MEMORANDUM

To: Ron Sissem, EMC Planning Group, Inc.

From: David Zehnder and Jesse Walker

Subject: Greenfield Walnut Avenue Specific Plan Market Evaluation and Strengths, Weaknesses, Opportunities, Threats Analysis; EPS #20477

Date: December 17, 2010

The Economics of Land Use

Introduction

Economic & Planning Systems, Inc., (EPS) has been working with JNM Company Commercial Real Estate, EMC Planning Group, and the City of Greenfield (City) to prepare a Market Evaluation and Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis for the Walnut Avenue Specific Plan (Project). The Project is located at the northeast corner of U.S. Highway 101 and Walnut Avenue in the City. The Project has been proposed as a site to accommodate a significant amount of commercial/retail uses to serve both the local community, as well as potentially harnessing the spending power of the surrounding regional population in South Monterey County, which includes the Cities of Soledad, Gonzales, and King City.

Summary of Findings and SWOT Analysis

The major conclusions from EPS's economic/market analysis as they pertain to SWOT related to the Project are as follows.

Strengths

- **Location.** The site's location and configuration is perhaps its greatest asset. It is sufficiently large to accommodate large-scale development, is located within City limits and centrally located in the southern Monterey County Region, and has good proximity to surrounding residential population. In addition, the site is well-

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located along the Highway 101 corridor with excellent freeway frontage, high visibility, and good vehicular access. These characteristics are attractive to retailers and are greatly beneficial for commercial development sites to have:

- **Local Retail Leakage:** The Project will be well-positioned to cater to the underserved "captive audience" of Greenfield residents, which is estimated at approximately **130,000 square feet** of unmet supportable retail demand.
- **Regional Retail Leakage:** The site may be able to capture the currently underserved regional retail market, which is estimated to have an approximate 200,000-square-foot shortfall. If Greenfield can capture 25 percent of this demand (which roughly approximates its proportionate share in population), an additional **50,000 square feet** of retail demand could be absorbed in the City.
- **Future Growth-Based Demand.** Strong growth is projected for the next 25 years in Greenfield and the South Monterey County Region. Based on conservative population projections, EPS has estimated that Greenfield residents will increase local-serving (neighborhood/commercial) retail space demand to approximately **135,000 square feet** (or 12.4 net acres) by 2035. By including an achievable share of the growth related to regional retail demand of Soledad, Gonzales, and King City residents, an additional **125,000 square feet** (or 11.5 net acres) could be supported. **Table 1** below summarizes all components of demand as they pertain to the Project.

Table 1—Summary of Retail Demand

Item	Sq. Ft.	Net Acres [1] (.25 FAR)
Existing Leakage (2010)		
Neighborhood/ Community Retail	130,000	11.9
Regional Retail	50,000	4.6
Total	**180,000**	**16.5**
Growth-Based Demand (2035)		
Neighborhood/ Community Retail	135,000	12.4
Regional Retail	125,000	11.5
Total	**260,000**	**23.9**
Grand Total Leakage and Growth (2035)	**440,000**	**40.4**

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[1] A typical net-to-gross ratio would be 85%, subject to planning and engineering analysis, implying that required acreage would exceed net acres by 15%.

- **Financing/Development Capability.** The site has several other positive qualities that will enhance its ability to be developed. These include good topography and soils, no apparent flooding issues, cooperative and patient landowner(s), and its location in a Redevelopment Area, which allows the possible use of Tax Increment funds to offset potential feasibility issues.

Weaknesses

- **Poor Real Estate Market.** Broad economic conditions and local real estate market fundamentals are in Greenfield, reflecting a larger trend throughout the United States associated with widespread jobs losses, failing consumer confidence, and reduced household spending. Lease rates at retail centers have been seen to fall by 30 to 40 percent across the country, and vacancy rates have skyrocketed, which is a trend that has been apparent in Greenfield and the entire South Monterey County Region.

- **Financial Feasibility.** Achieving lease rates that are high enough to offset the cost of construction and development will likely be challenging, given broader economic fundamentals and a weak real estate market. Current lease rates in Greenfield range from approximately $6.00 to $16.00 per square foot per year. To be financially feasible, the Walnut Avenue shopping center would need to command lease rates closer to $20.00 to $22.00 per square foot, which is unlikely in the current market but could be fostered by luring one or more quality anchor tenants to catalyze subsequent development and leasing activity. Some form of financial participation from the City is another method by which the feasibility prospects for the Project can be improved.

- **Current Population and Socio-Economics.** The current population in Greenfield is fairly small, at 18,000 residents. This population is characterized by some unfavorable socio-economic conditions, such as high unemployment, high poverty rates, and low education levels, as compared to the rest of Monterey County and California overall.

- **Low Performing Existing Retail Space.** The El Camino Real Corridor is estimated to include approximately 250,000 occupied square feet of existing retail/commercial space, much of which is underutilized or substandard. This space has demonstrated average annual sales rates around $150 per square foot[1] (compared to standard retailers who typically average $350 per square foot), indicating its relatively poor market performance.

- **Lack of City Identity.** Greenfield is not known as a retail center and lacks a particular notoriety or distinction as a locale. Although on its face, this may be considered a "weakness," it also presents an opportunity for Greenfield to carve out an identity without having negative perceptions or preconceived notions to contend with. Other nearby cities have begun to market themselves as tourist magnets, wine destinations, and emerging centers for agricultural innovation, which is a trend that Greenfield can work to capitalize on.

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[1] This statistic was derived by dividing the estimated annual retail sales in Greenfield by the amount of known occupied retail square footage in the City.

Opportunities

- **New Shopping Options.** Because the existing shopping options in Greenfield are very limited, and leakage is known to persist, there is potential to add a new shopping center with options not currently offered in the local marketplace. Examples include a "lifestyle"-type open air shopping center, grocery store, entertainment or cultural facilities, and potentially a superstore (catering to regional population), etc. Positioning such development to serve the unique local demographics is an additional opportunity that should not be overlooked. A goal would be to combine the functionality of a discount retail center with a "main street" environment, providing an enjoyable walking and shopping experience appealing to locals and outside visitors.

- **Underserved Market Niches.** Offering a unique market niche (not currently found in the marketplace) may help increase capture and bolster the success of any retail development constructed at the site. A Hispanic marketplace concept has been identified as a potential opportunity to capitalize on a compelling and unique demographic environment.

- **Additional Uses.** The considerable size of the site is large enough to allow for a combination of other uses, potentially including civic/cultural uses, residential, light industrial, recreational, etc. The site could be combined with an entertainment venue with possible association with local music/performing arts groups and other special events. This will help to raise the stature of the site and establish cross-functionality (i.e., patronize shopping opportunities before/after events). Additional opportunities include hotel development (likely a small, limited service type, perhaps with a combination meeting/conference facility included as part of a public/private development approach) and possibly the introduction of residential uses containing a mix of market rate and affordable units.[2]

- **Signage.** A prominent signage program used to capture additional shoppers and travelers from Highway 101 could further bolster the success of the site.

- **Cooperation with Other Regional Amenities.** The site has the potential to partner with the Airfield project to increase synergy and cross-marketing opportunities.

