



Economics Research Associates

Administrative Draft

Barrio Logan Market Analysis

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**City of San Diego
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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of **July 2008** and Economics Research Associates has not undertaken any update of its research effort since such date.

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

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Introduction

A Brief History of Barrio Logan

Barrio Logan is located along the San Diego harbor, just southeast of downtown, near the San Diego Convention Center, East Village and Petco Park. Today, the Barrio Logan community can be best described as a patchwork of homes, commercial uses and industrial facilities surrounded by freeways, an industrial waterfront and a United States Navy Reservation. It is also bisected by the Coronado Bridge. This neighborhood was once one of San Diego's oldest residential communities. The current residential community is predominantly Hispanic and appears to be of modest means.

During the mid-1870's, this area was targeted for development as the western terminus of the Texas and Pacific Railroad. The terminus was never completed due to the stock market crash of the late 1870s, and Los Angeles later prevailed as the western terminus of the Santa Fe Railroad. By the turn of the century, the area had developed as a predominantly residential neighborhood. Settled in the 1910s and 1920s by Mexican immigrants escaping civil strife in Mexico, Barrio Logan became one of the largest Chicano communities on the West Coast.

With the American naval build-up between the world wars, San Diego was becoming a Navy town. By World War II, the landside requirements of the Navy pre-empted other land uses along the Bay front and encroached into the residential community. The Barrio Logan community lost parts of their residential neighborhood and direct access to the waterfront. During the 1950s, several major changes occurred to further impact this community. Industrial zoning and the construction of Interstate 5 and the Coronado Bridge fragmented this neighborhood. The neighborhood began to experience a proliferation of conflicting land uses, such as junk yards, and other blighting uses. At the same time, following the mainstream American trend of suburbanization, many households moved out of Barrio Logan.

The remaining Barrio Logan residents took an active role concerning the future of their community. They lobbied their elected representatives and staged demonstrations for a community park. In 1970 the City authorized the development of a park on a 1.8 acre plot of land under the Coronado Bridge. This park, known as Chicano Park, has been expanded to 7.9 acres and has gained recognition for its gallery of outdoor murals created by local Chicano artists. It was designated a San Diego Historical site in 1980. During the 1970s, the community seized the opportunity during the California Local Coastal Plan review process to revisit the community land use plan, and obtained important victories in terms of zoning and land use ordinances to restrict nuisance businesses in the



neighborhood. Many of the existing junkyards were pushed out of Barrio Logan, and replaced with other more neighborhood-friendly uses like senior housing.

More recently, Barrio Logan has benefited from several government policies designed to stimulate economic development. In 1986, Barrio Logan was designated as San Diego's first California Enterprise Zone, which allows provides income tax benefits to businesses located within the neighborhood. In addition, a significant portion of Barrio Logan was adopted as a San Diego Redevelopment Project Area in 1992. This allows for the use of redevelopment powers such as land assembly and tax increment financing to support real estate development in Barrio Logan. Barrio Logan is also a part of the federally-designated San Diego Renewal Community. This designation allows businesses to claim a variety of federal income tax incentives such as capital gains tax exclusions, accelerated depreciation etc. These tax advantages enhance the area's attractiveness to commercial and industrial businesses, especially manufacturing.

The Role of the Market Study

Realizing that new and powerful economic forces are once again challenging this community, the City of San Diego has decided to prepare a new Barrio Logan Community Plan. The City retained MIG Associates to prepare such a plan with a mandate to incorporate the interests and voices of the community. Wishing to gain a more insightful understanding of the economic forces at work, the City also retained Economics Research Associates (ERA) to prepare the economic analyses required to develop an effective community plan. ERA's role includes the preparation of first a real estate market analysis, which is this document. The market analysis, which describes the real estate market forces at work in this part of San Diego, will be used to inform the City, the Barrio Logan community and MIG Associates to formulate three planning alternatives for the future of this area. Once these plan alternatives have been agreed to, ERA will evaluate them from several perspectives, including impact on the regional economy, impact on the City's fiscal position, impact on the socio-economic outlook for the local community and impact on the public facilities financing plan.

In this market report, ERA analyzed the real estate market demand for office, industrial, housing and retail uses in Barrio Logan. Section I presents an Executive Summary of this analysis. The economic and market forces at work in the San Diego region and Barrio Logan's context within this growing region are reviewed in Section II. The growth of Downtown San Diego and the potential implications for Barrio Logan's future are analyzed in Section III. Section IV examines the Port of San Diego's growth and needs for adjacent real estate, and Section V analyzes locally generated demand for housing and retail services. Section VI summarizes the overall real estate market outlook for Barrio Logan and anticipates some planning alternatives.



This report was prepared by the San Francisco office of ERA, with William “Bill” Lee serving as Principal-in-Charge and Chief Analyst. Kevin Baba and Tanya Chiranakhon assisted with research, analysis and report preparation.

Section I: Executive Summary

Regional Growth Trends

From 1990 to 2007, the population of San Diego County has increased by over 600,000 residents, growing at an average annual rate of 1.3 percent. San Diego Association of Governments (SANDAG) projects that the population growth of the county will continue to increase at approximately the same rate from 2010 to 2030.

With considerable policy emphasis on downtown housing, the Centre City has added approximately 13,500 residents from 2000 to 2008. During this same period, the Barrio Logan Community Plan Area's population remained approximately the same, adding about 400 residents to reach 4,000 residents currently. SANDAG forecasts that the Centre City Community Plan Area will continue to experience rapid population growth, adding over 36,200 residents between 2010 and 2030, or 1,800 per year. With the high cost of gasoline and in town living becoming more fashionable, a significant portion of the future population growth of the San Diego region will be in the urban core. An update to the Barrio Logan community plan will likely affect the future population growth in the area. However, SANDAG currently projects that Barrio Logan will add 1,400 residents between 2010 and 2030.

Historically, downtown San Diego has remained one of the largest employment centers in the city. In 2000, SANDAG reports that the Centre City Community Plan Area contained over 77,000 employees, or roughly 10 percent of the city's total workforce. The Barrio Logan Community Plan Area has 9,500 employees, accounting for slightly over one percent of the citywide labor force. With approximately 3,900 residents currently (excluding Naval personnel), there are approximately 2.4 jobs per resident in Barrio Logan. SANDAG projects downtown employment will increase by over 22 percent, growing from 82,100 in 2010 to 100,400 in 2030. Over the long term, as Downtown San Diego becomes increasingly built out, adjacent neighborhoods such as Barrio Logan are likely to experience development pressure for downtown type employment uses.

Demographics of Barrio Logan

The following summarizes the current demographic composition of Barrio Logan residents:

- Historically, Barrio Logan has been a strong Hispanic community. Over the past eight years, over 80 percent of the residents in Barrio Logan claimed to be of Hispanic decent, compared with 25 percent of those citywide. SANDAG projects that by 2030, Barrio Logan will be home to over 5,700 Hispanic residents, accounting for 87 percent of the Community Plan Area's total population.

- Compared with the citywide average, Barrio Logan has a significantly younger population. In 2007, the median age in Barrio Logan was 28, compared to 44 in the Centre City and 35 citywide. This is due to the fact that many of the households in Barrio Logan are made up of families with young children.
- Barrio Logan has larger households and lower incomes when compared to the San Diego average and particularly when compared to Centre City. Since 2000, SANDAG estimates that Barrio Logan has lost about 76 households, or eight percent of its households. At the same time, there has been an increase in household size from 3.6 in 2000 to almost 3.8 in 2008. This may indicate an increasing tendency for families to “double up” in existing housing units due to the rising costs of housing in the area.
- The average income per household member in Barrio Logan increased from \$5,724 in 2000 to \$6,235 in 2008. During the same period, household income per person in the Centre City Plan Area increased from \$16,006 to \$20,275.

Real Estate Market Trends in Barrio Logan

ERA reviewed regional and local real estate market trends for office, housing, retail, industrial, and hotel development. The following summarizes the existing market conditions in Barrio Logan for each of these land uses.

Office

Barrio Logan has 62,000 square feet of Class C office space, and that space has been fully occupied for the last eight years (**Table II-14**). Recently, developers have started converting warehouse and industrial buildings into office and service commercial space in the East Village and in the portion of Barrio Logan north of the Coronado Bridge. These developers believe that selected areas of Barrio Logan have substantial opportunity for upside return over the long term and have targeted buildings that are well suited for redevelopment with creative, open floor plans. The tenants moving into these spaces include artists, architecture/design firms, technology companies, catering services, graphics and restaurants. These businesses are either start-ups or relocating and expanding from the downtown. Developers note that rental rates for new office space in Barrio Logan are typically \$0.10 to \$0.25 per square foot per month less than comparable space in the East Village. Current challenges for office development in Barrio Logan include a limited supply of buildings suitable for adaptive reuse and high cost of new construction given the rents achievable. In addition, neighborhood resistance to growth and gentrification has made developers extremely cautious about building office space in Barrio Logan.



Retail

The amount of retail space in Barrio Logan has remained at 321,000 square feet over the past eight years with the occupancy rate fluctuating between 94 and 99 percent. Much of this retail space is small fast food eating establishments or local serving strip centers or grocery stores. Presently, local residents must travel outside the community for many of their regular grocery or household purchases. It is anticipated that the proposed Mercado project, currently planned to include a Hispanic grocery store, restaurants, and other neighborhood serving retail, will help to meet the local demand for retail in Barrio Logan, as well as drawing from the greater San Diego region.

Industrial & Flex Space

The amount of industrial square footage in Barrio Logan has been shrinking over the last eight years. This may be due to the demolition and conversion of existing industrial buildings. Between 1999 and 2007, the occupied industrial inventory in Barrio Logan dropped from 1.8 million square feet to 1.6 million square feet.

Most of the industrial tenants in Barrio Logan are either associated maritime trade operations at the Port of San Diego, services that supply downtown restaurants and retail users, or grandfathered uses that cannot be located to other parts of the city (i.e. transmission or auto/body welders). Industrial brokers note that most of the demand is for buildings in the 5,000 to 10,000 square foot range. Rental rates for industrial space ranges from \$0.60 NNN per square foot per month (for enclosed warehouse space) to \$0.90 NNN per square foot per month (for buildings with outside yard). Moreover, most note that while demand remains high for industrial space in Barrio Logan, the rising land values and rental rates have made it increasingly difficult for existing tenants to expand their operations.

Hotel

With expansion of its convention center, development of the waterfront and maturation of the Gaslamp District, the city of San Diego has been highly successful in growing the tourism component of its economy. Over the past ten years, hotel room revenues in the city, as estimated by transient occupancy tax collections, have nearly doubled.



Given its proximity to downtown and Petco Park, Barrio Logan is likely to become attractive to hotel developers in the future.

Based on the market demand for real estate moving forward in the San Diego region, ERA estimated the amount of development possible in Barrio Logan in the long term. Our estimates are summarized in **Table I-1**.

Table I-1
ESTIMATED DEMAND IN BARRIO LOGAN FOR MARKET RATE DEVELOPMENT

	2011-2020		2021-2030		Total 2011-2030	
	Low	High	Low	High	Low	High
Office Demand						
Gross SF	75,000	125,000	196,000	280,000	271,000	405,000
Estimated Acreage	2	4	4	5	6	9
Housing Demand (Market Rate)						
Number of Units	510	630	900	1,100	1,410	1,730
Estimated Acreage	12	14	19	23	30	37
Hotel Demand						
Units	136	160	308	350	444	510
Estimated Acreage	3	4	6	7	9	11
Retail & Restaurant Demand						
Gross SF	44,550	56,650	81,800	102,000	126,350	158,650
Estimated Acreage	3	3	4	5	6	8
Total Acreage for New Demand	19	25	32	40	52	65

Source: Estimated by Economics Research Associates

The above estimates are purely a reflection of market-based demand for each of the land uses. The community plan will determine how much of these land uses are desirable or appropriate, and at which locations.



Dominant Market Forces

ERA identified three types of real estate market forces which have the potential to influence future development within the Barrio Logan Community Plan Area. These included:

- A growing Port of San Diego and its associated industrial land requirements.
- Growth from the within the existing Barrio Logan community.
- The expansion of Downtown San Diego.

While the Port is interested in maintaining an area for the expansion of maritime industrial uses, these heavy industrial uses are able to support land values only one-fourth or one-fifth of the values supported by the more vertical development associated with downtown expansion. Many Port-related businesses are interested in expanding. Some Barrio Logan employers such as NASSCO have moved their expansions into Otay Mesa because they could not be accommodated at the Port of San Diego. There is clearly strong demand for industrial space in Barrio Logan, but some of the large-scale industrial businesses face difficulties remaining or expanding in Barrio Logan because they cannot compete in terms of land values against urban housing or office development. However, many of these businesses are integral to the regional economy and could not be easily replaced or relocated to other parts of the county.

The Barrio Logan community has expressed a strong interest in additional affordable housing and neighborhood-supporting retail development. The development of more affordable housing units will be influenced by the regional need for affordable housing units, availability of public and/or non-profit agency financing, and other considerations outside of the private real estate market. The forecast of household growth in Barrio Logan is fairly modest, and can support limited additional commercial development, given current unemployment and household income levels. It is anticipated that much of the demand for locally serving retail in Barrio Logan will be met by the planned Mercado development, which will also need to attract patrons from well beyond the boundaries of Barrio Logan in order to be successful. However, if the income levels of Barrio Logan residents improves significantly, or higher density housing is developed in the neighborhood, resulting in a larger number of households, some retail development in addition to the Mercado may be supportable.

The third dominant real estate market force flowing into Barrio Logan is the land requirements of an expanding Downtown San Diego. The northerly portion of the Barrio Logan Community Plan Area is facing pressure for additional market-rate housing, office, and possibly hotel development. Housing and office space, if developed in this neighborhood, would offer lower per square foot costs as



compared to the downtown and East Village. The portion of Barrio Logan most attractive for market-rate real estate development is the area northwest of the Coronado Bridge, which is very accessible and considered by brokers and developers as a natural extension of the downtown and East Village.



Section II: Growth of San Diego Region

The future market demand for different land uses within Barrio Logan will be influenced by regional economic forces and market trends in the surrounding neighborhoods. In this section, ERA analyzed the historic and projected socioeconomic and market trends for the region, city of San Diego and the Southeastern San Diego Community Plan Areas (Barrio Logan, Centre City and Southeastern San Diego).

