appendix

ECONOMICS AND DEMOGRAPHICS

The purpose of this section is to provide background information that supports the forecasts and policies presented in chapter 3.4 of the LUCE, Diversified and Sustainable Economy. It also describes in some detail those components of the City's economic base that present significant opportunities in the future, including retail commercial activities, visitor-serving activities, creative industries, local-serving office employment, and the healthcare industry.

In reviewing this appendix, it is important to consider that the strong performance of the local economy is critical to the City's ability to fund public services as well as to maintain the proper setting for private economic activities that offer jobs and provide for other needs of local residents and visitors. In this regard, the major functions of a diversified and sustainable City economy under the LUCE may be summarized as follows:

- Create opportunities for personal and community growth and provide the basis for enjoyment of a high standard of living.

- Respond to the needs of its residents for local services and provide a source of jobs.
- Respond with flexibility to technological change and adapt to internal and external forces for change.
- Promote superior economic performance by capitalizing on opportunities presented by land use and related development policies that encourage businesses locating in the City.
- Serve as an important force in the promotion of social equity and diverse residential neighborhoods.
- Encourage and support other goals of the community such as sustainability and mobility.
- Ensure that Santa Monica can meet its current economic needs without compromising future generations to do the same.
- Encourage and support other goals of the community such as sustainability and mobility.

BACKGROUND

In July 2005 the City's Planning and Community Development Department published the *Opportunities and Challenges Report*, a document that provides important economic background information about the City while framing the key economic questions that are addressed in the LUCE. These issues included the following:

How can Santa Monica plan for the regional aspects of its economy, medical and educational institutions, and locational draw to create balanced growth and enhance the quality of life for residents?

In this regard, Santa Monica has become a major regional source for certain types of employment, such as creative industries and medical services.

What role can visitor services play in Santa Monica's future?

The hotel sector, together with other visitor-serving industries, is a major contributor to the City's fiscal health. For Fiscal Year 2008-2009 transient occupancy tax revenues (TOTs) were $31.7 million, representing nearly 13 percent of the anticipated revenues that support the City's General Fund.

How much new housing should Santa Monica plan for to maintain inclusiveness and opportunities for affordable housing and yet retain an "appropriate town scale," and what types of new development could fulfill the City's diversity and quality of life objectives?

Housing in the City is a complex issue that transcends purely economic considerations related to the market forces of supply and demand. In recent years the combination of land scarcity, the desirability of the City as a residential location, vacancy decontrol, regional growth pressures and a multiplicity of other factors have led to an emerging polarity in the market supply of housing, with high-priced "market-rate" units at one end and low-priced "affordable" units at the other, leaving a large gap in the middle of the market that is underserved. This market need is often identified as "workforce housing," in reference to those middle income residents that provide essential services to the City's residents such as teachers, police and firemen, and hospital workers.

How best can the existing industrial areas meet Santa Monica's needs?

The *Opportunities and Challenges* Report documents that manufacturing jobs have been declining for the last 20 years, and it is highly unlikely that this trend will be reversed in the future. Notwithstanding the strong market demand for reutilization of the existing industrial lands, it is important to recognize that they constitute a scarce land resource in a community that is virtually built-out, and that they accommodate a variety of commercial and industrial services that are important both to residents and to other businesses.

What is the appropriate scale and mix of uses for boulevard commercial corridors, and what is the appropriate scale and character of specialty commercial corridors?

The LUCE envisions new land use strategies in the form of activity centers that integrate economic opportunity with transit programs, focused development incentives, and public benefits. In this regard, it is important to recognize that each of the major boulevards and commercial streets has a special character that has evolved due to its location, existing use, development character and market(s) served. The LUCE recognizes the unique elements of each corridor.

How can the City maintain its economic vitality and protect economic advantages?

According to the *Opportunities and Challenges* report, the City's economic vitality and locational advantages can be assessed from three different, yet interrelated perspectives. These are the following:

- **Employment Wage Levels.** Employment sectors can be evaluated in terms of their typical pay scales and growth characteristics as well as their multiplier effects in the local community.
- **Concentration/Specialization.** Relative to Los Angeles County, Santa Monica has a number of business types that exhibit a pattern of high concentration attributable to the community's unique location and other competitive advantages.
- **Fiscal Contribution.** Sectors can be evaluated in terms of their contribution to the City's General Fund via a range of revenue sources, including transient occupancy taxes, sales taxes, utility taxes, property taxes, and various licenses and fees.

One important set of industries that are highly concentrated in the City are the "Creative Industries" that constitute entertainment-related businesses, media/communications, and visual and performing arts. Together, they constitute an important cultural resource to the community as well as a source of local employment.

How can the City foster small businesses, "incubator" industries and establishments that contribute to, and maintain, its uniqueness?

Recognizing the importance of small businesses, in general, and the specific desire of the community to provide for the local employment space needs of local residents, the LUCE presents land use and transportation strategies that encourage locally-focused small businesses and introduces new concepts for community-scaled commercial space that is local-serving and dispersed throughout the City.

POPULATION AND SOCIOECONOMIC CHARACTERISTICS

The following sections provide a review of the population and socioeconomic trends and projections that were originally presented in the *Opportunities and Challenges* Report prepared in 2004–2005, and serve as important background information to the LUCE. Many of these original projections have been updated to reflect recent economic trends and information related to changes in housing supply and occupancy characteristics that have taken place in the community.