Threats

- **Continued Deterioration in Retail Spending.** If further deterioration in overall economic conditions causes additional impacts on consumer spending, it could have negative implications on the ability for retail development to occur.

- **Other Cities/Entrance to Market.** If another well-located site in another city is brought to market before Walnut Avenue, a large portion of the regional demand will be absorbed, making it less feasible to develop large-scale regional retail in Greenfield. The approved Soledad Village Lifestyle Center in Soledad could present such a scenario if constructed

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[2] Further study is required to assess the viability and type/magnitude of any such development prospects.

before the Walnut Avenue site. Greenfield's location may be less advantageous geographically to compete for regional spending among consumers located to the north, who are closer to Salinas, Monterey, and other shopping options.

- **Urban Decay.** Development of additional retail at the Project site may present the potential to weaken the El Camino commercial core. Tenanting strategies should be mindful of avoiding head-on competition in this regard.

Market Study Purpose and Regional Context

This study is meant to provide guidance regarding future development at the Walnut Avenue site, which has the potential to add a significant amount of retail/commercial space and provide new and unique economic development elements to the City's inventory. An effort to ready the site for development includes creation of a specific plan, and this memorandum evaluates the site's potential for retail/commercial development, given prevailing market conditions.

The Project is located at the northwest corner of Walnut Avenue and Highway 101 at the northern end of Greenfield. The City is situated fairly centrally in the South Monterey County Region, which includes the Cities of Soledad, Gonzales, and King City (see **Map 1**). The larger urban center of Salinas is located approximately 35 miles north of the City along Highway 101. The Monterey Peninsula, which includes the Cities of Marina, Monterey, Sand City, and Del Rey Oaks, are also within an hour's drive from Greenfield and also include a significant amount of employment, retail, and tourism/recreational amenities. These cities provide a large portion of the area population's regional shopping opportunities, which are not found in the South Monterey County Region.

The Monterey County Region's economy is driven by the agriculture sector, which represents more than $3 billion in annual output. Tourism has also emerged as an additional economic giant in Monterey County—with the popular attractions of the Monterey Bay Aquarium, Cannery Row, Fisherman's Wharf, Pebble Beach golf resorts, the Laguna Seca Raceway and Recreational Area, and others—bringing nearly $2 million in annual spending. Food tourism and wine production have provided additional appeal and visitor attraction.

Socio-Economic Profile

Greenfield's economy is primarily influenced by the agricultural sector, with high annual production of vegetables and salad crops and with additional output in wine and cattle production. The socio-economic makeup of its population is characterized by many of the troubles associated with agricultural economies, such as low per capita income, high unemployment, and a fairly high instance of poverty. These attributes are consistent with the populations in surrounding cities and other agriculturally dominated regions such as California's Central Valley. **Table 2** provides a summary of the residential population, households, and other demographic indicators contained in the City as of 2010. These statistics were compared to those for the surrounding Cities of Gonzalez, Soledad, and King City, as well as for Monterey County (County) as a whole and the State of California (State). Key observations are listed below:

Map 1
Greenfield - Walnut Avenue Specific Plan Market Analysis
Regional Map

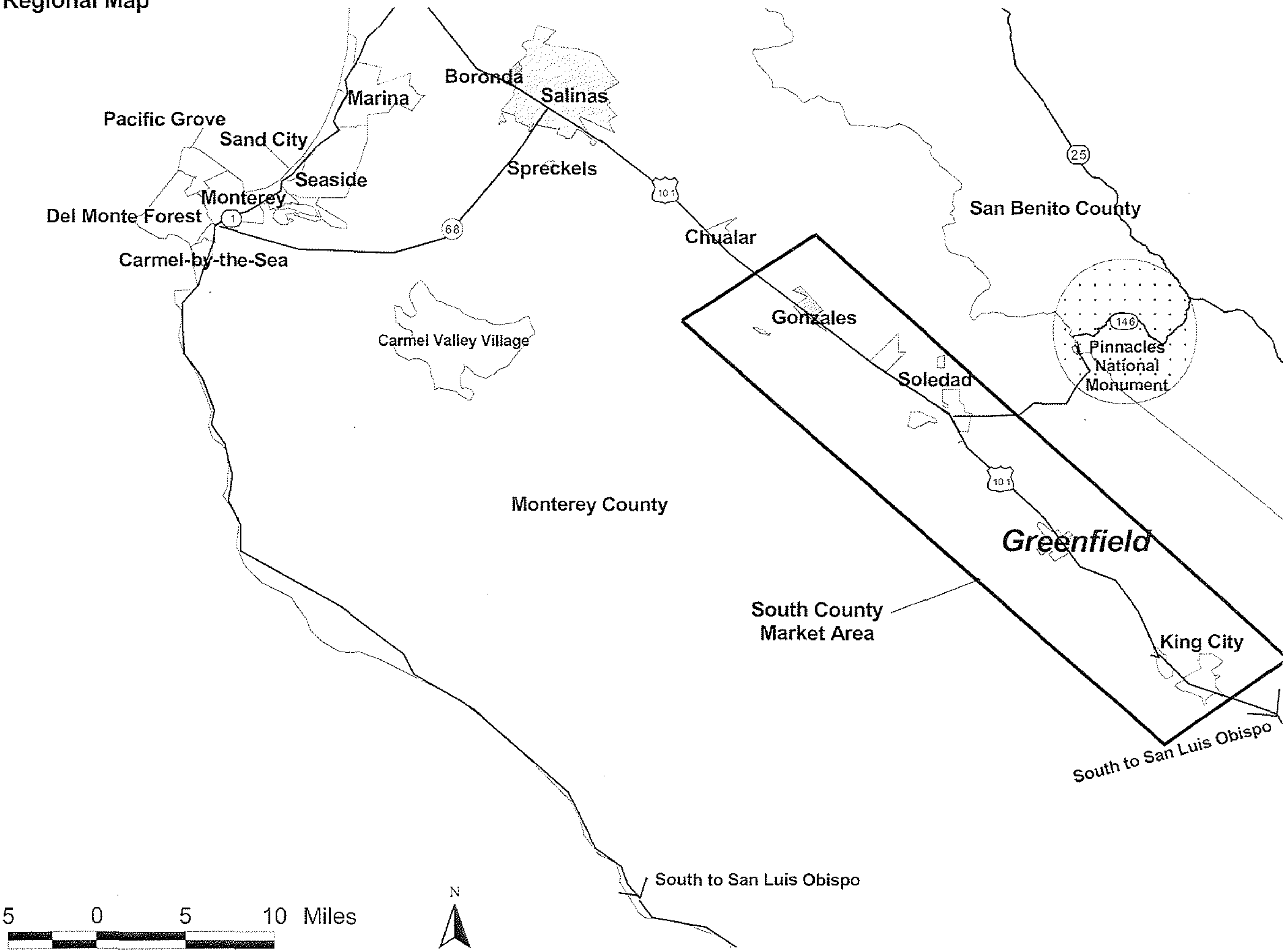

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Table 2
Greenfield Market Analysis
Social Indicator Summary, 2010

