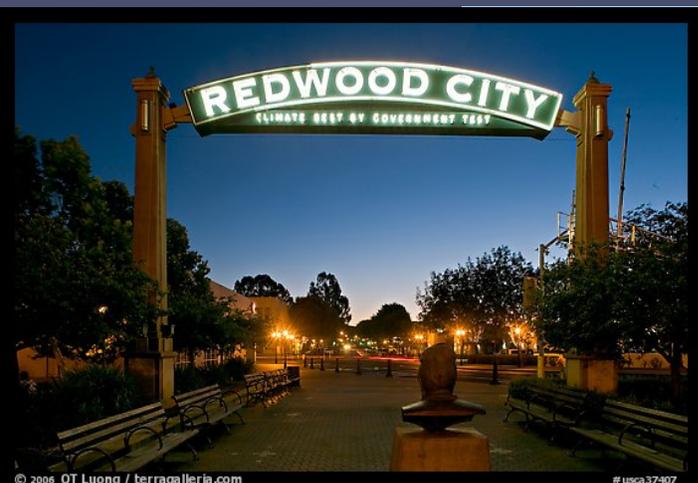


bae urban economics

Redwood City Inner Harbor Specific Plan Market Overview and Demand Analysis

Final February 2014



© 2006 QT Luong / terragalleria.com

#usca37407

bae urban economics

February 6, 2014

Lisa A. Brownfield
Director of Planning Services, Pasadena
MIG Hogle-Ireland
169 North Marengo Avenue
Pasadena CA 91101

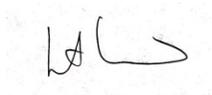
RE: Market Overview and Demand Analysis for Inner Harbor Specific Plan

Dear Ms Brownfield:

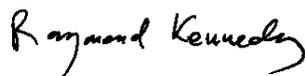
Attached, please find BAE's final Market Overview and Demand Analysis which provides demographic, economic, and real estate market information to inform the Inner Harbor Specific Plan process.

Please call or email David Shiver at 510.547.9380 or dshiver@bae1.com if you have any questions or wish to discuss the data and findings.

Sincerely,



David L. R. Shiver
Principal



Raymond Kennedy
Vice-President

San Francisco
1285 66th Street
Emeryville, CA 94608
510.547.9380

Sacramento
803 2nd St. Suite A
Davis, CA 95616
530.750.2195

Los Angeles
5405 Wilshire Blvd., Suite 291
Los Angeles, CA 90036
213.471.2666

Washington DC
1436 U St. NW, Suite 403
Washington, DC 20009
202.588.8945

New York City
121 West 27th St., Suite 705
New York, NY 10001
212.683.4486

Table of Contents

EXECUTIVE SUMMARY	1
Location	1
Demographics	1
Employment Trends	2
Residential Market.....	3
Office Market.....	4
Hotel Market.....	5
Retail Market.....	5
R&D and Industrial Market.....	6
Demand Forecast.....	6
INTRODUCTION	8
Definition of Plan Area	8
DEMOGRAPHIC TRENDS	10
Data Sources.....	10
Plan Area Demographics	10
Population and Household Trends.....	11
Household Composition.....	12
Age Distribution	13
Ethnicity	14
Household Income Distribution.....	15
Educational Attainment	16
Schools	17
Implications for the Specific Plan.....	17
EMPLOYMENT TRENDS	19
Jobs by Industry and Occupation	19
Major Employers.....	21
Resident Employment.....	22

Commute Flow.....	24
Implications for the Specific Plan.....	25
REAL ESTATE MARKET TRENDS	26
Residential Market.....	26
Office Real Estate Market Overview.....	35
Life Sciences Industry Overview.....	41
Hotel Market Overview.....	44
Retail Market Overview.....	50
R&D and Industrial Market Overview.....	53
POTENTIAL MARKET SUPPORT FOR NEW DEVELOPMENT	55
Household and Employment Projections.....	55
Housing Demand.....	56
Office Demand.....	57
Hotel Demand	60
APPENDIX A: PLANNED AND PROPOSED PROJECTS	63

List of Tables

TABLE ES-1: SUMMARY OF DEMAND ESTIMATES, REDWOOD CITY, 2013-2035	7
TABLE 1: PLAN AREA DEMOGRAPHICS, 2010	11
TABLE 2: POPULATION AND HOUSEHOLD TRENDS, 2000-2013	12
TABLE 3: HOUSEHOLD COMPOSITION, 2000-2010	13
TABLE 4: ETHNICITY, 2000-2010	15
TABLE 5: HOUSEHOLD INCOME	16
TABLE 6: EDUCATIONAL ATTAINMENT FOR POPULATION 25+ YEARS OF AGE.....	17
TABLE 7: OCCUPATION AND INDUSTRY BY WORKPLACE LOCATION.....	21
TABLE 8: PRINCIPAL PRIVATE EMPLOYERS IN REDWOOD CITY, 2012	22
TABLE 9: EMPLOYMENT AND UNEMPLOYMENT TRENDS, REDWOOD CITY, SAN MATEO COUNTY, AND CALIFORNIA, 2006-2011	23
TABLE 10: EMPLOYED RESIDENTS BY OCCUPATION AND INDUSTRY.....	24
TABLE 11: COMMUTER FLOWS	25
TABLE 12: HOUSING UNITS BY UNITS IN STRUCTURE	27
TABLE 13: HOUSEHOLD TENURE, 2000 & 2010	28
TABLE 14: SALE PRICE DISTRIBUTION OF SINGLE-FAMILY RESIDENCES AND CONDOMINIUMS BY NUMBER OF BEDROOMS, APRIL-SEPTEMBER 2013.....	31
TABLE 15: REDWOOD CITY HOTEL INVENTORY, SEPTEMBER 2013.....	47
TABLE 16: SAN MATEO COUNTY RETAIL INVENTORY, SECOND QUARTER 2013	51
TABLE 17: TOTAL AND PER CAPITA TAXABLE RETAIL SALES, 2011	52
TABLE 18: HOUSEHOLD, HOUSING UNIT, & EMPLOYMENT PROJECTIONS, 2010 & 2040	56
TABLE 19: PROJECTED HOUSING DEMAND, REDWOOD CITY, 2013-2035.....	57
TABLE 20: ANNUAL OFFICE SPACE DEMAND, SAN MATEO COUNTY, 2010-2040	58
TABLE 21: RECENTLY PROPOSED CORPORATE CAMPUSES.....	59
TABLE 22: PROJECTED OFFICE DEMAND, REDWOOD CITY, 2013-2035.....	60
TABLE 23: PROJECTED LODGING DEMAND, REDWOOD CITY, 2035	62
TABLE A-1: PLANNED AND PROPOSED DEVELOPMENT, REDWOOD CITY, SEPTEMBER 2013	64

List of Figures

FIGURE 1: MAP OF PLAN AREA	9
FIGURE 2: AGE DISTRIBUTION, 2010	14
FIGURE 3: REDWOOD CITY JOBS BY MAJOR INDUSTRY, 2007-2011	20
FIGURE 4: RESIDENTIAL UNITS PERMITTED, 2003-2012	29
FIGURE 5: UNITS PERMITTED BY UNITS IN STRUCTURE, 2003-2012	29
FIGURE 6: MEDIAN HOME SALE PRICE, 2005-2012.....	30
FIGURE 7: RENTAL STOCK BY NUMBER OF BEDROOMS, 2ND QUARTER 2013	33
FIGURE 8: VACANCY RATE TRENDS, 2005-2013	34
FIGURE 9: OFFICE INVENTORY, 2003-2013	37
FIGURE 10: ANNUAL NET OFFICE ABSORPTION, REDWOOD CITY, 2003-2012	38
FIGURE 11: ANNUAL NET OFFICE ABSORPTION, SAN MATEO COUNTY, 2003-2102.....	39
FIGURE 12: CLASS A OFFICE LEASE RATES, 2ND QUARTER 2003 TO 2ND QUARTER 2013.	40
FIGURE 13: OFFICE VACANCY RATES, 2ND QUARTER 2003 TO 2ND QUARTER 2013.....	41
FIGURE 14: PASSENGER VOLUME, SFO, 2006 TO 2013.....	46
FIGURE 15: OCCUPANCY BY DAY OF WEEK, MARKET AREA.....	48
FIGURE 16: AVERAGE DAILY RATE AND OCCUPANCY RATE, 2007-2012	49

EXECUTIVE SUMMARY

Location

The Inner Harbor Specific Plan area (Plan Area) is an opportunity for Redwood City to enhance its competitive position to attract new residents and businesses. The Plan Area will likely be highly desirable to developers and businesses seeking a unique location that offers both a waterfront and proximity to Downtown.

- Redwood City is strategically located midway between San Francisco and Silicon Valley, offering access to a deep labor pool of technology and bioscience workers and giving residents access to jobs at other employment centers.
- The plan area offers significant frontage along Highway 101 with excellent visibility.
- Although the Inner Harbor area is somewhat isolated geographically from the rest of Redwood City, the plan area is close to and has good potential connectivity with downtown and Redwood City's Caltrain Station.
- Access to Highway 101 is provided primarily through Seaport Boulevard/Highway 84 as well as by Maple Street which connects to both Whipple Avenue and Seaport Boulevard.
- The Plan Area's water front features and uses, including the Docktown Marina and the Bair Island Aquatic Center, represent potential amenities that could give the Plan Area character. With physical improvements, the Plan Area's water front could provide a unique destination and enhance its marketability for mixed uses.

Demographics

A city of just under 80,000, Redwood City attracts a rich diversity of residents in all age groups, ethnicities, and household types, including a growing Hispanic community.

- The existing population of the Plan Area is small, only 233 people as of 2010. The existing population is accounted for by residents living in the marina at Docktown and by inmates in group living at a San Mateo County jail facility.
- The City has experienced a recent increase in population (approximately 2,300 residences since 2010), reflecting new residential development.
- Redwood City has a diverse population with an overall demographic profile more akin to that of the Bay Area's than of San Mateo County's.

- The City’s proven ability to attract a diverse residential population, including younger households, indicates that new residential and commercial uses in the Inner Harbor Area could be targeted to a wide variety of market segments.
- Retention of younger technically-skilled households is important to attract new businesses to the City because employers are now seeking locations in communities preferred by their workforce.
- Household and per capita income levels for Redwood City are also similar to those of the Bay Area, suggesting that the City continue to provide a diverse range of housing (both rental and for-sale; affordable and market rate) for existing and future residents.

Employment Trends

Redwood City and San Mateo County have consistently outperformed California with respect to employment growth and unemployment rates –reflecting the strength of local employers and desirability of the local workforce. The City’s jobs/housing imbalance suggests that there is additional demand for housing from workers who currently live outside the City and would like to be located closer to work.

- In the 2008 to 2011 American Community Survey, Redwood City was estimated to have had a total job base of approximately 53,400 jobs, with over half these jobs in the Management, Business, Science and the Arts occupations.
- Major private employers include the Oracle Corporation, Electronic Arts, Dreamworks, Kaiser Permanente, and Stanford Hospital Group.
- Redwood City had approximately 42,100 employed residents in 2011, accounting for about 11 percent of total San Mateo County employment as tracked by the California Employment Development Department. From the cyclic low reached during 2009 and 2010, Redwood City has added approximately 4,100 jobs, nearly an 11 percent gain. Total employment now exceeds the pre-Great Recession peak reached in 2007.
- The City’s unemployment rate of 5.3 percent in August 2013 is sharply lower than California’s unemployment rate and historically has tracked below the state average, indicating consistent strength in the City’s economy.
- There is a significant difference in the occupations of residents compared to workers in Redwood City. While 54 percent of persons with jobs located in Redwood City have occupations in “Management, Business, Science, and Arts”, 42 percent of employed residents report having occupations in the same category –a spread of 12 percentage

points. These data suggest that new residential development in the Plan Area might be attractive to workers in these occupations who seek a closer location to their workplace, particularly for younger workers. Attracting generally higher-paid workers to live in Redwood City could add to the overall purchasing power of the community to support its retail sector, particularly housing located near Downtown.

- Approximately 16,100 more people commute into Redwood City than commute out, suggesting that new residential development could meet the needs of workers seeking to reduce their commute times and improve the City's jobs-housing balance.

Residential Market

There has been a large amount of recent activity in the Redwood City residential market, as evidenced by high sale prices, rents, and occupancy rates, coupled with a recent increase in building activity. As the following sections will show, home sale prices are approaching pre-recession levels, while rent and occupancy rates among rental properties have far surpassed levels seen before the recession. Furthermore, a recent surge in building activity in the City is bringing a large amount of new housing to the market, with over 2,000 units in the development pipeline and a particularly large amount of rental properties.

- For-sale homes prices have recovered strongly from the Great Recession and are one indicator of demand for additional housing in Redwood City. The median home price has increased by 14 percent from 2009 to the end of 2012. New homes in One Marina, across Redwood Creek from the Plan Area have been selling from 500,000 to \$650,000 over the past twelve months.
- There are very few multi-family for-sale in Redwood City, suggesting a need to expand for-sale housing opportunities through encouragement of new for-sale multifamily units such as townhomes and condominiums. Condominium sales comprised less than 10 percent of total homes sales between April and September 2013.
- Rental residential occupancy and rental rates have also recovered strongly. The average monthly rent for an apartment in a complex with 50 or more units is now higher (\$2,239 average monthly rental rate) than at any time over the past nine years.
- The lack of three-bedroom apartments in larger apartment complexes covered by RealFacts suggests that there may be a need for larger units with three or more bedrooms to accommodate families with children. Only 0.50 percent of apartments covered by RealFacts had three or more bedrooms compared to 3.5 percent for all apartment complexes tracked by RealFacts in the Bay Area.

- The Inner Harbor Specific Plan Area is a desirable location for both for-sale and rental housing due to its waterfront orientation and access to Highway 101 and Downtown Redwood City.
- To enhance the marketability of the Plan Area for residential, physical improvements of the Docktown marina would be recommended to improve its visual appeal.

Office Market

The office market in both Redwood City and San Mateo County has recovered to an extent that new construction is feasible and necessary to accommodate new or growing companies in Redwood City and the Peninsula. For office space to perform well, given today's office tenant and employee preferences, consideration should be made to provide robust connectivity between the Specific Plan area and Downtown Redwood City, in particular to its Caltrain Station.

- As of the end of the second quarter 2013, Redwood City had an existing office inventory of 9.3 million square feet, or 30 percent of San Mateo County's total inventory.
- Recovering from the Great Recession, office vacancy rates for office space in the City have fallen to 10 percent, indicating a healthy, balanced market.
- Average asking rents for Class A office space have reached \$3.44 monthly per square foot on a full service basis and now exceed the peak level reached prior to the Great Recession.
- Net absorption has averaged approximately 145,000 square feet annually between 2003 and 2012.
- As of the summer of 2013, there are 1.8 million square feet of planned and proposed office space in Redwood City.
- New office development will permit the City to offer state-of-the-art, energy-efficient office space with floor sizes and layouts demanded by technology and life-science end users and tenants. Only 560,000 square feet of the City's office inventory (6 percent), is in Class A, LEED-certified or Energy Star-rated structures.
- Redwood City is located in a robust life-science corridor stretching from Mission Bay in San Francisco to Palo Alto, making the Inner Harbor, with its access and frontage on Highway 101, highly attractive as a potential location for this use.

Hotel Market

The Inner Harbor plan area offers highly desirable access and frontage on Highway 101 for hotel and hospitality development. Market conditions as measured by industry-standard metrics, as well as by forecasts of future population and employment growth, signal support for additional hotel/hospitality development in the range of 100 to 200 rooms beyond what is already planned and proposed.

- Hotel operators report that approximately 75 percent of guest stays are business-related.
- High occupancy and increasing average daily room rates and revenue-per-available-room (REVpar) indicate potential support for additional hotel rooms. Occupancy ranges from 70 to 90 percent on weekdays and REVpar is \$147 nightly per room, exceeding REVpar achieved at the peak of the last business cycle.
- Increased employment in Redwood City, particularly in Downtown and in the Stanford in Redwood City Precise Plan area, will likely increase demand for upper midscale, upscale, upper-upscale, and luxury hotel brands in Redwood City.
- Increased traffic at San Francisco International Airport will not only increase demand by business travelers but leisure passengers as well.
- Hotel developers and operators prefer high-visibility locations with freeway access.
- Due to the risky nature of hotel development and investment, Redwood City should have multiple sites identified for potential hotel development to ensure that future demand can be met.

Retail Market

While the Plan Area has frontage and visibility on Highway 101, site access constraints make the area less attractive for regional or community retail shopping centers. However, the Plan Area's water orientation and uses such as Docktown Marina and the Aquatic Center, suggest that some destination restaurant uses might be feasible along with a small amount (5,000 to 15,000 square feet) of neighborhood convenience retail to support mixed use redevelopment.

- Reflecting a high level of auto sales, Redwood City's 2011 per capita taxable retail sales are sharply higher than San Mateo County's (\$15,200 versus \$11,900, respectively).
- After netting out auto sales, Redwood City's per capita taxable retail sales drop to \$10,900 and are very similar to the County's 2011 per capita sales of \$10,200. This suggests that Redwood City is not experiencing any significant leakage of retail sales to other communities.

- The retail vacancy rate for retail properties in South San Mateo County (based upon publicly available data from Terranomics, a regional retail commercial brokerage firm, was 3.5 percent as of the end of second quarter 2013, indicating greater demand than supply for retail space.

R&D and Industrial Market

- The R&D and industrial markets have recovered strongly from the Great Recession and tightening vacancies are signals of robust demand.
- However, since traditional R&D facilities and industrial properties tend to be low density and lower value (in terms of achievable rents), these properties are frequently acquired and sought for redevelopment into higher density office or mixed uses.
- From an economic development perspective, retention of these facilities can offer low cost facilities for light manufacturing or prototype development as well as space for technology or bioscience start-ups.

Demand Forecast

Based upon forecasts of population and employment growth for Redwood City and San Mateo County, there is generally strong demand for a variety of land uses, including residential (both for-sale and rental), office, and hotel between 2013 and 2035¹. (See Table ES-1). Neighborhood convenience retail in a small quantity, from 5,000 to 15,000 square feet could also be supported with new development in the Inner Harbor Specific Plan area without competing with retail in Downtown Redwood City.

- The Association of Bay Area Governments (ABAG) projects Redwood City's number of households will grow by almost 9,000 between 2010 and 2040 and that the number of jobs will increase by over 19,000 over the same period.
- Total city wide demand for new residential uses, after netting out units under construction, planned, and proposed, is between 4,500 to 5,500 units through 2035.
- Net new demand for office space city wide is estimated to range between 3.0 and 4.5 million square feet based upon a set of low and high demand assumptions.
- In addition to what has been planned or proposed, BAE estimates that there will be new demand between 2013 and 2035 for between 100 and 200 hotel rooms in Redwood City.

¹ The planning horizon for the Inner Harbor Specific Plan is 2013 to 2035.

- To support these uses, the Specific Plan Area can support a limited amount of neighborhood convenience retail, between 5,000 and 15,000 square feet.

Table ES-1: Summary of Demand Estimates, Redwood City, 2013-2035

<u>Land Use</u>	<u>2013 to 2035 Demand</u>
Residential	4,500 to 5,000 units For-sale and rental
Office	3.0 to 4.5 million sq. ft.
Hotel	100 to 200 rooms
Retail	5,000 to 15,000 square feet Neighborhood Convenience

Source: BAE, 2013.

