



P-551

***Economic Development
Strategic Plan***

***HUNTINGTON BEACH,
CALIFORNIA***



**Huntington Beach
Economic Development Strategic Plan
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October 1, 2010

Mr. Stanley Smalewitz
Director
Economic Development
City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648

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SUBJECT: Economic Development Strategic Plan

Dear Mr. Smalewitz:

Linda S. Congleton & Associates (“LSCA”) was retained to prepare an Economic Development Strategic Plan for the City of Huntington Beach (“City”). The primary goal of this Plan is to provide practical strategies that can be implemented by the City’s Management Team, while also updating the City’s Economic Development Element of the General Plan, which has not been updated since 1996.

SCOPE OF WORK

Over the last several months, we have:

- Participated in a kick-off meeting and brainstorming session with you, your Economic Development team, and the Deputy City Administrator, Robert Hall, to discuss: (1) Planned-and-proposed projects likely to contribute significant revenues to the City over the next 3-5 years; (2) Status report regarding any potential large vacant or under-utilized City parcels, including potential recyclable sites; (3) City Council short- and long-term economic development goals and priorities; and (4) City Economic Development activities currently underway.
- Conducted in-field evaluations of about 25 City properties, consisting of parcels discussed in the kick-off meeting described above. Parcels reviewed included vacant and under-utilized parcels or portions of parcels; potentially recyclable large parcels; and other sites with planned-and-proposed opportunities.
- Updated key City economic data in order to assess the City’s economic health; its short- and long-term competitive position vis-à-vis other Orange County cities; its business climate, including emerging or growing City economic drivers; and identified potential business sectors for retention, expansion, attraction, and potential recycling.

- Analyzed the City's strengths, weaknesses, opportunities and threats ("SWOT Analysis") and identified potential opportunities for economic growth.
- Identified significant issues that are impacting, and are likely to continue to impact, the future of the City's economy, including land availability issues; regional competition; the current economic recession; and other relevant factors that arose from our research.
- Prepared a local-oriented (neighborhood center), resident, retail demand analysis using shopping center industry methodologies, based on current households, and known planned residential growth, to determine whether significant additional retail square footage is supportable by existing or future City households.
- Analyzed and recommended highest-and-best-opportunity market voids aimed at enhancing the City's economic development.
- Prepared a five-year Economic Development Action Plan, prioritizing the implementation program to enhance the City's near-term economic benefits.

CRITICAL FACTS & KEY ISSUES

CRITICAL FACTS

At the inception of this assignment, we were informed that the City's primary goal in preparing this Economic Development Strategic Plan is to develop action-oriented recommendations, with practical, realistic implementation steps that will result in achievable and substantial economic benefits to the City. Nearly all Southern California cities are experiencing negative fiscal impacts from the current economic recession. The City expressed concern that this Economic Development Strategic Plan should identify opportunities for actually realizing incremental increases in City revenues in the form of retail sales taxes; property taxes; and/or transient occupancy taxes. It is understood that an economic study focused only on market research, simply for the sake of research, is to be avoided in favor of defining tasks that, when accomplished, would achieve the City's more pragmatic financial goals.

KEY ISSUES

The City has asked us to analyze a number of key issues with respect to the Economic Development Strategic Plan:

1. Given the boom economy of 2005-2007, followed by the current recession, what are the market realities today and in the future that will impact the City's short- and long-term economic health?
2. How does the current local and regional economic business and real estate context impact the City?
3. What is the City's competitive position in the region, and how can the City improve or enhance its future economic growth based on this position?

4. What are the key emerging or growing City economic drivers for improving the City's economic vitality?
5. Based on the City's competitive position in the region, what are the highest-and-best opportunities for business retention, expansion, attraction, and possible recycling?
6. What are the City's strengths, weaknesses, opportunities and threats ("SWOT Analysis")?
7. Are there any other significant issues, arising from research into the City's strengths and weaknesses, that impact the City economically?

EXECUTIVE SUMMARY

City Strengths, Weaknesses, Opportunities & Threats ("SWOT" Analysis)

Strengths: The City of Huntington Beach ("City") has four primary "economic drivers," or critical strengths, that are positive attractors for businesses, including retailers; dining establishments; hotels; and for-sale and for-rent housing builders: (1) A large, affluent resident base; (2) Convenient freeway access (Edinger/Beach) to regional-serving commercial sites; (3) Highly desirable residential living amenities; and (4) Top quality Hyatt/Hilton Resort complex.

The City has attracted a fairly affluent resident base because of its unique geographic location in Orange County. No other Orange County city can boast over 8-1/2 miles of Pacific Coast shoreline that generates year-round mild, pleasant weather. The City's expansive beaches with a favorable, international "Surf City" reputation places the municipality in a unique competitive position.

The City's large population base of 193,566 persons and 74,681 households, with solid, moderate-high median and average household incomes (\$83,644 and \$105,996, respectively) are impressive 2010 demographic figures to prospective businesses catering to local residents. An unemployment rate of 7.8%, about two points below the Orange County rate and four and half points lower than the California state average, provide another indicator of relative health of the City, particularly given the current tough economic market. Because retailers follow residential housing, these positive demographic characteristics are powerful attractors to retail businesses—particularly in an uncertain business climate, such as the current post-recession period.

The City is fortunate to have freeway-accessible commercial sites near the City's prime retail/dining freeway off-ramp, Beach Boulevard. These locations not only serve local Huntington Beach residents, but are also the City's key regional-serving retail nexus for nearby communities, including Fountain Valley, Westminster, Midway, Sunset Beach and Surfside. Parcels north and south of Edinger near the Beach Boulevard off-ramp are highly suitable for big-box retailers, compatible small shops, and nationally-recognized restaurants/cafes and quick foods. Expanding, financially strong large retailers (of about 15,000 to over 100,000 square feet in size) require sites with convenient, interstate accessibility that can easily draw from the largest

geographic region. Consequently, these large retailers not only draw from local residents, but also benefit by drawing from surrounding cities as well.

Huntington Beach has a long history as an appealing place to live, with a broad range of for-sale housing offerings. City amenities are plentiful, including a world renowned long stretch of beach; quality schools; sports teams; a large, popular Central Park, sports complex and Shipley Nature Center; Huntington Harbor; the Bolsa Chica Wetlands restoration; off-leash dog beach; nationally recognized bike-friendly city; and numerous beach events and activities, including the prestigious US Open surfing competition. The popularity of home ownership is evidenced by over 60% of the City's housing stock occupied by owners. The median home value is reported at \$531,000, an impressive figure, given that most homes are not located on the coastline. As the past recession of the early 1990s showed, cities with beach-oriented locations are able to weather economic downturns best, consistently remaining highly desirable residential addresses.

The openings of the Hilton Waterfront Beach Resort and the Hyatt Regency Huntington Beach Resort & Spa rejuvenated the City's hospitality offerings. Prior to the opening of these hotels, the City's shoreline had no top-quality hotel rooms appealing to business, convention and upscale leisure travelers. The recent opening of the boutique hotel, Shorebreak (by Joie de Vivre), was spurred by earlier success of the Hilton and Hyatt. Although all Southern California hotels have recently suffered lower occupancies and room rates, our research has shown that name-brand, ocean-oriented hotels fare better during tough times, and are more likely to improve faster than other hotel products. According to the hospitality consulting firm, PKF, the scarcity of Southern California ocean-front hotel properties bodes well for long-term room demand along the City's shoreline.

Weaknesses: The City's economic development weaknesses are few: (1) Several weak/older unanchored retail centers on Beach Boulevard; (2) A long-term weak demand outlook for the office market; and (3) A structurally inferior industrial area, the Gothard Industrial Corridor.

Unanchored strip shopping centers are the least productive shopping center product; they are not considered "investment grade" properties; and produce the lowest sales and rents of any shopping center product. Beach Boulevard contains a number of these unanchored centers with weak tenant mixes generating minimal sales, housed in old, outdated and unattractive buildings. Consolidation of anchored discount/value shopping destinations along freeway-accessible corridors has also contributed to the deterioration of strip retail space along Beach Boulevard. No amount of business improvement dollars or marketing efforts will improve these weak, older unanchored strip centers. The City, however, has created a business atmosphere that has the greatest chance of improving these properties with the adoption of the Beach/Edinger Specific Plan that encourages revitalization as mixed-use residential projects.

The City's office market has been historically weak. Unlike the Orange County cities of Newport Beach and Irvine, the City does not contain high quantities of Class A office space, nor has it successfully attracted the most prestigious office users. The City is part of the West Orange County Office Market, with a market share of only 7% of total County inventory. The West Orange County Office Market has a vacancy rate of nearly 19% (nearly 1.0 million square feet); annual absorption rates are negative, with office users continuing to down-size, re-locate or

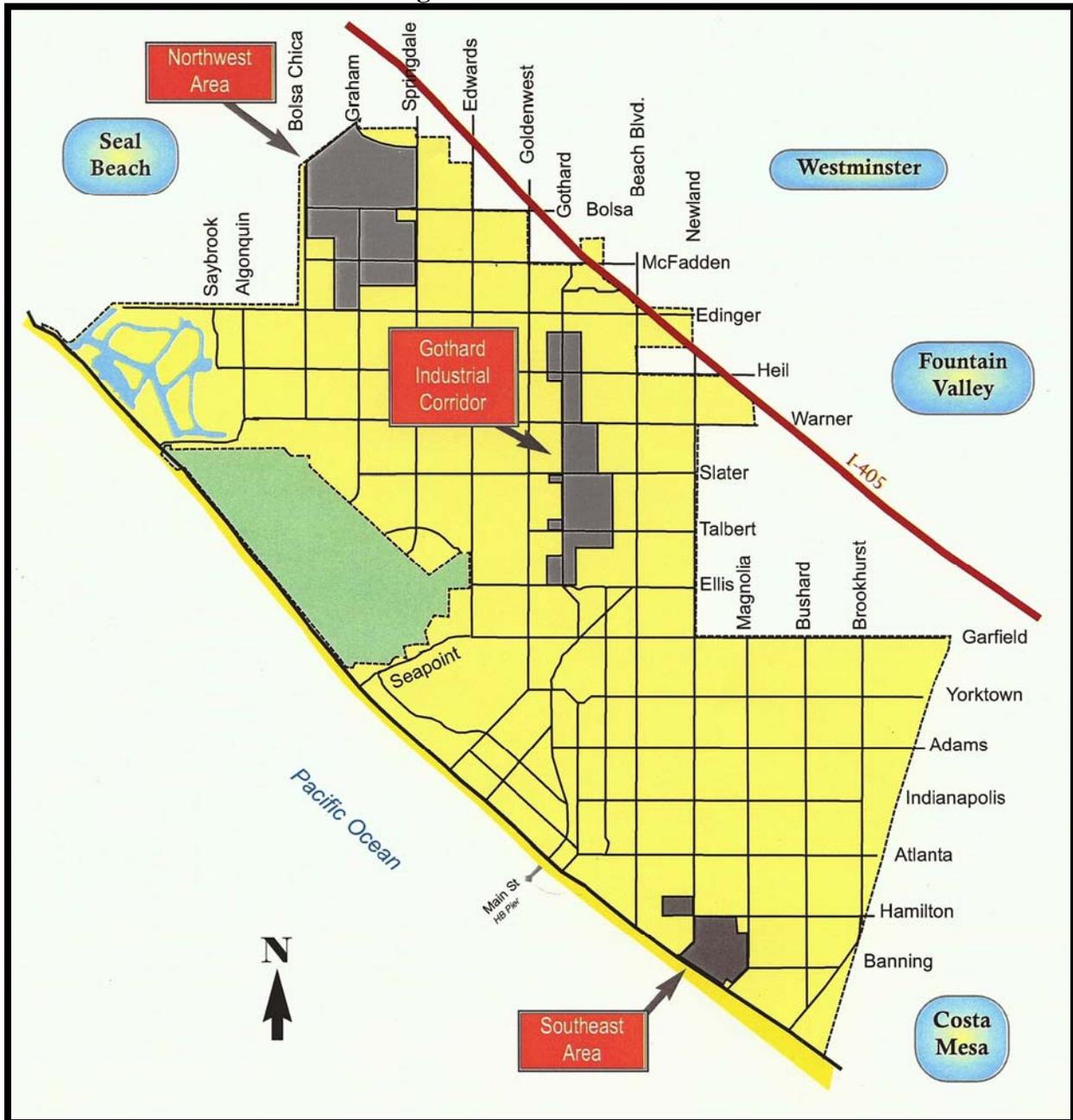
close down; and monthly asking rents are disastrously low, averaging only \$1.92 per square foot. Office buildings require a minimum of \$3.00 per square foot to warrant new construction. Moreover, the County-wide over-supply of office space is so enormous (18.2 million square feet), that it is unknown how many years it will take to bring balance back to the County market. This is an incurable structural problem, created by over-building by the private sector, and therefore, no City efforts can improve its weak office status.

Similarly, the City's industrial sector is also facing high over-supply issues. The City has about 1.8 million square feet of major industrial space available for lease, equating to about 40% of the West Orange County Industrial Market's total available space of about 4.4 million square feet. We estimate that the West Orange County Industrial Market contains a 15-year over-supply of space based on recent absorption levels, with average asking lease rents that are very low, at an average of only \$.58 per square foot per month.

Of the three industrial areas in the City, the Northwest (containing the City's largest employer, The Boeing Company), the Gothard Corridor (from Edinger Boulevard south to Ellis) and the Southeast, only the Northwest is close to a major freeway onramp at Springdale. The Northwest contains numerous single-user and multi-user industrial buildings, primarily in the McDonnell Center Business Park and the West County Commerce Center. The Southeast industrial area is the location of the AES Power Plant on the coast (Pacific Coast Highway and Newland), as well as neighboring uses (see map below).

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Huntington Beach Industrial Areas



In contrast, the Gothard Corridor’s industrial orientation is probably related to the fact that an old railroad line is located about a block to the east of Gothard, most likely dating back to the days when businesses used the line to transport heavy equipment and supplies to and from the active City oil fields. Today, however, uses along this Corridor do not use the rail line, and the reason for the Corridor’s existence has become outdated. More importantly, contemporary industrial, warehouse and distribution space users require easy freeway access and more central-serving locations that can more easily serve vast metropolitan areas. The Gothard Industrial Corridor lacks freeway access; is dominated by small users; and contains high quantities of

outdated and poorly maintained buildings. No amount of marketing, promotion, branding or rehabilitation efforts by the City will improve the Gothard Industrial Corridor as it suffers from a incurable problem, and therefore, recycling these lands into alternative, economically-viable uses should be considered.

Opportunities: The City's economic development opportunities include: (1) Regional-serving retailers along Edinger near Beach Boulevard; (2) Grocery square footage, including specialty grocery stores; (3) Mixed-use residential, including upscale rentals; (4) Conversion of selected Southern Gothard Industrial Corridor sites (from Warner to Ellis) to allow residential; (5) Limited service hotel on Edinger, near Beach Boulevard (6) Expansion of the Waterfront Hilton; (7) another Beach hotel (long-term horizon); and (8) Potential for redevelopment area expansion.

