

2016  
ULI YLG Pro-Bono  
Technical Assistance Panel (TAP)

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# MOSES HOUSE MINISTRIES

*A Foundational Road Map  
to a Prosperous Future*



Urban Land  
Institute

Orange County/Inland Empire

Lewis Group Of Companies

**MVE**  
+ PARTNERS



AGUILAR &  
ASSOCIATES

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## MOSES HOUSE MINISTRIES: A Foundational Road Map to a Prosperous Future

**2016 ULI YLG PRO-BONO  
TECHNICAL ASSISTANCE PANEL**

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*The mission of the ULI is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.*

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#### ABOUT ULI

The Urban Land Institute (ULI) was founded in 1936 as a nonprofit institute to conduct research and provide information on all aspects of real estate development and land use policy. ULI has nearly 40,000 public and private sector members comprised of professionals in all aspects of real estate development, policy, and regulation. ULI has 65 district councils in the Americas, Europe, the Middle East and Asia—a worldwide staff of 155 and a \$50 million annual operating budget. ULI has been a leader in smart growth, mixed-use development, urban redevelopment, transportation and affordable housing. ULI Orange County/Inland Empire (OC/IE) is ranked among the top 10 largest district councils in the world, with over 1,000 individual members.

#### COMMUNITY OUTREACH

Since 1947, ULI's Advisory Services Program has been assisting communities by bringing together panels of seasoned real estate, planning, financing, marketing, and development experts to provide unbiased pragmatic advice on complex land use and development issues. Often these panels meet with the sponsoring government or nonprofit entity for five days at a fee of about \$135,000, and typically address issues of a broad and long-range scope. ULI District Councils provide panel services of one day. A small fee of \$15,500 is charged, but the panel members are not compensated for their time.

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*The final outcome of every ULI TAP is Objectivity, Transparency, and Replicability.*

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TAPs are a way for members to give back to the community. ULI acknowledges all members who give their time and talent to support a local organization. To ensure objectivity, panel members may not be involved in matters pending before or be working for the sponsor and cannot solicit work from the sponsor during the panel's assignment period. The Young Leaders Group (YLG) of the ULI OC/IE began conducting TAPs in 2007, on a pro bono basis for charitable organizations. This type of TAP was the first of its kind for a ULI District Council.

## 2016 ULI YLGI PRO-BONO TAP PANELISTS



DIMA GALKIN, Co-Chair, Associate at RSG, Inc.

MIKE WEST, Co-Chair, Broker at Inland West

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LOUISA FELETTA, Associate, Planner at William Hezmalhalch Architects

ANDREW KIM, Site Selection Manager at Aldi, Inc.

JOSHUA LARSON, Architectural Designer at Aguilar & Associates

JOHN MARSHALL, Investment Analyst at Northmarq Capital

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### TAP Support

GUILLERMO AGUILAR, TAP Advisor, President at Aguilar & Associates

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## INTRODUCTION

The mission of Moses House is to offer helping hands and caring hearts to families in crisis, ensuring children grow up in nurturing homes. Located in Victorville, CA, the organization serves an area that exhibits a particularly strong need for this service.



Demographic data from the US Census Bureau's American Community Survey shows that single-mother households are more common in the Victor Valley area than in the

surrounding portion of Southern California. Single-mother households make up 10.2% of all households in the Victorville-Hesperia Census County Division ("CCD") and almost 12.9% of all households in the City of Victorville. This number is significantly lower in the surrounding area: 8.3% in the Riverside-San Bernardino-Ontario Metropolitan Area ("Riverside Metro") and 7.1% in the Los Angeles-Long Beach-Santa Ana Metropolitan Area ("LA Metro").

Furthermore, single-mother households in the local area are more likely to include at least one child under 6 than the surrounding areas. In the Victorville-Hesperia CCD and

Victorville, 41.0% and 45.2% of all single-mother households include a child under 6. This rate is 37.1% in the Riverside Metro and 33.9% in the LA Metro.

In this environment, Moses House provides vital long-term services to any single mother who is pregnant or has at least one child under the age of six. Programs offered include:

- Nurturing Parenting Programs
- Case Management
- Transportation Assistance
- Provision of Basic Needs
- Employment Development
- Mentoring
- Community Awareness Meetings,
- Self-Esteem Group Courses

To support its core programs, Moses House operates a thrift store in Victorville, which serves multiple purposes. It serves as an incentive store for Moses House's clients, meaning they can use points earned through successful participation

in the core programs to purchase things from the store. Secondly, the store offers clients an opportunity to gain work experience.

Furthermore, the store is open to the public, an important service for an area with a median household income of \$47,902, compared to more than \$55,000 in the Riverside Metro and over \$60,000 in the LA Metro. The income difference is even more stark for single-mother households. Such households in the Victorville-Hesperia CCD earn an average of 76% as much as their counterparts in the Riverside Metro and 65% as much as their counterparts in the LA Metro.

The TAP was assembled in 2016 with eight professionals, all ULI members under the age of 35. The TAP's goal was to provide Moses House with recommendations that could increase total revenues and thereby support service expansion.

# INTRODUCTION



## BACKGROUND

The Moses House thrift store is tucked away in the back corner of a shopping center located behind another shopping center. The thrift store's visibility from the nearest high-traffic street (7th St.) is blocked by more than one shopping center. While Moses House leases the thrift store, a vacant parcel was donated to the organization in 2008, located away from the City center. The main campus and resource center is located elsewhere in the City. Based on these existing conditions, the TAP worked with Moses House to develop a three-part scope:

1. Thrift store relocation
2. Analysis of existing vacant property/raw land currently owned by Moses House
3. Ground-up development incorporating operations and the thrift store in one central location

## SCOPE OF WORK

The panelists brought their expertise in retail site selection, planning, permitting, architectural design, cost analysis, and financing to shape recommendations for Moses House on each piece of the scope. The thrift store relocation section focused on finding a location in which the thrift store would benefit from higher traffic volume and visibility, allowing it to generate more revenue for the organization.

Analysis of the vacant parcel focused on confirming the organization's suspicion that development potential on the site would be minimal, both from an environmental perspective and from a development/design perspective. Given the separation between Moses House's thrift store and main operations location, there could be a benefit to locating both together in a new development. The third portion of the scope centered on this long-term possibility. The panel focused on answering the following questions:

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### Thrift Store Relocation

- *Where could Moses House relocate its thrift store?*
- *What permitting steps would be required?*
- *How might a new thrift store look?*
- *How much could Moses House expect to pay for space?*
- *What are some financing strategies to help afford a new space?*

### Vacant Parcel

- *What are the environmental and practical constraints to building on this property?*
- *How much of the property could potentially be developed?*

### Ground-Up Development Option

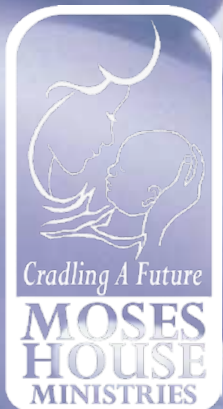
- *How could a comprehensive, ground-up development look?*
  - *How much would it cost?*
  - *What would be some of the available funding sources for such a project?*
-



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RELOCATION:  
WHY? WHERE?  
AND HOW?

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## RELOCATION: WHY? WHERE? AND HOW?

The process of relocating the thrift store will be challenging, but relocation is crucial for the future growth and prosperity of Moses House.

### WHY RELOCATE?

We've all heard the real estate phrase, "location, location, location." From a retailer's perspective, real estate is a component of advertising. In other words, retail real estate strategy is all about customer acquisition. This can be further explained by comparing the similarities between a billboard and storefront.

Successful billboards require a highly visible spot where they may be easily seen by passersby. Billboards commonly include a call to action by inviting interested parties to call, check out a website, or visit a physical location in order to make a purchase. Successful storefronts have a similar goal aiming to attract a customer's attention and lead them to the product. The only difference is that a storefront has a door that a customer can walk into and buy the product on the spot.

### 2016 Demographics: Victorville, California

Estimated Population	122,986
Projected Annual Growth 2016 to 2021	1.10%
Estimated Average Household Income	\$59,273
Estimated Median Household Income	\$47,902
Estimated Per Capita Income	\$17,681
Estimated Hispanic Population	49.7%
Estimated Median Age	30.5 yrs
Estimated Households with 0 Vehicles	5.8%

EXHIBIT 1: Based upon the demographics of Victorville, the Panel recommends bilingual Spanish/English advertisements based upon the large Hispanic population in Victorville. Dedication of a section or area of the sales floor that caters to shoppers in the early 30's is also recommended.

Considering that the current thrift store's location is in a low traffic area on the side of the freeway, relocation is obvious and necessary. Customers and employees require a safe and inviting place to park, shop, and work. Where should the thrift store relocate?

