

### III. Market Demand Analysis

This section provides an overview of the economic and market conditions affecting growth and redevelopment opportunities in the Planning Area.

#### Key Findings

- While still rather rural in nature, both the County and the City of Napa have experienced a steady population and household growth over the last 10 years, a trend that most projections suggest will continue. Meanwhile real incomes are also expected to increase as the regions' fundamental economic prospects improve. The growth in households and income will result in increased demand for residential development and provide opportunities for expanded retail offerings.
- Once a manufacturing and industrial economy, the Napa Region's evolving economy is now heavily based on tourism and the wine industry. Employment in the County and City of Napa has increased steadily since 2000, about 14 percent overall, and healthy employment growth is expected in the hospitality industry, as well as Finance and Professional Service Jobs and Health, Educational, and Recreational Service Jobs. The expanding labor force will support more workplace development, such as office space, and provide additional job opportunities for residents in the Planning Area and the City overall.
- Currently Downtown Napa is a predominantly commercial area with limited residential units. However, a desirable environment and amenities, regional population demand, and local land constraints will make higher-density housing in Downtown Napa more attractive. Residential development opportunities are likely to be most constrained by current market conditions as well as a limited number of sites.
- There has been significant retail development in Downtown Napa since 2000 with a strong emphasis on hospitality, culinary and other leisure- and/or tourist-related establishments. However, the Downtown has been less focused on attracting or retaining convenience-related retail tenants and those more focused on meeting the daily shopping needs of local residents, and many of the Downtown tenants oriented towards this segment are struggling. The Downtown's recent success in cultivating its position in the regional tourism market, supported by a variety of public and private initiatives, is likely to cause the district to improve its reputation and range of offerings that cater to this segment.
- With Napa River Flood Project improvements reducing flooding, the City of Napa is now starting to benefit from the "cache" of the Napa Valley, and Downtown Napa is becoming a part of the visitor experience with entertainment offerings and new hotel development. Over the years, the regional hotel market has matured, attracting larger hotels and fostering more resort destinations, as further evidenced by recent hotel projects in the Downtown. Recent hotel investments coupled with the strong tourism industry suggest a favorable long-term market environment and the ability to attract additional lodging to the Downtown.

- The Napa Region is home to an emerging office market that has experienced impressive gains in the last ten years, even as other Bay Area markets have faltered. Although the recent economic downturn has led to the loss of some office tenants and vacancies, in the long term the Downtown appears relatively well-positioned to capture an increasing share of the Napa Region’s growing office market, assuming adequate space is available. With the City’s largest business park approaching buildout and continued employment growth in finance, professional services, health, education and other white-collar professions, the Downtown is becoming an increasingly competitive location. In addition, the gradual improvement in level of services, amenities, and built environment offered in the Downtown has helped foster a setting that is more attractive to a wide range of business tenants.
- Overall Downtown Napa is well-positioned to attract tenants and continued investment in a variety of higher-density real estate products. In the very near term, tenancing and (re)-development activity is likely to be constrained by the current economic environment, especially as it relates to access to real estate investment capital and consumer demand for the higher-end and/or leisure retail and services market segments and limited sites.

## Policy Context

The City’s General Plan recognizes Downtown Napa as an important economic asset and contains a number of goals, policies, and implementation programs designed to preserve and strengthen this function. For example, the Land Use, Transportation, Parks and Recreation, and Historic Preservation sections of the General Plan all include policies to support the Downtown as a vital commercial core with a mix of uses and building types, recreational amenities, and a pedestrian-friendly environment, as discussed elsewhere in this Report. Specific implementation programs range from support for business recruitment, parking, and infrastructure to specialized design, land use, and planning requirements or initiatives.

In addition to the General Plan sections noted above, both the Economic Development and Housing sections also include a number of policies and implementation programs that have and will continue to play an important role in the Downtowns’ economic success. Chief among these include:

- **Public Improvements:** Economic Development policies direct the City to pursue a variety of infrastructure improvements of benefit to the Downtown. It also directs staff to “work closely with the Napa County Flood Control and Water Conservation District and U.S. Army Corps of Engineers to ensure the Flood Protection Plan is consistent with the City’s waterfront vision, maximizes pedestrian access to the riverfront, and ensures continuity of design among all the flood protection features including the river trail, bypass channel, flood walls, bridges, and Veteran’s Park.”
- **Hotel Development:** Economic Development policies direct the City to promote hotel development in Downtown by identifying sites, evaluating market trends, and working with property owners. It also directs the City to consider conference space in conjunction with the evaluation of hotel uses.

- **Parking Availability:** The Economic Development section, as well as other sections of the General Plan, directs the City to pursue a variety of measures to maintain an adequate inventory of parking facilities Downtown. As part of this effort, the City has established a Parking Exempt District which allows developers to pay a fee in-lieu instead of providing parking on-site.
- **Business Recruitment:** Economic Development policies direct the City to pursue initiatives and policies that support the recruitment and expansion of specialty retail, entertainment and cultural venues and events, and other land uses or tenants that cater to visitors and the discretionary spending of residents.
- **Housing Density:** The Housing Element directs the City to promote and encourage mixed use and higher density development patterns Downtown. It also establishes a maximum density of 40 to 45 units per acre for the Downtown Commercial Area.

It is worth noting that much of the Planning Area is located in a Redevelopment Area which, among other things, allows for the use of tax increment financing to support infrastructure investment and land acquisition; however, the Project Area will expire in 2012. In addition, the City requires a 10 percent affordable housing set-aside for all new residential development, although this can be satisfied off-site.

## **Economic Context**

An over-arching issue presently facing development in the City of Napa, as elsewhere in the region, is the ongoing national recession. Current market conditions are weak across the range of potential uses reflecting the national recession, instability in the credit and capital markets, reductions in retail expenditures, and declining housing prices. These conditions are likely to continue for a number of years; general consensus is that it will be 2012 before there is a return to more normal market conditions, although the pace and timing of recovery is likely to vary regionally. Even then there may be significant changes in real estate demand and markets across the range of uses including retail commercial space, office space, hotel, and housing. Although the current economic environment is an important issue affected by development feasibility, this analysis is provided in the context of a Specific Plan and thus focuses on longer-term trends and market fundamentals.

## **Socioeconomic Overview**

This section provides an overview of the local and regional economic and demographic trends that help shape development opportunities in Downtown Napa. It focuses on factors such as population growth, household size, age, and income levels, employment trends, and commute patterns. All of these factors can affect the amount and type of development that would be likely to be attracted to Downtown Napa.

### ***Demographic Trends***

#### *Households and population*

The Napa region with a strong agricultural and wine industry and abundant open space is still somewhat rural in nature compared to the other counties in the San Francisco Bay region. Despite its rural nature, both the County and City of Napa have experienced relatively steady population growth over the last ten years, making it the second fastest

growing county among the nine San Francisco Bay Area counties. Specifically, between 2000 and 2008, the County grew by about 1.4 percent per year or by 11 percent while the City grew by 1.1 percent per year or by 9 percent (see Table 1). The City of Napa accounted for about 62 percent of total County growth although American Canyon grew the fastest at 6.4 percent per year. By way of comparison, the neighboring counties of Solano, Contra Costa, Sonoma, and Marin grew by 14, 10, 9, and 4 percent, respectively, in the same period, while the nine County Bay Area grew by 8 percent.

Up-to-date household and population growth estimates for the Downtown Planning Area are not available from public sources. However, according to Claritas, a private vendor of demographic and market data, household growth in the Downtown Area was stagnant. However, the Downtown Riverfront being completed in 2009 will add to Downtown's housing stock.

The Citywide household growth trends are expected to continue, if not decline slightly. According to the Association of Bay Area Governments (ABAG), household growth is expected to be about 1 percent per year between 2005 and 2030, or an average of about 240 households per year. In 2030, there are expected to be an estimated 36,000 households in the City, an increase of about 6,000 households from 2005, a 20 percent increase. If accurate, this suggests healthy household growth potential in the Downtown.

#### Age distribution

There appears to be notable differences in the age distribution within households in the Downtown Planning Area relative to the City as a whole, according to data from the U.S. Census and Claritas (see Table 3). Consistent with other downtowns, the population in the Downtown Planning Area tends to be younger, working-age with no children. As shown, there are proportionately more 18 to 34 year-olds in the Downtown Planning Area than in the City, 34 percent versus 24 percent, respectively. Moreover, there are fewer children in the Downtown Planning Area than in the City (15 percent compared to 23 percent, respectively), suggesting that more households with children choose to live in other areas of the City potentially because of larger homes and lots appealing to families. The City's population is also proportionately older than the Downtown Planning Area population (those 65 years and older represent 14 percent of the City's population compared to 7 percent in the Downtown Planning Area).

#### Household incomes

Household incomes in Napa County fall within the middle of the range of incomes in the Bay Area overall. In 2005 the County's mean household income of \$85,900 was not as high as those in San Mateo and Marin Counties (\$121,700 and \$121,600, respectively), but were higher than the incomes in the proximate counties of Solano and Sonoma (\$84,400 and \$82,600, respectively).

The City's mean household income of \$81,800 is slightly lower than the County (see Table 1). However, household incomes in the City are expected to increase at a faster pace than the County. In fact, in 2030 the City's mean household income is expected to be equal to the household income in the County at \$111,800.

The Downtown Planning Area's median household income appears to be lower than that of the City and County overall based on the limited data available (with only a small number of Downtown units). Specifically, median household income in the Downtown

Planning Area of about \$41,100 in 2008 compares to \$61,500 Citywide. Again, below-average household incomes are not uncommon in Downtown areas because these areas typically have a larger percentage of smaller, higher-density, and older units often with only one income earner.

### ***Employment Trends***

The type and amount of employment growth in the Napa region will impact development opportunities in the Downtown Planning Area in two primary ways: (1) it will influence the type of tenants that choose to locate there and (2) it will provide job opportunities for potential Downtown and citywide residents.

Historically, the Napa region was known primarily for its tanneries and industrial pursuits. Although manufacturing still accounts for 18.3 percent of the County's total employment, which totaled 70,000 jobs in 2008, according to the California Employment Development Department (EDD), the region is increasingly attracting tourism-related jobs driven by the wine, culinary, and recreation sectors (see Table 4). Historically, agricultural and wine interests developed north of the City while much of the light industry, banking, commercial and retail activity evolved within the City and along the Napa River through the Downtown. The region's evolving economy is now heavily based on tourism, which directly accounts for 14.2 percent of County employment but is indirectly represented in manufacturing, retail and whole-trade, and other sectors. The other major employment sector is Government, which accounts for about 16.5 percent of the County's jobs.

