



# CITY OF SAUSALITO

## LAND ECONOMICS STUDY

February 27, 2020



1230 Rosecrans Ave., Suite 630  
Manhattan Beach, CA 90266  
TEL: 424-297-1070 | URL: [www.kosmont.com](http://www.kosmont.com)

Presented By:

**Ken K. Hira**

President, Kosmont Companies

[KHIRA@kosmont.com](mailto:KHIRA@kosmont.com)

**Tom Jirovsky**

Senior Advisor, Kosmont Companies

[TJIROVSKY@kosmont.com](mailto:TJIROVSKY@kosmont.com)

**Robert Valenti**

Senior Project Analyst, Kosmont Companies

[RVALENTI@kosmont.com](mailto:RVALENTI@kosmont.com)

# KOSMONT COMPANIES

Kosmont, a nationally-recognized real estate & economics advisory firm serving hundreds of cities and local governments for over 33 years has been retained by the City to do a Land Economics Study.

- **Kosmont's expertise covers a full range of economics & real estate advisory services including:**
  - Market and Feasibility Analyses
  - Fiscal Impact & Economic Benefit Studies
  - Economic Development Strategies & Implementation
  - Business/Retailer & Developer Recruitment
  - Identification of Funding Sources & Financing Strategies
  - Public-Private Transaction Structuring & Negotiation
- **Winning track record of initiating and implementing projects for municipalities**
  - In-house team includes economists, registered municipal advisors, financial analysts, lawyers, real estate professionals, former city managers & economic development department heads
  - Extensive network of brokers, investors and market data for real-time information, and industry leadership

**Disclaimer:** The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ from those expressed in this analysis.

# LAND ECONOMICS STUDY

## TABLE OF CONTENTS

<b>1. Summary</b>	Page 4 - 23
<b>2. Introduction</b>	Page 24 - 29
<b>3. Economic Trends</b>	Page 30 - 32
<b>4. Demographic Analysis</b>	Page 33 - 46
<b>5. Revenue Analysis</b>	Page 47 - 55
<b>6. Market Data Analysis</b>	Page 56 - 78
<b>7. Business Areas – <i>Marinship, Caledonia, Downtown</i></b>	Page 79 - 100
<b>8. Permits/Regulatory Tools/Policies</b>	Page 101 - 105
<b>9. Tourism, Special Events &amp; Marketing</b>	Page 106 - 112
<b>10. Case Studies</b>	Page 113 - 120
<b>11. Appendix A: Stakeholder Feedback</b>	Page 122 - 126



# 1. SUMMARY

## Sausalito Land Economics Study

# SUMMARY

## INITIAL LAND ECONOMICS STUDY FINDINGS

- Sausalito is a unique city with diverse attractions, eclectic retail districts, and a waterfront industrial area with a strong tradition of marine-focused industries and artists.
- Significant changes related to the growth of the online / digital economy have led to land use changes catalyzed by disruption in retail / downtown districts across the country.
- Given these changing economic conditions, Sausalito's commercial areas will continue to evolve in the future:
  - **The Downtown District** is a popular visitor destination, but has seen declining visitor traffic and resulting sales in recent years, while tenants face high rents in general
  - **Caledonia Street** is well-loved by the community as a main street destination, but has seen retailers struggling with high rents, vacancies, and attracting sustainable levels of patrons
  - **Marinship** is a unique waterfront industrial / commercial area home to a diverse mix of businesses centered around the Maritime and Arts sectors, but faces significant land-use and infrastructure issues that need to be addressed to unlock the area's potential

# SUMMARY

## INITIAL LAND ECONOMICS STUDY FINDINGS

Kosmont’s interviews with community stakeholders yielded several recommendations for strengthening economic development for the Sausalito community:

- Help the Marinship develop into an Innovation District, building off important maritime service industries, new “green” technology and expand existing micro manufacturing businesses
- Attracting high value, low impact visitors
- Growing independent businesses, but allowing limited formula retailers
- Improving the business mix

The International Council of Shopping Centers (ICSC) just published a whitepaper entitled “Retail Breathes Life into Innovation Districts”. The paper identifies the importance of gathering places and ancillary uses for innovation workers (e.g. coffee, lunch, happy hour locations) to facilitate interactions and exchange of ideas among the local entrepreneurs.

# SUMMARY

## PERMITS / REGULATORY TOOLS / POLICY CONSIDERATIONS

### **Entitlement/Permitting/Zoning Processes:**

- Consider revamping permitting processes to accommodate market and changing dynamics
- Identify City priority business categories and streamline processes for those businesses

### **Sausalito could consider revising the formula retail requirements with different options:**

- Limit formula retail restrictions to a smaller geographic area or particular retail types
- Limit formula retailers by square footage or frontage up to percentage cap
- Allow smaller chains by setting “formula retailer” designation above a certain number of locations

### **Signage / Storefront Requirements:**

- Consider loosening requirements to allow more signage to assist businesses attract customers

### **City Economic Development Office / Program:**

- Utilize City resources to encourage business development activities across the City

# SUMMARY

## TOURISM AND MARKETING RECOMMENDATIONS

- Sausalito could develop a consensus regarding what the City has to offer and guide consumers toward those destinations.
- Sausalito could consider participation in local tourism initiatives/organizations to attract high-quality visitors, such as San Francisco Travel (\$5,000 per year). Marin County Visitor Bureau (at 2% of hotel revenue or \$250,000 per year) not recommended.
- Sausalito could consider approaches that increase its visibility as a destination for overnight / conference / resort guests, who are likely to bring higher levels of spending and fewer impacts than day-tripping tourists. This strategy could include:
  - Additional hotel rooms within the City to attract more overnight guests
  - Bed-and-breakfast B&B / smaller format hospitality options on houseboats/concrete barges (Aqua Maison is a local Marinship firm specializing in new floating barge construction.
  - Strategic alliances with Marin County hotels, Cavallo Point Lodge, employers, and transportation providers to attract nearby visitors to City attractions / businesses.
- Sausalito could consider finding new ways to partner with local organizations such as the Chamber of Commerce and the Bay Model to market Sausalito businesses and attractions toward targeted visitor groups.





## KEY BUSINESS AREA: DOWNTOWN

# SUMMARY

## DOWNTOWN OBSERVATIONS

- While Sausalito sees significant visitor / tourist traffic to its Downtown that could drive demand for area retailers and restaurants, there are challenges related to that tourist demand:
  - Activity appears to be decreasing over recent years
  - Ferry and bicycle traffic has been declining
  - Many of the visitors come for quick day-trips / visits, and their spending potential can be minimal;
  - Much of the traffic is centered around ferry travelers and bikes, leading many retailers to close ~6:00pm
- While home to a few boutique hotels, Sausalito has a limited supply of hotel rooms (~128 rooms) in the City, making it difficult to attract longer-term guests with greater spending potential
- Many landlords have expectations for high rents, making many small business operations financially infeasible

# SUMMARY

## DOWNTOWN STRENGTHS & CHALLENGES

### Strengths

- Downtown Sausalito is an “iconic” destination in the Bay Area, home of an eclectic blend of restaurants, boutiques, and galleries along a picturesque waterfront
- The Downtown area has ample parking, multiple ferry lines, and is highly accessible by the visitor population (e.g., bikes, tour buses, ride sharing and other modes of transportation)

### Challenges

- Most of the Downtown area is visitor serving, with congested areas during peak tourist-season (e.g., inundation of bikes and buses) , and many retailers closing by 6:00pm
- Overall visitor traffic has been declining in recent years, creating concern there are fewer retail customers – many visitors are day-trippers with minimal spending
- Rents along Bridgeway may be too high, squeezing small business owners
- Only ~128 hotel rooms in City makes it difficult to attract important overnight customers

# SUMMARY

## INITIAL DOWNTOWN FINDINGS

### Downtown

- The Downtown retail district faces challenges brought by shifting economic trends that impact even the most popular shopping districts.
- The current resident and visitor populations may not be able to sustainably support the independent / eclectic retailers in the downtown area.

While these problems are not easily solved, the City can take some steps to improve conditions:

- More overnight guests can bring additional spending to downtown retailers / other local experiential attractions beyond the impact of daytime tourists.
- Attract more food and entertainment tenants / more outdoor dining
- Allow limited formula retail establishments (e.g. no more than 10% of lease area)
- The City should consider using the former-Bank of America property to activate the downtown area, such as a local artist collective, "food hall", or engaging pop-up spaces.

# SUMMARY

## BENEFITS OF BLENDED USE FOR DOWNTOWN AREAS

- Modern businesses want locations with smaller footprints in vibrant areas, showing the critical importance of investing in a strategy to diversify the types of land uses, including retail, entertainment, pedestrian-friendly, outdoor dining, residential, health, and wellness.
- Shopping districts are increasingly integrating with office, residential, and hospitality uses. Health and wellness companies are expanding to serve aging Baby Boomer populations, often seeking locations near retail and office developments. These diverse blend of uses help to draw in customers throughout the day and evening hours.
- Downtown districts are in need of reimagination and are also focusing on unique amenities, attractions, programming, events, and pop-ups that can activate a district and create an engaging and experiential destination.
- Cities and private real estate owners can benefit from a reimagination process based on a keen understanding of retail and land use trends, thoughtful local market analysis, strategic economic development and project shaping, and action-oriented implementation.



## KEY BUSINESS AREA: CALEDONIA

# SUMMARY

## CALEDONIA OBSERVATIONS

- With a local population of 7,300 residents and 145,000 SF of retail space, the Caledonia area is facing significant leasing challenges, if limited to local-serving businesses and prohibition of formula retail.
- Compounding the problem are many landlords expectations of \$4 - \$5/sf monthly market rents, making many small business occupancy financially infeasible. Kosmont estimates that a business would need to generate approximately \$500 per square foot in annual sales to afford such market rents.
- Possible land use changes to improve economic conditions include:
  - Allow residential uses on Caledonia that could eliminate large vacant spaces by activating the street and providing \$10,000 - \$20,000 per resident in annual spending potential
  - Allow more office / coworking spaces to encourage generation of more trips to the street

# SUMMARY

## CALEDONIA STRENGTHS & CHALLENGES

### Strengths

- Caledonia Street seems to be well-enjoyed by Sausalito residents as a main street with restaurants and independent retailers
- Caledonia is well-positioned near community institutions (*such as City Hall, the Police Department, and parks and recreational areas*), and well-located between the other major commercial areas of Sausalito - Marinship and Downtown

### Challenges

- High rents and vacancy issues make it difficult for resident-serving retail in a small City
- Some express concern about how to draw new visitors to the area to support local businesses, while still remaining a resident-serving district
- Concern for parking / wayfinding / connectivity in the area, making it difficult for some patrons to visit



# SUMMARY

## INITIAL CALEDONIA FINDINGS

### Caledonia

- Like many small town resident-serving retail / business districts, Caledonia is facing challenges:
  - Limited parking
  - Competition from the digital economy
- The local resident population spending is unable to sustain the 145,000 square feet of independent retail/restaurant businesses along Caledonia Street, given the high rents they face.
- To maintain economic vitality in the district, the City could consider allowing some upper level residential units to bring new customers to the area, revisions to the formula retail regulations, and better connectivity / parking improvements.



## **KEY BUSINESS AREA: MARINSHIP**

# SUMMARY

## MARINSHIP OBSERVATIONS/STRENGTHS & CHALLENGES

### Strengths

- The Marinship has two key economic clusters:
  - Maritime cluster ranging from recreation, maintenance, education, to ship-building
  - Arts cluster ranging from artist studios, working artisans, to applied arts professionals
- The Marinship is well-positioned to serve important function as a working maritime waterfront and an innovation district for the Bay Area, with a thriving community of innovators and artists

### Challenges

- The Marinship area faces major infrastructure issues:
  - Sea-level rise, subsidence, and flooding threaten the long-term viability of portions of the area
  - Contaminated properties, such as the Machine Shop, will require expensive remediation
  - Circulation / Connectivity improvements such as roads, pathways, and parking are needed to improve accessibility
- Existing residential uses leads to conflict between industrial users in the industrial zone

# SUMMARY

## INITIAL MARINSHIP FINDINGS

- Given the 225 acres in Marinship, the area could accommodate a range of uses that can help address many of the community goals outlined above.
- For example, the Santa Barbara waterfront is an area similar to Marinship, but without the major infrastructure challenges. Santa Barbara's Funk Zone shows how small commercial/entertainment nodes built slowly over 10+ years (within an active industrial zone) can help attract thousands of **upscale visitors** – without necessarily negatively impacting the existing industrial businesses.
- The Funk Zone today is a +30-acre blend of wine tasting, brewery, distillery, cafes, art galleries, and kayak rental through adaptive reuse of old buildings. Kosmont prepared a case study of the Funk Zone and other commercial/industrial areas in this report appendix.

# SUMMARY

## MARINSHIP REDEVELOPMENT FEASIBILITY

**Existing Conditions:** The Marinship is comprised of almost 100 parcels, with 69 landowners totaling 1.3 million square feet of buildings, generally built out at low density (under 0.25 floor area ratio FAR), though existing office and retail uses exceed allowable FAR under the Specific Plan. Despite the zoning emphasis on industrial/marine uses, industrial only represents about 200,000 SF, or 17% of the total built environment. Retail and office businesses generate a significant percentage of sales tax (+40%) and business license taxes.

Kosmont evaluated several potential uses in the Marinship area and reviewed an August 2019 report by EPS that conducted a Residual Land Analysis for light industrial, office/R&D, and retail uses. The EPS analysis assumes an average \$1.8 million site cost per acre (\$400 million total cost for 225 acres), and it concluded that the only feasible use is Class A office at an increased FAR of 0.47. Kosmont found that new industrial, retail, and office development has significant land value **before** major site infrastructure costs.

Kosmont notes that major infrastructure projects - such as sea level rise protection, subsidence stabilization, and utilities, roads, sidewalks, and lighting - cannot be completed by any individual parcel owner. Rather, these would require areawide infrastructure plans, with public financing allocating a fair share to each parcel based on actual conditions and benefits. Further, infrastructure costs are likely to be variable across the Marinship area, with some areas needing little or no infrastructure improvements, and other areas seeing more significant impacts of sea level rise and subsidence exposure.



**Disclaimer:** The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ from those expressed in this analysis.

# SUMMARY

## MARINSHIP REDEVELOPMENT FEASIBILITY

### Summary of Kosmont's Pro Forma Analysis

**Industrial:** Using 100% efficiency and 10% operating cost ratio, Kosmont model demonstrates a \$500,000 per acre positive land value. If \$25/sf site improvement and associated soft costs are eliminated, the model shows a \$2 million per acre land value before allocation of areawide infrastructure costs.

**Retail:** Using 100% efficiency and NNN leases, it demonstrates a \$200,000 per acre positive land value. If \$25/sf site improvement and associated soft costs are eliminated, the model shows a \$1.2 million land value before allocation of areawide infrastructure costs. *(Note: land value will increase proportional to FAR increase)*

**Office:** Model demonstrated a similar negative land value. If \$25/sf site improvement and associated soft costs are eliminated, the model shows a \$1.1 million per acre land value before allocation of areawide infrastructure costs. *(Note: land value will increase proportional to FAR increase)*

Summary of Residual Land Value excl. Infrastructure			
	Industrial	Office	Retail
Building SF	17,400	6,534	6,534
Parking Spaces	39	22	13
Annual Rent PSF	\$30.00	\$50.00	\$30.00
Net Operating Income	\$446,000	\$195,000	\$192,000
Stabilized Value	\$6,870,000	\$3,240,000	\$2,950,000
Development Costs <sup>1</sup>	\$4,280,000	\$1,890,000	\$1,570,000
Developer Profit	\$510,000	\$230,000	\$190,000
Residual Land Value	\$2,070,000	\$1,130,000	\$1,200,000

<sup>1</sup> Excluding Infrastructure

### Infrastructure Recommendation

Parts of the Marinship area will require significant infrastructure improvements to protect against sea level rise / flooding / subsidence, while others have little exposure. Kosmont recommends the City commission an engineering analysis of the costs associated with:

- Sea level rise protection by zone
- Subsidence stabilization by zone
- Infrastructure costs for utilities, roads, sidewalks by zone

This analysis will help identify the cost/benefit of sea-level rise protection, and identify zones suitable for new development consistent with current zoning designations and land use regulations.



**Disclaimer:** The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ from those expressed in this analysis.

# SUMMARY

## CASE STUDIES LESSONS LEARNED

Kosmont research several commercial and industrial case studies to help City understand how other communities have dealt with similar problems.

- **Port Townsend, Washington** – Home to a maritime industrial cluster, as well as a strong tourism-based economy, Port Townsend shows how these two clusters can co-exist and strengthen a small city's overall economy
- **Santa Barbara, California – State Street and Funk Zone** - Facing many similar retail challenges as Bridgeway & Caledonia, Santa Barbara has taken many steps to make administrative, land-use, and infrastructure improvements that can facilitate a stronger local economy. This includes streamlined permitting and easing restrictions for uses that can activate and improve the downtown 'experience', such as infill housing, live/work spaces, outdoor dining, and Pop-up businesses.
- **St. Helena, California** – Facing downtown vacancies and a local population that cannot support a vibrant retail district in today's digital economy, St. Helena has been actively working with businesses and property owners to improve the downtown area. This includes improving the City's marketing strategy, considering new events and "food hall" concepts to improve the downtown experience, adding more hotel rooms, providing more parking / wayfinding, and permitting old prohibited uses.