In order to continue to serve the local population, the Panel analyzed several sites in the City of Victorville as potential areas of relocation. The site selection criteria is as follows:

1. Approximately 17,000 sf
2. Truck dock / roll-up gate
3. High traffic count (25,000+ cars per day)
4. High retail synergy





EXHIBIT 2: Map of related Victorville retailers

## Competitors:



## THE EXISTING RETAIL LANDSCAPE

The Panel identified two retail categories: **competitors and complementary retailers**. For the purpose of this report, competitors are identified as national thrift store brands currently present in Victorville. Complementary retailers are not thrift stores, but their customer base is likely to be interested in shopping at the Moses House thrift store.

## Complementary Retailers:



*It is key for the Moses House thrift store to be easily visible from AND accessible to competitors and complementary retailers in order to maximize new customer acquisition.*

From the map above of related Victorville retailers, it is clear that retail synergy is optimal at two locations:

1. 7th & Hook
2. Bear Valley & Hesperia Road.

Bear Valley & Amargosa may be considered as an option as well, but there are no thrift stores around that intersection, which makes the intersection slightly less appealing.

# RELOCATION: WHY? WHERE? AND HOW?

## FINDING A SITE

Generally, there are two ways to develop a list of potential sites - personally sourcing the deals or engaging a broker to lobby on behalf of the organization. The Panel recommends that Moses House utilize the services of a broker as they can provide value in their market knowledge and skillset to maneuver through a deal. Brokers are often privy to tenant leases and may know if a retailer is closing or opening before the public, which provides a huge competitive advantage.

Once a general location or area is selected, it would be good practice for Moses House to tour the area and work with a broker to call on potential lease spaces. For the purpose of this study, the Panel researched the following lease opportunities at the most desirable intersections of 7th Street & Hook Road, Bear Valley Road & Hesperia Road, and Bear Valley Road & Amargosa Road.

7th Street & Hook Road		
Address	Size	Description/Notes
14575 7th Street	25,616 SF	Vacant building for lease
14809 7th Street	26,000 SF	Vacant building for lease
14827 7th Street	27,000 SF	Vacant grocery store
14676 7th Street	11,500 SF	Furniture store and Home Fabrics. Home Fabrics is vacant and is currently storage for Furniture store. Building is already demised. Need to confirm square footage of Home Fabrics. Decent site. Great parking.
14596 7th Street	7,000 SF	Vacant Auto Body Shop. Same shopping center as Goodwill. Too small, but maybe we can make something work.
Bear Valley Road & Hesperia Road		
17085 Bear Valley Road	1.5 acres	Dirt lot. Decent site. Access is mediocre, but In N Out has the same positioning. Landlord will most likely prefer to have a national tenant restaurant.
16866 Bear Valley Road	7 acres	Large scale development would be required. Helipad on site most likely used by the adjacent hospital. Adjacent to Goodwill. Decent site.
12139 1st Avenue	4 acres	Same center as the Goodwill store. Visibility is limited. 7 Acre site development above would be a better site.
12229 Hesperia Road	28,000 SF	Anchored by Vons. Decent site. Will need to be demised.
17222 Bear Valley Road	22,000 SF	Same center as Vons. Endcap. May be too far from the intersection.
12142 Hesperia Road	9,000 SF	Same center as Goodwill. Adjacent to Dollar Tree. Most likely excess space from Dollar Tree demise.
12234 Hesperia Road	16,000 SF	Same center as Goodwill. Adjacent to dd's Discount. Likely excess space from dd's demise.
Bear Valley Road & Amargosa Road		
12410 Amargosa Road	20,000 SF	I don't think any major tenant will go after this site. It's nearly unleaseable with the type of layout that they demised.

EXHIBIT 3: List of considered relocation sites

# RELOCATION: WHY? WHERE? AND HOW?

## 7TH & HOOK

The intersection at 7th & Hook is a great potential location for the Moses House thrift store. There are approximately 32,000 cars that travel through this intersection daily, and the area is very dense with retailers like Goodwill, Salvation Army, 99 Cent Store, dd's Discounts, Fallas, and Dollar General. A potential lease location exists at the southeast corner of the site - a former JoAnn's Fabrics owned by O'Reilly Autoparts. It is 26,000 sf and the asking price is \$900,000. The site was recently under contract by a developer, but the deal fell through in February 2017.



EXHIBIT 4: Map of 7th & Hook

## BEAR VALLEY & AMARGOSA

There is strong potential at the intersection of Bear Valley & Amargosa which receives about 70,000 cars/day. Unfortunately there are no, competitors or complementary retailers, in the area. However, with the high traffic count this could be a decent location along Bear Valley Road for the Moses House thrift store. The Panel identified a 20,000 sf building on Amargosa that was previously a furniture store. There is limited store frontage and the owner is seeking \$1/sf with \$0.40 NNN<sup>1</sup>.



EXHIBIT 5: Map of Bear Valley & Amargosa

## BEAR VALLEY & HESPERIA

The Panel has identified a potential retail location at Bear Valley & Hesperia Road. This promising site will be explored in the following section.

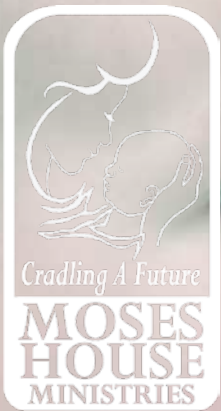
<sup>1</sup>A triple net (NNN) lease is defined as a lease structure where the tenant is responsible for paying all operating expenses associated with a property.



two

LEASE OPTION:  
THRIFT STORE  
RELOCATION

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EXHIBIT 6: Map of Bear Valley & Hesperia

In this section, the Panel will provide a full relocation scenario – including site acquisition, design, processing and city requirements, and financing – aimed at providing Moses House with realistic expectations for a new thrift store lease.

### BEAR VALLEY & HESPERIA

The Panel identified a potential lease opportunity located at 12240 Hesperia Road. The location meets the established site criteria and could be an ideal leasing scenario for the relocation of the Moses House Thrift Store.

### PROPERTY INFORMATION

- Hi Desert Plaza
- 16,130 SF building
- 72,000+ cars per day
- Center features high traffic tenants like Dollar Tree, Goodwill
- Outstanding ingress/egress
- Monument signage available
- Central location
- Strong daytime population from local office parks



Demographics			
	3 miles	5 miles	7 miles
Average Income	\$57,255	\$60,660	\$63,080
Population	59,664	171,230	284,993
Daytime Population	61,055	167,667	258,037

EXHIBIT 7: Optimal demographics and critical mass



# LEASE OPTION: THRIFT STORE RELOCATION

Lease Comps Summary							
Property Address	Rating	SF Leased	Floor	Sign Date	Type	Rent	Rent Type
17263-17267 Main St.	2 star	10,999	1st	8/22/16	New	\$13.20/nnn	Asking
12410 Amargosa Rd.	3 star	18,311	1st	8/3/16	New	\$12.48/nnn	Effective
14676 7th St.	2 star	11,520	1st	6/3/16	New	\$15.00/mg	Asking
14689 Valley Center Dr.	3 star	10,134	1st	4/2/16	New	\$13.20/nnn	Asking
13319 Main St. (Pad A)	4 star	10,000	1st	5/28/15	New	--	--
15075 Main St.	3 star	10,013	1st	5/1/15	New	\$13.33/nnn	Effective
12353 Mariposa (Bldg B)	3 star	23,980	1st	10/4/14	New	--	--
14689 Valley Center Dr.	3 star	10,134	1st	10/1/14	Renewal	\$10.80/nnn	Starting
12463 Mariposa Rd.	3 star	10,000	1st	6/20/14	New	\$6.00/fs	Starting

EXHIBIT 8: Comparable area leases

## UNDERSTANDING LEASE COMPS

Before submitting an offer on a potential site, it is important to have a good understanding of how much to pay for a site. The data set to make that decision is called a market comparable or market comp. Purchasing a property requires a different data set than leasing a property. This report focuses on market comps for leases. Lease comps include data that will help the lessee and lessor determine a fair lease/rental rate, lease term, tenant allowance, etc. It is standard for lease comps to show the address of the property, lessee business name, size of the space, date of the lease signed, lease terms and options, base rent, and tenant improvement allowances.

It is important to note that the data set must be vetted for accuracy and relevance. A rule of thumb is to use recent lease comps with similar uses and property characteristics in proximity from the subject site. The older, further, and less similar the market comparable, the less relevant it is. More often than not, data sets used by the lessor and lessee are

different and will have different conclusions of what is fair, which is why deal terms may be negotiated over long periods of time.

