ATTACHMENT 6

The Economics of Land Use

Report

Downtown Pleasanton Existing Conditions Analysis

Prepared for:

City of Pleasanton

Prepared by:

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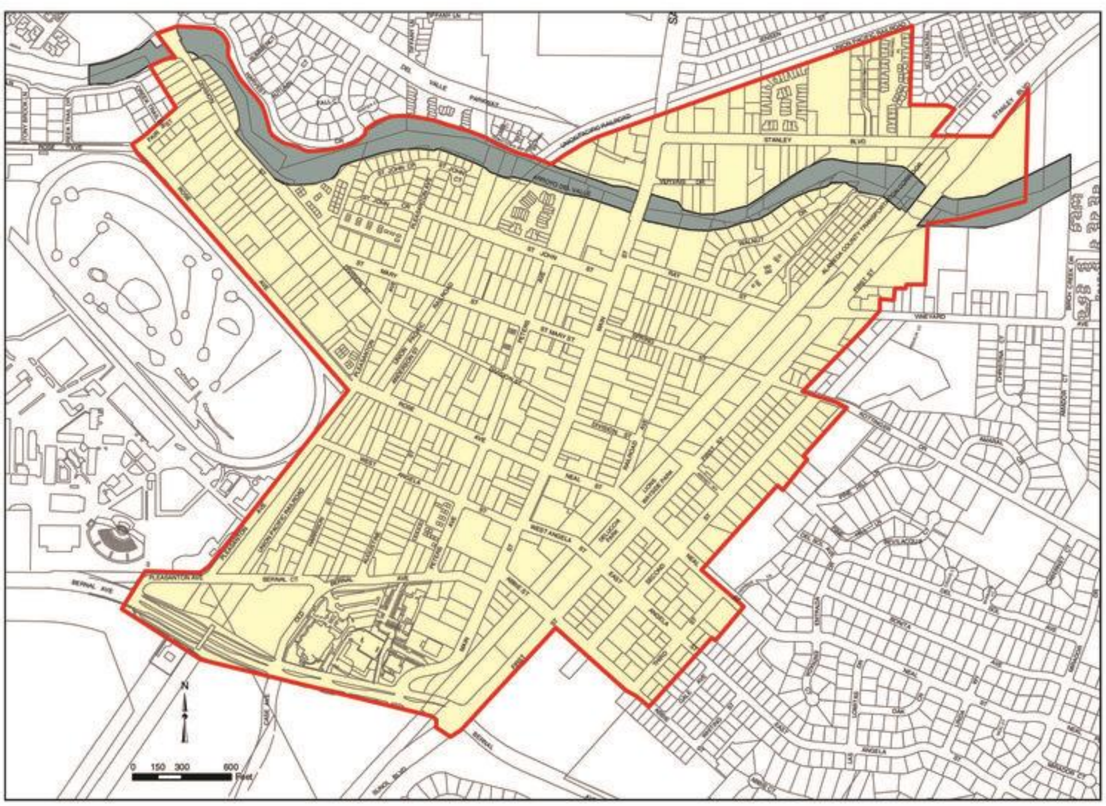
1. INTRODUCTION

This Report evaluates the economic and market conditions affecting various land use categories within Pleasanton's Downtown Specific Plan Area. It has been prepared by Economic & Planning Systems, Inc. (EPS) as part of a multi-disciplinary consultant team led by Dyett & Bhatia and retained by the City of Pleasanton (the City). The findings of this analysis will be used to help inform land use policy and related implementation issues associated with the planning process.

This Report focuses on the market prospects for retail and related commercial development (e.g., movie theater, hotel), office, and residential uses of various mixes and typologies within the Specific Plan area (see **Figure 1**). The analysis builds off of EPS's recently completed market study for the Civic Center Reuse Master Plan that was prepared for the City in June 2016. As part of a subsequent deliverable, EPS will also assess development feasibility and likely economic and fiscal impacts of various Specific Plan land use alternatives.

Throughout the Report the Pleasanton market is compared to those of its neighboring and competitive cities. While the residential component of this report focuses on Pleasanton's housing characteristics and performance in relation to the cities of Dublin and Livermore, the commercial chapters include San Ramon due to the more regional dynamics of commercial real estate markets. For consistency, this report relies on real estate market data from one source, CoStar, which may differ marginally from other real estate market reports.

Figure 1 Map of Pleasanton Downtown Specific Plan Area



Key Findings

1. **A mixed-use development scenario within the Downtown Specific Plan area would meet twin goals of place-making and economic viability.** A modest amount of mixed-use office, residential and retail uses within the Specific Plan Area would likely be economically viable and synergistic assuming they are well-positioned and appropriately developed. Residential uses could be incorporated into the Downtown Specific Plan area through a traditional vertical mixed-use format, consisting of ground floor commercial uses with residential units above. The influx of additional residents and office workers into Pleasanton's Downtown would increase demand for surrounding retail uses.

2. ***From a market perspective residential uses represent the most viable development opportunity in the Downtown Specific Plan area.*** Strong regional housing demand combined with local constraints on growth has created a significant value premium for residential development opportunities in Pleasanton. The City has emerged as one of the premier residential markets in the East Bay, with a historical focus on single-family ownership housing. However, there exists pent up demand for multi-family and entry-level housing, including townhomes, condominiums, and apartments, as evidenced by successful absorption and pricing of similar product types in Dublin as well as under construction projects in Pleasanton (e.g., Essex1, The Galloway, Vintage).[1] Given Pleasanton's strong community attributes and pedestrian-friendly and highly amenitized downtown environment, multi-family residential is likely to command price premiums above citywide average.

3. ***Constrained growth in the downtown retail sector has created some level of unmet demand that could be captured within the Downtown Specific Plan area***. Although the downtown retail sector is relatively small in both scale and sales volume, its market orientation as an eating and drinking destination combined with boutique and "mom & pop" type tenants appears to be relatively successful, as indicated by above average occupancy and lease rates. These uses are generally synergistic and fit well with the smaller scale, pedestrian friendly "main-street" format that currently exists Downtown. Additional retail space, particularly in a mixed-use format, could provide urban design and unique "place-making" benefits for underused parcels. This type of retail is similar to what already exists in downtown and, if developed, could further diversify the existing downtown business cluster.

4. ***It is unlikely that regional-serving retail (e.g. major shopping centers like Stoneridge) or other larger format retail centers would choose to locate within the Downtown Specific Plan Area given its interior location and insufficient scale of existing commercial activity.*** Regional-serving retail, which is already well supplied within the Tri-Valley, seeks greater visibility and accessibility features than what Downtown Pleasanton offers. In addition, parking-intensive uses such as "big box" retail or a multiplex cinema may also be challenging to attract due to existing parking constraints and market

[1] Documentation of these market trends as well as distinction between residential product types are provided in Chapter 3 of the report.

forces. The cost of constructing a parking structure would likely be prohibitive absent outside funding (e.g. from the City or some form of public-private partnership).[2]

5. ***While market trends are not conducive to the development of a conventional, corporate office campus in the Downtown Specific Plan area, smaller scale and /or mixed use office products may be viable and would also likely boost market support for other commercial uses.*** Downtown's relative distance from the interstate corridors and the Pleasanton BART station would contribute to the existing market challenges of attracting conventional office formats to the Downtown Specific Plan Area. In addition, while city-wide office vacancy rates have gradually declined from a high of roughly 20 percent during the Great Recession to between six and eight percent currently, they are still not low enough to warrant large scale speculative development in a more peripheral and un-tested sub-market such as the Downtown. However, a developer could leverage the unique characteristics of Downtown Pleasanton to offer a smaller-scale and mixed-use office product that caters to tenants seeking a more eclectic environment, proximity to retail and restaurants, and linkage to ACE Train.

[2] The City is currently exploring potential parking strategies and has retained Fehr & Peers to conduct a Downtown Parking Strategy and Implementation Plan.
http://www.cityofpleasantonca.gov/civicax/filebank/blobdload.aspx?BlobID=28543

2. *SOCIOECONOMIC OVERVIEW*

This chapter of the report provides a general overview of Pleasanton's economic position and its role in the Tri-Valley region and broader San Francisco Bay Area. Additionally, this chapter evaluates the key demographic and economic factors that may affect new development in the Downtown Specific Plan area.

Citywide Overview

Pleasanton's strategic location at the crossing of two major freeways, I-680 and I-580 and two BART stations has contributed to its emergence as a prosperous community with a diverse economy. In recent decades, the City's population and labor force has grown, indicating its growing role within the Bay Area economy. The City's evolution into a successful regional hub for single-family ownership housing, office, and retail space has also been driven by a variety of positive community attributes such as high-performing schools, low crime rate, strong recreational amenities, and an attractive Downtown.

Pleasanton experienced its most rapid growth during the 1990s, with population increasing by 26 percent and the local labor force increasing by 12 percent between 1990 and 2000 as shown in **Table 1**. Some of this population and employment growth is the result of the City's land use planning efforts in the 1980s with the creation of Hacienda and Bernal Corporate Park, among others, while maintaining an active downtown. Median household incomes have also been increasing steadily, reflective of the City's emergence as a premier regional housing market.

Table 1 Pleasanton Demographic Factors (1990-2015)

Item	Year				2000-2015		1990-2015	
	1990	2000	2010	2015	%Δ	Avg. Annual %Δ	%Δ	Avg. Annual %Δ
Population	50,553	63,654	70,285	74,850	18%	0.4%	48%	1.6%
Population in Labor Force	30,932	34,539	35,906	37,979				
Employed Residents	30,253	33,608	33,571	35,874	7%	0.4%	19%	0.7%
Average Household Size	2.70	2.72	2.77	2.87	5%	0.2%	6%	0.2%
Median Household Income ($2015)	$104,552	$117,071	$114,928	$124,759	7%	0.5%	19%	0.7%

Source: City of Pleasanton, US Census, and Economic & Planning Systems, Inc.

Demographics

Pleasanton's population is older than other Tri-Valley cities. Its median age of 41.3 exceeds Livermore's, Dublin's and San Ramon's which stand at 38.8, 36.6, and 37.6 respectively, as shown in **Table 2**. Pleasanton has the highest share of "active" seniors in the 65 to 79 years age cohort, and a relatively low share of young professionals between the ages of 20 and 34; only San Ramon has a lower share of this age cohort. The age distribution suggests Pleasanton's desirability among affluent families that seek school performance and other quality of life amenities for their children. Many of these residents are likely to remain in the City after retirement. High property values and limited housing supply make entrance for younger professionals into Pleasanton's housing market more competitive.

Table 2 Population by Age Distribution

	Pleasanton		Livermore		Dublin		San Ramon	
Age	Total	Share	Total	Share	Total	Share	Total	Share
Under 10 years	9,076	12.1%	11,428	13.4%	7,549	14.5%	11,931	16.0%
10 to 19 years	12,376	16.5%	10,746	12.6%	5,675	10.9%	11,931	16.0%
20 to 34 years	10,051	13.4%	16,290	19.1%	11,194	21.5%	9,918	13.3%
35 to 49 years	17,777	23.7%	18,081	21.2%	14,213	27.3%	21,849	29.3%
50 to 64 years	15,902	21.2%	18,848	22.1%	8,799	16.9%	12,602	16.9%
65 to 79 years	7,426	9.9%	7,676	9.0%	3,749	7.2%	4,922	6.6%
80 years and over	2,400	3.2%	2,303	2.7%	729	1.4%	1,342	1.8%
Total	***75,009***	***100%***	***85,286***	***100%***	***52,063***	***100%***	***74,571***	***100%***
Median Age	***41.3***		***38.8***		***36.6***		***37.6***	

Source: 2011-2015 American Community Survey 5-Year Estimates, and Economic & Planning Systems, Inc.

Pleasanton is home to a highly educated population, particularly when compared to Alameda County as a whole. Within the Tri-Valley, only San Ramon has a greater share of its population holding a bachelor's or graduate/professional degree. **Table 3** illustrates the distribution of educational attainment within the geographies studied. Unsurprisingly, there is a strong correlation between educational attainment and household incomes within our Study Area. In the Tri-Valley, Pleasanton's median household income of $124,759 trails only San Ramon's figure of $128,916; both cities greatly exceed the median income of Alameda County as a whole which stands at $75,619, see **Table 4**. In addition, Pleasanton has been transitioning from a homogenous to a more ethnically diverse community. Asian and multi-race persons have become a significantly greater share of the population.[3]

[3] 2011 Eastern Alameda County Human Services Needs Assessment.

Table 3 Educational Attainment in Tri-Valley and Alameda County

Education Level[1]	Pleasanton	Livermore	Dublin	San Ramon	Alameda County
	Share	Share	Share	Share	Share
Less than 9th grade	1.9%	4.0%	3.5%	1.2%	7.2%
9th to 12th grade, no diploma	3.0%	4.5%	4.6%	1.4%	5.9%
High school graduate	12.3%	17.3%	13.5%	8.8%	18.5%
Some college, no degree	17.1%	23.6%	16.8%	14.9%	18.8%
Associate's degree	6.8%	10.4%	7.3%	7.6%	6.7%
Bachelor's degree	34.7%	25.8%	34.2%	40.0%	25.0%
Graduate or professional degree	24.3%	14.5%	20.2%	26.2%	18.0%

[1] Population 25 years or older.
Source: U.S. Census 2015; Economic & Planning Systems, Inc.

Table 4 Income Distribution in Tri-Valley and Alameda County

Income	Pleasanton	Livermore	Dublin	San Ramon	Alameda County
	Share	Share	Share	Share	Share
Less than $10,000	2.6%	2.2%	1.4%	1.9%	5.3%
$10K to $24,999	5.9%	7.3%	5.4%	3.6%	12.2%
$25K to $49,999	9.3%	13.5%	9.4%	9.5%	16.9%
$50,000 to $74,999	10.2%	13.0%	11.2%	9.7%	15.3%
$75,000 to $99,999	10.3%	13.3%	11.7%	10.4%	11.9%
$100K to $149,999	21.5%	21.3%	25.9%	22.8%	17.5%
$150,000 or more	40.1%	29.4%	35.0%	42.1%	20.9%
Median Income	**$124,759**	**$100,992**	**$118,773**	**$128,916**	**$75,619**

Source: 2011 - 2015 American Community Survey, Selected Economic Characteristics

Employment

Much of the recent economic success in the Tri-Valley has been attributed to the labor force. Even within the well-educated East Bay, the Tri-Valley is notably well-endowed with highly-skilled workers, particularly in computer-related fields. The Tri-Valley is a strong location for knowledge workers and their families, with excellent public schools, relatively reasonably-priced housing (compared to San Francisco and many San Francisco Peninsula cities), and community stability and safety.