## 2. INTRODUCTION

### Sausalito Land Economics Study



# PROJECT BACKGROUND

- The City is seeking a Land Economics Study, in the context of overall Economic Development priorities, of three major business areas to identify how they are likely to evolve based on market forces and success of potential development strategies. The areas include Marinship, Caledonia Street and the Downtown retail corridor along Bridgeway.
- This Study can guide the City in creation of an Economic Development Strategic Plan (Action Plan) to assure long term economic health of the community. It can also be used to evaluate current zoning designations and land use regulations.
- In recent years, the voters have passed three tax increases: Measures L & M for City services and Measure O for infrastructure improvements, totaling \$2 million per year.
- Kosmont has reviewed 35 recommendations the City received from the Business Advisory Committee ("BAC") and the Hospitality Business Development Committee ("HBDC").

# UNDERSTANDING COMMUNITY GOALS

In October 2019, the City Council identified the following community goals as part of the General Plan:

- Maintain small-scale residential neighborhoods
- Recognize Sausalito's unique features, its built environment, its history and diverse culture
- Encourage businesses with high revenue generation and low environmental impact
- Manage tourism to provide quality experiences, but minimize impacts on community
- Preserve the waterfront as a natural resource, balancing needs of water dependent businesses and the recreational needs of the general public
- Encourage and support industrial, arts and water-related activities in Marinship through inclusion of compatible uses that can adapt to changing economic conditions
- Provide variety of circulation options throughout the community

# HISTORIC CONTEXT

- Incorporated in 1893, Sausalito's rich history is closely tied to its bayfront location, originally serving as a home for both the working-class fisherman and wealthy yachtsmen of the San Francisco area. Sausalito served as a major transit hub for ferries back and forth to San Francisco until the opening of the Golden Gate Bridge in 1937.
- Sausalito has a long history of boatbuilding, from fishing and work boats to larger shipbuilding operations. During World War II, 20,000 workers in the Marinship shipyards built over 90 ships, many of them Liberty Ship class cargo ships and oil tankers.
- After the war ended, Navy shipyards were abandoned, and a thriving arts community blossomed along the waterfront, attracting a wide array of musicians, dancers, writers, painters, and sculptors. The Record Plant was a former recording studio famous for many influential artists such as Fleetwood Mac, Prince, Jefferson Airplane, Grateful Dead etc.
- This artistic presence can still be felt in the studios in the Industrial Center building, nearby Heath Ceramics, and the historic restaurants throughout the City.

# STAKEHOLDER COMMENTS

Kosmont participated in over two days of meetings in November 2019 and a dozen phone interviews with stakeholders, primarily comprised of local business owners, property owners, city staff, and members of the City Council, BAC, and HBDC.

Kosmont noted many themes that came out of these discussions:

- **Context:** Historic & changing conditions
- **Market:** Evolving market forces
- **Administrative:** Issues with City Zoning/Permitting processes
- **Infrastructure:** Public investment needs

Kosmont has itemized interviews/comments along with other observations in Appendix A.

# PROJECT PROCESS

<b>Project Kickoff</b>	Document review, meetings, and tour (Nov 2019)
<b>City Outreach</b>	Interviews with councilmembers, staff, committee members & other stakeholders
<b>Economic Analysis</b>	Demographics, market conditions, and city revenues
<b>Qualitative Analysis</b>	Economic & land-use trends, administrative & marketing considerations, case studies



### 3. ECONOMIC TRENDS

Sausalito Land Economics Study

# HEADLINES: DOWNTOWN RETAIL IS SUFFERING

## Despite S.F. Troubled Streets, Tourism Hits Record High

*SF Chronicle March 18, 2019: Record \$25.8 million tourists – spending \$10 billion*

## Union Square, SF's Shopping Hotspot, Struggles As Stores Close

*SF Chronicle, 10/3/19: "With sales shifting online and concerns mounting about homelessness and crime, the square's edges are fraying...Union Square has a 6% retail vacancy rate, up from 2% in 2014...and don't count the former Macy's Men's building"*

## Is Santa Barbara's State Street Finally Turning the Corner?

*Santa Barbara Independent, 8/8/19: "The same story is playing out up and down State Street. Its vacancy rate is at nearly 13 percent, meaning one out of every seven storefronts is blacked out, a slight improvement over last summer's all-time high of 15 percent."*

## Why Retailers are Fleeing Fifth Avenue

*CNN Business, 1/12/19: "The number of vanishing retailers has left a mark on the district: From 49th to 60th street on Fifth Avenue, the availability rate of leases at the end of 2018 hit 27.5% - up from around 5% a decade ago, according to data from real estate firm Cushman & Wakefield. The availability on Madison Avenue last year was 28.2% from 57th to 72nd street."*

## How Santa Monica Is Trying to Lure People Back to the Third Street Promenade

*LA Magazine, 3/8/19: "In 2019...the Third Street Promenade...conducted a survey with an urban research center, to determine why foot traffic in the district peak near 3 p.m. And how, with taxable sales falling in the last few years, could they get more patrons."*

# ECONOMIC OVERVIEW

## NEW ECONOMIC FORCES AND SHIFTING CONSUMERS

- Sausalito's commercial districts have their hurdles, as the digital economy converts the lifestyles and social patterns of every generation.
- With a stable and aging population, there are limited prospects for attracting cutting edge new retail, even in the most desirable locations – digital native Millennials are among the most active consumers.
- With the growth of online channels for purchasing commodities and soft goods, even the most vibrant communities are faced with closure of department stores and reduction in retail formats.
- Stores are no longer seen as a “space” to buy and sell merchandise; rather, they are a “place” where consumers can research, buy, receive, and experience products and services (i.e., omnichannel sales/marketing strategies that “provide customers with a fully integrated shopping experience”).
- These forces demand new approaches to land use to retain vibrant commercial districts, as service establishments have exceeded traditional retail businesses (e.g., restaurants and food service comprise as much as 30% of all shopping center tenants and ~50% of Sausalito sales taxes).





## 4. DEMOGRAPHIC ANALYSIS

### Sausalito Land Economics Study

## DEMOGRAPHIC / EMPLOYMENT SUMMARY

- Sausalito has a relatively **stable resident population** of ~7,300 for past 30 years (*compared to Marin County's growth of ~6.3% since 2000*)
- **Average Household Size** is only 1.74 persons, and the **Median Age** is 54.5 years
- City **Median and Average Household Income** is 20% higher than Marin County and is 80% higher than statewide levels
- Sausalito sees a **Net Inflow** of 2,712 jobs, with workers coming from surrounding communities such as San Francisco and San Rafael
- **Workers Employed in the City** are primarily in the Accommodation / Food Service, Professional / Scientific / Technical Services, Manufacturing, and Retail Trade sectors
- **Employed Residents** are primarily in the Professional / Scientific / Technical Services, Accommodation / Food Services, Health Care / Social Assistance, and Retail Trade sectors

# POPULATION & INCOME

## CITY, COUNTY, AND STATE

2019	Sausalito City	Marin County	California State
<b>Population</b>	7,291	260,083	39,813,541
<b>Households</b>	4,189	105,291	13,339,357
<b>Average HH Size</b>	1.7	2.4	2.9
<b>Median Age</b>	54.5	46.8	36.3
<b>% Hispanic Origin</b>	4.5%	16.4%	39.7%
<b>% Bachelor's Degree or Higher</b>	72.1%	59.4%	34.2%
<b>Per Capita Income</b>	\$106,307	\$67,758	\$35,730
<b>Median HH Income</b>	\$132,286	\$115,616	\$74,520
<b>Average HH Income</b>	\$185,567	\$167,149	\$106,321
<b>Median Home Value</b>	\$1,313,442	\$1,068,245	\$556,621

Source: ESRI Business Analyst Online, 2019

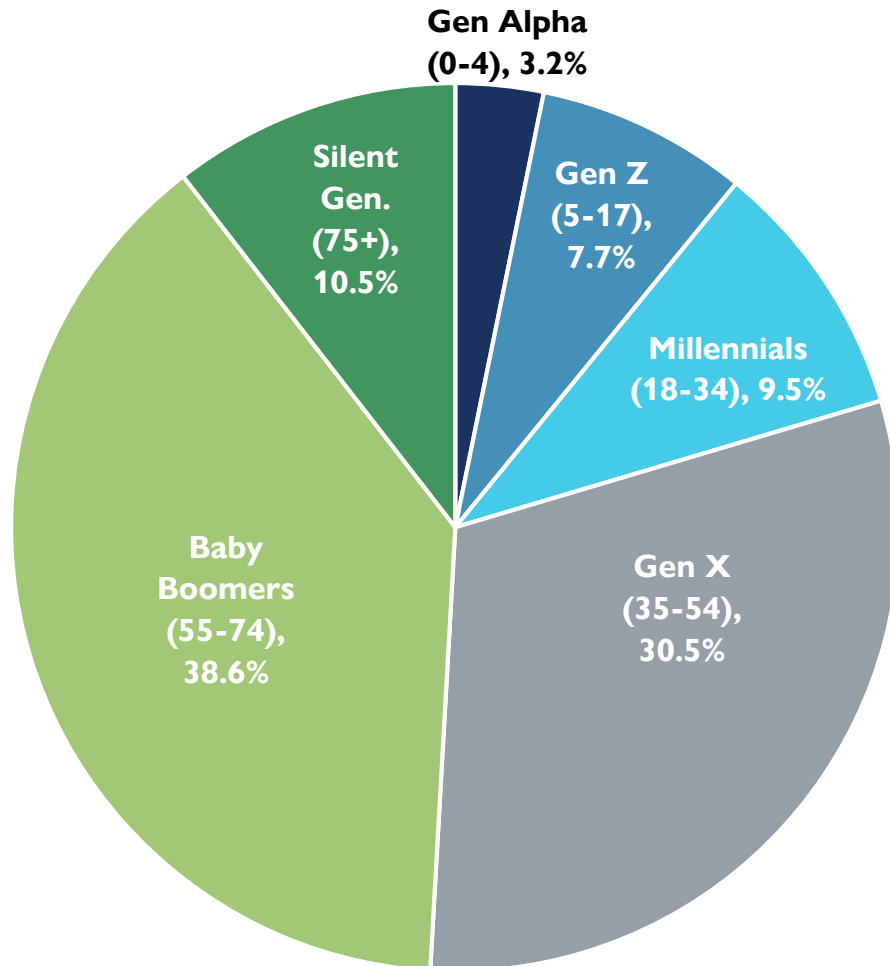
# CHANGE IN HOUSEHOLDS, AVG HH SIZE, AND MEDIAN AGE CITY, COUNTY, AND STATE

2019	2000	2010	2019
<b>Households</b>			
<i>Sausalito</i>	4,255	4,112	4,189
<i>Marin County</i>	100,650	103,210	105,291
<i>California</i>	11,502,870	12,577,498	13,339,357
<b>Average Household Size</b>			
<i>Sausalito</i>	1.72	1.71	1.74
<i>Marin County</i>	2.34	2.36	2.39
<i>California</i>	2.87	2.90	2.92
<b>Median Age</b>			
<i>Sausalito</i>		51.1	54.5
<i>Marin County</i>		44.5	46.8
<i>California</i>		35.2	36.3

Source: ESRI Business Analyst Online, 2019

# POPULATION BY AGE

SAUSALITO HAS A STRONG BABY BOOMER AND OLDER POPULATION

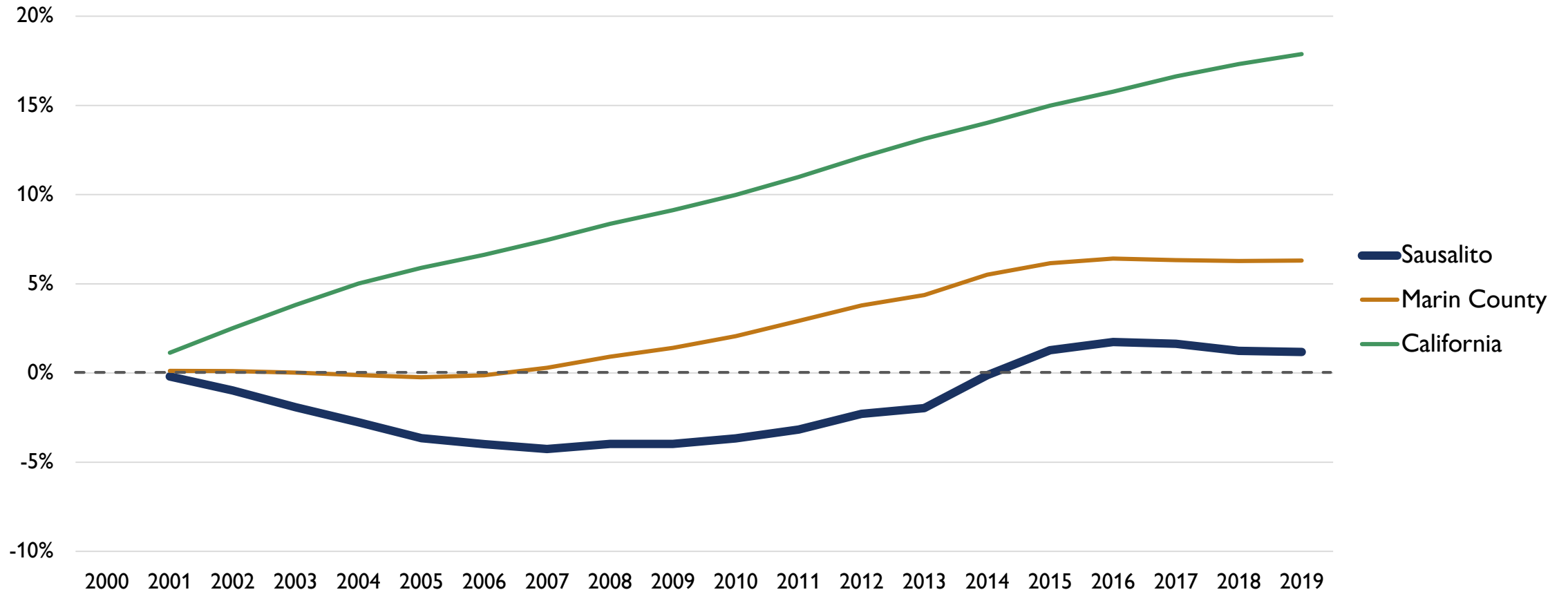


Generation	Population (2019)
Gen Alpha (0-4 years old)	233
Gen Z (5-17 years old)	562
Millennials (18-34 years old)	693
Gen X (35-54 years old)	2,225
Baby Boomers (55-74 years old)	2,815
Silent Generation (75+ years old)	766