Southern California Regional Growth Perspectives

While the proper focus of the LUCE is rightfully placed on the future use of the lands which are within the boundaries of Santa Monica, the City's present and future is also directly related to the larger Southern California region which encompasses six counties—Los Angeles, Orange, San Bernardino, Riverside, Ventura and Imperial—and over 18 million people. Over the period 2000 to 2030, this six-county region is anticipated to grow and change as follows:

- Total population growth is projected at over 6 million persons, increasing at an annual rate of over 200,000 residents per year.

- This population increase, along with other demographic changes, will result in 2.26 million additional households that will require housing at a rate of almost 100,000 new units annually, after allowing for vacancy and the replacement of obsolete units.
- The population will age significantly; the percent of total population aged 65 years or more will increase from 10 percent to 17 percent and number over 4 million by the year 2030.
- Employment growth for the period is projected at over three million jobs or about 100,000 net new jobs on an annual basis, assuming that one of every two residents will be employed.

Given the growing scarcity of developable land within the region, the most likely impact of this regional population growth will be to create significant pressures for intensification of land use in existing cities.

Population Trends

As noted in chapter 3.4, the scale and composition of Santa Monica's current and future population is an important consideration that impacts the LUCE process, as local resident demographic characteristics provide insights regarding likely demand for housing, local services, transportation and cultural facilities. Santa Monica's population growth patterns and socioeconomic characteristics differ in material respects from the rest of the Southern California region. As a group, its residents tend to be older, more affluent, and more homogeneous racially and ethnically while living in smaller households.

In chapter 3.4, two population estimates were provided for the City as of January 2009; one was provided by the State of California Department of Finance; according to their Demographic Research Unit, the population currently stands at 92,494 persons, constituting a net increase of 8,410 persons over the last nine years. However, it should be recognized that this is an estimate based on reported housing activity and somewhat dated vacancy rate estimates and household size estimates that appear overstated given the population's age structure and housing supply composition. Accordingly, an alternative estimate based more closely on the average household size reported historically in the US Census reports suggests that the City currently has about 88,700 residents[1].

The Southern California Association of Governments (SCAG) provides forecasts of population, household and employment growth for the Southern California region that are generally relied upon by its member counties and cities for land use and transportation planning. While local jurisdictions including Santa Monica may disagree with forecast specifics, they still serve as an important baseline that reflects explicit policies at the regional scale. The most recently adopted 2008 forecast prepared by SCAG provides a 30-year projection for the region covering the period 2000-2030. After consideration of the SCAG forecasts, two forecasts for the City's future population were made, utilizing the two current population estimates as the basis for the future growth projection. As shown in Table 1 (opposite page), they suggest that the population by 2030 could range from 93,500 persons to 96,500 persons, representing a total growth for the period of between 5,100 persons and 5,600 persons, or an annual growth of 230 to 250 persons. Thus, both forecasts are consistent insofar as they represent Santa Monica as a mature city with limited capacity for significant future residential growth.

It should be noted that the *Opportunities and Challenges* Report conducted a review of prior SCAG forecasts and presented its own series of three alternative 20-year projections covering the period from 2005 to 2025 for the City of Santa Monica based upon differing assumptions about migration and growth. Under the assumptions guiding these forecasts,

[1] It is important to note that the last detailed information regarding population is nine years old, and all estimates and forecasts will be subject to review and revision upon completion of the census that will be conducted in 2010.

Table 1
ALTERNATIVE POPULATION FORECASTS FOR CITY OF SANTA MONICA
2008-2030
(Rounded)

	Estimate 2008	Estimate 2009	2010	2015	2020	2025	2030	Projected Change, 2008-2030 Annual Growth	Total
Low Current Estimate	88,400	88,700	88,900	90,000	91,000	92,000	93,500	232	5,100
High Current Estimate	90,926	92,500	92,800	93,700	94,800	95,900	96,500	253	5,574

Table 2
SOCIOECONOMIC COMPARISON: CITY OF SANTA MONICA AND LOS ANGELES COUNTY
2000

Socioeconomic Characteristic	City of Santa Monica	County of Los Angeles
Age: Median Age in Years	39.3	32.0
Percent of Residents 65 and Over	14.4%	9.7%
Persons per Household: Owners	2.24	3.14
Renters	1.63	2.84
All Households	1.83	2.98
Ethnic Composition: White, Non-Hispanic	71.9%	31.1%
Hispanic/Latino	13.4%	44.6%
All Other Ethnicities	14.7%	24.3%
Total	100.0%	100.0%
Nativity/Place of Birth: Born in United States	75.2%	63.8%
Foreign Born	24.8%	36.2%
Total	100.0%	100.0%
Language Spoken at Home: Other than English	29.2%	54.1%
Educational Attainment: Bachelor's Degree or Higher	54.8%	24.9%
Income Level: Median Family Income	$ 75,989	$ 46,452
Average per Capita Income	$ 42,874	$ 20,683
Persons Living in Poverty: Number of Residents	8,740	
Percent of Residents	10.4%	

Source: 2000 U S Census.

the projected 2025 population for the City ranged between a low of 77,215 persons to a high of 109,123 persons, representing annual net changes that range from a low of -406 persons to a high of +1,038 persons. In comparison, the current forecasts fall in the middle of the extremes that came from the *Opportunities and Challenges* report more detailed examinations.

Socioeconomic Characteristics

As a group, the residents of Santa Monica exhibit a number of unique socioeconomic characteristics that distinguishes the City from the aggregate of Los Angeles County. These special attributes are presented and summarized in Table 2.

