

GOLDEN GATEWAY COMMONS
55 PACIFIC AVENUE MALL
SAN FRANCISCO, CALIFORNIA 94111
PHONE: 415 / 398-3050
FAX : 415 / 397-5065
WWW.KEYSERMARSTON.COM

ADVISORS IN:

REAL ESTATE
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ECONOMIC DEVELOPMENT

MEMORANDUM

To: Mark Deming, Principal Planner
County of Santa Cruz Planning Department

From: Robert J. Wetmore, CRE
Marilyn Chu

Date: April 18, 2003

Subject: Aptos Village Market And Financial Issues

SAN FRANCISCO
A. Jerry Keyser
Timothy C. Kelly
Kate Earle Funk
Debbie M. Kern
Robert J. Wetmore

LOS ANGELES
Calvin E. Hollis, II
Kathleen H. Head
James A. Rabe
Paul C. Anderson
Gregory D. Soo-Hoo

SAN DIEGO
Gerald M. Trimble
Paul C. Marra

Per our agreement, this memorandum provides Keyser Marston Associates, Inc.'s (KMA) evaluation of market and financial feasibility issues affecting future development in Aptos Village.

The purpose is to assist in efforts to promote an active and vibrant town center for the community.

Work Completed

The findings, conclusions and recommendations are based on completion of the following tasks:

- Initial meeting with Supervisor Pirie and County staff;
- Reconnaissance of the subject site and surrounding properties;
- Review of the Aptos Village Specific Plan, the Aptos Village Market Analysis, the Aptos Village Community Design Framework, Economic and Physical Revitalization of the Unincorporated Areas of Felton, Soquel, and Aptos, and other related materials to understand the background and context of issues related to the redevelopment of the site;

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- Meetings with selected brokers, property owners, business operators, representatives from the Aptos Chamber of Commerce and from the State Department of Parks and Recreation to solicit their ideas and visions for the future of the Village (see Appendix);
- Survey of competitive commercial and residential projects; and
- Analysis of taxable retail sales data from the State Board of Equalization to identify retail spending patterns and to project future expenditure trends in the market area.

The results of our research findings are summarized in the accompanying text.

Market Feasibility

Site

Located between the City of Santa Cruz and the City of Watsonville along State Highway 1 (see Map 1), Aptos was originally an Indian village until 1794 when the Spanish completed Mission Santa Cruz. In 1833, the Mexican government granted the land to Rafael Castro for cattle raising. Castro subsequently leased it for industrial development, including a wharf, a general store, and a lumber mill. The area began to grow dramatically in 1960 as a result of the establishment of Cabrillo College, Rancho Del Mar (the first major shopping center in the area), and the soon-to-follow Seascape development. Growth continued into the 1990's, fueled by job creation in tech industries in Silicon Valley and Scotts Valley. The original town was located where Aptos Village Square is now located. The rapid growth brought new residential and commercial opportunities to the area, with most of it bypassing the older core of Aptos.

The core of Aptos Village is comprised of seven parcels totaling approximately 11.24 acres. As shown on Map 2, three of the seven parcels, totaling about 5.8 acres, are currently vacant. These parcels (Parcels 2, 3, and 5), range from about .7 acre to over 4 acres, are irregularly-shaped and have seriously constrained accessibility and visibility from Soquel Drive. For example, none of the three parcels can be directly accessed from Soquel Drive. In addition, Parcel 5 is only partially developable as it backs against a steep slope on its northern half.

The remaining four parcels in the Village core are underutilized to varying degrees. The most underutilized parcel is the Parcel 1 on which Village Fair Antiques is located, where at least half of the parcel is vacant. Also significantly underutilized is Parcel 4, on which the Produce Mart is located. This parcel has a narrow frontage along Soquel Drive (between the Produce Mart and Aptos Station) and auto traffic must cross over the existing railroad tracks to access the site. Small portions of the remaining two improved parcels are also underutilized: Parcel 7

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is partially occupied by the Bayview Hotel and Parcel 6 is occupied by the Aptos Station, a primarily local retail service and office center. Both the Village Fair Antiques and the Bayview Hotel are historically significant to the community, as these were among some of the original structures built when the Town was first established. Thus, some land assemblage is required to increase the attractiveness and feasibility of development in the Village core.

Ownerships are divided among diverse interests, which further complicates coordinated development.

Adjacent to the Village are the Aptos Village Park, owned by the County, and the 10,000-acre Nisene Marks State Park, which, with 30 miles of trails, is a destination in the region for hikers, bikers and joggers. According to Park representatives, the Park's recreational activities attract over 200,000 visitors each year, with an estimated 80% of them coming from within the Santa Cruz County. Thus, the Nisene Marks State Park generates significant pedestrian activity, which, if successfully captured by the future development on the Village site, would enhance the viability of commercial uses.

Many of the residents of Aptos have expressed a strong desire to preserve the quaintness and local character of some of the existing uses in the Village. However, despite its appeal, the current mix of uses appears unable to create sufficient excitement or draw to attract the market and economic support needed for the Village's success.

Trade Area Demographics

For the purpose of this study, the Aptos trade area is defined generally as the unincorporated area stretching from Park Avenue on the north to La Selva Beach to the southwest of State Highway 1, and from Monterey Bay to Pleasant Valley Road and Freedom Boulevard east of Highway 1. This trade area includes all or portions of the communities of Aptos, Seacliff, Rio del Mar, La Selva Beach, and Freedom (defined as CDP, or Census Designated Place, by the U.S. Census Bureau, and illustrated on Map 3). The trade area provides the bulk (say, 75%+) ¹ of market support for commercial uses in Aptos Village.