INTRODUCTION

The City of Redwood has initiated a specific plan process for revitalizing the Inner Harbor area to create a special waterfront place, implementing General Plan policy, improving connections to the Bay Trail, and building on the success of Downtown Redwood City. This report presents to Inner Harbor Specific Plan stakeholders information related to demographic, economic, and real estate market conditions in Redwood City and San Mateo County. This information is intended to provide a general economic and real estate market context for the overall specific planning process and discussion of potential uses. The report covers residential for-sale and rental, office, bioscience, hotel, and neighborhood retail uses with a discussion of the implications of BAE's findings for the Inner Harbor Specific Plan Area.

Definition of Plan Area

The Inner Harbor Specific Plan area (Plan Area) is bounded by Redwood Creek on the northwest, the Bayshore Freeway (Highway 101) on the south-southwest, Graniterock Peninsula Road Materials to the east and Seaport Centre, a high tech business park, to the north. Redwood Creek, sloughs and Highway 101 make the Plan Area somewhat geographically isolated from other areas. Downtown Redwood City is located on the opposite side of Highway 101 and the City's Caltrain station is approximately one mile from the Plan Area. The Plan Area is approximately three miles southeast of Redwood Shores via Highway 101, and geographically separated from Redwood Shores by Bair Island and the sloughs surrounding Bair Island. From the west side of Highway 101, the Plan Area is accessible via either Maple Street or Woodside Road (Highway 84), which turns into Seaport Boulevard in the Plan Area. From Highway 101 heading north or south, the Plan Area is accessible via the Highway 84/Woodside Road/Seaport Boulevard exit.

Existing development in the Plan Area and the area adjacent to Plan Area consists of a wide range of uses. In the western portion of the Plan Area, there is a police station, a women's correctional facility, and men's and women's transitional housing facilities. Docktown Marina, a city-managed facility, is on the western edge of the Plan Area, providing the only housing in the Plan Area other than the correctional and transitional facilities, along with a small marina for other boats. The eastern portion of the Plan Area has the Malibu Grand Prix go kart track and miniature golf course, (which closed earlier in 2013), police station, and new County jail facility. The Harbor Ready Mix concrete plant is located just outside of the eastern edge of the Plan Area. The Port of Redwood City is located northeast of the Plan Area along Seaport Boulevard, along with a mix of industrial yard space, low-density office and R&D developments, low- to mid-rise office developments, and a yacht club and marinas.

A map of the Plan Area is shown in Figure 1.

Figure 1: Map of Plan Area



Source: MIG, 2013.

DEMOGRAPHIC TRENDS

Demand for residential and commercial land uses is partly a function of a community's demographics, as well as prospects for future population and household growth. The following sections detail demographic characteristics and trends in Redwood City, including how the City has changed and how it will grow over the next two decades – all of which will inform the real estate market demand analysis presented in later sections of this report.

Data Sources

Demographic data were compiled from the US Census, the California Department of Finance, and the American Community Survey (ACS). The ACS is conducted by the US Census Bureau, which uses continuous sampling to produce demographic estimates on an annual basis to replace the data previously collected through the decennial census “long-form” questionnaire. Estimates for small geographic areas are based on data collected over a five-year period, while estimates are produced for larger areas based on data collected over five-, three-, and one-year periods.² Most of the ACS data used in the demographic analysis below is based on data collected between 2007 and 2011. While these data cannot represent conditions at a specific point in time, as in the previous decennial censuses, they are updated on an annual basis and do offer a valuable means to compare characteristics across geographies.

Plan Area Demographics

The current residential population of the Plan Area generally consists of the following two small groups

- Households living along the northwest edge of the Plan Area in the area known as the Docktown Marina, and
- Inmates in the San Mateo County Women's Correctional Facility or the men's or women's transitional facilities located on Maple Street directly east of Highway 101.

Of the 233 people living the Plan Area in 2010, only 27 were not living in group quarters. Due to the small size of the current population of the Plan Area, this Market Analysis provides a limited analysis of current Plan Area demographics based on the limited Census data that is available for areas with populations as small as the population in the Plan Area. Demographic data for the Plan Area is presented in Table 1.

² For more on the ACS, see www.census.gov/acs/www/about_the_survey/american_community_survey/

Table 1: Plan Area Demographics, 2010

Population		
Total Population	233	100.0%
In Households	27	11.6%
In Group Quarters	206	88.4%
Institutionalized	118	50.6%
Non-Institutionalized	88	37.8%
Population in Housing Units	27	100.0%
Owned with Mortgage	2	7.4%
Owned Free and Clear	20	74.1%
Renter Occupied	5	18.5%
Households		
Total Households	19	100.0%
Family	5	26.3%
Non-Family	14	73.7%
Average Household Size	1.42	
Housing Units		
Total	21	100.0%
Occupied	19	90.5%
Vacant	2	9.5%

Note:

(a) Precise Plan Area includes Blocks 1033, 1034, 1051, 1053 and 1054, which are part of Block Group 1 and Census Tract 6103.02 from the 2010 Census. Only Blocks 1034, 1053 and 1054 had any population at the time of the Census.

Source: US Census Bureau, 2010; BAE, 2013

As shown in the table above, Plan Area households tend to be small, with average size of 1.4 persons per households, suggesting that there are a significant number of single-person households. Due in part the large number of single-person households, only a small number (five) of households are families.

Among the population in households, 81 percent live in owner-occupied units and 74 percent live in homes that are owned free and clear (with the mortgage paid off). Since a large portion of Docktown Marina residents are not responsible for rent or mortgage payments, these data suggest that many people in Docktown Marina have fairly low housing costs. However, residents in Docktown Marina must pay to rent boat slips and the cost of maintaining water-borne housing (?) can be significant, potentially reducing housing affordability even for households in owner-occupied units with no mortgage payments.

Population and Household Trends

Redwood City is home to just under 80,000 residents. As shown in Table 2, although Redwood City grew little between 2000 and 2010, there has been significant growth in the City since 2010. Between 2000 and 2010, the growth rate in Redwood City was similar to the growth rate in San Mateo County overall, with an annual average population growth rate of 0.2 percent and a slight

decline in the number of households. Meanwhile, there was moderate growth in population (0.5 percent per year) and households (0.6 percent per year) in the region overall. However, the City has experienced a comparatively large amount of growth since 2010, with an increase of nearly 2,300 persons. This increase represents an average population growth rate of 1.0 percent per year and an average household growth rate of 0.4 percent per year between 2010 and 2013, exceeding the rate of growth in the County and region.

Table 2: Population and Household Trends, 2000-2013

	2000	2010	Annual % Change 2000-2010	2013 (a)	Annual % Change 2010-2013
Redwood City					
Population	75,402	76,815	0.2%	79,074	1.0%
Households	28,060	27,957	0.0%	28,292	0.4%
San Mateo County					
Population	707,161	718,451	0.2%	735,678	0.2%
Households	254,103	257,837	0.1%	259,154	0.1%
Bay Area (b)					
Population	6,783,760	7,150,739	0.5%	7,327,626	0.2%
Households	2,466,019	2,608,023	0.6%	2,628,762	0.1%

Notes:

(a) 2013 population and household estimates are from the California Department of Finance estimates. All other population figures are from the US Census.

(b) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: U.S. Census 2000 & 2010; BAE, 2013.

Household Composition

Households in Redwood City tend to be comparable in size to households in the Bay Area overall and slightly smaller on average than households in San Mateo County. In 2010, the average household size was approximately 2.69 persons in Redwood City and the Bay Area and 2.75 persons in San Mateo County, as shown in Table 3. Consistent with these household sizes, Redwood City was similar to the Bay Area with respect to the number of family households, which accounted for 65 percent of households in the City and region in 2010, while the proportion of family households was slightly larger in San Mateo County (68 percent).

Compared to San Mateo County and the Bay Area, Redwood City has a slightly larger share of households with children. In 2010, 36 percent of Redwood City households included children under the age of 18, compared 34 percent in San Mateo County and 33 percent in the Bay Area.

Household characteristics suggest recent demographic shifts in Redwood City, leading to larger household sizes and more households with children. The average household size in Redwood City increased from 2.62 persons in 2000 to 2.69 persons in 2010, while the average household size was essentially unchanged in both San Mateo County and Bay Area. The proportion of households

with children also increased between 2000 and 2010 in Redwood City while decreasing slightly in San Mateo County and the Bay Area.

Table 3: Household Composition, 2000-2010

	Redwood City		San Mateo County		Bay Area (a)	
	2000	2010	2000	2010	2000	2010
Average Household Size	2.62	2.69	2.74	2.75	2.69	2.69
Household Type						
Non-Family Households	36.2%	34.7%	32.6%	31.9%	35.3%	35.4%
Single Person	27.1%	26.5%	24.6%	24.5%	25.9%	26.1%
2+ Persons	9.1%	8.2%	8.0%	7.4%	9.5%	9.2%
Family Households (b)	63.8%	65.3%	67.4%	68.1%	64.7%	64.6%
Households with Children < 18	33.9%	35.9%	34.3%	34.1%	34.7%	33.4%

Notes:

(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

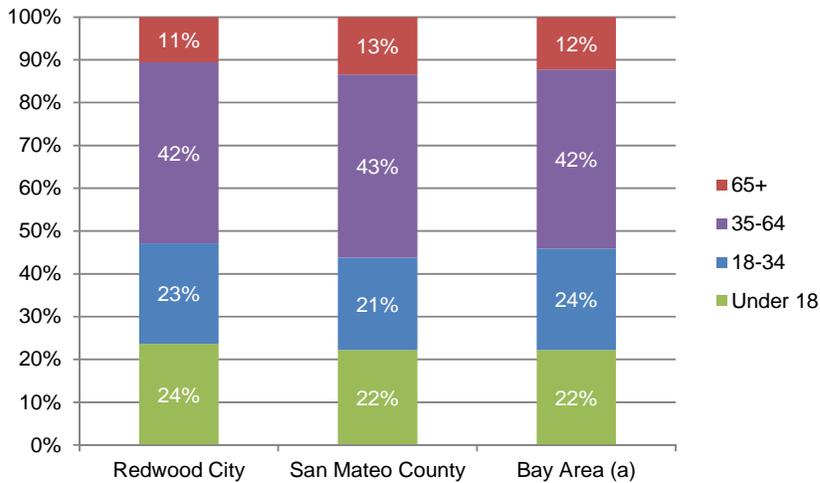
(b) A family is a group of two people or more related by birth, marriage, or adoption and residing together.

Sources: U.S. Census 2000 & 2010; BAE, 2013.

Age Distribution

Redwood City residents have a slightly lower median age than residents in the County and region and the City has a slightly different distribution of age cohorts. In 2010, the median age in Redwood City was 36.7, compared to 39.3 in San Mateo County and 37.7 in the Bay Area. The age cohorts shown in Figure 2 indicate that Redwood City has a slightly larger proportion of children under 18 (24 percent of the population in 2010, compared to 22 percent in the County and region). Compared to the County, the City has a slightly higher proportion of individuals between age 18 and 34 (23 percent in the City and 21 percent in the County in 2010), but the proportion of individuals in the 18 to 34 age cohort is slightly larger in the region as a whole (24 percent in 2010). Redwood City has a small share of individuals age 65 or older, which accounted for 11 percent of the City's population in 2010. Along with the household composition data discussed above, the age distribution suggests that there is a slight concentration of young families with children in Redwood City.

Figure 2: Age Distribution, 2010



Note:

(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: U.S. Census 2010; BAE, 2013.

Ethnicity

Compared to San Mateo County and the Bay Area overall, Redwood City has a larger share of individuals of Hispanic or Latino descent and a smaller share of individuals of Asian descent. In 2010, 39 percent of the population of Redwood City was of Hispanic or Latino descent, while 25 percent of the population of San Mateo County and 24 percent of the population of the Bay Area consisted of individuals of Hispanic or Latino descent. Ten percent of the population of Redwood City was of Asian descent, compared to 24 percent of the population in San Mateo County and 23 percent of the population in the Bay Area.

In all three geographies, data from 2010 demonstrate increases in the Asian population and the Hispanic/Latino population compared to 2000. In Redwood City, the Asian population increased by 22 percent, a smaller increase than in San Mateo County (25 percent) and the Bay Area (29 percent). Redwood City had a large amount of growth in the Hispanic and Latino population (27 percent increase) compared to the County (18 percent increase), but the Redwood City growth rate was comparable to rate of growth in the Bay Area overall (28 percent increase).

Table 4: Ethnicity, 2000-2010

Redwood City					
Ethnicity	2000		2010		% Change 2000-2010
	Number	% of Total	Number	% of Total	
Non-Hispanic	51,845	68.8%	47,005	61.2%	-9.3%
White	40,656	53.9%	33,801	44.0%	-16.9%
Black/African American	1,791	2.4%	1,655	2.2%	-7.6%
American Indian/Alaskan Native	165	0.2%	152	0.2%	-7.9%
Asian	6,604	8.8%	8,063	10.5%	22.1%
Native Hawaiian/Pacific Islander	635	0.8%	732	1.0%	15.3%
Some Other Race	163	0.2%	291	0.4%	78.5%
2+ Races	1,831	2.4%	2,311	3.0%	26.2%
Hispanic	<u>23,557</u>	<u>31.2%</u>	<u>29,810</u>	<u>38.8%</u>	<u>26.5%</u>
Total	75,402	100.0%	76,815	100.0%	1.9%

San Mateo County					
Ethnicity	2000		2010		% Change 2000-2010
	Number	% of Total	Number	% of Total	
Non-Hispanic	552,453	78.1%	535,949	74.6%	-3.0%
White	352,355	49.8%	303,609	42.3%	-13.8%
Black/African American	23,778	3.4%	18,763	2.6%	-21.1%
American Indian/Alaskan Native	1,546	0.2%	1,125	0.2%	-27.2%
Asian	140,313	19.8%	175,934	24.5%	25.4%
Native Hawaiian/Pacific Islander	9,112	1.3%	9,884	1.4%	8.5%
Some Other Race	2,217	0.3%	2,709	0.4%	22.2%
2+ Races	23,132	3.3%	23,925	3.3%	3.4%
Hispanic	<u>154,708</u>	<u>21.9%</u>	<u>182,502</u>	<u>25.4%</u>	<u>18.0%</u>
Total	707,161	100.0%	718,451	100.0%	1.6%

Bay Area (a)					
Ethnicity	2000		2010		% Change 2000-2010
	Number	% of Total	Number	% of Total	
Non-Hispanic	5,468,585	80.6%	5,468,939	76.5%	0.0%
White	3,392,204	50.0%	3,032,903	42.4%	-10.6%
Black/African American	497,205	7.3%	460,178	6.4%	-7.4%
American Indian/Alaskan Native	24,733	0.4%	20,691	0.3%	-16.3%
Asian	1,278,515	18.8%	1,645,872	23.0%	28.7%
Native Hawaiian/Pacific Islander	33,640	0.5%	41,003	0.6%	21.9%
Some Other Race	18,451	0.3%	20,024	0.3%	8.5%
2+ Races	223,837	3.3%	248,268	3.5%	10.9%
Hispanic	<u>1,315,175</u>	<u>19.4%</u>	<u>1,681,800</u>	<u>23.5%</u>	<u>27.9%</u>
Total	6,783,760	100.0%	7,150,739	100.0%	5.4%

Notes:

(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: U.S. Census 2000 & 2010; BAE, 2013.

Household Income Distribution

Households in Redwood City are generally comparable to households in the Bay Area with respect to annual income, but earn lower incomes than average for households in San Mateo County. According to ACS data collected between 2007 and 2011, the median annual income in Redwood City was approximately \$77,000, almost equivalent to the median for the Bay Area (approximately \$78,000), but only 88 percent of the median income for San Mateo County (approximately \$88,000).

The income gap between Redwood City and San Mateo County is reflected throughout the income distribution, which shows a larger share (48.5 percent versus 40 percent for San Mateo County) of Redwood City households in all income brackets below \$75,000 per year and a smaller share of Redwood City households in all income brackets above \$75,000 per year. Compared to the Bay Area overall, Redwood City has a slightly smaller share of households with very low incomes (less than \$15,000 per year) and a slightly larger share of households with incomes above \$200,000 per year, though the difference is relatively small. These income data are consistent with the data provided in the above sections, which suggest that Redwood City has a number of young family households which have not reached their peak earning capacity.

Table 5: Household Income (a)

Income Category	San Mateo		
	Redwood City	County	Bay Area (b)
Less than \$15,000	6.4%	5.8%	8.5%
\$15,000-\$24,999	7.5%	5.5%	7.2%
\$25,000-\$34,999	7.3%	6.2%	7.0%
\$35,000-\$49,999	10.4%	9.4%	10.1%
\$50,000-\$74,999	16.9%	16.1%	15.6%
\$75,000-\$99,999	12.2%	12.7%	12.6%
\$100,000-\$149,999	17.0%	18.9%	17.9%
\$150,000-\$199,999	8.6%	10.4%	9.4%
\$200,000 or more	<u>13.7%</u>	<u>15.0%</u>	<u>11.7%</u>
Total	100.0%	100.0%	100.0%
Median HH Income	\$77,111	\$87,633	\$78,149
Per Capita Income	\$39,927	\$45,346	\$39,478

Notes:

(a) The American Community Survey (ACS) data used in this table are based on statistical sampling conducted between 2007-2011.

(b) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: ACS, 2011; BAE, 2013.

Educational Attainment

Redwood City residents tend to have a lower level of educational attainment than residents of San Mateo County and the Bay Area overall. ACS data collected between 2007 and 2011 indicate that 47 percent of Redwood City residents age 25 and older have a college degree, compared to 52 percent of residents age 25 and older in San Mateo County and 49 percent of residents age 25 and older in the Bay Area. This lower level of educational attainment may reflect growth in foreign-born residents, including Hispanics, who did not have the same educational choices and opportunities in their home counties. The lower household incomes in the City are also linked to this lower level of educational attainment.

Table 6: Educational Attainment for Population 25+ Years of Age (a)

Educational Attainment	Redwood City	San Mateo County	Bay Area (b)
Less than 9th Grade	7.2%	6.4%	7.0%
9th to 12th Grade, No Diploma	7.4%	5.2%	6.1%
High School Graduate (incl. Equivalency)	19.6%	17.6%	18.1%
Some College, No Degree	18.5%	19.3%	19.4%
Associate Degree	7.2%	7.6%	7.3%
Bachelor's Degree	24.6%	27.0%	25.3%
Graduate/Professional Degree	15.5%	16.9%	16.7%
Total	100.0%	100.0%	100.0%
Population with College Degree	47.3%	51.5%	49.4%

Notes:

(a) The American Community Survey (ACS) data used in this table are based on statistical sampling conducted between 2007-2011.

(b) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: ACS,2007-2011; BAE, 2013.

Schools

The quality of local schools can often contribute to residential demand. The City is served by two districts for kindergarten through eighth grade (the Redwood City School District and Belmont-Redwood Shores District) and the Sequoia Union High School District for ninth grade through twelfth grade. The Plan Area itself lies within the Redwood City School District. Like all public schools in California that serve students in kindergarten through twelfth grade, the schools that serve Redwood City are rated based on Academic Performance Index (API) scores, which is a composite score based on statewide standardized test results. API scores range from 200 to 1,000, with a higher score indicating higher test results. In 2013, the API scores for schools in the Redwood City School District ranged from 662 to 996, with an overall API score of 783 for the district. The 2013 API score for schools in the Sequoia Union High School District ranged from 616 to 878, with an overall API score of 808 for the district. Overall, while local schools are improving, the local districts will likely not be a major factor driving residential demand in Redwood City since they are below the average reported for other nearby districts.

Implications for the Specific Plan

- The City has experienced a recent increase in population, reflecting new residential development primarily in or near the downtown as well as other parts of Redwood City.
- Redwood City has a diverse population with an overall demographic profile more akin to that of the Bay Area's than of Mateo County's.

