because the model assumptions were provided to SANDAG by the County of San Diego, and the results of the model runs were validated by the County of San Diego.

I. BACKGROUND

SANDAG is the regional planning agency in San Diego County and is responsible for regional planning of transportation infrastructure throughout the County. SANDAG is made up of the governments of 18 city jurisdictions and the County of San Diego. SANDAG is the regional clearinghouse for demographic and land use data, and it use this date to create detailed growth projections for the County of San Diego, which informs regional resource allocations for transportation, housing, and other local, state and federal funds.

SANDAG produces demographic growth models to aid in the allocation of resources throughout the San Diego region. According to the SANDAG web site,[1] "The SANDAG forecasts are used by policymakers and the general public, as well as by public and private agencies throughout the region. For example, SANDAG uses the forecasts to develop the

[1] SANDAG, *About SANDAG*, http://sandag.org/index.asp?fuseaction=about.home.

Regional Transportation Plan (RTP), the Regional Comprehensive Plan (RCP), and the Air Quality Conformity Plan. Local jurisdictions use the forecasts for general plan updates and capital facilities planning, including environmental impact reports (EIR), as well as for local transportation planning. Other agencies, such as the San Diego County Water Authority and the San Diego Regional Energy Office, use aspects of the SANDAG forecasts to develop plans for providing these essential services."

According to Section 3.1 (page 33) of the 2050 Regional Growth Forecast Process and Model Documentation (relevant excerpts provided in Exhibit A):

> Determining the amount and location of housing unit and employment capacity in the region is a key to allocating the long-range regional forecast to jurisdictions, communities, and neighborhoods. These capacities represent key policy inputs to the forecasting process, reflecting current land use plans and policies, as well as the implementation of smart growth development strategies throughout the region.

II. SERIES 12 MODEL

The Series 12 model is the model that currently contains all of the land use inputs provided by the regional jurisdictions and was used to generate the 2050 Regional Growth Forecast. The Series 12 model was created concurrently with the approval of the County General Plan Update in 2011 and includes all of the land use assumptions provided by the County of San Diego that reflect the land uses in the General Plan Update.

SANDAG uses land use inputs provided by jurisdictions around the County to develop a model that shows where growth will occur and how traffic patterns will emerge throughout the region. According to Section 3.1 (page 33) of the 2050 Regional Growth Forecast Process and Model Documentation:

> For the 2050 Regional Growth Forecast, SANDAG staff worked directly with local jurisdictions to understand how local land use plans and policies might change and evolve in the next forty years. Through this process the 2050 Regional Growth Forecast is based primarily on local land use plans, many of which have been updated in the past four years, and also includes draft plan updates and more robust redevelopment assumptions within existing plans under the assumption that more existing lands may be re-developable given the longer time horizon of the forecast (forty years, for this forecast, as compared with twenty five years in other forecasts).

Therefore, the assumptions in the growth forecast reflect the agency's determination of the land uses that will occupy a given site.

III. MODEL DEVELOPMENT

A. How the County is Broken into Units

According to Section 3.2 (page 34) (Exhibit A) of the 2050 Regional Growth Forecast Process and Model Documentation, "SANDAG uses a multilevel geographic reference system. The foundation of the system is the Master Geographic Reference Area (MGRA). The approximately 21630 MGRAs are the result of overlaying several layers of geographic boundaries: census tracts, community planning areas, city boundaries, spheres of influence, and zip codes. Census tracts also are split using other criteria (e.g. ridgelines) to develop traffic analysis zones for use in the transportation models. Housing unit and employment capacity is determined for each MGRA."

B. Jurisdictional Input

According to Section 3.2 (page 34) of the 2050 Regional Growth Forecast Process and Model Documentation:

> Before the capacities can be calculated, a great deal of land use inputs must be gathered and corroborated. SANDAG relies heavily on the involvement of the local jurisdiction staffs for this task. First, a set of maps is prepared for local review. …
>
> The local jurisdictions reviewed a full set of maps in 2008 in preparation for the 2050 Forecast released in 2010. Each of the maps depicted a different aspect of land use: (1) planned land uses (i.e. the general or community plan), (2) existing land uses, (3) areas that are fully or partially constrained from development for policy or environmental reasons, and (4) areas that have the potential to redevelop (change use) or infill (intensify the existing use). The local planners reviewed each map for completeness and accuracy, noting any corrections directly on the maps. In addition, they provided SANDAG with information about any "site specific" projects. These are development projects that are currently under construction or have final approval and financing. As the maps were returned, SANDAG staff made the necessary edits to the various GIS databases. This process was an iterative process, involving more than a year's worth of effort on the part of SANDAG and local staff, to update land use and cross-check it against local records.
>
> The inputs for the unincorporated areas were handled differently. At the time of the forecast, the County was engaged in a major update to its general plan. The County had created an interim land use layer that was being considered for adoption by the Board of Supervisors. This land use layer, known as the Referral Map draft of the County's General Plan Update, along with relevant constraint overlays, were modeled for the 2050 Forecast.

The Referral Map ultimately became the adopted County General Plan.

The Model Documentation goes on to state at pages 34 and 35:

> Once the databases are updated, the process of determining housing and employment capacity begins. … In the next step, the CAPACITY program computes the housing unit and/or employment capacity for each development type code within each parcel. … Employment densities are based on observed regional parameters and are specific to more than 50 different employment land uses.

C. Accuracy Validation and Jurisdictional Sign Off

According to Section 3.2 (page 36) of the 2050 Regional Growth Forecast Process and Model Documentation:

> Once a capacity database is created, it is subjected to a series of computerized checks for consistency and accuracy. If inconsistencies or inaccuracies are discovered, the source of these are determined and corrected and the capacity database is recalculated. This process is iterated until an acceptable capacity database in created.
>
> The data are aggregated for jurisdictions and community plan areas. Tables illustrating existing housing units and employment and housing and employment capacities are constructed and sent to each jurisdiction for their review and comment. If a jurisdiction determines that the capacities generated by the capacity program are inconsistent with their current plans and policies, the inconsistencies are noted and corrected and the capacity database is recomputed and subjected to the computerized checks. The new capacities then are forwarded to the jurisdictions for their review. This process is repeated until there is consensus among the jurisdictions that the capacity database is a reasonable representation of their current plans and policies or likely land use alternatives based on draft plans nearing completion.

