



**RE-ENVISIONING CHINO:
IMPLEMENTING THE 2025 GENERAL PLAN
Economic and Market Analysis**

Prepared For:



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EXECUTIVE SUMMARY

Chino's General Plan envisions mixed-use redevelopment in three areas of the city, as identified in the Plan's future growth vision. Funded by a Southern California Association of Governments (SCAG) Compass Blueprint Demonstration grant, the Envision Chino: Implementing the 2025 General Plan project provides an understanding of what the mixed-use development could look and feel like and an assessment of the economic realities of redevelopment in the three focus areas.

This document projects market demand for residences and retail, estimate likely sales and lease values, and quantifies the feasibility of redeveloping six opportunity sites under the envisioned mixed-use development standards. This SCAG-funded project has also produced a Development Scenarios Guidebook that illustrates and describes possible redevelopment of six opportunity sites. The two documents are intended to facilitate public discussion about mixed-use development in the General Plan's future growth vision areas.

For-sale Multi-family Residential Market Demand

The report analyzes market trends in a residential trade area within a five-mile radius of the intersection of Central Avenue and Riverside Drive. The report finds a five-year market demand for 172 for-sale multi-family housing units (including single-family attached) across the three study areas:

Five-year For-sale Multi-family Residential Market Demand for the Three Focus Areas

Number of Units	Unit Size Range (sq. ft.)	Sales Price Range (\$)
48	600 to 1200	219,300 to 259,000
72	1200 to 2400	259,000 to 338,600
57	2400 and above	338,600 and above

The level of demand reflects one-third of Chino's total capture of the market, based on the actual sales of new multi-family housing in the five-mile trade area and the city's share of the demand over the past three years.

For-Rent Multi-family Residential Market Demand

Using the same data and criteria, the report finds that the market could support the development of up to 833 new for-rent multi-family housing units across the three focus areas. This finding reflects demand from the growth in the total number of rental households and the annual rate of turnover in rental households in the trade area.

Five-year For-rent Multi-family Residential Market Demand for the Three Focus Areas

Number of Units	Unit Size Range (sq. ft.)	Monthly Rent Range (\$)
236	1,389 to 2,083	1,073 to 1,609
178	2,083 to 2,778	1,609 to 2,145
399	2,778 and above	2,145 and above

Retail Market Demand

Report analyzes the level of regional market demand for new retail development, and then analyzes the retail demand for the trade area generally within one-half mile of the primary corridors in each focus area.

The analysis finds that the five-mile radius trade area currently has about 641,000 square feet more retail building space than consumer spending can support, even after allowing for a reasonable five percent vacancy rate. The report estimates that this is about 8.7 percent of the existing stock of retail building space. Continued population and housing growth could lower the amount of excess space to 264,000 square feet by 2014, but this will still be 3.6 percent excess on top of five percent vacancy.

Retail building space over and above the amount that can be supported by consumer spending creates structural vacancies that, over time, can lead to urban blight. The report recommends that the city address the supply imbalance, in part, through redeveloping older, less functional retail sites.

Within the city, the report finds that the Central & Walnut study area has the largest amount of excess retail building space (36.5 percent), followed by the Riverside Drive East Corridor study area (14.1 percent). The analysis suggests that Chino Avenue study area could support additional retail building space. However, residents in this area are already shopping at other locations. Providing new retail opportunities in this study area would dilute the spending support in those other locations and likely exacerbate vacancy and potential blight problems.

Excess Retail Building Space and Retail Development Opportunity (in building square feet) in the Three Focus Areas

	2009	2014
Central and Walnut Study Area		
Supportable Retail Building Space	108,000	119,000
Existing Retail Building Space	170,200	170,200
Excess Retail Building Space	(62,200)	(51,200)
- Portion of Existing	-36.5%	-30.1%
Riverside Drive East Corridor Study Area		
Supportable Retail Building Space	169,890	186,490
Existing Retail Building Space	197,800	197,800
Excess Retail Building Space	(27,910)	(11,310)
- Portion of Existing	-14.1%	-5.7%
Chino Avenue Corridor Study Area		
Supportable Retail Building Space	119,220	130,940
Existing Retail Building Space	60,400	60,400
Retail Building Space Opportunity	58,820	70,540
- Existing Portion of Supportable	50.7%	46.1%

Opportunity Sites

The project created development scenarios for six opportunity sites:

Opportunity Site 1A: Northwest Corner of Central and Walnut Avenues

This development scenario explores replacing the 87,000 sq. ft. retail strip center with: 9 multi-family buildings with a total of 96 rental units; 1 mixed-use building with 4,000 sq. ft. of ground-floor retail, and one story above with 11 residential rental units; and two stand-alone retail buildings with a total of 14,319 sq. ft..

Opportunity Site 1B: Southwest Corner of Central and Walnut Avenues

This development scenario explores replacing the 86,000 sq. ft. retail strip center with: 3 multi-family garden court buildings with 54 for-sale units; 2 mixed-use buildings, each with 4,000 sq. ft. of ground-floor retail, and one story above with 11 residential rental units; and one stand-alone 15,300 sq. ft. retail building.

Opportunity Site 2: North Side of Riverside Drive, between Bensen and Oaks Avenues

This development scenario explores replacing about 50,000 sq. ft. of existing retail buildings with: 7 motor court townhouse buildings, each with 15 for-sale townhouses; and one 13,692 sq. ft. stand-alone retail building.

Opportunity Site 3: Southwest Corner of Riverside Drive and Magnolia Avenue

This development scenario explores developing this 5.3 acre site with 26 triplex buildings, for a total of 78 for-sale residences.

Opportunity Site 4: South Side of Riverside Drive, between 11th and 12th Streets

This development scenario explores redeveloping the older single-family detached housing on this 1.6-acre site with 6 cottage clusters, each with 6 residential units.

Opportunity Site 5: Northwest Corner of Central Avenue and G Street

This development scenario explores redeveloping this 4.8 acre light industrial/retail site with 20 industrial live-work lofts.

Financial Feasibility of Redevelopment

The report analyzes the financial feasibility of the six development scenarios. Because the first three sites have existing retail uses, the estimated market acquisition costs are relatively high. The pro forma finds that none of these sites can be redeveloped without some subsidy or incentive. Site 1A has the most challenging financial performance. Although not directly explored in this project, planning the site for greater heights and density might enable redevelopment without a subsidy. Sites 1B and 2 are less challenging, and the report identifies strategies that might allow these sites to be redeveloped with a small subsidy or none at all.

The report finds that the three non-retail sites could be redeveloped with no subsidy, provided that a developer could acquire the site at the estimated cost. The report also explores how the additional investment return provided by the development scenario might be necessary to attract a developer to not only assemble and redevelop the sites but also to initiate an election to obtain Measure M voter approval.

Financial Feasibility Summary

	Site 1A	Site 1B	Site 2	Site 3	Site 4	Site 5
Estimated land cost	\$ 18,900,000	\$ 14,500,000	\$ 13,100,000	\$ 4,410,000	\$ 3,610,000	\$ 3,670,000
Development cost	26,765,000	30,123,000	20,106,000	18,283,000	6,675,000	9,657,000
Required equity	6,900,000	7,030,000	6,090,000	7,030,000	2,370,000	2,100,000
Final sales value	\$31,000,000	42,900,000	23,000,000	21,700,000	7,380,000	10,600,000
IRR w/o subsidy	n/a	17.8%	13.4	154%	44.8%	33.1%
Residual land value (@ 20% IRR)	\$13,500,000	13,600,000	12,000,000	13,600,000	4,590,000	4,080,000
Feasibility surplus/(gap)	(5,400,000)	(900,000)	(1,100,000)	9,190,000	980,000	410,000

Recommendations:

Reflecting economic and market considerations, the report offers six specific recommendations:

- 1. For-sale Multi-family Housing.** The city should plan for the three study areas to support the development of up to 77 for-sale multi-family housing units over the next five years. As projects are developed and the market absorbs these new units, the city should revisit the market analysis to better understand the long-term market potential of for-sale multi-family housing.
- 2. For-rent Multi-family Housing.** The city can expect the three study areas to support the development of up to 813 for-rent multi-

family housing units over the next five years. These units could be a mix of affordable and market-rate units. As with the for-sale units, the city should revisit the market analysis to reflect absorption rates for the initial projects.

- 3. Excess Retail.** To improve market conditions for retail development and the performance of retail businesses, the city should seek to transition 260,000 square feet of existing retail building space city wide to non retail uses. Specific to each study area, the city should plan to transition at least 51,000 to 62,000 square feet of retail building space in the Walnut & Central study area and 11,000 to 28,000 square feet in the Riverside Drive East Corridor study area to non-retail uses.

4. **Mixed-Use Retail.** In planning retail uses as part of mixed-use development in the three study areas, the city should focus on convenience goods and services retailers, restaurants and bars that primarily serve adjacent and nearby neighborhoods. In contrast, comparison goods retailers should be planned in more competitive locations with better access and visibility to community and regional residents.
5. **Existing Shopping Center Sites.** The relatively high estimated market acquisition costs of the existing shopping centers sites (1A, 1B, and 2) makes redevelopment financially infeasible without subsidy or incentive. However, by reducing the amount of excess retail building space, by providing the initial redevelopment that establishes a track record for future redevelopment projects, and by testing voter sentiment for increased residential density, these projects provide public benefits. The city will have to decide if these and other public benefits justify the necessary level of subsidy.
6. **Non-Retail Sites.** The pro forma analysis suggests that redevelopment of residential and industrial sites with housing could be financially feasible without subsidies. It is not clear, however, if these projects would provide a large enough return on investment to justify the risk for a developer to initiate a Measure-M election without some prior test of public sentiment.

INTRODUCTION

PURPOSE

The City of Chino is updating its General Plan. The update includes a future growth vision for several areas where more intense development could be consistent with the city's overall vision. These places, with healthy transportation options and a small-town feel, provide for residents' daily needs. The vision addresses the General Plan's overall theme of public health: mixing uses in an area makes walking and biking viable alternatives to driving for many daily activities and makes public transit a more competitive alternative for commuting. Getting people out of their cars reduces air pollution and increase physical activity.

To achieve these health benefits, however, mixed-use projects need to have housing as one component. In 1988, the voters of Chino adopted initiative Measure M. This measure requires voter approval for most zoning or general plan changes that would increase residential densities from the regulations in place in 1988 or that would allow residential uses where they were previously not permitted. Thus achieving mixed-use redevelopment in the three focus areas will require a public vote.

In 2009, the Southern California Association of Governments (SCAG) awarded the city a Compass Blueprint Demonstration grant for the Envision Chino: Implementing the 2025 General Plan project. The city

intends this project to provide an understanding of what the envisioned mixed-use development could look and feel like and to understand the economic realities of redevelopment in the focus areas.

This economic and market analysis is one part of the SCAG-funded demonstration project. The purpose of this analysis is to:

- + Project market demand for residences and retail
- + Estimate likely sales and lease values
- + Determine general redevelopment feasibility under current zoning standards
- + Determine the redevelopment feasibility of six opportunity sites under the envisioned mixed-use development standards

In addition to this economic and market analysis, the demonstration project has produced a Development Scenarios Guidebook that illustrates and describes possible redevelopment of the six opportunity sites. The project also provides an implementation tool kit with graphics, plans, and summary information that can be used to facilitate public discussion about the mixed-use development envisioned in the General Plan update.

PROJECT AREA

This economic analysis focuses on three of the areas identified in the updated General Plan's future growth vision. Map 1 on the opposite page shows the location of the three project areas. General descriptions of each area are:

Central and Walnut Study Area

Located along Walnut and Central avenues, south of Central's interchange with the SSR-60 freeway, this area contains several older strip shopping centers with large parking areas. The eastern part of the study area includes a post office and Chino Valley Medical Center. Adjacent to the project area's northeast corner is a former Home Depot, which the city will repurpose for a new public safety complex. The General Plan update envisions this area transitioning to mixed-use development, with a focus on providing neighborhood-serving retail.

Riverside Drive East Corridor Study Area

Located along Riverside Drive east of Central Avenue, this area contains a variety of housing, some residential buildings that have been re-used for retail service businesses, stand-alone retail businesses, a strip retail center, and a few vacant parcels. Although there are some residential uses fronting on Riverside, the majority of the adjacent land uses are commercial. The General Plan update envisions this area transitioning to primarily multi-family housing with a limited amount of retail and office development.

Chino Avenue Corridor Study Area

This study area includes the downtown industrial area along Central Avenue, between Chino and Schaefer avenues. Immediately to the north of Chino Avenue are the civic center complex, future public uses, and the Chino Transit Center. The updated General Plan envisions this

area transitioning to higher-intensity, mixed-use development than is considered for other areas. The focus may be on transit-oriented development around transit center, potential connections to Metrolink, and additional civic uses such as a large performance space.

ACHIEVING REDEVELOPMENT

Realizing the updated General Plan's future growth vision requires redevelopment (although there are some vacant parcels for which the term infill development is more appropriate). This topic of redevelopment, however, is much broader than just the types of projects typically undertaken by community redevelopment agencies in California. Redevelopment typically follows one of three basic approaches (although elements of all three may be present):

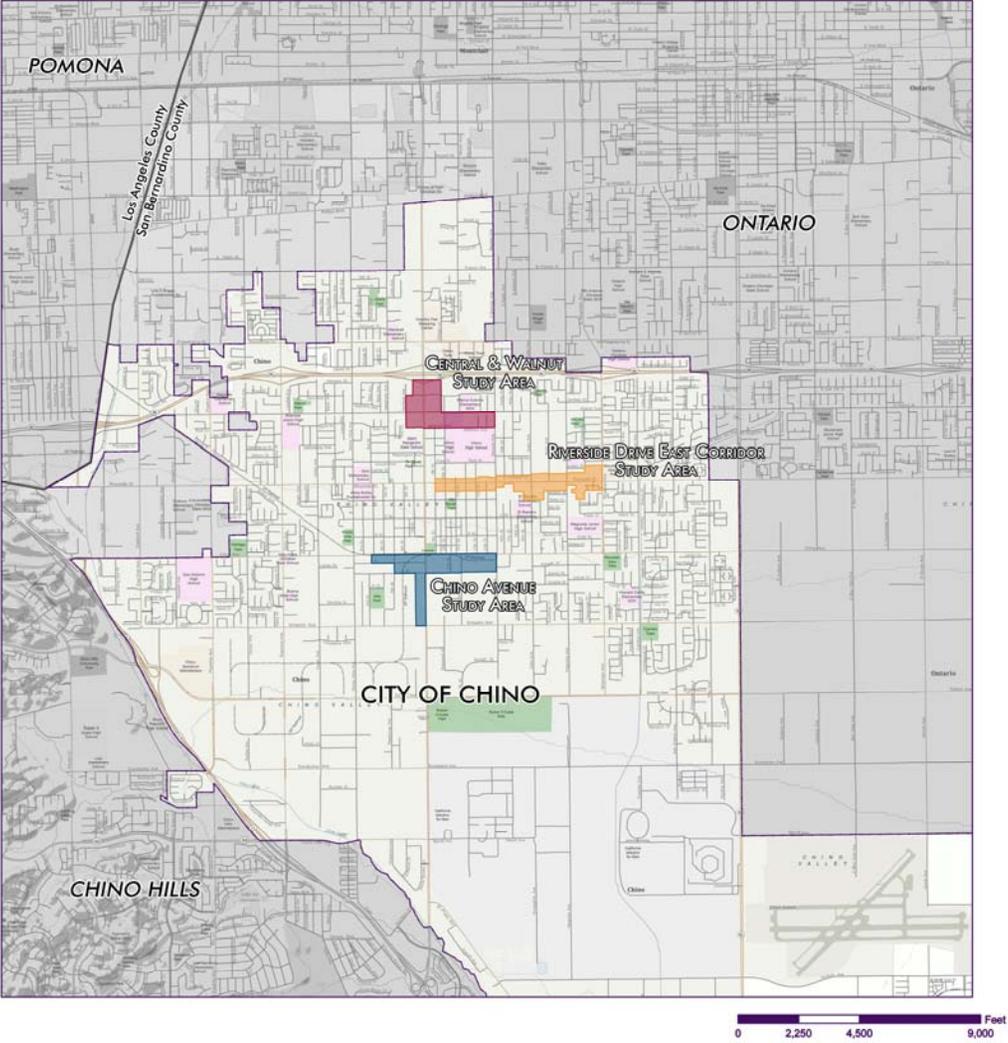
Public Improvements.

In some redevelopment cases, existing market dynamics can support economic growth in an area, but inadequate public facilities and infrastructure or a lack of an inviting public realm depress commercial activity. In these cases, redevelopment activity most appropriately focuses resources on public improvements: infrastructure upgrades, streetscapes, parking, façade improvements, etc.

Catalyst Project.

In other cases, the public has a sufficiently negative popular image of an area (especially in districts or major commercial nodes), and simply dressing the area up is inadequate. Countering negative public identity requires a relatively large development project, often accompanied by public improvements, to convince potential patrons that the area has changed and is now something new and different. In these cases, redevelopment most appropriately focuses on public-private partnerships to attract developers to redevelop prominent sites.

Map 1
Project Area Locations



Market-Based Redevelopment.

In still other cases, an area needs redevelopment to phase out buildings and uses that no longer serve market demand. Such areas are often characterized by the onset of blight conditions – rising vacancies, lack of maintenance and reinvestment, marginal businesses and high turnover. In these areas, however, single catalyst projects are usually not sufficient on their own to turn the tide of economic stagnation and disinvestment, especially along corridors where a catalyst project's ability to convey a changed image can extend only so far. In these cases, redevelopment most appropriately focuses on creating the market incentives necessary to entice developers to acquire and assemble property, demolish existing structures, and build new development that meets current and future market demand.

The city will mostly rely on market-based approaches to achieve the redevelopment envisioned in the updated General Plan. Rather than relying on city investments to spur private sector redevelopment, the transitions would occur over time, in response to market demand. The city's need, and the purpose of this economic analysis, is to understand how the regulatory environment can provide those incentives. Mostly, these incentives require getting the zoning right.

GETTING THE ZONING RIGHT

Two elements determine the value of a particular property: the latent market demand for development and the intensity of development that zoning allows. Communities often times forget that they have a critical role to play in setting the value of land. Yet it is in this role of influencing land value that cities can most easily provide the incentive needed to attract development and redevelopment.

When developers approach potential projects, they add up the likely costs to develop and the likely revenues. The primary difference

between a green field site and a redevelopment site is the presence of existing buildings. When developers acquire a site they expect to pay the land value, but on a redevelopment site, they also have to pay the value of the existing buildings and then pay to demolish them. We call this “throw away money” because it is money that developers throw away. It does not add value to the final product. For redevelopment projects to be financially feasible, they must generate enough revenue to cover the throw away money as well as the land acquisition and construction costs.

This is where getting the zoning right really matters. If zoning fails to allow enough intensity to generate the revenues necessary to cover the throw away money, redevelopment fails to happen. At the same time, too much intensity can turn public opinion against redevelopment efforts.

ORGANIZATION OF THE ECONOMIC ANALYSIS

We have organized the remainder of this document into four sections.

Residential Market Demand: Quantifies the market demand for new housing by type and tenancy, with absorption rates and sales and lease rates.

Retail Market Demand: Quantifies the market demand for new building space for retail sales and services, with absorption rates and lease rates.

Existing Redevelopment Feasibility: Analyzes the feasibility of redevelopment in the three study areas under current zoning standards.

Development Scenario Feasibility: Analyzes the feasibility of redevelopment under the development standards outlined in the updated General Plan's future growth vision.