Rental rates may be expressed in triple net (NNN), modified gross (MG), or full service (FS), commonly known as gross net. The type of lease, whether NNN, MG, or FS will determine the party responsible for paying the expenses incurred from the property such as maintenance, insurance, and taxes. Generally, the tenant takes full responsibility for the payments in a NNN lease, the tenant and landlord will split the responsibility in a MG lease, and the landlord will assume full responsibility in a FS lease. In gross net deals, the estimated expenses will be included in the rent as opposed to a NNN deal where rent is paid separately from the expenses. Some tenants prefer gross deals to simplify payments while others prefer NNN deals to audit expenses as they are incurred.

## ANTICIPATED LEASE RATES

The asking price for the location at 12240 Hesperia is \$1.00 per square

foot (PSF) + \$0.20 NNN per month. By assessing the market comps pulled from CoStar, anticipated rent could be between \$10-12 PSF + \$2.40 NNN per year. Tenants may ask Landlords to provide tenant improvement allowances (TIA). The allowance is an initial loan to the tenant in the form of increased rents to help provide capital to build out the space. When analyzing lease comps, it is important to know whether the tenant received an allowance or not as that will inflate the rental rate. With a TIA included, anticipated rents could be between \$12-15 PSF + \$2.40 NNN per year.

It should be noted that the market comp data does not indicate whether tenants received a TIA. Also, smaller building spaces tend to have higher rental rates per square foot than larger spaces. Asking rental rates are often inflated and are set up to be negotiated. It is recommended that Moses House consult with a qualified retail broker that specializes in the High Desert to refine the lease comps, draft a lease offer, and negotiate in their best interest.



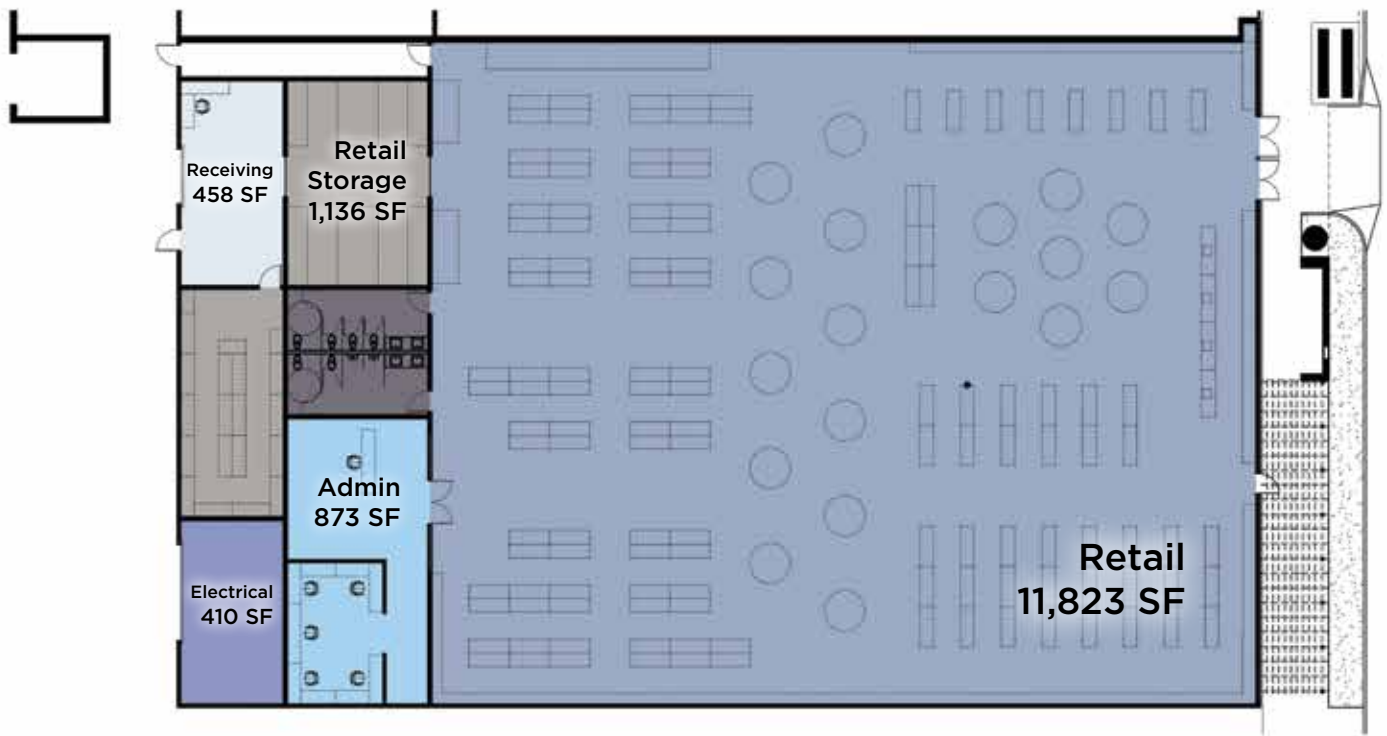


EXHIBIT 9: Potential thrift store floor plan

#### FLOOR PLAN & LAYOUT

For the location at Hesperia Road, the Panel worked with Moses House to identify the functional needs and space requirements for a potential thrift store relocation. Utilizing the existing building shell of 12240 Hesperia Road, the Panel created a functional plan that provides a large retail floor area, extensive storage space, as well as a receiving area and administration office.

The recommended interior program is as follows:

- Retail - 11,823 SF
- Administration - 873 SF
- Retail Storage - 1,136 SF
- Receiving - 458 SF
- Electrical Room (existing) - 410 SF

The recommended space will allow Moses House to expand operations and accept large ticket items such as furniture and appliances.



EXHIBIT 10: Site Plan of 12240 Hesperia Road



EXHIBIT 11: Conceptual storefront rendering

## STOREFRONT DESIGN

The existing blank building façade provides ample opportunities, if structurally allowable, to connect with customers. The Panel suggests converting the existing linear wall to a new storefront window system. This improvement would allow natural light to penetrate into the store space, provide direct view to products on sale, and provide additional opportunities to create eye-catching window displays.

Adding a canopy or trellis-type system to the exterior will create a more inviting environment, provide shade, create a gathering space, and help the storefront stand out from the other retail stores in the center. The Panel recommends repainting the exterior and adding complementary signage to create a welcoming entrance for customers and employees.



EXHIBIT 12: Existing storefront - 12240 Hesperia Rd.

# LEASE OPTION: THRIFT STORE RELOCATION



## VICTORVILLE PLANNING DEPARTMENT

The Planning Division is the first stop for prospective businesses, builders, developers, and homeowner's inquiring about the requirements and standards for new development or new businesses within the City of Victorville. The Planning Division regulates the use of land, maintains and interprets the City's General Plan and Zoning Code, processes and analyzes project applications, issues permits, and answers questions of the public pertaining to land use.

Moses House would coordinate with the Planning Department to obtain a Minor Conditional Use Permit (MCUP) in order to move the thrift store to a new location. In the ground-up construction scenario, Moses House will need to obtain a Minor Site Plan and an MCUP.

## CUP & MCUP PERMITS

Conditional Use Permits (CUPs) are required for uses typically having unusual site development features or operating characteristics requiring special consideration so that they may be designed, located, and operated to be compatible with neighboring properties. The Zoning Code specifies whether a use (or activity such as shared parking) requires an MCUP or a CUP. An MCUP typically has less impact on adjacent properties than a CUP and therefore requires a less intensive review than a CUP.

The difference between a CUP and an MCUP is the process. A CUP requires a public hearing and is reviewed by the Hearing Officer (HO). Planning staff writes a report and recommendation to the HO. An MCUP is reviewed by Planning staff and a letter is written informing the applicant of the recommendation (and draft findings) and any recommended conditions of approval.

Public notices are mailed to property owners within the required radius and the notice is posted within the required radius. A sign is posted on the site which informs the public of the type of application, and date, time and location of the hearing. If an interested party requests a hearing, it is held before the HO. A request for

a hearing can be filed up to one day before the scheduled hearing.

## PRE-SUBMITTAL REVIEW

The City of Victorville offers a valuable, free service in the form of a Pre-Submittal Review. The Panel recommends that Moses House take advantage of this highly informative session in which the City's planning staff and additional departments can review the submittal, confirm the requirements, and evaluate the project prior to the application's submittal. Applicants can expect to receive initial feedback and comments regarding development standards, building elevations, land use standards, etc. free of charge. Taking part in a Pre-Submittal Review can save Moses House time and money, and can help ensure a smooth process moving forward.

