

Solimar Research Group

Summary Report to Update the Santa Barbara Ranch TDR Feasibility Study

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Executive Summary

This update to the 2006 Santa Barbara Ranch TDR Feasibility Analysis accomplishes three essential tasks pursuant to relevant comments from the public and a County-approved independent appraiser. In particular, the report:

1. Adjusts the valuation of MOU / ALT1 development right values for more accuracy;
2. Estimates development right values of the so called “Grid”;
3. Discusses the feasibility of transferring development potential from Naples based on the updated valuation.

As the basis for transferring development potential, it is important to use the value of entitlements or “development rights” rather than what finished homes would sell for on the Santa Barbara Ranch. When comparing development right values of the Grid, the MOU, or the ALT 1 development scenarios, it is most useful to look at our estimate of the *average* rather than the *total* project development right value.

This is because the valuation method we use is most accurate on an individual lot basis. If an entire project – or large portions of it rather than individual lots – were to be transferred the compensation for development rights would likely be less than the totals we report. Simply put, if the owner of the Santa Barbara Ranch is paid in-whole and up-front he is likely to accept less than the totals we report so as to avoid the inherent risk of getting the project approved and sold in a timely fashion. We feel this is acceptable since we assume that transferring development is partially feasible and would occur on an *individual* lot by lot basis rather than the *entire* project. For this reason it is important to focus on average development right values rather than the total project development right values.

Table ES.1 below is a condensed summary of the average development right value, the average price that finished homes would sell for (i.e. home value), as well as the total development right and total project values of the Grid, MOU, and ALT 1 projects that resulted from the 2007 updated analysis.

Table ES.1

	Grid (125 units)	MOU (54 units)	ALT 1 (73 units)
Av. Development Right Value	\$1,638,481	\$2,242,201	\$2,071,902
Av. Home Value	\$4,433,917	\$7,108,166	\$6,848,472
Total Development Right Value	\$204,810,147	\$125,563,237	\$155,392,675
Total of Home Values in 2007	\$554,239,645	\$383,840,983	\$499,938,484

(note: values reported are based on the 70% project wherein house sizes were reduced by 30%.)

One can see that average development right values for all three scenarios are about one-third of the average home value for each of the three project scenarios. The Grid's average development right value is almost half the development right value of the MOU project (\$1.6 million versus \$2.2 million). The Grid's total development right value is greater than the MOU and the ALT 1 project because the project has so many more potential homes – 125 homes versus 54 and 73 homes for the MOU and ALT 1 respectively.

We conclude that a partial transfer is feasible – that is, to transfer some, but not all, the development from the Santa Barbara Ranch project is possible. We come to this conclusion for two reasons:

1. It is unrealistic for the receiving sites we identify to absorb enough density to transfer *all* the development right value from Naples. As a threshold matter, the County (and potentially the City of Santa Barbara) would need to identify and re-zone certain parcels to receive additional units under the TDR program;
2. The development rights would have to be transferred off Naples “up-front” rather than over time. This would require the creation of a “TDR Bank” to buy, hold, and eventually sell the rights. The Bank would have to be well capitalized in order to execute the up-front purchase; we feel it is unlikely the Bank could be seeded with enough money to buy *all* development rights.

We do, however, believe it is possible to capitalize the Bank with enough money to transfer *some* development rights from the Santa Barbara Ranch. If the transfer of development rights is to be executed up-front, then the feasibility of the transfer system is driven not by some theoretical calculation of sending and receiving site value, but on the actual amount of money that can be raised to stake the TDR bank.

The Ellwood Mesa preservation effort serves as a good reference for the amount of money that could capitalize the Bank. The Trust for Public Land (TPL), as recently as 2003, generated \$19.7 million for the successful preservation of Ellwood Mesa. In this deal TPL negotiated with the landowner and the potential developer to relocate 130 entitled lots from Ellwood Mesa to a settled-upon 62 unit project on a 12 acre County park site a short distance away. While not an official TDR, the Ellwood deal essentially bought-down and relocated \$20 million worth of development potential from the Bluffs. It is important to point out that unlike the Ellwood deal, capitalization of the Naples TDR Bank would be a loan, since the Bank would, in theory, repay its initial investors.

The County and Santa Barbara Ranch applicant should establish an agreed-upon time period that is commensurate to capitalize the Bank, if the County determines TDR to be feasible. As a point of reference, it took 3 to 4 years for the TPL and the community to raise the \$20 million to preserve the Ellwood Bluffs.

We explore a set of three transfer scenarios, assuming the TDR Bank is capitalized with \$20 million, to illustrate which lots are preserved and which development rights are

transferred for the Grid, MOU, and ALT 1 projects. We are not suggesting that \$20 million or any other amount is a “magic number” required to make the TDR system work. However, we feel \$20 million is a likely starting point given our analysis of funding opportunities and this recent Ellwood Mesa deal. The scenarios we identify are:

- Scenario #1 Goal: *to reduce the overall development intensity regardless of view-shed impact*. Under this scenario, residential lots possessing the lowest development right value would be prioritized for transfer;
- Scenario #2 Goal: *to transfer development rights from lots that are the most visible from Highway 101*;
- Scenario #3 Goal: *to transfer development rights from ocean-front bluff-top lots*.

Table ES.2 below indicates that the TDR Bank would have the choice of removing the 37 least expensive Grid lots; 32 of the most visible Grid lots from Highway 101 north of freeway; or four ocean-front bluff-top lots. Alternatively, if the transfer is based on the MOU project, the choice would be to remove 31 of the least expensive lots; 32 of the most visible lots from Highway 101; or 3 ocean-front bluff-top lots.

Table ES.2

	Scenario #1	Scenario #1	Scenario #1
	Maximum amount of Development Right Transfers	Protection of HWY 101 View-shed Development Right Transfers	Ocean-front Bluff-top Development Right Transfers
GRID # Development Rights Transferred	37	32	4
MOU # Development Rights Transferred	31	25	3
ALT 1 # Development Rights Transferred	35	24	3

(note: this data is based on \$20 million TDR Bank capitalization)

Based on an analyses of developer “willingness to pay” for additional density on a set of receiving sites from the 2006 TDR Feasibility Report, we can derive transfer ratios. That is, the number of additional units built in the receiving areas for each development right transferred from Naples. These ratios illustrate the significant value disparity between the bluff-top lots and other inland lots.

For example, the ratios to transfer the maximum number of Grid lots, and the Highway 101 view-shed impacting Grid lots range from 1:1 to 2:1. In contrast, the ratio to transfer ocean-front bluff-top lot range from 12:1 to 27:1 depending on the receiving site. This means that between 1 and 2 units would need to be built for every Highway 101 view-impacting Grid lot and between 12 and 27 additional units for each bluff-top Grid lot.

The ratios to transfer the maximum number of MOU lots, and the Highway 101 viewshed impacting MOU lots range from 2:1 to 4:1. Similar to the significant difference expressed above for the bluff-top Grid lots, the ratio to transfer ocean-front bluff-top MOU lots is 15:1 to 32:1 depending on the receiving site.

The feasibility scenarios we identify do not appear to reduce densities enough to permit development under current agricultural zoning, apparently justifying a new land use and zoning designation as indicated under policy 2-13 of the County's Local Coastal Plan.

If the TDR system is created, the final configuration of the Santa Barbara Ranch project will depend on how much financial capital the Bank has, and what program goals those resources are used to achieve. The final distribution of density in the receiving areas depends on the value of the density credits the Bank has and the City and County priorities for increasing density.

To conclude, the extent of development rights that could be transferred will depend to a large extent on the County's goals for preservation at Naples. But, it goes without saying that the high value of bluff-top parcels makes transfer of their development rights more difficult than their inland counterparts. That is to say, the large amount of additional density needed in the receiving areas for each lot that is preserved on the Naples Bluff will make transfers politically difficult.

1. Background

This summary report is the deliverable in a scope of work to the County of Santa Barbara to update the 2006 Santa Barbara Ranch TDR Feasibility Analysis. It is meant to provide the reader a synopsis of the changes and adjustments that were made to assign value to the development rights associated with the Santa Barbara Ranch property and to update the impact upon transfer feasibility.

The genesis of these changes is from public comments regarding the 2006 TDR Study. This summary report, therefore, includes: (1) an overview of the valuation methodology we used, (2) a full response to both public comments and comments from an independent County-approved appraiser, (3) the changes, gleaned from the comments, we feel were adequate to make, (4) updated valuations, and (5) the resulting affects on TDR feasibility.

1.1 Solimar's Valuation Methodology

It must be stressed up-front that Solimar's analysis – and the subsequent valuation methodology – is for the purposes of a “Feasibility Analysis.” It is solely meant to assist the County in its deliberations about TDR feasibility for the Santa Barbara Ranch pursuant to LCP Policy 2-13. Our method is not meant to assign value for the purposes of lot or home purchase. We do not claim to be real estate appraisers and are not governed by the rules of the Uniform Standards of Professional Appraisal Practice (USPAP). Yet, the methodology we invoke is sound and tested for the purposes of a feasibility analysis.

We take a two-part approach to estimating the value of development potential that could be transferred from the Santa Barbara Ranch property. This involves: (1) estimating the final value of a home on each lot, and (2) deriving the entitlement or development right value. The latter is arrived at by backing into the added value the land acquires with residential development by accounting for all project costs and the developer's expected profit.

We apply these steps to estimate the development right values of three development scenarios on the Santa Barbara Ranch property – the “Grid,” the “MOU” and the “ALT 1” proposals. In so doing, we base the market selling price of dwelling units on assumed entitlements. We recognize uncertainty exists as to the extent of final development that the County and Coastal Commission approve. However, in order to do our analysis we had to assume a starting point. This starting point included, essentially, full entitlement under the MOU and ALT 1 scenarios; for the Grid scenario we use the “buildable” lots as identified by the County.

In all three development scenarios we do not speculate on which lots would or would not be removed from the project based on County or Coastal Commission action. Rather, we show a range of value based on 100% and 70% house sizes. It is important to note that we use the valuation under the 70% scenario as the basis for the determination of the

number of development rights that could be feasibly transferred from the Santa Barbara Ranch.

In addition, we strive to create an accurate picture as to what development rights would be worth in the future rather than their value in the present. We do this because we base our assessment of TDR feasibility on an up-front purchase of development rights from the Santa Barbara Ranch.

We assume it would take 3-4 years to both capitalize the Bank as well as maneuver through the development review process to create legal entitlements. Thus, we strive to estimate value at the time when the TDR Bank would purchase the development rights from the owner of the Santa Barbara Ranch property. For this reason, we inflate the home values that resulted from the regression analysis for 2 or 4 years. We use a relatively modest appreciation rate of 8.9% rather than the 14% observed over the last 10 years.

We acknowledge that predicting the future in real estate values is uncertain, but our goal is to paint as an accurate picture as we can about what the future value of development rights could be worth. It is possible that the future values could be worth less or it is possible that they could be worth more.

Step 1 – Regression Analysis

To accomplish step 1 of the valuation we used statistical regressions of sales data, known as the “hedonic method,” to determine the contribution various site and house attributes make in setting the sales prices of residential properties. This empirical model breaks the aggregate value of a property into the values associated with its component parts, including the land, housing structure(s) on the parcel, parcel amenities and disamenities, and neighborhood or regional amenities and disamenities. The dependent variable was sale price (valuation) and the independent variables included the following:

- Lot square footage
- Structure square footage
- Age of the structure
- Number of bedrooms
- Number of bathrooms
- Dummy variable indicating the presence (1) or absence (0) of a pool
- Distance to the ocean in meters (ArcView)
- Distance in meters to nearest airport with scheduled commercial flights (ArcView)
- Distance in meters to the closest major thoroughfare (ArcView)
- Distance in meters to the nearest railroad line (ArcView)
- Percentage of residents of the census tract identifying themselves as white (Census 2000)

- Average journey to work in minutes reported for the census tract (Census 2000)
- Percent of unemployment reported for the census tract (Census 2000)
- Average annual household income reported for census tract (Census 2000)
- Percent of census tract residents below poverty line (Census 2000)
- Percent of vacant households in census tract (Census 2000)
- Median year of construction for houses in census tract (Census 2000)
- Dummy variables for Los Angeles, Santa Barbara, and San Luis Obispo Counties
- Dummy variable indicating whether the property lies on the seaward or inland side of either US101 or Rte. 1 (Pacific Coast Highway), whichever is relevant for the particular property.

A dummy variable is simply a binary variable that is coded in the database as either “0” or “1” for presence or absence. It is important to point out that the regression model does not include a dummy variable for immediate ocean-front amenity. The data did not afford us the ability to easily differentiate between properties with ocean frontage versus those without. As a proxy for this we use the distance to ocean variable.

The strength of this statistical regression approach is that it cuts through misconceptions about value one party may have versus another – it lets the data speak for itself, unclouded by any assumptions.

In seeking comparable properties, we select for sales of single-family residential properties located within the ZIP Code zones that abut the coast in the region of Malibu in Los Angeles County and in Ventura, Santa Barbara and San Luis Obispo Counties. We used sales in the period between January 1, 2000 and March 31, 2005. Data were purchased from DataQuick Corporation; the final dataset included 7,456 transactions.

Since the sales spanned several years, prices were converted to current dollars (2005) using quarterly home price appreciation figures based on data for California published by the FDIC.¹

The quality of data provided by DataQuick varied by county since some county assessor’s offices provide DataQuick with more complete information than others. San Luis Obispo posed a particular challenge, as the DataQuick data for this county had very few records that included structure attributes, such as parcel or structure square footage. Consequently, additional data from Assessor books maintained by the San Luis Obispo County Assessor’s Office were purchased. The books purchased provided detailed information – including information on construction quality and views -- on properties in Pismo Beach, Shell Beach, Los Osos, Morro Bay and Cambria. Due to budgetary constraints, we were not able to purchase data for all areas within the San Luis coastal ZIP Code area. Rather, Assessor books were purchased based on how many DataQuick records they would complete.

¹<http://www.fdic.gov/bank/analytical/stateprofile/SanFrancisco/Ca/CA.xml.html>

The DataQuick and San Luis Obispo County data were augmented with neighborhood characteristic information at the census tract level from Census 2000, and with distance variables generated by ArcView, a GIS software package.

We run the regression on both 100% and 70% house size values (with reduced bed and bath counts) to reflect a value “range” that would speak to the uncertainty of project approval. We felt it was too uncertain to identify specific lots that would/would not be approved by the County and Coastal Commission.

Finally, the values – being generated by 2005 sales data – were appreciated to 2007 and 2009 (annual 8.9%) for inland and coastal zone lots respectively and then discounted back to 2005 (1.9 – 3.2 % annually). This acts to capture the increase in value the properties would receive between the time when the study was completed and when the properties would be approved and issued building permits, or when the TDR Bank could feasibly purchase development rights from the properties.²

Step 2 – Residual Land Value Analysis

Step 2 uses the regression estimates of home selling prices to determine the actual value of the entitlements (i.e. development rights) on the Santa Barbara Ranch for both the 100% and 70% projects. To accomplish this we use a residual land value (RLV) approach. This method removes all the costs a development project incurs to arrive at the added value the land acquires with residential development. Inclusive in this determination of “capitalized” or “residual” land value is the project profit; since the residual basis of land acquires the extra rents (i.e. profit) after all costs have been paid.³

The RLV model we create runs basic pro-formas to accurately portray the array of fixed costs a developer would incur upon developing each individual lot on the Santa Barbara Ranch.

The fixed project costs we account for are organized as follows:

1. Pre-development Costs (land, land carry, entitlement, professional fees, etc.)
2. Development Costs (building & Construction, Site development costs – sewer, water, roads, and other indirect costs)
3. Developer Fee (costs of developer overhead)
4. Marketing Costs
5. Financing Costs
6. Commission & Closing Costs

Further detailed pro-forma assumptions are indicated in the notes in the excel worksheets.

² Assumes inland lots would take 2 years for County approval and coastal zone lots would take 3-4 year Coastal Commission approval

³ Geltner; Miller; Real Estate Analysis and Investment, 2001

The underlying question we are trying to answer is: “how much money will it take to encourage the developer of the Naples property to sell development rights rather than exercise them on the property?” In answer to this, we identify the baseline amount for each lot to be the capitalized land value *plus* the ‘developer’s expected profit’ – not the project profit – as described below:

Development Right Value = The Residual Land Value + Developer’s Expected Profit

Residual land value is simply the added value the land acquires with newly entitled residential development. In order to calculate residual land value it was treated as a variable cost in the pro-forma model. In other words it was subtracted from the total market value of the proposed lot and all the cost of preparing the site and constructing the actual house. However, unlike the other ‘fixed costs’ in the model, residual land value varies to produce a net profit that is 15% of revenue.⁴ The 15% net profit was taken to be the Industry’s expected net margin through conversations with local area developers.

Project Net Profit was determined by subtracting the total project costs from the total value. We use the excel tool ‘solver’ to calculate a “Residual Land Value” with a constraint that the net profit be fixed at 15% of total value with the assumed fixed costs.⁵

Developer’s Expected Profit is defined to be 50% of the project’s 15% net profit. In the development industry the common method of financing projects is both with a lending institution *and* private equity investors. These equity partners expect a higher return on there investments which is captured in a project profit split (usually 80%/20% investor/developer) at the end of the project.

If the developer were to sell development rights rather than build he would not need to borrow money from equity partners, and subsequently, he would not expect such additional equity partner profit. For this reason we take a modest approach and assume the developers’ expected profit to be 50% of the project profit, thus not including full project profit in the determination of development right value.

In sum, we conclude that the owner of the Santa Barbara Ranch would be motivated to sell his development rights if he can capture not only his 50% share of the project net profit, but also the land’s residual value. This would explain our basic equation for development right value as the sum of the two.

It should be pointed out that the RLV approach does not completely account for economies of scale, and thus any potential cost savings that may be captured. Equally important is that the model is not a full discounted cash flow analysis (DCF), and does not account for the phasing that is likely to occur for development of any one of the three

⁴ Profit could also be taken as a % of project costs; the way the model is set up either way the profit is calculated the net (as % of cost or revenue) is captured in the sum of capitalized land and the project profit

⁵ In the pro-formas Residual Land Value is represented as “Capitalized Land Value” as they are one in the same.

scenarios. Therefore, the analysis does not completely capture the time value of money and the associated financial risk inherent to development on the Santa Barbara Ranch.

