



Making Downtown Bakersfield Economic Development Analysis

June 1, 2016



CONTEXT

DEMOGRAPHICS AND EMPLOYMENT

REAL ESTATE MARKET

Office

Residential

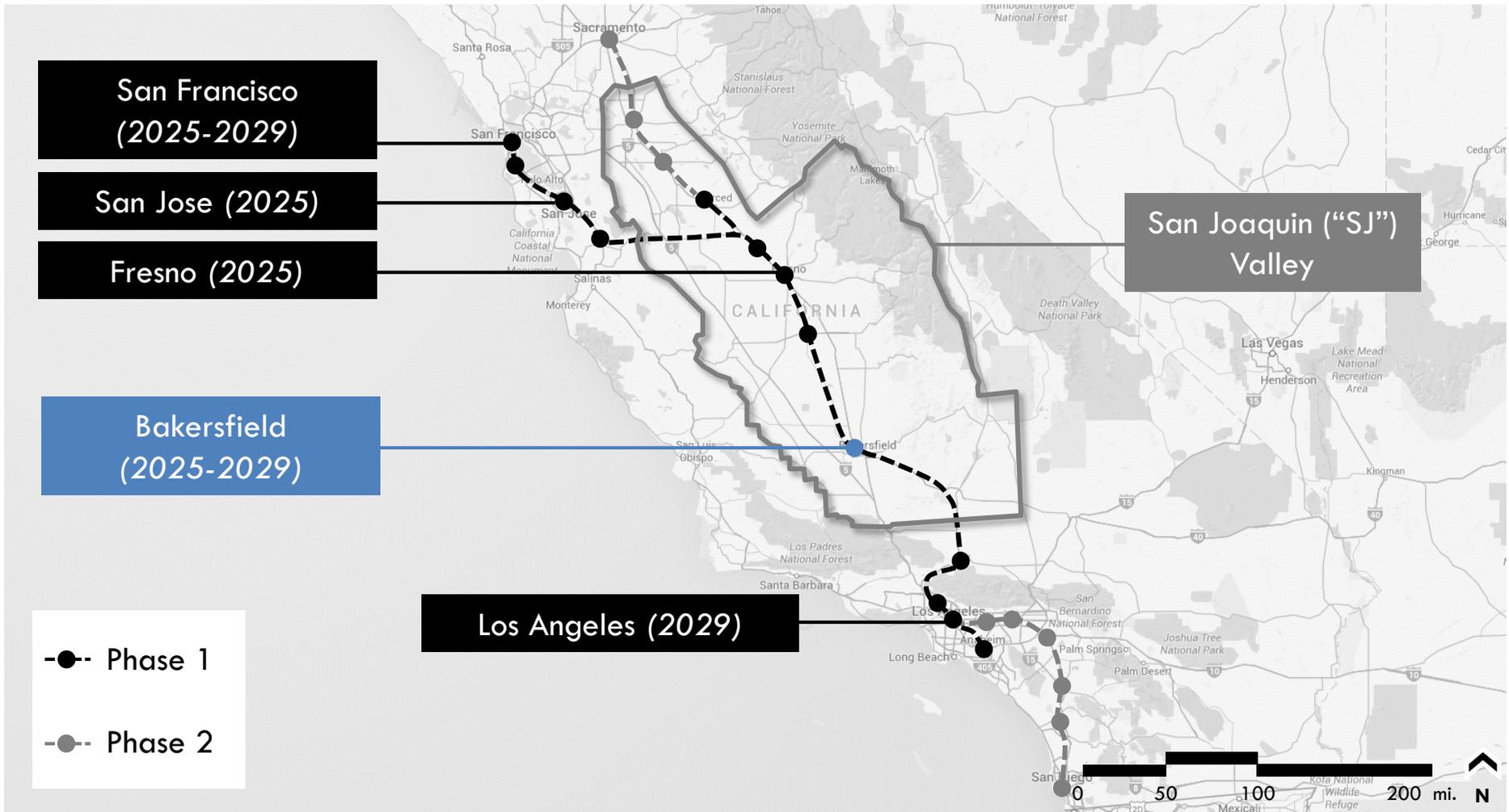
Retail

Hotel

Context

Phase 1 of California's high-speed rail project will connect the San Joaquin Valley to the major cities of Los Angeles and San Francisco.

Proposed High Speed Rail ("HSR") System*

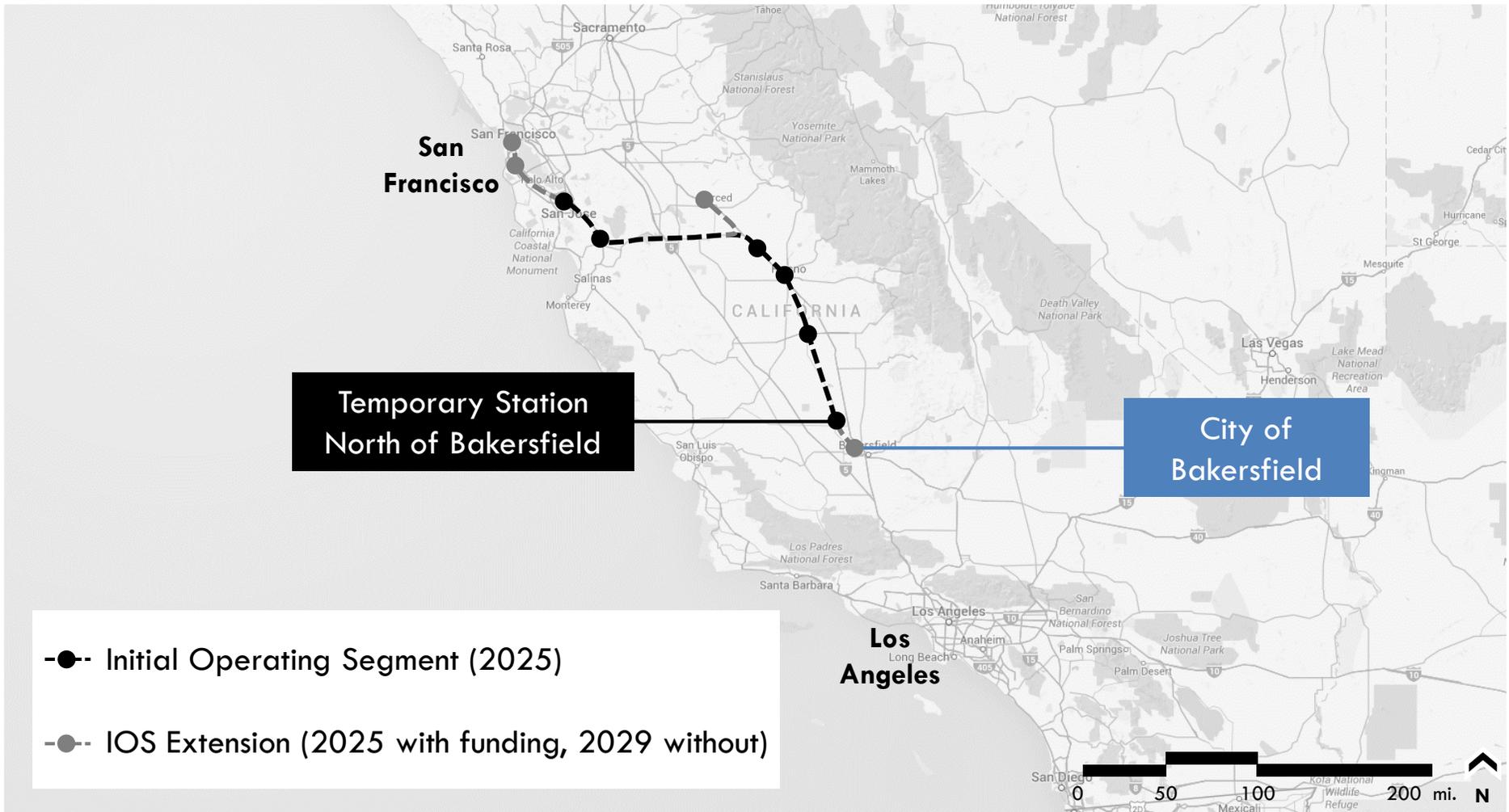


Source: Google Maps, 2016 Revised CHSRA Business Plan

*Route shown for illustrative purposes only and may not reflect final route.

The Initial Operating Segment (IOS) will run from San Jose to North of Bakersfield in 2025, but can be extended with federal funding.

HSR Initial Operating Segment (IOS)*

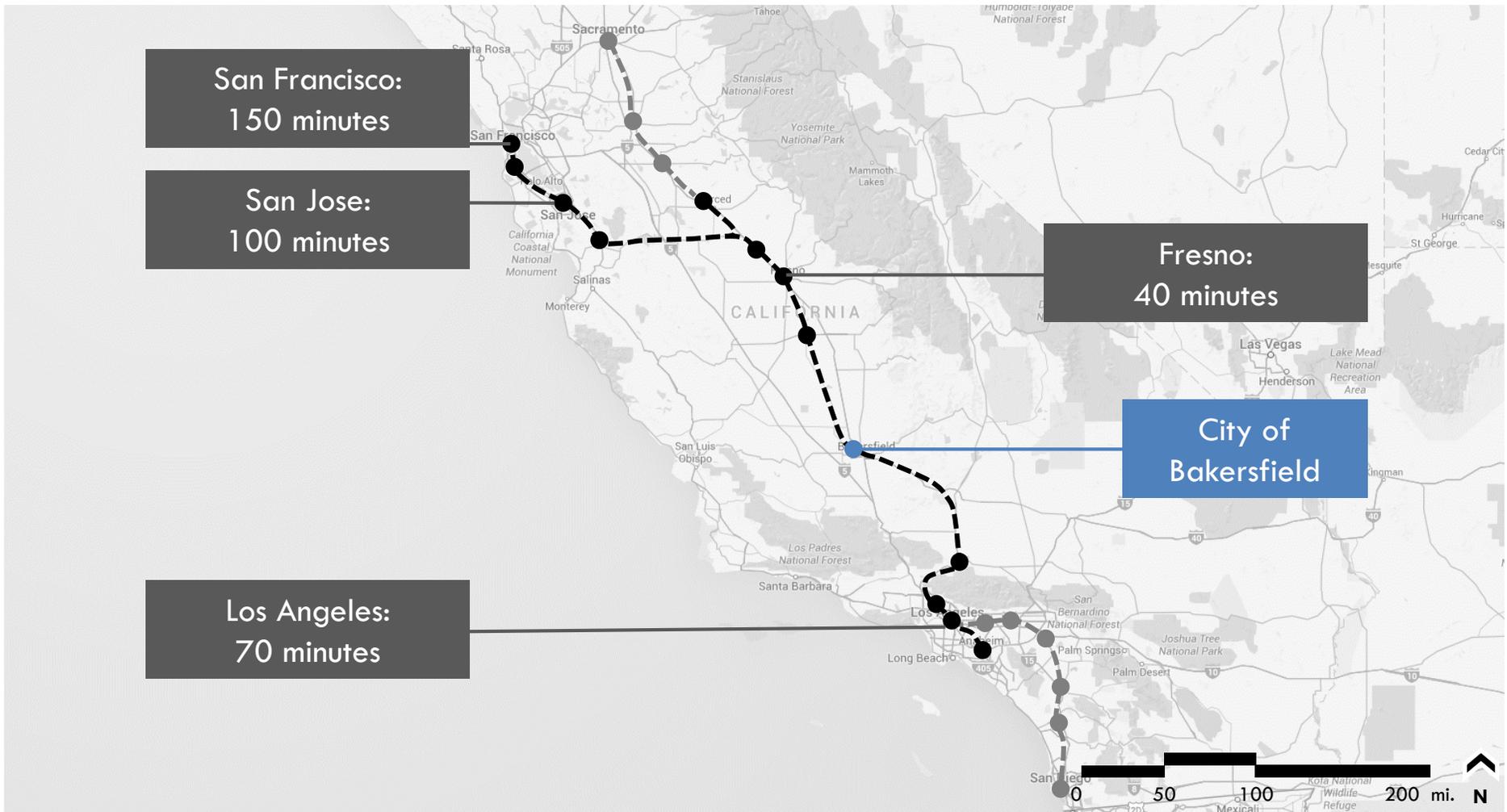


Source: Google Maps, 2016 Revised CHSRA Business Plan

*Route shown for illustrative purposes only and may not reflect final route.

High-speed rail will give Bakersfield quick access to the other major metropolitan areas of the state.

Proposed HSR System Travel Times from Bakersfield*

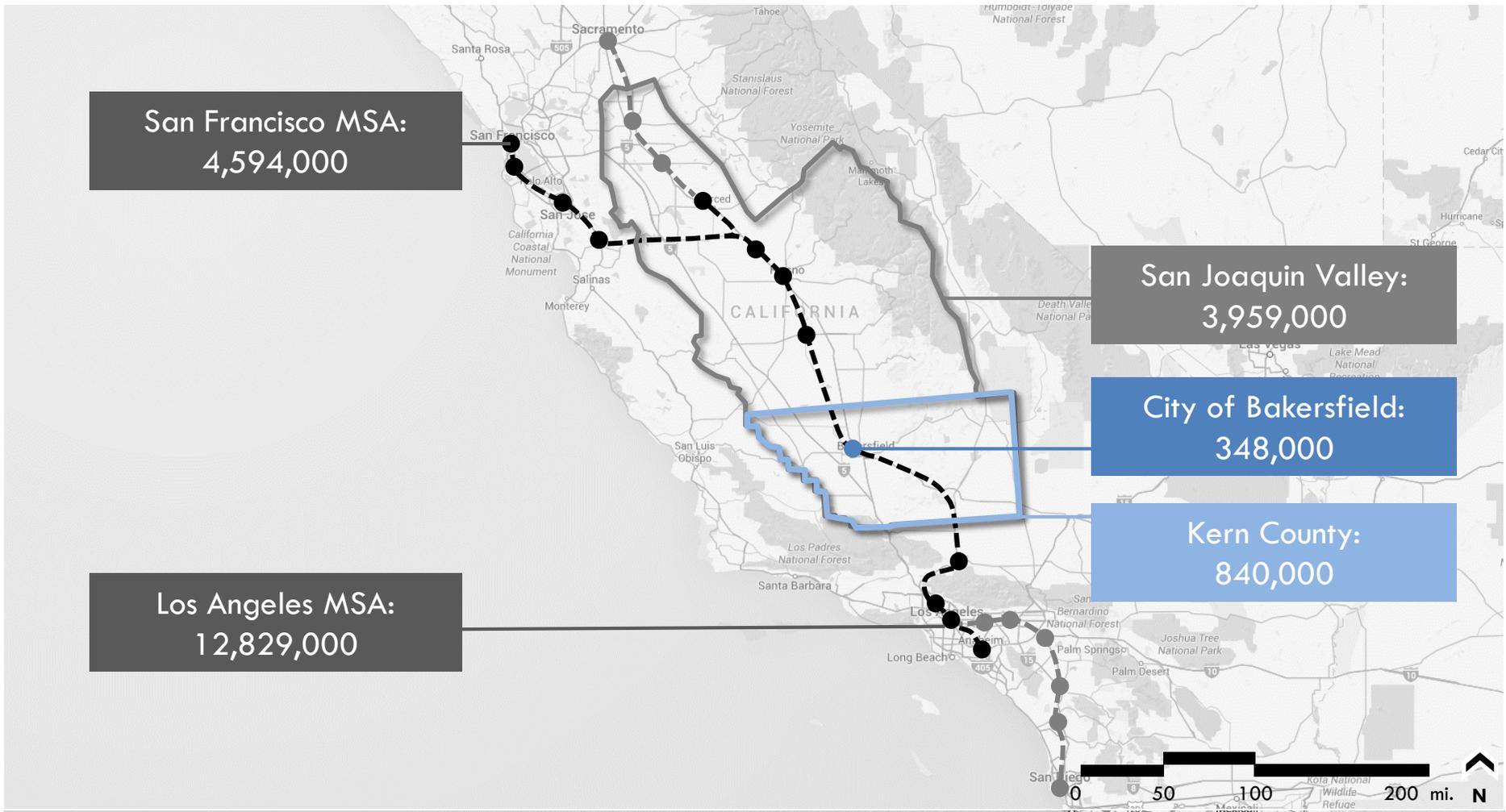


*Route shown for illustrative purposes only and may not reflect final route; Travel time estimates assume intermediate stops, express trains have shorter travel times.

Source: Google Maps, 2016 Revised CHSRA Business Plan

The first phase of high-speed rail will put Bakersfield within 2.5 hours of just under 31 million people, the majority of California's population.

Population along the Proposed High Speed Rail ("HSR") System

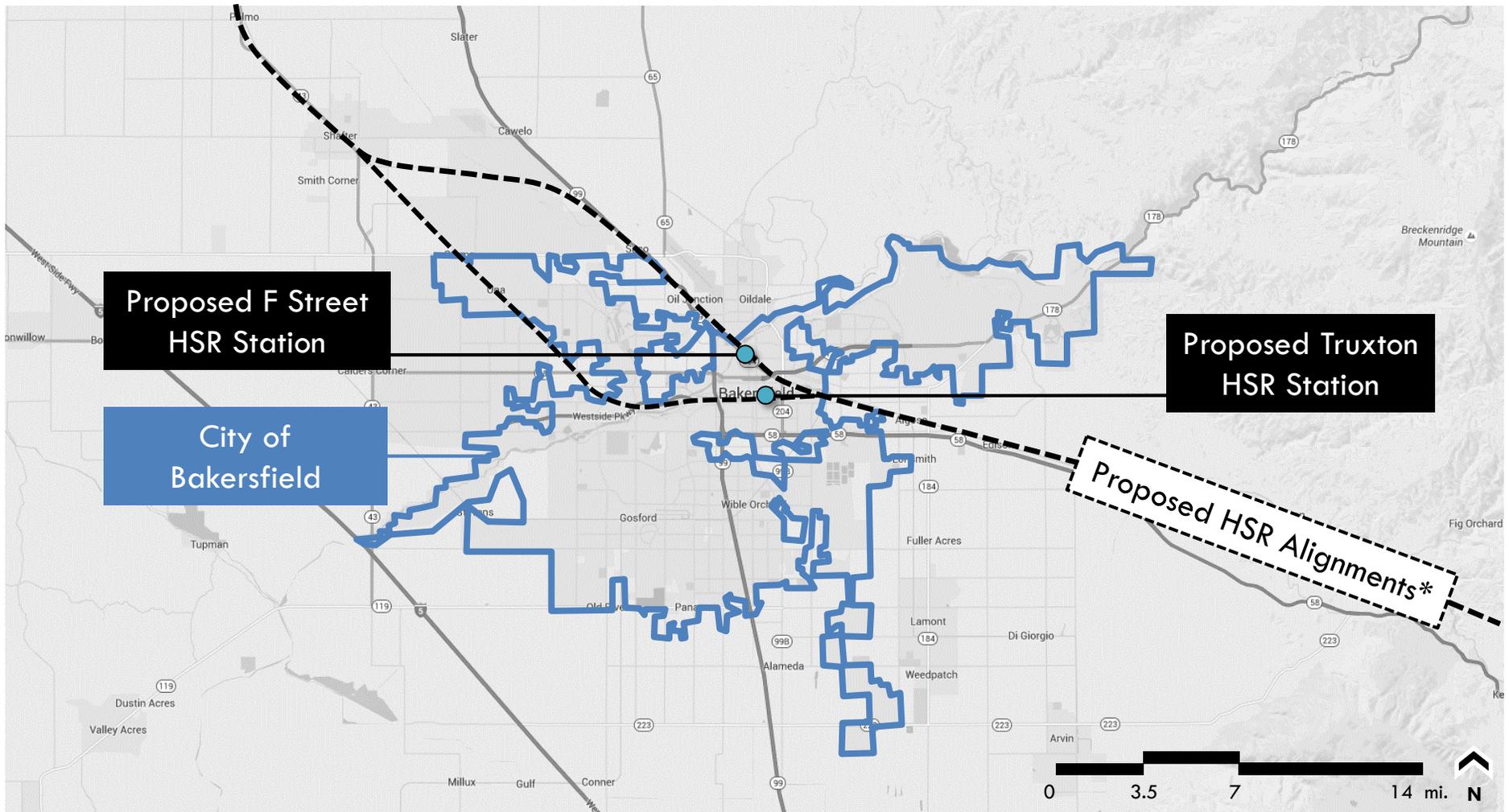


Source: Google Maps, 2014 US Census Estimates

*Route shown for illustrative purposes only and may not reflect final route.

The proposed HSR station alternatives are situated in Downtown Bakersfield near the junction of major transportation corridors.

City of Bakersfield

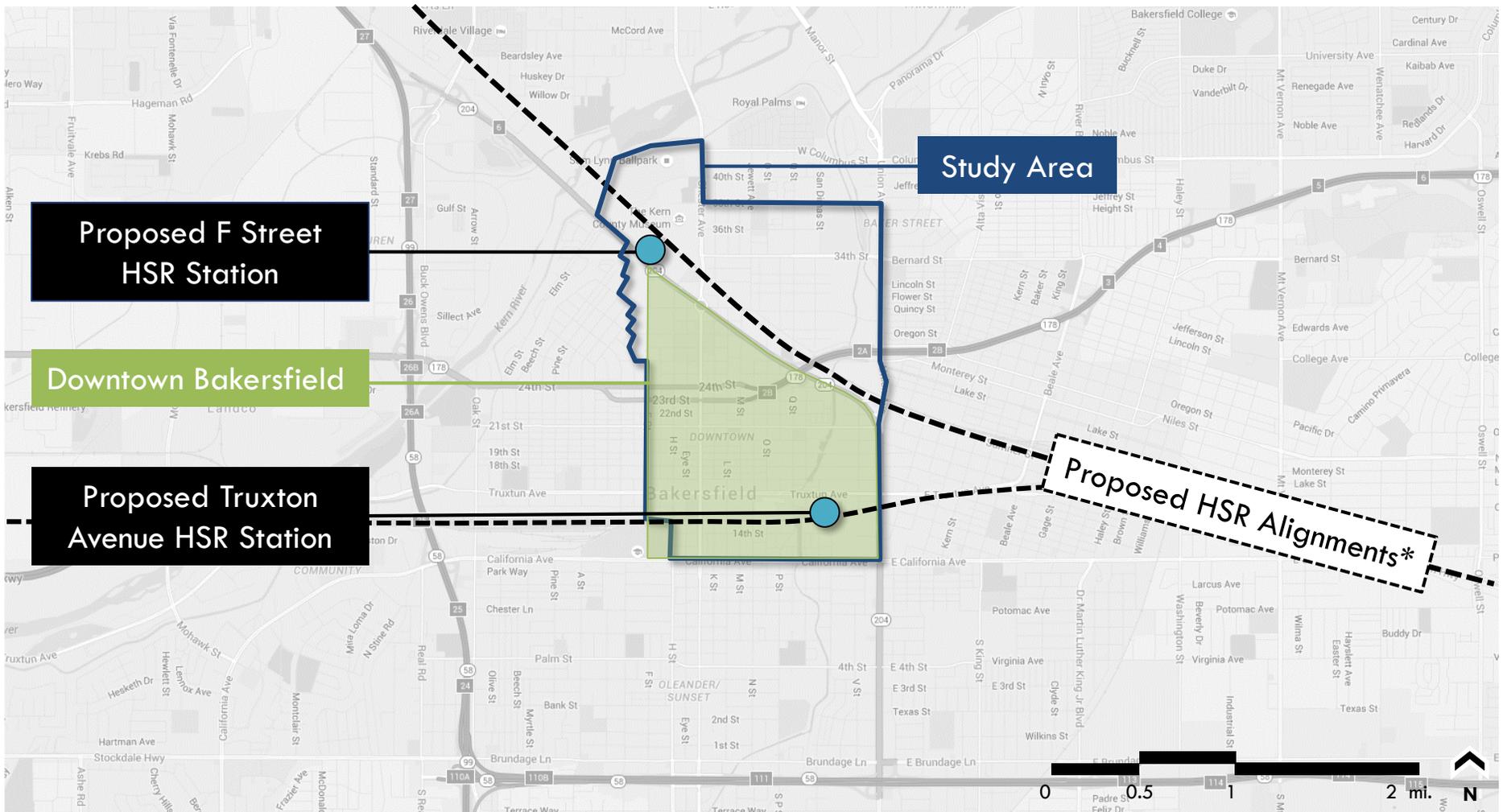


Source: Google Maps

*Routes shown for illustrative purposes only and may not reflect final route.

The Study Area covers Downtown Bakersfield between the two proposed HSR station locations.

Study Area Context

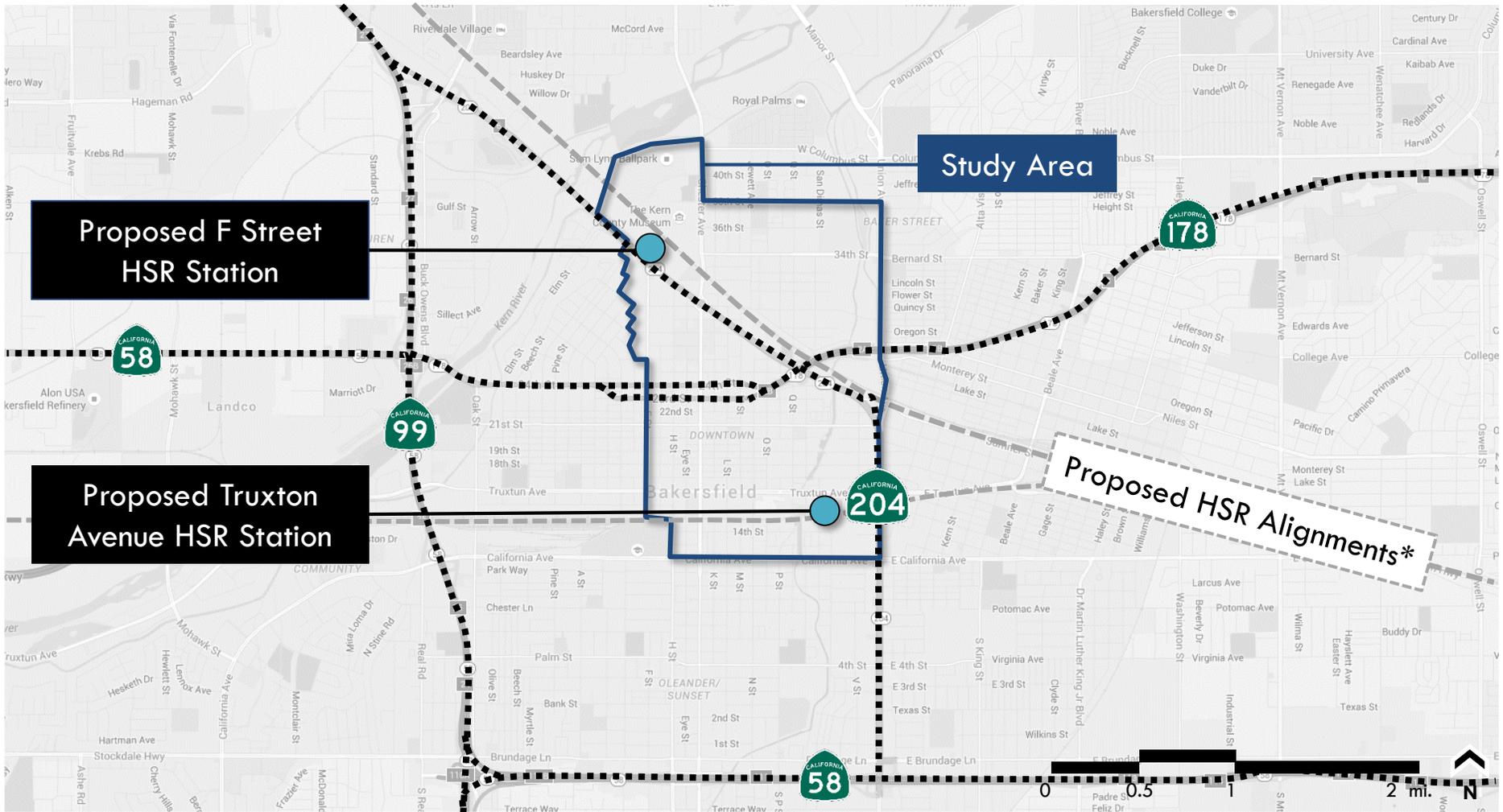


Source: Google Maps

*Routes shown for illustrative purposes only and may not reflect final route.

The Study Area is also at the confluence of major freeways and thoroughfares including SR-99, SR-58, SR-178 and SR 204.

Study Area Context



Source: Google Maps

*Routes shown for illustrative purposes only and may not reflect final route.

CONTEXT

DEMOGRAPHICS AND EMPLOYMENT

REAL ESTATE MARKET

Office

Residential

Retail

Hotel

Demographic and Employment Summary



- Bakersfield and the San Joaquin Valley are seeing major population growth, outpacing the major coastal metropolitan areas of California.



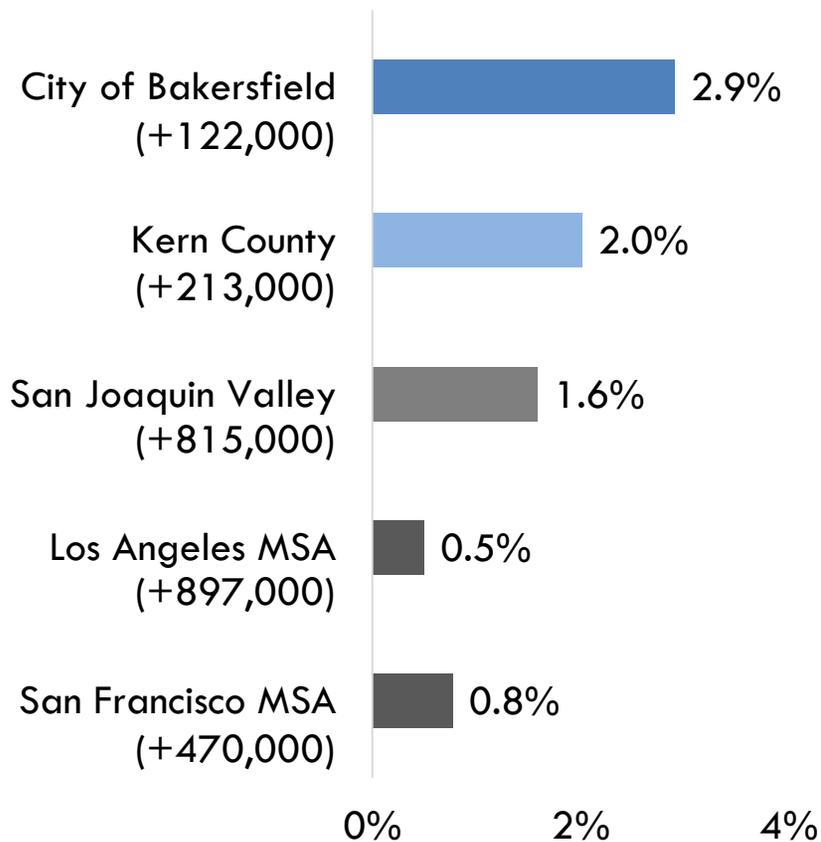
- Bakersfield has lower unemployment rates and a more diversified economy than the San Joaquin Valley.
- While Bakersfield has higher incomes and educational attainment than the San Joaquin Valley, the Study Area does not.



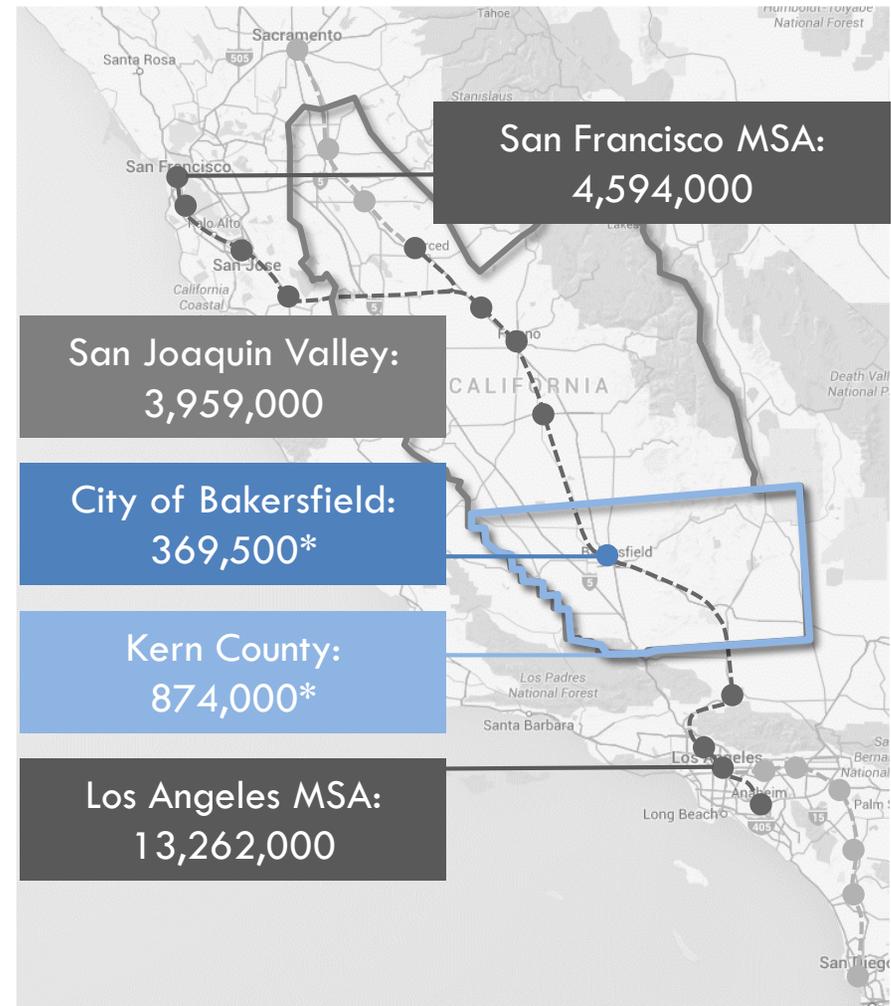
- The Study Area is a major employment center, and contains many local and regional government offices.
- The main employment sector of the City of Bakersfield is healthcare, and this sector has also seen the largest nominal growth in recent years.

Bakersfield and the San Joaquin Valley have experienced robust population growth since 2000, outpacing major coastal metros like L.A.

