



ALAMEDA ECONOMIC DEVELOPMENT STRATEGIC PLAN

BACKGROUND REPORT

PREPARED FOR THE CITY OF ALAMEDA





INTRODUCTION

The City of Alameda is creating an Economic Development Strategic Plan (EDSP) that will guide the City's efforts to support Alameda's economic prosperity. The EDSP will focus on actions targeting specific industries that will drive Alameda's economic growth over the next five to ten years, as well as strengthening the City's retail districts and visitor attractions.

The purpose of this Background Report is to better understand the dynamics of Alameda's economy in order to provide a basis for identifying the region's opportunities and challenges for future growth. Strategic Economics conducted data analysis of employment, the commercial real estate market, retail trends, and tourism. The analysis was augmented with interviews with stakeholders and business representatives, as well as input received from City staff, the Mayor's Economic Development Advisory Panel, and a community workshop. This Background Report is a summary of all research and analysis undertaken to date as part of this project, and it incorporates the findings of four technical memoranda previously produced by Strategic Economics: 1) an analysis of Alameda's economy, office/industrial real estate market, and retail market, 2) findings from focus group interviews conducted with City staff and representatives of businesses, institutions, and organizations, 3) an analysis of Alameda's visitor attractions and hotel market, and 4) a summary of Alameda's strengths, weaknesses, opportunities, and threats impacting economic development efforts in Alameda.

The conclusions from the Background Report, combined with input from community members and decision-makers, will ultimately inform the strategies and implementation actions in the EDSP.

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Non-Profit and Workforce Development: Dr. Jowel Laguerre (Chancellor, Peralta Community College District)

Specialty Food & Beverage Manufacturing: Mr. Lance Winters (Master Distiller and Co-Owner, St. George Spirits)

Maritime Industry Services: Mr. David Mik (Co-Owner, Power Engineering)

Biotech: Mr. Adam Elsesser (CEO and President, Penumbra)

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Ex-Officio representing Alameda Businesses: Mr. Mark Sorensen (Executive Director, Alameda Chamber of Commerce)

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EXECUTIVE SUMMARY

This executive summary highlights the major findings of the technical analysis and research conducted for the Economic Development Strategic Plan (EDSP). The data analysis was supplemented by input gathered from the Mayor's Economic Development Advisory Panel (MEDAP), individual and group interviews with business leaders and stakeholders, and a community workshop.

The following is a summary of the key strengths, weaknesses, opportunities, and threats (SWOT) for economic development in the City of Alameda. The conclusions of the SWOT analysis are organized into five broad categories, each encompassing a variety of issues, as described below.

Business Attraction and Retention – The report summarizes the ways in which Alameda has been able to attract new employment and industries, and help existing firms to expand. This includes an analysis of recent job trends by industry type, an identification of industries that are concentrated in Alameda, the quality of the services provided by the City to new and existing firms, and marketing and recruitment activities to attract new businesses.

Built Environment and Infrastructure – The report considers the built space, commercial land, and infrastructure available for different types of industries and businesses in Alameda. This includes an assessment of the office, R&D, and industrial markets in the City and in employment subareas; the quality of infrastructure and utilities to serve

businesses; and transportation access to the island and various employment subareas.

Workforce – The report presents data on the relationship between the job opportunities currently available in Alameda and the characteristics of the resident workforce in Alameda. The analysis considers the ratio of jobs to employed residents in Alameda; the skills levels required by key industries; the demographics of Alameda's resident workforce; commute patterns; and available workforce development resources in Alameda.

Retail – The report examines the potential for new retail and restaurants in Alameda given the dramatic changes that the retail sector is undergoing at the national and local levels. This includes an overview of trends in the retail sector; an analysis of sales captured in Alameda's retail stores and restaurants; and the performance of existing retail centers in Alameda and surrounding cities.

Tourism and Visitation – The report provides an overview of the City's tourism market, including the following analyses: visitation at existing attractions in Alameda; trends in the local hotel market; the economic benefits of hotels and visitor attractions; transportation access and amenities for visitors and hotel guests; and tourism marketing and promotions activities.

FIGURE I: STRENGTHS, WEAKNESS, OPPORTUNITIES, AND THREATS



SOURCE: STRATEGIC ECONOMICS, 2016.

STRENGTHS

Advantages for economic growth, business attraction, and business retention, based on existing conditions.

The following are Alameda's advantages for economic growth, based on existing conditions.

Business Attraction / Retention

Growth in jobs. The number of jobs in Alameda grew at a faster rate than the East Bay between 2010 and 2015. Alameda's fastest-growing industry sectors include Management of Companies and Enterprises (corporate headquarters) and Accommodation and Food Services (hotels and restaurants).

Food and beverage manufacturing hub. Alameda has an established concentration of specialty food and beverage manufacturers at Harbor Bay and Alameda Point. This hub has become a selling point for attracting both small and larger food and beverage manufacturers. In addition, Spirits Alley has also evolved into a regional destination, attracting visitors from other communities to Alameda.

Quality of life. Business leaders cite Alameda's superior quality of life – including good schools, safe and walkable streets, charming historic neighborhoods, views, and accessible waterfront – as one key reason for locating their firms in the community.

Built Environment and Infrastructure

Availability of low-cost, high-quality industrial and R&D buildings. Alameda has an inventory of vacant sites and buildings that have allowed the City to attract and retain a diverse set of employers, ranging from food and beverage manufacturers, biotechnology firms, alternative energy firms,

corporate headquarters, and others. The firms leasing industrial and R&D spaces in Alameda have chosen the location because the rental rates are lower than other neighboring East Bay cities like Emeryville and Oakland for space of comparable quality, yet Alameda allows these firms to still locate within a short commute distance of the major urban centers of the Bay Area. While some of these businesses are mature corporations, others are small firms at initial phases of research and development that have the potential to grow into larger employers over time.

Improving office market. While office rents in the City of Alameda are lower than many other locations in the I-80/I-880 corridor (Berkeley, Emeryville, and Oakland), average rents and occupancy rates are improving. Alameda has been able to attract employers that can no longer afford to locate in other urban locations. As Downtown Oakland has increased in popularity, some areas in Alameda are experiencing more interest from office users wishing to locate nearby. This is particularly true for Marina Village, which is across the estuary from Jack London Square.

Inventory of large vacant sites and buildings for new and growing businesses. Harbor Bay and Alameda Point both offer large vacant buildings and undeveloped sites that can accommodate the expansion of existing businesses, as well as new facilities for new companies. Harbor Bay's proximity to the airport, FedEx Hub, the I-880 freeway, shipping and trucking routes, and separation from residential areas are particularly attractive to large industrial users. The availability of these large buildings and sites is valuable as the inner East Bay is increasingly built out.

Unique waterfront access and marine infrastructure. Alameda provides access to both the San Francisco Bay and the more protected estuary, which is ideal for many industrial and recreational maritime uses. According to representatives from the maritime industries, there are no other locations in the Bay Area that offer the same type of environment or infrastructure.

Competitive energy rates. Alameda Municipal

Power provides low energy costs and is a public partner for economic development. Interviewees report that energy rates in the City of Alameda are 15 to 20 percent lower than in nearby cities and the staff of AMP are cooperative and helpful. The low cost energy provided by AMP is particularly important to heavy power users like manufacturing companies. In addition, AMP's "Alameda Green" program allows businesses to choose to consume renewable green energy sources.

Adaptive reuse of historic buildings. Many business representatives cited the older, historic buildings on Alameda Point as a unique characteristic that distinguishes the location from other places in the Bay Area, and that this historic industrial atmosphere is particularly attractive to artists and Millennials.

Business parks removed from residential areas. The existing office and industrial parks in Alameda – Marina Village, Alameda Point, and Harbor Bay, are relatively isolated from residential neighborhoods, minimizing the potential for conflict. This is a valuable asset for manufacturers and R&D firms working with sensitive materials.

Ferry terminals. Alameda has two existing ferry terminals, located near Alameda Point and at Harbor Bay. Both terminals have experienced rapid increases in ridership. Partly due to the presence of ferry service, Alameda residents are much more likely to take transit than other East Bay residents. The ferry is a preferred commute option for many workers, and is particularly well suited for bicyclists. Access to ferry service has been a key selling point for the businesses at Harbor Bay and Alameda Point, allowing employees to easily access the island from other locations in the Bay Area. A new terminal is planned for Seaplane Lagoon in Alameda Point, which will enhance overall service as well as the marketability of the Enterprise District for new businesses.

Workforce

Access to a large, diverse labor force. Alameda's central location within the Bay Area

region allows it to access workers from throughout the Bay Area, and especially the East Bay. The East Bay workforce is large, and includes workers with diverse skill levels that are attractive to many types of employers.

Highly educated resident workforce. The educational attainment levels of adults in Alameda are higher than the East Bay overall. The percentage of residents in Alameda with higher educational attainment (bachelor's degree or higher) increased from 42 percent in 2000 to 49 percent in 2014. In comparison, the percentage of residents with a bachelor's degree or higher levels of education is 42 percent in Alameda County and 41 percent in Contra Costa County. The presence of highly educated workers in Alameda is attractive to firms that require highly skilled labor.


Workforce development resources. The City is home to important educational and workforce training assets. These include the College of Alameda and Argosy University, providing education and training opportunities. Alameda also has one of two "One Stop Career Centers" in the East Bay, which provide job placement, career counseling, and other assistance to job seekers.

Retail

Strong demographics. Alameda's demographics are an asset for attracting retailers, with 37 percent of households earning incomes of over \$100,000.

Strong existing retail centers. Alameda has a wide array of retail centers, ranging from regional and community shopping centers at South Shore and Alameda Landing, respectively, to smaller neighborhood-serving centers distributed throughout the City. Park Street and Webster Street are charming, historic districts that are home to many smaller, independent businesses, along with the City's Neighborhood Station Districts. Sales revenues, rents, and occupancy rates have been trending upward in nearly all of the major centers/districts.

Known dining destination. Alameda's restaurants and food stores are performing very well, with sales



growing rapidly. The City's restaurants are well known, and draw customers from outside the City as well as local residents.

Tourism and Visitation

Tourism supports local businesses. Alameda offers a variety of attractions, with three key themes: historical museums and sites, recreational and natural attractions, and beverage production facilities with tasting rooms. Crown Beach is estimated to receive about 600,000 visitors a year, and is well known as a superior location for kiteboarding and windsurfing. Many other attractions in Alameda attract over 100,000 visitors each year, drawing a number of people from outside of the region each year to the City. Visitor spending supports local retail stores, restaurants, and hotels, and provides important revenue to the General Fund in the form of sales taxes and hotel taxes. Visitor spending is much easier to capture when an attraction is located within proximity to a commercial district, such as Webster Street and Park Street.

Healthy hotel market. Existing hotels in Alameda are performing well, providing access to freeways and Oakland International Airport, and offering competitive room rates compared to other nearby locations. They primarily attract Bay Area business travelers and leisure visitors seeking value.

WEAKNESSES

Disadvantages that constrain Alameda's ability to grow jobs and attract and retain businesses.

Under current conditions, Alameda has some weaknesses that potentially constrain economic growth. These disadvantages are described below.

Business Attraction / Retention

Lack of name recognition. Businesses outside of Alameda are unaware of the City's assets and what it has to offer as a potential location. According to business leaders in Alameda, the lack of awareness is partly a result of insufficient direct marketing from the City to large employers.

Slow and uncertain permitting and licensing processes. Business representatives believe that the permitting and licensing process in Alameda is slow and often unpredictable, creating delays and additional cost for new and expanding businesses. There are also questions about the process for implementing capital improvements at Alameda Point.

Maintenance of public works. According to local businesses, there are inadequate resources to maintain public infrastructure and services (sidewalk cleaning and garbage pick-up) in the City's higher traffic areas, such as Park Street. These costs could be covered to some extent through an increase in landscape and lighting district fees, but there is not currently consensus from property owners to sufficiently raise these fees. The cost of garbage collection is also perceived to be higher than in other jurisdictions.

Slow growth in high technology employment. Alameda lags the East Bay and wider Bay Area in attracting high technology business types, including scientific and technical services, and high-tech

manufacturing. In the last five years, Alameda has not significantly added jobs in Professional, Scientific, and Technical Services, and the number of jobs in high technology manufacturing has decreased. During the same time period, high technology manufacturing and scientific and technical services grew rapidly in the East Bay.

Built Environment and Infrastructure

Lack of new, highly finished office buildings for lease. Most of the City of Alameda's leasable office space is older and features more basic amenities and finishings, with buildings categorized as "Class B" or "Class C" space by brokers. Much of the newer inventory of buildings in Alameda has been built for owner-occupants, and is not available for leasing. The lack of new, highly finished "Class A" office space for lease makes it challenging to recruit premium tenants that prefer buildings with a higher quality of construction.

Few amenities in selected business parks. There are limited options for dining, shopping, and other services at Alameda Point and Harbor Bay; many employers prefer to have amenities within walking distance.

Limited public transportation options. Public transportation access to and within Alameda is limited, making it more challenging for employers to recruit and retain workers preferring or needing public transportation. Bicycle access is also limited and the bicycle network is disconnected, particularly on/off Alameda. For most of the City, truck access to freeways is also limited, except at Harbor Bay.

Basic infrastructure and capital improvements. Alameda Point and the northern waterfront areas have significant infrastructure deficiencies that constrain the ability of the City to attract new commercial development and/or enable existing tenants to expand. For example, tenants in Alameda Point are concerned that the lack of infrastructure investments, including gas, water, streets, and transit stops is keeping them from thriving. At Alameda Marina, the water infrastructure

serving maritime businesses has also deteriorated significantly, and there are limited funding sources available to cover the cost of rehabilitating them while maintaining existing uses. Similarly, the cost of reconstruction of the wharf and infrastructure for the next phase of Alameda Landing is estimated at \$89 million, which is not likely to be feasible for an office development to cover under current market conditions.

Workforce

Low ratio of jobs to employed residents.

Alameda's ratio of jobs per employed resident was estimated at 0.78 in 2014, compared to 0.95 in 1990 when the Naval Air Station was still open. By contrast, the ratio was 1.07 for Alameda County as a whole in 2014. Most of Alameda's working residents commute outside of the City, commonly to San Francisco and Oakland. In addition, there is an apparent mismatch between the skills requirement of the jobs that are located in Alameda – which are concentrated in industries with high numbers of lower skill occupations (such as restaurants and hotels) – and the high educational attainment levels of existing residents.

Retail

Small local market. Alameda's island location limits the functional trade area from which it can attract household spending. The existing population in the City is about 75,000, and the City has had relatively slow population growth in recent years. The modest amount of household growth is likely to only support a small amount of new retail. Major national retailers are focusing on locating their stores in core urban areas and corridors, rather than in smaller markets like Alameda.

Challenges for small “soft goods” retailers.

Small “soft goods” retailers are facing increasing competition from online shopping, and are struggling to turn over inventory in their stores. Brokers report that they are seeing much more leasing activity from “experiential” retail businesses like restaurants and salons, rather than traditional soft goods retailers.

In response to these challenges, some soft goods businesses are exploring ways to expand their online presence, while others are trying to create a unique shopping experience for their customers.

Lack of direct freeway access. The lack of immediate freeway access to Alameda constrains the City's ability to attract larger national retailers compared to other locations. Local retail brokers interviewed for this study noted that Alameda suffers from perceptions of poor access. While South Shore Center and Alameda Landing offer convenient parking and a less hectic experience, they do not compete well with the traffic counts at Emeryville's Bay Street or San Leandro's Bayfair Center.

