



CITY OF MORGAN HILL

MONTEREY CORRIDOR MARKET ANALYSIS

Lisa Wise Consulting, Inc.
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DRAFT

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1 OVERVIEW

1.1 INTRODUCTION

The following Market Analysis Report (Report) provides a summary of demographic and socio-economic conditions in the City of Morgan Hill as they relate to economic performance, as well as a high-level analysis of the commercial market, and a Commercial Capacity Assessment for the Monterey Road Corridor Study Area.

This Report relies on data from national, regional, and local sources such as the U.S. Census, Bureau of Labor Statistics, Association of Bay Area Governments, Santa Clara County Assessor, the City of Morgan Hill, and commercial real estate analytics providers (e.g., CoStar, REIS, Colliers International, etc.). Appendix A, B, and C include detailed and comprehensive data, maps, and calculations that support the findings in the Report.

1.1.1 PURPOSE

This Report identifies and provides a high-level assessment of economic and market conditions that will be used to inform the development of options for zoning along the Monterey Corridor. Options for zoning will focus on the Mixed Use Flex General Plan Land Use Designation and integrate General Plan direction with the market conditions and capacity assessment findings from this Report. A complete package that includes this Report and the zoning implementation options will be compiled and presented to the Morgan Hill Planning Commission and City Council for discussion.

1.1.2 TERMS

In this Report, the following terms are used according to the definitions below:

Retail – A building or space that is primarily used to promote, distribute, or sell products and services to the general public (e.g., clothing store, restaurant, salon, tailor, etc.). Commercial uses that are not considered as “office” (defined below) are classified as retail for the purposes of this Report.

Office – A building or space that is principally used to house employees of companies that produce a product or service primarily for support services such as administration, accounting, marketing, information, consulting, financial and insurance services, educational and medical services, and other professional services.

Commercial – Refers to both retail and office as defined above.

1.1.3 NEXT STEPS

After Planning Commission and City Council provide direction on this Report and zoning implementation options, the commercial capacity assessment should be refined through a criteria-driven analysis based on characteristics demanded by retail or office tenants currently and considering future trends. Those characteristics may include access/circulation (freeway proximity, left turn only access, etc.), visibility, foot traffic, clustering of like businesses, retail leakage/market saturation, lot dimensions, utility and infrastructure capacity and condition, existing uses and utilization, and other physical or operational constraints. The results will guide amendments to the Zoning Map and Zoning Code to ensure development standards enable and facilitate targeted commercial uses and desired urban form outcomes within market realities and consistent with the General Plan's vision to transform Monterey Road into a revitalized mixed-use corridor.

1.2 BACKGROUND

Located in the southern portion of Santa Clara County, Morgan Hill is approximately 30 miles south of downtown San Jose and 10 miles north of Gilroy. Highway 101 bisects the city, and the community is served by the Morgan Hill Transit Center, which includes Caltrain services, limited regional bus service provided by the Valley Transit Authority, and houses many private corporate busses. Morgan Hill encompasses 13 square miles and has approximately 44,000 residents.

Monterey Road parallels Highway 101, typically at a distance of one mile apart. The Monterey Road Corridor Study Area is roughly 187 acres (0.3 square miles) and stretches along approximately 4.4 miles of Monterey Road. While the Downtown is located on Monterey Road, it is not included in the Study Area as it is subject to the Downtown Specific Plan. An inventory of the Study Area, identifying existing land uses and underutilized parcels is included as Appendix B.

2 KEY FINDINGS

The following key findings summarize the most important takeaways from this Report:

- Morgan Hill's population is forecast to grow 1.9% per year until 2035 as a reflection of the City's voter-approved Residential Development Control System (RDSC), which established a maximum population ceiling of 58,200 residents by 2035. The number of jobs is projected with a slightly higher grow rate of 2%, suggesting that **a larger proportion of Morgan Hill residents may work in Morgan Hill in the future.**
- The **retail market appears relatively stable**, reflecting existing retail space and environments, regional competition, changing retail preferences, and e-commerce growth that has challenged the overall viability of traditional brick-and-mortar stores.
- Morgan Hill experiences **sales tax leakage in all economic categories except Transportation** (vehicle sales, service stations, and auto parts and repair). Grocery stores are also capturing an above-average proportion of sales. The economic segments with the **highest leakage are restaurants and apparel stores.**
- Office conditions demonstrate a **low activity Morgan Hill office market.** Substantial office construction is occurring in Silicon Valley, which may sustain near term demand; although some secondary markets with transit hubs may see interest because of limited land and cost associated with urban office development.
- **Residential is expected to be the most highly favored market sector in Morgan Hill**, where it continues to be an option for Bay Area homebuyers seeking more affordable prices, primarily for single-family homes.
- Based on the assumptions and methodology in this Report, **even with a stable or modest floor area ratio (FAR) buildout assumption** for the Monterey Corridor, **there is more capacity available than theoretical commercial market demand** (215,000 square feet), **leaving at minimum 385,000 square feet for non-commercial uses** (e.g., residential, etc.). This could accommodate roughly **150 to 260 units** assuming 1,500 to 2,500 gross square feet per unit; however, buildout at this modest FAR is **unlikely to result in the revitalized corridor environment envisioned in the General Plan.**
- **Under a high FAR buildout scenario** for the Monterey Corridor, **more than one million square feet could be available for non-commercial uses.** This could accommodate roughly **530 to 890 units** assuming 1,500 to 2,500 gross square feet per unit.

3 DEMOGRAPHIC & SOCIO-ECONOMIC DATA

This Section assesses Morgan Hill’s demographic and socio-economic characteristics relative to larger regions (i.e., Santa Clara County and California). The comparative context allows an understanding of Morgan Hill’s unique attributes and potential opportunities or competitive advantages that may affect the City’s economic performance over time. It may also provide insight as to whether existing trends in Morgan Hill may continue or adjust to larger geographic trends.

3.1 POPULATIONS & HOUSEHOLDS

Trends in population and household growth can convey important information about demand for various land use types, potential consumer spending, and the need for services. Morgan Hill has, and is expected to continue to, experience stable population and household growth. On average, Morgan Hill’s population grew 1.7% per year between 2000 and 2015 (26.2%) and is forecast to grow 1.9% on average per year from 2015 to 2035 (37.5%).

TABLE 3-1 POPULATION

Population (2000-2035)						
Area	2000	2010	2015	Growth Rate 2000-2015	2035	Growth Rate 2015-2035
Morgan Hill	33,556	37,882	42,331	26.2%	58,200	37.5%
Santa Clara County	1,682,585	1,781,642	1,903,209	13.1%	2,337,470	22.8%
California	33,871,648	37,253,956	38,915,880	14.9%	45,521,334	17.0%

Source: U.S. Decennial Census, Summary File 1, Table DP-1; California Department of Finance, February 2017; City of Morgan Hill, Residential Development Control System

The total number of households forecast for Morgan Hill in 2035 is 18,082, which is an average 1.8% increase per year from 2015 or 238 additional households each year. This represents a slight increase from past household growth of 1.5% annually between 2000 and 2015, and is higher than the County’s projected growth rate from 2015 to 2035. These growth projections reflect the constraints of the City’s Residential Development Control System (RDSCS), which limits the number of residential allotments available in each year’s RDSCS competition to 215.

TABLE 3-2 HOUSEHOLDS

Households (2000-2035)						
Morgan Hill	2000	2010	2015	Growth Rate 2000-2015	2035	Growth Rate 2015-2035
Number of Households	10,855	12,323	13,324	22.8%	18,082	35.7%
Persons Per Household	3.05	3.04	3.15	3.3%	3.09	-1.9%
Santa Clara County	2000	2010	2015	Growth Rate 2000-2010	2035	Growth Rate 2015-2035
Number of Households	565,863	604,145	623,120	10.1%	776,461	24.6%
Persons Per Household	2.92	2.90	3.00	2.7%	2.89	-3.7%

Source: ABAG Projections, 2013; California Department of Finance

Notes:

(1) 2035 number of households calculated by dividing population (Table 3-1) by persons per household (ABAG Projections) and reducing by a 4% vacancy rate.

The Quantified Housing Objectives outlined in the City’s General Plan Housing Element, identifies that 13.5% of new housing units available between 2015 and 2023 should be affordable to households with moderate-income levels or below (i.e., households that earn less than 120% of the County’s median household income). Median household income for a 4-person household in Santa Clara County is \$113,300¹. Figure F-1 in the Housing Element identifies vacant available residential sites throughout the city that could accommodate these housing needs, including some properties along the Monterey Road Corridor.

The Theory of Household Production views families as both consumers and producers of goods. The theory states that families efficiently allocate time, income, and the collection of goods and service to maximize utility (Becker, 1965). Subsequent researchers have found that as a local economy grows, production shifts out of households and into the market (Locay, 1990).

3.2 HOUSEHOLD INCOME GROWTH

Household income provides insight into the level of demand for and feasibility of the type of retail, services, and other businesses within the community as well as an indicator to the community’s standard of living. Household income is often used by underwriters to assess lending risk in a community. Median household income in Morgan Hill has increased at a slower rate than was seen in both Santa Clara County and the State from 2000 to 2015, with an average annual increase of 1.1%. However, Morgan Hill and Santa Clara County’s median income levels were still more than \$30,000 above the State’s median household income in 2015.

¹ Department of Housing and Community Development, Memorandum – State Income Limits for 2017, June 9, 2017.

TABLE 3-3 MEDIAN HOUSEHOLD INCOME

Median Household Income (2000-2015)				
Area	2000	2010	2015	% Change 2000-2015
Morgan Hill	\$81,958	\$92,771	\$96,051	17.2%
Santa Clara County	\$74,335	\$86,850	\$96,310	29.6%
California	\$47,493	\$60,883	\$61,818	30.2%

Source: U.S. Decennial Census, Summary File 3, Table DP-3; American Community Survey 5-year Estimate, Table DP03

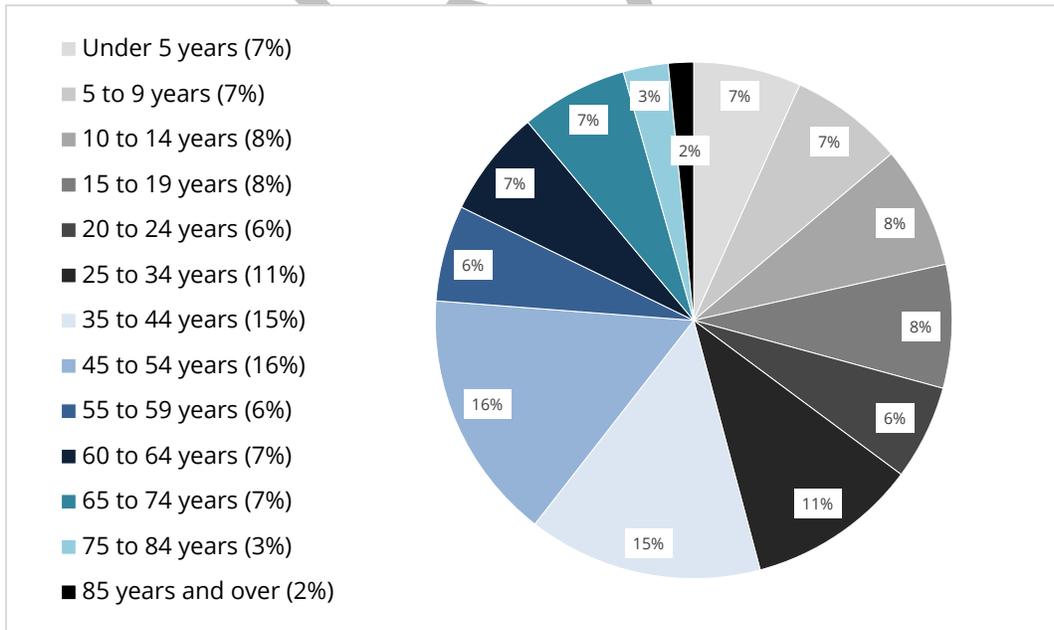
Over 48% of Morgan Hill households earn \$100,000 or more, and 18% earn \$200,000 or more. Average household income is \$126,986².

3.3 AGE, RACE, & EDUCATION

3.3.1 AGE

The age composition of a community informs expected spending behavior of residents, provides insight into demand for service types, and a profile of the labor pool. Morgan Hill is aging. The single largest gain in population between 2000 and 2015 was among 60 to 64 year olds. In absolute terms, this group experienced an increase of 1,705 people, growing from just over 3% of the total population in 2000 to just under 7% in 2015. Between 2000 and 2015, 25 to 44 year olds lost share of population while every age group over 45 years gained. In 2015, just over 30% of the population was between 35 and 54 years old.

FIGURE 3-A AGE COMPOSITION OF MORGAN HILL, 2015



² U.S. Census, 2011-2015 American Community Survey 5-year Estimate.

In 2015, Morgan Hill's median age was roughly one year higher than that of Santa Clara County and two years higher than that of the State.

TABLE 3-4 REGIONAL AND STATE COMPARISON OF MEDIAN AGE

Regional and State Comparison of Median Age (2015)			
	Morgan Hill	Santa Clara County	California
Median Age	37.9	36.8	35.8

Source: U.S. Census American Community Survey 5-year Estimate, Table S0101

3.3.2 RACE

While the nuances of race and their impacts on the market can be difficult to measure, research has found that place attachment - an important contributing factor to urban revitalization - is higher in non-white ethnic populations and homeowners (Brown et al., 2003). Understanding demographic forces, including race distribution, can help communities better prepare for future opportunities and challenges. Morgan Hill is less diverse than the County and State. The population is predominantly White at 67.8%, almost 6% higher than the State and almost 20% higher than the County. The share of Morgan Hill's population reported as Asian (9.5%) was also lower than the State (13.7%) and the County (33.8%).

3.3.3 EDUCATIONAL ATTAINMENT

Education levels are used to assess business investment attractiveness and provide insight on consumer behavior. Retailers and employers consider education levels in conjunction with incomes as principal factors in location decisions.

In Morgan Hill, the number of high school graduates or those with some college, associates degrees, bachelor's degrees, and graduate or professional degrees all grew in absolute terms between 2010 and 2015. In 2015, almost 39% of the population had a bachelor's degree or higher, roughly the same as 2010 levels, which is approximately 10% lower than the County.

3.4 EMPLOYMENT

Employment data provides insight into workforce preparedness, as well as trends and opportunities in business and industry clusters. Morgan Hill's key industries and trends in employment reflects its proximity to and relationship with Silicon Valley. In 2016, Silicon Valley's employment grew by 45,621 new jobs (3% from the previous year), most of which were concentrated in the fastest growing tech sectors of biotech, internet, and computer design³. Morgan Hill's existing commute patterns of employee inflow and outflow, and large number of residents employed in the management, business, science, and arts occupation category, indicates employment growth largely commensurate with Silicon Valley.

³ Joint Venture Silicon Valley, Institute for Regional Studies. *2017 Silicon Valley Index* (2017).

3.4.1 EMPLOYMENT PROJECTION

Employment in Morgan Hill is projected to grow at an average rate of 2% annually, with the number of jobs rising to 21,549 in 2035. This 64% increase between 2010 and 2035 represents 8,404 jobs, suggesting that a larger proportion of Morgan Hill residents may work in Morgan Hill in the future.

TABLE 3-5 EMPLOYMENT PROJECTIONS

Employment Projection (2010-2035)				
Area	2010	2035	Annualized Growth Rate	Growth Rate 2010-2035
Morgan Hill	13,135	21,549	2%	64.0%
Santa Clara County	852,855	1,115,594	1%	31.8%

Source: U.S. Census American Community Survey 5-year Estimate, Table S2301; 2010 Census OnTheMap Area Profile Analysis for all Jobs, City of Morgan Hill & Santa Clara County

Notes:

(1) Morgan Hill projections calculated using historic annualized job growth rate of 2%, as 2040 ABAG/MTC projection shows employment gains unrealistically low at 300 jobs from 2010 to 2040.

(2) Santa Clara County projections calculated using annualized growth rate of 1%, which represents the County's historic job growth from 2003 to 2014.

3.4.2 EMPLOYMENT INFLOW/OUTFLOW

Employment inflow and outflow data tracks commute patterns of area residents as they travel from their home to their place of employment and identifies change in daytime/nighttime populations.

The majority of Morgan Hill's residents, approximately 72%, works outside of the City limits, which is the same percentage as data collected between 2006 and 2008^{4, 5}. Morgan Hill residents have an average commute time of nearly 32 minutes and are overwhelmingly commuting to jobs within Santa Clara County. Of the jobs reported in Morgan Hill in 2014, almost 82% were filled by people not living in Morgan Hill. This inflow/outflow pattern results in a lower daytime population than nighttime population.

The jobs housing ratio measures the relationship between where people work and where they live. A balanced jobs housing ratio can yield numerous benefits that lead to increased economic and social vibrancy, including reduced traffic, improved workplace efficiency, lower air pollution emissions, and a higher quality of life⁶. Morgan Hill has a jobs to housing ratio of 1.42⁷, showing that

⁴ City of Morgan Hill, Morgan Hill 2035, *Existing Conditions White Paper, Economics* (May 16, 2013), pp. 1-12.

⁵ However, 2014 Census On The Map data shows approximately 87% of Morgan Hill's residents working outside of City limits.

⁶ SCAG, *The New Economy and Jobs-Housing Balance in Southern California* (April 2001), pp. 19-20. Dr. John Sullivan, TLNT.

⁷ Plan Bay Area Jobs Housing Connection Strategy, May 2012, Appendix A. Number of jobs in 2010 = 17,520; number of households in 2010 = 12,330 (17,520/12,330 = 1.42)

there is a disconnect between the match of job types and housing available in the community demonstrated by employment inflow and outflow.

3.4.3 UNEMPLOYMENT

Despite a reduction in unemployment levels in Santa Clara County between 2010 and 2015, unemployment in Morgan Hill increased from 7.2% to 8.6% during the same five-year period. Unemployment at the state level also increased, but by less than 1%. In 2016, Morgan Hill's unemployment rates dropped to around 4%, which was higher than the County's unemployment level, but lower than the State^{8, 9}.

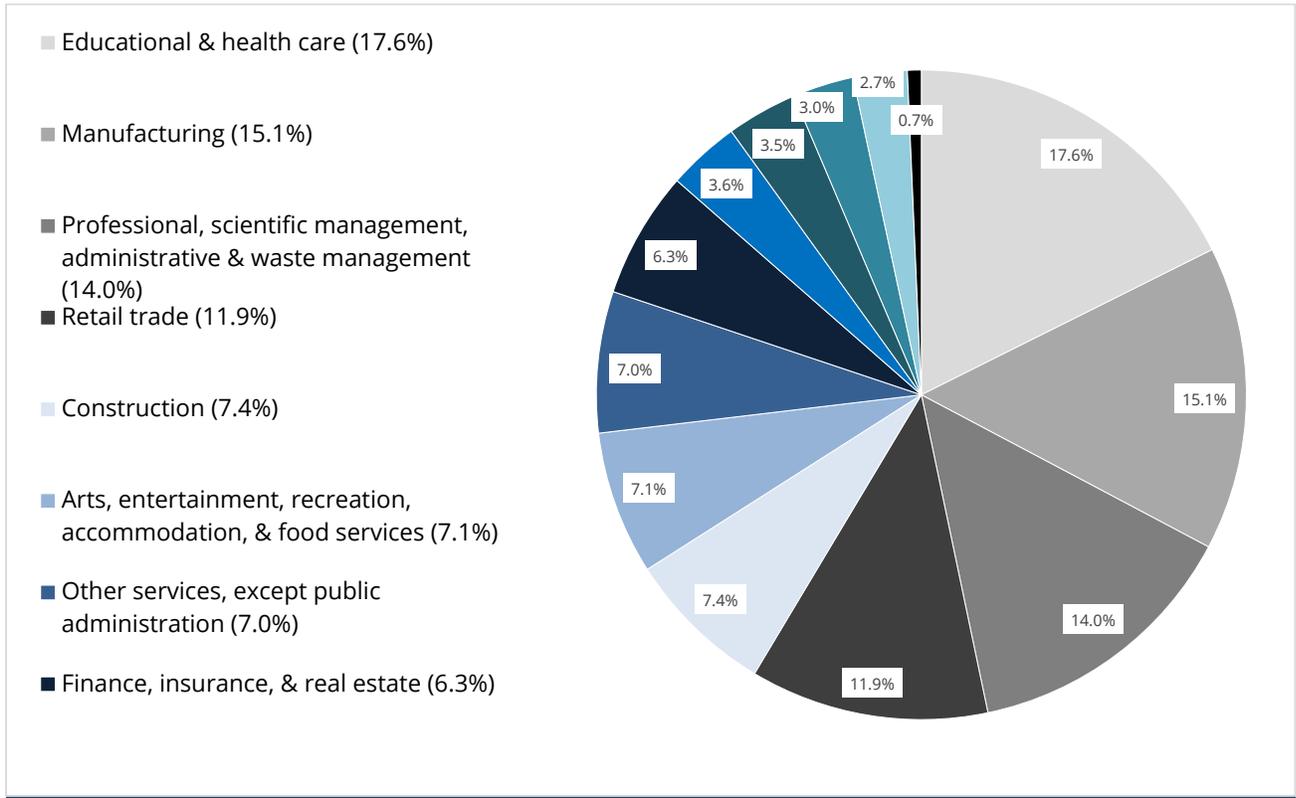
3.4.4 EMPLOYMENT BY INDUSTRY AND OCCUPATION

Employment data reflects Morgan Hill's distribution of population into key industry and occupation categories. The largest industry for Morgan Hill residents is education and health care (17.6%), followed by manufacturing (15.1%) and professional, scientific, and business services (14%). The industries that comprise a higher percent share relative to the County are other services, public administration, and construction. Other services include automobile and equipment repair, dry cleaners, beauty salons, religious organizations, and other similar types of services. Almost 12% of Morgan Hill residents are employed in retail trade, which is a slightly concentrated cluster compared to the County.

⁸ Joint Venture Silicon Valley, Institute for Regional Studies. *2017 Silicon Valley Index* (2017); Bureau of Labor Statistics, Unemployment rate – Not Seasonally Adjusted (2016).

⁹ Retirees, students, and those unable to work (e.g., disabled) are not considered part of the labor force or factored into unemployment rate calculations.

FIGURE 3-B MORGAN HILL TOP EMPLOYMENT BY INDUSTRY, 2015



Jobs within Morgan Hill, when compared to the County, are more focused towards manufacturing, retail, and arts, entertainment, and recreation with relatively fewer jobs in education and healthcare, and professional and scientific services¹⁰. Manufacturing represents the fastest growing industry sectors in Morgan Hill.