**Population Growth Comparison
(2000-2014 CAGR)**



Population of Major Geographies (2014)

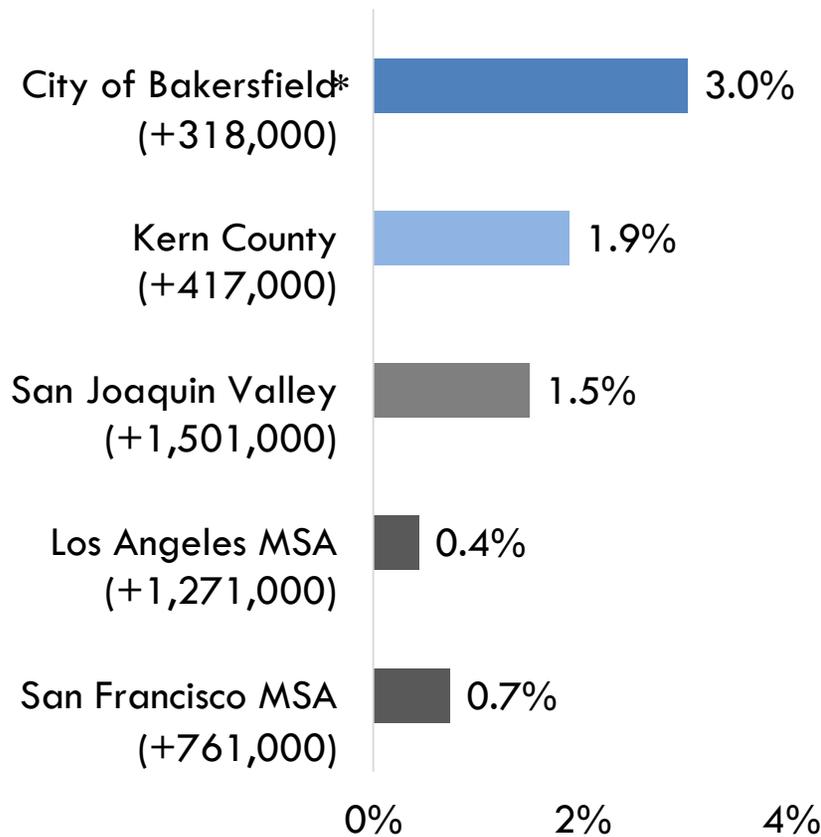


* Population estimate is for 2015, from the State of California, Department of Finance, <http://kedc.com/community-profile/demographics/>

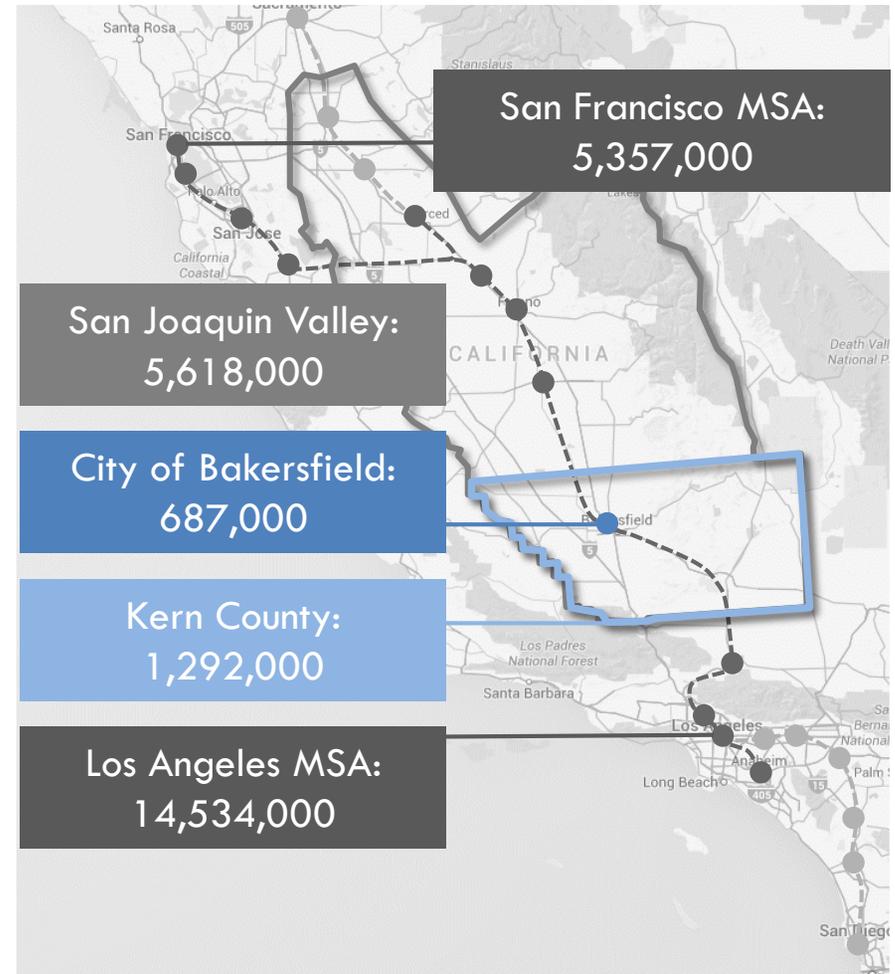
Source: Google Maps, US Census Bureau

The SJ Valley and Bakersfield are projected to grow more quickly than coastal areas, and HSR may allow cities to focus that growth.

2014-2035 Projected Population Growth (CAGR)



Total Future Population of Major Geographies (2035)



*Future growth in Bakersfield was estimated using Kern COG's 2023 growth projection.

Source: Kern COG, California Department of Finance

Bakersfield has been experiencing rapid population growth in the last two decades, and this growth is projected to continue.

Population Snapshot (2010)

Study Area

- Population: 4,600
- Households: 1,800

City of Bakersfield

- Population: 348,000
- Households: 111,000

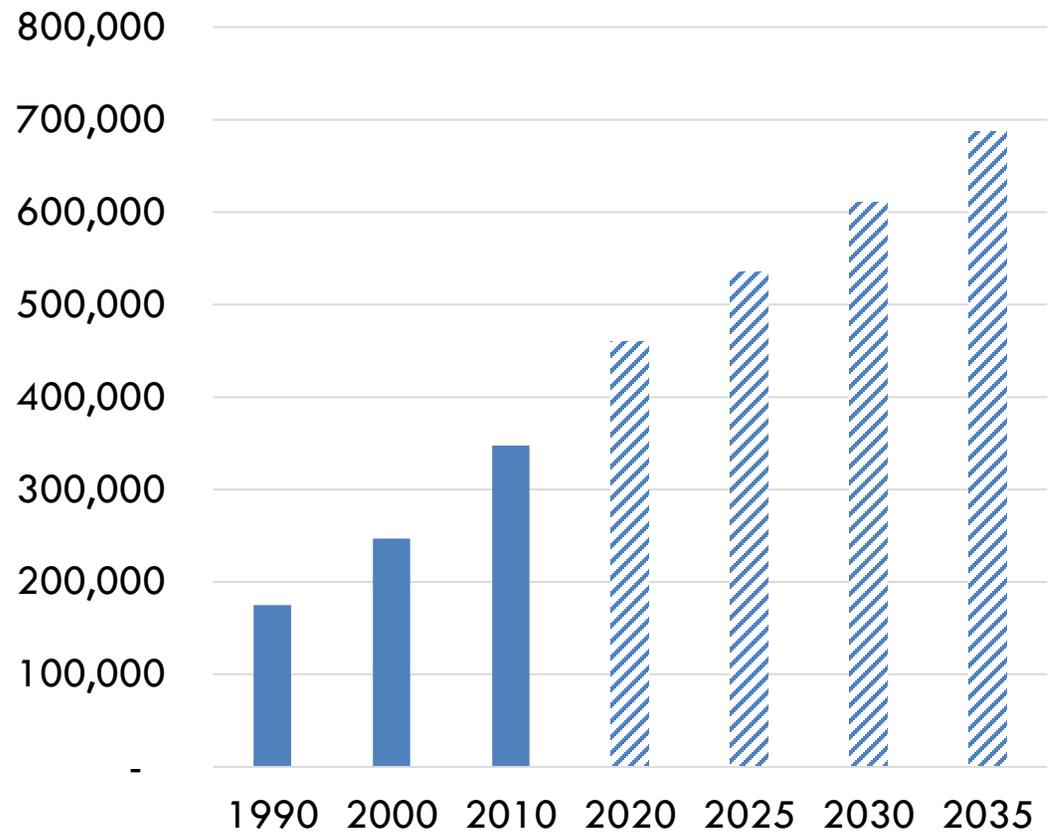
Bakersfield Urbanized Area

- Population: 524,000

Kern County

- Population: 840,000
- Households: 255,000

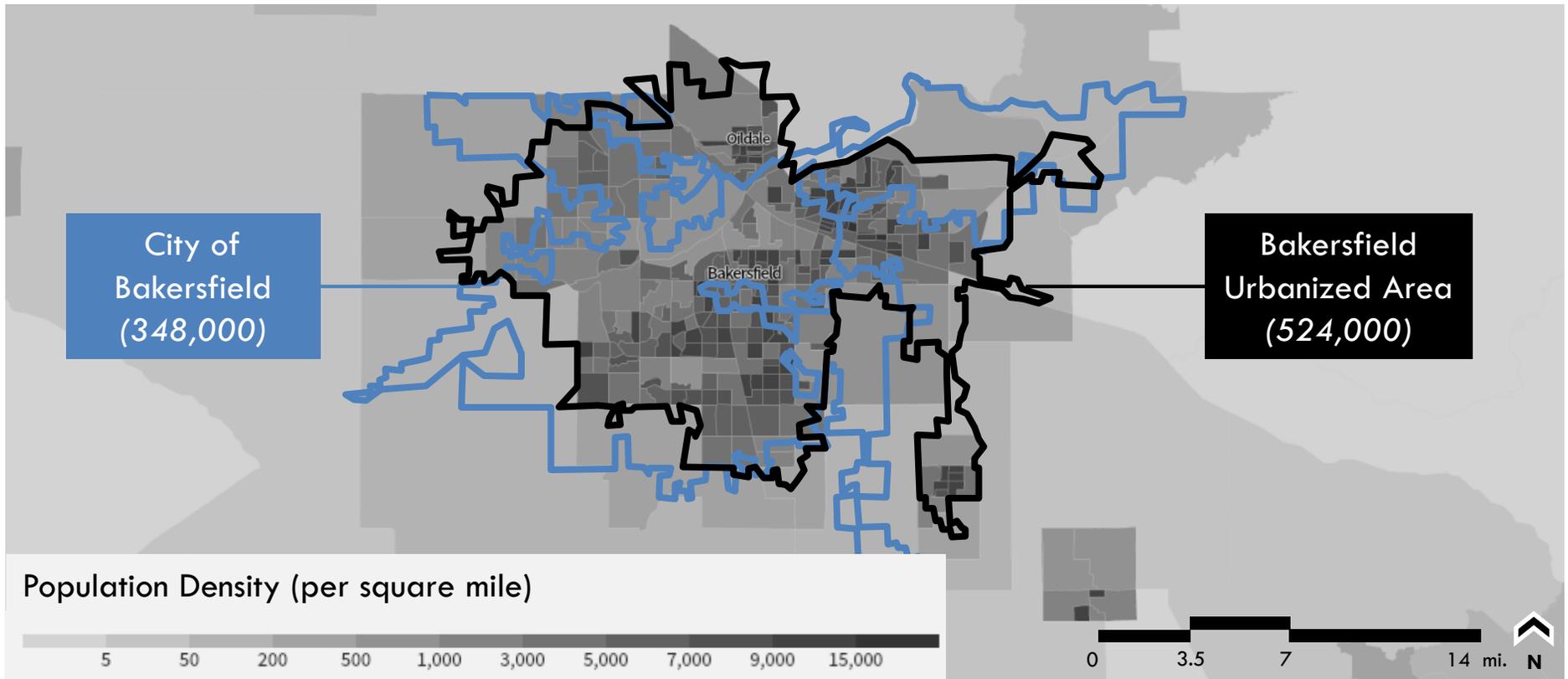
City of Bakersfield Historical and Future Population Projections



Source: ESRI, U.S. Census, Housing Element Update 2015-2023

It should be noted that development in metropolitan Bakersfield extends beyond the City of Bakersfield's boundaries.

City of Bakersfield & Urbanized Area (2010 Census Population)

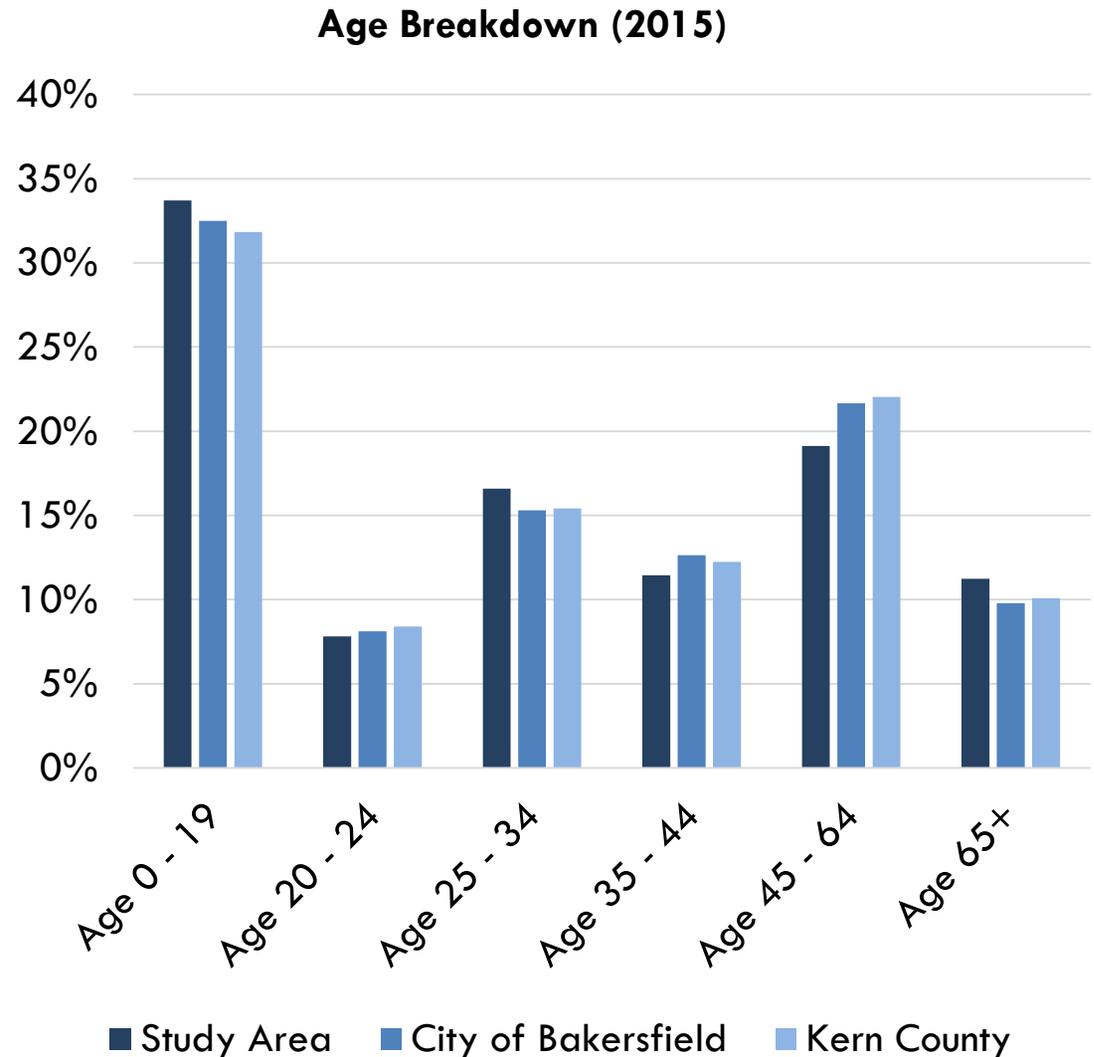


- Bakersfield's Urbanized Area is defined by the U.S. Census Bureau as an area of contiguous development.
- An additional 176,000 residents live in the areas surrounding Bakersfield.

Source: Google Maps, U.S. Census

The age composition in Bakersfield is very similar to Kern County, while the Study Area has a slightly higher percentage of young people.

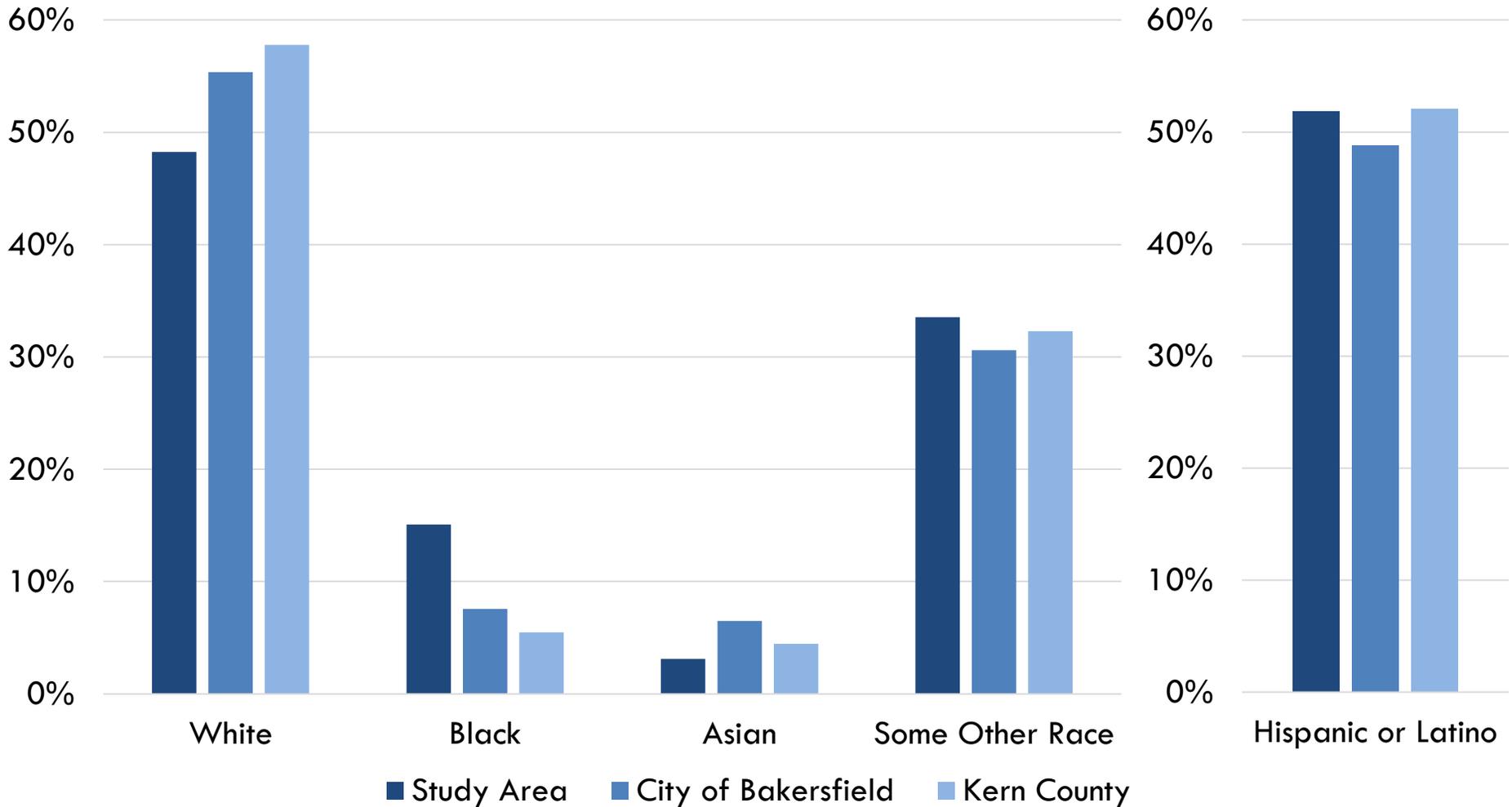
- The Study Area has a slightly higher proportion of children, those 25-34 year old, and those over 65.
- Younger people and empty nesters have an increasing preference for downtown locations, and this trend may strengthen in Bakersfield as the downtown revitalization continues.
- Bakersfield can leverage this trend by trying to create unique destinations that cannot be matched by existing suburban locales.



Source: ESRI

Bakersfield is generally more diverse than Kern County, and nearly half the City identifies as Hispanic or Latino.

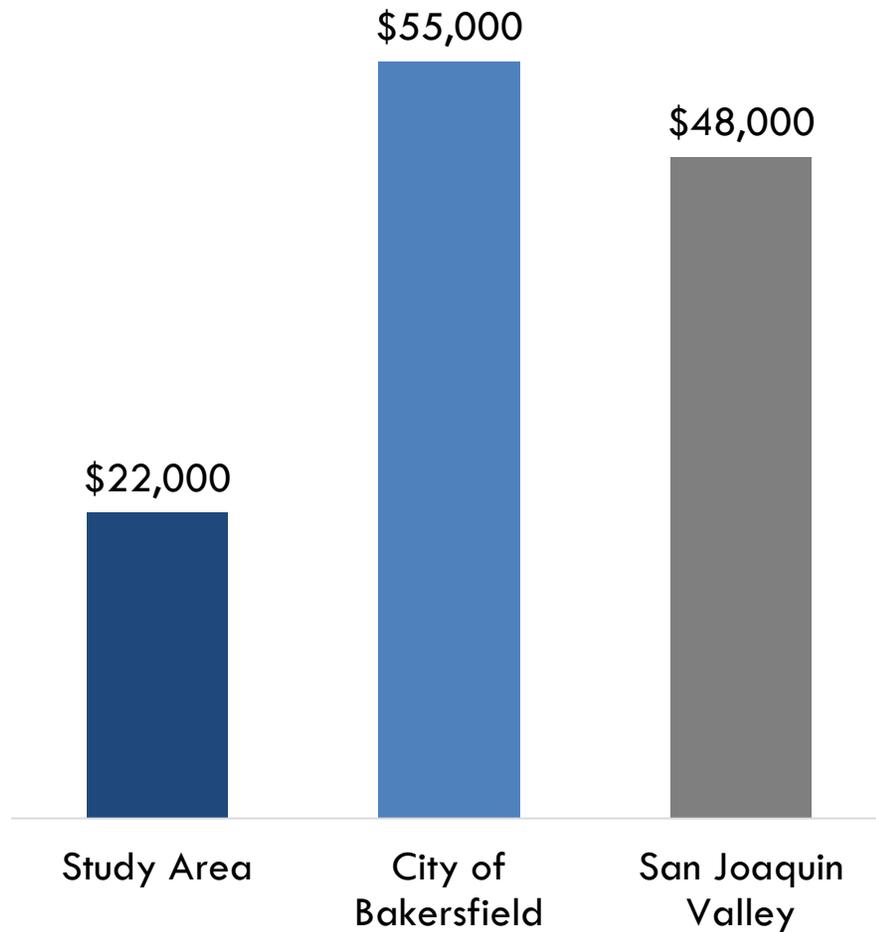
Racial and Ethnic Composition (2015)



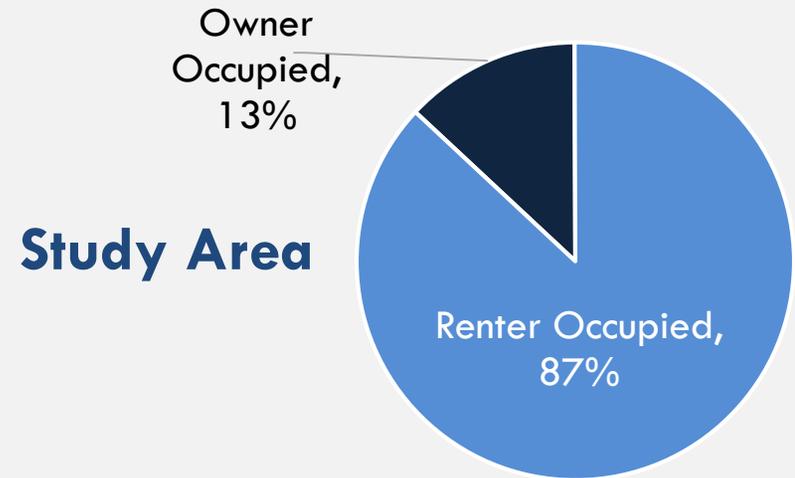
Source: ESRI

The Study Area population has a larger proportion of renters and a lower median income.

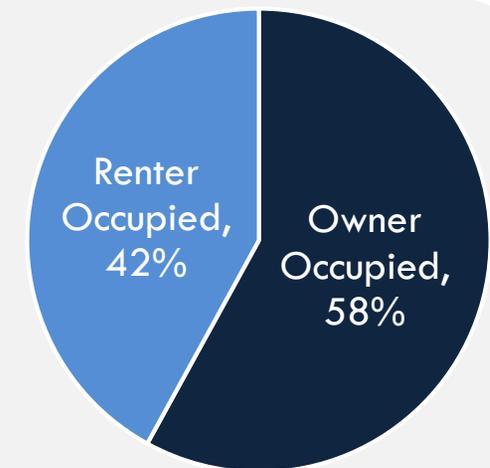
Median Household Income (2015)



Housing Tenure (2015)



City of Bakersfield

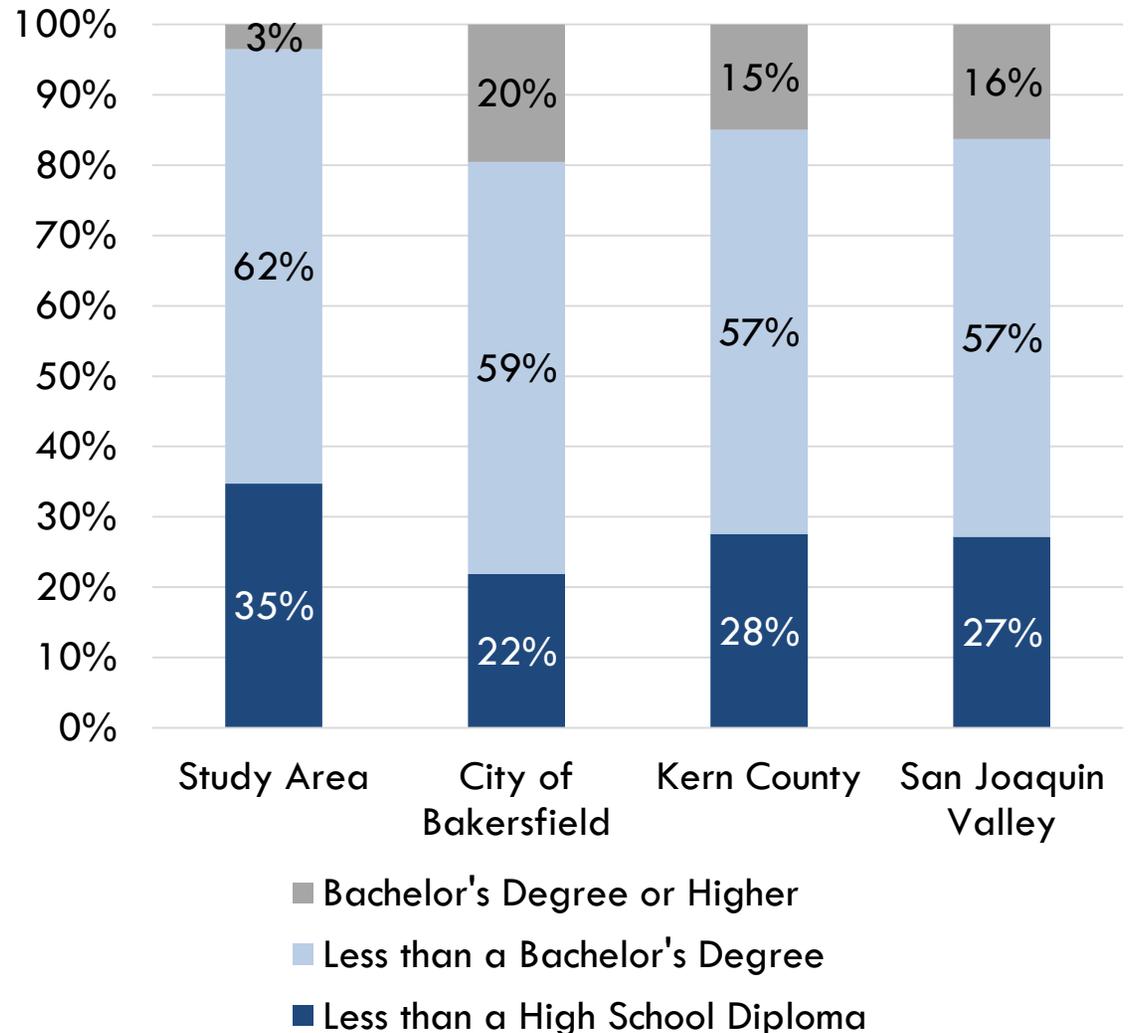


Source: ESRI

Bakersfield has higher levels of educational attainment than Kern County, while the Study Area has lower levels than Bakersfield.

- Owing to a more diverse economy and economic hub, Bakersfield outperforms the San Joaquin Valley and Kern County in educational attainment.
- The Study Area has not shared in Bakersfield's higher levels of educational attainment, as those who can afford to generally live in outlying areas with higher quality housing stock.

Highest Level of Educational Attainment (+25 Years Old, 2013)



Source: ESRI

Potentially owing to lower educational attainment, the Study Area also suffers from higher unemployment.

The 2009 recession had a significant impact on San Joaquin Valley employment. While the economy has improved since, most areas have not fully recovered to pre-recession levels of employment. Bakersfield, however, performed better than most areas throughout the recession.

January 2010 Unemployment Rate (Percentage Point Change from 2010 to 2015)

City of Bakersfield

- 14.9% (-6.6%)

Kern County

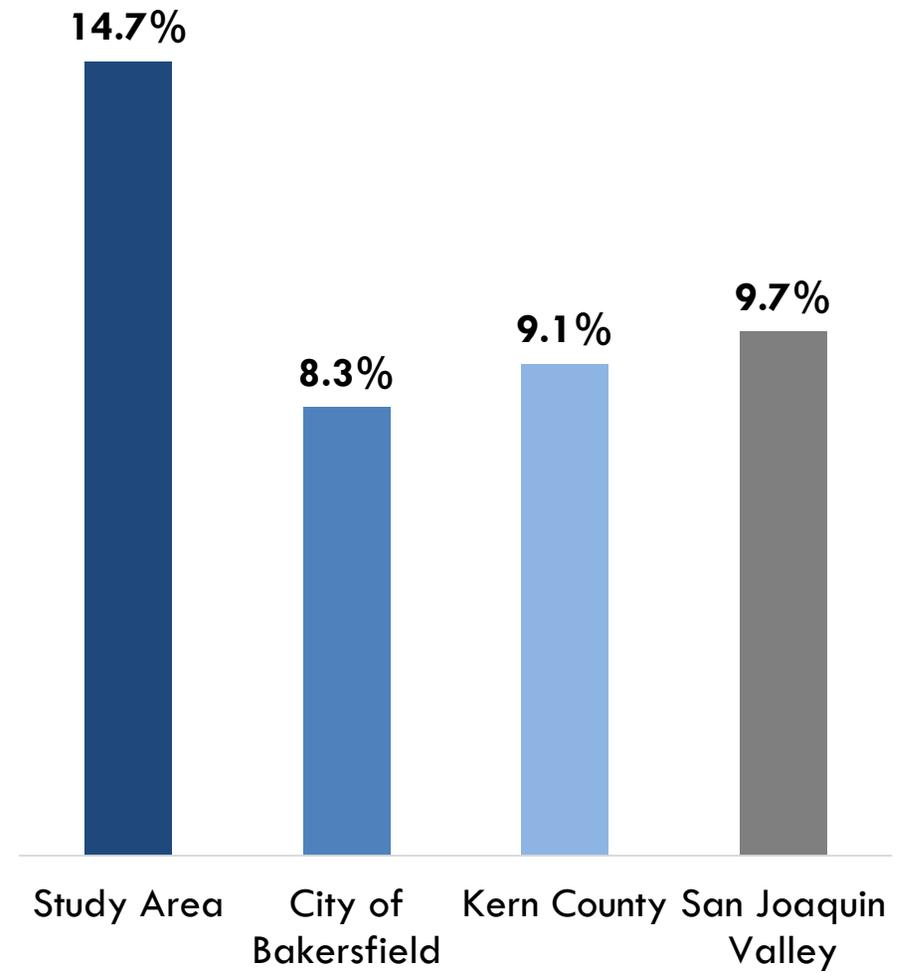
- 16.6% (-7.5%)

San Joaquin Valley*

- 17.7% (-8.0%)

Source: ESRI, BLS

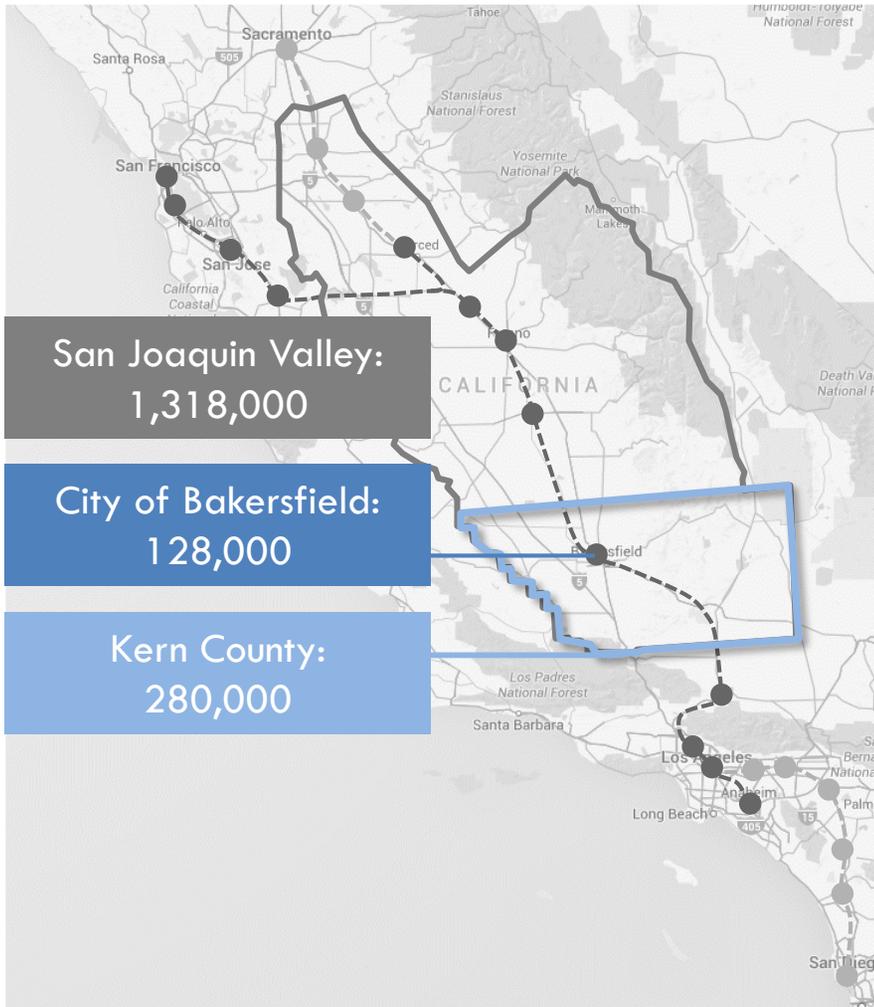
Civilian Unemployment Rate (2015)



*Based on a weighted average of San Joaquin counties by labor force.

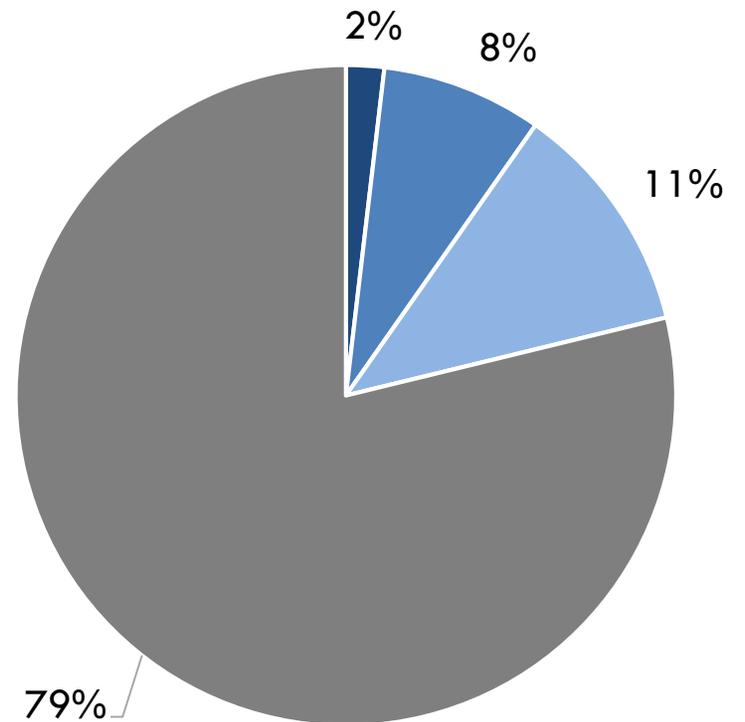
Kern County accounts for just under a quarter of the 1.3 million workers in the SJ Valley, with 128,000 of those in the City of Bakersfield.

