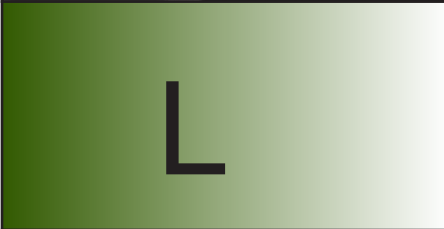
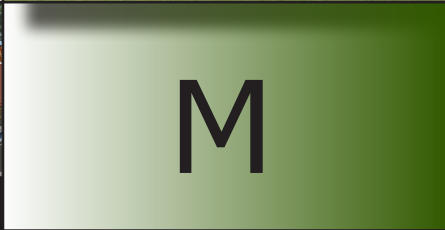


Hillman Oaks

Development Plan



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City and Regional Planning Department
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1. Executive Summary

Hillman Oaks is a mixed-use project consisting of four parcels and 36.71 acres. The project site is located at the northern city limit of Tulare, California between two regional corridors of travel. Tulare has gone through significant expansions in development in the area surrounding the project site in recent years. These expansions have led to new large developments within Tulare that serve residents in the city, as well as regional travelers. The most notable of these developments is the Preferred Outlets. Due to its close proximity to the large regional serving uses in Tulare, it is necessary for the site to adapt to these needs. As such, the Hillman Oaks project site is planned with the intention to attract and accommodate regional users with retail, office, and residential uses.

This plan consists of two chapters that contribute to the final design of Hillman Oaks; the Site Analysis Chapter 2 and the Economic Analysis Chapter 3. The Site Analysis study identifies all the physical and governmental influences that will affect the design of the site. Through this, a series of opportunities and constraints were identified that assisted in the phasing and design of the project. The Economic Analysis looked at the local economic influences and the initial financial outlook for the development. This study assisted in the final composition of the project and determined the appropriate uses and values for the site. This study also identified that the project is feasible and will potentially deliver high returns on investment based upon a number of assumptions.

The Project Design chapter discusses all aspects related to the design of the Hillman Oaks project site. Through the Site Analysis, it was identified that the project will require a zone change in order to make the zoning of the site consistent with the City of Tulare General Plan. This zone change to the C-3 Regional Commercial zoning designation allows a more flexible range of uses that adapts well to the mixed-use design of the project. Also shown in Project Design Chapter 4 is the composition of the project and the plan for each of the four phases. Based upon research in the Site Analysis and the Economic Analysis it is necessary to separate the project into four phases. This will assist in absorbing the large estimated development cost of \$95,591,154 and allow the project to respond directly to market forces over time.

The Final Design consists of four phases with 349,149 square feet of retail commercial, 190,922 square feet of office commercial, and 219,491 square feet of residential. The residential component will occur in phase four and consist of 169 units at 1,300 square feet per unit. The commercial component is separated into office and retail uses, but the flexible nature of the C-3 zoning designation allows for any combination of retail and office uses.

Based upon these numbers this report performs a sensitivity analysis in Chapter 5. Although it was determined that this project had the potential to be successful in the Economic Analysis, a final determination needed to be made with the numbers representing the final composition of the project. This was accomplished through performing more detailed calculations that looked at a number of financial variables that could affect the future success of the project. Through this study it was determined that the project will produce a 21.35% after-tax internal rate of return based upon medium values. This final determination leads to the conclusion that the Hillman Oaks development will be a successful project with a high rate of return on investment.

2. SITE ANALYSIS

2.1: Introduction

The Hillman Oaks project site is 36.71 acres consisting of four parcels located in Tulare California. The City of Tulare is known for its strong agriculture base; it is arguably the center of agriculture for the Central Valley. However, like many agricultural cities in the Central Valley, Tulare has gone through significant expansions in development. These expansions have led to new large developments within Tulare that serve residents in the city, as well as regional travelers. The most notable of these developments is the Preferred Outlets.

Beginning in 1995 the Preferred Outlets have continued to grow rapidly, which has created a trend of surrounding development. This trend has led the city to annex and rezone large portions of previously designated agricultural land. As part of these annexations the Hillman Oaks site was determined to become part of the City of Tulare in 2007. In the annexation process, the City of Tulare rezoned the site from the county agriculture zone to two different zoning designations. The four parcels that make up the site include a C-2 General Commercial Zone and the RM2 Residential Multiple-family Zone. This variation of zoning allows for multiple uses that will contribute to a complex and diverse site design.

Due to its close proximity to the large regional serving uses in Tulare, it will be necessary for the site to adapt to these needs. As such the Hillman Oaks project site will be planned with the intention to attract and accommodate regional users. The purpose for this Site Analysis is to identify all opportunities and constraints that will affect the development of the project site. The following sections of this report will serve as a strong base to further develop the site.

2.2: History

The City of Tulare is located within Tulare County in the Central Valley of California. The City is named for the currently dry Tulare Lake, once the largest freshwater lake west of the Great Lakes. The lake had been named for the tule rush plant, a species of bulrush that lined its shore. The area was originally inhabited by the Yokut people; they fished in what was to become Tulare Lake, until the invasion and settlement of Spanish and American pioneers. After California became a state in 1850, Tulare was founded in 1872 by the Southern Pacific Railroad.

Transportation was the initial motivation behind the establishment of Tulare. The City flourished as the headquarters of the Southern Pacific Railroad because of its central location. The town suffered through many difficult challenges; it was burnt down and rebuilt three times in its first fourteen years of existence. Despite these events, it was eventually incorporated in 1888. In 1891, the railroad moved its headquarters to the larger town of Bakersfield to the south, crushing the community's economy. With the railroad gone, the community of Tulare changed focus and struggled to become an agricultural center for California. Due to the inadequate 10 inches of rainfall per year, water resources were a desperate need for Tulare. In order to bring water into the City the community established the Tulare Irrigation District in 1897. The irrigation district issued bonds to build an extensive canal system that carried water from the Sierra Nevada Mountains into Tulare. Once the water system was established, Tulare flourished and became an invaluable center for farming and agriculture.

The strong agricultural heritage continues today as Tulare has achieved its goal of becoming a major agriculture center in California. The formation of the Tulare Irrigation District in the late 1800's led to the formation of Tulare County, which is now considered one of the highest producing agriculture counties in the United States.

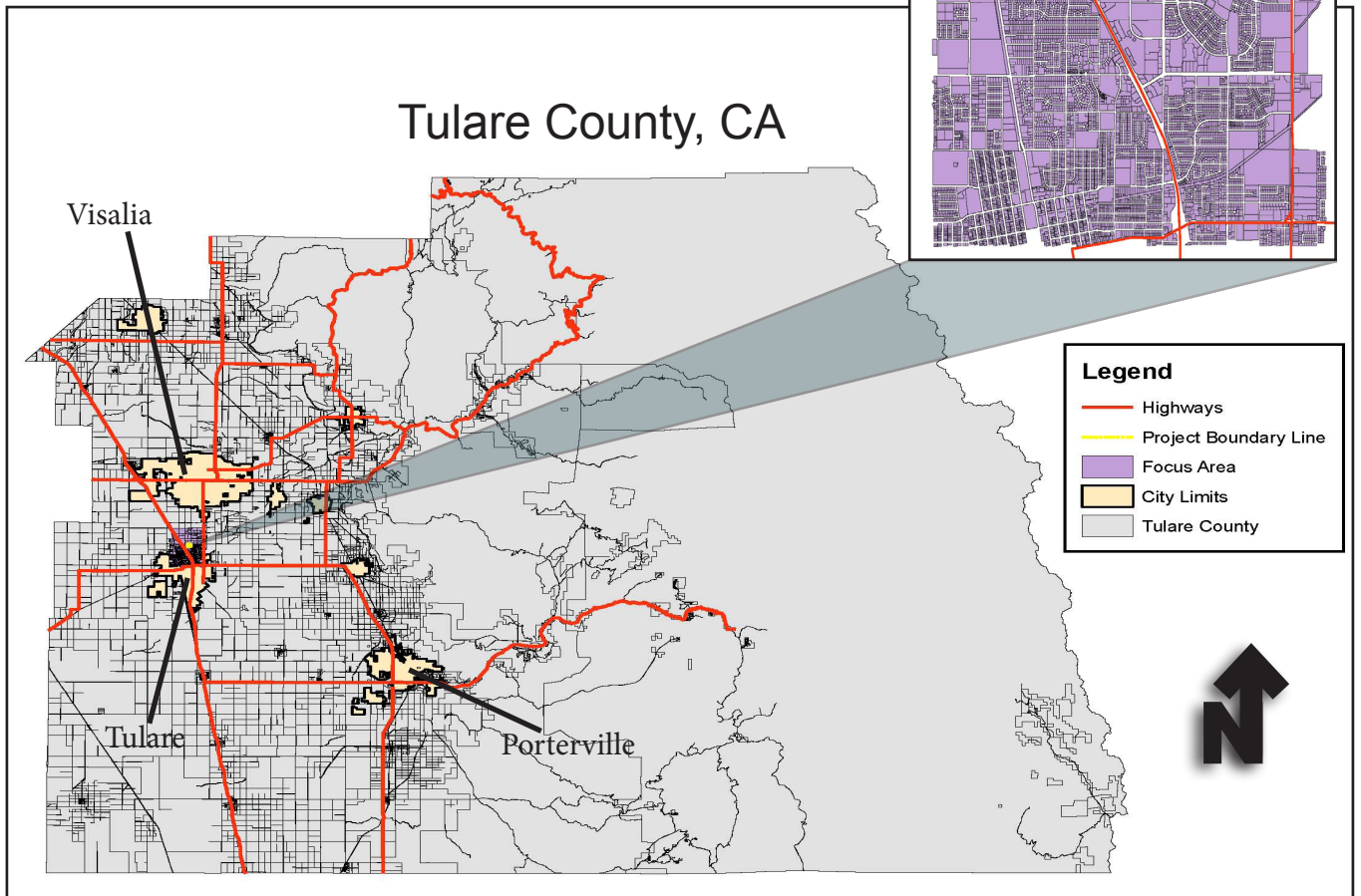


2.3: Location

2.3.1: Regional Context

The City of Tulare is located in the heart of California's Central Valley in the County of Tulare. This area has a blend of rich, fertile soils that make it one of the most productive agriculture areas in the United States. Over the years, Tulare has developed itself as one of the major agriculture leaders in the state. This burgeoning sector of the economy stands as the economic engine for the City and influences many aspects that make up the community. For example, the agriculture influence is so strong in Tulare that it is the host for the largest agriculture exposition in the world.

California Highway 99 is one of the most traveled highways in the central valley. This highway is one of the major methods for north and south bound regional transit for central valley residents. Highway 99 essentially travels directly through the center of Tulare with an off ramp in close proximity to the project site. This off ramp services ample amounts of regional travelers making their way to the outlet mall. The regional outlet center is one of the largest outlet malls in the central valley and services a large number of local and regional patrons.



Source: City of Tulare Community Development

Figure 2.1: City of Tulare Regional Context Map

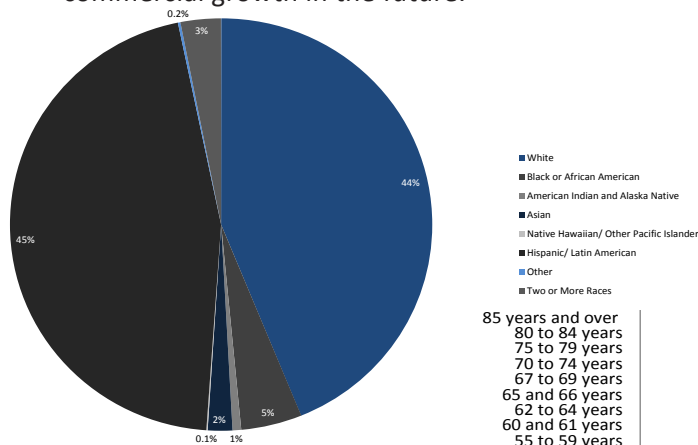
2.3.2: Local Context

The Hillman Oaks project site is located adjacent to the current city limit line at the north end of the property. The site is formed by four properties recently annexed from the county into the city in 2007 as development pushed northward from East Prosperity Ave. Since this time development has continued to push northward and surrounds the site, placing it at the center of two major arterials: Hillman Street and Highway 99. Hillman Street is one of the major north-south arterials used by Tulare residents to travel to and from the larger northern city of Visalia. Many residents of Tulare work, shop and entertain themselves in Visalia, using Hillman Street to make many of these trips. More specifically, these residents use the near-by on/off ramp at the Cartmill Ave. overpass to reach the shopping centers south of the project site.

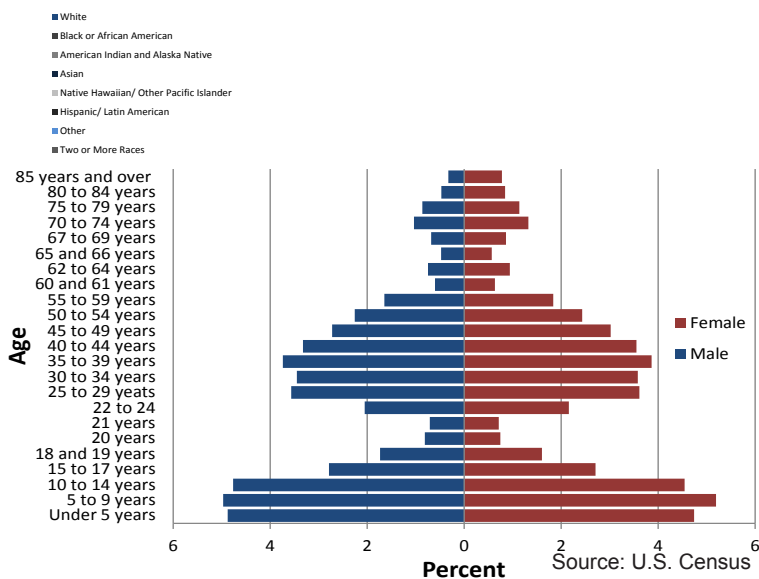
2.4: Demographics

As shown in Figure 2.2, Tulare is more diverse than most may realize. The City’s strong agricultural base has established Hispanics as the largest population by race in Tulare, at 45 percent. A very close second in population by race are Caucasians, who make up 44 percent of the total population. The remaining population is made up of African Americans, Asians, American Indians, and Pacific Islanders. Being that those four race categories only make up 11 percent of the population, it is evident that the region of Tulare is predominantly Hispanic and Caucasian.

When looking at population by age in Tulare it is blatantly clear that the dominant age group is 17 and under, with the largest age group being 5 to 9 (Figure 2.3). With a relatively small population of 18 to 24 year olds, it seems that Tulare is made up of parents in the age groups of 25 to 49 with children in the age groups of 17 and under (older parents corresponding with older children). As a result, there will be a growth of population in the future with enough young adults to care for the aging population. Assuming the majority of the young population stays in the City, Tulare will have a significant need for jobs and other commercial growth in the future.



Source: U.S. Census
Figure 2.2: Tulare Population by Race



Source: U.S. Census
Figure 2.3: Tulare Population Pyramid

2.5: Surrounding Developments

Development patterns around the project site have pushed residential and commercial development to surround the site. Along with existing developments, there are also proposed projects near the site that will likely be developed within the next decade. These existing and proposed projects will have significant local and regional influence on the project before and after development. These surrounding uses must be considered when designing the specific aspects that will make up the project.

2.5.1: California USA Wrestling Center

A regional wrestling center (as stated earlier) is currently proposed on the 33 acre adjacent property to the south of the Hillman Oaks project site. The proposed site will be built to accommodate amateur wrestling of all ages for events based in California. If built, the project will attract people from within the state and even out of state in some cases. The site will include a 100,000 square foot complex, a hotel, and a parking structure. Also proposed in the project is a new street (as stated earlier) on the southern property line of the Hillman Oaks project site. This street will provide a connection from Hillman Street to Retherford Street and a fourth access to Hillman Oaks.



Figure 2.4: Sign of Proposed Wrestling Center

2.5.2: Bethel Church

Bethel Assembly of God is proposing a new 80 acre church campus west of the Hillman Oaks project site across Retherford Street. The proposed campus will include a 60,223 square foot church auditorium, a 25,000 square foot youth building (includes a gymnasium), and a 25,000 square foot community center that would include a thrift store, book store, food bank, and counseling services. The counseling services would be available to the general public. The project will also include a senior care community consisting of 82,909 square feet with a 57 bed assisted care facility and 24 bed memory care facility. The additional 79,020 square feet will be used for an independent living facility with an array support services. These uses will attract large amounts of local residents on a weekly basis with a majority being on Sunday mornings.



Figure 2.5: Proposed Facade for Bethel Church



Figure 2.6: Proposed interior of auditorium

2.5.3: Del Lago Subdivision

Del Lago is a series of large residential subdivisions east of the project site. The approximately 424 acre development includes a mix of single family gated subdivisions, standard single family subdivisions, and multifamily subdivisions. These units are located directly across Hillman Street from the Hillman Oaks project site, making this development a significant source of potential patrons.



Figure 2.7: Single family home within Del Lago Subdivision

2.5.4: Preferred Outlets

Preferred Outlets is a large shopping center near the project site that was built in 1995 as Horizon Outlets. Since development and a change of ownership this outlet center has more than doubled in size, incorporating a large movie theater and a number of name brand stores. The center serves as a major regional attractor that has been a catalyst for growth in the area since development. The Hillman Oaks project site is a mere .38 miles away from the Outlet center and also uses Retherford Street as access for vehicles coming from Highway 99. Sharing Retherford as an access for Highway 99 traffic significantly increases the vehicle count that passes by the project site. The sharing of Retherford and close proximity to the Hillman Oaks project site makes Preferred Outlets one of the most significant influences on the Hillman Oaks project site.



Figure 2.8: Retail store within Preferred Outlets



Figure 2.9: Galaxy Movie Theater within Preferred Outlets

2.5.5: East Prosperity and Hillman Street

At the intersection of East Prosperity and Hillman there are three large shopping centers that incorporate many small retail and restaurant uses and most of the major retailers for Tulare. Of these retailers, the most significant would be Wal-Mart, Lowes, and K-Mart. Although these retail centers do not have a strong regional attraction, they do have a strong local attraction. Many of the local residents of Tulare do a significant amount of their shopping in this area and these uses will be in direct competition of any retail added to the Hillman Oaks project site.



Figure 2.10: Wal-Mart within East Prosperity and Hillman Street Plaza:



1

Proposed California USA Wrestling Center

- Distance from Project Site: Adjacent to site on southern property line.
- Acreage: 26.7 Acres
- Existing Conditions: Vacant



2

Proposed Bethel Church

- Distance from Project Site: Across the street on the western property line
- Acreage: 80.0 Acres
- Existing Conditions: Agriculture



3

Del Lago Subdivision

- Distance from Project Site: 0.67 Miles
- Acreage: 424 Acres
- Existing Conditions: Large residential subdivision that includes a mix of single family gated subdivisions, standard single family subdivisions and multifamily subdivisions



4

Preferred Outlets

- Distance from Project Site: 0.53 Miles
- Acreage: 58.8 Acres
- Existing Conditions: Large shopping center that includes a Galaxy Movie Theater and various store brands such as Aeropostle, Nike, Tillys and many others.



5

East Prosperity and Hillman Street

- Distance from Project Site: 0.86 Miles
- Acreage: 150.5 Acres
- Existing Conditions: Three large shopping centers that include Wal-Mart, Lowes, K-mart, and many small shops and restaurants.

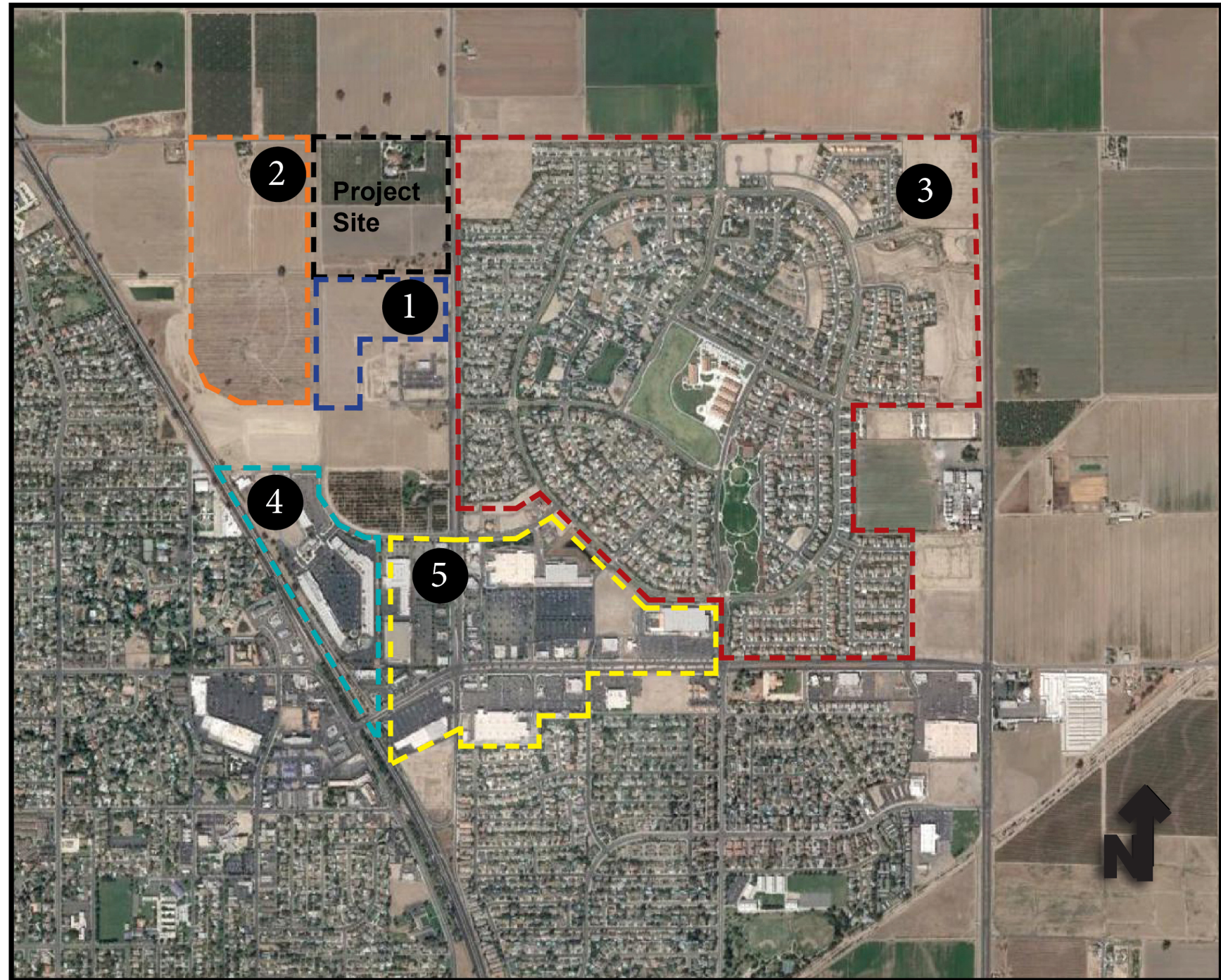


Figure 2.11: Surrounding Developments Map

2.6: Existing Characteristics

2.6.1: Natural Environment

The Hillman Oaks project site is located near large and expanding urban development with the only remnants of the natural environment being 23 non-agriculture trees located on the southern end of property. Four of these 23 trees are Valley Oak's and are protected by the City of Tulare and many other valley communities. The remainder of these trees carry no significant value for the community and will most likely be removed. The two northern properties are currently planted in two types of agriculture. The center property is covered with alfalfa and the northern property is planted mostly with almond trees.

