



CITY OF ENCINITAS

AFFORDABLE HOUSING STRATEGY

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1230 Rosecrans Ave., Suite 630
Manhattan Beach, CA 90266
TEL: 424-297-1070 | URL: www.kosmont.com

Prepared by:

Ken K. Hira

President, Kosmont Companies

KHIRA@kosmont.com

Thomas Jirovsky

Senior Advisor, Kosmont Companies

TJIROVSKY@kosmont.com

Fernando Sanchez

Vice President, Kosmont Companies

FSANCHEZ@kosmont.com

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BACKGROUND

City of Encinitas (“City”) retained Kosmont Companies (“Kosmont”) to identify opportunities for development of affordable housing beyond the sites identified in the most recent Housing Element. Kosmont evaluated City owned sites and sites owned by private property through the potential use of Public Private Partnerships (“P3”), as the City has limited financial resources available. It is important to note that per Prop A, any rezoning of sites will require City voter approval.

The work plan was as follows:

- *Kosmont reviewed draft Housing Element and zoning documents*
- *Kosmont reviewed detailed parcel maps for City owned property*
- *City provided list of private property owners who expressed interest in redeveloping their sites*
- *Kosmont physically toured the key sites*
- *Kosmont analyzed amount of supportable retail to determine opportunities for more residential uses*
- *Kosmont interviewed County and private property owners to assess development potential/interest*
- *Kosmont met with City Council members / stakeholders to help Kosmont understand their concerns and ideas*

EXECUTIVE SUMMARY

Affordable housing presents major challenges for cities across California. Here are some salient points:

- State HCD published a Regional Housing Needs Assessment (“RHNA”) that identifies number of affordable units each city should target in long term planning
- Encinitas has not been successful in achieving significant affordable housing development
- The City has high land costs that range from \$2 million to \$4 million per acre per zoning
- Non-Profit 100% low income affordable housing projects require public or charitable subsidies well in excess of \$100,000 per unit even with tax credits and tax exempt bond financing
- Redevelopment of existing retail centers to incorporate new affordable housing is not economically viable despite the significant increase in vacant shop spaces throughout California. City retail market is strong and each center has anchor tenants with relatively long term leases and typically reciprocal easement agreements that prohibit the owners from converting within the next 15-20 years
- There is long term potential for affordable housing if the commercial zones along El Camino Real have overlays that allow blended use with density of 30 units per acre or more alongside commercial bldgs.

EXECUTIVE SUMMARY

New public financing vehicles have been created in recent years to address housing needs of families at 80-120% of area median income (“AMI”). These vehicles do not require upfront public investment, but do take eligible properties off of the property tax rolls.

- The City recently joined the California Community Housing Agency (“CalCHA”) to help fund workforce housing, similar to the California Statewide Communities Development Authority’s Workforce Housing Program, (“CSCDA CIA” that also acquires existing market-rate multifamily properties and converts them to rent-restricted units for low to moderate income households (between 80 and 120% AMI)

California has seen a large number of hotel/motel properties that suffered severe loss of customers due to the pandemic. The State is proposing \$1.75 billion for next year to extend Project Room Key to buy older motels and convert them into housing at less than half the cost of new construction.

- Private companies such as Vivo Investment Group have launched initiatives to utilize the glut of hotels to convert rooms into apartments to help with the affordable housing crisis.

EXECUTIVE SUMMARY

Kosmont interviewed each of the City Councilmembers and the Mayor. Based on information provided by elected officials, Kosmont evaluated the merits of various sites for feasible near-term housing development. Some of the priorities mentioned varied significantly:

- *Find projects that can be developed quickly*
- *Avoid projects that trigger Prop A*
- *Avoid projects that have significant environmental impact (e.g. require major infrastructure)*
- *Think big picture – potentially utilize City Hall site to address other needs as well*
- *Find projects that are close to transit and commercial services*
- *Avoid projects that impact low density residential neighborhoods*
- *Avoid Pacific View School – it was acquired for Arts Complex*
- *Find private property owners supportive of housing development*
- *Avoid major financial investment by the City*

EXECUTIVE SUMMARY

Opportunity Sites SWOT Analysis:

Based on the criteria discussed above, Kosmont has summarized the strengths and weaknesses of each of the significant potential housing sites in a matrix format with aerial site photos on the following pages.

The first matrix provides information on the three highest ranked sites:

- *L-7 Quail Gardens / Public Works Yard / Days Inn*

The next matrix discusses three publicly owned sites with development/financial challenges

- *City Hall / NCTD parking / Indian Head Canyon*

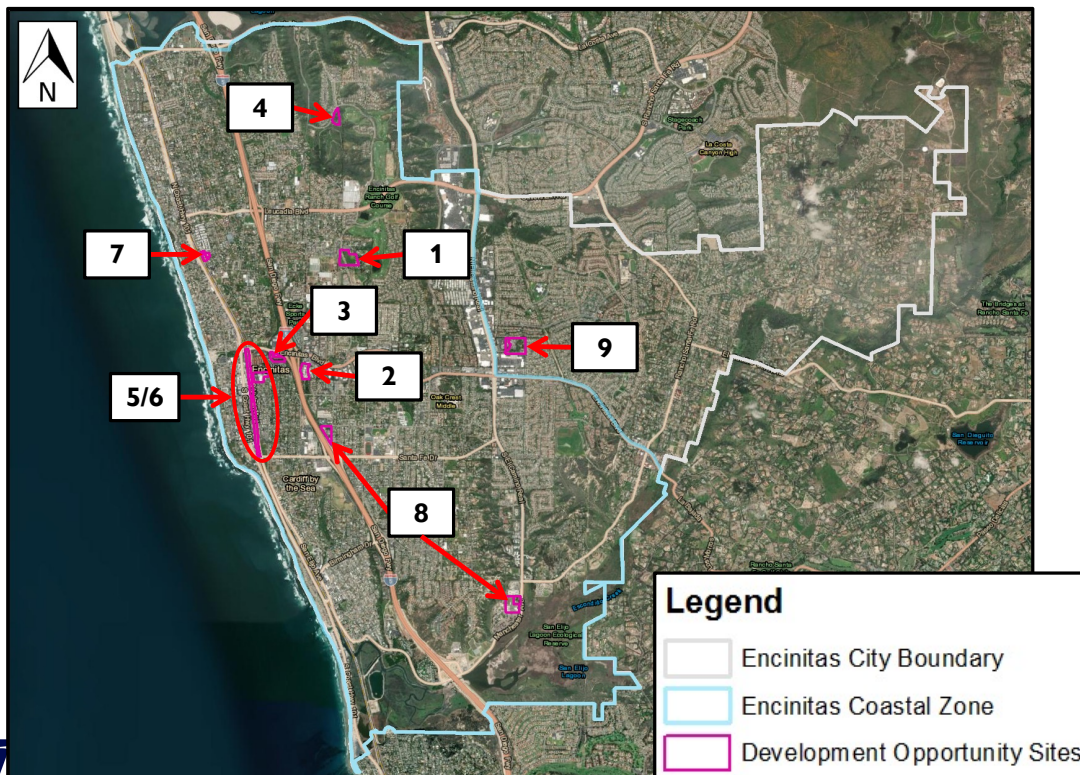
The final matrix discusses three privately owned sites with long term potential, but with financial challenges