For this reason the aggregate values of development rights for each of the three scenarios are less accurate than our estimates for individual lots. That is to say, on an individual lot basis the model does a good job at predicting the compensation needed to transfer development rights; but if the entire project – or large portions of it – were to be transferred the compensation for development rights would likely be less than the totals we report. Simply put, if the owner of the Santa Barbara Ranch is paid in-whole and up-front he is likely to accept less so as to avoid the inherent risk of getting the project approved and sold.

2. Response to Public Comment

The California Coastal Commission (letter dated 9/27/06), the Naples Coalition (letter dated 2/1/07), and the Integra Realty Resources on behalf of the Environmental Defense Center (letter dated 9/26/06) were the primary respondents with public comment. In addition, the County had a third-party certified appraiser evaluate the analysis, its results and the methodology used. This was conducted by Schott & Company in July 2007; the response to this latter party is described in Section 2.2.

2.1 Public Comment

Common to some or all of these parties' comments were 9 areas of concern pertaining to the 2006 TDR Feasibility Analysis. These are:

1. The Solimar analysis did not use, as the baseline determinant of TDR feasibility, the values of the "Grid" lot development scenario. Rather the study used the applicant's proposed MOU and ALT 1 project proposals as the basis for feasibility;
2. The Solimar valuation is an improper approach to assign value since it bases value on homes which do not exist and are not yet entitled;
3. The Solimar method of estimating value using hedonic regression followed by the developer's residual value analysis is also improper;
4. The Solimar hedonic study relies on data from home sales that were not actually field inspected to assure reliability and consistency, thus making suspect the relevance of the data and the model's outputs;
5. The statistical analysis leads to conclusions that appear to contradict normal market expectations and acts to bring into question the methodology. For example:
 - a. Location on the seaward side of the highway was negatively associated with price;
 - b. An increase in the number of bedrooms within a residence leads to a decrease in the value or price of that residence;
6. The Solimar study assumes the achievable price of homes to be acquired in the future will continue to rise at an annual rate of 8.9%. This rate of appreciation is uncertain and results in future values that may be much greater than what the future will actually bring;

7. There is no allowance in the study to account for the period of time it would take to achieve sale of all the lots (i.e. absorption time) under the various development scenarios and the subsequent capital return requirements during that time period;
8. The Solimar study under-estimates the land costs at \$22,000 per acre. It does not take into account the actual land costs incurred by the developer and/or recent appraisals of similar properties that show land to valued at \$57,732 per acre;
9. The Solimar study under-estimates the direct cost of unit construction as it assumes \$250 per square foot. Homes selling for over \$10 million are likely to cost closer to \$437 per square foot.

The following discussion is a point-by-point response to the comments above.

Response to #1: Solimar, at the County's guidance, used the MOU and ALT 1 projects as the basis for its 2006 TDR feasibility report – this was the task we were charged with. The County and other involved parties, however, agree that the “Grid” development (i.e. the lots as they are shown on the Official Naples Townsite map) should be the basis of TDR feasibility according to Policy 2-13.

As a result, this current work effort estimates values of the Grid development and translates the information into its affects on TDR feasibility as described in Section 6. We identify Grid lot values using the same method applied for the updated 2007 MOU and ALT 1 scenarios. We make reasonable assumptions to identify a likely Grid development scenario using the County's determination of the buildable Grid lots, their location, and the subsequent house sizes.

Response to #2: It is true the extent of entitlement is uncertain for all development scenarios. But, it is also beyond Solimar's purview to speculate on which lots are likely to be denied or approved by the County and Coastal Commission. Furthermore, we had to have something to value for sake of the feasibility analysis. Thus, we felt a reasonable approach is to assume full entitlement and simply reduce the size of each house by 30% and show a range in value for a 70% and a 100% of project approval.

Response to #3: A principal strength of the hedonic method is that it is not a study of strict “comparables.” Rather it models the value of property as a function of time period and characteristics in a way that controls for quality change. It is an objective analysis in that it does not rely on subjective assessments about quality or what constitutes a “comparable” property. (Case)⁶

⁶ Case, Bradford and Susan Wachter. "Residential Real Estate Prices as Financial Soundness Indicators: Methodological Issues." *Real Estate Indicators and Financial Stability*. Ed. Paul Van den Bergh, and Robert Edwards. Washington, D.C.: Bank for International Settlements, 2005. 384. Vol. 21.

The hedonic regression method is the standard way to analyze real estate prices and to estimate the incremental value added by assorted property attributes (Malpezzi)⁷ because it allows analysis based on very large numbers of properties. (Case)⁸ Among those giving tacit approval to its use is the National Association of Realtors, which has commissioned studies which employ this technique. (Sirmans)⁹

The use of the developer's residual land value approach stems from the basic premise that the TDR program would be voluntary for the owner(s) of the lots on the Santa Barbara Ranch. Therefore, TDR must incentivize him/her to choose the option to sell and transfer development rights rather than exercise them on the property through development.

Therefore, to determine the owner's willingness to sell development rights it is necessary to evaluate the developer's residual land value after all costs and profit expectations are met – that is, we assume the TDR mechanism would need to compensate the developer with a more or less equivalent amount of money than could be realized through development of the property.

It could be argued that the developer may be willing to sell his/her development rights for *less than* the full residual land value and profit expectations after sales - simply to avoid the "hassle" and inherent risk of development since there is uncertainty in the both the approval process and whether or not homes will sell in the future. This will depend on the preferences of the seller, as it could also be argued that the TDR option would need to provide the seller *more* compensation in order to catalyze participation.

As a final note to comment # 3, it was never intended that Solimar's study would determine precise purchase values for any currently existing parcels, for any that might be created in the future, or even for any eventual transferred development rights. The purpose of this study is to simply assess the financial feasibility of a transferable development rights program - the methods used in this study are appropriate to that purpose.

Response to #4: The comments regarding the lack of field inspection for comparable quality and range of sales prices included in the data set indicate a basic misunderstanding of the hedonic regression method (see response to # 4 above). The data was obtained from DataQuick - a reputable source for real estate sales data.

⁷ Malpezzi, Stephen. "Hedonic Pricing Models: A Selective and Applied Review." Housing Economics: Essays in Honor of Duncan MacLennan. University of Wisconsin: Center for Urban Land Economics Research, 2002.

⁸ Case, Bradford and Susan Wachter. "Residential Real Estate Prices as Financial Soundness Indicators: Methodological Issues." Real Estate Indicators and Financial Stability. Ed. Paul Van den Bergh, and Robert Edwards. Washington, D.C.: Bank for International Settlements, 2005. 384. Vol. 21.

⁹ Sirmans, G. Stacy, and David A. Mcpherson. The Value of Housing Characteristics. Washington D.C.: National Association of Realtors, 2003.

The quality of data provided by DataQuick varied by county since some county assessor's offices provide DataQuick with more complete information (i.e. house size, # beds and baths, etc.) than others. Where incomplete, we augmented the data with parcel information direct from the Assessor's office; this occurred predominantly for certain sales data in San Luis Obispo County.

Response to #5: Expectations are often based on anecdotal or limited evidence and are frequently confounded when empirical data are analyzed. In the case of this study, the properties examined are all in the coastal area and preferences of buyers appear to be different here than they may be for homes in areas further inland. There are several explanations for this: The data may reveal a shift in the preferences of consumers that mirrors the demographic transition from a population of the 1960s in which families with children accounted for 48 percent of households to a 21st Century population in which 72 percent of households will be without children (Nelson).¹⁰ On a more local level, many homes in the study area are purchased as second homes not for full-time occupancy. Even among full-time residents, many buyers in this market are older, more affluent and have different space needs and preferences than the average home buyer.

The negative correlation between number of bedrooms and housing price has also been found in other studies and is not remarkable. In this particular case, it may reflect the tastes of the predominant buying groups. It is widely recognized that the number of bedrooms is not as important to older buyers, as they often have no children residing with them. While a master bedroom and one or two guest rooms might be desirable, additional bedrooms detract from the square footage that can be devoted to other types of living space which are more functional on a daily basis (Angelucci; Stangenes; Testa; Wylde).¹¹ Since many vacation home owners indicate intentions to retire to them (Kirk)¹², the number of bedrooms may be less important than it is among people purchasing their primary residence.

The negative correlation between seaward side location and price, as noted in the 2006 report, is small and statistically insignificant. Even so, there are several potential explanations for the negative sign. The seaward side has several clear disamenities. First, many of these parcels have close proximity to the freeway. Second, seaward side parcels might be negatively impacted by the railway traffic, as the the railroad tracks are on the seaward side of the highway. Third, some seaward side locations may have limited views which make them less attractive than comparable beachside or hillside locations – that is,

¹⁰ Nelson, Arthur C. "Leadership in a New Era." Journal of the American Planning Association 72.4 (2006): 393-407.

¹¹ Stangenes, Sharon. "Amenity Filled Giant Home Has Boomer Attitude." Chicago Tribune Online January 14, 2006 2006.

Angelucci, Steve. "Community Living: New Construction Geared toward Active Adults." Atlantic City Weekly Online October 20, 2005 2005.

Testa, Bridget Mintz. "What Boomers Want." Big Builder Online 2006.

Wylde, Margaret. *Boomers on the Horizon: Housing Preferences of the 55+ Market*. Washington, D.C.: BuilderBooks, 2001.

¹² Kirk, Patricia L. "Second Home Lifestyles." Urban Land (2005).

parcels situated on the inland side at higher elevations which afford ocean views may command higher prices than viewless seaward properties. All these disamenities might outweigh the attractive aspects of the particular locations.

Response to #6: The sales data used to derive the regression was generated come from house sales between the period January 1, 2000 and March 31, 2005. Since the sales spanned several years, prices were converted to current dollars (2005) using quarterly home price appreciation figures based on data for California published by the FDIC.¹³

In addition we needed to predict the selling price of homes not in 2005, but rather when they would likely be approved for development. In addition, we strive to create an accurate picture as to what development rights would be worth in the future rather than their value in the present. We do this because we base our assessment of TDR feasibility on an up-front purchase of development rights from the Santa Barbara Ranch.

We assume it would take 3-4 years to both capitalize the Bank as well as maneuver through the development review process to create legal entitlements. Thus we strive to estimate value at the time when the TDR Bank would purchase the development rights from the owner of the Santa Barbara Ranch property. For this reason, we inflate the home values that resulted from the regression analysis for 2 or 4 years.

We acknowledge that predicting the future in real estate values is uncertain, but our goal is to paint as an accurate picture as we can about what the future value of development rights could be worth. It is possible that the future values could be worth less or it is possible that they could be worth more.

In so doing, we assumed that it would take 2 years for inland development to be approved by the County, and 4 years for the Coastal Commission to approve developments in the Coastal Zone.

Based on these assumptions we inflated the 2005 results from the hedonic model using 8.9% annual rates of appreciation to 2007 and 2009 followed by discounting back to 2005 dollars using a forecasted percent annual change in the CPI (range of 1.9 – 3.2% depending on the year).

Between 1996 and 2006 the median home price change in Santa Barbara County was 14.06%. The years 2002-2005 saw high rates in annual growth, but a sharp reversal occurred in 2006. We error on the side of being conservative with the use of the 8.9% appreciation rate rather than the 14.06% because it can be argued that the last ten years are uncharacteristic of the next ten years. As a point of comparison, realtors in the Montecito and Hope Ranch areas report 53.3% and 50.0% as a five year return on homes purchased.¹⁴

¹³ <http://www.fdic.gov/bank/analytical/stateprofile/SanFrancisco/Ca/CA.xml.html>

¹⁴ Wendy Gragg: http://www.distinctiverealestateonline.com/market_conditions.htm

With this evidence we feel the 8.9 % rate of appreciation is appropriate and should not be changed in the updated analysis.

The only change we make in regards to appreciation in the analyses of all three development scenarios is appreciating to 2009 for inland properties and 2011 for Coastal Zone properties followed by discounting back to the year 2007. This makes current all the values for an updated 2007 TDR feasibility Analysis.

Response to #7: The residual land analysis *does* account for an absorption period and subsequent capital return requirements. It is captured in the pro-forma cost line “debt financing.” In the 2006 study we assumed that the developer would pay 8% debt financing costs for 75% of the total project debt using a linear draw for 3 years. This time period assumes a 2 year construction period and 1 year of absorption.

In 2006 there was annual demand for approximately 14 luxury homes selling for over \$10 million in Coastal Santa Barbara.¹⁵ We cannot expect all 14 would go to the Santa Barbara Ranch (SBR). If we assume the SBR captures 25% of the luxury home sales per year that would be roughly 4 sales per year. But, if there is pent-up demand for let’s say 20 total sales per year and SBR captures these additional 6, then it would equate to 10 luxury home sales per year from the SBR. Homes under \$10 million are expected to move off the market faster.

The MOU and ALT 1 proposals have 54 and 73 homes respectively (but not all are priced over \$10 million; the Grid alternative has 125 homes with none priced over \$10 million). If 30 homes were priced over \$10 million then this would equate to an absorption time of 3 years for these higher-priced homes. However, it must be assumed that the projects would be built in phases – not all at once – a situation we do not model in our valuation analysis.

Because of this evidence we adjust the absorption period in the model from 1 year to 2 years for homes valued under \$10 million and from 1 year to 3 years for homes over \$10 million. In total then, accounting for a 2 year construction period, the debt financing period changes from 3 years to between 4-5 years depending on whether the home is valued under or over \$10 million.

Response to #8: We used \$22,000 per acre as the cost to the developer for acquiring the land in the residual land analysis. This was based on comparable sales of coastal agricultural land in Santa Barbara County. However, after talking to real estate professionals and using, as a reference the Hammock appraisal of the Preserve at San Marcos, we adjust the land costs to be more accurate. The updated valuation numbers reflect land costs of \$60,000 per acre.

¹⁵ http://realitytimes.com/rtmcrcond/California~Santa_Barbara~Wendygragg
Santa Barbara County Economic Outlook 2007; UCSB Economic Forecast Project, Goldberg, Gary.

Response to #9: In the developer’s residual land analysis we model \$250 per square foot as the direct building construction costs. These costs do not include any site development for sewer, water, and roads – the costs reflect simply the labor and material costs of the building itself. The \$250 figure was assumed to reflect high-end luxury homes.

However, we agree with the public comments that we underestimated these costs for the very high-end luxury homes. To correct for this we adjust the construction costs and assume a sliding scale, with higher priced homes incurring greater per square foot costs. Specifically: homes priced between \$2 - \$4 million have \$250/sf costs; homes between \$5 - \$9 million have \$350/sf costs; homes between \$10 - \$14 million have \$400/sf costs; homes between \$15 - \$20 million have \$450/sf costs; and homes above \$20 million have \$500/sf costs of construction.

2.2 Independent Appraiser Review

As mentioned above, the County contracted with Schott & Company as an independent appraiser to review Solimar’s methodology and valuation results. The four main points that resulted from this review and our responses are shown below:

1. The values of ocean-front bluff-top homes in the Grid scenario versus the MOU/ALT 1 scenario is too disparate. Ocean front Grid lot values do not reflect the ocean frontage amenity. Subsequently, future homes on Grid lots that are ocean front seem to be undervalued. Alternatively, ocean front MOU/ALT 1 homes seem higher than expected. The valuation of homes and development rights in each of the scenarios that are inland of the ocean front properties are reasonable.

Response:

The regression analysis does not take directly into account the amenity of ocean frontage. We were not able to ascertain this information from the data. Therefore, as previously stated, the model does not include a “dummy variable” for ocean frontage; we use distance to ocean as a best proxy.

For this reason there was little difference in value between ocean-front grid lot homes and homes on those grid lots just inland of them. To more accurately reflect the premium placed for ocean front homes we look to January 2005 comparable sales of two equally-sized houses, both on Beach Club road in Carpinteria.¹⁶ The ocean-front house sold for 2.5 times that of the inland house.

Therefore, to account for the premium that would be paid for the ocean frontage amenity, we identify which Grid lots these are and simply multiply the values originally generated by a factor of 2.5. This resulted in the average ocean-front grid lot home worth \$12 to \$13.5 million rather than \$4-\$5 million that resulted from the regression analysis. Table 2.2 below shows the results of this calculation.

¹⁶ This comparable was provided to us by Schott & Company.

Table 2.2 Ocean front Improved Grid lot values

OCEAN FRONT GRID LOT ADJUSTED VALUES					
Official Naples Lot #	Total Value - 100% project (inflation adjusted to 2007)	Adjusted to Reflect Ocean Front Values (2.56 x 2007 values)	Total Value - 70% project (inflation adjusted to 2007)	Adjusted to Reflect Ocean Front Values (2.56 x 2007 values)	
12	\$ 7,053,311	\$ 18,056,475	\$ 6,264,625	\$ 16,037,441	
35	\$ 6,940,753	\$ 15,464,327	\$ 5,333,665	\$ 13,654,181	
36	\$ 4,776,338	\$ 12,227,427	\$ 4,177,549	\$ 10,694,525	
38	\$ 6,954,896	\$ 17,804,535	\$ 6,185,049	\$ 15,833,726	
63A	\$ 3,932,861	\$ 10,068,133	\$ 3,490,097	\$ 8,934,649	
63B	\$ 4,111,442	\$ 10,525,293	\$ 3,595,963	\$ 9,205,666	
66	\$ 3,897,456	\$ 9,977,487	\$ 3,458,673	\$ 8,854,203	
91	\$ 4,956,177	\$ 12,687,814	\$ 4,428,269	\$ 11,336,367	
94	\$ 5,367,062	\$ 13,739,679	\$ 4,801,414	\$ 12,291,620	
93	\$ 6,500,756	\$ 16,641,935	\$ 5,721,779	\$ 14,647,754	
119A	\$ 4,774,496	\$ 12,222,710	\$ 4,202,361	\$ 10,758,045	
119B	\$ 4,798,199	\$ 12,283,388	\$ 4,223,224	\$ 10,811,453	
122	\$ 5,628,069	\$ 14,407,856	\$ 4,870,911	\$ 12,469,531	
Average	\$ 5,291,678	\$ 13,546,696	\$ 4,673,352	\$ 11,963,782	
	Denotes lots with uncertain development potential (defines lower-end of development range)				

We estimate the average value of the nine ocean-front homes in the MOU/ALT 1 scenarios to be \$25 million for the 100% project. We looked at comparable sales of ocean-front properties along the South Coast of Santa Barbara. In so doing, the values ranged dramatically from \$2 million up to \$33 million. This afforded no empirically sound means by which to reduce the values below the \$25 million average that resulted from the regression analysis. However, it should be stressed that the average value of homes for the 70% MOU/ALT 1 projects is \$20 million (see chart 4.2) – and, importantly, it is the 70% valuation results that we use as the basis to determine the extent of TDR feasibility.

