Downtown Long Beach Market Study

Final Report

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prepared for:

Long Beach Redevelopment Agency

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I. INTRODUCTION

PURPOSE AND FORMAT OF STUDY

The City of Long Beach and Long Beach Redevelopment Agency have worked for many years to facilitate the revitalization of Downtown Long Beach and foster a vibrant retail district in the city center. These efforts have included large retail projects, like CityPlace and the Pike, the construction of the World Trade Center office tower, implementation of the Promenade project, construction of nearly 2,500 new housing units since 2003, and planning for future projects, like the Art Exchange and new hotel development. In addition to these newer projects, several other long-standing institutions reside Downtown, like the Long Beach Convention Center and Arena, The Terrace Theater, City Hall, and the Long Beach Courthouse. While these efforts have yielded measurable results and have increased the number of people living and shopping Downtown, many believe that the Downtown area has not congealed as the vibrant retail destination envisioned.

Understanding that the customer base for new retail comes from the many user groups in Downtown, the Long Beach Redevelopment Agency hired Strategic Economics to evaluate the market demand for a mixture of uses in Downtown Long Beach. The purpose of this study is to help the Redevelopment Agency understand the potential demand for living and working in Downtown and to evaluate how this future development potential can be used to leverage a more active and cohesive retail environment in Downtown Long Beach. This study provides an assessment of the market for housing and office space in Downtown and then evaluates how the growth of these two uses could impact the amount and types of retail that can be captured Downtown. The analysis also assesses the potential for new hotel development in Downtown and then evaluates the potential impact of new visitor spending on the potential for Downtown retail. The study concludes with a retail implementation strategy designed to build on the strength of Downtown's existing assets and future potential to help leverage increased retail investment in Downtown.

It should be acknowledged that the bulk of the research for this study was completed in the first quarter of 2009 during a severe economic downturn in the global economy. While the study focuses primarily on the long-term potential for revitalizing Downtown Long Beach, the impact of the current economic situation cannot go unmentioned. One of the broad findings of Strategic Economics' research was that before the economic downturn, Downtown Long Beach had attracted the attention of several national retail tenants and was poised to capitalize on the influx of higher income residents to Downtown. Ultimately, these deals fell through because of broader problems in the national and global economy, an unfortunate situation that should not be misinterpreted as an inherent shortcoming of Downtown Long Beach to attract retailers. Instead, the lesson from this story is that the efforts and interventions of the past decades have begun to pay off, and national retailers have recently become interested in Downtown Long Beach. While this is great news, the bad news is that as retailers struggle with the new realities of the current economic situation, in many cases, they have responded by contracting rather than entering new markets. This report offers strategies that can be used in preparation for the economic recovery, and beyond, to attract desirable retailers to Downtown and help achieve the vital retail district envisioned for Downtown Long Beach.

Following this introduction, Section II describes the boundaries of the study area. Section III provides a demographic overview of the study area and discusses the demographic and housing trends likely to affect the demand for housing in the future. Section IV discusses the market for multifamily housing in Downtown. Section V discusses the market for office space in Downtown. Section VI discusses the market for hotels in Downtown. Section VII assesses the market and performance of retail in Downtown subareas, and then analyzes the cumulative effects the growth of the previous three sectors may have on future retail growth. Section VIII discusses a retail implementation strategy for Downtown. Section IX is a concluding section, which summarizes the main findings of the study.

II. STUDY AREA BOUNDARIES

For the purposes of this study, the Long Beach Redevelopment Agency has defined the Downtown Long Beach study area boundaries as Queensway Bay to the south, Alamitos Avenue to the east, 10th street to the north and Golden Avenue on the west.

Downtown Long Beach is situated in the southwest portion of the City of Long Beach. It is directly east and northeast of the Port of Long Beach, just across the 710 Freeway, the Los Angeles River, and Queensway Bay. Downtown is about three miles south of the 405 freeway and is at the terminus of the Blue Line, which runs from Downtown Long Beach to Downtown Los Angeles.

Figure 1: Downtown Long Beach Study Area

Source: City of Long Beach; Strategic Economics, 2009.

III. STUDY AREA DEMOGRAPHIC OVERVIEW

This section examines the demographic and housing stock characteristics that distinguish Downtown, and are likely to affect the quantity and type of demand for housing in the study area.

WHO LIVES IN DOWNTOWN LONG BEACH

Population and Housing

Based on population data and the inventory of new units constructed in Downtown Long Beach, Strategic Economics estimates that approximately 31,404 people lived in Downtown Long Beach in 2008[1]. From 1990 to 2008, growth in Downtown Long Beach has outpaced that of the City of Long Beach and Los Angeles County. The population of Downtown Long Beach grew by 32 percent during that time period, while the City and County increased by 12 and 15 percent, respectively (Table 1). Likewise, Downtown experienced a much higher annual growth rate of 1.51 percent, compared with 0.65 percent and 0.8 percent for the City of Long Beach and LA County.

Table 1: Population Growth in Downtown Long Beach and Reference Areas

	2008 Estimated Population	Population Growth 1990-2008	Average Annual Rate of Growth
Downtown Long Beach	31,404	32%	1.54%
City of Long Beach	482,725	12%	0.65%
Los Angeles County	10,224,764	15%	0.80%

Source: U.S. Census; Claritas; Strategic Economics, 2008.

Recent Downtown population growth is directly related to the construction of new housing units Downtown, which increased steadily from 1990 to 2000 and even more rapidly from 2000 to 2008. As of 2008, there were approximately 14,811 housing units in Downtown Long Beach.[2] From 1990 to 2000, the number of housing units in Downtown Long Beach increased by seven percent. From 2000 to 2008, the number of housing units increased by 17 percent, growing at an average annual rate of almost 2 percent (Table 2).

Table 2: Housing Growth in Downtown Long Beach and Reference Areas

	2008 Est. Housing Units	Percent Housing Unit Growth 1990-2000	Percent Housing Unit Growth 2000-2008	Average Annual Rate of Growth 1990-2000	Average Annual Rate of Growth 2000-2008
Downtown Long Beach	14,911	7%	17%	0.68%	1.99%
City of Long Beach	173,319	1%	1%	0.07%	0.12%
Los Angeles County	3,420,397	3%	0%	0.33%	0.56%

Source: U.S. Census; Claritas; Strategic Economics, 2008.

Higher occupancy rates and a slight increase in household sizes also account for some of Downtown's population growth. Downtown occupancy rates increased from 87 to 91 percent from 1990 to 2000.

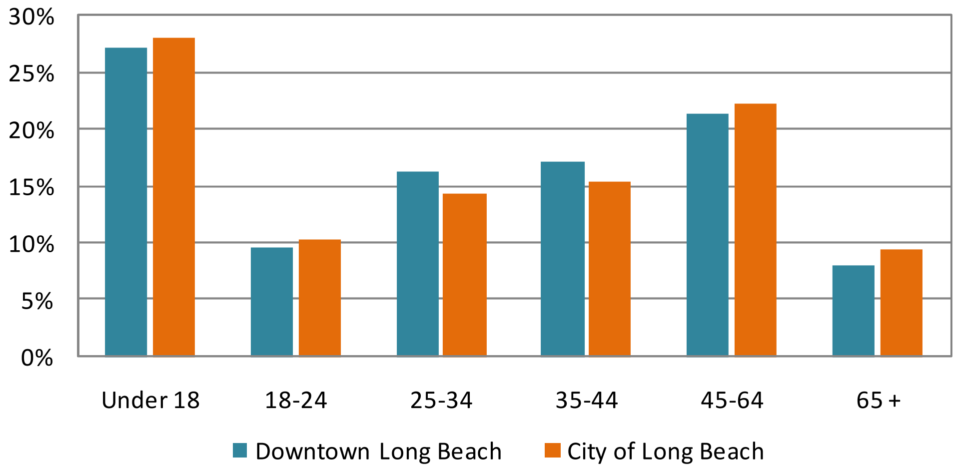
[1] Based on estimates from Claritas 2008, and research on new residential construction

[2] Based on estimates from Claritas 2008, and research on new residential construction

Sufficient data are not available for the years 2000 to 2008, but anecdotal reports from residential brokers suggest that this trend has continued. Specifically, for recently constructed units, approximately 91 percent of for-sale units have been absorbed and the rental units are about 94 percent occupied. Some population growth was also driven by a five percent increase in the average household size from 2.31 in 1990 to 2.41 in 2008. (Appendix Table A-1).

The age distribution of Downtown residents is similar to that of the City of Long Beach, but a greater share of Downtown residents are in the 25-44 year age bracket than the City as a whole. Downtown Long Beach is home to a higher share of residents in their mid 20s and 30s. The City of Long Beach has a higher share of residents under the age of 24 and residents over 45 than Downtown.

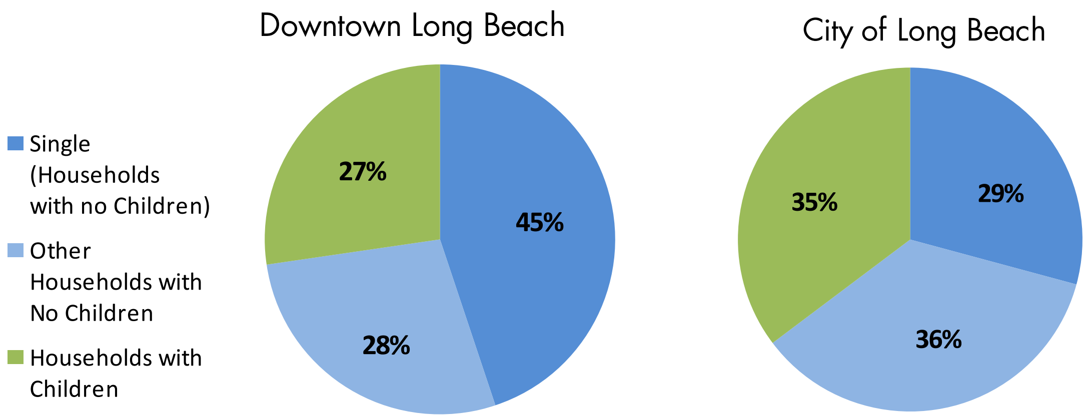
Figure 2: 2008 Age Distribution: Downtown Long Beach and City of Long Beach



Household Characteristics of Downtown Residents

Downtown Long Beach has a higher share of single person households and a corresponding smaller average household size than the City as a whole. Single person households are the most prevalent household type in Downtown, comprising 45 percent of all households in 2008, a much higher share than the City of Long Beach, at 29 percent (Figure 3). Compared to the City of Long Beach, Downtown has a smaller share of other households with no children ("empty-nesters" and non-family households). Nevertheless, Downtown still has a higher share of households without children than the City overall. In 2008, the average household size in Downtown was 2.41 compared to 2.88 City-wide (Appendix Table A-1).

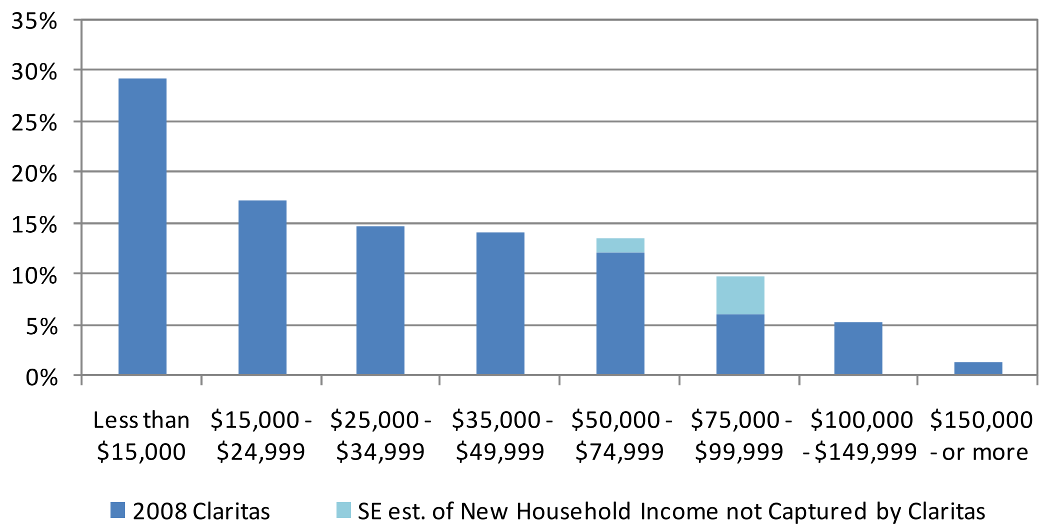
Figure 3: Household Types in Downtown Long Beach and City of Long Beach, 2008.



Source: Claritas; Strategic Economics, 2009.

The median income Downtown is lower than that of the City as a whole, but incomes are rising with the introduction of new residents. Claritas estimates the median income of Downtown residents at $27,438 in 2008, which is lower than the City of Long Beach's median household income of $45,127. Claritas estimates Downtown's average household income to be $39,268. However this data does not fully capture the impact of residents in the new residential projects built in Downtown Long Beach since 2000. Research on these units indicates that new residents have significantly higher incomes than other residents. Figure 4 represents the distribution of income in 2008. This chart supplements Claritas population estimates by including estimates of the household income for residents not captured in the Claritas figures. These household incomes are based on the incomes necessary to support the sales and rental prices of the new units built in Downtown since 2000. Factoring in the impact of new residents on Downtown incomes, SE estimates the new *average* annual income for Downtown residents in 2008 to be $47,115.

Figure 4: 2008 Distribution of Household Income in Downtown Long Beach

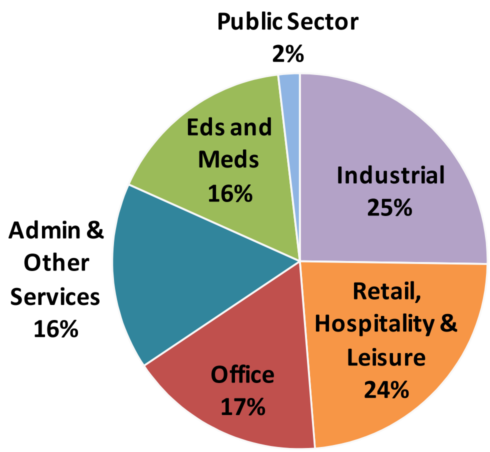


Source: City of Long Beach; Claritas; Strategic Economics, 2009.

Employment Characteristics of Downtown Residents

Nearly half of Downtown residents are employment in manufacturing-related and retail/hospitality industries. One quarter of employed Downtown residents work in the industrial sector, which includes Manufacturing, Transportation & Warehousing, and Construction and is often directly influenced by port activities. Nearly one quarter of residents work in the Retail, Hospitality and Leisure sectors, which are often directly influenced by the tourism industry (Figure 5). Both of these sectors offer relatively low barriers to entry and on-the-job-training, which makes them a good source of jobs for Downtown residents who have relatively low levels of educational attainment; only 18 percent of Downtown residents have a Bachelor's degree or higher (Appendix Table A-2).

Figure 5: Industry Groups in which Residents Work, 2006



Source: LEHD; Strategic Economics, 2009.

Downtown Long Beach residents are also employed in white collar and professional jobs. Seventeen percent of workers are employed in office sectors which include Professional Services, Information, and Real Estate (Figure 5). The healthcare industry employs another 10 percent of Downtown residents.

Almost a quarter of Downtown residents work in the City of Long Beach. Within the 24 percent of Downtown Residents that work within Long Beach, ten percent work in Downtown and another six percent work in the neighborhoods directly north of Downtown and south of the 405 Freeway. Another 14 percent work within the City of Los Angeles, and 4 percent in Torrance (Appendix Tables A-3, 4). These commuting patterns are consistent with the patterns of residents of the City of Long Beach overall; nearly a quarter of Long Beach residents work within the City of Long Beach and 13 percent work in the City of Los Angeles (Appendix Tables A-5, 6)

Downtown residents are less likely to drive to work than other Long Beach or Los Angeles County residents. Downtown residents' commute mode is influenced by the fact that 10 percent of them are able to live and work in the same neighborhood. Compared to the City of Long Beach, Downtown residents are much more likely to walk or bike to work: nine percent of Downtown residents walk or bike to work compared to four percent in the City of Long Beach. According to the 2000 Census, 55 percent of Downtown Long Beach residents drove alone to work compared to 73 percent in the City of Long Beach.

Demographic Characteristics of New Residents

New housing is attracting two primary demographics: young professionals and empty nesters. Brokers and developers report that new residential development in Downtown Long Beach is attracting young professionals in their 20's and 30's who are either singles or couples, some of whom grew up in Long Beach. Downtown Long Beach attracts not only young professionals that work in Downtown, but also professionals that work in Orange County and Los Angeles because Downtown is centrally located within in the region. Brokers also report high levels of interest in Downtown properties from empty nesters, many of whom are retired and second-home buyers. Both the young professionals and empty nesters are attracted to the walkability of Downtown.

Residents of new housing have relatively high incomes. Based on sales and rent data, about 70 percent of households who purchased or lease recently constructed units earn $50,000 to $100,000 annually. Close to another 20 percent of households are earning $100,000 to $150,000. Figure 5 shows the distribution of incomes of new residents, which is very different than the distribution of income of all Downtown residents discussed above. New residents are much more likely to be middle or upper income compared to other residents of Downtown.

Figure 6: Household Income Distribution of New Units Compared to All Households in Downtown Long Beach

Source: Claritas; Strategic Economics, 2009.

New residents are different than other residents of Downtown Long Beach in other ways besides income. New residents are much less likely to have children than other residents because new residents fall primarily into the categories of young professionals and empty nesters. Brokers report very little interest in the new Downtown housing units from families with children. Also, compared to other residents of Downtown, new residents are more likely to work in white collar and professional jobs. These types of jobs provide the salaries necessary to support the sales prices of new units. Finally, new residents are more likely to be home owners than existing residents. Fifty percent of new residents units

Downtown are owner-occupied, compared to only 19 percent of units overall in Downtown (Appendix Table A-1).

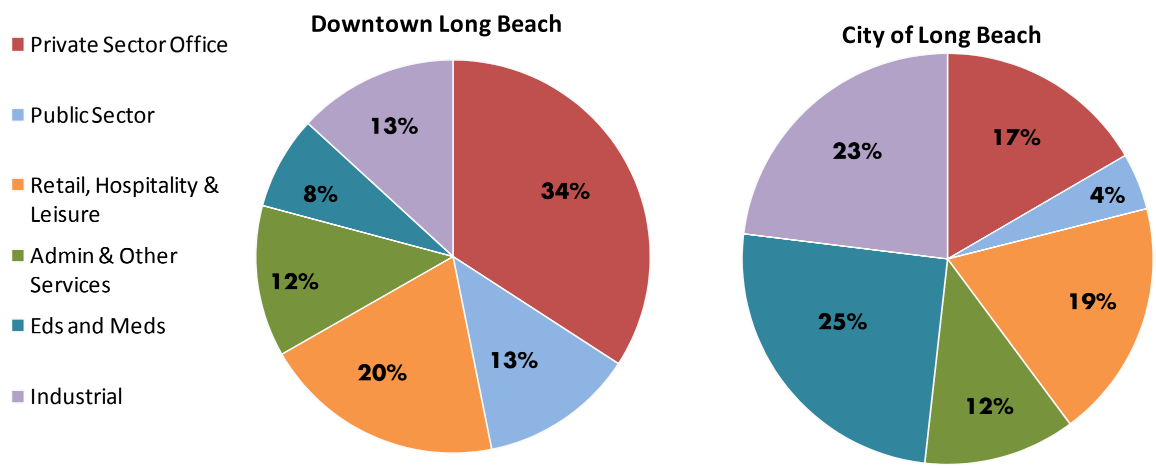
WHO WORKS IN DOWNTOWN LONG BEACH

Type of Employment by Industry

In 2006, there were approximately 38,325 full- and part-time jobs in Downtown Long Beach.[3] Approximately 47 percent of Downtown workers worked in office or public sector jobs. Full time jobs are estimated at 23,662[4] in 2006. Professional, Scientific and Technical services employ 16 percent of Downtown workers, more than any other sector. The public sector employs 13 percent of Downtown workers, and the Finance & Insurance sector employs another 10 percent (Figure 7).

Twenty percent of Downtown jobs are in Retail, Hospitality, and Leisure. These jobs are service oriented and provide support for the office industries, tourist industries, and residents of Downtown. Industrial jobs account for 13 percent of employment in Downtown Long Beach.

Figure 7: 2006 Employment in Downtown Long Beach and in the City of Long Beach[5]



Source: NETS 2006; Strategic Economics, 2009.

Household Income and Wages

Household incomes of Downtown workers are highly mixed. Household incomes of workers reflect the variety of industries and jobs located in Downtown. As a result, household incomes are fairly evenly distributed across lower, middle, and upper-income categories. Twenty-eight percent of Downtown Long Beach workers have a household income of over $100,000[6] per year (Figure 8).

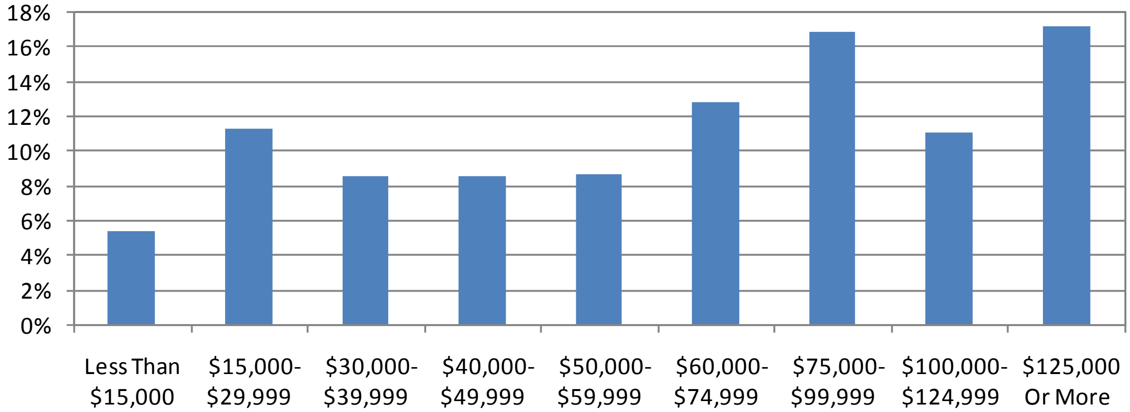
[3] Source: LEHD, 2006.

[4] Source: NETs, 2006.