The parcels north and south of Edinger near the intersection of the City's prime commercial freeway off-ramp, at Beach Boulevard, are the only remaining large, vacant or under-utilized parcels suitable for adding big-box and other compatible retailers and dining establishments. In spite of the recession and the generally difficult economy, selected big-box retailers are still seeking sites for occupancy in the near to short-term horizons. This phenomenon occurred during the last major recession in the early 1990s. Many of the best retailers are already housed in or near the City, and therefore, the number of candidate businesses that can succeed at or near Beach and Edinger is relatively finite. Regional competition from surrounding cities has been historically fierce with respect to attracting retailers. In order to seize the maximum number of big-box opportunities, the City may need to act quickly, decisively and create a welcome business climate to ensure that interested retailers commit to remaining suitable locations.

As part of this assignment, we have conducted a grocery/drug store demand analysis to determine support for additional local-serving retail space in the City, after taking into consideration the opening of the Whole Foods (under construction) and the planned Costco at Bella Terra. Our demand analysis shows viable support for an additional specialty grocery store of about 25,000 to 30,000 square feet, and also support for an additional 30,000 square feet (such as the former Ralphs space at Goldenwest and Warner).

The City has limited, remaining, residentially-zoned vacant acreage to take advantage of its excellent housing appeal and reputation. Known planned single family detached, condominium and upscale rental housing units total 2,116 units, including the Village at Bella Terra and the Levitz site mixed-use housing projects on Edinger Boulevard. Future housing opportunities will require recycling parcels either zoned for or occupied by other uses, such as the revitalization of key sites along Beach Boulevard into mixed-use and residential projects. Moreover, less than 40% of the City's housing stock is occupied by renters, revealing an opportunity to build new, for-rent units, especially near existing urban amenities, such as shopping. The City's favorable, beach-oriented image and reputation, as well as its convenient freeway access, are excellent characteristics for attracting relatively affluent, young singles and couples, and down-sizing, empty-nest, older couples and singles seeking a rental lifestyle.

The structural defects of the Gothard Industrial Corridor, such as an outdated industrial rationale related to an old rail line that is no longer used and lack of close freeway access, provide an

exceptional opportunity to consider conversion of selected parcels into residential development. Large parcel sites in the Southern Gothard Industrial Corridor (Warner to Ellis), for example, across from or near the Huntington Central Park could be prime candidates for consideration for basic, modest-priced single family detached homes. New housing would bring more residents to the City, providing additional demand for shopping goods, increasing the retail sales tax base of the City.

The City's Interstate 405 Beach Boulevard off-ramp, along with the core of existing and planned future retail offerings along Edinger, are appealing traits for attracting a limited service hotel serving business and leisure travelers. Because a limited service hotel does not have attached full-service restaurants, operators want to secure a location near shopping and dining facilities. Since limited service hotel guests are generally car-oriented travelers, the hotel operator desires a site near a major freeway.

The owner of the Waterfront Hilton is proposing a 150-room all-suite addition to the hotel that would also include a new ballroom/meeting space; a pool; and a new restaurant/spa. Prior to the recession, the Pacific City mixed-use project on Pacific Coast Highway had proposed building a 165-room boutique hotel. Current hotel occupancy rates and room rates are depressed, well below the peak levels of 2007. It will most likely take several years before the hotel industry can financially justify new construction of additional rooms. However, once the expansion of the Waterfront Hilton Hotel has been completed, and room rates and occupancy levels have been stabilized to absorb these new rooms, the City will be in a position to consider the addition of a new beachfront hotel, assuming such an addition does not negatively impact the existing array of hospitality offerings. Overall hotel occupancy levels should be allowed to reach their peak pre-recession levels (low 70s percentage occupancy) before a new hotel is considered.

Threats (or Constraints): The most critical "threats" or constraints the city will face to its long-term economic development are: (1) Private sector financial and legal obstacles; (2) Competition from neighboring cities; and (3) Maturation of the City, limiting growth.

The City's power to induce, incentivize or fill commercial space is constrained by a number of private sector realities. The City cannot revise, modify or encourage a private sector project that has severe financial problems, such as excessive debt; bankruptcy; or other financial troubles. Other private sector constraints include long-term lease obligations of existing tenants, preventing expeditious redevelopment; unrealistic demands by prospective tenants for tenant improvement allowances or other incentives; and lease restrictions, such as use clauses that prevent occupancy by designated businesses. The City's financial resources are constrained, as well, limiting its ability to provide cash assistance to developers and tenants.

Candidate big-box retailers may have alternative site choices in neighboring cities, or the businesses may have alternative choices that are perceived as being "easier" in terms of City approvals. The longer the City waits or delays in encouraging or welcoming the occupancy of earnestly interested retailers, the greater the chance the retailer may seek an alternative location—particularly in tough financial times when retailers may not be interested in sites that require lengthy and cumbersome approval processes.

After the completed regional-serving retail projects, future increases in resident-serving retail demand will be minimal. The City will soon be a mature municipality, with few large sites for major residential growth. Because retail follows residential, the minimal growth in residential that accompanies a mature city results in only modest increases in retail space in future years. As a mature City, major infusions of retail, boosting retail sales tax revenues, will not be possible. Growth in retail sales tax revenues will be moderate and will tend to track with inflation.

Economic Development Strategic Plan Recommendations

We recommend nine Economic Development Strategic Plan Action Steps to be initiated and concluded over the next five years:

1. Convert City Procedures into a “Business Friendly” Process

We recommend modifying City procedures, as necessary, to transform the business-government interface into a “business friendly” process. Although the City cannot eliminate private sector constraints, such as pre-existing lease commitments, the City is in a position to create ideal government interaction conditions for expediting the necessary regulatory approval process. These ideal conditions would consist of open, simple, uncomplicated and fair processes for timely approval of the retail business and its building. A non-bureaucratic process taking less than six months, for example, would provide a strong incentive to welcoming businesses to the City. Whereas sophisticated, ethical retailers expect cities to regulate health, safety, access, traffic and other key site requirements for its citizens, removing perceived unnecessary hurdles—such as those not found in competing cities—could be instrumental in closing successful retailer site decisions in Huntington Beach. Candidate big-box retailers may have alternative site choices in neighboring cities, or the businesses may have alternative choices that are perceived as being “easier” in terms of City approvals. By creating a business friendly environment, the City will neutralize the potential of losing candidate retailers to neighboring competing cities.

2. Expedite Big-Box Retail Openings on Edinger

In addition to the planned Costco at Bella Terra (opening early 2012), two other big-box opportunities are available: the former Expo Design Center and the vacant Albertsons buildings. Retailers are actively engaged in evaluating these sites, with the potential of opening as early as 2011-2012. The final, remaining big-box shopping center on Edinger is the renovation of the Edinger Plaza (Michael’s Center). According to the owner, the targeted date for the first phase opening is 2013, assuming pre-leasing commitments are secured. The second phase is encumbered with existing lease commitments, and the estimated opening target date is the period 2016-2018.

3. Facilitate Major Mixed-Use Projects on Edinger

Three mixed-use residential projects on Edinger are targeting openings in 2013 and 2014: Bella Terra, the former Levitz site and the Amstar Red Oak project. The sheer cost of construction of these high-amenity mixed-use projects will infuse significant new property taxes to the City. Any facilitation the City can provide to assure that these projects meet their estimated completion timelines should expedite the inflows of City tax revenues.

4. Conclude Development Agreement for Limited Service Business Hotel on Edinger

We understand that the City is currently in negotiations aimed at concluding a 120-room limited service hotel, using a former Big O Tire site, as well as transferring land owned by the City. The site is well suited for the intended use, with numerous shopping/dining offerings nearby. The nature of a limited service hotel company's business typically restricts the price it can afford to pay for land to a fairly modest amount based on a per-room value. The City is reviewing the possibility of land acquisition assistance. Any near-term City assistance should be compared to yearly, long-term benefits accruing to the City in the form of transient occupancy taxes; property taxes; and increased overnight visitor spending at retail/dining establishments.

5. Renovate Prime Projects on Beach Boulevard

To date, three proposed Beach Boulevard projects are undergoing mixed-use planning and/or renovation: mixed-use residential and retail projects at Beach and Warner; the Beach Promenade Shopping Center at Beach and Atlanta; and the Town & Country Center at Beach and Ellis. Facilitating and encouraging market-based renovation will generate property tax revenues and incremental increases in retail sales taxes, once complete. All three projects may be completed in five years—although uncertainties exist with respect to private sector leasing, financing and tenant-mix issues.

6. Expand Ability of Selected Gothard Industrial Sites to Allow Residential

A detailed City analysis should be conducted to determine what would be needed to allow the selected conversion of vacant or under-utilized Gothard Industrial Corridor parcels into residential. Large parcel sites in the Southern Gothard Industrial Corridor (Warner to Ellis), such as parcels near the Huntington Central Park, would be prime candidates for consideration for basic, modest-priced single-family detached (possibly small lot) homes. The City would reap significant increases in property taxes, while bringing in new potential spenders of local neighborhood center shopping goods, thereby increasing shopping center sales. In order to accomplish the highest and best conversion of sites, we recommend that the City conduct a land planning analysis; initiate a Specific Plan process; secure Specific Plan approvals; and commence discussions with potential residential developers.

7. Promote Tourism Hotels on Pacific Coast Highway

The City should continue to promote and spend marketing dollars targeted to increasing overnight visitation on the beach. In particular, the focus should be on efforts that increase occupancies during the off-peak season. The beach-oriented hotels are most likely to generate spending at dining and retail offerings in the nearby Pier and Downtown area. Once the

Waterfront Hilton Hotel room expansion has been completed, overall hotel occupancy levels should be allowed to reach their peak pre-recession levels (low 70s percentage occupancy) before a new hotel is seriously considered. Over the long-term, the rarity of Southern California beachfront hotel properties should bode well for the addition of another hotel. We estimate that this addition will not occur until well beyond the five-year timeline of this Economic Development Strategic Plan.

8. Assemble Downtown Small Lots

The City's site assemblage assistance in the Downtown area should continue in order to encourage upgrading; renovation; and reuse of sites for mixed-use (residential/commercial) functions. As the City's overall tourism market improves, and as the recession recedes, the economy will improve for revitalizing these Downtown lots.

9. Be Receptive to New Opportunities

When advantageous unforeseen business opportunities arise, the City should be agile and decisive in creating the ideal environment for incentivizing the business to locate in Huntington Beach. Quickly moving on new opportunities may distinguish the City from other competing locales.

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Summary Table

The action items of the five-year Economic Development Strategic Plan are summarized in the exhibit below, with the anticipated incremental fiscal benefits to the City pictorially displayed.

Huntington Beach, California Economic Development Strategic Plan Proposed Five-Year Action Plan							
PROPOSED ACTION ITEM	ANTICIPATED INCREMENTAL FISCAL BENEFIT	PROJECTED RECEIPT OF FISCAL BENEFIT					
		2010	2011	2012	2013	2014	2015
Expedite big box retail openings on Edinger Boulevard.	Property Taxes Retail Sales Taxes	[Green bar spanning 2010-2015]					
Facilitate major mixed-use projects Edinger Boulevard.	Property Taxes Retail Sales Taxes	[Green bar spanning 2010-2015]					
Conclude Limited Service Hotel on Edinger Boulevard.	Property Taxes Transient Occupancy Taxes	[Green bar spanning 2010-2015]					
Renovate prime projects on Beach Boulevard (Beach & Warner; Beach Ellis; Beach & Atlanta).	Property Taxes Retail Sales Taxes	[Green bar spanning 2010-2015]					
Expand selected Gothard Industrial sites to allow residential development.	Property Taxes Retail Sales Taxes	[Green bar spanning 2010-2015]					
Promote tourism hotels on the to increase overnight visitor in City.	Property Taxes Retail Sales Taxes Transient Occupancy Taxes	[Green bar spanning 2010-2015 with text "ONGOING"]					
Assemble small lots in Downtown Area to allow large lot	Property Taxes Retail Sales Taxes	[Green bar spanning 2010-2015 with text "PROJECTED"]					

FINDINGS & CONCLUSIONS

Future City Actions Should Build Upon Current Positive Image & Strengths

The City of Huntington Beach has a number of assets that are key “economic drivers” or attractors to retailers; dining establishments; hotels; and for-sale and for-rent housing builders. Six primary positive City attributes include:

1. A large population base (193,566 persons and 74,681 households as of 2010) with solid, moderate-high income households (\$83,644 median, \$105,996 average).
2. Expansive beaches with favorable, international “Surf City” reputation.
3. Highly desirable place to live, with broad range of housing offerings, and numerous amenities, including a world renowned long stretch of beach; quality schools; sports teams; a large, popular Central Park, sports complex and Shipley Nature Center; Huntington Harbor; the Bolsa Chica Wetlands restoration; off-leash dog beach; nationally recognized bike-friendly city; and numerous beach events and activities, including the prestigious US Open surfing competition.
4. Excellent Edinger Avenue and Beach Boulevard freeway access for both local- and regional-serving retail/dining and hospitality uses.
5. Strong, national-chain restaurant sales near Interstate 405 Beach interchange (Beach and Edinger).
6. Top-quality Hyatt/Hilton Resort complex on Beach (over 800 rooms).

The City has attracted a fairly affluent resident base because of its distinguished geographic location. Of all Orange County cities, no other municipality can boast over 8-1/2 miles of Pacific Coast shoreline that generates year-round mild, pleasant weather. The City is the largest Orange County city with direct beachfront access, placing it in a unique competitive position.

City demographic data for 2010 reveal relatively upscale median household incomes of \$83,644, and a modest unemployment rate of 7.8%, nearly two percentage points below the Orange County average and nearly four and half points lower than the California state average. The average household income, at \$105,996, is significantly higher, indicating pockets of very high affluence in the City. These excellent demographics are impressive figures to prospective businesses catering to local residents, particularly given the current tough economic market. (See Appendix 1-2.)

The City’s location north of the intersection of Interstate 405 and Highway 55, is a critical geographic benefit for resident commuters with jobs in North or South Orange County, or occupations in South and Southeastern sections of L.A. County. Fairly convenient access off the Interstate 405 interchanges at Beach Boulevard, Goldenwest and Springdale, provide connections to the Interstate 605; to North Orange County Interstates, such as Highways 22 and 55; and convenient access to the Orange County, Long Beach, and Los Angeles International Airports.

Unlike some Orange County beach-front cities with fairly narrow housing choices, Huntington Beach has a wide variety of for-sale housing types, styles and pricing, including older housing stock, in addition to newly-built. Expensive homes can be found on or near the Beach, and more modestly-priced, older, well-maintained homes can be found in inland City neighborhoods. The range of housing types broadens the City's demographic appeal, ranging from singles, couples, young and mature families, to seniors and retirees. Adding to the City's popularity are other amenities, including good schools and sports teams, and a highly-used, attractive, large, public park, Huntington Central Park. Water-oriented attractions, increasing the appeal for upscale housing, include Huntington Harbor (with its waterfront homes) and the recently-renovated Bolsa Chica Wetlands.