IV. NEWLAND SIERRA SANDAG SERIES 12 MODEL LAND USE ASSUMPTIONS

A. SANDAG Information

Information on land use assumptions used in the Series 12, 2050 Growth Forecast for the Newland Sierra Project site was obtained by Clifton Williams, Land Use Analyst for Latham & Watkins LLP, from Rachel Cortes, Ph.D, Associate Regional Models Analyst with SANDAG.

B. Newland Sierra Project Site MGRAs

The MGRAs included in the Newland Sierra Site are shown on the map provided by Rachel Cortes and attached as Exhibit B. The area of the Project site currently zoned C36 Office Professional and C30 General Commercial adjacent to and north of Mesa Rock Road are wholly within MGRA 16980 and 16974.

C. MGRA Site Assumptions

Rachel Cortes at SANDAG provided an Excel Spreadsheet (Exhibit C) which includes the employment capacity and housing capacity in each MGRA on the Project site. It is important to note that the SANDAG Regional Growth Forecast does not forecast buildout square footage for commercially designated property. Instead, the Model determines Employment Capacity within each MGRA if commercial land uses are indicated.

- The Employment Capacity for MGRA 16980 is 1,117 employees,
- The Employment Capacity for MGRA 16974 is 246 employees.
- Therefore, the total forecasted employees for these sites is 1,363 employees.

V. TRANSLATING EMPLOYMENT CAPACITY INTO BUILDING SQUARE FOOTAGE.

A. Methodology

To determine the building square footage projected in a particular MGRA, Employment Capacity can be multiplied by a common ratio of square feet per employee. The City of San Diego used this methodology in the Final Environmental Impact Report for the City of San Diego's 2007 General Plan Update ("General Plan EIR") (relevant excerpts provided in Exhibit D). The methodology is detailed in section 3.18 of the General Plan EIR at page 3.18-3, which states:

> It is important to note that the SANDAG 2030 Regional Growth Forecast does not forecast building square footage. The City based the 2004 and 2030 building square feet estimates on the SANDAG (Series 11) 2030 Regional Growth Forecast for Civilian Employment. For the purposes of this Program EIR, the City derived the building square footage estimates from the forecast by using typical square feet per employee by land use designation (retail, office, and industrial) ratios.

B. Employment to Commercial Square Footage Conversion

The City of San Diego used the following table at page 3.18-5 of the General Plan EIR, to convert the employees to building square footage for various commercial land use types:

Generalized Land Use Type	Description	Square Foot per Employee
Visitor Commercial	Hotel/Motel (Lo-Rise)	1400
Visitor Commercial	Hotel/Motel (Hi-Rise)	1000
Visitor Commercial	Resort	1000
Industrial	Heavy Industry	550
Industrial	Industrial Parks	400
Industrial	Light Industry-General	400
Industrial	Warehousing and Public	800
Retail Commercial	Wholesale Trade	500
Retail Commercial	Regional Shopping	450
Retail Commercial	Community Shopping	400
Retail Commercial	Neighborhood Shopping	350
Retail Commercial	Specialty Commercial	300
Retail Commercial	Automobile Dealerships	300
Retail Commercial	Store-Front	300
Retail Commercial	Other Retail Trade	300
Office Commercial	Office (High-Rise)	300
Office Commercial	Office (Lo-Rise)	300
Office Commercial	Government Office/Civic	300

The table shows that Office Commercial uses convert at a rate of 300 square feet per employee. A Hughes Marino study (Exhibit E) states that, "today's office worker averages 175 square feet of space – down from 225 square feet in 2010, and 275 square feet in 2007." Therefore, the ratio of square feet per employee is likely less today.

C. Commercial Square Footage on Newland Sierra Project Site

According to the Project Description in the Draft EIR for the Newland Sierra Project at page 1-29, the existing community plan land use designations for commercial area on the Project site include 4.6 acres of General Commercial and 53.6 acres of Office Professional. Therefore, the total number of commercial acres on the site is 58.2 acres. It should be noted that the acreage described in the Newland Sierra DEIR are the commercial acres owned by Newland Sierra and are part of the Project site. However, MGRA 16980 and 16974 also include the existing AM/PM mini-mart and gasoline station which are not part of the Newland Sierra Project site. It is impossible to further parse the employment capacity within the MGRA, so the total commercial square footage for Newland Sierra must be reduced by the square footage of the AM/PM mini-mart site.

The City of San Diego table above includes 450 square feet per employee for Regional Shopping and 300 square feet per employee for Office Commercial uses. Property designated Office Professional comprises 92% of the commercial area on the Project site and is therefore the dominant land use type within the MGRAs. If a factor of 350 square feet per employee were used to determine the commercial square footage planned on the property, it would appear to take into account the difference between Regional Shopping and Office Commercial uses and provide a conservative estimate of the building square footage.

VI. CONCLUSION

Based on the 1,363 employees estimated in the Series 12, 2050 Growth Forecast for the Newland Sierra Project site, and a conversion rate of 350 square feet per employee, the maximum amount of commercial square footage projected by the SANDAG 2050 Growth Forecast for the Project site is 477,050 square feet.

350 square feet per employee (x) 1,363 employees = 477,050 square feet

As noted above, the land use assumptions for the site were provided by the County of San Diego to SANDAG, and the conclusions of the model runs were verified with the County of San Diego before they were included in the 2050 Growth Forecast. Therefore, the demographic profile of the site in not only the determination of SANDAG, but it is also the determination of the County of San Diego.

The Newland Sierra's public pronouncements that the project site supports a building capacity of "2,008,116 square feet of commercial space" or "two million square feet of office space and big box retail" are inconsistent with the projections in the SANDAG 2050 Growth Model, which were verified and validated by the County of San Diego.

