4. ECONOMIC AND FINANCIAL EVALUATION

4.0 ECONOMIC AND FINANCIAL EVALUATION

4.1 ECONOMIC/MARKET CONDITIONS

A. Demographic Characteristics[1]

The City of San Diego is comprised of several different subregional areas (SRAs) and portions of different major statistical areas (MSAs).

NTC is located within the Peninsula SRA, and is one of six SRAs in the Central MSA. The Central MSA is the most densely populated of seven MSAs located within San Diego County.

1. Population

The 1990 census population for the Peninsula SRA was 64,891 making it one of the moderately populated SRAs in the county. For 1997, the Department of Finance (DoF) estimated population at 62,374. This means an average annual decrease over the seven-year period of 0.55 percent, which reflects a relatively stable area with very little out-migration. The portion of Peninsula residents did decline from almost 11 percent of the total in 1990, to 10 percent in 1997.

Table 9: POPULATION BY SRA – 1990 and 1997

Subregional Area	1990	1997
Central	154,354	163,934
Peninsula	*64,891*	*62,374*
Coronado	26,540	29,229
National City	54,078	56,173
Southeastern San Diego	147,789	154,353
Mid City	148,368	153,490
TOTAL	**595,720**	**619,551**

Source: U.S. Census, SANDAG

The 1990 census population for the Central MSA was 595,720 which made it the most densely populated MSA in the county. The 1997 DoF estimated population was 619,551. Average annual growth over the seven-year period was .57 percent. This too is relatively stable considering the size of the area.

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[1] The demographic data presented here was obtained from the United States Census (1990), the California Department of Finance (DoF), the San Diego Association of Governments (SANDAG), and the California State Board of Equalization (BoE).

Most of the increase in population can be attributed to natural increase (birth minus deaths) as opposed to in-migration. The proportion of Central residents also declined from 23.8 percent in 1990, to 22.7 percent in 1997. This indicates that new residents are moving to other parts of the county.

Table 10: POPULATION BY MSA – 1990 and 1997		
Major Statistical Area	**1990**	**1997**
Central	*595,720*	*619,551*
North City	569,992	639,535
South Suburban	261,694	288,015
East Suburban	429,291	463,597
North County West	310,194	341,768
North County East	312,477	350,765
East County	18,648	21,206
TOTAL	**2,498,016**	**2,724,437**

Source: U.S. Census, SANDAG

The 1990 census estimated population for the City of San Diego was 1,110,549, which makes it the most populated of eighteen incorporated cities in the region. The 1997 DoF estimated population was 1,197,077. Average annual growth over the seven-year period was 1.1 percent. This is a significant increase that can be attributed to natural increase and in-migration (both foreign and domestic). However, the number of San Diego residents also *declined* as a proportion from 44.4 percent of the total in 1990, to 43.9 percent in 1997.

The 1990 census population for the County was 2,498,016. The 1997 DoF estimated population was 2,724,437. Average annual growth over the seven-year period was 1.3 percent. This too is a significant increase that can be attributed to natural increase and in-migration.

The population increase of the 1990s are in stark contrast to those of the 1980s. Then, the county as a whole and many of its component parts experienced tremendous growth. The five-year period from 1985 to 1989 saw an average annual growth rate in excess of 3.0 percent. This growth corresponded with the large number of available jobs in the 1980s. Of course, all of this was prior to the economic recession, military downsizing, and corporate restructuring. People who once flocked to the area in search of available jobs turned their sights elsewhere.

Local and regional economies are currently recovering from the effects of the recession and other factors do attract people to San Diego. Among them are the region's temperate climate proximity to the Tijuana and Los Angeles metropolitan areas, the burgeoning technology industries, and San Diego's growing reputation as a business friendly city.

2. Income

Table 11 indicates that the 1990 median household income for residents of the Peninsula was 25 percent greater than that of residents in the Central MSA. In comparison to the county as a whole, however, the Peninsula residents' median household income was 5 percent less. This trend did not continue in 1997. Although the Peninsula SRA median household income was 25 percent greater than the Central MSA, Peninsula SRA median incomes were 16 percent greater than the County as a whole.

Table 11: MEDIAN HOUSEHOLD INCOME BY AREA - 1990 and 1997		
Population Area	**1990**	**1997**
Peninsula SRA	$33,211	$38,982
Central MSA	$26,448	$31,274
San Diego County	$35,022	$33,640

Source: U.S. Census, SANDAG

In terms of an absolute increase for the median household income during the seven-year period from 1990 to 1997, residents of the Peninsula were slightly behind the Central MSA and the county as a whole. Peninsula residents' median household income increased by 17.4 percent, Central residents' income increased by 18.3 percent, and county residents' income decreased by 4.0 percent. This appears to be favorable even with the annual inflation rate factored in.

3. Housing

Table 12: TOTAL HOUSING UNITS BY SRA – 1990 and 1997		
Subregional Area	**1990**	**1997**
Central	66,298	69,171
Peninsula	*26,307*	*26,581*
Coronado	9,145	9,538
National City	15,191	15,411
Southeastern San Diego	42,601	43,317
Mid City	59,847	60,323
TOTAL	**219,389**	**224,341**

Source: U.S. Census, SANDAG

The Peninsula SRA had 26,307 total housing units in 1990 or 12 percent of the total. In 1997, the estimated total housing units was 26,581. Although this is a net increase of 274 housing units during the seven-year period, the overall number declined to 11.8 percent of the total.

As shown in Table 13, the Central MSA had 219,389 total housing units in 1990. This is slightly more than 23 percent of the total. In 1997, the estimated total housing was 224,341 or slightly more than 22 percent of the total. It is interesting to note that this relatively small number of total housing units shelters a disproportionate number of residents in terms of population. This indicates larger household sizes.

In 1990, the total number of housing units for the City of San Diego was 431,722. The estimated total housing units for 1997 was 457,231. During the seven-year period, average annual growth was over 3,600 housing units. San Diego's proportion of total housing units remained stable, with 45.6 percent and 45.4 percent of the overall total, respectively.

The total number of housing units in the county for 1990 was 946,240. The estimated total number of housing units in 1997 was 1,006,743 Average annual growth during the seven-year period countywide was 8,600 units.

Table 13: TOTAL HOUSING UNITS BY MSA – 1990 and 1997

Major Statistical Area	**1990**	**1997**
Central	*219,389*	*224,341*
North City	234,167	256,750
South Suburban	86,251	92,226
East Suburban	160,533	167,682
North County West	117,075	127,529
North County East	118.818	127,199
East County	10,007	11,016
TOTAL	**946,240**	**1,006,743**

Source: U.S. Census, SANDAG

4. Taxable Sales Per Capita

In 1990, taxable sales in the City of San Diego accounted for slightly more than 44 percent of the total sales in the county. This amount improved in 1996, to almost 45 percent of total sales in the county. In 1990, per capita sales were lowest in the City of San Diego when compared to the county and state. However, in 1996, San Diego City improved in comparison to the county, while still lagging behind the state. Per capital sales for all three jurisdictions increased in the six-year period, by 9 percent, 6 percent, and 4 percent, respectively.

Table 14: TAXABLE SALES TRANSACTIONS – 1990 and 1996				
Jurisdiction	**1990 (000s)**	**1990 Sales/Cap**	**1996 (000s)**	**1996 Sales/Cap**
SD City	$ 9,591,315	$8,637	$ 11,289,643	$9,431
SD County	$ 21,751,246	$8,707	$ 25,138,565	$9,227
California State	$281,860,293	$9,439	$321,076,250	

Source: U.S. Census, SANDAG

B. Real Estate Market Characteristics

The real estate market is constantly changing and the various market segments occasionally behave in a manner that defies logic. However, several public agencies and private firms make an effort to provide accurate and up to date information. The market data presented here were obtained from Grubb & Ellis, the San Diego Convention & Visitors Bureau (ConVis), Greater San Diego Chamber of Commerce, Economics Research Bureau, and the Construction Research Board.

1. Office

Office space inventory grew from 1991-1997. Average annual growth during the seven-year period was almost 1.0 percent for the county as a whole. The growth of most space took place in Del Mar, Rancho Bernardo, and Vista.

Table 15: OFFICE SPACE INVENTORY by MAJOR SUBMARKET❶		
Submarket	**1991 in Square Feet**	**1997 in Square Feet**
Carlsbad	1,401,987	1,457,523
Del Mar	894,373	1,429,999
Oceanside	455,890	466,508
Vista	344,615	405,873
Rancho Bernardo	1,223,850	1,594,448
Downtown	8,607,738	8,820,512
Mission Valley	5,340,765	5,194,908
Kearny Mesa	4,575,914	4,944,896
University City	3,741,605	4,051,850
Sorrento Mesa	3,186,499	3,643,590
TOTAL	29,773,236	32,010,107
❶ Figures are for buildings generally larger than 10,000 SF.		

Source: Grubb & Ellis Company

2. Industrial/R&D

Industrial/R&D inventory also grew from 1991 to 1996. Average annual growth during the five-year period was over .5 percent for the county as a whole. The growth of most industrial/R&D space took place in San Marcos, Carlsbad, and the South Bay.

Table 16: INDUSTRIAL/R&D INVENTORY by MAJOR SUBMARKET

Submarket	1991, in SF	1996, in SF
Miramar	9,979,554	10,790,000
Sorrento Valley/Mesa	10,840,433	11,917,000
South Bay	9,639,324	11,316,000
Kearny Mesa	8,521,783	10,502,000
I-15 Corridor	5,950,826	10,467,000
Carlsbad	4,717,698	6,284,000
East County	4,262,176	4,769,000
San Marcos	3,986,859	5,427,000
Vista	2,653,192	3,385,000
Oceanside	2,494,860	2,752,000
Rose Canyon/Central SD❶	949,051	2,960,000
TOTAL	**63,995,756**	**80,569,000**

❶The Rose Canyon submarket changed in the 4th quarter of 1992 to include Midway-area industrial space previously excluded from the survey. The new area is called "Central San Diego".

The outlook for the industrial/R&D market is favorable. Industrial/R&D land prices are projected to increase, leading to demand for newly zoned acreage. In their 1997 forecast, Grubb & Ellis noted that with less space for industrial/R&D space available, high-tech and bio-tech companies are considering build-to-suit or owner-built projects. In 1997, land for the development of industrial/R&D space was limited to Parkway Business Center in Poway, Eastlake in Chula Vista, and Otay Mesa near the international border.

3. Lodging

Existing lodging accommodations in the San Diego region range from exclusive, resort oriented luxury hotel suites, to economical budget motels. In between are bed and breakfast establishments, motor hotels, and other middle-tier properties. As of August 1998, 14 new hotels are proposed in downtown San Diego and the immediate area surrounding San Diego Bay. The proposed developments range from 60 to 1,000 rooms.

According to ConVis, the current total inventory of hotel/motels is estimated to be more than 45,000 rooms. These rooms are divided among 460 different establishments. From 1980 through 1997, the number of rooms increased by an average of 1,200 per year. The supply of available rooms was greater than consumer demand and consequently occupancy rates declined along with room rental rates. Lodging occupancy rates declined from 78 percent in the early 1980s to 62 percent in the early 1990s, but rose to 68 percent during the mid 1990s. Since 1995, the lodging market has begun to slightly improve. In 1997 the average lodging occupancy rates were reported to be 71.5 percent, and the average daily room rate has increased to $86.50. By May 1998, the average lodging occupancy rate was 77.4 percent and the average room rate was $121.30.

Consumer demand for lodging is the result of visitors going to popular tourist attractions, combined with conventioneers and business travelers. Major tourist attractions include the world famous San Diego Zoo, Sea World, San Diego Wild Animal Park, Balboa Park, Old Town San Diego State Historic Park, Cabrillo National Monument, area beaches and waterfronts, and the Baja California peninsula.

According to various hotel chain executives, an alternative to the traditional hotel/motel format is a hybrid termed "extended-stay" lodging. This is not the same as corporate apartments, where full-size units are available on a weekly or monthly basis. Instead, an extended-stay hotel provides features like fully stocked kitchens, functional in-room workspace, direct-dial telephones, and business support centers. Depending on the operator of the hotel, the longer you stay, the less you pay on an average daily basis. Rates could range from as little as $45 to $60 per night. What is not provided at extended-stay hotels are amenities like showplace lobbies, sitting areas, and daily linen service.

San Diego's waterfront convention center hosted sixty conventions and trade shows in 1997. The estimated attendance to these events was over 295,000 conventioneers. The economic impact from visitor conventioneers was estimated at almost $260 million. Other venues located elsewhere in the city hosted over 12,700 conventions and meetings in 1996. The estimated attendance to these events was almost 1.7 million people. The economic impact was estimated to be over $1.3 billion.

In the City of San Diego, tax revenue generated by the transient occupancy tax (TOT) or bed tax was $84 million in fiscal year 1997. The current 1998 TOT tax rate is 10.5 percent in the City of San Diego. TOT revenue should increase in later years, as the expansion of the convention center will attract out-of-towners to more and larger events.

4. Retail

According to Grubb & Ellis, San Diego has 54,360,000 square feet of gross leasable area, including strip-anchored neighborhood, community, regional, super regional, and power centers, as well as showroom and freestanding buildings with a minimum threshold of 40,000 SF. Data provided by Grubb & Ellis indicate that retail vacancy rate declined between 1994 and the second quarter of 1998. Currently, the retail vacancy rate is 7 percent for the county as a whole. Countrywide, retail rents range from $1.00 to $4.00 per square foot per month, triple net.

To maintain and even increase their capture rates of sales dollars, many retail centers have chosen to invest in major renovations, expansions, and marketing campaigns. The following information was obtained from the leasing or marketing offices of the respective centers.

Mission Valley Center, with 1.5 million square feet of space, has added to its appeal by opening a 20-screen multiplex movie theater with stadium seating. This entertainment component is a proven factor in stimulating foot traffic through the center's walkways. Other changes include the relocation of the Nordstrom Rack discount store into the center, the opening of a Loehmann's off-price specialty store, a Michael's arts and crafts store, a (Junior) Seau's family restaurant, and the expansion or relocation of existing tenants.

Fashion Valley recently completed a renovation and expansion that could make it the largest retail center in the county. The major changes include an 18-screen multiplex movie theater with stadium seating, the addition of 100 new stores in almost 400,000 square feet of retail space, another upper level for retail space, and several parking structures. These changes are reported to have cost Fashion Valley's owner $120 million.

Clairemont Town Square has spent $20 million to demolish, then rebuild a large portion of the center. The changes include the opening of an 18-screen multiplex movie theater, a Burlington Coat Factory outlet store, a restaurant, and several fast-food outlets. The historic clock tower in the center has been restored and preserved.

The actions taken by owners of these retail centers, and many others, are necessary to successfully compete in a market that is constantly changing and extremely competitive. Consumers seem to want an experience when they shop. Numerous studies indicate that entertainment-driven retail centers are an effective countermeasure to promotional, big-box centers anchored by stores such as Wal-Mart or PriceCostco.

The development of a small speciality-themed retail center could become an exciting component of the NTC property. Keying on the unique features of the maritime history and military presence in San Diego might appeal to both local and visiting shoppers. Equally important is establishing a sense of place within the broader context of the surrounding area. San Diego has long been considered a Navy town, so it seems reasonable to explore ways to capitalize on this perception.