# LEASE OPTION: THRIFT STORE RELOCATION

## SUBMITTAL REQUIREMENTS

After receiving initial feedback from the City during the Pre-Submittal Review, Moses House will refine the submittal and finalize the documents. The submittal will include:

- Application and required submittal fees
- Grant Deed or Preliminary Title Report
- Project Description
- 2 sets of plans plus a digital copy on a CD
- Public hearing information

## COSTS FOR A MINOR CUP


Costs for a Minor CUP are anticipated as follows:

- Environmental Assessment - Categorical Exemption: \$111.43
- Minor Conditional Use Permit: \$390.01
- Public Notice Requirement: Mailing costs
- Printing costs for plan sets

The City may update their fees yearly so it is important to confirm the amount during the Pre-Submittal Review meeting.

## NEXT STEPS

Once submitted, the application will be reviewed by the City Planning Department. Public notices will be sent to area property owners. A public hearing with the zoning administrator will be set approximately 30 days later. The project can then be approved by the zoning administrator, or deferred to the Planning Commission.



**City of Victorville**  
Department of Development  
Planning • Building • Code Enforcement • Business License • Animal Control

14343 Civic Drive  
PO Box 5001  
Victorville, CA 92393-5001  
(760) 955-5135  
Fax (760) 269-0070  
planning@cityofvictorville.ca.us

**Application for Zoning Administrator Action**

---

**GENERAL INFORMATION**

Applicant: \_\_\_\_\_ Contact Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_  
Email Address: \_\_\_\_\_  
Applicant's Representative: \_\_\_\_\_ Contact Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_  
Email Address: \_\_\_\_\_  
Property Owner: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

---

**TYPE OF REVIEW REQUESTED\*\***

<input type="checkbox"/> Certificate of Compliance .....\$628.80	<input type="checkbox"/> Minor Deviation .....\$278.58
<input checked="" type="checkbox"/> Environmental Assessment	<input type="checkbox"/> Fence height adjustment
<input type="checkbox"/> Categorical Exemption.....\$111.43	<input type="checkbox"/> Lot coverage
<input type="checkbox"/> Initial Study/Negative Declaration.....\$1,114.31	<input type="checkbox"/> Parking space reduction
<input type="checkbox"/> Finding of Public Convenience or Necessity.....\$111.43	<input type="checkbox"/> Stock Plan Change
<input type="checkbox"/> Interim Use Permit *.....\$390.01	<input type="checkbox"/> Yard dimension
<input type="checkbox"/> Lot Line Adjustment .....\$278.58	<input type="checkbox"/> Pet Permit .....\$27.86
<input type="checkbox"/> Lot Merger .....\$278.58	<input type="checkbox"/> Storage Container(s).....\$55.72
<input type="checkbox"/> Master Sign Program .....\$557.16	<input type="checkbox"/> Tentative Tract/Parcel Map Mod .....\$445.72
<input type="checkbox"/> Minor Conditional Use Permit *.....\$390.01	<input type="checkbox"/> Wireless Communication Facility (WCF)
<input type="checkbox"/> Minor Site Plan.....\$445.72	<input type="checkbox"/> Co-location on existing WCF.....\$445.72
<input type="checkbox"/> Minor Variance *.....\$807.88	<input type="checkbox"/> New location.....\$835.73
<input type="checkbox"/> Model Home Complex .....\$334.29	

---

**SPECIAL STUDIES AND DEPOSIT FEES\*\***

<input type="checkbox"/> Preliminary Hydrology Study-\$681.20.....(Subdivision fee-\$1,100.40)	<input type="checkbox"/> Preliminary Traffic Study-\$681.20.....(Subdivision fee-\$1,100.40)
<input type="checkbox"/> Preliminary WQMP-\$681.20.....(Subdivision fee-\$1,100.40)	<input type="checkbox"/> Water Feasibility Study.....\$5,764.00
<input type="checkbox"/> Preliminary Sewer Study-\$681.20.....(Subdivision fee-\$1,100.40)	<input type="checkbox"/> Water Supply Assessment.....\$15,720.00

\*\*PLEASE NOTE: All fees include a technology fee of 4.8%  
(\* ) Applications that require a public hearing - Refer to the deadline list for processing dates.

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**PROJECT LOCATION**

General Location/Address of Project: \_\_\_\_\_  
Assessor's Parcel No(s): \_\_\_\_\_ Tract Map No(s): \_\_\_\_\_ Lot No(s): \_\_\_\_\_  
Existing Zoning: \_\_\_\_\_

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**PROJECT DESCRIPTION :**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Case Nos:** \_\_\_\_\_

**Related Files:** \_\_\_\_\_

**Date:** \_\_\_\_\_ **Rec'd by:** \_\_\_\_\_ **Fees Paid:** \_\_\_\_\_ **Receipt No.:** \_\_\_\_\_

Planning Division • 14343 Civic Drive • P.O. Box 5001, Victorville, CA 92392-5001 • (760) 955-5135 • Fax (760) 269-0070 1/4/17

EXHIBIT 13: City of Victorville Application for MCUP



## LEASE OPTION: THRIFT STORE RELOCATION

Moses House Projections and Comparative Sales Figures					
Organization	Annual Sales	Monthly Sales	Weekly Sales	Daily Sales	Sales PSF
<b>Moses House Current Sales</b>	<b>\$42,000</b>	<b>\$3,500</b>	<b>\$875</b>	<b>\$175</b>	<b>\$12</b>
<b>Moses House Projected Sales</b>	<b>\$500,000</b>	<b>\$41,667</b>	<b>\$10,417</b>	<b>\$2,083</b>	<b>\$50</b>
Goodwill*	\$1,600,000	\$133,333	\$33,333	\$6,667	\$145
Buffalo Exchange*	\$1,400,000	\$116,667	\$29,167	\$5,833	\$280
Crossroads Trading*	\$625,000	\$52,083	\$13,021	\$2,604	\$125
Laura's House*	\$400,000	\$25,000	\$6,250	\$1,250	\$100

EXHIBIT 14: Sales projections and comparisons. Estimated national figures are based on annual reports.

### SALES PROJECTIONS

Since the 2008 recession, the resale industry has thrived as consumers turn to used goods in cars, clothing, and furniture. Goodwill Industries, the market leader, reported a 90% sales increase since 2009 as the economy experienced a “shift to thrift,” while trade groups estimate 5-7% annual thrift store growth in recent years. The non-profit industry has taken advantage of this trend, bootstrapping operations to open resale shops to add additional income to operations, and, in many cases, provide jobs, as Moses House has done.

Moses House provided a target annual sales figure of \$500,000. Comparing Goodwill, Buffalo Exchange, and Crossroad's Trading average store sales provides an upper limit of revenue expectations (Exhibit 14). Laura's House, an Orange County based women's shelter, owns two resale stores – one in Lake Forest, and the other in San Juan Capistrano. The non-profit provided general sales data to the Panel, suggesting that each store grosses \$400,000 annually. However, Laura's House stressed

*The Panel strongly recommends that Moses House build a one-year reserve fund in order to add stability to operations, create a cushion, and plan for uncertainty.*

the importance of volatility. Laura's House's second location in San Juan Capistrano is currently experiencing an unspecified decline in revenue. The group was unable to offer an explanation, but strongly suggested planning for uncertainty despite positive trends in the resale industry.

### FINANCING STRATEGY FOR LEASEHOLD INTEREST

Unfortunately, there are not many real estate-focused public funding options for this type of project. Most non-profits boot strap operations, as Moses House did for its first project. As a result, it is recommended that sourcing capital should be focused on fundraising from a variety of donors. Acquiring debt for this project is not recommended.

### SOURCES OF FUNDING

The Panel recommends a three-pronged approach in order to assemble funding for the proposed thrift store relocation. First, nominal amounts of **Community Development Block Grants (CDBG)** funding of up to \$25,000 is available through the microenterprise funding program. The CDBG program provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at the Department of Housing and Urban Development (HUD).<sup>3</sup>

<sup>3</sup> [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs](https://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs)

Second, expanded operational grant funding is available through entities such as the [Department of Justice \(DOJ\)](#) and [Department of Health and Human Services \(HHS\)](#). The DOJ Office of Violence Against Women offers 15 discretionary programs which awarded \$37 million in grants to organizations in California last year. Grants ranged from \$300,000 to \$600,000. Likewise, the HHS Children's Bureau provides \$1-2 million in discretionary grants for similar non-profits.

In order to qualify for these programs Moses House would need to apply for grants and demonstrate how its programs support the missions of the DOJ and HHS by positively impacting the community.

Funding is available for qualifying organizations that support law enforcement and public safety, assist victims of crime, provide training and technical assistance, implement programs that improve the justice system, and contribute to public health, among many other community achievements.<sup>4</sup>

Finally, and perhaps most importantly, the Panel recommends that [Moses House grow its base of private donors](#). Similar non-profit organizations, such as Laura's House and Shepherd's Gate, have successfully bolstered their fundraising efforts by approaching and appealing to regional corporations and foundations who share similar community serving missions. The Panel strongly believes that Moses House could build upon the momentum of organizations such as these in order to completely fund and raise capital for development projects and future growth.