¹⁰ City of Morgan Hill, *Economic Blueprint* (April 7, 2017).

TABLE 3-6 EMPLOYMENT BY LAND USE AND INDUSTRY CLUSTER

Employment by Land Use & Industry Cluster (2010-2015)			
	2010	2015	% Change (2010- 2015)
Office/R&D/Industrial			
Miscellaneous Manufacturing	671	1,271	89%
Building/Construction/Real Estate	662	961	45%
Semiconductors	597	915	53%
Transportation/Distribution	1,174	878	-25%
Business Services	924	836	-10%
Innovation Services	663	693	5%
Industrial Supplies and Services	429	596	39%
Bioscience	458	555	21%
Corporate Offices	545	542	-1%
Electronic Component Manufacturing	421	482	14%
Financial Services	374	340	-9%
Software	143	106	-26%
Computer and Communications Hardware Manufacturing	10	64	540%
Retail			
Retail/Consumer Services	3,705	4,578	24%
Visitor			
Visitor (Tourism)	203	163	-20%
Other			
Civic (Government and Education)	2,212	1,977	-11%
Healthcare	589	649	10%
Other	479	117	-76%
Total Jobs	14,260	15,723	10%

Source: City of Morgan Hill Economic Blueprint, Figure 6 (CAA EDD, Quarterly Census of Employment Wages; City of Morgan Hill; Joint Venture Silicon Valley Industry Cluster Definitions)

The largest occupation category for Morgan Hill residents is management, business, science, and arts¹¹ (43%), followed by sales and office¹² (24.9%). Sales and office occupations also comprise a higher percent share in Morgan Hill relative to the County. More than 75% of retail trade occupations are in the sales and office category.

¹¹ Examples of management, business, science, and arts occupations include chief executives, computer and information system managers, accountants, software developers, biomedical engineers, civil engineers, lawyers, teachers, physicians, and artists.

¹² Examples of sales and office occupations include cashiers, sales representatives, administrative assistants, and postal service clerks,

TABLE 3-7 EMPLOYMENT BY OCCUPATION

Employment by Occupation (2015)						
Occupation	Morgan Hill		Santa Clara County		Share of County	LQ (County)
	Total Jobs	% of Total	Total Jobs	% of Total		
Civilian employed population 16 years and over	19,512	N/A	915,619	N/A	2.1%	N/A
Management, business, science, and arts	8,380	43.0%	462,714	50.5%	1.8%	0.85
Sales and office	4,854	24.9%	179,238	19.6%	2.7%	1.27
Service	3,099	15.9%	139,416	15.2%	2.2%	1.04
Natural resources, construction, and maintenance	1,636	8.4%	59,477	6.5%	2.8%	1.29
Production, transportation, and material moving	1,543	7.9%	74,774	8.2%	2.1%	0.97

Source: U.S. Census American Community Survey 5-year Estimate, Table DP-03

Note: Location Quotient (LQ) is a metric used to quantify how concentrated a particular industry, cluster, or occupation is in an area as compared to a larger region. The industries listed with LQ values above 1.0 present a greater concentration of jobs relative to Santa Clara County.

3.4.5 WAGES

More than two-thirds of Morgan Hill’s residents are in management, business, science, and arts or sales and office occupations. The median income for management, business, science, and arts occupations (43% of residents) is \$80,180, which is 11.5% lower than the same occupation category in the County. Sales and office occupations (24.9% of residents) have a median income of \$37,267, which is 6.4% higher than the County.

Median employee salary in Morgan Hill is \$51,444, which is \$6,229 below the Santa Clara County’s median employee salary \$57,673¹³.

3.5 INDUSTRY & OCCUPATIONAL TRENDS

Industry trends illustrate a city or a region’s ability to address where opportunities for expansion and change in the business or employment “mix” exist, considering other demographic and socio-economic data such as household growth, median income, and education levels.

On a percentage basis, the fastest growing industry for Morgan Hill residents was transportation, warehousing, and utilities, at 87.5% between 2010 and 2015, although this industry represented only 3.6% of Morgan Hill’s employed population. Retail trade grew at the second highest rate of 84.6%, and in absolute terms, no industry added more jobs than the 1,061 retail trade jobs between 2010 and 2015. Unlike Morgan Hill, retail trade grew only 7.5% in the County during the same five-year

¹³ EconSolutions by HdL, Employment Profile for the City of Morgan Hill, February 28, 2017.

period. The County experienced the highest growth in the leisure and hospitality industry¹⁴, at 22% between 2010 and 2015, while Morgan Hill saw only 6.2% growth.

TABLE 3-8 INDUSTRY TRENDS

Industry Trends (2010-2015)						
Industry	City of Morgan Hill			Santa Clara County		
	2010	2015	% Change 2010-2015	2010	2015	% Change 2010-2015
Civilian employed population 16 years and over	17,506	19,512	11.5%	843,854	915,619	8.5%
Transportation and warehousing, and utilities	375	703	87.5%	22,914	25,364	10.7%
Retail trade	1,254	2,315	84.6%	80,847	86,926	7.5%
Other services, except public administration	1,061	1,372	29.3%	35,725	38,809	8.6%
Professional, scientific, and management, and administrative and waste management services	2,231	2,724	22.1%	149,441	173,964	16.4%
Finance and insurance, and real estate and retail and leasing	1,058	1,232	16.5%	45,318	43,837	-3.3%
Information	450	524	16.4%	34,058	39,872	17.1%
Construction	1,286	1,442	12.1%	48,391	47,111	-2.7%
Arts, entertainment, and recreation, and accommodations, and food services	1,313	1,394	6.2%	59,604	72,686	22.0%
Wholesale trade	587	592	0.9%	21,396	20,172	-5.7%
Manufacturing	3,071	2,952	-3.9%	166,851	169,787	1.8%
Educational services, and health care and social assistance	3,592	3,439	-4.3%	152,679	169,496	11.0%
Public administration	902	689	-23.6%	22,150	22,220	0.3%
Agriculture, forestry, fishing and hunting, and mining	326	134	-58.9%	4,480	5,375	20.0%

Source: U.S. Census American Community Survey 5-year Estimate, Table S2403

Note: Census data for industry trends unavailable for the year 2000. Earliest information available is for 2007.

¹⁴ The “leisure and hospitality” industry describes arts, entertainment, and recreation, and accommodations, and food services. Examples include performing arts, spectator sports, museums, art galleries, amusement centers, restaurants, and bars.

Service occupations grew the fastest for Morgan Hill residents, at a rate of 72.3% from 2000 to 2015, and comprise approximately 9% of total employed population. These service occupations are concentrated primarily in the leisure and hospitality industry (approximately 908 people).

3.6 MAJOR EMPLOYERS

An assessment of major employers illustrates the type of businesses that have chosen to locate in Morgan Hill and where opportunities for expansion or diversification might exist. While the largest employer in Morgan Hill is the Morgan Hill Unified School District (730 jobs), the manufacturing industry employs the most workers through companies such as Anritsu Company, Specialized Bicycles Components, and Paramit Corporation. The largest retail employers are Safeway Inc. and Wal-Mart Supercenter.

3.7 CONSUMER EXPENDITURES

Consumer expenditures illustrate changing preferences and spending habits. These trends are critical when assessing future market potential for businesses or industries. The Bureau of Labor Statistics tracks consumer expenditure data nationally, and at the metropolitan area level as the smallest or most focused geography. For the San Francisco Metropolitan Statistical Area, the change in household spending between 1999 to 2015 for few key categories are listed below:

- Healthcare – 130.8%
- Education – 86.8%
- Food away from home – 45.8%
- Entertainment – 44.9%
- Apparel and services – (24.6%)

“Consumers are spending more on eating out, holidays and, to their chagrin, health care. They are spending less on clothes, typically the main offering of department stores and malls. When shoppers do buy a dress or jacket, they want a bargain, an attitude spawned in the recession and ingrained in the years since. (The Economist, 2017).

A discussion of consumer spending in Morgan Hill relative to the region is included in Subsection 4.1.3 (Retail Leakage). Businesses and industries, as always, must adapt to changing consumer preferences and spending patterns.

4 COMMERCIAL MARKET ANALYSIS

Data for Morgan Hill's retail, office, and residential markets is identified and analyzed in the context of regional conditions and larger market trends. Existing market conditions and trends are useful to forecast potential outlooks for these various market segments, which can inform land use policy and economic development strategies.

4.1 RETAIL

Outside of Downtown, the retail environment in Morgan Hill is primarily auto-oriented and located along Highway 101 and other major thoroughfares (e.g., Cochrane Road, Dunne Avenue, Tennant Avenue, and Monterey Road); however, retail destinations are somewhat scattered throughout the western portion of Morgan Hill. Eight shopping centers within Morgan Hill comprise approximately 1.3 million square feet of retail space, and major retailers include Target, Home Depot, Wal-Mart, TJ-Maxx, Ross Dress-for-Less, and others¹⁵. Numerous smaller strip centers are situated throughout the city and comprise much of the retail space along the Monterey Road Corridor. Regional shopping is available outside of Morgan Hill in Gilroy (Premium Outlets) and South San Jose (Westfield Oakridge Mall), where there are greater densities to support regional retail opportunities.

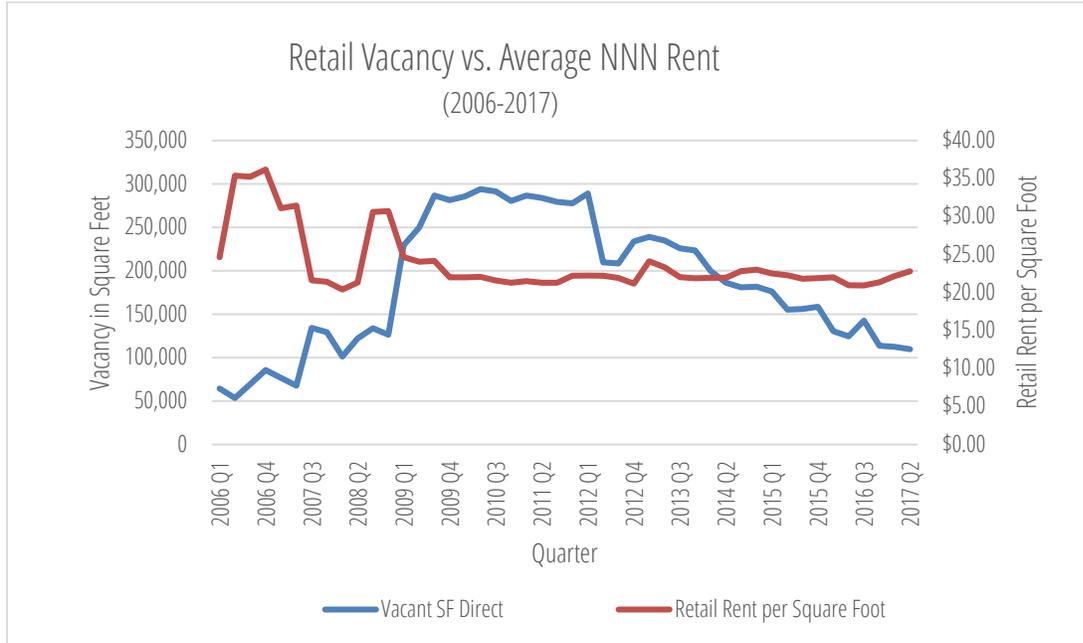
4.1.1 RETAIL DATA

The amount of vacant retail square footage in Morgan Hill has been on the decline since 2013 and is now below the vacant square footage levels of 2008. Despite decreasing vacancies, retail rents citywide have only increased moderately since 2008, from \$1.70 per square foot per month (\$20.40 per square foot per year) in 2008 to \$1.90 square foot per month (\$22.80 square foot per year) in 2017. An August 27, 2017 LoopNet search (www.LoopNet.com) for retail space in Morgan Hill returned five retail properties with space available ranging from \$1.50 to \$2.75 per square foot per month; median asking price was \$2.03 per square foot per month. Recent projects and construction in Downtown are furnishing new retail spaces, as reflected in the rents of approximately \$3.00 per square foot¹⁶ for new buildings. Downtown is experiencing growth in commercial, hotel, residential, and mixed-use projects. The current retail vacancy rate is 4.9%, which has been generally declining since 2013.

¹⁵ City of Morgan Hill, *Economic Blueprint* (April 7, 2017).

¹⁶ Ibid.

FIGURE 4-A RETAIL VACANCY AND NNN RENT PER SQUARE FOOT



Source: The Concord Group (CoStar, REIS)

Note: NNN (triple net) rent includes property taxes, property insurance, and common area maintenance in addition to base rent.

Morgan Hill has almost 2.3 million square feet of retail space, and this total square footage has slightly decreased since 2008; 2017 square footage is approximately 40,000 square feet lower than 2013, representing a 1.7% reduction. However, Downtown Morgan Hill will soon have a net increase of 20,000 square feet of retail space with developments recently completed or underway. Also, approved entitlements for new retail space at two lifestyle shopping centers, Cochrane Commons and the Madrone Village Shopping Center, could increase overall retail square footage, although construction has not been initiated.

The only modest increase in rents with decreasing vacancies are indicative of a relatively stable retail market, which likely reflects several factors (e.g., existing retail space and environments, regional competition, changing retail preferences, and e-commerce growth). Increasing median income of Morgan Hill residents may improve opportunities for retail resulting from higher discretionary income locally; however, this may be abated by the Bay Area's high cost of living, the City's Residential Development Control System, and current retail trends (see Subsection 4.1.4 (Retail Trends), below).

4.1.2 SALES TAX

Sales tax is the largest revenue source for the City's General Fund at 25% of revenues¹⁷. Between 2012 and 2016, sales tax revenues rose 16.3% and sales tax per capita increased 5.4%.

TABLE 4-1 SALES TAX PER CAPITA

Sales Tax per Capita (2012 - 2016)						
	2012	2013	2014	2015	2016	% Change 2012-2016
Sales Tax Revenue	\$6,617,777	\$7,055,468	\$7,102,245	\$7,359,251	\$7,694,571	16.3%
Population	39,426	40,463	41,517	42,331	43,484	10.3%
Sales Tax per Capita	\$167.85	\$174.37	\$171.07	\$173.85	\$176.95	5.4%

Source: MuniServices and Claritas, California Department of Finance

Between 2012 and 2016, with a net retail square footage decline of 1.3% and annualized sales tax revenue increases of more than 3%, sales tax per retail square foot increased 17.8%.

TABLE 4-2 SALES TAX PER RETAIL SQUARE FOOT

Sales Tax per Retail Square Foot (2012 - 2016)						
	2012	2013	2014	2015	2016	% Change 2012-2016
Sales Tax Revenue	\$6,617,777	\$7,055,468	\$7,102,245	\$7,359,251	\$7,694,571	16.3%
Retail Sq. Ft.	2,340,907	2,332,657	2,329,907	2,319,717	2,310,268	-1.3%
Sales Tax per Retail Sq. Ft.	\$2.83	\$3.02	\$3.05	\$3.17	\$3.33	17.8%

Source: MuniServices and Claritas, The Concord Group (CoStar, REIS)

Approximately 9% of Morgan Hill's sales tax is realized from businesses in the Study Area. Over the last five years, the Study Area has experienced slightly higher growth in sales tax revenue than Morgan Hill overall.

TABLE 4-3 SALES TAX CITYWIDE AND STUDY AREA

Sales Tax Citywide and Study Area (2012 - 2016)						
	2012	2013	2014	2015	2016	% Change 2012-2016
Sales Tax Revenue	\$6,617,777	\$7,055,468	\$7,102,245	\$7,359,251	\$7,694,571	16.3%
Morgan Hill	\$6,617,777	\$7,055,468	\$7,102,245	\$7,359,251	\$7,694,571	16.3%
Study Area	\$592,926	\$627,312	\$739,104	\$744,858	\$693,837	17.0%
Study Area % of Citywide Tax Revenue	8.96%	8.89%	10.41%	10.12%	9.02%	0.6%

Source: MuniServices and Claritas, The Concord Group (CoStar, REIS)

¹⁷ Ibid.

4.1.3 RETAIL LEAKAGE

Retail leakage quantitatively examines a community's retail opportunities. It is a guide to indicate how well local retail establishments are meeting the needs of residents and to understand potential unmet demand and opportunities. Retail leakage means that residents are spending more for products than local businesses are providing or capturing.

Morgan Hill experiences sales tax leakage in all economic categories except Transportation (vehicle sales, service stations, and auto parts and repair). Net capture has been achieved in recent years, except 2014, because of such significant capture in the Transportation category. Since 2012, leakage has increased in all categories where leakage is experienced except for Construction (wholesale and retail of building materials).

Retail leakage data demonstrates "how well Morgan Hill is capturing potential sales tax based on its residents' effective buying income (disposable income) compared to regional purchasing habits." (MuniServices, 2017).

TABLE 4-4 SALES TAX LEAKAGE

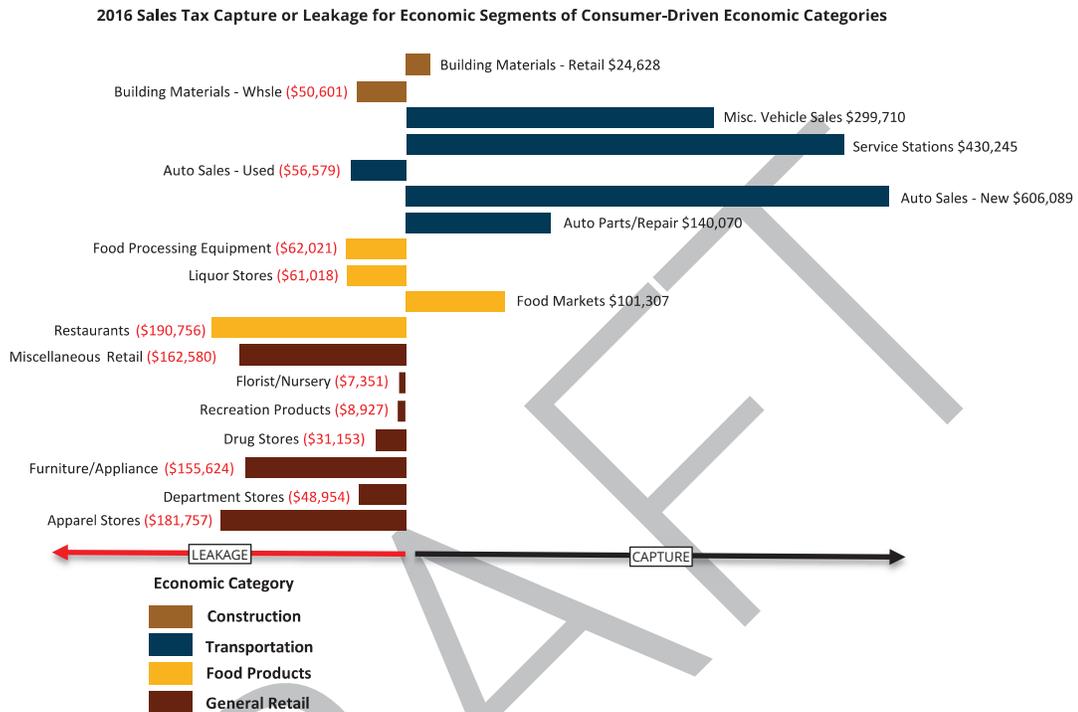
Sales Tax Leakage (2012 - 2016)						
Economic Category	2012	2013	2014	2015	2016	% Change 2012-2016
General Retail	(\$550,043)	(\$511,177)	(\$622,992)	(\$617,792)	(\$596,346)	8.4%
Food Products	(\$172,100)	(\$153,959)	(\$240,294)	(\$243,326)	(\$212,488)	23.5%
Transportation	\$1,234,060	\$1,416,912	\$1,381,968	\$1,469,408	\$1,419,536	15.0%
Construction	(\$65,472)	(\$39,858)	(\$84,133)	(\$73,020)	(\$25,973)	(60.3%)
Business to Business	(\$44,752)	(\$178,203)	(\$400,933)	(\$456,249)	(\$301,318)	573.3%
Miscellaneous	(\$42,441)	(\$44,303)	(\$55,256)	(\$53,073)	(\$54,413)	28.2%
TOTAL	\$359,252	\$489,412	(\$21,640)	\$25,948	\$228,998	(36.3%)

Source: MuniServices and Claritas

Notes: Red numbers represent sales leakage; black numbers represent sales capture or surplus.

Each economic category is comprised of numerous economic segments, some of which perform better or worse than the category overall. Figure 4-B identifies the 2016 sales tax capture or leakage experienced in the economic segments of consumer-driven economic categories: General Retail, Food Products, Transportation, and Construction.

FIGURE 4-B SALES TAX LEAKAGE OR CAPTURE FOR ECONOMIC SEGEMENTS OF CONSUMER-DRIVEN ECONOMIC CATEGORIES (2016)



Source: MuniServices, LWC

All economic segments in General Retail experience leakage; however, ‘food markets’ in Food Products and ‘building materials – retail’ in Construction capture sales tax. ‘Auto sales – used’ is the only economic segment in Transportation with leakage. Morgan Hill’s largest sales tax leakage is found in restaurants, followed by apparel stores, indicating potential opportunities for upper end restaurants and boutiques.

4.1.4 RETAIL TRENDS

Retail continues to be dynamic, adjusting to competition with online channels, often through new store formats (e.g., smaller, urban footprints within a

“The change in appetite for grocery product is evident by the increased vacancy within centers...with major online retailers making large investments in their online grocery platforms, the fear is now real, and as a result, investors are shying away from grocery-anchored assets.” (JLL, 2017).

walkable mixed-use environment), the provision of more experience-based retail environments (in-store demonstrations and classes, performances, and other attractions), or convenience retail (including “click and collect” programs where customers purchase online and

pick up in store)¹⁸. Experience-based retail environments reflect the notion of placemaking – creating quality places where people want to live, work, play, shop, learn, and visit¹⁹. High-end stores and “lifestyle towns” that focus on the customer experience continue to do well, and the trend of converting Class B malls to open-air centers with a mix of retail uses and amenities is expected²⁰.

Furthermore, the aging of baby boomers has shifted millions of people out of prime consumption ages, and over the next 20 years, millennials will drive consumption. Current retail trends reflect the industry’s attempts to adapt to this market driver. Morgan Hill has seen the largest population gains for baby boomers (those 55 years old and older) and a 2.1% decline for millennials (those 20 to 34 years old) (see Section 3.3.1 and Appendix A).