High vacancy rate at Harbor Bay Landing.

Although the overall vacancy rate for retail in Alameda is below five percent, the Harbor Bay Landing shopping center has a vacancy rate of 16 percent. The weakness of the center indicates that there may be a need to make strategic investments and promote the area to attract more customers, including marketing to the employees at Harbor Bay Business Park.

Tourism and Visitation

Low name recognition. Alameda is not well known as a visitor destination, especially to visitors outside of the Bay Area. This is partly due to the lack of funding sources for a visitor marketing program to promote Alameda as a destination. In addition, several of Alameda's tourist attractions believe that signage, lighting, and wayfinding is inadequate, leading people to have difficulty finding them.

Inadequate conference and meeting facilities.

Currently, Alameda does not have large conference and meeting facilities to host events. Although there are several hotels in planned and proposed stages, none of them are large conference hotels.

OPPORTUNITIES

Factors that could enable Alameda to capture economic growth moving forward, based on forecasts and future trends.

The following describes the factors that could enable Alameda to capture additional economic growth moving forward, based on forecasts and future trends.

Business Attraction / Retention

A robust regional economy. According to recent forecasts, the Bay Area economy will grow at a faster rate than the United States and the state of California overall in 2017 and 2018.¹ Much of the job growth is expected to be driven by the technology sector.

Success recruiting corporate headquarters.

The City's recent success attracting large corporate headquarters, including VF Outdoors and Cost Plus, could be useful in marketing the City for attracting additional businesses with similar needs.

Built Environment and Infrastructure

Marketing and tenanting of Site A in Alameda Point.

The marketing and activation campaign at Phase Zero can help to raise awareness of the Site A project within local and regional audiences, increase visits to The Point, and generate buzz within the target audience. Through a combination of regular programming and longer term installations the Phase Zero program provides the opportunity to foster relationships with potential tenants early in the project. Once Site A is built out and tenanted, it will become easier to market and recruit employers to the Enterprise District, which is ideal for large employers that would like to build their own facilities on vacant land or within existing buildings.

Incubator and maker spaces. The City has a significant inventory of underutilized and/or public properties that could be leveraged to incubate startups and "makers," including artisans and small manufacturers. These innovative entrepreneurs and "maker" companies are important to the local economy because they have the potential to create more jobs as they become more established. Incubator and "maker" spaces can also draw talented younger workers who are seeking an innovative, dynamic workplace environment.

Spaces for small creative office users. Vacant spaces on Park Street and on Webster Street could be ideal for smaller technology and creative firms seeking mixed-use office spaces close to shops, restaurants, and other amenities. There is also potential to capture more professional services firms in the upper floors of mixed-use buildings in these districts.

Upgrading office space. According to office brokers, some of the buildings at Marina Village and Harbor Bay are aging and will require investments to continue attracting new tenants. If rental rates continue to rise, property owners may be motivated to make additional improvements to these buildings.

New and planned transportation investments. Greater investments in regional and local transit can help make Alameda a more successful business location. The City will host a new ferry terminal at Alameda Point, and the City recently invested in new bicycle lanes. There have been discussions about creating a more comprehensive cross-town AC Transit service that would connect the major employment areas of the City. These enhancements will help attract employers relying on young, talented workers who are less likely to drive and more likely to take transit to work.

Workforce

Middle-wage jobs. Industrial and maritime jobs in Alameda offer middle-wage jobs and career pathways that are highly desirable from a workforce

¹ <http://www.mercurynews.com/2016/09/28/forecasts-bay-area-job-market-economy-poised-to-shine/>

development perspective. Some of the maritime businesses have formed a coalition to address job training and workforce development needs in their industries, and are planning to involve other workforce training organizations in their efforts.

Programs at College of Alameda to prepare students for the City's growth industries.

As part of the regional Peralta Community College District, the College of Alameda will always maintain a regional focus. However, there may be additional opportunities for the college's workforce training programs to better align and coordinate with Alameda's local employers and targeted industries.

Retail

Growth in the restaurant sector. The retail industry is forecasting continued growth in the eating and dining sector. As a destination for dining and drinking, Alameda can continue to capture strong sales growth in Drinking and Dining amenities, and other experiential retail categories such as Arts, Entertainment, and Recreation.

New housing development. Alameda is expected to grow its residential population, with planned new housing developments on the northern waterfront and Site A of Alameda Point. In addition, other nearby areas are also adding new housing, including Brooklyn Basin, Jack London Square, and Downtown Oakland. This population growth will fuel additional demand for retail and services in the trade area, on which Alameda's retail businesses can capitalize.

Underutilized retail shopping centers. The City has underutilized centers that could be repositioned to increase retail sales. For example, Harbor Bay Landing has the highest vacancy rate of any retail center in the City of Alameda. Despite its high vacancy, Harbor Bay Landing has maintained a steady two percent share of citywide sales tax revenue. With additional investments and marketing efforts, particularly to the nearby employees at Harbor Bay Business Park, the center may have an opportunity to attract a more diverse tenant mix and increase overall sales revenues.

Placemaking initiatives. Improvements to existing

shopping areas, such as investments in streetscapes, signage, sidewalk cleaning, and façade programs can all help to support more authentic and vibrant shopping experiences sought by customers. Creating a sense of place is becoming increasingly important in order to distinguish the experience of buying goods at brick-and-mortar stores compared to online shopping.


Tourism and Visitation

City properties for tourism attractions. The City's existing real estate assets can be leveraged to support tourism and boost sales at local businesses. The City has an inventory of public properties – including buildings like the Carnegie library – which could be leased to visitor attractions such as the Pinball Museum that may be unable to afford market-rate leases. Placing tourist attractions near business districts like Park Street or Webster Street can also lead to increased sales for local restaurants and retail stores from visitors.

Marketing and promotions. Alameda's visitor attractions share themes of history, recreation, family-friendliness, and/or craft beverage manufacturing. Potential exists to promote the attractions based on these attributes, in order to draw visitors and encourage emergence of similar new attractions in the City.

Growth at Oakland International Airport. Passenger volumes at Oakland International Airport remain significantly lower than those from 2000 to 2007, but have recently begun to rapidly increase. Planned upgrades to the international arrivals terminal and other improvements will also likely bring more travelers. A continued uptick in passengers could help to support Alameda's hotels located within close proximity to the airport.

Booming hotel market. Alameda has an opportunity to attract new hotel projects that target upmarket, business travelers in its growing employment areas. Development and job growth at Harbor Bay Business Park and Alameda Point could make those areas more attractive for hotel development, particularly if amenities (retail, dining, and entertainment) are also added to those districts.



Ride-hailing and public transportation options. Hotel managers interviewed for this study noted that the inexpensive, convenient access provided by Uber, Lyft, and similar apps has expanded the area in which guests will search for hotels, even if their destinations are in San Francisco or Oakland. This additional access, as well as improved public transportation, can help Alameda's hotels compete with other East Bay locations, especially because Alameda's hotels offer lower room rates.

THREATS

Factors that may constrain Alameda's ability to compete for jobs and businesses in the future.

Below are the factors that may constrain Alameda's ability to compete for jobs and businesses in the future.

Business Attraction / Retention

Slowing regional economy. A slowdown in the Bay Area and East Bay economies would be felt strongly in Alameda. As a secondary location for businesses, Alameda benefits when the region is growing, often receiving spillover from other higher cost locations. However, in a potential slowdown or recession, Alameda's employment is likely to decline, creating higher vacancies in office and industrial spaces.

Dependence on large employers. Growing dependence on larger companies and corporate headquarters can lead to significant job losses if any of these companies leave Alameda. It is important to maintain a diversity of employers in the City.

Rising costs. As the City's older office and industrial spaces are redeveloped or improved, property owners are likely to increase rents. This may be a hardship for existing businesses that have grown accustomed to paying below-market rents, and could potentially result in displacement.

Built Environment and Infrastructure

Loss of industrial lands serving maritime uses. There is high demand for housing in Alameda, and a number of commercial and industrial sites are desirable to real estate developers for mixed-use or residential development. For example, because existing maritime businesses on the

northern waterfront generate lower revenues than residential or mixed-use development, there is a strong incentive for property owners and developers to convert sites to more financially attractive uses. Conversion may result in land use conflicts between residential and industrial uses, and/or displacement of maritime businesses if they are not able to remain in their existing locations. In addition, because of the special characteristics of the Alameda waterfront, as well as the scarcity of industrial lands nearby, the maritime businesses that are dislocated from Alameda are unlikely to find equivalent locations in the central Bay Area. Finally, the conversion of industrial lands to other uses may also lead to decreased revenues to the City's General Fund in the long term.

Zoning in commercial areas. There are commercial sites in Alameda that are well suited to attract major employers, but have zoning in place that allows for other non-commercial uses – such as schools and other community-serving uses – that do not generate the same type of economic impact for the City of Alameda.

Development feasibility in the Enterprise District at Alameda Point. Rather than pursuing a master developer for the Enterprise District, the City is allowing developers to propose new commercial projects for any portion of the site, targeting major sales tax revenue generators and large employers. This approach requires that developers pay their "fair share" of infrastructure needs, which include water, sewer, dry utilities, streets, parks, and trails. There is a risk that the high infrastructure costs – combined with Alameda's lower commercial real estate values compared to other locations in the Bay Area – may render a new development project in the Enterprise District infeasible.

Funding sources for major transportation and infrastructure investments. The need for improved transportation options within and to Alameda was a recurring theme throughout the EDSP interviews and analyses. Resolving these issues will potentially be costly, and adequate funding sources for construction and operations will be needed.



Workforce

Regional housing costs. The high cost of housing, combined with very low unemployment rates, is constraining the ability of Alameda's employers to attract and retain talented workers. As housing costs increase, Alameda may increasingly struggle to attract less skilled workers that seek lower-cost housing outside the central Bay Area.

Retail

National retail patterns. Most retail experts expect that there will be continued erosion of soft goods and durable goods sales in stores. This trend has been particularly challenging for "big box" electronics and appliance stores, home improvement stores, and small and independent retailers that do not have an online presence.

Tourism and Visitation

Hotel development planned in competing cities. A number of planned and proposed projects in nearby cities, including Oakland, Emeryville, and Berkeley, could erode the market potential for new hotel development in Alameda.

Ambivalence to tourism. Some community members are not supportive of growth in tourism and visitation to Alameda, out of concern that it may create negative impacts to the City's quality of life and traffic congestion. However, a decline in tourism in Alameda would have negative consequences for the City's General Fund, if the transient-occupancy tax and sales tax revenues generated by visitors were reduced.

3

BUSINESSES AND JOBS

The City has experienced job growth in a variety of industries, including: corporate headquarters; eating and drinking establishments; food and beverage manufacturing; arts, hospitality, and recreation; biotechnology and alternative energy firms; and maritime industries. However, the City has lagged the region in attracting jobs in professional, scientific, and technical services and high technology manufacturing, which have been growing rapidly in the East Bay.

Compared to its neighbors, Alameda has a relatively low ratio of jobs per employed resident, estimated at 0.78 in 2014. By contrast, the ratio was 1.25 in Oakland, 1.65 in Berkeley, 4.14 in Emeryville, 1.17 in San Leandro, and 1.07 for the county as a whole. In 1990, when the naval base was still open, the City of Alameda's ratio of jobs to employed residents was estimated at 0.91. Most of Alameda's working residents commute outside of the City, commonly to San Francisco and Oakland. In addition, there is an apparent mismatch between the skills requirement of the jobs that are located in Alameda – which are concentrated in industries with high numbers of lower skill occupations (such as restaurants and hotels) – and the high educational attainment levels of existing residents. In interviews, focus groups, and a public workshop, community members expressed a desire to see growth in employment in Alameda in order to be able to provide a greater number of higher skilled jobs within the City, and potentially

reduce the need for residents to commute outside of Alameda for work.

BUSINESS AND INDUSTRY TRENDS

The findings presented below are based on an analysis of the California Employment Development Department's database of jobs by industry in Alameda from 2010 to 2015.

Alameda's economy has recently experienced strong job gains, outpacing the East Bay region. Alameda has approximately 23,900 jobs, accounting for 2.4 percent of employment in the East Bay region (Alameda and Contra Costa Counties). From 2010 to 2015, Alameda's employment increased by 20 percent, compared to 17 percent in the East Bay.

Alameda has a diverse mix of industries.

In terms of employment, the largest industries in Alameda from largest to smallest are: Accommodation and Food Services (hotels and restaurants); Health Care and Social Assistance; Manufacturing; Professional, Scientific, and Technical Services; and Retail. The City's top ten private employers include firms in a wide range of industries, including biotechnology, ship repair, retail, and computer technology.

FIGURE 2: RATIO OF EMPLOYED RESIDENTS TO JOBS IN THE CITY OF ALAMEDA, COMPARED TO NEARBY CITIES, 2010 TO 2014

City	Employed Residents	Number of Jobs	Ratio of Jobs to Employed Residents
Piedmont	4,562	1,412	0.31
Orinda	7,642	3,621	0.47
El Cerrito	11,008	5,315	0.48
Albany	7,487	4,447	0.59
Alameda	34,995	27,274	0.78
Fremont	98,887	99,648	1.01
Hayward	62,239	65,589	1.05
Alameda County	663,619	716,374	1.08
San Leandro	38,671	45,076	1.17
Oakland	158,951	198,066	1.25
Lafayette	7,337	10,296	1.40
Berkeley	40,169	66,283	1.65
Emeryville	5,039	20,261	4.02

SOURCES: US CENSUS LEHD “ON THE MAP”, 2010 TO 2014 5-YEAR ESTIMATES; CITY OF ALAMEDA, 2016; STRATEGIC ECONOMICS, 2016.

The fastest growing industries in Alameda, in terms of employment, include corporate headquarters and hotels and restaurants.

Between the 2010 and 2015, Management of Companies and Enterprises (corporate headquarters) grew by 134 percent. This category is comprised primarily of company headquarter locations (e.g., Cost Plus, VF Outdoor), as well as holdings companies. The second-fastest growing major industry is Accommodation and Food Services (hotels and restaurants).

Compared to the East Bay, Alameda has a smaller share of jobs in the industrial sectors.

In Alameda, the industrial sectors -- which are comprised of manufacturing, construction, wholesale trade, transportation and warehousing -- account for 18 percent of total jobs, compared to 24 percent in the East Bay.