- The City's proven ability to attract a diverse residential population, including younger households, indicates that new residential and commercial uses could be marketed to a wide variety of market segments.
- Retention of younger technically-skilled households is important to attract new businesses to the City since employers are now seeking locations in communities preferred by their workforce.
- Retention of younger technically-skilled households is important to attract new businesses to the City since employers are now seeking locations in communities preferred by their workforce.
- Household and per capita income levels for Redwood City are also similar to those of the Bay Area, suggesting that the City continue to provide a diverse range of housing (both rental and for-sale; affordable and market rate) for existing and future residents.

EMPLOYMENT TRENDS

Redwood City is a well-established business location and home to Oracle, Corporation (to be consistent with below), one of the world's most valuable companies and brands, as well as numerous other technology and bioscience firms. Its position almost midway between San Francisco and San Jose permits businesses to recruit from a geographically broad labor pool. The City is also the county seat for San Mateo County and has an active port and its related heavy industrial businesses, further providing a diverse economic base. The City's strength as a business location is reflected in a strong net inflow of workers who reside in other communities. The following section provides basic information on the City's employment base, occupations, and commute patterns and ends with a discussion of the implications of these trends for the Inner Harbor Specific Plan.

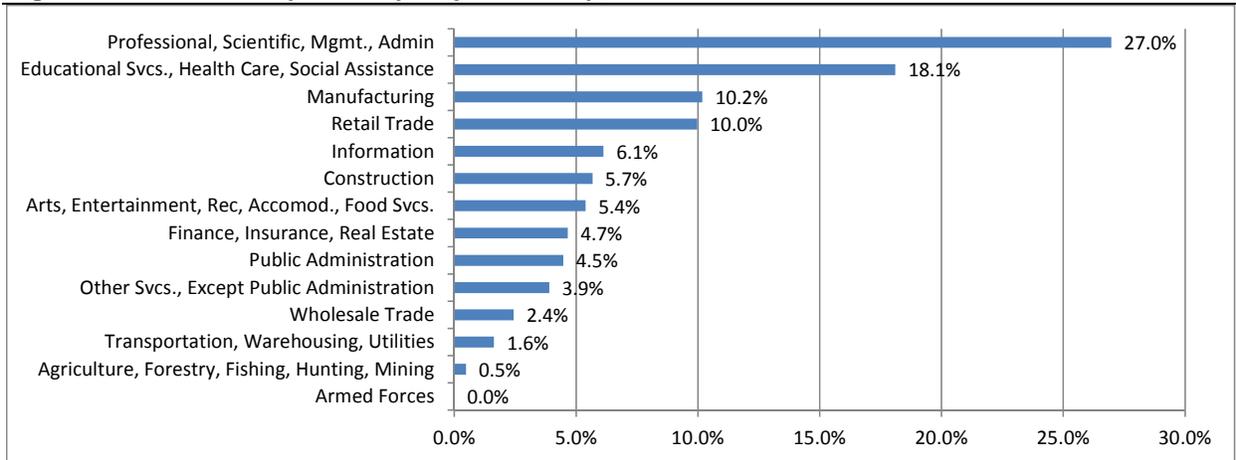
Jobs by Industry and Occupation

Jobs by Industry

As of 2011, Redwood City had approximately 53,400 jobs, as shown in Table 7. Most of the City's jobs are concentrated in the "Professional, Scientific, Management and Administration" and "Education Services, Health Care, Social Administration" sectors. (See Figure 3). Together, they account for 45.1 percent of the City's employment base. Prior analyses completed for the City's Economic Development Element indicated that the City is home to four key industry clusters: Knowledge-based Industries (37.8 percent of total employment in 2011), Production, Distribution & Repair Industries (19.8 percent in 2011), Health (18.1 percent in 2011), and Retail Leisure Services (15.4 percent in 2011).³

³ Knowledge-based Industries consists of the "Professional, Scientific, Management, and Administration", "Information", and "Finance, and Insurance and Real Estate" sectors; Production, Distribution & Repair Industries consists of the "Manufacturing", "Construction", "Wholesale Trade", and "Transportation, Warehousing, Utilities" sectors; Health consists of the "Educational Services, Health Care, Social Administration" sector; and Retail and Leisure Services consists of "Retail Trade" and "Arts, Entertainment, Recreation, Accommodations, Food Services sectors. These definitions follow those used in the Economic Development Element with the exception of Health for which a broader definition was used due to data limitations.

Figure 3: Redwood City Jobs by Major Industry, 2007-2011



Jobs by Occupation

Employment in Redwood City is highly concentrated in “Management, Business, Science, and Arts” occupations, which account for a greater share of employment in Redwood City than in San Mateo County and the Bay Area overall. Table 7 provides data on occupation and industry for jobs located in the City, San Mateo County, and region based on ACS data collected between 2007 and 2011. These data represent jobs for which the workplace is located in Redwood City, rather than jobs held by Redwood City residents. As shown, “Management, Business, Science, and Arts” occupations accounted for 54 percent of all jobs located in Redwood City, compared to 44 percent in San Mateo County and 45 percent in the Bay Area. Compared to the County and region, Redwood City had a small share of jobs in all other occupational categories, particularly sales and office occupations.

ACS data indicate that “Professional, Scientific, Management, and Administrative Services” was the largest employment industry in Redwood City, representing 27 percent of employment, followed by the “Educational Services, Health Care, and Social Assistance” industry, which represented 18 percent of the City’s employment. Redwood City also has significant employment in the manufacturing and retail trade industries, each of which represented 10 percent of employment in the City. These four industries were also the four largest employment industries in San Mateo County and the Bay Area; however, employment was significantly more concentrated in the “Professional, Scientific, Healthcare, Management, and Administrative Services” industry in Redwood City than in San Mateo County and the Bay Area.

The data indicate that there is a significant difference in the occupations of residents compared to workers in Redwood City. While 54 percent of persons with jobs located in Redwood City have occupations in “Management, Business, Science, and Arts”, only 42 percent of employed residents report having occupations in the same category –a spread of 12 percentage points. (Refer to Table 7 and Table 8). These data suggest that new residential development in the Plan Area might be attractive to workers in these occupations who seek a closer location to their workplace, particularly for younger workers for whom local schools would not be a significant factor in their location

preference. Attracting generally higher-paid workers to live in Redwood City could add to the overall purchasing power of the community to support its retail sector, particularly housing located near Downtown.

Table 7: Occupation and Industry by Workplace Location (a)

Occupation	Redwood City		San Mateo County		Bay Area (b)	
	Number	% Total	Number	% Total	Number	% Total
Management, Business, Science, Arts	28,791	53.9%	154,359	43.8%	1,555,527	44.5%
Service	7,972	14.9%	57,933	16.4%	562,082	16.1%
Sales & Office	10,105	18.9%	81,528	23.1%	803,382	23.0%
Natural Resources, Construction, Maintenance	3,474	6.5%	27,709	7.9%	270,826	7.8%
Production, Transportation, Material Moving	3,049	5.7%	31,151	8.8%	294,168	8.4%
Military Specific Occupations	0	0.0%	80	0.0%	7,205	0.2%
Total	53,391	100.0%	352,760	100.0%	3,493,190	100.0%

Industry	Redwood City		San Mateo County		Bay Area (b)	
	Number	% Total	Number	% Total	Number	% Total
Agriculture, Forestry, Fishing, Hunting, Mining	253	0.5%	2,385	0.7%	28,268	0.8%
Construction	3,028	5.7%	21,004	6.0%	220,419	6.3%
Manufacturing	5,438	10.2%	33,210	9.4%	401,668	11.5%
Wholesale Trade	1,300	2.4%	10,319	2.9%	94,859	2.7%
Retail Trade	5,325	10.0%	36,035	10.2%	355,806	10.2%
Transportation, Warehousing, Utilities	871	1.6%	26,610	7.5%	153,952	4.4%
Information	3,272	6.1%	11,989	3.4%	118,484	3.4%
Finance, Insurance, Real Estate	2,488	4.7%	27,363	7.8%	254,412	7.3%
Professional, Scientific, Mgmt., Admin	14,400	27.0%	68,928	19.5%	559,572	16.0%
Educational Svcs., Health Care, Social Assistance	9,668	18.1%	57,866	16.4%	697,029	20.0%
Arts, Entertainment, Rec, Accomod., Food Svcs.	2,880	5.4%	28,366	8.0%	293,275	8.4%
Other Svcs., Except Public Administration	2,079	3.9%	17,874	5.1%	168,971	4.8%
Public Administration	2,389	4.5%	10,606	3.0%	132,726	3.8%
Armed Forces	0	0.0%	205	0.1%	13,749	0.4%
Total	53,391	100.0%	352,760	100.0%	3,493,190	100.0%

Note:

(a) The American Community Survey (ACS) data used in this table is based on statistical sampling conducted between 2007-2011. Data are reported for workers age 16 & older.

Sources: ACS, 2007-2011; BAE, 2013.

Major Employers

As shown in Table 8, the ten largest private employers in Redwood City consist of a range of high-tech, bio-tech, and health care companies. According to the 2012 Comprehensive Annual Financial Report for Redwood City, Oracle Corporation was the largest employer the city, with approximately 6,000 employees. The number of people employed at Oracle Corporation was almost five times the number of people employed at the City's second largest employer, Electronic Arts (EA Games), a video game developer. Other major employers in Redwood City include healthcare providers (Kaiser Permanente, Stanford Hospital and Clinics, StarVista, Dreamworks (a computer animation company with the corporate name Pacific Data Images), a provider of smart grid energy efficiency products (Silver Spring Networks), companies that develop pharmaceuticals and medical technology (Genomic Health and Abbott Vascular), and a data center and internet exchange provider (Equinix Operating Company). Large employers such as Oracle Corporation and Electronic Arts (EA Games) often

generate additional demand for office and R&D space by creating spin-offs and by attracting firms that provide goods and services to them.

Table 8: Principal Private Employers in Redwood City, 2012

Employer	Number of Employees
Oracle Corporation	6,218
Electronic Arts	1,320
Kaiser Permanente	867
Stanford Hospital & Group	750
Pacific Data Images (Dreamworks)	553
Silver Spring Networks	496
Geonomic Health	435
Starvista	330
Abbott Vascular	327
Equinix Operating Co.	304

Note:

Data from City of Redwood City Business License Database. Data on non-profit organizations were not available.

Source: City of Redwood City, Comprehensive Annual Financial Report, 2012; BAE, 2013.

Resident Employment

Overall Resident Employment Trends

As of August 2013, Redwood City had approximately 42,100, employed residents, accounting for about 11 percent of the total San Mateo County employed labor force (see Table 9). From the cyclic low reached during 2009 and 2010, the number of employed Redwood City residents has increased by approximately 4,100, nearly an 11 percent gain. There are now more employed residents in Redwood City than at the pre-Great Recession peak of 39,500 reached in 2007. The rate of growth of the employed labor force in Redwood City and San Mateo County has trended consistently higher than for California.

The City's unemployment rate of 5.3 percent matches that estimated for San Mateo County and reflects a full employment economy. The City's and County's rate is sharply lower than California's unemployment rate and historically has tracked below the state average. Overall, Redwood City and San Mateo County have consistently out-performed the California economy. This is largely due to the technology and bioscience nature of the local economy; these two sectors have been among the fastest growing sectors nationally. The strong employment is also due to growth and stability in the health sector.

Table 9: Employment and Unemployment Trends, Redwood City, San Mateo County, and California, 2006-2011

	2006	2007	2008	2009	2010	2011	2012	2013 (Aug)
Total Employment								
Redwood City	39,000	39,500	39,300	38,000	38,000	39,200	40,800	42,100
San Mateo County	351,500	355,900	355,000	374,200	342,400	353,400	367,800	379,700
California	16,821,300	16,960,700	16,893,900	16,151,100	16,063,500	16,237,300	16,560,300	16,935,000
Employment Growth Rate								
Redwood City	1.8%	1.3%	-0.5%	-3.3%	0.0%	3.2%	4.1%	3.2%
San Mateo County	1.7%	1.3%	-0.3%	5.4%	-8.5%	3.2%	4.1%	3.2%
California	1.4%	0.8%	-0.4%	-4.4%	-0.5%	1.1%	2.0%	2.3%
Unemployment Rate								
Redwood City	3.7%	3.8%	4.8%	8.4%	8.7%	7.9%	6.7%	5.3%
San Mateo County	3.7%	3.8%	4.9%	8.4%	8.8%	7.9%	6.7%	5.3%
California	4.9%	5.4%	7.2%	11.3%	12.4%	11.8%	10.5%	8.9%

Source: California Employment Development Department, 2013; BAE, 2013

Resident Employment by Occupation and Industry

The ACS provides data on resident employment by occupation and by industry, which is shown in Table 10. Occupation data relate to the type of tasks workers perform, whereas industry data relate to the economic sector in which a worker is employed. The ACS also provides data on workers employed in Redwood City, which will be discussed in a subsequent section.

According to ACS data collected between 2007 and 2011, residents of Redwood City are fairly similar to residents of San Mateo County and the Bay Area with respect to their occupations. In all three areas, residents are concentrated in management, business, science, and arts occupations, followed by sales and office occupations and service occupations. However, Redwood City has a slightly smaller share of residents in management, business science and arts occupations, which employed 42 percent of employed Redwood City residents compared to 44 percent of employed San Mateo County residents and 45 percent of employed Bay Area residents. Meanwhile, Redwood City has a slightly larger share of residents employed in service occupations, which employed 19 percent of employed Redwood City residents compared to 18 percent of employed San Mateo County residents and 16 percent of residents in the Bay Area.

Redwood City residents are also similar to residents of San Mateo County and the Bay Area with respect to employment industries. According to ACS data, educational services, health care, and social assistance is the largest employment industry in all three areas, accounting for one out of five jobs. The second largest employment industry in all three areas is professional , scientific, management, and administrative services, which accounts for a slightly larger share of employment among Redwood City residents (19 percent of employed residents) than among residents of San Mateo County (17 percent of employed residents) and the Bay Area (16 percent of employed residents). Among residents of Redwood City and San Mateo County, retail trade is the third largest employment industry, employing for approximately one out of ten employed residents, while in the region overall the third largest employment industry is manufacturing, employing 11 percent of all employed residents.

Table 10: Employed Residents by Occupation and Industry (a)

Occupation	Redwood City		San Mateo County		Bay Area (b)	
	Number	% Total	Number	% Total	Number	% Total
Management, Business, Science, Arts	15,743	42.1%	153,912	43.6%	1,515,458	44.9%
Service	7,199	19.3%	61,873	17.5%	547,810	16.2%
Sales & Office	8,558	22.9%	85,950	24.3%	781,909	23.2%
Natural Resources, Construction, Maintenance	3,152	8.4%	25,401	7.2%	247,849	7.3%
Production, Transportation, Material Moving	2,718	7.3%	25,951	7.3%	274,853	8.1%
Military Specific Occupations	0	0.0%	85	0.0%	7,010	0.2%
Total	37,370	100.0%	353,172	100.0%	3,374,889	100.0%

Industry	Redwood City		San Mateo County		Bay Area (b)	
	Number	% Total	Number	% Total	Number	% Total
Agriculture, Forestry, Fishing, Hunting, Mining	247	0.7%	2,486	0.7%	26,741	0.8%
Construction	2,725	7.3%	20,288	5.7%	200,346	5.9%
Manufacturing	3,411	9.1%	27,532	7.8%	381,882	11.3%
Wholesale Trade	950	2.5%	9,665	2.7%	89,961	2.7%
Retail Trade	3,533	9.5%	35,412	10.0%	345,938	10.3%
Transportation, Warehousing, Utilities	838	2.2%	20,578	5.8%	144,008	4.3%
Information	1,565	4.2%	11,640	3.3%	114,954	3.4%
Finance, Insurance, Real Estate	2,670	7.1%	29,456	8.3%	249,625	7.4%
Professional, Scientific, Mgmt., Admin	7,193	19.2%	60,747	17.2%	543,614	16.1%
Educational Svcs., Health Care, Social Assistance	7,655	20.5%	73,188	20.7%	683,184	20.2%
Arts, Entertainment, Rec, Accomod., Food Svcs.	3,079	8.2%	30,080	8.5%	289,092	8.6%
Other Svcs., Except Public Administration	2,547	6.8%	19,103	5.4%	166,056	4.9%
Public Administration	957	2.6%	12,802	3.6%	125,996	3.7%
Armed Forces	0	0.0%	195	0.1%	13,492	0.4%
Total	37,370	100.0%	353,172	100.0%	3,374,889	100.0%

Note:

(a) The American Community Survey (ACS) data used in this table is based on statistical sampling conducted between 2007-2011. Data are reported for workers age 16 & older.

Sources: ACS, 2007-2011; BAE, 2013.

Commute Flow

Redwood City has approximately 16,100 more people working in the City than there are employed residents, reflecting a net daily inflow of workers to the City. As shown in Table 11, ACS data collected between 2007 and 2011 indicate that there were approximately 37,400 employed residents living in Redwood City and approximately 53,000 jobs located in Redwood City. Of the total jobs in the City, one fifth (approximately 10,700 jobs) were held by Redwood City residents, while the remaining jobs were held by people living elsewhere.

Table 11: Commuter Flows (a)

Residents of Redwood City			Workers in Redwood City		
Place of Work	Number	% of Total	Place of Residence	Number	% of Total
Redwood City	10,668	28.5%	Redwood City	10,668	20.0%
All Other Locations	<u>26,702</u>	<u>71.5%</u>	All Other Locations	<u>42,723</u>	<u>80.0%</u>
Total (b)	37,370	100.0%	Total	53,391	100.0%

Notes:

(a) The American Community Survey (ACS) data used in this table are based on statistical sampling conducted between 2007-2011.

Sources: ACS, 2007-2011; BAE, 2013.

This inflow of workers represents a potential pool of demand for new residential development in the Plan Area for workers seeking to live closer to work.

Implications for the Specific Plan

- Redwood City and San Mateo County have consistently outperformed California with respect to employment growth and unemployment rates –this reflects the strength of local employers and the desirability of the local workforce.
- The City is home to major technology firms such as the Oracle Corporation and Electronic Arts (EA Games) that attract firms and generate spin-offs that typically demand office space.
- Redwood City’s location midway between San Francisco and Silicon Valley gives firms located in the City access to a deep pool of technology and bioscience labor.
- A large percentage (45 percent) of jobs in Redwood City are in the “Professional, Scientific, Management, Arts” and “Educational Services, Health Care, Social Assistance” sectors, sectors with a high propensity to utilize office, office/R&D, and medical office.
- Approximately 16,100 more people commute into Redwood City than commute out, suggesting that new residential development could meet the needs of workers seeking to reduce their commute times and improving the City’s jobs-housing balance.

REAL ESTATE MARKET TRENDS

This section provides an overview and analysis of current real estate market conditions in Redwood City, San Mateo County, and the Bay Area. The overview presents data on the existing inventory, lease rates, and occupancy levels among residential, office, and retail properties. The information provided in the following sections was obtained from private data vendors, brokerage firm reports, and online property listings. These data sources are supplemented by quantitative and qualitative information on local real estate conditions obtained through interviews with local property managers and brokers. Each section on current real estate market conditions is followed by an overview of planned and proposed residential, office, R&D, retail, and mixed-use developments in Redwood City.