Source: ESRI Business Analyst Online, 2019

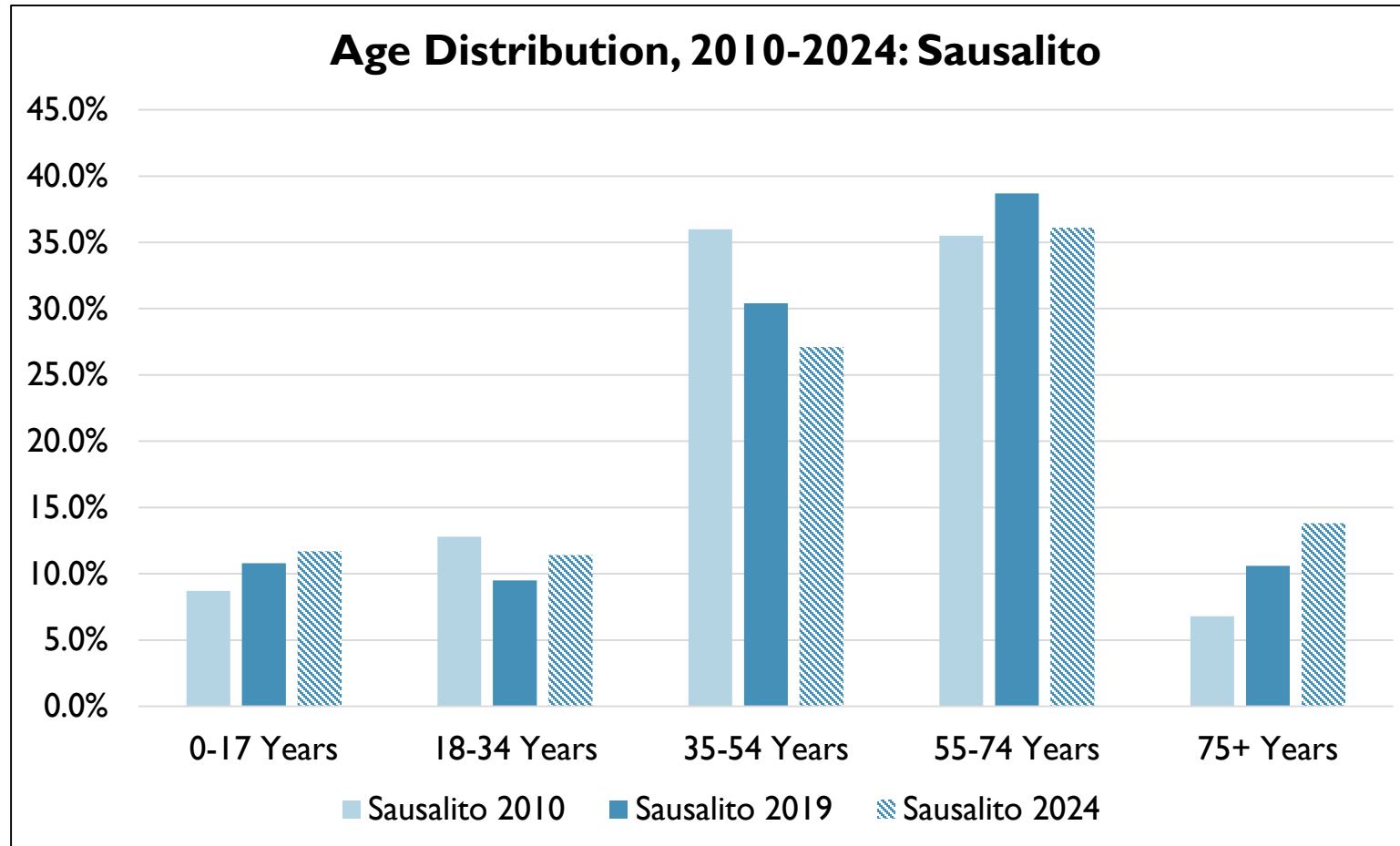
# POPULATION GROWTH, 2000 – 2019

## SAUSALITO, MARIN COUNTY, CALIFORNIA



Source: California Department of Finance, 2019

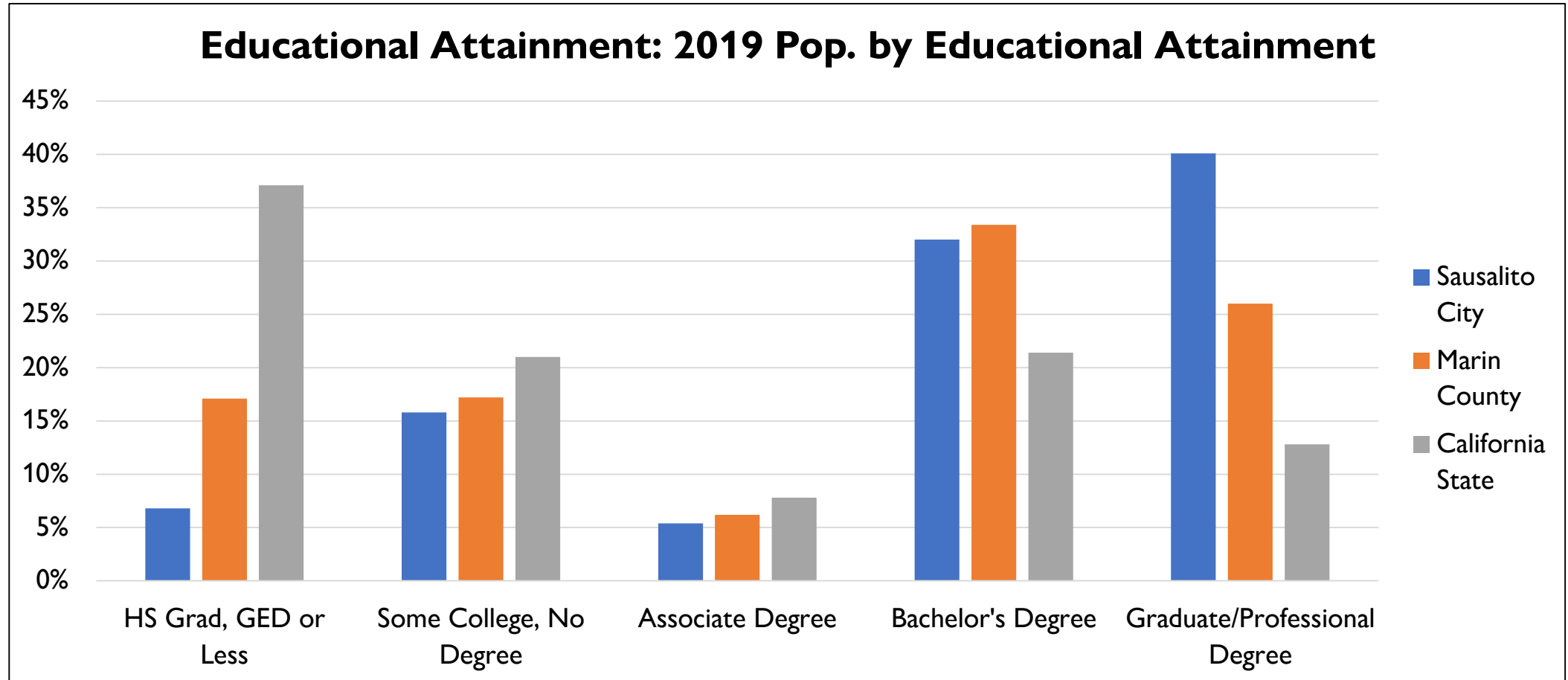
# SHIFTING AGE DEMOGRAPHICS SAUSALITO & MARIN COUNTY



Source: ESRI Business Analyst Online, 2019

# POPULATION BY EDUCATIONAL ATTAINMENT

## SAUSALITO HAS A HIGHLY EDUCATED POPULATION

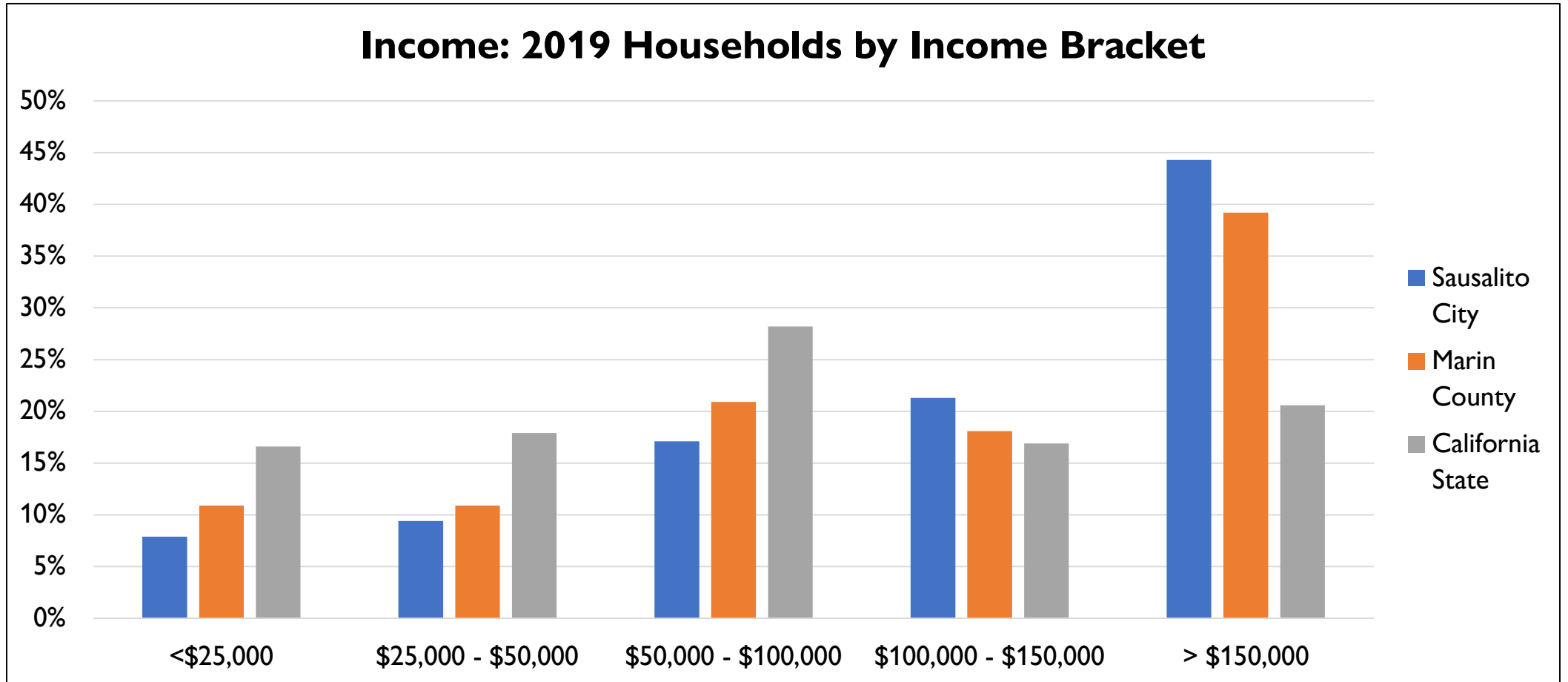


Source: ESRI Business Analyst Online, 2019



# POPULATION BY EDUCATIONAL ATTAINMENT

*SAUSALITO HAS A HIGHER PERCENTAGE OF HIGH EARNERS*



Source: ESRI Business Analyst Online, 2019

# SELECT MAJOR EMPLOYERS

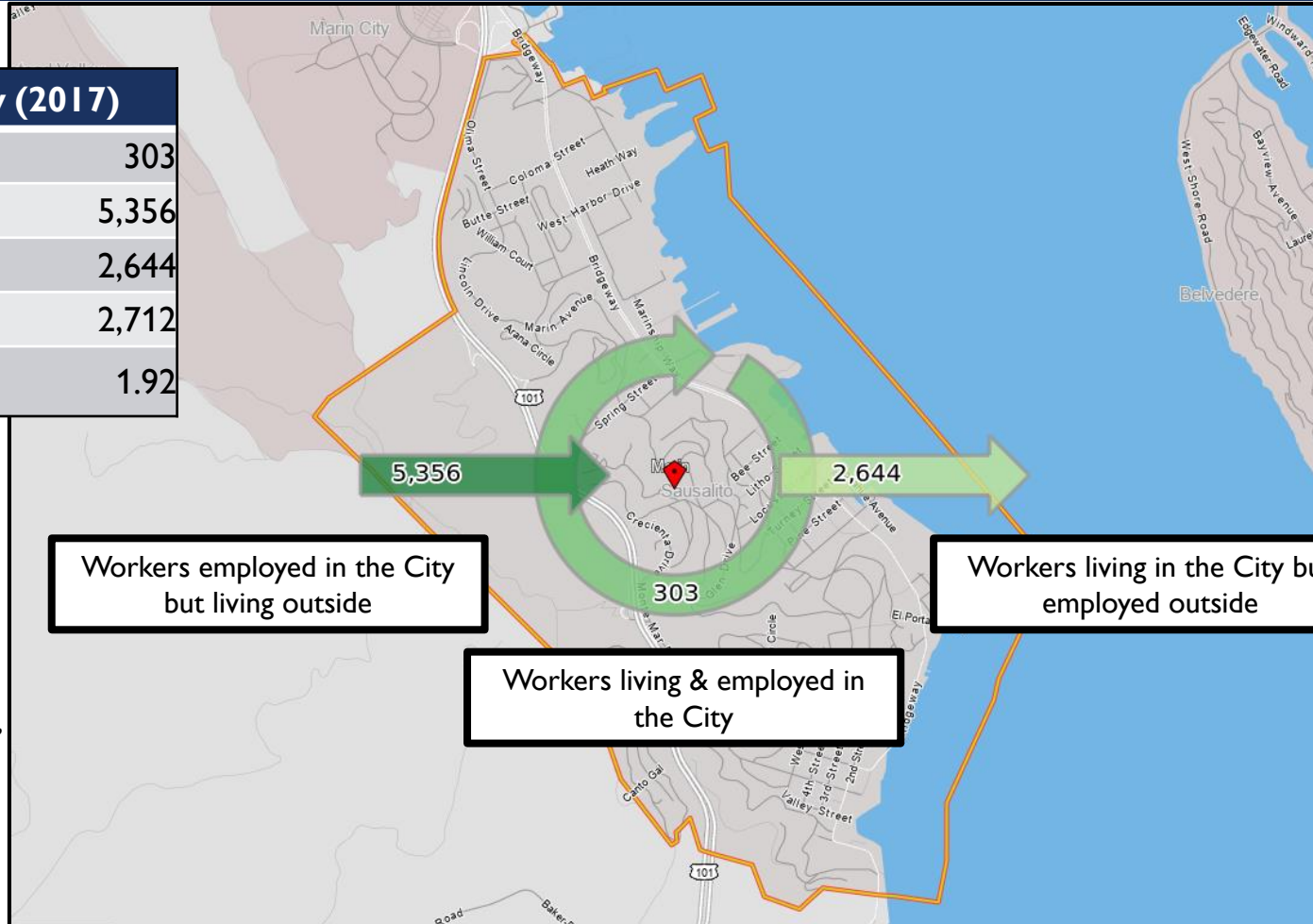
## CITY OF SAUSALITO

Major Employers in Sausalito		
<i>Major Employer</i>	<i>Type</i>	<i>Employees</i>
Butler, Shine, Stern, and Partners LLC	Marketing Firm	100
The Trident (formerly Horizons Restaurant)	Restaurant	92
Aperio Group LLC	Financial Planners	84
C P Shades	Soft Goods Manufacturing/Retail	79
The Spinnaker	Restaurant	75
City of Sausalito	City Government	75
Poggio Trattoria	Restaurant	65
Mollie Stone's Market	Grocery	64
Backen, Gillam & Kroeger Architects	Architecture / Interior Design	63
SWA Group	Landscape Architecture	62

**Source:** City of Sausalito CAFR (FY 2017-2018)

# WORKER INFLOW / OUTFLOW

Worker Inflow/Outflow (2017)	
Workers Living & Working	303
Workers Coming (Inflow)	5,356
Workers Going (Outflow)	2,644
Net Inflow/Outflow	2,712
Employment Ratio*	1.92



Workers employed in the City but living outside

Workers living in the City but employed outside

Workers living & employed in the City

\***Employment Ratio** = People employed within City (living and working in City + those who come into the City for work) / Employed population of City (living and working in City + workers who live in the City, but work outside of the City)

Source: U.S. Census Bureau Center for Economic Studies (2017)

# EMPLOYMENT BY INDUSTRY

## CITY OF SAUSALITO

City Resident Employed Population (Age 16+)	
Sector	Share
Professional, Scientific, and Technical Services	17.7%
Accommodation and Food Services	9.5%
Health Care and Social Assistance	9.3%
Retail Trade	8.1%
Educational Services	7.6%
Finance and Insurance	6.5%
Information	6.3%
Administration & Support, Waste Management and Remediation	5.2%
Manufacturing	4.5%
Other Services (excluding Public Administration)	4.3%
Construction	3.7%
Wholesale Trade	3.6%
Management of Companies and Enterprises	2.9%
Arts, Entertainment, and Recreation	2.7%
Transportation and Warehousing	2.4%
Public Administration	2.2%
Real Estate and Rental and Leasing	2.2%
Utilities	0.8%
Agriculture, Forestry, Fishing and Hunting	0.6%
Mining, Quarrying, and Oil and Gas Extraction	0.0%

*“Industries in which City residents work”*

Workers Employed Within City	
Sector	Share
Accommodation and Food Services	24.9%
Professional, Scientific, and Technical Services	14.6%
Manufacturing	10.5%
Retail Trade	8.5%
Administration & Support, Waste Management and Remediation	6.3%
Arts, Entertainment, and Recreation	4.5%
Educational Services	4.3%
Construction	4.3%
Wholesale Trade	4.2%
Information	3.8%
Other Services (excluding Public Administration)	3.3%
Finance and Insurance	3.1%
Real Estate and Rental and Leasing	2.3%
Public Administration	1.7%
Management of Companies and Enterprises	1.5%
Health Care and Social Assistance	1.2%
Transportation and Warehousing	0.9%
Agriculture, Forestry, Fishing and Hunting	0.2%
Utilities	0.0%
Mining, Quarrying, and Oil and Gas Extraction	0.0%

*“Jobs in the City”*

# WORKER DESTINATIONS & ORIGINS

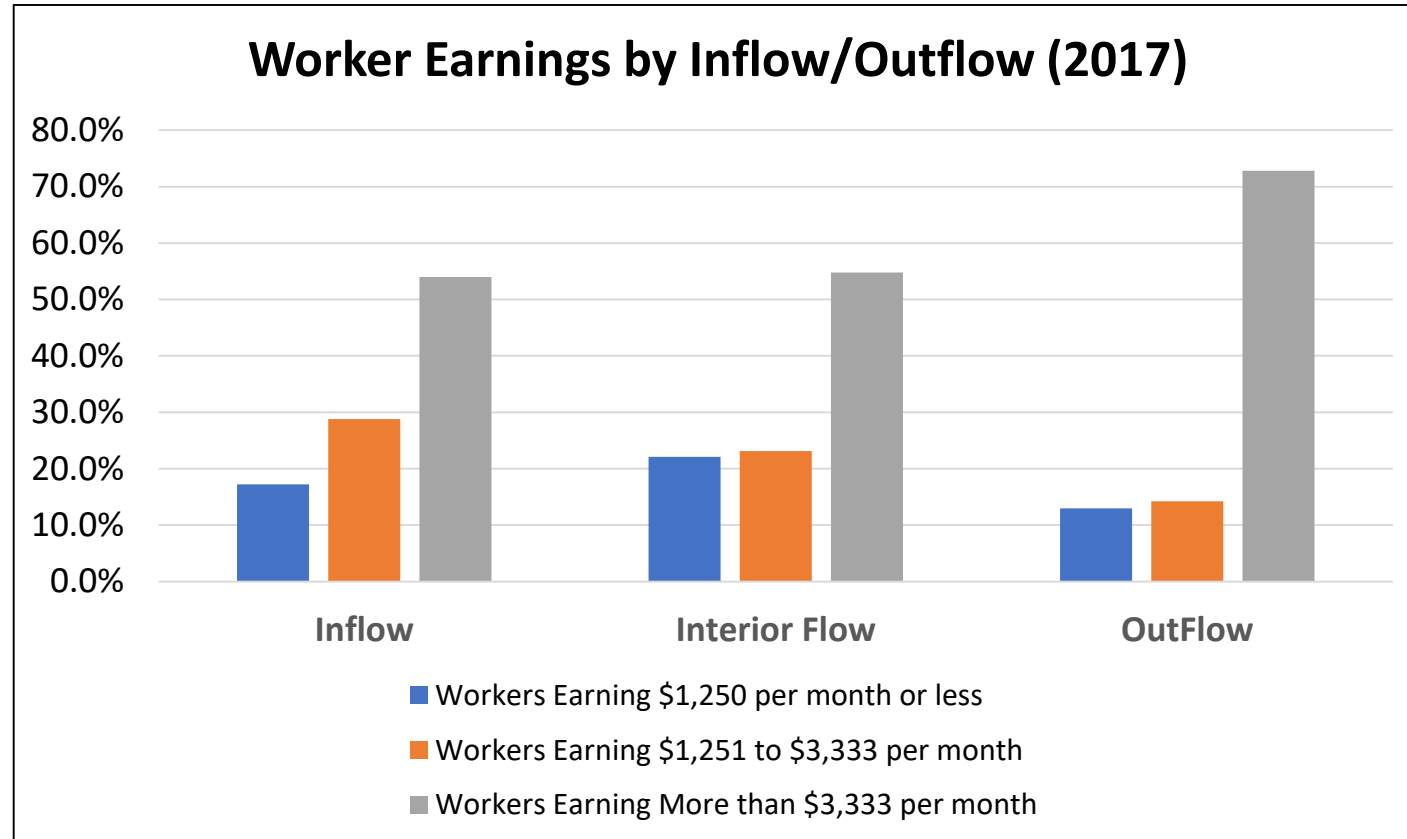
## CITY OF SAUSALITO

Outflow: Where Sausalito Residents Commute To		
City	Count	Percentage
San Francisco city, CA	1,190	40.4%
Sausalito city, CA	303	10.3%
San Rafael city, CA	148	5.0%
Oakland city, CA	71	2.4%
Novato city, CA	60	2.0%
Berkeley city, CA	47	1.6%
Larkspur city, CA	46	1.6%
Mill Valley city, CA	40	1.4%
Corte Madera town, CA	35	1.2%
Richmond city, CA	30	1.0%
South San Francisco city, CA	29	1.0%
Tiburon town, CA	29	1.0%
Kentfield CDP, CA	28	1.0%
Emeryville city, CA	27	0.9%
San Jose city, CA	27	0.9%
Tamalpais-Homestead Valley CDP, CA	27	0.9%
Sacramento city, CA	26	0.9%
Los Angeles city, CA	25	0.8%
Petaluma city, CA	24	0.8%
Palo Alto city, CA	21	0.7%
Menlo Park city, CA	17	0.6%
Santa Rosa city, CA	17	0.6%
Strawberry CDP, CA	17	0.6%
Walnut Creek city, CA	17	0.6%
Burlingame city, CA	16	0.5%
All Other Locations	630	21.4%

