

Appendix A

REAL ESTATE MARKET DEMAND ESTIMATE METHODOLOGY

This section provides information on the methodology that Bay Area Economics (BAE) used to quantify the potential market support for new residential, office, lodging, and retail uses in the Plan Area between 2015 and 2040

A. PROJECTED GROWTH

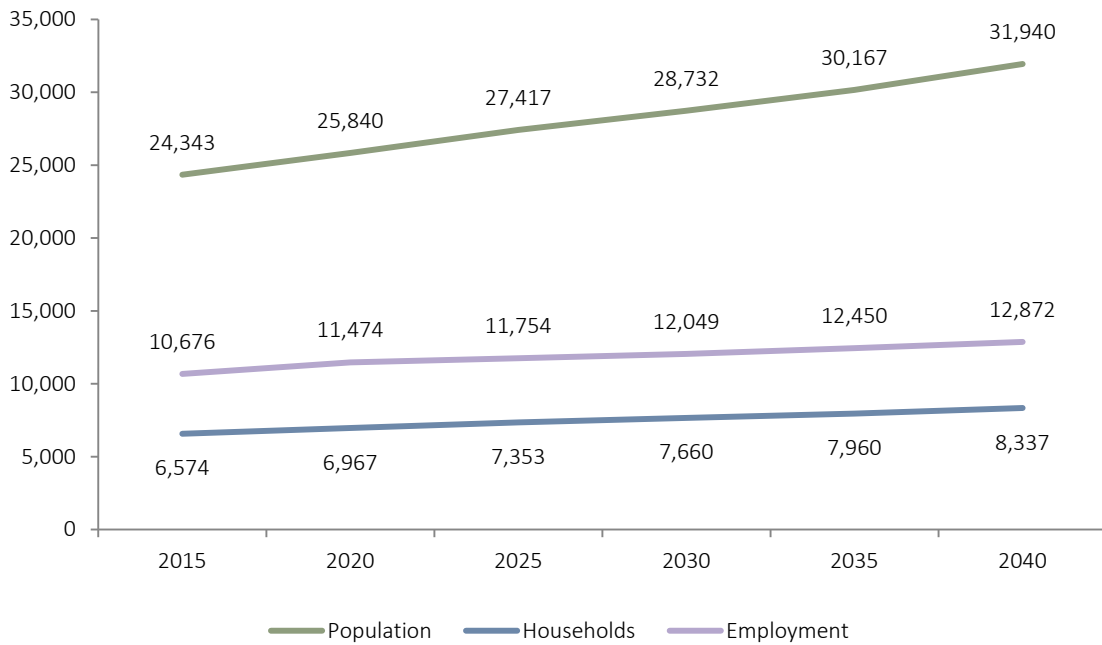
Anticipated future growth in the Plan Area, the City of Gilroy, and the region creates an opportunity for the Plan Area to capture a share of demand for residential, retail, office, and hotel development. Association of Bay Area Governments (ABAG) provides population, household, and employment projections for each city and county in the Bay Area, which provides a basis for estimating future growth. Using a regional model that estimates overall population, household, and employment growth in the region, ABAG allocates this growth to various jurisdictions based on land available for development and policy objectives.

The following sections detail projections for Plan Area Census Tracts, which represent aggregated projections from the four Census Tracts that encompass the majority of the Plan Area (Census Tracts 5125.06, 5125.08, 5126.03, and 5126.04). These Census Tracts cover a larger area than the Plan Area itself, and therefore have more residents and households in 2015 than shown for the Plan Area in the demographic trends section of this chapter. However, most of the area included in the Plan Area Census Tracts that is outside of the Plan Area itself consists of largely built out single-family residential neighborhoods. As a result, most of the projected future growth in the Plan Area Census Tracts is likely to occur within the Plan Area.

ABAG projects that the Plan Area will experience population, household, and employment growth at approximately the same rates as Santa Clara County and the Bay Area overall, and at a faster pace than the City of Gilroy overall. These patterns mean that ABAG expects the Plan Area to absorb a larger share of growth than the Plan Area's current share of population, households, and employment. Figure A-1 shows projected population, household, and employment projections for the Plan Area Census Tracts and Figure A-2 compares projected population, household, and employment growth in the Plan Area, city, County, and region.