- While the individual development right values associated with the various lots seem reasonable, the total value of development rights (as a sum of the individual lots) for each of the three scenarios is overstated. The methodology does not take into account the phasing of the project and its inherent financial risks. A full discounted cash flow analysis that discounts future profits to present values would provide this.

Response:

It is likely that the owner of the SBR may be willing to sell development rights for less than the totals we report in order to avoid the financial risk and uncertainty of development/sale of his product, but only if the development rights came from large portions of the property. However, if the owner were to sell-off, in a piecemeal fashion, the individual development rights of various lots, his financial risk to develop the project(s) would not be significantly minimized and he would command a higher price – that is, a price closer to the individual development rights we report.

If development rights are transferred from the Santa Barbara Ranch, it is likely they will be on an individual lot-by-lot basis (not the entire property) since a partial transfer is more likely than complete transfer. Therefore, our approach which places more accuracy on individual lot valuations rather than the value of the whole development project, is reasonable.

3. The underlying or base land value of each lot is not properly accounted for. This results in widely varied development right values from one parcel to the next. Rather than using an average of \$60,000 per acre as a land cost for each lot, the total base land value (i.e. \$60,000/ac x 480 acres = \$28.7 million) should be distributed to the various lots based on their relative appeal – that is, their percentage of the project’s total value.

Response:

We incorporated this into the analysis for all three development scenarios. As expected it resulted in higher land costs for the more valuable ocean-front lots which in turn reduced the values of the development rights tied to these lots. We used \$28.7 million as the land basis for the 480 acres of the Grid and MOU scenarios; but for the ALT 1 scenario we included the option property at \$60,000 per acre. Thus the total land costs for the 618 acre ALT 1 project was assumed to be a total of \$37 million and was distributed across the proposed lots based on their relative value. We did not include the proposed Dos Pueblos lots in this calculation.

4. Since the selling prices of finished homes that resulted from the regression analysis were inflated over time in all three scenarios, construction costs should also be increased annually. The annual increase in direct construction costs (i.e. labor and materials) has exceeded inflation by a factor of two. Thus construction costs should be inflated 6% annually to better estimate future costs at time of construction.

Response:

We also incorporated this increase in construction costs assumption into our valuation analysis. Table 2.3 below illustrates the numbers we use depending on the estimated value of the house and when it would be built/sold (i.e. 2009 for inland and 2011 for coastal zone).¹⁷

Table 2.3 Inflated Construction Costs

value of improved lot with house	Inflated Construction Cost (per sf)				
	2-4 million	5-9 million	10-14 million	15-20 million	20+ million
2007	250	350	400	450	500
2008	265	371	424	477	530
2009	281	393	449	506	562
2010	298	417	476	536	596
2011	316	442	505	568	631

¹⁷ In several cases where values straddled a cost break we did not inflate so as to avoid negative development right values.

3. Naples Grid Lot Valuation

As a component of the work to update the 2006 TDR Feasibility Analysis we estimate the value of the development rights associated with the “Grid” alternative – that is, the 219 existing legal lots the County recognizes on the official Naples townsite map. It is these values that we use in our revised assessment of TDR feasibility in Section 6 of this report.

To accomplish this we need to identify a reasonable development scenario of the Naples lots. As a first step, the County identified which of the 219 Grid lots were indeed buildable. In so doing the County identified 115 to 125 lots as potentially buildable. Ten of the Grid lots it is uncertain whether or not they would be considered developable at this point. The map in Appendix A shows which Grid lots the County considers potentially developable.

These 125 buildable lots ranged in size from 0.95 acres to 33 acres; the majority however were 3.8 acre lots with an average lot size of 3.32 acres. We assumed that a certain amount of each lot would be used for roads and common subdivision space. Typical of larger-lot subdivisions of this kind we assume 10% of the gross acreage would be used for roads and 10% used for common subdivision space – this equates to a 20% overall reduction in the size of each of the 125 buildable Grid lots. The resulting average lot size was 2.66 acres.

Next, the likely house size and subsequent number of bedrooms and bathrooms of houses likely to be built on these lots was determined. The County identified houses as proposed in the MOU project with lot sizes similar to the Grid lots to model in the analysis. It was assumed smaller lots would have smaller houses and larger lots would have larger houses. This resulted in average house sizes of 5,229 square feet (with 5 bedrooms and 4 bathrooms) for the 100% project approval scenario; and 3,660 square feet (with 4 bedrooms and 3 bathrooms) for the 70% project approval scenario.

Finally, we calculated distances to Highway 101, the ocean, the railroad, airport and urban areas just as we had done in the MOU and ALT 1 valuation analyses and applied the hedonic regression to each of the 125 lots with their unique set of attributes.

The results (shown in Table 3.1 on the following page) represent the expected selling prices of homes on these lots as output by the model in 2005. These were then inflated by 8.9% annually to reflect their value in 2007. The 2007 average Grid lot home selling price is \$5.025 million and \$4.433 million for the 100% and 70% project approval respectively. A house on lot #12 priced at \$18 million is the highest priced home. The total potential 2007 value of the 125 homes ranged from \$628 million (100% project) to \$554 million (70% project).

To determine the value of the *development rights* associated with the buildable Grid lots, we first inflated the values by an annual 8.9% appreciation rate to 2009 and 2011 for

inland and coastal properties respectively. These values were then fully adjusted by discounting back to 2007 using a 3.2% discount rate to give current dollars. The resulting values were input into the residual land value model and are shown along side the model outputs and development right values in Tables 3.2 (for the 100% project) and Table 3.3 for the 70% project.

We assumed a 25% site development cost rather than the 35% assumed for the MOU and ALT 1 because the denser, smaller-lot Grid development would capture some economy of scale that would act to reduce the site preparation costs that larger lot developments could not.¹⁸ Like we did for the MOU and ALT 1 scenarios, constructions costs are inflated 6% annually.

Grid Lot Value Summary

The average value of the homes under the 100% scenario after full adjustment is \$6.031 million and the total value for the 125 potential homes is \$753.8 million. However, after backing out all costs and including the developer's expected profit, the value of the development rights under the 100% scenario are much less; they averaged \$1.347 million with a total of \$168.4 million for all 125 development rights.

The average value of the homes under the 70% scenario after full adjustment is \$5.321 million and the total for the 125 potential homes is \$665.2 million. Again, after backing out all costs and including the developer's expected profit, the value of the 70% development rights are much less; they averaged \$1.638 million with a total of \$204.8 million for all 125 development rights.

Interestingly, the model reports higher development right values for the 70% project than the 100% project. This can be explained by the fact that the marginal costs for additional square footage is greater than the marginal revenue the extra square footage generates - when the market price averages \$5 - \$6 million for these homes. That is, it is more economically beneficial for the developer to build 3,600 square foot houses rather than 5,300 square foot houses when the land costs are \$60,000 per acre and construction costs are between \$250 - \$350 per square foot.

¹⁸ We also used the same revised fixed cost assumptions as indicated in the beginning of Section 4.

Table 3.1 Range of Grid Lot Home Values

Official Naples Lot #	Approximate Lot Size (ac)	Adjusted Lot Size (ac)	100% House Size (sf)	Range of Current Grid Lot Market Values				
				Total Value - 100% project (av. 2 methods, in 2005)	Total Value - 100% project (inflation adjusted to 2007)	70% House Size (sf)	Total Value - 70% project (av. 2 methods, in 2005)	Total Value - 70% project (inflation adjusted to 2007)
12	3.8	3.04	6,938	\$ 5,936,635	\$ 18,056,475	4,857	\$ 5,272,814	\$ 16,037,441
13	3.8	3.04	7,180	\$ 5,277,007	\$ 6,269,607	5,012	\$ 4,698,957	\$ 5,582,826
34	3.8	3.04	5,792	\$ 4,671,111	\$ 5,649,742	4,857	\$ 4,134,876	\$ 4,912,643
35	3.8	3.04	6,010	\$ 5,084,385	\$ 15,464,327	4,207	\$ 4,489,243	\$ 13,654,181
36	0.95	0.76	3,990	\$ 4,020,152	\$ 12,227,427	2,793	\$ 3,516,162	\$ 10,694,525
40	3.8	3.04	6,972	\$ 4,831,962	\$ 5,740,849	4,880	\$ 4,257,662	\$ 5,058,524
39	3.8	3.04	6,607	\$ 5,178,743	\$ 6,152,859	4,625	\$ 4,469,438	\$ 5,310,135
38	3.8	3.04	6,104	\$ 5,853,802	\$ 17,804,535	4,273	\$ 5,205,837	\$ 15,833,726
61	3.8	3.04	5,792	\$ 4,438,840	\$ 5,273,781	4,054	\$ 3,929,285	\$ 4,668,379
62	3.8	3.04	6,010	\$ 4,777,094	\$ 5,975,621	4,207	\$ 4,217,984	\$ 5,011,288
63A	0.95	0.76	4,363	\$ 3,510,213	\$ 10,068,123	3,054	\$ 2,937,548	\$ 8,934,649
63B	0.95	0.76	3,990	\$ 3,460,522	\$ 10,525,293	2,793	\$ 3,026,653	\$ 9,205,666
68	0.95	0.76	4,363	\$ 2,887,384	\$ 3,430,498	3,054	\$ 2,562,416	\$ 3,044,404
67	0.95	0.76	3,990	\$ 2,975,764	\$ 3,535,502	2,793	\$ 2,602,571	\$ 3,092,112
66	0.95	0.76	4,363	\$ 3,280,413	\$ 9,977,487	3,054	\$ 2,911,098	\$ 8,854,203
89A	1.9	1.52	4,948	\$ 3,500,880	\$ 4,159,391	3,464	\$ 3,081,344	\$ 3,660,942
89B	1.9	1.52	4,948	\$ 3,500,479	\$ 4,158,916	3,464	\$ 3,080,992	\$ 3,660,523
90	3.8	3.04	4,442	\$ 4,077,818	\$ 4,944,852	3,109	\$ 3,614,589	\$ 4,294,499
91	3.8	3.04	3,919	\$ 4,171,519	\$ 12,687,814	2,743	\$ 3,727,188	\$ 11,336,367
96	3.8	3.04	7,160	\$ 4,579,292	\$ 5,440,653	5,012	\$ 4,077,734	\$ 4,844,751
95	3.8	3.04	6,938	\$ 4,751,670	\$ 5,645,454	4,857	\$ 4,220,357	\$ 5,014,202
94	3.8	3.04	4,944	\$ 4,517,353	\$ 13,739,679	3,461	\$ 4,041,258	\$ 12,291,620
93	3.8	3.04	4,948	\$ 5,471,561	\$ 16,641,935	3,464	\$ 4,815,911	\$ 14,647,754
117	3.8	3.04	7,160	\$ 4,615,969	\$ 5,484,228	5,012	\$ 4,110,395	\$ 4,883,556
118	3.8	3.04	3,467	\$ 3,806,849	\$ 4,522,913	2,427	\$ 3,359,616	\$ 3,990,368
119	1.9	1.52	4,948	\$ 4,018,601	\$ 4,229,120	3,464	\$ 3,675,046	\$ 4,067,656
119B	1.9	1.52	4,948	\$ 4,038,551	\$ 12,283,388	3,464	\$ 3,554,606	\$ 10,811,453
124	3.8	3.04	5,980	\$ 4,461,258	\$ 5,300,416	4,186	\$ 3,876,656	\$ 4,605,851
123	1.9	1.52	4,948	\$ 3,720,764	\$ 4,420,636	3,464	\$ 3,274,892	\$ 3,890,896
122	3.8	3.04	4,700	\$ 4,737,037	\$ 14,407,856	3,290	\$ 4,099,752	\$ 12,469,531
28	0.95	0.76	4,363	\$ 2,604,329	\$ 3,094,200	3,054	\$ 2,311,128	\$ 2,745,849
29	3.8	3.04	5,980	\$ 3,995,473	\$ 4,747,018	4,186	\$ 3,472,163	\$ 4,125,274
45	3.8	3.04	4,442	\$ 3,499,543	\$ 4,157,811	3,109	\$ 3,101,972	\$ 3,685,450
57	1.9	1.52	4,948	\$ 3,107,998	\$ 3,692,607	3,054	\$ 2,735,558	\$ 3,250,113
43A	0.95	0.76	4,363	\$ 2,684,056	\$ 3,188,924	3,054	\$ 2,381,903	\$ 2,829,937
43B	0.95	0.76	3,990	\$ 2,639,627	\$ 3,136,139	2,793	\$ 2,308,613	\$ 2,742,861
43C	0.95	0.76	4,363	\$ 2,627,675	\$ 3,121,938	3,054	\$ 2,331,869	\$ 2,770,491
43D	0.95	0.76	3,990	\$ 2,608,691	\$ 3,099,383	2,793	\$ 2,281,545	\$ 2,710,702
42	3.8	3.04	4,521	\$ 3,733,529	\$ 4,435,802	3,165	\$ 3,305,634	\$ 3,927,420
41	3.8	3.04	6,501	\$ 4,360,906	\$ 5,181,188	4,551	\$ 3,882,151	\$ 4,612,379
60A	0.95	0.76	4,363	\$ 2,768,783	\$ 3,289,588	3,054	\$ 2,457,149	\$ 2,916,377
60B	0.95	0.76	3,990	\$ 2,717,144	\$ 3,228,236	2,793	\$ 2,376,311	\$ 2,823,293
60C	0.95	0.76	4,363	\$ 2,758,210	\$ 3,277,026	3,054	\$ 2,447,767	\$ 2,908,189
60D	0.95	0.76	3,990	\$ 2,700,549	\$ 3,208,519	2,793	\$ 2,361,796	\$ 2,806,047
59	3.8	3.04	5,980	\$ 4,094,790	\$ 4,865,015	4,186	\$ 3,558,339	\$ 4,227,659
58	3.8	3.04	4,700	\$ 3,678,551	\$ 4,370,483	3,290	\$ 3,183,524	\$ 3,782,342
71	3.8	3.04	6,104	\$ 3,883,757	\$ 4,614,287	4,273	\$ 3,453,943	\$ 4,103,626
70A	1.9	1.52	4,948	\$ 3,231,647	\$ 3,839,517	3,464	\$ 2,844,385	\$ 3,378,411
70B	0.95	0.76	3,990	\$ 2,575,876	\$ 3,069,386	2,793	\$ 2,252,815	\$ 2,676,588
70C	0.95	0.76	4,363	\$ 2,619,159	\$ 3,111,820	3,054	\$ 2,324,336	\$ 2,761,541
69A	0.95	0.76	3,990	\$ 2,664,314	\$ 3,165,469	2,793	\$ 2,330,124	\$ 2,768,418
69B	0.95	0.76	4,363	\$ 2,762,884	\$ 3,282,579	3,054	\$ 2,451,931	\$ 2,913,137
86A	0.95	0.76	3,990	\$ 2,479,546	\$ 2,945,946	2,793	\$ 2,168,598	\$ 2,576,510
86B	0.95	0.76	4,363	\$ 2,560,870	\$ 3,030,686	3,054	\$ 2,263,722	\$ 2,689,526
86C	1.9	1.52	4,948	\$ 3,097,745	\$ 3,680,428	3,464	\$ 2,726,532	\$ 3,239,390
87	3.8	3.04	4,521	\$ 4,025,943	\$ 4,786,149	4,551	\$ 3,983,087	\$ 4,757,038
88	3.8	3.04	4,521	\$ 3,689,307	\$ 4,383,262	3,165	\$ 3,265,516	\$ 3,880,944
99	3.8	3.04	5,980	\$ 3,907,113	\$ 4,642,037	4,186	\$ 3,395,290	\$ 4,033,940
98	3.8	3.04	4,700	\$ 3,707,061	\$ 4,404,355	3,290	\$ 3,208,111	\$ 3,811,553
97	3.8	3.04	3,467	\$ 3,377,304	\$ 4,012,572	2,427	\$ 2,979,618	\$ 3,540,081
114	3.8	3.04	4,948	\$ 3,623,092	\$ 4,304,592	3,464	\$ 3,188,926	\$ 3,788,760
115	3.8	3.04	4,944	\$ 3,663,299	\$ 4,352,362	3,461	\$ 3,227,379	\$ 3,893,851
116	3.8	3.04	6,938	\$ 4,293,423	\$ 5,101,012	4,857	\$ 3,813,359	\$ 4,530,648
127	0.95	0.76	4,363	\$ 2,583,732	\$ 3,069,720	3,054	\$ 2,292,884	\$ 2,724,173
127B	0.95	0.76	3,990	\$ 2,551,039	\$ 3,030,887	2,793	\$ 2,231,118	\$ 2,650,789
126	3.8	3.04	6,010	\$ 4,030,284	\$ 4,788,377	4,207	\$ 3,558,559	\$ 4,227,921
125	3.8	3.04	5,792	\$ 4,094,899	\$ 4,865,146	4,054	\$ 3,624,824	\$ 4,306,650
47	3.8	3.04	3,919	\$ 2,978,854	\$ 3,539,173	2,743	\$ 2,646,425	\$ 3,144,215
46	3.8	3.04	6,938	\$ 3,602,908	\$ 4,280,611	4,857	\$ 3,197,430	\$ 3,798,863
74	3.8	3.04	6,607	\$ 3,575,414	\$ 4,247,945	4,625	\$ 3,112,631	\$ 3,698,114
75	1.9	1.52	4,948	\$ 2,750,874	\$ 3,268,311	3,464	\$ 2,422,366	\$ 2,878,011
76	1.9	1.52	5,121	\$ 4,023,379	\$ 4,780,173	3,590	\$ 3,567,477	\$ 4,236,516
83	3.8	3.04	4,948	\$ 3,230,584	\$ 3,934,410	3,464	\$ 2,994,410	\$ 3,544,796
84	3.8	3.04	6,972	\$ 3,570,578	\$ 4,242,200	4,880	\$ 3,148,617	\$ 3,740,869
104	3.8	3.04	3,467	\$ 2,734,095	\$ 3,248,376	2,427	\$ 2,415,392	\$ 2,869,725
103	3.8	3.04	6,104	\$ 3,339,366	\$ 3,967,498	4,273	\$ 2,960,465	\$ 3,517,326
102	3.8	3.04	6,010	\$ 3,371,646	\$ 4,005,850	4,207	\$ 2,970,971	\$ 3,529,808
101	3.8	3.04	5,792	\$ 3,349,689	\$ 3,979,762	4,054	\$ 2,955,992	\$ 3,512,011
112	3.8	3.04	3,919	\$ 2,927,993	\$ 3,478,762	2,743	\$ 2,601,313	\$ 3,080,623
111	3.8	3.04	4,442	\$ 3,626,491	\$ 4,326,661	3,109	\$ 2,698,911	\$ 3,206,811
110	3.8	3.04	4,521	\$ 3,047,985	\$ 3,621,308	3,165	\$ 2,693,301	\$ 3,199,908
109	3.8	3.04	6,501	\$ 3,422,851	\$ 4,066,686	4,551	\$ 3,027,682	\$ 3,597,186
108	3.8	3.04	6,972	\$ 3,487,840	\$ 4,143,899	4,880	\$ 3,075,682	\$ 3,654,214
133	3.8	3.04	6,501	\$ 3,414,080	\$ 4,056,265	4,551	\$ 3,019,890	\$ 3,587,929
131	3.8	3.04	6,972	\$ 3,574,416	\$ 4,246,760	4,880	\$ 3,152,017	\$ 3,744,908
130	3.8	3.04	6,607	\$ 3,588,132	\$ 4,263,056	4,625	\$ 3,123,729	\$ 3,711,299
129	3.8	3.04	6,104	\$ 3,456,665	\$ 4,196,665	4,273	\$ 3,064,401	\$ 3,640,811
136	3.8	3.04	3,919	\$ 2,866,961	\$ 3,406,234	2,743	\$ 2,546,910	\$ 3,025,981
137	3.8	3.04	4,948	\$ 3,166,199	\$ 3,761,758	3,464	\$ 2,788,103	\$ 3,312,542
138	3.8	3.04	4,944	\$ 3,172,352	\$ 3,769,068	3,461	\$ 2,816,793	\$ 3,346,629
139	3.8	3.04	6,938	\$ 3,606,619	\$ 4,285,021	4,857	\$ 3,200,731	\$ 3,802,786
140	3.8	3.04	7,160	\$ 3,686,000	\$ 4,379,333	5,012	\$ 3,266,593	\$ 3,881,036
162	3.8	3.04	6,104	\$ 3,340,756	\$ 3,969,148	4,273	\$ 2,961,644	\$ 3,518,727
161	3.8	3.04	6,010	\$ 3,375,501	\$ 4,010,429	4,207	\$ 2,974,331	\$ 3,533,799
160	3.8	3.04	5,792	\$ 3,361,607	\$ 3,993,922	4,054	\$ 2,965,429	\$ 3,524,412
159	3.8	3.04	5,980	\$ 3,466,832	\$ 4,118,940	4,186	\$ 3,030,244	\$ 3,600,230
158	3.8	3.04	4,700	\$ 3,224,840	\$ 3,831,429	3,290	\$ 2,816,644	\$ 3,346,452
157	3.8	3.04	3,467	\$ 2,896,473	\$ 3,441,296	2,427	\$ 2,558,808	\$ 3,040,118
163	3.8	3.04	6,607	\$ 3,519,636	\$ 4,181,676	4,625	\$ 3,064,339	\$ 3,640,738
164	3.8	3.04	6,972	\$ 3,572,707	\$ 4,244,730	4,880	\$ 3,150,517	\$ 3,743,126
165	1.9	1.52	4,948	\$ 2,801,427	\$ 3,328,372	3,464	\$ 2,466,889	\$ 2,930,908
167	3.8	3.04	6,501	\$ 3,587,620	\$ 4,274,329	4,551	\$ 3,182,434	\$ 3,761,047
185	3.8	3.04	4,521	\$ 3,065,395	\$ 3,641,763	3,165	\$ 2,708,660	\$ 3,215,157
186	3.8	3.04	4,442	\$ 3,076,422	\$ 3,655,094	3,109	\$ 2,720,232	\$ 3,231,905
187	3.8	3.04	3,919	\$ 2,964,102	\$ 3,521,647	2,743	\$ 2,633,266	\$ 3,128,580
196	3.8	3.04	4,944	\$ 3,168,375	\$ 3,764,343	3,461	\$ 2,813,154	\$ 3,342,305
195	3.8	3.04	4,948	\$ 3,232,094	\$ 3,840,048	3,464	\$ 2,846,129	\$ 3,381,484
244	3.8	3.04	7,160	\$ 3,724,021	\$ 4,424,506	5,012	\$ 3,300,153	\$ 3,920,909
243	3.8	3.04	6,938	\$ 3,735,219	\$ 4,437,810	4,857	\$ 3,314,858	\$ 3,938,380
193	3.8	3.04	3,990	\$ 2,740,766	\$ 3,240,806	2,793	\$ 2,027,420	