Item	Greenfield	Gonzales	Soledad	King City	Monterey County	California
Population	15,451	8,580	15,139	11,934	419,756	37,853,430
Households						
Number of Households	3,255	1,955	3,314	2,952	124,354	12,653,856
Persons per Household	4.74	4.37	4.55	4.02	3.38	2.99
Median Owner Occupied Housing Value	$227,890	$273,918	$264,119	$221,832	$412,130	$359,882
Income						
Median Household Income	$46,286	$57,833	$56,710	$42,315	$61,233	$62,401
Average Household Income	$53,939	$73,905	$67,291	$56,878	$80,451	$84,690
Per Capita Income	$11,469	$17,010	$15,442	$14,270	$24,698	$28,699
Tenure of Occupied Housing Units						
Owner Occupied	53.9%	54.1%	57.2%	45.9%	52.5%	57.4%
Renter Occupied	46.1%	45.9%	42.8%	54.1%	47.5%	42.6%
Education Level						
Non-High School Graduate	64.1%	47.9%	57.3%	54.5%	29.6%	19.8%
High School Graduate	18.0%	22.6%	16.6%	18.8%	21.0%	21.6%
Some College (non-bachelor's)	13.8%	20.0%	21.1%	17.3%	26.2%	29.1%
Bachelor's Degree Or Higher	4.2%	9.5%	5.1%	9.4%	23.2%	29.5%

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Sources: Claritas and EPS.

- As shown, the average persons-per-household in Greenfield is 4.74, which is substantially larger than the County (at 3.38) and the State (at 2.99).
- The Greenfield median home value for owner-occupied homes is $228,000, which is approximately 37 percent lower than the State average and 45 percent lower than the County average.
- The median per capita income is $11,500, which is 60 percent lower than the State average and 54 percent lower than the County average.
- Greenfield has a fairly healthy rate of homeownership at 54 percent, which is slightly higher than the County average.
- The share of residents that have not graduated high school is very high at 64 percent, as compared to 30 percent in the County and 20 percent in the State.

Table 3 shows the ethnic makeup of the City and the surrounding region. As shown, Greenfield's population is 90 percent Hispanic or Latino, and nearly 85 percent are of Mexican heritage. This is fairly similar to the surrounding cities in the region, although Greenfield demonstrates the highest Hispanic/Latino percentage of all cities in the region. This unique demographic trait should not be overlooked when considering the Project's eventual use and potential market positioning. In fact, catering to this population by creating a Hispanic-themed marketplace or other retailer is a potential opportunity to serve a "captive audience" whose needs may not be fully met with current retail offerings. In addition, higher income tourists are increasingly attracted by authentic "experiential" retailing concepts that could be offered in the Hispanic theme. Potential examples include authentic eateries, events, handmade crafts, etc.

Population and Growth Projections

The degree to which Greenfield and the surrounding region grows in the future will have a distinct bearing on the supportable commercial square footage in the City. EPS has assessed growth projections to understand the likely growth potential of the City and surrounding geographic areas. **Table 4** shows historical population in the County and its constituent cities over the past 10 years. As shown, Greenfield demonstrated the highest annual growth rate of all cities, at 3.5 percent. This growth rate is much stronger than the overall countywide average, which has been observed at an average of 0.8 percent average annual growth since 2000.

Tables 5 and **6** show projected population and household growth to 2035 as estimated by the Monterey Bay Area Association of Governments (AMBAG). As shown, Greenfield is expected to continue to display strong growth rates into the future (averaging 2.2 percent per year for population and 2.6 percent per year for households), and the population is projected to grow by approximately 12,500 residents to reach more than 30,000 by 2035. The population of the four-city region consisting of Greenfield, Gonzales, King City, and Soledad are projected to grow by 49,000 to reach 120,000 during this same time period.

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Table 3
Greenfield Market Analysis
2010 Hispanic or Latino Population by Origin

Item	Greenfield		Gonzales		Soledad		King City		Monterey County		California	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Not Hispanic or Latino	1,545	10.0%	1,332	15.5%	1,840	12.2%	1,826	15.3%	193,512	46.1%	23,807,087	62.9%
Hispanic or Latino:												
Mexican	13,094	84.7%	6,762	78.8%	12,583	83.1%	9,450	79.2%	208,853	49.8%	11,718,806	31.0%
Puerto Rican	18	0.1%	40	0.5%	29	0.2%	26	0.2%	1,926	0.5%	178,659	0.5%
Cuban	2	0.0%	3	0.0%	2	0.0%	9	0.1%	360	0.1%	82,692	0.2%
All Other Hispanic or Latino	792	5.1%	443	5.2%	685	4.5%	623	5.2%	15,105	3.6%	2,066,186	5.5%
Subtotal Hispanic or Latino	**13,906**	**90.0%**	**7,248**	**84.5%**	**13,299**	**87.8%**	**10,108**	**84.7%**	**226,244**	**53.9%**	**14,046,343**	**37.1%**
Total	**15,451**	**100.0%**	**8,580**	**100.0%**	**15,139**	**100.0%**	**11,934**	**100.0%**	**419,756**	**100.0%**	**37,853,430**	**100.0%**

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Source: Claritas Demographic Snapshot 2010 Report.

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Table 4
Greenfield Market Analysis
Monterey County Historical Population (2000-2010)

Item	Year 2000	2005	2006	20007	2008	2009	2010	Total Nominal Growth (2000-2010)	Avg. Annual Growth (2000-2010)
Monterey County									
Carmel-By-The-Sea	4,081	4,085	4,043	4,025	4,027	4,028	4,053	(28)	-0.1%
Del Rey Oaks	1,650	1,646	1,626	1,617	1,619	1,630	1,649	(1)	0.0%
Gonzales	7,564	8,391	8,472	8,683	8,756	9,007	9,114	1,550	1.9%
Greenfield	***12,648***	***13,343***	***15,363***	***16,524***	***17,223***	***17,512***	***17,898***	5,250	***3.5%***
King City	11,204	11,418	11,350	11,447	11,790	11,999	12,140	936	0.8%
Marina	18,925	19,030	18,855	18,838	19,067	19,224	19,445	520	0.3%
Monterey	29,696	30,438	30,052	29,951	29,176	29,187	29,455	(241)	-0.1%
Pacific Grove	15,522	15,512	15,332	15,349	15,391	15,506	15,683	161	0.1%
Salinas	142,685	149,543	148,603	148,632	150,096	152,285	153,948	11,263	0.8%
Sand City	261	302	301	300	298	312	329	68	2.3%
Seaside	33,097	33,962	33,451	33,183	34,024	34,175	34,628	1,531	0.5%
Soledad	23,015	27,349	28,105	28,260	27,814	28,016	27,929	4,914	2.0%
Unincorporated	101,414	106,003	105,138	105,375	107,071	108,160	109,607	8,193	0.8%
Total	**401,762**	**421,022**	**420,691**	**422,184**	**426,352**	**431,041**	**435,878**	**34,116**	**0.8%**

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Source: California Department of Finance (DOF) E-5 City/County Population and Housing Estimates, January 1, 2010.

