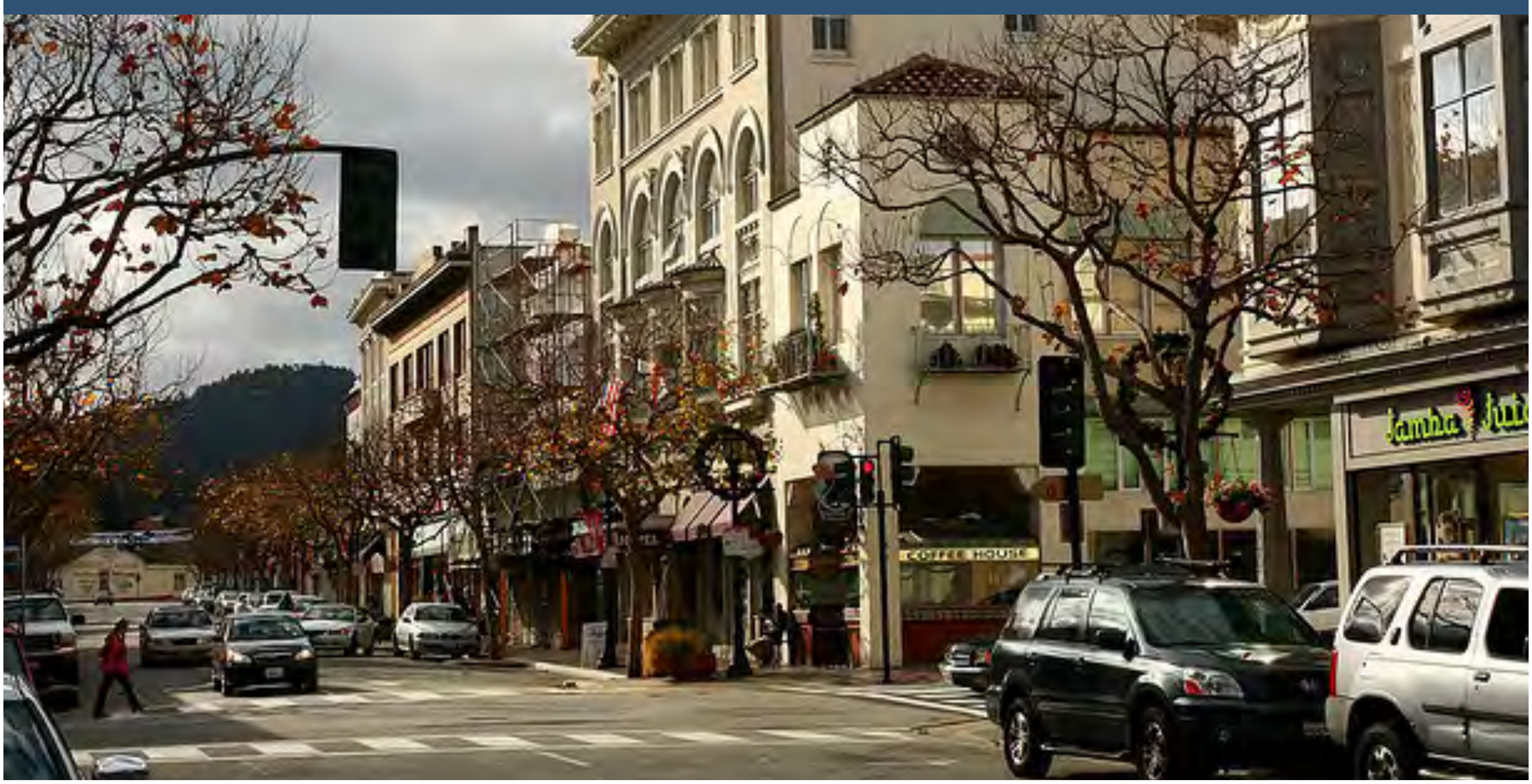
bae urban economics

Monterey Downtown & Lighthouse/Foam Market Analysis

Prepared for the City of Monterey, CA

March 2012



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March 16, 2012

Ms. Elizabeth Caraker, AICP, Principal Planner
City of Monterey Planning, Engineering, and Environmental Compliance Division
City Hall
580 Pacific Street
Monterey, CA 93940

Dear Elizabeth:

Enclosed is BAE's market analysis report in support of the Downtown and Lighthouse/Foam Specific Plans. The report is based on BAE's research and data analysis, and it also incorporates data provided by the City. The final section of the report presents our conclusions on potentially supportable amount of development, product types, and other recommendations.

Sincerely,

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INTRODUCTION

The City of Monterey is undertaking preparation of Specific Plans to improve conditions and foster revitalization in Downtown Monterey and along the Lighthouse/Foam (Lighthouse) corridor. These two areas serve both local residents and visitor commercial demand. The Specific Plans will provide a framework for central Monterey revitalization over the coming decades. Study area boundaries for this report are shown in Figure 1 on the following page.

Study Purpose

This Market Analysis provides background information on demographic, economic, and market trends to identify potential demand for new development in both Specific Plan areas. Specifically, this report includes the following:

- Assessment of market trends and demand and potential pricing for new residential, retail, office, and lodging uses;
- Identification of potential catalytic and anchor uses and projects for the Downtown area, particularly along Alvarado Street as the "Main Street" of Monterey; and
- Identification of actions needed to enhance the market potential for Lighthouse Avenue, particularly mixed-use residential, as well as the impact of any potential future change in the street pattern to one-way along Lighthouse.

Downtown Strategy Report

A 2010 Downtown Retail Market Assessment and Repositioning Strategy report, commissioned by the Monterey Commercial Property Owners Association, provides property owners with insights into potential attraction of national and regional credit tenants to Downtown for both existing properties and new development. The Strategy assessed Downtown's retail mix, characterized customer profiles, and outlined a target tenant mix for the Downtown area. Key findings emphasized improving the quality of the Downtown shopper experience, developing a cohesive identity and upgraded wayfinding, building connections between Downtown uses and visitors, and attracting retailers that fit well with resident and worker populations in Downtown. This market analysis study complements and furthers the prior Strategy by providing an analysis of demand for new residential and commercial space downtown, and evaluation of the quantities and types of development that can be supported to attract new tenants and residents.

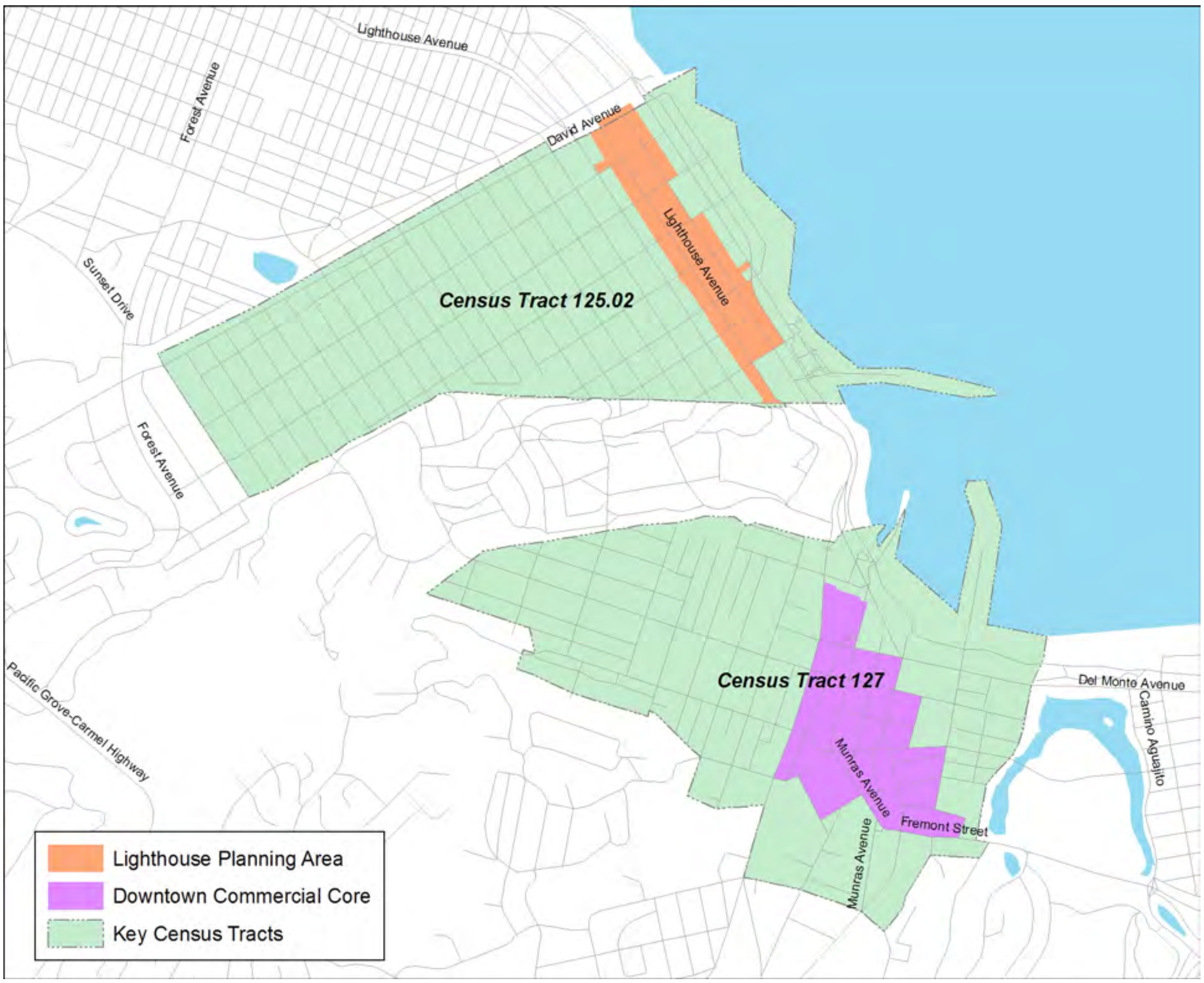
Methodology

For this report, data are drawn from a variety of sources including the US Census, the American Community Survey (ACS), DataQuick (a private vendor of county assessor's property data), and the California State Board of Equalization (SBOE). Additional research for this report included interviews with several local business owners as well as special case studies of one-way downtown streets in other successful commercial areas. Because the City of Monterey is undertaking preparation of Specific Plans for two distinct areas, which lie within the same market area, this report provides data and analysis that is applicable to both the Downtown Monterey and the Lighthouse corridor, along with comparative information for the City of Monterey as a whole, the Monterey Peninsula, and the State of California.

Study Area

Each subarea lies within a single Census Tract as shown below; these Census Tracts are used in the following demographic and economic analysis.

Figure 1: Study Area Map



For the retail analysis, the larger Monterey Peninsula is used as a regional market area from which to attract demand. This larger regional market area is shown below in Figure 2, based on zip codes that include the communities in the regional market area.

Figure 2: Monterey Peninsula

DEMOGRAPHIC AND ECONOMIC TRENDS

Population and Household Trends

Both of the Specific Plan subareas, as well as the City of Monterey and the Peninsula Market Area, have experienced population and household decreases, in contrast to growth in the State of California. Between 2000 and 2010, population in the City of Monterey declined by 6.4 percent, from 29,700 to 27,800 residents. In the Lighthouse subarea, population declined at a slightly slower rate of 4.4 percent, while in the Downtown subarea, population declined slightly more rapidly than citywide, at 6.8 percent for the decade. The Monterey Peninsula also experienced decreased population during the period, in contrast to the State of California, which grew 10 percent between 2000 and 2010.

The number of households also declined across the subareas, citywide, and throughout the Peninsula, at varying rates. However, the household drop was somewhat less substantial than population decline, due to shrinking average household sizes occurring at the same time.

All of these trends - declining population, declining household counts, and shrinking average household size - are moving in the opposite direction from statewide trends.

Notably, the City's proportion of homeowner households also declined substantially, from 39 to 36 percent, with a commensurate increase in renter households. This same pattern was evidenced in the two focus areas' Census Tracts, and to a lesser degree, throughout the Peninsula. It is notable that the City of Monterey has a relatively low ownership rate (35.8 percent) compared to the Peninsula (51.0 percent) and the State (55.9 percent). Downtown has a particularly low ownership rate, at 24.5 percent of households.

Table 1: Population and Household Trends, 2000-2010

	Lighthouse Census Tract (a)			Downtown Census Tract (b)			City of Monterey		
	2000	2010	Change	2000	2010	Change	2000	2010	Change
Population	5,315	5,082	-4.4%	3,538	3,299	-6.8%	29,696	27,810	-6.4%
Households	2,592	2,560	-1.2%	1,810	1,716	-5.2%	12,601	12,184	-3.3%
Average Household Size	2.04	1.96		1.93	1.90		2.13	2.08	
Tenure									
Owner	38.5%	33.9%		27.1%	24.5%		38.5%	35.8%	
Renter	61.5%	66.1%		72.9%	75.5%		61.5%	64.2%	

	Monterey Peninsula (c)			State of Caiifornia		
	2000	2010	Change	2000	2010	Change
Population	145,883	138,830	-4.8%	33,871,653	37,253,956	10.0%
Households	55,504	55,088	-0.7%	11,502,871	12,577,498	9.3%
Average Household Size	2.45	2.42		2.87	2.90	
Tenure						
Owner	53.6%	51.0%		56.9%	55.9%	
Renter	46.4%	49.0%		43.1%	44.1%	

Notes:
(a) Census Tract 125 in 2000 and 125.02 in 2010.
(b) Census Tract 127 in 2000 and 2010.
(c) Consists of incorporated and unincorporated areas on and adjacent to the Monterey Peninsula. See Figure 1 for details.
Sources: US Census, 2000 & 2010; BAE, 2011.

Table 2 provides a breakdown of households by type. As shown, both the Lighthouse and Downtown subareas, as well as the City overall, have high concentrations of single-person households, along with somewhat higher concentrations of non-family households (e.g., unrelated individuals).

Table 2: Household Composition, 2000 - 2010

	Lighthouse Census Tract (a)		Downtown Census Tract (b)		City of Monterey	
Household Type	**2000**	**2010**	**2000**	**2010**	**2000**	**2010**
Single Person	37.4%	40.1%	44.0%	43.8%	37.0%	39.2%
Two or More Persons						
Married Couple	34.0%	34.1%	28.0%	28.1%	39.5%	38.5%
Other Family	13.6%	11.2%	12.2%	10.1%	11.9%	10.4%
Non-Family	15.0%	14.6%	15.8%	17.9%	11.5%	11.8%

	Monterey Peninsula (d)		California	
Household Type	**2000**	**2010**	**2000**	**2010**
Single Person	28.3%	29.5%	23.5%	23.3%
Two or More Persons				
Married Couple	49.9%	47.7%	51.1%	49.4%
Other Family	13.6%	14.0%	17.8%	19.3%
Non-Family	8.3%	8.8%	7.6%	8.0%

Notes:
(a) Census Tract 125 in 2000 and 125.02 in 2010.
(b) Census Tract 127 in 2000 and 2010.
(c) A family is a group of two or more people related by birth, marriage, or adoption and residing together.
(d) Consists of incorporated and unincorporated areas on and adjacent to the Monterey Peninsula. See Figure 1 for details.

Sources: US Census, 2010; BAE, 2011.

Housing Occupancy and Housing Stock

Table 3 below shows the percentage of occupied and vacant units for each geography in 2000 and 2010, as well as the characteristics of vacant housing stock. Both Lighthouse and Downtown subareas had a lower vacancy rate in 2010 than Monterey as a whole, suggesting a slightly stronger market. This included lower vacancies in properties held both for rent and for sale.

Between 2000 and 2010, both the number and proportion of vacant housing units increased in the Lighthouse and Downtown census tracts as well as in the City of Monterey and the Monterey Peninsula overall. Within each of these geographic areas, a portion of units are reported as vacant because they are held for seasonal, recreational, or occasional use. The overall Monterey Peninsula in particular has a high proportion of housing units held for this purpose (6.7 percent), reflecting the popularity of the region as a vacation destination. However, while the increase in the number of housing units held for this purpose in the Peninsula between 2000 and 2010 was sufficient to account for the regional increase in vacant housing units, the increase in the number of housing units held for this purpose within Monterey and the study area census tracts was outpaced by the increase in the number of vacant units in these geographies, indicating that vacancies are increasing within the City as a result of other factors.

Table 3: Housing Units and Occupancy Status, 2010

	Lighthouse Census Tract				Downtown Census Tract			
	2000		2010		2000		2010	
Occupancy Status	#	%	#	%	#	%	#	%
Occupied Housing Units	2,592	94.9%	2,560	91.4%	1,810	95.3%	1,716	93.0%
Vacant Housing Units	139	5.1%	241	8.6%	90	4.7%	129	7.0%
For Rent	*34*	*1.2%*	*66*	*2.4%*	*23*	*1.2%*	*48*	*2.6%*
For Sale Only	*17*	*0.6%*	*17*	*0.6%*	*4*	*0.2%*	*9*	*0.5%*
Rented or Sold, Not Occupied	*5*	*0.2%*	*8*	*0.3%*	*7*	*0.4%*	*5*	*0.3%*
For Seasonal, Recreational, or Occasional Use	*38*	*1.4%*	*89*	*3.2%*	*34*	*1.8%*	*30*	*1.6%*
For Migratory Workers	*0*	*0.0%*	*0*	*0.0%*	*0*	*0.0%*	*0*	*0.0%*
Other	*45*	*1.6%*	*61*	*2.2%*	*22*	*1.2%*	*37*	*2.0%*
Total Housing Units	**2,731**	**100.0%**	**2,801**	**100.0%**	**1,900**	**100.0%**	**1,845**	**100.0%**

	City of Monterey				Monterey Peninsula			
	2000		2010		2000		2010	
Occupancy Status	#	%	#	%	#	%	#	%
Occupied Housing Units	12,600	94.2%	12,184	89.7%	55,504	88.3%	55,088	87.2%
Vacant Housing Units	782	5.8%	1,400	10.3%	7,355	11.7%	8,097	12.8%
For Rent	*183*	*1.4%*	*547*	*4.0%*	*684*	*1.1%*	*1,611*	*2.5%*
For Sale Only	*47*	*0.4%*	*90*	*0.7%*	*588*	*0.9%*	*759*	*1.2%*
Rented or Sold, Not Occupied	*28*	*0.2%*	*59*	*0.4%*	*218*	*0.3%*	*313*	*0.5%*
For Seasonal, Recreational, or Occasional Use	*364*	*2.7%*	*440*	*3.2%*	*3,032*	*4.8%*	*4,235*	*6.7%*
For Migratory Workers	*0*	*0.0%*	*0*	*0.0%*	*6*	*0.0%*	*4*	*0.0%*
Other	*160*	*1.2%*	*264*	*1.9%*	*2,827*	*4.5%*	*1,175*	*1.9%*
Total Housing Units	**13,382**	**100.0%**	**13,584**	**100.0%**	**62,859**	**100.0%**	**63,185**	**100.0%**

	California			
	2000		2010	
Occupancy Status	#	%	#	%
Occupied Housing Units	11,502,870	94.2%	12,577,498	91.9%
Vacant Housing Units	711,679	5.8%	1,102,583	8.1%
For Rent	*190,321*	*1.6%*	*374,610*	*2.7%*
For Sale Only	*92,197*	*0.8%*	*154,775*	*1.1%*
Rented or Sold, Not Occupied	*50,846*	*0.4%*	*54,635*	*0.4%*
For Seasonal, Recreational, or Occasional Use	*236,857*	*1.9%*	*302,815*	*2.2%*
For Migratory Workers	*2,205*	*0.0%*	*2,100*	*0.0%*
Other	*139,253*	*1.1%*	*213,648*	*1.6%*
Total Housing Units	**12,214,549**	**100.0%**	**13,680,081**	**100.0%**

Sources: US Census, 2010; BAE, 2011.

The U.S. Census American Community Survey (ACS) publishes estimates of demographic conditions for small geographies based on statistical sampling conducted continuously between 2005 and 2009[1]. While these data cannot represent conditions at a specific point in time, as in the previous decennial censuses, they are updated on an annual basis and do offer a valuable means to compare characteristics across geographies.

ACS data indicates that for the Lighthouse, Downtown, and overall City of Monterey, single family housing is less prevalent than throughout the Peninsula or in the State. Conversely, multifamily units constitute 49 percent of units in the Lighthouse subarea, and 62 percent in Downtown, both substantially higher proportions than throughout the Peninsula or California.

Table 4: Housing Units by Type of Residence, 2005-2009

Type of Residence	Lighthouse Tract	Downtown Tract	City of Monterey	Monterey Peninsula	California
Single Family Detached	47.8%	35.8%	41.2%	62.0%	58.1%
Single Family Attached	3.1%	2.1%	5.9%	8.2%	7.1%
Multifamily 2-4 Units	20.4%	33.2%	19.2%	10.8%	8.2%
Multifamily 5-9 Units	18.8%	15.0%	14.7%	7.8%	6.2%
Multifamily 10-49 Units	8.7%	7.9%	11.8%	6.6%	10.2%
Multifamily 50+	1.2%	5.4%	6.8%	2.8%	6.1%
Mobile Home (b)	0.0%	0.5%	0.4%	1.9%	4.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Multifamily Housing Units	**49.1%**	**61.5%**	**52.5%**	**27.9%**	**30.7%**

Notes:
(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2005-2009.
(b) Includes both standard mobile homes and boats, RVs, vans, and other vehicles that serve as a primary residence.

Sources: ACS, 2005-2009; BAE, 2011.

[1] This data source replaces the information obtained in previous Censuses from the "long form" questionnaire. For more on the ACS, see www.census.gov/acs/www/about_the_survey/american_community_survey/

Age Distribution

As of 2010, the median age among residents of Monterey was approximately 37 years old, some four years lower than that of the Peninsula. The City's younger age profile can be attributed to an above-average proportion of student-age residents in the 20 to 24 age group, as well as higher proportions of residents aged 25 to 34.

Table 5: Age Distribution, 2010

	Lighthouse Census Tract		Downtown Census Tract		City of Monterey		Monterey Peninsula		California	
Age Cohort	**2000**	**2010**	**2000**	**2010**	**2000**	**2010**	**2000**	**2010**	**2000**	**2010**
Under 20	17.0%	15.0%	15.2%	13.4%	20.6%	18.9%	23.9%	23.3%	30.2%	28.1%
20-24	7.4%	8.8%	7.5%	8.6%	9.1%	10.2%	6.8%	7.2%	7.0%	7.4%
25-34	19.2%	19.4%	23.9%	25.1%	18.1%	18.1%	14.6%	12.9%	15.4%	14.3%
35-44	18.0%	13.8%	17.2%	13.2%	15.6%	12.4%	15.5%	11.9%	16.2%	13.9%
45-54	17.0%	15.2%	12.7%	13.5%	13.6%	12.4%	14.7%	13.6%	12.8%	14.1%
55-64	8.8%	14.6%	7.2%	12.1%	8.1%	12.5%	9.4%	14.0%	7.7%	10.8%
65-84	11.4%	11.0%	12.5%	11.5%	12.4%	12.1%	13.2%	14.1%	9.4%	9.8%
85 or older	1.2%	2.1%	3.8%	2.7%	2.5%	3.4%	1.8%	2.9%	1.3%	1.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Median Age	**38.4**	**39.8**	**36.7**	**36.8**	**36.1**	**36.9**	**38.0**	**40.6**	**33.3**	**35.2**

Sources: US Census, 2010; BAE, 2011.

Educational Attainment

The Monterey Peninsula is characterized by relatively strong levels of educational attainment. According to ACS, 58 percent of Monterey residents over the age of 25 had a college degree, compared to 50 percent in the region overall, and 30 percent for the state.

Table 6: Educational Attainment, Population Age 25+, 2005-2009 (a)

Educational Attainment	**Lighthouse Tract**	**Downtown Tract**	**City of Monterey**	**Monterey Peninsula**	**California**
Less than 9th Grade	2.3%	3.3%	2.9%	5.4%	10.4%
9th to 12th Grade, No Diploma	3.5%	5.3%	3.3%	5.5%	9.1%
High School Graduate (incl. Equivalency)	13.7%	11.4%	13.6%	16.3%	21.9%
Some College, No Degree	20.1%	21.6%	21.9%	22.5%	21.2%
Associate Degree	11.4%	8.7%	9.1%	8.7%	7.6%
Bachelor's Degree	29.5%	32.8%	28.3%	23.8%	19.1%
Graduate/Professional Degree	19.4%	16.9%	20.8%	17.7%	10.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Population with College Degree	**60.3%**	**58.4%**	**58.2%**	**50.3%**	**37.4%**

Note:
(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2005-2009.

Sources: ACS, 2005-2009; BAE, 2011.

Household Income

According to ACS, the median household income for Lighthouse, Downtown, and the City of Monterey were slightly lower than the Peninsula, but similar to the State of California. It is notable, however, that while the Lighthouse tract appears to have a small proportion of very high income households over $150,000 the difference is partially offset by a larger concentration of households in the $100,000 to $149,000 range as compared to the City overall. When considered on a per capita basis, taking into account the smaller household sizes found in the two subareas and the City, the data indicates high per capita incomes and a favorable demographic profile for retailers and service businesses serving local residents in central Monterey.