Inflow: Where Sausalito Workers Come From		
City	Count	Percentage
San Francisco city, CA	1,065	18.8%
San Rafael city, CA	353	6.2%
Sausalito city, CA	303	5.4%
Novato city, CA	293	5.2%
Oakland city, CA	177	3.1%
Mill Valley city, CA	151	2.7%
Tamalpais-Homestead Valley CDP, CA	131	2.3%
Richmond city, CA	117	2.1%
Larkspur city, CA	100	1.8%
Los Angeles city, CA	90	1.6%
Santa Rosa city, CA	88	1.6%
San Jose city, CA	85	1.5%
Petaluma city, CA	77	1.4%
San Anselmo town, CA	74	1.3%
Marin City CDP, CA	72	1.3%
Corte Madera town, CA	69	1.2%
Napa city, CA	69	1.2%
Vallejo city, CA	65	1.1%
Berkeley city, CA	61	1.1%
Rohnert Park city, CA	58	1.0%
Daly City city, CA	49	0.9%
Lucas Valley-Marinwood CDP, CA	47	0.8%
Santa Venetia CDP, CA	45	0.8%
South San Francisco city, CA	41	0.7%
Strawberry CDP, CA	41	0.7%
All Other Locations	1,938	34.2%

# WORKER INFLOW / OUTFLOW

## WORKER EARNINGS



Source: U.S. Census Bureau Center for Economic Studies (2017)



## 5. REVENUE ANALYSIS

### Sausalito Land Economics Study

# REVENUE ANALYSIS SUMMARY

- **Sausalito** receives over 50% of its revenue from business sources (sales, hotel and business license taxes).
- **Sales Tax** revenues have been flat over past 5 years (*excluding growth related to the 0.5% local tax*); Recent trends suggest brick-and-mortar retail stores are expected to continue downward trend. Food Products – including restaurant and market purchases – is the strongest category, representing ~49% of the sales tax revenues in most recent year and showing modest growth.
- **Hotel Taxes** have seen some growth in recent years, spurred by the transient occupancy tax (TOT) increase from 12% to 14% in 2019; Hotels currently generate approximately \$15,000 in tax revenue per room annually.
- **Property Tax** revenues are fairly stable, with ~79% of City assessed value related to residential properties, ~12% to commercial properties, and ~3.2% to industrial properties.
- While **Business Taxes** are a small share of City revenues, they are expected to increase by almost \$1 million in 2020 due to Nov. 2018 voters passage of Measure M – first update in Business License Tax in 40 years.
- The **Marinship (Inland)** and **Downtown / Central Bridgeway** areas are home to many of the top Sales Tax generating firms and each represent ~30% of total Sales Tax revenues; stressing the importance of maintaining economic vitality in the Marinship and Downtown areas.

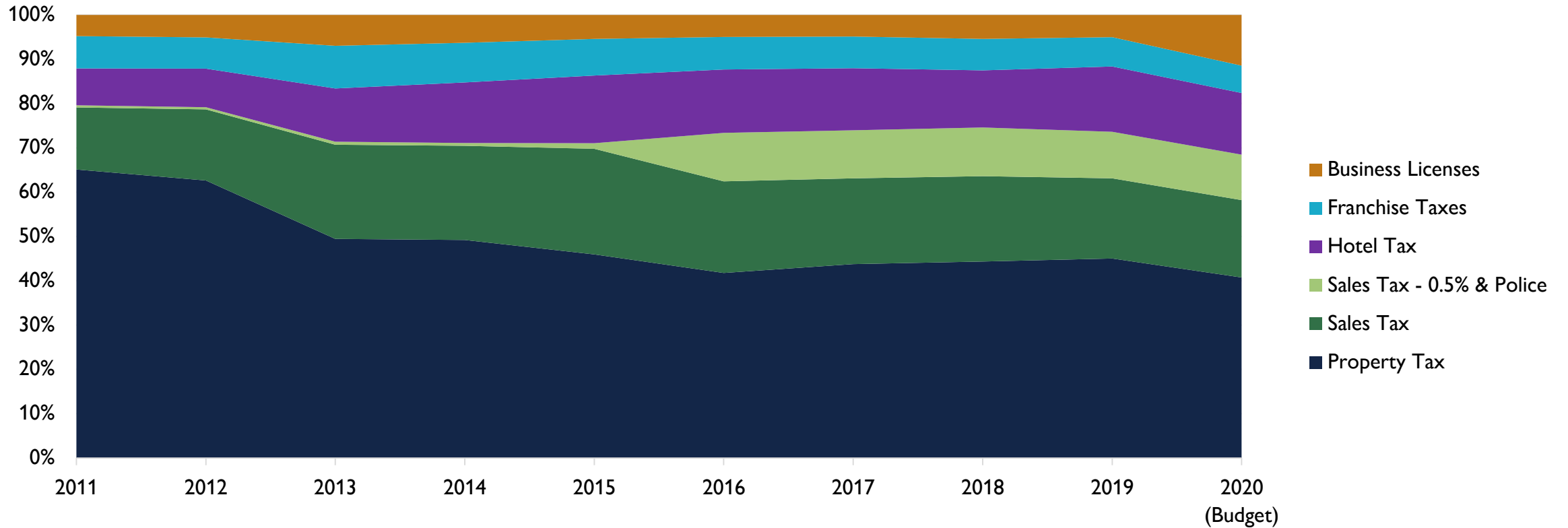


# REVENUE TREND SUMMARY

Fiscal Year	Property Tax	Sales Tax	Sales Tax – Measure “O”	Hotel Tax	Franchise Taxes	Business Licenses	Other Revenue	TOTAL
<b>2020</b> <i>(Budget)</i>	\$5,374,834	\$2,305,200	\$1,359,048	\$1,835,780	\$811,769	\$1,510,500	\$5,826,543	<b>\$19,023,674</b>
<b>2019</b>	\$5,685,073	\$2,280,968	\$1,326,818	\$1,862,675	\$836,969	\$631,060	\$6,838,599	<b>\$19,462,161</b>
<b>2018</b>	\$5,275,936	\$2,290,221	\$1,309,802	\$1,530,301	\$848,114	\$641,888	\$5,339,000	<b>\$17,235,263</b>
<b>2017</b>	\$5,041,838	\$2,229,739	\$1,250,348	\$1,609,865	\$822,456	\$564,122	\$4,919,085	<b>\$16,437,453</b>
<b>2016</b>	\$4,644,086	\$2,299,069	\$1,221,697	\$1,589,199	\$815,031	\$554,555	\$4,644,935	<b>\$15,768,571</b>
<b>2015</b>	\$4,408,351	\$2,282,012	\$125,172	\$1,462,774	\$795,249	\$517,155	\$5,092,805	<b>\$14,683,516</b>
<b>2014</b>	\$4,330,955	\$1,866,824	\$56,367	\$1,202,228	\$790,795	\$551,519	\$4,606,640	<b>\$13,405,329</b>
<b>2013</b>	\$3,968,727	\$1,706,888	\$54,348	\$966,762	\$773,712	\$558,386	\$6,053,995	<b>\$14,082,818</b>
<b>2012</b>	\$6,415,350	\$1,642,981	\$51,260	\$893,946	\$721,947	\$518,527	\$4,631,273	<b>\$14,875,285</b>
<b>2011</b>	\$6,485,662	\$1,393,884	\$49,144	\$828,819	\$726,009	\$474,869	\$4,297,723	<b>\$14,256,110</b>

Source: City of Sausalito, Received January 2020

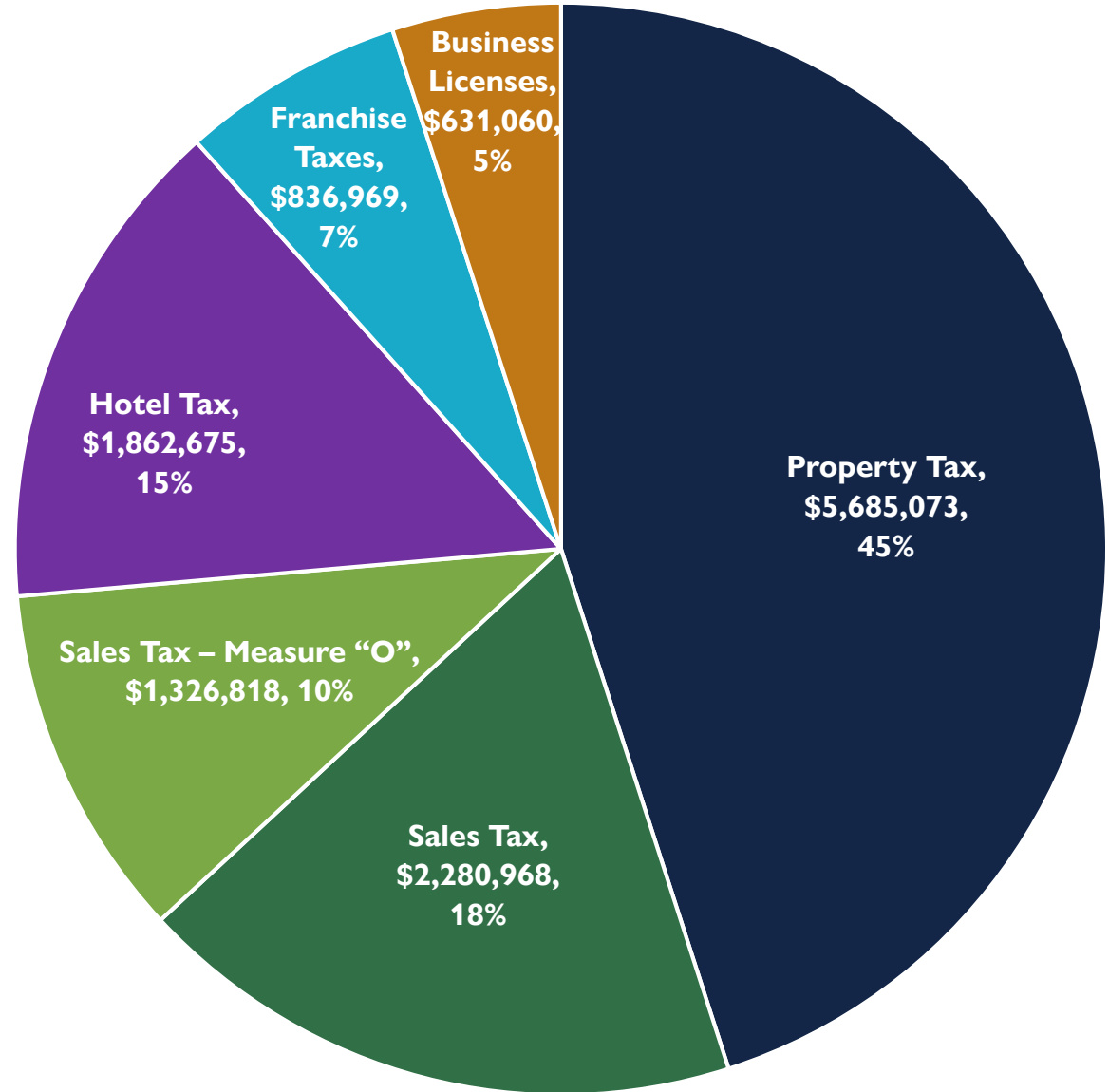
# SAUSALITO GENERAL FUND REVENUE PROPERTY, SALES, HOTEL TOT AND BUSINESS LICENSE



Source: City of Sausalito, Received January 2020

# SAUSALITO GENERAL FUND TAX, FRANCHISE TAXES, AND BUSINESS LICENSE REVENUE

FY 2019



Source: City of Sausalito, Received January 2020

# TOP 25 SALES TAX PRODUCERS 2018Q3 – 2019Q2

These 25 firms account for ~59% of total sales tax collections for this period.

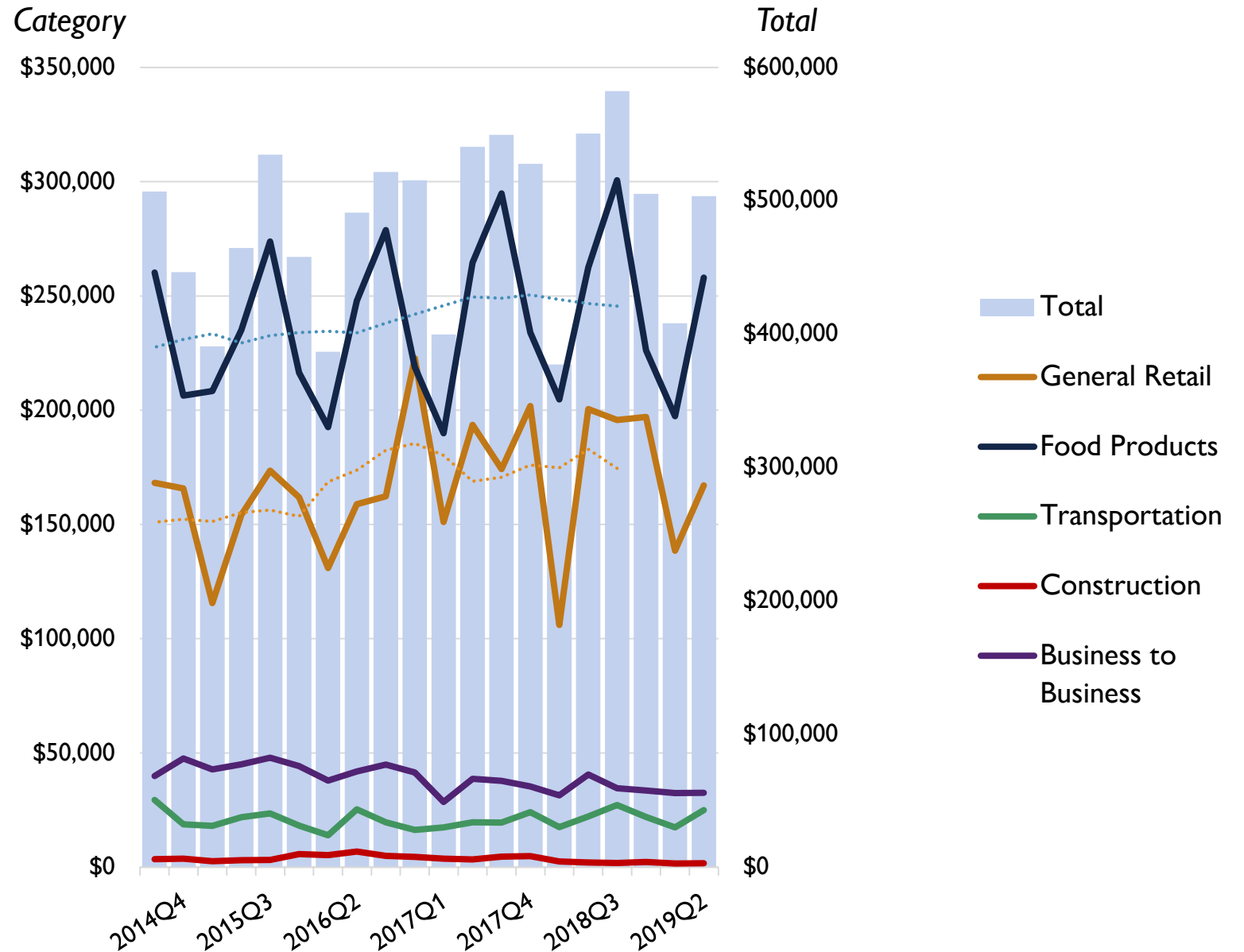
Source: Avenu Insights, Data Received January 2020