Residential Market

There has been a large amount of recent activity in the Redwood City residential market, as evidenced by high sale prices, rents, and occupancy rates, coupled with a recent increase in building activity. As the following sections will show, home sale prices are approaching pre-recession levels, while rent and occupancy rates among rental properties have far surpassed levels seen before the recession. Furthermore, a recent surge in building activity in the City is bringing a large amount of new housing to the market, with over 2,000 units in the development pipeline and a particularly large amount of rental properties.

Structure Type

Based on ACS data for the 2007 through 2011 period, Redwood City has approximately 29,200 housing units. Although more than half of all units in Redwood City are single family homes, traditional single-family detached homes account for a smaller share of the City's housing stock (48 percent) than is the case for San Mateo County (57 percent) and the Bay Area (54 percent). Instead, Redwood City has a significantly higher proportion of its housing stock in single-family attached (13 percent) and multifamily structures with three to 19 units (20 percent) than San Mateo County or the Bay Area. According to ACS data, 37 percent of housing units in Redwood City were multifamily units and 61 percent were single-family units, while the proportion of multifamily units was 33 percent in San Mateo County and 35 percent throughout the Bay Area. Planned and proposed projects in Redwood City, discussed in greater detail below, will add a large number of multifamily units in large rental developments to the City, which will further increase the City's share of multifamily housing.

Table 12: Housing Units by Units in Structure (a)

Type of Residence	Redwood City	San Mateo County	Bay Area (b)
Single Family Detached	47.7%	57.2%	53.7%
Single Family Attached	13.4%	8.9%	9.2%
Multifamily 2 Units	2.2%	2.2%	3.7%
Multifamily 3-19 Units	20.2%	16.6%	17.9%
Multifamily 20-49 Units	7.4%	6.7%	5.6%
Multifamily 50+	6.9%	7.1%	7.9%
Mobile Home/Other (c)	<u>2.2%</u>	<u>1.2%</u>	<u>2.1%</u>
Total	100.0%	100.0%	100.0%
Single Family Housing Units	61.1%	66.2%	62.8%
Multifamily Housing Units	36.7%	32.6%	35.0%
Total Housing Units	29,167	271,031	2,785,948

Notes:

(a) The American Community Survey (ACS) data used in this table are based on statistical sampling conducted between 2007-2011.

(b) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

(c) Includes standard mobile homes as well as boats, RVs, vans, and other vehicles that serve as a primary residence.

Sources: ACS, 2007-2011; BAE, 2013.

Tenure

Tenure in Redwood City has been trending towards a greater level of renters rather than homeowners, in part reflecting recently constructed multifamily developments. As shown in Table 12, the proportion of renters increased from 47 percent in 2000 to 49.4 percent in 2010. Looking at how Redwood City compares to its geographic benchmarks, Redwood City has a slightly higher proportion of renter-occupied households than San Mateo County and the Bay Area. In 2010, 49 percent of all Redwood City households were renter-occupied, compared to 41 percent of San Mateo County households and 44 percent of Bay Area households. In all three geographies, the proportion of renter-occupied units increased slightly (one to two percentage points) between 2000 and 2010. Planned and proposed residential projects in Redwood City consist of a large number of additional rental units, indicating a continuation of this trend in Redwood City. Planned and proposed residential projects in Redwood City will be discussed in further detail below.

Table 13: Household Tenure, 2000 & 2010

	2000		2010	
	Number	Percent	Number	Percent
Redwood City				
Owners	14,861	53.0%	14,160	50.6%
Renters	13,199	47.0%	13,797	49.4%
Total	28,060	100.0%	27,957	100.0%
San Mateo County				
Owners	156,133	61.4%	153,110	59.4%
Renters	97,970	38.6%	104,727	40.6%
Total	254,103	100.0%	257,837	100.0%
Bay Area (a)				
Owners	1,423,958	57.7%	1,465,362	56.2%
Renters	1,042,061	42.3%	1,142,661	43.8%
Total	2,466,019	100.0%	2,608,023	100.0%

Notes:

(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

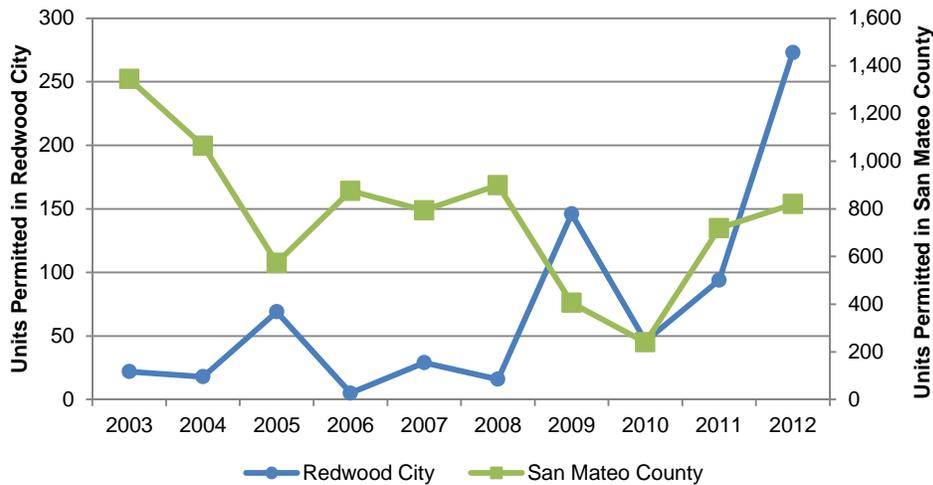
Sources: U.S. Census 2000 & 2010; BAE, 2013.

Building Permit Trends

After several years of low levels of residential building permits, Redwood City has experienced a significant increase in overall residential development. Residential building permit data provided by the U.S. Census Bureau show that between 2003 and 2008, the City issued permits for 27 residential units per year on average, with a high of 69 units in 2005. In 2009, when most jurisdictions experienced a drop in building permit activity due to the recession, Redwood City issued permits for 146 units, a significant increase over the prior six years. This activity in 2009 pre-dated the General Plan Update and represented the build-out of the last remaining available sites in the City. Building permit activity in Redwood City dropped in 2010, but remained above the pre-recession average, then increased significantly between 2010 and 2012. In 2012, Redwood City issued permits for 273 units, more than ten times the annual average between 2003 and 2008. This increase in permit activity is likely due to (i) the adoption of an updated General Plan in 2010 followed by establishment of implementing plans and zoning that called for residential development in and near the City's downtown; and (ii) the co-incident improvement in economic conditions, primarily increases in employment locally and regionally and historically low interest rates.

Meanwhile, building permit activity in San Mateo County has increased since the depths of the recession in 2009 but has not yet returned to pre-recession levels. On average, 925 units were permitted annually in San Mateo County between 2003 and 2008. The number of units permitted decreased sharply in 2009 and 2010, but have increased during 2011 and 2012. In 2012, 820 units were permitted in San Mateo County, indicating that building permit activity is beginning to approach pre-recession levels.

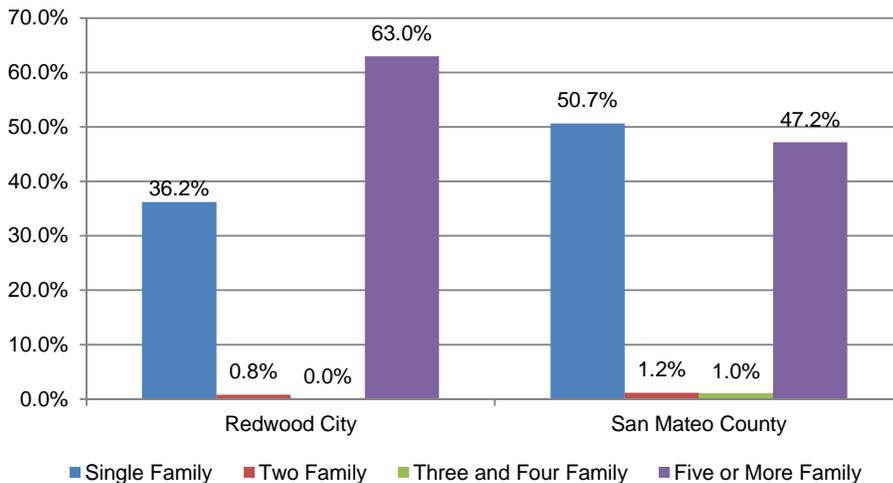
Figure 4: Residential Units Permitted, 2003-2012



Source: US Census Building Permit Data, 2013; BAE, 2013.

Contrary to trends in San Mateo County overall, most of the units permitted in Redwood City between 2003 and 2012 were in buildings with five or more units. Units in buildings with five or more units accounted for almost two thirds (63 percent) of all units permitted in Redwood City over the past decade, while in San Mateo County overall less than half (47 percent) of all units permitted were in buildings with five or more units.

Figure 5: Units Permitted by Units in Structure, 2003-2012



Source: US Census Building Permit Data, 2013; BAE, 2013.

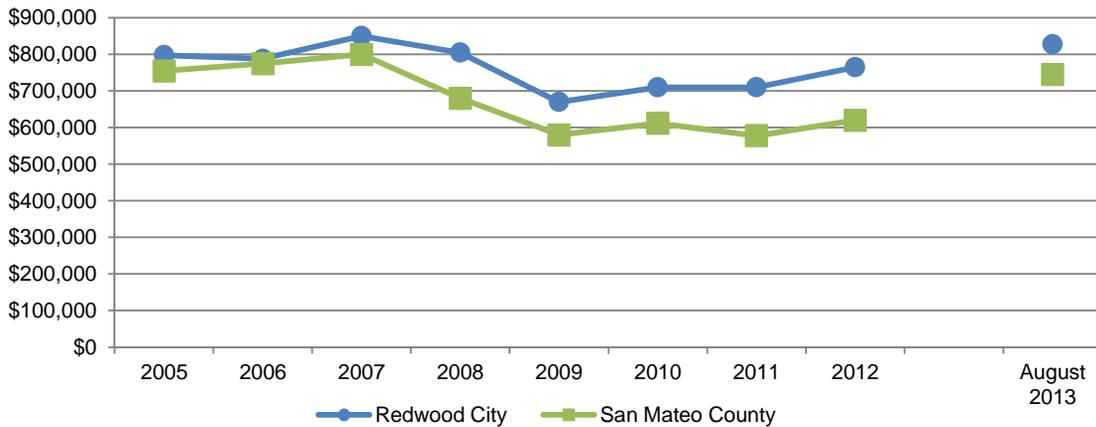
For Sale Residential

Home Price Trends. According to home sale data provided by DataQuick, which compiles information from the County Assessor (shown in Figure 6 below), home sale prices in Redwood City were impacted by the recent Great Recession, but are typically higher than San Mateo County’s overall median price. Peak-to-trough, the median home sale price in Redwood City fell from \$850,000 in 2007 to \$670,000 in 2009, a 21 percent overall decrease. The median home sale price in San Mateo County decreased nearly 28 percent during the same period. Sale prices in Redwood City have shown a steady increase since 2009, with a median of \$765,000 in 2012, a 14-percent increase over 2009. The recovery has been slower in San Mateo County, where the median sale price increased seven percent between 2009 and 2012.

However, more recent data on home sale prices suggests a strong recent recovery in both the City and County. In August 2013, the median home sale price in Redwood City was \$828,000, a nine-percent increase over August 2012 and higher than the pre-recession peak. The median sale price in San Mateo County was \$745,000 in August 2013, an 18-percent increase over August 2012.

The high median sale price in Redwood City relative to the County would appear to be inconsistent with earlier findings of lower median household incomes in Redwood City than San Mateo County. The discrepancy can be explained by owner households having higher household incomes to support their housing purchase while lower-income households tend to be renters and do not participate in the for-sale housing market – except, ultimately, as first time buyers.

Figure 6: Median Home Sale Price, 2005-2012



		Median Sale Price								
		2005	2006	2007	2008	2009	2010	2011	2012	August 2013
Location										
Redwood City		\$798,000	\$788,000	\$850,000	\$805,000	\$670,000	\$710,000	\$710,000	\$765,000	\$828,000
San Mateo County		\$755,000	\$775,000	\$800,000	\$680,000	\$580,000	\$612,000	\$578,000	\$620,000	\$745,000

Source: Dataquick; BAE, 2013.

Data on recent home sales in Redwood City demonstrate that the housing market is characterized by relatively high home sale prices, with few low- or moderately-priced options. Table 14 shows the sale price distribution for single-family homes and condominiums sold in Redwood City between April 1, 2013 and September 30, 2013. Among single-family homes sold during this period, 90 percent sold for \$500,000 or more, with a median price of \$872,000.

Although condominiums in Redwood City provide a significantly more affordable ownership option, the limited number of recent condominium sales indicates that the supply of condominiums available for purchase is fairly small. Among condominiums sold in Redwood City between April 1, 2013 and September 30, 2013, the median sale price was \$535,000. However, records from DataQuick show only 30 full and verified sales of condominiums during this period, suggesting that households seeking condominiums in Redwood City have few options. New condominium units at One Marina, which is located across Redwood Creek from the Plan Area, have been selling between 500,000 and 650,000 over the past twelve months.

Table 14: Sale Price Distribution of Single-Family Residences and Condominiums by Number of Bedrooms, April-September 2013 (a)

Sale Price Range	Number of Units Sold				Total	% Total
	1 BRs	2 BRs	3 BRs	4+ BRs		
Single-Family Residences						
Less than \$500,000	0	22	9	2	33	9.6%
\$500,000-\$999,999	3	76	97	17	193	55.9%
\$1,000,000-\$1,499,999	0	9	45	41	95	27.5%
\$1,500,000-\$1,999,999	0	3	4	12	19	5.5%
\$2,000,000 or more	<u>0</u>	<u>1</u>	<u>3</u>	<u>1</u>	<u>5</u>	<u>1.4%</u>
Total	3	111	158	73	345	100.0%
% Total	0.9%	32.2%	45.8%	21.2%	100.0%	
Median Sale Price	\$575,000	\$662,000	\$883,750	\$1,200,000	\$872,000	
Average Sale Price	\$582,667	\$721,422	\$925,387	\$1,202,436	\$915,405	
Average Size (sf)	787	1120	1532	2256	1546	
Average Price/sf	\$741	\$644	\$604	\$533	\$592	
Condominiums						
Less than \$200,000	1	0	2	N/A	3	10.0%
\$200,000-\$399,999	4	2	0	N/A	6	20.0%
\$400,000-\$599,999	0	12	0	N/A	12	40.0%
\$600,000 or more	<u>0</u>	<u>4</u>	<u>5</u>	<u>N/A</u>	<u>9</u>	<u>30.0%</u>
Total	5	18	7	N/A	30	100.0%
% Total	16.7%	5.2%	2.0%	N/A	8.7%	
Median Sale Price	\$240,000	\$550,500	\$675,000	N/A	\$535,000	
Average Sale Price	\$273,300	\$534,056	\$547,500	N/A	\$493,733	
Average Size (sf)	706	1215	1500	N/A	1196	
Average Price/sf	\$387	\$440	\$365	N/A	\$413	

Notes:

(a) Consists of all full and verified sales of single-family residences and condominiums between 4/1/2013 and 09/30/2013 in the portions of ZIP codes 94061, 94062, and 94063 that are in Redwood City.

Sources: DataQuick, BAE; 2013.

The data shown in Table 14 indicate that recent home sale prices in Redwood City exceed the affordability threshold for most Redwood City households. Housing is typically considered affordable if total housing costs do not exceed 30 percent of household income. Based on this threshold, the maximum affordable single-family home sale price for a household earning the median income for Redwood City (\$77,111 per year, as shown in Table 5) is approximately \$341,000, 39 percent of the median sale price of single family homes recently sold in Redwood City. Since homeowner association fees account for a portion of housing costs in condominium developments, leaving a smaller portion of income for other housing costs, the maximum affordable condominium sale price for a household earning the median income for Redwood City is approximately \$269,000, slightly more than half of the median condominium sale price.

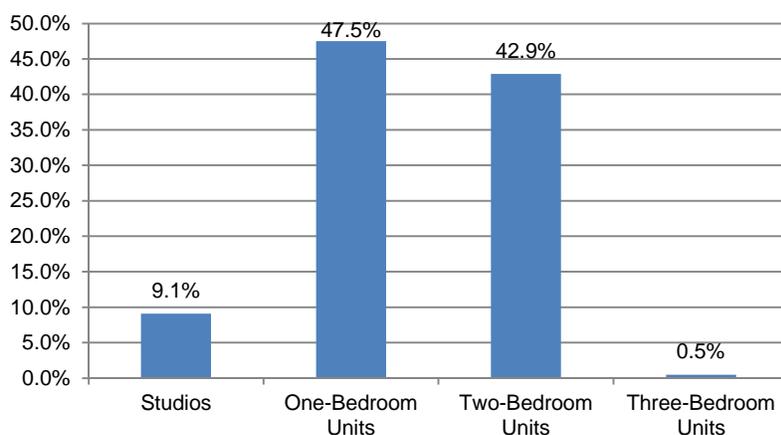
Planned and Proposed For-Sale Projects. There are five for sale residential projects in the development pipeline in Redwood City, totaling 297 new residential units. The largest of these projects is the One Marina development, which is currently under construction directly across the slough from Docktown. The project is currently entitled for 231 condominiums and townhomes, 10,000 square feet of retail space, and 200 hotel rooms. The developer of One Marina is seeking entitlements for an additional 18 units in the third phase of the project, which would bring the total unit count for the development to 249. Also under construction is the Laurel Way Joint Venture, which will consist of 16 single-family homes. Other for-sale residential projects in Redwood City are relatively small, and consist of a single family development that would consist of the demolition of one single-family home to construct five new single-family units, which has been approved but is under appeal, a single-family development that would consist of the demolition of six residential units to construct nine new single-family homes, which is currently under City review, and an 18-unit townhome style development that is also under review.

Rental Residential

Existing Rental Inventory. As reported in Table 12, above, almost 37 percent of Redwood City's housing inventory are multifamily units, representing approximately 10,700 units. Not all, but most of these units are rental. BAE collected data from RealFacts to evaluate current rental market conditions for larger rental complexes in the City. Figure 7 shows data provided by RealFacts, which provides data on rental properties with 50 units or more. RealFacts covers approximately 2,000 units in Redwood City, almost all the units in complexes with 50 or more units in the City. This data source is useful since any new residential development within the Specific Plan Area will likely be at the scale of 50 or more units and RealFacts tends to have more data for newer apartment complexes.

As shown in Figure 7, as of the end of the second quarter 2013, 57 percent of units in apartment complexes with 50 or more units in Redwood City were either studio or one-bedroom units. What is striking is the negligible percentage of the unit mix in Redwood City for units that have three or more bedrooms—only half a percentage point compared to 3.5 percent of the unit mix in RealFact's Bay Area benchmark. This suggests a potential need to encourage large rental units offering three or more bedrooms.

