

The Economics of Land Use



Final Report

Market Assessment Study: Duarte Town Center Specific Plan

Prepared for:

MIG
The City of Duarte

Prepared by:

Economic & Planning Systems, Inc.

November 23, 2015

EPS #154026

*Economic & Planning Systems, Inc.
949 South Hope Street, Suite 103
Los Angeles, CA 90015-1454
213 489 3808 tel
213 489 3881 fax*

*Oakland
Sacramento
Denver
Los Angeles*

www.epsys.com

Table of Contents

1.	Introduction and Summary of Findings	1
	Project Overview	1
	Summary Findings.....	2
2.	Socio-Economic Context	4
	Trade and Market Areas Assessed	4
	Demographic Conditions and Trends	6
	School and Crime Statistics.....	9
	Employment and Commute Patterns	10
3.	Real Estate Market Overview.....	16
	Residential Market	16
	Retail	19
	Office Market	22
	Hotel Market.....	25

List of Exhibits

Exhibit 1	Map of Specific Plan and Half-Mile Walkable Areas	5
Exhibit 2	Map of Trade Area	6
Exhibit 3	Trade Area Historical Population Growth	7
Exhibit 4	Area Socio-economic Overview	8
Exhibit 5	Area Growth Projections	9
Exhibit 6	Trade Area Public School Rankings	9
Exhibit 7	Trade Area Crime Statistics	10
Exhibit 8	2013 Employment Inflow/Outflow and Day Population.....	11
Exhibit 9	Travel to Work Direction from Duarte	12
Exhibit 10	Travel to Work Destination from Duarte	12
Exhibit 11	Top Employers in Duarte	13
Exhibit 12	Employment Mix.....	13
Exhibit 13	Half-Mile Walkable Area: Current and Future Addressable Demand	15
Exhibit 14	Market Area Home Single-Family Home Valuations 2006-2015	17
Exhibit 15	Trade Area Multifamily Historical Rents	17
Exhibit 16	Trade Area Multifamily Historical Vacancy.....	18
Exhibit 17	Multifamily Market Metrics	18
Exhibit 18	Recent Market-Rate Trade Area Multifamily Projects	19
Exhibit 19	Per-Capita Taxable Retail Sales	20
Exhibit 20	Historical Retail Rent: 2006-2015	21
Exhibit 21	Historical Retail Vacancy: 2006-2015	21
Exhibit 22	Retail Trade Area Competition	22
Exhibit 23	Area Office Performance and Inventory.....	23
Exhibit 24	Historical Office Rent: Duarte and Trade Area	23
Exhibit 25	Historical Office Rent: Duarte and Trade Area	24
Exhibit 26	New Trade Area Office Inventory Since 2000	24
Exhibit 27	Trade Area Hotel Supply	26

1. INTRODUCTION AND SUMMARY OF FINDINGS

Project Overview

Economic & Planning Systems, Inc. (EPS) is working with MIG and the City of Duarte to develop the Duarte Town Center Specific Plan. The proposed Duarte Town Center is a Mixed-Use Activity Center intended to serve as Duarte's Civic and cultural hub and be an active, dynamic, social gathering place for the entire city. As noted in the *Town Center Specific Plan Existing Conditions Report*, prepared and submitted by MIG in July 2015, the Town Center should be family-oriented, pedestrian-friendly, economically diverse and sustainable, and it should complement rather than compete with established businesses in the City. The Town Center is located within the half-mile catchment area of both the Duarte Gold Line station and the City of Hope medical complex.

EPS has prepared the following Market Assessment Study to provide market-based parameters for the Specific Plan visioning and development process. The study builds upon and supplements findings from the *Town Center Specific Plan Existing Conditions Report*, which identifies and describes opportunity sites based on levels of current utilization, quality and upkeep of existing uses, and regulatory capacity for additional density. In particular, the study explores what land uses might allow the Plan Area to achieve key goals including uses that:

- create destination and gathering places by means of attractive, successful, and to the extent possible, destination-oriented commercial establishments, including cafes, restaurants, and specialty retail
- concentrate activity for residents, employees, and visitors through higher-density uses such as vertical mixed-use residential units over street retail or office

Following this report and under separate cover, EPS will prepare and submit a "Test-Fit Analysis", which will test the financial feasibility (i.e., the likelihood of developer interest based on current and potential market support) of four potential uses for the Plan Area. The uses will be determined in consultation with the client and the consultant team and based in part on findings from this report.

Summary Findings

The following **Summary Findings** provides a topline overview of the major conclusions and implications of this Report.

- 1. The Duarte Town Center Specific Plan Area's central and accessible location within the strong San Gabriel Valley economy is likely to be a strong asset for promoting development and revitalization consistent with Specific Plan goals.** Duarte is well-integrated into the regional transportation grid with easy access to the 210 and 605 Freeways and to the Metro Gold Line light rail system (which begins operation in 2016). In the short-to-medium term, the Plan Area can attract both residents and employers as a low-cost alternative to other cities on the 210 corridor, while in the longer-term, extension of the Gold Line will likely make it an increasingly competitive location. However, as a "spill-over" market, the success of the Specific Plan Area will likely continue to be linked to broader County economic trends and fundamentals.
- 2. Residential development, possibly with a small amount of street retail, may be the most viable use for the Plan Area in the short-to-medium term and will help create the critical mass of activity needed to support other land use types over time.** Townhomes and mid-rise residential development of up to 40 units per acre are likely to be viable in the short-to-medium term in the Plan Area. These product types have already achieved market acceptance in Arcadia, Monrovia, and Glendora and generate values that may support new development. Demand in the San Gabriel Valley for smaller units that offer a "downtown lifestyle" is growing due to the high cost of other residential types and a shift in tastes among younger buyers. Furthermore, Duarte's lower land cost basis may permit new units to be cost-competitive with other cities on the corridor. Residential growth in the Plan Area can increase the commercial support base for diversifying a mix of local-serving businesses. Substantial capture of the regional population growth in the Town Center would also be supported by perceived improvements in the quality of the public school system and public safety.
- 3. The Specific Plan area retail sector, while currently performing below the city and area average, has long-term potential as a vibrant mixed-use district assuming it becomes more internally coherent and better integrated within the greater City context.** While the City of Duarte has a significant supply of retail space, including several "big box" tenants, categories for clothing, accessories, restaurant, and drinking outlets are undersupplied. The current retail tenant mix within the Specific Plan Area serves primarily as discount-oriented commercial strip that caters to neighborhood residents and pass-by traffic off and onto the 210 Freeway. The viability of new retail will depend on the broader "place-making efforts", expansion of the residential customer base within the walkable area, and the broader growth in the regional economy. Incremental retail improvements and growth, whether local-serving, destination-oriented, or specialty/niche in nature, will help cultivate a stronger sense of place in the Plan Area, which will attract new land uses and customers, supporting a self-enforcing cycle of investment and economic development.
- 4. While the development potential for office in the Plan Area is limited in the short-term given the general weakness of the Duarte market, longer-term prospects are more promising.** Demand for office space in Duarte is generally weak, and potential for new

speculative development is expected to be low given area competition from the established office clusters in Monrovia, Arcadia, and further west. However, over the longer-term, office development has the potential to serve as a highly complementary land use, mutually benefiting proposed urban design efforts. Prospective tenants in the region would likely be attracted to the Town Center's accessible location and proximity to the Gold Line station, which will offer prospects for shorter and/or reverse-commute opportunities for residents living east and west on I-210. While the 400,000 square feet of office entitlement in the Duarte Station Area may absorb a significant amount of initial growth, it could also provide spill-over demand for related professional services which could bleed over to the Town Center Specific Plan Area, assuming viable pedestrian connections and an improved sense of place are established.

5. **Sufficient demand exists for a mid-scale-level chain hotel in Duarte due to the market supply gap between Arcadia and Glendora on the 210 corridor.** The 250-room hotel entitled for the Duarte Transit Village is optimally located to address estimated demand from City of Hope and from business travelers working for commercial businesses in and other cities east of Duarte. However, because existing uses in the Transit Village Area remain viable and well-tenanted, the timing of the site's transition is uncertain. Consequently, alternate sites within the Town Center Plan Area may provide a nearer-term opportunity to absorb this hotel demand.
6. **The total development potential in the Specific Plan Area will depend on the dynamic interplay of market forces, land/site availability, and the success of various "place-making" efforts that can be advanced in part through the Specific Plan process.** Few market-rate catalytic projects have occurred in the Specific Plan Area over the last 10 years to help fuel investor confidence and enhance the overall level of activity. Furthermore, the perceived physical trade area boundaries, including the 210 Freeway and the mining operations to the east, have acted as an impediment to investment. But meaningful place-making efforts, coupled with positive regional trends and the successful opening of the Gold Line, could lead to more development. Already, the Half-Mile Walkable Area features the highest population and employment density in the City, and growth anticipated by the Duarte Station Area Plan and City of Hope Master Plan could expand the area day population by over 30 percent. While the level of growth that can occur in the Plan Area is difficult to project with precision given the factors at play, the Specific Plan should consider the possibility for significant increase in the amount of residential density, a moderate increase in office density, and maintenance of the current level of retail density. Current market conditions suggest that housing is likely to lead the way, potentially providing a critical mass of activity that will ultimately make the area more supportive of higher-quality destination-oriented retail uses. Office development is likely to be more opportunistic in nature and first preceded by success in the transit village area and/or by implementation of the City of Hope Master Plan.