Name	Type	District
Bar Bocce	Restaurant	Downtown Waterfront Bridgeway
Barrel House	Restaurant	Downtown Central Bridgeway
CLE Tile	Miscellaneous	Other
Copita	Restaurant	Downtown Central Bridgeway
Fish	Restaurant	Marinship South
Gene Hiller	Apparel Store	Downtown Central Bridgeway
Heath Ceramics	Retail – Misc.	Marinship North (Inland)
Joinery	Restaurant	Downtown Waterfront Bridgeway
Key Information Systems	I.T. Infrastructure	Marinship North (Inland)
Le Garage	Restaurant	Marinship North (Inland)
Mollie Stone's Market	Grocery Store	Marinship North (Inland)
Napa Valley Burger Company	Restaurant	Downtown Central Bridgeway
Poggio Trattoria	Restaurant	Downtown Central Bridgeway
Q Surgical	Office Equipment	Marinship North (Inland)
Salito's Crab House	Restaurant	Downtown Waterfront Bridgeway
Sausalito USA	Apparel Store	Downtown Central Bridgeway
Scoma's of Sausalito	Restaurant	Downtown Central Bridgeway
Seafood Peddler Restaurant & Fish Market	Restaurant	Downtown Waterfront Bridgeway
Serena & Lily	Retail – Misc.	Marinship North (Inland)
Shell Service Station	Service Station	CN - Bridgeway and Coloma
Silver Seas Yachts	Retail – Misc.	Marinship South (Waterfront)
Studio Collins Weir	Business Services	Downtown Waterfront Bridgeway
Sushi Ran	Restaurant	Caledonia Street
The Spinnaker	Restaurant	Downtown Waterfront Bridgeway
Trident / Ondine	Restaurant	Downtown Central Bridgeway

# 1% SALES TAX REVENUE BY CATEGORY

Sales tax revenue is shown quarterly, and reflects the strong seasonality of tourist spending in restaurants and general retail stores

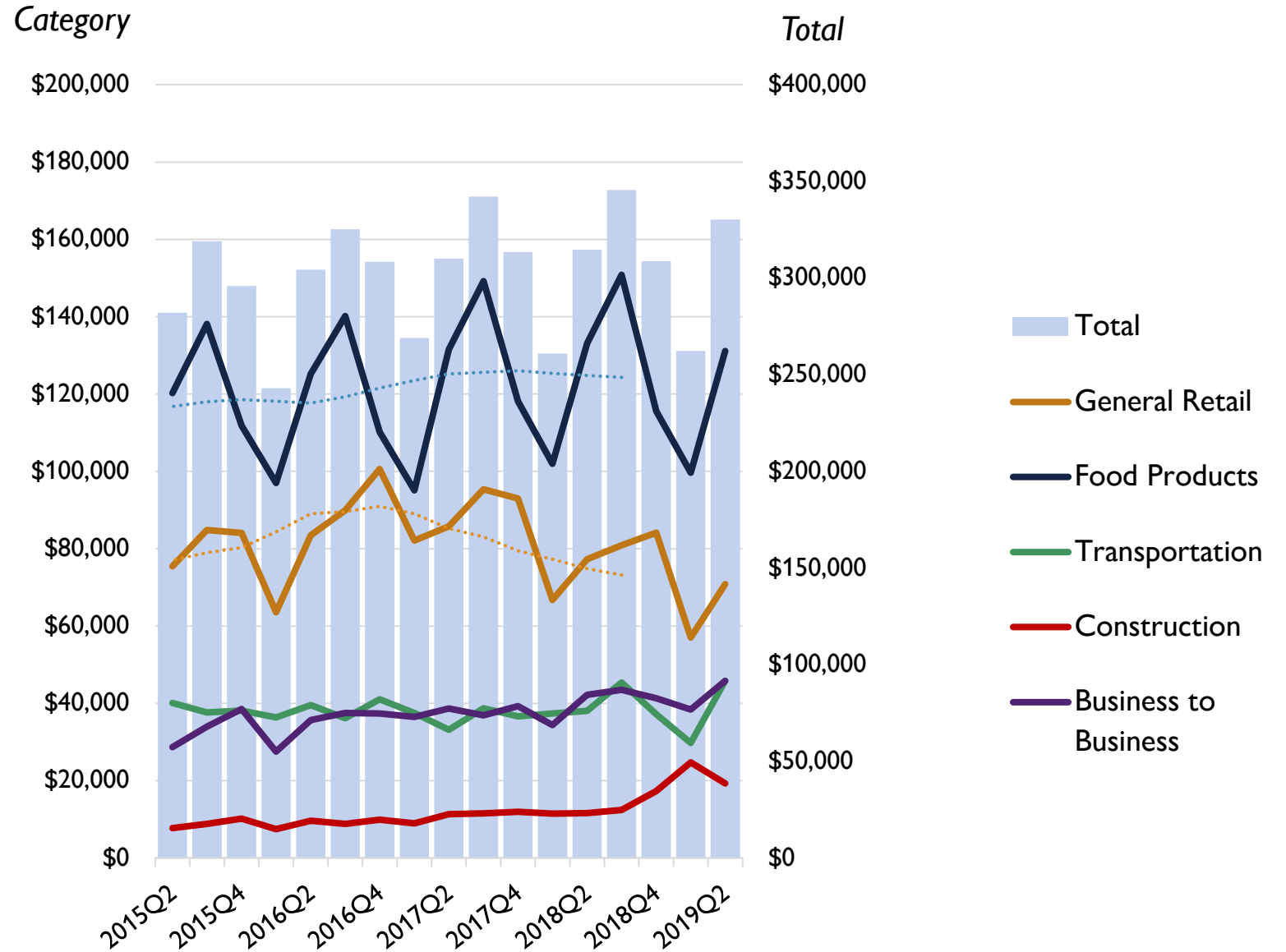
Source: Avenu Insights, Data Received January 2020



# 0.5% LOCAL SALES TAX REVENUE BY CATEGORY

Quarterly local sales tax generally mirror the 1% rate

Source: Avenu Insights, Data Received January 2020



# 1% SALES TAX REVENUE BY CATEGORY AND BUSINESS AREA, 2018Q3 – 2019Q2

SEGMENT(S)	% of Total	Total
Restaurants	42.7%	\$852,864
Misc. Retail / Furniture / Appliance	28.8%	\$575,868
Food Market / Food Processing & Equipment	5.8%	\$116,137
Apparel Stores	4.7%	\$94,866
Light/Heavy Industry	3.0%	\$59,610
Business Services / Office Equipment	2.5%	\$50,009
Other	12.5%	\$249,650

District	Est. % of Total	Est. Total
Marinship North ( <i>Inland</i> )	33%	\$650,300
Marinship South ( <i>Waterfront</i> )	8%	\$155,300
Caledonia Street	10%	\$207,900
Downtown Waterfront Bridgeway	13%	\$256,700
Downtown Central Bridgeway	28%	\$554,300
Other	9%	\$174,500

Source: Avenu Insights, Data Received January 2020



## 6. MARKET DATA ANALYSIS

City of Sausalito & Target Areas



# MARKET DATA SUMMARY

## Retail

- **Retail asking** rents have seen dramatic swings ranging from \$30/sf to \$48/sf NNN over the last five years. City annual retail rents are generally on-par with the Corte Madera / Mill Valley Submarket, but rents are higher in the Sausalito downtown retail district
- **Vacancy** is higher in Sausalito (6.7%) and more volatile with peaks over 12%, than the Corte Madera / Mill Valley Submarket (3.0%).

## Multi-family Residential

- California continues to experience a significant **housing shortage**, with the strongest demand and tightest supply in the Bay Area; Sausalito's multifamily residential inventory has remained stable over the past 10+ years.
- Like the Outer Mill Valley / Corte Madera / Sausalito Submarket Segment, Sausalito's multifamily residential market has seen significant **rent growth**.

# MARKET DATA SUMMARY

## Industrial

- Sausalito accounts for ~69% of the industrial space in the Corte Madera / Mill Valley Industrial submarket, with significantly more industrial inventory located further north in the San Rafael / Larkspur submarket.
- **Average asking rents** in the City were \$31.52/sf NNN in 2019, higher than rents in the neighboring San Rafael / Larkspur submarket (\$19.22/sf) and the overall San Rafael market (\$20.18/sf)
- **Industrial vacancy** in Sausalito & the Corte Madera / Mill Valley submarket is very low; estimated to be 0.3% in 2019, while the overall San Rafael Market experienced an industrial vacancy of 4.3% in 2019

## Office

- **Sausalito's office rents** were estimated to be ~\$57/sf gross in 2019, and are generally in line with rents in the Corte Madera / Mill Valley office submarket (~\$58/sf in 2019)
- **Vacancy rates** in the City were estimated to average 13.8% at year end 2019, significantly higher than the 7.1% vacancy in the overall Corte Madera / Mill Valley submarket. Marinship area had highest vacancy at 20% while Caledonia was only 1.4% (*See detail data in those sections*).

**CORTE MADERA / MILL VALLEY SUBMARKET (INCLUDES SAUSALITO)**

**COSTAR  
OFFICE  
INDUSTRIAL  
RETAIL**



Source: CoStar, accessed January 2020

# OUTER MILL VALLEY / CORTE MADERA / SAUSALITO COSTAR MULTIFAMILY RESIDENTIAL SUBMARKET SEGMENT



Source: CoStar, accessed January 2020

# RETAIL MARKET DATA

## SAUSALITO LAND ECONOMICS STUDY

# RETAIL MARKET SUMMARY

- As expected for a small community, Sausalito has significant retail leakage in the following categories:
  - General Merchandise/Dept Stores
  - Health & Personal Care Stores
  - Home Furnishing Stores
  - Building Material Stores
- As expected for a tourist destination, there is significant retail surplus in the following categories:
  - Restaurants
  - Clothing and Accessories
  - Misc. Retail (e.g. gift shops, art galleries)

# RETAIL LEAKAGE

## CITY OF SAUSALITO

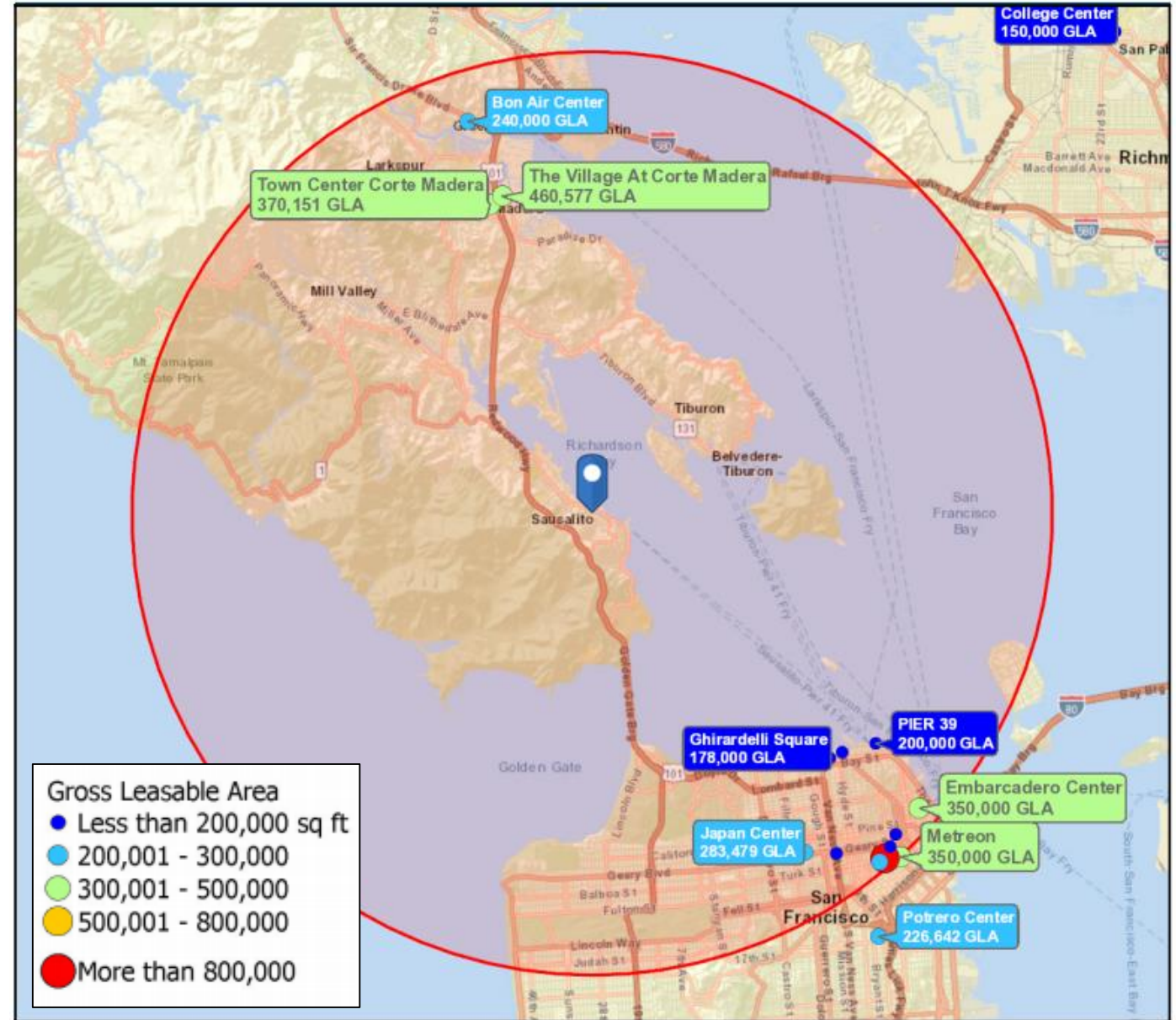
Retail Category	Retail Spending Potential	Retail Sales in Sausalito	Retail Surplus/Leakage	Percent Surplus/Leakage	Online Sales Leakage Potential
<b>Shopper Goods (GAFO):</b>					
Clothing & Clothing Accessories Stores	\$22,087,873	\$41,788,460	\$19,700,587	89%	High
General Merchandise Stores	\$48,305,929	\$2,041,605	-\$46,264,324	-96%	Med
Furniture & Home Furnishings Stores	\$10,991,342	\$3,824,201	-\$7,167,141	-65%	Med
Health & Personal Care Stores	\$19,693,775	\$4,294,393	-\$15,399,382	-78%	Med
Sporting Goods, Hobby, Book & Music Stores	\$9,430,932	\$8,401,755	-\$1,029,177	-11%	High
Electronics & Appliance Stores	\$10,919,234	\$8,213,115	-\$2,706,119	-25%	High
Miscellaneous Store Retailers	\$10,777,334	\$19,096,514	\$8,319,180	77%	Varies
<b>Subtotal – Shopper Goods</b>	<b>\$132,206,419</b>	<b>\$87,660,043</b>	<b>-\$44,546,376</b>	<b>-34%</b>	
<b>Grocery &amp; Restaurants:</b>					
Food & Beverage Stores (Grocery)	\$46,548,803	\$39,187,738	-\$7,361,065	-16%	Low
Food Services & Drinking Places (Restaurants)	\$32,857,186	\$37,983,282	\$5,126,096	16%	None
<b>Subtotal – Convenience</b>	<b>\$79,405,989</b>	<b>\$77,171,020</b>	<b>-\$2,234,969</b>	<b>-3%</b>	
<b>Heavy Commercial Goods:</b>					
Bldg Materials, Garden Equip. & Supply Stores	\$17,315,749	\$5,444,959	-\$11,870,790	-69%	Low
Marine Vessels, Vehicles & Parts Dealers	\$57,900,946	\$28,414,533	-\$29,486,413	-51%	Low
Gasoline Stations	\$24,198,868	\$24,386,200	\$187,332	1%	None
<b>Subtotal – Heavy Commercial</b>	<b>\$99,415,563</b>	<b>\$58,245,692</b>	<b>-\$41,169,871</b>	<b>-41%</b>	
Non-store Retailers	\$8,834,371	\$6,978,800	-\$1,855,571	-21%	Varies
<b>Total Retail</b>	<b>\$319,862,342</b>	<b>\$230,055,555</b>	<b>-\$89,806,787</b>	<b>-28%</b>	