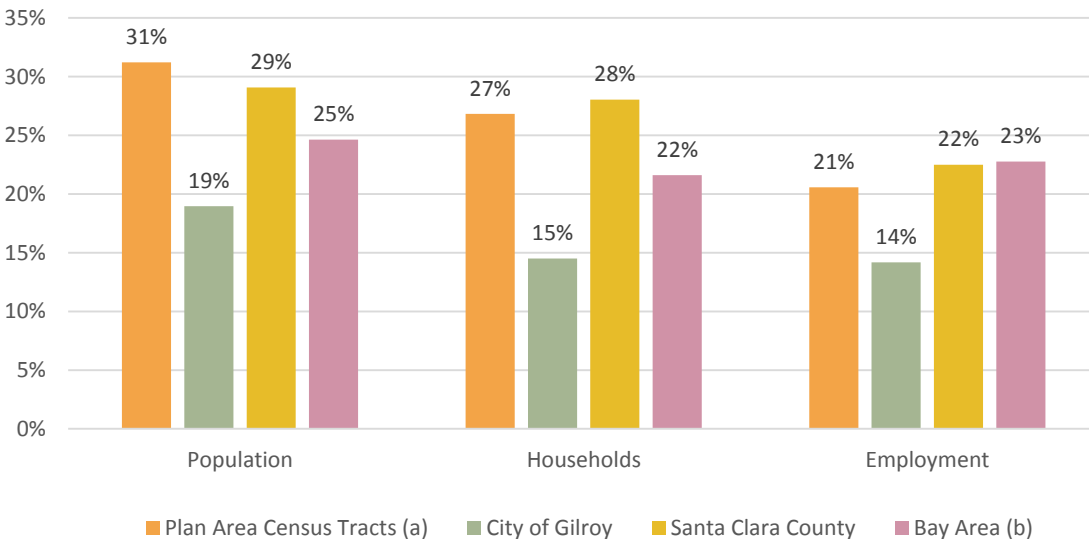
APPENDIX A

FIGURE A-1 POPULATION, HOUSEHOLD, AND EMPLOYMENT PROJECTIONS, PLAN AREA CENSUS TRACTS, 2015 - 2040



Sources: ABAG Projections, 2013; BAE, 2015.

FIGURE A-2 PROJECTED GROWTH, 2015 - 2040



a. Plan Area Census Tracts consist of Census Tracts 5125.06, 5125.08, 5126.03, and 5126.04, which cover a larger area than the Specific Plan Area itself but are the Tracts that most closely match the Specific Plan Area boundaries. Census Tracts are used for projection purposes because projections are not available for the Specific Plan Area itself.

b. Bay Area includes 9 counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

Sources: ABAG Projections, 2013; BAE, 2015.

POPULATION AND HOUSEHOLD GROWTH

ABAG projections estimate that the population in Plan Area Census Tracts will increase at an average rate of 1.1 percent per year between 2015 and 2040, similar to the rate of growth in Santa Clara County and slightly higher than the growth rate in the City of Gilroy and the Bay Area overall. According to ABAG projections, the population in the Plan Area will increase by 7,597 residents between 2015 and 2040.

Similarly, ABAG projects that number of households in Plan Area Census Tracts will increase at an annual average rate of 1.0 percent per year between 2015 and 2040, on pace with growth in Santa Clara County and faster than growth in Gilroy and the Bay Area. ABAG projections anticipate an increase of 1,763 households in the Plan Area between 2015 and 2040.

EMPLOYMENT GROWTH

ABAG projections suggest that the rate of job growth in the Plan Area Census Tracts will be similar to the employment growth rate in Santa Clara County and the Bay Area between 2015 and 2040 (0.8 percent per year on average). ABAG projects that the number of jobs in the Plan Area Census Tracts will total 2,196 net new jobs by 2040, an increase of 21 percent, accounting for 70 percent of employment growth in the city. These employment projections are much more modest than the growth projections that ABAG had issued prior to the adoption of 2005 Downtown Specific Plan, meaning that regional planners have substantially tempered their expectation for employment growth to spill south from the larger employment centers further north in Santa Clara County.

B. RESIDENTIAL DEMAND ESTIMATE METHODOLOGY

BAE estimated demand for new residential development in the Plan Area based on projected population and household growth in Santa Clara County. In addition to ABAG estimates, BAE based the demand estimates on household growth projections derived from population projections provided in the 2012 California High-Speed Rail Impact Analysis Report. The ABAG projections result in higher countywide growth estimates (179,000 households) than the projections from the Impact Analysis (157,000 households), creating a range of potential household growth in Santa Clara County. Table A-1 shows projected household growth in Santa Clara County based on both sets of projections.

