

Administrative Draft

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Retail Market Analysis, Alisal Study Area

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SUMMARY

INTRODUCTION

The retail sector benefits the quality of life in a community by selling goods and services for local consumption, and also serving as a major source of tax revenues that support local municipal services. The retail market analysis includes an estimate of retail spending in the Alisal neighborhood of Salinas, and a comparison of overall spending potential and sales by Alisal retail establishments.

DEMOGRAPHIC PROFILE

The demographic factors that affect retail spending most directly are household size and income, ethnicity, age distribution and housing tenure (renter vs. owner).

As of 2015, the Alisal neighborhood is estimated to have a household population of about 44,200, about 28 percent of the City total. The population fluctuates due to the high level of seasonal employment in agriculture. The citywide labor force swells by about ten percent, or 7,600 workers, in the summer harvest season compared to the winter months.

The average household size in Alisal, at 4.67 persons per household, is substantially higher than the City average of 3.81 persons.

The median household income is \$37,446, compared to the citywide average of \$49,740. Over 35 percent of the households in Alisal earn less than \$30,000 annually. Alisal also has a relatively young population, with nearly 3,000 households headed by persons less than 35 years of age. About 70 percent of Alisal households are renters and 92 percent are Latino, with the balance largely Asian households.

RETAIL DEMAND AND SUPPLY

The estimated annual retail spending by Alisal households is about \$204.6 million. Not all of this is spent in Alisal, however, as the major retail centers in Northwest Salinas, including the auto center, attract substantial household spending. Total retail sales by merchants in Alisal are about \$234.2 million, which means that Alisal has an overall net capture of regional sales that exceeds the local household by about \$29.6 million.

Specific businesses categories have a net capture of sales in Alisal and attract spending from residents outside of Alisal, visitors, and business to business transactions. The magnitude of the net capture varies considerably by store type. Store types where sales exceed household demand include grocery stores, used car dealers and auto parts.

Most other store types in Alisal do not meet local household demand, including apparel, general merchandise, specialty retail, eating places, household appliances and electronics, new cars and gasoline stations. The total sales leakage (losses of sales out of Alisal) is \$90.6 million.

RETAIL GROWTH POTENTIAL

Some of the retail sales leakage could be captured with the development of new stores in Alisal, or expansion of sales at existing stores. In some cases, it is unlikely Alisal would be able to support stores of sufficient scale to compete with existing retail centers elsewhere in Salinas. This is particularly true for large general merchandise stores and new car sales. However, other categories, such as apparel, specialty retail and limited home furnishings and building material categories have potential for growth. We estimate the new development potential to meet current leakage ranges from 51,000 to 55,300 sq. ft. of building space.

Exhibit A: Retail Attraction Potential - Low Growth and High Growth Scenarios (Excluding General Merchandise and New Car Dealerships)

RETAIL GROUP	LOW GROWTH POTENTIAL			HIGH GROWTH POTENTIAL	
	SUPPORTABLE NEW ESTAB. COUNT	RETAIL ATTRACTION POTENTIAL	SQUARE FOOTAGE POTENTIAL (SUPPORTED ESTAB. ONLY)	MAXIMUM RETAIL GROWTH POTENTIAL	MAXIMUM SQUARE FOOTAGE POTENTIAL
Total	14	\$25,983,494	50,960	\$47,959,163	55,262
Apparel Store Group					
Men's and Women's Apparel	2	\$3,572,733	15,973	\$3,572,733	15,973
Family Clothing	0	\$1,677,386	6,901	\$1,677,386	6,901
Shoe Stores	2	\$0	0	\$0	0
Specialty Retail Group	6	\$5,703,366	9,073	\$1,895,347	9,073
Building Materials and Home Furnishings Group					
Household Appliances & Electronics	0	\$0	0	\$586,290	1,762
Lumber & Other Building Materials	0	\$0	0	\$1,086,803	2,540
Automotive Group				\$19,587,706	
New Cars & RVs*					n/a
Gasoline Service Stations	3	\$16,707,396	11,486	\$16,707,396	11,486
Mobile Homes & Trailers	0	\$0	0	\$15,417	n/a
Other Vehicles	0	\$0	0	\$699,452	n/a

NEXT STEPS

This analysis evaluates how well the retail business mix in Alisal meets current household demand from within the community. As the Alisal Vibrancy Plan proceeds, additional elements of business opportunity will be added, including among others:

- Increased household demand from future growth in Alisal
- Non-retail businesses that serve citywide or regional markets
- Local entrepreneurship opportunities

The next phase of the market analysis will evaluate the potential sites for business growth, the real estate market conditions in Alisal, and mixed use opportunities that integrate residential development opportunities.