The population of the trade area totaled 24,500 residents in 2000. As shown on Table 1, 25% of trade area residents, compared to about 18% of the County's residents, were 55 years of age or older; the median age of was 42.6 years versus 35.0 years for residents of the County. In addition, households in the Aptos trade area were generally more affluent, with average household income approximately 17% higher and per capita income more than 33% higher

¹ Trade area is generally defined as the geographical area from which the bulk of the sales originate. Definition of the Aptos trade area was verified through KMA's interviews with local business representatives, who indicated that as much as 80% to 90% of the shoppers in Aptos are from the planning areas referenced above.

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than the income of the County population as a whole. The older and more affluent population base of the trade area has a significant amount of discretionary income available for retail expenditures. Total personal income in the trade area approaches \$900 million annually.

Market Trends

Residential

With the strong housing demand in Santa Cruz and high desirability of the coastal setting, residential development in the trade area has been primarily targeted to the affluent, younger households newly relocating to the area (and commuting "over-the-hill" to high-tech jobs in Santa Clara County). With the exception of Seascapes Village, which was built as part of the nearby golf resort, nearly all the new residential development in the trade area has been upper-end, luxury single-family executive homes, often priced at \$1 million or more. Lots available for development are very scarce.

As is the case in many markets in Northern California, the housing market in the Aptos area has remained relatively stable despite the current weakness of the dot.com and high-tech industries, with average detached single-family home prices well in the \$500,000+ range.

No new multi-family units have been developed in Aptos. Less expensive residential products, such as townhomes or condominiums, were mostly concentrated in the City of Santa Cruz, where there is a large student population from nearby UCSC, and in parts of the unincorporated areas to the north. Newly developed attached units in the City of Santa Cruz are typically priced in the \$400,000 to \$500,000 range.

Interviews with brokers and with representatives from the Aptos Chamber of Commerce indicate that there is strong interest in attached housing affordable to seniors who may be down-sizing from larger single family homes but who are still be independent and active. According to those interviewed, the lack of housing options for the ageing population in the trade area is forcing some of these residents to relocate to other communities.

There is little doubt that residential product of various types and at various densities (see below) could be successfully marketed at sites in Aptos Village. The advantage of including residential uses in the overall mix of commercial/residential is that inclusion of residential significantly enhances financial feasibility, since residential uses in this (and in many urban markets) supports significantly higher land value than commercial uses.

Retail/Commercial

In addition to Aptos Village, there are currently four major shopping centers in the trade area: Aptos Center (est. 26,000 square feet)², Rancho Del Mar Shopping Center (est. 131,400 square feet)², Seascap Village (est. 45,000 square feet)², and the Deer Park Marketplace (70,000 square feet)³. There are also several stand-alone retail establishments, such as restaurants and retail services, scattered within the trade area. Rancho Del Mar, anchored by Gottschalk's, a Safeway, and the Aptos Twin Theater, is the major shopping center in the area oriented to sub-regional trade. The other centers are locally-oriented, community centers with a mix of food, specialty-retail and eating and drinking establishments. The major tenants are a natural food store and a pharmacy at the Aptos Center, the Palapas Restaurant at Seascap Village, the antiques barn and the Bayview Hotel at Aptos Village; and Deluxe Foods and the Bittersweet Bistro Restaurant at Deer Park Marketplace.

Based on observation of shopper activity levels, the most successful of these centers appear to be Rancho Del Mar and Deer Park Marketplace, both of which are anchored by a major grocery store (Safeway at Rancho Del Mar and Deluxe Foods at Deer Park.) The Gottschalk's at Rancho Del Mar is reportedly among that chain's higher grossing stores. The Aptos Center is a popular destination for the luncheon crowd due to its mix and range of food establishments.

There appear to be minimal opportunities to date for new retail development in the trade area due to a virtual absence of developable sites.

Based on a review of spending potential, however, there appear to be significant market opportunities for additional retail/commercial opportunities in the Aptos trade area. Table 2 provides an indication of the overall retail expenditure pattern of residents in the County. As shown, Santa Cruz County residents spend an average of 9.2% of personal income, or \$2,757 per capita per year, for comparison retail goods (generally defined to include traditional shoppers' goods such as apparel, general merchandise, specialty retail, furniture/home furnishings/accessories); 10.0% of personal income, or \$3,004 per capita per year, for convenience retail goods (food, liquor, drugs, and hardware stores), and about 3.8% of personal income, or \$1,146 per capita per year, for eating and drinking away from home. In sum, County residents spend nearly \$7,000 per capita per year on goods that are part of key retail categories.

² Based on the National Research Bureau's 2003 Shopping Center Directory – West.

³ Estimated by leasing broker for Deer Park Marketplace.

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In all likelihood, the estimate noted above underestimates spending, since the County is generally recognized as being underserved for retail, with the result that some purchases are made elsewhere (notably, at outlets in Santa Clara County).

The amounts noted above are adjusted for the income characteristics of the trade area population in Table 3. Our analysis indicates that there is \$91 million in total comparison retail expenditure potential, \$99 million in convenience retail expenditure potential, and \$38 million in eating and drinking expenditure potential from trade area residents. In addition, there is a small amount of expenditure potential from employees and visitors in the trade area. This potential is estimated at between 5% for most comparison retail goods and food/drugs and about 10%, for eating and drinking. The total expenditure potential for both trade area residents and others is therefore projected to be slightly more than \$91 million for comparison retail, \$100 million for convenience retail, and \$39 million for eating and drinking, as shown on Table 4.

The County's fiscal consultant, Hinderliter de Llamas and Associates (HdL), provided retail sales tax information for retail businesses within the Aptos trade area. To protect the confidentiality of individual businesses, only the aggregate totals for selected retail categories are shown in this analysis. Based on the information provided, KMA estimated total retail sales to be about \$16 million for comparison retail, \$48 million for convenience retail, and \$19 million for eating and drinking outlets in the trade area for 2002. (See Table 4.)