CLIFTON WILLIAMS

As a Land Use Analyst, Clif Williams works on complex governmental entitlement and regulatory matters and with governmental entities throughout the western United States.

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Recognition Highlights

Board Member, San Diego County Taxpayers Association

Profile / Expertise

- Land use and entitlement for all forms of real estate development
- California Environmental Quality Act (CEQA)
- Regulatory diligence prior to purchase or sale
- Government affairs and strategic planning and communications with government entities

Experience

Prior to joining Latham, Mr. Williams served as Chief of Staff to the San Diego City Council President, and served as the Committee Consultant to the San Diego City Council's Land Use and Housing Committee and the Natural Resources Committee.

Mr. Williams has participated in the entitlement of energy generation and infrastructure projects, commercial office parks, shopping malls, large housing tracts, and mixed-use, transit oriented developments throughout California and the western United States. Mr. Williams has also completed property diligence for the acquisition of billion dollar real estate portfolios, and for lenders on large commercial projects.

Mr. Williams' experience includes:

- US$1 billion expansion of a regional shopping mall to add 750,000 square feet of retail space and 200 residential units in the City of San Diego.
- Entitlements and regulatory affairs for the development of a 200-MW wind farm in the unincorporated San Diego County, California
- Entitlement and regulatory matters for the permitting of a 15-story, class A office building in San Diego, California
- Land use and regulatory diligence on a US$1 billion real estate acquisition portfolio with property throughout California
- Property diligence throughout San Diego County, California to find a location for a new peaker power plant
- Research and development of "highest and best use" and value maximization for property owner condemned for a regional freeway
- Entitlement for the redevelopment of a sand and gravel quarry into a transit-oriented mixed use development with 1800 residential units and 160,000 square feet of commercial retail and office space
- Consultation on land use initiatives and referenda
- Entitlement and agency interaction at all levels including City, Coastal Commission, Regional Water Quality Control Board and State Lands Commission, for the largest desalination facility in the western United States.

EXHIBIT A

CHAPTER 3: LAND USE PLANS AND POLICIES

3.1 ROLE OF PLANS AND POLICIES IN THE FORECAST

Determining the amount and location of housing unit and employment capacity in the region is a key to allocating the long-range regional forecast to jurisdictions, communities, and neighborhoods. These capacities represent key policy inputs to the forecasting process, reflecting current land use plans and policies, as well as the implementation of smart growth development strategies throughout the region. Land use data collected from the local jurisdictions provides policy inputs to both the Urban Development Model (UDM) and the Interregional Commute Model (IRCM).

The four previous forecasts dealt with the land use plan update issue in different ways. The Series 8 Forecast, released in 1995, simply assumed slight residential density increases across the board in all jurisdictions. That approach was criticized as being arbitrary, and not addressing the nexus between land use and transportation.

The 2020 Forecast, released in 1999, was the first SANDAG attempt to model future smart growth development patterns. Residential and employment capacity was added throughout the urban areas of the region in the form of transit-oriented development within walking distance of approximately 150 current and future transit stops, called transit focus areas (TFA). In areas where several TFAs were clustered, however, the resulting land use patterns sometimes were too far removed from current plans, causing concern for some jurisdictions.

The 2030 Cities/County Forecast was developed as a component of the Regional Comprehensive Plan (RCP). This forecast was based on current plans and policies of the incorporated jurisdictions and the draft General Plan update for unincorporated areas.

Like the 2030 Cities/County Forecast, no smart growth areas other than those contained in the current plans and policies of the jurisdictions were included in the land use assumptions for the 2030 Regional Growth Forecast Update.

For the 2050 Regional Growth Forecast, SANDAG staff worked directly with local jurisdictions to understand how local land use plans and policies might change and evolve in the next forty years. Through this process the 2050 Regional Growth Forecast is based primarily on local land use plans, many of which have been updated in the past four years, and also includes draft plan updates and more robust redevelopment assumptions within existing plans under the assumption that more existing lands may be re-developable given the longer time horizon of the forecast (forty years, for this forecast, as compared with twenty five years in other forecasts).

3.2 HOUSING AND EMPLOYMENT CAPACITY

SANDAG uses a multilevel geographic reference system. The foundation of the system is the Master Geographic Reference Area (MGRA). The approximately 21630 MGRAs are the result of overlaying several layers of geographic boundaries: census tracts, community planning areas, city boundaries, spheres of influence, and zip codes. Census tracts also are split using other criteria (e.g. ridgelines) to develop traffic analysis zones for use in the transportation models. Housing unit and employment capacity is determined for each MGRA.

Before the capacities can be calculated, a great deal of land use inputs must be gathered and corroborated. SANDAG relies heavily on the involvement of the local jurisdiction staffs for this task. First, a set of maps is prepared for local review. For the City of San Diego there is a map set for each community planning area. The 17 other cities receive maps depicting activity within their general plan boundaries.

The local jurisdictions reviewed a full set of maps in 2008 in preparation for the 2050 Forecast released in 2010. Each of the maps depicted a different aspect of land use: (1) planned land uses (i.e. the general or community plan), (2) existing land uses, (3) areas that are fully or partially constrained from development for policy or environmental reasons, and (4) areas that have the potential to redevelop (change use) or infill (intensify the existing use). The local planners reviewed each map for completeness and accuracy, noting any corrections directly on the maps. In addition, they provided SANDAG with information about any “site specific” projects. These are development projects that are currently under construction or have final approval and financing. As the maps were returned, SANDAG staff made the necessary edits to the various GIS databases. This process was an iterative process, involving more than a year’s worth of effort on the part of SANDAG and local staff, to update land use and cross-check it against local records.

The inputs for the unincorporated areas were handled differently. At the time of the forecast, the County was engaged in a major update to its general plan. The County had created an interim land use layer that was being considered for adoption by the Board of Supervisors. This land use layer, known as the Referral Map draft of the County’s General Plan Update, along with relevant constraint overlays, were modeled for the 2050 Forecast.