DEMOGRAPHIC OVERVIEW

In order to estimate the local retail demand for the Alisal area, the analysis needs to consider the different demographic characteristics that exist in the area. The spending patterns for households will vary based on these factors. The characteristics that were considered for Alisal include income distribution, age distribution, housing tenure, and ethnicity. The demographic data came from the Census Bureau American Community Survey (ACS), and was approximated to the Alisal neighborhood by aggregating together Census Tract Block Groups.¹ Because demographic data needed to be collected at the Block Group level, it represents a five-year sample that includes 2011 through 2015 data.

HOUSEHOLDS AND DISTRIBUTION BY INCOME AND AGE

As a whole, the ACS (2011-2015 sample) indicates that Alisal had just under 9,500 households, as shown in Table 1. By comparison, the City of Salinas as a whole had just under 41,300 total households in 2015.² The income distribution shows a high concentration of households in the neighborhood earning less than \$30,000 annually, with nearly 3,400 or 36 percent of the households in that low income grouping. Less than 700 Alisal households earn \$100,000 or more annually. The calculated median income for the Alisal neighborhood comes out to \$37,446.

In addition, Alisal has a relatively young population with nearly 3,000 households headed by persons less than 35 years of age. The median income for those households headed by persons less than 35 years of age (\$35,852) is less than the median income for households headed by persons 35 to 65 years of age (\$42,545), and slightly higher than the median income for senior households (\$30,216).

¹ The Alisal area comprises the following Census Tract Block Groups: Census tract 5.01 block groups 1 and 2; Census tract 5.02 block groups 1 and 2; Census tract 6 block groups 1, 2, 3, and 4; Census tract 7.01 block groups 1, 2, and 3; Census tract 7.02 block groups 1, 2, and 3; Census tract 8 block groups 1, 2, and 3; Census tract 9 block groups 1, 2, and 3; Census tract 106.07 block groups 1 and 2; Census tract 106.08 block groups 2 and 3.

² California Department of Finance; Table E-5: City/County Population and Housing Estimates, 1/1/2015.

Table 1: Alisal Household Distribution by Income and Age Group, 2011-2015 Sample

ANNUAL HOUSEHOLD INCOME	ALL	AGE OF HOUSEHOLDER		
		<35	35-64	>65
Total	9,474	2,985	5,236	1,253
Less than \$10,000	429	84	145	200
\$10,000 to \$14,999	559	128	217	214
\$15,000 to \$19,999	735	212	446	77
\$20,000 to \$24,999	815	336	376	103
\$25,000 to \$29,999	835	363	444	28
\$30,000 to \$34,999	815	334	395	86
\$35,000 to \$39,999	872	300	450	122
\$40,000 to \$44,999	537	180	296	61
\$45,000 to \$49,999	621	141	397	83
\$50,000 to \$59,999	964	281	590	93
\$60,000 to \$74,999	858	241	543	74
\$75,000 to \$99,999	755	199	507	49
\$100,000 to \$124,999	357	142	204	11
\$125,000 to \$149,999	156	10	137	9
\$150,000 to \$199,999	137	27	74	36
\$200,000 or more	29	7	15	7
Top 20th percentile	\$70,701	\$60,737	\$73,076	\$51,457
Median	\$37,446	\$35,852	\$42,545	\$30,216
Bottom 20th percentile	\$21,993	\$19,637	\$22,111	\$12,530

Source: ADE, Inc., based on US Census ACS 2011-2015 5-Year Sample Tables B19037 and B25007

HOUSING TENURE

Alisal is generally populated by renters, with homeowners making up only 18 percent of the total households in the neighborhood, as shown in Table 2. The median income for homeowners (\$41,711) is also higher than for renters (\$35,886).

Table 2: Alisal Household Distribution by Housing Tenure, 2011-2015 Sample

ANNUAL HOUSEHOLD INCOME	AGE OF HOUSEHOLDER - HOMEOWNERS				AGE OF HOUSEHOLDER - RENTERS			
	ALL	<35	35-64	>65	ALL	<35	35-64	>65
Total	9,474	2,826	232	1,793	801	6,648	2,753	3,443
Less than \$10,000	429	162	14	61	87	267	70	84
\$10,000 to \$14,999	559	162	8	52	102	397	120	165
\$15,000 to \$19,999	735	196	15	133	48	539	197	313
\$20,000 to \$24,999	815	220	26	108	86	595	310	268
\$25,000 to \$29,999	835	162	20	128	14	673	343	316
\$30,000 to \$34,999	815	207	26	113	68	608	308	282
\$35,000 to \$39,999	872	246	22	138	86	626	278	312
\$40,000 to \$44,999	537	173	13	110	50	364	167	186
\$45,000 to \$49,999	621	211	12	145	54	410	129	252
\$50,000 to \$59,999	964	290	18	198	74	674	263	392
\$60,000 to \$74,999	858	294	23	216	55	564	218	327
\$75,000 to \$99,999	755	238	14	193	31	517	185	314
\$100,000 to \$124,999	357	118	18	92	8	239	124	112
\$125,000 to \$149,999	156	64	1	58	5	92	9	79
\$150,000 to \$199,999	137	68	1	40	27	69	26	34
\$200,000 or more	29	15	1	8	6	14	6	7
Top 20th percentile	\$70,701	\$72,991	\$70,659	\$76,732	\$57,470	\$61,925	\$60,477	\$64,304
Median	\$37,446	\$41,711	\$37,247	\$45,369	\$34,610	\$35,886	\$35,739	\$39,574
Bottom 20th percentile	\$21,993	\$21,737	\$25,080	\$25,324	\$12,713	\$22,104	\$19,748	\$20,740