Age

With a median age of 39.3 years, the typical Santa Monica resident is more than seven years older than the typical county resident. One in seven residents is aged 65 or over; for the county overall, less than one in ten is 65 years of age or over.

Household Size

For both owners and renters, households in Santa Monica are substantially smaller than the typical county household, averaging 1.83 persons per unit in contrast to the county's 2.98 persons per unit.

Ethnicity
Santa Monica residents classify themselves as over 70 percent "White/Non-Hispanic"; in contrast, the county overall is just over 30 percent "White/Non-Hispanic", with Hispanic/Latino residents likely to become at least 50 percent of the total population by 2010.

Educational Attainment
Nearly 55 percent of adult Santa Monica residents have Bachelor's or higher degrees, more than double the county average.

Income Level
Similar to educational attainment, the Santa Monica resident income levels are well above the county average. Per capita incomes averaged $42,874, more than twice the county average of $20,683. Median family incomes were measured at $75,989, over 60 percent higher than the county average.

Persons Living In Poverty
Despite the high educational attainment and relative affluence in the community, in 2000 over 10 percent of the City's population had incomes that were defined as at or below the poverty level.

Labor Force
The labor force includes City residents who are at least 16 years of age and are employed or looking for work. The labor force participation rate in the City is 69.5 percent, a figure substantially higher than the county average of 60.5 percent. About one-third of the labor force (32.3 percent) works in Santa Monica.

The future size and composition of the labor force, coupled with the degree to which City residents choose jobs located in the City rather than outside it, has a number of implications for planning. A good "match" between the City's labor force and the mix of jobs located in the City could lead to a higher percentage of residents who also work within the City. Such a match is encouraged by the LUCE in its support of locally-focused employment opportunities.

Three labor force projections have been prepared for Santa Monica covering the period from 2005 to 2025 based upon the alternative population forecasts presented in Table 3 (*page A-7*). The participation rates are consistent with those used by SCAG, and are generally constant over the projection period with one major exception: labor force participation is expected to increase markedly for older workers, ages 55 and over. This adjustment is consistent with national forecasting assumptions indicating that the older residents in the future will likely enjoy better overall health and longevity, thus working longer than in the past.

Under the alternative scenarios, the City of Santa Monica resident labor force is shown to potentially change in the future from its 2005 level of 51,390 participants to (1) somewhere between 65,605 participants, for a net growth of 14,215 participants; or (2) decline to 44,625 participants, thus recording a net loss of 6,765 participants. The mid-range projection suggests that the City's labor force could expand at a rate of about 400 net new participants annually, recording a net growth of 5,044 participants between 2005 and 2025.

Employment Characteristics
As noted in chapter 3.4, growth in employment is a key consideration in maintaining the strength of the local economy, as jobs typically represent the primary source of income for most residents and local employers typically are the major sources of the City's municipal revenues that pay for ongoing public services. In contrast to the City's labor force—which essentially measures the capacity of the residents to work but not where they work—employment provides a measure of the actual number of jobs that are located within the community, and serves as the foundation for

its long term economic growth and stability. As current employment totals and employment projections have been reported previously, the following paragraphs examine the unique aspects of the local employment base in the City.

There are a number of employment sectors or "industries" which have found important economic advantages from locating in Santa Monica, and so have concentrated in the City in much greater proportionate numbers than they are found typically throughout the region. This relative concentration is measured by a "Location Quotient," where a value greater than 1.00 means that the sector has a concentration of jobs in the City that is greater than the county average. Often, these industries are viewed as "drivers" of the local economy insofar as they generate income from sources located outside the City. The sectors in the City of Santa Monica which have the highest Location Quotients typically are found in four industry categories: the Information/Creative Arts, Retail, Professional Services and Visitor-Serving sectors. Those industries with the highest location quotients are listed in Table 3.

ECONOMIC SECTOR ANALYSIS

The following sectors were evaluated with respect to their potential to contribute to the economic well-being of the community:

- Hotels/Tourism
- Retail, including cinemas
- Automobile dealers, an important component of the City's retail base
- Creative employment, including both information-related and cultural occupations
- Medical Facilities

Hotel/Tourism Sector

The Hotel/Tourism sector is a major contributor to the City of Santa Monica, both as a source of private employment and as a major contributor to the General Fund through the generation of Transient Occupancy Taxes (TOT) and sales taxes. Based upon surveys conducted by the Santa Monica Convention & Visitors Bureau (SMCVB), visitors produce TOT, sales and other tax revenues that are estimated to amount to 15 – 20 percent of the current revenues of the City's General Fund; during 2007 the average TOT generated by hotel occupancies amounted to the equivalent of $9,000 per hotel room.

The SMCVB monitors the activities of three types of visitors to the City of Santa Monica:

Table 3
INDUSTRIES THAT ARE CONCENTRATED IN SANTA MONICA BASED UPON EMPLOYMENT LOCATION QUOTIENT ANALYSIS, 2004

Industry Sector	Location Quotient
Hotels, Motels and Other Accommodations (Visitor-Serving)	3.56
Real Estate	3.37
Electronics and Appliance Stores (Retail)	2.41
Non-Store Retailers (Retail)	2.38
Securities, Commodity Contracts and Other Financial (Services)	2.37
Professional, Scientific and Techical Services (Services)	2.22
Sporting Goods, Hobby, Book and Music Stores (Retail)	2.07
Clothing and Clothing Accessories Stores (Retail)	1.99
Personal and Laundry Services (Visitor-Serving)	1.97
Performing Arts, Spectator Sports and Related (Information)	1.88
Telecommunications (Information)	1.87
Motion Picture and Sound Recording Industries (Information)	1.66
Food Service and Drinking Places (Visitor-Serving)	1.64
Motor Vehicle and Parts Dealers (Retail)	1.63
Publishing Industries (Information)	1.60

Source: EDD; HR&A Advisors, Inc.