Employment (2014)



Source: LEHD, Google Maps

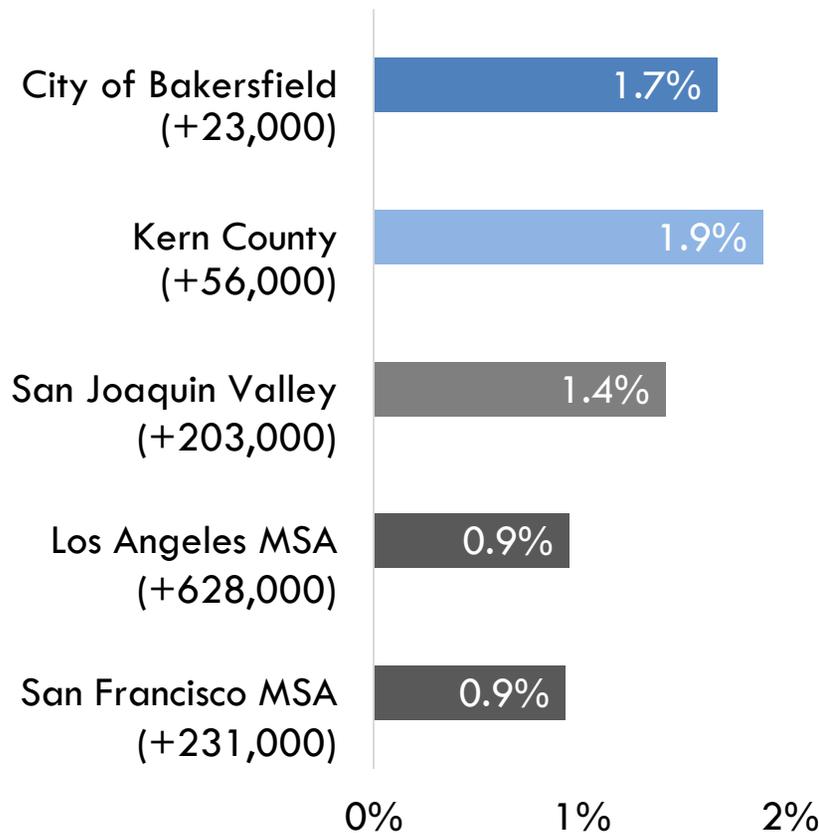
Employment (2014)



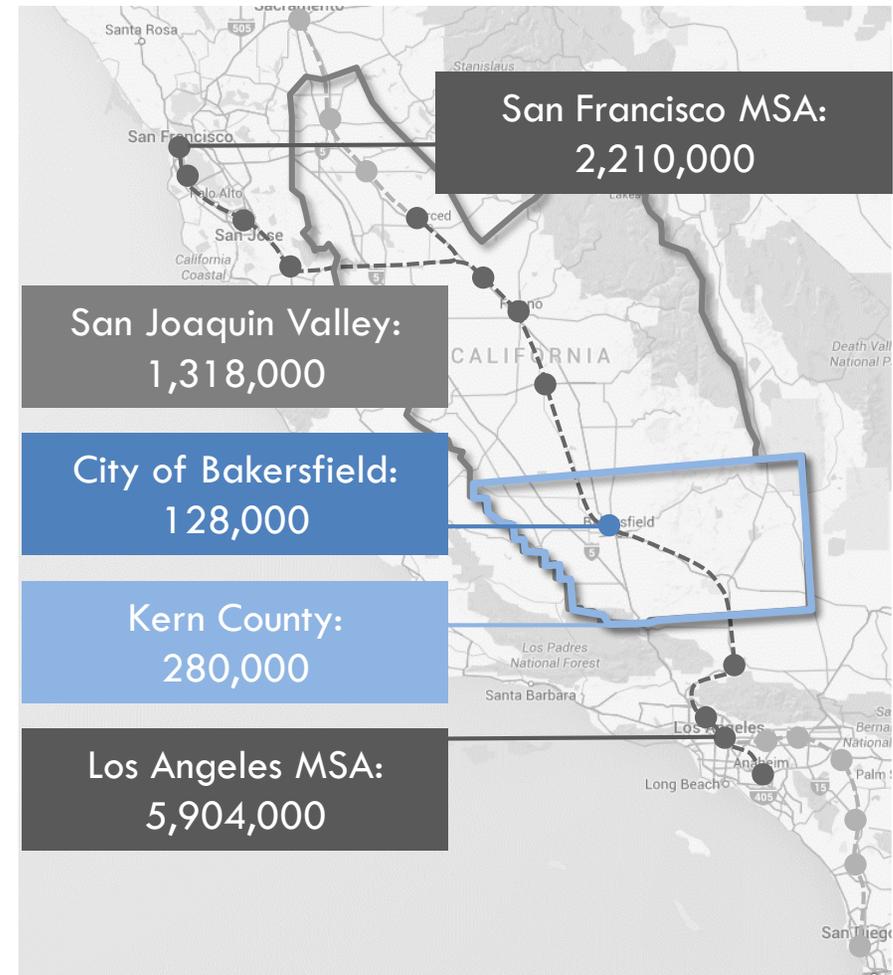
- Study Area
- Balance of City of Bakersfield
- Balance of Kern County
- Balance of San Joaquin Valley

Historic employment growth in Bakersfield and the San Joaquin Valley has outpaced California's largest metro areas.

**Job Growth Comparison
(2002-2014 CAGR)**



**Total Employment of Major Geographies
(2014)**



Source: Google Maps, LEHD

The San Joaquin Valley is one of the most productive agricultural areas in the United States and is also a center of logistics and oil production.

San Joaquin Valley

12.8%

PERCENTAGE OF US AGRICULTURAL
PRODUCTION BY CASH VOLUME

22,000

INCREASE IN TRANSPORTATION,
WAREHOUSING, AND WHOLESALE
TRADE JOBS (2014-2002)



SAN JOAQUIN VALLEY

Kern County

10%

PERCENTAGE OF US OIL
PRODUCTION

Two

OF THE FIVE LARGEST US OIL FIELDS



KERN COUNTY

Source: Google Images, 2007 Agricultural Statistical Overview, University of California Cooperative Extension: Kern County, LEHD

Bakersfield's has less direct dependence on agriculture than the County, and the Study Area is a hub for healthcare and public administration.

Largest Industry Sectors by Employment (2014)

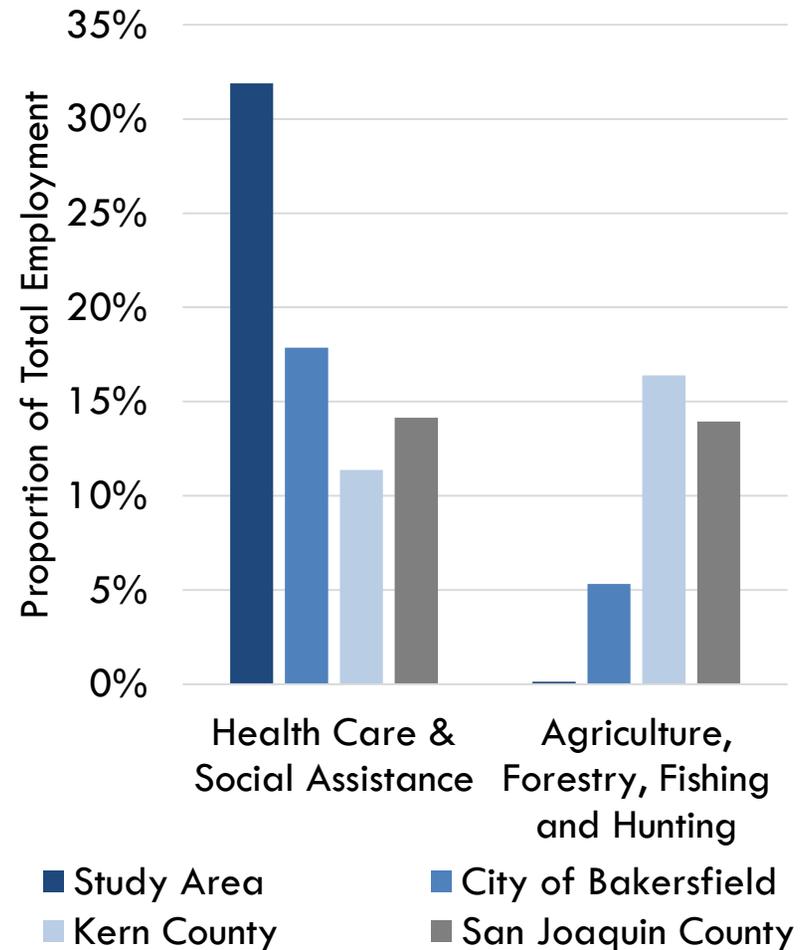
City of Bakersfield

- Health Care & Social Assistance (18%)
- Educational Services (12%)
- Retail Trade (12%)
- Accommodation & Food Service (10%)

Study Area

- Health Care & Social Assistance (32%)
- Public Administration (25%)
- Accommodation & Food Service (6%)
- Administration & Support (5%)

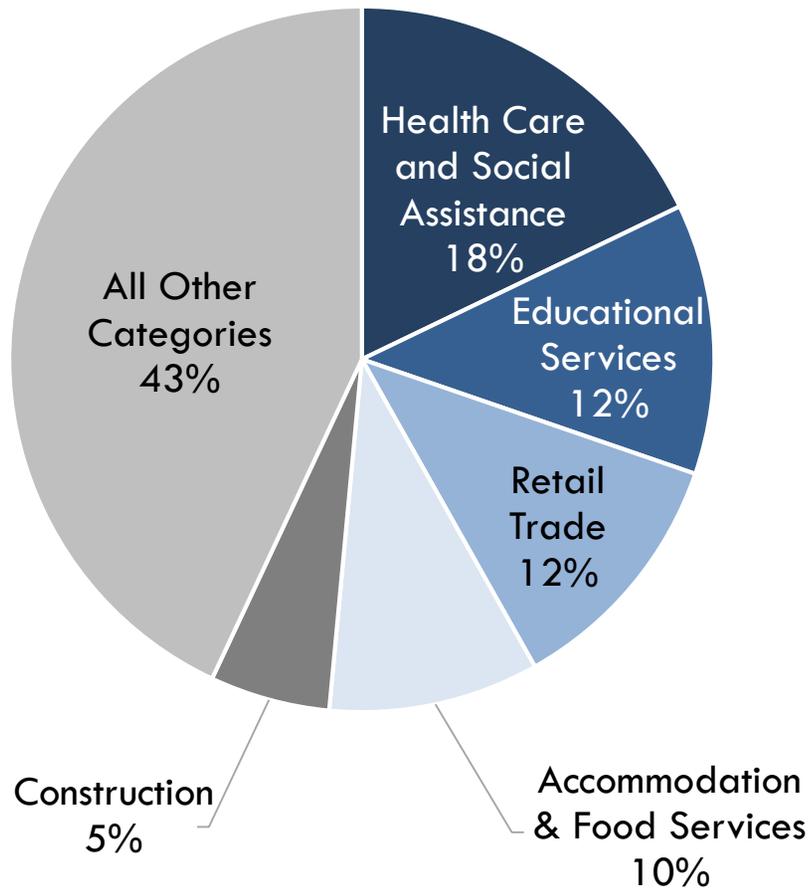
Healthcare & Agriculture Employment (2014)



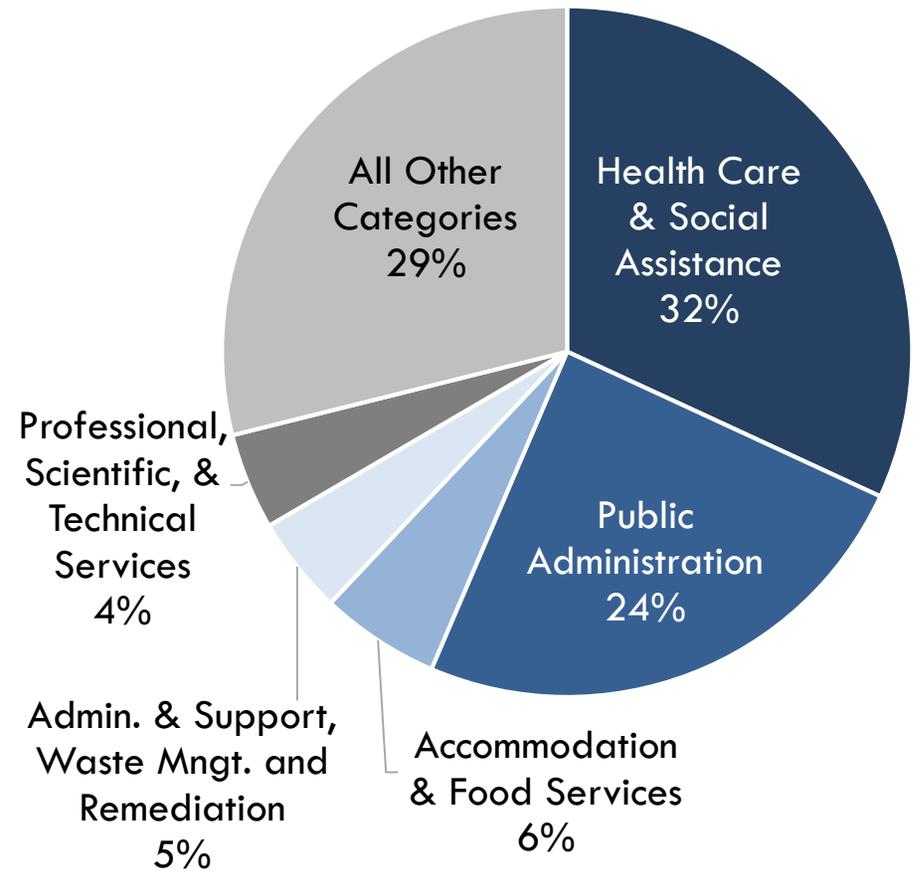
Source: LEHD

Public administration and healthcare make up 56 percent of jobs in the Study Area, much higher than in the City of Bakersfield overall.

City of Bakersfield Employment (2014)



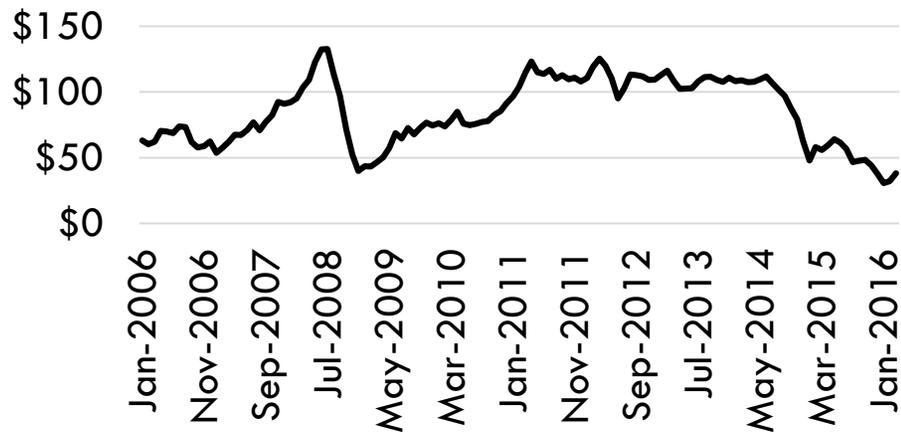
Study Area Employment (2014)



Source: LEHD

Though Bakersfield has less direct agricultural employment than the County, shocks to agriculture and oil still ripple through its economy.

Historical Oil Price (Per Barrel)

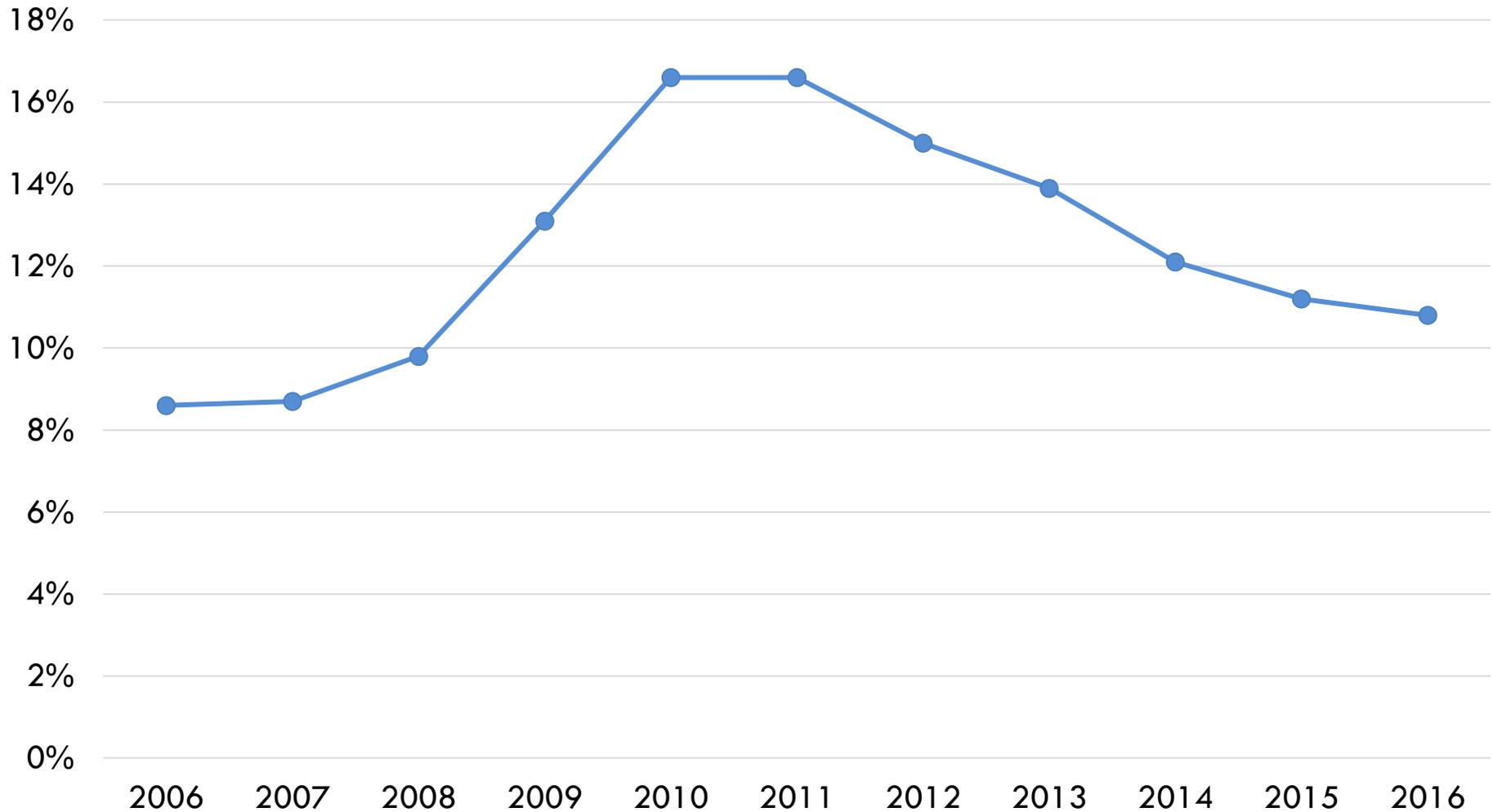


- The recent declining price of oil has been having ripple effects on the region's economy as local producers shut down production.
- California is still recovering from a historic drought that has plagued much of the Western United States, but has been particularly severe in the southern San Joaquin Valley.

Source: Flickr, U.S. Energy Information Administration

Despite these challenges, Bakersfield's economy has been recovering since the recession, but unemployment is not yet to prerecession levels.

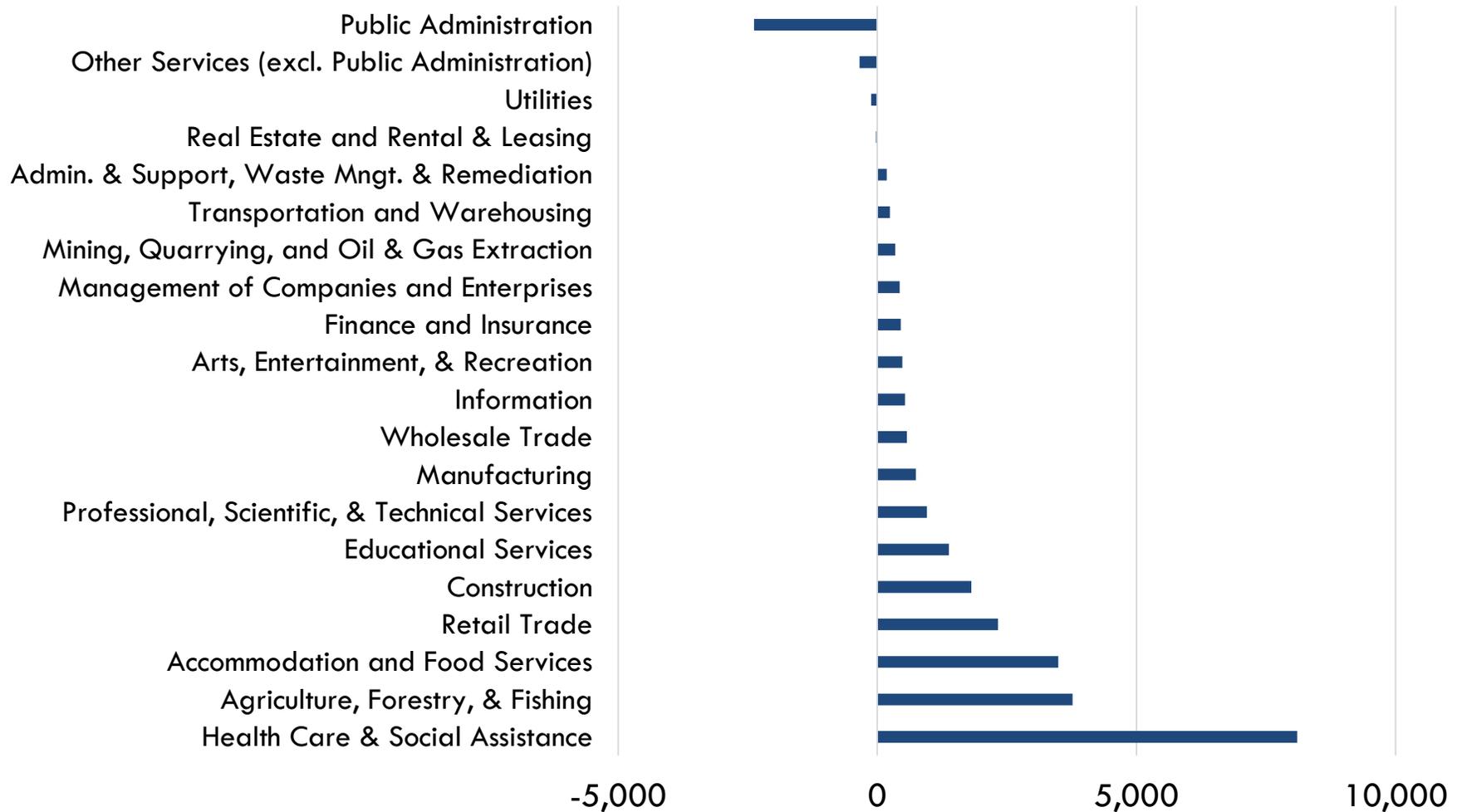
Bakersfield MSA Historical Unemployment Rate



Source: Bureau of Labor Statistics

A majority of industry sectors in Bakersfield have seen growth since 2002, particularly in the Healthcare sector.

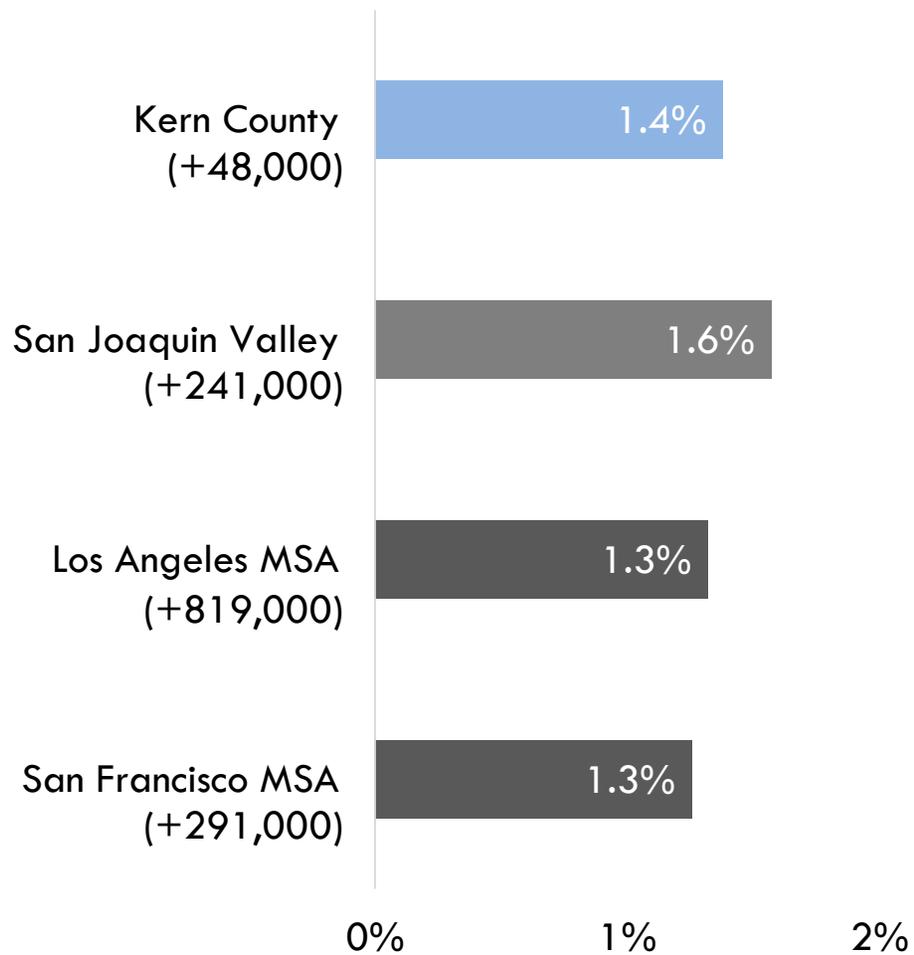
City of Bakersfield Nominal Industry Growth (2002-2014)



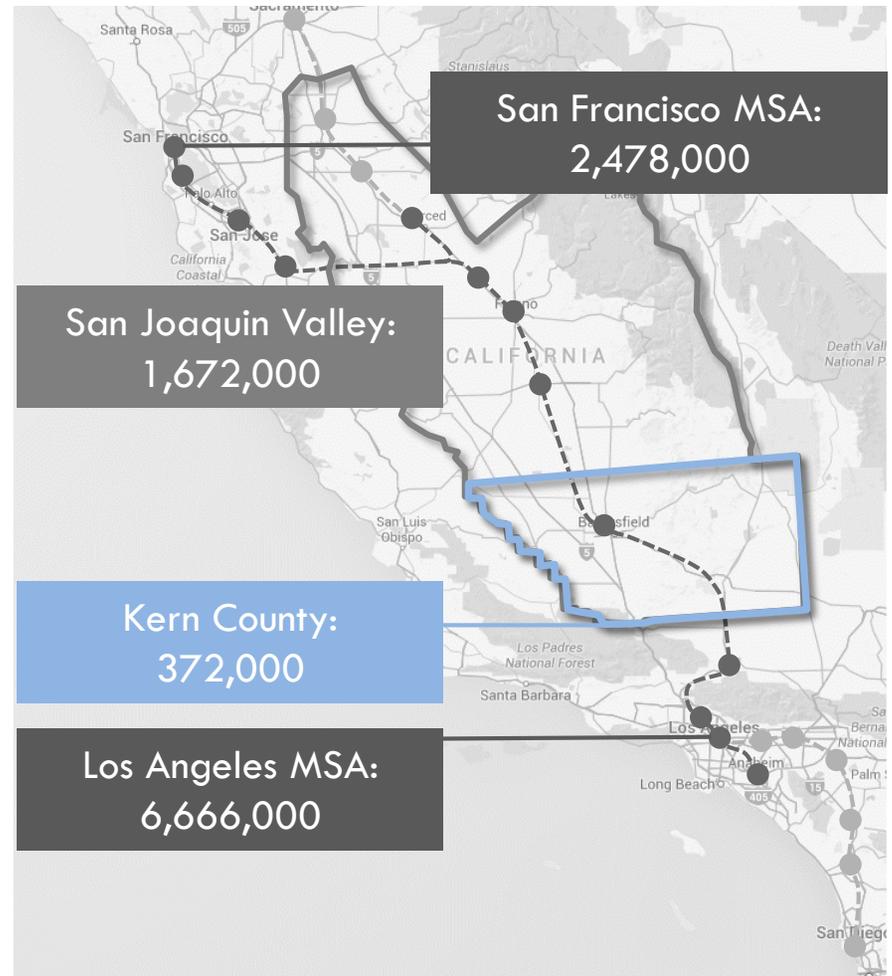
Source: LEHD

Kern County and the San Joaquin Valley are expected to continue to outpace coastal California in employment growth.

**Future Employment Projection Comparison
(2012-2022 CAGR)**



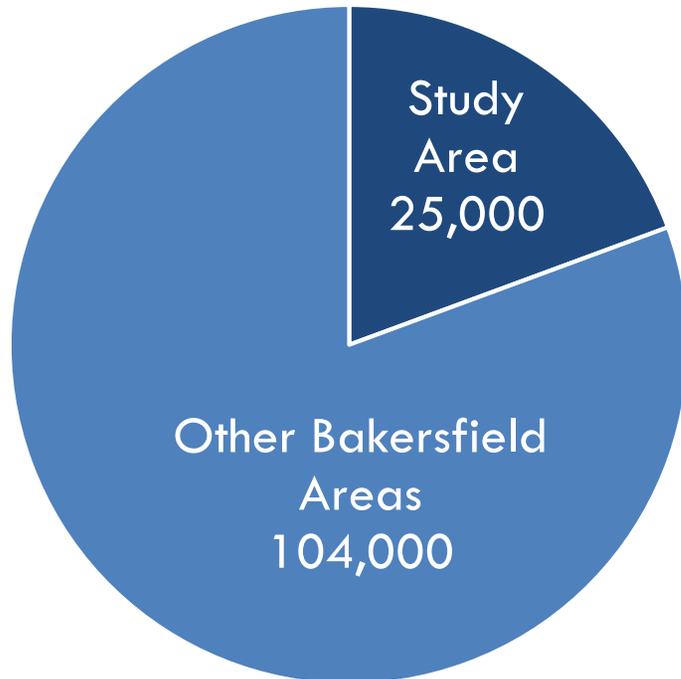
**Projected Employment of Major Geographies
(2022)**



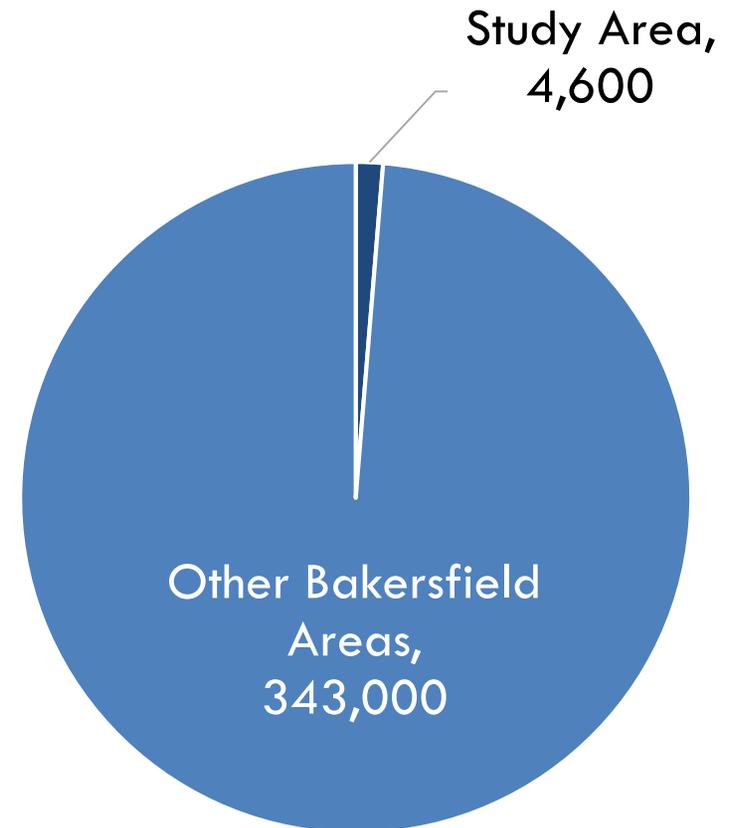
Source: Google Maps, California EDD

The Study Area has a relatively large proportion of Bakersfield's employment, but a very small proportion of its residents.

Bakersfield Employment (2014)



Proportion of Bakersfield Residents Within the Study Area (2015)



Source: LEHD, ESRI

The Study Area is a major employment hub with 25,000 workers, and Downtown's daytime population rises substantially on workdays.

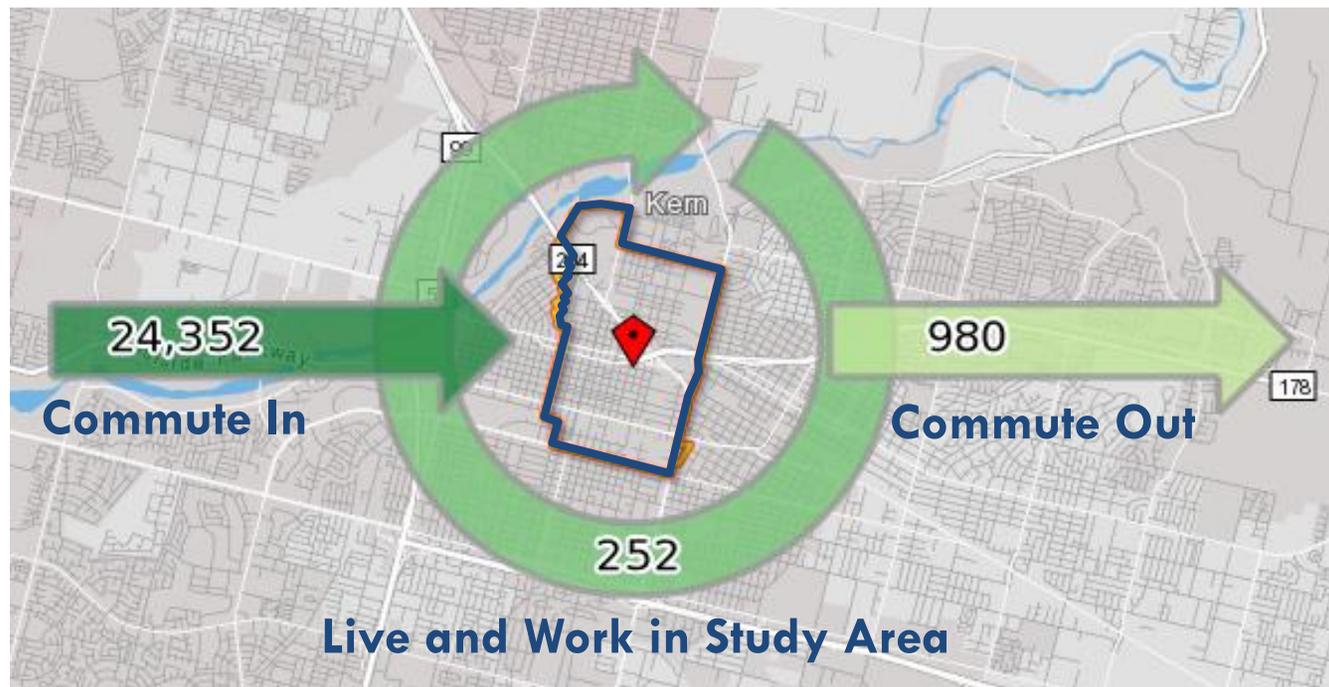
5.3

STUDY AREA JOBS PER RESIDENT

0.4

BAKERSFIELD JOBS PER RESIDENT

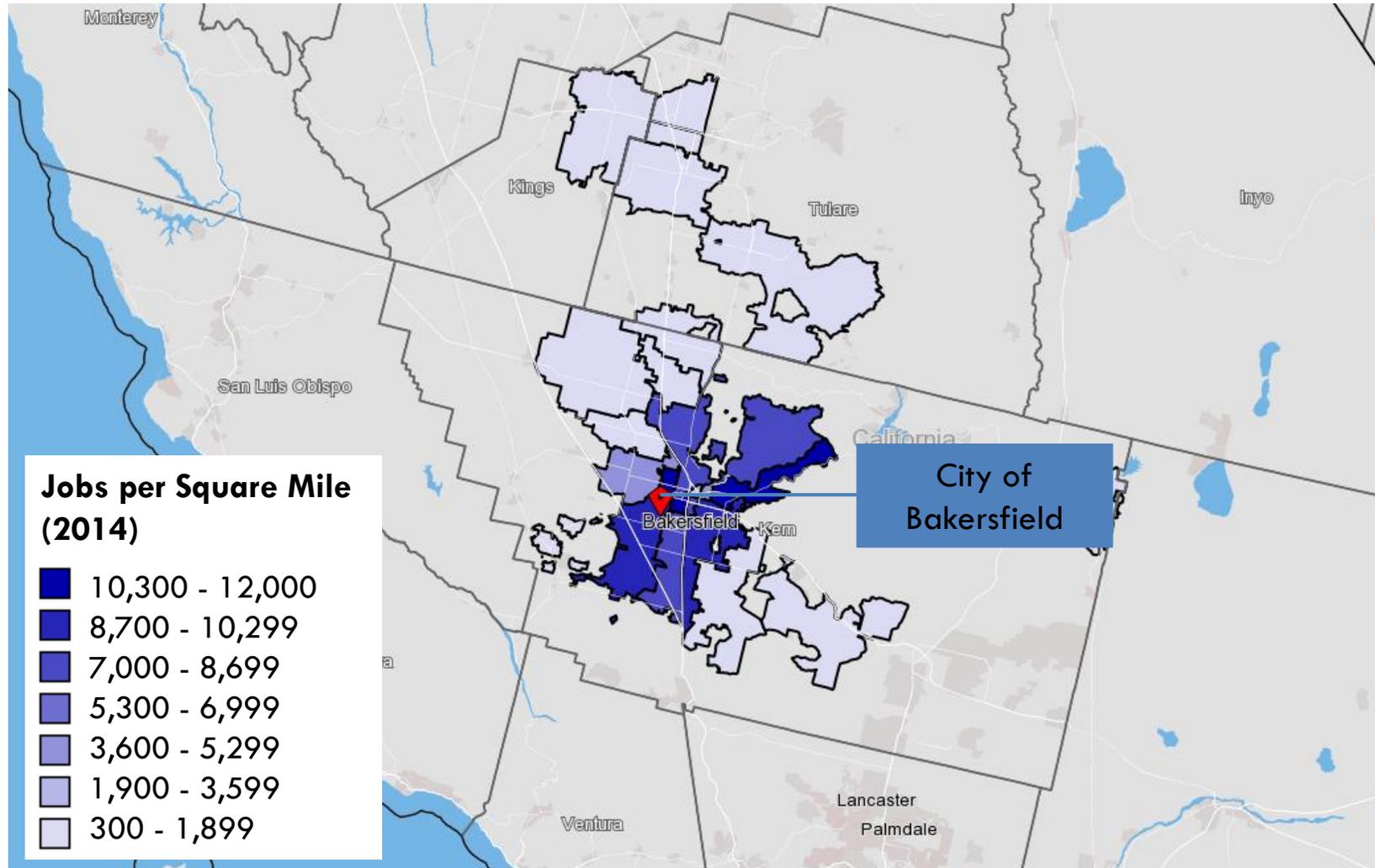
Study Area Inflow/Outflow of Employees



Source: ESRI, LEHD

The City is central to the County's economy, and draws workers across the region, with almost a quarter traveling over 50 miles each way.

