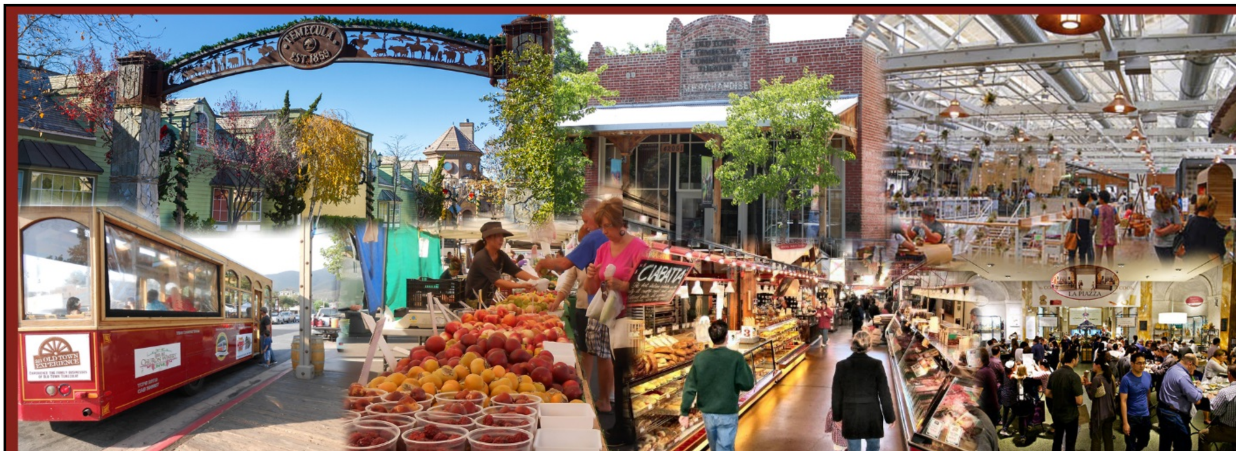

Old Town Market Opportunities Update

Temecula, CA

Prepared for:

City of Temecula

Prepared by:

Keyser Marston Associates, Inc.

July 2015

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Executive Summary

Objective

In 1998, KMA prepared an assessment of market potential for retail/restaurant, office, hotel, and residential uses in Old Town Temecula. The 1998 study identified potential catalyst developments and recommended a series of implementation strategies. The City requested that KMA update the 1998 study with a focus on: progress accomplished to date; market potential for additional development; and recommended implementation approaches to further improve Old Town.

Overview of Progress since 1998

KMA reviewed the progress achieved to date for each of the opportunities identified in the 1998 KMA study. Notable accomplishments include reinforcing the district's identity as Temecula's "downtown"; development of new cultural uses; installation of major public improvements; completion of the Civic Center and Town Square Park. Additionally, significant office space has been developed in Old Town, establishing the district as a desirable business address. Old Town is also widely recognized as a dining and entertainment district. However, no "critical mass" of retail shopping has been created, and no market-rate residential has been developed in the core of Old Town (east of the creek). Importantly, Old Town has not attracted development of a major new hotel. Finally, KMA notes that business and property owners in Old Town have not formed a Business Improvement District.

Market Demand Forecasts by Land Use Type

KMA prepared long-term absorption forecasts for each major land use in Old Town. As shown in Table 1 below, KMA projects that Old Town can support the following ranges of development over the next 20 years: 240,000-420,000 SF of office, 180,000-320,000 SF of retail, 500-1,000 hotel rooms, and 1,400-2,800 housing units. On an average annual basis, these projections equate to: 12,000-21,000 SF of office, 9,000-16,000 SF of retail, 25-50 hotel rooms, and 70-140 housing units per year.

Table 1: Projected 20-Year Absorption, Old Town Temecula		
	Projected Old Town 20-Year Absorption	
	Low	***High***
Office	240,000 SF	420,000 SF
Retail/Restaurant	180,000 SF	320,000 SF
Hotel	500 rooms	1,000 rooms
Residential	1,400 units	2,800 units
(1) Source: Land Use Economic Opportunity Study, KMA, June 2015.		

Summary of Best Practices from Comparable Districts

KMA surveyed five comparable mixed-use village districts throughout California and identified best practices to include the following key approaches.

1. Encourage the formation of a property and/or business owner group to support coordinated marketing efforts and special events

2. Establish a parking in-lieu fee program to enhance the feasibility of small in-fill development projects and develop a funding resource for new parking facilities

3. Form partnerships with business and non-profit organizations to promote Old Town

4. Incorporate signage and gateway monumentation that accentuate the district's theme(s) and/or history

5. Promote the creation of inviting, clean, and safe public spaces

6. Enhance the outdoor experience with lighting, seating, shade trees/shade structures, outdoor dining and music, etc.

7. Permit live outdoor music at select restaurants and bars

8. Engage local homeowners associations to inform existing and future residents of planned events, especially events with outdoor music

Recommended Opportunities and Strategies

Branding Old Town

The best near-term opportunity for enhancing the Old Town business environment is to develop a "foodie district" brand. Given the concentration of restaurants in Old Town today, and the proximity to the wine country, KMA believes there is a strong opportunity to establish Old Town as a "foodie district". "Foodie districts" are defined as a district emphasizing a variety of food services and other products provided by local vendors. They typically offer a variety of farm-to-table restaurants; shops and markets offering fresh produce, cheese, and meats; cooking supplies and equipment; and culinary programs. Old Town not only has the potential to pair its culinary offerings with the wines of the Temecula Valley, but also with the local agricultural industry in general. An essential feature of a "foodie district" is a market hall, essentially a year-round, under roof food court, farmers market, and culinary institute all rolled into one. Examples of public markets/market halls include: Anaheim Packing House (Anaheim, CA), Oxbow Market (Napa, CA), and Granville Island Public Market (Vancouver, BC). The burgeoning micro-brewery industry in Temecula also fits with this theme.

New Private Development Potential

- *Town Square Marketplace:* The key opportunity for a signature private development is the Town Square Marketplace site, the City-owned, one-acre property enveloping the Town Square park. The City is currently in negotiations with a private developer for a potential mixed-use development on the site. This site is the missing link to establish Main Street as the important heart of Old Town.

- *Boutique Hotel:* Existing overnight accommodations in Old Town are extremely limited in number, selection, and amenities. Development of one or more new hotels at the Midscale or Upscale level could have a transformational impact on Old Town. The City should identify and evaluate opportunities to incentivize development of a boutique hotel in the core of Old Town.

- *Market-Rate Housing:* The City has been successful in stimulating development of affordable multi-family/mixed-use developments within the core of Old Town. KMA recommends that the City encourage additional market-rate housing in Old Town, including rental apartments, lofts, and ownership housing opportunities. City initiatives should emphasize residential developments with walkable environments; easy access to retail services, and amenities; and connections to parks, trails, and public facilities.

Improvements to the Public Realm

- *Murrieta Creek Regional Trail:* The Town Square park is the signature public improvement in Old Town. Once the Town Square Marketplace is developed and occupied, the park will be more consistently activated and utilized. However, in KMA's view, completion of the Murrieta Creek Regional Trail would have a transformational impact on Old Town, enhancing both the natural and commercial environments by creating a visual and functional connection between Murrieta Creek and Old Town.

- *Gateways and Streetscape:* The north and south gateways to Old Town are marked by arches spanning the streets. However, the travel routes from the freeway to the arches are less attractive and inviting. KMA recommends that the City and Old Town Temecula Association pursue efforts to incorporate signage and monumentation that accentuate Old Town's themes. Additionally, there are limited public spaces for sitting, resting, gathering, drinking coffee, eating ice cream, etc. The City and Old Town stakeholders should explore opportunities to create parklets and plazuelas, as well as additional street furniture (tables and chairs).

- *Comprehensive Parking Strategy:* The City should undertake an updated parking study for Old Town to project long-term parking needs and identify and evaluate a range of solutions. The study should address specific details regarding parking spaces, location, configuration, and management. Moreover, the City and Old Town stakeholders should consider potential implementation steps such as requirements on commercial developers, establishing time limits and/or meters for on-street parking, and evaluating the potential for a parking in-lieu fee program. The KMA survey of comparable mixed-use districts found that all districts required both commercial and residential development to provide on-site parking, and/or pay a parking in-lieu fee. Given the anticipated long-term parking needs in Old Town, the parking study should provide guidance as to whether the City should amend the parking requirements in the Old Town Specific Plan.

- *Parking at North End:* The updated parking study should identify potential locations for new public parking resources. In KMA's view, the southern end of Old Town is currently well served with both the surface parking lot behind the Stampede and the Civic Center garage. In the longer term, however, the City may want to explore the potential for an additional parking facility toward the north end of Old Town, including potential sites north of the arch.

- *South Side Mixed-Use Development:* The southern entrance to Old Town is particularly unattractive today, with a mix of commercial, industrial, and vacant land uses stretching approximately one-mile from the Highway 79 South freeway exit to the 1st Street arch. The City should explore mixed-use zoning for this corridor, which has several large vacant properties fronting Murrieta Creek.

Marketing and Promotion Strategies

- *Potential for a Business Improvement District:* KMA recommends the formation of a Business Improvement District (BID) in Old Town Temecula. A BID works to unify business and property owners within a particular district to work towards the common goal of economic revitalization. This is often done through marketing and event programs, civic beautification projects, commercial tenant recruitment, and parking and transportation improvements. BIDs have been an instrumental tool in creating sustainable economic development in the most successful business districts examined by KMA.

- *Co-Marketing with Wineries/Pechanga:* The unique, big draws in the Temecula Valley are the wineries, Pechanga Resort and Casino, and Old Town. Old Town has the potential to increase its capture of visitors and spending in Temecula Valley by co-marketing/branding Old Town as a "foodie district" and an extension of the existing wineries. Old Town should complement existing promotional efforts of the wineries by showcasing the farm-to-table culinary arts, allowing visitors and residents to experience the organic nature of Temecula Valley. The City has seen a recent surge in micro-breweries, including venues in/near Old Town. These businesses can also form an important part of a "foodie district" branding of Old Town.

I. INTRODUCTION

A. Objective

In accordance with our contract dated July 1, 2014, Keyser Marston Associates, Inc. (KMA) has prepared a Market Opportunities Update for Old Town Temecula.

As background, in 1998, KMA prepared an assessment of market conditions for Old Town Temecula. The 1998 study assessed market potential for retail/restaurant, office, hotel, and residential uses in Old Town; identified potential catalyst developments; and recommended a series of implementation strategies. Subsequently, in 2007, the City initiated a strategic visioning process that led to adoption of a new Specific Plan for Old Town in 2010. In support of that effort, KMA evaluated supportable development potential within Old Town for each major land use category. In recent years, Old Town has experienced a tremendous transformation, including the introduction of many new civic, cultural, commercial, and residential buildings.

The City identified the following objectives for the Old Town Market Opportunities Update (Update):

1. Evaluate the progress accomplished to date
2. Assess market potential for additional development
3. Recommend implementation approaches to further improve Old Town

B. Methodology

In completing this Update, KMA undertook the following work tasks:

1. Reviewed existing conditions in Old Town
2. Conducted interviews with key stakeholders
3. Reviewed existing marketing, programs, and other activities currently in effect in Old Town
4. Assessed key accomplishments in Old Town since 1998 to identify opportunities and challenges
5. Evaluated market conditions and projected absorption potential by land use type
6. Surveyed comparable districts to identify best practices

Note that the Update does not include an updated visitor and resident survey, as undertaken by CIC Research, Inc. for the 1998 report.

C. Report Organization

This report is organized as follows:

- Section II reviews existing conditions in Old Town.

- Section III presents an overview of progress accomplished since 1998.

- Section IV details the KMA assessment of market demand potential for each land use.

- Section V presents the KMA survey of comparable districts.

- Finally, Section VI presents the KMA recommendations of opportunities and strategies.

This Update is subject to the limiting conditions in Section VII. Our detailed technical analyses are presented in a series of appendices.

II. EXISTING CONDITIONS

A. Demographic Profile

Table II-1 below provides an overview of demographic trends for Old Town as compared with 3-, 5-, and 10-mile trade rings centered around the intersection of Old Town Front Street and Main Street. As shown in the table, Old Town contained fewer than 2,000 residents in 2014. The average household income of $54,344 was significantly lower than the corresponding figures for the 3-, 5- and 10-mile rings, which increase from $72,854 to $82,791. However, per capita income in Old Town is only slightly lower than the surrounding trade rings, averaging $21,275 as compared to a range of $24,175 to $25,297.

Table II-1: Demographic Overview, Old Town and Surrounding Trade Rings, 2014

	Old Town (1)	***3-Mile Ring*** (2)	***5-Mile Ring*** (2)	***10-Mile Ring*** (2)
Population	1,977	54,573	147,696	308,933
Households	774	18,109	45,544	94,397
Average Household Income	$54,344	$72,854	$80,232	$82,791
Per Capita Income	$21,275	$24,175	$24,741	$25,297
Aggregate Personal Income	$42.1 Million	$1.3 Billion	$3.65 Billion	$7.82 Billion

(1) Area bounded by I-15 to the east, Rancho California Road to the north, and the City boundary to the south and west.
(2) Assumes a trade ring around the intersection of Old Town Front Street and Main Street.

B. Land Use Mix

City staff estimates that Old Town currently contains 619,347 SF of non-residential development and 608 residential units.

Table II-2 below summarizes existing land use mix and remaining development capacity for Old Town. As shown in the table, build-out of the Old Town Specific Plan would generate additional development comprising 809,000 SF of office space, 485,000 SF of retail space, 540 hotel rooms, and 1,800 housing units.