[5] Based on NETS—data for full time jobs

[6] Figure in year 2000 dollars

Figure 8: Household Income Distribution by Share of Downtown Long Beach Workers in Households: 2000[7]

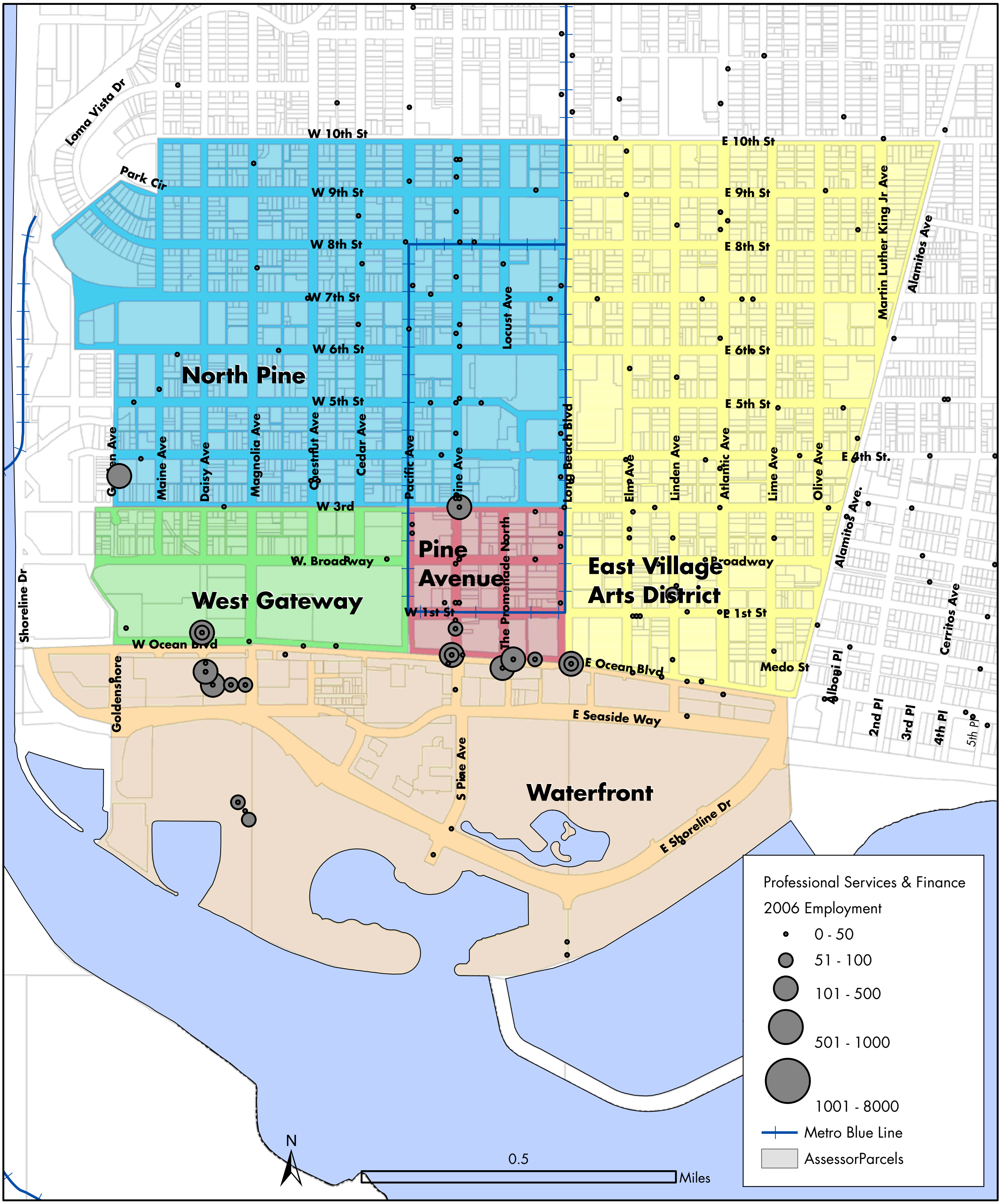


Source: Census Transportation Planning Package, 2000; Strategic Economics, 2009.

Relatively higher paying jobs are concentrated along Ocean Boulevard and Pine Avenue, primarily due to the high-rise office buildings on those corridors. To illustrate where there are concentrations of high-paid workers in Downtown Long Beach, the Professional Services and Finance and Insurance Sectors were mapped because they are likely to have jobs where workers earn $75,000 or more annually. Companies were mapped based on the size of their employment using NETS data (Figure 9).

[7] These data are household income of workers, not workers' earnings.

Figure 9: Locating Workers Employed in the Professional Services and Finance & Insurance Industries



Source: City of Long Beach; NETS; Strategic Economics, 2009.

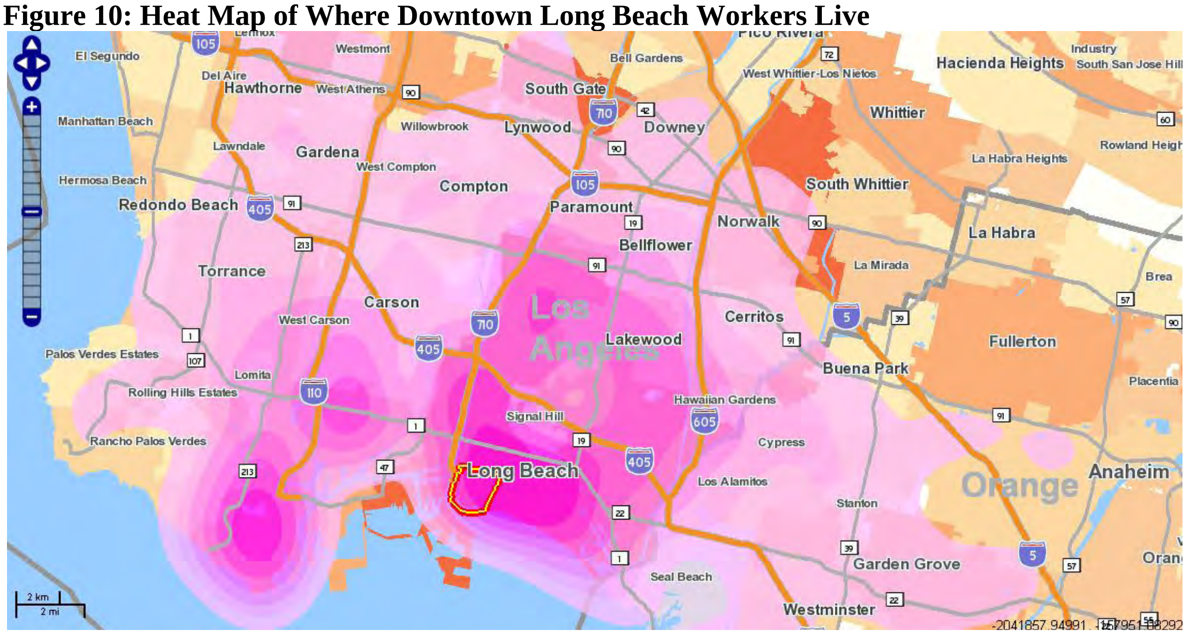
Downtown Workers Commute Patterns

Downtown workers drive alone to work in higher rates than Downtown, City or County residents. Downtown workers drive alone to work 79 percent or the time, as compared with 55 percent for residents of Downtown Long Beach, and 73 percent for the City as a whole, or 70 percent for Los Angeles County (Appendix Tables A-7, 8).

Downtown workers take transit at rates lower than Downtown, City or County residents. Five percent of Downtown workers take transit to work, compared to 17 percent of Downtown residents, seven percent of Long Beach residents, and six percent of Los Angeles County residents. (Appendix Tables A-7, 8).

Twenty-seven percent of Downtown workers live in the City of Long Beach. Only four percent of Downtown workers also reside in Downtown Long Beach. However, six percent commute from the Central Long Beach neighborhoods, six percent from East Long Beach, and four percent from North Long Beach. Eighteen percent of Downtown workers reside in the City of Los Angeles, with a concentration of seven percent in San Pedro and three percent in Wilmington. Other cities where more than 1,000 Downtown workers reside are Lakewood, Carson, and Huntington Beach (Appendix Tables A-8, 9).

Figure 10: Heat Map of Where Downtown Long Beach Workers Live



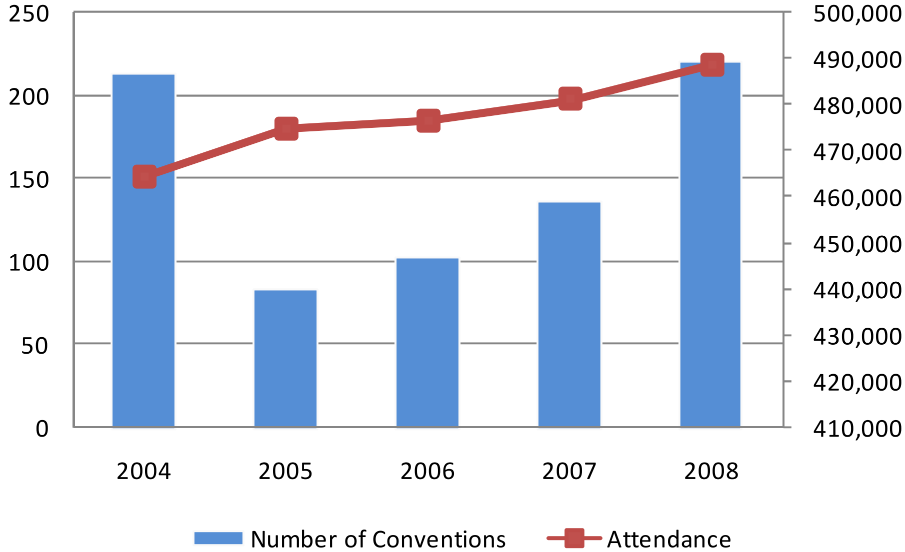
Source: LEHD; Strategic Economics, 2009.

WHO VISITS DOWNTOWN LONG BEACH

An estimated total of 5.5 million people visit Long Beach each year for conventions, meetings, major attractions, festivals and annual special events. These events include the Grand Prix, the Long Beach Jazz Festival, and the Harvest Festival.

In 2008, 489,287 people attended conventions at the Long Beach Convention Center. Attendance levels decreased from 2004 to 2005, but have been increasing steadily ever since. The number of convention bookings has been increasing steadily since 2004 (Figure 10).

Figure 11: Number of Conventions and Convention Attendance, 2004-2008.



Source: Long Beach Convention and Visitors Bureau; Strategic Economics, 2009.

There are approximately 2,939 hotel rooms in Downtown Long Beach. 12 percent of rooms are at the economy level, 41 percent at mid-level and 47 percent at upscale hotels. With 2008 annual occupancy levels at 69 percent, on average there are 2,027 occupied hotel rooms in Downtown Long Beach.

DEMOGRAHIC SUMMARY

Downtown is a point of convergence for people from a variety of backgrounds and incomes and who are there for different reasons. Long time residents of Downtown tend to be lower-income, yet new housing options have brought an infusion of middle to upper income residents. The jobs located in Downtown vary across industries and pay scales. On top of that, millions of visitors from across the region and country come to Long Beach for special events like the Grand Prix and hundreds of conventions each year. This demographic diversity is a unique strength for Downtown because it means that Downtown's businesses and public spaces are supported by multiple user groups.

<u>Residents</u>

Downtown's residential population growth has outpaced that of the City since 1990. This growth is primarily due to the addition of thousands of new housing units but is also a result of decreased vacancies in Downtown's existing housing stock.

Residents of Downtown's new development projects have higher incomes than existing residents. This has resulted in an increased average household income for Downtown. In fact, 90 percent of new residents make more than $50,000 annually. Factoring in the impact of new residents on Downtown incomes, SE estimates the new *average* annual income for Downtown residents in 2008 to be $47,115.

Most Downtown residents work in industries with low barriers to entry. The Industrial sectors and Retail, Hospital and Leisure sectors account for half of employment.

<u>Workers</u>

The majority of Downtown employment is in private sector office industries, the public sector, and retail, hospitality and leisure industries. Workers in the professional services and finance & insurance industries, two sectors with relatively high paying jobs, are concentrated along the Ocean Boulevard and Pine Avenue corridors.

Twenty-seven percent of Downtown workers live in the City of Long Beach. Compared to the residents of Downtown and residents of the City of Long Beach, Downtown workers are more likely to drive alone rather than take public transit for their commute to work.

<u>Visitors</u>

The number of visitors coming to Long Beach through convention bookings has increased in past years. In 2008, convention attendance was 489,287, up from 440,083 in 2005.

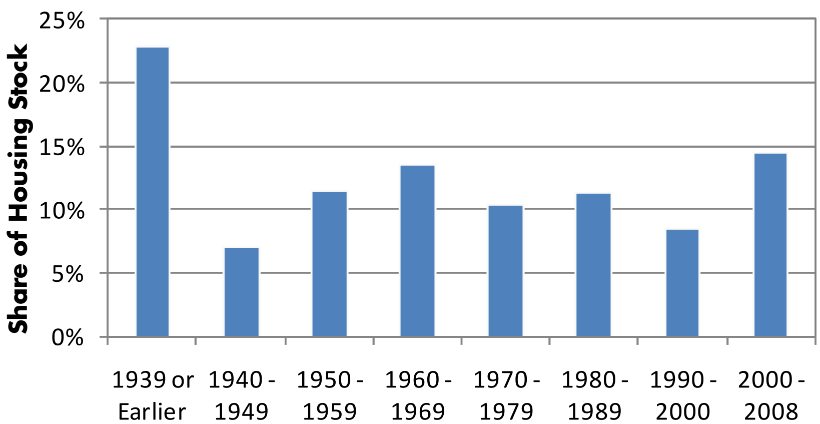
IV. MULTIFAMILY HOUSING MARKET ASSESSMENT

EXISTING MARKET CONDITIONS

Housing Stock Characteristics

The Downtown has a significant share of historic housing stock, but it also has housing units from several eras. Almost a quarter of Downtown Long Beach's housing units were built before 1940. Another 14 percent were built in the 1960s and 15 percent were built in the latest housing boom from 2000 to 2008.

Figure 12: Share of Housing Units by Year Built

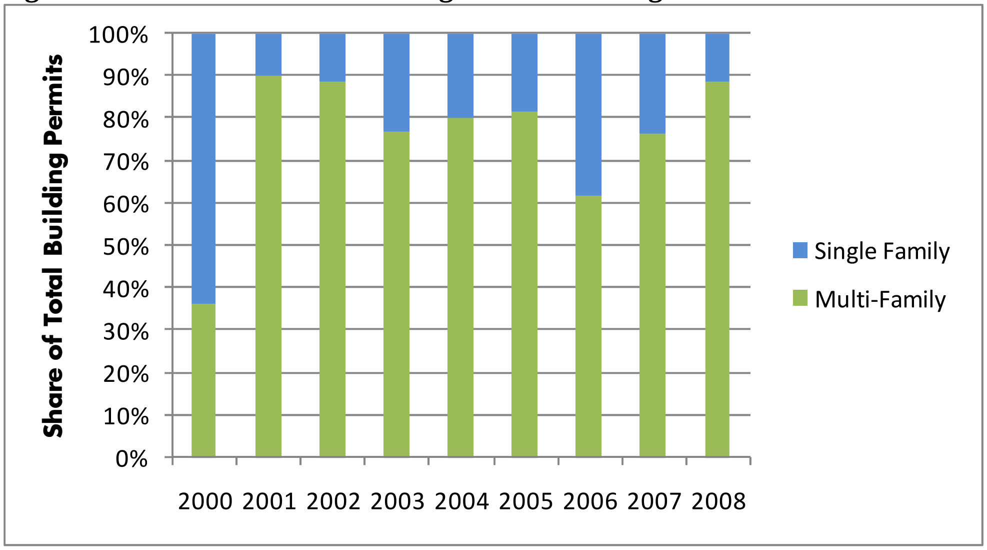


Source: 2000 U.S. Census; City of Long Beach; Strategic Economics, 2009.

Downtown's housing stock is primarily multi-family structures. Ninety-two percent of housing structures in Downtown Long Beach have two or more units, compared to 54 percent city-wide. Furthermore, from 1990 to 2000 the share of buildings with 50 or more units increased from 17 percent to 27 percent (Appendix Table A-10). Based on recently constructed residential projects, the share of buildings with 50 or more units has likely increased since 2000.

Multifamily housing construction in Long Beach has greatly outpaced single-family construction in recent years (Figure 12). Since 2000, 81 percent of new residential building permits in Long Beach were multi-family units and 61 percent of all units were built in Downtown Long Beach.

Figure 13: New Residential Building Permits in Long Beach: 2000 - 2008



Source: Construction Industry Research Board; Strategic Economics, 2009.

Recent Market Trends

Since 2002, Downtown Long Beach has seen 2,192 market rate units come on the market. That figure will reach 2,483 in 2010 when the West Lyon Gateway project, currently under construction, comes on the market. All of this new housing construction has contributed to a 17 percent increase in the number of housings units Downtown from 2000 to 2008, compared to a 7 percent increase from 1990 to 2000. According to interviews with sales and leasing offices, approximately 91 percent of for-sale units have been absorbed and the rental units are about 94 percent occupied. (Please see Appendix B-1 for a summary of new units.)

New development has been focused primarily in three areas that target different market segments: Ocean Boulevard, around CityPlace, and the Promenade.
<u>Ocean Boulevard</u> has seen the addition of AQUA and West Ocean, two luxury high-rise condo buildings. Sales representatives of these buildings emphasized the ocean and city views as main selling points. These two buildings have fetched sales prices significantly higher than any other recent development in Downtown (Table 3). The higher prices attract a wealthier, older demographic, including more empty-nesters. Approximately 10 percent of the buyers of these two projects are second-home buyers.

Ocean Boulevard also has a new luxury mid-rise rental development, The Park at Harbor View. The project leasing agent emphasized the building's luxury amenities such as two pools, a gym, and even a movie theater. The demographic of this building is primarily professionals and CSULB students. The development of both high-rise condos and medium density luxury rental demonstrates the strength of the market for housing along Ocean Boulevard.

Table 3: New Ocean Boulevard Residential Development

Project Name	Units	Year Open	Tenure	Price per Square Foot
AQUA	534	2005	Owner	$450 - $760
West Ocean	173	2008	Owner	$450 - $576 - $917 (Penthouse)
The Park at Harbor View	538	2003	Rental	$1.80 $2.36
Total	1,245			

Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

The Promenade buildings and the developments around City Place have several things in common since they are both located in the core urban area of Downtown. First, compared to the Ocean Boulevard condos, the sales and leasing offices of these projects do not emphasize ocean views, but rather walkability and an urban lifestyle. Brokers report that the demographic attracted to these is more of an "urban pioneer"—young professionals looking for housing with dining and entertainment options close by. Brokers also report that residents of these projects tend to be less crime sensitive than their Ocean Boulevard counterparts.

The Promenade developments, located in the Pine Avenue subarea, are a combination of rental and for-sale medium-density wrap buildings with underground and podium parking. As credit tightened and the economy weakened in 2008, the developers lowered prices to keep inventory moving. At the time of writing they are 99 percent sold-out and the developers consider the projects a success.

Table 4: New Promenade Residential Development

Project Name	Units	Year Open	Tenure	Price per Square Foot
133 Promenade Walk	97	2008	Owner	$360 - $640
Lennar Pacifica	62	2008	Owner	$300 - $400
The Lofts at Promenade	104	2009	Rental	$2.30 $2.80
Total	263			

Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

New developments around CityPlace are situated to the east and west of CityPlace, some bordering on the East Village Arts District. Although the building types are similar, these projects have not fetched rents as high as the Promenade developments. At the time of writing, Blu has been taken off the market as the developer considers whether to transition to leasing instead of for-sale.

Table 5: New Residential Development around CityPlace

Project Name	Units	Year Open	Tenure	Price per Square Foot
Archstone CityPlace	221	2004	Rental	$1.17 - $2.09
CityPlace Lofts	76	2007	Owner & Rental	$210 - $300
Blu	82	2008	N/A	N/A
Total	379			

Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

Five loft style adaptive re-use projects have been built in Downtown LongBeach since 2002 with two more in the pipeline. These projects are located in various neighborhoods of Downtown: three of the projects are in the North Pine area, one in the East Village Arts District, and another on the Promenade. Brokers and developers indicate that these projects have attracted singles and couples from their 20s to early 50s, oftentimes working in creative industries. Broadlind Apartments, the only rental project out of the five, attracts CSULB students. Compared to other recent construction in Downtown, these projects do not have as many luxury internal amenities. Sales offices highlight the buildings' distinctive architecture and open loft-style spaces rather than internal amenities.

Table 6: Recently Constructed Adaptive Re-use Projects in Downtown

Project Name	Units	Year Open	Tenure	Price per Square Foot
Insurance Exchange Building	12	2005	Owner	N/A
Courtyard Lofts	16	2005	Owner	$300
Temple Lofts	82	2006	Owner	$230 - $350
Walker Building	46	2002	Owner	N/A
Broadlind Apartments	20	2004	Rental	N/A
Total	176			

Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

Figure 14: Residential Projects in Downtown Long Beach

Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

Nearly all new residential projects have internalized amenities that are available only to residents. Both rental and for-sale leasing agents typically highlight the luxury amenities that are offered in new housing projects for resident use. These amenities include pools, saunas, lounges, movie theaters and fitness centers.

The new units built in Downtown are split evenly between rental and for sale products. This fifty-fifty split represents a distinct pattern of tenure compared to older housing units. According to the 2000 census, 81 percent of Downtown households were renters compared to 60 percent in the City of Long Beach overall (Appendix Table A-1). The largest number of for-sale units has been built in the Ocean Boulevard area. Nevertheless, developers have built for-sale projects in all areas of Downtown, reflecting the strength and versatility of the Downtown housing market.

The current recession has resulted in lower prices of new Downtown units, slowed absorption, and increased vacancies in the ground floor retail of mixed-use developments. Many developers report that they had to lower prices in 2008 to keep units selling, and a few projects have been slow to sell-out. Some of the largest projects, such as AQUA and West Ocean still have units available. Other for-sale projects have had to transition to for-lease because of the weak housing market and lack of available credit. Furthermore, many new mixed-use projects have had a difficult time leasing the ground floor retail space. At the time of writing, vacancies exist on the ground floor of the Lofts at Promenade, Lennar Pacifica, The Park at Harbor View, and The Walker Building. The retail industry has experienced especially significant losses during this downturn.

Table 7: Comparable For-Sale Housing in Downtown Long Beach

Project	Location	Total Units	% Sold	Open Date	Absorp/ Mo.	Unit Mix	Sale Price Range		SF Range		Sales/SF		Amenities	Parking	Resident Demographics
Ocean Boulevard Area															
AQUA	388 E. Ocean Blvd.	556	96%	4Q 2005	14	277 1 Bd	$290,000	$550,000	640	2,500	$453	$760	Pool, Jacuzzi, fitness center, 24 hour concierge	1 per BD	Mostly young people, retirees, investment property. 80 percent moved from elsewhere in Long Beach.
						245 2 Bd	$390,000	$890,000							
						34 3 Bd PH	$690,000	$1,900,000							
West Ocean	1 West Ocean	246	70%	1Q 2008	14	183 2 Bd	$399,000	$599,000	894	1,735 (3,000 SF PH)	$447	$576 ($917 PH)	24 hour concierge, exersize room, pool, jacuzzi, wine room, conference room	2 spaces	Mostly couples, some who grew up in Long Beach. Some work in Downtown. 2nd Home buyers.
						60 3 Bd	$750,000								
						3 PH	$2.75 million								
Promenade Area															
133 Promenade Walk	113 The Promenade North	97	100%	2Q 2008	5	1-Bd Loft, 1-BD flat, 2bd Townhomes	$400,000	$1,200,000	1,118	1,875	$358	$640	Fitness center, club room, outdoor space with fireplace	2 underground	Young single professionals, not neccesarily working in Downtown LB. 2nd home buyers
Lennar Pacifica	150 The Promenade North	62	98%	2Q 2008	6	20 1 Bd 16 2 Bd 26 3Bd	$265,000	$650,000	664	2,139	$304	$399	Club room with flat screen TVs and pool table, Courtyard with BBQs	2 per unit except for smaller 1-BD	N/A
CityPlace Area															
CityPlace Lofts	Elm and 4th	76	N/A	4Q 2007	N/A	1 Bd	$300,000	$420,000	1,000	2,200	$210	$300	Gym, community room	underground, 1 per BD	N/A
						2Bd			1,700	2,000					
Other Downtown Areas															
Courtyard Lofts	849 Pine Ave.	16	100%	1Q 2005	N/A	Lofts	high 200s	low 400s/ 600s during market peak	900	1,450	$290	$311	landscaped courtyard	1 attached	Mid 20s to early 50s, creative types
Temple Lofts	835 Locust Ave	82	96%	4Q 2006	3	Lofts	$275,000	$700,000	791	3,000	$233	$348	Gym, bbq, spa	1 or 2 underground, based on unit size	N/A
Lofts on 4th	834 East 4th St	34	100%	2Q 2004	N/A	Loft style studios	$315,000	$600,000	900	1,500	$350	$400	Roof deck with BBQs, 9-15 foot ceilings	underground, 1.5 per unit	N/A

Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

Table 8: Comparable Rental Housing in Downtown Long Beach

Project	Location	Total Units	Open Date	Occu-pancy	Unit Type	Sq. Ft. Range		Rent Range		Rent Per Sq.Ft. (Range)		Amenities	Parking	Resident Demographics
Ocean Boulevard Area														
The Park at Harbor View	40 Cedar Walk	538	2Q 2003	93%	1-BD	585	973	$1,380	$1,925	$1.80	$2.36	24 hr gym, 2 pools, rec room, movie theater, conference room, business center	1 - 3 depending on BDs	Professionals, CHP & Police, CSULB students, art students
					2-BD	860	1,280	$1,799	$2,235	$2.09	$1.75			
					3-BD	1,290	1,442	$2,350	$2,600	$1.82	$1.63			
Promenade Area														
The Lofts at Promenade	210 E. 3rd St.	104	Mar-09	N/A	24 Jr. 1 Bd	631	723	$1,690	$2,015	$2.68	$2.79	Rooftop Pool, Health and Fitness Center, Yoga and Pilates Studio, Barbeques and Fireplaces	2, possibly more for additional payment	N/A
					22 1 Bd	870	1,039	$2,126	$2,625	$2.44	$2.53			
					42 1 Bd + Den	879	887	$2,030	$2,432	$2.31	$2.74			
					16 2 Bd	1,230	1,369	$3,191	$3,425	$2.59	$2.50			
CityPlace Area														
Archstone CityPlace	404 Pine Ave.	221	3Q 2004	95%	15 Stuios	575		1200		$2.09		24 hour fitness center, business center, media room, wifi in common areas, outdoor pool & spa	Parking in city garage, 1 per bedroom	N/A
					124 1 Bd	622	742	1300	1400	$2.09	$1.89			
					82 2 Bd	1,098	1,500	$1,290	$2,200	$1.17	$1.47			
Other Downtown Areas														
Broadlind Apartments Re-Use	149 Linden Ave.	20	1Q 2004		11 Studios	N/A		$750		N/A		Historic building, close to many amenties like beach, promenade		early 20s - 30s, students and those who work close-by
					7 1 Bd			$850						
					1 Bd Penthouse			$1,200						
					1 2 Bd			$1,475						
West Gateway-Lyon	Broadway & Chestnut	291	2Q 2010	N/A	144 1 BD	711		$1,635		$2.30 Average			2.25 per unit	N/A
					20 1 Bd + Den	1,078		$2,479						
					115 2 Bd	1,045	1,136	$2,404	$2,613					
					Townhome	1,441		$3,314						

Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

Downtown's Competitive Advantages

Walkability is a major strength of Downtown. Developers and brokers frequently said that the attractiveness of Downtown Long Beach has a great deal to do with the fact that residents are able to reach daily needs and entertainment locations within a short walk. In particular, Downtown Long Beach attracts young people and empty nesters who want an urban lifestyle.

