

EL CAMINO REAL CORRIDOR MARKET STUDY

SUNNYVALE, CALIFORNIA

Prepared for:
City of Sunnyvale

Submitted by:
 **LAND ECON GROUP**

Date January 13, 2015
Project # 1507.045

Table of Contents

General and Limiting Conditions	6
I. Executive Summary	7
Residential Development.....	7
A Retail Development Strategy for the Corridor	8
Office Market Over Built	12
Hotel Development.....	13
II. Introduction	14
III. Demographic and Economic Context.....	15
Santa Clara County Economy in Up Cycle	15
Structural Change in the County Economy	16
Growth and Demographic Change.....	17
Education and Income Levels of Asian Population	19
IV. Corridor Housing Demand and Need.....	22
Volatility of Housing Market	22
Forecast of Future Corridor Housing Demand.....	24
Differences in Market Appeal of the Nodes	27
Corridor Appeal.....	28
Rapidly Climbing Housing Cost	28
Market Response Not Likely to be Adequate	30
Potential Allocation of Sunnyvale’s RHNA to the Corridor	33
V. Retail Development Strategy	35
Sunnyvale Lagging in Terms of Retail Recovery.....	35
Citywide Retail Leakage in 2014	36
Role of the El Camino Real Corridor	38
The Automotive Sector	38
Assessing the Corridor Retail Market by Node.....	40
Competition will Shape the Strategy for El Camino Real.....	43
Market Area Demand Growth	45
A Three Pronged Retail Development Strategy for the Corridor.....	47
VI. Office Space Supply and Demand.....	51
Current Market Rents and Vacancies	53

VII. The Market for Hotels.....	55
Strong Hotel Market Recovery.....	55
Sunnyvale Demand Highly Correlated to Countywide Employment Growth.....	56
No Shortage of New Hotel Construction	57
Supply Versus Demand Comparison.....	57
VIII. Employment Forecast	59
STATISTICAL APPENDIX.....	61

Index of Tables

Table 1: Summary of Demand in El Camino Real Corridor 2015 to 2035	8
Table 2: Population Growth in Sunnyvale and Neighboring Cities	18
Table 3: The Ethnic Composition of Population in Sunnyvale	19
Table 4: 2014 Sunnyvale Foreign Born Populations by Place of Birth and Year of Entry	19
Table 5: Long Term Annual Housing Demand as Reflected by Units Permitted.....	24
Table 6: Sunnyvale and El Camino Corridor Housing Market Demand Forecast.....	26
Table 7: The Current Rental Market in Sunnyvale	29
Table 8: Comparison of Affordable Rents versus Market Rents in Sunnyvale	31
Table 9: Comparison of Affordable Purchase Price versus Median Market Sales Price	33
Table 10: Allocation of Sunnyvale’s RHNA to the Corridor.....	34
Table 11: Office Development Under Construction or in Development Application	51
Table 12: Office Demand Forecast for Sunnyvale and El Camino Real Corridor	53
Table 13: Current Office Space Rents and Vacancies in Silicon Valley	54
Table 14: Sunnyvale Hotel Room Revenue Trend.....	55
Table 15: Sunnyvale and El Camino Real Corridor Hotel Demand Forecast.....	58
Table 16: Employment and Wage Forecasts.....	60

Index of Figures

Figure 1: El Camino Real Specific Plan Corridor and Nodes.....	11
Figure 2: Santa Clara County Population and Employment Growth.....	15
Figure 3: Employment Fluctuation in Santa Clara County Since 1990.....	16
Figure 4: Trends in Santa Clara County Major Employment Sectors 2004 to 2014.....	17
Figure 5: Percentage of Population Group with Bachelor’s Degree or Higher in 2013	20
Figure 6: Average Household Size by Population Group in 2013	20
Figure 7: Median Household Income by Population Group in 2013	21
Figure 8: Multi-Family Residential Units Issued Building Permits in Sunnyvale, Mountain View and Santa Clara	22
Figure 9: Residential Units Issued Building Permits in Santa Clara County from 1996 to 2014 By Type....	23
Figure 10: Comparison of Corridor and Sunnyvale Age Profile	28
Figure 11: Growth of Aggregate Apartment Rents in Sunnyvale.....	29
Figure 12: Growth of Condominium Sales Prices in Sunnyvale	30
Figure 13: Sunnyvale Total Retail Store Sales 2003 to 2014.....	35
Figure 14: Comparison of Sunnyvale and Santa Clara County Per Capita Retail Store Sales	36
Figure 15: Comparison of Sunnyvale and Santa Clara County Per Capita Retail Store Sales by Sector in 2014	37
Figure 16: Retail Sales Growth by Major Sector in the ECR Corridor from FY 2004/05 to FY 2014/15 (millions of dollars)	38
Figure 17: Maps of Five and Ten-Minute Drive Times of the Bernardo and Wolfe Road Intersections.....	41
Figure 18: Population within 5 and 10-Minute Drive Time of Selected El Camino Real Intersections.....	42
Figure 19: Percentage of Asian Population within 5 Minutes Drive Time of Selected El Camino Real Intersections in 2015 and 2020.....	42
Figure 20: Growth of E-Commerce	45
Figure 21: Map of the El Camino Real Corridor Market Area	46
Figure 22: Additional Corridor Retail Demand.....	47
Figure 23: Correlation Between Countywide Employment and Sunnyvale Hotel Room Revenue	56

General and Limiting Conditions

Every reasonable effort has been made to ensure that the data and information contained in this report are accurate as of the date of this study. However, factors exist that are outside the control of Land Econ Group (LEG) that may affect the estimates and forecasts contained herein. This study is based upon research information, estimates, assumptions and forecasts developed by LEG and its subconsultants from independent research efforts and knowledge of the industry. LEG does not assume responsibility for inaccurate information provided by the clients, the client's agents and representatives, or other data sources used in the preparation of this study. The report is based upon information current as of July 2015. LEG has not undertaken any updates of its research since such date.

Because future events and circumstances, many of which are not known or predictable as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by LEG that any of the projected values or results contained in the study will actually be achieved.

I. Executive Summary

The current robust growth of the technology sector has created considerable excitement among the real estate development community in Sunnyvale and the rest of Silicon Valley, with projects of all types either under construction or being proposed for development. Well-established technology companies including Apple, LinkedIn, Google, Facebook and Samsung are driving the boom. However, during the excitement of the current boom, it is easy to forget that the history of Silicon Valley is one of boom and bust cycles. Because the current boom will likely peak during the next one to three years, LEG is cautious about being overly influenced by short-term real estate market fluctuations in the planning for Sunnyvale's long-term future.

Residential Development

The current housing market in Silicon Valley is very strong and has led to a large number of multi-family housing development projects throughout the West Valley. As of July 2015, there were nearly 3,300 multi-family units either under construction, entitled or proposed for development in Sunnyvale with 595 of these units in the El Camino Real Corridor (the Corridor). For the purposes of this market analysis, LEG has included projects that have filed formal development applications for entitlement and those that have filed for Preliminary Review. Preliminary Review is not a formal development application, but rather a process for property owners or developers to obtain early feedback on a potential project. Some of the Preliminary Review projects are in specialized plan study areas that currently do not permit residential development¹, such as the Lawrence Station Area Plan and Peery Park Specific Plan that are in progress. Those under Preliminary Review will not move forward unless such Plans are adopted allowing residential. If they do not move forward, then the market demand pressure in the ECR Corridor will be somewhat greater.

In the surrounding cities, there were an additional 11,600 multi-family units either under construction or proposed for development, including Mountain View (2,600 units), Santa Clara (5,000 units) and Central San Jose (4,000 units which may include some single family units). LEG's multi-family housing demand forecast for the Corridor for the twenty-year period from 2015 to 2035, net of the units under construction or proposed for development, ranges from a low of 1,500 units to a high of 2,100 units (see Table 1 below for details).

¹ The number of units in the development pipeline changes weekly as projects are completed, applications denied, refiled on appeal and new applications are filed.

Table 1: Summary of Estimated Demand in El Camino Real Corridor 2015 to 2035

	2015-25	2025-35	Total 2015-35
Market Rate Multi Family Residential Units			
Low Estimate	400	1,100	1,500
High Estimate	700	1,400	2,100
Allocation of Below Market Housing Units Identified for 2015 to 2023			
Low Estimate	480	NA	480
High Estimate	630	NA	630
Retail Store Space (SF)	338,000	262,000	600,000
Office Space (SF)	0	150,000	150,000
Hotel Units			
Low Estimate	0	80	80
High Estimate	80	200	280

Source: Land Econ Group

If the community and policy makers decide that this Corridor should receive a reasonable share of Sunnyvale's Regional Housing Need Allocation (RHNA)² identified for the 2015 to 2023 period and that the Corridor's share should be similar to its project market share for citywide housing demand, which ranges from a low of 18 percent to a high of 24 percent, then the Corridor allocation would be 480 to 630 affordable units. These units do not represent additional market demand but rather a possible allocation of affordable housing need over and above what the market can be reasonably expected to produce.

A Retail Development Strategy for the Corridor

Even in this period of strong economic expansion, the retail commercial future of the El Camino Real Corridor enjoys some market niche opportunities and also faces serious challenges.

Opportunities

- One of Sunnyvale's retail strengths is its automotive sector located along this Corridor. This sector accounted for 26 percent of Sunnyvale's taxable retail sales during 2014. With low fuel prices and strong Silicon Valley economic growth, the automotive sector is enjoying a robust business recovery. The new car dealerships either own their sites or have land leases with renewal options that protect their long-term position. They feel strongly about their El Camino

² *City of Sunnyvale Housing Element of the General Plan*, January 31, 2015 to January 31, 2023

Real location and have no plans to relocate. Even if they decide to relocate there are few options within the city. Since they are important economic and fiscal contributors to the City, the new car dealerships are important assets for the City.

- The percentage of Asian population, including South Asian Indians, in Sunnyvale has grown from 19 percent in 1990 to 33 percent in 2000 and 42 percent today.
- Asian households in Sunnyvale have a median household income that is 16 percent higher than the citywide average, in part because more recent immigrants and guest workers to Silicon Valley tend to be highly educated professionals. The higher income and educational attainment of the growing Asian population provide retail development opportunities that have not been fully exploited in Sunnyvale. A closer review of the statistics showed that over 80 percent of the Asians in Sunnyvale are foreign born and over 50 percent entered the US since 2000. The grocery, restaurant and snack shop preferences of this population are likely different from the mainstream. Long standing local retailers are not well equipped to respond to this market, and the Federal government's highly selective immigration and work visa policies favor engineers and computer scientists at the expense of shopkeepers and restaurateurs. For these reasons, the retail businesses in the Corridor have been slow to respond to the rapid change in their consumer market place.
- With the large numbers of housing units and substantial amounts of office space either under construction or in the approvals process in Sunnyvale and surrounding communities, these newly completed units and offices will all require furniture and appliances. Since the furniture and appliance shops will cater primarily to higher income and younger workers, high design appeal in terms of furnishings and technology-embedded appliances represent another retail market opportunity.
- LEG has defined the Primary Market Area of this Corridor to be residents living within a ten-minute drive of the Corridor's four nodes (see Figure 1 below for node locations and Figure 21 in this analysis for a map of the market area). According to ESRI Business Analyst estimates, based on detailed census data, this Primary Market Area currently has a population of slightly over 470,000. LEG forecasts this population to reach approximately 540,000 by 2025 and 590,000 by 2035. This market area growth translates into additional retail demand growth.
- When measured by sales tax collection, the restaurant sector is the fastest growing retail sector in the ECR Corridor. The total sales in this sector has doubled from \$50 million in FY 2003/04 to over \$100 million in FY 2014/15, suggesting that the Corridor is becoming an increasingly popular restaurant destination.

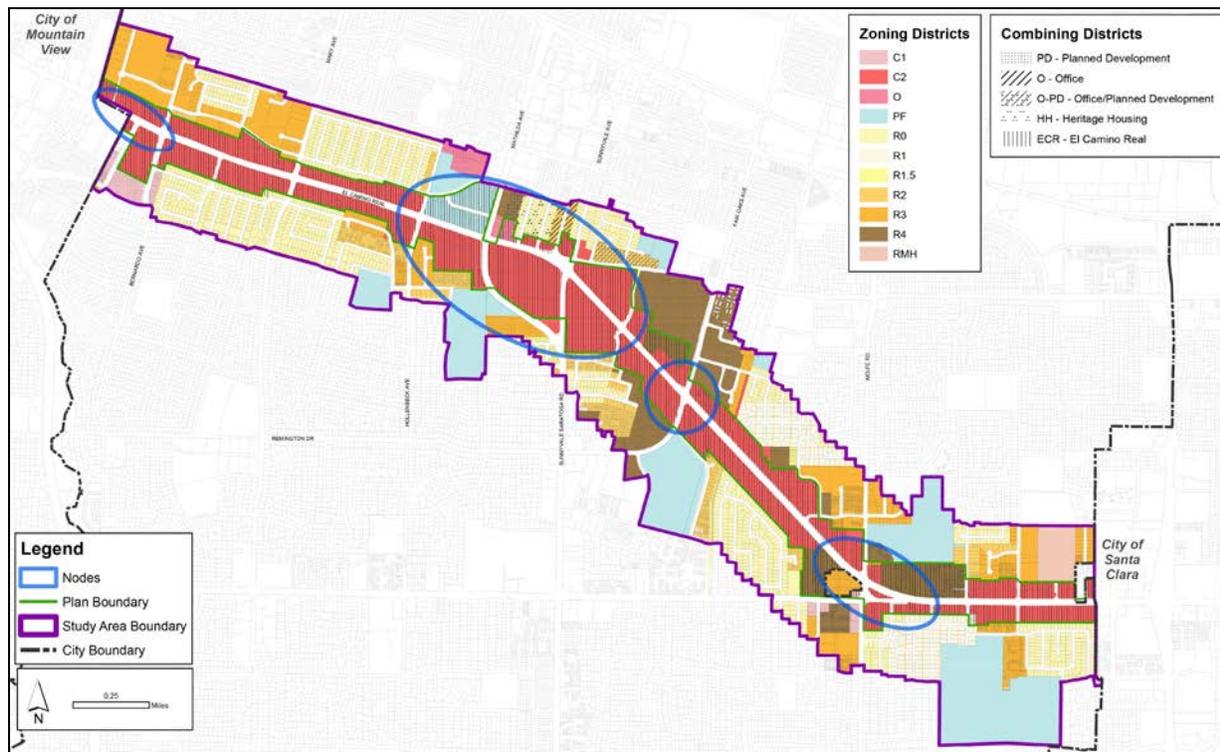
Challenges

- During the current economic recovery subsequent to the Great Recession, Sunnyvale's retail store sales on an average per capita basis has not rebounded as strongly as that of the county as

a whole. As shown in the body of the report, in 2009 during the trough of the recession Sunnyvale's per capita retail store sales was 97 percent of the countywide average; however, by 2014 it had slipped to 88 percent. In this recovery period, Sunnyvale's retail sales growth, as measured on a per person basis, has not kept pace with the countywide average, indicating an erosion of Sunnyvale's retail competitive position relative to other cities.

- In terms of a citywide retail strategy, Sunnyvale should position the Town Center and the El Camino Real Corridor to appeal to different retail requirements. Since the Town Center was originally developed as a regional shopping center, its rejuvenated strengths will most likely continue to be in apparel and accessory stores, department stores, general merchandise stores, and specialty stores. The retail strategy for the Corridor should be planned to complement rather than compete with the Town Center.
- In addition to the expected rejuvenation of Sunnyvale Town Center, considerable additional regional shopping competition can be anticipated from the expansion of Valley Fair in San Jose, the expected major redevelopment of Vallco Shopping Center in Cupertino and a new proposed major shopping and entertainment complex in Santa Clara just north of the new 49ers stadium. The strengthening of regional shopping competition limits the options available to the Corridor in moving forward.
- Santana Row is also adding over 50,000 square feet of restaurant and retail space, and a new cinema complex has been proposed across Winchester Boulevard further strengthening Santana Row as a dining and entertainment destination, unless traffic congestion and parking scarcity becomes a deterrent during peak demand periods.
- According to the Bureau of Census, total E-Commerce retail sales in the United States has grown from \$6.5 billion in 2000 to \$75 billion in 2014, a nearly twelve-fold increase. This corresponds to an increase of average annual per capita E-Commerce sales from \$23 in 2000 to \$236 in 2014. As a consequence, retail space per person in the US has declined to 48.3 square feet in 2015 from 49.8 square feet in 2009 according to the real estate data firm the CoStar Group. Bookstores are now rare in urban centers, and regional shopping malls are adding office space and higher density residential to offset their loss of retail strength. In any retail strategy for the Corridor, competition from E-Commerce retailers must be taken into consideration. The sectors that are less vulnerable to on-line competition include food for immediate consumption, low price point incidentals that don't justify their shipping cost, larger furniture and appliances items, and apparel where texture, color shade and fit are particularly important.

Figure 1: El Camino Real Specific Plan Corridor and Nodes



Source: City of Sunnyvale

As discussed in greater detail in the body of the report and assuming a Corridor land use policy that is supportive of additional retail development, LEG estimates that the Corridor will be able to capture 31 percent of its Primary Market Area demand growth. This capture rate translates into demand for a net additional 600,000 square feet of retail space development over the next 20 years. Considering the Corridor's opportunities and challenges, LEG recommends a three-pronged strategy for retail development along Sunnyvale's El Camino Real Corridor:

- Develop a concentration of higher end design-oriented furniture, appliance, hardware and building materials stores to support the onslaught of office and residential construction. The 20-year demand estimate for these stores is 186,000 square feet. If a sufficient cluster can be created, their market reach can easily exceed the ten-minute drive time Primary Market Area and the total demand can exceed that estimate by a considerable margin. Examples could include Scandinavian Designs, Italy Design, custom cabinet shops, imported marble and tile outlets, and high end and high service appliance shops. Implementation is probably a matter of marketing, selective use of incentives to secure "image maker" stores and planning policy and urban design support.
- Encourage the creation of a pedestrian-oriented retail and restaurant street or promenade with a strong design theme that is distinct from other pedestrian-oriented destinations in the region,

such as Santana Row and including Sunnyvale Town Center. This pedestrian street should be designed to recapture the sales being lost to such regional destinations with both a hometown appeal and an appeal to newer residents, particularly the higher income Asian population that is prominent in the immediate area. The initial development should be planned for 70,000 to 80,000 square feet with about half of the space being restaurants and the other half being food-oriented retail shops or entertainment venues – grocery stores offering locally grown produce, coffee and tea shops, bakery, wine or sake bars, specialty salt and spice shop, and hard-to-find specialty items such as those from the Pacific Rim. If successful, a second phase could be added to bring the total square footage up to 150,000 square feet. To ensure pedestrian vitality, the length of the initial segment should be limited to about 600 feet with the possible second phase extending to no more than 1,000 feet. Future hotels and residential development in the surrounding area could benefit from this pedestrian retail and restaurant street as a focal point of attraction and service.

- Protect and enhance the new-automobile dealerships along the Corridor and pursue additional dealerships as opportunities permit. Alfa Romeo is poised to re-enter the mainstream US market this year, and Fiat appears to have recently lost its West Valley location on Stevens Creek Boulevard.

This three-pronged retail strategy serves the fiscal interest of the City, reflects the real estate market constraints and opportunities within the Corridor, and offers new or replacement job opportunities for retail workers.

Office Market Over Built

The commercial real estate development community has responded to the rapid office space demand build up with vigor. In Sunnyvale, Mountain View, Santa Clara and Central San Jose, there are 17.2 million square feet of office space either under construction, in some stage of planning application or Preliminary Review. This total does not include the potential redevelopment in Peery Industrial Park³ that could add 2.2 million net square feet or more over the life of the Peery Park Specific Plan if adopted, the 5.7 million square feet being proposed in Santa Clara's City Place or the 2.8 million gross square feet of the Apple 2 Campus in Cupertino⁴. Considering the projected supply versus demand balance and the fact that Peery Park has the potential to become a major office campus over the next two decades, there is no compelling real estate market justification for the El Camino Real Corridor to become a target for large-scale office development. Smaller office projects, where the developer has already secured an anchor tenant, and local serving offices integrated into mixed-use development

³ Peery Park Specific Plan is in process

⁴ LEG survey with the City of Cupertino - site is bounded by N. Wolfe Road, E. Homestead Rd, N. Tantau Ave. and I-280.

projects would be supportable. LEG's estimate of new office development for the Corridor for the 2015 to 2035 time frame is 150,000 square feet.

Hotel Development

As of July 2015, nearly 2,000 new hotel rooms were in the development application process with the City of Sunnyvale. Some of these include the redevelopment of older hotel properties, so the net increase in rooms is expected to be about 1,500. Of this total, 559 are proposed for the El Camino Real Corridor in four properties⁵. The surrounding communities are also moving forward with hotel development. Mountain View has 849 hotel units under construction or in development application review. That number is 328 in Cupertino, 982 in Santa Clara and 1,981 in Central San Jose. This total of 5,714 units does not consider new projects in other parts of Santa Clara County and represents about a decade's worth of historic countywide demand growth.

The net result of the supply versus demand comparison is that the projects in the pipeline will essentially satisfy the Corridor's demand growth until 2025, and by 2035 the Corridor is projected to be able to support one or two more hotels, comprising a total of 80 to 280 rooms. If the future of the Corridor includes the creation of a well-designed pedestrian retail and restaurant street, it will be more attractive to a higher service new hotel development, as hotel guests have a preference to be near a variety of restaurants and services. Since hotels are a very productive land use for the City's General Fund revenue, the reservation of a few selected sites for future hotel development is worthy of consideration.

⁵ Located at 725 S. Fair Oaks, 590 W. El Camino Real, 830 E. El Camino Real [This was a Preliminary Review Application as of July 2015 and formal entitlement application submitted Aug 2015] and 861 E. El Camino Real

II. Introduction

El Camino Real, “The Royal Road,” is the historic road that linked the California Spanish missions from San Diego to north of San Francisco. In more recent decades, the Bay Area stretch has become an automobile oriented commercial boulevard. In Sunnyvale, El Camino Real extends from just northwest of the South Bernardo Avenue intersection to just southeast of the Henderson Avenue intersection. Mountain View is the city to the northwest and Santa Clara is the city to the southeast. The Sunnyvale stretch of El Camino Real lies in the geographic center of the area commonly known as “Silicon Valley.” In this report, the term Silicon Valley is used interchangeably with Santa Clara County.

The City of Sunnyvale selected a consultant team for this El Camino Real Corridor Specific Plan assignment, led by the Metropolitan Planning Group (M-Group), an urban planning and design firm specializing in services to municipalities in Northern California. Land Econ Group (LEG) is the real estate and land planning economics subconsultant on the M-Group team. This market analysis is prepared by the Principals of LEG with William “Bill” Lee serving as chief author/analyst and Tanya Chiranakhon serving as the primary researcher and key analyst.