Source: ADE, Inc., based on US Census ACS 2011-2015 5-Year Sample Tables B19037 and B25007

ETHNICITY

The Alisal neighborhood consists primarily of Latino households. Altogether, Latino households make up 92 percent of the households in the neighborhood. The remaining households are largely Asian. Because of this large proportion of Latino households in Alisal, the demographic indicators for Latino households do not differ much from the overall household indicators for the Alisal neighborhood. Table 3 shows the income and age distribution for Latino and Non-Latino households, while Table 4 shows the differentiation between homeowners and renters among Latino households.

Table 3: Alisal Household Distribution by Ethnicity, 2011-2015 Sample

ANNUAL HOUSEHOLD INCOME	AGE OF HOUSEHOLDER – NON- LATINO				AGE OF HOUSEHOLDER – LATINO			
	ALL	<35	35-64	>65	ALL	<35	35-64	>65
Total	718	58	300	360	8,756	2,927	4,936	893
Less than \$10,000	41	0	15	26	388	84	130	174
\$10,000 to \$14,999	48	0	4	44	511	128	213	170
\$15,000 to \$19,999	84	0	43	41	651	212	403	36
\$20,000 to \$24,999	78	5	10	63	737	331	366	40
\$25,000 to \$29,999	30	11	9	10	805	352	435	18
\$30,000 to \$34,999	60	0	17	43	755	334	378	43
\$35,000 to \$39,999	62	5	16	41	810	295	434	81
\$40,000 to \$44,999	35	8	21	6	502	172	275	55
\$45,000 to \$49,999	39	0	15	24	582	141	382	59
\$50,000 to \$59,999	74	7	30	37	890	274	560	56
\$60,000 to \$74,999	51	7	31	13	807	234	512	61
\$75,000 to \$99,999	48	6	37	5	707	193	470	44
\$100,000 to \$124,999	26	2	17	7	331	140	187	4
\$125,000 to \$149,999	11	0	11	0	145	10	126	9
\$150,000 to \$199,999	9	0	9	0	128	27	65	36
\$200,000 or more	22	7	15	0	7	0	0	7
Top 20th percentile	\$71,561	\$80,929	\$96,773	\$48,321	\$70,631	\$60,479	\$72,445	\$58,556
Median	\$36,846	\$49,999	\$49,999	\$29,347	\$37,603	\$35,545	\$41,847	\$30,581
Bottom 20th percentile	\$16,600	\$21,749	\$19,354	\$15,428	\$22,595	\$19,383	\$22,193	\$10,264

Source: Applied Development Economics, Inc., based on US Census ACS 2011-2015 5-Year Sample Tables B19037 and B25007

Table 4: Alisal Latino/Hispanic Household Distribution by Housing Tenure, 2011-2015 Sample

ANNUAL HOUSEHOLD INCOME	AGE OF HOUSEHOLDER – LATINO/HISPANIC HOMEOWNERS				AGE OF HOUSEHOLDER – LATINO/HISPANIC RENTERS			
	ALL	<35	35-64	>65	ALL	<35	35-64	>65
Total	2,334	223	1,629	482	6,422	2,704	3,307	411
Less than \$10,000	126	14	50	62	262	70	80	112
\$10,000 to \$14,999	120	8	50	62	391	120	163	108
\$15,000 to \$19,999	137	15	108	14	514	197	295	22
\$20,000 to \$24,999	160	26	102	32	577	305	264	8
\$25,000 to \$29,999	151	19	126	6	654	333	309	12
\$30,000 to \$34,999	157	26	102	29	598	308	276	14
\$35,000 to \$39,999	197	20	130	47	613	275	304	34
\$40,000 to \$44,999	155	12	99	44	347	160	176	11
\$45,000 to \$49,999	185	12	136	37	397	129	246	22
\$50,000 to \$59,999	249	17	192	40	641	257	368	16
\$60,000 to \$74,999	263	21	199	43	544	213	313	18
\$75,000 to \$99,999	212	14	172	26	495	179	298	18
\$100,000 to \$124,999	98	17	79	2	233	123	108	2
\$125,000 to \$149,999	56	1	50	5	89	9	76	4
\$150,000 to \$199,999	62	1	34	27	66	26	31	9
\$200,000 or more	6	0	0	6	1	0	0	1
Top 20th percentile	\$73,704	\$70,420	\$75,532	\$62,026	\$61,724	\$60,255	\$71,016	\$54,952
Median	\$43,652	\$36,133	\$47,786	\$41,145	\$37,511	\$35,498	\$39,112	\$14,010
Bottom 20th percentile	\$24,375	\$24,107	\$26,273	\$11,661	\$22,011	\$19,537	\$20,616	\$7,339