A comparison of total trade area expenditure potential with estimated total trade area sales for the selected retail categories indicate that there is significant sales "leakage", or sales dollars spent at stores located outside of the trade area. Sales leakages can typically be attributed to a number of factors, such as a lack of retail opportunities, weak or limited merchandising in existing stores, non-competitive, i.e., outdated or functionally obsolete store layouts, or lack of a major retail attractor within the trade area. As shown on Table 4, retail sales leakage from the Aptos trade area is estimated at over \$75 million for comparison retail, \$51 million for convenience retail, and \$20 million for eating and drinking sales.

The significant loss of sales to businesses located outside the trade area represents potential retail sales dollars for establishments in Aptos Village. Assuming industry target sales requirements, which range from \$300 per square foot to \$600 per square foot, there appears to be sufficient market support for an additional 235,000 square feet of comparison retail, 90,000 square feet of convenience retail and 50,000 square feet of eating and drinking space in the Aptos trade area. A minor amount of this potential may be captured by existing stores through physical expansion or upgrade, re-merchandising, or other operational improvements. In addition, a significant portion of sales (about one-third of comparison goods sales) are absorbed in department stores and other major retailers that are located in regional centers or

freestanding locations, and are not candidates for inclusion in a community retail setting such as Aptos Village.

Taking the factors noted above into account, opportunities for retail development in Aptos Village appear particularly strong for specialty retail and for outlets in the food and drug store group, as well as eating and drinking. It should be noted that if all of the 6.4 acres of vacant land were developed for retail at typical densities (with surface parking), the resulting retail square footage would be about 70,000 square feet, which is much less than the amount of market potential noted above.

Office

Existing offices uses in the trade area generally consist of small, local-serving financial and professional businesses, scattered along Soquel Drive. The major office concentrations are located at the two ends of Soquel Drive: One concentration are the medical-related offices serving the Dominican Hospital in Soquel, and the other are the legal support offices serving the County Courts in the City of Santa Cruz. One of the real estate brokers contacted by KMA indicated that, other than these two major locations, it is difficult to lease office space in the current market. However, there may be opportunities, albeit limited, for a small amount of local-serving office space in the trade area if it is well-located and/or is included to complement a mixed use project.

In summary, there is strong market support for local-serving retail uses — provided that they are sufficiently differentiated so as not to be in direct competition with existing businesses in the trade area, and for residential development of varying types and densities. The potential is the weakest for office use in the trade area, although a small amount of well-located space in a multi use development may be marketable.

Economic Planning Guidelines

Based on the market review provided above, it appears that a multi-use development consisting of retail/commercial and residential uses appears to have market potential at Aptos Village. The conditions for success are the following:

- The development should be master-planned to maximize the efficient use of vacant and underutilized parcels. Thus, plans must be supported by the various owners that control vacant and underutilized properties. One of the brokers interviewed, who is also a part-owner of one of the vacant properties in the Village, indicated that the owners of most of the existing properties have generally expressed support for the concept of mixed use development.

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- The development should be of sufficient density, above an overall FAR of 0.25, to create a critical mass and sufficiently range of uses to dramatically increase pedestrian traffic in the Village. (Note: The low density of development at the commercial core was noted in the 1989 Aptos Village Market Analysis as a factor in limiting creation of a pedestrian-oriented district.)
- The development should preserve and expand on the local, small town flavor and quaintness that currently differentiates the Village from other retail centers in the trade area by integrating existing uses, such as the historic antiques barn and the Bayview Hotel, with newer uses. The preservation sentiment was strongly expressed by both participants in the 2002 Aptos Village Survey conducted by the County Planning Department and by those interviewed by KMA. Representatives from the Chamber also recommended that the Village be an incubator for local businesses and start-ups.
- The development should include a retail mini-anchor, such as a small, specialty grocery store. An anchor store could dramatically increase shopper traffic, benefiting local merchants, increasing the financeability of development and contributing to a more vital pedestrian environment. Our discussion with a potential candidate specialty food store indicates a high level of interest in locating a new outlet in Aptos Village. The grocery store would need to be a minimum of 10,000 to 15,000 square feet with at least 4 parking spaces per 1000 square feet. (The County parking requirement is currently 5 spaces per 1000 square feet.) The store would generate patronage of about 9,500 customers per week and target sales of \$600 per square foot per year. In addition, secondary anchors, such as a small bookstore, a general store, or a playhouse, plus an interesting mix of restaurants and entertainment facilities could generate sufficient foot traffic to sustain a meaningful node of activity that could transform the Village into a gathering place for local residents.
- Mini-anchor stores are unlikely to generate much economic value due to low rental rates associated with these users, which are in the range of \$1.25 to \$1.75, NNN (triple net with the tenant paying insurance, taxes, and utilities), with the high end for the most desirable retail locations in the trade area. Thus, residential uses may be required to support economic feasibility; in addition, residential helps create activity in the village.
- Traffic impacts of new development will need to be reviewed in respect to compatibility with existing conditions and capacities of local streets. On-site parking should be centralized to provide for more efficient use of the site.
- Representatives from the State Department of Parks and Recreation have indicated that they will need at least an additional 100+ spaces to accommodate the overflow of visitors to the nearby Nisene Marks State Park during peak periods. In our view, it

could be a mistake to allocate scarce land resources in Aptos Village to overflow parking for the Park, particularly as shared parking opportunities would be blunted by the simultaneous peaking of retail and Park usage. It appears that another property — the Koch/Carmichael property northwest of the Park, as indicated on Map 2 — is being considered for the location of parking for the Park. The acquisition of this property would create a public easement/road from Cabrillo College through the Koch/Carmichael property to the Nisene Marks State Park (known as the “Nisene 2 Sea Corridor”). The Open Space Alliance, the Trust for Public Lands, and other park advocates are currently seeking funds to purchase this Property. Use of the Koch/Carmichael property could be much preferable to use of a potential development site in the Village for Park parking.

