

June 24, 2019

Elizabeth Pendo Jackson
President
Jackson Pendo Development Company
4364 Bonita Road #607
Bonita, CA 91902-1421

Re: Village 14 and Planning Areas 16/19 Project: Attainability & Jobs/Housing Analysis

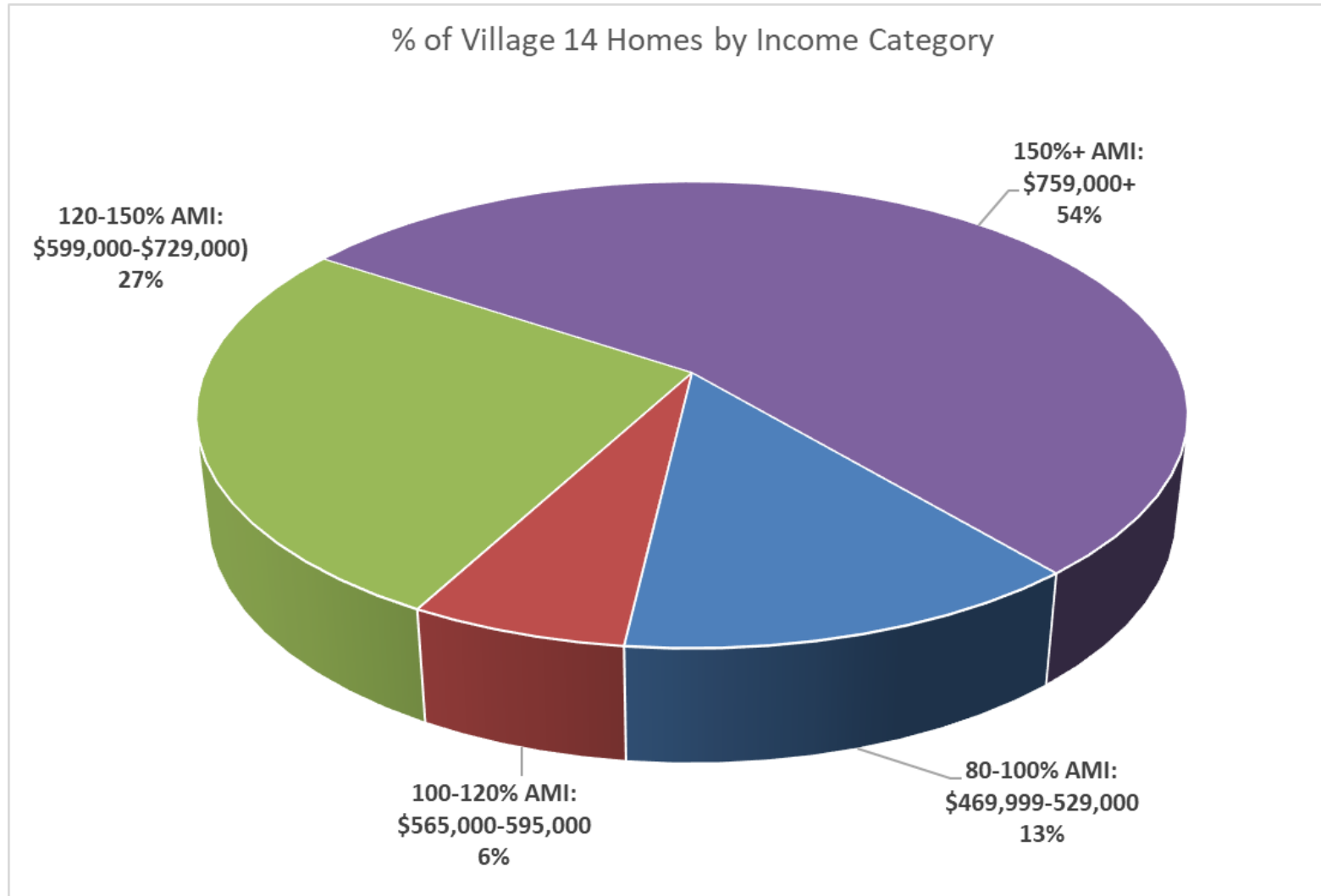
Dear Ms. Jackson:

Per your request, MarketPointe Realty Advisors has updated our housing attainability analysis for the Village 14 and Planning Areas 16/19 project (the “Project”) utilizing 2019 income statistics provided by HUD. **According to HUD, the Area Median Income (AMI) for San Diego County for 2019 for a family of four is \$107,000.** The following table summarizes the factors used in determining required incomes to purchase the various homes planned for the Project assuming a conventional loan. Though current conventional interest rates are as low as 3.50 percent, we chose in this analysis to use the upper end interest rate of 4.375 percent for conforming loans and 4.50 percent for non-conforming loans, which generally include PMI insurance.

	Conventional Loan Conforming	Conventional Loan Non-Conforming
Interest rate	4.375%	4.500%
Term	30	30
Income Allocated to Housing	36%	36%
Down Payment	5.0%	5.0%
PMI Factor	0.00%	0.00%
Property Tax Rate	1.00%	1.00%
CFD Rate	0.860%	0.860%
Insurance Cost/Sqft	\$200	\$200
Monthly HOA	\$137	\$137
Median Family Income	\$107,000	\$107,000
Conforming /GSE Loan Limit	\$690,000	

Homes planned for the Project span a wide cross-section of housing types targeting a variety of consumer households and income categories. Focusing on family of four households earning up to 150 percent AMI, 45 percent of the Village 14 homes planned in the Project would be attainable to those households.

Otay Ranch – Village 14
Attainability Analysis



First, the above analysis only assumes a 5 percent down payment. Since many of the move-up oriented households will be coming to the market with significantly more equity than 5 percent down, the percent of homes targeting under 150 AMI should notably increase. Secondly, this type of housing does help eliminate housing shortages as explained below.

No housing production forces steeper increases in resale market values. We noted this in a recent study we conducted in Temecula. As of result of the lack of supply in the marketplace, resale market values increased significantly in recent years to fill the void.. Additionally, the housing market is not linear. Higher priced new homes allow for move-up markets, which open-up resale housing supply in lower price points.

The press is full of articles discussing the housing crisis and the lack of new housing production throughout California and County of San Diego. SANDAG in its Series 13 Forecast estimated job growth between 2012 and 2020 at 21,651 new job creations per annum, which would in turn create demand for 10,483 new housing units per annum. As a result of dynamic economic expansion, San Diego County created significantly more jobs than were forecast and in turn generated significant more housing demand than SANDAG estimated. Employment statistics produced by the California Employment Development Department (EDD) indicates that between 2012 and 2018 San Diego added 200,833 new jobs to its employment base, nearly 33 percent more jobs than estimated by SANDAG. Keyser Marston in their work for local municipalities assume every 1.72 new jobs create demand for a new housing unit. Assuming the 200,833 new jobs created between 2012 and 2020, San Diego County generated demand for 116,764 new housing units. Unfortunately, housing production totaled just 51,920, creating a housing shortfall of 64,844 units.

**San Diego County
Housing Shortfall Analysis**

SAN DIEGO COUNTY								
SANDAG Annual Forecast			Actual Annual Growth					
Year	Employment Growth Forecast	Housing Demand Forecast	Employment Growth	Housing Production (Building Permits)	Housing Demand Base Upon Actual Employment Growth	Employment Under Estimates	Shortfall Based Upon SANDAG Forecast	Shortfall Based Upon Actual Employment Growth
2012	21,651	10,483	32,550	5,666	18,924	(10,899)	(4,817)	(13,258)
2013	21,651	10,483	33,033	8,264	19,205	(11,382)	(2,219)	(10,941)
2014	21,651	10,483	28,275	6,875	16,439	(6,624)	(3,608)	(9,564)
2015	21,651	10,483	39,825	9,883	23,154	(18,174)	(600)	(13,271)
2016	21,651	10,483	37,675	10,791	21,904	(16,024)	308	(11,113)
2017	21,651	10,483	29,475	10,441	17,137	(7,824)	(42)	(6,696)
2018	21,651	10,483	32,500	9,788	18,895	(10,849)	(695)	(9,107)
TOTAL	151,560	73,381	200,833	51,920	116,764	(70,925)	(10,978)	(64,844)