Source: Applied Development Economics, Inc., based on US Census ACS 2011-2015 5-Year Sample Tables B19037 and B25007

AVERAGE HOUSEHOLD SIZE

According to the ACS data, the Alisal neighborhood had an average household size of about 4.67 persons per household. Multiplied into the 9,474 households in Alisal, the household population of Alisal totals approximately 44,200 residents. By comparison, the 2015 average household size for the entire city of Salinas was 3.81 persons per household. This information was used to adjust the household retail spending levels for Alisal.

SEASONALITY OF LABOR

One factor in assessing the retail market for the Alisal neighborhood is the seasonality of labor. Agriculture in particular has highly seasonal employment, and the labor force for agriculture tends to be more transient than other sectors.

As shown in Table 5, the agricultural employment for Monterey County averaged 52,833 in 2015, which was about 34.3 percent of the countywide total for all jobs. However, the average employment during the third quarter was nearly double the employment for the first quarter. This means that there

were about 34,000 fewer agricultural jobs during the first quarter than during the peak harvest third quarter. This seasonality also has an effect on the overall employment for all industries.

Table 5: Agricultural Employment by Quarter, Monterey County (2015)

QUARTER	TOTAL, ALL INDUSTRIES	AGRICULTURE, FISHING & HUNTING	AGRICULTURE PERCENT OF TOTAL
2015 Annual Average	154,100	52,833	34.3%
2015 Q1	131,218	34,441	26.2%
2015 Q2	162,004	61,440	37.9%
2015 Q3	172,496	68,473	39.7%
2015 Q4	150,551	46,978	31.2%

Source: ADE, Inc.; data from California Employment Development Department, Labor Market Information Division.

In Salinas, the overall labor force varies from under 76,000 to about 82,600 depending on the time of year. In addition, the unemployed labor force peaks at around 9,100 in January and is cut in half in September. This is another indicator of how the agricultural seasonality influences the local labor force.

Table 6: Labor Force by Month, Salinas (2016)

MONTH	UNEMPLOYED	EMPLOYED	LABOR FORCE
Jan	9,094	68,053	77,147
Feb	8,824	68,620	77,444
Mar	8,567	69,309	77,876
Apr	6,353	74,363	80,716
May	5,079	76,760	81,839
Jun	5,394	78,168	83,562
Jul	5,360	77,847	83,207
Aug	4,927	77,714	82,641
Sep	4,571	77,735	82,306
Oct	4,697	77,062	81,759
Nov	5,551	74,653	80,204
Dec	7,913	68,049	75,962

Source: ADE, Inc.; data from California Employment Development Department, Labor Market Information Division.

RETAIL DEMAND AND SUPPLY

Local household spending represents the single largest component that supports any community's retail commercial sectors. The primary factors that affect the demand for retail goods and services include the number of households living in the local market area, and the average income and its distribution across different income groups. In addition, retail spending patterns can also vary by ethnicity, age grouping, average household size, and whether the household is owner- or renter-occupied.

As described later in this section, retail leakage represents the gap between local market demand and retail sales by local retail establishments. This leakage represents an existing shortfall, as well as an opportunity for both retail expansion and possible business attraction.

LOCAL HOUSEHOLD SPENDING

The household retail spending totals are calculated from an analytical model developed by ADE. This model estimates spending for over 40 different store types and 100 product categories. Because of the unique characteristics of the Alisal neighborhood, in particular its high concentration of Latino/Hispanic households, the analysis made separate calculations of retail demand using income, age, ethnic, and household tenure variables.³

Based on data from the retail demand model, the estimated annual retail spending by the Alisal neighborhood's households totals about \$250.8 million, as shown in Table 5. It should be noted that not all of this spending occurs in Alisal because other parts of Salinas and neighboring communities might provide certain retail shopping opportunities not available locally.

Household spending among local residents is distributed across all retail store categories. The largest retail store spending categories are general merchandise stores, eating places, gasoline service stations, and grocery stores. Each of these retail store categories accounts for more than \$38 million in household spending.