Downtown's central location in the region and waterfront location increases its appeal. In addition to being a job center, Downtown also affords a central location for people working in job centers in Orange County and Los Angeles. Furthermore, the ocean is a great natural resource in Downtown Long Beach, leading to spectacular views from the high rise condos lining Ocean Boulevard, open space, and a source of recreation for residents.

Historic architecture is an asset and attracts the attention of prospective residents. Brokers report that potential residents are attracted by the architecture of Downtown's historic buildings and the sense of place they lend to Downtown.

PROJECTED DEMAND FOR NEW MULTIFAMILY UNITS

The past decade saw significant amounts of new construction in walkable, urban places. Despite this, the general preference for walkable urbanism is likely to continue in the coming decades due to a demonstrated consumer preference for living in pedestrian-oriented places. The amount of new construction in Downtown Long Beach since 2000 demonstrates Downtown's ability to meet these changing preferences. Table 9 shows the projected future demand for new multi-family units in Downtown Long Beach.

Population projections for Downtown were derived from SCAG employment and population projections for Long Beach. The conservative end of the range was generated using SCAG employment projections through 2035 for the City of Long Beach while the optimistic end of the range was generated using SCAG population projections. These numbers were converted to housing units using the current average household size number of 2.4 persons per household. For a more detailed discussion of the methodology, please see Appendix C.

Table 9: Projected Demand for Multi-family Housing Units in Downtown Long Beach

Potential Demand for Housing Units in Downtown Long Beach

Years	*Conservative*	*Optimistic*
2009-2015	1,900	3,100
2015-2025	1,200	2,400
2025-2035	1,300	3,300
Total Units	**4,400**	**8,800**

Source: SCAG, Claritas, Strategic Economics 2009

By 2035, the long range demand for additional housing in Downtown will range from 4,400 to 8,800 new households. At the low end, job growth alone could drive demand for an additional 4,400 additional housing units Downtown. At the high end, regional demand for walkable urbanism and increasing prices in other coastal communities, combined with job growth, could result in demand for up to 8,800 new households for housing units in Downtown Long Beach.

Downtown Long Beach's ability to fully capture this demand will be driven by a variety of factors. Construction in Downtown since the 2000 Census has helped to lay the groundwork for continued multi-family construction in Downtown. New residents since 2000 help support Downtown retailers and populate streets and public areas. Although the stage is set for more continued growth in Downtown, this potential demand does not automatically translate into new population growth; it must be captured through deliberate efforts that support the continued revitalization of Downtown Long Beach and provide the types of amenities that new residents are looking for. Other factors, like construction costs, achievable price points, land supply, and the physical and political constraints of particular opportunity sites will also factor into how much of this potential demand can be captured Downtown. It is also important to acknowledge the role of the housing bubble in fueling the growth of the past decade and that it is unlikely that development will return to that pace in the short- to mid-term.

Downtown Long Beach's position as a highly walkable, transit-oriented district on the coast lends it a competitive advantage regionally among people who want to live near transit but still locate near the beach. Research from the Center for Transit-Oriented Development has found that demand for housing near transit is regional in nature. In other words, households that might not otherwise consider living in a particular neighborhood or community will be drawn to that area if it offers the amenities associated with good transit-oriented development: a mix of housing, shopping, and entertainment; good regional transit access; and a pedestrian-oriented environment. In addition to these amenities, Downtown Long Beach offers a coastal location, which differentiates it from other transit-oriented locations in the region and is a highly desirable amenity.

As a result, Downtown Long Beach has the opportunity to tap into vast regional demand for highly amenitized locations near transit. The Center for Transit Oriented Development estimates that by 2030, 1.7 million households in the Los Angeles region will have a demand for living near transit. The Blue Line has the potential to attract between 115,000 to 120,000 households interested in living near this line in particular.

RESIDENTIAL MARKET CONCLUSIONS

The market trends discussed in the previous sections, as well the demand projections described above, have implications for the potential for new development in Downtown Long Beach.

Recent construction in Downtown demonstrates that Downtown Long Beach's unique amenities have been recognized by developers and potential residents. Downtown's walkability, waterfront access, historic building stock and central location within the region are four of its strengths that developers and brokers frequently cited as contributing to Downtown's competitive advantage within the region. The area's walkability has direct appeal for the young people and empty nesters that are apt to consider living in Downtown.

Recent construction has been congregated in distinct nodes in Downtown. New residential projects have occurred along Ocean Boulevard, The Promenade, and around CityPlace. The Ocean Boulevard is unique because the market is able to support high-rise construction. Projects in the Promenade and around CityPlace have similar building types, but The Promenade has higher selling price and rental rates.

Downtown has demonstrated an ability to earn fairly high rents and sales prices. For example, the condo units on Ocean Boulevard sold for $450 to $550 per square foot and upwards of $900 per square foot for the penthouse unit. New apartments are leasing around $2.00 per square foot up to $2.50.

The downturn in the economy has increased vacancies and slowed absorption of new Downtown units. Several residential projects have yet to sell out despite lower sales prices in 2008. At least one for-sale project has been transitioned to for-lease because of the currently weak housing market and problems in the credit markets. The ground floor retail spaces of mixed-use projects have also been difficult to lease during this recession.

Demand exists to support the construction of new multi-family housing units in Downtown Long Beach once the credit markets improve. By 2035 the long range demand for additional housing in Downtown will range from 4,400 to 8,800 new households.

Developers interviewed agree with the notion that there is additional demand for living in Downtown Long Beach. In particular, developers interviewed are interested in developing in the North Pine neighborhood, East Village Arts District, and building along Downtown's major corridors.

This demand must be captured through deliberate efforts to continue making Downtown an attractive place to live. Demand indicates the forecasted number of households that could be interested in living in Downtown Long Beach if certain conditions are met. Downtown Long Beach is currently well positioned to absorb the low range of the household demand, provided that traffic, environmental, and other impacts could be mitigated. To absorb a larger increment of household demand, Downtown Long Beach will need to create conditions that offer the many amenities associated with good transit-oriented development: a pedestrian orientation, a mix of uses, walking or transit access to shopping, jobs, and entertainment, and a vibrant, 24-hour neighborhood.

Leveraging Downtown's location at the end of the Blue Line could help attract more residential growth in Downtown. The Blue Line is an undervalued asset Downtown. Currently, it is not being highlighted as an amenity or a selling point for Downtown residents or retailers. Trends support the notion that higher numbers of people are putting a premium on locations that are walkable and close to transit. Downtown has a significant opportunity to capitalize on both of these features.

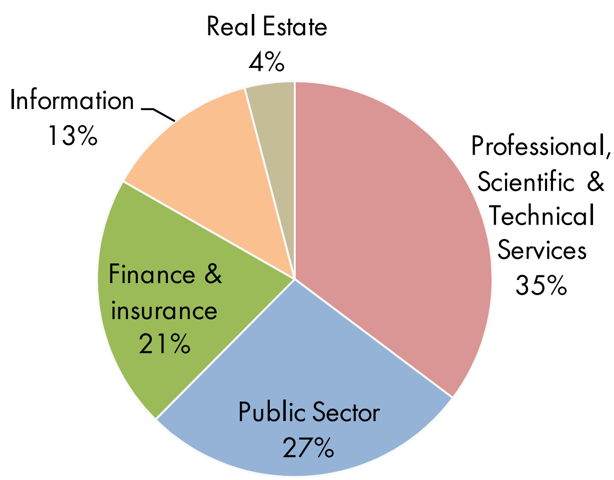
Downtown's demographics are likely to continue changing as new residential units are added in the future. Consistent with current trends in sales prices and rents, new residents in Downtown are likely to continue to have higher incomes than existing residents. Their household compositions are also likely to follow existing trends and be predominantly focused on households without children consisting primarily of younger people and empty nesters.

V. OFFICE MARKET ASSESSMENT

PROFILE OF DOWNTOWN LONG BEACH OFFICE EMPLOYMENT

Thirty-five percent of Downtown office employment is in the Professional, Scientific, and Technical Service sector. The Public sector also has a large influence on the Downtown office market, contributing 27 percent of office employment. Twenty-one percent of office employment is in the Finance & Insurance sector.

Figure 15: Breakdown of Downtown Long Beach Office Use by Industry



Source: Nets 2006; Strategic Economics, 2009.

CHARACTERISTICS OF THE OFFICE MARKET

Downtown Long Beach has 4.2 million square feet of office space that attracts government agencies, energy, healthcare, insurance, legal, and accounting firms. Many companies choose to locate in Downtown because it is geographically central to Los Angeles and Orange Counties. Others locate in Downtown Long Beach because they need to be close to the Port of Long Beach, close to the hub of government offices, or close to their residential market base.

Table 10: Examples of Tenants in the Class A Office Space

Building	Sample Tenants and Industry	
Landmark Square	Perkowitz + Ruth Inc	Architectural Services
	First Consulting Group Inc	Health Services Consultant
	China Shippin Holding Co	Freight Transportaiton
	Windes Mcclghry Accntancy Corp	Certified Public Accountant
Shoreline Square	Ford Motor Credit Company	Automobile loans, insurance
	UBS Financial Services Inc	Security brokers and dealers
	Nextel Of California Inc	Cellular telephone services
	Northrop Grumman Space	Systems engineering consultant
	Mieco Inc	Petroleum brokers
World Trade Center	Acs Education Services Inc	Data processing service
	Apriso Corporation	Computer systems design
	Ford Walker Haggerty & Behar	General practice attorney
	Federal Bureau Investigation	Government
	Sea Launch Company LLC	Satellite earth stations

Source: NETS; Strategic Economics, 2009.

The majority (55 percent) of office space in Downtown Long Beach is Class B. One-third of Downtown Long Beach Office space is Class A and 12 percent is Class C (Table 11).

Table 11: Breakdown of the Downtown Long Beach Office Market by Class

	Square Feet	% of Inventory
Class A	1,381,330	33%
Class B	2,319,992	55%
Class C	498,975	12%
Total	4,200,297	100%

Source: Cushman & Wakefield; Strategic Economics, 2009.

Downtown Long Beach has three Class A buildings totaling 1.38 million square feet (Table 12). All three buildings were built in the same time period, from 1989 to 1991, and there has been no new Class A office development since then. All three buildings have frontage on Ocean Boulevard and take advantage of ocean views. Brokers and developers report that the space was originally slow to absorb.

Table 12: Profile of Comparable Class A Buildings in Downtown Long Beach

Name	Address	Year Built	Total RSF	RSF Leased	Occupancy Rate	# Stories	Floorplate Size	Rent	Parking	Amenities
Landmark Square	111 W. Ocean Blvd.	1991	440,033	412,255	93.7%	24	18,335	$2.35 - $2.75		Adjacent to Pine Ave, Ocean and city views, ground floor banking services
Shoreline Square	301 E. Ocean Blvd.	1989	383,287	348,706	91.0%	20	19,700	$2.35 - $2.75	3.5/1000 SF	Walking distance to restaurants, hotels, business services, Ocean and city views
World Trade Center	1 World Trade Center	1989	558,010	492,745	88.3%	28	19,929	$2.30 - $2.85	two levels underground + surface parking; 3.5/1000 SF	Ocean and city views, adjacent retail plaza, post office, 38,000 SF executive meeting center, next to Hilton Hotel
Total/Average			**1,381,330**	**1,253,706**	**90.8%**					

Source: Loopnet.com; Cushman & Wakefield; NETS; Strategic Economics, 2009.

Recent Market Trends

The Downtown office market has been relatively stable in recent years. Not many new companies have entered the market and not many have left. Brokers report that most activity has been companies moving within the Downtown market due to growth or losses. The one exception is the closure and relocation of real estate companies that were negatively affected by the mortgage crisis.

From 1992 to 2008, the Downtown Long Beach office market absorbed 545,231 square feet of space, for an average net absorption of 34,077 square feet per year. From 1989 to 1991, three Class A office towers were built, which now comprise 100 percent of Downtown's Class A space. The absorption from 1992 to 2008 primarily represents the absorption of the three Class A buildings, which occurred relatively slowly. Most of the positive net absorption in Downtown Long Beach occurred in the mid to late '90s and from 2002 to 2007.

Brokers report that there has been a trend toward smaller companies tenanting Downtown Long Beach office space in recent years. According to real estate brokers, the average Downtown Long Beach office user is fairly small, needing only about 1,500 to 2,000 square feet of leasable space. This observation is substantiated by employment data, which shows that average company size in Downtown was 14 employees in 2000 and 10 employees in 2006. This trend toward smaller companies means that it requires more effort on behalf of landlords and brokers to fully lease a building and is, therefore, a contributing factor in Downtown's relatively slow absorption rates.

In accordance with regional and national trends, the Downtown office market weakened some in 2008. In 2007, Class A rents were as high as $2.75, but rents decreased by 12 percent to $2.40 in 2008. Brokers report that a recent rise in the amount of sublease space on the market due to companies downsizing is also contributing to lower rents. All landlords have begun negotiating rents, but Class C landlords have made the biggest rent reductions to sign on tenants (24 percent on average). Class A rents were reduced by 14 percent on average.

Table 13: Downtown Long Beach Market Performance, 4Q 2008

	Occupancy	Asking rent	Contract Rent	% Reduced
Class A	90%	$2.78	$2.40	-14%
Class B	86%	$2.02	$1.83	-9%
Class C	79%	$1.81	$1.38	-24%
Total	**87%**	**$2.20**	**$1.87**	

Source: Cushman & Wakefield; Strategic Economics, 2009.

PLANNED OFFICE DEVELOPMENT

There are 350,000 square feet of office space entitled as part of the Golden Shore Master Plan. The office space is build-to-suit for the law firm Keesal, Young and Logan and Molina Health Care. The new Courthouse development plan may also create an opportunity site for more office space on Ocean Boulevard.

PROJECTED DEMAND FOR OFFICE SPACE

Based on Southern California Association of Governments (SCAG) projections for job growth in LA County[8], Strategic Economics estimates that Downtown Long Beach could expect to capture around 2,100 new office jobs by 2035. This projected job growth translates into 570,000 and 760,000 square feet of new office space, see Table 14.

Table 14: Projected Demand for Office Space in Downtown Long Beach, 2035

Years	Potential Office Square Footage	
	Low	*High*
2009-2020	310,000	420,000
2021-2035	250,000	330,000
Total (2009-2035)	**560,000**	**750,000**

Source: SCAG, NETS, Strategic Economics, 2009

Capturing Office Demand

The demand forecast indicates that Downtown Long Beach can potentially attract a moderate amount of new office and institutional jobs by 2035; however, demand is different from growth. Demand for office space could result in growth elsewhere if Downtown Long Beach is unable to accommodate the demand, or if conditions Downtown are not optimized to capture demand. Simply building more office space may not be enough to fully capture this demand. In addition, the preferences and needs of future employees must be accommodated into Downtown planning.

Job growth in the Professional, Scientific, and Technical Services and Information sectors will draw employees attracted to working and living in vibrant, high-quality places. These two industry sectors comprise over two-thirds of potential office job growth in Downtown Long Beach. The jobs in these industries include a high number of "creative class" occupations that emphasize innovation and human capital; such innovation is the primary driver of economic growth in metropolitan areas. Academic research into the preferences of the creative class has shown that its members prefer to live and work in diverse places with an interactive and personal atmosphere that offers a higher quality of life, with lifestyle amenities and active recreation opportunities.[9] Such an atmosphere can be created in a high-quality place that offers good urban design, public amenities, 24-hour activity, and easy access to shopping, services, dining, and employment.

A mixture of retail and dining options will enhance the desirability of Downtown Long Beach for office tenants. Downtown Long Beach already contains a significant amount of retail that serves office workers well. However for the continuance of this mutually-beneficial relationship, new office development must be considered within the larger spatial context of Downtown. Locating new office projects near Downtown's main retail corridor will create a reciprocal relationship between retail and office; office employers will be attracted by the nearby amenities in Downtown Long Beach and retailers will be able to capitalize on the close proximity of more office workers.

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[8] SCAG's job projections may underestimate job growth in urban areas because they include an assumption that the majority of job growth is happening east of Los Angeles in San Bernardino and Riverside counties.

[9] Richard Florida, *Rise of the Creative Class*, 2003

OFFICE MARKET CONCLUSIONS

Downtown Long Beach offers a competitive price for ocean-side office space compared to West Los Angeles and Orange County. Brokers report that companies pushed out of those higher-priced markets often consider relocating to Downtown Long Beach.

Downtown office space has been relatively stable in terms of vacancies and rents in recent years although these indicators have started to slip as a result of the current recession. The last five years have seen rising occupancies and rents in Downtown office space. However, in the latter part of 2008, increased sublease space on the market from companies downsizing has pushed rents lower.

Brokers report that Downtown Long Beach office users are happy with the retail amenities offered in Downtown Long Beach. Compared to the suburban Long Beach and South Bay office market, the walkability of Downtown is a great advantage.

Employment projections suggest that Downtown can support an addition of 570,000 to 760,000 square feet of office space by 2035. Nevertheless, demand for office space could result in growth elsewhere if Downtown Long Beach is unable to accommodate the demand. The preferences and needs of future employees must be considered in Downtown planning.

The bulk of planned office development is slated to be 4-6 blocks west of Pine Avenue, closer to the 710 freeway than Downtown's core retail district. The Golden Shore Master Plan, with 350,000 square feet of entitled office space, is located on the periphery of Downtown Long Beach. This location will likely result in less synergy between the office users and existing retail corridors, compared to office space built closer to the core of Downtown.

Encouraging a vibrant retail district can help recruit office tenants to Downtown. Research shows that creative class industries prefer to locate in diverse and vibrant places with lifestyle amenities and active recreation opportunities in close proximity.

Transit is an under-utilized amenity for office workers and should be leveraged to attract more companies to Downtown. As discussed in Section II, Downtown workers commute by transit at rates lower than the City of Long Beach and Los Angeles County. However, as gas prices and concerns over global warming increase, more and more people are interested in taking transit to work.

VI. HOTEL MARKET ANALYSIS

PROFILE OF THE DOWNTOWN LONG BEACH HOTEL SUPPLY

There are approximately 2,770 hotel rooms in Downtown Long Beach. With 2008 annual occupancy levels at 69 percent, on average, there are 1,911 occupied hotel rooms in Downtown Long Beach at any given time. Since 2006, occupancy has decreased by 6 percent and the average room rate has increased by 9 percent.

Table 15: Recent Hotel Market Performance in Long Beach

	2006	2007	2008	% Change 2006-2008
Occupancy	73%	74%	69%	-6%
Average Room Rate	$128.1	$139.7	$140.0	9%

Source: Smith Travel Research, Strategic Economics, 2009.

Downtown's hotel units fall into three categories: Economy, Mid-Level, and Upscale. Economy hotels have rack rates that start below $100, usually around $75. They do not typically contain restaurants or offer other services to guests. Mid-level hotels have rack rates starting between $100 and $150 dollars. More expensive mid-level hotels may contain a low-cost restaurant and offer some services to guests but this is not standard for this category. Upscale hotels have racks rates starting above $150 dollars and are all full service hotels.

The upscale hotels are oriented toward the waterfront, and have locations on Ocean Boulevard, and close to Shoreline Drive; economy hotels are primarily centered around the East Village Arts District; and mid-level hotels are scattered all over Downtown. Upscale hotels take advantage of Downtown's waterfront location. Economy hotels are clustered in the East Village Arts District around the Atlantic Avenue and Alamitos Avenue corridors. Unlike the other two groups, the locations of mid-level hotels do not reflect a spatial trend; mid-level hotels are located in the East Village, on Ocean Boulevard, and on Queenways Drive—oriented towards the waterfront (Figure 16).

Figure X: Existing and Planned Hotels in Downtown Long Beach

Source: City of Long Beach; Strategic Economics, 2009.

Mid-Level and Upscale hotel properties comprise an estimated 88 percent of Downtown Long Beach's room inventory. Although there are more hotels in the economy category, the upscale and mid-level hotels are much larger compared to the economy hotels. The average size of an upscale hotel in Downtown is 464 rooms whereas the average size of an economy hotel is 43 rooms. Accordingly, only 12 percent of Downtown rooms are at the economy level. Mid-level hotels make up 41 percent of the inventory and upscale properties make up 47 percent of inventory (Table 16).

Table 16: Downtown Long Beach Hotel Inventory

	# Rooms	% of Inventory	Rack Rates
Economy			
Beach Inn Motel	25		$60
City Center Motel	49		$60 - $70
Greenleaf Hotel	45		$95
Inn Of Long Beach	51		$69 - $150
Rodeway Inn	35		$75 - $150
Travel King Motor Inn	15		$50
Travelodge	63		Avg $109
Vagabond Inn Long Beach	61		$65 - $189
subtotal	344	12%	
Mid-Level			
Best Western	66		$129 - $149
Courtyard Marriot	216		$149 - $229
Hotel Maya (formerly Coast Hotel)	195		$139 - $250
Hotel Queen Mary	315		$169 - $229
Renaissance Long Beach Hotel	374		$100 - $200
Varden Boutique Hotel	35		$119 - $139
subtotal	1,201	41%	
Upscale			
Hilton Long Beach	397		$178 - $279
Hyatt Regency Long Beach	528		$159 - $209- $350
Westin Long Beach	469		$199 - $329
subtotal	1,394	47%	
TOTAL	**2,939**		

Source: City of Long Beach; Smith Travel Research; Strategic Economics, 2009.