Table 7: Household Income, 2005-2009 (a)

Income Category	Lighthouse Tract	Downtown Tract	City of Monterey	Monterey Peninsula	California
Less than $15,000	10.6%	14.7%	9.1%	8.3%	10.5%
$15,000-$24,999	7.2%	9.9%	8.9%	7.5%	9.5%
$25,000-$34,999	10.0%	11.3%	8.5%	8.3%	9.2%
$35,000-$49,999	12.2%	11.1%	12.2%	11.6%	12.8%
$50,000-$74,999	25.1%	23.8%	21.9%	18.9%	17.8%
$75,000-$99,999	12.6%	11.8%	14.3%	13.7%	12.8%
$100,000-$149,999	18.0%	9.4%	15.7%	16.9%	14.9%
$150,000-$199,999	3.4%	5.6%	5.1%	7.0%	6.2%
$200,000 or more	1.0%	2.5%	4.3%	7.7%	6.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Median HH Income (b)	**$58,592**	**$51,549**	**$60,581**	**$68,498**	**$60,392**
Per Capital Income (c)	*$29,862*	*$27,085*	*$29,167*	*$28,271*	*$20,825*

Notes:
(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2005-2009.
(b) All incomes adjusted to 2009 dollars.
(c) Median income divided by average household size in 2010.
Sources: ACS, 2005-2009; BAE, 2011.

Resident Employment and Occupation

Monterey features an unemployment rate well below those of the County, State, and U.S. As of August 2011, unemployment was estimated at 4.8 percent for the City of Monterey, compared to 5.2 percent for the Peninsula, and 10.7 percent for the State.

Table 8: Labor Force & Unemployment, August 2011 (a)

Geography	Number of Workers: Employed	Number of Workers: In Labor Force	Unemployment Rate
City of Monterey	16,800	17,700	4.8%
Monterey Peninsula (b)	62,100	65,500	5.2%
Monterey County	195,100	218,600	10.7%

Notes:
(a) Data are not seasonally adjusted.
(b) EDD only publishes labor force data for incorporated cities and census-designated places (CDPs). Therefore, the Monterey Peninsula is defined as the Cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Sand City, and Seaside and the Del Monte Forest and Carmel Valley Village CDPs.
Sources: CA EDD; BAE, 2011.

The data below profiles residents' occupations, which provide insight into local employment patterns. As indicated, the proportion of residents with occupations in management, professional, and related categories in Monterey and the two study areas was relatively high in comparison to the Peninsula, and substantially higher than the State. These occupations tend to earn above-average wages, which helps to explain the region's high income profile and relatively low unemployment.

Table 9: Occupation of Employed Civilian Population Age 16+, 2005 - 2009 (a)

Occupation	Lighthouse Tract	Downtown Tract	City of Monterey	Monterey Peninsula	California
Management, Professional & Related	49.9%	50.4%	48.1%	40.8%	35.9%
Service	19.4%	20.2%	19.5%	21.7%	17.1%
Sales & Office	21.1%	21.3%	23.9%	25.0%	25.5%
Farming, Fishing & Forestry	0.0%	0.0%	0.0%	0.5%	1.4%
Construction, Extraction & Maintenance	6.0%	2.9%	5.2%	6.2%	8.9%
Production, Transportation & Material Moving	3.6%	5.3%	3.4%	5.7%	11.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note:
(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2005-2009.

Sources: ACS, 2005-2009; BAE, 2011.

Employment by Industry by Place of Work

Employment by Industry, 2005-2009

The City of Monterey's mix of jobs by industry shows high proportions of workers relative to California in educational and health services, leisure and hospitality (reflecting the high tourism levels), and particularly in military employment (due to the presence of the Presidio of Monterey and Naval Postgraduate School) (see Table 10). There are notably lower proportions of jobs than the State in construction, manufacturing, and retail trade. The County's employment base has a much larger agricultural component than the State, due to the intensive agriculture largely in the Salinas Valley, and a slightly larger proportion of military employment, with most of those jobs in the City of Monterey. The County has relatively small manufacturing and professional services sectors.

Table 10: Industry Employment by Place of Work, 2005-2009

	Monterey City		Monterey County		California	
Industry	**Number**	**% Total**	**Number**	**% Total**	**Number**	**% Total**
Agriculture, forestry, fishing & hunting, and mining	232	0.6%	24,457	13.9%	323,286	2.0%
Construction	1,648	4.5%	10,037	5.7%	1,186,769	7.3%
Manufacturing	1,615	4.5%	8,846	5.0%	1,701,974	10.5%
Wholesale Trade	396	1.1%	6,715	3.8%	572,234	3.5%
Retail Trade	3,002	8.3%	18,417	10.5%	1,775,903	11.0%
Transportation, Warehousing & Utilities	1,095	3.0%	6,020	3.4%	748,598	4.6%
Information	1,280	3.5%	3,160	1.8%	490,606	3.0%
Financial Activities	1,945	5.4%	9,018	5.1%	1,163,068	7.2%
Professional & Business Services	3,633	10.0%	15,038	8.6%	1,958,793	12.1%
Educational & Health Services	8,096	22.3%	31,361	17.9%	3,086,685	19.1%
Leisure & Hospitality	4,816	13.3%	18,521	10.6%	1,464,085	9.1%
Other Services	1,464	4.0%	7,934	4.5%	838,587	5.2%
Public administration	2,166	6.0%	10,203	5.8%	724,018	4.5%
Armed forces	4,859	13.4%	5,694	3.2%	136,702	0.8%
Total (a)	**36,247**	**100.0%**	**175,421**	**100.0%**	**16,171,308**	**100.0%**

Notes:
Universe consists of members of the Armed Forces and civilians 16 and older who were at work the week prior to being surveyed, by place of work. Total count includes all workers including self employed, and may vary from other sources of employment by industry data, such as EDD. Note also that in this table, not all government workers are included in public administration (e.g. school employees). Industry classification is self-reported by survey respondents.

Sources: 2005-2009 American Community Survey, Table B08526: BAE, 2011.

Industry Employment Trends

Compared to California, which had less wage and salary employment in 2010 than in 2000, overall employment levels in Monterey County have been stable over the decade, as shown in Table 11.[2] However, the employment mix in the County has shifted considerably over the decade. Reflecting statewide trends related to the recent recession, employment in several industry sectors including construction, manufacturing, retail trade, information, financial activities, and professional services

[2] Comparable data are not available at the City level from this source. Numbers here may vary from previous table due to different source data and different time period studied.

has declined by more than 10 percent. As shown in the previous table, agriculture is the largest major sector component of the County's economic base, and employment in this sector, which is not a significant source of employment in the City itself, has largely offset the losses in other sectors. Industry sectors showing substantial percentage gains in employment in the County include educational and health services, as well as other services, which includes miscellaneous services not in the other categories (e.g., auto repair, personal care services, and religious organizations). While the State has gained employment in the leisure and hospitality sector, Monterey County employment in this key local sector has remained at 2000 levels.

Table 11: Annual Average Employment by Industry, 2000-2010

MONTEREY COUNTY

Industry	2000 Number	2000 % Total	2010 Number	2010 % Total	% Change
Farm	39,100	23.5%	45,400	27.2%	16.1%
Mining and Logging	100	0.1%	200	0.1%	100.0%
Construction	6,300	3.8%	4,100	2.5%	-34.9%
Manufacturing	8,700	5.2%	5,300	3.2%	-39.1%
Wholesale Trade	4,600	2.8%	5,000	3.0%	8.7%
Retail Trade	16,400	9.8%	15,100	9.1%	-7.9%
Transportation, Warehousing & Utilities	3,500	2.1%	3,300	2.0%	-5.7%
Information	2,800	1.7%	1,700	1.0%	-39.3%
Financial Activities	6,300	3.8%	4,400	2.6%	-30.2%
Professional & Business Services	12,900	7.7%	11,300	6.8%	-12.4%
Educational & Health Services	11,200	6.7%	13,600	8.2%	21.4%
Leisure & Hospitality	20,000	12.0%	20,100	12.1%	0.5%
Other Services	4,200	2.5%	4,700	2.8%	11.9%
Government	30,400	18.3%	32,600	19.5%	7.2%
Total (a)	**166,400**	**100.0%**	**166,800**	**100.0%**	**0.2%**

STATE OF CALIFORNIA

Industry	2000 Number	2000 % Total	2010 Number	2010 % Total	% Change
Farm	408,500	2.7%	381,600	2.7%	-6.6%
Mining and Logging	26,500	0.2%	26,800	0.2%	1.1%
Construction	733,400	4.9%	559,800	3.9%	-23.7%
Manufacturing	1,852,700	12.4%	1,242,400	8.7%	-32.9%
Wholesale Trade	646,200	4.3%	643,200	4.5%	-0.5%
Retail Trade	1,563,400	10.5%	1,508,800	10.6%	-3.5%
Transportation, Warehousing & Utilities	518,300	3.5%	464,900	3.3%	-10.3%
Information	576,700	3.9%	429,000	3.0%	-25.6%
Financial Activities	800,800	5.4%	759,800	5.3%	-5.1%
Professional & Business Services	2,222,600	14.9%	2,069,400	14.5%	-6.9%
Educational & Health Services	1,407,100	9.4%	1,786,900	12.5%	27.0%
Leisure & Hospitality	1,335,600	9.0%	1,493,700	10.5%	11.8%
Other Services	487,700	3.3%	484,700	3.4%	-0.6%
Government	2,318,100	15.6%	2,427,100	17.0%	4.7%
Total (a)	**14,896,700**	**100.0%**	**14,278,000**	**100.0%**	**-4.2%**

Notes:
(a) Totals may not add due to independent rounding.

Sources: CA EDD, Current Employment Statistics Program (March 2010 Benchmark); BAE, 2011.

Commute Patterns

Monterey shows a net inflow of workers, with more jobs than working residents. Over 60 percent of workers living in the City also work in the City, but of approximately 36,200 jobs in the City of Monterey, only 27 percent of these job-holders were residents, meaning that 27,600 workers commuted into Monterey from elsewhere.[3]

Table 12: Commute Flow, 2000

Residents of Monterey - Place of Work

Place of Work	Number	% Total
City of Monterey	9,682	61.4%
Elsewhere in Monterey County	5,469	34.7%
All Other Locations	617	3.9%
Total	**15,768**	**100.0%**

Workers in Monterey - Place of Residence

Place of Residence	Number	% Total
City of Monterey	9,682	26.7%
All Other Locations	26,565	73.3%
Total	**36,247**	**100.0%**

Notes:
Workers include members of the Armed Forces and civilians 16 and older who were at work the week prior to being surveyed.

Sources: 2005-2009 American Community Survey, Tables B08007, B08008, and B08526: BAE, 2011.

Monterey's residents modes for travel to work differ from statewide or regional patterns. Almost 21 percent of Monterey's working residents either bicycled or walked to work, suggesting a strong urban pattern of living and working in the same place and using non-auto means to commute. The City's working residents also worked at home in relatively high proportions (almost eight percent of all workers), although this pattern was less in evidence for Downtown residents. This finding suggests potential demand for additional infill housing located within walking distance of job centers, as well as live/work space, particularly in the Downtown.

Table 13: Transportation to Work, 2005-2009 (a)

Means of Transportation	Lighthouse Tract	Downtown Tract	City of Monterey	Monterey Peninsula	California
Drove Alone (incl. Motorcycle)	68.0%	65.8%	57.3%	69.6%	73.4%
Carpooled	6.9%	11.7%	8.6%	10.9%	12.0%
Bus or Trolley Bus	0.8%	6.4%	3.9%	3.4%	3.8%
Other Public Transportation	0.0%	0.0%	0.0%	0.0%	1.3%
Bicycle	6.2%	2.4%	2.9%	1.7%	0.9%
Walked	10.4%	10.0%	17.6%	6.8%	2.8%
Other Means	1.7%	1.0%	2.1%	1.1%	1.0%
Worked at Home	6.1%	2.7%	7.5%	6.4%	4.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Workers Who Traveled to Work on Public Transportation or Non-Motorized Transportation (b)	**19.0%**	**19.8%**	**26.6%**	**13.1%**	**9.8%**

Notes:
(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2005-2009.
(b) Excludes those who drove alone, carpooled, or worked at home.

Sources: ACS, 2005-2009; BAE, 2011.

[3] Note that this is based on data gathered across the 2005-2009 period, and may not entirely reflect current conditions.

Projected Growth

Table 14 below displays projected population, housing unit, and employment growth, as forecasted by the Association of Monterey Bay Area Governments (AMBAG). AMBAG projects that the population of Monterey will continue to decline through 2015, at which point it will begin to grow again, leading to a three percent overall increase in the population between 2010 and 2035. AMBAG projects that the Peninsula population will grow by 11 percent during the same period.

From 2010 through 2035, AMBAG projects that the number of housing units in Monterey will grow by three percent as well, compared to 15 percent in the Peninsula as a whole. The majority of future housing development is assumed to occur in Marina, Sand City, and Del Rey Oaks, where large subdivisions are planned on the former Fort Ord. These figures reflect, among other factors, the impact of a lack of water to support substantial population growth in much of the Monterey Peninsula area, although development on former Fort Ord is able to access Army water allocations the were transferred as part of the base closure.

In contrast to the sluggish pace of prospective demographic growth, AMBAG forecasts that the number of jobs in Monterey and the Peninsula will grow by 24 percent and 27 percent, respectively. This is also related to projections for future job-generating commercial development on former Fort Ord. The projected rapid job growth suggests the need to build and attract more residents, in order to mitigate a growing potential imbalance between jobs and housing in the City of Monterey.

Table 14: Projected Population, Housing Unit & Employment Growth, 2010-2035

Population	2010 (a)	2015	2020	2025	2030	2035	% Change 2010-2035
City of Monterey	30,106	30,092	30,278	30,464	30,650	30,836	2.4%
Monterey Peninsula (b)	111,002	114,556	117,868	119,673	121,436	123,065	10.9%
Housing Units							
City of Monterey	13,630	13,723	13,816	13,909	14,002	14,095	3.4%
Monterey Peninsula (b)	46,887	48,923	50,269	51,612	52,975	53,720	14.6%
Employment							
City of Monterey	32,752	34,209	35,773	37,346	38,974	40,696	24.3%
Monterey Peninsula (b)	56,475	59,311	62,384	65,477	68,537	71,707	27.0%

Notes:
(a) AMBAG estimates were prepared before the 2010 Census and therefore may diverge from actual population counts.
(b) AMBAG only publishes projections for incorporated places within Monterey County. Therefore, the Monterey Peninsula is defined as the Cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Sand City, and Seaside.
Sources: AMBAG, 2008; BAE, 2011.

ECONOMIC PROFILE

This section profiles the mix of businesses in Monterey County, the City of Monterey, and the Downtown and Lighthouse areas. This section also provides more detailed analysis of the retail sector, including information on the study area's current share of Monterey's taxable retail sales compared to other parts of the City.

Overview of Study Area Economic Base

Information related to economic conditions in the two study areas is limited in availability; for this study the City has provided an area-specific listing of businesses by sector (generated from the City's business license database) and taxable sales and transactions for the two areas.

Table 15 provides the distribution of businesses in the Downtown Commercial Core and the Lighthouse Planning Area.[4] For both areas, the largest concentration of business establishments was in the retail sector; however, retail was much more dominant in the Lighthouse area than Downtown (44 percent of businesses vs. 32 percent). A high proportion of the rest of the businesses downtown are office-related, included FIRE (finance, insurance, and real estate), legal services and business services. While both areas show a substantial cluster of personal services establishments, the Lighthouse area has a higher proportion, at 22 percent of all businesses, compared to 16 percent Downtown. Thus Downtown appears to be more business-oriented, fulfilling the role of a traditional downtown with a combination of office and retail/personal service functions, while the Lighthouse area is more strictly consumer-oriented, with a high proportion of retail and personal services.

[4] This excludes government establishments. Information on revenues by business was not available, so this is not a direct measure of the relative mix of employment or revenues. For example, there are small numbers of hotels, but these businesses are large employers and sales generators.

Table 15: Businesses by Type, Downtown and Lighthouse Study Areas, 2011

	Downtown Commercial Core		Lighthouse Planning Area	
Business Category (a)	**Number**	**% of Total**	**Number**	**% of Total**
Construction, Manufacturing, & Wholesale	8	2.3%	11	5.9%
Retail Trade	112	31.6%	81	43.5%
Finance, Insurance, and Real Estate	25	7.1%	5	2.7%
Hotels and Other Lodging Places	3	0.8%	2	1.1%
Services				
Personal Services	*56*	*15.8%*	*40*	*21.5%*
Business Services	*41*	*11.6%*	*17*	*9.1%*
Amusement and Recreation Services	*9*	*2.5%*	*4*	*2.2%*
Health Services	*18*	*5.1%*	*7*	*3.8%*
Legal Services	*42*	*11.9%*	*3*	*1.6%*
Engineering, Accounting, Research, Management, & Related	*19*	*5.4%*	*11*	*5.9%*
Other Services	*21*	*5.9%*	*5*	*2.7%*
Total Businesses	**354**	**100.0%**	**186**	**100.0%**

(a) Categories used here are based on SIC Code as assigned by City staff and noted in per Monterey's business license application. Excludes public sector.

Sources: City of Monterey; BAE, 2011.

Visitation and Lodging Trends

After a decline during the recent recession, California's tourism and travel industry has begun to show signs of improvement. The California Travel and Tourism Commission reported that between 2009 and 2010 there was an increase in both domestic and international travel to California destinations. This increase was associated with a 7 percent jump in travel spending and room demand, and increases in sales and transient occupancy taxes (hotel room taxes). Travel-related employment has lagged this recovery, decreasing by 1 percent between 2009 and 2010.

One of the key economic drivers of the Peninsula, the City of Monterey, and the Downtown and Lighthouse study areas has been the tourism industry. Over the past two decades, the Cannery Row and Fisherman's Wharf areas near Downtown Monterey have revitalized to include the world-renowned Monterey Bay Aquarium, along with numerous specialty retailers and restaurants.

Although comprehensive data on tourism in Monterey are not available, tourism levels can be assessed based on visitation trends for the Aquarium, the City's largest tourist destination, and trends in local transient occupancy taxes. Attendance at the Monterey Bay Aquarium remained strong between 2001 and 2010, ranging from 1.7 to 1.9 million visitors annually. The consistency of these attendance levels is an indication that while the Aquarium has been an important and reliable source of tourism for the City, on its own it is unlikely to generate an increase in support for other area businesses as visitation levels have changed little throughout the past decade.

Transient occupancy tax revenues could be expected to increase and decrease along with the number of hotel room stays in the City of Monterey and can therefore be used to estimate the level of demand for hotel rooms in the City. As shown in Table 16, inflation-adjusted transient occupancy tax revenue in the City of Monterey dropped significantly in 2002 and has yet to return to 2000 levels. Revenue between 2002 and 2010 has been relatively flat, varying by less than ten percent over this time period. Although transient occupancy taxes can be affected by factors other than occupancy rates, such as hotel rental rates and room supply, overall the trend in transient occupancy taxes between 2000 and 2010 reinforces that the City of Monterey is not experiencing dramatic growth in overnight tourism.

Lagging statewide trends during the recent recession, transient occupancy taxes in the City of Monterey decreased beginning in 2009 and continued to decrease in 2010, although at a slower rate. Estimates presented in the City of Monterey budget for the 2011-2012 fiscal year indicate that the rate of decline in citywide transient occupancy taxes slowed to 0.4 percent during the 2010-2011 fiscal year. As of May 2011, the City had seen six two-month reporting periods of positive growth in transient occupancy taxes and is projecting a 4 percent increase during the 2011-12 fiscal year.

Table 16: Transient Occupancy Tax Revenues, City of Monterey, 2000-2010 ($000)

Year	Amount (a)	% Change
2000	$18,623.1	
2001	$18,171.6	-2.4%
2002	$15,699.0	-13.6%
2003	$14,934.5	-4.9%
2004	$14,898.7	-0.2%
2005	$15,263.9	2.5%
2006	$15,286.4	0.1%
2007	$15,832.3	3.6%
2008	$16,019.7	1.2%
2009	$14,943.6	-6.7%
2010	$14,665.6	-1.9%

Note:
(a) Numbers adjusted to 2010 dollars.
Source: California Travel and Tourism Commission; BAE, 2011.

Retail and Restaurant Sales Trends

Table 17 shows retail sales for the City of Monterey, the Monterey Peninsula, Monterey County, and California. Total retail sales in the Monterey Peninsula area were estimated at approximately $2.2 billion annually in 2009. The food services and drinking places sector (which includes restaurants) was the biggest sector in the Monterey Peninsula, at nearly 20 percent of overall retail sales ($411 million), well above the percentages countywide and statewide. The second-largest sector was food and beverage stores, at 18 percent of total retail sales, similar to the proportions for the City, the County, and the State. The automotive sector and general merchandise stores are the two remaining sectors with more than 10 percent of total Monterey Peninsula retail sales, but compared to Monterey County and California these sectors account for smaller portions of overall retail sales.

Total annual retail sales for the City of Monterey are estimated at approximately $630 million for the year 2009.[5] As in the County, the largest retail sector by far is food services and drinking places, which constitute nearly 30 percent of retail sales ($181 million annually) in the City. This is a much higher share than the share of sales within this sector in the Monterey Peninsula, and more than twice the proportion in the County or statewide. The high volume of sales within this sector is indicative of the importance of visitors for retail sales within Monterey.

The second largest retail sector in Monterey is the more local-serving food and beverage store sector, which accounts for nearly 20 percent of overall retail sales, similar to the Monterey Peninsula.[6] This proportion is roughly in line with the proportions for the larger comparative geographies. Health and personal care stores, another local-serving sector whose sales come largely in drug stores, generate slightly more than 10 percent of retail sales in Monterey. This is somewhat higher than for the Peninsula, Monterey County, or the State. No other single retail sector of the twelve listed in Table 17 makes up more than 10 percent of retail sales in the City. Sectors which are notably weak in the City of Monterey are motor vehicles and parts dealers, the building materials sector, and general merchandise. Most of the auto dealers in the Peninsula area are concentrated in Seaside. Seaside is also the location of Home Depot, the one major home improvement center in the area. In the general merchandise store category, there is a Macy's in the City of Monterey, but Walmart, Target, and Costco, the other three major drivers of general merchandise store sales are all located elsewhere in the Monterey Peninsula.

One important source of sales tax generation (as well as making other contributions to the economy and the fiscal health of the City) not covered by this retail analysis is the hotel sector. Through food, alcohol, and other on-site sales, hotels generate a substantial amount of sales tax in the City of Monterey. Overall, based on the 2007 Economic Census, the lodging sector in Monterey in that year generated approximately $204 million in revenues[7]; much of this revenue stream is subject to either sales tax or transient occupancy tax.

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[5] This figure is an estimate derived based on several sources. Details on the methodology can be found in Appendix A.
[6] It should be noted that because Monterey is defined in this analysis by Zip codes, the Safeway in Del Rey Oaks, which shares a Zip code with Monterey, is included. Without the inclusion of this large store which sits near the border of Del Rey Oaks, Monterey, and Seaside, Monterey's proportion of food store sales would probably be lowered somewhat.
[7] Not inflated to 2010 dollars.

Table 17: 2009 Estimated Retail Sales, City of Monterey and Peninsula

Sales in 2010 $000 (a)	Monterey City	Monterey Peninsula	Monterey County	California
Motor Vehicle and Parts Dealers	$42,400	$270,500	$673,200	$80,491,000
Furniture and Home Furnishings Stores	$26,100	$68,700	$104,400	$10,118,000
Electronics and Appliance Stores	$9,700	$55,100	$103,900	$15,065,800
Bldg. Matrl. and Garden Equip. and Supplies	$11,400	$119,700	$277,000	$27,806,900
Food and Beverage Stores	$118,600	$370,800	$842,100	$77,383,100
Health and Personal Care Stores	$65,400	$128,900	$276,200	$24,452,400
Gasoline Stations	$62,100	$149,500	$460,400	$38,447,300
Clothing and Clothing Accessories Stores	$49,300	$166,600	$296,700	$28,242,600
Sporting Goods, Hobby, Book, and Music Stores	$17,100	$49,300	$67,400	$8,646,400
General Merchandise Stores	$27,600	$220,000	$587,500	$55,999,500
Miscellaneous Store Retailers	$20,600	$106,700	$166,000	$10,855,200
Food Services and Drinking Places	$180,600	$410,500	$624,800	$57,455,700
Retail Outlets Total	**$630,900**	**$2,116,300**	**$4,479,600**	**$434,963,900**

Sales per Capita in 2010 $	Monterey City	Monterey Peninsula	Monterey County	California
Motor Vehicle and Parts Dealers	$1,442	$2,093	$1,633	$2,193
Home Furnishings and Appliance Stores	$888	$531	$253	$276
Electronics and Appliance Stores	$330	$426	$252	$410
Bldg. Matrl. and Garden Equip. and Supplies	$388	$926	$672	$758
Food and Beverage Stores	$4,033	$2,869	$2,043	$2,108
Health and Personal Care Stores	$2,224	$997	$670	$666
Gasoline Stations	$2,112	$1,157	$1,117	$1,047
Clothing and Clothing Accessories Stores	$1,676	$1,289	$720	$769
Sporting Goods, Hobby, Book, and Music Stores	$581	$381	$163	$236
General Merchandise Stores	$939	$1,702	$1,425	$1,526
Miscellaneous Store Retailers	$700	$825	$403	$296
Food Services and Drinking Places	$6,141	$3,176	$1,516	$1,565
Retail Outlets Total	**$21,453**	**$16,372**	**$10,867**	**$11,850**
2009 Population (b)	29,408	129,260	412,233	36,704,375

Notes:
Sales estimates were initially generated using 2009 Zip Code and County Business Patterns employment data and per-employee sales data by detailed NAICS code from the 2007 Economic Census. These numbers by major category above were then cross-checked against SBOE data and 2007 Economic Census data where available to confirm accuracy. Because of differences in categorization schemes, data by category may not be directly comparable to SBOE numbers presented elsewhere. 2009 represents most recent data available at time of analysis. Monterey Peninsula has been defined by Zip codes rather than Census tracts due to source data. This includes some point-level Zip codes not present in the demographic analysis. See Appendix A for Zip Codes covered.