2. SOCIO-ECONOMIC CONTEXT

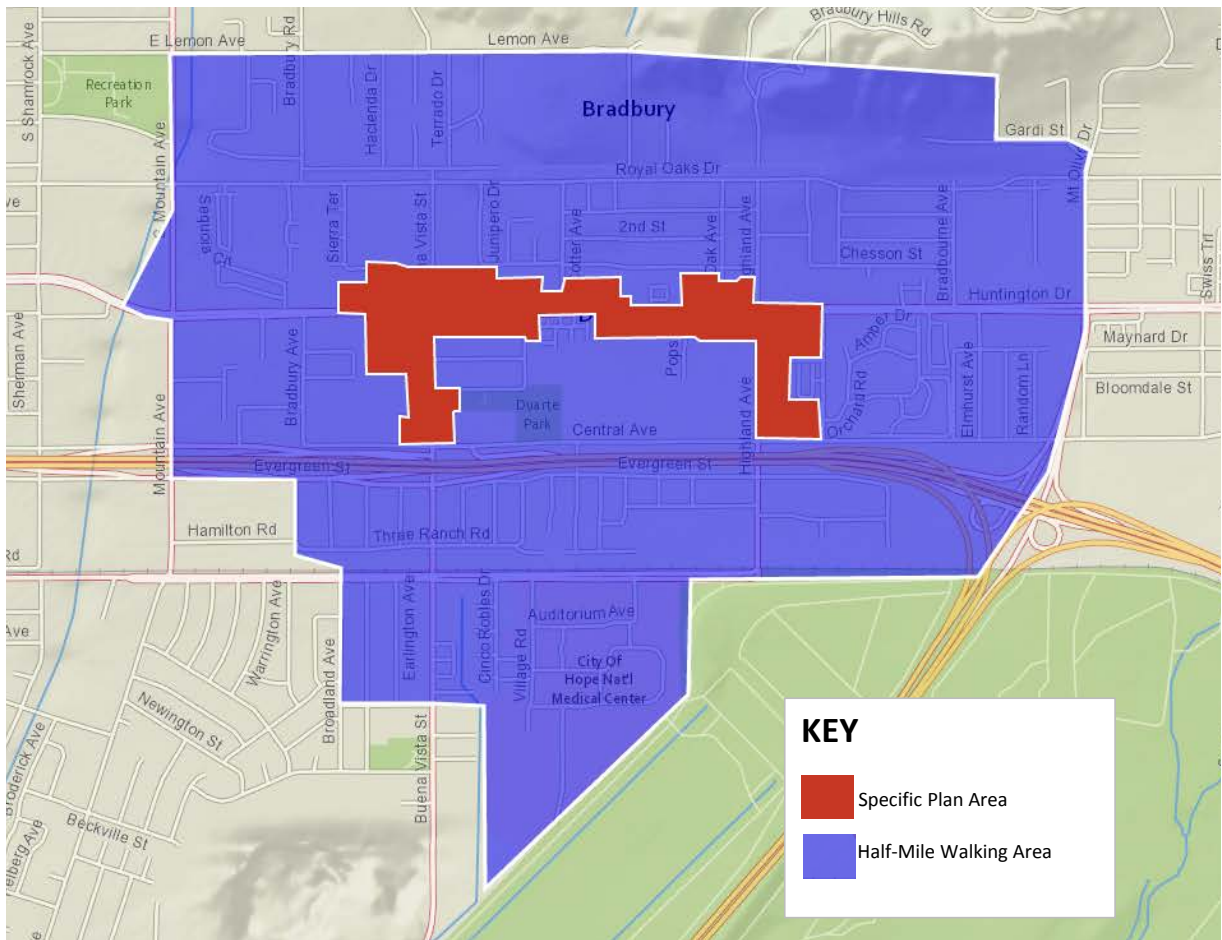
This section describes the key community, demographic and economic conditions and trends that will affect the long-term growth and investment potential for the Specific Plan area.

Trade and Market Areas Assessed

In order to ascertain the market measures and economic drivers underlying the market opportunity in the Specific Plan Area, the market analysis considers three nested market areas as shown in the Exhibits below: the Specific Plan Area, the Walkable Area, and a broader Trade Area. The Walkable Area, shown in **Exhibit 1**, extends approximately one-half walkable miles beyond the boundaries of the Specific Plan Area and includes the City of Hope campus and the (future) Gold Line Station Platform. This area of approximately 1.75 square miles describes the potential customer base of workers, visitors, and residents who might access the Specific Plan Area by walking, biking, or a short drive.

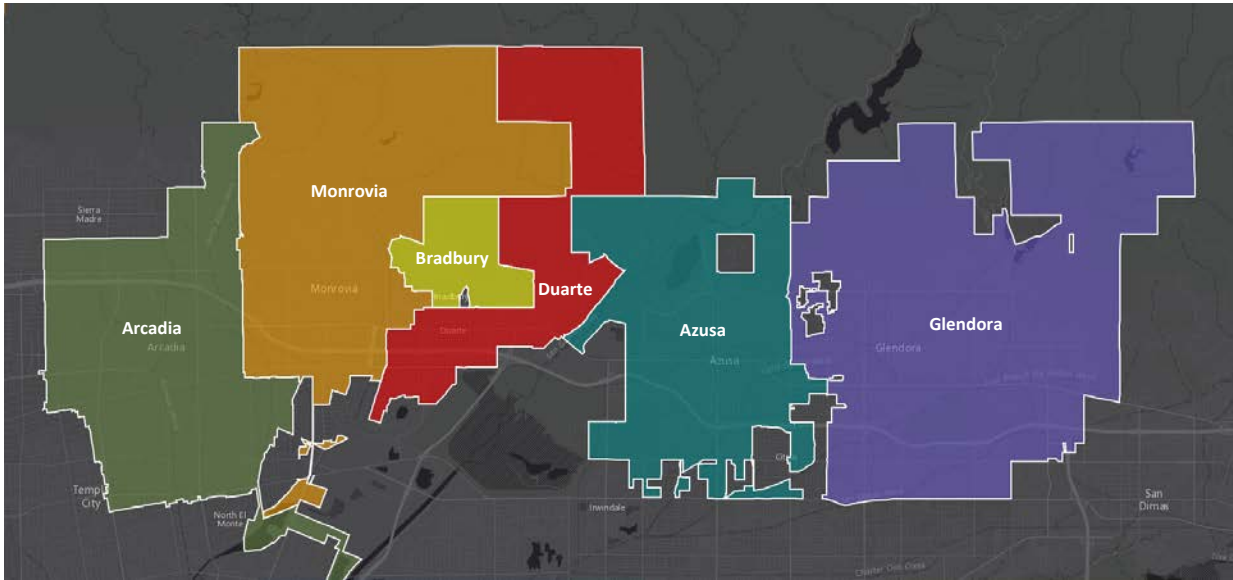
While Trade Area boundaries can differ depending on the attributes of specific tenant, a generalized Trade Area has been developed for the purpose of this study effort and is illustrated in **Exhibit 2**. A Trade Area is defined as the geographic area that encompasses the sources of market demand and supply that will determine the success of a particular sector (e.g. retail, office, residential). A trade area is determined by the size and distribution of population and employment clusters, transportation infrastructure and related commute patterns, competition, physical and psychological boundaries and other factors. The Specific Plan Trade Area includes the I-210 corridor cities east and west of Duarte that make up the natural competition for the same pool of residential, retail, and employment land uses. These cities include Arcadia and Monrovia west of Duarte; Bradbury north of Duarte, and Azusa and Glendora east of Duarte.

Exhibit 1 Map of Specific Plan and Half-Mile Walkable Areas



Source: ESRI Business Analyst, Economic & Planning Systems, Inc.

Exhibit 2 Map of Trade Area

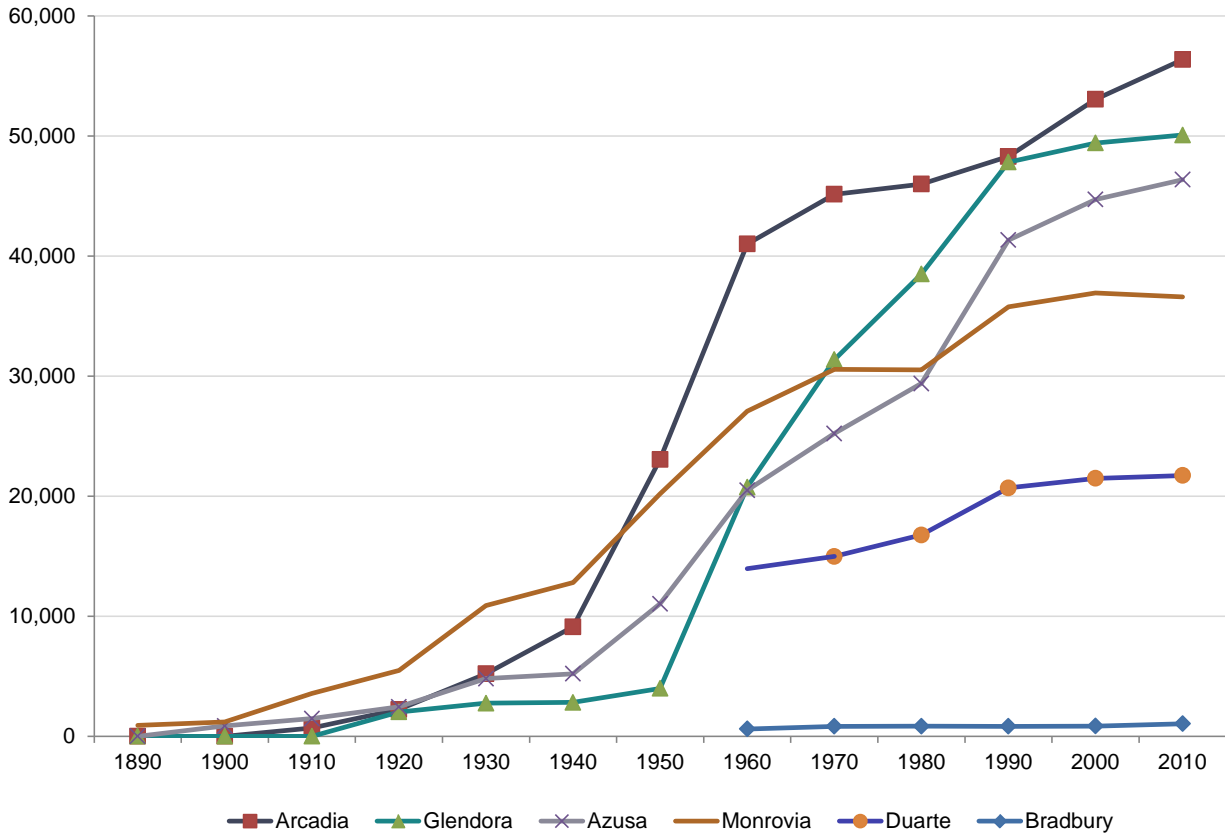


Source: ESRI Business Analyst

Demographic Conditions and Trends

Like other Trade Area cities, Duarte is a built-out bedroom community that saw most of its growth in the 30 years following World War II. Indeed, as illustrated in **Exhibit 3**, both Duarte and the Trade Area gained roughly half of their current population between 1950 and 1970. After another growth spurt during the 1980s, Trade Area growth has been relatively gradual, reflecting diminishing land supply and a lack of market support for and land use controls limiting a significant amount of higher-density residential development.