- The residential component could include product consistent with village development, which would be at a higher density than the existing single family development in Aptos. The housing mix could include lofts, flats and townhouses, designed sensitively to fit with the site’s surroundings, to increase the likelihood of market and community acceptance. Given the strength of the residential market in the Aptos trade area, both for-sale and/or for-rent” units could be supported.
- Retail uses should be concentrated towards Soquel Drive to maximize visibility and access.
- The development should maximize the frontage along Soquel Drive to take advantage of the high traffic volume and visual exposure along the periphery of the site. The vacant parcel with Soquel frontage should be a window into the site from Soquel Drive. If direct access to Soquel Drive cannot be provided due to the railroad tracks, a new road should be considered to provide easy auto access and ingress/egress.
- Regulatory and financial incentives should be provided to encourage owners of existing uses to upgrade, retrofit and/or renovate their property to higher quality standards.
- Planning should be alert to potential reuse/retrofit of the antiques barn to a more intensive use.

Illustrative Land Use Mix

Based on our review of market and financial feasibility factors, the following is an illustrative land use mix that could be put in place on the core parcels in the Village:

Overall Project

The project should be a horizontal mixed-use development, focused primarily on commercial uses and incorporating some residential opportunities. A vertically organized mixed use project with residential above retail may encounter market resistance, particularly when average unit prices are likely to be high.

Commercial

In our interviews with brokers, the Chamber and a prototype grocery store operator, there was consensus that a specialty food market would be both feasible and beneficial in Aptos Village. Additional mini-anchors, which would both serve the unmet retail needs of the trade area residents as well as provide an entertainment draw could also be included. Ideally, these uses should complement and enhance the existing uses in the Village such as the antiques barn, hotel, retail services, and the outdoor recreational activities available nearby in the State and County Parks. A list of these potential uses and their current representation in the trade area are shown on Table 6.

An illustrative mix for the Village would include some of the following:

<u>Use</u>	<u>Approximate Size (SF)</u>
▪ Specialty food/small grocery store	10,000-15,000
▪ Bookstore	5,000-10,000
▪ Art co-op or gallery	3,000-5,000
▪ 2-3 quality restaurants (i.e., popular theme, signature, jazz/music)	3,000-5,000/ea
▪ 2-3 small eating places (i.e., bakery/deli, sandwich shops, outdoor cafes)	1,500-2,500/ea
▪ Specialty food (i.e., chocolate/candy/yogurt/ice cream	500-1,500/ea
▪ Specialty retail shops (i.e., children clothing, accessories, gifts/cards/stationery, sports-related, etc.)	1,000-1,500/ea
▪ Services (i.e., medical-related, spa/therapy, shoe repair, copy/printing, travel-related, bike repair, etc.)	500-1,000/ea 500-1,500/ea
▪ Bank/other financial institution	

The retail component might total about 30,000 to 40,000 square feet. The complement of community-serving office space could total about 5,000 to 7,500 square feet.

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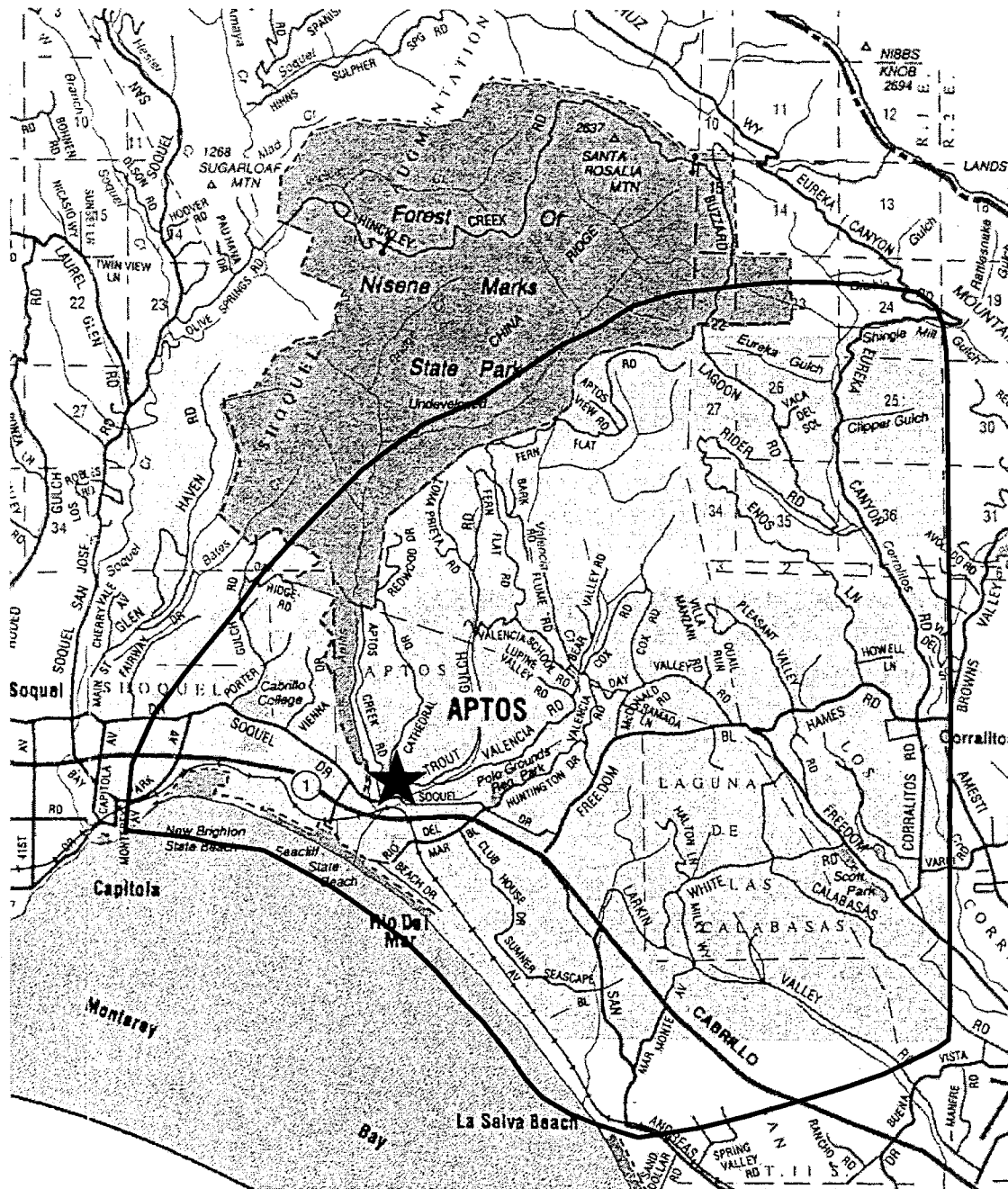
Residential