While manufacturing remains one of the largest industry sectors in Alameda, it is

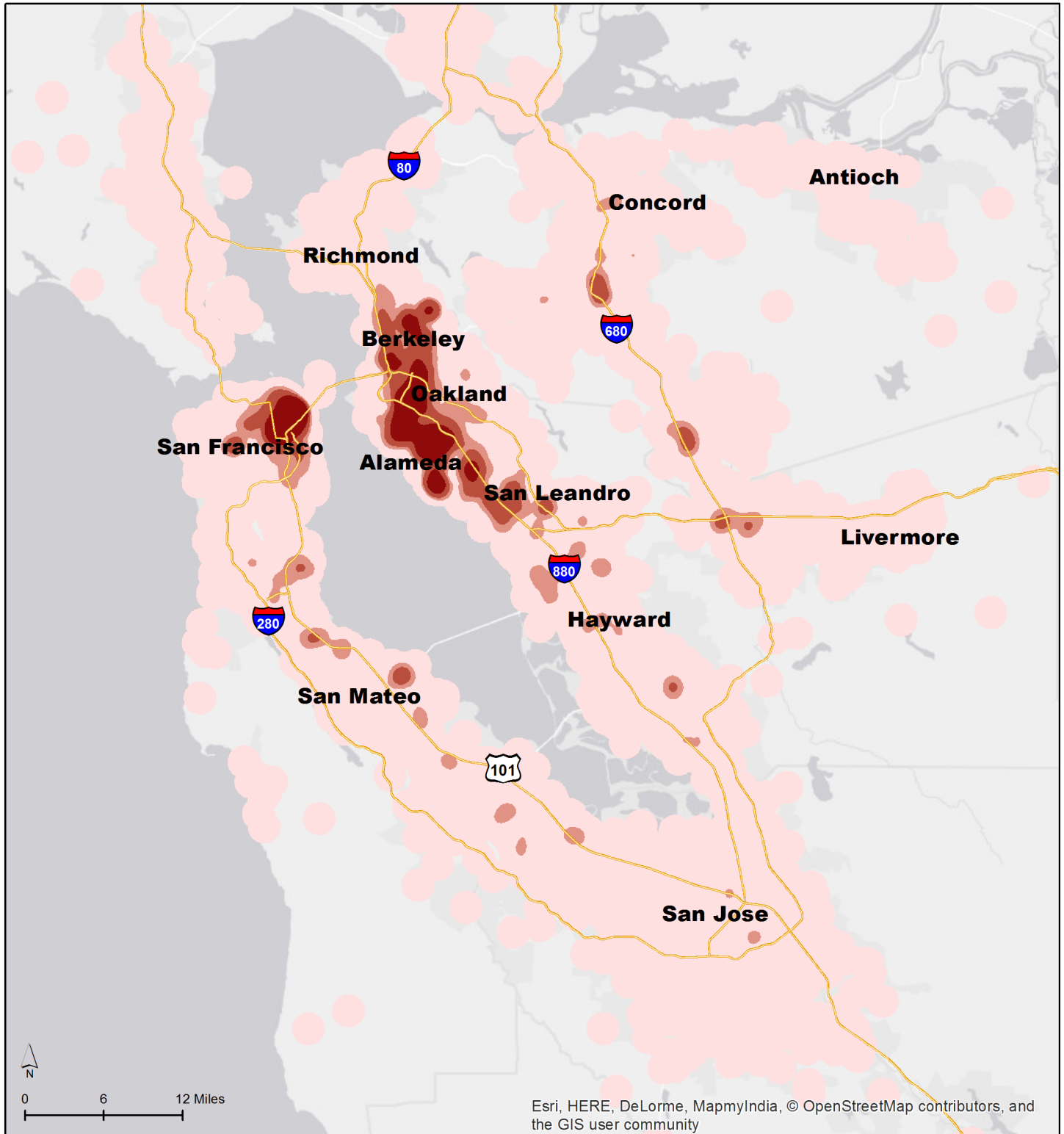
growing slower than other industries. From 2010 to 2015, the number of jobs in manufacturing increased by eight percent. By contrast, manufacturing grew at a rate of 13 percent in the East Bay during that same period. Manufacturing’s share of the City’s total employment declined slightly from 12 percent in 2010 to 11 percent in 2015.

The construction sector is booming in the City of Alameda. As a result of a robust real estate market, the number of jobs in the construction industry rose by 21 percent in Alameda from 2010 to 2015. The growth rate in the East Bay region was 29 percent. Construction accounts for about three percent of total employment citywide.

The number of “office-based” jobs has increased in Alameda, driven almost entirely by growth in Management of Companies and Enterprises (corporate headquarters).

In addition to corporate headquarters, office-based industries include Real Estate; Finance and

FIGURE 3: WORK LOCATIONS FOR ALAMEDA RESIDENTS, 2014



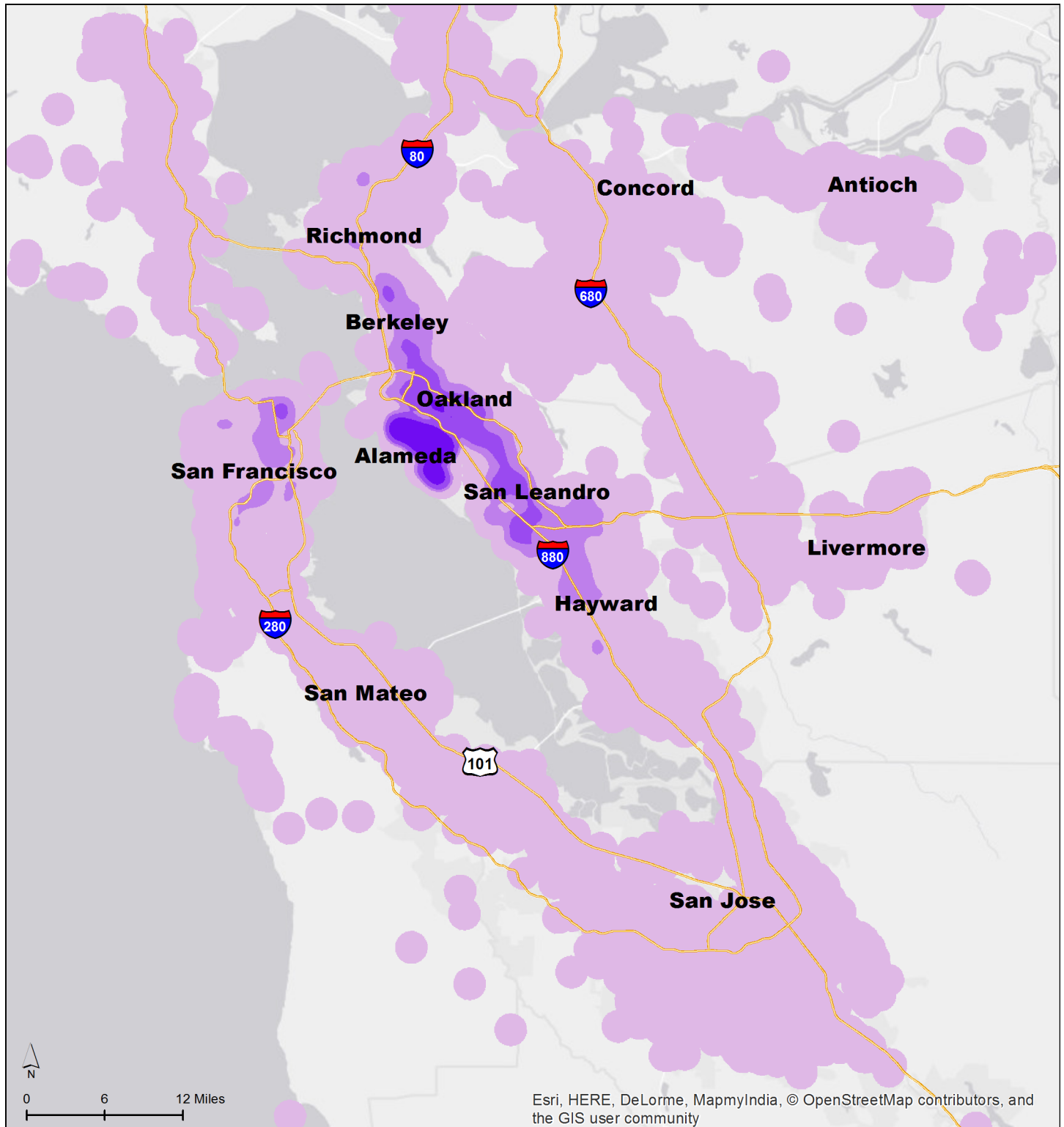
Work Locations for Alameda Residents, 2014

Jobs per Square Mile



Sources: LEHD "On the Map", 2014; U.S. Census Tiger Line Data, 2013; Strategic Economics, 2016.

FIGURE 4: HOME LOCATIONS FOR ALAMEDA WORKERS, 2014

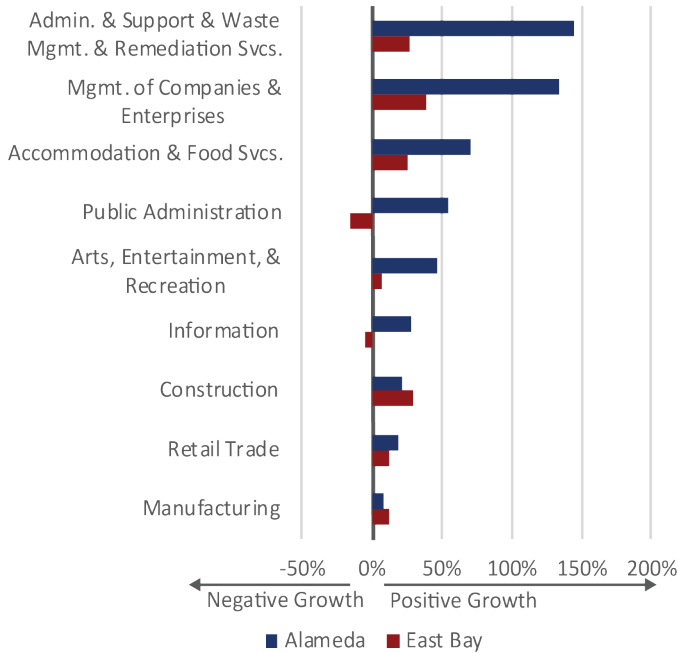


Home Locations for Alameda Workers, 2014 Jobs per Square Mile



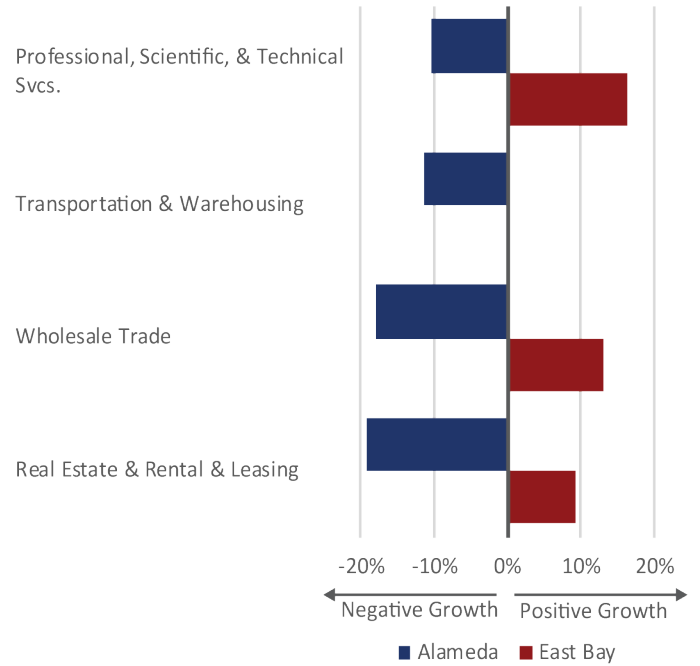
Sources: LEHD "On the Map", 2014; U.S Census Tiger Line Data, 2013; Strategic Economics, 2016.

FIGURE 5: THE FASTEST GROWING INDUSTRIES IN THE CITY OF ALAMEDA, COMPARED TO THE EAST BAY, 2010 TO 2015



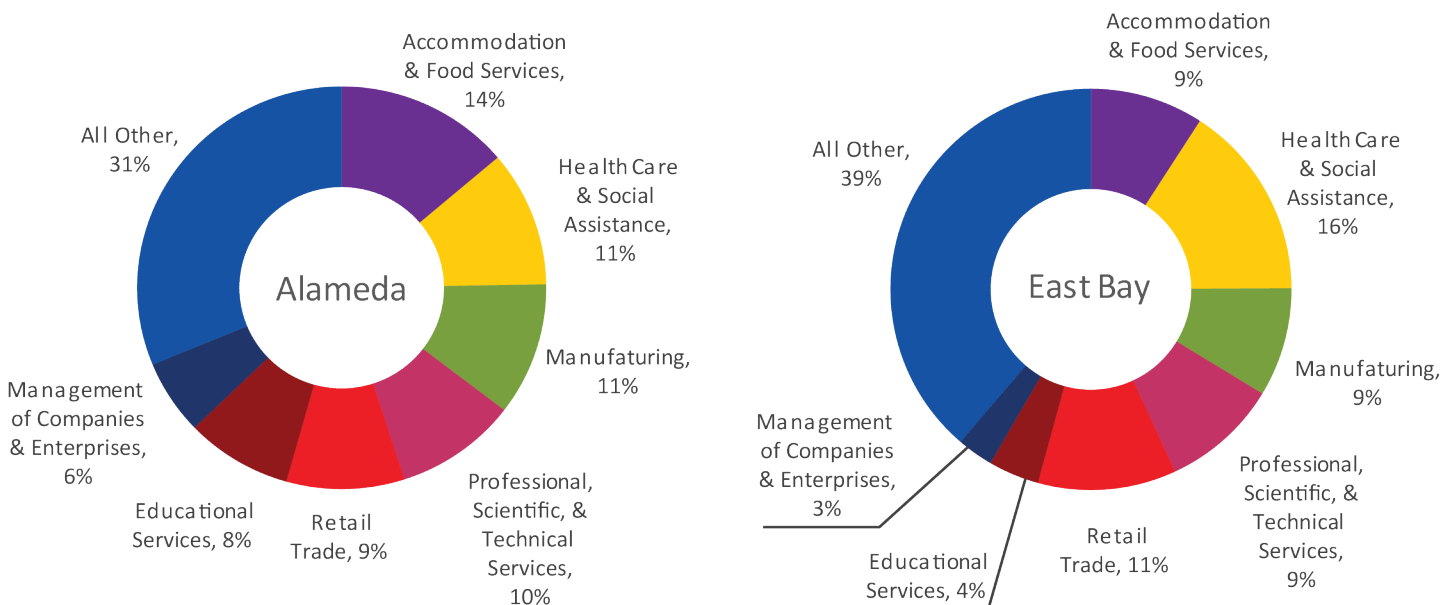
SOURCES: BLS QUARTERLY CENSUS OF EMPLOYMENT AND WAGE, 2008-2015; STRATEGIC ECONOMICS, 2016.

FIGURE 6: DECLINING INDUSTRIES IN THE CITY OF ALAMEDA, COMPARED TO THE EAST BAY, 2010 TO 2015



SOURCES: BLS QUARTERLY CENSUS OF EMPLOYMENT AND WAGE, 2008-2015; STRATEGIC ECONOMICS, 2016.

FIGURE 7: INDUSTRY COMPOSITION IN ALAMEDA, AND THE EAST BAY, 3RD QUARTER 2015



SOURCES: BLS QUARTERLY CENSUS OF EMPLOYMENT AND WAGE, 2008-2015; STRATEGIC ECONOMICS, 2016.

Insurance, Information, and Professional, Scientific, and Technical Services. With the exception of the Information sector, none of these other office-based industry groups has experienced significant job growth in Alameda over the last five years.

Health Care and Education are stable and large sources of employment in the City of Alameda. Health Care and Education are two of Alameda’s largest industry sectors, accounting for 11 and 8 percent of total City employment, respectively. However, due to very slow growth in the last five years, these sectors have a declining share of citywide jobs. In the East Bay region, however, Health Care employment has grown strongly, and the industry is now the East Bay’s largest sector.

