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Analysis of Highest and Best Use of 5.91-acres at Big Bear Lake

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Recommended Citation

Harrison Price Company, "Analysis of Highest and Best Use of 5.91-acres at Big Bear Lake" (1981). *Harrison "Buzz" Price Papers*. 94.

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ANALYSIS OF HIGHEST AND
BEST USE OF 5.91 ACRES
AT BIG BEAR LAKE

Prepared for:
Snow Summit Ski Corporation
December 18, 1981

Prepared by:
Harrison Price Company
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INTRODUCTION

In March 1980, Snow Summit Ski Corporation purchased 5.91 acres of land in the City of Big Bear Lake to provide additional parking for the Snow Summit Ski Area. The property fronts on Garstin Road just off Highway 18, the main thoroughfare servicing the Big Bear area, and abuts a 28-bed hospital, the area's only major medical facility. Plans to utilize the site for Snow Summit parking were aborted when the management of the hospital objected to such use and sought a development moratorium. A site to the south of Highway 18, closer to the Snow Summit Ski Area was subsequently acquired to meet parking requirements, resulting in the need to evaluate the use or disposition of the Garstin Road property. Harrison Price Company was retained to provide the evaluation. Specifically, HPC was asked to determine the highest and best use of the property within the context of current zoning and other potential government restrictions, with the objective of establishing a strategy for dealing with the property and its current market value. Further, it was established that Snow Summit Ski Corporation would consider selling or developing the property, depending upon the factors of risk, return and long-term stability of the development options.

Following this introduction, the report contains an executive summary, a detailed site description, an assessment of the economic base of the Big Bear area, and a discussion of development options with implied land values. This report was prepared by Nicholas S. Winslow, under the administrative supervision of Harrison A. Price, President of Harrison Price Company.

EXECUTIVE SUMMARY

The following paragraphs summarize the salient data, analysis and conclusions covered in greater detail in the body of this report.

1. The subject property of 5.91 acres is very well located in relation to the major access roads and commercial centers of the Big Bear Valley. The Hamilton project to the east will further enhance the subject site's locational attributes as it develops.
2. The property is zoned M-R-T restricted manufacturing. Commercial uses are not allowed except as they are incidental to an allowed industrial use. The density of development permitted by the M-R zone far exceed that which could be contemplated at this location. Changes in zoning code, community plan, and permit procedures may occur as a result of the incorporation of the City of Big Bear Lake in 1981. There are no indications that the City plans to take any actions which would negatively impact the development potential of the property.
3. Big Bear has a solid economic base which relies on construction (primarily second homes) and tourism. Population and housing grew at relatively high rates during the 1970s. Tourism has rebounded well since the 1974 gas crisis. The city's median income and unemployment figures, however, do not compare favorably with those of San Bernardino County, reflecting the area's reliance on the seasonal tourist business.
4. The area has very few manufacturing industries. Assembly facilities are at a severe disadvantage because of the costs of transporting components and finished goods. Many of the industrial businesses which do exist operate on land not zoned for industrial use. Two mini-warehouse facilities, offering approximately 70 rental units, are virtually 100 percent occupied.
5. HPC evaluated the economics of a convalescent hospital, mini-warehouse and industrial development on the sub-

ject property. The convalescent hospital, if successful, would generate a residual land value of \$3.64 per square foot. A mini-storage facility would receive very strong market support, and would conservatively generate a residual land value of \$3.95 per square foot. In negotiating a deal with a developer partner, however, it is very possible that the land could be assigned a value of \$5.00 per square foot. The market for developer land for industrial use is uncertain. HPC estimates that, at present, the land has a value of \$4.00 per square foot unimproved (\$5.00 per square foot improved), for a small industrial park. This value should increase by \$1.00 per square foot by mid-1982 as the Hamilton properties are developed and Fox Farm Road is completed.

6. HPC recommends developing the southern portion of the property as a mini-warehouse in conjunction with a qualified developer, and holding the northern portion of the property for sale to an industrial developer in mid-1982. This strategy should enable Snow Summit to realize \$5.00 per square foot on the development of the property.

SITE DESCRIPTION

Snow Summit's property consists of 5.91 acres of land on Garstin Road in the City of Big Bear Lake. Figure 1 shows the location of the property in relation to Big Bear Lake and the unincorporated areas of Big Bear City and Moonridge. As shown in the figure, Highway 18, the main route serving the Big Bear area, passes within one-quarter mile of the site, and can be accessed via Garstin Road and Summit Boulevard. Thus, the site currently has good to excellent access characteristics from the three major communities comprising the Big Bear Valley. The area to the west along Highway 18 is largely strip commercial and includes much of Big Bear's



Figure 1
LOCATION OF
SNOW SUMMIT PROPERTY

● SUBJECT PROPERTY

traditional retail sector. The properties on both sides of Highway 18 at the intersection of Fox Farm Road have recently been developed into major retail and financial centers.

Figure 2 shows the subject property, situated south of Fox Farm Road, in relation to the intersection of Summit Boulevard and Garstin Drive. The property is level and cleared. An antenna tower, located approximately on the "2" in Figure 2, currently occupies the site. The lease for this tower expires in June 1982, reverting to a month-to-month lease with a 90-day cancellation clause at that time. As also shown in the figure, Fox Farm Road is being extended past the site, thus connecting Garstin Road with the major shopping complex on Highway 18 and the Hamilton development abutting the subject site to the east. The parcel to the south and east of the site is occupied by a 28-bed hospital--the only major medical facility serving the Big Bear Valley. The property immediately to the east, designated as Tract 10693 in Figure 2, consists of lot 6 of the Hamilton development (see Figure 3). This lot is zoned M-2 (manufacturing), and are just south of the R-3 section of the Hamilton development. Current plans call for the R-3 property and lots 7, 8, and 9 of the M-2 property to be acquired by Watt/Palm Springs for the development of time-share condominiums and support commercial facilities. The M-2 property would be developed for restaurant and hotel use.

