Market Overview

Uptown/Town Center Specific Plan

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prepared for:

City of El Paso de Robles

STRATEGIC**ECONOMICS**

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I. INTRODUCTION

As part of the Moule Polyzoides consultant team, Strategic Economics (SE) has been retained by the City of El Paso de Robles to prepare a market overview of the Uptown/Town Center Specific Plan. The planning area covers 1,100 acres that are bounded by the City limits to the north, First Street to the south, the Salinas River to the east and Vine Street to the west.

The purpose of this market overview is to help ensure that the Specific Plan developed by the consultant team is economically feasible, in addition to achieving community goals. Section II of this report contains a summary of findings that briefly describe SE's conclusions and recommendations; Section III is a demographic and employment overview with population and household trends, income trends and employment trends; Section IV presents a real estate market analysis that examines residential, retail, hotel, office and industrial uses in Paso Robles.

II. MAJOR FINDINGS

DEMOGRAPHIC AND EMPLOYMENT TRENDS

1. Although families make up a significant portion of Paso Robles households, the majority of households in the City do not have people under 18.

2. The percentage of family households is declining in San Luis Obispo County, and households without children accounted for 91 percent of household growth in the County between 2000 and 2006.

3. By 2030, San Luis Obispo County's senior population (65 years and above) will increase to more than 91,000 (making up 25 percent of the population) compared to 40,900 in 2008 (15 percent of the population).

4. Median household income in Paso Robles is lower than that of San Luis Obispo County overall.

5. Median household income in the Specific Plan Area is lower than that of Paso Robles as a whole.

6. While the City accounts for 11 percent of San Luis Obispo County's population (see Table 1), 18 percent of the County's jobs are located in Paso Robles.

7. The services, retail, and manufacturing sectors are the City's largest sources of employment.

8. Employment opportunities in the Specific Plan Area are expected to occur in the hospitality industry, business services, and health care.

REAL ESTATE MARKET ANALYSIS

Residential

1. There is a shortage of modern, high quality rental units in the Paso Robles market.

2. Single family homes dominate the development market in San Luis Obispo County, accounting for 86 percent of new development over the last 10 years.

3. Prior to the housing market downturn, the County absorbed an average of 1,951 new housing units per year. This level has fallen to approximately 1,505 units annually since 2005.

4. Between 1990 and 2008, Paso Robles absorbed an average of 233 housing units per year.

5. In September 2008 the median sale price for homes (including new and existing single family homes and condos) in San Luis Obispo County was $430,000; this figure declined to $384,750 in August 2009.

6. The median sale price for homes (including new and existing single family homes and condos) in Paso Robles in September 2008 was $354,500; in September 2009, this figure declined to $333,000.

7. Recently developed condominiums in the market area sell for an average price of $203 per square foot.

8. Future residential supply in Paso Robles includes 768 entitled units, the majority of which are single family homes. Future supply may also be affected by development at Chandler Ranch (1,439 units) and the Olsen Ranch/Beechwood Area (1,347 units). The majority of the units at Chandler Ranch and Olsen Ranch/Beechwood Area are expected to be single family homes.

9. Developing housing product types that appeal to aging baby boomers will be important to San Luis Obispo County's housing market in the coming decades. By 2030, San Luis Obispo County's senior population (65 years and above) will increase to more than 91,000, compared to 40,900 in 2008. While County residents aged 65 and older currently make up approximately 15 percent of the population, this figure is projected to increase to 25 percent of the County's total population by 2030.

10. First-time homebuyers, recent graduates of CalPoly, and Latino households are also a potential source of demand for a variety of unit types including apartments, condominiums, and townhouses in the Specific Plan Area.

11. New residential development in the Specific Plan Area should be encouraged to accommodate and appeal to both senior households and other market segments.

Retail

1. Paso Robles has a significant amount of retail space that is approved or under construction, or that has received zoning approval (but no development plans have been submitted).

2. There is currently an estimated 4.3 million square feet of retail space in Paso Robles. Based on projected spending from residents of Paso Robles and unincorporated North San Luis Obispo County, Strategic Economics estimates that, on a citywide basis, Paso Robles will be able to support a total of 534,000 additional square feet of retail space by 2030.

3. While 302,800 square feet of retail space is already approved or under construction, and another 88,000 square feet have received zoning approval, mixed-use development in the Specific Plan Area can be expected to attract retail uses, especially Downtown, South of Downtown and on the Spring Street corridor.

4. Mixed-use zoning should be implemented Downtown to encourage more retail and high density residential development in the blocks that surround City Park, particularly the blocks north of 12th Street that encompass 13th, 14th, and Park Streets.

5. Mixed-use zoning should be implemented at selected commercial nodes along the Spring Street corridor (i.e., at 32nd and 34th Streets in Uptown, and at 4th Street in the South of Downtown area).

6. Multi-story mixed-use buildings with ground floor retail would be a good development product for the South of Downtown area, especially along Pine Street between 11th Street and the train station.

7. A proposal to develop a mixed-use center with 60 high quality rental apartments and 50,000 square feet of upscale retail at 4th and Spring Streets is still in the planning phase. This addition of new residents to the Specific Plan Area will help support Downtown businesses. Although retail uses in this location could potentially create competition with Downtown retailers, Downtown offers a distinctive environment with shopping alternatives and amenities (e.g., City Park, library, cinema) that will continue to support its position as an important shopping destination.

Hotel

1. Paso Robles accounts for 13 percent of lodging inventory in San Luis Obispo County.

2. Mid-level and premium hotel properties make up an estimated 52 percent of Paso Robles' room inventory.

3. SE estimates that, on a citywide basis, the Paso Robles market could support an additional 960 hotel rooms by 2030. Although the City has already approved projects that will add 370 new hotel rooms, and planning applications for another 481 rooms have been submitted, many of these projects are currently on hold and it is possible that several projects may be cancelled.

4. The City should encourage additional hotel development to locate within the Specific Plan Area. Hotel development is an essential ingredient in creating an 18-hour Downtown for Paso Robles and in generating pedestrian traffic for local businesses.

Office

1. Most office tenants in the Specific Plan Area require less than 1,000 square feet of space.

2. Paso Robles has a significant amount of office space that is approved or under construction, is entitled, or that has received zoning approval (but no development plans have been submitted).

3. There is currently an estimated 485,000 square feet of office space in Paso Robles. Based on employment projections for Paso Robles, SE estimates that, on a citywide basis, demand for office space in Paso Robles will increase by 540,000 square feet by 2030.

4. In Paso Robles, there is currently an estimated 42,000 square feet. of vacant office space in the area west of Highway 101. As the economy recovers and this overhang of supply is absorbed, the market feasibility of new office development will improve.

Industrial

1. There is currently an estimated 2.2 million square feet of industrial space in Paso Robles. Based on employment projections for Paso Robles, SE estimates that, on a citywide basis, demand for industrial space in Paso Robles will increase by 600,000 square feet by 2030.

2. Over time, market forces will encourage large industrial users to relocate out of the Specific Plan Area as they take advantage of lower occupancy costs in other parts of Paso Robles or in other areas of North San Luis Obispo County.

3. However, most large industrial businesses in the Specific Plan Area seem to be well established in their current location and property turnover is expected to be quite slow for the foreseeable future.

4. In the near term, the industrial character of the Riverside Avenue corridor and Paso Robles Street should be preserved since many of the businesses located here provide essential products and services, as well as a source of employment, to the Paso Robles community. However, over the long term (25 years), it is possible that Riverside Avenue and Paso Robles Street will make a transition to more retail users, although it may be advantageous to postpone this transition while the Downtown is being revitalized.

III. DEMOGRAPHIC AND EMPLOYMENT OVERVIEW

This section describes the general characteristics of the population, households, and workers in Paso Robles and San Luis Obispo County in order to better understand demographic and employment trends that are related to future development of residential and commercial land uses in the Specific Plan Area.

POPULATION AND HOUSEHOLD TRENDS

Paso Robles gained 10,343 residents between 1990 and 2008, an increase of 56 percent.
Data in Table 1 show that the City's population grew from 18,583 in 1990 to 28,926 in 2008. Between 1990 and 2008, the population of Paso Robles grew at a faster rate than both San Luis Obispo County and California. San Luis Obispo County's population increased by 46,269 over the 18-year period and population gains in Paso Robles accounted for 22 percent of the County's growth. Currently, the population of Paso Robles makes up 11 percent of the total population of San Luis Obispo County.

Although families make up a significant portion of Paso Robles households, the majority of households in the City do not have people under 18.
In 2000 (latest data available), approximately 71 percent of San Luis Obispo County households were occupied by families. However, 60 percent of all households in the City in 2000 had no people below the age of 18. In 2000, nearly 31 percent of family households in the City had no children below the age of 18 (see Table 2).

The percentage of family households is declining in San Luis Obispo County, and households without children accounted for 91 percent of household growth in the County between 2000 and 2006.
Table 2 also shows that the percentage of family households in San Luis Obispo County declined from 64 percent in 2000 to 60 percent in 2006. While total households in the County increased by 9,275 over the six year period, 8,419 of these households (91 percent) had no people under 18.

By 2030, San Luis Obispo County's senior population (65 years and above) will increase to more than 91,000, compared to 40,900 in 2008.
Data in Table 3 show age projections for San Luis Obispo County from 2010 to 2030. The median age in the County over the 30-year period is expected to increase from 38.6 in 2010 to 44.1 in 2030. Likewise, the County's population of senior citizens is projected to gain in significance. Currently, an estimated 40,892 County residents are over 65 years—a number that is expected to increase to 91,493 by 2030. While County residents in this age cohort currently make up approximately 15 percent of the population, this figure is projected to increase to 25 percent of the County's total population by 2030.

Households in the Specific Plan Area have a lower rate of homeownership than in Paso Robles overall.
Table 4 shows population, household, income and race/ethnicity data for five neighborhoods in the Specific Plan Area. Each of the neighborhoods is made up of a quarter-mile radius around a landmark or location such as: 4th and Spring Streets (South of Downtown); City Park (Downtown); 18th and Spring Street (Midtown); 24th and Spring Streets (Uptown/Midtown); and 34th and Spring Streets (Uptown). The total population (4,7681) and households (1,704) in these five neighborhoods make up 16 percent of the population and households in Paso Robles. While 61 percent of Paso Robles households are owner-occupied, in the Specific Plan Area homeownership rates range from a low of 17 percent in Uptown, to 37 percent in Midtown.

The Specific Plan Area has a greater percentage of Hispanic or Latino residents than Paso Robles as a whole.
Table 4 also shows that while 32 percent of Paso Robles residents are Hispanic or Latino, the ratio in the Specific Plan Area is approximately 51 percent. The percentage of Hispanic or Latino residents ranges from 73 percent in Uptown, to 23 percent in the South of Downtown neighborhood. It total, an estimated 26 percent of Paso Robles' Hispanic or Latino population lives in the Specific Plan Area.