Table 3.2 100% Grid Lot Development Right Values

Official Naples Lot #	Approximate Lot Size (ac)	Adjusted Lot Size (ac)	100% House Size* (sq ft)	Total Value (av. 2 methods at 100% project size) (Tully adjusted to 2011 and 2009 \$ for coastal zone & inland lots respectively)	Development Costs (100% project) (See Appendix 7)	Project Profit (100% project) (15% total value)	Residual land value (100% project) (note: this does not include profit)	Developer profit (100% project) (50% project profit)	Entitlement Value (100% project) (sum of residual land value & developer profit)
12	3.0	3.04	6,938	21,869,866	10,650,123	3,280,457	7,939,286	1,640,229	9,579,508
13	3.0	3.04	7,160	7,993,698	6,009,596	1,139,055	445,048	569,527	1,014,575
34	3.0	3.04	5,792	6,721,803	4,969,456	1,008,271	744,072	504,135	1,248,212
35	3.0	3.04	6,010	18,730,210	6,917,217	2,909,541	7,908,858	1,404,770	9,313,628
36	0.95	0.76	3,990	14,809,763	5,764,103	2,221,450	6,824,210	1,110,725	7,934,935
38	3.0	3.04	6,972	6,953,271	5,276,453	1,042,991	133,272	521,485	674,767
39	3.0	3.04	6,607	7,458,243	5,627,543	1,117,834	708,746	568,938	1,277,684
38	3.0	3.04	6,104	21,564,712	9,777,390	3,234,685	8,552,637	1,617,343	10,169,979
61	3.0	3.04	7,792	6,387,562	5,317,545	958,134	57,662	478,062	625,724
62	3.0	3.04	6,010	6,874,577	5,037,567	1,031,147	705,423	515,574	1,221,152
63A	0.95	0.76	4,363	12,194,431	5,606,156	1,829,152	4,799,123	914,676	5,713,800
63B	0.95	0.76	3,990	12,428,181	5,206,800	1,912,233	5,293,080	966,111	6,259,191
68	0.95	0.76	4,363	4,154,992	2,958,665	623,249	572,879	311,624	884,503
67	0.95	0.76	3,990	4,282,172	2,792,954	642,326	846,892	321,163	1,168,055
66	0.95	0.76	4,363	12,084,653	5,487,136	1,812,698	4,684,439	908,349	5,592,788
89A	1.0	1.52	4,948	5,037,822	4,129,167	755,673	152,962	377,637	530,619
89B	1.0	1.52	4,948	5,037,246	4,129,067	755,587	152,993	377,793	530,986
90	3.0	3.04	4,442	5,869,047	3,944,157	880,207	1,043,681	440,103	1,483,786
91	3.0	3.04	3,919	15,367,380	6,180,104	2,305,107	6,882,169	1,152,554	8,034,723
96	3.0	3.04	7,160	6,589,675	5,835,639	988,458	(234,422)	494,229	259,807
95	3.0	3.04	6,938	6,837,730	6,837,730	1,025,666	77,728	1,098,184	1,275,912
94	3.0	3.04	4,944	16,641,391	6,136,996	2,486,209	2,486,209	1,248,104	9,256,291
93	3.0	3.04	4,948	20,196,981	8,397,013	3,023,487	8,736,081	1,511,744	10,247,824
117	3.0	3.04	7,160	6,542,454	6,844,784	986,369	(198,698)	498,184	299,486
118	3.0	3.04	3,467	5,478,117	3,242,936	821,723	1,413,457	410,861	1,824,319
119A	1.0	1.52	4,948	14,804,000	6,621,255	2,220,608	6,062,188	1,110,304	7,172,492
119B	1.0	1.52	4,948	14,877,543	6,633,989	2,211,631	6,111,924	1,115,818	7,227,742
124	3.0	3.04	5,980	6,419,822	5,039,318	962,973	6,062,973	481,531	6,544,504
122	3.0	3.04	4,948	5,354,240	4,183,899	803,141	967,109	401,571	768,900
28	0.95	0.76	4,363	7,477,671	3,747,671	2,888,292	562,151	287,075	854,266
29	3.0	3.04	5,980	5,749,550	4,925,167	862,438	36,079	431,219	477,298
45	3.0	3.04	4,442	5,749,550	4,925,167	862,438	36,079	431,219	477,298
57	1.0	1.52	4,948	4,472,456	3,724,670	670,868	476,018	335,434	811,452
43A	0.95	0.76	4,363	3,990,276	2,779,648	569,770	289,365	150,588	440,353
43B	0.95	0.76	3,990	3,990,276	2,779,648	569,770	289,365	150,588	440,353
43C	0.95	0.76	4,363	3,781,267	2,966,206	567,194	247,867	283,597	531,464
43D	0.95	0.76	3,990	3,990,276	2,779,648	569,770	289,365	150,588	440,353
42	3.0	3.04	4,521	5,372,608	3,652,689	805,891	714,028	402,946	1,116,974
41	3.0	3.04	6,501	6,275,414	5,222,707	941,312	111,995	470,656	582,651
60A	0.95	0.76	4,363	2,984,323	2,384,323	401,756	298,822	129,580	428,402
60B	0.95	0.76	3,990	3,810,014	2,790,126	586,502	533,366	293,251	826,617
60C	0.95	0.76	4,363	3,989,108	2,983,517	595,366	390,225	297,683	687,908
60D	0.95	0.76	3,990	3,896,133	2,892,933	582,283	582,283	291,463	873,746
59	3.0	3.04	5,980	5,892,468	4,848,814	883,870	159,784	441,935	601,719
58	3.0	3.04	4,700	5,293,485	3,981,732	794,030	537,234	397,015	934,748
71	3.0	3.04	6,104	5,928,783	5,928,783	838,937	(150,947)	810,919	961,868
70A	1.0	1.52	4,948	4,650,392	3,341,068	697,559	611,766	348,779	960,545
70B	0.95	0.76	3,990	3,706,727	2,771,392	556,013	379,323	278,006	657,329
70C	0.95	0.76	4,363	3,769,017	2,769,017	3,298,077	3,298,077	1,649,038	4,947,115
69A	0.95	0.76	3,990	3,833,991	2,833,120	575,099	473,772	287,549	763,322
69B	0.95	0.76	4,363	3,075,834	2,984,137	595,379	395,318	298,130	693,508
69A	0.95	0.76	3,990	3,990,276	2,779,648	569,770	289,365	150,588	440,353
68B	0.95	0.76	4,363	3,670,743	2,956,021	550,611	164,111	275,306	439,416
68C	1.0	1.52	4,948	4,467,705	3,423,311	668,656	465,793	334,328	800,067
87	3.0	3.04	6,501	5,179,101	4,179,101	618,911	(268,881)	438,030	179,149
88	3.0	3.04	4,521	5,308,973	3,846,824	3,846,824	665,797	351,176	1,016,973
98	3.0	3.04	5,980	5,622,399	4,623,928	843,360	(44,887)	421,680	376,793
98	3.0	3.04	4,700	5,346,512	3,965,512	800,170	590,170	368,819	969,019
97	3.0	3.04	3,467	4,859,995	2,614,144	728,999	1,516,852	364,500	1,881,351
104	3.0	3.04	4,948	4,213,888	3,416,888	416,888	782,081	393,027	707,107
115	3.0	3.04	4,944	5,271,546	4,118,287	790,732	362,527	395,366	787,893
116	3.0	3.04	6,938	6,178,305	5,497,768	926,746	(246,209)	463,374	217,164
127A	0.95	0.76	4,363	2,718,033	2,480,329	527,880	527,880	278,854	806,734
127B	0.95	0.76	3,990	3,670,986	2,768,098	550,648	352,240	275,324	627,564
126	3.0	3.04	6,010	5,799,644	4,859,757	869,947	89,940	434,973	604,914
129	3.0	3.04	5,792	5,892,645	4,892,645	883,926	883,926	441,963	1,325,889
47	3.0	3.04	3,919	4,286,619	2,789,057	642,993	854,569	321,496	1,176,066
46	3.0	3.04	6,938	5,184,642	5,406,197	777,702	(999,257)	388,851	(610,406)
74	3.0	3.04	6,007	5,145,077	5,145,077	771,765	(814,116)	385,881	(428,234)
73	1.0	1.52	4,948	3,958,552	3,477,311	593,787	487,454	296,893	784,348
55	11.4	9.12	5,129	5,789,708	4,777,071	868,450	544,186	434,225	978,411
83	3.0	3.04	4,948	3,212,959	3,212,959	696,929	52,493	293,464	346,294
84	3.0	3.04	6,972	5,139,119	4,424,007	770,718	(1,056,605)	385,359	(671,246)
104	3.0	3.04	3,467	3,934,407	2,629,847	590,161	815,399	295,081	1,110,480
103	3.0	3.04	6,104	4,809,401	4,809,401	637,832	200,816	360,408	607,162
102	3.0	3.04	6,010	4,851,854	3,894,749	727,778	363,889	363,889	727,778
112	3.0	3.04	5,792	4,620,227	3,781,992	723,043	315,221	361,522	676,743
111	3.0	3.04	4,442	4,392,584	3,082,349	658,892	671,343	329,446	1,000,789
109	3.0	3.04	4,521	4,286,091	3,109,557	657,815	629,627	326,957	984,582
109	3.0	3.04	6,501	4,925,538	4,148,948	738,541	37,765	369,415	407,181
108	3.0	3.04	6,972	5,019,058	5,413,035	752,859	(1,146,835)	376,429	(770,406)
133	3.0	3.04	6,501	4,312,917	4,147,773	736,942	28,192	398,471	398,667
131	3.0	3.04	6,972	5,143,642	5,424,518	771,552	(1,052,425)	385,776	(666,649)
130	3.0	3.04	6,607	5,163,380	5,189,118	774,512	(600,250)	387,256	(412,994)
127A	0.95	0.76	6,104	4,973,961	4,373,961	746,994	746,994	373,047	847,548
136	3.0	3.04	3,919	4,125,603	2,774,218	618,840	532,545	305,420	914,965
137	3.0	3.04	4,948	4,656,212	3,332,389	683,436	540,387	341,718	882,105
138	3.0	3.04	4,944	4,666,066	3,331,189	684,763	549,187	342,383	891,497
139	3.0	3.04	6,938	5,189,983	4,406,665	778,503	(895,209)	389,251	(505,958)
140	3.0	3.04	7,160	5,304,214	5,361,496	795,637	(1,052,920)	387,819	(665,101)
162	3.0	3.04	6,104	4,807,401	3,930,017	721,110	721,110	359,555	608,630
161	3.0	3.04	6,010	4,857,400	3,895,260	728,610	233,530	364,305	692,835
160	3.0	3.04	5,792	4,837,407	3,783,573	725,611	328,223	362,806	691,029
159	3.0	3.04	5,980	4,898,924	3,492,261	748,241	748,241	374,165	722,401
158	3.0	3.04	4,700	4,640,597	3,215,204	696,090	729,303	348,045	1,077,348
157	3.0	3.04	3,467	4,168,071	2,550,380	652,215	692,476	312,807	1,005,083
163	3.0	3.04	6,607	4,607,000	3,984,813	659,127	(874,948)	375,864	(499,084)
164	3.0	3.04	6,972	4,511,183	4,424,289	771,183	(1,054,289)	385,591	(668,697)
165	1.0	1.52	4,948	4,091,298	3,284,015	604,895	742,588	302,347	844,936
167	3.0	3.04	6,501	5,171,486	5,171,486	776,033	(776,033)	388,217	(388,217)
185	3.0	3.04	4,521	4,411,153	3,103,868	661,673	645,614	330,837	976,451
186	3.0	3.04	4,442	4,427,021	3,065,622	664,058	697,441	332,026	1,029,470
187	3.0	3.04	3,919	4,286,381	4,286,381	6			