5. Residential

According to the most recent data available from the California Department of Finance, the estimated total number of housing units in San Diego County in 1997 was 1,006,743. Slightly more than 58 percent of them are single-family residences. The rest are comprised of multi-family residences and mobile homes. This ratio has been relatively stable for the last several years, and is projected to remain that way for the mid to long term.

As shown in Table 17, between 1990 and 1997, average housing prices peaked in 1990 and median-housing prices were highest in 1997. From 1990 to 1995, average housing prices in the region decreased by an average annual rate in excess of 2 percent. However, average housing prices did increase in 1996 and 1997. According to a 1998 report by Market Profiles, during the second quarter of 1998, the overall average sale price within the San Diego region was $303,000. New detached units had an average prices of $321,000 and new attached units had an average price of $200,000. The overall residential vacancy rate for the region in 1990 was slightly less than 6 percent. According to SANDAG's *Series 8 Regional Growth Forecast,* the residential vacancy rate for the region will be less 4 percent by the year 2000.

Table 17:
SAN DIEGO COUNTY HOUSING PRICES - 1990 to 1997 (in $000's)

	1990	1991	1992	1993	1994	1995	1996	1997
Average	$233.3	$228.5	$223.6	$213.0	$208.3	$203.9	$204.5	$209.5
Median	$200.0	$193.5	$191.5	$186.5	$181.5	$175.0	$204.5	$209.5

Source: Greater San Diego Chamber of Commerce, Economic Research Bureau

According to a Spring 1998 survey by the San Diego County Apartment Association, average county rental rates for apartments in San Diego were $448 for a studio, $543 for a one-bedroom, $685 for a two-bedroom, and $916 for a three-bedroom apartment. Vacancy rates for apartments throughout the region averaged 3.4 percent for the county as a whole in Spring 1998.

As shown in Table 18, authorized building permit activity declined significantly in the 1990s. The decline seen in the early 1990s for most jurisdictions was due to the pronounced effect of the recession on the residential housing market. The latter half of the 1990s has seen building permit activity increase sharply. As indicated in 1997, as the local and statewide economies improve, building permit activity also increased, which is expected to continue for the remainder of the 1990s.

Positive indicators for the San Diego residential housing market include a decline in the city's vacancy rate to less than 4 percent, an increase in the number of residential permits compared to a year ago, an increase in home sales compared to a year ago, an expected influx of military personnel due to base realignment activity, and increasing rental rates.

Table 18: BUILDING PERMITS - 1990 to 1997

Jurisdiction	1990	1991	1992	1993	1994	1995	1996	1997
Chula Vista	665	811	560	479	1127	671	984	1050
Escondido	390	214	215	243	214	349	318	430
Oceanside	1,102	1,430	536	512	641	476	787	648
San Diego	8,289	2,541	2641	2720	2596	2565	2420	5368
San Marcos	453	403	312	379	353	402	240	211
Vista	411	336	327	102	105	215	91	202
County	15,796	7,908	6,059	5,602	6,935	6,608	6,868	11,402

Source: Construction Industry Research Board

6. Recreational

There are numerous recreational opportunities in the San Diego region. The day or overnight visitor can select from major tourist attractions like Sea World or the San Diego Zoo. Cultural activities consist of thirteen different museums at Balboa Park and various plays, dance theater, or musical concerts. Spectator sports include the AFC West Champion San Diego Chargers football team, the San Diego Padres baseball team, thoroughbred horse racing at Del Mar Racetrack, and the Buick Invitational Golf Tournament at Torrey Pines. For the hands-on visitor, choices range from golf at one of San Diego's championship caliber courses, tennis, fishing, bicycling, water sports at the Mission Bay Aquatic Center, or hiking along one of the numerous trails in San Diego's parks.

The number of overnight visitors to San Diego in 1997 was estimated at 14.4 million. They account for visitor spending in the amount of $4.4 billion. According to recent information available from ConVis, the visitor industry was the third largest revenue generator of the San Diego economy following manufacturing ($18.3 billion) and the military ($13.0 billion).

4.2 DEVELOPMENT ISSUES

A. Difficulties of the Market

Due to the complex nature of the disposition process for NTC property, many public agencies, non-profit groups, and private developers have an interest in the outcome of the reuse planning effort. The ultimate benefit for all concerned would be a mixed use redevelopment project that has the capacity to sustain existing and future growth phases.

Competition for the recreational dollar is fierce. Not only are major retail centers spending money to attract shoppers, but area theme parks are as well. New and creative marketing campaigns vie for the attention of the public using billboards, print media, radio, and television.

Competition for overnight visitor dollars is also stiff. At least twelve different hotels in the Mission Valley market area are in the midst of, or have already completed renovations or improvement projects.

Perhaps the most serious challenge to NTC's reuse development is adequate financing. The money necessary for planning, building, and maintaining projects is difficult to obtain. Potential sources of revenue include project development loans from the City or a developer/investor, bond financing, public and private grants, land sale and ground leases, transient occupancy tax, tax increment, and tax allocation bonds. But capital market sources have rigorous new loan policies compared to prior years. Voters are increasingly reluctant to vote for new bond measures. The relatively few public and private grants are sought by an increasing number of organizations.

A summary of the various development opportunities and challenges for NTC reuse is presented in Table 19.

B. Opportunities For Development

NTC's close proximity to the airport and downtown work well to support an office/industrial/R&D development on the site. An additional plus is the relocation of the U.S. Space and Naval Warfare System Command (SPAWAR) to San Diego. This move will generate demand for employees and facility space. The local labor force is very skilled and highly motivated. Assorted buildings at NTC would be affordable as an alternative for back office space for downtown employers. Existing downtown Navy office functions could be relocated to NTC.

Opportunities for development of a lodging element include proximity to the airport, downtown, and the convention center. An additional plus is the nearby harbor area and the boat channel that juts into the site.

Opportunities for development of a retail element would be based on the surrounding residential community - which has favorable demographic characteristics such as a relatively high household income - and the fact that the surrounding streets have a high amount of vehicle traffic. Also advantageous are proximity to the harbor area and the boat channel. The potential for commercial synergy exists with a mixed-use hotel development.

Opportunities for development of a residential element include proximity to an existing, stable residential area. Quality of residential life could be enhanced by establishing waterfront recreational linkages. The development of additional health and public facilities, combined with an aging population, could generate demand for senior housing. The NTC site provides additional acreage for urban-oriented in-fill housing development.

Opportunities for development of a recreational element are also based on the surrounding residential area and its favorable demographics. The proximity of the harbor area invites aquatic-oriented waterfront recreation activities. Patrons of a mixed-use hotel plus residents of Point Loma would be a likely market for recreational amenities.

C. Challenges To Development

Challenges to development of an office/industrial/R&D element at NTC include the site's location within the Community Noise Equivalency Level (CNEL) contours. Certain land uses are allowed only when certain mitigation measures, like sound attenuation, are undertaken to reduce excessive airport noise. Other land use restrictions, pursuant to the tidelands trust, prohibit development activity not oriented to maritime commerce, navigation, or fishing. Adverse traffic congestion can result since the site has no direct freeway access. Finally, the cost of rehabilitating existing buildings for new uses is high.

Challenges to development of a lodging element include a location within the previously described CNEL contours. The lodging market is currently robust and competitive with respect to new sites. In the greater downtown/waterfront area, many hotel sites are being proposed.

Challenges to development of a retail element also include the CNEL contours. Existing traffic flow patterns would become increasingly congested. Retail development is very land intensive due to store floor plan and parking requirements. Adapting existing buildings to new uses is very costly. The retail market is very competitive to new product due to major growth and renovation activity in the region.

The challenges to development of a residential element are its strict prohibition within the 65+ CNEL contour. The restrictions pursuant to the tidelands trust also apply. Consequently, the amount of land suitable for development is very limited.

Challenges to development of a recreational element include the CNEL contour restrictions. The creation of any recreational amenities would be isolated from other existing venues.

D. Conclusions: Redevelopment Project Area and Master Developer

Difficulties with near term financing for demolition, infrastructure and administration, and the complex nature of land disposition and development, led to the creation of a Redevelopment Project Area as the best opportunity for implementation of the reuse plan.

Moreover, given what may be the City's limited ability to finance redevelopment at NTC in an expedited manner, it may be appropriate to consider seeking a master developer (or development team) who could take on the opportunity of developing NTC pursuant to the Reuse Plan. As an agent for the Redevelopment Agency, it could be the responsibility of the master developer to demolish structures, construct improvements and infrastructure, rehabilitate/adaptively reuse and sell or lease portions of the base, and otherwise manage development.

TABLE 19: NTC REAL ESTATE OPPORTUNITIES AND CONSTRAINTS

DEVELOPMENT OPPORTUNITIES				
Office/Industrial/R&D	**Lodging**	**Retail**	**Residential**	**Recreational**
Proximity to airport, Navy's SPAWAR, and downtown. Skilled labor force. Suitable back office site for downtown employers. Suitable relocation site for downtown Navy offices.	Proximity to airport and downtown. Proximity to Harbor and a unique channel waterfront. Capture of visitors from the convention center.	Proximity to residential area with favorable demographics. Proximity to Harbor area and a unique channel waterfront. Likely synergy with mixed-use hotel development. Surrounding streets with high vehicular traffic flow.	Proximity to residential area with positive image. Likely synergy with waterfront recreation uses. Health and public facilities development could induce senior housing starts. Suitable site for in-fill housing development.	Proximity to residential area with favorable demographics. Proximity to Harbor area and a unique channel waterfront. Suitable for low-density aquatics recreation uses. Likely synergy with mixed-use hotel development. Patronage from Pt. Loma area.
DEVELOPMENT CONSTRAINTS				
Office/Industrial/R&D	**Lodging**	**Retail**	**Residential**	**Recreational**
Excessive airport noise. Increase to existing traffic flow leads to congestion. No direct freeway access. Coastal Zone height limits. High cost of adaptive reuse for historic buildings.	Excessive airport noise. Competitive market.	Excessive airport noise. Increase to existing traffic flow leads to congestion. Large land and high parking requirements. High cost of adaptive reuse for historic buildings. Major growth/renovation activity elsewhere in the area.	Excessive airport noise. Tideland Trust Restrictions. Limited suitable land area.	Excessive airport noise. No proximity to existing recreation venues. High capital cost to develop various amenities.

4.3 REDEVELOPMENT PROJECT CREATION

Since 1988, in response to four rounds of military base closings, communities have established redevelopment project areas that included closed military bases plus other areas, or for the closed base alone. These bases typically contain buildings that do not meet present building standards, have hazardous waste problems, lack adequate infrastructure to serve private development needs or have these and other major problems. While the problems are somewhat different from the issues found in declining downtowns or neighborhoods, the expertise of a redevelopment agency in urban planning, transferring property, encouraging private sector investment, negotiating with developers and investors and financing the recycling is relevant.

Redevelopment in California was created to eliminate blighted urban areas, create affordable housing, stimulate private investment and implement other economic development goals. Since the blighting conditions on closed military bases are different from those conditions found in older urban areas, the law has been amended repeatedly for specific closed bases. In response to the large number of closed military bases in California, the law was amended in July 1996 (AB 2736 Weggeland) to provide a general process for establishing any closed military base as a redevelopment project and in an expedited manner. Expediting the process refers to less restrictive requirements for property to be urbanized, definitions of blight refined for military bases, ability to defer the 20 percent housing set-aside for up to five years and delaying the completion of an EIR when other conditions are met.

At NTC, the combination of land use restrictions, extensive building rehabilitation, major infrastructure improvements, and the limited funding available for implementation of a reuse plan makes the redevelopment process essential. Therefore, in 1997 NTC and the area identified for military housing, was adopted as a redevelopment project area in order to use the amended provisions of the Community Redevelopment Law.

The California Community Redevelopment Law, Section 33000 of the Health and Safety Code, establishes that in every city and county a redevelopment agency exists which must be activated by the local legislative body, city council, or board of supervisors. The law provides for the local legislative body to be the agency or they can appoint a separate board of commissioners. Redevelopment projects can be created after public hearings and the necessary findings are made by the local legislative body that the project area is blighted and these conditions cannot be reversed by the private sector without the assistance of the public sector. The law also provides for tax increment financing which allows redevelopment agencies to receive and spend property tax revenues from the increase in assessed value that has occurred after adopting a redevelopment project. Tax increment financing is a method of financing the implementation of redevelopment projects and to some degree is a local response to the reduction of federal funding for redevelopment. This method of financing depends upon the success of the private sector and, therefore, encourages the establishment of plans and the completion of transactions that are based upon both public goals and the needs of the business community. The redevelopment process works because the law and redevelopment plans provide broad and flexible authority to local elected officials to recycle major sections of urban areas.

4.4 ECONOMIC BLIGHT ANALYSIS

In 1997, the San Diego City Council established NTC as a Redevelopment Project Area. In order to designate NTC as a Redevelopment Project Area and thereby take advantage of tax increment financing, California law required a blight analysis.

Since the passage of AB 1290, all redevelopment project areas adopted after December 31, 1993 must be characterized by one or more conditions of economic blight. The law now defines five economic conditions or blight categories:

- Depreciated or stagnant property values or impaired investments, including but not necessarily limited to those properties containing hazardous wastes that require the use of Agency authority;
- Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities;
- A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, banks and other lending institutions;
- Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults, that has led to problems of public safety and welfare;
- A high crime rate that constitutes a serious threat to the public safety and welfare.

Under typical circumstances a redevelopment study area is an older developed area where conditions with respect to the above five categories can be documented with current data and historic trends. As an example, documentation of a decline in property values is supported by an analysis of assessed valuations or property sales transactions. Other indicators include stagnant retail sales activity, high vacancy levels in commercial or industrial structures, etc., all of which can be supported by surveys and historic data.

With a closed military base, a unique set of circumstances is presented. The property was formerly occupied by the military; thus, there are no historic property values, vacancies, retail sales, nor other activity in the usual sense. Current values cannot be documented through sales transactions, rents or other performance indicators within a Project Area since the property has not been made available to the private market. In the case of a base reuse in particular, the land value of the surrounding community cannot be assumed for the base as the base typically needs to be discounted for the above-average infrastructure and other land improvements needed for adapting the base to non-military or private market use. It was, therefore, necessary to analyze how the existing conditions within the Project Area will affect the economic viability of the conversion of the base to non-military use within the context of additional categories of blight identified in the law. This analysis sets forth a description and analysis of the extent to which the land and improvements within the Naval Training Center Redevelopment Project Area met the blight definitions of California Redevelopment Law.

Of the five categories of economic blight identified in the Law, four categories are present in the Project Area and will persist into the future unless mitigated through redevelopment action. The four categories are:

- Depreciated or stagnated property values.
- Impaired investment
- Hazardous or toxic materials.
- High vacancy rates.

The categories relating to lack of commercial facilities, residential overcrowding, excess of bars or adult businesses, and high crime rate do not apply.

A. Project Area Circumstances Affecting Economic Conditions

In the following analysis a strong linkage is made between the presence of the physical blighting conditions and how they affect values and economic performance. In addition, there are other conditions by virtue of the Project Area location having been developed for military purposes that add another layer of disadvantage to the Project Area and its ability to compete in the San Diego regional market. These conditions generally apply to all the existing and land uses for the Project Area, but may vary in the degree to which value and economic performance will be affected.