Table II-2: Existing Land Use Mix and Remaining Development Capacity, Old Town		
Land Use Type	***Existing Land Use Mix*** (1)	***Remaining Development Capacity*** (2)(3)
Office	619,347 SF	809,000 SF
Retail	included above	485,000 SF
Hotel	included above	540 rooms
Residential	608 units	1,800 units

(1) Source: Old Town Specific Plan Amendment Draft Environmental Impact Report, February 2010, adjusted to reflect development of the Truax Building, Portola Terrace Apartments, and Front Street Plaza.
(2) Reflects anticipated remaining incremental development in Old Town.
(3) Land use allocation to office, residential, and retail land uses reflect KMA assumption.

C. Proposed Public Improvements

This section reviews recently completed and pending public improvements in Old Town.

- *Town Square Park* - Completed in 2009, Town Square Park has become a vital asset in activating the Civic Center complex by hosting numerous City and community events. Town Square Park is used by the City for a wide range of functions, including a free pops show by the Inland Valley Symphony Orchestra, an outdoor movie theater, and ice rink during the winter. The four vacant parcels surrounding Town Square Park will eventually be transformed into the Town Square Marketplace, representing the final piece to be developed in the Civic Center complex. In January 2015, the City entered into an Exclusive Negotiating Agreement (ENA) with Truax Development to negotiate the terms of a Disposition and Development Agreement for development of the Town Square Marketplace project. Initial concepts include various commercial and retail components, including specialty shops and restaurants, all within a pedestrian-friendly environment that complements and links the Civic Center, Town Square Park, and Old Town Temecula.

- *Murrieta Creek Regional Trail Plan* - The Murrieta Creek Regional Trail Plan is a joint effort between the cities of Temecula, Murrieta, Wildomar, and Lake Elsinore in partnership with the Sierra Club to develop an approximately 14-mile long multi-use trail along the Murrieta Creek corridor extending from Old Town Temecula to Lake Elsinore. The Murrieta Creek Regional Trail is a long-term project funded by the Riverside County Flood Control District and the U.S. Army Corps of Engineers, and will feature scenic walking paths for residents and visitors to walk, jog, and ride bikes. As noted in the Old Town Specific Plan, the goal of the City is to create a visual and functional connection between Murrieta Creek and Old Town by orienting buildings, courtyards, and balconies to face the creek, constructing trails and bike paths to promote activity along the creek, and implementing form-based guidelines for new buildings in relation to building placement along the creek. Prior to its completion, there are plans to develop an interim trail connecting the four cities. Specific timing for completion of the Old Town segment is not known at this time.

D. Special Events

The City, Old Town Temecula Association, and non-profit groups sponsor numerous special events in Old Town throughout the year. Table II-3 provides a list of the major special events and their estimated attendance. As shown in the table, these events include music, movie, and art festivals, special exhibits, and holiday-themed celebrations. The largest events draw between 12,000 and 60,000 visitors to Old Town. Additionally, a weekly farmers market is held at 6th and Old Town Front Streets every Saturday. All events combined attract nearly 345,000 visitors annually.

Table II-3: Overview of Special Events, Old Town

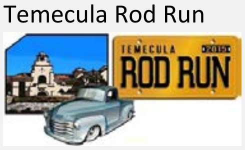
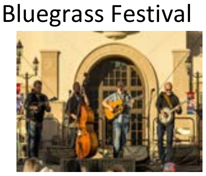
Event	*Description*	*Duration*	*Attendance*	*Date*
Old Town Temecula Farmer's Market	Open-air Certified Farmers' Market at 6th and Old Town Front Streets; farmers sell agricultural products grown themselves	Weekly	175,000	Throughout Year
Temecula Rod Run 	Classic vehicle car show. Includes "Friday Night Cruise" on Friday and "Show and Shine" on Saturday	2 days	60,000	March
Bluegrass Festival 	Bluegrass Music Festival	2 days	8,500	March
Reality Rally	3-Hour "Amazing Race" fund raising event to benefit Temecula-based Michelle's Place Breast Cancer Resource Center	1 day	1,500	April
Taste of Temecula	Menu selections from area restaurants, wineries, micro-breweries, and specialty shops	1 day	5,000	April

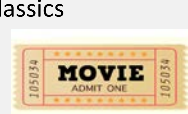
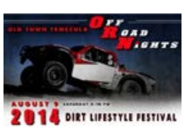
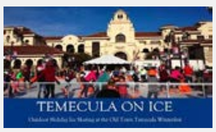
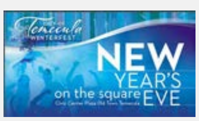
Table II-3: Overview of Special Events, Old Town (Cont'd.)				
Event	***Description***	***Duration***	***Attendance***	***Date***
Western Days	Western themed exhibits, music, and demonstrations and an International Chili Society (ISC) sanctioned chili cook-off	2 days	1,000	May
Memorial Day 	Procession / Memorial service	1 day	500	May
Temecula Art Festival/ Street Painting 	Street painting art festival featuring over 140 artists painting giant murals	3 days	12,000	June
Pops Under the Stars	Performances by the Inland Valley Symphony on the steps of the Civic Center	1 day	2,000	June
4th of July Parade	Parade running arch to arch	1 day	6,000	July
Hot Summer Nights	Live band performances; family entertainment	8 weeks	1,600	July & August
Saturday Night Movie Classics 	Classic movies in the park	4 weeks	1,200	August
Off Road Nights 	Off road motorsports expo and vehicle showcase	1 day	4,000	August

Table II-3: Overview of Special Events, Old Town (Cont'd.)				
Event	***Description***	***Duration***	***Attendance***	***Date***
TV International Film & Music Festival	Film and music festival. Film component features movie screenings, networking parties, industry marketplace, industry panels and workshops, and awards gala	5 days	4,500	September
Health & Community Resource Fair	Health fair featuring over 100 health related agencies free health screenings, and entertainment	1 day	3,500	September
Salute to Heroes Fair	Appreciation Fair for military, veterans, law enforcement, fire, EMTs, and teachers. Features live entertainment, car shows, and carnival-type food	1 day	1,500	September
Quilt Show	Display and sale of quilts throughout Old Town	1 day	2,000	October
Temecula Valley Century	Charity bike ride to benefit Bike 365	2 days	2,500	October
Greek Festival	Live Greek music, authentic Greek food, dancing & folk dance performances	2 days	1,500	October
Veterans Day Event	Musical tribute to veterans featuring the Inland Valley Symphony	1 day	1,500	November
Pu'eska Mountain Day 	Celebration commemorating the preservation of the Pu'eska Mountain and the culture of the Pechanga Band of Luiseno Indians	1 day	400	November

Table II-3: Overview of Special Events, Old Town (Cont'd.)				
Event	***Description***	***Duration***	***Attendance***	***Date***
Winterfest 	Display of twinkling lights throughout Old Town, carolers, family-oriented entertainment	9 days	1,500	November / December
Santa's Electronic Light Parade 	Holiday parade through Old Town featuring floats, school marching bands, and holiday music	1 day	28,000	December
Temecula On Ice 	Outdoor holiday ice skating rink	25 days	15,000 skaters	December
Pennypickle's Winter Wonderland 	Holiday music, snow, activities, and twinkling lights at Pennypickle's Workshop - Children Museum	1 day	2,000	December
New Year's Eve Grapedrop 	Annual countdown celebration to midnight	1 day	2,000	December
Total Attendance			*344,200*	

Over the past 15 years, the City has retained Melody's Ad Works, Inc. to promote and market Old Town's special events in an effort to draw residents and visitors into Old Town. Melody's Ad Works, Inc. plans, produces, supervises, and promotes many of special events noted in Table II-3, including Hot Summer Nights, the Quilt Show, Winter Fest, New Year's Eve, the Bluegrass Festival, Western Days, and the Street Painting Festival. Marketing campaigns include media advertisements, direct marketing with flyers, e-marketing through social media, and website support.

E. Live Music

Currently, only three venues in Old Town are allowed to host live outdoor music. The City no longer permits restaurants/venues to play live outdoor music except for these three grandfathered venues. Other venues in Old Town are allowed to host live music indoors; however, many local businesses indicate that allowing an increased number of outdoor music venues in Old Town would create a more enjoyable atmosphere that could potentially attract more patrons.

F. Proposed Specific Plans

Significant residential, commercial, and mixed-use development is planned for two proposed Specific Plans adjacent to Old Town. The City is processing a Specific Plan for the 560-acre Uptown Jefferson area north of Old Town, and Ambient Communities is processing a Specific Plan for the 270-acre Altair community west of Old Town. The Uptown Jefferson Specific Plan calls for creation of a walkable urban environment with mixed residential, employment, and retail uses. The Altair development is directly contiguous to, and within walking distance of, Old Town. As shown in Table II-4 below, build-out of these districts will bring thousands of new households, office workers, and retail/entertainment patrons west of Interstate 15.

Table II-4: Total Development Capacity for Specific Plan Areas

Land Use Type	*Altair*	*Uptown Jefferson*
Office	0 SF	876,076 SF
Industrial	0 SF	0 SF
Hotel	0 rooms	895 rooms
Residential	1,750 units	3,726 units
Retail	7,000 SF	342,903 SF

III. OVERVIEW OF PROGRESS SINCE 1998

Table III-1 below lists the key opportunities identified in the 1998 KMA study. For each opportunity, KMA has evaluated the progress in Old Town to date using the rankings "accomplished", "partially complete", and "unfulfilled". As shown in the table, notable accomplishments include reinforcing the district's identity as Temecula's "downtown"; development of new cultural uses; installation of major public improvements; completion of the Civic Center and Town Square Park. Additionally, significant office space has been developed in Old Town, establishing the district as a desirable business address. Old Town is also widely recognized as a dining and entertainment district. However, no "critical mass" of retail shopping has been created, and no market-rate residential has been developed in the core of Old Town (east of the creek). Importantly, Old Town has not attracted development of a major new hotel. Finally, KMA notes that business and property owners in Old Town have not formed a Business Improvement District.

Table III-1: Current Status of Opportunities/Recommendations from 1998 Study

		Accomplished	***Partially Complete***	***Unfulfilled***	***Comments***
1	***District Identity***				
A	Position Old Town as Temecula's "downtown"	✓			• Civic Center and Town Square anchor district • Numerous special events hosted throughout the year • Old Town established as dining and entertainment destination
B	Site public projects such as the proposed new Civic Center within Old Town	✓			• Civic Center, parking garage, and Town Square completed • Old Town Temecula Community Theatre and Pennypickle's Workshop – Children's Museum completed
C	Link public gathering places to a Civic Center project		✓		• Town Square Park in front of Civic Center is complete • Town Square Marketplace development fronting park still pending

Table III-1: Current Status of Opportunities/Recommendations from 1998 Study (Cont'd.)					
		Accomplished	***Partially Complete***	***Unfulfilled***	***Comments***
D	Invest in public improvements		✓		• Significant investment in Old Town Front Street and Main Street streetscape improvements; the rehabilitation of Sam Hicks Monument Park; and bike lanes, sharrows, and fix-it stations throughout Old Town • Many side streets lack curb, gutter, and sidewalks • Murrieta Creek Regional Trail Plan not yet initiated
2	***Retail/Restaurant***				
A	Establish a "restaurant row"	✓			• Old Town offers critical mass of dining and entertainment options
B	Create a theme for specialty stores, in particular sporting goods/ apparel and outdoor recreation supply			✓	• Limited retail store options in Old Town • No critical mass or theme has been established
C	Add other household furnishing and décor stores			✓	
D	Attract upscale "lifestyle" retailers (long-term target)			✓	

Table III-1: Current Status of Opportunities/Recommendations from 1998 Study (Cont'd.)					
		Accomplished	***Partially Complete***	***Unfulfilled***	***Comments***
3	***Office Space***				
A	Enhance the desirability of Old Town as an office location	✓			• Private entrepreneurs have developed landmark office buildings • Evidence of growing appeal beyond local office users, i.e., regional businesses choosing Old Town locations
B	Encourage the development of "hybrid" live/work space			✓	• No "urban residential" to date other than mixed-income developments sponsored by City/former Redevelopment Agency
4	***Hotel***				
A	Adapt and re-use historic buildings for hotel use	✓			• The Welty Hotel was purchased in 2014, with plans for the historic building to be used for weddings and special events • No significant new hotel rooms inventory added in Old Town (only 24 rooms); and 579 rooms added in Jefferson Corridor since 1998 • Plans for a 54-room hotel on Moreno Road were recently approved by the City

Table III-1: Current Status of Opportunities/Recommendations from 1998 Study (Cont'd.)					
		Accomplished	***Partially Complete***	***Unfulfilled***	***Comments***
B	Pursue the development of limited-service or extended-stay hotels in nearby locations outside of Old Town		✓		• No significant new rooms inventory in Old Town, i.e., just 24 rooms added since 1998 • Plans for a 54-room hotel on Moreno Road were recently approved by the City • Several new limited-service hotels developed in Jefferson Corridor since 1998 – totaling 579 new rooms
5	***Residential***				
A	Develop new senior apartments		✓		• No senior housing completed other than 65-unit Riverbank Village Apartments on Pujol Street in 2004
B	Adapt and re-use older structures as lofts			✓	• No adaptive re-use projects • No "urban residential" to date other than mixed-income developments sponsored by City/former Redevelopment Agency