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Table 5
Greenfield Market Analysis
Population Projections (2005-2035)

Item	Year 2010	2015	2020	2025	2030	2035	Total Growth (2010-2035)	Avg. Annual Growth (2010-2035)
Monterey County	445,309	466,606	483,733	499,341	515,549	530,362	85,053	0.7%
Greenfield	17,795	19,090	21,855	24,912	27,348	30,337	12,542	2.2%
Gonzales	10,831	13,304	15,969	18,199	20,941	23,418	12,587	3.1%
King City	13,540	15,392	17,269	19,295	22,482	24,726	11,186	2.4%
Soledad	28,853	31,115	33,760	36,392	38,801	41,405	12,552	1.5%
Subtotal 4-City Region	71,019	78,901	88,853	98,798	109,572	119,886	48,867	2.1%

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Source: AMBAG Monterey Bay Area 2008 Regional Forecast.

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Table 6
Greenfield Market Analysis
Household Projections (2005-2035)

Item	Year 2010	2015	2020	2025	2030	2035	Total Growth (2010-2035)	Avg. Annual Growth (2010-2035)
Monterey County	147,221	156,061	162,857	169,933	176,236	182,082	34,861	0.9%
Greenfield	3,700	4,287	4,987	5,688	6,388	7,089	3,389	2.6%
Gonzales	2,512	3,104	3,695	4,287	4,879	5,471	2,959	3.2%
King City	3,470	4,055	4,639	5,224	5,808	6,393	2,923	2.5%
Soledad	4,066	4,684	5,303	5,922	6,540	7,159	3,093	2.3%
Subtotal 4-City Region	13,748	16,130	18,624	21,121	23,615	26,112	12,364	2.6%

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Source: AMBAG Monterey Bay Area 2008 Regional Forecast.

- Growth implications at historical growth rates observed over the past 10 years (3.5 percent annually) would yield population growth of 24,000 residents over the next 25 years, for a total population of 42,000 in 2035, as shown below. This growth rate generally conforms to that found in the City's General Plan (published in 2005), which projected a population of 36,000 by 2025.

	City of Greenfield	
	Average Annual Growth Rate	**Projected Total Population 2035**
AMBAG	2.20%	30,000
Historical Growth Rate	3.50%	42,000

The retail demand calculations used in this study rely on AMBAG projections, which may prove to be conservative. If higher growth rates in Greenfield and the region are achieved, it will further strengthen the Project and its ability to serve the growing retail market.

Retail Market Analysis

Summary of Previous Reports

EPS has reviewed and evaluated several previously conducted reports that pertain to the economic conditions and prospects for commercial real estate in Greenfield. Although these studies were conducted several years ago and many changes have since occurred in the real estate markets and broader economy, these reports are useful because they provide a reasonable basis for assessing the potential for commercial retail development in Greenfield. EPS has used these reports as a "starting point" to conduct additional leakage and retail demand analysis in subsequent sections of this report.

A summary of the salient points from each report is included in **Table 7**. Essentially, these studies estimate potential unserved retail demand ranging from 100,000 to 150,000 and contend that retail demand supported by population growth could range from 300,000 to 450,000 over the next 25 to 35 years. These reports and materials are generally consistent with EPS's assessment of retail leakage and commercial demand calculations, which are described in more detail in the following sections.

Impact of Recession on Retail Development

After the release of the above-referenced reports, significant and fundamental changes have occurred that impact the national economy and filter down to retail dynamics at the local level. The so-called "Great Recession" has significantly reduced disposable income and household spending. The impact this dynamic has had on commercial real estate is profound, as many retailers have been forced to close their doors, vacancy rates have skyrocketed, and lease rates have been pushed to levels that are significantly lower than they were before the crash:

- Consumer confidence experienced a sharp decline in mid-2007, from which it has yet to fully recover, although recent data has given some reason for cautious optimism (see **Figure 1**).

Table 7
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Summary of Major Conclusions from Previous Consultant Reports Pertaining to Greenfield

Report Title	Firm	Year	Major Conclusions
Greenfield Retail Site Determination	Buxton	2006	-This study evaluated the geographic area pertaining to a 20-minute drive of the Walnut Ave. site, which included an estimated 10,500 households. -Estimated $421 million in annual spending from consumers within this trade area (arrayed among various spending categories).
Greenfield Market Analysis	Applied Development Economics (ADE)	2007	-Estimated that retail leakage can support 33,000 to 46,000 sq. ft. of retail from the local Greenfield market (2007). -Including the entire regional market, estimated 78,000 to 104,000 sq. ft. of retail that is supportable from leakage. -Population growth from 2005 to 2030 will lend support for "Local" demand for community commercial (with Hispanic-themed market) ranging from 110,000 to 143,000 sq. ft. -Including regional demand, future retail demand square-footage ranges from 332,000 to 425,000.
Soledad Plaza Shopping Center Economic Impact Analysis	Bay Area Economics (BAE)	2007	-Estimates $349M in leakage among entire Trade Area (not including Automotive and other select categories). -Trade Area is characterized by very large households, a high proportion of Latinos, moderate household incomes (but low per capita incomes), chronically high unemployment and limited job growth.
Comprehensive Economic Development Strategy for the South Monterey County Region	Applied Development Economics (ADE)	2003	-Evaluated economic development prospects for the South Monterey County Region, which includes the cities of Greenfield, Gonzales, King City, and Soledad, as well as smaller communities in the unincorporated area. -Study includes a host of informative demographic and economic information, which is summarized below: -More than 40% of jobs in South County are in agriculture or food processing. -The population of the region is approximately 85% Hispanic. -Unemployment above 20% in 2003.