The popularity of home ownership is evidenced by over 60% of the City's housing stock occupied by owners (versus renters). (See City Demographic Profile in Appendix 1.) As of 2010, the median home value of owner-occupied homes is \$531,000, an impressive figure, given that a substantial number of City homes are not located on the coastline. Although the current recession has depressed builder interest in the short-term for new for-sale housing products, especially condominiums, the City's long-range prospects for building housing are excellent, given its extremely positive structural competitive position in the Orange County region. As the past recession of the early 1990s showed, cities with beach-oriented locations are able to weather economic downturns best, consistently remaining highly desirable residential addresses. In contrast, outlying suburbs to the east, particularly exurban neighborhoods, such as the Inland Empire, are the last to recover from an economic downturn, often struggling for many years.

Notably, however, the City has limited, remaining, residentially-zoned vacant acreage to take advantage of its excellent for-sale housing reputation. Fully approved planned and proposed for-sale residential projects include three single family detached projects and three condo projects, totaling 1,639 units: Brightwater (349 single family detached); former Lamb School and Wardlow Schools sites (61 and 42 single family detached units, respectively); Pacific Shores (204 Condos), Village at Bella Terra (467 condos) and Pacific City (516 condos). Future for-sale housing opportunities will require recycling parcels either zoned for or occupied by other uses. (See exhibit below summarizing known planned for-sale single-family detached, condos and one rental project.)

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EXHIBIT 1			
City of Huntington Beach			
Known Planned Residential Growth			
Project/ Location	Applicant	# of Units	Type
Brightwater Bolsa Chica	Hearthside Homes	349	SFD
Former Lamb School Site Yorktown & Brookhurst	Ranco Huntington Investments, LLC	61	SFD
Former Wardlow Schools Site Pioneer & Magnolia	Ranco Huntington Investments, LLC	42	SFD
Newland Street Residential (Pacific Shores) W. of Newland, S. of Lomond St., N. of Hamilton	Christopher Homes	204	Condos
Pacific City PCH	Farallon Capital Management	516	Condos
Village at Bella Terra Edinger & Center Avenue	BTDJM Phase II Associates, LLC	467	Condos
Beechwood Village Former Levitz Site, Edinger	Sares - Regis Group	477	Rental
Total:		2,116	
Source: City of Huntington Beach Major Projects Newsletter			

Less than 40% of the City's housing is occupied by renters. This fact reveals an opportunity to build new, for-rent units, especially projects near existing urban amenities (such as shopping). The City's favorable, beach-oriented image and reputation, as well as its convenient Interstate access, are excellent characteristics for attracting relatively affluent, young singles and couples, and down-sizing, empty-nest, older couples and singles seeking a rental lifestyle.

Retailers follow residential housing. Because the City's core population is fairly affluent, Economic Development efforts should focus on filling any unmet retail voids that can be realistically secured, given the realities of regional competition for Interstate-oriented sites, and the quantity and roster of regional- and local-serving retailers already serving City residents. In spite of the recession and the generally difficult economy, selected big-box retailers are seeking sites for near-term occupancy, or within the next few years. This phenomenon occurred during the last major recession in the early 1990s.

In tough economic times, financially strong retailers often seek sites with the prospect of favorable acquisition or lease terms, particularly sites with excellent close-in demographics, such as Huntington Beach. These big-box uses (ranging from about 15,000 to over 100,000 square feet) typically require convenient, interstate-accessible locations that can easily draw from the largest geographic region. In this manner, retailers not only can draw from the local resident base, but also benefit by drawing from neighboring communities as well.

Parcels north and south of Edinger near the intersection of the City's prime commercial freeway off-ramp, at Beach Boulevard, are the only remaining large, vacant or under-utilized parcels suitable for adding big-box and other compatible small shop retailers, as well as restaurants/cafes and quick foods. Regional competition from surrounding, nearby cities has been historically fierce with respect to securing top retailers. City officials should act quickly over the next year or two to ensure interested big-box retailers become firmly committed to Huntington Beach. Many of the best retailers are already housed in or near the City, and therefore, the number of candidate businesses that can succeed at or near Beach and Edinger is relatively finite. For example, most community-serving big-box retailers requiring 85,000 to 100,000 square feet or more, such as Target, Kohls, Home Depot, Lowes, and Walmart, have already found locations in or near the City.

The opening of the 290-room Hilton Waterfront Beach Resort and the 517-room Hyatt Regency Huntington Beach Resort & Spa were powerful rejuvenators of the City's hospitality offerings. Prior to the opening of these two hotels, the City's shoreline had no top-quality hotel rooms appealing to the business, convention and leisure travelers. Interest by the California boutique hotel chain, Joie de Vivre in opening the 157-room Shorebreak Hotel (May 2009), along the City shoreline, was spurred by the success of the Hilton and Hyatt. According to the hospitality consulting firm, PKF, the scarcity of Southern California ocean-front hotel properties bodes well for long-term room demand along the City's shoreline, in spite of difficulties currently experienced by many Southern California hotel companies. Our research has shown that name-brand, ocean-oriented hotel offerings fare better during tough times, and are more likely to improve faster than other hotel products. Not surprisingly, the owners of the Hyatt/Hilton resort complex are planning on an expansion of the Hilton Waterfront Beach Resort by adding 150 all-suite rooms, new ballroom/meeting space; pool; spa; and restaurant. Additional top-quality hotel rooms over the long-term would further strengthen the City's tourism appeal, with increased accommodations and resort-related amenities that will help drive an increase in the City's overnight visitation.

The City's Interstate 405 Beach Boulevard off-ramp, along with the core of existing and planned future retail offerings along Edinger, are appealing traits for attracting limited service hotels serving business and leisure travelers. Because limited service hotels do not have attached full-service restaurants, operators want to secure locations near shopping and dining facilities. Limited service hotel guests are generally car-oriented travelers. Therefore, the hotel operators often want sites with easy off- and on-access to a major freeway. The properties need to be highly accessible and easy to find for guests who tend to stay only one to two days.

Future City actions should build upon the City's existing strengths; its unique regional competitive positioning; and its positive image/reputation by encouraging residential, retail, dining and hospitality (tourism) uses. A more detailed description of the City's economic Strengths, and the Opportunities and Threats aligned with those Strengths, is shown below:

**EXHIBIT 2
Huntington Beach, California
Economic Development
SWOT Analysis**

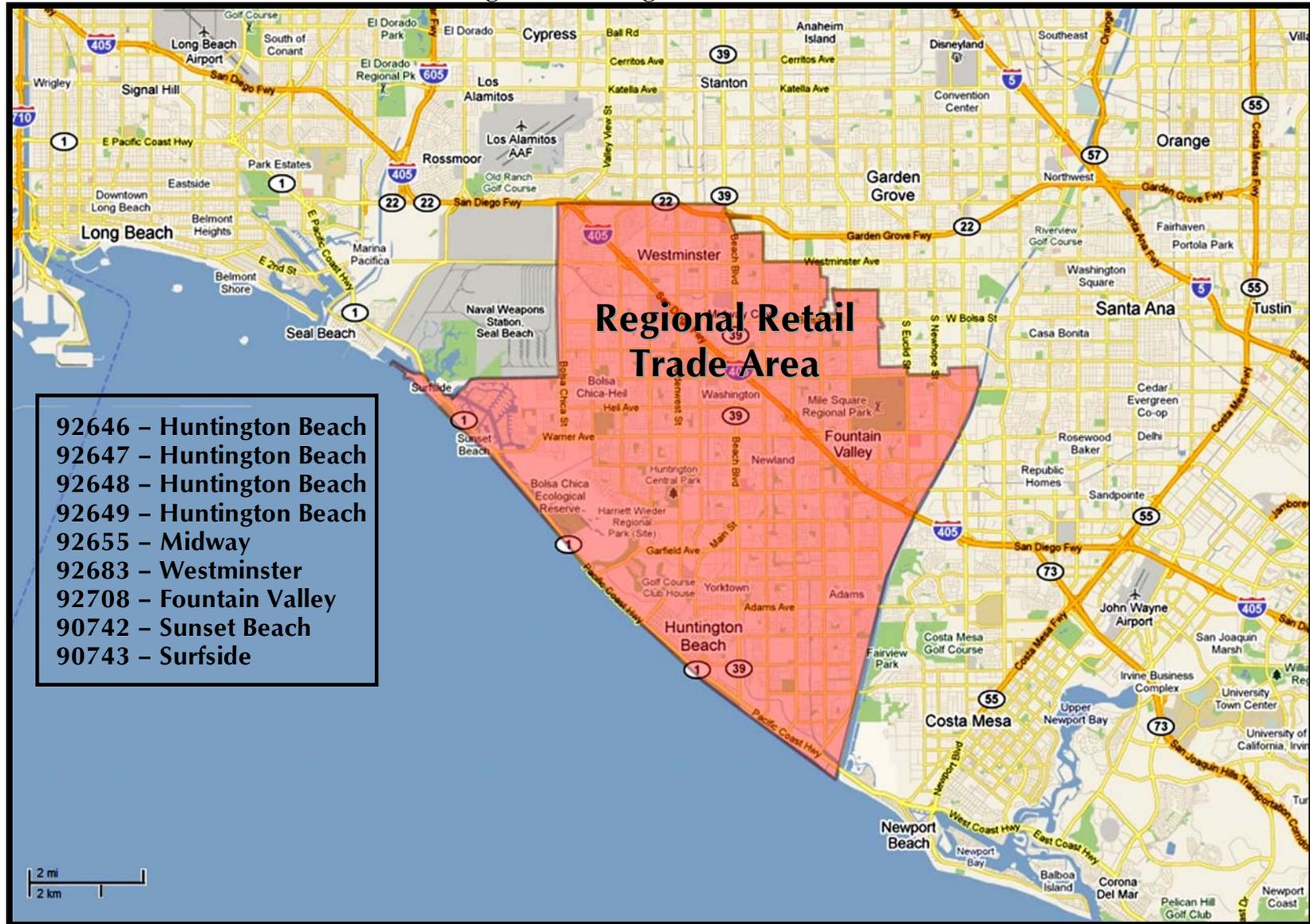
STRENGTHS	OPPORTUNITIES	THREATS
Excellent Edinger/Beach freeway access for regional-serving retail/restaurants and hospitality uses.	Strong new retail/residential planned developments along Edinger Boulevard.	General economic sluggishness. Limited number of candidate retailers, and competition from neighboring cities.
Solid moderate-high income residents.	Local-serving retailers; upscale apartment and housing developers are attracted to areas with high-income base.	Cautious consumers in short-term, even among the affluent. Population is constrained by lack of large tracts of land for available development of new housing.
Beach with favorable international "Surf City" reputation.	Draws overnight and day-visitors that spend in the City.	Competition from other Orange County, San Diego & Ventura County family-oriented and convention/meeting beach destinations, including Newport Beach & Laguna Beach, located just to the South.
Top quality Hyatt/Hilton Resort on beach.	Expansion of Hilton to 150 rooms, with ballroom, spa, more parking.	Weak near-term hotel market delays opening of new rooms and delays adding hotel at Pacific City.
Broad range of housing offerings, from modest to high-end beach properties.	Expand housing as market improves, particularly in areas with weak commercial/industrial uses.	Weak near-term condo market, and high over-hang of residential for-sale in market.
Development void for luxury/upscale apartments; strong interest by national/major apartment developers in building new products to hold long-term.	Near community college; near Bella Terra; near existing retail nodes (e.g., Five Points); near beach.	Master planned Orange County communities, such as the Irvine Company, building top quality apartment projects with many amenities.
History of excellent restaurant sales near Freeway 405.	Addition of restaurants at Bella Terra & Watt/Michaels Center.	Near-term casual dining category has been hit by depressed revenues, but over long-term should recover.
Great weather year-round, cooler than other inland parts of Orange County, for residential areas in close proximity to beach.	Several planned projects, including residential near Bolsa Chica and the Pacific City project benefit from the great weather.	Few sites remaining near the beach over the long-term; most remaining residential parcels will be redevelopment and in-fill.
Popular large Huntington Central Park, with lakes, equestrian, ballparks, walking trails, golf course, library, restaurant, etc.	Although properties to west of park are clearly composed of upscale homes, opportunity exists to expand residential areas to east of Park.	Zoning to east is industrial and would require flexible mixed-use/residential zoning.
Boeing a major employer in the City, attracting ancillary neighboring businesses.	Provides strong anchor image for northwest industrial area.	Huge over-supply of available industrial space in the City of about 2.0 million s.f. for available space for buildings offering 10,000 s.f. and higher. Other OC cities, such as Irvine, grabbed market share, and numerous large LA County cities are more centrally located to serve warehouse/distribution facilities.
Huntington Harbor provides attractive amenity for fishing, boating and upscale housing.	Proposed Bolsa Chica residential (Brightwater) will be located close to Harbor.	Competes with activities at Newport Harbor. Peter's Landing shopping center is structurally weak due to the lack of high density housing surrounding project.
Known as a desirable place to live, with some excellent residential developments built over last 20 years.	City can expand upon this positive image as the market improves.	Near-term housing declines have diminished interest by developers in proceeding with new projects, particularly condos.
Good reputation of public schools and sports teams.	Families are attracted to the full range of educational/sports/recreational offerings.	Competes with other strong Orange County cities with excellent school reputations.
Bolsa Chica Wetlands renovation has added an excellent natural amenity to the area.	New housing developments find the surrounding area more appealing.	None.

After Planned Retail Projects Are Completed, Future Increases in Resident Retail Demand Will Be Minimal

The shopping/dining projects planned along Edinger, near the Beach Boulevard Interstate 405 off-ramp, are the City's only resident-oriented commercial sites suitable for serving regional-serving retailers. Regional-serving retailers serve a broader geographic area than just the City boundaries. We have delineated the City's regional-serving trade area served by Edinger Corridor retail projects, and by sites near the Beach Boulevard Interstate 405 off-ramp. This regional-serving trade area is far larger than the City itself, encompassing Westminster; Midway; Fountain Valley; Sunset Beach; Surfside; and, of course, the City of Huntington Beach. (See Regional Trade Area map, below.)

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EXHIBIT 3 Huntington Beach Regional Retail Trade Area



Regional-serving commercial sites are powerful attractors to retailers. As shown below, the Regional Resident Retail Trade Area contains 1.6 times more households than just the City alone (122,937 households and a population of 351,443). The City's Regional Resident Retail Trade Area also contains excellent median household incomes for attracting retailers: \$77,452. This median household income is only about 7% below that of the City's. The region's average household income is nearly \$100,000 (\$96,514), indicating again, significant numbers of upper-income households.