Demographic Trends for the Region and Barrio Logan

Population Trends

From 1990 to 2007, San Diego County gained over 600,000 people. Over one-third of this increase, or 206,000, occurred in the city of San Diego. The California Department of Finance estimates that the city of San Diego's population was approximately 1.3 million in 2007, accounting for almost 43 percent of the county's total population (see **Table II-1**). San Diego Association of Governments (SANDAG) anticipates that growth in the city of San Diego will continue to account for a large percentage of the overall regional growth. The county is projected to reach 4.0 million by 2030 with the city population reaching 1.7 million by that year. In total, 291,000 new residents will be added between 2010 and 2030 in the city of San Diego, constituting approximately 40 percent of the regional growth (see **Table II-2**).

Table II-1
San Diego Area Population Growth ¹

Region	1990	2000	2001	2002	2003	2004	2005	2006	2007	1990 - 2007		2000 - 2007	
										Abs. Growth	Rate of Growth	Abs. Growth	Rate of Growth
City of San Diego	1,110,623	1,223,415	1,241,805	1,256,007	1,278,828	1,287,602	1,297,093	1,305,625	1,316,837	206,214	1.0%	93,422	1.1%
National City	54,249	54,260	55,930	58,108	59,931	57,654	61,204	61,123	61,115	6,866	0.7%	6,855	1.7%
Chula Vista	135,160	173,543	181,464	190,946	200,271	208,768	216,999	223,533	227,723	92,563	3.1%	54,180	4.0%
Coronado	26,540	24,100	23,985	25,957	26,427	23,065	23,567	22,898	22,957	(3,583)	-0.8%	(1,143)	-0.7%
Imperial Beach	26,512	26,992	27,348	27,537	27,696	27,728	27,638	27,572	27,709	1,197	0.3%	717	0.4%
San Diego County	2,498,016	2,813,833	2,864,408	2,921,273	2,972,832	3,011,526	3,038,579	3,064,113	3,098,269	600,253	1.3%	284,436	1.4%

¹Data for 1990, 2000 is as of April of that year. All other data is as of January of that year.
Source: Bureau of Census, California Dept. of Finance and ERA



**Table II - 2
Regional Projected Population Trends**

Region	2010	2020	2030	2010 - 2020		2020 - 2030		2010-2030
				Abs. Increase	Rate of Growth	Abs. Increase	Rate of Growth	Abs. Increase
City of San Diego	1,365,130	1,514,336	1,656,257	149,206	1.0%	141,921	0.9%	291,127
National City	59,905	69,104	72,241	9,199	1.4%	3,137	0.4%	12,336
Chula Vista	248,174	289,304	316,445	41,130	1.5%	27,141	0.9%	68,271
Coronado	27,512	29,738	31,038	2,226	0.8%	1,300	0.4%	3,526
Imperial Beach	28,331	32,590	36,125	4,259	1.4%	3,535	1.0%	7,794
San Diego County	3,245,279	3,635,855	3,984,753	390,576	1.1%	348,898	0.9%	739,474

Source: SANDAG

With considerable policy emphasis on downtown housing, the Centre City Community Plan Area led Southeastern San Diego in population growth. Between 2000 and 2008, Centre City added approximately 13,500 residents (see **Table II-3**). In contrast, the Barrio Logan Community Plan Area added about 400 people during this eight year period. An update to the Barrio Logan community plan will likely affect the future population growth in the area. However, SANDAG currently projects that Barrio Logan will add 1,400 residents between 2010 and 2030. As illustrated in **Table II-4**, SANDAG expects that the Centre City Community Plan Area will continue to experience rapid population growth, adding over 36,200 residents between 2010 and 2030, or 1,800 per year. With the high cost of gasoline and in town living becoming more fashionable, a significant portion of the future population growth of the San Diego region will be in the urban core.



**Table II - 3
City of San Diego Historic Population Growth, by Community Plan Area**

Region	2000	2008	2000 - 2008	
			Abs. Growth	Rate of Growth
San Diego County	2,813,833	3,146,274	332,441	1.4%
City of San Diego	1,223,415	1,336,865	113,450	1.1%
<u>Barrio Logan</u>				
Total Population	3,636	4,045	409	1.3%
<u>Centre City</u>				
Total Population	17,513	30,976	13,463	7.4%
<u>Southeastern San Diego</u>				
Total Population	57,571	59,969	2,398	0.5%
<u>32nd Street Naval Station</u>				
Total Population	7,139	5,638	(1,501)	-2.9%

Source: SANDAG, California Department of Finance, ERA

**Table II - 4
City of San Diego Projected Population Trends, By Community Plan Area**

Region	2010	2020	2030	2010 - 2020		2020 - 2030	
				Abs. Increase	Rate of Growth	Abs. Increase	Rate of Growth
San Diego County	3,245,279	3,635,855	3,984,753	739,474	1.1%	348,898	0.9%
City of San Diego	1,365,130	1,514,336	1,656,257	291,127	1.0%	141,921	0.9%
<u>Barrio Logan</u>							
Total Population	4,226	5,701	6,626	1,475	3.0%	925	1.5%
<u>Centre City</u>							
Total Population	40,933	59,474	77,169	18,541	3.8%	17,695	2.6%
<u>Southeastern San Diego</u>							
Total Population	60,078	65,049	69,750	4,971	0.8%	4,701	0.7%
<u>32nd Street Naval Station</u>							
Total Population	5,598	5,598	5,598	0	0.0%	0	0.0%

Source: SANDAG



Ethnicity

Historically, Barrio Logan has been a strong Hispanic community. Over the past seven years, over 80 percent of the residents in Barrio Logan claimed to be of Hispanic decent, compared with 25 percent of those citywide (see **Table II-5**). SANDAG projects that by 2030, Barrio Logan will be home to over 5,700 Hispanic residents, 87 percent of the Community Plan Area's total population (see **Table II-6**).

**Table II - 5
City of San Diego Historic Hispanic Population Growth, by Community Plan Area**

Community Plan Area	2000	2008	2000 - 2008	
			Abs. Growth	Rate of Growth
<u>City of San Diego</u>				
Total Hispanic Population	310,752	370,680	59,928	2.2%
Percent Hispanic Population	25%	28%	2%	
<u>Barrio Logan</u>				
Total Hispanic Population	3,143	3,423	280	1.1%
Percent Hispanic Population	86%	85%	-2%	
<u>Centre City</u>				
Total Hispanic Population	4,051	9,571	5,520	11.3%
Percent Hispanic Population	23%	31%	8%	
<u>Southeastern San Diego</u>				
Total Hispanic Population	45,258	49,143	3,885	1.0%
Percent Hispanic Population	79%	82%	3%	
<u>32nd Street Naval Station</u>				
Total Hispanic Population	1,093	864	(229)	-2.9%
Percent Hispanic Population	15%	15%	0%	

Source: SANDAG



**Table II - 6
City of San Diego Projected Hispanic Population Trends, By Community Plan Area**

Community Plan Area	2010	2020	2030	2010 - 2020		2020 - 2030	
				Abs. Increase	Rate of Growth	Abs. Increase	Rate of Growth
<u>City of San Diego</u>							
Total Hispanic Population	410,025	520,211	601,906	110,186	2.4%	81,695	2.1%
Percent Hispanic Population	30%	34%	36%	4%	-	2%	-
<u>Barrio Logan</u>							
Total Hispanic Population	3,607	4,821	5,757	1,214	2.9%	936	2.6%
Percent Hispanic Population	85%	85%	87%	-1%	-	2%	-
<u>Centre City</u>							
Total Hispanic Population	14,365	23,474	33,419	9,109	5.0%	9,945	5.2%
Percent Hispanic Population	35%	39%	43%	4%	-	4%	-
<u>Southeastern San Diego</u>							
Total Hispanic Population	49,963	55,450	60,969	5,487	1.0%	5,519	1.4%
Percent Hispanic Population	83%	85%	87%	2%	-	2%	-
<u>32nd Street Naval Station</u>							
Total Hispanic Population	853	853	853	0	0.0%	0	0.0%
Percent Hispanic Population	15%	15%	15%	0%	-	0%	-

Source: SANDAG

Age

Compared with the citywide average, Barrio Logan has a younger population (see **Table II-7**). In 2008, the median age in Barrio Logan was 28 as compared to 44 for Centre City and 35 for the citywide average.

**Table II - 7
City of San Diego Median Age Trends, by Community Plan Area**

Region	2000	2008	2010	2020	2030
Barrio Logan	25.7	27.8	28.6	32.6	36.6
Centre City	40.2	44.1	43.2	44.9	46.8
City of San Diego	32.6	35.1	34.2	35.8	38.0

Source: SANDAG

Household Size and Income

Barrio Logan has larger households and lower incomes when compared to the San Diego average and particularly when compared to Centre City. Since 2000, SANDAG estimates that Barrio Logan has lost about 76 households, or eight percent of its households (see **Table II-8**). At the same time, there has been an increase in household size from 3.6 in 2000 to almost 3.8 in 2008. This may



indicate an increasing tendency for families to “double up” in existing housing units due to the rising costs of housing in the area. The income per household member increased from \$5,724 in 2000 to \$6,235 in 2008. Meanwhile, the household income per person for the Centre City Plan Area rose from \$16,006 to \$20,275 over this same period.

**Table II - 8
City of San Diego Historic Household Trends, by Community Plan Area**

Region	2000	2008	2000 - 2008	
			Abs. Increase	Rate of Growth
<u>Barrio Logan</u>				
Total Households	976	900	(76)	-1.0%
Average Household Size	3.60	3.77	0.17	
Median Household Income ¹	\$20,605	\$23,506	\$2,901	
Income per HH Member	\$5,724	\$6,235	\$511	
<u>Centre City</u>				
Total Households	8,555	17,428	8,873	9.3%
Average Household Size	1.43	1.54	0.11	
Median Household Income ¹	\$22,888	\$31,224	\$8,336	
Income per HH Member	\$16,006	\$20,275	\$4,270	
<u>Southeastern San Diego</u>				
Total Households	14,236	14,331	95	0.1%
Average Household Size	4.02	4.14	0.12	
Median Household Income ¹	\$23,554	\$25,723	\$2,169	
Income per HH Member	\$5,859	\$6,213	\$354	
<u>City of San Diego</u>				
Total Households	450,691	487,775	37,084	1.0%
Average Household Size	2.61	2.65	0.04	
Median Household Income ¹	\$45,826	\$49,422	\$3,596	
Income per HH Member	\$17,558	\$18,650	\$1,092	

¹ Adjusted for Inflation
Source: SANDAG

SANDAG forecasts that the Barrio Logan community will add over 560 new households by 2030, an increase of almost 60 percent from the 940 households in 2010. While sizable for Barrio Logan, this household growth represents a small percentage of the total increase in new households projected for Downtown San Diego (see **Table II-9**). Although SANDAG’s forecasts provide some context, the new Barrio Logan Community Plan will largely determine how many new households will come into this area.



**Table II - 9
Community Plan Area Projected Household Trends, 2010 - 2030**

Region	2010	2020	2030	2010 - 2020		2020 - 2030	
				Abs. Increase	Rate of Growth	Abs. Increase	Rate of Growth
<u>Barrio Logan</u>							
Total Households	937	1,321	1,499	384	3.5%	178	1.3%
Average Household Size	3.69	3.70	3.83	0.01		0.13	
Median Household Income ¹	\$25,599	\$27,288	\$29,268	\$1,689		\$1,980	
<u>Centre City</u>							
Total Households	22,815	32,828	46,193	10,013	3.7%	13,365	3.5%
Average Household Size	1.53	1.62	1.52	0.09		(0.10)	
Median Household Income ¹	\$27,884	\$31,226	\$35,982	\$3,342		\$4,756	
<u>Southeastern San Diego</u>							
Total Households	14,395	15,431	15,560	1,036	0.7%	129	0.1%
Average Household Size	4.10	4.13	4.36	0.03		0.23	
Median Household Income ¹	\$26,734	\$28,105	\$29,643	\$1,371		\$1,538	
<u>City of San Diego</u>							
Total Households	496,747	546,835	585,161	50,088	1.0%	38,326	0.7%
Average Household Size	2.62	2.65	2.70	0.03		0.05	
Median Household Income ¹	\$52,040	\$55,550	\$59,300	\$3,510		\$3,750	

¹ Adjusted for Inflation
Source: SANDAG

Regional Economy and Employment Trends

Over the past twelve years, the San Diego regional economy added 330,000 jobs, an increase of about 33 percent. The county currently has about 1.3 million jobs. More than half of the new jobs added (185,300) were in the services sector, including information technology, professional and businesses services, education and health services, leisure and hospitality services and other services. The manufacturing sector actually lost jobs as technology replaced manpower and as the more labor intensive blue collar jobs moved to lower cost areas. The construction sector expanded rapidly, peaked in 2006 and is currently on the decline due to the onset of the national housing slowdown. The San Diego regional economy is in transition into a service and knowledge based economy with the government and manufacturing sectors declining in relative importance (**Table II-10**).