Overall, the number of jobs in the County increased by almost 8,000, or by about 14 percent, between 2000 and 2008 with the leisure and hospitality and manufacturing sectors accounting for the largest share of growth. Other sectors experiencing significant employment increases include Trade, Transportation, and Utilities (1,300 new jobs) and Government (1,200 new jobs). Some of the major County employers include Napa State Hospital, Napa Unified School District, Cultured Stone Corporation, and Queen of the Valley Hospital.

Employment trends in the City of Napa have been similar to those in the County. According to the EDD, employment in City grew from about 40,000 in 2001 to 45,000 in 2008, an average annual growth rate of 1.6 percent (see Table 5). Management of Companies and Enterprises experienced the most significant employment growth (13.4 percent annually), followed by Transportation and Warehousing (6.8 percent annually) and Educational Services (6.4 percent annually). In 2007, the major employers in the City that employed over 1,000 workers included Regulus, Napa County, and Queen of the Valley Hospital (see Table 6).

ABAG projections indicate that between 2008 and 2030, the City is expected to have an additional 10,000 jobs (see Table 7), representing an increase of 1.1 percent annually, a slight decline from 2001 to 2008 (1.6 percent annually). However, the growth in specific industries is expected to change somewhat with the most significant increases expected in Finance and Professional Service Jobs and Health, Educational, and Recreational Service Jobs industries. Combined, these two industries account for almost 65 percent of the expected job growth from 2008 to 2030.

Some of the City's larger employers are located in the Downtown Planning Area which has been increasingly successful in attracting new jobs. There were an estimated 5,800 jobs in the Downtown Planning Area in 2008, with a higher emphasis on retail, public sector, and services than the City and County as a whole (see Table 2).<sup>1</sup> In addition, five of the City's largest employers are located in the Downtown Planning Area, accounting for about 30 percent of the jobs provided by the City's major employers (see Table 6). Combined, these five businesses account for a substantial percentage of the jobs in the Downtown Planning Area and include the City and County of Napa, Vintage Bank, the Napa Valley Wine Train and the Napa Register. However, it is important to note that not all Napa County jobs are located in Downtown Napa.

### ***Commuting Patterns***

Commute patterns provide important insight into the location decisions of both residents and employers. In the long run, areas such as Napa which are not major job centers will need to expand economically in order to sustain future population.

Historical data on Napa's jobs-housing balance and jobs to employee ratios suggest that the City has maintained relatively balanced population and employment growth. Specifically, since 2000 the City has consistently provided about 1.4 jobs per household (see Table 8). The ratio is slightly more favorable than the County overall, which provides about 1.3 jobs per household. The City also slightly outperforms the County in its jobs to employee ratio, suggesting a net in-commute. The City provided about 0.98 jobs per resident in the workforce in 2008, while the County currently provides about 0.91 jobs per resident in the workforce.

Although the City currently functions as an employment hub in the County it is not a regional job center. For example, according to US Census Journey-to-Work, the City had about 4,400 more employed residents than jobs in 2000 (see Table 9). In other words, there is a net out-commute of workers to other locations. However, the majority of the City's workforce, or about 58 percent, are local residents while about 17 percent commute from other parts of the County and 25 percent live outside of the County. Meanwhile, just over half of Napa's residents work within the City, and about 28 percent work elsewhere in Napa County, while only 21 percent work outside of the County. Overall, while the City provides fewer jobs than it has employed residents, a large proportion of the jobs it does provide are held by workers living in the City or County.

## **Residential Market**

This section assesses the market support for new residential development in the Downtown Napa Specific Planning Area. It describes the regional context for residential development and the market performance and prospects for new housing in the Downtown Planning Area.

### ***Housing Types***

While the housing stock in the City remains dominated by single-family units, recent development patterns suggest an increasing trend toward higher density housing types. Of the approximately 30,000 housing units in the City in 2008, roughly 70 percent were

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<sup>1</sup> This Claritas estimate of Downtown Planning Area employment is slightly higher than an estimate derived by multiplying the City's data of occupied commercial square feet in the Planning Area by an average 350 building square feet per employee assumption (see Table 17).

single-family (see Table 10). While single-family attached units experienced the fastest growth from 2005 to 2008, multifamily units experienced the largest growth from 1995 to 2005.

According to the May 2004 Downtown Napa Mixed-Use and Residential Infill Development Strategy, conducted by the Napa Community Redevelopment Agency, multifamily rental units in the City consist mainly of one-bedroom and two-bedroom units, 43 percent and 55 percent, respectively. Currently, there are very few three-bedroom units.

With only about 75 housing units, plus 50 new multi-family units just being completed at the Riverfront Mixed Use development on Main Street, the Downtown Planning Area is dominated by commercial uses. The housing stock that does exist is generally higher density than the City as a whole. According to a survey of Downtown Planning Area parcels provided by the City, roughly 75 percent of the housing units in the Downtown Planning Area are multifamily, compared to 27 percent in the City, (see Table 11). However, the Downtown Planning Area is surrounded by older historic housing neighborhoods. There are National Register historic districts adjacent to Downtown - Napa Abajo/Fuller Park as well as the Calistoga Avenue Conservation District. In general, these are low-density, single-family neighborhoods, but they do contain a variety of housing types. Before the recent economic downturn a number of these properties were renovated or redeveloped.

### ***Market Performance Indicators***

The boom followed by bust market trajectory that has characterized the national residential real estate sector over the last 10 years has had widely different impacts on the various markets and submarket in the San Francisco Bay Area. While some of the outlying areas have experienced significant reductions in prices, many areas closer to the urban cores of San Francisco and Silicon Valley have proven more resilient. In general, Napa had fallen somewhere in the middle with price declines and foreclosure rates higher than the more affluent Bay Area Counties such as San Francisco, San Mateo, and Marin areas but not nearly as steep as Sonoma or Solano Counties or elsewhere in the State.

### ***Mortgages and foreclosures***

The current financial crisis, which was driven by subprime mortgage defaults and the associated home foreclosures, resulted in a significant cutback on lending practices and available capital, reducing demand for homes. It also resulted in a large number of homes entering the market, further deflating home prices. California has the highest number of subprime mortgages in the nation and Napa County was also affected by this lending practice. The foreclosure rate in Napa County is roughly 1.4 percent, which is lower than Solano, Contra Costa, and Alameda Counties, but is higher than the Counties of San Mateo, Marin, and San Francisco (see Table 12). The foreclosure rate in the City of Napa is comparable to the rate in the County. However, Maps of Foreclosures produced by the City Housing Division with 2008 and early 2009 data from Foreclosure Radar found no foreclosures within the Downtown Planning Area.

### ***Home prices***

Following national trends, home values in the City increased in the early 2000s and then dropped in the past couple of years. Between 2000 and 2006 the median home value in

the City almost doubled, increasing from \$360,000 to \$630,000. However, home values have dropped considerably over the past couple of years and the median value is now approximately \$325,000, which is less than 2002 median home values.

Currently, housing prices in Napa County are in the middle of the range of housing prices in the Bay Area overall. In February 2009, the County's median sales price of \$322,500 was lower than Marin and San Francisco (\$775,000 and \$736,000), but was higher than the median sales prices in Solano and Sonoma Counties (\$195,000 and \$282,000). The median sales price in the City is slightly higher than the County at \$325,000 (see Table 13).

While multifamily rental units represent a relatively small portion of the housing units in the City, the apartment market in Napa County is faring better than the for-sale housing market and has exhibited stability over the past five years (see Table 14). Between 2004 and 2008 the average rent remained fairly stagnant, while the vacancy rate decreased from 5 percent to 2 percent in 2008. The City's apartment market also exhibited stability over the same time period. The City's surveyed vacancy rate for apartments with more than 20 units decreased from 3.2 percent in 2004 to 1.6 percent in mid-2008.

The 2004 Downtown Napa Mixed-Use and Residential Infill Development Strategy identified that at that time, for-sale housing was the most economically viable for residential and/or mixed-use development in Downtown Napa. Ownership housing is often better able to pay for the underlying land costs, whereas rental housing may require public financing assistance. As previously discussed, for-sale housing does not command the same sales prices as they once did. Median home values have decreased significantly since the study was originally conducted, while rents for apartments have remained stable. Additional analysis is required to determine the financial feasibility of for-sale versus rental housing given current economic conditions.

#### *Development activity*

As noted earlier, new residential development in the City has exhibited a trend toward smaller product types such as townhomes and multifamily units. While the substantial amount of new real estate investment in the Downtown in recent years focuses on commercial rather than residential development (see Table 15), one recent project was in Downtown:

- **The Riverfront:** Located along the Napa River on Main Street, the Riverfront is a mixed-use project that includes 50 residential units. The units are one- and two-bedroom units that range in size from 860 square feet to 2,134 square feet. The condominiums range in price from the high-\$400,000 to \$1.3 million. However, only a limited number of the 50 units have sold as of May 2009.

Other higher density residential projects elsewhere in the City include:

- **Lincoln Gardens:** Built in 2004, Lincoln Gardens is a 30-unit apartment and townhome development on a 1.5 acre site located at 1802 F Street. The project consists of single-story units with rents starting at \$1,475 per month and two-story townhomes with rents starting at \$1,675 per month.

- **Jasna Commons:** Completed in 2009, Jasna Commons is an in-fill mixed-use project with townhomes and live/work units on Walnut Street. The project includes 8 residential units and ground floor commercial on a 0.4 acre site.

### ***Outlook and Development Implications***

Despite current economic conditions, the longer-term strength of the larger San Francisco Bay Area economy will continue to provide spill-over demand for housing in desirable locations such as Napa. ABAG projections suggest the City's population will continue to grow over the next 20 years, albeit as a slower rate than last ten years, which would imply opportunity for new housing development in the Downtown Planning Area. While, these projections reflect underlying market economics, specific land use decisions or policies by the City can have an effect on encouraging development in select locations such as the Downtown Planning Area.

The typical market segments for higher-density housing in Downtown areas include young, employed singles and couples as well as empty nesters. These groups desire to live downtown because they offer a wide variety of cultural and social opportunities and experiences. The age distribution in the City of Napa and the Downtown Planning Area, previously discussed, indicates that a large percentage of the population fall within the target market and can further increase demand for housing in the Downtown Planning Area (see Table 3). However, continued employment growth, especially in sectors attractive to younger, entry-level employees, will be an important factor driving future residential demand Downtown.