(a) Retail sales have been adjusted to 2010 dollars based on the Bay Area and California Consumer Price Index calculated by the California Department of Industrial Relations (based on data from the Bureau of Labor Statistics) for California. Total sales estimates rounded to nearest hundred thousand.
(b) Population estimates for the Monterey Peninsula are estimated using decennial Census data and assuming a constant rate of growth over the decade. City, County, and California population are from California State Dept. of Finance Report E-4. In this table, Monterey includes Del Rey Oaks, which is part of the Zip Code used for this analysis.

Sources: 2000 and 2010 U.S. Census; U.S. Census of Retail Trade, 2007; Zip Code and County Business Patterns, 2007 and 2009; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; CA State Dept. of Finance; BAE, 2011.

Per Capita Retail Sales

Per capita retail sales data provide a way to quickly evaluate retail sector performance of an area, relative to some larger benchmark area such as the County or State. Table 17 above presents per capita sales for the City of Monterey and the Peninsula. As shown, the City has extremely high per capita annual retail sales, at $21,453 in 2009, nearly twice countywide levels ($10,867 per capita), and also far surpassing state levels, ($11,850 per capita). Annual per capita sales for the Monterey

Peninsula are $16,372 per capita, also well above County and the State levels. While a portion of this difference could be due to income and other factors that might cause higher per capita retail expenditures locally, it is also a strong indicator that the City attracts retail sales from non-resident expenditures in several categories.

Retail Sales Trends

Retail sales in the Monterey Peninsula have declined over the last decade, especially in the early years of the decade and as the more recent recession took hold. Figure 3 demonstrates that overall, the Monterey Peninsula showed a 26 percent decline in inflation-adjusted retail sales over the decade, from $1.8 million in 2000 to $1.4 million in 2009 (the last full year for which data are currently available).[8] While most of the individual cities of the Peninsula showed declines, Marina and Del Rey Oaks showed strong increases; Marina's increases are linked to the growth of new centers with big box retailers in that city, while Del Rey Oaks sales are associated with Safeway's move across the border from Monterey into Del Rey Oaks. The steepest declines proportionally were in the upscale communities of Pacific Grove and Carmel; these declines, as well as Monterey's, may be related in part to a decline in visitor-driven sales.

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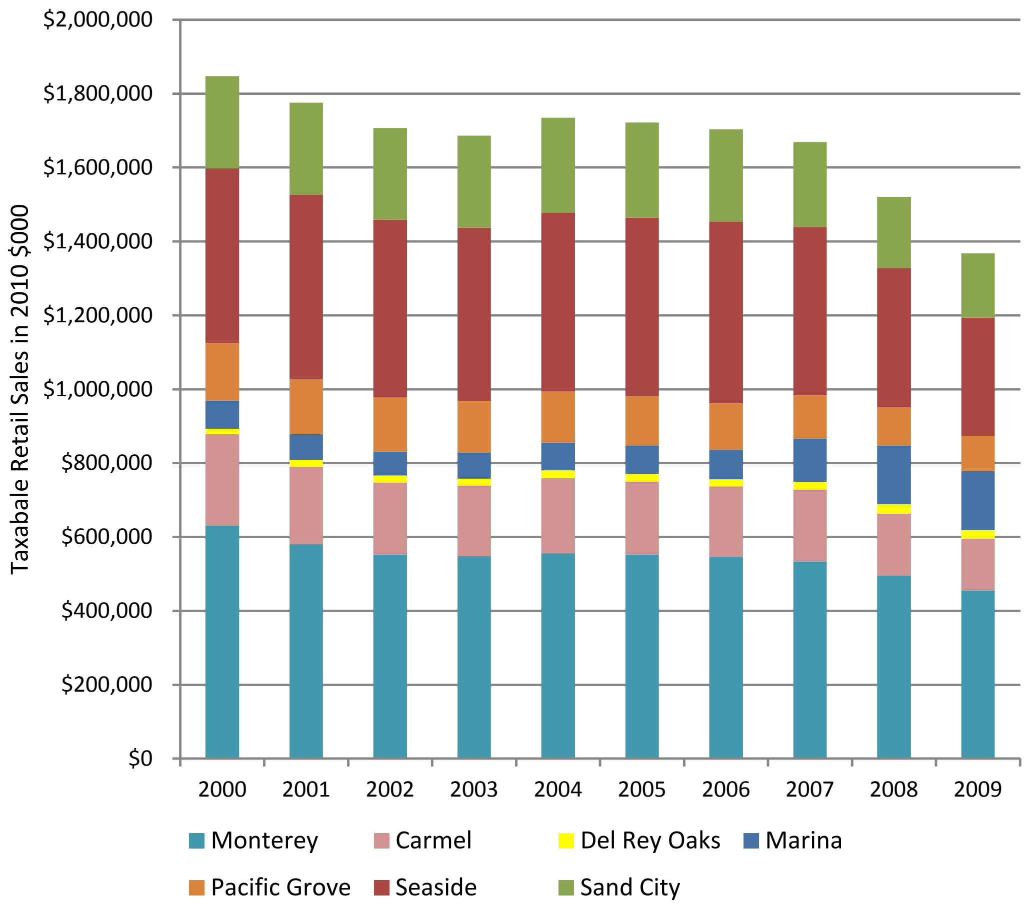
[8] The trends analysis here relies on taxable sales, rather than total retail sales as estimated for the detailed 2009 comparison above. Thus the totals are not directly comparable, as the taxable sales data excludes food and prescription items, as well as services provided by retailers (e.g., automotive repair). The taxable sales data provides a more easily accessed time series for the period under consideration. All sales in 2010 dollars unless otherwise noted.

Figure 3: Monterey Peninsula Taxable Retail Sales Trends, 2000-2009

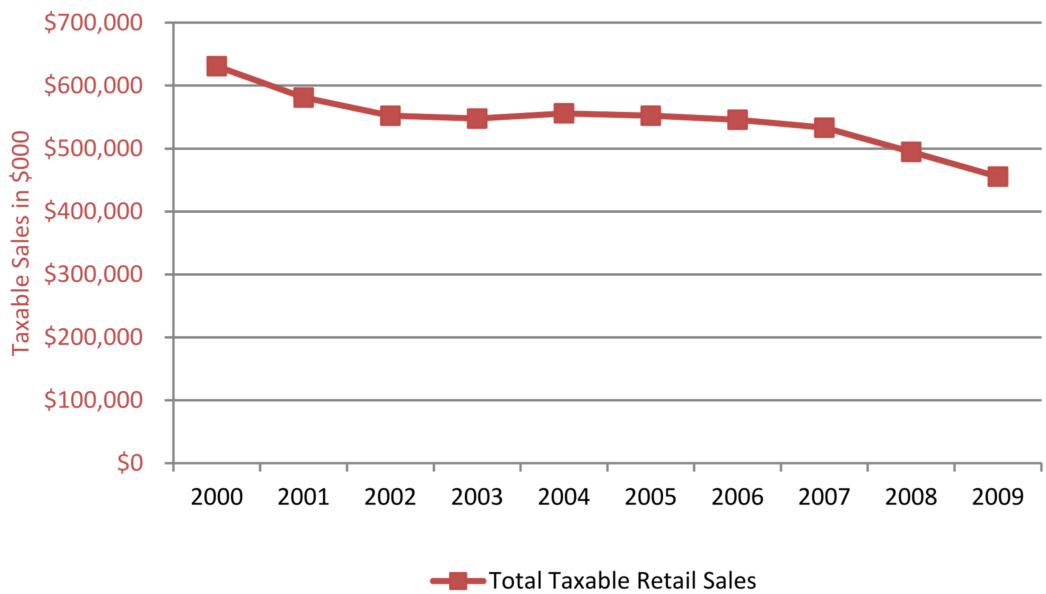


Notes: All sales shown in 2010 dollars. Includes only sales reported for incorporated areas of the Peninsula. For details, see Appendix C.

Source: BAE 2011, based on sources as noted in Appendix C.

As shown in Figure 4, inflation-adjusted taxable retail sales trends in the City of Monterey have mirrored the decline throughout the Peninsula; taxable retail sales in the City declined 28 percent between 2000 and 2009 (from $631 million to $495 million). Sales declined across most retail sectors.

Figure 4: Monterey City Taxable Retail Sales Trends, 2000-2009



Notes: All sales shown in 2010 dollars. For details, see Appendix C.

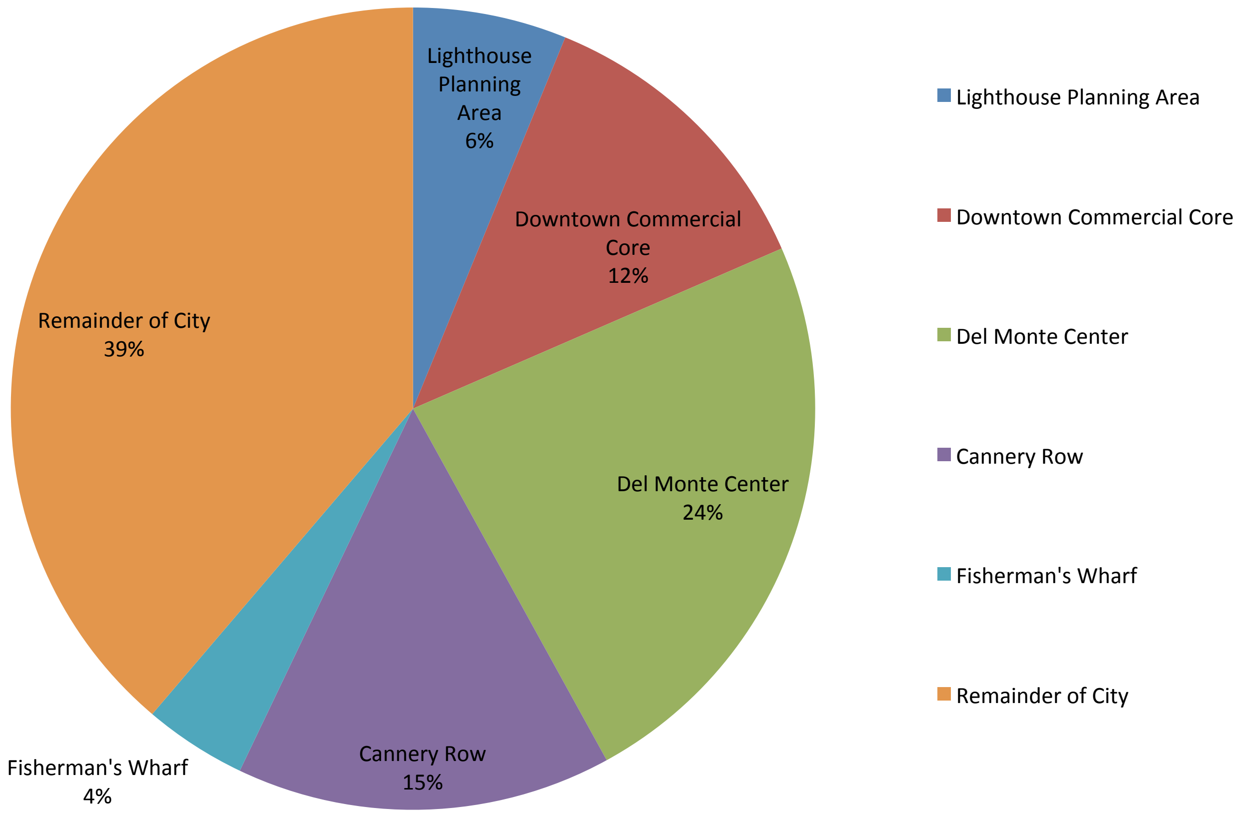
Source: BAE 2011, based on sources as noted in Appendix C.

Taxable Sales by District

Monterey has a number of commercial/retail nodes, including the two study areas, as well as the Del Monte Center, Cannery Row, and Fisherman's Wharf. Figure 5 shows how each of these areas contributes to the overall taxable retail sales in the City of approximately $630 million annually.[9]

[9] This total *includes* all taxable sales, including those from service businesses and other non-retail sources. It *excludes* non-taxable sales, which includes most food for consumption at home, prescription drugs, and some other items. Generally in California, tangible items (with the exceptions noted) are subject to sales tax from the end user, and services are non-taxable.

Figure 5: Distribution of Taxable Sales by Subarea in Monterey



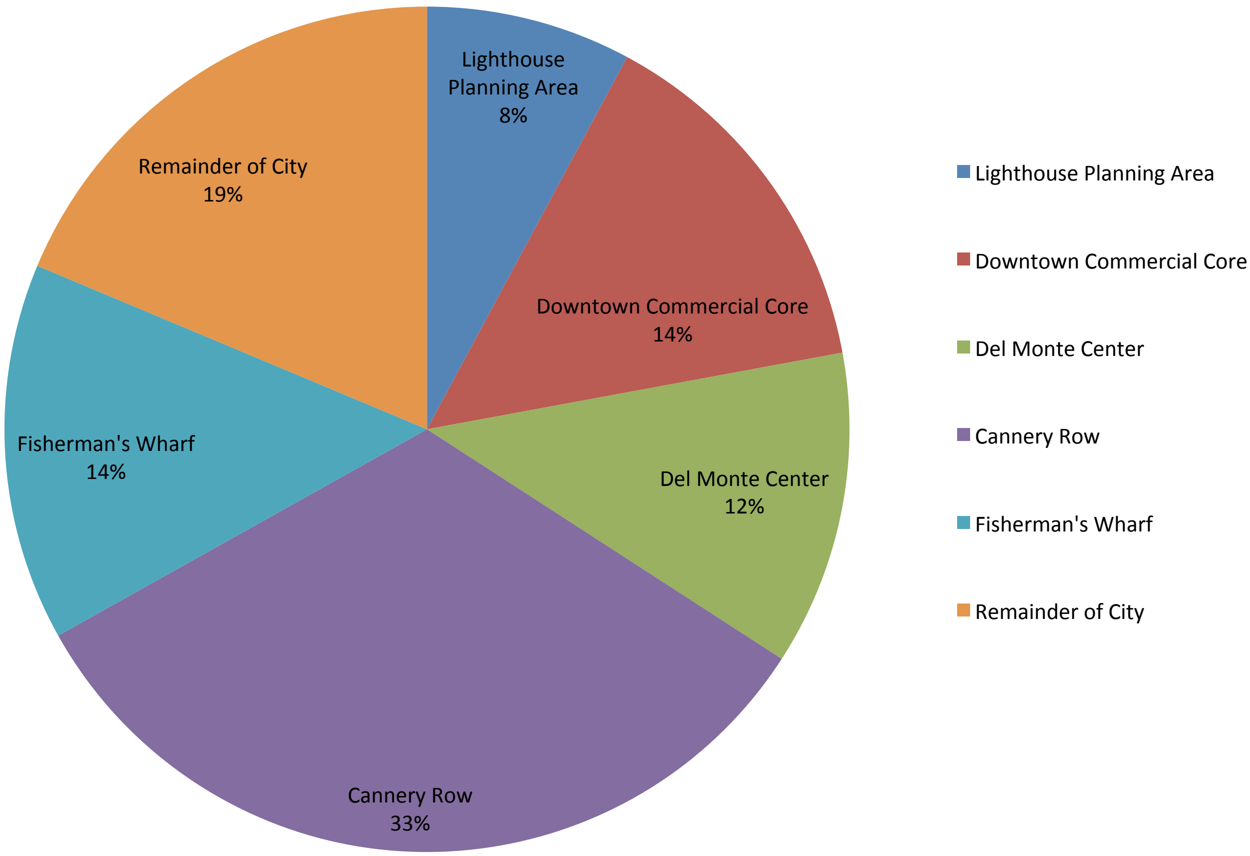
Based on data from the State Board of Equalization. For detail by subarea, see Appendix C-6.

Sources: State Board of Equalization; City of Monterey; BAE, 2011.

The five areas listed account for approximately 60 percent of taxable sales within the City in 2010. Downtown generates 12 percent, or $77 million of the total, and the Lighthouse Planning Area generates six percent, or $39 million of the total. In comparison, Del Monte Center is the most important retail node in Monterey, with nearly one-quarter of all taxable sales ($106 million). Cannery Row also generates more taxable sales than the two study areas, at 15 percent ($95 million). To the extent these other areas already provide goods and services in Monterey, it constrains potential additional capture of sales by the study areas.

While State disclosure rules limit the detail that can be reported by subsector for taxable sales for these commercial areas, the restaurant sector is represented by enough outlets in each area such that sales can be reported, as shown in Figure 6. The substantial presence of restaurants across all the areas is an indicator of the importance of the tourism economy to the City and to its different subareas, including the Lighthouse Planning Area and the Downtown Commercial Core.

Figure 6: Taxable Sales for Restaurants/Bars by City Subarea, 2010



Based on data from the State Board of Equalization. For detail by subarea, see Appendix C-6.
Sources: State Board of Equalization; City of Monterey; BAE, 2011.

For taxable sales in eating and drinking places, Cannery Row generates one-third of the total for the City, with $48 million of the $147 million for 2010. Fisherman's Wharf, where the taxable sales occur largely in restaurants, and Downtown each have 14 percent (or approximately $21 million) of the City's sales overall in this category. The Lighthouse area generates only eight percent, or $12 million of the total, lagging Del Monte Center for this category. Nevertheless, the proportion of taxable sales attributable to the restaurant sector for the two study areas is higher than citywide, another indicator of their importance to each area, and in turn indicating that tourism may be contributing to the economic well-being of both areas.

Relative to the City overall, the two study areas have shown a greater proportional loss of taxable sales between 2008 and 2010, especially the Lighthouse area. The City overall showed a decline of six percent between 2008 and 2009, with 2010 sales down only two percent from 2008 levels (in inflation-adjusted 2010 dollars). The Lighthouse area showed an eight percent decline from 2008 to 2009, with 2010 sales declining additionally for a total nine percent drop from 2008. Downtown fared somewhat better, declining seven percent between 2008 and 2009, and rebounding so the loss between 2008 and 2010 was only three percent. In contrast, 2010 sales for the Del Monte Center and Cannery Row were actually above 2008 levels, suggesting that these and other areas are drawing resident and visitor sales from the Downtown and Lighthouse areas. Table 18 shows the trends for the two study areas.

Table 18: Taxable Sales Trends for Lighthouse & Downtown, 2008 -2010

Study Area	2008	2009	2010
Lighthouse Planning Area	$42,994	$39,578	$38,953
Downtown Commercial Core	$79,626	$74,302	$77,410

Based on data from the State Board of Equalization. For additional detail for these subareas and others, see Appendix C-6.

Sources: State Board of Equalization; City of Monterey; BAE, 2011.

REAL ESTATE MARKET TRENDS

This section begins with an overview of real estate market trends for potential uses in the Downtown and Lighthouse Areas, including: rental and for-sale housing, retail, office, and lodging. Conditions in the local market area are compared to trends within the City of Monterey and broader region, depending on the availability of data, which has been gathered from local brokerage firms and private data vendors. Next, current leasing conditions in the residential, retail, and office markets are discussed for each area. Finally, this section documents planned and proposed developments both within Monterey and surrounding communities.

Since real estate development decisions are often made within a regional context, this study considers the competitive supply of potential new commercial and residential space in order to evaluate the net supportable demand for new development in Monterey. Whenever possible, the discussion of quantitative measures is augmented with insights gathered through key informant interviews with local brokers, developers, and investors.

For-Sale Residential Market Trends

Between February and July of 2011, the median sale price for a single-family residence in the City of Monterey was $450,000. Nearly 60 percent of all sales fell within the $300,000 to $600,000 price range. A substantial proportion of homes (12 percent) sold for over $1 million. Half of all homes sold were three-bedroom units. Among condos, the median sale price was $310,000, with 39 percent of all sales falling between $300,000 and $400,000. The majority of condos sold (59 percent) were two-bedroom units. While separate data for single-family residences and condos is not available, DQNews reports that the median sale price of all for-sale units fell 4.5 percent year-over-year between August 2010 and August 2011.

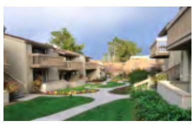
At the time study was prepared, there were no new single-family subdivisions on the market in the City of Monterey. The only units either currently selling or recently sold in “new” for-sale complexes were located in two condo conversion projects, Cypress Park in North Monterey and Footprints on the Bay on Glenwood Circle (see Table 19). Sales were sluggish between June 2010 and July 2011, averaging just 1.3 units per month at Cypress Park and 2.1 at Footprints on the Bay. The builder of the latter project has decided to retain half of the unsold units as rental units; along with the slow sales rates for both projects this is indicative of the challenges of selling new condominium units in the current market.

Table 19: Sale Price Distribution of Residential Units, February-July 2011 (a)

Sale Price Range	Number of Units Sold: 1 BRs	2 BRs	3 BRs	4+ BRs	Total	% Total
Single-Family Residences						
Less than $300,000	0	3	2	3	8	**6.8%**
$300,000-$399,999	2	13	17	4	36	**30.5%**
$400,000-$499,999	0	6	13	3	22	**18.6%**
$500,000-$599,999	0	2	9	1	12	**10.2%**
$600,000-$699,999	0	1	3	1	5	**4.2%**
$700,000-$799,999	0	3	1	2	6	**5.1%**
$800,000-$899,999	0	2	3	3	8	**6.8%**
$900,000-$999,999	0	0	5	2	7	**5.9%**
$1,000,000 or more	0	0	6	8	14	**11.9%**
Total	**2**	**30**	**59**	**27**	**118**	**100.0%**
% Total	**1.7%**	**25.4%**	**50.0%**	**22.9%**	**100.0%**	
Median Sale Price	**$308,000**	**$390,000**	**$450,000**	**$795,000**	**$450,000**	
Average Sale Price	**$308,000**	**$447,796**	**$576,467**	**$1,042,491**	**$645,836**	
Average Size (sf)	**734**	**1,356**	**1,869**	**3,760**	**2,152**	
Average Price/sf	**$420**	**$330**	**$308**	**$277**	**$300**	
Condominiums						
Less than $200,000	3	5	0	N/A	8	23.5%
$200,000-$299,999	1	6	0	N/A	7	20.6%
$300,000-$399,999	3	6	4	N/A	13	38.2%
$400,000 or more	1	3	2	N/A	6	17.6%
Total	**8**	**20**	**6**	**N/A**	**34**	**100.0%**
% Total	**23.5%**	**58.8%**	**17.6%**	**N/A**	**100.0%**	
Median Sale Price	**$255,500**	**$263,500**	**$382,876**	**N/A**	**$310,000**	
Average Sale Price	**$292,938**	**$328,372**	**$448,459**	**N/A**	**$341,226**	
Average Size (sf)	**761**	**1,099**	**1,846**	**N/A**	**1,152**	
Average Price/sf	**$385**	**$299**	**$243**	**N/A**	**$296**	

Note:
(a) Consists of all full and verified sales of single-family residences and condominiums in the 93940 ZIP code between 2/1/2011 and 7/31/2011.
Sources: DataQuick; BAE, 2011.

Table 20: Currently Selling or Recently Sold Condos at Large Complexes, July 2011

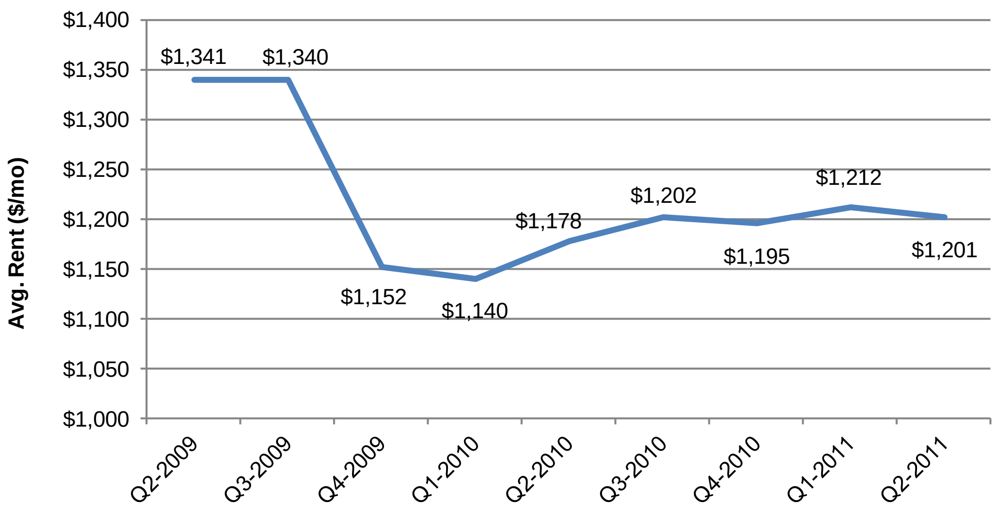
Name Address Developer	Date Opened- Closed	Unit Type	Unit Size (sf)	Asking Price (a)	Asking Price/sf	Avg. Sales/ Mo. (b)	Details
Cypress Park	4/28/07-	1BR/1BA	551	$147,500	$268	1.29	Condo conversion originally built 1985; attached 2-story townhomes and 1-story flats; each unit features stainless steel appliances and patio/balcony; covered parking for 1car/bedroom; property includes pool and hot tub
820 Casanova Ave.	open	1BR/1BA	567	$150,000	$265		
Cypress Park Homes		1BR/1BA	637	$155,000	$243		
		2BR/1BA	860	$205,000	$238		
		2BR/1BA	867	$225,000	$260		
		128 units (c)					
Footprints on the Bay	4/1/07-	JR 1BR/1BA	535	$200,000	$374	2.14	Condo conversion originally built 1969; each unit features stainless steel appliances and patio/balcony; property includes indoor pool, hot tub, and fitness center; developer originally intended to convert and sell all 212 units, but decided to maintain 105 units as rental
300 Glenwood Cir.	5/31/11	1BR/1BA	760	$250,000	$329		
SBI Builders		2BR/1BA	950	$350,000	$368		
		107 units (c)					
Avg. Price/sf - 1BR	**$296**						
Avg. Price/sf - 2BR	**$289**						

Notes:
(a) Prices are current for Cypress Park as of July 2011. Prices for Footprints on the Bay, which closed out in May 2011, represent the asking price at that time.
(b) Average taken over the period ranging from June 2010 to July 2011 or May 2011, depending on the project.
(c) Total number of units is a count of all for-sale residential units in the development, not the number of currently selling or recently sold units.
Sources: Hanley Wood; BAE, 2011.