Higher densities and walkable design can create foot traffic needed to support retail, and temporary uses, such as food trucks and pop-up shops, can generate foot traffic in the interim period until new construction or investment is viable. Mixing residential with retail can help to support retail (e.g., horizontal or vertical mixed-use); however, the current high cost of vertical mixed-use construction combined with the rents commanded in Morgan Hill is a significant obstacle²¹. A more viable option for most communities is to focus retail activity at the corners of intersections of major thoroughfares and place residential mid-block within easy walking or bicycling distance to the retail corners. Off-street parking requirements also limit the financial feasibility of new development²². Adaptable construction, which can more efficiently accommodate a variety of uses or be repurposed is another way to respond to the dynamic and evolving nature of retail.

4.2 OFFICE

Office space in Morgan Hill is mainly available within industrial and research and development areas²³.

4.2.1 OFFICE DATA

The amount of vacant office space in Morgan Hill has declined over 80% since 2013; and accordingly, office rents have increased during the same time. Asking office rents rose from \$1.66 per square foot in 2013 to a peak of \$2.13 per square foot in late 2015/early 2016, then down to \$2.05 per square foot in 2017. An August 27, 2017 LoopNet search (www.Looped.com) for office space in

¹⁸ Buxton, *2017 Real Estate Outlook Report* (2017).

¹⁹ Land Policy Institute, Michigan State University, *Placemaking as an Economic Development Tool* (2015).

²⁰ Cohn Reznick, LLP. *Momentum 2017, Commercial Real Estate Outlook: Agility and Discipline in a Time of Uncertainty* (2017).

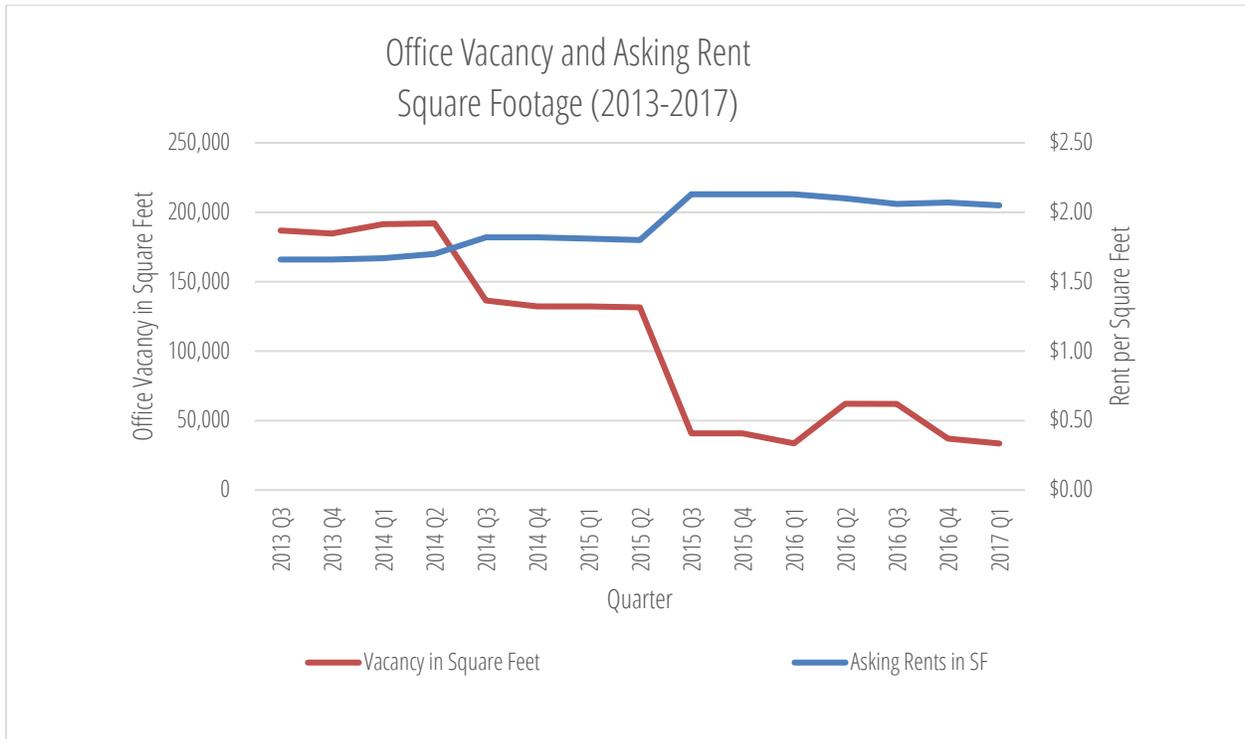
²¹ Christine Firstenberg, Senior Vice President, JLL – Retail Brokerage, telephone correspondence (August 29, 2017).

²² Strategic Economics, Morgan Hill PDA Plan: Feasibility Study Initial Findings (October 4, 2016 – updated 11/16).

²³ *Ibid.*

Morgan Hill returned 12 office properties with space available ranging from \$1.15 to \$3.67 per square foot per month; median asking price was \$1.55 per square foot per month. The current office vacancy rate is 4.4%.

FIGURE 4-C OFFICE VACANCY AND ASKING RENT



Source: Colliers International

Office square footage in Morgan Hill has remained around 700,000 square feet since 2013, but is currently at a high of 757,379 square feet. The slight decline in asking rents over the last year and stable inventory indicate a low activity office market. Regionally, however, substantial construction of new office space is occurring in Silicon Valley with 5.48 million new square feet completed in 2016, reflecting higher office rents²⁴. Office vacancy in Silicon Valley has been declining for the past six years, and the current vacancy rate is 12%²⁵.

²⁴ Joint Venture Silicon Valley, Institute for Regional Studies, *2017 Silicon Valley Index* (2017).

²⁵ Ibid.

4.2.2 OFFICE TRENDS

General office trends include smaller square footage requirements per employee. This trend is being driven by the demand for more standardized, collaborative, and shared work spaces, as well as the increased prevalence for telecommuting²⁶. As this type of office environment is financially efficient, the trend for less space on average for each employee is expected to continue.

Furthermore, suburban office parks have been somewhat trending out of favor, indicated by the number of offices relocating to more urban areas to attract younger talent. However, some secondary markets, particularly those with access to transit hubs, may see interest or growth in suburban office spaces because of limited land and cost associated with urban office development²⁷. Bay Area companies with sizable hiring plans are preferring office sites near housing as well as Caltrain and BART stations²⁸.

4.3 RESIDENTIAL

4.3.1 RESIDENTIAL DATA

Home values are an indicator of a community's economic health. Between 2011 and 2017, the median sales price for a home in Morgan Hill increased by 57.4%, which is lower than the increase experienced in the County, but slightly above the State. Morgan Hill's median home price continues to increase but remains around 15.5% lower than the San Jose Metro area²⁹.

TABLE 4-5 MEDIAN SINGLE-FAMILY HOME SALES PRICE CHANGE

Median Single-Family Home Sales Price Change (2011-2017)								
2011	2012	2013	2014	2015	2016	2017 (Jan - Apr)	Difference (2011 - 2017)	% Change (2011 - 2017)
City of Morgan Hill								
\$534,308	\$546,025	\$646,767	\$705,700	\$759,208	\$812,050	\$840,875	\$306,567	57.4%
Santa Clara County								
\$575,358	\$605,242	\$715,917	\$794,217	\$898,775	\$972,958	\$1,004,000	\$428,642	74.5%
State of California								
\$314,650	\$315,450	\$369,108	\$412,975	\$439,367	\$470,575	\$493,200	\$178,550	56.8%

Source: Zillow; Median Home Value – Zillow Home Value Index; ZHVI Single-Family Homes Time Series and ZHVI Condo/Co-op Time Series (\$). Median home sale prices are estimated by Zillow per Zillow Home Value Index Methodology, which involves modelling that results in minimal statistical error between estimated sales prices and actual sales prices.

²⁶ Heschmeyer, Mark, CoStar News (2013).

²⁷ Cohn Reznick, LLP. *Momentum 2017, Commercial Real Estate Outlook: Agility and Discipline in a Time of Uncertainty* (2017); Williams, Champaign (April 3, 2017). *This is Where Office Occupiers are Focusing their Efforts in 2017*.

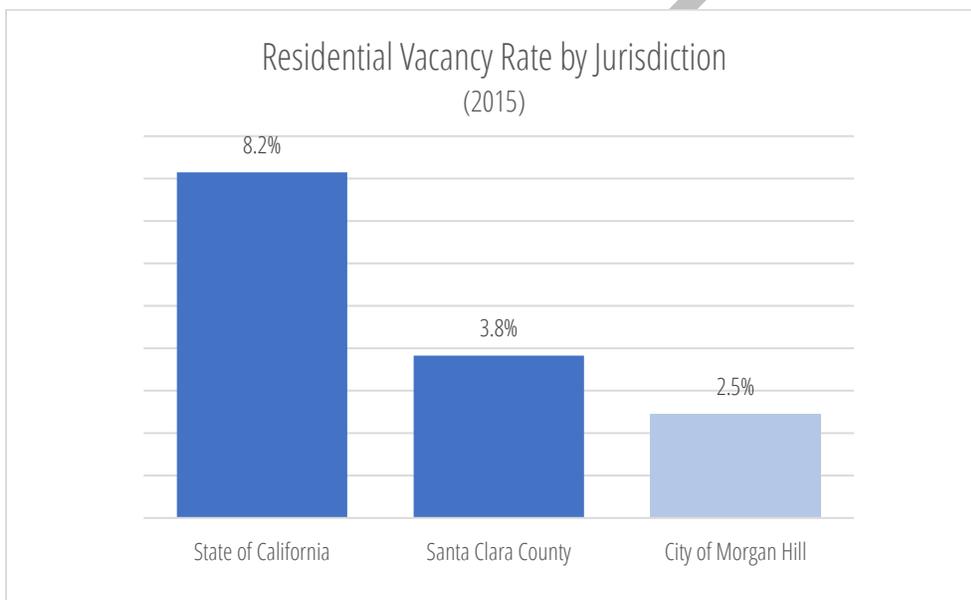
²⁸ Littman, Julie, Silicon Valley Office Rents Increase While Sublease Space Doubles, *Bisnow Bay Area* (August 30, 2017).

²⁹ Zillow, Zillow Home Value Index, data through July 31, 2017.

Median home rental prices also increased during the same period, but at a slower rate (37.3%), which is again more sluggish than the County (42.7%), but faster than the State (26%).

The home ownership rate in Morgan Hill is over 70%, which is higher than both the County (57%) and the State (54%). The vacancy rate for Morgan Hill's housing stock is extremely low, at 2.5%, which is 1.3% lower than the County and 5.7% lower than the State. However, new multi-family residential completions in the Bay Area, along with a slight slowdown in employment growth, is expected to raise vacancy rates and depress rents³⁰.

FIGURE 4-D RESIDENTIAL VACANCY RATE BY JURISDICTION (2015)



Source: U.S. Census American Community Survey 5-Year Estimate, Table DP04

Increasing sales and rent prices coupled with very low vacancies indicate a tight housing market. Compared to higher demand housing markets in the Bay Area, Morgan Hill remains an option for homebuyers seeking more affordable prices. As the number of residential units in Silicon Valley is not keeping pace with the region's rapidly growing population, housing is expected to be the most highly favored market sector in Morgan Hill³¹.

³⁰ Littman, Julie, Bay Area Multifamily Markets may have Peaked. Time to Sell, Ten-X says, *Bisnow Bay Area* (August 8, 2017).

³¹ Joint Venture Silicon Valley, Institute for Regional Studies, *2017 Silicon Valley Index* (2017).

4.3.2 RESIDENTIAL TRENDS

Baby boomers and millennials are the key demographic cohorts moving the residential market, which is being affected by their financial constraints, needs, and preferences. Trends show increasing demand for smaller units that are in walkable settings, but also an increase in multigenerational living. These cohorts often have preferences for environments that provide convenience, quality of life, physical activity, and social engagement. Renting has also rebounded and is at the highest levels since the 1960s, at over 36% nationally. Nonetheless, Morgan Hill demonstrates high home ownership rates since it has served as a more affordable Bay Area housing option. If walkable mixed-use environments do not mature and relatively affordable single-family homes remain available, Morgan Hill is less likely to attract some of these potential buyers.

The significant growth in the 65 and over population over the next 20 years will have a dramatic impact on housing needs as well as necessary services. Generally, these services include providing health care and assistance for those who have disabilities, from a mobility disability (e.g., difficulty walking, getting in and out of bed, climbing a flight of stairs) and cognitive impairment (e.g., dementia) to long-term care (e.g., home health aide, assisted living care, nursing, etc.). Existing or new residential units will need to reasonably accommodate the aging population, which may be through modifications to existing building and development standards.

5 COMMERCIAL CAPACITY ASSESSMENT

A Commercial Capacity Assessment (Assessment) of the Study Area was conducted to evaluate a range of optimal amounts of commercial space in the Study Area to support future market demand. This Assessment does not include a criteria-driven analysis to forecast retail and office space separately based on the characteristics typically demanded by retail or office tenants (e.g., access/circulation, visibility, foot traffic, clustering of like businesses, etc.). The capacity methods employed for this Assessment were drawn from a range of options reviewed and authorized by the City. Five capacity methods were used:

1. Commercial Capacity Based on Existing Land Use Inventory
2. Commercial Square Footage per Capita
3. Commercial Square Footage per Job
4. Projected Residential Growth in Study Area
5. Retail Leakage

The following is a discussion of each capacity method's results and a summary evaluating the results in aggregate. Calculation sheets for each method are contained in Appendix C.

5.1 COMMERCIAL CAPACITY BASED ON EXISTING LAND USE INVENTORY

Using the Study Area's existing land use inventory, this method calculates how much commercial space could be built on vacant or underutilized parcels in the Study Area based on development intensity or floor area ratio (FAR³²). This method represents the net square footage increase. Two scenarios were evaluated:

- Maximum FAR Capacity (High) – Net development if future projects are built at 0.5 FAR for commercial parcels and 0.6 FAR for industrial parcels. This determines the maximum developable area within the Study Area.
- Stable FAR Capacity (Low) – Net development if future projects are built at the current median FAR for developed parcels in the Study Area (0.19 FAR). This may be considered a “floor” or baseline of anticipated development within the Study Area.

Method 1 - Commercial Capacity
Based on Existing Land Use
Inventory

High: 1,551,150 s.f.

Low: 597,058 s.f.

The outcome was a very wide range of commercial capacity: 597,058 – 1,551,150 square feet³³. The high end of this range is the largest square footage result from all methods; however, this method

³² FAR is the ratio of building floor area on a lot divided by the total lot area.

³³ For reference, existing buildings in the Study Area comprise approximately 1,195,257 square feet.

does not reflect market conditions. The high scenario is strictly a calculation of remaining developable building volume in the Study Area.

5.2 COMMERCIAL SQUARE FOOTAGE PER CAPITA

This method uses the ratio of commercial square foot per capita to forecast long-term commercial space needs of a growing community. Using the 2035 Residential Development Control System (RDSCS) population cap of 58,200 people (Table 3-1, (Population)), 848,210 square feet of additional future commercial space would be appropriate citywide. Assuming the proportion of commercial space in the Study Area compared to citywide remains stable (around 25%), 215,755 net new square feet of future commercial space would be appropriate in the Study Area.

Method 2 - Commercial Square Footage per Capita

215,755 s.f.

5.3 COMMERCIAL SQUARE FOOTAGE PER JOB

Similar to the previous method, commercial capacity can be calculated based on the relationship of jobs to commercial space. This approach addresses the different daytime (worker) and nighttime (resident) populations in Morgan Hill. The calculations use the current ratio of commercial square foot per job to forecast future commercial square footage based on job projections (i.e., jobs located in Morgan Hill). Using employment projections (Table 3-5), 1,785,130 of additional future commercial space would be appropriate citywide. Assuming the proportion of commercial space in the Study Area compared to citywide remains stable, 434,106 net new square feet of future commercial space would be appropriate in the Study Area.

Method 3 - Commercial Square Footage per Job

434,106 s.f.

5.4 PROJECTED RESIDENTIAL GROWTH IN STUDY AREA

Focusing on residential instead of commercial, this method determines how much square footage is needed for future residential space if the vacant and underutilized parcels in the Study Area develop within the allowable General Plan density (7 to 24 units/acre). At 14 units per acre, 780 residential units are projected to be located the Study Area³⁴. Considering a range of 800 to 2,500 gross square feet per unit, total residential square footage was then subtracted from the high and low FAR capacities calculated in the first method (Section 5.1).

If development continues at a similar intensity as currently exists, (Net Stable FAR), there would not be adequate building space to accommodate residential densities at 14 units per acre. A density of 7 units per acre (398 units) could be achieved at existing development intensity assuming 1,500 gross square feet per unit

Method 4 – Projected Residential Growth in Study Area

Net Maximum FAR (High):
(399,050 s.f.) - 927,086 s.f.

Net Stable FAR (Low):
(1,353,142 s.f.) - (27,006 s.f.)

³⁴ This calculation does not reflect any particular dwelling unit size and could reflect strictly residential projects or mixed-use projects.

and only new residential development in the Study Area (no new mixed-use or commercial). However, a mix of residential at 14 units per acre and commercial space could be accommodated under the high FAR scenario (Net Maximum FAR) if average gross square foot per unit remains below 2,000 square feet.

5.5 RETAIL LEAKAGE

This method employs citywide sales capture and gap (leakage) data to determine retail square footage needed to eliminate sales leakage. Square footage associated with capture or leakage is calculated using the current citywide average for dollar of revenue per retail square foot (\$333.06). The percent of citywide taxable sales occurring in the Study Area is applied to calculate the square footages in the Study Area.

Method 5 – Retail Leakage (15,895 s.f.)
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As previously discussed in Subsection 4.1.3 (Retail Leakage), Morgan Hill experiences leakage in all economic categories except for Transportation, and the capture in Transportation is significant enough to result in net sales capture. While this results in a finding of excess retail square footage (over retailed by 15,895 square feet), it is appropriate to look at individual economic categories for potential opportunities. For example, in the Study Area, there are sales gaps in General Retail of 17,931 square feet and Food Products (e.g., restaurants) of 5,406 square feet.

5.6 SUMMARY OF RESULTS

Table 5-1 shows the compiled Commercial Capacity Assessment results.

TABLE 5-1 COMMERCIAL CAPACITY ASSESSMENT RESULTS

Commercial Capacity Assessment Results (Sq. Ft.)				
Method		Low	High	Average
1	Capacity Based on Inventory	597,058	1,551,150	1,074,104
2	Commercial Sq. Ft. per Capita	215,755	215,755	215,755
3	Commercial Sq. Ft. per Job	434,106	434,106	434,106
4	Projected Residential Growth	(1,353,142)	927,086	(213,028)
5	Retail Leakage	(15,895)	(15,895)	(15,895)
	Median	215,755	434,106	215,755
	Average	(24,423)	622,440	299,008

Source: LWC

Note: Where a method produced a single result (i.e., not low and high), that single result is identified in the low, high, and average columns.

Based on these results, a reasonable range for future commercial space³⁵ in the Study Area appears to be 215,000 to 440,000 square feet, with the lower end considered most realistic because of the data inputs used in Method 2 (Commercial Sq. Ft. per Capita), such as the RDCS population cap, and market conditions. However, considering demographic and market trends discussed in Sections 3 and 4, even the low end of potential commercial market demand should be considered theoretical and may shift (e.g., lower retail demand from increasing volumes of online transactions, changing medical office demand from aging population, etc.).

Based on the capacity within the Study Area (Method 1) and the theoretical commercial market demand of 215,000 square feet, approximately 385,000 to 1,300,000 square feet could be available for non-commercial uses, such as residential. Assuming between 1,500 to 2,500 gross square feet per dwelling unit, this space could accommodate between 150 to 890 residential units. If Net Maximum FAR is realized in the Study Area, 14 dwelling units per acre (780 units at 1,600 gross square feet each) could be built and accommodate up to 300,000 square feet of commercial or other uses.

Many factors should be considered when forecasting what types of commercial uses may build or occupy this future space, and such an analysis would facilitate a refinement of the estimated square foot range. Market conditions and trends suggest that economic segments experiencing leakage and that are least susceptible to online retailers are good candidates (e.g., restaurants, furniture/appliance stores, health services, etc.). Analyzing criteria demanded by these types of tenants in relation to the Study Area would be informative. While smaller main spaces may be appropriate to house certain new retail tenants, supplemental space will likely be needed for distribution activities associated with e-commerce³⁶. Subsequently, compatibility of mixing uses (retail, distribution, residential) should be examined during the development of zoning and land use standards for the Study Area. Land use policy directs Monterey Road to be revitalized into a mixed-use corridor that encourages walking and biking, and particular commercial uses may be less compatible with this vision (e.g., automobile or large equipment sales). Lastly, obstacles to new development such as inadequate utility infrastructure, costly off-site improvements (e.g., undergrounding overhead utilities), flood zone requirements, high construction costs, and lengthy permit processes affect the types of new commercial uses and businesses that establish.

³⁵ Commercial space includes both retail and office uses, such as medical and professional offices (see definitions in Section 1.1.2).

³⁶ Christine Firstenberg, Senior Vice President, JLL – Retail Brokerage, telephone correspondence (August 3, 2017).

6 CONCLUSION

This Report will serve as a foundation for market-based zoning recommendations to effectively implement the General Plan's vision for a revitalized mixed-use Monterey Road Corridor. Some preliminary zoning recommendations are offered below:

- To effectively respond to fluctuating market conditions, consider a zoning approach that provides some flexibility and regulates uses less rigidly.
- Focus commercial space in strategically located nodes or corridor segments to capture theoretical demand (Section 5) and on sites that can accommodate anticipated and desired tenants space requirements (e.g., certain retailers or office types). Additional analysis will be necessary to evaluate the short and long-term retail viability of specific sites or block segments along the Corridor as discussed in Section 1.1.3.
- Develop zoning standards that facilitate the development of mixed-use corridors (e.g., build-to lines, parking located behind buildings, parking alternatives or reduction options, building frontage standards, pedestrian connectivity requirements, public realm standards, floodplain design requirements, etc.). Plan for high quality public spaces, including flexibility to allow temporary public spaces, that are vital to connecting the corridor with surrounding neighborhoods.
- Allow "Missing Middle" housing types³⁷ that may serve as workforce housing and continue to diversify the residential product mix in Morgan Hill.
- Encourage well-designed projects that provide additional density to support revitalization of the Study Area by reducing permit review requirements and calibrating development standards (e.g., parking rates, site area requirements per unit requirements, etc.).
- Allow temporary uses and events with streamlined permitting to animate the Study Area.