Residential uses could generally be clustered to the rear (or northern portion) of the site to minimize potential traffic impacts from Soquel Drive. An illustrative residential prototype would be 2- or 3-story, wood-frame buildings with tucked under parking or parking behind the structures. The units would consist of a mix of market-rate lofts, flats and townhomes targeted primarily to working artists, and/or incubator businesses (such as software development, media production, artisans). These units would be in the range of about 900 to 1,500 square feet. Smaller units targeted to seniors could be incorporated into the ground floor of some of the buildings. The residential component might total about 50 units.

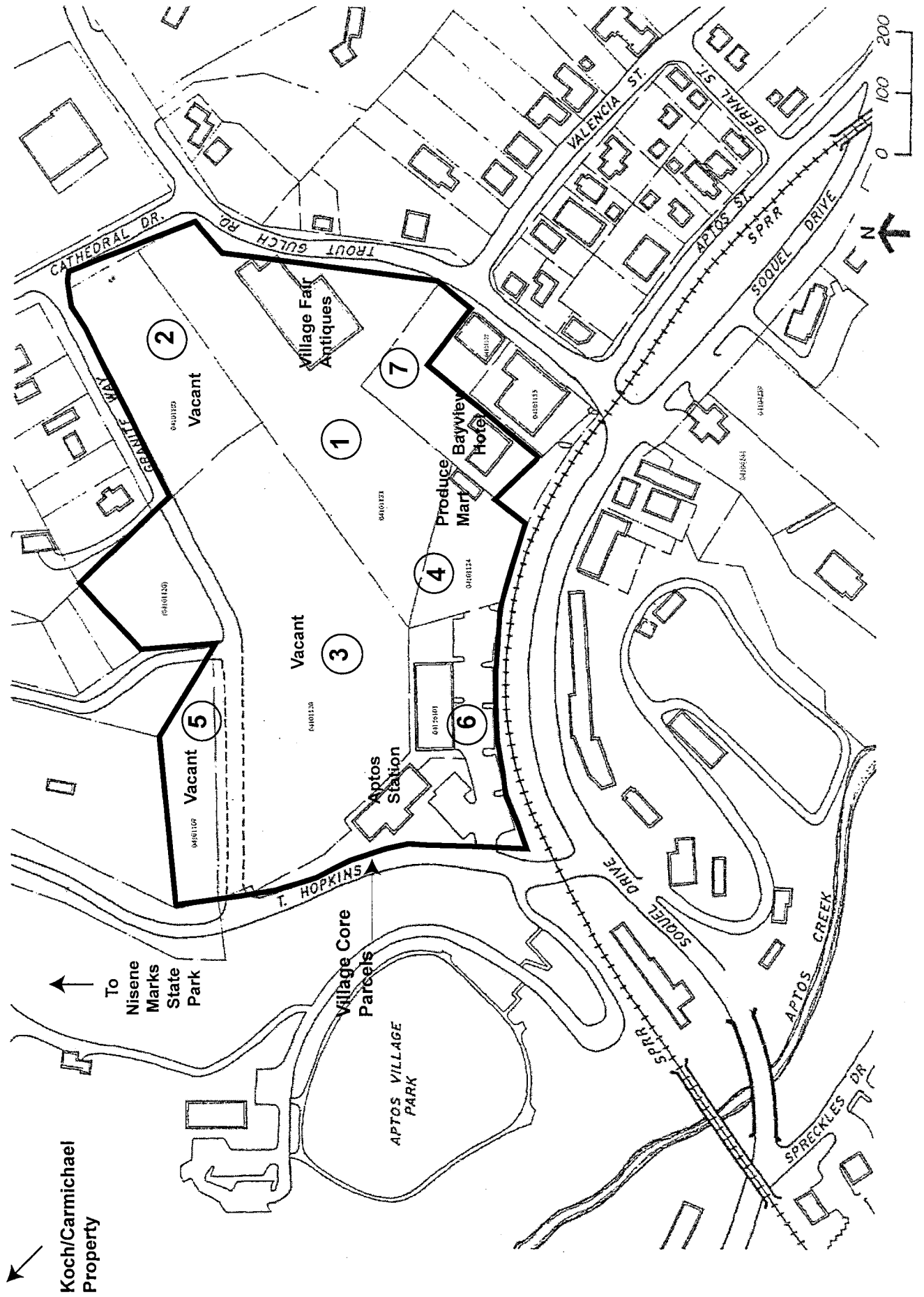
Conclusion

There is a sound market basis from which initiatives to strengthen Aptos Village as a community node could proceed. Planning will need to be strongly sensitive both to community concerns and the requirements for creating commercial parcels that are economically feasible to develop.