Of course, Pleasanton participates in a dynamic regional economy, attracting residents who work in other cities and workers who live elsewhere. About 16 percent of Pleasanton residents work in Pleasanton, with the remainder commuting to other locations in the Bay Area and beyond, including San Francisco, Oakland, and Silicon Valley. As shown in **Table 5**, despite an increase in overall employment within the City of Pleasanton from 2004 to 2014 (54,164 to 56,920), the number of Pleasanton residents employed within the City has decreased over this time period (6,227 to 5,478). These commute patterns reflect the interdependent nature of the Bay Area economy as well as complex relationship between jobs, pay, and skill levels, housing prices, transportation, and other factors. The development of the second Pleasanton BART station in 2011 likely impacted the ability and willingness of workers to commute to and from Pleasanton. As the work/home balance continues to shift, the City of Pleasanton may be able to leverage the existing ACE train as a tool for attracting workers to Pleasanton's downtown as well as providing a fixed-rail transit alternative for residents seeking employment elsewhere in the Bay Area.

Table 5 Pleasanton Employer-Household Dynamics

Item[1]	2004		2014		Change (2004 - 2014)		
	Count	Share	Count	Share	**Count**	**% Δ**	**% Annual Δ**
Employed In Pleasanton	**54,164**		**56,920**		2,756	5%	0.5%
Employed in Pleasanton, Living Outside	47,937	89%	51,442	90%	3,505	7%	0.7%
Employed and Living in Pleasanton	6,227	11%	5,478	10%	(749)	-12%	-1.3%
Employed Residents	**28,478**		**33,365**		4,887	17%	1.6%
Living in Pleasanton, Employed Outside	22,251	78%	27,887	84%	5,636	25%	2.3%
Employed and Living in Pleasanton	6,227	22%	5,478	16%	(749)	-12%	-1.3%

[1] Figures shown on this table are generated through United States Census data and may be inconsistent with data shown in **Table 1** which was provided from local sources. Job counts here are only "Primary Jobs" meaning individuals are not counted more than once if they have multiple jobs.

Source: United States Census Longitudinal Employer-Household Dynamics; Economic & Planning Systems, Inc.

While employment levels in Pleasanton fluctuated dramatically during the 2000s due to broader economic conditions, the data shown above indicates that total employment in the City stabilized after the "Great Recession". Kaiser Permanente is the largest employer in the City with more than 3,700 jobs, followed by Workday Incorporated and Safeway (see **Table 6**). In addition, a large portion of Safeway jobs are in offices rather than retail stores because of its Pleasanton corporate headquarters location. As evidenced by the findings in **Table 6**, Pleasanton's downtown does not currently serve much of the City's job base, with the closest large private employer being located over 1 mile away.

Table 6 Pleasanton Top Employers

Company Name	Distance to Downtown (miles)[1]	Use Type	Employees*
Kaiser Permanente[2]	3.6	Office	3,741
Workday Incorporated	3.6	Office	2,250
Safeway[3]	4	Office	1,681
Oracle	3.4	Office	1,557
Valley Care Medical Center	2	Medical Office	1,400
Ellie Mae Incorporated[4]	3	Office	1,000
State Compensation Insurance Fund	3	Office	787
Roche Molecular Systems	2.6	Medical Office	750
Blackhawk Network Incorporated[4]	4.5	Office	736
The Clorox Company	3.7	Office	715
Thermo Fisher Scientific	1.3	Office	579
Veeva Systems Incorporated[4]	3	Office	538
Macy's	4.2	Retail	523
EMC Corporation	1.2	Office	507

[1] Distance to closest point of the Downtown Specific Plan Area.
[2] Inclusve of medical office.
[3] After merging with Albertson's, Safeway has experienced employment decline at its Pleasanton-based headquarters.
[4] Headquarters location, as provided by the City of Pleasanton.
*Note: List includes private companies with 500 or more employees located in Pleasanton, updated 3/14.

Source: City of Pleasanton, Economic Development Department

3. *RESIDENTIAL MARKET*

This chapter evaluates the market conditions for residential development within the Downtown Specific Plan area. The goal is to inform the amount and type of residential uses that might be successfully integrated into the Downtown Specific Plan area given market demand and supply trends and downtown's competitive attributes.

Residential Market Overview

Although the Pleasanton housing market is linked to the broader Tri-Valley market and economy of its neighboring cities, it maintains a unique role as a successful higher-end family-friendly destination. As shown in **Table 7**, Pleasanton has evolved as largely a single family home community driven by quality of life factors such as good schools, a low crime rate, and well-regarded City services and amenities. These attributes are both reflected in and contribute to relatively high home values, rents, and ownership rates.

Table 7 Tri-Valley Housing Comparison

City	Median Home Value ($2016)	% Owner Occupied (2015)	% Single Family (2016)
Pleasanton	$974,900	70%	73%
Dublin	$787,900	64%	67%
Livermore	$704,400	60%	78%
Alameda County	$751,900	53%	61%
Statewide	$485,900	54%	65%

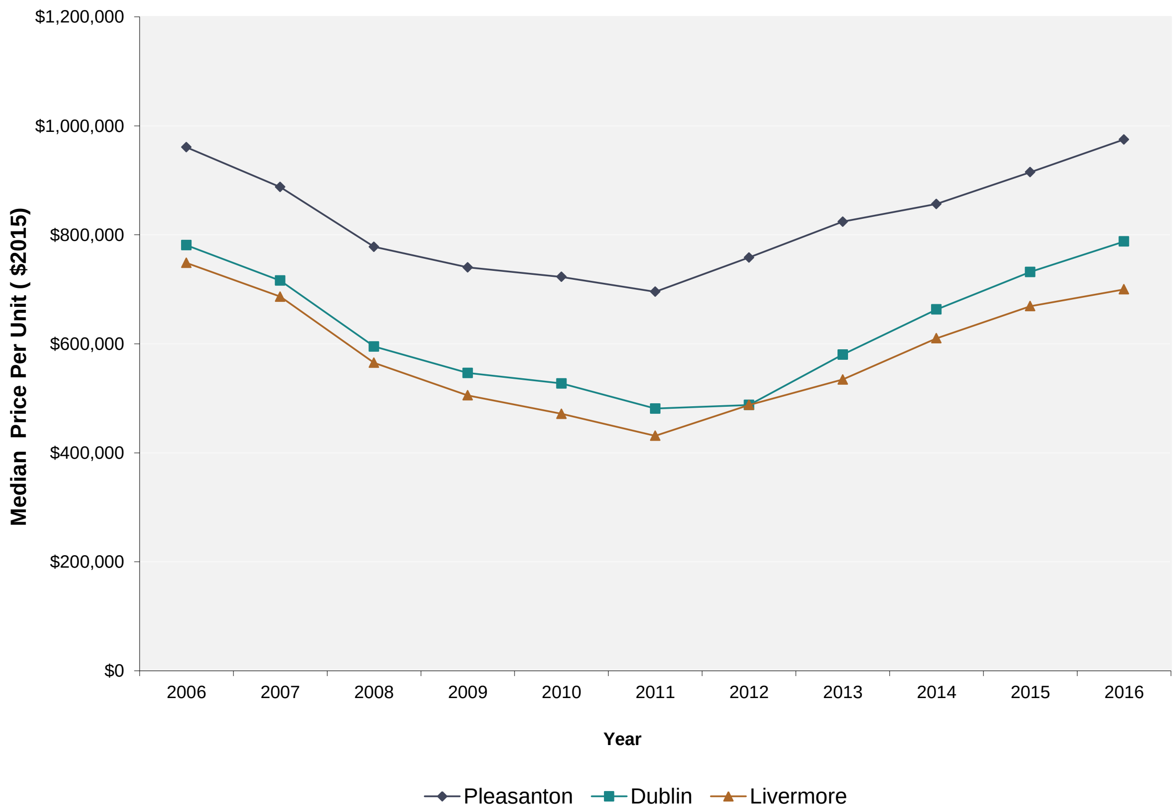
Sources: DOF; United States Census; Zillow Research; and Economic & Planning Systems, Inc.

For-Sale Housing

As illustrated in **Table 7**, Pleasanton boasts the highest home ownership rate in the residential market area, an area that itself generally out-performs Alameda County and the State. It also has the highest home values with median sale prices reaching $975,000 in 2016. For comparison, the median price for homes was approximately $788,000 in Dublin and $704,000 in Livermore in 2016. Overall, this data confirms the City's role as a premier, high demand market catering to relatively affluent households who seek home ownership opportunities in a suburban, predominantly single-family environment. This trend is further amplified by the difference between single family homes and townhomes/condominiums. Single family homes support a large price premium associated with Pleasanton's regional role and strong demand for this product type.

Historical trends indicate that Pleasanton has held its comparative advantage in the Tri-Valley over the last decade and fared relatively well during the significant national decline in the housing sector that commenced in 2006. As illustrated in **Figure 2**, Pleasanton home values have remained well above the other Tri-Valley cities over the last 10 years. During the last several years, home prices have started increasing again and are reaching their pre-Recession levels.

Figure 2 Historic Residential Home Value Trends in the Tri-Valley ($2015)



Rental Housing

After a relatively flat rent period during the Great Recession, rents in Tri-Valley and Alameda County as a whole have escalated since 2010. Rents in both Pleasanton and Dublin have exhibited a steady premium over the Livermore or Alameda County average, suggesting that both cities are desirable renter options and are well positioned to capitalize on demand for the higher density product (see **Figure 3**). Dublin's rent premium over Pleasanton is likely to be explained by generally newer rental inventory given the rapid growth in high density product types over the last decade.

Although Pleasanton's citywide rent growth has been about 31 percent over the last 8 years, rent increases in smaller units have outperformed the overall average, suggesting relative desirability of compact products. Specifically, studios, one bedroom, and two bedroom units with one bathroom have had the highest rental growth in Pleasanton, as shown in **Table 8**.

Figure 3 Historic Annual Rent in the Tri-Valley (constant $2015)

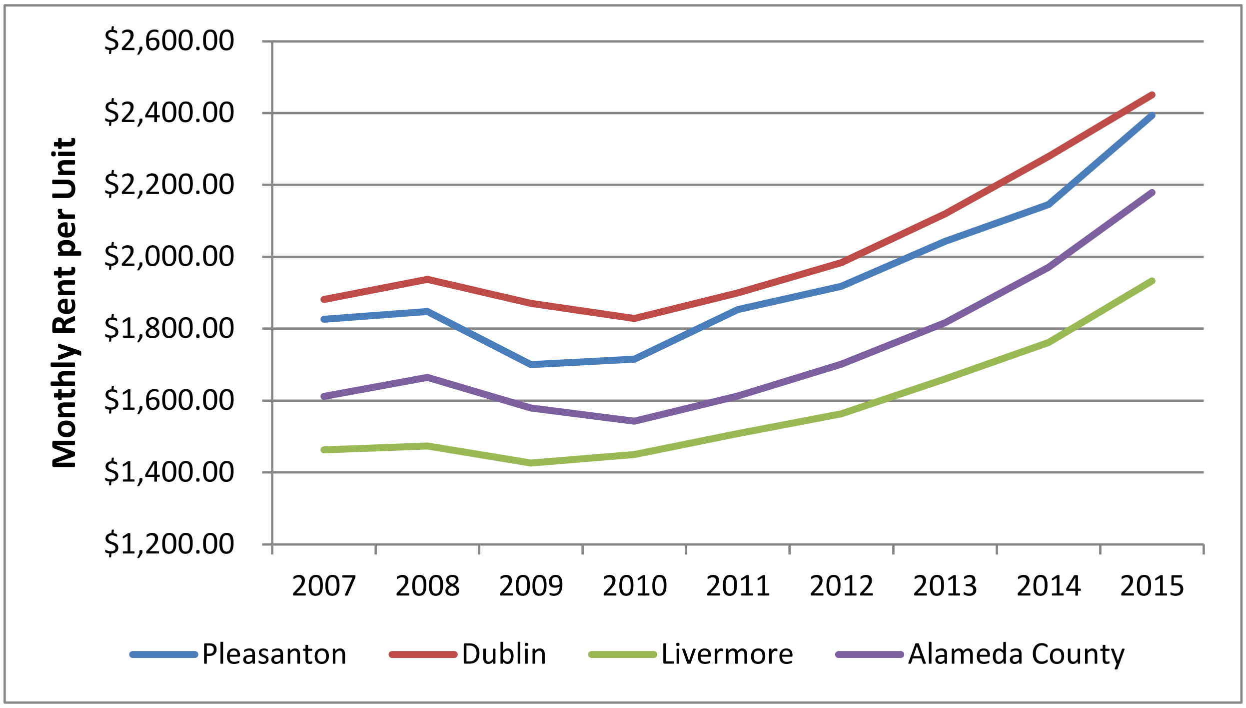


Table 8 Pleasanton Rent Growth by Unit Size (2007-2015)

Item	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Increase
studio	$1,470	$1,469	$1,375	$1,439	$1,471	$1,546	$1,612	$1,706	$1,953	3.6%
1bd 1bth	$1,547	$1,580	$1,461	$1,445	$1,571	$1,648	$1,775	$1,859	$2,151	4.2%
2bd 1bth	$1,661	$1,740	$1,635	$1,599	$1,707	$1,776	$1,903	$2,058	$2,297	4.1%
2bd 2bth	$2,006	$2,009	$1,827	$1,888	$2,020	$2,101	$2,253	$2,355	$2,564	3.1%
2bd TH	$1,958	$1,975	$1,907	$1,894	$2,032	$2,075	$2,112	$2,207	$2,624	3.7%
3bd 2bth	$2,671	$2,630	$2,240	$2,417	$2,706	$2,505	$2,693	$3,043	$3,024	1.6%
Avg. Rent	**$1,826**	**$1,847**	**$1,700**	**$1,715**	**$1,853**	**$1,918**	**$2,043**	**$2,146**	**$2,394**	**3.4%**

Sources: RealFacts and Economic & Planning Systems, Inc.

