



Magnolia Tank Farm: From Industrial Site to Community Development | October 2024

The Magnolia Tank Farm in Huntington Beach represents a major future development project for us at Shopoff Realty Investments, a Southern California-based firm that has experience navigating California's entitlement processes. This 29-acre site, previously utilized for industrial oil storage, is planned to become a mixed-use community offering 204 for-sale homes, a 50-unit rental project, a 215-key boutique hotel, 19,000 square feet of retail space, and four acres of parkland. A critical component of the project is its commitment to affordable housing, with 50 units dedicated to low-income workers, half of which are allocated specifically for hotel workers. This feature directly supports local workforce housing needs, reducing commuting times and providing essential housing close to the area's employment centers. California's entitlement process, overseen in part by the California Environmental Quality Act (CEQA), is widely regarded as one of the most rigorous and complex in the nation. Projects must undergo thorough environmental impact assessments covering air quality, water conservation, and protections for endangered species, as well as consideration for conservation areas near development sites. Although these regulations are designed to promote sustainable growth, they can lead to additional time and costs, particularly if challenges are raised by opposing parties. In many other states, entitlement processes are generally less restrictive, with fewer opportunities for legal opposition, making California's requirements distinct.

For us at Shopoff, this regulatory complexity is both a challenge and an opportunity. The company has deep experience with California's entitlement process, allowing it to work through the requirements successfully and add value to its projects. Despite the challenges, entitlement approvals in California can result in high-value developments, and Magnolia Tank Farm exemplifies this potential. Shopoff owns and manages the project directly. If successful, the project may benefit the company and its stakeholders economically.

Community engagement also plays a vital role in California's entitlement landscape. For Magnolia Tank Farm, Shopoff worked with Huntington Beach residents, labor unions, and affordable housing advocates, gaining unanimous support from the California Coastal Commission and the Huntington Beach City Council. This collaboration ensures the project aligns with local standards, garnering the community's support while meeting high environmental and social goals. In comparison, many other states require less extensive community input, streamlining approvals but offering fewer opportunities to align developments closely with community values.

Additionally, many California cities, including Huntington Beach, impose discretionary reviews beyond zoning compliance. This added an extra layer of oversight, which meant additional design and environmental reviews in Magnolia Tank Farm's case. With entitlements now secured, the project is set to enter the design and permitting stages, with groundbreaking anticipated in mid-2025 and completion projected for late 2027, although these timelines remain subject to regulatory and market factors.

For further details on Magnolia Tank Farm, please refer to <https://www.shopoff.com/news-release-shopoff-realty-investments-receives-unanimous-city-council-approval-for-29-acre-magnolia-tank-farm-project-in-huntington-beach/>

Disclosures:

The project is subject to various local, state, and federal regulatory approvals, and any delays in obtaining or renewing these approvals could impact its timelines or overall viability. The construction phase, carries significant risks, including potential cost overruns, labor shortages, material delays, and unforeseen technical challenges, which could delay completion or increase project expenses. The success and profitability of the project are contingent upon favorable market conditions, such as demand for real estate and construction materials, and any shifts in the market could affect the project. This release contains forward-looking statements, including projected timelines, which are subject to change based on regulatory, market, and other factors. Real estate development involves various risks, and there can be no assurance of the anticipated outcomes.