Downtown Long Beach hotels attract convention, business, and leisure guests, but the convention guests play the greatest role in driving hotel occupancy. Based on conversations with hoteliers, Strategic Economics estimates that convention-goers account for 60 percent of the overall guest segment in Downtown Long Beach hotels. On average, leisure accounts for 30 percent of the guests and business 10 percent. Economy hotels report a higher than average share of convention guests as do the hotels closest to the Convention Center, such as the Hyatt and Westin. Most hotel managers report that their occupancy and room rates are directly related to whether there is a convention in town.

The Queen Mary Hotel is the only Downtown Long Beach hotel where leisure guests make up the majority of the market segment. Its historical character attracts tourists and its location is not conducive to easily accessing the Convention Center.

The viability of hotel development in Long Beach is driven by the health of the Convention Center. Because the Convention Center has such a strong influence on hotel demand, Downtown's hotels do not compete for guests with other hotels in Long Beach or nearby communities. Rather, the demand for new hotel space is an indirect result of how successful the Long Beach Convention Center is in competing nationally with other convention centers. In this respect, the competitiveness of the Convention Center is a strong indicator of demand for hotel rooms in Downtown Long Beach.

Most hotels in Downtown Long Beach are national chains—very few are independents or boutiques. Only two hotels in Downtown Long Beach are independents. As a result, 87 percent of the room inventory is at chain hotels.

Most of the hotel stock was built in the 1960s through the 1980s. The Best Western is the only recently constructed hotel, built in 2006. The Hotel Maya (formerly the Coast Hotel), recently underwent a large scale renovation to reposition the hotel as a higher-end boutique hotel. Recent renovations also include a $6 million renovation at the Hyatt in 2005, as well as renovations at the Hilton, Marriot, and Westin within the last 5 years.

Downtown Long Beach offers competitive prices compared with other places in the region. With the exception of Anaheim, Downtown Long Beach is able to offer lower average daily room rates than other competitive markets in the region, especially compared to the West Side of Los Angeles (Santa Monica) and Costal Orange County (Table 17). Lodging professionals report that affordable room rates are one of Downtown Long Beach's competitive advantages.

Table 17: Average Daily Room Rates as Compared to Downtown Long Beach

Hotel Market	% Difference in Average Room Rates
Anaheim	-26%
Downtown LA	21%
Downtown San Diego	42%
Coastal Orange County	93%
Santa Monica	98%

Source: PKF Consulting; Strategic Economics, 2009.

PLANNED HOTEL DEVELOPMENT

There are two hotels currently under construction that will add 316 rooms to the supply. Avia Hotel, currently under construction at the Pike, is scheduled to open in the summer of 2009 and will have 138 rooms. The target market for this hotel is a combination of business, leisure, and large groups. The developer has positioned the Avia to fill a market niche for an upscale boutique hotel, since most other hotels in Downtown are larger chains. Room rates at the Avia will start around $200.

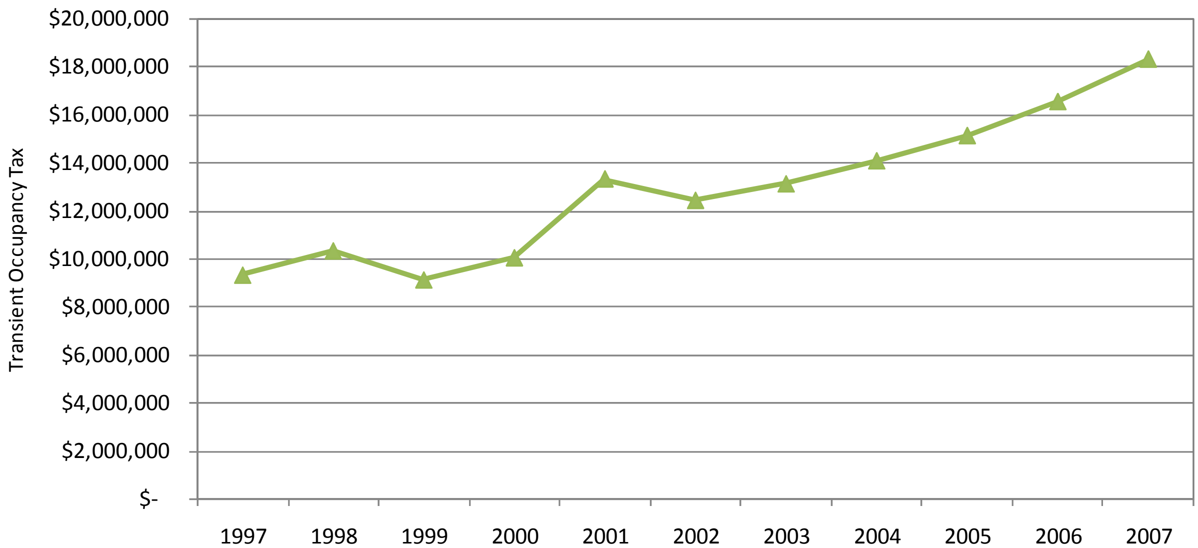
The Residence Inn, an extended stay hotel, is also currently under construction and is scheduled to open in 2010 and will have 178 rooms. There is no other extended stay hotel in Downtown Long Beach. The developer expects the target market to be 50 percent extended stay guests, thus the groups, leisure, and business segment will be larger than the average extended stay hotel. The hotel will also have a large meeting space.

Two hotels have been entitled for 316 additional rooms, and two more hotels have been proposed. Planned hotel development is focused around two nodes: The Promenade and the Pike. The planned hotels are smaller than most upscale hotels in Downtown Long Beach and tend to be urban-boutique hotels. The two hotels closest to being constructed are a 191 room Aloft hotel that has been entitled, and a Sierra Suites hotel with 128 rooms.

RECENT TRENDS IN VISITATIONS AND LODGINGS

Overnight visits to Long Beach have been increasing at a faster rate than Los Angeles County. Since 1997, transient occupancy tax (TOT) receipts have grown at an annual rate of 6.31 percent in the City of Long Beach compared to 4.87 percent in Los Angeles County. Long Beach TOT receipts decreased slightly after 9/11, but increased steadily from 2002 to 2007 (Figure 17).

Figure 17: City of Long Beach Transient Occupancy Tax Receipts, 1997 to 2007



Source: Dean Runyan; Strategic Economics, 2009.

PROJECTED DEMAND FOR NEW HOTEL ROOMS

The lodging market in Downtown Long Beach has performed well in recent years, with high occupancy rates, the planned addition of upscale properties (Aloft and Hotel Maya), and increasing receipts from TOT taxes.

Methodology

Strategic Economics estimated the potential demand for new hotel rooms in Downtown based on the current number of hotel rooms in Downtown, data on occupancy rates, and assumptions about the growth in visitors to Downtown Long Beach based on past trends. The projection was made for conservative and optimistic scenarios that represent different growth rates in Downtown visitation rates and Convention Center activity (see Appendix, Section E for a more detailed explanation of these rates). It should be noted that the main driver of demand for Downtown hotel rooms is activity at the Convention Center. These projections assume the continued health and competitiveness of the Convention Center.

Demand Projections

Strategic Economics estimates that there is demand for between 1,600 and 3,200 new hotel rooms in Downtown Long Beach by 2035. These projections assume the continued competitiveness of the Convention Center, but do not factor in any long-range planning or expansion efforts. Without having an understanding of long-term forecasts for the Convention Center, it is difficult to forecast the long-term potential for hotel development Downtown. However, the continued revitalization of Downtown will help improve the Convention Center's competitiveness, thereby heightening demand for new hotels.

Table 18: Future Potential for New Hotel Rooms in Downtown Long Beach

	Conservative			Optimistic		
	2009-2015	*2016-2035*	*Total*	*2009-2015*	*2016-2035*	*Total*
New Hotel Room Potential	200	1,400	1,600	400	2,800	3,200

In the short-term, demand for new hotels may be met by projects currently under construction. This projected demand is likely to be met by the Avia and Residence Inn, both currently under construction, which should introduce an additional 316 rooms to Downtown's inventory.

HOTEL MARKET CONCLUSIONS

The majority of hotels in Downtown Long Beach serve convention visitors and most of the hotel room inventory is at upscale hotels. Convention visitors comprised an estimated 60 percent of all hotel guests in Downtown Long Beach. Leisure travelers account for an estimated 30 percent. Mid-level and upscale hotels account for 93 percent of all of Downtown's hotel inventory.

The viability of Downtown Long Beach's hotel market is directly linked with the Convention Center. The connection between the success of the Convention Center and Downtown's hotels is evident by the high volume of conventioneers who stay in Downtown hotels and anecdotal reports from hoteliers who say their occupancy rates reflect activity at the Convention Center.

Demand likely exists for several new hotels in Downtown Long Beach in the long-term but plans for the Convention Center will have a significant impact on whether it is realized. Because demand for hotels is directly impacted by goings-on at the Convention Center, it is essential to understand the long-term plans for the Convention Center in order to estimate demand for hotels in Downtown. This analysis did not evaluate these plans.

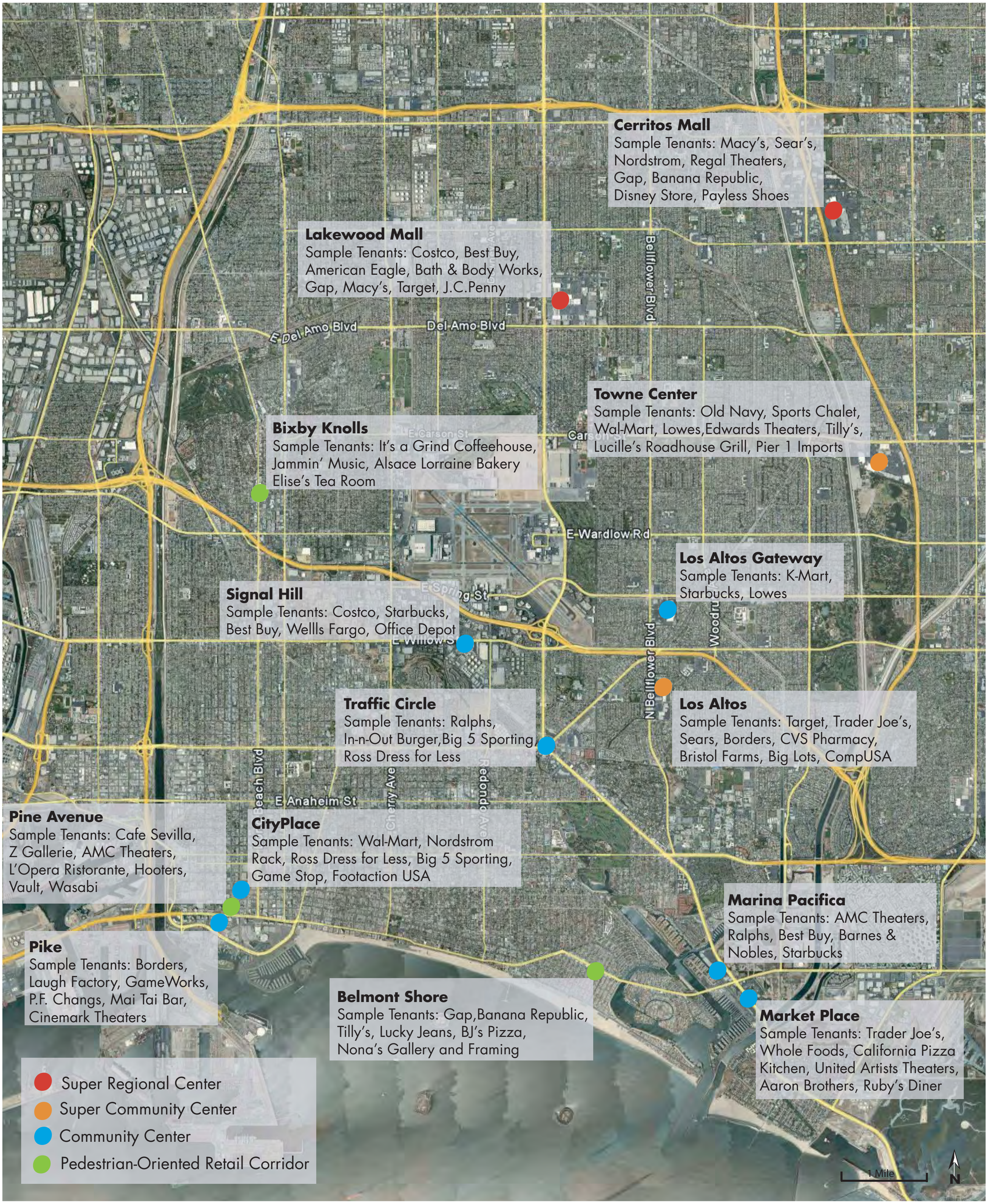
Hotels currently being planned for Downtown are likely to absorb most of the short-term demand. Demand in the short-term (2009-2015) is estimated to be between 200 and 400 rooms. Currently, 316 rooms are under construction in the Avia and Renaissance hotels. Unless there are significant increases in bookings at the Convention Center, it is unlikely that there will be additional demand for hotels in the short-term.

VII. RETAIL MARKET ASSESSMENT

INTRODUCTION

Downtown Long Beach is part of a City and region with many shopping options, especially on the east side of the City. However, none of those shopping areas have the foundation set in place for an interesting, pedestrian-oriented, and distinctively urban shopping experience in the way that Downtown Long Beach does. Most of the shopping in Long Beach is at big-box stores surrounded by surface parking lots, such as the Marina Pacifica and Towne Center shopping centers. Further to the north, the neighboring cities of Lakewood and Cerritos have large enclosed malls built in the 1950s and 1970s, respectively. In fact, Long Beach has only two other pedestrian-oriented shopping districts—Second Street in Belmont Shore and Bixby Knolls. Figure 18 shows the locations of the competitive retail areas in Long Beach and neighboring cities. Downtown Long Beach is especially unique as it is the only competitive shopping area on the south-west side of town and the only shopping district in the region located in a dense, urban, and historic neighborhood.

Figure 18: Competitive Supply of Retail in Long Beach and Neighboring Cities



Source: Google Maps; Strategic Economics, 2009

PROFILE OF DOWNTOWN RETAIL DISTRICTS

There are five major concentrations of retail in Downtown Long Beach, each with a distinct character and market performance.

Pine Avenue & the Promenade

Pine Avenue is a historic streetcar corridor lined with street-front retail. Many historic buildings remain within this spine. They often have ground floor retail space and office or residential use on the floors above. Due to this historic pattern of development, the Pine Avenue shopping district is highly walkable, bikeable, and accessible via the Blue Line and several bus lines Downtown. Brokers often differentiate two main segments of Pine Avenue: one from Ocean Boulevard to Third Street and another from Third Street to Seventh Street. They report seeing more interest and activity along Ocean to Third Avenue.

Pine Avenue from Ocean Boulevard to Broadway is a small "restaurant row" with several successful restaurants. The restaurants often occupy the ground floor of office and residential buildings, some of which have historic architectural significance, such as the First National Bank Building, and some of which are newer. The restaurants are both local- and regional-serving. Brokers report that rents are around $2.75 per square foot on this portion of Pine Avenue and vacancies are low.

Pine Square is located on Pine Avenue between Broadway and Third Street. Built in 1992, the development includes an AMC movie theater, small retail shops, and 145 apartment units. The building contains two stories of retail that line Pine Avenue in some places but are internally focused and pull back from the street due to an interior courtyard in the center of the property. Brokers report that the theater is underperforming and that there are many retail vacancies, especially on the second floor around the courtyard, due to poor visibility from the street. Brokers report that the rents range from $1.25 to $1.50. The Redevelopment Agency has identified Pine Square as a future development opportunity.

Pine Avenue north of Third Street has both chain and independently-owned local-serving retailers. The street is lined with historic buildings, like the Farmers and Merchants Bank, The Walker Building, The Newberry Building, and Kress Lofts. Archstone CityPlace, a mixed-use development of apartments and ground floor retail built in 2004, also has a large presence on east side of Pine Avenue. Between Fourth Street and Fifth Street, the Archstone retail space is occupied by chain local-serving retailers, and between Fifth and Sixth Streets, the Archstone spaces are primarily vacant at the time of writing. Brokers report that rents are around $2.00 per square foot on this portion of Pine Avenue and vacancies are relatively high.

The Promenade is situated one block east of Pine Avenue and runs from Ocean Boulevard to Third Street. The Promenade has been designed within the existing street grid as a pedestrian walkway lined with several newly constructed mixed use developments with ground floor street-front-oriented retail and four to five stories of residential units above. The residential projects were built in 2008 and 2009 and are just beginning to be occupied. The pedestrian walkway was under construction until late 2008. At the time of writing, the retail spaces are vacant. Brokers report that the asking lease rate is $3.00 per square foot.

CityPlace

Built in 2002, this 450,000 square foot development replaced the defunct Long Beach Mall and extends from Pine Avenue to Long Beach Boulevard between Third Street and Sixth Street, north of the Promenade. The shops are oriented toward the streets, which are mostly continuous with the rest of the local street grid. Some of the retail is part of mixed-use buildings with Archstone apartment buildings on the upper floors. It is anchored by a Wal-Mart, Nordstrom Rack, and Ross and it is targeted primarily to the trade area north of Downtown. At the time of writing, the only vacancies in CityPlace are those with frontage on Pine Avenue.

The Pike

Built in 2004, this 369,000 square foot development has a concentration of restaurants and entertainment uses. It is anchored by a CineMark Theaters, Gameworks, and Borders. It is located south of Ocean Boulevard slightly down the hill toward the waterfront between E. Seaside Way, S. Pine Avenue, E. Shoreline Drive, and Magnolia Avenue. This location gives it excellent proximity to the Convention Center and the Aquarium of the Pacific, and as a result the majority of the patrons are tourists and conventioneers. Most of the shops are oriented toward the interior of the development and some of the restaurants are oriented toward Shoreline Drive. Once inside, the Pike is highly walkable, but unless you are accessing it directly from the Convention Center, most shoppers will drive to the Pike and park before heading into the shopping district on foot. Rents range from $2.00 to $4.00 per square foot and vacancies are low.

Shoreline Village

Shoreline Village is a waterfront shopping center south of Shoreline Drive with a concentration of destination- and tourist-serving restaurants, such as “Parkers Lighthouse” and the restaurant-bar “Yard House.” It also has several small visitor-serving shops. It has its own privately managed surface parking lot. Shoreline Village is disconnected from Downtown and is not easily accessible on foot or bike.

East Village Arts District

Small boutique retail shops and cafes line blocks around First Street from Elm Avenue to Linden Avenue and Fourth Street at Linden Avenue. These stores are in mostly one- and two-story structures. The district contains several art galleries, art supply stores, cafes, a bike shop, and design stores. The shops predominantly target young urban pioneers with disposable income. While most shops are local-serving, some specialty shops are able to pull from a wider trade area. Rents range from $1.25 per square foot up to $2.50 in the core retail area on First Street.

Table 19: Summary of Downtown Long Beach Retail Rents

Retail District	Average Rent Per Square Foot
Pine Avenue	
From Ocean to Broadway	$2.75
North of Broadway	$2.00
Pine Square	$1.25 - $1.50
Promenade	$3.00 (asking)
City Place	$1.90 - $3.30
Pike	$2.00 - $4.00
East Village Arts District	$1.25 - $2.50

Source: Local real estate brokers; Strategic Economics, 2009.

Existing and Prospective Tenants

New restaurants and entertainment tenants continue to express interest in leasing vacant space Downtown, especially on the southern blocks of Pine Avenue. Brokers report sustained interest from new restaurants and entertainment tenants in locating Downtown. This interest has continued even as other types of retailers have had difficulty staying in business. Downtown Long Beach is not alone in this trend; the role of entertainment in driving Downtown retail is strong and growing in many cities. Nevertheless, brokers also report that they are getting mixed signals from the City as to whether entertainment tenants are appropriate for Pine Avenue, since more residents are now living in the area.

National apparel retailers have expressed strong interest in locating on Pine Avenue, but the downturn in the economy prevented this. Brokers report serious interest from apparel stores targeted at new residents, like Forever 21 and American Apparel, who wanted to enter into a co-tenanting situation Downtown. Unfortunately, the current credit crunch prevented this from happening by limiting the ability of national retailers to open new stores in new markets.

Brokers and Developers see potential for the East Village Arts District to attract more specialty retail. Brokers cite the activity generated by the Farmers Markets and boutique retailers as reasons why they see potential for the area to attract more specialty retail. The prospects of attracting such retail will likely improve with the addition of new households to the neighborhood to support such stores.

Other Market Dynamics

Patrons of Downtown retail are primarily local Downtown residents, office workers, and tourists. Currently, most of Downtown Long Beach's retail does not pull from a wide trade area, except for some restaurants, nightclubs, and tourist-oriented retail establishments. North Pine, including CityPlace, primarily serves local residents in the trade area around Downtown and to the north. The East Village Arts District is also primarily a local serving subarea, yet certain specialty boutique stores may attract shoppers from a wider trade area drawn by unique shops and galleries. The Pine Avenue subarea, with its successful restaurants, is oriented towards office workers on lunch break, local residents, and visitors. The nightlife uses likely draw patrons from elsewhere in the City and region. The Pike and Shoreline Village are primarily oriented towards visitors due to their proximity to the Convention Center and Aquarium of the Pacific.

Visitor-serving shopping is fragmented from the core of Downtown. The two visitor serving shopping areas, The Pike and Shoreline Village, are not well connected to other shopping areas such as Pine Avenue and the East Village Arts District. As a result, retailers may not be benefitting from the overlap of multiple user groups.

Pine Square is severely underperforming. Due to an outdated design format with stores that have poor visibility from the street, the retail center is plagued by vacancies and low rents. Furthermore, brokers report that the movie theater does not generate much traffic and has low sales.

Brokers and businesses report that Downtown is perceived to be unsafe at night. Negative perceptions of Downtown are twofold. First, Downtown has a perception of being unsafe because some streets are desolate at night and because of perceptions shaped by how people remember Downtown from decades ago. Second, Pine Avenue is perceived to be unsafe on Thursday through Saturday nights due to activities associated with the nightlife establishments. Interviews suggest that retailers do not feel that current security is adequate to deal with the patrons of the clubs and bars. Nighttime entertainment continues to do well and expand in Downtown, but there are compatibility issues with retailers who are concerned about its negative impacts.

SALES PERFORMANCE ANALYSIS

To measure the performance of retail in Downtown Long Beach, Strategic Economics analyzed sales tax revenue from Downtown and the City of Long Beach from 1998 to 2007. The sales tax was grouped into the subareas and economic categories described below.

Retail Subareas

Five subareas were used to analyze the sales performance of Downtown retailers, see Figure 19. Breaking Downtown into subareas allows the analysis to examine where sales are taking place in Downtown and in what categories. It also allows for comparative evaluation of how Downtown areas are performing overtime. For the purpose of this analysis, the Waterfront area was disaggregated into two subareas, The Pike and Shoreline Village, to better understand retail trends at the Pike. The subareas are described below:

The East Village Arts District is north of Ocean Boulevard and East of Long Beach Boulevard. It is primarily a residential area that includes unique architecture like the Broadlind apartments. Commercial activity includes small boutique retail shops and a Saturday Farmers Market. The Westin and Courtyard by Marriot hotels are located in the southern portion of this district.

The North Pine Avenue subarea is west of Long Beach Boulevard and north of Third Street. This subarea includes the City Place retail development, new Archstone Apartments, and the Walker Building lofts.