- Overnight visitors utilizing hotels.
- Overnight visitors staying with friends or other non-hotel accommodations
- Day visitors who reside outside Los Angeles County

Recent growth in visitation by each visitor type is shown in Table 4 (page A-8). Over the period 2003 to 2006/2007, total visitors to Santa Monica increased by 19 percent from 4,679,000 to 5,578,200 visitors, a net growth of nearly 900,000 visitors. Leading this positive trend has been overnight hotel guests with a 54 percent increase in their visitor nights.

The significance of an individual overnight visitor on the local economy is perhaps best expressed by their typical expenditure patterns.

Table 4
GROWTH IN VISITATION TO CITY OF SANTA MONICA, 2003–2007

	2003	2006–2007	Percent Growth
Overnight Visitors Utilizing Hotel Accommodations	496,000	761,900	54%
Overnight Visitors Staying with Friends or in Other Accommodation	178,000	200,600	13%
Day Visitors who Reside Outside LA County 1/	4,005,000	4,615,700	15%
	4,679,000	5,578,200	19%

1/ A "Day Visitor" by definition lives outside Los Angeles County. Thus, the typical Los Angeles County beach visitor/shopper is not included in the total visitor count.

Source: Santa Monica Visitors and Convention Bureau (SMVCB); W & W, Inc.

Table 5
COMPARISON OF DAILY PER CAPITA EXPENDITURES
CITY OF SANTA MONICA AND STATE OF HAWAII, 2006

		Santa Monica	State of Hawaii
1	*All Visitors*	$ 153	$ 156
2	*Hotel Visitors Only*		
	Expenditure Type	Santa Monica	Maui Island
	Lodging/Spa	$ 116	$ 130
	Shopping	*$ 73*	*$ 33*
	Food and Beverage	$ 44	$ 49
	Other	$ 23	$ 44
	Total	$ 255	$ 257

Source: State of Hawaii Department of Business, Economic Development & Tourism; SMVCB; CIC Research, Inc.; W & W, Inc.

As noted in Table 5 (page A-8), each visitor to the City spent an average of $153 per day in 2006, an amount that is equivalent to the average daily expenditure for a typical visitor to Hawaii. The visitor staying overnight in a hotel spent $100 more per day ($255) equivalent to what was spent by the overnight hotel visitor to the Island of Maui in Hawaii during the same period.

Overnight visitors to Santa Monica are served by the City's 35 hotels that presently offer 3,407 rooms. Of this inventory, 2,448 rooms, or 72 percent of the available inventory, are in the Luxury/Deluxe and First Class category. During 2006–2007 the four classes of facilities combined to achieve an occupancy rate of 83.6 percent, well above the ounty average which was in the mid-70 percent range.

The recent (2002–2008) growth in hotel occupancy rates coupled with the likely continued growth in visitation, indicate that there should continue to be a strong demand for hotel facilities. While the performance of the hotel industry has softened during the national recession in 2008 and 2009, over the longer term there should be market support of the development of new hotel facilities. As demonstrated in Table 6 (page A-9), projecting into the future 11 years to 2020 at a comparatively modest growth rate of 1.5 percent annually, hotel demand in the City of Santa Monica should reach 4,315 rooms, a net increase by 908 rooms over the current supply. Approximately 260 rooms of this total room demand would logically fall within the "Mid-Price" or "Budget/Value" price ranges.

While Proposition S places restrictions on the location of new hotel facilities westerly of Ocean Avenue, oceanview rooms are a scarce commodity and should be maintained to the maximum extent possible through renovation or replacement of existing facilities. In addition, as noted in chapter 3.4 there are a number of other areas within the City of Santa Monica that are suitable for new or expanded hotel use.

Retail Sector

Table 7 (page A-9) documents the growth in taxable retail sales over the 11-year period 1996 through 2007. During this time frame taxable retail sales have nearly doubled, increasing from $1.38 billion to $2.59 billion, a net growth of nearly $1.21 billion. The average annual rate of growth before inflation was 5.9 percent; after adjusting for inflation, the rate remained a healthy 4.5 percent. However, while the City achieved a reasonable level of growth on an overall basis, some categories of retail stores were very successful in capturing increasing demand while others failed to keep pace with the growing economy.