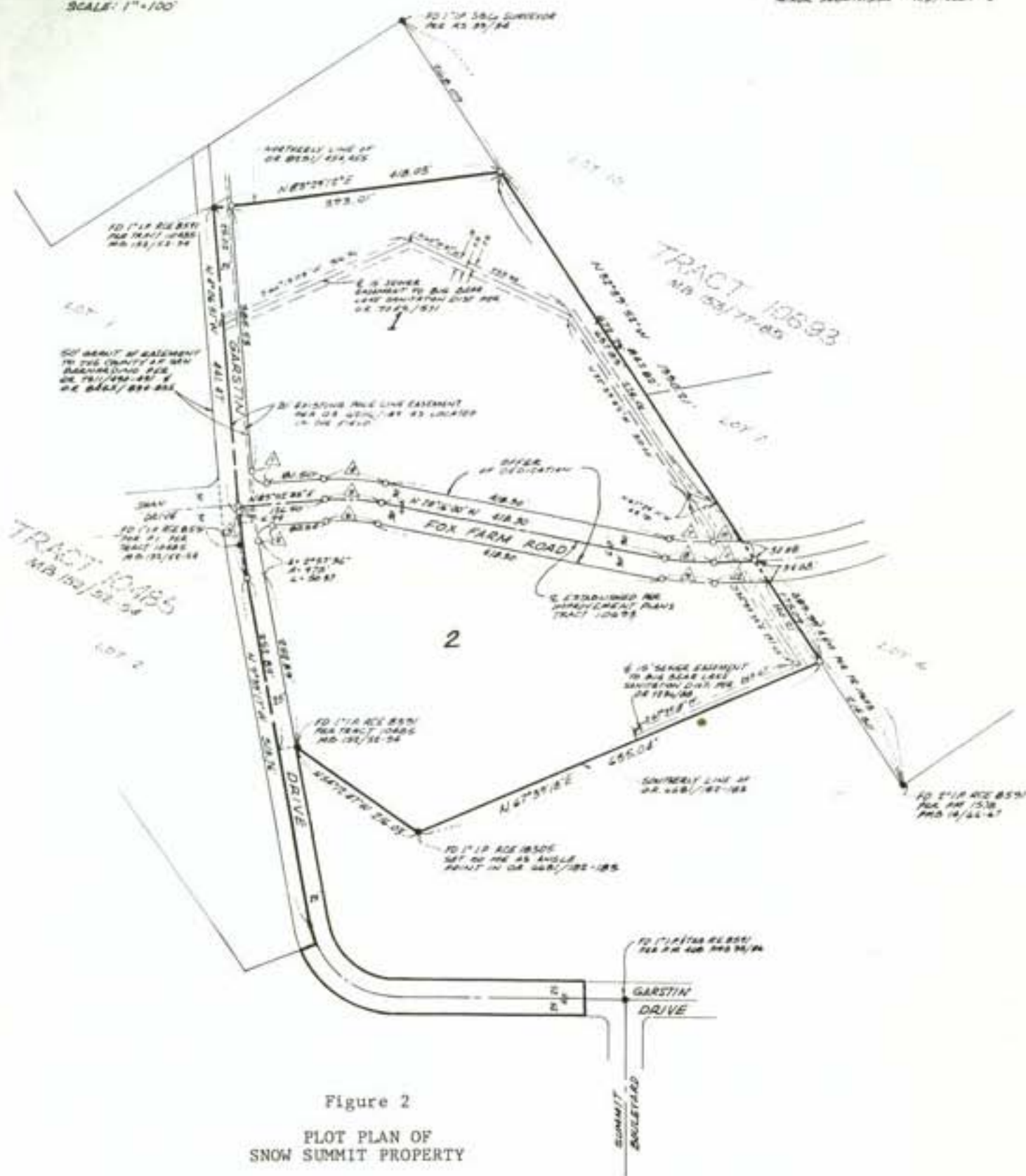
Purchase Terms

The subject property was purchased in March 1980 for \$516,000--the equivalent of \$87,300 per acre, or \$2.00 per square foot. To date, Snow Summit Ski Corporation has paid a total of \$251,000, of which \$232,000 constituted principal, leaving a balance of \$284,000. The purchase price is subject to an adjustment at the rate of \$2.50 per square foot depending upon the final alignment of Fox Farm Road. The note on the property is payable at the rate of \$50,000

SCALE: 1"=100'

NOTES:

- 1. BASIS OF BEARINGS IS THE CENTERLINE OF GARSTIN DRIVE SHOWN AS N 4° 06' 31" W ON TRACT 10485 MB 158/55-56
- 2. INDICATES FOUND MONUMENT AS NOTED
- 3. INDICATES SET 1" I.P. & PLASTIC CAP ALL BEARS MINOR SUBDIVISION # 1021-0001-1