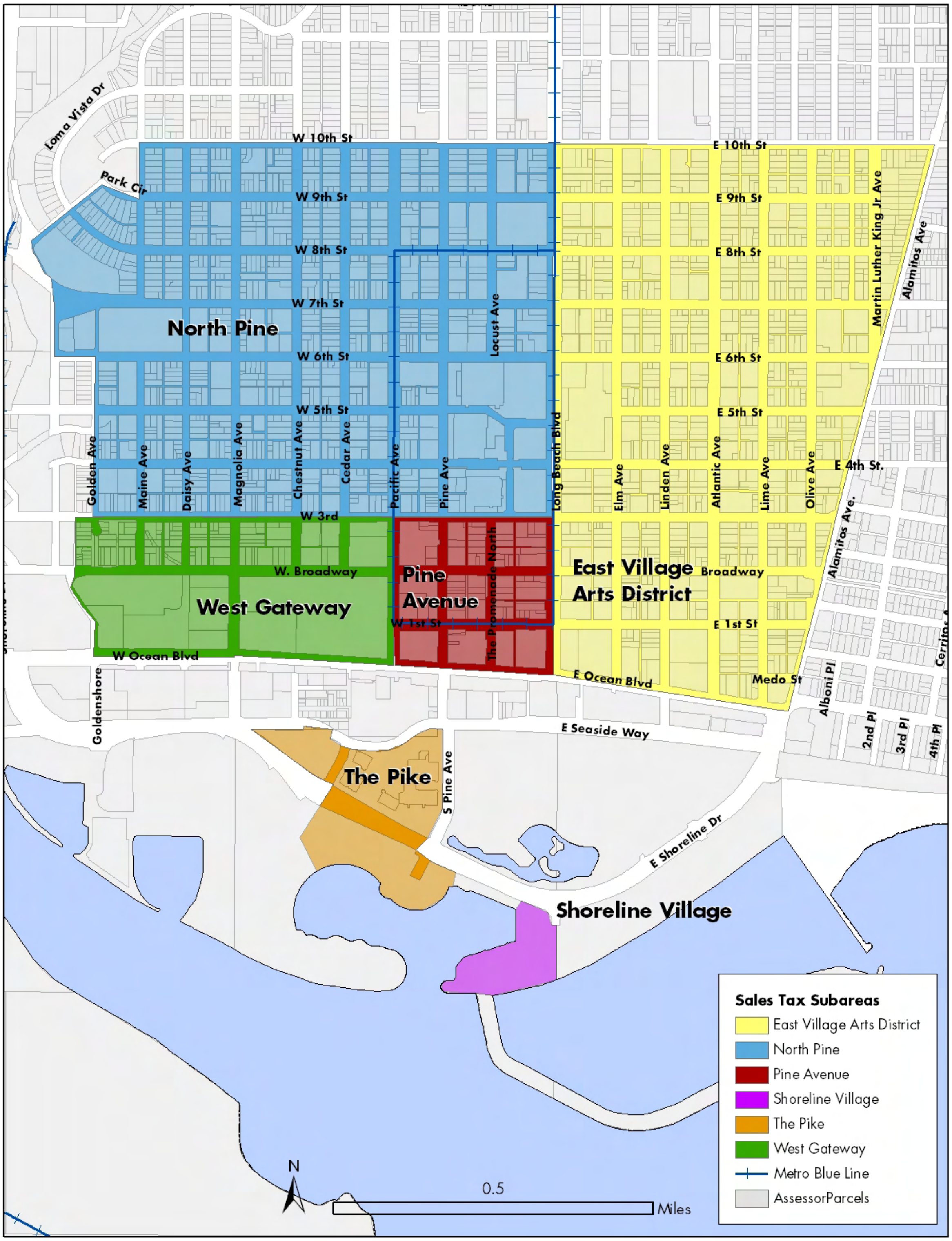
The Pine Avenue subarea is north of Ocean Boulevard, South of Third Street, East of Pacific Avenue and west of Long Beach Boulevard. This includes a stretch of Pine Avenue lined with restaurants and the new Promenade mixed use developments.

The West Gateway is north of Ocean Boulevard, south of Third Street, and West of Pacific Avenue. It is primarily an office district. It includes public facilities such as City Hall, the Courthouse and the Federal Building. It also has the World Trade Center office building and the Hilton Hotel.

The Pike is located south of Ocean between E. Seaside Way, S. Pine Avenue, E. Shoreline Drive, and Magnolia Avenue. It consists of primarily food and entertainment tenants.

Shoreline Village is south of Shoreline Drive along Rainbow Harbor. It consists primarily of restaurants and small visitor-serving shops.

Figure 19: Downtown Long Beach Sales Tax Subareas



Source: City of Long Beach; Strategic Economics, 2009

Retail Categories

Strategic Economics received sales tax data from the city to conduct this analysis. The data was aggregated by subarea and retail type to protect the confidentiality of individual retailers. The data did not include establishment data or highly specific SBOE categories. The retail categories used for this analysis are six SBOE economic segments.

General Retail

This category includes apparel, department stores, furniture, drug stores, recreational products, and smaller shops like florists and newsstands, and gift stores. General Retail stores tend to be local serving. Due to concerns regarding confidentiality, the General Retail category aggregates several more specific retail segments, such as general merchandise and clothing and accessories stores.

Food Products

This category includes restaurants, food markets, and liquor stores (both food at home and food away from home). In Downtown, these businesses cater to locals as well as visitors.

Transportation

This category includes new and used auto sales, auto parts, and repair.

Construction

This category includes is wholesale and retail building materials.

Business to Business

This category includes office equipment, electronic equipment, business services, industrial products and leasing.

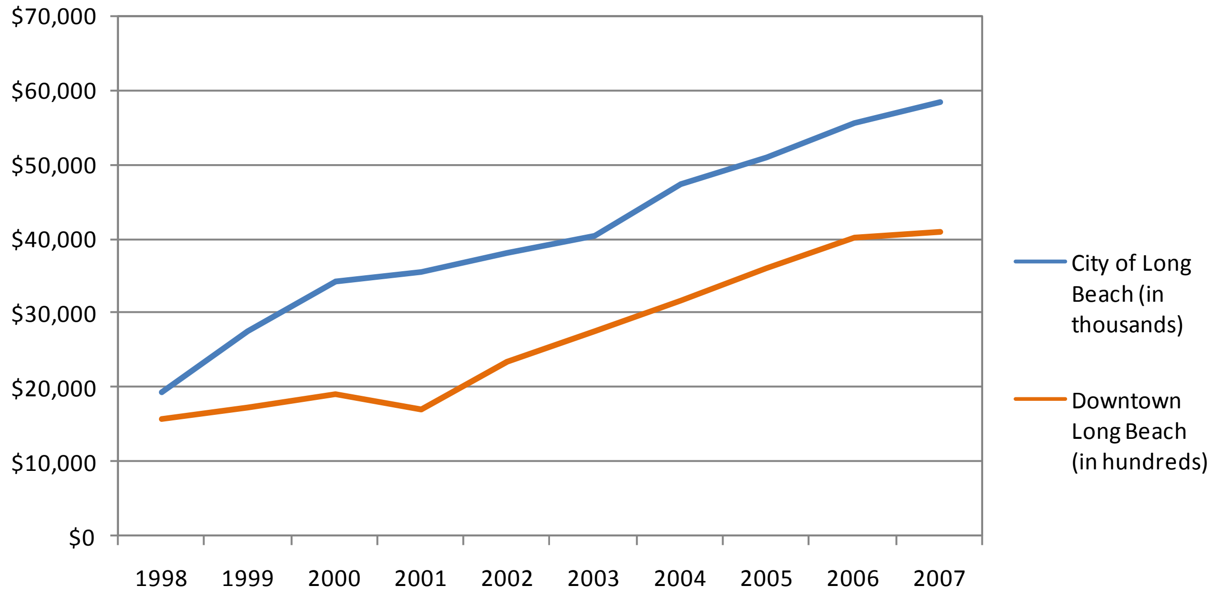
Miscellaneous

This category includes health and government, non-store retailers, part-time businesses, and mortuary sales.

Downtown Long Beach Sales Performance Compared to the City

Retail sales performance in Downtown Long Beach has kept on pace with sales growth in the City of Long Beach. Both Downtown and the City have experienced a great deal of sales growth in the last 9 years From 1998 to 2007, retail sales in Downtown and the City as a whole increased by 160 percent and 204 percent, respectively (Figure 20). Sales growth in Downtown has kept pace with that in the City as a whole. Downtown Long Beach contributes seven percent of the City's total sales tax revenue, a share that has remained steady during that time period.

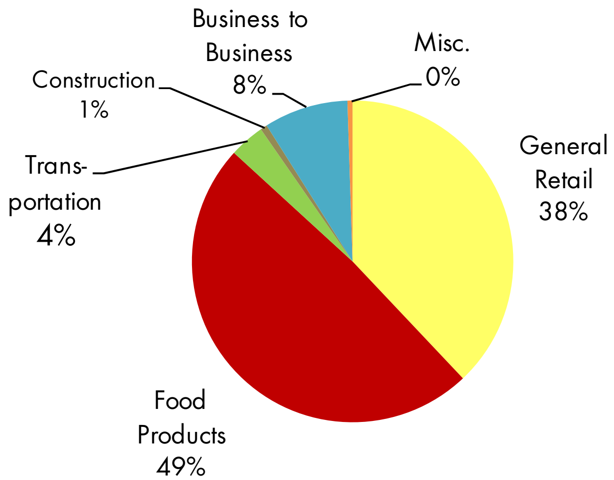
Figure 20: Downtown Long Beach and City of Long Beach Sales Tax Revenue, 1998 to 2007



Source: City of Long Beach; Strategic Economics, 2009.

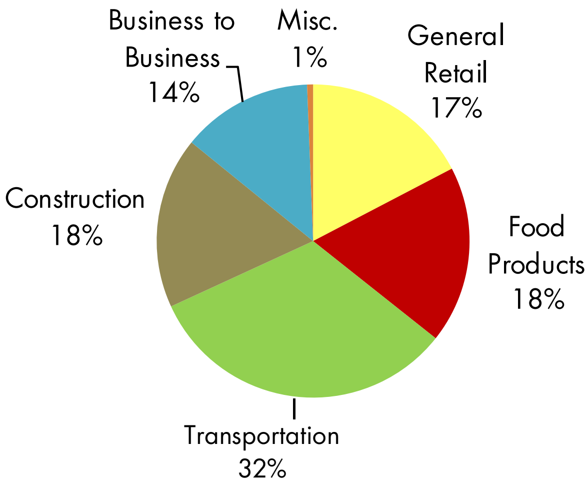
Eighty-seven percent of sales tax revenue in Downtown Long Beach comes from food products (49 percent) and general retail (38 percent). In contrast, the City of Long Beach derives 18 percent and 17 percent of sales tax revenue from food products and general retail, respectively. Downtown's strong performance in the food products category clearly demonstrates its position as a major restaurant destination within the City of Long Beach. Compared to the City, Downtown has a smaller share of transportation sales tax revenue because there are no car dealerships and a smaller share of construction sales tax revenue, because there are no large building supply stores Downtown, like Home Depot or Lowes.

Figure 21: Downtown Long Beach Sales Tax Revenue by Category, 2007.



Source: City of Long Beach; Strategic Economics, 2009.

Figure 22: City of Long Beach Sales Tax Revenue by Category, 2007



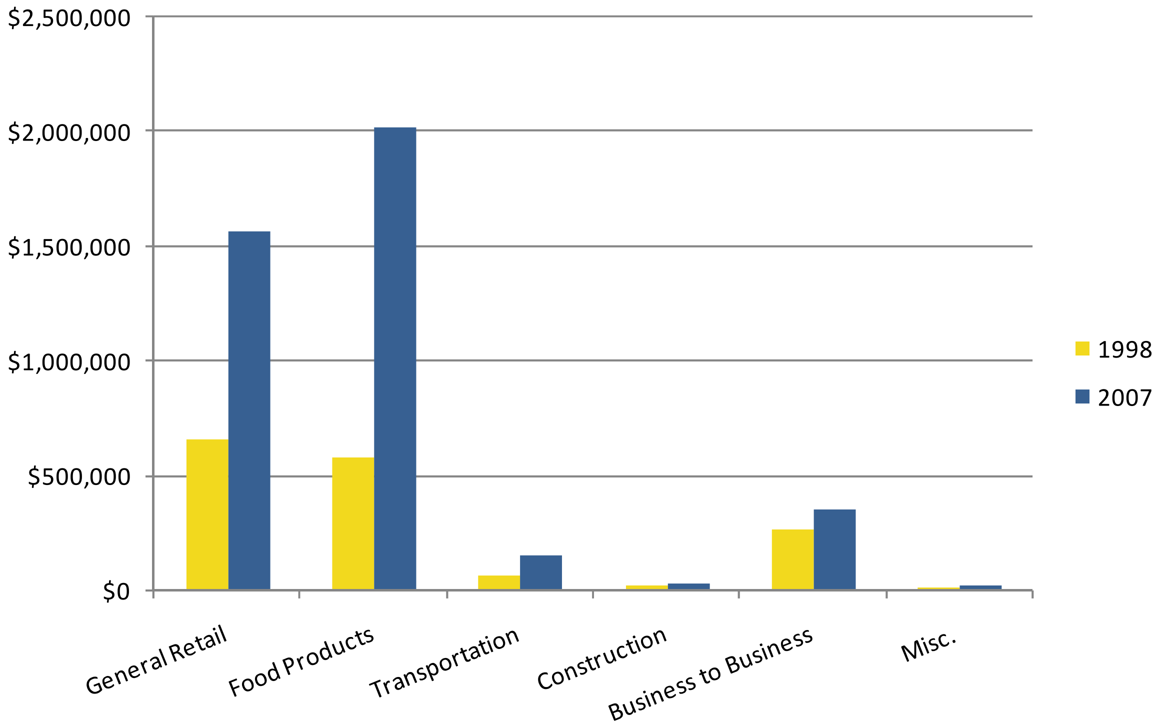
Source: City of Long Beach; Strategic Economics, 2009.

Downtown Long Beach Sales Performance by Subarea and Category

Downtown as a whole has seen an increase in sales tax generation in all retail categories from 1998 to 2007, with the greatest increase occurring in Food Products. Downtown Long Beach sales tax revenue increased by 160 percent during that time period. Figure 23 shows the sales in each retail category in 1998 and 2007. During that time period, food products increased by 249 percent and general retail increased by 140 percent. These two groups combined account for 92 percent of the new growth in Downtown.

Strong performance in Downtown's General Retail suggests that a large share of spending Downtown comes from Downtown residents rather than visitors. General retail is not a category that typically captures high amounts of visitor spending. The strong performance of General Retail in Downtown suggests that residents and other local shoppers are supporting these establishments. The strong performance of Food Products is likely a result of support from a combination of visitors and locals residents.

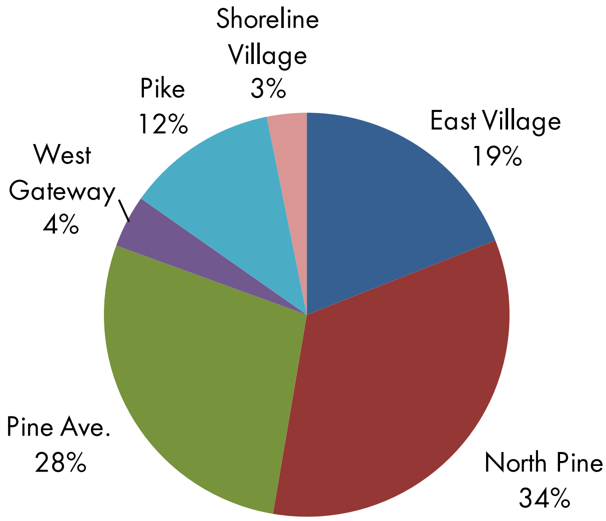
Figure 23: Downtown Long Beach Sales Tax Revenue by Category, 1998 vs. 2007



Source: City of Long Beach; Strategic Economics, 2009

Within the Downtown subareas examined, the North Pine Avenue subarea generates the highest share of sales tax revenue. The strength of this subarea is largely due to the presence of CityPlace and also its broad geographic span. Strategic Economics estimates that City Place contributes approximately half of the sales tax from the North Pine subarea. Pine Avenue, a relatively small subarea, contributes 28 percent of sales tax revenue, followed by East Village at 19 percent. The Pike and Shoreline Village, the two visitor-oriented shopping areas, only contribute a combined 15 percent of sales tax revenue. (Figure 24)

Figure 24: Downtown Long Beach Sales Tax Revenue by Subarea, 2007

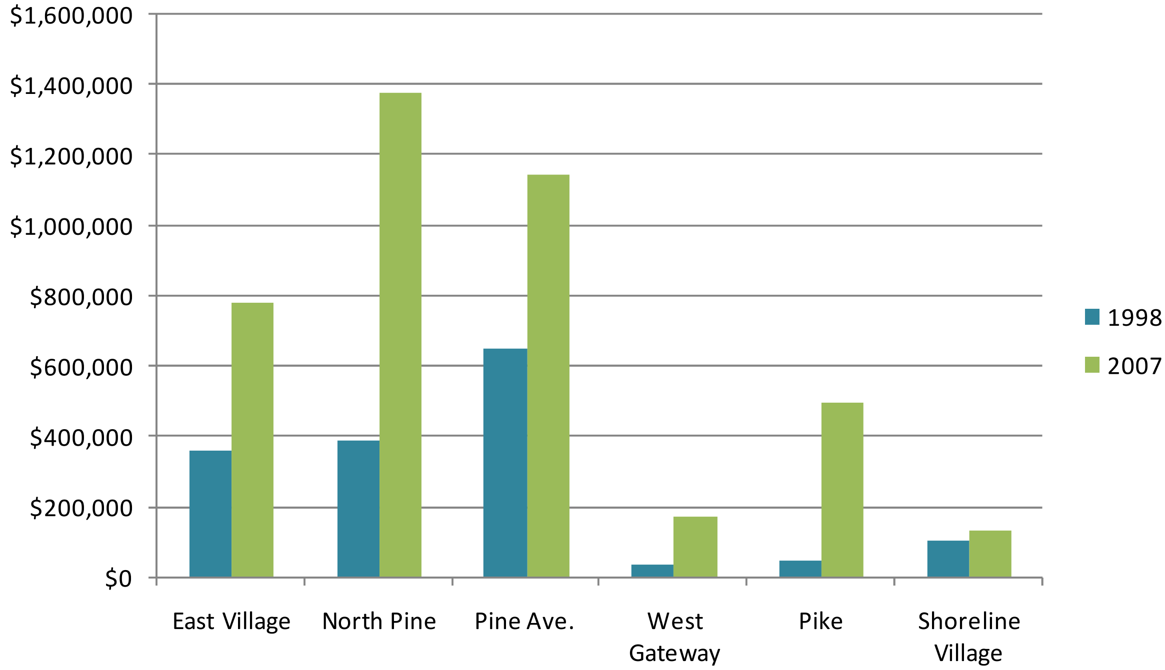


Source: City of Long Beach; Strategic Economics, 2009

All Downtown subareas have seen an increase in sales tax generation from 1998 to 2007. Growth occurred in all of Downtown's subareas from 1998 to 2007. In some cases, this growth is a result of the introduction of new retail venues, like City Place and the Pike, but on the whole, such strong performance reflects the fact that Downtown's identity as a retail destination has become more established over the last nine years. All six of the subareas experienced dramatic growth during that time period except for Shoreline Village, which experienced a comparatively modest, although still strong, increase of 30 percent (Figure 25). In 2007 North Pine surpassed Pine Avenue as the leading contributor of sales tax revenue. This was due largely to the opening of the CityPlace development; after the introduction of CityPlace in 2002, the North Pine subarea in experienced a 76 percent increase in sales tax generation by 2003. The development of the Pike shopping center has also led to dramatic growth in that subarea, primarily from Food Products receipts. Although no major retail developments occurred during this time period in the Pine Avenue or East Village Arts District subareas, these areas also experienced growth. Sales in the Pine Avenue subarea increased by 76 percent and East Village Arts District doubled in sales.

Retail areas that serve existing Downtown residents have performed well. The East Village Arts District, North Pine and Pine Avenue are the subareas most likely to attract residents as opposed to visitors. These areas all experienced strong growth from 1998 to 2007. This suggests that City Place and other retail establishments Downtown are successfully attracting existing and lower-income residents.

Figure 25: Downtown Long Beach Sales Tax Revenue by Subarea, 1998 v. 2007



Source: City of Long Beach; Strategic Economics, 2009

FUTURE POTENTIAL FOR DOWNTOWN RETAIL

This section begins by examining new trends in retail that are emerging as a result of the global economic downturn and reductions in consumer spending. The subsequent section then presents detailed projections on Downtown's future potential to attract retail, what types, and how much.

National Retail Outlook

Over the past years there have been significant changes in how and where America shops, which have affected downtown retailers. The following is a summary of the current trends in downtown retail across the country:

- Department stores continue to be important anchors for downtowns, generating foot traffic to support other downtown retailers. However, department stores are increasingly consolidating, making it challenging to attract and retain these stores in downtowns. Many department stores are now reformatting their retail offerings in order to better compete with big-box and specialty national chains.

- Independent retailers nationwide are suffering, particularly in the current recession. Independent retailers are not generally well-capitalized, and are therefore more vulnerable in difficult economic circumstances. Downtowns with large resident populations that choose to shop locally have the best chance of retaining independent retail in the short term.

- The role of entertainment in driving downtown retail is strong and growing. Many cities are pursuing the potential for entertainment as anchor projects, particularly in the form of arts and cultural facilities, for the downtown.

- In many cases, lifestyle centers in suburban locations have eroded some of the downtown's share of the regional retail spending. This is a reflection of the fact that many metropolitan areas have become multi-nodal, and the downtown is no longer the only hub of activity. While lifestyle centers seek to recreate the downtown shopping experience, downtown already has the features that these places seek to recreate. Downtown's sense of place and character offers the leisure-time shopper an authentic alternative to the mall and new lifestyle centers. Downtown retail can benefit from this change in consumer preferences by reinforcing downtown's attributes through promotion and branding. In the short term, the national credit crunch will hamper the development of new lifestyle centers and malls. In the longer term, it seems that the national trend towards more compact, urban living, with less dependence on the auto, will continue. This bodes well for Downtowns like Long Beach that have excellent transit and bike access, a good pedestrian scale, and high resident and employee populations.

- Downtowns with high population density and income diversity provide a compelling reason for big-box stores to consider urban formats and in-fill locations. Some cities have explored ways to bring big-boxes into their Downtowns without disrupting the existing business base or the urban character.

- In some cities, universities are becoming active in helping their host cities enhance the urban experience by transforming underutilized properties and boosting local business with a stronger downtown presence.

The changing role of the department store, the struggle of independent retailers, entry of big-box retailers into downtown areas, and the proliferation of lifestyle centers require developers, retailers, and policy makers to develop new strategies to ensure that downtown retail stays competitive. Additionally, the current economic slowdown poses new challenges to downtown retailers. A discussion of the current short-term retail outlook is presented below.

Short-Term Retail Outlook

The current recession has had a profound impact on the nation's retailers, as consumer spending has dropped precipitously. Recent statistics indicate that same-store sales for October and November 2008 were very weak for all sectors, with almost every retailer reporting a decline from the previous year. Same-store sales for luxury retailer Neiman Marcus fell by 20.9 percent from January to February. Even discount retailers like Costco, Target, and Kohl's performed poorly. These figures are particularly troubling given that the month of November includes "Black Friday," the day after Thanksgiving when many retailers make their first profits of the year.

In addition, the credit crunch has hurt many small and large retailers and mall owners. At the end of 2008, Federated Department Stores (owner of Macy's and May Department Stores) implemented cost cutting measures in face of a debt of $17 billion. Many stores are expected to close, and it is unlikely to open any new stores in the near future. Circuit City, Mervyn's, and Linens N Things are in liquidation and closing stores. In April of 2009, the nation's second-largest mall owner, General Growth Properties, filed for bankruptcy after months of trying to refinance more than $25 billion in debt. The reorganization of the company will most likely result in the sale of some of its properties. General Growth Properties has already cut its workforce by 20 percent and stopped all new development.

The sectors that are most vulnerable include specialty retailers, luxury stores, and apparel stores. In addition, it is unlikely that there will be much new retail construction in the next 18 months to two years.

While the short term outlook is negative, this study is intended to identify the long term potential for retail in Downtown Long Beach, from 2009 to 2035. In the long term, there are several factors that indicate a healthy future for retailers in Downtown, including:

- Diverse and strong local economy – the sources of employment in Downtown include a variety of industry sectors including manufacturing, retail trade, health and education, and government.
- The density of households in Downtown will help to support future retail development.
- Long Beach is viewed as an attractive visitor destination. A designation due in large part to the presence of the Convention Center.
- The City's potential to capitalize on its presence near the Blue Line, and other green and sustainable initiatives, give it a significant advantage over other cities as energy costs are forecast to continue to increase in the long term, and urban, compact lifestyles will be more popular.