Exhibit 3 Trade Area Historical Population Growth



Source: Department of Finance

Duarte is currently the second-smallest (above Bradbury) and the second-least affluent (above Azusa) city within the Trade Area set, which includes cities of both moderate and high levels of wealth, as shown in **Exhibit 4**. With a population of 21,500, Duarte is nearly 42 percent smaller than the next-largest City of Monrovia. Average household income of \$63,000 in Duarte is nearly 17 percent lower than the next-largest city of Glendora at \$75,000. In sharp contrast, the neighboring cities of Monrovia and Bradbury have some of the highest average household incomes in the County, at \$83,000 and \$107,000 respectively. Residential values follow a similar pattern: Arcadia and Bradbury property values top the set at \$802,000 and >\$1,000,000 respectively, while Duarte’s city-wide average of \$362,000 is the second-lowest after Azusa’s.

As discussed further in this study, Duarte’s population and income levels below the Trade Area average have played an important role in the performance and market orientation of the retail sector in the Specific Plan Area. Among other things, strategies to improve development prospects should focus on capturing a higher share of demand from residents, workers and commuters within the larger Trade Area.

It is worth noting that the Half-Mile Walkable Residential Area population of nearly 11,600 is greater than half of the total population of Duarte and Bradbury combined and twice as densely populated. While the area’s socio-economic characteristics otherwise closely reflect Duarte’s, the population concentration may provide a strong base for development of pedestrian-friendly land uses and amenities.

Counterintuitively, the two least-affluent cities in the Trade Area, Duarte and Azusa, currently have the lowest percentage of multi-family housing in the Trade Area (behind only the small enclave of Bradbury). Specifically, about 80 percent of the housing stock in both these cities consists of single-family units, compared to about 70 percent for the rest of the Trade Area (and 57 percent for LA County as a whole). This would suggest that land values have not been high enough historically to provide incentive for higher-density development.

Slow population growth projections from the Southern California Association of Governments (SCAG) 2012-2035 RTP/SCS analysis, as shown in **Exhibit 5**, indicate that all cities in the Trade Area are mature and largely built out, as each is projected to grow more slowly than the Los Angeles County average. (Note that the next update of these projections, to be released in 2016, is expected to show slightly higher growth rates.)

Exhibit 4 Area Socio-economic Overview

Item	Duarte	Half-Mile Walkable Area ¹	Adjacent Corridor Cities					LA County
			Arcadia	Monrovia	Bradbury	Azusa	Glendora	
General								
Total Population	21,499	11,586	56,758	36,806	924	46,843	50,500	9,893,481
Total Households	6,856	4,859	19,607	13,146	322	11,889	16,529	3,230,383
Total Housing Units	7,167	4,611	20,601	14,150	399	12,702	17,219	3,452,901
Population/Household	3.1	2.4	2.9	2.8	2.9	3.9	3.1	3.1
Population/Sq.Mile	3,214	6,130	5,100	2,685	472	4,845	2,582	2,082
Median HH Income	\$62,250		\$77,704	\$83,097	\$107,917	\$52,001	\$74,615	\$55,909
Median Home Value	\$362,600	\$324,636	\$802,400	\$505,700	\$1,000,000+	\$305,200	\$448,600	\$420,200
Median Rent	\$1,214	\$1,063	\$1,402	\$1,276	\$1,036	\$1,202	\$1,440	\$1,204
Average Household Size	3.1	2.52	2.88	2.8	2.87	3.6	3.0	3.0
Average Family Size	3.73		3.35	3.4	3.07	4.1	3.5	3.7
Owner-Occupied/Occupied Units	35%	46%	61%	51%	86%	54%	72%	48%
Housing Unit Break-Down								
Single Family Attached and Detached	80%	60%	73%	71%	98%	65%	81%	57%
Multifamily	18%	34%	27%	28%	3%	31%	15%	41%
Mobile Home/Other	2%	6%	0%	9%	0%	4%	5%	2%
Education (Age 25+)								
Less than High School	11%	16%	5%	7%	2%	24%	10%	23%
High School Only	26%	27%	15%	22%	10%	31%	19%	21%
Some College, No Degree	19%	21%	15%	21%	21%	19%	28%	20%
Associate Degree	9%	10%	9%	10%	9%	7%	11%	7%
Bachelor's Degree	18%	17%	32%	22%	29%	13%	19%	20%
Master's/Professional/Ph.D.	10%	8%	20%	13%	25%	6%	12%	10%
Age Distribution								
Median Age	40.0	44.2	42.6	37.7	48.8	27.9	39.6	35.1
Population Aged 17 and Under	22%	20%	22%	23%	16%	25%	24%	24%
Population Aged 18-64	62%	60%	62%	66%	57%	67%	62%	65%
Population Aged 65+	16%	19%	16%	12%	21%	8%	14%	11%
Race								
White alone	53%	53%	32%	56%	58%	44%	78%	53%
Black or African American alone	6%	8%	1%	6%	2%	3%	2%	8%
American Indian and Alaskan Native alone	0%	1%	0%	0%	0%	1%	1%	1%
Asian alone	18%	16%	59%	13%	31%	9%	7%	14%
Native Hawaiian and Other Pacific Islander alone	0%	0%	0%	0%	0%	0%	0%	0%
Some other race alone	19%	18%	5%	20%	4%	40%	8%	20%
Two or more races	3%	5%	3%	4%	4%	4%	4%	4%
Hispanic or Latino (of any race)	44%	45%	12%	41%	17%	68%	31%	48%

(1) Half-Mile from the SP Area in all directions; includes a portion of Bradbury in North and City of Hope in South

Source: U.S. Census Bureau, 2013 (5-Yr Estimates); ESRI Business Analyst.

Exhibit 5 Area Growth Projections

Item	Duarte	Arcadia	Monrovia	Bradbury	Azusa	Glendora	Los Angeles County
2008 Population	21,200	56,200	36,300	1,000	46,300	49,700	9,778,000
2020 Population	22,100	59,600	37,700	1,100	49,500	52,900	10,404,000
2035 Population	23,400	64,300	39,400	1,100	53,800	56,700	11,353,000
% Change from '08-'35	10%	14%	9%	10%	16%	14%	16%
2008 Households	7,000	19,500	13,600	300	12,700	17,000	3,228,000
2020 Households	7,400	21,000	14,300	400	13,800	18,000	3,513,000
2035 Households	7,900	22,700	14,800	400	14,800	18,400	3,852,000
% Change from '08-'35	13%	16%	9%	33%	17%	8%	19%
2008 Employment	6,700	26,700	17,700	200	18,200	12,300	4,340,000
2020 Employment	7,000	28,100	18,300	300	18,500	12,900	4,558,000
2035 Employment	7,300	29,500	19,100	300	19,200	13,500	4,827,000
% Change from '08-'35	9%	10%	8%	50%	5%	10%	11%

Source: SCAG 2012-2035 RTP/SCS

School and Crime Statistics

A significant draw for younger families to the San Gabriel Valley is the extremely strong school systems in the cities of Arcadia, Monrovia, and Glendora, as shown in **Exhibit 6**. For Duarte, which has a lower-ranked school system, this is a competitive disadvantage.

Crime levels are also a significant factor for residential demand and resulting property values. In this regard, as shown in **Exhibit 7**, Duarte and especially Azusa underperform the County crime-rate average.

Exhibit 6 Trade Area Public School Rankings

District	2013 Growth API ¹	Niche Ranking ²
Duarte Unified	784	B
Pasadena Unified	751	B-
Arcadia Unified	929	A+
Monrovia Unified	807	A
Azusa Unified	738	C-
Glendora Unified	864	A

Sources:

(1) California Department of Education, Academic Performance Index

(2) Niche: <https://k12.niche.com/>

Exhibit 7 Trade Area Crime Statistics

City	Population	Total Violent Crime	Crime / 100,000 Population	Employment
Azusa	47,754	246	515	16,271
Duarte	21,759	41	188	11,256
Monrovia	37,071	57	154	19,067
Glendora	50,893	65	128	16,117
Arcadia	57,855	77	133	30,953
Bradbury	1,080	1	93	112
LA County	10,116,705	11,874	117	4,282,812

(1) Violent crimes include criminal homicide, forcible rape, robbery, and aggravated assault.

Source: FBI Uniform Crime Reports, 2013

Employment and Commute Patterns

Duarte’s convenient location on the 210 and 605 Freeways provides easy access for in-commuters and out-commuters. Every workday, due to an influx of more than 10,000 workers from outside of the city, the city’s day population grows 12 percent to over 24,000. The jobs-to-households ratio of 1.64, as shown in **Exhibit 8** is higher than that for Los Angeles County, indicating that Duarte is more of an in-commuter than an out-commuter city. The jobs-to-household ratio of 2.14 for the Half-Mile Walkable Area shows an even stronger in-commuter orientation. Typically, a high jobs-to-households ratio and the accompanying growth in day population indicates potential market support for an expanded restaurant and retail mix. However, a large proportion of Duarte in-commuters are City of Hope employees who generally remain on campus during the work day, as will be discussed further below. Consequently, according to several land use professionals interviewed for this study, the nominal daily increase in the day population has not translated into expected demand for Duarte retail services.