RETAIL SALES AND RETAIL LEAKAGE

The annual retail sales in the Alisal neighborhood total \$234.2 million, which is slightly higher than the local market demand of \$204.6 million, as shown in Table 7. This means the Alisal neighborhood has a net capture of sales, with demand from households lower than the existing sales, not accounting for other sales that come from other consumers, including other businesses, commuters, and out-of-town visitors. While leakage occurs across most retail categories, Alisal businesses also have significant net capture of regional sales that occurs in very specific retail market niches, namely grocery stores, used car dealers, and auto parts. Each of these categories has a net capture of more than \$12 million

³ The analysis made separate calculations of household demand within the following groupings: Renters by age (under 35, age 35 to 65, and over 65); Homeowners by age (under 35, age 35 to 65, and over 65). Within each age and tenure group, the demand calculations were further differentiated based on income grouping. Because of the very high concentration of Latino/Hispanic households, the model was adjusted to account for those general household spending characteristics.

annually. Concurrently, sales leakage occurs across a wide range of other store categories, with the largest leakages occurring in general merchandise stores, new car dealers, and gasoline service stations.

Table 7: Alisal Retail Demand and Sales Leakage/Capture (2015/16)

RETAIL GROUP	ALISAL HOUSEHOLD SPENDING	TOTAL RETAIL SALES	SALES LEAKAGES	NET CAPTURE OF REGIONAL SALES
Total	\$204,599,039	\$234,217,550	\$60,972,376	\$90,590,886
Apparel Store Group	\$11,559,504	\$8,680,200	\$3,572,733	\$269,644
Men's and Women's Apparel	\$2,502,886	\$825,500	\$1,677,386	\$0
Family Clothing	\$6,705,856	\$6,975,500	\$0	\$269,644
Shoe Stores	\$2,774,547	\$879,200	\$1,895,347	\$0
General Merchandise Group	\$34,835,337	\$21,822,124	\$13,013,213	\$0
Specialty Retail Group	\$10,790,866	\$5,087,500	\$5,703,366	\$0
Food, Eating and Drinking Group	\$64,215,751	\$88,242,781	\$0	\$24,027,030
Grocery Stores	\$32,051,250	\$48,589,634	\$0	\$16,538,385
Specialty Food Stores	\$1,070,770	\$2,350,203	\$0	\$1,279,433
Liquor Stores	\$1,158,215	\$2,662,944	\$0	\$1,504,728
Eating Places	\$29,935,516	\$34,640,000	\$0	\$4,704,484
Building Materials and Home furnishings Group	\$12,640,758	\$12,073,400	\$1,673,093	\$1,105,735
Furniture & Home Furnishings	\$2,799,989	\$3,575,200	\$0	\$775,211
Household Appliances & Electronics	\$3,696,490	\$3,110,200	\$586,290	\$0
Used Merchandise	\$221,576	\$552,100	\$0	\$330,524
Garden Supply/Building Materials Stores*	\$5,922,703	\$4,835,900	\$1,086,803	\$0
Automotive Group	\$70,133,038	\$98,311,545	\$37,009,971	\$65,188,478
New Cars & RVs	\$19,587,706	\$0	\$19,587,706	\$0
Used Car Dealers	\$2,127,917	\$54,856,000	\$0	\$52,728,083
Gasoline Service Stations	\$46,624,641	\$29,917,245	\$16,707,396	\$0
Mobile Homes & Trailers	\$15,417	\$0	\$15,417	\$0
Auto Parts & Accessories	\$1,077,905	\$13,538,300	\$0	\$12,460,395
Other Vehicles	\$699,452	\$0	\$699,452	\$0

Source: ADE, Inc.; data from American Community Survey, and HdL Companies; retail demand model derived from U.S. Economic Census, Bureau of Labor Statistics Consumer Expenditure Survey and PUMS database.

Notes: Household demographic characteristics are based on the ACS five-year sample that includes data collected between 2011 and 2015.

Categories marked with asterisks (***) are aggregated due to confidentiality restrictions associated with sales tax data. The sales tax data covers the period between 2015 Q4 and 2016 Q3, and is specific to businesses located in the Alisal neighborhood.

The taxable sales data is an annual total listed by retail category. The businesses included in the analysis encompass only those retail businesses operating in the Alisal neighborhood. The retail sales data comes from the California State Board of Equalization sales tax allocation records, with additional assistance from HdL Companies. ADE reviewed the data for disclosure issues before including it in the analysis. Because certain retail items, such as food and prescription drugs, are not taxable, the retail sales totals include a conversion that estimates nontaxable sales.

Findings for retail sales and sales leakage/net capture by major store group are summarized below.