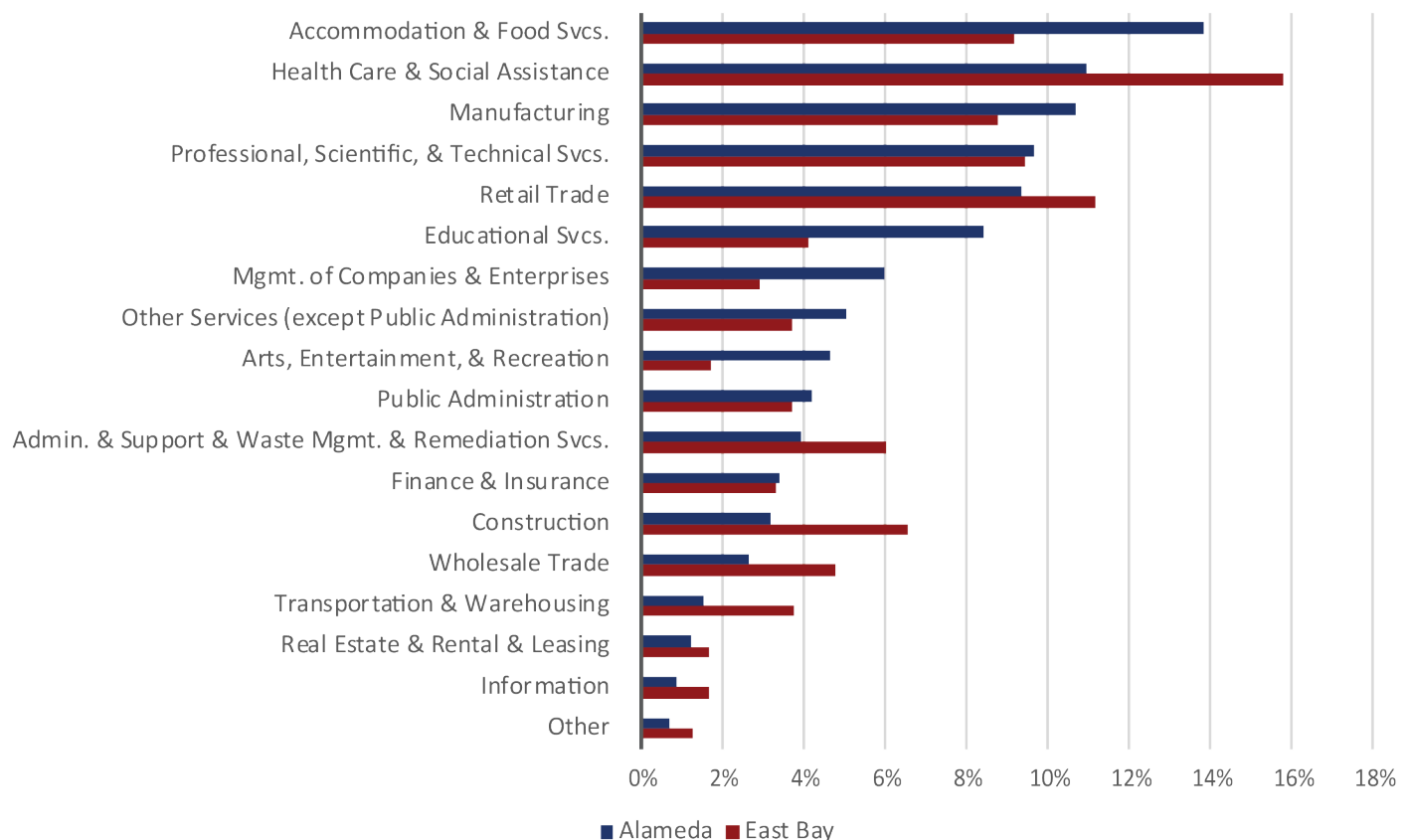
The City of Alameda has a high concentration of jobs in Arts, Entertainment, and Recreation. The Arts, Entertainment, and Recreation industry includes museums, marinas, bowling alleys, skating rinks, fitness centers, art

studios, and galleries. Alameda holds seven percent of the East Bay region’s jobs in Arts, Entertainment, and Recreation, a much higher percentage than Alameda’s share of total East Bay employment of 2.4 percent. The City’s strength in this sector is in part due to Alameda’s waterfront access and beaches.

TARGETED INDUSTRY GROUPS

The following is an examination of job trends within “targeted industry groups” within the City of Alameda. The targeted industry groups include niche industries that are concentrated within Alameda (e.g., maritime industry), industries that have experienced strong recent job growth in Alameda (eating and drinking industry), or industries that have grown in the East Bay (high technology manufacturing). These industry groups were identified in consultation with City staff and informed by previous City reports, recent trends, and feedback from business leaders. Combined, the

FIGURE 8: LARGEST INDUSTRIES IN THE CITY OF ALAMEDA, COMPARED TO THE EAST BAY, 3RD QUARTER 2015



SOURCES: BLS QUARTERLY CENSUS OF EMPLOYMENT AND WAGE, 2008-2015; STRATEGIC ECONOMICS, 2016.

targeted industry groups make up about 41 percent of Alameda's total employment.

Eating and Drinking

Made up primarily of restaurants, cafes, and bars, the Eating and Drinking industry has grown dramatically from 2010 to 2015, adding 1,300 jobs. The industry group's share of total employment increased from nine percent in 2010 to 13 percent in 2015. This is consistent with the finding that the larger Accommodation and Food Services industry was among the fastest growing major sectors in the City. Eating and Drinking jobs are located in the City's major retail centers, such as Alameda Landing, South Shore Center, and Park Street.

Biotech / Alternative Energy

The Biotech/Alternative Energy industry group has added a large number of jobs over the last five years,

largely due to the expansion of large firms. Biotech and alternative energy firms in Alameda have been able to take advantage of the City's inventory of lower cost R&D and industrial spaces, especially at Harbor Bay Business Park and Alameda Point. The Biotech/Alternative Energy industry group currently accounts for a small share of overall City employment (five percent), but the industry group grew by 204 percent (an addition of 844 employees over five companies) between 2010 and 2015, driven partly by expansions of existing firms in Harbor Bay Business Park. The industry group has also gained a handful of new firms.

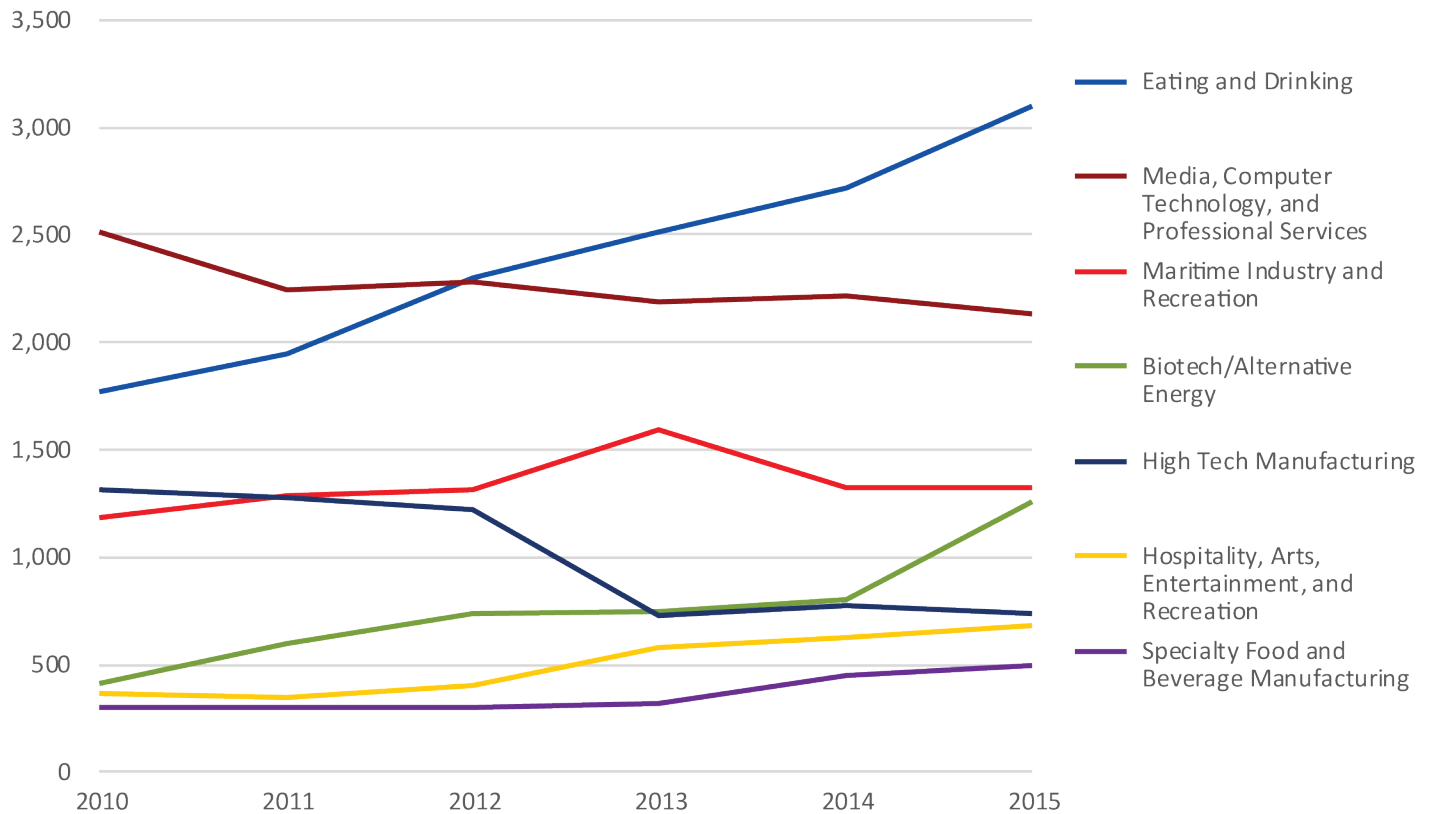
Leaders of biotech and alternative energy firms have reported that they chose to locate in the City of Alameda specifically because the potential availability of buildings and land at both Harbor Bay Business Park and Alameda Point offer companies room to grow. Furthermore, these commercial areas are separated from residential land uses that might have conflicts with their manufacturing processes.

FIGURE 9: TARGETED INDUSTRY GROUPS

Industry Group	Description	Example Business	Alameda Jobs %	Alameda Jobs #
Eating and Drinking	Restaurants, bars, and other eating or drinking establishments	Asena Restaurant, In-n-Out, Forbidden Island	13%	3,099
Media, Computer Tech & Professional Services	Companies that create media, software and provide professional services, such as consulting and engineering	Perforce Software, Wind River, Ballena Technologies	9%	2,132
Maritime Industry & Recreation	Companies whose work concerns maritime, including the working waterfront and water recreation	Svendsen's, Bay Ship and Yacht, Club Nautique	6%	1,321
Biotech/Alternative Energy	Establishments involved in chemical and pharmacological production, or alternative energy research and manufacturing	Penumbra, Natel Energy, BioTime	5%	1,257
Specialty Food & Beverage Manufacturing	Craft beverage and food manufacturers	Semifreddi's, Faction Brewing, Peet's (roasting facility)	3%	492
Hospitality, Arts, & Recreation	Hotels, theaters, museums, and sporting events	Pacific Pinball Museum, Rhythmix Cultural Works, Hawthorn Suites	3%	683
High Tech Manufacturing	Semi-conductor manufacturing, medical and navigational equipment manufacturers	Wrightspeed, ABB Concise, S&C Electric Company	2%	739

SOURCES: BLS QUARTERLY CENSUS OF EMPLOYMENT AND WAGE, 2008-2015; STRATEGIC ECONOMICS, 2016.

FIGURE 10: EMPLOYMENT IN TARGETED INDUSTRIES, CITY OF ALAMEDA, 2010 TO 2015



SOURCES: BLS QUARTERLY CENSUS OF EMPLOYMENT AND WAGE, 2008-2015; STRATEGIC ECONOMICS, 2016.

However, it should be noted that both Alameda Point and Harbor Bay offer some challenges for fully utilizing their vacant spaces, which is described in more detail in Chapter 4 of this report.

Maritime

The maritime industry in Alameda has been a stable source of employment over the last five years. Jobs in this industry grew by 12 percent (a net gain of 141 employees) from 2010 to 2015, fueled in large part by job gains in the recreational maritime businesses. Local maritime industry businesses report that Alameda's working waterfront is a unique resource, due to the wide variety of marine environments that are offered within the island: the estuary on the north side of the island allows for deep water access with limited winds, and the south side of the island allows for deeper open water access. Due to their specific location requirements, the

City's Maritime employment is concentrated at Alameda Point, along the Northern Waterfront, and adjacent to Alameda Marina. According to maritime business representatives, the businesses in this industry are tightly linked to each other, and their economic prosperity is intertwined. For example, the recreational boat businesses are dependent on the ship repair businesses that serve them, and vice versa. The loss of any one of these maritime uses would have a significant impact on the others. While there are other working waterfront locations in the Bay Area (Richmond, Berkeley, Sausalito, etc.), the maritime businesses believe it would be challenging to find suitable and affordable spaces in those areas, and their operations would be negatively impacted if they were to move.

Businesses in the maritime industry report that they are facing increasing challenges in continuing to operate in Alameda and are unlikely to be able to stay without specific policy interventions to protect them. In recent years, this industry group has been

challenged by a number of factors:

1. **Increasing residential demand for waterfront land.** The maritime industry, like many industrial uses, requires large spaces at a relatively cheap rent. However, on a price per square foot basis, other land uses, particularly residential, can afford to pay more for the land and spend money on infrastructure upgrades than maritime uses, placing significant pressure on property owners to sell their land.
2. **Deteriorating waterfront infrastructure.** Several of the piers along the waterfront are in need of significant, and costly, repairs. As the City renews its long term leases with tenants at the marinas, some maintenance responsibility is included so that tenants can partially cover the costs. However, the lease revenues do not currently cover the full cost of rehabilitating the marine infrastructure.
3. **A lack of trained employees.** In addition to these market and infrastructure pressures, interviewees from industrial maritime establishments report difficulty in finding qualified employees. Interviewees report that the average wage for maritime employment is below the median for the Bay Area, resulting in employees commuting longer distances from more affordable locations. Maritime positions also require a relatively high level of training to work with specific tools, processes, and chemicals, which frequently requires companies to train employees on the job.

Hospitality, Arts, Recreation and Entertainment

The City of Alameda experienced strong growth in employment in the Hospitality, Arts, Recreation and Entertainment industry group between 2010 and 2015. Hospitality, Arts, Recreation and Entertainment account for just three percent of citywide jobs, but total jobs grew 54 percent (a gain of 314 employees) between 2010 and 2015. As discussed above, the

types of businesses in this group include hotels, museums, and other recreational facilities. Much of the Hospitality, Arts, Entertainment and Recreation industry group is concentrated in Alameda Point and Harbor Bay, but there are also concentrations along Park and Webster Streets. The specific constraints and opportunities related to this industry is covered in the Tourism and Visitation chapter of this report (Chapter 6).

Media/ Computer Technology/ Professional Services

The Media, Computer Technology, and Professional Services businesses are a subset of the “office-based” industries. This target industry group includes businesses working on software development, computer systems design, newspapers and other media, and professional services such as legal services, accounting, and consulting services. Employment in this targeted industry group declined by 15 percent (a loss of 382 employees) from 2010 to 2015. The majority of the job losses in this industry group is due to downsizing in a few large firms. In fact, the number of total firms in this industry group in Alameda increased during the same period. As a share of total City employment, the Media, Computer Technology, and Professional Services industry group declined from 13 percent in 2010 to 9 percent in 2015.