Edinger Corridor retail sites are the last remaining regional-serving retail sites in the City. Because regional-serving retailers, particularly big-box offerings, require convenient, freeway-accessible sites, four planned and proposed big-box projects along Edinger are the City's last chance to secure these high sales-producing uses. The four projects include: Costco and the mixed-use and pad uses at Bella Terra; the renovation of the Michael's Center (at the southwest corner of Edinger and Sher Lane; the re-tenanting of the former Albertson's grocery store (southeast corner of Edinger and Goldenwest); and the re-leasing of the former Expo Design Center (at the southwest corner of Edinger and Goldenwest). Once these projects are up and operating, the City's ability to add regional-serving retailers will be complete. No other City sites are suitable for big-box development.

The restaurants in and near the intersection of Beach and Edinger, including a number of restaurants at Bella Terra, have produced strong sales for two reasons: the ability to draw regional residents, and the ability to draw nearby local daytime workers for lunchtime and "Happy Hour" after-work business. The City of Huntington Beach has a large daytime workforce exceeding 100,000 persons who are potential lunch and early afternoon patrons. (Daytime workers are all employees in Huntington Beach, across a wide spectrum of industries, with office workers comprising only about 22% of total. See Daytime Worker exhibit in Appendix 4). Two of the four projects, Bella Terra and the renovated Michael's Center, are planning additional restaurants, cafes and quick foods to serve regional residents, and local daytime workers.

The City's neighborhood-oriented shopping facilities (i.e., grocery/drug store centers) are geared to serving local—not regional--residents. In order to assess the current and future demand for neighborhood-oriented shopping, we prepared a retail demand analysis. The Zip Codes approximating the City boundaries were used as the local-serving Resident Retail Trade Area. (See map and demographics in Appendix 5-6.)

It is a shopping center industry tenet that anchored neighborhood shopping centers (i.e., grocery/drug store centers) out-perform unanchored strip centers. Neighborhood grocery/drug shopping centers are considered "investment grade" properties because the products report higher sales, higher rents and lower vacancy rates than unanchored centers. In contrast, unanchored strip centers, produce lower total and per-square foot sales and rents. They are therefore, not considered desirable acquisitions by premium investment funds. Unanchored, resident-serving, shopping centers are the weakest type of shopping center product.

Our retail demand analysis determines the amount of supportable square footage for new grocery and drug store space (i.e. "convenience goods space") as the easiest methodology for assessing

new demand for neighborhood-oriented shopping. If new grocery/drug store, or convenience goods, space is not supportable, then no demand exists for a new anchored neighborhood shopping center. In contrast, if the retail demand analysis shows support for a sizable grocery store of at least 30,000 to 45,000 square feet, then a new anchored shopping center is supported, as well, with additional small shop stores.

The City's retail demand analysis shows maximum supportable grocery/drug store space totaling 1.2 million square feet. However, the City's supply of grocery/drug store space is 1.15 million square feet, inclusive of retailers bordering City boundaries, but serving City residents (such as Pavilions on Beach Boulevard), and inclusive of known planned retailers with sizable grocery/drug store-type items (such as Costco). This current supply of grocery/drug store space includes: Albertsons; CVS; Fresh & Easy; Mothers Market; Ralphs; Rite-Aid; Smart & Final; Sprouts; Stater Bros; Trader Joes; Vons (and Pavilions); Walgreens; Walmart; and the Whole Foods store under construction. (See map of grocery/drug stores, including planned-and-proposed, in Appendix 7)

The maximum, or most optimistic, amount of additional supportable space grocery/drug store space, after build-out of all planned-and-proposed retailers selling grocery/drug store items, is about 60,000 square feet. This additional amount of space would support a specialty grocery store and one other grocery retailer. (See demand analysis on the following page.)

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EXHIBIT 4						
Huntington Beach Retail Trade Area ⁴						
Grocery/Drug Store Demand Analysis						
2010 Estimates		Expenditure Potential (\$ 000)	Est. Total Annual Sales (\$ 000)	Assumed % Capture	Max S.F. Demand	Target Sales/ S.F.
Estimated Occupied Households ¹	74,681					
Median Household Income	\$83,644					
Total Disposable Income ² (\$000)	\$5,372,082					
Expenditure Potential						
Tenant Type						
Convenience Goods ³ (\$000)		\$848,252	\$848,252	100%	1,211,789	\$700
Total Max Supportable S.F.:		1,211,789				
Total Estimated Supply:						
	# of Stores	Estimate Total SF				
Grocery/Drug Store						
Albertsons	4	162,016				
Costco (Future - 60 % Food & Drug)	1	100,173				
CVS	8	165,932				
Fresh & Easy	1	30,000				
Mother's Market	1	30,000				
Ralphs	4	177,000				
Rite-Aid	1	15,000				
Smart & Final	2	60,000				
Sprouts Farmers Market	1	10,000				
Stater Bros	2	84,000				
Trader Joe's	3	33,000				
Vons	3	162,661				
Walgreens	4	58,000				
Walmart (30% Food & Drug)	1	32,400				
Whole Foods (Under Construction)	1	31,530				
Total Grocery/Drug:		1,151,712				
New Grocery/Drug Demand (or Excess Supply) Square Feet :			60,076			
¹ . Retail trade area households estimated as of 2010; excludes planned and proposed households. ² . Per Survey of Current Business Data. ³ . Convenience Goods includes expenditures made at grocery stores, drug stores, liquor stores, medical supplies/prescriptions, auto accessories, plants and cleaning supplies. ⁴ . Includes the following zip codes: 92646, 92647, 92648, 92649.						

We also conducted a “future” retail demand analysis based on known planned-and-proposed housing projects of about 1,600 units, excluding the apartments and mixed-use housing units planned for Edinger Boulevard that will be served by Whole Foods and Costco, as well as the nearby Vons Pavilion. This future demand analysis projects maximum supportable grocery/drug store space of about 86,000 square feet. The incremental supportable space of about 26,000 square feet would support one additional, small specialty grocer. (See below.)

EXHIBIT 5 Huntington Beach Retail Trade Area ⁴ Grocery/Drug Store Demand Analysis Future Known Residential Growth						
2010 Estimates	Expenditure Potential (\$ 000)	Est. Total Annual Sales (\$ 000)	Assumed % Capture	Max S.F. Demand	Target Sales/ S.F.	
Estimated Occupied Households ¹	76,281					
Median Household Income	\$83,644					
Total Disposable Income ² (\$000)	\$5,487,176					
Expenditure Potential						
Tenant Type						
Convenience Goods ³ (\$000)	\$866,425	\$866,425	100%	1,237,750	\$700	
Total Max Supportable S.F.:	1,237,750					
Total Estimated Supply:						
	# of Stores	Estimate Total SF				
Albertsons	4	162,016				
Costco (Future - 60 % Food & Drug)	1	100,173				
CVS	8	165,932				
Fresh & Easy	1	30,000				
Mother's Market	1	30,000				
Ralphs	4	177,000				
Rite-Aid	1	15,000				
Smart & Final	2	60,000				
Sprouts Farmers Market	1	10,000				
Stater Bros	2	84,000				
Trader Joe's	3	33,000				
Vons	3	162,661				
Walgreens	4	58,000				
Walmart (30% Food & Drug)	1	32,400				
Whole Foods (Under Construction)	1	31,530				
Total Grocery/Drug:		1,151,712				
New Grocery/Drug Demand (or Excess Supply) Square Feet :		86,038				
¹ . Retail trade area households estimated as of 2010; includes reported planned and proposed housing units. ² . Per Survey of Current Business Data. ³ . Convenience Goods includes expenditures made at grocery stores, drug stores, liquor stores, medical supplies/prescriptions, auto accessories, plants and cleaning supplies. ⁴ . Includes the following zip codes: 92646, 92647, 92648, 92649.						

A single grocery-store-anchored shopping center of about 100,000 square feet requires a minimum of about 5,000 to 7,000 new homes to support the center, even in affluent neighborhoods. Because the City will be nearly built-out soon, with nearly all available residential parcels fully developed, future additional retail demand will be very limited.

The limited amount of additional retail demand has major implications for future City finances. Future economic growth cannot be achieved by building additional resident-serving shopping centers, once the planned-and-proposed projects along Edinger are fully developed.

City Will Soon Be “Mature”: Most Economic Growth Will Come From Recycling/Reuse

The City’s lack of large tracts of developable land for commercial and/or residential development restricts its future economic growth. In about five to six years, we estimate that the City will be nearly fully mature, due to the lack of available zoned land for large infusions of new housing. Most economic growth beyond a five-year time frame will, by necessity, be generated from recycling or reuse of under-utilized parcels, irrespective of the current zoning.

Higher Economic Uses Should Be Allowed In Gothard Industrial Corridor: Industrial Is Permanently Weak & Structurally Outdated

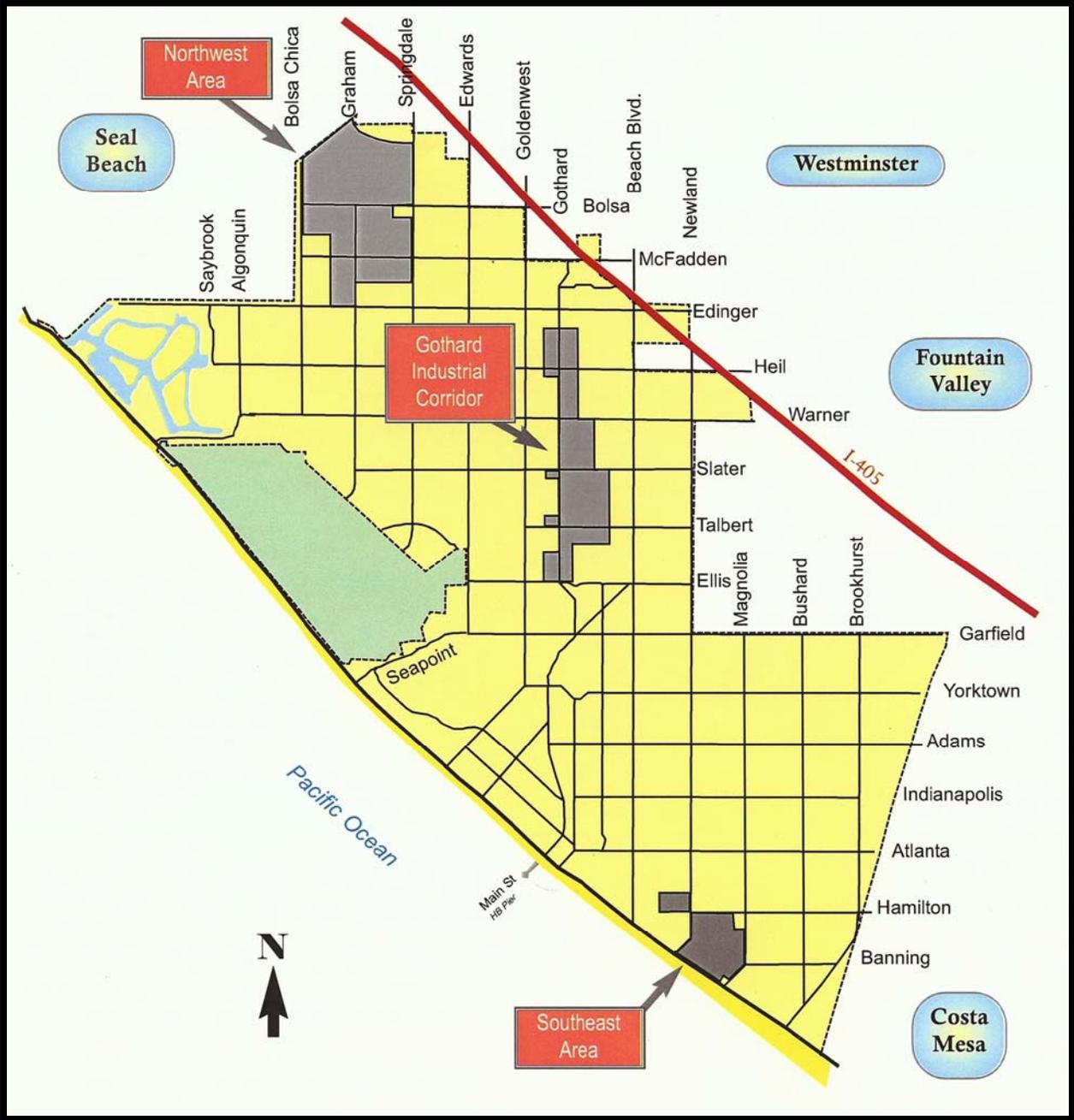
The City’s industrial sector is facing high over-supply issues. Nearly 2.0 million square feet of available industrial space (1.8 million) exists in the City (of buildings exceeding 10,000 square feet). The City’s industrial space is categorized as part of the West Orange County Industrial Market, with a total inventory of 52 million square feet, of which 8.4% is available, or about 4.4 million square feet (i.e., existing space available for direct lease, sub-lease or for purchase, regardless of whether it is occupied or not). The City’s 1.8 million square feet of available space equates to over 40% of the West Orange County Industrial Market’s total available space of about 4.4 million—a stunning portion of the troubled space. (See Appendix 8-9.)

The West Orange County Industrial Market, of which the City is a part, contains a 15-year over-supply of industrial space based on recent absorption levels, with average asking lease rates that are low, at an average of only \$.58 per square foot per month. We estimate that West Orange County Industrial Market lease rates would need to increase by well over 70% to justify the cost of constructing new buildings.

Of the three industrial areas in the City, the Northwest (containing the City’s largest employer, The Boeing Company), the Gothard Corridor and the Southeast, only the Northwest is close to a major freeway onramp at Springdale. The Northwest contains numerous single-user and multi-user industrial buildings, primarily in the McDonnell Center Business Park and the West County Commerce Center. The Southeast industrial area is the location of the AES Power Plant on the coast (Pacific Coast Highway and Newland), as well as neighboring uses.

In contrast, the Gothard Industrial Corridor’s industrial orientation is probably related to the fact that an old railroad line is located about a block to the east of Gothard, most likely dating back to the days when businesses used the line to transport heavy equipment and supplies to and from the active oil fields in the City. Today, however, uses along this Corridor do not use the rail line, and the reason for the Corridor’s existence has become outdated. More importantly, contemporary industrial, warehouse and distribution space users require easy freeway access, and more central-serving locations that can more easily serve vast metropolitan areas. The Gothard Industrial Corridor lacks freeway access; is dominated by small users; and contains high quantities of outdated and poorly maintained buildings.

**EXHIBIT 6
Huntington Beach Industrial Areas**



No amount of marketing, promotion, branding or rehabilitation efforts by the City will improve the Gothard Industrial Corridor, particularly in light of the locations' permanently weak characteristics and the severe over-supply of West Orange County industrial space. Higher economic uses should be allowed along the Gothard Industrial Corridor, particularly in selected locations that can benefit from proximity to Huntington Central Park and the high school near Warner.