MOSES HOUSE BUDGET

Moses House Potential Budget			
Annual Expenses	Annual	Monthly	PSF
Rent	\$184,000	\$15,333	\$11.50
Utilities, CAM, Insurance, etc.	\$38,400	\$3,200	\$2.40
<b>Total</b>	<b>\$222,400</b>	<b>\$18,533</b>	<b>\$13.90</b>
Relocation Budget			
Security Deposit	\$15,333		\$1.02
TI's	\$5,000		\$0.33
CUP & Permitting	\$20,000		\$1.33
Consultant Fees	\$15,000		\$1.00
Fixtures	\$15,000		\$1.00
<b>Total</b>	<b>\$70,333</b>		<b>\$4.69</b>
Reserve Fund			
One Years Rent & Expenses	\$222,400		
Relocation Costs	\$70,333		
<b>Total</b>	<b>\$292,733</b>		

EXHIBIT 15: Potential budget for relocation

By signing a new lease, Moses House would increase its thrift store rent obligation ten-fold, and over an expected five year lease period, that obligation represents 4-5 times the organization's current net worth. Exhibit 15 contains a general budget of expenses to expect during the first year of operations.

The Panel highly recommends strengthening Moses House's balance sheet by raising cash for this project and growing a reserve fund. New donations will provide Moses House leverage when negotiating with landlords, make the non-profit more attractive to grant programs, and add credibility to Moses House's already strong reputation, beyond the High Desert area.

Annual rent and triple-net charges are expected to total \$222,400, assuming rent of \$11.50 psf, annually. Two to three percent annual rent escalations should be expected. Because the new thrift store will not gross the full \$500,000 sales figure in its first year, the reserve fund will cover rent charges to the landlord while the thrift store builds up to its full potential.

Relocation costs are expected to total \$70,000. This includes a security deposit of one month's rent, a small Tenant Improvement budget of \$5,000 to provide a minimal interior and exterior renovation, and \$15,000 for additional fixtures, such as shelving, counters, registers, and racks in the rear loading area.

Additionally, Moses House should expect permits and the CUP process to cost \$20,000, with an additional \$15,000 expected for third party consultant fees. The first year total costs are expected to equal \$292,000, which is an ambitious but highly achievable fundraising number.

<sup>4</sup> <https://www.justice.gov/business/grants>

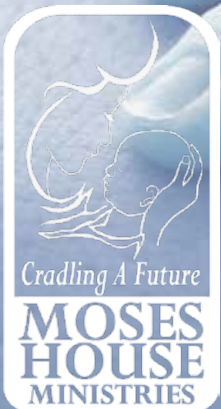


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MOSES HOUSE  
PROPERTY: ANALYSIS &  
RECOMMENDATIONS  
FOR RAW LAND

2016 ULI YLGI  
Pro Bono TAP



**Urban Land  
Institute**

Orange County/Inland Empire

## MOSES HOUSE PROPERTY ANALYSIS

*In this section, the Panel will analyze the vacant parcel of land currently owned by Moses House and provide recommendations as to its potential as an asset for future development.*

### VACANT LAND

The vacant parcel owned by Moses House totals five acres (Assessor's Parcel 3072-221-12). The parcel is located in the central portion of the City of Victorville, County of San Bernardino, California. The parcel adjoins Amethyst Road and is generally situated west of Interstate 15. The parcel consists of vacant, undeveloped land. No structures are located on the site, and no roads traverse the site. (Exhibit 16)

The parcel is designated Commercial by the City of Victorville General Plan 2030. The General Plan defines the Commercial designation as corresponding to a wide range of retail commercial, service commercial, and office commercial activities. The parcel is zoned C-2T (General Commercial Transitional), which is intended to provide suitable locations for various commercial activities, primarily of a retail nature.



EXHIBIT 16: Vacant Land APN 3072-221-12

# MOSES HOUSE PROPERTY ANALYSIS

## EXISTING CONDITIONS

The site is vacant, with variable topography, generally sloping northwest to southeast. The biotic community existing on the parcel is typical of rural and vacant land uses within the vicinity of Victorville. The majority of the parcel is unvegetated, consisting of bare ground and weed species. (Exhibit 16)

On-site drainage of the parcel is accomplished by overland sheet flow, which flows in a southeast direction across the subject site to the Oro Grande Wash. The images show conditions of the parcel off of Amethyst Road and the top of slope (Exhibit 17). This portion of the parcel is relatively flat, and could provide a developable area requiring minimal grading.

The Oro Grande flood wash is documented by U.S. Geologic Survey Topographic Maps. The photos in Exhibit 18 were taken shortly after the rains in January 2017. Evidence of flow, ordinary high water mark, and bed and bank indicate this flood plain would be regulated as waters of the United States under the Clean Water Act. The Clean Water Act gives regulatory agencies permitting authority when proposing activities within jurisdictional areas. It is likely that the U.S. Army Corps of Engineers, Regional Water Quality Control Board, and California Department of Fish and Wildlife would all have regulatory authority.



EXHIBIT 17: Existing site views from east (top) and south (bottom)



EXHIBIT 18: Existing site views of eastern portion of site



Additionally, there is a culvert near the northern property line, redirecting storm flow. Where the water hits the ground out of this pipeline would be considered jurisdictional. Vegetation around the drainage would also indicate jurisdictional land. The water from the culvert eventually drains into the Oro Grande Wash. (Exhibit 19)



EXHIBIT 19: Existing views from northern portion of site

The map highlights potential jurisdictional waters of the U.S. within the parcel (Exhibit 20). The Panel recommends that Moses House avoid development in this area as it would trigger permitting with regulatory agencies.



EXHIBIT 20: Potential jurisdictional waters of the U.S.

Without major grading, approximately 1 acre of this parcel could serve as developable area (Exhibit 21). This option could support small commercial uses, and would not require major earthwork quantities. This option would also avoid environmental issues on the eastern portion of the property, and would be the most cost-effective development choice.



EXHIBIT 21: Development footprint for minimal grading (+/- 1 acre)

## MAXIMIZING THE DEVELOPABLE AREA

To maximize the developable area, the pad could be expanded with the slope engineered at 2 to 1. This would create a developable area of approximately 1.5 acres. At a minimum, raw earthwork for this slope would require about 53,000 cubic yards of fill to increase the developable area by 0.5 acres (Exhibits 21 & 22).

- Developable Area
- Building Setback
- Grading Needed
- Unbuildable Area

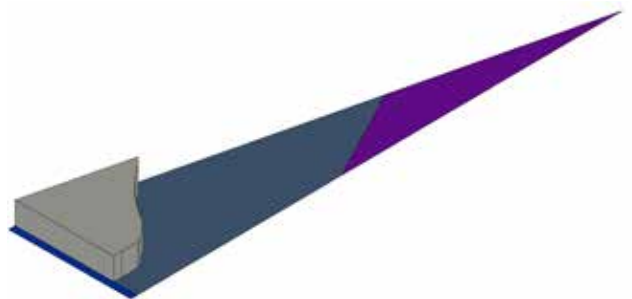


EXHIBIT 22: Developable area

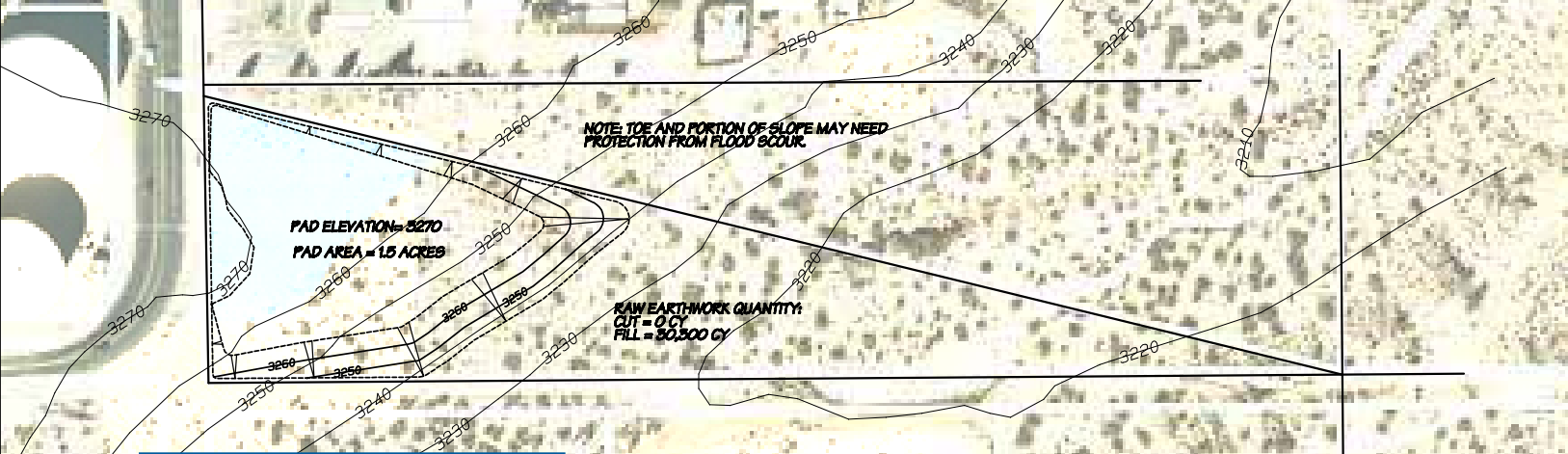


EXHIBIT 23: Potential expansion of developable area

Fill costs range from \$3 to \$8 per cubic yards of fill, depending on location. Shipping costs drive up the cost of fill. For 53,000 cubic yards of fill, grading costs could be between \$150,000 and \$400,000. It should be noted this quantity is only raw earthwork, and does not include any remedial earthwork costs that may be required later.