This market analysis serves to inform the design plan and land use policies that will guide the growth and transformation of this commercial corridor over the approximately next two decades. LEG has designed this analysis to serve six long-term planning and economic development objectives summarized below:

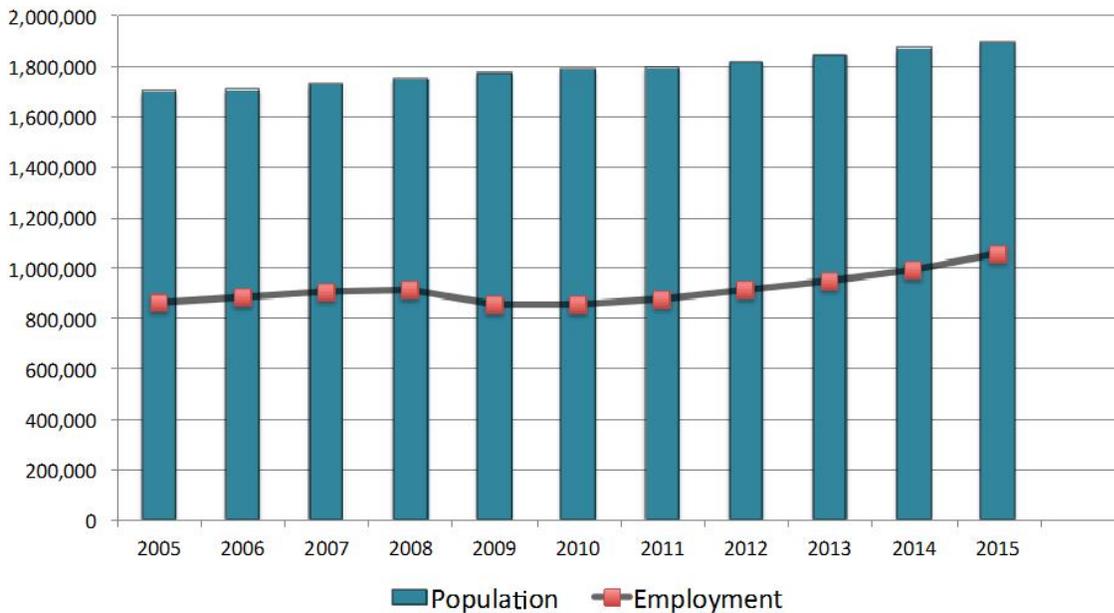
- The regional economic objective of clustering population and employment near areas well served by public transit in order to minimize time lost due to travel, fossil fuel consumption and pollution generation.
- The citywide economic development objective of business retention/attraction and job creation.
- The Sunnyvale municipal fiscal objective of long-term tax revenue generation and containment of service costs to maintain the provision of high quality services.
- The land development economics objective of ensuring near- and long-term real estate development project feasibility, for without private sector investment little corridor transformation will take place.
- The socio-economic objective of protecting the economic interest of citizens of modest means who may be displaced.
- The social objective of serving the critical housing needs of the multiple generations of the local population.

III. Demographic and Economic Context

Santa Clara County Economy in Up Cycle

Market demand for future real estate products in Sunnyvale is fundamentally driven by employment growth in Silicon Valley. Viewed from the perspective of the past decade, Santa Clara County has experienced steady population growth and robust employment growth with the exception of 2009 and 2010 when employment dropped sharply in response to a severe state and national recession. During those two years, Silicon Valley lost nearly 60,000 jobs (see Figure 2 below and detailed in Appendix Table A2). However, the recovery from 2010 to 2014 has added back about 138,000 jobs and the recovery is continuing.

Figure 2: Santa Clara County Population and Employment Growth



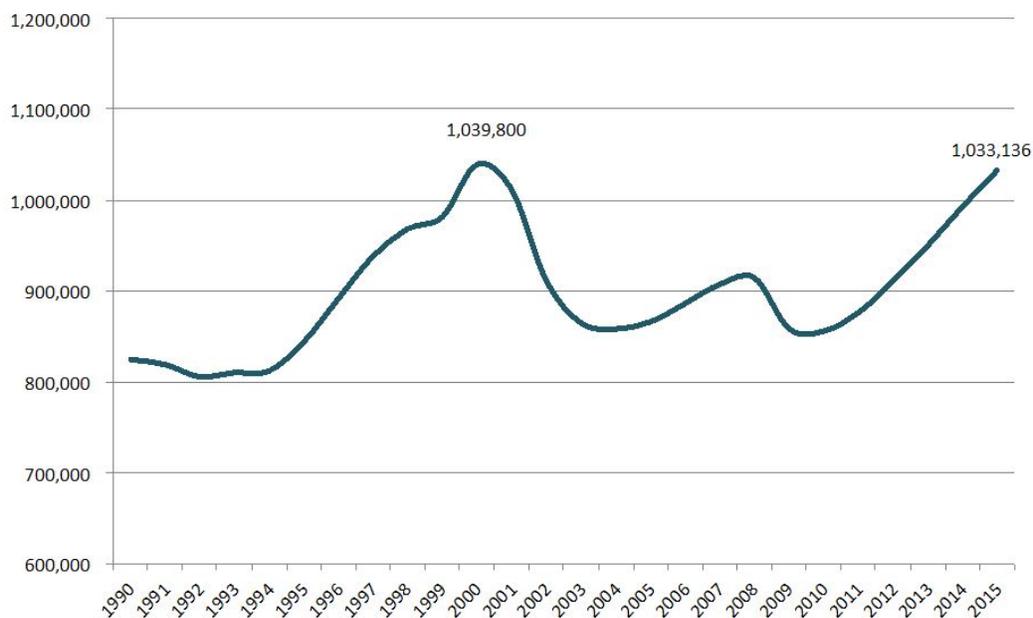
Source: California Employment Development Department, Labor Market Statistics Section

The current robust four to five percent annual employment growth rate has created considerable excitement in the real estate development community, and projects of all types are either under construction or in development application. Well-established technology companies including Facebook, Samsung, Apple, LinkedIn and Google are driving the boom. LinkedIn gained the entitlement for 1.4 million square feet of commercial space in Mountain View's North Bayshore District with capacity

for 8,000 workers. Google has pre-leased 1.9 million square feet in the Moffett Place office park in Sunnyvale. Apple is preparing its 176-acre Apple 2 campus in Cupertino that will add 2.8 million square feet of office space that has the capacity to house 13,000 employees.

During the excitement of the current boom period, it is easy to forget that the history of Silicon Valley is one of boom and bust cycles. The current recovery has yet to reach the “Dot Com” peak of 2000 in terms of total jobs. That peak of 1.04 million jobs was followed by a crash that reached its nadir in 2004. The following recovery reached a lower peak of 915,000 jobs in 2008, but the Great Recession that took Silicon Valley total jobs down to 856,000 by 2010 followed it (see Figure 3 below). The current boom will peak during the next one to three years, and a fall off will likely follow. In planning for the long term, LEG is cautious about being overly influenced by short-term fluctuations in the real estate market.

Figure 3: Employment Fluctuation in Santa Clara County Since 1990



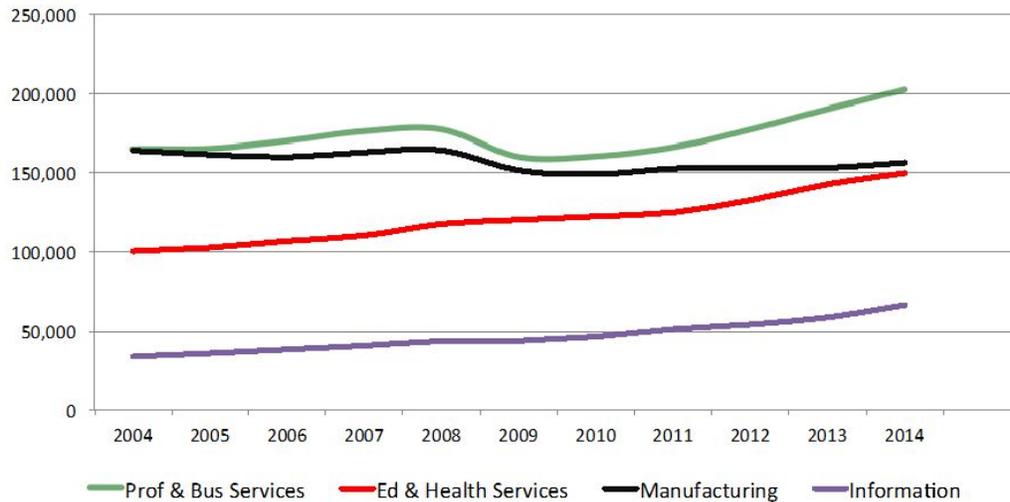
Source: California Employment Development Department, Labor Market Statistics Section

Structural Change in the County Economy

While overall jobs fluctuate in these boom and bust cycles, the structure of the Silicon Valley economy is changing. The largest employment sector, professional and business services, suffered during the recession but has gained 37,000 jobs over the past ten years. Education and health services gained 50,000 jobs over the same period, and information technology, a much smaller sector, added 33,000 jobs. The manufacturing sector, while making a bit of a comeback during the current recovery, is still down 7,600 jobs from 2004 (see Figure 4 below). This movement towards service and information jobs

and away from manufacturing foreshadows the transition of industrial areas to office use and younger white and pink-collar⁶ workers living in urban communities.

Figure 4: Trends in Santa Clara County Major Employment Sectors 2004 to 2014



Source: California Employment Development Department, Labor Market Statistics Section

Growth and Demographic Change

While the numbers of jobs have fluctuated, population growth in Santa Clara County and its cities has been fairly steady according to estimates provided by the California State Department of Finance. In the decade from 2005 to 2015, county population increased from 1.7 million to 1.89 million. This increase of 191,000 people reflected a compounded average annual growth rate of 1.1 percent. Sunnyvale's population increased from 132,000 to 148,000 over this same period, reflecting an annual growth rate of 1.2 percent. Its share of county population remained fairly constant at 7.8 percent. Mountain View to the northwest grew at an annual rate of 1.0 percent, reaching 78,000 by 2015. Santa Clara to the southeast grew at 1.2 percent per year to reach 121,000 in 2015 (see Table 2 below).

⁶ Service industry jobs like nurses, medical technicians and teachers

Table 2: Population Growth in Sunnyvale and Neighboring Cities

	2005	2010	2015	2005 - 2015	
				Abs Growth	CAGR
Sunnyvale	131,853	140,081	148,028	16,175	1.16%
Santa Clara County	1,698,234	1,781,642	1,889,638	191,404	1.07%
Sunnyvale as Percent of County	7.76%	7.86%	7.83%	8.45%	
<i><u>Surrounding Cities</u></i>					
Mountain View	70,629	74,066	77,914	7,285	0.99%
Palo Alto	60,723	64,403	66,932	6,209	0.98%
Los Altos	27,381	28,976	30,036	2,655	0.93%
Cupertino	53,632	58,302	59,756	6,124	1.09%
Santa Clara	107,058	116,468	120,973	13,915	1.23%
San Jose	901,159	945,942	1,016,479	115,320	1.21%
San Jose-Sunnyvale-Santa Clara MSA	1,698,234	1,781,642	1,889,638	191,404	1.07%
California State	35,869,173	37,253,956	38,714,725	2,845,552	0.77%

Note: Data for 2010 as of April of that year and reflects Census 2010 estimates. All other data are as of January 1st of that year.

Source: California Department of Finance, Demographic Research Unit

The percentage of Asian population in Sunnyvale has grown from 19 percent in 1990 to 33 percent by 2000 and 42 percent today. As shown in Table 3, in 2013 the White population accounted for 46 percent of the city while Hispanics accounted for 18 percent. The largest subgroup of Asians was Asian Indian, followed by Chinese and then Filipino. The interest in H1B work visa⁷ sponsorship by Silicon Valley and nearby firms for those with advanced degrees in computer science and engineering is contributing to the growth of Asian population in Sunnyvale and Santa Clara County (see Table 3 below). It may also be of interest to note from Table 4 below that approximately 50,000 of the 60,000 Asians in Sunnyvale were born in Asia and about 33,000 of the Asians in Sunnyvale entered the US in year 2000 or later. This presents a niche market opportunity for restaurants, grocery stores and other retail stores.

⁷ According to My Visa.com, Google, Intel, Apple, Oracle and Igate Technologies were amongst the top 25 firms in terms of H1-B visa sponsorship in 2015.

Table 3: The Ethnic Composition of Population in Sunnyvale

Race or Ethnicity	2010	2013	Distribution	CAGR
			in 2013	2010-2013
Total population	136,480	143,315	100.0%	1.6%
White alone	60,812	65,443	45.7%	2.5%
Black or African American alone	3,178	2,915	2.0%	-2.8%
Asian alone	54,536	59,971	41.8%	3.2%
<i>Asian Indian</i>	19,716	24,055	16.8%	6.9%
<i>Chinese</i>	15,673	17,696	12.3%	4.1%
<i>Filipino</i>	7,413	7,329	5.1%	-0.4%
<i>Japanese</i>	2,989	3,056	2.1%	0.7%
<i>Korean</i>	2,596	2,898	2.0%	3.7%
<i>Vietnamese</i>	3,671	2,868	2.0%	-7.9%
<i>Other Asian</i>	2,478	2,069	1.4%	-5.8%
Some other race alone	13,378	9,243	6.4%	-11.6%
Two or more races	4,576	5,743	4.0%	7.9%
Hispanic or Latino	23,004	25,945	18.1%	4.1%

Source: U.S. Census Bureau, American Community Survey

Table 4: 2014 Sunnyvale Foreign Born Populations by Place of Birth and Year of Entry

Place of Birth	Year of Entry				Total
	Before 1990	1990 to 1999	2000 to 2009	2010 or later	
TOTAL	13,631	13,854	23,511	18,780	69,776
Europe	1,712	2,142	1,721	909	6,484
Asia	8,773	7,948	17,282	15,663	49,666
Latin America	2,761	3,366	4,016	1,626	11,769
Caribbean	0	74	0	0	74
Central America	2,253	2,470	3,426	843	8,992
Mexico	2,205	1,540	2,027	802	6,574
Other Central America	48	930	1,399	41	2,418
South America	508	822	590	783	2,703
Other areas	385	398	492	582	1,857

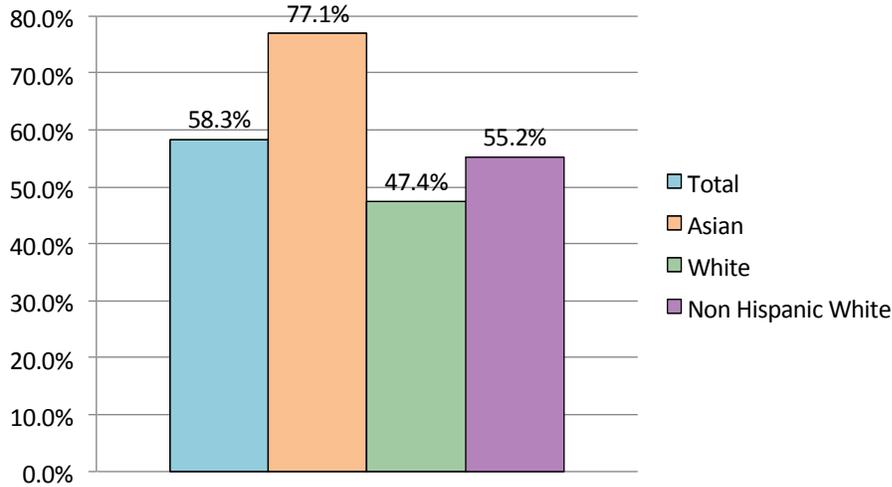
Source: U.S. Census Bureau, 2014 American Community Survey

Education and Income Levels of Asian Population

Because the more recent immigrants and guest workers tend to be highly educated, it is not surprising that Asian households in Sunnyvale have a median household income that is 16 percent higher than the citywide average (see Figure 5, Figure 6 and Figure 7 below for summary and Appendix Tables A5 through A8 for details). Even though Asian households are slightly larger, Asians in Sunnyvale still have an average per capita income that is 10 percent higher than the citywide average. The higher income

and education levels of the growing Asian population provide retail development opportunities that have not been fully exploited in Sunnyvale.

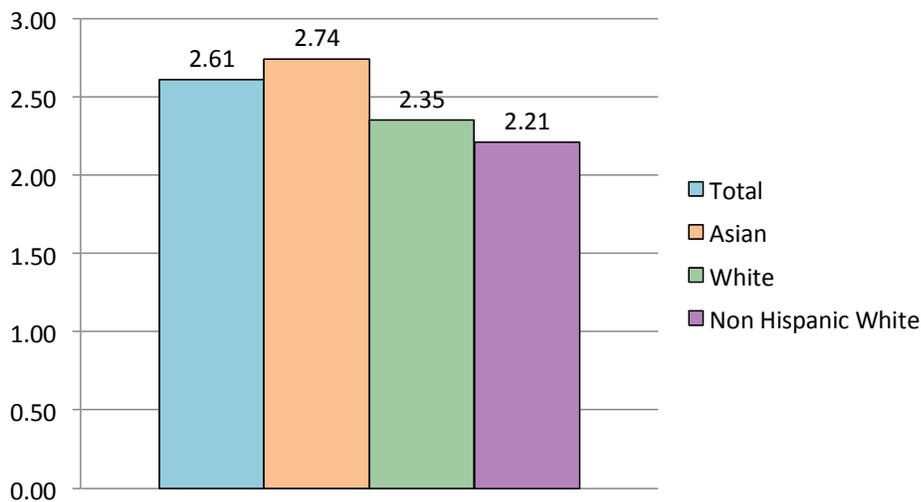
Figure 5: Percentage of Population Group with Bachelor’s Degree or Higher in 2013



Note: Since a majority of Hispanics is white, Non Hispanic Whites are Anglo Whites

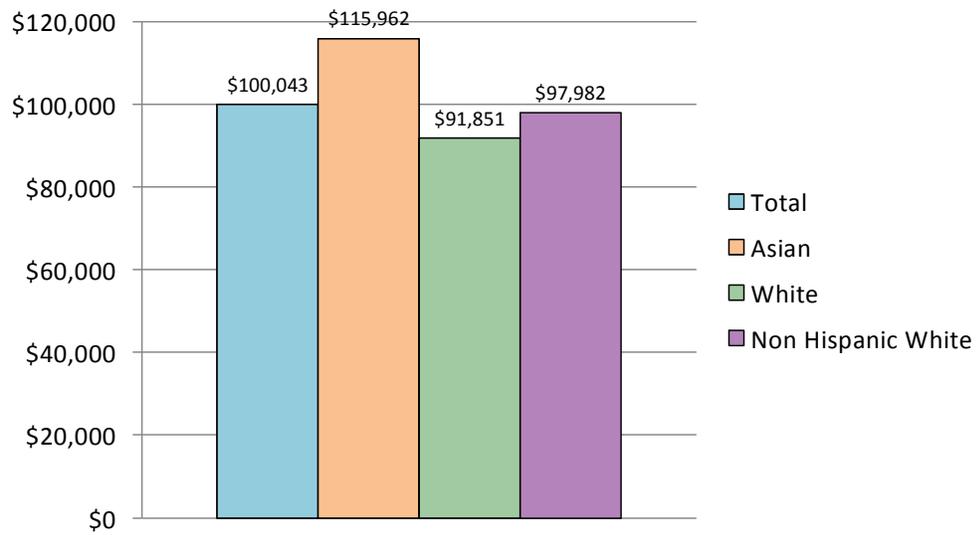
Source: US Census Bureau and American Community Survey

Figure 6: Average Household Size by Population Group in 2013



Note: Since a majority of Hispanics is white, Non Hispanic Whites are Anglo Whites

Source: US Census Bureau and American Community Survey

Figure 7: Median Household Income by Population Group in 2013

Note: Since a majority of Hispanics is white, Non Hispanic Whites are Anglo Whites

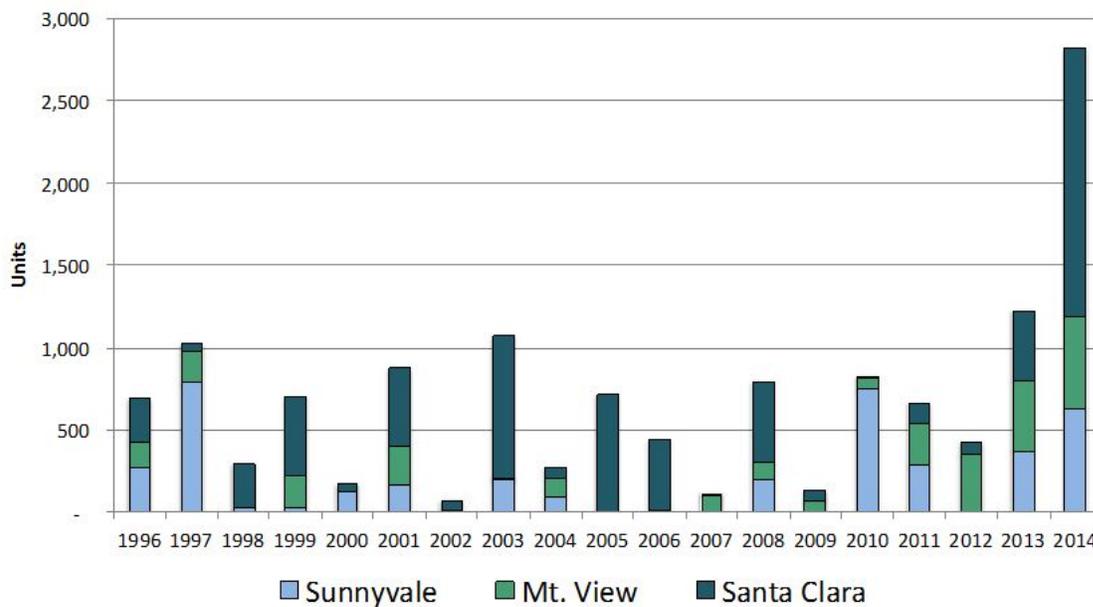
Source: US Census Bureau and American Community Survey

IV. Corridor Housing Demand and Need

Volatility of Housing Market

The current “white hot” housing market in Silicon Valley, powered by brisk job growth in the technology sector offering high wages as firms compete for talent, has led to a large number of multi-family housing developments throughout the West Valley. The acceleration of building permit activity is particularly noticeable during 2014 and 2015. The three cities of Sunnyvale, Mountain View and Santa Clara issued construction permits for over 2,800 multi-family⁸ units during 2014, with Santa Clara accounting for over 1,600 units.