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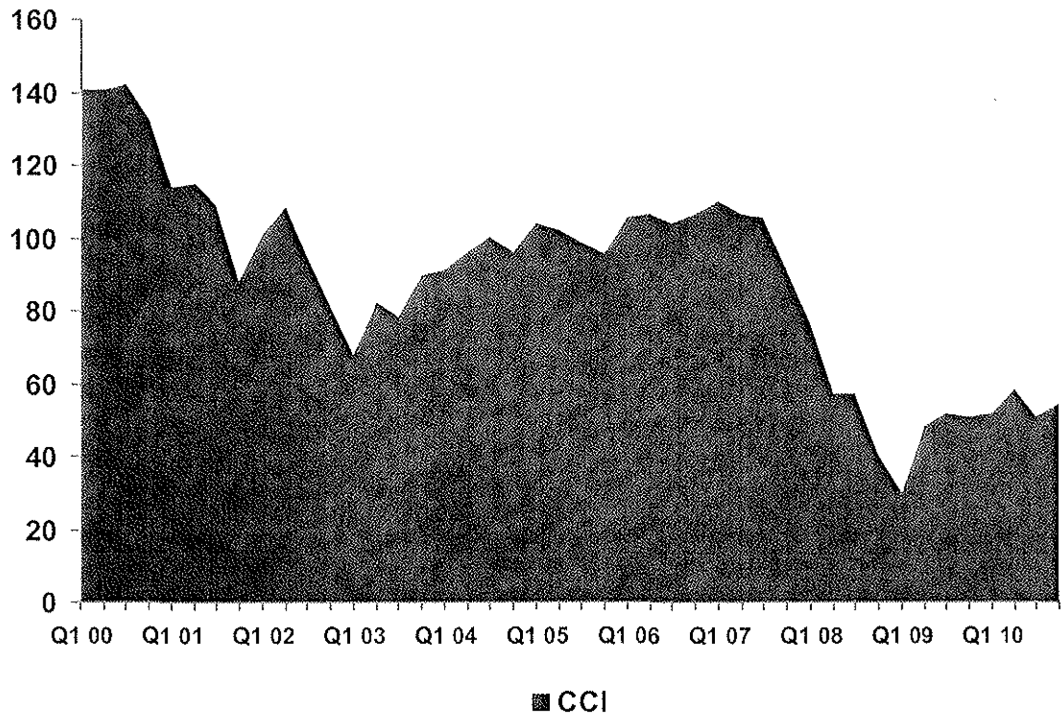
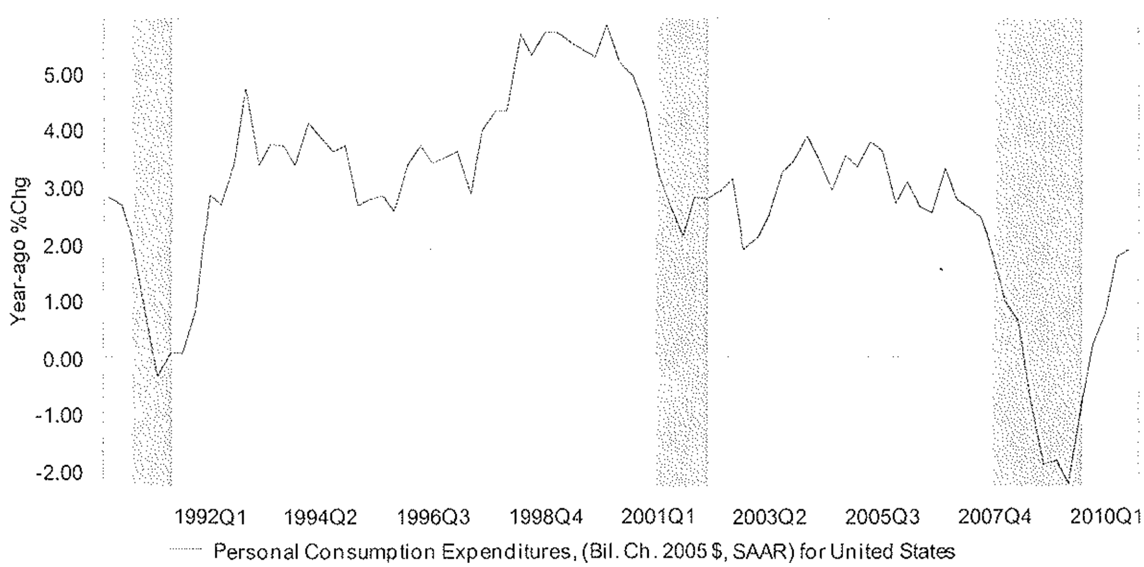
Prepared by EPS 12/17/2010

Figure 1—Consumer Confidence Index: 2000–2010



Some recent data indicates that consumer spending may be rebounding, although it is too early to tell whether this is a sustained trend or merely a short-term phenomenon. **Figure 2** below shows the percentage change in consumer spending in the United States from 1992 to 2010.

Figure 2—US Personal Consumption



Commercial Real Estate Market Performance Indicators

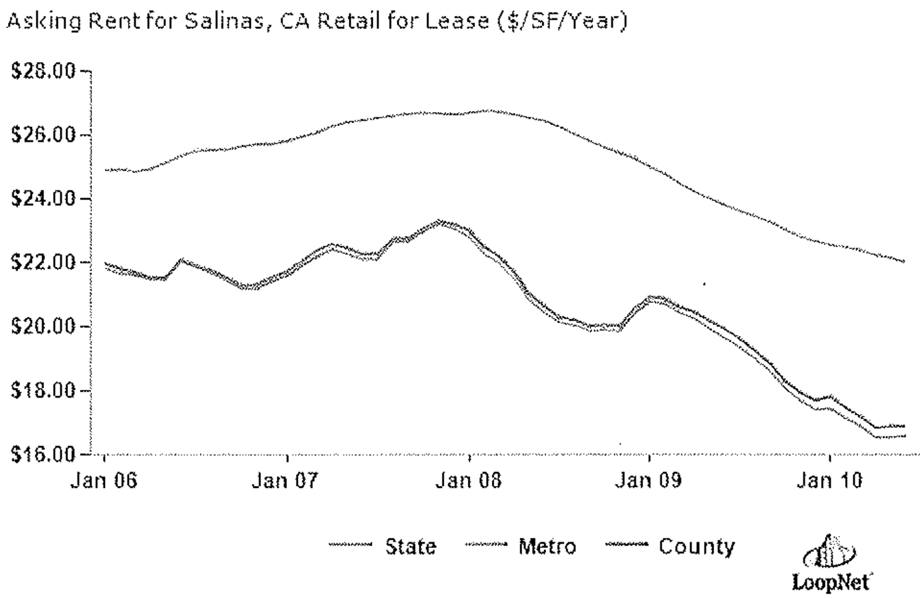
There is very little available data with which to analyze the commercial real estate markets in Greenfield and the surrounding cities because the volume of sales and leasing in these cities is quite small, and records of the transactions often do not occur in traditional media. Nonetheless, EPS has used available information to assess the performance of retail real estate in Greenfield.

Lease Rates

As shown in **Table 8**, asking lease rates for retail space in the South Monterey County Region average just more than $1.00 per square foot per month, with lease rates in Greenfield ranging from $0.75 to $1.40. It should be noted that the two projects that are recent to the market command much stronger lease rates, averaging $1.75 per square foot for this "high-end" space with new construction, good highway visibility, and other quality features.

Figure 3 below shows the dramatic drop in asking lease rates that the County has experienced in the past 2 to 3 years. Currently, retail lease rates in the County average approximately $17.00 per square foot per year, which is substantially lower than the statewide average.

Figure 3



Vacancy Rates

Like much of the State, the region has been plagued by high vacancy rates in the commercial real estate sector, as consumers have reigned in spending and many retailers have been forced to close their doors.

However, the County has weathered this economic storm better than many areas in the State, and the Greenfield market in particular has been characterized with relatively strong occupancy rates (however the strength of the market is buoyed by low lease rates). Based on information provided by the City, Greenfield is experiencing overall vacancy rates around 10 percent, which is much better than those experienced in many other parts of the State.