- *Vulcan Ave. / Seacoast and Greek Orthodox Churches / County Burn Site*



Sources: City of Encinitas; Kosmont Companies

OPPORTUNITY SITE AREAS



The City has several potential sites for housing development aggregated in four main areas, between Vulcan Ave and El Camino Real as shown on the map

Note: Opportunity Site Area #8 features two church sites that will be evaluated as a joint opportunity.

SWOT ANALYSIS TABLE – HIGHEST RANKED

	#1	#2	#3
Site	Quail Gardens (L7)	Public Works Yard	Days Inn
Site Dimensions	460 ft x 360 ft	570 ft x 185 ft	230 ft x 500 ft
Current Use	Vacant land	City public works yard	Days Inn motel with vacant former restaurant space
Requires Relocation	No	Yes significant relocation	Likely
Ownership/ Zoning	City owns / RR-1	City owns / General Commercial	Privately owned / Visitor Serving Commercial
Political Support	Yes	Some	Some
Walkability Factor	Poor	Good	Good
Adjacent Uses	Single-family / Botanic Gardens Community Garden / Museum	Commercial / Church	Commercial / hillside
Opportunity	Potential 30 total units with Accessory Dwelling Units (ADU) and Junior ADUs No upzoning Required	Market rate plus affordable units, plus hotel possible ?? Site close to area serving retail uses and major roadway	Conversion to low-income units
Challenges	Located within Coastal Commission Appeal Zone	Costly to relocate / replace Public Works facility	Elimination of hospitality may likely be opposed by Coastal Commission
Time Frame to Start	Short-term (~1 year)	Medium-term (~3 years)	Unknown
Comments	Requires private developer	Upzoning required but no adjacent single-family housing	Upzoning required, but no adjacent single-family housing
Suitability	Good	Near term fair/ Longer term Good	Fair

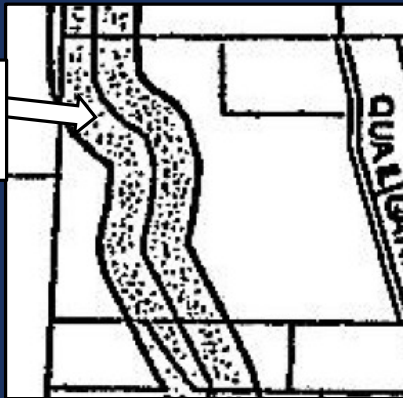


Source: Kosmont Companies

#1 QUAIL GARDENS (L7)

SUBJECT SITE PROFILE:

- Ownership: City of Encinitas
- APN: 257-011-17-00
- Total Size: ~9.46 AC
- Zoning: RR-1 (Rural Residential 1); 0.51-1.00 dwelling units per acre
- Within Coastal Zone and within Appealable Area



CCC Appealable Area is the shaded section of the parcel



Sources: City of Encinitas; Kosmont Companies

#2 PUBLIC WORKS YARD

SUBJECT SITE PROFILE:

- Ownership: City of Encinitas
- APN: 258-112-28-00
- Total Size: ~4.41 AC
- Zoning: GC (General Commercial)



Sources: City of Encinitas; Kosmont Companies

#3 DAYS INN

SUBJECT SITE PROFILE:

- Ownership: Pinnacle Encinitas LP
- APN: 258-090-41-00 and 258-090-42-00
- Total Size: ~4.26
- Zoning: VSC (Visitor Serving Commercial)



Sources: City of Encinitas; Kosmont Companies

SWOT ANALYSIS TABLE – OTHER CITY OWNED SITES

	#4	#5	#6
Site	Indian Head Canyon	NCTD	City Hall
Site Dimensions	415 ft. x 145 ft	Across from City Hall: 70 ft. x 410 ft (on both sides)	410 ft x 390 ft
Current Use	Public open space park/preserve	Existing Metrolink station (Encinitas Station) and public parking/restrooms	Civic Center (government offices and parking lot)
Requires Relocation	No	Yes / need to be subterranean	Yes major relocation
Ownership / Zoning	City owned / R-3	NCTD Owned / Transportation Corridor	City owned / Civic Center
Political Support	Little	Some	Some
Walkability Factor	Poor	Good	Good
Adjacent Uses	Single-family residential	Commercial	Commercial
Opportunity	Low density housing	Joint venture with City Hall site	Joint venture with NCTD; Potential to build three-level parking structure on lot
Challenges	City needs open space	High cost of \$50K per replacement parking space	High cost of \$50K per replacement parking space
Time Frame to Start	Unknown	Long-term (~5+ years)	Long-term (~5+ years)
Comments	Not suited for housing development	Will need feasibility study	Requires temporary City Hall relocation
Suitability	Poor	Near term poor; long term fair	Near term poor, long term potential blended use site



Source: Kosmont Companies

#4 INDIAN HEAD CANYON SITE

SUBJECT SITE PROFILE:

- Ownership: City of Encinitas
- APN: 254-573-64-00
- Total Size: ~3.17 AC
- Zoning: R-3 (Residential 3); 2.01-3.00 dwelling units per acre



Sources: City of Encinitas; Kosmont Companies

#5/6 NCTD AND CITY HALL

SUBJECT SITE PROFILE:

- Ownership: North County Transit District Development Board (NCTD site); City of Encinitas (City Hall site)
- APN: 258-190-26-00 and 258-190-27-00 (NCTD site); 258-090-43-00 (City Hall site)
- Total Size: ~13.35 combined (NCTD site); ~5.21 acres (City Hall site)
- Zoning: TC (Transportation Corridor); CC (Civic Center)



Sources: City of Encinitas; Kosmont Companies

SWOT ANALYSIS TABLE – PRIVATELY OWNED

	#7	#8A	#8B	#9
Site	N. Vulcan Ave.	Seacoast Community Church	Greek Orthodox Church	County Burn
Site Dimensions	300 ft. x 135 ft (using max depth with appropriate frontage)	1.41 acres net area excluding church	2 acres net area excluding church	840 ft x 550 ft
Current Use	Currently houses two retail stores - RCP Block & Brick and Bonafide Provisions	Seacoast Community Church	Sts. Constantine and Helen Greek Orthodox Church	Partially vacant; Contains Solana Center for Environmental Innovation;
Requires Relocation	Business relocation	No	No	Encinitas Ford appears to use the Site as vehicle storage
Ownership / Zoning	Privately owned / R-15	Privately owned / R-30 Overlay	Privately owned / R-30 Overlay	County owned / Public – Semi Public
Political Support	Some	Some	Some	Some
Walkability Factor	Good	Poor	Poor	Good
Adjacent Uses	Single-family residential	Residential	Institutional	Commercial
Opportunity	100% affordable housing by non-profit developer	Market rate plus affordable units	Market rate plus affordable units	Market rate plus affordable units
Challenges	High land value / needs rezoning, likely City subsidy			Requires major environmental cleanup; Estimated costs of \$10 million or more
Time Frame	Long-term (~5+ years)	Unknown	Submitted preliminary plans	Long-term (~5+ years)
Comments	Need to attract non-profit to build Requires millions of dollars in City subsidy			County in process of evaluating reuse of site
Suitability	Fair	Short term Poor; long term Fair	Short term Poor; long term good	Short term Poor; long term Fair

#7 N. VULCAN AVE. SITE

SUBJECT SITE PROFILE:

- Ownership: MHF Partners LLC; DM 100 104 5th St. LLC
- APN: 256-090-17-00, 256-100-07-00 (owned by MHF Partners); 256-100-09-00 (owned by DM 100 104 5th St. LLC)
- Total Size: ~2.06 AC (combined)
- Zoning: R-15 (Residential 15); 11.01-15.00 dwelling units per acre



Sources: City of Encinitas; Kosmont Companies

#8A SEACOAST COMMUNITY CHURCH

SUBJECT SITE PROFILE:

- Ownership: Seacoast Community Church
- APN: 258-241-10-00
- Total Size: ~4.35 AC
- Zoning: R-11 (Residential 11) with Residential 30 Overlay, allowing 25-30 dwelling units per acre



Sources: City of Encinitas; Kosmont Companies

#8B STS. CONSTANTINE AND HELEN GREEK ORTHODOX CHURCH

SUBJECT SITE PROFILE:

- Ownership: Sts. Constantine and Helen Greek Orthodox Church
- APN: 261-150-61-00 and 261-150-64-00
- Total Size: ~9.89 AC (combined)
- Zoning: RR-1 (Rural Residential 1), 0.51-1.00 dwelling units per acre. A portion of (APN: 261-150-64-00) contains Residential 30 Overlay, allowing 25-30 dwelling units per acre. APN: 261-150-61-00 falls within the Southern El Camino Real Museum Overlay



Sources: City of Encinitas; Kosmont Companies

#9 COUNTY BURN

SUBJECT SITE PROFILE:

- Ownership: County of San Diego
- APN: 259-121-36-00 and 259-121-37-00
- Total Size: ~12.49 AC
- Zoning: P/SP (Public/Semi-Public)



