

TABLE 1

**COMPARABLE LAND SALES, OLD TOWN TEMECULA, JUNE 2004 TO PRESENT  
 OLD TOWN DEVELOPMENT POTENTIAL  
 CITY OF TEMECULA**

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<u>Sale Date</u>	<u>Address</u>	<u>Sale Price</u>	<u>SF</u>	<u>\$/SF</u>
04/05/07	Third and River Street	\$922,500	18,513	\$50
12/20/06	Old Town Front Street @ Fifth Street	\$500,000	7,841	\$64
08/22/06	First Street @ Old Town Street	\$837,500	19,166	\$44
07/07/06	28544 Old Town Front Street	\$477,000	4,356	\$110
07/03/06	41866 6th Street	\$450,000	7,405	\$61
03/10/06	41923 2nd Street	\$1,250,000	14,000	\$89
03/01/06	41946 5th Street	\$450,000	6,970	\$65
12/30/05	Old Town Front Street	\$650,000	7,841	\$83
12/20/05	42081 3rd Street	\$999,000	24,829	\$40
10/25/05	41874 6th Street	\$450,000	6,970	\$65
10/18/05	41938 4th Street	\$480,000	11,326	\$42
10/11/05	2nd Street	\$1,285,000	27,878	\$46
08/26/05	41880 6th Street	\$460,000	6,970	\$66
08/20/04	Second Street	\$688,000	44,431	\$15
06/30/04	28455 Old Town Front Street	\$450,000	4,800	\$94
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	Minimum	\$450,000	4,356	\$15
	Maximum	\$1,285,000	44,431	\$110
	<b>Median</b>	<b>\$500,000</b>	<b>7,841</b>	<b>\$64</b>
	Average	\$689,933	14,220	\$62

TABLE 2

**PROJECT DESCRIPTION  
 OLD TOWN DEVELOPMENT POTENTIAL  
 CITY OF TEMECULA**

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<b>I. Site Area</b>	21,000 SF	
	0.48 Acres	
<b>II. Gross Building Area</b>		
A. <u>Retail</u>		
Net Rentable Area	10,800 SF	90.0%
Common Area	<u>1,200</u> SF	<u>10.0%</u>
Total Retail Area	12,000 SF	100.0%
B. <u>Office</u>		
Net Area	27,000 SF	90.0%
Common Area	<u>3,000</u> SF	<u>10.0%</u>
Total Office Area	30,000 SF	100.0%
C. <u>Total Gross Building Area</u>		
Net Rentable Area	37,800 SF	90.0%
Common Area	<u>4,200</u> SF	<u>10.0%</u>
Total Gross Building Area (GBA)	42,000 SF	100.0%

Floor Area Ratio (FAR) 2.0

**III. Parking**

- A. Retail
  - Number of Spaces
  - Parking Ratio
- B. Office
  - Number of Spaces
  - Parking Ratio
- C. Total Number of Spaces

*to be determined*

**ESTIMATE OF DEVELOPMENT COSTS  
OLD TOWN DEVELOPMENT POTENTIAL  
CITY OF TEMECULA**

	Low Scenario		High Scenario	
	<u>Totals</u>	<u>Comments</u>	<u>Totals</u>	<u>Comments</u>
<b>I. Direct Costs (1)</b>				
Off-Site Costs	\$0	\$0 Per SF Site Area	\$0	\$0 Per SF Site Area
On-Site Costs/Landscaping	\$315,000	\$15 Per SF Site Area	\$315,000	\$15 Per SF Site Area
Parking	\$0	Included above	\$0	Included above
Shell Construction	\$6,720,000	\$160 Per SF GBA	\$6,720,000	\$160 Per SF GBA
Tenant Improvements - Retail	\$270,000	\$25 Per SF Net Retail	\$324,000	\$30 Per SF Net Retail
Tenant Improvements - Office	\$675,000	\$25 Per SF Net Office	\$675,000	\$25 Per SF Net Office
Contingency	<u>\$399,000</u>	5.0% of Directs	<u>\$402,000</u>	5.0% of Directs
Total Direct Costs	\$8,379,000	\$200 Per SF GBA	\$8,436,000	\$201 Per SF GBA
<b>II. Indirect Costs</b>				
Architecture/Engineering	\$503,000	6.0% of Directs	\$506,000	6.0% of Directs
Permits & Fees (2)	\$630,000	\$15 Per SF GBA	\$630,000	\$15 Per SF GBA
Legal & Accounting	\$84,000	1.0% of Directs	\$84,000	1.0% of Directs
Taxes & Insurance	\$168,000	2.0% of Directs	\$169,000	2.0% of Directs
Developer Fee	\$251,000	3.0% of Directs	\$253,000	3.0% of Directs
Marketing/Lease-Up	\$378,000	\$10 Per SF Net Rentable Area	\$378,000	\$10 Per SF Net Rentable Area
Contingency	<u>\$101,000</u>	5.0% of Indirects	<u>\$101,000</u>	5.0% of Indirects
Total Indirect Costs	\$2,115,000	25.2% of Directs	\$2,121,000	25.1% of Directs
<b>III. Financing Costs</b>				
Loan Fees	\$179,000	2.1% of Directs	\$179,000	2.1% of Directs
Interest During Construction	\$402,000	4.8% of Directs	\$404,000	4.8% of Directs
Net Interest During Lease-Up	<u>\$96,000</u>	1.1% of Directs	<u>\$70,000</u>	0.8% of Directs
Total Financing Costs	\$677,000	8.1% of Directs	\$653,000	7.7% of Directs
<b>IV. Total Development Costs</b>	<b>\$11,171,000</b>	<b>\$266 Per SF GBA</b>	<b>\$11,210,000</b>	<b>\$267 Per SF GBA</b>

