

Economic Development Strategic Plan



for the

Urban Unincorporated Areas of Alameda County

prepared by

**The Economic Development
Strategic Plan Committee**

with the assistance of

Conley Consulting Group

Metrovation Brokerage

Economic Competitiveness Group

Field Paoli Architects

Acknowledgements

The content of this Economic Development Plan was guided by members of the Technical Advisory Committee representing the Alameda County Unincorporated Area business community and the Redevelopment Citizens Advisory Committees, who include:

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Schedule of Meetings

January 20, 2006 - Project Kickoff
February 15, 2006 - Economic Context / Visioning Session*
March 15, 2006 - Retail Context Overview*
May 17, 2006 - Retail Opportunity Analysis
July 19, 2006 - Grant Avenue Industrial Area / Business Services Strategies*
August 30, 2006 - Grant Avenue Business Meeting
October 9, 2006 - Draft Economic Strategic Plan Key Elements*
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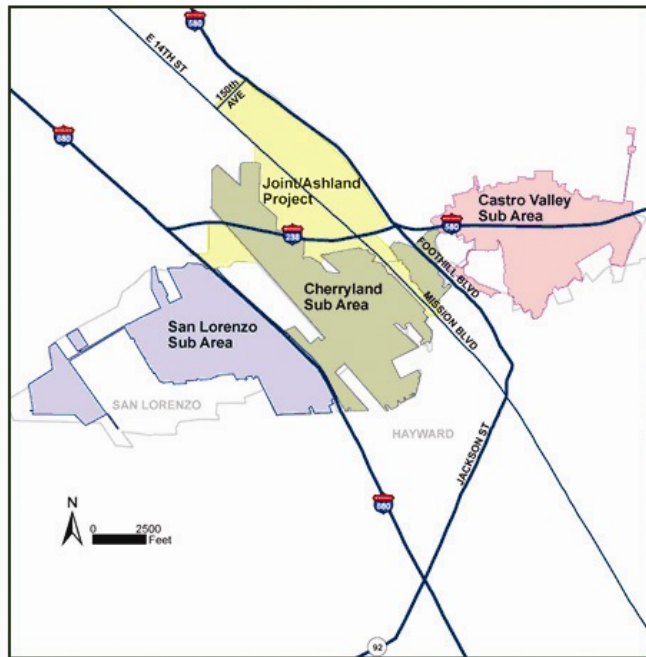
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INTRODUCTION

This report presents the Economic Development Plan for the urban unincorporated areas of Alameda County: Ashland, Castro Valley, Cherryland, and San Lorenzo. In the text of this study and plan, these four areas are referred to generally as “the unincorporated areas” and collectively as the Study Area.

This Strategic Plan effort began in 2005, when the County, at the behest of the communities involved, hired a team of consultants headed by Conley Consulting Group to advise in the process and help formulate a Plan in conjunction with a committee of representing residents and business owners, referred to in this report as the Economic Strategic Plan Committee (the Committee).



Report Organization

The plan is organized as follows:

- The **Executive Summary** provides an overview of the strategic planning process, key findings, and important strategy recommendations.
- **Section I** summarizes the key local economic conditions which provide a context for this Economic Development Plan.
- **Section II** addresses specific opportunities for retail growth and implementation.
- **Section III** addresses specific opportunities for industrial growth and implementation.
- **Section IV** describes recommended goals, objectives, strategies, and tactics that constitute the Economic Development Plan.
- **Section V** describes the work plan and summarizes the priority actions and next steps in implementing the recommended strategies.

Executive Summary

The Economic Development Plan Committee is pleased to present this Economic Development Plan for the urban unincorporated areas of Alameda County within the jurisdiction of the Redevelopment Agency: Ashland, Castro Valley, Cherryland, and San Lorenzo.

I. The Economic Development Plan Process

This plan, created through the input of representatives from the four communities, is meant to guide the future economic development process and document the primary vision, goals, and objectives of the community. The consultant team, in cooperation with the Redevelopment Agency, held a total of seven public meetings in 2006 to provide a context for the strategic plan process and to seek advice and input from committee members. The committee was comprised of local business owners, and key leaders within the Study Area. Input was also gathered from other business owners and operators located within the commercial districts of the community including the Grant Avenue industrial area.

Given the Study Area is inextricably linked to the surrounding areas economically, an analysis of the existing regional trends that are affecting the economy of the Study Area was undertaken. This provided the opportunity to put the Study Area in its broader economic context, and set the stage for the development of the Economic Development Plan's goals, objectives and implementation strategies.

Economic Development tools can address many issues that face a community. Areas of focus for use of the County's economic development resources can range from:

- Improving the local-serving retail and service functions of local businesses
- Seeking to retain and attract companies that could offer employment opportunities to Area residents
- Creating a more pro-active role in providing job training and job placement services to Area residents.

This list of issues is obviously not exhaustive. The facts and trends in this report raise a number of issues that can be considered at various phases during the evolution of an Economic Development Plan. Although a consensus articulated throughout the process identified improvement of the local-serving retail and service functions of local businesses as a top priority, the consultant team described Economic Development as an evolutionary process where priorities can change over time and resources can be reallocated depending on the opportunities at hand and the status of the current economic conditions.

II. Study Area Findings

The Community:

Regarding household income, residents in Alameda County make less, on average, than the typical Bay Area resident. For the four areas examined in this report (Ashland, Castro Valley, Cherryland, and San Lorenzo) median household incomes vary. Household incomes in the sub-areas of San Lorenzo and Castro Valley are either at or slightly above the Alameda County median (87% of the Bay Area median), and those in Ashland and Cherryland are somewhat below (at 66% and 63% of the Bay Area median, respectively). Home ownership and tenure patterns in the Study Area tend to reveal a pattern consistent with incomes, with both Castro Valley and San Lorenzo residents much more likely than those in the Bay Area or the rest of the county to own the home they occupy, and Ashland and Cherryland residents more likely to rent their home.

The East Bay, and Alameda County in particular, which provides most of the jobs held by residents of the Study Area, has a healthy business climate and a vibrant job market. The business base of the Study Area is small but in proportion to its residential base. Its business community is comprised of small, service-oriented firms in business, personal, medical, and professional services as well as retail. Most of the Area's services are oriented toward the local market. Nevertheless, the four communities all share an extremely strategic location in the Bay Area, equidistant to a number of vibrant job centers and markets. As such, they offer many advantages to both residents and businesses.

Opportunities and Constraints:

A. Retail

Demographic and expenditure potential analysis suggest that Study Area residents are able to spend more at retail outlets in the local area than they already do. Compared to the rest of the County and nearby cities with strong retail, the Study Area has a similar or slightly higher average number of residents aged 25 to 54, which is a key buying demographic. Also higher than average Latino populations in Ashland and Cherryland, suggest the viability of new Latino-focused retail in these sub-areas.

The four unincorporated areas have slightly lower percentages of residents with at least a bachelor's degree than other Bay Area cities used for comparison, and this may be a limitation in attracting certain national retailers whose market strategy focuses on highly educated buyers. It must also be noted, however, that existing competitive retail in Emeryville, San Leandro, Oakland, Fremont, Hayward, and Union City, as well as the relative unavailability of large retail opportunity sites with adequate access, parking, and visibility, could limit the potential for large-scale, regional-serving retail development in the Study Area. Altering existing shopping patterns (particularly in categories such as General Merchandise and Apparel) may require the attraction of large anchor tenants who will not find many sites of adequate size and configuration within the Study Area. However, the consultant team identified several sites in the unincorporated area with near-term retail development potential.

B. Industrial

Local residents have expressed a desire to see change in the Grant Avenue Industrial Area which would decrease the amount and impact of truck traffic through the adjacent residential neighborhood. While certain light-industrial uses and a leveraging of the rail lines might decrease some of the need for truck transport to and from the area, the possibility for wholesale change to the area is not a near-term one. The Grant Avenue Industrial Area, which constitutes the main locus of industrially zoned land in the Study Area, has maintained relatively low vacancy rates in recent years, and little turnover has been seen to take place among the parcels. It is also unlikely that a shift in uses would result in an overall decrease in traffic as less traditionally industrial uses will likely have higher numbers of employees and/or greater customer car traffic to the area.

Given limited freeway access and other locational characteristics of the Grant Avenue Industrial Area, a shift to office, retail, or R&D uses is unlikely. The proximity of the Oro Loma Wastewater Treatment facility makes residential development unlikely as well (with existing industrial uses providing a geographical buffer to existing residents at the eastern end of the avenue).

Regional growth trends and global economic context suggest that several other sectors could represent opportunities for Grant Avenue growth: Pharmaceutical and Medical Manufacturing; Waste Management and Remediation Services (per General Plan guidelines for Light Industrial uses); Health Education; and Business Professional Services. All of these should be considered target industries for future tenanting within the industrial areas of Alameda County. Several alternative opportunities exist for changing the face of Grant Avenue while maintaining its industrial focus. They include leveraging its proximity to rail lines in order to bring in new business related to the Port of Oakland or recruiting smaller, “boutique” industrial uses owned by high-end small businesses (such as Too Good Gourmet and D&D Cycles) that would pay a premium for a Bay Area location.

III. The Primary Vision, Goals, and Objectives of the Community

The outgrowth of the Study Process resulted in the following vision and prioritized goals and objectives for the urban unincorporated area’s Economic Strategic Development Plan. The initial Implementation Strategies that correlate with these goals and objectives are further outlined in the body of this document.

Vision:

Through economic development, the community wishes to achieve a higher quality of life in the unincorporated areas by creating a stronger, more diversified, prosperous, and vital economy which is better linked to the region and that provides services, jobs and opportunity for residents.

Goals:

- Goal #1 Pursue local and regional economic development to further the unincorporated areas' vision for the future.
- Goal #2 Through economic development, provide business retention, expansion, and attraction opportunities.
- Goal #3 Improve the quality of the built and natural environment, thereby strengthening quality of life for area residents.

Objectives:

- A. Establish economic development in the unincorporated areas as a priority for the community and a vital function throughout County government.
- B. Improve the physical appearance and functionality of the commercial corridors and utilize the natural environment and existing institutions to the economic benefit of the community
- C. Grow the existing business base to create quality jobs and greater fiscal stability for the unincorporated areas
- D. Sustain and grow the tax base of the unincorporated areas to provide for long-term fiscal viability
- E. Support attraction and expansion of businesses that serve area residents
- F. Support attraction and expansion of businesses that bring regional patronage to the unincorporated areas

Section I. CONTEXT FOR ECONOMIC DEVELOPMENT IN THE UNINCORPORATED AREAS

In response to further requests by community members and the Board of Supervisors, the Redevelopment Agency proposed in mid-2005 to embark on an Economic Development Plan effort for the Joint and Eden Redevelopment Project Areas. The goal of the Economic Development Plan was to develop a strategy and implementation plan that were consistent with the vision and economic development goals of the community, specifically the four sub-areas Ashland, Cherryland, Castro Valley, and San Lorenzo. After a Request for Proposals process, the Conley Consulting Group Team—including Metrovation Brokerage, the Economic Competitiveness Group (ECG) and Field Paoli Architects—was selected for the effort, and began research and coordination with staff in late 2005.

In January 2006, residents and business owners representing each of the four sub-areas were asked to participate in a committee in order to provide input to the Economic Development Plan.

This section summarizes the findings of a series of briefing papers prepared by the consultant team on different aspects of the economy in the unincorporated areas. In total, these briefing papers provided the context for the Committee deliberations which shaped the Economic Development Plan.

A. Economic History and Business Base

The Study Area began as a largely agricultural community in the mid-19th Century, with some recreational facilities and hotels to accommodate visitors. In addition to dairy and fruit farms in the area, Castro Valley became home to a large number of small chicken farms, eventually becoming a regional center. Some commercial nodes in the area came about along the extended corridor of former U.S. Highway 50,

or the Lincoln Highway, from Sacramento through Stockton to Oakland, which was realigned in 1927 to follow the route of Interstate 80 from Sacramento. During and after World War II, developers built many of the homes that still stand today in the Study Area, such as those in San Lorenzo, which were built as a planned community around a central village square.

With much of the area having taken shape as bedroom communities for those employed elsewhere in the Bay Area, the business base in the Study Area has evolved into a largely service-based one, with nearly half of the businesses providing local-serving retail (20%), personal and medical services (16%), and maintenance & repair services (10%). An additional 36% of businesses provide business and professional services, likely serving both those within and outside of the community and thereby drawing wealth to the area. The majority of the total number of businesses in the Study Area are in Castro Valley (63%), with another 33% split between San Lorenzo and Ashland, and the remaining 4% in Cherryland. According to Dun & Bradstreet, the vast majority of the business base in the year 2000 (77%) consisted of firms employing five or fewer employees.

The sole industrial center in the area is the Grant Avenue Industrial Area, which consists primarily of warehouse and distribution facilities, in addition to the Oro Loma Wastewater Treatment Plant.

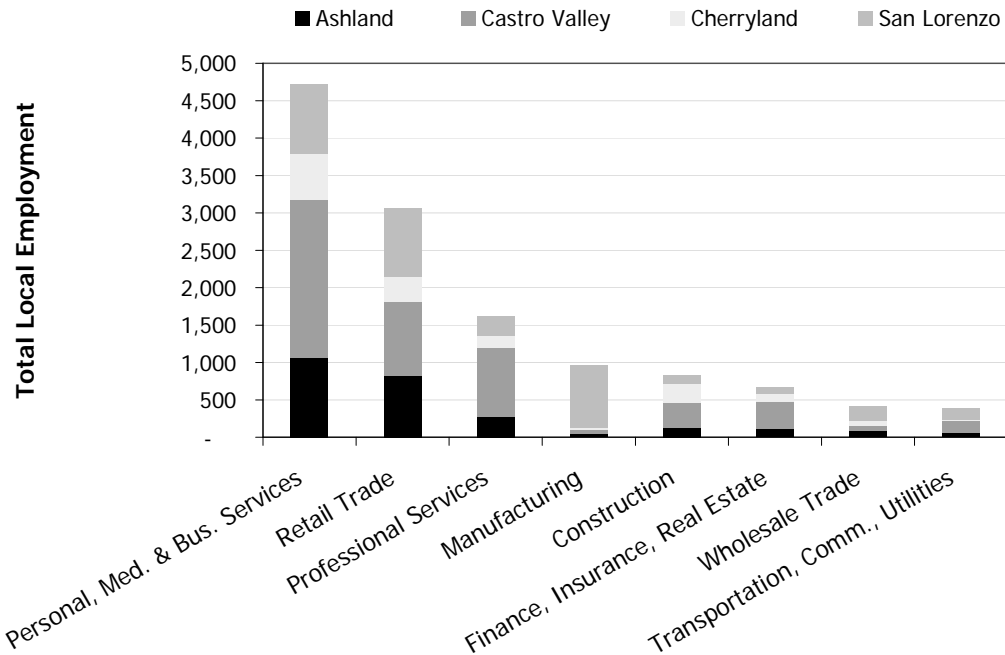
Retail in the Study Area, which began with auto-related uses along the then Highway 50, has grown to include small shops and convenience retail (grocery, drug, general merchandise) located primarily on the commercial corridors of Mission Boulevard, East 14th Street, Castro Valley Boulevard, and Hesperian Boulevard.

B. Recent Trends

1. Employment and Industry Trends

With a greater diversification of employment across sectors and less of a presence of high technology industries than in Silicon Valley, the Oakland Metropolitan economy (which includes the Study Area) avoided the extreme levels of job loss experienced in San Francisco and San Jose after the dot-com bust of 2000/01. Figure 1 below shows the breakdown of local employment by firm type and by sub-area.

FIGURE 1: LOCAL EMPLOYMENT BY FIRM TYPE AND SUB-AREA



Source: ECG, CCG, Dun & Bradstreet, 2000

The distribution of employment by industry is consistent with overall distribution of firms by industry in that slightly more than a third (37%) of regional employment is in personal, medical, and business services, and another quarter (24%) is in retail. One eighth of the region's employees work in professional service jobs including legal, engineering, and management services.

The national trend of out-sourcing jobs overseas, particularly in functions that have long represented the mainstay of the East Bay economy such as mass production (manufacturing), back-office functions (transactional and processing), and operation and production enhancement in maturing industries, has caused a continuing erosion of these activities in the Study Area, and continuing downward pressure on area wages paid by these activities.

Alameda County's most important industries, namely Trade, Transportation and Utilities, Retail, and Health Care, tend to offer lower wages those industries found more highly concentrated elsewhere in the Bay Area. Employment in Alameda County is also concentrated in industries that are projected to grow slower than the average California industry.

Due to the housing boom in the past four years, much of the recovery in the East Bay region's economy has been fueled by activity in the Construction, Real Estate and related Finance sectors. Since the housing market is already experiencing a slow-down and will likely continue to slow in the coming years, growth in these types of jobs may slow as well.

A strategic advantage for the Study Area and the larger East Bay economy is the projected growth in Trade and Transportation activities, with exports from California growing faster than exports from the U.S. as a whole.

2. Income and Housing

Incomes vary somewhat in the Study Area, with median household incomes in the sub-areas of San Lorenzo and Castro Valley either at or above the Alameda County median (87% of the Bay Area median), and those in Ashland and Cherryland somewhat below (at 66% and 63% of the Bay Area median, respectively). Poverty rates in Ashland and Cherryland are also of particular concern, with each approximately 1.5 times higher than the Bay Area median.

The high cost of living in the Bay Area is coupled with above-average wages and above-average housing prices. The median home price in Alameda County rose 17.4% in 2005, however the rate of appreciation appears to have slowed considerably between 2005 and 2006, both in the County and across California. The median price in the County rose only 4% overall between Q2 2005 and Q2 2006, from \$642,000 to \$667,000, which was below the Bay Area average median home appreciation of 7% for the same period.¹ While the housing market has cooled both locally and nationally, the chronic housing shortage in the Bay Area is sure to keep prices strong in the near future, with prices perhaps dropping

¹ Source: Prudential California, July 26, 2006.

slightly in the upper end of the market. ABAG predicts that two million new residents will be added to the Bay Area's population by 2030.

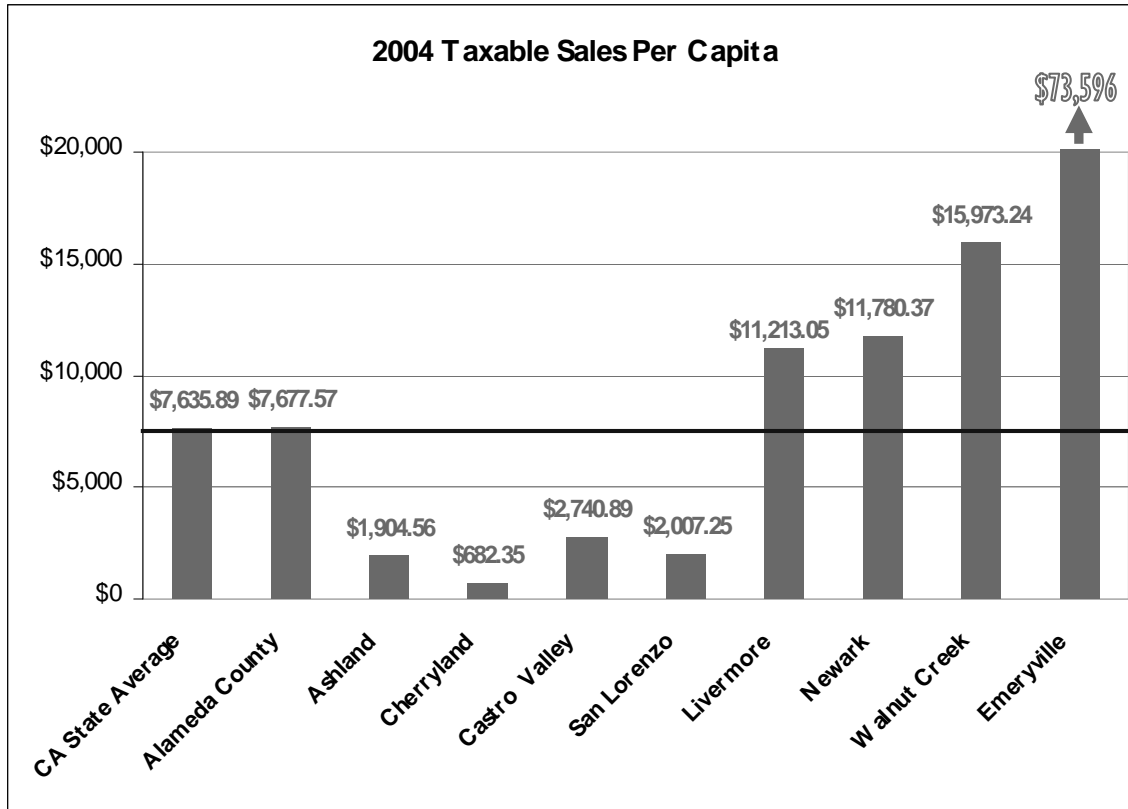
The housing stock in the Study Area tends to be slightly older and smaller than that in the rest of the Bay Area. While lots are typically small, they are close together, providing a close neighborhood experience but lacking in amenities typical of denser communities, such as greater access to retail, services, and public transportation.

Home ownership and tenure patterns in the Study Area tend to reveal a pattern consistent with incomes, with both Castro Valley and San Lorenzo residents much more likely than those in the Bay Area or the rest of the country to own the home they occupy, and Ashland and Cherryland residents more likely to rent their home.

3. Retail

In the post war era, when the unincorporated areas were newly developed, the Study Area included small neighborhoods dotted with grocery and convenience stores, and some comparison goods (apparel, home furniture, as well as specialty goods) stores. Much of the residents' daily needs at the time could be obtained from stores nearby their homes. As the formats of retail stores grew in size in a quest for efficiencies of scale, and customers came to prefer the superior selection and competitive pricing afforded in the larger stores, smaller retail outlets became less viable. Larger stores that required a bigger market or trade area from which to draw their customer support began to be developed in locations outside of the unincorporated areas, and the smaller retail centers in these communities languished from slow sales and lack of ongoing investment in physical and merchandising upgrading.

FIGURE 2: 2004 TAXABLE SALES PER CAPITA



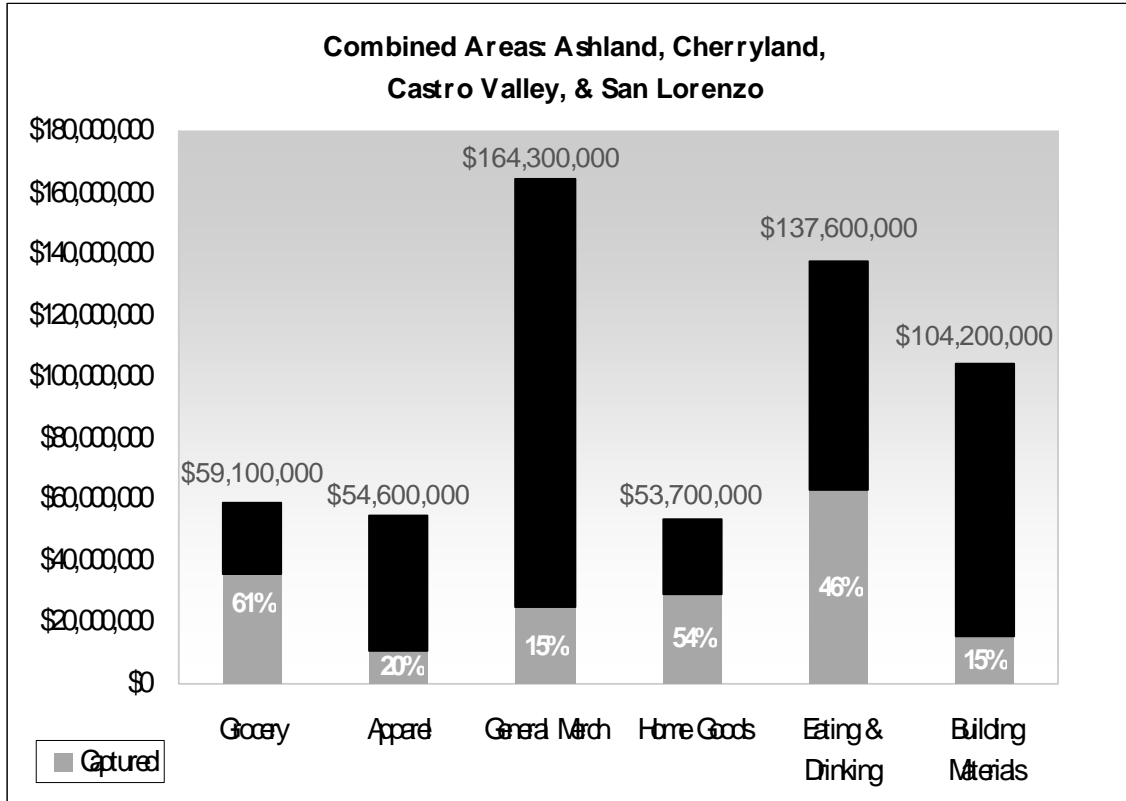
Source: CCG, Alameda County, CA State Board of Equalization, March 2006.

Today, Study Area residents typically travel outside of the unincorporated areas to meet most of their shopping needs. As a consequence, per capita retail spending in the local area tends to be far below the County or state average. Figure 2 shows non-auto-related per capita retail spending for the sub-areas as compared to the County, the state (shown at far left and in the bold line across the graph) and several nearby cities.

Retail stores in the Study Area tend to be smaller and local-serving, with a predominance of total retail sales in the Grocery and Eating & Drinking categories. Given the lack of breadth across retail types, capture of residents' retail expenditure potential is also considerably low. Approximately half of residents' expenditure potential is captured in the categories of Home Goods and Eating & Drinking, while the most successful category, which includes all food and grocery stores, captures only 61% of expenditure potential. Overall, only 31% of residents' expenditure potential is captured by area retailers. With a total estimated potential of \$575 million for the four sub-areas combined, this amounts to a total "leakage" of expenditures close to \$400 million.

Figure 3 on the following page shows the percent of potential expenditures captured in various categories of retail by retailers within the Study Area.

FIGURE 3: STUDY AREA EXPENDITURE POTENTIAL BY CATEGORY



Source: Conley Consulting Group, Alameda County, March 2006.

Area residents would like more goods and services located near where they live, and therefore retail development has become a prime concern for both residents and County government, which would also like to increase its sales tax base.

It must be noted, however, that existing competitive retail in Emeryville, San Leandro, Oakland, Fremont, Hayward, and Union City, as well as the relative unavailability of large retail opportunity sites with adequate access, parking, and visibility, will greatly limit the potential for large-scale, regional-serving retail development in the Study Area.

Demographic and expenditure potential analysis suggest that Study Area residents are able to spend more at retail outlets in the local area than they already do. Altering existing shopping patterns (particularly in categories such as General Merchandise and Apparel) may require the attraction of large anchor tenants who will not find many sites of adequate size and configuration within the Study Area. However, the consultant team identified several sites in the unincorporated area with near-term retail development potential.

4. Industrial

In the last fifteen years, there has been a shift away from traditional industrial uses toward “higher end” uses in communities throughout the Bay Area. These higher end uses range from R&D, Office, and Retail to Live-Work and Residential. The result is that it has become increasingly difficult and expensive for those activities that have traditionally occurred in industrial areas such as Warehouse and Distribution, and Manufacturing to continue to locate in much of the Bay Area. These market pressures are reflected in the low vacancy and stable rents in the East Bay industrial market over the past five years. Despite the shifts in the overall economy, Oakland and San Leandro have some of the lowest vacancy rates for manufacturing space in the East Bay, at 3.7% and 3.2%, respectively. Warehouse space vacancies were at 1.8% and 3.9%, respectively, in Q1 of 2006. In 2005, Grubb and Ellis reported that "despite the increase in vacancy, the East Bay remains one of the healthiest Industrial markets in the entire Bay Area, as demonstrated by the increase in asking rents across all product types."

The Grant Avenue Industrial Area, which constitutes the main locus of industrially zoned land in the Study Area, has maintained relatively low vacancy rates in recent years, and little turnover has been seen to take place among the parcels.

Section II. RETAIL OPPORTUNITIES AND IMPLEMENTATION PLAN

Retail Opportunities and Constraints

A variety of potential and existing retail sites exist in the unincorporated areas that represent either opportunities for private investment or potential priority sites for acquisition and disposition by the Agency. Many of these sites may be attractive to retailers in the near term and may represent opportunities for achieving some of the community's goals and objectives as discussed in this report.

Compared to the rest of the County and nearby cities with strong retail, the Study Area has a similar or slightly higher average number of residents aged 25 to 54, which is a key buying demographic. Castro Valley and San Lorenzo have slightly higher median incomes than the County average, and San Lorenzo has a higher than average percentage of homeowners. The four unincorporated areas have slightly lower percentages of residents with at least a bachelor's degree than other Bay Area cities used for comparison, and this may be a limitation in attracting certain national retailers whose market strategy focuses on highly educated buyers.

Higher than average Latino populations in Ashland and Cherryland suggest the viability of new Latino-focused retail in these sub-areas, and the high level of retail leakage seen in these sub-areas would suggest that this population is largely spending their retail dollars outside the area.

Pedestrian-oriented retail nodes such as 4th Street in Berkeley are typically difficult to develop outside of existing pedestrian-friendly downtowns, because of site assembly and coordination issues. It would be the purview of a single private

developer or group of investors with the funds to acquire a large group of properties to create such a node from scratch.

Few sites exist in the Study Area which will fulfill the access, parking, and visibility requirements of major national anchor tenants. The potential to attract large-scale retail development of the regional-serving variety, therefore, is severely limited by the unavailability of desirable sites for such development.

The "leakage" indicated in Figure 3, and the consultants' assumptions about which categories are most likely to be recaptured in the near-term, and given site availability, suggests that initial development or recruitment efforts should be focused in the categories of Eating & Drinking, Building Materials, Home Goods, and Grocery (with the latter suggesting the need for a stronger supermarket as well as more Latino-focused grocery outlets).

Change in perceptions and in local retail patronage can occur, however, through a series of smaller-scale developments that help to revitalize existing retail nodes in the unincorporated areas.

As a next step, the County will be identifying specific opportunity sites for retail development, both with a view toward urging private property owners to cooperate in the interests of economic development in the community, and toward focusing the Redevelopment Agency's attention on specific sites for future acquisition and redevelopment as they become available.

Strategies for development and retail recruitment for specific sites are included in the implementation plan, which is Section IV of this report.

Overview of Individual Sites

The previously completed Castro Valley Redevelopment Strategic Plan (2005) outlined a focused series of goals for enhancing, in particular, the downtown retail environment in Castro Valley. These goals included the creation of specific districts, or retail nodes, in which a more pedestrian-friendly retail experience could be created, as well as the aggregation of smaller retail development sites in order to create sites large enough for a feasible, modern retail development opportunity. The San Lorenzo Specific Plan process (2004) had previously outlined that the major efforts for retail redevelopment for the San Lorenzo community should focus on the 19 acres located along Hesperian Boulevard that include both the existing Albertson's shopping center on the east side of the boulevard and the currently vacant lot and buildings that front Hesperian Boulevard and border both sides of Paseo Grande

This Economic Development Plan includes similar recommendations, while also making specific recommendations of the types of programmatic initiatives the County can undertake to achieve greater retail amenities for the combined unincorporated areas.

The consultant team analyzed the four sub-areas with a view toward identifying current retail nodes. Retail nodes are the intersections or contiguous blocks that have the most retail activity. The team then examined the neighborhood of each retail node to determine that node's specific trade area. The trade area is the neighborhood or geographic area whose residents would most likely shop within each retail node.

Once the nodes and trade area were identified, standard retail criteria was employed to determine whether or not these nodes were relevant and sustainable in today's retail environment and adaptable to a future retail environment.

The consultant team identified the following criteria for selection of near-term opportunity sites which would be attractive to prospective retailers:

- Site characteristics including adequate frontage, parking, visibility, signage opportunity, ability to accommodate appropriate ingress and egress
- Adequate acreage for stand-alone retailer or small shopping center
- Quality of current retail supply in the vicinity
- Demand for a particular kind of retail in the immediate area

The consultant team then analyzed the demographics for each trade area. Each of the identified retail nodes were then examined, along with the parcel's access and visibility. Every node in each sub-area was reviewed for potential parking and ease of assemblage with adjoining parcels.

Multiple retail development opportunities were found in each sub-area, and the consultant provided a prioritized list based on marketplace reality and potential of development within a short timeframe (with the least amount of, or no subsidy from the County). Lastly, the consultant highlighted several sites that would most appeal to national or regional tenants because of various factors of location, size, adjacency, and configuration. Sites identified by the consultant will remain a focus of consideration by the Agency as future development plans and economic development strategies are finalized.

The following pages outline specific strategies for implementation of new retail on individual sites—including those sites that may be feasible for acquisition by the Agency, and sites that will remain under private ownership for which Agency-provided incentives may help bring about change.