Sources: City of Encinitas; Kosmont Companies

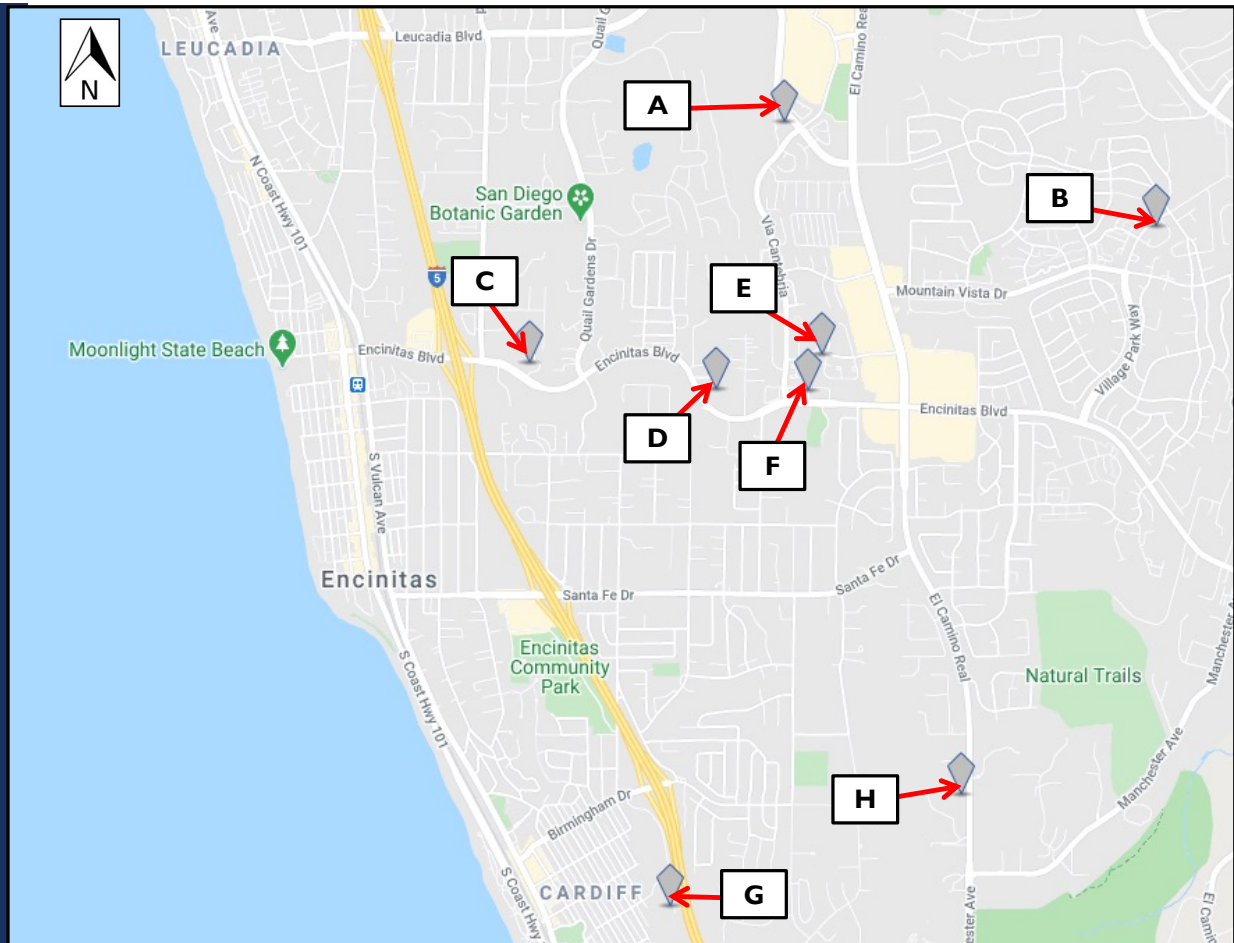
WORKFORCE HOUSING OPPORTUNITIES

- California has a significant shortage of available workforce or moderate income housing (housing for individuals and families earning between 80% and 120% AMI)
- The City recently joined the California Community Housing Agency (“CalCHA”) to help fund workforce housing
- The California Statewide Communities Development Authority’s Workforce Housing Program, the CSCDA CIA also acquires new or existing market-rate multifamily housing properties and slowly converts them to rent-restricted units for low to moderate income households (between 80 and 120% AMI)
- Annual rent increases are capped at 4% and no existing tenants are displaced under the program
- Properties are financed with tax-exempt governmental bonds and a city enters into a Public Benefit Agreement whereby the city receives surplus revenue when a property is sold or refinanced
- Kosmont determined that properties with over 100 units would be best suited for the CalCHA program. There are a total of eight multifamily properties in the City with over 100 units. The properties are mapped and profiled on the following slides

COSTAR MULTIFAMILY DEVELOPMENTS CITY OF ENCINITAS

Source: CoStar (Accessed March 2021)

Notes: Our research included multifamily buildings of 100 units or more of all classes that are existing, under construction, under renovation, proposed, or in final planning. It excludes mobile home parks and retirement homes.



MULTIFAMILY DEVELOPMENTS

CITY OF ENCINITAS

Site	Building Name	Address	# of Units	Year Built	Owner	Avg. Unit Size (SF)	Avg. Asking Rent / Unit	Avg. Asking Rent PSF
A	Elan Pacifico Encinitas Heights	1100 Garden View Rd.	121	2002	Property West Residential	1,275	\$2,265	\$1.78
B	Village Park Apts.	2045 Village Park Wy.	115	1985	Gaines Investment Trust	843	\$1,895	\$2.25
C	Essex Heights Apts.	404 Encinitas Blvd.	262	1988	Calwest Mgmt. & Sales	746	\$2,005	\$2.69
D	Quail Pointe Apt. Homes	924 Encinitas Blvd.	120	1986 (renovated 2006)	Property West Residential	820	\$2,075	\$2.53
E	Mission Ridge Apts.	1320 Via Terrassa	196	1984	Urschel Laboratories Inc.	1,049	\$2,577	\$2.46
F	Ritz Colony	1190 Encinitas Blvd.	144	1985	Sterling Corporation	898	\$2,140	\$2.38
G	Elan Cardiff by the Sea	2170 Carol View Dr.	300	1986	Property West Residential	995	\$2,214	\$2.23
H	Pacific Pines	1650-1770 S. El Camino Real	184	1985	Pacific Pines Apts.	882	-	-



Sources: City of Encinitas; Kosmont Companies

NEXT STEPS

Following a review of Kosmont's evaluation of the opportunity sites with the City Council, and designation of the top priorities, Kosmont is available to assist City staff with:

- Further in depth analysis
- Developer Request for Qualification (RFQ)/ Request for Proposal (RFP) developer solicitation
- Assist in developer negotiations

APPENDIX

- Opportunity Site Background
- Zoning Summary
- Retail Market Data
- Multi-family Market Data

OPPORTUNITY SITE AREAS

Encinitas Opportunity Site Areas

Map #	Site Name	Address (APN)	Owner	Size (acres)	Zoning	Land Use	Specific Plan Designation	Coastal Zone / Within Appealable Area	Council District
1	Quail Gardens Site (L7)	634 Quail Gardens Lane (APN: 257-011-17-00)	City of Encinitas	9.46	RR-1 (Rural Residential 1)	RR1 (0.51-1.00 du/acre)	No	Yes / Yes (partially)	1 (Tony Kranz)
2	Public Works Yard	160 Calle Magdalena (APN: 258-112-28-00)	City of Encinitas	4.41	GC (General Commercial)	GC (General Commercial)	No	Yes / No	2 (Kellie Hinze)
3	Days Inn Site	N/A (APNs: 258-090-41-00; 258-090-42-00)	Pinnacle Encinitas LP	4.26 (combined)	VSC (Visitor Serving Commercial)	VSC (Visitor Serving Commercial)	No	Yes / No	2 (Kellie Hinze)
4	Indian Head Canyon Site	Quail Hollow Drive (APN: 254-573-64-00)	City of Encinitas	3.17	R-3 (Residential 3)	R3 (2.01-3.00 du/acre)	No	Yes / No	1 (Tony Kranz)
5	North County Transit District (NCTD) Sites	N/A (APNs: 258-190-26-00; 258-190-27-00)	NCTD Development Board	13.35 (combined)	D-TC (Transportation Corridor)	TC (Transportation Corridor)	Yes (SP-2 Downtown Encinitas Specific Plan)	Yes / No	2 (Kellie Hinze)
6	City Hall	505 S. Vulcan Avenue (APN: 258-090-43-00)	City of Encinitas	5.21	D-CC (Civic Center)	P/SP (Public/Semi-Public)	Yes (SP-2 Downtown Encinitas Specific Plan)	Yes / No	2 (Kellie Hinze)