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Table 8
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Commercial Real Estate Listings Regional Market Area

Listing	Location	Sq. Ft.	Lease Rate (per sq. ft. per month)	Description/ Notes
Greenfield				
Santa Lucia Square	500 - 598 Walnut Avenue	10,882	$1.00 to $1.40	
St. Charles Place	110 South El Camino	5,790	$0.75	Mixed use development; apartments over retail.
Subtotal/ Average Monterey		**16,672**	**$0.98**	
Soledad				
Soledad Mission Shopping Center	2149 Delarosa Sr. Street	8,025	$1.00 to $1.50	Divisible to 1,000 square feet
Soledad Village Shopping Center	Las Coches Drive & Nestles Road	60,000	n/a	Unbuilt (approved) shopping center. Lease rate negotiable.
Subtotal/ Average Soledad		**68,025**	**$1.25**	
Gonzales				
Gonzales Shopping Center	851 5th Street	1,600	$1.00	
Subtotal/ Average Gonzalez		**1,600**	**$1.00**	
King City				
1011 Broadway	1011 Broadway	5,450	$0.90	Divisible to 900 square feet
The Forum at Broadway	1301 Broadway	16,000	$1.75	New shopping center; divisible to 800 square feet.
King City Business Center	399 East San Antonio Drive	4,000	$0.57 to $0.83	Full service rates; divisible to 600 square feet.
Subtotal/ Average King City		**25,450**	**$1.01**	
Total/ Average Region		**111,747**	**$1.03**	

"lease"

Source: Loopnet

Inventory of Retail Centers

The City has identified more than 350,000 square feet of retail space in the City, including the St. Lucia Shopping Center (at approximately 100,000 square feet) and 250,000 square feet of "infill" retail space located in individual buildings in the City's central commercial core along El Camino Real and Oak Avenue (see **Table 9**). However, much of this retail stock is substandard and does not offer the full range of products and amenities that are desired by both shoppers and many traditional national retailers. This space has demonstrated average sales rates around $150 per square foot (compared to standard retailers who typically average $325 to $350 per square foot).

Four traditional shopping centers located throughout the South Monterey County Region have been identified as competition to new retail space that could be developed at the Project site:

- **Santa Lucia Square:** Highway 101 and Walnut Avenue (Greenfield). Constructed in 1979, this is a 102,000-gross-square-foot neighborhood shopping center anchored by Super Max Foods. Other tenants include Rite Aid, Chavez Furniture, Burger King, Radio Shack, and Wells Fargo Bank. It has been observed that the Super Max Foods store displays unusually high pricing, both because of the lack of direct competition in Greenfield and because additional markup may occur as a result of State and federal subsidy/voucher programs. Average rent for all tenants in the center is approximately $8.00 per square foot per year, an amount that would not be sufficient to support new construction.

- **King City Shopping Center:** 500 Canal Street (King City). Constructed in 1991, this is a 115,000-gross-square-foot neighborhood shopping center anchored by Safeway. Other tenants include Rite Aid, Dollar Tree, Carl's Jr., Subway, the UPS Store, and Wells Fargo Bank.

- **Gonzales Shopping Center:** 851 5th Street (Gonzales). Constructed in 1991, this is a 54,000-gross-square-foot neighborhood shopping center anchored by Super Max Foods. Other tenants include McDonald's, Payless Shoe Source, Subway, and Radio Shack. Asking rent is $15.00 per square foot per year.

- **Soledad Mission Shopping Center:** El Camino Real and H. Dela Rosa Sr. Street (Soledad). Constructed in 1987, this is a 134,000-gross-square-foot neighborhood shopping center anchored by Foods Co. and CVS Pharmacy. Other tenants include Rent-A-Center Furniture for Less, RaboBank, Round Table Pizza, Starbucks, the UPS Store, and Kragen Auto Parts. Asking rents range from $12.00 to $21.00 per square foot per year.

In addition, the Soledad Village Lifestyle Center in Soledad has gained approval for approximately 150,000 square feet of retail/commercial space in the southern end of Soledad. This project is anticipated to add a 10-screen movie theater and a Holiday Inn Express Hotel, with a mix of national retailers, restaurants, shops, and office space. The added movie theaters may be an indicator that Soledad is positioning itself to capture regional retail "leakage," as an intercept point located south of Salinas, by providing entertainment and lifestyle shopping options at a strategic regional location.

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Table 9
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Summary of Greenfield Existing Retail Supply

Location/ Tenant	Occupied Sq. Ft.	Vacant Sq. Ft.	Total Sq. Ft.	Occupancy Rate
Santa Lucia Square	91,939	12,500	104,439	88%
El Camino Real - St. Charles Place	17,593	16,162	33,755	52%
Misc. El Camino Real	218,651	6,920	225,571	97%
Oak Avenue	25,496	[1]	[1]	[1]
Total	**353,679**	**35,582**	**363,765**	**90%**

"supply_summ"

Source: City of Greenfield

[1] The vacant square footage for Oak Avenue is unknown at this time.

Existing Retail Leakage

Local Neighborhood/Community Retail Leakage

EPS has evaluated third-party data and commercial spending reports to estimate the retail leakage occurring in Greenfield.[3] Retail sales surplus and leakage is calculated by comparing current estimated retail expenditures (retail demand) with reported sales (retail supply) in a defined geographic region by specific store types. **Table 10** shows the total retail expenditures from Greenfield residents for 2010. As shown, Greenfield residents are responsible for approximately $97 million in annual retail expenditures (not including Gasoline Stations and Motor Vehicle and Parts Dealers). The largest categories of retail spending are Food and Beverage Stores and General Merchandise Stores, at 21 percent of total for each, and Food Service and Drinking Places, at 14 percent.

Table 11 summarizes the calculation of retail sales supply in Greenfield, which is derived from the City's sales tax receipts from 2008, which were provided by the City and inflated to 2010 dollars using the Bureau of Labor Statistics' Consumer Price Index (CPI).[4] As shown, the City is only capturing approximately $26 million in annual retail sales, meaning the remaining $70 million in annual sales are "leaking" to other areas.

EPS has assumed that 60 percent of total leakage corresponds to local neighborhood/community shopping centers. In other words, 40 percent of these sales are excluded from the retail capture analysis by assuming that this is the portion of sales that would occur at regional shopping centers. EPS used $325 per square foot in annual sales (a typical metric as estimated by the Urban Land Institute) to calculate that the $70 million in estimated leakage constitutes approximately 130,000 square feet of local-serving neighborhood/community retail space that could be supported to stem retail leakage from Greenfield residents (as shown in **Table 12**).

Regional Retail Leakage

EPS has assessed the supportable commercial square footage from leakage of retail spending of residents of the South Monterey County populations of Gonzales, Soledad, and King City. These cities support a total population of approximately 35,000. **Table 13** shows the total consumer expenditures and retail "gap" based on the taxable sales of these cities.[5] As shown, nearly $65 million in total leakage exists for these three cities. This leakage likely represents the component of spending that typically occurs at regional shopping destinations. If this leakage were to be stemmed by additional retail development in South Monterey County, approximately 200,000 square feet could be supported in the region. If Greenfield can capture 25 percent of this demand (which roughly approximates its proportionate share in population), 50,000 square feet of regional retail demand could be absorbed in the City.

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[3] EPS has used Claritas, Inc., a market research firm that incorporates U.S. Census data to generate a wide range of market and demographic reports.

[4] EPS did not include the taxable spending from Agricultural Support Sales, Gasoline Stores, or Automotive Services, as these categories are not expected to significantly affect demand for retail space.