Once the databases are updated, the process of determining housing and employment capacity begins. The program GPALL evaluates current land use, planned land use, the existence of constraints, redevelopment potential, and other characteristics to determine the appropriate development type code. The development type code is used in the Urban Development Model (UDM) to determine where activity can occur during the forecast period. Sixteen types of land are identified through the program (listed in Table 5). For forecasting purposes, redevelopment is defined as a change of use, and infill means an intensification of the same use. Agricultural Redevelopment is a special case. In many parts of the region, land in existing agricultural use is actually planned for some other use, and may eventually develop with that other use. Therefore, unless the underlying general or community plan category is Agriculture, or there is a constraint to development, land in agricultural use is considered to be developable for nonagricultural uses.

Table 5
Development Type Codes

Code	Description
1	Developed
2	Constrained or Unusable
3	Vacant Developable
4	Employment Infill
5	Single Family Infill
6	Multifamily Infill
7	Residential to Employment Redevelopment
8	Single Family to Multifamily Redevelopment
9	Mobile Home to Residential Redevelopment
10	Agricultural Redevelopment
11	Employment to Residential Redevelopment
12	Employment to Employment Redevelopment
13	Residential to Road Way or Freeway
14	Employment to Road Way or Freeway
15	Employment or Residential to Mixed Use
16	Vacant to Mixed Use

In the next step, the CAPACITY program computes the housing unit and/or employment capacity for each development type code within each parcel. By definition, areas assigned a development type code of 1 or 2 have no remaining capacity. Also by definition, areas that are vacant or agricultural and developable (codes 3 and 10) always have remaining capacity, which is calculated as:

Remaining Capacity = Acres x Density

Housing unit densities are prescribed by the general or community plan. Most plans use density ranges, such as 4 to 8 units per acre (du/acre), and the local planners identify where within each range development usually occurs. On vacant land, the midpoint (50 percent) of the range is typical, which in this case means the land planned for 4-8 du/acre would develop at 6 units per acre. On redevelopment or infill land, 75 percent of the range is common. Therefore, a 4 to 8 du/acre range would yield either 7 units per acre. Employment densities are based on observed regional parameters and are specific to more than 50 different employment land uses.

Remaining capacity for nonagricultural redevelopment areas (codes 7, 8, 9, 11, 12, 15) also is calculated using the above formula. In these cases, however, existing activity is removed first. For example, in areas that have the potential to redevelop from existing single family use to multifamily use (code 8), single family units are removed before the multifamily units are added. The removal of existing activity means that areas can have negative capacity. For example, in areas identified with the potential for residential to employment redevelopment (code 7), the existing housing would be replaced with nonresidential activity, and the housing unit capacity would be a negative number equal to the number of existing units in the year 2008. Potential infill areas (codes 4, 5, 6) add units or employment to the already existing activity up to, but not exceeding, the prescribed density. There is no loss of activity in infill areas.

Program output comprises database tables that are used in the allocation modules of UDM. The derivation of capacity is illustrated in Figure 9.

Once a capacity database is created, it is subjected to a series of computerized checks for consistency and accuracy. If inconsistencies or inaccuracies are discovered, the source of these are determined and corrected and the capacity database is recalculated. This process is iterated until an acceptable capacity database in created.

The data are aggregated for jurisdictions and community plan areas. Tables illustrating existing housing units and employment and housing and employment capacities are constructed and sent to each jurisdiction for their review and comment. If a jurisdiction determines that the capacities generated by the capacity program are inconsistent with their current plans and policies, the inconsistencies are noted and corrected and the capacity database is recomputed and subjected to the computerized checks. The new capacities then are forwarded to the jurisdictions for their review. This process is repeated until there is consensus among the jurisdictions that the capacity database is a reasonable representation of their current plans and policies or likely land use alternatives based on draft plans nearing completion.