MAP 1
APTOS TRADE AREA
APTOS, CA



MAP 2
APTOS VILLAGE SITE
APTOS, CA



Map 3

Aptos Area Census Designated Places (CDPs):

Aptos, Rio del Mar, Day Valley, Aptos Hills - Larkin
Aptos, California

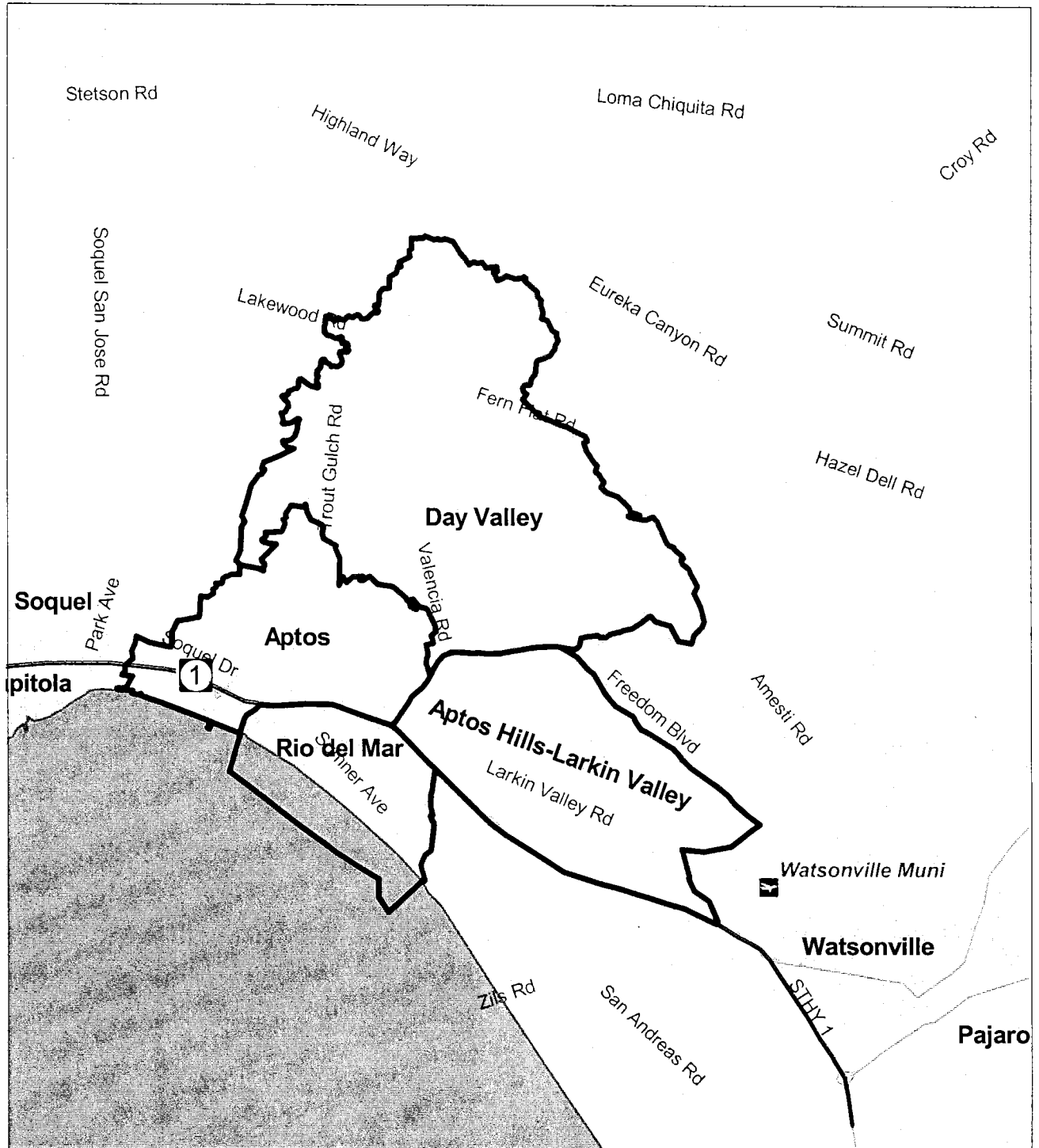


TABLE 1
DEMOGRAPHIC AND ECONOMIC PROFILE - APTOS TRADE AREA
APTOS VILLAGE ECONOMIC ANALYSIS
APTOS, CA

	APTOS TRADE AREA					Santa Cruz County
	Aptos CDP ¹	Rio del Mar CDP ¹	Day Valley CDP ¹	Aptos Hills - Larkin Valley CDP ¹	TOTAL	
Total Population - 1990	9,061	8,919	2,842	2,205	23,027	229,734
Total Population - 2000	9,396	9,198	3,587	2,361	24,542	255,602
Under 18	1,809	1,763	915	557	5,044	60,741
18-34	1,832	1,496	522	366	4,216	67,125
35-54	3,483	3,366	1,332	932	9,113	82,760
55 and over	2,272	2,573	818	506	6,169	44,976
Median Age (2000)	41.4	44.2	42.1	41.8	42.6	35.0
Total Households (2000)	4,055	3,945	1,283	845	10,128	91,139
Average Household Size (2000)	2.29	2.29	2.78	2.79	2.41	2.71
Housing Tenure (2000)						
Owner-Occupied	69.2%	73.8%	84.3%	80.2%	73.8%	60.0%
Renter-Occupied	30.8%	26.2%	15.7%	19.8%	26.2%	40.0%
Number Employed - 16 yrs. & Over (2000)	5,384	5,289	1,861	1,260	13,794	129,380
Mean Household Income (1999)	\$76,671	\$90,021	\$88,509	\$82,890	\$84,523	\$72,455
Median Household Income (1999)	\$61,843	\$75,282	\$72,438	\$70,417	\$69,995	\$53,998
Per Capita Income (1999)	\$33,210	\$39,034	\$31,694	\$32,890	\$35,140	\$26,396

Source: U.S. Census Bureau, Census 2000

¹ CDP = Census Designated Place, as defined by the Census Bureau.