Retail Implementation Strategy

1. Sites Acquired by the Agency

a) Acquisition

Some opportunity sites may be suitable for acquisition and development by the Agency, and others may be suitable for potential development by property owners. The Agency will need to determine the strategy for each site as they become available for redevelopment.

b) Architect/Site Planning

Once the sites are acquired, the Agency should identify and interview (perhaps in an RFP process) architects and site planners who specialize in retail and/or retail mixed-use projects with housing and/or office, to determine the feasibility for retail at the site and the best design and layout for each site.

The architects and site planners may provide the Agency with all the possible iterations of the site through rendered plans and drawings. Architects that have worked on retail and mixed-use projects will have the correct understanding of what a retailer may need in terms of the layout of the stores, access, and parking, as well as certain requirements that the County may have.

c) Permits & Zoning

The Agency may work with the appointed architect in the creation of a plan to be submitted to the County for approval and permits. As this process is often lengthy, it is important that this step is initiated as soon as steps a and b are underway.

d) Retail Consultant

The Agency should retain a retail broker as a consultant during the site planning phase, enabling the best retail site plan to be developed. The retail broker's insight and contribution of information regarding the site requirements of retailers is key at this stage of the project.

e) Marketing Plan

As soon as a site plan has been developed, the Agency (or broker) can market the project. Our recommendation is to hire a retail broker to represent the Agency. This could be done as a standard listing agreement or on a consulting basis. If the Agency chooses to market the property on their own we still recommend that a retail broker is retained as a consultant to keep the project focused. The broker would advise Staff during deal negotiations.

A well-designed marketing package should be created for each site in electronic format. Created digitally, these materials can be distributed more easily via email as an attached 'pdf' file.

The marketing package for each site should include:

- Site Description (size, physical description, location)
- Site Plan
- Aerial of site, identifying competition in trade area
- Map showing ingress and egress to site, and all turning lanes
- Demographic report, with 1-, 3-, and 5-mile radii
- Photographs of available space or rendering of proposed development
- Current traffic counts (from City)
- Zoning
- Asking Price and NNN costs

These materials can be used to present the available retail space to the retail brokerage community and to retailers. The Agency or entity that will be marketing the properties should be attending regional and national International Council of Shopping Centers (ICSC) events to develop and maintain a presence within the retail community. The development of relationships within the retail brokerage community will provide important keys to the success of each project. Materials can be presented as soon as they are available with some retailers (generally anchor and large tenants) able to make early commitments, and shop tenants closer to project completion.

2. Privately Owned Sites

In the case of sites that will remain in the hands of the current property owners everything must be done to encourage those owners to upgrade and improve their properties in a manner that will enhance the greater community. Every property

owner within the County should be aware of any funds or programs to assist them in leasing their available spaces to the highest and best uses.

These incentives may include:

- a) Agency funds available for façade improvement, signage or tenant improvements.
- b) Assistance/encouragement from the Agency in hiring a retail broker that will help them to upgrade their tenants and give them a greater return on their properties. Perhaps the Agency could hire on a retail consultant to talk with property owners and encourage them to upgrade their sites.
- c) A directory of architects, vendors and brokers compiled by the Agency, and made available to property owners.
- d) Assistance with the creation of quality marketing materials to better expose their projects to the greater market place.
- e) Coordination by the Agency of meetings between property owners and interested developers.

Section III. INDUSTRIAL & BUSINESS SERVICES OPPORTUNITIES & IMPLEMENTATION PLAN

Industrial Opportunities and Constraints

Local residents have expressed a desire to see change in the Grant Avenue Industrial Area which would decrease the amount and impact of truck traffic through the adjacent residential neighborhood. While certain light-industrial uses and a leveraging of the rail lines might decrease some of the need for truck transport to and from the area, the possibility for wholesale change to the area is not a near-term one. It is also unlikely that a shift in uses would result in an overall decrease in traffic as less traditionally industrial uses will likely have higher numbers of employees and/or greater customer car traffic to the area.

Given limited freeway access and other locational characteristics of the Grant Avenue Industrial Area, a shift to office, retail, or R&D uses is unlikely. The proximity of the Oro Loma Wastewater Treatment facility makes residential development unlikely as well (with existing industrial uses providing a geographical buffer to existing residents at the eastern end of the avenue).

Food Processing, a sector which is already represented in the Grant Avenue Industrial Area, is projected to remain a component of the East Bay economy, with larger national business contractions offset by the growth of regional specialty firms. Regional growth trends and global economic

context suggest that several other sectors could represent opportunities for Grant Avenue growth: Pharmaceutical and Medical Manufacturing; Waste Management and Remediation Services (per General Plan guidelines for Light Industrial uses); Health Education; and Business Professional Services. All of these should be considered target industries for future tenancing within the industrial areas of Alameda County.

Several alternative opportunities exist for changing the face of Grant Avenue while maintaining its industrial focus. They include leveraging its proximity to rail lines in order to bring in new business related to the Port of Oakland; recruiting smaller, “boutique” industrial uses owned by high-end small businesses (such as Too Good Gourmet and D&D Cycles) that would pay a premium for a Bay Area location; create a workforce development campus to provide job training to area residents to assist in raising both the skill and income levels of these residents.

Lastly, suggestions for minimizing the negative impacts of Grant Avenue on surrounding residential areas include streetscape improvements such as landscaping, and sound walls to dampen noise from passing truck traffic. Options to create alternative means of freeway access to Grant Avenue have been discussed, but to date no viable alternative has been proposed.

A. Grant Avenue Propensity to Change

Because no large sites suitable for industrial development currently exist in the unincorporated areas outside of Grant Avenue in San Lorenzo, any strategy for future business recruitment or alternative tenanting should focus on Grant Avenue. The low vacancy rate in the Grant Avenue Industrial Area indicates relatively strong demand for industrial land in the study area, and as part of the Economic Development Plan the consultant team has formulated recommendations for future industrial recruitment and development in the Grant Avenue Industrial Area.

1. Research and Development (R&D) Development

There are many kinds of R&D with differing needs and cycles of evolution. Some sectors, like Multimedia, will quickly evolve to the point where they resemble office uses. Others, like Biotech, have a long development phase that requires expensive processing and lab facilities that resemble manufacturing uses in their space needs. R&D typically requires buildings that can accommodate a mix of office, manufacturing and assembly space. Buildings are usually no more than two stories, windows on at least three sides of the building, not all require extended ceilings heights, but most do require some manufacturing and assembly space, and require parking similar to offices at a ratio of 3.2 - 4 spaces per 1,000 SF or greater.

2. Office Development

There are three classes of office space. These include: Class A offices, which are made of steel and concrete construction, built after 1980, and house high-end tenants able to pay premium rents and requiring excellent amenities; Class B office buildings, which were built after 1960, with fair to good

finishes and housing a wide range of more cost-conscious tenants; and Class C or suburban garden office buildings, categories which comprise the remainder of extant office space. Office uses typically require 3.5 to 4 parking spaces per 1,000 SF of building space and 250 SF per employee.

3. Grant Avenue R&D and Office Development Potential

The Grant Avenue Industrial Area's locational characteristics are very difficult to overcome. Poor access to the highway system is the primary challenge, and building new connectors to the highways would be extremely expensive. Secondly, the area now lacks the kind of business and employee amenities necessary to attract R&D and office uses.

Also, the current surplus of R&D space in desirable Silicon Valley locations make it unlikely that new locations such as Grant Avenue will become viable in the near term. As a result, it is a recommendation of this strategic plan that the County focus on growth sectors for long-term industrial recruitment opportunities and potential alternative uses on Grant Avenue—these opportunities being guideposts should existing uses close or decide to relocate.

B. Regional Economic Growth Trends

The Bay Area is one of the country's biggest exporting regions and the Port of Oakland is the 4th largest container port in the United States and 20th largest in the world. In 2005 the Port began major expansion of its capacity. The Port of Oakland projects that international cargo moving through U.S. ports is expected to double by 2020 if not sooner, with exports from California growing faster than exports from the U.S. as a whole.

Looking at trends within the manufacturing sector from 1990 to 2004 one can see that industries have changed the way they do production (see Attachment B) with the older industries having an overall decrease in the average number of employees per company. As noted in the Economic Context Study (11/05) the cost of living in the Bay Area impacts the cost of business: Companies are looking globally to meet competitive production costs and considering less costly locations.

Both Hayward and San Leandro have ongoing strategies to transform and strengthen a portion of their industrial areas. If Grant Avenue is a major economic development priority for the County, a working relationship with the neighboring efforts may be the best strategy for leveraging the County's resources.

The American economy is increasingly subject to global competition. Identifying the specific portions of the global production chain that can be done most efficiently and effectively locally is a major key to understanding economic opportunities domestically.

Some examples of opportunities for economic growth are shown below:

1. Food Processing

Conversations with suppliers and analysts in the food processing industry say that while the industry is shifting the nature of manufacturing and distribution activities, food processing will continue in the Bay Area. According to those sources there will be a shift to "cold packing", with national/international corporations contracting with local businesses for local production and distribution, and as older companies withdraw local manufacturers of high-end goods for the regional market will take their place. Energy and waste

management costs are two significant contributors to the cost of doing business for food processors.

2. Pharmaceutical & Medical Manufacturing

An emerging sector with potential for local growth is Pharmaceutical & Medical Manufacturing. This is the outcome of biotech research and development. Over the past decade, Alameda County has added one Pharmaceutical and Medical Manufacturing company a year to its business base.

	1990	1995	2000	2004
Total Businesses	15	16	21	26
Total Jobs	1,444	1,301	2,322	2,629
Average Weekly Wages	\$680	\$862	\$1,426	\$1,584
Average Number Employees/ Business	96	81	111	101

Source: EDD Labor Market Information, 2006

Between 1990 and 2004 the number of Pharmaceutical and Medical Manufacturing businesses in Alameda County increased by 520%, and the pay scale in this industry has stayed on average 20-40% above manufacturing and wholesale trade pay in general (see Table 2). Because pharmaceutical manufacturing industries require a clean spaces and less bulky supply shipments, the impact of these kinds of facilities in a neighborhood can feel less intensive.

3. Waste Management & Remediation Services

ABAG projects strong future growth in Waste Management & Remediation Services industries in the Bay Area. Specifically, Hazardous Waste Management is projected to be the fastest growing occupation in the Oakland Metropolitan Service Area. While the growth in the number of establishments is modest, the total number of employees per business has grown, which indicates that the existing businesses are strengthening. In general Waste Management is more labor intensive than warehouse/distribution uses, though the average weekly pay is low in comparison to warehouse and manufacturing jobs as a whole.

4. Health & Educational Services and Professional & Managerial Services

Health & Educational Services, and Professional & Managerial Services are the largest areas of significant job growth for Alameda and Contra Costa Counties according to ABAG 2002–2012 projections. Another area of growth in the Alameda County, and the state as a whole is are Arts, Entertainment and Recreation.

C. Alternative Opportunities for Grant Avenue

The assets of the Grant Avenue Business Area include access to the Inner Bay Area Region, the Oakland Airport and Port of Oakland, the San Lorenzo Creek/Bay Trail, workforce, the railway line as well as the strength of its neighbors San Leandro and Hayward's economic development strategies. These assets can be utilized to create synergies affording certain strategic choices:

1. Leverage Railway Lines

NUMI, the largest client of the Port of Oakland, wants to increase use of rail for its deliveries, subject to a future agreement with Union Pacific, to provide more local rail service. Should these plans move forward, the Grant Avenue Industrial Area, located on that rail line, is uniquely situated to take advantage of this trend. Substitution of firms supplying the NUMI plant for some of the current businesses on Grant Avenue would reduce the reliance on truck deliveries. This would be a reversal of the recent economic trends since for the past decade there has been a decline in car parts manufacturing in Alameda County.

2. Recruit Smaller Boutique Industrial Uses

Small businesses seeking to stabilize their overhead by buying their facilities, are part of an overall trend in real estate of subdividing buildings into smaller for-sale commercial condominiums. If targeted, this could attract smaller, higher end producers who are able to pay the higher costs of a Bay Area location, and ensure current property owners positive returns.

3. Create a Workforce Development Campus

The Pharmaceutical and Medical Manufacturing sector is a strong source of recent and projected future employment growth for the Bay Area. EDD data indicates there has been a 520% growth in Pharmaceutical and Medical Manufacturing over the past 15 years. Pharmaceutical and Medical Manufacturing is an Industrial use that functions as the application of successful Biotech R&D. These businesses have different requirements but for the most part all involve “clean” contained environments such as labs. Some may involve animal testing, high ceilings due to intensive ventilation

equipment to maintain the sterilized environment. Realtors say that there is a \$100/SF infrastructure cost for these types of uses, and East Bay EDA reports that Biotech and Pharmaceutical businesses have a long start up investment period with an average cycle of 15 years between initial R&D and bringing product to market.

Manufacturing jobs for the past decade have paid on average 30% more than Warehouse/Distribution jobs, and there has been an 80% growth in jobs over the past 15 years as biotech R&D investments are finally coming to market. East Bay EDA staff report that the job creation in Biotech is outstripping the capacity of existing Bay Area job training programs' workforce development capacity.

A workforce training center is another possible use for Grant Avenue. Investing in Biotech workforce development is a way to poise Eden Area residents to take advantage of the synergies in the changing Bay Area Economy, and poise the area to attract businesses that are related to the changing economy.

4. Arts & Recreation and Sporting Goods Retail

The sites located along the north side of Grant Avenue, and along the creek have the most potential for changing the overall character of the area. State data indicate growth in the areas of Arts and Recreation and Sporting Goods Retail Sales. An area for exploration would be the attraction of industries that can benefit from the proximity to the trail and exposure to trail users. An example might be high end bicycles, custom bicycle, bike part manufacturers and detailers or bicycle tour companies which already exist in the region, which serve both national and local markets.

Business Services Opportunity and Strategy

Because the Study Area currently has a number of business service and household repair businesses, the Committee requested an examination of how to encourage development of business services in the area. Traditionally these types of businesses are priced out of higher rent districts such as strong commercial corridors. Options to consider include identifying areas on commercial corridors where it may be appropriate to amend current zoning to accommodate these uses; incorporating these uses within second-story space in mixed use projects; or creating a business incubator to support small start-up companies, thereby bringing new jobs to the Study Area on a smaller scale than a typical business recruitment strategy would require.

Industrial & Business Services Implementation Strategy

1. Target Sites for Future Agency Acquisition

a) Acquisition

As they become available or vacant, some opportunity sites may be suitable for acquisition and sponsored redevelopment by the Agency, while others will be retained by property owners who might be willing to cooperate with the Agency in a tenant-recruitment effort that would be mutually beneficial to both the owner and the community. The Agency will need to determine the appropriate strategy for each site as they become available for re-tenanting or redevelopment.

b) Architect/Site Planning

As appropriate for Agency-acquired properties, architects and site planners should be retained to provide the Agency with all the possible iterations of the site through rendered plans and drawings. Architects that have worked on industrial projects will have the best understanding of what industrial tenants need in terms of the layout of buildings, access, and parking, as well as certain requirements that the County may have. Some major industrial tenants may come with their own architects and specific tenant improvement needs, and this will depend on the type of business being approached.

c) Permits & Zoning

The Agency may work with the appointed architect in the creation of a plan to be submitted to the County for approval and permits. As this process is often lengthy, it is important that this step is initiated as soon as steps a and b are underway.

2. Privately Owned Sites

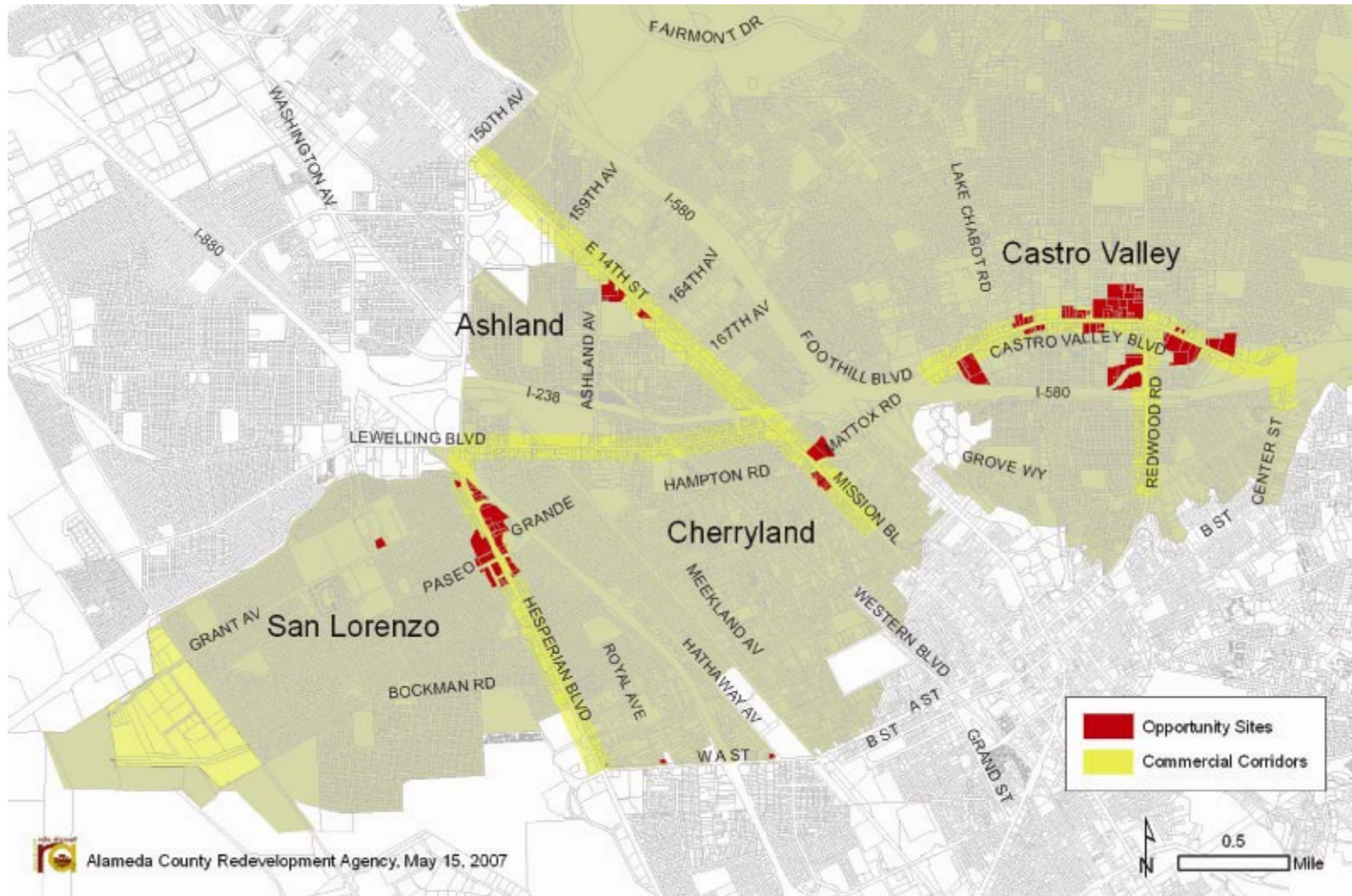
In the case of sites that become vacant but will remain in the hands of the current property owners, the Agency may choose to encourage the property owner to focus on specific light-industrial or destination-retail uses as discussed above. The Agency may be able to provide a consultant in this effort in order to maximize the property's value while maintaining current ownership and enhancing the overall mix of uses on Grant Avenue. The Agency may also elect to provide other incentives for upgrading properties.

These incentives may include:

- a) County funds available for façade improvement, signage or tenant improvements.
- b) Assistance/encouragement from the Agency in hiring an industrial broker that will help them to upgrade their tenants and give them a greater return on their properties and enhance the overall mix of uses on Grant Avenue. Perhaps the Agency could hire on a consultant to talk with property owners and encourage them to upgrade their sites.
- c) A directory of architects, vendors and brokers compiled by the Agency, and made available to property owners.
- d) Assistance with the creation of quality marketing materials to better expose their projects to the greater market place.
- e) Coordination of meetings between property owners and interested developers.
- f) Directing tenants to financing sources like SBA financing to attract owner-users.

Economic Development Opportunity Sites

The following map of the Unincorporated Urban Area of Alameda County identifies the Study Area's Economic Development Opportunity Sites. The map includes sites identified as part of the Economic Development Strategic Plan process; the Castro Valley Redevelopment Strategic Plan study and the San Lorenzo Specific Plan study.



Section IV. ECONOMIC DEVELOPMENT PLAN VISION, GOALS AND OBJECTIVES

Components of the Strategic Plan

The Strategic Plan includes goals, objectives, strategies, and tactics, as described below:

Goals

Goals are generalized statements of where a community wants to be at some future date. A community's goals may evolve over time, but changes are typically slow and occur incrementally. Goals are typically few in number and general in nature.

Objectives

Objectives are the specific targets to meet the identified goals. They are generally short-term in nature and there are typically several for each goal. Objectives constitute the means by which a plan's success can be measured.

Strategies

Strategies are the step-by-step means by which a community reaches its objectives. For each economic development objective, there are usually several strategies. Each is designed to achieve specific outcomes. Strategies provide direction, permit identification of priorities, and target resources towards achievement of the specific objectives.

Example Tactics

Example Tactics are provided in the plan to illustrate the ways in which the strategies can be realized. Therefore, within each

strategy, tactics are identified which are examples of actions that could be undertaken. Tactics should be revised over time as circumstances and priorities change. New tactics will be developed following adoption of this plan which are consistent with the strategies and objectives, but reflect the changing nature of the economic development opportunities and constraints over time. Thus, throughout the implementation period, the tactics will be continually revisited.

Vision for the Unincorporated Areas

The committee with community input developed the vision and goals for Economic Development in the unincorporated areas and prioritized the objectives. Strategies and sample tactics were then drafted by the consultant team. The following pages outline these Economic Development goals, objectives and strategies designed for the urban unincorporated areas of Alameda County.

The Vision

Through economic development, the community wishes to achieve a higher quality of life in the unincorporated areas by creating a stronger, more diversified, prosperous, and vital economy which is better linked to the region and that provides services, jobs and opportunity for residents.

The Goals

- Goal #1 Pursue local and regional economic development to further the unincorporated areas' vision for the future.
- Goal #2 Through economic development, provide business retention, expansion, and attraction opportunities.
- Goal #3 Improve the quality of the built and natural environment, thereby strengthening quality of life for area residents.

The Objectives

- A. Establish economic development in the unincorporated areas as a priority for the community and primary objective and vital function throughout County government.
- B. Improve the physical appearance and functionality of the commercial corridors and utilize the natural environment and existing institutions to the economic benefit of the community.
- C. Grow the existing business base to create quality jobs and greater fiscal stability for the unincorporated areas.
- D. Sustain and grow and the tax base of the unincorporated areas to provide for long-term fiscal viability.
- E. Support attraction and expansion of businesses that serve area residents.
- F. Support attraction and expansion of businesses that bring regional patronage to the unincorporated areas.

Strategies & Example Tactics:

OBJECTIVE A: Establish Economic Development in the Unincorporated Areas as a Priority of the Community and a Vital Function of County Government	
Strategies	Example Tactics
<p>Strategy A1: <i>Create an Economic Development Program with dedicated staff resources to implement the strategy</i></p>	<ul style="list-style-type: none"> ▪ Monitor and report economic development achievements to the Board of Supervisors and the community on an as needed and or semi-annual basis. ▪ Implement the Strategic Plan including defining specific roles for community stakeholders. ▪ Develop evaluation tools to communicate the quantitative benefits of the implementation effort. ▪ Establish an inter-departmental team to be led by Economic Development to develop shared understanding of other department's roles in County economic development priorities, and address business concerns.
<p>Strategy A2: <i>Streamline the County regulatory process for economic development priority uses</i></p>	<ul style="list-style-type: none"> ▪ Train counter staff on Economic Development to assist in problem-solving at the counter. ▪ Cross-train staff between departments to facilitate economic development opportunities. ▪ Maintain the continuity of staffing throughout the development review process to assure coordinated communication and outcomes. ▪ Review the current permit fee system for opportunities to provide additional incentives. ▪ Encourage pre-submittal meetings to educate applicants on County processes and requirements and to understand applicant's needs.

OBJECTIVE A: Establish Economic Development in the Unincorporated Areas as a Priority of the Community and a Vital Function of County Government

Strategies	Example Tactics
Strategy A3: <i>Support and foster community leadership in pursuit of Economic Development goals</i>	<ul style="list-style-type: none">▪ Establish programs to stimulate private investment in commercial corridors.▪ Create round-table discussions between Economic Development staff and community and business stakeholders.▪ Strengthen partnership programs with the local Chamber of Commerce Associations.

OBJECTIVE B. Improve the physical appearance and functionality of the commercial corridors and utilize the natural environment and existing institutions to the economic benefit of the community

Strategies	Example Tactics
<p>Strategy B1: <i>Enforce existing building codes and quality standards in the commercial corridors</i></p>	<ul style="list-style-type: none"> ▪ Strengthen and enhance the existing zoning enforcement program and related ordinances and penalties and ensure compliance with Conditions of Approval. ▪ Work with business districts to promote use of façade improvement and graffiti removal programs.
<p>Strategy B2: <i>Implement streetscape improvement plans for the commercial corridors</i></p>	<ul style="list-style-type: none"> ▪ Fund streetscape improvements consistent with adopted streetscape improvement plans for the commercial corridors. ▪ Issue contracts for and complete construction of streetscape improvement plans in each area. ▪ Incorporate maintenance plan in economic development strategy. ▪ Develop mechanism to insure that community and local business concerns are addressed in ongoing maintenance operations.
<p>Strategy B3: <i>Develop design guidelines to guide new development in the commercial corridors and create a unique sense of character for each of the areas</i></p>	<ul style="list-style-type: none"> ▪ Economic Development staff to hold regular merchant association/business district meetings to identify business concerns, interests and potential for maximizing opportunity. ▪ Identify cluster that has leadership and traction as test case/model. ▪ Commit funds for Urban Design Services.

OBJECTIVE B. Improve the physical appearance and functionality of the commercial corridors and utilize the natural environment and existing institutions to the economic benefit of the community

Strategies	Example Tactics
<p>Strategy B4: <i>Utilize the natural environment to the economic benefit of the community and improve livability</i></p>	<ul style="list-style-type: none"> ▪ Highlight natural amenities of the unincorporated areas in marketing materials. ▪ Take advantage of existing public plazas for community-sponsored events. ▪ Increase pedestrian ‘walkability’ and livability of commercial areas.
<p>Strategy B5: <i>Continue to support cultural, civic, and recreational institutions that contribute to quality of life in the community</i></p>	<ul style="list-style-type: none"> ▪ Continue sponsoring community activities such as Farmer’s Market in Castro Valley. ▪ Expand opportunities for other events that enhance quality of life in the community.
<p>Strategy B6: <i>Improve interface between Grant Avenue and adjacent residential areas, reducing land use conflicts.</i></p>	<ul style="list-style-type: none"> ▪ Explore opportunities to install landscaping improvements along truck access routes as means of traffic calming and noise reduction. ▪ Explore possible mechanisms, including developing sound walls to reduce impacts of truck traffic serving Grant Avenue businesses on adjacent residential areas. ▪ Explore opportunities to accommodate truck loading and unloading while preserving access and egress to non industrial areas on Grant Avenue. ▪ Explore freight transport trends and the local use of rail – either in serving existing businesses or as long-term strategy for business attraction to the area focusing on businesses that rely less heavily on truck traffic and utilize rails.

OBJECTIVE C: Grow the existing business base to create quality jobs and greater fiscal stability for the unincorporated areas

Strategies	Example Tactics
<p>Strategy C1: <i>Help existing businesses grow and thrive in the unincorporated areas</i></p>	<ul style="list-style-type: none"> ▪ Develop relations with the business community to foster growth in accordance with the economic development strategy. ▪ Develop relations with property owners in the unincorporated areas to ensure future changes in tenants/land use are in accordance with the economic development strategy. ▪ Develop services linking local business needs to local resources as well as to County departments (Planning, Zoning and Public Works) and continue GSA outreach program to inform local businesses of upcoming contracting opportunities. ▪ Strengthen relationships with Chamber of Commerce and other merchant organizations. ▪ Leverage the resources of the county economic development program with other regional Economic Development efforts. ▪ Leverage resources at East Bay EDA to support growth in the unincorporated areas. ▪ Develop relationships with major employers and industries to ensure growth and expansion of businesses is retained within the unincorporated areas. ▪ Develop early response network involving county economic development staff, East Bay EDA, local real estate personnel etc. to share information on the support needs of businesses considering closing or relocating.
<p>Strategy C2: <i>Strengthen the Grant Avenue Business District</i></p>	<ul style="list-style-type: none"> ▪ Continue support of existing light industrial use as the nature of Grant Avenue for the foreseeable future and support businesses that are of that character. ▪ Provide adequate infrastructure to serve the supply and distribution requirements of Grant Avenue businesses. ▪ Enhance access to financial resources, such as mortgage and working capital financing, to encourage retention and fund expansion of existing businesses.

OBJECTIVE C: Grow the existing business base to create quality jobs and greater fiscal stability for the unincorporated areas

Strategies	Example Tactics
<p>Strategy C3: <i>As natural turnover permits, seek opportunities to introduce industrial sectors with high growth potential to Grant Avenue</i></p>	<ul style="list-style-type: none"> ▪ Monitor site availabilities and work with property owners to identify new tenancing opportunities consistent with the Economic Development Plan. ▪ Work closely with other regional ED efforts to identify potential business targets with a good fit to Grant Avenue.
<p>Strategy C4: <i>Target growth of businesses that provide employment opportunities for local residents</i></p>	<ul style="list-style-type: none"> ▪ Support and expand business and residential serving businesses as source of jobs that are accessible to local residents as well as provide necessary services to residents. ▪ Create a service that can link the business community to employment training programs, state and community colleges and other adult education programs that serve residents of the unincorporated areas to meet their workforce needs. ▪ Work with local employment programs to ensure coordination between target industries growth and workforce development strategy. ▪ Pursue linking businesses with capital resources for expansion. ▪ Facilitate Business roundtable – providing businesses with information and resources, creating a basis for ongoing communication between businesses and the County.

OBJECTIVE D: Sustain and grow the tax base of the unincorporated areas to provide for long term fiscal viability

Strategies	Example Tactics
<p>Strategy D1: <i>Encourage development and retention of sales tax generating uses including retail and business-to-business sales</i></p>	<ul style="list-style-type: none"> ▪ Actively market and encourage development and expansion of commercially zoned properties for commercial uses. ▪ Develop business retention program. ▪ Examine permit approval process to ensure that business development and expansion is not inhibited by delays, and priorities established by the Economic Development Plan can be fast-tracked. Establish performance goals. ▪ Ensure zoning supports business uses and does not have imbedded conflicts that will inhibit desired long-term growth (example: Grant Avenue Office /R&D zoning, light industrial uses on commercial corridors etc.). ▪ Develop relationships with large employers and industries to ensure growth and expansion of businesses is retained within the unincorporated areas, and that necessary resources are dedicated to assisting in addressing business concerns. ▪ Develop early response network involving county economic development staff, East Bay EDA, local real estate personnel etc. to share information on the support needs of businesses considering closing or relocating. ▪ Focus on improving retail supply and mix to more fully serve the needs of the resident base (create more local shopping options and retail niches and thereby less leakage).
<p>Strategy D2: <i>Provide adequate infrastructure</i></p>	<ul style="list-style-type: none"> ▪ Investigate opportunities to improve truck access to Grant Avenue while protecting/buffering the surrounding residential neighborhood. ▪ Explore the means of addressing rail access impacts on vehicular access and public safety for area residents. ▪ Review status of Worthley Avenue Street improvements, and schedule repairs as necessary. ▪ Insure that parking is adequate and convenient as commercial corridors continue to be built out. ▪ As appropriate, encourage creation of shared parking resources to support overall retail vitality.

OBJECTIVE E: Support attraction and expansion of businesses that serve area residents

Strategies	Example Tactics
<p>Strategy E1: <i>Expand and attract local serving retail uses</i></p>	<ul style="list-style-type: none"> ▪ Strengthen relationships with the retail and commercial brokerage community and develop collaborative tools that will further promote available opportunities for expansion and development within the area. ▪ Promote business assistance programs through newsletter and website promotional materials.
<p>Strategy E2: <i>Maximize impact of retail opportunities by developing concentrated focus areas (nodes) for retail activities and investment</i></p>	<ul style="list-style-type: none"> ▪ Identify areas to create geographic concentrations of retail uses. ▪ Leverage and focus existing county resources for small businesses (streetscape, façade improvement funds, graffiti clean up etc.) to strengthen identity of existing nodes along commercial corridors, which will attract other businesses to area. ▪ Develop unique design guidelines to guide new development in the commercial corridors and create a unique sense of character for each of the areas.
<p>Strategy E3: <i>Fund technical studies to facilitate development opportunities</i></p>	<ul style="list-style-type: none"> ▪ Fund technical studies (seismic, urban design, site planning) to assess and enhance the viability of business opportunity sites.
<p>Strategy E4: <i>Encourage retention and expansion of repair and service maintenance businesses serving area residents</i></p>	<ul style="list-style-type: none"> ▪ Explore the market opportunity and particular needs of resident-serving businesses and based on market conditions, review and amend plans and ordinances as necessary to support the location, growth and expansion of these businesses.