Figure 8: Multi-Family Residential Units Issued Building Permits in Sunnyvale, Mountain View and Santa Clara



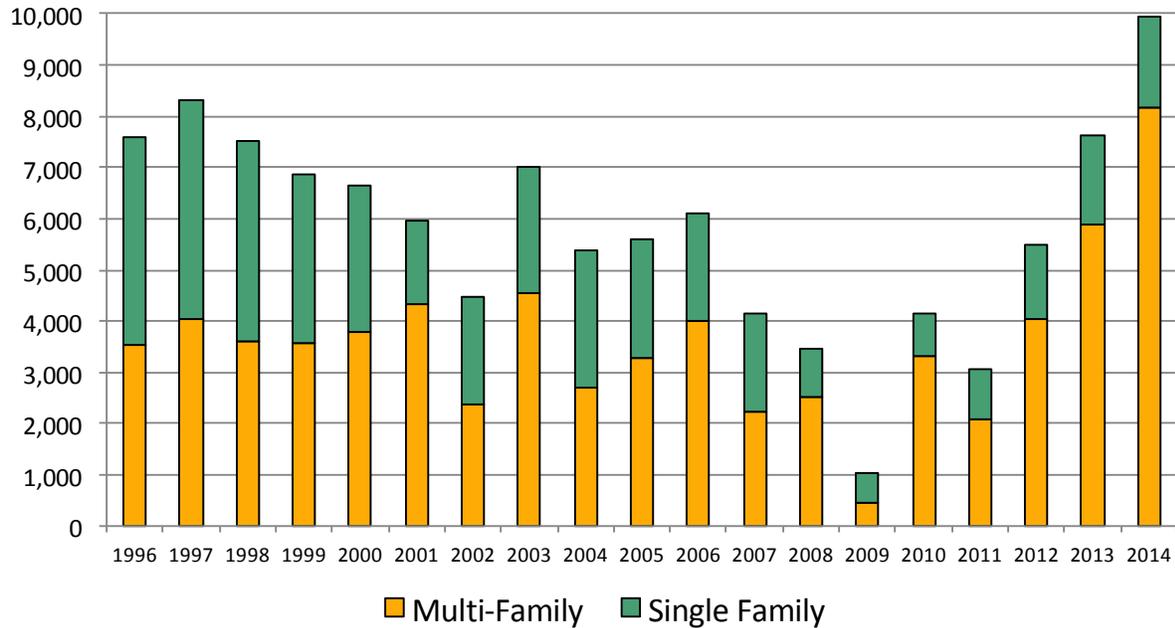
Source: US Census Bureau

The above graph (Figure 8) illustrates the volatility of the multi-family housing market in Sunnyvale and its immediate neighboring cities. In 2007, these three cities permitted only 109 multi-family units. By

⁸ Buildings containing two or more units with the exception of townhouses where land is individually owned by homeowner

2014, the multi-family units permitted had jumped to 2,819 and activity continues to be brisk during 2015. For Santa Clara County as a whole, the number of multi-family units permitted dropped to a low of 452 during the depth of the housing recession in 2009 but climbed to 8,176 during 2014 (see Figure 9 below for summary and Appendix Table A9 for details).

Figure 9: Residential Units Issued Building Permits in Santa Clara County from 1996 to 2014 By Type



Note: Single family includes townhomes where the homeowner also owns the underlying land parcel
 Source: US Census Bureau

Because multi-family housing development experiences extreme cycles, the long term average number of units permitted spanning several real estate cycles provides an important frame of reference for sustainable market demand appropriate for a specific plan that is expected to guide land use policy for 10 to 20 years. In Table 5 below, the average annual number of housing units permitted is presented by two time periods: 1996 through 2004 and 2005 through 2014. The annual counts are available in Table A9 in the Statistical Appendix of this document. For Sunnyvale, the average annual number of multi-family units permitted for these two time periods was 190 and 222, respectively. For the three cities combined, it was 576 and 816; and for Santa Clara County as a whole, it was 3,614 and 3,601. As employment grows and the economy urbanizes, demand for multi-family units will climb. However, the number of units permitted in 2014 is not indicative of long-term demand but rather indicative of recent demand growth outpacing supply as reflected by the rapid climb in rents and sales prices.

Table 5: Long Term Annual Housing Demand as Reflected by Units Permitted

	Avg 1996-2004	Avg 2005-2014
Sunnyvale		
Single Family	85	194
Multi Family	<u>190</u>	<u>222</u>
Subtotal	275	416
Santa Clara		
Single Family	187	64
Multi Family	<u>288</u>	<u>397</u>
Subtotal	475	462
Mountain View		
Single Family	141	112
Multi Family	<u>98</u>	<u>196</u>
Subtotal	238	308
Above Three Cities		
Single Family	412	370
Multi Family	<u>576</u>	<u>816</u>
Three Cities Total	988	1,186
San Jose		
Single Family	1,410	298
Multi Family	<u>2,375</u>	<u>2,187</u>
Subtotal	3,785	2,484
Santa Clara County		
Single Family	3,023	1,465
Multi Family	<u>3,614</u>	<u>3,601</u>
Santa Clara County Total	6,637	5,066

Source: US Census Bureau

Forecast of Future Corridor Housing Demand

Multi-family housing demand in the El Camino Real Corridor in Sunnyvale is a function of the following considerations:

- Population will grow in the city largely in response to regional job growth. LEG's forecast for Sunnyvale's population in 2035 is 178,300, or 29,900 over the 2015 estimate of 148,400.
- LEG expects average household size in the city to fall slightly from 2.62 to 2.52 over the next 20 years, as land continues to be expensive causing housing construction to trend towards a higher percentage of multi-family units. Larger families that have a higher preference for more space and yard will tend to move to communities where land and housing is less expensive.
- A vacancy allowance is needed to facilitate proper functioning of the housing market place, a four percent vacancy rate is assumed⁹.

⁹ For example, at a very low or near zero vacancy rate, a growing household that wishes to upgrade to a larger unit is not able to find a suitable unit and is prevented from moving. As a consequence, a newly formed smaller household is unable to move

- A small part of future demand will be the need to replace units removed for redevelopment or other reasons. LEG estimates this rate to be two percent per decade of the housing inventory at the beginning of that decade.
- The percentage of Sunnyvale housing demand that is expected to be multi-family units is estimated at 65 percent over the next two decades, significantly higher than the 53 percent achieved over the past decade. This is LEG's opinion based upon the increasing scarcity and high cost of land in Sunnyvale and the growing preference of households young and old for compact neighborhoods where walking to shopping and services is an option as automobile traffic congestion continues to build.
- As of July 2015, there were 3,291 multi-family units in the development pipeline in Sunnyvale with 595 of these units in the El Camino Real Corridor (see Appendix Table A18 for details). The pipeline number includes projects under construction, projects filing formal development applications and those filing for Preliminary Review. Preliminary Review is not a formal development application, but rather a process for property owners or developers to obtain early feedback on a potential project. Some of the Preliminary Review projects are in specialized plan study areas that currently do not permit residential development¹⁰, such as the Lawrence Station Area Plan and Peery Park Specific Plan that are currently in progress. Those under Preliminary Review will not move forward unless such Plans are adopted allowing residential. If they do not move forward, then the market demand in the ECR Corridor will be somewhat greater.
- There are an additional 11,600 essentially multi-family units either in the development pipeline in Mountain View (2,625 units), Santa Clara (5,020 units) and Central San Jose (3,956 units which may include some single family units). The availability of new housing supply in surrounding cities will compete with or relieve pressure for housing demand in Sunnyvale and in the El Camino Real Corridor.
- If the eventually adopted Specific Plan and zoning policy support housing development in the El Camino Real Corridor, it is LEG's real estate market opinion that the Corridor will be able to capture an estimated 18 to 24 percent of the citywide multi-family demand. The Corridor currently has 16 percent of the city's population, 18 percent of the housing units, and 17 percent of the multi-family units in the development pipeline.

into that same unit. This viscosity retards the fluid functioning of the housing market and reduces the collective welfare of the households in that market.

¹⁰ The number of units in the development pipeline changes weekly as projects are completed, applications denied, refiled on appeal and new applications are filed.

LEG's multi-family housing demand forecast for the Corridor for the twenty-year period from 2015 to 2035, net of the units already in the pipeline, ranges from a low of 1,500 units to a high of 2,100 units (see Table 6 below for details).

Table 6: Sunnyvale and El Camino Corridor Housing Market Demand Forecast

	2015	2025	2035	Change		Total
				2015 - 25	2025 - 35	2015 - 35
Sunnyvale						
Population	148,400	163,800	178,300	15,400	14,500	29,900
Households	56,560	63,488	70,754	6,928	7,266	14,194
Population HH Ratio	2.62	2.58	2.52			
Housing Units Needed @ 4% Vacancy	58,917	66,134	73,702	7,217	7,568	14,785
Estimated Replacement Demand @ 2% Per Decade				1,178	1,323	2,501
Total Construction Needed in Sunnyvale				8,395	8,891	17,286
Multi-family Share				62%	67%	65%
Multi-family Demand				5,205	5,957	11,162
Currently Under Construction, In Planning Application or Under Preliminary Review				(3,341)		
El Camino Real Corridor Market Share						
Low Share at 18%				937	1,072	2,009
High Share at 24%				1,249	1,430	2,679
Currently Under Construction or In Planning Application				(595)		(595)
Low Share Net of Units Under Construction or in Application				342	1,072	1,414
High Share Net of Units Under Construction or in Application				654	1,430	2,084

Note: The projects applying for Preliminary Review are in plan areas that currently do not allow residential. They will not move forward unless updated plans are adopted allowing residential. If they do not move forward, then market demand in the ECR Corridor will be somewhat greater.

Source: Land Econ Group, July 2015

Over the course of the next couple of decades, the multi-family market demand in the Corridor will fluctuate back and forth between rental apartments and for sale condominiums. For planning purposes, it would be reasonable to assume about a 50/50 split between apartments and condominiums. Currently, the renter occupied units account for two-thirds of all units in the Corridor, but LEG expects the scarcity and high cost of land to gradually shift long-term demand toward ownership in this Corridor.

The developers' preferred density would likely be in the 40 to 60 units per acre range in four to five story buildings. For most sites in the current market, this configuration allows the developer to maximize financial return by optimizing the balance between land, building construction, parking, financing and operating costs against sales prices or rents. If an attractive pedestrian environment can be created at street level with good urban design and offering interesting shops and restaurants, high quality condominium developments would have market support in the Downtown Node and other nodes.

Differences in Residential Market Appeal of the Nodes

Understanding that the Corridor has more length and land area than can be transformed over the approximately next two decades, the City of Sunnyvale has focused the analysis on four nodes in this Corridor. The nodes are centered at the following El Camino Real intersections:

- South Bernardo Avenue
- Mathilda Avenue and Sunnyvale Avenue
- South Fair Oaks Avenue
- South Wolfe Road

There is not a great deal of difference in market appeal amongst these four nodes for residential development. Developers will make decisions based upon property availability, price, neighboring uses and the specifics of the site, if they are able to secure entitlements. LEG ranks the Mathilda to Sunnyvale Avenue Downtown Node the highest in market appeal because future residents of all ages would enjoy reasonable walking proximity to many of the city's amenities and services, such as the Town Center, Murphy Avenue restaurants, Caltrain Station, the Civic Center, Trader Joe's, the Sunnyvale Tennis Center, Las Palmas Park and Cumberland Elementary School.

The South Bernardo Avenue intersection with El Camino Real is characterized by automobile oriented uses: service stations, motels, mini malls, fast food restaurants and a Buick/GMC Dealership. The ability of this node to attract quality residential development would be enhanced with a revised street design and streetscape to be friendlier to pedestrians. Rather than one or two isolated residential developments, the creation of a neighborhood of several new developments would strengthen the market appeal of this node.

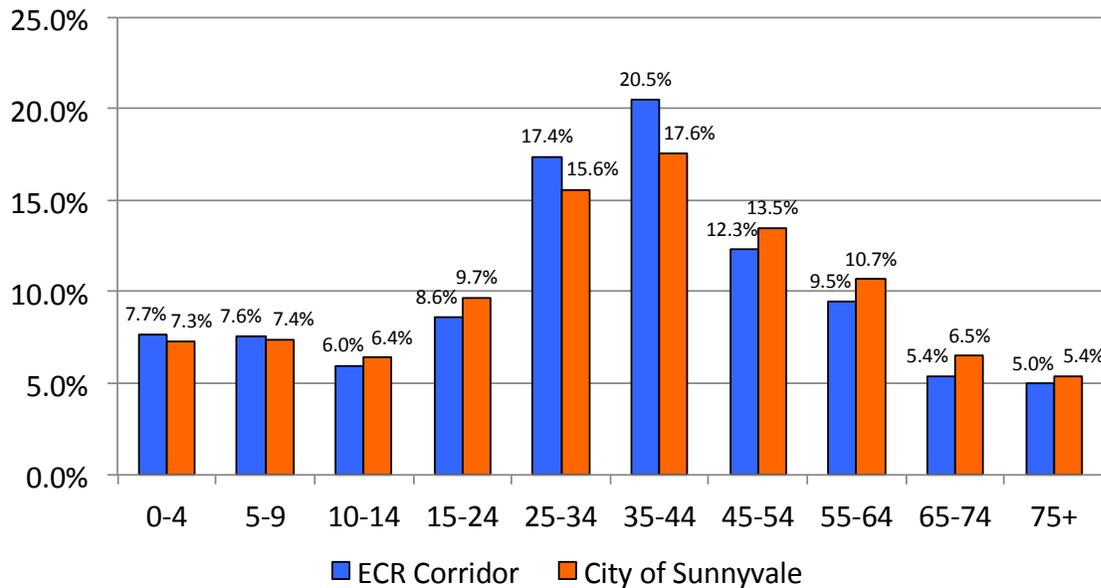
The South Fair Oaks Avenue and El Camino Real intersection has very similar characteristics, with shopping centers and automobile dealerships fronting on El Camino Real. Because multi-family neighborhoods do exist one block north on Fair Oaks at Iris Avenue, developers may rate this node slightly more favorable for new housing as compared to the South Bernardo Avenue node.

The Wolfe Road and El Camino Real node is similar in character to the above two nodes. However, this node has some land parcels occupied by low value economic uses. Assuming public improvements to El Camino Real and good site planning and building design for the private development, LEG would not expect a wide variation in condominium sales prices or apartment rents for new housing in these four nodes.

Corridor Appeal

The ECR Corridor, when compared to the city as a whole, has a noticeably greater proportion of population in the 25 to 34 and 35 to 44 age groups (see Figure 10 below). These age groups are in the early years of household formation and prime years of career building. In contrast to their parents’ generation of baby boomers, they have a higher affinity for more walkable communities. That preference and the higher percentage of rental units in the Corridor explain the higher concentration of these age groups living in the Corridor. Future multi-family development in the Corridor will likely attract substantial numbers in these two age groups, many who decided on Sunnyvale because of job opportunities in Silicon Valley and found Sunnyvale to be a desirable residential community.

Figure 10: Comparison of Corridor and Sunnyvale Age Profile



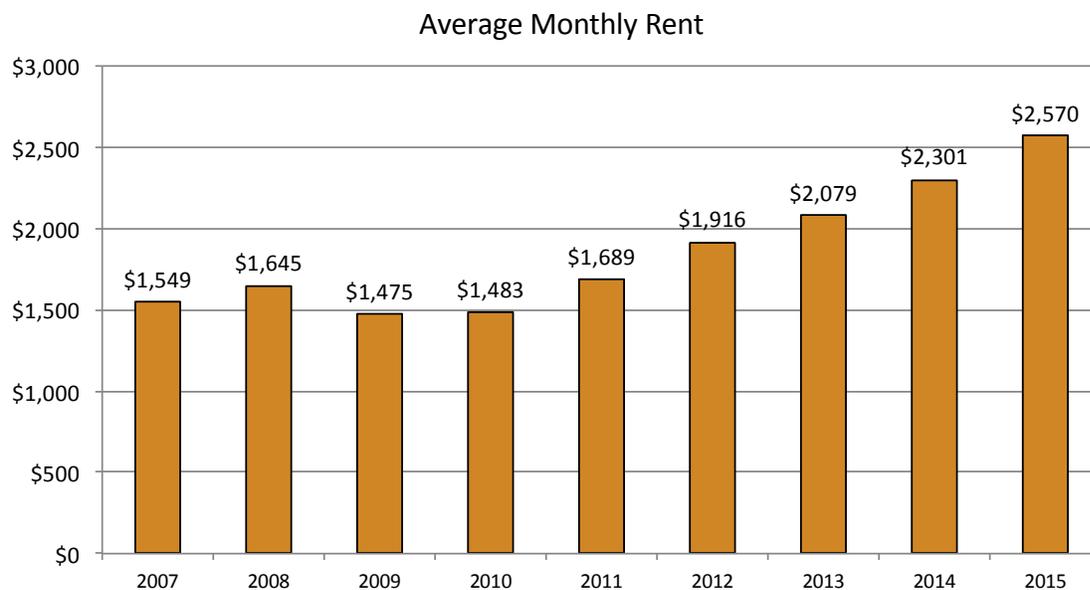
Source: US Census Bureau

Rapidly Climbing Housing Cost

The accelerated pace of job growth in Silicon Valley, combined with the extremely challenging housing market for developers during the Great Recession, have caused a lag between housing demand growth and new housing supply creation. As a result, rents have escalated (shown in Figure 11 below) as the average monthly apartment rent in Sunnyvale has climbed from below \$1,500 in 2009 and 2010 to above \$2,500 in 2015. The current average market rents by type and size of unit are shown in Table 7 below.

The cost of for sale units has climbed as well. As shown in Figure 12 below, the average sales price of condominiums in Sunnyvale, as measured during October of each year, has climbed dramatically from around \$500,000 in the 2008 to 2012 period to \$873,000 in 2015. The increase was particularly dramatic from \$689,000 in 2014 to \$873,000 in 2015. As the number of monthly transactions in Sunnyvale is not very numerous, these mean sales prices should be viewed with some caution. However, there can be no question that recent demand increases have out striped supply driving up housing cost dramatically.

Figure 11: Growth of Aggregate Apartment Rents in Sunnyvale

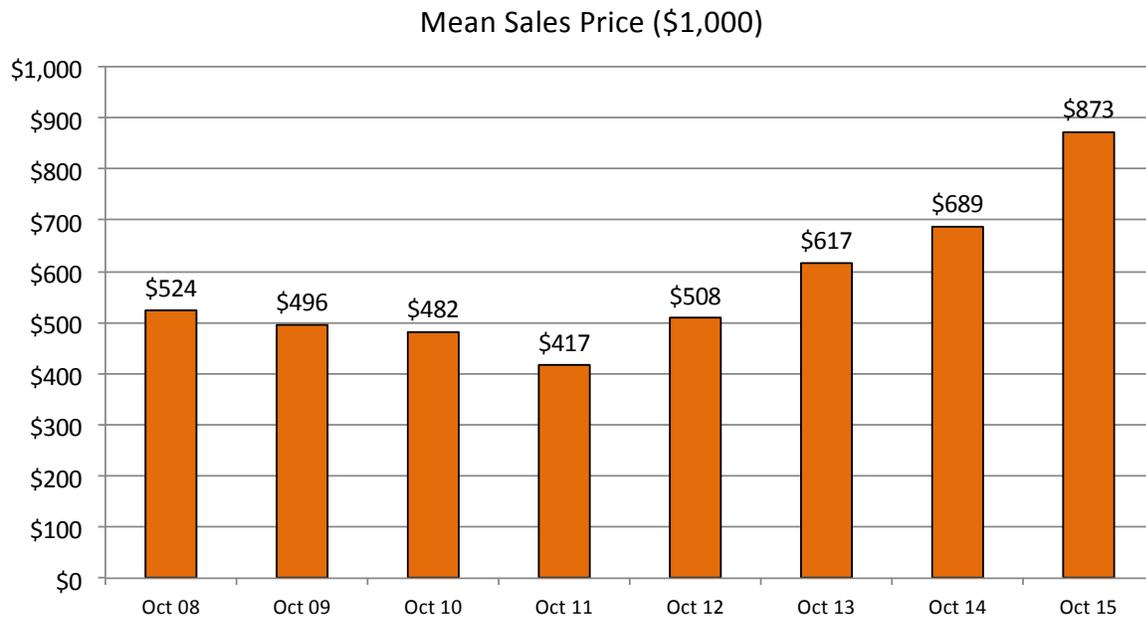


Source: Real Facts Data 3rd Quarter 2015

Table 7: The Current Rental Market in Sunnyvale

	Units Surveyed	Average Size	Average Rent	Avg Rent/SF
Studio	855	466	\$1,878	\$4.03
One Bedroom One Bath	6,761	701	\$2,404	\$3.43
Two Bedroom One Bath	1,772	886	\$2,622	\$2.96
Two Bedroom Two Bath	3,765	1,011	\$3,087	\$3.05
Two Bedroom Townhouse	449	1,125	\$3,001	\$2.67
Three Bedroom Two Bath	206	1,288	\$3,606	\$2.80

Source: Real Facts Data 3rd Quarter 2015

Figure 12: Growth of Condominium Sales Prices in Sunnyvale

Source: Santa Clara County Market Trends Report

Market Response Not Likely to be Adequate

Powered by the potential for exceptional profits, housing developers are rushing new products to market to address the current demand versus supply imbalance. However, the private for profit real estate development community will only be able to address the housing needs of those with average to higher incomes, or of households with multiple workers (e.g., shared housing/roommate situations). The comparison of average rents in Sunnyvale against housing affordability for households of lower and moderate income (shown in Table 8 below) indicates that households of moderate income, defined as 120 percent of Area Median Income (AMI) of \$106,300, and above can generally afford market-rate rental housing in Sunnyvale, except for the average three-bedroom apartment rental, which is slightly over the affordability range for moderate income households. However, those of low and very low income (below 80 percent of AMI, or even in some cases below 100 percent of AMI) cannot afford most market-rate housing.

Sunnyvale households at 120 percent of median income, which is \$127,560 for a family of four, can afford to purchase a house costing approximately \$550,000. As shown in Table 9, the current median price of a single-family house is over \$1.4 million and of a condominium is \$873,000 for October of 2015. Being monthly medians based upon a limited number of transactions in Sunnyvale, these averages fluctuate significantly. The need for housing in Sunnyvale is both a market issue and a social policy issue. The private sector real estate development community is only able to address a part of this problem.