The most significant influence from the natural environment is the Sierra Nevada Mountains to the east of the project site. Through the majority of the year the mountain range can be seen from the site and throughout the Central Valley. The view of the Sierra Nevada Mountain range is considered one of the most important view sheds for central valley residents and should be considered in site design.

2.6.2: Climate

Positioned in California's central valley between the Sierra Nevada Mountain Range and the coastal range, Tulare has what is known as a Mediterranean climate. This gives Tulare a warmer summer climate with temperatures reaching into the 100's for one to two weeks at a time. Winters tend to be moderate to cold, with temperatures dipping into the high 20's for one to two weeks at a time. The warmest month in the summer is July with an average maximum temperature of 96.0 degrees Fahrenheit, while the coldest month of the winter year is December with an average minimum temperature of 37.0 degrees Fahrenheit (shown in table 2.1 below).

Tulare is considered a region of low precipitation as it receives only 10.15 inches or rain per year on average (shown in table 2.1 below). This rainfall is distributed fairly evenly throughout the year with March receiving an average of 2.15 inches per year, making it the wettest month.

The most significant effect of Tulare's climate is what is known as the Tule fog. Tule fog forms during the late fall and winter after first major rainfall. The average time frame for Tule fog to form is from November 1 to March 31. Named after the Tule grass, this dense fog can decrease visibility to mere yards, in doing so, it alters work, school and travel schedules throughout the valley. Tule fog is considered the leading cause of weather-related casualties in California.

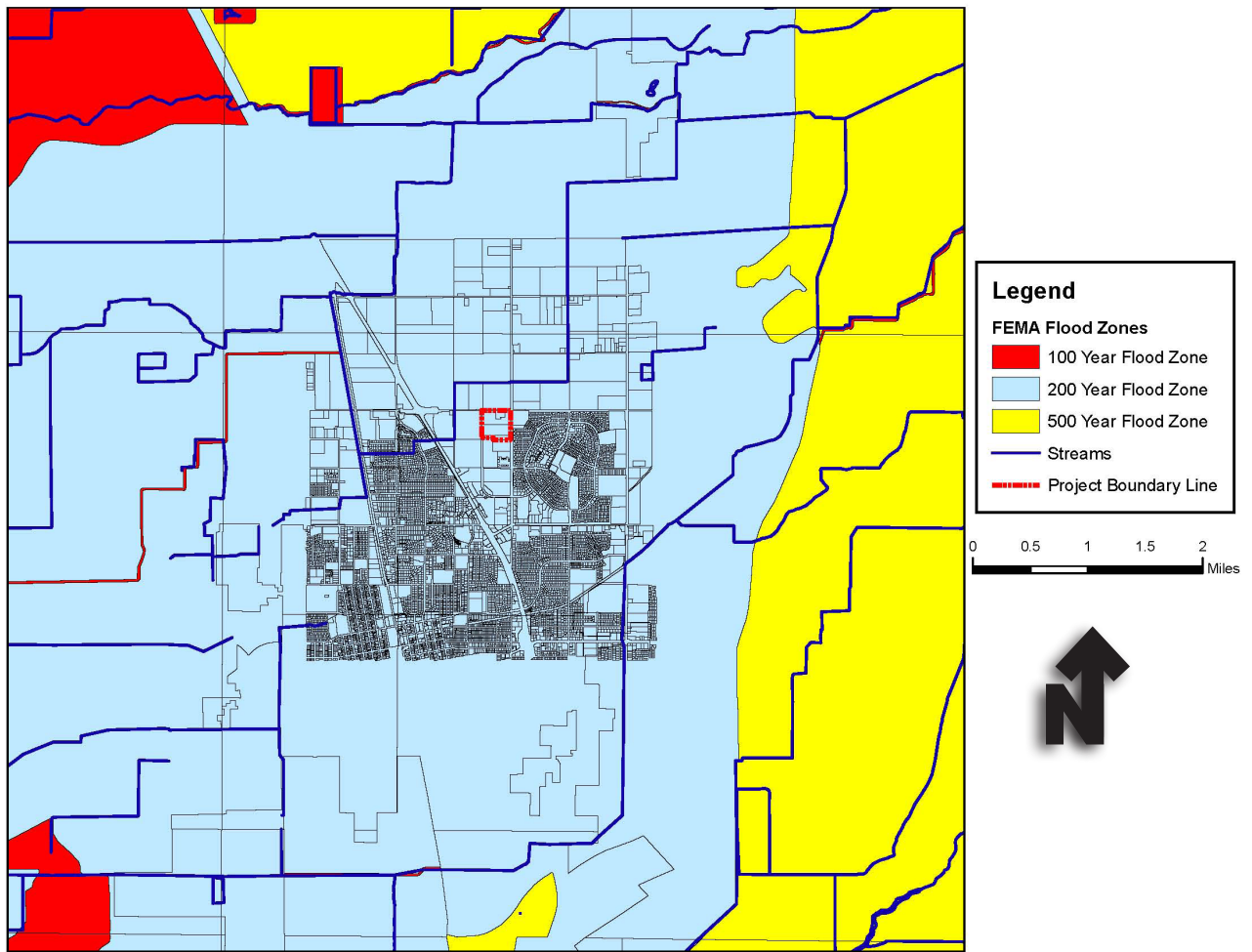
Table 2.1: Tulare Climate By Season.

Climate				
	Average Temperature			Rain
Season	Min. (°F)	Mean (°F)	Max (°F)	Mean (In.)
Winter	37.0	45.4	53.8	1.77
Spring	48.4	61.1	73.8	0.90
Summer	64.7	80.4	96.0	0.01
Fall	51.5	65.4	79.3	0.59
Annual	50.3	62.9	75.5	10.15

Source: City of Tulare

2.6.3: Flood Zone

As shown in the Flood Zone map (Figure 2.12), the project site (outlined in red) is located in the 200 year flood zone. According to the flood hazard areas identified on the Flood Insurance Rate Map, the project site is defined as Zone X Flood Area. The Federal Emergency Management Agency defines Zone X as having a .2 percent (200 year) annual chance of flood. Areas outside this zone that have an even smaller flood risk are considered to have a 500 year, or greater, annual chance of flood. The 200 year flood zone is considered an area of moderate flood risk, but is not required to meet the same design standards as the 100 year flood zone. As such the project area is not considered to be in an area of significant flood risk.



Source: City of Tulare Community Development

Figure 2.12: City of Tulare Flood Zone Map

2.6.4: Current Conditions

Currently, much of the site is vacant or used for some form of agriculture. The northern most properties adjacent to Cartmill Avenue include a 7,300 square foot residence and 15.82 acres of almond trees. The adjacent property to the south includes 14.99 acres of alphas crop. The southern property is currently vacant with trees and remnants of demolished buildings. Previous to 2001, 3 homes and one barn were located on the southern property. However, these structures were demolished due to their poor condition.

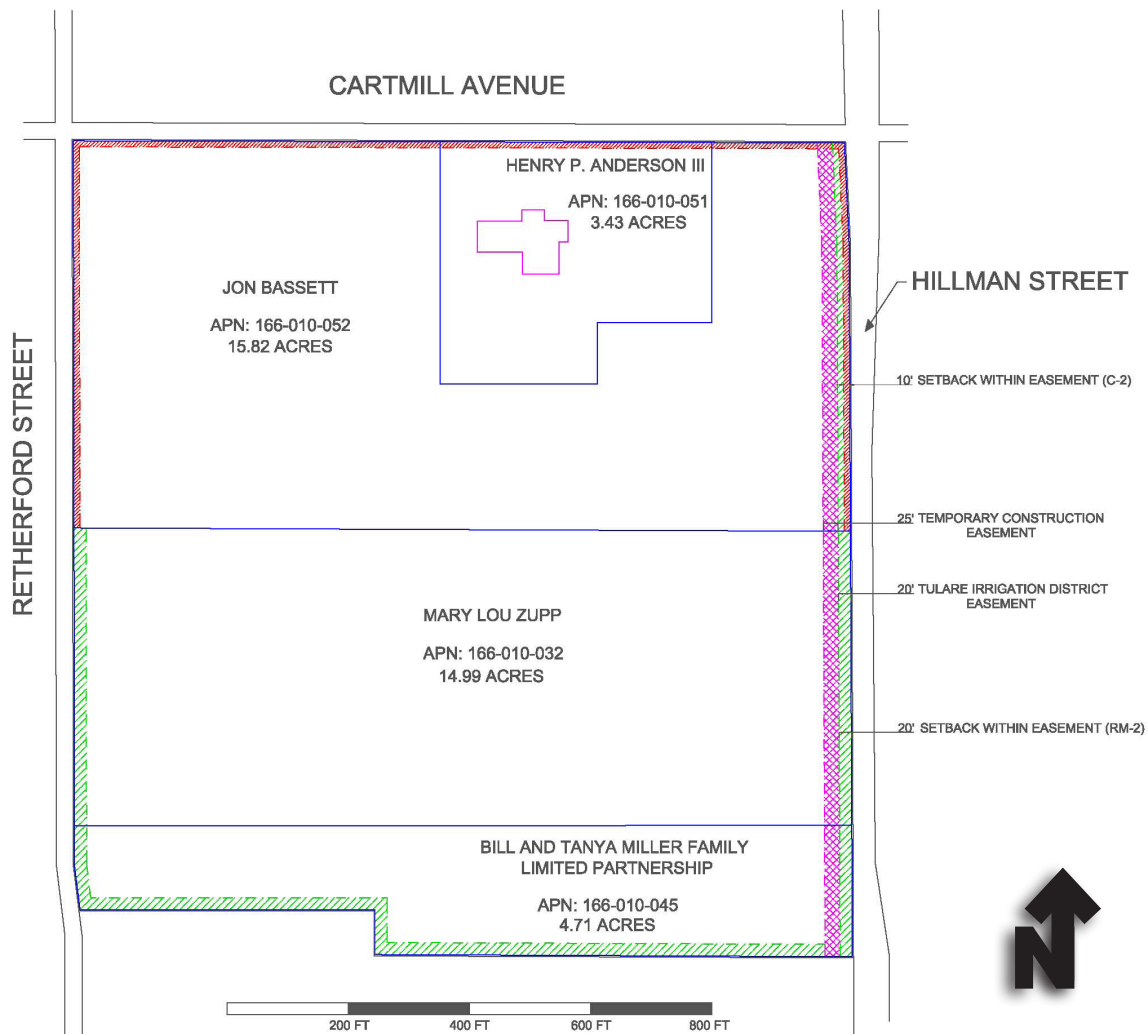


Figure 2.13: Legal Conditions Map



2.6.5: Circulation and Noise

The project site is provided access by three streets surrounding the site; Hillman Street, Cartmill Ave. and Retherford Street. These streets are also the main sources for noise to the site with significant amounts of traffic on Hillman Street and Cartmill Avenue. Due to their close proximity to Highway 99 the City of Tulare General Plan requires that all three streets meet Level of Service (LOS) D or better. LOS is a qualitative measure of traffic operating conditions, whereby a letter grade “A” through “F” is assigned to an intersection or roadway segment representing progressively worsening traffic conditions (City of Tulare General Plan).

As identified in Figure 2.14 both Hillman and Cartmill are considered to be Major Arterials. As defined by the City of Tulare General Plan, major arterials provide high volume connections between freeways and collectors with a minimum 300 feet right-of-way and up to six lanes of through traffic. Hillman Street is in good condition as a result recent expansions and meets the 300 foot right-of-way minimum through most of the road. Table 2.2 below identifies that Hillman Street will be Level of Service B in planning year 2030. With a current LOS of A and a projected LOS of B, Hillman Street is considered to have an adequate level of service through year 2030. Cartmill Ave is in poor condition and meets almost none of the

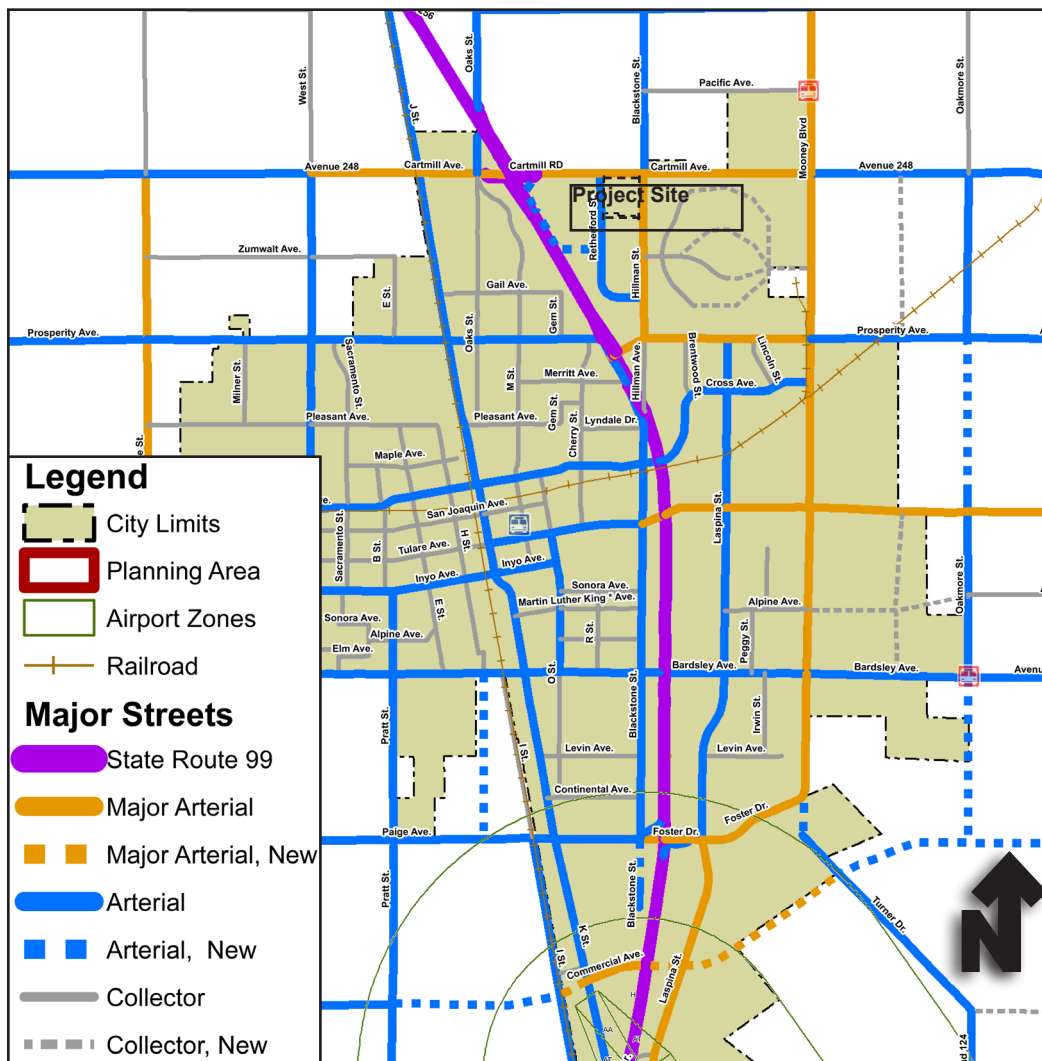


Figure 2.14: Regional Circulation Map Source: City of Tulare General Plan

requirements identified in the City of Tulare General Plan. The avenue has only two lanes of through travel and is riddled with portions of missing and degrading pavement near the project site. However, as shown in Table 2.2 below, Cartmill Avenue has a current LOS of A and a LOS of A in planning year 2030. Although Cartmill Ave will have an adequate level of service through year 2030, it will need some surface improvements as shown in Figure 2.15.



Figure 2.15: Cartmill Street View

Retherford Street is identified by the City of Tulare General plan as an arterial that can accommodate moderate volumes of traffic at moderate speeds to provide access to major arterials and collectors. Arterials generally provide two lanes of travel with no on street parking. As shown in Table 2.2, Retherford has a current LOS of A and a projected year 2030 LOS of C. Both of these grades are considered acceptable by the City of Tulare general plan through year 2030. However, like Cartmill Avenue, Retherford also has small sections of degrading pavement that will require improvements over time. Any improvements to this road should work to achieve a higher level of service through year 2030. As previously mentioned, the three streets surrounding the site are the major sources of noise for the project site. The City of Tulare General Plan EIR provides decibel (dBA) levels for the streets surrounding the site, measured at 100 feet from the centerline of the road (Figure 2.16). The federal government has developed truck “pass by” standards of 80 dBA at 45 feet from centerline of road. As shown in Figure 2.16 below, none of the roads surrounding the site meet or exceed this standard.

Table 2.2: Project Site Streets Level of Service

Level of Service (LOS)						
Roadway	Limits	2005 ADT	2005 LOS	Lanes	2030 ADT	2030 LOS
Hillman Street	Leland Avenue to Cartmill Avenue	8,790	A	2	33,670	B
Cartmill Avenue	Retherford Street to Hillman Street	3,720	A	2	27,860	A
Retherford Street	Hillman Street to Cartmill Avenue	560	A	2	20,690	C

LOS: Level of Service
 ADT: Average Daily Trips

Source: City of Tulare General Plan EIR

Another major effect on circulation surrounding the site is the close proximity of the Highway 99 off-ramp on Cartmill Avenue (Figure 2.14). As previously mentioned, Highway 99 is a major regional corridor of travel that produces much of the traffic for the area. Many of the patrons traveling to the nearby shopping centers use the Highway 99 off ramp to reach their destination. As such, these travelers must pass by the site in each case, increasing traffic levels to the area. Highway 99 does not have a direct noise impact on the site, as it is too far away to create a problem. However, it does provide large amounts of traffic that produce noise and potential circulation problems.

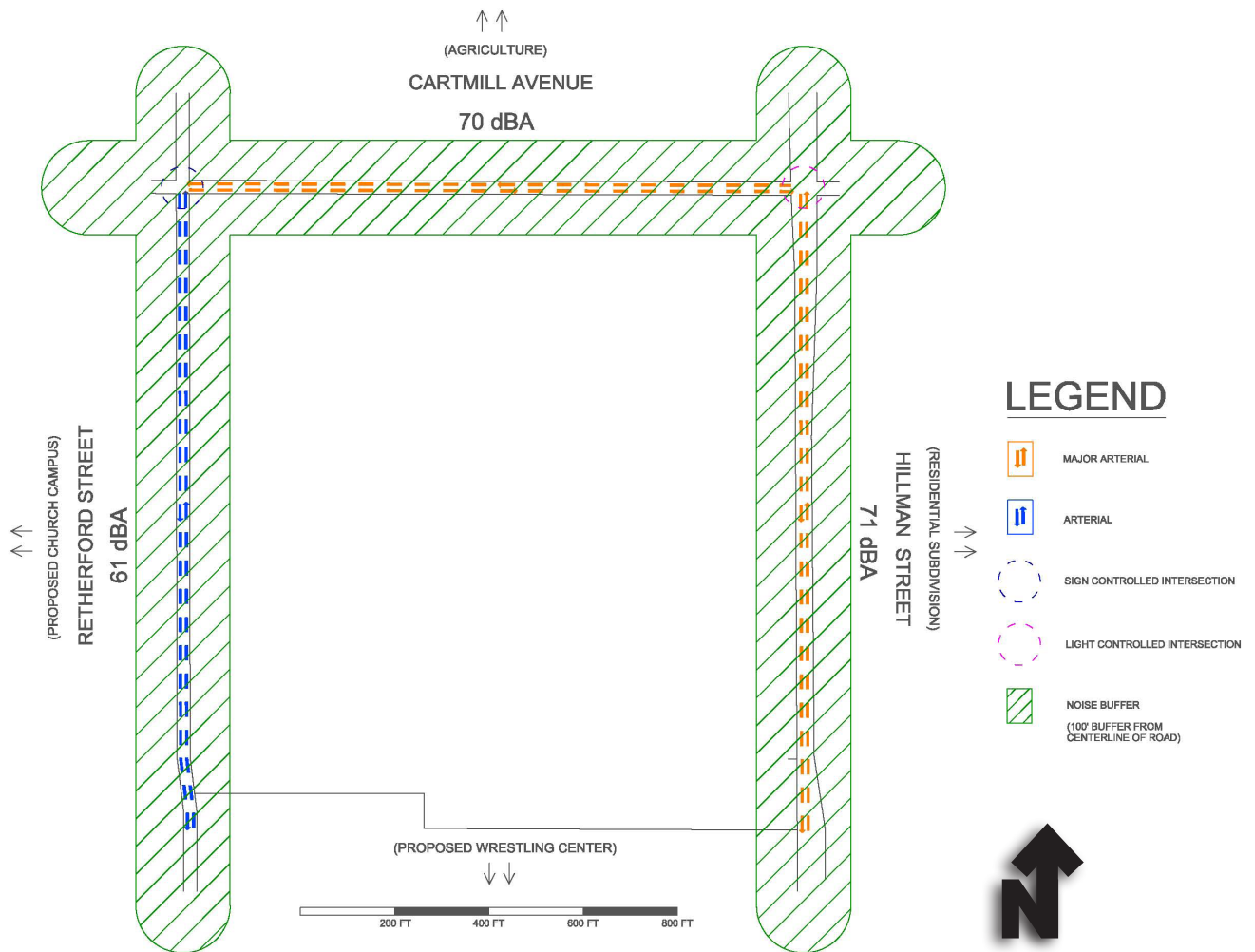


Figure 2.16: Hillman Oaks Project Site Circulation and Noise Map

2.6.6: Public Services and Utilities

Water Supply:

The City of Tulare Water District provides water to the City from a series of municipal wells. The Hillman Oaks project site has access to a total of three wells, as well as the city water supply. These wells draft water from the San Joaquin Valley Groundwater Basin and more specifically, Kaweah Subbasin. The groundwater levels in and surrounding the City benefit from surface water supplies delivered to agricultural lands by the Tulare Irrigation District (TID). In addition, the City provides treated wastewater, from its wastewater treatment plant to contracted farmland for recycling through agricultural irrigation.

This subbasin is currently in a state of overdraft as identified by the General Plan EIR. It is estimated that during summer months, the City water system is operating at 90 to 95 percent capacity. As a result, the City has implemented overdraft mitigation measures that require new development fees to be assessed and utilized to purchase surface water, create artificial recharge facilities, or create storm drainage basins that will retain stormwater for groundwater recharge. User fees are also collected through monthly water bills and used to purchase surface water, when available, to fill recharge basins. Through the implementation of a series of conservation measures identified in the General Plan EIR it is estimated that the City of Tulare Water District will be able to meet water demand through year 2030.

Sewer:

The City of Tulare Wastewater Treatment Facility (WWTRF) provides treatment of municipal wastewater from all parts of the City. Currently the WWTRF allows for a domestic flow of 6.0 million gallons per day (MGD) and an industrial flow of 6.7 million gallons per day (MGD). Currently the average for domestic influent flow was recorded at 4.5 MGD, while the industrial flow is at full capacity.

The City of Tulare Wastewater Treatment Facility began expansion in 1999 to meet the increased demand. This expansion has specifically focused on increasing the industrial flow capacity for the plant. Currently, the industrial plant of the treatment facility is open for bids to expand to either 8.0 MGD or 12.0 MGD. The expansion of the domestic plant began in 2007 to increase capacity to 8.0 MGD.