As shown in Table A-2, market demand for housing is likely to provide support for 235 to 1,763 new residential units in the PDA between 2015 and 2040. The low estimate assumes that household growth in Santa Clara County will be consistent with the projections derived from the High-Speed Rail Impact Analysis and that the Plan Area's share of countywide growth will be the same as its share of countywide growth between 2000 and 2015 (based on the figures provided in Table A-2). The high estimate assumes that household growth in Santa Clara County will be consistent with ABAG's projections, that the Plan Area Census Tracts will capture a share of countywide growth that is consistent with ABAG's projections, and that all of the household growth in the Plan Area Census Tracts will be captured in the Plan Area itself.

APPENDIX A

TABLE A-1 PROJECTED HOUSING UNIT GROWTH, 2015-2040

	2015-2025	2025-2030	2030-2035	2035-2040	Total 2015-2040
ABAG Estimates					
Santa Clara County	71,450	36,460	35,050	36,280	179,240
City of Gilroy	1,100	430	400	490	2,420
Plan Area Census Tracts ^a	779	307	300	377	1,763
Plan Area Census Tracts Share of Santa Clara County	1.1%	0.8%	0.9%	1.0%	1.0%
Estimates Derived from HSR Impact Analysis Report^b					
Santa Clara County	57,690	33,570	32,150	33,570	156,980

a. Plan Area Census Tracts consist of Census Tracts 5125.06, 5125.08, 5126.03, and 5126.04, which cover a larger area than the Specific Plan Area itself but are the Tracts that most closely match the Specific Plan Area boundaries. Census Tracts are used for projection purposes because projections are not available for the Specific Plan Area itself.

b. The 2012 California High-Speed Rail Impact Analysis Report provides estimated population growth in Santa Clara County between 2010 and 2030 with a compound annual growth rate of 0.9 percent. BAE used these figures to derive population estimates for each year between 2015 and 2030 and used the 0.9 percent compound annual growth rate to derive population projections through 2040. BAE assumed that the proportion of the population that lives in households throughout this period would be equivalent to the proportion of the population that lives in households in 2013 (98.2 percent). BAE assumed that the average household size in Santa Clara County would be equivalent to the average household size in the County in 2015, as shown in Table A-1.

Sources: ABAG Projections, 2013; ACS, 2013; California High-Speed Rail Authority, 2012; BAE, 2015.

TABLE A-2 PROJECTED HOUSING DEMAND, PLAN AREA, 2015-2040

	2015-2025	2025-2030	2030-2035	2035-2040	Total 2015-2040
Low Estimate	86	50	48	50	235
High Estimate	779	307	300	377	1,763
Assumptions					
Housing Unit Growth Santa Clara County					
Low Estimate ^a	57,690	33,570	32,150	33,570	156,980
High Estimate ^b	71,450	36,460	35,050	36,280	179,240
Plan Area Capture of Santa Clara County Growth					
Low Estimate ^c	0.1%	0.1%	0.1%	0.1%	0.1%
High Estimate ^d	1.1%	0.8%	0.9%	1.0%	1.1%

a. The low estimate of countywide housing unit growth is equivalent to the lower of the two growth projections shown in Table A-1.

b. The high estimate of countywide housing unit growth is equivalent to the higher of the two growth projections shown in Table A-1.

c. The low estimated capture rate assumes that the Plan Area's share of countywide growth between 2015 and 2040 will be equivalent to its share of countywide growth between 2000 and 2015, based on figures shown in Table 2-3.

d. The high estimated capture rate assumes that between 2015 and 2040, the share of countywide growth in the Census Tracts that encompass the Plan Area will be as shown in ABAG's 2013 projections, and that all of the growth in the Plan Area Census Tracts will occur in the Plan Area itself.

Sources: ABAG Projections, 2013; ACS, 2013; California High-Speed Rail Authority, 2012; BAE, 2015.

C. OFFICE DEMAND ESTIMATE METHODOLOGY

BAE estimated future demand for office space in Gilroy based on projected growth in employment and the amount of office space needed to accommodate the anticipated growth. ABAG projections estimate that employment in Santa Clara County will increase by 225,740 jobs between 2015 and 2040, as shown in Table A-3. Using 2013 ACS data showing occupation by industry for Santa Clara County and ABAG's projected distribution of jobs by industry, the figures in Table A-3 show that office-based jobs will account for an estimated 66 percent of all new jobs in Santa Clara County between 2015 and 2040. The estimated proportion of office jobs varies by industry, ranging from 20 percent for jobs in the retail industry to 93 percent for jobs in the information industry. Based on these proportions, ABAG's anticipated job growth in

Santa Clara County between 2015 and 2040 can be expected to include approximately 149,000 office jobs, or about 5,966 new office jobs per year.