Table III-1: Current Status of Opportunities/Recommendations from 1998 Study (Cont'd.)					
		Accomplished	***Partially Complete***	***Unfulfilled***	***Comments***
C	Develop in-fill multi-family along Pujol Street	✓			• 65-unit Riverbank Village senior housing completed 2004 • 274-unit The Vineyards at Old Town private development completed 2009 (on Pujol Street outside Old Town) • 44-unit Portola Terrace affordable development completed 2013 • 140-unit Shearwater Creek private development approved (on Pujol Street outside Old Town)
D	Develop medium- and high-density housing within the Westside Specific Plan			✓	• Altair development containing approximately 1,750 units in planning and entitlement stage
6	***Other Development Concepts***				
A	Expand arts and cultural uses	✓			• Old Town Temecula Community Theatre and Pennypickle's Workshop – Children's Museum completed
B	Enhance Murrieta Creek			✓	• Murrieta Creek Regional Trail Plan pending
C	Structure a cooperative marketing arrangement with the wineries			✓	• Limited presence of wineries in Old Town • Old Town is emerging as a destination for wine tasters seeking a more intimate approach from the larger wineries in Temecula Valley

Table III-1: Current Status of Opportunities/Recommendations from 1998 Study (Cont'd.)					
		Accomplished	***Partially Complete***	***Unfulfilled***	***Comments***
7	***Other Recommendations***				
A	Form a business- or property-based Business Improvement District			✓	• Old Town is served by Old Town Temecula Association, a voluntary land- and business-owner organization that promotes and protects historic Old Town through representation, community relationships, and promotional programs. • Limited interest by the business community to form a BID to serve Old Town
B	Establish a uniform shopping environment with uniform operating hours, standardized parking arrangements, and way finding signage		✓		• New parking garage at Civic Center with directional signage
C	Enhance Old Town's visibility from the freeway	✓			• Visibility enhanced due to renaming of Front Street and new freeway signage • Prominence of Civic Center and Truax Building heighten visibility of district from freeway
D	Use recruitment strategies to attract new development, business, and arts and culture uses		✓		• Developer negotiations underway for Town Square Marketplace • Former Redevelopment Agency sponsored mixed-use apartment buildings with retail, restaurant, and office uses

IV. MARKET DEMAND POTENTIAL

A. Market Overview by Land Use Type

This section evaluates current market conditions for commercial and residential uses in Old Town. Table IV-1 below summarizes the key assets and constraints affecting development potential for each land use type. The detailed KMA assessment of market conditions is presented in Appendix A.

Table IV-1: Key Assets and Constraints by Land Use Type		
	Key Assets	***Key Constraints***
Office	• Excellent freeway access • Proximity to diverse range of housing choices throughout Temecula Valley • Prestigious location for office address, as evidenced by high office rents • Truax Building features Class A office space targeted to high-profile tenants • Access to amenities for workers, e.g., dining and entertainment • Proximity to Civic Center desirable	• Old Town remains a small employment center • Current overall vacancy rate in Old Town is high at 16% • Difficult to compete with suburban office development, e.g., low-rise, surface-parked buildings • Lack of parking to serve future office tenants

Table IV-1: Key Assets and Constraints by Land Use Type (Cont'd.)		
	Key Assets	***Key Constraints***
Retail/Restaurant	• Strong local and regional draw, e.g., both residents and visitors • Unique mix of civic, arts and culture, shopping, and dining and entertainment uses in a historic, walkable setting • Special events and festivals attract nearly 245,000 attendees/year • Plentiful parking supply at Civic Center	• Insufficient residential population to support grocery, drug, basic services • Lack of critical mass of retail stores in any one category, e.g., apparel, sporting goods, furnishings, design, lifestyle, etc. • Some entertainment uses may be incompatible with fine dining and/or residential uses • City may not be able/willing to sponsor special events in the long term • Perceived parking shortage at northern end of Old Town
Hotel	• Broad range of dining and entertainment choices • Temecula dominates the Southwest Riverside hotel market, with rising occupancy and room rates • Proximity to wine country a significant draw, particularly on weekends • Weekday hotel occupancy in Temecula Valley rising in recent years, indicating growing business demand	• No new hotel development in Old Town • Feasibility challenges to build either boutique or full-service hotels in urban context

Table IV-1: Key Assets and Constraints by Land Use Type (Cont'd.)		
	Key Assets	***Key Constraints***
Residential	• High median income in Temecula relative to County and Inland North San Diego • Altair development will add approximately 1,750 units within walking distance of Old Town • Increasing desirability among empty nesters and millennials for housing in walkable, amenitized mixed-use districts • Success of The Vineyards at Old Town Apartments (adjacent to Old Town) • Proposed development of 140 condominium and townhomes at Shearwater Creek (directly south of The Vineyards)	• Extremely limited housing west of I-15 freeway today; virtually no market-rate housing core of Old Town • Relatively affordable homeownership options throughout City, e.g., single-family and townhomes • Feasibility challenges for urban housing products • No grocery or drug stores west of I-15 freeway • Potential incompatibility with entertainment uses (noise, traffic, parking)

More detailed discussion of market conditions for office, retail/restaurant, hotel, and residential land uses is presented in Tables A-1 through A-4.

B. Retail/Restaurant Market Performance

Over the last 10 years, Old Town has experienced growth in retail and restaurant activity significantly higher than the City as a whole. As shown in Table IV-2 below, total sales tax revenues in Old Town during this period grew at an average annual rate of 6.3%. For the same period, the Citywide growth rate was just 2.0% per year. Although Old Town represents a very small segment of Citywide retail sales tax revenues, it has nearly doubled in 10 years. Refer to Table A-5 for the detailed revenue analysis by year and sub-area of the City.

Table IV-2: Sales Tax Revenues, Old Town vs. City, 2003-2013			
	FY 2003 Sales Tax	*FY 2013 Sales Tax*	*Average Annual Increase*
Old Town	$168,000	$310,000	6.3%
City of Temecula	$11,690,000	$14,181,000	2.0%
Source: HdL Companies			

There are approximately 218 businesses in Old Town. As shown in Table IV-3 below, these include a broad range of establishments, with Eating and Drinking Places accounting for more than half of the total taxable sales volume. As of second quarter 2014, there were 21 Eating and Drinking Places in Old Town with an annual taxable sales revenue of $184,675, representing 55% of the total. However, the largest number of businesses is found in the Other Retail Stores category, representing 103 of the 218 businesses. Refer to Table A-6 for detailed breakout of taxable sales by business type from 2012 to 2014.

Table IV-3: Mix of Businesses/Taxable Sales by Type, Old Town, FY 2014			
	Number of Businesses	*Taxable Sales*	*Percent of Total*
Eating and Drinking Places	21	$184,675	55%
Other Retail Stores	103	$92,711	28%
Apparel Stores	28	$20,238	6%
Business, Service, and Repair	23	$12,097	4%
Furniture and Appliances	18	$10,563	3%
Food Stores	9	$7,193	2%
Manufacturers & Wholesalers	16	$6,438	2%
Total, Old Town	***218***	***$333,915***	***100%***
Source: HdL Companies			

KMA reviewed comparable land sales in Old Town and adjacent areas for the period 2007 to present. The results are summarized in Table IV-4 below; the detailed survey is presented in Table A-7. KMA identified nine comparable sales in the core of Old Town; these ranged in size from 0.17 to 0.77 acres. Sales prices ranged from $24 to $101 per SF. The median sales price was $62 per SF. It is important to note that the KMA survey spanned an extensive time period, from the peak of the mid-2000s market through the prolonged economic downturn. Given that there are few vacant development sites in the core of Old Town, it is not surprising that there is very limited sales activity; the sites that are sold are small in-fill parcels and values per SF are high relative to other areas of Temecula.

Table IV-4: Comparable Land Sales, Old Town, 2007 to Present (1)		
	Site Size	***Sale Price/SF Land***
Low	*0.17 acres*	*$24/SF*
High	*0.77 acres*	*$101/SF*
Median	*0.27 acres*	*$62/SF*
Average	*0.34 acres*	*$57/SF*
(1) Excludes Shearwater Creek and Altair sites, located outside Specific Plan boundary.		

C. Hotel Market Performance

Appendix B presents the KMA in-depth review of market conditions for hotel use in Old Town. Table B-1 profiles current hotel/motel inventory for the Temecula Valley. Table B-2 details hotel room supply and occupancy from 2000 to present. Table IV-5 below summarizes current hotel room inventory in the Temecula Valley. As shown in the table, hotel rooms are concentrated in the Jefferson Corridor, at the Pechanga Resort and Casino, and in Old Town. Additionally, Pechanga has announced plans for a 548-room expansion, which will also include a two-story luxury spa and fitness center; additional meeting, ballroom, and special event space; a resort-style pool complex; and two new restaurants. In total, the 20 hotels in the Temecula Valley contain approximately 100,000 SF of meeting space, with the largest concentrations located at South Coast Winery Resort and Pechanga.

Table IV-5, Hotel Inventory, Temecula Valley			
	Number of Hotels	***Number of Rooms***	***Meeting Space***
Old Town (1)	5	278	450 SF
Jefferson Corridor	8	726	5,224 SF
Balance of City	2	306	11,800 SF
Total, City of Temecula	***15***	***1,310***	***17,474 SF***
Unincorporated (2)	4	682	83,175 SF
City of Murrieta	1	65	350 SF
Total, Temecula Valley	***20***	***2,057***	***100,999 SF***
(1) Includes Ramada Inn, located on Old Town Front Street south of Old Town. (2) Includes wine country and Pechanga Resort and Casino.			

Table IV-6 below illustrates the trends in hotel room supply and demand in the Temecula Valley for the period 2000 to 2013. As shown in the table, hotel rooms have been added at a very high annual growth rate of 7.9%. More importantly, hotel room demand has supported this new construction, as evidenced by an almost identical average annual increase in occupied rooms of 7.8%. Obviously, the period 2000 to 2013 saw significant down cycles following 9/11 and the 2007 recession. However, the overall trend for the Temecula Valley hotel market, inclusive of these downturns, is quite strong.

Table IV-6: Hotel Room Supply, Temecula Valley, 2000-2013			
	2000	***2013***	***Average Annual Increase***
Total Hotel Rooms	763 rooms	2,047 rooms	7.9%
Occupancy	69.6%	69.1%	7.8% (1)
(1) Reflects average annual change in total occupied rooms.			

KMA also prepared an analysis of the financial feasibility of a prototype, three- to four-star boutique hotel in Old Town. The KMA pro forma analysis for a conceptual hotel development is presented in Tables B-3 through B-6. Due to the high construction costs of urban in-fill development, accompanied by the high cost of structured parking, KMA finds that development of a boutique hotel in the near term will likely require a public financial incentive. As shown in Appendix B, KMA formulated a project description containing 125 rooms in an eight-story building on a one-acre development site. Based on review of costs for recent comparable projects, KMA estimates total development costs to be approximately $312,000 per room. Assuming an Average Daily Rate (ADR) of $160 and a stabilized occupancy of 72%, KMA estimates the value of the completed hotel to be approximately $237,000 per room. A comparison of development cost ($312,000/room) and value upon completion ($237,000/room), with allowances for cost of sale and developer profit, yields an estimated financing deficit of $105,000 per room. These preliminary pro forma findings are not intended to represent the experience of any specific development proposal, but rather illustrate an order-of-magnitude measure of the feasibility challenges for higher-end hotel development in Old Town.

D. Market Demand Forecasts by Land Use Type

Appendix C presents the KMA long-term absorption forecasts for each major land use in Old Town. The forecasts are based on Citywide absorption projections that KMA prepared for the Land Use Economic Opportunity Study (May 2015). As presented in Tables C-2 through C-5, for each land use type, KMA formulated assumptions of capture potential within Old Town. The KMA projections of Old Town absorption potential are summarized in Table IV-7 below. As shown in the table, KMA estimates that Old Town can support the following ranges of development over the next 20 years: 240,000-420,000 SF of office, 180,000-320,000 SF of retail, 500-1,000 hotel rooms, and 1,400-2,800 housing units.

Table IV-7: Old Town Absorption Potential as Percent of Citywide Demand

	Projected Citywide 20-Year Absorption (1)		***Estimated Capture Rate for Old Town***		***Projected Old Town 20-Year Absorption***	
	Low	***High***	***Low***	***High***	***Low***	***High***
Office	1,600,000 SF	2,114,000 SF	15%	20%	240,000 SF	420,000 SF
Retail/Restaurant	1,208,000 SF	1,638,000 SF	15%	20%	180,000 SF	320,000 SF
Hotel	2,020 rooms	2,940 rooms	25%	35%	500 rooms	1,000 rooms
Residential	9,800 units	13,700 units	15%	20%	1,400 units	2,800 units

(1) Source: Land Use Economic Opportunity Study, KMA, June 2015.

Table IV-8 below illustrates Old Town absorption potential on an average annual basis. As shown, Old Town is projected to absorb: 12,000-21,000 SF of office, 9,000-16,000 SF of retail, 25-50 hotel rooms, and 70-140 housing units per year.

Table IV-8: Projected Annual Absorption by Land Use, Old Town			
Land Use Type	***Projected Average Annual Absorption***		
	Low	***High***	***Midpoint***
Office	12,000 SF	21,000 SF	16,500 SF
Retail	9,000 SF	16,000 SF	12,500 SF
Hotel	25 rooms	50 rooms	38 Rooms
Residential	70 units	140 units	105 units

Table IV-9 below compares the KMA projection of absorption potential for each land use type in Old Town with the remaining development capacity under the Specific Plan. As shown in the table, KMA projects that hotel and residential uses in Old Town will be built out by Year 20, but that the District will still have remaining capacity for office and retail development. Specifically, KMA finds the following land use inventory conditions at Year 20:

- There will be significant remaining capacity for office and retail development, i.e., 479,000 SF of office space and 235,000 SF of retail space. At the projected absorption rates, these remaining capacities at Year 20 would require decades to absorb.