Through these expansions, the City of Tulare General Plan EIR estimates that the Wastewater Treatment Facility will have the capacity to service the projected population through year 2030.



Solid Waste:

The City of Tulare's solid waste collection service is provided by the Tulare Solid Waste Division of the Public Works Department. This division provides bi-weekly service to residential accounts and as required for commercial accounts.

The City's solid waste is disposed in the Woodville Landfill in Tulare County and the Kettleman Hills Landfill located in Kings County. Tulare's solid waste is collected from homes and businesses and taken to the Tulare County Recycling Facility (Material Recovery Facility 'MRF'), which is both a transfer facility and a sorting facility. Recyclable materials are collected, bailed, and transferred to another location for further processing while the remaining garbage is taken to the landfill facilities.

The Woodville Landfill has a total of 525 acres for disposal. The Tulare Landfill maximum capacity is estimated at 16,521,501 cubic yards. According to California's Integrated Waste Management Board (IWMB) solid waste database, it has a remaining capacity of almost 7 million cubic yards, which is believed to be sufficient to accommodate solid waste disposal demands through the year 2040. The Kettleman Hills Landfill has a total 499 acres for disposal with a maximum capacity of 10,700,000 cubic yards. According to the IWMB solid waste database, the Kettleman Hills Landfill has a remaining capacity of 6 million cubic yards. This will provide additional space to guarantee that solid waste disposal demands will be met through the year 2040.

2.6.7: General Plan Land Use

As shown in Figure 2.17, the Hillman Oaks Project Site is represented by two general plan land use designations. The three largest properties are designated Regional Commercial (RC) and the smallest property at the northern end of the site is designated Office (OC).

Regional Commercial (RC):

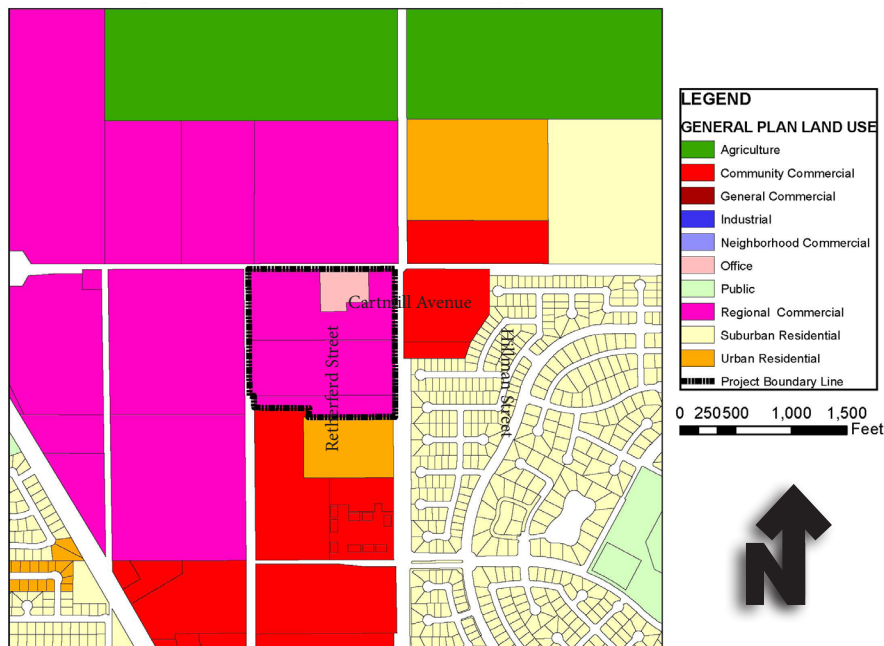
This designation establishes areas for regional retail centers capable of drawing consumers from outside the Planning Area. Uses typically allowed include regional malls and outlet centers that contain department stores and specialty retail uses with direct arterial and highway access. Developments in this designation usually contain 500,000 or more square feet of commercial space on approximately 20 to 50 acres; larger sites are possible depending on the uses proposed (City of Tulare General Plan).

- Consistent Zoning: C-3 Retail Commercial
- Minimum Lot size: 20 acres
- Maximum Floor Area Ratio: .40

Office (OC):

This designation establishes areas for the development of offices and office parks. Uses typically allowed include professional offices (including but not limited to finance, insurance, and real estate), large administrative centers, medical and dental clinics, research and development, and other similar compatible activities (City of Tulare General Plan).

- Consistent Zoning: C-2 Office Commercial
- Minimum Lot size: 4,000 square feet
- Maximum Floor Area Ratio: .80



Source: City of Tulare Community Development

Figure 2.17: City of Tulare General Plan Land Use Map



2.7: Zoning Regulations

The four parcels within the Hillman Oaks project site are separated into two different zoning designations (Figure 2.18). The two northern parcels (166-010-052, and 166-010-051) are designated C-2 (General Commercial Zone), while the two southern parcels (166-010-045, 166-010-032) are designated RM-2 (Multiple Family Residential). The purpose of the General Commercial zone, as defined by the City of Tulare Zoning Ordinance, is to provide development areas for large and small scale office facilities, as well as related support services and other appropriate uses. The purpose of the Multiple-Family Residential zone, as defined by the City of Tulare Zoning Ordinance, is to provide living areas within the City where development is permitted at relatively dense concentrations of dwellings. Regulations for these two zones are on the following three pages.

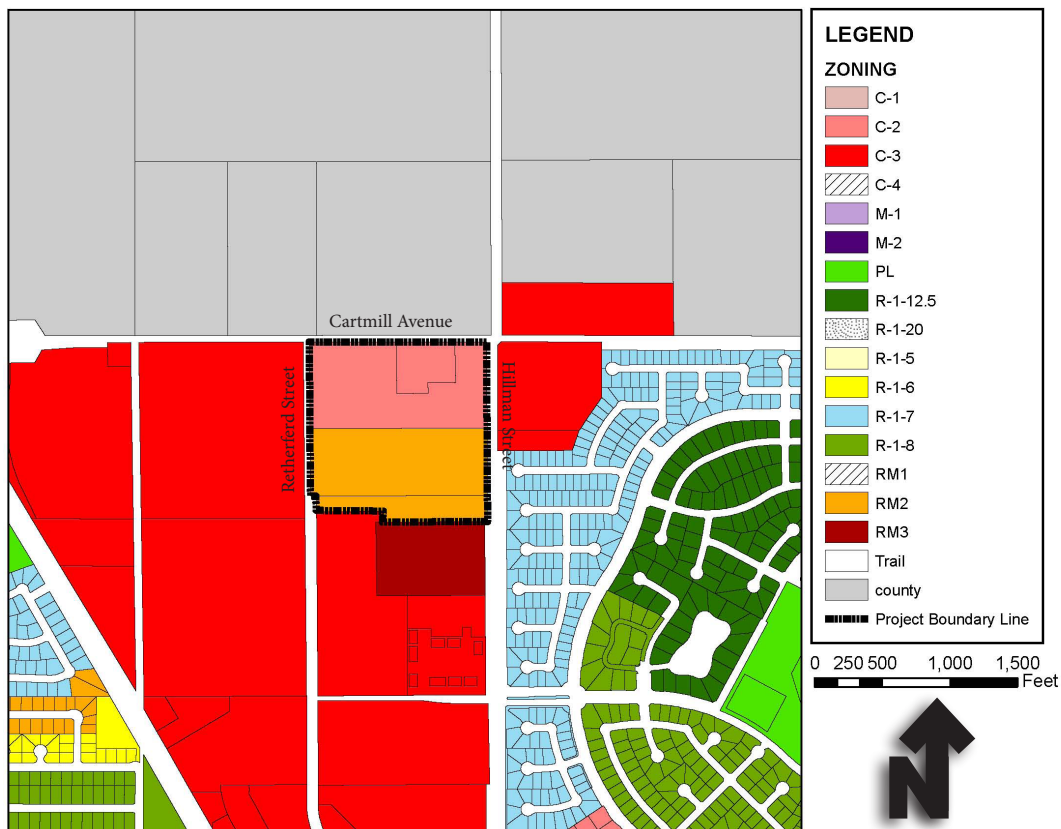


Figure 2.18: City of Tulare Zoning Map

2.7.1:RM-2 Zoning

Permitted Uses

- Licensed small family day care home (eight or fewer children);
- Licensed group care homes (six or fewer persons);
- Community care facility (six or fewer persons)
- Temporary subdivision sales offices; and
- Multiple-family dwellings.

Conditional Uses

- Licensed large family daycare home (nine or more children);
- Licensed group care home (seven or more persons);
- Community care facility (seven or more persons)
- Public and quasi-public uses of an educational or religious type
- Private noncommercial clubs and lodges, private golf courses; including the sale of alcoholic beverages;
- Public uses of an administrative, recreational public service or cultural type
- Major transmission lines, electric distribution substations, gas regulator stations, public service pumping stations and communications equipment buildings
- Mobile home parks and mobile home developments
- A second dwelling unit
- Funeral homes, cemeteries, columbariums and crematoriums;
- One-family dwellings;
- Townhouses
- Condominiums

Development Standards

- Minimum Site Area per dwelling unit = 3,000 square feet
- Maximum Site Area = 50% coverage
- Minimum Front Yard = 20 feet
 - For multiple-family developments designed with front doors facing the street that include a useable front porch for each unit, measuring at least ten feet in width by five feet in depth, the front yard setback may be reduced by five feet.
- Side yard
 - Interior lots: five feet per story.
 - Corner lot, interior side: five feet per story.
 - Corner lot, street side: ten feet.
 - Reverse corner lot, street side: one-half the required front yard setback of the lot to the rear.
- Minimum Rear Yard = 5 feet per story
- Distance Between Structures = 10 feet for a structure used for human habitation and another structure
- Maximum Building Height = 30 feet



Parking Standards

Multi-family :

- Studio and one bedroom: one and one half covered spaces per dwelling unit plus one uncovered guest space per five dwelling units.
- Two or more bedroom: two covered spaces per unit plus one uncovered guest space per five dwelling units.
- Senior Citizen Apartments: one covered space per unit, plus one uncovered guest space per five units
- Planned residential developments, including single family dwellings and condominiums: two covered spaces per unit plus one uncovered guest space per five dwelling units.
- Large residential day care: two uncovered spaces in addition to those required for the primary residences.
- Hotel/motel: one space per room, plus one space per employee on evening shift, plus 50% of the parking requirements for associated on-site uses, such as restaurants and banquet rooms. For facilities located within 300 feet of State Route 99, as a guideline on-site truck parking for large trucks may be recommended at a ratio of one of more spaces per 25 rooms.

2.7.2:C-2 Zoning

Permitted Uses

- Professional Office
- Financial Office
- Deicatessens and other food shops
- Restaurant without drive through
- Social Service Centers
- Barber/beauty/nail shops
- Dance/gymnastics schools/martial arts studios
- Dry cleaners
- Health/athletic clubs
- Licensed/ certified massage therapists
- Travel bureau/agencies
- Pharmacy/drug stores
- Medical equipment and supplies
- Office supplies and equipment stationary
- Art supply store
- Candy, nut and confectionary store
- Clothing and costume rental
- Printing/blueprinting/litho and copy shops
- Laboratories
- Self-serve recycling machine
- Small family day care
- Radio and Television Studios

Conditionally Permitted

- Auditoriums convention halls and theaters
- Blood banks, health clinics/ outpatient facilities
- Hospitals, convalescent homes
- Outpatient treatment programs
- Residential Care facilities
- Convenience stores
- Public or quasi-public uses of an educational type
- Large family daycare
- Communications buildings and yards and public utilities buildings and yards
- Bus depots/ transit facilities
- Residential uses
- Meeting halls
- Music Studios

Development Standards

- Minimum Parcel Area = 3,000 square feet
- Frontage, width and depth = no requirement
- Lot Coverage = 80% Maximum
- Front Yard = 10 feet minimum
- Side Yard = None
- Rear Yard = None
- Distance Between Structures = no requirement
- Maximum Building Height = 30 feet

Parking Standards

Commercial:

General Commercial Uses:

- General retail stores and service establishments: one space per 300 s.f. of gross floor area (gfa)
- Furniture and appliance stores: one space per 500 s.f. of for gross sales floor area, plus one space each 2,500 s.f. of gfa of warehouse storage.
- Eating and drinking establishments:
 - Restaurants, cafes, bars and similar establishments: one space per 100 s.f.
 - Restaurant with drive-thru or drive up service: one space per 125 s.f. of gfa. Drive-thru shall have stacking space for at least six vehicles.
 - Donut shop/delicatessen: one space 100 s.f. of gfa
- Auto-related commercial uses:
 - Auto repair/garage: one space per 200 s.f. of gfa, plus five spaces
 - Service stations, convenience store mini-markets: one space per 250 s.f. of gfa. Spaces at pump islands may be counted, but not to exceed four spaces, provided that at least five on-site spaces are not located at pump islands.
- Quick oil change: one space per employee
- Vehicle Sales: one space for each 400 s.f. of gfa for showroom and office, plus one space for each 2,000 s.f. of outdoor display area, plus one space for each 500 s.f. of gfa for vehicle repair, plus one space per 300 s.f. of gfa for the parts department.



- Carwash (full service): one space per employee on the maximum shift, in addition to appropriate stacking space.
- Carwash (full service): two parking spaces per stall (for drying, polishing, etc.)

Personal Services:

- Banks, savings and loan: one space per 300 s.f. of gfa
- Barber shops/beauty parlor: one space per 250 s.f. of gfa

Offices:

- Medical/dental offices: ten spaces for first 2,000 s.f. plus one space for each additional 175 s.f.
- Other Offices: one space per 300 s.f. of gfa

Recreational:

- Health Clubs: one space per 200 s.f. of gfa
- Bowling alleys: one space per lane, plus one spacer per 300 s.f. of net area for other recreational use such as billiards and arcades.
- Video arcade/go cart/amusement parks: one space per 1,000 s.f. of outdoor public use area.
- Dance/martial arts/art studios: one space per employee, plus one space per two students at maximum occupancy.
- Golf Course: six spaces per hole plus as required for incidental uses.
- Driving Range: Three spaces plus one space per tee.
- Miniature golf course: one space per hole, plus one space per 75 s.f. of gfa
- Tennis/racquetball courts: three spaces per court, plus as required for incidental uses.
- Stadiums, arenas, racetracks, or other outdoor public assembly uses: one space per four seats or one space per 75 s.f. of non-fixed seating area. Outdoor assemblies with seating capacity greater than 5,000 shall be required to have an approved traffic management plan (TPM). A TPM at minimum shall include on-site and off-site locations for parking and transit use for special events, and shall provide off-street parking at one space per six seats.

Miscellaneous Commercial:

- Retail nursery/garden shop: one space per 500 s.f. of indoor display area, plus one space for each 2,500 s.f. of outdoor display area.
- Other Commercial uses not listed above: one space per 200 s.f. of gfa

Industrial Uses:

- Churches, conference halls, mortuaries, theaters, auditoriums: one space per four fixed seats; or one space for each 35 s.f. of non-fixed seating area in the principal sanctuary, conference space or auditorium, whichever is greater.

Schools:

- Nursery/pre school: one space per staff member, plus one space per ten children.
- Elementary. Middle and high schools: two spaces per classroom plus one space for each employee, plus the number of additional spaces prescribed by the Planning and Building Director.
- Post-secondary schools/business/ professional trade schools: five spaces per classroom plus 1 space per 300 s.f. of administrative office use plus additional parking for either stadium

Libraries, museums, art galleries: one space per 300 s.f. of gfa.

Hospitals: one space per 250 s.f. of gfa.

Nursing homes/sanitariums: one space per every six beds, plus one space per employee on the largest shift, plus one space for each staff doctor.

Retirement homes: one space per one and one-half living units.

Congregate care: one space per employee on the maximum shift, plus one space per five resident units.

Downtown District: The Planning Commission may waive on-site parking requirements for non-residential uses in the Downtown District.

2.8: Conclusion

2.8.1: Opportunities

- **Land is mostly vacant:**
The only structure on the project site is a 7,300 square foot residence located on the smallest most northern piece of property (APN: 166-010-051). The majority of the project site is either an agriculture use or is vacant. The lack of structures on the property will allow for more creative planning, not hindered by existing structures.
- **Close proximity to Highway 99:**
Highway 99 is a major regional corridor. The close proximity of the freeway in combination with the nearby off-ramp on Cartmill Avenue will allow local and regional users to access the site easily.
- **Three directions of access:**
There are three streets surrounding the project site that provide vehicular access. Multiple access points for the site will provide for a better traffic design with a smooth flow of vehicular traffic.
- **Adequate Levels of Service:**
As identified in the City of Tulare General Plan EIR, all roads surrounding the project site are currently at an adequate Level of Service and will remain so through year 2030.
- **Close proximity to regional shopping centers (Figures 2.8 and 2.9):**
The regional shopping centers near the site draws large amounts of local and regional customers. This attraction provides increased levels of traffic around the site resulting in potential patrons.



- **Commercial General Plan Land Use on most of the property (Figure 2.17):**
The majority of the project site is designated Regional Commercial. This General Plan Land Use designation provides grounds for any future zone change and will make the site more compatible with surrounding uses.
- **Zoning that matches General Plan Land Use:**
The small northern property (APN: 166-010-051) currently used as a residence, is zoned C-2 Office Commercial. This zoning is consistent with the Office General plan Land Use and will require no zone change.
- **Close proximity to residential (Figure 2.11, Area 3):**
The large residential development Del Lago to the east of the project site will provide a strong base of customers within close proximity to Hillman Oaks.
- **Large Bethel church campus to be built west of property (Figure 2.11, Area 2):**
The church campus to the west of the project site will provide regular and predictable levels of potential customers for the site.
- **Large wrestling center to be built adjacent to southern property (Fig. 2.11, Area 1:)**
The wrestling center adjacent to the south of the project site will potentially provide large amounts of regional patrons to support uses in the project site.
- **Oak trees on southern most property (See Site Analysis on next page)**
Oak trees are one of the protected trees listed by the City of Tulare. These trees have regional importance and will provide the site with identity.

2.8.2: Constraints

- **Residence located on northern property:**
The northern property (APN: 166-010-052) has a general plan land use designation of Office and a zoning designation of C-2 Office Commercial. The residence located on this property is not consistent with these designations.
- **Lack of infrastructure at site:**
The majority of the site is currently undeveloped and thus lacking major infrastructure improvements on the site. Improvements for curbs, gutters, sidewalks, water supply, wastewater, and electricity will be required at the time of development. However, it should be noted that connections to all City utilities are within close proximity to the site.
- **Poor road conditions:**
Cartmill Avenue and Retherford Street are currently scattered with potholes and degrading pavement. The poorly surfaced roads hinder the flow of traffic and will need improvement for future development.
- **Northern property has significant number of almond trees:**
The northern property is currently being used for an almond crop. These almond trees will be difficult and costly to remove before development of the site.
- **Trees on southern property:**
There are a numbers of non-agriculture trees on the southern property. The majority of the trees have no significant local value and will be costly to remove.
- **Zoning that does not match General Plan Land Use:**
The two southern properties (APN:166-010-045 and APN: 166-010-032) of the project site are zoned RM2 Multi-Family. This zoning is not consistent with the Regional Commercial General Plan Land Use designation and will require a zone change to make the project consistent with the General Plan.
The northern property currently used as a almond orchard (APN: 166-010-052) is zoned C-2 Office Commercial. This zoning is not consistent with the Regional Commercial General Plan Land Use designation and will most likely require a zone change to make the project consistent with the General Plan.



View of Sierra Nevada Mountains from within the site.



View of development on the southern end outside of the property lines.



View of property from Hillman Street facing west.



View of almond trees from Retherford Street.

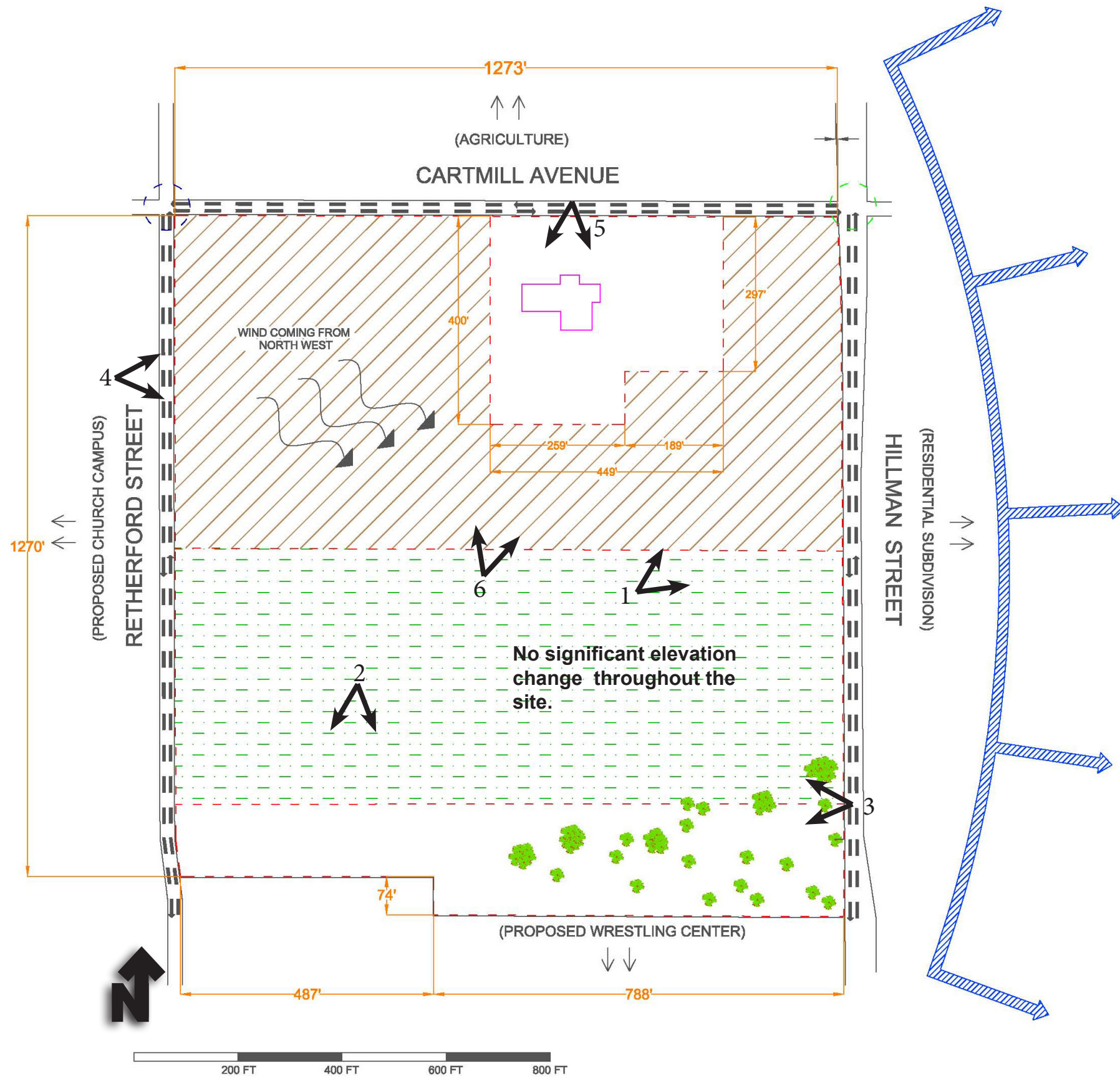


Figure 2.19: Site Analysis Map



View of residential property from Cartmill Avenue.