Top 25 ZIP Codes Where Bakersfield Workers Live (2014)



Source: LEHD

About half of Bakersfield residents also work in Bakersfield, but over 12,000 make the commute to Los Angeles County.

Bakersfield Inflow/Outflow (2014)

65,000

EMPLOYEES COMMUTE INTO
BAKERSFIELD

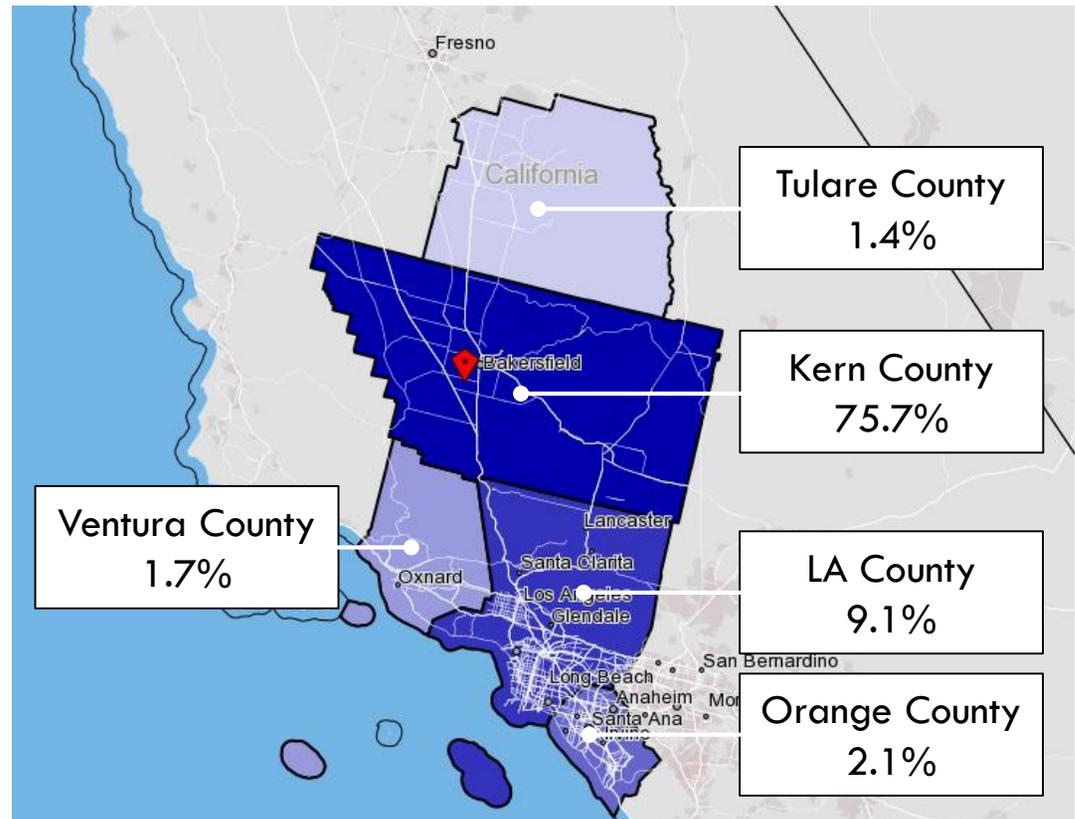
64,000

RESIDENTS LIVE AND WORK IN
BAKERSFIELD

72,000

RESIDENTS COMMUTING OUT OF
BAKERSFIELD

Top Counties for Bakersfield Resident's Place of Employment (2014)



Source: LEHD

CONTEXT

DEMOGRAPHICS AND EMPLOYMENT

REAL ESTATE MARKET

Office

Residential

Retail

Hotel

Real Estate: Office

Office Market Summary



- Of the 13.3 million SF of office in the City of Bakersfield, approximately 30% is located in the Study Area.
- The Bakersfield office market has higher rents and lower vacancy rates when compared San Joaquin Valley as a whole.



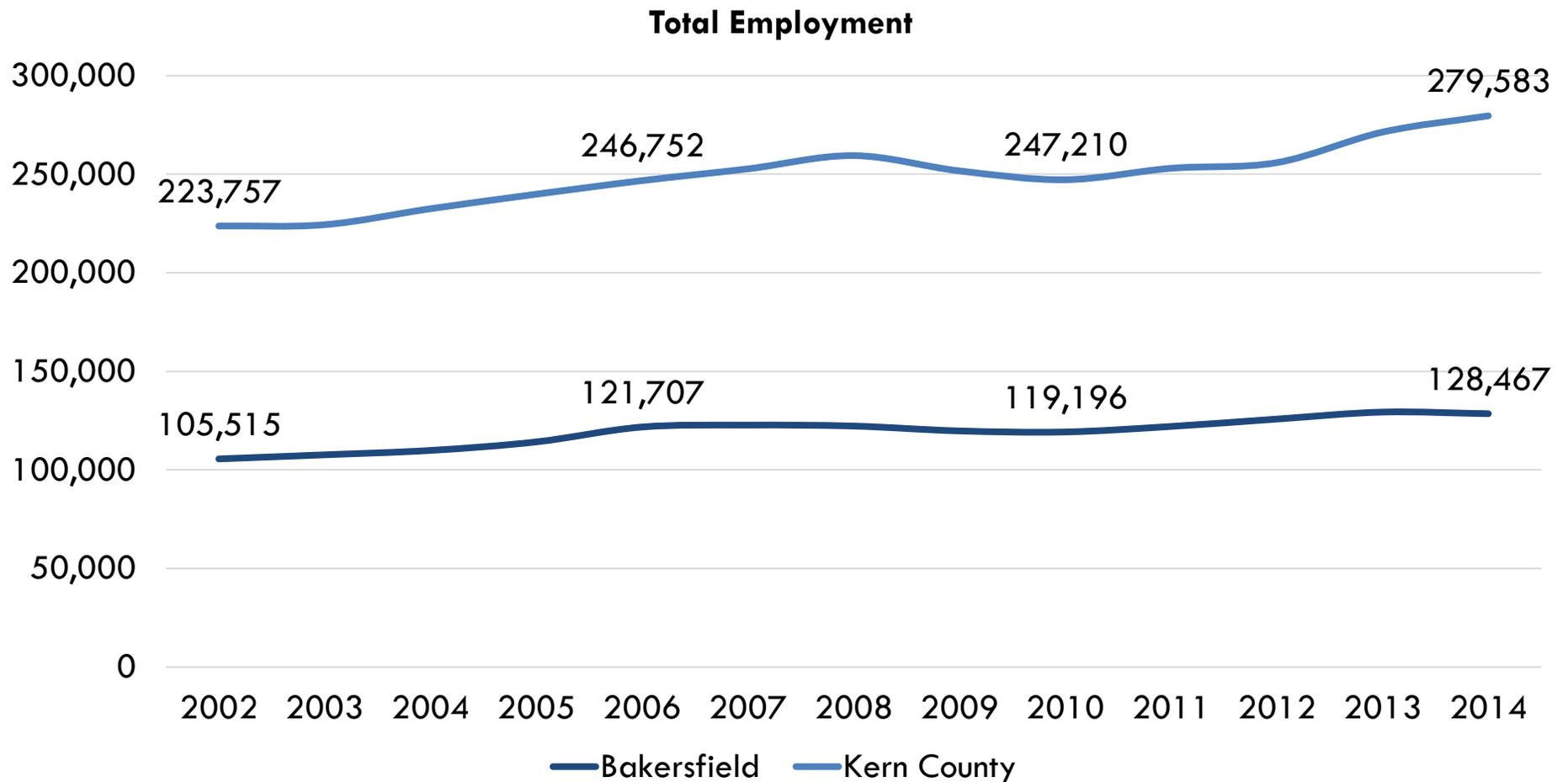
- The Study Area, or Greater Downtown, is a large employment hub for Bakersfield, with primarily government and medical workers.
- There has been limited office construction in Bakersfield since 2000 and, with contractions in Public Administration employment, little of this new office space has been built within the Study Area.



- The Bakersfield office market continues to see growth, but the Downtown market has not captured its fair share of growth in the last two decades. Citywide development policies, downtown placemaking initiatives, and HSR could help to attract more development downtown, including additional private office development.

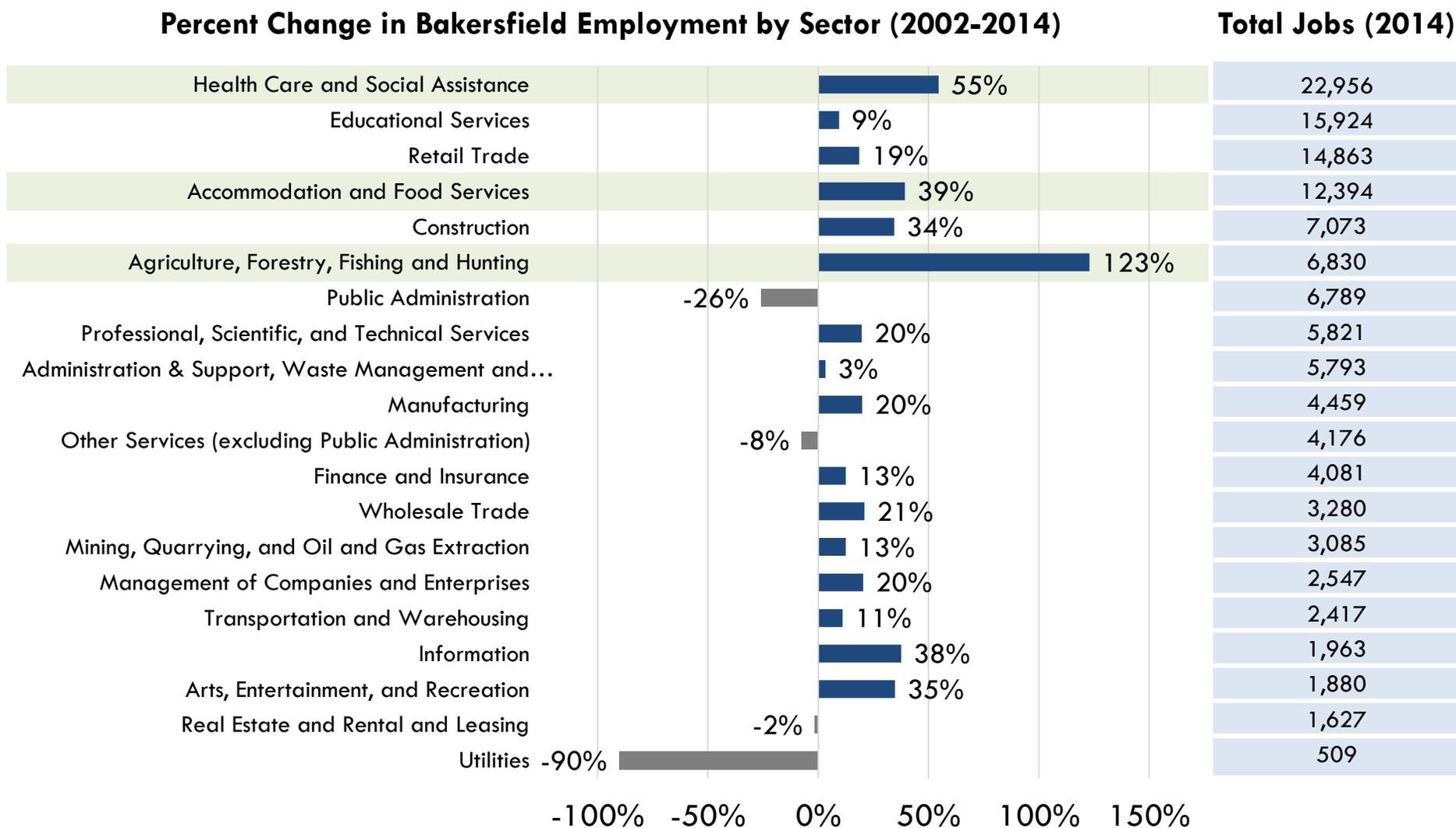
Bakersfield and Kern County were impacted by the Recession, but not as heavily as other regions of California.

- Total employment in Bakersfield has increased since 2002, and is now higher than pre-Recession levels.



Source: LEHD On the Map

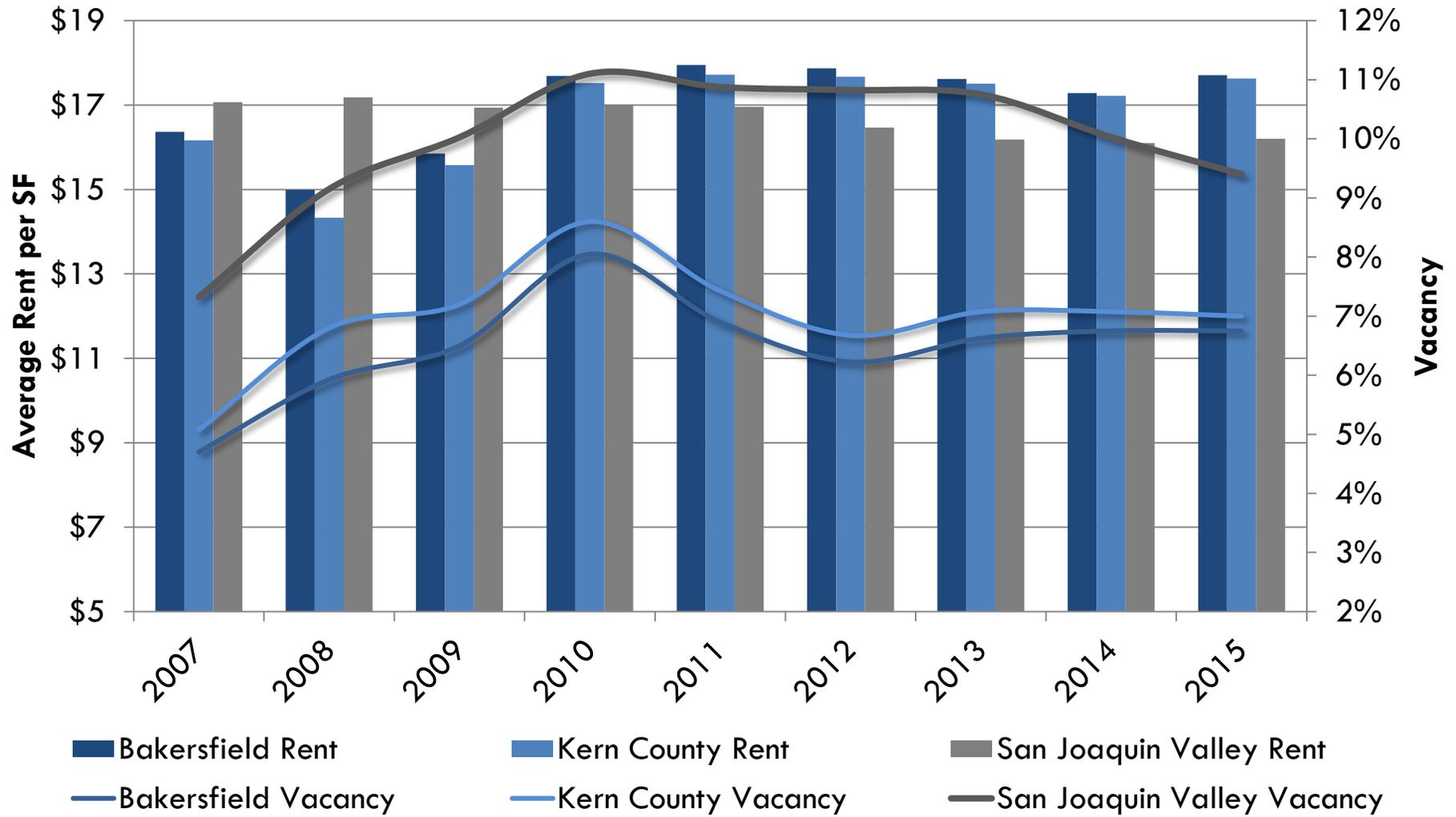
Bakersfield's employment growth has been particularly strong in the Health Care, Agriculture, and Accommodation and Food Service sectors.



Source: LEHD On the Map

With lower vacancy rates and higher rents, Bakersfield has a stronger office market than Kern County and San Joaquin Valley as a whole.

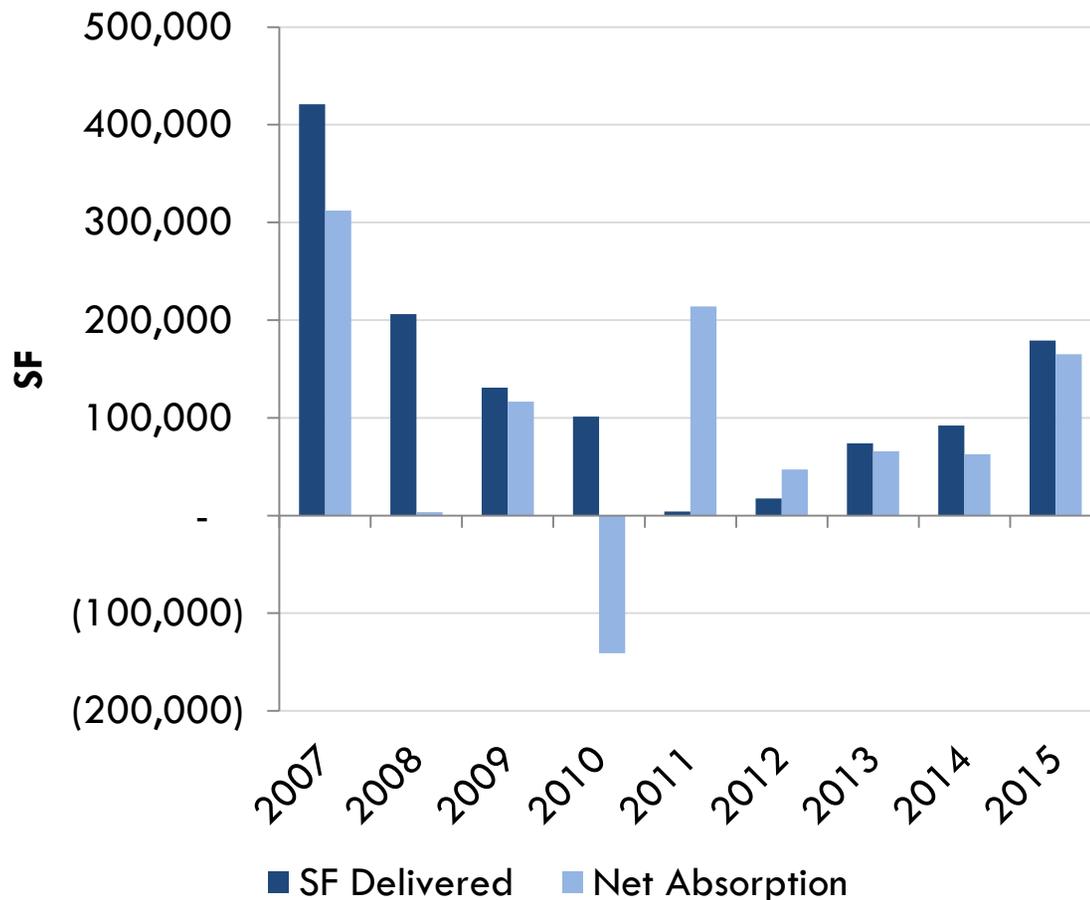
Rent & Vacancy



Source: Costar

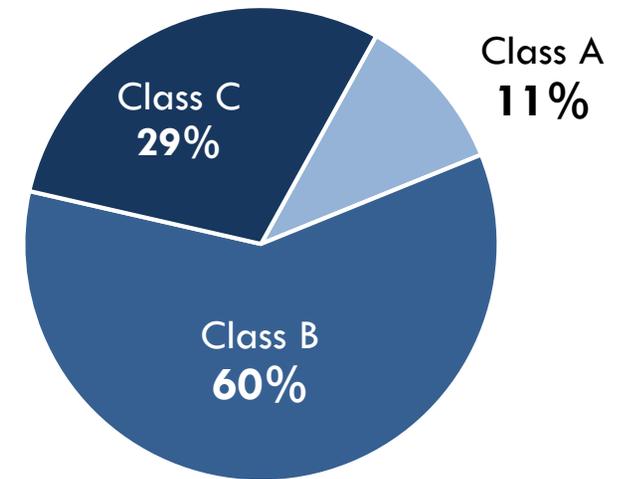
Fewer office construction completions and one year of negative absorption* followed the Recession, but the market has since improved.

Bakersfield Deliveries and Absorption



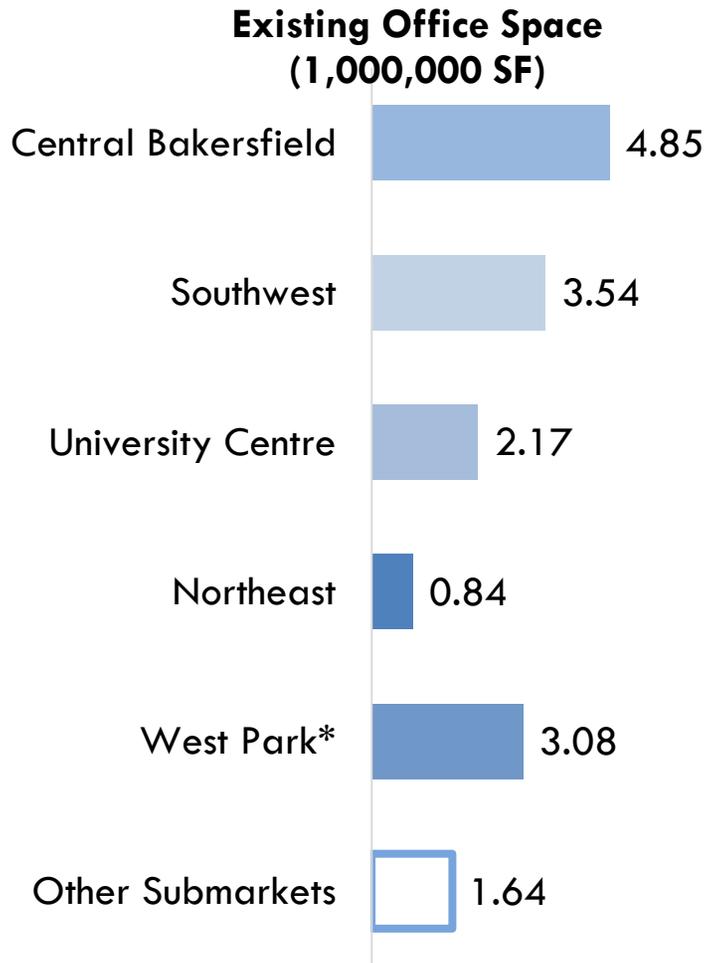
Source: Costar

Bakersfield Office Space by Class



* Absorption is a measure that accounts for total space occupied in the market during a period, less space vacated.

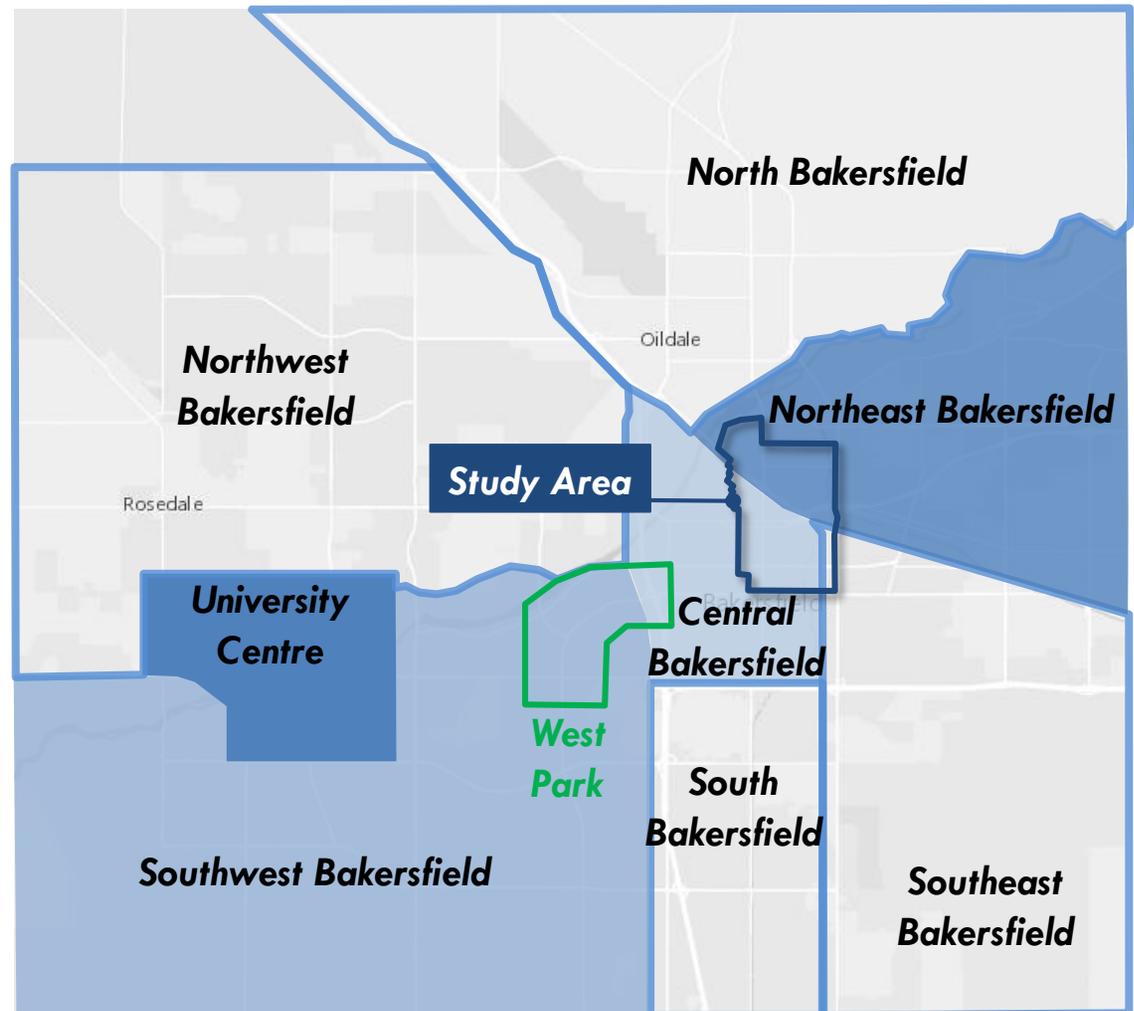
Of the eight office submarkets identified by CoStar, Central and Southwest Bakersfield contain the vast majority of the city's office space.



*Note that West Park is a subarea of Southwest Bakersfield and Central Bakersfield

Source: Costar

City of Bakersfield Office Submarkets



Low-rise suburban office spaces are dominant in outlying areas, while mid-rise office buildings are mostly found in and near Downtown.



Northeast Bakersfield



University Centre

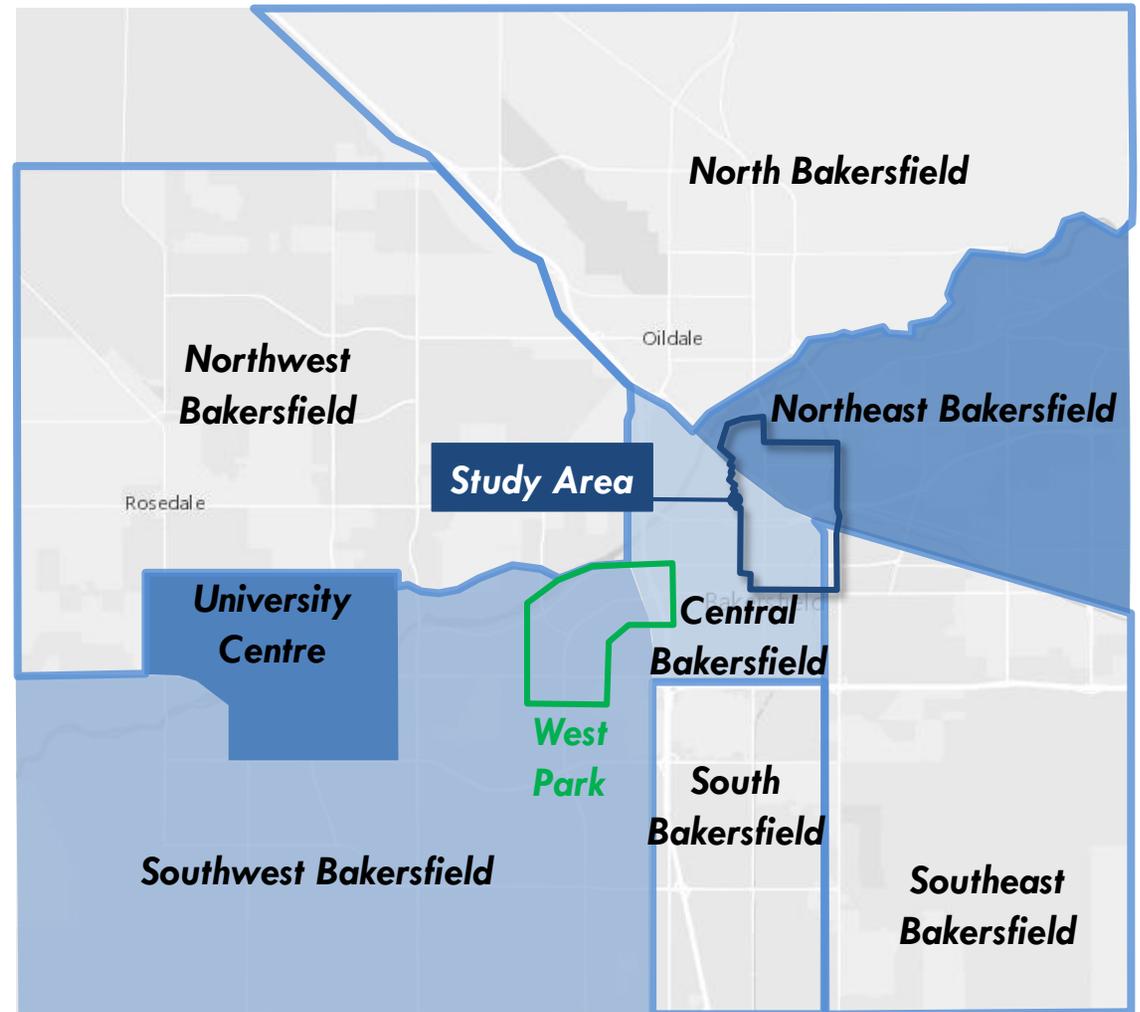


Southwest Bakersfield



Central Bakersfield

City of Bakersfield Office Submarkets



While it has only a modest share of the total office stock, the University Centre submarket has the highest rents and lowest vacancy.

