Attachment R

APPRAISAL REPORT

Sports Arena and Related Properties
Sports Arena Boulevard
San Diego, California

PREPARED FOR

Mike Keagy, MAI
Principal Appraiser/Program Manager
City of San Diego Economic Development Department Real Estate Division
1200 Third Avenue, Suite 1400
San Diego, California 92101

DATE OF VALUATION

March 7, 2025

DATE OF REPORT

October 2, 2025

PREPARED BY

SCHNEIDER
VALUATION
CONSULTANTS, INC.

SCHNEIDER
VALUATION
CONSULTANTS, INC.

Schneider Valuation Consultants, Inc.
Appraisal, Appraisal Review, and Advisory
11440 West Bernardo Court, Suite 300
San Diego, California 92127
858.208.3175
Connect@SchneiderVC.com
www.SchneiderVC.com

October 2, 2025

Mike Keagy, MAI
Principal Appraiser/Program Manager
City of San Diego Economic Development Department Real Estate Division
1200 Third Avenue, Suite 1400
San Diego, California 92101

Re: Appraisal of Sports Arena and Related Properties

Dear Mr. Keagy:

At your authorization and request, I have performed an appraisal of the referenced property. The purpose of this appraisal is to develop an opinion of the fair market value of the subject property, which includes the leased fee interest. You are the client as Principal Appraiser/Program Manager with the City of San Diego Economic Development Department Real Estate Division. The City of San Diego Economic Development Department Real Estate Division is the only intended user of this report. The intended use of this appraisal is to provide value documentation for internal purposes. The effective date of the appraisal, commonly known as the date of value, is March 7, 2025. This is the last date of an onsite inspection of the main part of the subject property.

This letter is accompanied by an appraisal report which is intended to comply with the reporting requirements set forth under Standard 2 of the Uniform Standards of Professional Appraisal Practice ("USPAP"). It presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process. Supporting documentation concerning the data, reasoning, and analyses is contained herein. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein. I am not responsible for the unauthorized use of this report.

This appraisal was performed in conformance with USPAP, the supplemental requirements of the Appraisal Institute, and relevant laws and regulations. This appraisal is subject to certain assumptions and limiting conditions that are made a part of this report. Acceptance and use of this report by the client or any other intended user constitutes acceptance of these assumptions and limiting conditions.

Thank you for this opportunity to be of service. Please contact me if you have any questions or if I may be of further service.

Sincerely,



Eric C. Schneider, MAI, SRA, AI-GRS, R/W-AC
AG040624

TABLE OF CONTENTS

EXECUTIVE SUMMARY **7**

ASSUMPTIONS AND LIMITING CONDITIONS **8**

CERTIFICATION **11**

IDENTIFICATION OF THE PROPERTY **12**

PURPOSE OF THE APPRAISAL **12**

EFFECTIVE APPRAISAL DATE **12**

INTENDED USE AND USER **12**

PROPERTY RIGHTS **12**

DEFINITION OF VALUE **13**

- **OWNERSHIP** 13
- **USE** 13

APPRAISAL PROBLEM TO BE SOLVED **14**

SCOPE OF THE APPRAISAL **15**

SOURCES OF INFORMATION **16**

PROPERTY INSPECTION **16**

REGIONAL AREA MAP **17**

LOCAL AREA MAP **18**

AREA DESCRIPTION **19**

- **AREA SUMMARY** 19
- **LOCAL AREA DEVELOPMENT TRENDS** 23
- **RECENT DEVELOPMENTS** 26
- **DEVELOPMENT PIPELINE** 27
- **CONCLUSION** 29

ECONOMIC CHARACTERISTICS **30**

- **UNEMPLOYMENT** 30
- **EMPLOYMENT** 31
- **DEMOGRAPHIC SUMMARY** 31
- **POPULATION** 32
- **INCOME** 32
- **HOUSEHOLDS** 32
- **CONCLUSION** 33

REAL ESTATE MARKET CHARACTERISTICS **34**

- **RESIDENTIAL** 34
- **RETAIL** 39
- **LAND** 42
- **CONCLUSION** 42

AERIAL IMAGE **44**

PARCEL MAP **45**

SITE PLAN (SAMPLE) **46**

SITE CHARACTERISTICS **47**

Size and Shape 47
Street Improvement and Traffic Information 47
Topography, Drainage, and Flood Control 47
Soils 48
Seismic Stability 48
Utilities 50
Hazardous Waste 50
Potential Adverse Influences 50

LEGAL CHARACTERISTICS **51**

Legal Description 51
Easements and Encumbrances 51
Land Use Regulations 51

ECONOMIC CHARACTERISTICS **57**

Assessment Information 57

IMPROVEMENT CHARACTERISTICS **58**

Improvement Summary 58

DESCRIPTION OF LEASES **59**

Arena Lease 59
Dixieline Lumber Lease 60
Salvation Army Lease 60
Retail Center Lease 60
Retail Pads Lease 60
Conclusion 61

VALUATION METHODOLOGY **62**

Approaches to Value 62
Applicability of Approaches 62
Market Data Analysis 62

HIGHEST AND BEST USE **63**

Introduction 63
Components of Highest and Best Use 64
Highest and Best Use as if Vacant 64
Highest and Best Use as Improved 66
Highest and Best Use Conclusion 66

LAND VALUATION **67**

Search Criteria 67
Market Data Summary 67
Valuation Analysis 74
Summary of Analysis 76
Land Value Indication by Sales Comparison (As If Vacant) 78
Adjustment for Leasehold Value 78
Adjustment for Demolition of Improvements 79

LAND VALUE INDICATION BY SALES COMPARISON 80
VALUE CONCLUSION 82
APPENDIX 83
APPENDIX A – DISCOUNTED CASH FLOW ANALYSIS 83
INTRODUCTION 83
VALUE OF PAD SITES 83
DEVELOPABLE AREA 84
DEVELOPMENT COSTS 85
SELLING PERIOD 85
GROWTH RATE 85
DISCOUNT RATE 86
CONCLUSION 86
APPENDIX B – PRIMARY DATA SALE SUMMARY 88
APPENDIX C – SECONDARY DATA SALE SUMMARY 90
APPENDIX D – QUALIFICATIONS 92

EXECUTIVE SUMMARY

PROPERTY IDENTIFICATION		
Name	Sports Arena and Related Properties	
City, State Zip	San Diego, California 92110	
County	San Diego County	
MSA	San Diego-Carlsbad, CA MSA	
Market / Submarket	San Diego / Midway	
Geocode	32.7551821, -117.2123081	
Census Tract	06-073-006500	
SITE DESCRIPTION		
Number of Parcels	1	
Assessor Parcel Number	Portion of 441-590-04	
Land Area	Square Feet	Acres
Total	2,112,660	48.50
Zoning	Commercial-Community (CC-3-6)	
Shape	Irregular	
Topography	Level at street grade	
Flood Zone	Zone X (Shaded) & Zone X (Unshaded)	
IMPROVEMENT DESCRIPTION		
Gross Building Area (GBA)	342,888	
Total Buildings	9	
QUALITATIVE ANALYSIS		
Site Quality	Good	
Site Access	Good	
Site Exposure	Good	
Site Utility	Good	

HIGHEST & BEST USE	
As Vacant	Mixed-use development
As Improved	Demolition of the existing improvements for redevelopment of mixed-use

MARKET VALUE CONCLUSION

VALUATION SCENARIO	INTEREST APPRAISED	EFFECTIVE DATE	VALUE
Fair Market Value	Leased Fee Interest	March 7, 2025	$75,600,000

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following specific assignment conditions, the use of which might have affected the assignment results.

1. This valuation is based on the extraordinary assumption that the City of San Diego will incur the costs to subdivide the subject property as the property is part of a larger property owned by the City, if necessary.
2. Improvement information (including the cost to demolish the improvements) was sourced from a cost estimate prepared by AECOM and dated July 18, 2023. This cost estimate was provided to the City by the developer involved in negotiations to develop the site. I am not aware of any consultant hired by the City to perform an independent investigation. Further, representatives from AECOM were not interviewed for this assignment. This valuation is based on the extraordinary assumption that this information sourced from the AECOM materials is accurate. Should the City provide their own estimate or additional information regarding development of the property be provided, I reserve the right to revisit this analysis.
3. This valuation is based on the extraordinary assumption that there are no contamination issues that materially impact value other than that identified in the AECOM materials.

This appraisal is subject to the following general assumptions and limiting conditions.

1. Information, estimates, and opinions furnished by others and contained in this report are assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed.
2. No responsibility is assumed for matters legal in character, nor do I render an opinion as to title, which is assumed to be held in fee simple interest as of the date of valuation unless otherwise stated.
3. It is assumed that the subject property is readily marketable and free of all liens and encumbrances, except any specifically discussed in this report.
4. Photographs, exhibits, and maps furnished in this report are to assist the reader in visualizing the property. I have not conducted a survey of the property, and no responsibility has been assumed in this matter.
5. It is assumed that there are no legitimate environmental or ecological reasons that would prevent use of the property to its highest and best use, unless otherwise set forth in this report.
6. A soils engineering study has not been provided for this appraisal. It is assumed that there are no hidden or unapparent conditions of the property such as subsoil conditions which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which might be required to discover such factors.

7. This report may not be used for any purpose by anyone other than the party to whom it is addressed without my written consent.
8. The submission of this report constitutes completion of the services authorized. It is submitted on the condition that the client will provide me with customary compensation relating to any subsequent required depositions, conferences, additional preparation, or testimony.
9. Possession of this report, or a copy thereof, does not carry with it the right to publication. Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute. Neither all nor any part of this report (especially reference to the Appraisal Institute or its professional designations) may be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communications without prior written consent and approval.
10. No warranty is made as to the seismic stability of the subject property.
11. The date of value to which the opinions expressed in this report apply is set forth herein. I assume no responsibility for economic or physical factors occurring at some later date which may affect the opinions stated herein.
12. I have not conducted an engineering survey. Except as specifically stated, data related to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
13. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights and it is assumed that the property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.
14. The projections included in this report are utilized to assist in the valuation process and are based on market conditions, anticipated short-term supply, and demand factors as of the effective appraisal date.
15. Testimony or attendance in court or any other hearing is not required by reason of rendering this appraisal unless such arrangements are made at a reasonable time in advance.
16. The subject property was personally inspected, and no obvious evidence of structural deficiencies were found; however, no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes can be assumed without provision of specific professional or governmental inspections.
17. A title report was not read for this appraisal. It is assumed that there are no easements or encumbrances that would limit the utility of the property, unless otherwise noted in the report. No responsibility is assumed for undisclosed items of record or any unrecorded items that may limit the utility of the property.
18. By acceptance and use of this report, the user agrees that any liability for errors, omissions, or judgment is limited to the amount of the fee charged for the appraisal. Anyone acting in reliance upon the opinions, judgments, conclusions, or data contained herein, who has the potential for monetary loss due to the reliance thereon, is advised to secure an independent review and

verification of all such conclusions and/or facts. The user agrees to notify me, prior to any loan or irrevocable investment decision, of any error which could reasonably be determined from a thorough and knowledgeable review.

19. As used in this report, the word "inspection" means a viewing of the property and its improvements for appraisal purposes; it should not be construed to mean a professional building inspection in which the building structures and systems are reviewed, examined, and/or tested. Measurements taken, if any, are for appraisal purposes only and are not to be relied upon for any other use.
20. Physical inspection of the property revealed no apparent contamination by hazardous chemicals or toxic wastes. In addition, no nearby land uses were noted that are commonly associated with such problems. However, I am not an expert in detecting hazardous waste. It is assumed that no such contamination of the subject property exists.
21. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more requirements of the ADA. If so, this fact could have a negative impact on the value of the property. Further, the highest and best use is redevelopment. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.
22. The existence of potentially hazardous material used in the construction or maintenance of the subject improvements, such as asbestos, urea formaldehyde foam insulation, and/or toxic waste, which may or may not be present on the property. The existence of such substances on or near the property may have an effect on the value of the property. I am not qualified to detect such substances. The client is urged to retain an expert in this field if desired.[1]

[1] According to the AECOM materials, there is a budget item for building abatement. I have not been provided with additional information regarding this item. For purposes of my analysis, I have included this cost in the appraisal.

CERTIFICATION

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest, nor bias with respect to, the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. No one provided significant real property appraisal assistance to the individual signing this report. Ms. Lindsey Berry assisted with administrative and other related assistance.
10. I have personally inspected the property that is the subject of this certification. This includes an interior and exterior inspection of the arena component, as well as an exterior inspection of the other improvements.
11. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
12. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute. I have also received certification from the state of California as a Certified General Appraiser.



Eric C. Schneider, MAI, SRA, AI-GRS, R/W-AC
AG040624

October 2, 2025
Date

IDENTIFICATION OF THE PROPERTY

The subject property consists of a 48.5-acre site located in the Midway submarket of the city of San Diego. Colloquially known as the Sports Arena Property, the subject property consists mostly of open parking area. Improvements include a sports arena known as Pechanga Arena as well as various retail improvements described herein. Based on information provided by the client, building improvements total 342,888 SF, which equate to a floor area ratio ("FAR") of 0.16. The property is a portion of Assessor's parcel number ("APN") 441-590-04. The subject property is part of a larger 68.56-acre site.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to develop an opinion of the fair market value of the subject property. This appraisal is subject to assumptions and limiting conditions. If any of the assumptions and limiting conditions are not valid, I reserve the right to amend the appraisal.

EFFECTIVE APPRAISAL DATE

The effective date of the appraisal, commonly known as the date of value, is March 7, 2025. This is the last date of an onsite inspection of the main part of the subject property.

INTENDED USE AND USER

The client for this assignment is Mr. Mike Keagy, MAI, Principal Appraiser/Program Manager of the City of San Diego Economic Development Department Real Estate Division. The City of San Diego Economic Development Department Real Estate Division is the only intended user of this report. The intended use of this appraisal is to provide value documentation for internal purposes. There are no other intended uses of the appraisal or intended users of the appraisal report.

PROPERTY RIGHTS

This assignment pertains to opining to fair market value for the subject property. This necessitated an opinion of the fair market value of the subject’s leased fee interest and fee simple estate, noting that the subject is partially leased. These definitions are defined as follows.

Fee Simple Estate - "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[2]

Leased Fee Interest - "The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."[3]

DEFINITION OF VALUE

The value definition is sourced from documentation related to the Surplus Land Act, which impacts the subject property as described herein.

"The price a particular parcel would sell for on the open market when certain conditions are met. Those conditions are: (1) the parties involved are aware of all the facts, (2) are acting in their own interest, (3) are free of any pressure to buy or sell, and (4) have ample time to make the decision."[4]

The subject property was appraised on a cash basis.

OWNERSHIP AND PROPERTY HISTORY

Ownership

The subject title is currently vested in the City of San Diego (the "City"). To my knowledge, no transfers of title have occurred in the three years prior to the effective appraisal date, and the subject property was not listed for sale or under contract of sale on the date of value. The property was declared as "surplus land" and went through a process of disposition in accordance with the Surplus Land Act ("SLA"). This process and other information related to the SLA is contained in my workfile, but relevant information for this appraisal has been summarized herein.

Use

Primarily, the property has been historically used for an entertainment venue consisting of a sports arena named Pechanga Area. There are also several retail properties located on the site that are located along Sports Arena Boulevard. According to documents provided by the client, there are several leases in place

2 *The Dictionary of Real Estate Appraisal*, 7th Edition, Appraisal Institute, Chicago, IL, 2022, page 73.
3 *The Dictionary of Real Estate Appraisal*, page 105.
4 Updated Surplus Land Act Guidelines Final, dated August 1, 2024.

as it relates to these improvements. These leases include the arena portion of the property, as well as leases for the various retail components. These leases were analyzed as a part of this assignment.

The City is currently in negotiations with a development group to ground lease the subject property.

APPRAISAL PROBLEM TO BE SOLVED

The appraisal problem to be solved is concluding to the fair market value of the subject property. With this opinion of value, there are several items to consider, which include the following items provided by the client.

- An analysis that reflects the "as-is, where-is" market value of the subject property based on its highest and best use. This would include consideration to demolish structures on the site as well as for any income to be received by existing tenants.
- An analysis that considers the subject property's characteristics, including its urban location in a mostly developed area and the fact that the land area is relatively large. Such characteristics influence the market area in which the subject property competes and the market participants that would compete for development of the property. As discussed herein, the most likely development would be constructed in phases.
- Several existing uses that would be demolished in order to achieve more development flexibility.
- The fact that the property is subject to the Surplus Land Act as described herein, which necessitates an affordable housing component of at least 25 percent[5] of the units to be constructed.

To summarize, the following represents the appraisal problem to be solved (provided by the client).

> *Economic Development Real Estate Division requests that the appraisal report for the Sports Arena project (48.50 acres) provide an estimate of market value, "as-is, where-is", as though vacant. The appraisal should consider the highest and best use and land use regulations as of the date of value (March 7, 2025). The analysis should be based on City requirements, including 25% affordable housing units. Please include demolition costs to remove existing buildings and site improvements, and consider the income associated with the existing tenants. In addition, please address the entire development phase timing in the valuation section.*

Based on information from the client that considers the "as-is, where-is" value of the land, the fair market value reflects the current condition of the property as of the effective date.

5 According to a City representative, if there are no market participants that engage with a public entity after a first notice of availability, this percentage may decrease.

SCOPE OF THE APPRAISAL

This analysis is intended to be an "appraisal" as defined in the Uniform Standards of Professional Appraisal Practice ("USPAP"). It is my intent that the appraisal service be performed in such a manner that the results of the analysis, opinion, or conclusion be that of a disinterested third party. All appropriate data deemed pertinent to the solution of the appraisal problem was collected, confirmed, and reported in conformity with USPAP and the supplemental requirements of the Appraisal Institute. This document includes a description of the subject property as well as a discussion of the reasoning that has resulted in the conclusions. The scope was appropriate in relation to the appraisal problem.

In preparing this appraisal, the following tasks were performed, noting that the research and analysis was substantially completed around the date of value; there may be new information in terms of market activity and transactions as of the report date, but this would have been unavailable as of the effective appraisal date.

- The physical, legal, and economic characteristics of the subject property were investigated.
- The highest and best use of the subject property was determined.
- Various market participants were interviewed.
- In selecting applicable approaches to value, the applicability of each traditional approach was considered given the subject's characteristics and the intended use of the appraisal. Based on this consideration, this appraisal includes development of the land sales comparison approach.
- Appropriate analyses were performed to conclude to the fair market value for the subject property.

Based on the availability of market data, there is sufficient data available to determine an opinion of land value via the land sales comparison approach. The client has requested an analysis based on a land residual methodology. Due to the number of inputs necessary to develop the land residual analysis, it is considered to be less reliable than the sales comparison approach. If the land sales utilized have the same or a similar highest and best use, then the price of the sale will factor in the inherent risks associated with redevelopment, including demolition costs, entitlement cost and risk, and timing. As such, this land residual method was performed, but was considered to be a secondary analysis to the sales comparison approach that was ultimately given full weight. A summary of the land residual method is contained in the appendix.

Prior to engagement for this assignment, an expert was requested to assist in estimating the cost to demolish the existing improvements. Given the unique development of the site (e.g., an arena), such expertise was considered relevant to support the appraisal conclusions. Improvement information (including the cost to demolish the improvements) was sourced from a cost estimate prepared by

AECOM and dated July 18, 2023. This cost estimate was provided to the City by the developer involved in negotiations to develop the site. I am not aware of any consultant hired by the City to perform an independent investigation. Further, representatives from AECOM were not interviewed for this assignment. This valuation is based on the extraordinary assumption that this information sourced from the AECOM materials is accurate. Should the City provide their own estimate or additional information regarding development of the property be provided, I reserve the right to revisit this analysis.

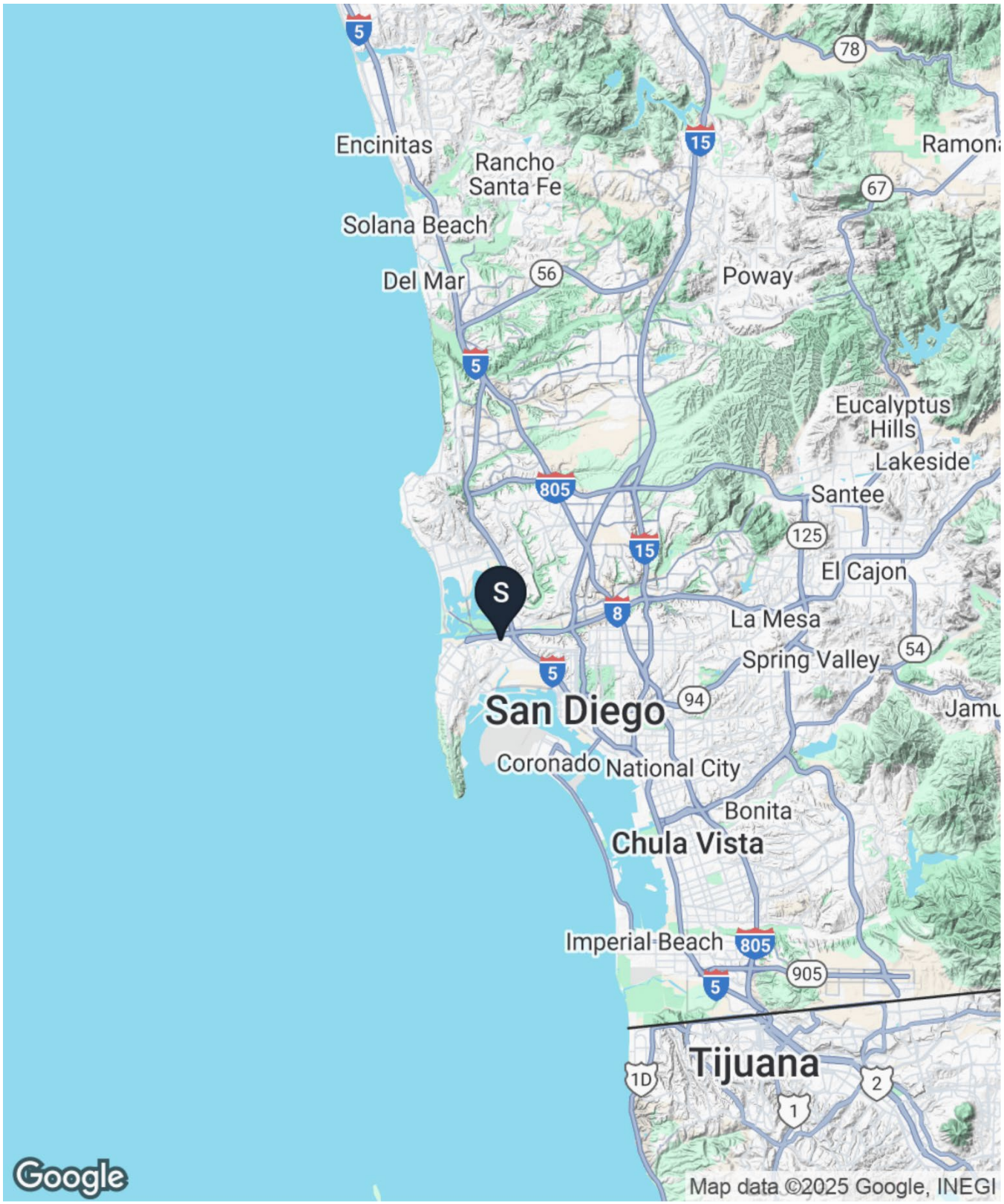
SOURCES OF INFORMATION

INFORMATION PROVIDED	
Property Assessment & Tax	San Diego County Treasurer-Tax Collector
Zoning & Land Use Planning	City of San Diego Planning Department
Site Size	Client
Building Size	AECOM Document, CoStar
Supply & Demand	CoStar
Flood Map	FEMA
Demographics	STDB On-Line
Comparable Information	CoStar | Confirmed by Local Agents
Legal Description	Other
Construction Costs/Budget	AECOM