LEGEND

- SIGN CONTROLLED INTERSECTION
- LIGHT CONTROLLED INTERSECTION
- TREES
- EXISTING RESIDENCE
- LOT LINES
- CIRCULATION
- WIND DIRECTION
- VIEW OF SIERRAS
- ROW AGRICULTURE
- WALNUT ORCHARD



View of property facing north from the southern end of the site.

2.8.3: Developable Land

The purpose of the Site Analysis section is to identify all the aspects of the site that will affect future development. This analysis assists in determining the best portions of the project site for future development. In this case the portions that have the greatest development potential are termed Prime, with decreasing values, respectively, termed Less than Prime and Moderate. The portions considered Prime will have the least resistance to development with increasing resistance as a portion of the project site becomes Less than Significant and Moderate. Portions of the project site that are considered to have moderate development potential are deemed to have the most resistance to future development, but are by no means considered undevelopable. A property's development potential is simply determined in relation to the development potential of other properties.

As shown in Figure 2.20 below, the portion of the project site that is determined to have the highest development potential is the southernmost property (APN 166-010-045). The most significant reason for this determination is the fact that the southern property is currently vacant with no agricultural or residential uses. Furthermore, this property is the closest to the land that is being developed near the project site. This property would be the natural place for development in the progression of the current development pattern around the site. The only resistance to development on this property will be from a zone change and

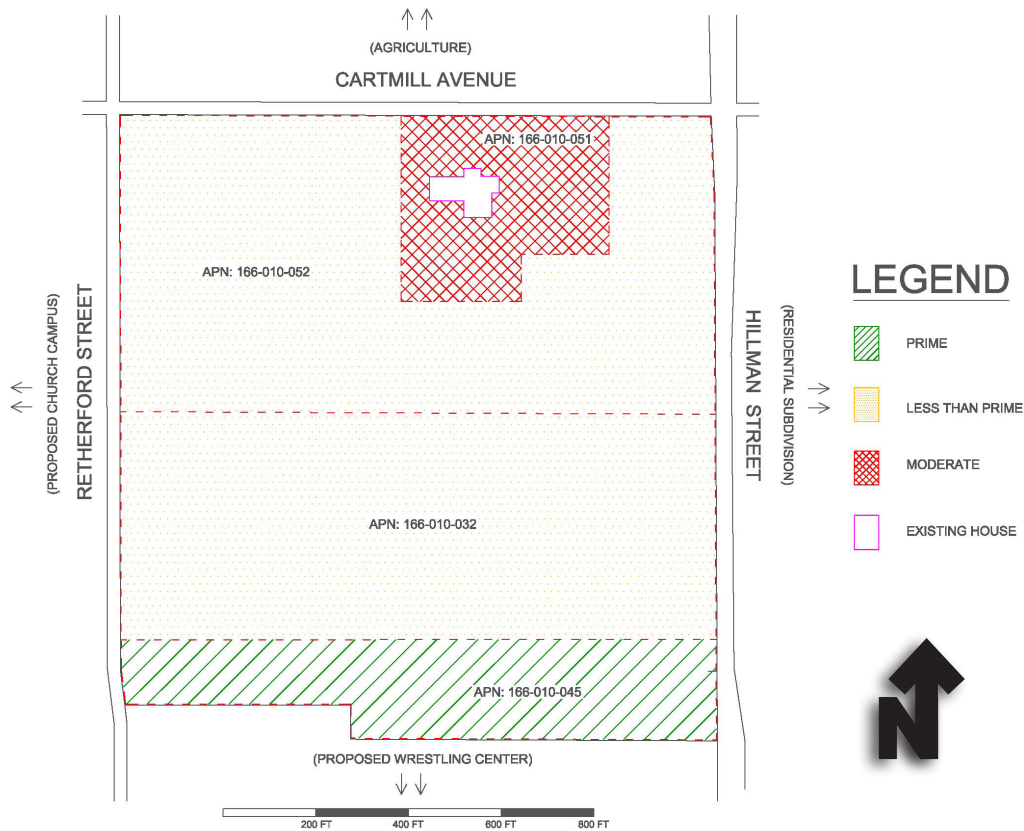


Figure 2.20: Development Potential Map

the removal trees. Relative to the other properties, this represents a very low amount of resistance to development.

The two larger properties (APN: 166-010-032 and APN: 166-010-052) north of the southern most property are determined to have “Less than Prime” development potential. The main reason for this determination is the current agricultural uses on the properties. The need for a zone change on both of these properties will also be necessary. Development potential will also depend on the willingness of the property owners to develop their land; any reluctance could represent strong resistance to development. However, due to the fact that most agricultural land in the city limits is eventually developed and results in increased revenue to the land owner, this resistance is likely to be minimal.

The need for a zone change is shared with the southern property (APN: 166-010-045), but each of these parcels share the same Regional Commercial General Plan Land Use Designation. A change of zone to C-3 Retail Commercial for all three properties will only result in more compliance with the City of Tulare General Plan. As such this action should receive very little resistance from the City. The smallest property of the project site (APN: 166-010-051) to the north is determined to have a development potential of Moderate. The main reason for this determination is because the site is currently occupied by an existing residential structure. Although this use does not conform to the existing Office Commercial zoning for the property, any removal of this residence will likely meet significant resistance from the property owner. Unlike agricultural property owners, residential property owners are far more likely to resist development on a property where they reside. This potential for resistance combined with the potential cost to demolish structures gives this property a Moderate development potential.

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3. ECONOMIC ANALYSIS

3.1: Introduction

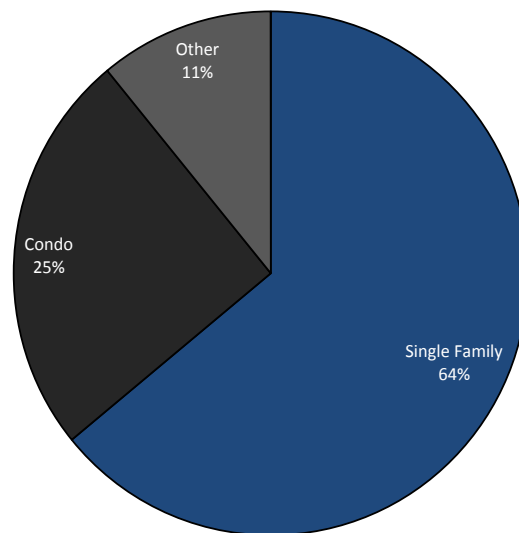
There are a number of influences that will affect the success and design of a project other than physical characteristics. The economic influences and characteristics of a project are as equally important as the physical. In the previous chapter the Site Analysis identified all the physical and governmental characteristics that will affect the final design of the site. In a similar way this chapter will discuss the local and regional economic and financial influences that affect the site. These influences include housing characteristics, income characteristics, market characteristics and rental and land values. These economic forces will be some of the main influences on the design and composition of the project. The design of a project can be functional and aesthetically pleasing, but if it does not respond to the market it will remain unfeasible and never be successful.

In addition, this chapter will look to determine the potential future economic success of the project. In order to determine the potential success and viability of a project a number of factors must be considered and series of calculations must be completed. These calculations will use research in this chapter to establish a reasonable set of economic factors that will contribute to the prediction of the economic success or failure of the Hillman Oaks project. The conclusions derived from this study will guide the final design and composition of the project.

3.2: Housing Characteristics

3.2.1: Housing Type

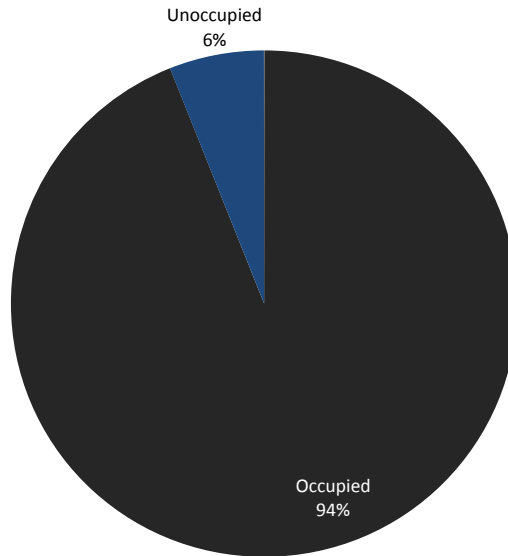
The general affordability of single family residential housing in Tulare makes single family residential the largest housing type for the City. As shown in Figure 3.1, 64% of housing units are single family and 25% are condominium, leaving only 11% for other types of residential. Single family housing and condominiums are generally considered to be owner occupied units. The lack of other types of housing units allows for the assumption that there is room for expansion in this housing market.



Source: U.S. Census
Figure 3.1: Housing Type

3.2.2: Vacancy Rates

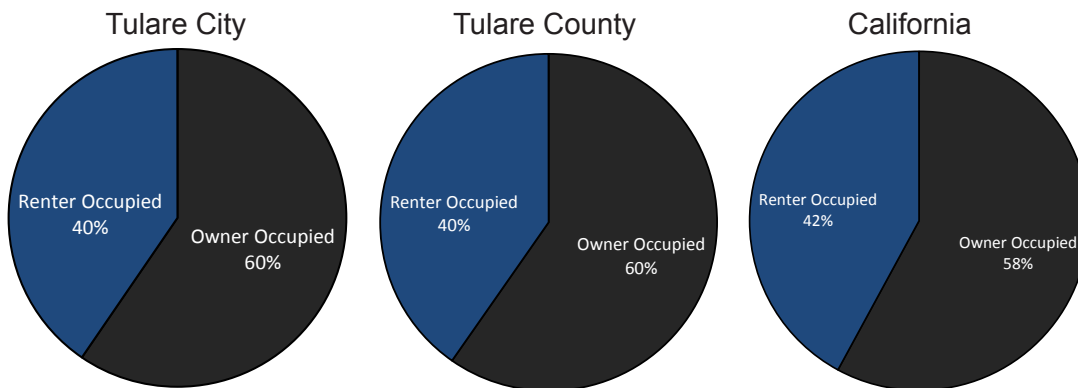
As shown in Figure 3.2, 94% of housing units in Tulare are occupied, consequently, only 6% of units are unoccupied. This rate is considered low when compared to the 9% vacancy rate for the State of California. Although this is a very small vacancy rate, the real estate market is currently in a recession, resulting in a large number of foreclosures. Over the next year the number of unoccupied units will likely increase which will result in a much higher vacancy rate.



Source: U.S. Census
Figure 3.2: Vacancy Rate

3.2.3: Housing Tenure

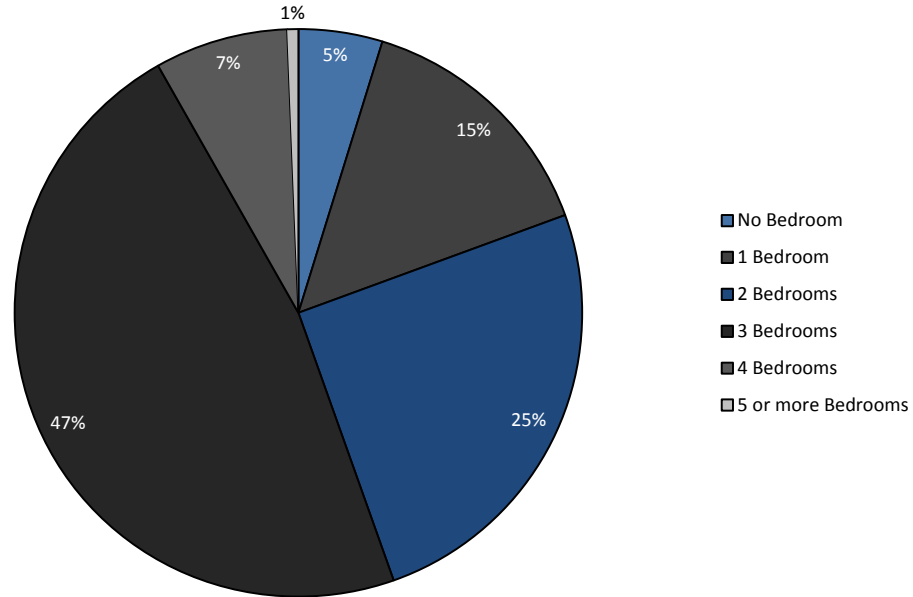
The majority of Tulare residents own their home, with a total of 60% (Figure 3.3) of housing units being owner occupied. When this ratio is compared with the County of Tulare and the State of California the numbers align almost exactly. These aligned ratios allow for the assumption that the discrepancy between the State median income and the City of Tulare median income is not due to higher levels of poverty. This also allows for the assumption that the City of Tulare will follow housing tenure trends similar to that of the County and the State.



Source: U.S. Census
Figure 3.3: Housing Tenure

3.2.4: Housing Unit Size

As shown in Figure 3.4, the majority of housing units in the City of Tulare consist of three bedrooms at 47% of total. When combined with the 25% of two bedroom housing units, there is a total of 72% of housing units that consist of two to three bedrooms. This directly coincides with Tulare's trend toward single family residences. Considering this trend, any pricing or design efforts should be aimed towards accommodating two to three bedroom units.



Source: U.S. Census
Figure 3.4: Housing Unit Size

3.3: Real Estate Rates and Trends

Currently the real estate market, state and nation wide, is in a significant recession. This recession has resulted in a halt to real estate activity and a drastic decrease in prices for nearly all types of real estate. According to Zillow.com, housing prices in Tulare have seen a 15% year over year decrease. This drop has produced a ripple effect that has also affected commercial real estate, resulting in a 12% commercial vacancy rate and a similar drop in commercial values according to Loopnet.com.

However, development in the City of Tulare has not come to a complete halt. The City of Tulare has chosen the area surrounding the Hillman Oaks project site as an area for economic development in the community. Combined with the strong regional attractors near the site, new development has continued around the project, placing new development adjacent to the site. This continued development will have positive and negative affects over time. Much of the commercial development around the site will attract future patrons for many of the retail uses. The adjacent residential uses will also provide a significant number of future patrons that will be able to work and shop in close proximity to their residence. In contrast, the nearby commercial and residential uses will likely provide direct competition for the commercial and residential uses in Hillman Oaks. Development should seek to balance and avoid this competition as much as possible by phasing the project out over time. Phasing should respond directly to market demand and conditions in an effort to increase profitability.

Table 3.1: Commercial Land Values

City of Tulare Commercial Land Value	
Value	Rate
Average Per Acre	\$200,000 to \$300,000
Average Rent/Month (Sq. Ft.)	\$1.00 to \$1.50

Source: Loopnet.com

Table 3.2: Fair Market Rents

Tulare County 2011 Fair Market Rents	
Home Size	Rate
Efficiency	\$541
One-Bedroom	\$605
Two-Bedroom	\$703
Three-Bedroom	\$1,005
Four-Bedroom	\$1,033

Source: U.S. Department of Housing and Urban Development

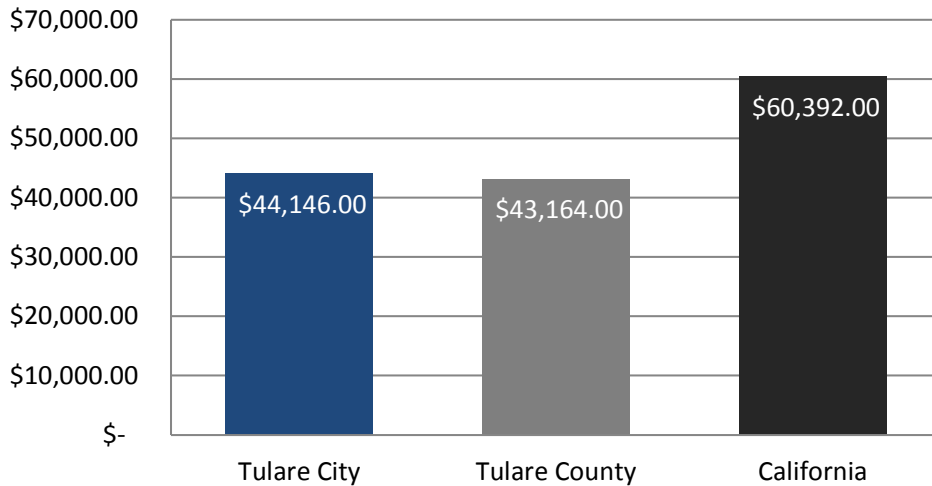
The most recent real estate sales values for commercial real estate surrounding the site come from Loopnet.com (Table 3.1). According to Loopnet.com the most recent transactions of vacant commercial land near the site occurred in 2008. These values ranged from \$200,000 to \$300,000 per acre (Table 3.1). These prices are likely to be lower now due to the current decrease in real estate prices, but for the purposes of this study a land value of \$250,000 will be used. Zillow.com also provides surrounding office/retail commercial rents, placing them between \$1.00 to \$1.50 per square foot. A commercial rent of \$1.25 will be used for the purposes of this study.

The current median housing price for the City of Tulare is \$92,000. However, due to zoning requirements and the competition of a large uncomplete single family development near the project site Hillman Oaks will include only multi-family residential. The U.S. Department of Housing and Urban Development (HUD) publishes fair market rents for various counties throughout the United States (Table 3.2). These figures are calculated based upon a number of economic factors and represent base affordable rents for various housing types in the area. Table 3.2 shows these values for Tulare County.

3.4: Median Income and Occupation

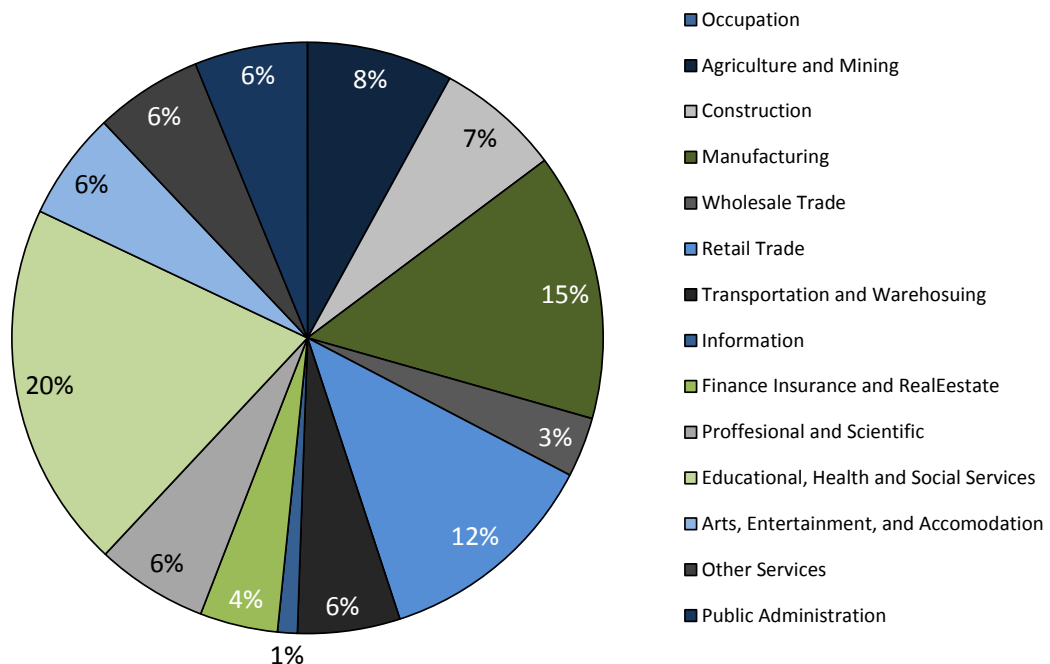
The City of Tulare has an appropriate median income when compared with the County of Tulare. As shown in Figure 3.5, the City of Tulare has a greater income than the County by only \$1,000. This difference can be attributed to the statistical margin of error. Also shown in Figure 3.5 is how low the City of Tulare and the County of Tulare median incomes are relative to the median income represented by the State of California. The County and the City of Tulare do not experience a lower standard of living when compared with the State, but rather the cost of living is lower. Tulare is considered a relatively rural community with large manufacturing and agriculture industries, resulting in lower pay labor related jobs. The lower pay related with these jobs is consistent with the lower cost of living attributed to the area.





Source: U.S. Census
 Figure 3.5: Median Income

The City of Tulare is represented by a wide range of industries that offer many employment opportunities for its residents. As shown in Figure 3.6, Tulare’s largest industry of employment falls under Educational, Health, and Social Services, occupying 20% of the total jobs in the community. This is due largely to the abundant presence of County offices and the large regional hospital located in Tulare. Being that the City of Tulare is the original county seat and one of the largest communities in the County, it contains many of the County social service offices. Tulare is also home to one of the largest regional hospitals in the area, accounting for many of the health related jobs in the County. The true economic base for the City is represented by the manufacturing and agriculture industries which occupy a combined total of 23% of the total jobs. Although these industries are not represented as the largest industry, they are very closely related in Tulare and will be considered as such for this study.



Source: U.S. Census
 Figure 3.6: Employment by Industry

3.5: Leakage Analysis

3.5.1: Methodology

In an effort to better understand the local economy of Tulare, this study includes a leakage analysis. A leakage analysis is used to determine which services or economic sectors are not being proportionally represented in the local economy. This is done by using economic data from the local economy and comparing it to the same economic data for larger areas. In this case, the City of Tulare was compared to the County of Tulare and the State of California. There are a number of ways to perform an analysis like this with multiple forms of economic data that can be used. The ending result of any form of this type of analysis is a series of percentages. A positive percentage represents an economic sector that is underrepresented in the community while a zero or negative percentage represents an adequate or overrepresented economic sector. Underrepresented sectors are termed to have economic leakage. This means that money is being spent outside the community within this sector rather than inside the community. The resulting assumption is that there is potential for this money to be captured within the community through expansion in sectors that show leakage.

3.5.2: Calculation

The best data available for this study and the City of Tulare was the Sales by Economic Sector from the 2007 Economic Census. This data includes the total sales for nine different sectors of the economy for the City of Tulare, the County of Tulare, and the State of California. As shown in the tables below, the total sales for each economic sector was divided by the total population for each study area to determine the per capita sales. The per capita sales of the City of Tulare was then divided by the per capita sales of the County of Tulare and the State of California. This results in a percentage that represents the measure of leakage for that sector of the local economy.

3.5.3: Analysis

As shown in Table 3.3, when the City of Tulare is compared with the County of Tulare there is leakage in only four sectors. Most of these sectors represent office related uses that could be accommodated in the site. However, when compared with the Sales Per Capita for the State of California the City of Tulare shows leakage in every sector except manufacturing (Table 3.4). Part of the reason for this could be due to the lower cost of living associated with the City of Tulare compared with the cost of living for the rest of the state. By comparing both sets of leakage figures a better conclusion can be made regarding which sectors can accommodate future growth in the City of Tulare. The majority of leakage represented in both comparisons can be found in uses that require office type development. The Administrative and Support sector represents some of the most significant leakage in both comparisons. This sector requires office space that can be accommodated by the future zoning designations of the site.