INCOME TRENDS

Examining income trends in Paso Robles and the Specific Plan Area is useful to understanding how the City measures against countywide trends as well as how the Specific Plan neighborhoods compare to the City as a whole.

Median household income in Paso Robles is lower than that of San Luis Obispo County overall.
Household income distribution data shown in Table 5 indicate that Paso Robles households are less affluent than households in the County overall. In 2008, median income in San Luis Obispo County ($51,978) was approximately 10 percent higher than in Paso Robles ($47,298). Data in Table 5 also show that when adjusted for inflation, median income in both Paso Robles and the County has remained flat in real terms between 2000 and 2008, although the unadjusted growth rate was 19 percent.

Median household income in the Specific Plan Area is lower than that of Paso Robles as a whole.
Median household income levels in the Specific Plan Area vary by over $10,000, depending on the neighborhood. In Uptown, the median household income is $30,263 while Downtown's is $40,625. By contrast, the 2008 median household income for Paso Robles as a whole is estimated at $47,298.

EMPLOYMENT TRENDS

A evaluation of the jobs by sector data for Paso Robles and San Luis Obispo County provides insight into the types of employment opportunities that the City offers in comparison to the County overall. In addition, job projections provide guidance in terms of estimating future demand for commercial real estate in Paso Robles.

While the City accounts for 11 percent of San Luis Obispo County's population (see Table 1), 18 percent of the County's jobs are located in Paso Robles.
With 19,579 total jobs in 2007, the Paso Robles economy employed 18 percent of the County's 109,100 workers (see Table 6).

The services, retail, and manufacturing sectors are the City's biggest sources of employment.
Services, including personal services (e.g. dry cleaning, haircutting), business services (e.g. accounting, maintenance), lodging, legal services, and health, education, and social services, comprise 33 percent of Paso Robles' employment. Retail provides an additional 24 percent, and manufacturing provides another 13 percent.

Paso Robles provides a particularly high share of the County's manufacturing, retail, wholesale trade, and finance jobs.
With businesses such as Paso Robles Tank, JIT Manufacturing, Sunbank Electronics, Specialty Silicone Fabricators, Zurn/Wilkins Regulator, and Paris Precision Products, manufacturing jobs in Paso Robles make up 41 percent of the County's total manufacturing employment. Table 6 shows that 34 percent of the County's retail jobs, 34 percent of its wholesale jobs, and 29 percent of its finance jobs are located in Paso Robles.

Paso Robles is projected to add more than 6,000 jobs by 2030.

Assuming that employment growth rates in Paso Robles will track projections for San Luis Obispo County, Strategic Economics estimates that by 2030, the number of jobs in Paso Robles will grow by 6,429. This represents an increase of 33 percent over the number of jobs in the City in 2007 (see Table 7). Most of this increase will come from growth in the services, retail, and manufacturing sectors.

Employment opportunities in the Specific Plan Area are expected to occur in the hospitality industry, business services, and health care.

Job growth patterns in the Specific Plan Area are expected to be consistent with regional employment gains and expanding industry sectors. Labor market data from the State of California's Employment Development Division project that San Luis Obispo County will add 7,420 new jobs between 2009 and 2016. The majority of this growth is expected to occur in the hospitality industry, business services, and health care.

- **Hospitality.** Employment opportunities in the hospitality industry in the Specific Plan Area are expected to occur in a range of lodging businesses (economy to luxury), fine dining restaurants, quick service restaurants, cafés, wine bars, and other eating and drinking establishments. With Paso Robles' continuing popularity as a visitor destination, the expansion of the hospitality industry will allow employers to access the Specific Plan Area's workforce and to provide employment opportunities ranging from entry level jobs to experienced customer service positions.

- **Business services.** The growth in business services in Paso Robles is expected to occur among companies offering administrative and other business-to-business support services to other companies in the City and the region. These support services provide functions that help local businesses to maintain their day-to-day operations and include temporary staffing, office support, building maintenance, and landscape maintenance.

- **Health care.** Growing areas of the health care sector that could potentially be attracted to the Specific Plan Area include community care facilities for the elderly (including centers specializing in Alzheimer's disease), home health care services, and physical therapy and rehabilitation centers. However, the potential shortage of health care workers, especially home health aides, in the Paso Robles workforce may impede the growth of this sector. Conversely, establishing a training or apprenticeship program for health caregivers that is run jointly by Paso Robles High School and Cuesta College could potentially attract new health care businesses to the City and the Specific Plan Area.

Table 1: Population Trends

Area	Population			Compounded Annual Growth Rate		
	1990	2000	2008	1990-2000	2000-2008	1990-2008
Paso Robles	18,583	24,297	28,926	2.7%	2.2%	2.5%
San Luis Obispo County	217,162	246,681	263,431	1.3%	0.8%	1.1%
California	29,758,213	33,873,086	37,525,630	1.3%	1.3%	1.3%

Sources: U.S. Census Bureau; Claritas, Inc.

Table 2: Household Trends

San Luis Obispo County Households	2000		2006		Change 2000-06	
	Count	% of Total	Count	% of Total	Count	% of Total
Total Households	92,732	100.0%	102,007	100.0%	9,275	100.0%
Households with no people under 18	65,225	70.3%	73,644	72.2%	8,419	90.8%
Family households	58,954	63.6%	61,714	60.5%	2,760	29.8%
Family HHs with no people under 18	30,895	52.4%	33,371	54.1%	2,476	26.7%

Paso Robles Households	2000	
	Count	% of Total
Total Households	8,556	100.0%
Households with no people under 18	5,093	59.5%
Family households	6,042	70.6%
Family HHs with no people under 18	2,620	30.6%

Sources: U.S. Census Bureau; American Community Survey; Strategic Economics

Table 3: San Luis Obispo County Age Projections

	2010	% of Total	2015	% of Total	2020	% of Total	2025	% of Total	2030	% of Total
Population										
Under 25 years	87,701	32.0%	86,194	29.2%	87,599	27.6%	93,517	27.5%	99,818	27.5%
25 to 44 years	69,408	25.3%	78,377	26.5%	85,906	27.1%	87,023	25.6%	85,961	23.7%
45 to 64 years	76,191	27.8%	79,164	26.8%	77,797	24.5%	78,555	23.1%	85,721	23.6%
65 years and over	40,892	14.9%	51,671	17.5%	65,785	20.7%	80,350	23.7%	91,493	25.2%
Total	274,192	100.0%	295,406	100.0%	317,087	100.0%	339,445	100.0%	362,993	100.0%
Median Age	38.6		39.8		41.5		42.8		44.1	

Source: Woods & Poole Economics, Inc.

Table 4: Specific Plan Area Demographics

Key Demographics	South of Downtown		Downtown		Midtown		Uptown/ Midtown		Uptown		City of El Paso Robles	
	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total
Population (2008 estimate)	724		375		1,089		514		2,066		28,926	
Households (2008 estimate)	324		169		411		177		623		10,491	
Median Household Income	$40,565		$40,625		$36,312		$34,375		$30,263		$47,298	
Average Household Size	2.23		2.22		2.6		2.85		3.32		2.66	
Homeowners	116	36%	60	36%	150	37%	59	33%	106	17%	6,378	61%
Race and Ethnicity												
White	612	85%	318	85%	874	80%	381	74%	925	45%	21,288	74%
African American	15	2%	7	2%	36	3%	16	3%	32	2%	671	2%
Am In/Alaska Native	8	1%	4	1%	26	2%	15	3%	38	2%	398	1%
Asian	19	3%	10	3%	11	1%	2	0%	30	1%	686	2%
Hawaiian/Pacific Islander	3	0%	1	0%	5	0%	2	0%	3	0%	45	0%
Other	34	5%	17	5%	88	8%	71	14%	908	44%	4,559	16%
Two or More Races	33	5%	18	5%	50	5%	27	5%	130	6%	1,279	4%
Hispanic or Latino	163	23%	82	22%	410	38%	243	47%	1,511	73%	9,288	32%
Not Hispanic or Latino	560	77%	293	78%	679	62%	271	53%	555	27%	19,638	68%

Source: Claritas, Inc.

Table 5: Income Trends

Paso Robles	2000 Number of Households		2008 Number of Households		% Change 2000-08	CAGR 2000-08
Income Less than $15,000	1,357	16%	1,279	12%	-6%	-1%
Income $15,000 - $24,999	1,106	13%	1,017	10%	-8%	-1%
Income $25,000 - $34,999	1,339	16%	1,277	12%	-5%	-1%
Income $35,000 - $49,999	1,592	19%	1,895	18%	19%	2%
Income $50,000 - $74,999	1,712	20%	2,121	21%	24%	3%
Income $75,000 - $99,999	811	9%	1,237	12%	53%	5%
Income $100,000 - $149,999	453	5%	955	9%	111%	10%
Income $150,000 - $249,999	161	2%	348	3%	116%	10%
Income $250,000 - $499,999	43	1%	102	1%	137%	11%
Income $500,000 or more	7	0.08%	23	0.22%	229%	16%
Total Households	8,581	100%	10,254	100%	19%	2%
Median Household Income (Nominal)	$39,605		$47,298		19%	2%
Median Household Income (2008 Dollars)	$47,678		$47,298		-0.80%	-0.10%

San Luis Obispo County	2000 Number of Households		2008 Number of Households		% Change 2000-08	CAGR 2000-08
Income Less than $15,000	14,497	16%	12,336	12%	-15%	-2%
Income $15,000 - $24,999	11,515	12%	10,450	10%	-9%	-1%
Income $25,000 - $34,999	11,970	13%	10,515	12%	-12%	-2%
Income $35,000 - $49,999	15,133	16%	15,511	18%	2%	0%
Income $50,000 - $74,999	18,718	20%	19,720	21%	5%	1%
Income $75,000 - $99,999	9,735	11%	12,838	12%	32%	4%
Income $100,000 - $149,999	7,258	8%	12,334	9%	70%	7%
Income $150,000 - $249,999	2,948	3%	5,066	3%	72%	7%
Income $250,000 - $499,999	736	1%	1,459	1%	98%	9%
Income $500,000 or more	222	0.24%	515	0.22%	132%	11%
Total Households	92,732	100%	100,744	100%	9%	1%
Median Household Income (Nominal)	$43,310		$51,978		20%	2%
Median Household Income (2008 Dollars)	$52,138		$51,978		-0.31%	-0.04%