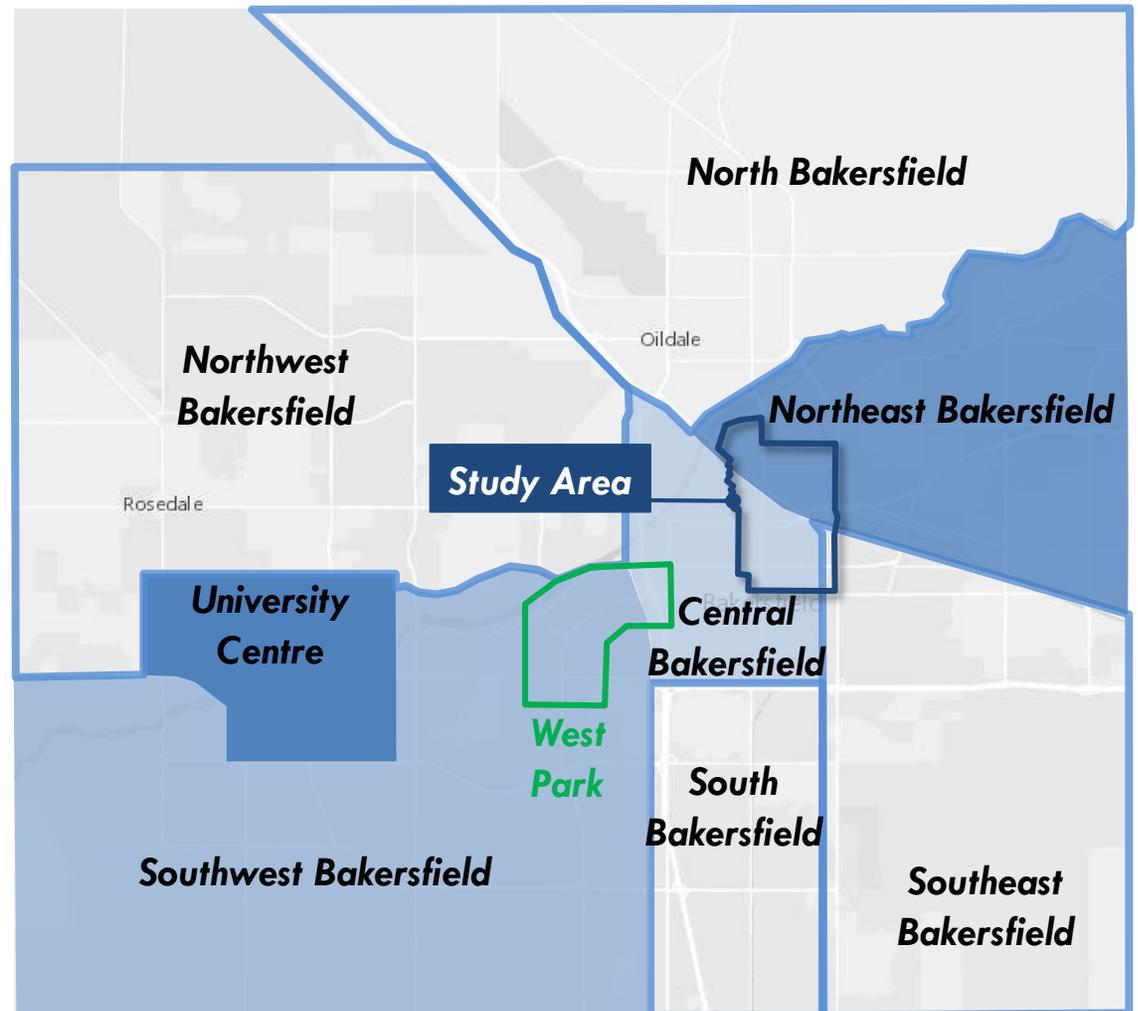
Rent per SF and Vacancy by Office Submarket



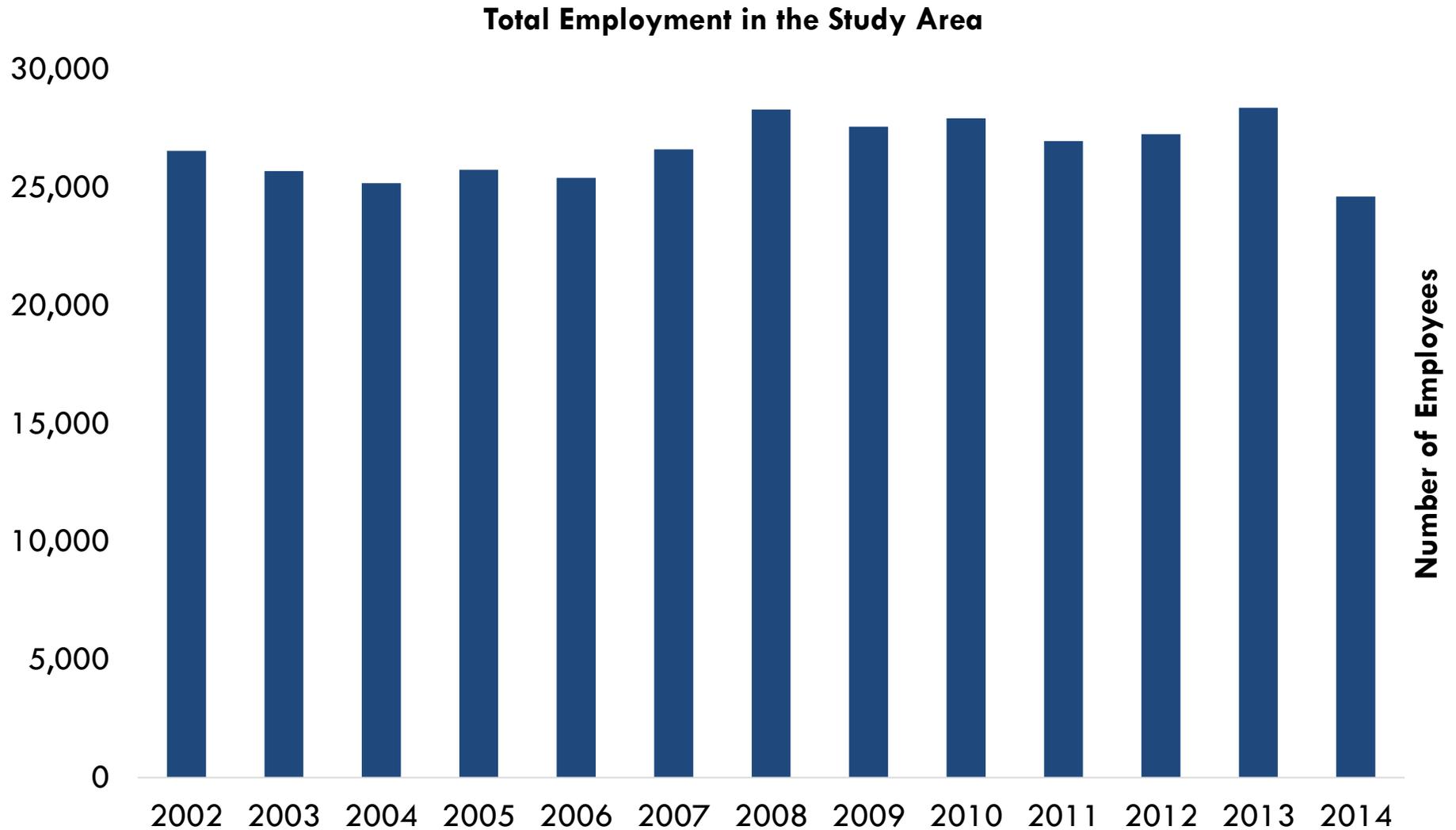
*Note that West Park is a subarea of Southwest Bakersfield and Central Bakersfield

Source: Costar

City of Bakersfield Office Submarkets

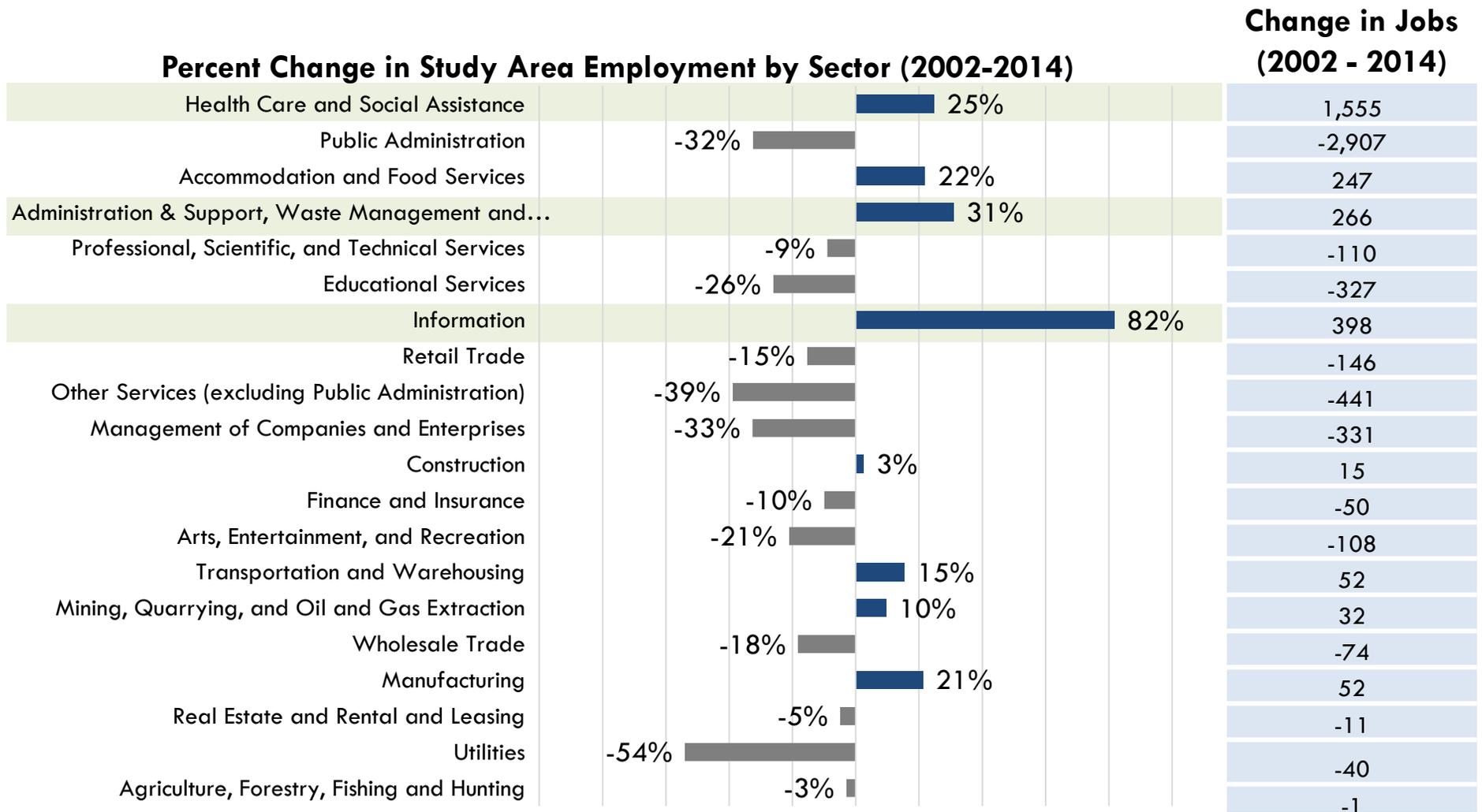


The Study Area performed fairly well through the Recession; the sharp decline in employment in 2014 was largely in Public Administration jobs.



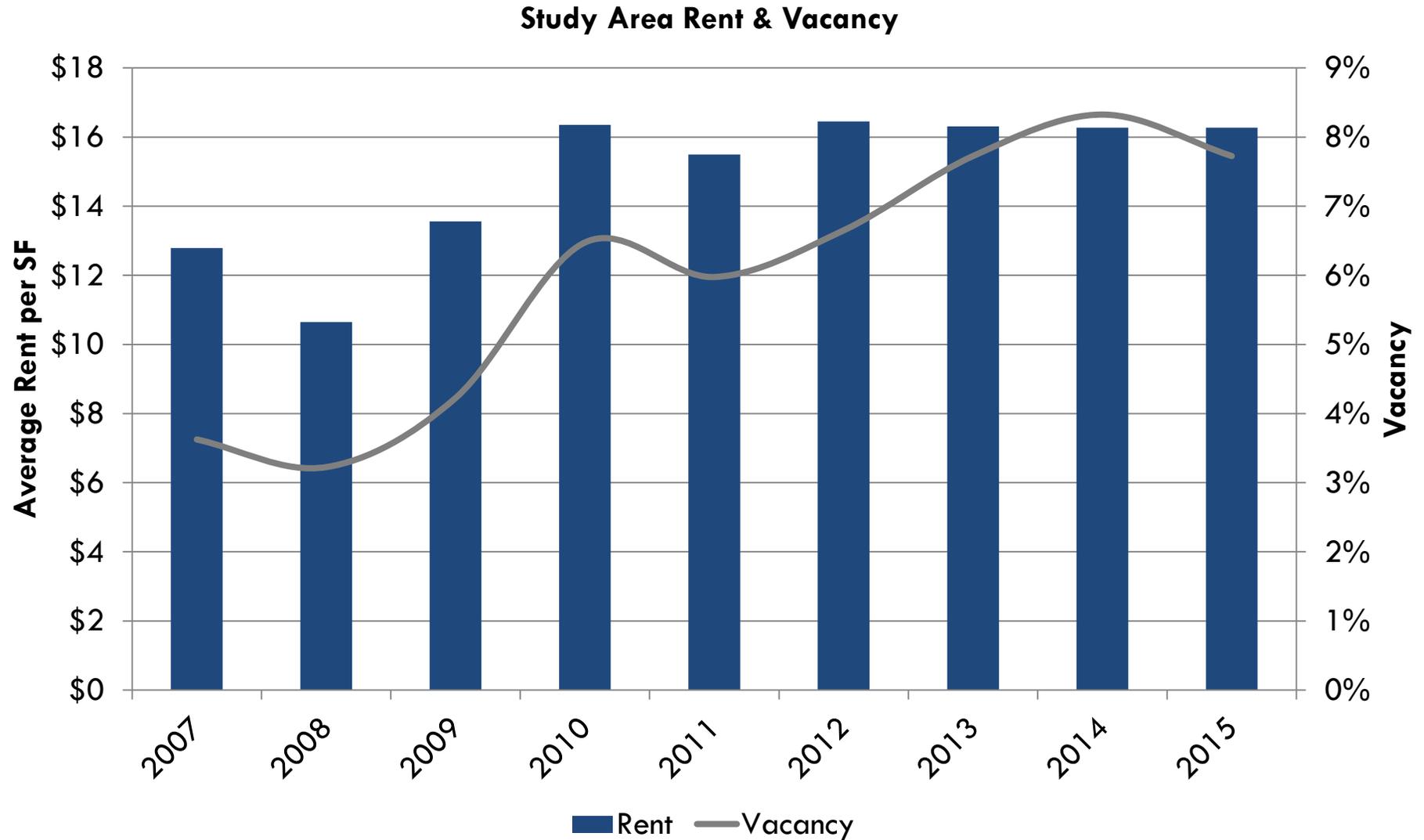
Source: LEHD On the Map

The Study Area captured employment growth in the Health Care, Information, and Administration & Support industries, but, on a nominal basis, this was outweighed by losses in Public Administration.



Source: LEHD On the Map

Although Study Area office rents have increased, so too have office space vacancies.

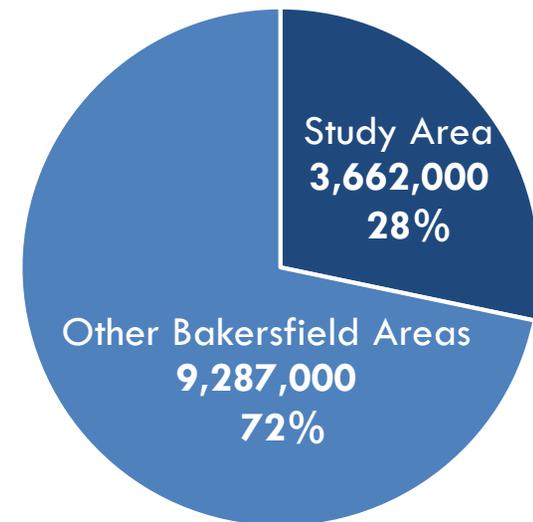


Source: Costar

One quarter of Bakersfield's office space is located in the Study Area.

- Approximately **25%** of all Bakersfield office space is located within the Study Area.
- Area real estate brokers cite several reasons for office tenants choosing to locate outside of the Study Area, including:
 - A general **perception** that Downtown **lacks parking** and **has a high incidence of crime**.
 - Employees' **desire to work close to where they live**, namely in suburban areas.
 - A **lack of high-quality** office space Downtown. Only 6% of Study Area office space, approximately 215,000 square feet, is Class A space, compared to 11 percent citywide.

**Bakersfield Office Space,
by Gross Square Feet**

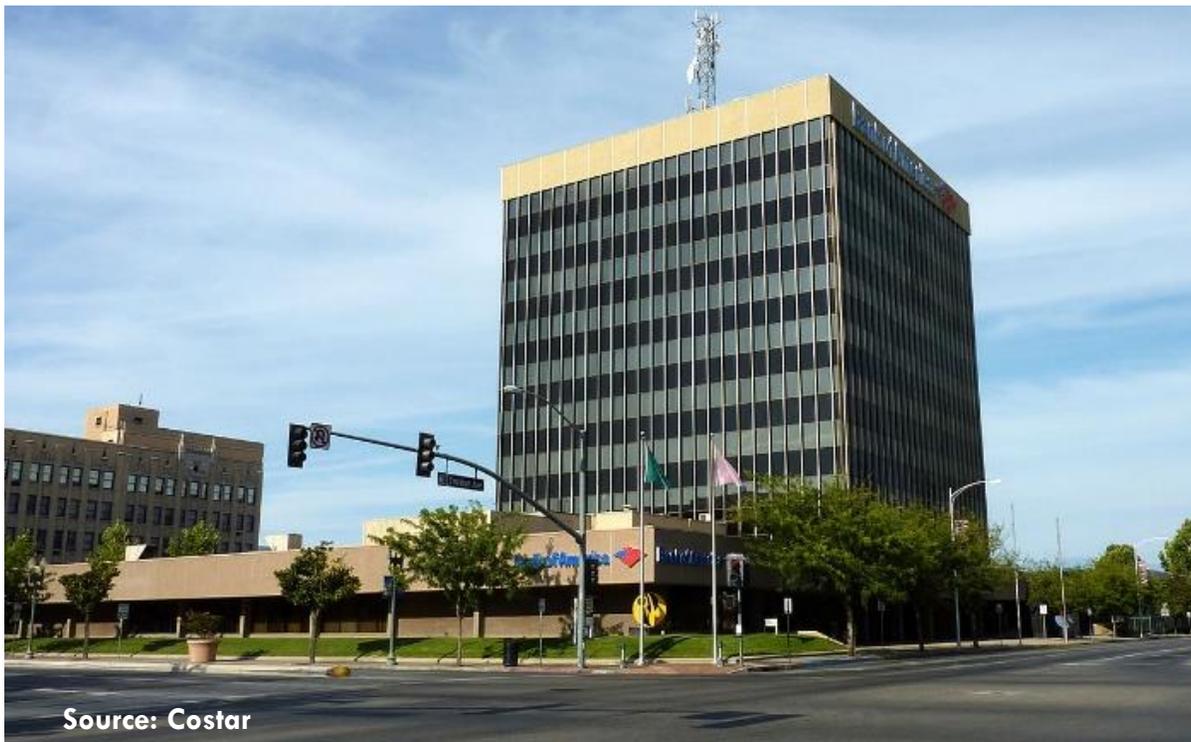


Source: Costar

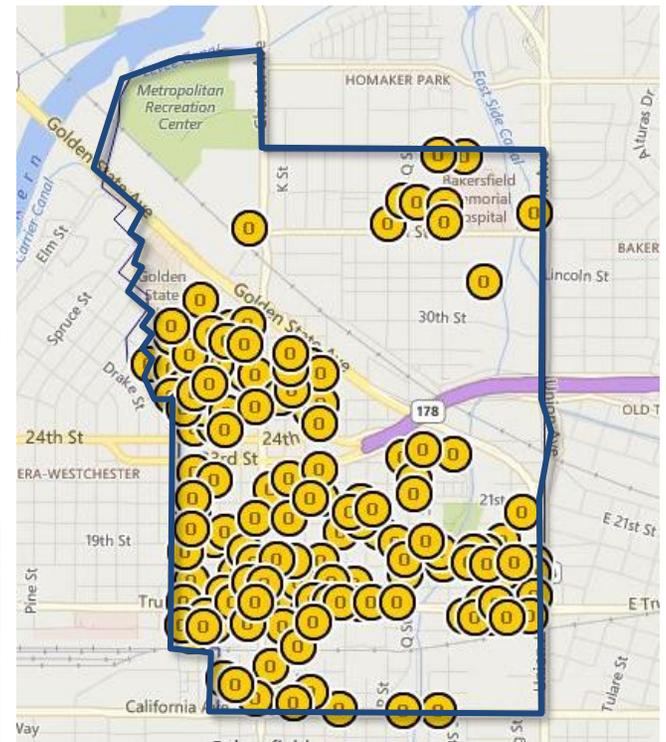
Office space is concentrated south of Golden State Avenue in the Study Area.

- The primary tenants downtown are medical, administration, government, and education workers.
- The Study Area contains 303 office buildings*, including some of Bakersfield's tallest.

* This contains most, but not all, government buildings in the Study Area.

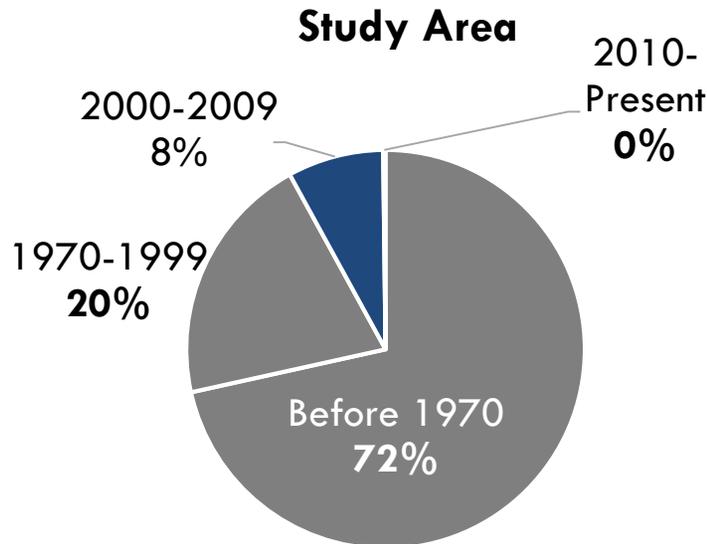


Source: Costar



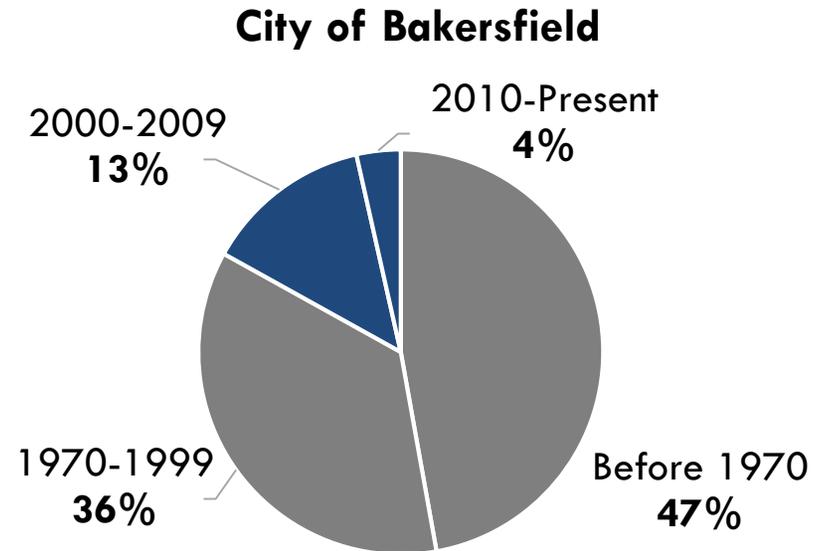
The Study Area has captured lower than its fair share of new office development in the region.

Office Buildings by Year Built, as a Proportion of Gross Square Feet



3,662,000

STUDY AREA OFFICE,
GROSS SF



13,287,000

CITY OF BAKERSFIELD OFFICE,
GROSS SF

- The Study Area has not seen new office construction since before the Recession, while the City of Bakersfield has seen some new office deliveries.
- Any new construction that has occurred in the Study area has primarily been driven by government uses.

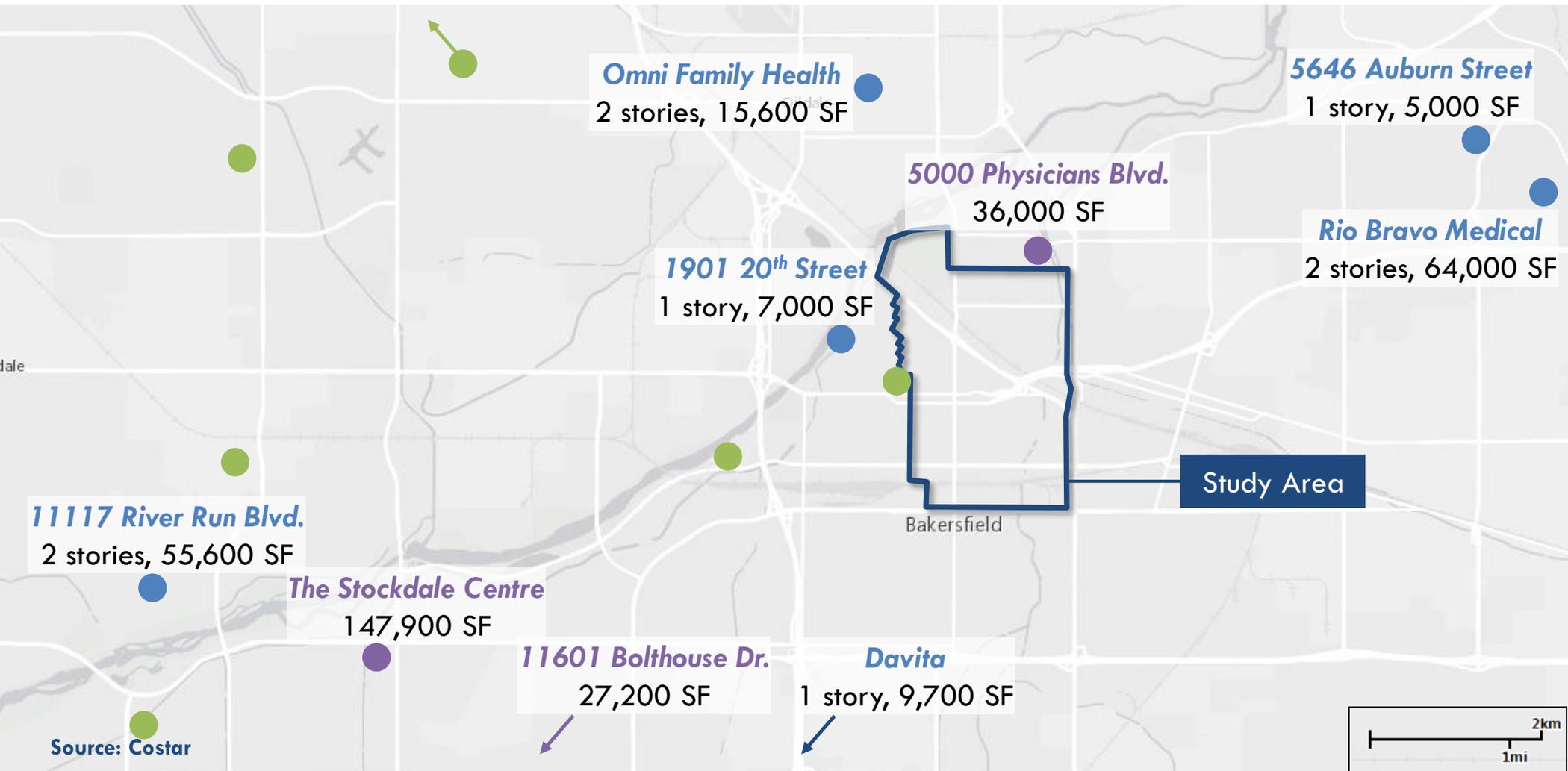
Source: Costar

179,000 SF of office space was delivered in 2015; 347,000 SF is currently under development.

● Under Development

● Delivered in 2015

● Delivered in 2008-2014



Today, the Downtown competes with suburban markets in and outside of Bakersfield; Downtown amenities and HSR could increase office demand.

Demand Capture Opportunities

Without HSR

Baseline Office Demand
(LOW)

- With the current pattern of Downtown investment, the Study Area will continue to capture health, education, and public employees, but will continue to be challenged in competing with more affordable and auto-convenient business parks for other industries' office needs.

Office Demand with Downtown Revitalization
(HIGH)

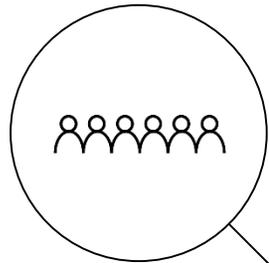
- New Downtown amenities and public realm improvements may attract additional industries to Downtown and will make office development in the Study Area more appealing, with or without HSR.

With HSR

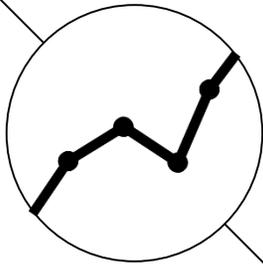
HSR
(LOW and HIGH)

- If high speed rail is implemented, improved access to Bakersfield and to other parts of the State will likely attract more businesses to the Study Area, even with limited public interventions. (Low Capture)
- However, the potential of HSR to attract new businesses and industries will be magnified with strategic planning and improvements to the Downtown. (High Capture)

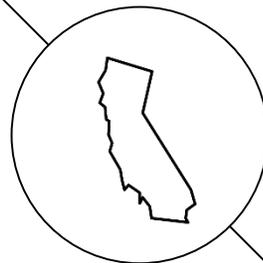
Future office growth was projected based on projected employment growth in the Study Area and an estimated office space per employee.



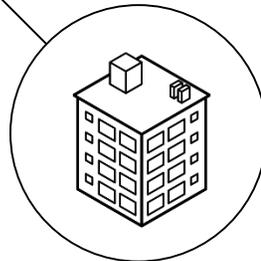
THERE WERE **130,000 EMPLOYEES** IN THE CITY OF BAKERSFIELD IN 2015.



HISTORICAL GROWTH RATES AND CA EDD PROJECTED GROWTH RATES INFORMED BASE ESTIMATES FOR EMPLOYMENT GROWTH IN BAKERSFIELD.



ASPIRATIONAL CITIES WERE EVALUATED TO ESTIMATE THE CAPTURE OF EMPLOYEE GROWTH WITH AN IMPROVED DOWNTOWN.



CASE STUDIES AND A LITERATURE REVIEW WERE COMPLETED TO UNDERSTAND THE IMPACTS FROM HSR.

Source: ESRI

Total Study Area demand for new office in 30 years could be between 500,000 and 1.2M SF without HSR and 1.1M to 2.0M SF with HSR.

	5 years (2020)	10 years (2025)	20 years (2035)	30 years (2045)
WITHOUT HSR				
<i>Low: Base Growth</i>	65,000 SF	135,000 SF	300,000 SF	505,000 SF
<i>High: Significant Downtown Investment</i>	165,000 SF	345,000 SF	755,000 SF	1,260,000 SF
WITH HSR				
	65,000 - 165,000 SF	155,000 - 365,000 SF	585,000 - 1,085,000 SF	1,130,000 - 2,005,000 SF

- Bakersfield has an opportunity to **concentrate its office growth downtown** by leveraging HSR and the improved transit connectivity to the city’s urban core.
- Total office development potential is expected to increase over time, **depending on the investment** made in the downtown, as well as the **introduction of HSR** in Bakersfield.

Real Estate: Multi-family Residential

Multi-Family Residential Market Summary



- Over the past two decades, there has been a significant amount of single-family construction in Bakersfield, nearly all of which has been in the form of master-planned communities.
- At the same time, multi-family apartment development has gained traction in the city, with 925 such units delivered citywide since 2000.



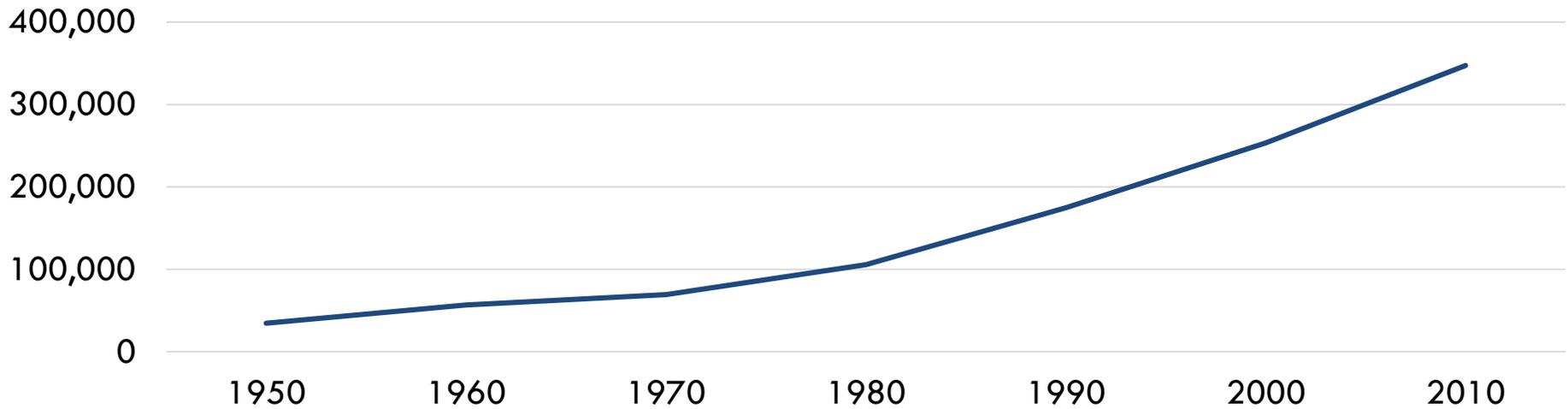
- The Study Area does not have a significant residential population, due to a dearth of quality housing and supporting downtown amenities. However, there is growing interest in downtown living. 10% of multi-family units currently being developed in Bakersfield are located in the Study Area.



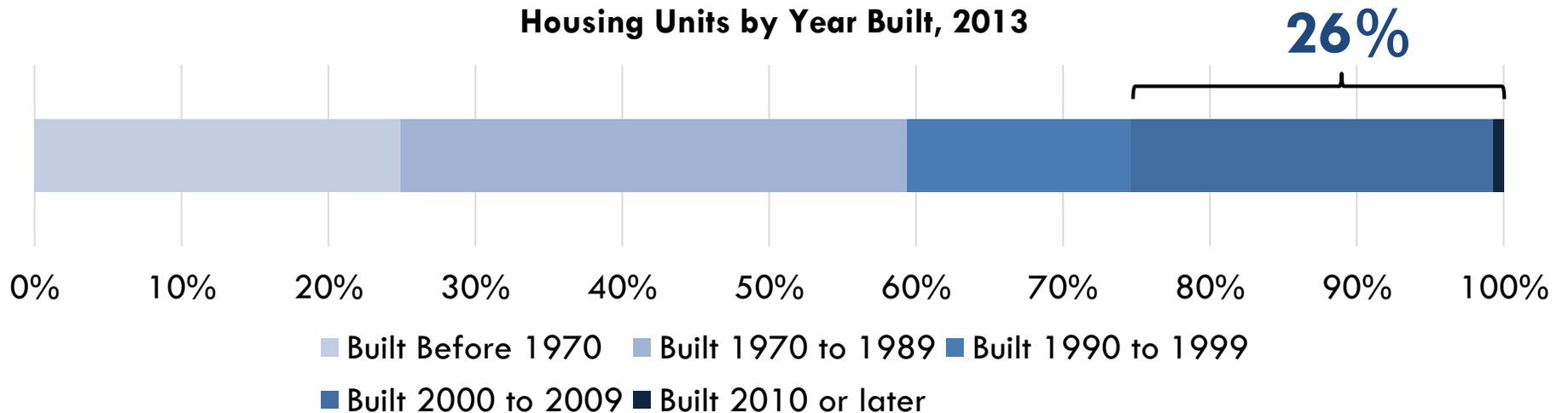
- New downtown amenities, such as open space and a grocery store, could increase demand for market-rate housing downtown.
- High-speed rail may create an opportunity for further downtown development, as people may choose to locate in Downtown Bakersfield and commute to other cities.

Bakersfield's population has been steadily growing, and a quarter of the existing housing stock was built since 2000.

City Bakersfield Population



**City of Bakersfield
Housing Units by Year Built, 2013**



Source: ESRI

The majority of development in the City of Bakersfield is, and has been, owner-occupied, single-family homes in master planned communities.

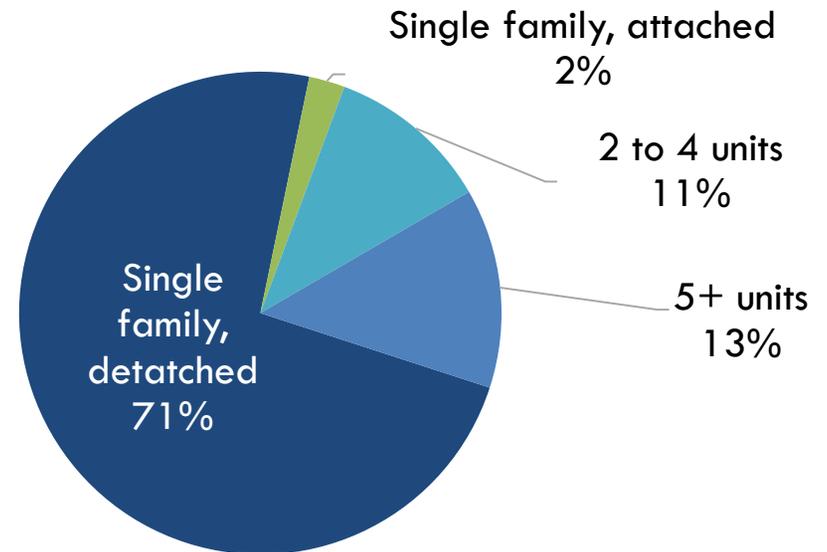


**Gossamer Grove, 2500+ units
Under construction**



**Seven Oaks Residences, 7,450 units
Under construction**

**City of Bakersfield
Housing Units in Structure, 2013**



Source: ESRI

Residential stock in the Study Area is denser than the rest of Bakersfield's, with 60% of all housing units in multi-family buildings.