- Hotel land use demand over the 20-year planning horizon is projected to significantly exceed the current remaining development capacity, i.e., hotel land use is anticipated to build out well before Year 20.

- Residential land use absorption is projected to slightly exceed current remaining development capacity, i.e., residential land use is anticipated to build out shortly before Year 20.

This comparison of development capacity vs. projected absorption suggests that the City should accommodate additional hotel and residential development within Old Town over the longer term.

Table IV-9: Comparison of Projected Absorption vs. Development Capacity, Old Town				
Land Use Type	***Remaining Development Capacity*** (1)(2)	***Average Annual Absorption***	***Projected 20-Year Total Absorption***	***Oversupply/(Undersupply) at Year 20*** (3)
		Midpoint	***Midpoint***	
Office	809,000 SF	16,500 SF	330,000 SF	479,000 SF
Retail	485,000 SF	12,500 SF	250,000 SF	235,000 SF
Hotel	540 rooms	37.5 Rooms	750 rooms	(210) rooms
Residential	1,800 units	105 units	2,100 units	(300) units

(1) Reflects anticipated remaining incremental development in Old Town. Source: Old Town Specific Plan Draft Environmental Impact Report, February 2010, adjusted to reflect development of the Truax Building, Portola Terrace Apartments, and Front Street Plaza.
(2) Land use allocation to office, residential, and retail land uses reflect KMA assumption.
(3) Reflects the difference between remaining development capacity and the KMA projected 20-year absorption potential.

V. SURVEY OF COMPARABLE DISTRICTS

A. Overview of KMA Survey

This section presents the KMA survey of other mixed-use village districts for comparison purposes with Old Town. The overall objective of this exercise was to identify best practices in successful comparable districts. KMA selected five districts, including two in San Diego County and three in Northern California, based on similarities in land use mix, scale, arts and cultural uses, and/or proximity to a wine country environment. For each district, KMA prepared a basic profile, including types of land uses, key economic generators, special events, marketing and promotion activities, parking and transportation, and other key features. Additionally, KMA interviewed key participants in each business district and/or corresponding city staff to comprehensively understand key issues and challenges.

Exhibits V-1 through V-5 present the KMA overviews of mixed-use village districts in Little Italy (San Diego), Carlsbad, Chico, Windsor, and Petaluma. Refer to Appendix D for detailed profiles of each comparable district surveyed.

Exhibit V-1: Little Italy (San Diego), 2014 Snapshot

3-Mile Area

Population	*Households*
168,953	79,696

Average HH Income
$70,675

Per Capita Income
$33,338

Aggregate Personal Income
$5.6 Billion

5-Mile Area

Population	*Households*
461,845	180,482

Average HH Income
$66,404

Per Capita Income
$25,950

Aggregate Personal Income
$12.0 Billion

10-Mile Area

Population	*Households*
1,172,751	440,718

Average HH Income
$69,479

Per Capita Income
$26,110

Aggregate Personal Income
$30.6 Billion

Little Italy Association:
Annual Budget: $1,942,000

Key Attributes:

- Restaurants, cafes, boutiques, hotels, residential, office, and public plazas
- Weekly farmer's market (5 blocks, 200+ booths, 10,000 visitors, $500,000/year revenue)
- Annual Special Events: Little Italy FESTA, ArtWalk, Taste of Little Italy
- Adjacent to historic County Administration Center (new park and parking garage); served by County Center/Little Italy trolley station
- Clean & Safe and marketing programs funded by Little Italy Association (BID); BID hires PR firm for marketing/events
- Developers required to create a public space when building new development, including public art, historic signage, and aesthetic landscaping
- 45% of revenue from parking meters, lots, etc. go to the improvement of parking /parklets
- Live outdoor music allowed during large and small events

Exhibit V-2: Carlsbad Village, 2014 Snapshot

3-Mile Area

Population	*Households*
62,335	25,469

Average HH Income
$72,300

Per Capita Income
$29,541

Aggregate Personal Income
$1.8 Billion

5-Mile Area

Population	*Households*
150,172	57,964

Average HH Income
$74,037

Per Capita Income
$28,577

Aggregate Personal Income
$4.3 Billion

10-Mile Area

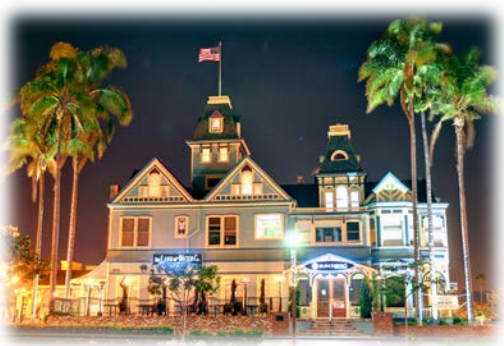
Population	*Households*
507,587	177,764

Average HH Income
$80,633

Per Capita Income
$28,239

Aggregate Personal Income
$14.3 Billion

Carlsbad Village Association:
Annual Budget: not available



Key Attributes:

- Restaurants, coffee shops and cafes, boutique retail, specialty shops, and hotels/time-shares
- City formed partnership with Carlsbad Village Association to conduct marketing and events
- Adjacent to beach
- Served by Coaster station
- New Village Arts performing arts theatre
- Weekly farmers market, large street fairs, village music festival
- Enhanced outdoor experience with streetlights, benches, and outdoor dining
- On-street parking and six public parking lots, unmetered and free
- City has taken a strong position to underground railroad tracks in order to increase street connectivity

Table V-3: Downtown Chico, 2014 Snapshot

3-Mile Area

Population	*Households*
81,715	32,960

Average HH Income
$53,702

Per Capita Income
$21,661

Aggregate Personal Income
$1.8 Billion

5-Mile Area

Population	*Households*
101,379	40,777

Average HH Income
$57,741

Per Capita Income
$23,225

Aggregate Personal Income
$2.4 Billion

10-Mile Area

Population	*Households*
113,641	45,195

Average HH Income
$59,556

Per Capita Income
$23,685

Aggregate Personal Income
$2.7 Billion

Downtown Chico Business Association:
Annual Budget: less than $400,000

Key Attributes:

- Diverse mix of restaurants, local retail, hotels, and churches/religious institutions
- Thursday Night Market (Farmers Market)
- Formed Downtown Chico Business Association (DCBA) in 1975 as a BID as a marketing and advocacy organization for Downtown Chico
- DCBA funded by membership assessments, Transient Occupancy Tax, Special Events, and Contracted Services
- Works closely with the adjacent CSU Chico to host and promote events
- More than 2,000 parking spaces in six different parking lots
- Primarily self-funded, dependent on sponsorships
- BID assessment too low for large-scale marketing efforts

Exhibit V-4: Old Downtown Windsor, 2014 Snapshot

3-Mile Area

Population	*Households*
30,569	10,310

Average HH Income
$96,027

Per Capita Income
$32,387

Aggregate Personal Income
$1.0 Billion

5-Mile Area

Population	*Households*
43,140	15,307

Average HH Income
$91,269

Per Capita Income
$32,384

Aggregate Personal Income
$1.4 Billion

10-Mile Area

Population	*Households*
208,004	78,498

Average HH Income
$80,088

Per Capita Income
$30,224

Aggregate Personal Income
$6.3 Billion

Old Downtown Windsor Merchants Association:
Annual Budget: $165,000

Key Attributes:

- Boutique apparel, specialty retail, variety of restaurants, wine tasting rooms, and salon/spa studios
- Raven Theater, community performing arts theater for amateur and professional stage productions
- Large open space area for events
- Near to Sonoma wineries (31 miles; 50 minutes)
- Many family-oriented events
- City and private donations fund large events
- Former BID dissolved
- Marketing handled by Chamber of Commerce

Exhibit V-5: Downtown Petaluma, 2014 Snapshot

3-Mile Area

Population	*Households*
64,070	24,055

Average HH Income
$94,624

Per Capita Income
$35,526

Aggregate Personal Income
$2.3 Billion

5-Mile Area

Population	*Households*
69,920	26,445

Average HH Income
$94,557

Per Capita Income
$35,763

Aggregate Personal Income
$2.5 Billion

10-Mile Area

Population	*Households*
172,957	66,397

Average HH Income
$85,695

Per Capita Income
$32,898

Aggregate Personal Income
$5.7 Billion

Downtown Petaluma BID:
Annual Budget: $65,000

Key Attributes:

- Art galleries, antique shops, small boutiques, restaurants, and health/wellness businesses
- Performance venues: Aqus Café (live music and poetry performances), Petaluma Arts Center (exhibits, art classes, concerts), Cinnabar Theatre (performing arts), Clear Heart Gallery (performing arts), Lagunitas Brewing Company (live music), Mystic Theatre and Music Hall (live music), and Zodiacs (live music)
- Annual Petaluma Music Festival, Petaluma Arts & Garden Festival
- Near to Sonoma wineries (14 miles; 30 minutes)
- Events, signage, beautification funded by BID

B. Key Features, Issues, and Challenges

The success of each village district can be attributed to a variety of similar factors present in each district including: land use mix, transit-oriented development, activation of public spaces, marketing and events, and multiple public and private organizations that manage and promote overall economic growth.

Each district's land use predominantly consists of commercial mixed uses at the core and low-density residential/office mixed uses in the surrounding area. Mixed-use designations are intended to house community-serving retail in order to attract the business of local residents and employees. Retail uses are a key factor in the economic development of mixed-use village districts. A majority of the districts are anchored by large regional-serving grocery store tenants. Regional-serving tenants attract patrons from outside the community into the district, further stimulating local economic activity.

Success in each district is also driven by the provision of adequate transportation and parking. The surveyed districts are generally transit-oriented with close proximity to local- and regional-serving transit centers. Several of the districts provide direct access to trolley, shuttle, and bus services for residents, employees, and visitors. Some of the districts provide free on-street parking at specified hours of the day, while others use metered parking to regulate the flow of cars in and out of the district. All of the districts have public lots in close proximity to their commercial core. Districts seeking to maximize parking are considering the conversion of parallel parking to angled parking to increase the supply of on-street parking. All of the comparable districts surveyed by KMA require new development – both commercial and residential – to provide its own parking or pay an in-lieu fee.

Maintaining and enhancing interactive public spaces also contributes to the success of the comparable districts examined. Activated public spaces encourage pedestrian activity that increases the flow of customers into local businesses.

Successful marketing and events efforts are crucial to each district's ability to have a regional draw. These efforts are usually managed by organizations such as Business Improvement Districts (BIDs) and merchants associations with support from local government and economic development organizations. The most successful types of events include festivals, street fairs, farmers markets, and live music concerts. These events are one of the largest revenue sources for a majority of the districts. Revenues collected by these organizations are often used to fund street beautification efforts, district marketing, and local security.

Survey participants from the various districts reported several challenges associated with maintaining land use compatibility and quality of life in the long term. The most typical challenges that each district has faced include: providing adequate parking, the turnover of retail establishments, cooperation among businesses, and the collection of business assessment fees.

C. Land Use Compatibility

Within each village district, KMA found a similar mix of land uses. These districts are often planned for the highest and best use of land. As these districts are compact, land is scarce and multi-story mixed-use is appropriate. Mixed-use commercial and residential uses are often at the core of each district; framing the commercial core are lower density residential and office uses. The mix of residential with retail/restaurant uses is often met with challenges because of the potential land use conflicts with nightlife and entertainment uses, including live music and events. Despite these challenges, mixed-use village districts have appeal as residential environments precisely because of the opportunities to live, work, and play in a 24/7 district. Marketing of residential units in "urban village" environments should emphasize to potential residents the potential for such conflicts, including noise and parking and traffic disruptions.

D. Parking Requirements

An adequate parking supply is one of the key features that contributes to the success of the comparable districts surveyed by KMA. The increased density of mixed-use village districts creates a high demand for parking in the area. At the same time, there are often opportunities for shared parking, as the demand generated by different uses peaks at different times. According to the Old Town Temecula Parking Management Plan prepared by Fehr & Peers in February 2010, it is anticipated that Old Town will reach its threshold of 85% occupancy of parking spaces in 7-10 years if no new parking facilities are built. As such, Old Town should plan for this anticipated growth.

All of the comparable districts surveyed by KMA require new development – both commercial and residential – to provide for its own parking requirements based on specified minimum ratios. This is a marked contrast with Old Town, where commercial developments are not required to provide any parking, and public parking inventory, both on- and off-street, is available for free. For developments unable to provide the required parking on-site, some of the surveyed districts allow payment of an in-lieu fee toward the creation of public parking resources. Table V-1 below provides a summary of the retail and residential parking requirements from each comparable district. As a comparative note, within the San Diego region, the cities of Del Mar and La Mesa have provisions for parking in-lieu fees within their village cores.

Table V-1: Comparable Districts, Parking Requirements		
Village District	***Parking Ratio***	***In-Lieu Fee***
Little Italy	• Retail: 1.5 Space / 1,000 SF • Residential: 1 Space / Dwelling Unit	Under consideration
Old Downtown Windsor	• Retail: 1 Space / 200 SF • Residential: 1 Space / Dwelling Unit	Council must approve
Downtown Petaluma	• Retail: 1 Space / 500 SF • Residential: 1 Space / Dwelling Unit	Fee of $20,000 / Space
Carlsbad Village	• Retail: 1 Space / 300 SF • Residential: 1 Space / Dwelling Unit	Fees based on estimated cost of providing additional parking
Downtown Chico	• Retail: 1 Space / 250 SF • Residential: 1 Space / Dwelling Unit	Fee of $16,000 / Space

E. Summary of Best Practices

KMA prepared the following summary of best practices from the surveyed comparable districts. The City and Old Town stakeholders should evaluate, and consider implementing, these approaches.