Figure 7: Rental Stock by Number of Bedrooms, Redwood City, Second Quarter 2013 (a)



Note:

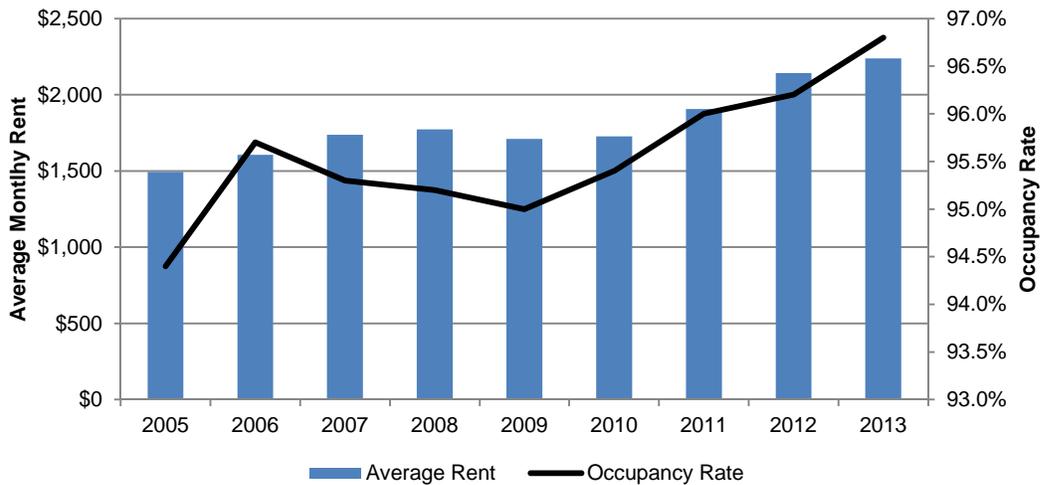
(a) Data captures rental housing complexes with at least 50 units in Redwood City.

Sources: RealFacts; BAE, 2013.

Occupancy and Rental Rate Trends. Occupancy and rental rate trends between 2005 and 2013 demonstrate that Redwood City has a strong rental market that recovered quickly from the recent recession. As shown in Figure 8, rental rates in the City and County decreased in 2009 following steady increases between 2005 and 2008. However, rents increased significantly in 2011, surpassing pre-recession levels, and further increased through the second quarter of 2013. As of the second quarter of 2013, the average rent in Redwood City was \$2,239 per month, higher than the affordability threshold for a household earning the median income for Redwood City (\$1,928 per month). In just the 12-month period between the second quarters of 2012 and 2013, rents have risen by 10.2 percent.

Occupancy rates further demonstrate solid demand for rental housing in Redwood City and a relatively quick recovery from the recent recession. Housing markets are typically considered to have a healthy amount of vacancy when 95 percent of units are occupied, which allows for some mobility between rental units. As shown in Figure 8, the rental occupancy rate in Redwood City has been at least 95 percent since 2006. Between 2006 and 2008, the occupancy rate was slightly higher than 95 percent. In 2009, Redwood City's occupancy rate dropped to 95 percent in response to the recession, but the occupancy rate has increased in each subsequent year. As of the second quarter of 2013, the occupancy rate in Redwood City was 97 percent, indicating strong demand for rental housing in the City.

Figure 8: Vacancy Rate Trends, 2005-2013



Note:

(a) Data captures rental housing complexes with at least 50 units in Redwood City.

Sources: RealFacts; BAE, 2013.

Planned and Proposed Rental Projects. The project pipeline in Redwood City demonstrates a recent surge in rental residential development in the City, with 2,168 rental residential units under construction, entitled, or pending approval. Of this total, 1,024 units are under construction in six multifamily projects ranging from 66 units to 305 units. The developer of one of these projects, which is currently entitled for 66 units, is seeking entitlements for an additional 66 units. A seventh rental residential project has received City approvals for 196 multifamily rental units and 2,975 square feet of retail space, but is not yet under construction. Finally, there are two proposed multifamily rental projects with a total of 882 units currently seeking City entitlements. The large number of rental properties in the development pipeline will likely lead to a continuation of the tenure trends seen between 2000 and 2010, with an ongoing increase in the proportion of households in rental units relative to owner-occupied units.

Implications for Specific Plan

- For-sale homes prices have recovered strongly from the Great Recession and are one indicator of demand for additional housing in Redwood City.
- There are very few condominiums for sale in Redwood City, suggesting a need to expand for-sale housing opportunities through encouragement of new for-sale multifamily units such as townhomes and condominiums.
- Rental residential occupancy and rental rates have also recovered strongly. The average monthly rent for an apartment in a complex with 50 or more units is now higher than at any time over the past nine years-this, along with job growth, as triggered a number of new apartment projects in Redwood City.

- The lack of three-bedroom apartments in larger apartment complexes covered by RealFacts suggests that there may be unmet demand for larger rental units to accommodate families with children.
- The Inner Harbor Specific Plan Area is a desirable location for both for-sale and rental housing due to its waterfront orientation and quick access to Highway 101 and Downtown Redwood City.
- To enhance the marketability of the Plan Area for residential, physical improvements of the Docktown marina would be recommended to improve its visual appeal.

Office Real Estate Market Overview

Market Context

As discussed above, Redwood City is a significant employment node, with a large number of jobs in technology-based businesses and life sciences companies. Most of the office space in Redwood City is located in the Redwood Shores area, which is north of the Plan Area and the rest of the City and is separated from the remainder of Redwood City by Bair Island and two sloughs. Redwood Shores has a number of mid- to high-rise office complexes, including office buildings occupied by some of Redwood City's major employers such as Oracle and Electronic Arts. Office development elsewhere in Redwood City consists primarily of low- to mid-rise buildings downtown, along Highway 101, and in office complexes northwest of the Plan Area.

Convergence of Office and R&D Space Requirements

Traditionally, there has been a distinction in the real estate market between office and R&D space, with R&D space typically in single-story rectangular or square-shaped structures with modest exterior features and detailing. However, over time there has been an increasing convergence of these real estate product types across the Bay Area as production facilities have moved elsewhere, often to other countries; and research and product development activities that once required large or specialized lab space are more often completed using computer simulations. Future real estate demand in Redwood City, San Mateo County, and the Bay Area is expected to reflect a diminished distinction between office and R&D space requirements, with office space used to conduct tasks that have formerly required larger R&D spaces.

Demand for State-of-the-Art, Green Office Space

There has been a notable increase in the number of office property owners and developers renovating or developing their office space into LEED certified structures. Two factors drive this increase in interest in sustainable office space: (i) implementing design and building system features that qualify a structure for LEED certification can result in significant operational savings over the life of the building; and (ii) building users and tenants can market their "green" office space as a positive feature to attract employees. Younger workers, particularly in the technology sectors, seek to work for companies whose values generally align with their own, and environmental

sustainability is one element of these values. According to data provided by the U. S. Green Building Council, Redwood City has six existing Class A office buildings with approximately 753,000 square feet that are LEED certified; this represents just over eight percent of the City's total office inventory⁴.

Demand for Building, Site and Neighborhood Amenities

Office workers, particularly workers in the high-tech and biotech industries that dominate the market in Redwood City and elsewhere in San Mateo County, are increasingly demonstrating a preference for workplace locations that offer the amenities typically found in more urban environments, including proximity to public transportation, bicycle and pedestrian access, attractive retail offerings, and entertainment options. In response to this shift in preferences among workers, companies are more often seeking office locations that offer more urban-style amenities instead of opting for traditional suburban office parks. The preference for more urban amenities, particularly access to public transportation, is reflected in the preferences of companies looking for space throughout the Bay Area. At the same time that employees seek a wider range of amenities and more urban environment, major employers in suburban locations are designing or renovating office campuses to provide onsite amenities normally found in a neighborhood convenience shopping center such as food services, dry-cleaning, and personal grooming.

Higher Employment Densities in Office Space

The corporate and government drive to reduce office expenses by increasing office utilization and reducing square foot allocations per employee has intensified as the economy recovers from the Great Recession and office occupancy costs escalate, particularly in the Bay Area. Office users seek to move utilization rates from 40 to 60 percent to 80 to 90 percent by shifting to open floor plans and non-dedicated workspaces⁵. Office end users and technology tenants also view open floor plans as a way to encourage interaction and collaboration among employees, potentially raising worker productivity. As a result, owners of existing properties have had to open up their building interiors as part of building renovation programming. This trend has also led to increased employment densities with the gross square feet of office per employee falling from 275 or 250 square feet per employee to 225 to 250 per employee. In some cases, this ratio has fallen to 200 or less square feet per employee.

Response by Bay Area Communities

Cities in the Bay Area and elsewhere have started to consider and implement strategies to reposition existing office parks and other suburban office locations to better respond to these trends and shifts in demand. In general, these strategies aim to better integrate suburban office development into the surrounding area through mixed-use development and the addition of public spaces, bicycle paths,

⁴ It should be noted that an additional property, Crossing 900, with 300,000 square feet of office and 5,000 square feet of retail has recently broken ground in the downtown.

⁵ See CoStar Group "Changing Trends in Office Space Requirements: Implications for Future Office Demand, 2013; presentation by Professor Norm G. Miller, Burnham-Moores Center for Real Estate, University of San Diego, California. Utilization rate refers to the percentage of individual employee space occupied throughout the workday.

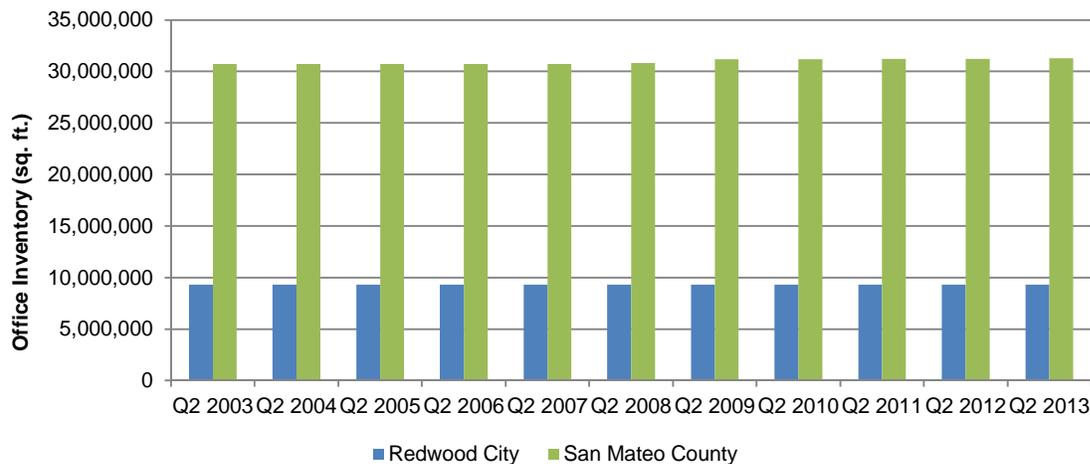
and pedestrian networks to increase connectivity. Elements of a repositioning strategy can also include the construction of additional housing, particularly housing affordable to local workers, and expanding the mix of retail and entertainment options. Implementation of some or all of these strategies may be necessary for Redwood City to continue to capture a significant portion of future employment growth by proposing office use in the Plan Area.

Inventory and Absorption Trends

Redwood City is a strong employment node with a large inventory of office space. According to data from commercial brokerage Cassidy/Turley, there were approximately 31 million square feet of office space in San Mateo County as of the second quarter of 2013. Redwood City accounted for 30 percent of the office inventory in San Mateo County, with approximately 9.3 million square feet of office space. Much of the office space in Redwood City is concentrated in the Redwood Shores area, which had 5.9 million square feet of office space as of the second quarter of 2013. Other office nodes in Redwood City include downtown and the area northeast of the Plan Area along Seaport Boulevard.

The amount of office space in Redwood City has not changed over the past decade, according to data from Cassidy Turley shown in Figure 9. Meanwhile, the amount of office space in San Mateo County increased only slightly, with a net addition of approximately 561,000 square feet of office space between the second quarter of 2003 and the second quarter of 2013. The inventory has not changed, since high levels of vacancy have had to be absorbed before economic and market conditions could trigger the need for new development.

Figure 9: Office Inventory, 2003-2013



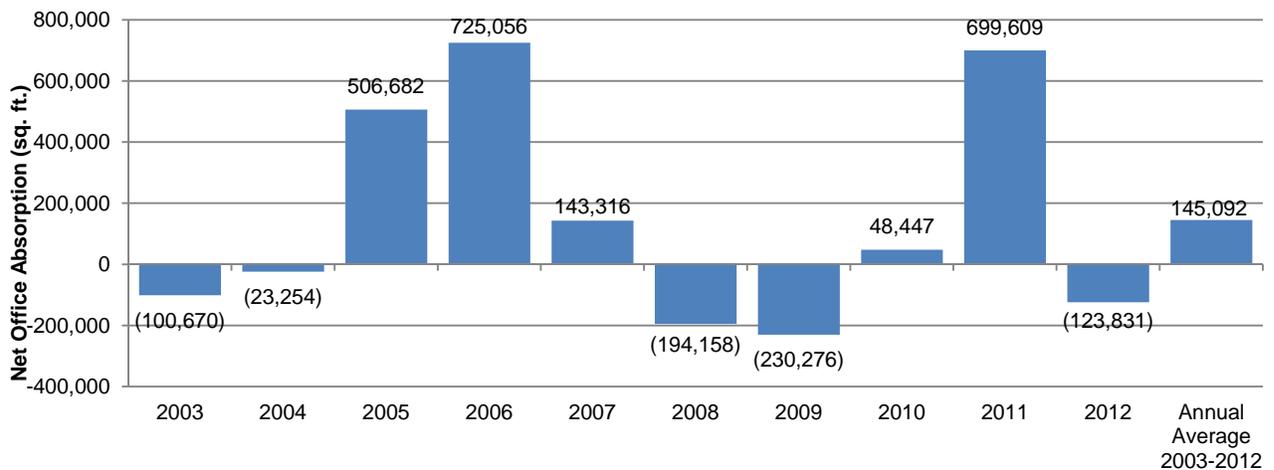
Sources: Cassidy/Turley, 2013; BAE, 2013.

In the real estate market, gross absorption measures the total square feet space leased over a defined time period, while net absorption measures the total square feet of space leased over a defined time period after subtracting the amount of existing space vacated and new space added to the inventory during the same period.

Net office absorption in Redwood City and San Mateo County has varied substantially over the past two business cycles. Figure 10 and Figure 11 show net annual absorption in Redwood City and San Mateo County between 2003 and 2012. As shown, net annual absorption in Redwood City ranged from -230,276 square feet in 2009 to 725,056 square feet in 2006. Net annual absorption in San Mateo County ranged from -839,096 square feet in 2008 to 1.6 million square feet in 2005.

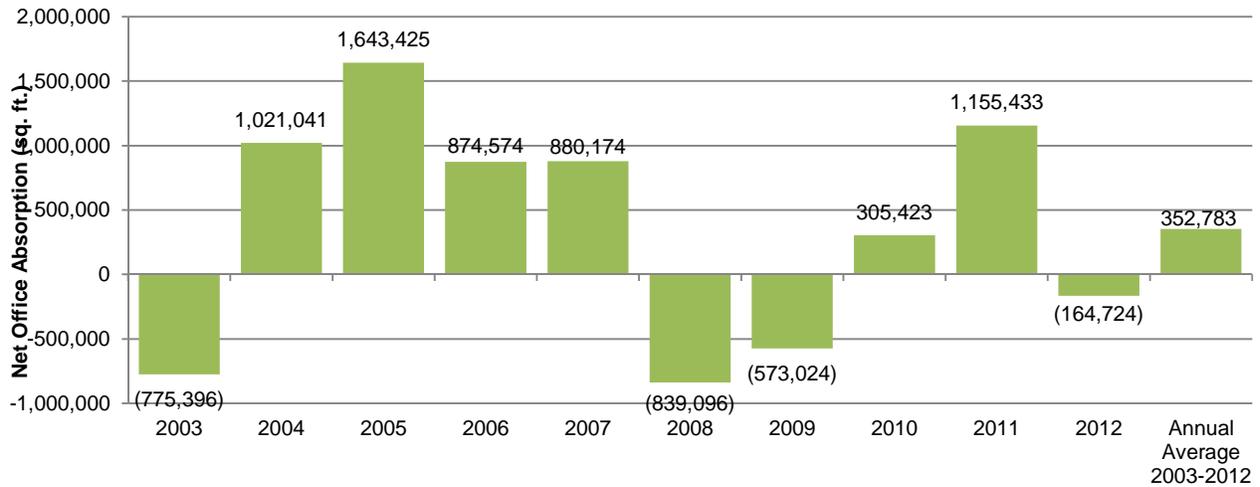
Despite some years with considerable amounts of negative net absorption, both Redwood City and San Mateo County showed positive average net annual absorption over time. Annual net absorption between 2003 and 2012 averaged approximately 145,000 square feet per year in Redwood City and approximately 353,000 square feet per year in San Mateo County overall, demonstrating long-term growth.

Figure 10: Annual Net Office Absorption, Redwood City, 2003-2012



Sources: Cassidy/Turley, 2013; BAE, 2013.

Figure 11: Annual Net Office Absorption, San Mateo County, 2003-2102



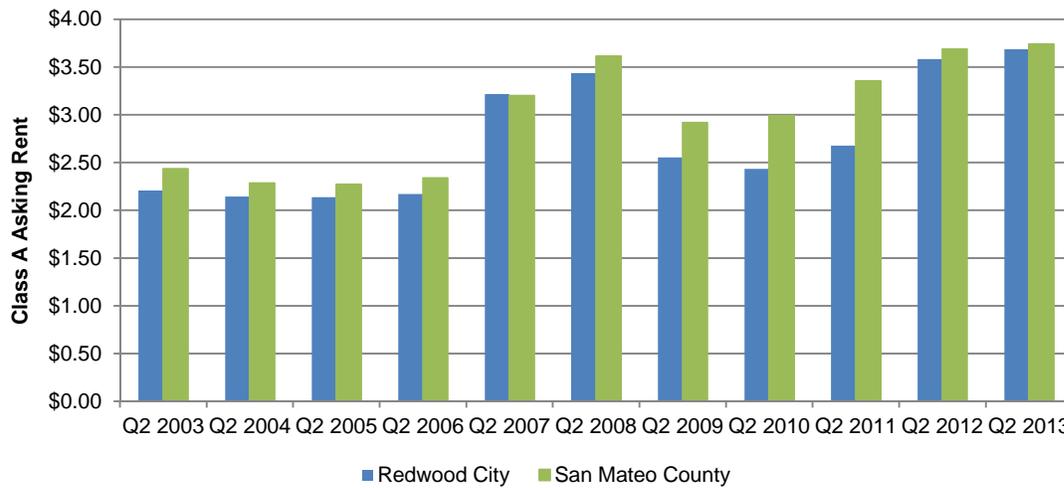
Sources: Cassidy/Turley, 2013; BAE, 2013.

Vacancy and Rental Rate Trends

Although lease and vacancy rates in Redwood City and San Mateo County have demonstrated variation over two business cycles between 2003 and 2013, the office market has demonstrated increasing strength over this period in both the City and County. Figure 12 shows first quarter average Class A full service office lease rates for Redwood City and San Mateo County, and Figure 13 shows average office vacancy rates for Redwood City and San Mateo County, according to data provided by Cassidy/Turley.

As shown, lease rates for Class A office space in Redwood City are typically comparable to Class A lease rates in San Mateo County overall. The average Class A lease rate in the City and County peaked in 2008, with second quarter lease rates averaging \$3.44 per square foot per month in Redwood City and \$3.61 per square foot per month in San Mateo County. Between the second quarter of 2008 and the second quarter of 2009, Class A lease rates decreased a significant amount in both the City (\$0.88 decrease per square foot per month) and County (\$0.70 decrease per square foot per month), but remained higher than the second quarter averages between 2003 and 2006. Class A lease rates in Redwood City and San Mateo County have increased steadily in subsequent years, and by the second quarter of 2012 had surpassed the previous highs experienced in 2008. As of the second quarter of 2013, the average full service Class A office lease rate was \$3.68 per square foot per month in Redwood City and \$3.74 per square foot per month in San Mateo County.