# SAUSALITO

## MAJOR SHOPPING CENTERS WITHIN 7-MILE RADIUS – EQUIVALENT TO 10 MINUTE DRIVE TIME FOR PRIMARY TRADE AREA

Source: ESRI Business Analyst Online, Accessed December 2019





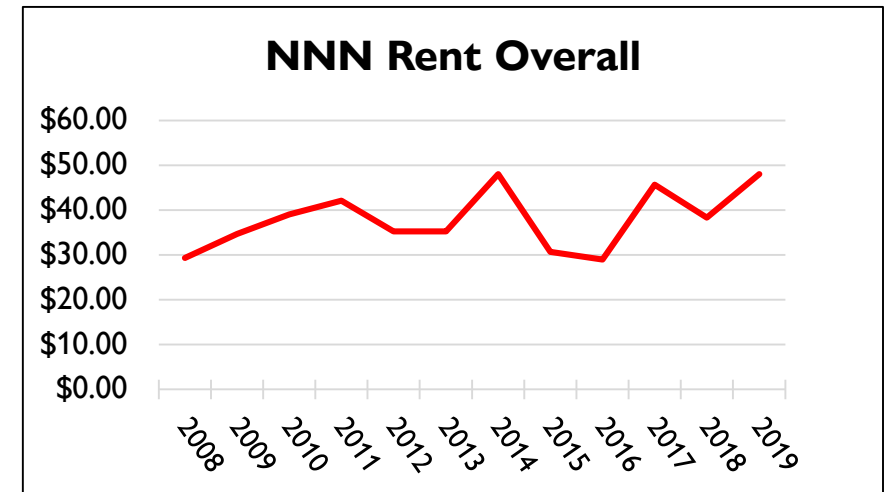
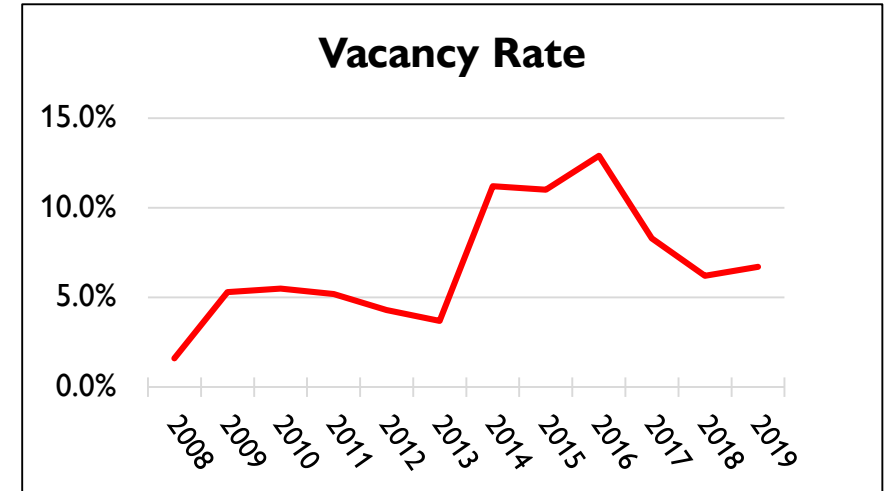
# RETAIL MARKET HISTORY

## CITY OF SAUSALITO

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	NNN Rent Overall
YTD	744,266	49,521	6.7%	(3,262)	\$48.00
2019	744,266	46,259	6.2%	15,821	\$38.35
2018	744,266	62,080	8.3%	33,848	\$45.67
2017	744,266	95,928	12.9%	(14,274)	\$28.96
2016	744,266	81,654	11.0%	2,015	\$30.66
2015	744,266	83,669	11.2%	(56,082)	\$48.00
2014	744,266	27,587	3.7%	4,317	\$35.22
2013	744,266	31,904	4.3%	7,018	\$35.22
2012	744,266	38,922	5.2%	2,219	\$42.09
2011	744,266	41,141	5.5%	(2,062)	\$39.06
2010	744,266	39,079	5.3%	(26,850)	\$34.66
2009	744,266	12,229	1.6%	28,078	\$29.31
2008	744,266	49,521	6.7%	(3,262)	\$48.00

Source: CoStar, accessed January 2020

**Note:** Costar defines Triple Net (NNN) as “a lease where the tenant is responsible for all expenses associated with their proportional share of occupancy of the building, except long-lived structural components and management charges.”



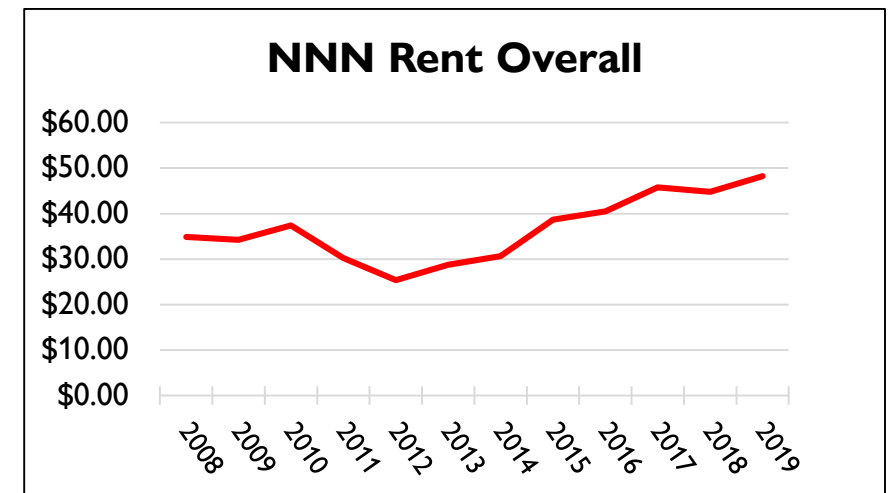
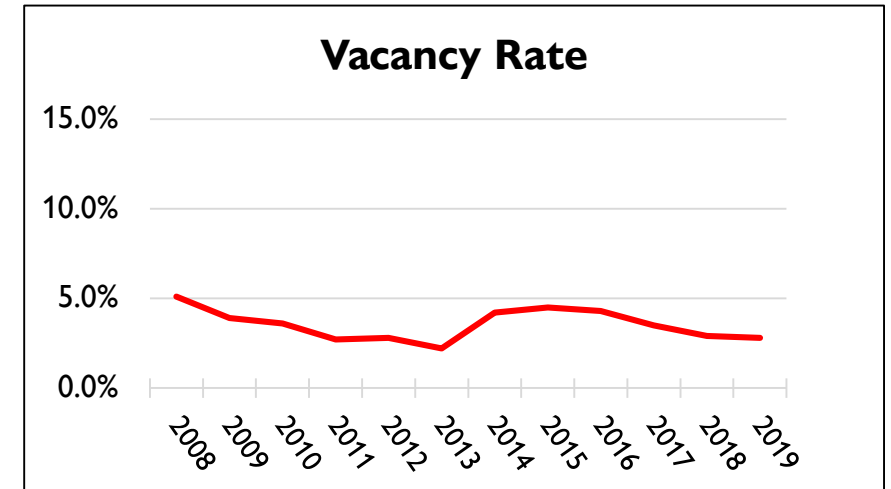
# RETAIL MARKET HISTORY

## CORTE MADERA / MILL VALLEY RETAIL SUBMARKET

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	NNN Rent Overall
YTD	3,552,924	106,936	3.0%	(6,231)	\$47.53
2019	3,552,924	100,705	2.8%	109	\$48.23
2018	3,556,324	104,214	2.9%	28,595	\$44.76
2017	3,548,255	124,740	3.5%	26,232	\$45.76
2016	3,548,255	150,972	4.3%	7,216	\$40.52
2015	3,548,255	158,188	4.5%	(6,407)	\$38.68
2014	3,546,542	150,068	4.2%	(73,567)	\$30.63
2013	3,546,542	76,501	2.2%	23,140	\$28.74
2012	3,546,542	99,641	2.8%	(4,135)	\$25.38
2011	3,546,542	95,506	2.7%	32,800	\$30.21
2010	3,546,542	128,306	3.6%	9,839	\$37.39
2009	3,546,542	138,145	3.9%	38,913	\$34.23
2008	3,549,622	180,138	5.1%	98,883	\$34.84

Source: CoStar, accessed January 2020

**Note:** Costar defines Triple Net (NNN) as “a lease where the tenant is responsible for all expenses associated with their proportional share of occupancy of the building, except long-lived structural components and management charges.”



# INDUSTRIAL MARKET DATA

SAUSALITO LAND ECONOMICS STUDY

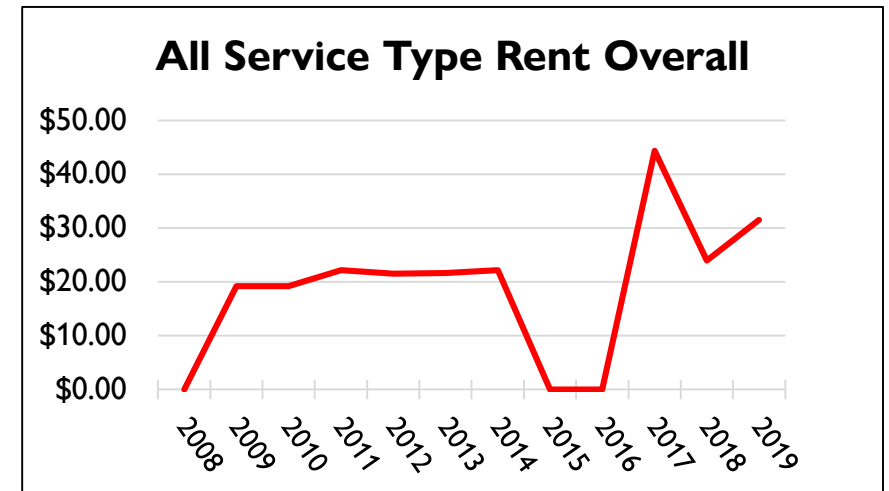
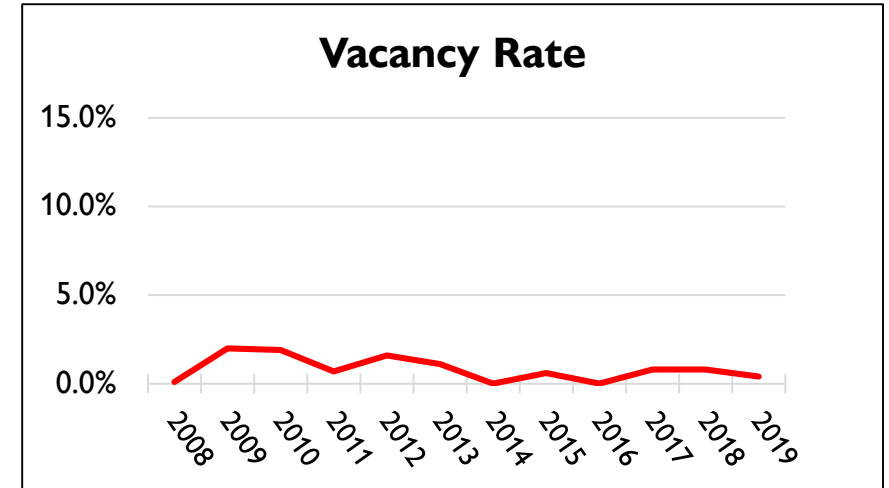
# INDUSTRIAL MARKET HISTORY

## CITY OF SAUSALITO

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	All Service Type Rent Overall
YTD	412,703	1,500	0.4%	0	\$31.52
2019	412,703	1,500	0.4%	1,720	\$31.52
2018	412,703	3,220	0.8%	0	\$24.00
2017	412,703	3,220	0.8%	(3,220)	\$44.42
2016	412,703	-	0.0%	2,500	-
2015	412,703	2,500	0.6%	(2,500)	-
2014	412,703	-	0.0%	4,466	\$22.20
2013	412,703	4,466	1.1%	1,955	\$21.64
2012	412,703	6,421	1.6%	(3,521)	\$21.55
2011	412,703	2,900	0.7%	5,000	\$22.20
2010	412,703	7,900	1.9%	300	\$19.20
2009	412,703	8,200	2.0%	(7,700)	\$19.20
2008	412,703	500	0.1%	4,400	-

Source: CoStar, accessed January 2020

Note: Costar defines All Service Type Rent as “a rental rate that includes normal building standard services which are provided and paid by the landlord.”



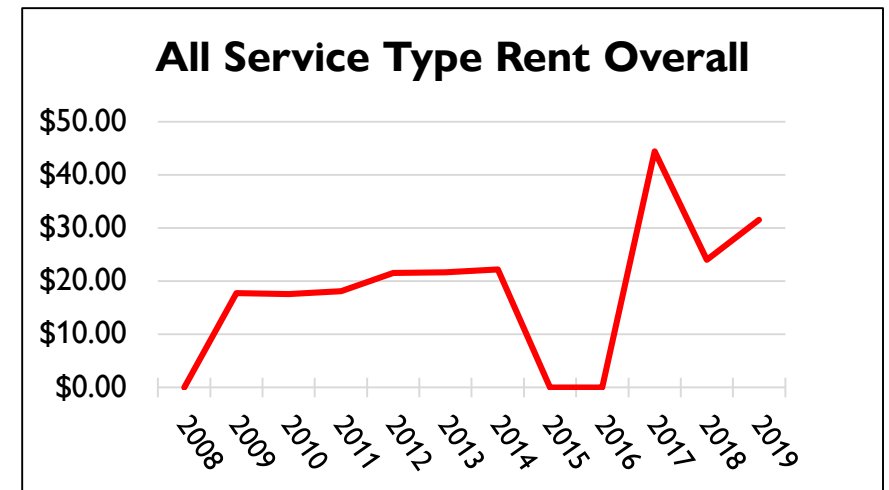
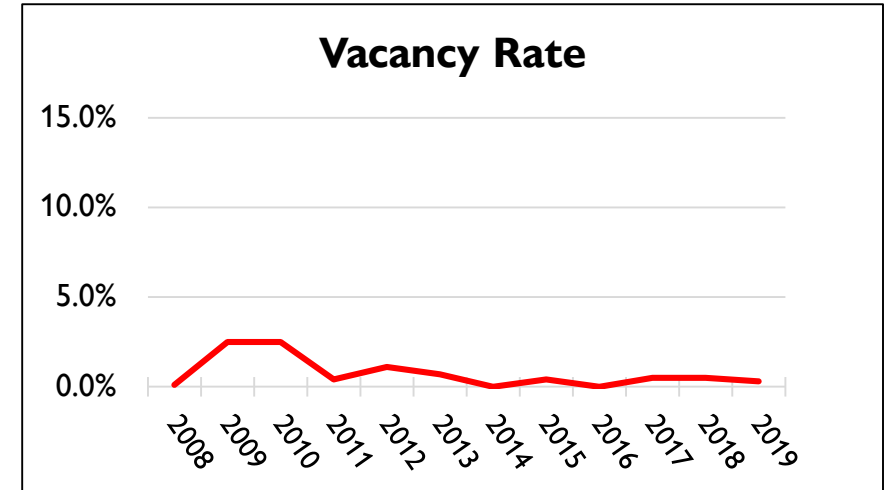
# INDUSTRIAL MARKET HISTORY

## CORTE MADERA / MILL VALLEY INDUSTRIAL SUBMARKET

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	All Service Type Rent Overall
YTD	597,010	1,500	0.3%	0	\$31.52
2019	597,010	1,500	0.3%	1,720	\$31.52
2018	597,010	3,220	0.5%	0	\$24.00
2017	597,010	3,220	0.5%	(3,220)	\$44.42
2016	597,010	-	0.0%	(3,591)	-
2015	603,101	2,500	0.4%	(2,500)	-
2014	603,101	-	0.0%	4,466	\$22.20
2013	603,101	4,466	0.7%	1,955	\$21.64
2012	603,101	6,421	1.1%	(98,688)	\$21.55
2011	698,268	2,900	0.4%	14,540	\$18.08
2010	698,268	17,440	2.5%	300	\$17.56
2009	698,268	17,740	2.5%	(17,240)	\$17.75
2008	698,268	500	0.1%	5,400	-

Source: CoStar, accessed January 2020

Note: Costar defines Full Service / Gross Rent as “a rental rate that includes normal building standard services which are provided and paid by the landlord.”



# OFFICE MARKET DATA

## SAUSALITO LAND ECONOMICS STUDY

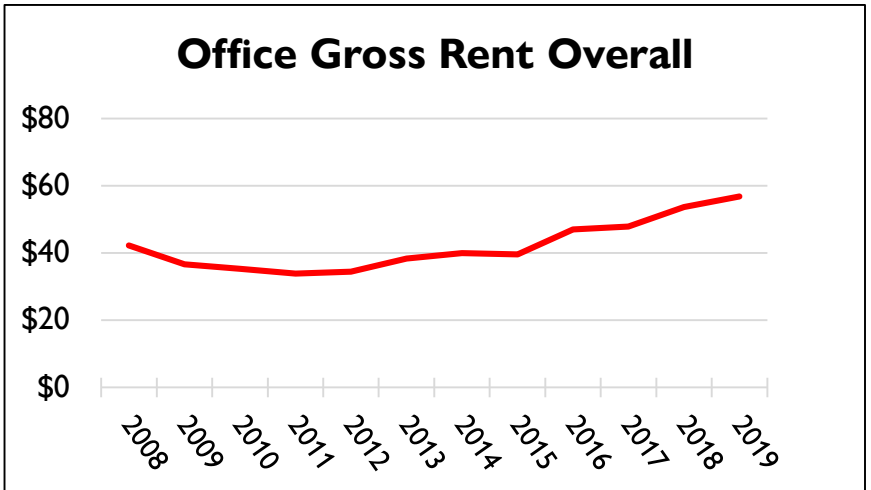
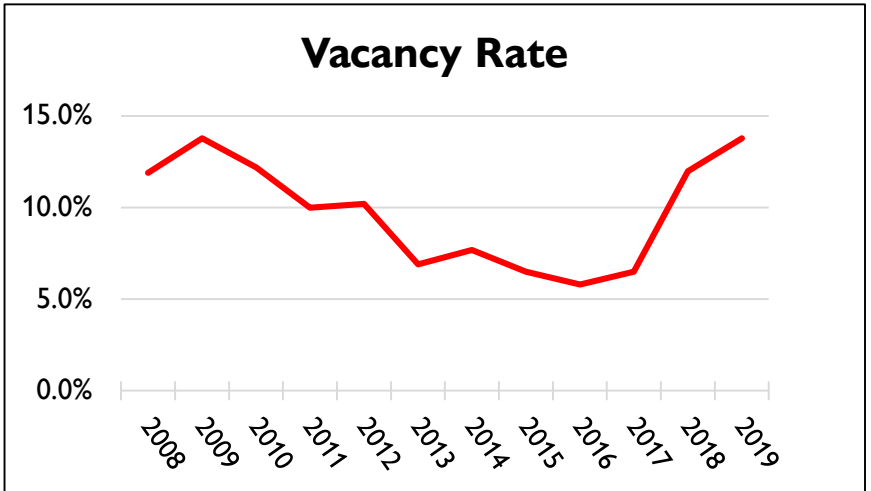
# OFFICE MARKET HISTORY

## CITY OF SAUSALITO

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	Office Gross Rent Overall
YTD	755,147	106,365	14.1%	(2,155)	\$58.18
2019	755,147	104,210	13.8%	(13,297)	\$56.82
2018	755,147	90,913	12.0%	(41,813)	\$53.71
2017	755,147	49,100	6.5%	(5,038)	\$47.86
2016	755,147	44,062	5.8%	5,117	\$47.01
2015	755,147	49,179	6.5%	8,954	\$39.58
2014	755,147	58,133	7.7%	(5,665)	\$39.99
2013	755,147	52,468	6.9%	24,192	\$38.36
2012	755,147	76,660	10.2%	(1,204)	\$34.45
2011	755,147	75,456	10.0%	16,480	\$33.85
2010	755,147	91,936	12.2%	7,533	\$35.29
2009	760,647	104,969	13.8%	(14,085)	\$36.64
2008	760,647	90,884	11.9%	231	\$42.24

Source: CoStar, accessed January 2020

Note: Costar defines Full Service / Gross Rent as “a rental rate that includes normal building standard services which are provided and paid by the landlord.”