OBJECTIVE F: Support attraction and expansion of businesses that bring regional patronage to the unincorporated areas

Strategies	Example Tactics
<p>Strategy F1: <i>Attract regional-serving retail uses and businesses that also serve the needs of local residents and can act as anchors for smaller local-serving businesses</i></p>	<ul style="list-style-type: none"> ▪ With the aid of regional retail brokers, analyze siting opportunities for regional-serving tenants. ▪ Develop business attraction program to recruit targeted business sectors/services. ▪ Work with County Redevelopment and Economic Development staff to identify and prioritize retail expansion opportunities. ▪ Meet with property owners of under performing retail spaces to discuss plans for property and potential for upgrade given market trends.

Section V. ECONOMIC DEVELOPMENT WORK PLAN AND IMPLEMENTATION ACTIVITIES

The Work Plan:

After identification of strategies and review of the realm of economic development tools, the final step in the development of the Economic Development strategic planning process is to develop a work plan that will focus on the economic development priorities identified by the community. The following section outlines the immediate initiatives the County is proposing to undertake over the next five years to stimulate economic development in the unincorporated areas. A staffing assessment is also included.

A. Marketing and Outreach

Provide business support and retention services. Promote patronage of local retail businesses. Economic development staff should assist local businesses and business associations to market retail in the unincorporated areas, in association with retail or association marketing efforts, by producing collateral materials and by limited participation in ad campaigns.

Provide staff support to selected local business organizations. For local merchant's associations and other organizations as agreed, provide staffing and facilitation services to support a strong businesses network within the unincorporated area.

Attract retail anchors to the Study Area. Today, there are limited opportunities to attract new retailers to key sites within the unincorporated areas, with other opportunities likely to arise over time as more sites that meet retailers' requirements become available. On a strategic basis, new retail anchors, sometimes in concert with associated small shop space, should be recruited to develop new stores in the Study Area. New retail anchors will increase the customer draw to local

retail shops, and improve the range of goods and services available to local residents, thus improving the overall performance of local retail uses. Depending on the circumstances, it may be appropriate to either work with property owners or to acquire selected sites and make them available for lease or acquisition by anchor tenants.

Identify strategic opportunities to attract new business to the Grant Ave Industrial Area. Today the Grant Avenue Industrial area is almost fully occupied with traditional industrial uses that are active concerns and employment generators, many of whom own rather than lease their sites. Thus, it is likely that the area will continue to be traditional industrial in nature. Over time, as sites become available, the County should help encourage attraction of a broader base of businesses with strong linkages to regional growth sectors. To do so the economic development staff should maintain good communications with Grant Avenue businesses, and encourage the growth and retention of those businesses within the unincorporated areas. When sites become available in the future, economic development staff should participate in identifying tenants which broaden the economic base of the area, and that do not contribute to truck traffic and congestion.

B. External Government and Community Relations

Develop an early warning system to make the County aware of businesses considering relocation. Collect information, through an ongoing business survey, on business intentions with regard to relocation, expansion or contraction of their operations, as well as potential for relocation. Use the survey to identify business concerns with which economic

development staff can offer support and services as appropriate. Use relationships with local brokers as part of the early warning network. Develop a data base of possible site availabilities and opportunities for future site assembly activities.

Develop ongoing two-way communications systems with the business community and the County. This includes holding retailer and business roundtables on an as needed basis, strengthening the mechanism through the County General Services Administration (GSA) to make local businesses aware of contracting opportunities with the County, creating a mechanism for making local businesses aware of business to business opportunities, and providing linkages and referrals to sources of fixed and working capital financing as well as training resources.

The two primary types of financial initiatives that are undertaken by communities to stimulate economic development are loan and grant programs for business expansion and modernization (such as micro-loans for small businesses), and business improvement districts (BIDs). Programmatic initiatives might include targeted workforce development programs, small business incubator programs, and neighborhood-level crime-prevention programs.

The adjacent cities of Hayward and San Leandro have ongoing economic development efforts that are related to this Economic Development Strategy in the areas of revitalizing those cities' industrial and retail bases. The County should examine opportunities to leverage these efforts with its efforts in the unincorporated areas. In addition, the County's East Bay EDA office has ongoing economic base expansion

strategic efforts with which the County should also coordinate. This involves attending monthly meetings as well as ensuring that issues relative to the unincorporated area are considered by these organizations.

C. Public Investment and Financial Partnerships

Infrastructure initiatives include streetscape improvement programs, street closures, signage improvement programs, intersection repair projects, and other public investments in infrastructure. Implement streetscape improvements in the commercial corridors. Over the last several years the Redevelopment Agency has completed streetscape improvement plans for all of the commercial corridors in the unincorporated areas. The improvement plans are funded in Redevelopment Agency budget and scheduled for completion over the next five years.

Continue to staff and operate the Commercial Property Improvement Program. Currently the Redevelopment Agency offers two programs that fund commercial property improvements in the unincorporated areas. First, the Commercial Façade Improvement project is designed for small to mid sized businesses, and provides funding for both exterior and interior improvements. It provides up to \$80,000 forgivable loan for both construction and architectural costs. Second, the Awning, Sign and Paint program provides both property owners and tenants up to \$25,000 to make minor exterior improvements to their business properties. Both architectural and constructions costs are eligible. Both types of loans can be forgivable, under certain conditions.

D. Internal Organizational Initiatives

Establish Economic Development in the Unincorporated Areas as a primary objective of the County government. Create an economic development program with dedicated staff resources to implement the strategy and improve inter-departmental supportive programs such as streamlined permitting process, coordinated application processing and increased focus on zoning enforcement issues.

This important function was designated as a high community priority by the committee. Redevelopment Staff has been coordinating with Public Works, Planning, and Code Enforcement functions on issues impacting economic development throughout the unincorporated area. This cooperative effort should be continued and strengthened based on the concerns raised during the Strategic Plan process. Economic development staff should continue to review and comment on items with Economic Development implications on the Planning Commission Agenda, to facilitate code enforcement efforts consistent with the Strategy, and consider offering permit streamlining services for priority projects.

Work with Planning Department to evaluate plans for consistency with the priorities of the Economic Development Strategy. Expand the planning application process to include discussions involving Redevelopment staff, Planning staff and applicants both early in the process and throughout the application process as necessary to ensure that planning applications impacting commercial areas are consistent with the priorities of the Economic Development Strategy.

Organization Structure:

The County's existing economic development efforts for the unincorporated areas are being conducted by the Redevelopment Agency via a variety of ongoing programs, including the Business Development Program, the Commercial Façade Improvement Program, the Agency Marketing and Promotions Program, and the Planning Documents and Research Program (of which the recently completed Castro Valley Redevelopment Strategic Plan was a part). The Public Infrastructure Improvement Program, Community Facility Improvement Program, and Community Beautification Program also aid in the continuing economic development of the unincorporated areas, particularly toward this strategy: improving the physical appearance and functionality of existing commercial corridors. Phase 1 of the Agency's Streetscape Improvement Project for the East 14th Street/ Mission Boulevard corridor has already made a dramatic difference in the appearance and functionality of these streets. Ongoing projects that will also serve this end are the Ashland Community Transit Access Project, the Cherryland Sidewalks Project, and the Hesperian Streetscape Project.

The Agency has also undertaken development projects such as the San Lorenzo Village Square, which is ongoing and will ultimately help to revitalize the primary retail node in San Lorenzo. Agency funds have been given toward the building of the Kent Gardens Senior Housing Project in Ashland, and funds have been allocated toward the Castro Valley Redevelopment Strategic Plan Projects as well.

The Agency remains the most appropriate organization to undertake economic development activities, and has the advantage of a funding source that can, to some extent, be tapped to finance economic development efforts. Further, economic development is the primary mission of redevelopment in California.

However, implementation of the Economic Development Plan may require additional staff resources and re-alignment of budget priorities for the County Redevelopment Agency. Such realignment will be a next step upon approval of the Plan.

Implementation Activities

The activities in the Economic Development Implementation Plan are categorized by the Plan's three goals, as shown in the chart on the following pages:

- Goal I – Pursue local and regional economic development to further the unincorporated areas' vision for the future
- Goal II – Through Economic Development, provide business retention, expansion, and attraction opportunities
- Goal III – Improve the quality of the built and natural environment, thereby strengthening quality of life for area residents

Economic Development Implementation Activities

I – Pursue Local and Regional Economic Development to Further the Unincorporated Areas’ Vision for the Future

OBJECTIVE A: Establish Economic Development in the Unincorporated Areas as a Priority of the Community and a Vital Function of County Government

LOE Subtotal Group I - 0.45 FTE

Make economic development a priority throughout County government - ■ *New Activity*

- ❖ This important function was designated as a high community priority by the committee. Redevelopment Staff has been coordinating with Public Works, Planning, and Code Enforcement functions on issues impacting economic development throughout the unincorporated area County. This cooperative effort should be continued and perhaps expanded based on the concerns raised during the Strategic Plan process. Economic development staff should continue to review and comment on items with Economic Development implications on the Planning Commission Agenda, to facilitate code enforcement efforts consistent with the Strategy, and consider offering permit streamlining services for priority projects.

LOE (Level of Effort) 0.20 FTE

Provide business support and retention services - ■ *New Activity*

- ❖ Develop ongoing two-way communications systems with the business community and the County. This includes holding retailer and business roundtables on an as needed basis, strengthening the mechanism through the County General Services Administration (GSA) to make local businesses aware of contracting opportunities with the County, creating a mechanism for making local businesses aware of business to business opportunities, and providing linkages and referrals to sources of fixed and working capital financing as well as training resources.
- ❖ Develop an early warning system to make the County aware of businesses considering relocation. Collect information, through an ongoing business survey, on business intentions with regard to relocation, expansion or contraction of their operations, as well as potential for relocation. Use the survey to identify business concerns with which economic development staff can offer support and services as appropriate. Use relationships with local brokers as part of the early warning network. Develop a data base of possible site availabilities and opportunities for future site assembly activities.
- ❖ Provide staff support to selected local business organizations. For local merchant’s associations and other organizations as agreed, provide staffing and facilitation services to support a strong businesses network within the unincorporated area.

LOE (Level of Effort): 0.20 FTE (Full-Time Employee)

Coordinate with related governmental economic development efforts - ● *Expansion of Existing Activity, already partially staffed*

The adjacent cities of Hayward and San Leandro have ongoing economic development efforts that are related to this Economic Development Strategy in the areas of revitalizing those cities’ industrial and retail bases. The County should examine opportunities to leverage these efforts with its efforts in the unincorporated areas. In addition, the County’s East Bay EDA office has ongoing economic base expansion strategic efforts with which the County should also coordinate. This involves attending monthly meetings as well as ensuring that issues relative to the unincorporated area are considered by these organizations. **LOE:** 0.05 FTE

Economic Development Implementation Activities

II – Through Economic Development, Provide Business Retention, Expansion, and Attraction Opportunities

OBJECTIVE C: Grow the existing business base to create quality jobs and greater fiscal stability for the unincorporated areas

OBJECTIVE D: Sustain and grow the tax base of the unincorporated areas to provide for long term fiscal viability

OBJECTIVE E: Support attraction and expansion of businesses that serve area residents

OBJECTIVE F: Support attraction and expansion of businesses that bring regional patronage to the unincorporated areas

LOE Subtotal Group II - 0.65 FTE

Work with Planning Department to evaluate plans for consistency with the priorities of the Economic Development Strategy - ■ *New Activity*

- ❖ Expand the planning application process to include discussions involving Redevelopment staff, Planning staff and applicants both early in the process and throughout the application process as necessary to ensure that planning applications impacting commercial areas are consistent with the priorities of the Economic Development Strategy.

LOE: 0.10 FTE

Identify strategic opportunities to attract new business to the Grant Ave Industrial Area - ■ *New Activity*

- ❖ Today the Grant Avenue Industrial area is almost fully occupied with traditional industrial uses that are active concerns and employment generators, many of whom own rather than lease their sites. Thus, it is likely that the area will continue to be traditional industrial in nature. Over time, as sites become available, the County should help encourage attraction of a broader base of businesses with strong linkages to regional growth sectors. To do so the economic development staff should maintain good communications with Grant Avenue businesses, and encourage the growth and retention of those businesses within the unincorporated areas. When sites become available in the future, economic development staff should participate in identifying tenants which broaden the economic base of the area, and that do not contribute to truck traffic and congestion.

LOE: 0.10 FTE

Promote patronage of local retail businesses - ● *Expansion of Existing Activity, already partially staffed*

- ❖ Economic development staff should assist local businesses and business associations to market retail in the unincorporated areas, in association with retail or association marketing efforts, by producing collateral materials and by limited participation in ad campaigns.

LOE: 0.10 FTE

Attract retail anchors to the Study Area - ● *Expansion of Existing Activity, already partially staffed*

Today, there are limited opportunities to attract new retailers to key sites within the unincorporated areas, with other opportunities likely to arise over time as more sites that meet retailers' requirements become available. On a strategic basis, new retail anchors, sometimes in concert with associated small shop space, should be recruited to develop new stores in the Study Area. New retail anchors will increase the customer draw to local retail shops, and improve the range of goods and services available to local residents, thus improving the overall performance of local retail uses. Depending on the circumstances, it may be appropriate to either work with property owners or to acquire selected sites and make them available for lease or acquisition by anchor tenants. LOE: 0.35 FTE

Economic Development Implementation Activities

III – Improve The Quality of the Built Environment, Thereby Strengthening the Quality of Life for Area Residents

OBJECTIVE B. Improve the physical appearance and functionality of the commercial corridors and utilize the natural environment and existing institutions to the economic benefit of the community

LOE Subtotal Group III - 2.0 FTE

Continue to staff and operate the Commercial Property Improvement Program - ⊖ *Continuation of Existing Activity, fully staffed*

- ❖ Currently the Redevelopment Agency offers two programs that fund commercial property improvements in the unincorporated areas. First, the Commercial Façade Improvement project is designed for small to mid sized businesses, and provides funding for both exterior and interior improvements. It provides up to \$80,000 forgivable loan for both construction and architectural costs. Second, the Awning, Sign and Paint program provides both property owners and tenants up to \$25,000 to make minor exterior improvements to their business properties. Both architectural and constructions costs are eligible. Both types of loans can be forgivable, under certain conditions.

LOE: 0.50 FTE

Implement streetscape improvements in the commercial corridors - ⊖ *Continuation of Existing Activity, fully staffed*

- ❖ Over the last several years the Redevelopment Agency has completed streetscape improvement plans for all of the commercial corridors in the unincorporated areas. The improvement plans are funded in Redevelopment Agency budget and scheduled for completion over the next five years. The ongoing effort is to manage the construction and improvement projects.

LOE: 0.50 FTE

TOTAL LOE - 3.10 FTE (1 new FTE, 2 FTE already staffed)



Conley Consulting Group

Alameda County

Economic Development Plan

Appendix

Appendices

Appendix A: Common Themes – Meeting Notes Kickoff Meeting February 15, 2006

Appendix B: Regional Economic Context Briefing Paper

Appendix C: Regional Retail Context Briefing Paper

Appendix D: Grant Avenue & Business Services Briefing Paper



Appendix A: Common Themes – Meeting Notes Kickoff Meeting February 15, 2006

Appendix A: Common Themes – Meeting Notes Kickoff Meeting February 15, 2006

Meeting Notes from February 15, 2006 Community Visioning Session

As a result of the February 15, 2006 meeting, which served as the public kickoff for Strategic Plan process, it was established that all four sub-areas shared several specific concerns in common: namely problems with corridor traffic, challenges in dealing with County government, and a desire for a balanced approach to development in terms of commercial vs. residential. Ashland, Cherryland, and San Lorenzo residents all noted concerns with blight in the area, while Castro Valley residents emphasized a focus on preservation of the “look and feel” of their community while improving the pedestrian-friendliness of their retail areas.



CASTRO VALLEY

ASSETS

- Huge park system
- Lake-Hills-Forests
- Livability Valley
- Housing - Large % owners - Variety
- Good economic demographics
- good potential viable downtown
- Supportive community
- CULTURE - theatre Fine Arts Center
- Good participation in local events



Parking Districts

Single Family
Townhomes
Downtown

OBSTACLES

- Cut-through traffic - inefficient connection 580 + 238
- Congestion problem
- Parking Downtown
- Planning Dept. Code Enforcement - County codes unevenly enforced. We need a PRO-ACTIVE planning Dept. \$
- No pedestrians on Boulevard - viable businesses are suffering



VISION

- viable downtown business area
- residential area
- community areas
- "Small Town Feel" Character
- Preserve "Mom + Pop"
- Preserve + maintain "One Horse Town" Not a Transit-town.
- Access Rideable
- Walkable Downtown.
- Address Housing needs while preserving neighborhoods
- Design Guidelines for our community - Business Residential



SAN LORENZO

ASSETS



- Perfect location Prime RE
- opp 4 economic growth
- library
- Postoffice / churches
- Potential commercial areas
 - 19.5 vacant acres
 - Grant Ave Ind areas
- Good public transportation (access BART)
- Good buying power
- Hesperian Blvd
- "Affordable" housing
- ACCESS

we look good @ 60!

sense of community + pride + organiz.



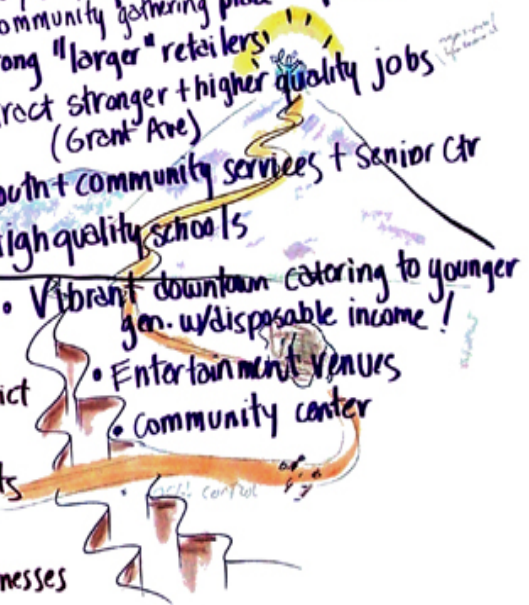
OBSTACLES

- no destination restaurants/retail
- crime/gangs/graffiti/drugs w/in year - youth services
- safety - law enforcement inadequate
- inadequate infrastructure - land use conflict (Grant Ave)
- employment opportunities - higher income potential - local residents
- Outdated commercial bldgs
- lack of retail anchors - struggling businesses
- lack of econ dev strategy/vision
- Outdated retail strips

VISION

Strategy for a long time

- Long + short term plan
- increased midlevel retail (better)
- creation of retail critical mass (swap housing for retail) assemble sites
- green belts
- better govt/citizen relations
- "Bay St" style retail - w/pedestrian orientation community gathering place - Open air
- Strong "larger" retailers
- Attract stronger + higher quality jobs (Grant Ave)
- Youth + community services + Senior Ctr
- High quality schools
- Vibrant downtown catering to younger gen. w/disposable income!
- Entertainment venues
- Community center



ASHLAND

ASSETS



- Low commercial land cost
- Aging/historic building stock
- Central E. Bay location
- Proximity to freeways
- San Lorenzo school district
- Community center
- Potential business growth
- Density of population
- Diversity
- Commercial strips
- CHURCHES
- Proximity to County services
- Strong Community spirit

- New SENIOR HOUSING
- Access to public transport
- Affordable Housing + Low-income



VISION

A STRONGER, MORE DIVERSIFIED COMMUNITY ECONOMY, BETTER LINKED TO THE REGION, AND PROVIDING SERVICES, JOBS, AND OPPORTUNITY FOR THE RESIDENTS, WHICH WILL LEAD TO A HIGHER QUALITY OF LIFE.



- Sidewalks
- STRONG, COOPERATIVE POLITICAL LEADERSHIPS
- Storefront beautification
- LIGHTING
- INVESTMENT IN COMMUNITY
- DRAW OUTSIDE SHOPPERS + SPENDING
- CAPTURE TRAINING + JOB OPPORTUNITIES FROM INFRASTRUCTURE PROJECTS (i.e. BART)
- LIBRARY
- SINGLE FAMILY HOMEOWNERSHIP CONTROL
- DIVERSE BUSINESS BASE
- DIVERSE EMPLOYMENT OPPS + GROWTH IN JOB OPPS
- BAYFAIR TRANSPORTATION HUB TO SPUR GROWTH + URBAN DEVELOPMENT

OBSTACLES

- TRAFFIC on corridors
- Higher proportion renters/ lower community pride
- CLUSTERS of Alcohol/Drug businesses/uses
- LACK of sidewalks + parking
- LACK of ~~storefront~~ maintenance property
- VACANT STOREFRONTS
- HIGH COST OF LIVING/ LACK OF AFFORDABLE HOUSING
- LIBRARY NOT ACCESSIBLE
- SMALL PARCEL SIZES
- COUNTY POLITICS
- LACK OF INVESTMENT / AREA HAS RUN-DOWN APPEARANCE
- LACK OF Rec. facilities
- JOBBASE FOR RESIDENTS
- AGING POPULATION lack of resources



CHERRYLAND

ASSETS

- central location
- affordable housing
- historic & charming housing
- diverse architectural style
- Meek Estate Park
- good restaurants (ethnic food)

on Mission & Meekland

• Strong neighborhood association

• Montgomery, Cherry Way
avenue streets

- large lots



- lack of participation in political process
- not enough job opportunities
- loss of major grocery stores, anchor retail

- railroad tracks attracting trash
- under BART; noisy, vandalized, graffiti
- gang activity & crime growing

OBSTACLES

- too much density
- Mission Boulevard - parking problems
- deteriorating physical appearance

- increasingly blighted throughout Cherryland
- cultural differences, language & social behavior
- lack of sidewalks, poorly maintained streets
- lack of zoning enforcement
- lack of public transportation
- schools are crowded, deteriorating physically
- poor understanding of public services - pot clubs

VISION

- proactive local government able to better address obstacles

in a coordinated & focused way

- better informed citizenry

- unique specialty shops

about Mission Blvd

- pavement
- beautification, unique look
- trees & street improvements

- undergrounding wires

- traffic calming

*picturesque neighborhood

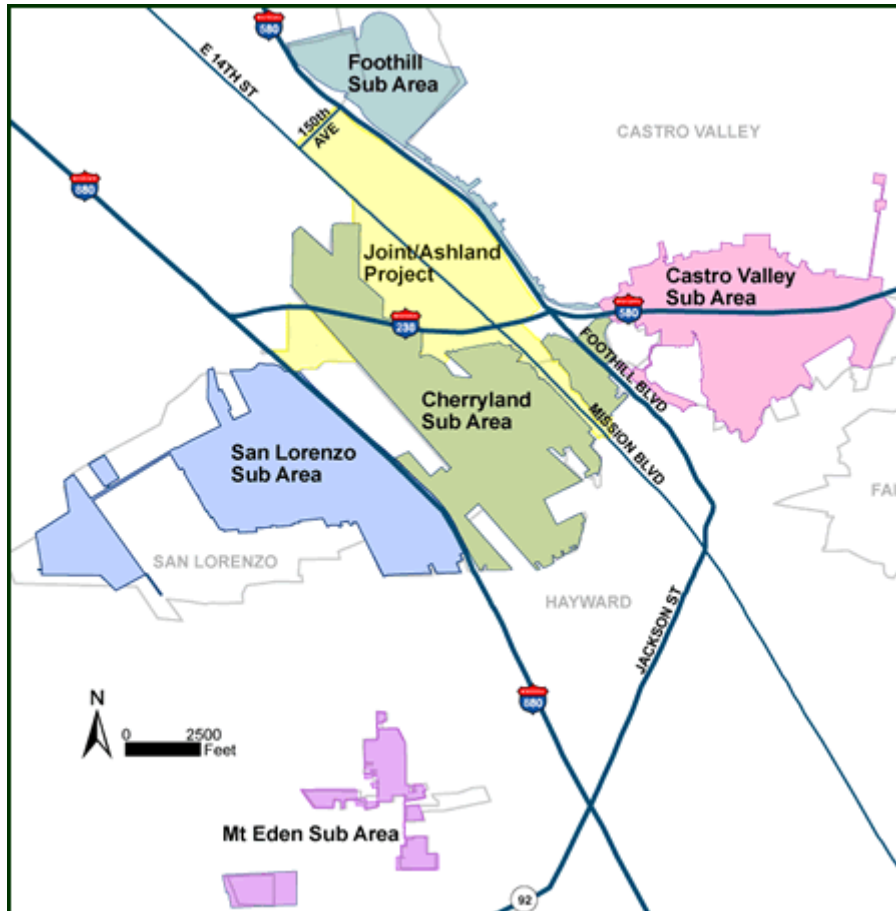
- control problem properties





Appendix B: Regional Economic Context Briefing Paper

Alameda County Economic Development Strategic Plan



Regional Economic Context

Briefing Paper

Draft

Submitted: January 20, 2006

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Executive Summary

The purpose of this report is to place the redevelopment areas in unincorporated Alameda County (the Study Area) into a larger regional economic context. This report examines a number of important economic indicators for the Bay Area, Alameda County, as well as the Study Area. In doing so, the report makes a number of important findings, including:

- The Bay Area is a vibrant, multi-faceted economy that has many competitive advantages as a strategic business location as well as a place to live and work. Its escalating cost of living, however, as well as its high cost of doing business, overburdened infrastructure and declining school performance represent serious challenges that erode some of these competitive challenges..
- The East Bay, and Alameda County in particular, which provides most of the jobs held by residents of the Study Area, also has a healthy business climate and a vibrant job market. It has long provided services to the rest of the Bay Area in terms of manufacturing and processing, back office services, and transportation and logistics. With the increasing pressures of globalization, many of these industries operate in extremely competitive markets that exert strong downward pressures on wages.
- As a result, residents in Alameda County make less, on average, than the typical Bay Area resident. The role the region will play in the future, and the types of jobs available to the Study Area's resident are in question. Outsourcing of not only manufacturing, but of professional services such as writing software and operating call centers threaten the Area's traditional job base.
- Strong real estate and construction sectors (in large part due to the escalating home values in the area) have provided most of the new jobs that have replaced the jobs that disappeared after the dot-com bust. With rising interest rates and leveling off of the housing market, these jobs may also be less numerous.
- Jobs in health care, trade and transportation, finance, management and administration still offer good employment growth options for area residents. These industries also are creating new niches for new businesses.
- The business base of the Study Area is small but in proportion to its residential base. Its business community is comprised of small, service-oriented firms in business, personal, medical, and professional services as well as retail. Most of the Area's services are oriented toward the local market.
- The four areas examined in this report (Ashland, Castro Valley, Cherryland, and San Lorenzo) differ from each other considerably. Across most indicators, Castro Valley is more representative of the Bay Area average, San Lorenzo is closer to Castro Valley though slightly lower (in terms of incomes and home values) than the Bay Area average, and Ashland and Cherryland are distinctly lower.
- The Ashland and Cherryland communities are home to a smaller percentage of home owners, a greater percentage of immigrants, and have residents with significantly lower average incomes, higher poverty rates, and lower levels of educational attainment.
- Nevertheless, the four communities all share an extremely strategic location in the Bay Area, equidistant to a number of vibrant job centers and markets. As such, they offer many advantages to both residents and businesses.

Introduction

The Study Area

This report provides an overview of the economic context for the Alameda County Economic Development Strategic Plan for two redevelopment areas in unincorporated Alameda County. These areas include: the Alameda County-San Leandro Redevelopment Project Area (the “Joint Project”) which includes a large portion of the Ashland community, including a three-mile commercial corridor along East 14th Street between the Cities of San Leandro and Hayward; and the Eden Area Redevelopment Project which consists of five distinct sub-areas: Castro Valley, Cherryland, Foothill, Mt. Eden and San Lorenzo. For the purposes of this report, Ashland, Castro Valley, Cherryland, and San Lorenzo constitute “the Study Area,” (Mt. Eden is not considered as it will likely be incorporated into the City of Hayward, and the Foothill area is not considered separately as it is a small area and largely residential). Appendix A contains maps of these areas.

The Purpose of this Report

A first step in developing an economic development plan for a region is understanding the existing economic forces affecting the area. Given the Study Area is fairly small and inextricably linked to the surrounding areas economically, the purpose of this report will be to put the Study Area in context, as well as to examine the regional trends that are affecting the economy of the Study Area.

The Larger Region

The California economy has recovered from the slowdown following the burst of the dot-com bubble and the loss of thousands of manufacturing and other jobs from 2001-03. However, according to the Center for the Continuing Study of the California Economy, the state still faces deep, structural problems in terms of its on-going budget deficit, deteriorating public infrastructure, and political gridlock. In addition, consumer spending has been growing much faster than incomes (largely due to low interest rates and a spike in housing values over the past few years); with rising interest rates and a slowdown in the housing sector, many jobs that have been created in response to the real estate boom may disappear. These trends and others cause the Center to predict slower economic growth in 2006.

The Bay Area economy, while known for its high concentration of technology firms and workers, is actually a fairly well diversified economy with strengths in a number of other value-added sectors. Due to its high levels of research, innovation, and commercialization, the Bay Area is able to create an extremely dynamic business climate. The increasing productivity of the Area’s well-educated workforce results in its per capita output being nearly double that of the U.S. average. The Bay Area is also one of the country’s biggest exporting regions (second only to New York), in large part due to its technology exports.

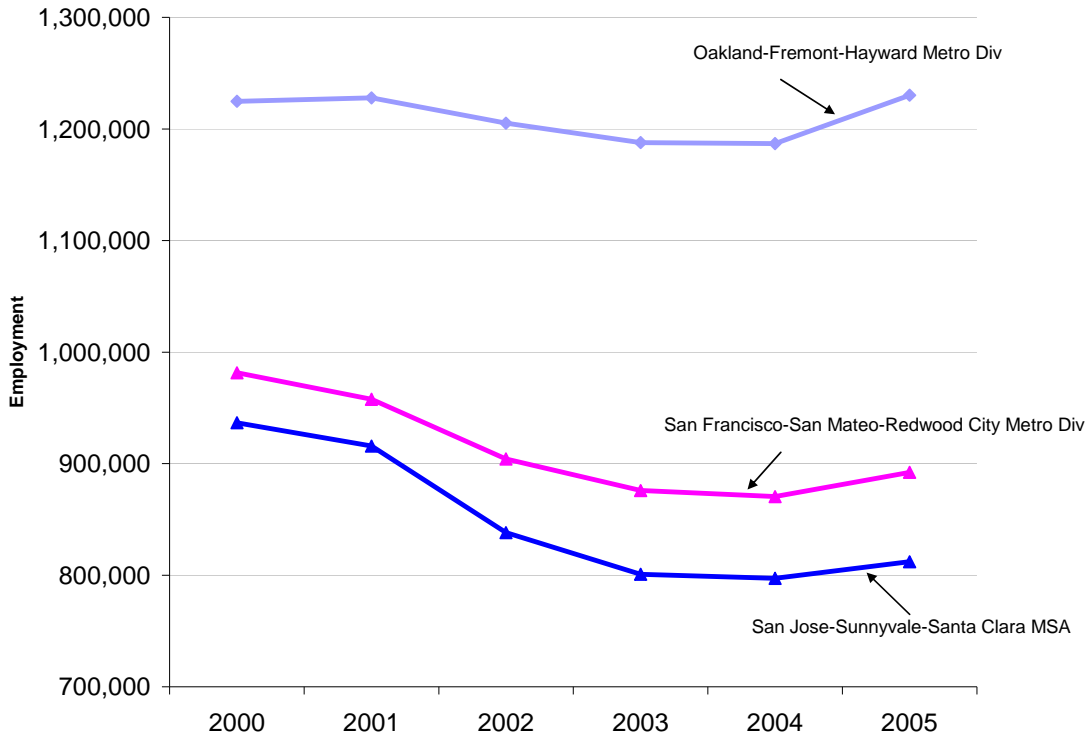
Since the economic downturn in the Bay Area began in 2001, the Bay Area economy has been on a largely separate track from the rest of the California economy. Where the rest of the state has had healthy job growth since 2001, the Bay Area lost 10% of its year 2001 job base and still lags the rest of the state in creating new jobs.

Employment Trends

Bay Area

Much of the Bay Area's job loss was due to the downturn in the high technology sector. For the region as a whole, jobs in tourism, residential building, and other activities such as mortgage finance that are related to the real estate boom, have largely replaced those lost in technology. As a result of these trends, the San Jose area (Silicon Valley) has experienced much more severe job loss and (a slower recovery) than the other two Bay Area metro regions.