RESIDENTIAL MARKET DEMAND

For residential uses, the economic analysis focuses on multi-family housing, which includes all attached housing products – townhouses, duplexes through quadplexes, condos, and apartments. The analysis does not address single-family detached housing because it typically does not generate enough residual land value to make redevelopment feasible and because the updated General Plan envisions the study areas as multi-family housing.

The economic analysis projects market demand for both for-sale housing and rental housing. Many multi-family housing products can be built for both, but the market demand and project revenue vary between for-sale and rental properties.

The residential-market-demand analysis uses data from a variety of sources. The US Census Bureau and the California Department of Finance provide basic demographic, economic, and housing data over time. Nielsen-Claritas, the leading national provider of market data, provides demographic, economic, and housing data for individual market areas and provides projections for the next five years. Finally, Dataquick provides information on all residential sales in the market area since 2007.

MARKET AREA

The first step in projecting market demand is to define the market area, the area that will generate and attract new households and the area in which the study areas will compete for those new households.

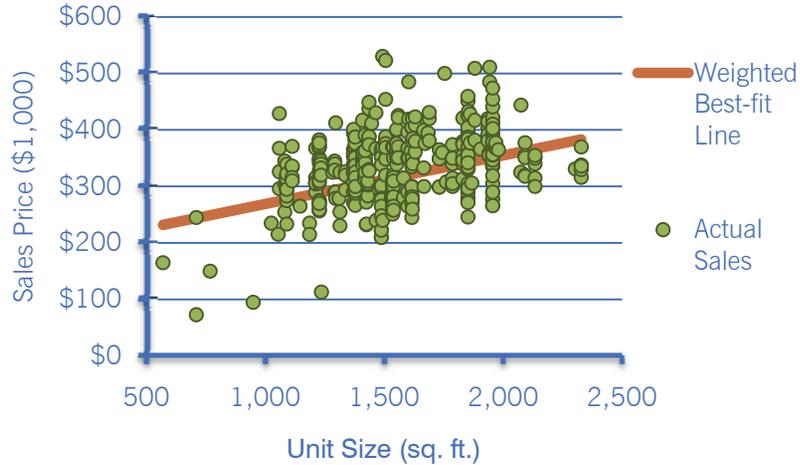
The potential market is defined not by the city boundaries but by the market area from which new households might choose a place to live. Because the three study areas are located relatively close to each other, we define one common market area. We define this market area as the area within a five-mile radius of the Central Avenue and Riverside Drive intersection, roughly equal to the average work commute time of 30 minutes. Figure 2 on page 17 shows this five-mile radius market area.

FOR-SALE HOUSING VALUE

Before quantifying market demand for for-sale housing, one must first have a range of housing values because the price of housing relates to household income and thus to the number of households likely qualified to purchase new housing.

Using the Dataquick information on all multi-family new home sales since 2007, the economic analysis plotted the sales price and square footage. The data set included sales of 434 new multi-family housing units. Figure 1 below shows the data set and the best fit line.

Figure 1. New Multi-family Housing Sales (in thousands), Market Area, 2007 to 2009



Source: The Planning Center, 2010, using data housing sales data from Dataquick.

To reflect the likelihood of a slow recovery in housing prices, the sales-value model weights sales in 2009 more heavily and sales in 2007 less so. The weighted data suggest that the sales value for new multi-family housing would be \$182,770 plus \$86 per square foot. Using this formula, an 1,100 sq. ft. unit would likely sell for \$278,000 and a 1,500 sq. ft. unit for \$312,000.

With these price ranges, households with household income in the \$75,000 to \$99,999 range and above¹ would likely qualify to buy new homes, and households with lower incomes would likely have to

¹ The Census Bureau typically reports statistics on household income in ranges of less than \$15,000, \$15,000 – \$24,999, \$25,000 – \$34,999, \$35,000 – \$49,000, \$50,000 – \$74,999, \$75,000 – \$99,999, \$100,000 – \$149,999, \$150,000 – \$249,999, and \$250,000 and above.

rent. The market demand analysis for new housing therefore reflects only households with incomes above \$75,000.

FOR-SALE MULTI-FAMILY HOUSING DEMAND

Table 1 on the opposite page derives the projected demand for new multi-family for-sale housing in Chino over the next five years. The analysis projects the total home sales over the next five years based on the increase in homeowner-households and purchases by existing homeowners. Home sales in the defined market area should total 29,395 through 2014.

Past trends suggest that multi-family units will account for 9.1 percent of the total sales and that new units will account for 29.3 percent of those multi-family sales. Thus the market area has the potential to absorb 784 new multi-family housing units over the next five years.

From 2007 through 2009, Chino captured 67.9 percent of the total new multi-family housing unit sales in the defined market area. Applying this capture rate in the future suggests that the market demand for new multi-family housing in Chino is 532 units through 2014.

Table 1. Market Demand for New Multi-family For-sale Housing, Chino CA, 2009 through 2014

	Household Income:	\$75,000 - \$99,999	\$100,000 - \$149,999	\$150,000 - \$249,999	Total
(1) Number of Households, 2009		15,698	15,961	9,850	41,509
(2) Number of Households, 2014		16,333	19,617	14,362	50,312
(3) 5-Year Increase in Households		635	3,656	4,512	8,803
(4) Homeownership Rate		79.2%	84.7%	82.0%	
(5) 5-Year Increase in Homeowners		503	3,095	3,698	7,296
(6) Annual Turnover in Owner-Occupied Housing		11.7%	11.7%	11.7%	
(7) Purchases by Existing Homeowners		7,440	8,837	5,822	22,099
(8) Total 5-Year Home Sales		7,942	11,933	9,520	29,395
(9) Multi-family as a Portion of All Homeownership		9.1%	9.1%	9.1%	
(10) Total 5-Year Multi-family Home Sales		722	1,085	865	2,672
(11) New Homes as a Portion of Total Multi-family Home Sales		29.3%	29.3%	29.3%	
(12) Total Market-Area 5-Year New Multi-family Home Sales		212	318	254	784
(13) Chino Capture of Regional New Multi-family Home Sales		67.9%	67.9%	67.9%	
(14) Total Chino 5-Year New Multi-family Home Sales Market Demand		144	216	172	532

Source: The Planning Center, 2010, using data from the US Census Bureau, Nielsen-Claritas, and Dataquick.

Notes to Table 1:

1. The household income categories are the basic income categories reported by the US Census Bureau. The three categories used in this analysis represent The Planning Center's assessment of households most likely to purchase and able to afford the value of housing considered in this analysis. The total column reflects the total for these three income categories only.
2. Number of households data (rows 1 and 2) are obtained from Claritas and represents the market area defined as that area within a five-mile radius of Riverside Drive and Central Avenue. The five year increase in households (row 3) is the difference between the projected number of households in 2014 (row 2) and the estimated number of households in 2009 (row 1).

3. The homeownership-rate data (row 4) are derived from US Census Bureau data. The five-year increase in homeowners (row 5) is derived by multiplying the five-year increase in households (row 3) by the homeownership rate (row 4).
4. The annual turnover in owner-occupied housing data (row 6) are from the 2000 Census and represent those blocks for which the majority of the area is within the defined market area. Purchases by existing homeowners (row 7) are the number of households (the average of 2009 and 2014 data, rows 1 and 2), multiplied by the homeownership rate (row 4), multiplied by the annual turnover in owner-occupied housing (row 6), multiplied by 5 to get the total purchases over the five-year period from 2010 to 2014.
5. Total five-year home sales (row 8) are the sum of the five-year increase in homeowners (row 5) and the purchases by existing homeowners (row 7).
6. Multi-family as a portion of all homeownership data are Nielsen-Claritas estimates for the defined market area in 2009. Total five-year multi-family home sales (row 10) are obtained by multiplying the total five-year home sales (row 8) by multi-family's share of all homeownership (row 9).
7. New multi-family homes as a portion of total multi-family home sales data (row 11) are derived from Dataquick information reflecting sales in the defined market area from 2007 through 2009. Total market area five-year new multi-family home sales (row 12) are derived by multiplying the total five-year multi-family home sales (row 10) by the portion of those sales that are for new homes (row 11).
8. Chino capture of regional new multi-family home sales (row 13) is derived from Dataquick information reflecting sales in the defined market area from 2007 through 2009. Total Chino 5-year new multi-family home sales market demand (row 13) is derived by multiplying the regional five-year new multi-family home sales (row 12) by Chino's capture rate (row 12).

MULTI-FAMILY LEASE RATES

As with for-sale properties, multi-family rental market demand must be based on the set of households that can afford to rent new multi-family units. The economic analysis surveyed rental housing providers and public databases to determine the likely market-rate rents. The analysis assumes that rents for new units would fall at the 75th percentile of existing rents, which includes both new and old buildings.

The projected rental rates run from \$1.60 per square foot for studios down to \$1.16 per square foot for four-bedroom units. With the average size rental units, these rental rates would require a household income in the \$50,000 to \$74,999 range, or higher, to be affordable.

NET INCREASE IN MULTI-FAMILY RENTERS

Calculation of market demand for rental housing is different than that for for-sale housing demand. The first part of the market demand equation is the net increase in multi-family rental households.

Using a methodology similar to that used with for-sale housing, Table 2 on the opposite page shows that the trade area should generate 8,823 new households over the next five years (using four income categories instead of three). Of these, 1,513 would be renter households, and of the renters, 989 would likely locate in multi-family housing. Thus, the market area has a net demand of 989 multi-family units through 2014.

Table 2. Market Demand for Rental Multi-family Housing, Chino CA, 2009 through 2014

	Household Income:	\$50,000 - \$74,999	\$75,000 - \$99,999	\$100,000 - \$149,999	\$150,000 - \$249,999	Total
(1) Number of Households, 2009		21,977	15,698	15,961	9,850	63,486
(2) Number of Households, 2014		21,997	16,333	19,617	14,362	72,309
(3) 5-Year Increase in Households		20	635	3,656	4,512	8,823
(4) Rentership Rate		32.0%	20.8%	15.3%	18.0%	
(5) 5-Year Increase in Renter Households		6	132	561	814	1,513
(6) Multi-family as a Portion of All Rentals		65.4%	65.4%	65.4%	65.4%	
(7) 5-Year Market-Area Demand for New Multi-family Rentals		4	86	367	532	989
(8) Annual Turnover in Renter Occupied Housing		36.5%	36.5%	36.5%	36.5%	
(9) Annual Turnover of Existing Renters		8,015	5,838	6,485	4,413	24,751
(10) Annual Market-Area Renter Potential		8,016	5,864	6,597	4,576	25,053
(11) Multi-family units as a Portion of All Rentals		65.4%	65.4%	65.4%	65.4%	
(12) Annual Market-Area Multi-family Renter Potential		5,243	3,836	4,315	2,993	16,387
(13) Chino Share of Market-Area Multi-family Rental Units		8.9%	8.9%	8.9%	8.9%	
(14) Chino Annual Multi-family Renter Potential		468	343	385	267	1,463

Source: The Planning Center, 2010, using data from the US Census Bureau and Nielsen-Claritas.

Notes to Table 2:

1. The household income categories are the basic income categories reported by the US Census Bureau. The four categories used in this analysis represent The Planning Center’s assessment of households most likely able to afford the rent of housing considered in this analysis. The total column reflects the total for these four income categories only.
2. Number of households data (rows 1 and 2) are obtained from Nielsen-Claritas and represents the market area defined as that area within a five-mile radius of Riverside Drive and Central Avenue. The five-year increase in households (row 3) is the difference between the projected number of households in 2014 (row 2) and the estimated number of households in 2009 (row 1).

3. The rentership-rate data (row 4) reflect the portion of renters among the households in each income and are derived from US Census Bureau data. The five-year increase in renter households (row 5) is derived by multiplying the five-year increase in households (row 3) by the renter rate (row 4).
4. Multi-family as a portion of all rentals (row 6) represents multi-family dwellings' share of all occupied housing units in the market area, based on data from the US Census Bureau.
5. The five-year market area demand for new multi-family rentals (row 7) represents the net demand for new multi-family units. The data are derived by multiplying the five-year increase in renter households (row 5) by multi-family housing's share of total housing units (row 6).
6. The annual turnover in renter-occupied housing (row 8) is derived from US Census Bureau data. The annual turnover of existing renters (row 9) represents the typical number of renters who move to a different rental unit each year. The annual turnover of existing renters data are the number of households (average of the 2009 and 2014 data, rows 1 and 2) multiplied by the rentership rate (row 4), multiplied by the annual turnover in renter-occupied housing (row 8).
7. The annual market-area renter potential (row 10) is the expected number of renters available to move into existing and new rental housing in each year. The data are the sum of one-fifth of the five-year increase in renter households (row 5) and the annual turnover of existing renters (row 9).
8. Multi-family units as a portion of all rentals (row 11) is derived from US Census Bureau data. Annual market-area multi-family renter potential (row 12) is the number of renters available to rent new and existing multi-family rental units in the market area. The annual market-area multi-family renter potential data are obtained by multiplying the annual market-area renter potential (row 10) by multi-family's share of all rental units (row 11).
9. Chino's share of market-area multi-family rental units data (row 13) are derived from US Census Bureau data. Chino's annual multi-family rental potential (row 14) is the expected number of renters available to move into new and existing multi-family rental units in Chino each year.

ANNUAL MULTI-FAMILY MARKET POTENTIAL

In addition to the net new demand, however, multi-family developers are also interested the annual turnover of renters. Each turnover represents an opportunity to capture a new resident for a multi-family housing project. The second half of Table 2 calculates the annual multi-family market potential as the sum of the increase in new renter households plus the annual turnover in rental households. The analysis estimates that Chino has the potential to capture up to 1,463 renters per year.

MULTI-FAMILY RENTAL MARKET DEMAND

The actual market demand to support construction of new multi-family rental housing lies between the net increase in multi-family renter households and the market potential from the annual turnover in multi-family renters. This analysis conservatively estimates the market demand for new multi-family residential construction at 10 percent of the market potential, or about 146 units per year. In other words, if new multi-family residential housing were constructed in Chino, these units could likely capture 146 new rental households each year from the regional growth.

RESIDENTIAL MARKET DEMAND: ANALYSIS AND RECOMMENDATIONS

The preceding analysis shows that, even under the current challenging economic and market conditions, there is market demand for new for-sale and rental multi-family housing.

Success at The Preserve shows that there is a market for more dense housing types. New for-sale housing in the study areas will require competitive pricing to successfully compete with new units at The Preserve. The market demand analysis assumes about a 10 percent lower price per square foot than that at The Preserve. Also, with few community amenities, the homeowners' dues for new housing projects in the three focus areas would be substantially lower. Nonetheless, these projects would likely need similar levels of architectural, urban design, and landscaping quality to attract buyers at the assumed price points.

Development in Chino has little track record for multi-family rental housing. However, multi-family development in the five-mile radius market area shows that there is regional demand for this type of housing.

Communities throughout Southern California experienced large-scale apartment construction in the 1970s and 1980s, driven by demand from baby boomers moving out on their own for the first time. Subsequently, however, many communities experienced the negative consequences of the slow deterioration of apartments as the demand leveled off over the last two decades. This has led to a generally negative public perception of multi-family housing.

Over the next 10 years at least, Southern California will once again see rising demand for multi-family housing, both for-sale and for-rent, as the millennial generation moves out on their own and as a portion of the baby boom generation seeks to downsize their housing during

retirement. Indeed, over the next 10 years, only 7 percent of California's population growth will be in the age ranges of family housing. While most communities are planning housing for only that 7 percent of the population growth, the market for the other 93 percent will necessitate new multi-family housing construction.

The challenge for Chino, as for most municipalities, is how to accommodate the city's fair share of multi-family housing demand in a manner that can best minimize the potential for negative consequences over time. This is primarily accomplished through allowing multi-family projects that are large enough to either generate sufficient homeowners association dues to maintain and reinvest (for-sale projects) or large enough to support on-site management (for-rent projects). While there are no hard and fast rules, somewhere between 50 and 100 units is typically the minimum necessary.

Another way to minimize the negative potential is to require higher quality architecture, urban design, and landscaping. Once again, larger projects can more easily provide quality development. Cheaply built projects are harder to maintain over time and invite cheap management. Active code enforcement on the city's part will also help assure that multi-family projects are not allowed to deteriorate.

For-sale Multi-family Recommendations

Table 1 calculated the demand for new for-sale multi-family housing in Chino. This demand reflects all of Chino, and new development in the three study areas would not likely capture all of this demand. Indeed, it is reasonable to expect currently developing master-planned communities to capture a majority of this demand. Over time, however, the study areas will likely increase their capture of this housing market as new projects demonstrate the quality of housing that can be developed in these areas and as these projects create a track record that will attract more development interest.

For planning purposes, the analysis recommends that over the next five years, the city plan for the focus areas to capture one-third of the demand for new for-sale multi-family housing. Table 3 summarizes this recommendation.

Table 3. Five-year For-sale Multi-family Recommendation

Number of Units	Unit Size Range (sq. ft.)	Sales Price Range (\$)
48	600 to 1200	219,300 to 259,000
72	1200 to 2400	259,000 to 338,600
57	2400 and above	338,600 and above

Source: The Planning Center 2010.

Five years down the road, the city might plan for that capture rate to increase to 50 percent or more. However, the city should revisit the market demand after one or two projects are developed and sold.

For-rent Multi-family Recommendations

Unlike the for-sale market, there are no other new market rate multi-family rental housing projects in Chino that would compete with redevelopment projects in the study areas. The real unknown is what portion of the market area's annual turnover in rental households would new developments in the study areas likely capture. The city boundary encompasses about 27 percent of the five-mile radius market area, even though it provides only about 8.9 percent of the multi-family rental units.

As a conservative approach, the analysis suggest that the city should plan to capture 8.9 percent of the increase in multi-family rental households, and, of the 8.9 percent of the annual turnover in market-

area rental households, the city should plan to capture about 10 percent. Table 4 summarizes this recommendation.

Table 4. Five-year For-rent Multi-family Recommendations

Number of Units	Unit Size Range (sq. ft.)	Monthly Rent Range (\$)
236	1,389 to 2,083	1,073 to 1,609
178	2,083 to 2,778	1,609 to 2,145
399	2,778 and above	2,145 and above

Source: The Planning Center, 2010.

As with the for-sale recommendations, Table 4 data are a starting point for planning purposes over the next five years. As projects are developed and leased-up, the city should revisit these recommendations.

RETAIL MARKET DEMAND

The amount of consumer spending in a trade area determines how much retail building space can be supported. The term “market potential” refers to the supportable amount of retail building space. Market demand is the difference between the market potential and the amount of existing retail building space. This section of the economic analysis quantifies the market potential and estimates the amount of existing building space for the Chino area in general, and more specifically applied to each of the three focus area. Unlike residential market demand, the demand for retail space is highly location specific and moving a half-mile away can change the level of demand.

This chapter of the economic analysis begins with a brief description of the methodology and an overview of the fundamentals of retail market demand. Subsequent sections then calculate current and future market demand for retail development.

RETAIL MARKET ANALYSIS METHODOLOGY

Four steps make up the basic retail market analysis methodology.

1. Define the Trade Area

In general terms, the trade area is the geographic area from which the retail center will draw most of its customers. Several factors affect the size and boundaries of the trade area, including the type of shopping

center, location of competitive retail facilities, and visibility and access to major roads and highways.

Calculate Market Potential

The market potential represents the total amount of retail building space that spending by trade-area residents can support. We estimate the total trade area spending by type of store (e.g., pharmacy, women’s clothing). We then divide the spending by the average sales per square foot—by store type—thus calculating the gross square footage of supportable retail building space.