The High-Speed Rail Impact Analysis also provides employment projections for Santa Clara County, which differ from ABAG's projections. The employment projections shown in the Impact Analysis estimate an increase of 254,500 jobs between 2010 and 2030, at an average annual growth rate of approximately 1.3 percent. Using these figures to project forward through 2040 results in estimated countywide job growth totaling 351,900 countywide between 2015 and 2040, higher than the job growth indicated in the ABAG projections. Based on the office job proportions derived from the ABAG projections, approximately 233,600 of these jobs will be office-based jobs (9,344 new office jobs per year), as shown on the lower line in Table A-3.

The countywide office employment growth projections just presented are higher than the Santa Clara County office growth projections considered in the 2040 Gilroy General Plan Update Background Report, which indicated potential for about 4,791 new office jobs per year, between 2012 and 2023. Generally, the ABAG and the General Plan Update Background Report projections are of the same order of magnitude, while the High-Speed Rail Impact Analysis projection presents a considerably more aggressive outlook for growth in office-based jobs throughout the county.

Table A-4 estimates the number of office-based jobs associated with ABAG's 2015-2040 employment growth projections, indicating potential for an increase of just over 1,900 new office-based jobs for the period, or an average of about 76 new office-based jobs per year. The General Plan Update Background Report projection estimated the potential for about 1,200 new office jobs in Gilroy between 2012 and 2023, or about 109 new office jobs per year for that shorter time period. Considering only the 2015-2025 time period shown on Table A-4, the office employment growth derived from the ABAG citywide employment growth projections is much closer (albeit still somewhat lower) than the General Plan Update Background Report projections. The 2015-2025 office employment growth figures in Table A-4 translate to about 96 new office jobs per year, for that period. For the longer 2015-2040 period, the ABAG employment projections for Gilroy suggest that new office jobs in the city will account for approximately 1.3 percent of new office jobs in Santa Clara County, as shown in Table A-4.

Table A-5 shows a range of potential future demand for office space in the Plan Area by estimating total office employment citywide and allocating a portion of the total to the Plan Area. The low demand estimate assumes that Gilroy will capture countywide growth in office employment at a rate that is consistent with the city's current share of the Santa Clara County office inventory. The high estimate assumes that Gilroy will capture countywide growth in office employment at the rate suggested by ABAG employment projections for 2040. These Gilroy office employment growth estimates bracket the office employment growth estimate that would have resulted if the methodology instead assumed that the average annual office growth rate indicated by the General Plan Update Background Report projection for 2012 to 2023 office employment growth would extend through 2040.

APPENDIX A

TABLE A-3 NEW OFFICE EMPLOYMENT, SANTA CLARA COUNTY, 2015-2040

Estimates Derived from ABAG Projections	2015-2025			2025-2030			2030-2035			2035-2040		
	Job Growth	% Office ^a	# of New Office Jobs	Job Growth	% Office ^a	# of New Office Jobs	Job Growth	% Office ^a	# of New Office Jobs	Job Growth	% Office ^a	# of New Office Jobs
Industry^b												
Agriculture & Natural Resources	-240	25.5%	-61	-280	25.5%	-71	-420	25.5%	-107	-360	25.5%	-92
Construction	6,360	22.6%	1,440	1,050	22.6%	238	1,440	22.6%	326	1,480	22.6%	335
Manufacturing & Wholesale	2,770	76.0%	2,106	-3,110	76.0%	-2,365	-1,250	76.0%	-951	-1,260	76.0%	-958
Retail	6,290	20.4%	1,281	610	20.4%	124	1,620	20.4%	330	1,670	20.4%	340
Transportation, Warehousing, Utilities	2,180	39.9%	870	260	39.9%	104	470	39.9%	188	470	39.9%	188
Information	5,440	93.1%	5,062	420	93.1%	391	870	93.1%	810	880	93.1%	819
Financial Activities	3,240	92.5%	2,996	130	92.5%	120	490	92.5%	453	420	92.5%	388
Professional Services	40,060	82.5%	33,055	13,290	82.5%	10,966	16,330	82.5%	13,475	17,420	82.5%	14,374
Health & Education	28,480	75.4%	21,479	10,520	75.4%	7,934	12,720	75.4%	9,593	13,750	75.4%	10,370
Leisure, Hospitality, & Other Services	18,950	30.3%	5,744	5,220	30.3%	1,582	6,830	30.3%	2,070	7,150	30.3%	2,167
Government	<u>1,010</u>	<u>60.8%</u>	<u>614</u>	<u>590</u>	<u>60.8%</u>	<u>359</u>	<u>890</u>	<u>60.8%</u>	<u>541</u>	<u>890</u>	<u>60.8%</u>	<u>541</u>
Total, All Industries	114,540	65.1%	74,588	28,700	67.5%	19,382	39,990	66.8%	26,728	42,510	67.0%	28,473
Estimates Derived from High-Speed Rail Impact Analysis Report												
Total, All Industries ^c	126,971	65.1%	82,684	70,079	67.5%	47,326	74,878	66.8%	50,046	80,006	67.0%	53,587