TABLE 2
RETAIL EXPENDITURE PATTERNS - SANTA CRUZ COUNTY
APTOS VILLAGE ECONOMIC ANALYSIS
APTOS, CA

	<i>Santa Cruz County (2001 Est.)</i>		
	Total Retail Sales	Per Capita Sales	% of Per Capita Income
<i>Population</i> <i>Per Capita Income</i> ¹		254,538	\$30,000
Select Retail Categories:			
Comparison Retail			
Apparel	\$81,393,000	\$320	1.1%
General Merchandise	\$271,598,000	\$1,067	3.6%
Specialty Retail	\$289,385,000	\$1,137	3.8%
Furniture/Home Furnishings	\$55,445,000	\$218	0.7%
Second Hand Merchandise	\$4,060,000	\$16	0.1%
Total Comparison Retail	\$701,881,000	\$2,757	9.2%
Convenience Retail			
Food Stores Group ²	\$562,330,000	\$2,209	7.4%
Drugs Stores ³	\$114,906,000	\$451	1.5%
Packaged Liquor Stores	\$32,424,000	\$127	0.4%
Hardware Stores	\$54,848,000	\$215	0.7%
Total Convenience Retail	\$764,508,000	\$3,004	10.0%
Eating & Drinking	\$291,727,000	\$1,146	3.8%

Source: State Board of Equalization 2001 Taxable Sales, U.S. Census (2001 Population)

¹ Adjusted from 1999 estimates assuming 3% inflation per year.

² Estimates have been adjusted to reflect total sales - assuming only 30% taxable.

³ Estimates have been adjusted to reflect total sales - assuming only 65% taxable.

TABLE 3
ESTIMATED TOTAL RESIDENTIAL RETAIL EXPENDITURE POTENTIAL - TRADE AREAS
APTOS VILLAGE ECONOMIC ANALYSIS
APTOS, CA

	% PCI	APTOS TRADE AREA				TOTAL
		Aptos CDP 1	Rio del Mar CDP 1	Day Valley CDP 1	Aptos Hills - Larkin Valley CDP 1	
<i>Est. 2003 Population</i> ¹		9,497	9,282	3,811	2,408	24,997
<i>Per Capita Income</i> ²		\$37,000	\$44,000	\$36,000	\$37,000	\$39,000
Select Retail Categories:						
Comparison Retail						
Apparel	1.1%	\$3,745,000	\$4,353,000	\$1,462,000	\$950,000	\$10,510,000
General Merchandise	3.6%	\$12,497,000	\$14,526,000	\$4,879,000	\$3,169,000	\$35,071,000
Specialty Retail	3.8%	\$13,316,000	\$15,477,000	\$5,199,000	\$3,376,000	\$37,368,000
Furniture/Home Furnishings	0.7%	\$2,551,000	\$2,965,000	\$996,000	\$647,000	\$7,159,000
Second Hand Merchandise	0.1%	\$187,000	\$217,000	\$73,000	\$47,000	\$524,000
Total Comparison Retail	9.2%	\$32,296,000	\$37,538,000	\$12,609,000	\$8,189,000	\$90,632,000
Convenience Retail						
Food Stores Group ³	7.4%	\$25,875,000	\$30,074,000	\$10,102,000	\$6,561,000	\$72,612,000
Drugs Stores ⁴	1.5%	\$5,287,000	\$6,145,000	\$2,064,000	\$1,341,000	\$14,837,000
Packaged Liquor Stores	0.4%	\$1,492,000	\$1,734,000	\$582,000	\$378,000	\$4,186,000
Hardware Stores	0.7%	\$2,524,000	\$2,933,000	\$985,000	\$640,000	\$7,082,000
Total Convenience Retail	10.0%	\$35,178,000	\$40,886,000	\$13,733,000	\$8,920,000	\$98,717,000
Eating & Drinking	3.8%	\$13,424,000	\$15,602,000	\$5,241,000	\$3,403,000	\$37,670,000

Source: State Board of Equalization 2001 Taxable Sales, U.S. Census

¹ Straightline projection from 2000.

² Adjusted from 1999 estimates assuming 3% inflation per year.

³ Estimates have been adjusted to reflect total sales - assuming only 30% was reported as taxable.

⁴ Estimates have been adjusted to reflect total sales - assuming only 65% was reported as taxable.