[5] As calculated by Claritas, Inc., 2010.

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Table 10
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Summary of Retail Demand: City of Greenfield

Store Type [1]	2010 Sales	% of Total
Furniture and Home Furnishings	$2,122,663	2%
Electronics and Appliance Stores	$2,867,375	3%
Building Materials/ Garden Equipment	$9,963,996	10%
Food and Beverage Stores	$20,311,378	21%
Health and Personal Care Stores	$6,759,570	7%
Clothing and Clothing Accessories	$7,364,119	8%
Sporting Goods, Hobby, Book, Music Stores	$2,576,480	3%
General Merchandise Stores	$20,073,057	21%
Misc. Store Retailers	$2,811,345	3%
Non-Store Retailers	$8,837,509	9%
Food Service and Drinking Places	$13,206,410	14%
Total	**$96,893,902**	**100%**

"exp"

Sources: Claritas RMP Opportunity Gap Report for City of Greenfield, 2010 and EPS.

[1] Does not include Gasoline Stations and Motor Vehicles and Parts Dealers.

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Table 11
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Calculation of Retail Sales - City of Greenfield

Category	2008 Sales Tax Collected [1]	2010 (Inflated) Sales Tax Collected [2]	Taxable Percentage [3]	Net Basis	Total Retail Sales
Agricultural Support Sales	$279,010	$283,546	[4]		
Gasoline With Convenience Stores	$200,010	$203,261	[4]		
Grocery	$55,595	$56,499	40%	$141,248	$14,124,750
General Retail	$52,573	$53,428	80%	$66,785	$6,678,500
Restaurant	$44,789	$45,517	80%	$56,896	$5,689,625
Automotive Services	$22,776	$23,146	[4]		
Total	**$654,753**	**$665,397**		**$264,929**	**$26,492,875**

"taxable"

Sources: Claritas Inc., the Urban Land Institute, Bureau of Labor Statistics, and EPS

[1] For the top 50 businesses in Greenfield, which represents over 95-percent of total sales tax revenue.
[2] 2008 sales tax data inflated to 2010 dollars using the Bureau of Labor Statistics' Consumer Price Index.
[3] Based on typical taxable sales percentages calculated from the ULI Dollars and Cents of "Shopping Centers."
[4] It is assumed for this analysis that these categories do not impact retail demand.

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Table 12
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Summary of Retail Leakage - City of Greenfield

Item	**Source/ Assump**	**Value**
Retail Expenditures (Demand)	Table 10	$96,893,902
Greenfield Retail Sales (Supply)	Table 11	$26,492,875
Net Retail Leakage		**$70,401,027**
Assumed Capture Rate	See note [1]	60%
Net Retail Spending Demand		**$42,240,616**
Supportable Retail Space (rounded)	$325 per sq. ft.	**130,000**

"leakage"

Sources: Claritas Inc., the Urban Land Institute, and EPS

[1] This calculation nets out the share of regional retail building square footage comprised in the total estimated retail leakage. The net total represents the estimated share of retail building square footage for neighborhood and community retail development in Greenfield.

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Table 13
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Summary of Retail Leakage - Cities of Gonzales, Soledad, and King City

Item	Total
Retail Expenditures (Demand)	$328,728,455
Greenfield Retail Sales (Supply)	$263,739,827
Net Retail Leakage	**$64,988,628**
Supportable Retail Space [1]	**199,965**
Assumed Greenfield Capture at 25% (rounded)	**50,000**

"leakage_regional"

Sources: Claritas Inc., the Urban Land Institute, and EPS

[1] Assumes $325 annual sales per square foot.

Retail Demand from Future Growth

Local Neighborhood/Community Retail Growth

Table 14 estimates the amount of retail expenditures generated by net new Greenfield households over the next 25 years, based on projected household growth, average household income, and the percentage of expenditures spent on retail. Retail expenditure estimates were derived from Claritas and Bureau of Labor Statistics data. As shown, Greenfield is estimated to gain about $73.1 million in net new retail expenditures by 2035. Based on typical capture rates for local-serving (neighborhood and community) retail and average retail sales-per-square-feet assumption of $325, Greenfield residents are expected to add retail demand of approximately 135,000 square feet (or 12.4 gross acres) by 2035.

Regional Retail Growth

Table 15 estimates the amount of regional retail expenditures generated by net new households in the Cities of Soledad, Gonzales, and King City over the next 25 years.[6] As shown, the retail spending from these households is estimated to grow by approximately $141.7 million in net new retail expenditures by 2035. Assuming that 40 percent of expenditures occur at regional retail shopping centers, Greenfield can capture 25 percent of this regional spending (which roughly approximates its proportionate share in population), and based on the average retail sales-per-square-foot assumption of $325, this population is projected to support retail development of approximately 130,000 square feet (or 12.0 gross acres) by 2035.

Summary of Retail Demand

Table 16 summarizes the total retail demand from all sources through 2035. As shown, a total of 180,000 square feet of leakage currently exists from both local and regional sources, which could be supported at the Project. By 2035, population growth in Greenfield, as well as throughout the South Monterey County Region is expected to create demand for an additional 260,000 square feet of retail, which Greenfield is positioned to capture. In total, all sources of demand amount to 440,000 square feet of retail, which would require approximately 40.4 net acres.

Potential Market Opportunities

The South Monterey County Region suffers from a lack of options for many typical shoppers' goods, which are purchased at stores in larger urban centers such as Salinas or Monterey. The region has no large superstore such as Target or Walmart that offer a variety of goods, including many missing categories such as apparel and home furnishings. However, for a store of this type to be viable in Greenfield, it would have to capture a significant portion of regional spending from households in Gonzales, Soledad, King City, and other areas of South Monterey County.

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[6] EPS believes that Greenfield is unlikely to capture a meaningful portion of regional spending from the residents of Soledad and Gonzales, who are more likely to travel to Salinas or Monterey to satisfy their shopping needs. Therefore, the regional spending from these cities is excluded from this analysis. If some portion of this spending can actually be captured in Greenfield, it will serve to further strengthen the prospects for retail development at the site.

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Table 14
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Summary of Growth in Neighborhood/ Community Retail Demand: City of Greenfield, 2010-2035

Item	2010 Value/ Assumption	2015	2020	2025	2030	2035
Average Household Income	$53,939					
Greenfield Household Projections	3,700	4,287	4,987	5,688	6,388	7,089
Net New Greenfield Households		587	1,287	1,988	2,688	3,389
Net New Annual Income		$31,662,193	$69,419,493	$107,230,732	$144,988,032	$182,799,271
Net New Retail Spending [1]	40% of total income	$12,664,877	$27,767,797	$42,892,293	$57,995,213	$73,119,708
Neighborhood/ Community Retail Spending [2]	60% of retail spending	$7,598,926	$16,660,678	$25,735,376	$34,797,128	$43,871,825
New Supportable Retail Sq. Ft.	**$325 per sq. ft.**	**23,381**	**51,264**	**79,186**	**107,068**	**134,990**
Total Net New Retail Acres	**FAR = .25**	**2.1**	**4.7**	**7.3**	**9.8**	**12.4**

"future_greenfield"

Sources: Claritas, ULI, AMBAG, and EPS.