## OTHER EARTHWORK

In order to determine other earthwork quantities, geotechnical and hydrology studies are required. These studies would provide additional information about the underlying soil types on the parcel. If the soils are found to be unsuitable for development, excavation and remedial fill would be required. The base of the slope may require erosion control protection to prevent the loss of property or erosion of the proposed slope. Erosion control could take the form of walls or riprap (a rock barrier that sometimes can be planted to give a more natural appearance and bio-erosion control.) Additionally, off-site grading on adjacent property to the north may be required. This could require the purchasing of neighboring land or obtaining easements, before performing grading activities.

Regulatory Agency Permitting			
Regulatory Agency	Est. Permit Costs	Permitting Time (est.)	Other Considerations
U.S. Army Corps of Engineers <ul style="list-style-type: none"> <li>Nationwide Permit</li> </ul>	No permit fee required	1 year	Habitat Mitigation and Monitoring Plan. Compensatory Mitigation Section 106 SHPO Compliance
Regional Water Quality Control Board-Lahontan RWQCB <ul style="list-style-type: none"> <li>401 Certification</li> </ul>	<ul style="list-style-type: none"> <li>Discharge Length Feet x \$8.10</li> <li>Discharge Area Acres x \$10,206</li> <li>Possible Annual Active/Post Discharge Fee</li> </ul>	1 year	Habitat Mitigation and Monitoring Plan Compensatory Mitigation
California Department of Fish and Wildlife <ul style="list-style-type: none"> <li>1602 Streambed Alteration Agreement</li> </ul>	\$ 5,000 (Assumes construction cost in excess of \$350,000)	1 year	Habitat Mitigation and Monitoring Plan Compensatory Mitigation

EXHIBIT 24: Additional permitting considerations

## FURTHER STUDIES

Additional studies are needed to refine the conceptual grading and preliminary engineering, including:

- Jurisdictional Delineation Report: establish areas of avoidance, minimization and mitigation needs
- Biological Resources Report: determine presence of sensitive species
- Geotechnical and Hydrology Report: determine soil types and hydrology, refine grading/flood protection concepts as needed.

For example, hydrologic reports would indicate flood patterns and the need for toe of slope protection to prevent flood scour or erosion. Geologic and hydrologic unknowns could increase development costs.

The jurisdictional delineation and biological resources report should be sent to applicable regulatory agencies for concurrence prior to construction. The Panel recommends that Moses House avoids jurisdictional areas that could trigger permitting with federal or state agencies. Regulatory agency permit processing is costly and time consuming, and usually requires mitigation for impacts in the Waters of the U.S. (Exhibit 24).





The site is not ideally located for the Moses House thrift store, as the parcel is surrounded by residential and institutional uses, like the Gate of the Desert Church, as well as a large amount of vacant land. Additionally, Amethyst Road is a quiet road, unfrequently traveled, and would not drive the retail traffic needed to sustain and grow the thrift store.

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#### RECOMMENDATIONS

If construction on the parcel is desired, building on the existing 1 acre pad is the most effective option as it would require minimal grading. The parcel could potentially support small neighborhood commercial uses, under existing zoning regulations.

If expanding the building pad is desired, this would be limited to an additional 0.5 acres. Expanding the building pad beyond 1.5 acres in total would require significant earthwork and geotechnical considerations.

The time and money it would take to increase the building pad to the 1.5 acre development area is not justified. The developable area would only be increased by a half an acre, with a steep cost associated with it. Additionally, this development could take a number of years to obtain approvals from regulatory authorities and the City of Victorville, before any commercial uses are constructed on the parcel to generate revenue. Thus, the Panel recommends that Moses House avoids development on this parcel.

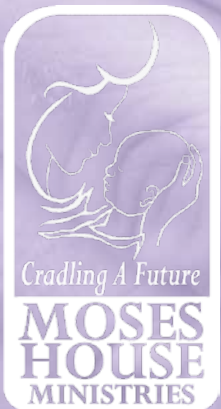


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LONG TERM GOAL:  
GROUND-UP  
DEVELOPMENT

2016 ULI YLGI  
Pro Bono TAP



**Urban Land  
Institute**

Orange County/Inland Empire

## GROUND-UP DEVELOPMENT

*In this section, the Panel will explore a long-term option for Moses House in the form of a potential ground-up development scenario that incorporates administration, expanded operations and a thrift store in one location.*

### CONSOLIDATED HQ RELOCATION

Moses House has a compelling expansion story – the non-profit currently serves 700 families, and believes they could serve up to 20,000 families given space and capital. Moses House expressed their desire to acquire a 10,000 to 20,000 square foot space for their operations, offices, and thrift store at a single, bus-accessible location.

Expanding funding of non-profit enterprises through the operation of thrift stores and other services has allowed many organizations similar to Moses House to grow their programs and reach across communities.

Providing services such as childcare, housing, and more has allowed local organizations like The OC Rescue Mission, Laura's House and others, to care for the community in ways that were previously not possible.

Setting realistic, but aspirational, objectives will provide Moses House with a destination and road map for the future. While achieving the goals may seem like a daunting task, the Panel is confident that with the right tools and resources, Moses House can build upon its amazing programs, achieve its mission, and serve the community of Victorville in an even more impactful way.



*The following case study illustrates that a long-term ground-up development goal is well within reach for Moses House.*

### CASE STUDY: IDAHO YOUTH RANCH NAGEL CENTER

The Idaho Youth Ranch, founded in 1952, provides “residential treatment, group homes, adoption and other services for troubled, disturbed, delinquent or abused children and adolescents.” It also operates a network of thrift stores that generate substantial revenue, work opportunities and goodwill.

The Idaho Youth Ranch Nagel Center (IYRNC) in Boise, Idaho is a great example of how utilizing New Market Tax Credits (NMTC) can assist with new development and growth of an organization. IYRNC started in 1983 when it opened its first thrift store. Since then the IYRNC has opened 16 more stores throughout the state. This was all made possible with the development of their new headquarters/distribution center. To redevelop vacant real estate for their headquarters, the NMTC were used for a commercial loan. The IYRNC is located in a hot zone for NMTC, an area with certain socioeconomic conditions that qualify it for additional funding. IYRNC was able to secure a \$4.6 million loan through a Community Development Entity (CDE) which funded a majority of the \$5.3 million project cost.