Identify Competitive Facilities

Competitive facilities are the trade area’s existing and planned retail centers that offer a similar scale of goods. Once again, we express the amount of competition in terms of gross square footage of retail building space.

Determine Market Demand

Subtracting the square footage of competitive retail facilities from the total square footage of retail space that trade area spending can support determines the market demand. Market demand represents the additional retail building space that the market can support without generating new vacancies. We determine present market demand and then project demand for each year in which the proposed project plans to construct new retail building space.

FUNDAMENTALS OF RETAIL MARKETS

Convenience, Comparison, and Experience

An easy way to understand retail markets is to categorize retail into two groups based on the type of goods or service, the need for which instigates the shopping trip. These groups include convenience goods and services, and comparison goods. Table 5 describes the types of shopping centers that typically serve these two groups.

Generally, the goods and services that most people need on a regular basis (convenience goods and services) are close to where people live. For these regular purchases, most consumers have built up knowledge of where to go to get what they want, whether their discriminator is price and convenience or quality. Groceries, medicines, fast food restaurants, and hair care are typical convenience goods and services. Because convenience goods and services usually have low cost margins and high sales volumes, convenience retailers are located throughout an area, close to concentrations of households. These businesses typically locate in convenience centers and neighborhood shopping centers.

Consumers tend to compare goods across brands and across retailers for items they purchase infrequently or rarely. This habit of comparing induces retailers to locate near each other. It also promotes larger-scale retailers who can stock many different brands of similar products. Clothing, electronics, and furniture are quintessential comparison goods. Full-service restaurants, which consumers patronize infrequently, also fall into this group. Because comparison goods have higher cost margins and lower sales volumes, and because consumers purchase these goods infrequently, comparison goods retailers tend to locate close to major transportation corridors that give access to a greater number of consumers. These businesses typically locate in community, regional, and super-regional shopping centers.

Table 5. Shopping Center Types

Shopping Center Type	Building-Size Range (sq. ft.)	Trade Area	
		Size (radius in miles)	Population Range
Convenience	< 30,000	½	< 5,000
Neighborhood	30,000–100,000	1½	3,000–40,000
Community	100,000–450,000	3–5	40,000–150,000
Regional	300,000–900,000	8	150,000 or more
Super-regional	500,000–2 million	12	300,000 or more

Source: Beyard, Michael D. et al., *Shopping Center Development Handbook*, 3rd ed., Washington D.C.: Urban Land Institute, 1999.

With both of these types of retail, quick easy access, a knowledge of individual retailers and their locations (formed through advertising, signage, and visibility during regular travels), and previous experience can influence where consumers shop. In communities where the automobile is the dominant mode of transportation, retailers respond by locating near and seeking visibility to auto traffic.

A third, hybrid type of retail is experiential shopping. In this type of shopping, the experience of the trip is of equal if not greater importance than the material need for a good or service. The

experiential value may accrue from socialization with friends, from entertainment, or from the quality of the place. Downtowns, new town centers, lifestyle centers, and even shopping malls all attempt to enhance the shopping experience and provide a mix of businesses and amenities to create an enjoyable shopping experience. Because most consumers infrequently invest their time in experiential shopping, most are willing to travel further and forego quick and easy access for the value of the experience. Experiential shopping is a destination trip, and draws from a community, regional, or even super-regional size trade area, even if it does not offer the commiserate amount of retail square footage.

Focus Area Retail Types

Generally, when planning corridors and small districts, communities should focus on serving local needs and capturing that local spending on convenience goods and services. Most of the commercial uses envisioned for the redevelopment of the three focus areas will provide convenience goods and services for the adjacent and nearby neighborhoods.

In contrast, nodes at the intersection of major transportation routes are more likely to attract businesses providing comparison goods. Such nodes make good locations because they provide a heavy traffic volume and proximity to a larger trade area. The shopping centers at Walnut and Central filled this role when originally developed. As other centers opened, including Chino Town Square and Chino Spectrum, the Walnut and Central shopping centers became less competitive in attracting comparison goods retailers. One objective of this economic analysis is to determine if there is sufficient market support for community-scale shopping centers at this location.

Finally, experiential shopping on corridors often occurs in the traditional downtown or Main Street setting. The portions of the Chino Avenue Corridor study area within walking distance of the civic center

could be well-positioned to play a greater experiential shopping role in conjunction with the public uses envisioned in the Civic Center Specific Plan. When planning such areas, communities and developers should place a high emphasis on the consumer experience, remembering that experiential shopping includes not only time spent in stores and in the district, but the trip to the district and how they get around once there.

Experiential shopping also has applicability to all levels of retail in any of the focus areas. Even minor sites, where the emphasis is convenience goods and services for the local neighborhoods, should provide a positive consumer experience. And even though past convenience retail has been very auto-focused (equating easy-in/easy-out sites and plentiful parking with a positive consumer experience), livable corridors should consider how non-vehicular access to the corridor can contribute to an equal if not superior experience for local residents while still providing convenience.

Trade Area

A trade area is the geographic area from which a retail center will draw the majority of its customers. Sophisticated market-analysis models for individual retailers often define primary, secondary, and even tertiary trade areas. It is generally sufficient, however, for overall retail analyses to define a single primary trade area.

Several factors affect the size and boundaries of the trade area, including the type of shopping center, location of competitive retail facilities, physical barriers, and visibility and access to major roads and highways. The radial definition of a trade area based on its scale (Table 5) provides the starting point for defining a trade area. As the Urban Land Institute cautions, however, “A trade area does not lend itself to concentric circles around a potential site.”

This analysis first considers the overall retail market demand for the regional trade area, defined as a five-mile radius from the intersection of Riverside Drive and Central Avenue. The analysis projects the retail market demand for a trade area defined as the area within one-half mile of the primary corridor(s) of each study area. Table A-3 in the Appendix provides detailed demographic estimates for each trade area. Figure 2 on the following page shows the five-mile radius trade area and the location of shopping centers. Table A-4 in the appendix identifies the shopping centers in this trade area.

Household Spending

The household is the basic economic unit at the center of retail analysis. The US Bureau of Labor Statistics publishes an annual report, the Consumer Expenditure Survey, detailing how Americans spend their annual income. Nielsen-Claritas, the preeminent marketing data firm, interprets that data for individual locations, based on the demographics and lifestyle characteristics of the households residing in that area. Nielsen-Claritas reports the data both for types of goods and services (e.g., bakery goods, household repairs, and reading materials) and for types of stores (e.g., grocery stores, men's clothing stores, and full-service restaurants) using standard retail business categories from the North American Industrial Classification System. Table A-5 provides data for the average annual household expenditures for trade-area households by type of product or service.

Sales Efficiency

Sales efficiency is the average annual sales per square foot of retail businesses. Sales efficiency varies by store type, by individual business, and among different locations of an individual retail chain. Every two years the Urban Land Institute and the International Council of Shopping Centers conduct a survey of retail locations throughout the country. From that survey, they publish average sales efficiency data

by type of store in *Dollars and Cents of Shopping Centers / The SCORE*. The current edition was published for 2008. This analysis adjusts those national figures for the Inland Empire metropolitan area using data from the US Census Bureau's *Economic Census*.

Market Potential and Market Demand

Dividing total spending by average sales efficiency determines the market potential—the total amount of retail building space that can be supported. For example, households in the region spend about \$565,200,000 per year at grocery stores and supermarkets. Dividing that by the average sales efficiency for this type of store, \$485.75 per square foot per year, indicates that the five-mile trade area can support about 825,900 square feet of supermarkets. Market demand is the difference between the market potential and the amount of existing building space used for those types of stores.

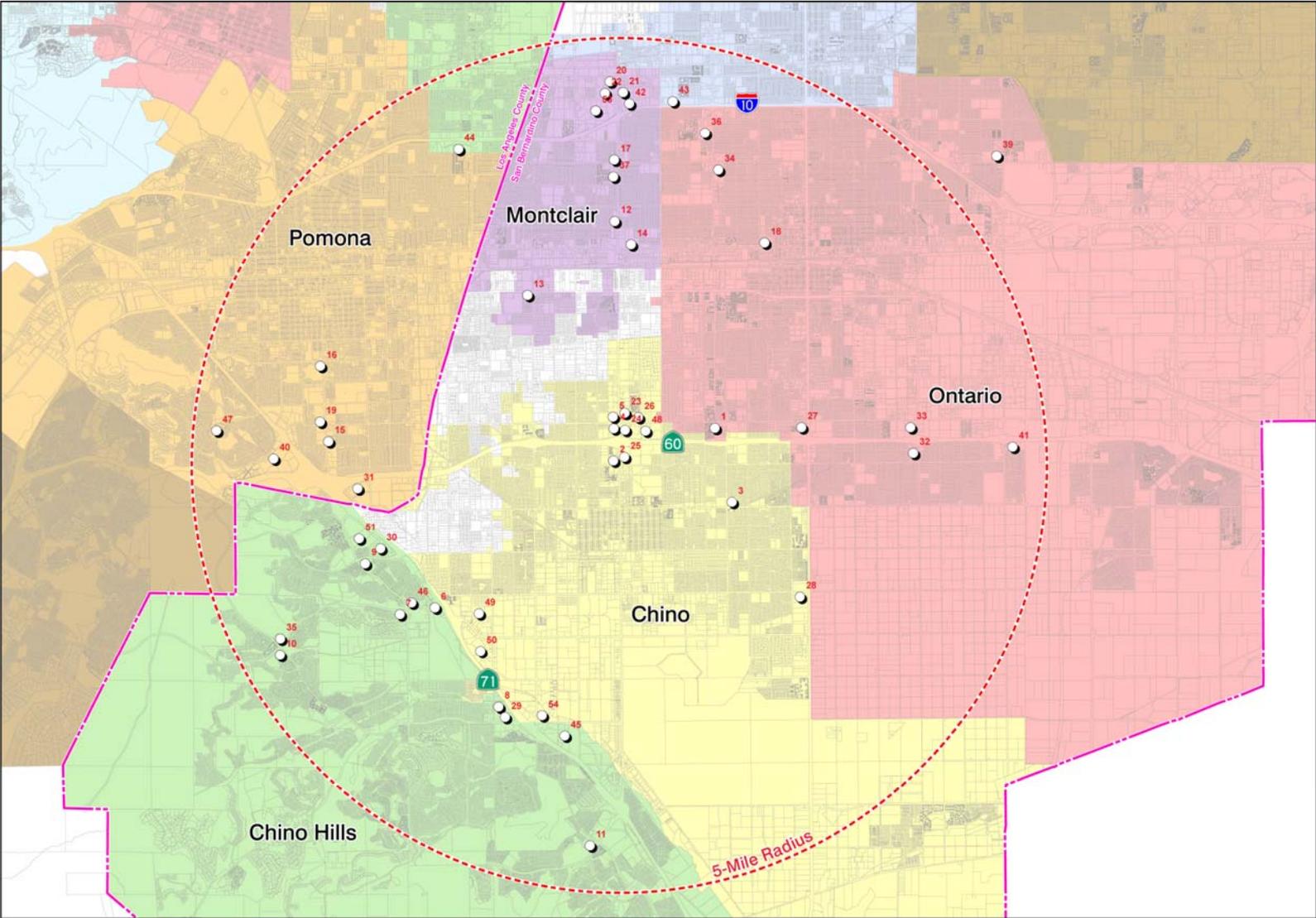
CHINO OVERALL RETAIL MARKET DEMAND

To assess retail in Chino generally, the analysis quantifies the market demand in the trade area within 5 miles of Riverside Drive and Central Avenue. This trade area extends beyond the city boundaries in order to account for the competitive retail centers that compete for retail spending by Chino households.

Market Potential

Table 6 estimates the total amount of building space that can be supported by the spending of trade-area households, listed by major store type. Table A-6 in the appendix provides more detailed data. These estimates suggest that spending by households living within 5 miles of Riverside Drive and Central Avenue should currently support about 6,402,190 square feet of retail building space.

Figure 2. Five-Mile Radius Trade Area and Location of Existing Shopping Centers.



Source: The Planning Center, 2009, using data from Nielsen-Claritas, Inc., and field inspections.

Table 6. Retail Market Potential (building sq. ft.) by Store Type, Five-Mile Radius Trade Area, 2009 and 2014

	2009	2014
Local/Neighborhood Retail		
Food and Beverage Stores		
- Supermarkets, Grocery	743,400	785,100
- Convenience Stores	48,470	51,190
- Specialty Food Stores	61,230	64,660
- Beer, Wine and Liquor Stores	58,060	61,310
Health and Personal Care Stores	510,300	538,900
Gasoline Stations	367,600	388,300
Miscellaneous Store Retailers	350,000	369,700
Personal care services facilities	66,870	70,620
Drycleaning & laundry service facilities	10,030	10,590
Other personal services	13,050	13,780
Subtotal	2,229,010	2,354,150
Community/Regional Retail		
Furniture and Home Furnishings Stores	302,800	319,800
Electronics and Appliance Stores	193,200	204,000
Building Material, Garden Equip Stores	558,600	590,000
Clothing and Clothing Accessories Stores	632,400	667,900
Sporting Goods, Hobby, Book, Music	274,700	290,100
General Merchandise Stores	1,208,000	1,275,000
Subtotal	3,169,700	3,346,800
Restaurants and Bars		
Full-Service Restaurants	407,000	429,800
Limited-Service Eating Places	511,100	539,800
Drinking Places -Alcoholic Beverages	85,380	90,170
Subtotal	1,003,480	1,059,770
TOTAL	6,402,190	6,760,720

Source: The Planning Center, 2010, using data from Neilsen-Claritas, Inc., and the Urban Land Institute.

Market Demand

With a current market potential of 6.4 million square feet, and assuming a reasonable vacancy rate of five percent, the five-mile radius trade area can support about 6.7 million square feet of retail building space.

Based on a review of assessing data, field inspections, and third party data source, the analysis estimates that the five-mile radius trade area currently has about 7,363,000 square feet of existing retail building space.

Applying these data, Table 7 calculates the market demand for this trade area.

Table 7. Retail Building Space Market Demand (building sq. ft.), Five-Mile Radius Trade Area, 2009 and 2014

	2009	2014
Retail Building Space Market Potential	6,402,190	6,760,720
Vacancy Allowance @ 5%	320,100	338,000
Supportable Retail Building Space	6,722,290	7,098,720
Existing Retail Building Space	7,363,000	7,363,000
Excess Retail Building Space	(640,710)	(264,280)
- Portion of Existing	-8.7%	-3.6%

Source: The Planning Center, 2010.

The analysis estimates that the five-mile radius trade area currently has about 640,710 square feet of excess retail building space, or 8.7 of the total existing retail. With projected household growth over the next four years, however, the excess retail building space would decline to 264,280 square feet, or 3.6 percent of the total.

STUDY AREA RETAIL MARKET DEMAND

To assess the demand for more or less retail building space in each study area, the analysis uses a primary trade area defined as the area within one-half mile of the main corridor in each study area. For the Central and Walnut study area, the analysis truncates the trade area at the CA-60 freeway to separate the trade area for Chino Town Square, Chino Promenade, and the other shopping centers on the north side of the freeway. This truncated boundary also represents the proclivity that most residents on the north side of the freeway would have to not cross over the freeway, especially for convenience goods and services. The trade area for Central and Walnut is also truncated to the south to represent competition along Riverside Avenue, but it extends eastward and westward along Walnut an extra half-mile to account for the lack of convenience goods and services competition for households in these areas. Based on past experience and knowledge of retail markets, this trade area would likely generate the majority of the retail sales occurring in each focus area.

Market Potential

Calculating the market potential in each study area follows the same methodology used to assess overall retail demand in Chino. However, for these study areas, which are not envisioned as community- or regional-scale retail destinations, the analysis assumes that the market area will capture 90 percent of trade area household spending for convenience goods and services, but only 11.5 percent of spending on comparison goods, and 35 percent of spending on restaurants and bars.

Table 8 estimates the supportable amount of retail building space in each trade and projects the supportable amount based on households growth through 2014. The analysis suggests that the Central and Walnut study area should have about 129,000 square feet of retail

building space, although household growth could increase the supportable amount of building space to 141,000 by 2014. The Riverside Drive East Corridor study area can currently support about 202,000 square feet, with household growth increasing that to 222,000 by 2014. Finally, the Chino Avenue Corridor study area can currently support about 142,000 square feet of retail, increasing to 156,000 by 2014.

Existing Retail Development

The analysis used data from the San Bernardino County assessor and information from field inspections to calculate the amount of existing retail building space in each study area.

The trade area defined for the Central and Walnut study area currently has about 170,200 square feet of existing retail building space. This does not, however, include the retail square footage located in the shopping centers on the north side of the CA-60 freeway. The East Riverside Drive Corridor study area has about 197,700 square feet of retail building space. Finally, the Chino Avenue Corridor study area has about 60,400 square feet of retail building space.

The inventory of existing retail building space does not include buildings that are used primarily for office-based businesses and buildings used for auto sales and services.

Table 8. Retail Market Potential (building sq. ft.) by Store Type, Study-Area Trade Areas, 2009 and 2014

	Central and Walnut Study Area		Riverside Drive East Corridor Study Area		Chino Avenue Corridor Study Area	
	2009	2014	2009	2014	2009	2014
Local/Neighborhood Retail						
Food and Beverage Stores						
- Supermarkets, Grocery (Ex Conv) Stores	29,900	32,900	47,200	51,800	33,200	36,500
- Convenience Stores	1,980	2,190	3,090	3,390	2,150	2,360
- Specialty Food Stores	2,460	2,710	3,880	4,260	2,740	3,010
- Beer, Wine and Liquor Stores	2,360	2,600	3,670	4,030	2,570	2,830
Health and Personal Care Stores	20,500	22,600	32,600	35,800	22,600	24,800
Gasoline Stations	15,000	16,500	23,200	25,400	16,100	17,700
Miscellaneous Store Retailers	13,500	14,800	21,200	23,200	14,800	16,300
Personal care services facilities	2,850	3,140	4,310	4,730	2,960	3,250
Drycleaning & laundry service facilities	430	470	650	710	440	490
Other personal services	560	610	840	920	580	640
Subtotal	89,540	98,520	140,640	154,240	98,140	107,880
Community/Regional Retail						
Furniture and Home Furnishings Stores	1,880	2,070	3,050	3,350	2,170	2,380
Electronics and Appliance Stores	1,260	1,390	2,010	2,210	1,440	1,580
Building Material, Garden Equip Stores	3,500	3,850	5,700	6,250	3,790	4,170
Clothing and Clothing Accessories Stores	4,070	4,480	6,600	7,240	4,860	5,340
Sporting Goods, Hobby, Book, Music Stores	1,740	1,910	2,800	3,070	2,040	2,240
General Merchandise Stores	8,000	8,800	12,800	14,000	9,140	10,000
Subtotal	20,450	22,500	32,960	36,120	23,440	25,710
Restaurants and Bars						
Full-Service Restaurants	7,540	8,310	11,600	12,800	8,210	9,030
Limited-Service Eating Places	9,560	10,500	14,700	16,200	10,400	11,400
Drinking Places -Alcoholic Beverages	1,530	1,680	2,360	2,590	1,690	1,850
Subtotal	18,630	20,490	28,660	31,590	20,300	22,280
TOTAL	128,620	141,510	202,260	221,950	141,880	155,870

Source: The Planning Center, 2010.

Market Demand

Table 9 calculates the market demand for retail building space in each study area. The Walnut and Central study area is the most over-retailed of the three, both in total square footage and as a percentage of the existing retail building space. The analysis suggests that converting and redeveloping existing retail buildings in this study area could reduce vacancy and downward price pressure on retail rents without necessarily affecting the total amount of retail sales. In other words, there would still be sufficient space to accommodate businesses serving the needs of trade area residents.