Table 3.3: City of Tulare vs. County of Tulare Leakage

Leakage Analysis: City of Tulare vs County of Tulare					
Sector	Tulare City		Tulare County		Leakage
	Taxable Sales (\$)	Sales Per Capita (\$)	Taxable Sales (\$)	Sales Per Capita (\$)	
Manufacturing	1,165,178	21.46	5,015,960	12.05	-78%
Retail trade	662,354	12.20	3,900,853	9.37	-30%
Real estate and rental and leasing	37,769	0.70	189,093	0.45	-53%
Professional, scientific, and technical services	38,874	0.72	319,927	0.77	7%
Administrative and Support	19,129	0.35	292,539	0.70	50%
Educational services	663	0.01	10,686	0.03	52%
Health care and social assistance	152,106	2.80	1,295,251	3.11	10%
Accommodation and food services	59,664	1.10	379,422	0.91	-21%
Other services (except public administration)	38,719	0.71	208,104	0.50	-43%

Source: U.S. Census

The Retail trade sector can be assumed to be overrepresented for the City of Tulare when compared with the County of Tulare. This would denote that there is no room for further expansion in this sector, making retail development on the site unnecessary. However, when compared with the State of California Table 3.4 shows that there is 3% leakage in this sector. Although small, this amount shows potential for the Hillman Oaks site when considering other factors. The General Plan Land Use designation for the majority of the site is Regional Retail Commercial. The intention of this designation is to draw customers from outside the City of Tulare and outside the County in many cases. This land use designation, in combination with the sites close proximity to Highway 99, gives the Retail Trade sector more potential than many other sectors.

Table 3.4: City of Tulare vs. State of California Leakage

Leakage Analysis: City of Tulare vs State of California					
Sector	Tulare City		California		Leakage
	Taxable Sales (\$)	Sales Per Capita (\$)	Taxable Sales (\$)	Sales Per Capita (\$)	
Manufacturing	1,165,178	21.46	491,372,092	13.53	-59%
Retail trade	662,354	12.20	455,032,270	12.53	3%
Real estate and rental and leasing	37,769	0.70	76,804,969	2.12	67%
Professional, scientific, and technical services	38,874	0.72	200,036,857	5.51	87%
Administrative and Support	19,129	0.35	75,667,478	2.08	83%
Educational services	663	0.01	6,111,257	0.17	93%
Health care and social assistance	152,106	2.80	191,605,658	5.28	47%
Accommodation and food services	59,664	1.10	80,852,787	2.23	51%
Other services (except public administration)	38,719	0.71	52,326,467	1.44	51%

Source: U.S. Census

In conclusion, the Leakage Analysis shows the potential for expansion in various economic sectors in the City. However, assumptions regarding development potential cannot be made based upon this data alone. Conclusions must be made by considering this data with other site characteristics. In this case the land use designations and close proximity to regional transit corridors will have large influence on what sectors will be successful on the Hillman Oaks site. Based upon this analysis and the sites characteristics, the best commercial uses for this site will be retail and office related uses.

3.6: Preliminary Financial Analysis

3.6.1: Methodology

In an effort to determine the initial feasibility of the Hillman Oaks project it is necessary to perform a before-tax development calculation. This initial calculation is used to determine the viability of building a project like this under an estimated set of assumptions. The estimated set of assumptions are based on conclusions derived from previous research done in this study and other industry standards. All assumptions tested in this study are set at a medium or average value, as this will most likely lead to the best conclusion. All variables used in this analysis will guide further design and development for the Hillman Oaks project. The goal is to seek the optimal realistic inputs that will lead to the highest return on investment. If this analysis does not produce a desired return on the estimated initial investment, development at this site will be deemed infeasible and the project will not proceed. Assumptions used to perform this analysis are as follows:

Land Value

Research for unimproved commercial real estate values surrounding the site resulted in a range of values from \$200,000 to \$300,000. This analysis uses a median value of \$250,000 for land purchase costs.

Table 3.5: Preliminary Financial Analysis Assumptions

Key Assumptions	
Land acres	36.71
Building sq. ft. (60% of total land)	959,453
Land Price per acre	\$ 250,000
Total Development Cost Plus Contractor Profit	\$ 124,347,654
Loan to Value Ratio	70%
Loan Interest	6%
Loan Term	30 years
Appreciation of Operating Expenses (annual)	5%
Appreciation of Rent (annual)	4%
Appreciation of Property Values (annual)	4%
Commercial	
Retail Commercial sq. ft. (40% of total)	383,781
Office Commercial sq. ft. (40% of total)	383,781
Commercial Rent Per Month	\$ 1.25/sq. ft.
Commercial Vacancy Rate	10%
Retail Construction Cost Per sq. ft.	\$ 82.50
Office Construction Cost Per sq. ft.	\$ 117.00
Residential	
Residential sq. ft. (20% of total)	191,891
Residential Unit sq. ft.	1,300
Residential Unit	147
Residential Rent Per Month	\$ 800.00
Residential Vacancy Rate	5.80%
Residential Construction Cost Per sq. ft.	\$ 83.50

Construction Cost

Construction costs are based upon a per square foot price that is specific for each type of use and the location of the project within the State of California. The per square foot price considers all development costs associated with the construction of that particular use. These estimated values are calculated by RS Means and are deemed to be an industry standard.



Use

Based on the previous research, it has been determined that the most appropriate uses for this site will be office, retail, and residential. The design phase of this project has not yet been completed as this analysis will guide design in the next phase. Therefore, total square feet of development is based on the assumption that 60% of the total project site will be developed as building space. The rest of the site will consist of parking and other forms of ground cover. The commercial (retail and office) portion is estimated to occupy 80% of the total building space and the residential is estimated to occupy 20%. These ratios were determined through the study of similar sized projects of like composition in the area.

Rent Values

As previously mentioned, data for commercial rental rates for areas surrounding the project site show a range of \$1.00 to \$1.50 per square foot. For the purposes of this study a rate of \$1.25 per square foot will be used. Residential rental rates are based upon the Fair Market Rents calculated by the U.S. Department of Housing and Urban Development. Figure 3.4 shows that 72% of housing units consist of two to three bedrooms. As such, a median residential rental value of \$800 per month will be used. This value represents a median rental rate between two to three bedroom housing units.

The assumptions shown in Table 3.5 represent values determined through the previous research in this study and standard industry values. All values and ratios used to make this calculation that are not fully explained are considered to be standard values based upon current economic conditions and trends.

3.6.3: Analysis

As shown in Appendix 6.2, the initial financial calculations for the Hillman Oaks project are estimated over a ten year life span with the sale of the project at the end of year ten. The total rental income for the project minus the total expenses will produce an estimated Net Operating Income of \$11,355,389 at end of year one and \$16,119,240 at the end of year ten. This represents an annual increase of approximately 5% to 6%. Considering debt service required to fund the project, the estimated before tax Cash flow is estimated at \$5,092,962 at end of year one and \$9,856,813 end of year ten. This amounts to a return on equity of 13.65% and 26.42% respectively. As previously mentioned this calculation estimates that the project will be sold at the end of year ten. This sale at year ten will produce a final before tax Internal Rate of Return of 23.1%.

3.7: Conclusion

In conclusion, review of the financial analysis gives substantial reason to proceed with the Hillman Oaks development. Based upon the explained median values as assumptions for the project, the completed development will produce a before tax internal rate of return (IRR) of 23.1% (see Appendix 6.2). This level of profitability at year 10 makes this project a viable investment with more than adequate returns on initial investment. However, the Hillman Oaks project is a large development that should respond directly to market forces over the life of the project. Due to the current condition of the real estate market and the sheer size of the project, phasing should be considered as a way of making the development more profitable over time. The current total development costs are estimated at \$124,347,654 based upon median value assumptions. It is unlikely that any developer will be able to absorb this size of development cost in one phase. It is equally unlikely that the project will absorb commercial and residential tenants quickly enough to make the project viable in the first years following development.

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4. Project Design

4.1: Introduction

This chapter will discuss all aspects related to the design of the Hillman Oaks project site. It will begin with the proposed zoning change and the reasons for the alterations. With the zoning changes in mind, the following section will discuss the concept diagram and the reason for the placement of the given uses. The concept diagram also illustrates the circulation pattern surrounding the site and discusses, in depth, the reasoning for the pattern. After discussing the organization of the project site, this chapter delves into the architectural design of the buildings, the purpose for that design, and the aesthetic flow and character of the building styles. The architectural style section is followed by a series of sample images of the given land uses within the Hillman Oaks project site. These are provided as additional samples for possible design styles of the buildings within Hillman Oaks.

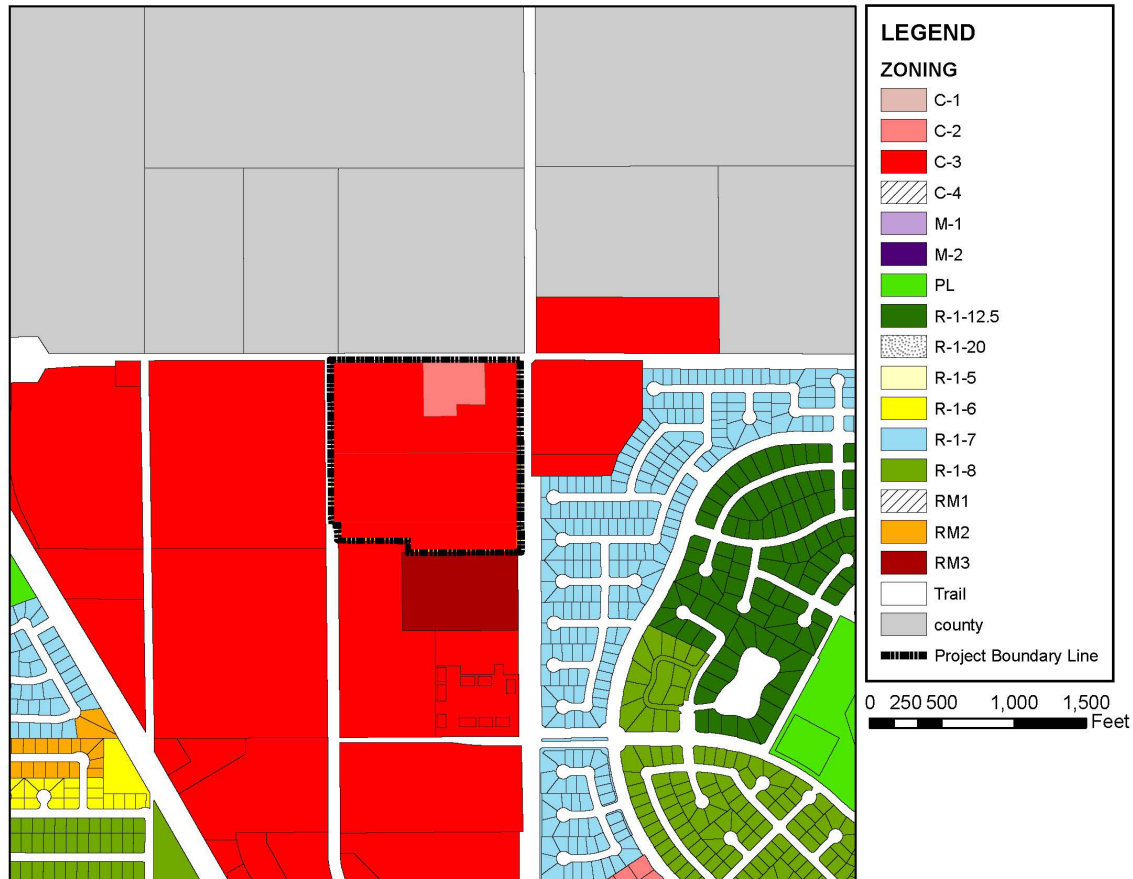
The site plan is also illustrated in this chapter and discussed thoroughly by phase. Each section by phase includes a short discussion regarding the land use of the phase, a phase specific development table, an individual site plan, elevations of the phase, and 3-D modeling images of the given phase.

4.2: Zoning Changes

In observing both the zoning map and general plan land-use map it quickly becomes obvious that they do not comply with one another. While the zoning map has the two northern properties zoned C-2 and the two southern properties zoned RM-2, the general plan land use map has the three southern properties designated Regional Commercial and the northern most property designated as Office. As a result, it is necessary to propose a zone change that matches the general plan land-use designations. The following map illustrates the changes that comply with these designations. In an attempt to create Hillman Oaks as a local and regional commercial hub, choosing to zone the three southern properties C-3 (Retail Commercial) and the northern most property C-2 (Office Commercial) was deemed essential.

With the intent of providing multiple uses, it was best to zone the majority of the property C-3 because this designation accounts for the greatest number of uses; including, conditionally permitted residential uses. As stated in the City of Tulare municipal code, "The purpose of the Retail Commercial (C-3) District is to provide for a wide variety of commercial and office uses that serve the general commercial needs of the residents of Tulare."

The development standards between the two designations vary slightly. While C-3 has no requirement for site area, C-2 has a minimum site area requirement of 3,000 square feet. Although both designations (C-2, C-3) have a maximum building height of 30 feet, C-3 can allow for a maximum height of 60 feet with a conditional use permit.



Source: City of Tulare Community Development

Figure 4.1: Zone Change Map

4.3: Conceptual Diagram

A critical component to the Hillman Oaks development plan is the concept of phasing. It would be very difficult to gain or create funding to construct such a large project all at once. Thus, it is necessary to phase the project into four phases. Phases 1, 2, and 3 are designated retail commercial while Phase 4 is office commercial with residential units on the second story. The phasing implemented into the Hillman Oaks development project directly correlates to the given areas development potential; Phase 1 being the easiest to develop and Phase 4 being the most difficult.

The concept diagram was developed to determine the general location of each phase and the uses incorporated into those phases. The location of surrounding development determined that the southernmost property would be the focal point of development, thus belonging to Phase 1. The location of Phase 1 has the least resistance to development and the greatest commercial promise. Aside from some scattered trees, the land could be considered ready for development. Phase 2, directly adjacent to the north of Phase 1, will be a commercial extension stemming from, and connecting too, Phase 1. With some minor agriculture crop located within Phase 2, resistance against development will be slightly stronger, but because the general plan land use designates the location of Phase 2 as Regional Commercial, there is available reasoning in regards to developing the land. Phase 3, the last extension of

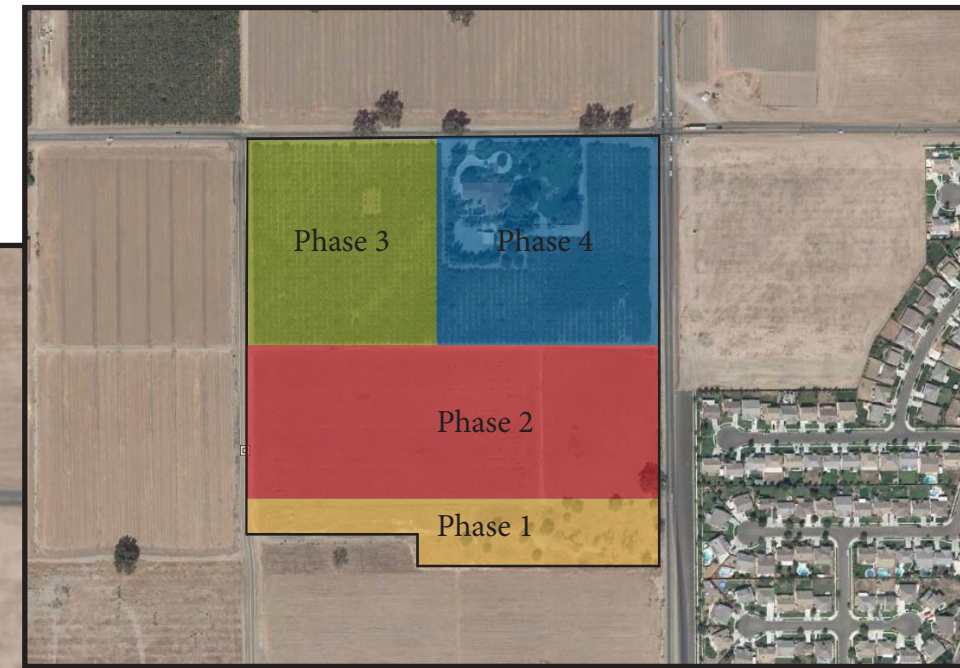
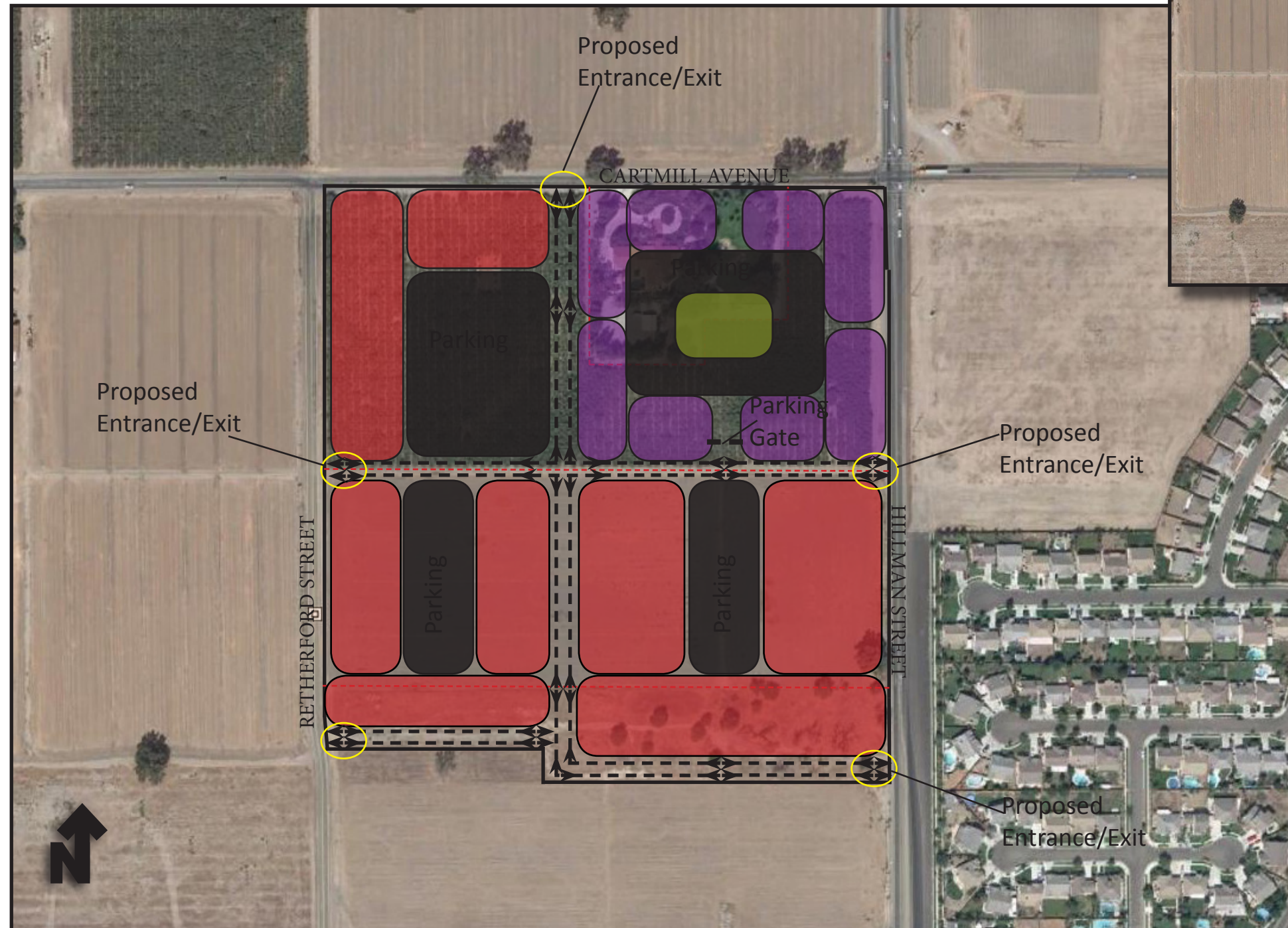
commercial development, will receive a greater opposition against development because of the almond tree crop that encompasses both Phase 3 and Phase 4. Phase 3 is a crucial part of development because of its location and essential gateway into Hillman Oaks. Being that Retherford Street connects Cartmill Avenue to the Premium Outlets, and Phase 3 is directly adjacent to Retherford Street, it is obvious that this phase must create a welcoming entrance along Retherford Street. Phase 4, located in the north eastern portion of the project site, will receive the greatest opposition against development because of the house located within the phase, as well as the tree crop surrounding the home. This section of the site was deemed Phase 4 because of the expected opposition to development. Hopefully, once it is time to develop Phase 4, the residential market will return, prompting the home owner to sell while creating a need for more housing units that will be incorporated into the mixed-use development in this phase. This mixed-use development, which will include both office and residential units, will also serve as a transition between the Hillman Oaks development and the neighboring subdivision across Hillman Street.

4.4: Circulation

The circulation pattern, illustrated in the conceptual diagram (Figure 4.2), is designed to seamlessly link all phases while providing an ease of access and fluid moment throughout the project. For this reason, all roads within Hillman Oaks will be 2 lanes of through traffic. In Phase 1, the road fronting the project from the south is designed to be shared with the proposed wrestling center just south of the site. The road that is to be shared between the two proposed projects (Hillman Oaks and California USA Wrestling Center) connects Retherford Street to Hillman Street. Stemming off of this connection is a road that runs north all the way through the site until it reaches Cartmill Avenue. As the road moves north into Phase 2, it intersects with an additional road connecting both Retherford Street and Hillman Street. This is meant to incorporate additional access into the site as well as provide multiple ways to access the array of parking lots located in Hillman Oaks.

The parking lots within the site are organized by phase with the intent to provide enough parking for each phase of development as it is being built. There will be on street parking on the road in Phase 1 as well as a parking lot at the south east section of Phase 1, located in front of the commercial buildings. The parking lots in Phase 2 are designed to accommodate minimal parking from Phase 1 and all the parking for Phase 2. The parking lots are hidden within the buildings to create a more aesthetically pleasing development when looking at the site from the outside. Phase 3 also has a hidden parking lot behind the commercial development that is accessible from both intersecting roads in the center of Hillman Oaks. In Phase 4 the parking lot is surrounded by the development and hidden from outside viewers. Because Phase 4 includes residential units, this lot is gated and also includes covered parking. Under the second story apartment buildings there are covered parking spots surrounding the lot to accommodate for the residential units.

In addition to the hidden parking, the two new roads connecting Retherford Street and Hillman Street, combined with the road running north/south connecting Cartmill Avenue to the new southernmost road, all work to distribute traffic evenly throughout the site while creating a comfortable, aesthetically pleasing, and accessible project design.



LEGEND

- COMMERCIAL
- MIXED-USE
- RECREATION
- PARKING
- SITE CIRCULATION
- PROPERTY LINES

Figure 4.2: Conceptual Diagram

4.5: Final Design

4.5.1: Architectural Style

When implementing strategic design principals, it was important to create a welcoming environment for all of Hillman Oaks' visitors and residents. In creating such an environment, it is essential that all buildings are designed in a similar fashion, while each still maintaining individual characteristics through the use of a variety of different materials. The use of stucco, brick, and stone is highly recommended as the main materials for the site and will assist in fostering a well-balanced relationship between aesthetics and building costs. Window size and placement also plays a big role in designing each individual building. The use of larger sized windows on storefronts helps create maximum exposure for the retailer to display and advertise their consumer products, while creating the open environment that is desired for Hillman Oaks.