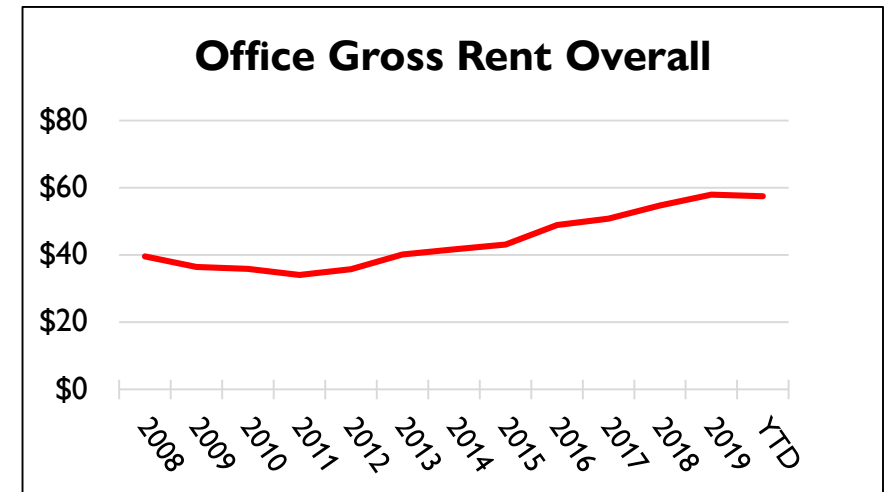
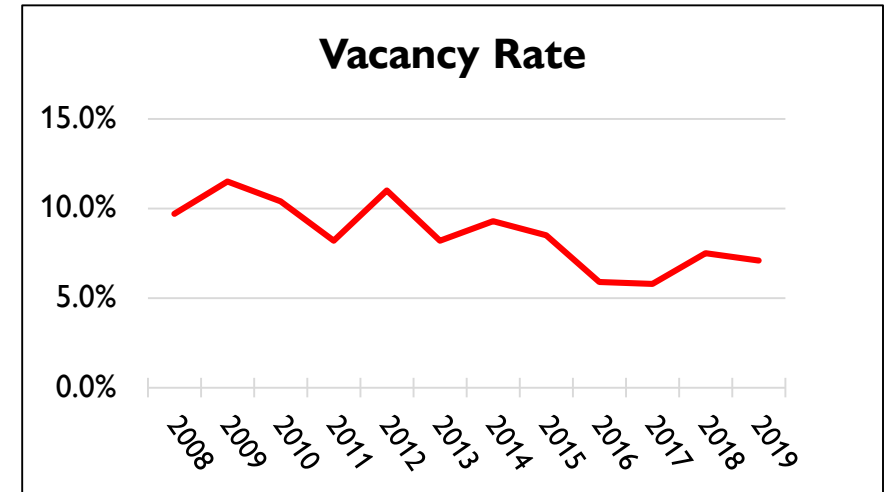
# OFFICE MARKET HISTORY

## CORTE MADERA / MILL VALLEY OFFICE SUBMARKET

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	Office Gross Rent Overall
YTD	2,186,077	163,329	7.5%	(8,149)	\$57.47
2019	2,186,077	155,180	7.1%	7,737	\$57.98
2018	2,186,077	162,917	7.5%	(36,775)	\$54.78
2017	2,186,077	126,142	5.8%	3,918	\$50.80
2016	2,186,077	130,060	5.9%	55,577	\$48.97
2015	2,186,077	185,637	8.5%	18,160	\$43.15
2014	2,186,077	203,797	9.3%	(15,964)	\$41.73
2013	2,176,492	178,248	8.2%	62,048	\$40.19
2012	2,176,492	240,296	11.0%	(106,378)	\$35.78
2011	2,224,303	181,729	8.2%	50,030	\$34.07
2010	2,224,303	231,759	10.4%	19,469	\$35.93
2009	2,229,803	256,728	11.5%	(40,120)	\$36.49
2008	2,229,803	216,608	9.7%	(7,334)	\$39.60

Source: CoStar, accessed January 2020

Note: Costar defines Full Service / Gross Rent as “a rental rate that includes normal building standard services which are provided and paid by the landlord.”



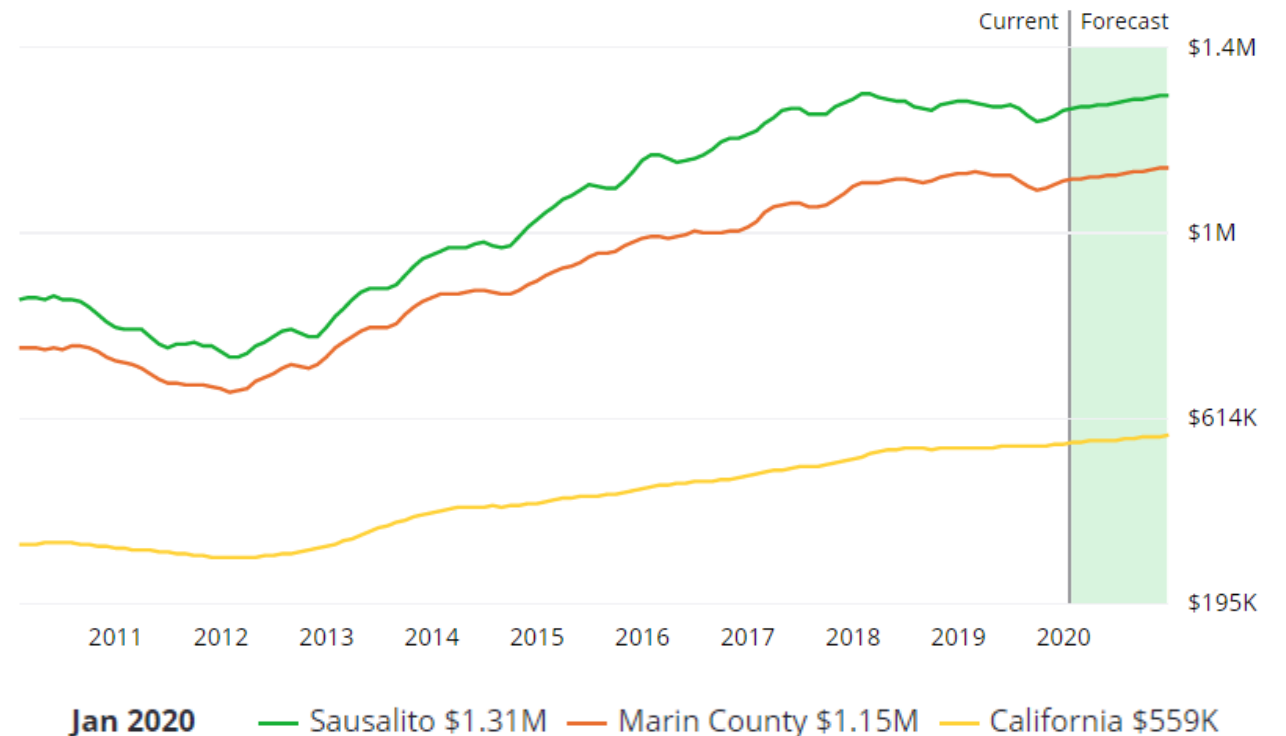


# RESIDENTIAL

## SAUSALITO LAND ECONOMICS STUDY

# RESIDENTIAL SUMMARY

- Sausalito is a hillside community with 4,500 housing units
- Median Home Value is \$1.31 million in 2019
- Housing Units are 44.3% owner-occupied and 47.5% renter-occupied
- There is also a significant floating home community in Sausalito (~400 houseboats and live-aboards), with many in the area ranging in price from \$500,000 - \$800,000



**Source:** Zillow, Accessed January 2020

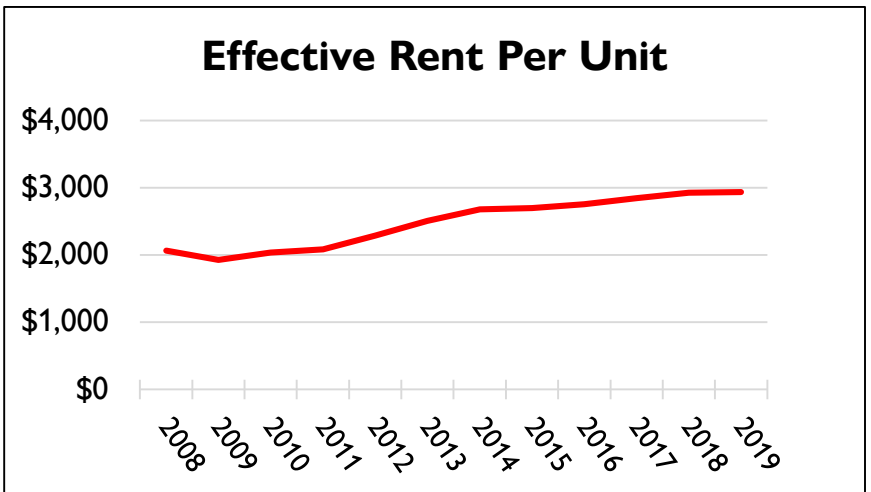
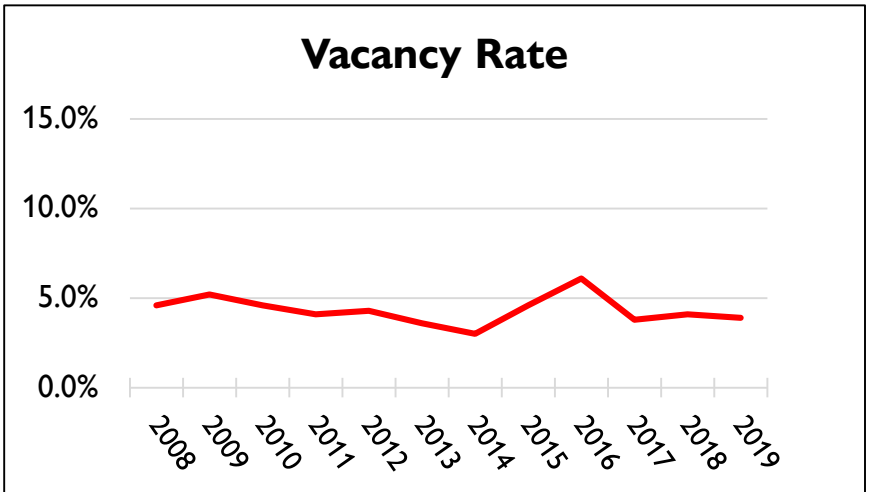
# MULTIFAMILY MARKET HISTORY

## CITY OF SAUSALITO

Year	Inventory Units	Vacancy Units	Vacancy Percent	Absorption (Units)	Effective Rent Per Unit
YTD	577	23	3.9%	0	\$2,947
2019	577	23	3.9%	0	\$2,938
2018	577	24	4.1%	(2)	\$2,926
2017	577	22	3.8%	14	\$2,847
2016	577	35	6.1%	(9)	\$2,756
2015	577	27	4.6%	(9)	\$2,698
2014	577	17	3.0%	3	\$2,679
2013	577	20	3.6%	5	\$2,509
2012	577	25	4.3%	(1)	\$2,289
2011	577	24	4.1%	2	\$2,083
2010	577	26	4.6%	4	\$2,037
2009	577	30	5.2%	(3)	\$1,927
2008	577	26	4.6%	(11)	\$2,064

**Source:** CoStar, accessed January 2020

**Note:** Costar defines Effective Rent as “the average rent paid over the term by a tenant adjusted downward for concessions paid for by the landlord, and upward for costs that are the responsibility of the tenant.” Analytic filters exclude senior / student / military / corporation / vacation housing / co-ops; limit search to buildings with 5+ units; and Market / Market Affordable rent types.



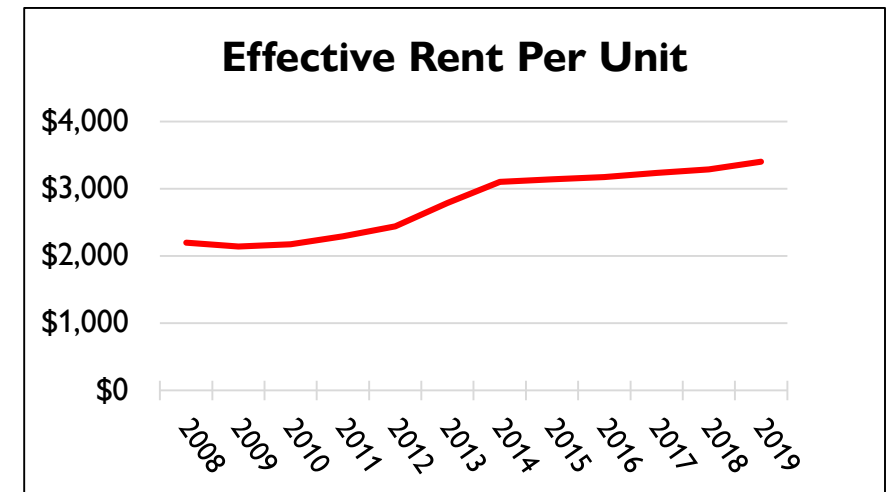
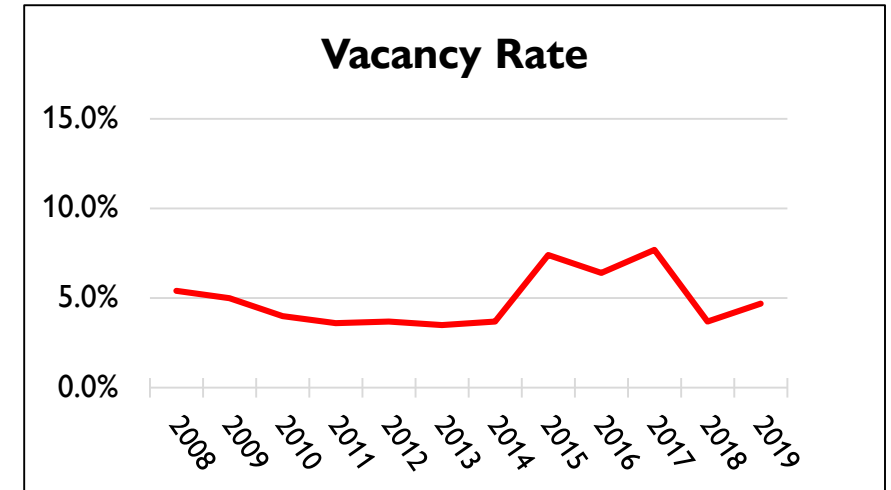
# MULTIFAMILY MARKET HISTORY

## OUTER MILL VALLEY / CORTE MADERA / SAUSALITO MF SUBMARKET SEGMENT

Year	Inventory Units	Vacancy Units	Vacancy Percent	Absorption (Units)	Effective Rent Per Unit
YTD	2,224	104	4.7%	0	\$3,408
2019	2,224	104	4.7%	(22)	\$3,406
2018	2,224	82	3.7%	91	\$3,291
2017	2,224	172	7.7%	140	\$3,239
2016	2,044	131	6.4%	19	\$3,175
2015	2,044	150	7.4%	(75)	\$3,142
2014	2,044	76	3.7%	(5)	\$3,104
2013	2,044	71	3.5%	5	\$2,790
2012	2,044	75	3.7%	(2)	\$2,443
2011	2,044	73	3.6%	10	\$2,295
2010	2,044	82	4.0%	21	\$2,176
2009	2,044	102	5.0%	9	\$2,142
2008	2,044	111	5.4%	(55)	\$2,198

Source: CoStar, accessed January 2020

**Note:** Costar defines Effective Rent as “the average rent paid over the term by a tenant adjusted downward for concessions paid for by the landlord, and upward for costs that are the responsibility of the tenant.” Analytic filters exclude senior / student / military / corporation / vacation housing / co-ops; limit search to buildings with 5+ units; and Market / Market Affordable rent types.



# HOSPITALITY

## SAUSALITO LAND ECONOMICS STUDY

# HOSPITALITY SUMMARY

- Sausalito has a very limited inventory of hotel rooms within the City limits, with four hotels totaling ~128 rooms
- Room rates are at high-end (\$350 to \$800 per day) generating \$1.8 million per year in TOT
- Lodge at Cavallo Point in Fort Baker (adjacent to City) is a 140-unit luxury resort within walking distance of Sausalito
- Sausalito is within easy reach of San Francisco, and has the potential to accommodate hundreds of nightly visitors at a much lower cost than SF hotels.