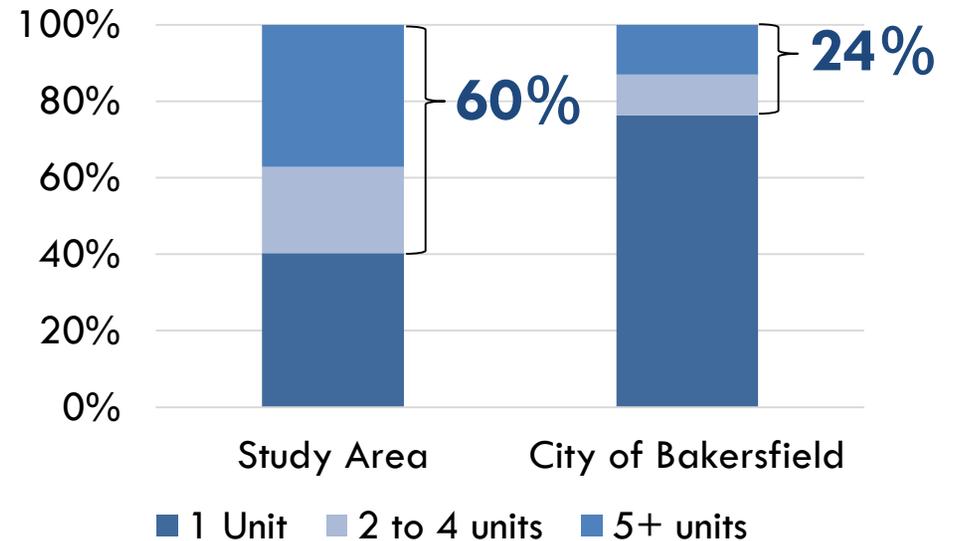
17th Place Townhomes, Market-rate, 44 units



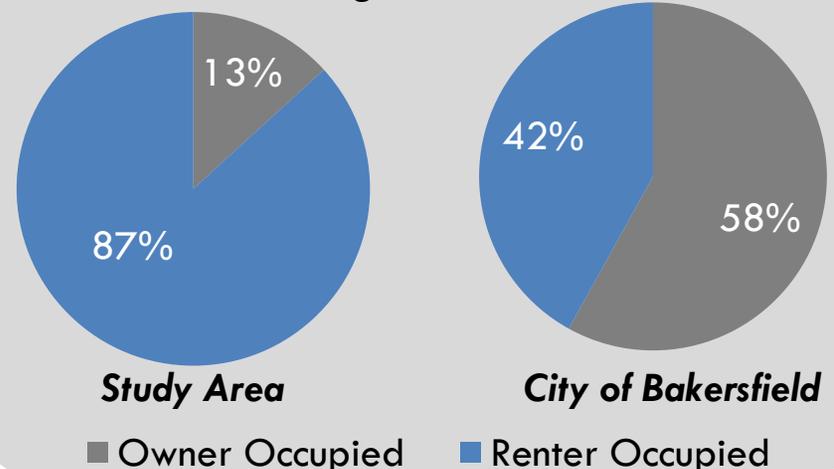
South Mill Creek Village, Affordable, 63 Units

Source: ESRI

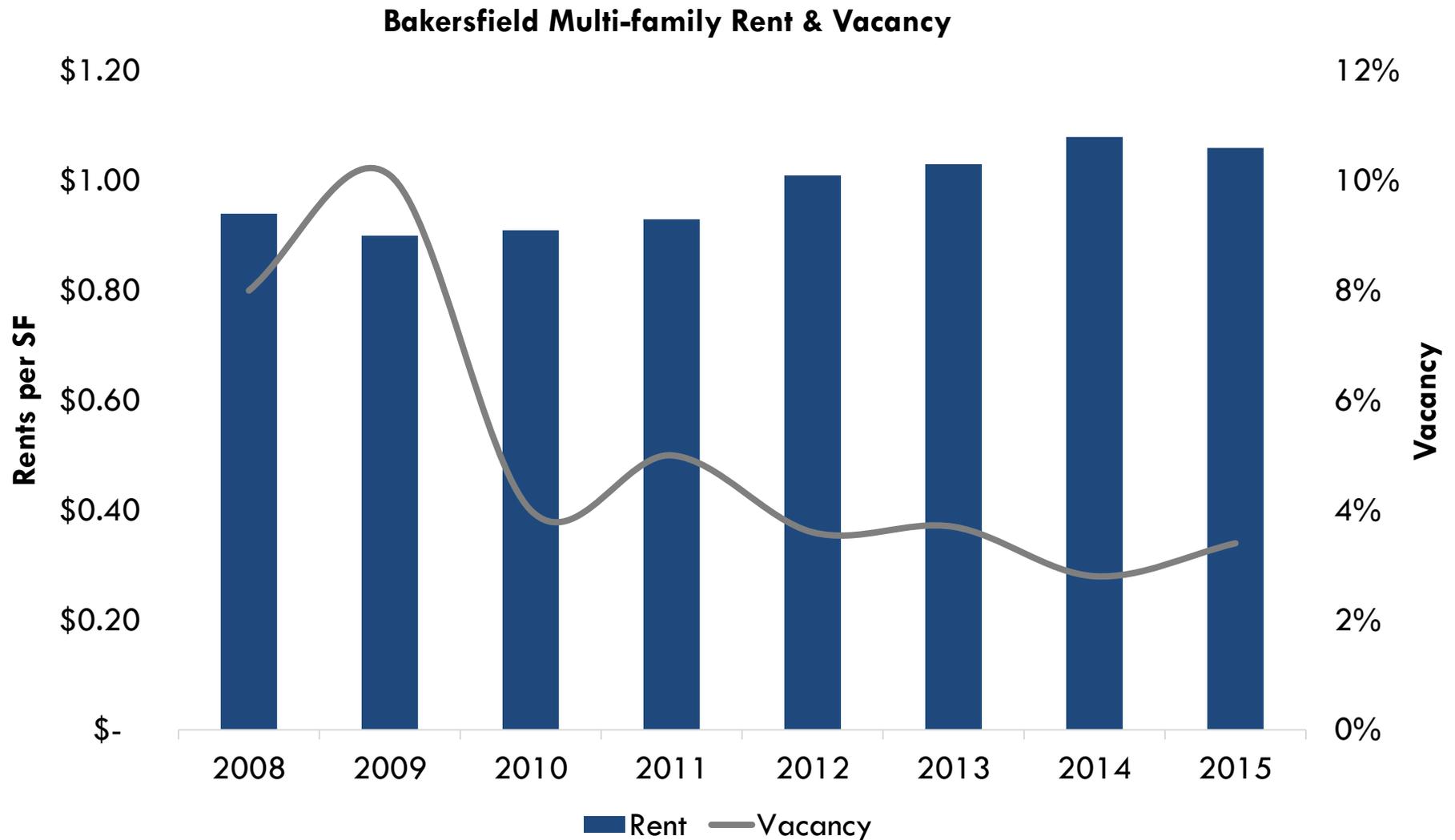
Units in Structure, 2013



Housing Tenure, 2013



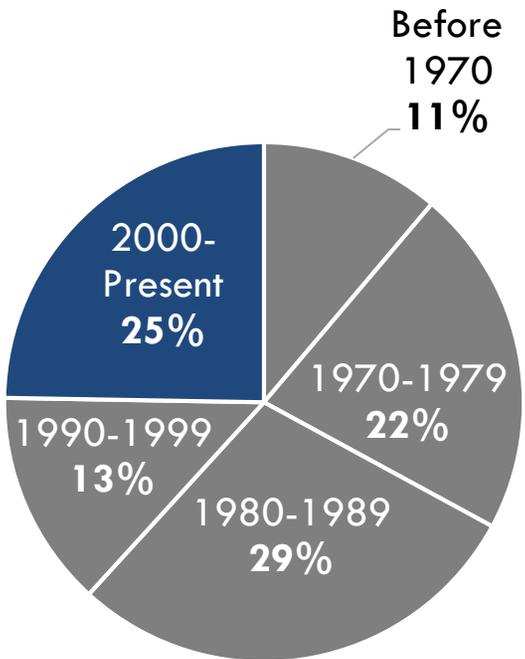
Bakersfield's multi-family rental market has been improving since the Recession, with modest increases in rents and decreasing vacancies.



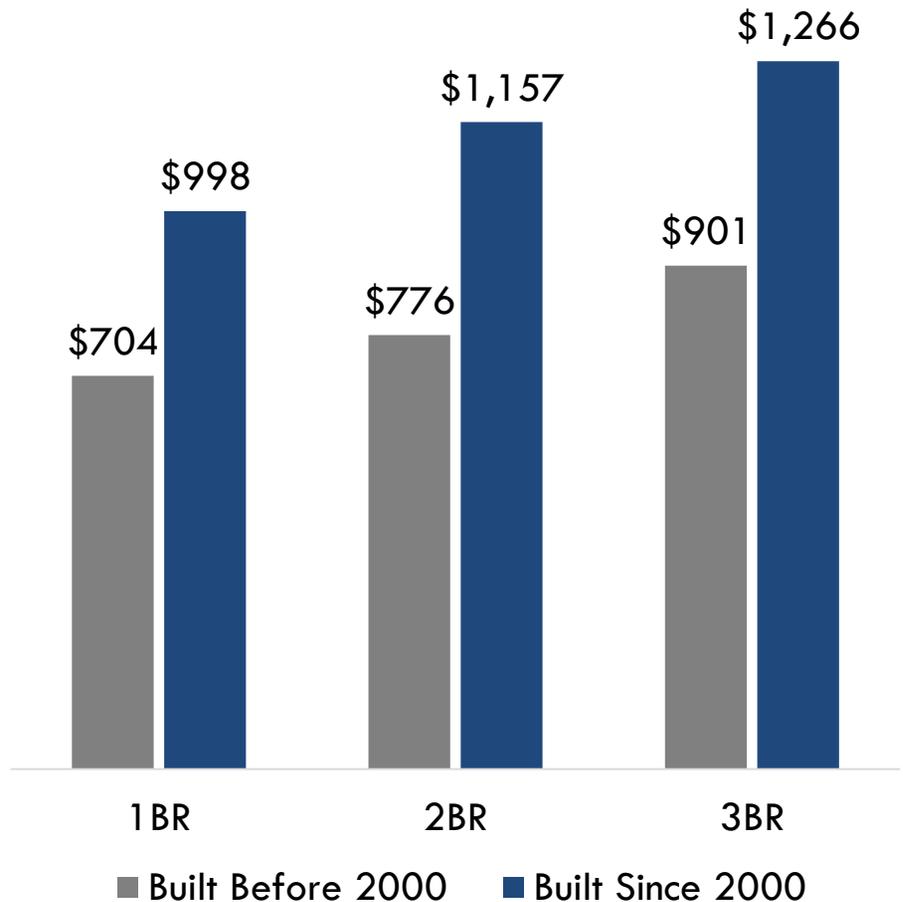
Source: CoStar

Market-rate apartments built in the city since 2000 command strong rents and comprise of 25% of the city's multi-family properties.

City of Bakersfield Multi-family Residential Inventory by Building Age



Rents by Unit Type for Properties by Year Built



Source: CoStar

Multi-family residential sales prices peaked in 2006; current prices are almost half of pre-Recession levels.

\$286,000

MEDIAN SALES PRICE OF
CONDOS BUILT SINCE 2015

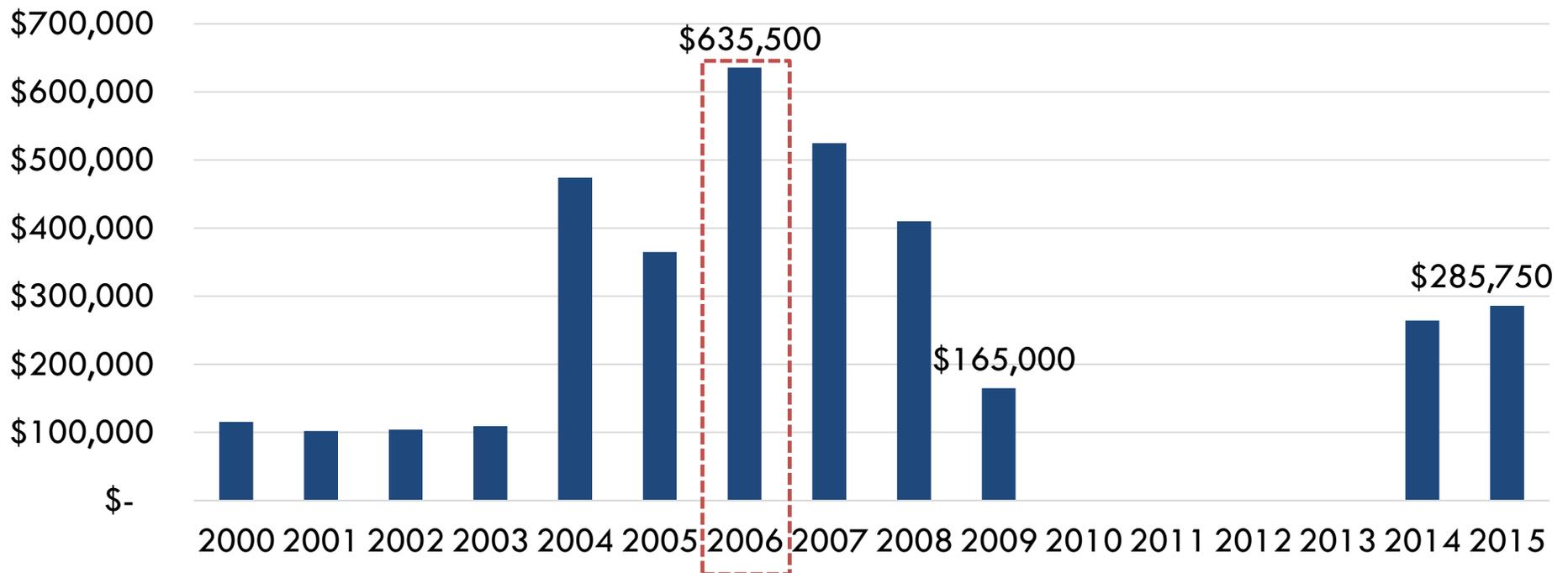
220

TOTAL SALES OF CONDOS
BUILT SINCE 2015

\$314,000

MEDIAN SALES PRICE OF SINGLE-
FAMILY HOMES BUILT SINCE 2015

Median Home Sale Price by Year Built



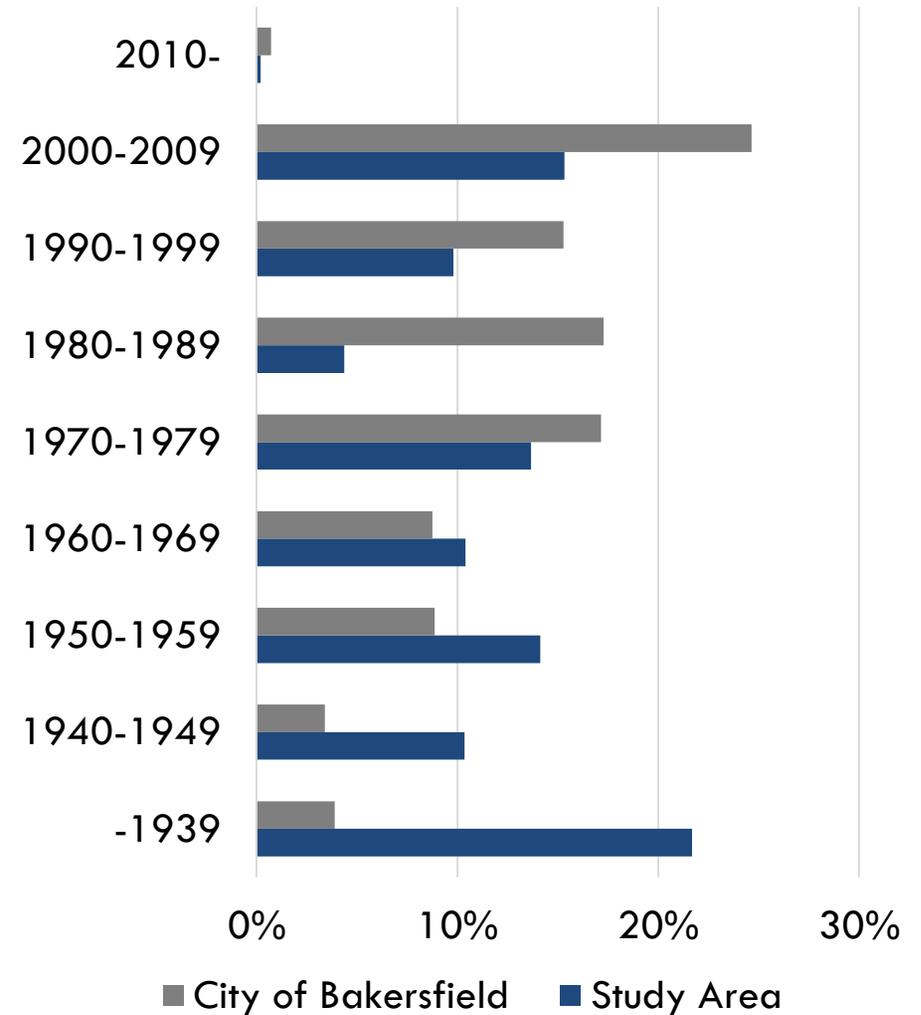
Note: there was no multi-family for-sale construction between 2010 and 2013.

Sources: DataQuick, Redfin

Today, few residents live within the Study Area, in part due to quality of the housing stock and the lack of amenities compared to suburban areas.

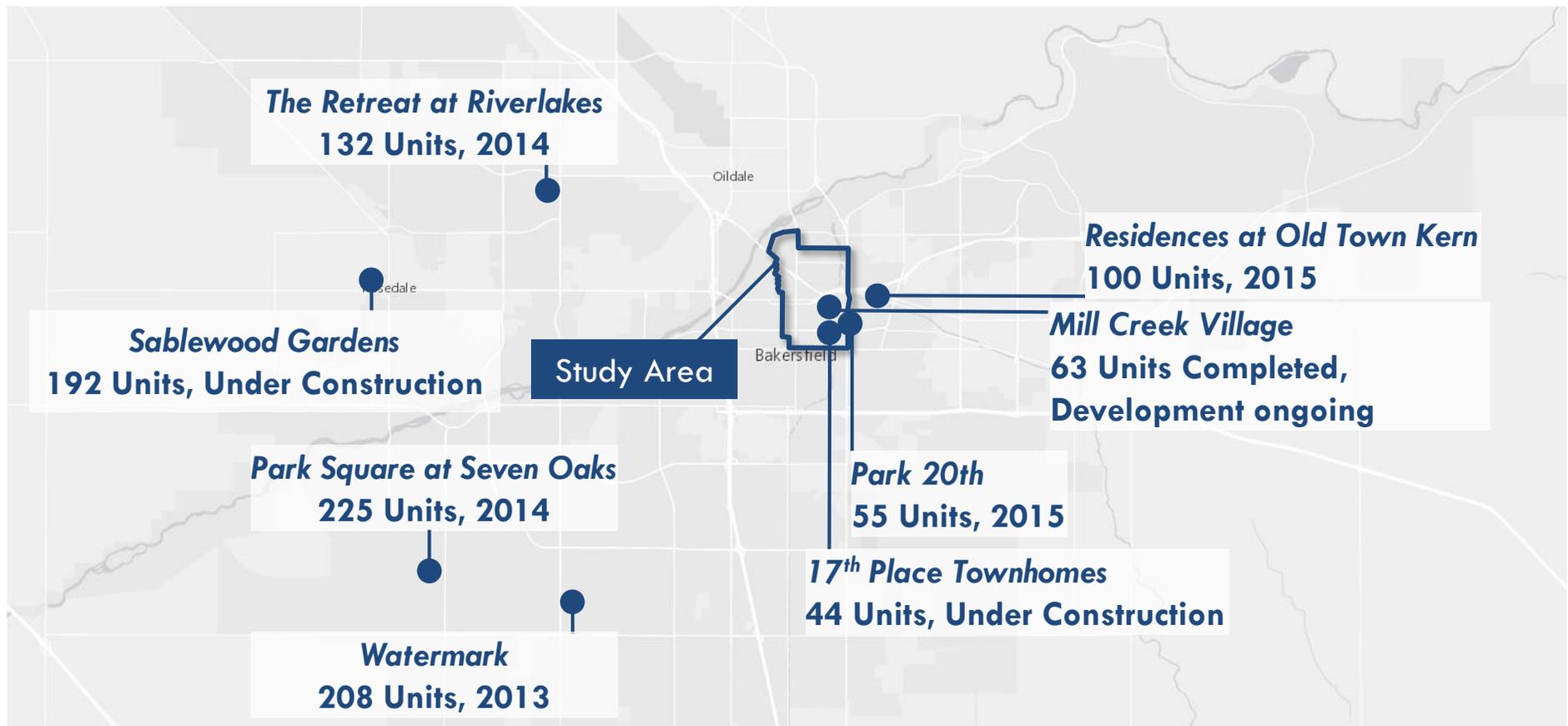


Bakersfield Housing Units by Year Built



Source: ESRI

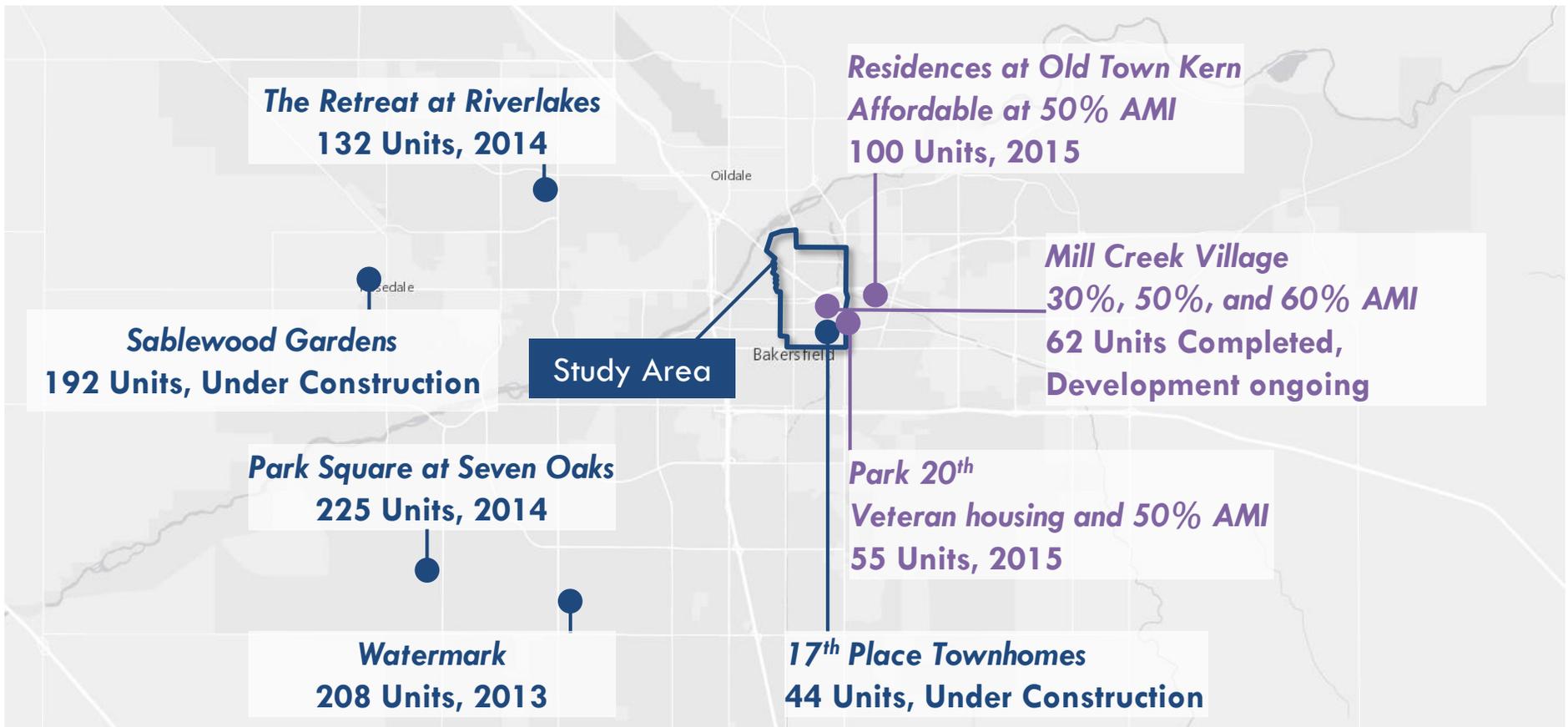
More housing is being added Downtown; of the 1,152 multi-family units recently built/in the pipeline, 14% are in the Study Area.



Note: Map does not include three developments, each of which comprise of 20 or fewer units.

Source: Costar

Much of the development in and around downtown is not market-rate.

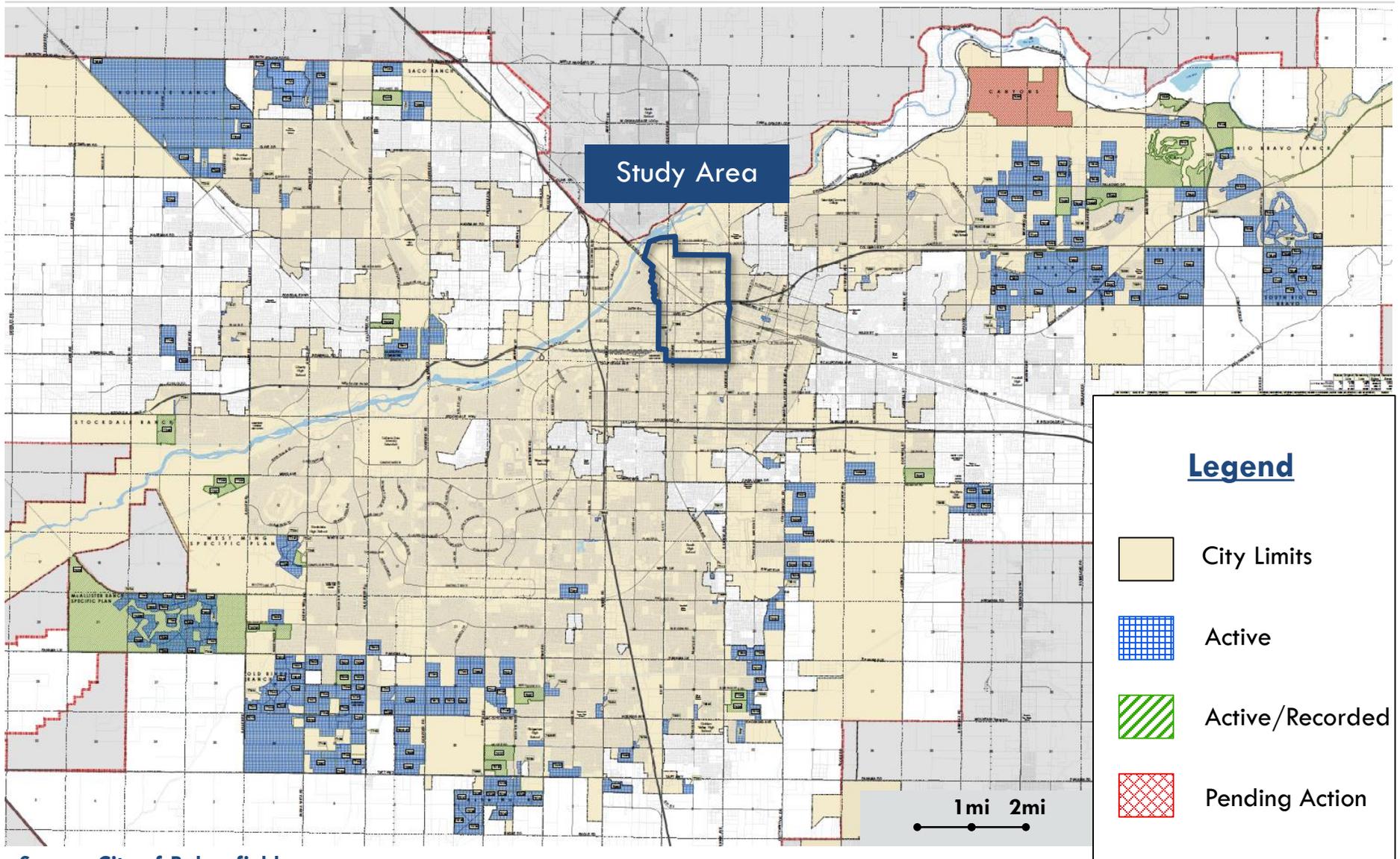


Source: Costar

● Market-rate Development

● Affordable Housing Development

Nearly all active development tracts in the City of Bakersfield, for all uses, are in outlying areas well outside of the Study Area.

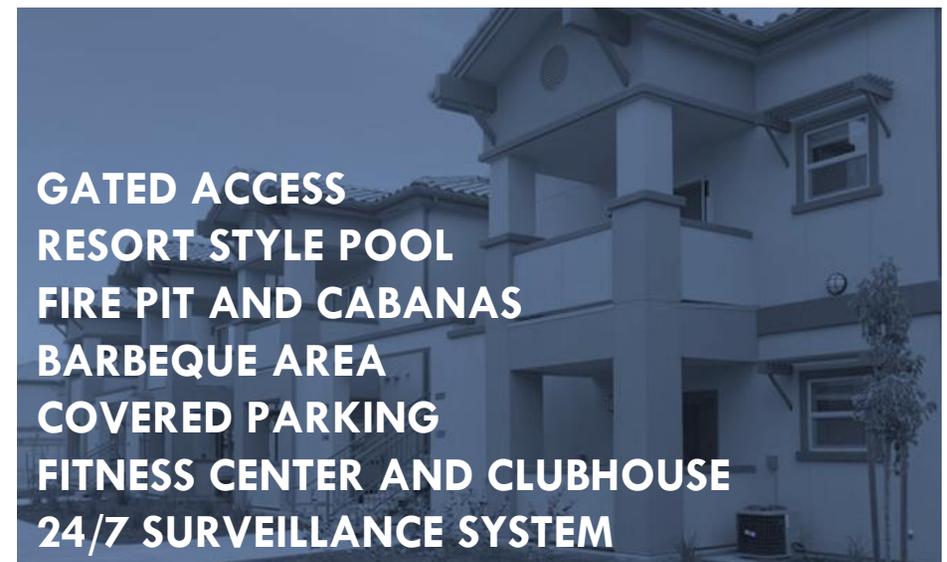
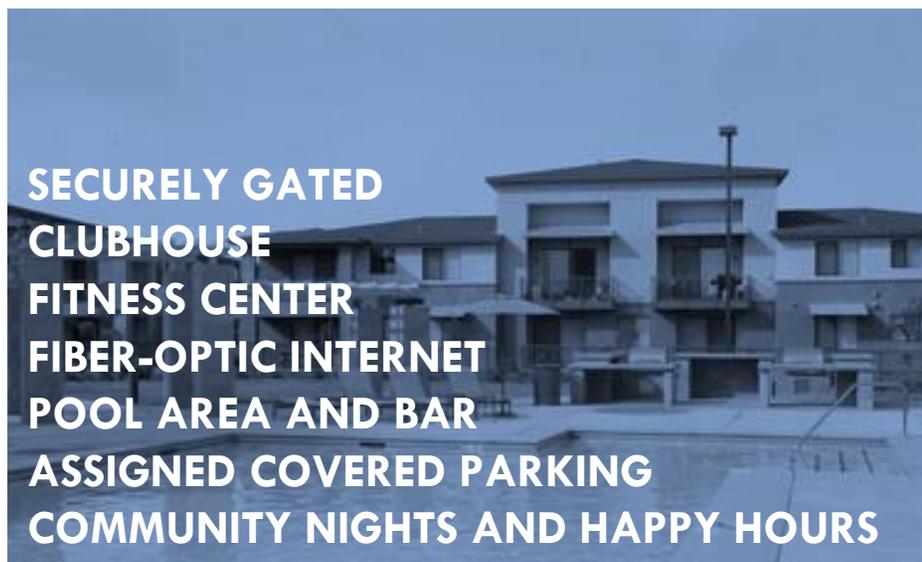
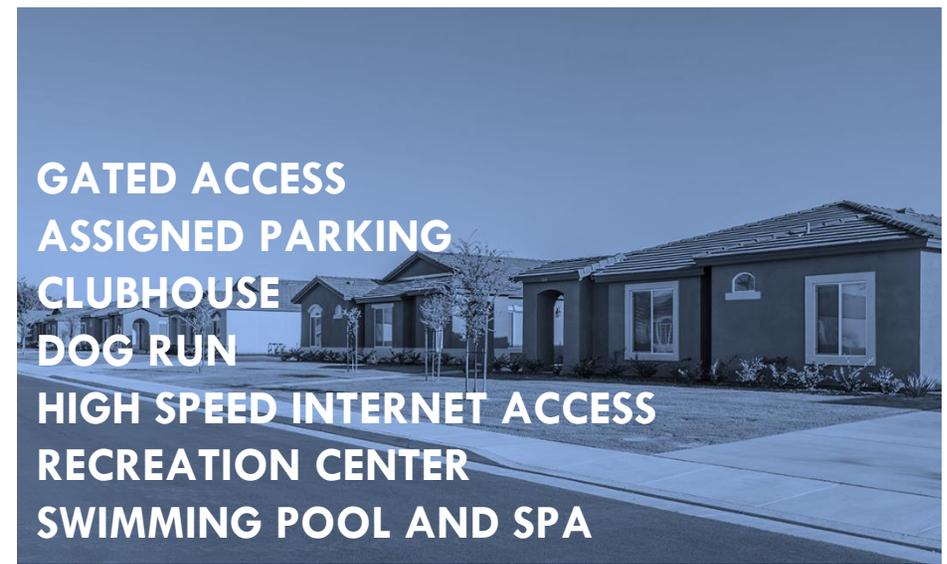


Source: City of Bakersfield

The vast majority of multifamily units outside of downtown are market-rate apartments in master-planned apartment complexes.



Suburban apartment complexes offer a multitude of amenities that appeal to a wide variety of households.



While the 17th Place Townhomes demonstrate the potential for market rate development, new amenities could increase demand in the Study Area.

- The growing **restaurant scene** and **art district**, as well as regular **downtown events** make Downtown Bakersfield an appealing place for some to locate.
- While the existing farmers market can help to support downtown living, stakeholders indicate the need for a **grocery store** downtown.
- The Mill Creek development creates quality open space in the downtown; more **open spaces** and continued **street activation** could make downtown living more appealing for new and existing Bakersfield residents.
- Downtown residential development will have to command **similar or higher rents and prices** as suburban locations to justify new construction. This can potentially be achieved by **enhancing the unique amenities downtown**, rather than by attempting to replicate suburban product.



Similarly sized cities across the country have seen their downtown populations grow in recent years, illustrating Bakersfield's potential.



- Downtowns in midrange cities like Fargo offer **unique places to live** in the region when compared to the suburban markets.
- Small to midrange cities across the country have experienced **growth in their downtown populations** in recent years, mirroring a trend seen in some of the U.S.'s largest cities.
- Specifically, **young professionals and empty nesters** have fueled this growth as they seek to live in amenitized, walkable downtowns, spurring a **new wave of downtown investment** that has brought new vibrancy to cities' historic cores.

Today, Downtown competes with suburban single- and multifamily housing; Downtown amenities and HSR could attract more residents.

Demand Capture Opportunities

Without HSR

Baseline Residential Demand
(LOW)

- With the current pattern of Downtown investment, the Study Area will continue to capture some market-rate multifamily residential development, but will continue to be challenged in competing with single family homes in master planned communities that are adjacent to shopping centers.

Residential Demand with Downtown Revitalization
(HIGH)

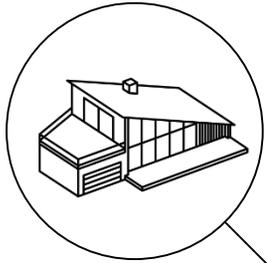
- Strategic investments and planning that result in new Downtown amenities and public realm improvements may attract additional residents to Downtown, with or without HSR.

With HSR

HSR
(LOW and HIGH)

- Even with limited public interventions, HSR will improve access from Bakersfield to other parts of the State, likely attracting more residents to the Study Area as it would provide access to Bakersfield's relatively low cost of living. (Low Capture)
- The potential of HSR to attract new residents will be magnified with strategic planning and improvements to the Downtown. (High Capture)

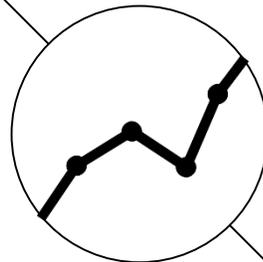
Future multifamily housing growth was projected as a share of existing household turnover and projected population growth in the Study Area.



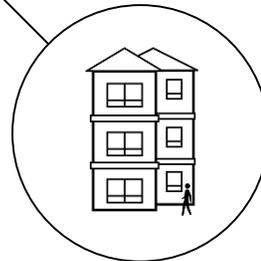
THERE ARE **110,000 HOUSEHOLDS** IN THE CITY OF BAKERSFIELD.



EACH YEAR, **1,500 HOUSEHOLDS** SEEK NEW RENTAL UNITS AND **2,300 LOOK TO BUY**, A PORTION OF WHICH ARE IN SEARCH FOR NEWLY-BUILT HOUSING.



ASPIRATIONAL CITIES WERE EVALUATED TO ESTIMATE THE **CAPTURE OF RESIDENTIAL GROWTH** WITH AN IMPROVED DOWNTOWN.



CASE STUDIES AND A **LITERATURE REVIEW** WERE COMPLETED TO PROJECT THE IMPACTS OF HSR ON RESIDENTIAL DEMAND.

Source: ESRI

Demand for new multi-family housing in 30 years could be between 2,100 and 3,900 units without HSR and 5,100 and 8,600 units with HSR.

	5 years (2020)	10 years (2025)	20 years (2035)	30 years (2045)
WITHOUT HSR				
<i>Low: Base Growth</i>	250 Units	540 Units	1,270 Units	2,160 Units
<i>High: Significant Downtown Investment</i>	390 Units	930 Units	2,260 Units	3,900 Units
WITH HSR				
	250 – 390 Units	660 – 1,100 Units	2,660 – 4,440 Units	5,140 – 8,570 Units

- With the **existing pattern of Downtown investment**, the Study Area will continue to be challenged to compete against highly amenitized suburban multi-family developments.
- New **amenities and public realm improvements** will make living downtown easier and more appealing.
- Bakersfield has an **opportunity to concentrate its residential growth** downtown by leveraging the introduction of HSR and the benefits this transit connectivity can bring to the city’s urban core.

Real Estate: Retail

Retail Market Summary



- With dropping vacancies and rising rents, both Bakersfield's and the Study Area's retail markets have improved in the years since the Recession.
- 9% of the city's retail is located within the Study Area. The Study Area's retail corridors are dispersed through downtown, making for a fragmented Downtown retail experience.