Table 8: Comparison of Affordable Rents versus Market Rents in Sunnyvale

	Studio 1 Person	1 Bedroom 2 Persons	2 Bedroom 3 Persons	3 Bedroom 4 Persons
Very Low Income (50% of AMI)	\$926	\$1,064	\$1,196	\$1,321
Lower Income (80% AMI)	\$1,485	\$1,697	\$1,910	\$2,123
Moderate Income (120% AMI)	\$2,233	\$2,551	\$2,870	\$3,189
Sunnyvale Average Rents	\$1,878	\$2,404	\$2,622	\$3,606

Source: Real Facts Data 3rd Quarter 2015 and CA HCD Income Limits 2015

The housing policy issues were addressed comprehensively in the City's *Housing Element of the General Plan: January 31, 2015 – January 31, 2023*, which was adopted in December of 2014. That document covered the non-market constraints to the development of housing, and a brief recap is provided below.

Governmental Constraints

Governmental constraints include land use policy and zoning controls, residential development standards such as setbacks, maximum heights, minimum lot area per dwelling unit, maximum lot coverage, maximum allowable densities and or open space requirements. Parking requirements of local codes, if excessive, can add unnecessary development cost and inhibit residential construction. However, in recent years, the City has added additional flexibility to its parking requirements to include reduced parking standards for affordable, special needs, and/or senior housing units, and complies with state laws regarding parking standards for density bonus projects.

Another area of governmental constraints is fees and exactions charged to development projects. The total fees per unit in Sunnyvale, including both City and non-city fees, was just in excess of \$20,000 in 2013. . These fees can add two to four percent to the cost to build a typical multi-family unit in Sunnyvale. The vast majority of the total cost to build housing is in land, construction materials and labor, and soft costs such as insurance, design, legal, etc. The fact that multiple developers have been actively building multiple housing projects in Sunnyvale steadily throughout the recession and recent recovery, with thousands of units completed and more in the pipeline, demonstrates that Sunnyvale's codes and fees are not hindering housing development within the city, despite some of the highest land and labor costs in the nation.

In 2015, the City expanded the Housing Mitigation Fee and established a new impact fee for rental housing development. While these two fee programs will provide either new funds for the construction of affordable housing or "in-lieu" affordable units, the fee of \$17 per habitable square foot of rental housing development may have a two-fold impact. During strong market conditions like the present, this fee could divert profits from landowners and/or developers into a fund for affordable housing

development. However, during weak market conditions, this fee could slow the production of market-rate rental housing by elevating the feasibility threshold beyond what is supportable for some projects.

Market Constraints

During weak market conditions, such as during a recession, there are a number of market factors that could inhibit the production of housing. These could include high land cost because the landowner has yet to adjust to lower land cost supportable by new development. Another factor could be demolition and site remediation cost, construction cost and financing cost. If the capitalized value of the project's net operating income flow for rental projects will not cover direct and indirect construction cost, land cost, financing cost and provide a return worthy of the risk, the developer will simply not proceed with such a project. The same would be true for a condominium project. Given the current strong market condition, developers are moving ahead with housing construction as soon as entitlements can be secured.

Environmental Constraints

Environmental constraints can limit the amount of property that can developed into housing due to risks such as geologic and seismic hazards, flood hazards and hazardous materials in the ground. While these constraints remove land from housing production, not allowing residential construction on sites that have excessive environmental risks serve to protect the health safety of Sunnyvale residents for the long term. In Sunnyvale there are not as many environmental constraints as in some, more rural communities or those with more geologic issues such as steep slopes or significant habitat. The main environmental constraints in Sunnyvale are some areas within flood zones or tidal/Baylands, as well as some hazardous materials concerns in some of the city's older industrial zones. However, Sunnyvale has an adequate inventory of available sites for housing development, as defined in State law, without having to rely on sites with significant environmental constraints.

Table 9: Comparison of Affordable Purchase Price versus Median Market Sales Price

Moderate Income Threshold (120% AMI) for Four Person Household	\$127,560
Maximum Income for Housing @ 35% of Income	\$44,646
Less Operating Expenses	
Utilities	\$1,500
Property Taxes	\$5,000
Insurance and HOA	\$4,200
Annual Income Available for Mortgage	\$33,946
Monthly Income Available for Mortgage	\$2,829
Supportable Mortgage @ 4.5% Interest	\$525,000
Down Payment @ 5%	\$26,250
Maximum Affordable Purchase Price	\$551,250
Sunnyvale Median Home Prices October 2015	
Condominiums	\$873,000
Single Family Homes	\$1,430,000

Source: Median sales prices based on Santa Clara County Real Estate Market Trends Report, Nov. 2015

Potential Allocation of Sunnyvale's RHNA to the Corridor

The City of Sunnyvale recently adopted its General Plan Housing Element. In that document, Sunnyvale's Regional Housing Need Allocation (RHNA) was indicated to be 5,452 units for the period between 2015 and 2023. It is LEG's opinion that the real estate market place, considering its fluctuations, will be able to address the housing need of Sunnyvale households of above moderate income and most of the need of the households of moderate income. However, it is unlikely to be able to address the housing need of households of lower to very low income. As indicated in Table 10 below, the need of those two groups plus ten percent of the need of those of moderate income totals 2,639 units. If we assume that the Corridor's share of Sunnyvale's RHNA for 2015 to 2023 is similar to its projected market share for citywide housing demand, which ranges from a low of 18 percent to a high of 24 percent, then the Corridor allocation would be 475 to 633 affordable units. These units do not represent effective housing market demand but rather an allocation of affordable housing need over and above what the market can be reasonably expected to produce. During strong market conditions, some of the affordable housing burden can be carried by the development of market rate housing. However, during typical market conditions, the construction of significant numbers of affordable housing will require funding support from government tax revenue and grant sources¹¹. In considering

¹¹ A more comprehensive discussion is presented in *El Camino Real Corridor Specific Plan: Affordable Housing and Anti-Displacement Strategy*, November 25, 2015 by Karen Warner Associates. The discussion in this market report is intended to provide general parameters for physical planning.

the allocation of some low and very low income units to this Corridor, the City will need to balance its affordable housing objectives against its economic development and fiscal objectives of using the Corridor to generate jobs, income and sales tax revenue.

Table 10: Allocation of Sunnyvale’s RHNA for Affordable Units to the Corridor

Sunnyvale's Regional Housing Need Allocation (RHNA) for 2015 to 2023	Market Capacity to Produce	Below Market Housing Need	Potential Allocation El Camino Real Corridor		
			Low @ 18%	High @ 24%	
Very Low Income	1,640	0%	1,640	295	394
Low Income	906	0%	906	163	217
Moderate Income	932	90%	93	17	22
Above Moderate	1,974	100%	-	-	-
Total Sunnyvale RHNA	5,452	48%	2,639		
El Camino Real Corridor Potential Allocation				475	633

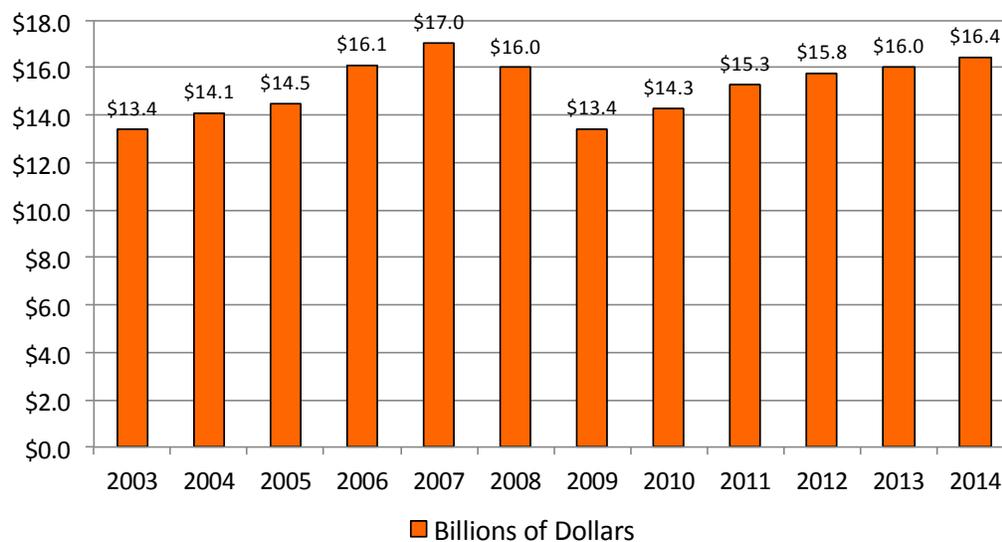
Source: Housing Element of General Plan 2014 and LEG estimates

V. Retail Development Strategy

Sunnyvale Lagging in Terms of Retail Recovery

Sunnyvale's retail store sales have fluctuated some with the Great Recession; though, not to the same degree as the fluctuations in housing construction or hotel room revenue. Since the bottom of the recession in 2009, retail sales in the city have gained steadily. However, the increase has slowed in recent years; and the total 2014 sales of \$16.4 billion has yet to reach the 2007 pre-recession peak of \$17.0 billion (see Figure 13 below and Appendix Table A10 for details).

Figure 13: Sunnyvale Total Retail Store Sales 2003 to 2014



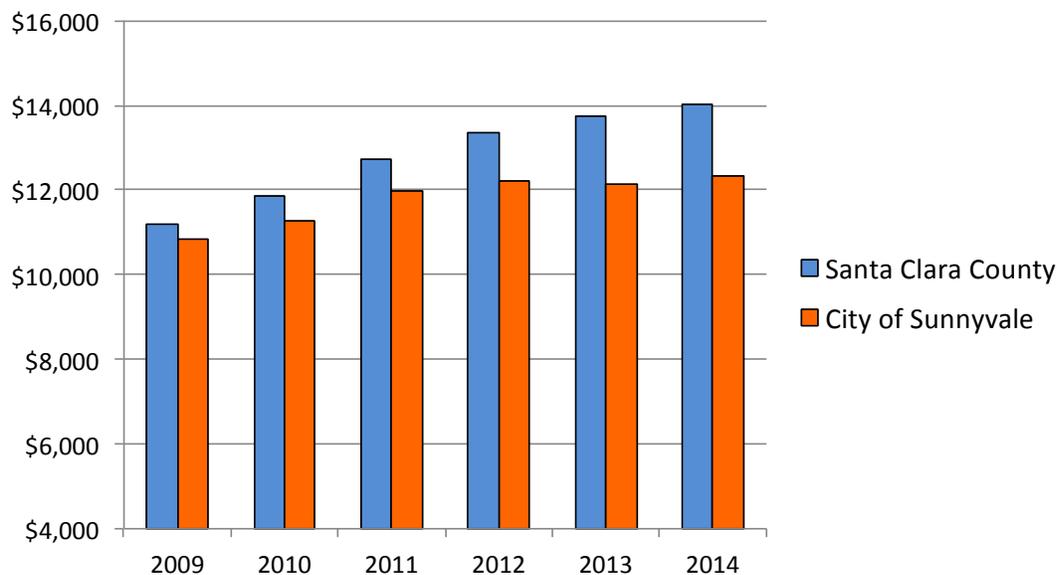
Note: Food store taxable sales were adjusted three folds to reflect most groceries not being taxable and General Merchandise and Drug taxable sales were adjusted upward by three percent to reflect prescription drugs not being taxable.

Source: California State Board of Equalization with estimates by LEG

Since the recession, Sunnyvale's retail store sales on an average per capita basis have not recovered as strongly as the countywide average. At the bottom of the recession in 2009, Sunnyvale's per capita retail store sales was 97 percent of the countywide average. However, the City's relative position eroded steadily during the recovery period, and by 2014 it was down to 88 percent of the countywide average. The litigation that stalled the revitalization of the Sunnyvale Town Center may have contributed to the City not enjoying the full fiscal benefits of the current economic recovery (see Figure 14 below).

The increasing strength of on-line retailers like Amazon no doubt influenced the weakness of retail store sales recovery. On average a Santa Clara County resident generated \$14,015 in retail store sales during 2014, and LEG is of the opinion that Sunnyvale residents conform to this average. According to the US Census Bureau, on-line retail sale in the US was \$236 per resident in 2014 or less than two percent county average per resident retail sales. However, if we eliminate the retail sectors that are not conducive to on-line purchases: grocery stores, eating and drinking places, building materials, automobile dealerships and service stations, then the retail store sales drops to \$4,901 per resident. If we further assume that Sunnyvale residents have a 50 percent greater propensity to make purchases on-line as compared to the national average because of the city's location in the heart of Silicon Valley and its technologically sophisticated population, then the impact becomes a more significant seven percent and continues to increase.

Figure 14: Comparison of Sunnyvale and Santa Clara County Per Capita Retail Store Sales



Source: California State Board of Equalization with estimates by LEG

Citywide Retail Leakage in 2014

A detailed look at the 2014 per capita retail sales by sector comparison indicates that Sunnyvale had significantly higher sales than the countywide average in two sectors: automobile dealerships and supply stores and building materials and hardware stores. These types of retailers locate in commercial areas that enjoy a high volume of drive-by traffic and have land prices that are suburban in nature, and this Corridor has been and continues to be well suited to these types of retailers. In contrast, Sunnyvale had less than 30 percent of the countywide average in terms of per capita apparel and accessory store

sales and only about two-thirds the county average in terms of specialty store sales. The revitalization of Sunnyvale Town Center should improve the city’s performance in these categories (see Figure 15).

In most medium to larger cities, the average per capita grocery store sales is typically close to the countywide average because grocery store purchases are largely made locally. However, Sunnyvale’s grocery store performance was 24 percent below the countywide average. This heavy leakage of grocery store purchases could be attributed to Sunnyvale’s large Asian population patronizing the Ranch 99 Market in Mountain View as well as the two Ranch 99 Markets in Cupertino.

Given the success of Murphy Avenue as a restaurant destination, it is somewhat surprising that Sunnyvale’s restaurant sector performance is only 93 percent of the countywide average. Considering the considerable success of Santana Row only four miles from the southeastern end of the Corridor and the growing restaurant sales of the Corridor, opportunities exist for a clustering of restaurants serving well targeted niche markets.

Figure 15: Comparison of Sunnyvale and Santa Clara County Per Capita Retail Store Sales by Sector in 2014



Source: California State Board of Equalization with estimates by LEG

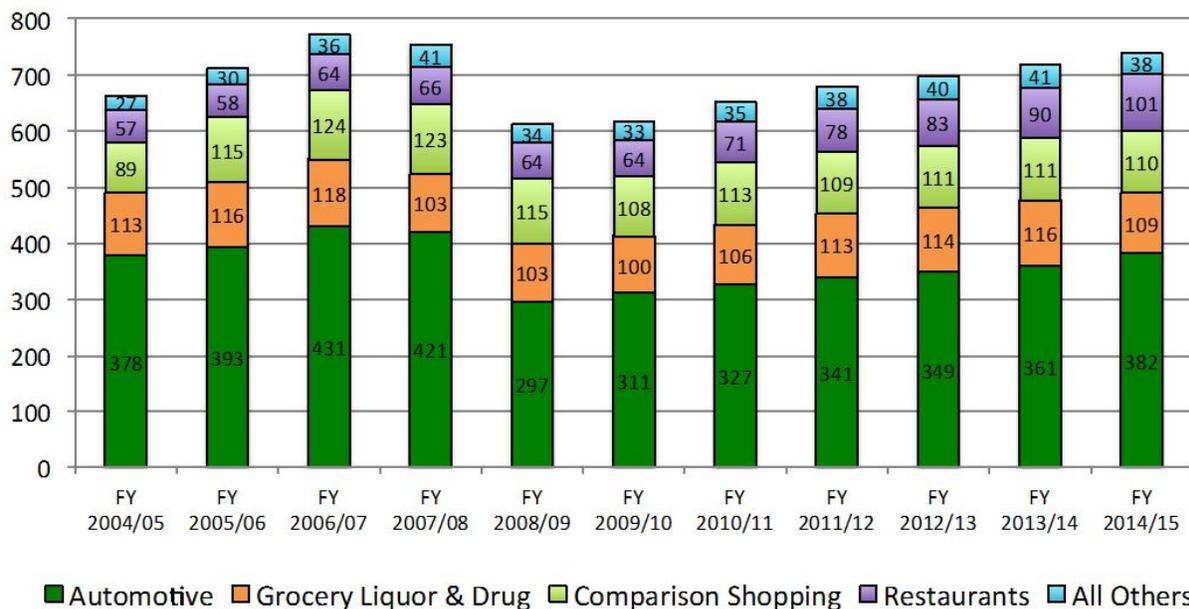
Role of the El Camino Real Corridor During the Last Decade

Based upon sales tax data provided by the City (Appendix Table A20), which does not include the sales of groceries for home consumption and prescription drugs, LEG estimates the total retail sales in the Corridor to be \$740 million for FY 2014/15. This amounts to under 5 percent of the City total estimated retail store sales of \$16.4 billion.

Over the past decade, the automotive sector has accounted for between 48 and 57 percent of sales in the Corridor (Appendix Table A21). With total sales of \$382 million, it is at 52 percent for FY 2014/15. In terms of sales tax revenue generation for the Corridor, this sector ranged from a high of 63 percent in FY 2003/04 and FY 2004/05 to a low of 53 percent during the recession of FY 2008/09. With economic recovery, this sector has climbed back to 56 percent of Corridor sales tax contribution.

The other important retail sectors in the Corridor include the comparison shopping sector (apparel, accessory, specialty and department stores) with estimated sales of \$110 million, the convenience retail sector (grocery, drug and liquor stores) with sales of \$109 million, and the restaurant sector with sales of \$101 million in FY 2014/15. The restaurant sector, having doubled its sales in eleven years, is by far the fastest growing sector in the Corridor in both absolute and in relative terms. The retail sales changes of the major retail sectors in the Corridor are shown below in Figure 16.

Figure 16: Retail Sales Growth by Major Sector in the ECR Corridor from FY 2004/05 to FY 2014/15 (millions of dollars)



The sales trends of the past decade indicate that retailing in the Corridor has been stagnant. Sales have increased during periods of economic expansion and decreased during contraction. When inflation and

population growth are taken into consideration, the Corridor's retail position has eroded slowly with the only significant exception being the restaurant sector. The currently strong regional economic expansion and the presence of a number of fairly large and underutilized land parcels foreshadow considerable opportunity for the next two decades. The specific opportunities are presented at the end of this section following a discussion of the automotive sector, the relative strengths of the four nodes, the growing shopping competition in the region, market area demand growth and a summary of the Corridor's opportunities and challenges.

The Automotive Sector

One of Sunnyvale's retail strengths is its automotive sector located along this Corridor. This sector accounted for 26 percent of Sunnyvale's taxable retail store sales¹² and sales tax collection during 2014. The long-standing new car dealerships include Buick, Honda, Toyota, VW, Nissan, GMC and Ford/Lincoln. The City also recently secured a Tesla showroom and delivery point, one of the very few new brands entering the market in recent years. With low fuel prices and strong Silicon Valley economic growth, the automotive sector is enjoying a robust business recovery. LEG was able to conduct personal interviews with five of the seven dealerships' general managers, which revealed the following:

- Business volume is generally strong with Sunnyvale Toyota being the second ranked dealerships in Santa Clara County in terms of sales volume and Honda also performing well.
- With the economic recovery and low gasoline prices, consumer demand nationally is shifting away from sedans to SUVs, trucks and cross over vehicles.
- The dealerships either own their new car sites or have land leases with renewal options that protect their long-term position.
- With consumers using on-line information to narrow their decision before entering a dealership, the transaction process has accelerated. However, the land requirements of the stores have not changed and are not anticipated to change.
- As the Corridor urbanizes over the next decade or two, the only land use changes they anticipate are the construction of parking decks for automobile storage and/or the relocation of automobile storage off site.
- The dealerships feel strongly about their El Camino Real location and have no plans to relocate. The market area is affluent and El Camino Real provides high volumes of drive by traffic. The lack of land at affordable prices and manufactures' franchise distance restrictions make relocation unrealistic.¹³

¹² Excludes the business to business sales

¹³ Franchise agreements prohibit dealerships of the same brand from locating within 10 miles of each other

The only Sunnyvale dealership that faces some challenges moving forward is Volkswagen (VW). The lack of small SUVs and cross over models has been limiting sales for the 2015 and 2016 model years; however, the popularity of the new electric E-Golf in technology savvy Silicon Valley has offset some of that challenge. The larger problem is VW's corporate scandal of using computer software to circumvent EPA emissions tests in turbo-diesel models soiling the reputation of the world's largest auto manufacturer. The government fines and consumer litigation will place financial pressures on this brand for many years to come.

During the time period when this Specific Plan will guide Corridor land use policy, all of the new car dealerships located on El Camino Real are expected to remain. They are important economic and fiscal contributors to the City and protection in terms of zoning and land use policy should be strongly considered in order to maintain such an important asset for the City. Building upon the momentum the City has gained from securing Tesla, Sunnyvale should target Alfa Romeo¹⁴ as the next possible new dealership for El Camino Real. With introduction of the 2016 Giulia sports sedan designed to compete against the BMW 3-series and the Mercedes C-class, Alfa Romeo is about to re-enter the mainstream US market.

Alfa Romeo is part of the Fiat, Chrysler, Jeep and Ferrari family. For cost sharing and common Italian heritage reasons, Alfa Romeo has incentive to co-locate with Fiat. Until recently, the local Fiat Dealership was located on Stevens Creek Boulevard on the west side of San Jose with Chrysler and Jeep. However, the only Fiat Dealership now available in Santa Clara County is in East San Jose on Capitol Expressway. The fact that Fiat sales in 2015 were down eight percent from 2014 even with the introduction of a light truck and Jeep Cherokee sales were up over 20 percent over the same period¹⁵ may have cause Fiat to lose its West Valley dealership location. Given the affluence and technological sophistication of the West Valley market, Alfa Romeo will have strong incentive to locate in this market. Sunnyvale may have an opportunity to bring a joint Alfa Romeo & Fiat Dealership to the ECR Corridor as an encore to its success with Tesla.