Figure 1: Employment Trends in the Bay Area



Source: CA Employment Development Department. ECG analysis.

The Bay Area economy, and that of Silicon Valley in particular, is susceptible to a highly volatile pattern of boom and bust cycles. The very strengths that make the Area so dynamic (high levels of venture capital investment, high rates of innovation and discovery, high rates of new business formation, and a highly skilled workforce) also result in waves of activity spurred by the commercialization of new technologies. When these waves ebb, they pull a lot of other things down with them, including many jobs. While the region is currently regaining its momentum, it is likely that another wave will occur in the future – creating many new, cutting edge jobs and destroying other jobs and activities in the process.

The Study Area

The Oakland Metropolitan economy (defined as inclusive of Hayward and Fremont) has a much greater diversification of employment across sectors, and less of a presence of high technology industries than Silicone Valley. As such, it avoided the extreme levels of job loss experienced in San Jose and San Francisco after the dot-com bust. In fact, the greater Oakland region benefited from the technology boom indirectly by becoming the home to many non-technology-related companies in financial services and business services that got priced out of San Francisco during the dot-com years.

The East Bay region has also rebounded more quickly, creating enough jobs to surpass its year 2000 levels of employment. With 1.2 million jobs, the Oakland-Fremont-Hayward Metro area is home to more than one third of the Bay Area's total jobs – more than San Jose or San Francisco which provide about one quarter of the region's total employment each.

Unemployment

Bay Area

During the economic downturn and recovery of the last five years, unemployment has been a difficult indicator to track in that many individuals who lost their jobs in the downturn were highly paid professionals who relied on savings or stock options rather than reporting themselves as unemployed. Nevertheless, the unemployment rate in the Bay Area increased from 3.4% in 2000 to 4.5% at the end of 2005.

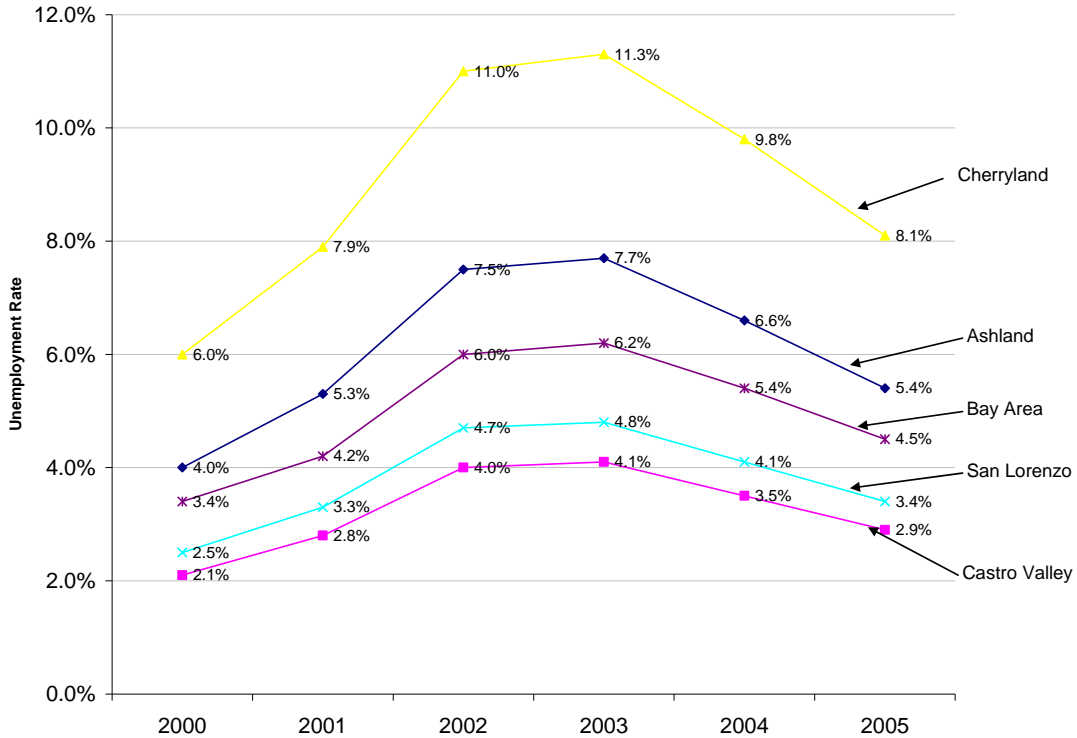
A significant cause for concern in recent years has been that outsourcing (or offshoring) , or the exporting of jobs by U.S. companies to lower cost workers in other countries, is one of the reasons for the region's sustained unemployment. A recent study by A.T. Kearney conducted for the Bay Area Council examined this concern and found that while off shoring, as a business strategy, is not new and is, indeed, accelerating; it is also a natural and unstoppable part of the globalization of the economy. Where lower skilled manufacturing jobs have been going overseas for decades, now certain higher-wage service sectors jobs are also going overseas. These trends are worrisome and require that the region look closely at its strengths and weaknesses, bolster its strengths and overcome its weaknesses.

Study Area

The implications of these global job trends for the Study Area are important to keep in mind as the Area considers new economic development strategies. There are two trends that should be kept foremost: first, the Study Area remains an excellent location for smaller businesses with less intensive real estate needs such as local-serving retail or business services and light industrial (or “process”) companies and these companies should be nourished and helped to thrive; second, residents living in the Study Area are competing in the global marketplace for tomorrow's jobs. For this reason, education and continuous job skill retraining and upgrading are transcending other economic development initiatives and requiring more focus and resources. Partnerships between employers, workforce training organizations, and job seekers to sustain the high level of workforce productivity and income for which the region is known will become ever more important.

Over the past five years, unemployment rates in the Study Area (while considerably different across the four communities) have been persistently high in Cherryland and Ashland.

Figure 2: Unemployment Rates in the Bay Area and Study Area



Source: CA Employment Development Department, ECG analysis.

Industry Performance & Trends

Table 1: Industry Concentration in the Bay Area Relative to the U.S. in 2005

Industry	The Bay Area's Employment Concentration Ratio relative to the U.S.
Professional and Technical Services	1.71
Information	1.54
Management of Companies and Enterprises	1.33
Educational Services	1.25
Real Estate and Rental and Leasing	1.21
Arts, Entertainment, and Recreation	1.12
Construction	1.09
Finance and Insurance	1.05
Manufacturing	1.02
Accommodation and Food Services	1.00
Typical U.S. concentration	1.00

Source: CA Employment Development Department, 2005. ECG analysis.

Bay Area

Relative to the rest of the U.S., the Bay Area's employment is highly concentrated in high value-added activities such as Professional and Technical Services, Information (and Technology), Management of Companies, Educational Services, and Real Estate. A high quality workforce and a strong spirit of innovation help sustain the region's significant productivity lead over other U.S. regions. Per capita output in the Bay Area

is nearly twice that of the U.S. average.

Many of the occupations in these industries are high paying, resulting in the Bay Area’s high wage structure. This, in turn, fuels the higher cost of housing and, ultimately, the overall higher cost of living.

Study Area

In contrast, the employment base in Alameda County (which serves as the job market for most of the residents living in the Study Area), relative to the Bay Area, is highly concentrated in Wholesale Trade, Management of Companies, and Trade, Transportation, and Utilities.

Table 2: Industry Concentration in Alameda County Relative to the Bay Area in 2005.

Industry	Alameda Employment Concentration Ratio (ECR) Relative to Bay Area
Wholesale Trade	1.58
Management of Companies and Enterprises	1.43
Trade, Transportation, and Utilities	1.17
Construction	1.13
Public Administration	1.12
Health Care and Social Assistance	1.10
Manufacturing	1.06
Typical Bay Area concentration	1.00
Retail Trade	0.98
Administrative and Waste Services	0.95
Educational Services	0.89
Real Estate and Rental and Leasing	0.87
Arts, Entertainment, and Recreation	0.86
Professional and Technical Services	0.82
Finance and Insurance	0.81
Accommodation and Food Services	0.80
Information	0.74

Other sectors that are more concentrated in Alameda County than the rest of the Bay Area include: Construction, Public Administration, Health Care and Social Assistance, and Manufacturing.

Interestingly, Alameda County employment is *less concentrated* than the Bay Area as a whole in Professional and Technical Services, Finance and Insurance, and Information (Technology). As these are the *higher wage paying sectors*, this is a notable difference.

Alameda County employment is *more concentrated in industries that pay lower than average wages*. See bubble chart below.

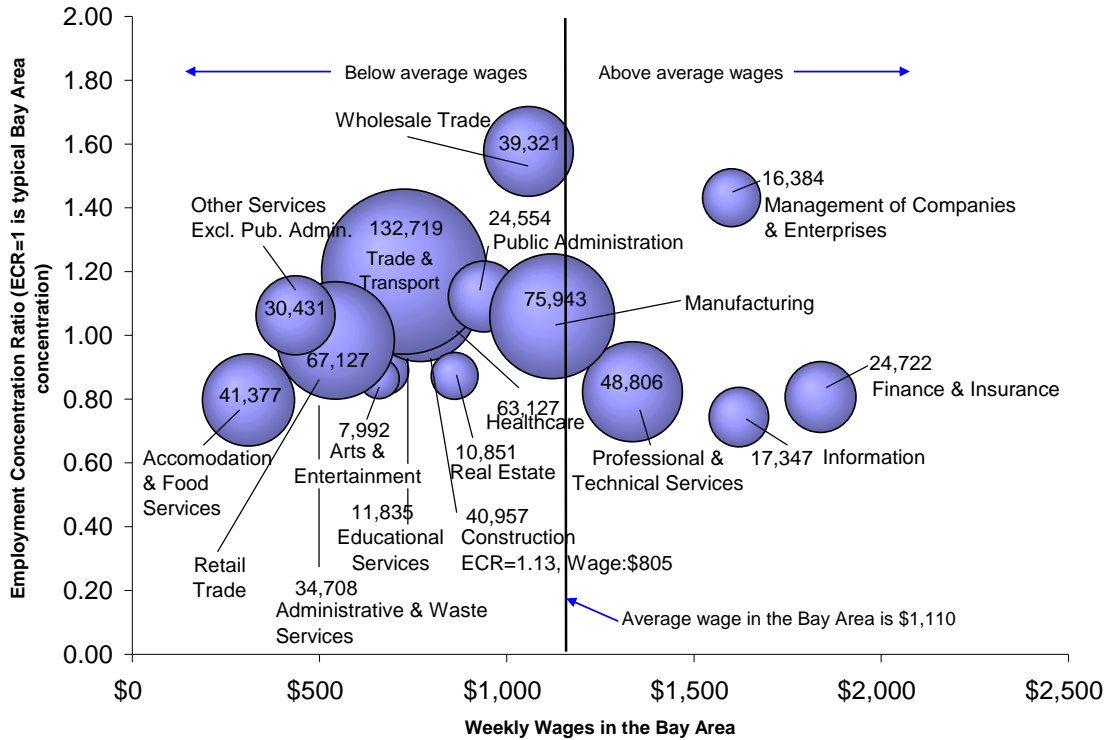
Source: CA Employment Development Department, 2005. ECG analysis.

As noted earlier, the Bay Area has many competitive advantages as a business location, including: high levels of entrepreneurship and new business creation, research in advanced technologies, cross-disciplinary research (and commercialization of technologies), concept and market development, and globally integrated management. As a whole, the Bay Area is less strong in: mass production (manufacturing), back-office functions (transactional and processing), and operation and product enhancement in maturing industries.

Interestingly, these latter functions were the mainstay of the East Bay economy for generations. Until recently, the East Bay has, more or less, provided these functions for the rest of the region. With global outsourcing of these functions, however, the East Bay, and Alameda County in

particular, is seeing the continuing erosion of these activities as well as continuing downward pressure on the wages paid by these activities.

Figure 3: Alameda County Industries (one per bubble) by Employment, Employment Concentration, and Average Wage, 2005.



Source: California Employment Development Department, 2005. ECG analysis.

According to the California Employment Development Department, the average weekly wage in the Bay Area in the fourth quarter of 2005 was \$1,110. This line is marked in the bubble chart above. Only four of Alameda County’s major industries pay average wages above the Bay Area average. As noted above, these are not industries in which Alameda County is particularly concentrated, other than Management.

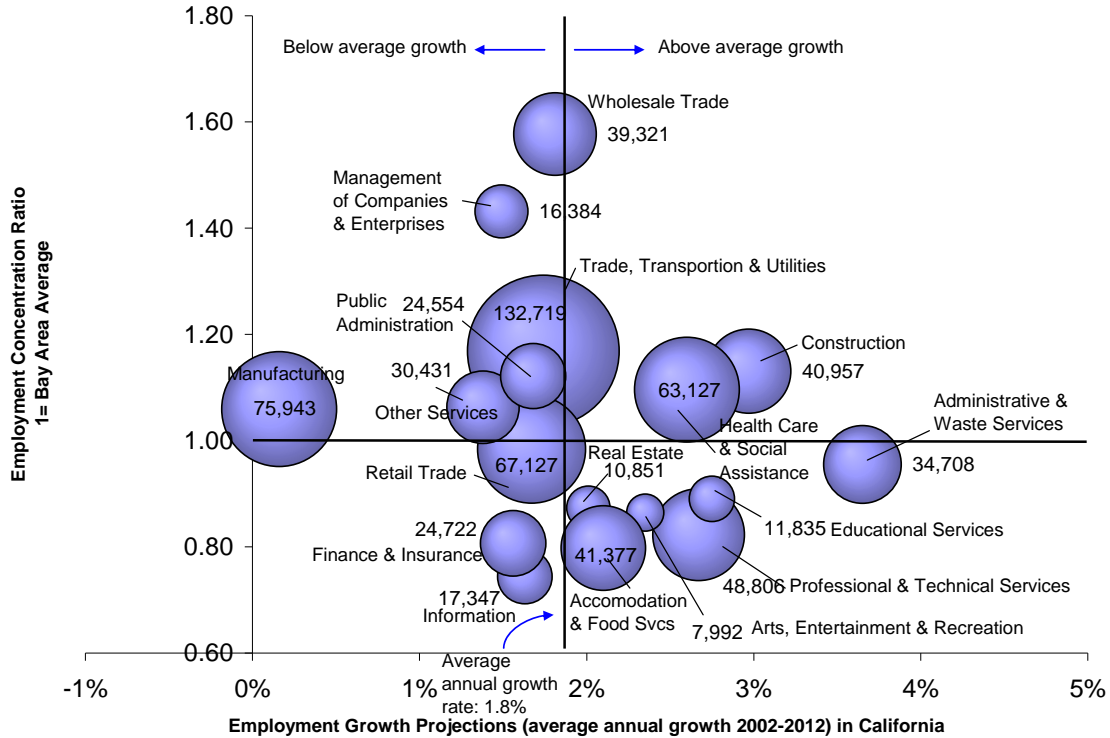
In the chart above, each bubble represents an industry and the size of each bubble is in proportion to its total employment in the County. The y-axis represents the concentration of employment in each industry relative to the Bay Area as a whole, where a concentration ratio (ECR) of 1.00 is the typical Bay Area concentration. Any industry with an ECR of less than one is relatively less concentrated in the County than it is elsewhere in the Bay Area.

The chart above reveals the extent to which most of Alameda County’s most important industries pay wages, on average, below the Bay Area average. It shows also that the County’s biggest employers are Trade, Transportation and Utilities, Manufacturing, Retail Trade, and Health Care. Generally, these industries offer lower skill, lower paying jobs than those industries more highly concentrated in the rest of the Bay Area.

Alameda County’s employment also is *concentrated in industries that are projected to grow slower than the average California industry*. Only Construction and Health Care and Social

Assistance are forecast to have above average growth rates and, given the recent slowdown in the residential real estate markets, Construction may be slowing down as well.

Figure 4: Alameda County Industries (one per bubble) by Employment, Employment Concentration, and Average Statewide Forecast Employment Growth Rate, 2005.



Source: California Employment Development Department, 2005. ECG analysis.

Table 3: Historic Industry Growth Rates in Alameda County

Industry	Growth in Employment 2001-05
Financial Activities	20%
Other Services	11%
Construction	1%
Education and Health Services	0%
Leisure and Hospitality	-1%
Professional and Business Services	-8%
Trade, Transportation, and Utilities	-10%
Manufacturing	-16%
Information	-16%

Source: California Employment Development Department, 2005.

Over the past four years, much of the recovery of the East Bay region’s economy has been fueled by activity in the Construction, Real Estate and related Finance activities. Due to the rising level of housing prices, a building boom has occurred as developers try to bring more housing supply into the market and there has been higher-than-normal demand for equity-financed home remodeling and other projects due to lower interest rates and increases in homeowner’s equity. As a result, these sectors have been the only sectors to see much growth in employment.

Since the housing market is likely to slow down in the coming years, growth in these types of jobs may slow down as well.

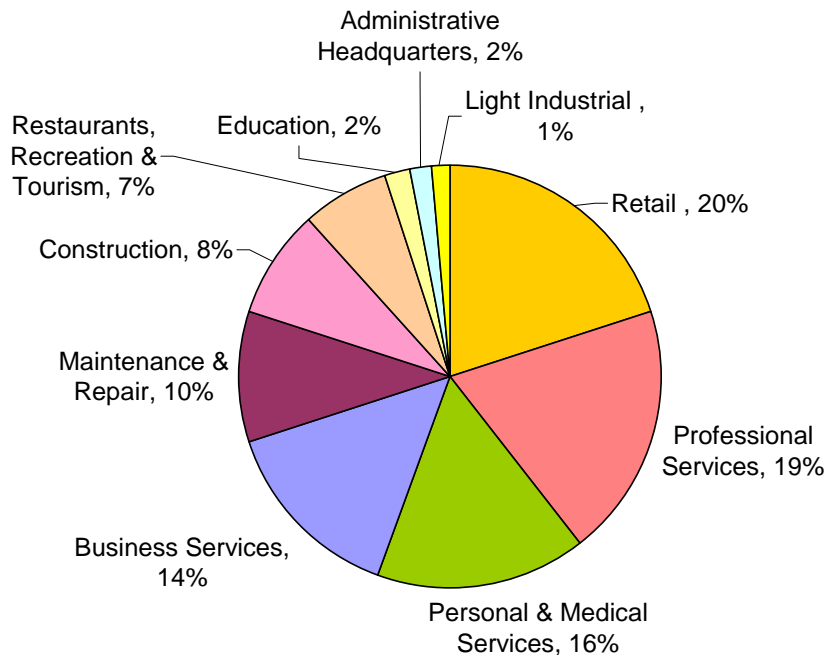
A likely strategic advantage for the East Bay economy going forward is its strength in Trade and Transportation activities. The Bay Area Council and Bay Area World Trade Council expect trade activity to expand in coming years, with exports from California growing faster than exports from the U.S. as a whole. Currently, California accounts for a higher share of total U.S. exports (16%) than it does of U.S. Gross Domestic Product (GDP).

In addition, Governor Schwarzenegger's recent efforts to invest heavily in the state's public infrastructure may result in job growth in this sector for East Bay residents.

Business Base

There are approximately 5,730 business establishments in the Study Area, or 2.5% of the nearly 233,000 companies located in the nine-county Bay Area. Relative to other communities, the Study Area's business community is heavily service oriented and, as is to be expected, oriented toward serving the local market. Nearly half of the businesses located in the Study Area provide local-serving retail (20%), personal & medical services (16%), or maintenance & repair services (10%) to the residents living in the area (for a complete list of company types under each heading, see Appendix B):

Figure 5: Businesses by Type in the Study Area, 2005



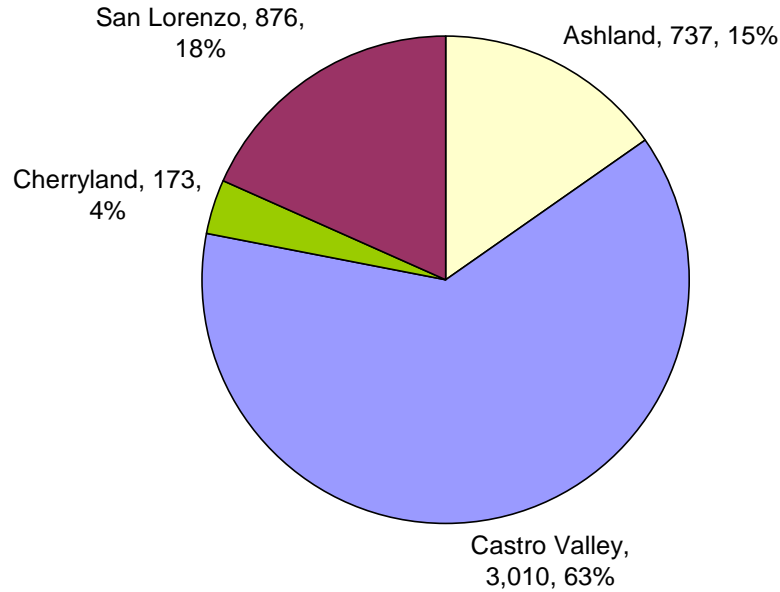
Source: County of Alameda Business License Data, 2005. It should be noted that 20% of those entities holding a business license are the owners of rental properties (64% residential and 36% commercial). The chart above excludes this portion of the total.

In addition, many of the business and professional service firms such as insurance and real estate brokers, as well as the restaurants and recreational services, are likely local-serving in nature. Yet it also is likely that many of the business and professional services firms provide services to businesses and individuals outside of the Study Area, thereby drawing wealth into the area. This is most likely true for firms in management consulting, accounting, legal, and computer services

as well as in construction and light industrial activities as well. The Study Area is slightly more concentrated than the rest of the Bay Area in Construction companies (8% of total firms vs. 5%).

Within the Study Area, business establishments are largely concentrated in Castro Valley which is home to 63% of the firms in the area. The distribution among the four communities is as follows:

Figure 6: Distribution of Businesses across the Study Area, 2005.



Source: Alameda County Business License Database, 2005.

Across the Study Area, the majority of firms (77%) are very small (less than five employees). This is quite typical of any region. As of 2000, the most recent year available, Dun & Bradstreet reports the following distribution of firms by size across the region:

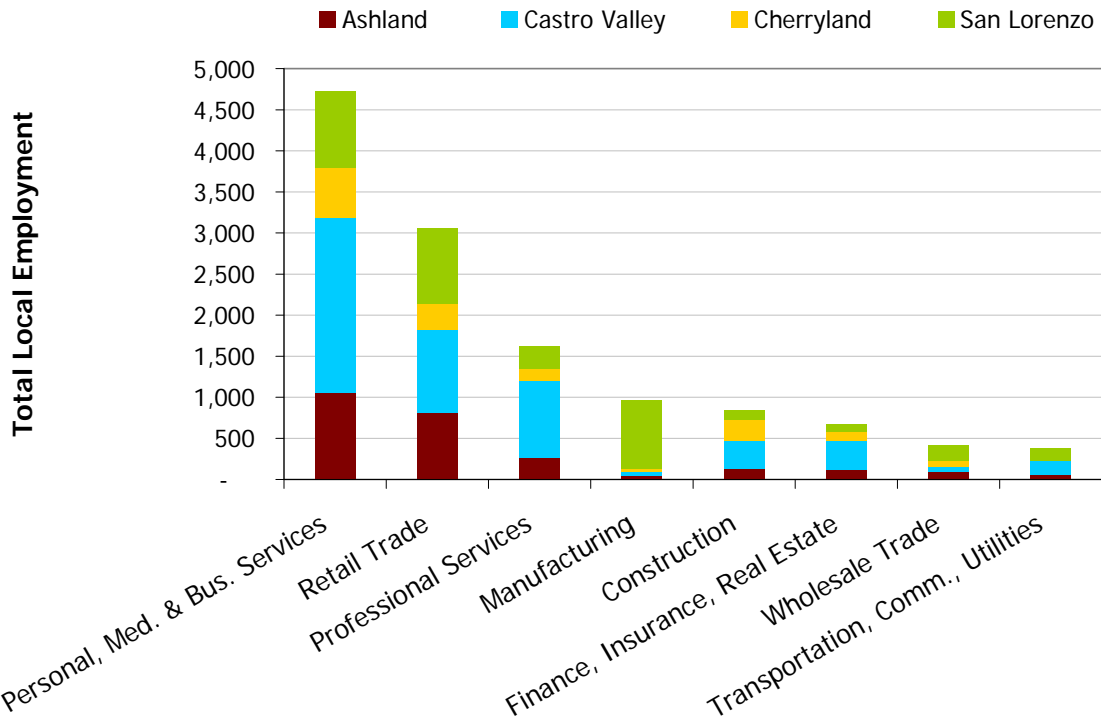
Table 4: Distribution of Firm Size, across the Region

Firm Size (Number of Employees)	Number of Firms in the Region	Percentage
Five or less	1430	77%
Between 5-25	324	18%
Between 25-50	58	3%
Between 50-250	36	2%
Greater than 250	2	0.1%

To get a sense of where the employment is by sub-area and by firm type, the most recent data available is from the year 2000 from Dun & Bradstreet. See the Figure below.

Source: Dun & Bradstreet, 2000.

Figure 7: Employment by Firm Type and Sub-Area



Source: Dun & Bradstreet, 2000

The percentage of total employment by firm type is consistent with the percentage of total firms by type in that slightly more than a third (37%) of regional employment is in personal, medical and business service businesses. Another quarter (24%) of the region’s employment is in retail, and one eighth of the workforce works in professional service jobs including legal, engineering, and management services.

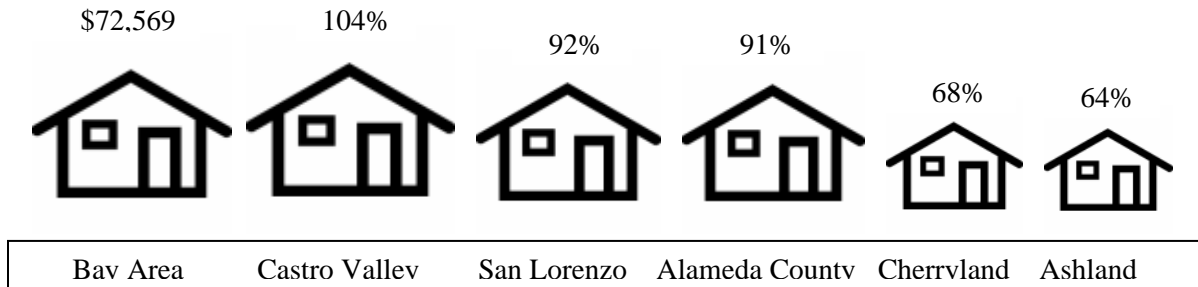
The distribution of employment by sub-area is roughly consistent with the distribution of firms with Castro Valley hosting the majority (63%) of jobs in most industries, with the exception of manufacturing and wholesale trade. In the latter case, San Lorenzo hosts the lion’s share, primarily due to the presence of the Industrial Park. Also, the higher-than-proportionate concentration of construction employment in Cherryland is notable, as are the higher rates of employment in personal, medical and business services and retail jobs in Ashland. The latter may be due to the proximity of the Bayfair Mall.

Income

In part due to the difference in its mix of industries, Alameda County has a lower level of household income (87% of the Bay Area median). In the Study Area, this is particularly notable in Ashland and Cherryland.

Median Household Income

Figure 8: Median Household Income, 2005



Source: Claritas, 2005. ECG analysis.

The chart below shows how each community in the Study Area compares to the Bay Area (and Alameda County) across income measures. Most notable is that per capita income in the Study Area is considerably lower than elsewhere in the Bay Area (nearly 40% lower in Ashland and Cherryland).

Table 5: Various Income Indicators in the Study Area and Bay Area

	Alameda County	Ashland	Cherryland	Castro Valley	San Lorenzo	Bay Area
Median household income	87%	63%	66%	100%	87%	\$ 64,611
Median family income	85%	56%	57%	94%	80%	\$ 77,697
Per capita income	78%	53%	50%	89%	64%	\$ 34,079
Individuals in poverty	120%	155%	134%	49%	59%	9%

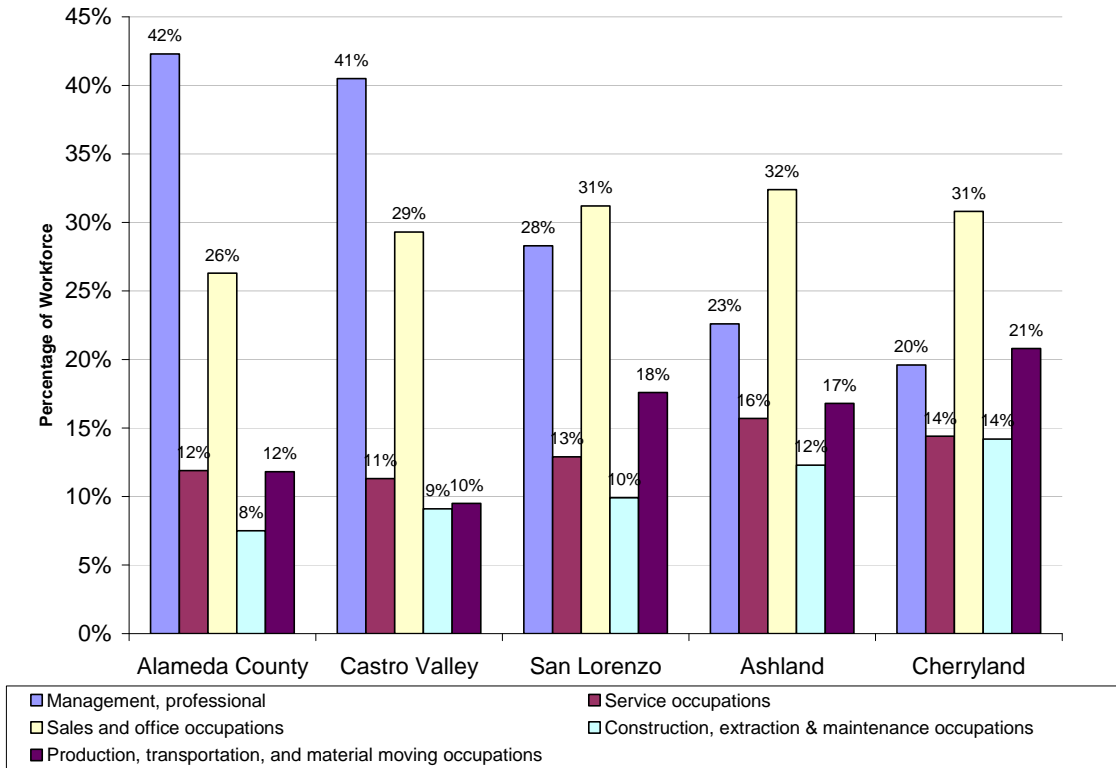
Source: Claritas, 2005.

Poverty rates also are of particular concern. In Ashland and Cherryland, the rates are considerably higher than in the rest of the Bay Area. That these communities have incidents of poverty at nearly three times the rate of Castro Valley and San Lorenzo is also striking.

Occupation Trends

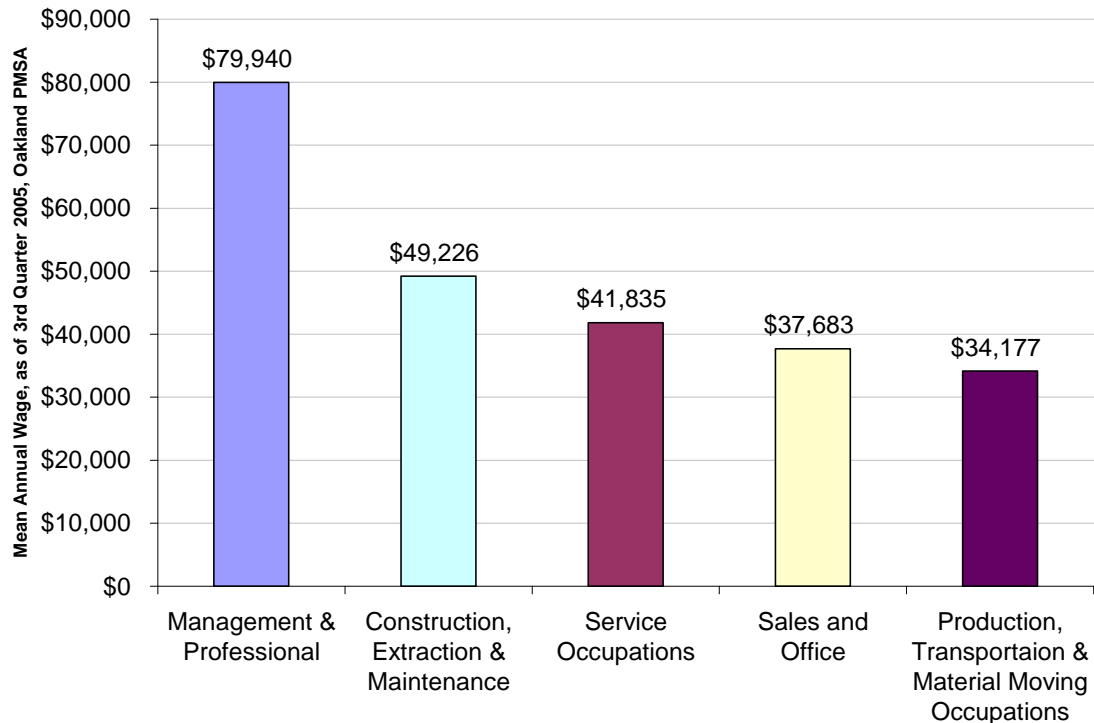
Occupational trends in the Study Area offer one explanation for lower median incomes. Ashland, Cherryland, and San Lorenzo have far fewer residents in higher wage paying occupations and far more residents in lower wage paying occupations than the rest of Alameda County. Castro Valley is similar to the rest of Alameda County in its occupational make-up.