The outcome from this Report and any subsequent analysis will be the successful update of the City's Zoning Map and Zoning Code to effectuate the Mixed Use Flex General Plan Land Use Designation and preserve adequate and appropriate spaces for future commercial uses.

³⁷ Missing Middle is a range of multi-unit or clustered housing types compatible in scale with single-family homes that help to meet the growing demand for walkable urban living (e.g., bungalow courts, fourplexes, courtyard apartments, etc.) (missingmiddlehousing.com).

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DRAFT

APPENDIX A – MARKET ANALYSIS DATA

DRAFT

APPENDIX A

DEMOGRAPHIC AND SOCIO-ECONOMIC DATA

TABLE 1 POPULATION

Population (2000-2035)						
Area	2000	2010	2015	Growth Rate 2000-2015	2035	Growth Rate 2015-2035
Morgan Hill	33,556	37,882	42,331	26.2%	58,200	37.5%
Santa Clara County	1,682,585	1,781,642	1,903,209	13.1%	2,337,470	22.8%
California	33,871,648	37,253,956	38,915,880	14.9%	45,521,334	17.0%

Source: U.S. Decennial Census, Summary File 1, Table DP-1; California Department of Finance, February 2017; City of Morgan Hill, Residential Development Control System

TABLE 2 HOUSEHOLDS

Households (2000-2035)						
Morgan Hill	2000	2010	2015	Growth Rate 2000-2015	2035	Growth Rate 2015-2035
Number of Households	10,855	12,323	13,324	22.8%	18,082	35.7%
Average Household Size	3.05	3.04	3.15	3.3%	3.09	-1.9%
Santa Clara County	2000	2010	2015	Growth Rate 2000-2010	2035	Growth Rate 2015-2035
Number of Households	565,863	604,145	623,120	10.1%	776,461	24.6%
Average Household Size	2.92	2.90	3.00	2.7%	2.89	-3.7%

Source: U.S. Decennial Census, Summary File 1, Table QT-P11; American Community Survey 5-year Estimate, Table S1101; ABAG Projections, 2013; California Department of Finance

TABLE 3 QUANTIFIED HOUSING OBJECTIVES

Morgan Hill Quantified Housing Objectives (2015-2023)		
Income Category	Number	% of Total
Extremely Low Income	75	2.59%
Very Low Income	75	2.59%
Low Income	70	2.41%
Moderate Income	170	5.86%
Moderate Income and Below	390	13.45%
Above Moderate Income	2,510	86.55%
Total	2,900	100.00%

Source: City of Morgan Hill General Plan 2015-2023 Housing Element, Table 1-12

TABLE 4 MEDIAN HOUSEHOLD INCOME

Median Household Income (2000-2015)				
Area	2000	2010	2015	% Change 2000-2015
Morgan Hill	\$81,958	\$92,771	\$96,051	17.2%
Santa Clara County	\$74,335	\$86,850	\$96,310	29.6%
California	\$47,493	\$60,883	\$61,818	30.2%

Source: U.S. Decennial Census, Summary File 3, Table DP-3; American Community Survey 5-year Estimate, Table DP03

TABLE 5 INCOME DISTRIBUTION BY HOSEHOLD

Income Distribution by Household (2015)		
	Units	%
Total Households	13,460	100.0%
Less than \$10,000	403	3.0%
\$10,000 to \$14,999	435	3.2%
\$15,000 to \$24,999	1,066	7.9%
\$25,000 to \$34,999	789	5.9%
\$35,000 to \$49,999	999	7.4%
\$50,000 to \$74,999	1,653	12.3%
\$75,000 to \$99,999	1,741	12.9%
\$100,000 to \$149,999	2,509	19.6%
\$150,000 to \$199,999	1,447	10.8%
\$200,000 or more	2,418	18.0%

Source: U.S. Census American Community Survey 5-year Estimate, Table DP03

TABLE 6 POVERTY LEVEL

Poverty Level (2015)		
Age	Morgan Hill	Santa Clara County
Overall Estimate	9.80%	9.5%
Under 18 years	11.90%	10.9%
18 to 34 years	12.80%	12.1%
35 to 64 years	7.50%	7.6%
65 years and over	8.50%	8.8%

Source: U.S. Census American Community Survey 5-year Estimate: Table S1701

TABLE 7 MORGAN HILL AGE DISTRIBUTION

Morgan Hill Age Distribution (2000-2015)								
Age Group	2000		2010		2015		Percent Change in Age Group (2000-2015)	
	Population	% of Total	Population	% of Total	Population	% of Total	Population	% of Total
Under 5 years	2,729	8.1%	2,794	7.4%	2,752	6.7%	0.8%	-17.2%
5 to 9 years	2,984	8.9%	3,049	8.1%	2,909	7.1%	-2.5%	-20.0%
10 to 14 years	2,751	8.2%	3,043	8.0%	3,131	7.7%	13.8%	-6.6%
15 to 19 years	2,643	7.9%	2,926	7.7%	3,158	7.7%	19.5%	-1.9%
20 to 24 years	1,677	5.0%	1,935	5.1%	2,426	5.9%	44.6%	18.8%
25 to 34 years	4,530	13.5%	4,331	11.4%	4,366	10.7%	-3.6%	-20.9%
35 to 44 years	6,121	18.2%	5,669	15.0%	5,999	14.7%	-2.0%	-19.5%
45 to 54 years	4,958	14.8%	6,258	16.5%	6,405	15.7%	29.2%	6.1%
55 to 59 years	1,625	4.8%	2,370	6.3%	2,460	6.0%	51.4%	24.3%
60 to 64 years	1,030	3.1%	1,909	5.0%	2,735	6.7%	165.5%	118.0%
65 to 74 years	1,302	3.9%	2,146	5.7%	2,735	6.7%	110.1%	72.5%
75 to 84 years	927	2.8%	959	2.5%	1,153	2.8%	24.4%	2.1%
85 years and over	279	0.8%	493	1.3%	643	1.6%	130.5%	89.2%
Total	33,556	33,556	37,882	37,882	40,872	40,872	21.8%	21.8%

Source: U.S. Decennial Census Summary File 1, Table QT-P1; U.S. Census American Community Survey 5-year Estimate, Table QT-P1

TABLE 8 REGIONAL AND STATE COMPARISON OF AGE DISTRIBUTION

Regional and State Comparison of Age Distribution (2010)			
Age Group	Morgan Hill	Santa Clara County	California
Under 5 years	7.4%	7.2%	6.8%
5 to 9 years	8.0%	6.6%	6.7%
10 to 14 years	8.0%	6.5%	7.0%
15 to 19 years	7.7%	6.5%	7.6%

20 to 24 years	5.1%	6.5%	7.4%
25 to 29 years	5.5%	7.6%	7.4%
30 to 34 years	6.0%	7.8%	6.9%
35 to 39 years	7.1%	8.3%	6.9%
40 to 44 years	7.8%	7.8%	7.0%
45 to 49 years	8.7%	7.8%	7.2%
50 to 54 years	7.8%	6.8%	6.9%
55 to 59 years	6.3%	5.6%	5.9%
60 to 64 years	5.0%	4.4%	4.9%
65 to 69 years	3.4%	3.2%	3.5%
70 to 74 years	2.2%	2.5%	2.6%
75 to 79 years	1.4%	2.0%	2.1%
80 to 84 years	1.1%	1.6%	1.6%
85 and over	1.3%	1.4%	1.6%

Source: U.S. Decennial Census Summary File 1, Table QT-P1

TABLE 9 REGIONAL AND STATE COMPARISON OF MEDIAN AGE

Regional and State Comparison of Median Age (2015)			
	Morgan Hill	Santa Clara County	California
Median Age	37.9	36.8	35.8

Source: U.S. Census American Community Survey 5-year Estimate, Table S0101

TABLE 10 REGIONAL AND STATE COMPARISON OF RACE DISTRIBUTION

Regional and State Comparison of Race Distribution (2015)			
Ethnicity	Morgan Hill	Santa Clara County	California
White	67.8%	48.3%	61.8%
Black or African American	3.0%	2.6%	5.9%
American Indian or Alaska Native	0.6%	0.5%	0.8%
Asian	9.5%	33.8%	13.7%
Native Hawaiian and Other Pacific Islander	0.5%	0.4%	0.4%
Other	12.1%	9.8%	13.0%
Two or More Races	6.6%	4.7%	4.5%
Total	100.0%	100.0%	100.0%
Hispanic or Latino (of any race)	33.7%	26.6%	38.4%

Source: U.S. Census American Community Survey 5-year Estimate, Table B02001

TABLE 11 EDUCATIONAL ATTAINMENT

Educational Attainment (2010-2015)						
Attainment Level	Morgan Hill			Santa Clara County		
	2010	2015	% Change or Difference 2010-2015	2010	2015	% Change or Difference 2010-2015
Population 25 years and over	23,010	26,496	15.2%	1,161,850	1,268,629	9.2%
Less than 9th grade	1,703	1,400	-17.8%	85,977	89,994	4.7%
% of Total Population 25 years and over	7.4%	5.3%	-2.1%	7.4%	7.1%	-0.3%
9th to 12th grade, no diploma	1,680	1,550	-7.7%	73,197	75,235	2.8%
% of Total Population 25 years and over	7.3%	5.8%	-1.5%	6.3%	5.9%	-0.4%
High school graduate (includes equivalency)	3,659	4,537	24.0%	191,705	192,414	0.4%
% of Total Population 25 years and over	15.9%	17.1%	1.2%	16.50%	15.2%	-1.3%
Some college, no degree	5,039	6,219	23.4%	199,838	212,282	6.3%
% of Total Population 25 years and over	21.9%	23.5%	1.6%	17.20%	16.7%	-0.5%
Associates degree	2,140	2,558	19.5%	85,977	90,475	5.2%
% of Total Population 25 years and over	9.3%	9.7%	0.4%	7.40%	7.1%	-0.3%
Bachelor's degree	5,614	6,199	10.4%	298,595	330,869	10.8%
% of Total Population 25 years and over	24.4%	23.4%	-1.0%	25.70%	26.1%	0.4%
Graduate or professional degree	3,175	4,033	27.0%	227,723	277,360	21.8%
% of Total Population 25 years and over	13.8%	15.2%	1.4%	19.60%	21.9%	2.3%

Source: U.S. Census American Community Survey 5-year Estimate, Table S1501

TABLE 12 EMPLOYMENT PROJECTION

Employment Projection (2010-2035)				
Area	2010	2035	Annualized Growth Rate	Growth Rate 2010-2035
Morgan Hill	13,135	21,549	2%	64.0%
Santa Clara County	852,855	1,115,594	1%	31.8%

Source: U.S. Census American Community Survey 5-year Estimate, Table S2301; 2010 Census OnTheMap Area Profile Analysis for all Jobs, City of Morgan Hill & Santa Clara County

Notes:

(1) Morgan Hill projections calculated using historic annualized job growth rate of 2%, as 2040 ABAG/MTC projection shows employment gains unrealistically low at 300 jobs from 2010 to 2040.

(2) Santa Clara County projections calculated using annualized growth rate of 1.08%, which represents the County's historic job growth from 2003 to 2014.

TABLE 13 EMPLOYMENT INFLOW/OUTFLOW

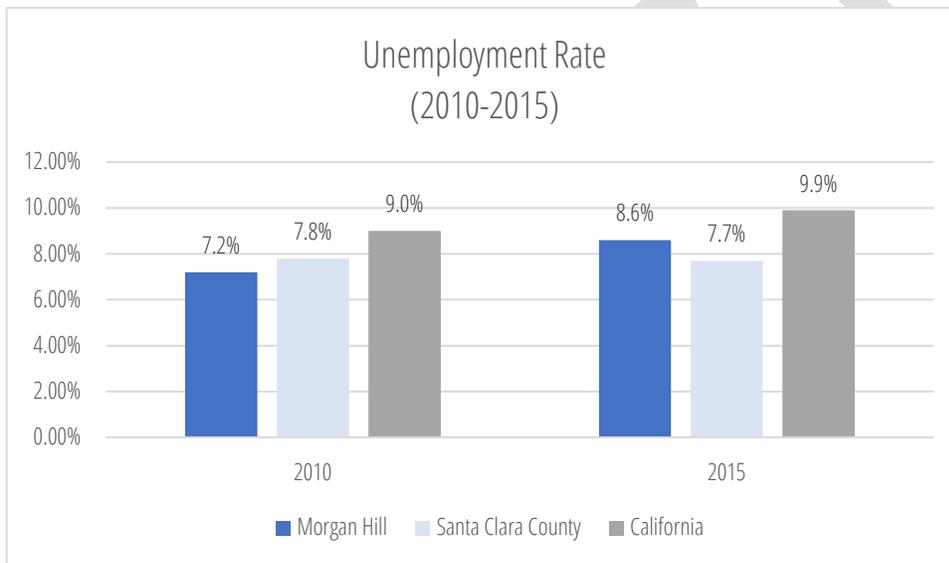
Employment Inflow/Outflow (2014)						
Live and employed in Morgan Hill		Live in Morgan Hill, employed elsewhere (Outflow)		Live elsewhere, employed in Morgan Hill (Inflow)		Mean travel time to work (mins)
2,473 people	12.9% ¹	16,734 people	87.1% ¹	11,173 people	81.9% ²	31.7 ³

U.S. Census American Community Survey 5-year Estimate, Table S0801; 2014 Census OnTheMap Area Profile Analysis for all Jobs: City of Morgan Hill

Notes:

1. Calculated with the total employed city population as a base.
2. Calculated with the total number of jobs in Morgan Hill serving as base.
3. Travel time to work only applies to those living in Morgan Hill (i.e., residents).

FIGURE 1 UNEMPLOYMENT TRENDS



Source: U.S. Census American Community Survey 5-year Estimate, 2011-2015 and 2006-2010, Table DP-03

TABLE 14 UNEMPLOYMENT TRENDS

Unemployment Trends (2010-2015)		
Place, County, State	Unemployment Rate	
	2010	2015
Morgan Hill	7.2%	8.6%
Santa Clara County	7.8%	7.7%
California	9.0%	9.9%

Source: U.S. Census American Community Survey 5-year Estimate, Table DP-03

TABLE 15 MORGAN HILL INDUSTRY BY OCCUPATION

Morgan Hill Industry by Occupation (2015)						
Industry	Occupation					
	Total	Mgmt., Business, Science, & Arts	Service	Sales & Office	Natural Resources, Construction, & Maint.	Production, Trans., & Material Moving
Total civilian employed population (16 years and over)	19,512	42.9%	15.9%	24.9%	8.4%	7.9%
Educational services, and health care and social assistance	3,439	67.8%	20.9%	7.9%	0.1%	3.3%
Manufacturing	2,952	54.6%	2.8%	13.1%	6.0%	23.5%
Professional, scientific, and management, and administrative and waste management services	2,724	68.9%	17.7%	13.0%	0.3%	0.0%
Retail trade	2,315	12.5%	2.2%	75.2%	3.7%	6.4%
Construction	1,442	19.8%	0.0%	7.4%	69.9%	2.9%
Arts, entertainment, and recreation, and accommodation and food services	1,394	11.8%	65.1%	22.1%	0.4%	0.5%
Other services, except public administration	1,372	43.0%	37.3%	9.2%	8.1%	2.4%
Finance and insurance, and real estate and rental and leasing	1,232	35.0%	5.0%	57.0%	2.5%	0.5%
Transportation and warehousing, and utilities	703	28.4%	0.0%	21.6%	13.4%	36.6%
Public administration	689	22.8%	38.2%	34.8%	0.0%	4.2%
Wholesale trade	592	23.8%	2.0%	40.4%	2.0%	31.8%
Information	524	50.6%	1.9%	38.0%	9.5%	0.0%
Agriculture, forestry, fishing and hunting, and mining	134	25.4%	0.0%	19.4%	37.3%	17.9%

Source: U.S. Census American Community Survey 5-year Estimate, Table S2403

Note: Percentages rounded by Census in table C24050 -Industry by Occupation for The Civilian Employed Population 16 Years and Over.

TABLE 16 EMPLOYMENT BY INDUSTRY

Employment by Industry (2015)						
Industry	Morgan Hill		Santa Clara County		Share of County	LQ ¹ (County)
	Total Jobs	% of Total	Total Jobs	% of Total		
Civilian employed population 16 years and over	19,512	N/A	915,619	N/A	2.1%	N/A
Educational services, and health care and social assistance	3,439	17.6%	169,496	18.5%	2.0%	0.95
Manufacturing	2,952	15.1%	169,787	18.5%	1.7%	0.82
Professional, scientific, and management, and administrative and waste management services	2,724	14.0%	173,964	19.0%	1.6%	0.73
Retail trade	2,315	11.9%	86,926	9.5%	2.7%	1.25
Construction	1,442	7.4%	47,111	5.2%	3.1%	1.44
Arts, entertainment, and recreation, and accommodation and food services	1,394	7.1%	72,686	7.9%	1.9%	0.90
Other services, except public administration	1,372	7.0%	38,809	4.2%	3.5%	1.66
Finance and insurance, and real estate and rental and leasing	1,232	6.3%	43,837	4.8%	2.8%	1.32
Transportation and warehousing, and utilities	703	3.6%	25,364	2.8%	2.8%	1.30
Public administration	689	3.5%	22,220	2.4%	3.1%	1.46
Wholesale trade	592	3.0%	20,172	2.2%	2.9%	1.38
Information	524	2.7%	39,872	4.4%	1.3%	0.62
Agriculture, forestry, fishing and hunting, and mining	134	0.7%	5,375	0.6%	2.5%	1.17

Source: U.S. Census American Community Survey 5-year Estimate, Table DP-03

Note:

1. LQ = 1.0 identifies average industry concentration; LQ > 2.0 identifies a strong industry cluster; LQ < 0.5 identifies a weak industry cluster.



TABLE 17 EMPLOYMENT BY LAND USE AND INDUSTRY CLUSTER

Employment by Land Use & Industry Cluster (2010-2015)			
	2010	2015	% Change (2010- 2015)
Office/R&D/Industrial			
Miscellaneous Manufacturing	671	1,271	89%
Building/Construction/Real Estate	662	961	45%
Semiconductors	597	915	53%
Transportation/Distribution	1,174	878	-25%
Business Services	924	836	-10%
Innovation Services	663	693	5%
Industrial Supplies and Services	429	596	39%
Bioscience	458	555	21%
Corporate Offices	545	542	-1%
Electronic Component Manufacturing	421	482	14%
Financial Services	374	340	-9%
Software	143	106	-26%
Computer and Communications Hardware Manufacturing	10	64	540%
Retail			
Retail/Consumer Services	3,705	4,578	24%
Visitor			
Visitor (Tourism)	203	163	-20%
Other			
Civic (Government and Education)	2,212	1,977	-11%
Healthcare	589	649	10%
Other	479	117	-76%
Total Jobs	14,260	15,723	10%

Sources: City of Morgan Hill Economic Blueprint, Figure 6 (CAA EDD, Quarterly Census of Employment Wages; City of Morgan Hill; Joint Venture Silicon Valley Industry Cluster Definitions)

TABLE 18 EMPLOYMENT BY OCCUPATION

Employment by Occupation (2015)						
Occupation	Morgan Hill		Santa Clara County		Share of County	LQ (County)
	Total Jobs	% of Total	Total Jobs	% of Total		
Civilian employed population 16 years and over	19,512	N/A	915,619	N/A	2.1%	N/A
Management, business, science, and arts	8,380	43.0%	462,714	50.5%	1.8%	0.85
Sales and office	4,854	24.9%	179,238	19.6%	2.7%	1.27
Service	3,099	15.9%	139,416	15.2%	2.2%	1.04
Natural resources, construction, and maintenance	1,636	8.4%	59,477	6.5%	2.8%	1.29
Production, transportation, and material moving	1,543	7.9%	74,774	8.2%	2.1%	0.97

Source: U.S. Census American Community Survey 5-year Estimate, Table DP-03

TABLE 19 INCOME BY OCCUPATION

Median Income by Occupation (2015)			
Occupation	Morgan Hill	Santa Clara County	California
Management, business, science, and arts	\$80,180	\$90,616	\$62,541
Management, business, and financial	\$91,769	\$95,667	\$67,480
Computer, engineering, and science	\$107,232	\$106,685	\$82,288
Health diagnosing and treating practitioners and other technical occupations	\$86,875	\$96,563	\$67,327
Education, legal, community service, arts, and media	\$50,886	\$48,979	\$45,041
Service	\$21,092	\$20,418	\$18,708
Healthcare support	\$25,771	\$30,874	\$24,740
Protective service	\$80,493	\$35,951	\$51,429
Food preparation and serving	\$15,660	\$16,815	\$15,724
Building and grounds cleaning and maintenance	\$27,346	\$21,928	\$19,061
Personal care and service	\$13,581	\$15,674	\$15,070
Sales and office	\$37,267	\$35,037	\$30,125
Sales	\$36,837	\$33,068	\$26,947
Office and administrative support	\$40,096	\$35,691	\$31,110
Natural resources, construction, and maintenance	\$56,123	\$35,954	\$30,259
Farming, fishing, and forestry	\$22,049	\$20,844	\$16,730
Construction and extraction	\$51,382	\$32,488	\$31,645
Installation, maintenance, and repair	\$67,143	\$45,142	\$39,652
Production, transportation, and material moving	\$31,175	\$31,376	\$26,832
Production	\$36,768	\$33,794	\$27,501
Transportation	\$31,832	\$34,082	\$33,111
Material moving	\$13,158	\$21,682	\$20,357
Calculated Mean	\$45,167	\$42,680	\$35,693

Source: U.S. Census American Community Survey 5-year Estimate, Table S2411

TABLE 20 INDUSTRY TRENDS

Industry Trends (2010-2015)						
Industry	City of Morgan Hill			Santa Clara County		
	2010	2015	% Change 2010-2015	2010	2015	% Change 2010-2015
Civilian employed population 16 years and over	17,506	19,512	11.5%	843,854	915,619	8.5%
Transportation and warehousing, and utilities	375	703	87.5%	22,914	25,364	10.7%
Retail trade	1,254	2,315	84.6%	80,847	86,926	7.5%
Other services, except public administration	1,061	1,372	29.3%	35,725	38,809	8.6%
Professional, scientific, and management, and administrative and waste management services	2,231	2,724	22.1%	149,441	173,964	16.4%
Finance and insurance, and real estate and retail and leasing	1,058	1,232	16.5%	45,318	43,837	-3.3%
Information	450	524	16.4%	34,058	39,872	17.1%
Construction	1,286	1,442	12.1%	48,391	47,111	-2.7%
Arts, entertainment, and recreation, and accommodations, and food services	1,313	1,394	6.2%	59,604	72,686	22.0%
Wholesale trade	587	592	0.9%	21,396	20,172	-5.7%
Manufacturing	3,071	2,952	-3.9%	166,851	169,787	1.8%
Educational services, and health care and social assistance	3,592	3,439	-4.3%	152,679	169,496	11.0%
Public administration	902	689	-23.6%	22,150	22,220	0.3%
Agriculture, forestry, fishing and hunting, and mining	326	134	-58.9%	4,480	5,375	20.0%

Source: U.S. Census American Community Survey 5-year Estimate, Table S2403

Note: Census data for industry trends unavailable for the year 2000. Earliest information available is for 2007.