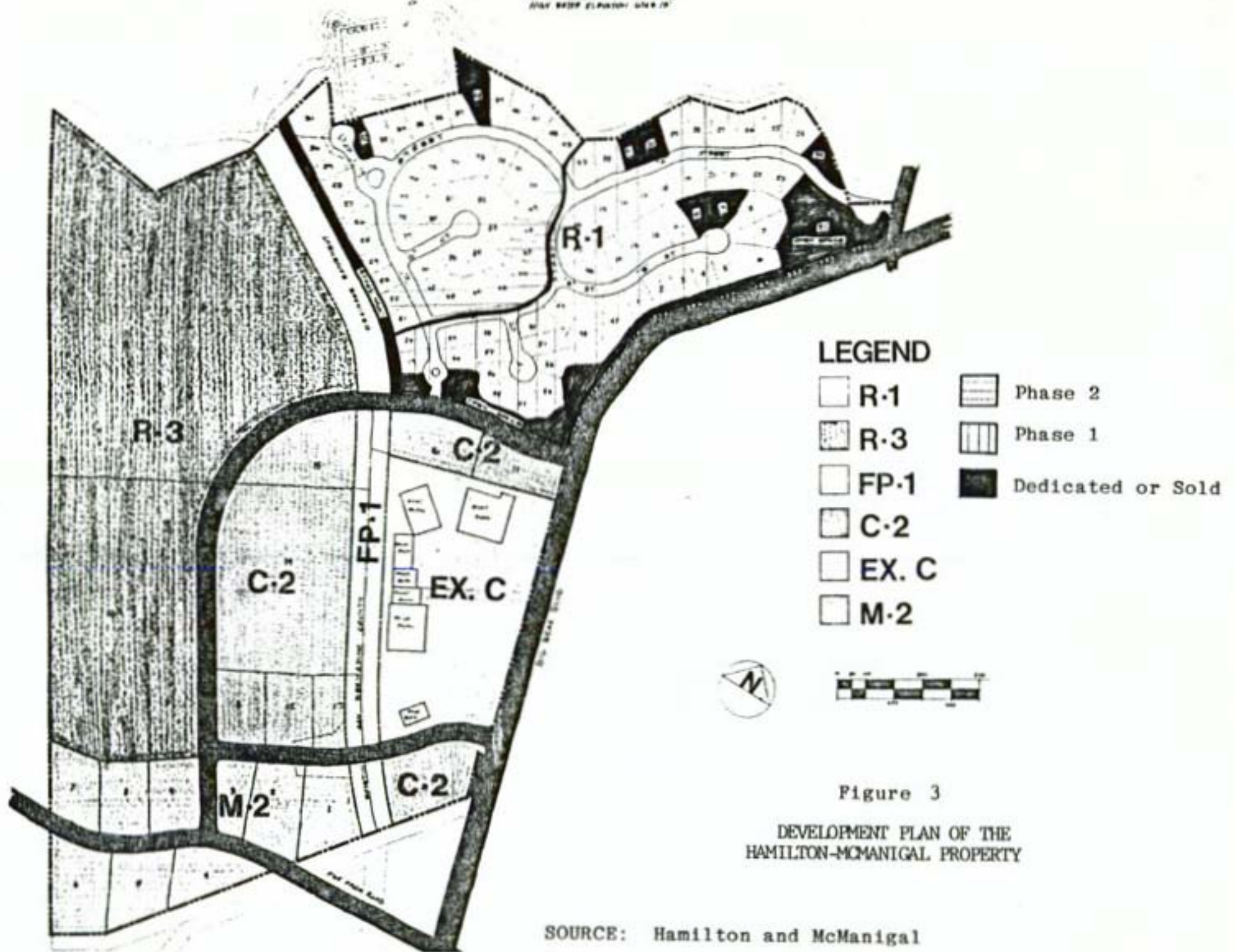


Figure 3
 DEVELOPMENT PLAN OF THE
 HAMILTON-McMANIGAL PROPERTY

SOURCE: Hamilton and McManigal

per year, principal and interest, with interest at 12 percent. At this rate, the note will be fully amortized in another 52 months. The note does not provide for a prepayment penalty, but does contain a "due on sale" clause which is at the option of the seller.

Zoning

The subject site is zoned M-R-T (restricted-manufacturing-transitional). (Note: most undeveloped properties carry the "T" designation as a protection against undesirable specific uses. In the case of the subject property, the transitional designation stipulates that only 80 percent of the land can be disturbed, while 20 percent must remain undisturbed. Further, 50 percent of the undisturbed property must be in the front yard). The intent and purpose of the M-R zone are "to encourage the construction and development of light industrial uses in areas reserved for their exclusive use, where the development or expansion of residential, agricultural and commercial uses which uses are incompatible with industry is prohibited." Thus, only industrial uses are currently permitted on the site. Commercial uses are permitted only to the extent that they are incidental to permitted industrial uses. The uses allowed in the M-R zone are listed in Appendix 1.

The San Bernardino County zoning code allows a 60 percent site coverage ratio and a height limit of 45 feet (four stories). Thus, the maximum effective floor area ratio (FAR) permitted is 2.4, resulting in allowable construction of 618,000 square feet on the 5.91-acre subject site, far more than would ever be approved. Parking requirements per code are dependent upon specific use and must be negotiated with the City.

Industrial Land

M-R zoned land is extremely scarce in the Big Bear area. In addition to the subject site, there are only four other parcels, two of which are developed. The developed parcels include a strip zone on the south side of Highway 18 near the Stanfield cutoff which houses a mix of uses focusing on construction-related businesses, and the County transportation yard on Lakeview Lane just north off Highway 38. The two undeveloped properties consist of strips abutting the north and south boundaries of the Big Bear City Airport. Several houses have been built along the south boundary, while the north boundary is largely held by a single developer who intends to develop it for industrial use.

As noted in Figure 3, the Hamilton development has nine lots encompassing just over ten acres which are zoned M-2. The three lots proposed for inclusion in the Watt-Palm Springs project would take three acres out of industrial use, leaving slightly more than seven acres of M-2 zoned land.

Jurisdiction

The zoning picture in Big Bear, and the likelihood of securing various kinds of approvals or variances is clouded at present due to the recent incorporation of the City of Big Bear Lake. Prior to June 1981, Big Bear Lake, as an unincorporated city, relied on San Bernardino County for all planning and zoning work. The new City of Big Bear Lake is in the process of assuming planning and zoning responsibility from the County, and intends to conduct a comprehensive review of the Big Bear Lake community plan in 1982. A citizens committee is presently assessing future planning needs, strategies and policies, and a planning office within the city has been staffed. The extent to which planning procedures, zoning codes and the like may be altered under city jurisdiction cannot be determined at this time. It is

likely, however, that permits granted during this transitional period will be allowed to stand under a "grandfather" clause should conditions change in the future. This fact would argue for planning and securing development entitlements for the subject property in the near future.

No-Growth Initiative

Petitions for a no-growth initiative, sponsored by Ms. Elizabeth Clinton, are currently being circulated in Big Bear. The initiative, which is scheduled for a vote in April, limits residential construction in the valley to 25 new homes per year. Although the initiative does not directly affect industrial development, a drastic reduction in the rate of residential construction would have a substantial negative impact on Big Bear's construction industry, which represents a large segment of the area's total manufacturing sector. Thus, the passing of the no-growth initiative could slow industrial development at the subject site. A realistic appraisal of the initiative's probability of passage could not be made in the course of this study.

BIG BEAR ECONOMIC BASE

The preparation of a comprehensive economic base analysis for Big Bear Lake is extremely difficult for a number of reasons:

1. Very little 1980 census information is available.
2. Data collection by the County has been inconsistent, with varying methodologies, over the years.
3. Big Bear information is lumped with Green Valley and a portion of Running Springs.

Nevertheless, some sight into the growth characteristics and economic base of the area can be gained from reviewing the data available. The following paragraphs summarize the pertinent data.

Population

Table 1 traces population growth for census tract 102.01 (Big Bear/Green Valley) from 1971 to 1980. As shown in the table, population grew rather slowly during the first half of the decade (1.91 percent annually), before spurting in the late 1970s. It should be noted that the indicated growth of some 3,000 persons in 1980 most likely reflects an underestimation of previous growth by the County between the 1975 and 1980 census counts. What is significant, however, is that population grew at an average annual rate of 9.36 percent between 1975 and 1980. In absolute terms, this growth rate meant an increase of 860 persons per year in Big Bear Valley.

Age

Table 2 shows the age distribution of Big Bear's population in 1975, the most recent year for which data are available. As shown in the comparison at the bottom of the table, the median age for Big Bear is substantially above those of both San Bernardino County and Southern California. Despite the large gap in median ages, however, Big Bear has only a slightly smaller percentage of school-age population than Southern California as a whole. Likewise, the proportion of retirement age population is only slightly larger than for Southern California. The older population in Big Bear is largely attributable to a pre-retirement sector--persons either in or out of the labor force who have moved to Big Bear before age 65 in anticipation of retirement.