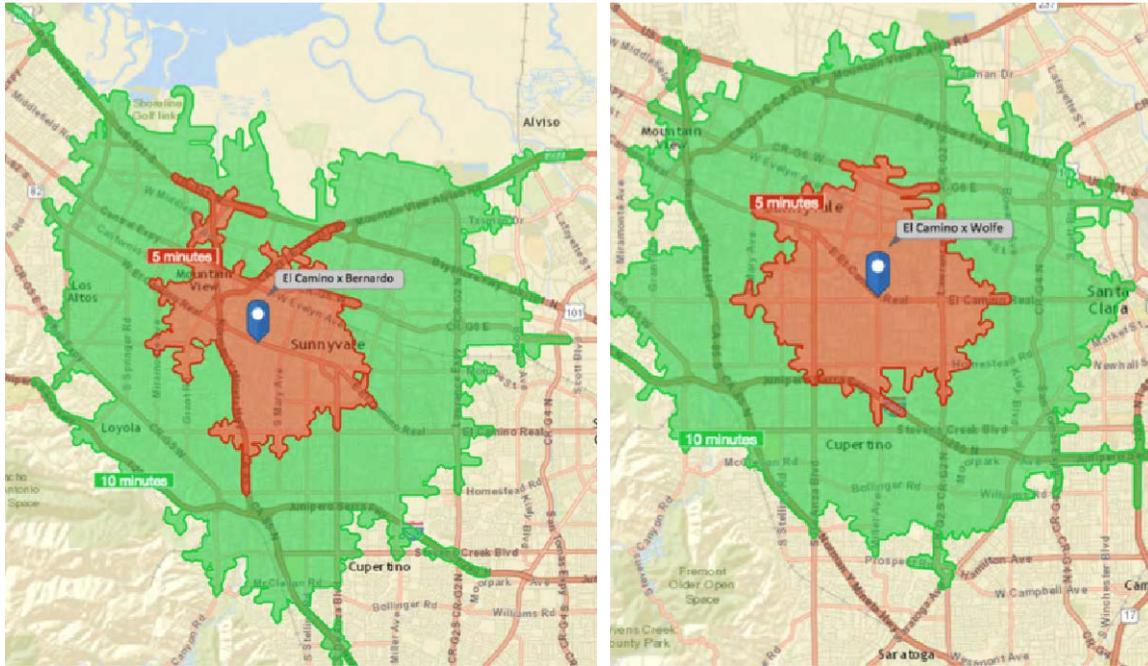
Evaluation of the Corridor Retail Market by Node

In order to better understand the difference in retail market potential along this Corridor, four El Camino Real intersections, one in each node, were selected as centroids for demographic analysis by five and ten-minute drive-times. The intersections were Bernardo Avenue, Mathilda Avenue, Fair Oaks Avenue and Wolfe Road (see Figure 17).

¹⁴ Car and Driver website, October 2015

¹⁵ The Wall Street Journal, January 5, 2016

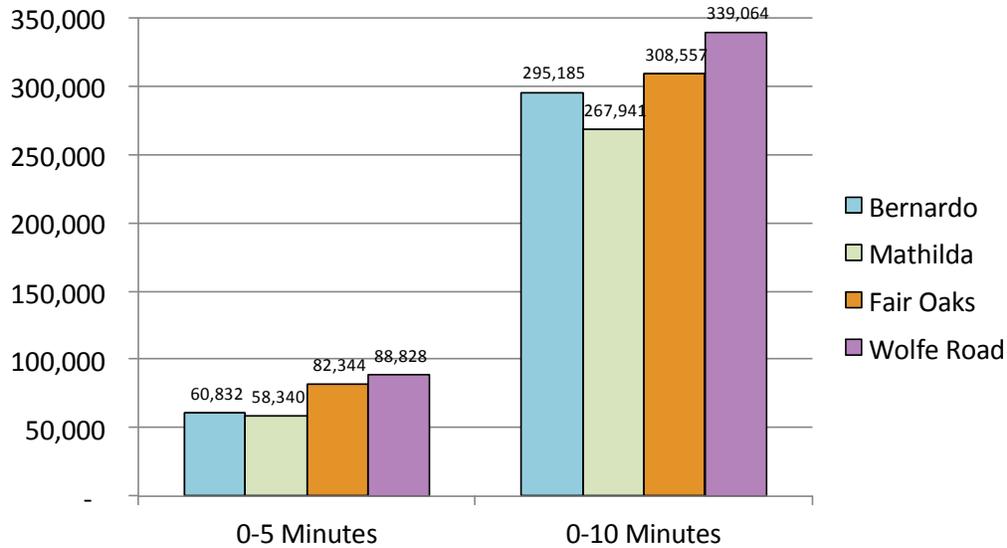
Figure 17: Maps of Five and Ten-Minute Drive Times of the Bernardo and Wolfe Road Intersections



Source: ESRI Business Analyst estimates based on Census Data

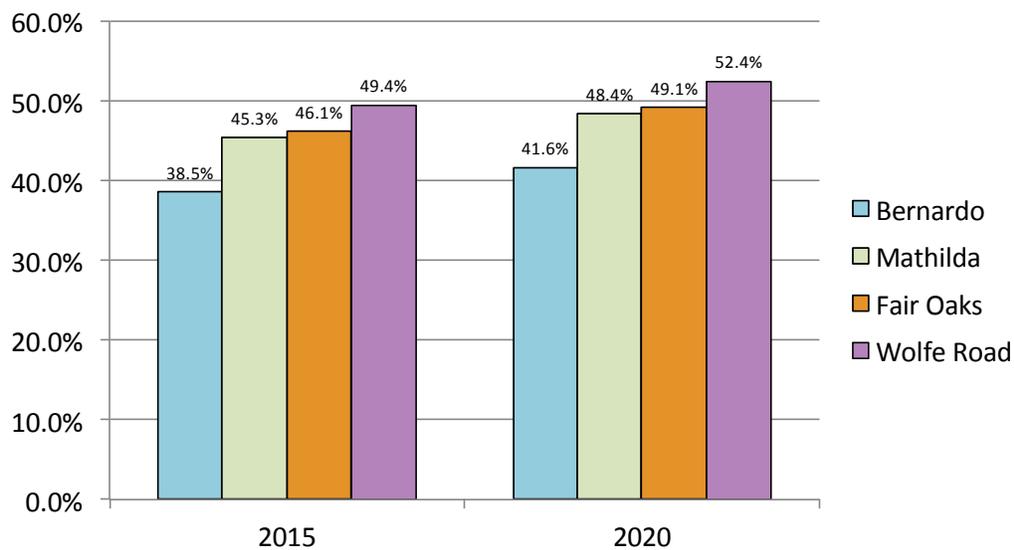
The drive time analysis, using ESRI Business Analyst software, indicate that the Wolfe Road intersection has the largest market reach in terms of population within both five and ten minute drive time areas. For example, the Wolfe Road intersection has 339,000 residents within ten minutes as compared to the Mathilda Avenue intersection, which only has 268,000 within ten minutes (see Figure 18 below and Appendix Table A15 for details).

Figure 18: Population within 5 and 10-Minute Drive Time of Selected El Camino Real Intersections



Source: ESRI Business Analyst estimates based on Census Data

Figure 19: Percentage of Asian Population within 5 Minutes Drive Time of Selected El Camino Real Intersections in 2015 and 2020



Source: ESRI Business Analyst estimates based on Census Data

While Mathilda Avenue is the strongest node for residential development, the Wolfe Road and Fair Oaks Avenue nodes rank first and second for subregional retail development. These nodes have the largest population within a ten-minute drive, with the Asian population approaching a majority (see Figure 19

above). As discussed in Section III, the Asian households in Sunnyvale tend to have a higher median income.

Competition Will Shape the Strategy for El Camino Real

The shaping of an effective retail strategy for El Camino Real will depend upon not only an understanding of the demand side dynamics but also that of the supply side. Retail competition is intensifying in response to the rapid growth of high paying jobs and aggressive housing development.

Sunnyvale Town Center

With the litigation recently cleared, redevelopment of the Sunnyvale Town Center Mall is expected to proceed shortly. Since it has been nearly a decade since the previous plan and entitlements were approved, some adjustments to the development plan can be expected. With Macy's and Target remaining and retail sales in the city and county growing, the Town Center Mall is expected to remain a regional retail center offering department stores, apparel, accessory and specialty shops. Its retail square footage may shrink some from the previous plan prepared published in 2007; however, offices, hotel and residential towers likely will be added on site and in the vicinity. Some new retail tenants will no doubt be introduced to provide a more contemporary flavor.

The Town Center retail strategy recommended in the recent market study¹⁶ and the ECR Corridor strategy suggested below are generally complementary. Development of the Town Center specialty grocery store and restaurants will have a competitive impact on the Corridor. That competitive impact would be minimized if the Corridor pursued more of an Asian niche strategy for restaurants and specialty grocery stores.

Vallco

Faced with strong competition from Stanford Shopping Center to the northwest and Valley Fair to the southeast, Vallco did not succeed as a regional shopping center. Sand Hill Property Co. acquired the failed shopping center in 2014 and just announced a three billion dollar redo consisting of 625,000 square feet of commercial and civic areas, such as restaurants, movie theater, ice skating rink, bowling alley, health club and community center, 2 million square feet of office and 800 residential units. A 30-acre elevated roof park that tops the development was the architect's response to the community's desire for more open space. In contrast to regional retail, which was not successful, Sand Hill Property Co. is putting the commercial emphasis on office, entertainment and civic space. The City of Cupertino recently allocated additional development capacity to the mall area — 2 million square feet of office, 600,000 square feet of retail and 389 housing units to Vallco. Sand Hill Property Co. submitted its application in September of 2015, and the project is currently under review. It may be some months

¹⁶ *Sunnyvale Town Center Market Assessment*, Prepared by Keyser Marston Associates, December 2015

before the differences between the City's and the developer's plans are resolved and the project is able to proceed.

Valley Fair Expansion

Westfield, the owner of Valley Fair, is planning a \$600 million expansion with construction to start in early 2016. The center will add 80 to 100 new stores, new anchor tenants, additional entertainment, a fitness center and a yoga deck. Achieving annual sales per square foot performance of \$1,150, Valley Fair ranks within the nation's top 15 regional shopping centers. It is the South Bay's strongest destination for comparison shopping.

Santana Row Additions

Santana Row is also proposing an expansion by adding 510,000 square feet of office space and 55,600 square feet of retail or restaurant space. Additionally, Federal Realty, the owner of Santana Row, has proposed a Century Theater complex on 12 acres just across Winchester Boulevard from Santana Row. The Winchester Neighborhood Association has expressed concerns about excessive traffic due to this expansion.

City Place Santa Clara

The Related Company, a substantial developer, is proposing a major 239-acre development on golf course and other land owned by the City of Santa Clara. The property is located on the north side of Tasman Drive across from the newly opened Levi's Stadium, home of the San Francisco 49ers. The site is generally bounded by Tasman Drive on the south, SR 237 on the north, and Great American Parkway on the west and the Guadalupe River Channel on the east. The project is initially proposed for 5.7 million square feet of office development, 1.1 million square feet of retail, 250,000 square feet of food, beverage and 190,000 square feet of entertainment, 700 hotel rooms and 1,360 residential units.

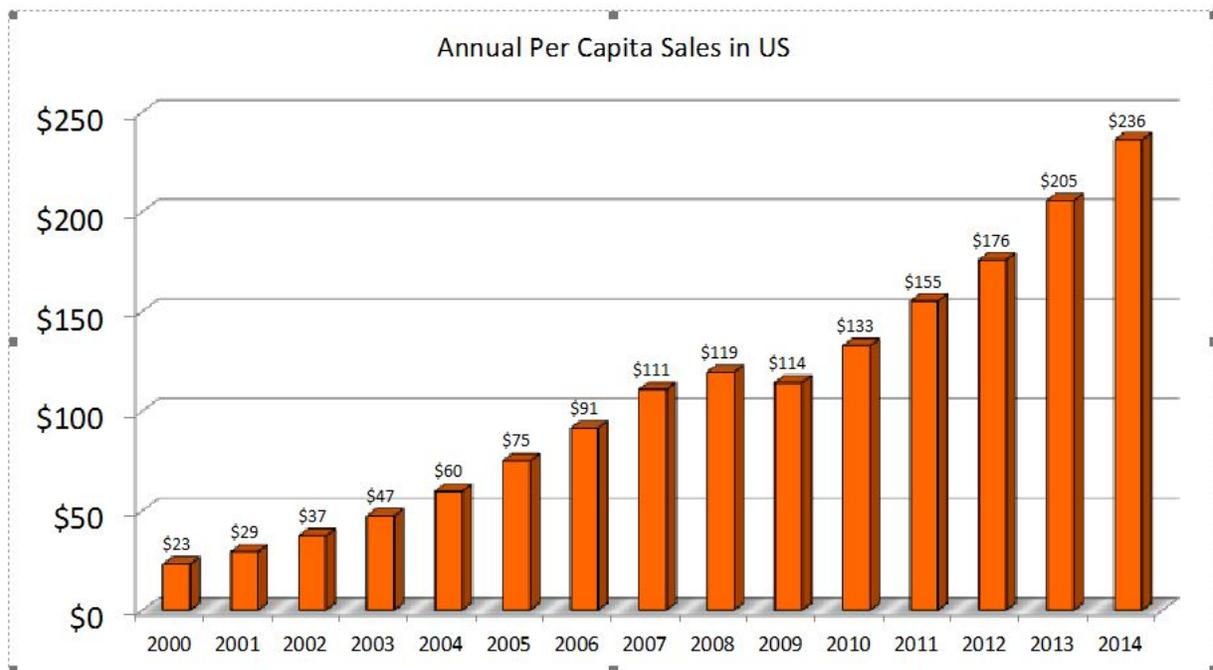
This initial plan faces a number of challenges, including heavy traffic congestion on SR 237, the north side of the trade area being bay lands that lack population, distance from the higher income households of Santa Clara and Alameda Counties, residential construction on top of a former land fill that traps methane gas, and the modest impact of only eight 49er home games per year plus any home playoff games and entertainment concerts. While the City of Santa Clara would benefit from land lease and tax revenue, the final development of City Place may be substantially more modest in scale.

On-Line Shopping

The on-line purchase of merchandise, or E-Commerce, has accelerated during the past decade and a half. According to the Bureau of Census, total E-Commerce retail sales in the United States has grown from \$6.5 billion in 2000 to \$75 billion in 2014, an increase of nearly twelve fold. Since the US population has increased as well, the average annual per capita E-Commerce sales has increased from \$23 in 2000 to \$236 in 2014 (see Figure 20 below). On-line purchases of book, clothing, computer equipment and software are common today. Bookstores, both local operations and national chains,

have suffered greatly due to the likes of Amazon offering wide selection, aggressive prices and prompt delivery. In any retail strategy for the Corridor, competition from E-Commerce retailers must be taken into consideration. It has become a growing challenge for a wide variety of brick and mortar retailers. The sectors that are less vulnerable to on-line competition include food for immediate consumption, low price point incidentals that don't justify their shipping cost, larger furniture and appliances items, and apparel where texture, color shade and fit are particularly important.

Figure 20: Growth of E-Commerce

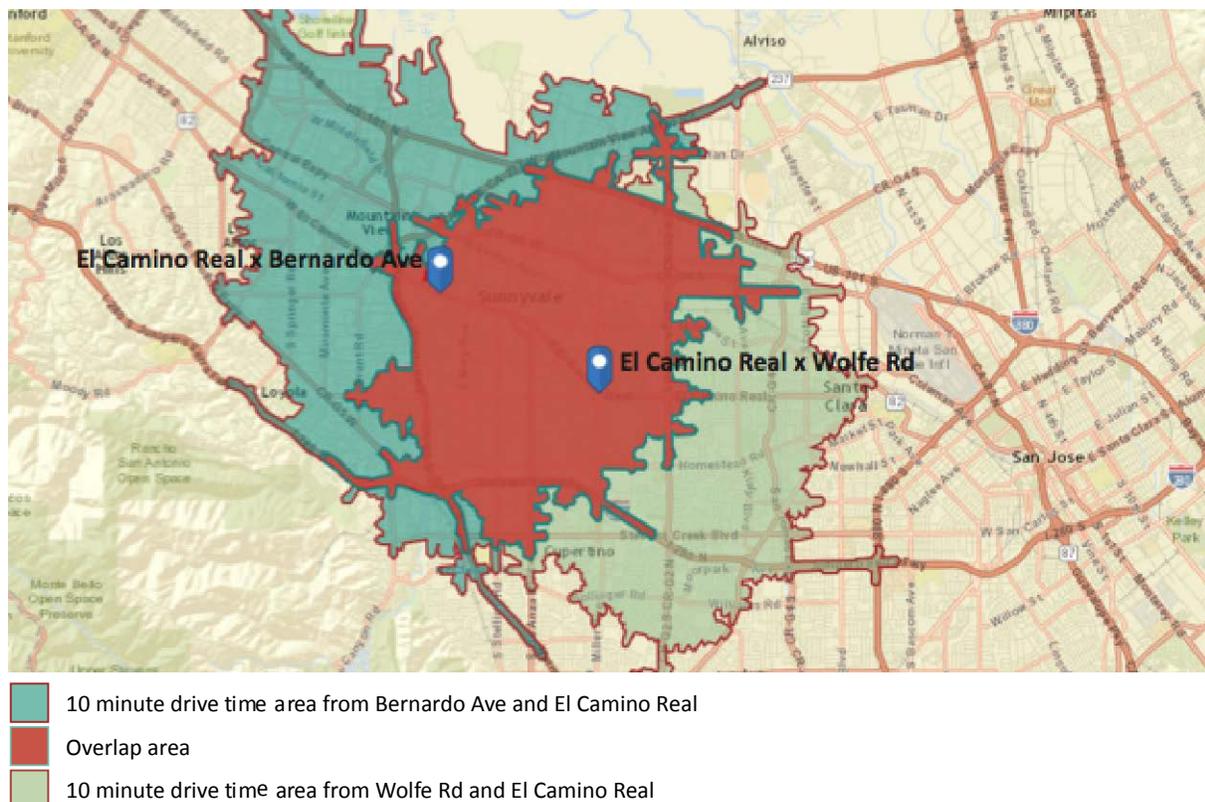


Source: US Census Bureau Data on E-Commerce

Market Area Demand Growth

Given that the Corridor's location is such that it serves the local community and a subregional market, LEG has defined its market area to be residents located within a ten-minute drive. As shown in Figure 21 below, the market area has been mapped using ESRI Business Analyst software to be within ten-minute drive of the El Camino Real/Bernardo Avenue (pale blue) and the El Camino Real/Wolfe Road (pale green) intersections with double counting of the overlap area (orange) eliminated.

Figure 21: Map of the El Camino Real Corridor Market Area



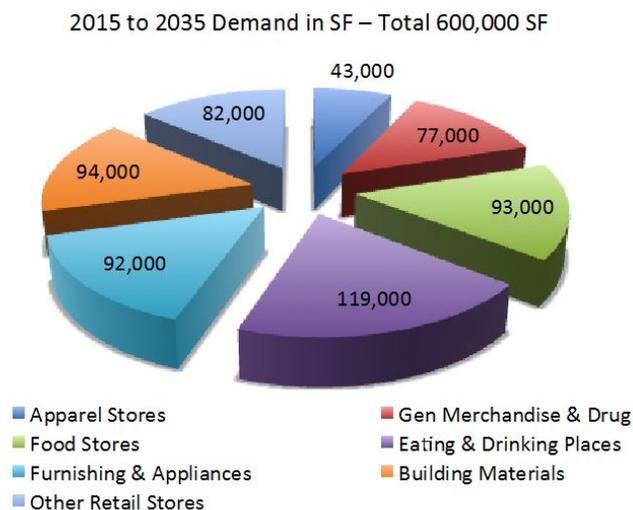
Source: ESRI Business Analyst estimates based on Census Data

According to ESRI estimates, this market area currently has a population of 471,200 or about one quarter of the county's population. The median household income of this market area is approximately \$102,000, and it does not vary noticeably as one moves from the Mountain View end to the Santa Clara end of the Corridor. The retail demand analysis includes the following steps with the calculations presented in the Statistical Appendix Table A16 and the conclusions detailed below:

- Market area population is estimated to grow at 1.35 percent per year for the next decade to reach 538,800 by 2025, reflecting the numerous housing development projects currently under construction and planned.
- This population growth will slow to 0.93 percent per year from 2025 to 2035, as high land and housing prices and increased traffic congestion push the next generation of growth away from the market area.
- The per capita retail store sales is held constant at the 2014 countywide average for each major retail sector, reflecting the assumption that additional sales due to real income gains will be offset by higher housing expenditures and more on-line purchases.

- The per capita sales for each sector are then multiplied by market area population growth to calculate the demand increase in dollar terms.
- The sales gains by retail sector due to population growth are then divided by the expected annual sales per square foot to determine the estimated amount of additional retail square footage supportable. The total amount of additional retail store space supportable by market area population growth is 1.96 million square feet, when automotive and service station sectors are excluded.
- Assuming a Corridor land use policy that is supportive of additional retail development, LEG estimates that the Corridor will be able to capture 31 percent of the market area demand growth, with the capture rates varying from a low of 15 percent for the apparel and accessories sector to a high of 38 percent for the furniture and appliance sector.
- This rate of capture translates into demand for an additional 600,000 net new square feet of retail space development over the next 20 years (see Figure 22).

Figure 22: Additional Corridor Retail Demand



Source: LEG Retail Demand estimates

Retail Opportunities and Challenges for the Corridor

Even in this period of strong economic expansion, the retail commercial future of the El Camino Real Corridor enjoys some market niche opportunities and also faces serious challenges.

Opportunities

- One of Sunnyvale's retail strengths is its automotive sector located along this Corridor. This sector accounted for 26 percent of Sunnyvale's taxable retail sales during 2014. With low fuel

prices and strong Silicon Valley economic growth, the automotive sector is enjoying a robust business recovery. The new car dealerships either own their sites or have land leases with renewal options that protect their long-term position. They feel strongly about their El Camino Real location and have no plans to relocate. Even if they decide to relocate there are few options within the city. Since they are important economic and fiscal contributors to the City, the new car dealerships are important assets for the city.

- The percentage of Asian population, including South Asian Indians, in Sunnyvale has grown from 19 percent in 1990 to 33 percent in 2000 and 42 percent today.
- Asian households in Sunnyvale have a median household income that is 16 percent higher than the citywide average, in part because more recent immigrants and guest workers to Silicon Valley tend to be highly educated professionals. The higher income and educational attainment of the growing Asian population provide retail development opportunities that have not been fully exploited in Sunnyvale. A closer review of the statistics showed that over 80 percent of the Asians in Sunnyvale are foreign born and over 50 percent entered the US since 2000. The grocery, restaurant and snack shop preferences of this population are likely different from the mainstream. Long standing local retailers are not well equipped to respond to this market, and the Federal government's highly selective immigration and work visa policies favor engineers and computer scientists at the expense of shopkeepers and restaurateurs. For these reasons, the retail businesses along the Corridor have been slow to respond to the rapid change in their consumer market place.
- With the large numbers of housing units and substantial amounts of office space either under construction or in the approvals process in Sunnyvale and surrounding communities, these newly completed units and offices will all require furniture and appliances. These furniture and appliance stores will primarily cater to higher income, younger workers with limited free time; therefore, high design appeal in terms of furnishings, technology-embedded appliances and high service establishments represent another retail market opportunity.
- LEG has defined the Primary Market Area of this Corridor to be residents living within a ten-minute drive of the Corridor's four nodes (see Figure 1 below for node locations and Figure 21 in this analysis for a map of the market area). According to ESRI Business Analyst estimates, based on detailed census data, this general market area currently has a population of slightly over 470,000. LEG forecasts this population to reach approximately 540,000 by 2025 and 590,000 by 2035. This market area growth translates into additional retail demand growth.
- When measured by sales tax collection, the restaurant sector is the fastest growing retail sector in the Corridor. The total sales in this sector have doubled from \$50 million in FY 2003/04 to over \$100 million in FY 2014/15. The fact that restaurants have prospered during the past decade suggests that the Corridor is becoming an increasingly popular restaurant destination.