1. Encourage the formation of a property and/or business owner group to support coordinated marketing efforts and special events

2. Develop a long-term parking strategy to address the anticipated increased need for parking, including potential solutions such as requiring commercial uses to provide on-site parking, establishing an in-lieu fee program, developing additional public parking resources, and setting time limits and/or charging for on-street parking

3. Form partnerships with organizations to promote Old Town, i.e., Visit Temecula Valley, Chamber of Commerce, Temecula Valley Winegrowers Association, etc.

4. Incorporate signage and gateway monumentation that accentuate the district's theme(s) and/or history

5. Promote the creation of inviting, clean, and safe public spaces, including the Murrieta Creek Trail and Town Square

6. Enhance the outdoor experience with lighting, seating, shade trees/shade structures, outdoor dining and music, etc.

7. Permit live outdoor music at select restaurants and bars

8. Engage local homeowners associations to inform existing and future residents of planned events, especially events with outdoor music

VI. RECOMMENDED OPPORTUNITIES AND STRATEGIES

This section presents the KMA recommendations regarding development opportunities, public improvements, and implementation strategies. Our recommendations are presented in four sub-sections, as follows: (1) branding Old Town; (2) new private development potential; (3) improvements to the public realm; and (4) marketing and promotion strategies.

A. Branding Old Town

Exhibit VI-1 presents the KMA strategies for branding Old Town. In KMA's view, the best near-term opportunity for enhancing the Old Town business environment and visitor experience is to develop and market a "foodie district" brand. Old Town currently has numerous eating, drinking, and entertainment establishments, including casual food, sit-down restaurants, coffee shops, bars, dance clubs, and music venues. However, overall the district is not currently recognized as an important dining destination. Given the concentration of restaurants in Old Town today, and the proximity to the wine country, KMA believes there is a strong opportunity to establish Old Town as a "foodie district". Exhibit VI-1 also presents secondary branding concepts for Old Town, including: health and wellness; arts, culture, and entertainment; and arts and crafts. All of these concepts – as well as the City's burgeoning micro-brewery sector -- are compatible with the "foodie district" brand.

Exhibit VI-2 presents an overview of "foodie districts" and landmark food destinations. "Foodie districts" are defined as a district emphasizing a variety of food services and other products provided by local vendors. They typically offer a variety of farm-to-table restaurants; shops and markets offering fresh produce, cheeses, and meats; cooking supplies and equipment; and culinary programs. Old Town not only has the potential to pair its culinary offerings with the wines of the Temecula Valley, but also with the local agricultural industry in general. A successful "foodie district" in Old Town could potentially draw day visitors from up to one hour away and overnight visitors from Southern California as a whole.

Developing a "foodie district" in Old Town requires more than a critical mass of farm-to-table and fine dining restaurants. An essential feature of a "foodie district" is a market hall, essentially a year-round, under roof food court, farmers market, and culinary institute all rolled into one. Exhibit VI-3 presents graphic examples of "foodie districts" and public markets/market halls. These include: Anaheim Packing District, Anaheim, California; Grand Central Market, Los Angeles, California; and Granville Island Public Market, Vancouver, British Columbia.

Detailed descriptions of two market halls are presented in Exhibit VI-4 (Oxbow Market in Napa) and Exhibit VI-5 (Torvehallerne Market in Copenhagen, Denmark).

Exhibit VI-1: Branding Old Town

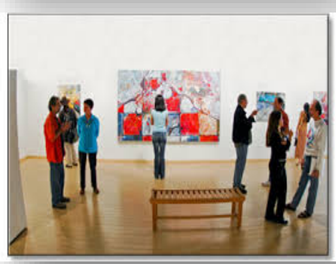
Strategy			*Features*
A	Brand Old Town as a "Foodie District"		• Wine boutiques and tasting • Farm-to-table restaurants • Culinary school and kitchenware stores • Market hall • "Night market" street fair/food festival
B	Expand "Foodie District" to Health and Wellness Concepts		• Health oriented/vegetarian restaurants • Fitness centers and spas • Bike shop and recreation supply • Urban farm plots as interim use
C	Expand Concentration of Arts, Culture and Entertainment		• Art galleries and studios • Performance venues • Vintage/retro shopping • Design stores • Coffee shops • Live/work lofts
D	Build Reputation for Arts and Crafts		• Artisan and craft workshops and retail outlets • Types of shops: candles, furniture, art works, clothing, jewelry, bakeries, coffee, cheese, specialty food • Education and training

Exhibit VI-2: "Foodie District" Fact Sheet

Callaway Vineyard & Winery, Temecula, CA

Anaheim Packing District, Anaheim, CA

San Francisco Ferry Building, San Francisco, CA

***"Foodie District"* — District emphasizing a variety of food services and other products produced by local vendors.**

Key Attributes:

- Vibrant and communal gathering spaces
- Farm-to-table principles, supporting local growers
- Local wine and craft beer
- Market hall atmosphere with a variety of vendors and products
- Incorporation of culinary education to promote and support the local artisan food community
- Inviting architectural features and reconstitution of uses

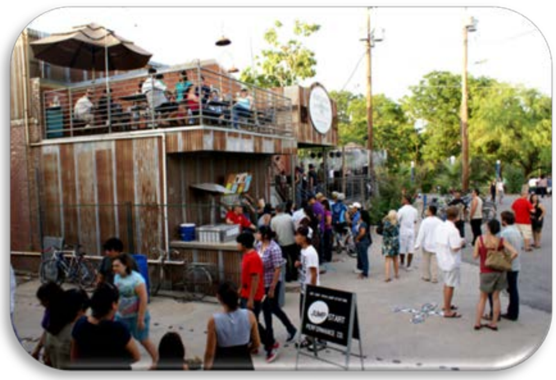
Examples of Economic Revitalization:

- Anaheim Packing District, 2014
- Santa Ana's 4th Street Market, 2014
- San Francisco Ferry Building, 2003
- Los Angeles Grand Central Market, rehabilitated 1990

Eataly, New York, NY

Dean & Deluca, Napa Valley, CA

Exhibit VI-3: Market Hall/"Foodie District" Examples



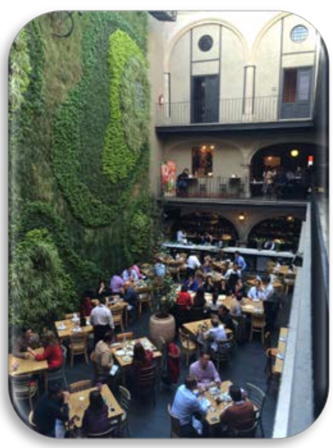
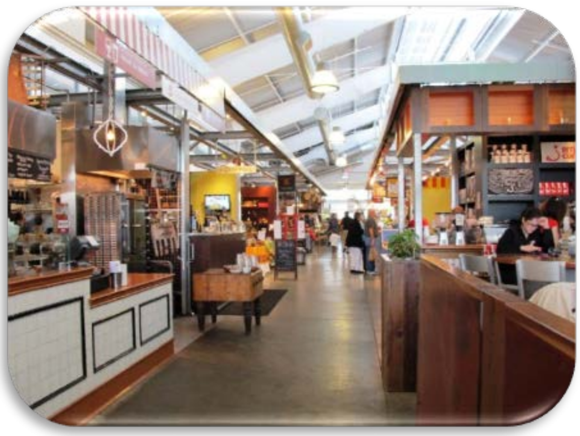


Exhibit VI-4: Profile of Oxbow Market, Napa, CA

OXBOW PUBLIC MARKET



Market Hall Features:

- Diverse tenant mixture of local food vendors, artisan cafes, and an organic produce outlet for local farms.
- Local gathering place for great food and wine in downtown Napa and throughout Napa Valley.
- 40,000 square foot marketplace, including an outdoor deck and seating along the Napa River.
- Artisans and patrons supportive of sustainable agriculture and local harvest.
- Improves the local food culture through education, community outreach, and support of local businesses and farms.

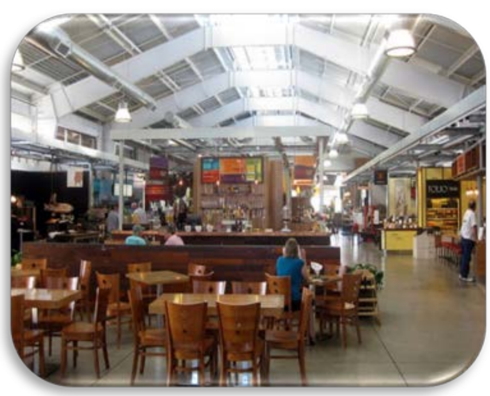


Exhibit VI-5: Profile of Torvehallerne Market in Copenhagen, Denmark

Market Hall Features:

- Over 60 vendors with a variety of products from fresh fish to gourmet chocolates.
- Known as a “new culinary hot spot” in Copenhagen.
- Includes organic produce.
- Includes small restaurant tenants.
- Inviting outdoor spaces.
- Simple architecture to frame produce/food.

B. New Private Development Potential

Exhibit VI-6 presents the KMA recommendations for private development opportunities in Old Town. The principal KMA recommendations relate to: completing Town Square Marketplace to activate the park; pursuing development of a boutique hotel; and encouraging new residential development.

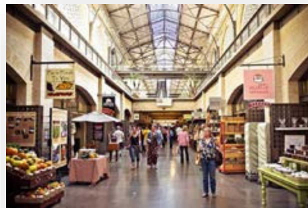
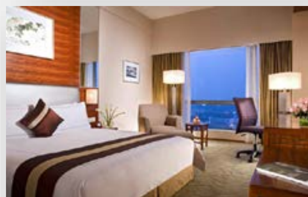
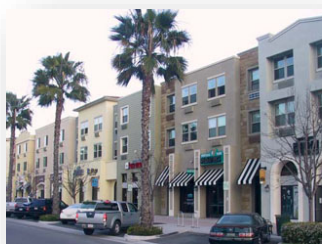
- *Town Square Marketplace:* The key opportunity for a signature private development is the Town Square Marketplace site, the City-owned, one-acre property enveloping the Town Square Park. The City is currently in negotiations with a private developer for a potential mixed-use development on the site. This site is strategically located in front of the Civic Center and close to the Civic Center parking garage. Development of the site will activate and enhance Town Square Park, and effectively bring Old Town Front Street and Mercedes Street closer together. It is the missing link to establish Main Street as the important heart of Old Town.

- *Boutique Hotel:* Existing overnight accommodations in Old Town are extremely limited in number, selection, and amenities. Development of one or more new hotels at the Midscale or Upscale level could have a transformational impact on Old Town. Not only would such hotels draw overnight visitors to the district, but they have the potential to become magnets as eating and drinking destinations. Additionally, by their presence in Old Town, such hotels – particularly if they belong to a chain – provide the extra benefit of marketing the district through their advertising and reservation systems. KMA recommends that the City identify and evaluate opportunities to incentivize development of a boutique hotel in the core of Old Town. Key steps may include discussions with property owners and/or hotel chains; feasibility testing to determine whether/what level of financial assistance may be required; and consideration of possible incentives.

- *Market-Rate Housing:* The City, through its former Redevelopment Agency, has been successful in stimulating development of multi-family/mixed-use developments within the core of Old Town. However, to date all of these housing units have been restricted as affordable rentals. Similarly, the City sponsored several affordable housing developments (three rental and one for-sale) along Pujol Street. No market-rate housing has been developed in Old Town since the 1998 KMA study. The Vineyards at Old Town Apartments was developed just outside of Old Town in 2009, demonstrating that high-end market-rate rentals are feasible in the area. When combined with the proposed Shearwater Creek and Altair, these three developments will total over 2,000 market-rate housing units adjacent to Old Town. KMA recommends that the City encourage additional market-rate housing in Old Town, including rental apartments, lofts, and ownership housing opportunities. City initiatives should emphasize residential developments with walkable environments; easy access to retail services, and amenities; and connections to parks, trails, and public facilities. It will be particularly important for the City and Old Town stakeholders to conduct outreach to real estate developer groups such as the

Urban Land Institute (ULI) and the Building Industry Association (BIA). Finally, an essential issue to be addressed with developers and future residents is the potential for land use conflicts with entertainment uses in the core of Old Town.

Exhibit VI-6: New Private Development Potential

Strategy			*Features*
A	Complete Town Square Marketplace		• Potential location for market hall • Key to invigorating Town Square
B	Pursue the development of a boutique hotel		• Study the feasiblity of developing a boutique hotel in/near Old Town • Evaluate financial assistance structures • Issue NOFA
C	Encourage development of new market-rate housing		• Working roundtable with in-fill developers • Prepare development prototypes and financial feasibility illustrations • Outreach and marketing efforts, e.g., Urban Land Institute (ULI) and Building Industry Association (BIA)

C. Improvements to the Public Realm

Exhibit VI-7 presents the KMA recommendations for improvements to the public realm in Old Town. The principal KMA recommendations relate to: completing Town Square Marketplace to activate the park; completing the Murrieta Creek Trail; upgrading gateways and streetscape improvements; planning for future parking at the north end of Old Town; and planning for compatible mixed-use development along Old Town Front Street south of 1st Street.

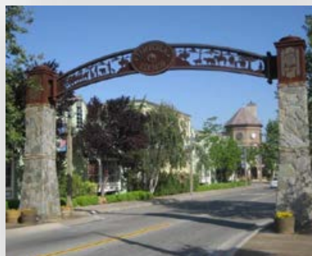
- *Murrieta Creek Regional Trail:* The Town Square Park is the signature public improvement in Old Town. Once the Town Square Marketplace is developed and occupied, the park will be more consistently activated and utilized. However, in KMA's view, completion of the Murrieta Creek Regional Trail would have a transformational impact on Old Town, enhancing both the natural and commercial environments by creating a visual and functional connection between Murrieta Creek and Old Town. When complete, it is anticipated that the trail will attract numerous visitors and residents to Old Town, resulting in expanded commercial activity.