Table II - 10
San Diego County Employment Growth, By Industry

Employment Category	1995	2000	2001	2002	2003	2004	2005	2006	2007	Growth 1995-07	
										Absolute	Percentage
Total, All Industries	989,300	1,205,200	1,229,800	1,241,700	1,251,300	1,271,500	1,292,800	1,312,500	1,319,000	329,700	33.3%
Annual Change		41,200	24,600	11,900	9,600	20,200	21,300	19,700	6,500		
Annual Percentage Change		3.5%	2.0%	1.0%	0.8%	1.6%	1.7%	1.5%	0.5%		
Total Farm	10,800	11,400	11,400	11,000	11,200	11,100	10,700	10,900	10,800	0	0.0%
Total Nonfarm	978,500	1,193,800	1,218,400	1,230,700	1,240,100	1,260,300	1,282,100	1,301,600	1,308,200	329,700	33.7%
Natural Resources and Mining	300	300	300	300	300	400	400	500	400	100	33.3%
Construction	44,500	69,700	75,100	76,400	80,200	87,700	90,800	92,700	87,200	42,700	96.0%
Manufacturing	106,800	122,600	119,000	112,300	105,300	104,300	104,500	103,900	102,100	-4,700	-4.4%
Transportation and Utilities	26,900	29,800	32,000	29,300	27,300	28,400	28,400	28,700	28,800	1,900	7.1%
Wholesale Trade	33,400	39,100	41,500	41,300	41,600	41,900	43,600	45,100	45,500	12,100	36.2%
Retail Trade	115,500	133,800	135,600	138,000	140,800	144,900	147,400	148,300	148,700	33,200	28.7%
Finance, Ins. and Real Estate	57,300	71,200	72,000	75,000	79,900	81,900	83,200	83,700	80,400	23,100	40.3%
All Services ¹	407,700	520,900	529,300	538,500	547,400	556,400	568,700	580,900	593,000	185,300	45.5%
Information	26,100	39,200	38,800	37,700	36,900	36,600	37,400	37,300	38,000	11,900	45.6%
Prof and Business Services	135,200	195,200	198,200	201,700	201,200	204,500	210,400	213,600	216,500	81,300	60.1%
Ed and Health Services	97,500	115,300	116,000	119,700	121,800	121,700	122,500	125,100	128,800	31,300	32.1%
Leisure and Hospitality	113,300	129,000	131,400	133,800	140,700	145,700	149,600	156,500	160,900	47,600	42.0%
Other Services	35,600	42,200	44,900	45,600	46,800	47,900	48,800	48,400	48,800	13,200	37.1%
Government	186,100	206,600	213,800	219,700	217,300	214,300	215,100	217,900	222,100	36,000	19.3%

¹Services category includes the Information, Professional and Business Services, Educational and Health Services, Leisure and Hospitality, and Other Services Categories.

Source: State of California, Department of Employment Development

In 2000, the 777,600 employees in the city of San Diego accounted for over 55 percent of county's total jobs. Over the 2010 to 2030 period, SANDAG projects that the county will add approximately 340,000 jobs and 130,000 of those will be in San Diego (see **Table II-11**).



Table II - 11
Historic & Projected Employment Trends, by City, 2000 - 2030

Region	2000	2010	2020	2030	2010 - 2030	
					Abs. Increase	Percent Growth
San Diego County	1,384,676	1,573,742	1,741,033	1,913,682	339,940	21.6%
City of San Diego	777,600	880,326	956,165	1,010,157	129,831	14.7%
National City	24,763	28,214	28,956	30,418	2,204	7.8%
Chula Vista	53,731	69,421	82,401	109,780	40,359	58.1%
Coronado	29,913	33,935	34,041	34,043	108	0.3%
Imperial Beach	3,931	4,189	4,539	4,792	603	14.4%

Note: Includes both Civilian and Military Employment
 Source: SANDAG

Employment Trends, by Community Plan Area

Historically, downtown San Diego has remained one of the largest employment centers in the city. In 2000, SANDAG reports that the Centre City Community Plan Area contained over 77,000 employees, or roughly 10 percent of the city's total workforce. In contrast, the neighboring Barrio Logan Community Plan Area has only 9,500 employees accounting for just over one percent of the citywide labor force (see **Table II-12**). SANDAG projects downtown employment will increase by over 22 percent, growing from 82,100 in 2010 to 100,400 in 2030. Over the long term, as Downtown San Diego becomes increasingly built out, adjacent neighborhoods such as Barrio Logan are likely to experience development pressure for downtown type employment uses.



Table II - 12
Historic & Projected Employment Trends, by Community Plan Area, 2000 - 2030

Region	2000	2010	2020	2030	2010 - 2020		2020 - 2030		
					Abs. Increase	Rate of Growth	Abs. Increase	Rate of Growth	
<u>Community Plan Area</u>									
Barrio Logan	9,513	9,774	10,424	11,049	650	0.6%	625	0.6%	
Centre City	77,161	82,108	93,998	100,407	11,890	1.4%	6,409	0.7%	
Southeastern San Diego	9,718	10,510	11,351	11,771	841	0.8%	420	0.4%	
32nd Street Naval Station	14,503	17,107	17,211	17,397	104	0.1%	186	0.1%	
City of San Diego	777,600	880,326	956,165	1,010,157	75,839	0.8%	53,992	0.6%	
<u>Percent of City of San Diego</u>									
Barrio Logan	1.2%	1.1%	1.1%	1.1%	0.0%	-	0.0%	-	
Centre City	9.9%	9.3%	9.8%	9.9%	0.5%	-	0.1%	-	
Southeastern San Diego	1.2%	1.2%	1.2%	1.2%	0.0%	-	0.0%	-	
32nd Street Naval Station	1.9%	1.9%	1.8%	1.7%	-0.1%	-	-0.1%	-	

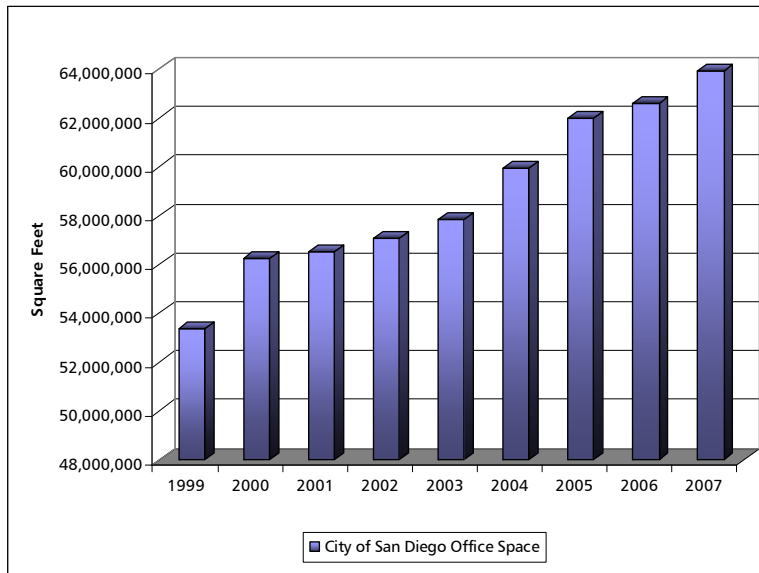
Note: Includes both Civilian and Military Employment
 Source: SANDAG

Office Market Trends

City of San Diego Office Market

After a few years of slow office space growth following the 2001 recession, the city of San Diego recently experienced a steady climb in total occupied office inventory. As presented in **Figure II-1**, the total occupied office inventory in the city averaged around 57 million square feet between 2001 and 2003. However, from 2004 to 2007 the city absorbed over 5.1 million square feet of office space, and the total occupied inventory reached 64 million by 2007 (see **Table II-13**). Over the past eight years, citywide office absorption has averaged approximately 1.3 million square feet per year.

Figure II-1: City of San Diego Occupied Office Space



Source: Costar Property

**Table II - 13
City of San Diego Office Market, 1999 - 2007**

Year	Total Inventory	Total Occupied Inventory	Net Absorption	Vacancy Rate	Rental Rate
1999	57,972,783	53,376,018	1,093,706	8%	\$21.90
2000	60,339,045	56,269,265	3,088,648	7%	\$24.20
2001	63,206,730	56,525,235	1,048,052	11%	\$26.00
2002	65,011,521	57,089,412	263,458	12%	\$26.70
2003	65,758,733	57,855,895	685,810	12%	\$26.30
2004	66,647,717	59,968,738	1,653,907	10%	\$27.10
2005	67,970,590	61,987,300	1,861,147	9%	\$28.90
2006	69,850,702	62,614,912	986,305	10%	\$30.80
2007	72,412,887	63,944,918	608,889	12%	\$32.50
Avg Annual Absorption			1,254,436		

Source: CoStar Property; Economics Research Associates, 2008

With this demand growth, average rental rates have grown from \$26 per square foot per year in 2001 to almost \$33 per square foot per year by 2007.

Barrio Logan Office Space

Barrio Logan has 62,000 square feet of Class C office space, and that space has been fully occupied for the last eight years (**Table II-14**). Recently, developers have started converting warehouse and industrial buildings into office and service commercial space in the East Village and in the portion of Barrio Logan north of the Coronado Bridge. These developers believe that selected areas of Barrio Logan have substantial opportunity for upside return over the long term and have targeted buildings that are well suited for redevelopment with creative, open floor plans. The tenants moving into these spaces include artists, architecture/design firms, technology companies, catering services, graphics and restaurants. These businesses are either start-ups or relocating and expanding from the downtown. Developers note that rental rates for new office space in Barrio Logan are typically \$0.10 to \$0.25 per square foot per month less than comparable space in the East Village. Current challenges for office development in Barrio Logan include a limited supply of buildings suitable for adaptive reuse and high cost of new construction given the rents achievable. In addition, neighborhood resistance to growth and gentrification has made developers extremely cautious about building office space in Barrio Logan.

Table II -14
Barrio Logan Office Market, 1999 - 2007

<u>Year</u>	<u>Total Inventory</u>	<u>Total Occupied Inventory</u>	<u>Total Net Absorption</u>	<u>Vacancy Rate</u>
1999	61,648	61,648	0	0%
2000	61,648	61,648	0	0%
2001	61,648	61,648	0	0%
2002	61,648	61,648	0	0%
2003	61,648	61,648	0	0%
2004	61,648	61,648	0	0%
2005	61,648	61,648	0	0%
2006	61,648	61,648	0	0%
2007	61,648	61,648	0	0%

Source: CoStar Property; Economics Research Associates, 2008



Retail Market Trends

Taxable Retail Sales Trends

Over the last decade, total taxable retail sales in the San Diego County have increased by almost 90 percent from \$7.9 billion in 1996 to \$14.8 billion in 2006. The growth of the suburban communities over time has caused the city of San Diego's share of countywide taxable sales to decline. The city's share of countywide taxable retail sales has slipped from 46 percent in 1996 to 43 percent in 2006 (Table II-15). San Diego's emergence as a national and global tourist and convention destination, leading to sharp gains in restaurant sales, has offset the suburbanization of population and the resulting dispersion of neighborhood serving retail. It is therefore not surprising that San Diego's restaurant sector generated the largest gain in taxable retail sales, gaining some \$1.1 billion in sales over ten years ago. Furthermore, the city's restaurant sales constituted almost 55 percent of the total in the county.

Table II - 15
City of San Diego Taxable Sales Trends, 1996 – 2006
 (Thousands of Dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Rate of Growth
Apparel Stores	\$451,984	\$485,551	\$530,734	\$542,041	\$588,012	\$616,146	\$681,338	\$732,526	\$785,563	\$865,833	\$924,301	7.4%
Gen. Merchandise & Drug	1,304,649	1,354,698	1,436,535	1,597,102	1,794,468	1,861,711	1,926,369	2,040,450	2,142,892	2,170,831	2,236,087	5.5%
Food Stores	521,014	554,625	582,183	622,909	662,346	673,384	690,819	696,398	741,899	801,351	843,800	4.9%
Eating & Drinking Places	1,307,079	1,380,894	1,496,032	1,603,968	1,772,507	1,851,340	1,931,214	2,066,425	2,197,430	2,311,013	2,466,681	6.6%
Furnishing & Appliances	492,104	444,930	469,158	546,746	619,383	684,858	664,607	690,345	728,841	747,339	706,043	3.7%
Bldg Materials & Farm Eqmt	469,293	603,365	716,231	809,022	944,386	1,093,716	1,160,915	1,248,903	1,440,726	1,396,894	1,427,987	11.8%
Auto Dealers & Supplies	1,089,331	1,189,462	1,331,411	1,519,137	1,745,186	1,868,692	2,033,999	2,138,480	2,213,662	2,228,510	2,132,207	6.9%
Service Stations	672,559	673,078	614,156	742,143	977,675	966,913	959,059	1,085,386	1,232,354	1,398,512	1,567,032	8.8%
Other Retail Stores	1,555,020	1,686,807	1,790,441	1,948,871	2,173,098	2,114,389	2,085,876	2,232,817	2,375,353	2,465,882	2,527,653	5.0%
Total City of San Diego	\$7,863,033	\$8,373,410	\$8,966,881	\$9,931,939	\$11,277,061	\$11,731,149	\$12,134,196	\$12,931,730	\$13,858,720	\$14,386,165	\$14,831,791	6.6%
Annual Growth	-	6.5%	7.1%	10.8%	13.5%	4.0%	3.4%	6.6%	7.2%	3.8%	3.1%	
Total San Diego County	\$17,141,385	\$18,402,311	\$19,936,526	\$22,235,683	\$24,953,089	\$26,263,338	\$27,421,599	\$29,520,551	\$32,345,460	\$33,784,795	\$34,619,067	7.3%
Share of County	45.9%	45.5%	45.0%	44.7%	45.2%	44.7%	44.3%	43.8%	42.8%	42.6%	42.8%	

Note: Taxable retail store sales does not include business to business sales conducted outside of retail stores or sales of home businesses
 Source: California Board of Equalization

City of San Diego Retail Market

Between 1999 and 2007, the total occupied retail inventory in the city grew from 45.5 million square feet to just over 50 million square feet. During these eight years, the average citywide retail space absorption was 563,000 square feet per year. However, as shown in **Figure II-2** below, the year to year absorption varied widely. Since 1999, the average citywide retail occupancy rates have not dropped below 96 percent. Meanwhile, over the eight year period, average rental rates more than doubled from \$11.60 per square foot per year in 1999 to \$26.60 in 2007 (see **Table II-16**).

Barrio Logan Retail Space

The amount of retail space in Barrio Logan has remained at 321,000 square feet over the past eight years with the occupancy rate fluctuating between 94 and 99 percent (see **Table II-17**). Much of this retail space is small fast food eating establishments or local serving strip centers or grocery stores. Presently, local residents must travel outside the community for many of their regular grocery or household purchases.