Projected Demand for Downtown Retail

A buying power analysis was performed to determine the impact of new potential demand for retail from projected new residents, office workers, and visitors. Buying power estimates from new growth in the rest of the City of Long Beach were also added to these figures to determine the net new increment of supportable square feet possible in Downtown Long Beach under short- and long-term scenarios.

<u>Previous Studies</u>

Strategic Economics conducted a leakage analysis for the *entire* City of Long Beach as part of a previous study. This analysis found that based on current residents' consumer expenditures, there is some potential for the City to support additional retail in the following categories: General Merchandise Stores, Building Materials and Garden Centers, Clothing and Clothing Accessories stores, and Furniture and Home Furnishings stores. The analysis that follows estimates the incremental increase in demand that is likely to come from several new user groups in the Downtown. In evaluating the results of that analysis, it is helpful to have a general understanding of the areas where the City as a whole is currently leaking sales tax dollars. If greater Long Beach shoppers can be lured Downtown to make purchases in these categories, instead of shopping at other retail locations outside the City, then additional potential may exist for new establishments in these categories.

<u>Methodology</u>

SE defined new Downtown residents, workers, and visitors as the primary market. A secondary market of greater Long Beach was defined based on existing retail spending patterns. SE prepared detailed projections of supportable retail space based on demand from projected new residents of Downtown Long Beach, projected new office workers, projected new overnight visitors that result from new hotel construction, and projected new residents of greater Long Beach by 2035.

Conservative and optimistic demand projections were estimated based on low and high population and employment projections presented in previous sections of this report. For new residents of greater Long Beach, the conservative and optimistic scenarios reflect different capture rates of retail spending: conservative estimates assume a continuation of current capture rates and the optimistic scenario assumes that Downtown Long Beach will capture an increased share of spending from greater Long Beach residents as a result of enhanced marketing and recruitment strategies.

Retail Demand Projections

SE's demand projections for each category of retail establishment are presented in Table 20, and discussed below. The analysis excludes automobile dealerships, auto supply outlets and service stations because auto-related uses were assumed to be undesirable uses for Downtown Long Beach.

By 2035, projected new users are likely to support between 140,000 and 246,000 square feet of new retail in Downtown Long Beach. The largest share of this new retail is mostly likely to come in the form of neighborhood-serving uses, like grocery stores and pharmacies. Restaurants and Dining also comprise a significant portion of this demand. Downtown is also well-positioned to capture a significant amount of specialty retail and home furnishings stores. However, Downtown is not likely to attract additional large-format retailers.

Table 20: Projected Supportable Retail in Downtown Long Beach Based on Demand from New Downtown Residents, New Greater Long Beach Residents, New Office Workers, and New Overnight Visitors to Downtown

	Net New Square Feet Projected by Retail Category					
	CONSERVATIVE			OPTIMISTIC		
Retail Category	***2009-2015***	***2016-2035***	***Total***	***2009-2015***	***2016-2035***	***Total***
Restaurants and Dining	18,400	22,200	40,700	28,000	42,800	70,700
Neighborhood-Serving	29,800	21,600	51,400	40,100	44,600	84,800
Specialty Retail	5,700	13,300	18,900	8,400	20,100	28,500
Home Furnishings	9,900	9,500	19,400	18,800	24,500	43,400
Other Large-Format Retail	5,400	4,300	9,700	8,100	10,719	19,000
Total	***69,200***	***70,900***	***140,100***	***103,400***	***142,719***	***246,400***

There is strong future potential to attract additional Restaurants and Dining establishments to Downtown. The retail demand projections suggest that there is long-term potential for several new restaurants in Downtown Long Beach. This could include a mixture of larger national chain restaurants, as well as smaller, independent, bistro-style restaurants. Although restaurants will be supported to a large degree, by Downtown residents, they can be considered destination retail for Downtown since they are likely to attract visitors and other customers from outside of Downtown.

Future potential is strong for several new neighborhood-serving retail establishments, like a grocery store and pharmacy. The existing food stores in Downtown Long Beach are traditional supermarkets (such as Albertsons) and discount grocery stores (such as Top Value Grocery). Additional groceries are offered at large general merchandise stores, such as Wal-Mart. SE's analysis shows that if Downtown is able to capture a large share of potential new residential growth discussed in Section IV, that additional buying power is likely to generate enough demand to support a grocery store that targets higher income households in Downtown Long Beach. In addition to a new grocery store, there is likely to be enough demand for an additional smaller convenience retailer, like Fresh and Easy or Trader Joe's. Food stores traditionally do not require support from outside the local area so growth in Downtown will be the primary driver of demand for a new grocery store. However, Downtown's built in day-time population of office workers and tourists should provide extra justification to a grocery store considering a location in Downtown, especially one that offers a variety of prepared food options that are attractive lunch-time options.

The retail demand projections also suggest that there is likely to be demand for a new drug store Downtown. This number reflects fairly high capture rates that assume that most Downtown residents will not travel great distances for standard health and personal care items and that office workers will patronize health and personal care stores located in close proximity to their offices.

Demand from future users will likely support several new specialty-retailers Downtown that could form a regional-serving core of niche retail in Downtown. For the purpose of this analysis, Clothing and Clothing Accessories Stores, Sporting Goods, Hobby, Book, and Music Stores, and Miscellaneous Store Retailers have been grouped into one category: Specialty Retail. Demand for specialty stores is likely to be high enough that together, several stores of this type could be attracted to Downtown, forming the core of a niche retail destination in Downtown.

The retail demand projections suggest that over the next several years there will be demand for several small or a couple larger clothing or accessories stores. Specialty apparel retailers could be successful at the site as part of a co-tenanting strategy that includes other (clothing and non-clothing) stores that appeal to a similar demographic. If Downtown can capitalize on citywide leakage in this category, potential for attracting clothing stores Downtown could increase even more. However, for residents of greater Long Beach to support new stores in Downtown, these stores must address a niche or provide a shopping experience that is not present elsewhere in Long Beach.

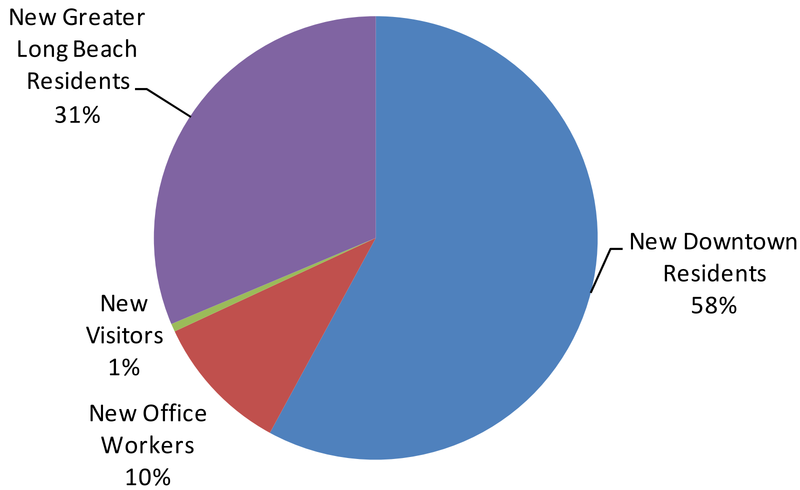
For Sporting Goods, Hobby, Book, Music Stores, or Miscellaneous Stores, the retail demand projections suggest that there is unlikely to be demand to support another large national tenant in Downtown. Nevertheless, in the long-term there is an opportunity for smaller, local boutique retailers to meet the new demand generated by new residents and capitalize on opportunities for synergies with other specialty retailers.

There is potential for Downtown to attract several Home Furnishing stores. These stores should be coordinated with other destination retail to capitalize on opportunities for synergies. There is significant potential demand for home furnishings and appliance stores under a scenario where creating a furniture and home center niche Downtown becomes a strategic objective for the City of Long Beach. Demand projections suggest that there is strong potential for Downtown to capture a significant amount of spending from greater Long Beach residents. These findings are underscored by the findings from the prior, city-wide leakage, which found potential in the City of Long Beach to support additional Home Furnishings and Appliances stores. However, capturing any additional increment of demand over and above current numbers, will require that Downtown provide retail offerings that are not available elsewhere in the general vicinity or that Downtown is viewed as offering a unique and desirable shopping experience. Under these scenarios, it is possible that Downtown could attract an upscale, national home furnishings store such as Williams Sonoma, West Elm, Pier 1, or Pottery Barn if an effort were made to also accommodate the co-tenants necessary to support these stores. In addition to larger national-retailers, smaller, independent home furnishings stores, like design stores or other specialized stores, have strong potential for generating synergies with specialty retailers that would further help distinguish Downtown Long Beach as a unique and desirable retail destination.

There is very little future potential for new large format retailers to locate in Downtown. This estimate assumes relatively low capture rates for spending in these categories given that most electronics and appliance stores, general merchandise stores, and building material and garden equipment stores prefer to locate in regional malls or power centers where shoppers have the opportunity to comparison shop and strong co-tenanting options exist. While the share of demand for these goods is not large enough to support an entire new store, some of the unmet demand for general merchandise goods could be met by grocery stores or pharmacies in Downtown.

New residents in Downtown will be the primary source of support for new Downtown retail. Potential new Downtown residents will support 58 percent of the new supportable square footage. New residents of greater Long Beach will be the next most important user group to attract to Downtown, supporting 31 percent of the total square footage with their buying power.

Figure 26: Share of New Supportable Square Feet from Each New Downtown User Segment



RETAIL MARKET CONCLUSIONS

General Market Conclusions

As a result of the downturn, new housing occupancy has not yet caught up with the presence of new retail development. Several of the new housing developments built in Downtown Long Beach have come online at the same time as the credit crunch and economic downturn in 2008. In addition, projects that opened several years earlier have been absorbed at a slow and steady pace. Concurrently, completion of the retail developments Pike and City Place in 2002 and 2003, put 800,000 square feet of retail space onto the market. Due to the rapid influx of retail space, plus the slower arrival of new residents, existing retail corridors and areas like Pine Avenue and the East Village Arts District have not yet seen the impact that the additional buying power of new residents will have on the retail in those areas. New residents of housing units built since 2000 account for an estimated 13 percent of the total population.

Downtown Long Beach is well positioned to attract national and local retailers in the future. After several years of rapid growth, the current downturn has caused sales to slow and vacancies to rise. Nevertheless, Downtown's sense of place and historic character offers the shopper an authentic alternative to the mall and new lifestyle centers. In the short term, the national credit crunch will hamper the development of new lifestyle centers and malls. In the longer term, it seems that the national trend towards more compact, urban living, with less dependence on the auto, will continue. Downtown retail can benefit from this change in consumer preferences and is well positioned to capture more growth in the future with its pedestrian scale, bike and transit access, and large residential and employee populations.

Brokers and business owners report a widely-held negative perception of the nightlife in Downtown. Night-time entertainment continues to do well and expand in Downtown, but there are compatibility issues with retailers who are concerned about its negative impacts. Other retailers are concerned about the safety of their employees after dark.

National credit tenants are interested in Downtown, but they will probably not open stores in Downtown until credit markets improve.

Sales Performance Conclusions

Downtown retail has done a good job of serving existing residents. As discussed in Section III, most long-time residents of Downtown are lower-income. As a result, there are many independent and chain retailers that serve this demographic. North Pine, in particular, has positioned itself to serve the target market of lower income households residing in Downtown and the trade area to the north. Higher-income residents, having only recently moved to Downtown Long Beach, currently only make up an estimated 13 percent of the total population of Downtown. These demographics are reflected in Downtown’s retail landscape.

The pace of sales growth in both Downtown and the City as a whole is likely to slow with the downturn in the economy. This level of growth is likely to be unsustainable given the current recession and reductions in consumer spending. Nevertheless, Downtown's sense of place and character offers the leisure-time shopper an authentic alternative to the mall and new lifestyle centers. Downtown retail can benefit from this change in consumer preferences and is well positioned to capture more growth in the future with its pedestrian scale, bike and transit access, and large residential and employee populations.

The strong performing retail nodes of the East Village, North Pine, and Pine Avenue subareas should be protected and strengthened. The strong sales performance in these three subareas offers the opportunity for future retail recruitment efforts to build upon existing strengths.

Future Demand Conclusions

Under high-growth scenarios, Downtown is likely to capture up to 246,000 square feet of residential space by 2035. This new increment of demand could have a significant impact on Downtown's retail character, especially if it is strategically managed through careful tenanting strategies and other approaches discussed in the following section.

New residential growth in Downtown is the primary source of support for attracting new retail to Downtown. Success in attracting new retail to Downtown will be directly related to successful efforts to attract new residential developments Downtown. Retail recruitment efforts should be cognizant of the fact that retailers that primarily target visitors or other groups to the exclusion of residents are not as likely to be successful.

A significant amount of new retail will be in the form of restaurants. There is potential in both the short- and long-terms to attract new restaurants to Downtown. These new establishments can help to solidify Downtown's position as a regional restaurant destination. Strategies for dealing with the negative impacts of restaurants and nightclubs are discussed in the following section.

In the long-term there is likely to be strong support for a new grocery store and other neighborhood-serving uses, like a pharmacy. If Downtown is able to capture a large share of potential new residential growth, that additional buying power is likely to generate enough demand to support a grocery store that targets higher income households in Downtown Long Beach. There is also likely to be enough demand for an additional smaller convenience retailer, like Fresh and Easy or Trader Joe's.

There is strong, long-term potential for Downtown to cultivate a niche retail district that includes specialty stores, including some home furnishings stores, and benefits from existing and future high-quality restaurant options. The retail demand projections suggest that over the next several years there will be demand for several small or a couple larger clothing or accessories stores, as well as some independently-operated specialty retail stores, focused on books, music, gifts, cards, etc. There is also significant potential demand for home furnishings and appliance stores under a scenario where creating a specialty retail niche that includes home furnishings stores becomes a strategic objective for the City of Long Beach. These destination retail stores should be well-coordinated to capitalize on opportunities for synergies.

Marketing efforts geared at attracting shoppers from greater Long Beach and other areas could have a significant impact on the supportable retail Downtown. The retail demand analysis shows that a strategy to attract additional shoppers from greater Long Beach could result in a net increase of 45,000 square feet. Actual demand could exceed this number if Downtown is able to capture greater shares by fostering a niche shopping district unlike other shopping centers in Long Beach.

New residential growth in Downtown is the primary source of support for attracting new retail to Downtown. The success of attracting new retail to Downtown will be directly related to successful efforts to attract new residential developments Downtown. Retail recruitment efforts should be cognizant of the fact that retailers that primarily target visitors or other groups to the exclusion of residents are not as likely to be successful.

VIII. RETAIL IMPLEMENTATION STRATEGY

Long Beach Redevelopment Agency staff requested that Strategic Economics outline a retail implementation strategy that incorporates findings from all the sections of this report pertaining to attracting and fostering a revitalized retail district Downtown. These strategies reflect the results of the analyses described within the report, input from several Downtown retail and residential brokers, local businesses, and representatives from the Downtown Long Beach Associates who manage the Business Improvement District. The dynamics of retail in Long Beach suggest strategies that are highly scalable and can be varied depending on what resources are available and what major players are involved.

LEAST COSTLY, ONGOING INTERVENTIONS

This section describes implementation strategies that are possible in the near-term and do not require a significant financial investment to execute. Many of these strategies are programmatic (like strengthening the clean and safe programming offered through the pBID), focused on improving coordination efforts between key Downtown stakeholders, or designed to create a strategic framework that guides future decisions about how Downtown grows and develops.

<u>Preservation</u>

Preserve CityPlace. Retail at City Place and elsewhere Downtown is serving many existing Downtown residents well. While it is true that there is a need for new retail options that will serve residents of new developments, attracting new stores should not to come at the expense of the existing stores that are currently serving large groups of people and are generating significant sales tax receipts.

Support and preserve the continued diversity of Downtown residents. Downtown is currently a very diverse place with a mixed-income, mixed-race, and multi-generational population. This is a key asset of Downtown and should be preserved and enhanced. Currently, Downtown functions well for lower-income residents who are served by its retail opportunities, supply of rental housing, and access to transit. While attracting new residents to Downtown will be an important element in attracting new, more upscale retail, it should not be done at the expense of existing residents; there is room in Downtown for a variety of groups to coexist. Long Beach is well-positioned to create a vibrant, diverse district that values equity to all residents, while still offering premium-living options for more affluent ones.

<u>Role of Stakeholders</u>

Most of the time, public investments should fund the infrastructure needs of Downtown residents, employees, and retailers rather than individual projects. In most cases, efforts to improve the livability of Downtown with things like bike paths, improved connections to the waterfront, the creation of greenspaces, and streetscape improvements can have larger spillover impacts than possible through an individual project. Public investment should move toward creating a solid framework that makes it an attractive place to be. Investment in these types of infrastructure improvements will help to recast negative perceptions of Downtown and ultimately serve the dual role of attracting more residents and retailers who recognize the benefits accrued from such upgrades to the public realm.

The City of Long Beach, Redevelopment Agency, and pBID should establish a clearly articulated approach for coordinating the implementation of these retail strategies among the three groups. Each of these groups is critical to facilitating a retail strategy for Downtown. It is important that feedback loops and channels of communication are established between each entity and the roles and responsibilities for each group are well identified. For example, the retail consultant hired by the Redevelopment Agency has important knowledge and relationships with prospective tenants and the BID has strong relationships with property owners. There is a great deal of potential for coordination between these two entities. One the one hand, using information from the retail consultant, the BID could work with property owners to help manage their expectations for what types of rents and tenants they can reasonably expect to achieve. On the other hand, the retail consultant could collaborate with the BID on strategizing about how to address concerns that prospective tenants have about the area, especially as they relate to maintenance and security issues.

Retail Strategy

Identify the corner of Pine and Broadway as the 100% retail corner and target retail efforts on the blocks immediately adjacent to this corner and in other strong performing nodes, like CityPlace and the East Village Arts District. The 100% corner designation signifies the intersection that is the heart of downtown's retail district. Retail uses should be heavily concentrated around this corner and radiate from it along adjacent streets. Another way to refer to the 100% corner is as Main and Main, or the location of the main retail hub in downtown. Defining areas for targeted intervention efforts will help to focus retail in strategic locations Downtown, rather than spreading it haphazardly. In order for retail to "take off" Downtown, a critical mass of quality retailers needs to exist in one fairly small district.

The intersection at Pine and Broadway offers strong potential as the 100% corner for Downtown. The intersection has high quality, historic building stock and has maintained high occupancy rates over the years as other intersections to the north have struggled with vacancies. It should be noted, however, that findings from the retail analysis suggest that it is the new Downtown residents who will support the bulk of new retail Downtown, so retail programmed for this corner should make an effort to expand its orientation to include new residents, and not focus solely on office workers and tourists. The performance analysis described in Section VII of this report, also found that CityPlace and the East Village Arts Districts are existing high-performing retail nodes. Much like at the 100% corner, efforts should be made to continue to support these districts with the strategies outlined in this section.

Both national and local retailers are important pieces of a Downtown strategy. Demand projections indicate that there is enough demand to support national retailers in many categories, like Food stores, Restaurants, Clothing and Accessories stores, and Home Furnishings stores. While these new retailers may serve as anchors to Downtown retail, there is also significant potential for attracting high-quality local and specialty retailers whose presence will augment that of the national retailers and help define Downtown as a niche shopping district.

Adopting a tenanting strategy for the 100% corner and other key nodes will help ensure that key spaces are leased to retailers whose presence aligns with the strategic direction envisioned for Downtown. Having an understanding of what types of tenants are desired will help brokers and landlords match tenants with storefront space. Landlords and property owners should be included in this strategy so that they have a chance to understand and contribute to the broader vision for downtown. In the long-run, this will help smooth the negotiation process during the leasing phase. Having a tenanting strategy could help ensure that large spaces that are needed for national retailers are not inadvertently leased, leaving national tenants without suitable space options Downtown. It will also help Downtown respond to co-tenanting requests from national anchor tenants because adequate spaces will be preserved for these tenants.

National tenants are likely to want to come to Downtown in a co-tenanting situation with another complementary retailers. To make this feasible, storefronts of the right general specifications need to be available for these tenants. A tenanting strategy and vacancy fund could help ensure that it's possible to attract tenants who will not come to Downtown unless they are joined by a suitable co-tenant. When the credit markets free up, it is likely that several tenants will express interest in simultaneously locating on Pine Avenue.

Restaurants and Dining establishments should continue to have a strong presence Downtown but steps must be taken to address their negative externalities. Bars and restaurants are currently the highest performing segment of retail in the Downtown. During the day, they positively contribute to the Downtown by serving as lunch spots for the daytime population. And during the night and evening, they attract a significant amount of traffic to Downtown. Retail projections show that there is likely to be strong demand for bars and restaurants. New establishments can build off the existing base of restaurants and help distinguish Downtown as a regional restaurant destination. In addition, Restaurants and bars have been among the only retail establishments to continue to grow during the current economic recession, suggesting that they are likely to be among the first wave of new retailers in Downtown and could help create momentum for other retailers to follow. While Restaurants and Bars offer significant potential to populate Downtown store fronts and continue to establish Downtown's retail identity, they do generate negative externalities that must be addressed so they do not detract from Downtown's attractiveness as a location for other retailers. Strategies for addressing these issues are discussed in the "Programming" subsection below.

<u>Programming</u>

Strengthen the "Clean and Safe" provisions conferred by the Downtown Long Beach pBID.
Retailers and recruiters report that one obstacle to attracting tenants is concern about safety Downtown, especially after dark. People have general concerns about safety after dark and specific concerns about activities that take place when the bars and nightclubs close for the night. The Downtown Long Beach BID is in a position to help address these issues in a comprehensive and effective way. The BID's security programming should be reevaluated to ensure that it is meeting the needs of all retailers and is providing late night and weekend security patrols. The City and Redevelopment Agency should work with the BID to help them chart a course to making this possible. It may be necessary to adjust the level of service provisions to various areas or organize property owners to vote on an increase in the amount of the assessment currently being levied.

Increase marketing and promotion efforts of Downtown's retail opportunities through the pBID. Long Beach is the home to many successful local retailers who want to expand to new locations but are not inclined to consider a potential location Downtown because it is an unfamiliar area. Raising the level of awareness about Downtown and its many strengths could help attract high-quality local retailers who are expanding from other locations in Long Beach or nearby communities.

Downtown's retail options should be marketed widely throughout Long Beach. Just like with local retailers, many Long Beach residents may not know about Downtown's unique retail options. Retail projections show that residents of greater Long Beach can have a dramatic impact on the demand for retail in Downtown if they will come to Downtown to shop. Therefore, a marketing campaign that is successful in capturing increased spending from the greater Long Beach population can have a significant impact in leveraging additional demand for stores in Downtown.

Downtown is a green place and it should be marketed as such. Messaging efforts that target potential residents should highlight Downtown as an eco-friendly, green place. There are many assets to highlight that include: the Downtown bike station, presence of the Blue line, open space in Downtown and at the waterfront. A promotional campaign of this sort will help to attract additional residential populations who are increasingly putting a premium on such attributes and who may not be aware of Downtown Long Beach's many amenities.

The 100% corner should be managed in a uniform way through the coordinated stakeholder group. Downtown Long Beach competes with many other retail destinations that are managed by a single entity. There are many advantages to this management structure including: parking facilities are shared among retailers, properties are maintained at uniform levels, and tenanting decisions are considered with competitiveness of the entire shopping center in mind. By managing the key retail corner of Downtown in a similar way, Downtown will be better equipped to compete for new retailers. To do this, the pBID may want to consider creating a vacancy fund that pays landlords to keep a property vacant until the appropriate tenant can be identified to fill the property. This will make it easier for downtown to respect to co-tenanting request from national retailers. The pBID can also use their role to oversee uniform maintenance levels in this key area.