City’s Few Economic Weaknesses Are Mostly Incurable

As part of the SWOT analysis conducted (i.e., Strengths, Weaknesses, Opportunities and Threats Analysis), we have identified only five major economic weaknesses in the City. Most of these weaknesses, as discussed below, are permanently incurable, and cannot be improved **in their current state or use**. The City’s weaknesses and threats are summarized below:

EXHIBIT 7 Huntington Beach, California Economic Development SWOT Analysis	
WEAKNESSES	THREATS
<p>Many weak/older unanchored retail centers, particularly on Beach Blvd, many owned by owners with little incentive to improve.</p> <p>Consolidation of anchored discount/value shopping destinations has added to deterioration of strip retail space along Beach Blvd.</p> <p>Weak industrial and office markets that cannot compete on a regional scale.</p> <p>Small pockets of unattractive old, blighted industrial, commercial and residential, including poorly maintained mobile home parks.</p> <p>Major thoroughfare, Beach Blvd., contains inconsistent maintenance, upkeep, landscaping, etc., contributing to dated street appeal.</p>	<p>General national and regional economic sluggishness.</p> <p>No long-term retail substitutes for many of the weak retail centers.</p> <p>Severe competition from stronger Southern California warehouse/distribution facilities, & major office space in Irvine.</p> <p>Modest property values inhibit improvements by owners.</p> <p>Street improvements are controlled by State, not City.</p>

Economic Development Strategic Implementation Plans must, by necessity, address issues that are changeable or can be remedied by either City actions or by the private sector, with City encouragement. Most of the City’s weaknesses are not solvable by any City actions of any kind, if the goal is to improve the real estate uses **in their current state**.

For example, Beach Boulevard has a number of unanchored shopping centers that have weak tenant mixes and generate minimal retail sales. As mentioned earlier, unanchored strip centers are the least productive shopping center product; are not considered “investment grade” properties; and produce the lowest sales and rents of any shopping center product. The City contains a number of these unanchored strip centers that are also old, outdated and unattractive. By adopting the Beach/Edinger Specific Plan, the City has created the business atmosphere that has the greatest chance of improving many of these properties, because they can be revitalized as mixed-use residential projects. No amount of business improvement dollars or marketing

programs will improve weak, older unanchored strip centers. Therefore, in their current use, the “weakness” of these centers cannot be remedied.

Other major City weaknesses include the City’s office market. Geographically and competitively, the City cannot compete with stronger Southern California and Orange County office nodes, such as those in Irvine and Newport Beach. Business retention programs; City subsidization programs; or any other public sector marketing and economic endeavors will not improve this situation.

Whereas the industrial market is analyzed in the previous section, the office market is discussed below. The City is part of the West Orange County Office Market, and key statistics for the second quarter of 2010 are provided in Appendix 10.

As shown above, the West Orange County Office Market has a vacancy rate of nearly 19% (18.7%), equating to nearly a million square feet (972,231 square feet) of available space for direct lease or sub-lease. Annual absorption rates are negative, with office users continuing to down-size, or re-locate or close down. Monthly asking rents are disastrous, at less than \$2.00 per square foot (\$1.92 per square foot). New Class A office buildings require a minimum monthly rent of at least \$3.00 per square foot to warrant new construction. Orange County as a whole is in even worse shape, with nearly a 24% vacancy rate and negative absorption (or loss of space) equal to 455,500 square feet for the year. Of the total County-wide inventory of about 77.3 million square feet of office space, 18.2 million square feet is available for lease. The amount of over-supplied office space is so high that it is not known at this time how many years it will take to bring balance back to the County market. In order to restore the balance in 20 years, it would require a positive absorption of over 900,000 square feet a year—a far cry from the negative loss of nearly half a million a year. Even should such an improvement occur, the City is not geographically or competitively in a good position to take advantage of the restored balance.

Long-Term, Overnight Visitors Provide Powerful Benefits to City

Over the past 25 years, we have conducted numerous studies related to tourism and overnight visitors. Our experience has shown that overnight visitors can provide powerful benefits to cities in terms of transient occupancy tax and retail/dining spending. Although the current recession has negatively impacted tourism figures, and hotel occupancies and room rates, the City’s beachfront hotels are stunning amenities that are likely to bounce back once the economy is thriving again.

A history of the City’s transient occupancy tax, from 1999-2000 through the present is shown below:

EXHIBIT 8 City of Huntington Beach 10% Transient Occupancy Tax Receipts Report - Fiscal Years Thru 2010		
Year	Tax Receipts	% Change
1999-2000	\$2,415,111	
2000-2001	\$2,431,696	0.7%
2001-2002	\$2,140,403	-12.0%
2002-2003	\$3,490,481	63.1%
2003-2004	\$4,589,848	31.5%
2004-2005	\$5,355,153	16.7%
2005-2006	\$5,948,160	11.1%
2006-2007	\$6,573,506	10.5%
2007-2008	\$6,687,838	1.7%
2008-2009	\$5,420,354	-19.0%
2009-2010*	\$5,536,033	2.1%

* Projected

Source: The HDL Companies, Linda S. Congleton & Associates

Transient occupancy tax receipts increased from \$2.4 million a year in 1999-2000 to nearly \$6.7 million at the top of the market in 2007-2008, a 177% increase in annual transient occupancy tax revenues. Two major beachfront resort properties were responsible for this increase: the openings of the Hilton Waterfront Beach Resort and the Hyatt Regency Huntington Beach & Spa, totaling 807 rooms. Within just the last year, the 157-room Shorebreak Hotel opened. Total available rooms in the City now total 1,826, with 44% of the rooms within the two Hilton/Hyatt resort properties. The City's 2009-2010 receipts from transient occupancy tax are projected to be \$5.5 million, or 17% below the top year of 2007-2008.

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EXHIBIT 9		
City of Huntington Beach Hotel/Lodging Inventory 2010		
Number	Hotel/Lodging Property	Rooms
1	Hilton Waterfront Beach Resort	290
2	Hyatt Regency Huntington Beach Resort & Spa	517
3	Shorebreak Hotel	157
4	Hotel Huntington Beach	224
5	Extended Stay America	104
6	Huntington Suites	66
7	Howard Johnson Express Inn & Suites	65
8	Best Western Regency Inn	64
9	Best Western Huntington Beach Inn	51
10	Beach Inn Motel	38
11	Starlight Inn	36
12	777 Motor Inn	35
13	Oceanview Motel	29
14	Pacific View Inn & Suites	18
15	Sun 'n Sands Motel	17
16	Huntington Surf Inn	9
17	Comfort Suites Huntington Beach	106
Total Rooms		1,826
Available Rooms per Year		666,490
Estimated Occupancy Rate		64.0%
Occupied Rooms		426,554

Sources: Huntington Beach Marketing and Visitors Bureau, Linda S. Congleton & Associates

According to the Huntington Beach Marketing and Visitors Bureau, City hotels reported a top occupancy rate in 2007 of 73.1% in contrast to the current estimated 2010 occupancy rate of about 64% for major hotel properties. (See exhibit below.)

EXHIBIT 10	
City of Huntington Beach Overnight Visitors	
	Year
	2010
Occupied Roomnights:	426,554
Average Occupancy Rate:	64%
Average Length of Stay:	2.3
Average Persons Per Lodging Room:	1.6
Total Overnight Hotel/Motel Visitors:	296,733

Sources: Huntington Beach Marketing & Visitors Bureau; Linda S. Congleton & Associates

In 2010, the estimated number of overnight visitors is 296,733 persons. Many hotels are providing special, lower room rates to induce higher occupancy levels, contributing to lower transient occupancy tax revenues to the City.

Although the 2010 figures are sobering, the City's 2010 REVPAR, or revenue per available room (\$118.45) for the major hotels, is the highest in the County, according to PKF Consulting. (See Appendix 10-11.) This data bodes well in the long-term for the major City hotels.

We estimate that it will take several years before the City's hotel occupancy levels will return to the peak levels of 2007. Until this happens, there is little likelihood of any new beachfront hotels opening, such as the 165-room boutique hotel originally planned for the Pacific City mixed-use project on Pacific Coast Highway. However, as noted by PKF Consulting, the rarity of Southern California beachfront properties for hotel development should contribute to the long-term demand for increased hotel rooms on the City's shoreline.

Our retail spending research indicates that overnight visitors are prime sources of retail/dining spending. The greater the number of overnight visitors and the longer they stay, the more retail/dining tax dollars a City receives. In contrast, day-tripper visitors typically stay for only 3 to 4 hours, and, therefore, the per-person retail spending benefits can be limited. Day-trippers can be excellent sources of quick food, café, restaurant and club patronage, but because of their limited time, are often not great sources of retail (non-food) spending.

Although no research has been conducted to verify the figures, it has been roughly estimated by the Huntington Beach Marketing and Visitors Bureau that the City receives 16.0 million persons per year in day-tripper visitation, with the summer months providing huge infusions of visitors to the beach. Although this appears impressive, we estimate that increased **overnight** visitation at City hotels will be stronger contributors to retail (non-food) spending than day-trippers. Overnight visitors usually come from a greater distance; have longer time to spend at local shopping venues; and, if on vacation, are more motivated to take home a gift or accessory/apparel item as a remembrance of their holiday.

ECONOMIC DEVELOPMENT STRATEGIC PLAN RECOMMENDATIONS

We recommend nine Economic Development Strategic Plan Action Steps, all to be initiated and concluded over the next five years. We have prioritized the Action Steps in terms of the following criteria:

- Nearest term opportunities, followed by those that require more time to conclude.
- Action Steps that provide the greatest near-term City revenues, followed by those that provide more modest incremental benefits to the City.

1. Convert City Procedures into a “Business Friendly” Process

We recommend modifying City procedures, as necessary, to transform the business-government interface into a “business friendly” process. Although the City cannot eliminate private sector constraints, such as pre-existing lease commitments, the City is in a position to create ideal government interaction conditions for expediting the necessary regulatory approval process. These ideal conditions would consist of open, simple, uncomplicated and fair processes for timely approval of the retail business and its building. A non-bureaucratic process taking less than six months, for example, would provide a strong incentive to welcoming businesses to the City. Whereas sophisticated, ethical retailers expect cities to regulate health, safety, access, traffic and other key site requirements for its citizens, removing perceived unnecessary hurdles—such as those not found in competing cities—could be instrumental in closing successful retailer site decisions in Huntington Beach. Candidate big-box retailers may have alternative site choices in neighboring cities, or the businesses may have alternative choices that are perceived as being “easier” in terms of City approvals. By creating a business friendly environment, the City will neutralize the potential of losing candidate retailers to neighboring competing cities.

2. Expedite Big-Box Retail Openings on Edinger

A 31,530-square-foot Whole Foods is under construction in the former Circuit City building at Bella Terra. We conservatively estimate minor retail sales tax revenues, based on the grocery nature of the business. However, the attractive new building will start to bring in new property tax revenues, upon opening in 2010.

A 154,113-square-foot Costco at Bella Terra is planned, with a scheduled opening in early 2012. In addition, two to three other big-box retail opportunities could open in early 2011: a 108,000-square-foot discount retailer in the former Expo Design Center building at the southwest corner of Edinger and Goldenwest; and a discount/value retailer in the former Albertson’s space in the Toys R’ Us Center located on the southeast corner of Edinger and Goldenwest. Based on our discussions with the property stakeholder representatives, these three sites, Bella Terra and the former Expo Design Center and Albertson’s buildings, could generate sizable new City retail tax and property tax revenues in 2011 and 2012. This occupied space could produce impressive and highly productive retail sales, with value-priced offerings of great appeal to recession-worn local and regional shoppers. Edinger Boulevard, with its easy interstate accessibility, provides excellent access for attracting regional shoppers from surrounding cities, as well as local residents.

The final, remaining big-box shopping center on Edinger Boulevard slated for re-leasing/renovation is the Michael’s Center renovation (the Edinger Plaza Retail Center). According to the property owner, the first phase of this project (85,500 square feet), or the western portion of the site, is estimated to open in 2013, assuming pre-leasing commitments are successfully secured. Adding new big-box, discount/value retailers to the tenant mix of this under-performing site would greatly improve the retail sales tax revenues. The second phase of the project (77,500 square feet) is estimated not to open until some time in the period 2016-2018, due to existing lease commitments.

The short-term potential of adding the proposed big-box retailers is impressive. During the period 2007-2009, the City's General Consumer Goods sales tax receipts declined by about 14%. (See Sales Tax Receipts exhibit below.) In contrast, the City's Food and Drug store sales tax receipts declined 1.4% from the year 2007 to the year 2009. The opening of the planned big-box retail projects, all targeting local and regional customers, would infuse new vitality into the City's Consumer Goods sales tax revenue receipts by adding national chain stores with proven track records of superb sales.

EXHIBIT 11						
City of Huntington Beach						
Sales Tax Receipts by Industry Group						
Industry Group	Year					
	2004	2005	2006	2007	2008	2009
General Consumer Goods	\$5,646,425	\$5,845,753	\$6,342,029	\$6,397,852	\$6,190,028	\$5,506,628
YOY % Change		3.5%	8.5%	0.9%	-3.2%	-11.0%
Autos and Transportation	\$6,045,904	\$5,827,794	\$5,500,206	\$5,385,134	\$4,442,965	\$3,860,722
YOY % Change		-3.6%	-5.6%	-2.1%	-17.5%	-13.1%
Restaurants and Hotels	\$2,898,990	\$3,268,181	\$3,757,840	\$3,757,840	\$3,792,265	\$3,572,821
YOY % Change		12.7%	15.0%	0.0%	0.9%	-5.8%
Building and Construction	\$2,436,084	\$3,000,280	\$2,917,042	\$2,360,474	\$1,902,925	\$1,801,320
YOY % Change		23.2%	-2.8%	-19.1%	-19.4%	-5.3%
Business and Industry	\$3,375,823	\$3,457,774	\$3,386,353	\$3,952,048	\$3,721,473	\$3,302,814
YOY % Change		2.4%	-2.1%	16.7%	-5.8%	-11.2%
Fuel and Service Stations	\$2,100,135	\$2,147,719	\$2,614,763	\$2,924,279	\$4,114,292	\$3,014,994
YOY % Change		2.3%	21.7%	11.8%	40.7%	-26.7%
Food and Drugs	\$1,638,728	\$1,783,187	\$1,889,533	\$1,856,158	\$1,840,302	\$1,830,886
YOY % Change		8.8%	6.0%	-1.8%	-0.9%	-0.5%
Total	\$24,142,089	\$25,330,688	\$26,407,766	\$26,633,785	\$26,004,250	\$22,890,185
YOY % Change		4.9%	4.3%	0.9%	-2.4%	-12.0%

Source: The HDL Companies, Linda S. Congleton & Associates

The four big-box/value retail sites proposed on Edinger are the City's best chance of securing regional-serving new retailers. The sites have a strong probability of retail success, as long as the property owners are unimpeded in their efforts to execute leases quickly at their sites. As mentioned earlier, competition for big-box sites can be fierce from neighboring cities. The number of candidate retailers ranging from about 15,000 to 100,000+ square feet is finite, with many retailers already located near or in Huntington Beach, or close-by in neighboring locales. The City will need to move quickly to ensure that neighboring cities do not lure these candidates away from Huntington Beach. The longer the City waits or delays in encouraging or welcoming the occupancy of earnestly interested retailers, the greater the chance the retailer may seek an alternative location—particularly in tough financial times when retailers may not be interested in sites that require lengthy and cumbersome approval processes.