Note: CAGR - compounded annual growth rate

Sources: U.S. Census Bureau; Claritas, Inc.; California Department of Finance

Table 6: Jobs By Sector

	Paso Robles		San Luis Obispo County		Share of County's Jobs
	Jobs	% of Total	Jobs	% of Total	Located in City
Total Employees	19,579	100%	109,100	100%	18%
Services	6,428	33%	42,400	39%	15%
Retail & Dining & Entertainment	4,794	24%	14,200	13%	34%
Manufacturing	2,507	13%	6,100	6%	41%
Finance, Insurance & Real Estate	1,352	7%	4,700	4%	29%
Construction	1,273	7%	7,600	7%	17%
Public Administration	1,238	6%	22,800	21%	5%
Wholesale Trade	919	5%	2,700	2%	34%
Agriculture	561	3%	4,500	4%	12%
Transportation, Communications, Utilities	507	3%	4,100	4%	12%

Sources: Claritas Inc.; Strategic Economics

Table 7: Paso Robles Jobs Projections

	2007	2015	2020	2025	2030	Change 2007-2030 Count	Change 2007-2030 % of Total
Total Employment	19,579	21,422	22,849	24,376	26,008	6,429	100.0%
Services	6,428	7,078	7,583	8,127	8,709	2,281	35.5%
Retail	4,794	5,279	5,656	6,061	6,495	1,701	26.5%
Manufacturing	2,507	2,744	2,927	3,123	3,331	824	12.8%
Public Administration	1,238	1,363	1,460	1,565	1,677	439	6.8%
Finance, Insurance & Real Estate	1,352	1,450	1,523	1,601	1,683	331	5.1%
Wholesale Trade	919	1,006	1,073	1,145	1,221	302	4.7%
Construction	1,273	1,355	1,417	1,482	1,550	277	4.3%
Transportation, Communications, Utilities	507	558	598	641	687	180	2.8%
Agriculture, Other	561	589	610	632	654	93	1.4%

Sources: Claritas, Inc.; Woods & Poole Economics, Inc.; Strategic Economics

IV. REAL ESTATE MARKET ANALYSIS

This section provides an overview of real estate market conditions in Paso Robles for residential, retail, hotel, office and industrial uses. It also evaluates the market potential for new development within the Specific Plan Area. For this analysis, Strategic Economics reviewed current listings for residential and commercial real estate, and interviewed brokers and other real estate professionals familiar with the market area. SE also examined a database of planned and proposed development projects in Paso Robles. In addition, SE estimated future supportable retail space based in projected spending in the market area. Estimations for supportable office and industrial space are based on projected job growth in the City.

RESIDENTIAL MARKET

Rental Market Trends

Monthly rent for a two-bedroom apartment (the most common floor plan in the market area) ranges from $950 to $1,150 depending on the complex's age and amenities. Vacancy rates in the market area are low.

Rental data shown in Table 8 indicate that market-rate monthly rates in the Paso Robles market area range from $650 a month for a 700 square-foot, one-bedroom apartment in a 45-unit complex south of Downtown (Clifton Apartments), to $1,150 for a new, 975 square-foot unit with two bedrooms and two bathrooms at Vista del Rio. The 400-unit Dry Creek Village complex is the largest apartment property in the market area and is composed entirely of two bedroom units. Its occupancy rate is 99 percent, and the monthly rent ranges from $905 to $940.

Cuesta Villas and Vista del Rio are two market-rate, multifamily housing projects that have been built in Paso Robles in recent years. Cuesta Villas, a rental townhome development, is located near Cuesta College's North County Campus and was finished in 2004. The complex consists of 12 townhouses with two bedrooms and two bathrooms, and luxury amenities including master suites with walk-in closets, master baths with dual sinks, and gourmet kitchens. The units currently rent for $1,600-1,700 per month, and 11 are occupied.

Vista del Rio was completed in 2006 and features 80 two bedroom apartments. Monthly rents range from $1,075 to $1,150, and the complex is fully occupied. Project amenities include its location along the Salinas River and walkability to over 50 nearby stores and restaurants.

The high occupancy rate at the market-rate apartment complexes shown in Table 8 indicates strong demand for rental units in the Paso Robles market area. By comparison, average occupancy for rental units in the Central Coast region is approximately 93 percent.

In addition to these two new market-rate projects, three subsidized apartment developments were recently completed in Paso Robles. These apartments are limited to households earning 60 percent or less of area median income (AMI), and include Canyon Creek Apartments (68 family apartments), Creekside Gardens Apartments (29 senior apartments) and Chet Dotter Senior Housing (40 senior apartments). The Chet Dotter development is located in the Specific Plan Area in Uptown and the Canyon Creek and Creekside Garden projects are located on Oak Hill Road, east of South River Road.

Per square foot rental rates for apartments in the market area range from $0.83 to $1.47.
Data in Table 8 also show that per square foot monthly rental rates in the market area range from $0.83 for a 900 square-foot one bedroom unit at Clifton Apartments, to $1.47 for a 1,155 square-foot two bedroom unit at Cuesta Villas.

Annual Housing Starts

Single family homes dominate the development market in San Luis Obispo County, accounting for 86 percent of new development over the last 10 years.
Table 9 shows that building permits for new residential units in San Luis Obispo County reached a total of 19,674 between 1998 and 2008, with approximately 14 percent of the units in multi-family structures and 86 percent in single family homes. Annual permits reached a peak of 2,450 in 2004, more than 45 percent greater than the level in 1998 (1,687).

Prior to the housing market downturn, the County absorbed an average of 1,951 new housing units per year. This level has fallen to approximately 1,505 units annually since 2005.
Between 1998 and 2004, there were an estimated 1,951 annual housing starts in the County, reflecting an average annual growth rate of six percent over the six-year period. From 2006 through 2008, however, new residential permit activity declined significantly. Since the 2004 peak, new housing starts in the County declined by 72 percent to 674 in 2008. This drop off reflects an average decline of 34 percent per year since 2004.

Between 1990 and 2008, Paso Robles absorbed an average of 233 new units per year. The City has experienced a steep decline in development with 46 new permits in 2007, and 20 in 2008.
Table 9 shows that between 1998 and 2008, new residential permits totaled 3,545 in the City, with 14 percent of the units in multi-family structures and 86 percent in single family homes. The 2004 peak in new housing starts was 511 units, 90 percent higher than the 1998 level of 269 units. The City's drop off in housing starts since the 2004 peak has been substantial. New housing starts declined to 46 in 2007, and 20 in 2008.

Home Price Trends

As of September 2009, the median home price in San Luis Obispo County was $384,750.
Home prices in San Luis Obispo County and Paso Robles increased significantly between 1997 and 2007. Data in Table 10 show that over the 10-year period, median prices in San Luis Obispo County increased by 231 percent for single family homes from $166,000 in 1997 to $549,000 in 2007. For condominium units, the median price increased from $139,000 in 1997 to $392,250 in 2007—a total gain of 182 percent. According to Dataquick, in September 2008 the median sale price for homes (including new and existing single family homes and condos) in San Luis Obispo County was $430,000, a figure that declined by 11 percent to $384,750 in September 2009.

As of September 2009, the median home price in Paso Robles was $333,000.
Median price trends for homes in Paso Robles have followed a similar pattern to those in San Luis Obispo County. Between 1997 and 2007, median prices increased by 245 percent for single family homes from $133,000 to $459,000. The median price for a condominium unit grew by 259 percent from $88,750 in 1997 to $319,000 in 2007. Dataquick reports that in September 2008 the median sale price for homes (including new and existing single family homes and condos) in Paso Robles was $354,500; in September 2009, this figure declined by six percent to $333,000. In spite of these price declines, brokers report that the majority of for-sale homes in Paso Robles remain unaffordable for many first-time home buyers.

New Residential Development

Three- to five-bedroom single family homes are the most common residential development product in Paso Robles.
New residential development in Paso Robles is mainly comprised of detached, three- to five-bedroom single-family homes that range in size from 2,500 to 4,000 square feet. These units are targeted toward retirees, second home buyers and urbanites fleeing from higher-priced markets in Northern and Southern California. Asking prices for single family residences in new home developments in Paso Robles shown in Table 11 range from $529,990 to $774,990, and the median price per square foot is $218.

Smaller, less expensive units are available at The Cottages at River Oaks. Located northeast of the intersection of Highways 46 and 101, River Oaks is a 270-acre, master planned community that includes various types of for-sale single family detached homes. The Cottages, which were originally intended as rental housing but were eventually developed as for-sale units, are among the few developments that are potentially affordable to median-income families in Paso Robles. The homes are detached, were built at a density of 10 units per acre, and feature floor plans ranging from 1,300 to 1,400 square feet. With prices from $349,000 to $359,000, these units have the highest sales per square foot shown in Table 11 ($253 to $254).

Recently developed condominiums in the market area sell for an average price of $203 per square foot.
Because much of the new residential development in the Specific Plan Area is expected to occur on infill sites with townhomes, lofts and mixed-use projects, it is useful to examine the per square foot sales prices for newly developed condominium units in Paso Robles and Atascadero. Data in Table 12 show that recently built condo units in the market area range in price from $239,000 for a three bedroom unit in Paso Robles, to a $310,000 three bedroom townhome in Atascadero. These units are currently selling for $159 to $264 per square foot, depending on location and unit size. The average price per square foot is $203. New homes in the Specific Plan Area are expected to achieve a similar price per square foot with a slight premium (five percent) because of their proximity to the Downtown and other neighborhood amenities.

Residential Entitlements

Future residential supply in Paso Robles includes 768 entitled units, most of which are single family homes.
Paso Robles currently has 768 residential units with entitlements. These include lots in: recorded tracts; approved tentative maps; and approved parcel maps. It also includes units in approved multi-family projects (excluding those under construction or recently built).

Future supply may also be affected by development at Chandler Ranch and the Olsen Ranch/Beechwood Area.
In addition to entitled units, future residential development at Chandler Ranch and the Olsen Ranch/Beechwood Area could potentially increase the City's housing supply. Draft specific plans for both of these areas are in process and indicate potential development of 1,347 units at Olsen Ranch Beechwood and up to 1,439 units at Chandler Ranch. The majority of these units are expected to be single family homes.

Projected Housing Demand

Most of new household growth in San Luis Obispo County between 2010 and 2030 will be driven by seniors.
SE estimates that the number of San Luis Obispo County households headed by residents aged 65 years and older will increase by 25,849 between 2010 and 2030 (see Table 13). High density development in the Specific Plan Area can be expected to appeal to a segment of this growing population, especially those who wish to maintain an active lifestyle in spite of the decreased mobility that often accompanies aging. Because the Specific Plan Area offers residents a network of walkable streets and proximity to services, retail, recreation and entertainment, it will provide greater independence to older residents compared to suburban housing that relies on auto transport.