1. Physical Conditions

The physical blight and locational conditions affecting economic conditions are:

- The deficient and deteriorated conditions of existing public improvements such as roadways and infrastructure for supporting existing use or new development, which will require significant costs to upgrade. These deficient improvements include streets of substandard width, deteriorated paving, deteriorated, substandard, and missing curbs, gutters and sidewalks, inadequate and dated storm drainage system, and a general lack of sidewalks and other pedestrian amenities.

- The significant number of deficient buildings and structures. Asbestos is also present in a large number of buildings. Many of the buildings are not up to City and State codes, including the requirements of the American Disability Act (ADA).

- Weak access and inadequate integration of the Project Area streets with the existing circulation system serving this portion of the community.

- The presence of toxic or hazardous materials throughout the Project Area as documented in the BRAC Cleanup Plan (BCP), Naval Training Center, San Diego, California, March 1995, including at least 14 sites identified as requiring restoration and 92 sites with potential for an environmental concern. One of the 14 restoration sites is a 32-acre inactive landfill with approximately 2.2 million cubic feet of refuse from activities at MCRD and NTC.

In addition to these generalized conditions which exist in many blighted areas that qualify for redevelopment intervention under California Redevelopment Law, the Project Area has certain additional handicaps by virtue of its being a former military base. The major ones are:

- A physical layout that is designed to function independently as a secure military unit and bears little or no relationship to surrounding areas outside of the base.

- A street pattern that has grown by accretion over the years as the use of the base has changed. This process has resulted in the connection of the various areas of the base by substandard, haphazardly placed roads.

- An ownership pattern typical of military installations, e.g., one ownership that requires a detailed engineering survey and subdivision mapping process.

- Buildings of substandard design, defective physical construction, and less-than-standard materials that were justified on an emergency basis under wartime conditions. Many of these buildings were constructed at the Naval Training Center during World War II. Although a number of these structures have been partially rehabilitated, most still show evidence of their original substandard design and construction.

- The military program of toxic clean-up presents unique circumstances that may affect value. The presence of asbestos, whether or not encapsulated and whether or not the source of a genuine hazard, may be perceived as a stigma and, as a result, have a real effect on value.

- Aging and substandard self-contained water, sewer, electrical, telephone, steam distribution, and storm drainage systems. Although some of these systems are in relatively good condition, most require extensive upgrading or replacement in order to adequately support economic civilian reuse and adaptation and connection to the systems of local civilian providers.

- Specialized military buildings that are difficult if not impossible to convert to civilian use. Buildings of this type at the base include the specialized training facilities such as the Fire Fighting School, Damage Control Instructor Building, Air Conditioning School and Welding School.

- Widely separated buildings that were located to minimize damage from fire and blast under wartime conditions.

- Utilities that in some instances are located where they interfere with civilian development of sites.

In summary, the NTC Project Area is characterized by a range of physical blighting conditions, access conditions, and circumstances peculiar to its history as a former military installation that affect value and economic viability. Many of these conditions can be corrected, or at least substantially improved; some of these conditions, such as aircraft noise, tideland restrictions, least tern preserve, and historical building designation, must be viewed as permanent.

2. Infrastructure Deficiencies

Substandard, deficient and deteriorated public improvements or infrastructure have been documented as a major physical blight condition, and one of critical impact on values and investment potential. In the California of the 1990's, the cost to correct infrastructure deficiencies is generally born by private sector development. Where the cost to correct infrastructure deficiencies is not feasible to the private sector, then either the development/investment does not occur, or the public sector intervenes to facilitate feasibility.

Improvements required to correct deficiencies within the Project Area to make existing facilities operational, meet public safety requirements, and service new development has been the subject of a series of studies. Engineering design criteria and system demand, analysis of existing and recommended facilities, phasing and costs, are summarized below. These analyses address primarily "backbone infrastructure" or facilities serving the total Project Area or its major subareas.

The analyses of infrastructure and other improvement needs during the first 15 years of NTC reuse is detailed in Section 5, and summarized as follows:

<u>Backbone Infrastructure</u>

On-Site Roadways and Utility Modifications

Master Developer Project Cost	$ 8,760,000
Indirects	4,380,000
Owner/Operator Costs	6,300,000
Indirects	3,150,000
Total Backbone Costs	$22,600,000

<u>Other Project Wide Improvements</u>

In addition to backbone infrastructure, a number of other improvement costs are of project-wide benefit. These are:

- Off-site regional infrastructure costs, including street widening of Rosecrans and intersection upgrading as traffic mitigation measures, estimated at $5,000,000.

- Enhanced park improvements over and above turfing of the Waterfront/Recreation public park area, estimated at

$5,100,000.

- Installation of a looped gas line in Decatur and Truxtun Roads, between Farragut and Gate 1, estimated at $500,000.

- Undergrounding of the above-ground high pressure steam line along the boat channel frontage of the two hotel sites, estimated at $900,000.

- Provision of off-street parking to serve the educational and office areas in and around the Educational Subarea, estimated at $3,600,000.

The total improvement costs to be funded by the Master Developer and Owner/Operator will be $37,700,000 in the first 15 years of development.

The following analysis of economic blighting conditions contains estimates of property values, rent levels and other economic indicators. These values are estimates assuming sufficient infrastructure has been constructed to service the properties; the values are without consideration of the cost to produce the infrastructure and other improvements.

1.	Total Cost, Backbone Infrastructure + Other Improvements	$37.7+ million
2.	Total Development Program	
	• New Construction - commercial buildings	480,000 SF
	• Small-lot Single Family Homes (96 x 2,160 SF)	207,360 SF
	Townhomes (127 x 1,215 SF)	154,305 SF
	Townhomes (127 x 1,944 SF)	246,888 SF
	• Rehabilitated Buildings	1,666,699 SF
	• Hotel Rooms (1,000 x 600 SF)	600,000 SF
	Total Building SF	3,355,252 SF
3.	By Building SF, Cost of Backbone Infrastructure and Other Project-wide Improvements	$11

The central question in the analysis of values and investment capacity for a property like NTC - where there is no established land cost - is the ability of the private sector to relieve the blight and correct the infrastructure deficiencies if the land were to be conveyed by the U.S. Government at a low enough cost. This is a key component of the determination whether private enterprise acting alone or with governmental action can alleviate the blight. As an initial reference point for evaluating the cost of correcting the infrastructure deficiencies, it is useful to evaluate the cost of the infrastructure against the total programmed development.

What this table indicates is the necessity for all land uses, including governmental, to bear a $11 per square foot cost on average, recognizing that not all land uses have an equal ability to absorb additional costs.

B. Depreciated or Stagnated Property Values

The major indicators of depreciated or stagnated property values are low property or building values and building rents which are relatively lower than comparable properties in the competitive market. Under this situation, potential investors or property owners have little incentive to invest in property within the Project Area because of the poor prospect of receiving a feasible return on investment — particularly where other investment or development opportunities exist with more attractive potential for return. Over an extended period of time, the lack of investment accelerates the decline of an area and affects the economic health of the area's businesses resulting in further physical deterioration. In the case of NTC, low values and weak opportunities for receiving a return on investment will place the Project Area at a competitive disadvantage vis-à-vis other market opportunities.

1. Approach

To demonstrate depreciated or stagnated property values or rents in a redevelopment study area, trend data such as a change in assessed valuation or rents of properties in the area over time are often cited. However, given that NTC is a military base, there are no established values or economic performance measures. Competitive disadvantage in this case is indicated by the relatively lower land values and building rents projected to be achievable once the major infrastructure deficiencies have been corrected according to the reuse plan. This is demonstrated through a comparison of the projected achievable values and rents at NTC with those of comparable products in competitive locations.

The building values projected to be achievable are based on a review of comparable sales or average market rents. A brief description of the analysis and the results follow.

2. *Property Values and Rents*

Abnormally low lease rates or low property or building values, relative to similar buildings in other local and regional locations, are an indication of a weak or imbalanced market where supply does not match demand. In the case of the Project Area, there are a number of factors depressing property values, as discussed in earlier sections and reemphasized below:

- Not an established commercial or business location due to the Project Area's historic use as a military base.

- Environmental considerations, such as the noise generated by the airport traffic and the stigma associated with a hazardous waste site, will also have a deleterious effect on property values and rents. If there is a lengthy clean-up period, it will effect the marketability and absorption of the properties.

- Regulatory constraints, as the Project Area is subject to (1) the Tidelands Trust requirements for public access protection, (2) the land use restrictions of the California Coastal Act, and (3) the runway protection zones and the CNEL noise impact areas created by the airport. In addition, the northernmost part of Camp Nimitz is a least tern nesting preserve. Many of the buildings within the Area are also on the National Historic Register, which subject them to the rehabilitation provisions of the National Historic Preservation Act.

- The presence of hazardous materials, such as lead paint on the walls, asbestos in floor coverings, and acoustical plaster ceilings in some of the buildings. The existence of these materials will have a significant effect on values and rents for properties on the base. Although remedial plans are being developed for the hazardous substances identified on site (except for lead paint) and friable asbestos has been or will be encapsulated by the Navy, the existence of these materials still negatively affect the value of NTC properties.

A significant fee burden is likely to be imposed on developments within the Project Area because of substantial infrastructure and other site improvements costs. This burden may be in the form of development fees, special taxes, Mello Roos or other assessments. In aggregate, they are likely to be as high as or higher than those at competitive locations which would depress the value of the property in the Project Area.

Thus, without substantial effort to remedy blight conditions in the Project Area, existing and future development in NTC will be unable to achieve values comparable to similar development elsewhere in the market area.

3. Conclusion

This analysis indicates that, given the above factors, the potential values and rents at NTC are likely to be constrained relative to properties in competitive locations. With the exception of hotel uses, the depressed property values of the land uses are not projected to be able to support the extensive amount of infrastructure and site improvements required with any land value remaining. In some instances, negative land values exist. Thus, hotel uses can contribute to a portion of the infrastructure costs, but the net costs of the total development still exceed the projected value supportable for the uses.

C. Impaired Investment

The ability to invest in new construction or in rehabilitation is a measure of economic health within the Project Area. New development and rehabilitation are deemed feasible if an investor can recapture a reasonable return on investment. When new development and rehabilitation are not feasible, vacant land is not developed and properties are not rehabilitated. Frequently, properties are left unmaintained or poorly maintained and needed capital improvements are deferred. Under these circumstances, the properties become blighted.

In the NTC situation, impaired investment is evaluated in terms of the ability to rehabilitate existing structures or develop new ones, achieve a reasonable return on investment, and recapture any land or building value and/or a share of the infrastructure cost burden. The infrastructure cost burden is the backbone infrastructure and other improvements plus other local, "in-tract," or parcel specific infrastructure. Since there are no established land or building values, the analysis uses a residual approach to determine the amount available for land, buildings to be rehabilitated, and infrastructure.

The residual approach commences with an estimated property value generated by the net operating income that the property can support, i.e., rent less operating expenses, capitalized at the appropriate industry rate for the property. The value is then compared to the costs of new development, rehabilitation, and demolition/clearing. The residual value represents funds available for land, the existing building, and a contribution to infrastructure. The residual value can then be measured against a share of the infrastructure burden to determine if the private sector can finance the infrastructure or whether public intervention will be necessary if rehabilitation or new construction is to occur.

Prototypical industry costs are used for illustrative purposes in this analysis to demonstrate the impact of new development and rehabilitation costs on the economic value of the investment. The level of rehabilitation effort assumed in these pro formas is comprehensive, including the basic work necessary to bring the building into code compliance, with minimal tenant improvements or system upgrades. The analysis for newly constructed buildings assumes the cost of standard "vanilla" buildings with minimal to modest level finishes and surface parking.

The projected pro formas are summarized on Tables 20 and the details of the analysis are shown on Tables 21 and 22. As shown, the development of NTC is anticipated to generate a net surplus in the order-of-magnitude of nearly $47 million, before land , existing improvements, and infrastructure. The estimated costs to complete rehabilitation of over 1.1 million SF of existing buildings (predominantly in the historic core) is $58.2 million, or $58 per SF. New construction of 1.4 million SF of gross building area is estimated to cost $196 million, or $140 per SF. Demolition and site clearance costs are estimated to total another $10 million for those buildings on new construction sites and $4.2 million for those buildings which are not suitable for rehabilitation.

Project capitalized values for both the rehabilitated and new space, however, total $119, resulting in a surplus of $47 million. Thus, given the constraints discussed in the earlier subsections on property values at NTC and the substantial total costs of the project, a return on investment can be achieved under the current market conditions.

The impaired investment analysis has demonstrated that for many of the major land uses for NTC, the ability to pay for the property and contribute to the backbone infrastructure and pay for other costs are severely constrained by the rents and values achievable. With the exception of the hotel uses, few of the land use products analyzed are capable of carrying the average infrastructure burden. The conclusion is that the cost to alleviate blight, including correcting the obsolescent and deficient backbone infrastructure cannot be borne by private development, and that public assistance will be required.

Thus, redevelopment assistance is essential to defray some of the costs, such as write down for land/building acquisition, contribution towards the project-wide infrastructure improvements needed, or other development incentives so that the land and structures will generate sufficient value to be feasible and attractive to private in investment. In addition, an area-wide market effort will be required to realize development within the Project Area.

D. Hazardous or Toxic Materials

In addition to project economics, there are other constraining factors limiting land values. One of the most significant constraints to future reuse of NTC

TABLE 20

NET SURPLUS/(DEFICIT) AFTER DEMOLTION
NTC RE-USE PLAN
CITY OF SAN DIEGO

	Totals
Value of Rehabilitated Buildings	
Education	$0
Office	$600
Nonprofit/Instituitional	$0
Officer Quarters	$1,700
Historic Core - Live/Work	$22,400
Historic Core - Office	$2,600
Historic Core - Commercial	$5,200
Hotel/Community Meeting Room	$100
Recreational	$0
Sub-Total Capitalized Value	$32,600
Land Value Before land, Infrastructure, Demolition	
Office	$8,400
R&D	$6,100
Residential	$20,100
Hotels	$52,000
Golf Course	N/A
Sub-Total Land Value	$86,600
(Less) Rehabilitation Costs	($58,200)
(Less) Demolition Costs	($14,100)
Net Surplus/(Deficit) Before Land & Infrastructure	**$14,300**

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TABLE 21

REHABILITATED BUILDING'S CAPITALIZED VALUE/ESTIMATED SALES VALUE ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

		Education	Office	Historic Core Nonprofit/Institutional	Officers Quarters	Historic Core Live/Work	Historic Core Office	Historic Core Commercial/Retail	Hotel/Community Meeting Room	Recreational
Building SF		436,400	12,300	133,600	17,312	240,439	35,918	106,034	33,000	43,400
Monthly Rent/SF (NNN)		$0	$0.50	$0	N/A	$0.95	$0.75	$0.50	$0.03	$0
Annual Rental Income		$0	$74	$0	N/A	$2,740	$323	$636	$10	$0
(Less) Vacancy @	10%	$0	($7)	$0	N/A	($274)	($32)	($64)	($1)	$0
Net Operating Income		$0	$66	$0	N/A	$2,466	$291	$573	$9	$0
Capitalization Rate		0%	11%	0%	N/A	11.0%	11.0%	11.0%	11%	0%
Capitalized Value/Estimated Sales V		$0	$600	$0	$1,700	$22,400	$2,600	$5,200	$100	$0
(Less) Rehabilitation Costs (Before Land, Infrastructure, Profits & Demolition)		($24,016)	($531)	($6,012)	$0	($19,220)	($1,860)	($4,320)	$0	($2,217)
Net Surplus/(Deficit)		N/A (1)	$69	($6,012)	$1,700	$3,180	$740	$880	$100	($2,217)

(1) Rehabilitation costs paid for by operator of use.