Multifamily Rental Residential Market Trends

Data provided by RealFacts indicates that average residential rents in the City of Monterey have fallen since 2009 and have yet to return to peak levels. The average monthly rent among apartment complexes with 50 or more units fell dramatically between the 3rd Quarter of 2009 and the 1st Quarter of 2010, declining by $200. While rents have since begun to rise, they have only managed to recapture roughly one quarter of the value lost in late 2009.

Figure 7: Avg. Residential Rent, Q2 2009-Q2 2011 (a)



(a) Rent trends are limited to apartment complexes with 50 or more units.
Sources: RealFacts; BAE, 2011.

Property owners interviewed for this study indicate that multifamily units in the study area tends to be driven by faculty and students from the Monterey Institute of International Studies, the Presidio of Monterey, and some older householders who prefer to have access to retail and services without needing a vehicle. Demand for Downtown housing in particular, is supporting rents that are considerably higher than the market median, leading to interest in converting Downtown office space to residential units. However, the limited availability of water credits limits the potential for this type of a change in use.

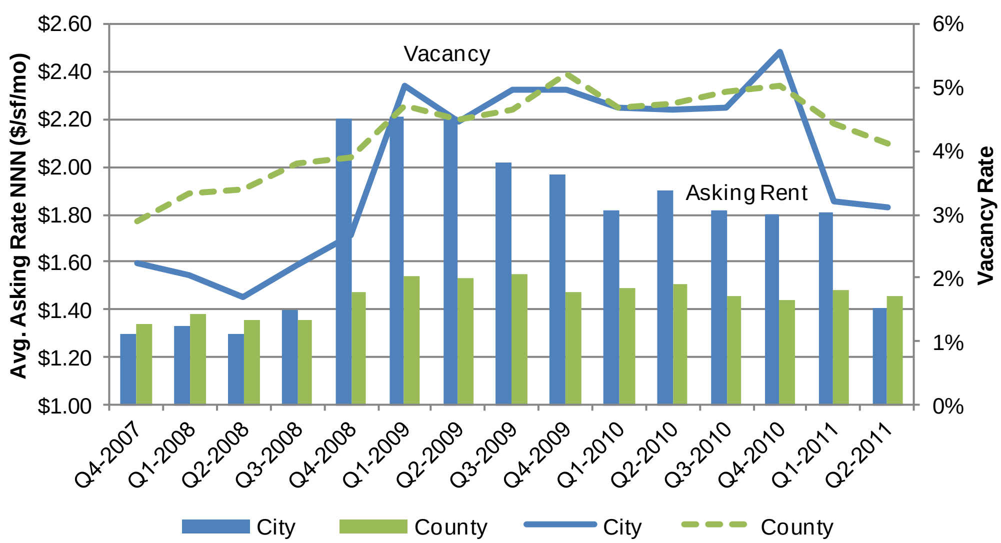
Retail Market Trends

CoStar tracks 2.6 million square feet of retail space in the City of Monterey, which represents approximately 20 percent of all inventory in Monterey County. Since the 1st Quarter of 2009, vacancy in both the City and County has remained close to 5 percent, roughly double pre-recession levels. As of the 4th Quarter of 2010, however, vacancy had begun to fall in both geographies, to slightly more than 3 percent in the City, which is considered a healthy rate.

The average rental rate for retail space in the City in the 2nd Quarter of 2011 was slightly more than $1.80 per square foot per month, triple net (tenant pays all expenses). While this rent is less than what would be needed to justify new construction, it should be understood that citywide averages hide the variation in rents between more strongly performing retail areas that obtain higher rents, and weaker areas with lower rent.

These trends for vacancy and asking rents for both the City and County are shown in Figure 8. The variability in City vacancy rates and asking rents is most likely explained by the impact of a small number of vacancies and new projects in a relatively small market. For example, when the old Downtown Safeway store closed, it would have caused a jump in the vacancy rate, and the marketing of newer and more expensive space in the center that replaced it would increase asking rents. Vacancies in a broader range of retail spaces as a result of the recent recession would explain the sustained period of higher vacancy, as well as the decline in asking rents.

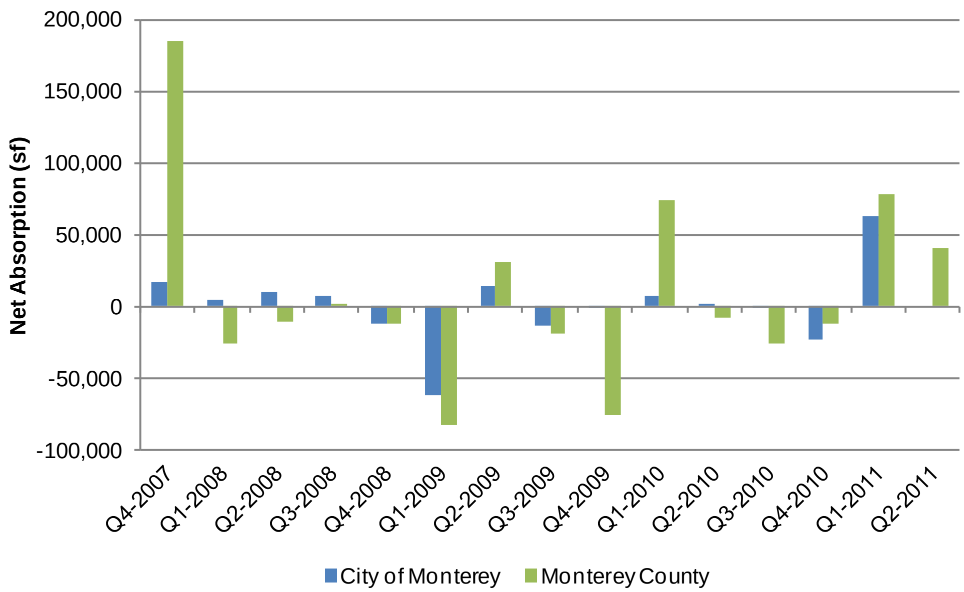
Figure 8: Average Retail Rents and Vacancy, Q4 2007-Q2 2011



Sources: CoStar; BAE, 2011.

Figure 9 presents information from CoStar on net absorption of retail space (new leases less new vacancies). This figure shows that both the City and County have recently experienced moderate levels of positive net absorption in retail space. For the City, the spikes would be associated with the leasing of new centers or individual new stores, such as Tuesday Morning on Lighthouse Avenue.

Figure 9: Net Absorption of Retail Space, Q4 2007-Q2 2011



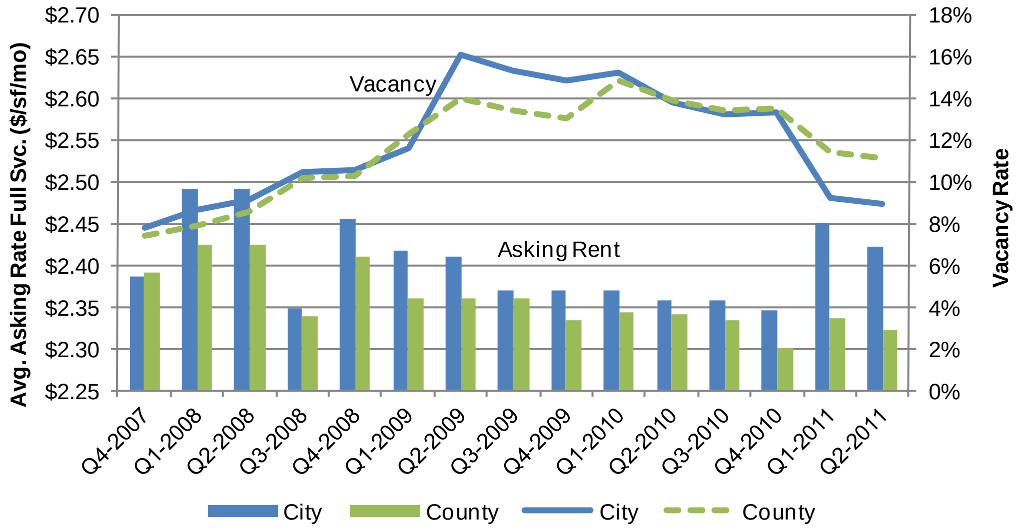
Sources: CoStar; BAE, 2011.

Office Market Trends

According to data provided by Cassidy Turley BT Commercial, the City of Monterey contains over 2.6 million square feet of Class A and Class B office space, representing 39 percent of total inventory in Monterey County and 55 percent of Class A space, in particular. This concentration reflects Monterey's role as a center of regional employment. This data is not broken out by subarea, however it is generally understood that most new development of Class A office space has been in the Ryan Ranch area near the Airport, rather than in the Downtown area.

As shown in Figure 10, the performance of Class A space in the City of Monterey suffered precipitously at the onset of the recession. The vacancy rate doubled between the 4th Quarter of 2007 and the 2nd of Quarter 2009, peaking at 16 percent while rents fell. Conditions improved, however, over the next six quarters. Average monthly full service asking rates quickly stabilized around $2.35 per square foot and vacancy levels began to decline. The beginning of 2011 may represent the turning point. During the 1st Quarter, asking rates jumped most of the way back to peak levels, reaching $2.45 per square foot per month, while vacancy fell to nine percent. Rents in Monterey County remained, on average, two percent lower than in the City during the same period. While vacancy throughout the County never reached the peak set by the City, its vacancy rate has been slower to fall in 2011 (see Figure 10).

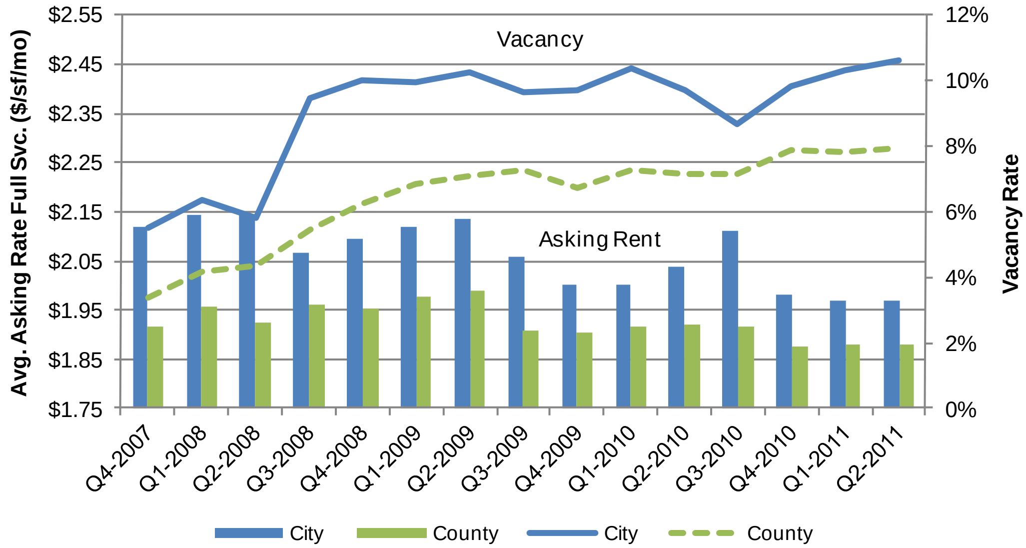
Figure 10: Class A Office Market Trends, Q4 2007-Q2 2011



Sources: CTBT; BAE, 2011.

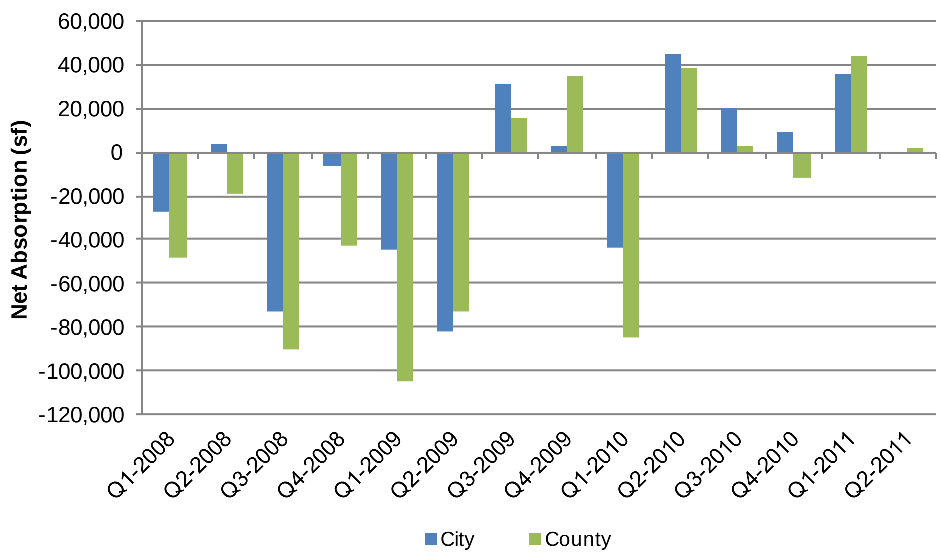
Class B space, which represents older buildings and is more typical of much of the office space in the Downtown area, has performed consistently worse and shows little sign of recovery at the time of this study. Average monthly full service asking rates in the City of Monterey have fallen from a peak of $2.14 per square foot in the 1st Quarter of 2008 to $1.97 per square foot per month in the 2nd Quarter of 2011, a level that does not typically justify new construction. Meanwhile, vacancy increased from nearly six to ten percent during the same time period. Rents in Monterey County did not fluctuate as greatly, remaining consistently lower than in the City at around $1.93 per square foot per month. The Countywide vacancy rate remained a few percentage points lower than the city. As of the 2nd Quarter of 2011, neither asking rates nor vacancies had shown signs of bottoming out in the local and regional markets, and net absorption as shown in Figure 12 has continued to vary by quarter, painting an uncertain picture of the near-term potential for Class B space. Property owners interviewed for this study note that the loss of medical office users, due to reorganization and consolidations of practices and subsequent relocation elsewhere, has driven down rents throughout Downtown.

Figure 11: Class B Office Market Trends, Q4 2007-Q2 2011



Sources: CTBT; BAE, 2011.

Figure 12: Net Absorption of Office Space, Q1 2008-Q2 2011



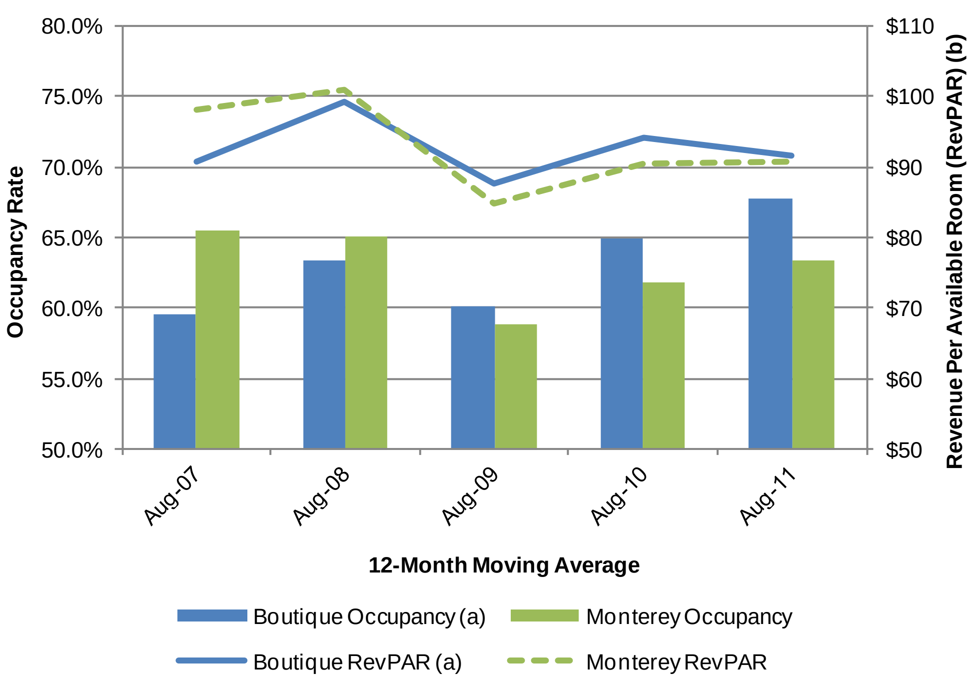
Sources: CTBT; BAE, 2011.

Lodging Market Trends

The lodging market was analyzed for this report both on an overall basis, as well as with a focus on boutique hotels due to the lesser representation of this product type in the study areas. Boutique hotels are typically smaller properties that offer more distinctive accommodations and dining choices than typical business or tourist-oriented hotels at the three- or four-star level. In other smaller California destinations, new boutique hotels have often been key to enhancing the identity of downtown areas through new lodging and dining choices, thereby stimulating new visitor interest.

Figure 13 displays overall trends for the general lodging inventory as well as a subset of boutique hotels. As shown, aside from a spike in 2008, the 12-month moving average occupancy rate for boutique properties grew steadily between August 2007 and August 2011, overtaking the Citywide rate, which fell at the beginning of the recession and has only partially recovered. As of August 2011, boutique occupancy averaged 68 percent, as compared to 63 percent for all hotel product types throughout the city. The stronger level of boutique hotel occupancy has also supported the ability of these properties to generate slightly more revenues on a per room basis. As of August 2011, boutique hotels earned, on average, $92 per day in revenue per available room (RevPAR), slightly outpacing the citywide average. Additional information on the boutique properties profiled in this section can be found in Appendix B.

Figure 13: Hotel Market Trends, Sept. 2006-Aug. 2011 (a) (b)



(a) Boutique hotels in Monterey include the Mariposa Inn and Suites, Hilton Garden Inn Monterey, Hotel Pacific, Casa Munras, and Hotel Abrego.
(b) RevPAR, or revenue per available room, is calculated by dividing total room revenue by the total supply of rooms for a given period. RevPAR can also be calculated by multiplying the average daily rate (ADR) by the occupancy rate.
Sources: Smith Travel Research; BAE, 2011.

Planned and Proposed Developments

A survey of planned and proposed developments in the City of Monterey and surrounding areas shows a large volume of potential residential and commercial development in the Monterey Peninsula, with the timing of project delivery uncertain due to the slow recovery from the recent recession and continuing soft conditions in the housing market. The majority of prospective development is slated to occur in large master-planned communities located in areas of former Fort Ord that have lie within the Cities of Marina, Seaside, and Del Rey Oaks, as well as in the two unincorporated tracts of Monterey Downs and East Garrison. Other areas of prospective development activity include the northern edge of Marina and the West Broadway Urban Village Specific Plan Area in Seaside. A number of smaller projects are currently working their way through the planning process in Monterey, as shown below, although they account for a relatively small proportion of the regional pipeline. Appendix D contains a complete list of current projects.

At the time of this study, over 6,200 dwelling units are planned throughout the Peninsula, of which only two percent, or 143 units, are located in the City of Monterey. Of these prospective units, 41 percent were detached single-family residences, 15 percent were condos, 11 percent were townhouses, and five percent were apartments. The remaining 28 percent either fell into a niche category (such as live/work spaces) or were yet to be classified. Approximately 12 percent of prospective dwelling units were slated to be affordable (up to 80 percent of Area Median Income, or AMI) and seven percent were planned as workforce housing (up to 180 percent AMI).

The pipeline also features approximately 1.3 million square feet of commercial space, 21 percent of which is located in Monterey; several projects were zoned for a yet-to-be-determined amount of commercial development, likely pushing the prospective supply much higher. At 747,000 square feet, retail space accounted for the biggest proportion of planned commercial development, or 58 percent. Nearly 500,000 square feet of proposed retail in former Fort Ord are planned, consisting of the Projects at the Main Gate — a “resort-style outdoor regional retail and entertainment center” in Seaside — and an additional 145,000 square feet were planned for the Village Promenade portion of The Dunes in Marina. Of the 290,000 square feet of office space in the pipeline, 126,000 square feet, or 43 percent, consisted of two speculative office buildings in the Ryan Ranch office area.

Two major hotel projects are under consideration — one in Seaside and one in Marina — and four additional projects called for hotel components, though the number of prospective rooms was yet to be determined. One such project, the Monterey Peninsula Trade & Exposition Center in Seaside, is intended to accompany a 250,000 square foot conference center, however its feasibility may be impacted by the impending end of redevelopment agencies in California. Finally, a total of 26 movie screens are planned for two sites. Design review for a 10-screen theater in Marina is complete, and the project is likely to break ground in 2012.

Table 21: Summary of Planned and Proposed Projects, Fall 2011 (a) (b)

Product Type	City of Monterey Number	City of Monterey % Total	Monterey Peninsula (b) Number	Monterey Peninsula (b) % Total	Monterey as % of Total
Dwelling Units					
Single-Family Residences	0	0.0%	2,552	41.2%	**0.0%**
Townhouses	0	0.0%	329	5.3%	**0.0%**
Condominiums	49	34.3%	899	14.5%	**5.5%**
Apartments	94	65.7%	673	10.9%	**14.0%**
Other/Unclassifiable	0	0.0%	1,748	28.2%	**0.0%**
Total	**143**	**100.0%**	**6,201**	**100.0%**	**2.3%**
Percent Affordable (80% AMI)	**11.9%**				
Percent Workforce (120% AMI)	**6.8%**				
Commercial					
Retail (sf)	12,543	4.6%	747,032	57.9%	**1.7%**
Restaurant (sf)	39,832	14.7%	108,832	8.4%	**36.6%**
Office (sf)	125,693	46.4%	290,465	22.5%	**43.3%**
Unclassified Commercial (sf)	92,962	34.3%	142,962	11.1%	**65.0%**
Total (sf)	**271,030**	**100.0%**	**1,289,291**	**100.0%**	**21.0%**
Hospitality & Entertainment					
Conference (sf)	0	N/A	277,000	N/A	**0.0%**
Spa (sf)	0	N/A	24,000	N/A	**0.0%**
Hotel Rooms	24	N/A	397	N/A	**6.0%**
Movie Screens	0	N/A	26	N/A	**0.0%**

Notes:
(a) Figures are limited to those projects for which a concrete development program has been either proposed or approved. Yet-to-be-determined numbers of units and square footages are not reflected in the data.
(b) Consists of projects located in the Cities of Del Rey Oaks, Marina, Monterey, and Seaside and in unincorporated areas of the former Fort Ord. A survey of the Cities of Carmel-by-the-Sea, Pacific Grove, and Sand City revealed that there is no major residential or commercial development activity in those jurisdictions at this time.
Source: BAE, 2011.

Within the City of Monterey, there are several noteworthy projects within the Downtown area, but none in the Lighthouse Area. Most significant is the proposed Monterey Market Hall mixed-use projects at 459 Alvarado Street that would include food hall vendors on the ground floor, along with upscale restaurants. The upper three stories would contain 36 upscale rental apartments, including some affordable units. This project represents the type of project that could strongly benefit Downtown, by creating a new unique retail food destination and food that would have high visibility and generate foot traffic, as well as pioneering a new housing product type that would attract new residents Downtown. Its location on Alvarado Street would help activate the lower section of Downtown's "Main Street."

Other noteworthy proposed Downtown projects include the expansion of the Monterey Hotel, which would provide 24 additional hotel rooms, along with 18 affordable residential units and ground floor retail; it could leverage the potential for additional boutique lodging rooms. Redevelopment of the Regency Theater into a mixed-use project with 12 apartments above ground floor retail would also increase Downtown's residential choices if the owner is successful in selling the property based on the proposed entitlements to a developer.

Many of the larger projects elsewhere in the Monterey Peninsula slowed or were placed on hold as a result of the recent recession. Multiple projects underwent developer turnover as project sponsors either went out of business (Marina Station, The Resort at Del Rey Oaks) or attempted to renegotiate their contracts in order to revise the development program to reflect changing market demand (The Dunes). These changes have delayed project timelines and left both Marina Station and The Resort at Del Rey Oaks without a developer for the time being. In other cases, master developers have taken projects through entitlements and prepared development sites by grading land and laying infrastructure. These projects will not move forward, however, until other parties with access to capital are brought in (Marina Heights, East Garrison). At Cypress Grove, for example, 29 "shovel-ready" lots fronting Bayonet and Black Horse Golf Courses were put on the market in 2009, but only two have been purchased and developed by individual homebuyers. It should be noted that that cities are starting to see a limited return of developer interest, particularly in affordable housing whose development is tied more to availability of funding sources rather than demand for new market-rate housing (West Broadway Catalyst Project, Mid-Peninsula Housing Coalition development at East Garrison) and other special product types (Cypress Knolls 55+ community).