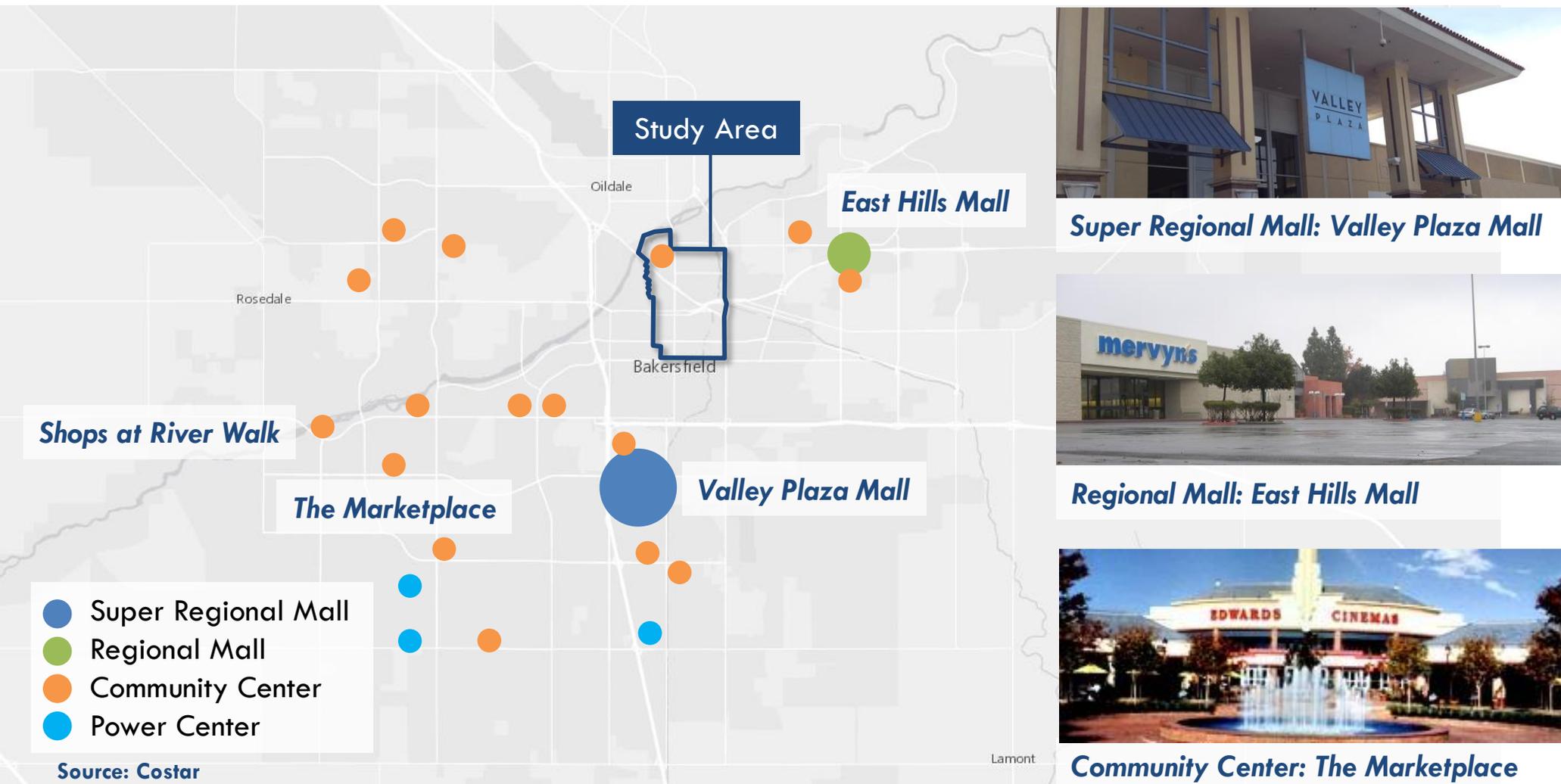
- While Bakersfield's retail per capita matches that of peer and aspirational cities, its retail offerings are far more dispersed throughout the city than those of cities such as Pasadena, which has nearly half of its retail square footage downtown.



- Given the current mix of retail and quality of the retail environment, Downtown Bakersfield is currently challenged to compete with the auto-oriented shopping centers and big box retailers located throughout Bakersfield.
- To compete with suburban shopping centers and attract visitors, the Study Area will have to stimulate growth in a specialized high-quality mix of retail.

Following rooftops, Bakersfield's retail market is dominated by shopping centers located in suburban areas.

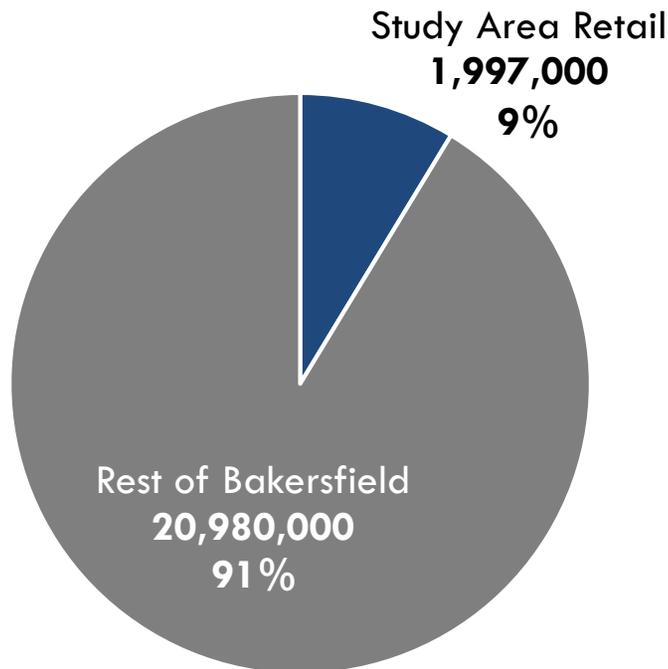
- Malls and big box stores provide residents with numerous one-stop-shop options.



Little of Bakersfield's 23 million SF of retail is located downtown and the majority of the city's retail is located in multi-tenant shopping centers.

- Downtown Bakersfield retail is competing with big box shopping centers that offer auto-oriented convenience for suburban shoppers. Downtown Bakersfield's retail must target a different retail niche and provide a distinct retail experience.

Bakersfield Existing Retail, in SF

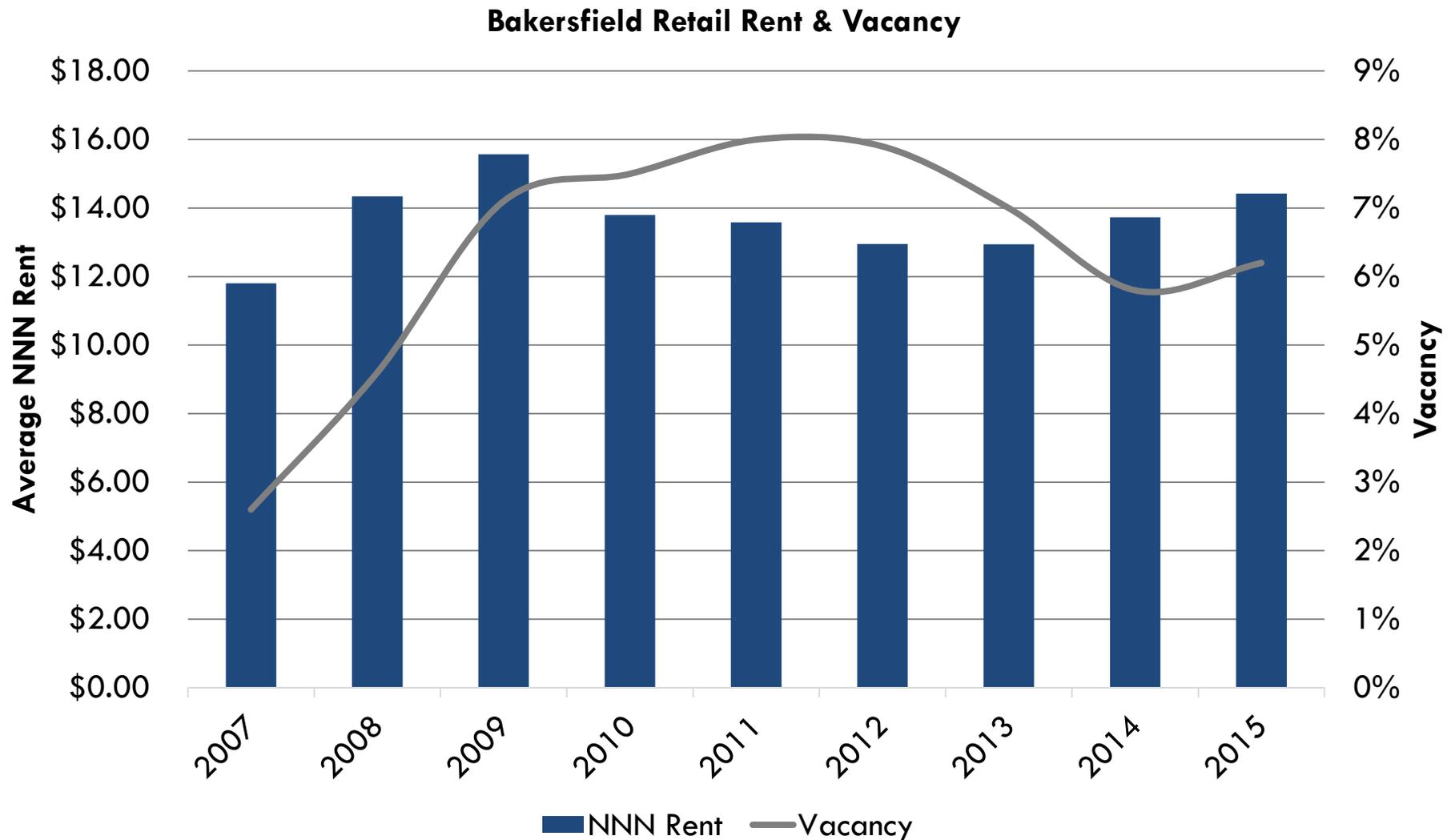


Bakersfield Retail Type, in SF



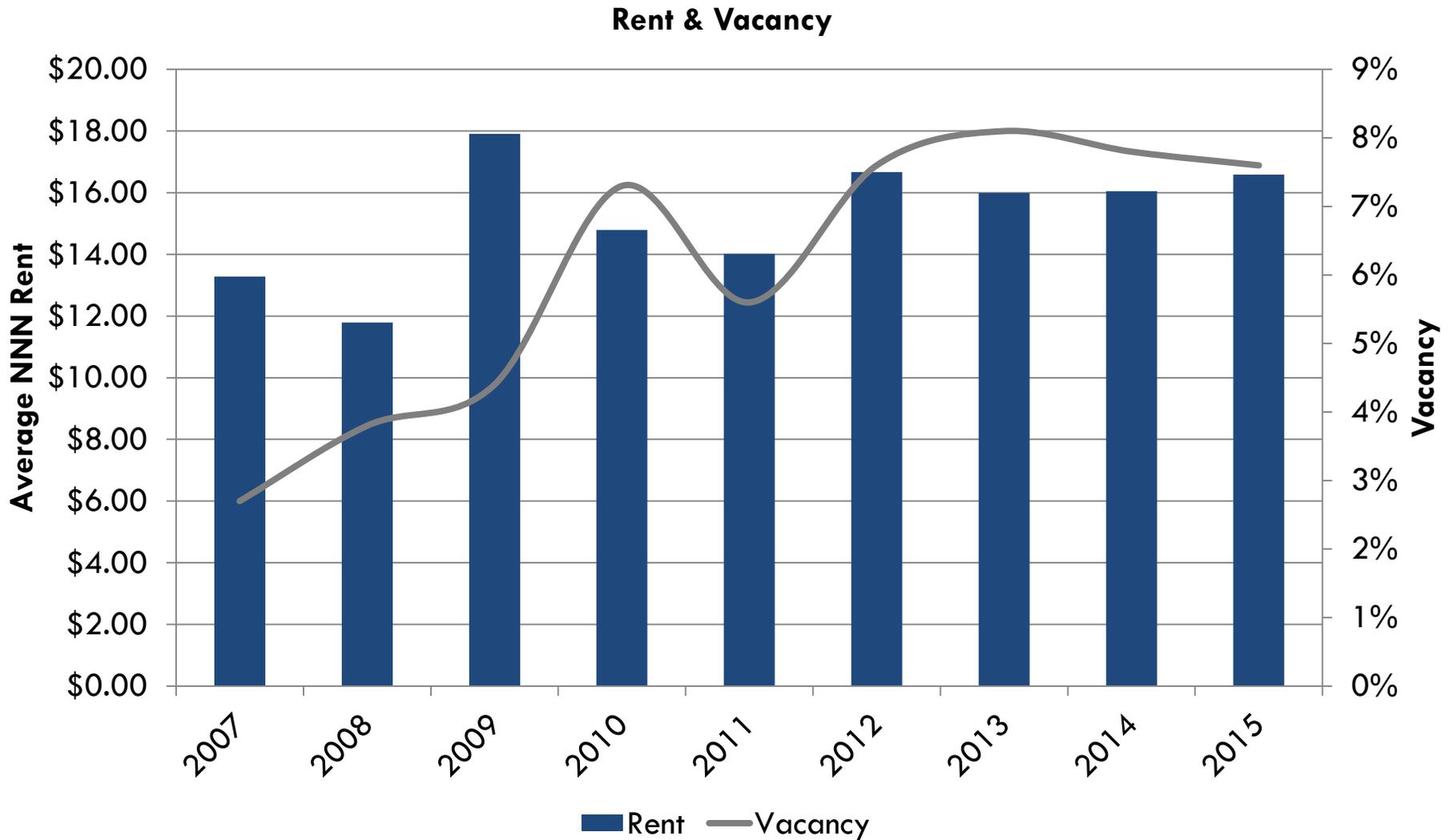
Source: Costar

Bakersfield's retail is performing well. Rents are steadily climbing, with vacancies remaining below the Recession peak of 8%.



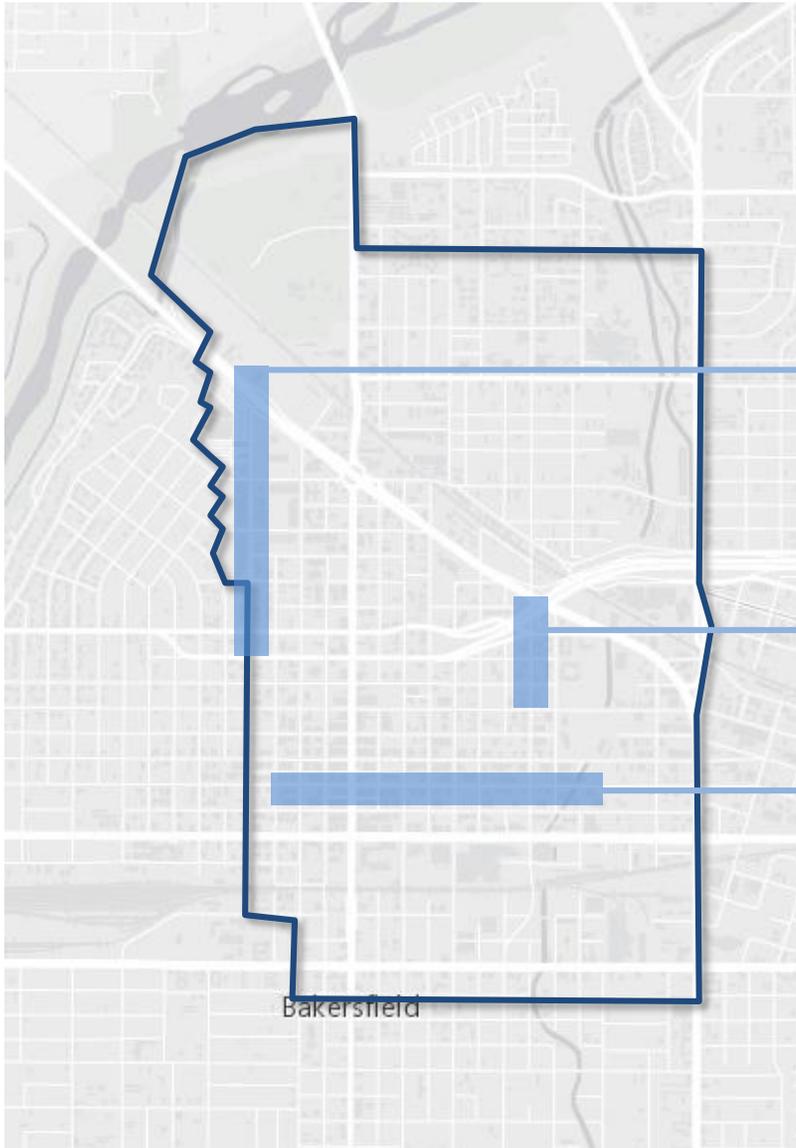
Source: Costar

The Study Area's retail market rents have also been growing.



Source: Costar

Central Bakersfield's retail corridors are dispersed throughout downtown, making for a fragmented Downtown retail experience.



F Street

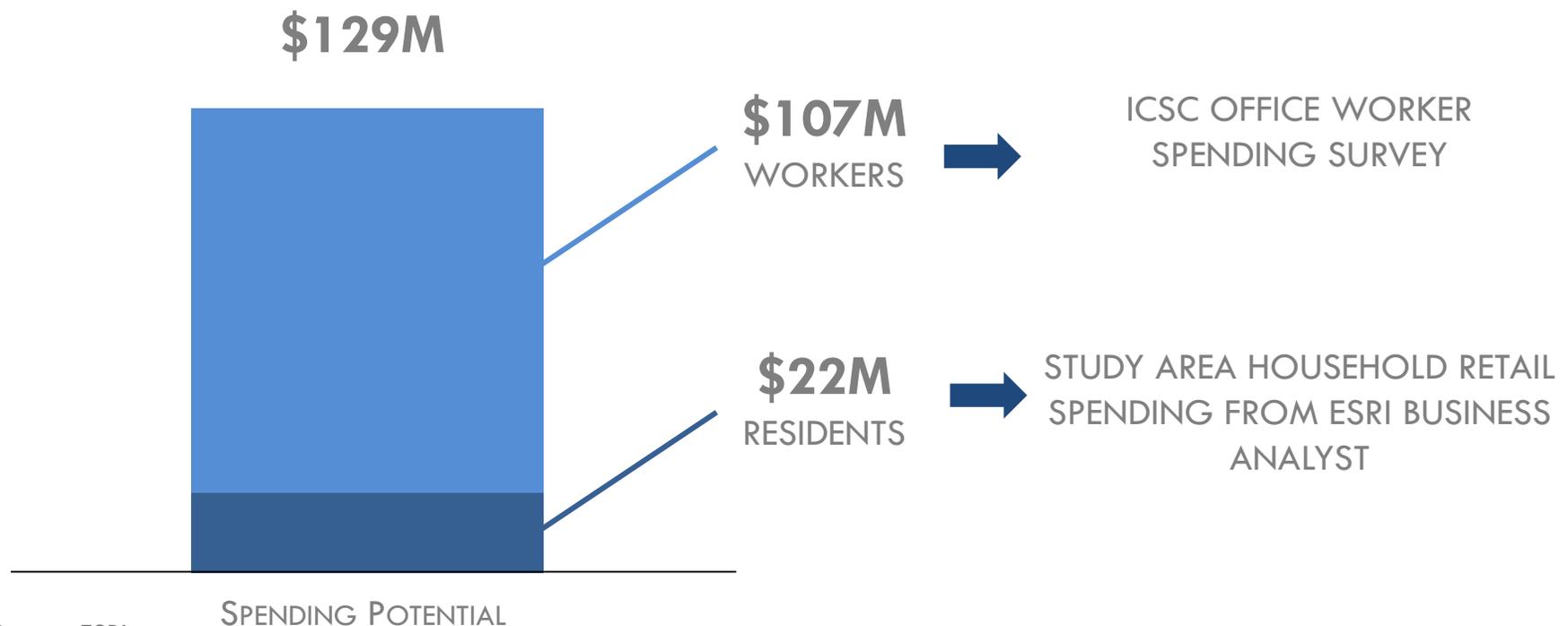


Q Street



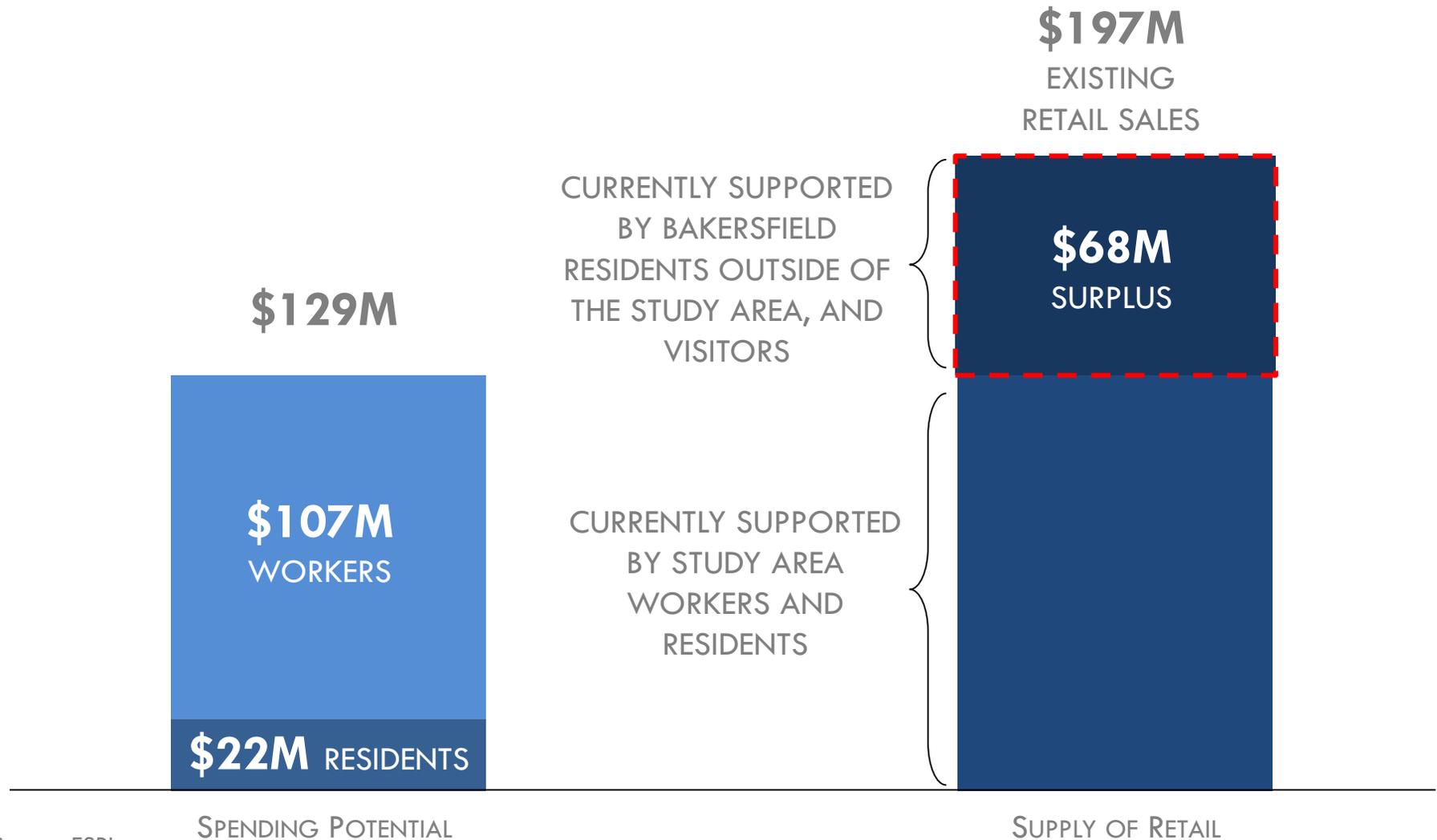
19th Street

Currently there is \$129 million in annual spending potential from residents and workers in the Study Area.



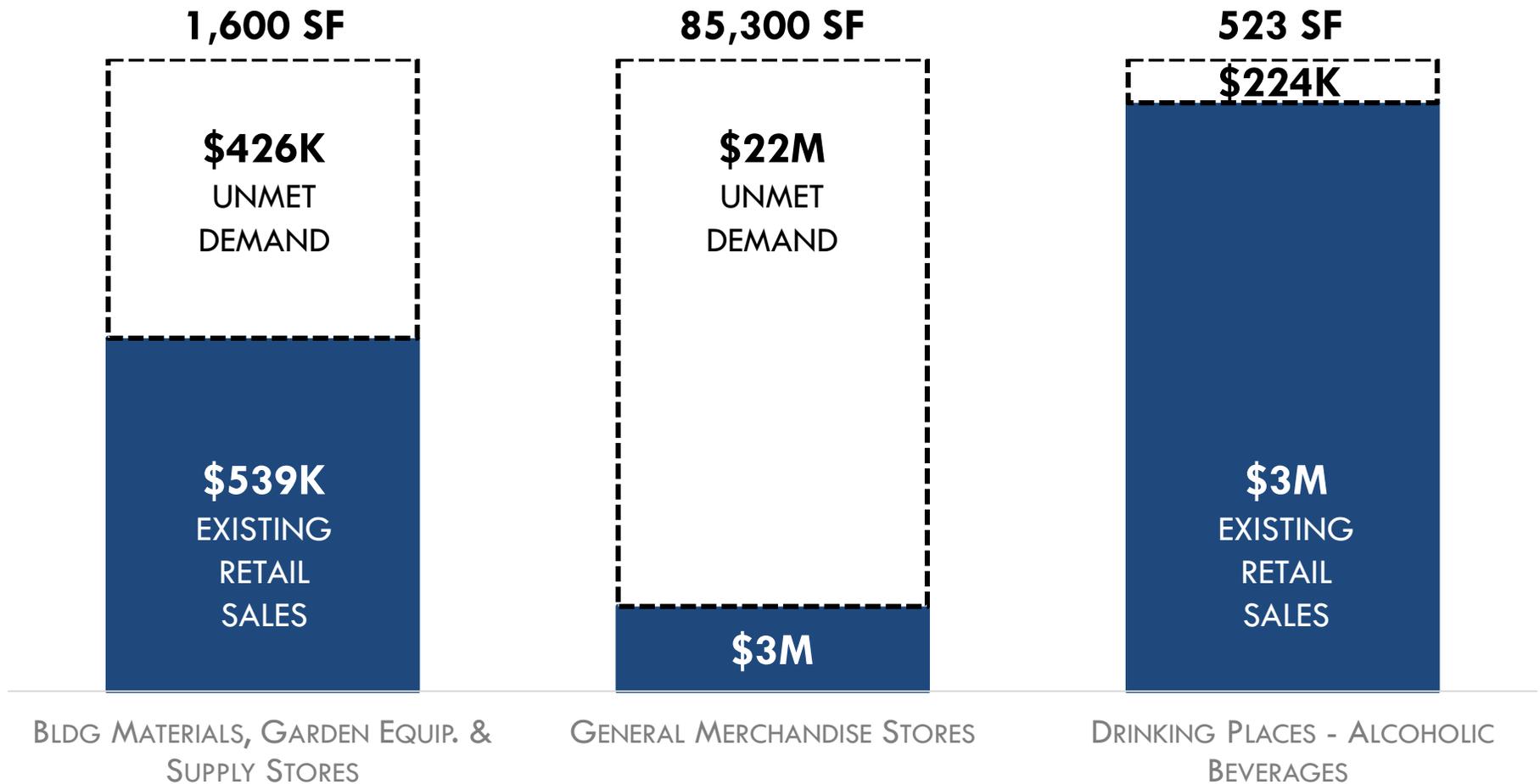
Source: ESRI

Current Study Area retail is largely supported by the employment base, but is also attracting support from some outside residents and visitors.



Source: ESRI

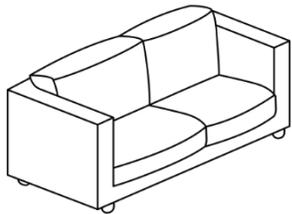
However, there is unmet demand for a number of retail categories in the Study Area.



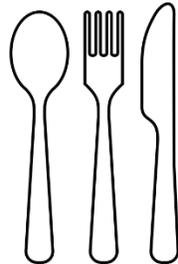
Source: ESRI

Some retail sectors have a surplus of supply, indicating that the Study Area contains retail sectors that already achieve a regional draw.

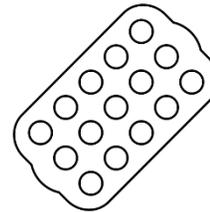
Top Oversupplied Retail Sectors



FURNITURE & HOME
FURNISHINGS STORES



FULL-SERVICE
RESTAURANTS



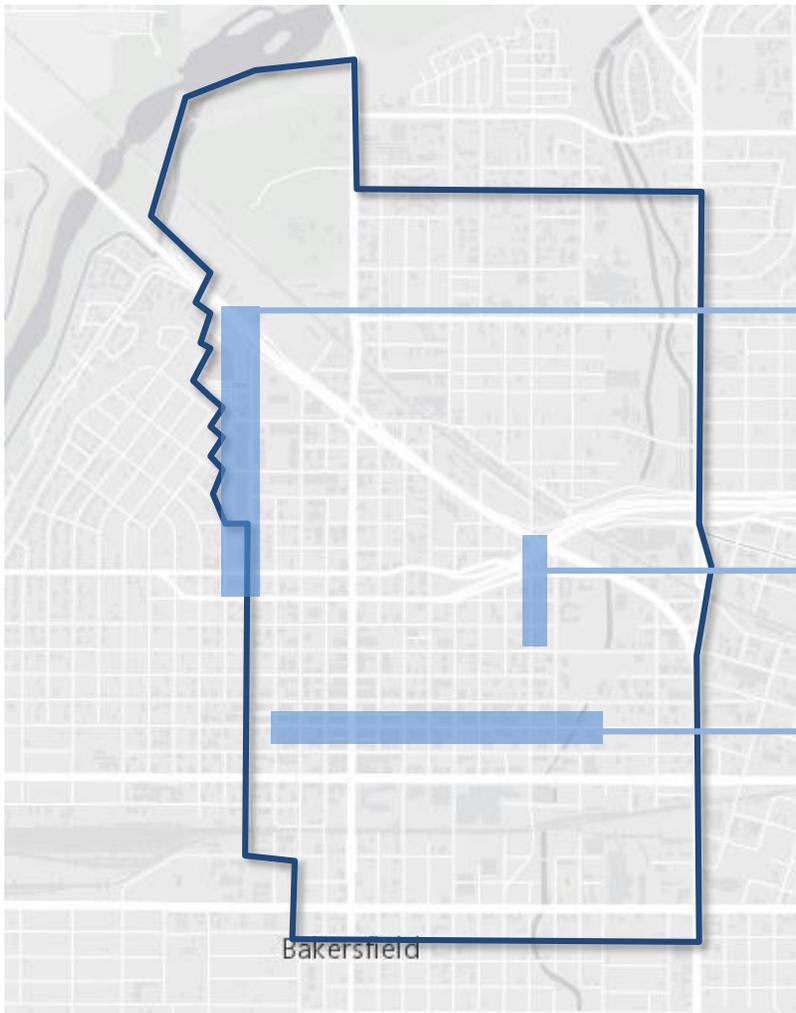
HEALTH & PERSONAL
CARE STORES



ELECTRONICS &
APPLIANCE STORES

Downtown is currently attracting some regional users, but it is providing a less than optimal retail offering and environment.

- Improvements would help to attract a greater share and diversity of market segments, including regional residents and visitors.



F Street, contiguous storefronts along wide boulevard

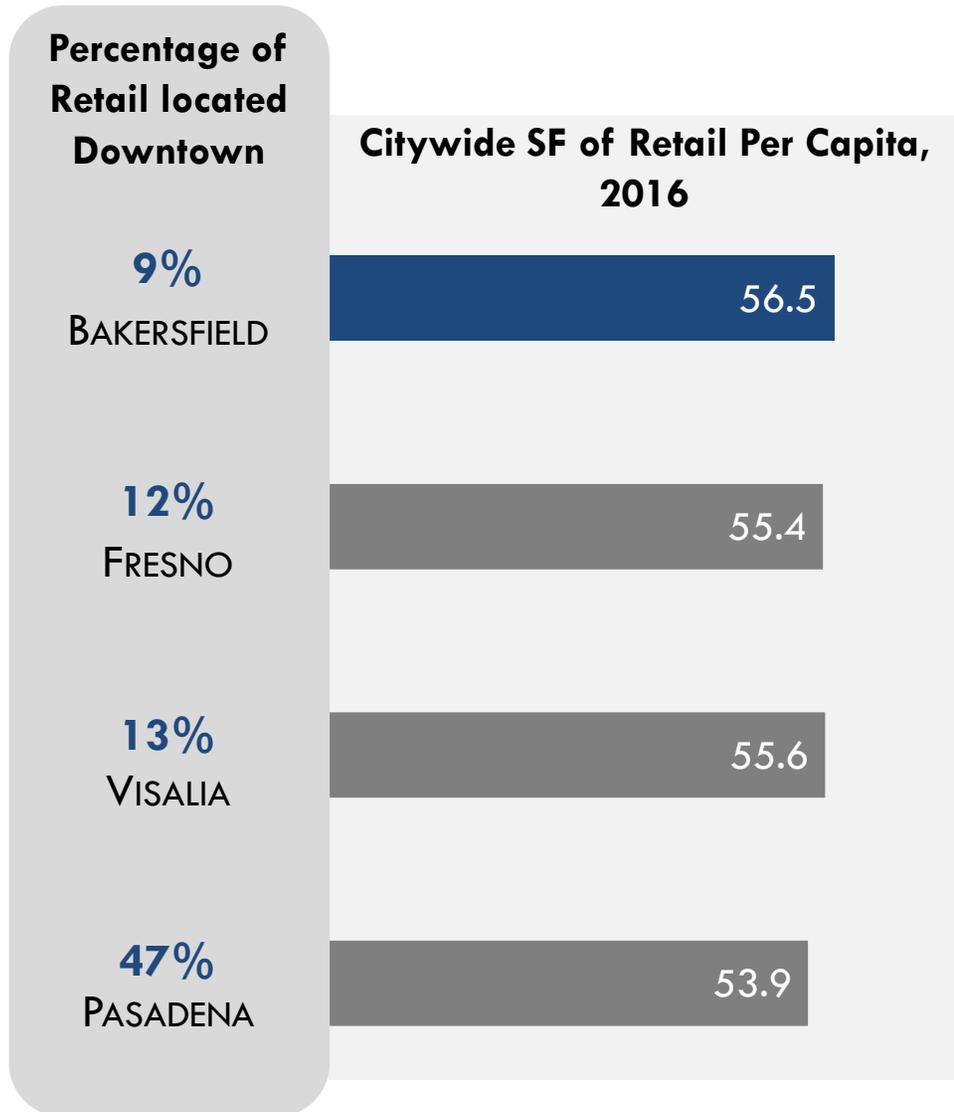


Q Street, fractured retail experience along boulevard



19th Street, pedestrian-oriented urban retail scape

Other cities' downtowns have a larger concentration of retail when compared to their cities as a whole.



Sources: Costar, ESRI, LEHD

- Bakersfield's **citywide retail SF per capita is comparable** to two of its regional peers and a successful Southern Californian downtown, Pasadena.
- However, **Bakersfield's retail is more spread out**, with only 9% of its retail concentrated in Downtown.
- Pasadena has **concentrated its retail downtown**, with close to half of the City's retail square footage located at its center. The fact that its retail SF per capita is only slightly higher than Bakersfield is also a sign of Pasadena's high downtown population.
- Downtown Pasadena's retail is also of a **higher quality** than Downtown Bakersfield's. Its Downtown retail supply more than meets the demand of its population, meaning that a significant portion of Downtown shoppers neither live nor work Downtown.

There is a significant amount of retail square footage in Bakersfield's development pipeline, mostly outside of the Study Area.

Retail Proposed and Under Construction, 2016



- There is **2,681,000 SF** of retail currently in the development pipeline.
- Most of this retail is currently being built out at **The Commons at 7th Standard**, a large-scale big box shopping center northwest of the Study Area that will house 1,360,000 SF of retail when completed.
- Only **30,000 SF** of retail is currently under construction or proposed within the Study Area – all in a single development called Maya Mill Creek Plaza.
- While the scale of the retail being built in Greater Bakersfield may cancel out the unmet demand for electronics and appliance stores, clothing and clothing appliance stores, special food places, and miscellaneous store retailers, **new permanent and daytime population growth can stimulate more demand.**

Given the significant amount of retail in the area, Downtown will need a unique retail offering to attract destination shoppers.



- Today, retail in the Study Area primarily serves the **downtown worker population**.
- As shown by **pipeline development patterns**, suburban, auto-oriented shopping centers continue to be the retail format of choice.
- Retail outside the Study Area, which is primarily in **auto-oriented shopping centers** provides sufficient retail for Bakersfield employees and residents.
- The Study Area will need a **certain type and quality of retail** in order to be **competitive** with the suburban style shopping centers in the area and to attract visitors to Downtown.

The nascent renaissance in Downtown Bakersfield suggests opportunities for retail revitalization.



However, in order for a revitalized retail program to succeed, Downtown will have to grow and diversify with permanent populations and visitors.

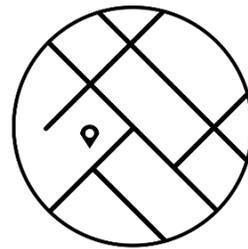


A successful retail strategy can provide the key ingredients for a reinvigorated Downtown.



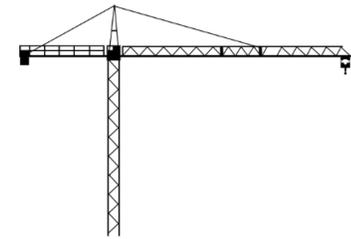
SAFETY

A LIVELY DOWNTOWN BUSINESS COMMUNITY SUPPORTS **STREET-LEVEL ACTIVATION** AND THE **PERCEPTION OF SAFETY** IN DOWNTOWN BAKERSFIELD.