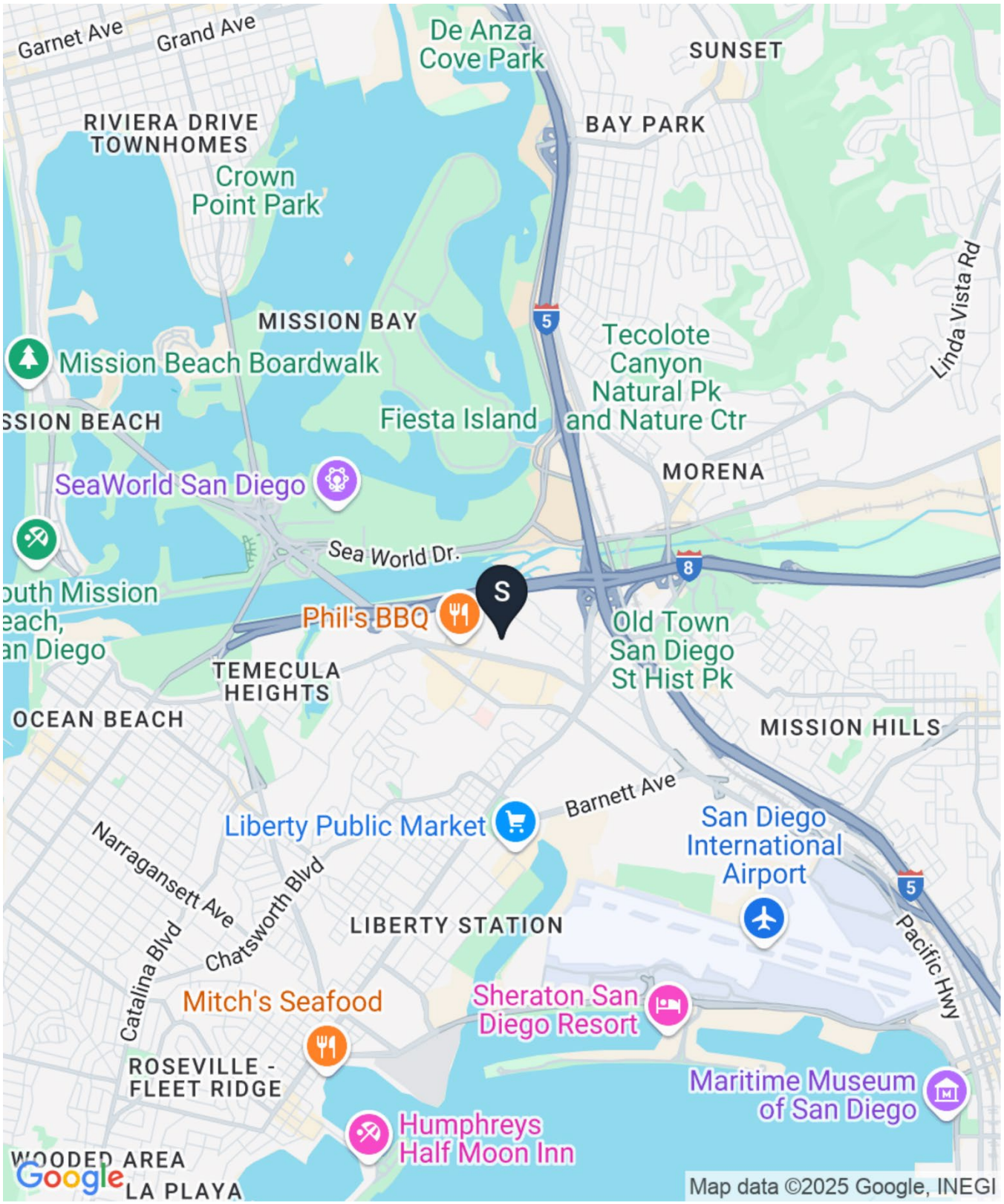
PROPERTY INSPECTION

PROPERTY INSPECTION				
APPRAISER	**INSPECTED**	**EXTENT**	**DATE**	**ROLE**
Eric C. Schneider, MAI, SRA, AI-GRS, R/W-AC	Yes	Interior & Exterior	March 7, 2025	Primary Appraiser
ALSO PRESENT	**COMPANY**	**EXTENT**	**DATE**	**AFFILIATION**
Ryan Golden	Pechanga Arena	Interior & Exterior	March 7, 2025	Property Contact

REGIONAL AREA MAP



LOCAL AREA MAP



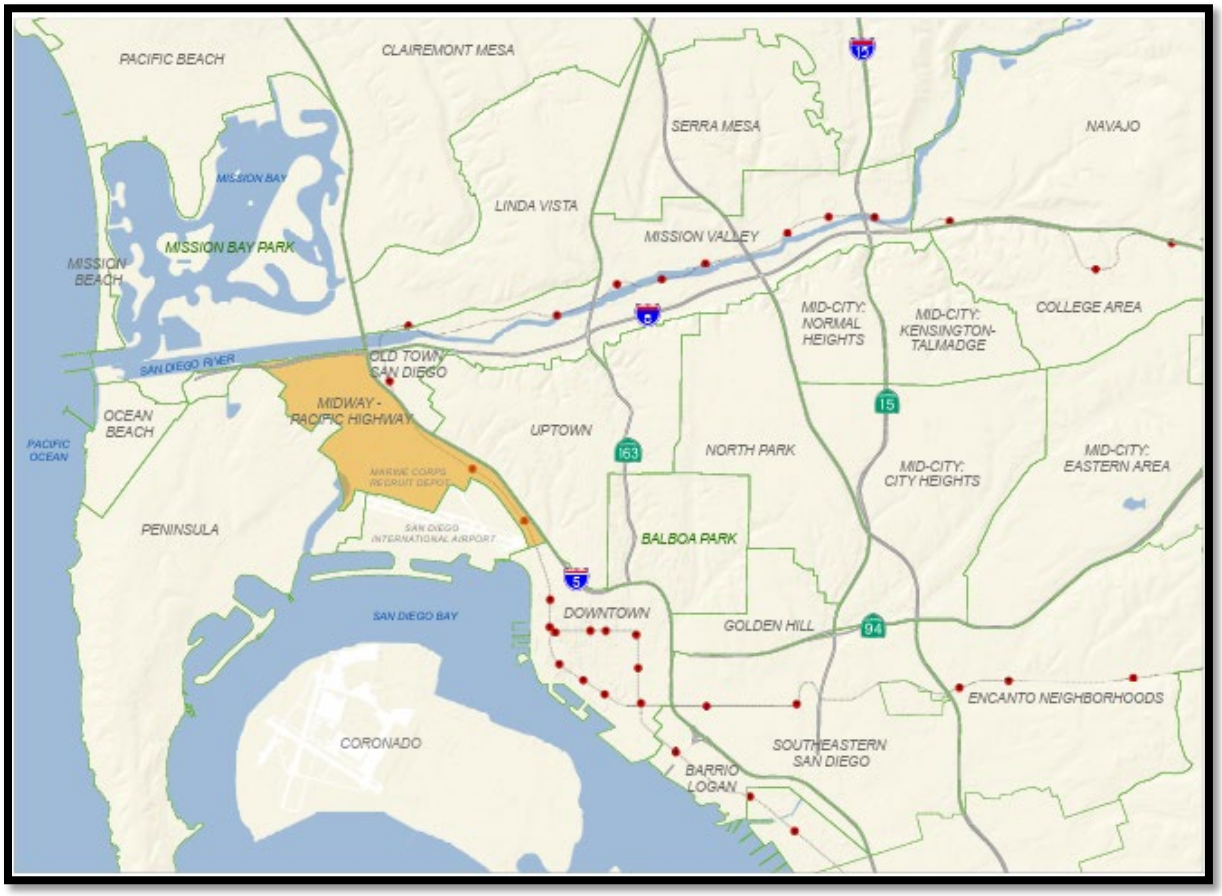
AREA DESCRIPTION

Area Summary

The subject property is located in San Diego, California. The map presented on a previous page illustrates the subject property location relative to the San Diego-Carlsbad, CA MSA ("metropolitan statistical area"). The property is located in what is identified as the Midway-Pacific Highway community plan area ("CPA"). The following discussion is sourced from the Midway-Pacific Highway Community Plan (the "Community Plan").

Location

Midway - Pacific Highway is a centrally located urban community in close proximity to downtown, the bays and beaches, and the San Diego River. The following exhibit from the Community Plan[6] shows the CPA as it relates to surrounding areas of the city.



6 Community Plan, page IN-4

History

Development of this area took shape during the late 1800s and early 1900s with the growth of industries such as transportation, military, and aviation. The community was also the site of significant war-related activity during World War II, which brought aircraft manufacturing activity. The post-war development of the community mainly consisted of small warehouses and commercial and industrial buildings. A focus on automobiles was strengthened with the construction of Interstates 5 and 8, which are the current main freeways used to access the community.

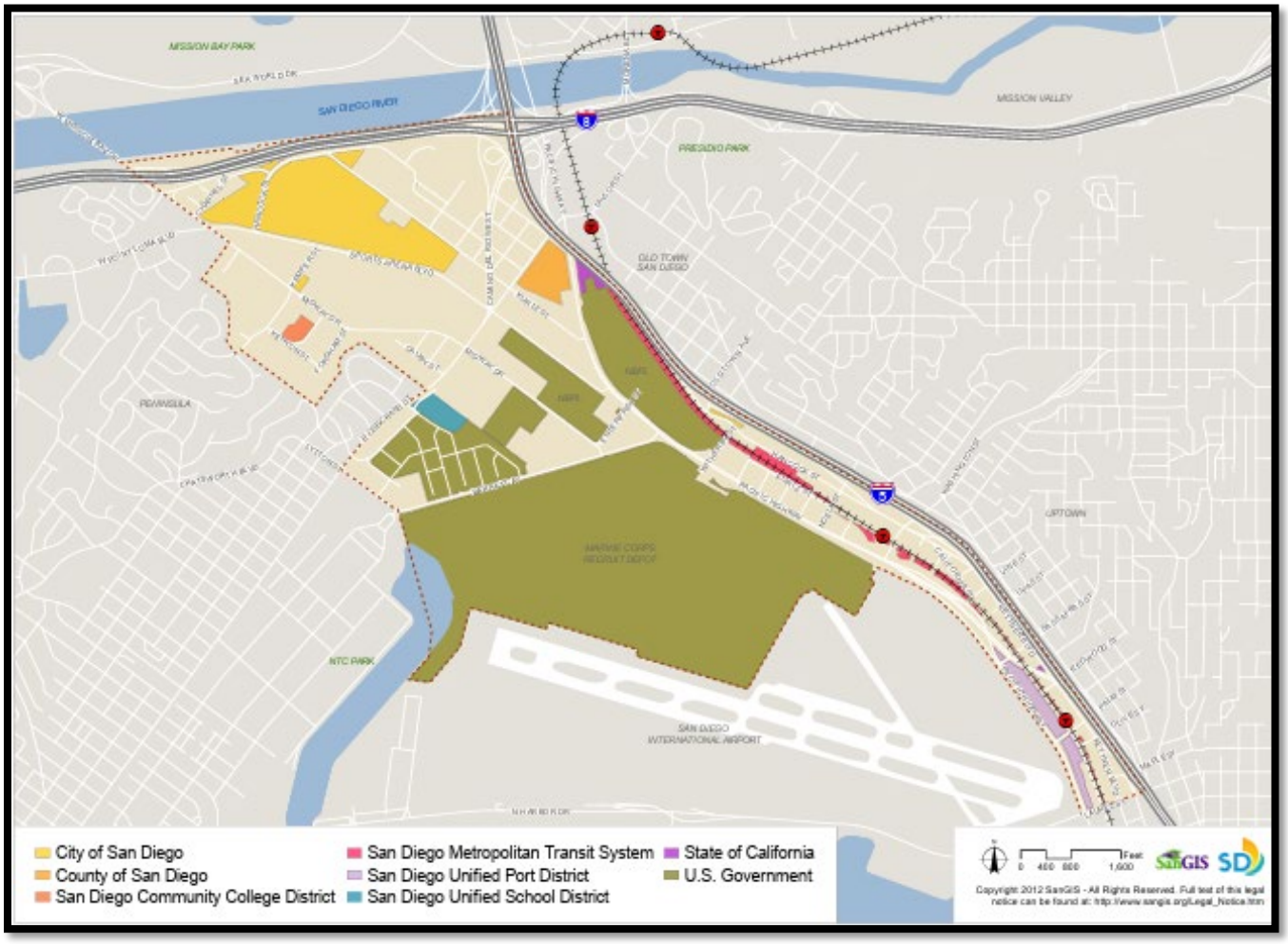
Large parcels in the community were developed with automobile-oriented commercial uses, including the Sports Arena (currently known as Pechanga Arena) on the former Frontier Housing site in 1966. The Midway area gave way to commercial strip and shopping center development that mainly catered to nearby residential, military, and visitor populations, as well as some multifamily housing development. Development in the last 10 to 20 years has mainly been related to automobile-related businesses, commercial and industrial businesses serving the military and San Diego Airport, and other types of commercial and industrial development.

Land Uses

Midway-Pacific Highway contains a variety of land uses. According to the Community Plan, retail is the largest commercial use in the community. This includes the Sports Arena Shopping Center, a 494,000 square foot retail center located proximate to the subject and includes major tenants such as Target, Ralphs, and The Home Depot. Military properties represent the largest land use in the community, with the U.S. Marine Corps Recruit Depot on approximately 400 acres located adjacent to Barnett Avenue and Pacific Highway. Other commercial uses include industrial and institutional (e.g., utility substations, government offices and facilities, and educational facilities). There are also many heavy commercial and office uses as well. With respect to residential uses, the community contains approximately 2,000 housing units, most of which are multifamily.

The subject is located on government-owned (city) land, which includes a variety of site and building improvements. Much of Midway-Pacific Highway is government-owned, including property owned by the city and by the federal government. The following exhibit[7] depicts such properties within the plan area; the subject is located within city-owned land at the northwest corner of the plan area, identified in yellow.

7 Community Plan, page IN-9.



The character of the Midway-Pacific Highway area has remained fairly constant over the past 20 years but is currently changing. Large commercial centers have received mostly cosmetic treatments to keep them attractive, but the nature of the commercial space in the area has not changed significantly. While the community plan guiding development in the CPA calls for more homogeneity, the area will probably maintain a fragmented state for some time while undergoing redevelopment. The area will continue to serve as a significant commercial district and, with high vehicle traffic volume, and will attract a broad range of commercial tenants.

With its proximity to downtown San Diego and coastal areas, this plan area is a logical location for residential growth. There is strong demand for infill development in the central San Diego market, and redevelopment is contemplated in this area as well. One example of this trend is the former United States Postal Service property located at 2535 Midway Drive. This 16.05-acre site served as the main post office for the San Diego area for many years and was improved with a 360,000 square foot building. Purchased for $40,050,000 ($57 per square foot of land) in 2017 by a local developer, approximately

11.6 acres were sold in December 2019 to BlackRock for $88,859,000, or $176 per square foot of land.[8] The site was developed with 658 residential units, or about 57 units per acre. Redevelopment of the remaining (approximately) 4.5 acres originally consisted of about 230,000 square feet of office space. In 2024, an initiation was made to amend the community plan to allow denser development. This includes increasing the density of the larger parcel to have the ability to develop 846 units (73 units per acre) and increasing the density of the smaller parcel to 486 units (108 units per acre). While the smaller parcel was slated for office development, this information indicates that the use is proposed to change to residential.

Also being contemplated for redevelopment in the immediate area is Navy land along Pacific Highway that is approximately 70.3 acres. This site is envisioned for dense residential and office use. In 2024, a potential master developer (consisting of two groups) was selected and entered into negotiations for redevelopment.[9] Plans submitted include 8,900 residential units (127 units per acre), two hotels, and retail shops and restaurants. At this time, inclusion of affordable housing as part of this project is not known.[10] Also planned is approximately 2.8 million square feet of commercial space, a significant portion of which will be built for the Navy's use. Additional information related to this development is contained in my workfile.

Accessibility and Transportation

The subject is accessed by multiple driveways along Sports Arena Boulevard and Kurtz Street. Major state highways proximate to the subject include Interstate 8 to the north and Interstate 5 to the east. These two freeways intersect in close proximity to the subject property.

There are MTS bus stops directly along the subject frontage on Sports Arena Boulevard. Old Town Transit Center is within one mile to the east. San Diego International Airport ("SAN") is the nearest major commercial passenger airport (approximately 4.5 miles to the southeast).

8 Given the smaller size and the older dates of sale, this sale information was not used in the analysis.
9 https://navwar-revitalization.com/development/. Unless otherwise noted, websites were last accessed as of the report date.
10 https://navwar-revitalization.com/faqs/.

Local Area Development Trends

Given that the subject property is poised for redevelopment, development trends in the immediate area were investigated. Properties within four miles of the subject property were investigated in order to capture relevant trends. Given the size of the subject site and the potential for development, properties containing 50,000 square feet or more in building area were researched.

The following highlights the development in and around the subject, sourced from CoStar Group ("CoStar"), a commercial real estate research firm. While the following notes relatively specific figures, overall trend information was gleaned from this source and reconciled with further research of specific projects and development-specific information.

Office

LOCAL AREA OFFICE - FOUR-MILE RADIUS				
CLASS	RBA	YEAR BUILT	PERCENT LEASED	PROPERTIES
A	13,237,306 SF	1994	62.3	43
B	4,775,116 SF	1992	94.4	42
C	1,275,756 SF	1953	81.3	14
TOTAL	19,288,178 SF	1991	71.5	99

Source: CoStar

Most of the large office development is located in the city's downtown area. Over the last several years, the office market has been negatively affected by certain trends, including telecommuting, which rose out of necessity based on the COVID-19 pandemic. One of the most more recent developments downtown consists of the Research and Development District ("RaDD") project, which includes a retail component. Projected to contain 1.7 million square feet in multiple buildings, the project is in the lease-up process.

Industrial

LOCAL AREA INDUSTRIAL - FOUR-MILE RADIUS				
TYPE	RBA	YEAR BUILT	PERCENT LEASED	PROPERTIES
Flex	0 SF	-	-	0
Gen-Ind <25,000 FT	0 SF	-	-	0
Gen-Ind >25,000 FT	2,322,922 SF	1972	96.4	12
TOTAL	2,322,922 SF	1972	96.4	12

Source: CoStar

The immediate area's local industrial presence is situated along Interstate 5. The U.S. Navy has a large facility in the immediate area (and their improvements are identified in CoStar as industrial), but there are plans for redevelopment of approximately 70 acres. This would influence the development potential

for the subject property and other relevant aspects of its highest and best use (e.g., timing and absorption).

Retail

LOCAL AREA RETAIL - FOUR-MILE RADIUS				
SIZE	RBA	YEAR BUILT	PERCENT LEASED	PROPERTIES
<5,000 FT	0 SF	-	-	0
>5,000 FT-<20,000 FT	0 SF	-	-	0
>20,000 FT	6,636,487 SF	1981	90.1	49
TOTAL	6,636,487 SF	1981	90.1	49

Source: CoStar

There are two concentrations of retail uses in the immediate area, including the Fashion Valley Mall located to the east and The Campus at Horton, the latter consisting of a former outdoor mall converted into office and retail space. Also constructed at the Campus project was a multiple-unit residential component. The Campus at Horton project was recently returned to the lender, and the property was unable to be sold at a recent auction.

The subject property is one of the larger "retail" developments in the area based on the currently existing Pechanga Arena.

Multiple-Unit Residential

LOCAL AREA MULTI-FAMILY - FOUR-MILE RADIUS				
CLASS	RBA	YEAR BUILT	UNITS	PROPERTIES
A	28,130,959 SF	2014	25,065	98
B	28,297,888 SF	1999	21,688	155
C	9,639,655 SF	1972	10,326	74
TOTAL	66,068,502 SF	2001	57,079	327

Source: CoStar

There are several projects completed and proposed as it relates to multiple-unit residential uses. A development known as Midway Rising is proposed on the subject site. This valuation assignment is based on the highest and best use of the property, which considers but does not exactly model what is proposed for the Midway Rising project. The nearby Navy redevelopment site has been discussed.

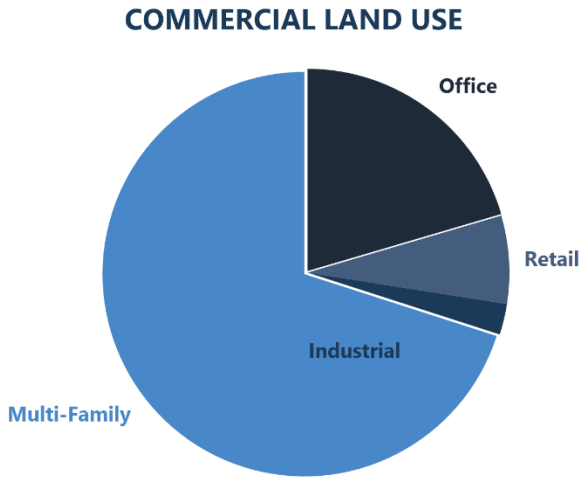
Another notable project is Riverwalk, located at 1150 Fashion Valley Road. According to the developer's website,[11] Riverwalk will be an approximate 200-acre mixed-use community located in San Diego's Mission Valley submarket. At completion, the development will include approximately 4,300 multifamily units (10 percent of which is designated as affordable), 152,000 square feet of retail and one million

11 https://www.hines.com/properties/riverwalk-san-diego

square feet of office space. In 2024, it was reported that the developer is pausing the $4 billion project, citing higher debt costs as well as construction and supply costs.

Conclusion

There is a large concentration of office-related uses in the downtown area, and there is a large concentration of retail uses in Mission Valley. Much of the development in the immediate area is slated for multiple-unit ("multifamily") residential use, either as the main component or as a primary component in a mixed-use development.



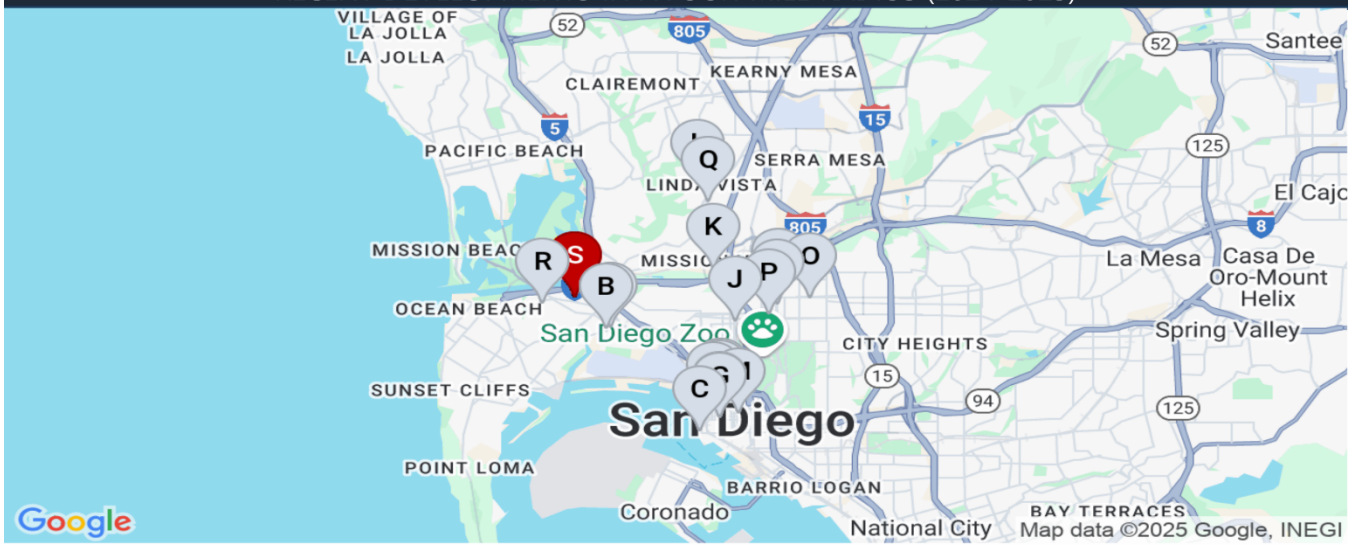
Notably, many newer commercial projects are struggling to attract commercial tenants, and development strategies are changing to adopt a larger residential component. This is evidenced in part by the local post office site discussed previously. Further, research of larger development projects and of market data (sales) indicates that projects are being scaled back or paused on account of uncertain market conditions. These development trends were considered in my analysis.

Recent Developments

Based on CoStar's research, there are about 18 projects that have been recently developed. All of these projects are perceived to be within five miles of the subject. The range in size of developments is 58,000 square feet to the largest development of 612,000 square feet. Overall, the average size of recent developments in the area is about 235,000 square feet. Further, it appears that most of the developments are residential in nature (e.g., apartments).

The following table summarizes the CoStar research.