Table 3.3 70% Grid Lot Development Right Values

Official Naples Lot #	Approximate Lot Size (ac)	Adjusted Lot Size (ac)	100% House Size* (sq ft)	Total Value (av. 2 methods at 70% project size) (fully adjusted to 2011 and 2009 \$ for coastal zone & inland lots respectively)	Development Costs (70% project)	Project Profit (70% project) (15% total value)	Residual land value (70% project) (note: this does not include profit)	Developer profit (70% project) (50% project profit)	Entitlement Value (70% project) (sum of residual land value & developer profit)
12	3.8	3.04	4,857	19,424,422	8,405,874	2,913,663	8,104,885	1,456,832	9,561,716
13	3.8	3.04	5,012	6,761,875	4,806,177	1,014,281	1,014,281	507,141	1,448,557
34	3.8	3.04	4,054	5,950,154	3,989,863	892,523	1,070,768	448,262	1,517,029
35	3.8	3.04	4,204	16,537,837	7,827,801	6,929,860	1,234,380	5,163,697	6,398,077
36	0.95	0.76	2,793	12,953,124	1,942,956	6,170,539	6,170,539	971,478	7,142,016
40	3.8	3.04	4,880	6,126,845	4,803,117	619,030	604,695	469,516	1,064,212
39	3.8	3.04	4,313,584	6,431,584	3,947,339	3,947,339	3,947,339	1,457,328	5,404,667
38	3.8	3.04	4,273	19,177,684	7,721,210	2,876,653	8,519,822	1,438,326	9,958,148
61	3.8	3.04	4,054	5,654,304	3,932,491	848,146	3,973,299	424,073	4,397,372
62	3.8	3.04	4,054	6,059,332	3,910,445	1,041,813	1,041,813	498,737	1,540,550
63A	0.95	0.76	3,054	10,821,577	4,644,903	1,623,226	4,583,448	811,613	5,365,061
63B	0.95	0.76	3,054	11,149,830	4,644,903	1,623,226	4,583,448	811,613	5,365,061
68	0.95	0.76	3,054	3,657,358	2,382,084	553,107	752,167	276,564	1,028,729
67	0.95	0.76	2,793	3,745,142	2,255,404	561,775	627,962	280,887	1,208,850
66	0.95	0.76	3,054	10,723,441	4,644,903	1,623,226	4,583,448	811,613	5,365,061
89A	1.9	1.52	3,464	4,434,104	2,890,226	665,116	665,116	332,558	1,211,320
89B	1.9	1.52	3,464	4,433,597	2,890,133	665,044	665,044	332,522	1,210,842
90	3.8	3.04	3,109	5,201,481	3,423,694	780,218	1,237,540	390,109	1,627,649
91	3.8	3.04	2,743	13,730,519	4,979,007	2,059,578	6,691,934	1,029,789	7,721,723
96	3.8	3.04	5,012	5,867,925	4,642,364	880,189	345,372	440,094	785,466
95	3.8	3.04	4,857	6,073,182	4,650,376	987,245	376,704	455,487	1,045,623
94	3.8	3.04	3,461	14,887,513	5,659,016	2,233,112	7,065,386	8,181,942	15,247,328
93	3.8	3.04	3,464	17,741,244	6,734,608	2,681,187	8,345,449	1,330,593	9,676,042
117	3.8	3.04	5,012	5,914,925	4,650,376	987,245	376,704	455,487	1,045,623
118	3.8	3.04	2,427	4,833,103	2,724,369	1,253,765	1,253,765	362,483	2,116,251
115A	1.9	1.52	3,464	13,030,059	5,411,112	1,954,509	5,684,439	977,254	6,641,893
115B	1.9	1.52	3,464	13,094,746	5,423,033	1,964,199	5,707,514	982,099	6,689,613
124	3.8	3.04	4,186	5,578,570	4,020,725	836,791	721,053	418,396	1,139,449
122	1.9	1.52	3,464	4,771,622	2,941,656	706,893	1,084,173	353,447	1,437,619
123	3.8	3.04	3,054	15,105,898	3,210,393	2,269,450	6,829,450	1,132,725	7,962,175
28	0.95	0.76	3,054	3,325,750	498,866	511,160	249,433	760,593	1,271,726
30	3.8	3.04	4,186	4,096,459	3,423,684	749,446	374,740	1,198,075	1,572,815
45	3.8	3.04	4,186	4,463,788	3,659,285	869,573	4,134,795	473,734	4,608,529
57	1.9	1.52	3,464	3,936,511	2,670,036	590,477	675,998	295,238	971,237
43A	0.95	0.76	3,054	3,257,087	2,139,367	513,529	337,070	770,999	1,108,069
43B	0.95	0.76	2,793	3,322,132	2,247,889	498,320	575,923	249,160	825,083
43C	0.95	0.76	3,054	3,355,596	2,303,293	503,343	458,961	251,671	710,632
43D	0.95	0.76	3,054	3,293,181	2,283,181	493,477	448,404	248,298	696,702
42	3.8	3.04	3,165	4,758,880	3,124,756	713,534	1,328,570	356,767	1,685,337
41	3.8	3.04	4,851	5,586,478	4,136,162	837,977	612,338	418,989	1,031,327
60A	0.95	0.76	3,054	3,530,877	2,406,662	528,356	426,589	265,191	691,780
60B	0.95	0.76	2,793	3,419,550	2,256,867	512,936	399,372	256,468	655,840
80C	0.95	0.76	3,054	3,522,376	2,406,662	528,356	426,589	265,191	691,780
80D	0.95	0.76	2,938	3,398,652	2,248,842	493,810	383,943	248,298	632,241
59	3.8	3.04	4,186	5,120,507	3,347,668	768,071	1,004,868	384,035	1,388,903
58	3.8	3.04	3,290	4,581,143	2,772,089	687,171	1,121,882	343,586	1,465,468
71	3.8	3.04	4,370,279	4,370,279	4,370,279	4,370,279	4,370,279	4,370,279	4,370,279
70A	1.9	1.52	3,464	4,093,116	2,684,466	613,971	704,676	306,886	1,011,662
70B	0.95	0.76	2,793	3,241,838	2,240,490	486,276	515,072	243,136	758,210
70C	0.95	0.76	3,054	3,344,757	2,302,290	501,714	501,714	301,696	803,410
69A	0.95	0.76	2,793	3,353,086	2,250,742	490,266	599,378	261,483	860,861
69B	0.95	0.76	3,054	3,529,368	2,409,215	529,259	589,895	264,629	854,524
86A	0.95	0.76	3,120,648	3,120,648	3,120,648	3,120,648	3,120,648	3,120,648	3,120,648
86B	0.95	0.76	3,054	3,257,532	2,384,256	488,633	384,643	244,317	628,960
86C	1.9	1.52	3,464	3,823,523	2,668,639	598,532	666,151	294,266	960,417
87	3.8	3.04	4,158,091	4,158,091	4,158,091	4,158,091	4,158,091	4,158,091	4,158,091
88	3.8	3.04	3,165	4,700,569	3,250,568	705,085	1,285,015	362,543	1,647,558
98	3.8	3.04	4,186	4,885,477	3,325,346	732,881	936,044	366,441	1,302,485
97	3.8	3.04	4,186	4,616,523	3,159,349	692,478	1,146,625	494,935	1,641,560
114	3.8	3.04	4,247	4,287,718	2,137,320	643,162	1,507,236	321,581	1,828,817
115	3.8	3.04	4,186	4,888,316	3,325,346	732,881	1,025,804	344,169	1,370,073
116	3.8	3.04	3,461	4,718,202	2,884,761	707,430	1,124,011	353,715	1,477,726
127A	0.95	0.76	4,857	5,487,485	4,342,279	823,123	322,083	411,561	733,644
127B	0.95	0.76	3,290	3,290,827	3,290,827	3,290,827	3,290,827	3,290,827	3,290,827
126	3.8	3.04	2,793	3,210,615	2,237,612	481,592	591,411	240,796	732,207
47	3.8	3.04	4,207	5,120,507	3,351,412	768,124	501,288	384,062	885,350
46	3.8	3.04	4,207	5,120,507	3,351,412	768,124	501,288	384,062	885,350
74	3.8	3.04	4,857	4,473,126	3,693,217	890,173	217,764	345,086	562,850
73	1.9	1.52	3,464	4,486,824	3,228,503	628,824	834,447	261,437	595,884
55	11.4	9.12	3,690	5,133,657	3,090,023	770,043	1,273,591	385,022	1,658,613
83	3.8	3.04	3,465,594	3,465,594	3,465,594	3,465,594	3,465,594	3,465,594	3,465,594
84	3.8	3.04	4,880	4,630,911	3,700,709	679,637	1,056,665	339,818	1,396,483
104	3.8	3.04	4,247	3,475,788	2,062,496	821,372	891,920	260,686	1,152,606
103	3.8	3.04	4,207	4,260,157	3,120,319	630,024	819,512	291,216	1,110,728
102	3.8	3.04	4,207	4,275,275	3,106,466	641,291	820,646	292,648	1,113,294
101	3.8	3.04	4,054	4,253,740	3,021,301	636,058	594,362	319,029	913,391
112	3.8	3.04	3,109	3,743,338	2,559,819	610,564	792,215	292,761	1,084,976
111	3.8	3.04	3,109	3,884,064	2,472,137	584,614	829,314	302,314	1,131,628
110	3.8	3.04	3,109	3,875,704	2,501,509	591,356	792,639	290,678	1,083,317
109	3.8	3.04	4,155	4,355,893	3,351,331	691,563	749,022	336,761	1,085,783
108	3.8	3.04	4,880	4,425,956	3,691,037	683,893	711,025	331,947	1,042,972
133	3.8	3.04	4,551	4,345,671	3,300,296	651,851	693,524	325,925	1,019,449
131	3.8	3.04	4,880	4,535,803	3,701,160	680,375	154,269	340,185	494,456
130	3.8	3.04	4,625	4,495,096	3,547,481	674,264	273,351	337,132	610,483
129	3.8	3.04	4,273	4,408,722	3,547,481	674,264	273,351	337,132	610,483
136	3.8	3.04	2,743	3,665,045	2,252,400	547,857	682,888	274,878	1,137,766
137	3.8	3.04	3,464	4,012,125	2,727,005	601,823	733,298	300,911	1,034,209
138	3.8	3.04	4,054	4,053,411	2,729,283	608,016	766,112	304,008	1,070,120
139	3.8	3.04	4,857	4,605,904	3,693,854	690,890	221,359	345,445	566,805
140	3.8	3.04	5,012	4,700,680	3,793,677	705,102	202,001	352,551	554,552
162	3.8	3.04	4,273	4,261,654	3,141,095	630,212	819,639	319,639	1,139,278
161	3.8	3.04	4,207	4,280,110	3,106,812	642,021	811,178	321,010	1,132,188
160	3.8	3.04	4,054	4,268,740	3,022,685	640,311	605,744	320,165	925,899
159	3.8	3.04	4,054	4,360,170	3,110,880	653,066	653,066	327,043	980,109
158	3.8	3.04	3,290	4,053,197	2,586,164	607,979	809,053	303,960	1,113,043
157	3.8	3.04	4,247	3,682,186	2,081,515	592,329	1,488,323	276,164	1,324,487
163	3.8	3.04	4,054	4,403,633	3,639,093	621,445	621,445	308,722	930,167
164	3.8	3.04	4,880	4,533,644	3,700,961	680,051	152,632	340,026	492,658
165	1.9	1.52	3,464	3,549,893	2,634,408	532,487	592,998	268,244	861,242
167	3.8	3.04	4,575,576	4,575,576	4,575,576	4,575,576	4,575,576	4,575,576	4,575,576
185	3.8	3.04	3,165	3,897,806	2,503,546	584,671	809,589	292,335	1,101,925
186	3.8	3.04	3,109	3,914,458</					

4. Updated MOU and ALT 1 Valuation

The changes applied to the valuation analysis in the Updated 2007 TDR Feasibility Study as a result of public comment described in Section 2 are shown below. The results of these changes are reflected in the new numbers for the MOU and ALT 1 projects in the ensuing tables.

- Valuing the Grid Alternative as the baseline (completed in Section 3)
- Appreciate the values from the 2005 regression results to reflect 2009 and 2011 values followed by discounting back to 2007.
- Adjust the absorption time from 1 year to 2 or 3 years for homes values under/over \$10 million respectively.
- Adjust land costs from \$22,000 per acre to \$60,000 per acre to reflect a total land cost for the Santa Barbara Ranch of \$28.7 million.
- Added a land basis calculation that distributes total base land value to the various parcels based on their relative appeal (i.e. their value as a percent of the project's total value).
- Adjust construction costs to more accurately capture the cost of luxury home construction according to the following: homes priced between \$2 - \$4 million have \$250/sf costs; homes between \$5 - \$9 million have \$350/sf costs; homes between \$10 - \$14 million have \$400/sf costs; homes between \$15 - \$20 million have \$450/sf costs; and homes above \$20 million have \$500/sf costs of construction.
- Construction costs were then appreciated 6% annually to the expected time in which the home would be sold (i.e. 2009 or 2011 for inland or costal zone properties).¹⁹
- The Dos Pueblos home/lot values were corrected in the model to reflect zero land costs and no land carry. It is assumed the owner/developer has held ownership of land and did not incur its cost at \$60,000 per acre
- We correct for a site development cost error in the 2006 study. In the previous study it was reported that site development costs were calculated assuming 35% of construction costs, but the model actually calculated based on approximately 50% of construction costs. We correct this to allow site development costs to be 35% of building construction costs as indicated in the report.

Table 4.1 below summarizes the average and total results for the Grid, MOU and ALT 1 valuation analysis. Chart 4.1 shows the reader how the valuation results changed from the 2005 valuation analysis with the adjustments that were made in this 2007 re-valuation. The complete results for each individual lot of the MOU and ALT 1 are shown in Tables 4.2 – 4.5. In short, the MOU total development values decreased from \$165 million to

¹⁹ Note: some lots did not have the construction costs inflated so as to avoid negative development right values. These were several lots that straddled a value/cost threshold.

\$125 million while the ALT 1 development right values decreased from \$199 million to \$155 million.

Table 4.1 Grid, MOU, and ALT 1 Summary

	Updated 2007 Data					
	Grid (125 units)		MOU (54 units)		ALT 1 (73 units)	
	100%	70%	100%	70%	100%	70%
Average house size* (sf)	5,229	3,660	6,500	4,550	6,615	4,631
2007 Total Value	\$ 628,146,321	\$ 554,239,645	\$ 456,143,265	\$ 383,840,983	\$ 574,026,698	\$ 499,938,484
2007 average home value	\$ 5,025,171	\$ 4,433,917	\$ 8,447,098	\$ 7,108,166	\$ 7,863,379	\$ 6,848,472
Fully adjusted Total value**	\$ 753,884,111	\$ 665,194,089		\$ 458,562,502		\$ 581,123,887
Fully adjusted average home value	\$ 6,031,073	\$ 5,321,553		\$ 8,491,898		\$ 7,960,601
2007 Total Development Right value	\$ 168,419,353	\$ 204,810,147	\$ 135,660,229	\$ 125,563,237	\$ 149,211,920	\$ 155,392,675
2007 Average Development Right value	\$ 1,347,355	\$ 1,638,481	\$ 2,512,226	\$ 2,242,201	\$ 2,043,999	\$ 2,071,902
	2005 Data					
2005 Total Value	none	none	\$ 381,895,406	\$ 325,929,778	\$ 484,989,461	\$ 416,994,700
Fully adjusted Total value***	none	none		\$ 380,157,901		\$ 480,874,763
2005 Total Development Right value	none	none	\$ 221,307,164	\$ 165,726,476	\$ 262,928,409	\$ 198,941,801

* includes 800 sf guest house

** fully adjusted refers to the appreciation to 2009 and 2011 followed by discounting back to 2007

*** 2005 data adjusted to 2007 and 2009 followed by discounting back to 2005

It is important to point out in this discussion the relative certainty in our estimate of *individual lot* development right values versus the degree of uncertainty in our estimate of the *total* value of all the development rights if they were purchased in-whole and up-front by the Naples TDR Bank.

That is to say, on an individual lot basis the model accurately predicts the compensation needed to transfer development rights; but if the entire project – or large portions of it – were to be transferred, the compensation for development rights would likely be less than the totals we report. Simply put, if the owner of the Santa Barbara Ranch is paid in-whole up-front he is likely to accept less so as to avoid the inherent risk of getting the project approved and sold. We feel this is acceptable since we assume that transferring development is partially feasible and would occur on an individual lot by lot basis. For this reason, it is more important to look at average development right values.

It is most useful to compare the Grid with the MOU scenario since the latter was derived from the official 219 Naples Grid lots (of which 125 are determined to be buildable by the County). In that regards, the following represent the most significant findings that can be derived from Table 4.1:

- The Grid’s overall value is greater than the MOU’s - \$665 million versus \$458 million;
- The Grid’s average home selling price is less that of the MOU’s (\$4 - 5 million versus \$7 - \$8 million);

- The average development right values are about one-third of the average unit selling price for each of the three project scenarios;
- The Grid's average development right value is about half that of the MOU's (\$1.3 million vs \$2.5 million) – this will affect the “feasibility” of transfer, but could result in development right transfers that create a similar number of lots as is being proposed in the MOU project;
- The Grid's total development right value ranges between \$168 and \$204 million while that of the MOU ranges between \$125 and \$ 135 million;
- Finally, the updated total development right values for both the MOU and ALT 1 are less than what we predicted in 2005; this reflects the higher costs we model in the 2007 update
 - These higher costs act to more than offset the homes' extra appreciation through 2009 and 2011 which thereby returns 2007 development right values that are lower than those reported in 2005.

In nearly all cases the model predicts that development can yield a 15% profit and a positive residual land value. In some situations, however, we report a negative residual land value, but when combined with the expected profit the development right value becomes positive. This means that the cost of construction relative to the potential revenues for these lots is close enough that a windfall residual on the land is not captured yet expected profit is still reached to yield a positive development right value.

In a few cases we report a negative development right value. This means that cost of construction exceed the lot's revenue potential and profit expectations cannot be reached. For these lots the developer may actually take a loss. This occurred with lower-valued lots with homes (i.e. less than \$5 million) that are larger in size. Subsequently, the per-square foot construction costs acted to tip the pro forma into a negative residual land value.