Housing

Table 3 shows the growth in the number of dwelling units at Big Bear between 1971 and 1980. As the table indicates, dwelling unit growth has been much more consistent over the decade than population growth. Contrary to the population

Table 1
ESTIMATED POPULATION
BIG BEAR VALLEY
1971-1980

<u>Year</u>	<u>Estimated Population</u>
1971	7,067
1972	7,110
1973	7,418
1974	7,712
1975 <u>1/</u>	7,624
1976	8,028
1977	8,352
1978	8,579
1979	8,893
1980 <u>2/</u>	11,928
Average Annual Rate of Growth: 1971-1975	1.91%
1975-1980	9.36%
1971-1980	5.99%

1/ Adjustment from special census.

2/ Official 1980 census count.

Source: San Bernardino County Planning Department and
Harrison Price Company

Table 2

AGE DISTRIBUTION
BIG BEAR VALLEY
1975

<u>Age</u>	<u>Percent of Total</u>
14 and Under	23.9%
15 to 24	15.4
25 to 34	13.7
35 to 44	12.0
45 to 54	12.4
55 to 64	12.5
65 and Over	<u>10.1</u>
	100.0%

Median Age:	Big Bear	32.7 Years
	San Bernardino County	27.6 Years
	Southern California	28.2 Years

Source: San Bernardino County Planning Department and
Harrison Price Company

Table 3
DWELLING UNITS IN BIG BEAR
1971-1980

<u>Year</u>	<u>Number of Dwelling Units</u>
1971	10,522
1972	10,553
1973	10,999
1974	11,492
1975	13,645
1976	n.a.
1977	14,332
1978	14,773
1979	15,575
1980	17,960
Average Annual Rate of Growth:	
1971-1975	6.71%
1975-1980	5.65%
1971-1980	6.12%

n.a. means not available

Source: San Bernardino County Planning Department and
Harrison Price Company

The growth in tourist volume to Big Bear, as measured by traffic and visitors, is traced in Table 4. The pattern in tourism growth closely parallels that of Big Bear's population growth, further indicating the local economy's reliance on tourism. The data also reveal that, despite a falloff

Tourism

less favorable than for San Bernardino County, and unemployment rates in Big Bear which are consistently households further reinforces the notion of median income relatively large proportion of pre-retirement and retirement seasonal employment at relatively low wage rates. The population base reliant on a tourist economy which generates The two statistics, taken together, are indicative of a percent, compared to 7.8 percent for San Bernardino County. indicated that the unemployment rate for Big Bear was 12.0 countywide median of \$14,451. A September 1981 survey income in Big Bear at the time was \$11,401, compared to a report. Based upon a 1977 survey, the median household the demographics contained earlier in this section of the scarce, but the data which are available are consistent with income and employment data for Big Bear are extremely

Income and Employment

growth pattern, however, the growth rate in dwelling units was lower between 1975 and 1980 than in the first half of the decade. This statistic can be misleading in a resort area such as Big Bear where much of the housing inventory consists of second homes. According to the 1980 census, only 4,705 of the 17,960 dwelling units were occupied, indicating that approximately 13,000 of the housing units in Big Bear are second homes. These same data indicate an average household size in Big Bear of 2.54 persons, compared to a countywide average of 2.82 persons, which is consistent with above-average median age noted in the previous section.

Table 4
NUMBER OF TOURISTS TO BIG BEAR

<u>Year</u>	<u>Number of Vehicles Into Big Bear (000)</u>	<u>Number of Visitors Into Big Bear (000)</u>
1970	1,137	3,618
1971	1,026	3,235
1972	1,112	3,476
1973	1,059	3,176
1974	974	2,921
1975	1,046	3,137
1976	1,057	3,698
1977	1,348	4,003
1978	1,493	4,479
1979	1,438	4,315
1980	1,475	4,426

Average Annual Rate of Growth:

	<u>Number of Vehicles</u>	<u>Number of Visitors</u>
1970-1975	(1.65)%	(2.81)%
1975-1980	7.12%	7.13%
1970-1980	2.64%	2.04%

Source: U.S. Forest Service and Harrison Price Company

in 1974 resulting from the oil crisis, Big Bear's close proximity to the Los Angeles metropolitan area has allowed steady growth in tourism to continue in the face of increased transportation costs. In all likelihood, rising fuel costs have improved Big Bear's competitive position vis-a-vis mountain resorts more distant from metropolitan Los Angeles. A report by the Big Bear Lake Valley Chamber of Commerce indicates that peak visitation periods during the summer months and major holiday weekends may be nearing saturation. There is evidence that average visitation on peak days is declining, while tourism in "shoulder" periods is increasing, resulting in a more effective use of the region's tourist infrastructure. This trend, if it continues, will permit continued growth of Big Bear tourism and result in stimulation of all sectors of the local economy.

Industrial Facilities

There is not, at present, an inventory of industrial facilities in Big Bear. Further, many of the industrial facilities which do exist are located in buildings zoned for commercial use, thus making an analysis of past and projected industrial land absorption virtually impossible. HPC was able to identify two electronic assembly businesses--Ollila Industries located in the Art Poland Center, and Electronic Equipment and Supplies located in a residential building on Fairway Boulevard. Neither represents a significant commitment of land or buildings. In addition, 24 firms which are involved in the manufacture of art objects were identified--all very small and located in commercial or residential buildings. The service yards for utility, government, and construction-related companies represent perhaps the largest commitment of land for industrial use, although the magnitude of the commitment is unknown. Finally, Big Bear has two mini-storage facilities, both located on Big Bear Boulevard (Highway 18). Dixon Storage has approximately 50 units ranging in size from 7' x 12' to 15' x 22'. Rental rates

range from \$25 to \$80 per month, or \$0.24 to \$0.30 per square foot. The mini-storage facility at Goldsmith Real Estate has approximately 20 rental units averaging 6' x 15' and renting for \$40 per month, or \$0.44 per month. At the time of HPC's survey, Dixon Storage was 100 percent leased while the Goldsmith facility had one vacancy.