RECENT DEVELOPMENTS IN A FOUR-MILE RADIUS (2024-2025)



PIN	NAME	ADDRESS, CITY	DIST TO SUBJ	RBA	TYPE	CLASS
A	Simone Little Italy	1401 Union St, San Diego	3.6 mi	612,000	Multi-Family	A
B	Bevel Apartments	3250 Barnett Ave, San Diego	0.9 mi	500,000	Multi-Family	A
C	Building 4B-Vida	925 Waterfront Pl, San Diego	3.8 mi	414,811	Office	A
D	Winslow	4353 Park Blvd, San Diego	3.9 mi	379,000	Multi-Family	A
E	WEST	1011 Union St, San Diego	3.8 mi	370,459	Multi-Family	A
F	The Lindley	1331 Columbia St, San Diego	3.6 mi	362,000	Multi-Family	A
G	West - Office	1011 Union St, San Diego	3.8 mi	288,753	Office	A
H	Bowen	3280 Barnett Ave, San Diego	1.0 mi	253,000	Multi-Family	A
I	The Nash	4135 Park Blvd, San Diego	3.9 mi	205,000	Multi-Family	A
J	Denizen	3829 5th Ave, San Diego	3.1 mi	150,000	Multi-Family	A
K	Ruby at the Society	101 River Park Dr, San Diego	2.7 mi	145,000	Multi-Family	A
L	Amanecer Apartments	2645-2685 Ulric St, San Diego	3.4 mi	140,393	Multi-Family	B
M	Southern Hotel	1159 6th Ave, San Diego	4.0 mi	89,000	Multi-Family	B
N	The Helm	191 W Beech St, San Diego	3.7 mi	70,000	Multi-Family	B
O	The Parkline	4250 Oregon St, San Diego	4.5 mi	68,103	Multi-Family	B
P	Evoc Hillcrest	3935 Normal St, San Diego	3.7 mi	64,225	Multi-Family	A
Q	The V Tower	2341 Ulric St, San Diego	3.3 mi	60,000	Multi-Family	B
R	Chapman Place Apartments	3910 Chapman St, San Diego	0.6 mi	58,000	Multi-Family	B

Source: CoStar

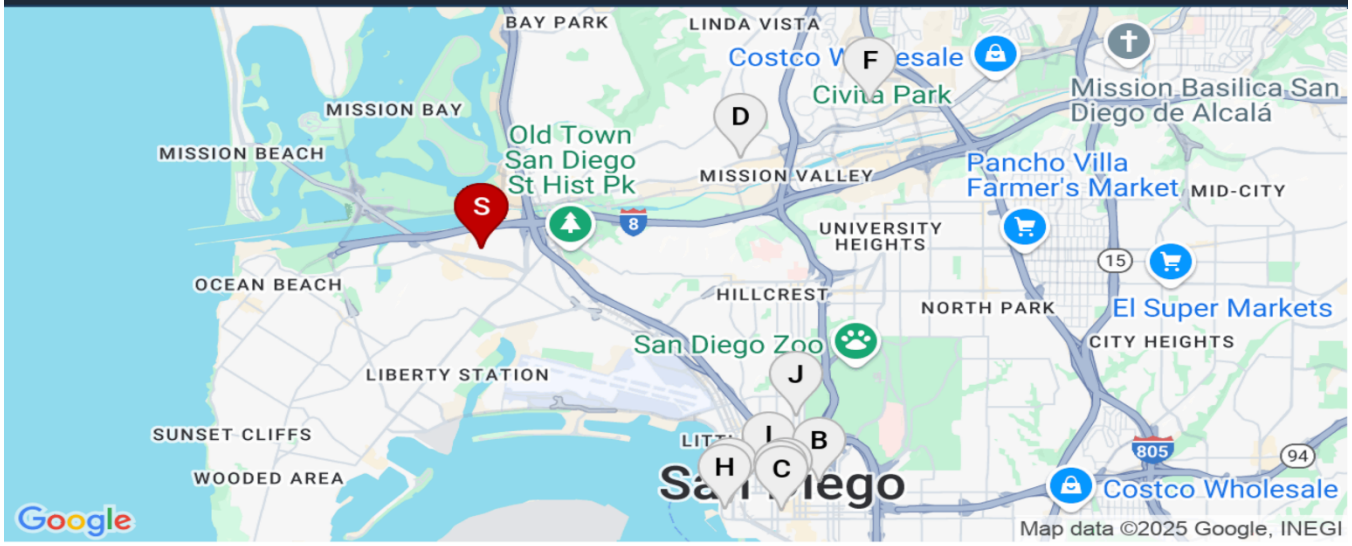
Development Pipeline

Under Construction

Based on CoStar's research, there appears to be about 10 projects that were under construction around the date of value. All of these projects are approximately within five miles of the subject property. The range in size of under construction projects is 189,000 square feet to the largest development of 769,171 square feet. Overall, the average size of future developments in the area is about 335,000 square feet. Additionally, it appears that most of the developments under construction are also residential in nature.

The following table summarizes the CoStar research.

CURRENT DEVELOPMENTS UNDER CONSTRUCTION IN A FOUR-MILE RADIUS



PIN	NAME	ADDRESS, CITY	DIST TO SUBJ	RBA	TYPE	CLASS
A	Building 2B-Rise	800 Pacific Coast Hwy, San Diego	3.7 mi	769,171	Office	A
B		1169 Eighth Ave, San Diego	4.1 mi	425,700	Multi-Family	A
C	The Campus at Horton-Bldg 100	100 Horton Plz, San Diego	4.1 mi	388,359	Office	A
D	Rivair Apartments	7050 Friars Rd, San Diego	2.7 mi	313,000	Multi-Family	A
E	The Campus at Horton	324 Horton Plz, San Diego	4.1 mi	300,000	Retail (Lifestyle	A
F	The Brynn at Civita	2525 Via Alta, San Diego	4.0 mi	270,000	Multi-Family	B
G	The Campus at Horton-Bldg 200	200 Horton Plz, San Diego	4.0 mi	255,483	Office	A
H	Building 3A-Core	950 Waterfront Pl, San Diego	3.7 mi	236,238	Office	A
I	The Torrey	1200 Front St, San Diego	3.7 mi	200,000	Multi-Family	A
J	Flora + Fauna	411 Ivy St, San Diego	3.5 mi	189,000	Multi-Family	A

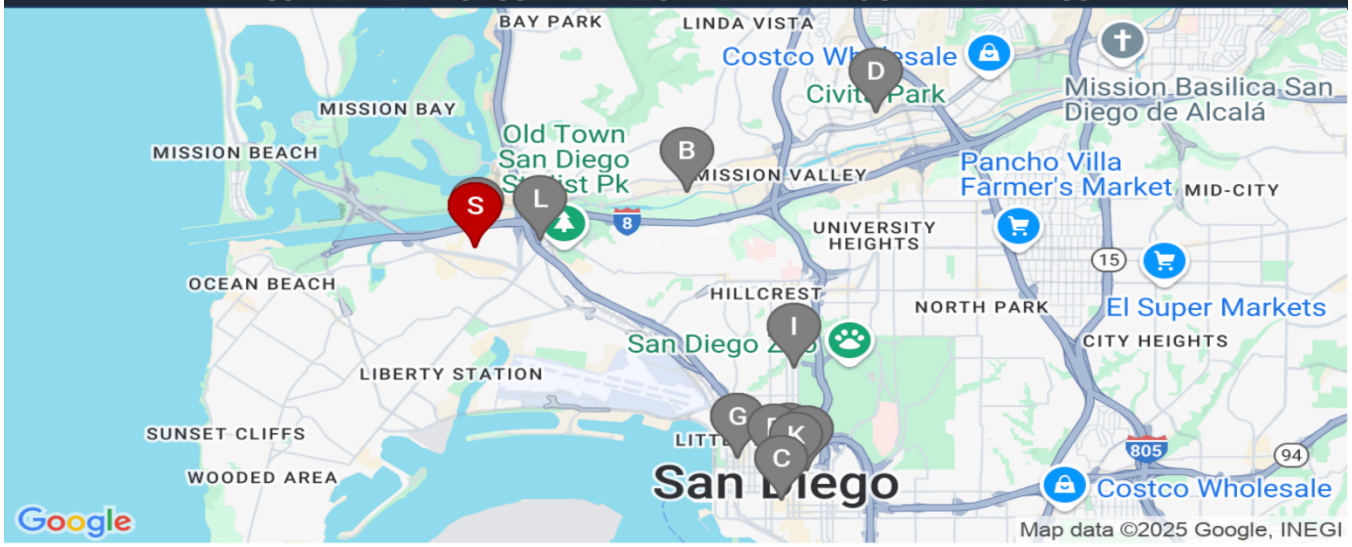
Source: CoStar

Proposed

Based on CoStar's research, there appears to be about 12 projects that are proposed for construction. All of these projects are within about four miles of the subject property. The range in size of proposed developments is 225,000 square feet to the largest proposed development of 4,250,000 square feet. Overall, the average size of proposed developments in the area is approximately 630,000 square feet. Further, it appears that most of the developments that are proposed will be residential in nature.

The following table summarizes the CoStar research.

CURRENTLY PROPOSED DEVELOPMENT IN A FOUR-MILE RADIUS



PIN	NAME	ADDRESS, CITY	DIST TO SUBJ	RBA	TYPE	CLASS
A		3500 Sports Arena Blvd, San Diego	0.1 mi	4,250,000	Multi-Family	B
B		1150 Fashion Valley Rd, San Diego	2.1 mi	900,000	Multi-Family	B
C		600 Horton Plz, San Diego	4.1 mi	500,000	Multi-Family	A
D	The Row at Civita	7995 Civita Blvd, San Diego	4.1 mi	450,000	Multi-Family	A
E		101 Ash St, San Diego	3.8 mi	305,372	Multi-Family	B
F	7th & A	750 A St, San Diego	4.0 mi	300,018	Multi-Family	A
G	Kettner Crossing Phase 2	1550 Kettner Blvd, San Diego	3.4 mi	300,000	Multi-Family	A
H	Kettner Crossing Phase 2	1550 Kettner Blvd, San Diego	3.4 mi	300,000	Multi-Family	A
I	Fifth and Palm	2929 5th Ave, San Diego	3.3 mi	274,000	Multi-Family	B
J	SkyLine West	1400 4th Ave, San Diego	3.9 mi	268,750	Multi-Family	B
K		530 B St, San Diego	4.0 mi	250,181	Multi-Family	0
L		4620 Pacific Hwy, San Diego	0.6 mi	250,000	Multi-Family	C

Source: CoStar

Conclusion

The subject is located in central San Diego in an area mainly characterized by commercial uses. However, the area continues to transition to one that provides significantly more residential uses; this will take place in the form of mixed-use redevelopment. Overall, the long-term outlook for the Midway area is good. In the subject's immediate area, development is mainly characterized by low-intensity commercial uses and some older residential. This characterization will eventually change with redevelopment of the subject property, among other properties in the neighborhood where redevelopment is feasible.

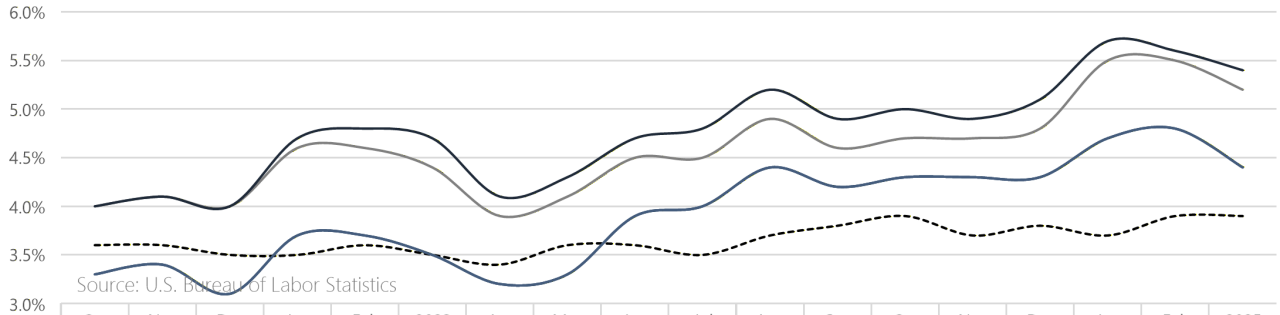
ECONOMIC CHARACTERISTICS

The following shows economic characteristics that can impact property value.

Unemployment

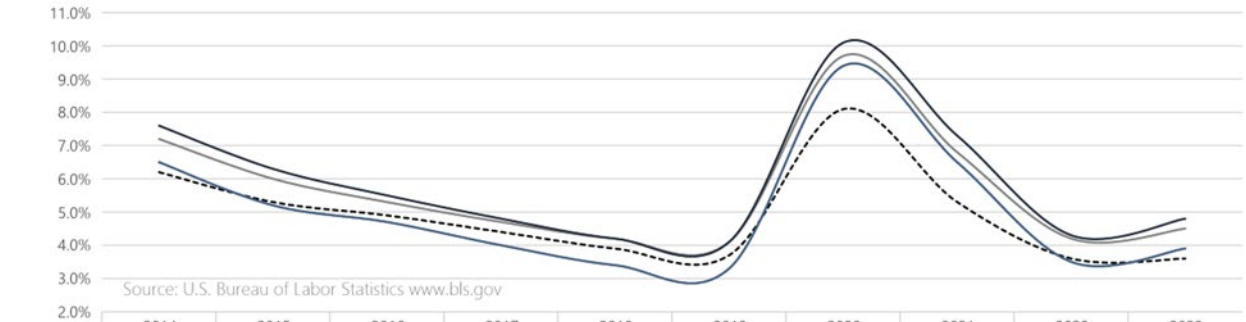
The following graphs charts the trailing 18 months and trailing 10 years unemployment rate for the United States, Pacific Division, California, San Diego-Carlsbad, CA MSA, and San Diego County. Over the last 18 months, employment levels have been relatively steady.

MONTHLY UNEMPLOYMENT RATE (18 MONTHS)



	Oct	Nov	Dec	Jan	Feb	2023 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	2025 Mar
Nation	3.6%	3.6%	3.5%	3.5%	3.6%	3.5%	3.4%	3.6%	3.6%	3.5%	3.7%	3.8%	3.9%	3.7%	3.8%	3.7%	3.9%	3.9%
Region	4.0%	4.1%	4.0%	4.6%	4.6%	4.4%	3.9%	4.1%	4.5%	4.5%	4.9%	4.6%	4.7%	4.7%	4.8%	5.5%	5.5%	5.2%
State	4.0%	4.1%	4.0%	4.7%	4.8%	4.7%	4.1%	4.3%	4.7%	4.8%	5.2%	4.9%	5.0%	4.9%	5.1%	5.7%	5.6%	5.4%
Area	3.3%	3.4%	3.1%	3.7%	3.7%	3.5%	3.2%	3.3%	3.9%	4.0%	4.4%	4.2%	4.3%	4.3%	4.3%	4.7%	4.8%	4.4%
County	3.3%	3.4%	3.1%	3.7%	3.7%	3.5%	3.2%	3.3%	3.9%	4.0%	4.4%	4.2%	4.3%	4.3%	4.3%	4.7%	4.8%	4.4%

ANNUAL UNEMPLOYMENT RATE (10 YEARS)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nation	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.3%	3.6%	3.6%
Region	7.2%	6.0%	5.3%	4.7%	4.2%	4.1%	9.7%	6.8%	4.2%	4.5%
State	7.6%	6.3%	5.5%	4.8%	4.2%	4.1%	10.1%	7.3%	4.3%	4.8%
Area	6.5%	5.2%	4.7%	4.0%	3.4%	3.3%	9.4%	6.5%	3.5%	3.9%
County	6.5%	5.2%	4.7%	4.0%	3.4%	3.3%	9.4%	6.5%	3.5%	3.9%

Employment

The following chart shows the trailing 10 years employment for the state of California, San Diego-Carlsbad, CA MSA, and San Diego County.

STATE & REGIONAL EMPLOYMENT						
YEAR	STATE	% CHG.	AREA	% CHG.	COUNTY	% CHG.
2014	17,264,518	2.2%	1,437,398	1.5%	1,437,398	1.5%
2015	17,647,409	2.2%	1,467,686	2.1%	1,467,686	2.1%
2016	17,965,407	1.8%	1,489,143	1.4%	1,489,143	1.4%
2017	18,258,064	1.6%	1,507,180	1.2%	1,507,180	1.2%
2018	18,469,910	1.1%	1,526,622	1.3%	1,526,622	1.3%
2019	18,589,551	0.6%	1,529,389	0.2%	1,529,389	0.2%
2020	17,037,036	(9.1%)	1,399,329	(9.3%)	1,399,329	(9.3%)
2021	17,568,743	3.0%	1,444,339	3.1%	1,444,339	3.1%
2022	18,348,916	4.3%	1,523,260	5.2%	1,523,260	5.2%
2023	18,388,329	0.2%	1,534,417	0.7%	1,534,417	0.7%
CAGR	**0.7%**	-	**0.7%**	-	**0.7%**	-

Source: U.S. Bureau of Labor Statistics www.bls.gov

Demographic Summary

The following information demographics for the subject's immediate area.

LOCAL AREA & MSA DEMOGRAPHICS									
DESCRIPTION	1 MILE	3 MILE	5 MILE	MSA	DESCRIPTION	1 MILE	3 MILE	5 MILE	MSA
POPULATION TOTAL					HOUSEHOLDS				
2010 Census	12,472	112,468	331,241	3,095,313	2010 Census	5,205	51,068	152,945	1,086,865
2020 Census	13,458	118,141	354,548	3,298,634	2020 Census	5,557	51,574	163,487	1,158,764
2024 Estimate	13,235	119,245	360,569	3,299,130	2024 Estimate	5,579	52,532	169,805	1,176,566
2029 Projection	15,486	123,842	372,171	3,309,386	2029 Projection	6,310	55,492	179,888	1,206,153
Δ 2010-2020	7.91%	5.04%	7.04%	6.57%	Δ 2010-2020	6.76%	0.99%	6.89%	6.62%
Δ 2020-2024	(1.66%)	0.93%	1.70%	0.02%	Δ 2020-2024	0.40%	1.86%	3.86%	1.54%
Δ 2024-2029	17.01%	3.86%	3.22%	0.31%	Δ 2024-2029	13.10%	5.63%	5.94%	2.51%
Total Daytime Population	24,523	172,774	466,200	3,331,149	**HOUSEHOLDS BY INCOME (2024 ESTIMATE)**				
HOUSING UNITS					<$15,000	7.8%	6.5%	7.7%	6.6%
Total (2024 Estimate)	5,999	57,949	188,612	1,253,008	$15,000 - $24,999	4.8%	3.4%	4.1%	4.4%
Owner Occupied	29.2%	36.1%	31.1%	50.4%	$25,000 - $34,999	5.1%	4.0%	4.6%	4.9%
Renter Occupied	63.8%	54.5%	59.0%	43.5%	$35,000 - $49,999	7.9%	6.7%	6.4%	7.0%
Vacant Housing Units	7.0%	9.3%	10.0%	6.1%	$50,000 - $74,999	14.5%	12.8%	13.2%	13.1%
Total (2029 Projection)	6,710	60,737	198,061	1,280,329	$75,000 - $99,999	10.8%	12.2%	12.0%	11.4%
Owner Occupied	27.2%	35.5%	30.7%	50.8%	$100,000 - $149,999	27.2%	21.4%	21.3%	20.0%
Renter Occupied	66.9%	55.9%	60.1%	43.4%	$150,000 - $199,999	9.0%	12.7%	12.2%	12.8%
Vacant Housing Units	6.0%	8.6%	9.2%	5.8%	$200,000+	12.9%	20.3%	18.5%	19.9%
AVERAGE HOUSEHOLD INCOME					**AVERAGE HOUSEHOLD SIZE**				
2024 Estimate	$120,903	$150,616	$142,120	$143,328	2024 Estimate	2.25	2.09	1.98	2.71
2029 Projection	$139,273	$171,054	$161,143	$165,401	2029 Projection	2.34	2.06	1.93	2.65
Δ 2024-2029	15.19%	13.57%	13.39%	15.40%	Δ 2024-2029	4.00%	(1.44%)	(2.53%)	(2.21%)
MEDIAN HOUSEHOLD INCOME					**MEDIAN HOME VALUE**				
2024 Estimate	$97,195	$107,141	$102,966	$104,597	2024 Estimate	$906,164	$1,148,678	$1,049,985	$877,370
2029 Projection	$105,704	$118,389	$112,492	$118,151	2029 Projection	$1,049,378	$1,328,057	$1,266,294	$994,517
Δ 2024-2029	8.75%	10.50%	9.25%	12.96%	Δ 2024-2029	15.80%	15.62%	20.60%	13.35%
PER CAPITA INCOME					**AVERAGE HOME VALUE**				
2024 Estimate	$53,042	$66,768	$68,112	$51,493	2024 Estimate	$956,372	$1,237,373	$1,191,404	$985,777
2029 Projection	$58,739	$77,025	$79,046	$60,659	2029 Projection	$1,129,785	$1,403,442	$1,365,159	$1,167,644
Δ 2024-2029	10.74%	15.36%	16.05%	17.80%	Δ 2024-2029	18.13%	13.42%	14.58%	18.45%

Source: Sites To Do Business Online

Population

The estimate provided by ESRI for the 2024 population within the subject neighborhood's 3 mile radius is 119,245, representing a 0.93% change since 2020. ESRI's 2024 population estimate for the subject property's 5 mile radius is 360,569, which represents a 1.70% change since 2020.

Looking forward, ESRI estimates that the population within the subject neighborhood's 3 mile radius is forecasted to change to 123,842 by the year 2029. As for the broader area, ESRI forecasts that the population within the subject's 5 mile radius will change to 372,171 over the next five years. The population estimates for the next five years within the subject's 5 mile radius represents a 3.22% change as well as a 17.01% change within the subject's 1 mile radius for the same period.

Income

Income estimates provided by ESRI for the subject neighborhood's 3 mile radius indicate that the median household income is $107,141 and that the average household income is $150,616. Further, the estimates provided by ESRI indicate that, for the subject's broader 5 mile radius the median household income is $102,966, and the average household income is $142,120. Given that there are reportedly 169,805 households in the subject's 5 mile radius, it is estimated that the local effective buying income is $24,132,686,600.

Households

The estimates provided by ESRI indicate that the number of households within the subject neighborhood's 3 mile radius is 52,532, which is a 1.86% change since 2020. Within the subject's broader 5 mile radius, ESRI estimates that the number of households is 169,805, a 3.86% change over the same period of time.

By the year 2029, the estimates provided by ESRI indicate that the number of households within the subject neighborhood's 3 mile radius will change by 5.63% to 55,492 households. Additionally, ESRI's estimate for total households over the next five years within the subject's broader 5 mile radius indicates an expected change of 5.94% which will result in a total household estimate of 179,888.

Looking back, the number of households in the subject neighborhood's 3 mile radius changed 0.99% during the ten-year period of 2010 to 2020. Since then, it has changed by 1.86%.

Conclusion

Based on the data provided by ESRI, it is perceived that the income and population demographics for the subject neighborhood exhibit above average characteristics in terms of reported population growth and income levels. As previously mentioned, the population growth for the subject's 3 mile radius has increased 0.93% since 2020 and based on the projections provided by ESRI, it is expected to continue to increase another 3.86% during the next 5 years. Lastly, since average household incomes are above the national average ($150,616, for the subject's 3 mile radius) and given that the area is well-populated (52,532 households in a 3 mile radius), development should be adequately supported.

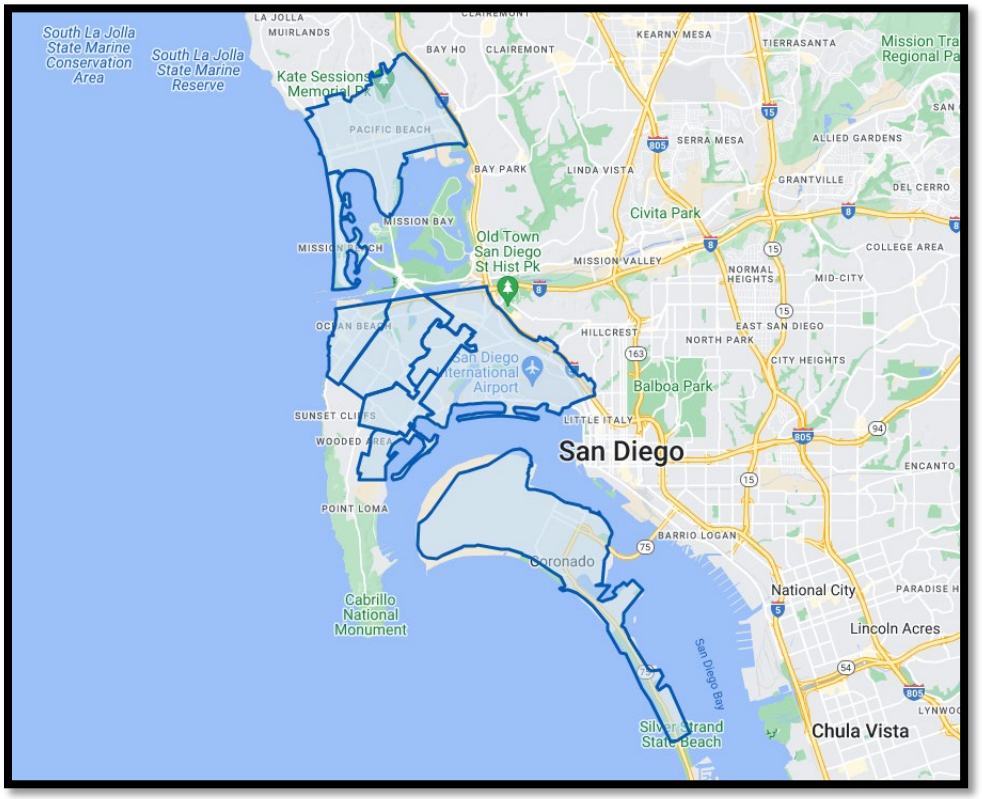
REAL ESTATE MARKET CHARACTERISTICS

The subject property consists of land that is slated for redevelopment. To assist in this valuation, market trend information sourced from CoStar Group ("CoStar") was studied, particularly property trends in the San Diego market and what CoStar delineates as the Midway submarket.

The following is a summary of these trends. These trends are meant to generally summarize local trends for particular property type sectors, including multifamily and retail. The market data utilized in this analysis present focused information on development trends.

Residential

Given the lack of multifamily development in the Midway submarket, the broader "Central Coast" submarket was analyzed. This area is identified based on the CoStar exhibit below.



In this section, market conditions which influence the subject property were analyzed. An overview of apartment supply and demand conditions for the San Diego market and relevant submarket are presented. Key supply and demand statistics for the most recent quarter, last year, and historical averages over the past 10 years are summarized in the tables as follows.