a. The proportion of office jobs by industry is estimated based on 2013 ACS occupation by industry data for Santa Clara County

b. New jobs by industry are from ABAG 2013 Projections.

b. The 2012 California High-Speed Rail Impact Analysis Report provides estimated employment growth in Santa Clara County between 2010 and 2030 with a compound annual growth rate of 1.3 percent. BAE used these figures to derive employment estimates for each year between 2015 and 2030 and used the 1.3 percent compound annual growth rate to derive population employment through 2040. To estimate the office employment as a share of total employment, BAE assumed the same proportion as derived from ABAG projections.

Sources: ABAG Projections, 2013; ACS, 2013; California High-Speed Rail Authority, 2012; BAE, 2015.

APPENDIX A

TABLE A-4 NEW OFFICE EMPLOYMENT, GILROY, 2015-2040

Industry Sector	2015-2025			2025-2030			2030-2035			2035-2040		
	Job Growth ^a	% Office ^b	# of New Office Jobs	Job Growth ^a	% Office ^b	# of New Office Jobs	Job Growth ^a	% Office ^b	# of New Office Jobs	Job Growth ^a	% Office ^b	# of New Office Jobs
Agriculture & Natural Resources	-10	25.5%	-3	-10	25.5%	-3	0	25.5%	0	-10	25.5%	-3
Manufacturing, Wholesale & Transportation	70	71.9%	50	-30	71.9%	-22	-10	71.9%	-7	0	71.9%	0
Retail	180	20.4%	37	20	20.4%	4	50	20.4%	10	50	20.4%	10
Financial & Professional Service	320	84.5%	270	90	84.5%	76	130	84.5%	110	120	84.5%	101
Health, Educational & Recreational Service	840	57.7%	485	270	57.7%	156	350	57.7%	202	360	57.7%	208
Other Jobs	210	56.7%	119	40	56.7%	23	70	56.7%	40	70	56.7%	40
Total, All Industries	1,610	63.2%	959	380	63.2%	234	590	63.2%	354	590	63.2%	356
Projected Share of Countywide Office Employment Growth in Gilroy			1.3%			1.2%			1.3%			1.3%

a. New jobs by industry are from ABAG 2013 Projections.

b. The proportion of office jobs by industry is estimated based on 2013 ACS occupation by industry data for Santa Clara County.

Sources: ABAG, 2013; ACS, 2013; BAE, 2015.

APPENDIX A

The low and high estimates both assume that the Plan Area's share of citywide office employment growth will be equivalent to the share of total citywide employment growth in the Census Tracts that encompass the Plan Area, per ABAG projections. Although the Plan Area Census Tracts encompass a larger area than the Plan Area itself, the Plan Area is the most likely location for new office employment in these Census Tracts because much of the rest of the area in these Census Tracts consists of mostly built out single-family residential development. This methodology results in a baseline estimate of future demand for office space in the Plan Area totaling approximately 186,300 to 549,700 square feet between 2015 and 2040.

In addition, Table A-5 includes a higher estimate that assumes that high-speed rail will cause a 25-percent increase in the potential supportable office square footage in the Plan Area above the baseline high estimate. This results in an estimated demand for up to 645,200 square feet of office space in the Plan Area by 2040. These relatively conservative growth estimates reflect both ABAG's more recent and substantially reduced outlook for employment growth in Gilroy and the fact that the Gilroy office market has not responded in a significant way to the unprecedented boom in office development that is occurring in parts of Santa Clara County further to the north. In addition, while developers interviewed for this study felt that high-speed rail would have a positive impact on Plan Area demand for office space and for office space in Gilroy as a whole, none felt that it was possible to quantify the magnitude of that positive effect in a meaningful way. Most felt that a wait and see attitude would prevail within the development community, rather than speculative interest in office development for a location such as this.