Professional singles and couples under the age of 25 are also a potential target market, however the number of County households headed by residents in this age cohort is expected to grow by only 1,164 by 2030. By contrast, the number of households headed by residents aged 25 to 44 will have a net gain of 6,380, and those with householders aged 45 to 64 will increase by 3,575 by 2030.

Growth in San Luis Obispo County between 2010 and 2030 presents a potential target market of 37,000 additional households for the Specific Plan Area's new residential units.
The Specific Plan will accommodate between 989 and 1,649 residential units in the planning area over the next 25 years. This translates to an average of 40 to 66 new units per year in the Specific Plan Area. Based on SE's estimates of household formation rates for County residents between 2010 and 2030 shown in Table 13, there is a potential target market of 36,967 new households in San Luis Obispo County for these Specific Plan Area units. This estimate indicates that the Specific Plan Area would need to capture three to four percent of this potential market in order to achieve buildout of 989 to 1,649 new units.

Future Residential Development

There is a shortage of modern, high quality rental units in the Paso Robles market.
The Specific Plan Area, especially the areas Downtown and South of Downtown, would be an appropriate location for high quality rental apartments. However, current monthly rental rates in the market area ($0.83 to $1.47 per square foot) are not likely to support the cost of new development for the foreseeable future.

A variety of higher density residential product types are appropriate for the Specific Plan Area.
Much of the Specific Plan Area contains residential neighborhoods with one- and two-story single family homes. While this small-scale residential character should be preserved along Oak and Vine Streets, other parts of the planning area are appropriate for multiple dwelling structures (duplexes, triplexes, quadraplexes) that can be designed to appear as large single family homes.

New residential development in a mixed-use project is an appropriate product type for the Specific Plan Area.
Mixed-use residential development is appropriate for the Specific Plan Area, especially in the Downtown, the area South of Downtown, and on Spring Street. First-time homebuyers, recent graduates of CalPoly, and Latino households are a potential source of demand for high density units in the Specific Plan Area.

New residential development in the Specific Plan Area should be encouraged to accommodate and appeal to both senior households and other market segments.

Because such a large proportion of the potential target market is made up of householders aged 65 years and above, developers in the Specific Plan Area should be encouraged to build units that accommodate the requirements of residents in this age category, yet still remain appealing to buyers in other segments. For example, a multi-story mixed-use building with ground floor retail and condominium flats would be suitable for senior housing (assuming that the building is constructed with elevator service to the residential floors). However, a three-level townhome with tuck-under parking would be less desirable for senior buyers because of the unit's internal stairs. Likewise, multi-level live/work units or lifestyle lofts that have an internal staircase are not an optimal product type for seniors.

Table 8: Market Rate Residential Rental Comparables in Paso Robles

Name	Location	Year Built	Occupancy	Units	Floor Plans	Sq. Ft.	Rent Range	$ per Sq. Ft.
Clifton Apartments	South of Downtown	NA	100%	45	1 br, 1 bath	700	$650	$0.93
125 Spring St					2 br, 1 bth	900	$750	$0.83
Laguna Terrace Apartments	Uptown	NA	90%	40	2 br	750	$900	$1.20
3408 Spring St								
Dry Creek Village	South of Paso	1986	99%	400	2 br, 1 bath	850	$905	$1.06
1227 Coral Creek	Robles Golf Club				2 br, 2 bath	850	$940	$1.11
Vista del Rio	West of South	2006	100%	80	2 br, 1 bath	975	$1,075	$1.10
92 Rio Court	River Road, north				2 br, 2 bath	975	$1,150	$1.18
	of Niblick Road							
Cuesta Villas (townhomes)	Highway 46 and	2004	92%	12	2 br, 2 bath	1,155	$1,600 - $1,700	$1.38 - $1.47
Off Highway 46 East and	Buena Vista Drive							
Buena Vista Drive								

Source: Strategic Economics

Table 9: Building Permits for New Residential Units

	86%			86%		
	San Luis Obispo County			Paso Robles		
Year	Single Family Units	Multi-Family Units	Total Units	Single Family Units	Multi-Family Units	Total Units
1998	1,637	50	1,687	269	0	269
1999	1,547	101	1,648	231	0	231
2000	1,541	132	1,673	371	58	429
2001	1,709	234	1,943	418	57	475
2002	1,690	303	1,993	305	53	358
2003	1,983	277	2,260	410	56	466
2004	2,043	407	2,450	431	80	511
2005	1,875	441	2,316	282	89	371
2006	1,388	376	1,764	290	79	369
2007	919	347	1,266	41	5	46
2008	518	156	674	13	7	20
Total	16,850	2,824	19,674	3,061	484	3,545
Avg. 1998-2004	1,736	215	1,951	348	43	391
Avg. 2005-08	1,175	330	1,505	157	45	202
1998-2004						
CAGR	4%	42%	6%	8%	NA	11%
% Change	25%	714%	45%	60%	NA	90%
2005-2008						
CAGR	-35%	-29%	-34%	-64%	-57%	-62%
% Change	-72%	-65%	-71%	-95%	-92%	-95%

Note: CAGR - Compounded annual growth rate

Source: U.S. Census Bureau; City of El Paso de Robles

Table10: Annual Home Sale Data

	San Luis Obispo County				Paso Robles			
	Condos		SFRs		Condos		SFRs	
Year	Sales	Median Price	Sales	Median Price	Sales	Median Price	Sales	Median Price
1997	533	$139,000	4,432	$166,000	13	$88,750	784	$133,000
1998	639	$132,000	5,331	$175,000	28	$94,250	918	$141,000
1999	761	$142,000	5,362	$199,000	36	$107,500	1,053	$157,750
2000	710	$165,000	5,114	$240,000	34	$138,250	1,076	$184,500
2001	727	$205,000	4,987	$278,000	47	$180,000	1,050	$223,000
2002	791	$250,000	5,409	$330,000	75	$210,000	1,241	$270,000
2003	653	$289,000	4,824	$400,000	46	$209,500	938	$330,000
2004	798	$340,500	5,092	$460,000	58	$301,000	1,186	$399,000
2005	827	$398,300	4,808	$545,000	74	$329,000	1,259	$481,500
2006	416	$400,000	2,980	$560,000	35	$306,000	629	$484,250
2007	384	$392,250	2,491	$549,000	19	$319,000	465	$459,000

	San Luis Obispo County				Paso Robles			
	Condos		SFRs		Condos		SFRs	
	Sales	Median Price	Sales	Median Price	Sales	Median Price	Sales	Median Price
Total Price Growth								
1997-2007		182%		231%		259%		245%
Avg. Annual Price Growth								
1997-2005		14%		16%		18%		17%
2005-2007		-1%		0.4%		-2%		-2%

Source: DataQuick Information Systems

Table 11: Paso Robles New Single Family Home Developments

Project	No. of Units	Floor Plans	Unit Size	Asking Price	$ per Sq. Ft.	Comments
Montebello Estates	NA	3BR/3BA	2,510	$545,000 - $615,000	$217 - $245	Custom cabinets, master suite, pre-wired
Vista Oaks Way		4BR/3BA	2,618	$545,000 - $615,000	$208 - $235	media room, hill location, views
		4BR/3.5BA	2,802 - 2,897	$545,000 - $615,000	$188 $219	
		4BR/4BA	2,647 - 2,806	$545,000 - $615,000	$194 - $232	
		5BR/3.5BA	2,986	$545,000 - $615,000	$183 - $206	
Paseo Del Rio	21	4BR/3BA	2,766 - 3,339	$529,990 - $569,990	$171 - $206	Master suite, custom cabinets, walk-in
Navajo Avenue						closets, fireplace, tile roof, dual pane
						windows; 3 units available
Cool Valley Estates	20	4BR/3BA	2,788 - 3,202	$596,990 - $714,990	$214 - $243	Master suite, walk-in closet, breakfast
Cool Valley Road		5BR/3.5BA	3,467 - 4,040	$764,990 - $774,990	$192 - $221	nook, home office, porch, home sites up to
						17,000 sq. ft.; 20 units listed, 5 units sold
Las Villinas	5	4BR/2.5BA	2,280	$569,000	$250	Tuscan design theme, travertine floors,
Via Magnolia		4BR/2.5BA	2,300	$579,000	$252	stainless steel appliances, granite
						counters, 3-car garage, oak trees, views;
						5 units listed, 3 units sold
The Cottages at River Oaks	NA	3BR/2BA	1,382 - 1,415	Mid-$300,000s	NA	Fireplaces, gated community, heated pool,
Via Magnolia						rec center; 3 units available

Note: Data include October 2009 new home listings

Sources: PrudentialHallmark.com; EstrellaAssociates.com; homesandland.com

Table 12: North San Luis Obispo County Condominium Comparables

Location	City	Year Built	Floor Plan	Square Feet	Asking Price	Price per SF
Towne View						
839 Marlbank Place	Paso Robles	2005	3 br, 3.5 baths	1,500	$239,000	$159
Marchant Townhomes						
6195 Tecorida Ave	Atascadero	2006	2 br, 5 baths	1,214	$289,000	$238
6245 Tecorida Ave	Atascadero	2006	1 bed, 1 bath	796	$210,000	$264
Dove Creek						
11810 Herencia	Atascadero	2007	3 br, 3.5 baths	1,685	$310,000	$184
NA	Atascadero	2007	3 br, 3.5 baths	1,685	$284,000	$169
			Average:	1,376	$266,400	$203

Source: www.SloCountyHomes.com

Table 13: San Luis Obispo County Household Formation Trends

	Households 2010	Households 2015	Households 2020	Households 2025	Households 2030	New Households 2010-15	2015-20	2020-25	2025-30	Total New HH 20 Years (2010-30)
Householder under 25 years	11,647	11,315	11,412	12,138	12,811	-333	98	726	673	1,164
Householder 25 to 44 years	32,405	36,169	39,344	39,708	38,785	3,764	3,175	364	-923	6,380
Householder 45 to 64 years	40,964	42,070	41,031	41,277	44,539	1,106	-1,039	246	3,262	3,575
Householder 65 years and over	22,240	27,778	35,098	42,710	48,089	5,537	7,320	7,612	5,379	25,849
Total households	107,257	117,332	126,886	135,833	144,224	10,075	9,554	8,947	8,391	36,967

Sources: Woods & Poole Economics, Inc.; 2007 American Community Survey

RETAIL MARKET

The main shopping districts in the Specific Plan Area include Downtown as well as retail corridors along Spring Street, Riverside Avenue, Paso Robles Street and the 24th Street corridor near Highway 101.