Rent and Vacancy

APARTMENT MARKET AND SUBMARKET DATA SUMMARY (10 YEARS)					
		INVENTORY SUPPLY (UNITS)		VACANCY (%)	
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q4	2024	395,180	31,067	4.9%	5.6%
Q3	2024	393,153	30,805	4.9%	5.3%
Q2	2024	391,969	30,805	5.0%	5.7%
Q1	2024	389,668	30,765	4.7%	6.3%
	2023	384,495	30,192	4.8%	3.8%
	2022	383,735	30,160	3.6%	3.6%
	2021	378,629	30,113	2.5%	2.6%
	2020	372,619	30,102	3.8%	4.5%
	2019	369,136	30,062	5.0%	6.0%
	2018	364,045	29,870	4.9%	5.2%
	2017	358,542	29,780	4.5%	5.1%
	2016	354,270	29,784	4.3%	5.1%
	2015	351,446	29,590	4.4%	4.0%
	2014				
		RENT $/UNIT/MONTH		NET ABSORPTION (UNITS)	
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q4	2024	$2,363.00	$2,347.00	1,866	139
Q3	2024	$2,372.00	$2,332.00	1,559	148
Q2	2024	$2,378.00	$2,326.00	1,126	197
Q1	2024	$2,360.00	$2,327.00	924	65
	2023	$2,338.00	$2,331.00	889	(290)
	2022	$2,296.00	$2,314.00	860	(248)
	2021	$2,172.00	$2,219.00	10,587	577
	2020	$1,956.00	$2,029.00	6,846	478
	2019	$1,914.00	$1,957.00	4,139	(45)
	2018	$1,859.00	$1,911.00	4,016	54
	2017	$1,792.00	$1,865.00	3,307	(17)
	2016	$1,725.00	$1,812.00	3,063	(124)
	2015	$1,657.00	$1,751.00	5,562	243
	2014			0	0

Source: CoStar Property®

The San Diego Apartment market demonstrates positive conditions. There has been little variance in supply over the last year. Vacancy has continued to remain low. Asking rents continue to increase overall. Net absorption was positive for the last year. The submarket demonstrates similar conditions.

Absorption

Absorption in the immediate submarket varied considerably as shown in the preceding exhibit. As part of this assignment, recently developed projects were researched to determine appropriate absorption levels. One such project was the Bevel Apartments, one of two complexes at the aforementioned post office site. Research indicates that approximately 70 units per quarter were absorbed, and it took

approximately two years to stabilize. The Bowen complex was built in 2024 and is absorbing units at approximately 40 per month. Another project, Chapman Place (82 total units), absorbed about 10 units per quarter and took two years to stabilize.

Deliveries and Under Construction

The following tables provides the recently delivered and under construction apartment supply for the San Diego market and submarket.

DELIVERIES (UNITS)					
QTR	YEAR	MARKET	% OF TOTAL	SUBMARKET	% OF TOTAL
Q4	2024	2,027	0.5%	262	0.8%
Q3	2024	1,184	0.3%	0	0.0%
Q2	2024	2,309	0.6%	40	0.1%
Q1	2024	688	0.2%	29	0.1%
	2023	5,528	1.4%	576	1.9%
	2022	5,210	1.4%	47	0.2%
	2021	6,098	1.6%	11	0.0%
	2020	3,685	1.0%	40	0.1%
	2019	5,443	1.5%	198	0.7%

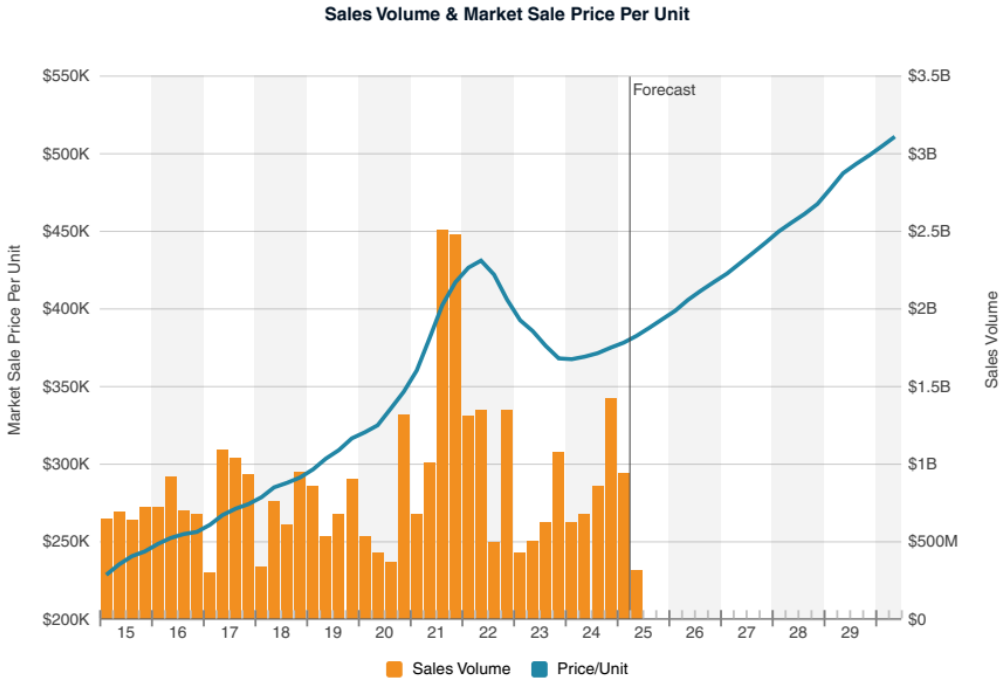
UNDER CONSTRUCTION (UNITS)					
QTR	YEAR	MARKET	BUILDINGS	SUBMARKET	BUILDINGS
Q4	2024	10,398	15	0	2
Q4	2023	11,309	28	573	4
Q4	2022	10,581	16	172	1
Q4	2021	12,487	16	132	1
Q4	2020	8,597	19	51	0

Overall, there has been limited new development in the subject's submarket. New housing supply is necessary to meet continued growth in the region. However, feasibility for new development depends on a variety of issues, including the availability of financing and development costs, among others. Research was conducted as it relates to these issues and the impact on value.

Sale Information

In addition to rental and delivery trends, sale information was analyzed for the broader San Diego market. The following table from CoStar shows transaction volume and "market"[12] pricing per unit.

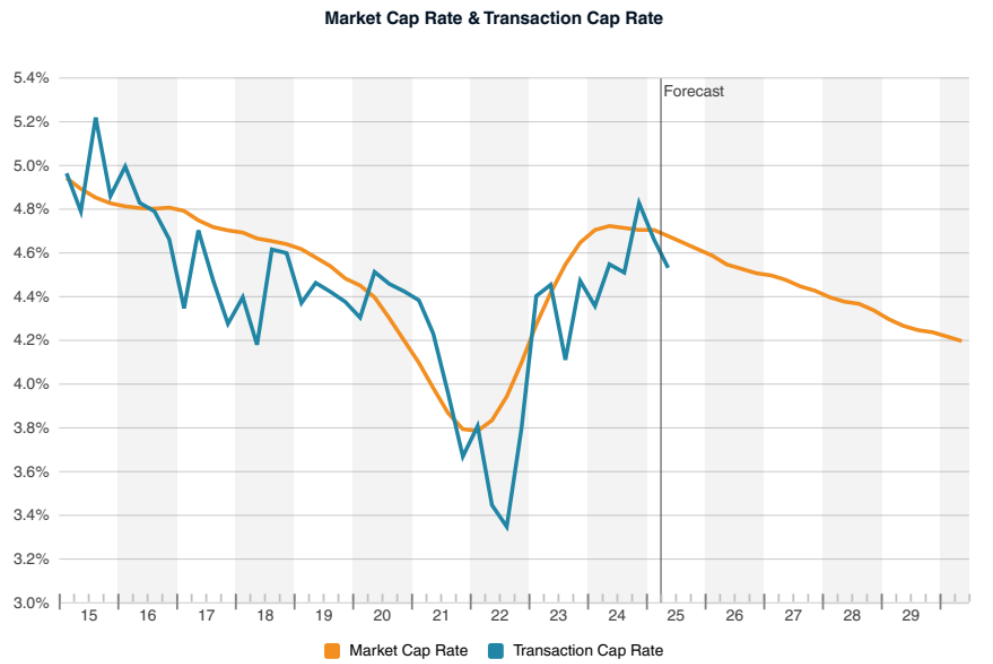
12 Based on CoStar algorithms and not entirely reflecting actual sales.



As shown, overall sale prices per unit steadily increased from 2015 through 2020. Pricing accelerated through 2022, in part due to a low-interest rate environment and pent-up demand. Pricing peaked at approximately $450,000 per unit before a modest decline in 2023. Since then, prices have begun to rise again and are forecasted to surpass $500,000 per unit by 2029. Sales volume increased considerably in 2021 but has since returned to levels consistent with prior years.

Regarding capitalization rates,[13] there had been a declining trend through 2022, before increasing slightly through 2024. Rates are projected to decline in the future. Notably, a sharp decline in capitalization rates coincided with increased pricing and sale volume.

13 The "Transaction" rate is based on actual sales tracked by CoStar, while the "Market" rate is based on CoStar's estimate.


Market Cap Rate & Transaction Cap Rate
5.4%
5.2%
5.0%
4.8%
4.6%
4.4%
4.2%
4.0%
3.8%
3.6%
3.4%
3.2%
3.0%
Forecast
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
Market Cap Rate
Transaction Cap Rate

Retail

In addition to multifamily trends, retail trends were reviewed, as retail generally complements residential use in a mixed-use project.

Rent and Vacancy

RETAIL MARKET AND SUBMARKET DATA SUMMARY (10 YEARS)					
		INVENTORY SUPPLY (SF)		VACANCY (%)	
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q4	2024	140,528,973	40,023,347	4.0%	3.5%
Q3	2024	140,531,374	40,025,748	4.2%	3.6%
Q2	2024	140,504,154	40,025,748	4.2%	3.6%
Q1	2024	140,503,812	40,041,648	4.3%	3.7%
	2023	140,505,181	40,066,631	4.0%	3.6%
	2022	140,606,535	40,038,093	4.0%	3.1%
	2021	141,141,483	40,186,248	5.0%	3.9%
	2020	140,898,744	40,218,416	4.7%	3.8%
	2019	141,678,668	41,117,183	4.2%	4.6%
	2018	141,719,729	41,178,513	4.2%	4.5%
	2017	141,493,165	41,190,085	3.9%	4.3%
	2016	140,957,417	41,164,655	3.9%	4.3%
	2015	140,812,180	41,219,690	4.7%	3.8%
	2014				
		RENT $/SF		NET ABSORPTION (SF)	
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q4	2024	$2.38	$2.61	219,985	18,578
Q3	2024	$2.39	$2.61	94,422	11,706
Q2	2024	$2.40	$2.57	138,007	10,777
Q1	2024	$2.40	$2.60	(491,852)	(68,125)
	2023	$2.37	$2.57	(68,326)	(172,338)
	2022	$2.27	$2.60	961,356	183,305
	2021	$2.10	$2.34	(226,893)	(85,459)
	2020	$2.07	$2.43	(1,393,904)	(519,106)
	2019	$2.00	$2.39	(121,175)	(126,525)
	2018	$1.90	$2.27	(207,420)	(74,146)
	2017	$1.92	$2.15	456,864	15,793
	2016	$1.80	$2.03	1,348,782	(260,172)
	2015	$1.78	$2.03	(556,308)	(139,976)
	2014			0	0

Source: CoStar Property®

As shown, the retail market has been experiencing relatively level conditions. Rental rates have generally increased over the last several years, and vacancy has been relatively low.

Deliveries

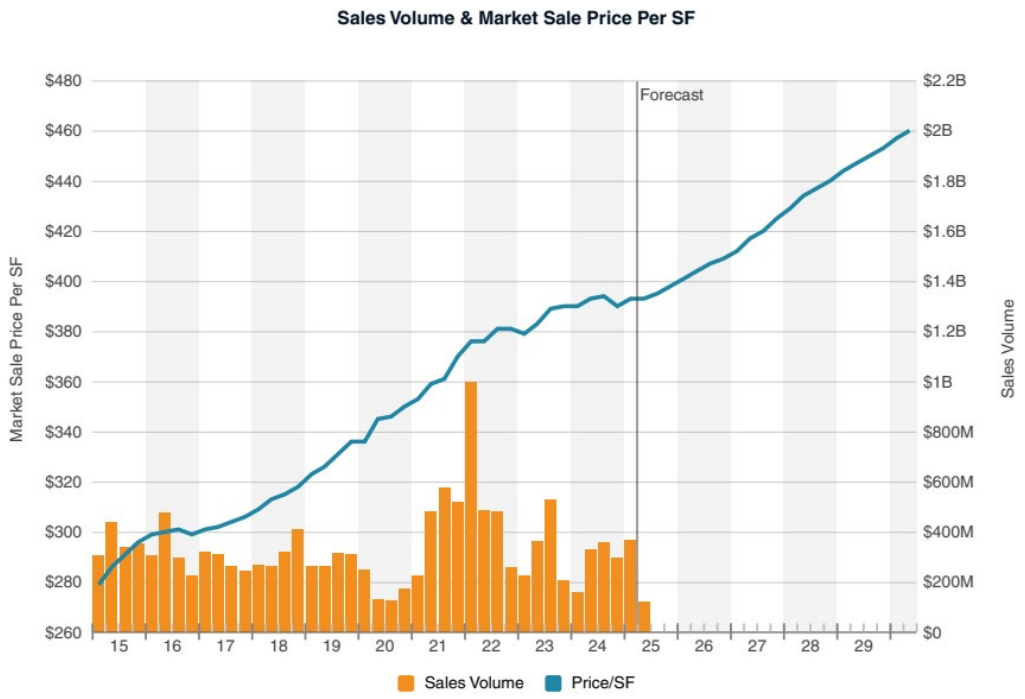
UNDER CONSTRUCTION (SF)					
QTR	YEAR	MARKET	BUILDINGS	SUBMARKET	BUILDINGS
Q4	2024	461,613	27	344,709	7
Q4	2023	545,522	21	374,722	6
Q4	2022	519,161	31	323,379	7
Q4	2021	246,953	30	73,810	6
Q4	2020	651,207	44	124,587	10

DELIVERIES (SF)					
QTR	YEAR	MARKET	% OF TOTAL	SUBMARKET	% OF TOTAL
Q4	2024	10,567	0.0%	10,567	0.0%
Q3	2024	37,251	0.0%	0	0.0%
Q2	2024	29,374	0.0%	0	0.0%
Q1	2024	43,229	0.0%	18,440	0.0%
	2023	222,287	0.2%	42,406	0.1%
	2022	241,160	0.2%	88,338	0.2%
	2021	446,149	0.3%	41,000	0.1%
	2020	524,932	0.4%	63,563	0.2%
	2019	425,985	0.3%	28,535	0.1%

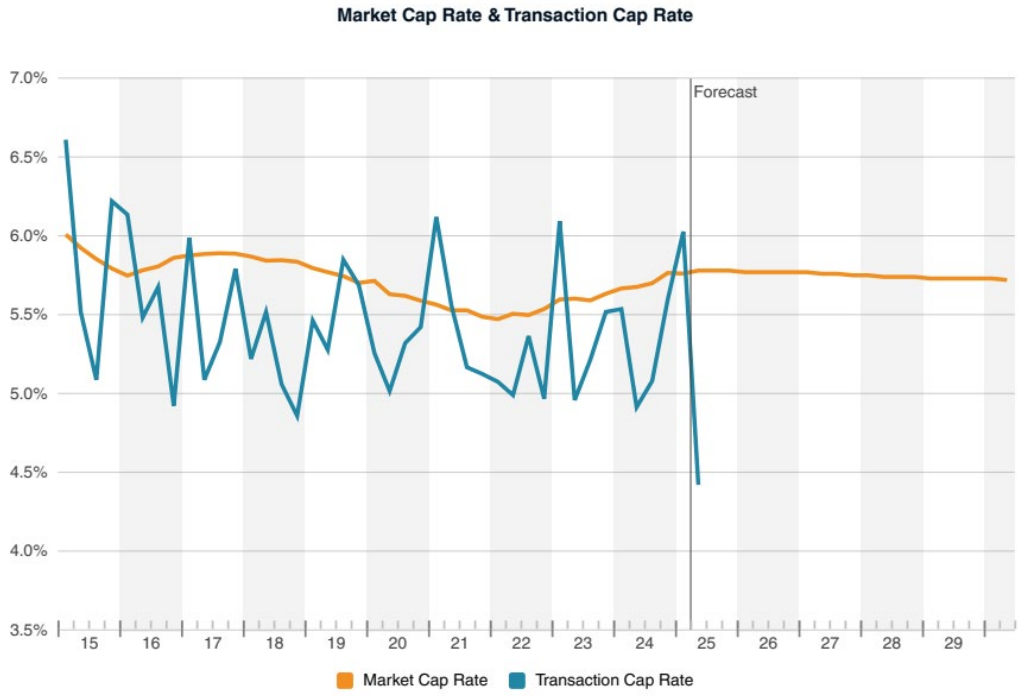
As with the multifamily market, there has been limited new retail development in the immediate area. The subject area is mostly developed, and new development opportunities consist of redevelopment and infill projects, like those previously discussed, which generally consists of a larger mixed-used project.

Sale Information

Retail sale pricing has generally increased over the last several years. Notably, the rate of increase has lessened since 2022, but is forecasted to continue to increase in the future. Aside from a peak in sales volume in 2022, sales volume has been relatively consistent.

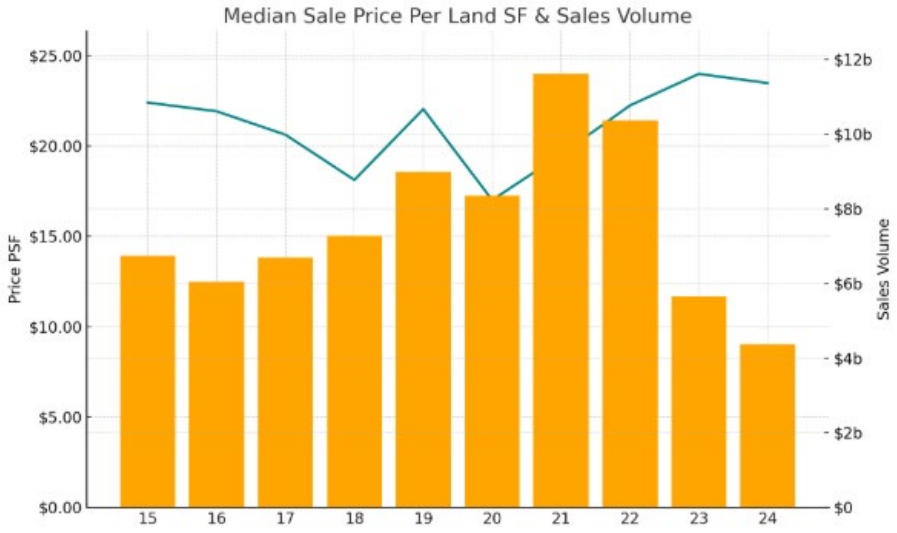


Capitalization rates experienced a similar decline through 2022, but the rate of change was not as considerable compared to the multifamily market trends. Following a slight rise through 2024, retail capitalization rates are expected to remain relatively level in the future.



Land

Overall land price trends were investigated throughout the Southern California region (including the markets of San Diego, Orange County, Los Angeles, and the Inland Empire, the latter which includes Riverside and San Bernardino Counties). This chart presents general trends throughout the region, noting that land pricing can be impacted by a variety of elements, including physical characteristics and entitlements, among others. This data is meant to present an overall trend that was considered, but primary and secondary land sale data specific to this assignment was given the most weight in determining the fair market value of the subject property.



Southern California land pricing has shown moderate growth in recent years. From 2022 to 2024, the median price per land square foot increased from $22.24 to $23.48, reflecting a straight-line annual growth rate of about 2.79%. Between 2021 and 2024, the annual rate was over 6 percent. While sales volume peaked in 2021, it has since declined. Volume has continued to decline through the date of value.

Conclusion

Overall, investors would recognize these general conditions and the subject's positioning in the immediate market area as having a positive overall influence when contemplating development of the subject site. The subject is located in a mostly developed area, and the size of the property is notably large. While this provides general development flexibility and opportunities for mixed-use development, the number of market participants that would compete for the subject property would be less compared to smaller sites. This impacts the highest and best use and was considered in the analysis.

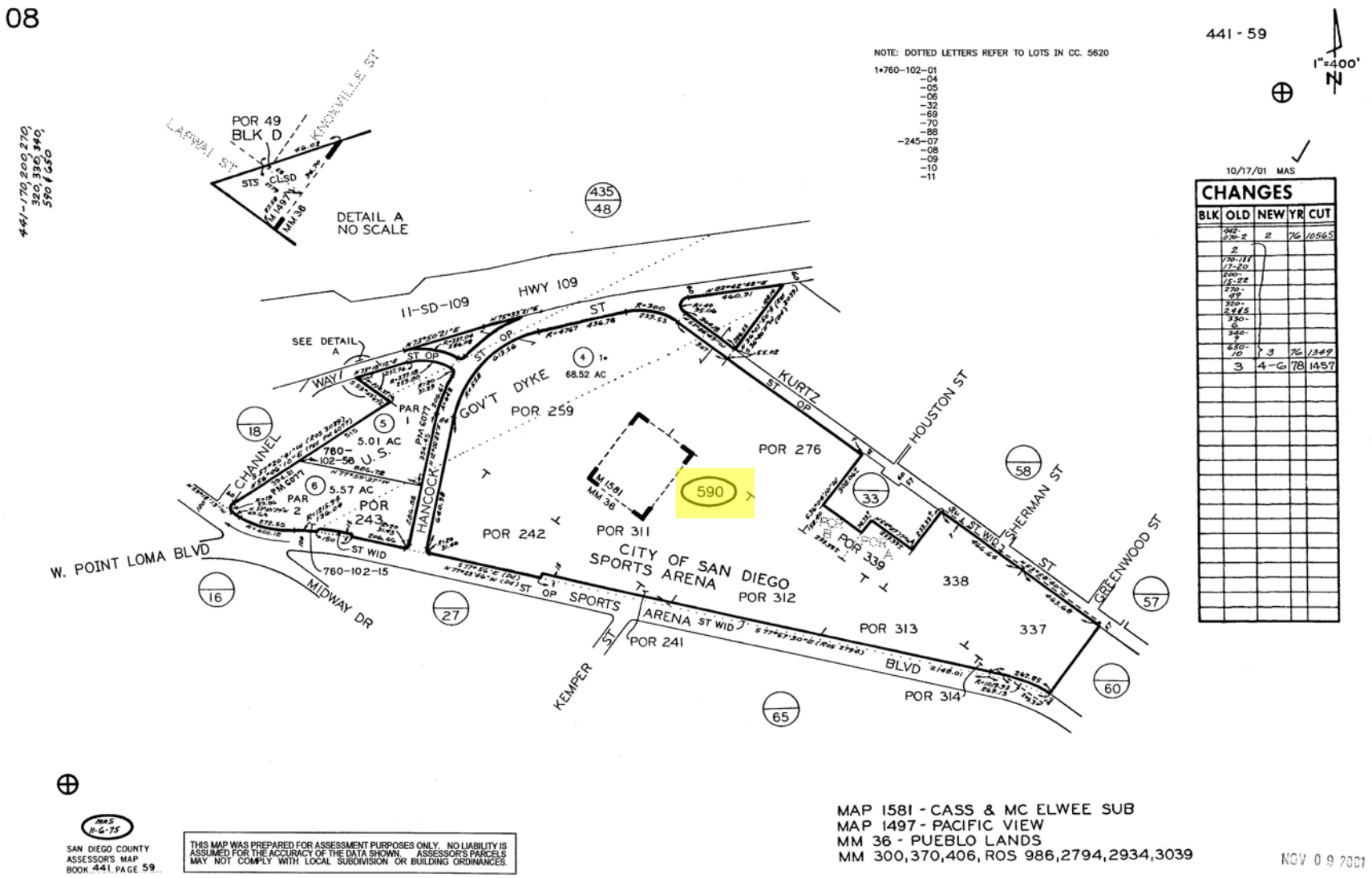
Further, this information must be considered in conjunction with insight from market participants that were interviewed for this assignment. Depending on the type of use and the property characteristics, some development projects or types of uses may or may not be feasible at the current time. As discussed herein, some projects are on hold, while other projects are being revamped to adapt to current market activity. An example of this is not only a change in the overall property type (e.g., increasing the residential component of a project), but the subtype and intensity of the project (e.g., townhome development at certain densities).

Given the nature of the assignment (determining the fair market value), these overall and specific market conditions were analyzed, and market data specific to the subject property and the value conclusions to be expressed were given primary weight.