Sources: City of Encinitas; Kosmont Companies

OPPORTUNITY SITE AREAS (CONT'D)

Encinitas Opportunity Site Areas

Map #	Site Name	Address (APN)	Owner	Size (acres)	Zoning	Land Use	Specific Plan Designation	Coastal Zone / Within Appealable Area	Council District
7	N. Vulcan Ave. Site	577-607 N. Vulcan Ave. (APNs: 256-090-17-00, 256-100-07-00, 256-100-09-00)	MHF Partners LLC; D.M 100 104 5 th St. LLC	2.06 (combined)	R-15 (Residential 15)	R15 (11.01-15.00 du/acre)	Yes (SP-4 North 101 Specific Plan)	Yes / No	2 (Kellie Hinze)
8	Seacoast Community Church	1050 Regal Rd. (APN: 258-241-10-00)	Seacoast Community Church	4.35	R-11 (Residential 11) with Residential 30 Overlay	R11 (8.01-11.00 du/acre)	No	Yes / No	2 (Kellie Hinze)
	Sts. Constantine and Helen Greek Orthodox Church	3459-3505 Manchester Ave. (APNs: 261-150-61-00; 261-150-64-00)	Sts. Constantine and Helen Greek Orthodox Church	9.89 (combined)	RR-1 (Rural Residential 1) with Residential 30 and Southern El Camino Real Museum Overlay	RR1 (0.51-1.00 du/acre)	No	Yes / No	3 (Joy Lyndes)
9	County Burn Site	135 El Camino Real (APNs: 259-121-36-00; 259-121-37-00)	County of San Diego	12.49 (combined)	P/SP (Public/Semi-Public)	P/SP (Public/Semi- Public)	No	No / No	4 (Joe Mosca)

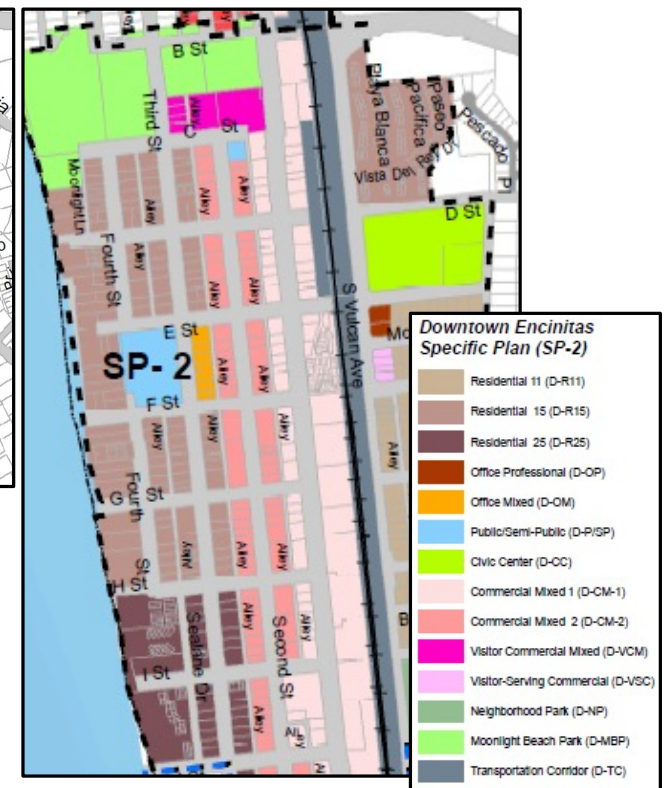
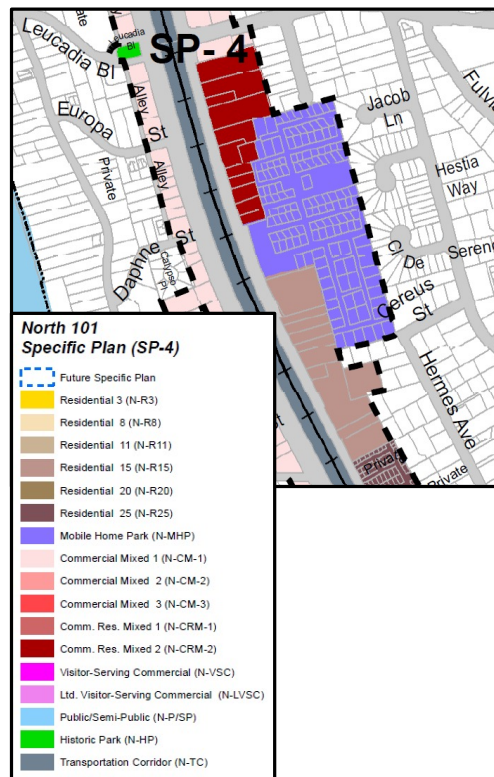


Sources: City of Encinitas; Kosmont Companies

ZONING SUMMARY

CITY OF ENCINITAS

- There are nine different types of zones featured across the nine development opportunity site areas including Rural Residential 1 (RR-1), Residential 3 (R-3), Residential 11 (R-11)
- Two sites (NCTD and City Hall) fall within the Downtown Encinitas Specific Plan (SP-2), the N. Vulcan Ave. Site falls within the North 101 Specific Plan (SP-4) and the Seacoast Community Church and Greek Orthodox Church sites contain additional Residential 30 (R-30) overlays that allow for higher density residential
- All of the opportunity site areas, except for the County Burn Site, fall within the Encinitas Coastal Zone. Additionally, a portion of the L-7 site falls within an appealable area – i.e. an area where a decision made by the local jurisdiction is appealable to the California Coastal Commission



Source: "Title 30: Zoning", Encinitas Municipal Code (Accessed February 2021)

ZONING SUMMARY (CONT'D)