HIGHEST AND BEST USE ANALYSIS

The development options available to Snow Summit Ski Corporation for the subject property are evaluated in this section of the report. The options evaluated were derived from discussions with Mr. Steve Trainor of Snow Summit, as well as HPC's observations. HPC has incorporated both residual land and comparables analyses in estimating the current value of the subject property and evaluating disposition/development strategies. Assumptions which are common to all the analyses are as follows:

1. No adjustment has been made for a change in the amount of property taken by Fox Farm Road.
2. Revenues and costs are escalated at 8 percent annually.
3. Development options are consistent with the uses allowed by the M-R zone, except for the convalescent hospital, which, on the basis of HPC's discussion with the City of Big Bear, could secure development approval.
4. Snow Summit Ski Corporation would be willing to contribute property for equity, or sell, whichever is appropriate. Projects requiring a substantial commitment of specialized management expertise were assumed to be joint ventured with a management company. Specific uses evaluated include:
 1. Convalescent hospital.
 2. Mini-storage facility.
 3. Industrial park development.
 4. Sale for industrial use.

Convalescent Hospital

The management of the community hospital which abuts the subject property has, through their consultant, approached Snow Summit with a tentative offer to jointly develop a 99-bed convalescent facility. It is HPC's understanding that Snow Summit would contribute the entire property for a negotiated equity position in the project, and assist in securing outside financing. The facility would then be leased to the hospital. Market support for the facility would come from the emerging retiree base in the Big Bear Valley. The facility would provide an excellent buffer between the community hospital and the surrounding commercial and industrial properties.

HPC is not completely comfortable with some of the assumptions utilized in the project as outlined above. While there are indications that a retiree population is emerging in Big Bear, there are no indications that Big Bear is well suited for a convalescent facility. HPC's discussions with persons knowledgeable in the field indicated that Big Bear's altitude would be a detriment in the post-hospitalization treatment of coronary care patients, a large segment of persons utilizing convalescent facilities. Assuming, however, that potential market support is adequate, HPC contends that utilization of the entire site for a 99-bed facility would result in a substantial underutilization of the site. For example, convalescent facilities typically have approximately 300 square feet of gross floor area per bed. Thus, a 99-bed facility on one story would occupy 29,700 square feet of land. Further, assuming a site coverage ratio of 30 percent, or one-half that allowed by code, the facility would require only 99,000 square feet, or 2.27 acres. For the purpose of its economic evaluation, HPC has used the 2.27 acre figure.

Table 5 summarizes the calculation of residual land value for the convalescent facility utilizing the income approach. As shown in the table, a 99-bed hospital has a potential to generate 36,135 daily room sales. A convalescent facility is able to achieve a 90 percent occupancy rate in a stable year of operation, giving the subject facility potential sales of 32,522 bed-days. HPC was advised that a convalescent facility in an area like Big Bear could obtain an average rate of \$40.00 per day in 1981, and achieve a pre-tax net operating income of 12 percent of sales. Adjusting the room rate for inflation, the facility would average \$48.50 per occupied room per day, or a gross revenue of \$1,577,317, and net operating income of \$189,278. Assuming that 20 percent of net operating income is attributable to land, and a capitalization rate of 10.5 percent, results in a residual land value of \$360,533, or \$3.64 per square foot.

As a test of reasonableness of the assumptions used in the analysis above, HPC tested the residual land value against the known costs of new and recently acquired convalescent facilities. The land component per room at \$3.64 per square foot represented between 18 percent and 24 percent of total project cost, which is consistent with ratios used industry-wide.

Mini-Storage Facility

Snow Summit has also had some discussions regarding use of the subject property as a mini-storage facility. As with the convalescent hospital, a mini-warehouse would provide an excellent buffer between the community hospital and surrounding land uses, and meet little, if any, public opposition. In its economic evaluation of a mini-warehouse on the site, HPC consulted with Mr. William Savage, Executive Vice President of Public Storage, Inc., who indicated that his firm, or one of the firms with whom he has an association, may be interested in the project.

Table 5

CALCULATION OF RESIDUAL LAND VALUE
OF CONVALESCENT FACILITY OPTION

Number of Beds	99
Number of Potential Bed-Days Per Year	36,135
Average Annual Occupancy <u>1/</u>	90 percent
Average Occupied Bed-Days	32,522
Average Daily Room Charge - 1984	\$48.50
Gross Revenue-Stable Operating Year	\$1,577,317
Pre-Tax Net Operating Income @ 12 Percent	\$ 189,278
Net Operating Income Attributable to Land @ 20 Percent	\$ 37,856
Capitalized Value of Net Operating Income Attributable to Land @ 10.5 Percent	\$ 360,533
Residual Value Per Square Foot	\$3.64

1/ Assumes full occupancy (90 percent) by 1984.

Source: Harrison Price Company

Table 6 calculates residual land value for a 300-unit mini-warehouse utilizing the data noted above and the format developed in Table 5. As shown in the table, the development of a 300-unit mini-warehouse on 2.5 acres generates a residual land value of \$3.95 per square foot. Developers of mini-warehouses, however, tend to view the warehouse complex as an interim use which more than covers the carry on well-situated properties. In today's market, mini-warehouse construction costs are approximately \$17 per square foot, with land typically representing between 30 percent and 40 percent of total project cost. Land cost for well situated properties of \$5 per square foot are not considered unreasonable. Given the subject property's proximity to Highway 18, and its future frontage on Fox Farm Road, HPC believes that it could command a \$5 value for mini-warehouse use.

Mr. Savage recommended that a mini-warehouse on the subject property should offer 300 storage units ranging in size from 5' x 5' to 10' x 20', with an average of 120 square feet, and renting for \$0.40 per square foot per month. He further indicated that absorption would occur at the rate of 8 percent per month, with 100 percent occupancy after one year. An expense ratio, including a 6 percent property management fee, can be expected to range from 28 percent to 30 percent. A 300-unit facility would require approximately 2.5 acres.

Mr. Savage indicated that mini-storage capacity of 2.5 square feet to 3.0 square feet per capita are required. Thus, with a population of approximately 12,000, Big Bear currently needs 36,000 square feet for the resident population. Assuming an average of 120 square feet per unit, 300 units are supportable. In addition, Big Bear, with an occupied to total dwelling unit ratio of 26 percent due to the approximately 13,000 second homes, can expect to warrant at least another 300 units supported by the non-resident population. At present, then, the market can support 530 storage units in addition to the 70 units currently available.