Notably, however, the City's power to induce, incentivize or fill commercial space is constrained by a number of private sector realities. The City cannot revise, modify or encourage a private sector project that has severe financial problems, such as excessive debt; bankruptcy; or other financial troubles. Other private sector constraints include long-term lease obligations of existing tenants, preventing expeditious redevelopment; unrealistic demands by prospective tenants for tenant improvement allowances or other incentives; and lease restrictions, such as use

clauses that prevent occupancy by designated businesses. The City's financial resources are constrained, as well, limiting its ability to provide cash assistance to developers and tenants.

3. Facilitate Major Mixed-Use Projects on Edinger

Three mixed-use residential/retail projects are planned for Edinger Boulevard: Phase II Mixed-Use Expansion at Bella Terra (467 residential units and 30,000 square feet of retail); the Former Levitz Site (477 luxury rental units and 10,000 square feet of retail); and the Amstar Red Oak project (385 apartment units and 10,000 square feet of retail). These projects will provide sizable property taxes, as well as retail sales taxes, once completed.

The sheer cost of construction of these mixed-use projects, and the quality of the amenities proposed, will infuse significant new property taxes to the City, particularly since several of the sites currently contain unoccupied or weak uses (former Levitz building, and the old Gothard and Center Drive shopping center). The Levitz site, according to the property developer, is slated for a 2013 opening, with the other two residential projects scheduled for 2014. A portion of Bella Terra's new mixed-use retail is estimated to open in 2012 (12,000 square feet), with the remaining retail to open concurrently with the residential (18,000 square feet).

Any facilitation the City can provide to assure that these projects meet their estimated completion timelines should expedite the inflows of City tax revenues. All three projects have the potential of filling a City economic void: new, upscale, for-rent housing. The Edinger Boulevard sites are solid locations for new upscale rental housing, given the array of nearby shopping amenities; the potential for a pedestrian-oriented dining/shopping experience; the close proximity to the Beach Boulevard Interstate 405 interchange (to accommodate commuters); and the City's excellent "address" as a residential community.

4. Conclude Development Agreement for Limited Service Business Hotel on Edinger Boulevard

Few suitable City sites, with convenient interstate access, exist to accommodate a new limited service hotel. We understand that the City is currently engaged in discussions and negotiations aimed at concluding a development agreement for a 120-room limited service hotel, located on the south side of Edinger between Beach Boulevard and Parkside. The location would require using a former Big O Tire location, as well as transferring land owned by the City. The site is well suited for the use, with numerous shopping and dining offerings immediately across the street at Bella Terra, including top name-brand restaurants.

The nature of a hotel company's operating business typically restricts the price it can afford to pay for land to a fairly modest amount based on a per-room value. We understand that the City is reviewing land acquisition assistance. Any near-term City assistance should be compared to yearly, long-term benefits accruing to the City in the form of transient occupancy taxes; property taxes; and the increased number of overnight visitors that may be potential retail/dining spenders. A 120-room hotel may generate 34,000 to 43,000 new visitors a year, staying one to two days (based on a 65% occupancy rate). We estimate that property tax and transient occupancy tax revenues could possibly start in 2012, should this hotel deal be quickly concluded.

5. Renovate Prime Projects on Beach Boulevard

Three sites on Beach Boulevard are undergoing renovation and mixed-use planning: the Decron Properties Corporation mixed-use residential/retail project at Beach and Warner (279 residential units and about 35,600 square feet of new retail space in addition to existing commercial space); the Beach Promenade Shopping Center at Beach and Atlanta (new 4,500-square-foot restaurant, re-leasing of former 20,000-square-foot Rite Aid, and 29,000 square feet of new pad space); and the Town & Country Center at Beach and Ellis (residential and retail on 2.7 acres).

The timing and completion of these three projects is uncertain, given the planning, financial feasibility and leasing issues the projects still face. We estimate that all three projects may be completed in five years—although uncertainties exist with respect to leasing, financing and tenant mix issues. A new restaurant at the Beach Promenade shopping center is reported to open in 2011 (currently under construction). Other uses in the project are likely to be phased, and are dependent upon when leases are executed. The two mixed-use sites involve complex issues, including land assemblage (Beach and Warner) and feasibility issues (Beach and Ellis).

The three projects will generate increased property tax revenues and incremental increases in retail sales taxes, once completed and open.

6. Expand Ability of Selected Gothard Industrial Sites to Allow Residential

A detailed City analysis of the Gothard Industrial Corridor should be conducted to determine what would be needed to allow the selected conversion of vacant or under-utilized parcels into residential development parcels. Large sites in the Southern Gothard Industrial Corridor (Warner to Ellis), such as parcels near the Huntington Central Park, would be prime candidates for consideration for basic, modest-priced single-family detached (possibly small lot) homes. The Southern Gothard Industrial Corridor will not improve long-term for warehouse/distribution and other business park or industrial uses. Unless alternative, realistic uses are allowed, the area will continue to deteriorate and decline.

In contrast, should the City allow higher use residential developments to occur, particularly on sites large enough to create an attractive environment for basic, modest single family homes, the City will reap significant increases in property taxes, bringing in new potential spenders of local neighborhood center shopping goods. Strengthening of existing retail shopping center sales is one of the expected results with the addition of new incremental households. Should the City be successful over the next two years in converting selected large parcels into residential uses, new real estate property taxes could be generated within the next three to five years. The City's single family detached housing market should be ripe for new, modest-priced product, assuming land owners are realistic about land pricing issues.

In order to accomplish the highest and best conversion of sites in the Southern Gothard Industrial Corridor, we recommend that the City conduct a land planning analysis; initiate a Specific Plan process; secure Specific Plan approvals; and commence discussions with potential residential developers.

7. Promote Tourism Hotels on Pacific Coast Highway

The City is blessed with a highly professional tourism and marketing program aimed at increasing overnight and day-tripper visitation. Overnight visitors are far superior spenders than day-trippers. In contrast to day-trippers who stay an average of only 3 to 4 hours, overnight visitors stay one to three or more days, and the orientation of their trip is more conducive to retail and dining expenditures. The City receives high day-tripper visitation during the summer months, for instance, and many of these visitors bring their own meals and spend most of their time at the beach. The brevity of their trip contrasts sharply to a business or leisure visitor staying at a beach-oriented hotel.

The City should continue to promote and spend marketing dollars targeted to increasing overnight visitation on the beach. In particular, the focus should be on efforts that increase occupancies during the off-peak season. The beach-oriented hotels are most likely to generate spending at dining and retail offerings in the nearby Pier and Downtown area. As overnight visitation improves and returns to pre-recession levels, the City's transient occupancy and retail sales tax revenues are likely to see concurrent improvements.

Once the expansion of the Waterfront Hilton Hotel has been completed, and after the hotel market in the City has been stabilized to absorb these new rooms, the City will be in a position to consider the addition of a new beachfront hotel, assuming such an addition does not negatively impact the existing array of offerings. Overall hotel occupancy levels should be allowed to reach their peak pre-recession levels (low 70s percentage occupancy) before a new hotel is seriously considered. According to PKF, the rarity of Southern California beachfront hotel properties should bode well **in the long-term** for the addition of another hotel. We estimate that this addition will not occur until well beyond this five-year Economic Development Strategic Plan timeline.

8. Assemble Downtown Small Lots

We understand that the City assists in the assemblage of small lots in the Downtown area in order to encourage viable and financially feasible redevelopment. These efforts should continue in order to encourage upgrading; renovation; and reuse of sites for mixed-use (residential/commercial) functions. As the City's overall tourism market improves, and as the recession recedes, the economy will improve for revitalizing these Downtown lots.

9. Be Receptive to New Opportunities

When advantageous unforeseen business opportunities arise, the City should be agile and decisive in creating the ideal environment for incentivizing the business to locate in Huntington Beach. Quickly moving on new opportunities may distinguish the City from other competing locales.

FINAL COMMENTS

The next five years will be a critical time period for the City. Rivalry between cities for high sales-producing big-box retailers can be fierce, especially since nearly all Southern California cities are aggressively searching for ways to increase their retail sales tax base.

Candidate big-box retailers are limited and finite. Only a fixed number have the financial resources to grow during these tough economic times. Also, most candidate large big-box retailers have already found homes in or near the City to serve Huntington Beach residents, leaving a finite number remaining. The longer the City waits or delays in encouraging the occupancy of earnestly interested successful retailers, the greater the chance that neighboring cities will induce or attract these uses to competing sites.

The City's long-term Economic Development Strategic Plan needs to account for the fact that Huntington Beach will soon be a mature municipality. As a mature City, major infusions of retail, boosting retail sales tax revenues, will not be possible. Growth in retail sales tax revenues will be moderate, and will tend to track with inflation.

Long-term economic City growth will be dependent upon the fits and starts associated with the recycling of parcels of land currently under-utilized. Recycling efforts usually take longer than development efforts focused on large, vacant, compatibly-zoned parcels. The City also has few **large** vacant parcels suitable for development of any kind, irrespective of whether the zoning is suitable for the highest-and-best use.

Given the dismal long-term prognosis for the West Orange County industrial market, and the outdated rationale (the old railroad line) for categorizing the Gothard Corridor properties as industrial zoning, it behooves the City to investigate the potential of recycling selected parcels for residential use. A number of larger sites are adjacent or near the Huntington Central Park or the Ocean View high school, both excellent amenities for family-oriented housing. We recommend recycling selected parcels as the optimum long-term economic development strategy for improving property tax revenues in the City.

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The action items of the five-year Economic Development Strategic Plan are summarized in the exhibit below. This exhibit shows pictorially the anticipated incremental fiscal benefits to the City, and the estimated projected receipt of these fiscal benefits.

EXHIBIT 12 Huntington Beach, California Economic Development Strategic Plan Proposed Five-Year Action Plan							
PROPOSED ACTION ITEM	ANTICIPATED INCREMENTAL FISCAL BENEFIT	PROJECTED RECEIPT OF FISCAL BENEFIT					
		2010	2011	2012	2013	2014	2015
Expedite big box retail openings on Edinger Boulevard.	Property Taxes Retail Sales Taxes						
Facilitate major mixed-use projects Edinger Boulevard.	Property Taxes Retail Sales Taxes						
Conclude Limited Service Hotel on Edinger Boulevard.	Property Taxes Transient Occupancy Taxes						
Renovate prime projects on Beach Boulevard (Beach & Warner; Beach Ellis; Beach & Atlanta).	Property Taxes Retail Sales Taxes						
Expand selected Gothard Industrial sites to allow residential development.	Property Taxes Retail Sales Taxes						
Promote tourism hotels on the to increase overnight visitor in City.	Property Taxes Retail Sales Taxes Transient Occupancy Taxes						
Assemble small lots in Downtown Area to allow large lot	Property Taxes Retail Sales Taxes						

An Action Items Checklist has been created for the Huntington Beach Economic Development Strategic Plan (see Appendix 13). This Checklist is a concise summary of the recommended actions associated with each of the Strategic Plan recommendations.

We have enjoyed working on this challenging assignment, and extend our best wishes for successful implementation of the action steps.

Very truly yours,

LINDA S. CONGLETON & ASSOCIATES

A handwritten signature in black ink that reads "Linda Congleton". The signature is written in a cursive, flowing style with a large initial 'L'.

Linda S. Congleton,
Principal

APPENDIX 1
Huntington Beach City Demographic Profile
Year: 2010

Population	
Total	193,566
Men	50.4%
Women	49.6%
Median Age	39.6
Average Age	39.3
Age Distribution	
Age 0 - 9	11.5%
Age 10 - 14	6.1%
Age 15 - 17	3.7%
Age 18 - 20	3.5%
Age 21 - 24	4.7%
Age 25 - 34	13.6%
Age 35 - 44	15.3%
Age 45 - 54	15.9%
Age 55 - 64	12.8%
Age 65 - 74	7.5%
Age 75 - 84	4.0%
Age 85+	1.5%

Ethnicity	
White	76.0%
Black	0.8%
American Ind/AK Nat.	0.6%
Asian	10.9%
Native HI/Pacific Isl.	0.3%
Other	11.4%

Households	
Total Households	74,681
Family Households	48,254
Married	60.4%
Single	39.6%

Household Income	
Average	
Household Income	\$105,996
Median	
Household Income	\$83,644
Per Capita Income	\$41,481
Less than \$15,000	4.9%
\$15,000 - \$24,999	5.1%
\$25,000 - \$34,999	6.1%
\$35,000 - \$49,999	10.5%
\$50,000 - \$74,999	17.9%
\$75,000 - \$99,999	16.0%
\$100,000 - \$124,999	12.0%
\$125,000 - \$149,999	8.7%
\$150,000 - \$199,999	9.9%
\$200,000 - \$499,999	7.4%
\$500,000+	1.6%

Education	
Adults over 25 years of age	
Total	136,852
Less than 9th Grade	3.6%
Some HS, No Diploma	5.2%
High School Grad	16.9%
Some College, No Degree	24.2%
Associate Degree	9.8%
Bachelor Degree	26.4%
Master's Degree	9.7%
Professional School Degree	2.8%
Doctorate Degree	1.3%

Housing	
Median Owner Occupied Home Value	\$531,068
Housing Units	77,013
Owners	60.3%
Renters	39.7%
Vacant	3.0%

Employment	
Labor Force	122,000
Employed	112,500
Unemployed	9,500
Unemployment Rate	7.8%

Employment by Industry	
Accommdtn/Food Svcs	5.8%
Admin/Spprt/Waste Mgmt	4.1%
Agriculture/Forest/Fish/Hunt	0.1%
Entertainment/Rec Svcs	2.4%
Construction	6.7%
Educational Svcs	8.7%
Fin/Insur/RE/Rent/Lse	9.4%
Health Care/Soc Asst Information	10.1%
Mgmt of Companies	2.4%
Total Manufacturing	0.1%
Oth Svcs, Not Pub Admin	12.6%
Prof/Sci/Tech/Admin	5.1%
Public Administration	9.3%
Retail Trade	3.6%
Transport/Warehse/Utils	11.4%
Wholesale Trade	4.1%
Total	4.2%
	106,056

Source: Claritas Marketplace, Employment Development Department, June 2010

APPENDIX 2
Labor Force & Unemployment
Huntington Beach Comparison

Description	HB	Orange County	CA	Nationwide
Labor Force	122,000	1,609,600	18,280,400	153,741,000
Employed	112,500	1,456,700	16,051,200	139,119,000
Unemployed	9,500	152,900	2,229,300	14,623,000
Unemployment Rate	7.8%	9.5%	12.2%	9.6%

Note: Figures are not seasonally adjusted, except for nationwide statistics.