Pleasanton Supply Trends

Despite strong local housing demand, new residential development has been relatively modest over the last decade due to the City's measured approach to growth and limited entitled land supply. The City's population growth over the last 25 years has been substantially below the employment growth, suggesting an improvement in jobs base for local residents and increasing demand for new housing to accommodate employees that live elsewhere. The City's household sizes grew over this time period, suggesting an increased attraction of families with children (replacing "empty nesters" seeking to downsize and move to other locations).

As indicated by the commute trends described in the **Socioeconomic Overview**, the Tri-Valley and Pleasanton residential markets provide housing to workers throughout the Bay Area as well as to a growing retirement community. The motivation for choosing Pleasanton among other options in the region are manifold, and include proximity to work, the City's unique attributes, and executive housing options and types, among other factors. The market supply trends in the Tri-Valley area provide good indication of the type of products that are currently being provided in response to market demand.

From 2005 to 2016, there has been less residential development in Pleasanton or Livermore than in Dublin. Specifically, Pleasanton gained 2,104 new units since 2005, an increase of about 8.5 percent (0.6 percent per year) compared to 7,030 units in Dublin, or more than a 50 percent increase, and 2,890 units in Livermore, a 10.1 percent increase (see **Table 9**). This discrepancy in growth is primarily attributable to Pleasanton's limited entitled land availability and more conservative growth policies relative to neighboring jurisdictions. Specifically, Pleasanton implemented growth management policies in 1978 and in the 1996 General Plan placed a cap on the City's size at 29,000 units. This measure was legally challenged and the cap was removed in 2010. In 2008, Pleasanton voters passed Measure PP, which limits hillside development for projects over 10 units.

Table 9 Pleasanton and Tri-Valley Housing Trends (2005-2016)*

			2005-2016 Growth		
Item	**2005**	**2016**	Total	% Change	Avg. Annual Growth Rate
Pleasanton					
Single Family	18,994	19,709	715	3.8%	0.3%
Multi-Family	5,882	6,891	1,009	17.2%	1.4%
Total Units	**24,876**	**26,980**	**2,104**	**8.5%**	**0.7%**
% Multifamily	**24%**	**26%**			
Dublin					
Single Family	9,260	13,442	4,182	45.2%	3.4%
Multi-Family	3,805	6,599	2,794	73.4%	5.1%
Total Units	**13,065**	**20,095**	**7,030**	**53.8%**	**4.0%**
% Multifamily	**29%**	**33%**			
Livermore					
Single Family	23,199	24,701	1,502	6.5%	0.6%
Multi-Family	5,384	6,232	848	15.8%	1.3%
Total Units	**28,583**	**31,473**	**2,890**	**10.1%**	**0.9%**
% Multifamily	**19%**	**20%**			

*Estimates are as of January 1 of the following year; Total Units includes mobile homes and other residential unit types not categorized as Single Family or Multifamily. Single Family includes attached and detached units.

Source: DOF

The data shows a regional shift towards multi-family with all three cities increasing their share of the multifamily inventory. Pleasanton has been the only jurisdiction of the three with more multifamily units added than single family over the last decade, partially taking advantage of infill opportunities and senior housing projects and rezonings to multi-family densities that were required to meet the City's Regional Housing Needs Assessment in 2012. Despite this, Dublin added more multifamily units in aggregate terms.

New residential growth in Pleasanton over the last decade has primarily occurred in a handful of areas scattered throughout the City as shown in **Table 10** below. Although some of these projects have focused on lower density residential housing, including a significant supply of executive homes, they have also included some townhomes and condominiums. Overall, multifamily units have accounted for about 48 percent of all the new housing units added in the City since 2005. However, a large share of the City's multifamily housing growth occurred in income and/or age restricted units, including senior housing continuing care complexes, convalescent homes and Below Market Rate (BMR) units, rather than market rate apartments. Overall, there appears to be unmet demand for market rate multi-family units (e.g. condos or apartments with multiple bedrooms.)

Table 10 Approved or Underway Residential Projects in Pleasanton

Project	Address	Status	Units
Downtown			
Spring Street Mixed Use Project	273 Spring St	Approved	5
St. Mary Street Mixed Use Project	377 St. Mary Street	Approved	3
First Street, LLC	4238 First Street	Under Construction	4
Ivy Lane	4202 Stanley Blvd	Under Construction	12
Tony Adams	363 St. Mary Street	Under Construction	1
Hacienda			
SummerHill Project	5850 W. Las Positas Blvd	Under Construction	94
Essex Site	SE corner of Owens Drive and Willow Rd.	Under Construction	251
Essex Site	N corner of Gibraltar Drive and Hacienda Dr.	Under Construction	247
Elsewhere in Pleasanton			
Lund Ranch II	terminus of Lund Ranch Road	Approved	43
Kottinger Gardens	Kottinger Street	Approved	185
Irby Ranch/Sunflower Hill	First Street and Stanley Boulevard	Approved	87
11300 Dublin Canyon Road	11300 Dublin Canyon Rd.	Approved	5
Township Square/Pleasanton Gateway		Under Construction	307
Sunrise Senior Living	5700 Pleasant Hill Road	Under Construction	103
Centerpointe Homes	3410-3450 Cornerstone Court	Approved	27
Altieri	1851 Rose Avenue	Approved	19
1027 Rose Avenue	1027 Rose Avenue	Approved	4
11249 Dublin Canyon Road	11249 Dublin Canyon Road	Approved	3
88 Silver Oaks Court	88 Silver Oaks Court	Approved	2
2188 Foothill Road	2188 Foothill Road	In Process	7
Lester Project	11021 and 11033 Dublin Canyon Road	In Process	39
Spotorno Project	1000 Minnie Street	In Process	39
Valley Trails	Valley Trails Dr.	Approved	36
Vintage Apartments	3040 Bernal Ave.	Under Construction	345

Source: City of Pleasanton

Table 11 below organizes the information that is provided in **Table 10** by categorizing the residential projects shown above as either single family, multifamily, or senior housing. Overall, multifamily units have accounted for a significant share of all the new housing units added in the City over the last ten years.

Table 11 Pipeline Housing Type in Pleasanton

Projects	Planned Units	% Of Total
Single Family		
St. Mary Street Mixed Use Project	3	0%
First Street, LLC	4	0%
Ivy Lane	12	1%
Tony Adams	1	0%
Lund Ranch II	43	2%
Spotorno Project	39	2%
Lester Project	39	2%
2188 Foothill Road	7	0%
88 Silver Oaks Court	2	0%
11249 Dublin Canyon Road	3	0%
1027 Rose Avenue	4	0%
1851 Rose Avenue	19	1%
Centerpointe Homes	27	1%
Township Square/Pleasanton Gateway	97	5%
11300 Dublin Canyon Road	5	0%
Irby Ranch/Sunflower Hill	87	5%
Valley Trails	36	2%
Subtotal	*428*	*23%*
Multifamily		
Spring Street Mixed Use Project	5	0%
SummerHill Project	94	5%
Township Square/Pleasanton Gateway	210	11%
Essex Site	498	27%
Vintage Apartments	345	18%
Subtotal	*1,152*	*62%*
Senior Housing		
Kottinger Gardens	185	10%
Sunrise Senior Living	103	6%
Subtotal	*288*	*15%*
Total Units	**1,868**	

Source: City of Pleasanton

Downtown Pleasanton Residential Implications

The above analysis suggests that, from a market perspective, housing is likely to be well received within the Downtown Specific Plan area. Over the last two decades, Pleasanton has emerged as one of the premier residential markets in the East Bay, with a focus on single-family ownership housing, and market trends suggest this product type will continue to be in high demand. However, pent up demand for higher density and entry-level housing, including townhomes, condominiums, and apartments, is also evidenced by successful absorption and pricing of similar product types in Dublin as well as under construction projects in Pleasanton (The Galloway, Vintage).

While the new supply of market rate, high-density residential products in Pleasanton has been modest, the units that are available, whether new or re-sale, have been well received in the market. Given Pleasanton's strong community attributes and pedestrian-friendly and highly amenitized downtown environment, newly-built multifamily residential products are likely to command price premiums above citywide average.

The total amount of residential development feasible within the Downtown Specific Plan area is likely to be more constrained by the City's growth policies (e.g. where and how Pleasanton will grow in the context of the Growth Management Ordinance) than weak market support. The scale of housing within the Downtown Specific Plan area should be considered in the context of the desired character for Downtown and balancing housing with other complementary uses that would enhance the level of amenities for new residents and activate the existing commercial downtown core. Ultimately, the appropriate level and mix of housing development within the Downtown Specific Plan area will be informed not only by financial and market analysis but also through the consideration of community values.

4. RETAIL, ENTERTAINMENT AND HOTEL

This chapter evaluates local and regional market conditions for retail, entertainment (primarily a movie theater) and hotel uses to inform the type and level of development that might be successfully integrated into the Downtown Specific Plan area. The Trade Area for this analysis is generally defined as the cities of Pleasanton, Dublin, Livermore, and San Ramon.

Regional Retail Context

Pleasanton competes within a larger Trade Area that includes nearby jurisdictions with aggressive retail expansion strategies. Specifically, the cities of Pleasanton, Livermore, Dublin and San Ramon all compete for the same local customers and pass-through commuters by promoting and encouraging new retail development that capitalizes on accessibility, visibility, and orientation of shopping venues in each city.

Large-format retail centers are generally located along the interstate corridors in the Trade Area; these include "big box" and "power center" formats and other regional shopping destinations such as a mall and premium outlet center. With its critical mass of major retail centers and strategic location within the Bay Area, the identified retail Trade Area experiences greater than average per capita retail sales rates. **Figures 4** and **5** compare Pleasanton's performance to other Trade Area cities. As shown, Pleasanton is roughly on par with Livermore and Dublin in terms of both sales tax generation and sales tax per capita. All three cities' market performance greatly exceeds the average for Alameda County, suggesting that the Trade Area possesses a highly successful and well-developed retail sector.

Figure 4 Taxable Retail Sales (2016)

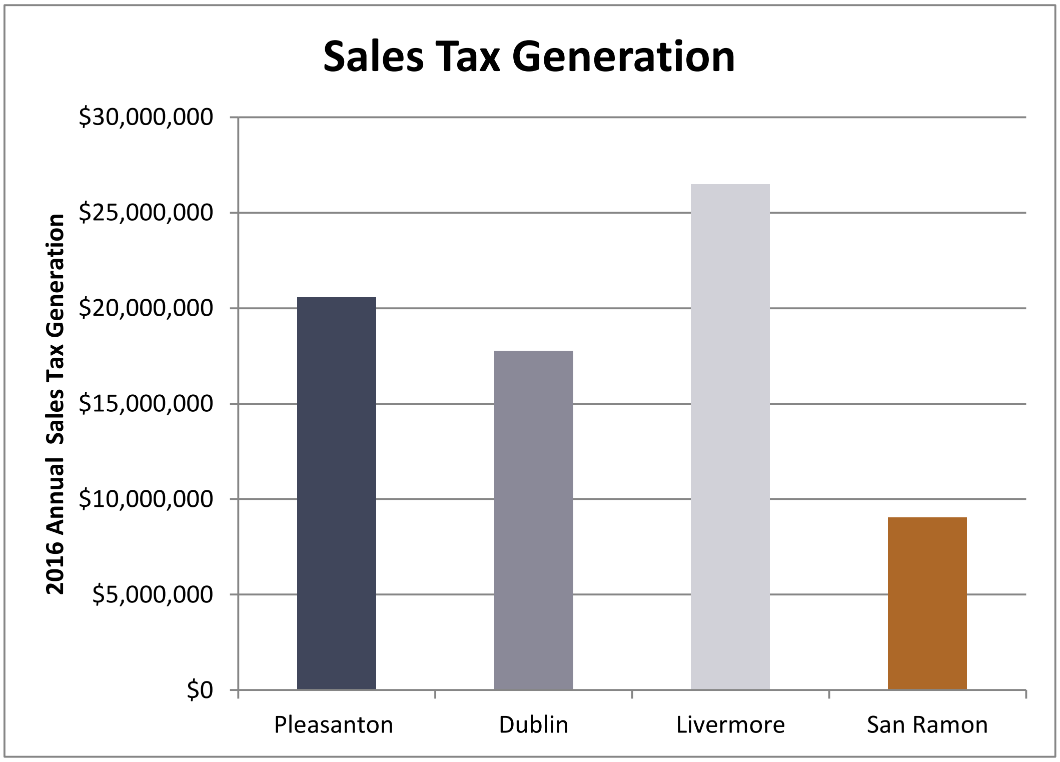
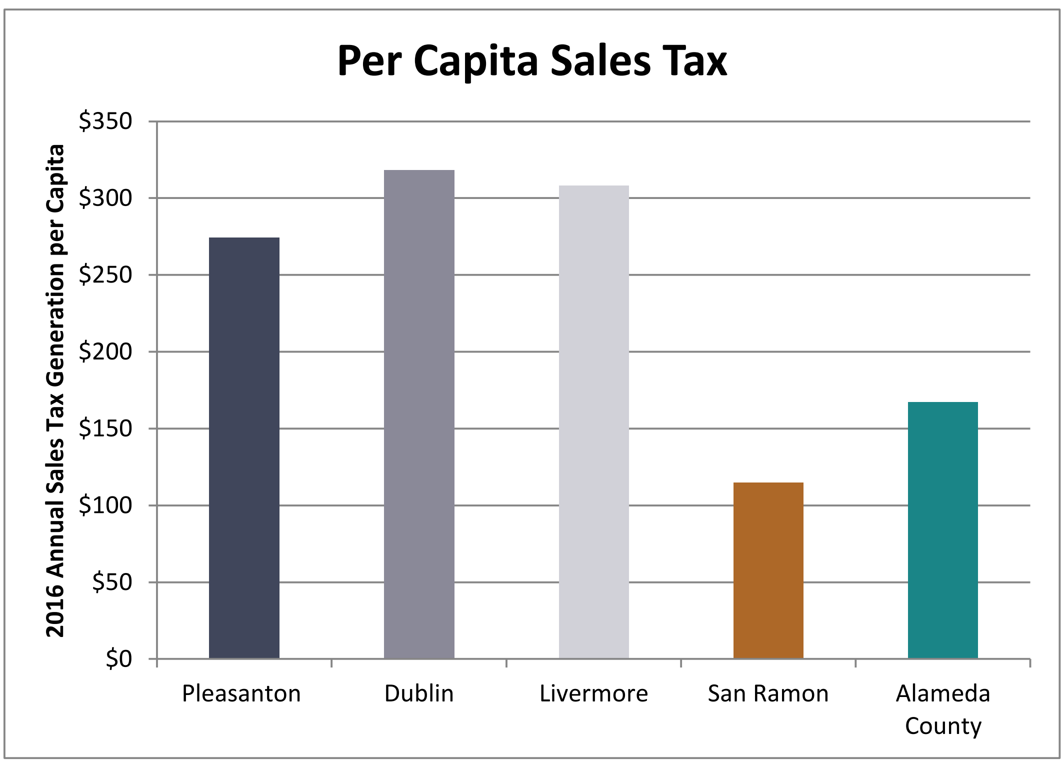


Figure 5 Per Capita Retail Sales (2015)



Consistent with the strong retail sales base, lease and occupancy rates in the Trade Area have remained strong. As summarized in **Table 12**, Pleasanton has the lowest vacancy rate and has annual rents of over $30 per square foot on triple-net basis (highest of the selected Tri-Valley cities). The retail market data illustrated in **Table 12** combines all retail space, including restaurants, "big box" formats such as Home Depot or Costco, and supermarkets (detailed data that breaks down retail space by type is not readily available).