D. LODGING DEMAND ESTIMATE METHODOLOGY

As shown in Table A-6, BAE estimated that demand for hotel rooms in Gilroy will provide support for approximately 289 to 1,404 additional rooms by 2040. The low end of this range assumes that hotel room demand in Santa Clara County will increase by 2.4 percent per year, consistent with average annual growth in travel-related employment in the accommodation and food service industry in Santa Clara County between 1992 and 2014, and that Gilroy will capture a share of new hotel room demand that is equivalent to the city's current share of the countywide hotel room inventory.

The high end of the range assumes that hotel room demand in Santa Clara County will increase by 3.8 percent per year, consistent with the inflation-adjusted average annual increase in statewide lodging expenditures between 1992 and 2014, and that Gilroy will capture a share of the countywide hotel room demand that is slightly larger than the city's current share, based on estimated hotel room stays in Gilroy derived from projected boardings at the Gilroy high speed rail station.

The high and low estimates of projected hotel room demand both assume that the Plan Area will capture half of the citywide demand for hotel rooms between 2015 and 2040. This is consistent with the current distribution of hotel rooms in Gilroy, and assumes that a significant portion of future hotel development in the city will be located in freeway-adjacent locations outside of the Plan Area.

TABLE A-5 PROJECTED OFFICE DEMAND, PLAN AREA, 2015-2040

	Projected Demand (sq. ft.)				Total, 2015-2040
	2015-2025	2025-2030	2030-2035	2035-2040	
Low Estimate	82,287	30,321	34,734	38,939	186,281
High Estimate	167,463	127,932	123,211	131,050	549,655
High Estimate with Increase from High-Speed Rail ^a	167,463	159,915	154,013	163,812	645,204
Assumptions					
Projected Demand for Office Space, Santa Clara County ^b					
Low Estimate	18,647,081	4,845,415	6,681,983	7,118,172	37,292,651
High Estimate	20,670,901	11,831,437	12,511,507	13,396,774	58,410,618
Projected Office Employment Growth, Santa Clara County					
Low Estimate ^c	74,588	19,382	26,728	28,473	149,171
High Estimate ^d	82,684	47,326	50,046	53,587	233,642
Gilroy Share of New Santa Clara County Office Demand					
Low Estimate ^e	0.7%	0.7%	0.7%	0.7%	
High Estimate ^f	1.3%	1.2%	1.3%	1.3%	
Plan Area Share of Citywide Office Development (g)					
	63.0%	89.4%	74.3%	78.1%	

a. High estimate with increase from high-speed rail assumes that beginning in 2025-2030 time period, HSR will support a maximum of 25 percent more office space than the high demand estimate that is based on ABAG figures.

b. Total new office space demand is based on an average of 250 square feet per employee.

c. The low estimate of countywide office growth is equivalent to the lower of the two growth projections shown in Table A-3.

d. The high estimate of countywide office growth is equivalent to the higher of the two growth projections shown in Table A-3.

e. Low estimate assumes that Gilroy will capture countywide growth in office demand at a rate consistent with the city's current share of the countywide office inventory.

f. High estimate assumes that Gilroy will capture countywide growth in office employment at the rate suggested by ABAG employment projections for 2040.

g. The estimated capture rate for the Plan Area assumes that the Plan Area's share of citywide office growth will be equivalent to the share of total citywide employment growth in the Census Tracts that encompass the Plan Area, per ABAG projections.

Sources: ABAG Projections, 2013; California High-Speed Rail Authority, 2012; BAE, 2015.

E. RETAIL DEMAND ESTIMATE METHODOLOGY

BAE estimates that retail spending will generate potential demand for 383,000 to 530,600 square feet of retail space in the Plan Area between 2015 and 2040, as shown in Table A-7. BAE based this estimate on the residential, office, and lodging demand estimates discussed above and anticipated retail purchases by Gilroy residents, workers, and visitors.