Exhibit 8 2013 Employment Inflow/Outflow and Day Population

Item	Duarte	Half-Mile Walkable Area
Residential Population	21,499	11,586
Worker Population		
(less: Live in City, Employed Outside City)	(7,785)	(3,698)
plus: Employed in City, Living Outside City	10,417	10,001
Subtotal Workers	2,632	6,303
Net new Students ¹		1,088
Day Population	24,131	18,977
Daily Inflow/(Outflow)	2,632	7,391
Daily Inflow/(Outflow) as % of Residential Population	12%	64%
Jobs/Household	1.64	2.14

(1) Students not included in residential population

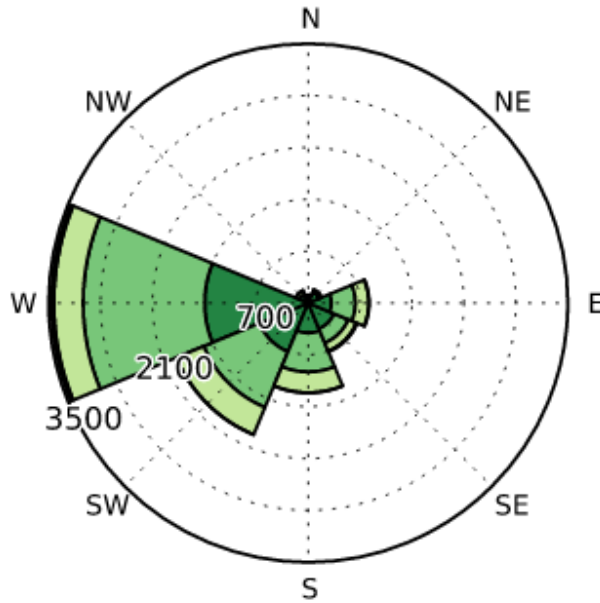
Sources: US Census, Census LEHD, ESRI Business Analyst, Department of Education, EPS

Duarte residents who commute out of the City to work do so overwhelmingly in a westerly direction towards West San Gabriel Valley cities of Monrovia and Arcadia and major job centers of Downtown Los Angeles, Pasadena, Glendale, and Burbank, as indicated by **Exhibit 9** and **Exhibit 10**.

The Los Angeles County Metropolitan Transit Authority (Metro) Gold Line Extension, a light rail service that will connect San Gabriel Valley cities of Azusa, Irwindale, Duarte, Monrovia, and Arcadia to the existing Gold Line terminus in Pasadena, will begin operating in March 2016. Once operational, riders will be able to reach Union Station in Downtown Los Angeles from Azusa in less than 50 minutes. Steady ridership growth in existing Gold and Exposition light rail lines has led to the expectation that ridership on the new line will be strong.¹ According to several land use professionals interviewed for this study, the Gold Line should further increase the flow of residents, workers and visitors between Duarte and cities to the west. In anticipation of the Gold Line, the City of Duarte has adopted the Duarte Station Specific Plan, which anticipates eventual development of up to 475 residences, 250 hotel rooms, 400,000 square feet of office, and 12,000 square feet of retail on a 19-acre site surrounding the station platform (which currently hosts three industrial buildings).

¹ The average 2015 Gold Line daily ridership of 43,000 boardings reflects 84 percent growth since 2009.

Exhibit 9 Travel to Work Direction from Duarte



Source: LEHD/On the Map

Exhibit 10 Travel to Work Destination from Duarte

	2013		Direction
	#	%	
Los Angeles	1,341	15.5%	West
Duarte	839	9.7%	-
Pasadena	799	9.3%	West
Arcadia	487	5.6%	West
Monrovia	356	4.1%	West
Industry	165	1.9%	South
Irwindale	160	1.9%	South
Glendale	146	1.7%	West
El Monte	142	1.6%	South
Burbank	130	1.5%	West
Subtotal top-10 locations		52.9%	
Subtotal 11-25 locations		15.6%	
Subtotal all other locations		31.5%	

Source: LEHD On the Map and EPS

While Duarte's economy is somewhat diverse, featuring small manufacturing companies, wholesale and logistics operators, and retailers serving local and regional markets, the City of Hope Hospital, with over 3,500 employees, is by far the City's largest employer, as shown in **Exhibit 11**. As shown in **Exhibit 12**, the Health and Social Assistance sector—most of which comes from City of Hope—contributes 42 percent of the City's jobs. Other significant contributors include retail (12 percent) and public administration (11 percent). The Specific Plan Area only

contributes 3 percent of the City's jobs, but when included as part of the Half-Mile Walkable Area, it encompasses most of the City's jobs in the major healthcare, public administration, education, retail, and manufacturing sectors.

Exhibit 11 Top Employers in Duarte

Rank	Employer	# of Employees	Share of Total City
1	City of Hope	3,551	32%
2	Duarte School District	431	4%
3	GE Aviation	291	3%
4	Wal-Mart	270	2%
5	CarMax	187	2%
6	Target	183	2%
7	We Pack it All	155	1%
8	Thera Pak	111	1%
	Subtotal Top 8	5,179	46%
	Total City	11,256	100%

Source: Access Duarte

Exhibit 12 Employment Mix

Item	Specific Plan Area			Half-Mile Walkable Area			Duarte		
	2013		2002-13	2013		2002-13	2013		2002-13
	#	Share	Δ	#	Share	Δ	#	Share	Δ
Total Jobs	381	100%	(176)	10,408	100%	4,510	11,256	100%	5,025
Jobs by NAICS Category									
Agriculture, Forestry, Fishing and Hunting	0	0%	0	0	0%	0	3	0%	(1)
Mining, Quarrying, Oil and Gas Extraction	0	0%	0	0	0%	0	0	0%	(2)
Utilities	0	0%	0	6	0%	6	8	0%	7
Construction	0	0%	(3)	77	1%	(58)	197	2%	(2)
Manufacturing	0	0%	(4)	532	5%	(423)	557	5%	(438)
Wholesale Trade	0	0%	(2)	589	6%	317	673	6%	372
Retail Trade	95	25%	(51)	868	8%	(72)	1,318	12%	(23)
Transportation and Warehousing	0	0%	(2)	16	0%	(49)	201	2%	140
Information	4	1%	1	13	0%	7	14	0%	8
Finance and Insurance	0	0%	(28)	95	1%	(49)	69	1%	(75)
Real Estate and Rental and Leasing	3	1%	(2)	32	0%	(34)	80	1%	14
Professional, Scientific, and Technical Svcs.	2	1%	2	107	1%	(252)	125	1%	(256)
Management of Companies and Enterprises	0	0%	0	1	0%	(32)	1	0%	(32)
Admin. & Support, Waste Mgmt. and Remed.	16	4%	11	406	4%	351	421	4%	317
Educational Services	1	0%	(138)	892	9%	0	825	7%	31
Health Care and Social Assistance	149	39%	81	4,852	47%	3,781	4,756	42%	3,927
Arts, Entertainment, and Recreation	0	0%	0	12	0%	7	11	0%	(13)
Accommodation and Food Services	93	24%	10	565	5%	(25)	617	5%	16
Other Services (excluding Public Admin.)	18	5%	(19)	1,231	12%	1,056	1,270	11%	1,059
Public Administration	0	0%	(32)	114	1%	(21)	110	1%	(24)

Source: LEHD On the Map

Despite its size, City of Hope largely operates as a self-contained entity apart from the City. The 112-acre campus hosts a range of research institutes, graduate programs, in-patient and out-patient care, supporting plant facilities, office space, and eating spaces. The location on the southern edge of the City south of the I-210 barrier, with campus buildings set back from Duarte Road, impedes circulation of employees and visitors between City of Hope and the City of Duarte. Spin-off activity in the biotechnology sector in Duarte has to date been minimal, as Monrovia, Arcadia, and Pasadena are favored cities on the corridor for new ventures. City of Hope is engaged in a master planning process that may add up to 1.1 million new square feet of office and laboratory space. While there is no explicit plan as yet to better link the campus to the City, it is reasonable to expect that workforce expansion of up to 3,600 employees (at 1 employee per new 300 square feet) will have some spill-over impact on demand for services in Duarte.

Implications

The vision of a more walkable Town Center destination depends on economic development to increase the population and density of residents, workers, and visitors in the vicinity. As noted above, Duarte is a relatively small city whose residents have less discretionary spending power than those in the larger and more affluent cities to the west. While the small city of Bradbury just north of Duarte has a highly affluent population of nearly 1,000, the city's residents—according to local land use professionals—do not participate significantly in the economic life of Duarte and instead spend discretionary dollars in cities to the west. Wedged between the open-pit gravel mines and San Gabriel River flood protection zone to the east and south, and split by the above-grade 210 Highway, Duarte's Trade Area is also bifurcated by physical barriers and dominated by areas of low population and employment density.

Already, the Half-Mile Walkable Area features the highest population and employment density in the City. Operation of the Gold Line in 2016 should convert some existing drivers to walkers and cyclists, thereby increasing street activity. Over time, the Duarte Station transit village area could see some of the real estate growth envisioned in the Specific Plan. Finally, the City of Hope master plan could double the site's employee base. This current and potential demand, which is shown on **Exhibit 13**, should complement development initiatives in the Specific Plan Area.

Exhibit 13 Half-Mile Walkable Area: Current and Future Addressable Demand

Item	Current Base	+ Transit Village at Build-Out ²	+ Proposed City of Hope Master Plan ³	= Total Potential	% Change Over Base
Residential Population	11,586	1,127	0	12,713	10%
Net Daily Workers¹	6,303	1,273	3,667	11,243	78%
Net Students⁴	1,088			1,088	0%
TOTAL	<u>18,977</u>			<u>25,043</u>	32%

- (1) Excludes workers included in residential population
- (2) Estimate from Duarte Transit Village Plan Fiscal Impact Analysis
- (3) Proposed 1.1 million net new sq.ft. at 300 sq.ft./employee
- (4) Excludes local resident students by assuming 60% of 1,813 students at Duarte HS and Northview Intermediate live outside half-mile area

Sources: LEHD On the Map: 2013, ESRI Business Analyst: 2013; Duarte Unified School District; EPS

3. REAL ESTATE MARKET OVERVIEW

This section describes the existing market conditions and trends affecting the performance and development prospects for residential, office, retail, and related commercial land uses in the Specific Plan area. It draws on the local and regional socio-economic trends described above as well as information on the competitive real estate landscape both locally and regionally.