Since Hillman Oaks is a large development there is a high demand for parking which could potentially harm the overall desired aesthetic style of the development. To avoid such a problem, each parking lot has various planters between parking spaces that contain either an oak tree or various types of flowers. With the large amount of trees and vegetation throughout the parking lots, and the rest of the development, Hillman Oaks will constantly have large amounts of shaded areas where visitors can enjoy themselves as well as park their vehicles on warmer days.

To ensure that this large development does not seem overwhelming, building heights were kept relatively low. All retail uses are one story high, while the four mixed-use buildings are two stories high. This was done intentionally so that the apartments on the second story would have particularly good views toward the rest of the development and the Sierra Nevada Mountain Range.

Below are examples of other developments that illustrate the preferred and recommended building types for Hillman Oaks.

Retail Commercial



Figure 4.3: Retail Commercial 1





Figure 4.4: Retail Commercial 2



Figure 4.5: Retail Commercial 3



Figure 4.6: Retail Commercial 4

Office Commercial



Figure 4.7: Office Commercial 1



Figure 4.8: Office Commercial 2



Figure 4.9: Office Commercial 3



Figure 4.10: Office Commercial 4

Mixed-Use



Figure 4.11: Mixed-Use 1





Figure 4.12: Mixed-Use 2



Figure 4.13: Mixed-Use 3

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4.5.2: Site Plan

Table 4.1: Hillman Oaks Development Table

Development Table					
Building Number	Use	Footprint Sq. Ft.	Second Story Sq. Ft.	Total Sq. Ft.	Parking Required (Covered)
1	Retail/Office	11,954	N/A	11,954	30 (N/A)
2	Retail/Office	10,544	N/A	10,544	26 (N/A)
3	Retail/Office	20,557	N/A	20,557	51 (N/A)
4	Retail/Office	18,027	N/A	18,027	45 (N/A)
5	Retail/Office	22,308	N/A	22,308	56 (N/A)
6	Retail/Office	15,832	N/A	15,832	40 (N/A)
7	Retail/Office	15,759	N/A	15,759	39 (N/A)
8	Retail/Office	20,295	N/A	20,295	51 (N/A)
9	Retail/Office	34,687	N/A	34,687	87 (N/A)
10	Retail/Office	16,474	N/A	16,474	41 (N/A)
11	Retail/Office	14,066	N/A	14,066	35 (N/A)
12	Retail/Office	6,439	N/A	6,439	16 (N/A)
13	Retail/Office	17,168	N/A	17,168	43 (N/A)
14	Retail/Office	18,680	N/A	18,680	47 (N/A)
15	Retail/Office	9,291	N/A	9,291	23 (N/A)
16	Retail/Office	20,720	N/A	20,720	52 (N/A)
17	Residential/Office	35,490	46,109	81,599	111 (45)
18	Residential/Office	35,673	46,313	81,986	112 (45)
19	Residential/Office	35,673	46,313	81,986	112 (45)
20	Residential/Office	35,490	46,109	81,599	111 (45)
	Total	415,126	184,844	599,970	1128 (180)

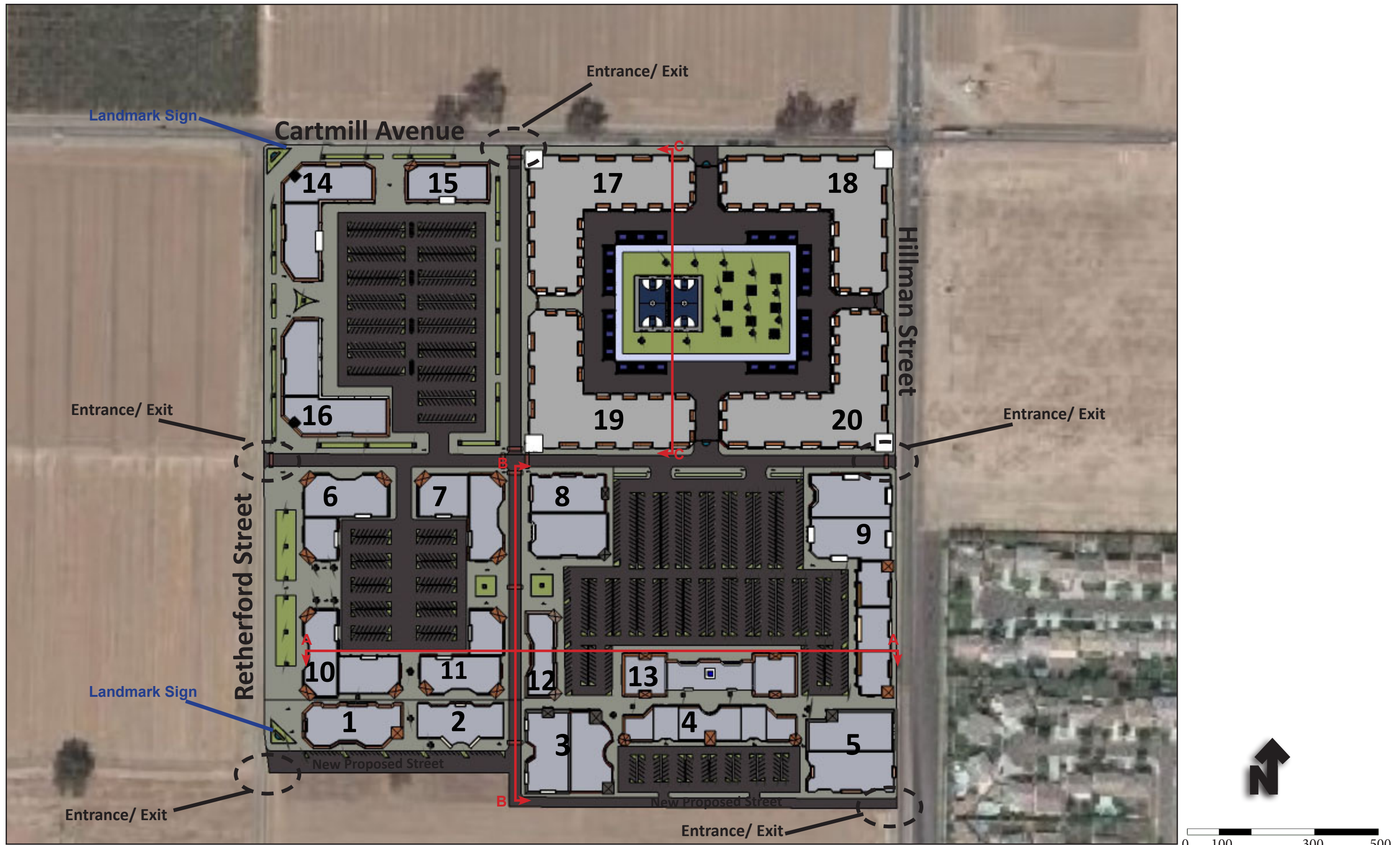


Figure 4.14: Hillman Oaks Site Plan

4.5.3: Phase 1

Phase 1 has been designed to accommodate and encourage commercial development in this continually expanding area of Tulare. Given that the General Plan land use designation deems this phase of the project as Regional commercial, we implemented a zone change that follows that designation. This has established Phase 1 as the commercial hub of the project with a land use designation of Regional Commercial. Table 4.2 provides the associated development numbers for Pahse 1.

Table 4.2: Hillman Oaks Development Table for Phase One

Phase 1					
Building Number	Use	Footprint Sq. Ft.	Second Story Sq. Ft.	Total Sq. Ft.	Parking Required (Covered)
1	Retail/Office	11,954	N/A	11,954	30 (N/A)
2	Retail/Office	10,544	N/A	10,544	26 (N/A)
3	Retail/Office	20,557	N/A	20,557	51 (N/A)
4	Retail/Office	18,027	N/A	18,027	45 (N/A)
5	Retail/Office	22,308	N/A	22,308	56 (N/A)
	Total	83,390	0	83,390	208 (N/A)



Figure 4.15: Hillman Oaks Phase One Site



Figure 4.16: Northeast Oblique View



Figure 4.17: Building Five Store Entrance



Figure 4.18: Building Four Store Entrance



Figure 4.19: Facing Hillman Oaks Development





Figure 4.20:Section Elevation from Proposed

4.5.4: Phase 2

As is the case with Phase 1, Phase 2 has also had a change of zone. Both Phase 1 and Phase 2 have been changed from their zoning designation of RM-2 to C-3, corresponding with the general plan land use designation of Regional Commercial. It is necessary for Phase 2 to be a commercial extension of Phase 1. Table 4.3 provides the associated development numbers for Pahse 2.

Table 4.3: Hillman Oaks Development Table for Phase Two

Phase 2					
Building Number	Use	Footprint Sq. Ft.	Second Story Sq. Ft.	Total Sq. Ft.	Parking Required (Covered)
6	Retail/Office	15,832	N/A	15,832	40 (N/A)
7	Retail/Office	15,759	N/A	15,759	39 (N/A)
8	Retail/Office	20,295	N/A	20,295	51 (N/A)
9	Retail/Office	34,687	N/A	34,687	87 (N/A)
10	Retail/Office	16,474	N/A	16,474	41 (N/A)
11	Retail/Office	14,066	N/A	14,066	35 (N/A)
12	Retail/Office	6,439	N/A	6,439	16 (N/A)
13	Retail/Office	17,168	N/A	17,168	43 (N/A)
Total		140,719	0	140,719	352 (N/A)

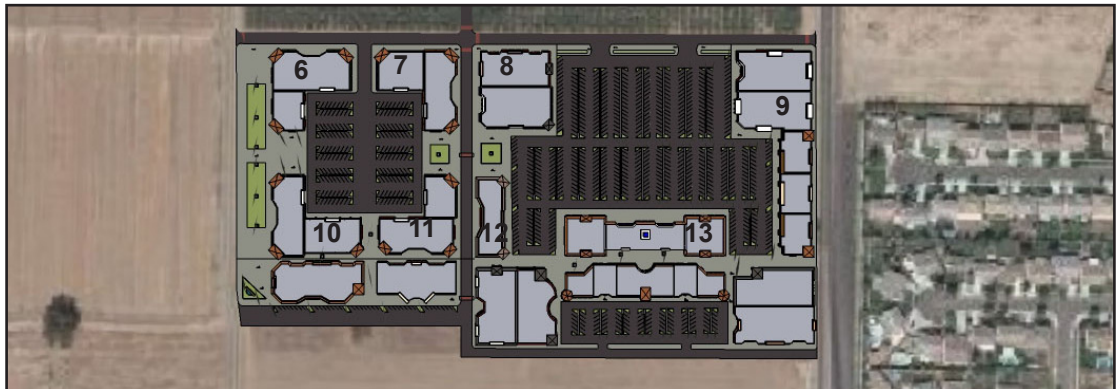


Figure 4.21: Hillman Oaks Phase Two Site Plan



Figure 4.22: Oblique View Looking Northeast



Figure 4.23: Bird's Eye View of Parking Lot



Figure 4.24: Building Seven and Eleven from accors the Private Street.



Figure 4.25: View of Buildings Six and Ten Storefronts



Figure 4.26: Parking in Front of Building Nine



Figure 4.27: Corridor Created Between Phase One and Two Buildings



Figure 4.28: Section Cut AA



Figure 4.29: Section Cut BB



Figure 4.30: Elevation From Retherford

4.5.5: Phase 3

Being that Phase 3 is located on the corner of Cartmill Avenue and Retherford Street, it is necessary for it to be designated commercial because it will be used to pull people into the site. Currently, both Phase 3 and Phase 4 are zoned C-2 Commercial Office. Phase 4 is going to remain C-2 in the proposed zone change, but Phase 3 will follow the general plan land use designation of Regional Commercial. Table 4.4 provides the associated development numbers for Phase 3.

Table 4.4: Hillman Oaks Development Table for Phase Three

Phase 3					
Building Number	Use	Footprint Sq. Ft.	Second Story Sq. Ft.	Total Sq. Ft.	Parking Required (Covered)
14	Retail/Office	18,680	N/A	18,680	47 (N/A)
15	Retail/Office	9,291	N/A	9,291	23 (N/A)
16	Retail/Office	20,720	N/A	20,720	52 (N/A)
Total		48,691	0	48,691	122 (N/A)

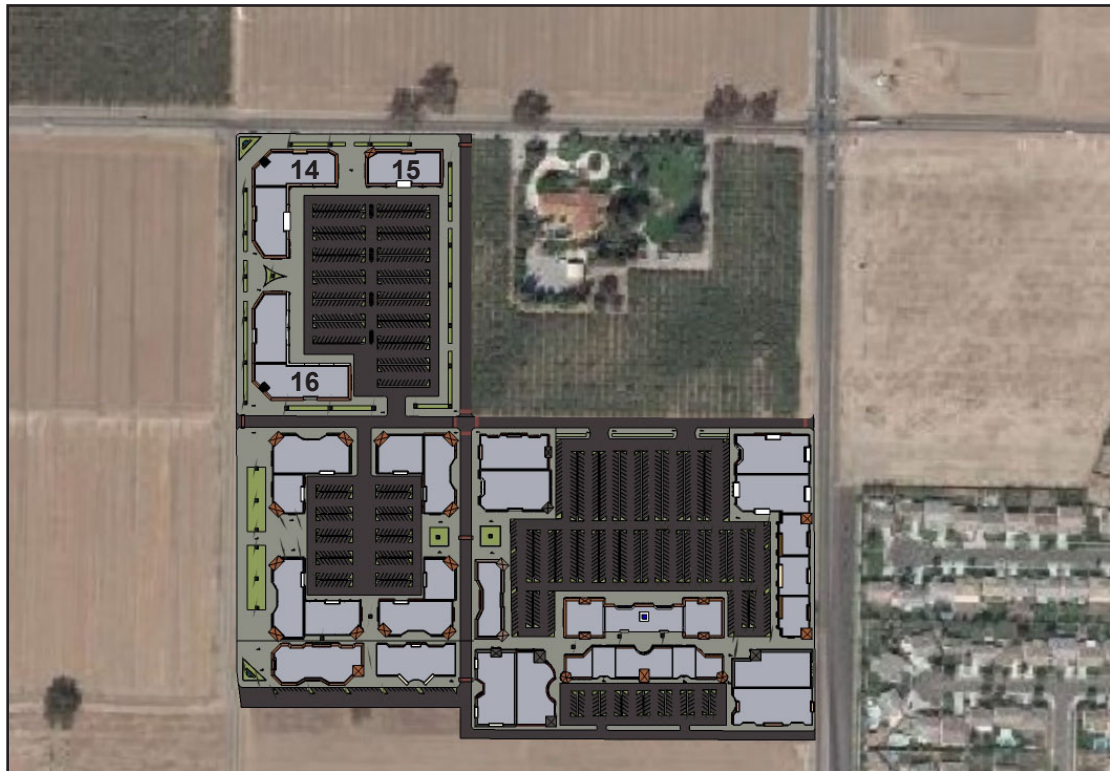


Figure 4.31: Hillman Oaks Phase Three Site



Figure 4.32: Oblique View Looking Southeast



Figure 4.33: Perspective From Parking Lot Entrance



Figure 4.34: Building 15 Storefront



Figure 4.35: Looking Into Hillman Oaks from Phase 3 Eastern Sidealk Entrance



Figure 4.36: Elevation from Retherford Street

4.5.6: Phase 4

As previously mentioned, Phase 4 will not undergo a proposed zone change. The reason for this is because Phase 4 is going to be the mixed use portion of the development. It will consist of commercial office on the first floor and residential apartments on the second floor. Table 4.5 provides the associated development numbers for Phase 4.

Table 4.5: Hillman Oaks Development Table for Phase Four

Phase 4 (169 Second Story Apartments)					
Building Number	Use	Footprint Sq. Ft.	Second Story Sq. Ft.	Total Sq. Ft.	Parking Required (Covered)
17	Residential/Office	31,941	41,498	73,439	111 (45)
18	Residential/Office	32,106	41,682	73,787	112 (45)
19	Residential/Office	32,106	41,682	73,787	112 (45)
20	Residential/Office	31,941	41,498	73,439	111 (45)
Total		128,093	166,360	294,453	446 (180)

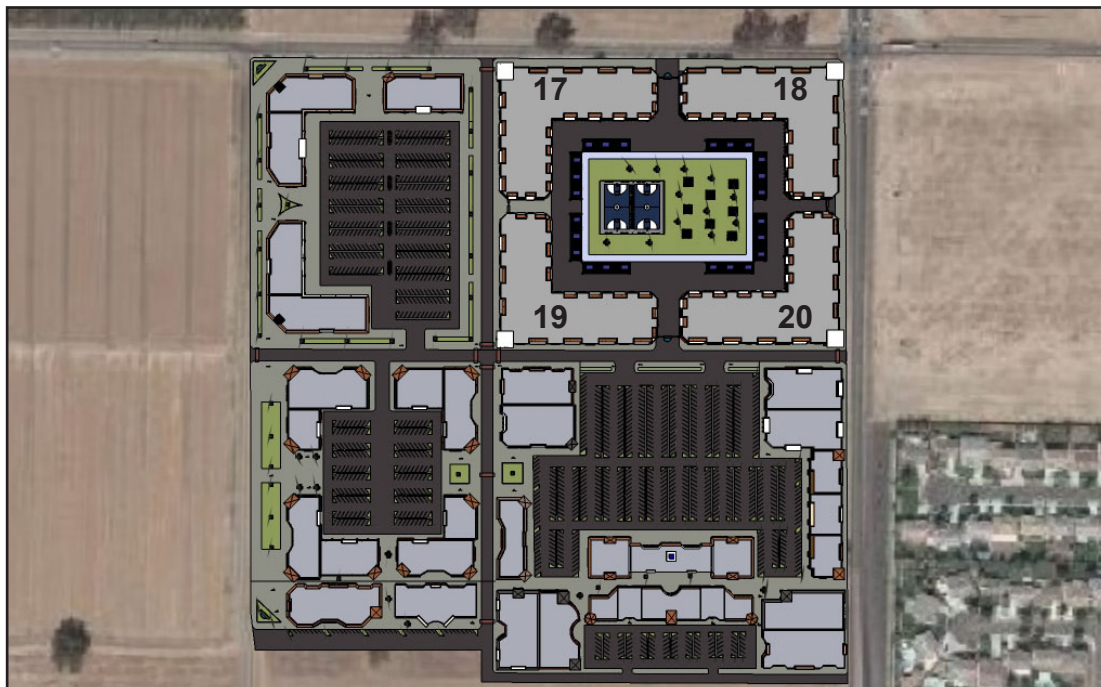


Figure 4.37: Hillman Oaks Phase Four Site



Figure 4.38: Oblique View Looking Southwest



Figure 4.39: Entrance Gate to Apartment Complex



Figure 4.40: Basketball Courts Within Apartment Complex



Figure 4.41: Overlooking Apartment Complex's Park from an apartment balcony



Figure 4.42: Section Cut CC



Figure 4.43: Elevation from Cartmill Avenue

5. Final Development Analysis

5.1: Introduction

In the Site Analysis this study looked to identify all the physical and governmental influences that will affect the design of the site. Through this, a series of opportunities and constraints were identified that assisted in the phasing and design of the project. The Economic Analysis looked at the local economic influences and the financial outlook for the project. This study assisted in the final composition of the project and determined the appropriate uses and values for the site. This study also identified that the project is feasible and will potentially deliver high returns on investment based upon a number of assumptions. These two chapters led to the necessary information and inputs needed to create a final project design. The previous chapter combined all the research done into a working physical design that represents the final makeup of the project. This final design took all previous assumptions from the Economic Analysis and solidified them into exact numbers that represent the composition of Hillman Oaks.

Although it was determined that this project has the potential to be successful based upon a number of assumptions a final determination must be made with the numbers representing the final composition of the project. The intention of this chapter is to make a final conclusion regarding the future success of the development of Hillman Oaks. This will be accomplished through performing more detailed calculations that look at a number of financial variables that could affect the future success of the project. This will lead to the final conclusion that will speak to the success of Hillman Oaks.

5.2: Sensitivity Analysis

There are multiple variables that must be considered when finalizing the development plan for a large project. Some of these variables are well within the control of the developer and some of them are controlled only by the forces of the market. The last chapter sought to finalize all the variables under the developers control regarding the design and composition of the project. This chapter seeks to identify the impact of the uncontrollable variables and the future success of the final project design. In order to do this it is necessary to perform what is known as a Sensitivity Analysis. A Sensitivity Analysis determines the sensitivity of a project through the manipulation the uncontrollable variables. These variables are manipulated to represent low, medium, and high values that could be seen throughout the life of the project. The project's relative performance under the various market conditions will identify strengths and weaknesses that will need consideration for future development. Unlike the financial calculations performed in the Economic Analysis Chapter, the calculations necessary for this section will use exact numbers that represent the final composition of the project. These numbers will be calculated through a longer process that adds the influences of taxes over the life of the development.



5.2.1: Medium Value Scenario

The medium value scenario represented in Table 5.1 represents the most likely set of variables that the project will experience over time. These variables are considered to be median values of high and low values found through market research performed in the Economic Analysis chapter. As such the medium value scenario is considered the base line data set for the project.

As shown in Appendix XX, the medium value scenario produced a before-tax internal rate of return of 22.63% and an after-tax internal rate of return of 21.35%. This level of return on investment would be considered a very profitable return and give substantial reason to proceed with the Hillman Oaks development.

Table 5.1: Medium Value Key Assumptions

Key Assumptions: Medium Value Sensitivity	
Land acres	36.71
Building sq. ft.	759,552
Land Price per acre	\$ 250,000
Total Development Cost Plus Contractor Profit	\$ 95,591,154
Loan to Value Ratio	70%
Loan Interest	6%
Loan Term	30 years
Appreciation of Operating Expenses (annual)	5%
Appreciation of Rent (annual)	4%
Appreciation of Property Values (annual)	4%
Commercial	
Retail Commercial sq. ft.	349,139
Office Commercial sq. ft.	190,922
Commercial Rent Per Month	\$ 1.25/sq. ft.
Commercial Vacancy Rate	10%
Retail Construction Cost Per sq. ft.	\$ 82.50
Office Construction Cost Per sq. ft.	\$ 117.00
Residential	
Residential sq. ft.	219,491
Residential Unit sq. ft.	1,300
Residential Unit	169
Residential Rent Per Month	\$ 800.00
Residential Vacancy Rate	5.8%
Residential Construction Cost Per sq. ft.	\$ 83.50

5.2.2: Low Value Scenario

In the low value scenario, the variables were set to represent a slow market or a market in recession. As shown in Table 5.2, the Land Price per acre was adjusted down to \$200,000, the Loan Interest was adjusted up to 8%, the Commercial Rent Per Month was adjusted down to \$1.00/sq. ft., the Commercial Vacancy Rate was adjusted up to 15%, the Residential Rent Per Month was adjusted down to \$700, and the Residential Vacancy Rate was adjusted up to 10%. These changes resulted in a before-tax internal rate of return of 14.45% and an after tax internal rate of return of 12.50% (See Appendix XX). This results in a decrease in the internal rate of return of 8.85% from the medium value scenario.