Another factor that will continue to make Napa a competitive housing market is its relatively low crime rate compared to neighboring counties and other comparable cities, (see Table 16). In 2007, the City of Napa had a violent crime rate of 377 per 100,000 persons, which was higher than the comparably-sized suburban cities of Livermore and Pleasanton, but much lower than the nearby cities of Fairfield, San Rafael, Santa Rosa, Vallejo, and others. It is also lower than all surrounding Bay Area counties except Marin.

Schools are another factor that can contribute to Napa's competitive housing market. Downtown Napa is served by Shearer Charter Elementary School as well as the private Blue Oak Elementary School, located in a renovated historic facility, and St. John's Catholic School. Parents can also take advantage of district wide open enrollment policies.

Overall, the Downtown offers an attractive setting, desirable amenities, and an expanding array of entertainment and retail opportunities (including a Downtown grocery store) that make it an appealing place to live. Residential development opportunities are likely to be most constrained by current market conditions as well as limited sites. However, the Housing Element Update has identified over 20 sites in the Downtown Planning Area that would accommodate additional units either as stand-alone or mixed-use projects. Of course, City policies, including zoning, parking, fees, and financial assistance will also play a role in development feasibility.

### **Retail Market**

This section assesses the potential for new retail development in the Downtown Napa Specific Plan Area. Specifically the various components of retail demand (e.g.,

households, employees, businesses, and visitors) are compared to the current supply of retail in the City overall and in the Downtown Planning Area.

The recent economic trends suggest that the national retail market is likely to undergo significant transformation in upcoming years, including substantial consolidation and store closings. The combination of increasing unemployment rates, reduced consumer credit, and a potential oversupply of retail space has resulted in bankruptcies, store closures, and consolidations among a wide range of formerly successful retail chains, including Mervyn's, Sharper Image, and KB Toys (bankruptcy); Linens 'N Things, Circuit City, Office Depot, Home Expo, and Starbucks (closures); and CVS's acquisition of Long's Drugs (consolidation). However, Mervyn's was the only national chain store to close in Napa. A major shake-up in the retail market presents a high degree of uncertainty with regard to tenanting and forecasting absorption. In the long term it also offers new opportunities as more competitive retail tenants, concepts, and formats emerge and search out new locations. Retail market opportunities in the Napa Region and the Planning Area, specifically, are assessed under this national context.

### ***Retail Market Supply Overview***

The City of Napa offers a diverse mix of retail options including several neighborhood serving shopping centers, a premium outlet, and a variety of tourist oriented stores. As of 2008 there were approximately 13 retail centers for a total of 1.5 million square feet of gross leasable area (see Table 17). The largest retail centers exist outside the Downtown Planning Area and cater to the convenience related shopping and the daily needs of local residents. The most prominent of these include the South Napa Marketplace and the recently renovated Bel Aire Plaza.

Retail in Downtown Napa consists mainly of small specialty boutiques, antique stores, home furnishings, and visitor-oriented retail, as well as restaurants and wine tasting rooms. The area is dominated by family-owned or local chains rather than national, retailers. With a few notable exceptions, the space is provided in relatively older buildings with small floor plates and on small parcels. By way of example, the average size of the approximately 160 privately owned parcels in the City's Downtown Parking Exempt District (see Chapter 4 for a map) is less than 8,000 square feet. For the most part, the Downtown does not function as a centrally operated retail district and numerous individual property owners maintain and lease to tenants based on their unique circumstances and interests.

The two centrally managed shopping centers in Downtown Napa, Napa Town Center and the adjacent Parkway Plaza appear to be operating at lower levels of success than the larger retail centers elsewhere in the City. The 118,000-square foot Napa Town Center has a variety of retailers including Napa Valley Emporium, Buckhorn Grill, Ben & Jerry's, Gilwoods Restaurant, McCaulou's and the Napa Valley Visitor Center. However, the Center has a number of vacancies and modest foot traffic. The 76,000-square foot Mervyn's building anchors the Parkway Plaza area and will soon be replaced by Kohl's (scheduled to open in September 2009). There is also a relatively small-format Safeway located in the Downtown Planning Area which appears to be performing at acceptable levels; the store recently completed an interior and exterior renovation.

Overall, the Downtown Planning Area contains an estimated 1,094,824 square feet of retail space, an increase of about 8.5 percent since 2001 (see Table 18). The estimated

Downtown Planning Area vacancy rate of almost 6 percent is slightly higher than the Citywide rate of 4.8 percent, and the estimate excludes vacancies in projects currently under construction.<sup>2</sup> Based on a survey of available retail properties in Downtown Napa, the average asking lease rate is approximately \$2.30 per square foot, which is slightly lower than the Citywide average of \$3.12 per square foot (see Table 19). However, newer properties are achieving lease rates comparable to or slightly higher than the Citywide average, at \$3.25 per square foot.

Entertainment, culinary and other leisure- and/or tourist-oriented establishments appear to be the most successful retail niche in the Downtown. For example, there are numerous upscale and mid-scale restaurants that cater to locals, tourists and business lunch patrons, such as Cole's Chop House, Annalien, Piccolino's, Curbside Café, Uva Trattoria, Azzuro Pizzeria, Neela's, Gilwood's, Ristorante Allegria, Bounty Hunter, Downtown Joe's, General Store, The Border, Zuzu, Elements, Sushi Mambo, Celedon, Ubuntu and Angele. Indeed, the bulk of the approximately 92,675 square feet of new retail developed since 2001 has focused on this niche (see Table 15). Notable examples include the following:

- **Oxbow Public Market:** Opened in 2008, the Oxbow Public Market, which is modeled after the Ferry Building Marketplace in San Francisco, is another highly successful venue. Featuring 25 local food vendors, including Taylor's Refresher and organic farmstands, the Oxbow Public Market continues to attract new vendors, the latest being Kara's Cupcakes, which first opened in San Francisco in 2006.
- **Napa Mill:** The Historic Napa Mill, a National Registered Landmark built in 1884, is located on Main Street, along the Napa River. The renovation of Napa Mill was completed in 2008 and includes approximately 66,000 square feet of entertainment and retail and the 66-room Napa River Inn. Tenants include Sweetie Pie's bakery, SILO'S Jazz Club, Angele and Celedon Restaurants, and Napa General Store.

### ***Retail Market Leakage/Capture Analysis***

A retail leakage/capture analysis compares the supply of retail in the City with demand generated by local residents, employees, and business. The spending potential of local residents is based on median household income and the percentage of income spent on various retail categories. The typical spending patterns of local employees and business establishments should also be included in the calculation. These three demand-generators can then be compared with actual retail sales to measure the degree to which retail establishments are capturing local spending potential. A capture rate of less than 100 percent indicates that local residents, employees, and/or businesses purchase a large share of their retail goods outside of the City. Conversely, a capture rate of more than 100 percent indicates that a jurisdiction is relatively successful at capturing locally generated demand as well as sales from sources outside of the City, such as tourists and visitors.

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<sup>2</sup> The vacancy rate does not include vacancies at Napa Town Center because it is difficult to determine the actual amount of vacant square feet from available data.

The City had an estimated retail capture rate of about 100 percent in 2008; the most recent year for which data is available (see Table 20). Specifically, the total spending potential from local sources is estimated at about \$918 million per year (87 percent from households, 8 percent from employees, and 5 percent from businesses) compared to actual sales in 2008 of about \$912 million. In other words, as a whole, local retailers appear to be relatively successful at generating sales levels that are equivalent to the spending potential of local residents, businesses, and workers.

Although useful, the aggregate retail supply and demand analysis described above masks potential leakage or capture patterns within particular retail categories and locations. A more detailed analysis of Citywide and Downtown Planning Area retail sales illustrates that while the City is performing well in certain retail categories it is experiencing leakage in others (see Table 21). For example, it is experiencing modest leakage in the dining, and auto sales / supplies and more significant leakage in home furnishing and appliances (including consumer electronics) categories.

The Downtown Planning Area accounted for about 11 percent of the City's total retail sales in 2008 (see Table 22). As would be expected, eating and drinking places represents the most prominent retail sector accounting for about 30 percent of total Downtown Planning Area sales and 25 percent of total Citywide sales in this category. In other words, Citywide leakage in dining establishments would have been significantly higher if not for the Downtown establishments.

### ***Role of Visitor and Tourist Spending***

As noted, the tourism industry is a significant component of the City's economy and is an especially important contributor to the retail sector. Of the nine counties in the Bay Area region, Napa County had the second highest visitor-generated tax receipts per household at \$564 (including spending by over-night and day-trips), second only to San Francisco at \$812 (see Table 23). According to a study conducted by the Napa Valley Conference & Visitors Bureau, Napa is not the primary destination for a large majority of Napa visitors. Most Napa visitors also visit San Francisco and Sonoma County. As such, Napa also benefits from the large number of visitors to the broader San Francisco Bay Area.

Following decades of minimal gains from the overall cache of the Napa Valley as a tourist destination, the Downtown is increasingly becoming a part of the Napa visitor experience. The Wine Train, until recently Copia (The American Center for Wine, Food and the Arts), and a range of new hotels, restaurants, day spas, wine tasting rooms and specialty shopping have all added to this trend. When visiting the wineries in the Napa Valley visitors now often stay and/or visit Downtown Napa.

According to the City's Economic Development Department, Napa County visitors contribute \$265 million annual benefit to the Restaurant/Food industry and \$63 million annual benefit to the local retail industry. Moreover, the 2006 Napa County Visitor Profile Study & Napa County Economic Impact Study, conducted by Purdue University, indicates that most Napa County visitors are mature in age, command higher household incomes than state and national averages and primarily come to Napa for the wineries, culinary attractions, museums, art galleries, and day spas.

Information on historical retail sales in the City further supports the importance of tourist spending on the retail sector. Retail sales in the City decreased from 2000 to 2003 and then increased significantly after 2003 (see Table 24). In other words, as tourism fell after the events of September 11, so did retail sales in Napa. In addition, sales from eating and drinking establishments represented the fastest growing retail category during this period behind service stations (a category boosted by rising gasoline prices). Despite annual fluctuations, the average growth in the City's retail sales from 2000 to 2008 was about .8 percent per year if gasoline sales are excluded (adjusted for inflation) which is slightly less than the annual increase in population and employment.