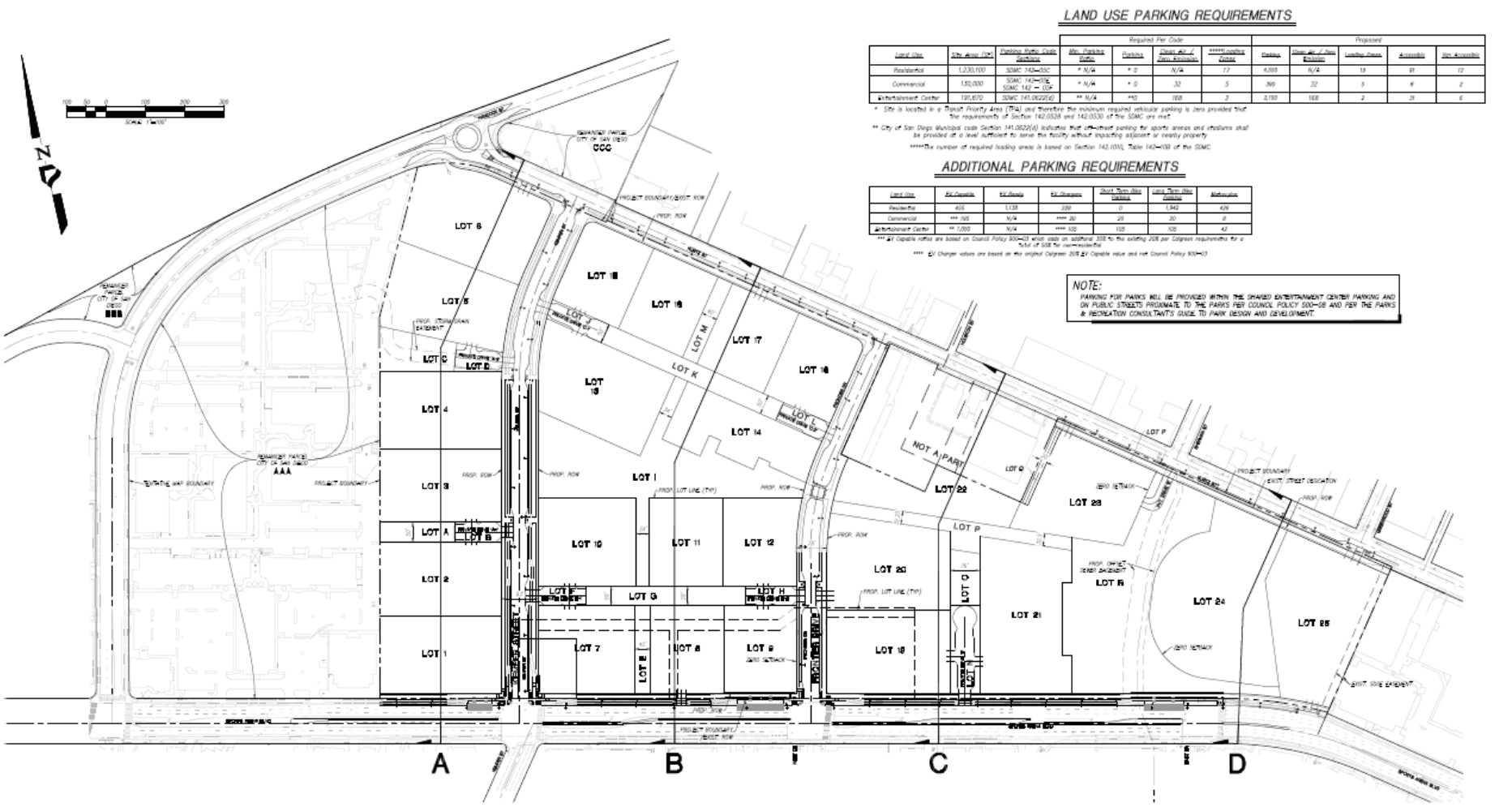
AERIAL IMAGE



PARCEL MAP


08
441 - 59
1"=400'
N
NOTE: DOTTED LETTERS REFER TO LOTS IN CC. 5620
1•760-102-01
-04
-05
-06
-32
-69
-70
-88
-245-07
-08
-09
-10
-11
441-170,200,270, 320,330,340, 590 & 650
POR 49 BLK D
KINGSVILLE ST
LAFWAY ST
STS
CLSD
DETAIL A NO SCALE
435/48
HWY 109
11-SD-109
SEE DETAIL A
WAY
ST OP
ST
GOV'T DYKE
68.52 AC
POR 259
PAR 1
5.01 AC
760-102-58 U.S.
CHANNEL
PAR 2
5.57 AC
POR 243
HANCOCK
POR 242
POR 311
M 1581 MM 36
590
POR 276
KURTZ ST OP
HOUSTON ST
POR 339
SHERMAN ST
ST WID
GREENWOOD ST
338
337
CITY OF SAN DIEGO SPORTS ARENA
POR 312
POR 313
POR 241
POR 314
SPORTS ARENA BLVD
KEMPER ST
W. POINT LOMA BLVD
MIDWAY DR
760-102-15
10/17/01 MAS
CHANGES
BLK OLD NEW YR CUT
342-070-2 2 76 10565
2 170-138 17-20 200 15-28 270-49 320-2445 330-6 340-9 650-10 3 76 1349
3 4-6 78 1457
MAS 11-6-75
SAN DIEGO COUNTY ASSESSOR'S MAP BOOK 441 PAGE 59
THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.
MAP 1581 - CASS & MC ELWEE SUB
MAP 1497 - PACIFIC VIEW
MM 36 - PUEBLO LANDS
MM 300,370,406, ROS 986,2794,2934,3039
NOV 0 9 2001

SITE PLAN (SAMPLE)



SCHNEIDER VALUATION CONSULTANTS, INC.

SITE CHARACTERISTICS

Size and Shape

The subject site area contains 48.50 acres. This figure was provided by the client and relied upon in this analysis. The property is slightly irregular in shape, but functional.

Street Improvement and Traffic Information

The following is a summary of relevant street improvement and traffic information.

STREET & TRAFFIC DETAIL

Street Improvements	Type	Direction	Lanes	Lights	Curbs	Sidewalks	Signals	Median	Parking	Center Lane	Bike Lane
Sports Arena Boulevard	Major arterial	Two-Way	6		x	x	x	x			x
Kurtz Street	Neighborhood street	One-Way	2		x	x			x		
Frontage											
Sports Arena Boulevard	Frontage and bidirectional ingress/egress.										
Kurtz Street	Frontage along the neighborhood street.										

Traffic Counts	Location	Date	Source	Count
Sports Arena Boulevard	East Drive	2022	ESRI	18,047
Kurtz Street				N/A
	TOTAL			**18,047**

Topography, Drainage, and Flood Control

The subject's topography is generally level, and drainage appears to be adequate given the subject's current use, but improvements may be necessary for redevelopment. According to the Federal Emergency Management Agency, the subject is located on Flood Insurance Rate Map panel number 06073C1614H dated December 20, 2019. Most of the property is located in flood zone designation X, defined as an area determined to be outside the 500-year flood plain. The northwest corner is located within the shaded zone X, identified as a Special Flood Hazard Area with a one percent annual change flood with average depth less than one foot or with drainage areas of less than one square mile.

The following exhibit shows the location of this shaded zone X. Notable, the subject property is located south of the San Diego River, a regulatory floodway.



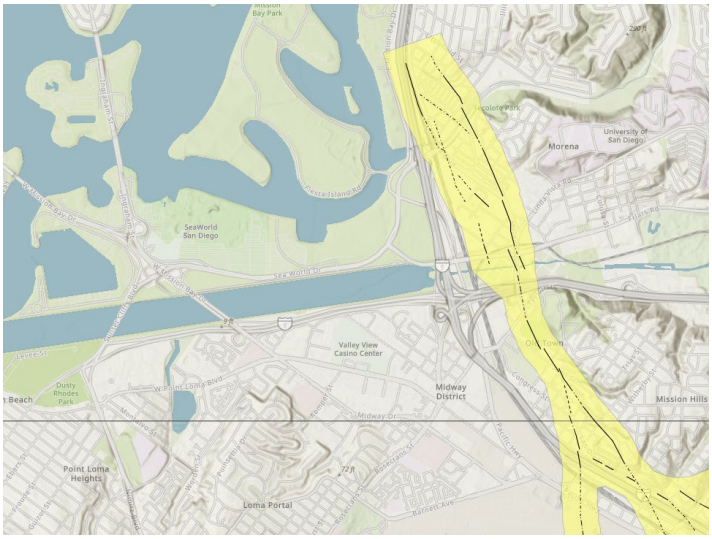
Soils

A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements, but there may be issues as it relates to redevelopment to a more intense use. It is assumed that soils are suitable for redevelopment.

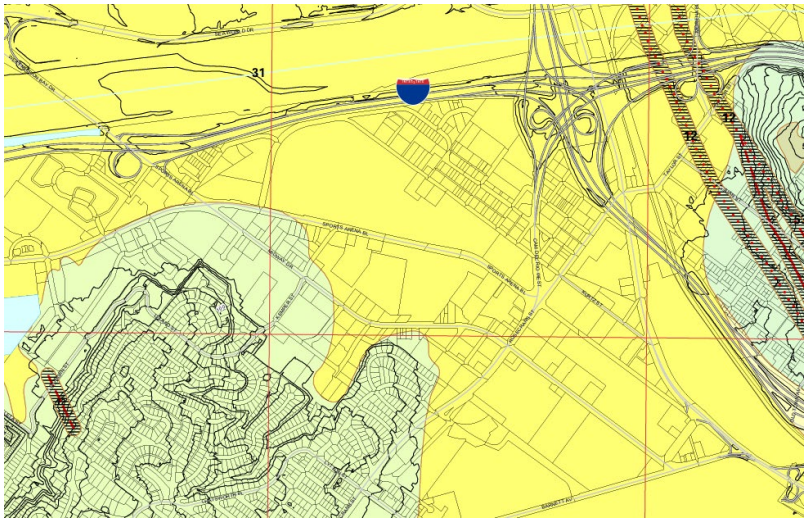
Seismic Stability

According to the Department of Conservation, the subject property is located in the La Jolla Quadrangle. As shown in the following map, the subject property is located just west of an earthquake fault zone

known as the Rose Canyon Fault. The boundaries define the zone encompassing active faults that constitute a potential hazard to structures from surface faulting or fault creep.



In addition, the City of San Diego provides a Seismic Safety Study, which "is a series of maps that indicate the likely geologic hazards throughout the city. These maps may be used to evaluate the relative risk within a region or to determine if a geotechnical report is required for development or building permits."[14] As noted in the following excerpt from map panel 20, the subject property (in yellow) is located in zone 31, identified as having high potential for liquefaction.



San Diego County is seismically active, and improvements in the area are generally required to withstand seismic activity.

14 https://www.sandiego.gov/development-services/zoning-maps/seismic-safety-study.

Utilities

The area is served with public utilities.

Hazardous Waste

I have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. According to GeoTracker, the State Water Resources Control Board's data management system, there are no open cases on the subject property. However, there is a gas station on the property, and such a use may present contamination issues. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. It is assumed that there are no contamination issues associated with the site.

Despite this assumption, there may be costs estimated by AECOM that may include potential remediation of this part of the property that are not fully realized. Absent additional information, AECOM costs were used in the analysis and are assumed to be accurate. This assumption is meant to be consistent with the assumption that there are no contamination issues relating to the site, understanding that there is a specific line item in the AECOM materials for building abatement.

Potential Adverse Influences

The subject property is located proximate to I-8, which can exhibit issues such as noise, fumes, and vibrations. However, freeway accessibility can be considered a benefit for certain uses (e.g., retail, hospitality). No other adverse influences are noted given the subject’s highest and best use.

LEGAL CHARACTERISTICS

Legal Description

A legal description of the property is contained in my workfile.

Easements and Encumbrances

A title report was not read for this appraisal. It is assumed that there are no easements or encumbrances that would limit the utility of the property, unless otherwise noted in the report. No responsibility is assumed for undisclosed items of record or any unrecorded items that may limit the utility of the property

Land Use Regulations

Zoning

The subject is located in the Commercial-Community (CC-3-6) zoning area. The purpose of the CC zones is to accommodate community-serving commercial services, retail uses, and limited industrial uses of moderate intensity and small to medium scale. The CC zones are intended to provide for a range of development patterns from pedestrian-friendly commercial streets to shopping centers and auto-oriented strip commercial streets. Some of the CC zones, like CC-3-6, may include residential development. Property within the CC zones will be primarily located along collector streets, major streets, and public transportation lines.

Other land use regulations are as follows. While a zoning change may not be anticipated, development of the subject property would most likely involve discretionary approvals.

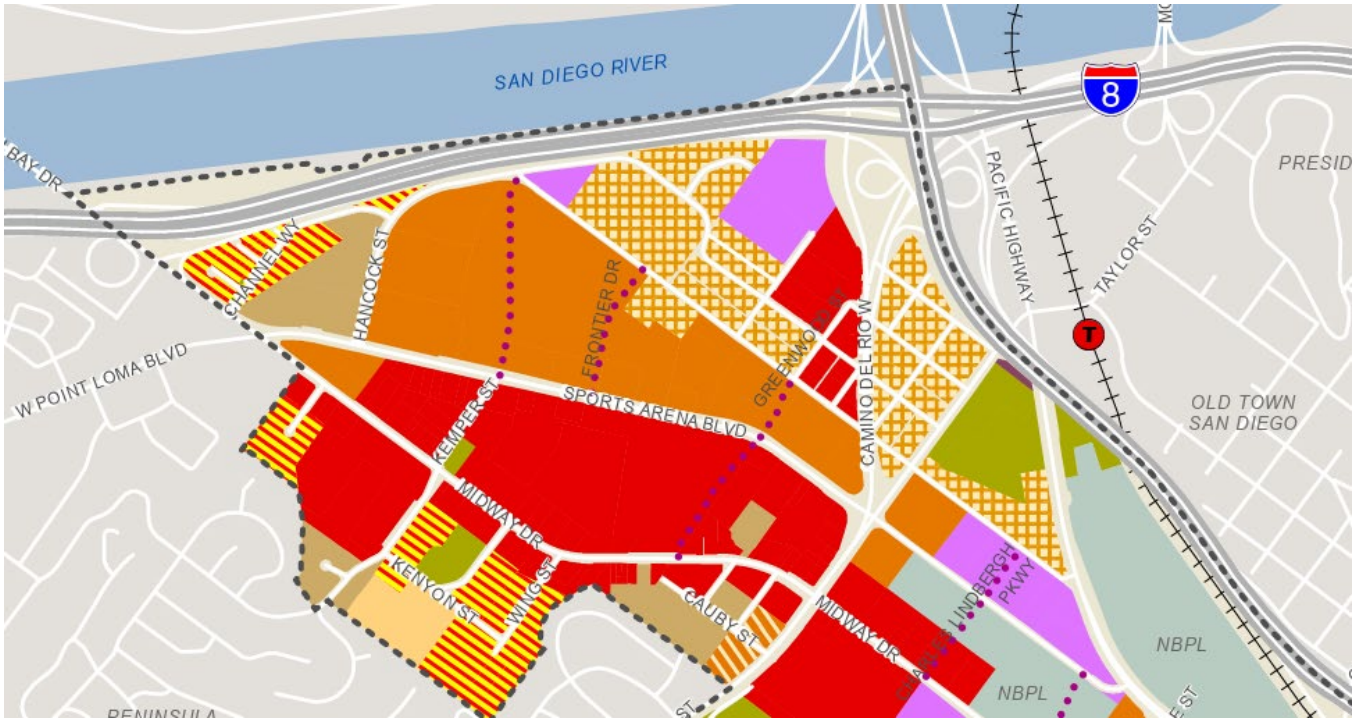
ZONING	
Designation	Commercial-Community (CC-3-6)
Zoning Authority	City of San Diego
Max Permitted Height	65 feet with Coastal Height Limit Overlay (30 feet limitation removed)
Max Permitted Floor Area Ratio (FAR)	2
Max Permitted Lot Coverage	35%
Min Permitted Lot Area (SF)	2,500
Min Permitted Lot Width (Feet)	25
Min Permitted Street Frontage (Feet)	25
Min Permitted Yard Setbacks	
Front (Feet)	0
Rear (Feet)	10
Side (Feet)	10
Max Permitted Density (Units/Acre)	44

Source: City of San Diego Planning Department

Land Use Designation

With the Midway – Pacific Highway Community Plan, the subject property has a land use designation of Community Commercial – Residential Permitted (0-44 du/ac). The community commercial land use designations provide for a variety of commercial uses, such as retail, office, and hotel. They provide space for shopping and services for residents and workers in the community and adjacent communities. In this case, residential use is also permitted, allowing for up to 44 dwelling units per acre. This is consistent with zoning, nothing that certain density bonuses may be achievable based on a variety of items, including development of affordable housing.

The following shows the land use designation of the subject property, sourced from the community plan. Notably, the purple circles represent "conceptual"[15] future streets. A development of the subject property would most likely necessitate the creation of additional streets; such necessitation was considered in the analysis.



Specific Plan

According to city zoning information, the subject property is within the Midway Rising specific plan, which relates to this appraisal assignment and the project proposed by Midway Rising. As noted on the

15 Midway – Pacific Highway Community Plan, page LU-19.

city's website,[16] the City of San Diego issued a Notice of Availability ("NOA") to lease the subject property (identified as "surplus property"). Five different development teams submitted proposals for redevelopment. In accordance with the state's Surplus Land Act, they negotiated with each team and ultimately selected the Midway Rising team to pursue redevelopment of the San Diego Sports Arena site.

The Midway Rising project contemplates the following uses:

- 4,250 housing units (approximately 86 units per acre).
  - 2,000 affordable units (80% Area Median Income and below, noting that the affordable component represents approximately 47 percent of the total number of units).
  - 2,250 market-rate units.
- A 16,000-seat sports arena.
- A multi-acre central urban park.
- A mixed-use entertainment, arts and cultural district.

Notably, the proposed density is higher than what is allowed by right. It is my understanding that the number of affordable units proposed by the developer was considered in the selection process, but a development team with the most affordable units was not a requirement for selection. Based on a variety of land use programs, it has become common to develop a property to a density beyond the base density, depending on its feasibility. This includes developing affordable housing. Market data was analyzed, particularly sale data with actual intended uses, to support this conclusion.

Surplus Land Act

The California Surplus Land Act ("SLA") mandates that local agencies disposing of surplus public land prioritize its use for affordable housing. Specifically, the SLA requires that at least 25 percent of the residential units developed on such land be affordable to lower-income households with affordability maintained for a minimum of 55 years for rental units. Affordability is based on earning up to 80 percent of the area median income ("AMI"), though other programs may be implemented (i.e., other income requirements). Additional information about the SLA and the process as it relates to the subject property is contained in my workfile.

Sustainable Development Area

The subject property is located within a Sustainable Development Area ("SDA"). This is defined as an area within a defined walking distance along a pedestrian path of travel from a major transit stop that

16 https://www.sandiego.gov/economic-development/real-estate/midway-rising

exists or is planned.[17] An SDA is meant, in part, to allow for redevelopment for more dense uses, including those allowed by the city's Complete Communities Housing Solutions plan, discussed as follows.

Complete Communities Housing Solutions ("CCHS")

The subject property is located within a CCHS zone. As noted on the city's website,[18] Housing Solutions is an optional affordable housing incentive program aimed at encouraging the building of homes near high-frequency transit. The focus is intended to create a variety of housing options for everyone, particularly those at low and middle-income levels. The city identifies the subject property as having a "Coastal Zone and Coastal Height Overlay Zone" which allows a floor area ratio ("FAR") of 2.5.

Complete Communities Mobility Choices ("CCMC")

In addition to Housing Solutions, the subject property is within a CCMC zone. According to the city's website,[19] Mobility Choices aims to provide more mobility options for San Diegans to commute and recreate by streamlining development in areas of the city that are most aligned with the City's climate goals and by investing in active transportation infrastructure, such as pedestrian and bicycle facilities. SB 743 requires the City to adopt a new metric for analyzing transportation impacts to achieve a reduction in vehicular traffic (vehicle miles traveled), rather than accommodating additional traffic (level of service).

Mobility Zones were designated based on VMT-reducing potential of new development. Investments in VMT efficient areas give the City the greatest potential for VMT reductions at the lowest costs. Mobility Zones 1, 2, and 3 are VMT efficient; the average number of vehicle miles traveled per capita or per employee is less than 85% of the region. The property is located in Mobility Zone 2, which "means any premises located either partially or entirely in a *Sustainable Development Area*."[20] This relates to development including a deduction in vehicle miles traveled ("VMT") by a certain amount. Multifamily residential in Mobility Zone 2 will follow Transit Priority Area ("TPA") parking amenities requirements; all other developments in Mobility Zone 2 are to provide active transportation measures.

17 O-2023-111, page 9.
18 https://www.sandiego.gov/complete-communities
19 https://www.sandiego.gov/complete-communities
20 Municipal Code, Chapter 14, Article 3, Division 11, page 2.

Airport Land Use Compatibility Overlay Zone ("ALUCOZ")

The subject property is located within an ALUCOZ that relates to Naval Air Station ("NAS") North Island and San Diego International Airport. The purpose of this overlay zone is to implement adopted Airport Land Use Compatibility Plans, in accordance with state law, as applicable to property within the city. The intent of these supplemental regulations is to ensure that new developments located within an airport influence area are compatible with respect to airport-related noise, public safety, airspace protection, and aircraft overflight areas.

As the subject is located within this overlay zone, certain measures are to be taken to ensure that any proposed development is consistent with flight patterns and related measures as it pertains to these two facilities.

Coastal Height Limit Overlay Zone ("CHLOZ")

The purpose of the Coastal Height Limit Overlay Zone is to provide a supplemental height limit for specific coastal areas as enacted by the voters of the City of San Diego. According to Section 132.0505, "no building or addition to a building shall be constructed with a height in excess of thirty feet within the Coastal Zone of the City of San Diego."[21] However, this limitation expressly does not apply to "that land area of the Coastal Zone within the Midway-Pacific Highway Community Plan area approximately bounded by the San Diego River on the north; San Diego International Airport and Laurel Street on the south; Interstate 5 on the east; and Sports Arena Boulevard, Midway Drive, Kemper Street, Rosecrans Street, and Lytton Street, including the Kemper Neighborhood Village and the Lytton District, on the west."[22]

In 2022, Measure C was passed to remove the height restriction from this area. Research indicates that this measure is still in effect, and no additional legal challenges are present.

Community Plan Implementation Overlay Zone ("CPIOZ")

The purpose of the CPIOZ "is to provide supplemental development regulations that are tailored to specific sites within community plan areas of the City. The intent of these regulations is to ensure that *development* proposals are reviewed for consistency with the use and *development* criteria that have been adopted for specific sites as part of the community plan update process."[23] This means that any proposed development within that area must undergo a discretionary review process.

21 Municipal Code, Chapter 13, Article 2, Division 5, page 3.
22 Municipal Code, Chapter 13, Article 2, Division 5, page 3.
23 Municipal Code, Chapter 13, Article 2, Division 14, page 1.

Transit Area Overlay Zone ("TAOZ")

As shown in the following exhibit, the subject property is partially within the TAOZ (identified in purple). The purpose of the TAOZ "is to provide supplemental parking regulations for areas receiving a high level of transit service. The intent of this overlay zone is to identify areas with reduced parking demand and to lower off-street parking requirements accordingly."[24]



Parking Standards Transit Priority Area ("PSTPA")

According to the city's website,[25] the City Council adopted Ordinance 21057 regarding zero minimum parking regulations for multifamily residential developments in Parking Standards Transit Priority Areas. The parking regulations allow for more multifamily residential units to be built without parking to lower housing costs and encourage residents to use alternative modes of transportation such as walking, biking and transit.

Transit Priority Area ("TPA")

In accordance with SB 743, "Transit Priority Areas" are defined as "an area within one-half mile of a major transit stop that is existing or planned." This relates to the amount of parking required and the availability of other forms of transportation. This relates to the requirement from SB 743 that mandates

24 Municipal Code, Chapter 13, Article 2, Division 10, Page 1.
25 https://www.sandiego.gov/planning/work/transportation/mobility/tpa.

the City to adopt a new metric for analyzing transportation impacts to achieve a reduction in vehicular traffic (vehicle miles traveled), rather than accommodating additional traffic (level of service).

Historical Resources Designation (HRB No. 1525)

Research indicates that the property improvements (identified as the San Diego International Sports Arena) have been identified as historically significant.[26] Renovations or demolition of the improvements is still a viable option, which has been considered in the analysis. Additional information related to this designation is contained in my workfile.

Conclusion

The zoning and planning regulations impacting the subject property are quite complex. This appraisal is based on my understanding of city zoning and requirements and policies based on limited research. The information provided above is intended to summarize the land use constraints to assist in the valuation. Additional information related to land use regulations is contained in my workfile.

ECONOMIC CHARACTERISTICS

Assessment Information

The subject is located in tax rate area 8001, which had a tax rate of 1.2280% for the relevant tax year. The subject property is owned by the City of San Diego and is 100% tax exempt with no determined assessment value. Fixed charge special assessments for this property are relatively nominal for the area, and I am unaware of any tax penalties.

California law requires that properties be reassessed upon transfer, and inherent in the definition of value is the sale of the property. Due to properties in California being reassessed upon sale, the subject's current assessment is not relevant for valuation purposes.

26 Document No. 2024-166104.

IMPROVEMENT CHARACTERISTICS

The subject property is improved with several commercial buildings. The largest of these is Pechanga Arena. Other uses on the property include a gas station and car wash, restaurant buildings, and a mix of single-tenant and multiple-tenant buildings. The structures were built between the 1960s and 2000s. According to information from AECOM (which was relied upon for this assignment), the improvements total approximately 342,888 square feet, excluding other site improvements such as a soccer field and fueling station canopy.

Improvement Summary

The following table summarizes pertinent information as it pertains to the improvements situated on the site.