The Downtown submarket is performing particularly well when compared to the rest of the City and to the other Tri-Valley retail markets, in part due to a smaller sampling size, smaller individual spaces (which generally achieve higher per square foot rents), and the fact that underperforming retail submarkets elsewhere may be drawing citywide averages down. Nonetheless, the Downtown retail market is operating at near capacity, with a vacancy rate of 2 percent, and per square foot rents exceeding $35.

Pleasanton's relatively strong retail performance is in part due to slow growth in its retail space inventory. Specifically, Pleasanton's retail market has grown by slightly less than eight percent over the last 11 years, slower than any other city in the Trade Area, as illustrated in **Figure 6.** By way of comparison, Dublin has experienced the greatest percent change in retail square footage at 20 percent.[4]

[4] San Ramon is currently in the process of developing 635,000 square feet of retail space as part of the larger San Ramon City Center project.

Table 12 Selected Retail Characteristics

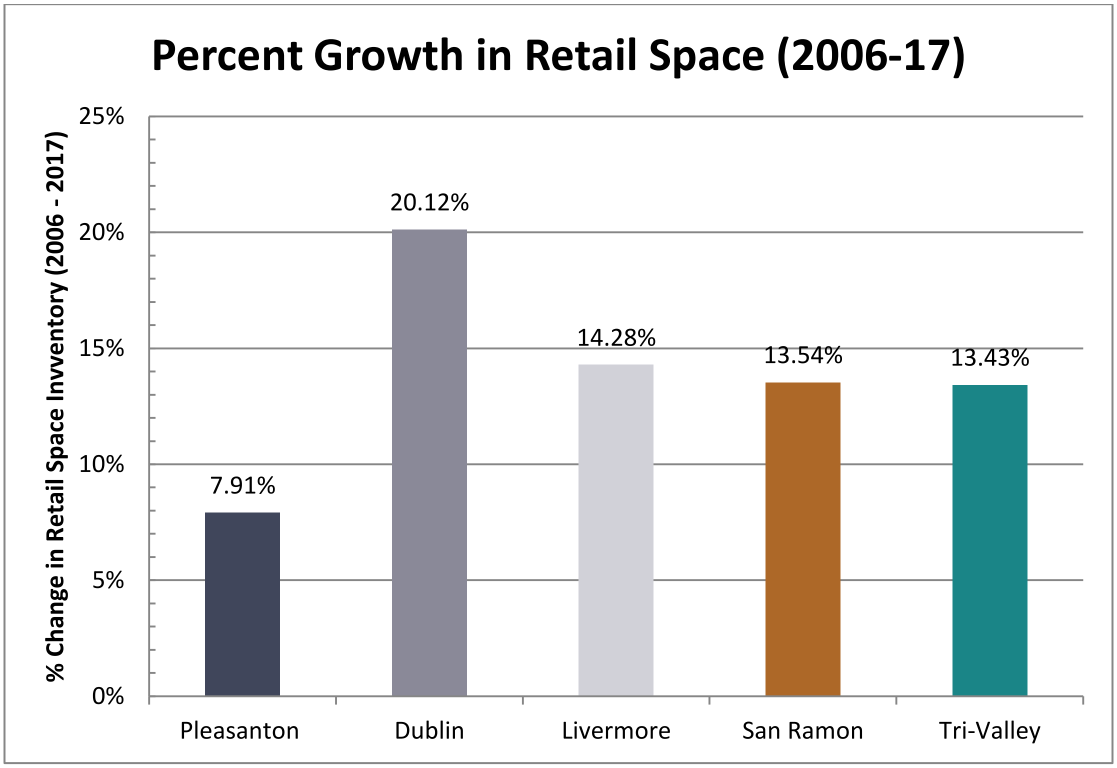
City	2017 YTD[1]
Pleasanton	
Citywide	
Annual Rent (NNN)[2]	$30.38
Vacancy	2%
Space Inventory (sq.ft.)	5,269,908
Dowtown	
Annual Rent (NNN)	$35.90
Vacancy	2%
Space Inventory (sq.ft.)	468,779
Dublin	
Annual Rent (NNN)	$24.63
Vacancy	5%
Space Inventory (sq.ft.)	3,956,877
Livermore	
Annual Rent (NNN)	$25.06
Vacancy	3%
Space Inventory (sq.ft.)	4,606,073
San Ramon	
Annual Rent (NNN)	$27.05
Vacancy	4%
Space Inventory (sq.ft.)	14,652,489
East Bay	
Annual Rent (NNN)	$27.72
Vacancy	4%
Space Inventory (sq.ft.)	348,562,108

[1] YTD is shorthand for "Year-To-Date" and illustrates average values as of March 2017.

[2] NNN refers to "triple net rent", those that net out property tax, insurance, and maintenance costs.

Source: Costar and Economic & Planning Systems, Inc.

Figure 6 Percent Growth in Retail Square Footage from 2006 – 2017



Regional Serving Retail Supply

The Trade Area has a robust supply of regional-serving retail centers clustered primarily along I-580. The Stoneridge Shopping Center in Pleasanton is one of the older and more traditional, albeit still highly successful, regional shopping centers in the Trade Area. This 1.3 million-square foot enclosed mall includes multiple department stores and over 165 specialty tenants that generally cater to a "higher-end" shopping segment. **Table 13** documents the name, address, size, and key tenants of the regional serving retail centers in the Trade Area.

Regional retail centers are usually anchored by large department stores (e.g., Macy's, Nordstrom, etc.) and/or "big box" stores (e.g., Target, Lowes, Costco). These centers are often supplemented with various specialty stores (e.g., "in-line" retail), sometimes combining entertainment related offerings (e.g., movie theaters), and are designed to draw consumers from a broad geography and/or population base (e.g., over 200,000 population). Such centers tend to locate on sites with convenient freeway visibility, accessibility and high traffic volume and require a minimum of 15 acres (about 175,000 square feet) or more.

Table 13 Regional Serving Retail Centers in the Trade Area

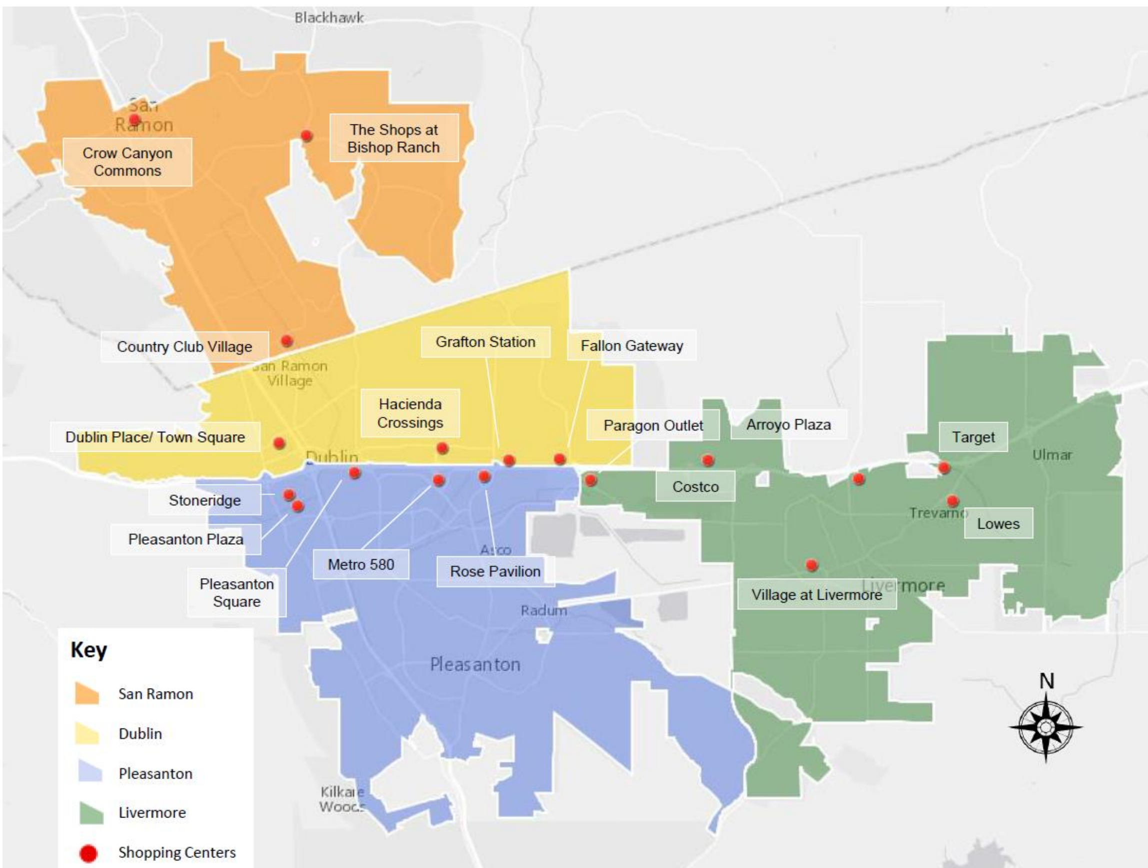
City / Center Name	Key Tenants	Size (sq.ft.)	Year Built
Pleasanton			
Stoneridge Shopping Center	Nordstrom, Sears, JCPenney, Macy's	1,332,027	1980-2006
Pleasanton Square	Home Depot	242,010	1983-1992
Metro 580	Wal-Mart, Kohl's, Spots Chalet	277,502	1996-2004
Rose Pavilion	Macy's Furniture, Golfsmith	323,339	1987-1994
Pleasanton Plaza	Office Max, JC Penny HomeFurnishings, World Market	177,731	1982
Subtotal		**2,352,609**	
Dublin			
Hacienda Crossings	T.J. Maxx, Best Buy, Bed Bath & Beyond, Barnes & Noble	358,334	1998-2000
Dublin Place / Town Square	Target, Pet Smart, Burlington coat Factory	473,057	1971-1996
Grafton Station	Lowe's	284,660	2009
Fallon Gateway	Target & planned Dick's Sporting Goods	361,328	2013-2015
Subtotal		**1,477,379**	
Livermore			
Costco Center	Costco	178,145	1993
Arroyo Plaza	Wal-Mart, Home Depot, Office Max, Kohl's	394,506	1993-2007
Target Center	Target	112,739	1993
Lowe's Center	Lowe's	133,225	2001
Village at Livermore	La Bros Home Furnishings, Trader Joe's	169,732	1984
Paragon Outlets	Banana Republic Factory Store, Neiman Marcus Last Call, Nike Factory Store, Saks Fifth Avenue OFF 5TH	697,000	2012
Subtotal		**1,685,347**	
San Ramon			
Country Club Village	Wal-Mart Neighborhood Market	131,145	1994
Crow Canyon Commons	Big 5 Sporting Goods, Lucky Stores	164,057	1980
The Shops at Bishop Ranch	Target, Whole Foods	309,728	2000
Subtotal		**604,930**	
Trade Area Total		**6,120,265**	

Source: CoStar

Other cities in the Trade Area are oriented more towards price-sensitive offerings, with regional serving retail dominated by "big box" and "power center" formats. "Big Box" retail stores typically host high volume and price competitive oriented tenants in large format buildings situated with convenient freeway access, prominent visibility, and ample surface parking (a "power center" consists of two or more big box stores integrated in the same center).

Overall, the Trade Area currently has 18 regional shopping centers that host tenants representing most of the national chain retail categories, with almost all located along I-580. Moreover, the recent expansion of the SF Premium Outlets in Livermore and the planned San Ramon City Center in San Ramon, indicate that Pleasanton's neighboring cities are still pursuing aggressive retail market expansion.

Figure 7 Regional-Serving Retail Supply Map



Downtown Pleasanton

As discussed above, the Downtown Pleasanton retail submarket operates within a highly competitive regional retail Trade Area. Although this Trade Area maintains a relatively dynamic, healthy, and growing retail sector, there are important differences in the type and orientation of retail offerings. To better understand how additional retail space in Downtown Pleasanton might function within the broader Trade Area, EPS has identified the following retail orientations that are often found in Downtown retail environments:

- Neighborhood Serving Retail
- Lifestyle Retail Center
- Downtown or Main-Street Oriented Retail
- Specialty Entertainment Retail
- Movie Theater or Multiplex Cinema

The characteristics of each of these identified retail subtypes as well as their potential within the Downtown Pleasanton retail submarket are described in detail below:

Neighborhood Serving Retail

Neighborhood retail shopping centers cater to the daily needs and convenience related purchases of local residents and are typically anchored by supermarkets and/or drug stores. Pleasanton currently has eleven (11) supermarket stores throughout the City that could be categorized as anchors to "neighborhood serving" retail centers. These centers usually include a number of smaller, "in-line" tenants, such as dry cleaners, salons, food service, cell phone providers, and banking, and all-together range in size from 75,000 to 200,000 square feet. **Table 14** documents the existing stock of neighborhood serving retail centers as well as their anchor tenants and the square footage of these anchor tenants.