While there is a large supply of market-rate housing as well as other commercial and hospitality projects in the development pipeline, their delivery is likely pending a market turnaround and access to financing, making their near-term potential uncertain. Proposed large commercial developments in former Fort Ord that relied upon no longer available redevelopment agency funding may be delayed even further. Current development in Monterey and elsewhere that is occurring is primarily focused on affordable housing, with the potential for market-rate rental residential and infill retail. Much of the proposed new development in the Monterey Peninsula consists of single-family residential units, or larger format retail and movie theaters that cannot be accommodated in the smaller sites in the Downtown and Lighthouse areas, however these projects do have the potential to impact the amount and types of new retail uses that can be attracted to Monterey.

RETAIL LEAKAGE ANALYSIS

Overview

A retail leakage analysis was prepared for this market overview in order to provide more insight into the amount of increased retail space by category that could be supported in the Downtown and Lighthouse areas based on current retail spending patterns. Retail leakage and injection analysis compares actual retail sales in an area with a benchmark that provides a measure of the potential sales generated by that area's residents. If sales levels are below the predicted level, the area may be able to support increased sales, either through the opening of new outlets targeting those leakages or a repositioning of existing outlets through changes in strategy and marketing, merchandise mix, or store configuration such that they could capture a portion of that leakage.

A lower-than-predicted sales volume is a strong indicator that consumers are traveling outside the area to shop; thus, the sales are “leaking” out of the study area. Conversely, if the area shows more sales than would be expected from the area's characteristics, there are sales “injections” into the study area. Often, an injection of sales indicates that the study area is serving as the regional shopping destination for a broader area. On the other hand, if an area shows substantial leakage, it may be due to the presence of a region-serving retail node outside but near the study area capturing those “leaked” sales.

There are a number of factors that can be used to predict sales levels, with the two most important factors being the number of persons in the area and the disposable income available to that population. Additional factors influencing retail spending in an area include household type, age of population, number of workers in the area (i.e., daytime population), tourism expenditures (an especially noteworthy sector for Monterey), tenure patterns (owner vs. renter), and cultural factors.

As discussed above, the City of Monterey and the Monterey Peninsula have overall per capita sales above county and statewide levels. Additionally, they also are above the county and state in several retail sectors, especially the restaurant sector, with the City itself leading even the Monterey Peninsula in this and several other sectors. This alone, however, does not indicate that these areas are necessarily capturing sales from other locales; for instance, higher income levels could account in part for differing local spending patterns, and shopping patterns may vary due to consumer preferences as well as the retail options available locally.

Figures 14 and 15 and Table 22 (following the leakage discussion) present the results of the leakage analysis, where estimated expenditures by local residents of the City and the Monterey Peninsula are compared with actual sales for the two areas.[10]

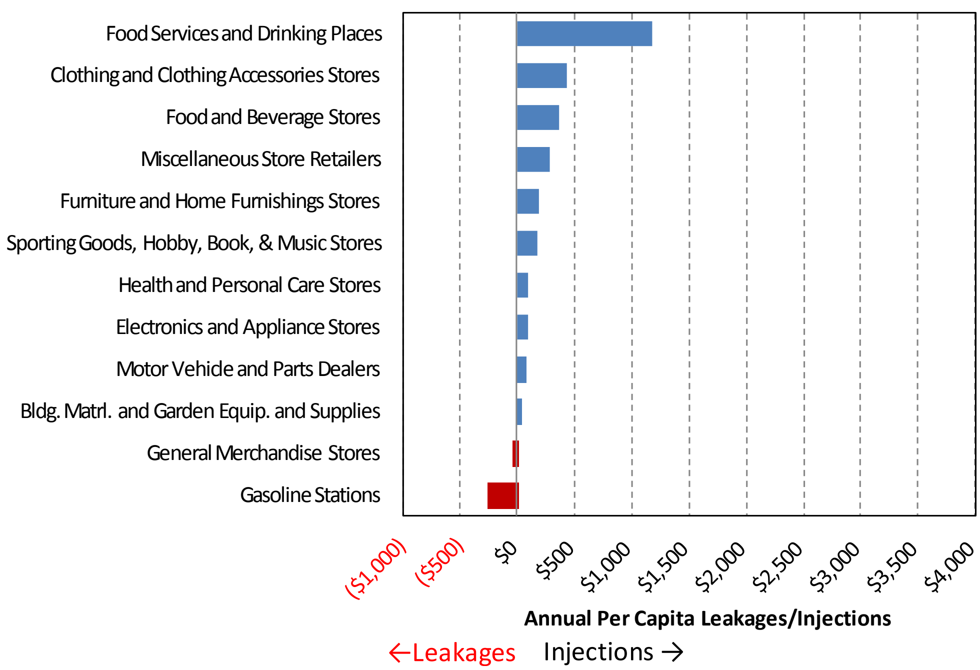
[10] See Appendix A for a detailed discussion of the methodology used in deriving the retail sales estimates and completing the leakage analysis.

Monterey Peninsula

For the entire Monterey Peninsula, estimated resident expenditures and retail sales are more in balance than for the City alone; this is not unexpected given that the larger area has a broader range of retail offerings than just Monterey city. Still, the Monterey Peninsula exhibits significant net injections, estimated at approximately $2,620 per capita.

The Monterey Peninsula shows the strongest per capita injections in the food services category (e.g., restaurants), likely due to the influence of tourism across the entire region. Some of the injections in other categories, such as apparel, may also reflect visitor purchases in the region. Even the local-serving food store category might benefit from expenditures by second-home occupants and other visitors. It is worth noting that while the per capita injection levels are low in some categories, injections may still represent a significant proportion of total sales; for instance, it is estimated that over half the sales in furniture and home furnishings stores, clothing and clothing accessories stores, and miscellaneous store retailers (e.g., specialty retail) are from non-resident expenditures even though per capita injections are less than $300 annually for each of these categories.

Figure 14: Per Capita Retail Sales Leakages by Major Retail Store Category, Monterey Peninsula



Source: BAE Urban Economics, based on sources as noted in Appendix A.

City of Monterey

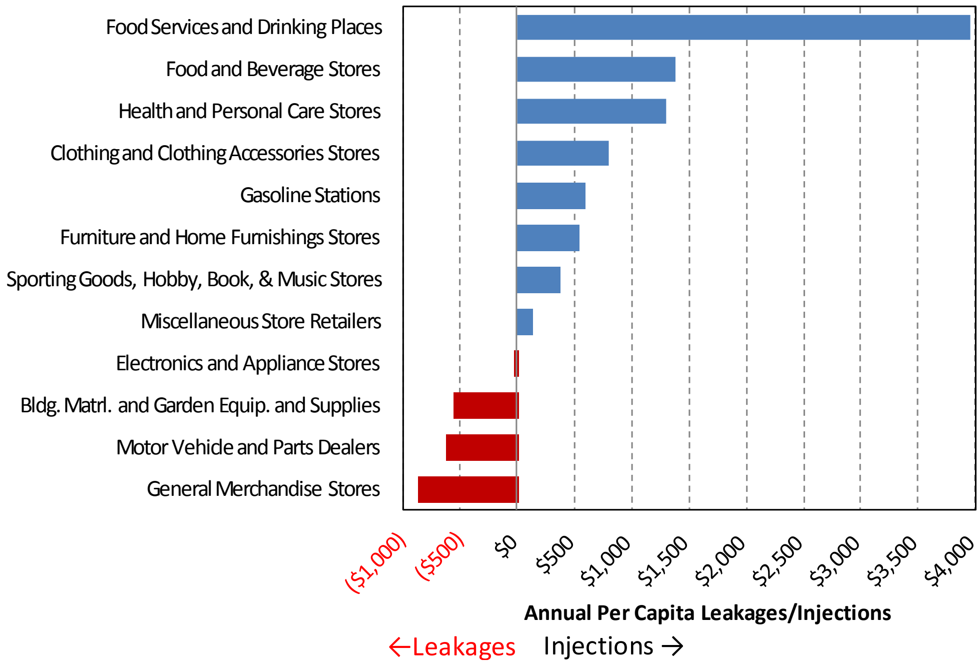
Per capita sales injections in the City of Monterey are estimated to far exceed per capita injections throughout the Peninsula. Overall, Monterey has net estimated injections of slightly more than $200 million in retail sales annually (almost $7,000 per capita), on total estimated 2010 sales of approximately $630 million. With its high per capita sales levels, Monterey shows injections of sales in the majority of store categories. As in the Peninsula overall, per capita injections are particularly high for food services. The City of Monterey also has high injections in sporting goods, hobby, book, & music stores, furniture and home furnishings stores, and health and personal care stores (whose sales are largely in drug stores), as well as food and beverage stores, gasoline stations, the apparel sector, and miscellaneous store retailers. This mix includes sectors heavily influenced by tourism (especially food services), as well as local-serving categories (health and personal care stores. On a total dollar basis, the injections for food services are by far the largest (see Table 22).

Leakages are substantial for automotive-related retail, building materials, and general merchandise stores. The Peninsula's automotive sales sector is concentrated in Seaside, and the large format "big box" retailers that dominate the building materials and general merchandise sectors are found in Seaside, Marina, and Sand City.

These injections and leakages show that, on the whole, the City has relatively strong retail performance, albeit with weaknesses in a few key sectors. Based on the variety and types of retail sectors with above-expected sales, this strength comes from both visitors to the region, and the capture of sales from residents of other nearby communities. With respect to the weaker retail sectors in the City, the outlets producing sales in these sectors are typically concentrated in auto malls and along "auto rows" or are large big box stores, either free-standing or anchoring large power centers, and are not typically found in downtown areas or in neighborhood commercial districts such as the Downtown and Lighthouse areas.

This means that, based on *existing* retail spending patterns, there is modest near-term potential to support a net increase in retail square footage in the Downtown and Lighthouse areas; most of the support for near-term increases in retail square footage would need to come from the visitor-related spending that already leads to net injections of retail spending the in the City. However, the existing inventory of Downtown retail spaces (including spaces that could be renovated) still presents opportunities to attract new tenants that could enhance the retail activity in these areas, as outlined in the previous Downtown Strategy report.

Figure 15: Retail Sales Leakages by Major Retail Store Category, City of Monterey



Source: BAE Urban Economics, based on sources as noted in Appendix A.

Table 22: Retail Leakage Analysis for the City of Monterey and the Monterey Peninsula

City of Monterey	Baseline Annual Per Capita Retail Sales		2010 Total Annual Retail Sales/Demand in $000 (c)		Total	Per Capita	Injection/ Leakage
Store Category	**Estimated Sales in Area** (a)	**Estimated Resident Spending** (b)	**Estimated Sales in Area**	**Estimated Resident Expenditures**	**Injection/ (Leakage) $000**	**Injection/ (Leakage)**	**as % of Potential Sales**
Motor Vehicle and Parts Dealers	$1,442	$2,070	$42,437	$60,926	($18,488)	($628)	-30%
Furniture and Home Furnishings Stores	$888	$364	$26,123	$10,715	$15,408	$523	144%
Electronics and Appliance Stores	$330	$352	$9,709	$10,356	($648)	($22)	-6%
Bldg. Matrl. and Garden Equip. and Supplies	$388	$938	$11,410	$27,605	($16,195)	($550)	-59%
Food and Beverage Stores	$4,033	$2,646	$118,705	$77,890	$40,815	$1,387	52%
Health and Personal Care Stores	$2,224	$922	$65,458	$27,146	$38,311	$1,302	141%
Gasoline Stations	$2,112	$1,533	$62,155	$45,135	$17,020	$578	38%
Clothing and Clothing Accessories Stores	$1,676	$875	$49,344	$25,765	$23,579	$801	92%
Sporting Goods, Hobby, Book, & Music Stores	$581	$219	$17,115	$6,436	$10,679	$363	166%
General Merchandise Stores	$939	$1,804	$27,624	$53,103	($25,479)	($866)	-48%
Miscellaneous Store Retailers	$700	$572	$20,618	$16,832	$3,787	$129	22%
Food Services and Drinking Places	$6,141	$2,180	$180,760	$64,180	$116,580	$3,961	182%
Total	**$21,453**	**$14,476**	**$631,458**	**$426,089**	**$205,368**	**$6,977**	**48%**

Monterey Peninsula	Baseline Annual Per Capita Retail Sales		2010 Total Annual Retail Sales/Demand in $000 (c)		Total	Per Capita	Injection/ Leakage
Store Category	**Estimated Sales in Area** (a)	**Estimated Resident Spending** (b)	**Estimated Sales in Area**	**Estimated Resident Expenditures**	**Injection/ (Leakage) $000**	**Injection/ (Leakage)**	**as % of Potential Sales**
Motor Vehicle and Parts Dealers	$2,093	$2,020	$269,065	$259,691	$9,374	$73	4%
Furniture and Home Furnishings Stores	$531	$347	$68,336	$44,645	$23,691	$184	53%
Electronics and Appliance Stores	$426	$331	$54,808	$42,571	$12,237	$95	29%
Bldg. Matrl. and Garden Equip. and Supplies	$926	$901	$119,065	$115,841	$3,224	$25	3%
Food and Beverage Stores	$2,869	$2,508	$368,833	$322,499	$46,335	$360	14%
Health and Personal Care Stores	$997	$899	$128,216	$115,565	$12,652	$98	11%
Gasoline Stations	$1,157	$1,419	$148,707	$182,392	($33,685)	($262)	-18%
Clothing and Clothing Accessories Stores	$1,289	$853	$165,716	$109,707	$56,009	$436	51%
Sporting Goods, Hobby, Book, & Music Stores	$381	$209	$49,039	$26,844	$22,195	$173	83%
General Merchandise Stores	$1,702	$1,736	$218,833	$223,187	($4,353)	($34)	-2%
Miscellaneous Store Retailers	$825	$535	$106,134	$68,743	$37,391	$291	54%
Food Services and Drinking Places	$3,176	$1,995	$408,323	$256,561	$151,762	$1,180	59%
Total	**$16,372**	**$13,753**	**$2,105,076**	**$1,768,245**	**$336,831**	**$2,620**	**19%**

All sales and leakages are in 2010 dollars.
(a) Estimated per capita sales from Table 17.
(b) Methodology for derivation of expenditure estimates can be found in Appendix A.
(c) Total sales/expenditures = Per capita sales/expenditures times area population.

Sources: 2010 U.S. Census; CA Department of Industrial Relations. U.S. Bureau of Labor Statistics; U.S. Census of Retail Trade, 2007; 2007 & 2009 Zip Code and County Business Patterns; Claritas/Nielsen; BAE, 2011.

SPECIAL ISSUES IMPACTING NEW DEVELOPMENT

This section addresses two key issues that will impact future development in the Specific Plan areas: the availability of water rights to support certain uses, and the impact of proposed one-way circulation for the Lighthouse corridor.

Water Rights Constraints

Monterey's local water utility, California American Water Company (Cal-Am) is under a Cease and Desist Order from the California State Water Resources Control Board for failure to comply with orders to reduce the amount of water it pumps from the Carmel River to serve its customers needs. This has resulted in strict limits on the availability of water for new development, as well as a regional effort to pursue desalination plants and other resources that would enable compliance with the order.

The Monterey Peninsula Water Management District has established a system that limits the amount of water that can be consumed at each parcel, based on its historic use. This means that when a change in use is contemplated for a property (e.g., change in use from a store to a restaurant, or redevelopment into a denser project), the water consumption associated with the proposed development must be compared against the historic water allocation to the property to determine if the change in use or new development can be supported. There is a limited ability to combine water allocations from adjacent properties under the same ownership, and the City retains a very limited amount of water allocation for certain areas that it can provide to targeted projects. Aside from these exceptions, development projects without available water must wait for potential future allocations that has is highly uncertain as to the timing and amounts that might be made available.

A result of this system is a haphazard relationship between parcels that have market support for new development or changes in use, and the parcels that have water available for more intensive use. In other words, a parcel may be ideally located for new mixed-use development with strong market support that is consistent with City plans and goals, but if that parcel historically had a low level of water usage, the project is likely unable to proceed. Conversely, a parcel may have a high level of historic water usage (e.g., a beauty salon), but the market may not support new development at that site, or a new market supported use may be a low water consumer (e.g., office).

The disconnect between where new development and more intensive reuse of existing buildings could occur based on market considerations and City goals, and the parcels that have available surplus water allocations, is a serious impediment to revitalization of the study areas. City staff has estimated the total number of water credits in the Downtown and Lighthouse areas. Specific sites may be ripe for redevelopment if they are underutilized and have sufficient water credits to be applied to a new mixed-use project. Based on the water credit estimate, there is sufficient overall water availability to accommodate the amount of new development projected to be supportable through 2035. However, that does not mean that this development can or will occur, since it is not necessarily allocated to the proper locations, i.e. at the parcels most likely to redevelop. This is a significant obstacle to attracting new projects and uses to the Downtown and Lighthouse areas, and a factor in why these areas have not experienced greater revitalization.

There are models for how a limited resource can be allocated to implement public purposes and goals, while at the same time facilitating private investment. The best example is Transferable Development Rights (TDR) for building heights established through local zoning, where property owners in an identified district who do not want to build out to the maximum dimensions allowed by zoning are allowed to sell their development rights to those wishing to increase the size of a building elsewhere in the district. Properly structured, a TDR system does not increase the total amount of development allowed by zoning in the designated district, but it does allow a better allocation of that development between those owners who do not wish to change their property and those who wish to build larger buildings. A properly established TDR program enables the public purpose behind the zoning to be achieved, with those who wish to develop new buildings paying existing owners uninterested in development for entitlement rights that facilitate their investment.

A similar transferable water rights program for the Downtown and Lighthouse areas can be envisioned. The market value for properties in these areas should already reflect the existing allocations of water rights, so no individual property owner should be benefitted or harmed by creation of such a program. Allowing property owners in these areas with no need for excess water allocations to sell their right to use water to other property owners would advance the public goal of improving and revitalizing these areas, while ensuring water consumption remains within the total allocation for the area. There have been objections that such a transferable water usage system creates profiteering – however, economic theory indicates that the potential profits were created at the moment water was allocated to specific parcels based on historical usage. In other words, the profits have already been created, even if some property owners do not wish to realize them. The issue at hand is whether water allocations should remain largely random based on the past usage, or whether there should be flexibility to shift water allocations between properties in the Study Area, to allow these areas to evolve and realize their full potential for the benefit of both property owners and the City as a whole.

Creation of an efficient system to reallocate water usage between parcels in the Downtown and Lighthouse areas represents an important Specific Plan implementation action to help these areas to fully realize their market potential, create projects that attract new residents and businesses, and for the City to successfully Specific Plan objectives.

One-Way Circulation for Lighthouse/Foam

The City of Monterey has considered multiple circulation alternatives to alleviate current heavy peak period traffic congestion on Lighthouse Avenue as part of the Specific Plan process. The Planning Commission and City Council have selected an alternative that maintains existing two-way circulation on Lighthouse Avenue, with enhancements to lane widths and parking areas. However, to inform any potential future discussions of circulation alternatives due to worsening congestion, this market overview studied the potential impacts associated with alternatives that would change Lighthouse from two-way circulation to a one-way street, forming a couplet with one-way circulation in the other direction on Foam Street.

(It should be noted that the Planning Commission has endorsed the conversion of much of the one-way street circulation system in the Downtown area to a two-way circulation system. Because of the different character of Downtown traffic flows, this action is seen as not presenting any challenges for both current and future potential levels of Downtown development and peak period traffic flows.)

There are numerous examples of downtown and other areas that in recent decades have converted from one-way to two-way circulation systems, and have subsequently experienced improved retail activity and new development. While it is "conventional wisdom" that this type of change will enhance a downtown area, there has been no systematic study or published literature that evaluates the impact of these changes. A key aspect of these circulation changes that seek to revitalize urbanized areas is that they are usually accompanied by other public actions, such as streetscape or parking improvements, land assembly, revised zoning, or public-private partnerships. This means that it is extraordinarily difficult to isolate and quantify one factor, such as the change in circulation system, from all the other factors that led to successful revitalization. To put it another way, successful revitalization of downtown areas usually results from the combination of multiple actions and their cumulative effect.

Evaluation of the impact of a change to a one-way circulation system can therefore only be done through a qualitative analysis. To assess the impacts of such a potential change, BAE selected four case study areas featuring existing one-way couplets (one is a newly developed area) and conducted a series of interviews to gauge whether one-way circulation had an adverse economic impact in these areas. The four sites studied included San Elijo Hills Village Center (located in San Diego County), Sebastopol, Santa Barbara, and Newport, Rhode Island. The descriptions of these areas, with additional information on research methods and findings, can be found in Appendix E.

In summary, among the places studied, one-way couplets were not generally perceived to negatively impact economic activity on commercial corridors, nor were they seen as contributors to economic vitality. Rather, economic vitality in the case study areas is driven by multiple factors, including availability of parking and retail mix, the physical attractiveness of the areas, the extent of competition from other nearby areas, and economic trends, making the influence of circulation patterns relatively minor. One-way couplets are employed in some of the case study cities in order to dedicate a higher proportion of the right-of-way to sidewalks, café seating, street trees, and parking; these features, in turn, can have a positive effect on commercial activity. None of the interviewees indicate that one-way circulation is inherently beneficial to local businesses (and some merchants in Sebastopol, for example remain opposed to conversion of the downtown to a one-way couplet even though the area has experienced a substantial upswing since then with new national tenants).

The case studies suggest that converting Lighthouse Avenue and Foam Street to a one-way couplet would not necessarily have an adverse impact on economic activity along the corridor, and could even enhance it provided that it is accompanied by complementary actions to ensure sufficient off-street parking, improved wayfinding, and other streetscape, sidewalk, and public improvements to enhance its attractiveness. Coupling this effort with façade improvements, specialty retail attraction, catalytic new development projects, and linkages to Cannery Row could further help enhance the attractiveness of Lighthouse as both a neighborhood retail and visitor destination.

CONCLUSIONS AND RECOMMENDATIONS

Findings from the Demographic and Economic Analysis

As outlined in the previous sections of this Study, demographic and economic analysis of population and economic base was conducted separately for the Downtown and Lighthouse study areas for the respective Specific Plans. The findings from this analysis were compared with the local market area that encompasses both locations, including visitation and lodging trends and the local real estate market, with comparisons also made to the Monterey Peninsula and the State of California. This was complemented with a retail leakage analysis to evaluate potential support from new retail based on current spending patterns. The potential implications of water availability and changes in street circulation in the Lighthouse area was also addressed.

Key findings from the analysis of demographic, economic, and other factors include:

Resident and Household Demographics

- The City of Monterey lost 6.4 percent of its population between 2000 and 2010, declining from 29,700 residents to 27,800 residents. The percentage rate of decrease was slightly lower in the Lighthouse area (-4.4 percent) and slightly higher in the Downtown (-6.8 percent). By comparison, the State's population grew during this same period (10 percent). The changes in the number of households followed the same trend lines for all geographies, albeit at slightly lower percentage rates.
- The City's relatively low rate of homeownership decreased further to 36 percent in 2010, lagging behind the Monterey Peninsula (51 percent) and State (56 percent). Homeownership rates were even lower in the Downtown area (25 percent) and Lighthouse area (34 percent).
- Monterey has a higher proportion of single person households (39 percent) than the Monterey Peninsula (30 percent) or State (23 percent), with the proportion slightly higher for the Downtown (44 percent) and Lighthouse area (40 percent).
- The number of vacant housing units grew 4.5 percent in the City from 2000 to 2010, to 10.3 percent. The increase was more than in the Monterey Peninsula (1.1 percent) and State (2.3 percent). However, the increase was less than for the City in the Downtown (2.3 percent) and Lighthouse area (3.5 percent). This increase in the City is more than can be explained by an increase in seasonal units used for vacation purposes.
- The median age of Monterey's residents (36.9 years) is lower than the Monterey Peninsula (40.6 years), but higher than the State (35.2 years). The median age of Downtown residents is essentially the same as the City's (36.8 years) while that of Lighthouse residents is higher (39.8 years).
- Monterey's population is highly educated with 49 percent possessing a bachelor's or higher degree, versus 42 percent in the Monterey Peninsula and 30 percent in the State. Educational attainment in the study areas is nearly the same as for the City.

- Median annual household income in the City ($60,600) is lower than the Monterey Peninsula ($68,500) but slightly higher than the State ($60,400). Median annual household incomes is lower in the Downtown ($51,500) and Lighthouse area ($58,600). However, because of smaller household sizes, per capita annual income, which affects retail and other spending is higher for the City ($29,200) and Lighthouse area ($29,900) than it is for the Monterey Peninsula ($28,300) and State ($20,900). Per capita annual income for the Downtown ($27,100) is lower than all of these areas, except the State.

Workforce and Economic Base

- As of August 2011, Monterey had a lower unemployment rate (4.8 percent) than the Monterey Peninsula (5.2 percent) and State (10.7 percent). Occupations of residents in the study area and City have a higher proportion in management, professional, and related categories, which is related to higher educational levels and results in both higher incomes and lower unemployment rates.
- The City of Monterey has a higher proportion of workers, compared to the State, in educational and health services, leisure and hospitality, and military employment. Categories with a lower proportion of workers include construction, manufacturing, and retail trade.
- Most Monterey residents work in the City (61 percent), however due to the large number of jobs in the City – more than its population – more workers in the City commute from elsewhere (73 percent). Monterey residents walk, bike, or take transit to work (27 percent) at more than twice the rate of Monterey Peninsula residents (13 percent); the rate is slightly lower for Downtown (20 percent) and the Lighthouse area (19 percent).
- The largest concentration of businesses in the study area is in the retail sector, representing 44 percent of Downtown businesses and 32 percent in the Lighthouse area. The next largest concentration is in services, including personal services, representing 16 percent of Downtown businesses and 22 percent in the Lighthouse area. Downtown has a substantial concentration of finance, insurance, and real estate (FIRE) businesses at 7 percent.
- Monterey visitor data is not available, but transient occupancy tax (hotel room tax, or TOT) revenues can serve as a proxy. From 2009 to 2010, Monterey's TOT receipts were down 1.9 percent, versus the State of California that was up 7 percent. Monterey's visitation over the past decade has essentially been flat; measured on an inflation-adjusted basis TOT receipts in 2010 are more than 20 percent less than their 2000 level. Visitation at the Monterey Bay Aquarium, the City's biggest attraction has been within a narrow range of 1.7 million to 1.9 million annual visitors from 2000 to 2010.