Sources: MarketPointe Realty Advisors, SANDAG, US Census

SANDAG employment growth estimates for the South County forecast the addition of 3,667 new jobs per annum between 2012 and 2020, however, that estimate is probably light given the overall countywide under-estimates presented above. Chula Vista will capture 60 percent of that estimated employment growth with most of the City's job growth focused in the eastern portion of the City.

**South County
Forecast Employment Growth**

Submarket/Cities	Year		Net Change	Annual Growth	2012-2018 Estimates
	2012	2020			
SOUTH COUNTY	124,507	153,842	29,335	3,667	22,001
CHULA VISTA	67,387	85,091	17,704	2,213	13,278
IMPERIAL BEACH	3,421	4,311	890	111	668
NATIONAL CITY	21,425	24,465	3,040	380	2,280
OTAY MESA	23,088	29,757	6,669	834	5,002
PARADISE HILLS	1,864	1,934	70	9	53
SAN YSIDRO	7,322	8,284	962	120	722

Source: SANDAG

Like many communities throughout San Diego County, Chula Vista’s housing production has failed to keep pace with SANDAG’s estimated demand. According to the SANDAG Series 13 forecast, between 2012 and 2020, Chula Vista’s housing demand was estimated at 1,240 units per annum. Using that forecast, through 2018, the City was estimated to added 7,441 new housing units. Unfortunately, the City permitted just 6,376 units, a shortfall of 1,065 units.

**Chula Vista
Housing Growth Forecast**

Year		Net Change	Annual Growth	2012-2018 Estimates
2012	2020			
79,255	89,176	9,921	1,240	7,441

Source: SANDAG

**CHULA VISTA
HOUSING PRODUCTION**

YEAR	SF Unit	MF Units	Total
2013	314	318	632
2014	215	871	1,086
2015	90	599	689
2016	86	1,089	1,175
2017	533	510	1,043
201812	515	1,236	1,751
Grand Total	1,753	4,623	6,376

Source: US Census

Most of the development activity in Chula Vista has been in the multi-family sector, with apartments making up most of the multi-family production. Single-family detached housing, the preferred housing type of family households, accounted for just 1,753 units between 2013 and 2018.

The result of Chula Vista’s lower housing production numbers is a greater housing/jobs imbalance. Back in 2012, 30.5 percent of the 60,211 jobs in Chula Vista were held by persons who both worked and lived in Chula Vista, by 2015, only 30.25 percent of the 64,670 jobs in Chula Vista were held by persons who both worked and lived in Chula Vista. Viewed another way, between 2012 and 2015; 4,459 jobs were added in Chula Vista. Of those 4,459 added jobs, only 1,198 were held by persons both living and working in Chula Vista.

Where Chula Vista Workers Live

	2015	2012
CHULA VISTA JOB BASE	64,670	60,211
# OF WORKERS LIVING/WORKING IN CV	19,563	18,365
% LIVE & WORK IN CHULA VISTA	30.25%	30.50%
NUMBER OF JOBS ADDED IN CV	4,459	
# OF WORKERS LIVING/WORKING IN CV	1,198	

Source: US Census Longitudinal Employment Housing Dynamics

Of those workers employed in Chula Vista but commuting out of the community for housing, a significant number commuted past Chula Vista south to Otay Mesa where future single-family detached supply will be quite constrained as the City of San Diego has pushed for notably higher density housing in Otay Mesa. Between 2012 and 2015, 469 workers employed in Chula Vista took up residency in Otay Mesa.