- *Gateways and Streetscape:* The north and south gateways to Old Town are marked by arches spanning the streets. However, the travel routes from the freeway (Highway 79 South and Rancho California Road exits) to the arches are less attractive and inviting. KMA recommends that the City and Old Town Temecula Association pursue efforts to incorporate signage and monumentation that accentuates Old Town's themes and enhance the outdoor experience with improved lighting and seating. Additionally, within Old Town, there are limited public spaces for sitting, resting, gathering, drinking coffee, eating ice cream, etc. The City and Old Town stakeholders should explore opportunities to create parklets and plazuelas, as well as additional street furniture (tables and chairs). A recent example of a temporary park is the QuartYard in Downtown San Diego's East Village. Constructed on a 25,000-SF lot, the QuartYard features a coffee shop, dog park, coffee kiosk, takeout restaurant, beer garden, and music venue.

- *Parking at North End:* As Old Town builds out, the availability of shared public parking will diminish. The southern end of Old Town is currently well served with both the surface parking lot behind the Stampede and the Civic Center garage. In the longer term, however, the City may want to explore the potential for an additional parking facility toward the north end of Old Town, including potential sites north of the arch. Specific details regarding parking spaces, location, configuration, and management would need to be addressed through a comprehensive parking study. For example, prior to significant investment in new public parking facilities, the City should develop a long-term parking strategy that considers a range of solutions, including requirements on commercial developers, establishing time limits and/or meters for on-street parking, and evaluating the potential for a parking in-lieu fee program.

- *South Side Mixed-Use Development:* The southern entrance to Old Town is particularly unattractive today, with a mix of commercial, industrial, and vacant land uses stretching approximately one-mile from the Highway 79 South freeway exit to the 1st Street arch. In addition to presenting a poor image for Old Town, the current condition of South Front Street represents an underutilization of land. The City should explore mixed-use zoning for this corridor, which has several large vacant properties fronting Murrieta Creek. Given the large parcel sizes available, there may be an opportunity to site one or more new hotels in this corridor in close proximity to Old Town.

Exhibit VI-7: Improvements to the Public Realm

Strategy			*Features*
A	Invest in Murrieta Creek Regional Trail Plan improvements		• Signature public improvement • Enhanced pedestrian circulation • Encourage bike access and related amenities
B	Upgrade gateways and streetscape improvements		• Path of travel from freeway to north and south arches • New western gateway from Altair • Western Bypass will reduce rush hour congestion • Incorporate plazuelas, fountains, and street furniture in public right-of-way (ROW)
C	Prepare South Side Specific Plan		• Encourage compatible mixed-use development • Expand Murrieta Creek Regional Trail • Potential for hotels
D	Provide additional parking on the north end of Old Town		• Balance southern end parking supply • Potentially north of arch • As part of comprehensive parking strategy for Old Town

D. Marketing and Promotion Strategies

As discussed in Section VI-A, the KMA key marketing recommendation for Old Town is to brand the district as a "foodie district". Exhibit VI-8 presents additional KMA recommendations for marketing and promotion strategies for Old Town. These relate to: formation of a Business Improvement District (BID); and co-marketing with the wineries and Pechanga.

- *Potential for a Business Improvement District:* KMA recommends the formation of a Business Improvement District (BID) in Old Town Temecula. A BID works to unify business and property owners within a particular district to work towards the common goal of economic revitalization. This is often done through marketing and event programs, civic beautification projects, commercial tenant recruitment, and parking and transportation improvements. Marketing and event programs are a key factor in the regional draw of districts. Events such as weekly farmers markets and large street festivals are some of the largest revenue generators for business districts. BIDs allow their members to allocate revenue generated within the district to provide the area with a wide range of services including: marketing campaigns, improvements to the public realm, private security, and street cleaning. BIDs have been an instrumental tool in creating sustainable economic development in the most successful business districts examined by KMA.

  The formation of a successful BID within Old Town Temecula will require a feasibility study which should include proposed BID boundaries, projected revenue assessments, and outreach to potential stakeholders. Exhibit VI-9 provides a fact sheet on BIDs.

- *Co-Marketing with Wineries/Pechanga:* The unique, big draws in the Temecula Valley are the wineries, Pechanga Resort and Casino, and Old Town. Old Town can enhance its regional success through co-marketing efforts with these organizations. There is a high demand for visitor lodging in Temecula Valley with over 34,000 visitors using hotel services each month. A majority of these visitors are staying at either the wineries or Pechanga. The annual economic impact of these visitors is over $557 million annually. Old Town has the potential to increase its capture of visitors and spending in the Temecula Valley by co-marketing/branding Old Town as a "foodie district" and an extension of the existing wineries. An example of a co-marketing strategy would be to create marketing materials (i.e., maps and brochures) that jointly showcase the wineries, Pechanga, and Old Town and describe the goods and services offered by each location. Large-scale events can also bring great success to Old Town and the region through co-marketing efforts with other organizations such as the Old Town Temecula Association, Temecula Valley Convention and Visitors Bureau, Temecula Valley Winegrowers Association, and the Temecula Valley Chamber of Commerce. Old Town should complement existing promotional efforts of the wineries by emphasizing farm-to-table culinary arts, allowing visitors and residents to experience the organic nature of the Temecula Valley.

Exhibit VI-8: Marketing and Promotion Strategies

Strategy			*Features*
A	Establish a Business Improvement District		• Initiate outreach and feasibility studies • Showcase successes in other districts • BID can lead "clean and safe" programs; marketing and promotion activiites • Phased shift of special events to private sector
B	Co-market/co-brand Old Town with wineries and Pechanga		• Use "Foodie District" and market hall to attract winery and Pechanga visitors

Exhibit VI-9: Business Improvement District (BID) Fact Sheet

What is a BID?

- A legal mechanism for property owners and businesses in a defined geographic area to jointly plan and put in place a sustainable funding source that can pay for a set of services to improve their area
- The City collects assessments from businesses within the district, and then distributes that money to the BID; the BID uses these funds to run private services that serve only businesses within the district
- Property based and Business Improvement Districts (PBIDs) have assessments collected from the property owners, instead of the businesses, by the County

How is a BID formed?

- In California, there are two laws that authorize the formation of a BID:
  - The Parking and Business Improvement Area Law of 1989
  - Property and Business Improvement District Law of 1994
- Both laws enable a City, County, or Joint Powers Authority to establish a BID and levy annual assessments on businesses/property owners within its boundaries
- To form a BBID or PBID:
  - The City or County proposes a new district by adopting a resolution of intention
    - At this step, the types of improvements and activities to be financed are specified
  - Public notice is then be provided and a public hearing must be held
  - If not protested by a majority of businesses, the BBID/PBID is established and an advisory board is established
  - Under the Property and Business Improvement District Law of 1994, it is required that individual notices be mailed to all business owners that would be affected, in addition to public notices published in local newspapers

What services can BIDs provide?

- Public space maintenance (sidewalk litter removal, graffiti removal)
- Public safety (security officers)
- Hospitality (visitor assistance)
- Business development (business attraction, small business assistance)
- Marketing and promotions (special events, district advertising and promotions)
- Capital improvements (streetlights, custom trash receptacles, directional signs)
- Landscaping (planting trees and flowers)
- Community service (fundraising, charitable events, services for youth and the homeless)
- Leverage other funding sources

VII. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.

2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.

3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.

4. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.

5. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

6. Any estimates of development costs, capitalization rates, income and/or expense projections are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.

APPENDIX A

MARKET CONDITIONS BY LAND USE

OLD TOWN MARKET OPPORTUNITIES UPDATE

CITY OF TEMECULA

TABLE A-1

OFFICE MARKET OVERVIEW
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

Location(s)	• Recently built office space is primarily located in the northern half of Old Town
Inventory Description	• In Old Town, there is approximately 269,000 SF of office space • Recently built buildings with office space: Penny Dome (2004), Chaparral Expansion – expansion of existing Chaparral Building (2004), Burke Building (2007), Penfold I & II, Dalton Buildings (Fifth Street and Third Street), Truax Building (2014)
Overall Market Conditions	• Overall office vacancy in Old Town is around 16% (CoStar) • Average office rental rate in Old Town is $2.62/SF (FSG) (CoStar)
Market Strengths	• Walkable downtown environment is attractive to employees for shopping, dining, and entertainment/nightlife
Challenges	• Attracting tenants that want Class A office space could be difficult due to lack of options • Suburban office development (surface-parked) is easy to develop at much lower cost • Jefferson Corridor will be better suited to large floorplate office campuses
Market Outlook	• Future growth in residential units in Old Town will provide workforce for office tenants
Key Opportunities	• Truax Building provides Class A office building that can attract high-profile tenants

TABLE A-2

RETAIL MARKET OVERVIEW
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

Location(s)	• Primarily lined along both sides of Old Town Front Street and Main Street • Some multi-story buildings have restaurants on upper floors
Inventory Description	• There is approximately 419,000 SF of retail space in Old Town (CoStar) • Growing number of bars/wine bars • Most retail stores are small, non-chain businesses • Recently built buildings with retail space: Baily's Restaurant (2004), Chaparral Expansion – expansion of existing Chaparral Building (2004), Penfold I & II, Dalton Buildings (Fifth Street and Third Street), Truax Building (2014)
Overall Market Conditions	• Overall retail vacancy in Old Town is around 6% (CoStar) • Average retail rental rate is $1.52/SF (NNN) (CoStar)
Market Strengths	• Unique destination in Southwestern Riverside area that provides variety of entertainment/nightlife options • Walkable district creates good shopping environment for patrons
Challenges	• Lack of critical mass of retail stores of any specific type • Lack of grocery, drug, and other shopping/services • Live outdoor music is limited to three existing permittees due to noise complaints from nearby residents • Potential displacement of small shops as demand increases and rents rise
Market Outlook	• Entertainment/nightlife is expected to remain a strong driver of economic activity
Key Opportunities	• Potential for branding district around food and wine/health and wellness themes

TABLE A-3

HOTEL MARKET OVERVIEW
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

Location(s)	• 5 hotels within Old Town area with 278 rooms • 8 hotels in Jefferson Corridor with 726 rooms • Pechanga Resort and Casino, located approximately 4 miles from Old Town, has over 500 rooms, with a planned expansion of over 500 more in spa/resort format
Inventory Description	• Only 2 hotels in Old Town between arches: Palomar Inn & Rodeway Inn • 2 hotels north of Old Town (within Old Town Specific Plan area): Rancho California Inn & Motel 6 • 1 hotel south of Old Town: Ramada Temecula Old Town
Overall Market Conditions	• Average hotel occupancy in Temecula/Murrieta in 2013 was 69.1% • The Average Daily Rate (ADR) in 2013 was $99.41 • Occupied room nights have increased at an average annual rate of 7.8% since 2000
Market Strengths	• Very popular visitor destination for dining, entertainment, and special events
Challenges	• Difficult fitting hotel with accompanying parking in Old Town's urban context • Current room rates do not support high development costs • Limited weekday draws
Market Outlook	• Temecula's weekday hotel occupancy improving over last few years
Key Opportunities	• Capture business and visitor demand with boutique and/or full-service hotel and with banquet/meeting space

TABLE A-4

RESIDENTIAL MARKET OVERVIEW
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

Location(s)	• Some single-family homes east of Mercedes Street (north of City Hall) • Mixed-use Dalton Buildings (Fifth Street and Third Street) • Multi-family apartments along Pujol Street
Inventory Description	• Income-restricted units in four (4) Dalton buildings • The Vineyards (built in 2009) on Pujol Street are the only recent private development without public assistance in Old Town area
Overall Market Conditions	• The Vineyards average monthly rent is $1,585, or $1.40/SF, and has a vacancy of 7% (RealFacts)
Market Strengths	• High average income in Temecula • Old Town's walkable environment provides nearby retail and amenities for residents
Challenges	• Lack of grocery, drug, and other shopping/services • Potential incompatibility with entertainment uses • Current rents/prices do not support high cost of urban housing products with structured parking
Market Outlook	• Growing demand from empty nesters (ownership) and millennials (rental)
Key Opportunities	• Altair development will add around 1,750 units on west side of the creek, within walking distance of Old Town • Market-rate apartments, for-sale townhomes and condominiums, live/work units

TABLE A-5

SALES TAX REVENUES BY BUSINESS CATEGORY, OLD TOWN TEMECULA, FY 2012 - FY 2014
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

($000's)