APPAREL STORE GROUP

Apparel stores consist of stores specializing in clothing, accessories, and shoes. In Alisal, these stores collectively generated about \$8.7 million in sales in 2015/16. The majority of these sales occur in

family clothing stores (\$7.0 million). Each of the other apparel store categories generates less than \$1 million in annual sales.

Apparel stores as a group have a sales leakage that totals \$3.6 million. The largest leakage occurs in men's and women's apparel, and shoe stores, with each category generating over \$1 million in sales leakage.

GENERAL MERCHANDISE GROUP

The general merchandise category includes a cross-section of stores that carry broad merchandise lines in multiple product categories. These stores include traditional department stores, discount department stores, warehouse clubs, variety stores, and drug stores. Stores in this category generated about \$21.8 million in sales in 2015/16, with most of these sales coming from drug stores. Alisal does not have any large-scale department or discount stores, or warehouse clubs. All of the general merchandise sales in Alisal come from drug stores and variety stores, with drug stores accounting for about 74 percent of the sales in this category.

Taken as a group, general merchandise stores generate a net sales leakage of about \$13.0 million. This sales leakage occurs due to the lack of large-scale general merchandise stores in Alisal. In order to meet this demand, residents shop at department stores, discount stores, and warehouse clubs located mainly in northwest Salinas. Residents might also meet their general merchandising needs by shopping for those goods at the drug stores located in Alisal.

SPECIALTY RETAIL GROUP

Specialty retail stores focus on particular product groups, and as a group they encompass wide variety of different product offerings and store types. Store types included in the specialty retail group include gift stores, florists, jewelry stores, sporting goods stores, book stores, music stores, hobby/toy stores, office supply stores, pet shops, and beauty stores.

These stores generated a total of \$5.1 million in 2015/16 retail sales, with \$5.7 million in net sales leakage. This sales leakage accounts for over half of the total retail sales in this category, which indicates that Alisal's specialty retail stores do not meet most of the community's shopping needs in this category, and do not significantly draw customers from the surrounding communities.

FOOD, EATING, AND DRINKING GROUP

Food-oriented retail stores generated about \$88.2 million in retail sales in 2014, with over \$94.6 million in sales each coming from restaurants and other eating places. Grocery stores generated another \$48.6 million in retail sales (including nontaxable items). Sales in specialty food stores and liquor stores also each totaled more than \$2 million.

All store categories in this group generated a net capture of sales. Alisal's proximity to Highway 101, with its concentration of lodging near Market St., and businesses located in the nearby industrial areas, suggests that restaurants and other eating places likely serve a large number of visitors, commuters, and residents from surrounding communities. Because the net capture for eating places is relatively small, this means that those businesses might actually have a leakage of sales..

It should be noted that at least a portion of the demand in this category could come from seasonal peak demand from farmworkers that the household data does not adequately count.

BUILDING MATERIALS AND HOME FURNISHINGS GROUP

The building materials and home furnishings group includes stores that specialize in home improvement products, and also includes electronics/appliance stores, furniture stores, and used merchandise stores. Altogether, these stores generated about \$12.1 million in retail sales, with sales predominantly occurring in household appliances and electronics, garden supply/building materials, and furniture and home furnishings. Each of these categories captured more than \$3 million in annual sales.

Even though the group as a whole has a sales leakage of \$1.7 million in specific store categories, this leakage is partially balanced out by \$1.1 million in net capture of regional sales occurring in other related store categories. With the home improvement store categories in particular, a significant portion of their sales come from contractors and other business-to-business transactions. Because of this, there still might be a significant portion of household sales that currently leave Alisal. The store categories with sales leakage in this group are household appliances and electronics, nurseries/garden supplies, and lumber/building materials. The stores with net capture of regional sales are furniture and home furnishings, and used merchandise.

AUTOMOTIVE GROUP

Retail businesses in the automotive group include new and used automobile dealerships, gasoline service stations, auto parts stores, as well as dealers for other vehicles such as boats, motorcycles, and trailers. As a group, automotive businesses generated about \$98.3 million in retail sales in 2015/16. All of these sales occurred in used car dealers, gasoline service stations, and auto parts stores.

This group generated a net capture of regional sales. However, most of this regional capture occurred due to the very high concentration of sales in used car dealers, and auto parts stores. The auto parts stores in particular generate a significant portion of sales from other businesses (such as repair shops). The leakage in this category mostly comes from new car dealers, which are concentrated at the auto center in Northwest Salinas, and gasoline service stations. Alisal has no new car dealers, so all of the sales in this category currently leave the community. Alisal also has a significant concentration of gasoline stations. However, the demand is far greater than the existing sales, which means that local residents likely go elsewhere.