The Riverside Drive East Corridor study area also has an excess amount of retail building space. However, the excess is not as severe as that in the Central and Walnut area.

In contrast, spending by households residing in the Chino Avenue study area could support additional retail development. This finding, however, must be understood in the context of the overall excess retail building space in the five-mile radius trade area. Residents in this area are spending their disposable income in other areas of the city, and channeling this spending to new businesses in the Chino Avenue area would take spending from other areas. For example, it is likely that some of this spending is supporting businesses along Central Avenue, along Riverside Drive, and perhaps even in the Central and Walnut area.

Table 9. Retail Building Space Market Demand (building sq. ft.), by Study Area, 2009 and 2014

	2009	2014
Central and Walnut Study Area		
Retail Building Space Market Potential	102,900	113,300
Vacancy Allowance @ 5%	5,100	5,700
Supportable Retail Building Space	108,000	119,000
Existing Retail Building Space	170,200	170,200
Excess Retail Building Space	(62,200)	(51,200)
- Portion of Existing	-36.5%	-30.1%
Riverside Drive East Corridor Study Area		
Retail Building Space Market Potential	161,790	177,590
Vacancy Allowance @ 5%	8,100	8,900
Supportable Retail Building Space	169,890	186,490
Existing Retail Building Space	197,800	197,800
Excess Retail Building Space	(27,910)	(11,310)
- Portion of Existing	-14.1%	-5.7%
Chino Avenue Corridor Study Area		
Retail Building Space Market Potential	113,520	124,740
Vacancy Allowance @ 5%	5,700	6,200
Supportable Retail Building Space	119,220	130,940
Existing Retail Building Space	60,400	60,400
Retail Building Space Opportunity	58,820	70,540
- Existing Portion of Supportable	50.7%	46.1%

WHY EXCESS RETAIL SPACE MATTERS

Excess retail building space leads to vacancies. With the onset of the recession, retail vacancy rates in the Inland Empire have been increasing since late 2007. According to market reports from CB Richard Ellis, by the first quarter of 2010, retail vacancies have climbed to 11.6 percent throughout the region, although San Bernardino County's West End recorded an average 7.5 percent retail vacancy rate.

Business closings and bankruptcies among some national big-box chains have contributed to the rising vacancy rate. Many vacancies result from these and other businesses that had too much debt. With high debt service requirements, they were unable to cope with declines in consumer spending. In other cases, retailers were unable to secure financing to roll over existing debt, forcing them into bankruptcy.

Both national personal consumption expenditures and per capita disposable income have risen since the second quarter of 2009. As this trend continues with economic recovery, there will be less pressure on retailers that have managed to cut cost and survive the recession. A recent Fitch Ratings report indicates that improved liquidity across the retail sector will slow bankruptcies in 2010.

One can distinguish between two general types of retail vacancies: short-term vacancies and long-term structural vacancies.

Short-Term Vacancies

Short-term vacancies occur as individual retail businesses relocate, close branches, or fail. These cases, all part of the normal life-cycle of businesses and the normal business cycle, leave store spaces vacant. The owner of that vacant space has a financial incentive to find a new retail tenant.

During a recession, finding a new tenant is more difficult and may take longer, and different property owners can be more or less skilled in leasing retail space. Some owners will lower asking rents in order to fill vacancies quickly. Some owners will take risks on start-up businesses in order to fill vacancies. Still other owners will suffer the decrease in income for a longer period in order to lease to credit-worthy tenants that compliment the mix of businesses in their shopping centers. Finally, some owners re-invest in their centers, improving facades, parking, lighting, visibility, and signage to make their properties more competitive in attracting those businesses looking for a new location.

Regardless of individual property owner approaches to vacancies, when consumer spending in a trade area is sufficient to support the amount of retail building space in that trade area it is usually a matter of time to fill vacancies. Because short-term vacancies are a part of the normal retail business cycle – there are short-term vacancies in the best of times and worst of times – these vacancies do not constitute the long-term structural vacancies with the potential to lead to urban blight.

Long-Term Vacancies

When consumer spending in a trade area is insufficient to support the amount of retail building space in that trade area, long-term vacancies occur. Put simply, there just is not enough spending to support businesses to fill all of the space. In these circumstances, retail space can stay vacant for long periods and potentially lead to urban blight.

There are four basic options to deal with long-term structural vacancies. The first option is the do-little-to-nothing option. As with short-term vacancies, property owners have a financial incentive to find tenants for their vacant building space. The low level of consumer spending, however, makes finding new tenants difficult. Owners will often find that re-investing in their centers does not make sense because they cannot pass that cost on through rents to new tenants.

Most owners are forced to lower asking rents, but this can lead to a downward spiral in the trade area, forcing other owners to also lower asking rents just to maintain their current tenants. The area-wide lowering of lease rates leads to lower operating income for property owners, which in turn usually leads to deferred maintenance and lack of re-investment. In time, this downward spiral will leave some property owners with little choice other than disinvestment, walking away from their properties and leaving vacant building shells.

Second is the repositioning option. Property owners with larger shopping centers strategically located near major transportation routes can seek to reposition their center to become more of a destination that will attract consumers from a larger trade area. Most successful downtown revitalizations in the US have taken this track. Because population centers have moved farther and farther from older developed areas of communities and because convenience goods and services retailers have moved to shopping centers close to new housing, populations in many older areas shrank and were unable to support the retail building space originally constructed to serve most city residents. Classic downtowns and older suburbs are examples of this urban development pattern. Major downtowns that have revitalized have transitioned to provide cultural attractions, entertainment, and experiential shopping rather than directly competing for consumer spending driven primarily by convenience and the need to immediately satisfy a material need.

The third option is to redevelop some excess retail building space into housing. Phasing out excess retail reduces the competition for retail businesses to a healthy and more sustainable level. New housing adds new spending to provide additional support for retail businesses. Many successful downtowns and older suburbs have used this approach along with repositioning. This approach is also gaining popularity for revitalization of aging commercial corridors.

The fourth option is to repurpose retail buildings for non-retail uses. Formerly vibrant regional shopping centers, now host a variety of non-retail uses including governmental agencies, education providers, and other services, in addition to some remaining retailers. One visible sign of a distressed retail environment is a preponderance of services and other non-retail businesses in commercial strip centers. While one can debate the overall community impact of repurposing, leasing or selling excess retail space can be an effective means to avoid the physical impact of urban blight.

Repositioning, redevelopment, and repurposing are all viable reactions to long-term structural retail vacancies that avoid the physical impact of urban decay. Absent a public commitment, however, an individual property owner in a trade area that suffers from excess retail building space really only has the choice of repurposing or the do-little-to-nothing option that can lead to urban decay.

RETAIL MARKET DEMAND ANALYSIS AND RECOMMENDATIONS

Clearly the level of excess retail building space in the Central and Walnut study area suggests that individual property owners will face challenges in trying to retain and attract tenants at lease rates that will support continued maintenance and reinvestment. Over time, this area will likely to exhibit increasing signs of urban blight absent some public intervention.

The situation in the East Riverside Drive Corridor study area is not as severe as that in the Central and Walnut area, but this area will struggle to attract enough consumers and tenants to avoid a prolonged cycle of level to declining rents, with postponed maintenance and upkeep. Indeed, the analysis suggests that potential growth in trade-area consumer spending will be insufficient to overcome the amount of excess retail building space over the next five years.

The analysis does indicate that the Chino Avenue Corridor study area does not suffer from excess retail building space and could actually support additional retail development. New retail development in this area, however, would siphon spending from other challenged retail areas in the city, likely hastening the potential spiral into urban blight.

The amount of excess retail building space in two of the three areas warrants the city's consideration of policies and programs to encourage the redevelopment of retail building space.

Central and Walnut Study Area

The city should seek to redevelop at least 50,000 to 60,000 square feet of retail building space in this area. If new retail is desired to anchor mixed-use space in redevelopment projects, then an equal amount of retail over and above the current excess space should be removed the supply of retail buildings in this area.

East Riverside Drive Corridor Study Area

The city should seek to redevelop at least 11,000 to 30,000 square feet of retail building space in this area. As with the Central and Walnut area, additional retail building space should be redeveloped if the city desires new retail to anchor mixed-use areas.

Chino Avenue Corridor Study Area

The city can seek to attract additional retail businesses to this area. However, the city should carefully consider not promoting new retail until the excess retail building space in the other areas is on the way to being remedied.

DEVELOPMENT SCENARIO FEASIBILITY ANALYSIS

This chapter of the Economic and Market Analysis assesses the financial feasibility of development scenarios for six opportunity sites in the three study areas. The financial feasibility is assessed using a development pro forma. Table A-7 in the appendix provides the general assumptions used in all of the analyses.

This chapter is intended to be reviewed in conjunction with the Development Scenarios Guidebook, which provides graphic illustrations and more detailed descriptions of each development scenario. This chapter provides detail information that feeds into each pro forma and discusses the financial feasibility findings for each scenario.

ANALYZING DEVELOPMENT FEASIBILITY

What is a Development Pro Forma

A development pro forma is a spreadsheet that calculates the costs of development and the revenue flow, adjusting these for the time value of money and the costs to borrow money. The pro forma determines the amount of equity investment (i.e. actual cash) required of the developer and the rate of return on that investment. References to the financial feasibility of a development project simply mean whether or not the rate of return is sufficiently high to attract a developer to invest in that project.

Lease Rates

The rents paid by office and retail tenants are the income source that repays the development costs. Tenants are willing to pay some base level of rent just for the building space, and then some premium rent if the location will generate more revenues for their business.

During the course of this project, market conditions have continued to put downward pressure on retail and office lease rates in the Inland Empire. As the regional and national economies continue to slowly improve, it is possible that lease rates will start to rise. Construction costs, however, will also likely rise somewhat as economic growth returns and the real estate development industry recovers. Thus any benefits of rising lease rates would be offset by rising construction cost.

Return on Investment

In a typical development process, the development firm puts up some amount of its own money, while bringing in an outside investor for the majority of the required equity investment. The developer obtains a construction loan, which might cover all of the development costs and perhaps half of the land acquisition costs (with the equity investment covering the remainder of the costs). Upon completion of the project, the developer takes out permanent financing and pays off the construction loan. Typically, the developer would then hold the property for a short period, maybe three to five years, and, with a

leasing track record, sell the property. Upon the sale of the property the developer pays off the permanent loan. What is left over after that final payment represents the developer's final return on the initial investment.

Developers and investors most often use the internal rate of return (IRR) to measure the expected return on their investments and to decide whether or not to invest in a particular project. Under current market conditions – namely the economic recession and its slow recovery, the 2008 collapse of the financial services sector and its slow recovery, the loss of wealth from the stock market crash and the 25 to 30 percent decline in real estate values, and the increased investor aversion to risk brought on by these events – there is less money available for investment in development. Conversations with developers, brokers, and investors suggest that an IRR of 20 to 25 percent is needed to attract equity investment in development projects today. The pro forma analysis assumes a financial feasibility goal of a 20 percent IRR over the short term, as the economy and financial markets continue to recover slowly. This might decline to 15 percent in three to five years, if market conditions continue to improve, but the pro forma analysis uses the more conservative 20 percent IRR so as to not oversell the potential for redevelopment.

Residual Land Value

Residual land value is the amount the developer can afford to pay to acquire the land, given the IRR goal and the amount of development the site can accommodate with its size, shape, and zoning requirements.

Because the equity required for a development is directly related to the cost to acquire land and because this cost occurs at the beginning of the project, the residual land value is the one factor that most immediately influences the rate of return. For example, in the pro

forma analysis for Opportunity Site 1, a 10 percent reduction in the land acquisition costs increases the IRR by 48.4 percent.

With an IRR target of 20 percent, the pro forma analysis calculates the remaining variable, the residual land value. A feasibility gap – the difference between the residual land value and the estimated market value for each opportunity site – exists when the residual land value is less than the cost to acquire the site. A gap represents the level of subsidy required for redevelopment to occur under near-term market conditions. The feasibility gap percentage, the residual land value expressed as a percentage of the estimated market value, indicates how far off the proposed development is from being feasible under market conditions. In contrast, a feasibility surplus exists when the residual land value exceeds the cost to acquire the site. The surplus represents the additional return the developer can expect and/or the ability to provide additional investment in the project.

OPPORTUNITY SITE 1A

Northwest Corner of Central and Walnut Avenues

This site is approximately 7.6 acres in size. It has one of the first shopping centers developed in Chino. The site has about 87,000 square feet of buildings that would be demolished under this scenario. Based on a review of assessing records and third party data sources, the analysis estimates the site's market acquisition cost at nearly \$19 million. The proposed redevelopment would include 9 multi-family buildings with a mix of for-sale townhouses and flats. It would include 1 mixed-use building with ground floor retail and one story of residential flats above the retail. Because this would be a new building type in the area, it is modeled as a for-rent product to reflect potential difficulties with attracting buyers. Finally, the scenario includes 2 stand-alone single-use retail buildings.

Table 10. Site 1A: Development Program

Main Street Walk 10-Unit Prototype	6	buildings
2-Bedroom units	6	units
- size	1,160	sq. ft.
- sales value	256,000	
3-Bedroom units	4	units
- size	1,270	
- sales value	264,000	
Main Street Walk 12-Unit Prototype	3	buildings
2-Bedroom units	7	units
- size	1,160	sq. ft.
- sales value	\$256,000	
3-Bedroom units	5	units
- size	1,270	
- sales value	\$264,000	
Mixed-Use Prototype	1	building
1-Bedroom unit	5	units
- size	800	sq. ft.
- monthly rent	\$990	
2-Bedroom units	6	units
- size	1,100	sq. ft.
- monthly rent	\$1,360	
Ground floor retail	1	units
- size	4,000	sq. ft.
- monthly rent	\$8,230	
Stand-alone Retail	2	buildings
- size	6,488	sq. ft.
- sales value	\$2,000,000	
- size	7,831	sq. ft.
- sales value	\$2,420,000	

Table 11. Site 1A: Development Pro Forma Summary

Existing Site Information	
Site area (sq. ft.)	331,056
Existing building size (sq. ft.), to be demolished	86,984
Estimated property value	\$18,900,000
Development Costs Summary	
Land acquisition	\$13,900,000
Construction cost	\$11,200,000
- site development costs	\$1,940,000
- direct construction costs	\$9,260,000
Construction interest	\$1,120,000
Construction loan fee	\$545,000
Total Direct Costs	\$26,765,000
Construction loan amount	\$19,865,000
Total equity required	\$6,900,000
Percent of construction financed	74.2%
Financing Costs	
Amount financed - land	\$6,970,000
Amount financed - construction	\$11,200,000
Total amount financed	\$18,200,000
Construction loan fee	\$545,000
Total carried interest	\$1,120,000
Feasibility Summary	
Estimated development sales value	\$31,100,000
IRR without subsidy	n/a
Residual land value @20% IRR	\$13,500,000
Feasibility gap	(\$5,400,000)
- Portion of estimated land value	-28.6%

The pro forma analysis finds that the total cost to develop the site is \$26.8 million. Of this, 74.2 percent would likely be financed, requiring an equity investment of \$6.9 million from the developer.

The pro forma analysis finds the development scenario would create a residual land value of \$13.5 million, short of the estimated market acquisition cost of the site. This leaves a feasibility gap of \$5.4 million, or 28.6 percent.

Omitting the retail portion from the project only marginally improves the feasibility gap. If site 1B were to develop first, the mixed-use building on this site could possibly be developed for sale, lessening the feasibility gap to \$4.4 million. The lowest feasibility gap is found by eliminating the park and adding one more 10-unit building in its place, adding a third story to the mixed-use building, selling rather than leasing the mixed-use building, and omitting the retail portion of the project. In this case, the feasibility gap would be \$1.1 million. It might be possible to eliminate any feasibility gap by using a different residential product type with substantially more third-floor residential space, although such a scenario has not been analyzed in this project.

If the City desires to see this site redevelop, it will have to decide if it would warrant funding through the community redevelopment agency to obtain desirable characteristics such as less density (less third floor residential space as illustrated in the development as shown) and some functional open space.

OPPORTUNITY SITE 1B

Southwest Corner of Central and Walnut Avenues

This site is approximately 7.1 acres in size. It has an older existing L-shaped strip commercial center with a gas station on the corner adjacent to the intersection. It has about 86,000 square feet of existing building space, all of which would be demolished under this

development scenario. The analysis estimates the site's market acquisition cost at \$14.5 million.

The proposed redevelopment would include 3 garden court prototype buildings, each with 54 rental apartments. It would include 2 mixed-use buildings with ground floor retail and one story of residential flats above the retail. Because this would be a new building type in the area, it is modeled as a for-rent product to reflect potential difficulties with attracting buyers. Finally, the scenario includes 1 stand-alone single-use retail building.

Table 12. Site 1B: Development Program

Garden Court Prototype	3	buildings
1-Bedroom units	26	units
- size	870	sq. ft.
- monthly rent	\$1,080	
2-Bedroom units	28	units
- size	1,050	sq. ft.
- monthly rent	\$1,300	
Mixed-use Prototype	2	buildings
1-Bedroom units	5	units
- size	800	sq. ft.
- monthly rent	\$990	
2-Bedroom units	6	units
- size	1,000	sq. ft.
- monthly rent	\$1,240	
Ground-floor retail	1	units
- size	4,000	sq. ft.
- monthly rent	\$7,980	
Stand-alone Retail	1	building
- size	15,300	sq. ft.
- sales value	\$4,580,000	

Table 13. Site 1B: Development Pro Forma Summary

Existing Site Information	
Site area (sq. ft.)	309,276
Existing building size (sq. ft.), to be demolished	86,371
Estimated property value	\$14,500,000
Development Costs Summary	
Land acquisition	\$14,000,000
Construction cost	\$14,130,000
- site development costs	\$1,830,000
- direct construction costs	\$12,300,000
Construction interest	\$1,360,000
Construction loan fee	\$633,000
Total Direct Costs	\$30,123,000
Construction loan amount	\$23,093,000
Total equity required	\$7,030,000
Percent of construction financed	76.7%
Financing Costs	
Amount financed - land	\$7,020,000
Amount financed - construction	\$14,100,000
Total amount financed	\$21,100,000
Construction loan fee	\$633,000
Total carried interest	\$1,360,000
Feasibility Summary	
Estimated site sales value	\$42,900,000
IRR without subsidy	17.8%
Residual land value @20% IRR	\$13,600,000
Feasibility gap	(\$900,000)
- Portion of estimated land value	-6.2%

The development pro forma finds that the total development cost would be \$30.1 million. Of this, 76.7 percent would likely be financed, requiring an equity investment of \$7.0 million from the developer.

The pro forma analysis finds the development scenario would create a residual land value of \$13,600,000, short of the estimated market acquisition cost of the site. This leaves a feasibility gap of \$900,000, or 6.2 percent.

Thus, to develop the site as shown, under current market conditions, the City would have to provide a subsidy of just under \$1 million. If site 1A were to develop first, then it might be possible for the two mixed-use buildings to develop for sale rather than for rent. In this case, the site could be redeveloped with no subsidy. If this site were to develop before site 1A, then the two mixed-use buildings would have to be three stories rather than two for the redevelopment to be financially feasible without a subsidy.

OPPORTUNITY SITE 2

North Side of Riverside Drive, between Benson and Oaks Avenues

This site is approximately 5.5 acres. It is currently used for a straight-line shopping center, anchored by Chino Rancho Market. The west side of the site has a stand-alone donut shop, car wash, and Del Taco fast food restaurant. It has about 50,000 square feet of existing buildings, all of which would be demolished under this scenario. The analysis estimates the site’s market acquisition cost at \$13 million.