Retail Sectors and Trends

- The largest retail sector in Monterey is food services and drinking places, representing nearly 30 percent of retail sales in 2009. This is more than twice the share of retail sales this sector has in the County or State, and reflects the impact of tourism.

- Retail sectors where Monterey lags the share of other cities in the County or State include motor vehicles and parts dealers, building materials, and general merchandise. This is due to most retailers in these sectors being located in Seaside, Sand City, and Marina, which offer sites for large format retail that are not as available as in Monterey.
- Overall taxable retail sales have declined in Monterey Peninsula from 2000 to 2010, 26 percent overall on an inflation-adjusted basis. Most cities, including Monterey have seen substantial declines, with Monterey's sales declining 28 percent from 2000 to 2009, on an inflation-adjusted basis. The exceptions are Marina and Del Rey Oaks, due to the opening of new retail centers and stores.
- Downtown generated 12 percent of Monterey's total taxable retail sales in 2010; the Lighthouse area 6 percent; and Del Monte Center 24 percent. Cannery Row and Fisherman's Wharf, with their visitor orientation, generated 19 percent of Monterey's total taxable retail sales.
- For restaurants and drinking places, Monterey's largest retail sector, the study areas captured in 2010 a slightly higher share than overall taxable sales. Downtown area captured 14 percent of total taxable sales, the Lighthouse area 8 percent. However, Cannery Row and Fisherman's Wharf captured 49 percent of taxable sales in this sector.
- While the City overall experienced a loss of taxable sales between 2008 and 2010 of 2 percent, the study areas experienced a greater decline, 3 percent in Downtown and 9 percent in the Lighthouse area. This indicates that the study area is losing retail activity to other areas.

Real Estate Market Trends

- The median sale price of single-family residences and condominiums in Monterey fell 4.5 percent from August 2010 to August 2011. There are currently no new single-family subdivisions selling units in Monterey. Two condominium developments are experiencing very slow sales, with one project electing to convert half of its units to rental for now.
- Multifamily residential rents for larger complexes with 50 units or more experienced a decline in average monthly rents of $200 between the Third Quarter of 2009 and the First Quarter of 2010, from $1,340 per month to $1,140 per month. While rents have begun to rise, they have only recovered approximately one-quarter of this decline, to $1,201 per month.
- The vacancy rate for retail space in Monterey has fallen to slightly more than 3 percent, which is considered a healthy rate, although the average asking rate at $1.80 per square foot per month triple net does not justify new construction.
- The market for Class A office space, more typical of newer product in the Ryan Ranch area, has improved with vacancies declining to 9 percent in the First Quarter of 2011, and rents rising to $2.45 per square foot per month, full service. By comparison, the older Class B space typical of Downtown has a vacancy rate exceeding 11 percent and asking rents at $1.97 per square foot per month, full service.

- Monterey hotels participating in the Smith Travel Research database showed as of August 2011 an average occupancy rate of 63 percent, which is considered marginal. Boutique hotel properties performed better, with an average occupancy rate of 68 percent.

Planned and Proposed Projects

- As of Fall 2011, there was a substantial pipeline of planned and proposed projects in the Monterey Peninsula that included 6,201 dwelling units of all types and 1.3 million square feet of new commercial space (retail, restaurant, office, and other), plus a 277,000 square foot conference center in Seaside, 397 hotel rooms, and 26 screens of new movie theater projects. However, much of this development was placed on hold when the financial crisis hit in 2008 and has uncertain timing for when or if it will resume. The impending loss of redevelopment agency may further impede development of much of the new retail space, including new movie theater screens.
- Monterey has a more modest pipeline for planned and proposed projects, including 143 dwelling units of all types, and 271,000 square feet of all types of new commercial space, and 24 hotel rooms. There are no planned and proposed projects in the Lighthouse area, while Downtown has three mixed-use projects, including market-rate rental and affordable housing units. The proposed Monterey Market Hall project has the potential to provide a unique destination fresh and prepared food retail environment than can enhance Downtown's identity and attract visitors.'
- Water availability remains a potential serious constraint to renovation of properties and new development in Downtown and the Lighthouse area because at the individual property level it is tied to historical usage, rather than market potential. Analysis by the City shows there is sufficient water available for the amount of development that may have market support. However, it may not be available at the parcels that are most likely to have development potential. A program to more efficiently reallocate available water resources may be key to successful Specific Plan implementation.

These findings on Monterey and study area demographics, workforce and economic base, taxable retail sales, real estate market trends, and planned and proposed projects are used in the next section to project potential market support for new development.

Potential Market Support for New Development

This section discusses potentially supportable growth in the Downtown and Lighthouse areas through 2035, and potentially supportable product types, in order to inform Specific Plan recommendations. It is based on the analysis in this study of recent market and demographic trends, retail leakage, AMBAG projections for the City and the region, trends in visitation, planned and proposed developments, and consideration of how changes in consumer preferences may shape market potential.

A beginning point for consideration of future market potential is recent trends. However, as noted in the previous section on demographic and economic trends, the Downtown and Lighthouse areas, and the City as a whole, lost population and households from 2000 to 2010. Data on transient occupancy taxes (hotel room taxes) shows that overnight visitation, a key driver for visitor spending, has been essentially flat over the past decade. For retail uses, as discussed in the section on retail leakage, the Downtown and Lighthouse areas have been recently losing retail spending to other areas, and the City of Monterey and the Monterey Peninsula are already well-served for retail uses. Ryan Ranch has established itself as a center for office-based employment and new Class A office space. Should these trends to continue, there would be little market support for a net increase in new residential or commercial development.

An additional market constraint is the impact of limited available water resources. This is reflected, for example, in AMBAG's projections for population and employment growth in the City from 2010 through 2035[11], which show an increase of only 465 housing units in the City for the entire period. However, projections do show an increase of 7,944 jobs, which is understood to result from redevelopment of former Fort Ord lands within City boundaries (the Fort Ord reuse plan addresses reuse of former Army water allocations), as well as continuing growth in education and government employment.

There are, however, a number of factors that could contribute to increased market support for new residential and commercial development in the study areas, including:

- Monterey's unparalleled setting, and in the Downtown area, a unique character with a diverse stock of historic buildings that provides a high quality, walkable setting. Numerous other cities have used historic Downtown areas to create destination mixed-use districts;
- The potential for rebranding and increased marketing to enhance Monterey's attractiveness as a regional and Statewide destination, leading to increased visibility and greater tourism that would generate new spending;
- The relative lack of quality, new multifamily housing, including loft-style homes, in the types of mixed-use, walkable settings that are increasingly demanded by empty nesters and young adults forming new households; and
- The potential to create a regional destination for dining, entertainment, and other retail that attracts spending from increased population at both the Presidio of Monterey (projected growth of 1,100 students and faculty by 2012) and from former Fort Ord redevelopment that creates new residential and employment generating uses in the region.

This suggests that Downtown is mostly likely to experience market support for new development by becoming an enhanced regional destination that serves untapped market niches, as well as increased levels of overnight visitation, along with capturing a portion of new demand from residents and employees in new development in nearby cities. The Downtown area as an enhanced regional

[11] These projections were developed before the 2010 Census, which shows actual population to be considerably less than AMBAG's 2010 projection. It is assumed that the increment of growth from 2010 through 2035 remains the same as projected by AMBAG, although it would grow from the lower population figure identified by the Census.

destination could potentially support new types of rental and for-sale residential development, food and entertainment uses, and apparel, lifestyle and specialty retail.

The Lighthouse area serves more as a neighborhood retail district for New Monterey, the Presidio, and adjacent areas, as well as a secondary destination for Cannery Row visitors. Prior to the recent financial crises, it successfully supported several new mixed-use developments. Its potential to support new development is based on enhancement of the neighborhood retail district and attracting more shoppers, as well as providing new multifamily housing that leverages the neighborhood setting and views of Monterey Bay from upper floors.

Several data sources were evaluated in order to estimate potential market support for both areas based on increases in future population, employment, visitation, and spending, and the ability of the Downtown and Lighthouse areas to capture a share of the resulting increase. It should be noted that this analysis addresses only market potential, and does not consider water availability, development feasibility, or other factors that could impact the ability to realize market potential.

The first consideration is what share of future Monterey Peninsula population growth can be captured in the two areas. AMBAG projections for household growth were reviewed (each new household is assumed to generate demand for a new housing unit[12]). A five percent capture rate is assumed for the Downtown area, and half of that rate for the Lighthouse area.

The table below summarizes that applying these assumptions results in potential support for 342 new dwelling units in the Downtown area through 2035, and up to 171 in the Lighthouse area.

Table 23: Potential Capture of Monterey Peninsula Household Growth, 2010-2035

Projected Household Growth, 2010 - 2035		6,833
	Downtown	**Lighthouse/ Foam**
Potential Share	5.0%	2.5%
Potential New Households (Housing Units)	342	171

Sources: AMBAG, 2008; BAE, 2011.

Consideration of the potential support for new commercial uses requires evaluation of potential new spending from residents, employees, and visitors. Data on resident per capita retail spending based on BAE's retail leakage analysis was used (based on City of Monterey figures, as more representative of new households in the region). For new residents in the Downtown and Lighthouse area, it was assumed that up to half of retail spending could occur in the local area, based on an enhanced retail mix. For new residents in the Monterey Peninsula region, it was assumed that up to four percent of their retail spending could be captured in the Downtown area and up to 1.5 percent in the

[12] This excludes replacement of existing housing units removed from the market through demolition or other causes, or occupancy of vacant units above the long-term average vacancy rate.

Lighthouse area. These shares are based on consideration of the share of spending that could go to other locations in Monterey, such as Del Monte Center, and that most of the retail spending by new residents will occur in their home communities.

The calculation of spending from new employees in the region is based on International Council of Shopping Center 2004 data for worker spending in suburban locations and adjusted for inflation to 2011 figures. The share of employee spending was assumed to be four percent in the Downtown area and 1.5 percent in the Lighthouse area, same as for the new resident analysis.

To estimate potential visitor spending, data from the California Travel and Tourism Commission report was used[13]. This data calculates travel spending in Monterey County and provides a breakdown of transient occupancy tax receipts by city that allows estimation of Monterey's share of visitor spending to be 37 percent of the total for the region. It is assumed for this analysis that enhanced branding and marketing of the Monterey area can result in increased overnight visitation and an up to 10 percent increase in visitor spending through 2035.

The following table summarizes the results of these calculations on potential support for new retail spending and new retail space. Based on these assumptions and calculations, the Downtown area could support up to 130,000 square feet of new retail space, and the Lighthouse area up to 51,000 square feet of new retail space. In addition to retail space, there would be additional support for non-retail uses in commercial space, including professional and personal services. It is important to note that more than 60 percent of this new support is derived from increases in visitor spending, underlining the importance of this sector to the City's and the region's economy. This underscores how rebranding Monterey as a visitor destination and increasing marketing efforts in order to make the City more competitive with other California destinations and increase visitation are key to creating support for new development in the Downtown and Lighthouse areas.

[13] *California Travel Impacts by County, 1992 – 2009, 2010 Preliminary State and Regional Estimates*, Dean Runyon and Associates, April 2011.

Table 24: Potential Capture of Increases in Retail Spending, 2010-2035

Monterey Per Capita Annual Retail Spending (a)		$14,476
Average Worker Daily Retail Spending (b)		$12
Monterey Peninsula Annual Visitor Spending, Excluding Lodging (c)		$1,568,000,000
Assumptions		
Monterey Peninsula Population Increase		12,063
Monterey Peninsual Employment Inrease		15,232
Increase in Visitor Spending		10%
City of Monterey Share of Visitor Spending (d)		37%
Downtown Share of New Regional Resident and Employee Spending		4%
Lighthouse/Foam Share of New Regional Resident and Employee Spending		1.5%
New Retail Spending Calculations	**Downtown**	**Lighthouse/ Foam**
New Study Area Resident Spending (e)	$4,698,439	$2,349,220
New Regional Resident Spending	6,984,960	2,619,360
New Regional Employee Spending	1,827,840	685,440
New Visitor Spending	25,527,040	9,572,640
	$39,038,279	$15,226,659
Supportable Square Feet of New Retail at $300 per sf/year	**130,000**	**51,000**

Notes:
(a) Per BAE calculations for retail leakage analysis.
(b) International Concil of Shopping Centers data for 2004 spending, inflation adjusted.
(c) "California Travel Impacts by County", 2010 Preliminary State and Regional Estimates, prepared by Dean Runyon Assocs. for CA Travel & Tourism Commission. This figure includes unincorporated areas, excludes Salinas and South County.
(d) Calculation based on City of Monterey share of transient occupancy tax receipts, per CA Travel & Tourism Commission study cited in (c).
(e) Assumes 1.9 persons per new household, 50% of spending in local area.
Sources: AMBAG, 2008; CA Travel & Tourism Commission, 2010; International Council of Shopping Centers, 2004; BAE, 2011.

In addition to new retail space, both Downtown and the Lighthouse area have substantial existing retail and commercial space. Based on City of Monterey calculations, there is a total of 2.5 million square feet of commercial space in the Downtown area, and 580,000 square feet in the Lighthouse area. When considering the potential for retail revitalization and creation of destination environments, it is important to consider that *existing* space may provide as much or more of an opportunity to attract desired types of new retail uses. This is because normal turnover of existing tenant spaces and replacement of lower quality tenants by newer tenants can affect retail spending to an equal or greater degree than new development. Based on the quantity of existing commercial space in both areas, and the nature of their existing retail mix, attracting new and higher quality retail tenants to existing spaces is a more significant factor in making the Downtown area more of a destination, and the Lighthouse a stronger neighborhood retail center.

Conclusions on Market Support and Product Types

There are a range of factors that could affect the ability to fully realize the potential market support for new development in the Downtown and Lighthouse areas, including the City's success at implementation of the Specific Plans, and macroeconomic conditions and economic cycles. The actual amount of new development through 2035 is likely to fall within a range bracketed by the figures in the preceding tables:

- Downtown: 300 to 400 new dwelling units, and 100,000 square feet to 200,000 square feet of new retail space; and
- Lighthouse: 150 to 200 new dwelling units, and 50,000 square feet to 75,000 square feet of new retail space.

The new retail space could accommodate a range of taxable and non-taxable retail activities, as well as financial and personal services. New retail in the Downtown area could accommodate a range of dining and drinking establishments that appeal to visitors and area residents, and that also leverage the region's unique character, such as winery-related uses (similar to Downtown Napa's recent renaissance). New retail in the Lighthouse area could include a range of food, dining, and specialty retail that further enhance it as a neighborhood retail district.

The potential for one or more new boutique hotels in the study areas has not been included because of current City charter provisions. However, a growth in overnight visitation could support one or more new boutique hotels. A high-quality boutique hotel in the Downtown area could help enhance its identity and attract new visitors.

In addition to these figures, there would be the ability to accommodate additional new workforce and affordable housing units at below market rate sale prices and rents, due to an unmet need for this product type in the City and the region.

New development in the Downtown and Lighthouse study areas could be accommodated in a variety of building types, including multifamily housing developments (townhouse, apartment, and condominium units), stand-alone retail buildings, and mixed-use developments with commercial space on the ground floor and retail above. Subsequent feasibility analysis will evaluate the mix and density of development that is needed to make mixed-use development viable based on existing market values and land prices.

APPENDIX A: METHODOLOGY FOR RETAIL LEAKAGE ANALYSIS

The primary source of information on general retail expenditures in California is the taxable retail sales data published by the State Board of Equalization (SBOE). SBOE publishes Taxable Sales in California, a quarterly and annual publication that reports taxable sales by major store categories by city and county. With adjustments made to take into account nontaxable sales such as food and prescriptions, this source usually offers the best baseline data for jurisdictions for which it is available. However, beginning in 2009 SBOE used a new categorization of businesses that makes comparisons with earlier data and a continued time series difficult if not impossible.

Because of the limitations with SBOE data with respect to availability by retail sector, and for unincorporated areas (which also constitute part of the Monterey Peninsula), the baseline sales estimate (from 2009) and the leakage analysis utilizes estimates based on 2009 Zip Code and County Business Patterns employment data benchmarked to adjusted data on sales per employee from the 2007 Economic Census. These derived estimates are crosschecked by category with SBOE data to confirm accuracy; this Zip code-based source is then used in the subsequent leakage analysis. The use of this data source also allows analysis in more detail by retail sector. These Zip codes cover a slightly different area than that described in the demographic analysis above, Zip codes are larger than Census tracts, and some boundary adjustments were required as a result, to prevent the inclusion of portions of areas outside the Peninsula (e.g., City of Salinas). The Zip codes used are as follows (note-some of these are point-level zip codes, e.g., PO Boxes, that have businesses listed but do not appear on the subsequent map):

93921 Carmel
93922 Carmel
93923 Carmel
93924 Carmel Valley
93933 Marina
93940 Monterey
93942 Monterey
93943 Monterey
93944 Monterey
93950 Pacific Grove
93953 Pebble Beach
93955 Seaside

These Zip codes extend well to the south of the Peninsula, but those areas are largely unpopulated and their inclusion will not materially affect the analysis. Also, the 93940 Zip Code includes both Monterey and Del Rey Oaks. This is noted in the analysis, as it leads to the inclusion of a slightly larger population as well as some additional retail space (e.g., a large Safeway).

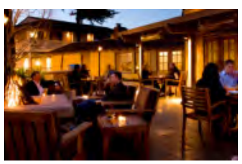
Figure A-1: Retail Analysis Zip Codes

As noted above, retail sales data for the overall Peninsula cannot be derived from the available taxable sales data, since those data are not published separately for sales in the unincorporated portions of the area. Furthermore, because of disclosure issues, the level of detail available for most of the cities of the Peninsula, including Monterey itself, is insufficient to be described in the analysis here. In order to compare actual expenditures for all Peninsula residents with potential expenditures by store category, an alternative estimate methodology for estimating sales has been developed. This point-in-time estimate can then also account for the entire population of the Peninsula to derive per capita sales estimates for use in comparison with a benchmark for the leakage analysis. For comparative purposes, similar estimates have been derived for Monterey County and California.

To better determine the levels of leakages and injections for Monterey and the Peninsula, BAE obtained a Nielsen/Claritas Retail Market Potential Opportunity Gap (RMP) report for the two geographies. This report estimates retail demand based on the Consumer Expenditure Survey, a national survey conducted for the Department of Labor Bureau of Labor Statistics by the U.S. Census Bureau which measures consumer expenditures and provides data on differing spending patterns by age, income, ethnicity, and other variables. This source information is converted to expected expenditures by store type, to obtain an estimate of demand by retail store category. Next, BAE fine-tuned the RMP expenditure estimates based on actual expenditure patterns in Monterey County as reflected in total retail sales by major store category. These levels of consumer potential are assumed as a benchmark against which to compare actual sales. Sales are assumed to be "leaking" from the area if that area has per capita sales below benchmark sales. Sales "injections" occur when per capita sales are above the benchmark level. Per capita leakages were calculated based on 2010 population per the U.S. Census.

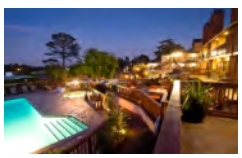
APPENDIX B: BOUTIQUE HOTEL PROPERTIES

Appendix B: Boutique Hotels, City of Monterey, 2011

Name/Address Brand/Flag (if applicable) Rooms/Year Built	Food & Bev.	Meeting Space	Size (sf)	Capacity by Configuration						Amenities
				Theater	Class	Banquet	Reception	U-Shape	Conf.	
Hilton Garden Inn Monterey	Lobby Lounge	Big Sur	2,340	210	125	180	250	-	-	Comp. surface & covered
1000 Aguajito Rd.	Pacific Grille	Presidio	1,500	150	90	100	125	40	50	self-park, business
Hilton Garden Inn		Vista del Mar	1,175	80	50	70	80	20	40	center, fitness center,
204 rooms, built 1972		Peninsula	650	40	50	40	50	26	32	heated outdoor pool, hot
		Cypress Boardroom	288	-	-	-	-	-	14	tub, private cabanas, fire
		Spyglass Boardroom	288	-	-	-	-	-	14	pit, 24-hour sundry shop
		Poolside	N/A	-	-	100	150	-	-	
		Total	**6,241**							
Casa Munras Hotel & Spa	Esteban	Andalucia	2,020	200	120	180	-	-	-	Comp. surface self-park,
700 Munras Ave.	Restaurant	Andalucia I	1,370	120	72	120	-	36	28	business center, fitness
Larkspur		Andalucia II	650	60	40	60	-	27	22	center, comp. bike rentals,
171 rooms, built 1940		Marbella	910	100	56	100	-	33	34	heated outdoor pool, full-
		Antonia Boardroom	340	30	18	30	-	12	14	svc. Sano Spa
		Total	**3,270**							
Hotel Pacific	N/A	Soberanes	961	66	40	40	70	-	-	Covered self-park (fee),
300 Pacific St.		La Posada	416	30	16	18	30	-	-	private fireplaces, suites
105 suites, built 1987		Pinos Boardroom	368	-	-	-	-	-	12	w/ private gardens,
		Sur Courtyard	N/A	-	-	40	40	-	-	balconies & patios
		Del Mar Courtyard	N/A	-	-	20	20	-	-	
			1,745							

Source: BAE, 2011.

Appendix B: Boutique Hotels, City of Monterey, 2011 (continued)

Name/Address Brand/Flag (if applicable) Rooms/Year Built	Food & Bev.	Meeting Space	Size (sf)	Capacity by Configuration Theater	Class	Banquet	Reception	U-Shape	Conf.	Amenities
Hotel Abrego 755 Abrego St. 93 rooms, built 1954, renovated 2009 	Abrego Lounge	Meeting room	645 **645**	-	38	48	50	26	24	Comp. surface self-park, outdoor pool, hot tub
Mariposa Inn & Suites 1386 Munras Ave. Personality Hotels 50 rooms, built 1982, renovated 1998 & 2008 	N/A		Small boardroom, information on capacity & size N/A							Comp. surface self-park, business center, comp. pass to nearby gym, heated outdoor pool, hot tub, patios w/ fire pit

Source: BAE, 2011.

APPENDIX C: TAXABLE RETAIL SALES TRENDS

Appendix C-1: Monterey City Taxable Retail Sales Trends, 2000-2008

Sales in 2010 $000 (a) (b) (c)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	$38,422	$38,351	$34,379	$38,269	$45,830	$39,004	$31,672	$30,294	$29,385
Home Furnishings and Appliances	$27,108	$25,116	$22,886	$20,213	$18,274	$20,067	$20,234	$16,882	$15,207
Building Materials	$14,796	$13,709	$14,469	$14,491	$15,823	$15,171	$13,692	$11,360	$9,977
Food Stores	$49,708	$45,037	$43,775	$43,633	$39,258	$41,668	$41,499	$39,591	$34,193
Service Stations	$18,945	$17,572	$15,829	$16,567	$18,475	$23,922	$26,705	$37,204	$42,770
Apparel Stores	$30,021	$29,135	$28,244	$28,814	$29,360	$30,907	$33,889	$33,889	$30,037
General Merchandise Stores	$123,733	$118,103	$111,988	$109,481	$108,011	$106,681	$107,242	$101,530	$85,257
Eating and Drinking Places	$182,035	$169,145	$163,856	$160,908	$160,159	$157,592	$157,151	$153,867	$148,918
Other Retail Stores (c)	$146,178	$124,864	$116,672	$115,346	$120,749	$117,208	$113,774	$108,522	$99,006
Retail Stores Total	**$630,948**	**$581,031**	**$552,098**	**$547,722**	**$555,939**	**$552,220**	**$545,857**	**$533,139**	**$494,751**

Sales per Capita in 2010 $ (d)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	$1,294	$1,311	$1,166	$1,289	$1,575	$1,318	$1,091	$1,051	$1,052
Home Furnishings and Appliances	$913	$859	$776	$681	$628	$678	$697	$586	$545
Building Materials	$498	$469	$491	$488	$544	$513	$472	$394	$357
Food Stores	$1,674	$1,540	$1,485	$1,469	$1,349	$1,408	$1,429	$1,374	$1,225
Service Stations	$638	$601	$537	$558	$635	$808	$920	$1,291	$1,532
Apparel Stores	$1,011	$996	$958	$970	$1,009	$1,045	$1,167	$1,176	$1,076
General Merchandise Stores	$4,167	$4,038	$3,799	$3,686	$3,712	$3,606	$3,694	$3,523	$3,053
Eating and Drinking Places	$6,130	$5,784	$5,559	$5,418	$5,504	$5,326	$5,413	$5,339	$5,333
Other Retail Stores (c)	$4,922	$4,269	$3,958	$3,884	$4,150	$3,961	$3,919	$3,766	$3,546
Retail Stores Total	**$21,247**	**$19,867**	**$18,730**	**$18,442**	**$19,106**	**$18,664**	**$18,801**	**$18,500**	**$17,718**
Population	29,696	29,246	29,477	29,700	29,097	29,588	29,034	28,819	27,924

(a) Retail sales have been adjusted to 2010 dollars based on the California Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. Beginning in 2009, SBOE made major changes in their classification system, such that comparisons with the data here cannot be made. 2009 data presented in a separate table.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data supressed to preserve confidentiality due to four or fewer outlets or a single outlet/vendor dominating sales in the category. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. Population estimates for intercensal years are from California State Dept. of Finance Report E-4.