Table 4.2 Range of MOU Home Values

		MOU Range of Current Market Values						
	Lot #	Lot size (ac)	100% House size (sf)	Total Value - 100% project	70% House size (sf)	Total Value - 70% project		
		per project plan	per project plan	(av. 2 methods, inflated to 2007 from 2005 values)	per project plan	(av. 2 methods, inflated to 2007 from 2005 values)		
Coastal Zone Lots	Bluffs	39	11.88	10,564	\$ 24,531,857	7,395	\$ 22,045,114	
		35	10.34	9,069	\$ 22,654,871	6,348	\$ 20,070,557	
		63	13.13	9,707	\$ 25,202,644	6,795	\$ 21,734,365	
		66	14.38	7,461	\$ 23,440,167	5,223	\$ 15,103,343	
		91	15.27	9,909	\$ 26,300,784	6,936	\$ 21,476,936	
		93	15.40	14,119	\$ 29,993,843	9,883	\$ 22,415,981	
		12	8.09	6,274	\$ 19,329,809	4,392	\$ 17,085,818	
		119	15.06	11,084	\$ 28,055,936	7,759	\$ 23,909,780	
	122	14.95	8,400	\$ 23,760,151	5,880	\$ 21,176,581		
	South 101 / North Railroad	42	7.39	5,992	\$ 6,583,148	4,194	\$ 5,889,008	
		41	10.03	7,676	\$ 8,712,705	5,373	\$ 7,673,420	
		43	8.79	5,847	\$ 6,572,201	4,093	\$ 5,773,070	
		70	7.39	6,035	\$ 6,579,901	4,225	\$ 5,670,529	
		69	10.03	5,144	\$ 7,407,654	3,601	\$ 6,373,197	
		71	8.55	8,112	\$ 7,223,537	5,678	\$ 6,213,902	
		97	37.47	12,524	\$ 12,575,635	8,767	\$ 11,334,924	
	57	no plans						
	North 101	104	3.80	3,467	\$ 6,047,092	2,427	\$ 4,644,253	
		109	3.80	5,792	\$ 7,163,617	4,054	\$ 4,549,180	
		185	10.23	8,223	\$ 5,906,222	5,756	\$ 5,645,839	
		164	3.80	3,919	\$ 6,425,683	2,743	\$ 3,177,712	
		186	3.80	4,948	\$ 3,952,909	3,464	\$ 4,692,978	
		195	6.87	4,832	\$ 4,483,512	3,382	\$ 3,487,549	
		187	3.80	4,944	\$ 3,947,253	3,461	\$ 3,484,320	
		160	7.60	6,346	\$ 4,959,824	4,442	\$ 4,388,696	
		136	3.80	6,607	\$ 4,454,835	4,625	\$ 3,813,038	
		133	3.80	6,010	\$ 4,034,432	4,207	\$ 3,589,223	
		188	33.47	5,129	\$ 6,492,550	3,590	\$ 5,964,762	
		137	3.80	8,757	\$ 4,783,407	6,130	\$ 4,858,572	
		193	1.00	4,363	\$ 3,050,000	3,054	\$ 2,489,000	
		132	Existing unit					
		103	33.09	6,017	\$ 6,330,953	4,212	\$ 5,557,406	
		110	12.12	6,292	\$ 5,334,825	4,404	\$ 4,698,663	
131		11.99	5,887	\$ 5,246,083	4,121	\$ 4,638,373		
139		8.01	4,737	\$ 4,586,320	3,316	\$ 4,007,150		
138		3.80	6,972	\$ 4,421,025	4,880	\$ 3,896,659		
161		3.80	4,521	\$ 6,746,173	3,165	\$ 3,323,813		
159	3.80	6,501	\$ 4,391,045	4,551	\$ 3,765,750			
158	7.84	5,115	\$ 4,674,033	3,581	\$ 4,153,152			
167	11.39	4,442	\$ 4,894,361	3,109	\$ 4,299,636			
243	7.49	4,403	\$ 4,573,071	3,082	\$ 4,042,177			
47	8.94	4,800	\$ 4,639,318	3,360	\$ 4,036,032			
Inland Lots	26	6.17	5,847	\$ 4,323,232	4,093	\$ 3,795,018		
	52B	1.90	7,080	\$ 3,800,517	4,956	\$ 3,301,803		
	163	3.80	4,442	\$ 3,704,992	3,109	\$ 3,296,484		
	52A	1.90	6,512	\$ 3,760,231	4,558	\$ 3,188,804		
	48	7.60	6,097	\$ 4,838,502	4,268	\$ 4,220,232		
	51	3.80	7,160	\$ 4,368,933	5,012	\$ 3,820,201		
	49	7.60	5,256	\$ 4,593,932	3,679	\$ 4,045,371		
	50	3.80	6,938	\$ 4,402,065	4,857	\$ 3,786,278		
	105	3.80	4,700	\$ 3,754,604	3,290	\$ 3,273,575		
	108	3.80	5,980	\$ 4,139,743	4,186	\$ 3,609,313		
	107B	0.95	3,990	\$ 2,618,732	2,793	\$ 2,283,410		
	107A	0.79	3,990	\$ 2,546,497	2,793	\$ 2,189,262		
	135	7.60	5,963	\$ 4,739,731	4,174	\$ 4,270,499		
	134	3.80	6,104	\$ 4,088,165	4,273	\$ 3,610,276		

AVERAGE		6,500	\$	8,447,098		4,550	\$	7,108,166
TOTAL	467		\$	456,143,265			\$	383,840,983

Table 4.3 Range of ALT 1 Home Values

		ALT 1 Range of Current Market Values						
Lot #	Lot size (ac)	100% House size (sf)	Total Value - 100% project		70% House size (sf)	Total Value - 70% project		
			per project plan	(av. 2 methods, inflated to 2007 from 2005 values)		per project plan	(av. 2 methods, inflated to 2007 from 2005 values)	
Coastal Zone Lots	Bluffs	39	11.88	10,564	\$ 24,531,857	7,395	\$ 22,045,114	
		35	10.34	9,069	\$ 22,654,871	6,348	\$ 20,070,557	
		63	13.13	9,707	\$ 25,202,644	6,795	\$ 21,734,365	
		66	14.38	7,461	\$ 23,440,167	5,223	\$ 15,103,343	
		91	15.27	9,909	\$ 26,300,784	6,936	\$ 21,476,936	
		93	15.40	14,119	\$ 29,993,843	9,883	\$ 22,415,981	
		12	8.09	6,274	\$ 19,329,809	4,392	\$ 17,085,818	
		119	15.06	11,084	\$ 28,055,936	7,759	\$ 23,909,780	
	122	14.95	8,400	\$ 23,760,151	5,880	\$ 21,176,581		
	South 101 / North Railroad	42	7.39	5,992	\$ 6,583,148	4,194	\$ 5,889,008	
		41	10.03	7,676	\$ 8,712,705	5,373	\$ 7,673,420	
		43	8.79	5,847	\$ 6,572,201	4,093	\$ 5,773,070	
		70	7.39	6,035	\$ 6,579,901	4,225	\$ 5,670,529	
		69	10.03	5,144	\$ 7,407,654	3,601	\$ 6,373,197	
		71	8.55	8,112	\$ 7,223,537	5,678	\$ 6,213,902	
		97	37.47	12,524	\$ 12,575,635	8,767	\$ 11,334,924	
		57	no plans					
		DP-13	40.55	6,104	\$ 7,527,013	4,273	\$ 7,998,953	
		DP-14	Existing unit		\$ -		\$ -	
		DP-15	25.36	3,990	\$ 5,701,142	2,793	\$ 5,942,831	
		DP-16	41.27	5,852	\$ 8,662,172	4,096	\$ 9,386,504	
	DP-17	31.68	6,035	\$ 7,296,475	4,225	\$ 7,605,981		
	North 101	104	3.80	3,467	\$ 6,047,092	2,427	\$ 4,644,253	
		109	3.80	5,792	\$ 7,163,617	4,054	\$ 4,549,180	
		185	10.23	8,223	\$ 5,906,222	5,756	\$ 5,645,839	
		164	7.60	3,919	\$ 4,158,633	2,743	\$ 3,676,606	
		186	3.80	4,948	\$ 3,952,909	3,464	\$ 4,692,978	
		195	6.87	4,832	\$ 4,483,512	3,382	\$ 3,487,549	
		187	3.80	4,944	\$ 3,947,253	3,461	\$ 3,484,320	
		160	3.80	6,346	\$ 4,311,619	4,442	\$ 3,818,314	
		136	7.60	6,607	\$ 4,798,322	4,625	\$ 4,181,905	
		133	3.80	6,010	\$ 4,034,432	4,207	\$ 3,589,223	
		188	129.23	5,129	\$ 8,891,339	3,590	\$ 7,848,006	
137		3.80	8,757	\$ 4,783,407	6,130	\$ 4,858,572		
193		8.44	4,363	\$ 4,605,722	3,054	\$ 4,015,404		
132		Existing unit						
Inland Lots		SBR Lots	52A	3.80	6,512	\$ 4,238,717	4,558	\$ 3,719,580
	48		22.64	6,097	\$ 6,087,538	4,268	\$ 5,375,742	
	51		10.03	7,160	\$ 5,301,183	5,012	\$ 4,730,813	
	49		7.39	5,256	\$ 4,538,378	3,679	\$ 4,021,313	
	50		8.79	6,938	\$ 5,228,304	4,857	\$ 4,629,882	
	105		3.80	4,700	\$ 3,754,604	3,290	\$ 3,273,575	
	108		3.80	5,980	\$ 4,139,743	4,186	\$ 3,609,313	
	107B		0.95	3,990	\$ 2,618,732	2,793	\$ 2,283,410	
	107A		3.0	3,990	\$ 5,176,531	2,793	\$ 4,522,054	
	135		7.60	5,963	\$ 4,739,731	4,174	\$ 4,270,499	
	134		3.80	6,104	\$ 4,088,165	4,273	\$ 3,610,276	
	201		6.97	5,102	\$ 4,325,123	3,571	\$ 3,779,607	
	Option Property Lots	202	9.6	6,512	\$ 5,085,912	4,558	\$ 4,458,933	
		203	6.28	8,757	\$ 5,107,072	6,130	\$ 4,473,534	
		204	5.82	7,160	\$ 4,616,741	5,012	\$ 4,119,931	
		205	3.18	4,521	\$ 3,449,204	3,165	\$ 3,007,607	
		206	3.11	4,700	\$ 3,551,493	3,290	\$ 3,089,230	
		207	3.29	5,963	\$ 3,850,820	4,174	\$ 3,412,351	
		208	4.71	6,104	\$ 4,255,289	4,273	\$ 3,745,668	
		209	13.79	6,607	\$ 5,720,247	4,625	\$ 4,957,854	
		210	19.77	6,346	\$ 5,930,356	4,442	\$ 5,234,819	
		211	7.76	3,990	\$ 4,136,021	2,793	\$ 3,597,533	
		212	10.2	4,832	\$ 4,541,092	3,382	\$ 4,001,527	
		213	4.02	7,080	\$ 4,290,416	4,956	\$ 3,782,911	
	214	18.1	6,607	\$ 5,951,284	4,625	\$ 5,188,789		
	215	4.12	5,847	\$ 4,056,314	4,093	\$ 3,586,621		
	216	4.67	4,800	\$ 3,853,439	3,360	\$ 3,401,563		
	Dos Pueblos Lots	DP-1	12.77	6,501	\$ 5,158,799	4,551	\$ 4,592,818	
		DP-2	11.09	8,400	\$ 5,425,360	5,880	\$ 4,881,865	
		DP-3	10.38	7,160	\$ 5,020,610	5,012	\$ 4,480,298	
		DP-4	20.76	6,292	\$ 5,710,782	4,404	\$ 5,030,123	
		DP-5	17.83	7,461	\$ 5,963,992	5,223	\$ 5,200,131	
		DP-6	10.16	6,017	\$ 4,915,059	4,212	\$ 4,352,792	
DP-7		10.02	5,963	\$ 4,822,946	4,174	\$ 4,287,813		
DP-8		10.01	8,223	\$ 5,397,810	5,756	\$ 4,809,607		
DP-9		10.03	6,104	\$ 4,759,170	4,273	\$ 4,202,945		
DP-10		10.04	6,972	\$ 4,999,234	4,880	\$ 4,421,595		
DP-11		2,304.60	8,223	\$ 17,250,151	5,756	\$ 15,371,814		
DP-12		20.63	8,112	\$ 6,774,610	5,678	\$ 7,048,805		
AVERAGE			6,615	\$	7,863,379	4,631	\$	6,848,472
TOTAL		3193		\$	574,026,698		\$	499,938,484

Table 4.4 MOU Development Right Values

Lot #	Lot size (ac)	70% House size* (sf)	Total Value (av. 2 methods at 70% project size)		Development Costs (70% project)		Project Profit (70% project)		Residual land value (70% project)		Developer profit (70% project)		Entitlement Value (70% project)		Entitlement Value (100% project)	
			(fully adjusted to 2011 or 2009 \$ for coastal zone & inland lots respectively)		(see Appendix ??)		(15% total value)		(note: does not include profit)		(50% project profit)		(sum of residual land value & developer profit)		(sum of residual land value & developer profit)	
Coastal Zone Lots																
Bluffs																
39	11.88	7,395	\$	26,700,868	\$	14,830,648	\$	4,005,157	\$	7,865,063	\$	2,002,578	\$	9,867,642	\$	9,786,292
35	10.34	6,348	\$	24,309,300	\$	13,084,043	\$	3,646,395	\$	7,578,862	\$	1,823,198	\$	9,402,060	\$	9,784,747
63	13.13	6,795	\$	26,324,491	\$	14,159,506	\$	3,948,674	\$	8,216,311	\$	1,974,337	\$	10,190,648	\$	11,307,157
66	14.38	5,223	\$	18,293,050	\$	10,849,800	\$	2,743,976	\$	4,699,274	\$	1,371,988	\$	6,071,262	\$	12,226,048
91	15.27	6,936	\$	26,012,695	\$	14,450,461	\$	3,901,930	\$	7,660,304	\$	1,950,965	\$	9,611,269	\$	12,043,113
93	15.40	9,883	\$	27,150,059	\$	18,628,169	\$	4,072,536	\$	4,449,354	\$	2,036,268	\$	6,485,622	\$	10,659,969
12	8.09	4,392	\$	20,694,208	\$	9,923,890	\$	3,104,152	\$	7,666,166	\$	1,552,076	\$	9,218,242	\$	9,942,321
119	15.06	7,759	\$	28,959,337	\$	15,961,219	\$	4,343,901	\$	8,654,218	\$	2,171,950	\$	10,826,168	\$	12,288,219
122	14.95	5,880	\$	25,648,908	\$	12,792,162	\$	3,847,362	\$	9,009,385	\$	1,923,681	\$	10,933,066	\$	11,478,716
42	7.39	4,194	\$	7,132,720	\$	5,068,971	\$	1,069,908	\$	993,841	\$	534,954	\$	1,528,795	\$	1,220,411
41	10.03	5,373	\$	9,293,986	\$	6,740,338	\$	1,394,098	\$	1,159,551	\$	697,049	\$	1,856,600	\$	798,931
43	8.79	4,093	\$	6,992,297	\$	5,054,551	\$	1,048,845	\$	888,901	\$	524,422	\$	1,413,323	\$	1,210,852
70	7.39	4,225	\$	6,868,100	\$	5,068,130	\$	1,030,215	\$	768,755	\$	515,107	\$	1,283,862	\$	1,185,358
69	10.03	3,601	\$	7,719,165	\$	4,741,743	\$	1,157,875	\$	1,819,548	\$	578,937	\$	2,398,485	\$	2,576,129
71	8.55	5,678	\$	7,526,229	\$	6,423,526	\$	1,128,934	\$	(26,231)	\$	564,467	\$	538,236	\$	191,262
97	37.47	8,767	\$	13,728,771	\$	10,118,843	\$	2,059,316	\$	1,550,613	\$	1,029,658	\$	2,580,270	\$	1,068,132
57	12.23	no plans														
104	3.80	2,427	\$	5,625,083	\$	3,390,535	\$	843,788	\$	1,390,780	\$	421,884	\$	1,812,665	\$	2,644,186
109	3.80	4,054	\$	5,509,930	\$	4,881,667	\$	826,490	\$	(198,226)	\$	413,245	\$	215,019	\$	1,877,371
185	10.23	5,756	\$	6,838,196	\$	5,279,913	\$	1,025,729	\$	532,554	\$	512,865	\$	1,045,418	\$	200,160
164	3.80	2,743	\$	3,848,819	\$	3,119,979	\$	577,327	\$	151,514	\$	288,663	\$	440,177	\$	2,636,224
186	3.80	3,464	\$	5,684,098	\$	3,707,893	\$	852,620	\$	1,123,585	\$	426,310	\$	1,549,895	\$	729,214
195	6.87	3,382	\$	4,224,092	\$	3,324,559	\$	633,618	\$	265,915	\$	316,809	\$	582,724	\$	255,414
187	3.80	3,461	\$	4,220,180	\$	3,039,447	\$	633,027	\$	547,706	\$	316,514	\$	864,220	\$	726,443
160	7.60	4,442	\$	5,315,554	\$	4,141,790	\$	797,333	\$	398,667	\$	376,432	\$	775,098	\$	496,195
136	3.80	4,625	\$	4,618,322	\$	3,286,012	\$	692,744	\$	639,567	\$	346,372	\$	985,938	\$	984,365
133	3.80	4,207	\$	4,347,238	\$	3,429,783	\$	732,976	\$	184,480	\$	366,488	\$	550,968	\$	184,031
188	33.47	3,590	\$	7,224,472	\$	4,563,769	\$	1,083,678	\$	1,577,025	\$	541,839	\$	2,118,864	\$	1,651,736
137	3.80	6,130	\$	5,884,664	\$	4,168,818	\$	882,694	\$	833,152	\$	441,347	\$	1,274,499	\$	338,517
193	1.00	3,054	\$	3,400,000	\$	2,598,581	\$	510,003	\$	291,416	\$	255,002	\$	546,418	\$	429,154
132		Existing unit														
103	33.09	4,212	\$	6,731,086	\$	5,012,402	\$	1,009,663	\$	709,021	\$	504,831	\$	1,213,853	\$	981,366
110	12.12	4,404	\$	5,690,983	\$	4,202,039	\$	853,647	\$	635,296	\$	426,824	\$	1,062,120	\$	856,094
131	11.99	4,121	\$	5,617,961	\$	4,055,797	\$	842,694	\$	719,470	\$	421,347	\$	1,140,817	\$	131,045
139	8.01	3,316	\$	4,853,428	\$	3,351,450	\$	728,014	\$	773,964	\$	364,007	\$	1,137,971	\$	416,413
138	3.80	4,880	\$	4,719,602	\$	3,413,298	\$	1,670,091	\$	(363,786)	\$	835,046	\$	471,259	\$	796,455
161	3.80	3,165	\$	4,025,776	\$	3,464,752	\$	603,870	\$	(42,846)	\$	301,935	\$	259,089	\$	2,465,103
159	3.80	4,551	\$	4,561,046	\$	3,236,531	\$	961,056	\$	363,459	\$	480,528	\$	843,987	\$	974,635
158	7.84	3,581	\$	5,030,265	\$	3,558,651	\$	754,540	\$	717,075	\$	377,270	\$	1,094,345	\$	209,793
167	11.39	3,109	\$	5,207,686	\$	3,285,991	\$	781,153	\$	1,140,541	\$	390,576	\$	1,531,118	\$	906,571
243	7.49	3,082	\$	4,895,853	\$	3,195,361	\$	734,378	\$	966,114	\$	367,189	\$	1,333,303	\$	655,118
47	8.94	3,360	\$	4,888,411	\$	3,391,678	\$	733,262	\$	763,471	\$	366,631	\$	1,130,102	\$	415,503
26	6.17	4,093	\$	4,072,104	\$	3,194,386	\$	610,816	\$	266,902	\$	305,408	\$	572,310	\$	403,855
52B	1.90	4,956	\$	3,542,877	\$	3,257,252	\$	531,432	\$	(245,806)	\$	265,716	\$	19,909	\$	(229,848)
163	3.80	3,109	\$	3,537,171	\$	2,475,609	\$	589,231	\$	472,331	\$	294,615	\$	766,946	\$	729,211
52A	1.90	4,558	\$	3,421,629	\$	3,049,971	\$	513,244	\$	(141,586)	\$	256,622	\$	115,036	\$	(13,950)
48	7.60	4,268	\$	4,528,364	\$	3,158,377	\$	679,255	\$	690,733	\$	339,627	\$	1,030,360	\$	984,002
51	3.80	5,012	\$	4,099,125	\$	3,412,185	\$	614,865	\$	72,076	\$	307,432	\$	379,508	\$	166,593
49	7.60	3,679	\$	4,340,736	\$	2,825,731	\$	651,106	\$	863,898	\$	325,553	\$	1,189,451	\$	1,163,401
50	3.80	4,857	\$	4,062,726	\$	3,338,788	\$	609,405	\$	114,533	\$	304,702	\$	419,236	\$	288,047
105	3.80	3,290	\$	3,512,588	\$	2,449,349	\$	526,888	\$	536,351	\$	263,444	\$	799,795	\$	768,010
108	3.80	4,186	\$	3,872,840	\$	2,964,261	\$	580,926	\$	327,653	\$	290,463	\$	618,116	\$	504,750
107B	0.95	2,793	\$	2,450,129	\$	1,959,604	\$	367,519	\$	123,006	\$	183,760	\$	306,765	\$	214,508
107A	0.79	2,793	\$	2,349,106	\$	1,940,532	\$	352,364	\$	56,211	\$	176,182	\$	232,393	\$	159,717
135	7.60	4,174	\$	4,582,301	\$	3,894,961	\$	687,341	\$	-	\$	343,670	\$	343,670	\$	381,434
134	3.80	4,273	\$	3,873,873	\$	2,999,010	\$	581,081	\$	293,782	\$	290,540	\$	584,323	\$	411,824