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TABLE 22

CAPITALIZED VALUE OF NEW CONSTRUCTION / SALES ($000)
NTC RE-USE PLAN
CITY OF SAN DIEGO

	Office	R&D	Residential	Hotels	Golf Course
Building SF/Unit	240,000	140,000	350	1,000 Rooms	9-Holes
Estimated Monthly Rent/SF (NNN)	$1.17	$1.00	N/A	$140/Room/Night (75% Occupancy, 55% Room Revenue, 24% Net)	N/A
Annual Income	$3,360	$1,680	N/A	$16,720	N/A
(Less) Vacancy	($336)	($168)		N/A	
Net Operating Income	$3,024	$1,512	N/A	$16,720	N/A
Capitalization Rate	9.5%	9.5%	N/A	11.0%	N/A
Capitalized Value/Estimated Sales Value	$31,800	$15,900	$82,800	$152,000	N/A
Estimated Development/Rehabilitation Costs (Before Land, Infrastructure, Profit & Demolition)	$23,400	$9,800	$62,700 See Chapter 4.4	$100,000	N/A
Net Surplus (Deficit)	**$8,400**	**$6,100**	**$20,100**	**$52,000**	**Break-Even (Assumes)**
Subtotal Surplus/(Deficit)	**$86,600**				
(Less) Demolition Costs	**($14,100)**				
Total Surplus / (Deficit)	**$72,500**				

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land use is the presence of toxic and hazardous materials on the site. The presence of these materials is documented in the Environmental Program Status (Chapter 3) section of the Base Realignment and Clean-Up Plan prepared by the Department of the Navy. The hazardous materials include the following:

- Potential infectious waste, paint, wood preservative, liquid hazardous waste, and industrial waste from refuse deposits at the 32-acre inactive landfill;
- Contaminated soil and groundwater resulting from underground petroleum storage tanks;
- Fuel waste and shop waste from fire fighter training burns; and
- Pesticide and oil waste from the maintenance of the golf course.

Although the federal government will remedy or in some way mitigate the toxic contamination of NTC before any transfer of the property, the timing and extent of the clean-up efforts will hamper the reuse of sites within the Project Area. According to the BRAC Cleanup Plan Guidelines, a Finding of Suitability of Transfer (FOST) by DoD needs to be issued prior to any transfer of property at NTC. To date, only 13 of the 92 POI sites (sites with potential environmental concerns) have been identified for remediation. Regulators recently determined that 17 of the 92 POIs require further action. Thus, the time lines for DoD to reach a final determination of suitability for property transfer for these sites may be years away and will seriously affect the marketing, absorption as well as the achievable values of properties within NTC.

Factors relating to the toxic remediation program affect property values and represent a significant limitation in the marketing, absorption, rent levels, and the potential value which can be achieved by the properties at NTC. The depressed values will not be able to support improvements needed for the implementation of the reuse program. Thus, redevelopment assistance is needed.

Factors relating to the toxic remediation which affect property values are:

1. Uncertain Timing of Title Transfer

The transfer of the property by the federal government will not occur until the remediation is completed. In the interim, it is uncertain if some of the existing properties can be leased to generate revenues for the base. It will be difficult to secure financing for improvements given the unclear title and timing of the property transfer.

2. Land Use Restrictions

The military's priority is to dispose of the base as quickly as possible. Thus, its approach is often based on the most expeditious solution to the toxic cleanup problem rather than achieving the highest market value for the property. For example, it may be more expeditious to restrict land uses permitted on contaminated sites to those with limited surface exposure rather than undertake the more time-consuming cleanup of the site, or require a 200-foot buffer zone around a capped landfill rather than to maximize marketable land by removing the landfill. The Department of Defense does not examine remediation alternatives from a cost benefit perspective.

3. Interim Remediation Activities

Affected properties generally cannot be rented or sold at rates as high as buildings which never have been contaminated. Sometimes even if a particular site has been cleaned up, the remediation activities nearby will depress prices or rents for the cured property. Lender resistance may also be expected.

4. Changed Remediation Standards

Remediation standards may change over time with the discovery of new technologies. Thus, there is a financial risk associated with properties that may have been "cleaned" prior to any transfer of title as to who would be the responsible party if the source of contamination is re-exposed due to construction or other development activities. This risk will diminish the potential value of a property.

5. Stigma of Affected Properties

Even after an area has been cleaned up, the fact that some of the properties have been contaminated will negatively impact their values. Fear that not all the contamination will have been properly removed or that there will be residual effect from the contamination resulting in future costs or litigation may affect the value of the property.

6. Unknown Health Risks

In addition to the financial risks associated with contaminated properties, even after remediation, there are also the health risks involve. Lead-based paint and non-friable asbestos in some of the structures, for example, require only disclosure but not remediation at time of sale if they do not pose an immediate health risk condition. The longer term effect of these substances on health, however, is unknown and is likely to be of concern to potential home buyers and occupants of buildings.

7. Impact on Uncontaminated Properties

The size and proximity of an adjacent toxic site — particularly a super fund site — will affect the value of an uncontaminated property due to risk that there may be yet undiscovered contamination on the currently "clean" property. Proximity to a toxic site is, therefore, a detriment to values of its adjacent properties.

8. Increased Vacancies

The stigma dies hard, and a cured building can easily suffer additional losses from vacancies and increased collection problems, especially since a lower grade of tenant may result.

9. Difficulty in Financing

In the April 1994 Real Estate Issue, an article on "The Cause of Loss in Value" reported that most lenders tend to avoid lending on contaminated properties. "It is much safer to eliminate the problem by refusing to consider a contaminated property as a security for a loan (sometimes even a cured property)." Occasionally some lenders will make loans on contaminated properties which have been cured or are in the process of being cured, but may impose harsher lending requirements such as a reduced loan-to-value ratio, higher interest rate, shorter loan term call period, and/or extra fees and charges.

E. High Vacancy Rates

Existing conditions at NTC may hinder the ability of the area to attract quality tenants to the Project Area. The high costs of infrastructure improvements may also make it difficult for NTC to compete with the large supply of competitive products currently available, underway, or planned in the Greater San Diego Area. The regional office vacancy rate during the second quarter of 1998 was 10%. However, the downtown submarket has a vacancy rate of 14%, according to a Grubb and Ellis report

4.5 MARKET ASSESSMENT

The purpose of the market assessment is to evaluate the private sector land uses identified in the NTC Reuse Plan. Each proposed land use is summarized and key issues, concerns and risks are addressed.

A. Office/Research and Development (R&D)

1. Office

The NTC reuse plan calls for 240,000 SF of new office space and designates 48,200 SF of existing buildings, predominately in the Historic Core, rehabilitated for office users. The profile is low-rise garden style development similar to Mission Valley and Del Mar Heights.

NTC is located in an area that is not identified as a cohesive market area with a significant amount of office space. Existing competition for NTC will be from the downtown and Mission Valley market, which have inventories of 8.8 million SF and 5.2 million SF, respectively. According to Grubb & Ellis' 1998 second quarter report Downtown and Mission Valley both have a vacancy rate of 14%.

Office development at NTC will depend on demand generated by other commercial uses and local service office demand, or alternatively the relocation of Navy offices from the downtown market or expanding Research and Development firms.

Prospective market rents for office uses are estimated using current rates in the Mission Valley submarket, which averages $1.15/SF/Month full service gross. Rehabilitated buildings are projected to achieve $0.50/Month NNN and new office space at NTC is expected to achieve a $1.17/SF/Month NNN. Stabilized occupancy is projected at 90%.

The absorption period to reach stabilized occupancy for the new office space is 15 years. However, this period may be shortened if owner-user firms related to the Department of Defense's SPAWARS program, come forward in the near future.

2. Research and Development (R&D)

The Reuse plan calls for 140,000 SF of new construction R&D space in the Education Subarea. The development profile identifies a campus style business park with single story office/industrial buildings similar to existing development in the Sorrento Valley area. The market demand for this land use at NTC will depend upon the willingness of investors and users to experiment with development opportunities outside the traditional R&D corridors.

New R&D space is expected to achieve rents of $1.00/SF/Month NNN. Using the estimated rent, a stabilized vacancy rate of 10%, and taking into account development costs, the residual land value is estimated at $9.70/SF land.

B. Residential

The Reuse Plan provides for 350 market rate residential units within the Residential Subarea's 35 acres. There are 96 small-lot single-family detached units proposed in the financing plan along with 254 townhomes. This is an example of a complete individual home community for entry-level buyers.

The small lot units are estimated to be 2,160 SF homes on 4,860 SF lots. All of the townhomes are assumed to be on 1,800 SF lots with half of them consisting of 1,215 SF two bedroom units, while the other half are assumed to be 1,944 SF three bedrooms units.

There are virtually no new detached units being built in the Point Loma market area because the area is primarily developed with single-family homes and has few available sites for development of new housing. According to a 1998 Market Profiles report, new detached units within the San Diego region had a weighted average sales price of $321,000 per unit, or $134/SF GBA. In Tierrasanta/Mission Valley, newly constructed single-family units sold for an average $265,000, or $128/SF GBA.

This study has assumed that NTC single-family detached units will sell for $300,000, or $139/SF GBA.

Townhomes are considered to be the preferred form of multi-family ownership housing in the Point Loma market. Existing competition in the townhome market is characterized as moderate because there are limited alternative development sites. New attached units within the San Diego region had a weighted average price of $200,000 per unit, or $157/SF GBA. This study has assumed that NTC attached townhome units will sell for $129 to $144/SF GBA, resulting in a range of sales prices from $175,000 for the smaller units to $250,000 for the larger units.

Absorption of the residential units is expected to be 120 units per year.

C. Hospitality

1. Resort Hotels

There are 350 hotel rooms planned on in the Waterfront/Recreation Subarea. Across the boat channel, on Camp Nimitz, another 650 rooms are proposed.

According to the San Diego Convention and Visitors Bureau (ConVis), San Diego currently has 45,000 hotel/motel rooms in 460 establishments. Since 1995, the lodging market has begun to improve after slipping to 62% occupancy levels in the early 1990s. A recent lodging report prepared by ConVis establishes the County of San Diego's May 1998 occupancy rate at 77%, and the average room rate at $121, placing San Diego's hotel occupancy level among the top ten in the country.

The San Diego bay area average daily room rate is $168 while the occupancy rate for water-oriented hotels is 81%. NTC's proposed hotel sites are near the Convention Center, downtown San Diego, Sea World, the bay, and the airport. The hotels in the San Diego Bay area are most often business class, convention, and luxury hotels.

Future demand for additional hotels is strongest in the convention sector of the market. ConVis anticipates that with a lack of additional hotel rooms in the downtown region, group business at the Convention Center will increase lodging business beyond downtown.

2. Bed & Breakfast

There are four existing buildings, totaling 17,300 SF, which were officers' quarters. The Reuse Plan assumes these buildings could be rehabilitated and adapted into a 30-room bed and breakfast (B&B) establishment. The financial analysis presented in chapter four has assumed that these building are sold "as is".

D. Commercial/Retail

There are over 149,000 SF existing buildings expected to be rehabilitated into retail and commercial space. These land uses, together, are likened to a combination of community/neighborhood retail and specialty/entertainment retail. Existing competition among retail uses range from moderate to strong, while both have moderate future growth potential. The availability of alternative competitive sites for community/neighborhood retail is limited; for specialty/entertainment retail, it is moderate.

The economic performance of retail uses has a wide range and will depend on a number of factors not identified in the current land use plans. Retail rental rates are estimated at $0.50/SF./Month/NNN. A 90% occupancy rate is applied as the stabilized occupancy factor. The projected absorption period to achieve stabilized occupancy for retail projects in the 50,000 SF range is 24 to 36 months.

E. Recreational

1. Golf Course and Clubhouse

A 9-hole golf course and 23,000 SF clubhouse are planned at the corner of Rosecrans and Lytton. The clubhouse is a historical building that will be rehabilitated.

In a previous market assessment, a 15 mile trade area was established after considering a 20 minute drive from the site and the relatively large inventory of golf facilities within the larger area. There are 21 existing golf facilities within the trade area, of which six are a 9 hole course, and a population of 1.18 million people over 13 years of age. Using industry standards an estimated 13.5% of the population are likely to participate in golf, thus yields 160,000 golfers within the trade area. An estimated 70% of these golfers will choose public courses. Therefore the number of potential NTC golfers is 112,000.

The National Golf Foundation estimates that the Pacific region registers 16.2 average annual rounds per golfer, hence the potential annual rounds in the trade area are over 1.81 million. However, only 15% of the rounds in the Southwester Untied States are played at 9 hole courses within the trade area. It is assumed that a 9 hole course will average 30,000 rounds per year. Currently there are six 9 hole courses, hence the trade area is under-supplied and can support three additional courses.

Owners and operators of 18 hole courses support these findings and emphasize the demand and importance of quality driving ranges and practice facilities for golfers to practice the skills necessary to be successful on large courses.

The six competing 9 hole golf courses have green frees that range from $5 to $19 on weekdays and $5 to 23 on weekend. It is estimated that the NTC golf course could achieve an average green fee of $10.

4.6 FINANCIAL ANALYSIS

This financial analysis is a static view of the estimated project values and costs of the Reuse Plan. In reality however, total build-out may take over 25 years. The costs shown have been estimated in 1998 dollars.

A. Summary of the Project

Table 23 summarizes all the estimated value and costs from the Reuse Plan. The development value estimated for the life of the project is $43.7 million. After taking into account total tax revenues, the total estimated project value is $115.7 million. However, the estimated project costs are $57.4 million, producing a *negative* development value of $13.7 million and a positive project value of $58.3 million.

It was assumed that the office, research and development (R&D), residential, the four single family residences used as officers quarters, historic core live/work, historic core office, and historic core retail/commercial could all be sold in the first ten years of the project. The development of the two hotels is also estimated to occur within the first ten years. The significant amounts of commercial and educational space needing rehabilitation are expected to take twenty-five years to complete.

B. Project Description

As described in Table 24, NTC is broken into five Subareas, excluding the Navy Housing portion, to total 430 acres. The Reuse Plan assumes that the 35 acres of the Residential Subarea, the new office/R&D parcels totaling 21 acres, the former officers quarters totaling 17,300 SF, and 382,000 SF of live/work, office, and commercial/retail space within the historic core will all be sold to developers/users. The balance of the base will be either ground leased for new construction or the buildings will be retained and leased out to users.

The Reuse Plan calls for a variety of new construction. The largest single development in terms of acreage is expected to be the 350 housing units in the 35-acre Residential Subarea. The largest project from a development value standpoint will be the two hotels, totaling 1,000 rooms, proposed for opposite sides of the boat channel, along Harbor Drive. The hotel on Camp Nimitz is proposed to have up to 650 rooms in a mid-rise configuration and cater to the business traveler. The Waterfront Hotel and Tennis Center is proposed to have up to 350 rooms and 16 tennis courts and a number of restaurants in a low-rise configuration and cater to the vacationing tourist. Office development is proposed on 12.6 acres, with 240,000 SF of office space. A proposed additional 140,000 SF of R&D space will be on 8.1 acres.