The proposed redevelopment would include 7 for-sale townhouse building clusters. Each building would have 10 townhouse units

ranging from 1,225 to 1,748 square feet in size. This scenario would also include a single stand-alone for-rent retail building at the western end of the site.

Table 14. Site 2: Development Program

Motorcourt Townhouse Prototype	7	buildings
2bed/2bath units	2	units
- size	1,225	sq. ft.
- sales value	\$261,000	
3bed/3bath	5	units
- size	1,460	sq. ft.
- sales value	\$276,000	
3bed/3.5bath	3	units
- size	1,758	sq. ft.
- sales value	\$296,000	
Stand-alone Retail	1	building
- size	13,692	sq. ft.
- monthly rent	\$28,900	

Table 15. Site 2: Development Pro Forma Summary

Existing Site Information	
Site area (sq. ft.)	239,580
Existing building size (sq. ft.), to be demolished	49,864
Estimated property value	\$13,100,000
Development Costs Summary	
Land acquisition	\$12,300,000
Construction cost	\$6,690,000
- site development costs	\$1,450,000
- direct construction costs	\$5,240,000
Construction interest	\$730,000
Construction loan fee	\$386,000
Total Direct Costs	\$20,106,000
Construction loan amount	\$14,016,000
Total equity required	\$6,090,000
Percent of construction financed	69.7%
Financing Costs	
Amount financed - land	\$6,170,000
Amount financed - construction	\$6,680,000
Total amount financed	\$12,900,000
Construction loan fee	\$386,000
Total carried interest	\$730,000
Feasibility Summary	
Estimated site sales value	\$23,000,000
IRR without subsidy	13.4%
Residual land value @20% IRR	\$12,000,000
Feasibility gap	(\$1,100,000)
- Portion of estimated land value	-8.4%

The development pro forma finds that the total development cost would be \$20.1 million. Of this, 69.7 percent would likely be financed, requiring an equity investment of \$6.1 million from the developer.

The pro forma analysis finds the development scenario would create a residual land value of \$12 million, short of the estimated market acquisition cost of the site. This leaves a feasibility gap of \$1.1 million, or 8.4 percent. If the IRR for capital investment declines to 15 percent in the future, the feasibility gap declines to \$289,000.

The retail component of the development, however, under performs under current market conditions. If the residential portion of the site were to develop as shown, leaving the Donut Avenue and the carwash out of the project, the remaining development would generate a residual land value that exceeds the estimated acquisition cost by \$1.4 million. Thus, if the City would like to see this site redevelop under current market conditions, it would have to either leave the western portion of the site out of the project or else contribute a \$1.1 million subsidy.

OPPORTUNITY SITE 3

Southwest Corner of Riverside Drive and Magnolia Avenue

This 5.3-acre site is relatively undeveloped. It currently contains three residential units and ancillary out-buildings. Based on assessing data, the analysis estimates that the site has about 2,298 of habitable building space, all of which would be demolished under this scenario. The analysis estimates the site's market acquisition cost at \$4.4 million.

The proposed redevelopment would include 26 for-sale triplex buildings. Each building provides 1 carriage unit and 2 townhouse units. The site design evaluated for feasibility includes a small open

green area that could be passive open space or provide a tot lot facility.

Table 16. Site 3: Development Program

Meriwether Triplex Prototype	26	buildings
Carriage unit	1	units
- size	1,272	sq. ft.
- sales value	\$264,000	
Townhome units	2	units
- size	1,922	sq. ft.
- sales value	\$307,000	

The development pro forma finds that the total development cost would be \$18.2 million. Of this, 60.1 percent would likely be financed, requiring an equity investment of \$7.3 million from the developer.

The pro forma analysis finds the development scenario would create a residual land value of \$13.6 million, in excess of the estimate market acquisition cost by \$9.2 million or 208.4 percent. While the \$9.2 million difference might seem particularly lucrative, the fact that the site remains relatively undeveloped with just a handful of homes suggests that some level of financial incentive would be necessary to motivate the property owner to consider selling. If the site were acquired at the estimated market value, the development could be reduced to only 12 triplex buildings (a density of 6.9 units per acre) and still generate a 20 percent IRR.

Table 17. Site 3: Development Pro Forma Summary

Existing Site Information	
Site area (sq. ft.)	226,512
Existing building size (sq. ft.), to be demolished	2,298
Estimated property value	\$4,410,000
Development Costs Summary	
Land acquisition	\$14,000,000
Construction cost	\$3,230,000
- site development costs	\$1,140,000
- direct construction costs	\$2,090,000
Construction interest	\$746,000
Construction loan fee	\$307,000
Total Direct Costs	\$18,283,000
Construction loan amount	\$11,253,000
Total equity required	\$7,030,000
Percent of construction financed	61.5%
Financing Costs	
Amount financed - land	\$6,990,000
Amount financed - construction	\$3,240,000
Total amount financed	\$10,200,000
Construction loan fee	\$307,000
Total carried interest	\$746,000
Feasibility Summary	
Estimated site sales value	\$21,700,000
IRR without subsidy	154.0%
Residual land value @20% IRR	\$13,600,000
Feasibility surplus	\$9,190,000
- Portion of estimated land value	208.4%

OPPORTUNITY SITE 4

South Side of Riverside Drive, between 11th and 12th Streets

This 1.6-acre site currently contains a number of single-family detached housing units and ancillary out-buildings. Based on assessing information, the analysis estimates that this site has about 12,000 square feet of existing building space, all of which would be demolished under this scenario. The analysis estimates the site's market acquisition cost at \$3.6 million.

The proposed redevelopment would include 6 for-sale The Cottages prototype buildings. Each building includes 6 units, ranging in size from 600-square-foot studios to a 950-square-foot 2-bedroom unit.

Table 18. Site 4: Development Program

The Cottages Prototype	
	6 buildings
Studio units	2 units
- size	600 sq. ft.
- sales value	\$219,000
1-Bedroom units	2 units
- size	700 sq. ft.
- sales value	\$226,000
1-Bedroom w/den units	1 units
- size	925 sq. ft.
- sales value	\$241,000
2-Bedroom units	1 units
- size	950 sq. ft.
- sales value	\$242,000

Table 19. Site 4: Development Pro Forma Summary

Existing Site Information	
Site area (sq. ft.)	70,065
Existing building size (sq. ft.), to be demolished	12,028
Estimated property value	\$3,610,000
Development Costs Summary	
Land acquisition	\$4,730,000
Construction cost	\$1,570,000
- site development costs	\$410,000
- direct construction costs	\$1,160,000
Construction interest	\$257,000
Construction loan fee	\$118,000
Total Direct Costs	\$6,675,000
Construction loan amount	\$4,305,000
Total equity required	\$2,370,000
Percent of construction financed	64.5%
Financing Costs	
Amount financed - land	\$2,360,000
Amount financed - construction	\$1,570,000
Total amount financed	\$3,930,000
Construction loan fee	\$118,000
Total carried interest	\$257,000
Feasibility Summary	
Estimated site sales value	\$7,830,000
IRR without subsidy	44.8%
Residual land value @20% IRR	\$4,590,000
Feasibility surplus	\$980,000
- Portion of estimated land value	27.1%

The development pro forma finds that the total development cost would be \$6.7 million. Of this, 64.5 percent would likely be financed, requiring an equity investment of \$2.4 million from the developer.

The pro forma analysis finds the development scenario would create a residual land value of \$4.6 million, in excess of the estimate market acquisition cost by nearly \$1 million or 27.1 percent. The value in excess of the estimated acquisition cost may be the incentive necessary to induce the existing property owners to sell and enable a developer to assemble the site. If all of the parcels could be acquired for the estimated acquisition cost, the site could be developed with five sets of buildings instead of six and still provide a 20 percent IRR.

OPPORTUNITY SITE 5

Northwest Corner of Central Avenue and G Street

This 4.8-acre site currently has industrial, commercial, and outside storage uses. The site has about 33,500 square feet of building space that would be demolished under this scenario. The analysis estimates the site’s market acquisition cost at \$3.7 million.

The proposed redevelopment would construct 4 for-sale industrial mixed-use loft buildings. Each building would have 5 units, and each unit would have a 1,875-square-foot work area on the ground floor and a 1,500-square-foot residential area on the second floor.

Table 20. Site 5: Development Program

Mixed-use Industrial Loft Prototype	4	buildings
Live-work units	5	units
Residential area	1,500	sq. ft.
Work area	1,875	sq. ft.
Sales value	\$560,000	

Table 21. Site 5: Development Pro Forma Summary

Existing Site Information	
Site area (sq. ft.)	209,088
Existing building size (sq. ft.), to be demolished	33,486
Estimated property value	\$3,670,000
Development Costs Summary	
Land acquisition	\$4,200,000
Construction cost	\$4,950,000
- site development costs	\$1,210,000
- direct construction costs	\$3,740,000
Construction interest	\$295,000
Construction loan fee	\$212,000
Total Direct Costs	\$9,657,000
Construction loan amount	\$7,557,000
Total equity required	\$2,100,000
Percent of construction financed	78.3%
Financing Costs	
Amount financed - land	\$2,100,000
Amount financed - construction	\$4,950,000
Total amount financed	\$7,050,000
Construction loan fee	\$212,000
Total carried interest	\$295,000
Feasibility Summary	
Estimated site sales value	\$10,600,000
IRR without subsidy	33.1%
Residual land value @20% IRR	\$4,080,000
Feasibility surplus	\$410,000
- Portion of estimated land value	11.2%

The development pro forma finds that the total development cost would be \$9.7 million. Of this, 78.3 percent would likely be financed, requiring an equity investment of \$2.1 million from the developer.

The pro forma analysis finds the development scenario would create a residual land value of \$4.1 million, in excess of the estimated market acquisition cost by \$410,000 or 11.2 percent.

The unit sales value would be \$560,000, or \$166 per sq. ft. This value also equates to a work-area lease rate of \$1 per square foot per month. Lowering the cost to reflect a work-area lease rate of \$.90 per square foot per month results in a break-even feasibility at 20 percent IRR. If the IRR for capital investment declines to a 15 percent IRR in the future, the sales value of the units could be reduced to \$523,000, or \$155 per square foot.

IMPLICATIONS AND RECOMMENDATIONS

This final chapter discusses the implications of the analyses of market demand and development feasibility on Chino's future growth vision for redevelopment in the three study areas. This chapter concludes with recommendations for redevelopment.

EXCESS RETAIL

The market analysis finds that perhaps 8 to 9 percent of the retail building space in the regional trade area is excess, that is, more than can be supported by consumer spending, even after allowing for a reasonable level of vacancies. Even with improving market conditions and population growth, the region would still have 3 to 4 percent excess retail building space in five years.

Beyond the potential to cause long-term structural vacancies that could lead to urban blight, excess retail building space has two important implications for redevelopment potential in the three study areas.

Lower Lease Rates

When vacancies rise, especially when vacancies are long term and structural, retail property owners have to compete to attract and retain tenants. While some owners can re-invest in their properties to improve their ability to attract quality tenants, the typical area-wide outcome is decreasing lease rates.

At the margin, lower lease rates may decrease vacancies by enabling a few businesses that would not otherwise be able to afford to rent to locate in the trade area. When vacancies arise because there is too much retail space, however, such an increase in the number of businesses and tenants will likely be temporary. If one business moves to the trade area, attracted by lower lease rates, then that business will attract consumers that are currently supporting another business in the same field.

Vacancies and low lease rates are signs that a developer proposing new retail development will face challenges finding tenants. More importantly, though, lease rates are the revenue stream that pays off the debt used to finance new retail development. Lower lease rates mean less investment for development.

The pro forma analysis finds that the average lease rates expected for the study area will not support redevelopment for retail uses without a subsidy. Indeed, even new retail development on vacant sites would be a challenge, being feasible under current market conditions only when the land can be acquired at a modest to discount price.

Disincentive to New Development

Developers have to demonstrate market demand to support proposed development when they seek equity investors and financing. The current amount of excess retail building space will hinder if not

eliminate developer ability to attract money to redevelopment projects. Even if market conditions improve and lease rates rise over time, the amount of excess retail space will still continue to limit the potential for new retail in the three study areas.

The General Plan's vision to redevelop shopping centers at Central and Walnut would change this situation. The conceptual plans for sites 1A and 1B would result in a net reduction of 144,000 square feet of retail building space. This would eliminate the excess retail in this study area and the Riverside Drive East Corridor study area. It would also lessen the larger area's retail supply imbalance, which should help Chino Town Square and Chino Promenade, although this project did not separately analyze the market demand for the shopping centers on the north side of CA-60.

MEASURE M

Measure M would require voter approval of any General Plan or zoning change that would increase residential densities from those that existed upon its adoption in 1988, or to convert non-residential uses to housing. The city could initiate a Measure M election for all or part of the vision plan, or individual developers could initiate the election on a project by project basis.

The election process could take six months to a year. A developer would most likely have to buy an option on the site and pay the costs for the election and the campaign. The developer would risk all of this preliminary investment pending the outcome of the election. Thus, the project would have to provide an extremely lucrative return on investment to justify the risk to the.

Conversations with developers during this project suggest that it is unlikely that a developer would take this risk, especially when the redevelopment projects and the product types are untested in the immediate study areas. However, once a track record of voter approval

and market support for the product types is established, developers might be willing to initiate the process for sites and projects that offer a return commensurate with the risk.

Neither opportunity site 1A nor 1B is feasible to redevelop without some subsidy or incentive from the city. Redevelopment will thus require the active involvement of the city, most likely through the Community Redevelopment Agency. Because city involvement is necessary and because redevelopment of these sites provides public benefits, especially the reduction of excess retail building space, either of these sites could be a good first attempt at redevelopment and voter approval.

Opportunity site 2 could be feasible for redevelopment without a subsidy from the city. Even if the site could be acquired at the estimated market value, it is not clear that the return would justify the risk without some track record of voter approval and market support. With such a track record, this site might be feasible with a developer initiated election.

Opportunity sites 3, 4, and 5 would all provide an IRR greater than 20 percent, if the sites could be acquired for the estimated market acquisition cost, with site 3 providing the greatest return and site 5 the smallest return. These three sites are all planned and zoned for non-residential uses, so each would require voter approval for any residential development. The possibility that a developer would initiate an election without some track record of voter acceptance and market demand for the product types in these areas will depend on the actual acquisition price developers can negotiate with land owners. However, the return in excess of 20 percent IRR does suggest that, with such a track record established on other projects, developers might be enticed to pursue additional voter approvals on their own.

The pro forma analysis suggests two paths for Measure-M voter approval for General Plan and zoning changes to facilitate

redevelopment in the future growth vision areas. To the degree that the city desires to actively pursue and facilitate redevelopment, the city should take the lead in initiating elections for initial redevelopment projects. To the degree that the city desires to be less actively involved in making redevelopment happen and prefers, instead, to encourage and support redevelopment, the city can wait for a developer to initiate the elections, although this is unlikely to happen in the near term.

RECOMMENDATIONS

There are, of course, political and other considerations influencing how and when the city gets involved in facilitating the redevelopment planned in the future growth vision. Based simply on the economic and market considerations, however, this report offers the following recommendations.

- 1. For-sale Multi-family Housing.** The city should plan for the three study areas to support the development of up to 77 for-sale multi-family housing units over the next five years. As projects are developed and the market absorbs these new units, the city should revisit the market analysis to better understand the long-term market potential of for-sale multi-family housing.
- 2. For-rent Multi-family Housing.** The city can expect the three study areas to support the development of up to 813 for-rent multi-family housing units over the next five years. These units could be a mix of affordable and market-rate units. As with the for-sale units, the city should revisit the market analysis to reflect absorption rates for the initial projects.
- 3. Excess Retail.** To improve market conditions for retail development and the performance of retail businesses, the city should seek to transition 260,000 square feet of existing retail building space city wide to non retail uses. Specific to each study area, the city should plan to transition at least 51,000 to 62,000 square feet of retail building space in the Walnut & Central study area and 11,000 to 28,000 square feet in the Riverside Drive East Corridor study area to non-retail uses.
- 4. Mixed-Use Retail.** In planning retail uses as part of mixed-use development in the three study areas, the city should focus on convenience goods and services retailers, restaurants and bars that primarily serve adjacent and nearby neighborhoods. In contrast, comparison goods retailers should be planned in more competitive locations with better access and visibility to community and regional residents.
- 5. Existing Shopping Center Sites.** The relatively high estimated market acquisition costs of the existing shopping centers sites (1A, 1B, and 2) makes redevelopment financially infeasible without subsidy or incentive. However, by reducing the amount of excess retail building space, by providing the initial redevelopment that establishes a track record for future redevelopment projects, and by testing voter sentiment for increased residential density, these projects provide public benefits. The city will have to decide if these and other public benefits justify the necessary level of subsidy.
- 6. Non-Retail Sites.** The pro forma analysis suggests that redevelopment of residential and industrial sites with housing could be financially feasible without subsidies. It is not clear, however, if these projects would provide a large enough return on investment to justify the risk for a developer to initiate a Measure-M election without some prior test of public sentiment.

APPENDIX A. DATA TABLES

Table A-1. Population and Housing Trend, Chino CA, 1990 through 2009

Year	Population			Housing							Persons per household	
	Total	Household	Group Quarters	Total	Single-family		Multi-family		Mobile home	Occupied		Vacancy Rate
					Detached	Attached	2 to 4	5 or more				
1990	59,682	51,181	8,501	16,137	11,966		3,594		577	15,636	3.10	3.27
1991	60,444	52,111	8,333	16,354	12,173		3,608		573	15,844	3.12	3.29
1992	60,319	53,194	7,125	16,579	12,388		3,623		568	16,057	3.15	3.31
1993	60,998	53,808	7,190	16,693	12,491		3,638		564	16,164	3.17	3.33
1994	61,706	54,203	7,503	16,896	12,684		3,653		559	16,358	3.18	3.31
1995	62,580	54,885	7,695	17,041	12,818		3,669		554	16,493	3.22	3.33
1996	63,252	55,241	8,011	17,112	12,879		3,684		549	16,558	3.24	3.34
1997	63,396	55,717	7,679	17,142	12,902		3,696		544	16,584	3.26	3.36
1998	64,846	56,598	8,248	17,364	13,010		3,815		539	16,795	3.28	3.37
1999	65,831	57,783	8,048	17,623	13,154		3,935		534	17,042	3.30	3.39
2000	67,168	59,352	7,816	17,898	12,462	952	786	3,170	528	17,304	3.32	3.43
2001	67,736	60,167	7,569	17,990	12,558	952	782	3,170	528	17,393	3.32	3.46
2002	69,152	61,629	7,523	18,106	12,674	952	782	3,170	528	17,505	3.32	3.52
2003	70,850	63,350	7,500	18,385	12,953	952	782	3,170	528	17,775	3.32	3.56
2004	75,865	64,898	10,967	18,630	13,190	952	790	3,170	528	18,012	3.32	3.60
2005	77,926	66,615	11,311	19,012	13,529	952	803	3,200	528	18,381	3.32	3.62
2006	79,795	68,204	11,591	19,528	13,987	952	809	3,252	528	18,880	3.32	3.61
2007	81,165	69,671	11,494	20,053	14,302	952	901	3,370	528	19,388	3.32	3.59
2008	82,481	71,562	10,919	20,652	14,739	952	1,063	3,370	528	19,967	3.32	3.58
2009	84,173	73,825	10,348	21,291	15,175	952	1,081	3,555	528	20,585	3.32	3.59

Source: CA Department of Finance, 2009.