AVERAGE 4,550 8,491,898 5,319,959 1,275,693 1,645,121 626,456 2,242,201 2,512,226
 TOTAL 480 \$ 458,562,502 \$ 70,163,119 \$ 90,481,677 \$ 35,081,559 \$ 125,563,237 \$ 135,660,229

* includes 800 sf guest house for certain properties

MOU lots that were transferred in ALT 1

Lot sizes that changed from MOU to ALT 1

Table 4.5 ALT 1 Development Right Values

Lot #	Lot size (ac) per project plan	70% House size* (sf)	Total Value (av. 2 methods at 70% project size) (fully adjusted to 2011 or 2009 \$ for coastal zone & inland lots respectively)		Development Costs (70% project) (see Appendix ??)		Project Profit (70% project) (15% total value)		Residual land value (70% project) (note: does not include profit)		Developer profit (70% project) (50% project profit)		Entitlement Value (70% project) (sum of residual land value & developer profit)		Entitlement Value (100% project) (sum of residual land value & developer profit)		
Bluffs	39	11.88	7,395	\$	26,700,868	\$	15,676,417	\$	4,005,157	\$	7,019,294	\$	2,002,578	\$	9,021,872	\$	8,940,523
	35	10.34	6,349	\$	24,309,300	\$	13,865,101	\$	3,646,395	\$	6,797,805	\$	1,823,198	\$	8,621,002	\$	9,003,689
	63	13.13	6,795	\$	26,324,491	\$	15,028,402	\$	3,948,700	\$	7,347,389	\$	1,974,350	\$	9,321,739	\$	10,438,277
	66	14.38	5,223	\$	18,293,050	\$	11,657,932	\$	2,743,976	\$	3,691,143	\$	1,371,988	\$	5,263,130	\$	11,417,916
	91	15.27	6,936	\$	26,012,695	\$	15,357,216	\$	3,901,930	\$	6,753,548	\$	1,950,965	\$	8,704,513	\$	11,136,358
	93	15.40	9,883	\$	27,150,059	\$	19,662,248	\$	4,072,536	\$	3,415,275	\$	2,036,268	\$	5,451,543	\$	9,625,880
	12	8.09	4,392	\$	20,694,208	\$	10,590,312	\$	3,104,131	\$	6,999,765	\$	1,552,066	\$	8,551,831	\$	9,275,810
	119	15.06	7,759	\$	28,959,337	\$	16,928,486	\$	4,343,901	\$	7,686,951	\$	2,171,950	\$	9,868,901	\$	11,320,959
	122	14.95	5,880	\$	25,648,908	\$	13,611,325	\$	3,847,362	\$	8,190,221	\$	1,923,681	\$	10,113,902	\$	10,659,552
	42	7.39	4,194	\$	7,132,720	\$	5,295,205	\$	1,069,908	\$	767,607	\$	534,954	\$	1,302,561	\$	994,178
	41	10.03	5,373	\$	9,293,986	\$	7,039,754	\$	1,394,098	\$	860,134	\$	697,049	\$	1,567,183	\$	498,544
	43	8.79	4,093	\$	6,992,297	\$	5,290,408	\$	1,048,845	\$	663,044	\$	524,422	\$	1,187,466	\$	984,995
70	7.39	4,225	\$	6,868,100	\$	5,295,252	\$	1,030,215	\$	542,633	\$	515,107	\$	1,057,741	\$	959,236	
69	10.03	3,601	\$	7,719,165	\$	4,996,310	\$	1,157,883	\$	1,564,973	\$	578,941	\$	2,143,914	\$	2,321,561	
71	8.55	5,678	\$	7,526,229	\$	5,718,141	\$	1,128,934	\$	679,154	\$	564,467	\$	1,243,621	\$	1,169,120	
97	37.47	8,767	\$	13,728,771	\$	10,552,405	\$	2,059,316	\$	1,117,050	\$	1,029,658	\$	2,146,708	\$	634,570	
57	12.23	no plans															
DP-13	40.55	4,273	\$	9,688,268	\$	4,479,888	\$	1,453,240	\$	3,755,140	\$	726,620	\$	4,481,761	\$	2,978,264	
DP-14	Existing unit																
DP-15	25.36	2,793	\$	7,197,910	\$	3,022,128	\$	1,079,687	\$	3,096,095	\$	539,843	\$	3,635,939	\$	2,720,535	
DP-16	41.27	4,096	\$	11,368,860	\$	5,099,362	\$	1,705,318	\$	4,564,180	\$	852,659	\$	5,416,839	\$	3,533,203	
DP-17	31.68	4,225	\$	9,212,304	\$	4,395,935	\$	1,381,836	\$	3,434,532	\$	690,918	\$	4,125,451	\$	2,797,416	
North 101	104	3.80	2,427	\$	5,625,083	\$	3,598,346	\$	843,768	\$	1,182,969	\$	421,884	\$	1,604,853	\$	2,436,378
	109	3.80	4,054	\$	5,509,930	\$	4,673,920	\$	826,490	\$	9,521	\$	413,245	\$	422,766	\$	1,631,190
	185	10.23	5,756	\$	6,838,196	\$	5,482,883	\$	1,025,722	\$	329,590	\$	512,861	\$	842,451	\$	(2,810)
	164	7.60	2,743	\$	4,453,076	\$	3,012,202	\$	667,961	\$	772,912	\$	333,981	\$	1,106,893	\$	512,833
	186	3.80	3,464	\$	5,684,098	\$	3,843,736	\$	852,620	\$	987,741	\$	426,310	\$	1,414,051	\$	593,386
	195	6.87	3,382	\$	4,224,092	\$	3,478,638	\$	633,618	\$	111,837	\$	316,809	\$	428,646	\$	101,335
	187	3.80	3,461	\$	4,220,180	\$	3,175,097	\$	633,027	\$	412,057	\$	316,514	\$	728,570	\$	590,791
	160	3.80	4,442	\$	4,624,711	\$	3,846,775	\$	693,707	\$	84,229	\$	346,853	\$	431,083	\$	2,950,273
	136	7.60	4,625	\$	5,065,090	\$	3,819,914	\$	759,759	\$	485,418	\$	379,879	\$	865,298	\$	34,086
	133	3.80	4,207	\$	4,347,238	\$	3,568,433	\$	732,971	\$	45,834	\$	366,485	\$	412,320	\$	45,391
	188	129.23	3,590	\$	9,505,443	\$	5,541,336	\$	1,425,826	\$	2,538,281	\$	712,913	\$	3,251,194	\$	2,887,658
	137	3.80	6,130	\$	5,884,664	\$	4,333,202	\$	882,700	\$	668,762	\$	441,350	\$	1,110,112	\$	174,133
193	8.44	3,654	\$	4,863,425	\$	3,336,116	\$	729,514	\$	797,795	\$	364,757	\$	1,162,552	\$	555,338	
132	Existing unit																
SBR Lots	52A	3.80	4,558	\$	3,991,158	\$	3,312,785	\$	598,670	\$	79,703	\$	299,335	\$	379,038	\$	203,322
	48	22.64	4,268	\$	5,768,242	\$	4,764,712	\$	865,230	\$	138,299	\$	432,615	\$	570,915	\$	289,824
	51	10.03	5,012	\$	5,076,224	\$	3,810,394	\$	761,429	\$	380,402	\$	380,714	\$	885,116	\$	691,537
	49	7.39	3,679	\$	4,314,921	\$	3,180,007	\$	647,238	\$	487,676	\$	323,619	\$	811,295	\$	697,614
	50	8.79	4,857	\$	4,967,924	\$	3,713,540	\$	745,189	\$	509,195	\$	372,594	\$	881,790	\$	735,085
	105	3.80	3,290	\$	3,512,588	\$	2,764,553	\$	526,888	\$	221,147	\$	263,444	\$	484,591	\$	399,611
	108	3.80	4,186	\$	3,872,840	\$	3,106,525	\$	580,922	\$	185,393	\$	290,461	\$	475,854	\$	362,488
	107B	0.95	2,793	\$	2,450,129	\$	2,049,598	\$	367,519	\$	33,012	\$	183,760	\$	216,771	\$	124,514
	107A	3.0	2,793	\$	4,852,223	\$	3,052,922	\$	727,838	\$	1,071,463	\$	363,919	\$	1,435,382	\$	1,039,354
	135	7.60	4,174	\$	4,582,301	\$	3,504,107	\$	687,345	\$	390,849	\$	343,673	\$	734,522	\$	500,648
	134	3.80	4,273	\$	3,873,873	\$	3,139,501	\$	581,081	\$	153,291	\$	290,540	\$	443,831	\$	271,332
	201	6.97	3,571	\$	4,055,567	\$	3,062,164	\$	608,339	\$	385,064	\$	304,170	\$	689,234	\$	617,850
202	9.6	4,558	\$	4,784,494	\$	3,615,485	\$	717,674	\$	451,334	\$	358,837	\$	810,171	\$	485,165	
203	6.28	6,130	\$	4,800,160	\$	4,288,123	\$	720,024	\$	(207,987)	\$	360,012	\$	152,025	\$	(141,970)	
204	5.82	5,012	\$	4,420,740	\$	3,633,969	\$	663,111	\$	123,860	\$	331,555	\$	465,215	\$	195,896	
205	3.18	3,165	\$	3,227,201	\$	2,440,224	\$	484,083	\$	302,894	\$	242,042	\$	544,936	\$	495,496	
206	3.11	3,290	\$	3,314,784	\$	2,525,720	\$	497,218	\$	291,846	\$	248,609	\$	540,455	\$	491,888	
207	3.29	4,174	\$	3,661,498	\$	3,032,368	\$	549,228	\$	79,902	\$	274,614	\$	354,516	\$	160,637	
208	4.71	4,273	\$	4,019,151	\$	3,254,586	\$	602,877	\$	161,688	\$	301,438	\$	463,127	\$	392,354	
209	13.79	4,625	\$	5,319,842	\$	4,562,491	\$	797,971	\$	(40,620)	\$	398,985	\$	368,365	\$	149,492	
210	19.77	4,442	\$	5,617,030	\$	4,620,760	\$	842,554	\$	153,716	\$	421,277	\$	574,993	\$	9,462	
211	7.76	2,793	\$	3,860,200	\$	2,489,419	\$	579,030	\$	791,751	\$	289,515	\$	1,081,266	\$	1,020,044	
212	10.2	3,382	\$	4,293,691	\$	2,891,787	\$	644,054	\$	757,851	\$	322,027	\$	1,079,877	\$	905,145	
213	4.02	4,956	\$	4,058,113	\$	3,518,475	\$	608,867	\$	(68,228)	\$	304,433	\$	236,205	\$	(5,698)	
214	18.1	4,625	\$	5,567,638	\$	4,624,490	\$	835,140	\$	108,008	\$	417,570	\$	525,578	\$	316,800	
215	4.12	4,093	\$	3,848,491	\$	3,122,698	\$	577,274	\$	148,519	\$	288,637	\$	437,156	\$	61,995	
216	4.67	3,360	\$	3,649,921	\$	2,704,733	\$	547,492	\$	397,696	\$	273,746	\$	671,442	\$	422,702	
Dos Pueblos Lots	DP-1	12.77	4,551	\$	4,928,153	\$	3,125,520	\$	739,218	\$	1,083,415	\$	369,609	\$	1,433,024	\$	860,791
	DP-2	11.09	5,880	\$	5,238,305	\$	3,922,583	\$	785,746	\$	529,976	\$	392,873	\$	922,849	\$	(216,956)
	DP-3	10.38	5,012	\$	4,807,418	\$	3,381,076	\$	721,108	\$	705,234	\$	360,554	\$	1,065,788	\$	163,092
	DP-4	20.76	4,404	\$	5,397,388	\$	3,684,498	\$	809,608	\$	903,281	\$	404,804	\$	1,308,085	\$	1,299,091
	DP-5	17.83	5,223	\$	5,579,809	\$	4,285,909	\$	836,966	\$	456,934	\$	418,483	\$	875,417	\$	826,094
	DP-6	10.16	4,212	\$	4,												

5. Comparison to Recent Sales

We conducted a brief market survey of comparable sales to validate our analysis, and to see if our numbers are in the realm of possibility. Doing so provides some certainty in both the price of finished homes that result from the regression analysis, and the development right values that are the basis for TDR feasibility.

We looked at near-ocean and ocean-front home sales along the South Coast of Santa Barbara between November of 2000 and August 2006. Sale locations included Hope Ranch, Montecito, Padaro Lane / Beach Club road, Sand Point road, City of Santa Barbara, and Rincon Point.

The search yielded 170 home sales that range in value between \$38 million and \$1.15 million. The average selling price of a home was \$5,289,270 and the median was \$2,750,000.

Nine homes in Hope Ranch, Montecito and Padaro Lane had values in excess of \$20 million; and there were ten home sales between \$10 and \$20 million. The remaining sales were homes under \$10 million.

This data suggests that the values of finished ocean-front and near-ocean front homes vary significantly. It is difficult to find homes sales that are directly comparable to what could be built on the Santa Barbara Ranch property; there are few, if any, similar bluff-top developments located along the South Coast or the Gaviota Coast for that matter.

The range in home values and the average home value we report for the Grid, MOU, and ALT 1 scenarios are shown below in Table 5.1

Table 5.1

	Comparative Sales	Grid	MOU	ALT 1
Range in predicted home selling price (2007)	\$1.15 - \$38 million	\$16 - \$2.2 million	\$23.9 - \$2.2 million	\$24 - \$2.2 million
Average Home selling price (2007)	\$5.29 million	\$4.48 million	\$7.1 million	\$6.8 million

If one compares the averages and ranges in Table 5.1 to what we report from the comparable sales survey, it can be concluded that our results for Naples home and development right values are within the realm of possibility.

6. Transferring Development Rights from the Santa Barbara Ranch

As it pertains to receiving sites that would absorb development potential from the Santa Barbara Ranch through a TDR program - we indicate in the 2006 TDR Feasibility Report that the most economically and politically feasible scenario could be to increase densities by 100 units in unincorporated South Coast receiving areas and 156 units in City of Santa Barbara receiving areas. This would create a total developer willingness to pay of up to \$73.2 million.

In other words, we believe that a conventional TDR program could create a pool of funds totaling \$73.2 million that would be available to purchase development rights from Santa Barbara Ranch. However, as previously mentioned, the limiting factor affecting development transfers from the Santa Barbara Ranch Project is not the \$73 million, but rather the amount of money that could be generated to purchase development rights up-front.

Based on this receiving-site potential, and this report's updated assessment of sending-site valuation, we conclude that at least a partial transfer of density off Santa Barbara Ranch is feasible. However, we believe this feasibility depends on the ability to set up the TDR system in the following way:

- Development potential would have to be transferred off of Santa Barbara Ranch “up-front,” rather than over time;
- This would require the creation of a “TDR Bank” to buy, hold, and eventually sell the rights;
- The TDR Bank would have to be well capitalized in order to execute the up-front purchase;
- The County would have to construct a carefully calibrated system of density credits for the receiver sites and reinforce this system through its regulatory decisions. The Naples TDR Program Framework Report and its accompanying TDR Ordinance lays out the mechanics of this process.

6.1 Capitalization of the TDR Bank

A critical question to TDR feasibility is how to capitalize the bank with sufficient funds to purchase development rights from the Santa Barbara Ranch. If the transfer of development rights off of Santa Barbara Ranch is to be executed up-front, then the feasibility of the transfer system is driven not by some theoretical calculation of sending and receiving site value, but on the actual amount of money that can be raised to stake the TDR bank.

Raising capital for the Bank may be easier than it appears. Unlike typical land conservation initiatives, the money used to seed the Bank is not paid and never to be seen

again. Rather, the initial contributors of funds can be repaid once the TDR Bank starts selling density credits, or the money can be used as a revolving fund for continued preservation.

Early capitalization of, and participation in, the TDR Bank will depend upon investing parties being confident that the risk in loaning money to the Bank is reduced to effectuate an acceptable outcome. That is, conservation investors will need to see that lent money will go towards a program that will survive into the future, affect Naples preservation, and offer some degree of repayment.

To gain this requisite confidence, interested parties will need to witness and be assured of all the following:

- The County's commitment to the TDR option – namely, a determination of feasibility by its elected officials, and a development agreement that gives the TDR program a period of time that would not jeopardize the ability to secure adequate funding of the TDR Bank to achieve preservation;
- The likelihood that the County and/or participating cities will indeed grant higher densities via the purchase of TDRs on eligible receiving sites. It is likely that an initial receiving site(s) will need to prove as a catalyst to jump start the TDR program;
- A demand for TDRs does exist such that the TDR Bank can effectively sell its development rights to receiving area developers as a source of revenue. We show that a strong developer willingness to pay for incremental density exists along the South Coast of Santa Barbara County where land is scarce and very expensive. But, the process to identify receiving areas needs to be structured such that it actually creates developer demand for TDRs rather than turn developers away because of a lengthy and costly process; and
- The County's prohibition on routes to higher density, except as allowed by the TDR option.