It should be noted that the retail stores have been grouped in a manner that reflects, to some extent, the manner in which retail stores are currently positioned in the market place. "Shopper Goods" or "Comparison Goods" refer to stores that are commonly found in regional shopping centers, specialty shopping centers, downtown districts and special boulevards like Montana Avenue and Main Street. Given the price and other characteristics of the goods sold, the customer typically "compares" alternatives while making the purchase decision. Stores selling goods in the Shopper Goods category include Apparel and Accessories stores; General Merchandise/Department stores; Furniture, Home Furnishings and Appliance stores; and Other/Specialty stores, a category covering a diverse range of shops that sell items such as jewelry, books, stationery, and sporting goods. Convenience Goods include stores selling drugs, variety items, and food and beverages; typically, these items are purchased near the home or workplace on a frequent basis, and the shopping decision is based primarily on convenience. The Eating and Drinking Facilities

Table 6
MARKET POTENTIAL FOR ADDITIONAL HOTEL ROOMS, CITY OF SANTA MONICA
2009-2020

Hotel Class	Total Hotels	Total Rooms	Average Hotel Size in Rooms	Potential Annual Room Nights	Estimated 2008 Occupancy Rate	Supportable Rooms at 75% Occupancy Rate, 2008	Supportable Rooms with 1.5% Annual Growth 2009-2020	**Net Increase in Supportable Rooms by Classification, 2020**
Luxury/Deluxe	8	1,578	197	575,970	80.0%	1,683	1,983	**405**
First Class	6	870	145	317,550	80.0%	928	1,093	**223**
Mid-Price	9	586	65	213,890	85.0%	664	782	**196**
Budget/Value	12	373	31	136,145	78.0%	388	457	**84**
Total	35	3,407	97	1,243,555	80.6%	3,663	4,315	**908**
					Less: Existing Rooms, 2008		3,407	
					Net Increase in Supportable Rooms, 2020		**908**	

Source: PFK Consulting; AAA; CIC Research, Inc.; W & W, Inc.

Table 7
TAXABLE RETAIL SALES GROWTH BY MAJOR RETAIL CATEGORY
CITY OF SANTA MONICA RETAIL STORES, 1996 AND 2007
(in Thousands of Current and Constant Dollars)

			Net Change in Taxable Sales, 1996-2007 Measured in Current Dollars		Net Change in Taxable Sales, 1996-2007 Measured in Constant 1996 Dollars	
Retail Store Category	1996	2007	Net Increase	Annual Percent	Net Increase	Annual Percent
Shopper Goods						
Apparel and Accessories Stores	145,213	323,297	178,084	7.5%	129,076	6.0%
General Merchandise/Department Stores	106,131	63,041	(43,090)	-4.6%	(31,232)	-3.1%
Furniture, Furnishings, Appliances	101,681	285,376	183,695	9.8%	133,143	7.9%
Other/Specialty	270,981	344,552	73,571	2.2%	53,324	1.6%
Total, Shopper Goods	624,005	1,016,265	392,260	4.5%	284,312	3.5%
Convenience Goods						
DrugStores	27,858	44,077	16,219	4.3%	11,756	3.3%
Food and Beverage Stores	70,690	100,613	29,922	3.3%	21,688	2.5%
Total, Convenience Goods	98,548	144,690	46,142	3.3%	33,444	2.7%
Eating & Drinking Facilities						
Limited Service Restaurants	82,910	125,880	42,970	3.9%	31,145	2.9%
Full Service Eating & Drinking Places	165,855	333,902	168,047	6.6%	121,801	5.1%
Total, Eating & Drinking Facilities	248,765	459,782	211,017	5.3%	152,946	4.5%
Building Materials Group	63,322	126,251	62,929	6.5%	45,611	5.1%
Automotive Group	292,091	702,087	409,997	8.3%	297,167	6.6%
Service Stations	53.310	137.758	84.448	9.0%	61.209	7.2%
All Other (Boat, Motorcycle Dealers, et al)	3,421	297	(3,125)	-19.9%	(2,265)	-9.4%
Grand Total, Retail Stores	1,383,462	2,587,131	1,203,669	5.9%	872,424	4.5%

Source: State of California, State Board of Equalization; W & W, Inc.

Table 8
COMPARISON OF POTENTIAL RESIDENT RETAIL SALES WITH ACTUAL RETAIL SALES
RETAIL STORES IN CITY OF SANTA MONICA, 2007
(in Thousands of Current Dollars)

Baseline Assumptions

City Population, 2007:	89,650	Percent of Income Allocable for Retail Sales	33.4%
Income per Capita (BEA Definition):	$ 76,293	Total Potential Retail Sales (in '000s)	$ 2,284,449

Retail Store Category	Potential Resident Retail Sales	Actual 1/ Retail Sales	Surplus (+) or Shortfall (-)	Actual Sales as Percent of Potential
Shopper Goods				
General Merchandise/Department Stores	223,114	63,041	(160,073)	**28.3%**
Apparel and Accessories Stores	118,475	323,297	204,822	272.9%
Household Furnishings/Appliances Group	92,329	285,376	193,047	309.1%
Specialty Group, incl Used Merchandise	309,662	344,552	34,890	111.3%
Subtotal	743,580	1,016,266	272,686	136.7%
Convenience Goods				
Food and Beverage Stores	291,673	332,325	40,652	113.9%
Drug Stores	99,172	36,212	(62,960)	**36.5%**
Subtotal	390,845	368,537	(22,308)	94.3%
Eating and Drinking Facilities				
Limited Service Restaurants	130,231	125,880	(4,351)	96.7%
Full Service Eating & Drinking Places	151,323	333,902	182,579	220.7%
Subtotal	281,554	459,782	178,228	163.3%
Building Materials Group	145,996	126,651	(19,345)	86.7%
Automotive Group				
Auto Dealers/Parts	514,892	702,087	187,195	136.4%
Service Stations	194,498	137,758	(56,740)	**70.8%**
Other (Boat, Motorcycle Dealers, et al)	13,092	297	(12,795)	2.3%
Subtotal	722,482	840,142	117,660	116.3%
Retail Stores Total	2,284,456	2,811,378	526,922	123.1%

1/ Actual Retail Sales include both taxable sales as shown in Table 15 and estimates of non-taxable retail sales.
Source: State of California, State Board of Equalization; U S Census of Retail Trade; W & W, Inc.

category includes two types of restaurants: "Restaurants, no Alcohol," encompassing fast food facilities, coffee houses and sandwich shops; and "Restaurants with Alcohol," encompassing dinner restaurants and high-quality dining. Finally, the other retail categories are largely self-explanatory, and include the Building Materials Group that covers lumberyards to boutique hardware stores and home finishing products, and to garden supplies; the Automotive Group, encompassing new and used automobile dealers and auto parts stores; Service Stations; and All Other stores, a catch-all category that covers boat, motorcycle, RV dealers and related types of stores.