TABLE 21 MORGAN HILL OCCUPATIONAL TRENDS

City of Morgan Hill Occupational Trends (2000-2015)				
Occupation	2000	2010	2015	% Change 2000-2015
Service	1,799	2,975	3,099	72.3%
Production, transportation, and material moving	1,290	1,192	1,543	19.1%
Sales and office	4,129	4,279	4,854	17.6%
Management, business, science, and arts	7,245	7,560	8,380	15.7%
Natural resources, construction, and maintenance	1,601	1,500	1,636	2.2%

Source: U.S. Decennial Census, Summary File 3, Table QT-P27; American Community Survey 5-year Estimate, Table S2411

TABLE 22 MORGAN HILL MAJOR EMPLOYERS

Morgan Hill Major Employers (Feb. 2017)	
Major Employers	Jobs
Morgan Hill Unified School District	730
Anritsu Company	477
Specialized Bicycle Components	400
Paramit Corporation	320
Lusamerica Foods	270
NxEdge	265
Safeway Inc.	257
Mission Bell Mfg., Inc.	226
Del Monaco Specialty Foods, Inc.	165
Wal-Mart Supercenter	158
Young's Market Company	146
TenCate Advanced Composites USA	142
The Home Depot	138
Covenant Care MH: Pacific Hills Manor	135
Velodyne	133
The Ford Store	130
Target Store	123
Shoe Palace Corporation	122
Gryphon Financial Group	114
Andpak	114
Sakata Seed America	105
Infineon Technologies	84
Lin Engineering	83
Exelis Inc.	82
Nob Hill Foods	75
Johnson Lumber Co.	73
Airtronics Metal Products	71
In-N-Out Burger	68
Pinnacle Manufacturing Corp	66
Hillview Convalescent	65

Source: City of Morgan Hill, <https://www.morgan-hill.ca.gov/1317/Largest-Employers>

TABLE 23 CONSUMER EXPENDITURES

Consumer Expenditures - San Francisco MSA							
Item	1999-2000		2009-2010		2014-2015		Percent Change 1990-2015
People	2.5		2.5		2.6		4.0%
Children under 18	0.6		0.6		0.6		N/A
Adults 65 and older	0.3		0.2		0.3		N/A
Earners	1.4		1.4		1.4		N/A
Vehicles	1.8		1.8		1.8		N/A
Income before taxes	\$64,818	N/A	\$90,270	N/A	\$101,998	N/A	57.3%
Food	\$7,442	11.5%	\$7,920	8.8%	\$8,612	8.4%	15.7%
Food at home	\$4,355	6.7%	\$4,214	4.7%	\$4,114	4.0%	-5.5%
Food away from home	\$3,086	4.8%	\$3,706	4.1%	\$4,498	4.4%	45.8%
Alcoholic beverages	\$781	1.2%	\$676	0.8%	\$1,005	1.0%	28.7%
Housing	\$19,682	30.4%	\$26,268	29.1%	\$26,483	26.0%	34.6%
Shelter	\$12,963	20.0%	\$19,190	21.3%	\$18,724	18.4%	44.4%
Owned dwellings	\$8,266	12.8%	\$11,194	12.4%	\$8,947	8.8%	8.2%
Rented dwellings	\$3,963	6.1%	\$6,573	7.3%	\$8,743	8.6%	120.6%
Other lodging	\$734	1.1%	\$1,423	1.6%	\$1,034	1.0%	40.9%
Utilities, fuels, and public services	\$2,226	3.4%	\$3,207	3.6%	\$3,493	3.4%	56.9%
Household operations	\$1,477	2.3%	\$1,498	1.7%	\$2,171	2.1%	47.0%
Housekeeping supplies	\$595	0.9%	\$611	0.7%	\$581	0.6%	-2.4%
Household furnishings and equipment	\$2,421	3.7%	\$1,762	2.0%	\$1,514	1.5%	-37.5%
Apparel and services	\$3,137	4.8%	\$2,230	2.5%	\$2,366	2.3%	-24.6%
Transportation	\$9,726	15.0%	\$8,509	9.4%	\$9,911	9.7%	1.9%
Vehicle purchases (net outlay)	\$4,409	6.8%	\$2,457	2.7%	\$2,677	2.6%	-39.9%
Gasoline and motor oil	\$1,424	2.2%	\$1,931	2.1%	\$2,219	2.2%	55.8%
Other vehicle expenses	\$2,992	4.6%	\$3,058	3.4%	\$3,411	3.3%	14.0%
Public and other transportation	\$900	1.4%	\$1,062	1.2%	\$1,603	1.6%	78.1%
Healthcare	\$2,030	3.1%	\$3,461	3.8%	\$4,685	4.6%	130.8%
Entertainment	\$2,290	3.5%	\$3,116	3.5%	\$3,318	3.3%	44.9%
Personal care products and services	\$692	1.1%	\$782	0.9%	\$845	0.8%	22.1%
Reading	\$230	0.4%	\$158	0.2%	\$147	0.1%	-36.1%
Education	\$967	1.5%	\$1,754	1.9%	\$1,806	1.7%	86.8%

Tobacco products and smoking supplies	\$222	0.3%	\$153	0.1%	\$133	0.1%	-40.1%
Miscellaneous	\$1,023	1.6%	\$1,077	1.2%	\$780	0.8%	-23.8%
Cash contributions	\$904	1.4%	\$2,020	2.2%	\$2,262	2.2%	150.2%
Personal insurance and pensions	\$5,915	9.1%	\$9,237	10.2%	\$9,079	8.9%	53.5%

Source: Bureau of Labor Statistics, Expenditures by Western Metropolitan Statistical Areas

DRAFT

MARKET DATA

RETAIL

TABLE 24 MORGAN HILL RETAIL VACANCY (2008-2017)

Morgan Hill Retail Vacancy (2008-2017)				
	2008	2012	2017	% Change
Vacant Square Footage	120,977	235,279	111,155	-8.1%

Source: Concord Group (CoStar, REIS)

TABLE 25 MORGAN HILL RETAIL INVENTORY (2008-2017)

Morgan Hill Retail Inventory (2008-2017)		
Year	Number of Buildings	Total Square Footage
2008	232	2,296,752
2009	233	2,325,114
2010	233	2,329,188
2011	233	2,334,333
2012	233	2,340,907
2013	232	2,332,657
2014	232	2,329,907
2015	230	2,319,717
2016	228	2,310,268
2017	226	2,292,597
% Change	-2.7%	-0.2%

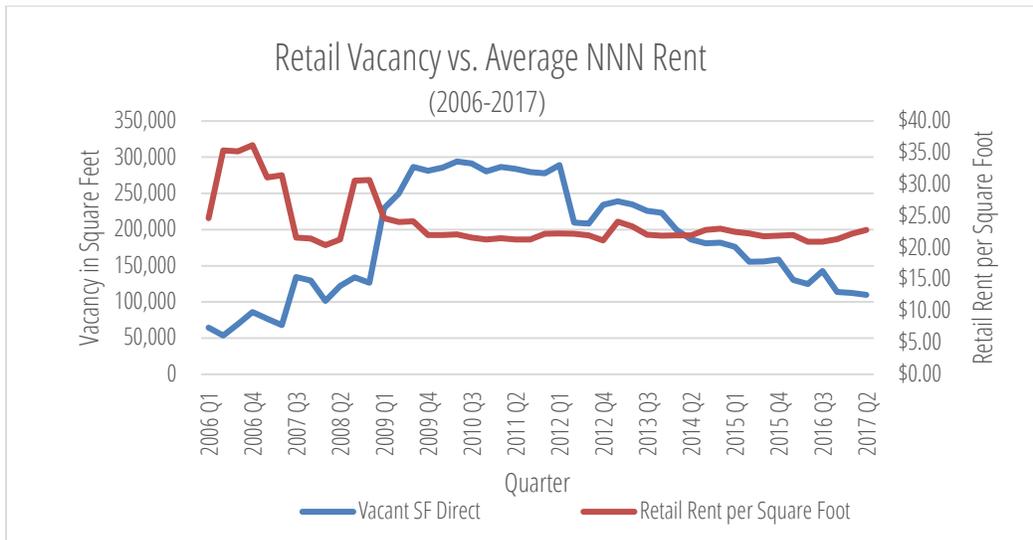
Source: The Concord Group (CoStar, REIS)

TABLE 26 MORGAN HILL NNN RETAIL RENT (2008-2017)

Morgan Hill NNN Retail Rent (2008-2017)				
	2008	2012	2017	% Change
Rent/SF/year	\$20.40	\$22.24	\$22.80	11.8%
Rent/SF/month	\$1.70	\$1.85	\$1.90	

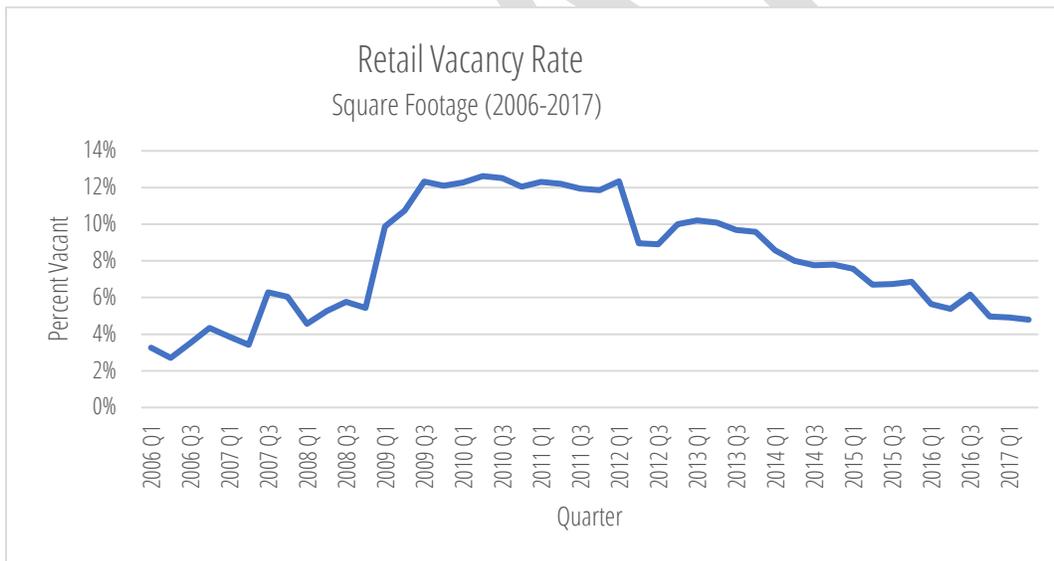
Source: The Concord Group (CoStar, REIS)

FIGURE 2 RETAIL VACANCY AND NNN RENT PER SQUARE FOOT



Source: The Concord Group (CoStar, REIS)

FIGURE 3 RETAIL VACANCY PERCENT OF TOTAL SF



Source: The Concord Group (CoStar, REIS)

TABLE 27 SALES TAX PER CAPITA

Sales Tax per Capita (2012 - 2016)						
	2012	2013	2014	2015	2016	% Change 2012-2016
Sales Tax Revenue	\$6,617,777	\$7,055,468	\$7,102,245	\$7,359,251	\$7,694,571	16.3%
Population	39,426	40,463	41,517	42,331	43,484	10.3%
Sales Tax per Capita	\$167.85	\$174.37	\$171.07	\$173.85	\$176.95	5.4%

Source: MuniServices and Claritas, California Department of Finance

TABLE 28 SALES TAX PER RETAIL SQUARE FOOT

Sales Tax per Retail Square Foot (2012 - 2016)						
	2012	2013	2014	2015	2016	% Change 2012-2016
Sales Tax Revenue	\$6,617,777	\$7,055,468	\$7,102,245	\$7,359,251	\$7,694,571	16.3%
Retail Sq. Ft.	2,340,907	2,332,657	2,329,907	2,319,717	2,310,268	-1.3%
Sales Tax per Retail Sq. Ft.	\$2.83	\$3.02	\$3.05	\$3.17	\$3.33	17.8%

Source: MuniServices and Claritas, The Concord Group (CoStar, REIS)

TABLE 29 SALES TAX CITYWIDE AND STUDY AREA

Sales Tax Citywide and Study Area (2012 - 2016)						
Sales Tax Revenue	2012	2013	2014	2015	2016	% Change 2012-2016
Citywide	\$6,617,777	\$7,055,468	\$7,102,245	\$7,359,251	\$7,694,571	16.3%
Study Area	\$592,926	\$627,312	\$739,104	\$744,858	\$693,837	17.0%
Study Area % of Citywide Tax Revenue	8.96%	8.89%	10.41%	10.12%	9.02%	0.6%

Source: MuniServices and Claritas, The Concord Group (CoStar, REIS)

TABLE 30 SALES TAX LEAKAGE

Sales Tax Leakage (2012 - 2016)						
Economic Category	2012	2013	2014	2015	2016	% Change 2012-2016
General Retail	(\$550,043)	(\$511,177)	(\$622,992)	(\$617,792)	(\$596,346)	8.4%
Food Products	(\$172,100)	(\$153,959)	(\$240,294)	(\$243,326)	(\$212,488)	23.5%
Transportation	\$1,234,060	\$1,416,912	\$1,381,968	\$1,469,408	\$1,419,536	15.0%
Construction	(\$65,472)	(\$39,858)	(\$84,133)	(\$73,020)	(\$25,973)	(60.3%)
Business to Business	(\$44,752)	(\$178,203)	(\$400,933)	(\$456,249)	(\$301,318)	573.3%
Miscellaneous	(\$42,441)	(\$44,303)	(\$55,256)	(\$53,073)	(\$54,413)	28.2%
TOTAL	\$359,252	\$489,412	(\$21,640)	\$25,948	\$228,998	(36.3%)

Source: MuniServices and Claritas

OFFICE

TABLE 31 MORGAN HILL OFFICE VACANCY (2013-2017)

Gross Office Vacancy (2013-2017)						
	2013	2014	2015	2016	2017	% Change
Vacant Square Footage	185,842	163,047	86,369	48,725	33,537	-82.0%

Source: Colliers International

TABLE 32 MORGAN HILL OFFICE ASKING RENTS (2013-2017)

Morgan Hill Office Asking Rent (2013-2017)						
	2013	2014	2015	2016	2017	% Change
Rent/SF/month	\$1.66	\$1.75	\$1.97	\$2.09	\$2.05	23.5%

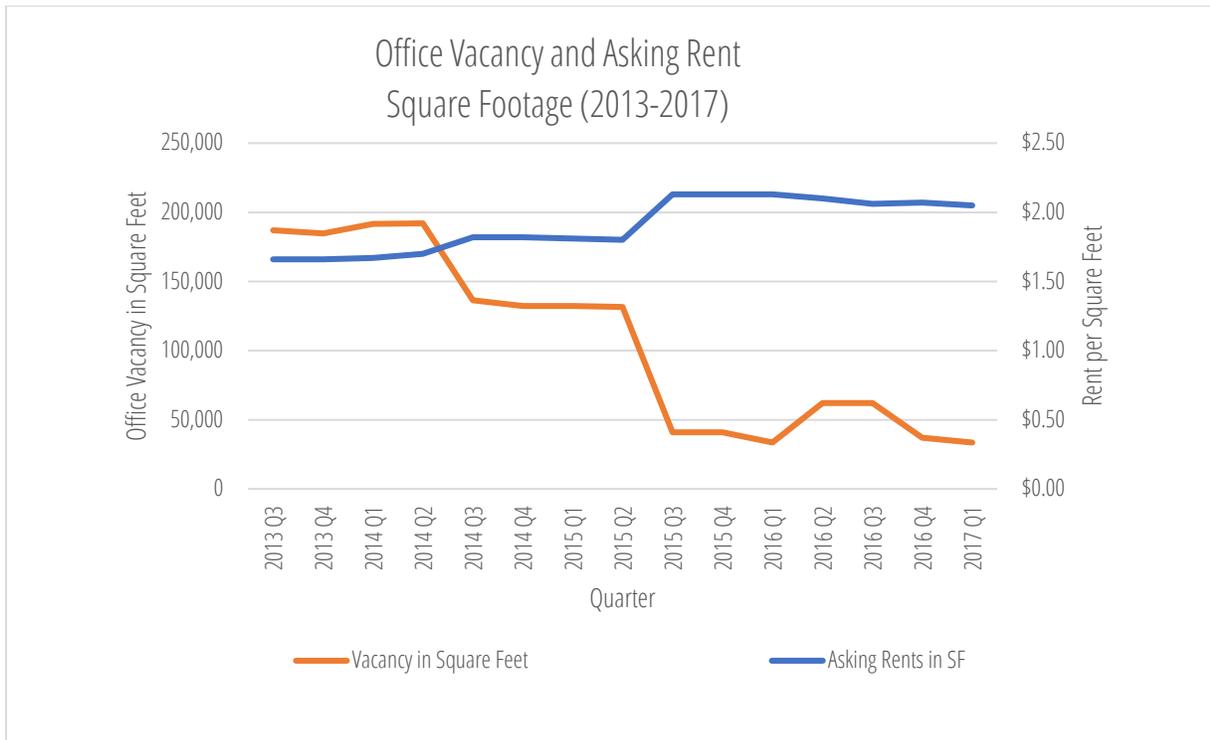
Source: Colliers International

TABLE 33 MORGAN HILL OFFICE INVENTORY (2013-2017)

Gross Office Inventory (2013-2017)						
	2013	2014	2015	2016	2017	% Change
Total Square Footage	686,249	752,452	683,136	636,545	757,379	10.4%

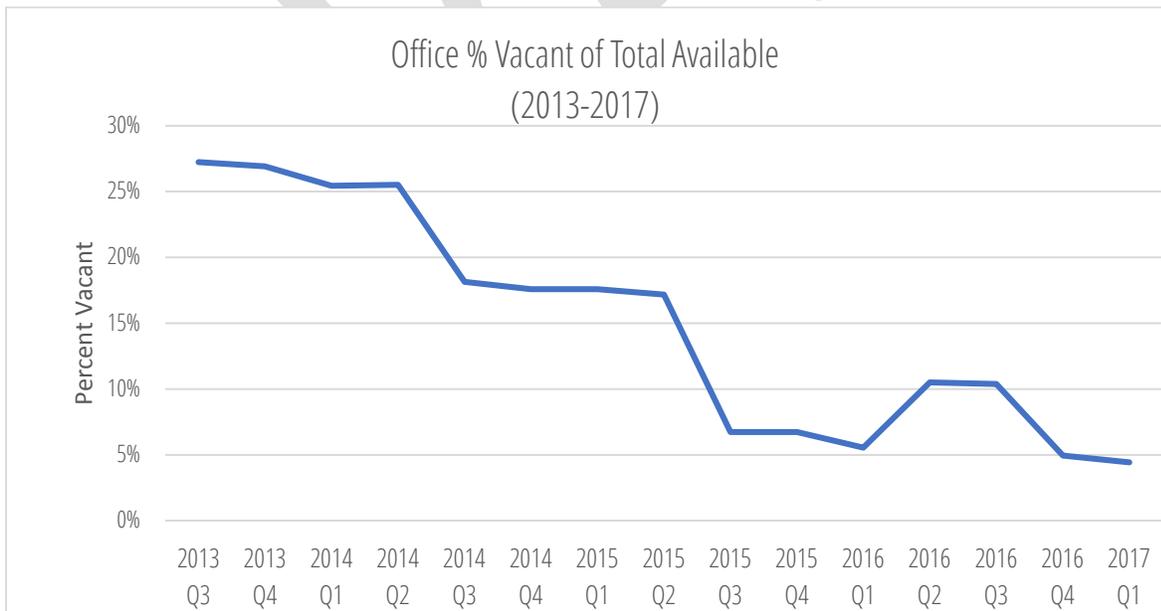
Source: Colliers International

FIGURE 4 OFFICE VACANCIES AND ASKING RENT



Source: Colliers International

FIGURE 5 OFFICE VACANCY PERCENT OF TOTAL SF



Source: Colliers International

RESIDENTIAL

TABLE 35 MEDIAN HOME SALES PRICE CHANGE

Median Single-Family Home Sales Price Change (2011-2017)								
2011	2012	2013	2014	2015	2016	2017 (Jan - Apr)	Difference (2011 - 2017)	% Change (2011 - 2017)
City of Morgan Hill								
\$534,308	\$546,025	\$646,767	\$705,700	\$759,208	\$812,050	\$840,875	\$306,567	57.4%
Santa Clara County								
\$575,358	\$605,242	\$715,917	\$794,217	\$898,775	\$972,958	\$1,004,000	\$428,642	74.5%
State of California								
\$314,650	\$315,450	\$369,108	\$412,975	\$439,367	\$470,575	\$493,200	\$178,550	56.8%

Source: Zillow; Median Home Value – Zillow Home Value Index; ZHVI Single-Family Homes Time Series and ZHVI Condo/Co-op Time Series (\$). Median home sale prices are estimated by Zillow per Zillow Home Value Index Methodology, which involves modelling that results in minimal statistical error between estimated sales prices and actual sales prices.

TABLE 36 MEDIAN HOME RENTAL PRICE CHANGE

Median Home Rental Price Change (2011-2017)								
2011	2012	2013	2014	2015	2016	2017 (Jan - Apr)	Difference (2011 - 2017)	% Change (2011 - 2017)
City of Morgan Hill								
\$2,462	\$2,490	\$2,547	\$2,740	\$3,163	\$3,361	\$3,379	\$917	37.3%
County of Santa Clara								
\$2,434	\$2,511	\$2,636	\$2,917	\$3,342	\$3,512	\$3,474	\$1,040	42.7%
State of California								
\$1,911	\$1,902	\$1,951	\$2,040	\$2,222	\$2,344	\$2,408	\$498	26.0%

Source: Zillow; Median Home Value – Zillow Home Value Index; ZHVI Single-Family Homes Time Series and ZHVI Condo/Co-op Time Series (\$). Median home sale prices are estimated by Zillow per Zillow Home Value Index Methodology, which involves modelling that results in minimal statistical error between estimated sales prices and actual sales prices.