There are a multiple public, private and non-profit organizations that could play a role in the County's TDR Bank. We conducted a preliminary assessment of several organizations as to their respective interests in either serving as a source of funding for the Bank and/or playing a role as the Bank's manager. In particular, we talked to the following parties:

- Trust for Public Lands (TPL)
- California Coastal Conservancy
- Conservation Fund
- Land Trust for Santa Barbara County
- Prop 84 funding sources

Each professed a degree of interest and potential willingness to participate, except the Land Trust for Santa Barbara County. Yet, each have reservations based on the concerns previously mentioned. Independently these organizations indicated that as a first step to their consideration to participate in or play a role with the TDR Bank, the County must demonstrate a clear commitment to the TDR program. Thus, until such action is taken we conclude that any and all potential funding sources are simply “waiting to see” what action the County pursues.

One thing is for certain, when it comes to raising funds for land conservation – money follows money. After several initial transactions occur and the TDR Bank/Program begins to prove itself, additional revenue sources are likely to gain confidence in the system and are more likely to participate. If it is to be successful, a TDR Program should be structured such that it gives the Bank time to establish itself as a revolving fund for continued preservation.

As an example to the amount of money that could capitalize the Bank. The Trust for Public Land (TPL), as recently as 2003 generated \$19.7 million for the successful preservation of Ellwood Mesa. In this deal TPL negotiated with the landowner and the potential developer to relocate 130 entitled lots from Ellwood Mesa to a settled-upon 62 unit project on a 12 acre County park site a short distance away. While not an official TDR, the Ellwood deal essentially bought-down and relocated \$20 million worth of development potential from the Bluffs.

To conclude, the County and Santa Barbara Ranch applicant should work to establish an agreed-upon time period that would “give the TDR option a chance” – an amount of time that is commensurate to capitalize the Bank, if the County determines TDR to be feasible. As a point of reference, it took 3 to 4 years for the Trust for Public Lands (TPL) and the community to raise the \$20 million to preserve the Ellwood Bluffs.

6.2 Approach to Transfer Ratios

As explained in the 2006 TDR Feasibility report, a TDR system creates a set of transfer ratios between sending and receiving sites. Every development right in the sending area equates to a certain number of development rights in the receiving area. This transfer ratio might be anywhere from 1:1 to upwards of 20:1 depending on valuation differences between sending and receiving areas.

We do not recommend a traditional transfer ratio approach here. There are several reasons for this:

- We are not recommending the creation of a classic TDR system in which the market unfolds over time.
- The disparity between the value of one unit in sending areas and one unit in receiving areas is very large.
- The disparity in the value among units in the sending area is very large.

- The disparity in the “willingness to pay” among prospective receiving sites is also very large.

Rather, we recommend a hybrid 3-step approach that works as follows:

1. **Purchase:** Up front, the TDR Bank would purchase “development rights” from Santa Barbara Ranch based on the estimations of entitlement value for each parcel calculated in this report. To use the Ellwood Mesa deal as an example, if the Bank had \$20 million, it would purchase the development rights on any combination of lots whose development rights value totaled \$20 million. The TDR Bank would then have \$20 million in credit from Santa Barbara Ranch that could be applied to receiving areas

2. **Assign:** The County (and, potentially, the City) would create and value “density credits” in the receiving areas based on the “willingness to pay” analysis for the additional density in those areas, and then assign those Density Credits to the TDR Bank. For example, if the County were willing to rezone the St Vincent’s property to accommodate more units if the developer participates in the TDR program (as our analysis suggests is possible), the County would create 46 Density Credits at a price of \$337,322 each. If the City were willing to rezone the Cota parking lot to accommodate residential units, then the City would create 73 Density Credits at a price of approximately \$224,500 each. See Table 5.5.1 in the 2006 TDR Feasibility Report.

3. **Sell:** These density credits would then be sold by the TDR Bank at the assigned value to willing developers in the receiving areas at any time at the market price. The total value of these Density Credits acquired by the bank would be the same as the total value of the Development Rights purchased by the TDR Bank from Santa Barbara Ranch Project. For example, if the TDR Bank had \$20 million worth of credit from Santa Barbara Ranch, it could sell all of the available Density Credits to developers of the St. Vincent’s property for about \$15.5 million (i.e. 46 x \$337,322) and have about \$4.5 million left over to sell developers willing to build 20 units on the Cota site.

It is very important to note that, as the land-use regulators in this scenario, the County and the City would become regulators of the “currency” (the Density Credits) much as the Federal Reserve Bank is the regulator of the money supply. That is, the County and the City must commit themselves to stabilizing the Density Credits by (1) honoring them when a developer holds them; and (2) not providing additional density to receiving-area developers by other means. Obviously, neither the Board of Supervisors nor the City Council can commit their successors to specific regulatory actions in this process, but they can certainly adopt policies that would commit them to the TDR system.

6.3 Development Transfer Scenarios

If a TDR Bank were set up and capitalized, this would permit the Bank to purchase development rights from some parcels on Santa Barbara Ranch and, over time, sell some density credits to receiving areas in the City of Santa Barbara and unincorporated areas of the South coast.

If the TDR system is created, the final configuration of the Santa Barbara Ranch project will depend on how much financial capital the Bank has, and what program goals those resources are used to achieve. The final distribution of density in the receiving areas depends, once again, on the value of the density credits the Bank has and the City and County priorities for increasing density.

We explore scenarios 1-3 which illustrate how the TDR system might work for the Grid, MOU, and ALT 1 projects. The factors we must consider in creating these scenarios include the following:

1. Which Development Rights to remove from Santa Barbara /Dos Pueblos Ranch
2. How many Development Rights to remove from Santa Barbara Ranch
3. Which receiving areas should receive the bulk of the Density credits
4. How much money the TDR Bank has to invest in Development Rights up front.

Scenario #1 Goal: *to reduce the overall development intensity regardless of view-shed impact.* Under this scenario, residential lots possessing the lowest development right value would be prioritized for transfer.

Scenario #2 Goal: *to transfer the most visible developments from Highway 101.*

Scenario #3 Goal: *to transfer ocean-front bluff-top units.*

These represent the most likely set of possible transfer scenarios. For each project, under each scenario, we determine the specific lots from which development could be transferred assuming the TDR Bank is capitalized with \$20 million. We are not suggesting that \$20 million or any other amount is a “magic number” required to make the system work. However, we feel \$20 million is a likely starting point given our analysis of funding opportunities and the recent Ellwood Mesa deal.

The number of Naples development rights shown to be transferred is based on values estimated under the 70% scenario – that is, the assumption that the projects are approved with a 30% reduction in house size. In terms of candidate receiving sites we use the same candidate receiving sites to determine the transfer scenarios as previously done in the 2006 Report. These sites are: the County Campus, St Vincent’s property, Montecito

Orchard, Wright property-east, and the Cota Parking lot. Their associated WTP values are based on a 15% affordable/workforce component.

Table 6.1 simply shows a summary of the total number of development rights that could be transferred for each project. Tables 6.2, 6.3, and 6.4 show the actual lot numbers from which the development rights could be transferred (as well as the transfer ratios) for the Grid, MOU, and ALT 1 projects respectively.

Table 6.1 Grid, MOU, ALT 1 Development Right Transfer Summary

	Scenario #1	Scenario #1	Scenario #1
	Maximum amount of Development Right Transfers	Protection of HWY 101 View-shed Development Right Transfers	Ocean-front Bluff-top Development Right Transfers
GRID # Development Rights Transferred	37	32	4
MOU # Development Rights Transferred	31	25	3
ALT 1 # Development Rights Transferred	35	24	3

(note: this data is based on \$20 million TDR Bank capitalization)

Table 6.1 shows that the Bank, with \$20 million worth of capital, would have the choice of removing the 37 least expensive Grid lots; 32 of the most visible Grid lots from Highway 101 north of freeway; or four ocean-front bluff-top lots. Alternatively, if the transfer is based on the MOU project, the choice would be to remove 31 of the least expensive lots; 32 of the most visible lots from Highway 101; or 3 ocean-front bluff-top lots.

Based on the analyses of developer “willingness to pay” for additional density on the receiving sites from the 2006 TDR Feasibility Report, we can derive transfer ratios. That is, the number of additional units built in the receiving areas for each development right transferred from Naples. These ratios illustrate the significant value disparity between the bluff-top lots and other inland lots.

For example, the ratios to transfer the maximum number of Grid lots, and the Highway 101 view-shed impacting Grid lots range from 1:1 to 2:1. In contrast, the ratio to transfer ocean-front bluff-top lot range from 12:1 to 27:1 depending on the receiving site. This means that between 1 and 2 units would need to be built for every Highway 101 view-impacting Grid lot and between 12 and 27 additional units for each bluff-top Grid lot.

The ratios to transfer the maximum number of MOU lots, and the Highway 101 view-shed impacting MOU lots range from 2:1 to 4:1. Similar to the significant difference expressed above for the bluff-top Grid lots, the ratio to transfer ocean-front bluff-top MOU lots is 15:1 to 32:1 depending on the receiving site.


If the TDR system is created, the final configuration of the Santa Barbara Ranch project will depend on how much financial capital the Bank has, and what program goals those resources are used to achieve. The final distribution of density in the receiving areas depends on the value of the density credits the Bank has and the City and County priorities for increasing density.

To conclude, the extent of development rights that could be transferred will depend to a large extent on the County's goals for preservation at Naples. But, it goes without saying that the high value of bluff-top parcels makes transfer of their development rights more difficult than their inland counterparts. That is to say, the large amount of additional density needed in the receiving areas for each lot that is preserved on the Naples Bluff will make transfers politically difficult.

Table 6.1 Grid Lot Transfer Scenarios

Grid Lot		Scenario #1			Scenario #2			Scenario #3		
		Maximum amount of Development Right Transfers			Protection of HWY 101 View-shed Development Right Transfers			Ocean-front Bluff-top Development Right Transfers		
Bank Captilization		\$20 million			\$20 million			\$20 million		
# Development Rights Transferred **		37			32			4		
Grid Lots to be transferred		107b	163	86A	51	73	243			
		51	140	127A	52a	74	167		66	
		105	83	49	52b	130	109		63A	
		52a	46	135	50	166	26		119A	
		52b	139	48	193	49	103		119B	
		50	244	70C	84	48	162			
		107a	73	243	164	83	102			
		108	74	43C	131	46	53			
		193	130	133	163	139	25			
		84	86B	167	140	244	101			
		164	134	109			129			
		131	166	127B			160			
				116						
Total and Average Development Right Value **		Total = \$20,048,573 Average = \$541,853			Total = \$ 19,971,028 Average = \$624,095			Total = \$23,989,183 Average = \$5,997,296		
Receiving Site Density Credits										
Option 1	County Campus # of Units	31			31			31		
	WTP per unit	\$318,196			\$318,196			\$318,196		
	av. Transfer Ratio	2 : 1			2 : 1			19 : 1		
	and				and			and		
	St Vincents # of Units	29			29			29		
	WTP per unit	\$337,322			\$337,322			\$337,322		
	av. Transfer Ratio	2 : 1			2 : 1			18 : 1		
Option 2	Montecito Orchard # of Units	39			40			40		
	WTP per unit	\$499,350			\$499,350			\$499,350		
	av. Transfer Ratio	1 : 1			1 : 1			12 : 1		
Option 2	Wright Property East # Units	76			78			78		
	WTP per unit	\$259,331			\$259,331			\$259,331		
	av. Transfer Ratio	2 : 1			2 : 1			23 : 1		
Option 2	Cota Parking Lot # of Units	73			73			73		
	WTP per unit	\$224,519			\$224,519			\$224,519		
	av. Transfer Ratio	2 : 1			3 : 1			27 : 1		
Option 5	County Campus # of Units	31			31			31		
	WTP per unit	\$318,196			\$318,196			\$318,196		
	av. Transfer Ratio	2 : 1			2 : 1			19 : 1		
	and	and			and			and		
	Cota Parking Lot # of Units	44			44			44		
	WTP per unit	\$224,519			\$224,519			\$224,519		
	av. Transfer Ratio	2 : 1			3 : 1			27 : 1		

** The number of lots transferred was based on development right values of the 70% project

 Denotes lots with uncertain development potential

Remaining 5 Candidate Receiving Site Statistics


	per unit WTP
City Redevelopment Site	\$325,806
Haley / Anacapa Parking Lot	\$225,165
Montecito Orchard	\$499,350
Montecito Area 3	\$443,207

The average transfer ratio is calculated by dividing the average development right value of the lots to be transferred by the WTP for each receiving site

Table 6.2 MOU Lot Transfer Scenarios

MOU Lots		Scenario #1			Scenario #2			Scenario #3	
		Maximum amount of Development Right Transfers			Protection of HWY 101 View-shed Development Right Transfers			Ocean-front Bluff-top Development Right Transfers	
Bank Capitalization		\$20 million			\$20 million			\$20 million	
# Development Rights Transferred **		31			25			3	
MOU Lots to be transferred		52B	138	105	52B	195	47		
		52A	71	159	52A	163	139		
		109	193	187	109	160	131		66
		107A	133	136	51	159	49		93
		161	26	48	50	187	103		12
		107B	195	185	164	48	137		
		135	134	110	138	185	243		
		51	108	158	193	110			
		50	163	47	26	158			
		164	160	139					
		131							
Total and Average Development Right Value **		Total = \$19,872,274 Average = \$641,041			Total = \$19,664,087 Average = \$786,563			Total = \$21,775,127 Average = \$7,258,376	
Receiving Site Density Credits									
Option 1	County Campus # of Units	31			31			31	
	WTP per unit	\$318,196			\$318,196			\$318,196	
	av. Transfer Ratio	2 : 1			2 : 1			23 : 1	
	and	and			and			and	
	St Vincents # of Units	29			29			29	
	WTP per unit	\$337,322			\$337,322			\$337,322	
	av. Transfer Ratio	2 : 1			2 : 1			22 : 1	
Option 2	Montecito Orchard # of Units	39			40			40	
	WTP per unit	\$499,350			\$499,350			\$499,350	
	av. Transfer Ratio	1 : 1			2 : 1			15 : 1	
Option 2	Wright Property East # Units	76			78			78	
	WTP per unit	\$259,331			\$259,331			\$259,331	
	av. Transfer Ratio	2 : 1			3 : 1			28 : 1	
Option 2	Cota Parking Lot # of Units	73			73			73	
	WTP per unit	\$224,519			\$224,519			\$224,519	
	av. Transfer Ratio	3 : 1			4 : 1			32 : 1	
Option 5	County Campus # of Units	31			31			31	
	WTP per unit	\$318,196			\$318,196			\$318,196	
	av. Transfer Ratio	2 : 1			2 : 1			23 : 1	
	and	and			and			and	
	Cota Parking Lot # of Units	44			44			44	
	WTP per unit	\$224,519			\$224,519			\$224,519	
	av. Transfer Ratio	3 : 1			4 : 1			32 : 1	

** The number of lots transferred was based on development right values of the 70% project

 Denotes lots with uncertain development potential

Remaining 5 Candidate Receiving Site Statistics


	per unit WTP
City Redevelopment Site	\$325,806
Haley / Anacapa Parking Lot	\$225,165
Montecito Orchard	\$499,350
Montecito Area 3	\$443,207

The average transfer ratio is calculated by dividing the average development right value of the lots to be transferred by the WTP for each receiving site

Table 6.3 ALT 1 Lot Transfer Scenarios

ALT 1 Lots		Scenario #1			Scenario #2			Scenario #3
		Maximum amount of Development Right Transfers			Protection of HWY 101 View-shed Development Right Transfers			Ocean-front Bluff-top Development Right Transfers
Bank Capitalization		\$20 million			\$20 million			\$20 million
# Development Rights Transferred **		35			24			3
ALT 1 Lots to be transferred		203	134	187	52A	109	105	
		107B	204	135	48	185	108	
		213	208	202	51	164	136	
		207	108	49	49	186	133	
		209	105	185	50	195	135	
		52A	214	136	188	160	134	
		133	206	DP-5	187	137	107B	
		109	205	50	104	193	107A	
		195	48	51				
		160	210	DP-2				
215	216	DP-8						
		201	70					
Total and Average Development Right Value **		Total = \$20,614,184 Average = \$588,977			Total = \$21,099, 894 Average = \$879,162			Total = \$19,266,505 Average = \$6,422,168
Receiving Site Density Credits								
Option 1	County Campus # of Units	31			31			31
	WTP per unit	\$318,196			\$318,196			\$318,196
	av. Transfer Ratio	2 : 1			3 : 1			20 : 1
	and	and			and			and
	St Vincents # of Units	29			29			29
	WTP per unit	\$337,322			\$337,322			\$337,322
	av. Transfer Ratio	2 : 1			3 : 1			19 : 1
Option 2	Montecito Orchard # of Units	39			40			40
	WTP per unit	\$499,350			\$499,350			\$499,350
	av. Transfer Ratio	1 : 1			2 : 1			13 : 1
Option 2	Wright Property East # Units	76			78			78
	WTP per unit	\$259,331			\$259,331			\$259,331
	av. Transfer Ratio	2 : 1			3 : 1			25 : 1
Option 2	Cota Parking Lot # of Units	73			73			73
	WTP per unit	\$224,519			\$224,519			\$224,519
	av. Transfer Ratio	3 : 1			4 : 1			29 : 1
Option 5	County Campus # of Units	31			31			31
	WTP per unit	\$318,196			\$318,196			\$318,196
	av. Transfer Ratio	2 : 1			2 : 1			20 : 1
	and	and			and			and
	Cota Parking Lot # of Units	44			44			44
	WTP per unit	\$224,519			\$224,519			\$224,519
	av. Transfer Ratio	3 : 1			4 : 1			29 : 1

** The number of lots transferred was based on development right values of the 70% project

 Denotes lots with uncertain development potential

Remaining 5 Candidate Receiving Site Statistics

	per unit WTP
City Redevelopment Site	\$325,806
Haley / Anacapa Parking Lot	\$225,165
Montecito Orchard	\$499,350
Montecito Area 3	\$443,207

The average transfer ratio is calculated by dividing the average development right value of the lots to be transferred by the WTP for each receiving site