PUBLIC/SEMI PUBLIC AND SPECIAL PURPOSE ZONES AND OVERLAYS

- Civic Center (CC)
 - This district is intended to provide for activities operated by the City, County, or other governmental agencies
 - Applies to site acquired in 1992 for a City Hall (previously the Vulcan Square commercial center)
 - Limits the number and type of commercial development (restricted to the immediate frontage on Vulcan Ave.)
 - Commercial uses meant to serve proposed transit center facilities for any future redevelopment (parking garage and open air theatre require Conditional Use Permit)
 - Building height is limited to one story or 12 ft.; Minimum of 25% of site area should be landscaped
- Southern El Camino Real Museum Overlay
 - Allows museums subject to a major use permit in a very limited portion of RR-1 and R-3 zones characterized by a presence of institutional uses on a major road identified in the Circulation Element of the City 's General Plan
 - Minimum lot coverage of 35% for buildings; 15% for parking
- Public/Semi-Public (P/SP)
 - Intended to for activities operated by the City, county, or other governmental agencies
 - Allows for semi-public uses, including medical office, hospitals, and private educational institutions (the latter two require a Conditional Use Permit); Residential, hospitality, commercial and industrial uses are not permitted
 - Net lot area of 10,000 SF; Maximum lot coverage: 50%; Maximum FAR: 0.50
 - Maximum building height: 30 ft. or 2 stories, whichever is less (exceptions for medical complexes and for certain uses on a >10-acre site)
- Transportation Corridor (TC)
 - Intended to preserve certain public transportation rights-of-way to ensure adequate land is available for future transportation and accessory uses including trails, public parking, and parks

ZONING SUMMARY (CONT'D)

RESIDENTIAL ZONES AND OVERLAYS

- Rural Residential 1 (RR-1)
 - Provide low density single-family residential units
 - Minimum lot size of one net acre
 - Maximum densities of one unit per net acre for rural area compatibility (one dwelling permitted per lot)
 - Maximum lot coverage: 35%
 - Single-family units may be attached to other single-family units as long as each unit is located on a separate legal lot
- Residential 3 (R-3)
 - Intended for single-family detached residential units
 - Minimum lot size of 14,500 net square feet
 - Maximum densities of three units per net acre (one dwelling permitted per each legal lot); Rural to suburban transition
 - Maximum lot coverage: 35%
 - Single-family units may be attached to other single-family units if each unit is located on separate legal lot
- Residential 11 (R-11)
 - Zone provides for a variety of residential development types from single-family detached to single-family attached (e.g. condos, townhouses, senior housing)
 - Minimum lot size is 3,950 net square feet
 - Maximum density of 11 units per net acre
 - Maximum lot coverage: 40%; FAR: 0.6
- Residential 15 (R-15)
 - Zone provides for higher density residential including single-family (attached and detached), duplexes (on lots of 5,000 SF or more), and senior housing
 - Maximum density of 15 units per net acre
 - Maximum lot coverage: 40%
- Residential 30 Overlay (R-30 OL)
 - Overlay is intended to provide for compatible high density multifamily residential development, including apartments, condos, and senior housing
 - Goal is to diversify the housing options available in the community and expand options for creating affordable housing
 - Minimum density of 25 units per net acre, maximum density of 30 units per net acre
 - Maximum lot coverage: 65%



Source: "Title 30: Zoning", Encinitas Municipal Code
(Accessed February 2021)

ZONING SUMMARY (CONT'D)

COMMERCIAL ZONES

- General Commercial (GC)
 - Zone provides a wide range of commercial activities pertaining to retail, wholesale, and service uses to accommodate City or regional needs
 - Net lot area: 10,000 SF
 - Maximum lot coverage: 30%; Maximum FAR: 1.0; Landscaping coverage: 15%
 - Building heights may be modified or lowered in order to maintain a reasonable portion of the views enjoyed by nearby properties
 - Allows for office and medical office uses); Hotels/motels require conditional use permit; No housing allowed
- Visitor Serving Commercial (VSC)
 - Intended to provide for commercial activities which are specifically intended to serve the needs of persons visiting the City
 - Net lot area: 10,000 SF
 - Maximum lot coverage: 35%; Maximum FAR: 1.0; Landscaping coverage: 15%
 - Building heights may be modified or lowered in order to maintain a reasonable portion of the views enjoyed by nearby properties
 - Allows for most general commercial and hotel/motels without a conditional use permit; Housing and office/medical office are not permitted



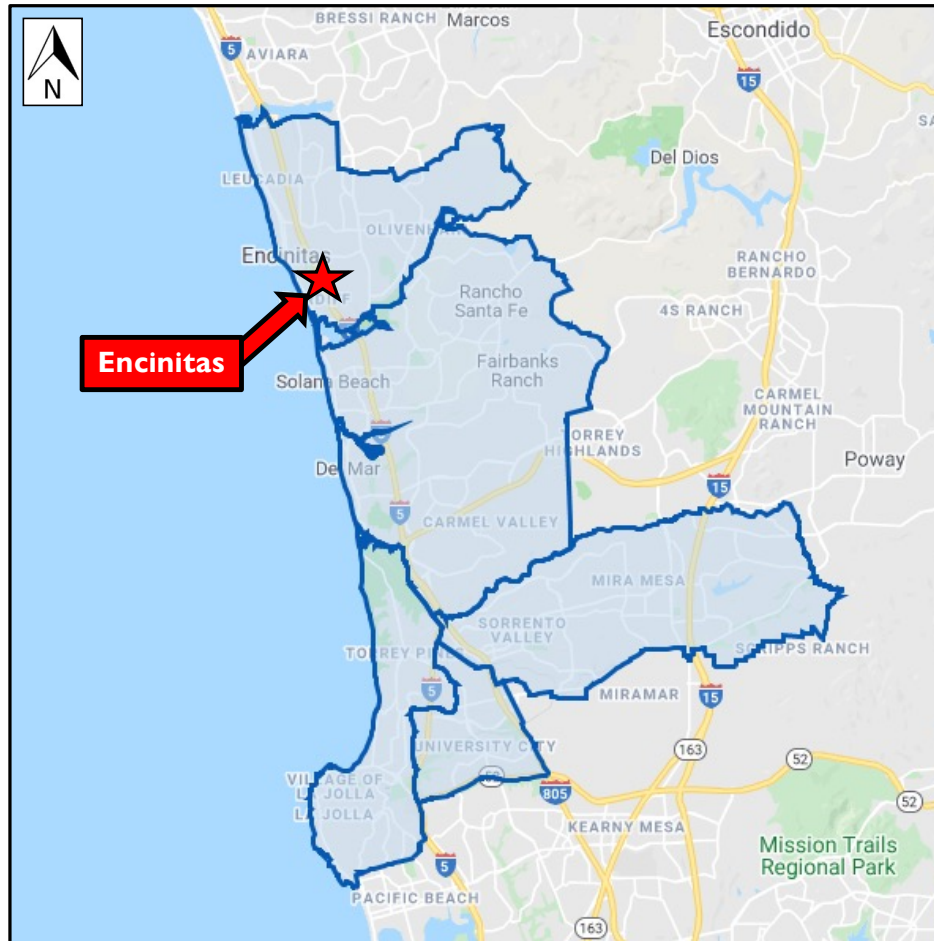
Source: "Title 30: Zoning", Encinitas Municipal Code
(Accessed February 2021)