Source: Employment Development Department, June 2010

APPENDIX 3
Huntington Beach Regional Resident Retail Trade Area
Key Demographic Data

Statistic	Year			
	1990	2000	2009	2014
Population				
Group Quarters Population	1,658	2,019	2,160	2,137
Population	322,107	342,090	351,443	363,436
Median Age (Update)	32.5	35.8	38.9	40.4
Income & Households				
Median HH Income (Update)	\$49,104	\$61,946	\$77,452	\$85,651
Average HH Income	\$59,619	\$77,113	\$96,514	\$107,639
Households	114,458	121,155	122,937	126,547
Families	80,379	84,296	85,255	87,736
Housing Units	119,955	124,225	126,504	130,168

Includes the following Zip Codes: 92646, 92647, 92648, 92649, 92655, 92683, 92708, 90742, 90743

Source: Claritas Marketplace

APPENDIX 4
Huntington Beach City
Resident Retail Trade Area
Daytime Employment - 2009

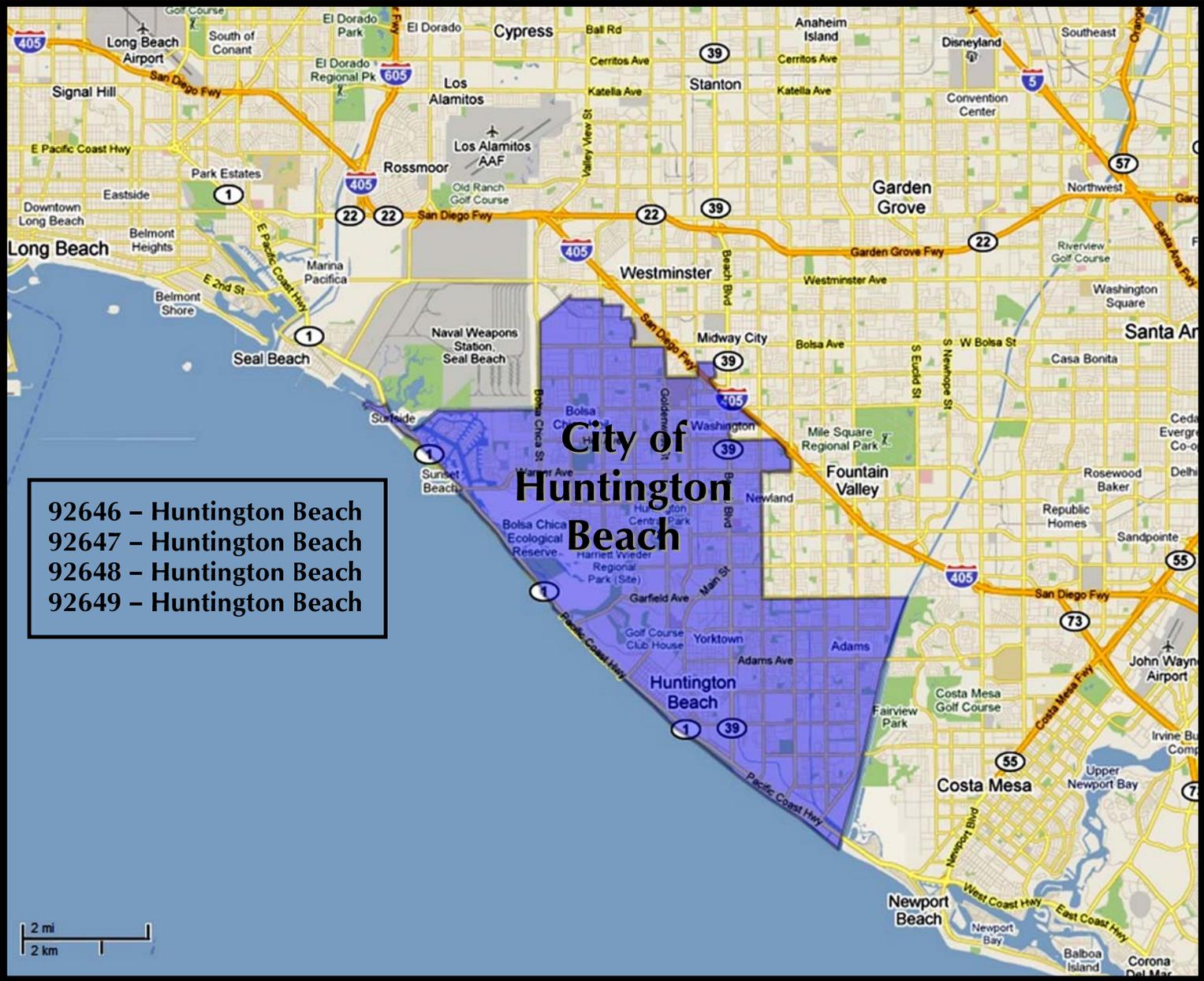
Business Type	Percent	Number of Employees
Agr/Forest/Fish	0.1%	97
Mining	0.2%	185
Construction	5.9%	6,413
Total Manufacturing	15.4%	16,657
Wholesale Trade	5.4%	5,875
Retail Trade	11.2%	12,175
Transport/Warehouse	3.4%	3,715
Utilities	0.8%	884
Information	3.1%	3,365
Finance/Insurance	6.2%	6,661
Real Estate	3.0%	3,245
Prof/Sci/Tech/Admin	9.0%	9,795
Mgmt of Companies	0.1%	56
Admin/Spprt/Waste Mgmt	3.7%	3,995
Educational Svcs	8.4%	9,059
Health Care/Soc Asst	8.7%	9,460
Entertainment/Rec Svcs	2.0%	2,125
Accommdtn/Food Svcs	5.0%	5,391
Oth Svcs, Not Pub Admin	4.7%	5,111
Public Administration	3.7%	3,978
	100%	108,242

Includes the following Zip Codes: 92646, 92647, 92648, 92649

Source: Claritas Corporation

APPENDIX 5

City of Huntington Beach



APPENDIX 6
Huntington Beach City Resident Retail Trade Area
Key Demographic Data

Statistic	Year			
	1990	2000	2009	2014
Population				
Group Quarters Population	779	797	899	851
Population	181,824	190,393	196,647	203,859
Median Age (Update)	32.7	36.1	39.6	41.2
Income & Households				
Median HH Income (Update)	\$50,526	\$65,081	\$81,792	\$90,231
Average HH Income	\$62,729	\$82,458	\$103,271	\$115,030
Households	68,993	73,949	75,906	78,569
Families	45,622	47,902	49,007	50,728
Housing Units	72,869	75,973	78,300	81,019

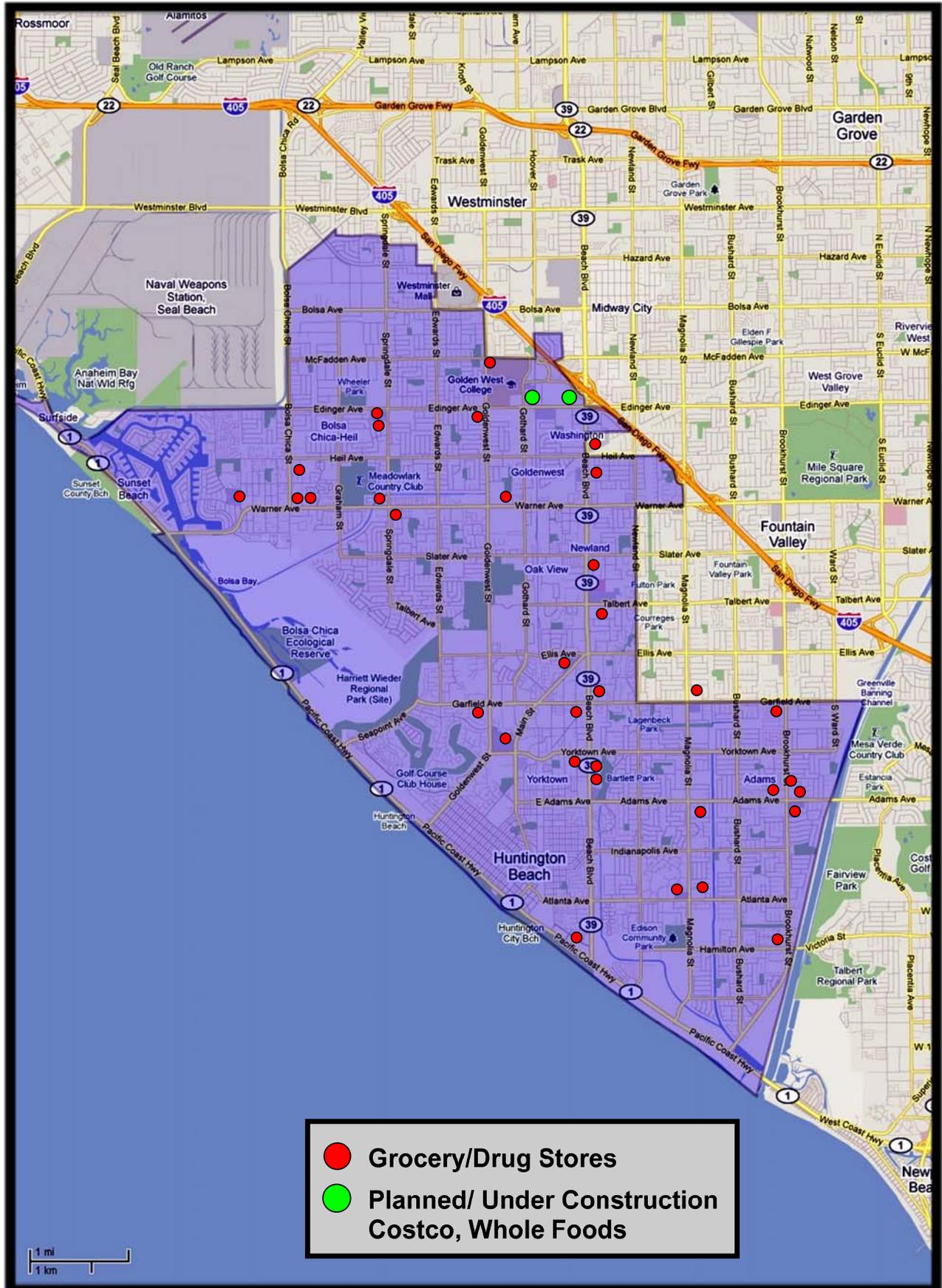
Includes the following Zip Codes: 92646, 92647, 92648, 92649

Source: Claritas Marketplace

APPENDIX 7

City of Huntington Beach

Grocery/Drug Store Competition



APPENDIX 8
City of Huntington Beach
Industrial Buildings Available as of August 2010
10,000+ Square Feet

# of Buildings Available	Average SF Size Available	Total SF Available	Largest Bldg Available SF
39	46,237	1,803,245	493,319

Source: Colliers International, AIR Commercial Real Estate Association

APPENDIX 9
West Orange County Industrial Market
Key Statistics: Q2 - 2010

EXISTING PROPERTIES			VACANCY				AVAILABILITY	ABSORPTION			CONSTRUCTION		RENTS	SALES
Submarket/ Building size	Bldgs	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate ¹	Total Vacancy Rate Prior Qtr	Total Available Rate ²	Sales & Leasing Activity SF ³	Net Absorption Current Quarter SF ⁴	Net Absorption Ytd SF ⁴	Under Construction/ Renovation SF	Planned SF ⁶	Weighted Avg Asking Lease Rates PSF/month ⁷	Average Sales Price PSF ⁸
West														
1 - 9,999	356	2,421,900	4.3%	0.3%	4.6%	4.2%	7.1%	20,800	(11,700)	(24,800)	-	-	\$0.86	\$183
10,000 - 39,999	950	16,840,900	5.2%	0.4%	5.7%	5.3%	9.9%	221,000	(71,600)	(28,100)	-	35,000	\$0.73	\$109
40,000 - 69,999	137	7,089,900	7.8%	0.1%	7.8%	9.1%	7.8%	80,200	90,500	(28,000)	-	-	\$0.52	\$81
70,000 - 99,999	46	3,783,300	5.0%	0.0%	5.0%	4.0%	10.1%	-	(37,000)	(37,000)	-	-	\$0.48	\$133
100,000 +	94	21,939,700	4.0%	0.7%	4.7%	5.6%	6.6%	501,200	26,600	405,600	-	270,000	\$0.47	\$77
Subtotal	1,583	52,075,700	5.0%	0.4%	5.5%	5.9%	8.4%	823,200	(3,200)	287,700	-	305,000	\$0.58	\$117
Market Total: Orange County														
1 - 9,999	1,521	10,255,900	6.2%	0.2%	6.4%	6.0%	10.1%	139,000	(47,200)	(94,400)	-	-	\$0.82	\$174
10,000 - 39,999	4,303	79,251,700	6.0%	0.4%	6.4%	6.3%	9.9%	1,024,400	(131,400)	(369,400)	64,300	122,400	\$0.69	\$116
40,000 - 69,999	577	29,405,000	5.7%	0.5%	6.1%	6.9%	9.7%	418,100	228,700	132,500	57,600	53,300	\$0.60	\$109
70,000 - 99,999	212	17,354,800	5.1%	0.7%	5.8%	5.0%	13.2%	289,600	(147,000)	(271,800)	-	155,100	\$0.54	\$107
100,000 +	369	74,441,800	6.1%	0.4%	6.5%	6.4%	11.9%	1,198,100	(267,400)	(229,500)	375,000	270,000	\$0.49	\$93
Total	6,982	210,709,200	5.9%	0.4%	6.4%	6.3%	10.9%	3,069,200	(364,300)	(832,600)	496,900	600,800	\$0.60	\$120

¹ Existing space that is vacant and immediately available for direct lease or purchase.

² Existing space that is available for direct lease, sublease or for purchase regardless if it is occupied or not.

³ Leasing activity includes space lease on direct and sublease basis.

⁴ Calculations based on total vacancy

⁵ Includes return to market of renovated space, less space taken off market or demolished.

⁶ All announced space (including projects without entitlements or funding). Notall this space will be necessarily built.

⁷ Weighted by vacant direct lease S. Triple Net (NNN).

⁸ Straight average based on actual sales transactions. Per SF.

Source: Colliers International

APPENDIX 10
West Orange County Office Market
Key Statistics: Q2 - 2010

EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
Submarket/ Class	Bldgs	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate ^{1.}	Total Vacancy Rate Prior Qtr	Leasing Activity SF	Net Absorption Current Quarter SF ^{2.}	Net Absorption Ytd SF ^{2.}	Completions Current Qtr SF ^{3.}	Under Construction/ Renovation/ SF	Planned SF ^{3.}	Weighted Avg Asking Lease Rate ^{4.}
West													
A	11	1,353,400	21.2%	3.1%	24.3%	22.4%	35,000	(26,400)	(45,500)	-	-	-	\$2.21
B	43	2,565,100	12.4%	0.4%	12.7%	12.2%	82,500	(14,400)	(16,900)	-	-	-	\$1.84
C	23	1,280,600	23.9%	0.7%	24.6%	25.0%	17,100	5,200	(4,300)	-	-	-	\$1.73
Subtotal	77	5,199,100	17.5%	1.2%	18.7%	18.0%	134,600	(35,600)	(66,700)	-	-	-	\$1.92
Market Total: Orange County													
A	177	33,319,300	23.5%	2.0%	25.5%	25.1%	631,100	(150,200)	(643,700)	-	-	2,148,000	\$2.28
B	554	35,611,400	22.2%	1.1%	23.3%	22.6%	958,000	(355,600)	(665,900)	-	-	495,000	\$1.97
C	181	8,420,600	17.0%	0.8%	17.7%	18.3%	118,500	50,300	(154,300)	-	-	-	\$1.63
Total	912	77,351,300	22.2%	1.4%	23.6%	23.2%	1,707,600	(455,500)	(1,463,900)	-	-	2,643,000	\$2.08

^{1.} Includes direct lease and sublease space which is vacant.