Role of New Residents

The City and Redevelopment Agency should continue to support new residential development Downtown. The retail projections conducted for this analysis show that spending from Downtown residents will be the primary source of demand for new retail establishments. The potential for future retail, therefore, is by-and-large driven by these new residents; as the Downtown population increases, so too does the potential for attracting more retail to Downtown.

The City and Redevelopment Agency should focus on implementing livability measures that will continue to improve Downtown as a place to live. Understanding that the viability of housing will be a significant driver in attracting retail to Downtown, efforts that make Downtown more attractive for residents will also play a positive role in attracting retailers in the long-run. Greening features, like a bike path networks, improved connections to the beach, street trees, and enhanced pedestrian facilities are all measures that will help make Downtown Long Beach a more attractive place to live.

Role of Office Workers

New office development should be focused within a two or three block radius of the main retail district on Pine Avenue. A survey of office workers conducted by the International Council of Shopping Centers found that 75 percent of workers walk three blocks or less from their office for lunch.[10] Locating office in close proximity to retail will allow retailers to capture a larger share of office worker spending. It will also help attract new office users who recognize the value of locating in a highly amenitized area. The new office projects currently planned for the western end of Downtown near the 710 are not likely to have significant spillover effects in and around Pine Avenue. These projects are more likely to have internalized amenities that serve the office workers but do not help support businesses in other parts of Downtown.

MORE COSTLY INTERVENTIONS

The movie theater at Pine Square needs to be redeveloped as a catalyst project. This development is having a negative impact on the potential for attracting retail to this section of Pine Avenue. Though in most cases, it is preferable for public investment to leverage improvements to downtown infrastructure, the redevelopment of this site may be an example of an individual project that warrants public subsidy. The site should be redeveloped to orient to the street (Pine Avenue and Broadway) and to continue the urban form that is so well-preserved in the historic sections of Pine Avenue. Because of the size of the site, there are many possibilities for how it could be redevelopment. It could be converted into an anchor store for a large national retail tenant.

A Downtown streetcar could serve as an economic development strategy. A streetcar can provide greater connectivity between downtown's many institutions and destinations. As a result, it may be possible for the streetcar to facilitate synergies among the distinct areas of downtown and help create a larger district that is greater than the sum of its parts. This type of synergy could be critical to the City's sustained

[10] International Council of Shopping Centers, "Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study", 2004

economic vitality and allow Long Beach to differentiate itself from its neighbors by creating a unique niche within the regional economy.

MOST COSTLY INTERVENTIONS

The City of Long Beach and Redevelopment Agency should support the continued growth and ultimate expansion of the Convention Center. As this report has shown, the Convention Center is a significant driver of hotel room demand and thus, visitor spending in Downtown. The City and Redevelopment Agency should support efforts designed to continue or improve the Convention Center's competitiveness in attracting visitors to Downtown.

IX. SUMMARY OF FINDINGS

This section summarizes general findings from this report and then reiterates the conclusions about how residential, office, hotel, and retail market trends will affect development in Downtown Long Beach. It also summarizes some of the key findings about retail implementation strategies for Downtown.

CONCLUSIONS

General Conclusions

Past efforts to revitalize Downtown, draw new residents, and attract the attention of national retail tenants have started to pay off, but have been slowed by the economic downturn. The presence of new residents has already had an impact in catching the attention of national retailers. Forever 21 and American Apparel recently expressed serious interest in locating Downtown but plans were stalled due to a lack of credit and the broader economic downturn. Currently there are 291 additional units under construction Downtown and some completed units remaining to be leased or sold. When these units fill and the economy recovers, Downtown's position to attract national retailers will be even better than it was before the downturn.

Downtown is well-positioned to attract several new retailers, including a grocery store, pharmacy, several restaurants and bars, several specialty and boutique retailers, and home furnishings stores. Retail demand projections indicate that Downtown can be expected to absorb between 140,000 and 246,000 new square feet of retail space by 2035. The bulk of this space is likely to be filled by food stores, restaurants, and bars, but there is ample demand projected for Downtown to cultivate a critical mass of specialty retailers and home furnishings stores that distinguish Downtown as a unique shopping destination.

The housing market is the strongest market Downtown. Demand projections of all land uses indicate that residential uses are the most likely of all uses tested to grow quickly enough to have a noticeable impact on Downtown revitalization efforts in the short-term.

Downtown's success in attracting new residents directly impacts its ability to attract new retailers. New residents are projected to do more of their shopping Downtown than other Downtown users. Projections also estimate that there is potential to attract more new residents to Downtown than office workers or visitors. As a result, growth in the residential population is highly correlated with the potential to attract new retailers to Downtown.

After the housing market, the hotel market is the next strongest market, though its long-term strength depends on future plans for the Convention Center. Largely because of the Convention Center's success in attracting a growing numbers of visitors to Long Beach, there is likely to be demand for between 200 and 400 new hotel rooms in Downtown by 2015. Long-term growth of Downtown's hotel industry will be primarily driven by Convention Center activities. If the Convention Center continues to grow at current rates, there is strong potential for the addition of more hotels in Downtown.

Office worker spending can have a significant impact on Downtown buying power if offices are located within 2-3 blocks of retail. Growth in the office market is likely to be fairly slow in the next 25 years. However, when new office uses do come to Downtown, they should be located as close to the retail as possible to fully capitalize on office workers' preferred spending patterns and tendency to only travel between 2-3 blocks on shopping and lunch excursions.

Marketing efforts geared at attracting shoppers from greater Long Beach and other areas could have a significant impact on the supportable retail Downtown. The retail demand analysis shows that a strategy to attract additional shoppers from greater Long Beach could result in a net increase of 45,000 square feet. Actual demand could exceed this number if Downtown is able to capture greater shares by fostering a niche shopping district unlike other shopping centers in Long Beach.

Public investments and interventions executed by public agencies should be focused on improving the quality of Downtown's public realm, rather than on individual projects. In most cases, efforts to improve the livability of Downtown with things like bike paths, improved connections to the waterfront, the creation of greenspaces, and streetscape improvements can have larger spillover impacts than possible through an individual project. Public investment should move toward creating a solid framework that makes Downtown an attractive place to be. Investment in infrastructure improvements of the sort mentioned will help to recast negative perceptions of Downtown and ultimately serve the dual role of attracting more residents and retailers who recognize the benefits accrued from such upgrades to the public realm.

Transit is an under-utilized amenity for office workers, residents, and retailers. Long Beach has an opportunity to capture significant demand in all these categories from people interested in a green location near transit. Currently, this key strength of Downtown is not being actively marketed.

Demographic Conclusions

Downtown is a point of convergence for people from a variety of backgrounds and incomes and who come to Downtown for different purposes. Long time residents of Downtown tend to be lower-income, yet new housing options have brought an infusion of middle- to upper-income residents. The jobs located in Downtown vary across industries and pay scales. On top of that, millions of visitors from across the region and country come to Long Beach for special events like the Grand Prix and hundreds of conventions each year. This demographic diversity is a unique strength for Downtown because it means that Downtown's businesses and public spaces are supported by multiple user groups.

Residents of Downtown's new development projects have higher incomes than existing residents; this has resulted in an increased average household income for Downtown. Ninety percent of new residents make more than $50,000 annually. Factoring in the impact of new residents on Downtown incomes, SE estimates the new *average* annual income for Downtown residents in 2008 to be $47,115.

The number of visitors coming to Long Beach through Convention Center bookings has steadily increased in past years. In 2008, convention attendance was 489,287, up from 440,083 in 2005.

Residential Market Conclusions

Recent construction in Downtown demonstrates that Downtown Long Beach's unique amenities have been recognized by developers and potential residents. Downtown's walkability, waterfront access, historic building stock and central location within the region are four of the strengths that developers and brokers frequently cite as contributing to Downtown's competitive advantage within the region. The area's walkability has direct appeal for the young people and empty nesters who are apt to consider living in Downtown.

Recent construction has been congregated in distinct nodes in Downtown. New residential projects have occurred along Ocean Boulevard, The Promenade, and around CityPlace. Ocean Boulevard is uniquely able to support high-rise construction because it has ocean and beach views. Developments on Ocean Boulevard have sold for $450 to $550 per square foot and upwards of $900 per square foot for the penthouse unit. Projects in the Promenade and around CityPlace are more typical five-story developments over ground floor retail. The Promenade has higher selling prices and rental rates than developments near CityPlace. Condos at the Promenade have sold for around $300 to $400 per square foot whereas condos around CityPlace have sold for around $200 to $300 dollars per square foot.

Demand exists to support the construction of new multi-family housing units in Downtown Long Beach once the credit markets improve. By 2035 the long range demand for additional housing in Downtown will range from 4,400 to 8,800 new households.

Office Market Conclusions

Employment projections suggest that Downtown can support an addition of 570,000 to 760,000 square feet of office space by 2035.

The bulk of planned office development is slated to be 4-6 blocks west of Pine Avenue, closer to the 710 freeway than Downtown's core retail district. A survey of office workers conducted by the International Council of Shopping Centers found that 75 percent of workers walk three blocks or less from their office for lunch.[11] Locating office uses in close proximity to retail will allow retailers to capture a larger share of office worker spending. It will also help attract new office users who recognize the value of locating in a highly amenitized area. The new office projects currently planned for the western end of Downtown near the 710 are not likely to have significant spillover effects in and around Pine Avenue. These projects are more likely to have internalized amenities that serve the office workers but do not help support businesses in other parts of Downtown.

Encouraging a vibrant retail district can help recruit office tenants to Downtown. Research shows that creative class industries prefer to locate in diverse and vibrant places with lifestyle amenities and active recreation opportunities in close proximity.

Hotel Market Conclusions

The majority of hotels in Downtown Long Beach serve convention visitors and most of the hotel room inventory is at upscale hotels. Convention visitors comprised an estimated 60 percent of all hotel guests in Downtown Long Beach. Leisure travelers account for an estimated 30 percent of hotel guests. Mid-level and upscale hotels account for 93 percent of Downtown's hotel inventory.

The viability of Downtown Long Beach's hotel market is directly linked with the Convention Center. The connection between the success of the Convention Center and Downtown's hotels is evident by the high volume of conventioneers who stay in Downtown hotels and anecdotal reports from hoteliers who say their occupancy rates reflect activity at the Convention Center.

In the short-term, demand exists for several new hotels in Downtown Long Beach. In the long-term, plans for the Convention Center will have a significant impact on the potential for new hotel construction. Demand in the short-term (2009-2015) is estimated to be between 200 and 400 rooms. Currently, 316 rooms are under construction in the Avia and Renaissance hotels. Unless there are significant increases in bookings at the Convention Center, it is unlikely that there will be additional demand for hotels in the short-term. In order to project long-term demand, it is essential to understand the long-term plans for the Convention Center. This analysis did not consider future planning efforts at the

[11] International Council of Shopping Centers, "Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study", 2004

Convention Center. Hotels currently being planned for Downtown are likely to absorb most of the short-term demand.

Retail Market Conclusions

Downtown retail has done a good job of serving existing residents. As discussed in Section III, most long-time residents of Downtown are lower-income. As a result, there are many independent and chain retailers Downtown that serve this demographic. North Pine, in particular, has positioned itself to serve the target market of lower income households residing in Downtown and the trade area to the north. Higher-income residents, having only recently moved to Downtown Long Beach, currently only make up an estimated 13 percent of Downtown's total population. These demographics are reflected in Downtown's retail landscape.

Downtown Long Beach is well-positioned to attract national and local retailers in the future. After several years of rapid growth, the current downturn has caused sales to slow and vacancies to rise. Nevertheless, Downtown's sense of place and historic character offers the shopper an authentic alternative to the mall and new lifestyle centers. In the short term, the national credit crunch will hamper the development of new lifestyle centers and malls. In the longer term, it seems that the national trend towards more compact, urban living, with less dependence on the auto, will continue. Downtown retail can benefit from this change in consumer preferences and is well positioned to capture more growth in the future with its pedestrian scale, bike and transit access, and large residential and employee populations.

Under high-growth scenarios, Downtown is likely to capture up to 246,000 square feet of residential space by 2035. This new increment of demand could have a significant impact on Downtown's retail character, especially if it is strategically managed through careful tenanting strategies and other approaches discussed in the following section.

New residential growth in Downtown is the primary source of support for attracting new retail to Downtown. The success of attracting new retail to Downtown will be directly related to successful efforts to attract new residential developments Downtown. Retail recruitment efforts should be cognizant of the fact that retailers that primarily target visitors or other groups to the exclusion of residents are not as likely to be successful.

A significant amount of new retail will be in the form of restaurants. There is potential in both the short- and long-terms to attract new restaurants to Downtown. These new establishments can help to solidify Downtown's position as a regional restaurant destination.

In the long-term there is likely to be strong support for a new grocery store and other neighborhood-serving uses, like a pharmacy. Additional buying power is likely to generate enough demand to support a grocery store that targets higher income households in Downtown Long Beach. In addition to a new grocery store, there is likely to be enough demand for an additional smaller convenience retailer, like Fresh and Easy or Trader Joe's, and a pharmacy.

There is strong long-term potential for Downtown to cultivate a niche retail district that includes specialty stores, some home furnishings stores, and benefits from high-quality restaurant options.
The retail demand projections suggest that over the next several years there will be demand for several small or a couple larger clothing or accessories stores, as well as some independently-operated specialty retail stores, focused on books, music, gifts, cards, etc. There is also significant potential demand for home furnishings and appliance stores under a scenario where creating a specialty retail niche that includes home furnishings stores becomes a strategic objective for the City of Long Beach. These destination retail stores should be well-coordinated to capitalize on opportunities for synergies.

Marketing efforts geared at attracting shoppers from greater Long Beach and other areas could have a significant impact on the supportable retail Downtown. The retail demand analysis shows that a strategy to attract additional shoppers from greater Long Beach could result in a net increase of 45,000 square feet. Actual demand could exceed this number if Downtown is able to capture greater shares by fostering a niche shopping district unlike other shopping centers in Long Beach.

Retail Implementation Strategy Conclusions

Support and preserve the diversity of incomes of Downtown residents and preserve CityPlace. Downtown retail currently does a good job of serving existing residents. Downtown can continue to evolve and attract new retail that is better suited to the new residents without turning its back on the existing community. In fact, the economic and demographic diversity of Downtown Long Beach should be viewed as a strength.

The City of Long Beach, Redevelopment Agency, and pBID should establish a clearly articulated approach for coordinating the implementation of these retail strategies among the three groups. Each of these groups is critical to facilitating a retail strategy for Downtown. It is important that feedback loops and channels of communication are established between each entity and the roles and responsibilities for each group are well identified.

The pBID should expand and strengthen the Clean and Safe programming Downtown as well as marketing efforts aimed at attracting both shoppers and new retailers to Downtown. New and enhanced programming efforts can help to address the negative impacts of restaurants and bars Downtown, while helping to attract new retailers and shoppers to the area.

The City and Redevelopment Agency should continue to support new residential development Downtown and focus on implementing livability measures that will continue to improve Downtown as a place to live. The retail projections conducted for this analysis show that spending from Downtown residents will be the primary source of demand for new retail establishments. The potential for future retail, therefore, is by-and-large driven by these new residents; as the Downtown population increases, so too does the potential for attracting more retail to Downtown. Greening features, like a bike path network, improved connections to the beach, street trees, and enhanced pedestrian facilities are all measures that will help make Downtown Long Beach a more attractive place to live.

Focus new office development within a two or three block radius of the main retail district on Pine Avenue. A survey of office workers conducted by the International Council of Shopping Centers found that 75 percent of workers walk three blocks or less from their office for lunch.[12] Locating office in close proximity to retail will allow retailers to capture a larger share of office worker spending. It will also help attract new office users who recognize the value of locating in a highly amenitized area. The new office projects currently planned for the western end of Downtown near the 710 are not likely to have significant spillover effects in and around Pine Avenue. These projects are more likely to have internalized amenities that serve the office workers but do not help support businesses in other parts of Downtown.

Leveraging Downtown's location at the end of the Blue Line could help attract more residential and office growth in Downtown. The Blue Line is an undervalued asset Downtown. Currently, it is not being highlighted as an amenity or a selling point for Downtown residents, retailers, or office users. Trends

[12] International Council of Shopping Centers, "Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study", 2004

support the notion that higher numbers of people are putting a premium on locations that are walkable and close to transit. Downtown has a significant opportunity to capitalize on both of these features.

APPENDICES

to

DOWNTOWN LONG BEACH MARKET STUDY
DRAFT REPORT

APPENDIX A: DEMOGRAPHIC TABLES

Table A-1: Population and Household Trends for Downtown Long Beach, the City of Long Beach and Los Angeles County: 1990, 2000, 2008

	Downtown Long Beach			City of Long Beach			Los Angeles County		
	1990	2000	2008 (est.)	1990	2000	2008 (est.)	1990	2000	2008 (est.)
Population									
Total Population	23,855	27,191	29,366	429,433	461,522	482,725	8,863,128	9,519,338	10,224,764
Households	10,344	11,554	12,178	158,975	163,088	167,366	2,989,542	3,133,774	3,321,181
Families	4,304	5,032	5,336	93,913	99,663	102,346	2,013,917	2,136,977	2,264,258
% Families	42%	44%	44%	59%	61%	61%	67%	68%	68%
Avg. Household Size	2.31	2.35	2.41	2.70	2.83	2.88	2.96	2.98	3.03
Median Household Income (a)	$27,132	$28,278	$27,615	$54,614	$48,493	$45,127	$34,965	$42,189	$52,180
Median Age		30.5	32.7		30.8	33.0		32.0	34.3
Housing Units									
Total Housing Units	11,906	12,739	13,011	170,388	171,632	173,319	3,163,343	3,270,909	3,420,397
Occupied Housing Units	10,344	11,554	12,178	158,975	163,088	167,366	2,989,542	3,133,774	3,321,181
% Occupied Housing Units	87%	91%	94%	93%	95%	97%	95%	96%	97%
Owner-Occupied Units	18%	19%	19%	41%	41%	40%	48%	48%	47%
Renter-Occupied Units	82%	81%	81%	59%	59%	60%	52%	52%	53%

Sources: 1990 U.S. Census; 2000 U.S. Census; Claritas, 2008; Strategic Economics, 2008.
(a) Incomes shown in 2008 U.S. Dollars

Table A-2: Educational Attainment, Population Age 25+ for Downtown Long Beach and the City of Long Beach, 1990 to 2008

	Downtown Long Beach			City of Long Beach		
	1990	2000	2008 (est.)	1990	2000	2008 (est.)
High school diploma or less	60%	57%	57%	46%	46%	47%
Some college or Associate Degree	26%	26%	25%	31%	30%	30%
Bachelor's Degree or Higher	14%	18%	18%	23%	24%	23%
Total	100%	100%	100%	100%	100%	100%

Sources: 1990 U.S. Census; 2000 U.S. Census; Claritas, 2008; Strategic Economics, 2008.

Table A-3: Where Downtown Residents Work by Zip Code, 2006

Zip	Neighborhood	Count	Share
90802	Downtown Long Beach	923	10%
90806	North of Downtown (from PCH to 405)	266	3%
90813	Directly north of Downtown (to PCH)	248	3%
90810	West LB & Dominguez	178	2%
90807	Bixby Knolls	148	2%
90805	North Long Beach	146	2%
90804	Central Long Beach	142	2%
90803	Belmont Shore	139	1%
90755	Signal Hill	137	1%
90505	Torrance	123	1%
Other Locations		7,253	75%
Total Jobs		9,703	100%

Source: LEHD; Strategic Economics, 2008.

Table A-4: Where Downtown Residents Work by City, 2006

City	Count	Share
Long Beach	2,329	24%
Los Angeles	1,351	14%
Torrance	350	4%
Irvine	218	2%
Huntington Beach	209	2%
Anaheim	203	2%
Santa Ana	199	2%
Carson	196	2%
San Diego	179	2%
Signal Hill	133	1%
All Other Locations	4,336	45%
Total Jobs	9,703	100%

Source: LEHD; Strategic Economics, 2008.

Table A-5: Where City of Long Beach Residents Work by Zip Code, 2006

Zip	Neighborhood	Count	Share
90802	Downtown Long Beach	11541	6%
90806	North of Downtown (from PCH to 405)	6976	4%
90813	Directly north of Downtown (to PCH)	4119	2%
90815	East LongBeach	4022	2%
90807	Bixby Knolls	3415	2%
90810	West LB & Dominguez	3352	2%
90803	Belmont Shore	3299	2%
90755	Signal Hill	3168	2%
90804	Central Long Beach	3056	2%
90805	North Long Beach	3002	2%
Other Locations		146,859	76%
Total Jobs		192,809	100%

Source: LEHD; Strategic Economics, 2008.

Table A-6: Where Long Beach Residents Work by City

City	Count	Share
Long Beach, California	44,067	23%
Los Angeles, California	24,876	13%
Torrance, California	5452	3%
Carson, California	4544	2%
Irvine, California	4508	2%
Anaheim, California	4400	2%
Santa Ana, California	3937	2%
Huntington Beach, California	3878	2%
Lakewood, California	3157	2%
Signal Hill, California	3011	2%
All Other Locations	90,979	47%
Total Jobs	192,809	100%

Source: LEHD; Strategic Economics, 2008.

Table A-7: Commute to Work: Downtown Long Beach, City of Long Beach and Los Angeles County 1990 - 2000

	Downtown Long Beach				City of Long Beach				Los Angeles County			
	1990		2000		1990		2000		1990		2000	
	#	%	#	%	#	%	#	%	#	%	#	%
Drove Alone	4,815	50%	5,414	55%	141,605	70%	133,906	73%	2,884,615	70%	2,714,944	70%
Carpooled	1,673	17%	1,525	16%	26,675	13%	25,227	14%	639,570	16%	582,020	15%
Bus/Streetcar	1,726	18%	1,433	15%	11,933	6%	10,700	6%	264,052	6%	236,608	6%
Rail (subway or elevated)	-	0%	198	2%	15	0%	1,446	%	977	0%	13,860	0%
Walked	827	9%	667	7%	6,185	3%	4,674	3%	133,927	3%	113,004	3%
Biked	158	2%	172	2%	1,959	1%	1,351	1%	25,966	1%	24,015	1%
Worked at Home	243	3%	242	2%	10,779	5%	5,288	3%	112,797	3%	134,643	3%
Other Means	164	2%	133	1%	3,151	2%	1,887	1%	53,344	1%	39,656	1%
Total Workers	9,606	100%	9,784	100%	202,302	100%	184,479	100%	4,115,248	100%	3,858,750	100%
Vehicles per Household	0.78		0.82		1.49		1.43		1.68		1.61	

Sources: 1990 U.S. Census; 2000 U.S. Census; Strategic Economics, 2009.

Table A-8: Where Downtown Workers live by Zip Code, 2006

Zip	Neighborhood	Count	Share
90731	San Pedro	1969	5%
90805	North Long Beach	1350	4%
90802	Downtown Long Beach	1247	3%
90744	Wilmington	1209	3%
90815	East Long Beach, CSULB	1019	3%
90808	East Long Beach, Lakewood	1015	3%
90813	Directly north of Downtown (to PCH)	1013	3%
90804	Central Long Beach	975	3%
90803	Belmont Shore	942	3%
90732	San Pedro	926	2%
Other Locations		26,660	70%
Total Workers		38,325	100%

Source: LEHD; Strategic Economics, 2008.

Table A-9: Where Downtown Workers live by City

City	Count	Share
Long Beach	10,433	27%
Los Angeles	6,769	18%
Lakewood	1340	4%
Carson	1135	3%
Huntington Beach	1022	3%
Torrance	758	2%
Anaheim	513	1%
Rancho Palos Verdes	466	1%
Bellflower	461	1%
Garden Grove	446	1%
All Other Locations	14,982	39%
Total Workers	38,325	100%

Source: LEHD; Strategic Economics, 2008.