NORTH SAN DIEGO SUBMARKET CLUSTER (INCLUDES ENCINITAS)

COSTAR RETAIL MARKET

Source: CoStar (Accessed February 2021)

Notes: Encinitas falls within the North San Diego submarket cluster for retail.



SUMMARY

RETAIL MARKET

- Retail vacancy in the City is **lower** and retail rents are **higher** compared to the North San Diego submarket cluster and San Diego County, indicating a strong retail market.
- Vacancy peaked and lease rates were at their lowest point during the Great Recession in 2010. Vacancies have increased by about 100,000 SF since 2017
- Major retail vacancies in the City of Encinitas include:
 - El Camino Promenade shopping center at 204-252 N. El Camino Real (36,678 SF total available space)
 - Pacific Station at 25 E. E Street (26,856 SF total available space)
 - 453 Santa Fe Dr. (15,000 SF total available space)
- Low vacancy and high rents demonstrates relatively strong demand for retail uses in the City, however it is important to note that demand for retail uses has shifted dramatically. Store closures and bankruptcies have been growing in recent years due to the increased presence of e-commerce retailers. The ongoing COVID-19 pandemic has accelerated these trends. Many retail centers with large vacant anchor stores are moving to blended-use development

RETAIL MARKET SUMMARY

	Retail Summary (Q1 2021 QTD)		
	City of Encinitas	North San Diego Submarket Cluster	County of San Diego
Availability			
NNN Rent \$PSF/Yr.	\$34.91	\$29.99	\$25.68
Vacancy Rate	3.6%	5.8%	4.8%
Vacant SF	202,418	1,019,715	6,664,598
Net Absorption	(22,010)	(30,282)	(187,412)
Inventory			
Existing SF	5,581,168	17,472,664	138,715,133

Source: CoStar (Accessed February 2021)

Note: Costar defines Triple Net (NNN) as “a lease where the tenant is responsible for all expenses associated with their proportional share of occupancy of the building, except long-lived structural components and management charges.”

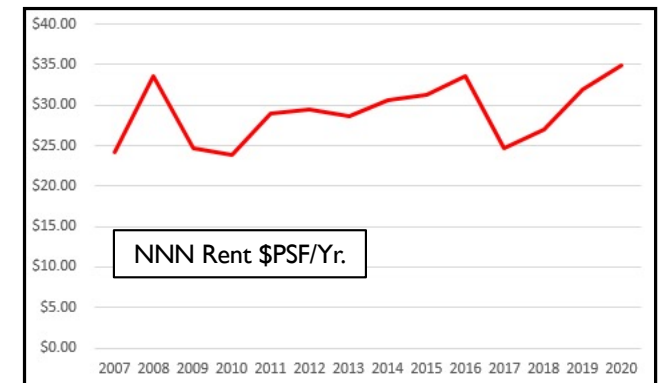
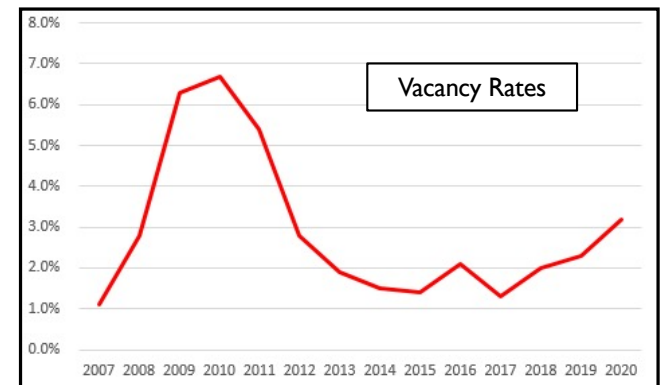
RETAIL MARKET HISTORY

CITY OF ENCINITAS

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	NNN Rent Overall
2020	5,581,168	180,408	3.2%	(53,672)	\$34.87
2019	5,581,168	126,736	2.3%	(12,663)	\$31.97
2018	5,581,168	114,073	2.0%	(39,871)	\$26.98
2017	5,573,062	74,202	1.3%	46,580	\$24.74
2016	5,568,035	115,755	2.1%	(39,165)	\$33.53
2015	5,568,035	76,590	1.4%	4,367	\$31.31
2014	5,568,035	80,957	1.5%	31,480	\$30.70
2013	5,563,331	107,733	1.9%	52,854	\$28.61
2012	5,558,331	155,587	2.8%	149,184	\$29.53
2011	5,551,629	298,069	5.4%	74,738	\$29.03
2010	5,550,074	371,252	6.7%	73,313	\$23.89
2009	5,451,671	346,162	6.3%	(182,730)	\$24.67
2008	5,441,111	152,872	2.8%	(69,896)	\$33.54
2007	5,416,039	57,904	1.1%	236,047	\$24.21

Source: CoStar (Accessed February 2021)

Note: Costar defines Triple Net (NNN) as “a lease where the tenant is responsible for all expenses associated with their proportional share of occupancy of the building, except long-lived structural components and management charges.”