Figure 9
Capacity Derivation

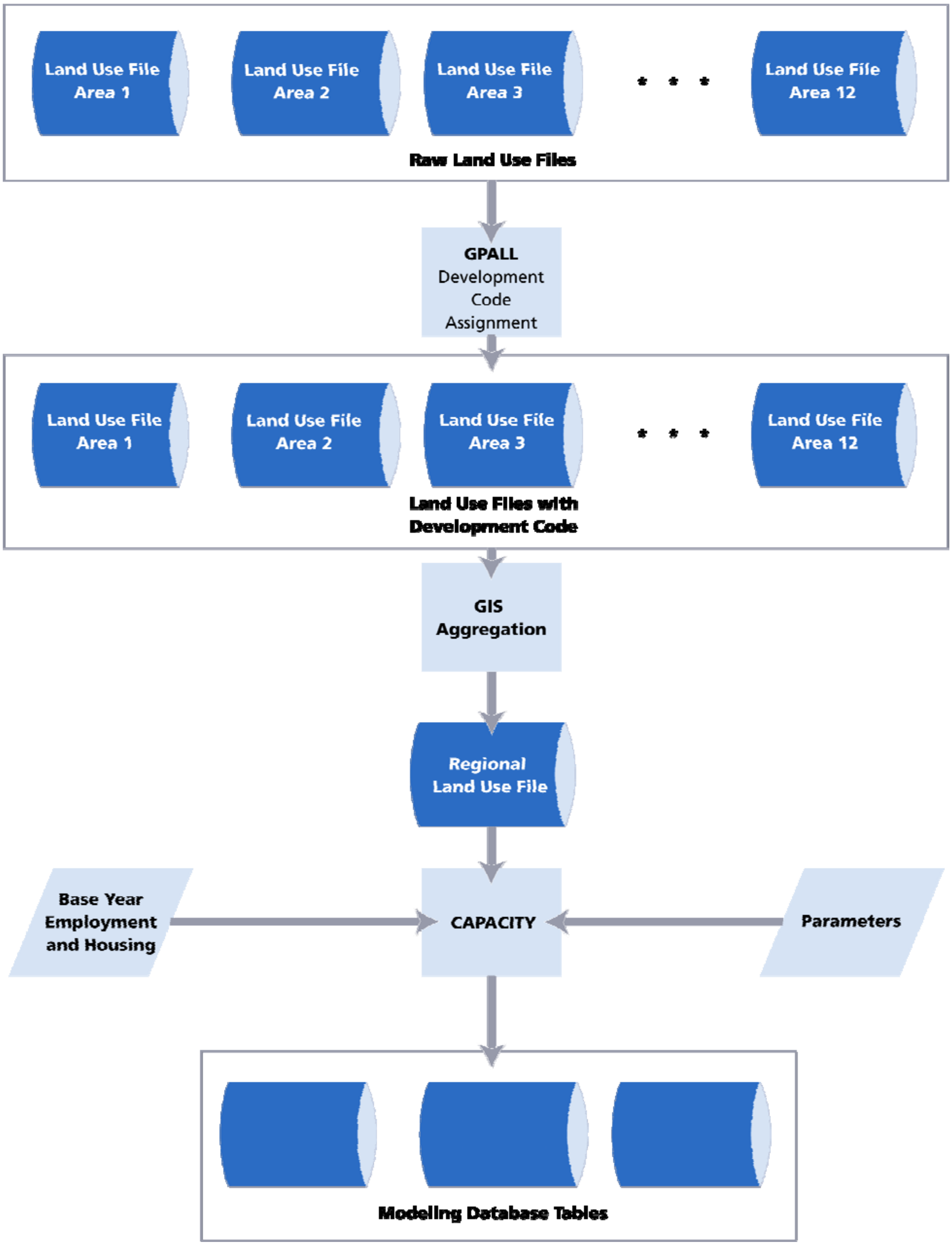


EXHIBIT B

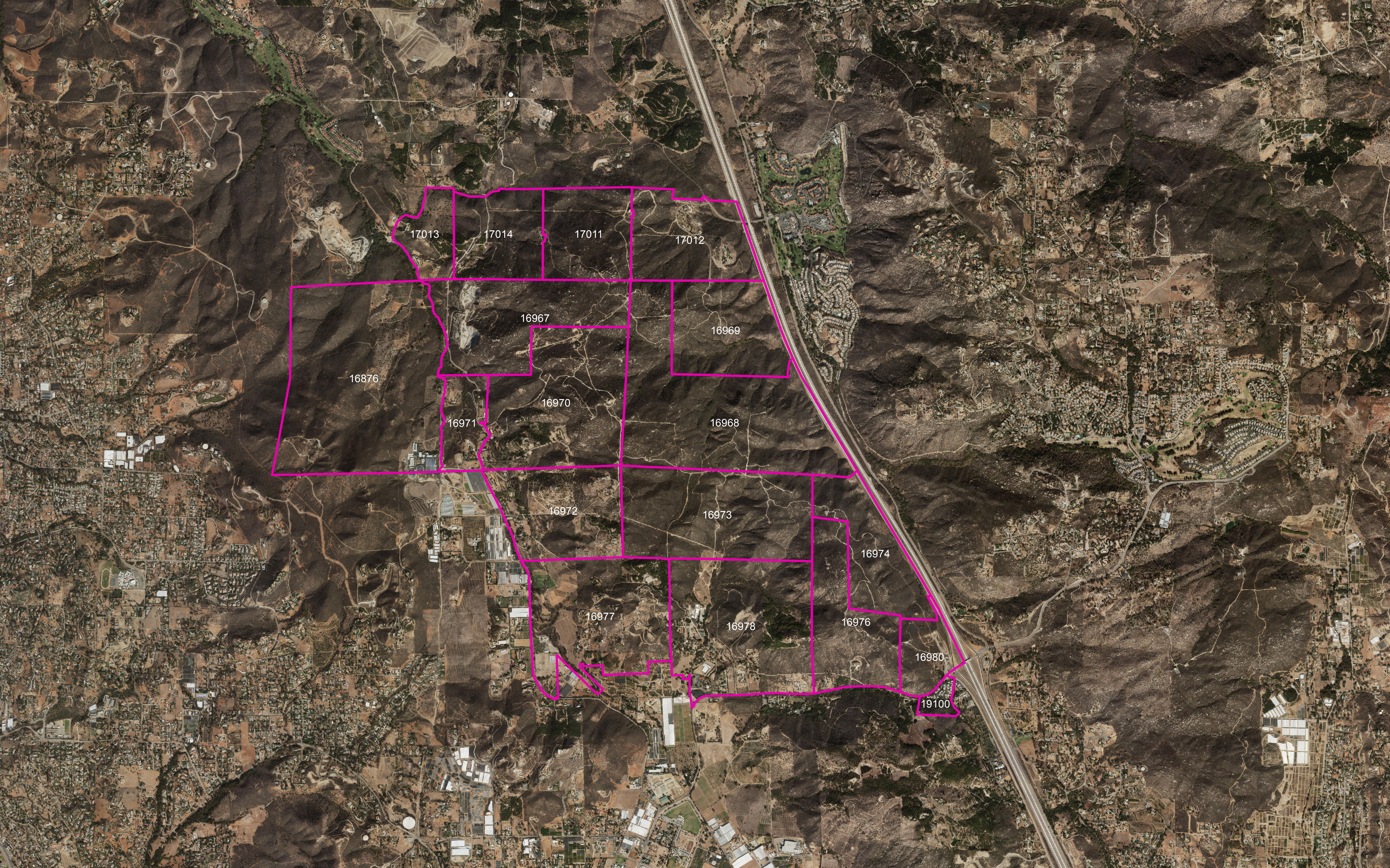

17013
17014
17011
17012
16967
16969
16876
16970
16971
16968
16972
16973
16974
16977
16978
16976
16980
19100

EXHIBIT C

EX C - Emp and hu capacity sr13.xlsx

mgra	emp_civ	cap_emp_c	housing_st	cap_housing_stock	
16876	0	0	1	21	
16967	0	1	0	12	
16968	0	0	0	23	
16969	0	0	0	9	
16970	1	0	8	12	
16971	22	0	7	0	
16972	10	0	18	1	
16973	0	0	0	16	
16974	0	246	0	7	
16976	8	0	2	8	
16977	8	0	26	0	
16978	37	0	29	9	
16980	16	1101	0	1	
17012	1	0	6	7	
17013	0	0	6	0	
17014	1	3	0	3	
19100	0	0	32	0	

EXHIBIT D

As part of the SANDAG forecast process, the City provides land use inputs to SANDAG addressing the feasibility of development to existing conditions and constraints that may limit future development. By 2030, SANDAG forecasts that approximately 107,400 additional multifamily units could be built within the City, which is a 54 percent increase in multifamily units from 2004 consistent with adopted community plan land use designations. Overall, when including the additional single-family units, SANDAG forecasts a 24 percent increase in the total number of units by 2030.