Sources: 2000 and 2010 U.S. Census; State Board of Equalization; CA Dept. of Industrial Relations; CA State Dept. of Finance; U.S. Bureau of Labor Statistics; BAE, 2011.

Appendix C-2: Retail Trade Area Taxable Retail Sales Trends, 2000-2008

Sales in 2010 $000 (a) (b) (c)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Marina	$75,975	$69,385	$65,307	$70,149	$75,707	$77,347	$79,552	$117,053	$158,649	$159,933
Seaside	$472,328	$499,427	$481,160	$468,504	$483,722	$482,342	$492,564	$455,510	$376,936	$319,258
Sand City	$249,977	$248,862	$247,764	$249,208	$257,171	$257,150	$249,525	$230,045	$192,492	$174,600
Del Rey Oaks	$14,739	$18,403	$18,718	$19,151	$20,439	$20,690	$19,164	$20,365	$24,880	$22,733
Monterey	$630,948	$581,031	$552,098	$547,722	$555,939	$552,220	$545,857	$533,139	$494,751	$455,456
Pacific Grove	$156,078	$149,263	$146,502	$140,772	$138,040	$133,711	$125,716	$117,751	$104,094	$95,531
Carmel	$247,508	$209,218	$195,344	$190,928	$203,706	$197,730	$191,202	$195,190	$168,729	$140,436
RTA Retail Stores Total (d)	**$1,847,553**	**$1,775,588**	**$1,706,893**	**$1,686,435**	**$1,734,723**	**$1,721,190**	**$1,703,580**	**$1,669,053**	**$1,520,529**	**$1,367,947**

Sales per Capita in 2010 $ (e)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Marina	$4,015	$3,639	$3,409	$3,653	$3,921	$4,051	$4,200	$6,168	$8,240	$8,223
Seaside	$14,271	$14,972	$14,254	$14,054	$14,691	$14,600	$15,229	$14,255	$11,542	$9,775
Sand City	$957,766	$921,710	$914,257	$874,414	$829,584	$848,679	$826,241	$764,268	$641,639	$554,285
Del Rey Oaks	$8,933	$11,093	$11,276	$11,558	$12,365	$12,701	$11,925	$12,744	$15,560	$14,128
Monterey	$21,247	$19,867	$18,730	$18,442	$19,106	$18,664	$18,801	$18,500	$17,718	$16,384
Pacific Grove	$10,055	$9,584	$9,416	$9,092	$8,960	$8,823	$8,435	$7,914	$6,998	$6,396
Carmel	$60,649	$51,191	$47,996	$47,330	$50,965	$50,506	$49,805	$51,447	$44,779	$37,560
RTA Retail Stores Total (d)	**$17,897**	**$17,195**	**$16,421**	**$16,263**	**$16,892**	**$16,756**	**$16,872**	**$16,637**	**$15,148**	**$13,611**

Population	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Marina	18,925	19,069	19,155	19,203	19,306	19,095	18,939	18,976	19,253	19,449
Seaside	33,097	33,357	33,756	33,337	32,927	33,037	32,344	31,954	32,657	32,660
Sand City	261	270	271	285	310	303	302	301	300	315
Del Rey Oaks	1,650	1,659	1,660	1,657	1,653	1,629	1,607	1,598	1,599	1,609
Monterey	29,696	29,246	29,477	29,700	29,097	29,588	29,034	28,819	27,924	27,799
Pacific Grove	15,522	15,575	15,559	15,483	15,407	15,155	14,905	14,879	14,874	14,935
Carmel	4,081	4,087	4,070	4,034	3,997	3,915	3,839	3,794	3,768	3,739
Retail Trade Area Total	**103,232**	**103,263**	**103,948**	**103,699**	**102,697**	**102,722**	**100,970**	**100,321**	**100,375**	**100,506**

(a) Retail sales have been adjusted to 2010 dollars based on the California Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. Beginning in 2009, SBOE made major changes in their classification system, such that comparisons with the data here cannot be made. 2009 data presented in a separate table.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data supressed to preserve confidentiality due to four or fewer outlets or a single outlet/vendor dominating sales in the category. Suppressed sales have been combined with Other Retail Stores.
(d) For the purposes of this table, the Retail Trade Area consists of the incorporated cities as shown. Excludes sales and population from unincorporated portions of the Monterey Peninsula, which includes additional population and sales (e.g., Carmel Valley Village).
(e) Per capita sales calculated based on sales divided by population. Population estimates for intercensal years are from California State Dept. of Finance Report E-4.

Sources: 2000 and 2010 U.S. Census; State Board of Equalization; CA Dept. of Industrial Relations; CA State Dept. of Finance; U.S. Bureau of Labor Statistics; BAE, 2011.

Appendix C-3: Monterey County Taxable Retail Sales Trends, 2000-2008

Sales in 2010 $000 (a) (b) (c)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	$827,081	$890,850	$863,187	$841,589	$868,969	$857,251	$818,743	$779,790	$602,357
Home Furnishings and Appliances	$193,574	$182,637	$186,270	$193,725	$190,661	$191,094	$172,730	$145,543	$145,630
Building Materials	$468,525	$468,517	$457,623	$491,008	$518,530	$505,277	$488,248	$332,748	$260,131
Food Stores	$333,544	$331,488	$309,379	$313,683	$307,858	$304,196	$297,168	$297,286	$281,818
Service Stations	$288,874	$271,350	$259,807	$293,723	$341,074	$390,059	$428,221	$474,483	$534,289
Apparel Stores	$202,108	$204,404	$200,654	$197,112	$200,826	$202,913	$203,885	$223,071	$207,434
General Merchandise Stores	$741,968	$741,463	$724,106	$701,243	$706,840	$683,163	$675,659	$656,642	$601,358
Eating and Drinking Places	$584,472	$572,749	$576,450	$577,498	$585,688	$588,844	$581,454	$580,297	$552,363
Other Retail Stores (c)	$704,177	$662,869	$638,326	$636,086	$653,609	$653,860	$647,637	$706,895	$564,200
Retail Stores Total	**4,344,324**	**4,326,328**	**4,215,803**	**4,245,668**	**4,374,054**	**4,376,656**	**4,313,745**	**$4,196,755**	**$3,749,580**

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Sales per Capita in 2010 $ (d)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	$2,059	$2,202	$2,119	$2,051	$2,111	$2,093	$2,012	$1,916	$1,471
Home Furnishings and Appliances	$482	$451	$457	$472	$463	$467	$424	$358	$356
Building Materials	$1,166	$1,158	$1,123	$1,197	$1,260	$1,234	$1,200	$818	$635
Food Stores	$830	$819	$759	$765	$748	$743	$730	$731	$688
Service Stations	$719	$671	$638	$716	$829	$952	$1,052	$1,166	$1,305
Apparel Stores	$503	$505	$492	$480	$488	$495	$501	$548	$507
General Merchandise Stores	$1,847	$1,833	$1,777	$1,709	$1,718	$1,668	$1,660	$1,614	$1,469
Eating and Drinking Places	$1,455	$1,416	$1,415	$1,408	$1,423	$1,438	$1,429	$1,426	$1,349
Other Retail Stores (c)	$1,753	$1,638	$1,567	$1,550	$1,588	$1,597	$1,591	$1,737	$1,378
Retail Stores Total	**$10,813**	**$10,694**	**$10,347**	**$10,348**	**$10,628**	**$10,686**	**$10,601**	**$10,314**	**$9,159**
Population	401,762	404,569	407,440	410,276	411,544	409,557	406,935	406,890	409,387

(a) Retail sales have been adjusted to 2010 dollars based on the California Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. Beginning in 2009, SBOE made major changes in their classification system, such that comparisons with the data here cannot be made. 2009 data presented in a separate table.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data supressed to preserve confidentiality due to four or fewer outlets or sales of more than 80% of the category in one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. Population estimates for intercensal years are from California State Dept. of Finance Report E-4.

Sources: 2000 and 2010 U.S. Census; State Board of Equalization; CA Dept. of Industrial Relations; CA State Dept. of Finance; U.S. Bureau of Labor Statistics; BAE, 2011.

Appendix C-4: California Retail Sales Trends, 2000-2008

Sales in 2010 $000 (a) (b) (c)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	$73,642,245	$75,900,902	$77,819,616	$79,912,840	$82,184,658	$82,436,082	$77,157,652	73,870,970	55,052,561
Home Furnishings and Appliances	$17,645,813	$16,650,104	$17,050,368	$18,001,228	$19,051,612	$19,475,949	$18,739,358	17,451,059	17,360,769
Building Materials	$32,201,355	$33,046,559	$34,232,032	$36,580,862	$43,119,528	$44,417,809	$42,916,841	34,082,440	26,897,348
Food Stores	$23,852,975	$23,508,143	$23,108,197	$23,130,272	$23,023,767	$23,664,615	$23,569,585	23,441,943	21,706,335
Service Stations	$32,725,704	$30,753,380	$29,176,773	$33,030,343	$38,043,921	$43,195,866	$46,978,937	49,141,160	52,503,918
Apparel Stores	$16,677,991	$16,720,376	$17,106,352	$18,091,201	$19,692,408	$20,958,227	$21,376,110	21,766,676	22,327,906
General Merchandise Stores	$59,494,013	$58,935,268	$59,121,960	$60,246,539	$62,640,249	$63,603,573	$63,887,556	62,513,093	56,955,574
Eating and Drinking Places	$46,035,129	$46,019,714	$46,432,224	$47,731,290	$50,255,519	$51,983,992	$53,069,313	53,914,527	52,540,412
Other Retail Stores (c)	$70,385,615	$65,577,936	$63,720,144	$64,910,580	$68,645,636	$71,181,970	$71,718,413	67,744,788	55,330,512
Retail Stores Total	**$372,660,839**	**$367,112,382**	**$367,767,667**	**$381,635,156**	**$406,657,299**	**$420,918,084**	**$419,413,765**	**$403,926,655**	**$360,675,335**

Sales per Capita in 2010 $ (d)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	$2,174	$2,216	$2,241	$2,273	$2,310	$2,298	$2,136	$2,029	$1,500
Home Furnishings and Appliances	$521	$486	$491	$512	$536	$543	$519	$479	$473
Building Materials	$951	$965	$986	$1,040	$1,212	$1,238	$1,188	$936	$733
Food Stores	$704	$686	$665	$658	$647	$660	$653	$644	$591
Service Stations	$966	$898	$840	$939	$1,070	$1,204	$1,301	$1,350	$1,430
Apparel Stores	$492	$488	$493	$514	$554	$584	$592	$598	$608
General Merchandise Stores	$1,756	$1,720	$1,703	$1,713	$1,761	$1,773	$1,769	$1,717	$1,552
Eating and Drinking Places	$1,359	$1,343	$1,337	$1,357	$1,413	$1,449	$1,469	$1,481	$1,431
Other Retail Stores (c)	$2,078	$1,914	$1,835	$1,846	$1,930	$1,984	$1,986	$1,861	$1,507
Retail Stores Total	**$11,002**	**$10,716**	**$10,591**	**$10,853**	**$11,432**	**$11,735**	**$11,613**	**$11,097**	**$9,826**
Population	33,873,086	34,256,789	34,725,516	35,163,609	35,570,847	35,869,173	36,116,202	36,399,676	36,704,375

(a) Retail sales have been adjusted to 2010 dollars based on the California Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. Beginning in 2009, SBOE made major changes in their classification system, such that comparisons with the data here cannot be made. 2009 data presented in a separate table.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.

(d) Per capita sales calculated based on sales divided by population. Population estimates for intercensal years are from California State Dept. of Finance Report E-4.

Sources: 2000 and 2010 U.S. Census; State Board of Equalization; CA Dept. of Industrial Relations; CA State Dept. of Finance; U.S. Bureau of Labor Statistics; BAE, 2011.

Appendix C-5: Taxable Retail Sales, 2009

Sales in 2010 $000 (a) (b) (c)	Marina	Seaside	Sand City	Del Rey Oaks	Monterey	Pacific Grove	Carmel	Retail Trade Area	Salinas	Monterey County	California
Motor Vehicle and Parts Dealers	N/A	$171,021	N/A	N/A	#	N/A	N/A	N/A	$237,292	$477,778	$45,045,815
Home Furnishings and Appliance Stores	N/A	$6,329	N/A	N/A	$20,507	N/A	N/A	N/A	$65,279	$166,748	$22,139,419
Bldg. Matrl. and Garden Equip. & Supplies	N/A	#	N/A	N/A	$7,319	N/A	N/A	N/A	$111,489	$263,412	$24,278,857
Food and Beverage Stores	N/A	$12,612	N/A	N/A	$30,977	N/A	N/A	N/A	$104,462	$280,462	$22,828,880
Gasoline Stations	N/A	$19,421	N/A	N/A	$42,136	N/A	N/A	N/A	$203,282	$440,067	$39,567,637
Clothing & Clothing Accessories Stores	N/A	$993	N/A	N/A	$33,769	N/A	N/A	N/A	$94,119	$239,597	$25,962,661
General Merchandise Stores	N/A	$4,665	N/A	N/A	#	N/A	N/A	N/A	$255,669	$486,543	$45,484,688
Food Services and Drinking Places	N/A	$30,766	N/A	N/A	$147,489	N/A	N/A	N/A	$164,405	$538,386	$50,547,261
Other Retail Group (c)	N/A	$73,451	N/A	N/A	$173,259	N/A	N/A	N/A	$117,347	$403,618	$39,260,159
Retail Stores Total	**$159,933**	**$319,258**	**$174,600**	**$22,451**	**$455,456**	**$95,531**	**$140,436**	**$1,367,665**	**$1,353,345**	**$3,296,612**	**$315,115,377**

Sales per Capita in 2010 $ (d)	Marina	Seaside	Sand City	Del Rey Oaks	Monterey	Pacific Grove	Carmel	Retail Trade Area	Salinas	Monterey County	California
Motor Vehicle and Parts Dealers	N/A	$5,236	N/A	N/A	#	N/A	N/A	N/A	$1,591	$1,159	$1,227
Home Furnishings and Appliance Stores	N/A	$194	N/A	N/A	$738	N/A	N/A	N/A	$438	$404	$603
Bldg. Matrl. and Garden Equip. & Supplies	N/A	#	N/A	N/A	$263	N/A	N/A	N/A	$748	$639	$661
Food and Beverage Stores	N/A	$386	N/A	N/A	$1,114	N/A	N/A	N/A	$700	$680	$622
Gasoline Stations	N/A	$595	N/A	N/A	$1,516	N/A	N/A	N/A	$1,363	$1,068	$1,078
Clothing & Clothing Accessories Stores	N/A	$30	N/A	N/A	$1,215	N/A	N/A	N/A	$631	$581	$707
General Merchandise Stores	N/A	$143	N/A	N/A	#	N/A	N/A	N/A	$1,714	$1,180	$1,239
Food Services and Drinking Places	N/A	$942	N/A	N/A	$5,306	N/A	N/A	N/A	$1,102	$1,306	$1,377
Other Retail Group (c)	N/A	$2,249	N/A	N/A	$6,233	N/A	N/A	N/A	$787	$979	$1,070
Retail Stores Total	**$8,223**	**$9,775**	**$554,285**	**$13,953**	**$16,384**	**$6,396**	**$37,560**	**$13,608**	**$9,074**	**$7,997**	**$8,585**
Population	19,449	32,660	315	1,609	27,799	14,935	3,739	100,506	149,142	412,233	36,704,375

(a) Retail sales have been adjusted to 2010 dollars based on the California Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. BOE made substantial changes in their classification system in 2009, such that comparisons by category with previous years are not always possible.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data supressed to preserve confidentiality due to four or fewer outlets or a single outlet/vendor dominating sales in the category. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. Population estimates for intercensal years are from California State Dept. of Finance Report E-4.
(e) For the purposes of this table, the Retail Trade Area consists of the incorporated cities as shown. Excludes sales and population from unincorporated portions of the Monterey Peninsula, which includes additional population and sales (e.g., Carmel Valley Village).

Sources: 2000 and 2010 U.S. Census; State Board of Equalization; CA Dept. of Industrial Relations; CA State Dept. of Finance; U.S. Bureau of Labor Statistics; BAE, 2011.

Appendix C-6: Lighthouse, Downtown, and Citywide Taxable Retail Sales Trends, 2008-2010

	LIGHTHOUSE PLANNING AREA			DOWNTOWN COMMERCIAL CORE		
Sales in 2010 $000 (a) (b)	2Q08-1Q09	2Q09-1Q10	2Q10-1Q11	2Q08-1Q09	2Q09-1Q10	2Q10-1Q11
Motor Vehicles and Parts	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Home Furnishings/Appliances	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Building Materials	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Food Stores	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Service Stations	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Apparel Stores	[redacted]	[redacted]	[redacted]	$1,351	$1,127	$1,294
General Merchandise Stores	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Eating and Drinking Places	$10,463	$11,617	$11,532	$20,696	$20,461	$20,902
Other Retail Stores	$25,490	$22,608	$22,648	$32,084	$29,219	$27,940
Retail Stores Total	**$35,954**	**$34,224**	**$34,180**	**$54,131**	**$50,807**	**$50,136**
All Other Outlets	$7,040	$5,354	$4,772	$25,495	$23,494	$27,273
Grand Total	**$42,994**	**$39,578**	**$38,953**	**$79,626**	**$74,302**	**$77,410**

	CANNERY ROW			FISHERMANS WHARF		
Sales in 2010 $000 (a) (b)	2Q08-1Q09	2Q09-1Q10	2Q10-1Q11	2Q08-1Q09	2Q09-1Q10	2Q10-1Q11
Motor Vehicles and Parts	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Home Furnishings/Appliances	[redacted]	[redacted]	[redacted]	$0	$0	$0
Building Materials	[redacted]	[redacted]	[redacted]	$0	$0	$0
Food Stores	$1,027	$1,032	$992	[redacted]	[redacted]	[redacted]
Service Stations	$0	$0	$0	$0	$0	$0
Apparel Stores	$2,660	$2,649	$3,104	[redacted]	[redacted]	[redacted]
General Merchandise Stores	$0	$0	$0	$0	$0	$0
Eating and Drinking Places	$44,856	$44,978	$48,061	$21,870	$21,365	$21,191
Other Retail Stores	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Retail Stores Total	**na**	**na**	**na**	**na**	**na**	**na**
All Other Outlets	$43,600	$42,750	$42,921	$5,110	$5,013	$4,905
Grand Total	**$92,143**	**$91,409**	**$95,078**	**$26,980**	**$26,378**	**$26,096**

	DEL MONTE CENTER			CITY OF MONTEREY		
Sales in 2010 $000 (a) (b)	2Q08-1Q09	2Q09-1Q10	2Q10-1Q11	2Q08-1Q09	2Q09-1Q10	2Q10-1Q11
Motor Vehicles and Parts	$0	$0	$0	[redacted]	[redacted]	[redacted]
Home Furnishings/Appliances	[redacted]	[redacted]	[redacted]	$41,839	$42,976	$47,320
Building Materials	$0	$0	$0	$18,059	$13,849	$13,815
Food Stores	[redacted]	[redacted]	[redacted]	$33,893	$40,305	$39,953
Service Stations	$0	$0	$0	$48,159	$40,540	$45,021
Apparel Stores	$25,070	$25,514	$24,930	$30,168	$30,153	$30,381
General Merchandise Stores	[redacted]	[redacted]	[redacted]	$52,928	$41,058	$41,666
Eating and Drinking Places	$16,174	$16,557	$17,676	$144,078	$143,319	$146,781
Other Retail Stores	[redacted]	[redacted]	[redacted]	$150,698	$144,851	$150,277
Retail Stores Total	**na**	**na**	**na**	**$519,821**	**$497,051**	**$515,214**
All Other Outlets	$106,279	$100,153	$105,724	$123,515	$110,619	$115,019
Grand Total	**$147,522**	**$142,225**	**$148,330**	**$643,336**	**$607,670**	**$630,233**

(a) Retail sales have been adjusted to 2010 dollars based on the California Consumer Price Index calculated by the California Department of Industrial Relations (based on data from the Bureau of Labor Statistics) for California. Categories used here are based on the 2007-2008 SBOE classification system, due to the source used.
(b) Cells are shown in black when SBOE rules prohibit disclosure due to a limited number of businesses in that category or one business dominating the category. Sales in these categories have been combined with "Other Retail Stores," or where necessary, with "All Other Outlets." Cells where data from non-disclosed categories has been added to the total are shown in a lighter gray. For some areas it was necessary to combine retail and non-retail categories, so it is not possible to show a retail stores total.

Sources: SBOE; CA Dept. of Industial Relations; U.S. Bureau of Labor Statistics; City of Monterey; BAE, 2011.

APPENDIX D: PLANNED AND PROPOSED PROJECTS

Appendix D: Planned and Proposed Developments, Monterey Peninsula, August/September 2011 (a)

Name Location Developer	Project Size/No. of Units	Description	Est. Timing	Comments
Monterey				
Monterey Hotel Expansion 406 Alvarado St. PRI, LLC	24 18 4,611	addt'l hotel rooms apts. (all affordable) sf retail	Partially completed; see comments	Expansion of Monterey Hotel through the block onto Calle Principal; City has approved planning permits and exterior of building has been completed; City awaiting submittal of interior improvements plans for review
Regency Theater 426 Alvarado St. Alpha Beta Investors, LLC	12 569 3,832	apts. (2 affordable) sf retail sf restaurant	On the market; see comments	Remodel and expansion of former Regency Theater; City has approved planning permits; owner has gutted and remediated the interior and is looking to sell property w/ entitlements; once property has been transferred, new owner will need to submit building plans for review
Monterey Market Hall 459 Alvarado St. Foothill Partners	36 13,363	apts. sf retail/restaurant	Plans submitted; see comments	Mixed-use project w/ rental housing above open-stall food market anchored by 2 restaurants; apartment prototypes are 1-bedroom (732 sf) and 2-bedroom (1,092 sf); number of affordable units yet to be determined; City is in the process of reviewing plans and intends to move quickly to entitle the project
Munras Ave. Development Site 595 Munras Ave. Foothill Partners	10 5,600	apts. (all affordable) sf commercial	Plans submitted; see comments	Mixed-use development on former Valero Station site; City has issued demolition permits and site has been cleared; planning application currently under review
300 Cannery Row 300 Cannery Row/258-270 Foam St. William & Daniel Turrentine	11 1,570	condos sf retail	Awaiting regulatory resolution; see comments	Adaptive reuse of Aeneas Cannery w/ parking across rec trail on Foam St.; number of affordable units unknown; project has been tabled at applicant's request while issue w/ State Land Commission is resolved
Ocean View Plaza 480 Cannery Row Cannery Row Marketplace, LLC	38 13 87,362 30,000	condos (all market rate) apts. (all affordable) sf commercial sf restaurant	Litigation pending; see comments	Mixed-use project that has been under development since the late 1990s; project has received planning and EIR approvals from City, community service district approval from City and LAFCO (allows for private desalinization plant), and Coastal Commission approval; developer currently suing Coastal Commission over administrative issues; City does not expect project to proceed within the next 2-5 years
Strangio Apartments 600 Irving Ave. Eugene Strangio	5	apts. (all market rate)	Awaiting regulatory resolution; see comments	Demolition of existing SFR in order to develop 5-unit, 2-story apartment building; project has received planning approval and permits have been extended; currently awaiting resolution of water rights

Appendix D: Planned and Proposed Developments, Monterey Peninsula, August/September 2011 (a) (cont.)

Name Location Developer	Project Size/No. of Units	Description	Est. Timing	Comments
Monterey (cont.)				
2969 Monterey-Salinas Hwy John Anderson & Perry Miller	59,520	sf office	Seeking funding; see comments	2 office buildings w/ commercial condos; City has approved planning permits; project has water and developer is seeking funding; City anticipates that development may proceed within the next 2 years
2 Upper Ragsdale Dr. Community Hospital Partners	66,173	sf office	Unknown; see comments	Core-and-shell office development; City has approved planning permits and is awaiting building permit submittal; water supply remains uncertain, however, and City does not know when and if addt'l rights will be secured
Seaside				
City Center Shopping Center - Parcel F Broadway Ave. & Fremont Ave. The Orosco Group	9,419	sf retail (addt'l)	Unknown; see comments	Last remaining pad of 40,000 sf neighborhood-serving center; developer was in agreement with Fresh & Easy, but tenant pulled out; City is not aware of any new plans to develop and lease this anchor space
Cypress Grove - The Enclave at Monterey Bay General Jim Moore Blvd. & Golf Club Rd. Seaside Resort Development, LLC	125 TBD	SFR lots hotel rooms	Limited residential development as sites are sold; hotel plans under revision; see comments	Developer has completed $14 million renovation of Bayonet and Black Horse Golf Courses to meet PGA standards; project is entitled for 125 single-family residential units w/ golf views and hospitality component; 29 "shovel-ready" lots ranging from 12,000 to 20,000 sf put on market in 2009; only 2 homes have been constructed, City is not seeing any further purchase or development activity; original hotel plan w/ Fairmont fell through, hospitality component is being reworked; revised plan may require supplementary planning efforts
West Broadway Urban Village/ Library & Parking Structure Mixed-Use Catalyst Project Broadway Ave. & Del Monte Blvd. TBD	80 20,000	dwelling units sf retail	Infrastructure plan underway; RFP for catalyst project in 2012; see comments	40-acre planned redevelopment of commercial corridor as mixed-use district w/ residential over ground-floor retail and commercial uses; specific plan and EIR have been adopted; consultant currently under contract to prepare infrastructure design and EIR; City conducting Phase II feasibility study of catalyst project in order update market assumptions and develop phasing plan; City has been approached by interested developers, but will not issue RFP until feasibility study is complete and public financial obligations have been defined; aiming to complete feasibility study in 2011 and issue RFP in 2012; residential unit type will be market-driven pending completion of feasibility study, but is likely to be rental and primarily affordable

Appendix D: Planned and Proposed Developments, Monterey Peninsula, August/September 2011 (a) (cont.)