(1) Does not assume payment of prevailing wages.

(2) Estimate; not verified by the City or KMA.

TABLE 4

**NET OPERATING INCOME - RETAIL  
OLD TOWN DEVELOPMENT POTENTIAL  
CITY OF TEMECULA**

	<u>Low Scenario</u>				<u>High Scenario</u>		
	<u>SF</u>	<u>Rent/SF</u>	<u>Monthly Rent</u>	<u>Annual GSI</u>	<u>Rent/SF</u>	<u>Monthly Rent</u>	<u>Annual GSI</u>
<b>I. Gross Scheduled Income</b>							
Net Rentable Area	10,800	\$2.75	\$29,700	\$356,000	\$3.00	\$32,400	\$389,000
<b>II. Effective Gross Income</b>							
(Less) Vacancy			5.0% of GSI	<u>(\$18,000)</u>	5.0% of GSI		<u>(\$19,500)</u>
Total Effective Gross Income (EGI)				\$338,000			\$369,500
<b>III. Expenses</b>							
(Less) Unreimbursed Operating Expenses			\$4 /SF/Year	<u>(\$43,200)</u>	\$4 /SF/Year		<u>(\$43,200)</u>
<b>IV. Total Net Operating Income</b>				<b>\$294,800</b>			<b>\$326,300</b>
<b>V. Capitalized Value of Retail @</b>							
		6.0%		<b>\$4,913,000</b>	6.0%		<b>\$5,438,000</b>
		\$455 /SF			\$504 /SF		

TABLE 5

**NET OPERATING INCOME - OFFICE  
OLD TOWN DEVELOPMENT POTENTIAL  
CITY OF TEMECULA**

	<u>Low Scenario</u>				<u>High Scenario</u>		
	<u>SF</u>	<u>Rent/SF</u>	<u>Monthly Rent</u>	<u>Annual GSI</u>	<u>Rent/SF</u>	<u>Monthly Rent</u>	<u>Annual GSI</u>
<b>I. Gross Scheduled Income</b>							
Net Area	27,000	\$2.50	\$67,500	\$810,000	\$2.75	\$74,250	\$891,000
<b>II. Effective Gross Income</b>							
(Less) Vacancy - Office			5.0% of GSI	<u>(\$40,500)</u>		5.0% of GSI	<u>(\$44,550)</u>
Total Effective Gross Income (EGI)				\$769,500			\$846,450
<b>III. Expenses</b>							
(Less) Unreimbursed Operating Expenses			\$4 /SF/Year 14.0% of EGI	<u>(\$108,000)</u>		\$4 /SF/Year 12.8% of EGI	<u>(\$108,000)</u>
<b>IV. Total Net Operating Income</b>				<b>\$661,500</b>			<b>\$738,450</b>
<b>V. Capitalized Value of Office Income @</b>							
			7.0% \$350 /SF	<b>\$9,450,000</b>		7.0% \$391 /SF	<b>\$10,549,000</b>

TABLE 6

**RESIDUAL LAND VALUE  
 OLD TOWN DEVELOPMENT POTENTIAL  
 CITY OF TEMECULA**

	<u>Low Scenario</u>	<u>High Scenario</u>
<b>I. Project Value Upon Completion</b>		
Value of Retail NOI	\$4,913,000	\$5,438,000
Value of Office NOI	<u>\$9,450,000</u>	<u>\$10,549,000</u>
Total Commercial Value	\$14,363,000	\$15,987,000
(Less) Cost of Sale @	3.0% of Value (\$431,000)	3.0% of Value (\$480,000)
(Less) Target Developer Profit @	12.0% of Value <u>(\$1,724,000)</u>	15.0% of Value <u>(\$2,398,000)</u>
<b>II. Total Warranted Investment</b>	\$12,208,000	\$13,109,000
(Less) Development Costs	<u>(\$11,171,000)</u>	<u>(\$11,210,000)</u>
<b>III. Residual Land Value</b>	<b>\$1,037,000</b>	<b>\$1,899,000</b>
Per SF Site Area	<b>\$49</b>	<b>\$90</b>