With several major shopping centers and national chains such as Walmart, Target, J.C. Penney, Kohl's and Staples, Paso Robles serves as a retail magnet for City residents as well as approximately 30,000 additional residents in North San Luis Obispo County. This high level of competition from commercial centers with freeway visibility, convenient store hours and ample parking creates a challenge for retailers in the Specific Plan Area. Nevertheless, Downtown is considered a prime location that offers City residents, as well as the surrounding community, an enjoyable shopping environment with unique stores, restaurants and entertainment venues. The commercial corridors in the Specific Plan Area offer convenience shopping at strip centers as well as free-standing independent retailers. Retail businesses along the corridors range from those that serve the surrounding neighborhoods (Rite-Aid, Scolari's) to specialty stores such as the Boot Barn on Spring Street and the Farm Supply Company on Paso Robles Street.

Retail lease rates in the Specific Plan Area range from $1.45-$2.75 (NNN) per square foot to $2.26-$2.80 (gross) per square foot per month.

According to interviews with local brokers and retail market comparables shown in Table 14, triple-net retail lease rates[1] in the planning area are typically in the range of $1.45 to $2.75 per square foot. Most of the currently available space shown in Table 14 is in buildings offering smaller floorplates located Downtown. Feedback from retailing professionals familiar with the Downtown indicate that small local businesses are being priced out by asking rates in the range of $2.00 and above, yet Downtown property owners have difficulty in attracting chain retailers that require larger floorplates and prefer locations with better visibility and higher traffic counts.

The Paso Robles retail market has a significant amount of pipeline supply.

There is currently an estimated 4.3 million square feet of retail space in Paso Robles. Table 15 shows that 302,800 square feet of retail space are approved or under construction in Paso Robles, while another 88,000 square feet have received zoning approval. The recently opened Golden Hills Plaza is a 223,000 square foot shopping center off Highway 26 that is anchored by Lowe's. Thus far the operator, Regency Centers, had leased 204,000 square feet of the Plaza and is currently advertising for tenants for the remaining 19,000 square feet.

Based on projected spending from residents of Paso Robles and unincorporated North San Luis Obispo County, Strategic Economics estimates that by 2030, the City will be able to support a total of 534,000 additional square feet of retail space.

The 534,000 in net supportable retail space in Paso Robles (citywide) by 2030 is based on SE's estimate of the additional buying power of new residents in Paso Robles and unincorporated North San Luis Obispo County between 2008 and 2030 (see Table 16). SE's methodology for calculating net supportable retail square footage is shown in the Appendix.

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[1] Under a triple net lease (NNN) the lessee is responsible to pay for the taxes, insurance and maintenance of the property. Under a gross lease the landlord is responsible to pay for the taxes, insurance and maintenance of the property.

Recommendations for future retail development in the Specific Plan Area.
While a significant portion of 2008-2030 net supportable retail space is already under construction or approved, mixed-use development in the Specific Plan Area uses can be expected to attract retail uses, especially Downtown, South of Downtown and on the Spring Street corridor.

Much of Downtown's pedestrian zone is centered on 11th and 12th Streets and City Park. In order to support commercial activity Downtown and to encourage an active and vibrant pedestrian environment, SE recommends that the City rezone this area for mixed-use that will promote more retail and high density residential development in the blocks that surround City Park, particularly the blocks north of 12th Street that encompass 13th, 14th, and Park Streets.

Currently, there are few vacancies on Spring Street, rents are relatively low and, from a commercial perspective, its role is to provide a niche location for price-sensitive users. Upzoning the entire Spring Street corridor in the near term may not be an optimal strategy since it could provide an incentive for property owners to intensify development and draw business away from Downtown. However, mixed-use zoning should be implemented at selected commercial nodes along the corridor (i.e., at 32nd and 34th Streets in Uptown, and at 4th Street in the South of Downtown area). As the commercial nodes gradually intensify, the segments between the nodes will continue to provide commercial space for cost-conscious tenants that wish to have proximity to the core but do not require a Downtown location.

In the South of Downtown Area, specialty retail, such as a public market or other agriculture- or wine-related retail, would be suitable for the Farmers Alliance Building. Multi-story mixed-use buildings with ground floor retail would be a good development product for the South of Downtown area, especially along Pine Street between 11th Street and the train station.

A proposal to develop a mixed-use center with 60 high quality rental apartments and 50,000 square feet of upscale retail at 4th and Spring Streets is still in the planning phase. This addition of new residents to the Specific Plan Area will help support Downtown businesses. Although introducing upscale shopping in this location could potentially compete with Downtown retailers, Downtown offers a distinctive environment with shopping alternatives and amenities (e.g., City Park, library, cinema) that will continue to support its position as an important shopping destination.

Recommendations for Downtown retail recruitment.
Recommendations for recruiting new retailers is based on Downtown's current retail mix, feedback from charrette participants, and an opportunity gap analysis for Paso Robles residents' unmet retail demand.

<u>Current Downtown Retail Mix</u>. Existing businesses in the Downtown include a significant number of retailers and restaurants that are visitor-oriented. These include art galleries, wine tasting rooms, antiques and collectibles dealers, gift stores, high end home accessory stores, clothing boutiques and specialty food shops. During the charrette process, many participants complained about the Downtown's limited retail offerings for local residents. Participants also observed that as the Downtown retail has become increasingly focused on tourists, less shopping is done there by locals because of the perception of higher prices, the limited variety of stores, and the lack of certain types of goods and services (e.g., eyewear, sporting goods, everyday apparel).

Many charrette participants advocated placing greater priority on tenanting Downtown with locally owned companies that would support the Downtown's sense of uniqueness and authenticity. Several participants objected to the potential transformation of Paso Robles into a tourist destination like Carmel or Napa—communities that were cited as models of what Paso Robles should avoid because of their emphasis on catering to visitors rather than local residents. Independent retailers were perceived as being more community-minded and responsive to local customers, and as contributing to the Downtown's distinctive character.

Retail Opportunity Gap Analysis. A retail opportunity gap analysis shown in Table A3 identifies store types with unmet market demand by comparing per capita spending in Paso Robles to per capita store sales for different store types in 2008. While sales exceeded spending for almost all store categories, unmet demand exists for several store types that are appropriate for expansion in the Downtown: Furniture; Computer and Software; Hardware; Specialty Food; Cosmetics/Beauty Supplies; Optical Goods; Clothing and Clothing Accessories; Jewelry; Hobby/Toys/Games; Books/Periodicals/Music.

Recommended Recruitment Strategies. Three strategies that Paso Robles could pursue to expand Downtown retail offerings as well as help meet retail market demand identified in the opportunity gap analysis include: 1) targeting chain retailers with store types that match unmet retail demand; 2) targeting existing independent retailers located within a 60-minute drive of the Downtown with store types that match unmet retail demand; and 3) establishing a Downtown retail incubator to help foster local entrepreneurship. These strategies are not mutually exclusive and, depending on cost, staffing requirements, and the community's priorities, the City may wish to pursue one or more of them simultaneously.

- Target Chain Retailers

  Chain retailers can be a positive force by creating stability in a retail district, creating synergies with other retailers, and attracting customers. In some cases, national retailers such as Panera Bread have a small footprint that fits in well in a compact retail district, blends in with adjacent storefronts, and also provides an economical lunchtime venue for shoppers and workers.

  For Downtown Paso Robles, the targeted recruitment of a selected number national and regional chains may be a good strategy for bringing in strong retailers that would complement local shops and help improve the existing retail mix. Windsor, a city located in Sonoma County, CA, found this to be a useful strategy after it initially tenanted its newly developed downtown with local merchants exclusively. However, after several years, these merchants concluded that the addition of a few regional or national chains would help broaden the downtown's supply of attractive retail options, and they have supported the City's efforts to recruit chain operators.

  For the foreseeable future, most major retailers such as Ann Taylor, the Gap and J. Crew, are not opening new stores since their sales have been significantly reduced by the drop in consumer spending during the recession. Nonetheless, it may be beneficial for the City's Economic Development staff to track appropriate national and chain retailers on a quarterly basis to prepare for a recruitment effort when the market revives. It may also be useful to involve key decision-makers in City government by having them attend industry meetings and conventions in order to meet with members of the retail and development community to educate them about Paso Robles as a potential market. Initial research by Strategic Economics indicates that, prior to the recession, expansion plans in California were on the horizon for retailers such as Urban Outfitters, Anthropologie, Mimi Maternity, A Pea in the Pod, Kwik Copy Printing, Fast Signs, Bizou, Party City, Games Workshop, and others.

- Target Existing Independent Retailers

  Landlords, real estate brokers and economic development organizations all face similar obstacles in terms of finding local retailers that are looking to expand. Identifying and recruiting good merchants in other locations is very time consuming and labor intensive, especially compared to recruiting chains that have well-established site selection criteria. Small operators, in contrast, are often not certain that they wish to expand, sometimes have difficulty financing expansion, and are frequently uncertain about how much space they require, what their target market is or the demographics they require.

Given these extra demands, methods for maximizing local recruitment efforts can include: 1) identifying quality independents that currently have locations within a 60-minute drive of Downtown (such as King City or San Luis Obispo)[2]; 2) holding workshops for local landlords, commercial real estate brokers and developers to encourage them to go after the targeted tenant prospects; 3) developing an ongoing public relations campaign (paid from the City's annual marketing budget) to highlight Paso Robles merchants and businesses in publications throughout the region (*Paso Robles Press*, *The Tribune*, *New Times*, *Pacific Coast Business Times*, *Soaring Eagle*, *Santa Maria Times*, *Lompoc Record*, *Times Press Recorder*, *Adobe Press*, *Santa Ynez Valley News*, *The Cambrian*, *Central Coast Sun Bulletin*, *Coast Magazine*). Publicity about local start-up businesses such as Paper Moon, Willow Creek, Central Coast Lavender and Studios on the Park reinforces Paso Robles' image as a vibrant commercial setting and may help to encourage and motivate the next wave of entrepreneurs in starting a business.

- Establish a Retail Incubator in the Downtown

Establishing a retail incubator Downtown would allow local entrepreneurs with creative and innovative ideas to test their start-up's viability alongside other new retailers in a shared environment. An incubator facility, possibly supported by the City through the Main Street Association, could provide numerous small spaces offered at low rents that are tied to a full support system. The incubator environment would help budding retailers learn from each other and access training and technical assistance through a mentorship program dedicated to helping the incubator tenants get off the ground. These mentors could include local service providers such as attorneys and CPAs to provide information and guidance. Ultimately, after a one- to three-year period of refining the business and building a customer base, a successful incubator tenant would move out and lease space elsewhere in the Downtown. The incubator could establish a partnership with local lenders to operate a loan program that could potentially give start-ups the ability to access funds that would ease the transition from the incubator to their own storefront.