As shown in Table A-7, new spending by Gilroy residents in the Plan Area would include expenditures by new Plan Area households and new Gilroy households living outside of the Plan Area in addition to capturing a larger share of expenditures from existing Gilroy households. BAE assumed that retail expenditures average approximately \$39,500 per household per year, which is equivalent to the statewide average expenditures per household.¹ By 2040, the estimates in Table A-7 show that expenditures in the Plan Area will account for 65 percent of retail expenditures by Plan Area households, 25 percent of retail expenditures by new Gilroy households that live outside of the Plan Area, and 15 percent of retail expenditures by existing Gilroy households, in addition to expenditures that existing households currently

¹ BAE estimated statewide average expenditures per household using 2013 statewide taxable sales data from the California State Board of Equalization, adjusted to estimate total sales (i.e. both taxable and non-taxable sales), and 2013 statewide population estimates from ACS. The average was inflated to 2015 dollars.

APPENDIX A

TABLE A-6 PROJECTED HOTEL ROOM DEMAND, PLAN AREA, 2015-2040

Hotel Room Demand in the Plan Area	2015-2025	2025-2030	2030-2035	2035-2040	Total, 2015-2040
Low Estimate	95	57	64	72	289
High Estimate	158	728	236	281	1,404
Assumptions					
Plan Area Share of Gilroy Hotel Room Demand, 2015-2040 ^a	50%	50%	50%	50%	
Gilroy Share of Santa Clara County Hotel Room Demand, 2015-2040					
Low Estimate ^b	2.6%	2.6%	2.6%	2.6%	
High Estimate ^c	2.6%	10.5%	3.8%	3.8%	
Projected Hotel Room Demand in Santa Clara County					
Low Estimate	7,253	4,329	4,877	5,495	21,954
High Estimate	12,019	7,892	9,491	11,414	40,816
Average Annual Growth in Travel to Santa Clara County, 1992-2012					
Low Estimate ^d	2.4%	2.4%	2.4%	2.4%	
High Estimate ^e	3.8%	3.8%	3.8%	3.8%	
Hotel Rooms in Santa Clara County, 2015 ^f	26,929				

a. Estimate of Plan Area share of Gilroy room demand is approximately equivalent to the Plan Area's current share of hotel rooms citywide.

b. Low estimate of Gilroy share of Santa Clara County hotel room demand assumes that Gilroy maintains its current share of hotel rooms in the County through 2040.

c. High estimate of Gilroy share of Santa Clara County hotel room demand assumes that Gilroy captures a share of new hotel room demand in Santa Clara County that is slightly larger than the city's current share, based on estimated hotel room stays in Gilroy derived from high-speed rail ridership projections.

d. Low estimate of annual growth in travel to Santa Clara County is based on annual growth in travel-related employment in the accommodation and food service industry in Santa Clara County between 1992 and 2014, according to Dean Runyan Associates (<http://www.deanrunyan.com/CATravelImpacts/CATravelImpacts.html>, accessed 8/23/15).

e. High estimate of annual growth in travel to Santa Clara County is based the countywide trend, inflation-adjusted, for annual taxable room sales between 1992 and 2014, according to Dean Runyan Associates (<http://www.deanrunyan.com/CATravelImpacts/CATravelImpacts.html>, accessed 8/23/15).

f. Estimated number of hotel rooms in Santa Clara County per Smith Travel Research.

Sources: Smith Travel Research, 2015; Dean Runyan Associates California Travel Impacts website, 2015; BAE, 2015.

make in the Plan Area. These capture rates are based on the 2006 economic background report for the Downtown Gilroy Strategic Plan, which estimated that, with the right mix of retail, Downtown Gilroy could capture 65 percent of spending by households within a quarter mile of Downtown and 25 percent of retail spending from Gilroy households that live more than one half mile from Downtown. BAE estimated that the capture rate for each of these groups will be lower prior to 2035, to allow time for the retail offerings in the Plan Area to achieve a mix that attracts a higher share of spending than it currently captures.

BAE estimated that Plan Area office employees will spend an average of approximately \$3,800 in the Plan Area each year. This figure is based total office worker spending near work, according to *Office Worker Spending in the Digital Age* (International Council of Shopping Centers, 2012). The estimates shown in Table A-7 assume that by 2040, expenditures in the Plan Area account for half of the expenditures that Plan Area office employees make near work.