Challenges

- In the economic recovery period since 2009, Sunnyvale's retail sales growth, as measured on a per person basis, has not kept pace with the countywide average, indicating an erosion of Sunnyvale's retail competitive position relative to other cities.
- In terms of a citywide retail strategy, the City should position the Town Center and the El Camino Real Corridor to target consumer retail needs. Since the Town Center was originally developed as a regional shopping center, its rejuvenated strengths will most likely continue to be in apparel and accessory stores, department stores, general merchandise stores, and specialty stores, although its market study recommended the addition of a specialty grocery store and a cluster of restaurants. The retail strategy for the Corridor should complement rather than compete directly with the Town Center.
- In addition to the expected rejuvenation of Sunnyvale Town Center, considerable additional regional shopping competition can be anticipated from the expansion of Valley Fair in San Jose, the expected major redevelopment of Vallco Shopping Center in Cupertino and a new proposed major shopping and entertainment complex in Santa Clara just north of the new 49ers stadium. The strengthening of regional shopping competition limits the options available to the Corridor in moving forward.
- Santana Row is also adding over 50,000 square feet of restaurant and retail space, and a new cinema complex has been proposed across Winchester Boulevard further strengthening Santana Row as a dining and entertainment destination unless traffic congestion and parking scarcity becomes a deterrent during the peak demand periods.
- According to the Bureau of Census, total E-Commerce retail sales in the United States has grown from \$6.5 billion in 2000 to \$75 billion in 2014, a nearly twelve-fold increase. This corresponds to an increase of average annual per capita E-Commerce sales from \$23 in 2000 to \$236 in 2014. As a consequence, retail space per person in the US has declined to 48.3 square feet in 2015 from 49.8 square feet in 2009 according to the real estate data firm the CoStar Group. Bookstores are now rare in urban centers, and regional shopping malls are adding office space and higher density residential to offset their loss of retail strength. In any retail strategy for the Corridor, competition from E-Commerce retailers must be taken into consideration. The sectors that are less vulnerable to on-line competition include food for immediate consumption, low price point incidentals that don't justify their shipping cost, larger furniture and appliances items, and apparel where texture, color shade and fit are particularly important.

A Three Pronged Retail Development Strategy for the Corridor

Considering the demand build up from employment and population growth, higher incomes due to economic recovery, and the shifting demographics of Silicon Valley and the intensifying retail

competition, LEG recommends a three-pronged strategy for retail development along the El Camino Real Corridor in Sunnyvale:

- Develop a concentration of higher end design-oriented furniture, appliance, hardware and building materials stores to support the onslaught of office and residential construction. Many of these stores can be housed in two-story buildings, and their parking requirements are modest when compared to wholesale style “big box” retailers. The 20-year demand estimate for these stores is 186,000 square feet. If a sufficient cluster can be created, their market reach can easily exceed the ten-minute drive time Primary Market Area and the total demand can exceed that estimate by a considerable margin.
- Encourage the creation of a pedestrian retail and restaurant street or promenade with a strong design theme that is distinct from other pedestrian-oriented destinations in the region, such as Santana Row and including Sunnyvale Town Center, ideally located towards the southeastern end of the Corridor. This pedestrian street should be designed to recapture the sales being lost to the likes of Santana Row with both a hometown appeal and an appeal to the higher income Asian population that is prominent in the area. The initial development should be planned for 70,000 to 80,000 square feet with about half of the space being restaurants and food vendors and the other half being food-oriented retail shops and entertainment venues – grocery stores offering locally grown fruits and vegetables, coffee and tea shops, wine and sake bars, specialty salt and spice shop, and specialty items from the Pacific Rim. Entertainment venues could include brew pub/sports bar, nightclub and karaoke bar. A fitness club serving healthy lunches and snacks could be included. If successful, a second phase could be added bringing the total square footage up to 150,000 square feet. To insure pedestrian vitality, the length of the initial segment should be limited to about 600 feet with the ultimate length kept to not much more than 1,000 feet. Future hotels and residential development in the surrounding area could benefit from this pedestrian commercial street as a focal point of attraction and service. Initial project success will require suburban parking standard. Once the walk-up population increases and transit service improves, additional square footage may be added without a proportionate amount of addition in parking. An Asian design theme would allow this “street” to differentiate itself from Santana Row and Town Center while allowing the Corridor to cater to an affluent market that is likely underserved.
- Protect and enhance the new automobile dealerships along the Corridor and pursue addition dealerships (i.e. Alfa Romeo and Fiat) as opportunities permit.

This three-pronged strategy serves the fiscal interest of the City, reflects the real estate market realities for the Corridor, and provides new or replacement job opportunities for retail and service sector workers.

VI. Office Space Supply and Demand

The demand for additional office space in Silicon Valley is a function of business expansion by local firms leading to the need to hire additional employees. Led by the strong economic recovery of the technology sector, Santa Clara County has added 138,000 jobs from 2010 to 2014. The expansion is continuing through 2015 and is likely to continue for one to three more years beyond 2015.

The commercial real estate development community has responded to this rapid demand build up with vigor. In Sunnyvale, Mountain View, Santa Clara and the Central San Jose, there are 17.2 million square feet of office space in the development pipeline as of July 2015. This total includes the 1.8 million square feet under construction at Moffett Place and the 740,000 square feet Landbank project. It does not include the potential redevelopment of Peery Industrial Park that could add 2.2 million square feet of office space over the life of the Peery Park Specific Plan if adopted, the 5.7 million square feet being proposed in Santa Clara's City Place or the 2.8 million square feet of the Apple 2 Campus in Cupertino (see Table 11). The pipeline number includes projects under construction, in formal development review and in Preliminary Review. The amount of space in the development pipeline changes weekly as projects are completed, applications denied, denied applications are altered and resubmitted, and new applications submitted; however, there is no shortage of office development interest in and around Sunnyvale.

Table 11: Office Development Under Construction or in Development Application

City	Amount (SF)	Comment
Sunnyvale	6,584,584	Does not include the Potential of 2.2 msf at Peery Park
Mountain View	4,187,083	
Santa Clara	5,070,555	Does not include the 5.7 msf being proposed at City Place
Central San Jose	<u>1,327,000</u>	
Total	<u>17,169,222</u>	Does not include 2.8 msf of Apple 2 in Cupertino

Source: LEG research, July 2015

According to the office brokerage firm of CBRE, Sunnyvale currently has 7.7 million square feet of Silicon Valley's 64.0 million square feet, or 12 percent of the market. For Class A space, Sunnyvale has 6.5 million square feet of the total 36.8 million square feet, or 18 percent of the market. Colliers, another real estate firm, has somewhat different estimates. Of the total 77 million square feet of offices space in Silicon Valley including Fremont, Sunnyvale has 10.8 million square feet, or 14 percent. For Class A

space, Sunnyvale has 8.9 million square feet, or 22 percent of the Valley total of 40.2 million square feet. For new office development in Santa Clara County over the next 20 years, LEG estimates that Sunnyvale's market share will range from a low of 15 percent to a high of 20 percent.

The office demand analysis for City of Sunnyvale and for the El Camino Real Corridor includes the following steps outlined below and detailed in Table 12:

- Employment forecast is the key driver of office space. LEG used the ABAG 2013 countywide employment forecast by sector for 2025 and 2035.
- LEG then estimated the office use percentage in each of the four major employment sectors: information (85 percent), finance and leasing (85 percent), professional and management services (90 percent) and government employees using leased private space (10 percent).
- This led to an estimated number of employees using office space in 2015, 2025 and 2035.
- To this employment total, a net office space per employee of 225 square feet was applied. When the net to gross space ratio and the vacancy factors are both applied, the gross office space per employee is 302 square feet.
- An 82 percent net to gross office space ratio plus a nine percent market equilibrium vacancy factor were then applied.
- The resulting estimated space demand is then 80.1 million for 2015 and growing to 93.2 million by 2025 and 101.8 million square feet by 2035. The 2015 estimate of 80.1 million square feet is slightly higher than either the CBRE or Collier's total because office space in minor buildings and in non-office buildings are included.
- The incremental demand by decade is the difference from one decade to the next plus the need to replace older office or industrial/office buildings being demolished for redevelopment. LEG estimates the replacement demand for each decade to be five percent of the inventory at the beginning of that decade or less than 0.5 percent per year.
- The resulting total estimated countywide demand is then 30.4 million square feet for the 2015 to 2035 period. By decade it is 17.1 million square feet from 2015 to 2025 and 13.2 million square feet from 2025 to 2035.
- At 15 to 20 percent market share for Sunnyvale, the 20-year demand estimate for Sunnyvale is 4.6 to 6.1 million square feet.
- Sunnyvale currently has 6.6 million square feet either under construction or in planning application, and as mentioned previously another 10.6 million square feet is either under construction or in planning application in Mountain View, Santa Clara and Central San Jose.

Considering the projected supply versus demand balance and the fact that Peery Park has the potential to become a major office campus over the next two decades, there is no real estate market justification for the El Camino Real Corridor to become a target for large-scale office development. Large-scale office development in the Corridor would likely require conversion of retail sites. Smaller office buildings, where the developer has secured an anchor tenant, and local serving offices, serving the likes of realtors and insurance agents, which are integrated into mixed-use development projects, would likely be supportable. LEG's estimate is 150,000 square feet over the 2015 to 2035 time period.

Table 12: Office Demand Forecast for Sunnyvale and El Camino Real Corridor

	Factors	2015	2025	2035	Change		Total 2015 - 35
					2015 - 25	2025 - 35	
Estimated Office Employment							
	Percentage						
Information	85%	44,268	48,892	49,989	4,624	1,097	5,721
Financial & Leasing	85%	30,039	32,793	33,320	2,754	527	3,281
Professional & Management Services	90%	181,215	217,269	243,927	36,054	26,658	62,712
Government	10%	10,142	10,243	10,391	101	148	249
Total Office Employment		265,664	309,197	337,627	43,533	28,430	71,963
Estimated Office Space Demand in Santa Clara County (SF)							
Net Space per Employee in Square Feet	225	59,774,400	69,569,325	75,965,963	9,794,925	6,396,638	16,191,563
Building Net to Gross SF Ratio @	82%	72,895,610	84,840,640	92,641,418	11,945,030	7,800,777	19,745,808
Add Vacancy Allowance @	9%	80,105,066	93,231,473	101,803,756	13,126,407	8,572,283	21,698,690
Add Replacement Demand @ 5% per Decade					4,005,253	4,661,574	8,666,827
Gross SF per Employee		302	302	302			
Total Countywide Office Construction Demand					17,131,660	13,233,857	30,365,517
Sunnyvale Market Share of Countywide Demand (SF)							
Low Share @	15%				2,569,749	1,985,078	4,554,828
High Share @	20%				3,426,332	2,646,771	6,073,103
Currently Under Construction or In Planning Application (Excluding Peery Park)					(6,584,584)		(6,584,584)
Assumed Peery Park Office Development in 2025 to 35 Period						(1,500,000)	(1,500,000)
Net Office Space Demand in Sunnyvale Assuming High Share					(3,158,252)	1,146,771	(2,011,481)
El Camino Real Corridor Major Office Strategy					0	150,000	150,000

Source: Land Econ Group

Current Market Rents and Vacancies

As measured by asking rent per square foot, the Silicon Valley office market is strongest in Palo Alto and cascades downward to Mountain View, Sunnyvale, Santa Clara and then San Jose. Since current asking rents per square foot are extremely high, \$7.68 in Palo Alto, \$7.09 in Mountain View and \$4.68 in Sunnyvale, interest in office development is intense (see Table 13). As a consequence, the supply of new space will increase dramatically during the next two or three years. Major companies consolidating and expanding into new buildings will also vacate some of their existing spaces, which will compete for

tenants in the market place. In summary, demand is extremely strong now but supply will catch up by 2017 or 2018.

Table 13: Current Office Space Rents and Vacancies in Silicon Valley

	Net Rentable Area	Vacancy Rate	Amount Vacant	Average Asking Rent
Palo Alto	6,907,494	4.7%	324,652	\$7.65
Mountain View & Los Altos	7,068,492	1.4%	98,959	\$7.09
Sunnyvale	7,728,931	3.4%	262,784	\$4.68
Cupertino	4,026,993	2.0%	80,540	\$4.26
Santa Clara	10,053,158	5.9%	593,136	\$3.54
San Jose Downtown	10,362,499	12.4%	1,284,950	\$2.66
San Jose North	9,368,065	14.7%	1,377,106	\$2.86
Other Silicon Valley	8,363,002	6.9%	577,135	\$1.88
Total Silicon Valley	63,878,634	7.2%	4,599,262	\$4.06

Source: CBRE Research, Q2 2015

VII. The Market for Hotels

Strong Hotel Market Recovery

Santa Clara County currently has an estimated 28,000 hotel rooms. Over the past three decades from 1980 to 2000, the average number of hotel room additions has been 5,700 per decade or an average of 570 per year. Of course, the actual additions by time period vary widely with economic cycles. Sunnyvale currently has 3,401 hotel rooms¹⁷ or 12 percent of the county inventory.

Over the past decade, Sunnyvale's hotel market, as indicated by its transient occupancy tax collection, has fluctuated widely. Room revenue reached a peak of \$82 million in fiscal year 2007/08 but fell precipitously to \$59 million two years later in correlation with fluctuations in the economy. With the current economic up cycle, it has climbed to \$109 million in fiscal 2013/14 and is expected to exceed \$116 million in 2014/15, surpassing the previous peak by over 40 percent (see Table 14 below). This strong demand growth has stimulated considerable interest in hotel development.

Table 14: Sunnyvale Hotel Room Revenue Trend

	Transient Occupancy Tax Collection	Annual Effective Tax Rate ¹	Room Revenue In (\$ millions)	Percentage Change
FY 2003/04	\$4,744,746	8.0%	\$59.3	--
FY 2004/05	5,047,614	8.0%	63.1	6.4%
FY 2005/06	5,616,775	8.0%	70.2	11.3%
FY 2006/07	6,437,427	8.0%/9.0%	75.7	7.9%
FY 2007/08	7,338,742	9.0%	81.5	7.7%
FY 2008/09	5,682,994	9.0%/9.5%	61.4	-24.7%
FY 2009/10	5,556,565	9.5%	58.5	-4.8%
FY 2010/11	6,578,796	9.5%/10.5%	65.8	12.5%
FY 2011/12	7,771,570	10.5%	74.0	12.5%
FY 2012/13	9,004,762	10.5%	85.8	15.9%
FY 2013/14	10,856,805	10.5%	103.4	20.6%

¹ Tax Rate changed from 8.0% to 9.0% on 1/1/2007, 9.0% to 9.5% on 1/1/2009, and 9.5% to 10.5% on 1/1/2011

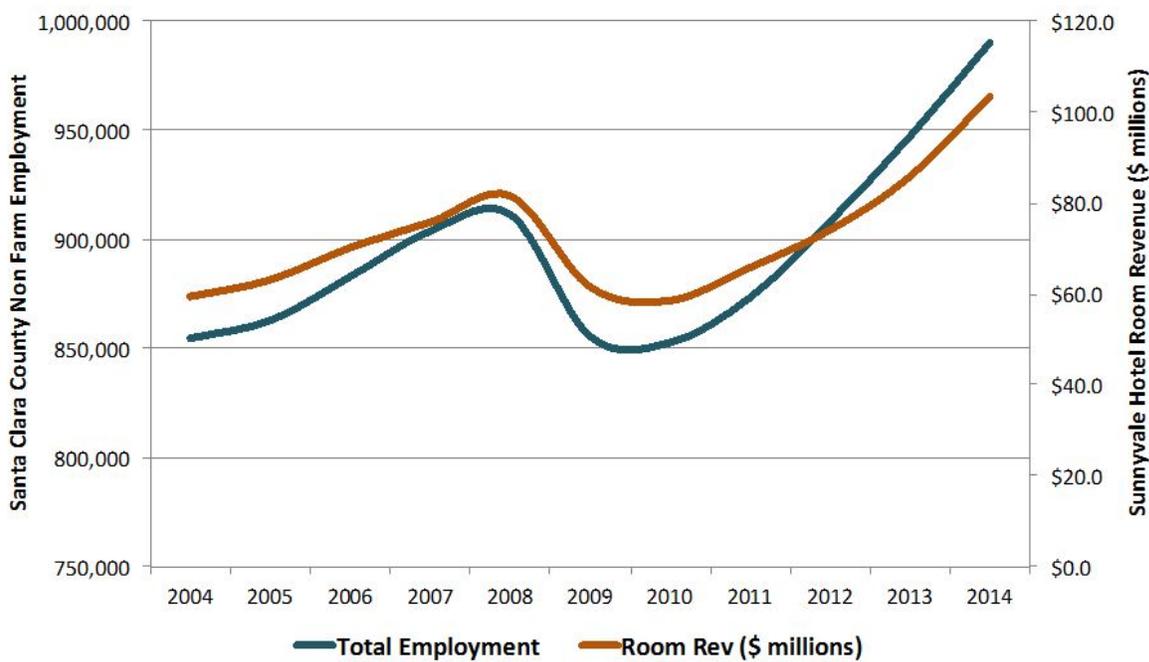
Source: City of Sunnyvale and Land

¹⁷ City of Sunnyvale as of October 2015

Sunnyvale Demand Highly Correlated to Countywide Employment Growth

Hotel demand in Silicon Valley is powered by economic activity, and our analysis indicates that Sunnyvale’s hotel demand correlates strongly with countywide non-farm employment changes (see Figure 23 below). Sunnyvale’s hotel market is very much oriented to the business traveler. When the economy is expanding, hotel revenue grows. When the economy is weak, room revenue falls. Rooms are at a premium during weeknights and are discounted on weekend.

Figure 23: Correlation Between Countywide Employment and Sunnyvale Hotel Room Revenue



Source: California Employment Development Department, Labor Market Information Division and City of Sunnyvale

LEG analyzed the historic growth in countywide employment as compared to Sunnyvale hotel room revenue growth and estimated that the market equilibrium is approximately \$82 of Sunnyvale room revenue per countywide employee. Using this correlation as a forecast basis and the ABAG 2013 employment forecast for Santa Clara County presented in Appendix Table A17, LEG estimates that Sunnyvale is currently able to support an additional 1,400 to 1,500 rooms. This excess demand grows to 2,000 by 2025 and 2,300 to 2,400 by 2035. If we assume that the El Camino Real Corridor can reasonably capture 25 percent of the citywide demand, then the Corridor should be able to support 500 additional rooms by 2025 and 600 rooms over the current demand amount by 2035.

No Shortage of New Hotel Construction

As of July 2015, nearly 2,000 new hotel rooms are in the development application process with the City of Sunnyvale. Some of these include the redevelopment of older hotel properties so the net increase in rooms is expected to be about 1,500. Of this total, 559 are proposed for the El Camino Real Corridor in four properties. The surrounding communities are also moving forward with hotel development because hotels generate relatively little peak hour traffic and are a great source of General Fund revenue. Mountain View has 849 hotel units under construction or in development application review. That number is 328 in Cupertino, 982 in Santa Clara (including 700 units proposed for City Place north of the 49er Stadium) and 1,981 in Central San Jose. This total, which does not include other parts of Santa Clara County, is 5,714 units, or about a decade worth of historic countywide demand growth.

Supply Versus Demand Comparison

The net result of the supply versus demand comparison is that the projects in application will essentially satisfy the Corridor's demand growth until 2025, unless some of the hotel projects in application are denied. By 2035 the Corridor is projected be able to support perhaps one or two more hotels. For planning purposes, depending on the land use strategy adopted, LEG suggests using a range of 80 to 280 additional rooms in the Corridor. Sunnyvale as a whole is projected to be able to support 500 to 600 additional hotel rooms by 2025 in addition to those in application, and this additional supportable room number grows to 800 to 900 rooms by 2035 (see Table 15 below).

The Corridor's current market position can be described as "mid-market." If the future of the Corridor includes the creation of a well-designed food themed pedestrian street with numerous restaurants and entertainment venues, it will be more attractive to a higher quality new hotel development. Since hotels are a very productive land use for the City's General Fund revenue, this Specific Plan may wish to reserve a few carefully selected sites for future hotel development. (For example, a 200-room hotel with an average effective room rate of \$200 per night and operating at 70 percent occupancy would generate over one million dollars per year for the General Fund at the current Sunnyvale transient occupancy tax rate of 10.5 percent.)

Table 15: Sunnyvale and El Camino Real Corridor Hotel Demand Forecast

	Sunnyvale Room Revenue	County Non Farm Employment	Room Revenue Per Employee	Rooms Supportable in Sunnyvale @ \$82	Sunnyvale Inventory	Additional Rooms Supportable	ELR Corridor Share @ 25%
Market Equilibrium			\$82.00			3,360	
FY 2004/05	63,095,175	854,600	\$73.83	3,025	NA	-	-
FY 2005/06	70,209,688	862,800	\$81.37	3,334	NA	-	-
FY 2006/07	75,734,435	882,900	\$85.78	3,515	NA	-	-
FY 2007/08	81,541,578	903,800	\$90.22	3,697	NA	-	-
FY 2008/09	61,437,773	911,300	\$67.42	2,762	NA	-	-
FY 2009/10	58,490,158	855,300	\$68.39	2,802	NA	-	-
FY 2010/11	65,787,960	852,600	\$77.16	3,162	NA	-	-
FY 2011/12	74,014,952	873,300	\$84.75	3,473	NA	-	-
FY 2012/13	85,759,638	908,100	\$94.44	3,870	NA	-	-
FY 2013/14	103,398,143	947,100	\$109.17	4,473	3,360	1,113	278
FY 2014/15*	116,322,911	990,100	\$117.49	4,814	3,401	1,413	353
CY 2025		1,113,920		5,416		2,015	504
Less Current Sunnyvale Development						(1,490)	(559)
Additional Demand by 2025						525	(55)
CY 2035		1,183,310		5,753		2,352	588
Less Current Sunnyvale Development						(1,490)	(559)
Additional Demand by 2035						862	29

* Room revenue estimated by LEG

Source: City of Sunnyvale and Land Econ Group

VIII. Employment Forecast

The foregoing market forecast suggests that the ECR Corridor has the potential to add 600,000 square feet of retail and restaurant space, 150,000 square feet of office space, 200 hotel rooms and 2,300 units of housing over the 2015 to 2035 time frame. These are in addition to the development projects already under construction or in planning application.