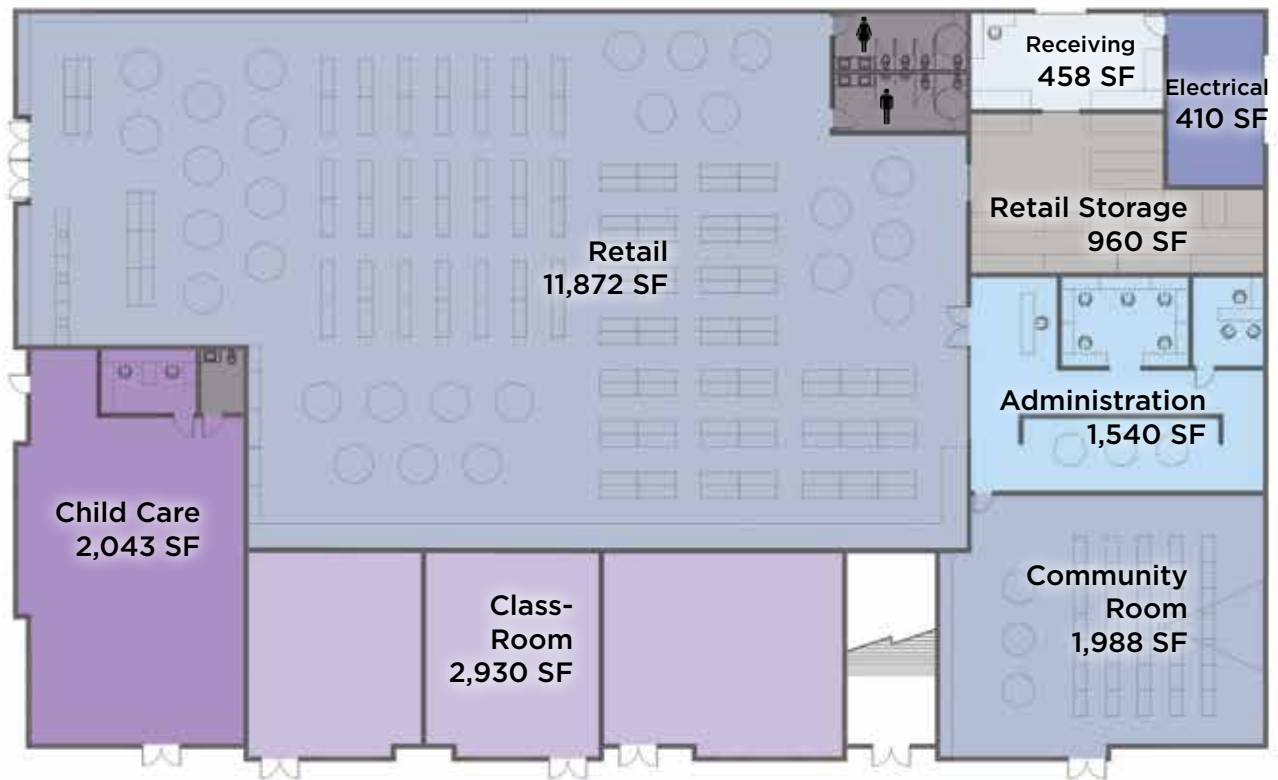


EXHIBIT 25: Sample floor plan of a consolidated ground-up development

#### MIXED-USE DEVELOPMENT

For the ground-up development, the Panel proposes a mixed-use scenario that will serve the long-term needs and mission of Moses House. In addition to the thrift store and administrative office, the Panel envisions additional uses such as child care, continuing education classrooms, community gathering spaces, and a residential housing component. Because this is a hypothetical scenario, the design should serve as a guide and potential model for future development only.

The suggested program for the development is as follows.

- Retail - 11,872 SF
- Administration - 1,540 SF
- Retail Storage - 960 SF
- Receiving - 458 SF
- Electrical Room - 410 SF
- Community Room - 1,988 SF
- Classrooms - 2,930 SF
- Child Care - 2,043 SF

#### DESIGN CONSIDERATIONS

Because of the additional elements and combined uses under one roof, the administration space is considerably larger than the previous leasing scenario. A generously sized community room will allow Moses House to host events and gatherings for large groups, constituents, residents, visitors, and donors.

The proposed classroom spaces will provide an opportunity for continuing education to occur on site for residents and community members. A child care center will provide mothers and children with a safe space to learn and play. Daycare will also be helpful as mothers take classes, and attend meetings, or job interviews.

## CHILD CARE CENTER

The child care center should be designed through the eyes of a child. Playful colors, natural light, open play areas, and a reading nook are highly recommended. A clean, safe, comfortable environment will provide children with a solid foundation for growth and learning.



EXHIBIT 26: Example imagery of potential Moses House Childcare Center

## CLASSROOMS

The classrooms are envisioned as open, airy, and full of natural light. Colors are recommended to be neutral and light to create a comfortable environment suitable for learning and interacting. Additional uses, technology, and equipment should be considered such as ceiling mounted projectors, screens, and computers. Finally, retractable walls or partitions could be considered to allow for flexibility within the classroom space. This would allow the classroom to be segmented into smaller spaces, or create one large room for other functions or events.



EXHIBIT 27: Example imagery of potential Moses House Adult Classroom





EXHIBIT 28: Conceptual rendering of potential Moses House ground-up development

## EXTERIOR DESIGN & ARCHITECTURE

The proposed exterior façade of the Moses House ground-up development includes design elements that are inviting and welcoming. Gathering spaces, distinctive entrances, and fenestration elements will provide a welcoming and friendly atmosphere.

The conceptual elevation shows the residential spaces atop the retail and learning spaces on the ground level. A central element for the design of the residential space is the idea of family and community balconies. Residents will have access to these outdoor communal spaces where they can interact with others in a semi-private space, while also having the ability to enjoy the safety and security of their personal, private units.



EXHIBIT 29: Example exterior and entry imagery of Moses House ground-up development

## INITIAL CONSIDERATIONS

For a ground-up construction project, Moses House will need to consider if the property in question is zoned for commercial and residential use. Additionally, a consultant team consisting of a civil engineer, architect, and others, will be required to complete the entitlement process.

Similar to the process for the Lease Option as described in the previous section, the process for ground-up construction starts with the City of Victorville and the Pre-Submittal Review in order to apply and receive the necessary development permits. Moses House would coordinate with the City's Planning Department to obtain a Minor Site Plan and an MCUP.

## PRE-SUBMITTAL REVIEW

The City of Victorville offers a valuable, free service in the form of a Pre-Submittal Review. As with the lease option, the Panel recommends that Moses House take advantage of this highly informative session in which the City's planning staff and additional departments can review the submittal, confirm the requirements, and evaluate the project prior to the application's submittal. Applicants can expect to receive initial feedback and comments regarding development standards, building elevations, land use standards, etc. free of charge. Taking part in a Pre-Submittal Review can save Moses House time and money, and can help ensure a smooth process moving forward.

EXHIBIT 30: City deadline list helps the applicant anticipate processing timelines

## **Zoning Administrator Deadline List**

**For Projects Requiring a Public Hearing**

### PLANNING DIVISION PROJECT PROCESSING DEADLINES/MEETING DATES

Application Deadline*		Zoning Administrator Meeting Dates	
1	12/5/16	1	1/4/17
2	12/19/16	2	1/18/17
3	1/9/17	3	2/1/17
4	1/23/17	4	2/15/17
5	2/6/17	5	3/1/17
6	2/21/17	6	3/15/17
7	3/13/17	7	4/5/17
8	3/27/17	8	4/19/17
9	4/10/17	9	5/3/17
10	4/24/17	10	5/17/17
11	5/15/17	11	6/7/17
12	5/30/17	12	6/21/17
13	6/12/17	13	7/5/17
14	6/26/17	14	7/19/17
15	7/10/17	15	8/2/17

## SUBMITTAL REQUIREMENTS

After receiving initial feedback from the City during the Pre-Submittal Review, Moses House will refine the submittal and finalize the documents. The submittal will include:

- Application and required submittal fees
- Grant Deed or Preliminary Title Report
- Project Description
- 2 sets of site plans, 2 copies of any required studies + digital copy on a CD
- Color & materials sample board (if applicable)
- Public hearing information

## SUBMITTAL COSTS

Anticipated associated costs for a submittal include the following:

- Environmental Assessment - Categorical Exemption: \$111.43
- MCUPt: \$390.01
- Minor Site Plan : \$445.72
- Public Notice Requirement: Mailing costs
- Printing costs for plan sets

These costs do not include the consultant team fees. Submittal fees may be updated so it is important for Moses House to confirm the amount during the Pre-Submittal Review meeting.

## NEXT STEPS

Once submitted, the application will be reviewed by the City Planning Department. There may be multiple rounds of submittals with the City before the project is "deemed complete." Public notices will be sent to area property owners. A public hearing with the zoning administrator will be set approximately 30 days later. If the project is already zoned properly, Planning Commission approval is all that is required. If not, the project will require Planning Commission and City Council approvals.



The Panel will present a hypothetical scenario of financing options for an acquisition, development, and financing package for a 20,000 SF project owned by Moses House, with approximately \$10.5 million in total project costs.

## BENEFITS & CHALLENGES

Combining the headquarters and retail operations into a single mixed use development project offers many benefits. These benefits include efficiencies in operations such as the decreases in future relocation costs, elimination of rent increases via rent growth, recognition of asset appreciation, and tax benefits.

The challenges of owning real estate are mainly associated with costs, especially upfront cost. Given the construction budget of approximately \$10.5 million, an initial upfront cost will be fairly substantial. Typical development projects require the owner to contribute at least 35-50% of equity before a lender will offer debt. In the specific case of Moses House's project, the Panel anticipates that approximately \$2.145 million of equity will be needed to fund the land acquisition as well as initial soft cost spending (design and engineering).