TABLE 4
ESTIMATED TOTAL EXPENDITURE POTENTIAL AVAILABLE TO PROJECT
APTOS VILLAGE ECONOMIC ANALYSIS
APTOS, CA

Select Retail Categories:	ESTIMATED TRADE AREA RESIDENT EXPEND. POTENTIAL	ESTIMATED OTHER ² EXPEND. POTENTIAL	ESTIMATED TOTAL EXPEND. POTENTIAL	EST. 2002 RETAIL SALES IN TRADE AREA	EST. RETAIL SALES (LEAKAGE)
Comparison Retail					
Apparel/General Merchandise	\$45,581,000	\$70,000	\$45,651,000	\$5,143,000 ³	(\$40,508,000)
Specialty Retail	\$37,368,000	\$188,000	\$37,556,000	\$5,748,000	(\$31,808,000)
Home Furnishings and Second Hand Merchandise	\$7,683,000	\$242,000	\$7,925,000	\$4,831,000	(\$3,094,000)
Total Comparison Retail	\$90,632,000	\$500,000	\$91,132,000	\$15,722,000	(\$75,410,000)
Convenience Retail					
Food & Drug Stores Group ¹	\$91,635,000	\$1,241,000	\$92,876,000	\$43,835,000	(\$49,041,000)
Hardware Stores	\$7,082,000	\$0	\$7,082,000	\$4,684,000 ⁴	(\$2,398,000)
Total Convenience Retail	\$98,717,000	\$1,241,000	\$99,958,000	\$48,519,000	(\$51,439,000)
Eating & Drinking	\$37,670,000	\$1,622,000	\$39,292,000	\$18,795,000	(\$20,497,000)

¹ Estimates have been adjusted to reflect total sales - assuming only 30% is reported as taxable for food stores and 60% for drug stores. Given that, for confidentiality reason, taxable retail sales for food and drugs stores were combined by the County's fiscal consultant, Hinderliter de Llamas, KMA used a weighted factor of 35% based on the County's breakdown between the food and drug stores sales.

² Includes employees, visitors and/or residents from outside the Trade Area. Estimated to represent a small portion, say, 5% of comparison retail and food/drug stores sales, and 10% of eating and drinking sales.

³ For confidentiality purpose, HdL included sales in the general merchandise category in apparel.

⁴ For confidentiality purpose, HdL included a small amount of garden supplies sales in hardware.

TABLE 5
ESTIMATED POTENTIAL SF SUPPORTABLE
APTOS VILLAGE ECONOMIC ANALYSIS
APTOS, CA

	EST. RETAIL SALES OPPORTUNITIES	Target Sales/SF	ESTIMATED TOTAL SF SUPPORTABLE
Select Retail Categories:			
Comparison Retail			
Apparel/General Merchandise	\$40,508,000	\$300	135,000 SF
Specialty Retail	\$31,808,000	\$350	91,000 SF
Home Furnishings and	\$3,094,000	\$350	9,000 SF
Second Hand Merchandise			
Subtotal Comparison	\$75,410,000	\$321	235,000 SF
Convenience Retail			
Food & Drug Stores Group	\$49,041,000	\$600	82,000 SF
Hardware Stores	\$2,398,000	\$350	7,000 SF
Total Convenience Retail	\$51,439,000	\$578	89,000 SF
Eating & Drinking	\$20,497,000	\$400	51,000 SF

TABLE 6
POTENTIAL MIX OF USES FOR APTOS VILLAGE
APTOS VILLAGE ECONOMIC ANALYSIS
APTOS, CA

Potential Mix of Use	Currently Represented in Trade Area	Examples/Prototypes
<i>Residential</i>		
Lofts/Townhouse/Flats	No	Old Sash Mill, Chestnut St.
Senior Studios	No	Pacific St., Chestnut St.
<i>Retail</i>		
Anchors/Mini-Anchors		
- Specialty Market/Small Grocery	Yes	New Leaf Market, Staff of Life
- Bookstore	Yes	Bookworks, Logos Books & Records
- General Merchandise	Yes	Shopper's Corner
- Small Playhouse	No	Nickelodeon-Type
Specialty Retail		
- Clothing/Accessories	Yes	(Local Business)
- Gifts/Cards/Stationery	Yes	(Local Business)
- Sports-Related	Yes	(Local Business)
Specialty Foods	Yes	(Local Business)
- Chocolate/Candies	Yes	(Local Business)
- Yogurt/Ice-Creamery	Yes	(Local Business)
<i>Restaurants</i>		
- Outdoor Cafes	Yes	Bittersweet Bistro, Surf City Coffee Co.
- Jazz/Night Club	No	(Local Business)
- Delicatessen/Sandwich	Yes	Breadstix, Carried Away
- Bakery	Yes	Gayle's Bakery, Kelly's Pastry
- Ice Creamery	Yes	Yogurt Park, Baskin Robbins
<i>Cultural Facilities</i>		
- Art Gallery	Yes	Artisans Gallery
- Small Museum	Yes	Possible History Museum (Organic Agriculture, Railroad, etc.)
- Parks Visitor Center	No	Possible for Nisene Marks
<i>Neighborhood Services</i>		
- Copy/Printing	Yes	Kinko's
- Shoe Repair	Yes	(Local Business)
- Travel-Related	Yes	(Local Business)
- Bike Repair	Yes	(Local Business)
- Beauty/Salon	Yes	(Local Business)
- Spa/Therapy	Yes	(Local Business)
- Medical/Dental Office	Yes	(Local Business)
- Banks/Other Financial Office	Yes	(Local Business)
- Real-Estate Office	Yes	(Local Business)
- Administrative Office	Yes	(Local Business)

Appendix A
List of Interviewees
Aptos Village Property
Aptos, CA

1. Paul Bailey, Realtor
Bailey Properties, Inc.
9119 Soquel Drive, Aptos
2. David K. Vincent, District Superintendent – Santa Cruz District
State of California Department of Parks and Recreation
600 Ocean Street, Santa Cruz
3. Karen and John Hibble, Executive Directors
Aptos Chamber of Commerce
7605-A Old Dominion Court, Aptos
4. Steve Mills, Realtor
Coldwell Banker
7979 Soquel Drive, Aptos
5. Others:

Rex Stewart, New Leaf Market
Carol Canaris, Windward Realty