### ***Market Prospects***

The City's success in capturing the retail sales of local residents, employees, and businesses can be largely attributed to a relatively competitive supply of establishments that cater to the daily needs of these consumers and to a lack of viable competition from nearby jurisdictions. However, in recent years the City has also become more successful in capturing demand from a growing regional tourism sector. Given the recent investments in Downtown Napa (e.g., hotel development, Opera House renovation, Oxbow Public Market, Napa Mill, and mixed-use projects) coupled with regional growth in tourism, the Planning Area has established itself within the larger Napa region by providing culinary, specialty, and entertainment oriented offerings that cater to tourists, as well as local residents and businesses.

The current recession has caused significant turbulence in the retail market and created a high degree of uncertainty with regard to tenanting and absorption forecasting. However, fundamental changes in retail also present new opportunities as more competitive retail tenants, concepts, and formats emerge and establish their presence in new locations. Moreover, the Downtown's recent success in cultivating its position in the regional tourism market is likely to be self-fulfilling as the district continues to improve its reputation and range of offerings that cater to this segment.

### **Office Market**

This section assesses market conditions and trends in the Napa Region office market and their implications for future development in the Downtown Planning Area.

#### ***Regional Market Overview***

The Napa Region is home to an emerging office market that accommodates a growing number of medical, high tech, institutional, and hospitality tenants. As of 2007 there were roughly 2.2 million square feet of office space in the County with a market-wide occupancy rate close to 90 percent. Although still relatively small compared to more urban Bay Area markets (by way of comparison the City of Menlo Park has about 3.9 square feet of office), the sector has continued to expand while vacancy rates have declined, even as other Bay Area markets have faltered. The County experienced almost 800,000 square feet of net absorption since 2000, or an exceptionally high 70 percent increase in occupied square feet (see Table 25) compared to regional and national trends. Meanwhile rents have also increased steadily throughout the region, bucking both national and regional trends.

Although detailed data on the amount of total or occupied office square feet in the City is unavailable, anecdotal information suggests that it accounts for about two-thirds of the County total. The Downtown Planning Area has approximately 763,000 square feet,

and the majority of office space in the City (see Table 18). As noted earlier, while the City of Napa is not a regional employment hub, it does accommodate about half of the jobs in the County and an even higher proportion of white collar and administrative professions. In addition, there are numerous office properties in the City ranging from a large corporate business park to smaller converted residential units.

- Located in the southern part of the City along Napa Valley Highway, the 245 acre Napa Valley Corporate Park is home to some of the County's largest employers with nearly over 170 businesses and 2,230 employees (see Table 26). Many of the businesses are associated with the wine industry, including major manufacturing, warehouse and shipping facilities, printers, and bottle and cork enterprises. Other businesses include food, technology, construction, and general office. The biotech company, Dey Labs, recently announced closure because of consolidation.

### ***Downtown Office Market***

Paralleling the rest of the County, the Downtown Napa office market is also relatively strong and growing. With limited available land for building in the business parks and demand growth spurred by the regional economy, there has been increased interest in the Downtown Planning Area. Since 2001, office square feet has increased by roughly 44,000 square feet (see Table 15). In addition, there are plans for an additional 95,000 square feet from projects in various stages of the development pipeline; most of the new office projects are under construction, approximately 91,000 square feet, and will likely be complete this year.

Unlike the City's large office parks, the buildings in the Downtown Planning Area are currently occupied by more locally oriented tenants, such as attorneys, insurance companies, and financial investment offices. Some of the offices on the periphery of Downtown are converted historic residential buildings. Given the average smaller parcel sizes, few larger tenants have sought to locate in the Downtown, although several large public sector tenants (e.g., City and County offices), as well as the local newspaper, continue to maintain a presence in both older and newly developed buildings. In general, Downtown office tenants appear to be willing to pay rents that are slightly above the Citywide average (about \$2.50 per square foot per month compared to the Citywide range from \$1.60 to \$2.25, see Table 19). As would be expected, newer office properties are able to command lease rates that exceed the Citywide average at about \$3.00 per square foot or higher.

The new office projects Downtown have been both single-use and mixed-use buildings. For example, the Zeller Building, constructed in 2008, is a 13,000-square foot retail/office building on First Street. Current tenants include Paul Hansen Insurance, a soon-to-be-open Subway restaurant, and a beauty salon. Meanwhile, the Riverfront mixed-use project has an office component of 33,000 square feet that is anchored by Morgan Stanley. These tenants are consistent with the changing composition of employment growth to include more white collar and administrative professions, as describe earlier.

### ***Development Implications***

In the long term, the Downtown appears relatively well-positioned to capture an increasing share of the Napa regions' growing office market, assuming adequate space is available. With the larger City business park approaching buildout and the business

parks just outside of the City catering to a different market segment (e.g., industrial and manufacturing uses), as well as continued employment growth in finance, professional services, health, educational and other white collar professions, the Downtown Planning Area is becoming an increasingly competitive location. In addition, the gradual improvement in level of services, amenities, and built environment offered in the Downtown Planning Area has helped foster a setting that is more attractive to a wide range of business tenants.

## **Hotel Market**

This section evaluates the performance of the regional hotel market based on occupancy rates, room revenues, and new development activity, to assess the prospects for new hotel development in the Downtown Planning Area.

### ***Region Supply Overview***

The Napa Region includes a broad range of hotel offerings including high-end resorts, smaller boutiques, and economy-oriented chains. According to a 2008 HVS lodging demand study prepared for the City, the Napa region was served by 149 hotels in 2007 with a total of almost 4,000 rooms (see Table 27). Between 2000 and 2007 the supply of hotels in the region increased by 3.5 percent annually, while the number of rooms increased by 4.3 percent annually. This suggests a gradual maturation of the sector with the region attracting larger hotels and fostering more resort destinations. Hotel growth in the City of Napa has followed a similar if not more accentuated trend. Specifically, the City gained four (4) new hotels in the last 7 years for a total of 506 rooms. In 2000 each hotel had an average of 32 rooms while the two new hotels averaged 127 rooms.

There are five hotels in the Downtown Planning Area, for a total of over 500 hotel rooms (see Table 28). Two of the hotels, AVIA Hotel and the Westin Verasa, represent recently completed projects. There are also a number of hotels and Bed and Breakfast Inns located near but outside Downtown Napa. These hotels include Embassy Suites and Best Western Elm Hotel, among others.

Consistent with recent trends, the new hotel developments in the Planning Area are larger and higher-end, and offer more amenities than the older properties. In addition to the recently completed hotel developments there are plans for a Ritz Carlton just outside of the Planning Area on Silverado Trail. The approved project is expected to include 351 rooms, 15,000 square feet of retail, a 4,700-square foot restaurant, a 20,687-square foot spa, and 52,684 square feet of meeting space.

As would be expected, the room rates for recently completed hotel projects command the highest rates. In addition, the average daily rate of the hotels in the Planning Area is slightly higher than the average daily rate in the Napa Valley, \$220 compared to \$180, respectively (see Table 29). The new Westin Verasa has an average room rate of approximately \$260 per night, which is higher than the Napa Valley and Planning Area averages. New hotel development similar to the Westin Verasa is likely to command comparable rates.

### ***Regional Demand Overview***

Hotel demand is driven by tourism, visitation tied to local population (i.e., from friends and relatives), and business travel. In the Napa region lodging demand is primarily

driven by a robust tourist industry linked to wine and leisure travel. The important role of tourism in the Napa region is described in further detail above. Although the tourist market segment is highly dependent on national business cycle trends, the Napa region has proven relatively resilient because of its proximity to the Bay Area, growing appeal and low cost relative to international travel.

Demand generated by the Napa regions' population and employment base has remained relatively modest because of the smaller size of these demand segments. In addition, demand for meeting- and conference-related events has been affected by a relatively limited supply of appropriate facilities. For example, the Napa Valley Exposition represents the only significant amount of conference space in the region that combines a large multi-purpose space with a number of smaller meeting rooms as well as a range of nearby lodging and dining opportunities. Although wineries, the Opera House, the recently refurbished Uptown Theater<sup>3</sup>, and other venues all provide space that is attractive for various purposes, none of these can function as a "one-stop-shop" serving all the needs of a large, multi-day conference or convention. However, the recently developed and/or approved hotels in the area appear to be offering more services amenities and conference space designed to service this segment.

The overall strength of Napa Valley's lodging market is demonstrated by increasing revenues and a healthy occupancy rate (see Table 29). Occupancy rates fell after 2001, as the events of September 11 resulted in a sharp reduction in tourism. However, the Napa hotel market was able to rebound more quickly than most other hotel markets because of the nature of tourism in Napa. Travel to Napa is typically done via car and automobile travel was less affected by the events of 2001 than air travel. Occupancy rates increased steadily from 2004 to 2006. In addition, hotel occupancy tax income suggests a steady increase in demand (see Table 30). Specifically, the City's hotel occupancy tax has nearly doubled since 2000, growing by more than 10 percent per year, despite a small dip in 2001.

### ***Future Prospects***

Over the long term the Napa Region hotel market is likely to remain strong given the area's renowned physical and cultural amenities and proximity to major population centers. However, the actual location and success of future hotel projects will depend on how various public and private sector stakeholders leverage specific opportunities and assets. In recent years the City of Napa and private partners have made some progress toward more successfully cultivating the physical and cultural assets of the region, especially in the Downtown. Fortunately, this type of success can be self-fulfilling as tourist-related amenities and services become more concentrated and synergistic. However, the Downtown is still a long way from reaching its full potential as a prime destination for the entire Napa Region.

Both the City and County have been less successful in harnessing business related travel, in part because of the modest size of this sector and in part because of a shortage of business-oriented facilities and services relative to more mature markets nearby (e.g., San Francisco, Sacramento, and Monterey). However, assuming the region continues to experience healthy employment growth, demand for business related-accommodation will also expand and eventually reach a point where new investment in appropriately

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<sup>3</sup> The timeframe for opening of the Uptown Theater remains uncertain.

oriented facilities and services is economically viable. The meeting space and other amenities included in the Westin Verasa and the recently approved new Ritz Carlton appear to be a significant step in this direction.