TABLE 37 OCCUPIED HOUSING UNITS BY TENURE

Occupied Housing Units By Tenure (2015)						
	City of Morgan Hill		Santa Clara County		State of California	
	Estimate	%	Estimate	%	Estimate	%
Total	13,460	N/A	N/A	12,717,801	N/A	N/A
Owner Occupied	9,544	70.9%	56.8%	6,909,176	54.3%	56.8%
Renter Occupied	3,916	29.1%	43.2%	5,808,625	45.7%	43.2%

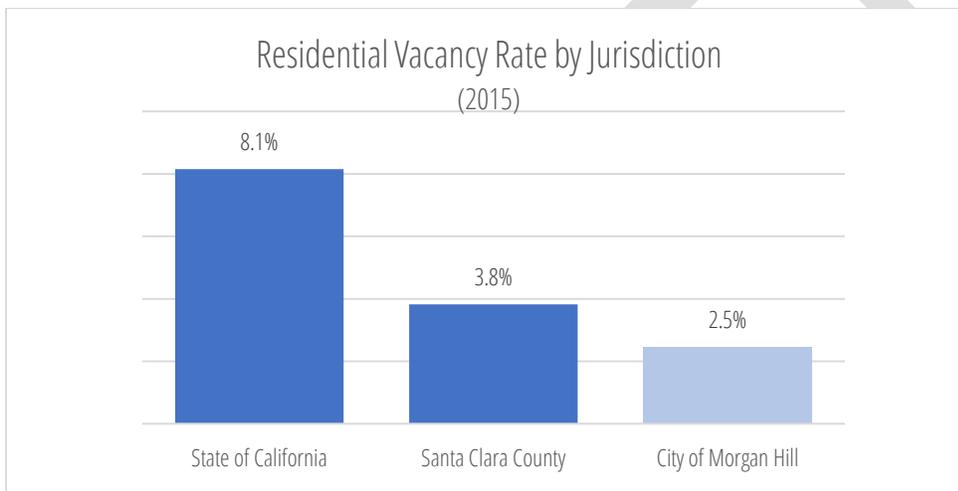
Source: U.S. Census American Community Survey 5-Year Estimate, Table DP04

TABLE 38 RESIDENTIAL VACANCY RATE BY JURISDICTION (2015)

Residential Vacancy Rate (2015)			
	City of Morgan Hill	Santa Clara County	State of California
Occupied	13,460	621,463	12,717,801
Vacant	339	24,727	1,127,989
Total	13,799	646,190	13,845,790
Percent Vacant	2.5%	3.8%	8.2%

Source: U.S. Census American Community Survey 5-Year Estimate, Table DP04

FIGURE 6 RESIDENTIAL VACANCY RATE BY JURISDICTION (2015)



Source: U.S. Census American Community Survey 5-Year Estimate, Table DP04

TABLE 39 VACANT HOUSING UNITS

Vacant Housing Units (2015)						
	City of Morgan Hill		Santa Clara County		State of California	
	Estimate	%	Estimate	%	Estimate	%
Total:	339	N/A	24,727	N/A	1,127,989	N/A
For rent	43	12.7%	7,549	30.5%	248,662	22.0%
Rented, not occupied	0	0.0%	2,460	10.0%	56,694	5.0%
For sale only	143	42.2%	2,382	9.6%	100,608	8.9%
Sold, not occupied	0	0.0%	1,496	6.1%	51,716	4.6%
For seasonal, recreational, or occasional use	84	24.8%	3,460	14.0%	367,882	32.6%
For migrant workers	0	0.0%	0	0.0%	2,934	0.3%
Other vacant	69	20.4%	7,380	29.9%	299,493	26.6%

Source: U.S. Census American Community Survey 5-Year Estimate, Table B25004

TABLE 40 MORGAN HILL HOUSING STOCK BY TYPE OF UNIT

Morgan Hill Housing Stock by Unit Type (2000-2015)						
Type of Unit	2010	%	2013	%	2015	%
1 unit, detached	7,874	61.5%	8,067	61.4%	8,684	62.9%
1 unit, attached	1,866	14.6%	1,873	14.3%	1,797	13.0%
2 to 4 units	794	6.2%	1,148	8.7%	1,167	8.5%
5+ units	1,039	8.1%	1,104	8.4%	1,272	9.2%
Mobile homes, RV, Van, Etc.	1,222	9.6%	941	7.2%	879	6.4%
Total	12,795	100.0%	13,133	100.0%	13,799	100.0%

Source: U.S. Census American Community Survey 5-Year Estimate, Table DP04

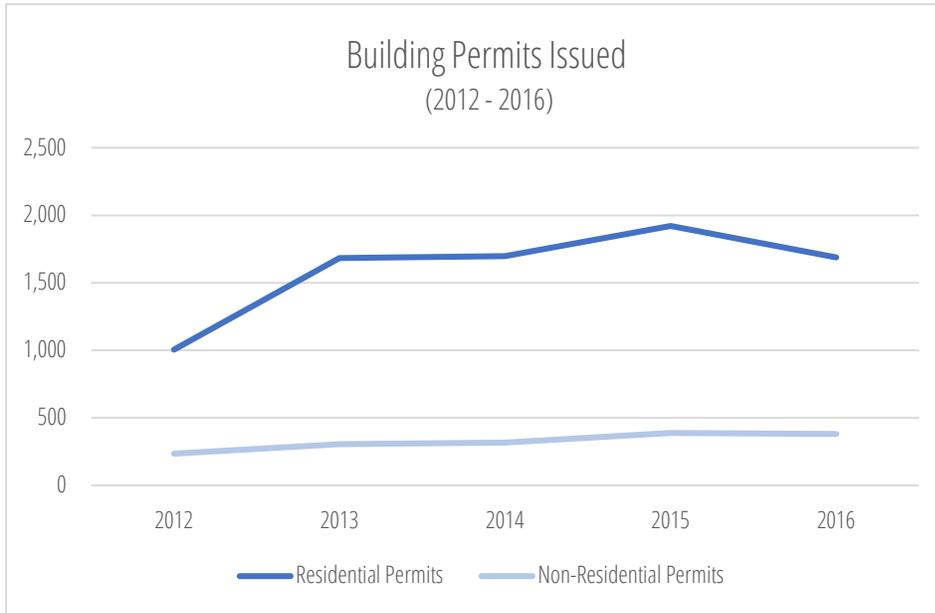
TABLE 41 MORGAN HILL HOUSING STOCK BY AGE

City of Morgan Hill Age of Housing Stock by Year Built (2015)		
Year Structure Built	Number of Units	Percent
Built 2014 or later	92	0.7%
Built 2010 to 2013	324	2.4%
Built 2000 to 2009	2,042	14.8%
Built 1990 to 1999	3,031	22.0%
Built 1980 to 1989	3,014	21.8%
Built 1970 to 1979	3,625	26.3%
Built 1960 to 1969	713	5.2%
Built 1950 to 1959	391	2.8%
Built 1940 to 1949	291	2.1%
Built 1939 or earlier	276	2.0%
Total	13,799	100.0%

Source: U.S. Census American Community Survey 5-Year Estimate, Table B25126

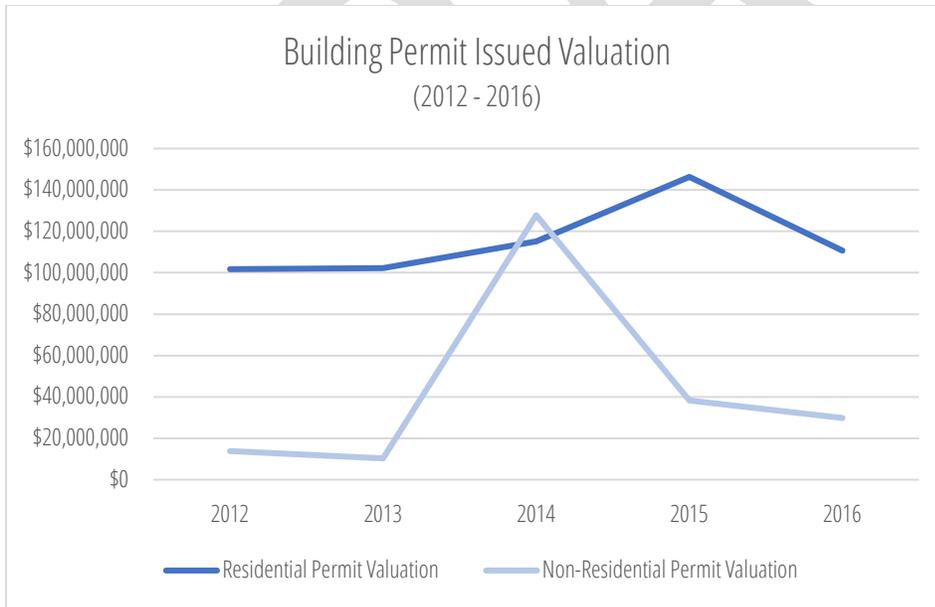
BUILDING PERMITS

FIGURE 7 MORGAN HILL BUILDING PERMITS ISSUED



Source: City of Morgan Hill Permit Summary by Type; LWC

FIGURE 8 MORGAN HILL BUILDING PERMITS ISSUED - VALUATION



Source: City of Morgan Hill Permit Summary by Type; LWC

TABLE 42 MORGAN HILL BUILDING PERMITS ISSUED AND VALUATIONS

Building Permits Issued & Valuation (2012-2016)						
	2012	2013	2014	2015	2016	Percent Change (2012-2016)
Residential Permits	1,005	1,684	1,697	1,921	1,687	67.9%
Residential Permit Valuation	\$101,711,797	\$102,202,155	\$115,089,989	\$146,292,407	\$110,731,679	8.9%
Non-Residential Permits	235	304	316	388	380	61.7%
Non-Residential Permit Valuation	\$13,830,273	\$10,314,167	\$127,788,457	\$38,348,932	\$29,851,433	115.8%

Source: City of Morgan Hill Permit Summary by Type; LWC

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APPENDIX B – STUDY AREA INVENTORY

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Monterey Corridor Market and Land Use Capacity Study
Existing Land Use Map

Northern Corridor - Railroad overcrossing to City limits

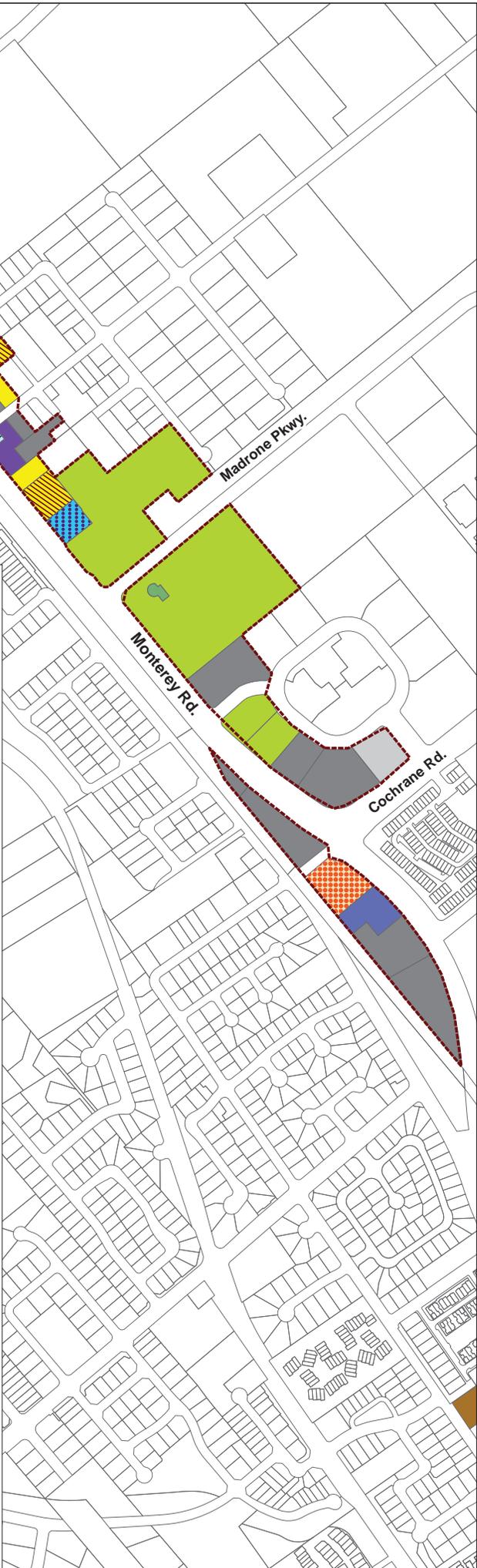
Existing Land Uses

- Residential - Single-Family
- Residential - Multifamily
- Residential - Mobile Home Park
- Motel
- Mixed Use - Horizontal
- Commercial Center Neighborhood
- Commercial Center Regional
- Retail - General Retail
- Retail - Auto Services
- Retail - Personal Service
- Retail - Restaurant/Food Service
- Retail - Unknown (Vacant)
- Office Uses - General Office
- Office - Business Trade School
- Office Uses - Medical/Dental/Veterinary
- Industrial/Manufacturing
- Public Facilities - Middle School
- Religious - Church
- Gas Service Station
- Open Space - Private
- Other/Miscellaneous
- Parking Lot
- Vacant Land
- Street Right-of-Way

Data Source: City of Morgan Hill, 2017; LWC, 2017

0 500 1000 1500 2000 Feet

N



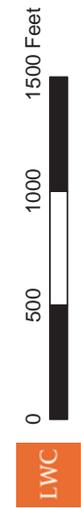
Monterey Corridor Market and Land Use Capacity Study
Existing Land Use Map

Central Corridor - Main Avenue to the railroad overcrossing

Existing Land Uses

-  Residential - Single-Family
-  Residential - Multifamily
-  Residential - Mobile Home Park
-  Motel
-  Mixed Use - Horizontal
-  Commercial Center Neighborhood
-  Commercial Center Regional
-  Retail - General Retail
-  Retail - Auto Services
-  Retail - Personal Service
-  Retail - Restaurant/Food Service
-  Retail - Unknown (Vacant)
-  Office Uses - General Office
-  Office - Business Trade School
-  Office Uses - Medical/Dental/Veterinary
-  Industrial/Manufacturing
-  Public Facilities - Middle School
-  Religious - Church
-  Gas Service Station
-  Open Space - Private
-  Other/Miscellaneous
-  Parking Lot
-  Vacant Land
-  Street Right-of-Way
-  DTSP Boundary

Data Source: City of Morgan Hill, 2017; LWC, 2017



**Monterey Corridor Market and Land Use Capacity Study
Existing Land Use Map**

 Southern Corridor - Dunne Avenue to Butterfield Boulevard

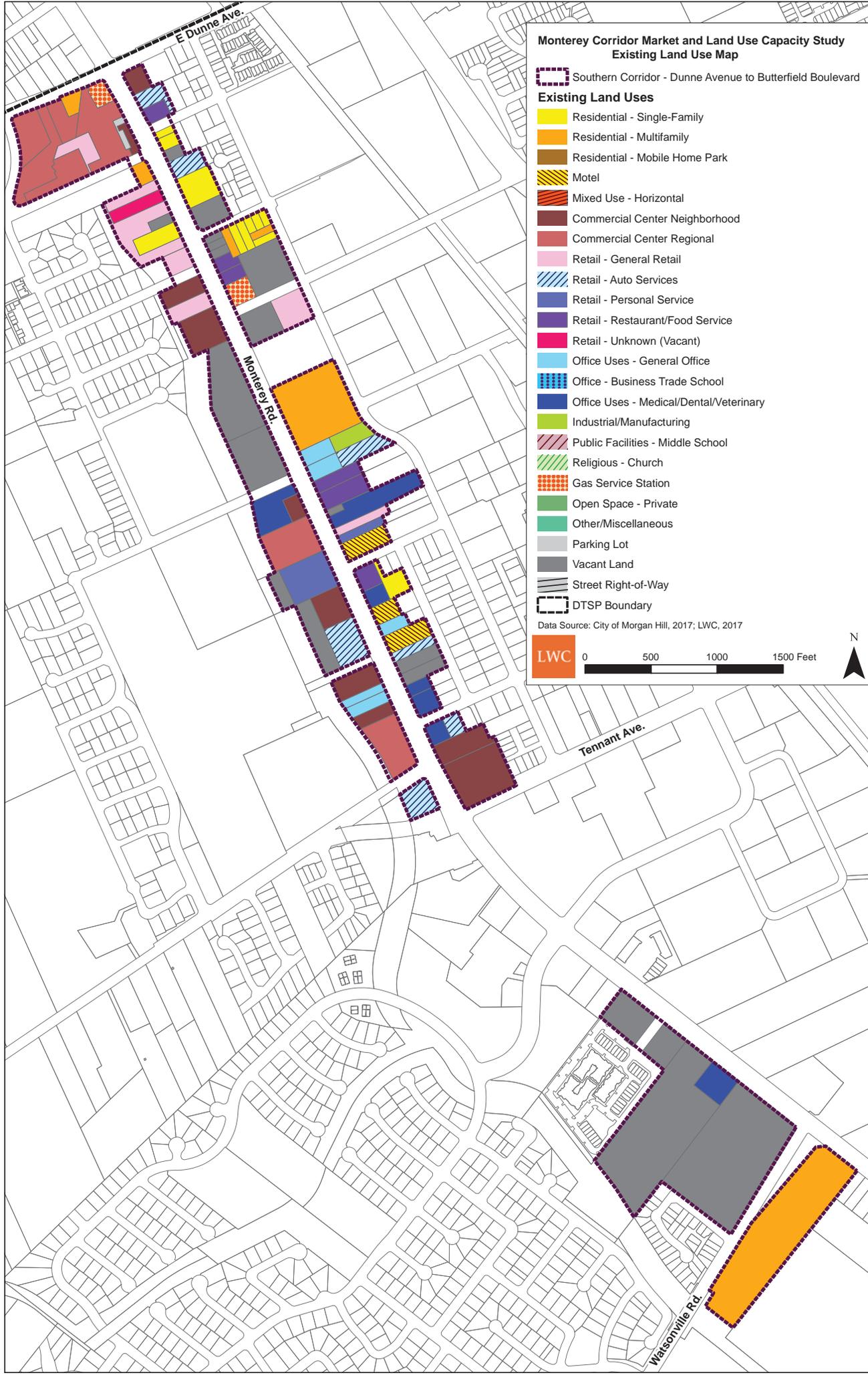
Existing Land Uses

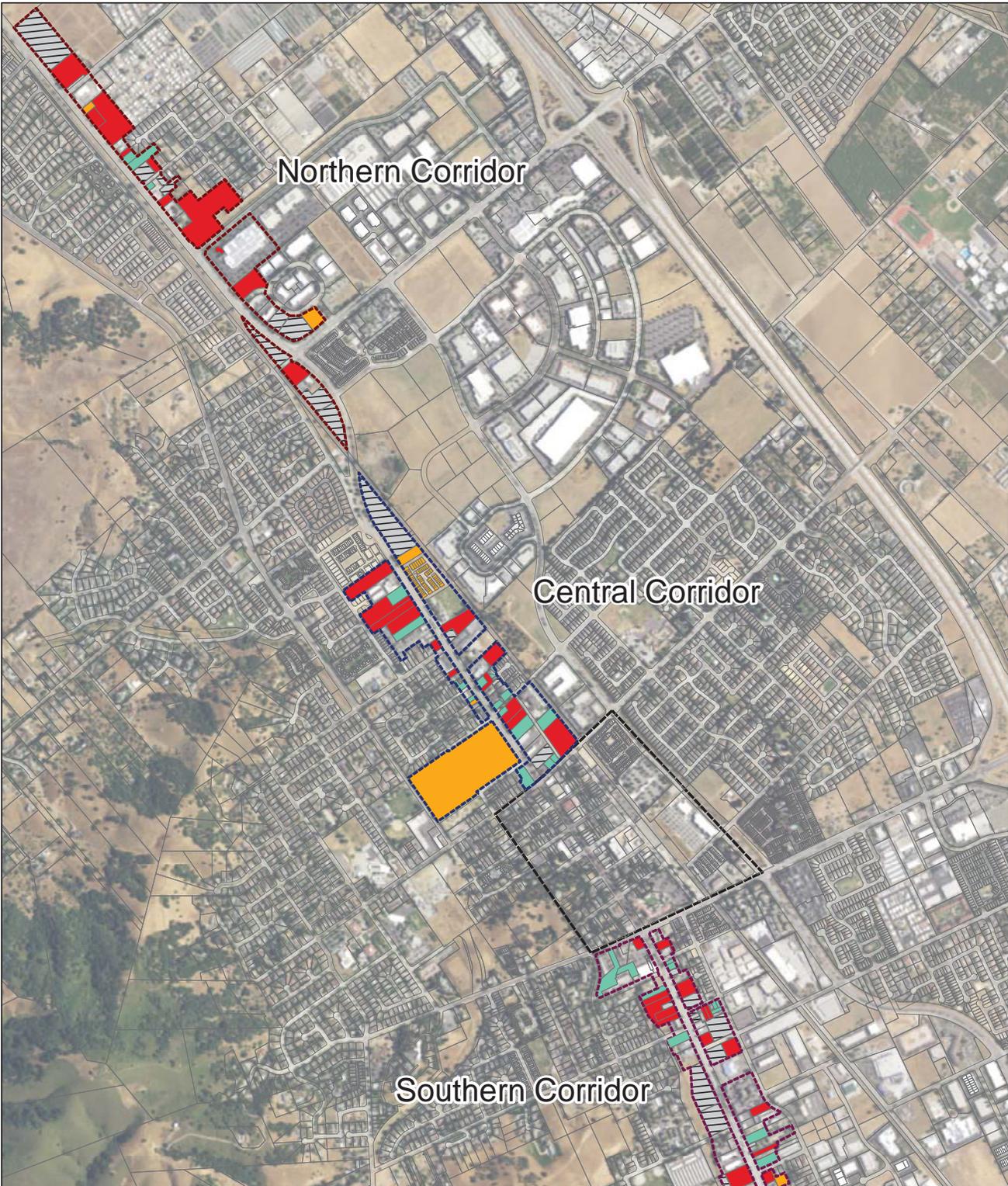
-  Residential - Single-Family
-  Residential - Multifamily
-  Residential - Mobile Home Park
-  Motel
-  Mixed Use - Horizontal
-  Commercial Center Neighborhood
-  Commercial Center Regional
-  Retail - General Retail
-  Retail - Auto Services
-  Retail - Personal Service
-  Retail - Restaurant/Food Service
-  Retail - Unknown (Vacant)
-  Office Uses - General Office
-  Office - Business Trade School
-  Office Uses - Medical/Dental/Veterinary
-  Industrial/Manufacturing
-  Public Facilities - Middle School
-  Religious - Church
-  Gas Service Station
-  Open Space - Private
-  Other/Miscellaneous
-  Parking Lot
-  Vacant Land
-  Street Right-of-Way
-  DTSP Boundary

Data Source: City of Morgan Hill, 2017; LWC, 2017



0 500 1000 1500 Feet





Northern Corridor

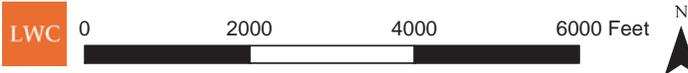
Central Corridor

Southern Corridor

**Monterey Corridor Market and Land Use Capacity Study
Underutilized Parcels Map**

- Northern Corridor - Railroad overcrossing to City limits
- Central Corridor - Main Avenue to the railroad overcrossing
- Southern Corridor - Dunne Avenue to Butterfield Boulevard
- Vacant Parcels
- Low Improvement/Land Value (Imp/Land Value Ratio < 1)
- Using less than 20% of Floor Area Ratio (FAR)
- Underutilization Combined (Low Improvement/Land Value & Using less than 20% of FAR)
- DTSP Boundary

Data Source: City of Morgan Hill, 2017; LWC, 2017



LWC

APPENDIX C – COMMERCIAL CAPACITY ASSESSMENT CALCULATION SHEETS

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City of Morgan Hill
Monterey Corridor Market & Land Use Capacity Study
Prepared by Lisa Wise Consulting, Inc.