Specialty Food and Beverage Manufacturing

Specialty food and beverage manufacturing is a small but growing industry group in the City of Alameda. From 2010 to 2015, employment in this sector grew by 65 percent (a gain of 193 jobs). There is an established concentration of specialty food and beverage manufacturers at Harbor Bay Business Park and Alameda Point, such as Faction Brewing, Peet’s Coffee and Tea, and St. George Spirits. According to representatives of this industry group, Alameda’s inventory of large industrial buildings in close proximity to the Bay Area’s major urban markets is

very attractive to food and beverage manufacturers. Although many of them are smaller employers, these specialty food and beverage companies have the potential to become larger drivers of economic activity as they mature. Spirits Alley has already evolved into a regional destination, attracting visitors from other communities to Alameda.

Leaders in this industry group have expressed concern about the permitting and inspection process for food and beverage facilities. They believe that the process can be streamlined. Furthermore, there are many infrastructure and utilities needs that have to be addressed in Alameda Point to support these existing businesses and help them grow. There is a lack of clarity about who has the appropriate information about infrastructure capacity, and the businesses believe that the City should take a stronger leadership role on this issue.

High Tech Manufacturing

Alameda's high technology manufacturing industry sector is fairly small, comprising only two percent of citywide employment. Some of the employers in

this sector include Wrightspeed, ABB Concise, and S&C Electric Company. Alameda lags the East Bay and wider Bay Area in attracting high-tech manufacturing. In the last five years, the number of jobs in high technology manufacturing decreased by 44 percent (a decline of 580 employees). During the same time period, the number of jobs in high technology industries in the East Bay (Computer and Electronic Product Manufacturing and Computer Systems Design and Related Services) experienced strong growth.


Makers

In addition to the targeted industry groups listed above, the City of Alameda identified "makers" as an economic cluster of interest. Makers are defined as small businesses that create specialized and innovative products or technologies. Examples include the craft food and beverage manufacturers, artisans and artists, and technology firms in the earlier stages of development. Since "makers" may exist across multiple industry sectors, this category of businesses is likely to overlap with the targeted industry groups outlined above.

FIGURE 11: BUSINESSES AT HARBOR BAY



SOURCES: CITY OF ALAMEDA, 2016.



“Makers” are attracted to Alameda because of the “funky” and affordable spaces available – particularly at Alameda Point – and because they want to be close to other small companies engaged in similar activities. At Alameda Point, the Navigator building and the Dreyfuss building provide space for “makers” that include woodworkers, metalworkers, machinists, piano makers, acoustical engineers, artists, and sculptors. Other makers located in other buildings at Alameda Point include craft beverage manufacturers, snack makers, and small scale manufacturers of alternative energy systems.

4

COMMERCIAL REAL ESTATE MARKET

An assessment of Alameda's built environment, with a focus on its commercial industrial, R&D, and office spaces, provides a more complete picture of the City's ability to attract and retain jobs. The findings described below are based on a review of real estate market data, interviews with brokers and developers, and focus group meetings with employers. The commercial real estate market conditions are described for the city as well as major employment districts, including Alameda Point, Harbor Bay, Marina Village, and the Northern Waterfront. In addition to assessing the industrial, R&D, and office spaces, this section also discusses transportation and infrastructure conditions in Alameda.

MARKET TRENDS

The City of Alameda primarily competes for office and industrial users within a market area spanning the segment of the I-80/880 corridor from Berkeley to San Leandro. Local office and industrial brokers interviewed for this study reported that the City of Alameda primarily competes with other nearby cities along the I-80/880 corridor, including Berkeley, Emeryville, Oakland, and San Leandro.

Alameda offers a variety of spaces that serves diverse businesses throughout their startup and expansion. Alameda's building inventory is composed of office space (37 percent), industrial

space (46 percent) and R&D space (16 percent). There are some large, empty land parcels and buildings available at Alameda Point and Harbor Bay for large office and industrial businesses. However, the majority of buildings that are suitable to lease are already occupied in Alameda Point, and the remaining buildings would require significant investments to become marketable. Similarly, the owners of many of the larger sites in Harbor Bay do not intend to develop them in the short term. Marina Village offers a mix of small- to mid-sized office and industrial spaces. Smaller office spaces are also available in commercial districts such as Park Street.

The City of Alameda competes for office users primarily on the basis of lower cost spaces, proximity to the regional labor market, and room for expansion and build-to-suit projects. Office rents in the City of Alameda are lower than many other competing East Bay locations, averaging \$2.15 a square foot per month (as of October 2016). Lower prices and proximity to nearby office centers attract employers to the City of Alameda; as Downtown Oakland has increased in popularity, some areas in Alameda are experiencing more interest from office users wishing to locate nearby. This is particularly true for Marina Village, which is just across the estuary from Jack London Square. Alameda also provides opportunities to expand within the community and undertake build-to-suit projects, due to undeveloped commercial land

at Harbor Bay and Alameda Point.

Alameda does not have newly built, highly finished (“Class A”) office space to lease to premium tenants. According to brokers, Alameda’s leasable office inventory is classified as “Class B” or “Class C” because it is older, and offers basic finishes and amenities at a lower cost. New, high quality office space has been built on the island, but it is owner-occupied and not available to lease. Because of the relatively low office rental rates achieved in Alameda, it is not currently financially feasible to construct “Class A” office space to lease to prospective tenants.

Limited transportation connections and fewer amenities at business parks are constraints for attracting new office. Tenants, brokers and office users interviewed for this study cited access to transportation and amenities as constraints for locating in Alameda. The City lacks BART access and the level of direct freeway access of competitors like Downtown Oakland, regardless of the ferry service at Alameda Point and Harbor Bay, or individual employer shuttles to BART. Similarly, dining and other amenities in Alameda’s business districts are limited

FIGURE 12: ASKING OFFICE RENTS FOR ALAMEDA, COMPARED TO NEARBY CITIES

City	Class A	Class B	Class C	All
Alameda	N/A	\$2.23	\$1.36	\$2.15
Oakland	\$4.35	\$2.45	\$2.05	\$2.93
Downtown Oakland	\$4.35	\$3.39	\$2.36	\$3.78
San Leandro	N/A	\$1.46	\$1.74	\$1.59
Emeryville	\$3.91	\$2.66	\$2.71	\$3.22
Berkeley	N/A	\$2.65	\$2.94	\$2.82

SOURCES: CoSTAR GROUP, OCTOBER, 2016; STRATEGIC ECONOMICS, 2016.

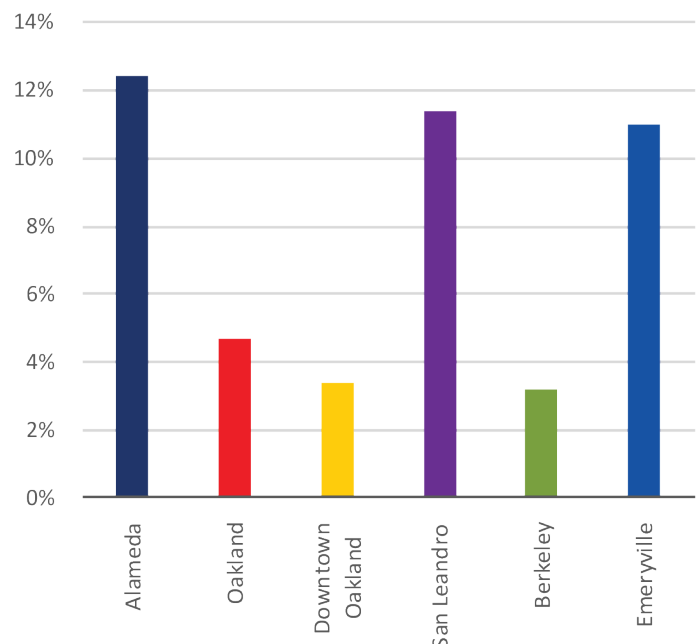
compared to those available in nearby competing East Bay locations like Downtown Oakland and Berkeley.

The City of Alameda has attracted occupants seeking build-to-suit facilities/campuses.

Industrial or flex/R&D users frequently build or retrofit their own buildings to meet their specific manufacturing or design requirements. Local brokers and industrial users report that Alameda is one of the few Bay Area locations that can accommodate large industrial users who wish to locate and expand within modern buildings and facilities. However, the amount of large sites and buildings readily available for new tenants is dwindling.

The City of Alameda has established itself as a competitive location for industrial manufacturers. The City of Alameda offers diverse space, available land, and proximity to the Bay Area markets, putting it in a relatively strong position to attract industrial users. However, it is less attractive to warehousing and truck-dependent uses due to limited trucking access to and from the island (with the exception of Harbor Bay, which has more convenient trucking routes to I-880 and the airport).

FIGURE 13: OFFICE VACANCY RATES FOR ALAMEDA, COMPARED TO NEARBY CITIES



SOURCES: CoSTAR GROUP, OCTOBER, 2016; STRATEGIC ECONOMICS, 2016.

EMPLOYMENT SUBAREAS

Below is a description of the four major office, industrial, and flex employment areas within the City, with the purpose of understanding each subarea's character, industry composition, performance, challenges, and future opportunities.

Harbor Bay Subarea

Overview: Harbor Bay is by far the largest employment subarea in Alameda, with over 6,300 employees and nearly 27 percent of citywide jobs. Harbor Bay is primarily composed of individually owned parcels, which owners have built to suit their specific needs. Most of the space is Class B office, and the remainder is flex and industrial. Rents at Harbor Bay are typically above the citywide average, and most businesses are larger, with an average size of 42 employees.

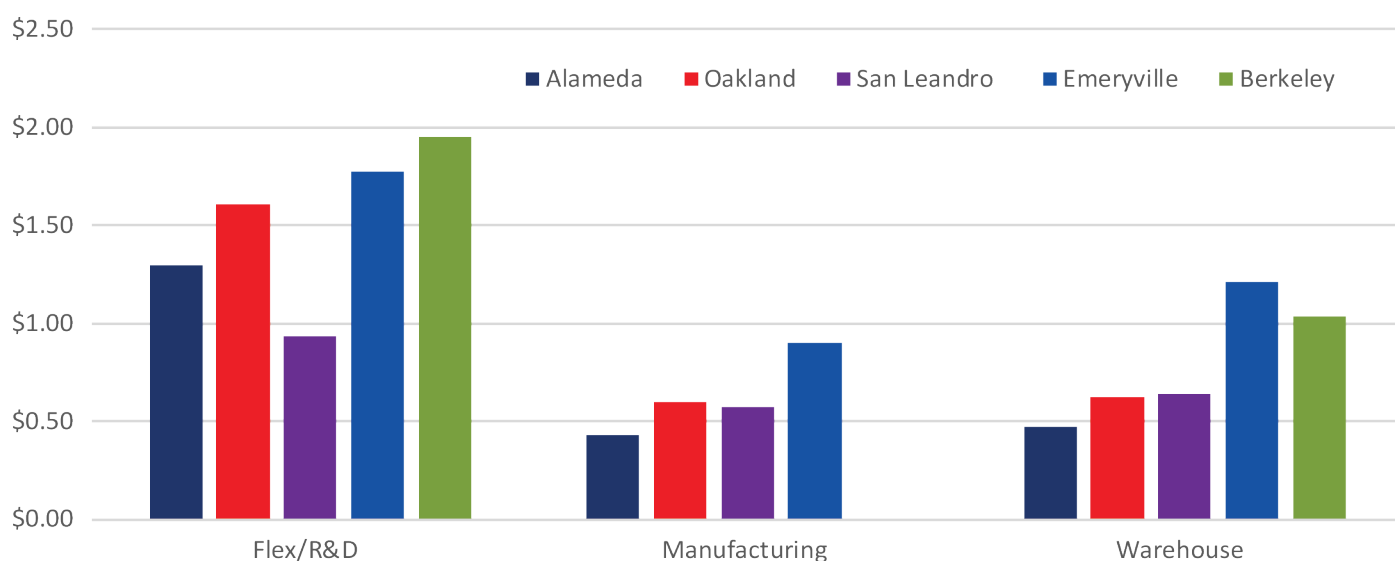
Industry Groups: Harbor Bay has a concentration of Biotech/Alternative Energy jobs, as the home of several large employers located in this sector. Other targeted industries in the business park include Hospitality, Arts, Entertainment and Recreation;

High Tech Manufacturing; and Specialty Food Manufacturing.

Strengths: Harbor Bay's key competitive advantage is the availability of large vacant buildings and properties for build-to-suit development of self-contained corporate headquarters campuses and custom production facilities. The subarea offers easy access to the Oakland International Airport and FedEx hub, to San Francisco via the ferry terminal, and convenient truck access to the region via routes on Bay Farm Island to I-880. Harbor Bay also features an appealing waterfront location and poses few conflicts with other land uses since nearby residences are isolated from the business park. These attributes have helped to draw employers like Penumbra and VF Outdoors – which needed a large campus with room to grow – and large food production operations like Peet's Coffee & Tea's roasting facility.

Issues/Opportunities: Tenants cited the lack of more robust transit access and worker amenities as a major challenge. As part of a transportation demand management (TDM) program, employers provide individual private shuttles to BART. In order to add amenities to the area, Penumbra has also provided an onsite restaurant, but employers believe that there is still a need for additional transit

FIGURE 14: ASKING RENTS FOR THE CITY OF ALAMEDA AND NEARBY CITIES, 2016



SOURCES: COSTAR GROUP, AUGUST, 2016; STRATEGIC ECONOMICS, 2016

FIGURE 15: EMPLOYMENT SUBAREAS IN THE CITY OF ALAMEDA



SOURCES: CITY OF ALAMEDA, 2016; STRATEGIC ECONOMICS, 2016.

connections and dining options for workers in the area. Harbor Bay has opportunities to continue growing by improving transportation access options, adding worker amenities, and being marketed to companies seeking room for custom development and/or large spaces with strong distribution access to the East Bay. While Harbor Bay has a large amount of entitled land for commercial development, many of the landowners are not interested in selling or developing their sites in the short term.

Marina Village Subarea

Overview: The Marina Village Subarea includes both Marina Village Business Park and immediately surrounding buildings that are under separate ownership. Because it is generally older, with lower quality finishes and amenities, buildings at the Marina Village Subarea are classified as Class B and Class C office space, with a smaller amount of industrial and flex buildings.

Industry Groups: The Marina Village Subarea has nearly 2,000 jobs, with employers in Media, Computer Technology; Professional Services; and High Tech Manufacturing. Businesses within Marina Village are mid-sized, with an average of 21 employees per firm.

Strengths: Marina Village provides a flexible office and R&D location within close proximity to Downtown Oakland, with a variety of building sizes and configurations, and lower lease rates than comparable nearby spaces in Oakland. Marina Village also features a centrally-located shopping center with groceries and restaurant amenities.

Issues/Opportunities: Because of its proximity to Downtown Oakland, Marina Village has been successful at attracting firms that are priced out of that market. However, brokers and employers at Marina Village report that the limited transit or bicycle access is a constraint. Many employers at Marina Village believe that transit enhancements would be key to attracting highly talented workers and premium office tenants.

Alameda Point Subarea

Overview: Located on the former naval air station, Alameda Point consists primarily of older navy buildings. The majority of these buildings are classified as either industrial, flex/R&D, or older office space. Employment in the area comprises nearly four percent of citywide jobs. Many of the buildings, which are owned by the City, are historic and unique, and the atmosphere is particularly attractive to artists and Millennials. There is a major planned residential and commercial development planned for Site A in the short term, and potential for large-scale industrial, R&D, and office uses in the Enterprise District in the longer term.