BUILDING INFORMATION

BUILDING	GBA	YEAR BUILT
Pechange Arena - 3500 Sports Arena Boulevard	153,993	1966
Arco Gas Station and Car Wash - 3580 Sports Arena Boulevard	8,012	2004
Chick Fil A Building - 3570 Sports Arena Boulevard	3,964	2002
Chili's Building - 3494 Sports Arena Boulevard	6,475	2004
Sports Arena Square Building One - 3550 Sports Arena Boulevard	53,735	1970s
Sports Arena Square Building Two - 3360 Sports Arena Boulevard	20,201	1970s
Dixieline Lumber Buildings - 3250 Sports Arena Boulevard	60,601	1967
Salvation Army Building - 3240 Sports Arena Boulevard	22,700	1960s
Pier 1 Imports Building - 3220 Sports Arena Boulevard	13,207	1990
TOTAL	**342,888**	**1966 - 2004**

DESCRIPTION OF LEASES

The client has provided several leases associated with the subject property. As of the effective date of the appraisal, several components of the subject property were leased. In determination of the fair market value of the property, a potential buyer would consider the impact of these leases in place as the site is redeveloped (noting that demolition of the existing improvements for redevelopment of mixed-use is the highest and best use). In particular, given that there would be a period of time necessary to entitle the property, certain uses could continue through the development timeline, allowing a buyer to offset certain development costs with collected income.

The following is a summary of these leases.

Arena Lease

This lease involves the existing arena component and includes the City as the Lessor and Legends Venue Management SD, LLC ("Legends") as the Lessee. Identified as a percentage lease (which considers event revenue and revenue based on other components such as parking lot use), the lease states that the City "is only entering into this Lease with LESSEE because of its relationship to Midway Rising and the pendency of negotiations between CITY and Midway Rising for the long-term ground lease and redevelopment of several City-owned properties."[27] The lease further states that "this Lease shall terminate on a date identified in writing by City, which shall be no sooner than twelve (12) months after such notice of termination is sent to LESSEE."[28] The lease further indicates that a prior lease with a difference tenant was "scheduled to expire by its own terms on July 31, 2024."[29] This current lease is set to expire December 4, 2026.[30]

Based on information provided by the client, the annual income being received for this component is approximately $775,836 . Given the date of value relative to the lease expiration date, the remaining lease term is approximately 21 months. This means that a potential buyer would be able to collect income during the development process, assuming that Legends will continue to satisfy their rent obligation. This historical income was considered as an "offset" to development costs.

27 Percentage Lease – Sports Arena, Section 1.1.
28 Percentage Lease – Sports Arena, Section 2.1.
29 Percentage Lease – Sports Arena, Section 2.1.
30 Percentage Lease – Sports Arena, Section 2.1.

Dixieline Lumber Lease

Based on information provided, this lease expired in 2020 and is on a "holdover" basis. Income related to this component is approximately $572,764 based on information provided by the client. Given the highest and best use of redevelopment, this component of the property will be treated based on the cost of demolishing the improvements with consideration of this income.

Salvation Army Lease

Like the Dixieline Lumber lease, this lease also expired in 2020 and is on a holdover basis. Income related to this component is $131,904 based on information provided by the client. Given the highest and best use for redevelopment, this component of the property will be treated based on the cost of demolishing the improvements with consideration of this income.

Retail Center Lease

Leases for the retail center were requested, and an agreement with the property manager was provided. Based on this agreement, the retail leases can be terminated without impact to value (meaning that there is no buyout clause for leases with an extended term). The management agreement states that termination of the agreement requires a 90-day notice, and that the manager will be paid one month of the average management fee paid during the last 12-month period prior to the termination.[31]

Income associated with the retail center was also requested. Based on information provided by the client, the income related to this component is $120,000 . Given the stated management fee in the agreement, this is a nominal amount that does not materially impact value (given the fair market value of the property, any impact caused by paying such a fee would be loss to rounding). As such, this agreement (and particularly the cancellation clause) was not considered to have a material impact on value. The demolition cost associated with the improvements was considered in the analysis that also includes consideration of the income information provided.

Retail Pads Lease

The client has provided documentation related to the ground lease of retail pads. According to this documentation, the lease encumbers approximately 4.921 acres, began in 2002, and expires April 30,

31 Management and Marketing Services Agreement, Section 3.3.

2032, approximately seven years after the effective date of the appraisal. The rent to be paid to the lessor is based on 50 percent of net income.[32]

If the lease is to be terminated prior to 2032, the lessor is to notify the lessee with a termination notice, and that the lease shall be cancelled 365 days after. Based on the effective appraisal date, this results in a termination date of March 2026 at the earliest, meaning that the remaining lease term at that time would be approximately six years.

The lessor is to pay the "Fair Market Value of the improvements and leasehold interest."[33] Fair Market Value is defined in the document as "the most probable price at which a willing seller and buyer would enter into an agreement to purchase the leasehold interest and the improvements at their approved uses under this Lease."[34] Given these characteristics, the "as-is, where-is" value of the property takes into consideration the Fair Market Value of the leasehold interest and improvements as of the effective appraisal date, which would be a cost that impacts value. At the same time, the latest reported income to the lessor was $1,427,373 . This income would be considered in this analysis as discussed herein.

Conclusion

The following table summarizes the income associated with these leases.

Summary of Income

Tenant	Property	Annual Figure	Per Month	Months	Total
Legends Venue Management	Arena and Parking	$775,836	$64,653	21	$1,357,713
Victor J. Schulman Trust	Salvation Army Property	$131,904	$10,992	24	$263,808
BFS Group	Dixieline Lumber	$572,764	$47,730	24	$1,145,528
Intersection CRE	Retail Center	$120,000	$10,000	24	$240,000
AEG Retail Pads	Retail Pads	$1,427,373	$118,948	24	$2,854,746
Total		$3,027,877	$252,323		$5,861,795

Given the highest and best use, it would be reasonable to continue leasing these components of the property until the leases expire, until entitlements are completed, and/or until development on a certain component of the subject property is feasible. Such consideration was taken into the analysis of the fair market value of the subject property.

32 The net income is identified in the document as gross receipts less approved hard construction costs. Based on the information provided, the net income only consists of gross receipts as of the effective appraisal date.

33 San Diego Sports Arena Retail Pads Ground Lease, page 10.

34 San Diego Sports Arena Retail Pads Ground Lease, page 11.

VALUATION METHODOLOGY

Approaches to Value

There are three generally recognized approaches to value. These include the cost, sales comparison, and income capitalization approaches. In the cost approach, the depreciated cost of the improvements is added to the estimated value of the land to arrive at a value conclusion. The sales comparison approach is based on the principle of substitution and compares similar properties that have recently sold to the subject property. In the income capitalization approach, specific appraisal techniques are applied to develop a value indication for a property based on its earning capability and measured by the capitalization of property income.

Applicability of Approaches

The sales comparison approach has been performed as there is sufficient data to arrive at an opinion of the market value. A traditional cost approach is not considered relevant to the analysis because the highest and best use is for redevelopment. However, demolition cost information was considered in concluding to the "as is, where is" value of the land. Likewise, a traditional sales comparison approach as improved was not considered in this valuation given the nature of the assignment. As such, this approach was not performed. A traditional income capitalization approach (where income is capitalized into value) of the entire property was not performed. An income capitalization approach was performed as it relates to components of the subject property, specifically the properties located along Sports Arena Boulevard that must be "bought out" in order for redevelopment to occur.

As discussed previously, there is sufficient data available to determine an opinion of land value via the land sales comparison approach. The client has requested an analysis based on a land residual method. As such, this land residual method was performed, but was considered to be a secondary analysis to the sales comparison approach that was ultimately given full weight based on the reasons previously discussed. A summary of the land residual method is contained in the appendix.

Market Data Analysis

Given the market data available, the data sets utilized in the relevant approaches to value were not well suited to quantified adjustments; sufficient information was not available for the support of specific adjustments. The exception is a quantified adjustment for market conditions. As such, qualitative adjustments were considered in this valuation, with the adjusted sale prices reflecting a quantitative adjustment for market conditions and, ultimately, an “overall” qualitative adjustment that considers the sale property’s superiority, inferiority, or similarity to the subject property component being valued.

HIGHEST AND BEST USE

Introduction

Highest and best use is an important concept in real estate valuation as it represents the premise upon which value is based. Prior to valuing the subject, the highest and best use of the subject property must be determined. The purpose of the highest and best use analysis is to establish which use will result in the highest value, and to assist in identifying relevant comparable data.

Highest and best use is defined as follows:

"The reasonably probable use of property that results in the highest value."[35]

Highest and best use is the reasonably probable use of a property that is physically possible, legally permissible, financially feasible, and maximally productive. These four criteria are typically applied in sequence, as a use that fails to meet one criterion is not considered further. When more than one use satisfies the first three tests, the use that yields the highest value is deemed the highest and best use. This analysis applies to both vacant and improved properties, and the conclusion may involve immediate development, adaptive reuse, or holding for future development.

The determination of highest and best use is guided by an understanding of interrelated forces that shape real estate markets. These include the following.

- **Social**: Demographic trends, population growth, and household formation, which influence the type and intensity of property demand.
- **Economic**: income levels, market rent and price trends, vacancy, amount of development and construction.
- **Governmental**: Taxes, land use regulations, quality of public services, environmental regulations.
- **Environmental**: Topography, change in land use patterns, traffic, environmental liabilities (e.g., threat of flooding or wildfires).

These forces operate simultaneously and may exert unequal influence on different properties. A credible highest and best use conclusion reflects careful analysis of how these factors interact in a given market and at a specific location.

35 *The Dictionary of Real Estate Appraisal,* page 88

Components of Highest and Best Use

In order to properly analyze the highest and best use of a property, an appraiser must fully analyze and develop the three components of highest and best use.

- The physical use of the property.
- The timing of the use.
- The market participants that compete for the use, including users of space and the most probable buyer type.

Development of these components is "integral to the valuation of the property."[36] For example, "[t]he most probable buyer is a critical conclusion used in choosing comparable sales in the sales comparison approach. The probable space user is critical in choosing comparable leases in the income capitalization approach."[37] It is also important to note that "[t]he property type, size, and market conditions provide an indication of how detailed the fundamental data needed will be, which will dictate to a large extent how specific the conclusion of the highest and best use of a property should be."[38]

The aforementioned components of highest and best use (use, user, and timing) are "needed at some level to reliably apply the approaches to value. For example, the selection of comparable sales is based on properties with a similar highest and best use as the subject property," which "requires some basis to determine if the comparable properties have a similar use, timing for use, and market participants as the subject property."[39] Highest and best use is simply more than the physical use of the property, but the market participants that would compete for such use (and associated property rights) as well as the timing for the use.

Highest and Best Use as if Vacant

Physical Possibility

The subject property consists of land that contains approximately 48.50 acres and is irregular (but functional) in shape. The surrounding area is developed, and public utilities are readily available to the subject. Overall, the subject property is physically suited for a wide range of development.

36 *The Appraisal of Real Estate*, page 327.
37 *The Appraisal of Real Estate*, page 327.
38 *The Appraisal of Real Estate*, page 327.
39 *The Appraisal of Real Estate*, pages 327 and 328.

Legal Permissibility

The property is zoned CC-3-6, which allows for a variety of commercial and residential uses as discussed herein. Such uses are considered to be legally permissible. Previously discussed were land use regulations such as the SLA that influence what can be developed. Other land use regulations and overlays have been discussed and would impact legal permissibility.

Financial Feasibility and Maximum Productivity

By definition, any use which results in positive land value represents a financially feasible use. The maximally productive use of a property is that use which results in the highest land value. In order to establish financial feasibility, research was conducted to find sales of parcels similar to the subject. New construction was also investigated in the region (Southern California) given the characteristics of the subject property and the market participants that would compete for such a property.

Based on an investigation of market activity, mixed-use development was determined to be maximally productive. Properties such as the subject are being slated for mixed-use development that include various components, including residential and commercial uses. Given the allowed density and market trends, multifamily residential would be the primary component, understanding that there is an affordability component under the SLA. Developers are constructing projects that can include a variety of commercial uses, including retail, office, and hospitality. Comparable developments are also being developed with minor open space uses (e.g., parks).

Although there may be a sports arena contemplated by Midway Rising, the market data suggests that such a use is not being actively developed in the region. The current developer is also proposing an affordability component that is higher than what is planned or being developed throughout the region, both for properties owned by private parties and by public entities. In a highest and best use scenario (given current market trends), developing “market-rate” residential units to the highest allowed and feasible density would be appropriate. This means that the affordability component would be lower than what is contemplated, but still in alignment with the SLA. This is based on the various development projects analyzed throughout Southern California.

Conclusion

Based on the market data available, the highest and best use as vacant was concluded to be mixed-use development. This type of development can take on a variety of forms but would most likely include multiple-unit residential as the primary use and secondary uses that include commercial types such as

retail, office, and/or hospitality. There would also most likely be a component associated with infrastructure and community serving uses (e.g., parks).

Highest and Best Use as Improved

The property is improved with several existing commercial structures, including the aforementioned arena. Various retail properties are located along Sports Arena Boulevard, and the site is paved and fenced. The improvements are not well suited for adaptation to another use without significant reconfiguration and major capital improvements.

Based on the market data available and the subject property subject characteristics, the value of the site is feasible for redevelopment. As such, the highest and best use as improved is demolition of the existing improvements for redevelopment of mixed-use. This would occur during the development timeline to allow for income to offset associated development costs.

Highest and Best Use Conclusion

Given the physical and legal characteristics of the property, as well as market trends and current buying patterns, the highest and best use is concluded to be demolition of the existing improvements for redevelopment of mixed-use.

Timing for the use is immediate upon securing the necessary entitlements, which (based on the market data available) would take approximately two to three years. Research indicates that projects of this size are typically “phased,” meaning that a development would not occur all at one time, but rather over a period of time. That said, different components of a project (e.g., retail and residential) may be developed concurrently. The research indicates that projects of this magnitude would reasonably be projected to be phased out over a ten-year period.

The most probable buyer would be a regional or national developer given the characteristics of the subject property and the market data considered.

LAND VALUATION

The sales comparison approach was utilized to estimate the value of the subject land. This approach to value is based on the principle of substitution, which implies that a prudent buyer would pay no more to purchase a property than it would cost to obtain a comparable substitute property. The data herein was used in the valuation of the subject site. Of the units of comparison potentially available for analysis, a price based on square feet ("SF") was judged to be best suited to an analysis of the subject property.

Search Criteria

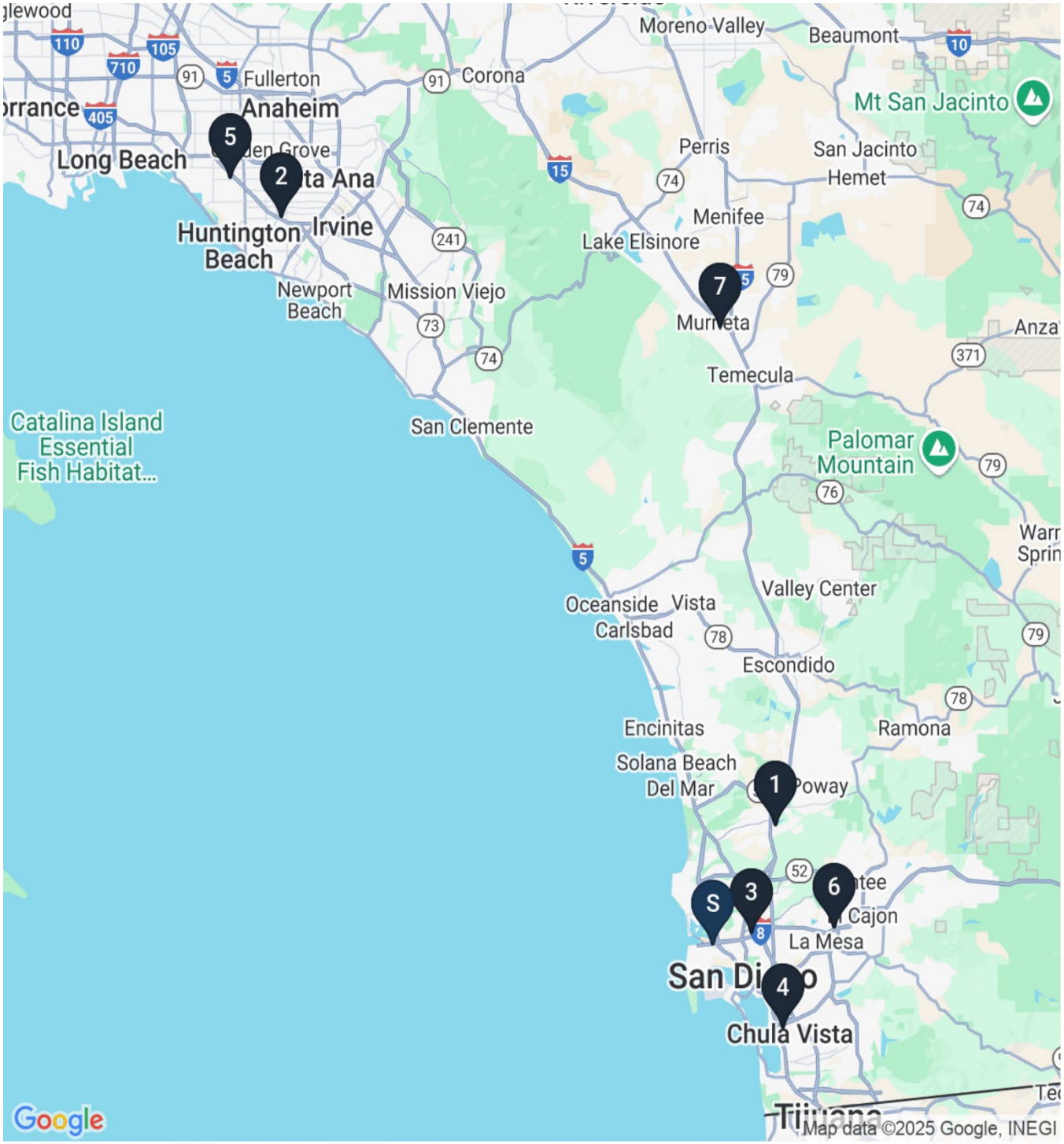
- **Type:** Land and properties slated for redevelopment or significant expansion. Previously improved properties were used if they were intended to undergo full redevelopment or significant redevelopment or expansion. AECOM data as well as actual development costs for certain projects were considered in adjusting for demolition costs.
- **Conditions:** Arm's-length transactions.
- **Market Area:** The southern California region was researched, with emphasis on properties in San Diego County. Orange County, Los Angeles County, and the Inland Empire were also considered.
- **Use:** The sale comparables utilized have the same or a similar intended use. Some of the data has existing uses where improvements contribute to value, which was considered and adjusted.
- **Size:** Between 15 acres and 75 acres.
- **Sale Date:** 2021 to present.

Market Data Summary

The following summarizes the market data utilized, including basic sale information, the location of the market data, aerial images, and a discussion of property characteristics and sale comments. The sale adjustment grid also includes relevant information regarding property and sale characteristics.

LAND SALES SUMMARY

	DATE OF SALE	LOCATION	MUNICIPALITY	ACRES	UNADJUSTED SALE PRICE	$/SF
1	12/20/2024	Scripps Ranch Boulevard	San Diego	28.480	$50,000,000	$40.30
2	10/31/2023	1683 Sunflower Avenue	Costa Mesa	15.745	$72,000,000	$104.98
3	7/20/2023	Camino Del Rio North	San Diego	51.080	$165,000,000	$74.16
4	4/28/2023	565 H Street	Chula Vista	15.540	$32,766,000	$48.40
5	8/26/2022	100 and 545 Westminster Mall	Westminster	25.766	$95,300,000	$84.91
6	6/2/2021	5500 Grossmont Center Drive	La Mesa	64.190	$175,000,000	$62.59
7	10/10/2023	41375 Murrieta Hot Springs Road	Murrieta	27.610	$38,000,000	$31.60



COMPARABLE	LABEL	ADDRESS	MILES FROM SUBJECT
COMPARABLE 1	1	Scripps Ranch Boulevard, San Diego, CA, 92131	12.3
COMPARABLE 2	2	1683 Sunflower Avenue, Costa Mesa, CA, 92626	77.0
COMPARABLE 3	3	Camino Del Rio North , San Diego, CA, 92108	3.9
COMPARABLE 4	4	565 H Street, Chula Vista, CA, 91910	10.1
COMPARABLE 5	5	100 and 545 Westminster Mall, Westminster, CA, 92683	82.6
COMPARABLE 6	6	5500 Grossmont Center Drive, La Mesa, CA, 91942	11.8
COMPARABLE 7	7	41375 Murrieta Hot Springs Road, Murrieta, CA, 92562	55.1



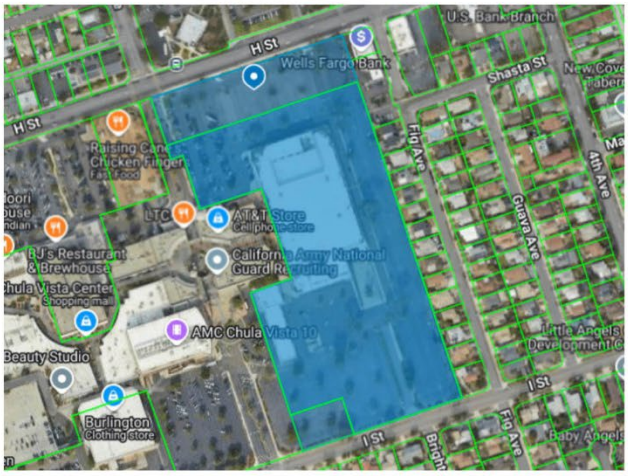
COMPARABLE 1



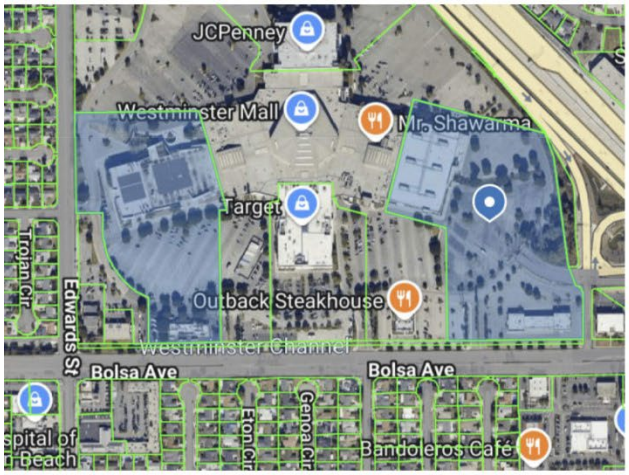
COMPARABLE 2



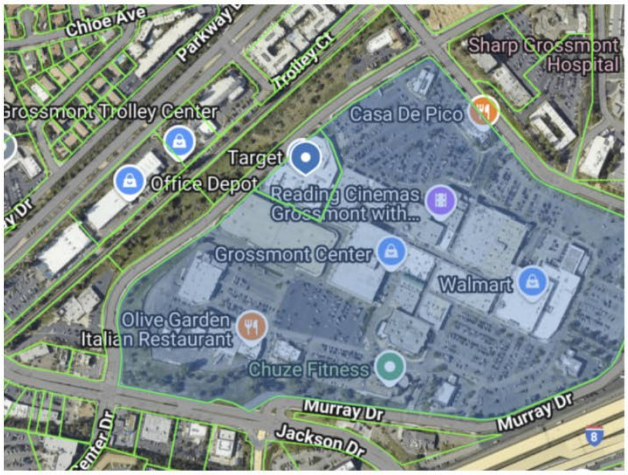
COMPARABLE 3



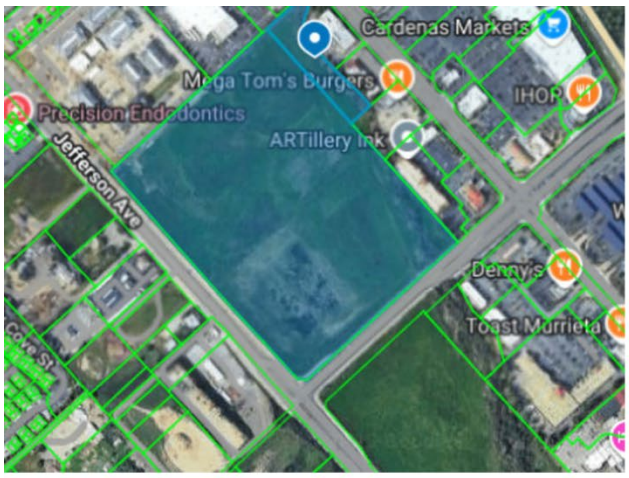
COMPARABLE 4



COMPARABLE 5



COMPARABLE 6



COMPARABLE 7

Land Sale 1 - Scripps Ranch Boulevard

The property is located in the Scripps Ranch neighborhood of San Diego. The property comprises five parcels of land, with frontage on Hoyt Park Drive, Meanley Drive, Scripps Lake Drive, and Scripps Ranch Boulevard. The property is east of Interstate 15 and is surrounded by residential, retail, and educational uses, the latter of which includes adjacent Scripps Ranch High School.

The property is zoned IP-2-1, an industrial zone that allows a mix of light industrial and office uses with a maximum floor area ratio of 2.0. A portion of the property is within an SDA. However, because the site's zoning designation does not allow for residential development, it is not considered to be within a CCHS area. Four of the five parcels consist of vacant land. One parcel is improved with an office building that contains approximately 69,900 square feet.

This property was sold in multiple transactions by a life sciences developer and operator, who had planned a life sciences campus. The property was purchased by a residential developer, who is contemplating residential development (which would necessitate land use changes). The building is proposed to be demolished.

The analysis price reflects an adjustment for demolition costs. Based on a cost of $10.00 per square foot multiplied by 69,900 square feet, the adjustment would be approximately $700,000.