RETAIL GROWTH POTENTIAL

The Alisal neighborhood has a total of sales leakage of \$61.0 million. This sales leakage can potentially support new business establishments, if the leakage is large enough in each store category. In order to assess whether the new retail attraction is supportable, the analysis compared the retail leakage by store category with the average countywide sales per store for that category. A new retail establishment was considered supportable if the sales leakage was at least 80 percent of the average sales per store.

Altogether, the Alisal neighborhood can support about 14 new retail establishments, with potential store sales of about \$45.6 million, as shown in Table 8. The majority of the retail attraction potential is in the automotive group, which accounts for \$36.3 million in potentially supportable new retail attraction. Other categories with potential for new establishments include apparel stores and specialty retail.

When only considering the supportable establishments (excluding new car dealers), the square footage demand from new retail attraction totals just under 51,000 square feet. Accommodating the demand for building space can come from new development, as well as occupying existing vacant spaces.

Several other store categories show retail leakage, but do not have sufficient unmet market demand to support at least the sales level for an average store. If additional establishments can be supported at lower levels of sales, then the additional retail leakage would potentially support nearly 110,400 square feet of retail space. It should be noted that this is maximized scenario and a lot of the existing leakage will not likely be captured within the Alisal neighborhood because of competing retail centers elsewhere in Salinas that attract Alisal residents.

Findings for retail attraction and square footage by retail group potential are summarized below.

APPAREL STORE GROUP

Based on the sales leakage and support thresholds for stores in these categories, the apparel store group can potentially support about four new establishments. The supportable stores come from a combination of men's and women's clothing, and shoe stores. Based on average sales per establishment, the square footage potential for apparel stores totals about 16,000 square feet.

GENERAL MERCHANDISE GROUP

The general merchandise group has a sales leakage of over \$13.0 million. Much of the leakage in this category comes from the lack of large-scale department and discount stores, and warehouse clubs in the Alisal neighborhood. The average department/discount store in Monterey County generates over \$28 million in annual sales, which exceeds the unmet demand in Alisal. Smaller scale general merchandise stores, such as drug stores and variety stores, require considerably lower sales. However, several of those establishments already operate in Alisal. It is likely that this sales leakage

cannot be recaptured in Alisal but will continue to go to stores like Wal-Mart and Costco elsewhere in Salinas.

Table 8: Alisal Retail Attraction and Square Footage Potential (2015/16)

RETAIL GROUP	SUPPORTABLE NEW ESTAB. COUNT	RETAIL ATTRACTION POTENTIAL	SQUARE FOOTAGE POTENTIAL (SUPPORTED ESTAB. ONLY)	MAXIMUM RETAIL GROWTH POTENTIAL	MAXIMUM SQUARE FOOTAGE POTENTIAL
Total	14	\$45,571,200	50,960	\$90,590,886	110,399
Apparel Store Group	4	\$3,572,733	15,973	\$269,644	15,973
Men's and Women's Apparel	2	\$1,677,386	6,901	\$0	6,901
Family Clothing	0	\$0	0	\$269,644	0
Shoe Stores	2	\$1,895,347	9,073	\$0	9,073
General Merchandise Group	0	\$0	0	\$0	55,136
Specialty Retail Group	6	\$5,703,366	23,501	\$0	23,501
Food, Eating and Drinking Group	0	\$0	0	\$24,027,030	0
Grocery Stores	0	\$0	0	\$16,538,385	0
Specialty Food Stores	0	\$0	0	\$1,279,433	0
Liquor Stores	0	\$0	0	\$1,504,728	0
Eating Places	0	\$0	0	\$4,704,484	0
Building Materials and Home Furnishings Group	0	\$0	0	\$1,105,735	4,303
Furniture & Home Furnishings	0	\$0	0	\$775,211	0
Household Appliances & Electronics	0	\$0	0	\$0	1,762
Used Merchandise	0	\$0	0	\$330,524	0
Garden Supply/Building Materials Stores*	0	\$0	0	\$0	2,540
Automotive Group	4	\$36,295,102	11,486	\$65,188,478	11,486
New Cars & RVs*	1	\$19,587,706	n/a	\$0	n/a
Used Car Dealers	0	\$0	0	\$52,728,083	0
Gasoline Service Stations	3	\$16,707,396	11,486	\$0	11,486
Mobile Homes & Trailers	0	\$0	0	\$0	n/a
Auto Parts & Accessories	0	\$0	0	\$12,460,395	0
Other Vehicles	0	\$0	0	\$0	n/a

Source: ADE, Inc.; data from American Community Survey, HdL Companies, US Economic Census, and Urban Land Institute; retail demand model derived from U.S. Economic Census, Bureau of Labor Statistics Consumer Expenditure Survey and PUMS database.

Notes: The new establishment potential is benchmarked to the categorical average sales per establishment from the 2012 US Economic Census data for Monterey County.

The square footage potential is based on the categorical sales per square foot data from the Urban Land Institute's Dollars and Cents of Shopping Centers publication.