**Table 1**  
**Household and Household Incomes, 2000-2030**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Item	2000		2005		2008 <sup>1</sup>		2010		2020		2030		2000-2008		2005-2030	
	#	% Annual	#	% Annual	#	% Annual	#	% Annual	#	% Annual	#	% Annual	#	% Annual	#	% Annual
<b>Households</b>																
Napa County	45,402		49,270		50,590		51,470		55,740		58,640		5,188	1.4%	9,370	0.7%
City of Napa	28,073		29,950		30,682		31,170		33,930		35,770		2,609	1.1%	5,820	0.7%
% of County	62%		61%		61%		61%		61%		61%		--	--	--	--
American Canyon	3,236		4,900		5,296		5,560		6,500		7,080		2,060	6.4%	2,180	1.5%
% of County	7%		10%		10%		11%		12%		12%		--	--	--	--
Calistoga	2,042		2,080		2,098		2,110		2,170		2,210		56	0.3%	130	0.2%
% of County	4%		4%		4%		4%		4%		4%		--	--	--	--
St. Helena	2,381		2,420		2,438		2,450		2,510		2,570		57	0.3%	150	0.2%
% of County	5%		5%		5%		5%		5%		4%		--	--	--	--
Yountville	1,057		1,080		1,116		1,140		1,220		1,270		59	0.7%	190	0.7%
% of County	2%		2%		2%		2%		2%		2%		--	--	--	--
<b>Mean Household Income<sup>2</sup></b>																
Napa County	\$85,600		\$85,900		\$88,480		90,200		100,500		111,800		\$2,880	0.4%	\$25,900	1.1%
City of Napa	\$76,200		\$81,800		\$84,800		\$86,800		\$98,600		\$111,800		\$8,600	1.3%	\$30,000	1.3%
% of County	89%		95%		96%		96%		98%		100%		--	--	--	--
<b>Median Household Income<sup>2,3</sup></b>																
Napa County <sup>4</sup>	\$60,796		\$62,544		\$64,758		\$66,234		\$73,797		\$82,095		\$3,962	0.8%	\$19,550	1.1%
City of Napa <sup>5</sup>	\$57,760		\$58,127		\$61,493		\$63,737		\$72,402		\$82,095		\$3,734	0.8%	\$23,968	1.4%
% of County	95%		93%		95%		96%		98%		100%		--	--	--	--

[1] Estimated assuming constant annual growth between 2005 and 2010.

[2] In 2005\$.

[3] Source: U.S. Census.

[4] Assumes the ratio of median income to mean income remains constant at 72% (average from 2000-2005).

[5] Assumes the ratio of median income to mean income remains constant at 73% (average from 2000-2005).

Sources: Association of Bay Area Governments (ABAG); U.S. Census; Economic & Planning Systems, Inc.

**Table 2**  
**Downtown Vicinity Demographic and Employment Summary, 2008**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Item	Amount		Δ or %
	2000	2008	
			<u>Growth</u>
<b>Population (2000)</b>	578	567	(11)
<b>Households (2000)</b>	220	218	(2)
<b>Median Household Income</b>	na	\$41,136	
<b>Employment</b>			<u>% of total</u>
Agriculture / Mining	na	19	0.3%
Construction	na	221	4%
Manufacturing	na	354	6%
TCPU <sup>1</sup>	na	207	4%
Wholesale Trade	na	38	1%
Retail	na	1,543	27%
Finance	na	566	10%
Service	na	1,443	25%
Public Administration	na	<u>1,402</u>	<u>24%</u>
<b>Total Downtown Employment</b>	na	<b>5,793</b>	<b>100%</b>

[1] TCPU stands for transportation, communications, and public utilities.

Sources: Claritas; Economic & Planning Systems, Inc.

**Table 3**  
**City of Napa Age Distribution Breakdown**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>Area / Age Group</b>	<b>Number of Residents</b>	<b>Percent of Total</b>
<u>Downtown Planning Area<sup>1</sup></u>		
Under 17 years	84	15%
18 to 24 years	67	12%
25 to 34 years	127	22%
35 to 44 years	113	20%
45 to 49 years	49	9%
50 to 59 years	63	11%
60 to 64 years	20	4%
65 to 84 years	36	6%
85 years and over	<u>8</u>	<u>1%</u>
Total	567	100%
<u>City of Napa<sup>2</sup></u>		
Under 17 years	17,565	23%
18 to 24 years	7,212	10%
25 to 34 years	10,846	14%
35 to 44 years	10,522	14%
45 to 54 years	10,732	14%
55 to 59 years	4,598	6%
60 to 64 years	3,164	4%
65 to 84 years	8,273	11%
85 years and over	<u>1,892</u>	<u>3%</u>
Total	74,804	100%

[1] Source: Claritas (2008).

[2] Source: 2005-2007 American Community Survey 3-Year Estimates.

Sources: U.S. Census; Claritas; Economic & Planning Systems, Inc.

**Table 4**  
**Napa County Employment By Industry, 2000-2008**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Industry	2000		2008		Growth (2000-2008)	
	#	%	#	%	#	% Annual
<b>Natural Resources, Mining &amp; Construction</b>						
Natural Resources & Mining	100	0.2%	100	0.2%	0	0%
Construction	<u>3,500</u>	6.1%	<u>3,900</u>	6.0%	400	1%
Subtotal	<u>3,600</u>	6.3%	<u>4,000</u>	6.2%	400	1%
<b>Manufacturing</b>	10,300	18.0%	11,900	18.3%	1,600	2%
<b>Trade, Transportation &amp; Utilities</b>						
Wholesale Trade	1,300	2.3%	1,700	2.6%	400	3%
Retail Trade	5,800	10.1%	6,100	9.4%	300	1%
Transportation, Warehousing & Utilities	<u>1,100</u>	1.9%	<u>1,700</u>	2.6%	600	6%
Subtotal	<u>8,200</u>	14.3%	<u>9,500</u>	14.6%	1,300	2%
<b>Information</b>	800	1.4%	700	1.1%	(100)	-2%
<b>Financial Activities</b>						
Finance & Insurance	1,300	2.3%	1,600	2.5%	300	3%
Real Estate & Rental & Leasing	<u>1,300</u>	2.3%	<u>1,000</u>	1.5%	(300)	-3%
Subtotal	<u>2,600</u>	4.5%	<u>2,600</u>	4.0%		0%
<b>Professional &amp; Business Services</b>	5,900	10.3%	6,000	9.2%	100	0%
<b>Educational &amp; Health Services</b>						
Educational Services	1,300	2.3%	2,000	3.1%	700	6%
Health Care & Social Assistance	<u>6,000</u>	10.5%	<u>6,200</u>	9.6%	200	0%
Subtotal	<u>7,300</u>	12.8%	<u>8,200</u>	12.6%	900	1%
<b>Leisure &amp; Hospitality</b>						
Arts, Entertainment & Recreation	800	1.4%	900	1.4%	100	1%
Accommodation & Food Services	<u>6,800</u>	11.9%	<u>8,300</u>	12.8%	1,500	3%
Subtotal	<u>7,600</u>	13.3%	<u>9,200</u>	14.2%	1,600	2%
<b>Other Services</b>	1,400	2.4%	2,100	3.2%	700	5%
<b>Government</b>						
Federal Government	500	0.9%	400	0.6%	(100)	-3%
State & Local Government	<u>9,000</u>	15.7%	<u>10,300</u>	15.9%	1,300	2%
Subtotal	<u>9,500</u>	16.6%	<u>10,700</u>	16.5%	1,200	1%
<b>Total Nonfarm</b>	57,200	100.0%	64,900	100.0%	7,700	2%
<b>Total Farm</b>	4,900		4,900		0	0%

Sources: California Employment Development Department (EDD); Economic & Planning Systems, Inc.

**Table 5**  
**City of Napa Employment by Industry, 2001-2008**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Industry	2Q 2001	2Q 2008	2001-2008	
			#	% Annual
Agriculture, Forestry, Fishing and Hunting	2,605	2,310	-295	-1.7%
Mining	65	61	-4	-1.0%
Utilities	N/A	N/A	N/A	N/A
Construction	2,825	3,061	236	1.2%
Manufacturing	5,260	4,812	-448	-1.3%
Wholesale Trade	748	1,010	262	4.4%
Retail Trade	4,035	4,413	378	1.3%
Transportation and Warehousing	630	998	368	6.8%
Information	754	561	-193	-4.1%
Finance and Insurance	1,132	1,337	205	2.4%
Real Estate and Rental and Leasing	622	651	29	0.7%
Professional, Scientific, and Technical Services	1,416	1,599	183	1.8%
Management of Companies and Enterprises	189	456	267	13.4%
Administrative and Support and Waste Management	2,259	2,969	710	4.0%
Educational Services	382	591	209	6.4%
Health Care and Social Assistance	4,471	4,882	411	1.3%
Arts, Entertainment, and Recreation	606	627	21	0.5%
Accommodation and Food Services	3,595	4,407	812	3.0%
Other Services (except Public Administration)	1,188	1,723	535	5.5%
Not Classified	N/A	N/A	N/A	N/A
Government	<u>7,145</u>	<u>8,299</u>	<u>1,154</u>	2.2%
Total, All Industries	39,929	44,767	4,838	1.6%

Sources: California Employment Development Department; Economic & Planning Systems, Inc.

**Table 6**  
**Largest City and County Employers by Number of Employees, 2007**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>City of Napa<sup>1</sup></b>		<b>Napa County<sup>2</sup></b>	
Employer Name	Local Jobs	Employer Name	Local Jobs
Regulus	1,800	Napa State Hospital	2,006
<b>County of Napa<sup>3</sup></b>	1,288	Napa Valley Unified School District	2,000
Queen of the Valley Hospital	1,200	Cultured Stone Corp	1,500
Dey Labs	1,000	Queen of the Valley Hospital	1,400
<b>City of Napa<sup>3</sup></b>	425	<b>County of Napa<sup>3</sup></b>	1,288
Napa Valley College	266	St. Helena Hospital	1,000
Marinco	213	Veteran's Home of California	1,000
<b>The Vintage Bank<sup>3</sup></b>	180	Foster's Wine Estates Americas	650
Wal-Mart #2925	170	Silverado Country Club	575
The Meritage Resort	163	Dey Labs	547
The Meadows of Napa Valley	150	Napa Valley Community College	525
Kaiser Permanente	146	Trincherro Estates	500
<b>Napa Valley Wine Train<sup>3</sup></b>	140	<b>City of Napa<sup>3</sup></b>	425
Embassy Suites Hotel/ Rings Restaurant	120	Diageo Chateau & Estate Wine Co.	425
Napa Valley Marriott Hotel & Spa	120	Pacific Union College	330
<b>Napa Valley Register/ Publishing<sup>3</sup></b>	110	Constellation Brands, Inc.	290
Community Action of Napa Valley	105	The Doctors Company	280
Clinic Ole	101	Ligouri Associates Inc.	270
McDonald's of Napa Valley	100	Wal-Mart Stores Inc.	244
New Vine Logistics	69	Auberge Du Soleil	225
<b>Total</b>	<b>7,866</b>	<b>Total</b>	<b>15,480</b>

[1] Source: City of Napa

[2] Source: Napa Valley Chamber of Commerce

[3] Located in the Downtown Planning Area.