Table 14 Neighborhood Serving Retail Anchors in Pleasanton

Center	Anchor Grocer	Address	Size (sq. ft.)
Conventional Format			
Meadow Plaza Shopping Cener	Wal-Mart Neighborhood Market	3112 Santa Rita Road	33,161
Oak Hills Shopping Center	Raley's Market	5420 Sunol Boulevard	60,000
Pleasanton Gateway	Safeway	6790 Bernal Avenue	58,000
Gene's Fine Foods	Gene's Fine Foods	2803 Hopyard Road	20,416
Amador Center	Safeway	1701 Santa Rita Road	58,000
Val Vista	Lucky	6155 W. Las Positas Blvd.	56,000
Subtotal			285,577
Other (Specialtiy/Discount)[1]			
Rose Pavillion	99 Ranch Market	4299 Rosewood Drive	44,939
Trader Joe's Plaza	Trader Joe's	4040 Pimlico Drive	24,575
Pleasanton Square	Smart & Final	5775 Johnson Drive	29,979
Pleasanton Village Shopping	Kamal Spices	6700 Santa Rita Rd.	3,000
Santa Rita Square	New India Bazaar	3160 Santa Rita Rd.	5,600
Subtotal			108,093
Total			**393,670**

Note: This table does not include proposed grocery stores.
[1] The Pleasanton Fresh & Easy closed in 2015 and the New Leaf Community Market closed in 2017.

Source: CoStar, Economic & Planning Systems.

As seen in **Table 14** above, Pleasanton is well served by neighborhood-serving supermarkets and grocers. There are two primary ways to assess the demand for grocery stores in the City. These approaches do not consider any net capture of sales from other jurisdiction as these impacts within neighborhood retail are likely to be limited. A "rule-of-thumb" approach assumes about 5,000 households are needed to support a grocery store. This approach suggests that five (5) to six (6) conventional, full-line grocery stores are supportable in Pleasanton. However, there are currently ten (10) grocery stores in the City, six (6) of which are conventional full-line grocery stores such as Safeway and Raley's and five are specialty/discount grocery providers such as Trader Joe's and Smart & Final. This "rule-of-thumb" approach suggests that Pleasanton is already well supplied with conventional, full-line grocery stores and oversupplied when taking into account specialty and discount grocery stores.

The other grocery store demand approach is based on household income and spending on groceries compared to the existing supply of grocery stores. There are eleven grocery store-anchored centers in Pleasanton with the grocery stores occupying about 408,000 square feet of space. According to the U.S. Bureau of Labor Statistics (BLS) data, a typical household spends approximately seven (7) percent of its income on grocery items. Based on the existing 26,217 households in the City with a median income of $124,759, a total of approximately $229 million of potential sales exists within the City for grocery items (see **Table 15**).

Table 15 Pleasanton Supermarket Demand Analysis

Item	Current	2030 [1]
Households[2]	26,217	29,990
Median HH Income[3]	$124,759	$124,759
Aggregate HH Income	$3,270,866,901	$3,741,522,410
Retail Expenditure on Grocery[4]	$228,960,683	$261,906,569
Required Sales/Sq. Ft./Year for a New Store	$550	$550
Supportable Sq. Ft. of Grocery Store	416,292	476,194
Existing Major Grocery Stores (Sq. Ft.)[5]	393,670	393,670
Additional Supportable Grocery Store (Sq. Ft.)	**22,622**	**82,524**

[1] Dollar figures are nominal and are shown in current year dollars.
[2] Current household data from California Department of Finance. 2030 projections are from the Association of Bay Area Governements (ABAG).
[3] United States Census. 2011-2015 ACS Survey.
[4] Assumes households spend 7% of their income on grocery items, based on typical household retail spending patterns in the Bay Area.
[5] Grocery stores and associated square footage is outlined in table 14

Source: ABAG; BLS; Shopping Center Directory; Economic & Planning Systems, Inc.

Typically, a successful grocery store requires a minimum per-square-foot sales volume of roughly $550. Applying Pleasanton's citywide retail expenditure demand, (approximately $229 million) this translates to roughly 416,000 square feet of supportable grocery space. The City's current grocery store square footage indicates that the market is well supplied with grocery operators. Both approaches suggest that there may not currently be adequate market support for a typical grocery store, given current demand, although future growth will gradually improve these dynamics. To further demonstrate the competitiveness and the existing demand constraints in Pleasanton, the City has experienced market exits of two Grocery stores in the past two calendar years, Fresh & Easy in 2015, and New Leaf Community Market in 2017.

Current demand and supply conditions, as well as the lack of success of new market entrants, indicate that it is unlikely for a new grocery-anchored neighborhood serving retail center to enter the Downtown Pleasanton retail submarket. In addition, while not within the Downtown Specific Plan Area, the existing Safeway on Bernal Avenue would directly compete with any future Downtown grocers.

Lifestyle Retail

The rise of online shopping has created a need for conventional brick-and-mortar retailers to differentiate and offer a unique shopping experience that cannot be duplicated elsewhere. The result of this phenomenon has been the increasing popularity of lifestyle centers over the past 15 to 20 years. These centers typically incorporate outdoor/pedestrian oriented formats, and combine a range of upscale retailers with a variety of dining options and entertainment uses (e.g., theaters). They are differentiated from more value or discount retail formats (big boxes and outlet malls) by offering more lifestyle amenities and creating a destination where shoppers want to spend time, rather than merely purchase retail goods and services. Increasingly, they also incorporate mixed-use concepts with residential and/or office uses on upper floors.

The most prominent lifestyle centers in the Bay Area include Bay Street in Emeryville, Santana Row in San Jose, and Broadway Plaza in Walnut Creek. All three of these projects occupy massive tracts of land, typically at least 30 acres or more, and include structured parking. Presently, the largest potential development site in the Downtown Specific Plan area is the Civic Center and adjacent San Francisco Public Utilities Commission (SFPUC) site, which together comprise about 12-13 acres.

Development of a lifestyle center within the Downtown Specific Plan area would be challenging due to both space and parking constraints associated with the desired scale of most lifestyle center developments as well as an already robust supply of regional retail outlets (Stoneridge Shopping Center and San Francisco Premium Outlets). In order for such a project to be successful, it would likely need to cannibalize existing retail in the City, an unlikely prospect given its more disadvantaged location (i.e.., interior location without BART access).

Downtown and Main-street Oriented Retail

Downtown and/or Main-Street oriented retail of the type that currently exists in and around Pleasanton's Downtown commercial district is generally differentiated from the other formats described above in the following key and interrelated ways:

- **Smaller format, mixed-used buildings**: Retail formats in smaller, often historic, downtown settings are typically characterized by smaller, one to two story buildings with relatively narrow and shallow floor plates. The buildings are often adjacent with minimal or zero lot lines, and parking is provided on the street, or sometimes in the back. These environments often include a variety of building types and uses, including a variety of commercial, residential, and office tenants on upper floors or stand-alone retail uses. This format and setting often does not meet the standards of many national retail chains.
- **Independently owned and managed**: The Downtown commercial district consists of multiple parcels and property owners, often with a different motivations, time horizons and level of involvement in the use of their property. Among other things, this circumstance can make it difficult to develop and implement district wide marketing or tenanting plans.

The alignment of the existing Downtown retail inventory is oriented primarily to serve local residents and workers, a fact that is evident by both the smaller-scale nature of the existing retail establishments and the lack of national retail brands. As shown in **Table 16**, the downtown retail submarket is characterized by small-scale tenants with footprints averaging just over 1,000 square feet. Businesses of this scale tend to be incorporated into mixed-use formats, as they can serve as ground-floor retail anchors with office or residential tenants above.

Table 16 Downtown Pleasanton Retail Characteristics

Item	Sq. Ft.	Percent
Largest Retail Establishment	10,400	
Smallest Retail Establishment	156	
Average Retail Size [1]	1,139	
Total Downtown Retail space	423,706	
Retail Establishments (< 1,000 Sq. Ft.)		68%
Retail Establishments (1,000 - 5,000 Sq. Ft.)		31%
Retail Establishments (5,000+ Sq. Ft.)		2%

Source: CoStar; Economic & Planning Systems, Inc.
[1] Average Retail Size is based on a sample of 155 identified retail establishments in downtown Pleasanton, a sample that represents roughly 40% of the retail establishments downtown.

Despite the smaller scale and the local-serving nature of Pleasanton's downtown retail sector, the submarket is performing well when compared to the City as a whole. **Table 17** documents the relative performance of Pleasanton's downtown retail market compared to that of the citywide retail performance. **Figures 8 and 9** illustrate how both vacancy rates and triple-net rental rates have changed over time in downtown Pleasanton as well as citywide. The Downtown's success, particularly in recent years, has been largely driven by the dining sector. It currently provides a wide variety of eating and drinking venues that cater to local residents, workers, and visitors. The orientation is rather typical of small but successful "main-street" oriented downtowns in part because of the pedestrian-friendly nature of these environments as well as smaller building floorplates that don't fit the requirements of higher volume and national retailers.

Table 17 Pleasanton Retail Performance Summary

City	2017 YTD[1]
Pleasanton Citywide	
Annual Rent (NNN, $2016)	$30.38
Vacancy	2%
Space Inventory (sq.ft.)	5,322,607
Pleasanton Downtown	
Annual Rent (NNN, $2016)	$35.90
Vacancy	2%
Space Inventory (sq.ft.)	468,779
Downtown as percent of Citywide	
Annual Rent (NNN, $2016)	118%
Space Inventory (sq.ft.)	9%

[1] YTD illustrates average annual values as of March, 2017.
Data represents all retail outlets, inclusive of restaurants.

Figure 8 Average Annual Retail Vacancy Rates in Pleasanton

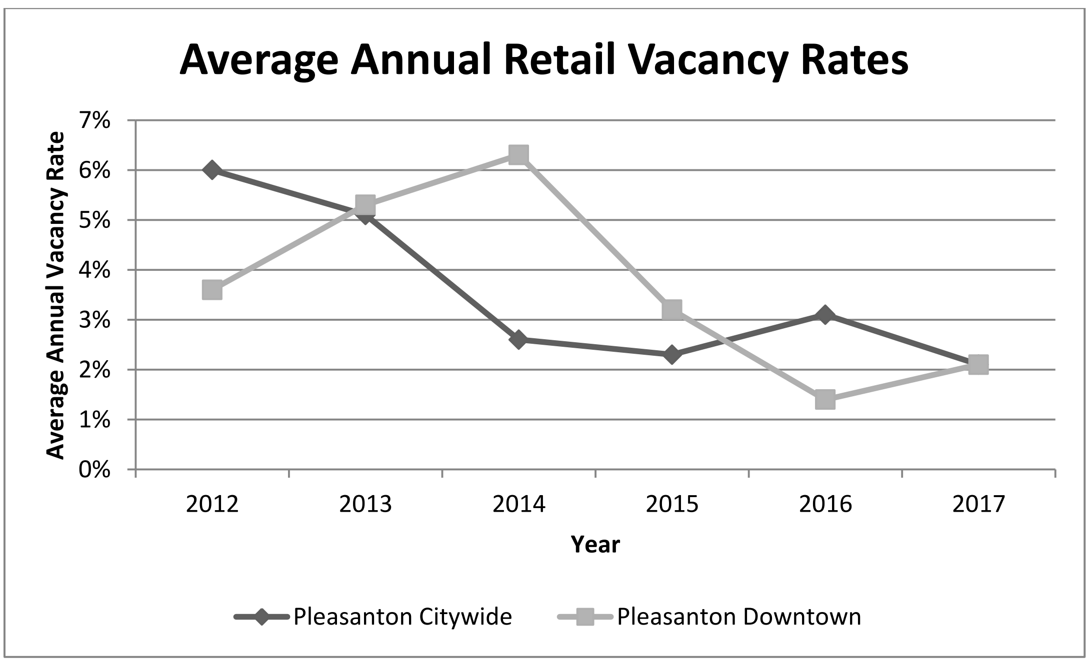
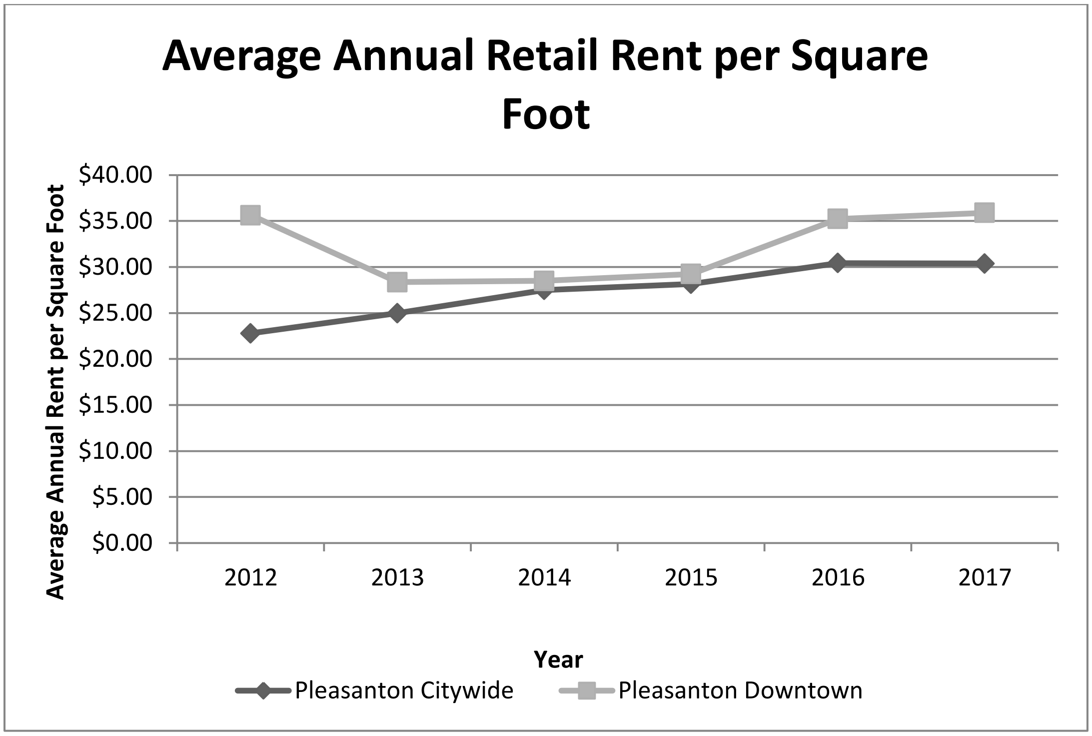


Figure 9 Average Annual Retail Rent per Square Foot in Pleasanton



Mixed-use retail elements that are found in Main Street oriented commercial offerings can often be integrated into higher density projects, often on a ground floor, although the financial feasibility of such projects can be challenging, especially in more suburban locations. Several prominent examples of mixed-use retailers currently exist in and around Pleasanton's Downtown Specific Plan area. SLP Properties recently developed a mixed-use project at 511 Main St. that highlights successful integration of retail uses on the ground floor with commercial office uses above, see **Figure 10**.