It is important to note that the SANDAG 2030 Regional Growth Forecast does not forecast building square footage. The City based the 2004 and 2030 building square feet estimates on the SANDAG (Series 11) 2030 Regional Growth Forecast for Civilian Employment. For the purposes of this Program EIR, the City derived the building square footage estimates from the forecast by using typical square feet per employee by land use designation (retail, office, and industrial) ratios. The City used building square footage estimates for 2030, so that it could be compared relationship to the theoretical build out scenario as part of the environmental analysis. Since uses with lower employment densities, such as industrial, typically have more square footage per employee than uses with higher employment densities, such as office, it is difficult to use gross estimate of total square footage as an indicator of employment growth.

The SANDAG 2030 forecast uses an econometric forecast for regional employment population growth for the San Diego region based on national and statewide forecasts that incorporate demographic and economic factors. SANDAG uses employees per acre by land use types rather than building square footage in the forecast process. Between 2004 and 2030, SANDAG forecasts that the civilian employment will increase by 24 percent in the City.

SANDAG forecasts that the percentage increase for both new housing units and civilian jobs are at 24 percent for the City. The forecast indicates that jobs to housing ratio (civilian employment per housing unit) increases less than one percent from 1.60 in 2004 to 1.61 by 2030. During this same period, that employment density in the City increases by 10 percent from 24.8 to 27.4 civilian employments per developed employment acre.

Comparison between the Theoretical Build Out and the SANDAG 2030 Forecast Scenarios

Although the theoretical build-out scenario does not have a time horizon associated with it, there could be substantially more development than forecasted under the Year 2030 scenario. When comparing the two scenarios, there could be 24 percent more total housing units (which would be predominantly multifamily) and 298 percent more non-residential building square feet. The theoretical build-out scenario assumes for residential development that existing land uses, located on plan designated multifamily land, would redevelop or infill at the maximum point of their adopted community plan residential density range. For non-residential (commercial and industrial uses), the analysis assumes that all existing land uses, located on plan designated non-residential land, would redevelop or infill at the maximum allowed zoning ordinance FAR.

Table 3.18-2
Comparison between the Theoretical Build Out Scenario and the SANDAG 2030 Forecast Scenario for Total Non-Residential Square Feet

SANDAG 2030 Forecast (Estimates)				Theoretical Build Out				
Base Year	Horizon Year	Change from Existing Conditions		Theoretical	Change from Existing Conditions		Change from 2030 Forecast	
2004	2030	Numeric	Percent	Build Out	Numeric	Percent	Numeric	Percent
203,833,250	275,702,300	71,869,050	35%	1,097,680,700	893,847,450	439%	821,978,400	298%

Notes:
1) The theoretical build-out scenario was prepared solely for the purposes of the General Plan Environmental Impact Report only and should not be used for any other long range planning purposes.
2) Build -out scenario refers to the theoretical maximum build out of all lands within the planning area in accordance with assigned land use designations.
3) The SANDAG 2030 Regional Growth Forecast does not forecast building square footage. The 2004 and 2030 building square feet estimates are based on the SANDAG (Series 11) 2030 Regional Growth Forecast for Civilian Employment. The building estimates were derived from the forecast by using typical square feet per employee by land use designation (retail, office, and industrial) ratios as in the table below.

Generalized Land Use Type	Description	Square Foot per Employee
Visitor Commercial	Hotel/Motel (Lo-Rise)	1400
Visitor Commercial	Hotel/Motel (Hi-Rise)	1000
Visitor Commercial	Resort	1000
Industrial	Heavy Industry	550
Industrial	Industrial Parks	400
Industrial	Light Industry-General	400
Industrial	Warehousing and Public	800
Retail Commercial	Wholesale Trade	500
Retail Commercial	Regional Shopping	450
Retail Commercial	Community Shopping	400
Retail Commercial	Neighborhood Shopping	350
Retail Commercial	Specialty Commercial	300
Retail Commercial	Automobile Dealerships	300
Retail Commercial	Store-Front	300
Retail Commercial	Other Retail Trade	300
Office Commercial	Office (High-Rise)	300
Office Commercial	Office (Lo-Rise)	300
Office Commercial	Government Office/Civic	300