Table 6

CALCULATION OF RESIDUAL LAND
VALUE FOR A 300-UNIT
MINI-STORAGE FACILITY

Number of Units	300
Average Stable Year Occupancy	100 Percent
Average Unit Size	120 Sq. Ft.
Leasable Area	36,000 Sq. Ft.
Average Monthly Lease Rate <u>1/</u>	\$0.49 per Sq. Ft.
Annual Gross Revenue	\$211,680
Net Operating Income @ 61 Percent	\$129,125
Net Operating Income Attributable to Land @ 35 Percent	\$ 45,194
Capitalized Value of Net Operating Income Attributable to Land @ 10.5 Percent	\$430,416
Land Used	2.5 Acres
Residual Value Per Acre	\$172,166 Per Acre
Residual Value Per Square Foot	\$3.95

1/ 1984 inflation-adjusted rate assuming 1981
base rate of \$0.40 per square foot.

Source: Harrison Price Company

Industrial Park Development

Snow Summit could, of course, undertake the development of a small industrial park on the subject property--improving the land and constructing build-to-suits for the local market. HPC estimates that land improvements would cost approximately \$1 per square foot. A forecast of absorption potential is very difficult to calculate because so little industrially zoned property has historically been developed and offered for sale. HPC was able to locate two 5,000 square foot lots west of the airport terminal which are zoned M-1 and being offered for \$18,000, or \$3.60 per square foot. All other properties surveyed were built upon, unimproved, or otherwise not comparable. One broker contacted, Mr. Jim Stokas of Coldwell Banker in Los Angeles, indicated that the subject property could currently return \$5 per square foot fully improved, with absorption of one acre per year. This figure is consistent with the projections made by Sanford Goodkin for the Hamilton property.

The completion of Fox Farm Road by the subject property, the start of construction of 200 time-share units by Watt/Palm Springs on the Hamilton R-3 property, and the acquisition of Hamilton parcels 7, 8 and 9 by Watt for commercial use should enhance the industrial development potential of Snow Summit's land--probably to an unimproved value of \$5 per square foot.

The decision regarding whether Snow Summit should develop or sell portions of the property for industrial use is largely contingent upon company policy issues which should be resolved internally. Issues such as the amount of management time Snow Summit is willing to commit to a project of this scope, alternate uses of capital, and corporate response to diversifying into industrial real estate development are beyond the scope of this study. HPC feels compelled, however, to point out the following:

1. Development of the property will require a capital commitment in excess of \$250,000 for required improvements.
2. Under the most optimistic circumstances, the project will be absorbed in approximately six years. There is no historical precedent for industrial land absorption of this magnitude. A stronger market would exist if the new city government elects to enforce current zoning codes by forcing industrial users of commercial land to relocate M zoned land. It is a consensus opinion, however, that existing businesses will be protected by a "grandfather" clause, and that the code will only be enforced as properties recycle.
3. The management and execution of an industrial park on the subject property may require a level of attention from Snow Summit's management which is out of proportion within the context of the company's total operations.
4. It is unlikely that internal development of the property would generate land residuals in excess of \$5.50 per square foot.

Recommended Disposition Strategy

Of the development options evaluated by HPC, the mini-warehouse appears to be the most advantageous to Snow Summit because of:

1. Demonstrated need, minimal risk.
2. No requirement for additional cash.
3. Large equity participation in a project which serves as a profitable interim use for property which will become increasingly strategically located as the Big Bear Valley develops.

4. Residual land value comparable to the best available.
5. Excellent buffer to the hospital--no apparent public opposition.

The convalescent facility, on the other hand, is not recommended because of market risk and relatively low residual land value.

Thus, HPC recommends that the southern portion of the property, representing approximately half the total site, be developed as a mini-warehouse, with the balance of the property held for industrial use. It is further recommended that Snow Summit attempt to sell the entire northern half of the property in the spring or early summer of 1982, at which time the Watt project should be well underway. It is conceivable, in fact, that Watt/Palm Springs would be interested in acquiring the property. This strategy should enable Snow Summit to realize approximately \$5 per square foot for the entire property.

Appendix 1

ALLOWABLE USES IN M-R ZONE

air, soil or water to meet the standards and requirements of the County Planning Commission and in such manner as to provide no threat to public health and welfare.

(g) **PARKING AND LOADING:** See Section 61.0219(b).

(h) **HEIGHT LIMITATIONS:** Buildings and structures shall not exceed twelve (12) stories and/or one hundred and fifty (150) feet in height and shall maintain a setback of at least one (1) additional foot from front, side and rear property lines for every two (2) feet above one hundred (100) feet in height.

(i) **AREA REQUIREMENTS:** Same as M-1 District. See Section 61.029A.

(j) **FRONT YARD REQUIRED:** See Section 61.0219(k) - Street Setback Regulations.

(k) **SIDE STREET YARD REQUIRED:** See Section 61.0219(k) - Street Setback Regulations.

61.029C M-R (Restricted-Manufacturing) District.

(a) **INTENT AND PURPOSE:** To encourage the construction and development of light industrial uses in areas reserved for their exclusive use, where the development or expansion of residential, agricultural and commercial uses which uses are incompatible with industry is prohibited.

(b) **MANUFACTURING USES PERMITTED:** Any manufacturing use permitted in the M-1 District as listed in Section 61.029A(b).

(c) **ADDITIONAL USES PERMITTED:**

(1) Any additional use permitted in the M-1 District as listed in Section 61.029A(c).

(2) Sign manufacturing.

(3) Van and storage business.

(4) Rug cleaning and rug repair plants.

(5) Caretaker's residence.

(6) Commercial uses necessary for the function of permitted uses, where such commercial use is located on the site and is clearly incidental to the permitted industrial use.

(7) Agricultural uses limited to field crops, orchards, tree crops, berry or bush crops.

(d) **OTHER USES SIMILAR** to those listed above if approved by the County Planning Commission as provided in Section 61.0219(a)(2).

(e) **THE FOLLOWING USES** shall be permitted, if the location and development plan is approved as provided in Section 61.0219(f)

(1) Motor vehicle storage - impound facility; boat and recreational vehicle storage facility. All storage activities shall be conducted wholly within an area enclosed by a six (6) foot chain link fence except as in Section 61.0219(d)(4). The storage of junk or salvage materials, including but not limited to motor vehicle parts and accessories, motor vehicle body parts, engines, engine blocks, or any dismantled portion or integral part of a vehicle, boat, or motor vehicle, is not permitted within the motor vehicle storage - impound yard or boat and recreational vehicle storage facility. Dismantling and wrecking activities are likewise prohibited. Screening is to be accomplished by one or more of the following methods and all physical screening must be maintained in good condition at all times:

(A) Aluminum strips woven into the chain link fence, so as to afford a maximum of screening from the public view.