Figure 10 511 Main St.

Adding additional residents or employees to the area will help improve the viability of retail development. On average, EPS estimates that an office worker in the Pleasanton Downtown Specific Plan area spends nearly $3,000 per year within the downtown retail market. This spending includes both lunch expenditures as well as a portion of spending across a variety of categories that often occur before or after work. Average annual downtown worker spending slightly exceeds EPS's estimate for average annual downtown resident spending.[5] Using data from the Bureau of Labor Statistics, EPS assumes that downtown Pleasanton residents on average spend just shy of $2,700 annually within the downtown retail market.

Specialty Entertainment Retail

The resurgence of entertainment-based retail uses, sometimes referred to as "retail-tainment" districts, represents a retail concept that has been successful in many downtowns and elsewhere. Like the lifestyle retail center, specialty entertainment offerings have begun to appear more often now that on-line shopping commands a greater share of overall consumer retail spending. Entertainment retail uses can vary significantly in how they are oriented, and particularly which niche they serve. Many entertainment retail uses attract consumers through the offering of unique activities. Examples of this include Campo di Bocce in Livermore and Plank in Oakland. Because of the novelty nature of these retail offerings, their success is largely operator-

[5] Annual spending on retail expenditures captured within the Downtown Specific Plan area is not equal for workers and residents. Due to retail spending dynamics, EPS estimates that Downtown workers will spend marginally more money within the Downtown Specific Plan area then their residential counterparts.

dependent and is highly difficult to predict. Movie theaters are another variant of this concept, as described further below.

Movie Theater or Multiplex Cinema

In addition to various retail prototypes, this analysis examines the market dynamics facing the development of a movie theater within the Pleasanton Downtown Specific Plan area. Movie theaters are often pursued in downtown environments because they can serve as a "people pump," providing spillover market support to other retailers. The regional supply of existing movie theaters as well as national trends in movie distribution and exhibition will heavily influence the outlook for a new cinema in Downtown Pleasanton.

In recent years, the movie theater industry has undergone a dramatic transformation due to many factors related to shifts in market and consumer preferences. The most prominent factor influencing theatrical distribution is growing competition driven by new technologies, including competing formats such as on-line and video on demand as well as expanding content from cable networks.

Within this competitive environment, movie theaters have experienced a trend of declining admissions and increasing ticket prices. In order to cope with the increasing competitive pressure, theater chains have pursued operating economies of scale by constructing multiplex theaters and consolidating ownership. Generally speaking, smaller or boutique movie houses are rarely developed as new projects, especially in suburban markets, but are occasional refurbished from existing and usually historic buildings with mixed success.

Regional Market Dynamics of Movie Theaters or Cinemas

Pleasanton is situated in a robust cinema Trade Area with three theaters consisting of approximately 8,400 seats and 35 screens.[6] While Pleasanton does not have a movie theater, the theaters in the Trade Area provide a complete range of amenities and screenings and are located within seven miles of Downtown. Following greater market trends, two of the three theaters (Regal Cinema's Hacienda Crossings 20 and Cinema West's Livermore 13 Cinemas) are megaplexes that have upgraded amenities, including 3D and premium large format showings.

The third theater, Vine Cinema & Alehouse (the Vine) located in Livermore, is an independently operated, smaller scale theater, offering beer and wine, and a limited meal menu. Unlike more recent theater developments, the Vine distinguishes itself as a renovated two-screen theater hosting local events such as classic nights, wine nights, and Oscar nights.

Despite the Vine's strong community support, its performance fluctuated dramatically throughout its 60 years of operation. In 2000, the Vine Center was sold to and remodeled by its current owners. While the remodel started a successful five year run, the theater met major competition in 2006 when Cinema West's Livermore 13 Cinema developed just half a mile away from the Vine. Because of the close proximity, studios would not allow both cinemas to play the same blockbuster films, and over time, the Vine shifted to showing less profitable independent films. In its struggle to regain theater attendance, the Vine rebranded itself as an alehouse, screening sporting events and independent films. While the Vine is often referenced as a successful, small

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[6] Includes the cities of Dublin, Livermore, and Pleasanton.

scale, local serving theater, the factors of its evolution are distinct from new and modern multiplex theaters that generally require 12 or more screens to be profitable.

Market and Development Feasibility of Movie Theaters or Cinemas

The market and development feasibility of a new movie theater is commonly assessed by comparing Trade Area demand with existing supply. For the purpose of this analysis, the applicable Trade Area is defined as the Tri-Valley cities of Pleasanton, Dublin, and Livermore. While the region clearly attracts movie-goers from elsewhere, local residents also travel to other markets for movie and related entertainment options.

This analysis estimates Trade Area demand by multiplying trade area population by a per-capita attendance rate. Key assumptions used in the estimate are shown in **Table 18**. Despite a North American average of 3.75 visits to a movie theater per year, a per-capita annual theater attendance rate of 4 was used for this analysis to adjust for the higher incomes of the Bay Area.

Based on these assumptions, the current utilization rate of theaters within the trade area is estimated at about 7 percent based on this approach. Since Trade Area utilization rates are generally considered healthy once they begin to approach the 20 percent range, this indicates that the Movie Theater Trade Area may already be over served by theaters.

Table 18 Pleasanton Market Cinema Demand Estimates

Item	Capture Rate	2016
Trade Area Population		
Pleasanton		74,982
Dublin		57,349
Livermore		88,138
Total Trade Area		**220,469**
Attendance @ 4 Annual Tickets/Capita[1]		
Pleasanton	100%	299,928
Dublin	100%	229,396
Livermore	100%	352,552
Capture from Outside Trade Area[2]		88,188
Projected Annual Seat Sales[3]		**970,000**
Total Annual Seating Capacity		**13,977,600**
Implied Utilization Rate		**6.94%**

[1] According to the Motion Picture Association of America, average annual tickets per capita in North America stands a 3.75, this figure was adjusted up slightly to account for higher levels of disposible income in the Tri-Valley when compared to the Continent as a whole.

[2] Assumes 10% of total attendance from outside Trade Area (e.g., from tourists and from beyond Trade Area boundaries), so estimated Trade Area attendance is then 'grossed up' by 90%

[3] Assumed 32 showings per week and 52 weeks per year

Sources: ESRI Business Analyst Online; Economic & Planning Systems, Inc.

Hotel Context

Pleasanton's hotel market clusters along the Interstate 580 and 680 crossing, mainly serving out-of-town workers who require proximity and transit accessibility to the inner Bay Area and Silicon Valley. The cluster includes several large-scale hotels able to provide meeting amenities such as conference and parking space for traveling employees. Pleasanton is also evolving as a hospitality destination for a small subset of hotel guests. Local travel destinations include Livermore Valley wineries, Stoneridge Shopping Center and SF Premium Outlets, Callippe Preserve Golf Course, and hiking and open space recreational amenities, among others.

Pleasanton has 11 major hotels serving a market segment of above three stars that comprise a total of approximately 1,700 rooms. Among these 11 hotels, average daily room rates vary from a low of $89 at the Courtyard by Marriot to a high of $275 at the Rose hotel in Downtown Pleasanton. **Table 19** below summarizes Pleasanton's existing stock of upper and upscale hotels.

Table 19 Pleasanton Hotel Supply (2017)

Item	Property Type	Market Segment	Rooms	ADR Range[1]	Address
Marriott Pleasanton	Full-Service Hotel	Upper Upscale	242	$99-$219	11950 Dublin Canyon Road
Pleasanton Hilton (DoubleTree)	Full-Service Hotel	Upper Upscale	292	$109-$169	7050 Johnson Drive
Residence Inn Pleasanton	Extended Stay Hotel	Upscale - Limited	135	$99-$109	11920 Dublin Canyon Road
Courtyard by Marriott Pleasanton	Full-Service Hotel	Upscale - Full	145	$89-$109	5059 Hopyard Road
The Rose Hotel	Full-Service Hotel	Boutique	34	$275-$305	807 Main Street
Extended Stay Deluxe Pleasanton	Extended Stay Hotel	Economy	112	$119-$135	4555 Chabot Drive
Hyatt House	Full-Service Hotel	Upscale - Limited	128	$109	4545 Chabot Drive
Larkspur Landing	Full-Service Hotel	Upscale - Limited	124	$93-$139	5535 Johnson Drive
Best Western Plus Pleasanton Inn	Limited-Service Hotel	Economy	100	$89-$114	5375 Owens Ct
Four Points by Sheraton	Full-Service Hotel	Upscale - Limited	214	$109-$134	5115 Hopyard Road
Sheraton	Full-Service Hotel	Upscale - Limited	170	$109-$134	5990 Stoneridge Mall Road
Total Rooms			**1,696**		

[1] ADR refers to Average Daily Rate

Pleasanton's hospitality revenues have been improving since 2010, reflective of broader economic growth trends (see **Figure 11**). Pleasanton has an established regional hotel cluster with hospitality receipts ranked as 3rd largest in the County among the 12 cities surveyed (see **Figure 12**). Pleasanton's hotels cater to various market orientations with business travel, partially attributed to Hacienda and Bernal business parks among others, appearing to be a significant driving factor. The majority of Pleasanton's hotels are clustered by the freeway interchange in proximity to Stoneridge Shopping Center and the BART station, as shown in **Figure 13**. Specifically, only The Rose Hotel is located in downtown.

The Rose Hotel's small-scale boutique nature distinguishes it from Pleasanton's corporate chain hotels as it caters to a market niche for guests seeking a more customized experience in a downtown setting. The average daily room rates at the Rose Hotel appear to be above the broader market average, largely attributed to the exclusive orientation of the Rose hotel as well as the relative growth in the boutique hospitality niche within the hospitality sector.[7]

[7] IBISWorld; for the purpose of this analysis, boutique hotel is defined as an upscale, unique, and smaller space with a unique focus (e.g. historic building design, local culture, technology).

Figure 11 Annual Hospitality Revenue in Pleasanton (1993-2014, $2015)

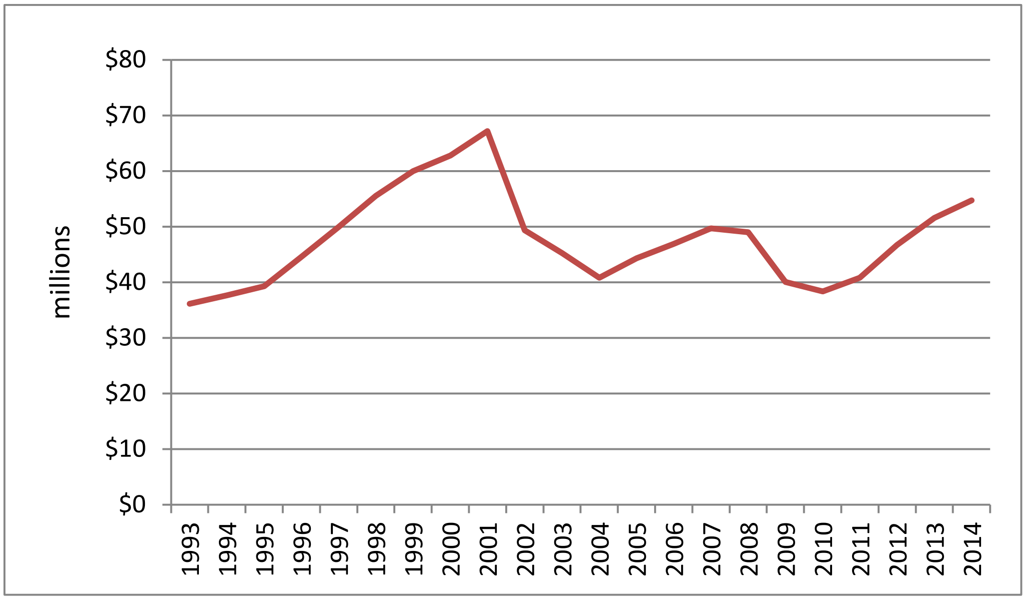


Figure 12 Annual Hospitality Revenue by Jurisdiction in Alameda County Cities (2014)