Table A-2. Projected Number of Households and Housing by Type, Chino CA, 2010 through 2030

Year	Households	Total Housing Units	Single-family Detached	Multi-family	Mobile Home
2010	20,811	21,527	15,005	5,993	528
2011	21,037	21,762	15,211	6,023	528
2012	21,263	21,998	15,417	6,053	528
2013	21,489	22,234	15,622	6,084	528
2014	21,715	22,469	15,827	6,115	528
2015	21,941	22,705	16,031	6,146	528
2016	22,167	22,941	16,235	6,178	528
2017	22,393	23,176	16,439	6,210	528
2018	22,618	23,412	16,642	6,242	528
2019	22,844	23,648	16,845	6,275	528
2020	23,070	23,883	17,047	6,308	528
2021	23,296	24,119	17,250	6,341	528
2022	23,522	24,354	17,452	6,375	528
2023	23,748	24,590	17,654	6,408	528
2024	23,974	24,826	17,855	6,443	528
2025	24,200	25,061	18,057	6,477	528
2026	24,426	25,297	18,258	6,512	528
2027	24,652	25,533	18,458	6,546	528
2028	24,878	25,768	18,659	6,581	528
2029	25,104	26,004	18,859	6,617	528
2030	25,330	26,240	19,060	6,652	528

Notes to Table A-2:

1. Data are linear projections based on estimates from CA Department of Finance presented in Table A-1.
2. Multi-family includes all attached housing, such as townhouses, condos, and apartments.
3. Projections assume that there will be no changes in the number of mobile homes.

Source: The Planning Center, 2010.

Table A-3. Demographic Estimates for Various Trade Areas, Chino CA, 2009

	five-mile Radius Trade Area	Walnut & Central Trade Area	Riverside Drive East Corridor Trade Area	Chino Avenue Corridor Trade Area
Population				
2014 Projection	423,307	13,767	22,195	16,247
2009 Estimate	394,886	12,283	19,872	14,496
2000 Census	356,394	9,896	16,125	11,692
1990 Census	300,960	9,088	14,761	10,336
Growth 2009-2014	7.20%	12.08%	11.69%	12.08%
Growth 2000-2009	10.80%	24.12%	23.24%	23.98%
Growth 1990-2000	18.42%	8.89%	9.24%	13.12%
2009 Est. Population by Single Race Classification	394,886	12,283	19,872	14,496
White Alone	164,899	5,743	8,724	5,990
Black or African American Alone	21,887	380	509	406
American Indian and Alaska Native Alone	4,451	163	331	260
Asian Alone	37,302	599	711	617
Native Hawaiian and Other Pacific Islander Alone	921	32	38	25
Some Other Race Alone	144,867	4,596	8,348	6,462
Two or More Races	20,559	771	1,210	736
2009 Est. Population Hispanic or Latino by Origin	394,886	12,283	19,872	14,496
Not Hispanic or Latino	140,422	3,751	5,180	3,275
Hispanic or Latino:	254,464	8,532	14,692	11,221
Mexican	207,905	7,030	12,366	9,673
Puerto Rican	1,999	52	78	62
Cuban	1,592	56	58	39
All Other Hispanic or Latino	42,968	1,393	2,190	1,447

2009 Est. Hispanic or Latino by Single Race Class	254,464	8,532	14,692	11,221
White Alone	90,285	3,264	5,253	4,011
Black or African American Alone	1,251	23	48	40
American Indian and Alaska Native Alone	3,374	120	235	181
Asian Alone	686	8	14	19
Native Hawaiian and Other Pacific Islander Alone	210	3	6	8
Some Other Race Alone	144,436	4,583	8,324	6,451
Two or More Races	14,222	531	812	511
2009 Est. Pop. Asian Alone Race by Category	37,302	599	711	617
Chinese, except Taiwanese	6,930	58	77	90
Filipino	11,455	193	238	233
Japanese	1,574	42	53	40
Asian Indian	2,980	86	94	59
Korean	2,914	54	56	39
Vietnamese	5,438	84	98	83
Cambodian	1,073	1	6	2
Hmong	84	0	2	0
Laotian	338	1	2	5
Thai	632	4	10	4
Other Asian	2,789	65	49	40
Two or more Asian categories	1,095	10	25	22
2009 Est. Population by Ancestry	394,886	12,283	19,872	14,496
Pop, Arab	967	19	28	28
Pop, Czech	495	11	28	16
Pop, Danish	645	11	26	16
Pop, Dutch	3,854	378	487	198
Pop, English	11,014	401	555	295
Pop, French (except Basque)	3,424	85	202	183
Pop, French Canadian	935	52	49	17
Pop, German	16,587	656	893	609

Pop, Greek	486	17	20	6
Pop, Hungarian	586	16	16	7
Pop, Irish	10,410	418	476	293
Pop, Italian	8,313	365	285	282
Pop, Lithuanian	224	2	0	11
Pop, United States or American	10,678	340	500	400
Pop, Norwegian	1,990	61	83	44
Pop, Polish	2,072	41	41	87
Pop, Portuguese	1,832	271	390	205
Pop, Russian	892	17	22	26
Pop, Scottish	1,860	61	83	37
Pop, Scotch-Irish	2,026	69	111	38
Pop, Slovak	57	0	0	0
Pop, Sub-Saharan African	2,074	74	72	42
Pop, Swedish	1,961	63	109	83
Pop, Swiss	377	15	23	9
Pop, Ukrainian	270	29	20	8
Pop, Welsh	545	20	11	19
Pop, West Indian (exc Hisp groups)	603	10	16	3
2009 Est. Population by Ancestry				
Pop, Other ancestries	247,272	7,181	12,654	9,791
Pop, Ancestry Unclassified	62,437	1,600	2,674	1,743
2009 Est. Pop Age 5+ by Language Spoken At Home				
Speak Only English at Home	173,758	5,355	7,515	5,046
Speak Asian/Pacific Islander Language at Home	22,089	357	396	311
Speak Indo-European Language at Home	7,292	491	660	330
Speak Spanish at Home	155,203	4,931	9,407	7,378
Speak Other Language at Home	1,777	63	80	46
2009 Est. Population by Sex				
Male	394,886	12,283	19,872	14,496
Female	203,079	6,166	10,011	7,397
	191,807	6,117	9,861	7,099

Male/Female Ratio	1.06	1.01	1.02	1.04
2009 Est. Population by Age	394,886	12,283	19,872	14,496
Age 0 - 4	34,767	1,086	1,814	1,387
Age 5 - 9	32,219	1,021	1,657	1,250
Age 10 - 14	32,893	1,017	1,622	1,235
Age 15 - 17	20,364	609	987	717
Age 18 - 20	19,999	589	993	724
Age 21 - 24	24,912	717	1,201	886
Age 25 - 34	62,940	2,082	3,330	2,479
Age 35 - 44	60,560	1,915	2,998	2,239
Age 45 - 49	27,024	768	1,239	928
Age 50 - 54	22,781	648	1,063	754
Age 55 - 59	17,937	536	897	567
Age 60 - 64	13,203	410	687	443
Age 65 - 74	15,002	530	813	516
Age 75 - 84	7,378	262	413	272
Age 85 and over	2,906	91	156	101
Age 16 and over	288,162	8,964	14,438	10,376
Age 18 and over	274,643	8,550	13,791	9,908
Age 21 and over	254,644	7,961	12,798	9,184
Age 65 and over	25,286	884	1,382	888
2009 Est. Median Age	30.13	30.29	29.99	29.24
2009 Est. Average Age	31.83	31.99	31.82	30.95
2009 Est. Male Population by Age	203,079	6,166	10,011	7,397
Age 0 - 4	17,371	557	930	708
Age 5 - 9	16,572	524	827	621
Age 10 - 14	16,882	529	833	625
Age 15 - 17	10,333	305	493	368
Age 18 - 20	11,096	297	508	383
Age 21 - 24	13,495	368	621	460

Age 25 - 34	33,562	1,062	1,706	1,300
Age 35 - 44	32,072	997	1,569	1,185
Age 45 - 49	14,055	383	634	487
Age 50 - 54	11,491	314	534	391
Age 55 - 59	8,863	248	433	278
Age 60 - 64	6,483	202	335	217
Age 65 - 74	7,033	247	383	243
Age 75 - 84	2,854	104	157	95
Age 85 and over	918	29	50	34
2009 Est. Median Age, Male	29.71	29.74	29.66	29.10
2009 Est. Average Age, Male	31.25	31.20	31.21	30.47
2009 Est. Female Population by Age	191,807	6,117	9,861	7,099
Age 0 - 4	17,396	528	884	678
Age 5 - 9	15,647	497	830	629
Age 10 - 14	16,011	488	789	609
Age 15 - 17	10,031	304	494	349
Age 18 - 20	8,903	293	486	340
Age 21 - 24	11,417	349	580	426
Age 25 - 34	29,378	1,019	1,624	1,179
Age 35 - 44	28,488	919	1,428	1,054
Age 45 - 49	12,969	385	605	440
Age 50 - 54	11,290	335	530	363
Age 55 - 59	9,074	288	464	289
Age 60 - 64	6,720	208	353	226
Age 65 - 74	7,969	283	430	272
Age 75 - 84	4,524	159	257	177
Age 85 and over	1,989	62	106	67
2009 Est. Median Age, Female	30.62	30.88	30.34	29.39
2009 Est. Average Age, Female	32.45	32.77	32.44	31.45
2009 Est. Population Age 15+ by Marital Status	295,007	9,159	14,778	10,625
Total, Never Married	85,957	2,815	4,559	3,443

Married, Spouse present	144,919	4,509	7,242	5,042
Married, Spouse absent	29,823	640	1,163	849
Widowed	12,333	423	688	467
Divorced	21,976	772	1,126	824
Males, Never Married	48,835	1,541	2,643	2,143
Previously Married	12,059	441	648	417
Females, Never Married	37,122	1,274	1,917	1,300
Previously Married	22,249	754	1,166	874
2009 Est. Pop. Age 25+ by Educational Attainment	229,732	7,244	11,597	8,298
Less than 9th grade	42,189	1,328	2,878	2,244
Some High School, no diploma	40,023	1,362	2,293	1,765
High School Graduate (or GED)	49,977	1,901	2,570	1,582
Some College, no degree	49,523	1,695	2,435	1,602
Associate Degree	14,663	333	398	281
Bachelor's Degree	24,073	449	711	645
Master's Degree	6,505	123	230	138
Professional School Degree	2,021	47	78	41
Doctorate Degree	758	6	5	0
Households				
2014 Projection	106,757	3,796	5,717	3,933
2009 Estimate	101,085	3,448	5,210	3,576
2000 Census	95,373	2,915	4,436	3,035
1990 Census	86,792	2,874	4,282	2,802
Growth 2009-2014	5.61%	10.09%	9.73%	9.98%
Growth 2000-2009	5.99%	18.28%	17.45%	17.83%
Growth 1990-2000	9.89%	1.43%	3.60%	8.32%
2009 Est. Households by Household Type	101,085	3,448	5,210	3,576
Family Households	82,186	2,708	4,172	2,906
Nonfamily Households	18,899	740	1,038	670
2009 Households by Ethnicity, Hispanic/Latino	55,718	2,061	3,341	2,467

2009 Est. Households by Household Income	101,085	3,448	5,210	3,576
Income Less than \$15,000	9,350	322	524	366
Income \$15,000 - \$24,999	8,778	419	603	369
Income \$25,000 - \$34,999	8,999	274	373	271
Income \$35,000 - \$49,999	13,604	524	680	474
Income \$50,000 - \$74,999	20,197	856	1,179	732
Income \$75,000 - \$99,999	14,788	424	760	530
Income \$100,000 - \$149,999	15,407	461	782	523
Income \$150,000 - \$249,999	7,989	158	283	257
Income \$250,000 - \$499,999	1,601	10	20	42
Income \$500,000 and more	371	1	4	11
2009 Est. Average Household Income	\$77,213	\$64,121	\$67,525	\$73,169
2009 Est. Median Household Income	\$62,144	\$55,426	\$58,994	\$60,505
2009 Est. Per Capita Income	\$20,217	\$18,102	\$17,796	\$18,147
2009 Est. Household Type, Presence Own Children	101,085	3,448	5,210	3,576
Single Male Householder	5,997	239	309	201
Single Female Householder	7,370	297	449	270
Married-Couple Family, own children	38,515	1,097	1,790	1,306
Married-Couple Family, no own children	22,339	785	1,196	716
Male Householder, own children	3,658	125	184	143
Male Householder, no own children	3,218	124	183	140
Female Householder, own children	8,694	351	473	343
Female Householder, no own children	5,762	226	347	258
Nonfamily, Male Householder	3,450	118	175	130
Nonfamily, Female Householder	2,082	86	105	70
2009 Est. Households by Household Size	101,085	3,448	5,210	3,576
1-person household	13,367	536	758	471
2-person household	20,166	764	1,019	607
3-person household	16,773	592	828	582
4-person household	18,817	595	918	627
5-person household	13,812	442	701	495

6-person household	8,413	252	444	338
7 or more person household	9,736	267	542	456
2009 Est. Average Household Size	3.79	3.55	3.81	4.05
2009 Est. Households by Presence of People	101,085	3,448	5,210	3,576
Households with 1 or more People under Age 18:				
Married-Couple Family	41,348	1,203	1,984	1,450
Other Family, Male Householder	4,578	155	239	190
Other Family, Female Householder	10,606	437	602	450
Nonfamily, Male Householder	376	13	21	14
Nonfamily, Female Householder	128	3	6	6
Households no People under Age 18:				
Married-Couple Family	19,506	679	1,001	572
Other Family, Male Householder	2,298	94	127	93
Other Family, Female Householder	3,850	140	217	151
Nonfamily, Male Householder	9,070	345	463	317
Nonfamily, Female Householder	9,325	379	548	333
2009 Est. Households by Number of Vehicles	101,085	3,448	5,210	3,576
No Vehicles	7,939	316	505	330
1 Vehicle	29,131	1,126	1,578	1,122
2 Vehicles	39,818	1,361	1,915	1,247
3 Vehicles	16,043	376	682	505
4 Vehicles	5,597	158	311	270
5 or more Vehicles	2,555	111	219	103
2009 Est. Average Number of Vehicles	1.93	1.82	1.92	1.91
Family Households				
2014 Projection	86,813	2,978	4,574	3,194
2009 Estimate	82,186	2,708	4,172	2,906
2000 Census	77,515	2,297	3,562	2,472
1990 Census	68,266	2,209	3,477	2,347
Growth 2009-2014	5.63%	9.97%	9.64%	9.91%

Growth 2000-2009	6.03%	17.89%	17.13%	17.56%
Growth 1990-2000	13.55%	3.98%	2.44%	5.33%
2009 Est. Family Households by Household Income	82,186	2,708	4,172	2,906
Income Less than \$15,000	5,841	160	273	201
Income \$15,000 - \$24,999	6,246	271	413	256
Income \$25,000 - \$34,999	6,958	200	301	255
Income \$35,000 - \$49,999	10,277	424	572	392
Income \$50,000 - \$74,999	16,436	679	915	555
Income \$75,000 - \$99,999	12,938	394	695	487
Income \$100,000 - \$149,999	14,347	427	742	497
Income \$150,000 - \$249,999	7,406	144	240	221
Income \$250,000 - \$499,999	1,419	9	17	31
Income \$500,000 and more	317	1	4	10
2009 Est. Average Family Household Income	\$82,707	\$69,990	\$72,535	\$77,171
2009 Est. Median Family Household Income	\$67,903	\$61,029	\$64,397	\$65,692
2009 Est. Families by Poverty Status	82,186	2,708	4,172	2,906
Income At or Above Poverty Level:				
Married-Couple Family, own children	36,700	1,054	1,677	1,238
Married-Couple Family, no own children	19,023	694	1,070	626
Male Householder, own children	3,670	146	220	190
Male Householder, no own children	1,918	78	104	65
Female Householder, own children	7,093	278	429	329
Female Householder, no own children	3,544	127	177	123
Income Below Poverty Level:				
Married-Couple Family, own children	4,414	100	209	139
Married-Couple Family, no own children	717	34	29	19
Male Householder, own children	1,036	19	11	0
Male Householder, no own children	252	6	32	28
Female Householder, own children	3,453	167	198	133
Female Householder, no own children	367	6	15	15
2009 Est. Pop Age 16+ by Employment Status	288,162	8,964	14,438	10,376

In Armed Forces	213	2	0	0
Civilian - Employed	161,513	5,146	8,270	5,948
Civilian - Unemployed	13,907	391	731	663
Not in Labor Force	112,529	3,425	5,437	3,765
2009 Est. Civ Employed Pop 16+ Class of Worker	161,513	5,146	8,270	5,948
For-Profit Private Workers	122,503	4,046	6,444	4,772
Non-Profit Private Workers	6,947	194	328	223
Local Government Workers	13,343	389	641	451
State Government Workers	5,619	127	208	133
Federal Government Workers	2,562	84	173	109
Self-Emp Workers	10,008	306	455	260
Unpaid Family Workers	531	0	20	0
2009 Est. Civ Employed Pop 16+ by Occupation	161,513	5,146	8,270	5,948
Management, Business, and Financial Operations	18,967	644	778	483
Professional and Related Occupations	22,961	507	904	734
Service	23,708	894	1,425	907
Sales and Office	43,420	1,202	1,874	1,378
Farming, Fishing, and Forestry	1,615	50	137	130
Construction, Extraction and Maintenance	16,695	598	1,080	693
Production, Transportation and Material Moving	34,147	1,252	2,072	1,625
2009 Est. Pop 16+ by Occupation Classification	161,513	5,146	8,270	5,948
Blue Collar	50,841	1,849	3,151	2,317
White Collar	84,741	2,331	3,509	2,552
Service and Farm	25,931	966	1,610	1,079
2009 Est. Workers Age 16+, Transportation To Work	157,745	5,088	8,062	5,781
Drove Alone	112,280	3,483	5,735	4,006
Car Pooled	31,495	1,073	1,436	1,082
Public Transportation	4,308	97	142	111
Walked	2,766	201	302	214
Motorcycle	280	6	9	16

Bicycle	1,202	104	227	165
Other Means	1,224	56	93	54
Worked at Home	4,190	68	117	133
2009 Est. Workers Age 16+ by Travel Time to Work	153,554	5,021	7,945	5,648
Less than 15 Minutes	32,113	1,391	2,098	1,483
15 - 29 Minutes	50,582	1,726	2,803	1,882
30 - 44 Minutes	30,853	950	1,445	1,016
45 - 59 Minutes	15,269	333	566	468
60 or more Minutes	24,737	621	1,034	798
2009 Est. Average Travel Time to Work in Minutes	34.59	30.19	30.79	31.79
2009 Est. Tenure of Occupied Housing Units	101,085	3,448	5,210	3,576
Owner Occupied	63,473	1,875	3,061	1,866
Renter Occupied	37,612	1,573	2,150	1,711
2009 Occ Housing Units, Avg Length of Residence	8.1	7.8	8.3	7.9
2009 Est. All Owner-Occupied Housing Values	63,473	1,875	3,061	1,866
Value Less than \$20,000	642	2	14	24
Value \$20,000 - \$39,999	617	1	3	4
Value \$40,000 - \$59,999	824	0	33	9
Value \$60,000 - \$79,999	624	0	21	0
Value \$80,000 - \$99,999	329	5	14	0
Value \$100,000 - \$149,999	1,562	112	138	43
Value \$150,000 - \$199,999	3,267	203	283	137
Value \$200,000 - \$299,999	16,180	438	851	714
Value \$300,000 - \$399,999	19,782	822	1,137	489
Value \$400,000 - \$499,999	8,710	230	440	224
Value \$500,000 - \$749,999	8,422	51	114	200
Value \$750,000 - \$999,999	1,822	8	12	20
Value \$1,000,000 or more	693	1	0	3
2009 Est. Median All Owner-Occupied Housing Value	\$338,884	\$321,385	\$315,246	\$300,612
2009 Est. Housing Units by Units in Structure	104,490	3,553	5,375	3,682
1 Unit Attached	8,285	254	316	304

1 Unit Detached	67,566	1,890	3,312	2,273
2 Units	2,030	59	93	90
3 to 19 Units	13,000	600	624	444
20 to 49 Units	3,109	166	236	162
50 or More Units	5,970	567	656	357
Mobile Home or Trailer	4,414	16	139	52
Boat, RV, Van, etc.	116	0	0	0
2009 Est. Housing Units by Year Structure Built	104,490	3,553	5,375	3,682
Housing Units Built 1999 to 2009	10,261	586	894	649
Housing Unit Built 1995 to 1998	4,155	53	188	244
Housing Unit Built 1990 to 1994	6,733	105	157	81
Housing Unit Built 1980 to 1989	22,560	553	892	812
Housing Unit Built 1970 to 1979	20,732	894	1,338	560
Housing Unit Built 1960 to 1969	13,728	711	737	450
Housing Unit Built 1950 to 1959	16,013	436	770	526
Housing Unit Built 1940 to 1949	5,472	153	259	219
Housing Unit Built 1939 or Earlier	4,837	62	141	140
2009 Est. Median Year Structure Built	1976	1975	1976	1979

Source: Nielsen-Claritas, Inc., Demographic Snapshot Report, 2009.