Figure II-2: City of San Diego Retail Absorption

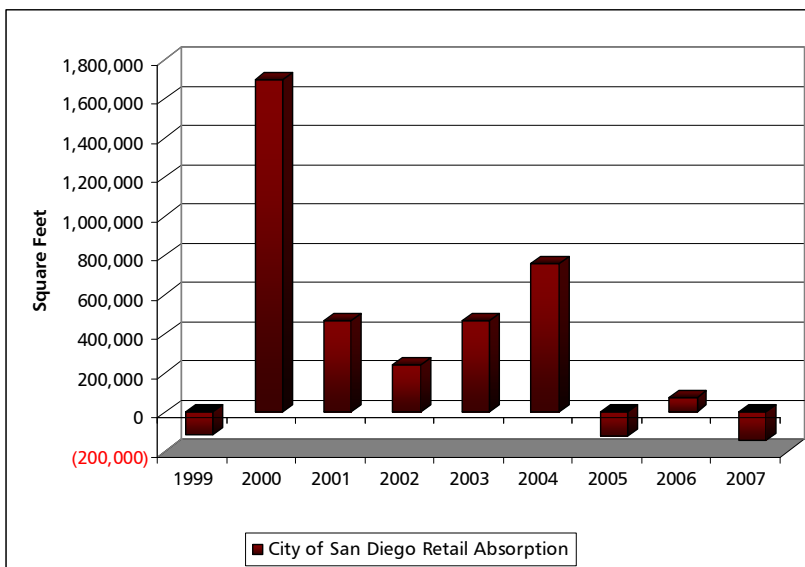




Table II – 16
City of San Diego Retail Market, 1999 - 2007

Year	Total Inventory	Total Occupied Inventory	Total Net Absorption	Vacancy Rate	Rental Rate
1999	46,546,050	45,537,293	(113,005)	2%	\$11.58
2000	48,338,043	47,211,914	1,701,739	2%	\$13.09
2001	49,120,282	47,686,467	467,264	3%	\$16.12
2002	49,367,849	47,908,314	244,409	3%	\$22.35
2003	49,824,843	48,375,760	467,827	3%	\$21.60
2004	50,424,651	49,151,217	756,546	3%	\$26.82
2005	50,845,720	49,073,833	(117,311)	3%	\$24.82
2006	51,008,649	49,090,314	77,784	4%	\$26.56
2007	51,454,059	50,047,570	(140,012)	3%	\$26.59
Avg Annual Absorption			371,693		

Source: CoStar Property; Economics Research Associates, 2008

Table II – 17
Barrio Logan Retail Market, 1999 – 2007

Year	Total Inventory	Total Occupied Inventory	Total Net Absorption	Vacancy Rate
1999	320,621	311,621	4,500	3%
2000	320,621	313,621	2,000	2%
2001	320,621	312,921	(700)	2%
2002	320,621	306,021	(6,900)	5%
2003	320,621	305,521	(500)	5%
2004	320,621	306,921	1,400	4%
2005	320,621	302,171	(4,750)	6%
2006	320,621	308,171	6,000	4%
2007	320,621	318,464	(2,157)	1%
Avg Annual Absorption			(123)	

Source: CoStar Property; Economics Research Associates, 2008

Industrial & Flex Space Market Trends

City of San Diego Industrial & Flex Space Market

Over the last eight years, the amount of occupied industrial space in the city of San Diego increased by 5.5 million square feet, an average annual absorption of 680,000 square feet per year. The stability in the San Diego industrial market was marked by occupancy rates that never dropped below 91 percent, and rental rates which grew from \$7.50 per square foot per year in 1999 to \$8.50 in 2007 (see **Table II-18**).

Table II – 18
City of San Diego Industrial Market, 1999 - 2007

Year	Total Inventory	Total Occupied Inventory	Total Net Absorption	Vacancy Rate	Rental Rate
1999	41,066,447	38,427,489	306,554	6%	\$7.53
2000	41,660,363	39,542,713	1,144,410	5%	\$7.63
2001	42,345,169	40,203,262	775,334	5%	\$7.40
2002	43,050,478	40,228,320	(122,260)	7%	\$7.55
2003	44,239,441	40,666,604	706,907	8%	\$7.41
2004	44,970,878	41,791,153	655,649	7%	\$7.89
2005	46,022,337	41,720,672	217,571	9%	\$8.40
2006	46,999,266	43,247,891	1,447,568	8%	\$8.39
2007	47,835,034	43,888,677	341,977	8%	\$8.50
Avg Annual Absorption			608,190		

Source: CoStar Property; Economics Research Associates, 2008

Flex space is a type of industrial space designed for flexibility. It typically includes industrial, service commercial or distribution space with at least half of the rentable area of the building used as office space. The amount of occupied flex space in San Diego increased from 17.7 million square feet in 1999 to 18.7 million square feet by 2007. The average annual absorption over this period was 183,000 square feet, but the actual year to year absorption was extremely uneven. The occupancy rates for this type of real estate product were much lower than for industrial space, never reaching 90 percent since 2002. However, because flex space buildings typically attract office users, rental rates are higher than regular light industrial buildings. As of 2007, the average rental rates for flex space exceeded \$19 per square foot per year, or more than double that of industrial space (see **Table II-19**).

Table II – 19
City of San Diego Flex Space Market, 1999 - 2007

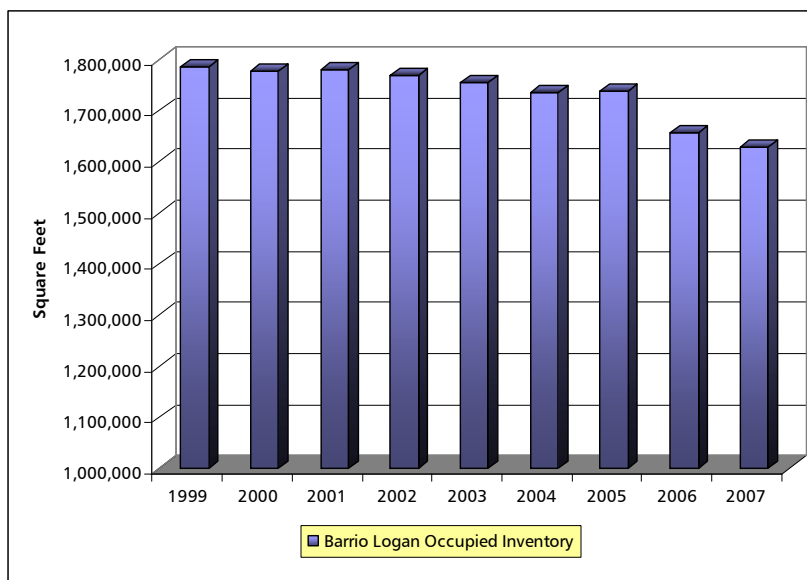
Year	Total Inventory	Total Occupied Inventory	Total Net Absorption	Vacancy Rate	Rental Rate
1999	19,853,387	17,743,048	420,433	11%	\$13.88
2000	20,235,307	19,207,782	1,233,332	5%	\$18.62
2001	20,664,868	18,814,389	87,003	9%	\$13.17
2002	20,745,802	18,039,129	(677,849)	13%	\$14.31
2003	20,745,802	17,667,608	(331,445)	15%	\$15.84
2004	20,762,118	17,906,247	132,689	14%	\$16.23
2005	20,837,666	18,303,905	60,212	12%	\$17.16
2006	21,276,762	18,883,295	649,279	11%	\$19.24
2007	21,276,762	18,686,899	69,791	12%	\$16.19
Avg Annual Absorption			182,605		

Source: CoStar Property; Economics Research Associates, 2008

Industrial & Flex Space in Barrio Logan

The amount of industrial square footage in Barrio Logan has been shrinking over the last eight years. This may be due to the demolition and conversion of existing industrial buildings. Between 1999 and 2007, the occupied industrial inventory in Barrio Logan dropped from 1.8 million square feet to 1.6 million square feet (see **Figure II-3** and **Table II-20**).

Figure II-3: Barrio Logan Occupied Industrial Inventory



Most of the industrial tenants in Barrio Logan are either associated maritime trade operations at the Port of San Diego, services that supply downtown restaurants and retail users, or grandfathered uses that cannot be located to other parts of the city (i.e. transmission or auto/body welders). Industrial brokers note that most of the demand is for buildings in the 5,000 to 10,000 square foot range. Rental rates for industrial space ranges from \$0.60 NNN per square foot per month (for enclosed warehouse space) to \$0.90 NNN per square foot per month (for buildings with outside yard). Moreover, most note that while demand remains high for industrial space in Barrio Logan, the rising land values and rental rates have made it increasingly difficult for existing tenants to expand their operations.

Table II – 20
Barrio Logan Industrial Market, 1999 – 2007

Year	Total Inventory	Total Occupied Inventory	Total Net Absorption	Occupancy Rate	Vacancy Rate
1999	1,800,090	1,784,990	730	99%	1%
2000	1,800,090	1,777,990	(7,000)	99%	1%
2001	1,800,090	1,780,690	2,700	99%	1%
2002	1,804,090	1,770,090	(10,600)	98%	2%
2003	1,804,090	1,756,190	(13,900)	97%	3%
2004	1,788,090	1,735,799	(20,391)	97%	3%
2005	1,788,090	1,738,921	3,122	97%	3%
2006	1,788,090	1,657,753	(59,136)	93%	7%
2007	1,720,185	1,627,887	10,198	95%	5%
Avg Annual Absorption			(10,475)		

Source: CoStar Property; Economics Research Associates, 2008

Similar to San Diego as a whole, the flex space inventory in Barrio Logan is small at 71,400 square feet. With the area’s near downtown location, all of this space is occupied (see **Table II-21**).



Table II – 21
Barrio Logan Flex Space Market, 1999 – 2007

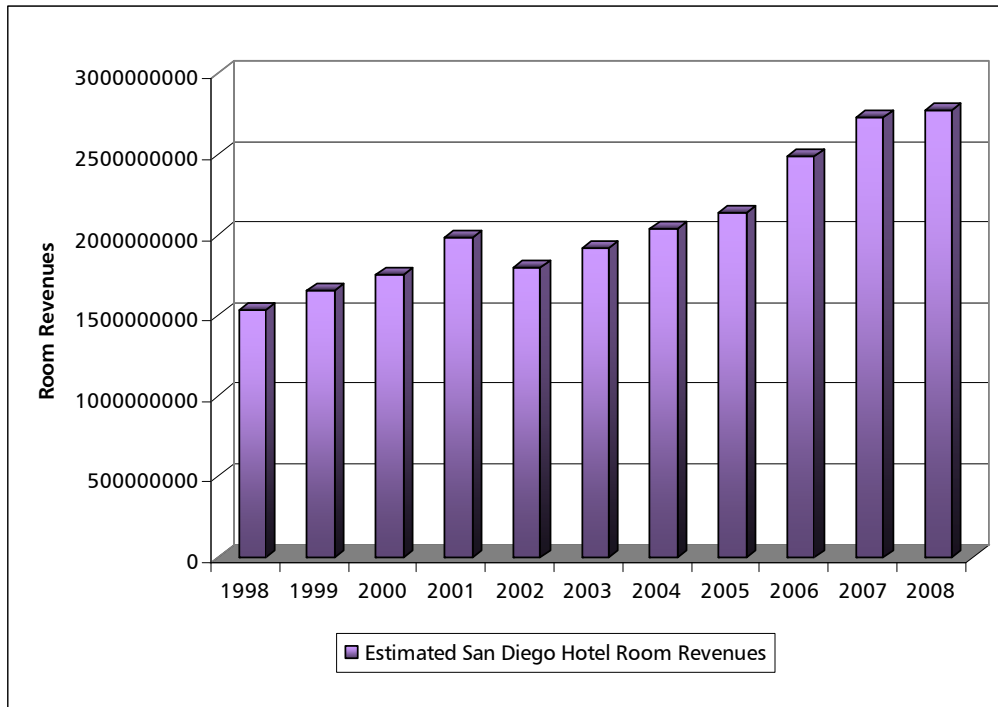
Year	Total Inventory	Total Occupied Inventory	Total Net Absorption	Vacancy Rate
1999	66,473	64,973	500	2%
2000	71,473	68,173	3,200	5%
2001	71,473	68,873	700	4%
2002	71,473	68,873	0	4%
2003	71,473	68,373	(500)	4%
2004	71,473	68,173	(200)	5%
2005	71,473	69,473	1,300	3%
2006	71,473	71,473	2,000	0%
2007	71,473	71,473	0	0%
Avg Annual Absorption			778	

Source: CoStar Property; Economics Research Associates, 2008

San Diego Hotel Market Trends

With expansion of its convention center, development of the waterfront and maturation of the Gaslamp District, the city of San Diego has been highly successful in growing the tourism component of its economy. Over the past ten years, hotel room revenues in the city, as estimated by transient occupancy tax collections, have nearly doubled (see **Figure II-4** and **Table II-22**). It was \$1.5 billion in 1998 and \$2.8 billion today. Given its proximity to downtown and Petco Park, future hotel development in Barrio Logan is a possibility.

Figure II-4: Estimated Hotel Room Revenues in San Diego



Source: City of San Diego, Economics Research Associates



Table II - 22
City of San Diego General Fund Transient Occupancy Tax (TOT) Revenues ¹

Year	General Fund Transient Occupancy Tax	Annual Percent Growth of TOT	Estimated Hotel Room Revenues in City ²
1998	\$84,238,394	n/a	\$1,531,607,158
1999	\$91,119,701	8.2%	\$1,656,721,833
2000	\$96,121,488	5.5%	\$1,747,663,423
2001	\$109,252,840	13.7%	\$1,986,415,274
2002	\$98,568,410	-9.8%	\$1,792,152,903
2003	\$105,708,881	7.2%	\$1,921,979,653
2004	\$111,986,448	5.9%	\$2,036,117,239
2005	\$117,556,064	5.0%	\$2,137,382,981
2006	\$136,650,715	16.2%	\$2,484,558,458
2007	\$150,052,720	9.8%	\$2,728,231,268
2008	\$152,698,568	1.8%	\$2,776,337,609

¹ Estimated by city of San Diego based on hotels located in various census tracts, assumed as 97 percent accurate

² Estimated from TOT collections

Source: City of San Diego

Section III: Downtown Expansion and Barrio Logan

Located on the higher ground adjacent San Diego Bay with water on the west and south side and Coronado and Point Loma in the distance, Downtown San Diego has always enjoyed a spectacular setting. However, thirty years ago, the urban development in this downtown could be described as “mediocre” in the best parts and certain “seedy” in the area that is now the thriving Gaslamp District. The City and the Centre City Development Corporation (CCDC) worked diligently and invested heavily to transform this mediocre downtown into the world class destination it is today. The major projects contributing to this transformation included Horton Plaza, the San Diego Convention Center, waterfront improvements, large amounts of downtown housing, investments in the Gaslamp District and Petco Park. The success of downtown and the momentum generated is beginning to impact Barrio Logan. In the following section, Economics Research Associates (ERA) reviews the recent developments in downtown San Diego, especially as it relates to the additional development pressure placed on the Barrio Logan community.