Table 5.2: Low Value Key Assumptions

Key Assumptions: Low Value Sensitivity	
Land acres	36.71
Building sq. ft.	759,552
Land Price per acre	\$ 200,000
Total Development Cost Plus Contractor Profit	\$ 93,755,654
Loan to Value Ratio	70%
Loan Interest	8%
Loan Term	30 years
Appreciation of Operating Expenses (annual)	5%
Appreciation of Rent (annual)	4%
Appreciation of Property Values (annual)	4%
Commercial	
Retail Commercial sq. ft.	349,139
Office Commercial sq. ft.	190,922
Commercial Rent Per Month	\$ 1.00/sq. ft.
Commercial Vacancy Rate	15%
Retail Construction Cost Per sq. ft.	\$ 82.50
Office Construction Cost Per sq. ft.	\$ 117.00
Residential	
Residential sq. ft.	219,491
Residential Unit sq. ft.	1,300
Residential Unit	169
Residential Rent Per Month	\$ 700.00
Residential Vacancy Rate	10%
Residential Construction Cost Per sq. ft.	\$ 83.50

This drastic drop can be largely attributed to the decrease in rent and the increase in vacancy rates. In a recession it would be natural that vacancy rates would increase. This increase in vacancy would lead to a decrease in rental values in a response to fill vacant space. The net effect would be a significant loss in rental income. A decrease in land value is also a product of an economy in recession. This decrease is beneficial for the initial development cost of the project, but it negatively affects the final sale of the project at year ten. The large increase in income attributed with the sale of the project at year ten has a significant impact on the final internal rate of return. A loss in the overall value of the project results in less income at the sale of the project and thus a decrease on initial investment. Lastly, the increase in interest applied to finance the project results in higher debt service that decreases the annual cash flow. Difficult lending requirements producing an increase in interest rates are also likely characteristics of an economy in recession. Any one of these factors taken alone would lead to a relatively insignificant decrease in the after-tax internal rate of return, but when combined into a single series of events, the result is a significant decrease in the profitability of the project. It is likely that an internal rate of return of 12.50% would be deemed unacceptable by many developers for the amount of risk associated with this project.



5.2.3: High Value Scenario

As shown in Table 5.3, the high value scenario represents the top of the market when values reach the highest of previously researched numbers. In this case the Land Price per acre was adjusted up to \$300,000, the Loan Interest was adjusted down to 4%, the Commercial Rent Per Month was adjusted up to \$1.50/sq. ft., the Commercial Vacancy Rate was adjusted down to 5%, the Residential Rent Per Month was adjusted up to \$900, and the Residential Vacancy Rate was adjusted down to 3%. These changes resulted in a before-tax internal rate of return of 38.72% and an after-tax internal rate of return of 31.2% (See Appendix XX). This results in an increase in the internal rate of return of 9.85% from the medium value scenario.

Table 5.3: High Value Key Assumptions

Key Assumptions: High Value Sensitivity	
Land acres	36.71
Building sq. ft.	759,552
Land Price per acre	\$ 300,000
Total Development Cost Plus Contractor Profit	\$ 97,426,654
Loan to Value Ratio	70%
Loan Interest	4%
Loan Term	30 years
Appreciation of Operating Expenses (annual)	5%
Appreciation of Rent (annual)	4%
Appreciation of Property Values (annual)	4%
Commercial	
Retail Commercial sq. ft.	349,139
Office Commercial sq. ft.	190,922
Commercial Rent Per Month	\$ 1.50/sq. ft.
Commercial Vacancy Rate	5%
Retail Construction Cost Per sq. ft.	\$ 82.50
Office Construction Cost Per sq. ft.	\$ 117.00
Residential	
Residential sq. ft.	219,491
Residential Unit sq. ft.	1,300
Residential Unit	169
Residential Rent Per Month	\$ 900.00
Residential Vacancy Rate	3.0%
Residential Construction Cost Per sq. ft.	\$ 83.50

The results represented in this scenario are very unlikely and do not contain values that will occur soon with the current market conditions. However, the manipulation of these values does give insight into how the project will be affected with changes in the market. As previously mentioned, changes in the rental values and vacancy rates are events that happen simultaneously and have the greatest effect on the profitability of the project. As vacancy increases rental rates will drop in an effort to fill vacant space, causing annual profits to drop. Conversely, when vacancy rates decrease an increase in rental rates will likely follow due to the simple forces of supply and demand. Normally, this would occur in an up and down pattern through the life of the project as the owners make changes to maximize annual cash flow.

The model presented here does not respond in this way, but it does illustrate the effect of market forces. The difference in returns shown between the high and low value scenarios makes clear that the success of the Hillman Oaks project will hinge on the ability to lease space for the appropriate values. Although other variables such as land value and interest rates are important, they are not as important as ensuring low vacancy rates over the life of the project. If the project can have relatively low vacancy rates and higher rental rates, other changes in the cost of the project can easily be absorbed, therefore producing high returns on investment.

5.3: Conclusion

Hillman Oaks is a large development that will require many years to complete development and many more years before the profits are completely realized. In this length of time there are many events that could take place that are outside the scope of this report. Each scenario developed in the sensitivity analysis represents hypothetical sets of variables that may not occur in the presented combination. The sheer size of this project and the length of time it will take to be fully developed means that this project will likely see multiple changes in the economy. The most likely scenario is that different years in the life of the project will see different combinations of the three value scenarios. Currently, the market is in a recession with values that are better represented by the low value scenario. If these are the only values used to determine the success of Hillman Oaks, it would be necessary to determine this project as infeasible. A 12.50% internal rate of return on an investment of this size would be deemed by many to be too low when considering the amount of risk associated with this project. However, trends show that markets do not stay in recession forever. It is likely that the market will emerge from the current recession before construction would begin on a project of this size, thus allowing Hillman Oaks to experience a time of economic growth. It is equally unlikely that Hillman Oaks will experience economic trends that are represented in the high value scenario. These variables produce returns that are potentially reasonable during short periods of the life of the development, but are very unlikely for the duration. The medium value scenario depicts the best representation as an average of the high and low value scenarios. This can best be seen in the Appendix 6.9 Yield Curve. The yield curve demonstrates the progression of the internal rate of return over the life of the project. Based upon the relatively steady and prolonged progression of this yield curve, any conclusions made regarding the success of Hillman Oaks should refer to the medium value scenario.

The City of Tulare has made efforts to promote development surrounding the Hillman Oaks project site. It is evident through the City of Tulare General Plan that the City of Tulare sees this area as a regional attractor that will bring in users from well outside the City limits. The project lends itself to meet the regional needs of the city due to its close proximity to regional transit corridors and multiple access points. As development continues to surround the site, the Hillman Oaks development will become a natural northern gateway to the City of Tulare from Hillman Street and the nearby Highway 99 off-ramp. These factors, combined with the high rates of return associated with the medium value scenario, give the Hillman Oaks development a high chance of success. As such, this study recommends that that the Hillman Oaks project be considered a highly profitable and viable development.



6. Appendix

Appendix 6.1: Preliminary Financial Analysis Assumptions

Land Cost (Avg*Project Size)	Total Cost	Cost per Acre	Acres
Land Cost	\$9,177,500	\$250,000	36.71

Assumption

Commercial			
Avg rent / sq ft	\$1.25		
Retail SF		383781	
City Cost Index		1.06	
Average Price/SF		\$82.50	
Retail Construction Costs		\$33,561,648	
Office SF			
City Cost Index		1.06	
Average Price/SF		\$117.00	
Office Construction Costs		\$47,596,520	
Capital Budget			
rent per month first year	\$959,453		
vacancy, commercial	10%		
operating expenses per sq ft per year (35% of rent)	\$335,808		
total development costs	\$81,158,168		

Residential			
Number of Units	147		
Rent per month first year	800		
Vacancy loss	5.8%		
Operating Expenses per unit per year (30% of rent)	240		
City Cost Index	1.06		
Residential SF	191891		
Average Price/SF	83.5		
Residential Construction Costs	\$16,984,272		

Project Loan	
Total Bulding Estimate	\$98,142,440
Contractor's Profit	0.05
(Estimate Plus Contractor's Profit)	\$103,049,563
Fees (5%)	\$4,907,122
Design (7%)	\$7,213,469.38
Land Cost	\$9,177,500
Total Development Costs (Estimate Plus Contractor's Profit)	\$124,347,654
loan to value ratio	70%
interest APR/CP	6.00%
term in years	30

appreciation of rents	4%
appreciation of operating expenses	5%
appreciation of property value	4%
selling costs as a percent	6%

Tax Info

Income tax rate of the owner:	28%
Capital Gains Tax rate of Owner:	20%
Recapture rate on Cummulative Depreciation:	25%

Appendix 6.2: Preliminary Financial Analysis

Year		0	1	2	3	4
Rental Income						
gross potential income (commercial)	4%		\$11,513,430	\$11,973,967	\$12,452,926	\$12,951,043
gross potential income (residential)	4%		\$1,411,200	\$1,467,648	\$1,526,354	\$1,587,408
vacancy, commercial	10%		\$1,151,343	\$1,197,397	\$1,245,293	\$1,295,104
vacancy, residential	5.80%		\$81,850	\$85,124	\$88,529	\$92,070
effective gross income (commercial)			\$10,362,087	\$10,776,570	\$11,207,633	\$11,655,939
effective gross income (residential)			\$1,329,350	\$1,382,524	\$1,437,825	\$1,495,338
Total Rental Income			\$11,691,437	\$12,159,095	\$12,645,459	\$13,151,277
Operating Expenses						
operating expenses, commercial	5%		\$335,808	\$352,599	\$370,229	\$388,740
operating expenses, residential	5%		\$240	\$252	\$265	\$278
Total Operating Expenses			\$336,048	\$352,851	\$370,493	\$389,018
Net operating income (Before debt service and taxes)			\$11,355,389	\$11,806,244	\$12,274,965	\$12,762,259
Debt Service			\$6,262,427	\$6,262,427	\$6,262,427	\$6,262,427
Cash Flow Before Taxes			\$5,092,962	\$5,543,817	\$6,012,538	\$6,499,832
Equity		-\$37,304,296				
ROE=BTCF/Equity			13.65%	14.86%	16.12%	17.42%
Market Value		\$124,347,654	\$129,321,560	\$134,494,422	\$139,874,199	\$145,469,167
Selling Cost			\$7,759,293.60	\$8,069,665.35	\$8,392,451.96	\$8,728,150.04
Loan Balance			\$85,974,455	\$84,839,625	\$83,634,801	\$82,355,666
Net Sale Proceeds			\$35,587,811	\$41,585,132	\$47,846,947	\$54,385,351
Cash Flow + Reversion		-\$37,304,296	\$5,092,962	\$5,543,817	\$6,012,538	\$6,499,832
IRR EOY 10						
Cash Flow + Reversion		-\$37,304,296	\$40,680,773	\$47,128,949	\$53,859,485	\$60,885,184

	5	6	7	8	9	10
\$13,469,085	\$14,007,848	\$14,568,162	\$15,150,888	\$15,756,924	\$16,387,201	\$16,387,201
\$1,650,904	\$1,716,941	\$1,785,618	\$1,857,043	\$1,931,325	\$2,008,578	\$2,008,578
\$1,346,908	\$1,400,785	\$1,456,816	\$1,515,089	\$1,575,692	\$1,638,720	\$1,638,720
\$95,752	\$99,583	\$103,566	\$107,708	\$112,017	\$116,498	\$116,498
\$12,122,176	\$12,607,063	\$13,111,346	\$13,635,800	\$14,181,232	\$14,748,481	\$14,748,481
\$1,555,152	\$1,617,358	\$1,682,052	\$1,749,334	\$1,819,308	\$1,892,080	\$1,892,080
\$13,677,328	\$14,224,421	\$14,793,398	\$15,385,134	\$16,000,539	\$16,640,561	\$16,640,561
\$408,177	\$428,586	\$450,015	\$472,516	\$496,142	\$520,949	\$520,949
\$292	\$306	\$322	\$338	\$355	\$372	\$372
\$408,469	\$428,892	\$450,337	\$472,854	\$496,497	\$521,321	\$521,321
\$13,268,859	\$13,795,529	\$14,343,061	\$14,912,280	\$15,504,043	\$16,119,240	\$16,119,240
\$6,262,427	\$6,262,427	\$6,262,427	\$6,262,427	\$6,262,427	\$6,262,427	\$6,262,427
\$7,006,432	\$7,533,102	\$8,080,634	\$8,649,853	\$9,241,616	\$9,856,813	\$9,856,813
18.78%	20.19%	21.66%	23.19%	24.77%	26.42%	26.42%
\$151,287,934	\$157,339,451	\$163,633,029	\$170,178,351	\$176,985,485	\$184,064,904	\$184,064,904
\$9,077,276.04	\$9,440,367.08	\$9,817,981.77	\$10,210,701.04	\$10,619,129.08	\$11,043,894.24	\$11,043,894.24
\$80,997,637	\$79,555,847	\$78,025,131	\$76,400,004	\$74,674,643	\$72,842,865	\$72,842,865
\$61,213,021	\$68,343,237	\$75,789,916	\$83,567,645	\$91,691,713	\$100,178,145	\$100,178,145
\$7,006,432	\$7,533,102	\$8,080,634	\$8,649,853	\$9,241,616	\$110,034,958	\$110,034,958
					23.1%	
\$68,219,454	\$75,876,339	\$83,870,551	\$92,217,499	\$100,933,329	\$110,034,958	\$110,034,958



Appendix 6.3: Final Medium Value Financial Analysis

Year		0	1	2	3	4
Rental Income						
gross potential income (commercial)	4%		\$8,100,915	\$8,424,952	\$8,761,950	\$9,112,428
gross potential income (residential)	4%		\$1,622,400	\$1,687,296	\$1,754,788	\$1,824,979
vacancy, commercial	10%		\$810,092	\$842,495	\$876,195	\$911,243
vacancy, residential	5.80%		\$94,099	\$97,863	\$101,778	\$105,849
effective gross income (commercial)			\$7,290,824	\$7,582,456	\$7,885,755	\$8,201,185
effective gross income (residential)			\$1,528,301	\$1,589,433	\$1,653,010	\$1,719,131
Total Rental Income			\$8,819,124	\$9,171,889	\$9,538,765	\$9,920,315
Operating Expenses						
operating expenses, commercial	5%		\$236,277	\$248,091	\$260,495	\$273,520
operating expenses, residential	5%		\$240	\$252	\$265	\$278
Total Operating Expenses			\$236,517	\$248,343	\$260,760	\$273,798
Net operating income (Before debt service and taxes)						
			\$8,582,608	\$8,923,547	\$9,278,005	\$9,646,518
Debt Service						
			\$4,814,185	\$4,814,185	\$4,814,185	\$4,814,185
Cash Flow Before Taxes						
			\$3,768,423	\$4,109,362	\$4,463,820	\$4,832,333
Equity						
		-\$28,677,346				
ROE=BTCF/Equity						
			13.14%	14.33%	15.57%	16.85%
Market Value						
		\$95,591,154	\$99,414,800	\$103,391,392	\$107,527,047	\$111,828,129
Selling Cost						
			\$5,964,887.99	\$6,203,483.51	\$6,451,622.85	\$6,709,687.76
Loan Balance						
			\$66,092,098	\$65,219,708	\$64,293,510	\$63,310,186
Net Sale Proceeds						
			\$27,357,814	\$31,968,201	\$36,781,915	\$41,808,255
Cash Flow + Reversion						
		-\$28,677,346	\$3,768,423	\$4,109,362	\$4,463,820	\$4,832,333
IRR EOY 10						
Cash Flow + Reversion						
		-\$28,677,346	\$31,126,236	\$36,077,562	\$41,245,735	\$46,640,588
	5	6	7	8	9	10
	\$9,476,925	\$9,856,002	\$10,250,242	\$10,660,251	\$11,086,662	\$11,530,128
	\$1,897,979	\$1,973,898	\$2,052,854	\$2,134,968	\$2,220,366	\$2,309,181
	\$947,692	\$985,600	\$1,025,024	\$1,066,025	\$1,108,666	\$1,153,013
	\$110,083	\$114,486	\$119,066	\$123,828	\$128,781	\$133,933
	\$8,529,232	\$8,870,402	\$9,225,218	\$9,594,226	\$9,977,995	\$10,377,115
	\$1,787,896	\$1,859,412	\$1,933,788	\$2,011,140	\$2,091,585	\$2,175,249
	\$10,317,128	\$10,729,813	\$11,159,006	\$11,605,366	\$12,069,581	\$12,552,364
	\$287,196	\$301,556	\$316,633	\$332,465	\$349,088	\$366,543
	\$292	\$306	\$322	\$338	\$355	\$372
	\$287,488	\$301,862	\$316,955	\$332,803	\$349,443	\$366,915
	\$10,029,641	\$10,427,951	\$10,842,051	\$11,272,563	\$11,720,138	\$12,185,449
	\$4,814,185	\$4,814,185	\$4,814,185	\$4,814,185	\$4,814,185	\$4,814,185
	\$5,215,456	\$5,613,766	\$6,027,866	\$6,458,378	\$6,905,953	\$7,371,264
	18.19%	19.58%	21.02%	22.52%	24.08%	25.70%
	\$116,301,255	\$120,953,305	\$125,791,437	\$130,823,094	\$136,056,018	\$141,498,259
	\$6,978,075.27	\$7,257,198.28	\$7,547,486.21	\$7,849,385.66	\$8,163,361.09	\$8,489,895.53
	\$62,266,213	\$61,157,850	\$59,981,126	\$58,731,824	\$57,405,468	\$55,997,305
	\$47,056,966	\$52,538,256	\$58,262,825	\$64,241,885	\$70,487,189	\$77,011,058
	\$5,215,456	\$5,613,766	\$6,027,866	\$6,458,378	\$6,905,953	\$7,371,264
						22.6%
	\$52,272,422	\$58,152,022	\$64,290,690	\$70,700,263	\$77,393,142	\$84,382,322

Appendix 6.4: Final Medium Value Financial Analysis Taxes

TAX CALCULATIONS OF OPERATIONS:

DEDUCTIONS AVAILABLE					
Operating Expenses	\$236,517	\$248,343	\$260,760	\$273,798	
Interest Payments	\$3,992,476	\$3,941,794	\$3,887,987	\$3,830,861	
Depreciation Expenses	\$3,142,315	\$1,637,559	\$1,637,559	\$1,637,559	
EFFECTIVE GROSS INCOME	\$8,819,124	\$9,171,889	\$9,538,765	\$9,920,315	
Deduction Claims					
Operating Expenses	\$ 236,516.69	\$ 248,342.52	\$ 260,759.65	\$ 273,797.63	\$
Income Remaining	\$ 8,582,607.61	\$ 8,923,546.75	\$ 9,278,005.19	\$ 9,646,517.81	\$
Current Interest Claim					
Surplus Current Interest	\$ -	\$ -	\$ -	\$ -	\$
Income Remaining	\$ 4,590,131.99	\$ 4,981,752.37	\$ 5,390,017.96	\$ 5,815,656.42	\$
Bank Interest BOY					
Draw of Banked Interest	\$ -	\$ -	\$ -	\$ -	\$
Balanced Banked Int BOY	\$ -	\$ -	\$ -	\$ -	\$
Income Remaining	\$ 4,590,131.99	\$ 4,981,752.37	\$ 5,390,017.96	\$ 5,815,656.42	\$
Current Deprec. Claim					
Surplus Current Deprec.	\$ -	\$ -	\$ -	\$ -	\$
Income Remaining	\$ 1,447,817.32	\$ 3,344,192.98	\$ 3,752,458.57	\$ 4,178,097.04	\$
Banked Deprec. BOY					
Draw Banked Deprec.	\$ -	\$ -	\$ -	\$ -	\$
Balanced Banked Depr. EO	\$ -	\$ -	\$ -	\$ -	\$
Income Remaining	\$ 1,447,817.32	\$ 3,344,192.98	\$ 3,752,458.57	\$ 4,178,097.04	\$
Tax on Remaining Income	\$ 405,388.85	\$ 936,374.03	\$ 1,050,688.40	\$ 1,169,867.17	\$
AFTER TAX CASHFLOW:	(\$28,577,346.09)	\$ 3,363,033.75	\$ 3,172,987.70	\$ 3,413,131.78	\$ 3,662,465.62
AFTER TAX RETURN ON EQUITY:	11.73%	11.06%	11.90%	12.77%	
REVERSION					
Selling Cost	\$95,591,154	\$ 99,414,799.77	\$ 103,391,391.76	\$ 107,527,047.43	\$ 111,828,129.33
Loan Balance					
Net Sales Proceeds					
Total Before Tax Cash Flow:	(\$28,577,346.09)	\$3,768,423	\$4,109,362	\$4,463,820	\$4,832,333
Internal Rate of Return BT:					
Capital Gain	\$ (2,141,241.84)	\$ 1,596,754.63	\$ 5,484,270.96	\$ 9,527,287.94	\$
Tax on Capital Gain	\$ (428,248.37)	\$ 319,350.93	\$ 1,096,854.19	\$ 1,905,457.59	\$
Cummulative Depreciation	\$ 3,142,314.68	\$ 4,779,874.06	\$ 6,417,433.45	\$ 8,054,992.83	\$
Recapture of Cumm. Depr.	\$ 785,578.67	\$ 1,194,968.52	\$ 1,604,358.36	\$ 2,013,748.21	\$
After Tax Cashflow on Reversion					
After Tax Cashflow on Reversion	\$ 30,768,905.94	\$ 34,563,243.04	\$ 38,544,522.48	\$ 42,721,382.46	\$
Total After Tax Cash Flow	(\$28,577,346.09)	\$3,768,422.60	\$4,109,361.74	\$4,463,820.18	\$4,832,332.79
After Tax Internal Rate of Return					



Appendix 6.4: Final Medium Value Financial Analysis Taxes Cont.