Name Location Developer	Project Size/No. of Units	Description	Est. Timing	Comments
Marina				
Marina Station Del Monte Blvd. & Lapis Rd. TBD	887 437 60,000 144,000	SFRs apts. sf retail sf office	Unknown; see comments	320-acre region of Armstrong Ranch annexed to the City; Creekbridge Homes took the project through environmental review and a vesting tentative map before backing out; development program listed at left was that established by Creekbridge per the project's specific plan; a new proposal will likely differ according to the current status of the market; any changes will require an amended subdivision map and EIR; the Armstrong Family is currently awaiting new development proposals; City is not aware of any interest at this time
Former Fort Ord				
Seaside				
Projects at the Main Gate Light Fighter Dr. & 2nd Ave. TBD	498,500 61,000 16 250 8,000 24,000 27,000	sf retail sf restaurant movie screens (Alt. A) hotel rooms sf hotel restaurant sf spa sf conference	Unknown; see comments	56-acre site intended as a "resort-style outdoor regional retail and entertainment center;" City has approved specific plan and EIR and project has received FORA consistency determination; specific plan calls for a lifestyle center w/ 491,000 to 559,500 sf retail (including 61,000 sf restaurant) anchored by either 16-screen movie theater or 120,000 sf department store; plan allows for hotel component w/ up to 250 rooms and conference, spa, and restaurant; RDA does not have 100% site control, in the process of negotiating acquisition of final 2-acre strip w/ CSUMB; next step is to issue RFQ/P, on-hold due to uncertainty of RDA funding
Monterey Peninsula Trade & Exposition Center General Jim Moore Blvd. & Eucalyptus Rd. TBD	85,000 40,000 125,000 TBD TBD TBD	sf exhibition sf meeting sf function retail restaurant hotel	Unknown; see comments	City has undertaken 2 feasibility studies demonstrating regional demand for up to 250,000 sf conference center meant to accommodate groups that are too large for existing facilities; project will also include phased development of surrounding commercial district w/ retail, restaurant, and hotel uses; regional working group has been convened w/ local jurisdictions, industry representatives, and other stakeholders in order to discuss regional financing and management options; next step will be to conduct a Phase III study in order to define joint powers mechanism and possible public-private partnership; Phase III study is on hold due to uncertainty of RDA funding

Appendix D: Planned and Proposed Developments, Monterey Peninsula, August/September 2011 (a) (cont.)

Name Location Developer	Project Size/No. of Units	Description	Est. Timing	Comments
Former Fort Ord (cont.)				
Marina				
Cypress Knolls Imjin Pkwy & 4th Ave. Coastal Rim Properties	570 142 60	ownership units apts. assisted living beds	Council selected new developer in late Aug.; construction start Fall 2013	55-plus senior housing project w/ assisted living component and community center; 20% affordable rental units, remainder ownership (percent affordable unknown); project has received entitlements and CEQA approval; City terminated original development agreement in 2008; Coastal Rim Properties selected in Aug. 2011 as new developer; any modifications to project will require addt'l approvals and supplemental EIR work; City expects to fast-track addt'l review; demolition of Army buildings could begin within a year; construction could begin within a year after that
The Dunes on Monterey Bay Imjin Pkwy & Hwy 1 Marina Community Partners (Shea Homes, Pulte/Centex Homes, Shea Properties)	1,237 123 145,000 TBD 10	residential units hotel rooms (boutique) sf retail (addt'l) sf office movie screens	Construction of movie theater and retail/restaurant at Village Promenade to commence in 2012; see comments	Multi-phase planned community w/ residential units, mixed-use lifestyle center w/ movie theater (Village Promenade), office park, and 123-room boutique hotel; no plans for hotel conference space; breakdown between rental and for-sale residential units yet to be determined, but likely to includes apts., live/work, duplexes, and SFRs; prototypes range from 1,500-2,900 sf; 30% affordable, 5% workforce housing (up to 120% AMI) on an overall project basis; project received entitlements and FORA consistency determination in 2005; 380,000 sf retail center opened in 2008; project was was subsequently renegotiated after developer invoked *force majeure* clause; design review for movie theater and 5 retail buildings along Village Promenade complete; developer to submit improvement plans soon; beginning to plan for a small number of residences, but City has not received any building plans; within the next year, developer is required per development agreement to begin development of the retail/restaurant portion of the Village Promenade and achieve certain benchmarks in preparing for the construction of dwelling units
Marina Heights Imjin Pkwy & Abrams Dr. Cypress Marina Heights, L.P. (Chadmar)	760 102 188	SFRs townhouses cottages	299 lots on the market; see comments	Multi-phase, for-sale residential community; prototypes range from 600-1,350 sf for townhouses, 950-1,700 sf for cottages, and 1,600-4,000 sf for SFRs; 20% workforce housing, consisting of townhomes and cottages; project has received entitlements and FORA consistency determination; Army structures have been demolished, sites graded, and major roads and utilities are in place; 299 lots are construction-ready; master developer awaiting interest from homebuilder(s), which City believes will be forthcoming; once lots have been transferred, homes will only require building permits; City estimates that it can turn around approvals in 3-4 months

Name Location Developer	Project Size/No. of Units	Description	Est. Timing	Comments
Former Fort Ord (cont.)				
Marina (cont.)				
Marina Heights Imjin Pkwy & Abrams Dr. Cypress Marina Heights, L.P. (Chadmar)	760 102 188	SFRs townhouses cottages	299 lots on the market; see comments	Multi-phase, for-sale residential community; prototypes range from 600-1,350 sf for townhouses, 950-1,700 sf for cottages, and 1,600-4,000 sf for SFRs; 20% workforce housing, consisting of townhomes and cottages; project has received entitlements and FORA consistency determination; Army structures have been demolished, sites graded, and major roads and utilities are in place; 299 lots are construction-ready; master developer awaiting interest from homebuilder(s), which City believes will be forthcoming; once lots have been transferred, homes will only require building permits; City estimates that it can turn around approvals in 3-4 months
Imjin Office Park - Pads 3 & 4 Imjin Pkwy & 2nd Ave. Imjin Office Park Partners	20,772	sf office	Unknown; see comments	Phased office development led by FORA in conjunction w/ Builders Exchange of Central Coast and Carpenters Local 605; AMBAG was a partner originally, sold its pad to Marina Coast Water District 3 years ago due to financial difficulties; each party owns its own pad and is pursuing development separately; Carpenters have built 9,900 sf building and FORA has built 15,000 sf building (9,000 sf outfitted w/ TIs, 6,000 sf shell only); remaining pads are entitled for 20,772 sf office space total; development will proceed according to BECC's and MCWD's own timelines; FORA is not aware of any project activity at this time
Del Rey Oaks				
The Resort at Del Rey Oaks General Jim Moore Blvd. & S. Boundary Rd. TBD	TBD TBD TBD	hotel rooms dwelling units sf retail	Litigation pending; see comments	Multi-phase hospitality project w/ residential units and ancillary retail; includes 18-hole golf course; project has been without developer since housing market crash; City has been entangled in lawsuit w/ former developer, but dispute is coming to resolution and City is receiving interest from new developers; once developer is selected, project will require entitlements and FORA consistency determination
Unincorporated County				
Monterey Downs Gigling Rd. & 8th Ave. Monterey Downs, LLC	TBD TBD TBD 6,500	hotel rooms dwelling units sf commercial seat horse park	Site under remediation; see comments	Multi-phase planned community w/ residential units, mixed-use town center, hospitality component, and Monterey Horse Park, a commercial venue for equestrian events and training; Army has transferred land to FORA and site is under remediation; FORA plans to convey land to County in 2013, which would then sell it to Monterey Downs; developer has exclusive negotiating agreement, but neither owns the land nor has made a formal project application

Appendix D: Planned and Proposed Developments, Monterey Peninsula, August/September 2011 (a) (cont.)

Name Location Developer	Project Size/No. of Units	Description	Est. Timing	Comments
Former Fort Ord (cont.)				
Unincorporated County (cont.)				
East Garrison Village Residential Rd. & Inter-Garrison Rd. Union Community Partners	780 227 280 113 70 50,000	SFRs townhouses condos/loft apts. live/work ADUs (water permitting) sf commercial	Site work nearing completion; 65-unit affordable project to start pending site completion; see comments	Multi-phase new urbanist residential community w/ town center; prototypes range from 10-34 DU/acre; 20% affordable, 10% workforce housing (up to 180% AMI) on an overall project basis; project has received entitlements and FORA consistency determination; developer has recorded final map for Phase I (1/3 of residential units); 80% of grading and on- and off-site infrastructure has been completed; master developer plans on finishing site work soon, at which point lots will be made available for sale to other parties; Mid-Pen Housing has purchased 1 lot for 65-unit affordable rental project; County is about to issue building permit; construction start is pending completion of site work

Note:
(a) Consists of projects located in the Cities of Del Rey Oaks, Marina, Monterey, and Seaside and in unincorporated areas of the former Fort Ord. A survey of the Cities of Carmel-by-the-Sea, Pacific Grove, and Sand City revealed that there is no major residential or commercial development activity in those jurisdictions at this time.
Source: BAE, 2011.

APPENDIX E: RESEARCH ON ONE-WAY CIRCULATION AND ECONOMIC VITALITY

Literature Review

BAE began this research by reviewing available academic and professional literature on the costs and benefits of changing circulation patterns (see Appendix F for a complete list of studies reviewed). This review indicated that the majority of existing research focuses on how circulation patterns impact traffic safety and levels of service. Little empirical evidence was cited regarding economic impacts of one-way circulation; although two studies did quantify economic performance before and after conversion, both focused on places that have re-converted one-way streets to their historical two-way patterns, rather than vice versa.

A review of these two studies confirmed that such before/after survey methodologies are problematic because they fail to disaggregate economic stimuli from one another in order to identify the relative contribution of street conversion to economic revitalization. In other words, street conversion is just one factor amidst a number of complementary policies, programs, and projects at both the local and regional scales that may lead to an improvement in economic performance. For instance, one report claims that retail vacancy in downtown West Palm Beach, FL dropped from 80 percent to less than five percent after one-way streets were converted to two-way. However, at the same time, the area experienced substantial public and private investment that cannot be tied to the chance in circulation and that were drivers of enhanced economic vitality. Consideration of broader demographic and market trends within the region, which might spur business expansion within the district regardless of the street pattern, also need to be considered.

Case Studies

Due to lack of literature providing a methodology to evaluate the impacts of conversion to one-way street circulation, BAE developed a series of case studies to assess the economic impacts of turning Lighthouse Avenue and Foam Street into a one-way couplet. BAE compiled a national list of commercial corridors in comparable cities that feature one-way couplets (recognizing that no other city has the same combination of unique factors for location, economic base, topography, and existing land use patterns as Monterey and the Lighthouse Avenue area). The City reviewed the list, resulting in selection of a final list of case studies for Sebastopol, Santa Barbara, and Newport, Rhode Island. BAE interviewed planning staff in each locality in order to evaluate the reasons for converting to the couplet model, economic trends within the affected zones, and the degree to which the circulation pattern has impacted those trends. In addition, BAE spoke with the design team behind San Elijo Hills Village Center — the core of a master-planned community in San Diego County that features intersecting couplets — in order to understand the logic behind designing a one-way circulation pattern in a newly developed town center. The complete case study research and findings are presented below.

Sebastopol, California

Downtown Sebastopol (population 7,400) sits at the crossroads of State Routes 12 and 116, which serve as the main arterials for a 50,000-person area stretching from Sonoma Valley to the coast. Downtown is perceived as the "heart of the community," housing a wide array of locally owned specialty shops, region-serving office users, and a small number of residences. As the largest commercial node in western Sonoma County, Downtown Sebastopol serves residents and visitors from throughout the region.

Sebastopol's position as a crossroads has also made it subject to severe congestion. In 1985, an engineering study found that turning SR 116 into a one-way couplet as it passes through Downtown would reduce congestion and delays. The measure was approved by voters. City staff interviewed for this report stated that the change has led to a definite improvement in traffic flow and a reduction in spillover traffic on residential streets running parallel to Downtown. Other side streets, however, have been impacted as motorists attempt to skirt directional restrictions to navigate to their destinations.

The economic impact of this transition, on the other hand, has been largely neutral. Historically, Downtown Sebastopol has been a thriving commercial center with low vacancy rates. Since conversion, those rates have remained low. Sebastopol's position within the West County economy remains the most significant driver of Downtown vitality. The area has seen a limited amount of new mixed-use development and some change in the retail mix. However, the City ascribes these changes to national and regional trends in the geography of retailing, including the loss of general merchandising to peripheral big boxes and the consolidation of specialty retail as a result of changing consumer preferences and regional tourism. Interviewees did not ascribe these changes to the shift in street circulation.

At the same time, there is a concern among some residents and merchants that one-way circulation has made Downtown less friendly to pedestrians and businesses. Merchants have expressed concern that the one-way couplet makes it hard for visitors to navigate Downtown and discourages them from stopping to shop or eat. According to the City, there is a general agreement that "if you have a choice…it's better to have two-way traffic." Nonetheless, there is no formal plan to change the Downtown street pattern.

Santa Barbara, California

Situated along the Pacific Coast, Santa Barbara (population 88,400) is a popular tourist destination and, as the county seat, a center of education, services, and employment. State Street, which runs northwesterly from the beach through the Downtown core, forms the commercial spine of the city.

With over a linear mile of retail and mixed-use development, State Street is both the premier shopping district within Santa Barbara and a significant tourist attraction. While State Street itself features two-way circulation, parallel streets on both sides run one-way in order to accommodate through traffic. These streets, including Chapala and Anacapa, work synergistically with State in order to create a Downtown district that accommodates both pedestrian and automobile traffic. While they are not as vibrant as State Street, they are still examples of successful mixed-use corridors, featuring a blend of multifamily residences and commercial establishments seeking either easy auto access or lower rents.

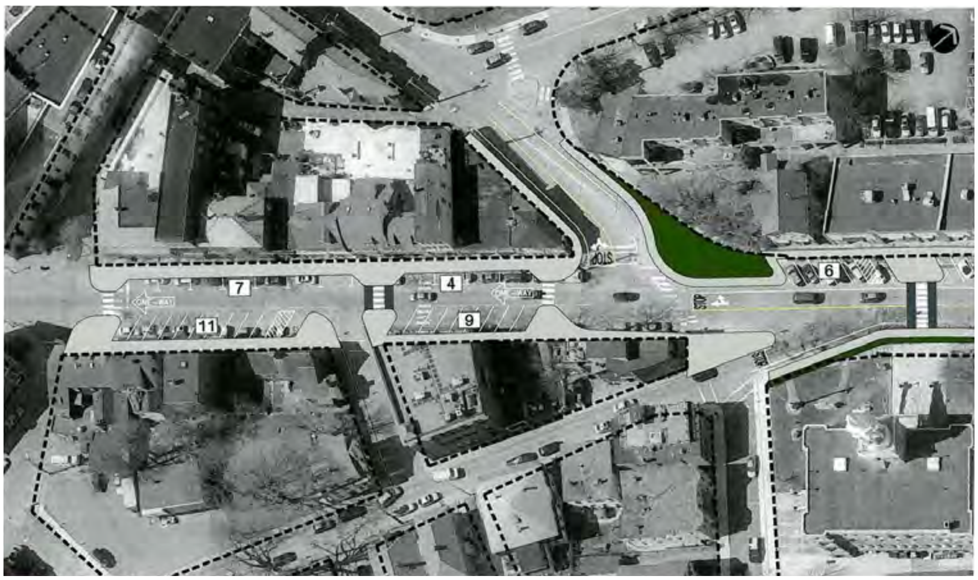
The reconfiguration of Downtown Santa Barbara began in 1969, when local business owners organized in order to stem the exodus of retail activity to a new shopping center that opened closer to Highway 101. In an effort to revitalize the historic commercial core, the City converted Chapala and Anacapa to a one-way couplet in order to move traffic off of State. Since then, the number of average daily trips (ADT) on State Street has fallen to approximately 12,000, while ADT on the two side streets has grown to 16,000 apiece. Four additional streets were converted to one-way circulation in 1974 in order to further reallocate vehicle trips and provide dedicated bike lanes. According to the City, the street grid played a critical role in shifting trips away from State Street in a non-disruptive manner, leading to little opposition from either motorists or residents of adjacent neighborhoods.

This reconfiguration proved highly successful from an economic perspective. While concrete data on changing economic conditions are not available, Downtown Santa Barbara revitalized as the most vital retail node in the city, leading to consistently low vacancies and high rents. Within the last 10 years, local retailers along State Street have been displaced by national chain tenants attracted to strong sales volumes. State Street has also seen a moderate amount of investment in residential mixed-use, resulting from a cap placed on new commercial square footage in 1990 and growth in the regional housing market.

At the same time, Chapala and Anacapa have been able to attract a consistent tenant base among businesses that rely on providing easy access for motorists rather than capturing sales from pedestrians. For example, banks have been attracted to the one-way streets, while restaurants and clothing stores prefer to locate along State. Chapala and Anacapa also attract tenants seeking relatively large footprints and/or lower rents because these streets offer space at about half the price of rents on State Street. Thus, the combination of one-way and two-way streets in Downtown Santa Barbara has created a synergistic commercial environment, providing several distinct niches that have value for different kinds of tenants. The City, however, is hesitant to ascribe all of this success to traffic circulation. The City invested heavily in pedestrian enhancements along State Street itself, reducing the number of travel lanes in each direction from three to one and adding right turn pockets. This freed up 26 feet of sidewalk on each side for vegetation and other streetscape improvements. The City also installed pedestrian crossings at the mid-block that give signal priority to foot traffic. Zoning restrictions have also served to concentrate new retail development in the State Street area. Concurrently, private business owners formed a Downtown parking assessment district, which has funded the construction of 12 garages and surface lots. All of these improvements have combined to enhance Downtown.

Newport, Rhode Island

Newport (population 24,700) is located on the southern tip of Aquidneck Island at the mouth of Narragansett Bay. During the summer months, the city attracts a high volume of tourists due to its beaches, marine history, and mansions dating from the Gilded Age. State Route 114, which is known as Broadway as it nears Downtown, serves as the principal north-south arterial on the island. During the summer, the roadway is extremely congested carrying out-of-town visitors from points north as far away as Boston.



Over the past several decades, retail activity in Downtown Newport has concentrated close to the waterfront along Thames Street, where visitor-serving shops and restaurants, as well national retailers, have thrived on tourist foot traffic. Within the last 15 years, however, Newport locals have begun to shift their attention to Broadway as an alternative commercial corridor with a more “local flavor.” The stretch of Broadway closest to Downtown features mixed-use buildings with residential units over ground-floor restaurants, bars, and specialty shops. Broadway also features a number of civic buildings—including a middle school, City Hall, churches, and historical monuments—that make it a communal center. Broadway’s newfound vitality has even prompted some businesses to relocate from Thames Street.

Since 2004, the City has been investigating ways to spark additional revitalization of Broadway through pedestrian enhancements. One critical component of the City’s plan moving forward will be to convert a two-block segment of roadway known as Southern Broadway to one-way traffic flow in order to accommodate sidewalk bump-outs, raised crosswalks, and diagonal parking. While the City has not conducted a formal economic analysis, it is confident that providing “more space for people…is going to help revitalize some of the businesses.” According to the City’s Planning Director, the Broadway Streetscape and Traffic Calming Improvements Project has enjoyed strong stakeholder support from business representatives, residents, and state and local officials.

San Elijo Hills, California

San Elijo Hills is a master-planned community located in the City of San Marcos in San Diego County. As of 2010, approximately 2,550 of the planned 3,400 residences had been completed. The community features a 90-acre Village Center designed by Calthorpe Associates, which includes two public schools, a 20-acre commons, 180 urban-style dwelling units, and 130,000 square feet of mixed-use commercial space, 50,000 square feet of which are occupied by an Albertsons supermarket. The Village Center sits at the crossroads of San Elijo Road and Elfin Forest Road, two arterials that connect the development to the centers of San Marcos, Escondido, and all points west.

Average daily trips (ADT) through this intersection were expected to climb to over 35,000 as a result of development. The design team, concerned that such high traffic volume of traffic would result in wide, pedestrian-unfriendly streets, created a system of intersecting one-way couplets. This scheme allowed the designers to cut the roadways down from four lanes to two. They used the excess right-of-way to widen the sidewalks, shorten crossing distances, and make other pedestrian enhancements. The design also accommodated free left-turn lanes, thus reducing delays for motorists passing through the Village Center on their way from one arterial to the other. Finally, splitting the roadways into couplets created a series of interior blocks that could establish a more urban feel.

The idea was initially unpopular within design circles. Calthorpe received push-back from members of the New Urbanist community, who worried that one-way couplets would encourage speeding and undermine place-making attempts. In their view, however, the couplet design was preferable to the alternative model of high-volume thoroughfares that meet at a large intersection with long delays. The idea was: “We’ve got the people, but they’re all in their cars. How can we get them out of their cars?” In this manner, the design was partially fueled by the sense that one-way couplets would help slow traffic, establish a pedestrian-friendly environment, and ultimately create a vibrant node of neighborhood-serving retail and office uses.

Calthorpe Associates believes that the intersecting couplets in the San Elijo Hills Village Center represent an unqualified improvement over the alternative. They report that the central commons has proven very popular among residents, who view it as a civic gathering space that can easily coexist with a major interchange between arterials. The ability of the Village Center to attract and retain residents has made it increasingly easy for Calthorpe to convince developers of the merits of the intersecting couplet model as a means of promoting economic vitality. Since developing San Elijo Hills, the firm has incorporated the design into several other master-planned communities, though the firm stresses that the configuration is intended for intersecting arterials in particular and may not be appropriate in other contexts.

Summary of Findings

Among the places surveyed, one-way couplets are most often seen as a strategy for both reducing congestion and while maintaining economic vitality. However, none of the interviewees indicate that one-way circulation is inherently beneficial by itself, to commercial activity. Rather, one-way couplets are often employed in order to dedicate a higher proportion of the right-of-way (ROW) to sidewalks, café seating, street trees, and parking; in other words, to make the corridor more pedestrian-friendly. Several interviewees indicate that what makes a commercial corridor economically successful is the quality of the public realm. One-way circulation relates to this process by allowing shorter crossing distances and dedicated ROW to streetscape improvements.

This logic can be seen in three of the case study cities, Newport, San Elijo Hills, and Santa Barbara. Narrowing streets in order to widen sidewalks enjoys strong support from the business community in Newport and the developer in San Elijo Hills. In Downtown Santa Barbara, where the City established one-way couplets on both sides of State Street in order to move traffic off of the main retail corridor, a portion of the ROW became available for pedestrian enhancements and features to increase street safety. In this way, couplets can be used synergistically with a two-way commercial corridor in order to accommodate both foot and auto traffic within a given zone. While rents are lower along the one-way streets that flank State, the combined one-way/two-way model effectively creates complementary niches that can accommodate a range of businesses with different needs and concerns. While restaurants and apparel stores, for example, cluster along State Street in order to take advantage of the foot traffic, adjacent Chapala and Anacapa Streets are more attractive to office users, banks, food stores, and other retailers seeking easy automobile access, larger footprints, and/or lower rents.

The case studies also confirm that the economic vitality of a retail district is driven by multiple factors. In Santa Barbara, for example, Downtown business owners have used a parking assessment district to finance the construction of 12 garages and surface lots, which have proven critical to attracting shoppers. The City's zoning restrictions have also helped limit the development of new retail areas, and instead focused new development to the State Street area. Downtown Sebastopol, on the other hand, has seen a concentration of specialty retail stores that make it an appealing place for tourists to stop and walk around. The City, however, ascribes this shift to changing dynamics in the regional economy and tourism industry of the Bay Area, as well as shifting consumer preferences. It should be noted that there is actually a concern among merchants in Downtown Sebastopol that the couplet model creates confusion among visitors, who might be discouraged from trying to navigate the area, even though the overall performance of the downtown area is considerably stronger than prior to the conversion.

APPENDIX F: LIST OF PLANS AND STUDIES REVIEWED

One-Way vs. Two-Way Circulation

Baco, Meagen Elizabeth. *One-Way to Two-Way Street Conversions as a Preservation and Downtown Revitalization Tool: The Case of Upper King Street, Charleston, South Carolina*. May 2009.

HWS Consulting Group. *NP and 1st Avenue North Corridor Development Plan – Economic Impact Analysis*. September 13, 2010.

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Other Documents

City of Monterey. *Housing Element 2009-2014*. July 7, 2009.

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Dean Runyan Associates. *California Travel Impacts by County, 1992-2009 – 2010 Preliminary State & Regional Estimates*. April 2011.

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Slavik Group and WR&D. *Downtown Monterey Retail Market Assessment and Repositioning Strategy*. October 12, 2010.

Strategic Market & Research, Inc. *Monterey County Convention and Visitors Bureau – Visitor Profile Research*. July 2009.