Table A-10: Housing Units by Units in Structure, Downtown Long Beach and City of Long Beach: 1990, 2000

	Downtown Long Beach				City of Long Beach			
	1990		2000		1990		2000	
	#	%	#	%	#	%	#	%
Single-Family	821	7%	1,005	8%	76,733	45%	79,107	46%
2 Units	340	3%	326	3%	9,021	5%	7,717	4%
3 to 19 Units	6,052	51%	5,056	40%	59,772	35%	55,737	32%
20 to 49 Units	2,357	20%	2,822	22%	11,368	7%	12,232	7%
50 or More Units	2,033	17%	3,455	27%	9,435	6%	14,337	8%
Other	298	3%	97	1%	4,059	2%	2,529	1%
Total Housing Units	11,901	100%	12,739	100%	170,388	100%	171,632	100%

1990 & 2000 U.S. Census; Strategic Economics, 2009.

APPENDIX B: METHODOLOGY TO DETERMINE ESTIMATED HOUSEHOLD INCOME OF NEW RESIDENTS (LIVING IN RECENTLY CONSTRUCTED DOWNTOWN HOUSING UNITS)

The methodology to determine the estimated household income of new Downtown Long Beach residents is predicated on the assumption that households that purchase or rent new units have the incomes necessary to support the sales prices or lease rates of those units. By calling the sales and leasing offices of new developments, SE gathered detailed information regarding the unit types and their corresponding sales prices/lease rates. Sales information regarding projects that are no longer on the market or projects under construction at the time of writing was gathered by interviewing the developers of those projects. The results of this data collection can be seen in *Table 7: Comparable For-Sale Housing in Downtown Long Beach* and *Table 8: Comparable Rental Housing in Downtown Long Beach*, located in Section IV of the report. Data was gathered for 94 percent of all units built in the Downtown Long Beach since 2002.

Table B-1: Summary of New Residential Units in Downtown Long Beach

Project	Location	Total Units	Open Date
133 Promenade Walk	113 The Promenade North	97	2Q 2008
AQUA	388 E. Long Beach Blvd.	556	4Q 2005
Archstone CityPlace	404 Pine Ave.	221	3Q 2004
Blu	350 Long Beach Blvd.	82	2Q 2008
Broadlind Apartments Re-Use	149 Linden Ave	20	1Q 2004
CityPlace Lofts	Elm & 5th St.	76	4Q 2007
Courtyard Lofts	849 Pine Ave.	16	1Q 2005
Insurance Exchange Building Re-Use	207 E. Broadway	12	3Q 2005
Lennar Pacifica	150 The Promenade North	62	2Q 2008
Lofts on 4th	834 East 4th St	34	2Q 2004
The Lofts at Promenade	210 E. 3rd Street	104	Mar-09
Temple Lofts	835 Locust Ave	82	4Q 2006
The Park at Harbor View	40 Cedar Walk	538	2Q 2003
The Walker Building	115 4th St	46	2Q 2002
West Gateway-Lyon	419 W. Broadway	291	2Q 2010
West Ocean	1 West Ocean	246	1Q 2008
TOTAL UNITS BUILT		**2,192**	
TOTAL UNITS		**2,483**	

Source: City of Long Beach; Strategic Economics, 2009.

For most projects SE was able to collect information on the breakdown of unit-types in the development (how many one-bedroom units, two-bedroom units, etc), but when that information was not available, we assumed the ratios of different unit-types to be similar to other projects in the study area. From conversations with developers, SE determined which projects were often used as comparables during the development process and assumed they utilized a similar ratio of unit-types as these comparables. Further, when SE obtained a sales price range rather than an exact price, we assumed the sales price to be the average price for that range. These methods were used for both for-sale and for-rent units.

Table 11 illustrates how SE determined household incomes of the buyers of for-sale units. The table shows the number of units at each development and their corresponding sales prices. To determine the household incomes of these new residents, SE first adjusted the sales price of the new units into a yearly payment. To do this, SE assumed that buyers paid a 15 percent down payment, and thus the principle of the mortgage is 85 percent of the unit's sales price. To calculate the mortgage payment, we assumed a 6 percent interest rate on a 30 year fixed mortgage. To calculate an estimated yearly household income, we assumed that these households spent 31.1 percent of their income on their mortgage, a figure that comes from the 2005-2007 American Community Survey, and adjusted the yearly payment upward by this factor.

The current occupancy rates were used to determine how many households in 2008 with those incomes were living in Downtown Long Beach. The total unit count was used to determine how many households with those incomes will be living in Downtown Long Beach when the projects are completely absorbed.

Table B-2: Calculating Annual Household Income from Unit Sales Prices

Project	Units	Occu-pancy rate	Currently Occupied	Sales Price	Morrtgage Principle (a)	Yearly Payment (b)	Annual Income (c)
113 Promenade Walk	59	100%	59	$425,000	$361,250	$26,244	$84,387
	2	100%	2	$1,200,000	$960,000	$69,743	$224,254
	36	100%	36	$600,000	$480,000	$34,871	$112,127
AQUA	277	96%	266	$420,000	$336,000	$24,410	$78,489
	245	96%	235	$640,000	$512,000	$37,196	$119,602
	32	96%	31	$845,000	$676,000	$49,111	$157,912
	2	96%	2	$1,900,000	$1,520,000	$110,426	$355,069
CityPlace Lofts	76	32%	24	$360,000	$288,000	$20,923	$67,276
Courtyard Lofts	16	100%	16	$355,000	$284,000	$20,632	$66,342
Pacifica	20	98%	20	$265,000	$212,000	$15,402	$49,523
	16	98%	16	$457,500	$366,000	$26,590	$85,497
	26	98%	26	$650,000	$520,000	$37,777	$121,471
Lofts of 4th	34	100%	34	$457,500	$366,000	$26,590	$85,497
Temple Lofts	82	96%	79	$487,500	$390,000	$28,333	$91,103
West Ocean	183	70%	128	$499,000	$399,200	$29,001	$93,252
	60	70%	42	$750,000	$600,000	$43,589	$140,159
	3	70%	2	$2,750,000	$2,200,000	$159,828	$513,915
Total	1,169		1,017				

(a) Assumption of 15% down payment
(b) Assumption of 6% interest rate, 30 year fixed mortgage
(c)Assumption of 31.1% of income spent on housing, from 2005-2007 American Community Survey
Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

Table 12 illustrates how SE determined household incomes of those households in rental developments. Again, based on data from the 2005-2007 American Community, SE assumed that these households spent 32.9 percent of their income on rent. From that rate we determined the estimated income necessary to support those rents.

Table B-3: Calculation of Annual Income from Monthly Lease Rates

Project	Units	Occu-pancy Rate	Currently Occupied	Monthly Rent	Annual Income (a)
Archstone CityPlace	15	95%	14	$1,200	$43,769
	124	95%	118	$1,350	$49,240
	82	95%	78	$1,745	$63,647
Broadlind Apartments	11	100%	11	$750	$27,356
	7	100%	7	$850	$31,003
	1	100%	1	$1,200	$43,769
	1	100%	1	$1,475	$53,799
Lofts at Promenade	24	0%	0	$1,853	$67,568
	22	0%	0	$2,376	$86,644
	42	0%	0	$2,231	$81,374
	16	0%	0	$3,308	$120,657
The Park at Harbor View	301	93%	280	$1,653	$60,274
	215	93%	200	$2,017	$73,568
	22	93%	20	$2,475	$90,274
West Gateway	144	0%	0	$1,635	$59,646
	20	0%	0	$2,479	$90,434
	115	0%	0	$2,404	$87,666
	12	0%	0	$3,314	$120,886
Blu (b)	82	0%	0	$1,853	$67,588
Total	1,256		730		

(a) Assumption that renters pay 32.9 percent of income on rent, from 2005-2007 American Community Survey

(b) The developer reported that they are considering transitioning to for-lease, so we assumed Blu would be rental and applied the average rent of new rental units in Downtown.

Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

To better understand the distribution of incomes, the annual incomes were then grouped into standard income segments used by the U.S. Census. Table 13 shows a summary of the results of the two previous tables with the incomes grouped into segments. The 2008 figure is based on current occupancy rates detailed in Table 11 and Table 12, above.

Table B-4: Distribution of Estimated Household Income of Households in New Residential Units in Downtown Long Beach

	Owner		Rental		Both Owner and Rental	
	Fully Absorbed	2008	Fully Absorbed	2008	Fully Absorbed	2008
Less than $15,000						
$15,000 - $24,999						
$25,000 - $34,999			18	18	18	18
$35,000 - $49,999	20	20	140	133	160	153
$50,000 - $74,999	92	40	849	559	941	599
$75,000 - $99,999	651	582	221	20	872	602
$100,000 - $149,999	367	339	28	0	395	339
$150,000 - $249,999	34	33			34	33
$250,000 - $499,999	2	2			2	2
$500,000 or more	3	2			3	2
Total Households	1,169	1,017	1,256	730	2,425	1,747

Source: City of Long Beach; Project Representatives; Strategic Economics, 2009.

APPENDIX C: METHODOLOGY FOR POPULATION AND EMPLOYMENT PROJECTIONS

Population Projections

Population projections for Downtown were derived from SCAG employment and population projections for Long Beach.

The low end of the range was generated using SCAG employment projections through 2035 for the City of Long Beach. These job projections were translated into housing units by deflating each job by 1.09, the current jobs-to-housing ratio for Long Beach[13]. Strategic Economics then assumed that for each new job in Long Beach, 30 percent of these new employees would live in Long Beach. Currently, 23 percent of Long Beach residents work in Long Beach[14]. This analysis assumes a continued preference among Long Beach workers for living in Long Beach. The projections then assume that 75 percent of these new Long Beach residents will live in downtown. This number reflects recent development trends that saw 74% of new units since 2002 built in downtown[15].

The high end of the range was generated using SCAG population projections through 2035 for the City of Long Beach. These projections evaluate the potential for growth in downtown Long Beach based on downtown's historic rate of growth and increased interest in living downtown. Downtown Long Beach grew at an average annual rate of 1.8% from 2000-2010. In an effort to be conservative, SE deflated this rate of increase to one percent for the years 2009-2015. This number is deflated to reflect current economic conditions and the fact that some of the high amount of growth from 2000-2010 was a result of housing bubble dynamics. From 2016-2020, this analysis assumes that growth rates will increase to 1.3% annually and return to a rate of 1.8% annually from 2021 to 2035. These growth rates were used to arrive at population projections for downtown for five year periods from 2009-2035. This number was converted to housing units using the current average household size number of 2.4 persons per household.[16]

Employment projections

Employment projections for downtown Long Beach were derived using SCAG employment projections by sector for LA County and economic data on the industrial composition of city jobs using the National Establishments Time Series (NETS) database.

Low-end Projections

The low end projections were estimated using the conservative assumption that the future sectoral composition of Long Beach's jobs will match the current configuration. In this scenario, SE translated SCAG's County employment projections by sector into Long Beach City-wide projections by sector and then into Downtown employment projections. This was done using catchment rates that reflected Long Beach's share of the County's total jobs by sector for 2006. These capture rates were:

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[13] Claritas, 2008.

[14] LEHD, 2006.

[15] Department of Finance, 2008

[16] Claritas, 2008.

Table C-1: Long Beach's Share of LA County Employment by Sector, 2006

Construction	3.1%
Mining & Agriculture	43.0%
Manufacturing	3.6%
Transportation and Utilities	6.4%
Wholesale and Retail Trade	3.5%
FIRE	4.9%
Professional and Business Services	3.9%
Information	1.9%
Health & Education	9.1%
Leisure & Accommodation	4.5%
Other, including public sector	2.5%

Source: NETS, EDD, Strategic Economics, 2009

From this point, Strategic Economics further narrowed the employment projections to forecast the share of jobs captured in downtown. To do this, SE applied a second series of capture rates. These rates reflect downtown's share of the city's total jobs by sector for 2006. These capture rates were:

Table C-2: Downtown's share of Long Beach's Employment by Sector, 2006

Construction	5.6%
Mining & Agriculture	42.2%
Manufacturing	2.5%
Transportation and Utilities	15.7%
Wholesale and Retail Trade	7.4%
FIRE	22.7%
Professional and Business Services	18.6%
Information	36.0%
Health & Education	4.1%
Leisure & Accommodation	20.3%
Other, including public sector	21.8%

Source: NETS, Strategic Economics, 2009

Using the employment projections by sector, Strategic Economics categorized these into office-based jobs. These sectors included: FIRE, Professional and Business Services, Information, and Other, including public sector. Job projections by these figures were translated into supportable square footage numbers by multiplying each job projection by low and high assumptions about employment densities. For low projections, employment densities were estimated 285 square feet per employee. For high projections, employment densities were estimated at 350 square feet per employee.

High-end Projections

The high-end projections were estimated based on the assumption that sectors that have experienced growth in the Long Beach economy will continue to grow at past rates, and those that have experienced declines will continue to decline at past rates. In this scenario, SE translated SCAG's County employment projections by sector into Long Beach City-wide projections by sector. This was done starting with the catchment rates used in the low-end projections but then factoring them up or down depending on the past competitiveness of each sector. These adjustement rates were determined by calculating the annual rate of change in each sector's share of the overall county employment from 2000 to 2006, using NETS employment data. Each sector was adjusted as follows:

Table C-3: Growth Scenario: Long Beach's Projected Share of LA County Employment by Sector

	Low-end Estimate Catchment Rate	Annual Adjustment Factor	High-end Estimate Catchment Rate (for 5 yr. Period)
Construction	3.1%	-3.5%	2.6%
Mining & Agriculture	43.0%	-4.3%	34.4%
Manufacturing	3.6%	1.5%	3.8%
Transportation and Utilities	6.4%	2.0%	7.1%
Wholesale and Retail Trade	3.5%	0.8%	3.7%
FIRE	4.9%	-1.2%	4.6%
Professional and Business Services	3.9%	2.1%	4.4%
Information	1.9%	2.5%	2.1%
Health & Education	9.1%	-1.7%	8.4%
Leisure & Accommodation	4.5%	-1.2%	4.2%
Other, including public sector	2.5%	0.0%	2.5%

From this point, SE followed the same steps as in the low-end projections to determine the number of office jobs projected in Downtown by 2035.

APPENDIX D: METHODOLOGY FOR RETAIL DEMAND ANALYSIS

SE prepared detailed projections of supportable retail space based on demand from projected new residents of downtown Long Beach, projected new office workers, projected new overnight visitors that result from new hotel construction, and projected new residents of greater Long Beach by 2035. Retail demand is a function of the number of people in a given market area and the amount the average person spends at retail outlets. SE calculated potential demand for retail in downtown Long Beach based on spending rates from the groups already mentioned. Estimated retail spending was estimated based on per capita consumer expenditure data from the Bureau of Labor Statistics, office worker spending data from the International Council of Shopping Centers, and visitor spending figures compiled by Dean Runyan and Associates. Per-capita county sales figures were further adjusted to reflect higher spending by residents with higher incomes using information from the Consumer Expenditure Survey published by the Bureau of Labor Statistics. SE estimates that Downtown residents spent an average of $7,418 per person on retail goods in 2008, office workers spend an average of $5,453 per worker on retail goods in 2008, visitors spent an average of $110 per visitor on retail goods in 2008. New residents of greater Long Beach were estimated to spend an average of $9,394 on retail goods in downtown per person per year. A breakdown of spending by type of retail store for each group is presented in Table 17, below.

Table D-1: Estimated Per Capita spending for Each Downtown User Group by Retail Category

	New Downtown Residents	New Office Workers	New Visitors	New Greater Long Beach Residents
Electronics and Appliance Stores	$ 279	$ -	$ -	$ 340
Building Material, Garden Equipment Stores	$ 891	$ -	$ -	$ 1,206
Food and Beverage Stores	$ 1,458	$ 1,116	$ 7	$ 1,716
Health and Personal Care Stores	$ 494	$ 964	$ -	$ 607
Clothing and Clothing Accessories Stores	$ 548	$ 522	$ 9	$ 690
Sporting Goods, Hobby, Book, Music Stores	$ 222	$ 418	$ 11	$ 273
General Merchandise Stores	$ 1,357	$ 67	$ 11	$ 1,667
Miscellaneous Store Retailers	$ 226	$ 538	$ 13	$ 337
Non-Store Retailers	$ 532	$ -	$ -	$ 794
Foodservice and Drinking Places	$ 1,132	$ -	$ 60	$ 1,426
Furniture and Home Furnishings	$ 278	$ 1,828	$ -	$ 338

Source: Bureau of Labor Statistics, International Council of Shopping Centers, Dean Runyan, Strategic Economics, 2009

Strategic Economics estimated supportable square feet under two scenarios: a conservative and an optimistic scenario. For the primary market groups (new downtown residents, new downtown office workers, new overnight visitors to downtown), the optimistic and conservative scenarios reflect the high and low ends of the ranges generated from the employment and population projections described in Sections Four and Five of this report. Estimates for new visitors to downtown were derived using the conservative and optimistic projections for new hotel unit demand described in Section Six of this report. SE assumed that each new hotel unit would accommodate 1.5 new visitors to downtown.

For the secondary market area, new residents in greater long beach (which excludes new residents to downtown Long Beach), the methodology used was somewhat different. The total number of new residents stayed fixed in both the optimistic and conservative scenarios but the capture rates in the conservative scenario reflect the current rates at which downtown retail establishments capture spending from the city as a whole. In the optimistic scenario, these rates increase overtime to reflect the impacts of more aggressive marketing of downtown and the benefits that other placemaking strategies could play in attracting people from outside of the downtown area to shop in downtown. To calculate the population estimate that was the basis for the retail demand estimate, SE subtracted the high and low population estimates for new downtown residents from the total number of residents projected in the City of Long Beach for the time periods analyzed. This yielded two numbers: a high and low projection for residents of greater Long Beach (not including downtown). SE then took the midpoint of this number as the basis for the remainder of the calculations.

Potential retail demand for both high and low scenarios was calculated by multiplying the increment of growth in each group by per capita retail sales, including a conservative two percent adjustment to reflect increases in buying power (average growth in per-capita income). SE then applied capture rates to estimate the portion of sales that might occur downtown. The capture rates are highest for downtown residents who are likely to spend money near where they live and lower for residents of greater Long Beach who are less likely to shop in downtown for all but select goods. Downtown visitor capture rates are fairly high in food and entertainment categories, assuming that visitors will spend most of their food and entertainment dollars in the downtown area. Because the data on office workers specifically details how much office workers spend (and in what retail categories) in the places where they work, the capture rates for office workers are 100% of the spending described in Table 18. Capture rates for each group follow:

Table D-2: Capture Rates for New Downtown Residents

	2008	2009-2015	2015-2025	2025-2035
Motor Vehicle and Parts Dealers-441	5%	5%	5%	5%
Electronics and Appliance Stores-443	10%	15%	15%	15%
Building Material, Garden Equip Stores -444	5%	5%	5%	5%
Food and Beverage Stores-445	45%	55%	55%	55%
Health and Personal Care Stores-446	50%	50%	50%	50%
Gasoline Stations-447	0%	0%	0%	0%
Clothing and Clothing Accessories Stores-448	10%	10%	15%	15%
Sporting Goods, Hobby, Book, Music Stores-451	15%	15%	20%	20%
General Merchandise Stores-452	10%	10%	10%	10%
Miscellaneous Store Retailers-453	15%	15%	20%	20%
Non-Store Retailers-454	0%	0%	0%	0%
Foodservice and Drinking Places-722	25%	35%	45%	45%
Furniture and Home Furnishings Stores-442	10%	15%	15%	20%

Table D-3: Capture Rates for New Visitors

	2009-2015	2016-2025	20206-2035
Food and Beverage Stores-445	60%	60%	60%
Gasoline Stations-447	20%	20%	20%
Clothing and Clothing Accessories Stores-448	70%	70%	70%
Sporting Goods, Hobby, Book, Music Stores-451	90%	90%	90%
General Merchandise Stores-452	45%	45%	45%
Miscellaneous Store Retailers-453	90%	90%	90%
Foodservice and Drinking Places-722	90%	90%	90%

Table D-4: Conservative Capture Rates for New Greater Long Beach Residents

	2008	2009-2015	2015-2025	2025-2035
Motor Vehicle and Parts Dealers-441	0.17%	0.17%	0.17%	0.17%
Electronics and Appliance Stores-443	0.40%	0.40%	0.40%	0.40%
Building Material, Garden Equip Stores -444	0.07%	0.07%	0.07%	0.07%
Food and Beverage Stores-445	1.00%	1.00%	1.00%	1.00%
Health and Personal Care Stores-446	0.40%	0.40%	0.40%	0.40%
Gasoline Stations-447	0.00%	0.00%	0.00%	0.00%
Clothing and Clothing Accessories Stores-448	0.40%	0.40%	0.40%	0.40%
Sporting Goods, Hobby, Book, Music Stores-451	0.40%	0.40%	0.40%	0.40%
General Merchandise Stores-452	0.40%	0.40%	0.40%	0.40%
Miscellaneous Store Retailers-453	0.40%	0.40%	0.40%	0.40%
Non-Store Retailers-454	0.00%	0.00%	0.00%	0.00%
Foodservice and Drinking Places-722	2.10%	2.10%	2.10%	2.10%
Furniture and Home Furnishings Stores-442	0.35%	0.35%	0.35%	0.35%

Table D-5: Optimistic Capture Rates for New Greater Long Beach Residents

	2008	2009-2015	2015-2025	2025-2035
Motor Vehicle and Parts Dealers-441	0.17%	0.17%	0.17%	0.17%
Electronics and Appliance Stores-443	0.40%	0.40%	0.40%	0.40%
Building Material, Garden Equip Stores -444	0.07%	0.07%	0.07%	0.07%
Food and Beverage Stores-445	1.00%	1.10%	1.20%	1.30%
Health and Personal Care Stores-446	0.40%	0.40%	0.40%	0.40%
Gasoline Stations-447	0.00%	0.00%	0.00%	0.00%
Clothing and Clothing Accessories Stores-448	0.40%	0.45%	0.50%	0.55%
Sporting Goods, Hobby, Book, Music Stores-451	0.40%	0.45%	0.50%	0.55%
General Merchandise Stores-452	0.40%	0.45%	0.50%	0.55%
Miscellaneous Store Retailers-453	0.40%	0.45%	0.50%	0.55%
Non-Store Retailers-454	0.00%	0.00%	0.00%	0.00%
Foodservice and Drinking Places-722	2.10%	2.50%	2.60%	2.75%
Furniture and Home Furnishings Stores-442	0.35%	0.40%	0.40%	0.45%

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

Table D-6: Average Sales per Square Foot for Retail Store Types

	Avg. Sales/SF
Motor Vehicle and Parts Dealers-441	$225
Electronics and Appliance Stores-443	$350
Building Material, Garden Equip Stores -444	$400
Food and Beverage Stores-445	$400
Health and Personal Care Stores-446	$450
Gasoline Stations-447	$300
Clothing and Clothing Accessories Stores-448	$400
Sporting Goods, Hobby, Book, Music Stores-451	$200
General Merchandise Stores-452	$400
Miscellaneous Store Retailers-453	$400
Non-Store Retailers-454	n/a
Foodservice and Drinking Places-722	$450
Furniture and Home Furnishings Stores-442	$400

APPENDIX E: METHODOLOGY FOR HOTEL DEMAND ANALYSIS

In order to estimate future demand for hotel rooms in downtown Long Beach, SE assumed that the City's occupancy rate in future years would continue to hover around 70 percent. The conservative and optimistic scenarios reflect two growth scenarios. In the conservative scenario, Strategic Economics assumed that growth in the Long Beach market would stall for the next two years as the national and regional economies recover, in 2011, we estimated the growth rate would increase to 2 percent annually until 2035.

The optimistic scenario is forecasted based on trends from the past five years that showed high increases in number of visitors and increased traffic at the convention center. For the first two years, Strategic Economics again assumed 0 percent growth followed by slow but steady 2 percent increases in 2011 and 2012, increasing to a 5 percent growth rate based on the introduction of new supply for 2013 and 2014 (just under the 6.6% annual growth rate in TOT tax receipts from 2002-2007), and then gradually slowing somewhat to a 4 percent growth rate from 2015 to 2018, and to a 3 percent rate from 2019 to 2035 (see Table 19).