BAE estimated that retail expenditures by Play area hotel guests will average \$42,400 per room annually. This estimate is based on data that show that visitors to Santa Clara County spend a total of \$1.8 billion on food service, retail sales, and food stores and that visitors staying in hotels and motels account for 64 percent of visitor spending in Santa Clara County, resulting in an estimated \$1.14 billion in food service, retail, and food store spending by hotel and motel guests countywide. This total was divided by the total inventory of hotels rooms in Santa Clara County (26,929; see Table A-6) to estimate the average retail

APPENDIX A

TABLE A-7 PROJECTED RETAIL DEMAND, PLAN AREA, 2015-2040

Retail Demand in the Plan Area (sq. ft.) ^a	2015-2025	2015-2030	2015-2035	2015-2040
Low Estimate	102,802	231,932	346,480	382,963
High Estimate	116,743	300,166	448,609	530,607
Total Net Increase in Retail Spending				
Low Estimate	\$35,980,657	\$81,176,068	\$121,268,041	\$134,037,132
High Estimate	\$40,860,193	\$105,057,973	\$157,013,214	\$185,712,328
Increase in Retail Spending by Source (Annual)				
Increase in Residents' Retail Spending				
Low Estimate	\$34,497,227	\$70,520,935	\$107,537,350	\$116,431,639
High Estimate	\$38,070,411	\$83,230,762	\$126,353,003	\$143,696,695
Increase in Retail Spending from Office Employment Growth				
Low Estimate	\$877,214	\$1,371,936	\$2,019,499	\$2,836,897
High Estimate ^b	\$1,785,226	\$3,988,559	\$6,598,072	\$9,825,909
Increase in Retail Spending from Growth in Hotel Stays				
Low Estimate	\$606,215.43	\$1,290,730	\$2,292,842	\$3,669,982
High Estimate	\$1,004,555.82	\$7,514,261	\$11,895,844	\$17,852,922
New Retail Spending from Day Visitors				
Low Estimate	\$0	\$7,992,467	9,418,350	\$11,098,614
High Estimate	\$0	\$10,324,390	12,166,295	\$14,336,802
Assumptions				
Residential Assumptions				
Retail Spending per Household (Annual) ^c	\$39,498	\$39,498	\$39,498	\$39,498
Plan Area Capture of New Plan Area Resident Spending	20%	45%	55%	65%
Plan Area Capture of Other New Citywide Resident Spending	10%	15%	20%	25%
Added Plan Area Capture of Spending by Existing Households	5%	10%	15%	15%
Office Assumptions				
Retail Spending near work per Office Employee (Annual) ^d	\$7,615	\$7,615	\$7,615	\$7,615
Plan Area Capture of Office Employee Spending	35%	40%	45%	50%
Hotel Assumptions				
Retail Spending per Available Hotel Room (Annual) ^e	\$42,388	\$42,388	\$42,388	\$42,388
Plan Area Capture of Hotel Guest Spending	15%	20%	25%	30%
Day Visitor Spending Assumptions				
Retail Spending in Station Area by Day Visitors, per day	\$3	\$5	\$5	\$5
Average Retail Sales per Square Foot	\$350	\$350	\$350	\$350

Note: All dollar figures are in 2015 dollars.

a. Supportable retail square footage is based on retail sales averaging \$350 per square foot.

b. High estimate of retail spending from office employment growth is based on highest estimate in Table A-5, which assumes an increase in office demand attributable to high-speed rail starting in the 2025-2030 time period.

c. BAE estimated annual retail spending per household by dividing total 2013 retail estimated sales in the Bay Area per data from the California State Board of Equalization, inflated to 2015 dollars and divided by total household in the Bay Area in 2013 per ACS estimates. Estimated 2040 shares of spending in the Plan Area are based on proportions estimated in the 2006 Downtown Strategic Plan.

d. Retail spending near work per International Council of Shopping Centers, *Office-Worker Spending in a Digital Age*, 2012. 2012 Figures inflated to 2015 dollars.

e. Annual retail spending per available room based on total travel spending in Santa Clara County by accommodation type and spending category, according to Dean Runyan Associates (<http://www.deanrunyan.com/CATravelImpacts/CATravelImpacts.html>, accessed 8/23/15) and total hotel rooms in Santa Clara County according to STR.

Sources: ICSC, 2012; Smith Travel Research, 2015; Dean Runyan Associates California Travel Impacts website, 2015; BAE, 2015.

APPENDIX A

spending per Santa Clara County hotel room. BAE estimates that the Plan Area will capture 30 percent of Plan Area hotel guest expenditures by 2040 and smaller shares prior to 2035.

BAE estimated high-speed rail patrons passing through the station area on their way to or from the train station will spend an average of five dollars each in the station area. These expenditures could include a meal, coffee, or other items.