Figure 12: Class A Office Lease Rates, Second Quarter 2003 to Second Quarter 2013



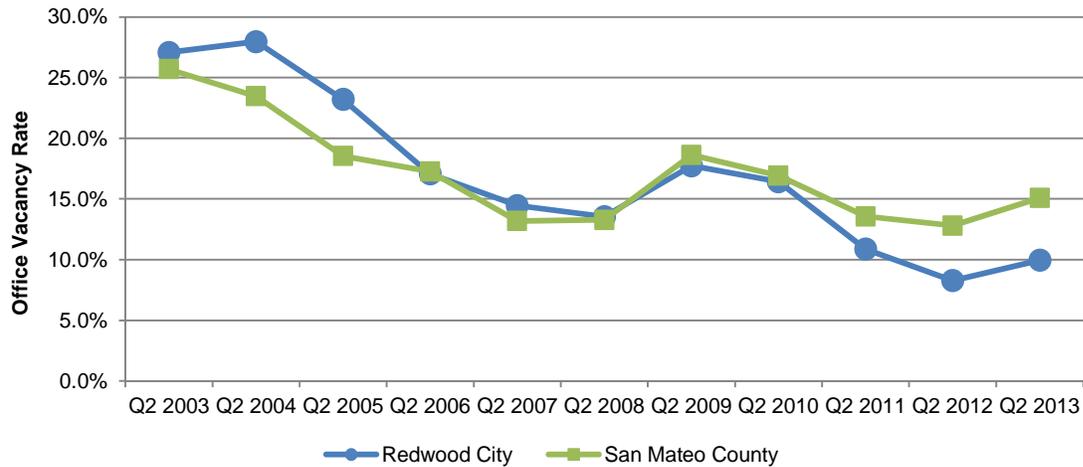
Sources: Cassidy/Turley, 2013; BAE, 2013.

Though second quarter office vacancy rates fluctuated substantially in Redwood City between 2003 and 2013 and remain higher than rates seen in particularly strong markets, vacancy rate trends indicate steady improvement in the Redwood City office market over time. Vacancy rates in both the City and County decreased in the years leading up the recession (2003 through 2008) followed by an increase at the start of the recession in 2009. However, even with the increase in vacancy rates in 2009, office vacancy in the City and County remained lower than vacancy rates seen in 2003 and 2004. Vacancy rates declined steadily in the City and County between 2009 and 2012, with a slight increase in vacancy between the second quarter of 2012 and the second quarter of 2013. As of the second quarter of 2013, Redwood City had a 10 percent office vacancy rate, slightly higher than rates typically associated with a strong office market but indicative of steady absorption of the City's vacant office inventory over time.

Moreover, office vacancy rate trends suggest growing demand for Redwood City office space as tenants recover from the recession. Between 2003 and 2005, second quarter office vacancy rates in Redwood City were between one and five percentage points higher than rates in San Mateo County. Between 2006 and 2010, there was a negligible difference between office vacancy rates in the two areas. Starting in 2011, Redwood City had a lower office vacancy rate than San Mateo County overall, and the gap has increased steadily between 2011 and 2013. These trends suggest that Redwood City is becoming an increasingly desirable location within the San Mateo County office market.

Although there are likely many factors driving this trend, it may be due in part to the City's ability to respond to some of the trends in office demand identified above. In particular, the City's Caltrain station may be a factor in attracting office tenants along with recent development that has improved the range and quantity of neighborhood amenities downtown. As discussed above, these factors are of growing importance in attracting office tenants, particularly in the high-tech and biotech industries.

Figure 13: Office Vacancy Rates, Second Quarter 2003 to Second Quarter 2013



Sources: Cassidy/Turley, 2013; BAE, 2013.

Planned and Proposed Office Development

There is one office development under construction in Redwood City. The development, Crossing 900, consists of two mid-rise office buildings totaling slightly more than 300,000 square feet, and approximately 5,000 square feet of retail space. The project site is downtown and adjacent to the City's Caltrain Station. A recently approved specific plan, Stanford in Redwood City Precise Plan, plans for up to 1.5 million net new office/R&D square feet to be developed by Stanford University. Together, these two projects total approximately 1.8 million square feet of new office space. In addition, a well-known office developer, Jay Paul Company, has purchased a 19.85-acre site in the Inner Harbor area –the former Malibu Grand Prix business at 320-340 Blomquist Street. The Jay Paul Company has announced that it will prepare a plan for office space in a project tentatively named "Harbor View Place."

Life Sciences Industry Overview

The life sciences industry broadly refers to a network of firms and academic institutions devoted to research, development, technology transfer, and commercialization of products and technologies in the biotech and biomedical fields. Biotechnology, or biotech, is characterized by the use of biological systems and living organisms in developing specific technological applications primarily for use in drug development, disease treatment, and medical procedures. The biomedical industry comprises biopharmaceutical development, medical equipment and device manufacturing, and medical laboratory testing services.

Industry Trends

Life sciences firms employ highly skilled workers, such as biomedical engineers, biophysicists, chemists, microbiologists, and laboratory directors. Workers in such occupations earn high salaries, over \$100,000 per year on average among life science workers in California, and require advanced

education and training. To this end, life sciences firms cluster in areas of high intellectual capital where universities and other academic institutions provide a core workforce. The availability of investment capital is also a major factor in the locational decisions of life sciences establishments. Firms in this industry have high start-up and operations costs due to specialized equipment, space, and workforce needs. Areas that offer both intellectual capital and robust investment networks, therefore, are especially attractive to life sciences firms.

Employment in life sciences occupations is expected to grow by 20 percent by 2020 nationwide, according to the Department of Labor. This compares to an expected growth of 14 percent for all occupations over the same time period. Many factors contribute to the positive outlook for life sciences growth, including the increasing demand for medical services among the nation's aging population and the interest of venture capital in broadening investments outside of the core software and tech industries.

Bay Area Life Sciences Outlook

The Bay Area provides the combination of intellectual and financial capital that is critical to life sciences and has established itself as the national hub of the industry. The area is home to five major research universities - Stanford, UC Berkeley, UC Davis, UC Santa Cruz, and UC San Francisco (UCSF). Three of these - Stanford, UCSF, and UC Davis - have medical schools, while UCSF, Stanford, and UC Berkeley were among the top 10 recipients of National Institutes of Health (NIH) funding in 2012, a major financing source for Life Sciences research. In addition, several major federal and private research institutions are located in the area, including Lawrence Berkeley Livermore National Lab in the East Bay, and NASA Ames Research Park, SRI International, and the Stanford Linear Accelerator Center on the Peninsula. One in three biotech companies in California were started by scientists from the UC system, and research at UCSF alone has produced over 70 spin-off companies.

Venture capital for life sciences is also highly clustered in the Bay Area. In the first three quarters of 2012, \$1.13 billion in life sciences investment was recorded in the Bay Area, making up nearly 60 percent of all life science venture capital investment in California, and more than the next four highest investment states in the country. Furthermore, the biotech investment in the Bay Area has increased its focus on early and seed-stage projects, while such projects have declined as a share of total biotech investment nationwide. In other words, the Bay Area is home to a Life Sciences industry cluster that is not only dominant, but is also continuing to invest in long-term innovation more than other areas of the country.

The Bay Area is home to roughly 1,000 life sciences companies, more than any other region in the country, and employs over 100,000 people. Among the top 20 occupations in the San Francisco MSA with the fastest projected job growth from 2010 to 2020, nine are in core life sciences occupations like biomedical engineering, biochemistry, and medical science. These nine occupations are projected to add roughly 8,200 jobs by the end of the decade, a growth rate of 55 percent compared to just under 20 percent for all occupations in the San Francisco MSA, according to data from the California Employment Development Department (EDD). In addition, the San

Francisco Center for Economic Development (SFCED) reports that on average 30 new Life Sciences companies are founded in the Bay Area each year.

Real Estate Trends

Unlike many other industries that have been able to substitute traditional lab or R&D spaces with offices and computer simulators, life sciences firms generally require unique space to operate. Wet lab space, proper ventilation, high ceilings, adequate structural support for heavy equipment, and advanced climate control systems are among the many specific needs of life sciences operations. Construction costs for new lab space can be four to six times higher than traditional office space, according to commercial broker reports. Renovations of existing space can also require major investment for life sciences use. These costs only increase the importance of industry clustering, incubator spaces, and seed-stage venture capital investment in growing new life sciences ventures.

The Peninsula is already home to several leading life sciences firms, including Genentech (biopharmaceuticals and biotech) and Onyx (pharmaceuticals) in South San Francisco; InterMune (biotech) in Brisbane; Gilead (biopharmaceuticals), Life Technologies (biotech and medical devices), and FST (medical devices) in Foster City; and Agilent Technologies (medical devices) in Santa Clara.

Redwood City hosts a life sciences cluster of its own, largely grouped around the Plan Area and along Highway 101 in the Seaport Center. The Redwood City life sciences cluster includes Genomic Health (cancer diagnostics research), Abbott Vascular (medical devices), Genentech (biopharmaceuticals), Verinata (pre-natal genetic testing), XEI Scientific (medical devices), Maxygen (biopharmaceuticals), and OncoMed (pharmaceuticals).

Redwood City lies along one of the most dynamic life sciences corridor in the country and expansion by established firms in and around the City will be one driver for new life sciences space. Meanwhile, important incubator centers like SRI International and Janssen Healthcare Innovation (Johnson & Johnson) in Menlo Park and NASA Ames Research Park in Mountain View offer research and lab space for start-up firms that will eventually seek permanent space in the region.

Implications for the Specific Plan

- The office market has recovered in both Redwood City and San Mateo County to an extent that new construction is feasible and necessary to accommodate new or growing companies – vacancy rates for office space in the City have fallen to 10 percent while rents for Class A office now exceed the peak level reached prior to the Great Recession.
- To support office space at the Inner Harbor, the City should provide physical connectivity to Downtown and the Caltrain Station to take advantage of public transit and retail amenities.
- New office development will permit the City to offer state-of-the-art, energy-efficient office space with floor sizes and layouts demanded by technology and life-science users and tenants.

- Redwood City is located in a robust life-science corridor stretching from Mission Bay in San Francisco to Palo Alto, making the Inner Harbor, with its access and frontage on Highway 101, highly attractive as a potential location for this use.

Hotel Market Overview

Hotel Product Types

Hotels and other lodging facilities include a variety of product types with considerable variation in price and amenities. In addition to traditional hotels offering a range of amenity levels (often categorized as either full service, select service, or limited service lodging facilities), many hotel markets include extended stay hotels, resort hotels, boutique hotels, eco-resorts, or other types of lodging facilities.

Full service lodging typically offers a full range of amenities, including dining, room service, concierge, assistance with luggage, and meeting or party rooms. Lodging facilities offering these amenities are most commonly located in large cities and cater to leisure and business travelers. Limited service lodging facilities do not offer the labor-intensive amenities offered at full-service hotels, and are often smaller properties located at freeway interchanges or near airports. Select service lodging offers a wider range of amenities than limited service hotels, but fewer amenities than are typical of full service hotels. For example, select service hotels might offer coffee and limited breakfast options in the lobby but are not likely to offer room service. With all else equal, the pricing of lodging facilities generally increases with the level of service and amenities offered.

Extended-stay hotels and resort hotels provide variations on traditional hotels that respond to particular segments of lodging demand. Extended-stay hotels are typically designed to be suitable for long trips by including features such as in-suite kitchen facilities, larger rooms, exercise facilities, and grocery service, and are often marketed to business travelers. As with more traditional hotels, extended-stay hotels show variation in price, services, and amenities. Resort hotels are typically developed as destinations, so that the resort itself is the reason for selecting a location as a travel destination, and are targeted to leisure travelers. Resorts typically offer full service dining facilities, swimming pools, spas, customized recreation services (or assistance in arranging these nearby), and general concierge services. The location, recreation, and service amenities offered at a resort are reflected in the pricing of the rooms.

Over the past decade, the range of hotel product types has expanded with the increasing popularity of boutique hotels, agri-tourism, and ecotourism⁶. Boutique hotels typically offer a strong design

⁶ Agri-tourism includes a number of activities that bring people to a farm or ranch for recreational purposes, and is not limited to overnight trips. Examples of agri-tourism activities include fruit picking, horse riding, purchasing food from farm stands, and overnight visits at farms or ranches. Ecotourism allows some human access to sensitive environmental lands while limiting the environmental impact of travel to these areas. In

theme, which is reinforced with touches throughout the hotel. Examples of large operators who have specialized in boutique hotels in California include Kimpton and Joie de Vivre. Boutique hotels are usually select service facilities and thus do not cater to visitors seeking multi-night stays with full amenities on-site, which reduces operating costs and room rates compared to luxury hotels.

Lodging & Hospitality Investment Trends

As part of the lodging and hospitality real estate sector, hotels have traditionally been, and continue to be, considered one of the more risky investments among all real estate asset categories. As noted in the ULI's *Emerging Trends in Real Estate*, "given plenty of troubled legacy loans in portfolios and multiple cycles of burned development transactions, lenders show no inclination to bankroll hotel projects, except extremely select deals in prime global gateways⁷." Internet pricing transparency has put pressure on profit margins when hotels have to adopt airline-style room inventory pricing and management practices in order to remain competitive. For these reasons, lenders and equity investors tend to be conservative and apply tight feasibility standards before funding new hotel developments, even in top tier markets such as the San Francisco Bay Area. Hotel property owners and developers also acquire older properties for major renovation as a substitute for new development. The San Francisco Bay Area is widely acknowledged as one of the strongest markets for hotel investment in the country and a major travel gateway.⁸

San Mateo County Hotel Market Context

Hotel demand in San Mateo County has traditionally demonstrated a dichotomy between the coast and bay shores of the County, with hotels along the 101 corridor experiencing more business-related demand and heavy midweek occupancy, and hotels along the Pacific coastline having a higher proportion of weekend demand due to leisure travel. However, professionals familiar with the lodging industry in the County report that this distinction has lessened in recent years, with an increase in business travel to hotels in the western portion of the County, and an increase in leisure travel to hotels along the 101 corridor. The increase in leisure stays along the 101 corridor has coincided in part with the recovery of the San Francisco hotel market, leading some travelers to seek less expensive lodging options on the Peninsula in locations near mass transit that provides access to San Francisco.

Nonetheless, business-related travel is a key driver of demand for lodging uses in San Mateo County, particularly along the jobs-rich Highway 101 corridor. Approximately 75 to 80 percent of hotel room demand throughout the County is estimated to be attributable to business travel, generated primarily by the high-tech and bio-tech companies in the area and the businesses providing goods or services to them. Stanford University is also an important factor in generating hotel room demand due to events on campus, family visiting students attending the school, and professionals and patients

place of a traditional hotel or luxury resort, lodging provided at eco resorts often consists of luxury tents or yurts.

⁷ Urban Land Institute, *Emerging Trends in Real Estate 2013*, page 58.

⁸ Ibid; see also PKF Consulting, *Hotel Horizons*, September, 2013.

visiting the Stanford Medical Center, according to hotel operators in Redwood City and staff from the San Mateo County Convention and Visitors' Bureau.

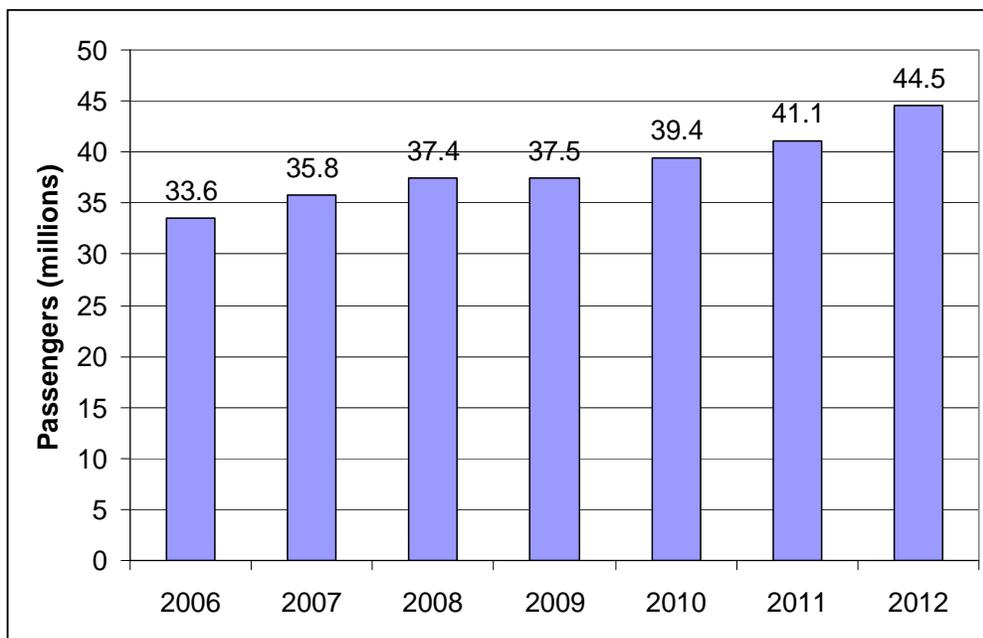
Due in part to the large amount of business-related travel to San Mateo County, extended stay hotels constitute a large portion of the hotel market in the area and tend to have strong occupancy rates. A recent study by BAE found that the occupancy rate in a selection of upscale chain extended stay hotels in San Mateo and Santa Clara Counties was 82 percent in 2012, according to STR, compared to approximately 61 percent for all hotels tracked by STR nationwide. In general, hotel occupancy rates over 70 percent are considered high, permitting owners and operators to raise rates. As occupancy and rates increase, development or new hotels becomes financially feasible.

Drivers of Demand

The key drivers of demand for hotel rooms are employment growth and travel, and employment has rebounded sharply in San Mateo County. Over 5,500 jobs have been added in San Mateo County over the last employment peak in 2009. This increase in jobs has supported the recovery in hotel occupancy and average daily room rates.

Travel, as measured by passenger traffic at San Francisco International Airport, has also grown strongly during the current recovery. As shown in Figure 14, passenger traffic in 2012 increased to 44.5 million passengers (both emplaned and deplaned) –an all-time record. Over the past seven years, total passenger volume has increased by almost 11 million passengers, or 32 percent. This growth in travel has bolstered demand for hotels in the area.

Figure 14: Passenger Volume, San Francisco International Airport, 2006 to 2013



Redwood City Inventory

According to STR, there are 16 hotels in Redwood City with a total of 1,203 rooms; approximately eight percent of all hotel rooms in San Mateo County (see Table 15). The hotel properties in Redwood City vary from economy class hotels to the full service luxury Sofitel San Francisco Bay in Redwood Shores. Many of the hotels in Redwood City cater to the extended stay market, often including work desks or kitchens in the guest rooms. Apart from the Sofitel, none of the hotels in the City cater to the upscale or luxury market, and instead offer economy to upper midscale hotel options. For this study, BAE focuses on what SmithTravel Research identifies as Upper Midscale, Upscale, Upper-upscale, and Luxury, to reflect current business travel preferences. There are seven hotel properties in Redwood City that fall in these categories. All together, they have a combined total of 728 rooms. Weekday rates for Select Service properties range from \$140 to \$160 per night at the Comfort Inn to \$259 to \$269 per night for the TownePlace Suites in Redwood Shores. Overall, the City's higher quality hotel rooms are concentrated in Redwood Shores, suggesting that with additional commercial development in downtown Redwood City and Stanford in Redwood City Precise Plan area, a upper-market+ hotel may be needed outside of Redwood Shores itself.