Land Sale 2 - 1683 Sunflower Avenue

The property consists of land improved with an industrial building that is located in the city of Costa Mesa in Orange County. The property is bordered by Interstate 405 to the south and Sunflower Avenue to the north. Surrounding uses are industrial and commercial in nature. This includes the SoCo retail

shopping district immediately to the east. Residential uses are located south of I-405.

The property is zoned MP, Industrial Park. The site is also within Flood Zone X. The improvements total approximately 560,000 square feet.

The property is slated for redevelopment into a mixed-use project. The project, known as One Metro West, includes 1,057 apartment units in three buildings (67 units per acre), including 106 affordable (low- and very-low income). This affordable component equates to approximately 10 percent of the total number of units. Also planned are 25,000 square feet of office space, 6,000 square feet of retail shops, and a 1.5-acre public park (approximately 10 percent of the site).

Approvals were achieved in 2021 (prior to the sale date), and the plans were slightly amended in 2024. The project is planned to be built in three phases and is contemplated to be completed in 10 years after breaking ground.

Based on demolition costs of $10.00 per square foot and the approximate building area of 560,000 square feet, the price has been adjusted by $5,600,000.

Land Sale 3 - Camino Del Rio North

The property consists of land improved with a retail center known as Westfield Mission Valley East, located in the Mission Valley area of San Diego. The property is proximate to I-8 and surrounded by several streets, including Camino Del Rio North to the south, Mission Center Road to the west, Camino De La Reina to the north, and Camino Del Este to the east. Access to the freeway is proximate.

Surrounding uses are retail and residential in nature. This includes a variety of different types of projects, including mixed-use developments, nearby Fashion Valley shopping center (which is planning a residential expansion), and the Civita master planned community. The property is also proximate to the Mission Valley Center trolley station to the north.

The property is zoned EMX-2, a mixed-use zone that allows for residential development. The property's zoning allows for 145 dwelling units per acre. It is located within a CCHS area, which allows for a maximum FAR of 4.0. The site is within Flood Zone X.

The property is currently improved with a retail center that includes anchor tenants such as Target and Nordstrom Rack. A parcel improved with a Macy's home furnishing store is located to the north and is not a part of this property.

The property sold to a joint investor group that is planning to renovate the existing retail as well as adding a multifamily component. This sale is utilized given its total land size and proximity to the Sports Arena property. No adjustment is made for demolition costs for the improvements given the plan to retain retail components (the contributory value of existing improvements influences the price upward).

Approximately 700 to 800 units are planned for the expansion. When the property sold, a considerable portion of the improvements were vacant, including a large anchor space and a junior anchor space totaling approximately 430,000 square feet. The retail component is undergoing renovation, and the residential expansion is on hold for the near future.

Notably, the same seller had sold the western part of the retail center (Westfield Mission Valley West) to a different seller. This sale was for approximately 20.44 acres and sold for $125,150,000, or approximately $141.00 per square foot. No redevelopment plans are known. As such, this other sale was not utilized in the analysis.

Land Sale 4 - 565 H Street

The property consists of land improved with a former retail department store (Sears) that is located in Chula Vista. The property is an interior site, located between I Street to the south and H Street to the north. Surrounding uses are retail, industrial, and residential in nature. The property is part of the Chula Vista Center, a retail center that includes tenants such as Macy's, AMC, and Burlington.

The property is located in two zones. Both the UC-6 and UC-7 zones allow for residential, office, retail, and hospitality uses. The allowed density is up to 60 dwelling units per acre. The current structure contains approximately 250,000 square feet.

The property was purchased by a developer with an investment partner, with plans to redevelop the site as a 244-unit residential community. Known as Citrus Bay, the project will feature for-sale townhomes at a density of about 16 units per acre. Sears had been closed since early 2020.

The buyer had an option to purchase while entitlements were secured. The sale price reflects an "entitled" price. No conditions to the sale were reported. The analysis price reflects the estimated costs to demolish the improvements.

The demolition costs were approximately $8.90 per square foot multiplied by 250,000 square feet of improvements to arrive at $2,225,000.

Land Sale 5 - 100 and 545 Westminster Mall

This property is located in the city of Westminster in north Orange County. The property consists of two non-contiguous tracts of land with retail mall improvements. They are separated by a property under different ownership, with similar improvements. The eastern tract (developed as a Sears department store) has frontage along Bolsa Avenue to the south and an Interstate 405 frontage road. The western tract (developed as a Macy's department store) has frontage along Edward Street and Bolsa Avenue. These properties are part of the Westminster Mall, which is surrounded by residential and retail uses.

The properties are located within the Westminster Mall Specific Plan. The WMSP includes a proposed allowable 3,000 dwelling units and 424 hotel rooms. Based on the planning documents, this property is contemplated for "priority uses" that include residential, retail, office, and hotel.

The former Sears department store contained approximately 197,900 square feet. The store had closed in 2018. The Macy's building contains 210,000 square feet and, as of the sale date, was still occupied. The total square footage is approximately 407,900 for the two structures.

The properties were purchased by a local investment and development group. The properties were sold in two separate transactions that took place within approximately one month of each other (the latter date of August 2022 was utilized in this analysis). As part of the Macy's sale, Macy's had planned to lease back their space for approximately two to three years.

The property is slated for a mixed-use development known as Bolsa Pacific. This includes 1,167 housing units, including 1,065 rental apartments and 102 for-sale townhomes. Based on 25.766 acres, this equates to a density of approximately 45 units per acre. As of May 2025, an affordable housing component is planned, but the amount of housing is unknown. Also contemplated is a 175-room hotel, 25,000 square feet of retail and restaurant space, and a 2.5-acre public park (about 10 percent of the total site, noting the plans show this park to be located only on the west side).

The analysis price is based on demolition costs of $10.00 per square foot. Multiplying this figure by the improvement size of 407,900 square feet equates to an adjustment of $4,100,000, rounded.

Land Sale 6 - 5500 Grossmont Center Drive

This property consists of the Grossmont shopping center located in La Mesa, San Diego County. This property consists of a full block that is surrounded by Grossmont Center Drive to the north, Murray Drive to the east and south, Jackson Drive to the south, and Center Drive to the west. Surrounding uses

are mostly retail, noting that Sharp Grossmont Hospital is located proximate to the east. The property is located in the northwest quadrant where I-8 and SR-125 intersect. Access is available to both of these freeways.

The property is zoned General Commercial and has both the Grossmont Overlay and the Urban Design Overlay. Multifamily uses are allowed in the General Commercial zone.

The property is improved as Grossmont center, which is a super-regional center containing approximate 925,000 square feet of improvements. Current tenants include Target, Walmart, and Macy's, among others.

The property was conveyed in two transactions consisting of the sale of a 40% interest and a 60% interest. The sale price shown indicates a summation of these two transactions. At the time of sale, the buyer indicated there was potential for redevelopment in the future. However, as of May 2025, no plans have been made. The improvements provide contributory value; as such, no adjustment for demolition costs has been made.

Land Sale 7 - 41375 Murrieta Hot Springs Road

The property consists of vacant land in the city of Murrieta in Riverside County. The property is located at the northeast corner of Murrieta Hot Springs Road and Jefferson Avenue, with Interstate 15 just to the northeast. Surrounding uses are retail and residential in nature.

The property is noted as having 31.69 acres, but the net acreage is 27.61 acres. The net area excludes a wash area, public right of way, an easement, a fault line setback area, and a private easement for access, a storm drain, and ponding. The property is located within an Alquist-Priolo fault zone (Elsinore fault zone, specifically the Wildomar fault) as well as a liquefaction zone. The property is zoned Community Commercial.

An 852-unit multi-family development project has been approved for the site. Known as Jefferson Murrieta, the project will consist of several four-story buildings. The property was approved by the planning commission in July 2023 (before the sale). No affordable units are planned.

Valuation Analysis

The following discussion summarizes the treatment of the comparable sales in the analysis. Note that the physical characteristics of the properties are summarized in the adjustment grid contained herein. Property rights issues were analyzed in the reconciliation process.

In addition, the timing of such developments is reflected in the reconciliation process. While the timing of the sale comparables was analyzed, what was also analyzed were projects throughout the region that are being developed or planned. This information supports my ultimate conclusion of a 10-year selloff period following a two-year entitlement period; this timing is inherent in the conclusion by sales comparison.

Market Conditions

In analyzing market conditions, both land and improved sale trends were analyzed. Market participants were also interviewed to identify general trends. Overall, the market has softened and has not appreciated at the same rate as in previous years. The land sale data, while limited in terms of the number of transactions, indicate some positive conditions through the date of value.

Based on the available data, hat sale transaction data from 2021 through 2025 warrants an adjustment. Conditions have been increasing slightly overall. As such, a quantified adjustment of 3% per year for market conditions has been made.

Location

This category accounts for the property's macro and micro-location characteristics. This includes market information for the primary development component (multifamily), as well as retail information. Also considered was demographic information. The sales were adjusted accordingly.

Land Location Adjustment Support

Comparable	Submarket	Multi-Family Rent (1 mile)	Multi-Family Sale Price/Unit (1 mile)	Retail Rent (1 mile)	Retail Sale Price/Unit (1 mile)	Population (1 mile)	Households (1 mile)	Median HH Income (1 mile)	Median Home Price (1 mile)	Adjustment
Subject	*Midway*	*$2,509*	*$386,000*	*$35.06*	*$396*	*11,947*	*5,042*	*$85,541*	*$830,763*	
1	Scripps Ranch	$2,651	$423,000	$45.02	$443	15,988	6,499	$95,429	$680,663	Sl. Superior
2	Costa Mesa	$1,708	$647,000	$34.23	$404	6,657	2,260	$116,607	$824,977	Similar
3	Mission Valley	$2,779	$489,000	$44.75	$367	25,797	13,703	$88,606	$757,941	Superior
4	Chula Vista	$1,927	$306,000	$30.40	$364	33,812	11,525	$58,713	$549,587	Inferior
5	Westminster	$2,235	$445,000	$37.27	$372	17,611	5,561	$88,510	$798,568	Similar
6	La Mesa	$2,465	$374,000	$30.89	$347	18,987	7,790	$73,886	$747,199	Inferior
7	South Riverside	$2,742	$451,000	$29.77	$339	4,578	1,659	$77,602	$488,280	Inferior

Size

This category accounts for size. There is a general relationship between a larger size and a lower price per acre. The converse is generally true as well. Based on the market data, this premise is consistent with the pricing trends. As such, the sales were adjusted based on size.

Zoning and Land Use Regulations

This category accounts for zoning, general plan designations, and specific plan designations. Also considered were any approvals that contributed to the price.

With the exception of Sale One, which was not zoned for any residential use and considered inferior, all of the sales are determined to be superior. The subject property is designated as surplus land and thus is subject to a minimum requirement of 25 percent of residential units slated for affordable housing. This is considered an "inferior" characteristic as market rate units derive higher pricing. Most of the market data analyzed has an affordability component ranging from 10 to 15 percent.

Given the requirement that 25 percent of residential units be slated for affordable housing, all of the sales that allow for residential use were determined to be superior. Sale One, which is not zoned for residential development, requires land use regulation amendments to allow residential development. Based on the cost and risk to do so, this is considered to be an inferior characteristic, even with consideration of the SLA requirement.

Contributory Value of Improvements

Some of the sales have improvements that contribute to value. This is evidenced by buyer plans to retain improvements for a period of time. For Sale Three and Six, this is for the near future. Regarding Sale Five, there is some income associated with the sale leaseback (though the exact amount is unknown). The sales were adjusted accordingly.

Physical Characteristics

This category accounts for the shape of the site and topography, characteristics which can impact the usability of the property. Also considered are offsite infrastructure and certain hazards to development. The sale comparables were determined to be sufficiently similar for this characteristic. The exception is Sale One (which has several existing streets going through the property, thus creating several developable pads) and Sale Seven (which is impacted by a wash and a fault zone). These sales are slightly superior and slightly inferior, respectively.

Summary of Analysis

The following summarizes the adjustments made to the comparable data. It is important to note that the individual adjustments are not weighted equally; the comparisons vary by degree. The "overall" comparison summarizes the adjustments made.

LAND SALES COMPARISON TABLE

	SUBJECT	COMP 1		COMP 2		COMP 3		COMP 4		COMP 5		COMP 6		COMP 7	
Address	Sports Arena Boulevard	Scripps Ranch Boulevard		1683 Sunflower Avenue		Camino Del Rio North		565 H Street		100 and 545 Westminster Mall		5500 Grossmont Center Drive		41375 Murrieta Hot Springs Road	
City	San Diego	San Diego		Costa Mesa		San Diego		Chula Vista		Westminster		La Mesa		Murrieta	
County	San Diego	San Diego		Orange		San Diego		San Diego		Orange		San Diego		Riverside	
Submarket	Midway	Scripps Ranch		Costa Mesa		Mission Valley		Chula Vista		Westminster		La Mesa		South Riverside	
Parcel(s)	Portion of 441-590-04	319-170-28-00, 319-170-29-00, 319-170-25-00, 319-170-30-00, 319-170-31-00		139-031-62, 139-651-14		438-030-54-00, 438-030-06-00		572-010-44-00		195-373-09, 195-373-10		490-261-10-00, 490-261-09-00		949-670-008, 949-670-009	
SALE INFORMATION															
Transaction Price		$50,000,000		$72,000,000		$165,000,000		$32,766,000		$95,300,000		$175,000,000		$38,000,000	
Transaction Price $/SF		$40.30		$104.98		$74.16		$48.40		$84.91		$62.59		$31.60	
Property Rights		Leased Fee		Fee Simple		Leased Fee		Fee Simple		Fee Simple		Leased Fee		Fee Simple	
Financing		Cash to Seller		Cash to Seller		Cash to Seller		Cash to Seller		Cash to Seller		Cash to Seller		Cash to Seller	
Sale Conditions		Typical		Typical		Typical		Typical		Typical		Typical		Typical	
Expenditures After Sale		$700,000	1.4%	$5,600,000	7.8%	$0		$2,225,000	6.8%	$4,100,000	4.3%	$0		$0	
Market Conditions		12/20/2024	0.6%	10/31/2023	4.1%	7/20/2023	4.9%	4/28/2023	5.6%	8/26/2022	7.6%	6/2/2021	11.3%	10/10/2023	4.2%
Sale Status		Recorded		Recorded		Recorded		Recorded		Recorded		Recorded		Recorded	
Recording Number		2024-0352689-93		2023-266629		2023-194783		2023-112235		2022-240329, 289953		2021-412178, 79		2023-298446	
Total Transactional Adjustments		$0.82	2.0%	$12.75	12.1%	$3.63	4.9%	$6.17	12.7%	$10.38	12.2%	$7.07	11.3%	$1.33	4.2%
Adjusted $/SF		**$41.12**		**$117.73**		**$77.79**		**$54.57**		**$95.29**		**$69.66**		**$32.93**	
PHYSICAL INFORMATION															
Acres	48.50	28.4800		15.7450		51.0800		15.5400		25.7660		64.1900		27.6100	
Shape	Irregular	Irregular		Generally Rectangular		Irregular		Irregular		Irregular		Irregular		Generally Rectangular	
Zoning	CC-3-6	IP-2-1		MP		EMX-2		UC-6 and UC-7		SP-3		C; C-G-D		Community Commercial	
Topography	Level	Level to Sloping		Level		Level		Level		Level		Level		Level	
Density	44.0	-		67.1		145.0		15.7		45.3		40.0		31.0	
Location		Sl. Superior		Similar		Superior		Inferior		Similar		Inferior		Inferior	
Size		Sl. Superior		Superior		Similar		Superior		Sl. Superior		Sl. Inferior		Sl. Superior	
Zoning and Land Use Regulations		Inferior		Superior		Superior		Superior		Superior		Superior		Sl. Superior	
Contributory Value of Improvements		Similar		Similar		Superior		Similar		Sl. Superior		Superior		Similar	
Physical Characteristics		Sl. Superior		Similar		Similar		Similar		Similar		Similar		Sl. Inferior	
Adjusted $/SF		**$41.12**		**$117.73**		**$77.79**		**$54.57**		**$95.29**		**$69.66**		**$32.93**	
OVERALL COMPARISON		**SIMILAR**		**SUPERIOR**		**SUPERIOR**		**SUPERIOR**		**SUPERIOR**		**SUPERIOR**		**INFERIOR**	

SCHNEIDER VALUATION CONSULTANTS, INC.

In reconciling the prices per SF, the upper end of the range is characterized by Sales Two, Three, Five and Six, which are superior for various elements of comparison. Two of these sales have improvements that influence the price upward, and two of the sales are notably smaller than the subject. At the low end of the range is Sale Seven. Although superior for size and land use regulations, this sale property is located in an inferior market. Moreover, there are physical characteristics that negatively impact pricing (e.g., a wash area and the fault area located on the site that precluded development on portions of the property). The sale determined to be similar overall is Sale One. Although smaller and having superior physical characteristics, this sale is inferior for land use regulations; the property must be rezoned to allow residential development.

Given the market data utilized, a value between approximately $33 to $55 per square foot is supported, closer to $41. This is represented by Sale One, Four, and Seven. Given the characteristics of these sales, the value per square foot for the subject property should fall at the middle to lower end of the range.

Land Value Indication by Sales Comparison (As If Vacant)

Based on the preceding research and analysis, the value of the subject has been concluded to be $40.00 based on SF. The following table summarizes the land value conclusion by sales comparison as if vacant.

Land Sales Comparison Approach Conclusion (As Vacant)					
	SUBJECT SF		$/SF		VALUE
Total Land Area	2,112,660	x	$40.00	=	$84,506,400
INDICATED VALUE (ROUNDED TO NEAREST $50,000)					$84,500,000

Adjustment for Leasehold Value

The opined value of $84,500,000 represents the value of the subject property as if vacant. In order to conclude to the value of the "as-is, where-is"[40] value of the property, adjustments are necessary.

The first adjustment relates to the value of the leasehold interest related to the retail pad sites located along Sports Arena Boulevard. As stated previously, the lessor is to pay the fair market value of the improvements and leasehold interest upon cancelation. This is based on net income collected at the property, assumed to continue through the end of the lease term. This income is then discounted back to present value at a discount rate based on market research.

Based on the location of the retail pads, the length of the entitlement period, and the general market trend that development projects like that contemplated on the subject property would be built in

40 Sports Arena Scope of Work.

phases, it is likely that use of this component can continue beyond the date of value. Based on market evidence, the entitlement period at the subject property was concluded to be approximately two years, and on and offsite improvements would most reasonably last for several more years. This would lessen the value impact associated with buying out the ground lease, which is set to expire in 2032.

The following summarizes this income and the adjustment made. The income is based on the existing income, trending at 3.0% per year. The model is based on several years of use during the entitlement period and development of other parts of the property. Also considered is the notice of termination that is to be given one year in advance. The discount rate is based on a study of capitalization rates for leasehold interests and growth rates; this information is retained in my workfile.

Retail Pad Leasehold Value				
Start Year	Period	Annual Income	Discount Rate of 11.0%	Present Value
2029	1	$1,610,000	0.90090	$1,450,449
2030	2	$1,658,300	0.81162	$1,345,909
2031	3	$1,708,049	0.73119	$1,248,908
2032	4	$1,759,290	0.65873	$1,158,897
Total				$5,204,164
Rounded				$5,200,000

Adjustment for Demolition of Improvements

The second adjustment necessary to arrive at the "as-is, where-is"[41] value of the land includes demolition of existing improvements to allow for redevelopment. Demolition cost information from AECOM was relied upon for this adjustment. The following is sourced from a cost estimate prepared by AECOM and dated July 18, 2023 (the "AECOM Estimate"). The AECOM Estimate shows the cost to demolish the improvements situated on the site. Included in this cost is a line item for "building abatement," which is assumed to relate to any asbestos issues. This valuation is based on the extraordinary assumption that this demolition cost information is accurate.

Notably, the AECOM materials also include several million dollars related to the demolition of existing site improvements, as well as excavation costs related to utilities and demolition of utilities. To remain consistent with how the market participants adjust for existing improvements, only building demolition costs were considered.

41 Sports Arena Scope of Work.

IMPROVEMENT DEMOLITION COST SUMMARY				
Description	Quantity	Unit	Unit Cost	Total
BUILDING DEMO, PECHANGA ARENA	153,993	SF	$12.00	$1,847,916
BUILDING DEMO, ALPHA PROJECT SHELTER,1 STORY	13,207	SF	$12.00	$158,484
BUILDING DEMO, CHICK-FIL-A, 1 STORY	3,964	SF	$12.00	$47,568
BUILDING DEMO, CHILIS, 1 STORY	6,475	SF	$12.00	$77,700
BUILDING DEMO, CRACK IN THE WALL PICTURE FRAME	30,446	SF	$12.00	$365,352
BUILDING DEMO, DIXIELINE LUMBER, 1 STORY	48,755	SF	$12.00	$585,060
BUILDING DEMO, DIXIELINE LUMBER WAREHOUSE, 2 STORY	11,846	SF	$12.00	$142,152
BUILDING DEMO, GAS STATION CANOPY	6,620	SF	$12.00	$79,440
BUILDING DEMO, GAS STATION, 1 STORY	5,635	SF	$12.00	$67,620
BUILDING DEMO, ROCK & ROLL SAN DEIGO MUSIC SCHOOL,	20,201	SF	$12.00	$242,412
BUILDING DEMO, SALVATION ARMY THRIFT STORE, 1 STORY	22,700	SF	$12.00	$272,400
BUILDING DEMO, SOCCER FIELD, 1 STORY	12,291	SF	$12.00	$147,492
BUILDING DEMO, SPORTS ARENA CAR WASH, 1 STORY	2,377	SF	$12.00	$28,524
BUILDING DEMO, THE ARENA GYM & PRIMA MATERIA ART INSTITUTE	23,289	SF	$12.00	$279,468
DEMO UNDERGROUND STORAGE TANKS	2,100,000	SF	$0.50	$1,050,000
BUILDING ABATEMENT	1	ALLO	$4,150,000	$4,150,000
Total				$9,541,588
Rounded				$9,540,000

Lastly, it is noted that there is income associated with existing leases in place, and the income would reasonably offset some of this cost. This income, which is approximately $5,860,000 , leads to a “net” figure of $3,680,000 , which was used in the analysis. Given the short timeframe, this figure is undiscounted.

Summary of Income					
Tenant	Property	Annual Figure	Per Month	Months	Total
Legends Venue Management	Arena and Parking	$775,836	$64,653	21	$1,357,713
Victor J. Schulman Trust	Salvation Army Property	$131,904	$10,992	24	$263,808
BFS Group	Dixieline Lumber	$572,764	$47,730	24	$1,145,528
Intersection CRE	Retail Center	$120,000	$10,000	24	$240,000
AEG Retail Pads	Retail Pads	$1,427,373	$118,948	24	$2,854,746
Total		$3,027,877	$252,323		$5,861,795

Land Value Indication by Sales Comparison

The following table summarizes the value of the land after adjustments. This conclusion is considered in the rental analysis, summarized as follows.

LAND SALES COMPARISON APPROACH CONCLUSION (SF)

	SUBJECT SF		$/SF		VALUE
Total Land Area	2,112,660	x	$40.00	=	$84,506,400
INDICATED VALUE (ROUNDED TO NEAREST $50,000)			$40.00		$84,500,000
Leasehold Value			($2.46)		($5,200,000)
INDICATED VALUE (ROUNDED TO NEAREST $50,000)			$37.54	=	$79,300,000
Demolition of Improvements (Offset by Income)			($1.74)		($3,680,000)
INDICATED VALUE (ROUNDED TO NEAREST $50,000)			$35.78	=	$75,600,000

VALUE CONCLUSION

The following summarizes the value indications by sales comparison and discounted cash flow analysis, the latter of which is summarized in the appendix.

Summary of Value Conclusions	
Description	**Conclusion**
Sales Comparison	$75,600,000
Discounted Cash Flow Analysis	$71,120,000
Value Indication	$75,600,000

In reconciling the conclusions, full weight is given to the sales comparison approach. There is sufficient sales data to reliably conclude to a value indication. While there is also sufficient data to perform a discount cash flow analysis, the number of inputs into the model reduces its reliability. Further, the sensitivity of the model can result in variability that is not present in the sales comparison approach. Nevertheless, the conclusion from the discounted cash flow model supports the sales comparison approach conclusion.

The following summarizes my value conclusion as of the relevant effective appraisal date.

MARKET VALUE CONCLUSION			
VALUATION SCENARIO	**INTEREST APPRAISED**	**EFFECTIVE DATE**	**VALUE**
Fair Market Value	Leased Fee Interest	March 7, 2025	$75,600,000

APPENDIX

Appendix A – Discounted Cash Flow Analysis

Introduction

For additional support, a discounted cash flow analysis ("DCF") analysis was performed. This analysis is based on a master plan concept. Based on the characteristics of the subject site and market activity (i.e., projects within the region), developers are master planning and phasing development in order to balance the development of the overall project while maximizing revenue. With this approach, the buyer of the subject property entitles and develops the land, marketing smaller finished pad sites to be sold over a period of years. The net proceeds (sale revenue less associated costs) would be discounted to present value at an appropriate discount rate.

The various components of this DCF analysis include the following. The following summarizes this analysis.

- A "blended" market value of the pad sites to be sold to builders.
- The saleable land area (developable area excluding infrastructure such as streets and parks).
- A selling period (in years) based on projected absorption and market demand.
- Expenses over this selling period.
- Applicable discount rate and growth rate.