SE estimates that the start-up cost for a 5,000 square-foot retail incubator located in leased space Downtown could range from $80,000 to $125,000. The annual running cost for the incubator could vary between $110,000 to $170,000, depending on the level to which the City subsidizes occupancy expenses. If the City pays for 100 percent of the occupancy expenses, then the annual running cost for the incubator is estimated at $170,000. However, if the incubator tenants pay 50 percent of occupancy expenses, then the annual running cost is estimated at $110,000. These figures are preliminary estimates and should be verified by a retail incubator feasibility study if the City chooses to move forward with this recommendation.

Implementing these recruitment strategies could help to re-orient the balance in Downtown between local serving retail and the tourist market, as well as create a diverse range of stores with an appealing mix of merchandise that would support Downtown as a primary shopping destination for Paso Robles residents.

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[2] Retailers within a 60-minute drive are targeted because those operating within a 10- to 15-minute drive from Downtown may be reluctant to expand because of the risk of cannibalizing their existing store; retailers farther away than a 60-minute drive may have difficulty managing a too distant location.

Table 14: Retail Market Comparables

Name	Space Available (sq. ft.)	Lease Rate	Major Tenants	Comments
Mastagni Building 801 12th Street	937 965 970 2,294 5,604	$1.65/SF NNN $1.55/SF NNN $3.00/SF NNN $1.55/SF NNN $1.65/SF NNN	Velvet	Reconstructed, three-story building with offices and ground floor retail
1401 Park Street	3,846	$1.65/SF NNN	NA	Street retail, can accommodate retail, restaurant, or offices
1405 Spring Street	728	$1.75/SF	NA	New building under construction. Street level retail with office above
The Granary 1111 Riverside Ave.	1,060	$2.26/SF Gross	Cool Hand Luke's, Café Vio, Devin Wine Company.	Historic Granary building with ample parking
Park St. & 13th Streets	11,790	$3.00/SF NNN	NA	Divisible to 900 SF; recently renovated corner building at high-traffic intersection
630 B First Street	853	$2.98/SF NNN	Sushi Kokku, House of Bagels	. Located in Gateway Center
Woodland Plaza and Woodland Plaza II Niblick and South River Road	4,023	$1.75-$2.25/SF NNN	Albertson's, Long's, Wal-Mart, Staples, Big 5 Sporting Goods, Washington Mutual, JC Penney, Staples	Visible, well-tenanted, well-frequented. Multiple strong anchors. Low vacancy rate, with significant interest in existing and upcoming vacancies
East Village Shopping Center Golden Oak and Niblick	1,000- 2,000	$1.75/SF NNN	Food4Less	Very visible retail center. One space currently vacant and another turning over
Oak Creek Plaza Creston between Myrtlewood and Cedarwood	1,550	$1.55/SF NNN	La Mexacana Market	Retail strip built in 1983 and recently remodelled; two vacancies

Note: Data include listings for September 2009

Table 15: Planned and Proposed Commercial Development in Paso Robles

Approved or UC		Square Feet
Industrial		223,100
Office		32,400
Mixed Use		27,600
Retail		302,800
Entitled		
Industrial		141,600
Office		53,700
Mixed Use		36,100
Zoning Approval, No Plans		
Industrial		852,500
Office		9,830
Mixed		158,400
Retail		88,000
Resort		1,025 rooms
Commercial Subdivisions with Entitlements	**Location**	**# of Lots**
Commercial Lots	Niblick	4
Commercial Lots	Spring Street	2
Industrial Lots	Jadine Road	39
Industrial Lots	East End	8
With Tentative Map Approval		
Business Park	Airport and Dry Creek	27
Commercial Lots	OakWood Streets	12
Commercial Lots	Riverside	5
Commercial Lots	S. River	3
Industrial Lots	Wisteria and Germaine	8
Mixed Use Project	Park Street	NA

Source: City of El Paso de Robles

Table 16: Projected Supportable Retail Space in Paso Robles

	Supportable Square Feet					Net Supportable Square Feet				
Store Type	2008	2015	2020	2025	2030	2008-15	2015-20	2020-25	2025-30	Total
Apparel stores	89,559	104,807	116,365	125,863	136,811	15,247	11,558	9,498	10,948	47,252
Food stores	368,939	431,750	479,364	518,491	563,592	62,811	47,613	39,127	45,101	194,653
Eating and drinking places	182,788	213,907	237,497	256,882	279,227	31,119	23,590	19,385	22,345	96,439
Home furnishings and appliances	74,234	86,872	96,452	104,325	113,400	12,638	9,580	7,873	9,075	39,166
Bldg. materials etc.	232,701	272,318	302,350	327,028	355,475	39,617	30,031	24,679	28,447	122,774
Other retail stores	64,448	75,420	83,737	90,572	98,450	10,972	8,317	6,835	7,878	34,003
Total	1,012,668	1,185,074	1,315,764	1,423,160	1,546,955	172,406	130,690	107,396	123,795	534,287

Source: Strategic Economics

HOTEL MARKET

The lodging market in Paso Robles has performed well in recent years, with high occupancy rates, the addition of premium properties (Hotel Cheval, La Bellasera) and the renovation of landmark properties such as the Paso Robles Inn. The City's broad spectrum of room inventory meets the needs of the three most relevant segments in the guest market: tourists to the Central Coast and visitors to the area's wine country (premium); short-term visitors attending the Paso Robles Event Center (budget and mid-level); and budget-conscious overnight travelers driving on Highway 101.

Paso Robles accounts for 13 percent of lodging inventory in San Luis Obispo County.
With an estimated 1,100 hotel and motel rooms, Paso Robles accounts for approximately 13 percent of San Luis Obispo County's lodging inventory of 8,100 rooms.

Lodging properties in Paso Robles have higher occupancy rates than in the County as a whole.
According to staff at the San Luis Obispo County Convention and Visitors Bureau, annual lodging occupancy in the County has generally tracked the national rate of approximately 64 percent. By contrast, transient occupancy tax data from the City show that hotel and motel properties in Paso Robles have had annual occupancy rates in the range of 69 percent (2006) to 70 percent (2007).

Mid-level and premium hotel properties make up an estimated 52 percent of Paso Robles' room inventory.
Data in Table 17 show that 42 percent of the City's room inventory is at economy properties with asking rates below $100. Thirty-four percent of the room inventory is in mid-level hotels, and 18 percent of room inventory is at premium properties.

Holding current room inventory constant, SE estimates that the Paso Robles market could support an additional 960 rooms by 2030.
In order to estimate future demand for hotel rooms in Paso Robles, SE assumed that the City's occupancy rate in future years would converge to the County's average rate of 64 percent. In addition, holding current inventory constant and assuming that room demand expands at an annual rate of four percent, the Paso Robles market could support an additional 960 rooms by 2030 (see Table 18).

Planned and proposed hotel development.
The City has approved projects that will add 370 new hotel rooms including 90 rooms in a new hotel in the Specific Plan Area at Riverside Avenue and Black Oak Drive, and a 280-room resort on Airport Road, north of Highway 46 East. In addition, planning applications to develop another 481 rooms have been submitted. These proposed projects include: an additional 291 rooms on Airport Road, north of Highway 46 East; 40 rooms on Alexa Court; and 130 to 150 rooms in River Oaks. However, the majority of these projects are currently on hold and the timing of their eventual development is uncertain. For example, two proposed developments with a total of 571 rooms that are located northwest of Highway 46 West are on hold indefinitely until a decision about improving the interchange at Highway 46 and Highway 101 is resolved.

Downtown and Riverside Avenue are favorable locations for future hotel development.
It is likely that future hotel development in Paso Robles will occur on larger parcels that can accommodate surface parking and a swimming pool, or on parcels on the City's periphery that offer views and privacy. However, SE recommends that the City encourage hotel development within the Specific Plan Area. The development of premium hotel properties is appropriate for the Downtown because of its restaurants, retail, park and entertainment venues. Hotel development should be viewed as an essential ingredient in creating an 18-hour Downtown for Paso Robles and in generating pedestrian

traffic for local businesses. Relatively small-scale, boutique hotel properties (less than 40 rooms) would be appropriate for many of the Downtown's smaller parcels as they are redeveloped. Mid-level hotel properties are likely to perform well on Riverside Avenue near the Paso Robles Event Center.

Hotel development on Spring Street.
Because of its lower property values, Spring Street may attract hotel operators wishing to tap into Paso Robles' lucrative lodging market. However, adding supply along Spring Street is less optimal in terms of generating evening activity in the Downtown and should therefore be a lower priority for the foreseeable future.

Table 17: Paso Robles Hotel Inventory

	Rooms	% of Inventory	Rack Rates
Economy			
Motel 6	121		$50 - $96
Relax Inn	18		$55 - $110
Travelodge	31		$59 - $159
Melody Ranch Motel	19		$62 - $74
Budget Inn of Paso Robles	28		$69 - $149
Adelaide Motor Inn	108		$75 - $149
Townhouse Motel	24		$75 - $125
Best Western Black Oak Motor Lodge	110		$89 - $150
	459	42%	
Mid-Level			
Holiday Inn Express	92		$119 - $269
Courtyard by Marriott	130		$129 - $239
Hampton Inn	81		$129 - $219
La Quinta	70		$129 - $169
	373	34%	
Premium			
Vine Street Inn	4		$110 - $325
Paso Robles Inn	98		$115 - $330
Paso Robles Wine Country Inn	15		$195 - $365
La Bellasera Hotel	60		$239 - $569
Hotel Cheval	16		$275 - $425
	193	18%	
Other			
Economy Inn	19		NA
Emily's House	1		NA
Farmhouse Motel	24		NA
Suburban River Lodge	22		NA
	66	6%	
TOTAL	1,091	100%	

Sources: City of El Paso de Robles; Strategic Economics

Table 18: Estimated Supportable Hotel Rooms in Paso Robles

Year	Annual Demand Growth	Potential Occupied Room Nights	Annual Unmet Room Night Demand	Cumulative Additional Supportable Rooms
2008	4.0%	256,960	0	0
2009	4.0%	267,238	10,278	28
2010	4.0%	277,928	20,968	57
2011	4.0%	289,045	32,085	88
2012	4.0%	300,607	43,647	120
2013	4.0%	312,631	55,671	153
2014	4.0%	325,136	68,176	187
2015	4.0%	338,142	81,182	222
2016	4.0%	351,668	94,708	259
2017	4.0%	365,734	108,774	298
2018	4.0%	380,364	123,404	338
2019	4.0%	395,578	138,618	380
2020	4.0%	411,401	154,441	423
2021	4.0%	427,857	170,897	468
2022	4.0%	444,972	188,012	515
2023	4.0%	462,770	205,810	564
2024	4.0%	481,281	224,321	615
2025	4.0%	500,533	243,573	667
2026	4.0%	520,554	263,594	722
2027	4.0%	541,376	284,416	779
2028	4.0%	563,031	306,071	839
2029	4.0%	585,552	328,592	900
2030	4.0%	608,974	352,014	964

Note: Supportable room figures are cumulative and assume a current (2008) annual room night supply of 256,960 and an average annual occupancy rate of 64 percent.