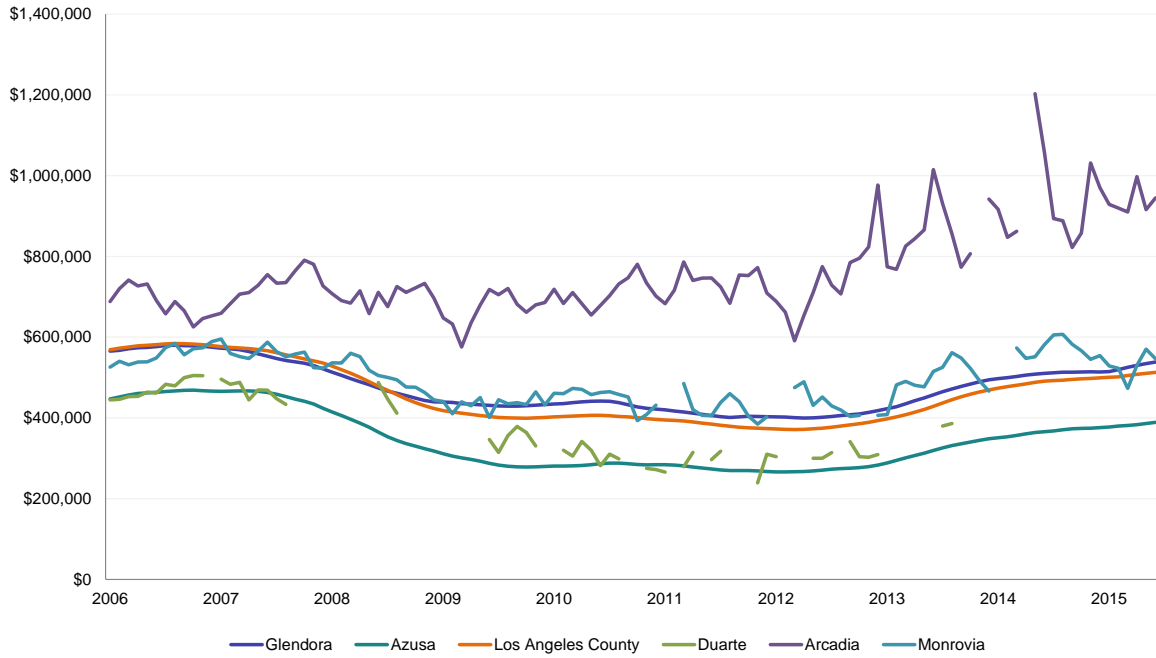
Residential Market

Following the pattern throughout most of California, the Trade Area residential market was hit hard by the so-called Great Recession commencing in 2008, with homes (outside of Arcadia, which mostly resisted decline, and Bradbury, for which valuations were not available) losing an average of 35 percent of value at the low point. Since 2012, however, the Trade Area residential market has rebounded. As shown in **Exhibit 14**, single-family home valuations in most Trade Area cities have recovered all value lost during the Recession (with Arcadia far exceeding the highs of the last boom). Likewise, the trends in rental housing, as shown on **Exhibit 15** and **Exhibit 16**, indicate steadily increasing rents and declining vacancy. (Average multifamily rents in Duarte have historically exceeded those of other cities in the set. This is likely due to the fact that, as noted above, Duarte is a strong in-commuter City and generates relatively high housing demand from out-of-town workers for the relatively limited supply.)

Despite positive market trends before and after the Recession, new residential development has been limited throughout the Trade Area except in Monrovia and Glendora. As shown in **Exhibit 17**, Monrovia's unit inventory between 2000 and 2015 grew by 8.4 percent and Glendora's by 12.2 percent (with 10 percent more under construction in Glendora) while Duarte's inventory grew by only 4.2 percent.

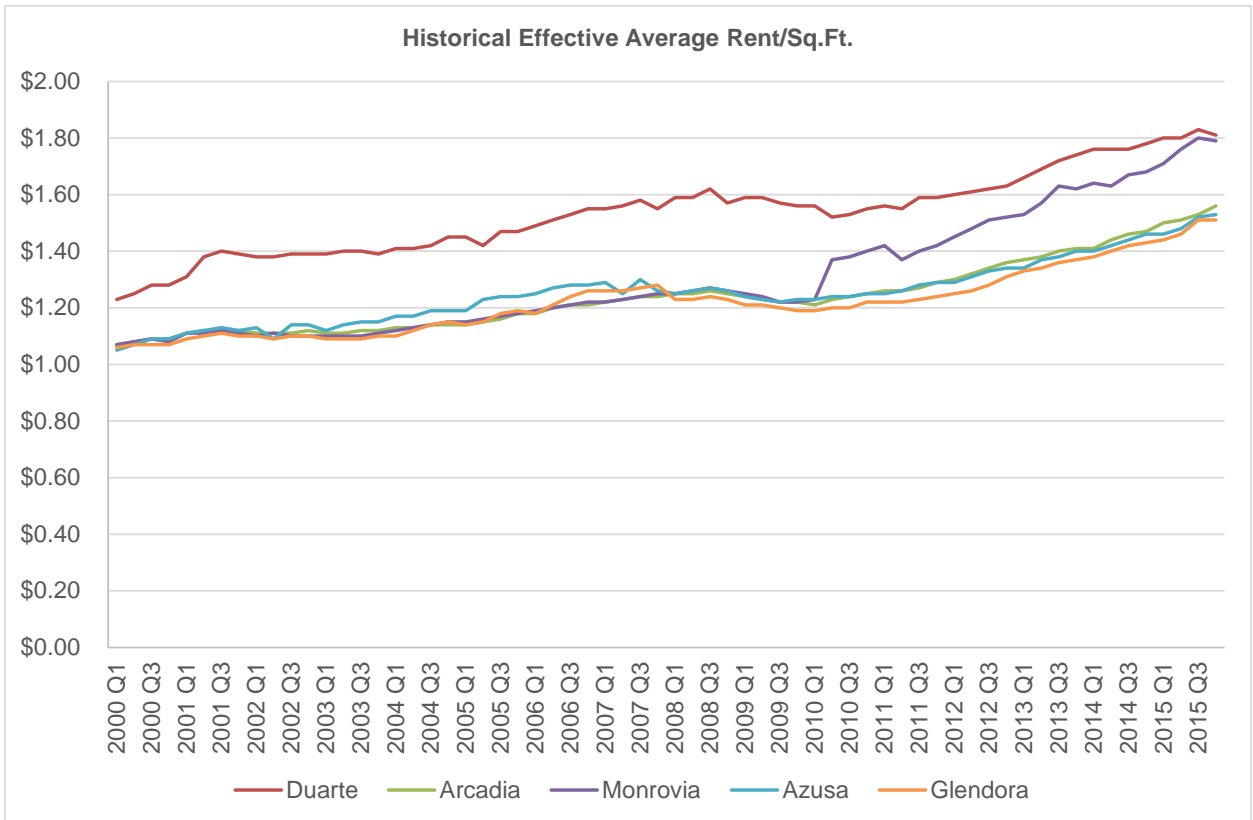
Monrovia's and Glendora's growth, which occurred mainly through higher-density projects located in each city's walkable core, may provide a pattern for Duarte to emulate. As shown in **Exhibit 18**, all recent Glendora and Monrovia projects are either attached townhomes or mixed-use wrap projects of between 2 and 4 floors, both for-rent and for sale. Condominiums have recently become more popular in the Trade Area because, in the strong San Gabriel Valley housing market, they are often the only affordable properties available. In addition, according to several real estate brokers interviewed for this report, younger buyers are increasingly seeking a "downtown lifestyle."