Sources: City of Napa; Napa Valley Chamber of Commerce; Economic & Planning Systems, Inc.

**Table 7**  
**City of Napa Employment Projections, 2000-2030**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Industry	2000	2005	2008 <sup>1</sup>	2010	2020	2030	2000-2008		2008-2030	
							#	% Annual	#	% Annual
Agriculture and Natural Resource	510	540	612	660	750	850	102	2.3%	238	1.5%
Manufacturing, Wholesale, and Transportation	5,100	5,520	5,586	5,630	6,100	6,580	486	1.1%	994	0.7%
Retail	4,640	4,920	5,070	5,170	5,690	6,190	430	1.1%	1,120	0.9%
Finance and Professional Service Jobs	5,350	5,740	5,980	6,140	7,070	7,900	630	1.4%	1,920	1.3%
Health, Educational, and Recreational Service Jobs	12,460	13,230	13,884	14,320	16,410	18,330	1,424	1.4%	4,446	1.3%
Other	5,230	5,520	5,700	5,820	6,430	6,940	470	1.1%	1,240	0.9%
Total	33,290	35,470	36,832	37,740	42,450	46,790	3,542	1.3%	9,958	1.1%

[1] Estimated assuming constant annual growth between 2005 and 2010.

Sources: Association of Bay Area Governments (ABAG); Economic & Planning Systems, Inc.

**Table 8**  
**Jobs to Employee and Jobs to Housing Ratios**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Location / Category	Year	
	2001	2008
<b>Napa County</b>		
Jobs	66,300	69,600
Housing Units	49,019	53,950
Employees	70,400	76,300
<b>Jobs to Housing Unit Ratio</b>	<b>1.35</b>	<b>1.29</b>
<b>Jobs to Employees Ratio</b>	<b>0.94</b>	<b>0.91</b>
<b>City of Napa</b>		
Jobs	39,929	44,767
Housing Units	28,065	30,094
Employees	42,000	45,500
<b>Jobs to Housing Unit Ratio</b>	<b>1.42</b>	<b>1.49</b>
<b>Jobs to Employees Ratio</b>	<b>0.95</b>	<b>0.98</b>

Sources: California Employment Development Department (EDD); California Department of Finance (DOF); Economic & Planning Systems, Inc.

**Table 9**  
**Journey to Work, 2000**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>Item</b>	<b>Amount</b>	<b>%</b>
<b><u>Napa Residents</u></b>		
<b><i>Place of Work</i></b>		
Napa	17,000	51%
Remainder of County <sup>1</sup>	6,435	19%
St. Helena	1,410	4%
Vallejo	1,020	3%
Yountville	815	2%
Other in County <sup>2</sup>	910	3%
Other Outside of County	<u>5,992</u>	<u>18%</u>
<i>Total</i>	33,582	100%
<b><u>Napa Workers</u></b>		
<b><i>Place of Residence</i></b>		
Napa	17,000	58%
Remainder of County <sup>1</sup>	3,185	11%
Vallejo	2,040	7%
Fairfield	1,050	4%
American Canyon	700	2%
Vacaville	615	2%
Other in County <sup>2</sup>	930	3%
Other Outside of County	<u>3,646</u>	<u>13%</u>
<i>Total</i>	29,166	100%

[1] Refers to the unincorporated County.

[2] Refers to other cities in the County.

Sources: U.S. Census and Economic & Planning Systems, Inc.

**Table 10**  
**Housing Units: City of Napa, 1995-2008**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Item	1995		2000		2005		2008		1995-2005		2005-2008	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Total Change	Annual Growth Rate	Total Change	Annual Growth Rate
<b>Single-Family Units</b>												
Detached	16,509	62%	17,342	62%	17,943	61%	18,172	60%	1,434	0.8%	229	0.4%
Attached	<u>1,783</u>	<u>7%</u>	<u>2,059</u>	<u>7%</u>	<u>2,161</u>	<u>7%</u>	<u>2,426</u>	<u>8%</u>	<u>378</u>	<u>1.9%</u>	<u>265</u>	<u>3.9%</u>
Subtotal	18,292	69%	19,401	70%	20,104	68%	20,598	68%	1,812	0.9%	494	0.8%
<b>Multi-Family Units</b>												
2 to 4	2,523	9%	2,766	10%	2,811	10%	2,866	10%	288	1.1%	55	0.6%
5 Plus	<u>4,335</u>	<u>16%</u>	<u>4,220</u>	<u>15%</u>	<u>5,129</u>	<u>17%</u>	<u>5,241</u>	<u>17%</u>	<u>794</u>	<u>1.7%</u>	<u>112</u>	<u>0.7%</u>
Subtotal	6,858	26%	6,986	25%	7,940	27%	8,107	27%	1,082	1.5%	167	0.7%
<b>Mobile</b>	1,427	5%	1,389	5%	1,389	5%	1,389	5%	(38)	-0.3%	0	0.0%
<b>Total</b>	26,577	100%	27,776	100%	29,433	100%	30,094	100%	2,856	1.0%	661	0.7%
<b>Occupied</b>	25,502	--	26,978	--	28,588	--	29,230	--	3,086	1.1%	642	0.7%
<b>% Vacant</b>	4.0%	--	2.9%	--	2.9%	--	2.9%	--	(1.2)	-3.4%	0.0	0.0%

Sources: California Department of Finance; Economic & Planning Systems, Inc.

**Table 11**  
**Planning Area Housing, 2008**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>Item</b>	<b>Amount</b>	<b>Percent of Total</b>
Single-Family Units	31	25%
Multifamily Units <sup>1</sup>	<u>94</u>	<u>75%</u>
Total	125	100%

[1] Includes 44 multifamily units in buildings of 2 to 8 units and 50 condominium units in the Riverfront.

Sources: City of Napa Economic Development Department;  
Economic & Planning Systems, Inc.

**Table 12**  
**Rates of Foreclosure in the Bay Area, as of April 2009**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Location	Current Foreclosure Listings [1] <i>a</i>	Total Units (less Mobile Homes) <i>b</i>	Rate of Foreclosure <i>c = a/b</i>
Solano County	4,252	147,365	2.89%
Contra Costa County	8,707	389,876	2.23%
Alameda County	7,961	562,964	1.41%
<b>Napa County</b>	<b>701</b>	<b>49,969</b>	<b>1.40%</b>
<b>City of Napa</b>	<b>419</b>	<b>28,705</b>	<b>1.46%</b>
<b>94559 [2]</b>	<b>158</b>	<b>8,520</b>	<b>1.53%</b>
Sonoma County	2,411	186,470	1.29%
Santa Clara County	6,734	603,113	1.12%
San Mateo County	2,125	264,702	0.80%
Marin County	637	106,407	0.60%
San Francisco County	<u>1,102</u>	<u>361,217</u>	0.31%
Bay Area Total	35,468	2,729,493	1.30%

[1] Includes default, auction, and real estate owned (REO) listings.

[2] Housing unit information is not available from the Department of Finance (DOF) at the zip code level. Estimates are calculated by applying the ratio of housing units in the zip code in the City of Napa estimated by Claritas to the total number of housing units in the City reported by DOF.

Sources: RealtyTrak.com; California Department of Finance; Claritas; Economic & Planning Systems, Inc.

**Table 13**  
**Median Home Prices, 2002-2009**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

City	Feb-02	Feb-03	Feb-04	Feb-05	Feb-06	Feb-07	Feb-08	Feb-09	% Δ	
									2002 -09	2007 - 09
<b>City of Napa<sup>1</sup></b>										
Nominal	\$310,000	\$377,500	\$451,000	\$540,000	\$585,000	\$587,500	\$500,000	\$325,000	5%	-45%
Constant 2009 \$ <sup>2</sup>	\$360,018	\$424,217	\$505,789	\$596,271	\$627,557	\$610,809	\$505,815	\$325,000	-10%	-47%
<b>Bay Area Counties<sup>3</sup></b>										
San Francisco County								\$640,000		
Marin County								\$573,409		
San Mateo County								\$505,250		
Santa Clara County								\$408,750		
<i>Napa County</i>								<b>\$322,500</b>		
Alameda County								\$290,000		
Sonoma County								\$282,000		
Contra Costa County								\$216,500		
Solano County								\$195,000		
<b>Total Bay Area</b>								<b>\$295,000</b>		

[1] Based on data from the California Association of Realtors

[2] Adjusted according to the Consumer Price Index for the San Francisco-Oakland-San Jose, CA metropolitan area.

[3] Based on data from Dataquick.

Sources: California Association of Realtors; Bureau of Labor Statistics; Economic & Planning Systems, Inc.

**Table 14**  
**City and County of Napa Apartment Market Indicators**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Item	Rent Per Month <sup>1</sup>					Growth (2004-2008)	
	2004	2005	2006	2007	2008 <sup>2</sup>	#	% Annual
<u>Napa County<sup>3</sup></u>							
One-Bedroom	\$1,024	\$979	\$998	\$990	\$1,010	(\$14)	-0.3%
Two-Bedroom <sup>4</sup>	\$1,165	\$1,139	\$1,259	\$1,192	\$1,151	(\$14)	-0.3%
Three-Bedroom	\$1,277	\$1,253	\$1,651	\$1,289	\$1,325	\$48	0.9%
Average Rent (All Units)	\$1,159	\$1,128	\$1,292	\$1,165	\$1,125	(\$34)	-0.7%
Vacancy Rate	5%	5%	5%	2%	2%	(3.1)	--
<u>City of Napa<sup>5</sup></u>							
Number of Units	3,704	4,083	4,083	4,083	4,083	379	2.5%
Vacancy Rate	3.2%	5.6%	2.8%	2.6%	1.6%	(1.59)	--

[1] In constant 2008\$.

[2] Fourth quarter 2008.

[3] Apartments with 99 units or less.