(B) A single row of Arizona Cypress planted on a maximum of three (3) foot centers.

(C) Gallon-size Oleander plants spaced on a maximum of five (5) foot centers.

(D) Dense hedge to afford a maximum of screening from the public view, satisfactory to the County Planning Commission.

(f) ACCESSORY BUILDINGS customarily incidental to any of the above uses when located on the same lot.

(g) SIMILAR USES to those listed above, if use, location and development plan are approved as provided in Section 61.0219(f).

(h) PARKING AND LOADING REQUIREMENTS: See Section 61.0219(b).

(i) HEIGHT LIMITATIONS: Same as M-1 District, Section 61.029A(j).

(j) YARD AND AREA REQUIREMENTS:

(1) Minimum Lot Area: Each lot or parcel shall be at least one hundred (100) feet in width and twenty thousand (20,000) square feet in area for uses allowed in this District, unless the parcel is shown as a lot on a subdivision map of record at the effective date of the ordinance adopting this section, unless the parcel was of record on the effective date of the ordinance adopting this section, or unless said lot has been created by court decree or by bequest.

(A) Where a minimum area requirement greater than the twenty thousand (20,000) square feet required is requested and established in the District, it shall be designated by a number following the district designation symbol, numbers less than one hundred (100) indicating acres and numbers more than one hundred (100) indicating minimum square feet of area required per lot.

(2) Minimum Lot Width: One hundred (100) feet.

(A) Where a minimum width greater than the one hundred (100) feet required is requested and established in the District, it shall be

designated by a number following the area designation symbol (ie: M-R-5-300 denotes an M-R District with a five (5) acre minimum parcel size and three hundred (300) feet minimum lot width).

(3) Front Yard: See Section 61.0219(k) - Street Setback Regulations.

(4) Interior Side and Rear Yards: When the side or rear lot line of the M-R District is adjacent to or across an alley from any "R" or "A" District side and rear yards of twenty-five (25) feet shall be required.

(5) Side Street Yard: See Section 61.0219(k) - Street Setback Regulations.

(k) GENERAL CONDITIONS OF USE:

(1) Outside Storage: Outside storage shall be prohibited unless completely screened from all adjacent and more restrictive districts on all streets, highways, and freeways, with a solid fence, wall, building or combination of these or by other methods approved as provided in Section 61.0219(f). Such stored properties shall not be visible at any time from other more restrictive districts or from streets, highways, or freeways.

(l) SIGNS: The following conditions shall apply to all signs in the M-R District.

(1) Signs, not to exceed three hundred (300) square feet of total area, without mechanical or moving parts or automatically varying lights and stating or depicting nothing other than the following matters shall be permitted:

(A) The name of the building on the same property where the sign is located.

(B) The name of the person, firm or corporation occupying a building on the property where the sign is located and the type of business conducted by such person, firm or corporation.

(C) Only products manufactured or produced on the premises where the sign is located.

(D) Only services rendered on the premises where the sign is located.

(E) An offer to sell or lease some interest in the real property on which the sign stands.

(F) The name of the sign's owner or proprietor provided such name is not a fictitious name which is substantially the same as the brand name of a product, and further provided that said sign is located on premises of the sign's owner or proprietor. (Am. by Ord. 1228, adopted 4/26/65)

(2) Signs enumerated above exceeding three hundred (300) square feet of total face area will require approval under Section 61.0219(f) of this chapter.

61.029A M-1 District.

The following regulations shall apply in the M-1 Limited Manufacturing District:

(a) **GENERAL USES PERMITTED:**

(1) Any uses permitted in the R-1, R-2 and R-3 Districts provided such uses shall be governed by the regulations applied to them in the district in which they are first listed as permitted uses.

(2) Any uses permitted in the A-1 District provided such uses shall be governed by the regulations applied to them in the A-1 District in which they are first listed as permitted uses.

(3) Any uses permitted in the C-1 and C-2 Districts. (Am. Ord. 1413, 2/26/68)

(b) **MANUFACTURING USES PERMITTED:** The following manufacturing uses as described in detail in the Standard Industrial Classification Manual, Volume 1 - Manufacturing Industries, Part 1 - Titles and Descriptions of Industries, November, 1945.

(1) Ordnance and accessories:

(A) Sighting and fire control equipment

(2) Food and kindred products:

(A) Meat products:

(I) Sausages and other prepared meat products

(II) Sausage casings

(III) Poultry and small game dressing and packing, wholesale

(B) Dairy products

(C) Canning and preserving fruits and vegetables:

(I) Canned fruits, vegetables and soups, preserves, jam and jellies

(II) Dried and dehydrated fruits and vegetables

(III) Pickled fruits and vegetables; vegetable sauces and seasonings; salad dressings

(IV) Frozen fruits, vegetables and sea foods

(D) Grain-mill products

(E) Bakery products

(F) Confectionery and related products

(G) Beverage industries:

(I) Bottled soft drinks and carbonated waters

(H) Miscellaneous food preparations and kindred products

(I) Baking powder, yeast and other leavening compounds

(II) Flavoring extracts and sirups

(III) Vinegar and cider

(IV) Manufactured ice

(V) Macaroni, spaghetti, vermicelli and noodles

- (3) Tobacco manufactures: All uses listed.
- (4) Textile mill products:
 - (A) Yarn and thread mills
 - (B) Broad-woven fabric mills
 - (C) Narrow fabrics and other smallwares mills
 - (D) Knitting mills
 - (E) Hats (except cloth and millinery)
 - (F) Miscellaneous textile goods:
 - (I) Lace goods
 - (II) Paddings and upholstery filling
- (5) Apparel and other finished products made from fabrics and similar materials: All uses listed.
- (6) Lumber and wood products (except furniture):
 - (A) Lumber yards
 - (B) Wooden containers
 - (C) Miscellaneous wood products:
 - (I) Lasts and related products
 - (II) Mirror frames and picture frames
- (7) Furniture and fixtures (operations all to be conducted within enclosed building): All uses listed.
- (8) Paper and allied products: The industries listed below shall manufacture their product from purchased wood pulp and other fibers, purchased paper and similar materials, purchased paperboard or fiber stock. (Am. Ord. 1439, 6/24/68)
 - (A) Paper coating and glazing
 - (B) Envelopes
 - (C) Paper bags
 - (D) Paper board boxes, folded, set-up, corrugated and solid fiber
 - (E) Die-cut paper, paperboard and cardboard
 - (F) Wallpaper
 - (G) Pulp goods, pressed and molded
 - (H) Converted paper products
 - (I) Fiber cans, tubes, drums and similar products
 - (J) Paper and paperboard mills
 - (K) Building paper and building board mills
- (9) Printing, publishing and allied industry: All uses listed.
- (10) Leather and leather products:
 - (A) Footwear (except rubber)
 - (B) Leather gloves and mittens
 - (C) Luggage
 - (D) Handbags and small leather goods
 - (E) Miscellaneous leather goods