Fiscal Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	FY 2012-13 % of Total	Average Annual Change FY 2003-FY 2013
I. Geographic Area													
Promenade Area Retail	$3,762	$4,287	$4,857	$5,128	$4,888	$4,445	$3,840	$3,882	$4,109	$4,329	$4,448	31.4%	1.7%
Temecula Promenade Mall	$2,163	$2,549	$2,848	$2,964	$2,918	$2,668	$2,336	$2,542	$2,825	$3,031	$3,080	21.7%	3.6%
Motor City Parkway Area	$2,219	$2,622	$3,024	$3,218	$3,164	$2,713	$1,900	$1,463	$1,626	$1,847	$2,369	16.7%	0.7%
Plaza - Town Center Area	$1,743	$1,952	$2,061	$2,189	$2,280	$2,077	$1,863	$1,611	$1,695	$2,026	$2,260	15.9%	2.6%
Industrial Centers	$901	$1,001	$1,104	$1,074	$1,171	$980	$844	$846	$1,043	$723	$794	5.6%	-1.3%
Palm Plaza	$656	$611	$590	$625	$638	$570	$463	$354	$368	$407	$476	3.4%	-3.1%
Vail Ranch	$76	$181	$166	$198	$194	$296	$282	$265	$293	$316	$327	2.3%	15.6%
Old Town Temecula	$168	$192	$212	$256	$238	$219	$203	$224	$252	$306	$310	2.2%	6.3%
Bel Vilaggio	$2	$30	$89	$99	$164	$160	$132	$142	$132	$115	$118	0.8%	16.2%
Total	**$11,690**	**$13,426**	**$14,951**	**$15,750**	**$15,655**	**$14,129**	**$11,864**	**$11,329**	**$12,342**	**$13,098**	**$14,181**	**100.0%**	**2.0%**
Percent Change	-	**14.8%**	**11.4%**	**5.3%**	**-0.6%**	**-9.7%**	**-16.0%**	**-4.5%**	**8.9%**	**6.1%**	**8.3%**		

Source: HdL Companies

Prepared by: Keyser Marston Associates, Inc.
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TABLE A-6

SALES TAX REVENUES BY BUSINESS CATEGORY, OLD TOWN TEMECULA, FY 2012 - FY 2014
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

	Number of Businesses (1)	FY 2011-12	FY 2012-13	FY 2013-14	FY 2013-14 % of Total	Average Annual Change FY 2012-FY 2014
Eating and Drinking Places	21	$168,038	$171,827	$184,675	55%	4.8%
Other Retail Stores	103	$79,454	$82,366	$92,711	28%	8.0%
Apparel Stores	28	$17,630	$18,394	$20,238	6%	7.1%
Business, Service, and Repair	23	$10,615	$11,931	$12,097	4%	6.8%
Furniture and Appliances	18	$12,838	$11,133	$10,563	3%	-9.3%
Food Stores	9	$2,848	$3,149	$7,193	2%	58.9%
Manufacturers & Wholesalers	16	$8,691	$6,148	$6,438	2%	-13.9%
Total	**218**	$300,114	$304,948	$333,915	100%	**5.5%**
Percent Change			**1.6%**	**9.5%**		

(1) As of second quarter 2014.

Source: HdL Companies

TABLE A-7

LAND SALES COMPARABLES, JANUARY 2007 TO PRESENT (1)
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

Sale Date	Address	City		Sale Price	Acres	$/SF	Property Description
10/27/14	42061 Main Street	Temecula		$750,000	0.17	$101	Old Town Pots N Things - 1031 Exchange
01/23/15	28588 Old Town Front Street	Temecula		$650,000	0.19	$77	Commercial land
12/30/11	28588 Old Town Front Street	Temecula		$650,000	0.19	$77	Office with street-level retail site
03/04/14	41926 5th Street	Temecula		$1,300,000	0.48	$62	Previously developed site
03/04/09	Second Street	Temecula		$700,000	0.26	$62	Commercial land
04/05/07	Third & River Street	Temecula		$922,500	0.42	$50	Commercial land
07/10/14	42045 Third Street	Temecula		$420,000	0.27	$36	Commercial land
11/27/13	42045 Third Street	Temecula		$330,000	0.27	$28	Commercial land
01/16/14	41841 Moreno Road	Temecula		$795,000	0.77	$24	Commercial land
			Minimum	$330,000	0.17	$24	
			Maximum	$1,300,000	0.77	$101	
			Median	$700,000	0.27	$62	
			Average	$724,167	0.34	$57	

(1) Reflects transactions for land within Old Town Specific Plan area.

Source: CoStar Group, Inc.

Prepared by: Keyser Marston Associates, Inc.
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APPENDIX B

HOTEL FEASIBILITY ANALYSIS

OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

TABLE B-1

INVENTORY OF EXISTING HOTELS/MOTELS, TEMECULA/MURRIETA, 2014 (1)
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

Hotel	Sub-Area	Class	Stars	Rooms	Rack Rate	Meeting Space (SF)	Year Built	Participate in STR Trend Report?
Rancho California Inn	Old Town	Upscale Class	★★	24	$69	0	2013	Yes (2)
Motel 6	Old Town	Economy Class	★★	135	$86	0	1988	Yes
Rodeway Inn	Old Town	Economy Class	★★	39	$90	0	1983	Yes
Palomar Inn Hotel	Old Town	--	--	10	$65	n/a	1927	No
Ramada Inn	South of Old Town	Midscale Class	★★	70	$106	450	1989	Yes
Subtotal - Old Town				**278**	**$83**	**450**		
SpringHill Suites Temecula Valley Wine Country	Jefferson	Upscale Class	★★★	134	$229	2,490	2009	Yes
La Quinta Inns & Suites	Jefferson	Midscale Class	★★½	56	$139	630	2008	Yes
Fairfield Inn & Suites	Jefferson	Upper Midscale Class	★★½	94	$159	200	2007	Yes
Hampton Inn & Suites	Jefferson	Upper Midscale Class	★★½	98	$199	1,064	2004	Yes
Extended Stay America	Jefferson	Economy Class	★★½	107	$126	0	2002	Yes
Holiday Inn Express	Jefferson	Upper Midscale Class	★★½	90	$142	540	1999	Yes
Quality Inn Wine Country	Jefferson	Midscale Class	★★½	73	$169	300	1989	Yes
Best Western Country Inn	Jefferson	Midscale Class	★★½	74	$150	0	1987	Yes
Subtotal - Jefferson				**726**	**$164**	**5,224**		
Embassy Suites	Balance of City	Upper Midscale Class	★★★	176	$134	3,500	1990	Yes
Temecula Creek Inn	Balance of City	Upper Midscale Class	★★★½	130	$186	8,300	1969	Yes
Pechanga Resort and Casino	Unincorporated	Upper Midscale Class	★★★★	522	$269	32,256	2002	Yes (2)
South Coast Winery Resort	Unincorporated	Luxury Class	★★★★	76	$299	37,800	2004	Yes (2)
Ponte Vineyard Inn	Unincorporated	Luxury Class	★★★★	60	$352	9,819	2012	Yes (2)
Inn at Churon Winery	Unincorporated	Luxury Class	★★★★	24	$295	3,300	2001	Yes (2)
Comfort Inn & Suites Near Temecula Wine Country	Murrieta	Upper Midscale Class	★★	65	$149	350	2003	Yes
Total/Average				**2,057**	**$176**	**100,999**		

(1) Excludes bed and breakfast inns.
(2) Reflects model data for hotel in same class.
Source: Smith Travel Research, Temecula Valley Convention and Visitors Bureau, AAA, Internet research
Prepared by: Keyser Marston Associates, Inc.
Filename: Temecula_Old Town Market Opportunities Study_Hotel Inventory\5/13/2015;ibl

TABLE B-2

HOTEL ROOM SUPPLY AND DEMAND, 2000 to 2013
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

	Participating		Room Night Supply		Room Night Demand		Room Occupancy	
	Number of	Number		Percent		Percent		Percent
Year	Hotels (1)	of Rooms	Total	Increase	Total	Increase	Total	Increase
2000	9	763	278,495	-	193,953	-	69.6%	-
2001	10	787	279,959	0.5%	206,928	6.7%	73.9%	6.1%
2002	12	1,465	433,455	54.8%	300,869	45.4%	69.4%	-6.1%
2003	13	1,530	542,655	25.2%	359,930	19.6%	66.3%	-4.4%
2004	15	1,705	594,024	9.5%	423,164	17.6%	71.2%	7.4%
2005	15	1,705	622,325	4.8%	466,865	10.3%	75.0%	5.3%
2006	15	1,705	622,325	0.0%	449,655	-3.7%	72.3%	-3.7%
2007	16	1,799	651,089	4.6%	468,623	4.2%	72.0%	-0.4%
2008	17	1,855	673,771	3.5%	416,619	-11.1%	61.8%	-14.1%
2009	18	1,989	693,423	2.9%	390,703	-6.2%	56.3%	-8.9%
2010	18	1,989	725,985	4.7%	427,016	9.3%	58.8%	4.4%
2011	18	1,988	725,832	0.0%	461,315	8.0%	63.6%	8.1%
2012	18	2,023	732,151	0.9%	485,510	5.2%	66.3%	4.3%
2013	19	2,047	744,995	1.8%	514,799	6.0%	69.1%	4.2%
Average Annual Increase, 2000-2007				**12.9%**		**13.4%**		
Average Annual Increase, 2008-2013				**2.0%**		**4.3%**		
Average Annual Increase, 2000-2013				**7.9%**		**7.8%**		

(1) See Table B-1 for list of participating hotels.

Source: Smith Travel Research

Prepared by: Keyser Marston Associates, Inc.
Filename: Temecula_Sales Tax_Old Town;5/13/2015;lag

TABLE B-3

PROJECT DESCRIPTION - BOUTIQUE HOTEL
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

I.	**Product Type**	Boutique Hotel	
II.	**Site Area**	1.0	Acres
III.	**Project Description**		
	Number of Stories	8	Stories
	Number of Rooms	125	Rooms
	Average Room Size (Gross)	750	SF
IV.	**Gross Building Area**		
	Hotel Rooms (including circulation)	93,750	SF
	Meeting Space	10,000	SF
	Bar/Café	2,500	SF
	Total Gross Building Area (GBA)	106,250	SF
	FAR		

V. Parking

Hotel Room Spaces	125	Spaces	1.0	Space/Room
Meeting Spaces	33	Spaces	1.0	Space/300 SF of Meeting Space
Total Parking Spaces	158	Spaces		
Type	Podium			

TABLE B-4

ESTIMATED DEVELOPMENT COSTS - BOUTIQUE HOTEL
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

		Totals	Per Room	Comments	
I.	**Direct Costs**				
	Off-Site Improvements	$218,000	$1,700	$5	Per SF Site Area
	On-Site Improvements	$871,000	$7,000	$20	Per SF Site Area
	Parking	$3,950,000	$31,600	$25,000	Per Space
	Shell Construction	$18,594,000	$148,800	$175	Per SF GBA
	FF&E	$3,125,000	$25,000		Allowance
	Amenities	$500,000	$4,000		Allowance
	Contingency	$1,363,000	$10,900	5.0%	of Directs
	Total Direct Costs	$28,621,000	$229,000	$269	Per SF GBA
II.	**Indirect Costs**				
	Architecture & Engineering	$1,431,000	$11,400	5.0%	of Directs
	Permits & Fees	$1,063,000	$8,500	$10	Per SF GBA
	Legal & Accounting	$286,000	$2,300	1.0%	of Directs
	Taxes & Insurance	$286,000	$2,300	1.0%	of Directs
	Developer Fee	$1,145,000	$9,200	4.0%	of Directs
	Marketing/Pre-Opening Expenses	$938,000	$7,500	$7,500	Per Room
	Contingency	$154,000	$1,200	3.0%	of Indirects
	Total Indirect Costs	$5,303,000	$42,400	18.5%	of Directs
III.	**Financing Costs**	$2,862,000	$22,900	10.0%	of Directs
IV.	**Total Development Costs - Excl. Land**	**$36,786,000**	**$294,300**	**$346**	**Per SF GBA**
V.	**Acquisition Costs**	$2,178,000	$17,400	$50	Per SF Site Area
VI.	**Grand Total Development Costs**	**$38,964,000**	**$312,000**	**$367**	**Per SF GBA**

TABLE B-5

STABILIZED NET OPERATING INCOME - BOUTIQUE HOTEL
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

I. Revenue				
Room Revenue	Rooms	ADR	Occupancy	Total
Total Rooms	125 Rooms	$160	72.0%	$5,256,000
Food & Beverage		50.0%	of Room Revenue	$2,628,000
Parking Revenue	158 Spaces	$125	/Space/Month	$237,000
Other Revenue		10.0%	of Room Revenue	$525,600
Total Revenue				$8,646,600
II. Expenses				
Rooms Expense		25.0%	of Room Revenue	($1,314,000)
Food & Beverage Expense		60.0%	of Food & Beverage	($1,576,800)
Parking Expense		75.0%	of Parking Revenue	($177,750)
Other		75.0%	of Other Revenue	($394,200)
Subtotal Departmental Expenses				($3,462,750)
(Less) Overhead Expenses		25.0%	of Gross Revenue	($2,161,700)
(Less) Fixed Charges		7.5%	of Gross Revenue	($648,500)
Total Expenses		72.5%	of Gross Revenue	($6,273,000)
III. Net Operating Income		**27.5%**	**of Gross Revenue**	**$2,374,000**

TABLE B-6

STABILIZED NET OPERATING INCOME - BOUTIQUE HOTEL
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

I. Capitalized Value Upon Completion			
Stabilized Net Operating Income			$2,374,000
Capitalization Rate @			8.0%
Capitalized Value Upon Completion	$237,000	/Room	$29,675,000
(Less) Cost of Sale	3.0%	of Value	($890,000)
(Less) Developer Profit	10.0%	of Value	($2,968,000)
II. Net Sales Proceeds			**$25,817,000**
III. (Less) Total Development Costs			($38,964,000)
IV. Financing Surplus / (Deficit)			**($13,147,000)**
Per Room			**($105,000)**

APPENDIX C

ESTIMATE OF ABSORPTION POTENTIAL

OLD TOWN MARKET OPPORTUNITIES UPDATE

CITY OF TEMECULA

TABLE C-1

REMAINING DEVELOPMENT CAPACITY, OLD TOWN VS. CITYWIDE
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

		Remaining Development Capacity		
		City of Temecula (1)(3)	Old Town (2)(3)	% of City
I.	Office	4,108,000 SF	809,000 SF	20%
II.	Retail	4,428,000 SF	485,000 SF	11%
III.	Hotel	1,940 Rooms	540 Rooms	28%
IV.	Residential	11,926 Units	1,800 Units	15%

(1) Reflects anticipated incremental development within vacant properties inventory, Altair Specific Plan, Uptown Jefferson Specific Plan, and Old Town Specific Plan.
(2) Reflects anticipated incremental development since implementation of the updated Specific Plan. Source: Old Town Specific Plan Amendment Draft Environmental Impact Report, February 2010, adjusted to reflect development of the Truax Building, Portola Terrace Apartments, and Front Street Plaza.
(3) Land use allocation to office, hotel, residential, and retail land uses reflect KMA assumption.