[1] Percentage of expenditures spent on retail goods. Based on an analysis of data from the Bureau of Labor Statistics, Consumer Expenditure Survey, 2007. Excludes expenditures for housing, utilities, vehicle purchases, gasoline and motor oil, public transportation, cash contributions, and personal insurance and pensions.
[2] EPS research and expertise, supported by outside studies have indicated that approximately 60% of retail shopping occurs at local "Neighborhood/ Community" Shopping Centers. The remaining 40% occurs at "Regional" Shopping Centers.

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Table 15
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Summary of Growth in Regional Retail Demand: Cities of Soledad, Gonzales, and King City, 2010-2035

Item	2010 Value/ Assumption	2015	2020	2025	2030	2035
Average Household Income	$66,025					
Regional Household Projections [1]	10,048	11,843	13,637	15,433	17,227	19,023
Net New Regional Households		8,143	9,937	11,733	13,527	15,323
Net New Annual Income		$537,638,861	$656,087,113	$774,667,414	$893,115,666	$1,011,695,967
Net New Retail Spending [2]	40% of total income	$215,055,544	$262,434,845	$309,866,966	$357,246,266	$404,678,387
Regional Retail Spending [3]	40% of retail spending	$86,022,218	$104,973,938	$123,946,786	$142,898,507	$161,871,355
Greenfield Capture [4]	25% of regional retail	$21,505,554	$26,243,485	$30,986,697	$35,724,627	$40,467,839
New Supportable Retail Sq. Ft.	**$325 per sq. ft.**	**66,171**	**80,749**	**95,344**	**109,922**	**124,516**
Total Net New Retail Acres	**FAR = .25**	**6.1**	**7.4**	**8.8**	**10.1**	**11.4**

"future_region"

Sources: Claritas, ULI, AMBAG, and EPS.

[1] Regional projections include the cities of Greenfield and King City. This analysis assumes that Greenfield is unlikely to capture a significant portion of regional expenditures from other surrounding cities such as Soledad and Gonzales, who are more likely to travel to Monterey or Salinas for regional shopping purchases.
[2] Percentage of expenditures spent on retail goods. Based on an analysis of data from the Bureau of Labor Statistics, Consumer Expenditure Survey, 2007. Excludes expenditures for housing, utilities, vehicle purchases, gasoline and motor oil, public transportation, cash contributions, and personal insurance and pensions.
[3] EPS research and expertise, supported by outside studies have indicated that approximately 60% of retail shopping occurs at local "Neighborhood/ Community" Shopping Centers. The remaining 40% occurs at "Regional" Shopping Centers.
[4] Based on Greenfield's proportionate share of regional population, EPS estimates that a 25% capture of regional spending is achievable.

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Table 16
Greenfield/ Walnut Avenue Specific Plan Market Analysis
Summary of Total Retail Demand

Item	Sq. Ft.	Net Acres [1] (.25 FAR)
Existing Leakage (2010)		
Neighborhood/ Community Retail	130,000	11.9
Regional Retail	50,000	4.6
Total	**180,000**	**16.5**
Growth-Based Demand (2035)		
Neighborhood/ Community Retail	135,000	12.4
Regional Retail	125,000	11.5
Total	**260,000**	**23.9**
Long-Term Supportable Development	**440,000**	**40.4**

"summ"

[1] A typical net-to-gross ratio would be 85%, subject to planning and engineering analysis, implying that required acreage would exceed net acres by 15%.

Additional opportunities include these:

- A Lifestyle Shopping Center (incorporating a variety of complimentary uses and a pleasant, walkable outdoor experience).
- A new grocery store, possibly incorporating a small-format market or a Hispanic-themed mercado.
- A movie theater/amphitheater/performing arts center.
- A mix of civic and cultural uses to stimulate patronage.
- A hotel with small conference facility.
- Housing.

The total identified long-term demand for Greenfield is approximately 440,000 square feet of retail. If two-thirds were accommodated at the Project, this would imply retail development of 290,000 square feet over the next 20 to 25 years. A possible first phase would relate to existing leakage and be approximately one-half to one-third of the total. More specific phasing recommendations will be provided later in the specific planning process.

Pro Forma Feasibility Analysis

The ability to attract significant additional retail in Greenfield will depend on a commercial real estate project to pencil out from a private development perspective.

EPS conducted a feasibility analysis to assess private-sector development prospects for retail development by comparing current market value of development to estimated development costs, including direct construction costs, site development costs, and soft costs. Project market value is based on capitalization of the estimated net operating income, which includes an estimated lease payment. If the market value of the Project is greater than the combination of the development cost, to the extent they can achieve a reasonable developer return, then a private developer is likely to be interested in the Project. If the market value is below this level, then either there will be minimal developer interest or a public subsidy of some sort may be required to accelerate development (such as tax increment funding, sales tax contributions, or some other method).

Table 17 summarizes the results of a pro forma feasibility analysis of a hypothetical 20.0-acre big box retail center. The detailed calculations and assumptions used for the pro forma analysis can be found in **Tables A-1** and **A-2** in **Appendix A**. The analysis shows, under today's market conditions using a "moderate" $1.25 average monthly lease rate and according to the assumptions used in the analysis, construction costs are higher than the capitalized value, and a large big box retail project is likely to experience some significant feasibility challenges.

Nonetheless, if average lease rates of $1.75 per square foot can be achieved, the Project may be financially feasible, as shown in **Table 17**. Alternatively, if costs can be further reduced or tax increment revenues are allocated to assist in funding certain infrastructure items, the feasibility results can be improved accordingly.

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Table 17
Corral de Tierra Retail Market and Feasibility Analysis
Summary of Residual Land Value Calculations

Item	Moderate Lease Rate Scenario	Aggressive Lease Rate Scenario
Land Area		
Net Leasable Area		
Average Lease Rate (per sq. ft. per month)	$1.25	$1.72
Revenue		
Gross Lease Revenue	$3,103,650	$4,283,037
Less Vacancy, Leasing Commissions, Replacement/ Reserve	($752,635)	($1,038,636)
Subtotal, Net Annual Income	$2,351,015	$3,244,401
Capitalized Value	**$36,169,460**	**$49,913,854**
Development Costs		
Direct Construction	$19,602,000	$19,602,000
Site Improvement/ Parking/ Landscaping	$8,712,000	$8,712,000
Tenant Improvements	$4,138,200	$4,138,200
Soft Costs	$7,078,500	$7,078,500
Subtotal Development Costs	$39,530,700	$11,216,700
Contingency	$1,976,535	$1,976,535
Builder Profit	$3,953,070	$3,953,070
Total Costs	**$45,460,305**	**$45,460,305**
Residual Land Value	**($9,291,000)**	**$4,454,000**
Return on Cost	**-20%**	**10%**

"feas_summ"

These figures are shown for general illustrative purposes and are not intended to be an exact representation of the size, cost, and leasing structure of an actual retail development on the site. As the Project is developed and more accurate cost data is generated, a more formalized and precise financial feasibility analysis should be created, leading to an assessment of specific Project implementation strategies.