Table A-4. Inventory of Existing Shopping Centers, Five-Mile Trade Area

Center Name	Year Open	Address	City, State Zip	GLA	Center Type	Stores	Constr. Status	Dist. *	Dir .
Stater Bros Shopping Center	1975	1035-1105 W Philadelphia St	Ontario, CA 91762	42100	Neighborhood	30	Existing	1.00	NE
Chino Valley Shopping Center		12490 Central Ave	Chino, CA 91710	14392	Neighborhood	10	Existing	1.00	N
Mountain Village Plaza	1980	12801-12887 Mountain Ave	Chino, CA 91710	84424	Neighborhood	27	Existing	1.00	E
Chino Shopping Center	1979	12130-12220 Central Ave	Chino, CA 91710	86120	Neighborhood	11	Existing	1.00	N
Central Court Shopping Center	1985	5202-5250 Philadelphia St	Chino, CA 91710	59666	Neighborhood	11	Existing	1.00	N
Gateway Village Shopping Center	2004	3560-3660 Grand Ave	Chino Hills, CA 91709	96959	Neighborhood	30	Existing	2.00	SW
Payne Ranch Centre	1990	3255 Grand Ave	Chino Hills, CA 91709	98877	Neighborhood	15	Existing	3.00	SW
Chino Hills Promenade	1983	14676-14688 Pipeline Ave	Chino, CA 91710	54000	Neighborhood	17	Existing	3.00	SW
Rolling Ridge Plaza	1991	2959-2971 Chino Ave	Chino Hills, CA 91709	85575	Neighborhood	9	Existing	3.00	W
Woodview Plaza	1991	4183-4197 Chino Hills Pky	Chino Hills, CA 91709	73000	Neighborhood	Unknown	Existing	3.00	SW
Country Club Marketplace	1999	15970 Los Serranos Country Club Dr	Chino Hills, CA 91709	80409	Neighborhood	21	Existing	4.00	S
Central Plaza	1966	10254 Central Ave	Montclair, CA 91763	25000	Neighborhood	20	Existing	3.00	N
Ramona Town Plaza	1990	4439 Mission Blvd	Montclair, CA 91763	14244	Neighborhood	7	Existing	3.00	NW
Montclair Auto Center	1989	5436 Holt Blvd	Montclair, CA 91763	24946	Neighborhood	Unknown	Existing	3.00	N
Garey/Arrow Shopping Center	1990	2218-2290 S Garey Ave	Pomona, CA 91766	23105	Neighborhood	4	Existing	3.00	W
Stater Bros Shopping Center-South Pomona	1976	1555 S Garey Ave	Pomona, CA 91766	34000	Neighborhood	7	Existing	4.00	NW
Montclair Center		9666-9678 Central Ave	Montclair, CA 91763	30000	Neighborhood	Unknown	Existing	4.00	N
Ontario Village Shopping Center	2002	562-668 W Holt Blvd	Ontario, CA 91762	97149	Neighborhood	28	Existing	4.00	NE
Rio Rancho Plaza	1999	2061-2085 S Garey Ave	Pomona, CA 91766	47436	Neighborhood	12	Existing	4.00	W

Best Plaza	1977	8950 Central Ave	Montclair, CA 91763	93311	Neighborhood	7	Existing	5.00	N
Montclair Promenade	1983	9015-9095 Central Ave	Montclair, CA 91763	94370	Neighborhood	14	Existing	5.00	N
Montclair Shopping Center	1983	5055 Moreno St	Montclair, CA 91763	30939	Neighborhood	Unknown	Existing	5.00	N
Country Fair Shopping Center	1974	11901-12059 Central Ave	Chino, CA 91710	194670	Community	28	Existing	1.00	N
Chino Towne Center	1981	12155-12233 Central Ave	Chino, CA 91710	116673	Community	30	Existing	1.00	N
Nec Central/ Walnut	1982	12415-12479 Central Ave	Chino, CA 91710	142963	Community	Unknown	Existing	1.00	N
Chino Promenade	1991	5420-5480 Philadelphia St	Chino, CA 91710	161717	Community	Unknown	Existing	1.00	N
Driftwood Village	1982	2238-2254 S Euclid Ave	Ontario, CA 91762	106133	Community	9	Existing	2.00	NE
Euclid Plaza	2008	SWC Euclid Ave & Schaefer Ave	Chino, CA 91710	107100	Community	Unknown	Existing	2.00	SE
Chino Hills Marketplace	1990	4200 Chino Hills Pky	Chino, CA 91710	319999	Community	80	Existing	3.00	SW
Crossroads Entertainment Center	2006	3100 Chino Ave	Chino Hills, CA 91709	109979	Community	Unknown	Existing	3.00	W
Pomona Market Place	1995	2707-2735 S Towne Ave	Pomona, CA 91766	238624	Community	Unknown	Existing	3.00	W
Grove Plaza	1982	1151-1195 Walnut St	Ontario, CA 91761	101756	Community	Unknown	Existing	3.00	E
Marketplace On Grove	2007	2200-2390 S Grove Ave	Ontario, CA 91761	167703	Community	Unknown	Existing	4.00	E
Ontario Plaza	1982	920-1070 N Mountain Ave	Ontario, CA 91762	131627	Community	27	Existing	4.00	N
Gordon Ranch Marketplace	1983	2545-2593 Chino Hills Pky	Chino Hills, CA 91709	128082	Community	42	Existing	4.00	SW
Ontario Center	1964	1317-1337 N Mountain Ave	Ontario, CA 91762	169508	Community	3	Existing	4.00	N
Montclair Town Center	1980	9710-9886 Central Ave	Montclair, CA 91763	115000	Community	Unknown	Existing	4.00	N
Ontario Vineyard Pavilion	1999	Vineyard Ave	Ontario, CA 91761	158769	Community	Unknown	Existing	4.00	E
Chino Hills Melange	2008	Highway 71	Chino Hills, CA 91709	253000	Community	Unknown	Existing	4.00	S
Pomona Ranch Plaza	1990	90 Rio Rancho Rd	Pomona, CA 91766	240074	Community	Unknown	Existing	4.00	W
Vineyard Village	1988	2401-2421 S Vineyard Ave	Ontario, CA 91761	126530	Community	30	Existing	5.00	E
Montclair Plaza East	1990	5391-5459 Moreno Dr	Montclair, CA 91763	250739	Community	Unknown	Existing	5.00	N

Upland Freeway Center	1986	1348-1438 W 7th St	Upland, CA 91786	119031	Community	21	Existing	5.00	N
Clairemont Promenade	1981	865 S Indian Hill Blvd	Claremont, CA 91711	161039	Community	Unknown	Existing	5.00	N
The Commons At Chino Hills	2008	4505-4785 Chino Hills Pky	Chino, CA 91710	378593	Regional	Unknown	Existing	1.00	SW
Shoppes At Chino Hills	2008	Grand Ave @ Peyton Dr	Chino Hills, CA 91709	397000	Regional	Unknown	Existing	3.00	SW
Phillips Village Center	1980	2-16 Village Loop Rd	Pomona, CA 91766	367153	Regional	50	Existing	5.00	W
Chino Town Square Shopping	1987	5455-5537 Philadelphia St	Chino, CA 91710	512765	Regional	55	Existing	1.00	N
Chino Spectrum Marketplace	1994	3808-3860 Grand Ave	Chino, CA 91710	616436	Regional	69	Existing	2.00	SW
Chino Spectrum Towne Center	2002	3833-4093 Grand Ave	Chino, CA 91710	781536	Super Regional	Unknown	Existing	2.00	SW
Crossroads Marketplace	1998	12945-13225 Peyton Dr	Chino Hills, CA 91709	543757	Regional	45	Existing	3.00	W
The District At Chino	2012	Euclid Ave	Chino, CA 91708	978757	Super Regional	Unknown	Proposed	5.00	SE
Montclair Plaza	1968	5060 Montclair Plaza Ln	Montclair, CA 91763	148540 7	Super Regional	199	Existing	5.00	N

Source: Nielsen-Claritas, Inc.

Table A-5. Average Annual Household Consumer Spending, Various Trade Areas, Chino CA, 2009 and 2014

	five-mile Radius Trade Area		Walnut & Central Trade Area		Riverside Drive East Corridor Trade Area		Chino Avenue Corridor Trade Area	
	2009	2014	2009	2014	2009	2014	2009	2014
Total Specified Consumer Expenditures	\$54,960	\$73,861	\$49,133	\$66,208	\$51,770	\$69,641	\$53,609	\$71,965
Food At Home	7,182	8,919	6,775	8,426	7,079	8,785	7,284	9,049
Bakery Products	596	681	562	643	582	666	590	676
Cereal Products	373	398	346	369	362	386	379	404
Dairy Products	753	981	719	937	752	980	771	1,006
Fresh Milk and Cream	199	251	191	241	201	253	208	261
Other Dairy Products	455	616	432	585	452	612	460	625
Eggs	99	114	95	111	100	115	103	119
Fats and Oils	68	89	65	85	68	89	69	91
Fish and Seafood	183	245	172	230	179	239	184	246
Fruits and Vegetables	1,004	1,198	943	1,126	984	1,172	1,015	1,208
Juices	257	319	244	303	254	315	262	325
Meats (All)	1,497	1,615	1,411	1,528	1,496	1,614	1,559	1,682
Nonalcoholic Beverages	782	1,025	749	983	776	1,017	793	1,042
Prepared Foods	1,261	1,945	1,188	1,832	1,230	1,897	1,257	1,947
Sugar and Other Sweets	407	424	376	391	395	411	404	423
Food Away From Home & Alcohol								
Alcoholic Beverages	1,085	1,553	1,021	1,485	1,052	1,527	1,079	1,559
Alcoholic Beverages at Home	932	1,380	887	1,332	914	1,371	936	1,395
Alcoholic Beverages away from Home	152	173	135	153	138	157	144	163
Total Food away from Home	3,325	6,261	3,105	5,859	3,169	5,977	3,251	6,127
Lunch	881	2,377	823	2,223	838	2,262	865	2,328
Dinner	1,313	1,868	1,215	1,723	1,241	1,762	1,270	1,803
Breakfast and Brunch	286	751	277	730	282	742	287	751

Day Care, Education & Contributions								
All Day Care	524	549	450	477	498	525	547	570
Contributions (All)	1,345	1,834	998	1,377	1,071	1,487	1,187	1,630
Education	2,165	2,940	1,628	2,240	1,735	2,380	1,932	2,642
Room and Board	145	172	91	117	109	135	128	155
Tuition/School Supplies	2,019	2,767	1,536	2,123	1,626	2,246	1,804	2,487
Healthcare								
Medical Services	2,217	2,525	2,013	2,304	2,109	2,401	2,140	2,441
Prescription Drugs	2,198	3,375	2,098	3,207	2,226	3,394	2,205	3,366
Medical Supplies	219	248	199	226	213	241	219	248
Household Furnishings & Appliances								
Total Furniture	790	1,086	668	922	712	981	748	1,028
Bedroom Furniture	204	277	182	249	191	260	197	268
Living/Dining Room Furniture	359	458	302	385	322	411	340	432
Other Furniture	216	334	174	273	189	295	202	313
Total Household Textiles	591	729	508	624	539	663	554	682
Domestic Textiles	403	467	357	411	374	432	383	442
Window and Furniture Covers	187	263	151	213	165	231	171	240
Major Appliances	265	372	230	324	245	345	240	336
Misc Household Equipment	477	604	403	515	436	553	432	547
Small Appliance/Housewares	686	879	610	786	641	821	658	838
Housing Related & Personal								
Total Housing Expenses	4,306	5,892	4,014	5,492	4,137	5,653	4,154	5,678
Fuels and Utilities	2,214	3,026	2,032	2,769	2,118	2,891	2,098	2,870
Telephone Service	1,272	1,617	1,213	1,555	1,238	1,576	1,269	1,609
Household Repairs	490	631	408	519	447	571	423	539
Household Services	746	937	618	776	658	832	695	874
Housekeeping Supplies	412	429	388	404	406	422	416	434
Personal Expenses and Services	1,420	1,770	1,258	1,551	1,286	1,595	1,319	1,631

Personal Care & Smoking Products								
Personal Care Products and Services	1,221	1,374	1,128	1,265	1,170	1,314	1,203	1,352
Personal Care Services	523	680	467	605	491	638	504	658
Smoking Prods/Supplies	661	622	706	663	685	646	650	622
Pet Expenses	567	724	509	655	533	682	529	677
Sports & Entertainment								
Photographic Equipment	123	115	104	99	113	106	119	112
Reading Materials	406	340	352	293	366	305	361	305
Sports and Recreation	1,841	2,244	1,512	1,839	1,647	2,008	1,800	2,183
Sports Equipment	1,058	1,220	891	1,028	967	1,116	1,042	1,197
Travel	2,358	2,773	2,005	2,358	2,128	2,504	2,238	2,626
TV, Radio and Sound Equipment	969	1,260	883	1,144	920	1,193	967	1,253
Computers, Software & Accessories	624	775	554	694	585	729	614	763
Transportation & Auto Expenses								
Automotive Maintenance/Repair/Other	2,285	2,820	2,115	2,608	2,208	2,718	2,237	2,751
Gasoline	1,960	3,435	1,864	3,274	1,907	3,343	1,928	3,378
Diesel Fuel	15	20	14	18	15	20	15	20
Motor Oil	48	59	47	58	50	61	49	59
Vehicle Purchases & Leases	5,833	7,967	5,045	6,893	5,537	7,562	5,758	7,811
New Autos/Trucks/Vans	2,973	4,596	2,559	3,969	2,715	4,217	2,840	4,393
Used Vehicles	2,511	3,016	2,299	2,740	2,507	3,032	2,566	3,069
Boats and Recreational Vehicle Purchase	349	356	188	183	315	314	353	349
Rented Vehicles	252	300	193	232	206	248	225	268
Total Apparel								
Women's Apparel	1,735	1,938	1,515	1,700	1,628	1,820	1,731	1,938
Men's Apparel	1,066	1,445	924	1,254	1,000	1,357	1,090	1,478
Girl's Apparel	438	515	384	457	417	494	459	542
Boy's Apparel	306	408	274	369	293	394	321	431
Infant's Apparel	160	160	146	148	157	159	168	170

Footwear (excl. Infants)	702	788	629	706	672	755	724	815
Other Apparel Prods/Services	845	2,118	736	1,845	772	1,941	831	2,055

Source: Nielsen-Claritas, Inc., *Consumer Spending Patterns*, 2009.

Table A-6. Retail Market Potential, five-mile Radius Trade Area, Chino CA, 2009 and 2014

Store Type	Consumer Expenditures, 2009	Sales per sq. ft.	Building Space Support 2009 (sq. ft.)	Building Space Support 2014 (sq. ft.)
Furniture and Home Furnishings Stores-442				
Furniture Stores-4421	51,627,276	208.97	247,056	260,918
Home Furnishing Stores-4422	43,282,825	208.97	207,124	218,746
Electronics and Appliance Stores-443				
Appliances, TVs, Electronics Stores-44311	85,645,503	394.43	217,137	229,321
Computer and Software Stores-44312	23,805,710	394.43	60,355	63,741
Camera and Photographic Equipment Stores-44313	4,857,945	394.43	12,316	13,007
Building Material, Garden Equip Stores -444				
Building Material and Supply Dealers-4441				
Home Centers-44411	171,477,212	607.63	282,207	298,042
Paint and Wallpaper Stores-44412	9,379,751	607.63	15,437	16,303
Hardware Stores-44413	36,179,285	225.82	160,211	169,201
Other Building Materials Dealers-44419	195,112,560	607.63	321,105	339,123
Lawn, Garden Equipment, Supplies Stores-4442				
Outdoor Power Equipment Stores-44421	5,375,613	607.63	8,847	9,343
Nursery and Garden Centers-44422	30,478,128	607.63	50,159	52,974
Food and Beverage Stores-445				
Grocery Stores-4451				
Supermarkets, Grocery (Ex Conv) Stores-44511	565,223,754	684.34	825,945	872,290
Convenience Stores-44512	26,860,964	498.74	53,858	56,880
Specialty Food Stores-4452	18,459,992	271.35	68,029	71,847
Beer, Wine and Liquor Stores-4453	36,012,591	558.27	64,507	68,127
Health and Personal Care Stores-446				
Pharmancies and Drug Stores-44611	191,113,639	432.69	441,682	466,466
Cosmetics, Beauty Supplies, Perfume Stores-44612	7,797,687	300.11	25,982	27,440
Optical Goods Stores-44613	10,755,146	363.39	29,596	31,257

Other Health and Personal Care Stores-44619	14,451,154	207.38	69,685	73,595
Gasoline Stations-447				
Gasoline Stations With Conv Stores-44711	370,786,082	973.62	380,832	402,201
Other Gasoline Stations-44719	124,451,673	4,499.75	27,657	29,209
Clothing and Clothing Accessories Stores-448				
Clothing Stores-4481				
Men's Clothing Stores-44811	11,153,264	294.12	37,920	40,048
Women's Clothing Stores-44812	44,741,480	236.29	189,354	199,978
Childrens, Infants Clothing Stores-44813	11,669,942	257.22	45,370	47,916
Family Clothing Stores-44814	96,771,709	287.54	336,548	355,432
Clothing Accessories Stores-44815	4,172,136	207.24	20,132	21,261
Other Clothing Stores-44819	11,652,400	247.19	47,140	49,785
Shoe Stores-4482	36,770,150	203.07	181,071	191,231
Jewelry, Luggage, Leather Goods Stores-4483				
Jewelry Stores-44831	26,830,795	324.63	82,650	87,288
Luggage and Leather Goods Stores-44832	2,207,209	262.91	8,395	8,866
Sporting Goods, Hobby, Book, Music Stores-451				
Sportng Goods, Hobby, Musical Inst Stores-4511				
Sporting Goods Stores-45111	34,893,667	258.06	135,213	142,800
Hobby, Toys and Games Stores-45112	20,544,450	168.32	122,056	128,905
Sew/Needlework/Piece Goods Stores-45113	4,998,856	154.91	32,270	34,081
Musical Instrument and Supplies Stores-45114	6,940,273	240.27	28,885	30,506
Book, Periodical and Music Stores-4512				
Book Stores and News Dealers-45121				
- Book Stores-451211	18,036,700	287.45	62,747	66,268
- News Dealers and Newsstands-451212	907,068	451.15	2,011	2,123
Prerecorded Tapes, CDs, Record Stores-45122	9,851,474	342.00	28,805	30,422
General Merchandise Stores-452				
Department Stores Excl Leased Depts-4521	318,240,900	297.84	1,068,489	1,128,443
Other General Merchandise Stores-4529	326,406,590	439.26	743,090	784,786

Miscellaneous Store Retailers-453				
Office Supplies, Stationery, Gift Stores-4532				
Office Supplies and Stationery Stores-45321	24,057,875	240.39	100,080	105,695
Gift, Novelty and Souvenir Stores-45322	19,039,677	180.22	105,649	111,577
Used Merchandise Stores-4533	10,439,767	244.30	42,734	45,132
Other Miscellaneous Store Retailers-4539	34,316,464	244.30	140,471	148,353
Foodservice and Drinking Places-722				
Full-Service Restaurants-7221	211,255,809	387.57	545,083	575,669
Limited-Service Eating Places-7222	199,638,074	291.59	684,643	723,059
Drinking Places -Alcoholic Beverages-7224	21,642,779	189.26	114,358	120,774
TOTAL	\$3,530,313,998		8,474,893	8,950,429

Source: The Planning Center, 2010, using data from Nielsen-Claritas, Inc., and the Urban Land Institute.