Table 15: Redwood City Hotel Inventory, September 2013

Hotel	Lodging Type	# of Rooms	Room Rates (per night) (a)		Pool	Gym	Internet	Room Service
			Weekday	Weekend				
Sofitel San Francisco Bay	Full Service	421	\$345-\$488	\$166-\$319	X	X	X	X
Comfort Inn Redwood City	Select Service	52	\$140-\$160	\$125-\$145			X	
Atherton Park Inn & Suites	Select Service	38	\$180	\$110		X	X	
Best Western Plus Executive Suites	Select Service	29	\$169-\$179	\$109-\$119		X	X	
Best Western Plus Inn Redwood City	Select Service	31	\$166-\$186	\$166-\$186	X		X	
TownePlace Suites Redwood City Redwood Shores	Select Service	95	\$259-\$269	\$129-\$139		X	X	
Holiday Inn Express Redwood City Central	Select Service	62	\$214-\$228	\$111-\$128		X	X	
Total Upper Midscale or Better Rooms in SmithTravel Survey		728						
Total Hotel Rooms in Redwood City		1,203						
Total Hotel Rooms in San Mateo County		15,172						

Note:

(a) Weekday room rates are based on a survey of advertised room rates for a one-night stay on Tuesday, November 19th. Weekend room rates are based on a survey of advertised room rates for a one-night stay on Saturday, November 16th.

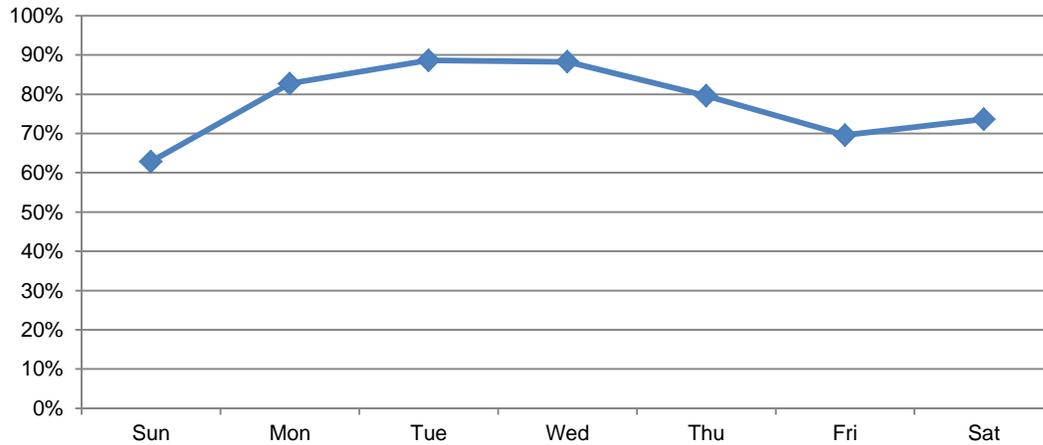
Sources: Hotel Websites, BAE; September 2013.

Occupancy and RevPAR

Overall demand for hotel rooms is strong as measured by the industry-standard metrics of occupancy and revenue-per-available-room (RevPAR). Demand for hotel rooms in the Redwood City market area tends to be significantly higher during the week than on weekends, indicating that business travel is the primary source of hotel demand in the area, while leisure travel constitutes a relatively small portion of demand. Figure 15 shows occupancy rates for selected hotels in Belmont, Foster City, Redwood City, and San Carlos, according to STR. As shown, occupancy rates among these hotels are highest on Tuesday and Wednesday nights, reaching 89 percent on average on Tuesday nights. Additionally, hotel operators in Redwood City estimate that 70 to 80 percent of hotel

room demand in Redwood City is due to business travel, with properties frequently reaching full occupancy during the week. Hotel room rates reflect this trend, with higher rates during the week than on weekend nights.

Figure 15: Occupancy by Day of Week, Market Area, September 2012-August 2013 (a)



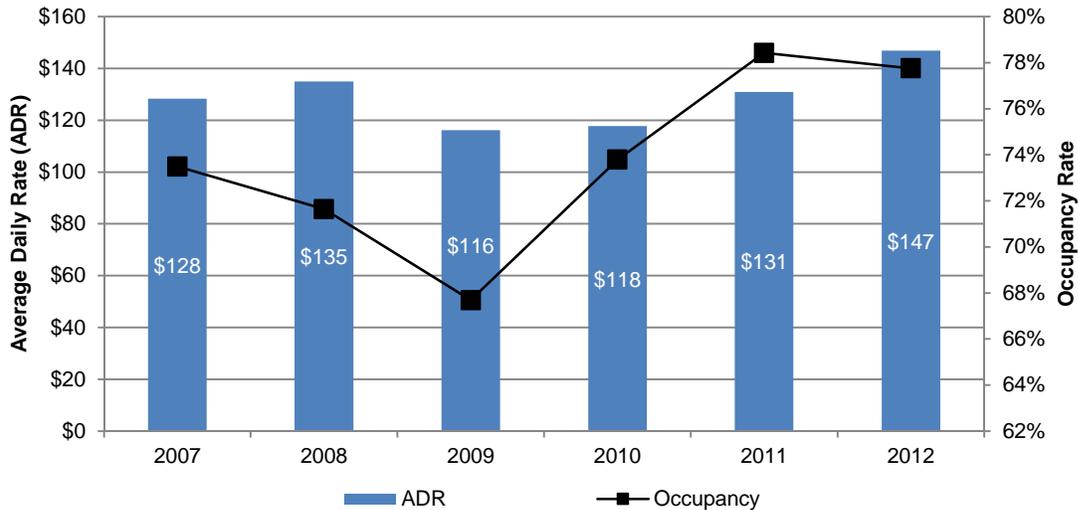
Note:

(a) Hotels sampled for the Market Area include all upper midscale class, upscale class, and luxury hotels in Belmont, Foster City, Redwood City, and San Carlos.

Sources: STR, 2013; BAE, 2013.

Hotel price and occupancy rates have shown steady increases as the economy has recovered over the past few years, indicating a strong hotel market in Redwood City. According to STR data presented in Figure 16, the average daily rate per room (ADR) for hotels in the Redwood City market area fell during the recession in 2009, but increased 25 percent between 2010 and 2012. While occupancy rates also decreased in 2009, falling to 68 percent, average occupancy remained above 70 percent for all other years between 2007 and 2012, indicating that the Redwood City market area is generally a strong market for hotels. Between 2010 and 2012, occupancy rates among the sampled properties exceeded rates experienced in any year between 2007 and 2009 and as of 2012, the hotels included in the STR sample were 79 percent occupied on average. Although this 2012 occupancy rate represented a small decrease (less than one percent) from 2011, overall hotel revenues in 2012 were higher than revenues in 2011 due to higher daily room rates.

Figure 16: Average Daily Rate and Occupancy Rate in Market Area, 2007-2012 (a)



Note:

(a) Hotels sampled for the Market Area include all upper midscale class, upscale class, and luxury hotels in Belmont, Foster City, Redwood City, and San Carlos.

Sources: STR, 2013; BAE, 2013.

Planned and Proposed Lodging Development

As of the date of this report, the only project in the development pipeline in Redwood City is the One Marina development, which is entitled for 200 hotel rooms along with 231 condominium units and 10,000 square feet of retail space. While most of the residential units included in the project have been constructed and sold, construction has not yet commenced on the hotel portion of the site located at 650 Bair Island Road. Recently, a hotel developer has submitted a proposal to build 176 rooms on the 3-acres site and the application is undergoing review by the City.

Strategy for Planning Future Hotel Development

Due to the risks associated with hotel and hospitality development, Redwood City should consider adopting a strategic approach in identifying sites for hotel and hospitality development. One risk that cities face in accommodating new hotel development is when hotel development on a particular site cannot proceed due to an owner or entity with an option on the site being unable to secure debt and equity financing for reasons that are specific to the owner or option holder. In these cases, hotel sites can be tied-up for long periods of time with no activity. To avoid relying on one or two sites to accommodate future hotel demand, cities should consider additional sites (if appropriately located and compatible with other proposed uses) in excess of what a traditional demand analysis would suggest to ensure that demand can be met.

Implications for Specific Plan

- High occupancy and increasing average daily room rates and RevPAR indicate potential support for additional hotel rooms.

- Increased employment in Redwood City will likely increase demand for upper midscale, upscale, upper-upscale, and luxury hotel brands in Redwood City.
- Increased traffic at San Francisco International will not only increase demand from business travelers but leisure passengers as well.
- Hotel developers and operators prefer high-visibility locations with easy freeway access.
- Due to the risky nature of hotel development and investment, Redwood City should have multiple sites identified for potential hotel development to ensure that future demand can be met.

Retail Market Overview

Retail Context

The City's Economic Development Element provides an overall context for retail in Redwood City, paraphrased in the following discussion. The City seeks to strengthen its Downtown as a retail shopping and eating and drinking destination but must compete with retail shopping centers outside the community as well as try to attract retailers who seek high-traffic, high-visibility locations that are offered in traditional strip malls on major arterials. Rents for newly constructed retail space are generally too high for independent retailers or service providers but formula or chain retailers who could afford the asking rent are hard to recruit because most Downtown locations do not match their siting criteria. The Inner Harbor Specific Plan Area can offer highly prized frontage on Highway 101 to retailers but additional community or regional serving retail in this area may undermine City efforts to bolster its downtown and other existing retail centers. The Plan Area is less than a mile from Downtown.

Existing Retail Inventory

Redwood City's inventory of retail is split by Terranomics, Inc., a regional commercial brokerage firm specializing in retail properties, into two of three submarkets defined for San Mateo County. Retail properties within Redwood Shores are part of the Central San Mateo County submarket and properties in Redwood City outside of Redwood Shores are part of the South County submarket. Table 16 presents inventory, vacancy, and average monthly asking rents on a triple net basis. There are approximately 5.9 million square feet of retail in the Central and South San Mateo County submarket. As of the end of the second quarter 2013, vacancy rates were just 1.8 percent in the Central submarket and 3.5 percent in the South submarket. These vacancy rates are well below the 5 to 7 percent vacancy level indicative of a balanced market. Monthly average asking rents range from \$2.03 per square foot on a triple net basis in Central San Mateo County to \$2.29 monthly per square foot in South San Mateo County.

Table 16: San Mateo County Retail Inventory, Second Quarter 2013

	Inventory (sq. ft.)	Vacancy Rate	Net Absorption 2013 (sq. ft.)	Avg. NNN Asking Rent (per sq. ft. monthly)
San Mateo County				
North (a)	4,441,158	3.6%	(2,696)	\$2.33
Central (b)	2,755,439	1.8%	(1,361)	\$2.03
South (c)	3,153,995	3.5%	40,466	\$2.29
Total	10,350,590	3.1%	36,409	\$2.25
Bay Area				
Total	123,013,744	5.8%	144,155	\$1.87

(a) North County includes Brisbane, Burlingame, Daly City, Millbrae, Pacifica, San Bruno & South San Francisco

(b) Central County includes Foster City, Redwood Shores & San Mateo

(c) South County includes Atherton, Belmont, East Palo Alto, Menlo Park, Redwood City, & San Carlos

Sources: Terranomics, 2013; BAE, 2013.

Per Capita Taxable Retail Sales

Redwood City is home to a number of auto dealerships that boost the City's reported total taxable retail sales as well as per capita retail sales. As shown in Table 17, in 2011, the last year for which public data is available, Redwood City reported approximately \$1.2 billion in taxable retail sales for retail and food services, or \$15,233 per capita. Of this total, taxable retail sales in the Motor Vehicle and Parts Dealers category accounted for approximately 28 percent of the total. After netting out auto and parts sales, the per capita taxable retail sales for Redwood City falls to \$10,873.

The per capita sales for Redwood City are significantly higher than for San Mateo County or California when Motor Vehicles and Parts Dealers are included. The City's total taxable retail sales is 128 percent higher than the County per capita sales figure of \$11,881 and 160 percent of the per capita sales figure for California. When Motor Vehicles and Parts Dealers are removed, the per capita taxable retail sales figure for Redwood City is only slightly higher than the County figure (\$10,873 for the City versus \$10,154 for San Mateo County) but still significantly higher than the per capita sales figure for California. The per capita sales data for Redwood City does not suggest any significant retail leakage that would indicate support for additional retail aside from neighborhood convenience retail. Based upon this general data, new additional retail, particularly regional or community retail, may simply result in a cannibalization or redistribution of existing sales within the City.

Neighborhood Convenience Retail

To the extent that the Inner Harbor Specific Plan Area is comprised of mixed uses, a modest amount of neighborhood convenience retail would be appropriate. The International Council of Shopping Center defines a convenience center as a facility with typically less than 30,000 square feet, anchorless or having a small convenience store or mini-mart anchor (such as 7-Eleven) that offers a narrow range of goods and services that serves a small trade area (less than three miles). In a mixed use context, convenience retail is row stores under residential or office with tenants typically comprised of a coffee shop, deli, mini-mart, dry cleaning or other personal services. Owners of office properties, particularly Class A properties, with ground floor retail typically apply strict tenant screening requirements in terms of financial capacity and quality since the profile of the retail tenant

can impact the image and marketability of the office space (e.g., the retail tenant must be compatible with Class A office with high levels of tenant improvements and finishes. Developers and/or managers of residential properties do not have such strict tenancing criteria and retail tenants can often include independent retailers as well as small business providing personal services such as pet grooming, personal grooming, and dry-cleaning.

Typical shop space sizes for convenience retailers include:

- Convenience store: 2,000 to 3,000 square feet
- General store: 2,500 to 4,000 square feet
- Telecommunications/cell phone store: 2,000 to 3,000 square feet
- Nutrition/supplements/health food store: 1,500 to 2,500 square feet
- Coffee shop (Pete’s or Starbucks): 1,500 to 4,000 square feet
- Fast food/limited food service: 1,000 to 3,000 square feet
- Full service restaurant: 2,500 to 6,000 square feet

For the Inner Harbor Specific Plan Area, since the total area under consideration for mixed use redevelopment is both small and somewhat isolated geographically, new development and existing uses alone will not be able to support more than a limited amount of new retail. Programming 5,000 square feet of retail would generally mean having two to three shops while 15,000 square feet would accommodate a full service restaurant and from four to six other shops. If new retail is situated to leverage the existing Docktown Marina, a full or limited service restaurant may be feasible given the unique, water-oriented location.

Table 17: Total and Per Capita Taxable Retail Sales, 2011

Retail and Food Services	2011 Taxable Retail Sales (000s)		
	Redwood City	San Mateo County	California
Motor Vehicle and Parts Dealers	\$ 334,883	\$ 1,241,177	\$ 53,303,501
Home Furnishings and Appliance Stores	\$ 74,288	\$ 708,443	\$ 23,578,090
Bldg. Matrl. and Garden Equip. & Supplies	\$ 65,757	\$ 716,722	\$ 26,064,428
Food and Beverage Stores	\$ 77,072	\$ 532,524	\$ 23,606,132
Gasoline Stations	\$ 132,065	\$ 1,154,740	\$ 55,210,076
Clothing & Clothing Accessories Stores	\$ 42,108	\$ 633,937	\$ 29,600,057
General Merchandise Stores	\$ 203,220	\$ 1,088,960	\$ 48,219,018
Food Services and Drinking Places	\$ 133,117	\$ 1,391,048	\$ 54,755,944
Other Retail Group	\$ 107,590	\$ 1,068,492	\$ 41,180,792
Total Retail and Food Services	\$ 1,170,101	\$ 8,536,043	\$ 355,518,038
Per Capita All Categories	\$ 15,233	\$ 11,881	\$ 9,499
Per Capita with out Motor Vehicles & Parts	\$ 10,873	\$ 10,154	\$ 8,075

Sources: California State Board of Equalization; BAE, 2013..

R&D and Industrial Market Overview

Due to the proximity to the San Francisco Bay and access to a deep-water port, industrial uses have developed along and adjacent to the Inner Harbor area. In addition, there are existing light-industrial and office/R&D uses in Seaport Centre with a strong concentration of bio-science firms. Both R&D and industrial properties in Redwood City have performed well during the current economic recovery. This section presents a brief summary of market conditions for R&D and industrial space in Redwood City and San Mateo County. Data for this section of the report is taken from Collier's International 4th Quarter 2013 San Francisco Peninsula Research and Forecast Report.

R&D Market

With an inventory of approximately 2.4 million square feet, Redwood City accounts for approximately 15 percent of San Mateo County's 15.9 million square feet of R&D space. Vacancy in the City at the end of the 4th quarter 2013 was 9.7 percent, very near the San Mateo County average of 9.9 percent. Vacancy rates county-wide have dropped sharply by 5.9 percentage points from 15.8 percent in the 4th quarter 2012. Weighted average asking rents (triple net) for Redwood City were \$1.86 monthly per square foot and slightly higher, \$1.91 monthly per square foot for San Mateo County at the end of the 4th quarter 2013. In response to dropping vacancy rates, rents have risen by approximately 4.4 percent in San Mateo County. Driving this increase was 672,900 square feet of positive net absorption across San Mateo County; Redwood City accounted for approximately 60,500 square feet of this net absorption.

Industrial Market

As of the end of the 4th quarter, Redwood City's inventory of industrial space stood at 4.2 million square feet, accounting for approximately ten percent of San Mateo's industrial inventory. Vacancy rates were low at 3.3 percent in Redwood City compared to 5.6 percent for the county. Like R&D space, industrial vacancy rates in San Mateo County have fallen significantly from 8.5 percent at the end of the 4th quarter 2012. Industrial property owners have enjoyed rising rents: the weighted average triple net asking rent was \$0.70 monthly per square foot in Redwood City and \$0.90 monthly per square foot countywide. Rental rates are lower in Redwood City likely due to a mix of industrial space that is weighted towards large bulk-storage properties at the Port of Redwood City and heavy industrial facilities rather than traditional (e.g warehouse typology), smaller flex-space properties most commonly found in industrial parks in the Peninsula. Asking rents have risen by almost 14 percent over twelve months in San Mateo County from \$0.79 monthly per square foot at the end of the 4th quarter 2012. Net absorption has been strong with 1.5 million square feet of industrial space absorbed in the county between 2012 and 2013, with 79,500 square feet of that total absorbed in Redwood City.

Implications for Precise Plan

The R&D and industrial markets have recovered strongly from the Great Recession and tightening vacancies are signals of robust demand. However, since traditional R&D facilities and industrial properties tend to be low density and lower value (in terms of achievable rents), these properties are frequently acquired and sought for redevelopment into higher density office or mixed uses. From an

economic development perspective, retention of these facilities can offer low cost facilities for light manufacturing or prototype development as well as space for technology or bioscience start-ups.

(This space intentionally left blank)

POTENTIAL MARKET SUPPORT FOR NEW DEVELOPMENT

As discussed in the previous sections, demand for housing, office, and lodging in Redwood City appears to be healthy at the present time and long-term trends indicate market potential for additional development. Based on past and current trends, projected future development, and planned and proposed projects, the following sections provide estimates of the market potential for future development in Redwood City.

Household and Employment Projections

The Association of Bay Area Governments (ABAG) in collaboration with the Metropolitan Transportation Commission (MTC) is the regional agency responsible for preparing demographic and economic projections for the nine-county Bay Area region. ABAG and MTC released the most recent demographic projections in May 2012. These projections, known as the Bay Area Jobs-Housing Connection Strategy (Strategy), are part of the One Bay Area Plan and represent broad policy-based jobs and housing targets. The One Bay Area Plan implements the California Sustainable Communities and Climate Protection Act of 2008, which requires each of the state's 18 metropolitan areas, including the Bay Area, to reduce greenhouse gas emissions from cars and light trucks. As an integral element of the One Bay Area Plan, the Strategy envisions future growth throughout the Bay Area through 2040 based on a regional model that estimates overall population and employment growth.⁹ That growth is then allocated to various jurisdictions and subareas based on an inventory of available land for development as well as policy objectives.