This level of additional development will accommodate 2,315 jobs using the following job density factors:

- One job per 400 gross square feet for retail and restaurant space
- One job per 300 gross square feet for office space
- One job per room for hotels
- One job per 20 units for housing covering property management, maintenance and work at home types

LEG estimated the occupation distribution for these jobs and then used the average 2014 wage data provided by the Bureau of Labor Statistics for the San Jose MSA to estimate average employee annual salary by land use (see Table 16 below). Clearly, office space accommodated the highest paid employees at \$109,000. Retail and restaurant averaged much lower at \$50,000, and hotel and housing still lower at \$42,000.

Table 16: Employment and Wage Forecasts

	Retail & Rest (SF)	Misc Office (SF)	Hotel (Units)	Housing (Units)	Total
Amount of New Development	600,000	150,000	200	2,300	
Factor for Jobs	1 per 400 GSF	1 per 300 GSF	1 per room	1 per 20 units	
Jobs Accommodated	1,500	500	200	115	2,315
Estimated Breakdown by Type	100%	100%	100%	100%	
Management	4%	10%	2%	4%	
Bus and Financial Operations	5%	20%	7%	2%	
Computer and Mathematical		25%			
Architecture & Engineering		12%	2%	5%	
Legal		15%			
Office and Administrative Support		15%	10%	2%	
Food Preparation and Related	25%		6%		
Sales and Related	55%		3%	2%	
Personal Care and Services	8%				
Bldg and Grounds Maintenance	3%	3%	70%	85%	
Estimated Number of Jobs by Type	1,500	500	200	115	2,315
Management	60	50	4	5	119
Bus and Financial Operations	75	100	14	2	191
Computer and Mathematical	-	125	-	-	125
Architecture & Engineering	-	60	4	6	70
Legal	-	75	-	-	75
Office and Administrative Support	-	75	20	2	97
Food Preparation and Related	375	-	12	-	387
Sales and Related	825	-	6	2	833
Personal Care and Services	120	-	-	-	120
Bldg and Grounds Maintenance	45	15	140	98	298
Salary by Job Type (2014)					
Management	9,604,608	8,003,840	640,307	736,353	\$160,077
Bus and Financial Operations	7,127,640	9,503,520	1,330,493	218,581	\$95,035
Computer and Mathematical	-	15,488,200	-	-	\$123,906
Architecture & Engineering	-	6,711,744	447,450	643,209	\$111,862
Legal	-	10,653,240	-	-	\$142,043
Office and Administrative Support	-	3,553,680	947,648	108,980	\$47,382
Food Preparation and Related	9,289,800	-	297,274	-	\$24,773
Sales and Related	43,740,840	-	318,115	121,944	\$53,019
Personal Care and Services	3,422,016	-	-	-	\$28,517
Bldg and Grounds Maintenance	1,406,808	468,936	4,376,736	3,055,900	\$31,262
Average Salary by Development Type	\$49,728	\$108,766	\$41,790	\$42,478	

Source: LEG estimates based upon BLS Occupational Employment and Wages Data in San Jose MSA 2014

STATISTICAL APPENDIX

SUNNYVALE EL CAMINO REAL CORRIDOR SPECIFIC PLAN

October 2015

Table A1
SUNNYVALE AREA POPULATION TRENDS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005 - 2015	
												Abs Growth	CAGR
Sunnyvale	131,853	132,630	134,232	136,296	138,213	140,081	140,881	142,820	145,981	146,724	148,028	16,175	1.16%
Santa Clara County	1,698,234	1,706,676	1,725,066	1,747,912	1,767,204	1,781,642	1,794,337	1,816,519	1,844,389	1,868,038	1,889,638	191,404	1.07%
Sunnyvale as Percent of County	7.76%	7.77%	7.78%	7.80%	7.82%	7.86%	7.85%	7.86%	7.91%	7.85%	7.83%	8.45%	
<i>Surrounding Cities</i>													
Mountain View	70,629	70,609	71,410	72,063	73,074	74,066	74,608	75,228	76,250	76,582	77,914	7,285	0.99%
Palo Alto	60,723	61,260	61,385	62,173	63,496	64,403	64,844	65,502	66,355	66,682	66,932	6,209	0.98%
Los Altos	27,381	27,446	27,831	28,076	28,376	28,976	29,131	29,439	29,783	29,884	30,036	2,655	0.93%
Cupertino	53,632	54,338	55,611	56,297	57,289	58,302	58,655	58,981	59,603	59,777	59,756	6,124	1.09%
Santa Clara	107,058	108,749	111,507	112,760	114,795	116,468	117,983	118,746	120,280	120,942	120,973	13,915	1.23%
San Jose	901,159	904,844	913,310	923,491	937,965	945,942	957,490	971,938	986,575	1,002,274	1,016,479	115,320	1.21%
San Jose-Sunnyvale-Santa Clara MSA	1,753,455	1,761,701	1,780,014	1,802,934	1,822,272	1,836,911	1,849,811	1,873,178	1,901,515	1,925,947	1,947,982	194,527	1.06%
California State	35,869,173	36,116,202	36,399,676	36,704,375	36,966,713	37,253,956	37,427,946	37,680,593	38,030,609	38,357,121	38,714,725	2,845,552	0.77%
Note: Data for 2010 as of April of that year and reflects Census 2010 estimates. All other data are as of January 1st of that year.													
Source: California Department of Finance, Demographic Research Unit													
San Benito County	55,221	55,025	54,948	55,022	55,068	55,269	55,474	56,659	57,126	57,909	58,344	3,123	0.55%

Table A2

SANTA CLARA COUNTY NON-FARM EMPLOYMENT GROWTH

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Percent of Total 2014	2004 - 2014	
													Abs Change	CAGR
Total Nonfarm	854,600	862,800	882,900	903,800	911,300	855,300	852,600	873,300	908,100	947,100	990,100	100.0%	135,500	1.5%
Annual Change	-6,400	8,200	20,100	20,900	7,500	-56,000	-2,700	20,700	34,800	39,000	43,000			
Annual Percentage Change	-0.7%	1.0%	2.3%	2.4%	0.8%	-6.1%	-0.3%	2.4%	4.0%	4.3%	4.5%			
Mining, Logging and Construction	41,600	42,900	45,200	45,800	43,100	33,600	31,600	31,100	34,100	36,700	38,600	3.9%	-3,000	-0.7%
Manufacturing	163,900	161,200	159,700	162,700	164,000	151,400	149,000	152,600	153,300	153,100	156,300	15.8%	-7,600	-0.5%
Wholesale Trade	34,100	35,500	37,900	39,400	39,400	35,300	34,600	33,600	34,600	35,900	36,400	3.7%	2,300	0.7%
Retail Trade	81,000	82,200	84,000	84,600	82,700	77,200	76,800	79,700	81,900	82,500	83,400	8.4%	2,400	0.3%
Transp, Warehsg and Utils	13,200	12,800	12,700	13,300	13,300	11,900	11,700	11,800	12,700	13,700	14,600	1.5%	1,400	1.0%
Information	33,500	36,000	38,300	40,700	43,600	43,800	46,400	51,200	54,100	58,600	66,300	6.7%	32,800	7.1%
Financial Activities	34,900	35,800	36,500	36,500	33,900	31,200	30,800	32,100	33,000	33,500	34,800	3.5%	-100	0.0%
Professional and Business Services	165,200	165,100	170,100	176,200	177,400	159,900	160,200	166,000	177,200	190,100	202,600	20.5%	37,400	2.1%
Educational and Health Services	100,000	102,700	106,800	110,300	117,600	120,200	122,400	124,900	132,700	142,700	149,700	15.1%	49,700	4.1%
Leisure and Hospitality	69,400	71,400	73,700	75,300	76,600	73,500	73,800	76,300	81,300	86,300	90,500	9.1%	21,100	2.7%
Other Services	24,600	24,200	24,300	24,600	25,000	24,100	23,900	24,100	24,400	25,000	26,000	2.6%	1,400	0.6%
Government	93,200	92,900	93,600	94,300	94,900	93,500	91,500	89,900	88,700	89,000	90,900	9.2%	-2,300	-0.2%

Source: California Employment Development Department, Labor Market Information Division

Table A3

ABAG POPULATION PROJECTIONS

	2010	2015	2020	2025	2030	2035	2040	Change 2010-40	
								Total	Avg Annual
Sunnyvale									
Population	140,081	148,400	156,800	165,500	174,700	184,300	194,300	54,219	1,807
Five Year Gain		8,319	8,400	8,700	9,200	9,600	10,000		
Five Year Percentage Gain		5.9%	5.7%	5.5%	5.6%	5.5%	5.4%		
Households	53,384	56,560	59,840	62,970	66,290	69,490	72,800	19,416	647
Population HH Ratio	2.62	2.62	2.62	2.63	2.64	2.65	2.67		
Employment	74,810	80,490	86,740	88,380	90,160	92,790	95,600	20,790	693
Sunnyvale El Camino Corridor									
Population	25,170						37,560	12,390	413
Households	10,350						14,940	4,590	153
Employment	8,070						9,260	1,190	40
Mountain View									
Population	74,066	78,000	82,000	86,100	90,500	95,200	100,000	25,934	864
Households	31,956	33,570	35,240	36,830	38,510	40,130	41,800	9,844	328
Employment	47,950	52,040	56,550	57,940	59,390	61,440	63,590	15,640	521
Santa Clara City									
Population	116,468	122,500	128,700	135,000	141,700	149,000	156,500	40,032	1,334
Households	43,021	45,350	47,760	50,050	52,490	54,830	57,260	14,239	475
Employment	112,890	121,950	131,960	134,650	137,480	141,700	146,180	33,290	1,110
Santa Clara County									
Population	1,781,642	1,877,700	1,977,900	2,080,600	2,188,500	2,303,500	2,423,500	641,858	21,395
Five Year Gain		96,058	100,200	102,700	107,900	115,000	120,000		
Five Year Percentage Gain		5.4%	5.3%	5.2%	5.2%	5.3%	5.2%		
Households	604,204	639,160	675,670	710,610	747,070	782,120	818,400	214,196	7,140
Population HH Ratio	2.95	2.94	2.93	2.93	2.93	2.95	2.96		
Employment	926,270	1,003,780	1,091,270	1,118,320	1,147,020	1,187,010	1,229,520	303,250	10,108

Source: ABAG 2013, Plan Bay Area

Table A4
SUNNYVALE DEMOGRAPHICS - AGE

Age Group	2005	2010	2013
Under 5 years	8.0%	7.7%	8.2%
5 to 9 years	5.6%	5.4%	5.0%
10 to 14 years	5.6%	5.7%	4.3%
15 to 19 years	4.7%	5.0%	4.7%
20 to 24 years	4.8%	5.5%	5.3%
25 to 29 years	7.2%	9.6%	8.8%
30 to 34 years	11.1%	10.4%	10.8%
35 to 39 years	8.9%	8.2%	8.5%
40 to 44 years	8.9%	6.7%	6.6%
45 to 49 years	8.9%	7.8%	6.7%
50 to 54 years	6.0%	6.5%	6.2%
55 to 59 years	4.3%	5.8%	5.9%
60 to 64 years	4.3%	4.8%	4.8%
65 to 69 years	4.1%	2.7%	4.2%
70 to 74 years	2.9%	2.4%	3.5%
75 to 79 years	2.1%	2.3%	2.1%
80 to 84 years	1.5%	1.9%	2.2%
85 years and over	1.0%	1.6%	2.1%
Median age (years)	36.6	35.5	36.5

Source: U.S. Census Bureau, American Community Survey

Table A5
SUNNYVALE DEMOGRAPHICS - RACE AND ETHNICITY

Race or Ethnicity	2010	2013	Distribution	CAGR	% of 2013
			in 2013	2010-2013	Population
Total population	136,480	143,315	100.0%	1.6%	100.0%
White alone	60,812	65,443	45.7%	2.5%	45.7%
Black or African American alone	3,178	2,915	2.0%	-2.8%	2.0%
Asian alone	54,536	59,971	41.8%	3.2%	41.8%
<i>Asian Indian</i>	19,716	24,055	16.8%	6.9%	Share of Asian alone Population
<i>Chinese</i>	15,673	17,696	12.3%	4.1%	
<i>Filipino</i>	7,413	7,329	5.1%	-0.4%	
<i>Japanese</i>	2,989	3,056	2.1%	0.7%	
<i>Korean</i>	2,596	2,898	2.0%	3.7%	
<i>Vietnamese</i>	3,671	2,868	2.0%	-7.9%	
<i>Other Asian</i>	2,478	2,069	1.4%	-5.8%	
Some other race alone	13,378	9,243	6.4%	-11.6%	6.4%
Two or more races	4,576	5,743	4.0%	7.9%	4.0%
Hispanic or Latino	23,004	25,945	18.1%	4.1%	
<i>(of any race)</i>					
<i>Mexican</i>	16,452	19,847	13.8%	6.5%	Share of Hispanic or Latino Population
<i>Puerto Rican</i>	457	505	0.4%	3.4%	
<i>Cuban</i>	135	169	0.1%	7.8%	
<i>Other Hispanic or Latino</i>	5,960	5,424	3.8%	-3.1%	
White alone	9,779	16,873	11.8%	19.9%	65.0%
Black or African American alone	196	214	0.1%	3.0%	0.8%
Asian alone	237	259	0.2%	3.0%	1.0%
Some other race alone	11,741	7,316	5.1%	-14.6%	28.2%
Two or more races	1,051	1,283	0.9%	6.9%	4.9%

Source: U.S. Census Bureau, American Community Survey

Table A6
SUNNYVALE EDUCATIONAL ATTAINMENT FOR POPULATION 25 YEARS AND OVER, 2013

	Total Population	Asian	White	White (not Hispanic or Latino)
Less than High School Diploma	9.3%	4.6%	10.4%	3.7%
High School Graduate (includes equivalency)	11.6%	6.5%	14.9%	13.1%
Some College or Associate's Degree	20.8%	11.7%	27.4%	28.1%
Bachelor's Degree or Higher	58.3%	77.1%	47.4%	55.2%

Source: U.S. Census Bureau, American Community Survey

Table A7
SUNNYVALE AVERAGE HOUSEHOLD AND FAMILY SIZE, 2010

	Average Household Size	Average Family Size
All Households	2.61	3.15
Asian Householder	2.74	3.14
White Householder	2.35	2.99
White (not Hispanic or Latino) Householder	2.21	2.86

Source: U.S. Census Bureau, 2010 Census

Table A8
SUNNYVALE MEDIAN HOUSEHOLD INCOME, 2013

	Median Household Income	Per Capita Income
All Households	\$100,043	\$38,331
Asian Householder	\$115,962	\$42,322
White Householder	\$91,851	\$39,086
White (not Hispanic or Latino) Householder	\$97,982	\$44,336

Source: U.S. Census Bureau, American Community Survey

Table A9
NEW, PRIVATELY-OWNED RESIDENTIAL BUILDING PERMITS
 (number of units)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Avg 96-04	Avg 04-14
Sunnyvale																					
Single Family	38	25	52	159	65	11	19	68	326	171	264	317	159	116	112	211	218	174	196	85	194
Multi Family	273	789	21	30	124	168	15	202	89	0	0	0	197	0	744	279	0	375	625	190	222
Total	311	814	73	189	189	179	34	270	415	171	264	317	356	116	856	490	218	549	821	275	416
Santa Clara																					
Single Family	55	183	177	41	166	75	490	243	253	195	80	85	43	9	18	34	49	74	56	187	64
Multi Family	268	48	276	485	51	476	57	870	62	715	430	5	492	60	15	127	77	422	1,631	288	397
Total	323	231	453	526	217	551	547	1,113	315	910	510	90	535	69	33	161	126	496	1,687	475	462
Mountain View																					
Single Family	197	295	278	106	121	118	25	90	35	81	151	267	101	90	66	63	86	110	106	141	112
Multi Family	152	188	0	188	0	231	0	2	120	2	12	104	104	68	68	260	350	430	563	98	196
Total	349	483	278	294	121	349	25	92	155	83	163	371	205	158	134	323	436	540	669	238	308
Cupertino																					
Single Family	109	58	73	130	112	45	111	36	87	114	78	83	65	21	24	51	43	55	41	85	58
Multi Family	476	308	208	3	14	32	260	0	0	0	48	0	42	0	0	0	0	80	2	145	17
Total	585	366	281	133	126	77	371	36	87	114	126	83	107	21	24	51	43	135	43	229	75
San Jose																					
Single Family	2,229	2,329	1,963	1,596	1,336	540	620	1,135	946	805	602	325	214	31	74	83	186	274	384	1,410	298
Multi Family	1,832	2,039	2,797	1,883	3,090	2,835	1,845	3,201	1,849	1,970	2,373	1,617	1,555	238	2,348	962	3,312	3,429	4,061	2,375	2,187
Total	4,061	4,368	4,760	3,479	4,426	3,375	2,465	4,336	2,795	2,775	2,975	1,942	1,769	269	2,422	1,045	3,498	3,703	4,445	3,785	2,484
Santa Clara County																					
Single Family	4,032	4,257	3,890	3,323	2,841	1,626	2,097	2,468	2,675	2,333	2,121	1,923	939	602	814	970	1,460	1,729	1,756	3,023	1,465
Multi Family	3,542	4,053	3,616	3,557	3,798	4,338	2,380	4,538	2,705	3,280	3,999	2,239	2,532	452	3,318	2,095	4,031	5,892	8,176	3,614	3,601
Santa Clara County Total	7,574	8,310	7,506	6,880	6,639	5,964	4,477	7,006	5,380	5,613	6,120	4,162	3,471	1,054	4,132	3,065	5,491	7,621	9,932	6,637	5,066

Source: US Census Bureau

Table A10
SUNNYVALE RETAIL STORE SALES TAX REVENUE BY STORE TYPE
 (Thousands of Dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2009 - 2014 CAGR
Apparel Stores	271,762	273,360	288,647	312,487	360,157	356,576	355,222	373,637	394,516	434,275	462,135	422,006	3.5%
Gen Merchandise & Drug	1,477,138	1,557,079	1,660,596	1,757,408	1,800,693	1,799,913	1,439,163	1,865,086	1,992,665	2,133,519	2,119,912	2,115,046	8.0%
Food Stores	705,778	647,616	664,186	709,845	763,291	765,762	746,785	745,478	779,102	819,638	834,850	802,594	1.5%
Eating & Drinking Places	1,622,401	1,700,330	1,764,324	1,931,777	2,115,742	2,141,934	1,928,600	2,065,231	2,309,599	2,456,818	2,667,955	2,898,855	8.5%
Furnishing & Appliances	1,271,726	1,310,620	1,390,657	1,518,586	1,542,850	1,376,510	1,148,313	1,117,553	1,061,457	929,402	877,504	833,806	-6.2%
Building Materials	1,430,544	1,548,688	1,720,482	2,106,963	2,292,757	2,122,103	1,584,514	1,784,302	1,736,736	1,834,474	1,869,164	2,066,817	5.5%
Auto Dealers & Supplies	3,777,862	3,939,725	4,145,293	4,542,502	4,797,150	3,984,885	3,352,064	3,346,096	3,754,325	3,832,222	3,964,671	4,232,128	4.8%
Service Stations	862,640	1,028,426	1,144,474	1,326,213	1,472,414	1,543,738	1,135,634	1,275,886	1,549,154	1,655,891	1,575,606	1,502,513	5.8%
Other Retail Stores	1,966,013	2,082,924	1,688,659	1,894,123	1,867,510	1,907,692	1,726,770	1,692,212	1,678,044	1,668,682	1,636,208	1,553,831	-2.1%
Total	13,385,864	14,088,768	14,467,318	16,099,904	17,012,564	15,999,113	13,417,065	14,265,481	15,255,598	15,764,921	16,008,005	16,427,596	4.1%
Annual Growth		5.3%	2.7%	11.3%	5.7%	-6.0%	-16.1%	6.3%	6.9%	3.3%	1.5%	2.6%	
Sunnyvale Share of County							7.70%	7.61%	7.48%	7.27%	7.05%	7.02%	

Source: HDL Companies

Table A11

SANTA CLARA COUNTY RETAIL STORE SALES TAX REVENUE BY STORE TYPE
(Thousands of Dollars)

	2009 - 2014						CAGR
	2009	2010	2011	2012	2013	2014	
Apparel Stores	14,824,659	15,863,983	17,335,722	18,878,823	19,628,701	20,313,484	6.5%
Gen Merchandise & Drug	23,297,553	24,412,285	25,120,869	25,962,509	26,176,065	26,319,796	2.5%
Food Stores	11,399,561	11,484,701	11,925,555	12,423,209	12,921,351	13,522,685	3.5%
Eating & Drinking Places	27,462,777	28,846,571	31,234,191	33,733,916	36,461,226	39,752,843	7.7%
Furnishing & Appliances	13,044,001	14,045,429	14,350,070	14,416,015	14,782,573	15,131,703	3.0%
Building Materials	12,803,470	13,405,407	14,107,717	15,027,782	16,771,598	17,662,688	6.6%
Auto Dealers & Supplies	27,814,017	30,383,435	34,011,549	40,334,617	46,494,970	46,460,661	10.8%
Service Stations	18,219,979	21,524,929	26,366,525	27,415,387	26,517,212	25,810,197	7.2%
Other Retail Stores	25,273,852	27,515,587	29,460,563	28,514,101	27,470,092	28,990,350	2.8%
Total	174,139,869	187,482,327	203,912,761	216,706,359	227,223,788	233,964,407	6.1%
Annual Growth		7.7%	8.8%	6.3%	4.9%	3.0%	

Source: HDL Companies

Table A12

SUNNYVALE PER CAPITA RETAIL STORE SALES BY STORE CATEGORY

Sunnyvale	2004 - 2014						CAGR
	2009	2010	2011	2012	2013	2014	
Population	138,213	140,081	140,881	142,820	145,981	146,724	
Apparel Stores	257	267	280	304	317	288	2.3%
Gen Merchandise & Drug ¹	1,073	1,371	1,457	1,539	1,496	1,485	6.7%
Food Stores ²	1,621	1,597	1,659	1,722	1,716	1,641	0.2%
Eating & Drinking Places	1,395	1,474	1,639	1,720	1,828	1,976	7.2%
Furnishing & Appliances	831	798	753	651	601	568	-7.3%
Building Materials	1,146	1,274	1,233	1,284	1,280	1,409	4.2%
Auto Dealers & Supplies	2,425	2,389	2,665	2,683	2,716	2,884	3.5%
Service Stations	822	911	1,100	1,159	1,079	1,024	4.5%
Other Retail Stores	1,249	1,208	1,191	1,168	1,121	1,059	-3.3%
Total	\$10,819	\$11,288	\$11,977	\$12,231	\$12,153	\$12,334	2.7%
Annual Growth	-16.1%	4.3%	6.1%	2.1%	-0.6%	1.5%	
Sunnyvale Share of County	96.7%	95.2%	94.0%	91.7%	88.3%	88.0%	