Table A-7. Development Pro Forma – General Assumptions

Hard Cost		
Commercial construction cost	\$80.00	per sq. ft.
Demolition cost	\$5.00	per bldg. sq. ft.
Open space/landscaping cost	\$2.50	per sq. ft.
Office construction cost	\$105.00	per sq. ft.
Parking construction cost	\$10.00	per sq. ft.
Residential podium construction cost	\$250.00	per sq. ft.
Residential SFA construction cost	\$90.00	per sq. ft.
Residential SFD construction cost	\$60.00	per sq. ft.
Residential wrap construction cost	\$200.00	per sq. ft.
Site development cost	\$5.00	per sq. ft.
Cost Factors		
Contingency	5.0%	of hard costs
Developer fee	5.0%	of hard costs
Indirect land cost	3.0%	of estimated land value
Selling costs	3.0%	of sales value
Soft cost	15.0%	of hard costs
Rental management fee	4.0%	of effective gross income
Growth rate - expenses	3.0%	
Revenue		
Retail lease rate	\$28.20	per sq. ft. per year
Retail operations and vacancy allowance	12.5%	
Office lease rate	\$21.00	per sq. ft. per year
Office operations and vacancy allowance	12.5%	
Residential rental operations and vacancy allowance	15.0%	
Growth rate - revenues	4.0%	
Capitalization rate	8.0%	
Financing		
Financing portion for land	50.0%	
Financing portion of improvement	100.0%	
Construction loan interest rate	8.0%	
General interest rate	10.0%	
Acceleration rate	20.0%	
Construction loan fee rate	3	basis points
Sales commission	5.0%	

Discount rate - unleveraged	10.0%	annual rate
Discount rate - leveraged	15.0%	annual rate
Commercial Loan-to-Cost ratio	75.0%	
Commercial loan DSCR	1.15	Debt service coverage ratio
Commercial permanent loan term	25	
Commercial permanent loan rate	6.5%	
Commercial permanent loan fee	1	basis points
Commercial permanent loan LTV	75.0%	
<hr/>		
Taxes		
Depreciation - residential buildings	27.5	years
Depreciation - non-residential buildings	39.0	years
Income tax	35.0%	
Capital gains tax	15.0%	
Tax on depreciation	25.0%	
Growth rate - property value	2.0%	
<hr/>		

Source: The Planning Center, 2010.

Table A-8. Site 1A: Development Costs

	Grand Total	For-sale	For-rent
Land acquisition	\$13,933,453	\$12,519,914	\$1,413,539
Construction cost	\$11,199,667	\$9,004,665	\$2,195,002
- site development costs	\$1,937,740	\$1,741,158	\$196,582
- direct construction costs	\$9,261,927	\$7,263,508	\$1,998,420
Construction Interest	\$1,120,391	\$950,878	\$169,514
Const. loan fee	\$544,992	\$457,939	\$87,053
Total direct costs	\$26,798,503	\$22,933,396	\$3,865,107
Loan amount	\$19,373,838	\$16,215,500	\$3,158,338
Total equity required	\$7,424,665	\$6,717,896	\$706,769
Percent financed	72.3%	70.7%	81.7%
Amount financed - land	\$6,966,727	\$6,259,957	\$706,769
Amount financed - construction	\$11,199,667	\$9,004,665	\$2,195,002
Total amount financed	\$18,166,394	\$15,264,622	\$2,901,771
Construction loan fee	\$544,992	\$457,939	\$87,053
Total carried interest	\$1,120,391	\$950,878	\$169,514

Table A-9. Site 1A: After-Tax Cash Flow, Rental Project

Year	0	1	2	3	4	5	6
Net Operating Income		\$147,243	\$217,760	\$227,226	\$237,085	\$247,355	\$74,737
Debt Service		(\$136,086)	(\$181,448)	(\$181,448)	(\$181,448)	(\$181,448)	(\$45,362)
Cash Flow After Debt Service		\$11,157	\$36,311	\$45,777	\$55,637	\$65,907	\$29,375
Depreciation		\$56,282	\$56,282	\$56,282	\$56,282	\$56,282	
Interest Payments		(\$108,581)	(\$142,631)	(\$140,032)	(\$137,258)	(\$134,298)	(\$33,089)
Taxable Income		(\$17,620)	\$18,846	\$30,912	\$43,546	\$56,775	\$41,648
Taxes @ 35%			\$6,596	\$10,819	\$15,241	\$19,871	\$14,577
Cash Flow After Debt Service and Taxes		\$11,157	\$29,715	\$34,958	\$40,396	\$46,036	\$14,798
Equity Investment	(\$793,822)	(\$918,924)					
Net Sale Proceeds							\$748,496
Net Cash Flow After Taxes and Debt Service	(\$793,822)	(\$907,767)	\$29,715	\$34,958	\$40,396	\$46,036	\$763,294

Table A-10. Site 1A: Final Property Sales Proceeds,
Rental Project

Capital Gain Calculation	
Sales Price (after Sales Expenses)	\$3,099,858
Less: Purchase Price	\$1,413,539
Profit	\$1,686,319
Capital Gains Tax @ 15%	\$252,948
Tax on Depreciation	
Accumulated Depreciation	\$281,411
Taxes on Accumulated Depreciation @ 25%	\$70,353
Net Sales Proceeds Calculations	
Sales Price (after Sales Expenses)	\$3,099,858
Less: Cap Gains Tax	\$252,948
Less: Taxes on Accumulated Depreciation	\$70,353
Less: Outstanding Mortgage Balance	\$2,028,062
Net Sales Proceeds	\$748,496

Table A-11. Site 1A: Cash Flow, For-sale Project

Year	0	1	2
Total inflow	\$6,259,957	\$7,188,788	\$29,664,629
Total outflow	\$12,977,853	\$7,364,070	\$18,031,377
Net cash flow	(\$6,717,896)	(\$175,282)	\$11,633,252

Table A-12. Site 1A: Total Project Cash Flow and Return Analysis

Year	0	1	2	3	4	5	6
Total inflow	\$6,259,957	\$7,199,946	\$29,694,344	\$34,958	\$40,396	\$46,036	\$763,294
Total outflow	-\$13,771,675	-\$8,282,994	-\$18,031,377	\$0	\$0	\$0	\$0
Net cash flow	-\$7,511,718	-\$1,083,049	\$11,662,967	\$34,958	\$40,396	\$46,036	\$763,294
NPV Inflow	\$35,372,933						
NPV Outflow	-\$34,608,591						
NPV Total	\$764,342						
Project IRR		20%					

Table A-13. Site 1B: Development Costs

	Grand Total	For-sale	For-rent
Land acquisition	\$14,046,582	\$2,633,734	\$11,412,848
Construction cost	\$14,087,653	\$2,492,330	\$11,595,323
- site development costs	\$1,825,775	\$342,333	\$1,483,442
- direct construction costs	\$12,261,878	\$2,149,997	\$10,111,881
Construction Interest	\$1,363,762	\$240,487	\$1,123,276
Const. loan fee	\$633,328	\$114,276	\$519,052
Total direct costs	\$30,131,326	\$5,480,826	\$24,650,500
Loan amount	\$22,993,759	\$4,049,683	\$18,944,076
Total equity required	\$7,137,567	\$1,431,143	\$5,706,424
Percent financed	76.3%	73.9%	76.9%
Amount financed - land	\$7,023,291	\$1,316,867	\$5,706,424
Amount financed - construction	\$14,087,653	\$2,492,330	\$11,595,323
Total amount financed	\$21,110,944	\$3,809,197	\$17,301,747
Construction loan fee	\$633,328	\$114,276	\$519,052
Total carried interest	\$1,363,762	\$240,487	\$1,123,276

Table A-14. Site 1B: After-Tax Cash Flow, Rental Project

Year	0	1	2	3	4	5	6
Net Operating Income		\$2,201,256	\$2,588,214	\$2,696,572	\$2,809,362	\$2,926,762	\$827,594
Debt Service		(\$1,151,206)	(\$1,534,941)	(\$1,534,941)	(\$1,534,941)	(\$1,534,941)	(\$383,735)
Cash Flow After Debt Service		\$1,050,050	\$1,053,272	\$1,161,631	\$1,274,421	\$1,391,821	\$443,859
Depreciation		\$393,168	\$393,168	\$393,168	\$393,168	\$393,168	
Interest Payments		(\$918,528)	(\$1,206,573)	(\$1,184,581)	(\$1,161,117)	(\$1,136,081)	(\$279,914)
Taxable Income		\$889,560	\$988,473	\$1,118,823	\$1,255,077	\$1,397,512	\$547,680
Taxes @ 35%		\$311,346	\$345,965	\$391,588	\$439,277	\$489,129	\$191,688
Cash Flow After Debt Service and Taxes		\$738,704	\$707,307	\$770,043	\$835,144	\$902,691	\$252,171
Equity Investment	(\$6,225,477)						
Net Sale Proceeds							\$15,173,865
Net Cash Flow After Taxes and Debt Service	(\$6,225,477)	\$738,704	\$707,307	\$770,043	\$835,144	\$902,691	\$15,426,036

Table A-15. Site 1B: Final Property Sales Proceeds,
Rental Project

Capital Gain Calculation	
Sales Price (after Sales Expenses)	\$36,599,486
Less: Purchase Price	\$11,412,848
Profit	\$25,186,638
Capital Gains Tax @ 15%	\$3,777,996
Tax on Depreciation	
Accumulated Depreciation	\$1,965,840
Taxes on Accumulated Depreciation @ 25%	\$491,460
Net Sales Proceeds Calculations	
Sales Price (after Sales Expenses)	\$36,599,486
Less: Cap Gains Tax	\$3,777,996
Less: Taxes on Accumulated Depreciation	\$491,460
Less: Outstanding Mortgage Balance	\$17,156,165
Net Sales Proceeds	\$15,173,865

Table A-16. Site 1B: Cash Flow, For-sale Project

Year	0	1	2
Total inflow	\$1,316,867	\$1,954,831	\$4,887,098
Total outflow	\$2,748,010	\$1,994,574	\$4,587,183
Net cash flow	(\$1,431,143)	(\$39,744)	\$299,915

Table A-17. Site 1B: Total Project Cash Flow and Return Analysis

Year	0	1	2	3	4	5	6
Total inflow	\$1,316,867	\$2,693,534	\$5,594,405	\$770,043	\$835,144	\$902,691	\$15,426,036
Total outflow	(\$8,973,487)	(\$1,994,574)	(\$4,587,183)	\$0	\$0	\$0	\$0
Net cash flow	(\$7,656,620)	\$698,960	\$1,007,222	\$770,043	\$835,144	\$902,691	\$15,426,036
NPV Inflow	\$15,990,955						
NPV Outflow	(\$14,176,468)						
NPV Total	\$1,814,487						
Project IRR	20%						

Table A-18. Site 2: Development Costs

	Grand Total	For-sale	For-rent
Land acquisition	\$12,338,258	\$9,870,606	\$2,467,652
Construction cost	\$6,684,291	\$4,543,437	\$2,140,853
- site development costs	\$1,447,220	\$1,157,776	\$289,444
- direct construction costs	\$5,237,071	\$3,385,661	\$1,851,409
Construction Interest	\$730,396	\$556,044	\$174,351
Const. loan fee	\$385,603	\$284,362	\$101,240
Total direct costs	\$20,138,547	\$15,254,451	\$4,884,096
Loan amount	\$13,685,056	\$10,034,785	\$3,650,271
Total equity required	\$6,453,491	\$5,219,665	\$1,233,826
Percent financed	68.0%	65.8%	74.7%
Amount financed – land	\$6,169,129	\$4,935,303	\$1,233,826
Amount financed – construction	\$6,684,291	\$4,543,437	\$2,140,853
Total amount financed	\$12,853,420	\$9,478,741	\$3,374,679
Construction loan fee	\$385,603	\$284,362	\$101,240
Total carried interest	\$730,396	\$556,044	\$174,351

Table A-19. Site 2: After-Tax Cash Flow, Rental Project

Year	0	1	2	3	4	5	6
Net Operating Income		\$229,684	\$297,482	\$310,351	\$323,754	\$337,713	\$0
Debt Service		(\$197,395)	(\$197,395)	(\$197,395)	(\$197,395)	(\$197,395)	\$0
Cash Flow After Debt Service		\$32,289	\$100,088	\$112,957	\$126,360	\$140,319	\$0
Depreciation		\$54,894	\$54,894	\$54,894	\$54,894	\$54,894	
Interest Payments		(\$157,170)	(\$154,476)	(\$151,602)	(\$148,535)	(\$145,263)	\$0
Taxable Income		\$17,620	\$88,112	\$103,856	\$120,325	\$137,557	\$0
Taxes @ 35%		\$6,167	\$30,839	\$36,349	\$42,114	\$48,145	\$0
Cash Flow After Debt Service and Taxes		\$26,122	\$69,248	\$76,607	\$84,246	\$92,174	\$0
Equity Investment	(\$1,335,066)	\$0					
Net Sale Proceeds							\$1,650,765
Net Cash Flow After Taxes and Debt Service	(\$1,335,066)	\$26,122	\$69,248	\$76,607	\$84,246	\$92,174	\$1,650,765

Table A-20. Site 2: Final Property Sales Proceeds,
Rental Project

Capital Gain Calculation	
Sales Price (after Sales Expenses)	\$4,182,977
Less: Purchase Price	\$2,467,652
Profit	\$1,715,325
Capital Gains Tax @ 15%	\$257,299
Tax on Depreciation	
Accumulated Depreciation	\$274,468
Taxes on Accumulated Depreciation @ 25%	\$68,617
Net Sales Proceeds Calculations	
Sales Price (after Sales Expenses)	\$4,182,977
Less: Cap Gains Tax	\$257,299
Less: Taxes on Accumulated Depreciation	\$68,617
Less: Outstanding Mortgage Balance	\$2,206,296
Net Sales Proceeds	\$1,650,765

Table A-21. Site 2: Cash Flow, For-sale Project

Year	0	1	2
Total inflow	\$4,935,303	\$10,729,703	\$12,372,530
Total outflow	\$10,154,969	\$10,859,682	\$3,848,520
Net cash flow	(\$5,219,665)	(\$129,980)	\$8,524,010

Table A-22. Site 2: Total Project Cash Flow and Return Analysis

Year	0	1	2	3	4	5	6
Total inflow	\$4,935,303	\$10,755,825	\$12,441,778	\$76,607	\$84,246	\$92,174	\$1,650,765
Total outflow	(\$11,490,035)	(\$10,859,682)	(\$3,848,520)	\$0	\$0	\$0	\$0
Net cash flow	(\$6,554,732)	(\$103,858)	\$8,593,258	\$76,607	\$84,246	\$92,174	\$1,650,765
NPV Inflow	\$24,554,003						
NPV Outflow	(\$23,843,271)						
NPV Total	\$710,731						
Project IRR	20%						

Table A-23. Site 3: Development Costs

	Grand Total
Land acquisition	\$13,980,617
Construction cost	\$3,238,419
- site development costs	\$1,144,050
- direct construction costs	\$2,094,369
Construction Interest	\$745,738
Const. loan fee	\$306,862
Total direct costs	\$18,271,635
Loan amount	\$10,974,465
Total equity required	\$7,297,170
Percent financed	60.1%
Amount financed – land	\$6,990,308
Amount financed – construction	\$3,238,419
Total amount financed	\$10,228,728
Construction loan fee	\$306,862
Total carried interest	\$745,738

Table A-24. Site 3: Total Project Cash Flow and Return Analysis

Year	0	1	2
Total inflow	\$6,990,308	\$8,240,607	\$16,673,960
Total outflow	(\$14,287,478)	(\$8,401,744)	(\$5,972,277)
Net cash flow	(\$7,297,170)	(\$161,137)	\$10,701,683
NPV Inflow	\$26,763,963		
NPV Outflow	(\$26,109,243)		
NPV Total	\$654,720		
Project IRR	20%		

Table A-25. Site 4: Development Costs

	Grand Total
Land acquisition	\$4,725,599
Construction cost	\$1,568,678
- site development costs	\$410,465
- direct construction costs	\$1,158,213
Construction Interest	\$256,565
Const. Loan Fee	\$117,944
Total Direct Costs	\$6,668,787
Loan Amount	\$4,188,043
Total Equity Required	\$2,480,744
Percent Financed	62.8%
Amount financed - land	\$2,362,800
Amount financed - construction	\$1,568,678
Total amount financed	\$3,931,478
Construction loan fee	\$117,944
Total Carried Interest	\$256,565

Table A-26. Site 4: Total Project Cash Flow and Return Analysis

Year	0	1	2
Total inflow	\$2,362,800	\$4,178,718	\$5,220,081
Total outflow	(\$4,843,544)	(\$4,236,424)	(\$1,578,002)
Net cash flow	(\$2,480,744)	(\$57,706)	\$3,642,078
NPV Inflow	\$9,943,599		
NPV Outflow	(\$9,720,587)		
NPV Total	\$223,012		
Project IRR	20%		

Table A-27. Site 5: Development Costs

	Grand Total
Land acquisition	\$4,204,765
Construction cost	\$4,948,163
- site development costs	\$1,212,870
- direct construction costs	\$3,735,293
Construction Interest	\$294,663
Const. Loan Fee	\$211,516
Total Direct Costs	\$9,659,108
Loan Amount	\$7,345,209
Total Equity Required	\$2,313,899
Percent Financed	76.0%
Amount financed - land	\$2,102,383
Amount financed - construction	\$4,948,163
Total amount financed	\$7,050,546
Construction loan fee	\$211,516
Total Carried Interest	\$294,663

Table A-28. Site 5: Total Project Cash Flow and Return Analysis

Year	0	1	2
Total inflow	\$2,102,383	\$12,930,595	\$2,660,810
Total outflow	(\$4,416,282)	(\$12,371,226)	\$0
Net cash flow	(\$2,313,899)	\$559,368	\$2,660,810
NPV Inflow	\$15,358,333		
NPV Outflow	(\$15,173,870)		
NPV Total	\$184,463		
Project IRR	20%		