According to ABAG figures, the Bay Area is projected to experience household, housing unit, and employment growth between 2010 and 2040 (see Table 18). The rate of household, housing unit, and employment growth in San Mateo County is expected to be slightly lower than the regional rate of growth.

Growth projections for Redwood City indicate steady growth in households, housing units, and employment between 2010 and 2040, with growth rates higher than the County and region. Overall, figures from ABAG indicate that Redwood City will gain almost 9,000 households and over 19,000 jobs between 2010 and 2040.

⁹ From the Draft One Bay Area Plan released March 22, 2013 and available for download at: http://onebayarea.org/pdf/Draft_Plan_Bay_Area_3-22-13.pdf.

Table 18: Household, Housing Unit, and Employment Projections, 2010 & 2040

Households	2010	2040	Annual % Change 2010-2040	Total % Change 2010-2040
Redwood City	27,957	36,850	0.9%	31.8%
San Mateo County	257,837	315,733	0.7%	22.5%
Bay Area (a)	2,608,023	3,308,110	0.8%	26.8%
Housing Units				
Redwood City	29,167	37,883	0.9%	29.9%
San Mateo County	271,031	326,733	0.6%	20.6%
Bay Area (a)	2,785,947	3,445,947	0.7%	23.7%
Employment				
Redwood City	58,338	77,831	1.0%	33.4%
San Mateo County	345,200	445,310	0.9%	29.0%
Bay Area (a)	3,385,300	4,505,220	1.0%	33.1%

Notes:

(b) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: ABAG, 2012; BAE, 2013.

Housing Demand

Projected demand for new residential development in Redwood City is based on projected residential growth in San Mateo County. As shown in Table 18 above, the growth targets presented in the Jobs-Housing Connection Strategy estimate that San Mateo County will gain approximately 56,000 housing units between 2010 and 2040, at an average rate of approximately 1,900 units per year. The Strategy estimates that Redwood City will gain approximately 8,700 residential units between 2010 and 2040, constituting 16 percent of growth in San Mateo County.

Table 19 shows a low estimate of demand for housing in Redwood City by 2035 along with a slightly more aggressive high estimate. The conservative low estimate assumes that Redwood City will capture approximately 16 percent of residential growth in San Mateo County, at an average rate of 291 units per year, as shown in the Jobs-Housing Connection Strategy. The high estimate assumes that Redwood City will capture a larger share of projected growth in San Mateo County between 2013 and 2035, 18 percent, at an average annual rate of 334 units per year. In both cases, the annual average rate of housing unit growth would substantially exceed the average annual number of residential units permitted in Redwood City over the past decade.

As shown in Table 19, net estimated demand for new housing in Redwood City by 2035 ranges from approximately 4,500 to 5,500 units. The net demand estimate is based on the range of gross estimated housing demand, net of all units currently under construction and half of units that have been planned or proposed but are not yet under construction. Net demand accounts for half of units that are not yet under construction to reflect that only the portion of planned and proposed projects that are typically carried through to construction.

Table 19: Projected Housing Demand, Redwood City, 2013-2035

	<u>Conservative Estimate</u>	<u>Aggressive Estimate</u>
Gross New Housing Unit Demand	6,392	7,353
Less: Units Under Construction	(1,273)	(1,273)
Less: Half of Planned & Proposed Units (a)	(593)	(593)
Net New Housing Unit Demand	4,526	5,487
Assumptions		
Redwood City Share of San Mateo County Growth	15.6%	18.0%
Average # of Units Built/Year	291	334

Note:

(a) To calculate net demand, half of all planned and proposed units in Redwood City are subtracted from gross demand to reflect that while some of these units will likely be built, it is unlikely that all planned and proposed units will be approved and/or constructed.

Source: BAE, 2013.

Office Demand

The demand for office space in a particular location often shifts over time in response to economic and demographic changes. As discussed above, Redwood City has a strong office market, as indicated by upward trends in net absorption, lease rates, and occupancy over the past ten years. Moreover, market data suggest that Redwood City is becoming an increasingly desirable office node within the San Mateo County market, with an office occupancy rate that has surpassed the rate in the County during recent years. The presence of Oracle, Electronic Arts, and a number of technology and life sciences companies in Redwood City is a significant factor driving this high demand, as is the City's central location within the largest hub of life sciences employment in the country. Taking these factors into account, the potential range of future demand for office space in Redwood City was estimated based employment projections for the region as well as recent trends in office construction in San Mateo and Santa Clara Counties.

Employment Projections

Future demand for office space can be estimated based on projected growth in employment and the amount of office space needed to accommodate anticipated growth. The One Bay Area Plan estimates that employment in San Mateo County will increase by approximately 100,000 jobs between 2010 and 2040, as shown in Table 20. According to these estimates, the professional services industry, health and education industry, and leisure, hospitality, and other services industry are expected to account for much of the projected job growth in San Mateo County between 2010 and 2040.

Using 2012 ACS data showing occupation by industry for San Mateo County, Table 20 estimates that office-based jobs will account for 64 percent of all new jobs in San Mateo County between 2010 and 2040. The estimated proportion of office jobs varies by industry, ranging from 32 percent for jobs in the agriculture and natural resources industry to 92 percent for jobs in the finance, insurance, and real estate industry. Based on these proportions, the anticipated job growth in San Mateo County between 2010 and 2040 is expected to include approximately 64,000 office jobs, generating

demand for approximately 16 million square feet of additional office space over the 30-year period, at an average rate of approximately 532,000 additional square feet of office space per year.

Table 20: Annual Office Space Demand Based on Projected Employment, San Mateo County, 2010-2040

Industry Sector	New Jobs 2010-2040 (a)	Percent Office (b)	Number of New Office Jobs	Total Sq. Ft. New Demand (c)	Annual Sq. Ft. 2010-2040
Agriculture & Natural Resources	(411)	32%	(131)	(32,816)	(1,094)
Construction	4,987	33%	1,634	408,521	13,617
Manufacturing & Wholesale	(11,467)	73%	(8,331)	(2,082,736)	(69,425)
Retail	3,851	84%	3,238	809,612	26,987
Transportation, Warehousing, & Utilities	11,126	45%	4,967	1,241,667	41,389
Information	13,394	87%	11,690	2,922,392	97,413
Finance, Insurance, & Real Estate	(2,050)	92%	(1,893)	(473,270)	(15,776)
Professional Services	38,670	75%	29,025	7,256,318	241,877
Health & Education	21,741	75%	16,353	4,088,343	136,278
Leisure, Hospitality, & Other Services	18,539	33%	6,101	1,525,228	50,841
Government	<u>1,733</u>	<u>67%</u>	<u>1,166</u>	<u>291,576</u>	<u>9,719</u>
Total	100,112	64%	63,819	15,954,834	531,828

Notes:

(a) New jobs by industry are from the Jobs-Housing Connection Strategy Employment Distribution released by ABAG and MTC in May 2012.

(b) The proportion of office jobs by industry is estimated based on 2012 ACS occupation by industry data for San Mateo County.

(c) Total new office space demand is based on an average of:
250 square feet per office employee.

Sources: ABAG & MTC, 2012; ACS, 2012; BAE, 2013.

Recently Proposed Corporate Campuses

As documented above, Redwood City is an important employment location with promising real estate market trends, which suggests strong potential for future office development in the City. Because of Redwood City's desirability as an office location, there is significant potential for the City to attract at least one additional corporate campus to accommodate the expansion of an existing Redwood City company or to attract a new major employer. Due to the large size of many corporate campuses, the addition of a single campus could significantly impact the overall demand for office square footage in the City.

Over the past few years, a number of high-tech companies have proposed substantial corporate campuses in cities in San Mateo and Santa Clara Counties that have recently been constructed, are currently under construction, or are seeking entitlements. The campuses shown in Table 21 are among these projects and range from approximately 500,000 to 3.4 million square feet, though most are not larger than 1.5 million square feet. These figures suggest that a contemporary high-tech campus often requires up to 1.5 million square feet of office space. To ensure that Redwood City has the flexibility to respond to future, unforeseen demand, plans should allow for a campus of at least 1.5 million square feet (or net increase in square footage if demolition of existing structures is involved).

Table 21: Corporate Campuses Recently Proposed by Bay Area Tech Companies

Company	Building Size (sq. ft.)	Location
Apple	3,400,000	Cupertino
Google	1,100,000	Mountain View (Bayfront NASA)
Gilead Sciences	2,500,000	Foster City
Samsung	680,000	North San Jose
NVIDIA	1,000,000	Santa Clara
Vmware Inc.	1,500,000	Palo Alto Stanford Research Park
New Construction	450,000	
Renovation	1,050,000	
Facebook Inc.	1,475,690	Menlo Park
East Campus	1,035,840	
West Campus	439,850	
SRI International	1,300,000	Menlo Park

Sources: Silicon Valley Business Journal, 2013; Bloomberg Business Week, 2013; The Registry, 2013; City of Cupertino, 2013; Facebook, 2012; BAE, 2013.

Projected Office Demand

The minimum projected demand for office space in Redwood City is estimated based on projected employment growth in San Mateo County and Redwood City’s recent capture of San Mateo County office absorption. As shown in Figure 10 and Figure 11, annual office absorption between 2003 and 2012 averaged 145,092 square feet in Redwood City and 352,783 square feet in San Mateo County, resulting in a 41 percent capture rate of San Mateo County office absorption in Redwood City. Applying this capture rate to the annual average office demand projection for San Mateo County (shown in Table 20) results in estimated demand for office space in Redwood City averaging approximately 219,000 square feet per year. After accounting for projects currently entitled or under construction, this suggests that minimum net office demand will total approximately 3.0 million square feet by 2035, as shown in Table 22.

The higher potential net new office allocations shown in Table 22 factor in the capacity to accommodate a new corporate campus equivalent in scale to the recent projects shown in Table 21 in addition to the minimum demand estimates that were developed based on projected employment. As shown, this results in a potential net demand estimate totaling six million square feet by 2035.

Table 22: Projected Office Demand, Redwood City, 2013-2035

	Minimum (a)	Potential (b)
Gross Demand (sq. ft.)	4,812,047	4,812,047
Allocations Needed for New Corporate Campus (sf. ft.) (c)	0	1,500,000
Less: Entitled Office Development (sq. ft.)	(1,800,980)	(1,800,980)
Net New Office Demand (sq. ft.)	3,011,067	4,511,067
Assumptions		
Projected Average Annual Demand for Office Space, San Mateo County (sq. ft.)		531,828
Redwood City Share of San Mateo County Office Employment (d)		41.1%
Projected Average Annual Demand for Office Space, Redwood City (sq. ft)		218,729

Note:

(a) Minimum demand estimate is based on annual average projected employment growth in Redwood City based on ABAG/MTC projections.

(b) Potential demand estimate is based on annual average projected employment growth in Redwood City based on ABAG/MTC projections, plus the amount of office square footage needed to accommodate a new corporate campus for a large company.

(c) Space needed for a new corporate campus is based on corporate campuses recently proposed by high-tech companies in San Mateo and Santa Clara Counties.

(d) Redwood City share of San Mateo County office employment is based on Redwood City's share of San Mateo County office absorption between 2003 and 2012.

Source: BAE, 2013.

In order to capture a portion of this potential demand in the Plan Area, plans must account for emerging and continuing trends in the office real estate market. In particular, connectivity between the Plan Area and Redwood City's downtown and Caltrain station will be an important factor in maximizing the potential for office development in the Plan Area and leveraging the City's transit, retail, and entertainment amenities to attract potential office tenants. Additionally, office development in the Plan Area should be flexible enough to accommodate the space needs specific to the life sciences industry, a growing industry that Redwood City is well positioned to serve.

Hotel Demand

As discussed above, the hotel market in Redwood City is relatively robust, as indicated by strong occupancy rates and steadily increasing room rates at hotels in the market area. Demand for hotel rooms is particularly strong during the week due to high levels of business travel to San Mateo County and cities along the Highway 101 corridor in particular.

The potential range of future hotel room demand in Redwood City was estimated based on the city's current share of hotel rooms in San Mateo County and projected employment and household growth. Table 23 shows the range of the projected increase in demand for hotel rooms in San Mateo County and Redwood City between 2013 and 2035. As shown, business travel is estimated to account for 80 percent of hotel room demand in San Mateo County, and leisure travel is estimated to account for 20 percent of hotel room demand. Using this breakdown, the number of existing hotel rooms in San Mateo County, and current employment and household estimates for the County, the table shows that current demand allows for 0.027 hotel rooms per employee and 0.012 hotel rooms per household.

The One Bay Area Plan anticipates an annual average growth rate of 1,930 households and 3,337 jobs in San Mateo County between 2010 and 2040. Based on this future growth, lodging demand in the County could support an approximately 2,000 new hotel rooms by 2035.

As shown in Table 15, hotel rooms in Redwood City currently account for approximately eight percent of hotel rooms in San Mateo County. The low end of the demand estimate assumes that the City continues to capture a similar share of hotel room demand through 2035, while the high end of the demand estimate assumes that the City will capture ten percent of new hotel room demand through 2035. The net increase in demand for lodging is estimated to range from 100 rooms using the low capture rate to 200 rooms using the high capture rate, after subtracting half of all planned hotel rooms in the City.

Table 23: Projected Lodging Demand, Redwood City, 2035

Projected Growth, San Mateo County		2035
Employment Growth, San Mateo County (2013 Base Yr)		73,414
Household Growth, San Mateo County (2013 Base Yr)		42,457
Growth in Hotel Room Demand from Business Travel		2,001
Growth in Hotel Room Demand from Leisure Travel		<u>500</u>
Total Growth in Hotel Room Demand		2,501
Projected Hotel Room Demand, Redwood City		
Low Estimate (a)		
Gross New Hotel Room Demand		200
Less: Half of Planned and Proposed Hotel Rooms (b)		<u>(100)</u>
Net New Hotel Room Demand		100
High Estimate (c)		
Gross New Hotel Room Demand		300
Less: Half of Planned and Proposed Hotel Rooms (b)		<u>(100)</u>
Net New Hotel Room Demand		200
Assumptions		
Total Hotel Rooms - Redwood City		1,203
Total Hotel Rooms - San Mateo County		15,172
Redwood City Share of San Mateo County Hotel Rooms		8.0%
Redwood City Potential Share of San Mateo County Hotel Rooms (d)		12.0%
Total Employees in San Mateo County		445,310
Percent of Hotel Stays from Business Travel		80%
Hotel Rooms per Employee		0.027
Projected Annual Average Employment Growth, 2010-2040		3,337
Total Households in San Mateo County		257,837
Percent of Hotel Stays from Leisure Travel		20%
Hotel Rooms per Household		0.012
Projected Annual Average Household Growth, 2010-2040		1,930

Notes:

(a) The low estimate of projected hotel room demand assumes that Redwood City continues to capture the same portion of the County's hotel room demand, or approximately eight percent of countywide demand.

(b) To calculate net demand, half of all planned and proposed hotel rooms in Redwood City are subtracted from gross demand to reflect that planned hotel rooms may not be constructed.

(c) The high estimate of projected hotel room demand assumes that, over the medium to long term, Redwood City captures a slightly higher portion of countywide hotel room demand than the City currently captures.

(d) Redwood City's potential share of San Mateo County hotel rooms assumes that the City will capture a slightly higher proportion of countywide hotel room demand than the City currently captures due to Highway 101 frontage.

Sources: US Census, 2010; ACS, 2007-2011; STR, 2013; BAE, 2013.

APPENDIX A: PLANNED AND PROPOSED PROJECTS

Table A-1: Planned and Proposed Development, Redwood City, September 2013

Project Location Developer	Site Size (acres)	Size (sq. ft.)	Comments
Under Construction			
The Alchemy Apartments 490 Winslow St The Acclaim Companies	0.04	66 new residential units	66 multifamily rental units in five stories, two stories of parking.
333 Main Street Matteson/ Sares Regis	2.2	132 new residential units	Four-story multifamily rental building. Construction is nearing completion. Expected to be market-ready and leased up by early 2014.
640 Veterans Blvd BRE Properties	3.6	264 new residential units	Multifamily residential rental units in a 5 1/2-story building.
2580 El Camino Real Urban Housing Group	2.1	141 new residential units	Market-rate, transit-oriented multifamily rental units. Completion expected in late 2014.
201 Marshall Street Raintree Partners	0.7	116 new residential units	Multifamily rental residential with one level of underground parking, two levels of above ground parking, and five stories of apartments. Completion expected in mid 2014.
145 Monroe St Greystar Development	N/A	305 new residential units	6-story rental residential building. Completion expected in 2015.
One Marina 650 Bair Island Road The Paul's Corp	N/A	249 new residential units 10,000 new sq. ft. retail 200 hotel rooms	Original entitlements allowed for 231 for sale condominium units, but applicant is seeking entitlements for 18 additional units, bringing the total to 249 units. Residential construction is partially complete. Hotel construction not yet underway.
Approved (Construction Not Yet Commenced)			
Laurel Way Joint Venture 3700-block Laurel Way	4.7	16 new residential units	Single-family ownership units.
1410 Valota Road Chamberlain Group	0.78	5 new residential units 1 unit demo 4 net new units	Single-family detached units. Project approvals have been appealed.
601 Main St Lennar Multifamily West	N/A	196 new residential units 2,975 new sq. ft. retail	8-story multifamily rental residential building with retail space on ground floor, 2 floors of underground parking, one level of parking above ground.
Crossing 900 950 Middlefield Rd Hunter Storm Properties	N/A	300,980 new sq. ft. office space 5,075 new sq. ft. retail	Two mid-rise office buildings with office space, ground-floor retail, a parking garage, and public plaza.

Continued on following page.

Table A-1: Planned and Proposed Development, Redwood City, September 2013 (continued)

Project Location Developer	Site Size (acres)	Size (sq. ft.)	Comments
Pending Approval			
The Alchemy Apartments 490 Winslow St The Acclaim Companies	0.04	66 new residential units	Developer of units currently under construction acquired adjacent property and is seeking approval for 66 additional units.
Classics at Redwood City 735 Brewster Ave Classic Communities	N/A	18 new residential units	18 detached townhome style ownership units, partially underground parking.
Finger Ave 80 Finger Ave Private	1.5	9 new residential units 6 unit demo 3 net new units	Single-family subdivision.
Pete's Harbor 1 Ucelli Blvd RWC Harbor Communties	13.8	411 new residential units	Multifamily residential rental units with community facilities, a publicly accessible path along Smith Sough, and the conversion of a commercial marina to a private marina.
525 Middlefield Rd Downtown RWC Res, LLC	N/A	471 new residential units	Multifamily residential rental units in three 7-story towers over one level of underground parking and two levels of parking above grade.
2808 El Camino Real Fountain Square Properties	N/A	45 new assisted living units	
Lathrop PARC 134 Maple St Lathrop LLC	N/A	114 skilled nursing units	Project is partially financed by HUD, will provide short term and long term care.
Summary			
Total New Residential Planned and Proposed (units)		2,465	
Total Residential Units Proposed for Demolition:		7	
Net New Planned and Proposed Residential (units)		2,458	
Total New Office Planned and Proposed (sq. ft.)		300,980	
Total Office Proposed for Demolition:		0	
Net New Planned and Proposed Office (Sq. Ft.)		300,980	
Total New Retail Planned and Proposed (sq. ft.)		18,050	
Total Retail Proposed for Demolition:		0	
Net New Planned and Proposed Retail (Sq. Ft.)		18,050	
Total New Lodging Planned and Proposed (# of Room:		200	
Total Lodging Proposed for Demolition:		0	
Net New Planned and Proposed Lodging (# of Room)		200	

Source: City of Redwood City, 2013; BAE, 2013.