SUMMARY

MULTIFAMILY RESIDENTIAL MARKET

- Kosmont observed the Class A and B multifamily market in the City of Encinitas, the North Shore Cities submarket cluster, as defined by CoStar, and San Diego County
 - Vacancy in the City is **lower** compared to the North Shore Cities submarket cluster and San Diego County. Multifamily rents in the City are **higher** compared to the County, but **lower** than the submarket cluster
 - Low vacancy and relatively high rents, in addition to the increase in demand for housing given the State's housing shortage, demonstrates strong demand for multifamily residential unit types
 - Over the last 14 years, there have only been a total of eight multifamily units across two buildings constructed in the City of Encinitas – In 2008 at 22645 Manchester Ave. (4 units) and in 2016 at 1381 N. Vulcan Ave. (4 units)
 - Vacancy rose slightly during the Great Recession, but remained between 2.9% and 3.7% from 2007 to 2016. Vacancy increased to 5.8% in 2018 as more people vacated units in 2017 and 2018. Most of those units have since become absorbed, thus lowering vacancy to below 2%, indicating a strong housing market
 - Rents have steadily increased since 2010, indicating a stable housing market
 - Conversely, there has been a sizable amount of multifamily units constructed over the last 14 years in the North Shore Cities submarket cluster (2,156 units across 13 buildings)
 - Significant developments include: 608-unit One Paseo Living (built 2019); 384-unit Torrey Gardens (built 2014), 279-unit Avino Apartments (built 2016), and 252-unit SOLA Apartments (built 2018), all located in the Carmel Valley in San Diego
 - The Great Recession did have an impact on multifamily construction as few units were built from 2007 to 2013. Vacancies have fluctuated over recent years primarily due to the large number of available units that recently enter the market. Given the strong demand for housing, these units have been absorbed relatively quickly and vacancies have since dropped
- Rents have steadily increased since 2010 and continue to rise due to the availability of new housing units

MULTIFAMILY MARKET SUMMARY

	Class A and B Multifamily Summary (Q1 2021 QTD)		
	City of Encinitas	North Shore Cities Submarket Cluster	County of San Diego
Availability			
Asking Rent Unit/Mo.	\$2,218	\$2,827	\$2,110
Vacancy Rate	2.1%	6.2%	4.8%
Total # of Vacant Units	18	332	6,337
Net Absorption	(3)	101	509
Inventory			
# of Buildings	26	79	2,205
Total # of Units	898	7,310	190,678



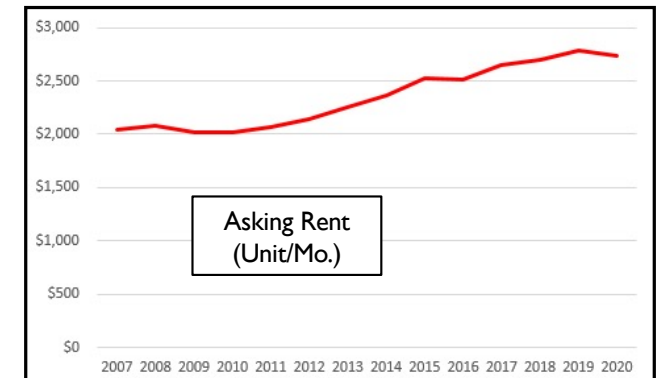
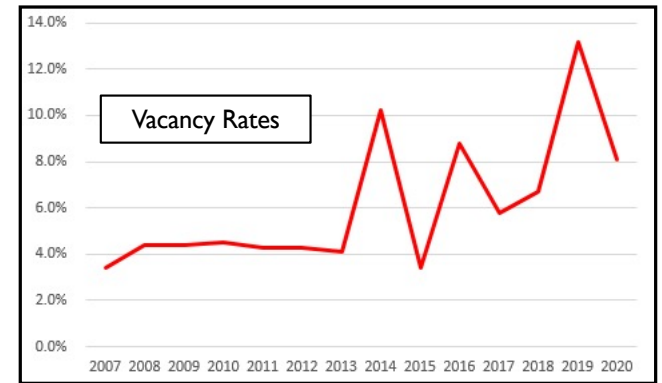
Source: CoStar (Accessed February 2021)

MULTIFAMILY MARKET HISTORY

NORTH SHORE CITIES SUBMARKET CLUSTER

Year	Inventory Units	Vacant Units	Vacancy Percent	Net Absorption (Units)	Asking Rent (Unit/Mo.)	Asking Rent (Unit/Mo./SF)
2020	7,310	432	8.1%	269	\$2,732	\$2.66
2019	7,310	700	13.2%	300	\$2,787	\$2.71
2018	6,623	312	6.7%	196	\$2,703	\$2.62
2017	6,371	255	5.8%	345	\$2,648	\$2.57
2016	6,136	366	8.8%	239	\$2,519	\$2.46
2015	5,656	125	3.4%	338	\$2,527	\$2.47
2014	5,556	363	10.2%	153	\$2,364	\$2.33
2013	5,172	131	4.1%	20	\$2,254	\$2.21
2012	5,158	137	4.3%	1	\$2,136	\$2.10
2011	5,158	138	4.3%	7	\$2,068	\$2.03
2010	5,158	144	4.5%	(5)	\$2,020	\$1.98
2009	5,158	139	4.4%	2	\$2,021	\$1.98
2008	5,158	140	4.4%	(29)	\$2,081	\$2.04
2007	5,154	107	3.4%	18	\$2,040	\$2.00

Source: CoStar (Accessed February 2021)



MULTIFAMILY MARKET HISTORY

CITY OF ENCINITAS

Year	Inventory Units	Vacant Units	Vacancy Percent	Net Absorption (Units)	Asking Rent (Unit/Mo.)	Asking Rent (Unit/Mo./SF)
2020	898	16	1.8%	6	\$2,165	\$2.26
2019	898	22	2.5%	29	\$2,265	\$2.36
2018	898	51	5.8%	(8)	\$2,239	\$2.34
2017	898	42	4.8%	(15)	\$2,156	\$2.25
2016	898	28	3.2%	2	\$2,067	\$2.16
2015	894	25	2.9%	6	\$2,059	\$2.15
2014	894	32	3.6%	(3)	\$1,925	\$2.01
2013	894	30	3.4%	(2)	\$1,767	\$1.84
2012	894	29	3.2%	4	\$1,720	\$1.80
2011	894	32	3.7%	(1)	\$1,660	\$1.73
2010	894	33	3.7%	(1)	\$1,600	\$1.67
2009	894	32	3.7%	(2)	\$1,604	\$1.67
2008	894	31	3.5%	(1)	\$1,613	\$1.68
2007	890	26	2.9%	(7)	\$1,579	\$1.65

Source: CoStar (Accessed February 2021)