Convention Center Development and Expansion

During the late 1970s, a major campaign was initiated to build a convention center on eleven acres of Port of San Diego-owned land along the waterfront. City voters approved a proposal to build the waterfront convention center in November 1983. Construction of the 1.7 million square-foot building began in March 1987 and was completed in November 1989. Being able to offer waterfront terraces and views set in the mild San Diego climate, this convention was an immediate hit with meeting planners.

Because of its popularity, the San Diego Convention Center began an expansion program in 2001 that would add 900,000 square feet to bring the facility to 2.6 million square feet (see **Table III-1**). Recently completed, the expansion doubled exhibit hall space from 249,000 square feet to 525,000 square feet and meeting room space from 104,000 square feet to 204,000 square feet. Total interior space grew to almost 1.8 million square feet while outdoor space and parking increased to 854,000 square feet. With this new larger convention center, San Diego became a major league destination in the context of the meetings market.

**Table III – 1
Convention Center Expansion (in Square Feet)**

Function	Original	Expansion	Total Area
Exhibit Halls	249,338	276,363	525,701
Sails Pavillion	90,000	0	90,000
Meeting/Ballroom	103,781	100,333	204,114
Prefunction, Lobby, Registration	114,200	170,294	284,494
Service Support Areas	<u>374,600</u>	<u>284,967</u>	<u>659,567</u>
Total Interior Space	931,919	831,957	1,763,876
Outdoor Terrace	113,881	53,020	166,901
Skywalk	<u>0</u>	<u>17,613</u>	<u>17,613</u>
Total Outdoor Space	113,881	70,633	184,514
Parking	669,800	0	669,800
Total Gross Square Feet	1,715,600	902,590	2,618,190

Source: San Diego Convention Center

One of the biggest impacts of the convention center expansion is the increase of visitation to the city of San Diego, and the rise in demand for hotel rooms in the downtown area. As illustrated in **Table III-2**, out-of-town delegates at the San Diego Convention Center grew from 346,000 in 2001 to over 617,000 in 2007, an increase of almost 80 percent over a six year period. When including local delegates, the San Diego Convention Center reports that they hosted over 984,000 individuals in 2007, an increase of over 224,000 people from events held at the site in 2001. The increase in visitation to the convention center stimulated the development of additional hotels, restaurants, shops and entertainment venues in the vicinity. The convention center expansion was to the southeast of the original facility towards Barrio Logan.

**Table III – 2
Convention Center Event and Attendance Trends**

Convention Center Statistics	2001	2002	2003	2004	2005	2006	2007	2001 - 2007	
								Rate of Growth	Abs. Growth
Total Number of Events	172	250	231	n/a	224	281	220	4.2%	48
Total Number of Delegates	759,269	725,284	810,784	n/a	860,258	950,710	983,706	4.4%	224,437
Total "out-of-town" Delegates	346,000	352,795	414,613	n/a	494,150	511,881	617,089	10.1%	271,089
<i>Percent of total delegates</i>	<i>46%</i>	<i>49%</i>	<i>51%</i>	<i>n/a</i>	<i>57%</i>	<i>54%</i>	<i>63%</i>	<i>-</i>	<i>17%</i>

Source: San Diego Convention Center

Petco Park

The San Diego Padres, supported by the City, CCDC and private corporations, decided to build a new baseball stadium south of downtown. Since its opening in 2004, Petco Park has attracted roughly 2.8 million visitors per year, or an average of 35,000 per game (see **Table III-3**). While total attendance numbers have fluctuated year to year based on the success of the Padres on the field, it is clear that the opening of the park has increased the popularity of downtown, and strengthened the downtown hotel, retail and residential market as visitors eat, shop and live close to a major entertainment destination. Petco Park is within walking distance of the northern portions of Barrio Logan and brings downtown activities ever closer to this community.

Table III – 3
Petco Park Attendance Statistics ¹

Year	Total Season Attendance	Average Nightly Attendance
2004	3,040,046	37,531
2005	2,832,039	35,400
2006	2,659,732	32,836
2007	2,790,074	34,445
2008 ²	555,349	30,852
<u>2004 to 2007</u>		
Rate of Change	-2.8%	-2.8%
Abs. Change	(249,972)	(3,086)

¹ PETCO Park opened in April, 2004

² Through May 2008

Source: ESPN

Downtown Hotels

With the improvements to the downtown and the construction of the convention center and baseball stadium, hotel construction in Downtown San Diego has been steady over the past three decades (see **Table III-4**). During the 1980s downtown San Diego added 3,480 hotel rooms; during the 1990s it added another 3,581 rooms. If we count the hotels that area under construction, Downtown San Diego will construct an addition 3,896 hotel rooms during the current decade. From 1980 to 2010, Downtown San Diego will add an average of 365 new hotel rooms per year (see **Figure III-1**)



**Table III - 4
Downtown San Diego Hotels**

Property Name	Zip Code	Open Date	Number of Rooms
Berkshire Motor Hotel	92104	n/a	17
Centre City Manor	92101	n/a	75
Embassy Hotel	92103	n/a	80
Hillcrest Inn Hotel	92103	n/a	44
Horton Grand Hotel	92101	n/a	132
Hotel Del Coronado	92118	n/a	757
Main Street Motel	92113	n/a	25
Motel 6 San Diego Downtown	92101	n/a	105
Welcome Inn Motel	92103	n/a	24
West Park Inn	92101	n/a	140
Workman Hotel	92101	n/a	85
Plaza Hotel	92101	Jun 1906	185
Glorietta Bay Inn	92118	Jun 1908	100
Luxury Collection US Grant	92101	Jun 1910	270
Gaslamp Plaza Suites	92101	Jun 1913	64
Golden West Hotel	92101	Jun 1913	324
Ramada Inn & Suites Downtown	92101	Jun 1913	99
Balboa Park Inn	92103	Jun 1915	26
Park Manor Suites	92103	Jun 1926	74
The Sofia Hotel	92101	Jun 1926	212
El Cordova Hotel	92118	Jun 1930	40
Crown City Inn	92118	Jun 1940	35
Lafayette Hotel & Suites	92104	Jun 1946	131
Motel 6 San Diego Airport	92101	Jun 1948	72
Best Western Cabrillo Garden Inn	92101	Jun 1950	31
Coronado Inn	92118	Jun 1951	30
San Diego Downtown Lodge	92101	Jun 1951	30
Marina Inn	92101	Jun 1955	29
La Avenida Inn	92118	Jun 1957	29
Pacific Inn Hotel & Suites	92101	Jun 1963	33
Bristol Hotel	92101	Jun 1968	102
Holiday Inn San Diego On The Bay	92101	Jun 1968	600
Holiday Inn San Diego Downtown	92101	Oct 1969	220
Hilton San Diego Airport Harbor	92101	Jun 1970	211
Westgate Hotel	92101	Jun 1970	223
Sheraton Hotel & Marina San Diego	92101	Jun 1972	1044
Harborview Inn & Suites	92101	Jun 1978	30
Days Inn San Diego Dwntrn Convention Ctr	92101	Oct 1978	44
North Park Inn Motel	92104	Jun 1982	25
Marriott San Diego Hotel & Marina	92101	Jun 1984	1362
Best Western Bayside Inn	92101	Jun 1985	122
Super 8 San Diego Bayview	92101	Jun 1985	102
Rodeway Inn & Suites Downtown San Diego	92101	Jul 1985	67



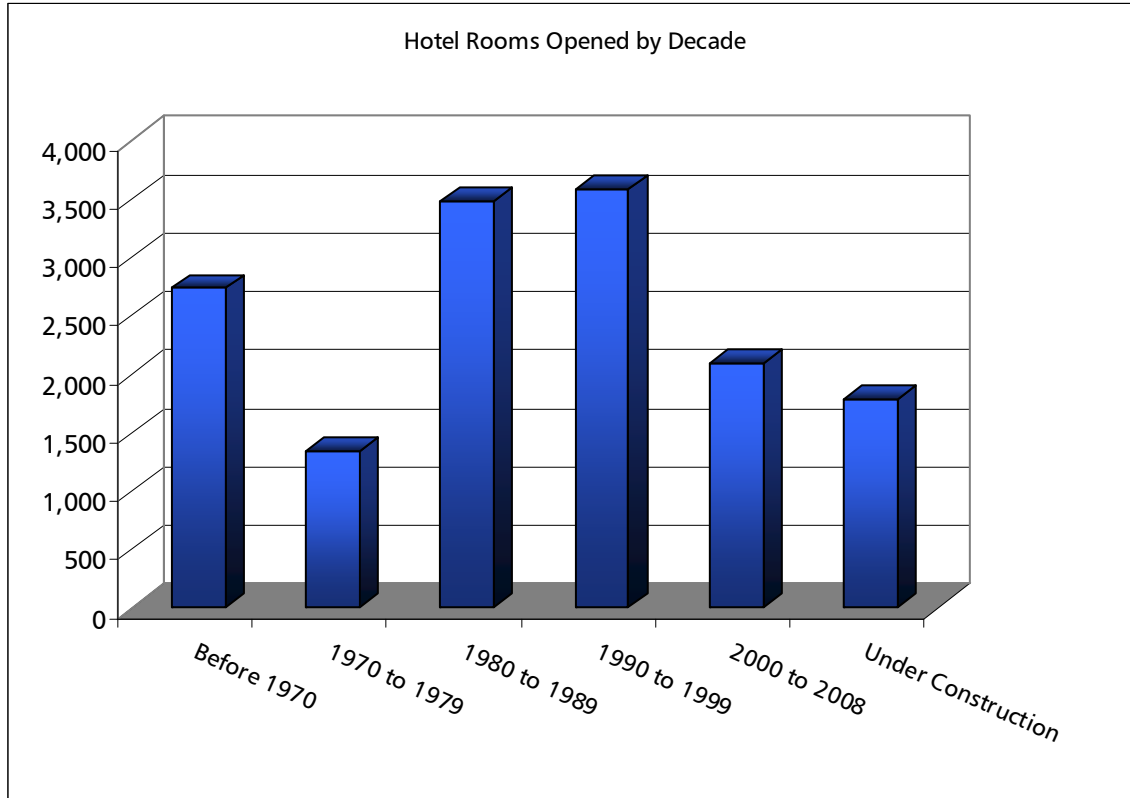
Table III - 4
Downtown San Diego Hotels (cont)

Property Name	Zip Code	Open Date	Number of Rooms
Days Inn San Diego Harbor View	92101	Nov 1985	66
Holiday Inn Express Hotel San Diego Downtown	92101	Aug 1986	136
Sommerset Suites Hotel	92103	Jun 1987	80
Westin Gaslamp Quarter San Diego	92101	Sep 1987	450
Marriott Coronado Island Resort	92118	Jun 1988	300
Marriott San Diego Gaslamp Quarter	92101	Jun 1988	306
Quality Inn San Diego	92113	Jun 1988	64
Embassy Suites San Diego Bay Downtown	92101	Aug 1988	337
Best Western Suites Hotel Coronado Island	92118	Dec 1988	63
Sheraton Hotel Stes San Diego @ Symphony Hall	92101	Jan 1990	264
Doubletree San Diego Downtown	92101	Mar 1990	333
Westin San Diego	92101	Mar 1991	436
La Pensione Hotel	92101	Sep 1991	76
Loews Coronado Bay Resort	92118	Oct 1991	439
Hyatt Manchester Grand San Diego	92101	Dec 1992	1625
Americas Best Value Inn San Diego Convention Ctr Dwntrn	92113	Jul 1997	42
Residence Inn San Diego Downtown	92101	Jun 1999	121
Courtyard San Diego Downtown	92101	Oct 1999	245
Hilton San Diego Gaslamp Quarter	92101	May 2000	283
Hampton Inn San Diego Downtown Airport	92101	May 2001	177
W Hotel San Diego	92101	Dec 2002	258
Omni San Diego Hotel	92101	Apr 2004	511
Hotel Solamar	92101	Apr 2005	235
Hotel Occidental	92101	Nov 2005	24
Keating Hotel	92101	Dec 2006	35
Ivy Hotel	92101	May 2007	159
Hard Rock Hotel San Diego	92101	Nov 2007	420
Diegan Hotel	92101	U/C	180
Hilton San Diego Convention Center	92101	U/C	1190
Residence Inn San Diego Gaslamp District	92101	U/C	240
Setai San Diego	92101	U/C	184