Value of Pad Sites

The market value of pad sites to be sold is based on sales utilized in the sales comparison approach as well as the following supplemental sales. Sales slated for a variety of uses (but mostly residential, including affordable housing) was researched throughout the San Diego market. The goal of this research was to opine to the "typical" market value of a given pad site, noting that prices for certain pads may be higher or lower depending on their physical characteristics, intended use and market conditions at that time. Moreover, this reflects the value of the sites as entitled, which influences the value upward.

The sales were analyzed in a manner similar to the primary sales comparison approach, which included an analysis of elements such as location, physical characteristics, and land use regulations and approvals. The higher end of the range reflects higher density and entitlements. The lower end of the range reflects inferior physical characteristics.

Both price per land square foot and price per FAR foot were analyzed. Price per FAR foot is based on either what is planned or what is allowed by right. The issue with this type of analysis is that there may be unknowns with development density; what is actual may be in line with the allowed FAR, lower, or higher (the latter being achieved through density bonus programs). Price per square foot is the measure taken by most market participants in this market, but price based on FAR was considered.

Based on this data, the "typical" market value of a given pad site was concluded to be $250.00 per square foot. This is at the upper end of the range of data given that this is based on pads as entitled; the market data indicates that entitled sites sell for a higher price.

LAND SALES SUMMARY

	DATE OF SALE	LOCATION	MUNICIPALITY	ACRES	UNADJUSTED SALE PRICE	$/SF	$/FAR/SF
1	12/24/2024	9444 Waples Street	San Diego	3.65	$31,000,000	$194.98	$50.18
2	8/2/2024	4610 Pacific Highway	San Diego	1.71	$13,000,000	$174.52	$54.38
3	7/30/2024	6171 Mission Gorge Rd	San Diego	1.52	$13,100,000	$197.85	$50.61
4	2/16/2024	9040 and 9050 Friars Road	San Diego	6.47	$24,000,000	$85.16	$22.61
5	3/2/2023	7700 Ronson Road	San Diego	5.25	$42,076,000	$183.99	$46.39
6	2/2/2023	Napa Street	San Diego	2.59	$18,000,000	$159.54	$40.85
7	1/18/2023	8555 Aero Drive	San Diego	1.96	$10,000,000	$117.13	$30.78
8	6/28/2022	5550 Kearny Mesa Road	San Diego	4.99	$24,375,000	$112.14	$29.47
9	6/29/2022	1170 West Morena Boulevard	San Diego	2.12	$24,000,000	$259.77	$65.77
10	2/23/2022	Convoy Street	San Diego	13.67	$165,000,000	$277.09	$69.81

This conclusion is used in the DCF model as the revenue component starting in year three. The following table summarizes how the first year component is calculated. As shown, the pad site value is inflated based on the utilized growth rate (discussed later in this section) and multiplied by the average acreage to be sold based on developable area (discussed next).

First Year Revenue Summary

Description	Figure	Notes
Forecasted Value per Square Foot	$265.23	Starting Year 3
Acres Sold in First Year	3.60	
Revenue in First Year	$41,591,524	

Developable Area

In a master-planned scenario, pad sites would be sold based on a developable area, which excludes areas devoted to infrastructure such as roads and parks. The market data presented shows mixed-used developments where such infrastructure is present. Based on research of similar projects as well as neighborhoods in the immediate area, the developable area was concluded to be 75% of the developable lot area.

Developable Area	
Description	**Figure**
Land Acres	48.50
Percentage for Developable Area	75%
Developable Acres	36.38
Rounded	36.00

Development Costs

These categories account for the various costs of development, including on and offsite costs, entitlement costs, developer management fees, and other costs (e.g., taxes, carrying costs). Based on the AECOM information, research for this assignment (which included interviews with market participants and information for actual projects), and research on past assignments, the following summarizes the applied development costs.

- Onsite and Offsite Costs per Square Foot: $75.00
- Entitlement Costs: $10,000,000
- Developer Management and Other Costs: 5.0%
- Other Costs: 2.5%

Notably, while demolition cost information from AECOM was given full weight in the adjustment for the subject property as a whole, only partial weight was given to the site development costs. Given a different highest and best use conclusion versus Midway Rising's intended use, it was more appropriate to look at other sources of information, including other active projects and interviews with market participants.

Selling Period

Absorption trends and development timelines were studied to project an appropriate selling period. Also necessary to consider are the subject's characteristics and the fact that differing uses could be developed concurrently (i.e., residential and retail, or market-rate units versus affordable units). Based on this research (discussed herein and contained in my workfile), the projected selling period was concluded to be 10 years. This would follow an entitlement period of two years.

Growth Rate

Based on market conditions research and price index research, the growth rate utilized in the analysis is 3.0%.

Discount Rate

An applicable discount rate was concluded based on market participant input as well as national survey data, the latter being applicable based on the characteristics of the subject property and those who would compete for such a development. The appropriate rate depends on a variety of factors, including the level of risk associated with the development, the time frame in which there is a return on and of the investment, the approval status of the subject property, and the amount of capital to invest. The subject property's characteristics and the market participants that would compete for this property also influences the discount rate to apply in the valuation model.

The discount rate information researched presented a relatively wide range, from less than 10 percent to slightly above 20 percent. This is an unleveraged rate that includes profit. The data (including market participant interviews) indicated a rate within the middle of this range. Based on this research, a discount rate of 15.0% was applied.

Conclusion

The following summarizes the conclusions for the DCF analysis. As shown, the overall present value conclusions are supportive of the "as is, where is" land value opined in the sales comparison approach.

This DCF analysis requires a variety of inputs. Given the number of inputs, this approach is less reliable. One or multiple changes to the model can result in a considerable change in the present value calculation. As discussed previously, it is more appropriate to give full weight to the sales comparison approach, where market data already reflects certain risks with development. Therefore, this method was not given weight in the reconciled land value conclusion.

Discounted Cash Flow Analysis

Description/Period		1	2	3	4	5	6	7	8	9	10	11	12	Total
Revenue														
Pad Sales		$0	$0	$41,591,524	$42,839,269	$44,124,447	$45,448,181	$46,811,626	$48,215,975	$49,662,454	$51,152,328	$52,686,898	$54,267,505	$476,800,207
Total Revenue		$0	$0	$41,591,524	$42,839,269	$44,124,447	$45,448,181	$46,811,626	$48,215,975	$49,662,454	$51,152,328	$52,686,898	$54,267,505	$476,800,207
Development Costs														
On/Offsite Costs		$0	$0	($41,591,524)	($42,839,269)	($44,124,447)								($128,555,240)
Entitlement Costs		($5,000,000)	($5,000,000)											($10,000,000)
Other Costs		$0	$0	($1,039,788)	($1,070,982)	($1,103,111)	($1,136,205)	($1,170,291)	($1,205,399)	($1,241,561)	($1,278,808)	($1,317,172)	($1,356,688)	($11,920,005)
Developer Management Cost		$0	$0	($2,079,576)	($2,141,963)	($2,206,222)	($2,272,409)	($2,340,581)	($2,410,799)	($2,483,123)	($2,557,616)	($2,634,345)	($2,713,375)	($23,840,010)
Total Expenses		($5,000,000)	($5,000,000)	($44,710,888)	($46,052,215)	($47,433,781)	($3,408,614)	($3,510,872)	($3,616,198)	($3,724,684)	($3,836,425)	($3,951,517)	($4,070,063)	($174,315,256)
Net Income		($5,000,000)	($5,000,000)	($3,119,364)	($3,212,945)	($3,309,334)	$42,039,567	$43,300,754	$44,599,777	$45,937,770	$47,315,903	$48,735,380	$50,197,442	$302,484,951
Present Value Factor at	15.0%	0.86957	0.75614	0.65752	0.57175	0.49718	0.43233	0.37594	0.32690	0.28426	0.24718	0.21494	0.18691	
Present Value		($4,347,826)	($3,780,718)	($2,051,033)	($1,837,012)	($1,645,324)	$18,174,865	$16,278,357	$14,579,746	$13,058,381	$11,695,768	$10,475,340	$9,382,261	$79,982,806
Subtotal (Rounded)														$80,000,000
Less Leasehold Value														($5,200,000)
Less Demolition Costs (Offset by Income)														($3,680,000)
Total														**$71,120,000**
As Per Square Foot of Total Land Area														**$33.66**

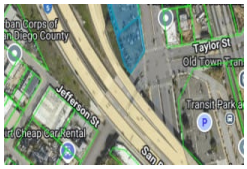
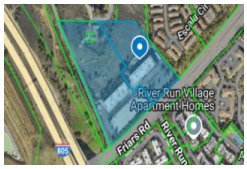
Appendix B – Primary Data Sale Summary

1		Scripps Ranch Boulevard Scripps Ranch Boulevard San Diego, CA 92131	$50,000,000 $50,700,000 adjusted[1] 12/20/2024 Recorded	1,240,589 SF $40.87/SF 28.48 acres $1,780,197/acre	2.000 permitted FAR $20/FAR/SF	Residential IP-2-1 zoning Irregular Level to Sloping
2		1683 Sunflower Avenue 1683 Sunflower Avenue Costa Mesa, CA 92626	$72,000,000 $77,600,000 adjusted[1] 10/31/2023 Recorded	685,852 SF $113.14/SF 15.745 acres $4,928,549/acre	1,057 units $73,415/unit	Mixed Use MP zoning Generally Rectangular Level
3		Camino Del Rio North Camino Del Rio North San Diego, CA 92108	$165,000,000 7/20/2023 Recorded	2,225,045 SF $74.16/SF 51.08 acres $3,230,227/acre	750 units $220,000/unit	Mixed Use EMX-2 zoning Irregular Level
4		565 H Street 565 H Street Chula Vista, CA 91910	$32,766,000 $34,991,000 adjusted[1] 4/28/2023 Recorded	676,922 SF $51.69/SF 15.54 acres $2,251,673/acre	244 units $143,406/unit	Residential UC-6 and UC-7 zoning Irregular Level
5		100 and 545 Westminster Mall 100 and 545 Westminster Mall Westminster, CA 92683	$95,300,000 $99,400,000 adjusted[1] 8/26/2022 Recorded	1,122,367 SF $88.56/SF 25.766 acres $3,857,797/acre	1,167 units $85,176/unit	Mixed Use SP-3 zoning Irregular Level
6		Grossmont Shopping Center 5500 Grossmont Center Drive La Mesa, CA 91942	$175,000,000 6/2/2021 Recorded	2,796,116 SF $62.59/SF 64.19 acres $2,726,281/acre		Unknown (Redevelopment) C; C-G-D zoning Irregular Level
7		41375 Murrieta Hot Springs Road 41375 Murrieta Hot Springs Road Murrieta, CA 92562	$38,000,000 10/10/2023 Recorded	1,202,692 SF $31.60/SF 27.61 acres $1,376,313/acre	852 units $44,601/unit	Residential Community Commercial zoning Generally Rectangular Level

	Adjusted Price[1]	Land SF	Land AC	Price/SF	Price/AC	Units
Low	$34,991,000	676,922	15.54	$31.60	$1,376,313	244
Average	$91,527,286	1,421,369	32.63	$66.09	$2,878,720	814
High	$175,000,000	2,796,116	64.19	$113.14	$4,928,549	1,167

[1]Adjusted price is based on expenditures immediately after the sale.

Appendix C – Secondary Data Sale Summary

1		9444 Waples Street 9444 Waples Street San Diego, CA 92121	$31,000,000 $31,912,090 adjusted[1] 12/24/2024 Recorded	158,994 SF $200.71/SF 3.65 acres $8,743,038/acre	300 units $106,374/unit 4.000 permitted FAR $50/FAR/SF	Residential EMX-1 zoning Generally Rectangular Level
2		Perry's Cafe 4610 Pacific Highway San Diego, CA 92110	$13,000,000 $13,044,280 adjusted[1] 8/2/2024 Recorded	74,488 SF $175.12/SF 1.71 acres $7,628,234/acre	223 units $58,495/unit 3.220 planned FAR $54/FAR/SF	Residential OTMCR-1-3 zoning Irregular Level
3		Mission Square Center 6171 Mission Gorge Rd San Diego, CA 92120	$13,100,000 $13,402,940 adjusted[1] 7/30/2024 Recorded	66,211 SF $202.43/SF 1.52 acres $8,817,724/acre	483 units $27,749/unit 4.000 permitted FAR $51/FAR/SF	Residential CC-4-2 zoning Generally Rectangular Level
4		9040 and 9050 Friars Road 9040 and 9050 Friars Road San Diego, CA 92108	$24,000,000 $25,487,150 adjusted[1] 2/16/2024 Recorded	281,834 SF $90.43/SF 6.47 acres $3,939,281/acre	467 units $54,576/unit 4.000 permitted FAR $23/FAR/SF	Residential CC-3-8 and IL-2-1 zoning Generally Rectangular Level to Sloping
5		7700 Ronson Road 7700 Ronson Road San Diego, CA 92111	$42,076,000 $42,433,970 adjusted[1] 3/2/2023 Recorded	228,690 SF $185.55/SF 5.25 acres $8,082,661/acre	531 units $79,913/unit 4.000 permitted FAR $46/FAR/SF	Residential RMX-2 zoning Irregular Level
6		Napa Street Napa Street San Diego, CA 92110	$18,000,000 $18,432,910 adjusted[1] 2/2/2023 Recorded	112,821 SF $163.38/SF 2.59 acres $7,116,954/acre	141 units $130,730/unit 4.000 permitted FAR $41/FAR/SF	Residential CC-3-7 zoning Rectangular Level
7		8555 Aero Drive 8555 Aero Drive San Diego, CA 92123	$10,000,000 $10,511,500 adjusted[1] 1/18/2023 Recorded	85,378 SF $123.12/SF 1.96 acres $5,363,010/acre	302 units $34,806/unit 4.000 permitted FAR $31/FAR/SF	Residential RMX-1 zoning Rectangular Level

[1]Adjusted price is based on expenditures immediately after the sale.

8		5550 Kearny Mesa Road 5550 Kearny Mesa Road San Diego, CA 92111	$24,375,000 $25,624,490 adjusted[1] 6/28/2022 Recorded 487 days on market	217,364 SF $117.89/SF 4.99 acres $5,135,168/acre	440 units $58,237/unit 4.000 permitted FAR $29/FAR/SF	Residential CV-1-2 zoning Flag Level
9		1170 West Morena Boulevard 1170 West Morena Boulevard San Diego, CA 92110	$24,000,000 $24,304,640 adjusted[1] 6/29/2022 Recorded 368 days on market	92,389 SF $263.07/SF 2.121 acres $11,459,048/acre	400 units $60,762/unit 4.000 permitted FAR $66/FAR/SF	Residential CC-3-7 zoning Generally Rectangular Level
10		Convoy Gateway Convoy Street San Diego, CA 92111	$165,000,000 $166,281,340 adjusted[1] 2/23/2022 Recorded	595,466 SF $279.25/SF 13.67 acres $12,163,961/acre	1,622 units $102,516/unit 4.000 permitted FAR $70/FAR/SF	Residential RMX-2 zoning Generally Rectangular Level

	Adjusted Price[1]	Land SF	Land AC	Price/SF	Price/AC	Units	Permitted FAR	Days on Market
Low	$10,511,500	66,211	1.52	$90.43	$3,939,281	141	3.22	368
Average	$37,143,531	191,364	4.39	$180.10	$7,844,908	491	3.92	428
High	$166,281,340	595,466	13.67	$279.25	$12,163,961	1,622	4.00	487

[1]Adjusted price is based on expenditures immediately after the sale.

Appendix D – Qualifications



Eric C. Schneider

MAI, SRA, AI-GRS, R/W-AC

Phone
858.208.3175

Email
Eric@SchneiderVC.com

Schneider Valuation Consultants, Inc.
11440 West Bernardo Court, Suite 300
San Diego, California 92127
Connect@SchneiderVC.com
www.SchneiderVC.com

Position

Principal, Schneider Valuation Consultants, Inc.

Professional Experience

Eric has over 15 years of real estate appraisal and appraisal review experience, with a specialty in forensic appraisal review and providing services for litigation support and disputed real estate matters. Based in San Diego, California, he has extensive valuation and consulting experience involving commercial and residential real estate throughout California and in states across the nation.

The focus of Eric's assignments involves eminent domain, assessment appeals, diminution in value claims, title defect matters, easement valuations, and lease renewals (including ground leases), among other disputed matters. Often, assignments involve complex issues related to property rights, valuation methodology, and recognized appraisal practices and standards.

Eric has served on various committees and boards related to the appraisal profession, including the Appraisal Institute and the International Right of Way Association. He is also a member of *The Appraisal Journal* Review Panel and a frequent presenter at legal and valuation events.

Professional Certifications

- California Certified General Appraiser (AG040624, Expires September 2026)
- Arizona Certified General Appraiser (CGA-2006769, Expires January 2027)
- Colorado Certified General Appraiser (CG.200003824, Expires December 2026)

Professional Certifications (Continued)

- Nevada Certified General Appraiser (A.0207821-CG, Expires December 2026)
- MAI Designation, Appraisal Institute (2014)
- SRA Designation, Appraisal Institute (2016)
- AI-GRS Designation, Appraisal Institute (2018)
- R/W-AC Certification, International Right of Way Association (2021)

Professional Affiliations

- Appraisal Institute
  - Chair, Admissions and Designation Qualifications Committee (2020-2021)
  - Member, *The Appraisal Journal* Review Panel (2021-Present)
  - Attendee, Discussion Leader, Vice Chair, and Chair, Leadership Development and Advisory Council (2016-2023)
  - National Volunteer of Distinction (2016)
  - Course Co-Developer, Condemnation Appraising, Principles and Applications (2018)
- San Diego Chapter of the Appraisal Institute
  - President (2019)
  - Board of Directors (2016-2020)
- International Right of Way Association
  - Region Representative, Valuation Community of Practice (2021)
  - International Director (2018-2020, 2024-2025)
- San Diego Chapter of the International Right of Way Association
  - Board of Directors (2015-Present)
  - Chapter President (2019-2020)
  - Chapter Vice President (2018-2019, 2024-2025)
  - Chapter Treasurer (2025-Present)
  - Visionary Industry Professional Award (2021)
  - Professional of the Year (2020)
- Institute of Property Tax
  - Member (2024-Present)

Professional History

- Schneider Valuation Consultants, Inc., Principal (2024-Present)
- Jones, Roach & Caringella, Inc., Senior Appraiser (2015-2023)
- Integra Realty Resources, Senior Analyst (2011-2015)
- Robert Shea Perdue Real Estate Appraisal, Appraiser (2009-2011)
- CoStar Group, Research Associate (2007-2009)

Education

- B.S. Business Administration, Emphasis in Real Estate, San Diego State University (2008)

Publications and Presentations

- Presenter: "What It's Worth…And When: Insight on the Date of Value," Costa Mesa, California, June 2025
- Co-Presenter: "What's So Special About Special-Use Properties? - Insight on CA Evidence Code Section 824," Riverside, California, June 2025
- Co-Presenter: "Appraisers that Appreciate: How to Thrive as a Right of Way Valuation Professional," Virginia Beach, Virginia, June 2025
- Co-Author: "Ownership and Use and Contiguity, Oh My!", *Right of Way Magazine*, March/April 2025
- Co-Presenter: "What's So Special About Special-Use Properties? - Insight on CA Evidence Code Section 824," San Diego, California, November 2024
- Co-Presenter: "People vs. Sanchez: Where are we Now?" Cerritos, California, November 2024
- Co-Presenter: "Is This Appraisal Reliable? Best Practices for Preparing Appraisals that Agencies can Use," San Diego, California, August 2024
- Presenter: "Getting into Right of Way: A Practical Guide for the Residential Specialist," San Diego, California, June 2024
- Co-Presenter: "Setting the Stage: Best Practices for Acquisition Appraisals," Long Beach, California, June 2024
- Co-Presenter: "Highest and Best Use: The Domino Effect on Goodwill and FF&E Valuation," Long Beach, California, June 2024
- Co-Presenter: "Partial Takings – Must You Always Appraise the Entire Larger Parcel?" Oakland, California, May 2024
- Co-Presenter: "That's What They Said: Are Others' Opinions a Recognized Method and Technique?" Riverside, California, April 2024
- Co-Presenter: "Setting the Stage: Best Practices for Acquisition Appraisals," San Diego, California, November 2023
- Co-Presenter: "Partial Takings: Must You Always Appraise the Entire Larger Parcel?" Cerritos, California, November 2023
- Presenter: "Deconstructing the Income and Expense Statement," Chicago, Illinois, October 2023
- Co-Presenter: "Race in Right of Way," Denver, Colorado, June 2023
- Co-Presenter: "Lessons Learned in Appraisal Reviews for Acquisitions and Litigation," Denver, Colorado June 2023
- Co-Presenter: "What's So Special About Special-Use Properties? - Insight on CA Evidence Code Section 824," Montebello, California, May 2023
- Co-Presenter: "Highest and Best Use: The Domino Effect on Goodwill and FF&E Valuation," Anaheim, California March 2023
- Co-Presenter: "Highest and Best Use: The Domino Effect on Goodwill and FF&E Valuation," Downey, California, October 2022
- Co-Presenter: "Highest and Best Use: The Domino Effect on Goodwill and FF&E Valuation," San Francisco, California, October 2022

Publications and Presentations (Continued)

- Co-Presenter: "Can One Have Their Grapes and Eat Them Too? A case study on contributory value," San Diego, California, October 2022
- Co-Author: "Can One Have Their Grapes and Eat Them Too? A case study on contributory value," *Right of Way Magazine*, May 2022
- Co-Panelist: "Appraisal Review Seminar," Virtual for San Diego Chapters of Appraisal Institute and International Right of Way Association, 2022
- Co-Author: "More than Sticks and Bricks – Why legal characteristics must be considered as part of the valuation process," *Valuation Magazine*, April 2021
- Co-Author: "Should Land Be Valued as Entitled? Case Studies for Ensuring Proper Just Compensation," *Right of Way Magazine*, September/October 2020
- Co-Presenter: "Value Buildings if They are Not Being Taken? Shedding Light on Complicated Valuations," Virtual for IRWA Chapter 67, October 2020
- Co-Presenter: "Part Takes of Improved Properties," San Diego, California, March 2020
- Co-Author: "Value Buildings if they are Not Being Taken? Shedding Light on Complicated Valuations," *Right of Way Magazine*, July/August 2019
- Co-Presenter - "Value Buildings if they are Not Being Taken? Shedding Light on Complicated Valuations," Costa Mesa, California, August 2019
- Co-Presenter - "Diversification for the Residential Appraiser," Downey, California, September 2019
- Co-Presenter - "Property Tax Administration: Strengths, Challenges, & Opportunities," San Diego, California, September 2019

Specialized Training - Partial List

- Uniform Standards of Professional Appraisal Practice, Appraisal Institute, Current
- Annual Litigation Seminar, Southern California Chapter of the Appraisal Institute, through 2024
- Annual Litigation Seminar, Northern California Chapter of the Appraisal Institute, 2024
- Eminent Domain Conference, CLE International, through 2024
- Uniform Appraisal Standards for Federal Land Acquisitions: Practical Applications, Appraisal Institute, 2023
- Comparative Analysis, Appraisal Institute, 2023
- Appraiser's Guide to Expert Witnessing, Appraisal Institute, 2023
- Annual Valuation Seminar, Los Angeles Chapter of the International Right of Way Association, through 2023
- Fundamentals of the Uniform Appraisal Standards for Federal Land Acquisitions, Appraisal Institute, 2022
- How to Value a Partial Acquisition (Start at the Beginning), Appraisal Institute, 2022
- IRS Summit, Appraisal Institute, 2021

Specialized Training - Partial List (Continued)

- Principles of Real Estate Engineering, International Right of Way Association, 2021
- Use of Comparable Sales in Partial Acquisition Analysis/Land Value or Improved Land Value, Appraisal Institute, 2021
- Project Benefits - Do they ever Apply, and if so, how are Benefits Supported? Appraisal Institute and International Right of Way Association, 2021
- How Tenants Create or Destroy Value: Leasehold Valuation, Appraisal Institute, 2019
- Reviewing Appraisals in Eminent Domain, International Right of Way Association, 2019
- Integrating Appraisal Standards, International Right of Way Association, 2019
- Problems in the Valuation of Partial Acquisitions, International Right of Way Association, 2019

Property and Appraisal Experience

Agricultural	Historical (Retrospective)	Partial Interest
Apartments	Hospitality (Hotel and Motel)	Public (Library, Museum)
Appraisal Review/Forensic Review	Industrial/Warehouse	Religious Facility/Church
Automotive Dealership	Land (Rural, Urban, Open Space, Subdivision)	Residential (Detached, Attached, Land)
Automotive Repair Facility	Land Residual Analysis	Research and Development Facility
Bank Branch/Financial Building	Leased Fee	Restaurant/Bar/Night Club
Brewery	Leasehold	Retail (Single Tenant/Freestanding)
Car Wash	Mall (Regional, Super Regional)	Service Station
Commercial Condominium	Market Rent	Self-Storage/RV Storage Facility
Contaminated Property	Medical	Special Purpose
Convenience Store	Mixed-Use	Shopping Center
Diminution in Value	Mobile Home Park	Subdivision Analysis
Easement	Office (Low and High Rise)	Vacant Land
Farm and Ranch	Outlet Center	Wildfire
Fee Simple	Parking Lot	
Fractional Interest	Partial Acquisition	
Ground Lease		