\$287,488	\$301,862	\$316,955	\$332,803	\$349,443	\$366,915
\$3,770,212	\$3,705,822	\$3,637,461	\$3,564,883	\$3,487,829	\$3,406,022
\$1,637,559	\$1,637,559	\$1,637,559	\$1,637,559	\$1,637,559	\$1,637,559
\$10,317,128	\$10,729,813	\$11,159,006	\$11,605,366	\$12,069,581	\$12,552,364
287,487.51	301,861.89	316,954.98	332,802.73	349,442.87	366,915.01
10,029,640.54	10,427,951.29	10,842,050.72	11,272,563.20	11,720,137.70	12,185,448.78
3,770,212.14	3,705,822.17	3,637,460.78	3,564,883.00	3,487,828.79	\$3,406,022
-	-	-	-	-	-
6,259,428.41	6,722,129.12	7,204,589.94	7,707,680.20	8,232,308.91	8,779,426.74
-	-	-	-	-	-
-	-	-	-	-	-
6,259,428.41	6,722,129.12	7,204,589.94	7,707,680.20	8,232,308.91	8,779,426.74
1,637,559.39	1,637,559.39	1,637,559.39	1,637,559.39	1,637,559.39	1,637,559.39
-	-	-	-	-	-
4,621,869.02	5,084,569.73	5,567,030.56	6,070,120.81	6,594,749.53	7,141,867.36
-	-	-	-	-	-
-	-	-	-	-	-
4,621,869.02	5,084,569.73	5,567,030.56	6,070,120.81	6,594,749.53	7,141,867.36
1,294,123.33	1,423,679.52	1,558,768.56	1,699,633.83	1,846,529.87	1,999,722.66
3,921,332.20	4,190,086.75	4,469,097.15	4,758,744.36	5,059,422.82	5,371,540.91
13.67%	14.61%	15.58%	16.59%	17.64%	18.73%
116,301,254.50	120,953,304.68	125,791,436.87	130,823,094.34	136,056,018.12	141,498,258.84
					8,489,895.53
					\$55,997,304.94
					\$ 77,011,058.37
\$5,215,456	\$5,613,766	\$6,027,866	\$6,458,378	\$6,905,953	84,382,322.14
					22.63%
13,732,025.61	18,104,952.78	22,652,797.03	27,382,555.06	32,301,503.41	37,417,209.69
2,746,405.12	3,620,990.56	4,530,559.41	5,476,511.01	6,460,300.68	7,483,441.94
9,692,552.22	11,330,111.61	12,967,670.99	14,605,230.38	16,242,789.76	17,880,349.15
2,423,138.06	2,832,527.90	3,241,917.75	3,651,307.59	4,060,697.44	4,470,087.29
					\$ 65,057,529.15
47,102,878.35	51,698,503.83	56,518,213.06	61,572,444.12	66,872,143.68	72,428,792.91
\$5,215,455.53	\$5,613,766.27	\$6,027,865.71	\$6,458,378.19	\$6,905,952.69	70,429,070.05
					21.35%

Appendix 6.5: Final Low Value Financial Analysis

Year		0	1	2	3	4	
Rental Income							
gross potential income (commercial)	4%		\$6,480,732	\$6,739,961	\$7,009,560	\$7,289,942	
gross potential income (residential)	4%		\$1,419,600	\$1,476,384	\$1,535,439	\$1,596,857	
vacancy, commercial	10%		\$972,110	\$1,010,994	\$1,051,434	\$1,093,491	
vacancy, residential	5.80%		\$141,960	\$147,638	\$153,544	\$159,686	
effective gross income (commercial)			\$5,508,622	\$5,728,967	\$5,958,126	\$6,196,451	
effective gross income (residential)			\$1,277,640	\$1,328,746	\$1,381,895	\$1,437,171	
Total Rental Income			\$6,786,262	\$7,057,713	\$7,340,021	\$7,633,622	
Operating Expenses							
operating expenses, commercial	5%		\$189,021	\$198,472	\$208,396	\$218,816	
operating expenses, residential	5%		\$210	\$221	\$232	\$243	
Total Operating Expenses			\$189,231	\$198,693	\$208,628	\$219,059	
Net operating income (Before debt service and taxes)			\$6,597,031	\$6,859,020	\$7,131,394	\$7,414,563	
Debt Service			\$5,778,744	\$5,778,744	\$5,778,744	\$5,778,744	
Cash Flow Before Taxes			\$818,286	\$1,080,275	\$1,352,649	\$1,635,819	
Equity		-\$28,126,696					
ROE-BTCF/Equity			2.91%	3.84%	4.81%	5.82%	
Market Value		\$93,755,654	\$97,505,880	\$101,406,115	\$105,462,360	\$109,680,854	
Selling Cost			\$5,850,352.79	\$6,084,366.90	\$6,327,741.57	\$6,580,851.24	
Loan Balance			\$65,080,717	\$64,486,972	\$63,843,948	\$63,147,552	
Net Sale Proceeds			\$26,574,810	\$30,834,776	\$35,290,670	\$39,952,451	
Cash Flow + Reversion		-\$28,126,696	\$818,286	\$1,080,275	\$1,352,649	\$1,635,819	
IRR EOY 10							
Cash Flow + Reversion		-\$28,126,696	\$27,393,096	\$31,915,051	\$36,643,320	\$41,588,269	
		5	6	7	8	9	10
		\$7,581,540	\$7,884,801	\$8,200,193	\$8,528,201	\$8,869,329	\$9,224,102
		\$1,660,731	\$1,727,160	\$1,796,247	\$1,868,097	\$1,942,821	\$2,020,533
		\$1,137,231	\$1,182,720	\$1,230,029	\$1,279,230	\$1,330,399	\$1,383,615
		\$166,073	\$172,716	\$179,625	\$186,810	\$194,282	\$202,053
		\$6,444,309	\$6,702,081	\$6,970,164	\$7,248,971	\$7,538,930	\$7,840,487
		\$1,494,658	\$1,554,444	\$1,616,622	\$1,681,287	\$1,748,539	\$1,818,480
		\$7,938,967	\$8,256,526	\$8,586,787	\$8,930,258	\$9,287,468	\$9,658,967
		\$229,757	\$241,244	\$253,307	\$265,972	\$279,271	\$293,234
		\$255	\$268	\$281	\$295	\$310	\$326
		\$230,012	\$241,512	\$253,588	\$266,268	\$279,581	\$293,560
		\$7,708,955	\$8,015,013	\$8,333,199	\$8,663,991	\$9,007,888	\$9,365,407
		\$5,778,744	\$5,778,744	\$5,778,744	\$5,778,744	\$5,778,744	\$5,778,744
		\$1,930,211	\$2,236,269	\$2,554,454	\$2,885,246	\$3,229,143	\$3,586,663
		6.86%	7.95%	9.08%	10.26%	11.48%	12.75%
		\$114,058,088	\$118,630,812	\$123,376,044	\$128,311,086	\$133,443,529	\$138,781,270
		\$6,844,085.29	\$7,117,848.70	\$7,402,562.65	\$7,698,665.15	\$8,006,611.76	\$8,326,876.23
		\$62,393,356	\$61,576,562	\$60,691,974	\$59,733,967	\$58,696,445	\$57,572,809
		\$44,830,647	\$49,936,401	\$55,281,507	\$60,878,454	\$66,740,473	\$72,881,586
		\$1,930,211	\$2,236,269	\$2,554,454	\$2,885,246	\$3,229,143	\$3,586,663
							14.5%
		\$46,760,857	\$52,172,670	\$57,835,961	\$63,763,700	\$69,969,616	\$76,468,248



Appendix 6.6: Final Low Value Financial Analysis Taxes

TAX CALCULATIONS OF OPERATIONS:

DEDUCTIONS AVAILABLE						
Operating Expenses		\$189,231	\$198,693	\$208,628	\$219,059	
Interest Payments		\$5,230,504	\$5,185,000	\$5,135,720	\$5,082,349	
Depreciation Expenses		\$3,142,315	\$1,704,305	\$1,704,305	\$1,704,305	
EFFECTIVE GROSS INCOME						
Deduction Claims		\$6,786,262	\$7,057,713	\$7,340,021	\$7,633,622	
Operating Expenses	\$	189,231.35	198,692.92	208,627.56	219,058.94	
Income Remaining	\$	6,597,030.85	6,859,019.77	7,131,393.63	7,414,563.10	
Current Interest Claim		\$5,230,504	\$5,185,000.11	\$5,135,719.62	\$5,082,348.87	
Surplus Current Interest	\$	-	-	-	-	
Income Remaining	\$	1,366,527.04	1,674,019.66	1,995,674.01	2,332,214.23	
Bank Interest BOY	\$	-	-	-	-	
Draw of Banked Interest	\$	-	-	-	-	
Balanced Banked Int BOY	\$	-	-	-	-	
Income Remaining	\$	1,366,527.04	1,674,019.66	1,995,674.01	2,332,214.23	
Current Deprec. Claim	\$	1,366,527.04	1,674,019.66	1,704,304.84	1,704,304.84	
Surplus Current Deprec.	\$	1,775,787.64	30,285.18	-	-	
Income Remaining	\$	-	-	291,369.17	627,909.39	
Banked Deprec. BOY	\$	-	1,775,787.64	1,806,072.82	2,097,441.99	
Draw Banked Deprec.	\$	-	-	291,369.17	627,909.39	
Balanced Banked Depr. EO	\$	1,775,787.64	1,806,072.82	2,097,441.99	2,725,351.38	
Income Remaining	\$	-	-	-	-	
Tax on Remaining Income	\$	-	-	-	-	
AFTER TAX CASHFLOW:		(\$28,126,696.09)	\$818,286.36	\$1,080,275.28	\$1,352,649.14	\$1,635,818.61
AFTER TAX RETURN ON EQUITY:		2.91%	3.84%	4.81%	5.82%	
REVERSION		\$93,755,654	\$97,505,879.77	\$101,406,114.96	\$105,462,359.56	\$109,680,853.94
Selling Cost						
Loan Balance						
Net Sales Proceeds						
Total Before Tax Cash Flow:		(\$28,126,696.09)	\$818,286	\$1,080,275	\$1,352,649	\$1,635,819
Internal Rate of Return BT:						
Capital Gain	\$	(2,100,126.64)	1,566,094.44	5,378,964.36	9,344,349.08	
Tax on Capital Gain	\$	(420,025.33)	313,218.89	1,075,792.87	1,868,869.82	
Cummulative Depreciation	\$	1,366,527.04	3,040,546.70	5,036,220.71	7,368,434.94	
Recapture of Cumm. Depr.	\$	341,631.75	750,136.67	1,259,055.18	1,842,108.73	
After Tax Cashflow on Reversion						
After Tax Cashflow on Reversion	\$	27,471,490.05	30,841,695.30	34,308,471.46	37,877,290.76	
Total After Tax Cash Flow		(\$28,126,696.09)	\$818,286.36	\$1,080,275.28	\$1,352,649.14	\$1,635,818.61
After Tax Internal Rate of Return						

Appendix 6.6: Final Low Value Financial Analysis Taxes Cont.

\$230,012	\$241,512	\$253,588	\$266,268	\$279,581	\$293,560
\$5,024,548	\$4,961,950	\$4,894,157	\$4,820,737	\$4,741,222	\$4,655,109
\$1,704,305	\$1,704,305	\$1,704,305	\$1,704,305	\$1,704,305	\$1,704,305
\$7,938,967	\$8,256,526	\$8,586,787	\$8,930,258	\$9,287,468	\$9,658,967
\$ 230,011.89	\$ 241,512.48	\$ 253,588.11	\$ 266,267.51	\$ 279,580.89	\$ 293,559.93
\$ 7,708,955.04	\$ 8,015,013.12	\$ 8,333,198.52	\$ 8,663,990.58	\$ 9,007,887.53	\$ 9,365,407.22
\$ 5,024,548.38	\$ 4,961,950.47	\$ 4,894,156.97	\$ 4,820,736.65	\$ 4,741,222.47	\$ 4,655,109
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,684,406.66	\$ 3,053,062.64	\$ 3,439,041.54	\$ 3,843,253.93	\$ 4,266,665.06	\$ 4,710,298.57
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,684,406.66	\$ 3,053,062.64	\$ 3,439,041.54	\$ 3,843,253.93	\$ 4,266,665.06	\$ 4,710,298.57
\$ 1,704,304.84	\$ 1,704,304.84	\$ 1,704,304.84	\$ 1,704,304.84	\$ 1,704,304.84	\$ 1,704,304.84
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 980,101.82	\$ 1,348,757.80	\$ 1,734,736.70	\$ 2,138,949.09	\$ 2,562,360.22	\$ 3,005,993.73
\$ 2,725,351.38	\$ 3,705,453.20	\$ 5,054,211.00	\$ 6,788,947.71	\$ 8,927,896.80	\$ 11,490,257.02
\$ 980,101.82	\$ 1,348,757.80	\$ 1,734,736.70	\$ 2,138,949.09	\$ 2,562,360.22	\$ 3,005,993.73
\$ 3,705,453.20	\$ 5,054,211.00	\$ 6,788,947.71	\$ 8,927,896.80	\$ 11,490,257.02	\$ 14,496,250.74
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,930,210.55	\$ 2,236,268.63	\$ 2,554,454.03	\$ 2,885,246.09	\$ 3,229,143.04	\$ 3,586,662.73
6.86%	7.95%	9.08%	10.26%	11.48%	12.75%
\$ 114,068,088.10	\$ 118,630,811.62	\$ 123,376,044.09	\$ 128,311,085.85	\$ 133,443,529.28	\$ 138,781,270.46
					\$ 8,326,876.23
					\$57,572,808.68
					\$ 72,881,585.55
\$1,930,211	\$2,236,269	\$2,554,454	\$2,885,246	\$3,229,143	\$ 76,468,248.28
					14.45%
\$ 13,468,349.19	\$ 17,757,309.30	\$ 22,217,827.82	\$ 26,856,767.08	\$ 31,681,263.90	\$ 36,698,740.60
\$ 2,693,669.84	\$ 3,551,461.86	\$ 4,443,565.56	\$ 5,371,363.42	\$ 6,336,252.78	\$ 7,339,748.12
\$ 10,052,841.60	\$ 13,105,904.24	\$ 16,544,945.78	\$ 20,388,199.72	\$ 24,654,864.77	\$ 29,365,163.34
\$ 2,513,210.40	\$ 3,276,476.06	\$ 4,136,236.45	\$ 5,097,049.93	\$ 6,163,716.19	\$ 7,341,290.84
					\$ 58,200,546.60
\$ 41,553,977.23	\$ 45,344,731.75	\$ 49,256,159.09	\$ 53,295,296.92	\$ 57,469,647.08	\$ 61,787,209.33
\$1,930,210.55	\$2,236,268.63	\$2,554,454.03	\$2,885,246.09	\$3,229,143.04	\$ 61,787,209.33
					12.50%



Appendix 6.8: Final High Value Financial Analysis Taxes

TAX CALCULATIONS OF OPERATIONS:

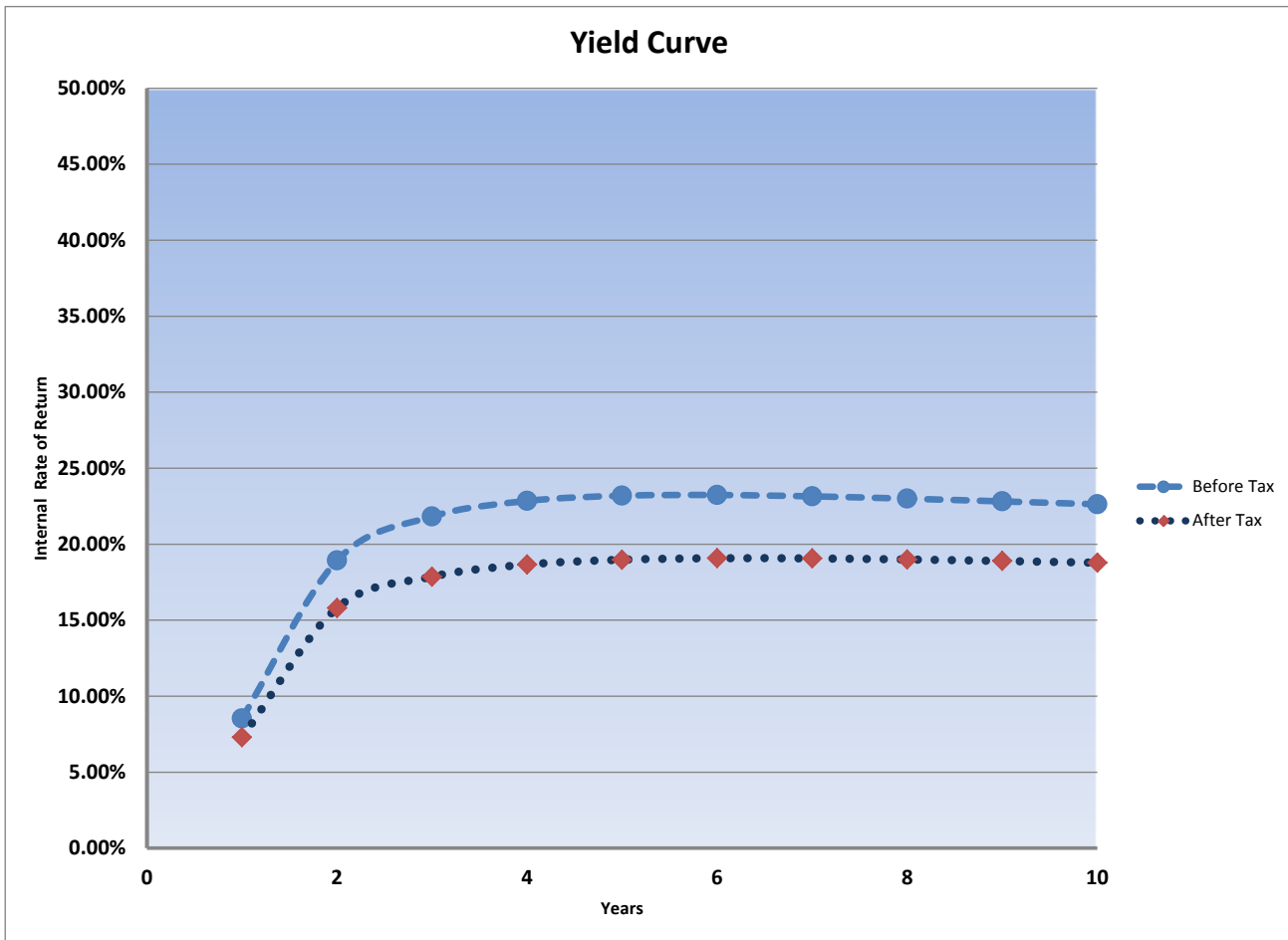
DEDUCTIONS AVAILABLE					
Operating Expenses		\$283,802	\$297,992	\$312,892	\$328,536
Interest Payments		\$2,706,087	\$2,657,156	\$2,606,232	\$2,553,233
Depreciation Expenses		\$3,142,315	\$1,570,814	\$1,570,814	\$1,570,814
EFFECTIVE GROSS INCOME					
		\$11,005,487	\$11,445,707	\$11,903,535	\$12,379,676
Deduction Claims					
Operating Expenses	\$	283,802.03	297,992.13	312,891.73	328,536.32
Income Remaining	\$	10,721,685.08	11,147,714.46	11,590,643.11	12,051,139.92
Current Interest Claim					
		\$2,706,087	\$2,657,155.94	\$2,606,231.70	\$2,553,232.73
Surplus Current Interest	\$	-	-	-	-
Income Remaining	\$	8,015,598.41	8,490,558.52	8,984,411.41	9,497,907.19
Bank Interest BOY	\$	-	-	-	-
Draw of Banked Interest	\$	-	-	-	-
Balanced Banked Int BOY	\$	-	-	-	-
Income Remaining	\$	8,015,598.41	8,490,558.52	8,984,411.41	9,497,907.19
Current Deprec. Claim					
	\$	3,142,314.68	1,570,813.93	1,570,813.93	1,570,813.93
Surplus Current Deprec.	\$	-	-	-	-
Income Remaining	\$	4,873,283.74	6,919,744.59	7,413,597.48	7,927,093.26
Banked Deprec. BOY	\$	-	-	-	-
Draw Banked Deprec.	\$	-	-	-	-
Balanced Banked Depr. EO	\$	-	-	-	-
Income Remaining	\$	4,873,283.74	6,919,744.59	7,413,597.48	7,927,093.26
Tax on Remaining Income	\$	1,364,519.45	1,937,528.48	2,075,807.29	2,219,586.11
AFTER TAX CASHFLOW:	(\$29,227,996.09)	\$ 5,450,075.76	\$ 5,303,096.10	\$ 5,607,745.95	\$ 5,924,463.94
AFTER TAX RETURN ON EQUITY:		18.65%	18.14%	19.19%	20.27%
REVERSION					
	\$97,426,654	\$ 101,323,719.77	\$ 105,376,668.56	\$ 109,591,735.30	\$ 113,975,404.71
Selling Cost					
Loan Balance					
Net Sales Proceeds					
Total Before Tax Cash Flow:	(\$29,227,996.09)	\$6,814,595	\$7,240,625	\$7,683,553	\$8,144,050
Internal Rate of Return BT:					
Capital Gain	\$	(2,182,357.04)	1,627,414.82	5,589,577.56	9,710,226.81
Tax on Capital Gain	\$	(436,471.41)	325,482.96	1,117,915.51	1,942,045.36
Cummulative Depreciation	\$	3,142,314.68	4,713,128.61	6,283,942.54	7,854,756.47
Recapture of Cumm. Depr.	\$	785,578.67	1,178,282.15	1,570,985.63	1,963,689.12
After Tax Cashflow on Reversion					
After Tax Cashflow on Reversion	\$	34,712,130.20	39,043,207.52	43,564,021.05	48,282,190.91
Total After Tax Cash Flow	(\$29,227,996.09)	\$6,814,595.21	\$7,240,624.59	\$7,683,553.25	\$8,144,050.05
After Tax Internal Rate of Return					



Appendix 6.8: Final High Value Financial Analysis Taxes Cont.

	\$344,963	\$362,211	\$380,322	\$399,338	\$419,305	\$440,270
	\$2,498,075	\$2,440,669	\$2,380,925	\$2,318,748	\$2,254,035	\$2,186,687
	\$1,570,814	\$1,570,814	\$1,570,814	\$1,570,814	\$1,570,814	\$1,570,814
	\$12,874,863	\$13,389,858	\$13,925,462	\$14,482,470	\$15,061,769	\$15,664,240
\$	344,963.14	362,211.29	380,321.88	399,337.95	419,304.85	440,270.09
\$	12,529,900.16	13,027,646.53	13,545,130.28	14,083,132.27	14,642,464.18	15,223,969.70
\$	2,498,074.50	2,440,669.04	2,380,924.80	2,318,746.48	2,254,034.92	\$2,186,687
\$	-	-	-	-	-	-
\$	10,031,825.65	10,586,977.49	11,164,205.48	11,764,385.79	12,388,429.27	13,037,282.79
\$	-	-	-	-	-	-
\$	-	-	-	-	-	-
\$	-	-	-	-	-	-
\$	10,031,825.65	10,586,977.49	11,164,205.48	11,764,385.79	12,388,429.27	13,037,282.79
\$	1,570,813.93	1,570,813.93	1,570,813.93	1,570,813.93	1,570,813.93	1,570,813.93
\$	-	-	-	-	-	-
\$	8,461,011.72	9,016,163.55	9,593,391.55	10,193,571.86	10,817,615.33	11,466,468.88
\$	-	-	-	-	-	-
\$	-	-	-	-	-	-
\$	-	-	-	-	-	-
\$	8,461,011.72	9,016,163.55	9,593,391.55	10,193,571.86	10,817,615.33	11,466,468.88
\$	2,369,083.28	2,524,525.80	2,686,149.63	2,854,200.12	3,028,932.29	3,210,611.28
\$	6,253,727.01	6,596,030.87	6,951,890.78	7,321,842.28	7,706,442.02	8,106,268.55
	21.40%	22.57%	23.79%	25.05%	26.37%	27.73%
\$	118,534,420.90	123,275,797.74	128,206,829.65	133,335,102.83	138,668,506.95	144,215,247.23
						8,652,914.83
						\$53,729,602.54
						\$ 81,832,729.88
	\$8,622,810	\$9,120,557	\$9,638,040	\$10,176,042	\$10,735,374	\$ 93,149,609.69
						31.22%
\$	13,995,702.02	18,452,596.25	23,087,766.25	27,908,343.04	32,921,742.91	38,135,678.77
\$	2,799,140.40	3,690,519.25	4,617,553.25	5,581,668.61	6,584,348.58	7,627,135.75
\$	9,425,570.40	10,996,384.33	12,567,198.28	14,138,012.20	15,708,826.13	17,279,640.06
\$	2,356,392.60	2,749,096.08	3,141,799.57	3,534,503.05	3,927,206.53	4,319,910.01
						\$ 69,885,684.09
\$	53,205,643.20	58,342,622.29	63,701,703.63	69,291,806.96	75,122,210.23	81,202,563.92
	\$8,622,810.29	\$9,120,556.66	\$9,638,040.41	\$10,176,042.40	\$10,735,374.31	\$ 77,991,952.64
						30.28%

Appendix 6.9: Final Medium Value Financial Analysis Yield Curve



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