TABLE 23

SUMMARY OF FINANCIAL FEASIBILITY ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

	1998$
Total Project Value	
Capitalized Value of Rehabilitated Buildings	
Education	$0
Office	$600
Hotel/Community Meeting Room	$100
Recreational	$0
Subtotal Capitalized Value	$1,000
Land Proceeds from New Construction / Sales	
Residential Land Value	$4,000
Office Land Sale	$3,000
Research & Development Land Sale	$3,400
Camp Nimitz Hotel Ground Lease	$12,700
Waterfront Hotel Ground Lease	$10,000
Officers Quarters Sale	$2,200
Historic Core - Live/Work	$3,400
Historic Core - Office	$800
Historic Core - Commercial/Office	$1,200
Historic Core - Nonprofit/Instituitional	$0
Golf Ground Lease	$2,000
Subtotal Land Proceeds	$42,700
Subtotal Development Value	**$43,700**
Total Project Costs	
On-Site Improvements	$36,200
Off-Site Infrastructure Costs	$5,000
Master Developer Overhead/Personnel/Management Fee	$9,800
City Administration/Security/Maintenance	$4,600
Entitlement Costs	$1,000
Subtotal Project Costs	$56,600
Net Development Value Surplus/(Deficit)	**($12,900)**
Tax Revenues	
Tax Increment	$24,000
Housing Set-Aside	$8,000
Transient Occupancy Tax	$40,000
Subtotal Tax Revenues	$72,000
Net Project Surplus/(Deficit)	**$59,100**

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TABLE 24

PROJECT DESCRIPTION
NTC RE-USE PLAN
CITY OF SAN DIEGO

	Unit		Land	
Naval Training Center			**Land**	
Residential			35.2	Acres
Educational			41.0	Acres
Historic Core			87.1	Acres
Waterfront/Recreation (1)			167.6	Acres
Camp Nimitz			99.4	Acres
Total NTC			430.3	Acres
Camp Nimitz				
Hotel			15.5	Acres
MWWD			7.7	Acres
Airport Expansion / Least Tern Area			51.5	Acres
Public Safety Institute			24.7	Acres
Total Camp Nimitz			99.4	Acres
New Construction	**Unit**		**Land**	
Office	240,000	SF	12.6	Acres
Research & Development	140,000	SF	8.1	Acres
Residential	350	Units	35.2	Acres
Hotel - Camp Nimitz	650	Rooms	15.5	Acres
Hotel - Waterfront	350	Rooms	18.7	Acres
Totals	N/A		90.1	Acres
Rehabilitation				
Commercial (2)	41,230	SF	12.2	Acres
Educational Complex	436,400	SF	21.4	Acres
Officers' Quarters (3)	17,300	SF	1.4	Acres
Office Space (4)	12,300	SF	5.6	Acres
Historic Core (5)	516,000	SF	55.3	Acres
Hotel & Community Meeting Room	33,000	SF	2.7	Acres
Recreational (6)	43,400	SF	3.0	Acres
Totals	1,015,000	SF	101.6	Acres
Special Uses				
MWWD	100,000	SF	7.7	Acres
Golf Course	9	Holes	20.8	Acres
Public Safety Institute			24.7	Acres
Parking	1,600	Spaces	11.5	Acres
Boat Channel (south)			11.1	Acres
Harbor Drive			18.6	Acres
Totals			94.4	Acres
Public Benefit Conveyance				
Parks and Open Space			39.7	Acres
Shoreline Edge			10.4	Acres
Boat Channel (north)			42.6	Acres
Airport Expansion/Least Tern Area			51.5	Acres
Totals			144.2	Acres

(1) Waterfront/recreation includes Waterfront Hotel, swimming pool/gym (DPU 2.4), hotel community and meeting room, golf course, parks and open space, and waterfront edge.
(2) Commercial space in DPU 1.7
(3) Includes acreage for office space see note 3.
(4) Office space found in DPU 2.3.
(5) Includes 240,000 SF of Live/Work in DPUs 2.5, 2.6, 2.7, and 2.8, 35,900 SF of Office in DPU 2.2, 106,100 SF of commercial/retail in DPU 2.8 and 2.9, nonprofit space, city service center, chapel, pool/gym, and auditorium in DPUs 2.2 and 2.6.
(6) Fire station, swimming pool, and gymnasium in DPU 2.4.

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Since many of the buildings on NTC are historic and reusable, nearly 1.7 million SF of buildings are proposed to be rehabilitated. The Education Subarea will have over 400,000 SF of buildings that are suitable for educational use after rehabilitation.

Within the Historic Core during the first 15 years of project operations, over 516,000 SF (GBA) of buildings are proposed for various uses including over 240,000 SF of live/work space, 35,900 SF of office space, and 106,000 SF of commercial/retail space. Finally, 133,600 SF of the historic core could be rehabilitated for various public uses including nonprofit space, a city service center, chapel, pool/gym, and auditorium.

The Reuse Plan also proposes that over 50 acres be reserved for park and open-space purposes. A 9-hole golf course is also proposed on 21 acres in the Waterfront/Recreation Subarea along Rosecrans. Lastly, the Public Safety Institute is planned for 25 acres within the Camp Nimitz Subarea, with nearly 360,000 SF of buildings to be rehabilitated.

C. Project Sources – Capitalized Value of Rehabilitated Buildings

It is proposed that rehabilitated buildings be leased to users. The value of these buildings is shown on Table 25 and is based on a series of assumptions.

1. Education Buildings

There are over 400,000 SF of buildings planned for the educational use at NTC. No income is expected from these users other than $1.00/year. All rehabilitation costs for education buildings shall be paid for by the user.

2. Office Buildings

Office space located adjacent to the former officers' quarter's totals over 12,000 SF. Office space at this location is expected to rent for $.50/SF/Month NNN. After vacancy, the annual NOI is estimated to be $66,000, resulting in a capitalized value of $600,000.

3. Historic Core – Nonprofit / Institutional

Nearly 134,000 SF of buildings in the historic core are expected to be used for institutional or arts uses, including the city service center, chapel, pool/gym, and auditorium. No income is expected from these uses, other than $1.00/Year.

TABLE 25

REHABILITATED BUILDING'S CAPITALIZED VALUE ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

		Education	Office	Historic Core Nonprofit/Instituitional	Hotel/Community Meeting Room	Recreational
Building SF		436,400	12,300	133,600	33,000	43,400
Monthly Rent/SF (NNN)		$0	$0.50	$0	$0.03	$0
Annual Rental Income		$0	$74	$0	$10	$0
(Less) Vacancy @	10%	$0	($7)	$0	($1)	$0
Net Operating Income		$0	$66	$0	$9	$0
Capitalization Rate		0%	11%	0%	11%	0%
Capitalized Value		$0	$600	$0	$100	$0
(Less) Rehabilitation Costs		($24,016)	($531)	($6,012)	$0	($2,217)
(Less) Profit @	12%	($2,882)	($64)	($721)	$0	($266)
Net Surplus/(Deficit)		N/A (1)	$5	($6,733)	$100	($2,483)

(1) Rehabilitation costs paid for by operator of use.

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4. Hotel/Community Meeting Room

Adjacent to the proposed Waterfront Hotel is a 33,000 SF building proposed for meeting space for use by both the hotel and the surrounding community. Income from this facility is estimated at $10,000 per year, or $.03/Month/SF. Assuming a 10% vacancy rate, NOI from the meeting facility is estimated at $9,000 per year, resulting in capitalized value of $100,000.

5. Recreational

Rehabilitation of 43,400 SF attributed to a fire station, swimming pool, and gymnasium is proposed. No income is expected from these uses.

D. Project Funding Sources – Land Proceeds from New Construction/Sales

All new construction will be on land sold directly to a developer or ground leased to a developer. These calculations of value are shown on Table 26 and 27.

1. Residential Land Sale

The 35.2 acres planned for residential use are expected to be sold to private developer(s). As shown on Table 26, the Reuse Plan calls for the development of 254 townhomes and 96 small-lot single family detached units. All of these homes are proposed to be for sale.

Townhomes are proposed on 1,800 SF lots half with 1,200 SF units and half with nearly 2,000 SF units. The townhomes are estimated to sell between $175,000 and $250,000. These townhomes are estimated to cost $95/SF GBA to develop, generating a residual land value of $15.8 million or $62,000/Unit.

Small-lot single family homes likely be built on 4,900 SF lots containing an average of 2,200 SF/ unit. The single-family homes are expected to average $300,000/unit, or $139/SF GBA. Total costs to the residential developer are estimated at $216,000/Unit for development, $500,000 for park development, and $700,000 for private street improvements. The residual land value for the small-lot units is estimated to be $6.9 million, or $71,900/Unit.

It has been proposed that instead of the usual school fee of $1.75/SF GBA, the development will pay the City $5,000/Unit. The developer will also have the burden of the entitlement process, including tentative and final mapping, surveys, and subdivision costs which are estimated to be $400,000. After these adjustments and 10% profit are deducted, the adjusted residual land

TABLE 26

RESIDENTIAL LAND PROCEEDS ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Unit Mix	# of Units	SF/Unit	Acres	SF/Lot	FAR	Density
Townhomes A	127	1,215	5.25	1,800	0.68	24
Townhomes B	127	1,944	5.25	1,800	1.08	24
Small Lot Single Family	96	2,160	10.70	4,860	0.44	9
Subtotals	350	1,739	21.20	2,639		
Park/Recreation			4.20			
Streets - Public			7.14			
Streets - Private			2.66			
Totals	350		35.20			

Townhomes					Totals
Total Sales - Townhomes A	$144	/SF Unit	$175,000	/Unit	$22,200
Total Sales - Townhomes B	$129	/SF Unit	$250,000	/Unit	$31,800
(Less) Development Costs A	$95	/SF Unit	$115,425	/Unit	($14,700)
(Less) Development Costs B	$95	/SF Unit	$184,680	/Unit	($23,500)
Residual Land Value (Rounded)					$15,800
Per Unit					$62,200

Small Lot Single Family					Totals
Total Sales	$139	/SF Unit	$300,000	/Unit	$28,800
(Less) Development Costs	$100	/SF Unit	$216,000	/Unit	($20,700)
(Less) Park	$125,000	/Acre	4.20	Acres	($500)
(Less) Private Streets	$6	/SF Street	2.66	Acres	($700)
Residual Land Value (Rounded)					$6,900
Per Unit					$71,900

Adjusted Residual Land Value			
Total Residual Land Value			$22,700
School Fees	$1.75	/SF GBA	$1,100
(Less) Proposed School Fees	$5,000	/Unit	($1,800)
(Less) Entitlements (Maps Subdivision, Zoning, etc.			($400)
Subtotal			$21,600
(Less) Profit	10%		($2,160)
Adjusted Residual Land Value			$19,400
Per Unit			$55,000

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value that a developer would be able to pay is estimated to be $19.4 million, or $55,000/Unit. This adjusted residual land value is then compared against the total site preparation and private street and utility costs of $15.2 million or $44,000/Unit, resulting in a net residual value of $11,000/Unit.

2. *Office Land Sale*

The Reuse Plan has allocated 12.6 acres for office development, or 240,000 SF GBA. The office land is estimated to be valued at $5.50/SF of land, totaling $3.0 million in land value.

3. *Research and Development Land Sale*

The Reuse Plan has allocated 8.1 acres for R&D space, or 140,000 SF GBA. R&D land is estimated to be valued at $9.70/SF of land, totaling $3.4 million in value.

4. *Camp Nimitz Hotel Ground Lease*

A 650-room hotel is proposed on Camp Nimitz. Hotel land for the Camp Nimitz Hotel is estimated to be worth $28,000/Room, or $18 million. An annual ground lease payment at 8% of land value is $1.4 million/year, with a capitalized value of $12.7 million.

5. *Waterfront Hotel Ground Lease*

A 350-room hotel is proposed in the Waterfront Subarea. Hotel land for the Waterfront Hotel is estimated to be worth $39,000/Room, or $13.5 million. An annual ground lease payment at 8% of land value is $1.1 million/year, resulting in a capitalized value of $10.0 million.

6. *Officers' Quarters*

Four single-family homes totaling 17,312 SF are expected to be sold "as-is" at a value of $125/SF GBA, or $2.2 million. The former officers' residences are proposed to be operated as a Bed & Breakfast.

7. *Historic Core – Live/Work*

Over 240,000 SF of the rehabilitated buildings in the Historic Core can be used as live/work space. Buildings for live/work space are estimated to sell for $14/SF GLA or $3.4 million.

TABLE 27

COMMERCIAL LAND PROCEEDS ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Office (1)					**Totals**
Land Value	12.6 Acres	@	$5.50	/SF of Land	$3,000

Research & Development (1)					**Totals**
Land Value	8.1 Acres	@	$9.70	/SF of Land	$3,400

Camp Nimitz Hotel (1)					**Totals**
Land Value	650 Rooms	@	$27,765	/Room	$18,000
Annual Ground Lease Payment			8%	Of Value	$1,400
Total Land Proceeds	11% Capitalization Rate				$12,700

Waterfront Hotel (1)					**Totals**
Land Value	350 Rooms	@	$38,515	/Room	$13,500
Annual Ground Lease Payment			8%	Of Value	$1,100
Total Land Proceeds	11% Capitalization Rate				$10,000

Officers' Quarters (1)					**Totals**
Land Value	17,312 SF GBA	@	$125	/SF GBA	$2,200

Historic Core - Live/Work (1)					**Totals**
Land Value	240,439 SF GBA	@	$14	/SF GBA	$3,400

Historic Core - Office (1)					**Totals**
Land Value	35,918 SF GBA	@	$22	/SF GBA	$800

(1) Rounded to the nearest one-hundred thousandth.

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TABLE 27

COMMERCIAL LAND PROCEEDS ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Historic Core -Commercial/Retail (1)						**Totals**
Land Value	106,034	SF GBA	@	$11	/SF GBA	$1,200

Golf Course (1)						**Totals**
Land Value	9	Holes	@	$200,000	/Hole	$1,800
Annual Ground Lease Payment				9%	Of Value	$200
Total Land Proceeds	10% Capitalization Rate					$2,000

(1) Rounded to the nearest one-hundred thousandth.

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8. Historic Core – Office

Nearly 36,000 SF is expected to be used for office space within the historic core. Buildings in the historic core designated for office use are expected to sell for $22/SF GLA or $800,000.

9. Historic Core – Commercial/Retail

Over 106,000 SF of rehabilitated buildings in the historic core can be used as commercial/retail space. Commercial/retail space is expected to sell for $11/SF GLA or $1.2 million.

10. Golf Course Ground Lease

A 9-hole golf course on 21 acres of land is also in the Reuse Plan. The clubhouse will be rented by the operator separately from the ground lease. The golf course land value is estimated to be $200,000/Hole, or $1.8 million. The annual ground lease payment is estimated to be 9% of the land value or $200,000/Year, thereby generating a capitalized value of $2.0 million.

D. Project Sources – Tax Revenues

1. Tax Increment

While there are many uses proposed in the Reuse plan that are public uses and hence not on the tax rolls, Table 28 shows that there is an estimated total value added of $373 million that will be on the tax rolls. Since the Redevelopment Agency will commence implementation with no real property value, i.e. a zero base value, all value added through new construction or building rehabilitation of private uses will increase tax increment significantly.