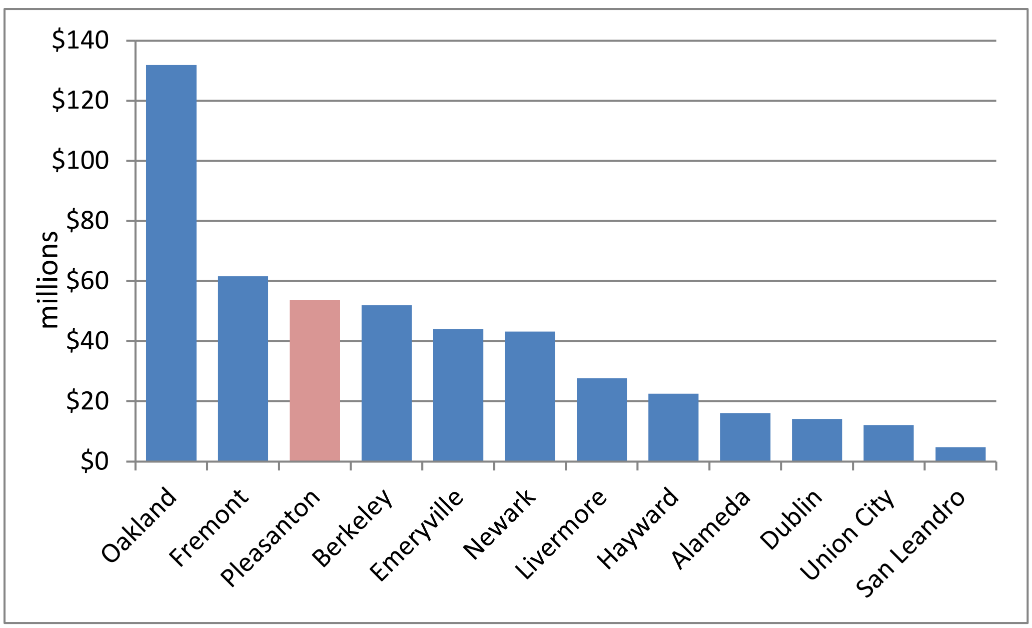
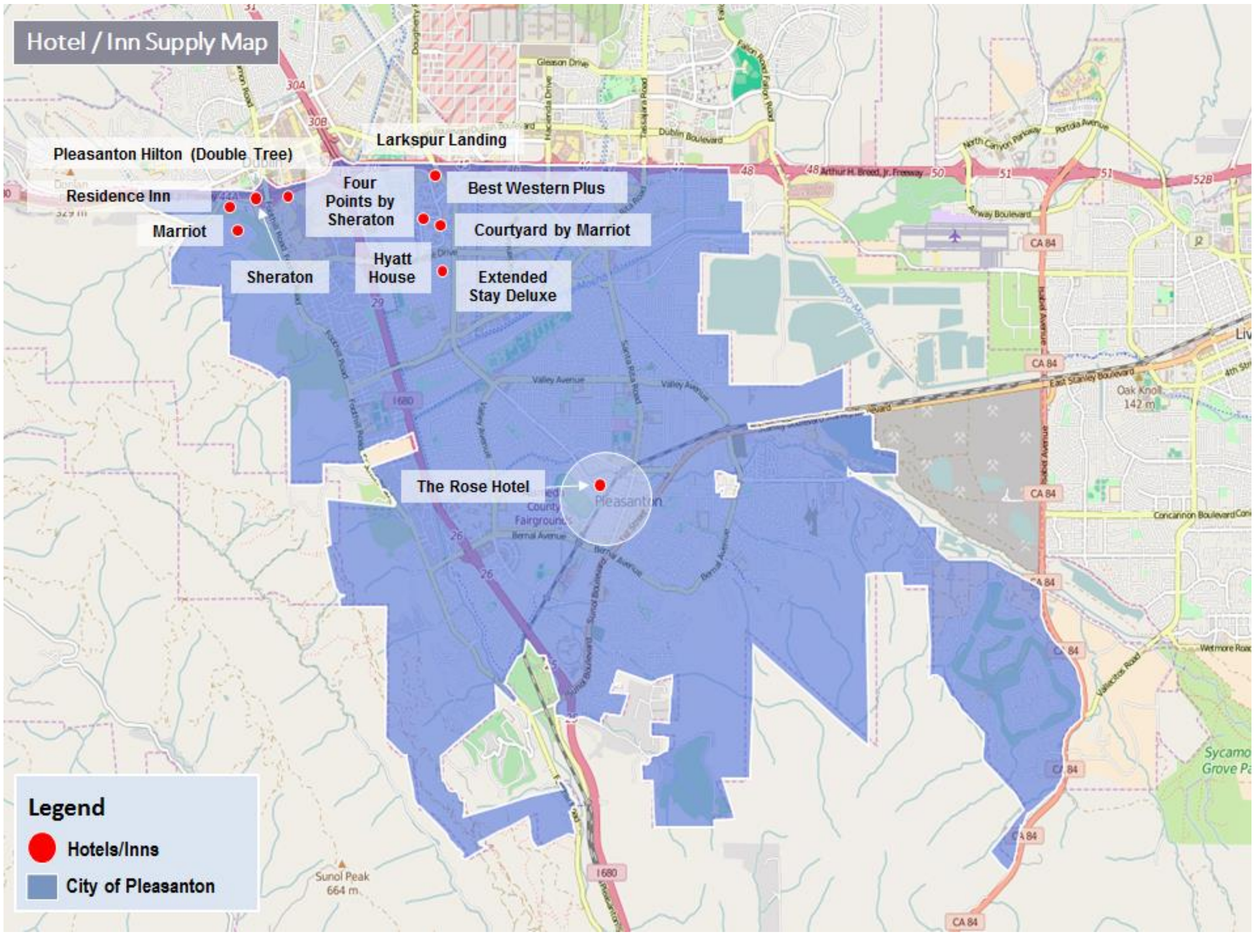


Figure 13 Hotel Supply Map



Retail, Entertainment, and Hotel Implications

Downtown Pleasanton Retail Implications

The Downtown's current orientation as an eating and drinking destination combined with boutique and "mom & pop" type tenants appears to be relatively successful, as indicated by above average occupancy and lease rates. These uses are generally synergistic and fit well with the smaller scale, pedestrian friendly "main-street" format that currently exists Downtown.

Constrained growth in the downtown retail sector has also created some level of unmet demand that could be captured within the Downtown Specific Plan area. Additionally, ground floor retail, largely in a mixed-use format, could provide urban design and unique "place-making" benefits for underused parcels. This type of retail is similar to what already exists in downtown and, if developed, could further diversify the existing downtown business cluster.

Strong competition for new retail in the Trade Area has resulted in substantial regional retail development along the Interstate 580 corridor. Given the Downtown's more interior location and lack of direct accessibility from the freeways, it is not optimally positioned to accommodate large-scale retail uses, such as those anchored by a big box tenant or department store.

Downtown Pleasanton Cinema Implications

Despite the potential benefits, a new cinema development is unlikely to be viable within the Downtown Pleasanton Specific Plan area without City financial support, if at all. High development costs and relatively low revenues often make new movie theaters "loss leaders" as real estate development projects in most locations. Cities often subsidize these projects with free land and parking (a key success factor) to stimulate foot traffic and support of other retailers. However, market demand and supply dynamics within the Trade Area suggests an oversaturation of screens.

Downtown Pleasanton Hotel Implications

Downtown Pleasanton is located outside of the existing hospitality cluster where issues associated with accessibility, parking infrastructure, and site size are likely to limit corporate chain interest in the site for large-scale hospitality use. In most cases, hotel operators will seek to develop a minimum of 150 hotel rooms, following a standard of roughly one parking space per room in suburban settings. It is possible however, that another boutique hotel could be potentially supported within the Downtown Specific Plan area. Pleasanton's average ADR range of between $90 and $200 is below the broader Bay Area average, suggesting the relative weakness in the hospitality market compared to more established tourism-oriented locations.

5. *Office Market*

This chapter evaluates local and regional market conditions for office uses in order to inform the type and level of development that might be successfully integrated into the Downtown Specific Plan. Like retail, office development is typically driven by regional market dynamics. For this reason, the market area for office development includes Pleasanton, Dublin, Livermore and San Ramon.

Regional Office Market

With over 11 million square feet of office space, Pleasanton's office market is well positioned regionally, given its accessibility by a large pool of workers via the interstate system and public transit (e.g. BART and ACE).

Pleasanton and its corresponding office market Trade Area have benefited from an educated labor force and strong local economic drivers that have led companies to seek opportunities outside of the established inner Bay Area urban centers. Much of the space was developed as master planned projects in the 1980s in the classic suburban office park format, with surface parking and building heights up to 5 stories. Many office clusters were developed in close proximity to I-580 and I-680, taking advantage of immediate freeway visibility, accessibility, and convenience for a high-skilled labor force along this corridor. A summary of key office markets in the Tri-Valley is provided in **Table 20** and **Figures 14** and **15.** The location of the region's existing office parks is displayed in **Figure 16.** The City of Livermore is not included in **Figure 16** because there are no existing office properties that qualify as "Office Parks" for this analysis (square footage greater than 300,000).

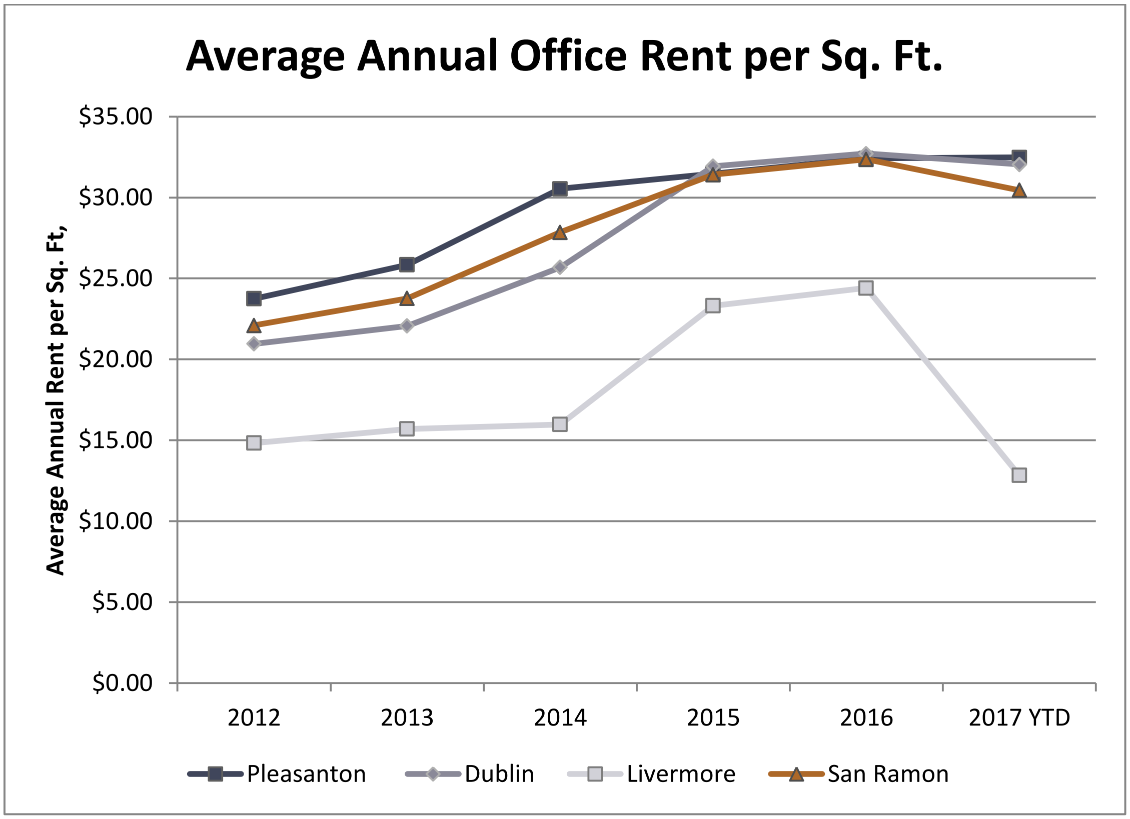
Table 20 Office Market Summary

City	2012	2013	2014	2015	2016	2017 YTD
Pleasanton						
Annual Rent (per sq. ft.)	$23.75	$25.84	$30.54	$31.47	$32.42	$32.48
Vacancy	15.10%	13.70%	12.20%	10.00%	8.70%	8.70%
Space Inventory (sq.ft.)	10,742,208	10,806,243	10,804,031	10,806,051	10,806,051	10,876,751
Dublin						
Annual Rent (per sq. ft.)	$20.96	$22.07	$25.69	$31.93	$32.71	$32.04
Vacancy	11.30%	12.60%	15.60%	8.40%	6.00%	6.10%
Space Inventory (sq.ft.)	2,570,141	2,570,141	2,570,141	2,570,141	2,570,141	2,570,141
Livermore						
Annual Rent (per sq. ft.)	$14.83	$15.70	$15.98	$23.31	$24.41	$12.84
Vacancy	14.10%	11.70%	9.50%	8.90%	9.20%	9.20%
Space Inventory (sq.ft.)	2,115,007	2,115,007	2,115,007	2,115,007	2,115,007	2,115,007
San Ramon						
Annual Rent (per sq. ft.)	$22.10	$23.77	$27.85	$31.41	$32.36	$30.45
Vacancy	14.10%	13.10%	12.30%	9.60%	8.20%	8.20%
Space Inventory (sq.ft.)	15,788,815	15,852,850	15,850,638	15,852,658	15,852,658	15,923,358

*Includes Class A, B, and C Office Space.
**Annual Retail rents are based on direct rents and do not consider any subletting.

The regional office market has been in a stable position as evidenced by the relative lack of inventory growth over the previous 5 years coupled with sub-optimal vacancy rates (over ten percent for the City of Pleasanton until 2016). Despite this, rents have been increasing and vacancies have been decreasing, suggesting strengthening of the office market during the current economic growth cycle. Currently Pleasanton's vacancy is the second highest in the Trade Area[8], trailing Livermore's vacancy rate by just 0.5 percent. This phenomenon is at least partially explained by the presence of several large quasi-obsolete office properties in Pleasanton that are difficult to re-tenant. Tri-Valley's office market has faced increased regional competition from the other Bay Area locations such as San Francisco, Oakland, and the Peninsula.