Looking beyond Chula Vista, but staying focused on the South County, we see that employment in this sub-region of San Diego is home to 98,519 jobs. Of those jobs, 50 percent are held by persons who both live and work in the South County.

Where South County Workers Live

Where Workers Live	Total	Percent
EAST COUNTY	11,319	11%
IMPERIAL COUNTY	899	1%
LOS ANGELES COUNTY	4,107	4%
ORANGE COUNTY	2,009	2%
OUT OF STATE	504	1%
RIVERSIDE COUNTY	3,319	3%
SAN BERNARDINO COUNTY	1,458	1%
VENTURA COUNTY	291	0%
CENTRAL VALLEY	321	0%
NORCAL	889	1%
CENTRAL COAST	71	0%
SDC - SOUTH COUNTY	48,789	50%
SDC - SAN DIEGO CENTRAL	17,896	18%
SDC - INTERSTATE 15 CORRIDOR	2,500	3%
SDC - NORTH COUNTY COASTAL	1,775	2%
SDC - HIGHWAY 89 CORRIDOR	1,868	2%
SDC - NORTH COUNTY	504	1%
Grand Total	98,519	100%

Housing-related demand from future employment growth in Chula Vista will be significant. Major commercial developments approved since 2011, include Otay Ranch Village 8 West, Village 9, the University, and Innovation District, which is anticipated to create 8,000 new jobs in eastern Chula Vista. Accordingly, a major urban and employment center is planned in eastern Otay Ranch as anticipated by the Otay Ranch GDP/SRP. This major urban and employment center contemplated as part of the Otay Ranch GDP/SRP, and approved by the City of Chula Vista through General Plan Amendments since the latest Comprehensive General Plan Update, includes the following:

- Chula Vista University and Innovation District – 383 acres (include 85-acre RTP); approximately 10 million square feet; 20,000 full-time equivalent (FTE) student university; 8,000 jobs (Chula Vista University and Innovation District SPA EIR, SCH No. 72013071077, page 1-3)
- Otay Ranch Regional Technology Park (SCH No. 2004081066) – 85-acre Regional Technology Park; 2,200,000-square-foot industrial/office
- Otay Ranch Eastern Urban Center – 3,487,000 square feet non-residential floor area (ES-3), including 2,000,000 square feet of Office in a Business District (Eastern Urban Center SPA EIR, SCH No. 2007041074, page 3-14)

- Otay Ranch Village 9 – 1,500,000 Sq. Ft. Office/Commercial (Final Supplemental EIR for Amendments to the City of Chula Vista General Plan (GPA-09-01) Otay Ranch General Development Plan (PCM-09-11), SEIR 09-01, SCH No. 2004081066, page 29)
- Otay Ranch Village 8 West – 300,000 Sq. Ft. Office/Commercial (Village 8 West EIR, CV ER-10-03; SCH No. 20010062093, Table 3-1, page 3-6)

Combined, these employment expansion areas represent the future of eastern Chula Vista employment core.

We appreciate the opportunity of preparing this report and remain available to further assist you as the need arises.

Sincerely

MarketPointe Realty Advisors

Russ Valone



President

Bullet Pointes

- Chula Vista’s housing shortfall since 2012 has exceed 1,000 units given SANDAG forecast, however since SANDAG job forecast were 33 percent lower than actual employment growth experienced by the region, the shortfall in housing production was probably significantly greater.
- The Project provides housing for a wide array of consumer households.
- Utilizing standardized underwriting assumptions, 45 percent of the homes at the Project will be attainable by family of four households earning 150 percent AMI.
- No housing production creates shortages which put upper pressure on existing housing supply as those wishing to move-up are willing to pay premiums.