Source: Smith Travel Research

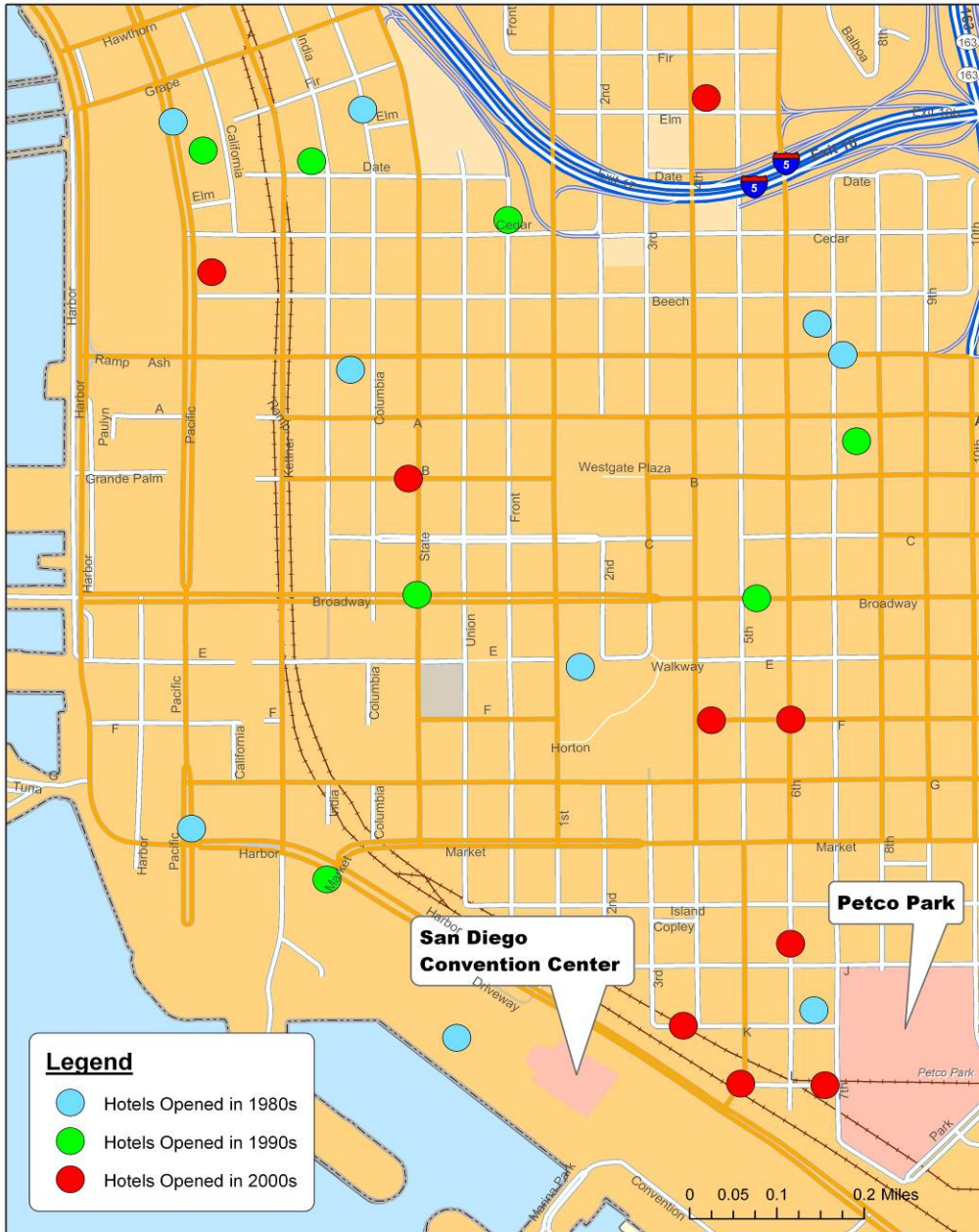
Many of the newer hotels have clustered in the East Village area of downtown, near Petco Park and the San Diego Convention Center. There have been six hotels built within walking distance of Petco Park and the Convention Center, with the other remaining hotels built near Horton Plaza, San Diego International Airport or close to Interstate-5. With limited undeveloped parcels in the downtown core, hotel construction is beginning to shift southward along Harbor Drive, towards Barrio Logan. For example, the Hilton is currently building a 1,200 room hotel adjacent to the Dole Warehousing facility on the waterfront.

Figure III-1: Downtown San Diego Hotel Rooms Opened, by Decade



Source: Smith Travel Research

Figure III-2: Downtown San Diego Hotel Rooms Location, by Decade



Source: Smith Travel Research, Economics Research Associates

Downtown Housing

It has been a long standing City policy to encourage housing development in the downtown. While housing construction downtown has taken place for a couple of decades, the housing boom from 2002 to 2006 accelerated downtown's popularity as a residential district. Between 2000 and 2007, total annual home sales downtown grew ten fold from 180 to 1,811; and the median per unit sales prices grew by almost 50 percent, from \$325,000 to \$480,000. Average per square foot prices jumped from \$290 in 2000 to over \$500 in 2008 (see **Table III-5**).

Over time, residential development in downtown has shifted southeastward in search of lower land prices and available vacant property. In recent years, a sizable number of newly constructed residential units were in the East Village near Petco Park (see **Figure III-3**). Since 2003, 14 East Village projects added approximately 2,300 new units to the downtown housing stock. Price per square foot values at these projects ranged considerably, with properties closer to the downtown office core and Petco Park fetching the highest prices. In general, per square foot pricing at the East Village projects have ranged from the high \$300s, to the mid \$500s, while locations adjacent to Petco Park have achieved values of close to \$1,000 per square foot (**Table III-6**).

As land has become scarce and prices have increased in the East Village, developers are eyeing Barrio Logan as the next area for urban type residential development. The developer of the Sigsbee and Factory Row Homes in Barrio Logan indicates that that majority of his home sales have come from those who want to live close to downtown, but also want a more affordable and larger product (i.e. walk up unit, small yard, larger floor plan, etc). The recent downturn in the residential real estate market has hurt pricing and absorption in all part of San Diego and values have dropped at Sigsbee Row Homes from \$500 a square foot in 2007 to \$450 in 2008. However, the developer notes that the "hottest" sub-area in Barrio Logan for new residential development is north of the Coronado Bridge and west of Interstate 5 and that home values in this location are likely to stay roughly \$100 lower than in downtown. As inventory is absorbed in downtown, Barrio Logan will likely experience increased development pressure for new, trendy but more affordable housing.



Table III - 5
Downtown Housing Market Trends ¹

Market Trends	2000	2001	2002	2003	2004	2005	2006	2007	2008 ²
Total Sales	180	320	802	944	1,603	2,117	1,783	1,811	667
Median Sales Price ³	\$325,000	\$359,500	\$393,000	\$468,000	\$481,000	\$501,000	\$508,500	\$480,000	\$576,000
Median Price per Square Foot ³	\$293	\$311	\$354	\$385	\$468	\$512	\$516	\$506	\$498

¹ For all transactions in zip code 92101

² Through May 2008

³ Does not include sales prices for all transaction as, for some sales, this data was not publicly available

Source: Metroscan, Economics Research Associates

Figure III-3: East Village Residential Projects, by Location





Table III - 6
East Village Residential Projects

Project	Location	Number of Units	Date Opened	Price / SF		
				Low	High	Average
Park Loft	877 Island Ave.	120	2003	\$351	\$628	\$434
The Metropolitan	165 6th Ave.	37	2004	\$982	\$982	\$982
Park Blvd West	550 Park Blvd	117	2004	\$354	\$433	\$397
Union Square	1480 Broadway	213	2004	\$319	\$467	\$386
M2I	1050 Island Ave.	230	2005	\$381	\$504	\$444
Park Blvd East	1225 Island Ave.	104	2005	\$341	\$480	\$410
Diamond Terrace	427 9th Ave	113	2005	\$478	\$654	\$566
Metrome	1150 J Street	183	2005	\$352	\$531	\$441
Fahrenheit	1025 Island Ave.	77	2006	\$404	\$533	\$482
Element	550 15th Street	65	2006	\$354	\$409	\$377
Icon	319 10th Ave.	327	2007	\$486	\$738	\$595
Park Terrace	206 Park Blvd	223	2007	\$571	\$708	\$639
The Mark	800 The Mark Lane	244	2007	\$484	\$593	\$539
The Legend	325 7th Avenue	<u>244</u>	2007	\$483	\$996	\$741
Total		2,297				

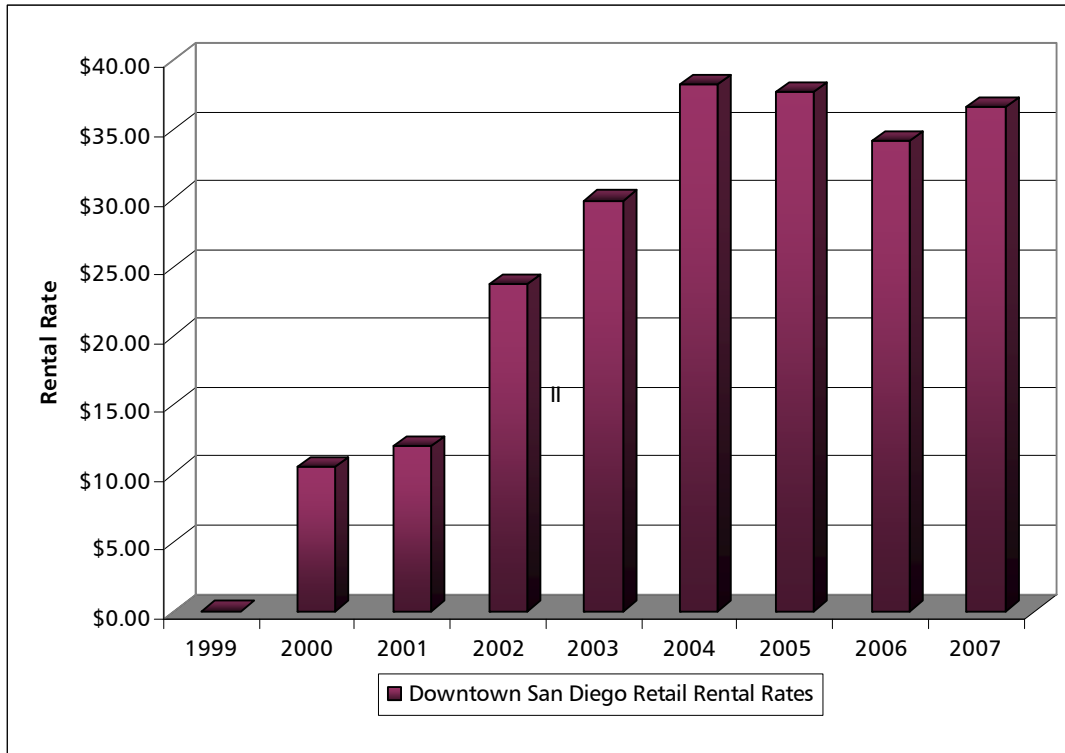
Note: Price per Square Foot based on current sales listing at condo projects in East Village

Source: 92101 Urban Living, Economics Research Associates

Downtown Retail

Downtown San Diego had 4.18 million square feet of occupied retail space in 1999. By 2007, this inventory had grown to 4.55 million square feet. The average net absorption over the last eight years was 46,250 square feet per year. Rising land values, created by increased housing development downtown, coupled with the success of retailers and restaurants in the Gaslamp Quarter have led to increasing rental rates. As illustrated in **Figure III-4**, downtown retail rental rates have more than tripled, increasing from ten dollars per square foot per year in 2000 to \$37 per square foot in 2007.

Figure III-4: Downtown San Diego Retail Rental Rates



Source: Costar Property Group

While downtown has historically housed regional shopping destinations like Horton Plaza, Seaport Village and the Gaslamp Quarter, the growing number of residents living downtown has increased the demand for convenience retail such as grocery and drug stores. With few available larger parcels in the downtown, developers have been looking at locations closer to Barrio Logan. MetroCenter, a vertical retail project within walking distance of Petco Park currently under review, will include large format multi-level retail space. Situated on approximately 5 acres, the project is bounded by National Avenue, Commercial Street, Newton Avenue, and 16th Street. While tenancing has not yet been finalized, ERA understands that when opened in 2010, the property will likely house a Target and Lowe’s home improvement store to serve downtown residents. The opening of this project will further enhance the attractiveness of the East Village for residents as well as increase the pressure for additional housing and retail development in Barrio Logan.

Downtown Office Market

Downtown San Diego is not particularly dominant in the regional office market. Of the 64 million square feet of occupied office space in the city of San Diego, only eleven million or 17 percent is in downtown. Mission Valley, La Jolla and other parts of the city have significant office concentrations.

Downtown’s average annual net absorption was only 45,000 square feet from 1999 through 2007. This is because the downtown lost nearly 400,000 square feet of occupied office space during the 2001 through 2003 period (see **Table III-8**).

**Table III-8
Downtown San Diego Office Market, 1999 - 2007**

Year	Total Inventory	Total Occupied Inventory	Total Net Absorption	Occupancy Rate	Rental Rate
1999	11,772,283	10,837,722	180,172	92%	\$20.70
2000	11,788,966	10,837,946	68,624	92%	\$22.30
2001	11,788,966	10,815,252	(36,364)	92%	\$24.90
2002	11,788,966	10,654,204	(154,609)	90%	\$25.30
2003	11,788,966	10,458,928	(200,743)	89%	\$25.70
2004	11,788,966	10,632,657	154,227	90%	\$28.20
2005	12,165,669	10,840,231	202,516	89%	\$30.20
2006	12,322,098	10,901,677	94,833	88%	\$32.50
2007	12,710,958	11,016,546	98,939	87%	\$32.80
Average Annual Absorption			45,288		

Source: CoStar Property; Economics Research Associates, 2008

With gasoline prices approaching five dollars per gallon, transit access and walking proximity to places of employment will become increasingly important. Given the large stock of housing that was built over the last decade and being at the hub of the transit system, downtown’s competitive position in attracting office tenants can be expected to improve over the next two decades. As downtown grows outward, a small portion of the future downtown office market will spill into Barrio Logan.

Downtown Arts Community

Many within the artist community have been or are being pushed out of downtown San Diego and East Village as the prices for residential, gallery and work spaces increased dramatically in recent years. Many of the artists and other creative professionals have been moving from downtown into Barrio Logan because of its available land and relative affordability. The fine grained nature of the block sizes, the wide variety of smaller buildings and the lack of corporate or institutional characteristics also are attributes attractive to these creative professionals.

Similarly, developers are attracted to Barrio Logan for live/work lofts and creative professional offices due to the availability of land and affordability of residential units in the area. Commercial developers



active in Barrio Logan indicate that with good planning some of the industrial buildings can be converted to spaces for creative professionals. Inadequate land for parking and the shortage of suitable building stock for conversion are the greatest challenges to developing in Barrio Logan. New construction in this neighborhood is financially difficult because rents are lower but construction costs are comparable to downtown.

Section IV: Port of San Diego Issues & Needs

Port of San Diego Cargo Trends

The Port of San Diego's maritime cargo activity is split between two separate and distinct marine cargo terminals: the Tenth Avenue Marine Terminal (TAMT) adjacent to Barrio Logan, and the National City Marine Terminal (NCMT). Together the terminals handle containers, dry and liquid bulk cargos, refrigerated products, automobiles, and other cargos. The terminals are well positioned for future maritime activities. Located ten miles north of the U.S./Mexico border, it is the first U.S. Port for northbound cargo ships sailing from the west coasts of Mexico and Central and South America. Moreover, only 125 miles from Los Angeles, the Port is well located to serve the entire Southern California market.

Over the last five years, total cargo shipments at the Port of San Diego Marine Terminals have increased 36 percent from 2.47 million tons in 2002 to 3.35 million tons in 2007 (see **Table IV-1**). In 2007, Port District completed a market assessment of future shipping opportunities at the Port of San Diego.