[4] Average for two-bedroom, one bathroom and two-bedroom, two-bathroom units.

[5] Apartments with over 20 units.

Sources: NAIBT Commercial; City of Napa; Economic & Planning Systems, Inc.

**Table 15**  
**Downtown Projects: Recently Completed and New Construction in the Development Pipeline**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>Item</b>	<b>Residential (Units)</b>	<b>Office (Sq. Ft.)</b>	<b>Retail (Sq. Ft.)</b>	<b>Hotel (Rooms)</b>	<b>Status</b>
<b><u>Pipeline</u></b>					
The Riverfront	50	33,000	42,700	--	Under Construction <sup>1</sup>
Avia Hotel	--	--	12,600	142	Under Construction <sup>1</sup>
Napa Square	--	58,000	8,000	--	Under Construction <sup>1</sup>
Ritz Carlton	--	--	19,700	351	Approved
Nunn Office Building	--	4,468	--	--	Approved
Old Greenwood Inn	--	--	--	10	Approved
<i>Subtotal</i>	<i>50</i>	<i>95,468</i>	<i>83,000</i>	<i>503</i>	
<b><u>Recently Constructed<sup>2</sup></u></b>					
Herritt Building	--	2,768	--	--	Completed 2001
First Napa Credit Union	--	2,990	--	--	Completed 2001
Blackbird Inn <sup>3</sup>	--	--	--	8	Completed 2002
River Terrance Inn	--	--	--	112	Completed 2003
Nomura Mixed Use	1	900	--	--	Completed 2004
Restaurant Budo	--	--	5,700	--	Completed 2004
1030 Seminary	--	6,443	--	--	Completed 2007
Napa Mill <sup>4</sup>	--	--	39,400	66	Completed 2008
Zeller Building	--	6,650	6,650	--	Completed 2008
Oxbow Public Market	--	--	22,800	--	Completed 2008
Westin Verasa	--	--	4,625	160	Completed 2008
Main Street West	--	<u>24,500</u>	<u>13,500</u>	--	Completed 2008
<i>Subtotal</i>	<i>1</i>	<i>44,251</i>	<i>92,675</i>	<i>346</i>	
<b>Total</b>	<b>51</b>	<b>139,719</b>	<b>175,675</b>	<b>849</b>	

[1] These projects are near completion and are scheduled to be completed in 2009.

[2] Excludes the 92,000 square foot COPIA, constructed in 2002. COPIA has recently filed for bankruptcy and has closed.

[3] Historic building conversion: office to hotel.

[4] Renovation and hotel addition

Sources: City of Napa; Economic & Planning Systems, Inc.

**Table 16**  
**Violent Crimes Rates per 100,000 Persons <sup>1</sup>**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Jurisdiction	Selected Years			
	1997	2000	2004	2007
<u>Cities</u>				
<i>City of Napa</i>	358	284	431	377
Concord	683	384	313	400
Fairfield	770	558	726	602
Livermore	214	180	178	205
Pittsburg	571	446	440	399
Pleasanton	82	130	134	92
San Rafael	467	445	345	484
Santa Rosa	502	367	646	490
Vacaville	564	393	347	274
Vallejo	1,463	1,102	462	901
<u>Counties</u>				
Alameda County	972	652	609	823
Contra Costa County	635	474	399	478
Marin County	301	258	197	259
Napa County	321	257	342	341
Solano County	846	631	480	587
Sonoma County	406	294	472	412

[1] Violent crimes defined as crimes against people, including homicide, forcible rape, robbery, and aggravated assault.

Sources: RAND California; Economic & Planning Systems, Inc.

**Table 17**  
**City of Napa Shopping Centers**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>Name</b>	<b>Location</b>	<b>Gross Leaseable Area (Sq. Ft.)</b>	<b>Anchor(s)</b>	<b>Other Tenants</b>
<b><u>In Project Area</u></b>				
Napa Town Center	1260 Napa Town Center	118,000	McCaulou's Department Store	Buckhorn Grill, Piccolino's, Napa Valley Visitor's Center
Parkway Plaza	First and Brown Streets	76,000	Formerly Mervyn's (soon -- to be Kohl's)	
<b><u>Elsewhere in City</u></b>				
Bel Aire Plaza	3980 Bel Aire Plaza	150,000	Target, Whole Foods, Trader Joe's	Firewood Café, Peet's Coffee & Tea, Umpqua Bank
The Grape Yard	3200 Jefferson Street	36,300	--	UPS, Pasta Prego
Napa Convenience Center	3191 Jefferson Street	6,208	--	Domino's Pizza, The Undercutters
Napa Premium Outlets	629 Factory Stores Drive	171,000	--	Ann Taylor, Banana Republic, J. Crew, Tommy Hilfiger, Sunglass Hut
Northwood Shopping Center	1312 Trancas Street	120,000	Lucky's, Longs Drugs	Starbucks, Downey Savings, Wendy's, Genova Delicatessen
Riverpark Shopping Center	1525 W. Imola Avenue	132,000	Rite Aid Pharmacy	Fazzerati's Pizza, Subway, Carl's Jr.
Redwood Plaza	3365 Solano Avenue	20,737	Vallergas Market	Round Table Pizza, Creations By You (jewelry store), Bank of Napa
Silverado Plaza	605-699 Trancas Street	85,023	Long's Drugs, Nob Hill Foods	Cold Stone Creamery, Citibank, Starbucks, High Tech Burrito, Washington Mutual
South Napa Marketplace	205 Soscol Avenue	382,264	Target, Raley's Supermarket, Home Depot	IHOP Restaurant, Panda Express, Starbucks, Washington Mutual
Walmart Connection center	681 Lincoln Avenue	104,000	Walmart	Subway, Chevron
Jefferson Square	Jefferson and Trancas Streets	<u>54,000</u>	Safeway, Ross	Starbucks, US Bank, See's Candies
Total		1,455,532		

Sources: Shopping Center Directory; City of Napa; Economic & Planning Systems, Inc.

**Table 18**  
**Existing Commercial Space in Planning Area**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>Item</b>	<b>Amount</b>
<u>Retail</u>	
Total Sq. Ft. <sup>1</sup>	1,094,824
Vacant Sq. Ft.	63,450
Vacancy Rate	5.8%
Growth Since 2001 (sq. ft.) <sup>2</sup>	92,675
% of Total Sq. Ft.	8.5%
<u>Office</u>	
Total Sq. Ft.	763,133
Vacancy Rate <sup>3</sup>	5.0%
Growth Since 2001 (sq. ft.) <sup>2</sup>	44,251
% of Total Sq. Ft.	5.8%

[1] Excludes hotels and partially completed projects, such as the Riverfront. Including these properties can result in a much higher vacancy rate.

[2] See Table 15.

[3] Given the available properties listed in Table 20, the vacancy rate is approximately 4%. However, based on interviews with local brokers this vacancy rate can be much higher because of the partially completed projects that are not occupied. The 5% estimate excludes these partially built properties. Including these properties can result in a much higher vacancy rate.

Sources: City of Napa Economic Development Department;  
Economic & Planning Systems, Inc.

**Table 19**  
**Available Commercial Properties in Downtown Napa**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>Location</b>	<b>Size (Sq. Ft.)</b>	<b>Lease Rate<sup>1</sup></b>
<b><u>Retail</u></b>		
1315 First Street	5,128	\$3.25
1400 First Street	12,606	\$3.25
1201 Imola Avenue	117,586	\$2.00
813 Main Street	3,600	\$5.35
1130 Main Street	1,460	\$2.40
1144 Main Street	1,446	\$2.40
1323 Main Street	3,400	\$3.00
1424 Second Street	1,680	\$2.50
1428 Second Street	2,060	\$2.50
<b>Total/ Weighted Average<sup>2</sup></b>	148,966	\$2.27
<b>Citywide Average<sup>3</sup></b>		\$3.12
<b><u>Office</u></b>		
1400 Clay Street	4,822	\$2.80
1827 Clay Street	3,636	\$2.25
1040 Main Street	3,256	\$2.25 <sup>4</sup>
1250 Main Street	5,500	\$3.25 <sup>5</sup>
1600 Main Street	2,350	\$2.13 <sup>6</sup>
1030 Seminary Street	482	\$3.10 <sup>5</sup>
1766 Third Street	4,608	\$2.35
1250 Main Street	5,000	\$3.25 <sup>4</sup>
<b>Total/ Weighted Average<sup>2</sup></b>	29,654	\$2.49
<b>Citywide Average<sup>3</sup></b>		\$1.60 - \$2.25

[1] Reported as amount per month on a NNN basis, unless otherwise indicated.

[2] Weighted average for NNN leases

[3] Source: Terranomics. NNN lease.

[4] Modified gross lease

[5] Full service lease

[6] Lease type unknown

Sources: City of Napa; Terranomics; Economic & Planning Systems, Inc.

**Table 20**  
**Estimated Citywide Retail Market Capture Rate**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>Item</b>	<b>Amount</b>	<b>% of Total</b>
Aggregate HH Retail Exps. (\$1,000s)	\$799,213	86.6%
Aggregate Employee Retail Exps. (\$1,000s) <sup>1</sup>	\$77,347	8.4%
Aggregate Business Retail Exps. (\$1,000s) <sup>2</sup>	<u>\$46,408</u>	<u>5.0%</u>
Total Aggregate Retail Exps. (\$1,000s)	\$922,968	100.0%
Actual Retail Sales in Napa (\$1,000s) <sup>3</sup>	\$911,737	n/a
Excess Capture/ (Leakage) (\$1,000s)	(\$11,231)	n/a
Capture Rate	99%	n/a

[1] Based on 2000 Journey-to-Work data, employee expenditure estimates exclude the 58 percent of Napa jobs filled by Napa residents. The expenditure of residents that live and work in Napa is captured by the estimate of household retail expenditures. Assumes \$20 per day, 5 days per week, 50 weeks per year

[2] Based on IMPLAN average for office and R&D sectors estimated at \$1,260 per employee per year.

[3] Based on 2008 City of Napa Taxable Sales.

Sources: IMPLAN; BLS Expenditure Survey 2005-2006; City of Napa Taxable Sales 2008; Economic & Planning Systems, Inc.