BRAND

RETAIL PROMOTES THE DEVELOPMENT OF A **MIXED-USE COMMUNITY** AND A **24-HOUR DOWNTOWN**, SETTING IT APART FROM GREATER BAKERSFIELD.



GROWTH

RETAIL SUPPORTS **RESIDENTIAL AND OFFICE GROWTH**, BOTH OF WHICH IN TURN SUPPORT THE RETAIL MARKET.

Today, the Downtown competes with suburban markets in and outside of Bakersfield; Downtown amenities and HSR could increase retail demand.

Demand Capture Opportunities

Without HSR

Baseline Retail Demand
(LOW)

- With the current pattern of Downtown investment, the Study Area may capture some retail development, but will continue to compete, on unfair footing, with shopping centers that are located near residents and offices.

Retail Demand with Downtown Revitalization
(HIGH)

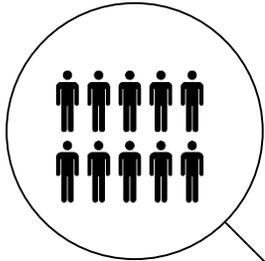
- New Downtown public realm improvements and connectivity will help Downtown compete with well maintained shopping centers and will help to attract residents, employees, and visitors to Downtown, with or without HSR.

With HSR

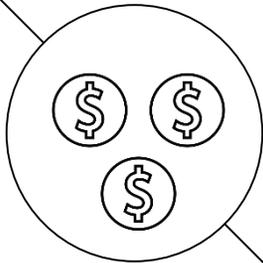
HSR
(LOW and HIGH)

- Even with limited public interventions, HSR will spur office and jobs growth, which in turn will support further retail development in the Study Area. (Low Capture)
- The potential of HSR to support retail will be magnified with strategic planning and improvements to the Downtown. (High Capture)

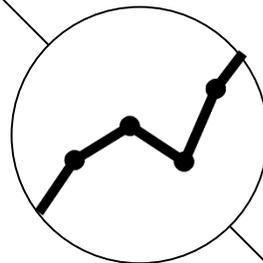
Future retail growth was projected as a measure of spending per employee and resident and the projected growth of employees and residents in the Study Area.



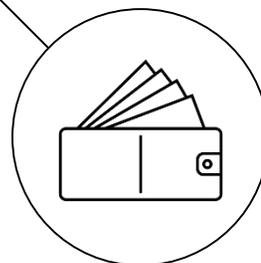
THERE ARE **4,600 RESIDENTS** AND **25,000 EMPLOYEES** LOCATED IN THE STUDY AREA. WHILE SOME DOWNTOWN RETAIL ATTRACTS SHOPPERS FROM OTHER AREAS, STUDY AREA RESIDENTS AND EMPLOYEES ARE THE PRIMARY USERS OF RETAIL IN THE STUDY AREA.



ANNUAL RETAIL SPENDING IN THE STUDY AREA IS ESTIMATED AT **\$4,600 PER EMPLOYEE** AND **\$7,700 PER RESIDENT**.



BASED ON OUR ESTIMATES OF GROWTH IN STUDY AREA RESIDENTS AND EMPLOYEES DUE TO AN **IMPROVED DOWNTOWN AND WITH THE STATUS QUO**, WE EVALUATED THE POTENTIAL FOR NEW RETAIL DEVELOPMENT.



HSR WILL SUPPORT ADDITIONAL RESIDENTIAL AND EMPLOYMENT GROWTH, WHICH WILL IN TURN SUPPORT ADDITIONAL RETAIL.

Source: ESRI

Investment in the Downtown and HSR will create more retail demand and stimulate an increase in the supply of Study Area retail square footage.

	5 years (2020)	10 years (2025)	20 years (2035)	30 years (2045)
WITHOUT HSR				
<i>Low: Base Growth</i>	46,000 SF	100,000 SF	222,000 SF	356,000 SF
<i>High: Significant Downtown Investment</i>	60,000 SF	137,000 SF	312,000 SF	512,000 SF
WITH HSR				
	46,000 - 60,000 SF	110,000 - 150,000 SF	346,000 - 626,000 SF	626,000 - 906,000 SF

- With **no investment**, the Study Area will continue to compete against more suburban markets that are proximate to residents and their jobs.
- **Public realm improvements** will make living and visiting downtown more appealing, supporting the retail market.
- Bakersfield has an **opportunity to concentrate and improve its retail offerings** downtown by leveraging the introduction of HSR and the benefits this transit connectivity can bring to the city’s urban core.

Real Estate: Hotel

Hotel Market Summary



- Bakersfield's hotel market has grown significantly since 2000; approximately 60% of all rooms were built in the past 16 years. This growth is in part due to job growth in Bakersfield and the opening of the Rabobank Arena, the area's largest events venue, in 1998.
- The majority of hotels are economy or midscale class and Bakersfield's primary hotel users are weekday business travelers.



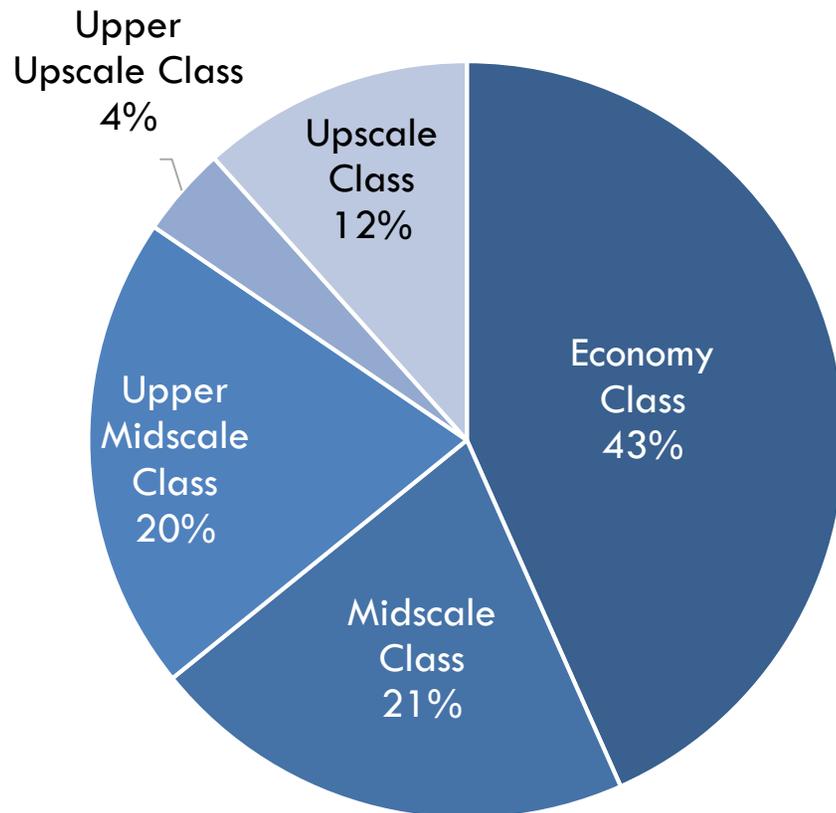
- Occupancy rates for downtown upper midscale and upper class hotels are nearly 80%, suggesting demand for more hotels rooms
- The success of the Padre Hotel demonstrates the latent demand for differentiated products downtown.
- However, modest room rates raise questions of the feasibility of new hotel construction on more expensive Downtown land.



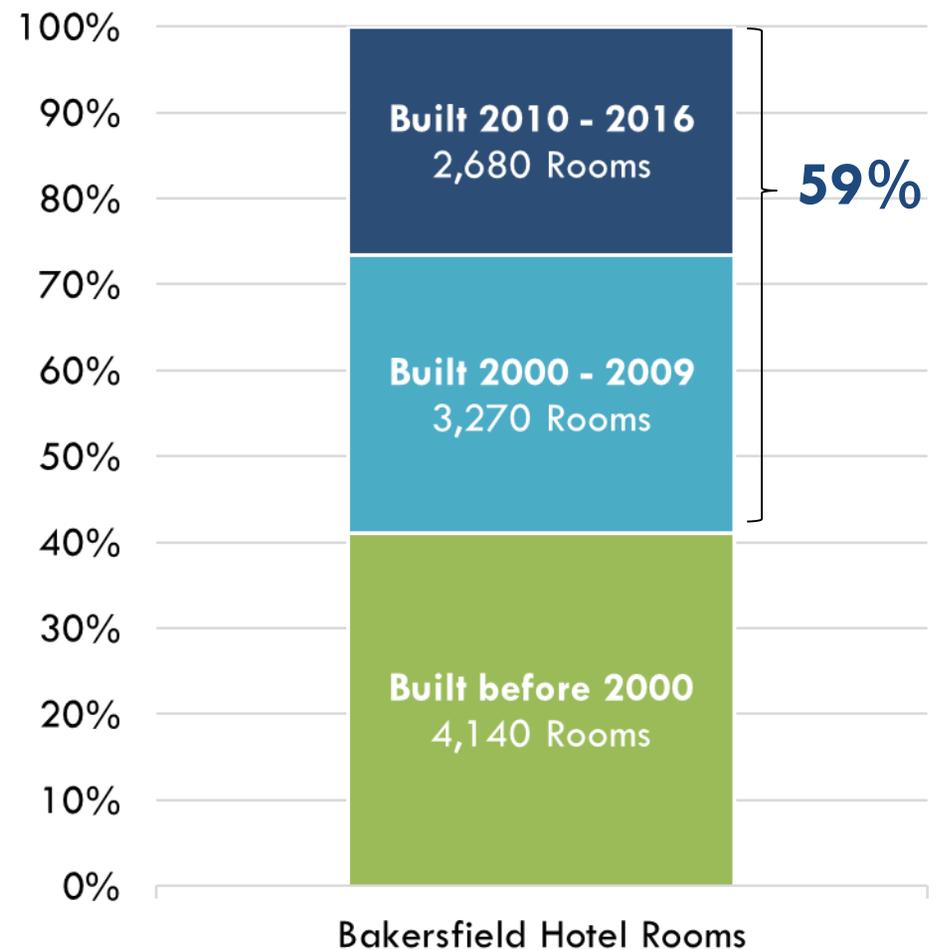
- As the Downtown continues to see revitalization, travelers will continue to want to stay near other downtown amenities, including restaurants and bars. Access to HSR could support further hotel development, as more businesses located downtown.

The majority of Bakersfield's 128 hotels (10,100 hotel rooms) were built after 2000 and are economy or midscale class.

Bakersfield Hotel Rooms, by Class

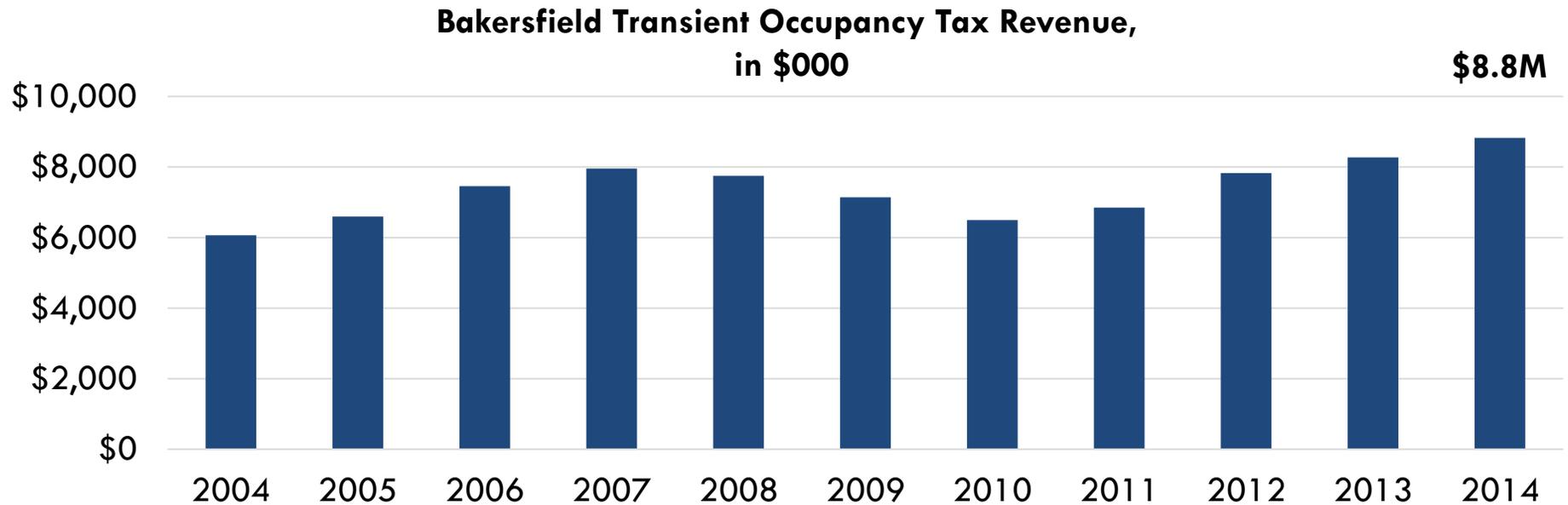


Bakersfield Hotel Rooms, by Year Built



Source: STR, Inc.

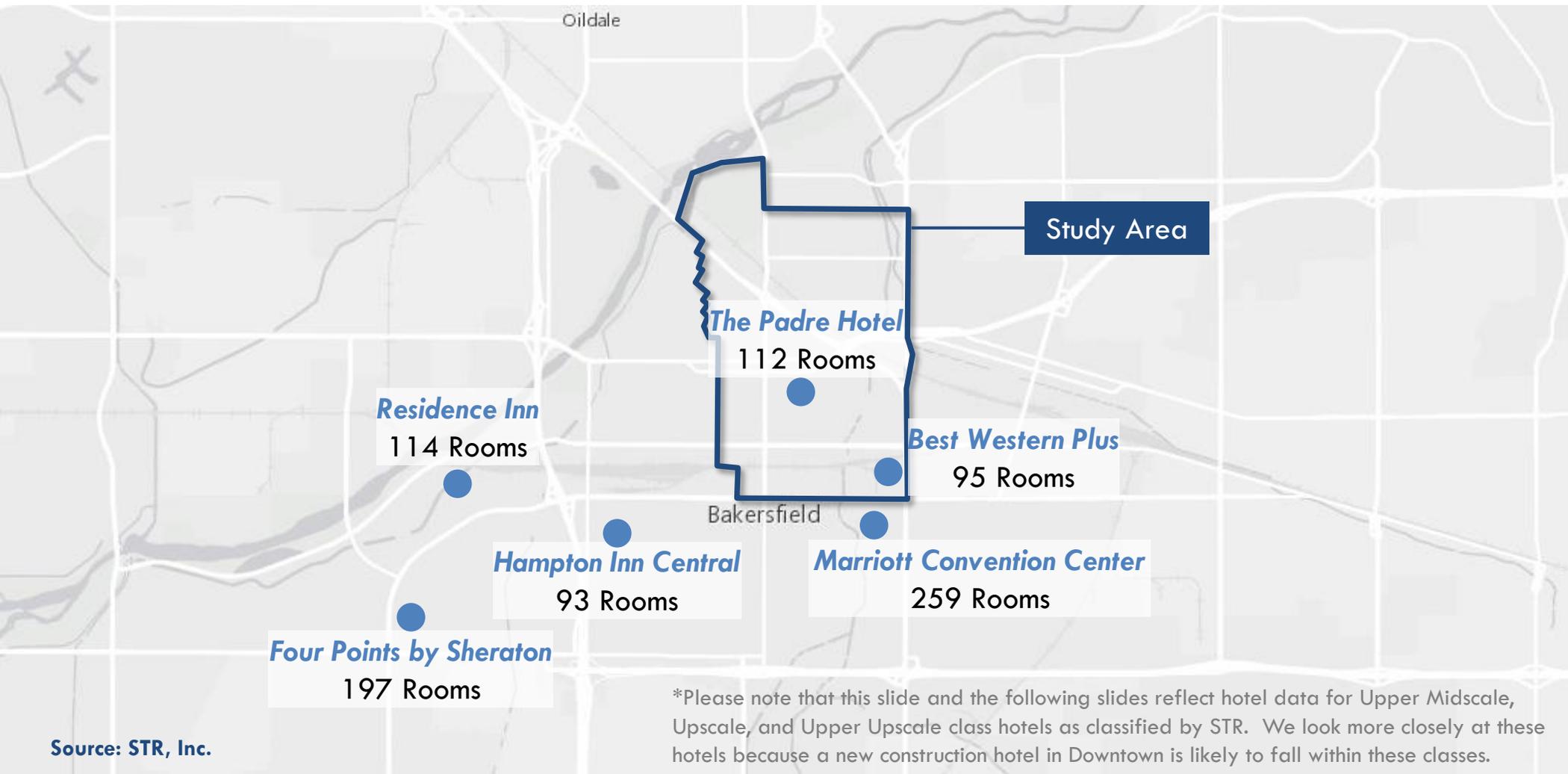
As a result of hotel development, City revenue from the Transient Occupancy Tax (TOT) has increased by 45% since 2004.



- The TOT is a **tax on hotels and motels**.
- Kern County's TOT rate is 6%, while Bakersfield's is 12%, which has **driven some hotel development outside the city limits**.
- Since 2006, visitors to Kern County have generated an **average of \$27 million annually** in local TOT receipts.

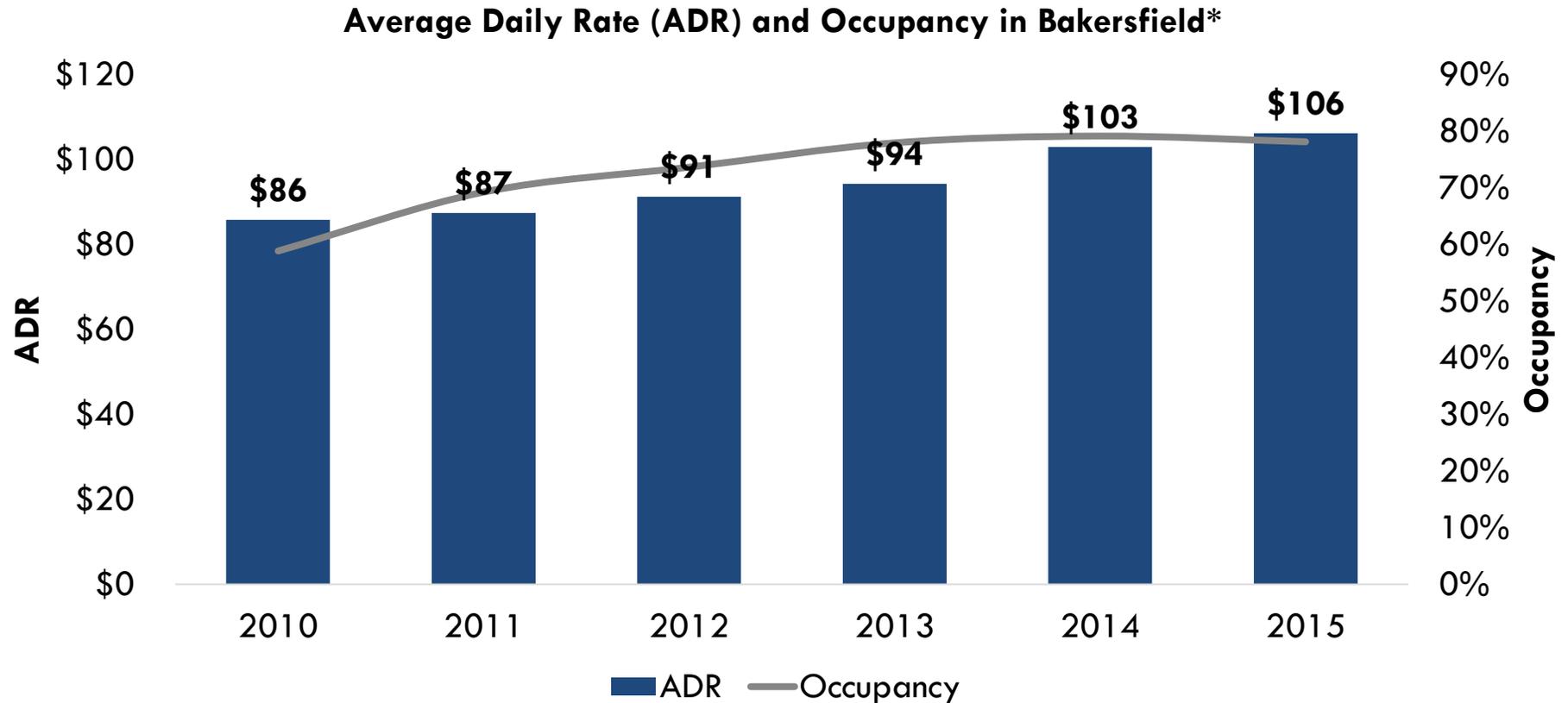
Source: Dean Runyon

Bakersfield has six existing upper midscale and upscale hotels, totaling 870 rooms, all of which are close to or within the Study Area.



Source: STR, Inc.

Growing hotel occupancy and the average daily rate within these classes indicates that there is demand for new quality hotels in Bakersfield.

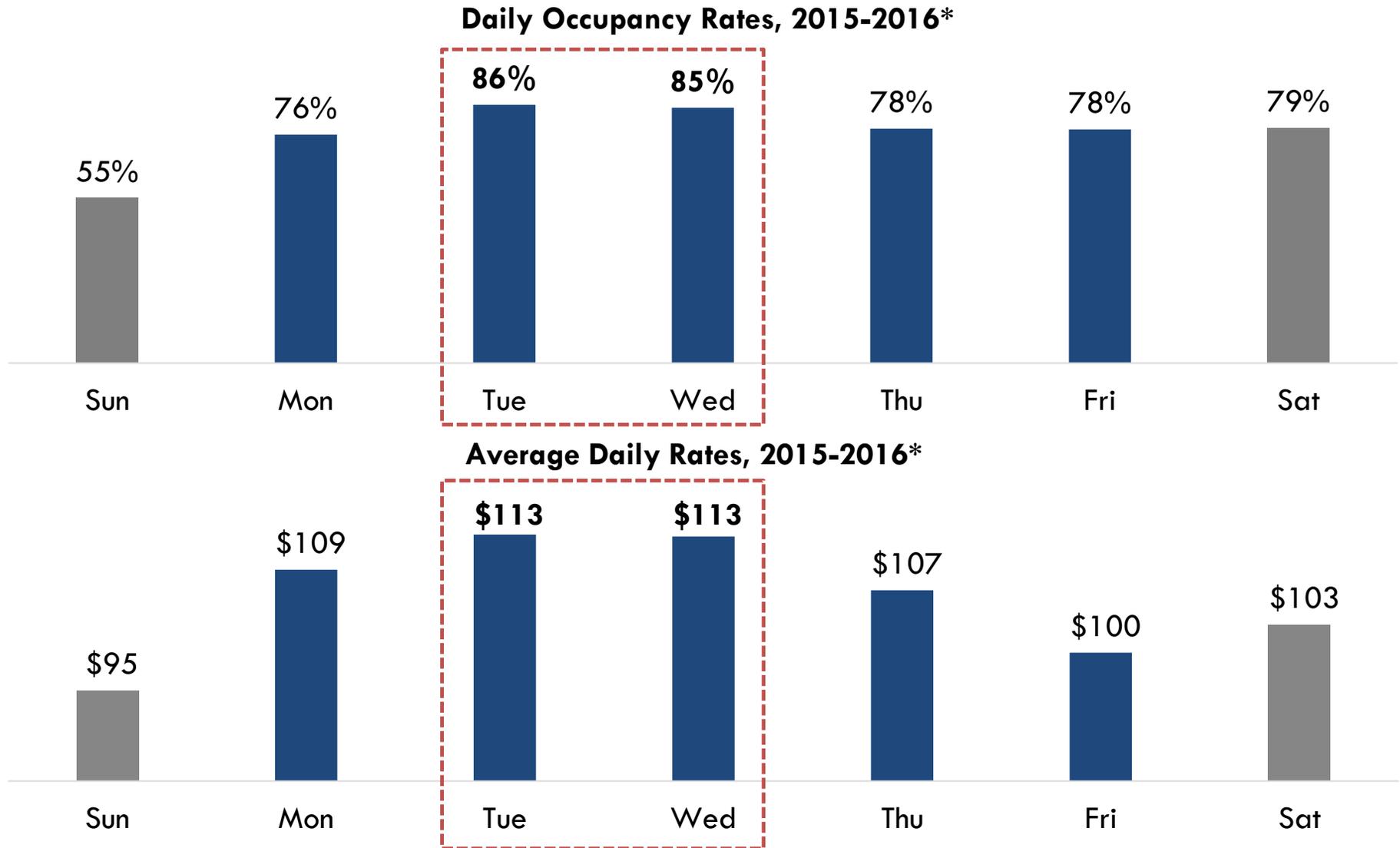


- Bakersfield’s consistently high occupancy rates indicate a growing demand for more quality hotel rooms. However, average daily rates for rooms are modest, reflecting low land values and suburban formats and indicating new hotel construction could be constrained.

Source: STR, Inc.

*Includes performance data for only Upper Midscale, Upscale, and Upper Upscale Class hotels.

High weekday occupancy and average daily rates indicate that many Bakersfield hotel visitors are business travelers.



Source: STR, Inc.

*Includes performance data for only Upper Midscale, Upscale, and Upper Upscale Class hotels.

Four major visitor groups are responsible for hotel demand in Bakersfield, all of which could benefit from additional hotels built downtown.



The Rabobank Arena, Theater, and Convention Center hosts a variety of sporting, music, and business events that draws visitors year-round.

70,000

SQUARE FEET OF MEETING AND EVENT SPACE

29,500

SQUARE FEET EXHIBIT HALL

10,000

PERMANENT SEATS IN RABOBANK ARENA

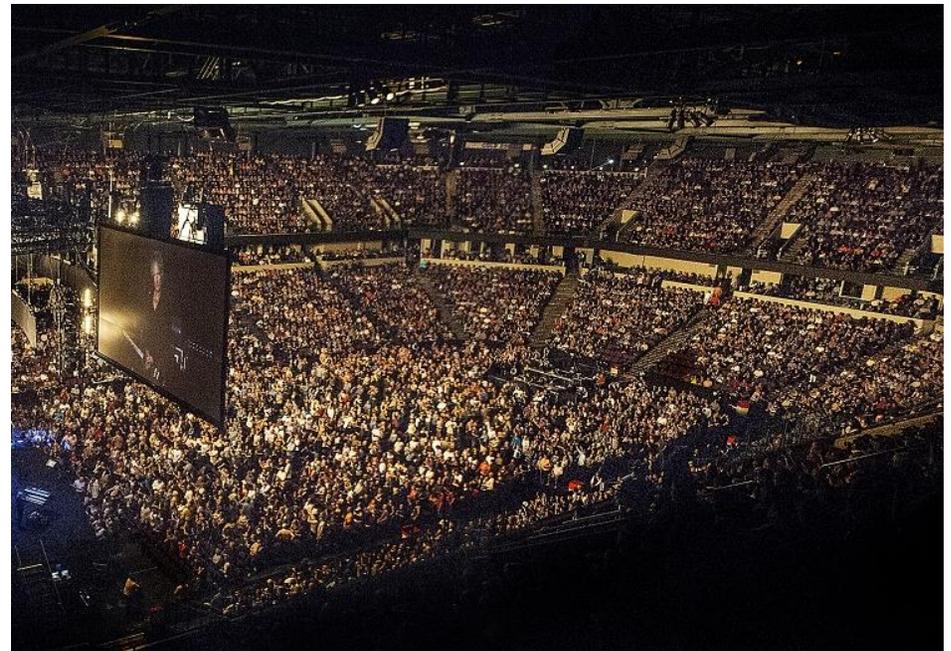
3,000

PERMANENT SEATS IN THEATER

LARGEST EVENTS HOSTED AT RABOBANK ARENA:

CIF State Wrestling Championships
Cali Finale Cheerleading Championship

Source: Rabobank Arena



The Kern County Fair is a local institution that attracts thousands of visitors to Bakersfield each year.

168

ACRES OF FAIRGROUNDS

13th

LARGEST COUNTY FAIR IN CALIFORNIA

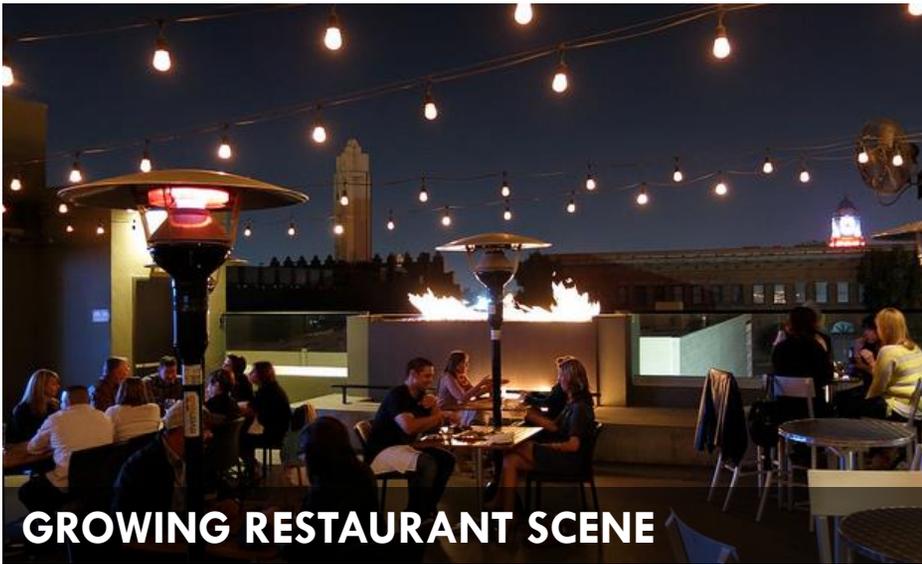
400,000

ANNUAL VISITORS



Source: Visit Bakersfield

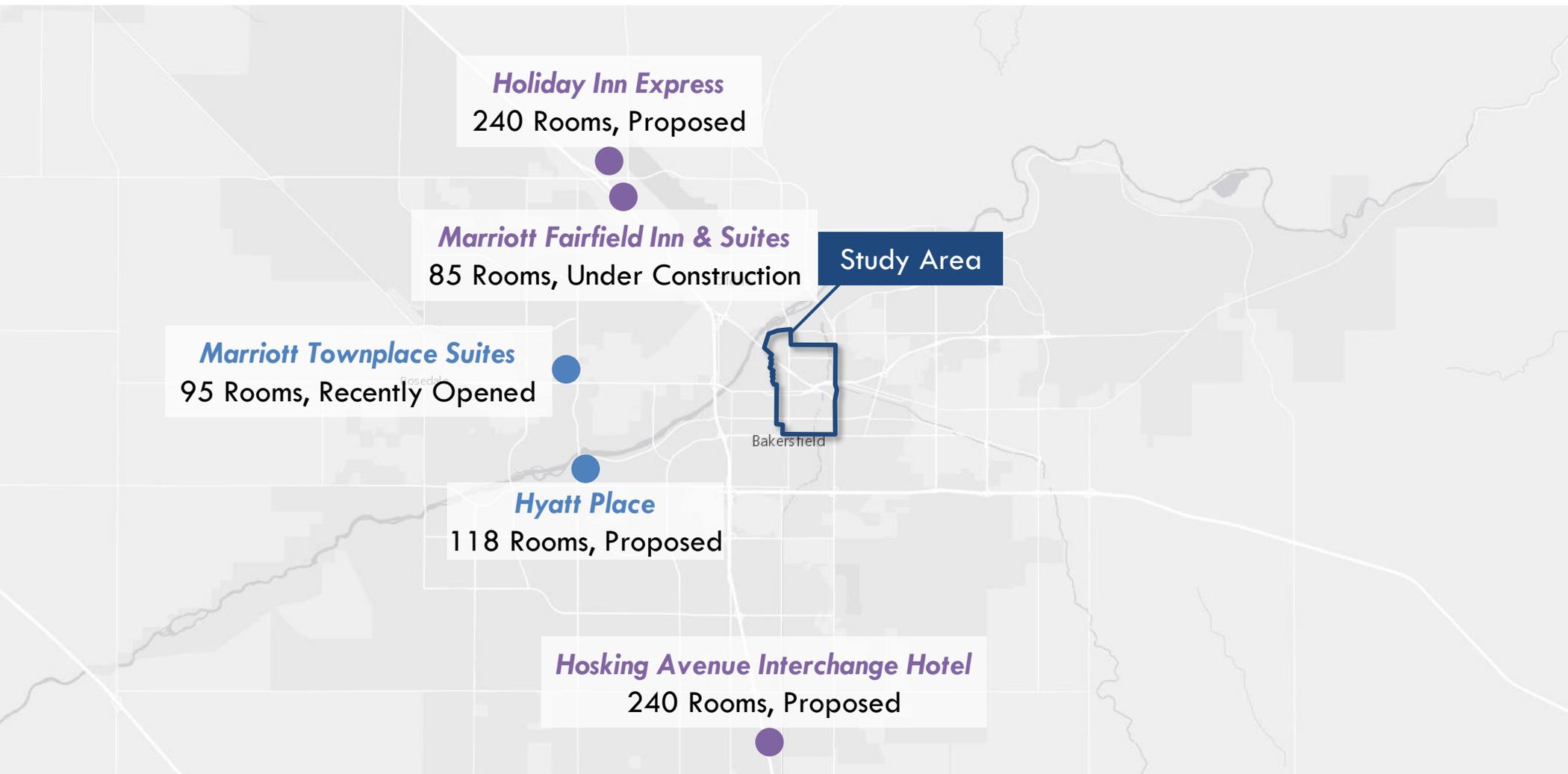
Existing hotels provide amenities for business travelers; Downtown Bakersfield could be a competitive location for hotel development.



Five hotels have either recently opened, are being developed, or have been proposed in Bakersfield, two within the City and three outside.

● Within Bakersfield

● Outside City Limits



Today, the Downtown competes with suburban markets in and outside of Bakersfield; Downtown amenities and HSR could increase hotel demand.

Demand Capture Opportunities

Without HSR

Baseline Hotel Demand
(LOW)

- With the current pattern of Downtown investment, the Study Area is likely to capture some upper midscale and upscale hotel development, but will continue to be challenged in competing with suburban format hotels in and outside Bakersfield.

Hotel Demand with Downtown Revitalization
(HIGH)

- New Downtown amenities and public realm improvements may attract additional hotels to Downtown, with or without HSR, as visitors will want to stay in the most vibrant, connected, and convenient areas of the city.

With HSR

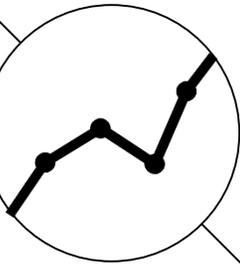
HSR
(LOW and HIGH)

- Even with limited public interventions, HSR will spur office and visitor growth, which in turn will likely attract more hotels to the Study Area. (Low Capture)
- The potential of HSR to attract new hotels will be magnified with strategic planning and improvements to the Downtown. A truly vibrant Downtown could become a HSR destination. (High Capture)

Future hotel room demand was projected based on the ratio of employees and residents to hotel rooms and the projected growth of employees and residents in the Study Area.



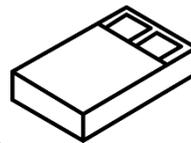
THERE ARE **870 UPPER MIDSCALE AND UPSCALE HOTEL ROOMS** IN THE CITY OF BAKERSFIELD, ACCOUNTING FOR 317,600 ROOM NIGHTS IN 2015.



ASSUMING DEMAND GROWTH IS **LINKED TO BUSINESS AND RESIDENT GROWTH**, HOTEL DEMAND FACTORS PER EMPLOYEE AND RESIDENT WERE ESTIMATED.



ROOM NIGHT DEMAND FACTORS WERE APPLIED TO OUR PROJECTED EMPLOYEE AND RESIDENTIAL GROWTH **WITH AND WITHOUT HSR**.



NOTE: DOWNTOWN BAKERSFIELD'S GROWTH AS A DESTINATION COULD DRIVE EVEN **MORE HOTEL DEVELOPMENT** IN THE STUDY AREA.

Source: ESRI

Demand for new hotel rooms in 30 years could be between 600 and 1,250 units without HSR and 1,400 and 2,400 units with HSR.

	5 years (2020)	10 years (2025)	20 years (2035)	30 years (2045)
WITHOUT HSR				
<i>Low: Base Growth</i>	75 Rooms	150 Rooms	350 Rooms	600 Rooms
<i>High: Significant Downtown Investment</i>	150 Rooms	300 Rooms	750 Rooms	1,250 Rooms
WITH HSR				
	75 – 150 Rooms	200 – 350 Rooms	750 – 1,275 Rooms	1,400 – 2,400 Rooms

- With the **existing pattern of Downtown investment**, the Study Area will continue to be challenged to compete against highly amenitized suburban multi-family developments.
- New **amenities and public realm improvements** will make location hotels downtown more appealing.
- Bakersfield has an **opportunity to concentrate its hotel growth** downtown by leveraging the introduction of HSR and the benefits this transit connectivity can bring to the city’s urban core.