Industry Groups: Almost a third of employees within Alameda Point are in the Maritime industries. Alameda Point also has strengths in Specialty Food and Beverage Manufacturing, which are clustered at Spirits Alley; Biotech/Alternative Energy; and Media, Computer Technology, and Professional Services. Businesses at Alameda Point are smaller on average than in other subareas, with an average size of 11 employees.

FIGURE 16: MARINA VILLAGE



SOURCES: CITY OF ALAMEDA, 2016.

Strengths: Frequently described by current users and local brokers as “funky,” Alameda Point appeals to artists and “makers” developing new and innovative products. These users require large quantities of space and are attracted by the historic character of the reuse district, as well as the below-market rents. The area also has existing ferry service, and a proposed new ferry terminal at Seaplane Lagoon will provide enhanced regional transportation connections. Phase Zero events and marketing campaigns at Alameda Point provides the opportunity to generate “buzz” and foster relationships with potential commercial tenants of the Site A project.

Issues/Opportunities: According to businesses in Alameda Point, the central challenges include aging and insufficient infrastructure (especially water), a lack of nearby restaurants for workers, and inadequate bus service. While Alameda Point has been able to lease many of its buildings, the majority of the remaining vacant building stock and

sites would require significant capital investments in order to be marketable to future tenants. There is a risk that the high infrastructure costs – combined with Alameda’s lower commercial real estate values compared to other locations in the Bay Area – may render new development projects in the planned Enterprise District infeasible in the near term. Existing tenants also raised concerns about the impacts of Site A construction on their day-to-day operations. However, many believe that the successful build-out of Site A will help to make Alameda Point – including the Enterprise District - more marketable to businesses.

Northern Waterfront Subarea

Overview: Located at the north side of the island, between Park Street and Encinal Basin, from the shore to Eagle Avenue, the Northern Waterfront Subarea encompasses a variety of users. Employment in this subarea accounts for less than three percent of citywide jobs. The majority of space is classified as either Class C office or industrial spaces, and rents are significantly below market.

Industry Groups: Maritime Industry and Recreation accounts for a substantial share of employment in the Northern Waterfront, comprising 19 percent of jobs. The Alameda Marina occupies a large portion of the physical space in this subarea. Businesses are typically small since this subarea includes a variety of smaller spaces.


Strengths: The Northern Waterfront Subarea features excellent waterfront access for industrial and recreational maritime uses. Local brokers report that they also receive interest in the eastern portion of this subarea from smaller office-based businesses, who value the character of the building stock and the proximity to restaurants and amenities on Park Street.

Issues/Opportunities: The Northern Waterfront Subarea is a potential area of change, depending on future redevelopment of existing maritime industrial lands. Because existing maritime businesses on the northern waterfront generate lower revenues than residential or mixed-use development, there is a

FIGURE 17: FACTION BREWING, ALAMEDA POINT



SOURCES: STRATEGIC ECONOMICS, 2016.



strong incentive for property owners and developers to convert sites to more financially attractive uses. Conversion may result in land use conflicts between residential and industrial uses, and/or displacement of maritime businesses if they are not able to remain in their existing locations. Furthermore, at Alameda Marina, the water infrastructure serving maritime businesses has deteriorated significantly, and there are no funding sources available to cover the full cost of rehabilitating them while maintaining existing uses.

5

RETAIL AND RESTAURANTS

The national retail and restaurant environment has been undergoing significant change, influencing the types of retailers that a community like Alameda can expect to attract. Many of these trends are driven by the growth in e-commerce and other technology, which have dramatically changed the way that people shop for goods and services.

Online shopping has put pressure on conventional retail businesses, leading to the emergence of “experiential” retail and consolidation of traditional retail stores. As more retail sales shift online, demand for certain types of brick-and-mortar retail stores – for example, book, music, and electronics stores – has declined significantly. In shopping centers and retail corridors across the region, demand for new retail space is increasingly driven by stores that face little or no competition from online sales, such as restaurants, groceries, hair and nail salons, and other personal services. These types of stores – along with entertainment – are sometimes referred to as “experiential” retail since they compete based on experiences offered rather than goods sold.

Preferences for retail space have evolved. Some of the aging strip retail centers throughout the Bay Area no longer meet the space needs of national and regional chains. These types of tenants tend to

favor wide storefronts with high ceilings and highly visible signage, located in concentrated nodes with high traffic, good visibility, and easy vehicle and pedestrian access. Older retail buildings that do not meet those criteria may struggle to attract tenants, although in some instances they may also provide more affordable space for smaller, independent businesses. Mid-level national retailers, which have been most impacted by the rise in online shopping, have responded by closing their stores (e.g. Macy’s), or merging with their competitors (e.g., Walmart and Jet.com). Larger retailers are maintaining their brick-and-mortar stores in cores and corridors, and moving away from smaller secondary markets.

“On-demand” mobile services are another source of competition for retailers. A small but growing trend affecting retailers is the rise of on-demand services, including food trucks and convenience services such as dry cleaning or oil changes that travel to customers. The rising popularity of mobile services reflects the national and regional trend of increasing demand for specialty food, restaurants, and services.

RETAIL SALES TRENDS IN ALAMEDA

Retail sales in the City of Alameda have largely recovered from the Great Recession.

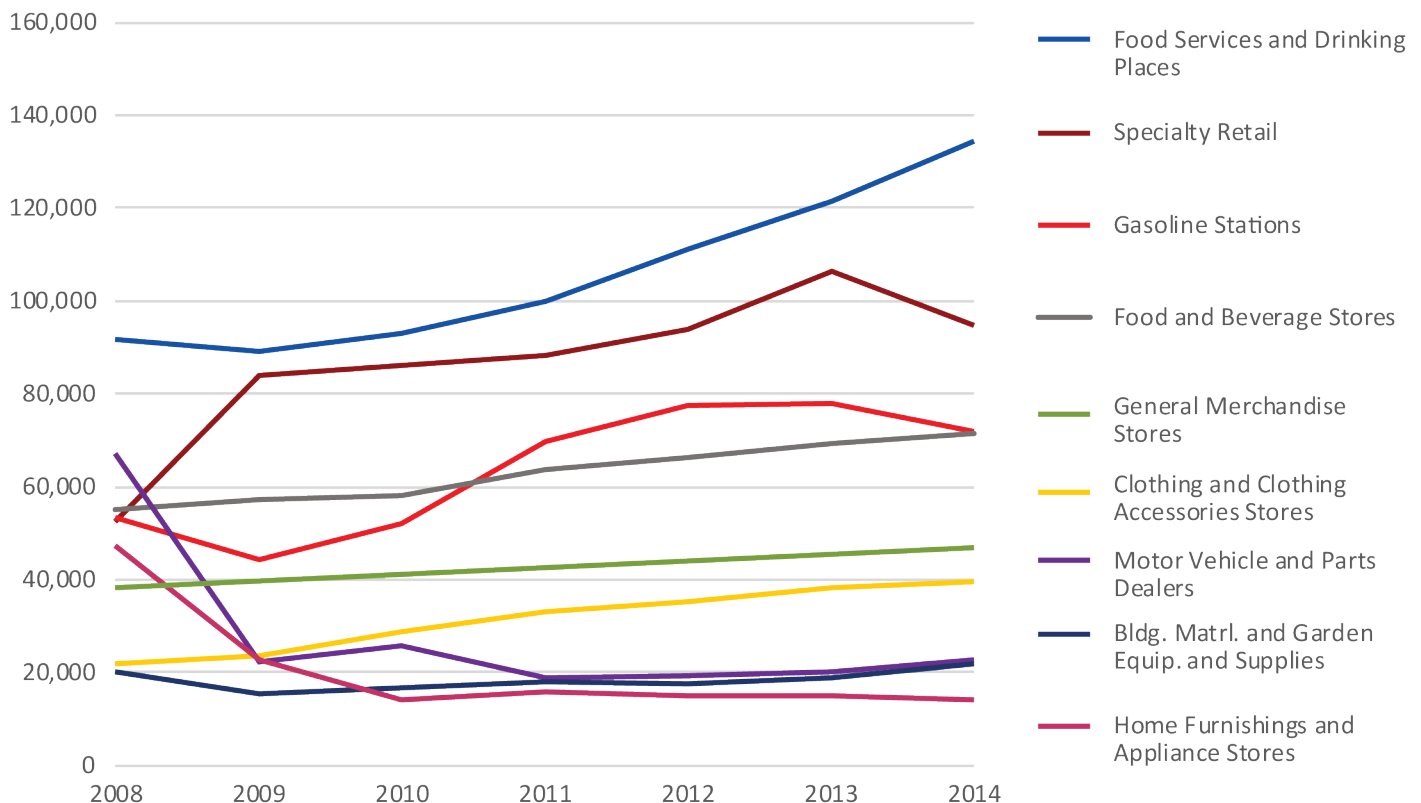
Although overall retail sales declined during the recession, the City of Alameda has seen a 44 percent increase in sales since 2009. Taxable sales increased in almost all retail categories. Alameda has held on to its share of countywide taxable sales from 2008 to 2014.

Alameda's highest sales tax generating category is restaurants/bars. 26 percent of taxable retail sales in Alameda in 2014 were generated by Food Services and Drinking establishments (restaurants/bars), compared to 15 percent in the county. The next highest sales tax generating categories are groceries, gas stations, and specialty retail. Altogether, these retail categories combined with restaurants/bars contribute 58

percent of Alameda's taxable retail sales.

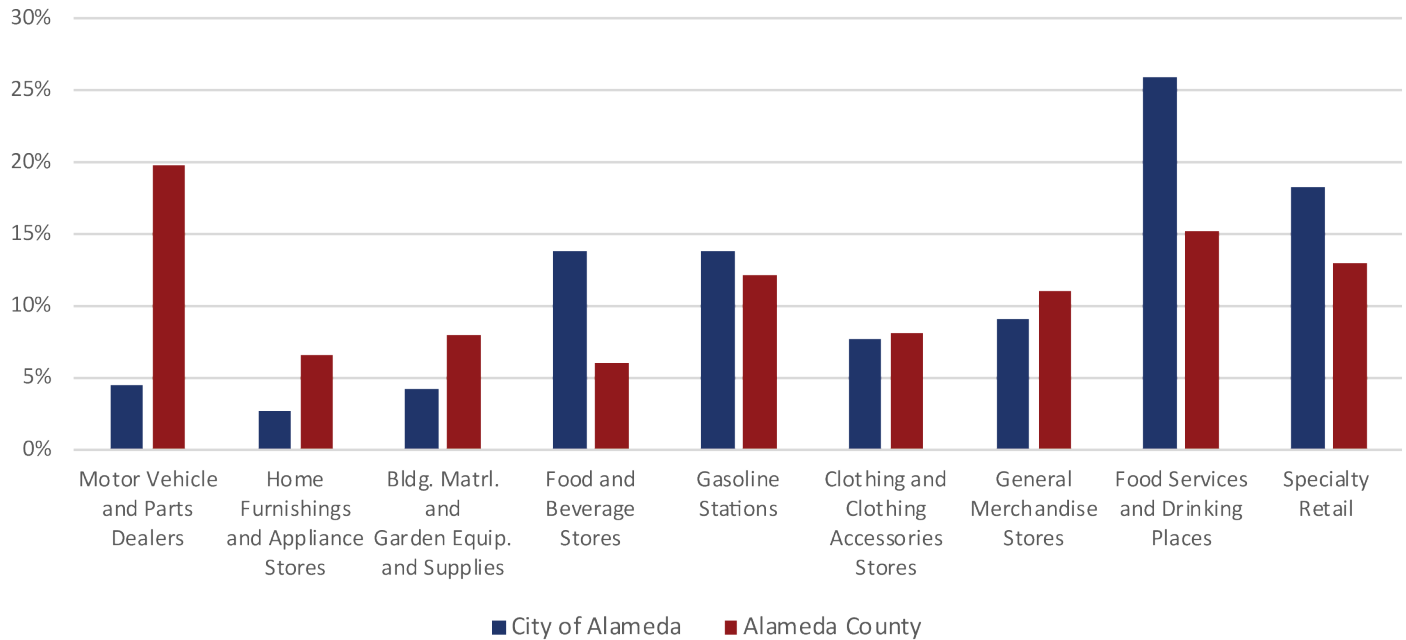
The fastest growing retail categories include specialty retail, restaurants/bars, clothing stores, and groceries. Restaurants/bars (Food Services and Drinking Establishments) and groceries (Food and Beverage stores) have been growing rapidly, and accounted for 40 percent of citywide taxable sales in 2014. Specialty Retail, a broad category that includes hobby, electronics, health and wellness, sporting goods, and other miscellaneous stores, was the fastest growing retail category, growing by over 100 percent between 2008 and 2014. Clothing stores sales are also growing, making up a quarter of overall sales growth in Alameda from 2008 to 2014. While some of the growth in sales is due to the opening of the new Alameda Landing shopping center, much of it is also from increased spending in existing stores.

FIGURE 18: TAXABLE SALES, BY CATEGORY, IN THE CITY OF ALAMEDA, 2008 TO 2014



SOURCES: CALIFORNIA STATE BOARD OF EQUALIZATION 2008-2013; STRATEGIC ECONOMICS, 2016.

FIGURE 19: TAXABLE SALES BY CATEGORY, IN THE CITY OF ALAMEDA, COMPARED TO THE EAST BAY, 2014



SOURCES: CALIFORNIA STATE BOARD OF EQUALIZATION 2008-2013; STRATEGIC ECONOMICS, 2016.

The City of Alameda experiences retail sales “leakage,” or loss of potential retail spending to other communities. While the City of Alameda has seen gains in overall taxable retail and food sales of 16 percent since 2008, the City continues to experience leakage of taxable sales to other communities by over \$4,500 per resident annually. This indicates that there are opportunities to capture more of the local retail spending within Alameda.

The City of Alameda attracts spending from outside of the City in its grocery stores and restaurants. The City of Alameda captures higher per capita sales in two categories: Food and Beverage Stores and Food Services and Drinking Places. This indicates that Alameda’s residents spend more of their dollars on groceries and dining establishments within the city, and that Alameda attracts out-of-town resident spending at restaurants and/or drinking establishments.