Source: City of El Paso de Robles; Strategic Economics.

OFFICE MARKET

Office space in the area west of Highway 101 is concentrated in the Downtown, along Spring, Oak and Vine Streets. Office space in the planning area ranges from converted Victorians on Vine Street, to 1970s and '80s-era low rise buildings on Riverside Avenue and Spring Street. In addition, more recently constructed office space can be found at Gateway Center which is located outside the Specific Plan Area at 1st and Vine Streets.

Office lease rates in the Specific Plan Area range from $1.25-$2.25 (NNN) to $1.00-$3.16 (gross) per square foot per month.

According to interviews with local brokers, triple-net office lease rates in the Specific Plan Area are typically in the range of $1.25-$2.25 (NNN) to $1.00-$3.16 (gross) per square foot per month. This is true of space Downtown as well as on the planning area's major corridors (Spring, Oak and Vine Streets, Riverside Avenue). Space at the Gateway Center is newer, has good access to Highway 101, and commands a rate of $2.00-$2.25 per square foot (NNN) per month. (See Table 19.)

Most office tenants require less than 1,000 square feet of space.

Demand for offices in the planning area is mainly from small, one-person businesses seeking affordable space. According to interviews with brokers, tenants seeking 1,000 square feet or more are rare and most users require less than 500 square feet.

The Paso Robles office market has a significant amount of pipeline supply.

There is currently an estimated 485,000 square feet of office space in Paso Robles. Table 15 shows that in Paso Robles, 32,400 square feet of office space are approved or under construction, 53,700 square feet have received entitlement, and an additional 9,830 square feet have received zoning approval.

Based on employment projections for Paso Robles, SE estimates that demand for office space in the City will increase by 540,000 square feet between 2009 and 2030.

SE estimates that approximately 7,313 workers currently occupy office space in Paso Robles. This number is projected to increase to about 9,880 in 2030. Allocating 200 square feet of new office space to each of these additional 2,567 office workers, including a five percent vacancy rate to account for tenant turnover, yields a cumulative increase of approximately 540,000 square feet of supportable office space between 2009 and 2030 (see Table 20).

Future office development in the Specific Plan Area.

Data in Table 19 indicate that there is approximately 42,000 square feet of office space vacant in the area west of Highway 101 (as of October 2009). As the economy recovers and this overhang of supply is absorbed, the market feasibility of new office development will improve.

Table 19: Office Market Comparables

Name	Available Space	Lease Rate	Description
825 Riverside Ave.	1,000 SF	$0.95/SF Modified Gross	2-story light industrial/ office complex; building has freeway visibility
Alliance Square Center 935 Riverside Avenue	5,600 SF	$1.33 - $2.80/SF Modified Gross	5 professional office units available
1704 Spring St.	1,460 SF	$1.55/SF NNN	Edward Jones building; front space, street level on Spring St.
744 Oak St.	2,100 SF	$1.50/SF NNN	Free standing building with Spring St. visibility, could accommodate wine tasting, dentistry, professional office, day spa
Mastagni Building 801 12th Street	1,377 SF 1,801 SF 1,530 SF 638 SF 3,754 SF 636 SF	$1.55 NNN $1.55 NNN $1.55 NNN $1.55 NNN $1.55-$1.65 NNN $1.55-$1.65 NNN	New construction, two floors of office above retail; restrooms on each floor.
The Granary	860 SF	$2.00 NNN	Fourth floor office
Gateway Center	2,195 SF	$2.50/SF Gross	Sublet from Wachovia

Source: LoopNet.com; Strategic Economics

Table 20: Projected Supportable Office Space in Paso Robles

Employment	% Using Office Space	Jobs Occupying Office Space 2008	2015	2020	2025	2030
Agriculture	4%	22	23	24	25	26
Construction	5%	64	66	71	74	78
Manufacturing	15%	376	396	439	468	500
Transportation	25%	127	135	153	166	180
Wholesale Trade	25%	230	242	268	286	305
FIRE	100%	1,352	1,408	1,523	1,601	1,683
Services	80%	5,142	5,465	6,148	6,624	7,135
Total		7,313	7,735	8,628	9,245	9,907
			2008-15	2015-2020	2020-2025	2025-2030
Increase in Office Employment			422	893	617	662
Office Space		Square Feet				
Occupied Office Space / Employee			200	200	200	200
			2008-15	2015-2020	2020-2025	2025-2030
Increase in Office Space Demand			84,392	178,560	123,370	132,382
Increase in Supportable Space Including 5% Structural Vacancy			88,612	187,488	129,539	139,001
Annual Average Increase in Supportable Space By Period			12,659	37,498	25,908	27,800
Estimated Cumulative Increase in Supportable Office Space			88,612	276,099	405,638	544,639

Note: 2008-2015 projections assume minimal growth in jobs requiring office space from 2008 through 2011.

INDUSTRIAL MARKET

Industrial space in Paso Robles is concentrated around the Paso Robles Municipal Airport, at Golden Hills Business Park, on the eastern edge of the City on Commerce Way and Linne Road, on Riverside Avenue, and on Paso Robles Street. Users near the airport are aviation-related but also include building and construction, machinery, auto repair, and agricultural companies. Businesses located at Golden Hills Business Park include a software firm, agricultural services, industrial hardware, automotive parts, and a warehouse for a local winery. Tenants on Commerce Way and Linne Road include security companies, medical instruments, plastic molding, water valve manufacturing, business forms, glass vial manufacturing, cabinet shop, and home products firms. Riverside Avenue and Paso Robles Street have light industrial users including construction companies, machine shops, agricultural suppliers, auto repair and landscaping companies. Riverside Avenue and Spring Street contain a mix of old and newer buildings, most of which accommodate several small users.

Industrial lease rates in the Specific Plan Area range from $0.55-$0.80 (NNN) to $0.50-$1.00 (gross) per square foot per month.

Data in Table 21 show that currently leasing industrial space in the planning area ranges from $0.55-$0.80 (NNN) to $0.50-$1.00 (gross) per square foot per month for warehouse and industrial space in the Specific Plan Area. According to interviews with brokers, these rates are typical of industrial space costs in the planning area.

Market activity is relatively slow.

Real estate professionals indicate that industrial market activity in Paso Robles is relatively slow with few new users moving in. Landlords in the area are motivated to work with users as leases expire in order to retain their existing tenant base.

The Paso Robles industrial market has a significant amount of pipeline supply.

There is currently an estimated 2.2 million square feet of industrial space in Paso Robles. Table 15 shows that in Paso Robles, 223,100 square feet of office space are approved or under construction, 141,600 square feet have received entitlement, and an additional 852,500 square feet have received zoning approval.

Based on employment projections for Paso Robles, SE estimates that demand for industrial space in the City will increase by 600,000 square feet by 2030.

SE estimates that approximately 3,476 workers currently occupy industrial space in Paso Robles. This number is projected to increase to 4,617 in 2030. Allocating 500 square feet of new industrial space to each of these additional 1,141 office workers, including a five percent vacancy rate to account for tenant turnover, yields a cumulative increase of approximately 600,000 square feet of supportable industrial space between 2009 and 2030 (see Table 22).

Future industrial development in the Specific Plan Area.

One of the largest industrial zones in the planning area contains the properties bounded by 24th and 26th Streets and Spring Street and the railroad tracks. A five-acre tank manufacturing facility that is located here is a stable business and an important source of industrial employment (approximately 250 jobs). The company's plans for the site are undetermined and for the foreseeable future it is expected to remain under its current use.

SE projects that over time, market forces will encourage large industrial users to relocate out of the Specific Plan Area as they take advantage of lower occupancy costs in other parts of Paso Robles or in other areas of North San Luis Obispo County. However, most large industrial businesses in the Specific

Plan Area seem to be well established in their current location and property turnover is expected to be quite slow for the foreseeable future. In the meantime, the City should encourage industrial users that require facilities with large footprints to locate in other parts of Paso Robles such as the airport area, or on Highway 46.

The industrial character of the Riverside Avenue corridor and Paso Robles Street should be preserved in the near term since many of the businesses located here provide essential products and services, as well as a source of employment, to the Paso Robles community. There are a significant number of construction, home improvement and home furnishings businesses that are clustered on Riverside Avenue that contribute to the local tax base. The City should support the retention of these uses and, where possible, encourage similar businesses to locate on Riverside Avenue and Paso Robles Street. Over the long term (25 years), it is possible that Riverside Avenue and Paso Robles Street will make a transition from fewer industrial to more retail users, although it may be advantageous to postpone this transition while the Downtown is being revitalized.

Table 21: Industrial Market Comparables

Name	Available Space	Lease Rate	Comments
11th and Paso Robles	20,447 SF	$0.90/SF Gross	6 commercial condos with office space
Alliance Industrial Plaza 825 Riverside Avenue	1,730 SF	$1.23/SF Gross	Warehouse with 450 SF office
2800 Riverside Avenue	20,000 SF - 69,000 SF	$0.60/SF - $0.80/SF NNN	Warehouse space with retail potential; NNN fees are $0.12/SF per month

Source: LoopNet.com; Strategic Economics

Table 22: Projected Supportable Industrial Space in Paso Robles

Employment	% Using Office Space	2008	2015	2020	2025	2030
		Jobs Occupying Industrial Space				
Agriculture	15%	84	87	91	95	98
Construction	15%	191	198	213	222	233
Manufacturing	85%	2,131	2,246	2,488	2,654	2,831
Transportation	75%	380	406	460	498	539
Wholesale Trade	75%	689	727	805	858	916
Total		3,476	3,664	4,057	4,328	4,617
			2008-15	2015-2020	2020-2025	2025-2030
Increase in Industrial Employment			188	393	271	289
Industrial Space			Square Feet			
Industrial SF / Employee			500	500	500	500
			2008-15	2015-2020	2020-2025	2025-2030
Increase in Industrial Space Demand SF			94,225	196,586	135,336	144,514
Increase in Supportable Space Including 5% Structural Vacancy			98,936	206,415	142,103	151,740
Annual Average Increase in Supportable Space By Period			14,134	41,283	28,421	30,348
Estimated Cumulative Increase in Supportable Industrial Space			98,936	305,351	447,455	599,195

Note: 2008-2015 projections assume minimal growth in jobs requiring industrial space from 2008 through 2011.

V. APPENDIX

The tables in this appendix provide details for the calculation of net supportable retail square footage.

Table A1 – Shows retail sales by store type in Paso Robles for six store categories (apparel, food stores, eating and drinking places, home furnishings and appliances, building materials, and other retail).