¹ Adjusted upward by 3.0% to reflect perscriptin drugs not being taxable

² Adjusted by three folds to reflect most grocery store purchased not being taxable

Source: HDL Companies

Table A13

SANTA CLARA COUNTY PER CAPITA RETAIL STORE SALES BY STORE CATEGORY

	2009	2010	2011	2012	2013	2014	2009 - 2014 CAGR
Population	1,767,204	1,781,642	1,794,337	1,816,519	1,844,389	1,868,038	
Apparel Stores	839	890	966	1,039	1,064	1,087	5.3%
Gen Merchandise & Drug ¹	1,358	1,411	1,442	1,472	1,462	1,451	1.3%
Food Stores ²	1,935	1,934	1,994	2,052	2,102	2,172	2.3%
Eating & Drinking Places	1,554	1,619	1,741	1,857	1,977	2,128	6.5%
Furnishing & Appliances	738	788	800	794	801	810	1.9%
Building Materials	725	752	786	827	909	946	5.5%
Auto Dealers & Supplies	1,574	1,705	1,895	2,220	2,521	2,487	9.6%
Service Stations	1,031	1,208	1,469	1,509	1,438	1,382	6.0%
Other Retail Stores	1,430	1,544	1,642	1,570	1,489	1,552	1.6%
Total	\$11,184	\$11,853	\$12,735	\$13,340	\$13,763	\$14,015	4.6%
Annual Growth		6.0%	7.4%	4.8%	3.2%	1.8%	

¹ Adjusted upward by 3.0% to reflect perscriptin drugs not being taxable

² Adjusted by three folds to reflect most grocery store purchased not being taxable

Source: HDL Companies

Table A14
COMPARISON OF PER CAPITA RETAIL STORE SALES - SUNNYVALE WITH SANTA CLARA COUNTY

	2009				2014			
	Sunnyvale	SC County	Difference	Share	Sunnyvale	SC County	Difference	Share
Population	138,213	1,767,204		7.8%	146,724	1,868,038		7.9%
Apparel Stores	257	839	(582)	30.6%	288	1,087	(800)	26.4%
Gen Merchandise & Drug ¹	1,073	1,358	(285)	79.0%	1,485	1,451	34	102.3%
Food Stores ²	1,621	1,935	(314)	83.8%	1,641	2,172	(531)	75.6%
Eating & Drinking Places	1,395	1,554	(159)	89.8%	1,976	2,128	(152)	92.8%
Furnishing & Appliances	831	738	93	112.6%	568	810	(242)	70.2%
Building Materials	1,146	725	422	158.2%	1,409	946	463	149.0%
Auto Dealers & Supplies	2,425	1,574	851	154.1%	2,884	2,487	397	116.0%
Service Stations	822	1,031	(209)	79.7%	1,024	1,382	(358)	74.1%
Other Retail Stores	1,249	1,430	(181)	87.4%	1,059	1,552	(493)	68.2%
Total	\$10,819	\$11,184	(\$364)	96.7%	\$12,334	\$14,015	(\$1,681)	88.0%

¹ Adjusted upward by 3.0% to reflect perscriptin drugs not being taxable

² Adjusted by three folds to reflect most grocery store purchased not being taxable

Source: Land Econ Group

Table A15
EL CAMINO REAL CORRIDOR RETAIL TRADE AREA DEMOGRAPHICS AT FOUR NODES BY DRIVE TIMES

	Bernardo Avenue Intersection		Mathilda Avenue Intersection		Fair Oaks Avenue Intersection		Wolfe Road Intersection		
	0 - 5 minutes	0 - 10 min	0 - 5 minutes	0 - 10 min	0 - 5 minutes	0 - 10 min	0 - 5 minutes	0 - 10 min	
Population									
2000	53,879	262,312	51,031	236,134	72,037	273,726	76,601	302,775	
2010	57,417	278,321	55,188	252,378	77,390	290,892	83,059	320,669	
2015	60,832	295,185	58,340	267,941	82,344	308,557	88,828	339,064	
2020	64,581	314,020	62,217	285,353	88,079	328,286	95,134	360,187	
Households									
2000	23,544	106,246	21,863	94,992	29,821	108,365	31,650	118,724	
2010	23,970	108,550	22,336	97,574	30,324	110,970	32,415	121,066	
2015	25,251	114,465	23,451	102,959	32,015	117,071	34,402	127,387	
2020	26,818	121,820	25,007	109,649	34,222	124,582	36,834	135,402	
Median Household Income									
2015	\$101,972	\$102,027	\$102,144	\$101,814	\$101,576	\$101,232	\$101,967	\$101,067	
2020	\$111,910	\$111,669	\$110,586	\$110,573	\$109,843	\$109,697	\$110,402	\$109,376	
Median Age									
2010	36.4	36.4	35.4	36.2	35.7	36.1	35.5	36.4	
2015	37.6	37.6	36.9	37.4	37.2	37.4	37.1	37.7	
2010	37.9	38.2	37.6	38.2	37.9	38.1	38.0	38.5	
Race/Ethnicity									
White Alone									
2010	50.4%	47.6%	43.3%	44.5%	42.5%	43.4%	40.4%	42.6%	
2015	47.2%	44.7%	40.2%	41.5%	39.4%	40.5%	37.3%	39.7%	
2020	43.9%	41.6%	37.0%	38.5%	36.3%	37.4%	34.2%	36.7%	
Asian Alone									
2010	35.5%	37.5%	42.4%	41.1%	43.2%	42.3%	46.5%	43.1%	
2015	38.5%	40.1%	45.3%	43.8%	46.1%	45.0%	49.4%	45.8%	
2020	41.6%	43.0%	48.4%	46.7%	49.1%	47.9%	52.4%	48.7%	
Hispanic									
2010	15.3%	17.0%	15.4%	16.2%	15.7%	16.1%	13.6%	16.0%	
2015	15.3%	17.0%	15.3%	16.2%	15.7%	16.1%	13.6%	16.0%	
2020	15.5%	17.2%	15.4%	16.3%	15.8%	16.2%	13.6%	16.1%	

Source: Esri Business Analyst 2015 based upon detailed US Census data

Table A16

ESTIMATION OF RETAIL DEMAND FOR EL CAMINO CORRIDOR

Corridor Trade Area	2015	2025	2035	Net Increase in Sales		Sales Per SF per Year	Increase in Trade Area Demand			ECR Corridor Demand in SF				
				2015-25	2025-35		2015-25	2025-35	2015-35	Share	2015-25	2025-35	2015-35	
Population within 10 minute drive time	471,209	538,829	591,090											
Per Capita and Total Retail Demand in Trade Area (Thousands of Dollars)														
Apparel Stores	\$1.087	\$512,404	\$585,936	\$642,765	\$73,532	\$56,830	450	163,404	126,289	289,693	15%	24,511	18,943	43,454
Gen Merchandise & Drug	1.451	683,829	781,961	857,804	98,132	75,843	500	196,264	151,685	347,949	22%	43,178	33,371	76,549
Food Stores	2.172	1,023,321	1,170,172	1,283,667	146,850	113,495	700	209,786	162,136	371,922	25%	52,447	40,534	92,981
Eating & Drinking Places	2.128	1,002,758	1,146,657	1,257,872	143,899	111,214	600	239,832	185,357	425,190	28%	67,153	51,900	119,053
Furnishing & Appliances	0.810	381,694	436,469	478,802	54,775	42,333	400	136,936	105,833	242,769	38%	52,036	40,217	92,252
Hardware & Building Materials	0.946	445,538	509,474	558,888	63,936	49,414	400	159,841	123,535	283,376	33%	52,747	40,767	93,514
Auto Dealers & Supplies	2.487	1,171,961	1,340,142	1,470,122	168,181	129,981	NA	NA	NA	NA	NA	NA	NA	NA
Service Stations	1.382	651,057	744,486	816,694	93,429	72,208	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	1.552	731,276	836,217	917,322	104,941	81,105	500	209,881	162,210	372,091	22%	46,174	35,686	81,860
Total	\$14.015	\$6,603,839	\$7,551,513	\$8,283,936	\$947,675	\$732,423		1,106,063	854,835	1,960,898	31%	338,245	261,417	599,663

Source: Land Econ Group

Table A17

SANTA CLARA COUNTY EMPLOYMENT GROWTH FORECAST - ABAG 2013

	2010	2015	2020	2025	2030	2035	2040
Population	1,781,642	1,877,700	1,977,900	2,080,600	2,188,500	2,303,500	2,423,500
Household Population	1,751,292	1,845,800	1,944,800	2,045,800	2,152,100	2,263,900	2,381,000
Households	604,204	639,160	675,670	710,610	747,070	782,120	818,400
Persons Per Household	2.90	2.89	2.88	2.88	2.88	2.89	2.91
Employed Residents	802,030	881,770	968,790	1,003,550	1,039,330	1,085,880	1,133,950
	2010	2015	2020	2025	2030	2035	2040
Agriculture & Natural Resources	4,530	4,640	4,710	4,400	4,120	3,700	3,340
Construction	33,590	38,250	43,570	44,610	45,660	47,100	48,580
Manufacturing & Wholesale	203,800	209,580	215,540	212,350	209,240	207,990	206,730
Retail	84,280	89,570	95,230	95,860	96,470	98,090	99,760
Transportation & Utilities	12,950	14,690	16,590	16,870	17,130	17,600	18,070
Information	47,480	52,080	57,100	57,520	57,940	58,810	59,690
Financial & Leasing	32,490	35,340	38,390	38,580	38,710	39,200	39,620
Professional & Managerial Services	177,220	201,350	228,820	241,410	254,700	271,030	288,450
Health & Educational Services	122,420	137,940	156,630	166,420	176,940	189,660	203,410
Arts, Recreation & Other Services	106,750	118,920	132,830	137,870	143,090	149,920	157,070
Government	100,760	101,420	101,860	102,430	103,020	103,910	104,800
Total Jobs	926,270	1,003,780	1,091,270	1,118,320	1,147,020	1,187,010	1,229,520

Sources: 2010 demographic data are taken directly from the U.S. Census. 2010 employment data are derived from *California County-Level Economic Forecast, 2011-2040*, California Department of Transportation; *Bay Area Job Growth to 2040: Projections and Analysis*, Center for Continuing Study of the California Economy; *1989-2009 National Establishment Times-Series (NETS) Database*, Walls & Associates using Dun and Bradstreet data; and labor force data from U.S. Bureau of Labor Statistics and the U.S. Census Bureau's 2005-2009 American Community Survey.

Table A18
RESIDENTIAL DEVELOPMENT PIPELINE IN SUNNYVALE

Project	Location	Developer	Housing Type	Sale or Rental	Status as of July 2015	Total Units	Bedrooms	Size (sq. ft.)		Sale/Rental Price		Price/SF		Building Height
								Min	Max	Min	Max	Min	Max	
Anton 1011	1101 N Fair Oaks AV, Sunnyvale	St Anton Partners	Apartments	For Rental	Leasing		Studio, 1 & 2 97 bedroom	569	1,296	\$2,760	\$4,345	\$4.85	\$3.35	
Solaire	470 Persian Drive, Sunnyvale 959 Stewart Drive Sunnyvale, CA 94085	KB Homes	Condominiums	For Sale	Final houses for sale Completed end of 2014		47 2 & 3 bedroom	881	1,211	\$788,882	\$966,724	\$811.61	\$802.26	1-story
Stewart Village	North Fair Oaks Avenue and East Arques Avenue	Irvine	Apartments	For Rental			186 1-2 bedrooms 2 & 4 bedroom	531	1,204	3,230	3,580	\$3.70	\$4.80	
Arques Place	388 E Evelyn AV and 457 E Evelyn AV, Sunnyvale	SummerHill Homes Prometheus Real Estate Group.	Townhomes	For Sale	Under construction		85 townhomes	1,440	1,815	\$900,000	\$900,000	\$625		3 stories
Ironworks	620 E. Maude Street, Sunnyvale	MidPen Housing and Charities Housing	Apartments	For Rental	Under construction		184 ND 1-, 2- & 3- 121 bedroom	*	*	*	*	*	*	*
Onizuka Crossing			Mixed homes	Affordable Housing	Under construction			*	*	*	*	*	*	*
Marriot Hotel and Townhomes	660 W. El Camino Real	SummerHill Homes	Mixed Use - townhomes and hotel	ND	Under construction		103 *	*	*	*	*	*	*	*
	1095 W El Camino Real	Sobrato Organisation	Mixed Use - apartments and office	Rental	Under construction		156 *	*	*	*	*	*	*	4-story
	610 E Weddell Drive, Sunnyvale	Sares Regis Group	Apartments	Rental	Under Construction, leasing approx June 2016		205 *	*	*	*	*	*	*	*
	520 E Weddell Drive, Sunnyvale	Raintree Partners	Apartments	Rental	Under Construction, leasing approx Dec 2016		465 *	*	*	*	*	*	*	*
481 on Mathilda	481 South Mathilda Avenue, Sunnyvale	SummerHill Apartments	Apartments	For Rental	Preconstruction, due for completion 2016		1 & 2 bed 105 apartments	*	*	*	*	*	*	2 - 4 stories
Sandalwood	701 E Evelyn Avenue, Sunnyvale	D.R. Horton	Townhomes	For Sale	Planning approved		204 2-4 bedrooms	1,320	2,091	*	*	*	*	3 stories
	1050 Helen Avenue, Sunnyvale	FMA Development LLC/D'Ambrosio Brothers	Duet and Detached SFH	For Sale	Planning approved		7 3-4 bedrooms	1,455	1,585	*	*	*	*	2 stories
	814 San Aleso Avenue, Sunnyvale	Pacific Homes	Mixed - townhome and duet townhomes		Preliminary Review with the City		84 *	*	*	*	*	*	*	*
	915 De Guign Drive, Sunnyvale	Watt Investments	Townhomes		Planning application with the City		450 *	*	*	*	*	*	*	*
	1008 E El Camino Real, Sunnyval	St Anton Communities	Apartments		Preliminary Review with the City		126 *	*	*	*	*	*	*	*
	833 W El Camino Real		Mixed Use - apartment, Office and Hotel		Planning application with the City		50 *	*	*	*	*	*	*	*
	1120 Kifer Road Corner of El Camino Real, E. Fremont Avenue and South Wolfe Road	Greystar	Mixed Use - 39 townhomes, 114 flats and retail		Preliminary Review with the City		520 *	*	*	*	*	*	*	*
Butcher's Corner					Planning application with the City		153 *	*	*	*	*	*	*	5-stories
TOTAL							3,348	Total does not include Las Palmas which just sold out						
TOTAL IN ECR							595	Includes units under construction, in Planning Application and under Preliminary Review						
ECR PERCENTAGE							17.8%							

Note: Some of the projects under Preliminary Review are in specialized plan areas that currently do not allow residential. They will not move forward unless updated plans are adopted allowing residential. If they do not move forward, then market demand in the ECR Corridor will be somewhat greater.

Source: City of Sunnyvale, July 2015

Table A19
SUNNYVALE HOTEL DEVELOPMENT IN PIPELINE

Jurisdiction	Location	Developer	Current status	Total Rooms	Net increase (if redevelopment)	Building Height
Sunnyvale	725 S. Fair Oaks Ave	T2 Developments	Application with City	182		5-story
Sunnyvale	1235 Bordeaux Drive	T2 Developments	Application with City	201		*
Sunnyvale	1235 Bordeaux Drive	T2 Developments	Application with City	183		*
Sunnyvale	1080 Stewart Drive	NA	Redevelopment application with City	357	109	7-story
Sunnyvale	1100 N Mathilda Ave	Kenneth Rodrigues	Redevelopment application with City	342	139	9-story
Sunnyvale	250 E. Java Drive, Sunnyvale	Peninsular Invesmtnets	Application with City	180		5-story
Sunnyvale	590 W. El Camino Real	Degan Development Group	Application with City	85		*
Sunnyvale	830 E. El Camino Real	Sunnyvale HHG Hotel Development	Application with City	130		4-story
Sunnyvale	861 E. El Camino Real	Myhre Group Architects	Application with City	162		*
Sunnyvale	1101 Elko Dr	Stay Cal Hotels	Approved	51		*
City of Sunnyvale Total				1,490		
El Camino Corridor				559		
Mountain View				849		
Cupertino				328		
Santa Clara (Include the 700 at City Place North of 49er Stadium)				982		
Central San Jose				<u>1,981</u>		
Total (Not Including Sunnyvale)				4,140		

Source: City of Sunnyvale July 2015

Table A20

SALES TAX DISTRIBUTION IN THE EL CAMINO REAL CORRIDOR

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Automobile Dealerships and Supply Store	\$3,582,864 63.3%	\$3,778,062 63.2%	\$3,932,666 61.0%	\$4,310,952 61.0%	\$4,210,333 60.2%	\$2,967,929 53.3%	\$3,107,780 55.2%	\$3,267,054 54.9%	\$3,408,831 55.2%	\$3,490,700 54.9%	\$3,606,253 54.9%	\$3,815,228 56.0%
Building and Construction Suppliers	\$13,388 0.2%	\$18,651 0.3%	\$31,498 0.5%	\$49,122 0.7%	\$73,941 1.1%	\$72,364 1.3%	\$64,705 1.1%	\$57,291 1.0%	\$60,973 1.0%	\$65,047 1.0%	\$65,752 1.0%	\$63,736 0.9%
Business and Industry	\$115,167 23.1%	\$121,713 21.2%	\$134,019 23.1%	\$151,566 23.8%	\$177,429 26.8%	\$147,069 23.1%	\$152,997 23.8%	\$152,701 21.4%	\$155,917 20.1%	\$159,719 19.2%	\$172,638 19.1%	\$160,889 16.0%
Grocery Drug and Liquor Store	\$490,458 8.7%	\$468,785 7.8%	\$481,730 7.5%	\$516,864 7.3%	\$479,039 6.9%	\$478,379 8.6%	\$467,364 8.3%	\$490,947 8.3%	\$519,940 8.4%	\$523,858 8.2%	\$531,584 8.1%	\$504,608 7.4%
Service Stations	\$117,651 2.1%	\$130,092 2.2%	\$132,566 2.1%	\$161,228 2.3%	\$155,469 2.2%	\$118,030 2.1%	\$111,537 2.0%	\$136,760 2.3%	\$166,205 2.7%	\$173,355 2.7%	\$171,746 2.6%	\$158,522 2.3%
Apparel, Accessory and Specialty Store	\$837,896 14.8%	\$885,697 14.8%	\$1,149,540 17.8%	\$1,244,060 17.6%	\$1,233,862 17.6%	\$1,148,782 20.6%	\$1,084,957 19.3%	\$1,125,917 18.9%	\$1,088,633 17.6%	\$1,108,131 17.4%	\$1,112,165 16.9%	\$1,100,827 16.2%
Restaurants Including Hotel Restaurants	\$498,440 8.8%	\$572,769 9.6%	\$580,626 9.0%	\$635,739 9.0%	\$661,838 9.5%	\$638,023 11.5%	\$643,536 11.4%	\$714,876 12.0%	\$777,224 12.6%	\$832,634 13.1%	\$904,174 13.8%	\$1,006,802 14.8%
Total	\$5,655,864	\$5,975,769	\$6,442,645	\$7,069,531	\$6,991,911	\$5,570,576	\$5,632,876	\$5,945,546	\$6,177,723	\$6,353,444	\$6,564,312	\$6,810,612

Source: HDL

Table A21
ESTIMATED RETAIL SALES AND DISTRIBUTION IN THE EL CAMINO REAL CORRIDOR
 (Thousands of Dollars)

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Automobile Dealerships and Supply Store	\$358,286 56.3%	\$377,806 56.9%	\$393,267 55.2%	\$431,095 55.8%	\$421,033 55.8%	\$296,793 48.4%	\$310,778 50.4%	\$326,705 50.1%	\$340,883 50.2%	\$349,070 50.1%	\$360,625 50.1%	\$381,523 51.6%
Building and Construction Suppliers	\$1,339 0.2%	\$1,865 0.3%	\$3,150 0.4%	\$4,912 0.6%	\$7,394 1.0%	\$7,236 1.2%	\$6,471 1.0%	\$5,729 0.9%	\$6,097 0.9%	\$6,505 0.9%	\$6,575 0.9%	\$6,374 0.9%
Business and Industry	\$11,517 23.1%	\$12,171 21.2%	\$13,402 23.1%	\$15,157 23.8%	\$17,743 26.8%	\$14,707 23.1%	\$15,300 23.8%	\$15,270 21.4%	\$15,592 20.1%	\$15,972 19.2%	\$17,264 19.1%	\$16,089 16.0%
Grocery, Drug and Liquor Store	\$120,007 18.9%	\$113,272 17.1%	\$116,399 16.3%	\$117,662 15.2%	\$103,388 13.7%	\$103,466 16.9%	\$100,444 16.3%	\$106,142 16.3%	\$113,132 16.7%	\$114,472 16.4%	\$115,823 16.1%	\$109,329 14.8%
Service Stations	\$11,765 1.8%	\$13,009 2.0%	\$13,257 1.9%	\$16,123 2.1%	\$15,547 2.1%	\$11,803 1.9%	\$11,154 1.8%	\$13,676 2.1%	\$16,621 2.4%	\$17,336 2.5%	\$17,175 2.4%	\$15,852 2.1%
Apparel, Accessory and Specialty Store	\$83,790 13.2%	\$88,570 13.3%	\$114,954 16.1%	\$124,406 16.1%	\$123,386 16.3%	\$114,878 18.7%	\$108,496 17.6%	\$112,592 17.3%	\$108,863 16.0%	\$110,813 15.9%	\$111,217 15.5%	\$110,083 14.9%
Restaurants Including Hotel Restaurants	\$49,844 7.8%	\$57,277 8.6%	\$58,063 8.1%	\$63,574 8.2%	\$66,184 8.8%	\$63,802 10.4%	\$64,354 10.4%	\$71,488 11.0%	\$77,722 11.4%	\$83,263 11.9%	\$90,417 12.6%	\$100,680 13.6%
Total	\$636,548	\$663,970	\$712,490	\$772,929	\$754,675	\$612,686	\$616,995	\$651,602	\$678,910	\$697,431	\$719,096	\$739,929

Source: City of Sunnyvale