Figure 9: Occupational Make-up of the Residential Populations of the Study Area and Alameda County



Source: Census 2000 – need to update this with Claritas. ECG analysis.

Figure 10: Mean Annual Wages by Occupation in the Oakland PMSA, 2005



Source: CA Employment Development Department, 3rd Quarter 2005. ECG analysis.

Cost of Living

The Bureau of Labor Statistics recently issued a report finding that Bay Area workers are the highest paid in the nation – earning 17% more than the average U.S. worker (December 28, 2005). Based on 2004 data, the report makes adjustments for regional differences, such as the higher concentration of computer and other high-wage workers in the Bay Area. Without the adjustment, workers in the Bay Area would make 31.5 percent more than the national average earning \$80,412 versus the national average of \$61,152.

However, as the *San Jose Mercury News* noted, the report does not take into account cost of living differences. It is likely, although hard to measure, that the higher cost of living in the Bay Area more than wipes out any income differential. It costs 58% more than the national average to live in the Oakland area, 66% more in the San Jose area, and 75% more to live in the San Francisco area. As mentioned earlier, the rising cost of living in the Bay Area also may wipe out the region’s significant productivity advantage over other metro regions.

Housing

The Bay Area

The Bay Area continues to be the most expensive place to live in the United States. The cost of housing, which has set growth records in recent years, is the driving force behind the region’s higher cost of living. The median price (the median is the point at which half the homes sell for more and half for less) for a Bay Area home was \$625,000 in November, 2005, compared to a median price of \$218,000 nationwide, according to the California Association of Realtors (CAR).

Table 6: Median Home Prices in the Nine-County Bay Area Region, November, 2005

	Median Home Price November 2005	Percentage increase over the previous year
Marin	\$809K	9.5%
San Francisco	\$749K	7.5%
San Mateo	\$733K	10.4%
Santa Clara	\$653K	16.6%
Bay Area	\$625K	17.3%
Napa	\$605K	13.1%
Contra Costa	\$589K	24.3%
Alameda	\$587K	17.4%
Sonoma	\$574K	21.6%
Solano	\$490K	22.5%

Source: DataQuick Information Systems, November 2005.

Information Systems, due to reduced demand and higher interest rates), most experts agree that there is no housing “bubble” in the Bay Area that is likely to burst. Due to the chronic disequilibrium between the demand for housing (ABAG predicts that 2 million new residents will be added to the Bay Area’s population by the year 2030) and the supply, the expense of living in the Bay Area is not likely to decline dramatically.

The minimum household income needed to purchase a median-priced home in the Bay Area in November was \$149,043. In the U.S. as a whole, the minimum income needed to purchase a median-priced home was \$51,990 in the same time period. (These numbers are based on an average effective mortgage rate of 5.9% and assuming a 20% down payment). According to CAR, only 11 percent of California households can afford to buy a median-priced home in Alameda County.

While the Bay Area housing market, as of December, 2005, seems to be cooling off (the number of homes sold had declined 10.8 percent from last year, according to DataQuick

The Study Area

Home values in the Study Area are representative of the median values in Alameda County which tend to be lower than median values in the Bay Area, but higher than California statewide median values. Alameda County, in turn, is in the less expensive range among the other nine counties in the Bay Area in terms of its home values. But median home prices in Alameda County, Castro Valley, and San Lorenzo are still higher than the statewide median price in November of 2005, which was \$548,400, according to CAR.

Table 7: Median Home Prices by City in Alameda County, November, 2005

City/County	# of Units Sold	Median Home Price November 2005	% Yearly Change
Pleasanton	89	\$ 749,000	12.6%
Alameda	75	\$ 724,000	19.7%
Berkeley	75	\$ 695,000	24.1%
Castro Valley	63	\$ 675,000	27%
Dublin	73	\$ 661,500	16.4%
Union City	104	\$ 650,000	15.1%
Fremont	242	\$ 640,000	12.8%
Newark	51	\$ 625,000	21.4%
Alameda County	1,734	\$ 599,250	19%
Livermore	156	\$ 587,500	9.8%
Hayward	188	\$ 572,500	25.8%
Albany	21	\$ 568,000	6.3%
San Lorenzo	49	\$ 567,000	24%
San Leandro	107	\$ 549,000	18.3%
Emeryville	54	\$ 512,750	42.4%
Oakland	387	\$ 500,000	23.5%

Sources: DataQuick Real Estate News, Median Home Sales Recorded by City in November, 2005.

Housing stock in the Study Area tends to be slightly older and smaller than that in the rest of the Bay Area. While individual lots are small (less than 1/10th of an acre), they are close together, providing a close neighborhood experience but lacking in amenities typical of denser communities such as greater access to retail, services, and public transportation.

The housing inventory in the Study Area also is relatively small, with Castro Valley having nearly three times the number of housing units as each of the other communities. Castro Valley, and particularly San Lorenzo, have more than twice the percentage of their housing stock as single family detached residences. These differences in the housing

stock of each community are notable.

Home Ownership & Tenure Patterns

Home ownership and tenure patterns in the Study Area reveal the same pattern: both Castro Valley and San Lorenzo residents much more likely than those in the Bay Area or the rest of the County to own the home they occupy, whereas Ashland and Cherryland residents are much more likely to rent their home and to stay in it slightly less long than their counterparts in the rest of the Study Area or in Alameda County.

Table 8: Housing Stock, 2005

	Total Housing Units	% Housing stock that is single-family detached
Ashland	7,304	41%
Cherryland	5,147	44%
Alameda County	548,650	53%
Bay Area	2,588,407	54%
Castro Valley	21,483	71%
San Lorenzo	7,258	88%

Source: Claritas, 2005.

Table 9: Home Ownership and Tenure, 2005

	Ashland	Castro Valley	Cherryland	San Lorenzo	Alameda County	Bay Area
Owner Occupied Housing Units	36%	70%	34%	79%	55%	58%
Renter Occupied Housing Units	64%	30%	66%	21%	45%	42%
Residence in Same House Five Years Earlier (1995)	45%	55%	48%	66%	51%	N/A

Source: Claritas, 2005.

One reason for the difference in home ownership and tenure in Ashland and Cherryland is the nature of the housing stock. Above, we saw much lower percentages of single family homes in these areas. Rather, much of the housing available is in multi-family structures with more than 3 units.

Commuting Patterns

One of the consequences of the high cost of living in the Bay Area is the rise in long-distance commuting. Many families and individuals move to increasingly remote areas in search of housing they can afford, but continue to work in the Bay Area.

Table 10: Commute Times, 2005

	Mean travel time to work in minutes	Percentage of residents traveling 15 minutes or more to work (out of area)
Ashland	32	91%
Cherryland	34	84%
Castro Valley	33	84%
San Lorenzo	31	78%
Bay Area	29	N/A
California	28	75%
U.S.	26	71%

Source: Claritas, 2005.

In this respect, the Study Area is fairly typical of the Bay Area. Travel time to work among those living in the Study Area is close to the mean Bay Area travel time of 29.4 minutes. Compared to cities outside of the inner Bay Area like Tracy and Vallejo, residents of the Study area have a significant advantage. Commuters from Tracy spend an average of 41.9 minutes commuting, while those from Vallejo spend 35.4 minutes. However, compared to the

U.S. average, Study Area residents are at a disadvantage. Cherryland residents spend 20% more of their time commuting than typical U.S. commuters.

To gauge whether or not residents are working within the Study Area it is estimated that a commute of 15 minutes or more indicates a resident leaving the Study Area for work. With this estimation, it appears that the great majority of residents do not work near where they live – more than elsewhere in the state and nation.

Nevertheless, the location of the Study Area in relation to the job centers in Oakland, Fremont, Pleasanton and San Mateo is one of the best in the Bay Area: nearly equidistant to these vibrant

job centers, residents and businesses locating in the Study Area can easily access a number of different markets in the East Bay as well as on the peninsula.

The impact of commuters traveling long distances to work in the Bay Area is felt directly in the Study Area. Lying at the junction of 880, 238, and 580, the Study Area sees an extremely high number of vehicles pass through its air space every day. In fact, the junction between 880 and 238 sees the most daily trips of any of the exits or entrances to 880.

Table 11: Travel Times to Major Job Centers, 2005

San Lorenzo to:	Miles	Minutes
Oakland	12.8	16
Fremont	15.1	19
Pleasanton	16.9	22
San Mateo	19.1	22

Source: Yahoo.Maps.com

This extremely high volume of traffic traversing the Study area has a number of impacts, both positive and negative. Positively, the area has high visibility and retailers seeking signage opportunities will be well served to locate in the area. Negatively, the obvious noise and air pollution detract from the overall quality of life in the Study Area.

Table 12: Highway Traffic Volumes through the Study Area, 2005

Highway	Annual Average Daily Traffic
238 at Jct. Rte. 185, Mission Boulevard	132,000
238 at Hesperian Boulevard	131,000
238 at Jct. Rte. 880	82,000
580 at Jct. Rte. 238	150,000
580 at Liberty Street/164th Avenue	147,000
580 at Plaza Drive	146,000
580 at 150th Avenue	131,000
880 at Jct. Rte. 238 East	277,000

Source: CA Department of Transportation, Traffic and Vehicle Data Systems Unit, 2004.

Land Use

In the mid-19th Century, land in the Study Area was developed as agricultural land with a few recreational facilities and hotels to accommodate visitors to the area. During and after World War II, however, developers built many of the homes that

still stand today. In the case of San Lorenzo, much of the community was built as a planned development around a central village square.

Today, land use patterns around the Study Area are changing rapidly. Real estate within inner ring of the Bay Area has increased exponentially in value and planners across the region warn of a serious shortage in the supply of housing as one reason why the region's real estate values have soared. As a result, planners and governments alike are advocating for higher density development and mixed use land use patterns where residential, retail and commercial activities are often co-located to ease congestion on the area's crowded highways.

In the Study Area, some multi-family projects have been built. In Ashland and Cherryland, nearly one fifth of the

Table 13: Residents per Housing Unit

	Residents per Housing unit
San Lorenzo	2.9
Cherryland	2.9
Ashland	2.9
Alameda County	2.7
Bay Area	2.7
Castro Valley	2.6

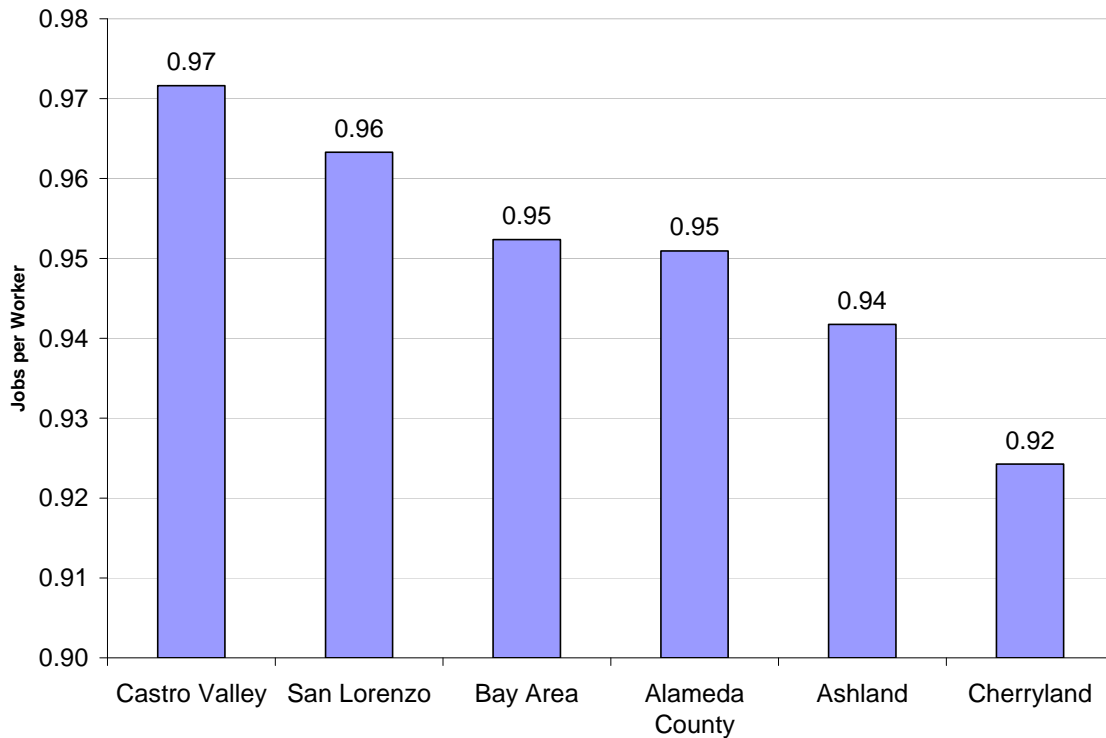
Sources: Claritas for 2005 population estimates and number of housing units. Land area data from city-data.com, 2005. Land area is developed land (total land less 3.75 million acres of open space as calculated by Greenbelt Alliance).

housing stock is comprised of developments containing 3-19 units. As a result, these areas have a slightly higher number of housing units per acre (six and seven respectively, compared to an average of four units per acre across the Bay Area).

In terms of the number of residents living in each housing unit, the Study Area is not significantly different than the rest of the Bay Area.

The development of commercial real estate in the Study Area has largely reflected the nature of the residential developments. As primarily residential communities, commercial activities have been focused along commercial corridors or community centers, as in San Lorenzo and Castro Valley. Very little industrial land exists except for the Grant Street industrial park in San Lorenzo. Interestingly, despite the more residential nature of the communities in the Study Area, their ratio of jobs to members of the labor force is not substantially different from the Bay Area average, with Castro Valley and San Lorenzo providing slightly more jobs per worker, on average, than the Bay Area or the other two communities.

Figure 11: Ratio of Jobs per Member of the Labor Force, 2005



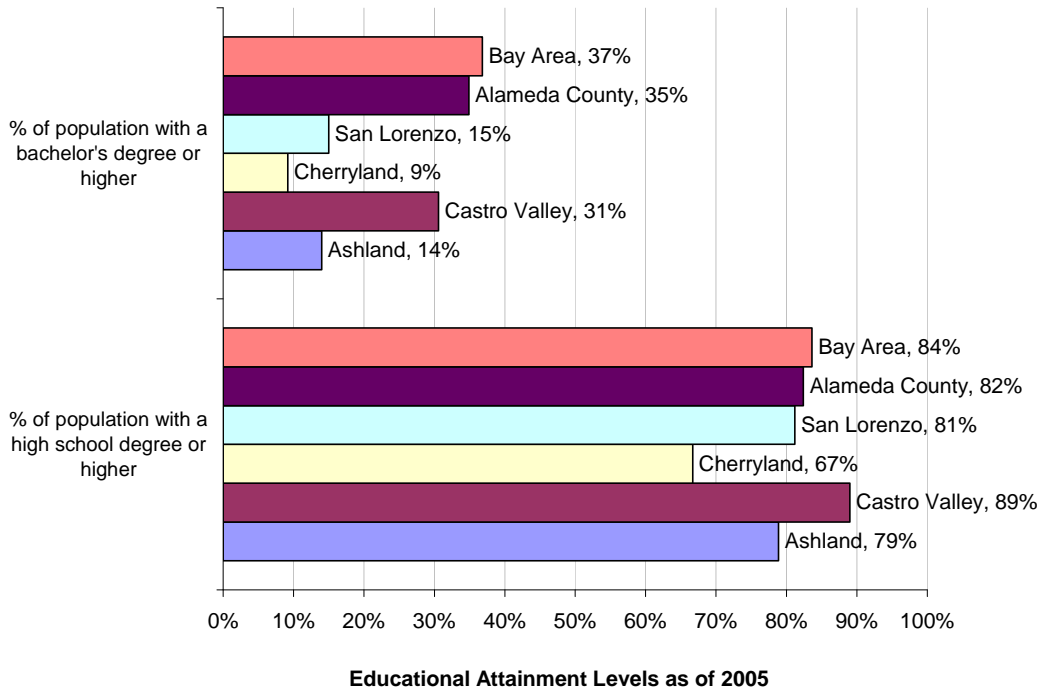
Source: Claritas. 2005.

With its relatively low concentration of commercial and industrial space, the Study Area is more typical of the suburban communities in the Bay Area, and less typical of the larger job centers immediately to its north and south.

Education

As with a number of the other indicators reviewed in this report, other demographic indicators such as the level of educational attainment of the Area's residents mirrors the pattern already set: residents in Castro Valley are fairly typical of residents around the Bay Area, San Lorenzo slightly less so, and Ashland and Cherryland considerably less so.

Figure 12: Educational Attainment Levels, 2005



Source: Claritas. 2005.

The performance of the school districts serving the Study Area tells a similar story, although it should be noted that residents from Ashland and Cherryland are served by the San Lorenzo school district. The latter has a very good reputation and a very low drop-out rate relative to the rest of the Bay Area.

Table 14: Educational Performance of K-12 Public School Districts, 2001

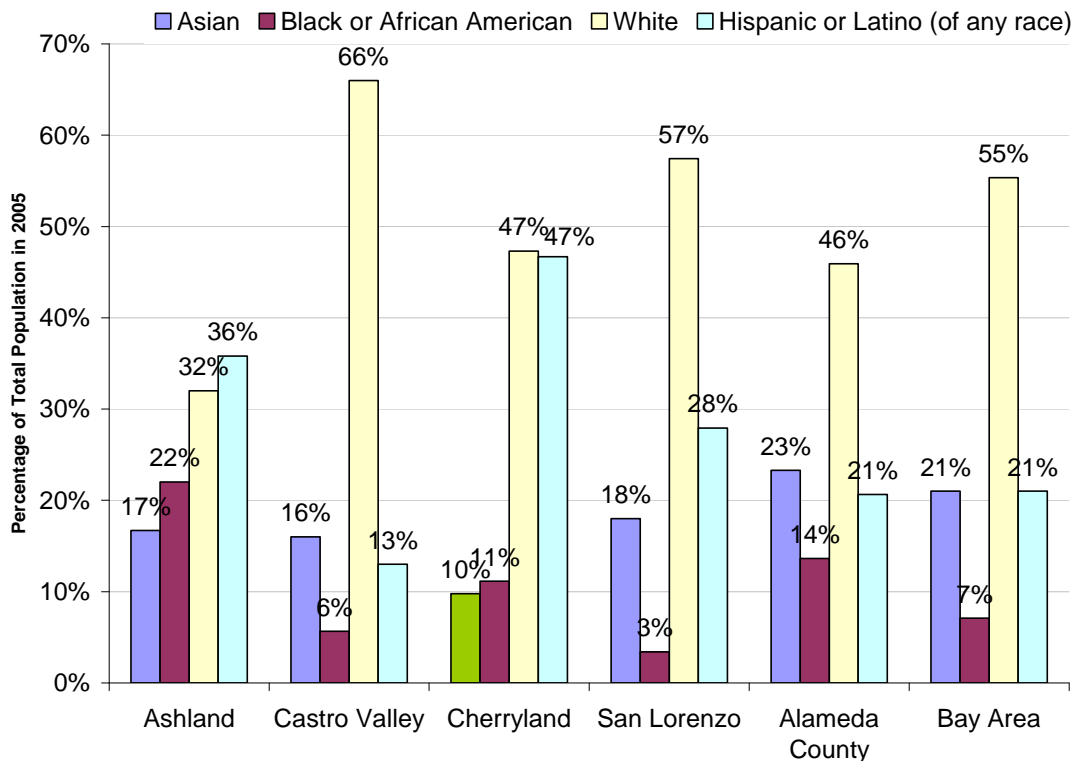
	Alameda County	Bay Area	Castro Valley Unified	San Lorenzo Unified
Percent of Seniors with SAT scores above 1,000 in 1998-99	25%	26%	34%	11%
Percent of Seniors taking the SAT in Alameda County Districts 1998-99	47%	N/A	48%	28%
Four-year derived high school dropout rates 1998-99	9%	9%	3%	4%

Source: Bay Area Council, *Bay Area Educational Performance Profile, 2001*. Cherryland and Ashland students attend San Lorenzo Unified District schools.

Other Demographics

Lastly, the ethnic make-up of the various communities in the Study Area is also notable in the dramatic differences across the four communities.

Figure 13: Racial Composition of the Study Area and Bay Area, 2005

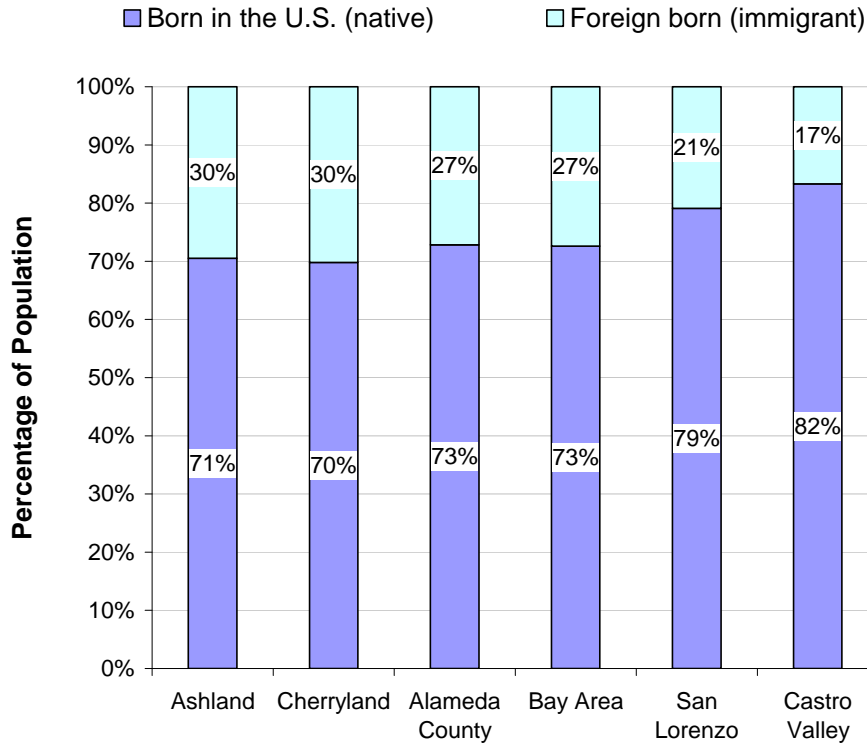


Source: Claritas. 2005.

Castro Valley stands out due to its relative homogeneity. San Lorenzo is quite typical of the Bay Area in terms of its racial composition. While Ashland and, particularly, Cherryland stand out in their concentration of individuals of Hispanic or Latino origin. Nearly half the population of the Cherryland identified themselves as Hispanic or Latino in the 2000 Census.

Not surprisingly, this trend is correlated with the percentage of the population in each community that is foreign born.

Figure 14: Immigrants Living in the Study Area vs. Bay Area, 2005



Source: U.S. Census, 2000.

Both Ashland and Cherryland have much higher percentages of their residents identifying themselves as immigrants than other communities in the Bay Area and Alameda County, and certainly more than the other two communities in the Study Area.

Strategic Issues & Next Steps

This report has reviewed and contrasted many of the major economic indicators of the Bay Area and those of the Study Area. In this way, it has put the Study Area in its broader economic context and sets the stage for the next step in developing an economic development strategic plan. With a better sense of how the Study Area's residents, workers, and businesses fit into the larger trends affecting the region, the strategic planning process can recognize the Area's starting point, set goals, and develop strategies for achieving those goals.

The facts and trends in this report raise a number of issues that could be considered in subsequent phases of the strategy development process. Some of these include:

1. The dynamics of globalization and the changing nature of employment opportunities in the Bay Area have produced a variety of job opportunities for Study Area residents. However, given that Study Area residents have, on average, lower levels of educational attainment and earn below-average incomes, does it make sense to consider a more proactive role in providing job training and job placement services to Area residents? Are there other initiatives the County could take to address these issues?

2. The economy of the study Area primarily serves the goods and services needs of local residents. It does not, however, serve the employment needs those residents. Should the County use its economic development resources to help improve the local-serving retail and service functions of local businesses or should it seek to retain and attract companies that could offer employment opportunities to Area residents?

This list of issues to be considered in the strategy process is obviously not exhaustive. These and others can and will be considered during subsequent phases in the strategy process. The next steps in the process involve conducting a series of broad-based public meetings during which the participation of residents and business owners and operators will be sought. A visioning exercise will follow the review of the findings of this report. The process will also involve a closer look at the Area's retail. Additional meetings, interviews, and focus groups will enrich the knowledge base and search for effective tools and initiatives to shape and implement the strategy further.

Appendix A: Indicator Summary Matrix

The table below is a summary of the indicators reviewed in this report, comparing the Study Area with Alameda County and the Bay Area. Sources are listed in the main body of the report.

	Ashland	Castro Valley	Cherryland	San Lorenzo	Alameda County	Bay Area
Per capita income	\$20,289	\$35,631	\$18,903	\$25,649	\$31,331	\$35,522
Unemployment rate	5.40%	2.90%	8.10%	3.40%	4.90%	4.50%
Poverty rate	14%	5%	12%	5%	11%	9%
Home prices	N/A	\$ 675,000	N/A	\$ 567,000	\$ 599,250	\$625,000
Owner occupied housing units	36%	70%	34%	79%	55%	58%
Renter occupied housing units	64%	30%	66%	21%	45%	42%
Housing stability (in home more than 5 years)	45%	55%	48%	66%	51%	N/A
Percentage of housing stock that is single-family detached	41%	71%	44%	88%	53%	54%
Residents per housing unit	2.9	2.6	2.8	2.9	2.7	2.7
Housing units per acre	6	1	28	4	1	4
Resident per acre	18	6	20	12	4	10
Jobs per member of the labor force	0.94	0.97	0.92	0.96	0.95	0.95
Percent high school graduate or higher	79%	89%	67%	81%	82%	84%
Percent of high school seniors with SAT scores above 1,000	Part of SLZ	34%	Part of SLZ	11%	25%	26%
Foreign born (immigrant)	30%	17%	30%	21%	27%	27%

Comparison table in which Alameda County and each city in the Study Area are contrasted with the Bay Area as a whole: each indicator is provided as a percentage of the Bay Area average or median indicator (the latter is found in the far right hand column).

	Ashland	Castro Valley	Cherryland	San Lorenzo	Alameda County	Bay Area
Per capita income	57%	100%	53%	72%	88%	\$35,522
Unemployment rate	120%	64%	180%	76%	109%	4.50%
Poverty rate	159%	50%	137%	60%	122%	9%
Home prices	N/A	108%	N/A	91%	96%	\$625,000
Owner occupied housing units	62%	121%	58%	138%	95%	58%
Renter occupied housing units	151%	71%	155%	49%	107%	42%
Percentage of housing stock that is single-family detached	76%	131%	81%	163%	98%	54%
Residents per housing unit	107%	96%	104%	109%	100%	2.7
Housing units per acre	159%	25%	699%	100%	25%	4
Resident per acre	181%	61%	195%	118%	35%	10
Jobs per member of the labor force	99%	102%	97%	101%	100%	0.95
Percent high school graduate or higher	94%	106%	80%	97%	99%	84%
Percent of high school seniors with SAT scores above 1,000	Part of SLZ	131%	Part of SLZ	42%	96%	26%
Foreign born (immigrant)	108%	60%	110%	76%	99%	27%

Appendix B: Businesses in the Study Area by Type (Business License Information)

<u>Property Rental</u>	
RENTAL OF RESIDENTIAL	705
RENTAL OF COMM/INDUSTRIAL	392
Sub-total	1097
<u>Business Services</u>	
BUSINESS SERVICE CONCERNS	578
EQUIPMENT LEASING & RENTAL	24
PUBLISHING	16
Sub-total	618
<u>Construction</u>	
CONSTRUCTION CONTRACTOR	346
Sub-total	
<u>Personal & Medical Services</u>	
BARBER	264
MEDICAL/HEALTH	241
DAY CARE FACILITY	43
PORTRAIT STUDIO	35
MASSAGE THERAPY	23
DRY CLEANING & LAUNDROMAT	22
DENTAL LABS	11
STORAGE FACILITY	11
AMBULANCE/LIMOUSINE	10
AUTO TOWING CONCERN	8
CAR WASH FACILITIES	8
CEMETARY/MORTUARY/UNDERTAKE	6
Sub-total	682
<u>Professional Services</u>	
MANAGEMENT & CONSULTING	186
ACCOUNTING/AUDITING/BOOKKEE	141
COMPUTER SYSTEMS/DESIGNS	126
ENGINEERING/ARCHITECTURAL	80
REAL ESTATE BROKER- FIXED	72
LEGAL	64
TRANS PERSON/GOODS	58
FINANCE/CREDIT	43
INSURANCE BROKERS	17
MONEY LENDING/CREDIT	15
EMPLOYMENT/PERSONNEL	11
REAL ESTATE BROKER- NO	9
INSURANCE/UNDERWRITING	6
Sub-total	828
<u>Maintenance & Repair</u>	
AUTO REPAIR	120
JANITORIAL & CLEANING	119
HOME REPAIRS & IMPROVEMENTS	107

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LANDSCAPING & GARDENING	84
MACHINERY/EQUIPMENT REPAIRS	7
Sub-total	437
<u>Retail</u>	
SPECIALTY STORES	183
ART, GIFT & NOVELTY	109
REPAIR/HAND-TRADE SHOP	90
COMMISSION MERCHANT	54
HOME FURNISHING STORES	45
AUTO (USED) DEALER	33
GROCERS	30
AUTOMOTIVE SUPPLY	28
JEWELRY STORES	25
SPECIALTY FOOD STORES	21
FAMILY APPAREL	18
FLORIST SHOPS	24
LIQUOR STORES	23
HOUSEHOLD GOODS	22
SECOND HAND STORES	17
SPORTING GOODS	15
VARIETY STORES	13
CIGAR STORE/STAND	12
GASOLINE STATIONS	11
GENERAL STORES	11
VENDING MACHINE OPERATORS	10
WOMEN'S APPAREL	10
BUILDING MATERIALS	9
ELECTRONIC/ELECT EQUIP	9
STATIONARY/BOOK STORES	9
MUSIC STORES	8
CONFECTIONARY STORE	7
GARDEN STORES	6
OFFICE/SCHOOL FURNITURE	6
Sub-total	858
<u>Restaurants, Recreation, & Tourism</u>	
EATING/DRINKING PLACES	139
RECREATION/ENTERTAINMENT	96
HOTEL/MOTEL OPERATORS	21
CARPET/UPHOLSTERY CLEANING	17
LIQUOR BAR/DRINKING PLACES	13
Sub-total	286
<u>Educational Businesses</u>	
	85
<u>Administrative Headquarters</u>	
	78
<u>Light Industrial</u>	
LIGHT INDUSTRIAL EQUIP/MACH	17
LIGHT INDUSTRIAL	15
TEXTILES MANUFACTURING	13
FOOD PROCESSING EQUIP	10
Sub-total	55
GRAND TOTAL	5370

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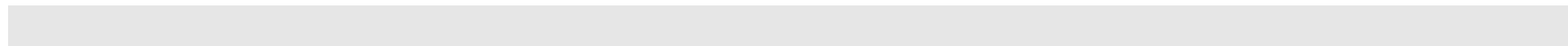
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Appendix C: Regional Retail Context Briefing Paper

ALAMEDA COUNTY REDEVELOPMENT AGENCY
Economic Development Strategic Plan



Regional Retail Context
Briefing Paper



Submitted by

Metrovation Brokerage & Conley Consulting Group

March 15, 2006



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Executive Overview

The purpose of this briefing paper is to examine the current retail nodes of the redevelopment areas in unincorporated Alameda County (the Study Area) as it relates to the larger context of the retail climate of the Bay Area, specifically the greater Alameda County area. In this briefing paper, we will look at the following:

- What and where are the current retail shopping nodes.
- Where are the trade areas for each of these retail nodes.
- What are the constraints of each of these areas, what are the positive aspects of the locations.
- Each of the four subject areas differ greatly from each other (Ashland, Castro Valley, Cherryland and San Lorenzo)
 - What are the demographics of each of these areas and how do their demographics compare with other Alameda County cities/areas.
 - What kind of buying power does each area have, how does it compare to similar cities/areas and the state average.
- What are the demographic and physical requirements that retailers look for in general, and what do some specific retailers look for.