Financing Strategy		
Sources	Amount	%
Senior Loan	3,000,000	29%
NMTC Equity	2,500,000	23%
Equity (Fundraising)	2,145,000	20%
CDBG	1,000,000	10%
Other Grants	1,850,000	18%
<b>Total</b>	<b>10,495,000</b>	
Uses		
Hard Costs	7,000,000	66%
Soft Costs	1,575,000	15%
Land/Structure	1,000,000	10%
CDE Fees	75,000	1%
Interest Reserve (3 yrs)	495,000	5%
Contingency	350,000	3%
<b>Total</b>	<b>10,495,000</b>	

EXHIBIT 31: Sample pro-forma for a Moses House ground-up development

## FINANCING OPTIONS

There are several likely sources of funding that Moses House could acquire. These include grants from CDBG, First Five San Bernardino, and NMTC.

Acquiring additional **CDBG funding** is likely, but limited to nominal amounts as indicated from the local allocation numbers for 2016, published by HUD. NMTC have been used in combination with large CDBG awards. **First Five San Bernardino** is a highly likely source of funding. The agency has a \$22 million budget and \$77 million general fund. Finally, **NMTC** can very likely cover up to 25-30% of the total project costs. Equity investment is highly likely and a senior loan secured by a NMTC entity at below-market rate is possible.

*Creating a capital campaign/road map now is critical to the financing of the project. Given the expectation that the headquarters will service the organization's operations for the next 25 years and beyond, accumulating equity through current operations at the thrift store via a cash reserve and launching a capital campaign will jump start efforts and attract institutional level donors.*

### EQUITY & FUNDRAISING

Fundraising outside of grants. The Panel highly recommends that Moses House embark upon an ambitious capital campaign to raise funds needed for development. Both Laura's House and Shepherd's Gate have completed large, multi-million dollar capital campaigns in order to acquire new headquarters or housing components. There is considerable opportunity for Moses House to tap into existing donor networks that include major corporations, foundations, and individuals.

Moses House could also consider a partnership with a professional real estate developer who owns land purchased pre-recession or position itself to be the affordable component of a larger market-rate development.

### FINANCING STRATEGY

The proposed financing strategy for a Moses House ground-up development centers around two main sources of funding: CDBG and NMTC.

#### *Community Development Block Grants Section 108 Loans*

This program is a loan guarantee provision that allows local government to transform small portions of CDBG funding into federally guaranteed loans large enough (5x of CDBG Funding) to pursue economic revitalization projects. These loans typically range from \$500,000 to \$140 million, depending on the scale of the project. Under Section 108, project cost can be spread over time with flexible payment terms, and borrowers can take advantage of lower interest rates than could be obtained from private financing sources. In fiscal year 2016, the City of Victorville was awarded a total of \$1.16 million which would equate to \$5.23 million in Section 108 borrowing capacity.

#### *New Market Tax Credits*

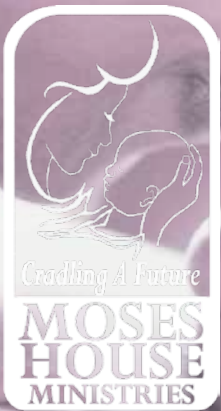
The NMTC program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). Non-profit oriented CDEs (Clearinghouse CDFI), as well as Cohn Reznick's NMTC group, have been responsive to a potential Moses House development project. The NMTC program awarded \$7 billion in 2017 and \$3.6 billion in California since 2002.

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## SUMMARY & KEY TAKE-AWAYS

2016 ULI YLGI  
Pro Bono TAP



**Urban Land  
Institute**

Orange County/Inland Empire



## SUMMARY & KEY TAKE-AWAYS

The 2017 ULI YLGI TAP Panel set out to gather as much research as possible and provide Moses House with both short term and long term growth options to raise revenues and improve their current service offerings. These short term options focused on the relocation of the thrift store as well as the disposition of the vacant land currently owned by Moses House. The Panel also evaluated a long term option for Moses House that explored a ground up development incorporating expanded operations and a thrift store in one central location. Data and research for all project goals was conducted in accordance with a set of parameters and guidelines provided by Moses House.

### KEY TAKE-AWAYS

In the Panel's discussions with Moses House, it was disclosed that the current thrift store location is not ideal for generating the desired level of sales. For a relocation of the thrift store, three different intersections/main corridors in Victorville were evaluated for their retail desirability. This desirability was based on traffic counts, co-tenants and compatible retailers, street visibility, as well as available space in the desired 15,000 SF size range. Purchase options, former big box space and junior anchor space were all evaluated.

The Panel's choice for an ideal location is the 16,130 sf space located at 12240 Amargosa Road in the Hi-Desert Plaza. The space provides Moses House with the opportunity to expand thrift store layout. 12240 Amargosa Road is located in a highly visible shopping center that currently contains a dd's Discounts and Goodwill Store, both retailers that the Panel has identified as key complementary retailers for the Moses House thrift store.



EXHIBIT 32: Conceptual rendering of relocated thrift store

The Panel offered a potential floor plan and layout that would provide administrative space, ample receiving and storage areas, as well as nearly 12,000 SF of retail floor space for the thrift store. Additionally, design and landscape recommendations were provided to enhance the store front and provide shoppers with a friendly and welcoming experience.

The Panel spoke with the local brokerage community as well as the property's landlord to arrive at accurate costs for occupying the space at 12240 Amargosa Road. Base rent figures, common area maintenance costs and one-time relocation expenses are estimated as follows:

- Annual Base Rent & Common Area Maintenance: \$222,400
- One-Time Relocation Expenses: \$70,333
- Reserve Fund Total: \$292,733

The Annual Base Rent was calculated on an actual asking rate of roughly \$11.50 psf per year. Common area maintenance costs, which Moses House will need to pay at any retail location, were calculated on an estimated \$2.40 psf per year. Due to the fact that the space is currently in "shell" condition, money will need to be allocated to retrofitting the space for Moses House use. This was estimated at one-time expense of \$70,333. To account for these larger expenditures, the Panel recommends that Moses House engage in a fundraising campaign and establish a "rainy day" fund to provide a buffer during their start-up period.

## SUMMARY & KEY TAKE-AWAYS

Moses House was donated a piece of vacant, raw land that is currently not being utilized. The Panel explored potential options for development of the parcel in an attempt to meet the criteria for thrift store relocation and co-location of operations that Moses House desired. The research concluded the following:

- The maximum developable area of the site is roughly 0.94 acres.
- Due to water ways and various entities having jurisdictional oversight, development of the land would likely be an expensive and lengthy process requiring additional site research and testing.
- The site is not well-located and would hamper the growth and expansion of Moses House's thrift store.
- The Panel concludes that the land is development prohibitive and recommends that Moses House dispose of the asset or engage in a land swap with an interested party.



EXHIBIT 33: Conceptual elevation of potential mixed-use ground-up development

The final task for the Panel was to analyze a long-term solution for the expansion of Moses House's operations and business. The Panel utilized a hypothetical site and applied current market development costs. The goal was to provide a proforma cost analysis on achieving a ground up development that encompassed all of Moses House's operations and service programs within a 25,000 SF building. Key findings are as follows:

- An equity requirement of \$2.1 million contributed by Moses House
- An overall project cost, in 2017 dollars, in excess of \$10 million
- Large portions of development costs being met through various grants, including CDBG Funds and New Market Tax Credits
- Remaining costs paid with fundraising proceeds and a Senior Loan

The Panel has outlined recommendations that will assist Moses House in achieving the long term goal of developing a ground-up, all-inclusive facility. Central to the Panel's recommendations is the focus on a fundraising campaign that will fuel the initial capital requirements for long-term growth. The fundraising campaign shall allow for the expansion of the thrift store concept to a location very similar to the one presented in this report.

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*The Panel believes that strong operations and sales at the expanded thrift store, coupled with a dedicated savings plan and long-term capital campaign, will help create the necessary equity for the ground-up development. We hope that this report has provided clear evidence-based data that will help Moses House achieve all that it desires in the way of long-term growth and stability.*

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## RESOURCES & ACKNOWLEDGEMENTS

The 2017 ULI Technical Assistance Panel would like to thank and acknowledge the following people, organizations, and sources who contributed to this report.

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### **CITY OF VICTORVILLE**

- Liliana Collins
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- Sophie Smith
- Jennifer Thompson

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- Matthew Coughlin
- Vince Onken
- Cheryl Bluy
- Eric Moreno

### **MICHAEL BAKER INTERNATIONAL**

- Chris Johnson
- Richard Beck
- Harry Shore

### **ADDITIONAL RESOURCES**

- Clearinghouse CDFI
- The Community Foundation
- FEMA Map Number 06071C6480H
- Google Earth
- Jacen Killebrew of Cohn Reznick
- Laura's House
- New Markets Tax Credit Coalition
- Orange County Community Foundation
- RealQuest
- U.S. Geological Survey Topographic Survey Hesperia Quadrangle (2015)
- U.S. Fish and Wildlife Service National Wetlands Inventory Wetlands Mappers