The Navy housing area is included within the Redevelopment Project Area. In that area, the Navy plans to lease land to a private developer who in turn will build townhomes, rent them to navy personnel, and pay property taxes. It is estimated that these homes will be valued at approximately $92,000/Unit which adds $46 million to the tax rolls. This is a reduced economic value to reflect lower rent from Navy personnel.

The market rate residential units are estimated to have a value of $236,500/Unit or $83 million. The new construction of office buildings are estimated to have a value of $32 million or $133/SF GBA, and R&D space is estimated to have a value of $16 million, or $114/SF GBA. The hotels add the most value to the tax rolls with the Camp Nimitz Hotel at $99 million or, $152,000/Room, and the Waterfront Hotel at $56 million or $161,000/Room.

TABLE 28

PROJECT TAX INCREMENT ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

New Real Property Added	Scope		Value	Total Value Added (1)
New Construction:				
Office	240,000	SF	$133 /SF	$32,000
Research & Development	140,000	SF	$114 /SF	$16,000
Navy Housing	500	Units	$92,000 /Unit	$46,000
Residential	350	Units	$236,500 /Unit	$83,000
Hotel - Camp Nimitz	650	Rooms	$152,000 /Room	$99,000
Hotel - Waterfront	350	Rooms	$161,000 /Room	$56,000
Building Rehabilitation:				
Educational Complex	436,355	SF	$0 /SF	$0
Officers' Quarters	17,300	SF	$125 /SF	$2,000
Office	12,300	SF	$50 /SF	$1,000
Historic Core - Live Work	240,400	SF	$98 /SF	$24,000
Historic Core - Office	35,900	SF	$74 /SF	$3,000
Historic Core - Commericial/Retail	106,100	SF	$50 /SF	$5,000
Historic Core - City	133,600	SF	$0 /SF	$0
Hotel & Community Meeting Room	33,000	SF	$25 /SF	$1,000
Recreational	43,400	SF	$0 /SF	$0
Special Uses:				
Golf Course	9	Holes	$200,000 /Hole	$2,000
Public Safety Institute	356,770	SF	$0 /SF	$0
Parking	1,600	Spaces	$1,875 /Space	$3,000
Total Value Added				$373,000
Gross Annual Tax Revenue @	1%	Of Value		$4,000
(Less) Housing Set-Aside @	20%	Of Annual Taxes		($800)
(Less) Statutory Pass-Throughs @	20%	Of Annual Taxes		($800)
Net Annual Tax Increment				$2,400
Tax Increment Capitalized Value @	10%	Capitalization Rate		$24,000
Housing Set-Aside Capitalized Value @	10%	Capitalization Rate		$8,000

(1) Rounded to the nearest one-hundred thousandth.

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The former officers' quarters is estimated to have a value of $2.0 million or $125/SF GBA. Office space adjacent to the former officers quarters is estimated to have a value of $1.0 million, or $50/SF. Live/Work space in the historic core is estimated to have a value of $98/SF or $24 million. Office space in the historic core is estimated to have a value of $74/SF or $3 million. Commercial/retail space with the historic core is estimated to have a value of $5 million or $50/SF. The hotel and community meeting room is estimated to have a value of $25/SF or $1.0 million.

The golf course is estimated to have $1.8 million assessed value, or $200,000/Hole. Parking which will be leased to some users is estimated to have a value of $1,875/space or $3.0 million.

The estimated net annual tax increment after statutory pass-throughs and housing set asides is $2.4 million, with a capitalized value of nearly $24 million. (See Table 28. This amount is for 15 years, undiscounted.)

2. Housing Set-Aside

An important provision imposed by the legislature in 1976 was the requirement that, in redevelopment project areas adopted after 1976, 20 percent of the tax increment generated from the project area must be used by the agency to increase and improve the community's supply of affordable housing for persons of low and moderate income. The agency may spend monies from tax increment either within or outside the project area, but uses outside the project are permitted only if the Agency and legislative body find that this will benefit the Project Area. The 1996 amendment to the Community Redevelopment Law for closed military bases provides that agencies may defer the 20 percent tax revenue for low and moderate income housing for a period of up to five years after adoption of the plan. There is no recommendation to defer the 20 percent tax revenue for low and moderate income housing at this time. As illustrated on Table 28, the estimated housing set-aside amount is approximately $800,000 annually, resulting in a capitalized value of over $8 million. (This amount is for 15 years, undiscounted.)

3. Transient Occupancy Tax (TOT)

The Reuse Plan assumes that 100% of all TOT revenue will be channeled back to the NTC project. As illustrated in Table 29, the two hotels are estimated to have room rates of $140/night, resulting in total hotel revenue at NTC to be over $51 million/Year. With a 75% average occupancy rate, and a current TOT rate of 10.5% total hotel room revenue is estimated at $4.0 million/Year. The capitalized value of the TOT is estimated at $40 million.

TABLE 29

PROJECT TRANSIENT OCCUPANCY TAX ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Transient Occupancy Tax			Totals
Camp Nimitz Hotel Rooms	650 Rooms @	$140	$33,200
Waterfront Hotel Rooms	350 Rooms @	$140	$17,900
Total Hotel Revenue			$51,100
Average Occupancy			75%
TOT Rate			10.5%
Percentage to NTC			100%
Annual TOT Available to NTC			$4,000
Capitalized Value @	10% Capitalization Rate		$40,000

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E. Project Costs

Site improvement costs including infrastructure, park improvements, demolition, clearing, building rehabilitation, and Public Safety Institute costs, have been aggregated based on earlier estimates. Total project costs shown in Table 30 represent project costs to the Developer of NTC and not those project costs paid for by the owner or operator of a particular site.

1. Demolition and Clearing

Over 1.7 million SF of demolition and 135 acres of site clearance are estimated to cost over $14.1 million. It is expected that $11.4 million of the demolition costs will be paid by private developers, resulting in demolition and clearing costs of $2.7 million.

2. Infrastructure Costs

Infrastructure costs include all costs associated with road improvements, on-site traffic mitigation measures, and utility upgrading (water, sewer, storm drain, power, gas, communication, steam systems, and utility connections). These costs have been estimated, assuming that only the minimal improvements will be made to the systems in early years. Total infrastructure costs are estimated to be $15.0 million, however it is expected that $6.3 million will be paid for by the private owner or operator of the site, resulting in infrastructure costs of $8.8 million.

3. Indirect Costs

Indirect costs represent costs associated with design, plan check, and inspection fees, construction staking, construction administration, and construction contingency for demolition, infrastructure, and rehabilitation of NTC. Total indirect costs are estimated at $30.0 million, with $22.4 million paid by the private owner or operator of the site, resulting in indirect costs of $7.7 million.

4. Building Rehabilitation

Building rehabilitation of over 1.3 million SF of buildings is estimated to be the costliest component of the reuse process at NTC, totaling $52 million. The buildings in the Historic Core are the cause of the extremely high costs because most average $50 SF or more to rehabilitate. The estimates assume buildings are brought up to city codes with historically accurate rehabilitation. It is expected that $45.1 million of rehabilitation costs will be paid by the owner/operator of the building, resulting in building rehabilitation costs of $7.1 million to the project..

TABLE 30

TOTAL PROJECT COSTS ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Project Costs	1998 $ Totals
Site Improvements	
Demolition/Clearing	$2,700
Infrastructure	$8,800
Indirects	$7,500
Rehabilitation	$7,100
Gasline Installation	$500
Steamline Undergrounding	$900
Off-Street Parking	$3,600
Park Landscaping	$5,100
Subtotal Site Improvements	$36,200
Off-Site Infrastructure Costs	$5,000
Developer Overhead/Personnel/Management Fee	$9,800
City Administration/Security/Maintenance	$4,600
Entitlement Costs	$1,000
Total Project Costs	$56,600
Per SF Land	$3.02

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WORKSHEET 1

ON/OFF SITE PREPARATION COSTS
SAN DIEGO NTC REUSE PLAN

	1998 $ Master Devel Project Cost	1998 $ Owner/Operator Cost	1998 $ Total
Demolition	$2,744,000	$11,397,000	$14,141,000
Rehabilitation	$7,087,000	$45,185,000	$52,272,000
Infrastructure	$8,760,000	$6,297,000	$15,057,000
Indirects	$7,548,000	$21,811,000	$29,359,000
TOTAL	**$26,139,000**	**$84,690,000**	**$110,829,000**

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WORKSHEET 1

ON/OFF SITE PREPARATION COSTS
SAN DIEGO NTC REUSE PLAN

REHABILITATION

DPU	1998 $ Master Devel Project Cost	1998 $ Owner/Operator Cost	1998 $ Total
1.1/1.2	$0	$0	$0
1.3	$0	$0	$0
1.4	$0	$7,000	$7,000
1.5	$0	$0	$0
1.6	$0	$0	$0
1.7	$825,000	$0	$825,000
1.8	$0	$0	$0
	$825,000	$7,000	$832,000
2.1	$0	$16,548,000	$16,548,000
2.2	$3,927,000	$1,376,000	$5,303,000
2.3	$0	$393,000	$393,000
2.4	$1,642,000	$0	$1,642,000
2.5	$0	$4,410,000	$4,410,000
2.6	$526,000	$2,224,000	$2,750,000
2.7	$0	$4,406,000	$4,406,000
2.8	$0	$5,064,000	$5,064,000
2.9	$0	$1,333,000	$1,333,000
	$6,095,000	$35,754,000	$41,849,000
3.1	$167,000	$0	$167,000
3.2	$0	$0	$0
3.3	$0	$0	$0
3.5	$0	$0	$0
	$167,000	$0	$167,000
4.1	$0	$9,424,000	$9,424,000
4.2	$0	$0	$0
	$0	$9,424,000	$9,424,000
TOTAL	$7,087,000	$45,185,000	$52,272,000

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5. Gasline Installation and Steamline Undergrounding

Installation of a gasline throughout NTC is estimated to cost $500,000. Undergrounding of NTC's existing steamline is estimated to cost $900,000.

6. Off-Site Parking

Development of 1,000 parking spaces to serve the educational complex, and 600 spaces near the historic core are expected to cost $2,000/space.

7. Park Improvements

The Reuse Plan shows over 39 acres for parks. Total park landscaping costs are estimated at $5.0 million (not including park improvements paid by the residential developer) or approximately $3.00 SF.

8. Off-Site Housing Assistance

The Community Redevelopment Law requires that 20 percent of tax increment generated within the project area be set aside for increasing and improving the community's supply of affordable housing for persons of low and moderate income. This tax increment set aside can be used within the project area or outside the project area. The redevelopment agency and the City Council can make the determination as to where the funds will be spent.

9. Off-Site Infrastructure Costs

Off-site infrastructure costs relate to the improvement of nine streets leading into NTC. These cost are estimated at $6.0 million. The Navy would share in frontage improvements in the amount of about $1.0 million. This results in a total off-site infrastructure costs of $5.0 million.

10. Developer Overhead/Administration/Management

Developer's cost to manage the development of NTC including the cost for personnel and overhead is estimated at $9.8 million.

11. Administration/Maintenance and Security

The City's cost to administer, secure, and maintain NTC following conveyance is estimated at $4.6 million.

WORKSHEET 1

ON/OFF SITE PREPARATION COSTS
SAN DIEGO NTC REUSE PLAN

INFRASTRUCTURE

DPU	1998 $ Master Devel Project Cost	1998 $ Owner/Operator Cost	1998 $ Total
1.1/1.2	$0	$885,000	$885,000
1.3	$0	$3,491,000	$3,491,000
1.4	$0	$433,000	$433,000
1.5	$0	$568,000	$568,000
1.6	$48,000	$0	$48,000
1.7	$163,000	$0	$163,000
1.8	$485,000	$0	$485,000
	$696,000	$5,377,000	$6,073,000
2.1	$0	$629,000	$629,000
2.2	$811,000	$0	$811,000
2.3	$511,000	$0	$511,000
2.4	$37,000	$0	$37,000
2.5	$92,000	$0	$92,000
2.6	$141,000	$0	$141,000
2.7	$318,000	$0	$318,000
2.8	$347,000	$0	$347,000
2.9	$1,569,000	$0	$1,569,000
	$3,826,000	$629,000	$4,455,000
3.1	$2,258,000	$0	$2,258,000
3.2	$1,980,000	$0	$1,980,000
3.3	$0	$291,000	$291,000
3.5	$0	$0	$0
	$4,238,000	$291,000	$4,529,000
4.1	$0	$0	$0
4.2	$0	$0	$0
	$0	$0	$0
TOTAL	$8,760,000	$6,297,000	$15,057,000

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WORKSHEET 1

ON/OFF SITE PREPARATION COSTS
SAN DIEGO NTC REUSE PLAN

INDIRECTS

DPU	1998 $ Master Devel Project Cost	1998 $ Owner/Operator Cost	1998 $ Total
1.1/1.2	$0	$973,000	$973,000
1.3	$0	$2,986,000	$2,986,000
1.4	$0	$494,000	$494,000
1.5	$0	$701,000	$701,000
1.6	$24,000	$0	$24,000
1.7	$525,000	$0	$525,000
1.8	$556,000	$0	$556,000
	$1,105,000	$5,154,000	$6,259,000
2.1	$0	$6,253,000	$6,253,000
2.2	$1,799,000	$482,000	$2,281,000
2.3	$275,000	$138,000	$413,000
2.4	$611,000	$0	$611,000
2.5	$46,000	$1,544,000	$1,590,000
2.6	$255,000	$778,000	$1,033,000
2.7	$159,000	$1,542,000	$1,701,000
2.8	$174,000	$1,772,000	$1,946,000
2.9	$785,000	$467,000	$1,252,000
	$4,104,000	$12,976,000	$17,080,000
3.1	$1,349,000	$0	$1,349,000
3.2	$990,000	$0	$990,000
3.3	$0	$149,000	$149,000
3.5	$0	$0	$0
	$2,339,000	$149,000	$2,488,000
4.1	$0	$3,532,000	$3,532,000
4.2	$0	$0	$0
	$0	$3,532,000	$3,532,000
TOTAL	$7,548,000	$21,811,000	$29,359,000

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12. Entitlements

Securing entitlements for the development of NTC based on the Reuse Plan is estimated at $1.0 million.

4.7 FINANCING PROGRAM

The purpose of the financing program is to establish a plan that will get the proposed development underway in accordance with market conditions and funding availability.

A. Project Summary

Table 31 illustrates a cash flow of the sources and uses of funds to arrive at a surplus/(deficit) *for the first fifteen years of the project.* It is assumed that revenues are present valued at a 10% discount rate. The present value of the surplus over fifteen years is estimated to be nearly $23 million. Positive cash flow is expected in years 2005 – 2014.

The present value of total sources of revenue from NTC is $94 million. Tax revenues, including tax increment and transient occupancy taxes, total nearly $31 million, while land and lease proceeds will total $34 million present value.

The City of San Diego should expect to be responsible for any deficit that occurs. An estimated loan with a present value of $29 million is needed to develop NTC under the current proposed program. The items that cause the project to have a deficit in the first seven years are the rehabilitation, infrastructure, and administration costs. The loan will be repaid through project generated tax increment and transient occupancy tax.