Introduction

The Study Area

This briefing paper will provide a retail starting point for the Alameda County Economic Development Strategic Plan for four redevelopment areas in unincorporated Alameda County. These areas include: San Lorenzo, Cherryland, Castro Valley and the Joint /Ashland area. We will not be addressing The Foothill or Mt. Eden areas as they relate to retail development.

Purpose of Report

It is important to understand the retail context of each area as it relates to the population demographic it serves, and how it figures into the general retail climate in Alameda County. We will look at each Study Area individually as well as the role it plays in the greater retail climate of the East Bay Area.

Alameda County Retail: General Overview

Alameda County retail spans from Albany in the north to the Fremont border in the south, we will begin at the northern edge and work our way south.

Albany's primary retail area, shared with the City of Berkeley, is Solano Avenue – a trendy grouping of shops and restaurants that cater to the upscale communities of Albany and North Berkeley. Included on Solano Avenue, in addition to boutiques and small shops, there is a Longs, a Safeway and an Andronico's Market. A few years ago, the City of Albany approved big box development, and those retailers have settled along the I-80 corridor, including a new Target on two levels and the renovation of an office building into a new PetsMart.

Berkeley's main retail areas include shops and grocery along Shattuck Avenue, Telegraph Avenue with trendy boutiques primarily catering to the University's students, an interesting grouping of restaurants and alternative boutiques along San Pablo at the Dwight Way intersection, great small shops and restaurants along College Avenue in the Elmwood area and, it's crowning glory, Fourth Street. Fourth Street has added new and unusual tenants in the last few years commanding large rents. The success of Fourth Street and the recent success of the emerging San Pablo/Dwight Way area is mainly due to the fact that each are under the control of a single landlord. These property owners have been able to wait for the right tenant and have consistently re-invented and re-merchandised their properties to appeal to the ascending taste level of its demographic market. Fourth Street is one of the best examples of merchandising and retail vision in the Bay Area.

Emeryville is an anomaly with the largest retail sales per capita in the Bay Area of \$73,539.75. Not only does Emeryville boast Powell Street Plaza, the original Lifestyle center, built in the mid-80's on previously industrial land, but there has been the addition of Home Depot, Best Buy, Toys R Us (to be converted to a Babies R Us), IKEA, Home Expo and Bay Street, a regional mall anchored by AMC theaters, who competes directly with the existing UA theaters at the Emerybay Marketplace, anchored by Borders Books. All of this retail as well as residential units are located in just 1.2 square miles. Emeryville has become a great destination for shopping, once you can gain access through the Powell Street intersection.

Oakland is the direct contrast to Emeryville, with one of the lowest retail sales per capita in the Bay Area. Oakland's City Council is considering a citywide retail strategy that will identify where retail should locate now and in the future for regional, community and neighborhood development. This envisioning process should be able to determine where the current retail tenant demand could be developed to maximize sales, and support the constituents. This focus on retail comes on the heels of the opening of the Wal-Mart and the surrounding shops off Hegenberger and I-880. The result of the immediate, strong sales success of Wal-Mart is that other retailers are now indicating interest in Oakland. Niches of interesting, boutique retail in Oakland are clustered in the Rockridge area along College Avenue, The Montclair district in the affluent Oakland Hills neighborhood, Piedmont Avenue, and the Grand/Lakeshore area near Lake Merritt with a very strong Saturday Farmer's Market.

Alameda also has focused its recent attention on retail upgrades with a two-year discussion as to how to redevelop the Alameda Naval Base. Alameda is looking at how much retail can be accommodated and where. Meanwhile, the owners of South Shore Plaza, recently renamed Alameda Towne Center, have invested in redevelopment in a big way with a planned Target store along with an upgraded Safeway and a Trader Joe's. Trader Joe's is a tenant that typically comes to a trade area only when that trade area is very mature and already demonstrates the ability to capture shopper support.

San Leandro is continuing its recent retail success. Not only does it have one of the top performing Costco warehouse clubs in the Bay Area, they now have redeveloped the Bay Fair Mall, no easy task, with the immense difficulties in the redevelopment process. Kohl's, Target, Bed Bath and Beyond were added to the center with an existing Macy's, Century Theaters, Chevy's restaurant and a variety of national and strong regional tenants.

Castro Valley's main retail focus has been Castro Village Center. This center, owned by a family with strong retail roots, is being examined for a renovation and re-tenanting to reflect the rising population and upgrading of the demographics for the area. Trader Joes recently opened in Castro Valley, showing their continued interest in entering into mature markets. The new and upgraded Safeway Center and surrounding shops are all indicative of the general retail upgrade of Castro Valley.

San Lorenzo is looking to renovate some of their retail with the focus on their existing Albertson's store at Hesperian and Post Office Road near the I-880 and 238 interchange. The concept of adding residential to the development will intensify the area and add additional upgraded demographics to support the existing and to be built retail.

Hayward is significantly focusing on retail with a new Target store having opened on Whipple in South Hayward (and attracting Circuit City afterwards). The fact that Target has decided to open another Hayward store at the intersection of A Street and Hesperian, near the Hayward Airport, supports their belief in this area. Hayward has also been successful in the initial steps of their downtown renovation with a new Albertson's store next to the new City Hall and the new construction of the Century Theatre retail complex on B Street at the previous Albertson's site.

Twenty years ago at the International Council of Shopping Centers conference, a group of developers marketed a new mall in Union City. Little did they know that it would take managing six property owners and developers, four years, and an immense amount of personal strength on the part of the director of Economic and Community Development, to produce one of the most successful (although difficult to park in) community centers in Alameda County. Many of the anchor tenants located in Union Landing laud this location as one of the strongest in their chain's locations in Northern California.

Fremont has focused on retail for quite some time, and with much success, albeit with a great deal of time and effort. The newest development, Pacific Commons at Auto Mall Parkway, finally achieved a great success with the opening of Kohl's, Circuit City, Old Navy, Loews and Costco. This development compliments the strong retail along Mowry anchored by the Fremont Hub. The City is now turning attention to the downtown, and assisting in the development of an upscale mixed-use project.

Retail Node Identification

Cherryland

1. Cherryland Retail Node (1) located at the southeast corner of Mattox and Mission. This node encompasses the Big Lots, 99 Cent Store, etc. down to the Deluxe Inn located near Cherry Way.

Joint/Ashland Area

1. Ashland Joint Area Node (1) ranges approximately from 150th to Fairmont Avenue, and includes the Pep Boys and Longs, down to the Orbit skate shop at the northeast corner of Fairmont and E. 14th Street.
2. Ashland Joint Area Node (2) begins at the Walgreens at 159th and E. 14th Street down to approximately 163rd Avenue,. The trade area appears to run north to 150th, south to I-238, west to I-880 and east to Stanton.

San Lorenzo

1. San Lorenzo Retail Node (1) located on Hesperian to Via Mercado, includes Albertsons, Black Angus, Lamps Plus, Hollywood Video and some local retailers, covers the area from Lewelling north down to Penny Land/Bartlett and, potentially stretches into Cherryland to the East despite I-880 intersecting the area. It continues west to the San Francisco Bay.
2. San Lorenzo Retail Node (2) on the east side of Hesperian between Hacienda and Bockman Road with the Latin Supermarket, AutoZone, 99 Cent Store and some shop tenants. The north boundary is approximately Via Mercado, the south potentially as far as Bartlett, the east to I-880 and the west to Via Alamos.

Castro Valley

1. Castro Valley Retail Node (1) at the intersection of Redwood Road and Castro Valley Blvd with the mega Safeway on the northeast side, along with smaller tenants and Albertsons on the west side with Pet Food Express and Chipotle. We would venture to assume that shoppers come to this area from as far west as Fairmont, east from Crow Canyon, north from the Chabot Golf Course and south potentially to Foothill .

2. Castro Valley Retail Node (2) is Castro Village and is located on Castro Valley Boulevard between Wilbeam and Santa Maria Avenue. Included in this center is Walgreens, Ross, the bowling alley, Starbucks and a variety of small shops. Considered to be the “village hub,” this center draws from Foothill to the west, Center to the east, Grove Way to the south and possibly Seven Hills to the north.

3. Castro Valley Retail Node (3) is on Castro Valley Blvd. It begins at the intersection of San Miguel Avenue and continues west to Stanton. Located along this stretch are a Blockbuster Video, Starbucks, a multitude of national and local quick food restaurants and the mini golf course.

Demographic Information

- The key buying demographic, the 25-to-54 age group, of all studied areas is comparable, if not better, than the other cities we used for comparison, as well as Alameda County in general.
- Castro Valley and San Lorenzo have the strongest median incomes, with the greatest potential buying power.
- San Lorenzo has a high percentage of owner-occupied housing, but the key buying demographic is lower than that of other areas.
- There may be opportunities for Latino-focused retail in the Ashland and Cherryland areas, with higher than average Latino populations.

Demographics are key decision-making factors for most retailers.

Demographic Information

CITY / AREA	Population (2005 est)	Ages 25-54	Median Income	Owner Occupied Housing	Education: Some College	Education: Bachelors degree or higher	Ethnicity: White	Ethnicity: Latino	Ethnicity: Asian	Ethnicity: African American
Cherryland	15,113	46.3%	\$49,058	33.5%	30.1%	9.0%	47.3%	46.7%		
Ashland	21,078	46.1%	\$46,253	35.9%	24.4%	13.9%	32.2%	35.8%	16.7%	21.8%
San Lorenzo	21,401	41.5%	\$67,112	78.9%	26.3%	15.0%	57.4%	27.9%	17.9%	
Castro Valley	56,883	43.1%	\$75,163	69.4%	25.9%	30.5%	66.4%	13.1%	16.0%	
Livermore	76,736	47.1%	\$84,007	70.5%	25.6%	28.1%	78.1%	15.9%	9.6%	
Newark	43,469	45.2%	\$76,495	68.2%	21.7%	21.5%	52.3%	31.7%	25.5%	
Walnut Creek	68,822	39.4%	\$71,436	63.9%	19.1%	41.6%	80.2%	8.0%	11.3%	
Emeryville	7,679	53.4%	\$50,414	38.7%	19.7%	45.3%	46.1%	10.1%	29.6%	15.9%
Alameda County	1,484,803	39.1%	\$66,218	54.4%	21.6%	35.0%	45.9%	20.6%	23.3%	13.6%

Expenditure Potential and Retail Sales Leakage

A. Expenditure Potential

Conley Consulting Group (CCG) calculated the expenditure potential of residents of the unincorporated area residents. Local resident's expenditure potential was estimated based on income characteristics and demonstrated retail expenditure patterns derived from an examination of reported sales tax collections both in the County of Alameda and the State of California. The expenditure potential of Ashland, Cherryland, and San Lorenzo residents were calculated using the expenditure patterns of the State as a whole (see Appendix Table 3), and expenditure patterns for nine-county Bay Area were used to estimate the expenditure potential of Castro Valley residents.¹ These comparative spending patterns were chosen based on similarities between per capita income (PCI) figures – the state average PCI for 2004 was \$25,199, with Ashland, Cherryland, and San Lorenzo PCIs ranging between \$18,000 and \$25,000; the Bay Area average PCI was \$35,570, while Castro Valley's PCI was \$35,592.

B. Leakage

Sales Leakage is a term that refers to the **potential** loss of sales from one district to neighboring one, as suggested when sales figures in a district are significantly less than the projected expenditure potential of its trade area. For illustrative purposes, we treated each separate community in the unincorporated areas as its own trade Area, however in reality, different types of retail, even within the same community, will have different sized trade areas. The expenditure potential of area residents was compared to sales tax collections data for each community, and the unsatisfied expenditure potential is assumed to be lost to other retail areas as leakage.

In 2004, nearly \$574 million in non-auto-related expenditure potential from residents of the study area is not captured by businesses in those areas and is assumed to be lost to other areas (both within and outside of the unincorporated areas) as leakage. Approximately 19% of the leakage is in the category of General Merchandise, which includes drug stores and larger variety or department stores. This leakage would support an additional 398,000 SF of retail store space. Approximately ten percent or \$75 million of the leakage is in the Eating & Drinking category, which would support an additional 273,000 SF of

¹ Expenditure potential and percent captured for Castro Valley are based on data from Claritas, Inc., Hinderlieter & deLlamas, and the CA State Board of Equalization for 2004, which was the latest available. Leakage and capture figures differ from those shown in an earlier analysis for the Castro Valley Redevelopment Strategic Plan, due to the fact that that analysis was based on 2002 data, combined Apparel and General Merchandise into a single category, and excluded Building Materials as a retail category.

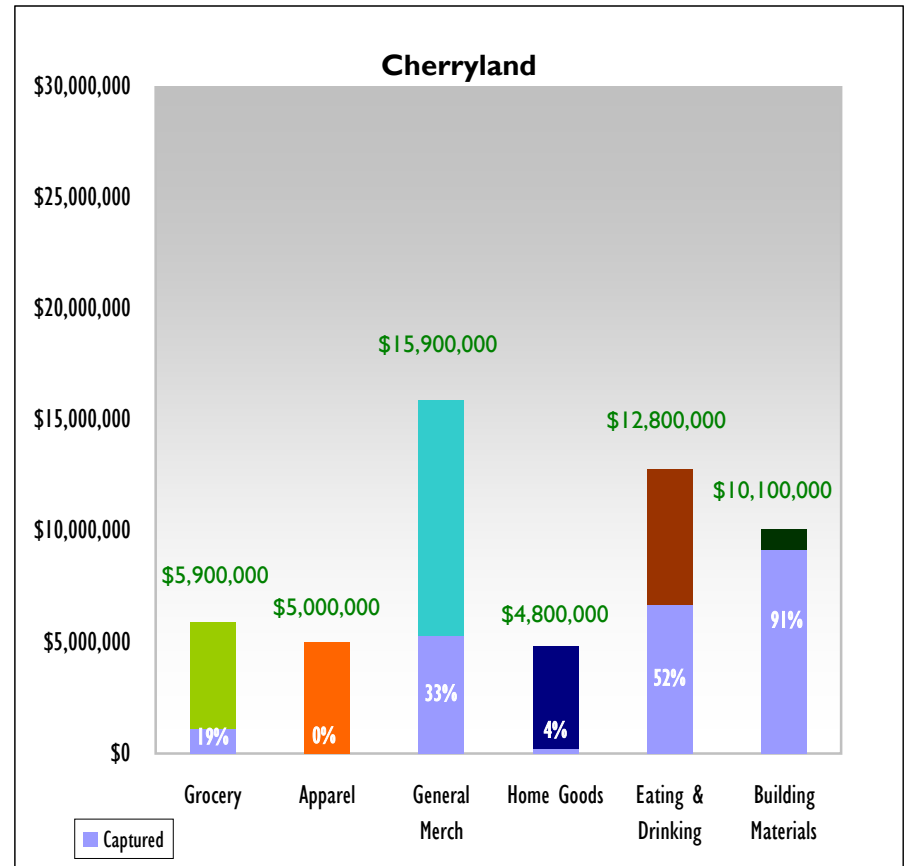
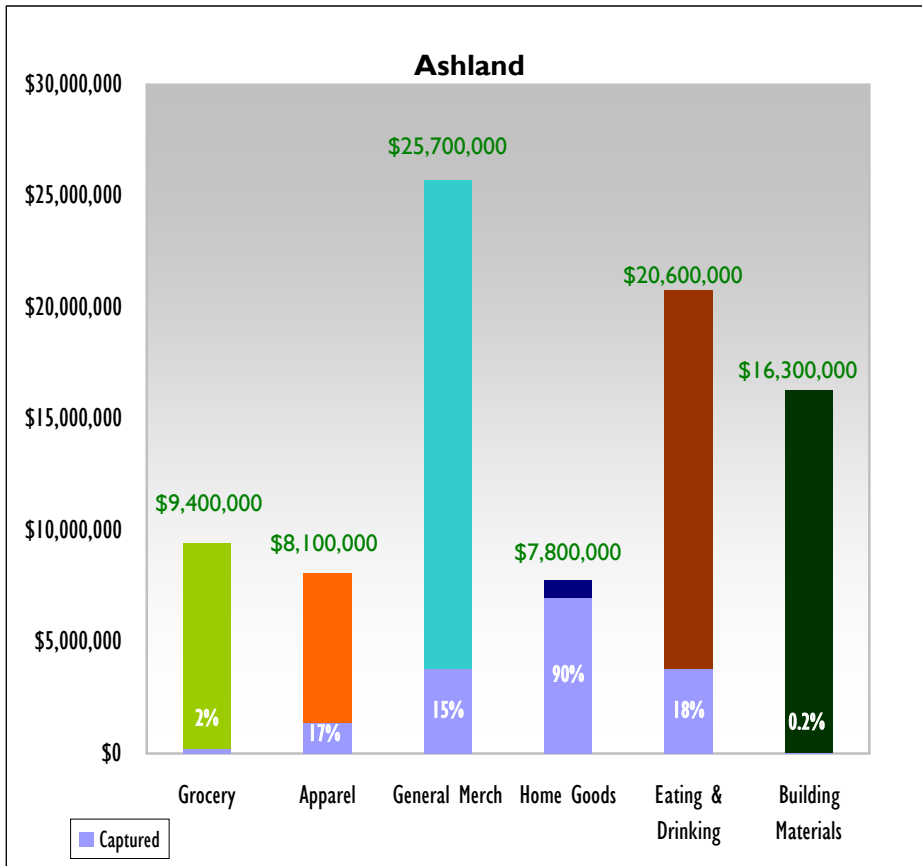
restaurant, bar, and food service space. Approximately 13% of the leakage is in the Building Materials category, which includes hardware stores, paint, plumbing supply, and lumber, and this leakage would support an additional 323,000 SF of retail store space. In theory, if all of this retail support potential could be captured by unincorporated area merchants, the recaptured leakage could support an additional two million square feet of retail space (see Appendix Table 4).

C. Current Achieved Capture Share

The extent to which retail in the unincorporated areas captures the expenditure potential of area residents differs by retail category, as shown in Table 3. For Food Stores, area merchants capture 61% of the potential expenditures. For Comparison Goods like those sold in apparel, general merchandise, home furnishings, and appliance stores, area merchants capture 24% of the sales potential. CCG estimates that 45% of the potential expenditures are captured by local merchants in the category of Eating & Drinking. In the category of Building Materials, merchants in the unincorporated areas are capturing only 7% of potential expenditures. In all, CCG estimates that 31% of local expenditure potential is captured by businesses in the unincorporated areas.

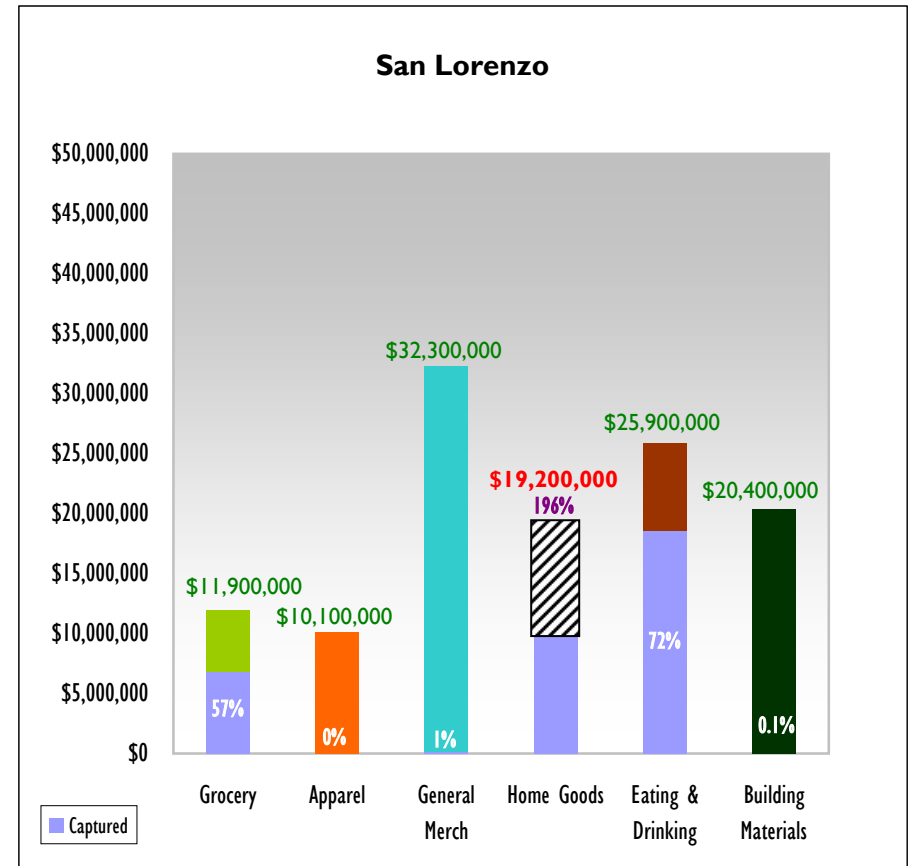
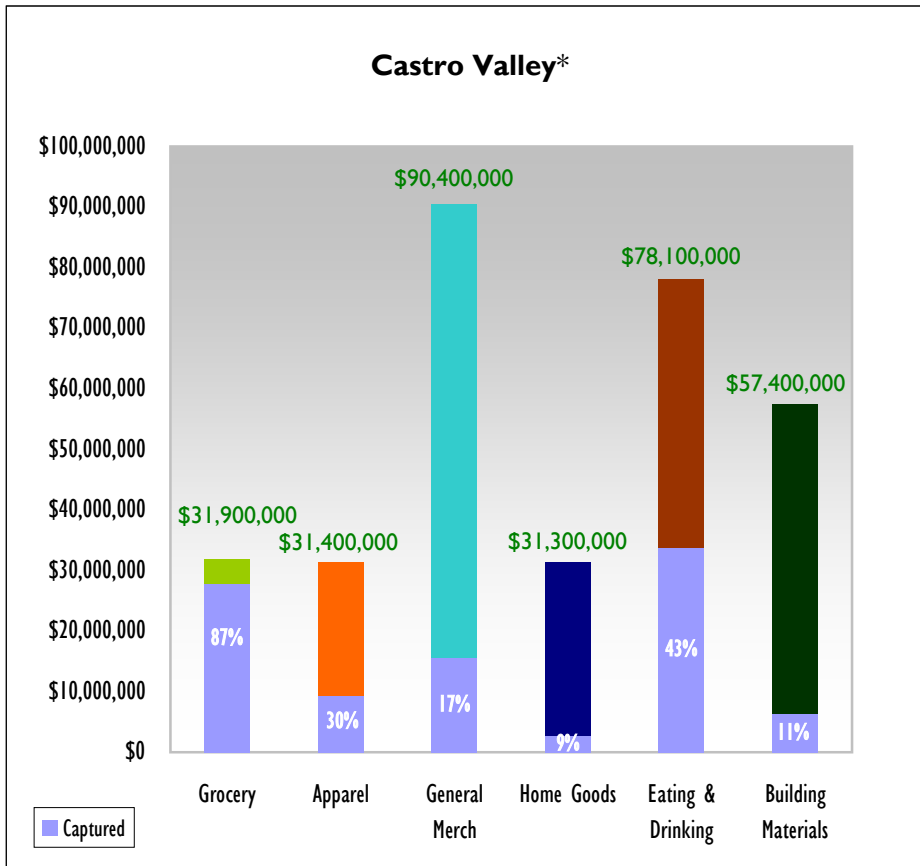
The expenditure potential and the share captured by local residents is illustrated on the following pages in Exhibits A, B, and C.

Exhibit A Expenditure Potential and Percent Captured



Source: Conley Consulting Group, March 2006

Exhibit B Expenditure Potential and Percent Captured



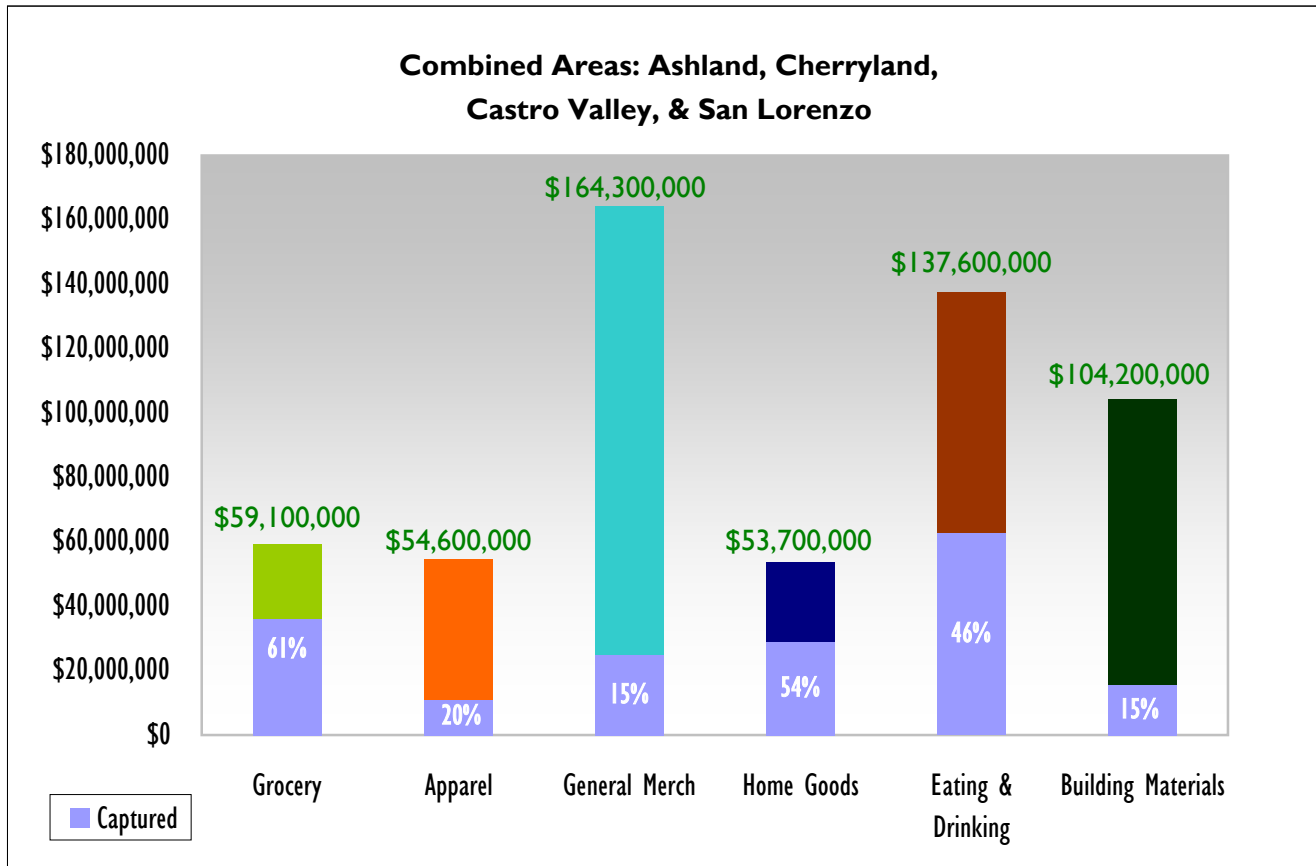
Source: Conley Consulting Group, March 2006

* Figures for percent captured for Castro Valley differ from those in the earlier analysis for the Castro Valley Redevelopment Strategic Plan as those figures were based on 2002 data and the above figures are based on 2004 data. That analysis also combined Apparel and General Merchandise into one column, and excluded Building Materials.

Red Text indicates sales over and above expenditure potential of residents.

= Imported Sales

Exhibit C
Expenditure Potential and % Captured - 4 Areas Combined



Source: Conley Consulting Group, March 2006

Retailer Requirements Matrix

This matrix represents a representative cross-section of strong national retailers, good regional stores and up-and-coming “niche” retailers.

We have included the requirements that these retailers look for in evaluating sites, including size and location of space, and the specific demographic detail that they feel is key to their success.

RETAILER	SIZE REQUIREMENT	LOCATION REQUIREMENTS	DEMOGRAPHIC REQUIREMENTS
A&G Ferrari Italian Delicatessan	1,500 – 2,000 SF	Streetfront retail, upscale co-tenancy.	High daytime population
Auto Zone	5,400 – 8,000 SF	High impact locations with parking and easy access. Freestanding, shopping center pads, and in-line locations.	Mid-income demographic. Adult male customer.
Beverages & More	12,000 SF	Community centers, freestanding, neighborhood centers, power centers. Grocery cotenancy typically required?.	250,000 population within 10 miles. High income customer base.
Big Lots	25,000 – 40,000 SF	Neighborhood centers, freestanding stores on major traffic arteries.	\$35,000 - \$75,000 average household income
Chevy’s Restaurant	7,000 SF freestanding	With theaters, restaurants, upscale tenants.	High daytime population
Chili’s Restaurant	6,000 SF	Power centers, freestanding, with theaters	High daytime population

RETAILER	SIZE REQUIREMENT	LOCATION REQUIREMENTS	DEMOGRAPHIC REQUIREMENTS
Cost Plus	18,300 SF	Community centers, freestanding, power centers. Entertainment & upscale co-tenancy.	High, mid income demographics. 300,000 population density within 5 miles.
El Pollo Loco	2,600 SF	Freestanding pads with drive-thru in strong retail areas.	35,000 + Population with High Density Hispanic preferred. 5,000 + Daytime population.
Farmacia Remedios (Hispanic Pharmacy/Drug Store)	2,000 – 4,000 SF	Streetfront retail, neighborhood centers.	Dense Hispanic Population #'s
Gap	8,000 SF +	Lifestyle centers, malls, urban retail locations.	Upscale, strong demographics.
Great Clips (Salon)	900 – 1,200 SF	Grocery anchored centers, high visibility. National discounter-anchored centers.	Younger demographic, with moderate to high incomes.
Hollywood Video	6,000 SF	Freestanding pads, endcaps in Grocery center, or regional center. 45 parking spaces.	30,000 + Population in trade area.
In N Out Burger	3,160 – 3,500 SF	Freeway locations, corners and shopping center pads. 45 parking spaces.	60,000 + population in trade area. Median income of \$45,000.
Jo-Ann's Fabric	35,000 SF	Shopping center locations, freestanding.	50,000 people within 3 miles. High to mid-income demographics. Female adult customer base.
Longs Drugs	15,000 SF	Grocery anchored centers, freestanding, power centers. Prefers to have drive thru.	Strong neighborhood demographics, high traffic counts.

RETAILER	SIZE REQUIREMENT	LOCATION REQUIREMENTS	DEMOGRAPHIC REQUIREMENTS
Nordstrom Rack	30,000 – 40,000 SF	Regional power centers, outlet malls, lifestyle centers.	Upscale areas.
Peets Coffee	1,500 – 2,000 SF	Streetfronts, Community Centers	Upscale neighborhoods
Pier One Imports	11,000 SF	Regional, lifestyle centers.	100,000 people in trade area, high to mid-income demographics.
Rite Aid	14,000 SF	Grocery anchored centers, urban locations, freestanding	Densely populated urban and suburban areas.
Ritmo Latino (Music Store)	2,000 – 4,000 SF	Streetfront retail, neighborhood centers.	Dense Hispanic Population #'s
Safeway	55,000 SF	Shopping center, freestanding	15,000 – 20,000 people in trade area with no other competition.
Sally Beauty Supply	1,300 – 1,600 SF	Anchored shopping centers, with grocery, soft goods, or department store.	30,000 – 50,000 SF within 3 miles. Household income of \$34,000 to \$72,000.
Starbucks Coffee	1,400 – 1,600 SF	Urban locations, Lifestyle centers, neighborhood centers. End cap, corner or freestanding buildings with drive thru.	High density neighborhoods, high daytime populations, & highly transited areas.
Trader Joes	12,000 – 15,000 SF	Easy access, residential locations. Shopping centers, freestanding or downtown locations. 60 on site parking spaces.	Upper, middle income. At least 55% with some college education. 40,000 households within a 3-mile trade area. Average household size 2.5, average age of 35.

RETAILER	SIZE REQUIREMENT	LOCATION REQUIREMENTS	DEMOGRAPHIC REQUIREMENTS
Vitamin Shoppe	4,000 SF	Freestanding pads, Regional and Community centers	Upscale demographic.
Whole Foods	30,000 – 50,000 SF	Urban areas	High concentration of post graduate level education

Appendix

Attached are Tables 1 through 4 which show the data used in the preparation for the Expenditure Potential and Retail Sales Leakage section of this report.