**COMMERCIAL CAPACITY ANALYSIS
SUMMARY**

Commercial Capacity Assessment Results (Sq. Ft.)				
Method	Low	High	Average	
1 Capacity Based on Inventory	597,058	1,551,150	1,074,104	
2 Commercial Sq. Ft. per Capita	215,755	215,755	215,755	
3 Commercial Sq. Ft. per Job	434,106	434,106	434,106	
4 Projected Residential Growth	(1,353,142)	927,086	(213,028)	
5 Retail Leakage	(15,895)	(15,895)	(15,895)	
Median	215,755	434,106	215,755	
Average	(24,423)	622,440	299,008	

Notes

1. Where a method produced a single result (i.e., not low and high), that single result is identified in the low, high, and average columns.

City of Morgan Hill
Monterey Corridor Market & Land Use Capacity Study
Prepared by Lisa Wise Consulting, Inc.

COMMERCIAL CAPACITY ANALYSIS

METHOD 1 - COMMERCIAL CAPACITY BASED ON EXISTING LAND USE INVENTORY

Results	1,551,150
Net Maximum FAR Capacity (Sq. Ft.) ¹	597,058
Net Stable FAR Capacity (Sq. Ft.) ¹	

Notes

1. See Net Maximum FAR and Net Stable FAR totals in table below.
Sources: City of Morgan Hill; LWC

Assumptions

Parcels with buildings currently occupying less than 20% of the maximum developable floor area ratio (FAR) will redevelop.

Public institutions uses (e.g., schools, community centers), residential uses, private open space, churches, parcels dedicated to public utilities, and historic structures will not redevelop and are not included.

Entitled projects will develop as entitled.

Maximum FAR capacity is 0.5 FAR for commercial/mixed-use parcels and 0.6 FAR for industrial parcels. FAR reflects current development standards. A retail (non-office commercial) project would typically have a lower FAR, around 0.25, mostly due to increased parking.

Stable FAR is the median FAR for study area parcels that are not vacant (0.19 FAR).

APN	Address	Existing Land Use	Business Name(s)	Parcel Acres	Parcel Sq. Ft.	Building Sq. Ft.	FAR (Building/Total Parcel Sq. Ft.)	Maximum Developable FAR	Utilization - Percentage of Maximum Developable FAR	Under Capacity (V/N Using < 20% of allowed FAR per GP Designation)	Maximum FAR Capacity (Sq. Ft.)	Stable FAR Capacity (Sq. Ft.)	Net Stable FAR (Sq. Ft.)	General Plan Designation	Zoning
72620013	505 MONTEREY CL	Residential		1.18	5,103	0	0.00	0.50	0%	0N Yes	5,103	18,321	18,321	Residential	ML
72620017	480 COCHRANE CL	Residential		2.29	9,846	0	0.00	0.50	0%	0N Yes	9,846	35,668	35,668	Residential	ML
72620018	440 COCHRANE CL	Residential		1.98	8,045	0	0.00	0.50	0%	0N Yes	8,045	29,227	29,227	Residential	ML
72620019	320 COCHRANE CL	Residential		2.11	9,176	0	0.00	0.50	0%	0N Yes	9,176	34,066	34,066	Residential	ML
81702025	SAN PEDRO AV	Vacant Land		1.42	6,185	0	0.00	0.50	0%	0N Yes	30,928	11,752	11,752	Mixed Use Flex (7.24 du/AC)	CL-R
72620025	1625 AV	Residential		0.55	2,395	0	0.00	0.50	0%	0N Yes	11,979	4,351	4,351	Mixed Use Flex (7.24 du/AC)	CL-R
72620026	MONTEREY RD	Vacant Land		5.81	25,395	0	0.00	0.50	0%	0N Yes	126,978	48,231	48,231	Mixed Use Flex (7.24 du/AC)	CL-R, R-1
72620027	MONTEREY RD	Parading Lot		0.01	436	0	0.00	0.50	0%	0N Yes	218	83	83	Mixed Use Flex (7.24 du/AC)	CL-R
72620028	MONTEREY RD	Vacant Land		0.25	1,090	0	0.00	0.50	0%	0N Yes	5,445	2,069	2,069	Commercial	CG
72620029	MONTEREY RD	Vacant Land		0.26	1,100	0	0.00	0.50	0%	0N Yes	5,445	2,069	2,069	Commercial	CG
81701018	MONTEREY RD	Vacant Land		0.26	1,100	0	0.00	0.50	0%	0N Yes	5,445	2,069	2,069	Mixed Use Flex (7.24 du/AC)	CL-R
72620030	MONTEREY RD	Vacant Land		0.26	1,100	0	0.00	0.50	0%	0N Yes	5,445	2,069	2,069	Mixed Use Flex (7.24 du/AC)	CL-R
72620031	MONTEREY RD	Vacant Land		0.26	1,100	0	0.00	0.50	0%	0N Yes	5,445	2,069	2,069	Mixed Use Flex (7.24 du/AC)	CL-R
72620032	MONTEREY RD	Vacant Land		2.03	8,917	0	0.00	0.50	0%	0N Yes	44,214	16,801	16,801	Mixed Use Flex (7.24 du/AC)	CL-R
72620038	96 E MAIN AV	Retail - Auto Services	A Tool Shed Equipment Rentals	2.52	10,971	300	0.03	0.50	6%	0N Yes	54,886	20,856	20,856	Mixed Use Flex (7.24 du/AC)	CL-R
72620039	38 PEBBLES AV	Residential		0.24	1,054	0	0.00	0.50	0%	0N Yes	5,227	1,986	1,986	Mixed Use Flex (7.24 du/AC)	RH
72620040	55 PEBBLES AV	Residential		0.39	1,624	0	0.00	0.50	0%	0N Yes	19,602	7,485	7,485	Mixed Use Flex (7.24 du/AC)	CS
72620041	55 PEBBLES AV	Residential	Center Neighborhood	0.39	1,624	579	0.04	0.50	3%	0N Yes	19,602	7,485	7,485	Mixed Use Flex (7.24 du/AC)	CS
72620042	19420 MONTEREY RD	Retail - Auto Services	MA - Scrapyard	0.31	1,354	625	0.05	0.50	9%	0N Yes	6,127	2,566	2,566	Mixed Use Flex (7.24 du/AC)	CS
72640002	19380 MONTEREY RD	Retail - Auto Services	Family RV	0.74	3,224	360	0.01	0.50	2%	0N Yes	15,757	6,124	6,124	Mixed Use Flex (7.24 du/AC)	CS
72640001	19380 MONTEREY RD	Retail - Auto Services	Family RV	3.93	17,191	6,000	0.04	0.50	7%	0N Yes	79,596	32,526	32,526	Mixed Use Flex (7.24 du/AC)	CS
72640008	18625 MONTEREY RD	Vacant Land		1.25	5,490	0	0.00	0.50	0%	0N Yes	27,225	10,346	10,346	Commercial	CG
72640010	18625 MONTEREY RD	Vacant Land		1.25	5,490	0	0.00	0.50	0%	0N Yes	27,225	10,346	10,346	Commercial	CG
72640011	18625 MONTEREY RD	Vacant Land		1.25	5,490	0	0.00	0.50	0%	0N Yes	27,225	10,346	10,346	Commercial	CG
72640013	18545 MONTEREY RD	Vacant Land		2.22	9,873	0	0.00	0.50	0%	0N Yes	48,352	18,374	18,374	Commercial	PLD
72620006	18110 MONTEREY RD	Vacant Land		6.69	29,116	0	0.00	0.50	0%	0N Yes	145,708	53,939	53,939	Mixed Use Flex (7.24 du/AC)	ML
72640006	17965 MONTEREY RD	Retail - Auto Services	No name	1.34	6,032	1096	0.02	0.50	3%	0N Yes	32,483	12,146	12,146	Mixed Use Flex (7.24 du/AC)	CG
72620002	17920 MONTEREY RD	Retail - Auto Services	Photo Auto Repair	1.55	6,758	3516	0.05	0.50	10%	0N Yes	33,259	12,828	12,828	Mixed Use Flex (7.24 du/AC)	CL-R
72640020	17920 MONTEREY RD	Gas Service Station	Gas Service Station	0.4	1,744	1245	0.07	0.50	5%	0N Yes	8,712	7,467	7,467	Commercial	C-G
72640021	17920 MONTEREY RD	Parading Lot		0.19	8216	0	0.00	0.50	0%	0N Yes	41,358	1,572	1,572	Mixed Use Flex (7.24 du/AC)	CL-R
72620048	17770 MONTEREY RD	Office Uses - General Office	Prospectors Property Management	0.71	3,192	2646	0.08	0.50	17%	0N Yes	15,892	13,924	13,924	Mixed Use Flex (7.24 du/AC)	CL-R with PD
72620059	17755 McLAUGHLIN CT	Vacant Land	1) Binkley A Leach, Accountant 2) Vacant - up for lease	0.15	6334	0	0.00	0.50	0%	0N Yes	3,267	1,241	1,241	Mixed Use Flex (7.24 du/AC)	R-2
72620072	17680 MONTEREY RD	Office Uses - General Office	Farmers Insurance	0.68	2,961	2156	0.07	0.50	15%	0N Yes	14,811	12,655	12,655	Mixed Use Flex (7.24 du/AC)	CL-R
72620073	17680 MONTEREY RD	Office Uses - General Office	Farmers Insurance	0.37	1,611	1,070	0.07	0.50	13%	0N Yes	7,406	3,267	3,267	Mixed Use Flex (7.24 du/AC)	CL-R
72620079	16925 MONTEREY RD	Gas Service Station	Golden Eagle Gas	0.31	1,316	0	0.00	0.50	0%	0N Yes	3,856	3,856	3,856	Mixed Use Flex (7.24 du/AC)	PLD
81701051	16940 MONTEREY RD	Retail - Auto Services	Town & Country Car Wash	0.48	2,099	912	0.04	0.50	9%	0N Yes	10,451	3,973	3,973	Mixed Use Flex (7.24 du/AC)	CL-R
72620002	16835 MONTEREY RD	Retail - Unknown (Vacant)		0.58	2,505	1,534	0.06	0.50	12%	0N Yes	12,683	4,800	4,800	Mixed Use Flex (7.24 du/AC)	C-G
72620003	16825 MONTEREY RD	Retail - General Retail	Sun Shine Bicycles	1.45	6,182	1,960	0.03	0.50	6%	0N Yes	31,381	20,621	20,621	Mixed Use Flex (7.24 du/AC)	C-G
81701002	16720 MONTEREY RD	Gas Service Station		0.48	2,099	822	0.04	0.50	8%	0N Yes	10,455	9,633	9,633	Mixed Use Flex (7.24 du/AC)	CL-R
72620004	16720 MONTEREY RD	Gas Service Station	Sew Best Quilting	0.29	1,241	2,346	0.06	0.50	12%	0N Yes	6,316	4,316	4,316	Mixed Use Flex (7.24 du/AC)	CL-R
72620046	16555 MONTEREY RD	Vacant Land		2.93	12,837	0	0.00	0.50	0%	0N Yes	63,816	24,250	24,250	Mixed Use Flex (7.24 du/AC)	CL-R
81702008	16485 CHURCH ST	Industrial/Manufacturing		0.6	2,619	1,800	0.07	0.50	9%	0N Yes	13,068	11,248	11,248	Commercial	C-5
81702016	16380 MONTEREY RD	Retail - General Retail	Sourcewise	0.09	392.0	680	0.04	0.50	8%	0N Yes	1,960	8,032	3,311	Mixed Use Flex (7.24 du/AC)	CL-R
72620055	16295 MONTEREY RD	Retail - Personal Service	1) MicroActivity 2) California Pre-natal Imaging 3) The Skin & Body Care 4) Hair Care 5) Durac Insurance	1.57	6,889	3,800	0.06	0.50	11%	0N Yes	30,395	12,994	12,994	Mixed Use Flex (7.24 du/AC)	CL-R
81703010	16250 MONTEREY RD	Retail - Restaurant/Food Service	La Costa	0.43	1,871	1,150	0.04	0.50	12%	0N Yes	9,466	8,216	8,216	Mixed Use Flex (7.24 du/AC)	CL-R
72620020	16235 MONTEREY RD	Retail - Auto Services	Wagman Car Wash & Gift Shop	1.13	4,923	2,100	0.06	0.50	9%	0N Yes	24,412	9,352	9,352	Mixed Use Flex (7.24 du/AC)	CL-R
72620035	16165 MONTEREY RD	Office Uses - General Office		0.46	2,038	0	0.00	0.50	0%	0N Yes	10,019	3,807	3,807	Mixed Use Flex (7.24 du/AC)	CL-R
72620059	1110 MONTEREY RD	Industrial/Manufacturing	California Tow & Salvage	7.52	32,751	0	0.00	0.50	0%	0N Yes	163,786	62,238	62,238	Mixed Use Flex (7.24 du/AC)	CL-R, R-1
81703005	16150 MONTEREY RD	Retail - Auto Services	Enterprise Rental Car	0.36	1,582	678	0.04	0.50	9%	0N Yes	7,163	2,980	2,980	Mixed Use Flex (7.24 du/AC)	CL-R, R-2
81726033	16150 MONTEREY RD	Vacant Land		0.68	2,962	0	0.00	0.50	0%	0N Yes	14,811	5,628	5,628	Mixed Use Flex (7.24 du/AC)	PLD
72620011	16150 MONTEREY RD	Vacant Land		0.88	3,883	0	0.00	0.50	0%	0N Yes	15,167	7,283	7,283	Commercial	C-G
72620010	16150 MONTEREY RD	Vacant Land		1.31	5,704	0	0.00	0.50	0%	0N Yes	23,515	9,065	9,065	Commercial	C-G
											1,600,046	1,551,150	597,058		

City of Morgan Hill
 Monterey Corridor Market & Land Use Capacity Study
 Prepared by Lisa Wise Consulting, Inc.
COMMERCIAL CAPACITY ANALYSIS
METHOD 2 - COMMERCIAL SQUARE FOOTAGE PER CAPITA

Results				
Commercial Space Type ¹	Commercial Space (Sq. Ft.) Per Capita (2016)	Projected Population Increase (2016 to 2035)	Projected Commercial Space Growth Citywide (Sq. Ft.)	Projected Commercial Space Growth in the Study Area (Sq. Ft.)
Retail	43	14,716	632,788	160,959
Office	15		215,422	54,796
Total	58		848,210	215,755
Average Total Retail Sq. Ft. Citywide (2016)		2,310,268		
Average Total Office Sq. Ft. Citywide (2016)		636,545		
Total Citywide Commercial Sq. Ft. (2016)		2,946,813		
Total Commercial Sq. Ft. in the Study Area ²		749,565		
Percent of Citywide Commercial Sq. Ft. Located in the Study Area		25.44%		
National average retail Sq. Ft. per capita ³		43		
Morgan Hill Population (2016)		43,484		
Retail Sq. Ft. in Morgan Hill based on national average (2016)		1,869,812		
Total Citywide Commercial Sq. Ft. based on national average (2016)		2,506,357		
Residential Development Control System 2035 Population Cap		58,200		

Notes

1. "Retail" and "office" are defined in the Monterey Corridor Market Analysis (December 2017).
 2. See total Building Sq. Ft. in table below.
 3. The national average is approximately 46 sq. ft. of retail space per capita, with most metropolitan areas having between 40 to 55 sq. ft. per capita.
- Sources: The Concord Group (CoStar, Reis); City of Morgan Hill, Colliers International; California Department of Finance; JLI; LWC

Assumptions

Non-commercial parcels are not considered in the total commercial building square foot calculation (i.e., industrial/manufacturing; open space; street right-of-ways; preschools and middle-schools; public utilities; churches; residential uses).
 The proportion of existing commercial square footage in the Study Area to citywide commercial square footage will remain stable.
 Commercial space per capita will remain stable.
 2035 population will reach the Residential Development Control System cap of 58,200.

APN	Address	Existing Land Use	Business Name(s)	Parcel Sq. Ft.	Building Sq. Ft.
76723009	15585 MONTEREY RD	Office Uses - Medical/Dental/Veterinary	Pamela Stuart MD	39640	7100
76723030	13335 MONTEREY RD	Vacant Land		35372	0
76723016	13335 MONTEREY RD	Vacant Land		0	0
76723018	520 COCHRANE CL	Parking Lot		51401	0
76634017	480 COCHRANE CL	Vacant Land		98446	0
76634016	440 COCHRANE CL	Vacant Land		47045	0
76634013	320 COCHRANE CL	Vacant Land		91476	0
81702025	SAN PEDRO AV	Vacant Land		61855	0
76636007	ROSE AV	Vacant Land		23958	0
72501018	MONTEREY RD	Vacant Land		253955	0
76413020	MONTEREY RD	Parking Lot		436	0
76410006	MONTEREY RD	Vacant Land		10890	0
76624019	MONTEREY RD	Parking Lot		45302	0
81701018	MONTEREY RD	Vacant Land		8712	0
76718046	MONTEREY RD	Vacant Land		47916	0

76718036	16165 MONTEREY RD	Commercial Center Neighborhood	1) MicroArtist 2) California Prenatal Imaging 3) Pure Skin & Body 4) All About Seniors Care 5) Dunne Insurance	18731	10390
76723019	E MAIN AV	Retail - Auto Services		0	0
76717047	COSMO AV	Vacant Land		88427	0
76723018	95 E MAIN AV	Retail - Auto Services	A Tool Shed Equipment Rentals	109771	3000
76273006	35 E MAIN AV	Retail - Restaurant/Food Service	La Nina Peridida	10890	1467
76386010	30 PEBLES AV	Vacant Land		10454	0
7641065	25 PEBLES AV	Vacant Land		39204	0
7501032	19500 MONTEREY RD	Commercial Center Neighborhood		110642	5780
7642010	19490 MONTEREY RD	Other - Construction Yard & Office	Irish Communication Co	80586	18004
7642002	19380 MONTEREY RD	Retail - Auto Services	NA - Scrapyard	13504	625
7642001	19380 MONTEREY RD	Retail - Auto Services	Family RV	32234	360
7641018	19280 MONTEREY RD	Retail - Auto Services	Superior Automotive & Radiator Services	171191	6000
7658009	19190 MONTEREY RD	Motel	Budget Inn Motel	47480	8587
7658008	19190 MONTEREY RD	Retail - Restaurant/Food Service	Ponatin's Community Garage	6970	3088
7658003	19010 MONTEREY RD	Motel	Rancho Motel	17860	6700
7658002	18980 MONTEREY RD	Office - Business Trade School	MMS Behavioral Day Program	36590	5118
7641008	18625 MONTEREY RD	Vacant Land		28314	4060
76410010	18605 MONTEREY RD	Gas Service Station		54450	0
				56192	3600
76410014	18555 MONTEREY RD	Retail - Personal Service	1) Artistry salon 2) Blank salon 3) Starbucks	46174	6740
76410015	18555 MONTEREY RD	Vacant Land		69696	0
76410013	18555 MONTEREY RD	Vacant Land		96703	0
76262006	18110 MONTEREY RD	Vacant Land		291416	0
76412024	18025 MONTEREY RD	Other - Storage	StorageMart	89734	49397
76412023	17985 MONTEREY RD	Retail - Auto Services	Recor's Auto Body	37462	5390
76412006	17980 MONTEREY RD	Retail - Auto Services	No name	67082	1058
76262003	17960 MONTEREY RD	Office - Business Trade School	Wegian Hill Community Adult School	148975	151242
76419007	17945A MONTEREY RD	Retail - Auto Services	1) PA, Modifier & Brake 2) Strong on Bowers & Small Engines 3) Auto Services	44867	7476
76262002	17920 MONTEREY RD	Retail - Auto Services	Pronto Auto Repair	67518	3516
76262001	17910 MONTEREY RD	Vacant Land		14810	1502
76412020	17905 MONTEREY RD	Gas Service Station		17424	1245
76413075	17865 MONTEREY RD	Commercial Center Neighborhood	From Google and Yelp: 1) J & B Signs & Fashions 2) Super El Guiselle 3) La Soledad Bakery 4) Jones Barber Shop 5) Sunlight Landromat 6) La Chesa Taqueria	35719	9550
76413022	17845 MONTEREY RD	Parking Lot		8276	0
76413045	17775 MONTEREY RD	Office Uses - General Office	Real Estate Solutions	5227	1379
76262049	17770 MONTEREY RD	Office Uses - General Office	1) Prospectors Property Management 2) Bradley A Leach, Accountant 3) Vacant - up for lease	31363	2648
76262009	17755 MC LAUGHLIN CT	Office Uses - General Office	1) Vacant - up for lease 2) The Pauchon Research Foundation 3) Healthy Concepts 4) Mouse Mania Cuts 5) Vacant - up for lease 6) Beau J. Jacob Attorney at Law	14810	6765
76413048	17735 MONTEREY RD	Retail - Restaurant/Food Service	Dart Delite Drive-in	6534	0
76262014	17698 MONTEREY RD	Commercial Center Neighborhood	1) Donuts N Things 2) Family Hair Care Farmers Insurance	13068	2450
76262012	17680 MONTEREY RD	Office Uses - General Office	1) Melton Acupuncture	29621	2156
76262011	17660 MONTEREY RD	Mixed Use - Horizontal	2) Body Lab	43996	7604
76262010	17650 MONTEREY RD	Retail - Auto Services	NAPA Auto Parts	43996	8400
76262009	17650 MONTEREY RD	Retail - General Retail	Goodwill	43996	6250
76262008	17650 MONTEREY RD	Vacant Land		43996	0
76416029	17605 MONTEREY RD	Retail - Restaurant/Food Service	El Toro Brewpub	27878	7257
76262007	17600 MONTEREY RD	Office Uses - Medical/Dental/Veterinary	1) Ricardo Perez, MD, APC 2) Joseph R. Ferrito, A.U.D., Associates 3) Van Keulen & Van Keulen, Mortuary	14810	5849
76262014	17750 MONTEREY RD	Funeral Home/Mortuary		18731	7658
			1) Variant Comics & Collectibles 2) Borshay Hair & Beauty 3) Blinds 4 Design 4) Canine Concepts 5) Las Delicias Ice Cream & Bontanitas 6) Mr. Soissors 7) Chalks Place 8) Suzanne S. Hair Salon & Boutique 9) Tacos Jalisco H. 10) Juan Street Barber Shop Golden Eagle Gas		
76209019	16999 MONTEREY RD	Commercial Center Regional		30056	8720
76209009	16995 MONTEREY RD	Gas Service Station		16117	1072