Figure 14 Office Rents and Historical Performance



[8] CoStar Commercial Real Estate Analytics

Figure 15 Office Vacancy Rates and Historical Performance

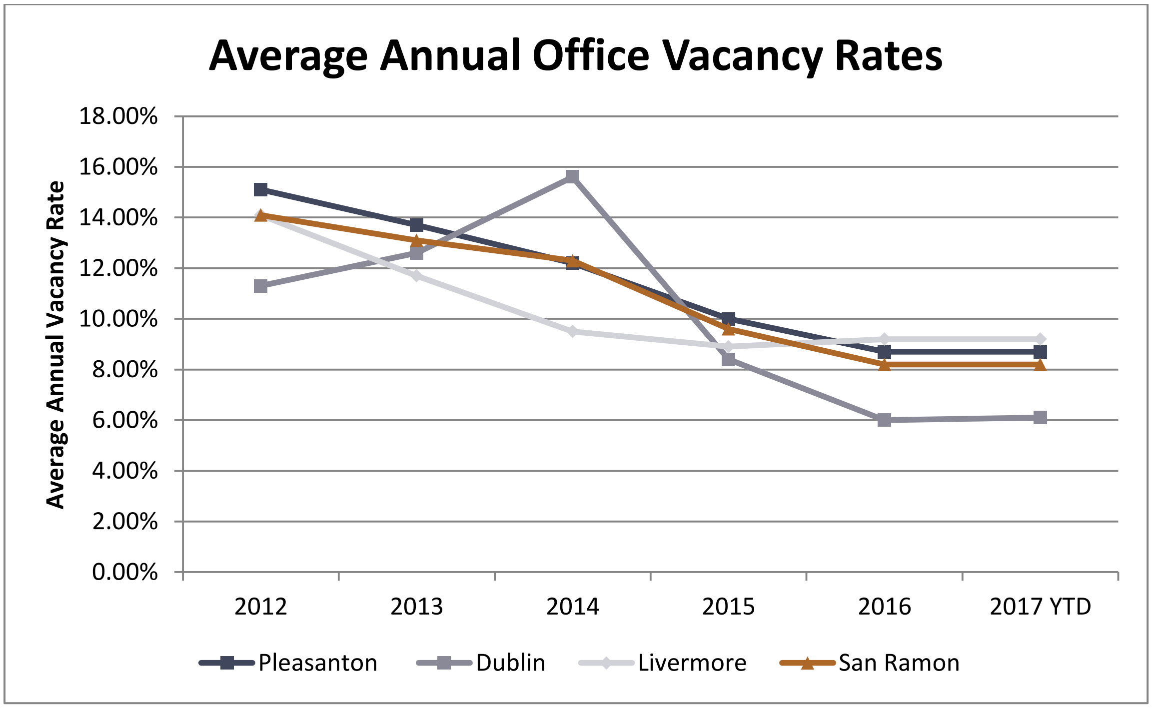
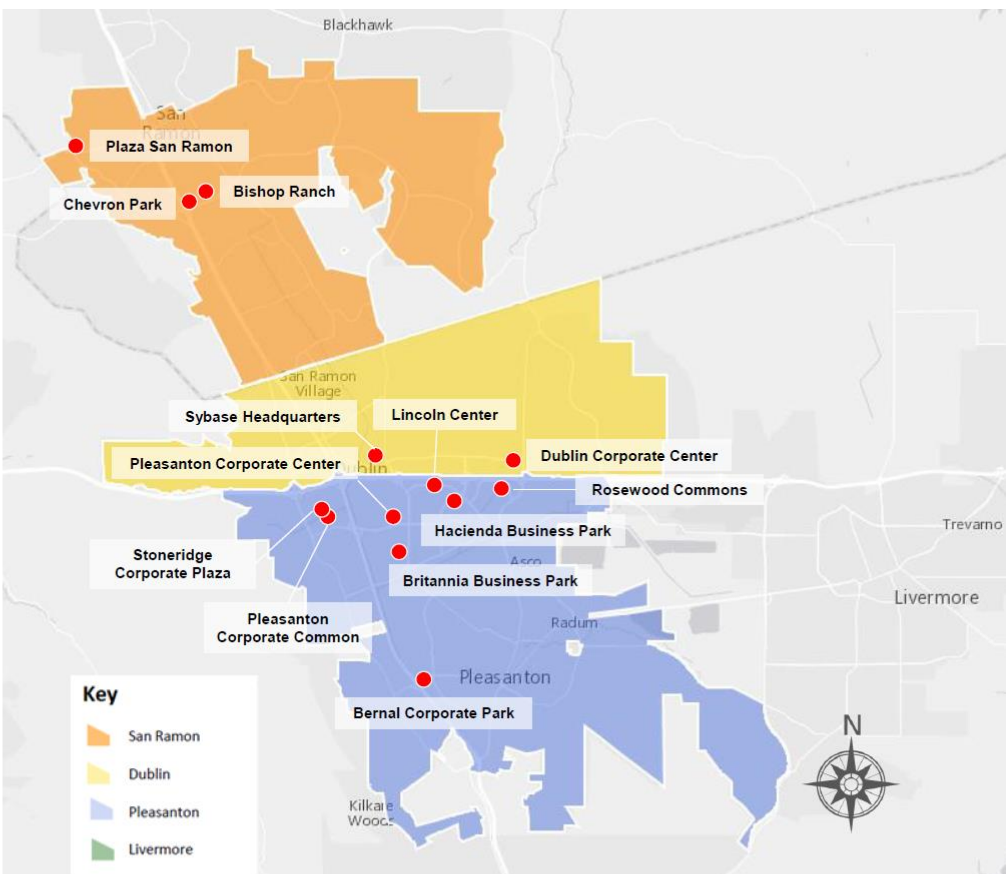


Figure 16 Regional Business Park Inventory



Local Office Market

Pleasanton is home to several large private corporations that are headquartered or have substantial office space within the City. As illustrated in **Figure 16**, the majority of these companies are located near the I-580 and I-680 interstate corridors in large suburban office parks. Among Pleasanton's largest employers are Kaiser Permanente, Safeway, Oracle, and Workday Incorporated, with a full list of the largest private employers provided in **Table 6.** Pleasanton has attracted large corporate tenants who are often looking for an alternative to the high-rent office market of the inner Bay Area and Silicon Valley.

The expansion of Workday Incorporated's Pleasanton headquarters stands out as the most notable upcoming office development in the City. Workday Inc. is constructing a new 6-story, 410,000 square foot office complex that serves as the company's global headquarters and features a new parking garage as well as new access points to both the Stoneridge Shopping Center and the Pleasanton BART station.

Downtown Pleasanton Office Market

Local downtown Pleasanton office market trends provide important implications for potential market support for new office space within the Downtown Specific Plan area. Pleasanton's downtown office market is characterized by smaller-scale office formats that tend to house local-serving professional service firms such as attorneys, banks, insurance, design, and real estate offices. Historically, the downtown office submarket has been less volatile to market changes than citywide office space. This is likely due to the limited supply of downtown office space and the small-scale composition of tenants. **Table 21** compares the historical performance of Pleasanton's citywide office market with that of downtown submarket.

Table 21 Historical Office Performance, Pleasanton Downtown vs. Citywide

City	2012	2013	2014	2015	2016	2017 YTD
Pleasanton Citywide						
Annual Rent (per sq. ft.)	$23.75	$25.84	$30.54	$31.47	$32.42	$32.48
Vacancy	15.10%	13.70%	12.20%	10.00%	8.70%	8.70%
Space Inventory (sq.ft.)	10,742,208	10,806,243	10,804,031	10,806,051	10,806,051	10,876,751
Pleasanton Downtown						
Annual Rent (per sq. ft.)	$20.49	$21.04	$26.30	$22.95	$23.08	$19.27
Vacancy	6.6%	6.3%	7.8%	7.5%	4.5%	4.4%
Space Inventory (sq.ft.)	442,522	442,522	440,310	442,330	442,330	442,330

**Annual Retail rents are based on direct rents and do not consider any subleting.

Average annual office rental rates in downtown Pleasanton are significantly lower than those seen in other parts of the city. This is at least partially attributable to a lack of Class A office space in the downtown inventory but is also indicative of market trends. Due to smaller existing footprints in the downtown area, large-scale commercial office space that often houses high-rent tenants has historically not been developed in Pleasanton's downtown. **Figures 17** and **18** illustrate the historical performance of Pleasanton's citywide office market compared with that of the downtown submarket.

Figure 17 Historic Pleasanton Office Rents, Citywide vs. Downtown

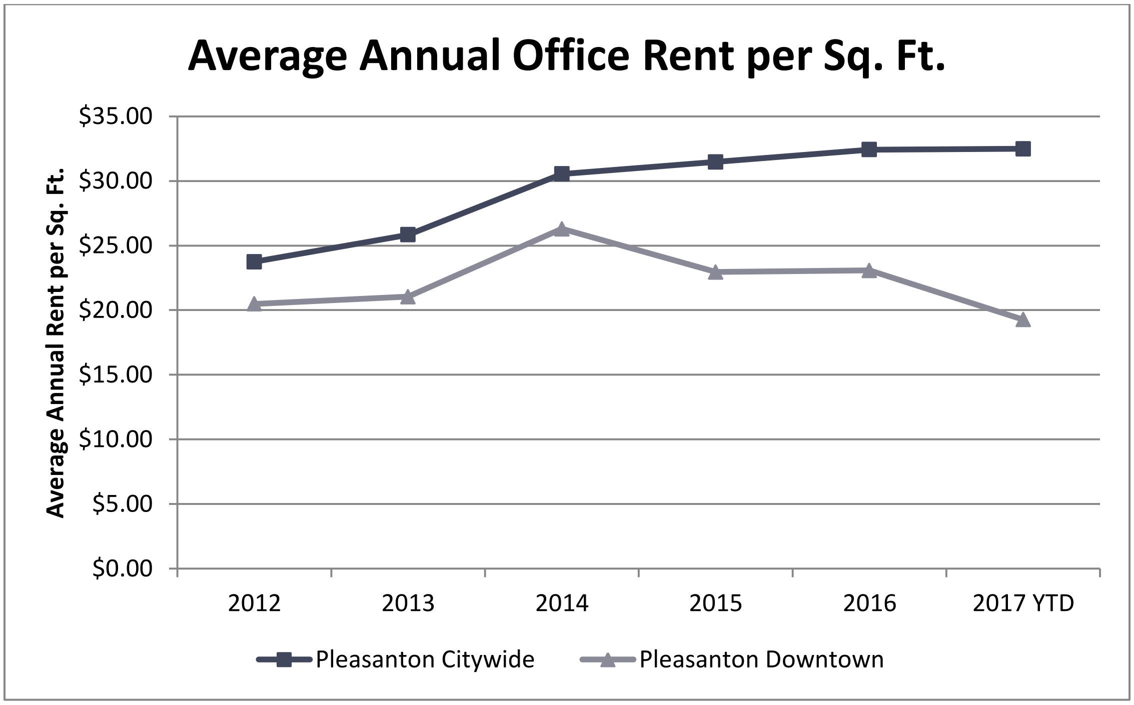
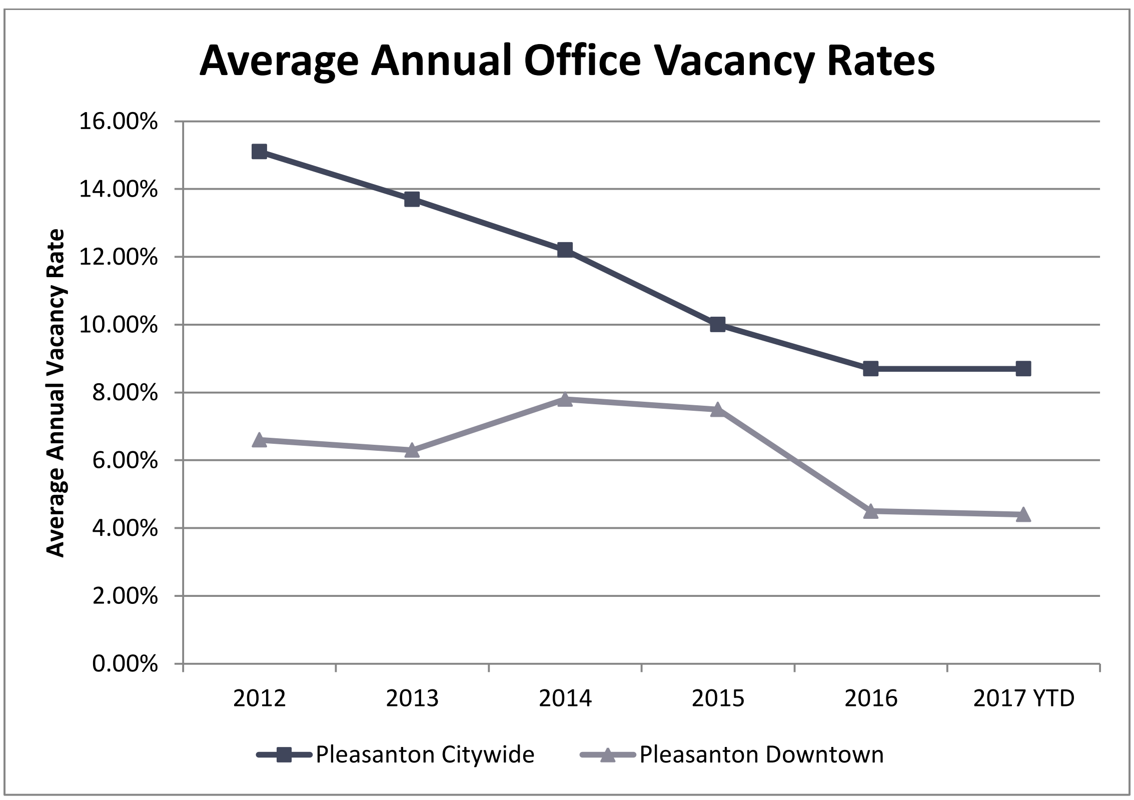


Figure 18 Historic Pleasanton Office Vacancy Rates, Citywide vs. Downtown



Downtown Pleasanton Office Implications

Office development, like retail, relies heavily on location and tends to cluster around enhanced visibility and accessibility areas, which are predominantly located around the interstate corridors and existing BART station. Relatively limited inventory growth and current citywide vacancy rates above eight percent indicate that the development of a conventional large-scale office park in the Downtown Specific Plan area would be challenging in the short-term. Additionally, the site's physical characteristics, including the relative distance from the interstate corridors and the Pleasanton BART station may discourage conventional office formats.

Despite a challenge associated with traditional suburban-oriented office product in the Downtown Specific Plan area, a developer could leverage the unique characteristics of this location to market a niche office orientation focusing on small-scale feel, proximity to retail and restaurants, and linkage to ACE Train. The ACE Train's growing ridership[9] provides an opportunity to connect to workers in both the South Bay and the Central Valley regions.

[9] According to data from the California State Controller's Office, annual ACE train ridership has increased from 640,594 during Fiscal Year 2004-05 to 1,713,664 during Fiscal Year 2013-14 and ACE plans to add trips through Pleasanton in the future.