Motor Vehicle and Parts Dealers, and Home Furnishing and Appliance Stores have experienced the greatest declines in taxable retail sales. Between 2008 and 2014, Motor Vehicle and Parts Dealers and Home Furnishing and Appliance Stores sales declined by 66 percent and 71 percent, respectively. The marked decline in motor

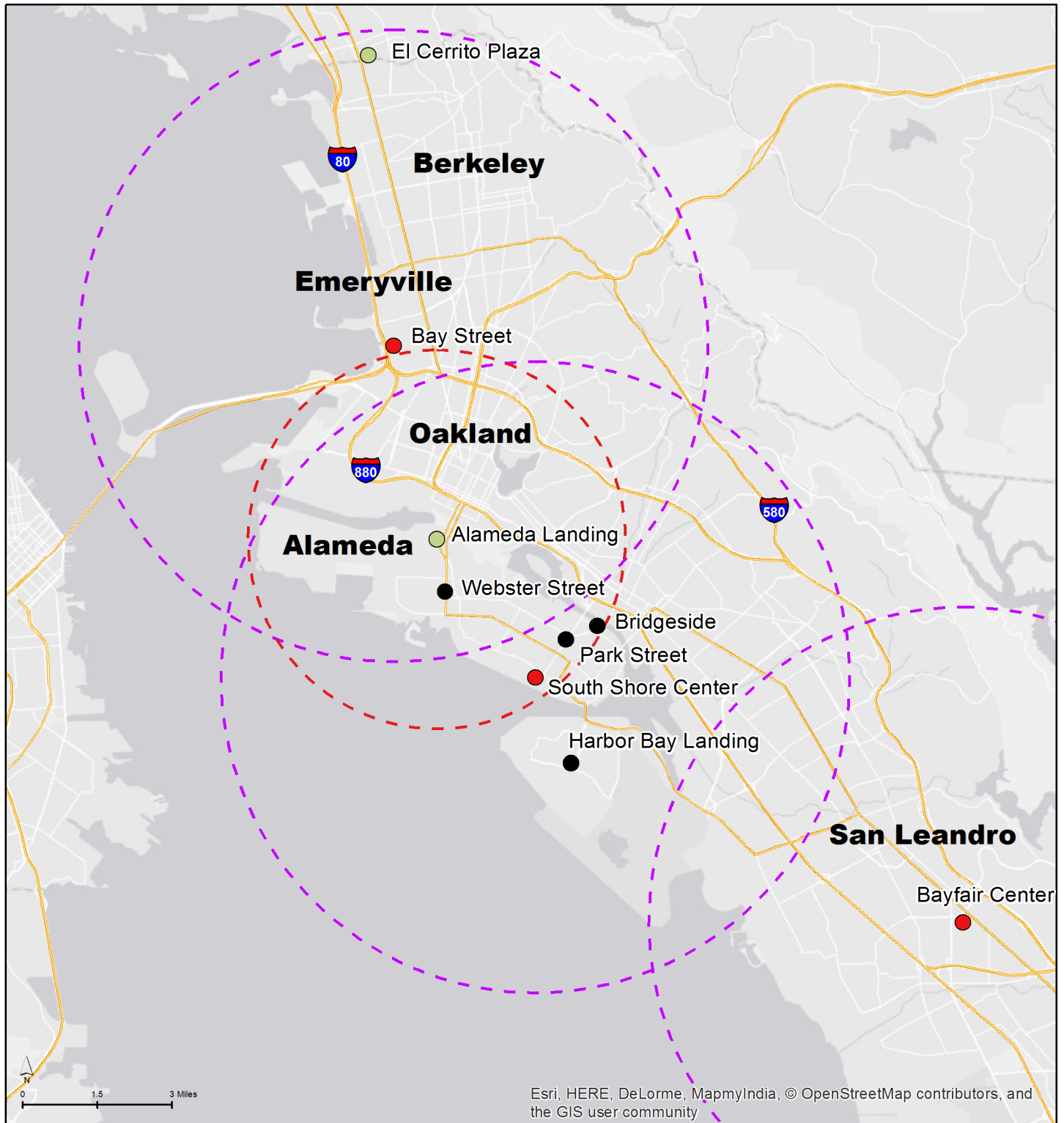
vehicle sales was largely driven by the closure of the auto dealerships on North Park Street. Both store types require large spaces, easy automobile access, and a large trade area population.

COMPETITIVE RETAIL SUPPLY

In order to understand the potential for the City of Alameda to attract new retail development, it is important to understand the overall supply of existing retail, and the City’s competitive position. Alameda’s retail trade area extends from Emeryville to the north to San Leandro to the south. Within this trade area, there is an extensive supply of existing retail, including large regional shopping centers, community retail centers, and neighborhood centers. The types of retail centers (as defined by the International Council of Shopping Centers) found within the trade area are described below and shown in the map on the following page.

1. **Regional retail centers** serve a large regional trade area (a radius of 5 to 15 miles) and require excellent freeway access and visibility. They typically take the form of large malls anchored by department stores, but can also include specialized outdoor pedestrian-

FIGURE 20: COMPETITIVE RETAIL SUPPLY WITHIN THE EAST BAY



East Bay Region Shopping Centers

- Community Center
- Lifestyle Center or Regional Mall
- Neighborhood Centers and Districts
- 3 Mile Trade Area (Alameda Landing)
- 5 Mile Trade Area (Bay Street, Bayfair and South Shore)

Sources: CoStar Group, 2016; U.S Census Tiger Line Data, 2013; International Council of Shopping Centers, 2016; Strategic Economics, 2016.



oriented “lifestyle” centers dominated by upscale national chain specialty stores, dining, and entertainment. Typical regional centers range from 400,000 to 800,000 square feet. In Alameda’s trade area, there are three regional retail centers: South Shore Center in Alameda, Bayfair Center in San Leandro, and Bay Street in Emeryville.

2. **Community retail centers** serve a smaller trade area (three- to six-mile radius) than regional retail centers. Some community centers have grocery stores (Trader Joe’s), while many also focus on additional retail formats such as discount department stores (Walmart, Target) and other discount goods in the categories of sports equipment, books, apparel, electronics, or home improvement. Typical community centers range between 125,000 and 400,000 square feet. Alameda Landing is an example of a community retail

center.

3. **Neighborhood retail centers** provide convenient daily needs shopping to a highly localized trade area (approximately a one- to three-mile radius, depending on population density). They are often anchored by a grocery store and/or drug store and contain a small amount of additional in-line retail space. Centers typically range between 30,000 square feet (if they lack an anchor store) to 125,000 square feet. Alameda has multiple neighborhood centers that serve different neighborhoods. Bridgeside is an example of one neighborhood shopping center.

Alameda’s retail supply includes a mix of centers serving different types of customers.

South Shore Center is a regional retail center that competes for customers within a large trade area. Alameda Landing, located on the western side of the

FIGURE 2I: SHOPPING CENTERS IN ALAMEDA*

Subarea	Total Rentable Building Area Sq. Ft.	% of Total City	Vacancy Rate	Monthly Asking Rents (Per Sq. Ft.)
South Shore Center	580,539	15.9%	5.0%	\$2.67
Alameda Landing	292,113	8.0%	4.8%	N/A
Marina Village Shopping Center	112,255	3.1%	7.8%	\$2.58
Bridgeside Center	110,476	3.0%	0.0%	N/A
Harbor Bay Landing	89,499	2.5%	15.6%	\$2.68
Park Street	851,197	23.3%	1.8%	\$2.76
Webster Street	457,212	12.5%	1.7%	\$1.52
City of Alameda	3,648,717	100.00%	3.6%	\$2.33

SOURCES: COSTAR GROUP, AUGUST, 2016; STRATEGIC ECONOMICS, 2016.

* DUE TO DATA AND GEOGRAPHIC CONSTRAINTS, THE 17 “NEIGHBORHOOD STATIONS” ARE NOT INCLUDED IN THIS TABLE.

island, is the sole community center in the City. There are three neighborhood centers: Marina Village, located near the Posey Tube; Bridgeside, located next to the High Street Bridge; and Harbor Bay Landing, located on Bay Farm Island. Additionally, Park Street and Webster Street serve the City as two downtown retail centers, and 17 neighborhood station districts.

Retail space in the City of Alameda attracts competitive rents compared to nearby cities.

Asking lease rates for retail space in Alameda are competitive with nearby cities. The citywide retail vacancy rate in the City of Alameda is currently less than four percent, which is very low and indicates high demand for retail space in the City. Additionally, Alameda's vacancy rate has steadily decreased since 2011 – despite the addition of 292,000 new square feet of retail at Alameda Landing.

The lack of freeway access to Alameda makes

FIGURE 22: RETAIL IN ALAMEDA



SOURCE: STRATEGIC ECONOMICS, 2016.

the City less competitive for attracting larger national retailers. Local retail brokers interviewed for this study noted that Alameda suffers from perceptions of poor access, driven by the lack of immediate freeway access. While South Shore Center and Alameda Landing offer convenient parking and a less hectic experience, the island does not have the traffic counts of freeway-oriented centers like Emeryville's Bay Street or San Leandro's Bayfair Center.

Based on market demand, Alameda's strongest retail opportunities are in restaurants, food stores, specialty retail, and clothing stores. These have traditionally been Alameda's highest performing retail categories, and are likely to continue being the drivers for new retail development given consumer spending patterns, as well as national trends favoring experiential retail.

ALAMEDA'S RETAIL CENTERS

South Shore

Overview: Built in 1953 and renovated in 2010, South Shore Center was designed as an outdoor shopping mall with stores clustered in the center of a large parking lot, and fronting central walkways. South Shore Center has a greater share of soft-goods stores (clothing, linens, and housewares).

Trade Area: South Shore Center is the only regional shopping center in the City of Alameda. As the only center offering a significant cluster of soft-goods in the City, South Shore competes with other nearby regional centers at Bayfair Center and Bay Street.

Performance/Opportunities: Between 2006 and 2015, sales tax receipts from South Shore Center have steadily increased, while the Center's share of citywide sales tax revenue stayed steady. South Shore Center is Alameda's second-highest generator of annual sales tax revenue among all districts and shopping centers (behind Park Street) although Alameda Landing is poised to overtake South Shore. Given broader trends limiting the potential of soft goods retail in the future, South Shore Center may have an ongoing opportunity to diversify the types of

uses within its smaller internal storefronts to include additional services, dining, or other experiential retail.

Alameda Landing

Overview: Built in 2013, Alameda Landing is the most recently constructed shopping center in the City of Alameda. Alameda Landing is a community center, designed with a walkable area fronted by smaller stores, with large parking lots fronting anchor stores on either end of the center. Anchored by Target, Alameda Landing is primarily tenanted by retailers providing everyday goods and services such as Target, Safeway, Michael's, and several restaurants.

Trade Area: Local brokers report that Alameda Landing competes against other nearby shopping centers by being a vehicle-accessible, less congested location for residents in Alameda, Downtown Oakland, and Northern San Leandro to purchase general merchandise and everyday goods.

FIGURE 23: RETAIL IN ALAMEDA



SOURCE: STRATEGIC ECONOMICS, 2016.

Performance/Opportunities: Alameda Landing has performed very well in the three years since opening, successfully tenanted most of its retail spaces and generating 15 percent of citywide sales tax revenues in 2015. The center is poised to become Alameda's second highest generator of annual sales tax revenue-and possibly the top sales tax generator. Sales are likely to grow as additional housing and employment space are constructed in the surrounding area and at Alameda Point.

Marina Village

Overview: Located adjacent to Marina Village Business Park on the western side of the island, Marina Village shopping center is a neighborhood shopping center. Anchored by a Lucky Foods grocery store and CVS, Marina Village is primarily tenanted by convenience goods and food and beverage.

Trade Area: Marina Village draws from a relatively small trade area, serving nearby neighborhoods and as a lunchtime and daily needs amenity for workers at Marina Village Business Park.

Performance/Opportunities: Marina Village has generated consistent, steady sales tax revenues since at least 2006.

Bridgeside

Overview: Bridgeside is a neighborhood serving retail center on the eastern side of the island, located directly adjacent to the Fruitvale bridge.

Trade Area: Bridgeside primarily serves local households on the eastern portion of the city, businesses along the Northern Waterfront, and is positioned to capture shoppers entering via the Fruitvale Bridge.

Performance/Opportunities: Renovated in 2006, Bridgeside has performed well, with zero vacancy and steady sales, accounting for three to four percent of citywide sales tax revenue between 2007 and 2015.

Harbor Bay Landing

Overview: Harbor Bay Landing is a neighborhood retail center located on Bay Farm Island. At just under 90,000 square feet, Harbor Bay Landing is the smallest retail center in the City of Alameda.

Trade Area: Harbor Bay Landing is constrained by a relatively small trade area, limited largely to the immediately surrounding population on Bay Farm Island. The center's primary anchor tenant, Safeway, has another, larger location less than a 10-minute drive away at South Shore Center.

Performance/Opportunities: Harbor Bay Landing has the highest vacancy rate of any retail center in the City of Alameda, estimated at approximately 16 percent. Despite its high vacancy, Harbor Bay Landing has maintained a steady two percent share of citywide sales revenue. Given the center's limited trade area, it may remain a less competitive location for retailers in the future, but may also have an opportunity to attract a more diverse tenant mix beyond retail stores and restaurants.

Park Street

Overview: Park Street is one of two main street retail districts in the City of Alameda, and generates more sales tax revenue than any other district or shopping center in the City. Characterized by small scale walkable retail, Park Street is a popular destination for dining and entertainment, and hosts a variety of small specialty stores. The south end of Park Street is more retail-focused, while the north end has historically been automobile-oriented (although this is changing over time as automobile uses have shuttered). The Park Street Gateway District Strategy, published in 2008, presents a vision of an enhanced walkable, mixed use district for the areas north of Lincoln Avenue, bringing the north end of Park Street in line with the character of the south end of Park Street.

Trade Area: Based on feedback from retail brokers and business owners, Park Street's trade area is primarily focused on Alameda residents, but some restaurants and the theater draw customers from a

larger regional area.

Performance/Opportunities: Between 2006 and 2009, Park Street saw a major decline in sales, driven in large part by the loss of automotive dealerships north of Lincoln Avenue. Since 2009, Park Street has performed well, with anecdotal evidence suggesting that the business mix is increasingly focused on restaurants and services rather than retail stores. Park Street's busiest blocks – centered on Central Avenue – draw large crowds. Over the years, Park Street has remained the City's highest sales tax revenue generator. Business owners and brokers interviewed for this study noted that Park Street has an opportunity to better manage parking and sidewalk cleaning and maintenance. Other opportunities may exist to pursue redevelopment of former auto-oriented sites north of Lincoln Avenue.

Webster Street

Overview: Webster Street is the other main street retail district in the City of Alameda. Similar to Park Street, Webster Street is characterized by small scale walkable retail, and is a destination for dining –

FIGURE 24: RETAIL IN NEIGHBORHOOD CENTERS



SOURCE: STRATEGIC ECONOMICS, 2016.

particularly for west Alameda residents.

Trade Area: Local retail brokers report that, despite being located between Alameda Landing and Marina Village, Webster Street has not experienced significantly increased competition. Webster Street offers a walkable, unique product compared to Alameda Landing or Marina Village, which are primarily automobile-oriented suburban shopping centers. Webster Street retailers report that their primary competition is from Park Street, which offers a similar type of experience, but has a larger population in its trade area and a larger array of offerings.

Performance/Opportunities: Webster Street has maintained steady performance, with sales tax revenue increasing 26 percent from 2006 to 2015. However, Webster Street has not kept pace with the City as a whole, in which sales tax revenue increased by 56 percent in the same time period. The retail stores at the corner of Webster and Lincoln are the highest performing spaces. As with Park Street, Webster Street's storefronts are increasingly occupied by restaurants and personal services rather than retail stores. Webster Street would benefit from having a major activity generating use that would attract additional foot traffic (similar to the experience of Park Street when Alameda Theatre & Cineplex opened). There are also opportunities to promote the area's relatively easy parking and traffic circulation, and attract new residents coming to Alameda Point and nearby neighborhoods. Additionally, Webster Street may benefit from new residential development on the west side of the island, especially at Alameda Landing.

Neighborhood Station Districts

Overview: The Neighborhood Station Districts consists of 17 small retail clusters, ten of which were built at major streetcar stops in the late-19th and early-20th century.

Trade Area: The Neighborhood Station Districts serve a local trade area, ranging from immediate neighborhood residents to citywide customers.

Performance and Trends: Given that each Neighborhood Station District contains few total square feet and many are relatively isolated from larger retail centers, typical rents tend to be lower – in the range of \$1.25 to \$1.75 per square foot. As a result, the storefronts often attract a diverse mix of tenants seeking lower rents. Given the limited potential of many Neighborhood Station Districts, an opportunity exists to continue implementing Alameda's façade improvement program to assist property owners in reinvesting in building appearance and maintenance.