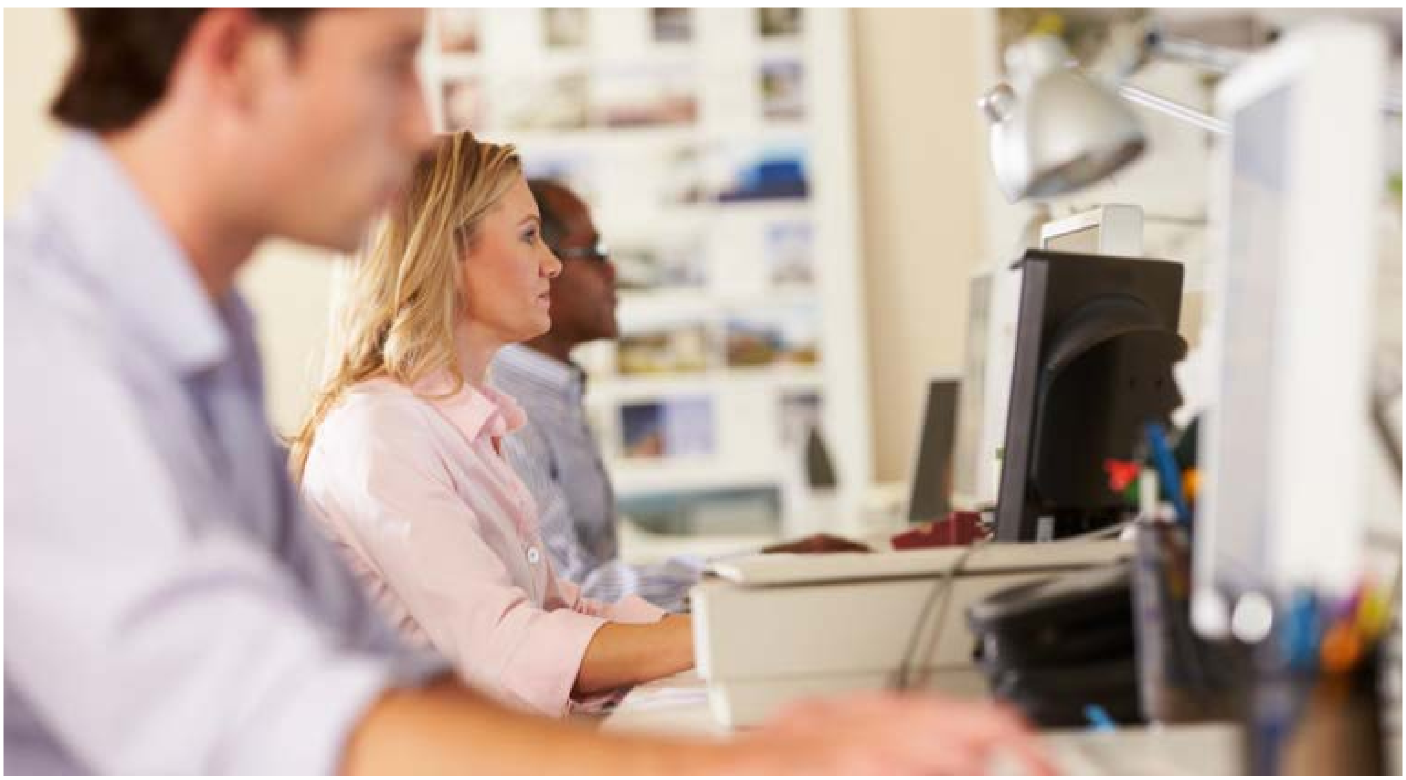
Notes:
1) The theoretical build-out scenario for square feet assumes the full utilization of the allowable zoning ordinance floor area ratio (FAR) for land that is designated for retail, office, and industrial uses, except for downtown. The theoretical build-out scenario includes the build out building square footage that is reported in the 2006 adopted Downtown Community Plan.
2) Although theoretically possible based only on the allowable maximum floor area ratio, there could be constraints in place that would limit or reduce the feasibility of additional square footage at the maximum floor area ratio, such as physical constraints, regulatory constraints, or market conditions.
3) The (Series 11) 2030 Region Growth Forecast allocated additional multifamily units to multifamily designated land considered more feasible for future development.
4) The (Series 11) 2030 Region Growth Forecast was approved by the SANDAG Board for planning purposes in September 2006. The 2030 Forecast uses the Year 2004 as a base year and 2030 as the forecast horizon year.

EXHIBIT E

< Back to News

Size Matters

Jason Hughes | January 5, 2016 | Hatch



t f l e

Why small spaces need big perks to keep employees happy.

By Jason Hughes

The tech industry has done amazing things for humanity and its contributions are ubiquitous in virtually everything we do. It comes as no surprise that the tech industry also forced the old-school commercial office space world to re-evaluate its boring, vanilla, box-like past. With the help of creative architects and planners, office space is striking a balance between work and life.

For the first half of the 20th century, office space consisted of wooden desks grouped in rows, sometimes hundreds of them. In the ’60s, Herman Miller created the office cubicle, which has since been demonized as one step removed from living under a freeway overpass. The idea was to provide at least a minimal sense of privacy for individuals. And while that was transformative, we’ve now come full-circle with many companies returning to completely open workstations and virtually zero privacy. Unlike the old days, however, the new office model boasts a generous amount of community space peppered with areas for individual seclusion.

Most of us remember the days of studying at library carrels in a 2′ x 3′ desk with partitions to minimize distractions. Including room for a chair that “area” consisted of about 15 square feet of space. Working in a minimal space for short bursts is tolerable. And studying for midterms in a library carrel in order to avoid your noisy roommate is different than working a full-time job. But is cramming bodies into less space the right long-term move?

Today’s office worker averages 175 square feet of space – down from 225 square feet in 2010, and 275 square feet in 2007. Now, at 78% of the size from the pre-2010 era (64% of pre-2007), are companies benefiting? Are their employees?

Yes – and no. Everyone has read about Google’s amazing cafeterias, massage rooms, and park-like environments, but many company decision-makers look at Google’s offices and focus only on the high-density employee benching areas. They want to implement that, but not the perks. These companies are reverting to the pre-’60s era of cramming bodies into space. In the short run, companies with this mindset find themselves “real estate efficient," but see employee engagement and culture plummet over time. This ultimately results in decreased retention and poor recruiting, and can be the beginning of a long, downward corporate spiral.

Google and other leading tech companies have invested millions of dollars hiring psychology experts to understand how good office space design and efficiencies can be exploited to create positive economic returns. Piggybacking on their learning has its benefits, but only if you emulate all aspects – not just the fiscally friendly ones!

While tech companies have lessened the stigma of minimizing space per employee, many others who seek to emulate them forget how overwhelmingly generous they are with their perks. Google's philosophy is to "create the happiest, most productive workplace in the world." Most planning experts are pushing for a substantial increase in amenity space – often devoting upwards of 15% of the entire space to cafeterias, game rooms, etc. This is in addition to ample collaboration and meeting space.

So what's next? What else will the Googles of the world teach the rest of us about office space? Many progressive companies are now fine-tuning the "engagement" aspect of their space. That includes having space employees truly look forward to being in, where they can share ideas while also having the privacy they need at times. How fortunate would society be if employees everywhere felt like "going to the office" was a wonderful privilege rather than a necessary evil?