In the analysis of the four categories of Shopper Goods, it can be seen that two of the retail store groups—Apparel Stores and Furniture/Furnishings—have been very successful in terms of sales performance. In contrast, sales have declined in General Merchandise/Department stores, attributable in many respects to the loss of the Robinson's-May store in Santa Monica Place. In addition, the "Other" or Specialty store group has failed to keep pace with the other Shopper Goods facilities in terms of sales performance.

With regard to Convenience Goods and smaller eating establishments classified as "Limited Service Restaurants," sales have been consistent, but well below the performances achieved by restaurants classified as "Full Service Eating & Drinking Places." The former retail store groups have achieved annual sales growth in the 3 – 4 percent range, while the latter groups recorded annual gains in excess of 6 percent.

Table 9
COMPARISON OF POTENTIAL RESIDENT RETAIL SALES *AND ESTIMATED VISITOR* RETAIL SALES WITH ACTUAL RETAIL SALES
SELECTED RETAIL STORES IN CITY OF SANTA MONICA, 2007
(in Thousands of Current Dollars)

Baseline Assumptions:

Resident Population Potential Sales

City Population, 2007:	89,650
Income per Capita (BEA Definition):	$ 76,293
Percent of Income Allocable for Retail Sale	33.4%
Total Potential Retail Sales (in '000s)	$ 2,284,449

Estimated Visitor Retail Sales, 2007 (in Thousands)

Store Type	Total Sales	Allocation
Shopper Goods Sales	$ 467,800	100%
Convenience Goods Sales	$ 18,300	95%
Eating & Drinking Facilities	$ 281,400	75%
Total	$ 767,500	91%

Retail Store Category	Potential Resident Sales	Estimated Visitor Sales	Total Potential Sales	Actual Sales	Surplus (+) or Shortfall (-)	Actual Sales as Percent of Potential
Shopper Goods	670,731	467,800	1,138,531	1,016,266	(122,265)	89%
Convenience Goods	420,514	17,385	437,899	368,537	(69,362)	84%
Eating and Drinking Facilities	247,577	211,050	458,627	459,782	1,155	100%
Total, Selected Retail Stores	1,338,822	696,235	2,035,057	1,844,585	(190,472)	91%

Source: State of California, State Board of Equalization; U S Census of Retail Trade; W & W, Inc.

An analysis of retail sales "leakage" was undertaken in order to assess the degree to which Santa Monica's retail store base has been capturing existing resident demand. To this end, an evaluation was undertaken which compared the retail sales generated in the City of Santa Monica during 2007 with the projected demand for sales from City residents. The results of the comparison for 2007 are presented in Table 8 (*page A-10*). The data indicate that the City's total retail sales, including both taxable and non-taxable retail transactions that were generated by retail stores, exceeded $2.8 billion while the potential retail demand from Santa Monica residents was estimated at less than $2.3 billion. This comparison indicates that on the macro-level of total retail store sales the City's retail base achieved a net inflow of retail dollars totaling approximately $527 million, an amount that was 23 percent above the theoretical Santa Monica resident demand. Store categories that created the greatest surpluses included Apparel and Accessories, Household Furnishings/Appliances and Full Service Eating & Drinking Places. There were several retail sectors that did not generate sales at or near the levels that would be expected given the size and character of local resident demand. These poorly-performing sectors included General Merchandise/Department Stores, which achieved the equivalent of only 28 percent of potential resident sales; Drugstores, with 37 percent of potential sales; and Service Stations, with 71 percent of potential sales.

With these initial results in mind, a second leakage assessment was conducted for selected retail store categories that considered both resident demand and visitor sales derived from the studies completed by the SMVCB. Retail sales from visitor sources during 2007 that took place in retail stores were estimated at $696 million. This total was then added to potential resident demand in order to arrive at a total potential sales figure for the City and for the selected retail categories.

Table 9 (above) provides a summary of the second leakage analysis where a comparison was made for three general classes of retail goods that matched demand from local residents, plus known visitor sales with the actual sales achieved. In this comparison, the Potential Sales exceeded Actual Sales by over $190 million, an indication that there was a substantial loss of potential sales from local residents that was being offset by visitor expenditures. In effect, the analysis strongly suggests that City of Santa Monica residents are currently making extensive purchases of both Shopper Goods and Convenience Goods outside the City of Santa Monica. In all likelihood, this outflow of retail sales by City residents is likely far in excess of $200 million, as the $190 million shown is a net figure which does not consider additional resident sales outflows that are offset by Los Angeles County residents—including local Malibu, Pacific Palisades and Brentwood households—coming to the beach and to the various shopping districts.