Exhibit 14 Market Area Home Single-Family Home Valuations 2006-2015



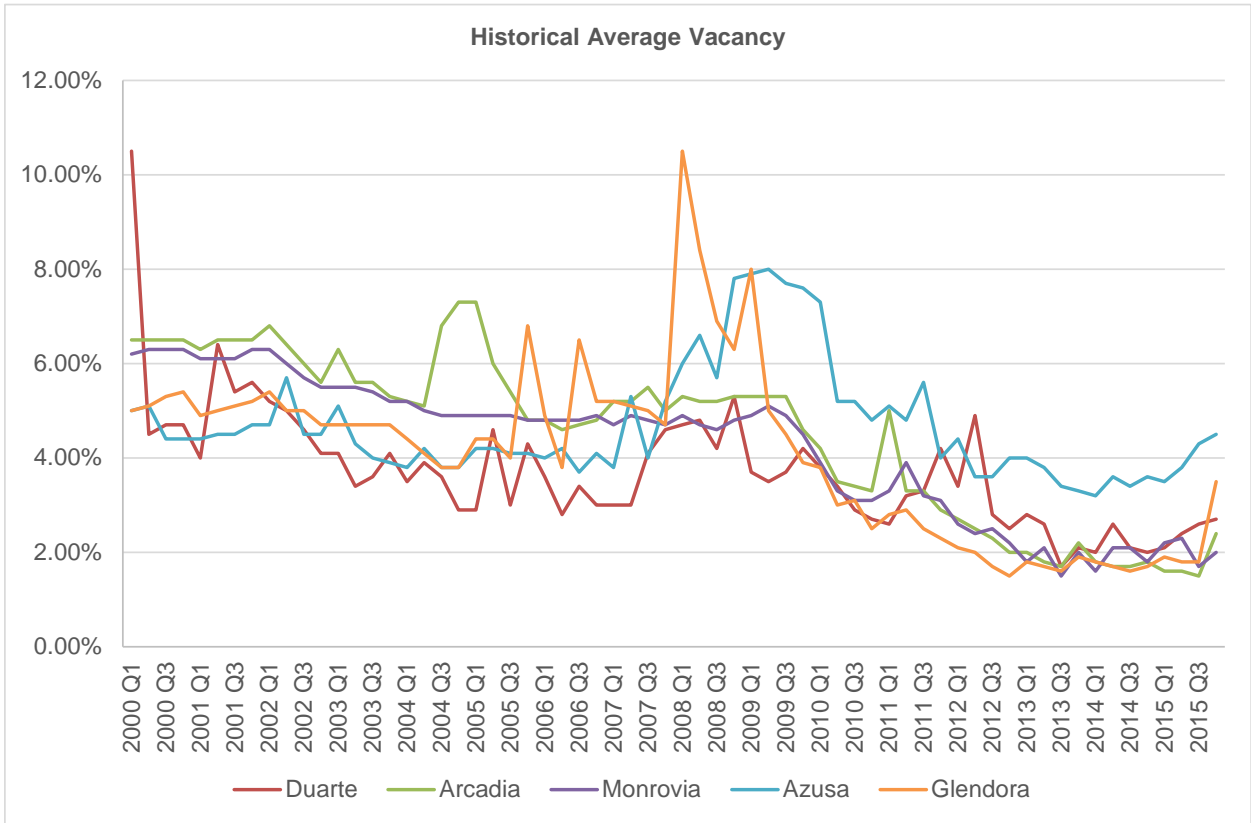
Source: Zillow

Exhibit 15 Trade Area Multifamily Historical Rents



Source: CoStar, EPS

Exhibit 16 Trade Area Multifamily Historical Vacancy



Source: CoStar

Exhibit 17 Multifamily Market Metrics

	Trade Area	Duarte	Arcadia	Monrovia	Azusa	Glendora
Performance (4Q15)						
Effective Rent/Sq.Ft.	\$1.61	\$1.81	\$1.56	\$1.79	\$1.53	\$1.51
Effective Rent/Unit	\$1,299	\$1,262	\$1,411	\$1,325	\$1,227	\$1,319
Average Sq.Ft./Unit	837	707	997	794	802	899
Vacancy Rate	3.2%	2.7%	2.4%	2.0%	4.5%	3.5%
Inventory (Units)						
Existing Units	14,623	1,737	3,506	3,145	3,750	2,476
New Units 2000-2015	705	70	115	243	8	269
% Change	5.1%	4.2%	3.4%	8.4%	0.2%	12.2%
Under Construction	243	0	0	0	0	243
% Change	2%	0%	0%	0%	0%	10%

Source: CoStar

Exhibit 18 Recent Market-Rate Trade Area Multifamily Projects

Project	Address	City	Completed	Type	Sale/Rent	Stories	Units
Glendora Village Collection	337 S Glendora Ave.	Glendora	2015	Attached TH ¹	Sale	3	53
Avalon Glendora	121 E Route 66	Glendora	2015	Mixed-Use/Wrap	Rent	3	280
825-831 Arcadia Ave	825-831 Arcadia Ave	Arcadia	2015	Attached TH	Rent	2	18
Avalon San Dimas	205 N San Dimas Canyon Rd	San Dimas	2014	Multi-Family	Rent	2	157
Paragon at Old Town Apartments	700 S Myrtle Ave	Monrovia	2010	Mixed-Use/Wrap	Rent	4	163
Vermont Avenue Lofts	134 North Vermont Ave.	Glendora	2009	Attached TH	Sale	2	26
Colorado Commons	517-519 Falling Leaf Aly	Monrovia	2008	Mixed-Use/Wrap	Sale	3	68
2061 Mountain Ave	2061 Mountain Ave	Duarte	2008	Attached TH	Rent	2	17
Azusa Court	740 S Azusa Ave	Azusa	2007	Attached TH	Rent	2	8

(1) Townhome

Sources: CoStar, City websites, company websites, EPS

Implications

A strong San Gabriel Valley residential market, coupled with trends in higher density “downtown” projects may provide impetus for similar residential development in the Duarte Town Center Specific Plan Area. However, due to the City’s comparatively lower-ranked school system and weaker socio-economic base, slightly discounted rents and home values should be expected.

Retail

Duarte hosts four major categories of retail outlets: I-210 freeway-adjacent big-box centers, I-210 Freeway-adjacent car dealerships, and grocery-anchored neighborhood centers and convenience-oriented strip retail arrayed along Huntington Drive. These categories are closely reflected in the city’s retail sales-per-capita performance, as shown on **Exhibit 19**. Compared to the competitive set, high-performing areas in Duarte include motor vehicle parts and accessories (mainly from Nissan, Ford, and CarMax), and general merchandise (mainly from the Walmart- and Target-anchored centers), indicating a relatively high concentration of such outlets for a city its size. Food and Beverage sales are roughly on par with the competitive set, while clothing and accessories and restaurants and drinking categories, which are typically associated with lifestyle and entertainment destinations, underperform the set.

Average retail rent and vacancy in Duarte is consistent with the Trade Area average, as shown on **Exhibit 20**, while the Specific Plan Area average rent is significantly lower, reflecting the mix of marginal and non-credit² tenants in the Town Center area. Historical rent trends in **Exhibit 20** show that while Specific Plan Area rents have consistently lagged those of the Trade Area and City of Duarte, the gradual downward-sloping trend for all three areas suggests a marketplace with excess inventory. The historical vacancy trend in **Exhibit 21** shows that while current vacancy is low for each geographic area, the volatility of vacancy in the Specific Plan Area has been more pronounced. As shown in **Exhibit 22**, there is approximately 2.5 million square feet

² A credit tenant, usually referring to a regional or national-level retail operator, is one with financial resources sufficient to receive an investment-grade rating, which is regarded as a sign the tenant will be able to pay rent in a variety of economic climates.

of shopping center and downtown retail west of Duarte within 5 miles; 3 million square feet of big box and mall retail less than 9 miles to the south; and 2 million square feet of power center retail to the east.

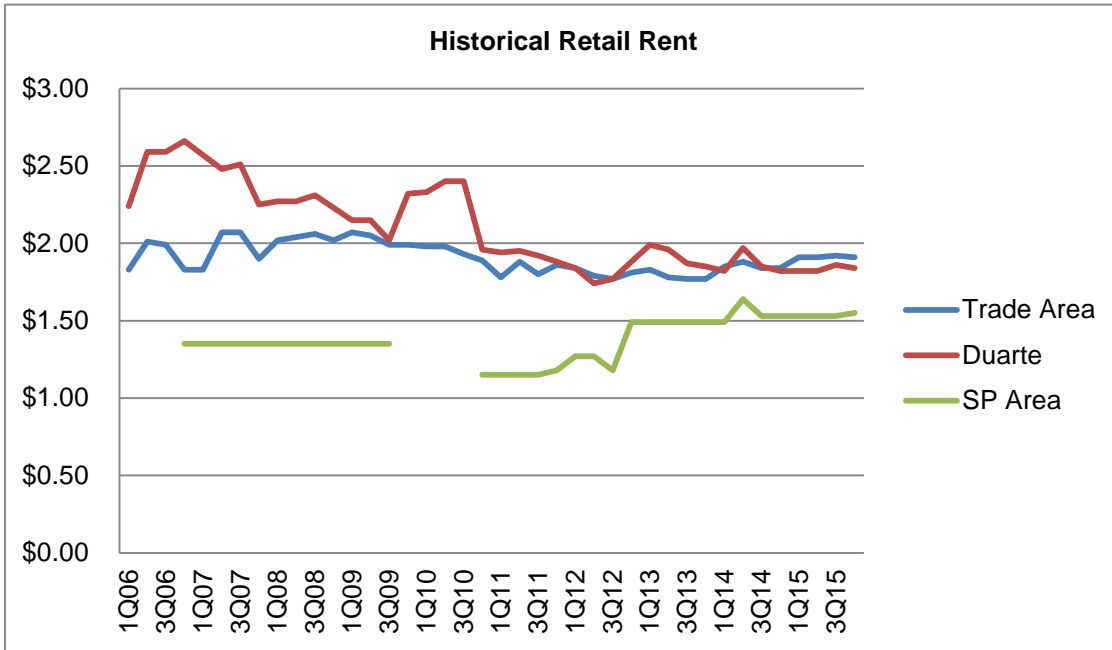
Retail in the Specific Plan area is almost entirely composed of grocery-anchored neighborhood centers and convenience-oriented strip retail. As discussed in greater detail in the *MIG Town Center Specific Plan Existing Conditions Report*, this retail is strongly automobile-oriented and shows a high degree of deferred maintenance. It also appears under-capitalized, due to the high proportion of local non-credit tenants. Finally, Plan Area retail exhibits a land ownership pattern featuring many small and irregular parcels and many owners. This fragmentation can provide a significant impediment to revitalization because negotiating with a large number of parties typically makes land assembly, coordinated programming, and standardized design and façade improvement difficult.

Exhibit 19 Per-Capita Taxable Retail Sales

Item	Duarte	Arcadia	Monrovia	Azusa	Glendora	Los Angeles
Population	21,499	56,758	36,806	46,843	50,500	9,893,481
2013 Total Taxable Sales (000)	\$445,476	\$891,022	\$768,971	\$462,152	\$690,033	\$140,079,708
2013 Taxable Sales/Capita						
Motor Vehicle and Parts Dealers	\$8,977	#	\$6,605	\$296	\$3,141	\$1,571
Home Furnishings and Appliance Stores	#	\$271	\$1,262	\$90	\$873	\$621
Bldg. Matrl. and Garden Equip. and Supplies	\$257	\$103	#	\$65	#	\$663
Food and Beverage Stores	\$472	\$687	\$798	\$373	\$663	\$946
Gasoline Stations	#	\$1,596	\$1,375	\$1,610	\$1,100	\$1,397
Clothing and Clothing Accessories Stores	\$40	\$3,941	\$801	\$302	\$242	\$1,003
General Merchandise Stores	\$4,576	\$1,441	#	\$3,438	\$2,619	\$1,410
Food Services and Drinking Places	\$1,545	\$2,692	\$2,107	\$1,091	\$1,521	\$1,767
Other Retail Group	<u>\$2,950</u>	<u>\$3,270</u>	<u>\$4,075</u>	<u>\$633</u>	<u>\$2,187</u>	<u>\$693</u>
Total Retail and Food Services	\$18,817	\$14,002	\$17,023	\$7,899	\$12,344	\$10,071
All Other Outlets	\$1,904	\$1,696	\$3,869	\$1,967	\$1,320	\$4,087
Total All Outlets/Capita	\$20,721	\$15,699	\$20,893	\$9,866	\$13,664	\$14,159