We can all learn from the tech leaders who have charted the best ways before us. Less is not more when it comes to office space. Those who sacrifice overall space efficiencies in the name of economics will suffer long-term mediocrity as a result.

This article first appeared in Hatch, a publication of San Diego Magazine.

Jason Hughes is chairman, CEO, and owner of Hughes Marino, an award-winning commercial real estate company with offices in San Diego, Orange County, Los Angeles, San Francisco, Silicon Valley and Seattle. A pioneer in the field of tenant representation, Jason has exclusively represented tenants and buyers for more than 25 years. He writes about topics in commercial real estate from a tenant's perspective on his blog, Downtown Dirt. Contact Jason at 1-844-NO-CONFLICT or jason@hughesmarino.com to learn more.

Author

Jason Hughes

ENCLOSURE 5

April 24, 2018

Latham & Watkins, LLP
Attention: Andrew Yancey
12670 High Bluff Drive
San Diego, CA 92130

Subject: **Newland Sierra Office Trip Generation Assessment**

Dear Andrew:

STC Traffic, Inc. was asked to review the trip generation associated with the County General Plan land use. The table below, extracted from the Newland Sierra Traffic Impact Analysis report (LLG, May 2017), indicates that the General Plan land uses are forecast to generate 20,969 trips per day. The General Plan includes 4.94 acres of General Commercial, 53.64 acres of Office Professional and 99 estate residential dwelling units.

TABLE 11–1
COMPARISON OF TRIP GENERATION - GENERAL PLAN LAND USES VERSUS PROPOSED PROJECT

Land Use	Quantity	Rate [a]	Daily Trip Ends (ADT)	AM Peak Hour		PM Peak Hour	
				% of ADT	Vol	% of ADT	Vol
A. Existing General Plan Land Uses							
Non-Residential							
General Commercial	4.64 Acres	1,200 /Acre	5,568	4%	223	10%	557
Office Professional	53.64 Acres	300 /Acre	16,092	14%	2,253	13%	2,092
Gross Non-Residential			**21,660**		**2,476**		**2,649**
Non-Residential Internal Capture & Pass-By							
Retail Internal Trips (5%) [b]			*(278)*		*(11)*		*(28)*
Passby Reduction [c] (25% Daily and AM and 40% PM of Retail only)			*(1,323)*		*(53)*		*(212)*
Net Non-Residential			**20,059**		**2,412**		**2,409**
Residential							
Residential (Estate)	99 DU [d]	12 /DU	1,188	8%	95	10%	119
Gross Residential			**1,188**		**95**		**119**
Residential Internal Capture [e]			*(278)*		*(11)*		*(28)*
Net Residential			**910**		**84**		**91**
Gross Project			**22,848**		**2,571**		**2,768**
Net Existing General Plan			**20,969**		**2,496**		**2,500**
B. Proposed Project [f]			**22,208**		**1,602**		**2,059**
Net Increase(+) / Decrease (-)			**1,240**		**-895**		**-441**

STC was asked to determine the total square footage associated with the trip generation calculated for the project site. Since the trip generation is based on acreage, the total trips were divided by the square footage trip generation rate for the same uses to determine the total square footage associated with the forecast trips.

Land Use	General Plan Forecast Trips (acres)	Trip Generation Rate (trips/ksf)	Estimated Square Footage based on Trips
General Commercial	5,568 vpd	120/ksf	46,500 sf
Professional Office	16,092 vpd	20/ksf	804,600 sf
TOTAL SQUARE FOOTAGE			**851,100 SF**

SANDAG Trip Generation Rates were used to forecast the volumes in both the LLG study and in the table above. However, the SANDAG Trip Generation Rate for Standard Commercial Office Building is 100,000 square feet or less. Over 100,000 sf the Office Park rate should be considered. An office park generates trips at a rate of 200 trips per acre when compared to the standard commercial office rate of 300 trips per acre. By applying the 200 trips per acre, the Professional Office trip generation is reduced to 10,728 trips per day.

Using the adjusted trip generation rate for the Office Park Use, the table below was generated to forecast the total square footage on the site.

Land Use	General Plan Forecast Trips (acres)	Trip Generation Rate (trips/ksf)	Estimated Square Footage based on Trips
General Commercial	5,568 vpd	120/ksf	46,500 sf
Office Park	10,728 vpd	12/ksf	894,000 sf
TOTAL SQUARE FOOTAGE			**940,500 SF**

In either scenario (Professional Office or Office Park), the total square footage falls well below 1 million square feet. If the project were to develop at either 1 million or 2 million square feet, the trip generation for the site would be much higher that what was reflected in the TIA:

Estimated Trips @ The Office Park Rate (200/acre or 12/ksf)

1000	ksf	@	12	/	ksf	=	12,000
2000	ksf	@	12	/	ksf	=	24,000

Estimated Trips @ The Standard Office Rate (300/acre or 20/ksf)

1000	ksf	@	20	/	ksf	=	20,000
2000	ksf	@	20	/	ksf	=	40,000

Information circulated by Newland Sierra and included on their project webpage (https://www.newlandsierra.com) Frequently Asked Questions tab states that:

> *"The County's General Plan currently contains Land Use Designations for this property that would provide for 99 residential units, and over 2 million square feet of commercial and retail zoning (roughly the same size as two campuses for Cal State San Marcos). "*

The analysis provided in this letter demonstrates that the traffic associated with General Plan analysis provided in the Newland Sierra TIA (LLG, May 2017) does not support the 2 million square feet statement. The trips evaluated for the General Plan are estimated to reflect less than 1 million square feet of combined retail and office. A 2 million square foot project would generate twice the traffic and require twice the overall acreage (based on the trip generation rates only) than what was evaluated in the TIA.

CLOSURE

This analysis demonstrates that the 2 million square feet of retail claim included in the project website and information distributed by the project is inconsistent with the traffic analysis conducted for the project TIA.

If you have any questions about the information provided here, please call me at (760) 560-6605.

Sincerely,
STC Traffic, Inc.

Dawn L. Wilson, PE TE
Principal / Project Manager