**TABLE 1
TAXABLE RETAIL SALES DETAILS - CA, COUNTY, and UNINCORPORATED AREAS
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ALAMEDA COUNTY REDEVELOPMENT AGENCY**

Area Name	California	9-County Bay Area Aggregate	Alameda County	Ashland	Castro Valley	Cherryland	San Lorenzo
2004 Est. Population*	36,590,814	6,935,821	1,487,301	21,834	56,900	14,598	21,679
2004 Est. Per Capita Income	\$25,199	\$35,570	\$31,090	\$20,110	\$35,592	\$18,671	\$25,449
Per Capita 2004 Retail Sales							
Convenience Goods							
All Food Stores**	541.82	560.01	492.81	8.88	490.11	74.63	312.35
Convenience Goods Subtotal	541.82	560.01	492.81	8.88	490.11	74.63	312.35
Comparison Goods							
Apparel	463.43	552.05	381.03	64.04	165.07	0.02	-2.16
General Merchandise (Incl. Drug Stores)**	1,474.13	1,586.89	1,337.73	175.49	274.64	361.98	11.20
Home Furnishings and Appliances	448.35	550.06	543.33	321.24	47.35	10.53	883.97
Comparison Goods Subtotal	2,385.90	2,689.00	2,262.09	560.77	487.06	372.52	893.00
Eating & Drinking	1,182.67	1,371.07	1,090.30	174.66	232.48	29.09	126.34
Building Materials	933.42	1,007.66	1,013.94	1.37	111.28	64.06	0.54
Service Stations	895.30	880.60	880.13	305.70	921.36	0.00	458.74
All Other Retail Stores (Includes Specialty)	1,696.78	1,997.36	1,938.30	853.19	498.60	142.05	216.28
TOTAL NON-AUTO SALES PER CAPITA	7,635.89	8,505.70	7,677.57	1,904.56	2,740.89	682.35	2,007.25
AUTO SALES AND SUPPLIES	1934.07	1856.93	1966.64	454.36	78.50	1,464.38	55.63

* Population estimates are from Claritas Inc., except for the State of California, which is from the State Board of Equalization.

** Sales of groceries and drugs are as reported to the state and HdL, and have not been grossed up to reflect the volume of non-taxable sales at these outlets.

SOURCES: Conley Consulting Group, Hinderlieter and deLlamas, Inc., Alameda County, Claritas, Inc.
March 2006

TABLE 2
2004 SALES AS PERCENT OF PER CAPITA INCOME
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ALAMEDA COUNTY REDEVELOPMENT AGENCY

	California		9-County Aggregate		Alameda County	
	2004		2004		2004	
Population	36,590,814		6,935,821		1,487,301	
Per Capita Income	25,199.00		35,570.00		31,090.00	
		%PCI		%PCI		%PCI
Convenience Goods						
All Food Stores	541.82	2.15%	560.01	1.57%	492.81	1.59%
Convenience Goods Subtotal	541.82	2.15%	560.01	1.57%	492.81	1.59%
Comparison Goods						
Apparel	463.43	1.84%	552.05	1.55%	381.03	1.23%
General Merchandise (Incl. Drug Stores)**	1,474.13	5.85%	1,586.89	4.46%	1,337.73	4.30%
Home Furnishings and Appliances	448.35	1.78%	550.06	1.55%	543.33	1.75%
Comparison Goods Subtotal	2,385.90	9.47%	2,689.00	7.56%	2,262.09	7.28%
Eating & Drinking	1,182.67	4.69%	1,371.07	3.85%	1,090.30	3.51%
Building Materials	933.42	3.70%	1,007.66	2.83%	1,013.94	3.26%
Service Stations	895.30	3.55%	880.60	2.48%	880.13	2.83%
All Other Retail Stores (Includes Specialty)	1,696.78	6.73%	1,997.36	5.62%	1,938.30	6.23%
Subtotal Non-Auto Retail Sales	7,635.89	30.30%	8,505.70	23.91%	7,677.57	24.69%
Auto Dealers and Supplies	1,934.07	7.68%	1,856.93	5.22%	1,966.64	6.33%
TOTAL SALES PER CAPITA	9,569.96	37.98%	10,362.63	29.13%	9,644.21	31.02%

SOURCES: Conley Consulting Group, Hinderlieter and deLlamas, Alameda County, Claritas, Inc.
 March 2006

TABLE 2
2004 SALES AS PERCENT OF PER CAPITA INCO
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ALAMEDA COUNTY REDEVELOPMENT AGENCY

	Ashland 2004		Castro Valley 2004		Cherryland 2004		San Lorenzo 2004	
Population	21,834		56,900		14,598		21,679	
Per Capita Income	20,110.00		35,592.00		18,671.00		25,449.00	
		%PCI		%PCI		%PCI		%PCI
Convenience Goods								
All Food Stores	8.88	0.04%	490.11	1.38%	74.63	0.40%	312.35	1.23%
Convenience Goods Subtotal	8.88	0.04%	490.11	1.38%	74.63	0.40%	312.35	1.23%
Comparison Goods								
Apparel	64.04	0.32%	165.07	0.46%	0.02	0.00%	-2.16	-0.01%
General Merchandise (Incl. Drug Stores)**	175.49	0.87%	274.64	0.77%	361.98	1.94%	11.20	0.04%
Home Furnishings and Appliances	321.24	1.60%	47.35	0.13%	10.53	0.06%	883.97	3.47%
Comparison Goods Subtotal	560.77	2.79%	487.06	1.37%	372.52	2.00%	893.00	3.51%
Eating & Drinking	174.66	0.87%	232.48	0.65%	29.09	0.16%	126.34	0.50%
Building Materials	1.37	0.01%	111.28	0.31%	64.06	0.34%	0.54	0.00%
Service Stations	305.70	1.52%	921.36	2.59%	0.00	0.00%	458.74	1.80%
All Other Retail Stores (Includes Specialty)	853.19	4.24%	498.60	1.40%	142.05	0.76%	216.28	0.85%
Subtotal Non-Auto Retail Sales	1,904.56	9.47%	2,740.89	7.70%	682.35	3.65%	2,007.25	7.89%
Auto Dealers and Supplies	454.36	2.26%	78.50	0.22%	1,464.38	7.84%	55.63	0.22%
TOTAL SALES PER CAPITA	2,358.92	11.73%	2,819.39	7.92%	2,146.73	11.50%	2,062.88	8.11%

SOURCES: Conley Consulting Group, Hinderlieter and deLlamas, Alameda County, Claritas, Inc.
 March 2006

**TABLE 3
STUDY AREA EXPENDITURE POTENTIAL
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ALAMEDA COUNTY REDEVELOPMENT AGENCY**

COUNTY SUB-AREA (taxable expenditures in dollars)	Ashland				Castro Valley			
	2004 Per Capita Sales	Per Capita Expenditure Potential	% Captured	Total Expenditure Potential	2004 Per Capita Sales	Per Capita Expenditure Potential	% Captured	Total Expenditure Potential
Convenience Goods								
All Food Stores	9	432	2%	9,441,045	490	560	87%	31,884,514
Convenience Goods Subtotal	9	432	2%	9,441,045	490	560	87%	31,884,514
Comparison Goods								
Apparel	64	370	17%	8,075,000	165	552	30%	31,431,032
General Merchandise (Incl. Drug Stores)**	175	1,176	15%	25,686,041	275	1,588	17%	90,350,134
Home Furnishings and Appliances	321	358	90%	7,812,237	47	550	9%	31,317,610
Comparison Goods Subtotal	561	1,904	29%	41,573,278	487	2,691	18%	153,098,777
Eating & Drinking	175	944	19%	20,607,602	232	1,372	17%	78,061,986
Building Materials	1	745	0%	16,264,416	111	1,008	11%	57,371,132
Service Stations	306	714	43%	15,600,157	921	881	105%	50,137,106
All Other Retail Stores (Includes Specialty)	853	1,354	63%	29,565,616	499	1,999	25%	113,719,884
Subtotal Non-Auto Retail Sales	1,905	6,094	31%	133,052,114	2,741	8,511	32%	484,273,399
Auto Dealers and Supplies	454	1,543	29%	33,700,353	79	1,858	4%	105,724,781
TOTAL	2,359	7,637	31%	166,752,467	2,819	10,369	27%	589,998,181

* Expenditure potential for Ashland, Cherryland, and San Lorenzo is based on statewide expenditure patterns for California, because the 2004 estimated per capita income levels of these areas are comparable to the state per capita income of \$25,199. Expenditure potential for Castro Valley is based on patterns in the aggregated 9-county Bay Area, which has an estimated per capita income of \$35,570 for 2004.

**TABLE 3
STUDY AREA EXPENDITURE POTENTIAL
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ALAMEDA COUNTY REDEVELOPMENT AGENCY**

COUNTY SUB-AREA (taxable expenditures in dollars)	Cherryland				San Lorenzo			
	2004 Per Capita Sales	Per Capita Expenditure Potential	% Captured	Total Expenditure Potential	2004 Per Capita Sales	Per Capita Expenditure Potential	% Captured	Total Expenditure Potential
Convenience Goods								
All Food Stores	75	401	19%	5,860,513	312	547	57%	11,862,731
Convenience Goods Subtotal	75	401	19%	5,860,513	312	547	57%	11,862,731
Comparison Goods								
Apparel	0	343	0%	5,012,543	(2)	468	0%	10,146,286
General Merchandise (Incl. Drug Stores)**	362	1,092	33%	15,944,567	11	1,489	1%	32,274,667
Home Furnishings and Appliances	11	332	3%	4,849,433	884	453	195%	9,816,123
Comparison Goods Subtotal	373	1,768	21%	25,806,543	893	2,410	37%	52,237,076
Eating & Drinking	29	876	3%	12,792,135	126	1,194	11%	25,893,577
Building Materials	64	692	9%	10,096,109	1	943	0%	20,436,338
Service Stations	0	663	0%	9,683,772	459	904	51%	19,601,692
All Other Retail Stores (Includes Specialty)	142	1,257	11%	18,352,807	216	1,714	13%	37,149,375
Subtotal Non-Auto Retail Sales	682	5,658	12%	82,591,878	2,007	7,712	26%	167,180,789
Auto Dealers and Supplies	1,464	1,433	102%	20,919,438	56	1,953	3%	42,344,698
TOTAL	2,147	4,944	43%	72,173,418	2,063	9,665	21%	209,525,487

**TABLE 3
STUDY AREA EXPENDITURE POTENTIAL
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ALAMEDA COUNTY REDEVELOPMENT AGENCY**

COUNTY SUB-AREA (taxable expenditures in dollars)	STUDY AREA TOTAL			
	2004 Per Capita Sales	Per Capita Expenditure Potential	% Captured	Total Expenditure Potential
Convenience Goods				
All Food Stores	313	513	61%	59,048,804
Convenience Goods Subtotal	313	513	61%	59,048,804
Comparison Goods				
Apparel	93	475	20%	54,664,861
General Merchandise (Incl. Drug Stores)**	217	1,428	15%	164,255,409
Home Furnishings and Appliances	252	468	54%	53,795,404
Comparison Goods Subtotal	563	2,371	24%	272,715,674
Eating & Drinking	542	1,194	45%	137,355,299
Building Materials	64	906	7%	104,167,995
Service Stations	600	826	73%	95,022,727
All Other Retail Stores (Includes Specialty)	467	1,728	27%	198,787,681
Subtotal Non-Auto Retail Sales	2,548	7,539	34%	867,098,181
Auto Dealers and Supplies	321	1,762	18%	202,689,271
TOTAL	2,870	9,302	31%	1,069,787,452

**TABLE 4
LEAKAGE & THEORETICAL RETAIL SUPPORTABLE
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ALAMEDA COUNTY REDEVELOPMENT AGENCY**

COUNTY SUB-AREA (taxable expenditures in dollars)	Ashland					Castro Valley				
	Total Expenditure Potential*	2004 Taxable Sales	Sales Leakage (Import)	Target Sales Performance per SF	Theoretical New SF Supportable	Total Expenditure Potential	2004 Taxable Sales	Sales Leakage (Import)	Target Sales Performance per SF	Theoretical New SF Supportable
Convenience Goods										
All Food Stores **	9,441,045	193,867	9,247,178	158	59,000	31,884,514	27,887,129	3,997,386	158	25,000
Convenience Goods Subtotal	9,441,045	193,867	9,247,178	158	59,000	31,884,514	27,887,129	3,997,386	158	25,000
Comparison Goods										
Apparel	8,075,000	1,398,146	6,676,854	250	27,000	31,431,032	9,392,431	22,038,601	250	88,000
General Merchandise (Incl. Drug Stores)**	25,686,041	3,831,754	21,854,288	350	62,000	90,350,134	15,627,200	74,722,935	350	213,000
Home Furnishings and Appliances	7,812,237	7,014,053	798,184	300	3,000	31,317,610	2,694,320	28,623,290	300	95,000
Comparison Goods Subtotal	41,573,278	12,243,953	29,329,326	900	92,000	153,098,777	27,713,951	125,384,826	900	396,000
Eating & Drinking	20,607,602	3,813,448	16,794,154	275	61,000	78,061,986	33,790,283	44,271,703	275	161,000
Building Materials	16,264,416	29,945	16,234,471	300	54,000	57,371,132	6,331,615	51,039,517	300	170,000
Service Stations	15,600,157	6,674,547	8,925,610	NA		50,137,106	52,425,439	(2,288,333)	NA	
All Other Retail Stores (Includes Specialty)	29,565,616	18,628,501	10,937,115	250	44,000	113,719,884	28,370,076	85,349,808	250	341,000
Subtotal Non-Auto Retail Sales	133,052,114	41,584,260	91,467,854		310,000	484,273,399	176,518,491	307,754,908		1,093,000
Auto Dealers and Supplies	33,700,353	9,920,454	23,779,899	NA		105,724,781	4,466,759	101,258,023	NA	
TOTAL	166,752,467	51,504,714	115,247,753		310,000	589,998,181	180,985,250	409,012,931		1,093,000

* Expenditure potential for Ashland, Cherryland, and San Lorenzo is based on statewide expenditure patterns for California, because the 2004 estimated per capita income levels of these areas are comparable to the state per capita income of \$25,199. Expenditure potential for Castro Valley is based on patterns in the aggregated 9-county Bay Area, which has an estimated per capita income of \$35,570 for 2004.

** Taxable sales only. Assumes 35% of grocery sales are taxable.

**TABLE 4
LEAKAGE & THEORETICAL RETAIL SUPPORTABLE
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ALAMEDA COUNTY REDEVELOPMENT AGENCY**

COUNTY SUB-AREA (taxable expenditures in dollars)	Cherryland					San Lorenzo				
	Total Expenditure Potential	2004 Taxable Sales	Sales Leakage (Import)	Target Sales Performance per SF	Theoretical New SF Supportable	Total Expenditure Potential	2004 Taxable Sales	Sales Leakage (Import)	Target Sales Performance per SF	Theoretical New SF Supportable
Convenience Goods										
All Food Stores **	5,860,513	1,089,432	4,771,081	158	30,000	11,862,731	6,771,536	5,091,195	158	32,000
Convenience Goods Subtotal	5,860,513	1,089,432	4,771,081	158	30,000	11,862,731	6,771,536	5,091,195	158	32,000
Comparison Goods										
Apparel	5,012,543	221	5,012,322	250	20,000	10,146,286	(46,912)	10,193,198	250	41,000
General Merchandise (Incl. Drug Stores)**	15,944,567	5,284,117	10,660,450	350	30,000	32,274,667	242,823	32,031,844	350	92,000
Home Furnishings and Appliances	4,849,433	153,777	4,695,656	300	16,000	9,816,123	19,163,535	(9,347,412)	300	(31,000)
Comparison Goods Subtotal	25,806,543	5,438,115	20,368,428	900	66,000	52,237,076	19,359,446	32,877,630	900	102,000
Eating & Drinking	12,792,135	6,111,231	6,680,904	275	24,000	25,893,577	18,570,305	7,323,272	275	27,000
Building Materials	10,096,109	935,084	9,161,025	300	31,000	20,436,338	11,712	20,424,626	300	68,000
Service Stations	9,683,772	0	9,683,772	NA		19,601,692	9,944,935	9,656,757	NA	
All Other Retail Stores (Includes Specialty)	18,352,807	2,073,707	16,279,100	250	65,000	37,149,375	4,688,680	32,460,695	250	130,000
Subtotal Non-Auto Retail Sales	82,591,878	15,647,569	66,944,309		216,000	167,180,789	59,346,614	107,834,176		359,000
Auto Dealers and Supplies	20,919,438	21,376,975	(457,537)	NA		42,344,698	1,206,082	41,138,616	NA	
TOTAL	103,511,316	37,024,544	66,486,773		216,000	209,525,487	60,552,696	148,972,792		359,000

SOURCES: Conley Consulting Group, Metrovation
March 2006

**TABLE 4
LEAKAGE & THEORETICAL RETAIL SUPPORTABLE
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ALAMEDA COUNTY REDEVELOPMENT AGENCY**

COUNTY SUB-AREA (taxable expenditures in dollars)	STUDY AREA TOTAL				
	Total Expenditure Potential	2004 Taxable Sales	Sales Leakage (Import)	Target Sales Performance per SF	Theoretical New SF Supportable
Convenience Goods					
All Food Stores **	59,048,804	35,941,963	23,106,840	158	147,000
Convenience Goods Subtotal	59,048,804	35,941,963	23,106,840	158	147,000
Comparison Goods					
Apparel	54,664,861	10,743,886	43,920,975	250	176,000
General Merchandise (Incl. Drug Stores)**	164,255,409	24,985,893	139,269,516	350	398,000
Home Furnishings and Appliances	53,795,404	29,025,685	24,769,719	300	83,000
Comparison Goods Subtotal	272,715,674	64,755,464	207,960,210	900	657,000
Eating & Drinking	137,355,299	62,285,266	75,070,033	275	273,000
Building Materials	104,167,995	7,308,356	96,859,639	300	323,000
Service Stations	95,022,727	69,044,921	25,977,806	NA	
All Other Retail Stores (Includes Specialty)	198,787,681	53,760,964	145,026,718	250	580,000
Subtotal Non-Auto Retail Sales	867,098,181	293,096,934	574,001,247		1,980,000
Auto Dealers and Supplies	202,689,271	36,970,269	165,719,002	NA	
TOTAL	1,069,787,452	330,067,203	739,720,249		1,980,000



Appendix D: Grant Avenue & Business Services Briefing Paper

ALAMEDA COUNTY REDEVELOPMENT AGENCY *Economic Development Strategic Plan*



Grant Avenue and Business Services Briefing Paper



Submitted by

Conley Consulting Group

July 2006

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GRANT AVENUE AND BUSINESS SERVICES

The Retail sector represents the largest portion of the economic base of the unincorporated areas of Alameda County that constitute the Study Area for this Economic Development Strategic Plan. With limited sites available for non-retail use, the discussion of non-retail sectors was initially intended to be focused on the Grant Avenue Industrial Area. At the request of the Advisory Committee, we have added consideration of the Business Service sector, which is currently located along commercial corridors of the Study Area. These two subjects are discussed in this briefing paper.

A. GRANT AVENUE INDUSTRIAL AREA

I. Introduction

The purpose of this briefing paper is to examine opportunities to upgrade the Grant Avenue Industrial Area in a manner more compatible with the surrounding residential areas and identify any barriers to that transformation, and to consider adding more business services firms as a focus of economic development activities in the Study Area.

Policy choices and strategic options are presented at the end of this paper.

II. Current Conditions

The Grant Avenue Industrial Area is a 290-acre industrial enclave, including 100 acres of wetlands, located at the western terminus of Grant Avenue. The Area comprises 31 parcels ranging in size from 0.3 to 22 acres with an average parcel size of 2.5 acres. The current uses in the Grant Avenue Industrial Area are primarily warehouse and distribution facilities, with a major exception of the Oro Loma Wastewater Treatment Plant.

The warehouse and distribution functions of the Grant Avenue Industrial Area are interesting in that unlike the retail and other commercial uses in the Study Area, the Industrial Area businesses serves a regional client base, and brings regional wealth into the community.



The area has a very low vacancy rate for its industrial properties, and there is a commitment in the General Plan to support the ongoing preservation of existing industrial uses based on their contribution to the County's tax base.

The success of the current businesses located in the Grant Avenue Industrial Area is reflected in the intensive truck traffic that is generated by the warehouse and distribution uses. Grant Avenue is the only access road to the Industrial Area. It is a four-lane road

running through a single-family residential neighborhood, past an elementary school and a high school. Local residents have safety and nuisance concerns related to the level of truck traffic on Grant Avenue.

III. Existing Policy Direction

The current General Plan articulates a desire to transition the Industrial Area over time to uses more compatible with the surrounding residential areas, specifically research and development and office uses.

In the short-term, General Plan goal LU-11 and affiliated actions speak to actively identifying non-conforming uses throughout the Eden Area and promoting their relocation to the Grant Avenue Industrial or Mt. Eden Area. While not necessarily in conflict with the desire to lessen truck-traffic-generating activities along Grant Avenue, this will not support the attraction of long-term R&D or Office uses envisioned.

Similarly, there is a commitment in the General Plan to support the existing Industrial uses in the Grant Avenue Area because they contribute to County's tax base. The Grant Avenue Industrial Area has a very low vacancy rate on its industrial properties. Currently the Grant Avenue Area generates approximately \$80,000 in sales taxes and approximately \$1 million in property taxes for the County annually.

The General Plan also articulates a goal that new developments be oriented towards the creek.

IV. Existing Building Stock and Defining Land Uses



The primary use and building type in the Grant Avenue Industrial Area is Warehouse and Distribution Facilities. These types of buildings tend to be one-story buildings with a minimum clear height of 18', they have limited glass, loading docks and/or at-grade doors, a minimal build-out and the building generally covers all or a larger portion of their lot. Warehousing generally requires two parking spaces per 1000 SF. These businesses are dependent on trucking. The structure tends to be specific making it difficult to accommodate other uses without

significant investment.

Within the Grant Avenue Industrial Area there are several sites that are single- or multi- story buildings with adjacent service yards that are used for the storage of equipment and materials. Most apparent is the storage of building materials, pallet recycling, metal salvage, and portable toilets. There are also several RV storage facilities in the area. While the yard use can be viewed as visual blight, these uses require less truck traffic and have lower impact on the surrounding neighborhood. The RV storage facilities alone utilize over 16 acres in the project area, representing over 9% of the total land uses in the area.



The Oro Loma Wastewater Treatment Plant is a defining use in the area.

Another 100 acres of the Grant Avenue Industrial Area consist of marshlands of the Hayward Regional Shoreline and the 3-mile San Lorenzo Biking and Hiking Trail that is part of the Bay Trail system and has benches looking across the bay.



The marshland that is controlled by Alameda Flood Control is adjacent to the Bay Trail and in close proximity to the PG&E transformer hub, further restricting its potential use.

V. Existing Real Estate Market Conditions

Throughout the Bay Area, communities are seeing a shift to “higher end” uses in their industrial areas. Higher end uses range from R&D, Office, and Retail to Live/Work and Residential. The result is that it has become increasingly difficult and expensive for those activities that have traditionally occurred in industrial areas such as Warehouse/ Distribution, and Manufacturing to continue to locate in much of the Bay Area. These market pressures are reflected in the low vacancy and stable rents in the East Bay industrial spaces over the past 5 years. Despite the shifts in the overall economy, Oakland and San Leandro have some of the lowest vacancy rates in manufacturing space in the East Bay, at 3.7% and 3.2%, respectively. Warehouse space vacancies at 1.8% and 3.9%, respectively, in Q1 of 2006.

The Grant Avenue Industrial Area is surrounded by the three largest industrial areas along the 880 Corridor, located in the cities of Oakland, San Leandro and Hayward.

**TABLE I
INDUSTRIAL BUILDING BASE
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

City	Warehouse		Manufacturing		Total SF
	SF	Q1 06 vacancy	SF	Q1 06 vacancy	
Oakland	13,583,714	1.8%	24,127,109	3.7%	37,710,823
San Leandro	14,356,085	3.9%	13,328,488	1.5%	27,684,573
Hayward	19,592,004	8.4%	17,842,376	5.5%	37,434,380
Area Total	47,531,803		55,297,973		102,829,776

Source: BT Commercial, Conley Consulting Group, 2006

Net absorption of warehouse space along the I-80/880 Corridor overall has been positive. Hayward has consistently captured higher levels of leasing transactions, but at the same time has lower net absorption and higher vacancy than Oakland and San Leandro in both Warehouse and Manufacturing markets (Attachment A.)

In 2005, Grubb and Ellis reported that "despite the increase in vacancy, the East Bay remains one of the healthiest Industrial markets in the entire Bay Area, as demonstrated by the increase in asking rents across all product types."

The conversion of older (commercial) properties into residential and retail combined with increasing land costs making the development of new industrial sites difficult is resulting in the erosion of the industrial base, regionally. The current uses in the Grant Avenue Industrial area would have difficulty locating elsewhere and maintaining their proximity to the inner Bay Area.

VI. Propensity to Change

The consultant was not able to engage the Grant Avenue businesses in a discussion of their plans for the area, and a planned focus group session for Grant Avenue businesses and property owners was cancelled for lack of response. However, there are some indications that wholesale change of the existing uses is unlikely to occur in the near future due solely to market forces.

The low vacancy rate in the Grant Avenue Industrial Area indicates that there is demand for land with the existing zoning and uses. Limited contact with several businesses did not reveal plans to move out of the area. Any change or shift would require a proactive approach either from land owners/developers or coordination and management by economic development staff.

The large-scale food processing, warehouse and distribution uses that are truck intensive along Worthley and Baumann are particularly unlikely to change. The larger sites are operator owned, and the assessed value of the properties and improvements make acquisition of these sites for redevelopment financially infeasible. Thus general truck-parking and equipment-storage uses are likely to remain. Transitioning the RV storage uses to "cleaner" uses such as the U-haul mini-storage may be an interim strategy.

The sites located along the north side of Grant Avenue, and along the creek have the most potential for changing the overall character of the area. California State Employment Development Department (EDD) Data indicates growth in the areas of Arts and Recreation and Sporting Goods Retail Sales (See Attachment D). An area for exploration would be the attraction of industries that can benefit from the proximity to the trail and exposure to trail users. An example might be high end bicycles, custom bicycle, bike part manufacturers and detailers or bicycle tour companies which already exist in the region, which serve both a national and local markets.

a. Research and Development (R&D) Development

There are many kinds of R&D with differing needs and cycles of evolution. Some sectors, like Multimedia, will quickly evolve to the point where they resemble office uses. Others, like Biotech, have a long development phase that requires expensive processing

and lab facilities that resemble manufacturing uses in their space needs. R&D typically requires buildings that can accommodate a mix of office, manufacturing and assembly space. Buildings are usually no more than two stories, windows on at least three sides of the building, not all require extended ceilings heights, but most do require some manufacturing and assembly space, and require parking similar to offices at a ratio of 3.2 - 4 spaces per 1,000 SF or greater.

b. Office Development

There are three classes of office space. These include: Class A offices, which are made of steel and concrete construction, built after 1980, and house high-end tenants able to pay premium rents and requiring excellent amenities; Class B office buildings, which were built after 1960, with fair to good finishes and housing a wide range of more cost-conscious tenants; and Class C or suburban garden office buildings, categories which comprise the remainder of extant office space. Office uses typically require 3.5 to 4 parking spaces per 1,000 SF of building space and 250 SF per employee.

c. Grant Avenue R&D and Office Development Potential

Local amenities and access to services for the businesses and their employees are two important factors that influence location decisions of office and R&D tenants. More importantly, as one light industrial/R&D broker stated, R&D, specifically Biotech, requires “synergy—they want to be close together, not an exit or four exits away.” (*East Bay Business Times*, 5/12/06.)

The Grant Avenue Area is currently considered a C-class Industrial area, which means it does not attract tenants that support the highest rents. The area's locational characteristics are very difficult to overcome. Poor access to the highway system is the primary challenge, and building new connectors to the highways would be extremely expensive. Secondly, the area now lacks the kind of business and employee amenities necessary to attract R&D and office uses.

Brokers consulted for this study found it very difficult to project what it would take to successfully convert the existing industrial area to one that attracts R&D and office uses—regardless of cost. Currently there is a surplus supply of R&D space in desirable Silicon Valley locations which makes it unlikely that new locations such as Grant Avenue will become viable in the near term. The locational is a significant challenge for the Grant Avenue Business Area to overcome, and as a result any R&D/office space in this location would be considered third tier space.

VII. Regional Economic Growth Trends

The Bay Area is one of the country's biggest exporting regions and the Port of Oakland is the 4th largest container port in the United States and 20th largest in the world. In 2005 the Port began major expansion of its capacity. The Port of Oakland projects that international cargo moving through U.S. ports is expected to double by 2020 if not sooner, with exports from California growing faster than exports from the U.S. as a whole.

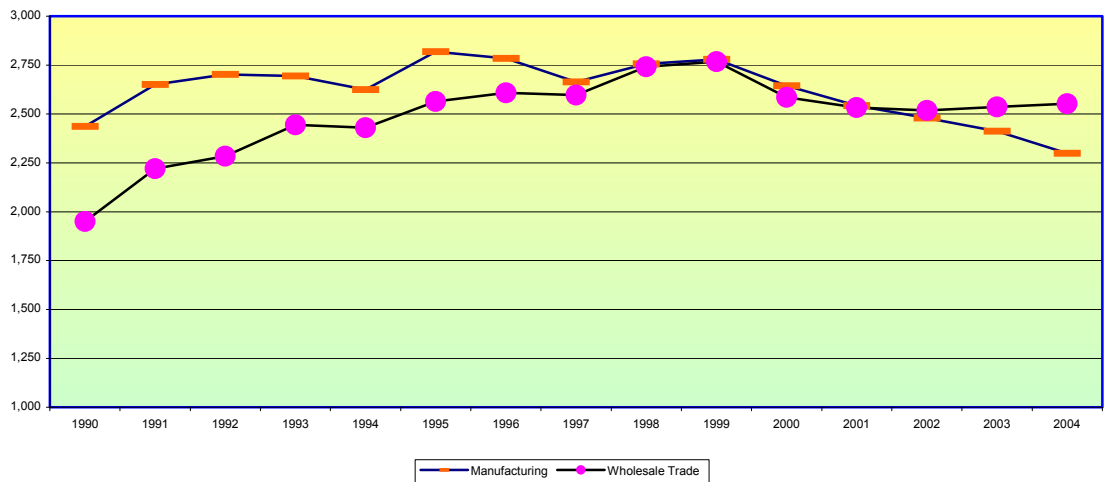
Two railroads that serve the port take freight to the Midwest and Atlantic and Gulf coasts. All major carriers serve the Port and many maintain terminals in the harbor area.

In addition, air freight through Oakland International Airport totals more than 1.4 billion pounds, and more than 76 million pounds of airmail alone passes through the airport each year.

Chart 1 shows Manufacturing, Warehouse and Wholesale establishments trends over the past decade, particularly the growth in wholesale trade and the decline in manufacturing. Since manufacturing, on average, has twice as many employees per establishment than wholesale trade, the result has been a net loss in jobs.

**CHART I
MANUFACTURING AND WHOLESALE TRADE BUSINESSES
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

Alameda County Manufacturing and Wholesale Trade Businesses 1990 - 2004



Source: EDD, Conley Consulting Group, July 2006

Looking at trends within the manufacturing sector from 1990 to 2004 one can see that industries have changed the way they do production (see Attachment B) with the older industries having an overall decrease in the average number of employees per company. As noted in the Economic Context Study (11/05) the cost of living in the Bay Area impacts the cost of business: Companies are looking globally to meet competitive production costs and considering less costly locations.

Both Hayward and San Leandro have ongoing strategies to transform and strengthen a portion of their industrial areas. If Grant Avenue is a major economic development priority for the County, a working relationship with the neighboring efforts may be the best strategy for leveraging the County's resources.

The American economy is increasingly subject to global competition. Identifying the specific portions of the global production chain that can be done most efficiently and effectively locally is a major key to understanding economic opportunities domestically. Some examples of opportunities for economic growth are shown below:

a. Food Processing

Conversations with suppliers and analysts in the food processing industry say that while the industry is shifting the nature of manufacturing and distribution activities, food processing will continue in the Bay Area. According to those sources there will be a shift to “cold packing”, with national/international corporations contracting with local businesses for local production and distribution, and as older companies withdraw local manufacturers of high-end goods for the regional market will take their place. Energy and waste management costs are two significant contributors to the cost of doing business for food processors.

b. Pharmaceutical and Medical Manufacturing

An emerging sector with potential for local growth is Pharmaceutical and Medical Manufacturing. This is the outcome of biotech research and development. Over the past decade, Alameda County has added one Pharmaceutical and Medical Manufacturing company a year to its business base.