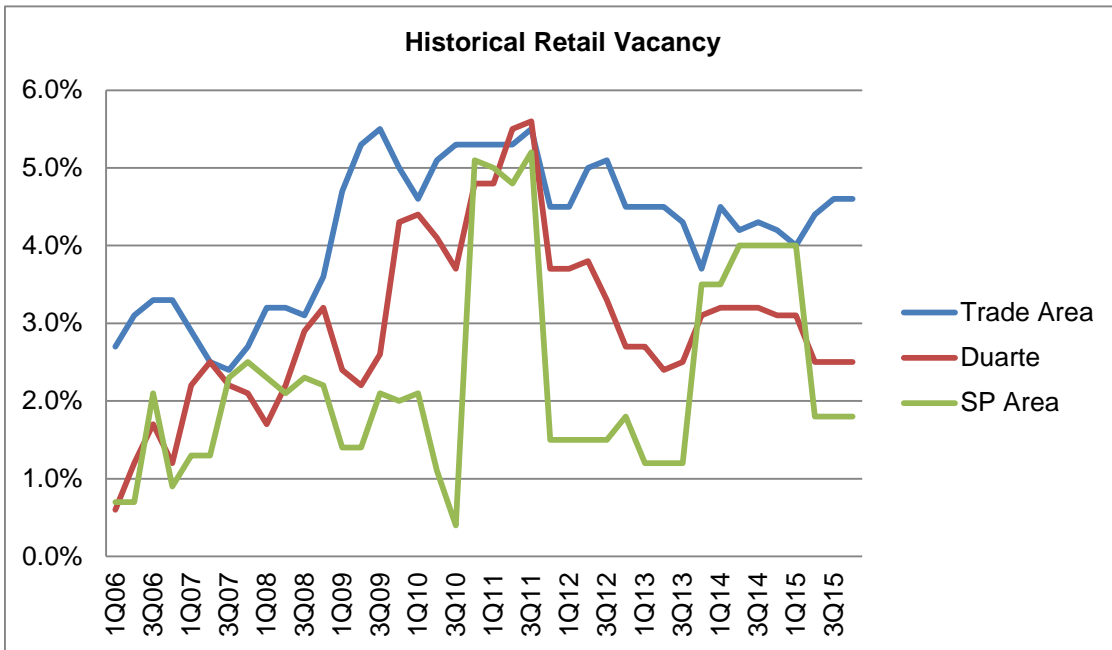
Source: CA Bureau of Equalization, 2013 Census

Exhibit 20 Historical Retail Rent: 2006-2015



Source: CoStar, EPS

Exhibit 21 Historical Retail Vacancy: 2006-2015



Source: CoStar, EPS

Exhibit 22 Retail Trade Area Competition

Area/Center	Type	City	Miles from SP Area	Retail RBA	Key Tenants
Arcadia and Monrovia					
Old Town Monrovia	Downtown Street Retail	Monrovia	2	630,000	Pinkberry, US Bank, Wells Fargo, Public Library, Vons, Starbucks, Coldstone
Huntington Betw. I-210 and Santa Anita Ave.	Big Box/Community/Neighborhood/Restaurant Row	Arcadia/Monrovia	4.5	600,000	Burlington Coat Factory, Pavillions, Outback, DoubleTree, Hilton Garden Inn
Westfield Santa Anita	Regional Mall	Arcadia	5	<u>1,300,000</u>	JCPenney, Macy's, Nordstrom, Forever 21
Subtotal				2,530,000	
West Covina					
Eastland Center	Big Box	West Covina	9.5	911,000	WalMart, Target, Burlington Coat Factory
West Covina Restaurant Row	Chain Restaurants	West Covina	10	28,000	Hooters, Marie Callender's
McIntyre Square	Asian Cuisine	West Covina	9	111,000	Cathay Bank, 85°C Bakery, Oto Oto
Westfield West Covina	Regional Mall	West Covina	7	1,640,000	Macy's, Sears, Best Buy
West Covina Parkway Plaza	Big Box/Community/Neighborhood	West Covina	7.5	88,000	Tesco, Petco, Sizzler, Fresh & Easy
West Covina Marketplace at the Lakes	Big Box	West Covina	8	96,000	Toys R Us, Michaels
Lakes Entertainment Center	Lifestyle/Entertainment	West Covina	8	<u>124,000</u>	Edwards Cinemas
Subtotal				2,998,000	
Glendora/San Dimas					
Glendora Marketplace & Diamond Ridge	Big Box/Community/Neighborhood	Glendora	10	749,000	Home Depot, Sam's Club, Best Buy, AMC 12
Foothill Village Shopping Center	Big Box/Community/Neighborhood	San Dimas	11	232,000	Lowe's, Levitz
Costco Center	Big Box/Community/Neighborhood	San Dimas	10	225,000	Costco
San Dimas Marketplace/Target Center	Big Box/Community/Neighborhood	San Dimas	12	271,000	Target, Petco, Trader Joe's, Ross
Lone Arrow Center	Big Box/Community/Neighborhood	San Dimas	12	44,000	Walgreen's, 24-Hour Fitness
San Dimas Plaza	Big Box/Community/Neighborhood	San Dimas	10.5	195,000	Ralph's, Rite-Aid, TJ Maxx, Smart & Final
San Dimas Station North and South	Big Box/Community/Neighborhood	San Dimas	12	<u>246,000</u>	99c Only, Cost Plus, Motel 6
Subtotal				1,962,000	

Source: CoStar, Google Maps, shopping center Web sites

Implications

According to land use professionals interviewed for this analysis, Duarte and Bradbury residents generally look west for destination retail—to Monrovia or Pasadena for dining and an urban shopping experience and to Santa Anita for an enclosed mall. Furthermore, Gold Line operation to Pasadena, Arcadia, and Monrovia is expected to reinforce these destinations for Duarte and Bradbury residents. Monrovia's historic downtown, with its historical walkable plan, variety of restaurants, and dense mix of uses only two miles from Duarte, presents strong competition for the proposed Plan Area. According to land use professionals interviewed for this study, the economically optimal short-term retail uses for the Plan Area could include a similar mix of neighborhood-serving uses as exist today but with a stronger emphasis on better-run national-branded tenants.

Office Market

Duarte is not a strong office market among Trade Area cities. Most of the city's 250,000 square feet of office is Class C with a median construction date of 1965. Average rent of \$1.66 per square foot is 17 percent lower than the Trade Area average of \$1.99 per square foot, as shown in **Exhibit 23**, and historically, Duarte office rents have lagged the trade area's as well, as shown in **Exhibit 24**. Since 2000, while there was no new office construction in Duarte, inventory grew 16 percent in the Trade Area, mainly in Monrovia (56 percent), and Arcadia (34 percent), as shown in **Exhibit 26**. A significant proportion of future office demand in the City is likely to be absorbed within the Duarte Station Specific Plan area, which permits development of up to 400,000 square feet of office (which would more than double the current inventory in the City).

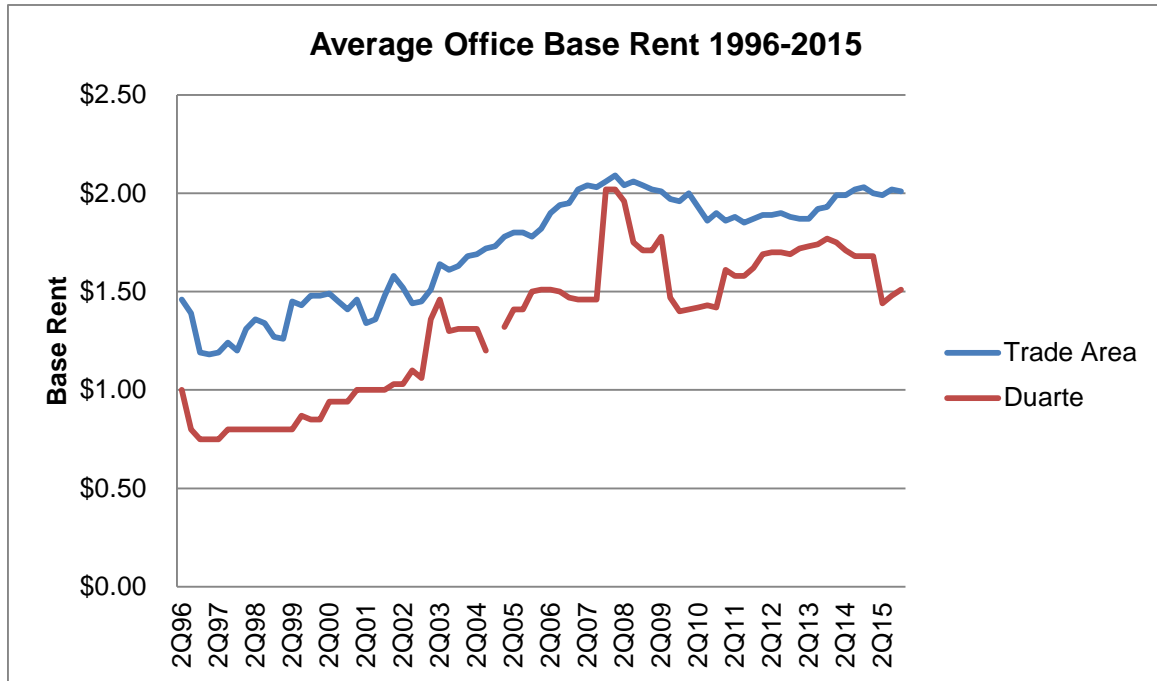
Exhibit 23 Area Office Performance and Inventory

	Trade Area ¹	Duarte
Performance (4Q15)		
Gross Rent Per SF	\$1.99	\$1.66
Vacancy Rate	8.5%	6.6%
Months on Market	10.9	17.7
12 Mo. Absorption SF	-33,968	-101
% Change	-1%	-0.04%
Inventory (Units)		
Existing Buildings	427	19
Existing SF	5,685,569	251,836
Net New Sq.Ft. 2000-2015	797,834	0
% Change	16%	0%
Under Construction	39,436	0
% Change	1%	0%
12 Mo. Deliveries	0	0
% Change	0%	0%