Prepared by: Keyser Marston Associates, Inc.
Filename i:\Temecula_Land Use Demand_Old Town;5/13/2015;lag

TABLE C-2

OFFICE SPACE PROJECTION
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

		Low	High
Estimated Office Demand			
I.	Office Space Needed Citywide through 2024	801,000 SF	1,057,000 SF
	Average Annual Space Demand	80,100 SF	105,700 SF
II.	Office Space Needed Citywide through 2034	1,600,000 SF	2,114,000 SF
III.	Old Town Capture @	15%	20%
IV.	**Old Town 20-Year Total Absorption Potential**	**240,000 SF**	**420,000 SF**
	Average Annual Space Demand	**12,000 SF**	**21,000 SF**

Prepared by: Keyser Marston Associates, Inc.
Filename i:\Temecula_Land Use Demand_Old Town_v2;6/4/2015;lag

TABLE C-3

RETAIL SPACE DEMAND PROJECTION
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

Total Incremental Population, 2014 - 2024 (1)	**71,001**
Per Capita Income, 2014	**$25,131**
Total Incremental Income, 2014 - 2024	**$1,784,334,000**

	Income Allocation (2)	Assumed Capture Rate in City		Estimated Spending		Sales Productivity Per SF	Retail Space Demand	
I. Trade Area Growth Generated Demand		**Low**	**High**	**Low**	**High**		**Low**	**High**
Shopper Goods (GAFO) (3)	16%	30%	40%	$85,648,000	$114,197,000	$350	245,000 SF	326,000 SF
Convenience Goods	12%	15%	20%	$32,118,000	$42,824,000	$450	71,000 SF	95,000 SF
Heavy Commercial Goods	15%	25%	35%	$66,913,000	$93,678,000	$400	167,000 SF	234,000 SF
Total Retail Goods/Services from New Residents Captured in Temecula **Average Annual Space Demand**				**$184,679,000**	**$250,699,000**	**Increased Demand for Retail Space** (4)	**483,000 SF**	**655,000 SF**
II. Demand from Beyond Trade Area					25.0% of Locally Supported Demand (5)		121,000 SF	164,000 SF
III. Total Local and Visitor Supported Demand through 2024							604,000 SF	819,000 SF
Average Annual Supported Demand							60,400 SF	81,900 SF
IV. Retail Space Needed Citywide through 2034							1,208,000 SF	1,638,000 SF
V. Old Town Capture @							15%	20%
VI. 20-Year Total Absorption Potential							**180,000 SF**	**320,000 SF**
Average Annual Space Demand							**9,000 SF**	**16,000 SF**

(1) Assumes population growth of 10-mile trade area at 2.0% per year between 2014 and 2024.
(2) Estimated allocation of income to retail spending.
(3) Includes apparel, general merchandise, pharmacies and drug stores, home furnishings/appliances, miscellaneous store retailers, and non-store retailers.
(4) Does not reflect impact of a potential increase in sales capture by existing retail outlets.
(5) Assumes that visitors from beyond trade area will provide 25% of additional demand.

Prepared by: Keyser Marston Associates, Inc.
Filename: Temecula_Land Use Demand_Old Town_v2\6/4/2015; lag

TABLE C-4

HOTEL ROOM DEMAND PROJECTION
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

		Low		High	
Estimated Hotel Room Demand					
I.	Temecula Valley Undersupply of Hotel Rooms through 2024	1,689	Rooms	2,096	Rooms
II.	Temecula Capture of Undersupply of Hotel Rooms @	60%		70%	
III.	Total Hotel Room Demand, City of Temecula through 2024	1,013	Rooms	1,467	Rooms
	Average Annual Room Demand	101	Rooms	147	Rooms
IV.	Total Hotel Room Demand, City of Temecula through 2034	2,020	Rooms	2,940	Rooms
V.	Old Town Capture @	25%		35%	
VI.	**20-Year Total Absorption Potential**	**500**	**Rooms**	**1,000**	**Rooms**
	Average Annual Room Demand (rounded)	**25**	**Rooms**	**50**	**Rooms**

Prepared by: Keyser Marston Associates, Inc.
Filename: Temecula_Land Use Demand_Old Town_v2;6/4/2015;lag

TABLE C-5

ESTIMATE OF RESIDENTIAL UNIT DEMAND PROJECTION
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

I.	County of Riverside Projected Annual Growth, 2014 - 2035	19,580 Units/Year

Estimated Residential Demand

		Low	High
II.	Temecula Capture of County of Riverside Annual Growth	2.5%	3.5%
III.	Temecula Annual Growth, 2014 - 2035	490 Units/Year	685 Units/Year
IV.	Total Temecula Growth, 2014-2035	9,800 Units	13,700 Units
IV.	Old Town Capture @	15%	20%
V.	**20-Year Total Absorption Potential**	**1,400 Units**	**2,800 Units**
	Average Annual Residential Demand	**70 Units**	**140 Units**

Prepared by: Keyser Marston Associates, Inc.
Filename: Temecula_Land Use Demand_Old Town_v2;6/4/2015;lag

APPENDIX D

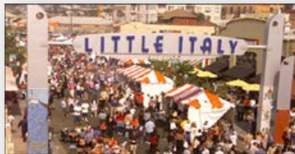
COMPARABLE DISTRICTS / CASE STUDIES

OLD TOWN MARKET OPPORTUNITIES UPDATE

CITY OF TEMECULA

TABLE D-1

PROFILES OF COMPARABLE DISTRICTS
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

District	Little Italy, San Diego	Carlsbad Village	Downtown Chico	Old Downtown Windsor	Downtown Petaluma
					
I. Unique Qualities	• In Downtown San Diego (urban environment) • Close to waterfront	• Very close to beach	• Very close to CSU Chico	• Close to wine country • Near Lake Sonoma • Nearby Safari West (over 400 exotic animals)	• Been used as backdrop in a lot of movies & TV shows • Nearby Petaluma Village Premium Outlets
II. Land Use Mix	• Restaurants • Coffee shops/cafes • Lounges/pubs • Art galleries & supplies • Clothing/apparel stores • Boutique and branded hotels • Condos/apartments • Public plazas/plazuelas	• Diverse types of restaurants, including chains and boutiques • Coffee shops/cafes • Boutique retail and specialty shops • Art galleries and studios • Village Faire Shopping Center	• Mix of diverse restaurants (some chains), mostly local retail, and services • Various cafes, art galleries/ studios, and event venues • Bars and lounges • 5 hotels, mostly chain/brand names • Several churches/religious organizations and public institutions	• Boutique apparel and specialty retail • Unique local restaurants of various cuisines and few chains • Handful of wine tasting rooms • Multiple salon/spa studios • Windsor Raven Theater • Windsor Town Green • Lodging near Windsor Town Green	• Art galleries and antique shops • Small boutique businesses with few chains • Restaurants range from pubs to sit-down to unique sweet shops • Multiple performance venues and exhibits • Various recreational tours/ activities • Health/wellness businesses
III. Special Events	• Weekly farmers market • Annual ArtWalk • Summer film festival • Taste of Little Italy • Live public concerts	• Weekly farmers market • Friday Night Live • Flicks at the Fountain • Art in the Village • Village Table Wine Dinners • Carlsbad Village Faire	• Weekly Thursday night Market • Friday Night Concert series • Annual Taste of Chico and Slice of Chico events	• Weekly farmers market • Weekly live public music and kid's movies during the summer • Art walks	• Annual Petaluma Music Festival • Petaluma Art & Garden Festival • Annual Butter & Egg Days Parade & Festival • Seasonal Antique Fairs
IV. Near Wine Country	No	No	Yes	Yes, near Sonoma	Yes, near Sonoma
V. Parking	• Street parking (metered/paid and public)	• On-street parking and 6 free public parking lots	• More than 2,000 parking spaces in Downtown Business District • Six different parking lots	• Multiple public parking areas	----
VI. Plaza/Streetscape Design	• Main street commercial corridor with entry signage • Cafes with open/outdoor seating • Public seating/benches • Italian/European street décor	• Walkable village corridor	• Some public art and murals • City Plaza	• Walkable downtown streets around public Windsor Town Green that has fountain, children's play area, native trees, and historical time-line walk	• Variety of architectural types ranging from Victorian and turn of the century farms to present day urban setting
VII. Transportation	• Nearby San Diego trolley • Tours via trolley car	• Carlsbad Village Coaster train station • Over 200 bike racks	• Bike valet parking service during Thursday Night Market	• Located near Highway 101	• New bus line

Prepared by: Keyser Marston Associates, Inc.
Filename: i: Temecula_Comparble Districts_Old Town\5/13/2015;lag

TABLE D-1

PROFILES OF COMPARABLE DISTRICTS
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

District	Little Italy, San Diego	Carlsbad Village	Downtown Chico	Old Downtown Windsor	Downtown Petaluma
					
VIII. Best Practices	• Established a business group (BID) for marketing/ events and property owners group (MAD) to promote the livable aspect • Established a safe district • Created and promoting interactive public spaces • Worked with property owners and homeowners associations	• Increase foot traffic • Attract investment • City partnership with Carlsbad Village Association (CVA) • Establish a business group (CVA) to do marketing and events. • Having a well-planned district	• A strong marketing campaign • Foot traffic generation • Working directly with CSU Chico to promote and host events • Cleanliness • Safety	• City partnership with Chamber of Commerce, Downtown Merchants Association, Homeowners Association • Open space area for special events • Proper directional signage • Marketing with Chamber of Commerce • Restaurants carry the district-- offer a variety of food	• An effective marketing system that represents those paying BID fees
IX. Key Accomplishments	• Clean & safe environment • Creation and use of public spaces • Events drawing up to 120,000 visitors to the district • Farmers Market large revenue stream (half a million dollars) drawing 10,000 people every week • Historic preservation	• Revitalization of the Carlsbad Village Association, seeking to create a BID • Enhanced outdoor experience with streetlights, benches, and outdoor dining • Increased street connectivity	• Thursday Night Market-- attracts hundreds and thousands of people • Summer in the Park • Christmas Preview • Halloween Treat	• Numerous Awards: Downtown Specific Plan (APA), Sierra Club Award, Growing Smarter Together Award, Governor's Environmental Award Program. • Reconstitution of uses (i.e. church into a theater). • Family-oriented events, large demographic of children due to low crime rate and affordability	• Great marketing strategy to bring in crowds
X. Funding Sources for Marketing / Special Events	• Business Improvement District fees • Parking fees specifically for parking district	• City programs • Urban Place Marketing Consultants • Carlsbad Village Association	• Majority self-funded, dependent on sponsorships • Small amount comes from BID	• Town Manager, Parks & Recreation Department partially fund large events • Private donations (Wal Mart, Local Native American Tribe [Lytton Rancheria of CA) fund large events • Professionals who contract with the City sponsor events	• Business Improvement District • Previously received funds from redevelopment
XI. Outdoor Music	• Positive impact on the community • Noise complaints go to Little Italy Association • Neighbors for the most part understand that they live in an urban environment where outdoor music may occur a few times a year.	• Outdoor music events are viewed as a positive, they attract visitors from outside the community • More noise complaints from train, trash trucks, and bars than music festivals	• Outdoor music is a big draw to the district • No noise complaints because residents do not live close to the downtown	• Outdoor music is a big draw to the district (5,000- 15,000 people) • Not many noise complaints because Homeowners Association notifies potential buyers beforehand	• Outdoor events are seen as positive to the district • Larger outdoor music events are held in the fairgrounds

TABLE D-1

PROFILES OF COMPARABLE DISTRICTS
OLD TOWN MARKET OPPORTUNITIES UPDATE
CITY OF TEMECULA

District	Little Italy, San Diego	Carlsbad Village	Downtown Chico	Old Downtown Windsor	Downtown Petaluma
					
XII. Challenges	• Chronic homelessness • Parking • Dealing with government bureaucracy	• Parking • Perception that the village is suburban as opposed to urban	• BID fee assessment is too low for large-scale marketing efforts • Difficult to sustain the business model in place for marketing/ events budget--have to rely on sponsors every year • Businesses upset/getting blocked by vendors during some events • Parking	• Turnover of retail uses, need anchors • Unwanted commercial uses (i.e. cigarette bars) • Buildings not ADA Accessible • Location of Downtown is away from main road • Parking • Signage needed for public/private property • No longer has a BID because a majority of businesses felt like they were not represented in the marketing programs offered • High turnover rate at Chamber of Commerce • Downtown Merchants Association is voluntary	• Collecting fees for the BID • Loss of previous (redevelopment) sponsorship • BID fees must be high enough to fund staff and marketing efforts • Getting members to agree on a marketing strategy
XIII. District Organizations	• Little Italy Association, maintains the BID and MAD	• Carlsbad Village Association	• Downtown Chico Business Association	• Old Downtown Windsor Merchants Association (BID was dissolved in 2009) • Chamber of Commerce	• Petaluma Downtown Association • Downtown Business Improvement District • Petaluma Visitors Center