The analysis of the growth patterns of the City's various retail sectors together with the supply and demand comparisons indicate that the City is currently losing retail sales to other jurisdictions and has significant potential for expansion of its retail base. These potential market sources include the following:

- Local resident demand, including demand generated from anticipated population and income growth over the next five to ten years, as well as recapture of potential retail sales that are currently leaving the community
- Visitor growth, particularly overnight visitors
- Potential sales from residents of surrounding communities

At present, sales captured by Santa Monica retailers from adjacent communities would appear to be relatively small, and certainly not large enough to offset the resident sales that are being made outside the City. The refurbishment of Santa Monica Place will make a major contribution in addressing this retail opportunity; however, there should also be major opportunities for additional major drugstores, general merchandise and department stores and unique one-of-a-kind specialty retail stores.

(See chapter 3.4 Diversified and Sustainable Economy for locations considered most suitable for new retail development.)

Table 10
TAXABLE RETAIL SALES GROWTH, AUTOMOTIVE-RELATED ESTABLISHMENTS
CITY OF SANTA MONICA , 1996 to 2007
(in Millions of Current and Constant Dollars)

			Growth Current Dollars		Growth Constant Dollars	
Retail Store Category	1996	2007	Total	Annual %	Total	Annual %
Automotive Group	$ 292	$ 702	$ 410	8.3%	$ 297	6.6%
Service Stations	$ 53	$ 138	$ 84	9.0%	$ 61	7.2%
Total, Automotive-Related Retail	$ 345	$ 840	$ 494	8.4%	$ 358	6.7%
Percent of Total Retail Store Taxable Sales	25%	32%	41%		41%	

Source: State of California, State Board of Equalization; W & W, Inc.

Automotive Group/Service Stations.

Historically, the Automotive Group—consisting of new and used automobile dealerships, automobile leasing companies and automotive parts dealers – have been an important component of the City's retail base. Together with Service Stations, the Automotive Group has grown faster than the other retail sectors in terms of taxable sales over the 11-year analysis period 1996–2007, annually increasing at a rate of 8.4 percent and generating total taxable sales of $840 million in 2007. As noted in Table 10 (above), during this time frame Automotive-Related retail establishments have increased their proportionate share of retail sales taxes generated to the City from 25 percent to 32 percent, thus accounting for 41 percent of the City's increase in sales taxes from retail stores.

Given the strategic importance of automotive–related sales to the City, it is important for the LUCE to provide for the expansion and other requirements of major automobile dealerships, so they, in turn, can respond to changing market and technological conditions and to changes in the industry which could lead to a significant contraction in the number of local dealerships.

Cinema

Movie theatres have played a critical role in the revitalization of Downtown Santa Monica and the emergence of the Third Street Promenade as a premier visitor destination in Southern California. There are presently four major

Table 11
COMPARATIVE CINEMA PERFORMANCE STATISTICS

	United States	Santa Monica	
Facilities			
Number of Screens	38,000	21	
Average persons per screen	8,000	4,000	
Cinema Revenue Growth , 1997-2002 (in Millions)	1997	2002	Percent Growth
State of California	$ 1,262	$ 1,906	51%
Santa Monica	$ 19	$ 27	42%
Cinema Revenues per Resident, 2002			
State of California	$ 54		
Santa Monica	$ 321		

Source: U S Census; National Association of Theatre Owners; W & W, Inc.

cinema complexes in the Downtown offering a total of 21 screens and over 5,500 seats. The facilities were largely developed in the 1980s, and their powers of attraction are generally recognized as a major catalyst for the rise in popularity of the Promenade and the entire Bayside District.

As shown in Table 1, movie-going is a very popular activity in Santa Monica. In terms of total facilities, there is one screen for every 4,000 persons in Santa Monica, whereas the national average is one screen for every 8,000 persons. Cinema revenue growth for the period 1997 to 2002, the most recent data available, was 42 percent; while this gain was less than the growth recorded by the State on an overall basis, it was still very significant given that the City's inventory of theatres remained virtually unchanged. Finally, it should be noted that the average cinema revenues generated per Santa Monica resident in 2002 was $321, nearly 6 times the per capita average of $54 for the State. While the "average revenues per resident" figure is inflated substantially by dollars from patrons who live outside the City, it does reflect the significance of the theatres as attractions for the Downtown area.

While the 2002 data indicate that the local cinemas were performing at a high level relative to statewide performance standards, in many respects they are experiencing the same issues facing many types of entertainment venues in that they are becoming obsolete and need to be upgraded in order to maintain their competitive edge and continue to draw customers. In recent years major competitive developments such as Westfield Century City, Westside Pavilion and Downtown Culver City have completed major theatre upgrades, with their new facilities featuring state-of-the-art sound systems stadium seating, reservation systems and vastly improved food and beverage service.

In recognition of the need to maintain competitiveness and modernize the cinema complexes in Santa Monica and in response to recommendations by a City Council-appointed Promenade Use Task Force, the City is considering jointly redeveloping one of the Downtown parking structures to include modernized cinema facilities. Involvement by the City in redevelopment of the cinemas is appropriate given their importance as prime attractions for the entire Bayside District. It is also necessary due to the realities of land ownership on the Third Street Promenade and surrounding streets and the economics of theatre operation. In major shopping centers under a single unified ownership, the owner/developer can provide theatres an implicit subsidy in the form of relatively low rents in comparison to what is typically charged other tenants. However, in the Downtown area, without some public involvement there is little opportunity for theatre operators to assemble sufficient land and generate viable economic return from their operation if required to pay rents at levels comparable to high-end retailers. Therefore, it will be important for the LUCE to support the redevelopment of the theatres by encouraging mixed-use developments that can provide for their unique requirements.