The present value of total costs from the reuse of NTC is $71 million. The most significant cost of the Reuse Plan will be infrastructure improvements which will include off-site improvements, gasline installation, steamline undergrounding, park improvements, and infrastructure costs within the historic core. These costs have a present value of $19 million over 15 years. Debt service to Developer and site improvements are the next costliest items in the Reuse Plan at $17 million and $13 million, respectively.

B. Project Phasing

In 1997, the City established NTC as a Redevelopment Project Area to facilitate the development, financing, and rehabilitation of the base. Table 32 illustrates the estimated project phasing for new construction and rehabilitated buildings after NTC is conveyed to the City by the Navy in 1999.

TABLE 31

15 YEAR FINANCING PLAN SUMMARY OF SOURCES & USES ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Sources & Uses	NPV @10%	Total	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sources																	
Land/Lease Proceeds	$34,000	$70,500	$2,500	$1,600	$7,200	$6,900	$5,000	$3,800	$4,100	$4,200	$4,300	$5,900	$5,000	$5,000	$5,000	$5,000	$5,000
Tax Revenues	$58,000	$109,000	$32,000	$0	$100	$0	$1,000	$5,000	$7,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000
Developer Loan	$29,000	$42,000	$3,300	$9,300	$6,000	$5,000	$6,000	$5,100	$6,800	$0	$0	$0	$0	$0	$0	$0	$0
Total Sources	$121,000	$221,500	$37,800	$10,900	$13,300	$11,900	$12,000	$13,900	$17,900	$12,200	$12,300	$13,900	$13,000	$13,000	$13,000	$13,000	$13,000
Uses																	
Site Improvements	$13,000	$19,000	$0	$4,800	$2,300	$5,000	$3,000	$1,400	$700	$700	$700	$0	$0	$0	$0	$0	$0
Infrastructure Improvements	$19,000	$28,000	$3,000	$3,300	$6,800	$3,000	$3,000	$2,900	$6,000	$0	$0	$0	$0	$0	$0	$0	$0
Administration/Overhead	$11,000	$18,000	$2,200	$1,400	$2,000	$2,000	$2,000	$1,600	$700	$700	$700	$800	$800	$800	$800	$800	$800
Economic Development Conveyance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Developer's Entitlement Costs	$1,000	$1,000	$300	$400	$400	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest to Developer	$10,000	$15,000	$300	$1,100	$1,700	$2,100	$3,000	$3,100	$4,000	$0	$0	$0	$0	$0	$0	$0	$0
Debt Service to Developer	$17,000	$42,000	$0	$0	$400	$800	$1,000	$5,300	$4,000	$3,600	$3,600	$3,600	$4,000	$4,000	$4,000	$4,000	$4,000
Total Uses	$71,000	$123,000	$5,800	$11,000	$13,600	$12,900	$12,000	$14,300	$15,400	$5,000	$5,000	$4,400	$5,000	$5,000	$5,000	$5,000	$5,000
Financing Surplus/(Deficit)	$50,000	$98,500	$32,000	($100)	($300)	($1,000)	$0	($400)	$2,500	$7,200	$7,300	$9,500	$8,000	$8,000	$8,000	$8,000	$8,000
Accumulation			$32,000	$31,900	$31,600	$30,600	$30,600	$30,200	$32,700	$39,900	$47,200	$56,700	$64,700	$72,700	$80,700	$88,700	$96,700

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TABLE 32

15 YEAR FINANCING PLAN DESCRIPTION
NTC RE-USE PLAN
CITY OF SAN DIEGO

Description	Totals	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
New Construction																
0 Navy Housing (Units)	500			250	250											
1.1 Office (SF GBA)	240,000				120,000	120,000										
1.2 Research & Development (SF GBA)	140,000				70,000	70,000										
1.3 Residential (Units)	350			120	120	110										
1.4 Camp Nimitz Hotel	650						650									
1.5 Waterfront Hotel	350							350								
1.7 Parking (Spaces)	600						600									
1.8 Parking (Spaces)	1,000				500	500										
Rehabilitated Buildings																
1.7 Commercial (SF GBA)	41,232						41,232									
2.1 Educational Complex (SF GBA)	396,355		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	36,355				
2.2 Office (SF GBA)	35,918		12,814				23,104									
2.2 Nonprofit Space (SF GBA)	53,636				53,636											
2.2 City Service Center (SF GBA)	9,723	9,723														
2.2 Chapel (SF GBA)	7,868	7,868														
2.2 Pool/Gym (SF GBA)	41,994	41,994														
2.3 Officers Quarters (SF GBA)	17,312	17,312														
2.3 Office (SF GBA)	12,304		12,304													
2.4 Pool/Gym (SF GBA)	43,357				43,357											
2.5 Live/Work (SF GBA)	70,000					70,000										
2.6 Live/Work (SF GBA)	49,439		26,455	22,984												
2.6 Auditorium (SF GBA)	20,365						20,365									
2.7 Live/Work (SF GBA)	70,000		30,000	40,000												
2.8 Live/Work (SF GBA)	51,000		31,000	20,000												
2.8 Commercial/Retail (SF GBA)	75,760										75,760					
2.9 Pro-Shop (SF GBA)	16,080										16,080					
2.9 Clubhouse (SF GBA)	7,396									7,396						
2.9 Commercial Retail (SF GBA)	6,890											6,890				
Special Uses																
1.6/3.1/3.2 Parks (SF Land)	1,729,332			345,866	345,866	345,866	345,866	345,866								
3.3 Golf Course (Holes)	9	9														
3.5 Hotel/Community Meeting Room (SF)	33,000						33,000									
4.1 Public Safety Institute (SF GBA)	356,770						356,770									

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TABLE 33

15 YEAR FINANCING PLAN SOURCES ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Sources	NPV @ 10%	Total	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sale Proceeds	$14,000	$19,700	$2,300	$1,400	$6,200	$5,100	$2,600	$600	$0	$0	$0	$1,500	$0	$0	$0	$0	$0
Ground Lease Proceeds	$17,000	$41,000	$200	$200	$1,000	$1,600	$1,600	$2,600	$3,500	$3,500	$3,600	$3,700	$3,800	$3,800	$3,900	$4,000	$4,000
Lease Proceeds	$3,000	$7,400	$0	$0	$0	$200	$300	$600	$600	$700	$700	$700	$700	$700	$700	$700	$800
Subtotal Land/Lease Proceeds	$34,000	$70,500	$2,500	$1,600	$7,200	$6,900	$5,000	$3,800	$4,100	$4,200	$4,300	$5,900	$5,000	$5,000	$5,000	$5,000	$5,000
Tax Increment	$12,600	$31,524	$24	$100	$400	$1,000	$1,000	$2,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
TOT Revenue	$18,500	$49,000	$0	$0	$0	$0	$0	$4,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Subtotal Tax Revenues	$31,000	$81,000	$24	$100	$400	$1,000	$1,000	$6,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000
Developer Contribution	$28,500	$41,000	$3,300	$9,300	$5,700	$5,000	$6,000	$5,100	$6,800	$0	$0	$0	$0	$0	$0	$0	$0
Total Sources	$94,000	$193,000	$5,800	$11,000	$13,300	$12,900	$12,000	$14,900	$18,900	$12,200	$12,300	$13,900	$13,000	$13,000	$13,000	$13,000	$13,000

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TABLE 33 (CONT.) - ASSUMPTIONS

15 YEAR FINANCING PLAN SOURCES ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

TOT REVENUE

	Waterfront	Camp Nimitz
% to NTC	100%	100%
Room Rate	$140	$140
Occupancy	75.0%	75.0%
TOT Rate	10.5%	10.5%
Per Room	$11	$11

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1. New Construction

Navy Housing – The Navy is expected to ground lease its site to a residential developer who will build 500 residential units for Navy personnel. It is assumed that construction would begin in early 2001 with 250 units being available in 2002 and the remaining units absorbed in 2003. There is such a high demand for Navy housing that the units will be absorbed as they become available. It is assumed that the improvements will be on the property tax rolls.

Residential Land Sale – The Reuse Plan allows 350 market rate residential units, including 96 single-family small-lot detached homes and 254 townhomes, to be built on 35 acres. The entire Residential Subarea could be sold to one or more developers. The first phase of 120 units is expected to be completed in 2002, 120 units in 2003, and the final 110 units in 2004.

Camp Nimitz Hotel – A 650-room hotel is planned for Camp Nimitz in the Reuse Plan. All 650 rooms are expected to be developed in 2005. This hotel will be along the west side of the boat channel and also along Harbor Drive.

Waterfront Hotel – A 350-room resort hotel and tennis center is expected to be completed in 2006. This hotel will be on the east side of the boat channel and along Harbor Drive.

Office – The Reuse Plan calls for 240,000 SF of new office space. The office space is expected to be developed in two phases, with the first phase of 120,000 SF expected to be complete by 2003 and the remaining 120,000 SF completed in 2004.

R&D – The Plan allows 140,000 SF of R&D space to be built on NTC. It is expected that all 140,000 SF will be absorbed in two phases, with 70,000 SF absorbed in 2003, and the remaining 70,000 SF absorbed in 2004.

Parking - The Reuse Plan calls for the development of a total of 1,600 parking spaces in two locations, 1,000 parking spaces on 12 acres adjacent to the educational complex with 500 spaces completed in 2003 and 500 spaces completed in 2004, and 600 spaces on 12 acres near the historic core planned for completion by 2005.

2. Rehabilitation

Commercial – It is estimated that over 41,000 SF of commercial space will be rehabilitated directly adjacent to the historic core in 2005.

Education – The Reuse plan calls for over 400,000 SF of buildings in the Education Subarea to be rehabilitated and used by educational users, such as the Community College District. It is estimated that 400,000 SF of these buildings will be absorbed in the first 11 years. An average of 40,000 SF per year, over 10 years is assumed to be the absorption trend.

Office – Nearly 12,000 SF of office space adjacent to the former officers' quarters will be rehabilitated and rented, with all 12,000 SF developed in 2001.

Historic Core – Live/Work – Over 240,000 SF of the rehabilitated buildings in the Historic Core is estimated to be used as live/work space, with 87,000 SF developed in 2001, 83,000 SF developed in 2002, and 70,000 SF developed in 2004.

Historic Core – Office – Nearly 36,000 SF of space within the historic core is estimated to be for office use, with 12,800 SF rented in 2001, and 23,100 SF rented in 2005.

Historic Core – Commercial/Retail – Over 106,000 SF in the historic core is considered commercial/retail space, with 92,000 SF expected to be developed in 2009, 7,000 SF developed in 2009, and 7,000 SF developed in 2010.

Historic Core – Civic/Institutional/Arts – Nearly 134,000 SF of buildings in the historic core is planned to be used for civic, arts, or institutional purposes. It is estimated that the existing pool/gym at 42,000 SF will be available in 2000, 54,000 SF in 2003, and the auditorium at 20,000 SF will be rehabilitated in 2005. The existing city service center at 10,000 SF and chapel at 8,000 SF are expected to continue following conveyance.

Hotel and Community Meeting Room – A 33,000 SF building adjacent to the Waterfront Hotel is proposed for meeting space used by both the hotel and the surrounding community beginning in 2005.

Recreational - The Reuse Plan expects the continued operation of the existing pool and gym that are located next to the Residential Subarea. It is assumed that rehabilitation of the facility will be completed by 2003.

C. Project Funding Sources

Table 33 illustrates the sources of funds for the implementation of the Reuse Plan.

1. Sale Proceeds

Residential - The Reuse plan proposes the sale of the Residential Subarea to a private developer(s). As Table 34 shows, it is estimated that a residential developer will pay $4.1 million for the 35 acres to build 350 market rate, for-sale units. The developer will be responsible for all site preparation, private streets, and utility costs. These items and other development costs amount to $43,000/Unit which are deducted from estimated land value of $55,000/Unit, resulting in an estimated value of $6,200/Unit. The present value of the residential land proceeds is $3.0 million, or $8,600/Unit.

Office/R&D – The sale of 12.6 acres of land for office development and 8.1 acres for R&D is proposed in the Reuse Plan. Table 34 indicates a developer willing to pay $3.0 million for the office land, and $3.4 million for the R&D land. The developer will be responsible for all site preparation and development costs. These costs amount to $52/SF land for the office, and $35/SF of land for R&D, which are deducted from estimated value, resulting in a residual land value of $6/SF of land for office and $10/SF of land for R&D.

Officers' Quarters – Former officers' quarters consisting of four single-family residences are expected to be sold "as-is" at a value of $2.2 million or $125/SF GBA.

Historic Core – 48,000 SF of office space, 240,000 SF of live/work space, and 106,000 SF of retail/commercial space in the historic core is expected to be sold. As shown on Table 34, office space yields a net value of $0 to $500,000, live/work has a net value of $200,000, and retail/commercial yields a net value of $0 to $900,000.

2. Ground Lease Proceeds

Waterfront and Camp Nimitz Hotel – A large part of the new developments are within the Tidelands Trust. Table 34 indicates the uses that will pay the Agency or developer ground lease payments at 8% of land value after development cost. The Waterfront and Camp Nimitz hotels will have a land value of $161,000/Room and $152,000/Room, respectively. However, after deducting various development costs, the net land value will be $39,000/Room for the Waterfront Hotel, and $28,000/Room for the Camp Nimitz Hotel. The annual ground lease payments from the Waterfront Hotel will be approximately $1.1 million and the annual payment from the Camp Nimitz Hotel will be approximately $1.4 million.

Golf Course – The 9-Hole golf course is expected to have a land value of $200,000/Hole or $1.8 million. The resulting annual ground lease payment

TABLE 34

LAND SALE/LEASE PROCEEDS ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Proceeds	NPV @ 10%	Total	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sale Proceeds																	
Office/R&D Sale Proceeds	$5,000	$7,000	$0	$0	$3,500	$3,600	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residential Sale Proceeds	$3,000	$4,000	$0	$0	$1,500	$1,500	$1,400	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Historic Core Sale Proceeds	$6,000	$8,000	$2,300	$1,400	$1,200	$0	$1,200	$600	$0	$0	$0	$1,500	$0	$0	$0	$0	$0
Subtotal Sale Proceeds	$14,000	$19,000	$2,300	$1,400	$6,200	$5,100	$2,600	$600	$0	$0	$0	$1,500	$0	$0	$0	$0	$0
Ground Lease Proceeds																	
Camp Nimitz Hotel	$9,000	$23,000	$0	$0	$800	$800	$800	$1,800	$1,900	$1,900	$2,000	$2,000	$2,100	$2,100	$2,100	$2,200	$2,200
Waterfront Hotel	$6,000	$15,000	$0	$0	$0	$600	$600	$600	$1,400	$1,400	$1,400	$1,500	$1,500	$1,500	$1,600	$1,600	$1,600
Golf Course	$2,000	$3,000	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200
Subtotal Ground Lease Proceeds	$17,000	$41,000	$200	$200	$1,000	$1,600	$1,600	$2,600	$3,500	$3,500	$3,600	$3,700	$3,800	$3,800	$3,900	$4,000	$4,000
Lease Proceeds																	
Historic Core Lease Proceeds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Parking	$3,000	$7,000	$0	$0	$0	$200	$300	$600	$600	$700	$700	$700	$700	$700	$700	$700	$800
Hotel/Community Meeting Room	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Public Safety Institute	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Lease Proceeds	$3,000	$7,000	$0	$0	$0	$200	$300	$600	$600	$700	$700	$700	$700	$700	$700	$700	$800
Total Sources	$34,000	$71,000	$2,500	$1,600	$7,200	$6,900	$5,000	$3,800	$4,100	$4,200	$4,300	$5,900	$5,000	$5,000	$5,000	$5,000	$5,000

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TABLE 34 - ASSUMPTIONS

15 YEAR FINANCING PLAN SOURCES ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

	Units	Land Value	(Less) Costs	Net Value	Ground Lease
Sale Proceeds					
Office Per Unit (SF)	240,000	$31,800	($28,800)	$3,000	N/A
Research & Development (SF)	140,000	$15,900	($12,500)	$3,400	N/A
Residential (Units)	350	$19,300	($15,200)	$4,100	N/A
Officer Quarters (SF)	17,312	$2,200	$0	$2,200	N/A
Historic Core:					
2.2 Office (SF)	35,918	$2,600	($2,100)	$500	N/A
2.3 Office (SF)	12,304	$600	($600)	$0	N/A
2.5 Live/Work (SF)	70,000	$6,900	($6,700)	$200	N/A
2.6 Live/Work (SF)	49,439	$3,600	($3,400)	$200	N/A
2.7 Live/Work (SF)	70,000	$6,900	($6,700)	$200	N/A
2.8 Live/Work (SF)	51,000	$5,000	($4,800)	$200	N/A
2.8 Retail (SF)	75,670	$3,700	($2,800)	$900	N/A
2.9 Retail (SF)	30,364	$2,000	($2,000)	$0	N/A
Ground Lease Proceeds					
Camp Nimitz Hotel (Per Room)	650	$99,000	($80,800)	$18,200	$1,400
Waterfront Hotel (Per Room)	350	$56,200	($42,700)	$13,500	$1,100
Golf Course (Holes)	9	$1,800	$0	$1,800	$200

Lease Proceeds		Mo. Rent Per Space/SF	Vacancy	Annual NOI
1.8 Parking (Spaces)	1,000	$25	0%	$300
Hotel/Communty Meeting Room (SF)	33,000	$0.03	0%	$10

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based on a 9% ground lease rate is $200,000.