Table IV - 1
Port of San Diego Shipping Trends

Port of San Diego Statistics	2001	2002	2003	2004	2005	2006	2007
<u>Maritime Cargo Tonnage</u>							
Containers	n/a	0	937,114	n/a	949,189	860,031	615,208
Vehicles	n/a	374,280	347,466	n/a	326,564	463,610	543,715
Breakbulk	645,612	621,242	598,828	n/a	399,998	262,005	426,213
Liquid Bulk	43,176	91,955	82,293	n/a	126,602	137,979	133,086
Dry Bulk	<u>1,575,386</u>	<u>1,384,042</u>	<u>1,017,054</u>	<u>n/a</u>	<u>1,154,653</u>	<u>1,800,000</u>	<u>1,631,269</u>
Total Tonnage	n/a	2,471,519	2,982,755	n/a	2,957,006	3,523,625	3,349,491

Source: Port of San Diego Annual Reports

The findings and the land demand implications are summarized below:

- The containerized fruit operation by Dole is expected to increase to supply food to a growing Southern California market. Increased operations would require a preferential berth at the TAMT and additional outside storage for refrigerated and empty containers.
- The Port could market to additional banana accounts now located at Port Hueneme. In 2005, this Port handled about 275,000 tons of breakbulk bananas and nearly 300,000 tons of containerized bananas. This new account would require the development of a new facility similar to the existing Dole terminal.
- There is a strong potential to develop a new breakbulk fruit/melon service as well as a second seasonal avocado service that would quadruple the current breakbulk fruit cargo throughput during the next four years. A large refrigerated facility and more berth space would be required to accommodate this future demand.
- Cement operations are expected to increase with growth in the local economy, and the TAMT has the potential to bring an additional 75,000 tons of cement annually.
- Similarly, there exists the potential to develop a new sand import business, which would bring an additional 500,000 tons to TAMT immediately, growing to roughly one million tons per year. This market will demand a new sand import terminal consisting of additional outside storage in the area.
- The project cargo/windmill market has been growing at the TAMT. The Port's consultant report estimates that future shipments may increase by 15 percent annually through 2010, and five percent annually through 2015.
- With the crowding out of breakbulk operations at the Los Angeles and Long Beach ports and the growing flagship building at NASSCO, the Port of San Diego could increase its steel shipments over time. This may require an entirely new terminal, with surrounding storage areas.

Many of the maritime commerce related industries at the Port of San Diego have expanded or are looking to expand their operations. The following is a summary of the Port tenants interested in expanding their activities and facilities:

- Dole Fresh Fruit operates a 20-acre ocean terminal that handles over 40,000 refrigerated containers of imported bananas and pineapples on the way to destinations west of the Rocky Mountains. Since relocating to the Port of San Diego in 2001, Dole has successfully competed with many fresh fruit carriers serving the Los Angeles/Long Beach ocean complex. As a result of this success, representatives note that the current facility has already reached its capacity, and that improving service to their customers would require expanding the amount of space available to them at the Port.
- Cemex imports cement from Taiwan and Thailand for distribution to the construction industry in Southern California, Arizona, and the southern border with Mexico. With operations running out of space, Cemex is currently working on modifications to an adjacent building that will allow them to expand in 2007.
- Harborside Refrigerated Services & San Diego Cold Storage provides temperature controlled warehousing for many of the commerce related operations at the Port. They have plans to increase their capacity by 50 percent, investing roughly \$25 million to replace their current building with a new larger facility.
- Marine Group Boat Works, in early 2007 completed a \$6 million renovation, the highlight of which is a 660-ton travel life that will help make San Diego Bay a major draw for mega yachts.
- Pasha Automotive Services processes over 300,000 import and export vehicles annually for distribution throughout the United States. This firm has continued to exhibit strong growth over the last few years with new business coming from Mazda and Honda. In fact, attempting to keep up with their growing operations, Pasha added another 50 new jobs in FY 2005.
- Knight & Carver represents one of the leading firms in mega-yacht building and retrofitting. Representatives mentioned a desire to expand and reconfigure their facility at the Port as their current space does not allow them to service yachts longer than 200 feet.

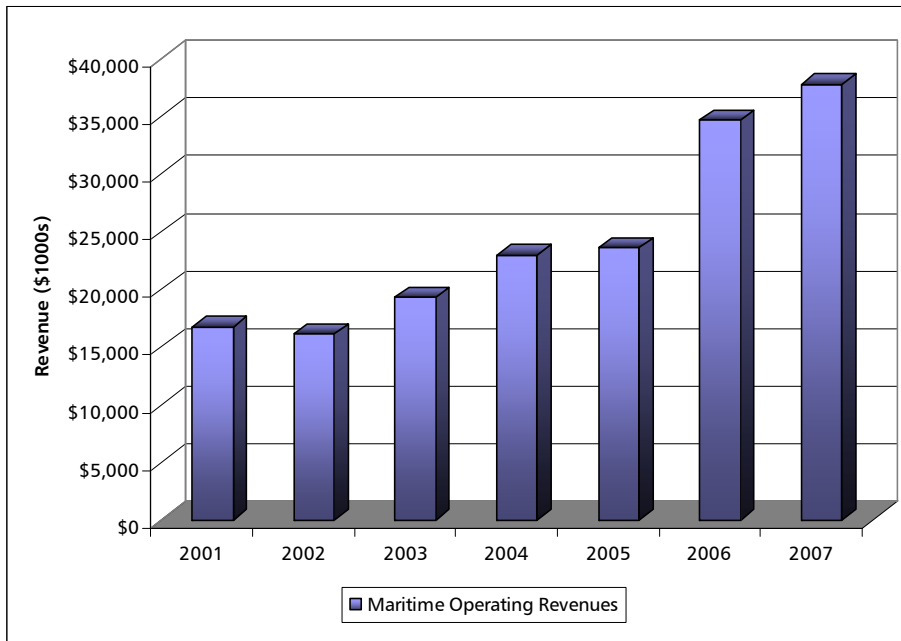
There is clearly demand for additional industrial space particularly from existing Port related business expansions. However, these fairly heavy industrial uses must compete for land in Barrio Logan with neighborhood interests and an expanding downtown.

Port of San Diego Revenue Trends

The Port of San Diego collects lease revenues for all tenants that are located on its property and separates these revenues into maritime or recreational operations. Lease rates are calculated either as a percentage of the revenues generated by the tenant or at the market rates of other similar buildings in the area. As illustrated in **Figure IV-1**, operating revenues, calculated as a portion of the lease payments made to the maritime division at the Port, have increased substantially since the beginning of the decade. Between 2001 and 2007, maritime revenues jumped from \$16.8 million to \$37.8 million or approximately \$3.5 million per year. The increased growth of revenues suggests that maritime tenants have performed well over the last several years and that rental rates in the area have grown as a result of increasing pressure for more intense land uses.

In addition to increasing operating revenues, the consistent capital improvement contributions have highlighted the Port's stability in the region. Since 2001, the Port has invested roughly \$26.3 million per year on capital investments for both the recreational and maritime areas of their property (see **Table IV-2**).

Figure IV-1: Port of San Diego Maritime Operating Revenues



Source: Port of San Diego Annual Report



Table IV - 2
Port of San Diego Revenue & Capital Investment Trends

Port of San Diego Statistics	2001	2002	2003	2004	2005	2006	2007
Maritime Operating Revenues (in 1000s)	\$16,776	\$16,148	\$19,281	\$22,950	\$23,569	\$34,633	\$37,750
Port Capital Project Investments (in 1000s)	\$25,327	23,769	13,273	\$48,200	\$24,800	\$23,300	\$25,200

Source: Port of San Diego Annual Reports

Prominent Port Tenants

Several tenants on the Port run large scale industrial and/or commercial operations that not only impact the county of San Diego, but the nation as a whole. Together these firms represent some of the most prominent economic drivers on the tidelands. These tenants are described in more detail below.

National Steel and Shipbuilding Company (NASSCO)

NASSCO, which designs and builds Navy auxiliary vessels, oil tankers and carrier vessels for dry cargo containers, remains one of the most prominent businesses at the Port of San Diego. The largest employers on the tidelands with over 4,500 workers in FY 2005 and the only major shipbuilder on the West Coast, NASSCO is not only important to the region, but to the nation's shipbuilding operations as a whole.

In total, NASSCO maintains two inclined building ways, each 900 feet long by 110 feet wide; an 820 foot long, 136 foot wide floating dry dock with a lift capability of 44,000 tons; and a 1,000 foot long 170 foot wide graving dock. Boats are built or serviced using 10 on-site cranes each with individual lift capacities of up to 300 tons and several multi-crane lifts which together can lift up to 580 tons. Needless to say, with these facilities, NASSCO provides unique services to the region's water dependent commercial and military sectors, and cannot easily be replaced by other firms in San Diego County.

Pasha Automotive Services

First opened in 1990, Pasha Services serves the region as a major auto transportation firm. Occupying 157 acres and over 350,000 square feet of total warehousing space, Pasha processes over 350,000 vehicle annually and provides San Diego with a port of entry for Acura, Hino Motors, Honda, Isuzu, Mitsubishi, and Volkswagen vehicles. With roughly 280 full time employees, Pasha provides vehicle processing that includes painting, body repair, post production retrofitting and inspection prior to land transport via truck or rail. Similar to NASSCO operations, the scale of



activities at Pasha would be difficult to replicate at other locations along the West Coast. As a result, this firm will continue to be extremely important to the San Diego County, the West Coast and even parts of Latin America through its operations on Port tidelands.

Dixieline Lumber

At the Port of San Diego, Dixieline Lumber is responsible for activities related to the importing and distribution of lumber and lumber materials from areas in the Pacific Northwest and Canada. Located in National City, this firm employs over 200 workers and is the largest tax revenue source for the City.

Dole Fresh Fruit

Dole Fresh Fruit began its operations on the tidelands in 2002 following \$26 million of infrastructure investments and capital improvements made by the Port. Specializing in the shipment of bananas and pineapples to destinations west of the Rocky Mountains, this facility is among the most successful operations at the Port. In fact, Dole Fresh Fruit Co. was named Importer of the Year in 2004 by the San Diego World Trade Center during their 27th annual awards program. According to Dole representatives, their location at the Port near key cold storage facilities is integral for their ability to compete with other fresh fruit carriers serving the Los Angeles and Long Beach ocean complex.

Port of San Diego Land Issues

ERA interviewed Port staff on their impressions of land use needs for operations at the TAMT and the likely impacts on the Barrio Logan community. As suggested by the statistics above, Port staff noted that demand has been increasing for more warehousing space in the area, but that limited industrial land supply around the terminal and increased demand for more intense land uses has made land values unaffordable. Staff at the Port fear that encroaching uses which do not mix well with industrial tenants (i.e. residential units and some types of office developments) may further push industrial users out of the area. The loss of industrial inventory near the Port will hinder its ability to expand and reduce its attractiveness for supporting maritime tenants resulting in lower operating efficiencies for these maritime industries. Furthermore, the notable tenants described above are very important contributors to the regional and national economies, and could not be easily replaced or accommodated elsewhere in San Diego County.



Section V: Locally Generated Demand

Barrio Logan Retail Demand

With less than 4,000 residents, a large number of children and fairly low per capita incomes, the Barrio Logan population is not able to support very much retail space given its current demographic composition. Historically, a few convenience markets and Hispanic restaurants have served the local community. The fast food establishments and strip centers cater more to the lunch time needs of the industrial work force.

Barrio Logan Taxable Sales

An analysis of the retail sales generation by businesses located in Barrio Logan suggest that a large majority of the sales is not to local residents. As shown in **Table V-1**, the transportation, construction and business to business categories generated two-third of the taxable sales within Barrio Logan. These tend not to be local serving retail categories. The local serving sectors include food products and general retail. Food product sales have not kept pace with inflation over the past couple of years, and general retail sales have declined.

Table V - 1
Barrio Logan Retail Sales Tax by Major Category

Retail Category	2005		2006		2007		2005 - 2007	
	Total Retail Sales	Percent Distribution	Total Retail Sales	Percent Distribution	Total Retail Sales	Percent Distribution	Absolute Change	Percent Change
Transportation ¹	\$184,244	24%	\$209,365	26%	\$257,120	30%	\$72,876	40%
Business to Business ²	\$218,474	29%	\$223,941	27%	\$231,720	27%	\$13,246	6%
Food Products ³	\$198,085	26%	\$205,377	25%	\$199,979	23%	\$1,894	1%
Construction	\$74,021	10%	\$90,203	11%	\$87,745	10%	\$13,724	19%
General Retail	\$80,777	11%	\$80,560	10%	\$70,391	8%	(\$10,386)	-13%
Miscellaneous	\$10,538	1%	\$10,597	1%	\$11,222	1%	\$684	6%
Total	\$766,139	100%	\$820,043	100%	\$858,177	100%	\$92,038	12%

¹ Includes Sales at automotive stores, car dealerships, service stations, etc

² Includes Sales for businesses whose primary products are sold to other businesses

³ Includes Sales for grocery stores and restaurants

Source: The State Board of Equalization (SBE); Summary by Economic Groups and Business Code - MuniServices, LLC; Reviewed for confidentiality requirements and provided by the City of San Diego, City Planning and Community Investment (CPCI).



Mercado Development

Recently, Shea Properties was selected by the City to develop the Mercado Project on the vacant parcels bound by the Coronado Bridge to the south, Main Street to the west, Cesar Chavez Parkway to the north and National Avenue to the east. When completed, the development will include twelve market rate for sale housing units, 60 rental units, 84,500 square feet of neighborhood serving retail uses (anchored by a Hispanic grocery store) and 63,000 square feet of community facilities.

The Mercado development will provide much better retail services to this historically under served community. However, it will need to attract patrons from downtown, East Village and Logan heights to thrive as a retail center. The Hispanic grocery store will likely attract patronage from regional Hispanic households, particularly for special occasions.

Additional future retail development within Barrio Logan will depend upon more intensive residential and office development. Unless this community grows substantially, the Mercado project will provide sufficient local serving retail for the foreseeable future. In fact, its success may be in part achieved at the expense of the smaller and less competitive establishments.

Social Housing Need in Barrio Logan

Because of its proximity to a large number of job opportunities in the downtown, the Port and nearby industrial areas, Barrio Logan enjoys a strong location for the development of affordable housing. Affordable housing, because it depends upon financial assistance from governmental entities or non-profit social agencies, is social rather than market housing. The number of additional affordable units in Barrio Logan depends upon amount of funds available for such housing and public policy decision regarding where to locate such housing rather than housing market economics. Barrio Logan is the home for two successful social housing projects, and will soon site two more developments that provide housing at affordable levels. ERA interviewed personnel at four projects that are providing or will soon provide social housing in the community plan area.