Creative Industries

In recent years the City of Santa Monica has witnessed significant growth in the "Creative Industries." This change has occurred partly as a consequence of the structural changes in the regional economy which have led to the emergence of entertainment services and other information-related occupations to replace aerospace and other manufacturing employment, and partly due to the City's strategic westside location that is proximate to the emerging complex of film and television production studios that are found in Culver City and Playa Vista. In addition, within the community there is strong support for the creative arts that has encouraged the rise of public and private cultural institutions, venues for performing arts and concentrations of art galleries that are found at Bergamot Station and along Main Street.

One indicator of the City of Santa Monica's interest in and support for Creative Industries is the magnitude of local employment that is focused in the creative and artistic fields. As

Table 12
COMPARISON OF THE RELATIVE CONCENTRATION OF CREATIVE INDUSTRIES IN SANTA MONICA RELATIVE TO THE UNITED STATES
(Rounded)

	United States	Santa Monica
Total Employment, 2006	132,000,000	75,000
Creative Arts Employment, 2006	2,900,000	11,500
Creative Arts Employment as % of Total Employment	2.2%	15.3%

Source: Americans for the Arts; U S Census; W & W, Inc.

Table 13
SANTA MONICA'S CREATIVE INDUSTRIES: COMPOSITION AND EMPLOYMENT LEVELS, 2006

Creative Industry	Establishments	Employees	Percent of Total Employment
Museums and collections	7	324	2.8%
Performing Arts	261	1,581	13.8%
Visual Arts/Photography	328	1,071	9.3%
Film, Radio and Television	659	5,073	44.3%
Design and Publishing	331	3,180	27.7%
Art Schools and Services	48	235	2.0%
Total	1,634	11,464	100.0%

Source: Americans for the Arts

Table14
GROWTH TRENDS IN INFORMATION-RELATED BUSINESSES
CITY OF SANTA MONICA, 1997-2002

Business Type	1997	2002	Increase
Software Publishers			
Paid Employees	1,290	1,914	48.4%
Broadcasting & Telecommunications			
Number of Establishments	30	51	70.0%
Motion Picture and Sound Recording Industry			
Number of Establishments	380	457	20.3%

Source: U S Census; W & W, Inc.

noted in Table 12 (page A-14), relative to the rest of the country, Creative Arts employment is roughly 7 times as prevalent in Santa Monica.

Creative Industry clusters found in Santa Monica are listed in Table 13 (page A-14), with data indicating the number of businesses and total employment. As of 2006 there were 1,634 businesses involved in Creative Activities as defined by the organization Americans for the Arts; total employment in this sector was estimated at 11,464 jobs, though in all likelihood, that was an understatement of the total size of the local creative arts community due to the fact that many artists are self-employed, thus not included in the census. The leading Creative cluster in terms of size was the Film, Radio and Television subsector, with a total of 659 firms and 5,073 employees. Other major clusters were Design and Publishing and Visual Arts/Photography—the latter category including the City's visual artists.

Growth trends and other measures of recent economic performance for the Creative Industries are sketchy due to the Census Bureau's policies that restrict disclosure of confidential information about private businesses. Published data for Information-Related Businesses suggest that major gains in recent years have been recorded in the Software Publishing, Broadcast & Telecommunications and Motion Picture and Sound Recording Industries, as shown in Table 14 (page A-14).

Table 15
RELATIVE CONCENTRATION OF POST-PRODUCTION FACILITIES IN SANTA MONICA, 2002

	Establishments	Paid Employment
Los Angeles County	709	12,947
Santa Monica	83	2,267
Santa Monica's Market Share	11.7%	17.5%

Source: U S Census; W & W, Inc.

Of particular significance is the emerging Post-Production Industry related to motion pictures and television. According to the most recent available data provided for 2002, the City of Santa Monica's market share of employment in this industry within Los Angeles County was 17.5 percent, as noted in Table 15.

There are a number of reasons for encouraging the growth of Creative Industries in Santa Monica. First, it would be consistent with the City's broader goals and commitment to support the creative arts and related activities within the community. Second, given the large number of residents currently employed in the creative fields or interested in such activities, this type of employment can be viewed as local-serving in character. Finally, traffic studies indicate that many of these businesses such as Post-Production companies have commuting patterns which cause substantially less stress on peak period traffic conditions than other more conventional businesses.

Medical Facilities

The two major medical complexes in Santa Monica—Santa Monica-UCLA Medical Center (SM-UCLA) and Saint John's Health Center (St. John's)—are gaining increasing importance as regional resources, with service areas that extend well beyond municipal boundaries to Palos Verdes, Ventura County and even northern Los Angeles County. Each hospital is undergoing expansion in response to the growth in their service areas and to the changing technological requirements for medical services space.

St. John's is currently implementing a 17 - year redevelopment and expansion program following a Development Agreement completed with the City in 1998. Phase I, a 475,000 square foot redevelopment of the main hospital that was damaged by the Northridge Earthquake in 1994, will be completed in 2008. Phase II anticipates the development of a state-of-the-art medical campus with 799,000 square feet of space. The proposed mix of uses includes hospital and healthcare facilities; medical office space; research facilities; visitor housing and assisted living and senior housing. Similarly, the SM-UCLA is also undertaking a major expansion program that will likely create demand for support services on adjacent sites.