^{2.} Includes return to market of renovated space, less space taken off market or demolished.

^{3.} All announced space (including projects without entitlements or funding). Not all this space will be necessarily built.

^{4.} Weighed by vacant direct lease space. PSF Per Month. Full Service Gross (FSG).

Source: Colliers International

APPENDIX 11
Statistics & Trends of Rooms Business in Orange County

Area	Average Daily Rate			Occupancy Percent			REVPAR ¹		
	2010*	2009	VAR	2010*	2009	VAR	2010*	2009	VAR
Anaheim	\$135.56	\$143.15	-5.3%	67.0%	68.2%	-1.8%	\$90.83	\$97.67	-7.0%
Costa Mesa	\$105.98	\$110.76	-4.3%	71.7%	64.2%	11.7%	\$75.94	\$71.05	6.9%
Orange County Airport	\$102.56	\$112.73	-9.0%	72.4%	66.5%	8.9%	\$74.21	\$74.93	-1.0%
North Orange County	\$93.00	\$99.85	-6.9%	69.6%	65.7%	5.9%	\$64.74	\$65.65	-1.4%
South Orange County	\$179.47	\$199.99	-10.3%	61.2%	58.0%	5.6%	\$109.83	\$115.92	-5.3%
Newport Beach	\$163.32	\$172.62	-5.4%	64.2%	54.7%	17.5%	\$104.85	\$94.33	11.1%
Huntington Beach	\$185.19	\$204.64	-9.5%	64.0%	55.0%	16.3%	\$118.45	\$112.53	5.3%
Overall Average	\$132.57	\$142.07	-6.7%	67.4%	64.3%	4.9%	\$89.36	\$91.28	-2.1%

* January to April 2010

¹: REVPAR = Revenue per available unit.

Source: PKF Consulting

APPENDIX 12
Orange County
Historical Market Performance of the Competitive Hotel Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2003	16,777,955	N/A	11,152,441	N/A	66.5%	\$97.52	N/A	\$64.82	N/A
2004	17,192,230	2.5%	11,831,259	6.1%	68.8%	\$100.67	3.2%	\$69.28	6.9%
2005	18,214,595	5.9%	13,144,813	11.1%	72.2%	\$108.13	7.4%	\$78.03	12.6%
2006	18,976,715	4.2%	13,749,314	4.6%	72.5%	\$117.87	9.0%	\$85.40	9.4%
2007	18,868,422	-0.6%	13,785,866	0.3%	73.1%	\$128.57	9.1%	\$93.94	10.0%
2008 E	19,023,577	0.8%	13,544,411	-1.8%	71.2%	\$130.24	1.3%	\$92.73	-1.3%
2009 F	19,324,787	1.6%	13,513,329	-0.2%	69.9%	\$132.90	2.0%	\$92.93	0.2%
CAAG	2.40%		3.30%			5.30%		6.20%	

Source: PKF Consulting

APPENDIX 13
HUNTINGTON BEACH
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ACTION ITEMS CHECKLIST

1. Develop Strategy for Modifying Administrative Procedures as Necessary for the City to be Considered More “Business Friendly”

- 2010 – Review current administrative procedures and prepare draft revisions
- 2011 – Meet with all affected City departments to reach consensus on revised administrative procedures
- 2011 – Obtain City Council approval of recommended revised administrative procedures

2. Expedite Big-Box Retail Openings on Edinger

- 2011 – Assist in re-tenanting, redeveloping former Expo Design Center Site
- 2011 – Assist in re-tenanting, redeveloping former Albertson’s Site
- 2012 – Develop new Costco at Bella Terra
- 2013 – Complete Phase I development at Michael’s Center

3. Facilitate Major Mixed-Use Projects on Edinger

- 2014 – Develop retail pads at Bella Terra
- 2014 – Redevelop former Levitz site
- 2015 – Develop residential/retail at Bella Terra
- 2016 – Develop Amstar Red Oak

4. Conclude Development Agreement for Limited Service Business Hotel on Edinger

- 2010 – 2011 – Finalize 120-room limited services hotel agreement
- 2012 – Construct/open hotel

5. Renovate Prime Projects on Beach Boulevard

- 2011 – 2015 – Redevelop Beach Promenade Shopping Center
- 2013 – 2015 – Redevelop Decron Properties Corporation mixed-use site
- 2014 – 2015 – Redevelop Town & Country Center (mixed-use)

**APPENDIX 13
HUNTINGTON BEACH
ECONOMIC DEVELOPMENT STRATEGIC PLAN
ACTION ITEMS CHECKLIST**

6. Expand Ability of Selected Gothard Industrial Sites to Allow Residential

- 2011 – Conduct land planning analysis
- 2012 – Initiate Specific Plan process, if warranted
- 2013 – Obtain Specific Plan approvals
- 2013 – Commence discussions with potential developers
- 2014 – Initiate residential development

7. Promote Tourism Hotels on Pacific Coast Highway

- 2011 – 2012 – Promote off-peak events to fill City's hotel rooms
- 2012 – Facilitate waterfront Hilton Hotel expansion
- 2012 – 2015 – Assist marketing efforts to raise City's hotel occupancy to 70%+
- 2015 – Facilitate new hotel openings (Pacific City)

8. Assemble Downtown Small Lots

- 2011 – Assist in re-tenanting vacant stores
- 2012 – Obtain approval of DTSP from Coastal Commission
- 2012 – Work with multiple vacant lot owners
- 2012 – Encourage viable upgrading/renovation/reuse plans for mixed-use (residential/commercial)

9. Be Receptive and Prepared to Take Advantage of New Opportunities

- 2011 – 2015 – Monitor trends in Economic Development of retail/office/ industrial properties
- 2011 – 2015 – Maintain contact with property owners regarding opportunities and threats for and against positive land development/redevelopment
- 2011 – 2015 – Be agile and decisive when presented with opportunities for development, redevelopment and relocation of new businesses within the City



PROFESSIONAL QUALIFICATIONS



LINDA S. CONGLETON, principal of **LINDA S. CONGLETON & ASSOCIATES (LSCA)**, brings nearly 30 years of experience to client assignments. A graduate of the Stanford University Graduate School of Business, she founded **LSCA** in 1984, specializing in strategic, market-based, retail real estate consulting. She is an active member of the Urban Land Institute, including serving for many years on ULI's Commercial/Retail Development Council. She has also served on numerous Urban Land Institute Advisory Panels and has spoken at ULI's major conferences. Ms. Congleton is also an active member of the International Council of Shopping Centers.

Ms. Congleton's extensive knowledge of the retail real estate market has been a valued resource to LSCA's clients, which include real estate developers, financiers, cities, and state agencies. She is a frequent speaker on major retail trends, on-street shopping district optimization strategies, shopping center investment market fundamentals, and entertainment/dining and lifestyle center topics. For many years, she was the principal instructor at the Urban Land Institute's two-day multi-city shopping center development educational Workshops for experienced real estate professionals. She has taught courses in retail development strategy at UC Irvine's Graduate School of Urban & Regional Planning and UCLA's business extension program. Her expert witness work has included numerous litigation and arbitration hearing assignments.

LSCA is committed to using sophisticated market research techniques that produce realistic and workable solutions for our clients. We are noted for insightful analysis, straightforward presentations, creative implementation strategies, and customized client products. Our approach is designed to provide clients with the effective tools to maximize their economic goals.



CONSULTING SERVICES

Founded in 1984, **LINDA S. CONGLETON & ASSOCIATES (“LSCA”)** offers practical solutions to the marketing challenges of existing and proposed retail projects, including master-planned community centers; mixed-use developments; regional centers; main street/pedestrian/ specialty & “lifestyle” centers; value-oriented promotional centers; and neighborhood, community and town center projects.

We provide a broad range of market research, financial and strategic planning consultation services. Work products include:

- Feasibility studies.
- Strategic market implementation programs.
- Repositioning strategies.
- Tenant mix recommendations.
- Retail brainstorming charrettes.
- Consumer research.
- Acquisition/financing due diligence.
- Expert witness research/testimony.

Specific consulting functions include:

- Conduct trade area analysis, competitive assessment and voids inventory.
- Identify key effects of trade area demographic and lifestyle characteristics and determine prime target markets for positioning strategies.
- Prepare expenditure potential project sales projections from target markets.
- Determine retail center, supportable square footage and realistically achievable rents.
- Prepare “highest-and-best-use” development concept programs, including detailed, product mix, pricing and sizing recommendations.
- Recommend tenant mix and development implementation strategies for sales and rent optimization.



PROJECT EXPERTISE

Master-Planned Community Commercial Strategies: LSCA is one of the nation's most experienced master-planned community consultants, providing commercial programming and sizing to meet long-range housing forecasts and regional demands. Over ten years, we served as Arvida's retail consultant for their 15,000-home upscale community, Weston (FL). Other communities include Viera (FL); Summerlin (NV); Playa Vista (CA); Valencia (CA); several Irvine Company sites; State of Utah Trust Lands; and many others.

Mixed-Use: LSCA's mixed-use experience is extensive, including office/hotel/housing mixed with retail, entertainment and sometimes cultural components. Projects include Embarcadero Center (San Francisco); the ABC Entertainment Center (Century City); Waterfront Hilton Huntington Beach Resort; World Trade Center (Los Angeles); Toronto CN Tower; Sandia Pueblo casino/hotel retail; Niagara Falls hotel/retail; Orlando convention center hotel/retail; housing/retail projects for Signature Properties (San Francisco Bay Area).

Redevelopment/Repositioning: LSCA has served as a public and private sector, redevelopment feasibility and strategic implementation consultant since the company's inception. Projects have included on-street shopping districts; convention centers; waterfront projects; specialty centers; regional malls; and numerous grocery store and big box projects.

Resort/Visitor Retail: LSCA has worked in Hawaii for 25 years. Clients include Prudential Insurance, Kapalua Land Company, the Greenwell Family, Peter Baldwin, Queen Lili'uokalani Trust (Oahu), Hunt Development Group, LP (Oahu), and the Eric Knudsen Trust (Kauai). Other resort/entertainment clients include the Silver Dollar City theme park, Disney Development, Universal City/MCA, Hyatt Development, and KSL Development Corporation.

Main Street/Pedestrian/Specialty & "Lifestyle" Centers: Our projects have been located in notable on-street shopping districts, including Old Town Pasadena; the Gaslamp District; Union Square San Francisco; Third Street Promenade; Universal CityWalk; Las Vegas Strip; and Broadway Street Downtown Los Angeles. In recent years, LSCA has worked on leading edge, pedestrian-oriented, new construction regional malls and community "lifestyle" centers in numerous cities.

New Urbanism: LSCA has served as retail consultant to Seaside, Florida, the nation's premier New Urbanist Community and a recipient of ULI's Award for Excellence, and to Alys Beach, Florida, another New Urbanist inspired, village-like, resort-oriented community, within a few miles of Seaside.

Retailer Portfolio Analysis & Expansion Strategies/Site Research: LSCA provides individual and multiple site real estate research, sizing and sales projections. We have provided portfolio and single store consultation for numerous grocery store companies. From a single, large-format restaurant to a portfolio of over 18 large stores, we provided BJ's Restaurant & Brewhouse with real estate site research/sales projections.

International Retail: LSCA provided market-based programming for 10,000 acres of new community properties in suburban Kuala Lumpur, Malaysia. Resort location consultations have included: Aruba's top golf resort community; the largest mall in the Bahamas; a mixed-use hotel/retail project in Eilat, Israel; the Venetian Resort, Macao; and the Marina Bay Sands, Singapore. We also served on a team vying for the commercial redevelopment of the Millennium Dome, London.



REPRESENTATIVE CLIENTS

Aetna Realty Investors, Inc.; San Jose, California
Alecta Investment Management; New London, Connecticut
Arvida; Boca Raton, Florida
Associated Wholesale Grocers, Inc.; Kansas City, Kansas
Bedford Properties, Inc.; Lafayette, California
BJ's Restaurant, Inc.; Huntington Beach, California
Bridge Housing Corporation; San Diego, California
California State University Channel Islands; Camarillo, California
Catellus Development Corporation; San Francisco, California
Cities of: Alameda, Anaheim, Akron, Beverly Hills, Chino, Commerce, Dallas, Huntington Beach, Huntington Park, Long Beach, Los Angeles, Mission Viejo, Norwalk, Oceanside, Pasadena, Redondo Beach, Riverside, San Jose, San Juan Capistrano, San Leandro, San Marino, Signal Hill, Sparks, West Covina, Yorba Linda
Disney Development Company; Burbank, California
EBSCO Gulf Coast Development Inc. (Alys Beach); Santa Rosa Beach, Florida
Embarcadero Center (Boston Properties); San Francisco, California
Eric Knudsen Trust; Kauai, Hawaii
Forest City Development; Cleveland, Ohio
Goldman Sachs Company (Archon)
Holualoa Companies; Tucson, Arizona
Hunt Development Group, LP; Honolulu, Hawaii
Hyatt Development Corporation; Chicago, Illinois
IDS Real Estate Group; Los Angeles, California
Irvine Company; Irvine, California
Kajima Corporation; Minneapolis, Minnesota
Kapalua; Maui, Hawaii
Koll Development Company (Malaysia); Kuala Lumpur, Malaysia
KSL Development Corporation; La Quinta, California
Las Vegas Sands Corporation (Venetian Macau); Macau SAR, China
Lucasfilm; Nicasio, California
Maguire Properties; Los Angeles, California
Melvin Simon & Associates, Inc.; Indianapolis, Indiana
Newhall Land & Farming Company; Valencia, California
Northwestern Mutual Life; Los Angeles, California
Plains Exploration & Production Co.; Montebello, California
Queen Lili'uokalani Trust; Honolulu, Hawaii
Robert Mayer Corporation; Newport Beach, California
RREEF; San Francisco, California
Seaside Community Development; Seaside, Florida
Shapell Industries, Inc.; Beverly Hills, CA
Signature Properties; Pleasanton, California
Silver Dollar City, Inc.; Branson, Missouri
Stanford Carr Development LLC; Honolulu, Hawaii
State Teacher's Retirement System of Ohio; Columbus, Ohio
The Viera Company; Viera, Florida
Tokyu Department Store; Tokyo, Japan
Trammel Crow Company; Los Angeles, California
TrizecHahn Corporation; Toronto, Canada & San Diego, California
Urban Retail Properties Company; Chicago, Illinois
Utah (State) Trust Lands Administration; St. George, Utah
Watt Commercial Properties; Santa Monica, California
Western Development Corporation; Washington, D.C.