Mercado Apartments

Built in 1995, the Mercado Apartments features 144 affordable units on Crosby Street, providing much-needed housing for hundreds in the community. Highlighting its success, the project was honored with the prestigious Urban Land Institute award for "best integration of design."

Presently, the development is fully occupied by three to six person families with little to no turnover. When the apartments first opened, 35 percent of the units were difficult to fill, even with a two to three year waiting list. However, in general, the demand was extremely high for this type of housing.



Approximately, 50 to 60 percent of the apartments were filled from those households who had put their name on the waiting list for two or more years. The remainder was filled with those who had been waiting six months to a year for housing in the area.

The housing manager at the project mentioned that difficulties for continued social housing in the community include:

- A lack of services in the neighborhood that support their residents, such as after school programs, or space for local vendors.
- The need for more parking close to the residents.
- Conflicting land uses, such as neighboring industrial uses close to the apartments. Because demand has remained so high for these units, the proximity of industrial buildings near the project has not led to sizable vacancies. However, this problem may grow over time.

Gateway Apartments

Situated at 1605 Logan Ave. and 16th St., the Gateway Apartments features four stories built over a two-level underground garage as well as a separate community building with a clubhouse, computer learning center with free Internet access, and other amenities. Gateway, developed by nonprofit developer Las Palmas Foundation, offers 17 two-bedroom as well as 25 three-bedroom units, ranging from 860 to 1,100 sq. ft. All apartments will be reserved for households earning between 30 and 60 percent of the area median income (AMI) for San Diego County, as published by the Department of Housing and Urban Development (HUD). Monthly rents range from \$498 to \$1,189

Local demand for these units has been extremely high. The project opened in 2008, and within 45 days, 40 of the 41 available units has been occupied. Tenants have been very mixed and include young families, extended families, couples, roommates. While ethnic backgrounds of tenants have been somewhat diverse, the majority are of Hispanic decent. About 60 percent of tenants are from the immediate neighborhood and the remaining 40 percent are from the San Diego metro area. The 30/40 percent AMI units already have a waiting list of 25 household with more applications to be reviewed. The 50/60 percent AMI units have a shorter waiting list of three.

La Entrada

According to the City of San Diego Redevelopment Agency, La Entrada Family Apartments will provide 85 units of for-rent affordable housing for families in the eligible income guidelines. The project will be located on the 1700-block of Logan Avenue and bounded by Sigsbee and Beardsley



streets. It will replace five businesses and 13 residential units, creating seven times more housing than what currently exists on the same footprint in a well integrated design. When completed, the development will feature 13 two-bedroom units, 60 three-bedroom units, and 12 four-bedroom units. Rental rates will range from \$470 to \$940 for the two-bedroom units, \$540 to \$1,100 for the three bedroom units, and \$600 to \$1,200 for the three-bedroom units.

Scheduled for an opening at the end of 2008, the project manager notes that demand has been incredible for the units. The preliminary waiting list is already extensive and the developer expects La Entrada apartments will be 100 percent leased at opening. Most of the demand has been from the local area, and priority will go to the any neighborhood resident that has been displaced as a result of the development. Financing has been the biggest challenge to building social housing in the area, and while the surrounding community and city have been very supportive and cooperative, the project has still taken several years to get entitled and constructed.

Los Vientos

AMCAL Multi-Housing, Inc., one of California's leading builders of workforce and low-income housing, recently broke ground on Los Vientos. Featuring 89 family apartments, Los Vientos is scheduled to open in July or August 2009.

AMCAL chose to build in Barrio Logan because of the high demand for affordable housing in the city and the strong community and political support for the development and the available land in the community plan area. Similar with the project manager of La Entrada Family Apartments, the developer has been surprised with the exceptional local demand and expects to be fully leased and occupied within a few months of opening. The project fills a need for affordable family housing that does not currently exist in the community, with the majority of the units featuring three or four bedrooms.

Section VI: Long Term Land Use Demand Estimates

Three Types of Market Forces

ERA identified three types of real estate market forces which have the potential to influence future development within the Barrio Logan Community Plan Area. These included:

- A growing Port of San Diego and its associated industrial land requirements.
- Growth from the within the existing Barrio Logan community.
- The expansion of Downtown San Diego.

While the Port is interested in maintaining an area for the expansion of maritime industrial uses, these heavy industrial uses are able to support land values only one-fourth or one-fifth of the values supported by the more vertical development associated with downtown expansion. Many Port-related businesses are interested in expanding. Some Barrio Logan employers such as NASSCO have moved their expansions into Otay Mesa because they could not be accommodated at the Port of San Diego. There is clearly strong demand for industrial space in Barrio Logan, but some of the large-scale industrial businesses face difficulties remaining or expanding in Barrio Logan because they cannot compete in terms of land values against urban housing or office development. However, many of these businesses are integral to the regional economy and could not be easily replaced or relocated to other parts of the county.

The Barrio Logan community has expressed a strong interest in additional affordable housing and neighborhood-supporting retail development. The development of more affordable housing units will be influenced by the regional need for affordable housing units, availability of public and/or non-profit agency financing, and other considerations outside of the private real estate market. The forecast of household growth in Barrio Logan is fairly modest, and can support limited additional commercial development, given current unemployment and household income levels. It is anticipated that much of the demand for locally serving retail in Barrio Logan will be met by the planned Mercado development, which will also need to attract patrons from well beyond the boundaries of Barrio Logan in order to be successful. However, if the income levels of Barrio Logan residents improves significantly, or higher density housing is developed in the neighborhood, resulting in a larger number of households, some retail development in addition to the Mercado may be supportable.

The third dominant real estate market force flowing into Barrio Logan is the land requirements of an expanding Downtown San Diego. The northerly portion of the Barrio Logan Community Plan Area is



facing pressure for additional market-rate housing, office, and possibly hotel development. Housing and office space, if developed in this neighborhood, would offer lower per square foot costs as compared to the downtown and East Village. The portion of Barrio Logan most attractive for market-rate real estate development is the area northwest of the Coronado Bridge, which is very accessible and considered by brokers and developers as a natural extension of the downtown and East Village.

Based on the market demand for real estate moving forward in the San Diego region, ERA estimated the amount of development possible in Barrio Logan in the long term. These estimates are purely a reflection of market-based demand for each of the land uses. The community plan will determine how much of these land uses are developed and at which locations.

Office Development

Based on SANDAG projections of total employment growth in the county, ERA estimated office employment growth from 2010 to 2030. Using the industry standard of 250 square feet of gross office space per employee and an occupancy rate of 94 percent in a stable market, ERA estimates that there will be demand for over 40 million square feet of office space from 2010 to 2030 (see **Table VI-1**).

Table VI-1
Estimated Potential Demand for Office Space in San Diego County
 (in square feet)

	2011-2020	2021-2030	2011 - 2030
Change in San Diego County Office Employment	75,281	77,692	342,039
Office Demand Growth			
Office Demand Growth @ 250 gross sf per new employee	18,820,000	19,423,000	38,243,000
Occupancy in Equilibrium (%)	94%	94%	
New Employment-Generated Demand (sf)	20,021,300	20,662,800	40,684,100
Capture Rate Centre City and Barrio Logan			
Low	7.5%	13.5%	
High	12.5%	19.0%	
Office Demand Centre City and Barrio Logan			
Low	1,502,000	2,789,000	4,291,000
High	2,503,000	3,926,000	6,429,000

Source: SANDAG, CoStar, Economics Research Associates

Office absorption in the Downtown San Diego (Centre City Community Plan Area) averaged a modest 45,000 square feet per year for the past eight years. However, as transit service and residential



proximity become more important in determining office location due to high fuel cost, Downtown San Diego's office market position can be expected to improve. ERA expects the pace of office development in the Centre City and Barrio Logan Community Plan Areas combined to range from a low of 150,000 square feet to a high of 250,000 square feet per year during the 2011 to 2020 decade. For the following decade, demand will be even higher and will average in the 280,000 to 400,000 square feet per year range. ERA's estimated market share for Barrio Logan is a modest five percent for the 2011 to 2020 decade and perhaps seven percent for the 2021 to 2030 decade (see **Table VI-2**). At these market shares, Barrio Logan can expect between 270,000 and 400,000 square feet of office construction during the 2011 to 2030 period. Some of this office space will be built in renovated warehouse and industrial buildings but most will be built new. The tenants are likely to include architect's offices, art galleries, start-up companies, furniture show rooms and other trendy firm unwilling or unable to pay downtown rents.

Table VI-2
SUMMARY OF MARKET DEMAND IN CENTRE CITY AND BARRIO LOGAN

	2011-2020		2021-2030		2011-2030	
	Low	High	Low	High	Low	High
Office Demand (SF)						
Centre City and Barrio Logan	1,500,000	2,500,000	2,800,000	4,000,000	4,300,000	6,500,000
Barrio Logan	75,000	125,000	196,000	280,000	271,000	405,000
Barrio Logan Percentage	5.0%	5.0%	7.0%	7.0%	6.3%	6.2%
Housing Demand (Market Rate Units)						
Centre City and Barrio Logan	8,500	10,500	9,000	11,000	17,500	21,500
Barrio Logan	510	630	900	1,100	1,410	1,730
Barrio Logan Percentage	6.0%	6.0%	10.0%	10.0%	8.1%	8.0%
Hotel Demand (Units)						
Centre City and Barrio Logan	3,400	4,000	4,400	5,000	7,800	9,000
Barrio Logan	136	160	308	350	444	510
Barrio Logan Percentage	4.0%	4.0%	7.0%	7.0%	5.7%	5.7%
Retail & Restaurant Demand (SF)						
Centre City and Barrio Logan	755,000	965,000	860,000	1,080,000	1,615,000	2,045,000
Barrio Logan	44,550	56,650	81,800	102,000	126,350	158,650
Barrio Logan Percentage	5.9%	5.9%	9.5%	9.4%	7.8%	7.8%

Source: Economics Research Associates

Market Rate Housing

The greatest demand pressure for Barrio Logan real estate is from housing. The area is within walking distance or one trolley stop of the downtown employment concentration and the Petco Park/Gaslamp District, is close to numerous industrial jobs and has terrific access to the freeway system. SANDAG projects that the number of households in the City of San Diego will increase by over 50,000 from 2011 to 2020, and nearly 40,000 from 2021 to 2030 (see **Table VI-3**). Based on



these forecasts, ERA estimates that the Centre City and Barrio Logan will capture approximately 17 to 21 percent of citywide housing demand from 2011 to 2020. In the period from 2021 to 2030, the Centre City and Barrio Logan are estimated to capture between 24 and 28 percent of citywide housing demand.

Buyers and renters seeking a near downtown location, close to the waterfront, and an urban setting will find new housing in Barrio Logan to be of good value compared to other Central San Diego neighborhoods. Barrio Logan could capture approximately six percent of the housing demand in the Centre City and Barrio Logan areas. ERA's 20-year (2011 to 2030) forecast for market rate housing demand in Barrio Logan ranges from a low of 1,400 units to a high of over 1,700 units (Table VI-2).

The demand likely breaks down to 15 to 20 percent industrial style loft units, 40 to 45 percent townhouses or condominiums, and 40 percent rental apartments. The lofts and apartments will lead the owner housing into this area.

Hotel Potential

Barrio Logan even has hotel development potential because of its proximity to Downtown San Diego and its employment and entertainment concentration. ERA's 20-year (2011 to 2030) forecast for hotel development ranges from 440 to 510 rooms, most likely in three limited service properties. The demand forecast is for one hotel in the first decade (2011 to 2020) and two additional ones in the second decade (2021 to 2030).

Additional Retail Opportunity

The completion of the Mercado complex and the MetroCenter at the northern edge of this community, will satisfy much of the near term retail demand. Over the longer term, the amount of additional retail development will depend upon the magnitude of office and housing construction. Assuming that office development and market rate residential proceed in Barrio Logan, then ERA's 20-year (2011 to 2030) forecast for retail and restaurant development ranges from 125,000 to 160,000 square feet. This retail is likely to include restaurants, art galleries, furniture showrooms, specialty shops and convenience retail and services for local residents.



**Table VI-3
Projected Household Trends in Market Area**

Region	2007 - 2010	2011 - 2020	2021 - 2030	Total
Incremental Household Growth in City of San Diego ¹	12,755	50,088	38,326	101,169
<u>Centre City and Barrio Logan Capture of Citywide Households</u>				
Low Capture Rate	15%	17%	24%	0%
High Capture Rate	18%	21%	28%	1
<u>Projected Centre City and Barrio Logan Demand in Units</u>				
Low	1,900	8,500	9,200	19,600
High	2,300	10,500	10,700	23,500

¹ Based on SANDAG projections of household growth in the City of San Diego
Source: SANDAG, Economics Research Associates



Summary

Over the next twenty years, market forces are pushing to transform the northerly portion of the Barrio Logan Community Plan Area into a central city neighborhood that is trendy, edgy and creative. Housing and office space developed in this neighborhood will offer lower per square foot costs as compared to the downtown and East Village. The amount of development expected is summaries in **Table VI-4**. The strongest market pressure is for housing development; however, there is significant demand for office, hotel and support retail as well. A well conceived Community Plan needs to recognize the power of long term real estate market forces. However, such recognition is not sufficient. The interests of the local community and that of the larger San Diego community must also be taken into consideration.

Table VI-4
ESTIMATED DEMAND IN BARRIO LOGAN FOR MARKET RATE DEVELOPMENT

	2011-2020		2021-2030		Total 2011-2030	
	Low	High	Low	High	Low	High
Office Demand						
Gross SF	75,000	125,000	196,000	280,000	271,000	405,000
Estimated Acreage	2	4	4	5	6	9
Housing Demand (Market Rate)						
Number of Units	510	630	900	1,100	1,410	1,730
Estimated Acreage	12	14	19	23	30	37
Hotel Demand						
Units	136	160	308	350	444	510
Estimated Acreage	3	4	6	7	9	11
Retail & Restaurant Demand						
Gross SF	44,550	56,650	81,800	102,000	126,350	158,650
Estimated Acreage	3	3	4	5	6	8
Total Acreage for New Demand	19	25	32	40	52	65

Source: Economics Research Associates