(1) Trade Area includes Duarte, Arcadia, Monrovia, Azusa and Glendora

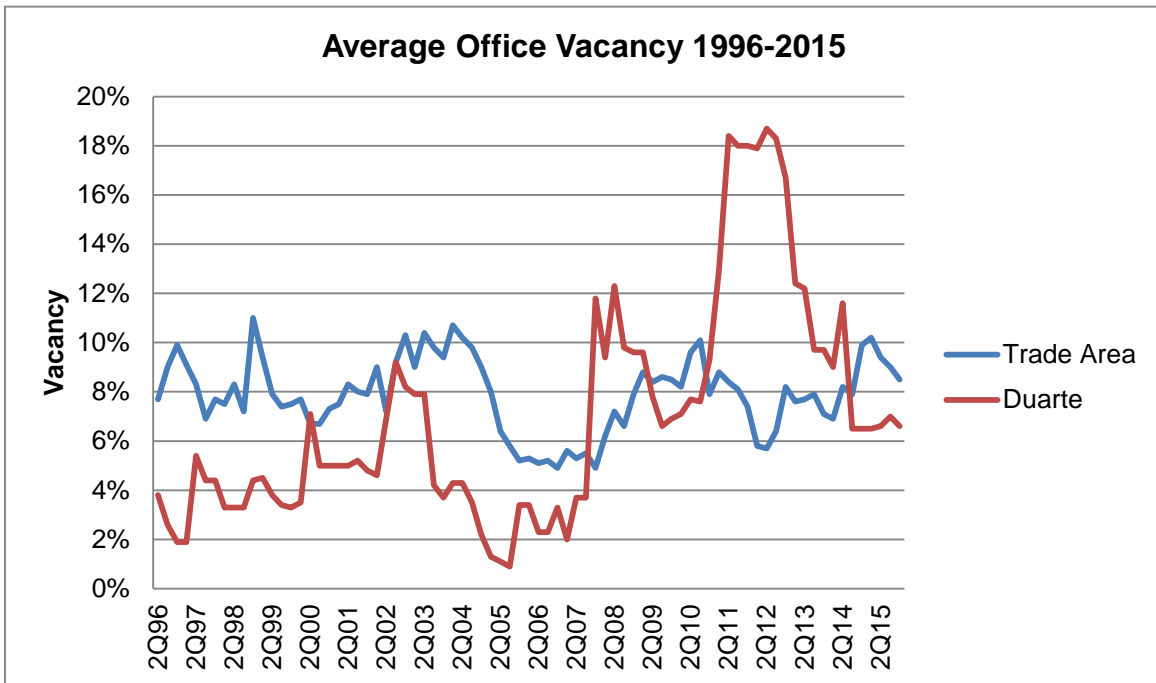
Source: CoStar, EPS

Exhibit 24 Historical Office Rent: Duarte and Trade Area



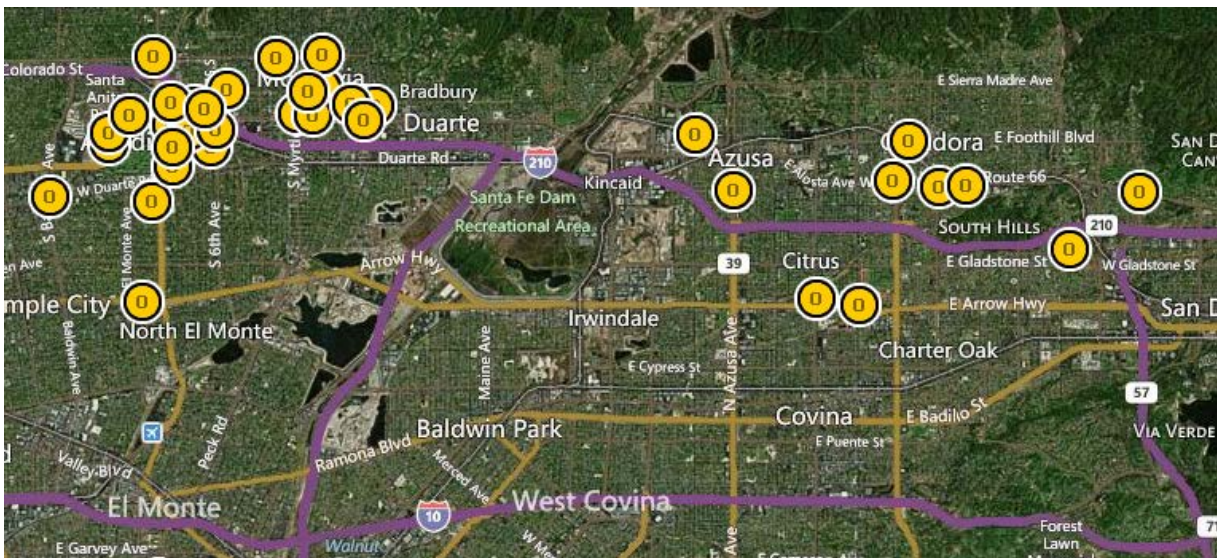
Source: CoStar, EPS

Exhibit 25 Historical Office Rent: Duarte and Trade Area



Source: CoStar, EPS

Exhibit 26 New Trade Area Office Inventory Since 2000



Source: CoStar, EPS

Implications

In the short-term the current general weakness of the Duarte office market, coupled with the entitlements for 400,000 square feet of office in the Duarte Station Area, suggests that office space does not represent an immediate market opportunity within the Town Center Specific Plan Area. However, over the longer-term office development has the potential to serve as a highly

complementary land use, mutually benefiting proposed urban design efforts. Prospective tenants in the region would likely be attracted to the Town Center's accessible location and proximity to the Gold Line station, which will offer prospects for shorter and/or reverse-commute opportunities for residents living east and west on I-210. While the 400,000 square feet of entitlement at Duarte Station Area may absorb a significant amount of regional growth, it could also provide spill-over demand for related professional services which could bleed over to the Specific Plan Area, assuming viable pedestrian connections and an improved sense of place are established.

Hotel Market

The Hotel market assessment for the Specific Plan Area is based closely on findings from a PKF Consulting Study presented in May 2008, which addressed hotel demand for the proposed Transit Village at the Duarte Gold Line Station. PKF concluded the Transit Village area could support a branded 140-room hybrid hotel, consisting of 60 percent of suites and 40 percent of standard guestrooms, as well as a 3,000 square-foot conference center, based on assumed primary demand from medical travelers to the City of Hope Medical center and secondary demand from business travelers to the adjacent industrial and warehouse uses and business travelers to manufacturing sites in nearby Azusa and Irwindale. In response, the Duarte Village Plan, which was adopted in 2013, permits construction for up to 250 hotel rooms on the site.

The underlying market conditions that informed the PKF study are still applicable today. The Western San Gabriel Valley economy has only recently recovered from the Recession, and the competitive supply of hotel rooms in the Trade Area, as shown in **Exhibit 27**, has remained the same. All 979 rooms in the competitive set of mid-scale and above hotels are concentrated in Monrovia and Arcadia—too far from Duarte to optimally address primary demand from the City of Hope. The Current Duarte hotel inventory includes three independent budget hotels and a Days Inn on Huntington Drive, which are not preferred destinations for most business travelers.

Exhibit 27 Trade Area Hotel Supply

Hotel Name	Address	City	Rooms	Rating ¹	Number Of Stories	Year Built	Rentable Building Area	Land Area (AC)
Branded Hotels (Midscale and Above)								
Embassy Suites Arcadia	211 E Huntington Dr	Arcadia	194	Upper Upscale	7	1983	131,527	4.2
Hilton Garden Inn	199 N 2nd Ave	Arcadia	124	Upscale	1	1999	66,720	2.1
Residence Inn Pasadena Arcadia	321 E Huntington Dr	Arcadia	120	Upscale	2	1989	14,409	0.9
Springhill Suites	99 N 2nd Ave	Arcadia	86	Upscale	3	1999	17,517	1.2
Hampton Inn	311 E Huntington Dr	Arcadia	130	Upper Midscale	4	1989	61,473	2.1
Courtyard Monrovia	700 W Huntington Dr	Monrovia	152	Upscale	9	1979	78,852	3.1
DoubleTree by Hilton Hotel	924 W Huntington Dr	Monrovia	134	Upscale	1	1985	131,820	0.5
Quality Inn	1125-1127 Huntington Dr	Monrovia	39	Midscale	2		23,832	0.6
			<u>979</u>					
Branded Hotels (Economy)								
Days Inn	1533 Huntington Dr	Duarte	50	Economy	2	1987	16,700	0.7
Extended Stay America	401 E Santa Clara St	Arcadia	122	Economy	3	1998	53,274	2.4
Motel 6	225 Colorado Pl	Arcadia	87	Economy		1963	21,548	2.4
Homestead/Extended Stay America	930 S 5th Ave	Monrovia	122	Economy	3	1998	55,896	1.8
			<u>381</u>					
Independent Hotels (Selected)								
Duarte Inn	1200-1212 Huntington Dr	Duarte	16	Independent	3	1925	32,352	0.2
Rancho Inn	1515 Huntington Dr	Duarte	NA	Independent	1	1946	5,891	0.8
Santa Anita Inn	130 W Huntington Dr	Arcadia	109	Independent	2	1985	91,327	5.7
Arrow Inn Motel	469 E Arrow Hwy	Azusa	NA	Independent	1	1987	25,755	1.5
Colonial Inn	624 N Pasadena Ave	Azusa	29	Independent	2	1959	11,262	1.4
Stardust Motel	666 E Foothill Blvd	Azusa	34	Independent	2	1961	11,354	0.9
Glendora Motel	330 W Alostia Ave	Glendora	NA	Independent	2	1985	7,573	0.5
Garden Inn and Suites	606 W Route 66	Glendora	38	Independent				
Sundeck Motel	512 W Alostia Ave	Glendora	NA	Independent		1947	3,679	0.6
Aztec Hotel	301-311 W Foothill Blvd	Monrovia	44	Independent	2	1925	24,329	0.4
Oak Park Motel	925 E Huntington Dr	Monrovia	56	Independent	1	1951	15,973	1.9
			<u>310</u>					

(1) Rating from STR from a six-point range including: Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale, Economy
Sources: CoStar, PKF, hotel websites

Implications

The 250-room hotel entitled for the Duarte Transit Village is optimally located to address estimated demand from City of Hope and from business travelers working for commercial businesses in and other cities east of Duarte. However, because existing uses in the Transit Village Area remain viable and well-tenanted, the timing of the site's transition is uncertain. Consequently, alternate sites within the Town Center Plan Area may provide a nearer-term opportunity to absorb this hotel demand.