Table A2 – Includes current and projected data for: population of Paso Robles and unincorporated North San Luis Obispo County; total retail spending; capture rates for six retail store categories; dollars captured in Paso Robles; supportable retail space from Paso Robles and unincorporated North San Luis Obispo County demand.

Table A3 – Shows a retail opportunity gap analysis that identifies store types with unmet market demand by comparing per capita spending in Paso Robles to per capita store sales for different store types.

Calculation of Net Supportable Retail Space in Paso Robles

Retail demand is a function of the number of people in a given market area, the amount the average person spends at local retail outlets, and average per square foot sales for different retail categories. SE's projections of supportable retail space are shown in Table A2.

Table A1 shows current per capita retail spending in Paso Robles. In Table A2, future retail demand is calculated by multiplying expected population growth by the per capita retail expenditures shown in Table A1. Spending growth was adjusted conservatively (by one quarter of the projected growth rate for annual income, equal to 0.6 percent) to reflect future increases in buying power. SE then estimated capture rates, i.e., the percentage of retail dollars spent locally, to calculate the portion of sales that could be captured by Paso Robles.

Finally, Strategic Economics calculated the total potential square footage of supportable retail by store type, based on estimates of average per-square-foot sales for different types of retail stores.

Table A1: Paso Robles Retail Sales By Store Type

Store Type	Total Expenditures	Per Capita Expenditures
Apparel stores	$19,605,761	$690
Food stores	$53,843,844	$1,895
Eating and drinking places	$44,016,194	$1,549
Home furnishings and appliances	$21,667,683	$763
Bldg. materials etc.	$45,281,322	$1,594
Other retail stores	$11,286,759	$397
Total	$195,701,563	$6,887

Source: Claritas, Inc.

Table A2: Potential Retail Buying Power of Paso Robles and North San Luis Obispo County Residents

		2008	2015	2020	2025	2030	Net Change 2008-15	2015-20	2020-25	2025-30
Paso Robles population		29,260	32,880	35,750	38,000	40,900				
Uninc. North County population		35,640	40,610	46,090	50,520	55,320				
Total		64,900	73,490	81,840	88,520	96,220	8,590	8,350	6,680	7,700
Annual Real Spending Growth 2008-2011	0.3%									
Annual Real Spending Growth 2011-2030	0.6%									

Total Retail Spending by Paso Robles and Unincorporated North County Residents (in Thousands of Dollars)

	Per Capita Sales	2008	2015	2020	2025	2030	Net Change 2008-15	2015-20	2020-25	2025-30
Apparel stores	0.69	44,780	52,403	58,182	62,931	68,406	7,624	5,779	4,749	5,474
Food stores	1.89	122,980	143,917	159,788	172,830	187,864	20,937	15,871	13,042	15,034
Eating and drinking places	1.55	100,533	117,649	130,623	141,285	153,575	17,116	12,974	10,662	12,290
Home furnishings and appliances	0.76	49,489	57,915	64,301	69,550	75,600	8,425	6,387	5,248	6,050
Bldg. materials etc.	1.59	103,423	121,030	134,378	145,346	157,989	17,608	13,347	10,968	12,643
Other retail stores	0.40	25,779	30,168	33,495	36,229	39,380	4,389	3,327	2,734	3,151
Total	**6.89**	**446,983**	**523,082**	**580,767**	**628,171**	**682,813**	**76,098**	**57,686**	**47,404**	**54,642**

Capture Rates

	2008	2015	2020	2025	2030
Apparel stores	45%	45%	45%	45%	45%
Food stores	75%	75%	75%	75%	75%
Eating and drinking places	50%	50%	50%	50%	50%
Home furnishings and appliances	45%	45%	45%	45%	45%
Bldg. materials etc.	45%	45%	45%	45%	45%
Other retail stores	45%	45%	45%	45%	45%

Capture of Paso Robles/Uninc. No. County Demand (in Thousands of Dollars)

	2008	2015	2020	2025	2030	Net Change 2008-15	2015-20	2020-25	2025-30
Apparel stores	20,151	23,582	26,182	28,319	30,782	3,431	2,601	2,137	2,463
Food stores	92,235	107,938	119,841	129,623	140,898	15,703	11,903	9,782	11,275
Eating and drinking places	50,267	58,824	65,312	70,643	76,787	8,558	6,487	5,331	6,145
Home furnishings and appliances	22,270	26,062	28,936	31,297	34,020	3,791	2,874	2,362	2,722
Bldg. materials etc.	46,540	54,464	60,470	65,406	71,095	7,923	6,006	4,936	5,689
Other retail stores	11,601	13,576	15,073	16,303	17,721	1,975	1,497	1,230	1,418
Total	**243,063**	**284,444**	**315,813**	**341,590**	**371,304**	**41,381**	**31,369**	**25,777**	**29,714**

Supportable Retail Space from Paso Robles/Uninc. No. County Demand (in Square Feet)

	Avg. Sales/SF	2008	2015	2020	2025	2030	Net Change 2008-15	2015-20	2020-25	2025-30
Apparel stores	$225	89,559	104,807	116,365	125,863	136,811	15,247	11,558	9,498	10,948
Food stores	$250	368,939	431,750	479,364	518,491	563,592	62,811	47,613	39,127	45,101
Eating and drinking places	$275	182,788	213,907	237,497	256,882	279,227	31,119	23,590	19,385	22,345
Home furnishings and appliances	$300	74,234	86,872	96,452	104,325	113,400	12,638	9,580	7,873	9,075
Bldg. materials etc.	$200	232,701	272,318	302,350	327,028	355,475	39,617	30,031	24,679	28,447
Other retail stores	$180	64,448	75,420	83,737	90,572	98,450	10,972	8,317	6,835	7,878
Total		**1,012,668**	**1,185,074**	**1,315,764**	**1,423,160**	**1,546,955**	**172,406**	**130,690**	**107,396**	**123,795**
Sources: Claritas, Inc.; Strategic Economics		15.603516	16.125648	16.077272	16.077272	16.077272	20.0705	15.6515	16.0773	16.0773

Notes:

Population growth rate from Long Range Socio-Economic Projections for San Luis Obispo County, Medium Population Projection, San Luis Obispo County Council of Governments.

Annual retail spending growth is estimated as one quarter of the growth rate for projected annual income.

Table A3: 2008 Per Capita Retail Opportunity Gap - City of Paso Robles

	Consumer Expenditures	Retail Sales	Surplus/ (Opportunity Gap)
Motor Vehicle and Parts Dealers	$2,817	$3,248	$431
Automotive Dealers	$2,428	$2,515	$88
Other Motor Vehicle Dealers	$161	$448	$287
Automotive Parts/Accsrs, Tire Stores	$229	$285	$57
Furniture and Home Furnishings Stores	$394	$512	$118
Furniture Stores	$214	$176	($38)
Home Furnishing Stores	$180	$336	$156
Electronics and Appliance Stores	$369	$405	$36
Appliances, TVs, Electronics Stores	$286	$383	$97
Household Appliances Stores	$61	$131	$70
Radio, Television, Electronics Stores	$225	$253	$27
Computer and Software Stores	$68	$22	($46)
Camera and Photographic Equipment Stores	$14	NA	NA
Building Material, Garden Equip Stores	$1,594	$2,666	$1,072
Building Material and Supply Dealers	$1,448	$2,366	$918
Home Centers	$556	NA	NA
Paint and Wallpaper Stores	$37	$52	$15
Hardware Stores	$118	$105	($13)
Other Building Materials Dealers	$736	$2,207	$1,471
Building Materials, Lumberyards	$255	$753	$498
Lawn, Garden Equipment, Supplies Stores	$143	$300	$157
Outdoor Power Equipment Stores	$22	$4	($19)
Nursery and Garden Centers	$121	$297	$176
Food and Beverage Stores	$1,895	$2,082	$187
Grocery Stores	$1,717	$1,706	($10)
Supermarkets, Grocery (Ex Conv) Stores	$1,634	$1,619	($15)
Convenience Stores	$82	$87	$5
Specialty Food Stores	$59	$23	($36)
Beer, Wine and Liquor Stores	$116	$353	$236
Health and Personal Care Stores	$711	$782	$71
Pharmancies and Drug Stores	$611	$677	$66
Cosmetics, Beauty Supplies, Perfume Stores	$25	$14	($11)
Optical Goods Stores	$28	$17	($11)
Other Health and Personal Care Stores	$46	$74	$28
Gasoline Stations	$1,637	$5,968	$4,331
Gasoline Stations With Conv Stores	$1,231	$5,636	$4,406
Other Gasoline Stations	$407	$332	($75)
Clothing and Clothing Accessories Stores	$690	$363	($327)
Clothing Stores	$489	$201	($288)
Men's Clothing Stores	$31	$2	($29)
Women's Clothing Stores	$122	$111	($12)
Childrens, Infants Clothing Stores	$31	NA	NA
Family Clothing Stores	$262	$65	($197)
Clothing Accessories Stores	$11	$3	($9)
Other Clothing Stores	$32	$21	($11)
Shoe Stores	$100	$129	$29
Jewelry, Luggage, Leather Goods Stores	$100	$33	($67)
Jewelry Stores	$92	$33	($59)
Luggage and Leather Goods Stores	$8	NA	NA
Sporting Goods, Hobby, Book, Music Stores	$285	$431	$147
Sportng Goods, Hobby, Musical Inst Stores	$192	$390	$198
Sporting Goods Stores	$92	$350	$258
Hobby, Toys and Games Stores	$62	$11	($51)
Sew/Needlework/Piece Goods Stores	$18	$12	($6)
Musical Instrument and Supplies Stores	$21	$17	($4)
Book, Periodical and Music Stores	$93	$41	($51)
Book Stores and News Dealers	$60	$20	($40)
Book Stores	$56	$18	($39)
News Dealers and Newsstands	$3	$2	($1)
Prerecorded Tapes, CDs, Record Stores	$33	$21	($12)
General Merchandise Stores	$1,819	$2,125	$306
Department Stores Excl Leased Depts	$832	$2,087	$1,255
Other General Merchandise Stores	$987	$38	($949)
Warehouse Clubs and Super Stores	$851	NA	NA
All Other General Merchandise Stores	$136	$38	($98)
Other Retail Stores	$397	$522	$126
Florists	$29	$54	$25
Office Supplies, Stationery, Gift Stores	$159	$244	$84
Office Supplies and Stationery Stores	$90	$144	$54
Gift, Novelty and Souvenir Stores	$70	$100	$31
Used Merchandise Stores	$34	$37	$3
Other Miscellaneous Store Retailers	$175	$188	$13
Foodservice and Drinking Places	$1,549	$2,354	$805
Full	$701	$1,287	$586
Limited	$656	$926	$270
Special Food Services	$126	$88	($38)
Drinking Places	$64	$52	($12)

Source: Claritas, Inc.