**Table 21**  
**Household Citywide Retail Sales and Estimated Demand in Napa**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Retail Category	Average HH	Aggregate HH	Actual Citywide Retail		Actual Planning Area	Excess	Capture Rate
	Retail Expenditures a	Retail Exps. (\$1,000s) b=a* HHS/1000	Sales (\$1,000s) #	Per Capita d	Retail Sales (\$1,000s) # e	Capture / (Leakage) (\$1000s) g=c-b	
					% of City f=e/c		
Apparel Stores	\$1,768	\$52,960	\$71,311	\$0.89	\$2,755	\$18,351	135%
General Merchandise Stores	\$2,062	\$61,752	\$133,718	\$1.67	\$9,412	\$71,966	217%
Food Stores <sup>1</sup>	\$4,075	\$122,042	\$224,513	\$2.80	\$20,009	\$102,472	184%
Eating and Drinking Places	\$5,136	\$153,823	\$144,925	\$1.81	\$34,948	(\$8,899)	94%
Home Furnishings and Appliances	\$856	\$25,627	\$19,325	\$0.24	\$2,594	(\$6,302)	75%
Building Materials and Farm Implements	\$1,691	\$50,652	\$132,009	\$1.64	\$12,079	\$81,357	261%
Auto Dealers and Auto Supplies	\$4,785	\$143,311	\$131,489	\$1.64	\$30,582	(\$11,822)	92%
Service Stations	\$2,918	\$87,406	\$134,157	\$1.67	--	\$46,750	153%
Other Retail Stores <sup>2</sup>	\$3,394	\$101,640	\$129,498	\$1.61	\$10,138	\$27,858	127%
Total	\$26,685	\$799,213	\$1,120,944	\$13.96	\$122,517	\$321,731	140%

[1] Typically, only 35% of grocery purchases are taxable. SBE sales tax has been adjusted to reflect total retail sales.

[2] Includes specialty stores; packaged liquor stores; second-hand merchandise; fuel and ice dealers; mobile homes, trailers, campers; boat, motorcycle, and plane dealers; and business and personal services.

Sources: BLS Expenditure Survey 2005-2006, City of Napa Taxable Sales 2008, Economic & Planning Systems, Inc.

**Table 22**  
**Planning Area Taxable Sales<sup>1</sup>**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

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<b>Category</b>	<b>2008</b>
Apparel Stores	\$2,755
General Merchandise Stores	\$9,412
Food Stores	\$7,003
Eating and Drinking Places	\$34,948
Home Furnishings and Appliances	\$2,594
Building Materials and Farm Implements	\$12,079
Auto Dealers and Auto Supplies	\$30,582
Service Stations	--
Other Retail Stores	<u>\$10,138</u>
 Total	 \$109,511
 Percentage of Citywide Sales	 11%

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[1] Shown in thousands of dollars.

Sources: City of Napa Economic Development Department;  
Economic & Planning Systems, Inc.

**Table 23**  
**Visitor-Generated Tax Receipts by County**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>County</b>	<b>2006 Receipts (in millions)</b>	<b>Receipts per Household</b>	<b>% of California Receipts</b>
San Francisco	\$256.5	\$812	12.6%
<b>Napa</b>	<b>\$27.5</b>	<b>\$564</b>	<b>1.3%</b>
San Mateo	\$60.7	\$239	3.0%
Santa Clara	\$91.4	\$157	4.5%
Sonoma	\$26.2	\$149	1.3%
Alameda	\$68.8	\$130	3.4%
Marin	\$10.2	\$101	0.5%
Contra Costa	\$23.9	\$64	1.2%
Solano	<u>\$6.7</u>	\$49	<u>0.3%</u>
<i>Bay Area Total</i>	\$571.9	--	28.0%
California	\$2,042.9	\$165	100.0%

Sources: California Travel Impacts by County, 1992-2006 by: Dean Runyan Associates, Inc.; Economic & Planning Systems, Inc.

**Table 24**  
**City of Napa Taxable Sales, 2000-2008 (2008\$)**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Category	Year										Growth (2000-2008)	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	#	% Annual	
Apparel Stores	55,693	50,297	47,844	46,687	49,896	57,397	59,317	58,456	71,311	15,618	3.1%	
General Merchandise Stores	132,347	149,817	149,442	147,055	152,571	160,263	158,740	157,180	133,718	1,370	0.1%	
Food Stores	84,695	81,029	82,048	71,098	78,689	75,961	74,704	74,223	78,580	(6,115)	-0.9%	
Eating and Drinking Places	93,586	98,972	103,965	108,586	117,344	123,188	125,991	130,453	144,925	51,339	5.6%	
Home Furnishings and Appliances	29,140	28,629	25,999	24,406	25,489	25,861	24,233	24,327	19,325	(9,815)	-5.0%	
Building Materials and Farm Implements	120,637	115,156	117,261	118,045	144,881	139,593	136,381	121,274	132,009	11,372	1.1%	
Auto Dealers and Auto Supplies	153,913	143,941	141,166	138,579	138,092	135,658	137,692	142,502	131,489	(22,424)	-1.9%	
Service Stations	67,362	66,362	59,269	69,303	74,969	81,478	91,370	104,294	134,157	66,795	9.0%	
Other Retail Stores	117,926	108,398	111,244	111,133	106,877	112,340	116,403	113,189	129,498	11,572	1.2%	
Total	855,298	842,601	838,238	834,892	888,808	911,737	924,829	925,896	975,010	119,712	1.7%	
Total w/o Service Stations	787,936	776,239	778,969	765,589	813,839	830,259	833,460	821,603	840,853	33,667	0.8%	

Shown in thousands of 2008 dollars.

Sources: California State Board of Equalization (SBE); Economic & Planning Systems, Inc.

**Table 25**  
**Napa County Office Market Indicators**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Item	Year										Growth (2000-2007)	
	2000	2001	2002	2003	2004	2005	2006	2007	#	%		
Total Square Feet	1,428,610	1,581,538	1,673,481	1,836,663	1,988,480	2,107,038	2,137,378	2,201,071	772,461	6.4%		
Existing Vacancy	265,559	307,064	264,524	384,022	378,559	398,418	267,881	243,504	(22,055)	-1.2%		
Vacancy Rate	18.6%	19.4%	6.4% <sup>1</sup>	12.3% <sup>1</sup>	11.1% <sup>1</sup>	11.4% <sup>1</sup>	12.5%	11.1%	-7.5%	-7.1%		
Net New Construction		152,928	91,943	163,182	151,817	118,558	30,340	63,693	772,461			
Absorption		111,423	134,483	43,684	157,280	98,699	160,877	88,070	794,516			

[1] Excludes one special use 158,000 square foot building.

Sources: Keegan & Coppin Co., Inc./ONCOR International; Economic & Planning Systems, Inc.

68%

**Table 26**  
**City of Napa Business Parks (as of Spring 2009)**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

<b>Business Park/ Tenants</b>	<b>Size (Acres)</b>	<b># of Tenants<sup>1</sup></b>	<b>Local Jobs</b>
<b>Napa Valley Corporate Park</b>	244	172	2,234
Marine Industries Company LLC			
Meritage Resort			
Regulus Integrated Solutions			
United Parcel Service			
Winetech LLC			

[1] Number of businesses with active business licenses on file.

Source: City of Napa Economic Development Department;  
Economic & Planning Systems, Inc.

**Table 27**  
**Hotel Inventory, 2000-2007**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Item	Year		Growth (2000-2007)	
	2000	2007	#	%
<u>Napa Valley</u>				
Hotels	117	149	32	3.5%
Guestrooms	2,957	3,979	1,022	4.3%
Avg. Rooms per Hotel	25	27	--	--
<u>City of Napa</u>				
Hotels <sup>1</sup>	35	39	4	1.6%
% of Napa Valley	29.9%	26.2%	--	--
Guestrooms	1,132	1,638	506	5.4%
% of Napa Valley	38.3%	41.2%	--	--
Avg. Rooms per Hotel	32	42	--	--

[1] Includes River Terrace Inn, Meritage, Hilton Garden Inn, and Westin Verasa (under construction though not complete in 2007).

Sources: HVS Consulting and Valuation; City of Napa; Economic & Planning Systems, Inc.

**Table 28**  
**Hotels in the Planning Area**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Property	# of Rooms	Average Daily Rate				Average
		In-Season Weekday	In-Season Weekend	Off-Season Weekday	Off-Season Weekend	
AVIA Hotel <sup>1</sup>	141	\$249	\$299	\$169	\$169	\$222
Napa River Inn	66	\$219	\$329	\$169	\$239	\$239
River Terrace Inn	112	\$249	\$319	\$164	\$239	\$243
Westin Verasa	160	\$259	\$290	\$239	\$269	\$264
Napa Valley Travelodge	<u>45</u>	\$112	\$160	\$112	\$160	<u>\$136</u>
<b>Total/ Average (excluding AVIA Hotel)</b>	<b>383</b>					<b>\$221</b>
<b>Total/ Average (including AVIA Hotel)</b>	<b>524</b>					<b>\$221</b>

[1] Opens Summer 2009

Sources: Respective hotels; Economic & Planning Systems, Inc.

**Table 29**  
**Napa Valley Hotel Market Trends**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Item	Year										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Occupancy	77.2%	79.2%	74.6%	77.8%	81.0%	66.3%	70.4%	69.8%	64.6%	67.1%	68.2%
Average Daily Rate	\$120.80	\$132.46	\$146.96	\$153.91	\$164.42	\$158.19	\$155.01	\$153.27	\$153.42	\$169.00	\$178.34
Revenue / Room	\$93.22	\$104.89	\$109.64	\$119.79	\$133.16	\$104.90	\$109.14	\$16.91	\$99.17	\$113.45	\$121.70

Sources: Smith Travel Research; Economic & Planning Systems, Inc.

**Table 30**  
**Transient Occupancy Tax (TOT) Revenue FY00/01 to FY07/08**  
**Downtown Napa Specific Plan: Market Assessment; EPS #18587**

Item	Amount by Fiscal Year										Growth (FY00/01-FY07/08)	
	FY00/01	FY01/02	FY02/03	FY03/04	FY04/05	FY05/06	FY06/07	FY07/08	#	% Annual %		
Revenue	\$4,386,482	\$4,268,884	\$4,753,655	\$5,121,750	\$5,694,979	\$6,233,067	\$7,737,905	\$8,715,650	\$4,329,168	98.7%	10.3%	
% Change from Prior Year	--	-2.7%	11.4%	7.7%	11.2%	9.4%	24.1%	12.6%	--	--	--	

Sources: City of Napa Economic Development Department; Economic & Planning Systems, Inc.