- (11) Machinery (except electrical)
 - (A) Miscellaneous machinery parts
 - (I) Machine shops
- (12) Electrical machinery, equipment and supplies:
 - (A) Instruments for indicating, measuring and recording electrical quantities and characteristics.
 - (B) Communications equipment
- (13) Transportation equipment:
 - (A) Motor vehicles - assembly
 - (B) Boat building and repairing
 - (C) Motorcycles, bicycles - assembly
- (14) Professional, scientific and controlling instruments, photographic and optical goods, watches and clocks: All uses listed.
- (15) Miscellaneous manufacturing industries:
 - (A) Jewelry, silverware and plated ware
 - (B) Musical instruments and parts
 - (C) Toys, sporting and athletic goods
 - (D) Pens, pencils and other office and artists' materials
 - (E) Costume jewelry, novelties, buttons and miscellaneous notions
 - (F) Fabricated plastic products
 - (G) Miscellaneous:
 - (I) Brooms and brushes
 - (II) Cork products
 - (III) Jewelry and instrument cases
 - (IV) Lamp shades
 - (V) Signs and advertising display
 - (VI) Hair work
 - (VII) Umbrellas, parasols, canes
 - (VIII) Tobacco pipes and cigarette holders
 - (IX) Models and patterns
 - (X) Miscellaneous fabricated products
- (c) ADDITIONAL USES AS FOLLOWS:
 - (1) Distribution plants, parcel delivery, ice and cold storage plant, bottling plant and food commissary or catering establishments.
 - (2) Wholesale business, storage buildings and warehouses.
 - (3) Laboratories; experimental, photo or motion picture, film or testing.
 - (4) Motion picture studio.
 - (5) Building material sales yard, including the sale of rock, sand, gravel and the like as an incidental part of the main business, but excluding concrete mixing.
 - (6) Contractor's equipment storage yard or plant, or rental of equipment commonly used by contractors.

(7) Hay, grain, wood and fuel oil storage and sales yard. (Am. Ord. 1413, 2/26/68)

(8) Truck terminal. (Am. Ord. 1413, 2/26/68)

(9) Public utility service yard or electrical receiving or transmission substation, gas or petroleum booster. (Am. Ord. 1413, 2/26/68)

(10) Winery.

(d) ACCESSORY BUILDINGS customarily incidental to any of the above uses when located on the same lot.

(e) SIMILAR USES to those listed above, if use, location and development plan are approved as provided in Section 61.0219(f).

(f) THE FOLLOWING USES shall be permitted, if the location and development plan is approved as provided in Section 61.0219(f).

(1) Motor vehicle storage - impound facility, boat and recreational vehicle storage facility: All storage activities shall be conducted wholly within an area enclosed by a six (6) foot chain link fence except as in Section 61.0219(d)(4). The storage of junk or salvage materials, including but not limited to motor vehicle parts and accessories, motor vehicle body parts, engines, engine blocks, or any dismantled portion or integral part of a vehicle, boat, or motor vehicle, is not permitted within the motor vehicle storage / impound yard or boat and recreational vehicle storage facility. Dismantling and wrecking activities are likewise prohibited. Screening is to be accomplished by one or more of the following methods and all physical screening must be maintained in good condition at all times:

(A) Aluminum strips woven into the chain link fence, so as to afford a maximum of screening from the public view.

(B) A single row of Arizona Cypress planted on a maximum of three (3) foot centers.

(C) Gallon-size Oleander plants spaced on a maximum of five (5) foot centers.

(D) Dense hedge to afford a maximum of screening from the public view, satisfactory to the County Planning Commission.

(2) Welding shop.

(3) Auction or swap meet conducted out - of - doors.

(4) Construction equipment sales lot: All dismantling and salvage work as well as display of salvage components shall be confined wholly within a completely enclosed building.

(5) Coating and wrapping of pipe.

(6) Mixing and repackaging of gases with outside storage.

(7) Distributors of petroleum products including liquid petroleum gases and petroleum bulk plant.

(g) OTHER USES SIMILAR to the above as provided in Section 61.0219(a)(2), if the location and development plan is approved as provided in Section 61.0219(f).

(h) USES IN THE M-1 DISTRICT shall be planned, developed, conducted and operated so that smoke, fumes, dust, odors, liquids and other waste of any kind is confined and/or purified to control pollution of air, soil or water to meet the standards and requirements of the County Planning Commission, the San Bernardino County Air Pollution Control District and the State Water Pollution Control Board and in such manner as to provide no threat to public health, safety and welfare. (Am. Ord. 1413, 2/26/68)

(i) PARKING AND LOADING REQUIREMENTS: See Section 61.0219(b).

(j) HEIGHT LIMITATIONS: Buildings or structures and the enlargement of any buildings or structures shall hereafter be erected or maintained not to exceed four (4) stories or forty - five (45) feet.

(k) AREA AND YARD REQUIREMENTS:

(1) Area and yard requirements for residential and agricultural uses shall be the same as those required in the "R" or "A" District in which the proposed use is first listed as a permitted use. (Am. Ord. 1413, 2/26/68)

(l) FRONT YARD REQUIRED: See Section 61.0219(k) - Street Setback Regulations.

(m) SIDE STREET YARD REQUIRED: See Section 61.0219(k) - Street Setback Regulations.

61.029B M-2 District.

The following regulations shall apply in M-2 General Manufacturing Districts:

(a) GENERAL USES PERMITTED:

(1) Agricultural uses of any kind for field crops, orchards, groves and vineyards and including those agricultural uses involving animals, fowls, birds or insects permitted in Section 61.025A.

(2) Industrial uses permitted in Sections 61.029A(b) to 61.029A(i) inclusive.

(3) Commercial uses of a retail and wholesale character when developed as a planned community shopping center and the location and development plan is approved as provided in Section 61.0219(f).

(4) Retail and wholesale establishment for the sale or distribution of products manufactured or produced by the industry on the same site.

(5) Commercial establishments provided as a service to employees of the plant or industry on the same site.

(6) Commercial uses necessary for the function of permitted industrial uses, where such commercial use is located on the site and is clearly incidental to the industrial use.