6

TOURISM AND VISITATION

The City of Alameda offers a wide array of destinations, as well as 564 hotel rooms serving visitors from the Bay Area and beyond. Alameda's attractions and hotels bring significant economic benefits to the City, including boosting sales for local businesses, and tax revenues to the city's General Fund. The following summarizes the analysis of Alameda's tourism and visitor market, based on interviews with representatives from selected attractions and hotels, and a review of available tourism and hotel data for Alameda and the East Bay.

ATTRACTIONS

Alameda's diverse visitor attractions draw more than 100,000 visitors per year. Alameda's destinations include historical museums and sites, recreational and natural attractions, and beverage production facilities with tasting rooms. Crown Beach receives about 600,000 visitors per year. The USS Hornet, Antiques Faire, and Spirits Alley report annual visitation of between 100,000 and 120,000. Crab Cove and the Pacific Pinball Museum estimate that they receive about 70,000 and 50,000 visitors each year, respectively.

Overall, most of the destinations in the City draw their visitors from within the Bay Area, but some notable sites attract out-of-state and international visitors. The USS Hornet brings

in World War II veterans from around the globe. The Pacific Pinball Museum and Spirits Alley also draw smaller but dedicated domestic and international niche audiences interested in gaming and craft beverages.

Alameda's waterfront is critical to the success of many of its visitor attractions. Destinations such as the USS Hornet Museum, Crab Cove Visitor Center, Crown Point Memorial State Beach, and recreational equipment rentals exist in Alameda because of the City's waterfront location.

Although many visitor attractions are concentrated in Alameda Point, there is not much cross-visitation between them. Six major destinations are located in Alameda Point, but due to the large geographic distance between them, it is not always possible for visitors to walk from one to the other. Many visitors make day-trips for specific destinations rather than staying in Alameda for extended periods. Furthermore, some of Alameda's most significant visitor attractors – such as the USS Hornet Museum, Pacific Pinball Museum, Spirits Alley, and the Crab Cove Visitor Center – appeal to different demographic targets and specific interests.

Alameda's visitor attractions bring significant visitor spending into the City, which can help to support local businesses. The visitors to Alameda's attractions not only pay admission fees

and make on-site purchases, but are also likely to purchase food, beverages, and make other purchases in the City. According to representatives of Alameda’s visitor attractions and retail districts, visitor spending is much easier to capture when an attraction is located within close proximity of a commercial district, such as Webster Street and Park Street. This poses a challenge for capturing additional visitor sales for destinations removed from major retail districts, such as at Alameda Point and Chuck Corica Golf Complex.

Constraints

According to interviews with tourism representatives, there are some constraints to growing visitation in Alameda, including:

Lack of a unified image or awareness of Alameda as a visitor destination. While Alameda’s attractions are individually successful

in drawing visitors, interviewees felt that there is insufficient unified marketing of Alameda as a cohesive set of destinations.

Poor wayfinding signage. Although signage for Alameda Point’s visitor attractions does currently exist, interviewees felt that wayfinding signage at both Alameda Point and the City in general needs to be improved.

Limited public transportation. Alameda’s limited public transportation access was a consistent theme throughout interviews, particularly at Alameda Point where AC Transit has reduced service.

Infrastructure needs at Alameda Point. In addition to wayfinding signage, interviewees raised concerns that Alameda Point feels uncomfortable for visitors due to limited basic pedestrian, bicycle, and automobile infrastructure. Potential improvements include better lighting, sidewalks, and bicycle lanes.

FIGURE 25: SELECTED TOURIST ATTRACTIONS IN ALAMEDA

History/Museums	Food and Beverage Manufacturing (Spirits Alley)	Water, Fitness, and Nature
USS Hornet		Crab Cove
Pacific Pinball	Rock Wall Wine Company	
Alameda Naval Air Museum	St. George Spirits	Crown Point Memorial State Beach
Alameda Historical Museum	Faction Brewing	Chuck Corica Golf Complex
California Historial Radio Society Museum	Hangar One Vodka	Bladium Sports and Fitness
Victorian Homes		Waterfront/ Sailing Amenities
Alameda Point Antiques Faire	Building 43 Winery	Bike and Boat Rentals

SOURCES: CITY OF ALAMEDA, 2016; STRATEGIC ECONOMICS, 2016.

Opportunities

The constraints listed above suggest that there are several ways in which the City of Alameda can help to support tourism destinations, including:

Enhance marketing and promotion of Alameda as a visitor destination in the Bay Area, focusing on emerging themes. The City, private business organizations, or some partnership of the two could pursue additional marketing of Alameda's destinations throughout the Bay Area. Many of the city's destinations have shared themes of historical interest, water recreation, and specialty food and beverages. Potential exists to promote the attractions based on these shared themes, in order to draw visitors and encourage cross-visitation of similar destinations within the City.

Events at Phase Zero can help to increase visitation to Alameda Point. Phase Zero is an early stage marketing and activation campaign designed to raise awareness of the Site A project within local and regional audiences, increase visits to The Point, and generate buzz within the target audience. The program can serve as an important marketing tool for the visitor destinations in Alameda Point.

FIGURE 26: PACIFIC PINBALL MUSEUM



SOURCES: D'ARCI BRUNO, 2016.

Leverage the waterfront to attract visitors. If planned development on the estuary proceeds, the northern waterfront areas will become increasingly focused on recreation rather than industry. City efforts targeting visitor attraction should consider when and how to create a more interactive and active waterfront.

Improve wayfinding signage to visitor attractions. Alameda should work to improve wayfinding signs into the island and at Alameda Point for visitor attractions.

Pursue improved transportation options to destinations, particularly at Alameda Point. Alameda should continue to pursue diverse public transportation options to better connect visitors to destinations, which could include a combination of AC Transit service, private shuttles, water taxis, and ferry service.

Ensure that visitors to Alameda have access to local shops and restaurants. Alameda's visitor attractions can help to increase sales at local businesses. For example, the Pacific Pinball Museum already draws visitors to Webster Street, and the buildout of Alameda Point offers an opportunity for new shops and restaurants near existing destinations.

Implement short-term improvements to visitor infrastructure at Alameda Point. Alameda Point's built infrastructure is about to undergo a major upgrade as part of the development of Site A. However, existing businesses need basic upgrades to transportation, lighting, and signage in the short term. Alameda can help to implement short term improvements and ensure businesses are not disrupted during construction of Site A.

HOTELS

Alameda contains seven hotels totaling 564 rooms. Alameda's hotel rooms comprise slightly less than 2.5 percent of all East Bay hotel rooms, according to data from STR Global. The hotels are generally smaller properties of between approximately 50 and 100 rooms, with 121 rooms in the largest hotel.

Alameda’s hotels are a mix of economy, midscale, and extended stay properties. About half of Alameda’s hotels are economy properties targeted to value-seeking travelers – including two extended stay hotels – while the other half consist of midscale hotels primarily targeted to business travelers. Alameda does not feature any “upscale” or “luxury” properties.

Business travel is the main driver for hotel stays in Alameda. According to hotel operators, their business is largely driven by companies buying room blocks for out-of-town workers and business travelers. Businesses are making these large room block purchases in Alameda because room rates are lower than in the surrounding areas.

Alameda’s hotels have been experiencing rising occupancy rates and revenues. Alameda hotel property owners interviewed for this study noted that their properties are performing very well, with one operator citing an 80 percent occupancy rate. (Hotel markets are generally considered very strong when occupancy rates exceed 70 percent.) The East Bay’s estimated occupancy rate is 80 percent. Based on a review of trends in transient-occupancy tax (TOT) receipts, the hotel industry in Alameda has also seen significant increases in revenues since the

2009/2010 fiscal year (Figure 28).

Alameda’s hotels provide significant fiscal benefits to the City. Hotel room revenues create transient-occupancy tax revenues (TOT) for the City’s general fund. In the 2015/2016 fiscal year, TOT revenues to the City of Alameda totaled \$1.8 million. In addition to hotel revenues, visitors also spend money at local stores and restaurants, which contribute sales tax dollars to the City.

Alameda has two hotels in planning and development stages, and an additional proposed hotel development. Two hotels have been proposed for development in Harbor Bay: Marriott Fairfield Inn and Home 2 Suites. Developers have recently proposed hotels in other parts of the City as well, although the projects are not far along in the development process.

Alameda’s competitive advantages for hotels include lower room rates, proximity to the Oakland International Airport, and access to the employment centers in the greater Bay Area. Alameda’s hotels primarily serve business travelers for local companies, corporate clients that need large blocks of rooms, travelers seeking access to Oakland International Airport, and tourists seeking

FIGURE 27: HOTELS IN ALAMEDA

Hotel Name	Class	Location	# of Rooms
Rodeway Inn Alameda	Economy Class	Webster Street	50
Extended Stay America Oakland Alameda	Extended Stay	Marina Village	121
Extended Stay America Oakland Alameda Airport	Extended Stay	Harbor Bay	87
Coral Reef Inn & Suites	Midscale Class	South Shore	100
Marina Village Inn	Midscale Class	Marina Village	51
Hawthorn Suites by Wyndham Oakland Alameda	Midscale Class	Webster Street	50
Hampton Inn Suites Oakland Airport Alameda	Upper Midscale Class	Harbor Bay	105

SOURCES: CITY OF ALAMEDA, 2016; STRATEGIC ECONOMICS, 2016.

relatively low-cost accommodations compared to San Francisco and Oakland. Harbor Bay hotels especially attract business travelers visiting local companies or who need convenient access to Oakland International Airport.

The hotel market in Alameda is gradually moving more upscale over time, as the City's employment base expands and operators take advantage of limited supply in neighboring Oakland. Recently-built and planned hotel projects are relatively upscale compared to Alameda's existing offerings. For example, the Hampton Inn and Suites, built in 2008, was the City's first property classified as "upper midscale". The proposed Fairfield Inn is a comparable property, and the Home 2 Suites will be Alameda's first midscale extended stay property. No "upscale" or "luxury" properties are proposed for Alameda at this time; these properties are typically built in major urban centers, larger employment areas, freeway interchanges, or adjacent to airports.

Constraints

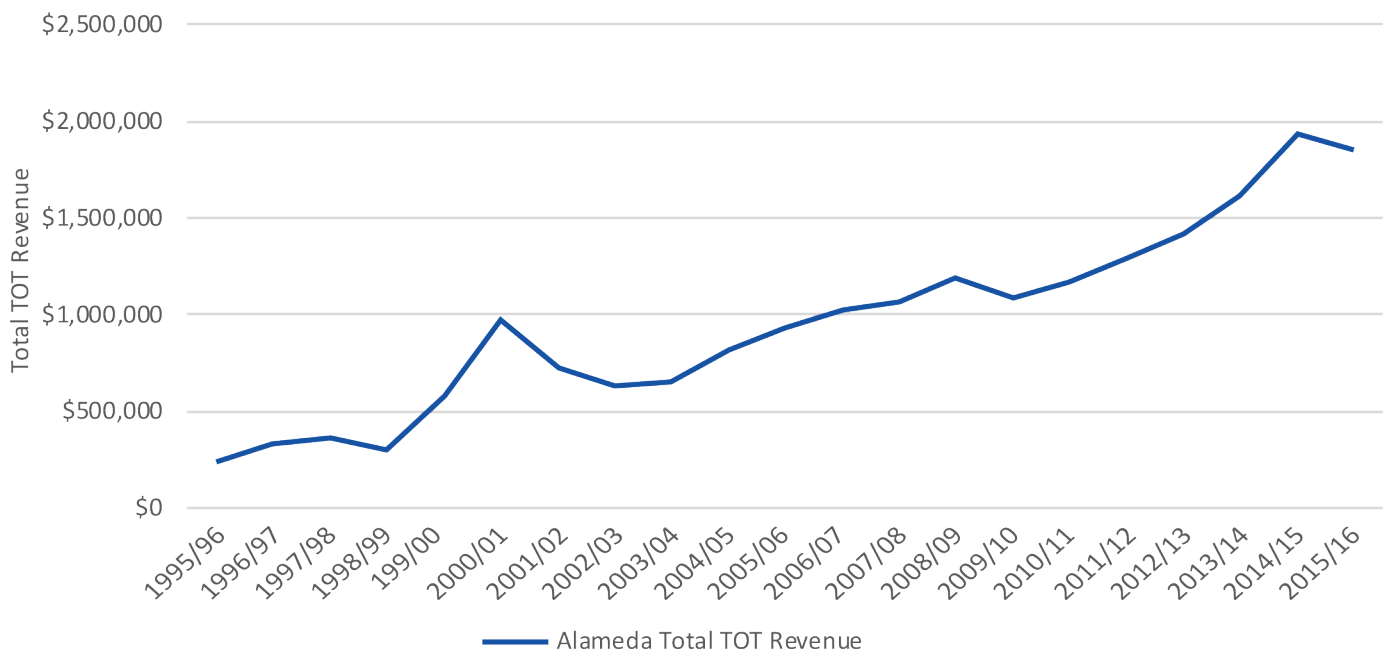
According to hotel operators, there are constraints to the performance and growth of the hotel industry in Alameda, summarized below.

Low density of jobs in the City compared to the region's larger and denser employment concentrations. Alameda's hotel properties mainly serve the business traveler market. The growth of the local hotel industry is dependent on growth in nearby employment. Increased jobs near the City's existing hotels would boost the performance of those properties, but Alameda is likely to remain a secondary hotel market relative to places like Downtown Oakland or San Francisco.

Limited overnight visitation to Alameda makes it challenging to attract large conference hotels. Most of Alameda's visitor destinations attract day trippers and short term visitors rather than overnight hotel guests. The City does not have a large convention center to host major events. These factors, combined with a fairly small local employment base, make it challenging to attract a conference hotel.

Some locations within Alameda lack convenient amenities for guests. Harbor Bay, in particular, currently has limited restaurants, bars, and retail within easy walking distance for visitors. Other potential locations for new hotels, such as the northern waterfront or Alameda Point, have the same challenges.

FIGURE 28: TRANSIENT OCCUPANCY TAX IN ALAMEDA, 1995 TO 2016



SOURCES: CITY OF ALAMEDA, 2016; STRATEGIC ECONOMICS, 2016.



Hotels do not perform as well during the weekends. Hotel operators interviewed for this study noted that weekdays and summer are their busiest seasons. Many Alameda hotels appeal most strongly to business travelers, resulting in soft weekend business.

Opportunities

There are a number of opportunities for the City of Alameda to strengthen and grow Alameda's hotel industry. Some of these are described below.

Ride-hailing and public transportation can help to expand the reach of Alameda's hotels.

Hotel managers interviewed for this study noted that the inexpensive, convenient access provided by Uber, Lyft, and similar apps help Alameda's hotels compete with other East Bay locations, especially because the room rates are more competitive. Improved public transportation may also help hotels attract more guests.

Grow the job base in Alameda. Business travelers already comprise a high share of Alameda's hotel stays. Expansion of local employment will result in additional traveler activity.

Target new midscale hotel development in growing employment areas. Development and job growth at Harbor Bay Business Park and Alameda Point will create new opportunities for hotels focused on business travelers, both in these and other locations.

Add more amenities near hotels and attractions. Hotels benefit significantly from having nearby amenities for their guests, such as retail, dining, and entertainment. The addition of more of these types of amenities at Harbor Bay Business Park would benefit current properties. As the City plans future hotel development at other locations, it will be important to consider linkages to nearby retail and restaurants.