*Note: Sales leakage for new cars would support one dealership; however, it is very unlikely a single dealership would locate in Alisal when the City has a strong Auto Center.

SPECIALTY RETAIL GROUP

The specialty retail group sales leakage would potentially support six new establishments in Alisal.

Based on the average sales per square foot for these types of stores, these new establishments would potentially accommodate over 23,500 square feet.

AUTOMOTIVE GROUP

The gasoline station and new car dealer categories account for the majority of the retail attraction potential in Alisal. The sales leakage in the new car dealer category is large enough to support a new establishment. However, because of the large concentration of auto dealers in Northwest Salinas, this is not a likely retail attraction target for Alisal.

With gasoline stations, the sales leakage would potentially support three new establishments. This would potentially complement the high net capture of regional sales from eating places in Alisal. The 11,500 square feet of supportable building area accounts for the indoor spaces required by typical gas station operations.

SERVICES DEMAND

In addition to retail stores, Alisal households also generate demand for a variety of local services. These services include rentals, repair, health care, personal services, and recreation and entertainment. Alisal households generate demand for about \$35.0 million in services. The largest portion of this demand goes to medical and care services, with over \$16.0 million in services spending. Another large household services spending category is repair services, which generates over \$9.8 million in annual demand.

Because there is no reliable sales data for service establishments, the analysis of services compared the supportable establishments with the existing establishments in Alisal. The estimate of supportable establishments comes from comparing the household services spending with the average sales per establishment for all businesses of that type in Monterey County. The existing establishments come from business license records of services establishments in Alisal provided by the City of Salinas.

In most cases, the number of existing services businesses in Alisal exceeded the number of supportable establishments. With many services categories, the businesses are also heavily supported by business-to-business transactions. In other service categories, such as physician services and auto repair, the revenue stream is more complex because the payments often come from insurance companies and other reimbursements that do not come directly from consumers.

In addition, the business license records do not indicate the level of service or sales for each establishment. Even though existing services establishments might exist for a specific category, those businesses might not offer the range or quality of services that other establishments located elsewhere might make available.

The services categories that show more supportable establishments than existing businesses in Alisal include other health services, and child care/day care/preschool.

Table 9: Alisal Household Services Demand and Existing Establishments (2016)

NAICS CODE	SERVICES CATEGORY	ALISAL HOUSEHOLD SERVICES SPENDING	SUPPORTABLE ESTAB.	EXISTING ALISAL ESTAB.
	TOTAL SERVICES SPENDING	\$34,975,662		
	RENTAL SERVICES	\$1,869,794		
53211	Automotive Rental and Leasing	\$398,624	0.2	0
5322	Consumer Goods Rental	\$1,463,648	2.3	3
53242	Office Equipment Rental	\$7,522	0.0	0
	PROFESSIONAL SERVICES	\$766,921		
5411	Legal Services	\$70,855	0.1	1
5412	Accounting Services	\$696,066	1.5	8
	MEDICAL AND CARE SERVICES	\$16,027,558		
6211	Physician Services	\$913,359	0.7	3
6212	Dental Services	\$1,378,983	1.6	3
6213	Other Health Services	\$2,139,238	5.7	4
6233	Convalescent/Nursing Home Services	\$563,176	0.2	3
6244	Child Care, Day Care, Preschool	\$11,032,803	22.6	14
	REPAIR SERVICES	\$9,765,348		
81111	Auto Repair	\$7,450,288	15.2	22
81112	Auto Body Repair	\$434,282	0.6	1
8112	Electronics Repair	\$102,200	0.4	0
8114	Personal and Household Goods Repair	\$1,778,577	5.8	21
	PERSONAL SERVICES	\$3,793,011		
81211	Personal Care Services	\$1,456,050	5.9	49
81221	Funeral Services and Crematories	\$379,306	0.5	2
8123	Laundry and Dry Cleaning	\$615,136	0.6	7
81291	Pet Care	\$851,195	1.1	1
81292	Photofinishing	\$273,774	n/a	0
81293	Automobile Parking	\$217,550	n/a	0
	ENTERTAINMENT/RECREATION	\$2,753,030		
51213	Movies and Events	\$1,167,447	0.3	0
7112	Sporting Events	\$475,898	n/a	0
7139	Amusement and Recreation	\$1,109,685	0.8	10

Source: ADE, Inc.; data from American Community Survey, US Economic Census, and City of Salinas business license database; demand model derived from U.S. Economic Census, Bureau of Labor Statistics Consumer Expenditure Survey and PUMS database. Notes: The supportable establishment potential is benchmarked to the categorical average sales per establishment from the 2012 US Economic Census data for Monterey County. Existing Alisal establishments come from the City of Salinas business license records.