81700059	16990 MONTEREY RD	Commercial Center Neighborhood	1) Jung Hee Hong Dentist 2) Morgan Hill Discount Cleaners 3) Via Mia Piza	20473	4696
76709018	16985 MONTEREY RD	Commercial Center Regional	1) A.K. Rahim Inc Dollar Tree	57064 64033	13470 18300
76709017	16975 MONTEREY RD	Commercial Center Regional	1) Pho Morgan Hill 2) Golden China Restaurant 3) Tailor's Design	47480	10920
76709016	16965 MONTEREY RD	Retail - General Retail	California Sports Center	27007	5775
76709015	16955 MONTEREY RD	Commercial Center Regional	Ross Dress for Less	84506	23200
81700051	16940 MONTEREY RD	Retail - Auto Services	Town & Country Car Wash	20909	912
81700050	16930 MONTEREY RD	Retail - Restaurant/Food Service	Taco Bell	15682	1580
76709011	16925 MONTEREY RD	Parking Lot		6970	3000
76709012	16915 MONTEREY RD	Commercial Center Neighborhood	1) Teddy Bear Laundromat	9148	4376
81700060	16905 MONTEREY RD	Retail - Auto Services	Advanced Wheels	23522	7350
76710001	16895 MONTEREY RD	Retail - General Retail	Sur Shine Bicycles	21344	3558
76710002	16885 MONTEREY RD	Retail - Unknown (Vacant)		63162	1960
76710003	16875 MONTEREY RD	Retail - General Retail	Vacant - up for lease	8712	900
76710004	16865 MONTEREY RD	Retail - General Retail	Vacant - up for lease	26136	5824
81700007	16855 MONTEREY RD	Vacant Land		5227	1176
81700006	16845 MONTEREY RD	Vacant Land		5227	936
81700005	16830 MONTEREY RD	Vacant Land		5663	1013
81700004	16820 MONTEREY RD	Retail - Restaurant/Food Service	Taquari's	12632	1597
81700003	16810 MONTEREY RD	Retail - Restaurant/Food Service	Round Table Pizza	12339	894
81700002	16800 MONTEREY RD	Gas Service Station		20569	822
76719051	16715 MONTEREY RD	Commercial Center Neighborhood	1) Paul's Liquor and Market 2) Jasia Meats	40511 39204	5400 2927
81700001	16685 CHURCH LST	Retail - General Retail	Sew Bee It Quilting	127631	0
76719046	16595 MONTEREY RD	Vacant Land		50094	10638
81700009	16455 CHURCH LST	Retail - Auto Services	1) Morgan Hill Federation of Teachers 2) Nor Cal Business & Tax Services 3) Wasing at Tiffany's & Spa Services 4) Rumour Has It Salon 5) N/L Hair Studio 6) Hair Designs By Deborah At Perfections Salon 1) Cos Selfert Total Construction Management, Inc.		
81700037	16450 MONTEREY RD	Office Uses - General Office	2) New Hair Studio 3) Carbs Bookkeeping Services Cosmo Dental Office	20038	5396
81700036	16430 MONTEREY RD	Office Uses - General Office	1) Metro PCS	21780	4712
76718032	16425 MONTEREY RD	Office Uses - Medical/Dental/Veterinary	2) Vacant - up for lease 3) Panaderia Ortiz	50094	8526
76718002	16415 MONTEREY RD	Commercial Center Neighborhood	Las Isabelas	13939	3933
81700020	16410B MONTEREY RD	Retail - Restaurant/Food Service	Country Store	23958	2726
81700051	16390 MONTEREY ST	Retail - Restaurant/Food Service		30928	3500
81700018	16380 MONTEREY RD	Vacant Land		3920	0
76718031	16375 MONTEREY RD	Commercial Center Regional	1) Trilogy Salon 2) Collective Strength & Fitness 3) Active Mind & Body Vitality Center LLC 4) Body Care Massage Therapy 5) The Print Shop 6) Shear Color & Design 7) Morgan Hill TV Service & Repair 8) Sabal Beauty & Wellness Body & Skin Care 9) Timeless Barbers 10) Kumon 11) Natural Nails by Lisa 12) Community Chiropractic 13) NW Salon Services 14) California Detail Center	71003	21500
81700017	16360 MONTEREY RD	Office Uses - Medical/Dental/Veterinary	1) Healththerapeutic Massage 2) Lerma Chiropractic	60548	21375
81700016	16340 MONTEREY RD	Retail - General Retail	3) Discover Chiropractic Sourcewise	17424	680
81700015	16330 MONTEREY RD	Retail - Personal Service	Beauty Salon	14810	1512
81700014	16310C MONTEREY RD	Motel	Paradise Motel	33977	3828
76718055	16295 MONTEREY RD	Retail - Personal Service	1) Mathnasium 2) The Daily Method	68389	3800
81700010	16290 MONTEREY RD	Retail - Restaurant/Food Service	3) Jella Vu Salon La Costa	18731	1150
76718019	16275 MONTEREY RD	Commercial Center Neighborhood	1) Marini Group Lending	39640	16190
81700009	16270 MONTEREY RD	Office Uses - Medical/Dental/Veterinary	1) MPFI Medical Group	14375	3575
81700008	16250 MONTEREY RD	Office Uses - General Office	2) Awelness Acupuncture Morgan Hill Inn	15624	8478
81700007	16235 MONTEREY RD	Office Uses - General Office		13624	1712
76718020	16225 MONTEREY RD	Retail - Auto Services	Morgan Hill Car Wash & Gift Shop	49223	2168
81703006	16210 MONTEREY RD	Motel	Holiday Hotel	31363	6568

76718027	16195 MONTEREY RD	Commercial Center Neighborhood	1) Vacant - up for lease 2) STORE ILLEGIBLE VIA GOOGLE STREETVIEW 3) PBNi Boutique 4) Angelic Nail Spa 5) Facial Retreat 6) Extend Your Image Salon	45738	9932
81709004		Vacant Land		0	0
76718039	16175 MONTEREY RD	Office Users - General Office	1) Gaupo Bahia 2) Esquelel Properties, Inc. 3) Value Business Products From Yelp: 1) MicroArtist 2) California Prenatal Imaging 3) Pure Skin & Body 4) All About Seniors Care 5) Dunne Insurance Morgan Hill Animal Hospital Santa Theresa Dental David Tran DDS, Foguoynt to OD South County Muffler	13504	6006
76718035	16165 MONTEREY RD	Office Users - General Office		20038	0
81703002	16160 MONTEREY RD	Office Users - Medical/Dental/Veterinary		11326	2580
81703054	16150 MONTEREY RD	Office Users - Medical/Dental/Veterinary		17424	3296
81709004	16120 MONTEREY RD	Office Users - Medical/Dental/Veterinary		15682	2458
81709005	16120 MONTEREY RD	Retail - Auto Services		13504	2720
76718040	16105 MONTEREY RD	Commercial Center Regional	1) Cleaners 2) Morgan Hill Gold & Silver 3) Peeling Restaurant Chinese Food 4) Hddt Book 5) Pubs PET 6) Peter Nails 7) Hair Cuts 8) Hair Cuts 9) Hair Cuts 10) Hair Cuts 11) Hair Cuts 12) Hair Cuts 13) Hair Cuts 14) Hair Cuts 15) Hair Cuts 16) Hair Cuts 17) Hair Cuts 18) Hair Cuts 19) Hair Cuts 20) Hair Cuts 21) Hair Cuts 22) Hair Cuts 23) Hair Cuts 24) Hair Cuts 25) Hair Cuts 26) Hair Cuts 27) Hair Cuts 28) Hair Cuts 29) Hair Cuts 30) Hair Cuts 31) Hair Cuts 32) Hair Cuts 33) Hair Cuts 34) Hair Cuts 35) Hair Cuts 36) Hair Cuts 37) Hair Cuts 38) Hair Cuts 39) Hair Cuts 40) Hair Cuts 41) Hair Cuts 42) Hair Cuts 43) Hair Cuts 44) Hair Cuts 45) Hair Cuts 46) Hair Cuts 47) Hair Cuts 48) Hair Cuts 49) Hair Cuts 50) Hair Cuts 51) Hair Cuts 52) Hair Cuts 53) Hair Cuts 54) Hair Cuts 55) Hair Cuts 56) Hair Cuts 57) Hair Cuts 58) Hair Cuts 59) Hair Cuts 60) Hair Cuts 61) Hair Cuts 62) Hair Cuts 63) Hair Cuts 64) Hair Cuts 65) Hair Cuts 66) Hair Cuts 67) Hair Cuts 68) Hair Cuts 69) Hair Cuts 70) Hair Cuts 71) Hair Cuts 72) Hair Cuts 73) Hair Cuts 74) Hair Cuts 75) Hair Cuts 76) Hair Cuts 77) Hair Cuts 78) Hair Cuts 79) Hair Cuts 80) Hair Cuts 81) Hair Cuts 82) Hair Cuts 83) Hair Cuts 84) Hair Cuts 85) Hair Cuts 86) Hair Cuts 87) Hair Cuts 88) Hair Cuts 89) Hair Cuts 90) Hair Cuts 91) Hair Cuts 92) Hair Cuts 93) Hair Cuts 94) Hair Cuts 95) Hair Cuts 96) Hair Cuts 97) Hair Cuts 98) Hair Cuts 99) Hair Cuts 100) Hair Cuts	75359	16509
81704057	16060 MONTEREY RD	Commercial Center Neighborhood		46174	9900
76721027	16025 MONTEREY RD	Retail - Auto Services		31363	7000
81704058	16000 MONTEREY RD	Commercial Center Neighborhood		92347	16600
76413025	15 EL TORO AV	Retail - Personal Service		7841	25009
76709008		Vacant Land		0	0
81701001		Vacant Land		0	0
81703005	16190 MONTEREY RD	Retail - Auto Services		15682	678
76717040	NA	Retail - General Retail		26,886	4200
76717039	NA	Commercial Center Neighborhood		29,307	3,370
81736033		Vacant Land		29621	0
76754011		Vacant Land		38333	0
76754010		Vacant Land		57064	0
76718054		Vacant Land		0	0
81709003	NA	Vacant Land		0	0
TOTAL:					749,565

City of Morgan Hill
 Monterey Corridor Market & Land Use Capacity Study
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COMMERCIAL CAPACITY ANALYSIS
METHOD 3 - COMMERCIAL SQUARE FOOTAGE PER JOB

Results		Projected Commercial Space Growth in the Study Area (Sq. Ft.)	Projected Commercial Space Growth Citywide (Sq. Ft.)
Commercial Space (Sq. Ft.) Per Job (2014) ¹	225.88	7,903	1,785,130
Average Total Retail Sq. Ft. Citywide (2014)		2,329,907	
Average Total Office Sq. Ft. Citywide (2014)		752,452	
Total Citywide Commercial Sq. Ft. (2014)		3,082,359	
Total Commercial Sq. Ft. in the Study Area ²		749,565	
Percent of Citywide Commercial Sq. Ft. Located in the Study Area		24.32%	
Morgan Hill Number of Jobs (2014)		13,646	
Morgan Hill Employment Projection (2035)		21,549	

Notes

- 2014 employment data was used from Census On The Map; more recent years (2015 and 2016) are not yet available.
- See total Building Sq. Ft. from Method 2 - Commercial Square Footage Per Capita.

Sources: The Concord Group (CoStar, Reis); City of Morgan Hill, Colliers International; Census On The Map; LWC

Assumptions

The proportion of existing commercial square footage in the Study Area to citywide commercial square footage will remain stable.

Commercial space per job will remain stable.

The number of Morgan Hill jobs will follow the historic annualized growth rate of 2%.

City of Morgan Hill
 Monterey Corridor Market & Land Use Capacity Study
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COMMERCIAL CAPACITY ANALYSIS
METHOD 4 - PROJECTED RESIDENTIAL GROWTH IN STUDY AREA

Results					
Projected Number of Residential Units ¹	Average Gross Sq. Ft. per Residential Unit	Total Residential Sq. Ft.	Net Maximum FAR Capacity Less Total Residential Sq. Ft.	Net Stable FAR Capacity Less Total Residential Sq. Ft.	
	800	624,064	927,086	-27,006	
	1,000	780,080	771,070	-183,022	
	1,200	936,096	615,054	-339,038	
	1,400	1,092,112	459,038	-495,054	
	1,500	1,170,120	381,030	-573,062	
780	1,600	1,248,128	303,022	-651,070	
	1,800	1,404,144	147,006	-807,086	
	2,000	1,560,160	-9,010	-963,102	
	2,200	1,716,176	-165,026	-1,119,118	
	2,400	1,872,192	-321,042	-1,275,134	
	2,500	1,950,200	-399,050	-1,353,142	
Units per Acre ²		14			
Net Maximum FAR Capacity (sq. ft) ³		1,551,150			
Net Stable FAR Capacity (sq. ft) ³		597,058			

Notes

1. See Total Parcel Acres in table below.
 2. The Mixed Use Flex Designation is allowed a density of 7 to 24 units per acre.
 3. Net and Maximum FAR Capacity calculated in Method 1 - Capacity Based on Existing Land Use Inventory.
- Sources: City of Morgan Hill; LWC

Assumptions

Parcels with a Commercial or Industrial General Plan Land Use Designation will not develop with residential. Residential uses will develop at 14 units per acre, as assumed in the 2040 General Plan EIR. Residential unit sizes are inclusive of garages and common area.

APN	Address	Existing Land Use	Business Name(s)	Parcel Acres	General Plan Designation	Zoning
81702025	SAN PEDRO AV	Vacant Land		1.42	Mixed Use Flex (7-24 du/ac)	CL-R
72636007	ROSE AV	Vacant Land		0.55	Mixed Use Flex (7-24 du/ac)/Residential Detached Medium (up to 7 du/ac)	CG & R-1
72501018	MONTEREY RD	Vacant Land		5.83	Mixed Use Flex (7-24 du/ac)	PUD
76413020	MONTEREY RD	Parking Lot		0.01	Mixed Use Flex (7-24 du/ac)	CL-R

72624019	MONTEREY RD	Parking Lot				1.04 Mixed Use Flex (7-24 du/ac)	CL-R	
81701018	MONTEREY RD	Vacant Land				0.2 Mixed Use	CC-R	
76718046	MONTEREY RD	Vacant Land				1.1 Mixed Use Flex (7-24 du/ac)	CL-R	
76717047	COSMO AV	Vacant Land				2.03 Mixed Use Flex (7-24 du/ac)	CL-R	
72623018	95 E MAIN AV	Retail - Auto Services		A Tool Shed Equipment Rentals		2.52 Mixed Use	CC-R	
72636010	30 PEEBLES AV	Vacant Land				0.24 Mixed Use Flex (7-24 du/ac)	R1	
72641065	25 PEEBLES AV	Vacant Land				0.9 Mixed Use Flex (7-24 du/ac)	CS	
72501032	19500 MONTEREY RD	Commercial Center Neighborhood				2.54 Mixed Use Flex (7-24 du/ac)	CS	
72642003	19400 MONTEREY RD	Retail - Auto Services		NA - Scrapyard		0.31 Mixed Use Flex (7-24 du/ac)	CS	
72642002	19380 MONTEREY RD	Retail - Auto Services		Family RV		0.74 Mixed Use Flex (7-24 du/ac)	CS	
72642001	19380 MONTEREY RD	Retail - Auto Services		Family RV		3.93 Mixed Use Flex (7-24 du/ac)	CS	
72625006	18110 MONTEREY RD	Vacant Land				6.69 Mixed Use Flex (7-24 du/ac)	ML	
76412006	17965 MONTEREY RD	Retail - Auto Services		No name		1.54 Mixed Use Flex (7-24 du/ac)	C-G	
72625002	17920 MONTEREY RD	Retail - Auto Services		Pronto Auto Repair		1.55 Mixed Use Flex (7-24 du/ac)	CL-R	
76413022	17845 MONTEREY RD	Parking Lot				0.19 Mixed Use Flex (7-24 du/ac)	CL-R	
72624049	17770 MONTEREY RD	Office Uses - General Office		1) Prospectors Property Management 2) Bradley A Leach, Accountant 3) Vacant - up for lease		0.72 Mixed Use Flex (7-24 du/ac)	CL-R with PD Overlay	
72624009	17755 MC LAUGHLIN CT	Vacant Land				0.15 Mixed Use Flex (7-24 du/ac)	R-2	
72623012	17680 MONTEREY RD	Office Uses - General Office		Farmers Insurance		0.68 Mixed Use	CC-R	
72623008	17620 MONTEREY RD	Vacant Land				1.01 Mixed Use	CC-R	
76709009	16995 MONTEREY RD	Gas Service Station		Golden Eagle Gas		0.37 Mixed Use	PUD	
81701051	16940 MONTEREY RD	Retail - Auto Services		Town & Country Car Wash		0.48 Mixed Use	CC-R	
76710002	16835 MONTEREY RD	Retail - Unknown (Vacant)				0.58 Mixed Use	C-G	
76710003	16825 MONTEREY RD	Retail - General Retail		Sun Shine Bicycles		1.45 Mixed Use	C-G	
81701002	16720 MONTEREY RD	Gas Service Station				0.48 Mixed Use Flex (7-24 du/ac)	CL-R	
81702001	16685 CHURCH ST	Retail - General Retail		Sew Bee It Quilting		0.9 Mixed Use Flex (7-24 du/ac)	R-2	
76717046	16595 MONTEREY RD	Vacant Land				2.93 Mixed Use Flex (7-24 du/ac)	CL-R	
81702018	16380 MONTEREY RD	Vacant Land				0.09 Mixed Use Flex (7-24 du/ac)	CL-R	
81702016	16340 MONTEREY RD	Retail - General Retail		Sourcewise		0.4 Mixed Use Flex (7-24 du/ac)	CL-R	
76718055	16295 MONTEREY RD	Retail - Personal Service		1) Mathnasium 2) The Daily Method 3) deJa vu Salon		1.57 Mixed Use Flex (7-24 du/ac)	CL-R	
81703010	16290 MONTEREY RD	Retail - Restaurant/Food Service		La Costa		0.43 Mixed Use Flex (7-24 du/ac)	CL-R	
76718020	16225 MONTEREY RD	Retail - Auto Services		Morgan Hill Car Wash & Gift Shop From Yelp:		1.13 Mixed Use Flex (7-24 du/ac)	CL-R	
76718035	16165 MONTEREY RD	Office Uses - General Office		1) MicroArtistry 2) California Prenatal Imaging 3) Pure Skin & Body 4) All About Seniors Care 5) Dunne Insurance		0.46 Mixed Use Flex (7-24 du/ac)	CL-R	
72636059	11110 MONTEREY RD	Industrial/Manufacturing		California Tow & Salvage		Residential Attached Low (6-16 du/ac)/Mixed Use Flex (7-24 du/ac)	CG & R-1	
81703005	16190 MONTEREY RD	Retail - Auto Services		Enterprise Rental Car		Residential Attached Low (6-16 du/ac)/ Mixed Use Flex (7-24 du/ac)	CL-R & R-2	
81736033		Vacant Land				0.68 Mixed Use	PUD	
TOTAL:							55.72	

City of Morgan Hill
Monterey Corridor Market & Land Use Capacity Study
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COMMERCIAL CAPACITY ANALYSIS
METHOD 5 - RETAIL LEAKAGE

Economic Category ¹	Taxable Sales Capture/(Gap) Citywide	Square Footage Capture/(Gap) Citywide ²	Percent of Citywide Taxable Sales Realized in Study Area ³	Square Footage Capture/(Gap) in Study Area
General Retail	(\$59,634,590)	(179,051)	10.01%	(17,931)
Food Products	(\$21,248,778)	(63,799)	8.47%	(5,406)
Transportation	\$141,953,570	426,211	11.42%	48,688
Construction	(\$2,597,291)	(7,798)	1.18%	(92)
Business to Business	(\$30,131,815)	(90,470)	6.68%	(6,040)
Miscellaneous	(\$5,441,274)	(16,337)	20.35%	(3,324)
TOTAL	\$22,899,822	68,756	--	15,895
Taxable Sales - Citywide (2016)	\$769,457,061			
Total Citywide Retail Sq. Ft. (2016)	2,310,268			
Dollar of Revenue per Sq. Ft. of Retail (2016)	\$333.06			

Notes

- Categories identified in MuniServices' Taxable Sales Capture & Gap Analysis Report.
 - Calculated using 2016 Dollar of Revenue per Sq. Ft. of Retail.
 - Square Footage Capture/(Gap) by economic category in Study Area is calculated using percentages based on realized taxable sales, and it assumes the proportion of square footage lost to leakage in economic categories is related to observed category performance and is not comparable to the Total Square Footage Capture/(Gap) Citywide.
- Sources: MuniServices and Claritas; The Concord Group (CoStar, Reis); City of Morgan Hill; LWC

Assumptions

Per capita sales are comparable to the region (e.g., South San Jose, Gilroy, etc.); leakage data provided by MuniServices.
Dollar of revenue per square foot is constant across all economic categories (e.g. Transportation, Food Products, etc.).