**TABLE 2
PHARMACEUTICAL & MEDICAL MANUFACTURING COMPANIES IN ALAMEDA COUNTY
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

	1990	1995	2000	2004
Total Businesses	15	16	21	26
Total Jobs	1,444	1,301	2,322	2,629
Average Weekly Wages	\$680	\$862	\$1,426	\$1,584
Average Number Employees/ Business	96	81	111	101

Source: EDD Labor Market Information, 2006

Between 1990 and 2004 the number of Pharmaceutical and Medical Manufacturing businesses in Alameda County increased by 520%, and the pay scale in this industry has stayed on average 20-40% above manufacturing and wholesale trade pay in general (see Table 2). Because pharmaceutical manufacturing industries require a clean spaces and less bulky supply shipments, the impact of these kinds of facilities in a neighborhood can feel less intensive.

c. Waste Management and Remediation Services

ABAG projects strong future growth in Waste Management and Remediation Services industries in the Bay Area. Specifically, Hazardous Waste Management is projected to be the fastest growing occupation in the Oakland Metropolitan Service Area. While the growth in the number of establishments is modest, the total number of employees per business has grown, which indicates that the existing businesses are strengthening. In general Waste Management is more labor intensive than Warehouse/Distribution uses,

though the average weekly pay is low in comparison to warehouse and manufacturing jobs as a whole.

d. Health, Education and Business Professional Services

Health Education and Business Professional Services are the largest areas of significant growth for Alameda and Contra Costa Counties according to ABAG 2002 –2012 projections. (See Attachment C) Another area of growth in the Alameda County, and the state as a whole is are Arts, Entertainment and Recreation.

VIII. Alternative Opportunities for Grant Avenue

The assets of the Grant Avenue Business Area include access to the Inner Bay Area Region, the Oakland Airport and Port of Oakland, the San Lorenzo Creek/Bay Trail, workforce, the railway line as well as the strength of its neighbors San Leandro and Hayward’s economic development strategies. These assets can be utilized to create synergies affording certain strategic choices:

a. Leverage Railway Lines

NUMI, the largest client of the Port of Oakland, wants to increase use of rail for its deliveries, subject to a future agreement with Union Pacific, to provide more local rail service. Should these plans move forward, the Grant Avenue Industrial Area, located on that rail line, is uniquely situated to take advantage of this trend. Substitution of firms supplying the NUMI plant for some of the current businesses on Grant Avenue would reduce the reliance on truck deliveries. This would be a reversal of the recent economic trends since for the past decade there has been a decline in car parts manufacturing in Alameda County.

b. Recruit Smaller Boutique Industrial

Small businesses seeking to stabilize their overhead by buying their facilities, are part of an overall trend in real estate of subdividing buildings into smaller for-sale commercial condominiums. If targeted, this could attract smaller higher end producers who are able to pay the higher costs of a Bay Area location, and ensure current property owners positive returns.

d. Create a Workforce Development Campus

The Pharmaceutical and Medical Manufacturing sector is a strong source of recent and projected future employment growth for the Bay Area. EDD data indicates there has been a 520% growth in Pharmaceutical and Medical Manufacturing over the past 15 years. Pharmaceutical and Medical Manufacturing is an Industrial use that functions as the application of successful Biotech R&D. These businesses have different requirements but for the most part all involve “clean” contained environments such as labs. Some may involve animal testing, high ceilings due to intensive ventilation equipment to maintain the sterilized environment. Realtors say that there is a \$100/s.f. infrastructure cost for these types of uses, and EDAB reports that Biotech and

Pharmaceutical businesses have a long start up investment period with an average cycle of 15 years between initial R&D and bringing product to market.

Manufacturing jobs for the past decade have paid on average 30% more than Warehouse/Distribution jobs, and there has been an 80% growth in jobs over the past 15 years as biotech R&D investments are finally coming to market. EDAB staff report that the job creation in Biotech is outstripping the capacity of existing Bay Area job training programs' workforce development capacity.

A workforce training center is another possible use for Grant Avenue. Investing in Biotech workforce development is a way to poise Eden Area residents to take advantage of the synergies in the changing Bay Area Economy, and poise the area to attract businesses that are related to the changing economy.

B. BUSINESS SERVICES

Business Services is a special category of potential economic expansion which the committee has requested to be evaluated as a possible focus of economic development activities for the unincorporated area. The business service sector generally provides services rather than tangible goods to a market primarily comprised of other businesses, although some of these firms also provide services to the population base.

I. Business Services Sector Defined

Business Services Sector as defined by the U.S. Department of Labor, Bureau of Labor Statistics Professional and Business Services is made up of three parts: the Professional, Scientific, and Technical Services sector (sector 54); the Management of Companies and Enterprises sector (sector 55); and the Administrative & Support and Waste Management & Remediation Services sector (sector 56). (See Attachment A)

Professional Services, Scientific and Technical Services Sector

comprises establishments that specialize in performing professional, scientific and technical activities for others. These services include: accounting, auditing and bookkeeping services, advertising, translation and interpretation, specialized design services, engineering and architectural services; legal services, management, consulting, and public relations; R&D and testing laboratories.

Management of Companies and Enterprises Sector

is composed of 1) establishments that hold securities or equity interests in companies for the purpose of owning a controlling interest or influencing management decisions; or 2) establishments that administer, oversee and manage establishments of in company or enterprise that normally undertake the strategic or organizational planning and decision making role of the company or enterprise.

Administrative & Support and Waste Management & Remediation Services Sector

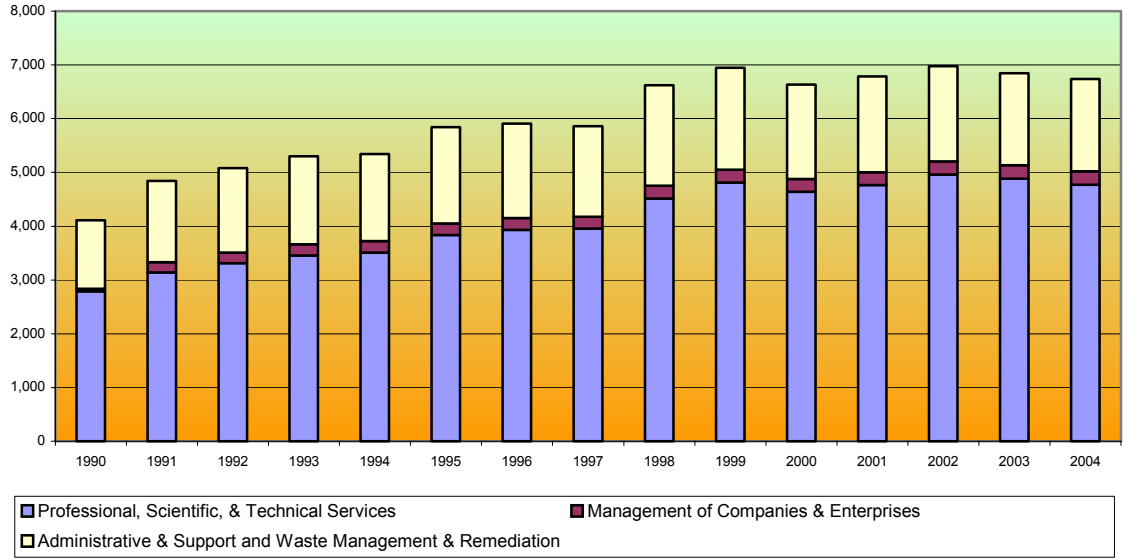
comprises establishments performing routine support activities for the day-to-day operations of other organizations. In many sectors of the economy these activities are undertaken in – house by businesses. These activities may include office administration, human resource services, collection, security, and janitorial and waste disposal services.

II. Regional Context

According to the California EDD there were 482 Business Services establishments in Alameda County in 2004. The Regional Economic Context Briefing Paper points out an 8% decline in employment in the Professional and Business Services Sector from 2001 –2005. Between 1990 and 2004 while there was a 56% increase in the total number of businesses in Alameda County, the number of Business Service firms grew by 64%. The bulk of this growth occurred in the Professional, Scientific and Technical Service sector which added 1,983 new firms in the past decade, followed by Administrative Services and Waste Remediation which added 445 establishments.

**CHART 2
BUSINESS SERVICES SECTOR GROWTH 1990-2004
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

Business Services Sector Growth in Alameda County 1990 -2004

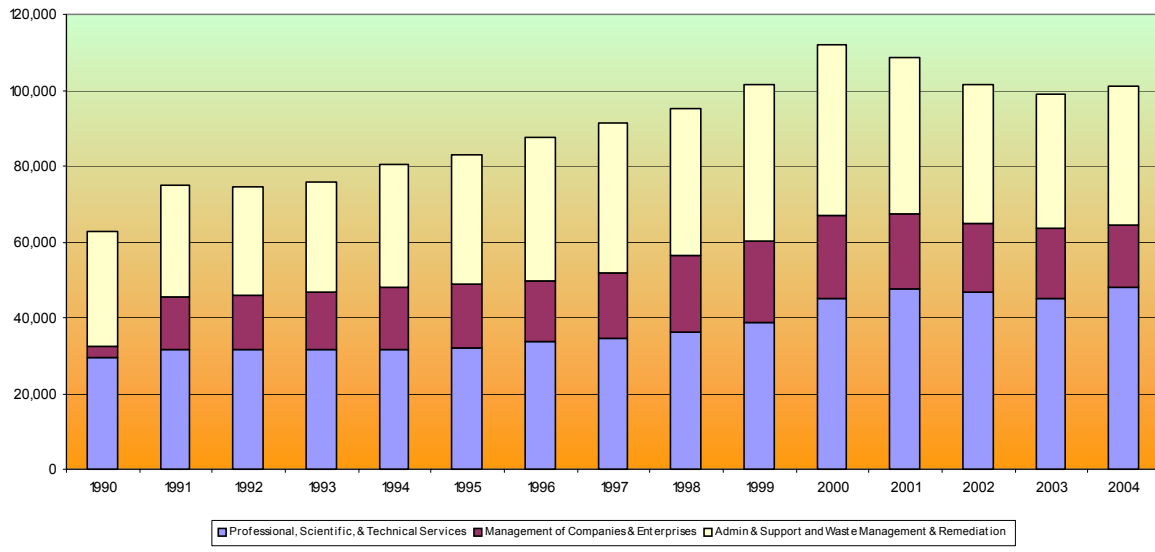


Source: EDD, Conley Consulting Group, 2006

In the past decade, employment within these sectors matched overall business growth at 58% from 68,000 employed in 1990 to just over 101,000 in 2004. Most of the growth in

**CHART 3
BUSINESS SERVICE SECTOR EMPLOYMENT 1990-2004
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

Alameda County Business Service Sector Average Employment 1990 -2004



Source: Conley Consulting Group, 2006

Average annual wages in the areas of the Professional Services, Scientific and Technical Services Sector \$78,000 and Management of Companies and Enterprises Sector \$87,000, while wages in Administration and Waste Remediation are significantly lower \$32,000.

Employment Projections for the state and nation indicate growth over the next decade in Business Services, exceeded only by Education and Health services. It is interesting to note, that as part of the overall economy, Alameda County has less Business Service Establishments, but has higher overall employment within the existing establishments.

**TABLE 3
BUSINESS SERVICES AS PART OF ECONOMY
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

	National		Alameda County	
	% all businesses	% all employment	% all businesses	% all employment
Professional, Scientific and Technical Services	10.5%	5.2%	10.2%	8.5%
Management of Companies and Enterprises	0.5%	1.3%	0.5%	2.9%
Admin & Support and Waste Mgmt & Remediation Services	5%	6.1%	3.7%	6.6%

Source: EDD, Bureau of Labor Statistics, CCG, 2006

This may be a reflection of overhead costs in the Bay Area compared to business expenses nationally.

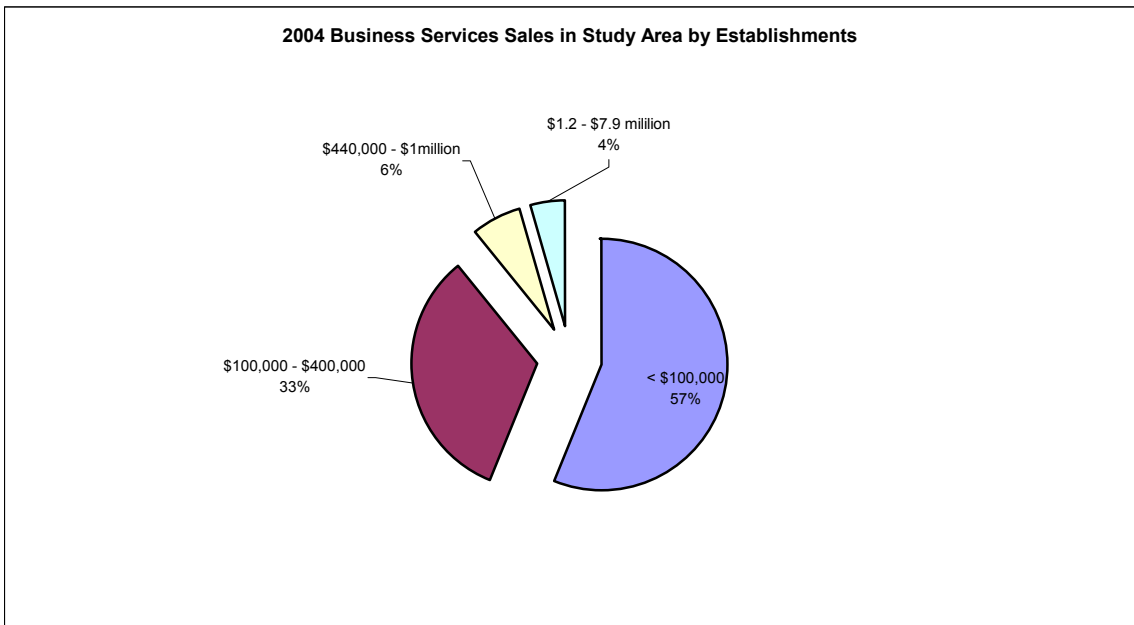
III. Existing Study Area Business Services Firms

Business Services are part of the “Other Services” industry described in the Regional Economic Context report (January 2006) as having slower than average employment growth projections for the State of California as a whole (source EDD, 2005). In the Study Area 14% of the businesses are classified as Business Services firms.

Dunn and Bradstreet data (2005) indicate that there are 143 Business Services firms in the area providing services that include termite control, messenger and delivery, computer software systems, and private investigation. Fewer than ten percent of these companies have more than 10 employees, with the vast majority listed as having one or 2 employees. A review of Dunn and Bradstreet data shows a strong representation of construction equipment rental and storage operations, that are likely located in the Study Area due to the availability and cost of sites suitable for use as open storage yards. In addition, there are a number of computer related companies. The oldest business service firm with a “year business started” date reported was started in 1953 and over 25% are listed as having started business since the year 2000.

Dunn and Bradstreet also indicates that 10 of the 143 Business Services establishments, or 4%, had sales of over \$1million, and 6% had sales between \$440,000 and \$1million. 78 businesses, almost 60% reported sales of under \$100,000.

**CHART 4
BUSINESS SERVICES SALES IN STUDY AREA
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**



Source: Dunn & Bradstreet (2005)

a. Workforce

A vital workforce is part of any economic revitalization strategy. Of the business-serving businesses in the Study Area, 82% (117) have five or fewer employees. 85% (95) of these have two or fewer employees, and most reported sales of \$150,000 or less. Except for two, which were heavy equipment rental establishments, it would be assumed that these smaller businesses are office-based, or home-office-based businesses.

**TABLE 4
STUDY AREA BUSINESS SERVICE SECTOR EMPLOYMENT DISTRIBUTION
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

Greater than 100 employees	1	0.7%
Between 25 - 60 employees	8	5.6%
Between 5-25 employees	16	11.3%
5 or less employees	117	82.4%
Total Number Businesses	142	100%

Source: Dunn and Bradstreet, Conley Consulting Group, 2005

IV. Locational Issues

The recent rapid growth in the Business Services sector can be largely attributed to the trend of larger companies downsizing and outsourcing. According to the U.S. Small Business Administration (SBA). from the 1990's through 2001 there was an overall

national decrease in small Business Service businesses, in part because successful small businesses grew into large ones. A study on the competitive nature of small business-service businesses indicates that there are three key factors for small-business success: establishing a niche; pricing/being a low-cost producer; and a customer focus which allows businesses to catch trends that are occurring in the marketplace. It was found that the typical business-service project tended to take an average of three and a half meetings involving an average of four individuals per meeting, and many involved proposals.

Location plays a significant role in a small business's ability to achieve each of these factors.¹

Table 3 shows that while there is room for growth in the number of firms, because the portion of jobs within the County is significantly higher than the national average portion of jobs held by this sector (over 30,000 additional jobs), the conclusion is that Alameda County has more established firms doing more work. Because of high overhead costs, these larger firms will have an advantage. We could also conclude that increasing the number of business service firms would be difficult without overall growth in the economy.

The business service firms in the Study Area are diverse and not dependent on serving any one sector. Both the Labor Bureau Statistics (Table 3) as well as the EDD projections (Attachment B, Industry Employment Projections 2002 – 2012) indicate that targeted areas for growth, as part of the regional economy, would be in the Professional Services, Scientific and Technical Services and Administrative & Support and Waste Management & Remediation Services sectors.

V. Economic Development and Business Services

Business services are not a typical target for economic development activities because they are presumed to be local serving, and dependent on the growth of basic industries for their economic stimulus. The conventional theory is that stimulating and protecting the economic health of business sectors that import wealth into the area will in turn result in stimulus to local serving firms, and thus these basic, or importing firms are the more typical focus.

However, given the small size and the composition of the local business base, local business services firms are likely to be serving customers from outside of the area. For most of Alameda County, the activities at the Port of Oakland are a primary economic engine driving the economy, and this and other major sources of economic stimulus are largely located outside of the study area. Thus in this narrow sense business services can be thought of as a form of imported economic activity for the study area.

Another reason business services are often not considered prime targets for economic development activity is that, with the exception of larger or high tech-related firms many of these companies are price sensitive in terms of their locational needs. As discussed above, the study area does not have locations suitable to attract larger R&D, office, and

¹ The Competitive Nature of Small Business Service Businesses: Pre-Project Protocols and Pricing presented by Timothy L. Wilson and Barbra I. Anell to the American Society for Competitiveness, in Washington D.C. October 10th, 2002

technology uses. The current business service firms and those likely to locate within the study area in the future will likely be small businesses.

In many communities, small business service firms cannot afford space in areas with thriving retail, residential, or large office markets. A strong retail market will command higher rents than small business services firms can support (but only for the ground floor). Furthermore, in many strong retail areas non retail uses are discouraged or even prohibited on the ground floor. On the other hand, buildings built for large offices, with a floor plate configured at 20,000 SF or above, are not ideally suited to the needs of firms with less than 5 employees in terms of either price or space layout.

VI. Business Services Strategies

In San Francisco, the city is grappling with a set of policies to protect production, distribution, and repair (PDR) businesses from the economic forces that threaten to push these uses out of town. PDR uses overlap, but are not exactly the same as the business services sector the Committee has suggested. These policies include protective zoning that essentially limit the development of higher paying uses in designated areas. These policies are proving unpopular with some the residents of areas adjacent to those designated for PDR uses, like the residents of the Bayview Hunter's Point neighborhood who want more retail development on Third Street. A similar protective strategy could be employed in the Study Area.

Another opportunity to encourage development of business services uses is to encourage development of commercial space as a second story use for mixed use projects. However, land use policies to this effect will be limited in their effectiveness by the absence of an established market for small office space in much of the Study Area: local developers and lenders are likely to consider a mixed use project with small office space as more risky than uses like residential where the market potential is more readily demonstrated by previous developments.

A third opportunity might be to develop a business incubator to support small start-up companies. A business incubator would require acquisition of a site, funding development of a building, and perhaps funding services to new businesses such as secretarial services.

A fourth opportunity is to conduct business seminars to make sure local businesses are aware of upcoming opportunities. For instance, the City of Hayward is planning large residential projects on the Mission Street corridor and the County is sponsoring mixed-use projects that are business opportunities for graphic design, building maintenance, and pest control firms. An awareness campaign might help Study Area businesses take advantage of these opportunities.

1. Goals

- What primary economic development goals does the community want to pursue in this area? Alternatives include:
 - To provide jobs for Study Area residents?
 - To provide higher paying job opportunities for regional residents?
 - To generate a stronger tax base?
 - To provide entrepreneurial opportunities for local or for regional residents?
 - To lesson local land use conflicts with adjacent residential uses?
- Any active uses in the Grant Avenue area will have traffic impacts. Higher end land uses will have higher employee and customer ratio than warehouse & distribution. (For example: R&D or office use generates four times as many employee car trips as a warehouse use.)
 - Is reduced truck traffic an acceptable trade off for more car traffic on Grant Avenue?
- Given the current high occupancy levels and lack of indication that Grant Avenue businesses are planning to leave in the near term, should the County dedicate sufficient resources to force involuntary relocation of businesses in the area?

2. Industrial Attraction Strategic Choices

- How can the community take advantage of ongoing structural economic changes rather than find itself in a position of reacting to a restructured economy?
- Should Pharmaceutical and Medical Manufacturing uses be pursued to generate higher wage jobs?
- Should the County pursue attraction of firms supplying parts and supplies to the NUMI plant? This would require major investment in improving rail service, and an agreement with Union Pacific to increase local rail service.
- Food Processing has traditionally played and continues to play an important role in the Study Area economy. Should the county focus recruitment efforts on “new” food manufacturing uses?
- Should the County pursue boutique manufacturing with retail outlets such as Too Good Gourmet and United Textile, or D&D Cycles (which also works with individual clients) in the future?

- Should the County encourage development of uses that take advantage of the creek and provide an amenity to bring people there – businesses that maintain a “face” to the creek rather than using it as backroom storage etc?
- Should development of business service firms be encouraged in the portions of the commercial corridors that are not targeted for retail development? Should zoning be changed to protect lower-paying business service uses in designated commercial corridors?
- Some of the options for strengthening the Industrial and Business Services sectors are relatively expensive. What priority should business development have in the Economic Development Strategic Plan in terms of staff time and budget allocations?

**ATTACHMENT A
EAST BAY MANUFACTURING MARKET DATA/
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

	3Q-04	4Q-04	1Q-05	2Q-05	3Q-05
Total Building Base	90,851,667	90,870,243	91,194,854	91,194,854	91,269,426
			91,529,247	91,529,247	91,603,819
New Construction					
Build-To-Suit	0	0	151,400	0	0
Spec Construction	0	18,576	173,211	0	74,572
Total	0	18,576	324,611	0	74,572
Direct Availables	3,996,004	3,694,638	3,883,285	3,497,762	3,309,688
Sublease Availables	1,384,280	1,263,257	1,198,014	941,055	817,923
Total Space Available	5,380,284	4,957,895	5,081,299	4,438,817	4,127,611
Space Available by Size					
100K SF +	8	8	8	8	7
50K SF - 99.9K SF	15	11	10	7	9
25K SF - 49.9K SF	34	31	31	32	31
10K SF - 24.9K SF	96	89	82	79	65
Total Availables	153	139	131	126	112
Vacancy	5.9%	5.5%	5.6%	4.9%	4.5%
Gross Absorption	1,702,540	1,252,103	1,560,834	1,866,592	1,420,218
Net Absorption	411,021	440,965	45,176	642,482	385,778
Market Rent Range (NNN)	\$0.12 - \$0.93	\$0.15 - \$0.93	\$0.12 - \$0.97	\$0.17 - \$1.04	\$0.15 - \$1.04
Avg Asking Rate (NNN)	\$0.457	\$0.453	\$0.476	\$0.481	\$0.492
Avg Time on Market	19.7	21.7	19.5	15.4	17.7

Comments: Manufacturing is the most stable commercial market in the East Bay. Vacancy is at its lowest point in the past three years. East Bay is popular for manufacturers seeking Bay Area presence with affordable business costs.

SOURCE: BT Commercial, Conley Consulting Group, 2006

**ATTACHMENT A
EAST BAY R&D MARKET DATA
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

	3Q-04	4Q-04	1Q-05	2Q-05	3Q-05
Total Building Base	34,894,172	34,894,172	34,992,080	34,992,080	34,992,080
New Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	12,070	0	97,908	0	0
Total	12,070	0	97,908	0	0
Direct Availables	5,664,119	5,678,941	5,634,488	5,601,400	5,826,253
Sublease Availables	1,648,170	1,299,351	1,288,431	1,371,851	1,634,983
Total Space Availab	7,312,289	6,978,292	6,922,919	6,973,251	7,461,236
Space Available by Size					
100K SF +	9	10	10	6	6
50K SF - 99.9K SF	38	39	37	38	39
25K SF - 49.9K SF	46	40	39	41	53
10K SF - 24.9K SF	87	83	82	86	81
Total Availables	180	172	168	171	179
Vacancy	20.4%	20.0%	19.8%	19.8%	21.3%
Gross Absorption	1,420,479	919,435	1,092,971	982,361	1,078,710
Net Absorption	897,552	153,997	153,281	3,668	-541,985
Market Rent Range	\$0.35 - \$2.25	\$0.27 - \$2.25	\$0.27 - \$2.00	\$0.35 - \$2.00	\$0.30 - \$2.50
Avg Asking Rate (NI)	\$0.837	\$0.835	\$0.800	\$0.779	\$0.827
Avg Time on Market	18.8	20.8	21.8	22.7	21.6

Comments: Recent increase in vacancy due to an entire new campus (295,000 SF) in Hayward. Asking rents are highest in Livermore, San Leandro, and Hayward. San Leandro, Emeryville, and Berkeley had lowest vacancy.

SOURCE: BT Commercial, Conley Consulting Group, 2006

**ATTACHMENT A
EAST BAY WAREHOUSE MARKET DATA
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

	3Q-04	4Q-04	1Q-05	2Q-05	3Q-05
Total Building Base	83,852,800	83,852,800	83,902,800	83,902,800	83,902,800
			82,212,383	82,212,383	82,212,383
New Construction			1,690,417	1,690,417	1,690,417
Build-To-Suit	0	0	50,000	0	0
Spec Construction	0	0	0	0	0
Total	0	0	50,000	0	0
Direct Availables	5,939,048	5,630,061	6,042,618	5,747,915	4,734,448
Sublease Availables	1,799,779	1,076,719	877,360	1,117,045	1,008,074
Total Space Available	7,738,827	6,706,780	6,919,978	6,864,960	5,742,522
Space Available by Size					
100K SF +	13	12	14	14	10
50K SF - 99.9K SF	30	25	23	26	22
25K SF - 49.9K SF	51	44	37	42	36
10K SF - 24.9K SF	56	42	40	39	36
Total Availables	150	123	114	121	104
Vacancy	9.2%	8.0%	8.2%	8.2%	6.8%
Gross Absorption	2,287,042	2,039,490	2,443,112	2,646,891	2,635,964
Net Absorption	702,329	1,032,047	-163,198	55,018	1,122,438
Market Rent Range (NNN)	\$0.11 - \$0.90	\$0.10 - \$0.90	\$0.10 - \$0.90	\$0.10 - \$0.90	\$0.11 - \$0.90
Avg Asking Rate (NNN)	\$0.337	\$0.349	\$0.338	\$0.353	\$0.371
Avg Time on Market	11.0	12.4	12.6	12.9	12.0

Comments: The warehouse market ended the quarter with encouraging statistics across the board. Vacancy is down and rents are up in most submarkets.

SOURCE: BT Commercial, Conley Consulting Group, 2006

ATTACHMENT B
CHANGES IN MANUFACTURING SECTOR ESTABLISHMENTS AND JOB SHARE 1990 -2004
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY

	1990		2000		2004		total change 1990-2004	% change
	total jobs	share total manufacturing jobs	total jobs	share total manufacturing jobs	total jobs	share total manufacturing jobs		
Manufacturing Jobs Total	78,919		94,458		77,227		-1,692	-2%
Food Manufacturing	10,361	13%	7,645	8%	7,620	10%	-2,741	-26%
Apparel Manufacturing	2,084	3%	2,202	2%	1,149	1%	-935	-45%
Pharmaceutical and Medicine Manufacturing	1,444	1.8%	2,322	2%	2,629	3%	1,185	82%
Computer and Electronic Product Manufacturing	15,715	20%	26,591	28%	19,391	25%	3,676	23%

	total businesses	share of total manufacturing businesses	total businesses	share of total manufacturing businesses	total businesses	share of total manufacturing businesses	total change 1990 - 2004	% change
Manufacturing Businesses Total	2,436		2,643		2,299		-137	-6%
Food Manufacturing	198	8%	207	8%	183	8%	-15	-8%
Apparel Manufacturing	131	5%	124	5%	79	3%	-52	-40%
Pharmaceutical and Medicine Manufacturing	15	1%	21	1%	26	1%	11	73%
Computer and Electronic Product Manufacturing	276	11%	416	16%	365	16%	89	32%

[Source: Bureau of Labor Statistics Quarterly Census Of Employment and Wages](#)

**ATTACHMENT C
ALAMEDA COUNTY AS A PORTION OF BAY AREA JOB PROJECTIONS:
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY**

industries	percent job growth 2005 - 2030		2005		2020		2030		total job growth projected		alameda county's share of new jobs
	bay area	alameda	bay area	alameda	bay area	alameda	bay area	alameda	bay area	alameda	
Health & Educ Services	48%	59%	634,690	147,140	25,070	1,940	941,730	234,170	307,040	87,030	28%
Prof & Managerial Services	50%	49%	520,320	103,070	292,530	58,050	780,650	153,410	260,330	50,340	19%
Manufacturing & Wholesale	43%	62%	557,480	78,340	24,670	155,600	798,630	126,850	241,150	48,510	20%
Arts, Rec. & Other Services	48%	49%	423,440	83,090	464,470	107,360	625,750	124,080	202,310	40,990	20%
Retail	46%	30%	364,870	132,900	196,970	52,560	531,270	173,210	166,400	40,310	24%
Financial & Leasing	42%	46%	289,850	46,670	221,140	39,110	411,540	67,990	121,690	21,320	18%
Construction	50%	67%	226,380	28,890	361,860	59,510	339,350	48,180	112,970	19,290	17%
Information	60%	27%	166,440	49,490	182,740	136,070	265,740	62,700	99,300	13,210	13%
Government	37%	35%	136,940	30,000	816,980	199,700	187,500	40,560	50,560	10,560	21%
Transportation & Utilities	24%	21%	172,080	45,970	571,540	106,990	212,970	55,780	40,890	9,810	24%
Ag & Natural Resources	4%	0%	24,470	1,940	700,070	36,420	25,470	1,940	1,000	0	0%
total jobs	46%	31%	3,516,960	747,500	3,858,040	953,310	5,120,600	1,088,870	1,603,640	341,370	21%

SOURCE: ABAG, Conley Consulting Group, 2006

ATTACHMENT D
EMPLOYMENT PROJECTIONS BY INDUSTRY
ECONOMIC DEVELOPMENT STRATEGIC PLAN: INDUSTRIAL BRIEFING PAPER
ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY

Industry Employment Projections 2002 - 2012 Oakland Metropolitan Statistical Area (Alameda and Contra Costa Counties)					
NAICS Code	Industry Title	Annual Average Employment		Employment Change	
		2002	2012	Numerical	Percent
54-56	Professional and Business Services	149,600	169,300	19,700	13.2
61-62	Educational and Health Services	114,700	132,300	17,600	15.3
54	Professional, Scientific and Technical Services	69,400	82,100	12,700	18.3
71-72	Leisure and Hospitality	79,900	90,400	10,500	13.1
56	Administrative and Support and Waste Services	55,400	64,400	9,000	16.2
72	Accommodation and Food Service	65,100	73,100	8,000	12.3
	Trade, Transportation and Utilities (22, 42- 49)	204,600	211,600	7,000	3.4
23	Construction	66,600	72,800	6,200	9.3
52-53	Financial Activities	62,500	68,200	5,700	9.1
81	Other Services	37,800	42,200	4,400	11.6
71	Arts, Entertainment, and Recreation	14,800	17,300	2,500	16.9
51	Information	35,200	37,600	2,400	6.8
811	Repair and Maintenance Waste Management and Remediation Services	12,300	14,500	2,200	17.9
562	Sporting Goods, Hobby, Book and Music Stores	4,000	5,100	1,100	27.5
	Residual-Specialty Food Stores (includes 4452, 4453)	6,900	7,200	300	4.3
42	Wholesale Trade	4,400	4,600	200	4.5
22, 48-49	Transportation, Warehousing and Utilities	53,100	53,000	-100	-0.2
	Federal Government	39,500	39,300	-200	-0.5
		18,600	18,400	-200	-1.1
	Nondurable Goods (311-316, 322-326)	38,700	38,400	-300	-0.8
48-49	Transportation and Warehousing	36,200	35,900	-300	-0.8
	Residual-Food Manufacturing (includes 311-316, 322, 323, 326)	23,400	22,400	-1,000	-4.3
	Durable Goods (321,327-33)	64,900	63,600	-1,300	-2.0
31-33	Manufacturing	103,600	102,000	-1,600	-1.5
55	Management of Companies and Enterprises	24,800	22,800	-2,000	-8.1

Source: EDD