The present value of the ground lease payments is $16.7 million for the first 15 years of the project.

3. Lease Proceeds

Table 34 details the net operating income the Developer will receive from tenants. It is not expected that the Developer will receive any lease payments from rehabilitated buildings for nonprofit or institutional uses. The only annual lease payments expected are from leased parking spaces adjacent to the educational complex at $300,000/Year, and the Hotel and Community Meeting Room at $10,000/Year.

The present value of the lease proceeds received by the City for the rehabilitated buildings is approximately $3.0 million.

4. Tax Increment

Tax increment will be generated in the first year of the project when $4 million of value will be added to the base. Since there has never been private development at NTC, the base value will begin at zero. The seventh year of the project will have the largest amount of new real property value added at $122.5 million. The estimated tax rate is 1% of which 20% goes to the Housing Set-Aside fund and another 20% goes to other taxing jurisdictions. The resulting net tax increment is $1.0 million in 2001 and increases to $3.0 million in 2007. The present value of the tax increment over 15 years, exclusive of housing set-aside and statutory pass-throughs is $13.0 million.

5. Transient Occupancy Tax

Table 33 illustrates the static TOT value per room. The two hotels in the Waterfront and Camp Nimitz Subareas, are estimated to have $140 daily room rates and 75% occupancy. After applying the 10.5% TOT to the gross revenues, the two resort hotels average $11,000/Room/Year. The present value of the TOT revenue is $18.5 million which is proposed to be directed to the NTC project.

6. Housing-Set-Aside

By state law, the Redevelopment Agency is required to set-aside 20% of the tax increment for low and moderate income housing to be used in the Project Area or in some cases, outside the Project Area. Table 35 illustrates that $28,000 will be set-aside in year 2001 and after increasing annually, over $900,000 will be set-aside in 2007. The Reuse Plan assumes that the Agency may allocate to the homeless providers the Housing Set-Aside funds

TABLE 35

TAX INCREMENT ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Description	Scope	Value	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
New Construction																	
Navy Housing (Units)	500	$92,000	$0	$0	$23,000	$23,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Office (SF)	240,000	$133	$0	$0	$0	$16,000	$15,916	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
R&D (SF)	140,000	$114	$0	$0	$0	$8,000	$7,958	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Residential (Units)	350	$236,500	$0	$0	$28,000	$28,000	$26,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Waterfront Hotel (Rooms)	650	$152,033	$0	$0	$0	$0	$0	$98,821	$0	$0	$0	$0	$0	$0	$0	$0	$0
Camp Nimitz Hotel (Rooms)	350	$160,604	$0	$0	$0	$0	$0	$0	$122,500	$0	$0	$0	$0	$0	$0	$0	$0
Building Rehabilitation																	
Educational Complex (SF)	436,355	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Officers' Quarters (SF)	17,312	$125	$2,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Office (SF)	12,304	$49	$0	$600	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Historic Core - Live/Work (SF)	240,439	$93	$0	$8,000	$8,000	$0	$7,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Historic Core - Office (SF)	35,918	$74	$0	$900	$0	$0	$0	$2,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Historic Core - Commercial/Retail (SF)	106,034	$50	$0	$0	$0	$0	$0	$0	$0	$0	$400	$5,000	$300	$0	$0	$0	$0
Historic Core - City (SF)	113,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Hotel & Community Meeting Room (SF)	33,000	$25	$0	$0	$0	$0	$0	$1,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Recreational (SF)	43,400	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Special Uses																	
Golf Course (Holes)	9	$200,000	$2,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Public Safety Institute	356,770	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Parking (Spaces)	1,600	$1,875	$0	$0	$0	$900	$900	$1,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total New Real Property			$4,000	$10,000	$59,000	$76,000	$58,000	$102,800	$122,500	$0	$400	$5,000	$300	$0	$0	$0	$0

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TABLE 35 (Continued)

TAX INCREMENT ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Description		NPV @10%	Total	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total New Real Property			$438,000	$4,000	$10,000	$59,000	$76,000	$58,000	$102,800	$122,500	$0	$400	$5,000	$300	$0	$0	$0	$0
NTC Accumulated Value (1)	2.0%		$5,169,000	$4,000	$14,000	$73,000	$150,000	$211,000	$318,000	$447,000	$456,000	$466,000	$480,000	$490,000	$500,000	$510,000	$520,000	$530,000
(Less) Base Value			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Incremental Value			$5,169,000	$4,000	$14,000	$73,000	$150,000	$211,000	$318,000	$447,000	$456,000	$466,000	$480,000	$490,000	$500,000	$510,000	$520,000	$530,000
Estimated Tax Rate				1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Gross Tax Revenue		$21,000	$52,000	$40	$140	$730	$1,500	$2,110	$3,180	$4,470	$4,560	$4,660	$4,800	$4,900	$5,000	$5,100	$5,200	$5,300
(Less) Housing Set-Aside @	20.0%	($4,000)	($10,000)	($8)	($28)	($146)	($300)	($422)	($636)	($894)	($912)	($932)	($960)	($980)	($1,000)	($1,020)	($1,040)	($1,060)
(Less) Statutory Pass-Throughs @	20.0%	($4,000)	($10,000)	($8)	($28)	($146)	($300)	($422)	($636)	($894)	($912)	($932)	($960)	($980)	($1,000)	($1,020)	($1,040)	($1,060)
(Less) Statutory Pass-Throughs @	16.8%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($17)	($34)	($50)	($67)	($84)
Net Tax Increment		$13,000	$32,000	$24	$100	$400	$1,000	$1,000	$2,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000

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for transitional or other housing off the base. The net present value of the Housing Set-Aside using a discount rate of 10% is $4.0 million.

D. Project Uses

Table 36 illustrates the uses of funds for the implementation of the Reuse Plan.

1. Site Improvements

Site improvement costs are those direct and indirect costs associated with on-site demolition and infrastructure. The present value of the site improvements over fifteen years is estimated to be $13 million.

2. Infrastructure Improvements

Infrastructure improvements reflect costs related to off-site improvements, gasline installation, steamline undergrounding, park improvements, and infrastructure improvements to the historic core. It is estimated that the present value of infrastructure improvements is $19.0 million.

3. Administration and Overhead

The cost of managing the reuse process and maintaining and securing the base during the project's first 15 years of development is estimated to have a present value of $10 million.

4. Economic Development Conveyance

Since there are extremely high costs associated with reusing NTC, the Reuse Plan assumes that a major portion of the base will be conveyed to the City, through an Economic Development Conveyance, at no costs to the City.

5. Entitlements

Securing entitlements for the planned development of NTC is estimated to have a net present value of $1 million.

6. Financing Costs

It is proposed that a loan of $29 million is needed to develop NTC under the current program. As tax increment and transient occupancy tax revenues are generated through the development of NTC, debt service on the development loan will be paid. Net present value of debt service paid during the project's first 15 years is $17.0 million. It is estimated interest will accumulate on any outstanding deficits at an estimated interest rate of 10%. Net present value of interest is estimated at $10 million.

TABLE 36

15 YEAR FINANCING PLAN USES ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Uses	NPV @10%	Total	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Site Improvements (1)																	
Series I	$6,000	$9,000	$0	$0	$2,300	$3,700	$1,100	$1,400	$0	$0	$0	$0	$0	$0	$0	$0	$0
Series II	$7,000	$10,000	$0	$4,800	$0	$1,400	$2,100	$0	$700	$700	$700	$0	$0	$0	$0	$0	$0
Series III & IV	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Site Improvements	$13,000	$19,000	$0	$4,800	$2,300	$5,100	$3,200	$1,400	$700	$700	$700	$0	$0	$0	$0	$0	$0
Infrastructure Improvements																	
Off-Site Improvements	$4,000	$5,500	$1,900	$700	$2,500	$50	$300	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gasline Installation	$500	$500	$500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Steamline Undergrounding	$700	$900	$0	$900	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Park Improvements	$9,000	$14,000	$0	$0	$2,700	$2,800	$2,800	$2,900	$3,000	$0	$0	$0	$0	$0	$0	$0	$0
Historic Core Improvements	$5,000	$7,000	$500	$1,700	$1,600	$200	$0	$0	$3,000	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Infrastructure Improvements	$19,000	$28,000	$2,900	$3,300	$6,800	$3,050	$3,100	$2,900	$6,000	$0	$0	$0	$0	$0	$0	$0	$0
Administration/Overhead																	
City's Cost for Administration/Marketing/Security	$3,000	$5,000	$1,100	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300
Developer's Personnel/Overhead/Management Fe	$7,000	$12,000	$1,100	$1,100	$1,300	$1,300	$1,300	$1,300	$400	$400	$400	$500	$500	$500	$500	$500	$500
Subtotal Administration/Overhead	$10,000	$17,000	$2,200	$1,400	$1,600	$1,600	$1,600	$1,600	$700	$700	$700	$800	$800	$800	$800	$800	$800
Economic Development Conveyance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Developer's Entitlement Costs	$1,000	$1,000	$300	$400	$400	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Financing Costs	$27,000	$57,000	$300	$1,100	$2,100	$2,900	$4,000	$8,400	$8,000	$3,600	$3,600	$3,600	$4,000	$4,000	$4,000	$4,000	$4,000
Total Uses	$70,000	$122,000	$5,700	$11,000	$13,200	$12,700	$11,900	$14,300	$15,000	$5,000	$5,000	$4,400	$4,800	$4,800	$4,800	$4,800	$4,800

(1) Includes demolition/clearing, infrastructure, indirects, and rehabilitation.

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TABLE 37

DEMOLITION/REHABILITATION/INFRASTRUCTURE COSTS ($000s)
NTC RE-USE PLAN
CITY OF SAN DIEGO

Uses (1)	$/Unit	NPV @10%	Total	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Demolition and Clearing																		
1.7 Commercial/Parking	$1.45	$600	$800	$0	$0	$800	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1.8 Parking	$3.13	$1,200	$1,700	$0	$0	$0	$1,700	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.2 Nonprofit/Institutional	$0.11	$100	$100	$0	$0	$100	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.3 Officer's Quarters/Office	$0.32	$100	$100	$0	$100	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.4 Pool/Gym	$0.67	$100	$100	$0	$0	$0	$100	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3.1 Parks/Open Space	$1.04	$600	$1,000	$0	$0	$200	$200	$200	$200	$200	$0	$0	$0	$0	$0	$0	$0	$0
Total Demolition and Clearing		$2,700	$3,800	$0	$100	$1,100	$2,000	$200	$200	$200	$0	$0	$0	$0	$0	$0	$0	$0
Rehabilitation																		
1.7 Commercial	$27	$900	$1,200	$0	$0	$1,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.2 Nonprofit Space	$74	$3,500	$4,200	$0	$4,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.2 City Service Center	$39	$300	$400	$0	$400	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.2 Chapel	$9	$100	$80	$0	$80	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.2 Pool/Gym	$20	$700	$900	$0	$900	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.4 Pool/Gym	$51	$1,600	$2,500	$0	$0	$0	$1,200	$1,300	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.6 Auditorium	$35	$500	$800	$0	$0	$0	$0	$800	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3.1 Parks/Open Space	$11	$100	$200	$0	$0	$40	$40	$40	$40	$40	$0	$0	$0	$0	$0	$0	$0	$0
Total Rehabilitation		$7,700	$10,280	$0	$5,580	$1,240	$1,240	$2,140	$40	$40	$0	$0	$0	$0	$0	$0	$0	$0
Infrastructure																		
1.6 Parks/Open Space	$0.46	$60	$100	$0	$0	$20	$20	$20	$20	$20	$0	$0	$0	$0	$0	$0	$0	$0
1.7 Commercial/Parking	$0.46	$200	$300	$0	$0	$300	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1.8 Parking	$1.45	$500	$800	$0	$0	$0	$800	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.2 Nonprofit/Institutional	$1.42	$1,000	$1,300	$0	$0	$1,300	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.3 Officer's Quarters/Office	$2.51	$700	$800	$0	$800	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.4 Pool Gym	$0.42	$0	$60	$0	$0	$0	$60	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.5 Live/Work	$0.61	$100	$150	$0	$0	$150	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.6 Live/Work/Auditorium	$0.77	$200	$200	$0	$200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.7 Live/Work	$2.03	$500	$500	$500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.8 Live/Work	$1.28	$500	$600	$0	$600	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2.9 Commercial/Retail	$5.69	$1,400	$2,800	$0	$0	$0	$0	$0	$0	$2,800	$0	$0	$0	$0	$0	$0	$0	$0
3.1 Parks/Open Space	$4.35	$2,400	$3,800	$0	$0	$700	$700	$800	$800	$800	$0	$0	$0	$0	$0	$0	$0	$0
3.2 Parks/Open Space	$3.73	$2,100	$3,400	$0	$0	$600	$700	$700	$700	$700	$0	$0	$0	$0	$0	$0	$0	$0
Total Infrastructure		$9,660	$14,810	$500	$1,600	$3,070	$2,280	$1,520	$1,520	$4,320	$0	$0	$0	$0	$0	$0	$0	$0

(1) Demolition, rehabilitation and infrastructures costs shown represent costs to the Developer of NTC and not demolition, rehabilitation, or infrasturcture costs paid for by the owner or operator of a particular site. Costs shown do not include project wide infrastructure costs such as off-site trraffic mitigation, gasline installation, and steamline undergrounding.

Prepared by: Keyser Marston Associates, Inc.
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