Hotel	Rooms	Chain Scale
Casa Madrona Hotel & Spa	64	Independent
Hotel Sausalito	16	Independent
Gables Inn Sausalito	15	Independent
The Inn Above Tide	33	Independent

**Source:** Smith Travel Research, January 2020



## **7. BUSINESS AREA: MARINSHIP**

# MARINSHIP AREA OVERVIEW

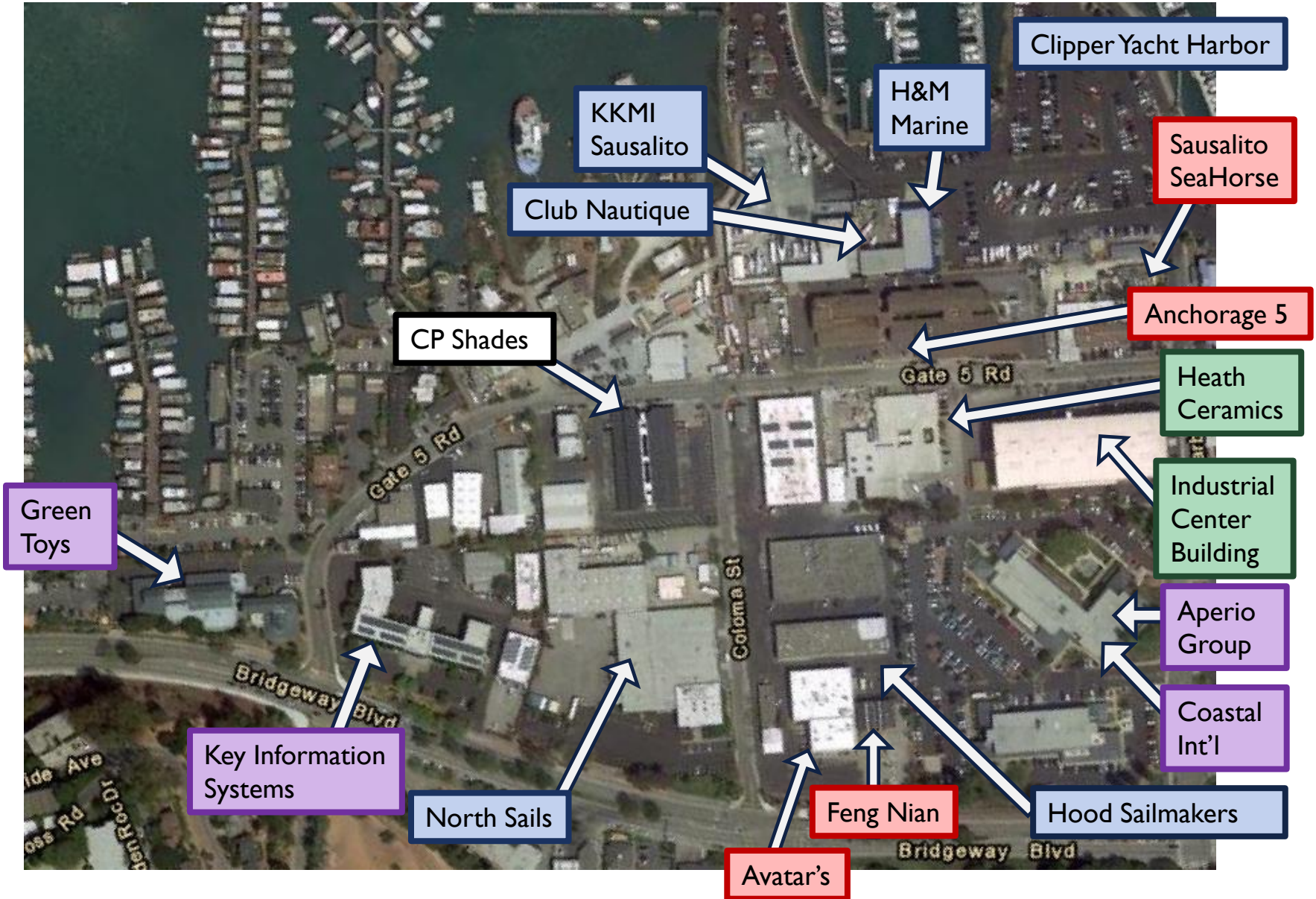
- The Marinship is characterized by a mix of marine industrial, general industrial, applied arts, office, and retail uses across its 225 acres.
- The marine uses tend to be clustered along the immediate waterfront, while other industrial, applied arts, office, and retail uses are set further inland near Bridgeway.
- While the Marinship is generally addressed as one district, the variety of uses, infrastructure needs, and development potential across the area suggest more nuanced approach.

Key Tenant	Type
Aperio Group	Corp. Office
Butler Shine Stern Partners LLC	Applied Art / Corp. Office
Clipper Yacht	Marine
Coastal International	Marine
Fish.	Restaurant
H&M Yacht	Marine
Heath Ceramics	Applied Arts
Industrial Center Building	Applied Arts
Key Information Systems	General Industrial
KKMI	Marine Industrial
Le Garage	Restaurant
Marinship Park	Cultural / Institutional
Mollie Stone's Market	Supermarket
Q Surgical	General Industrial
Serena & Lily	Applied Art / Corp. Office
Silver Seas Yacht	Marine
USACE - Bay Model	Cultural / Institutional



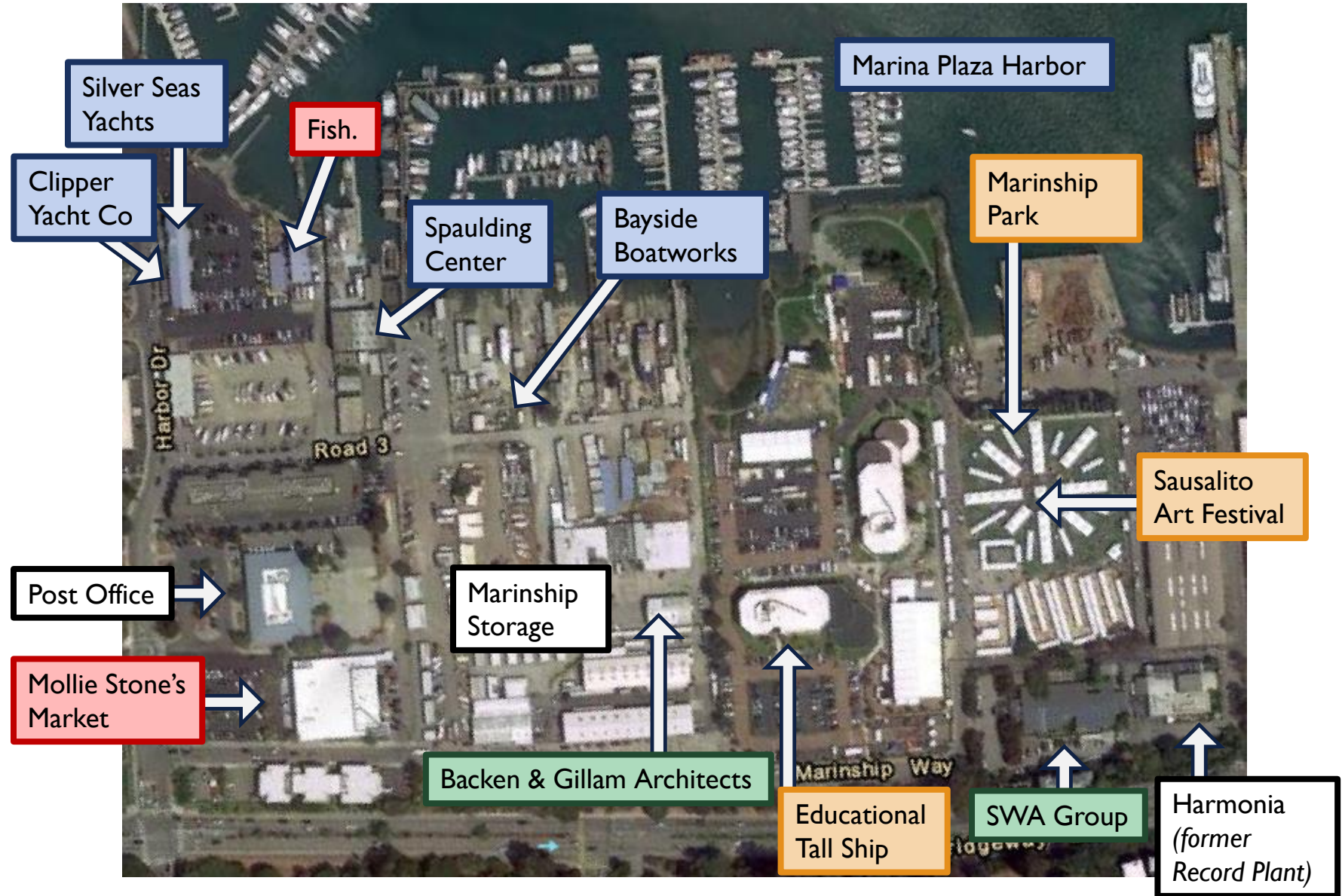
# MARINSHIP NORTH

- Marine-based
- Arts / Applied Arts
- Food / Restaurant
- Office
- Cultural



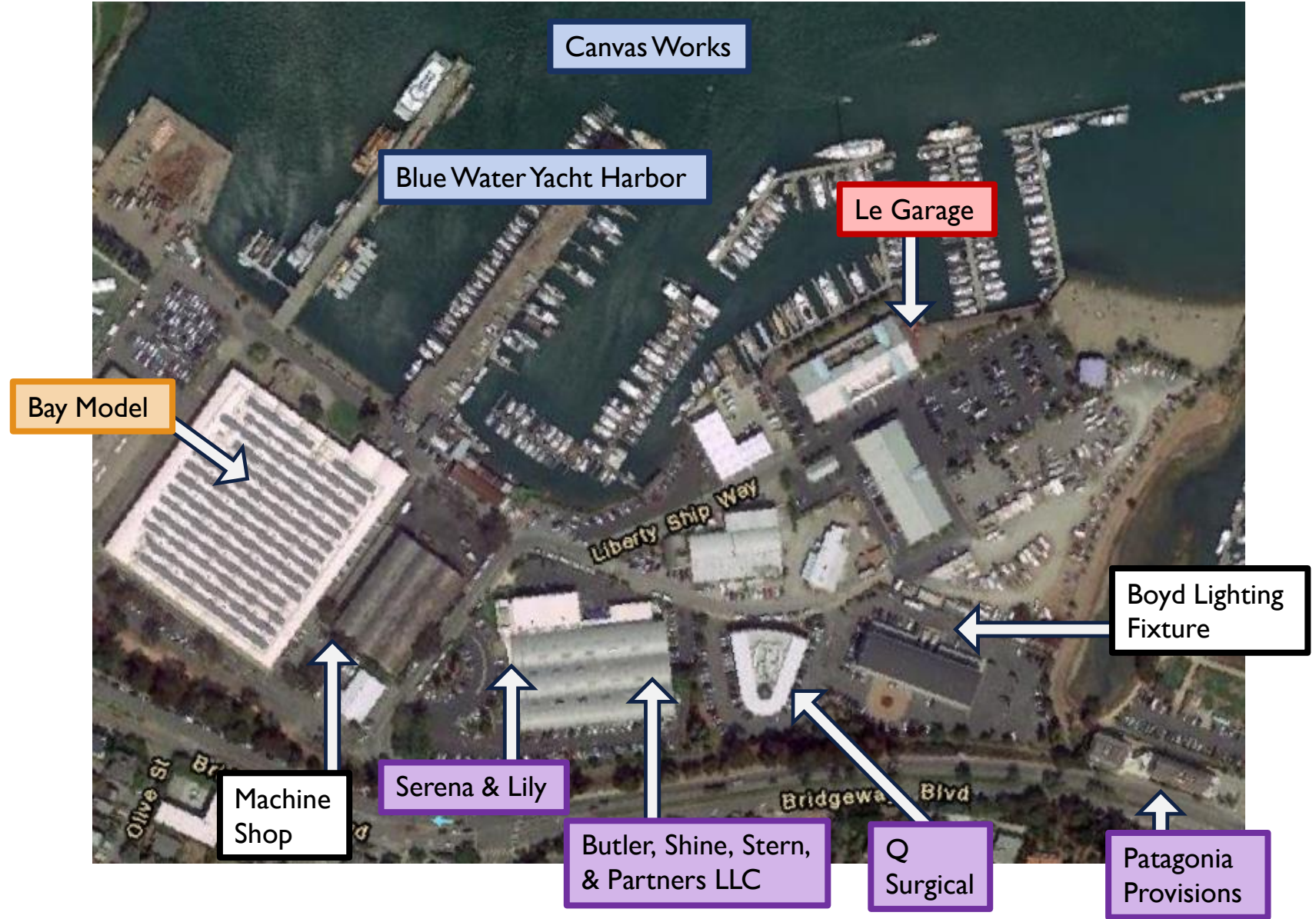
# MARINSHIP CENTRAL

- Marine-based
- Arts / Applied Arts
- Food / Restaurant
- Office
- Cultural



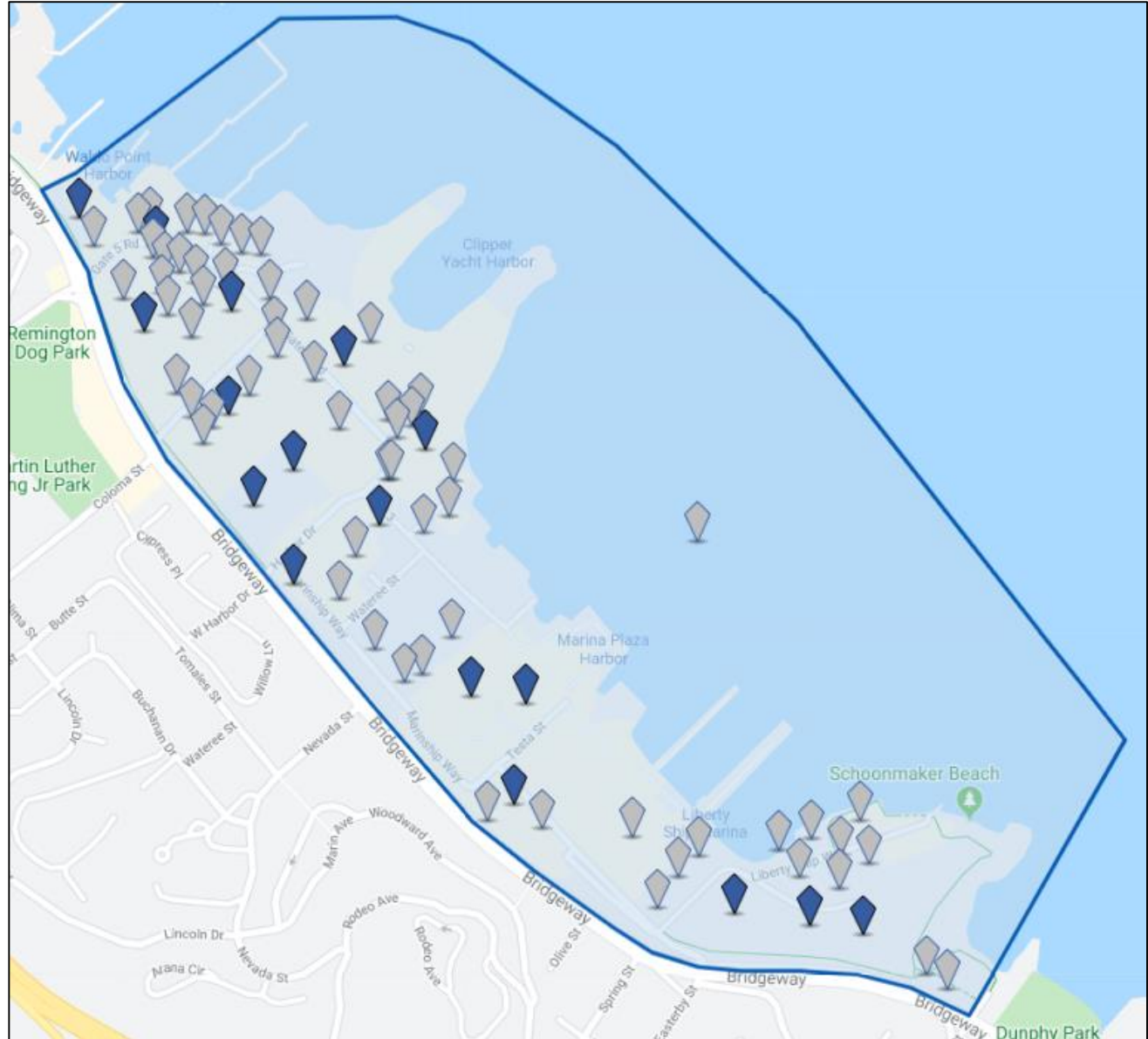
# MARINSHIP SOUTH

- Marine-based
- Arts / Applied Arts
- Food / Restaurant
- Office
- Cultural



# MARINSHIP COSTAR MARKET DATA PROPERTY MAP

Source: CoStar, accessed January 2020  
Blue Pins denote properties with space available



# MARINSHIP COMMERCIAL LAND USE MARKET DATA

## Marinship – Industrial Market History

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	All Service Type Rent Overall
2020 YTD	406,302	-	0.0%	0	\$31.52
2019	406,302	-	0.0%	3,220	\$31.52
2018	406,302	3,220	0.8%	0	\$24.00
2017	406,302	3,220	0.8%	(3,220)	\$44.42
2016	406,302	-	0.0%	0	-
2015	406,302	-	0.0%	0	-
2014	406,302	-	0.0%	4,466	\$22.20
2013	406,302	4,466	1.1%	1,955	\$21.64
2012	406,302	6,421	1.6%	(3,521)	\$21.55
2011	406,302	2,900	0.7%	5,000	\$22.20
2010	406,302	7,900	1.9%	300	\$19.20

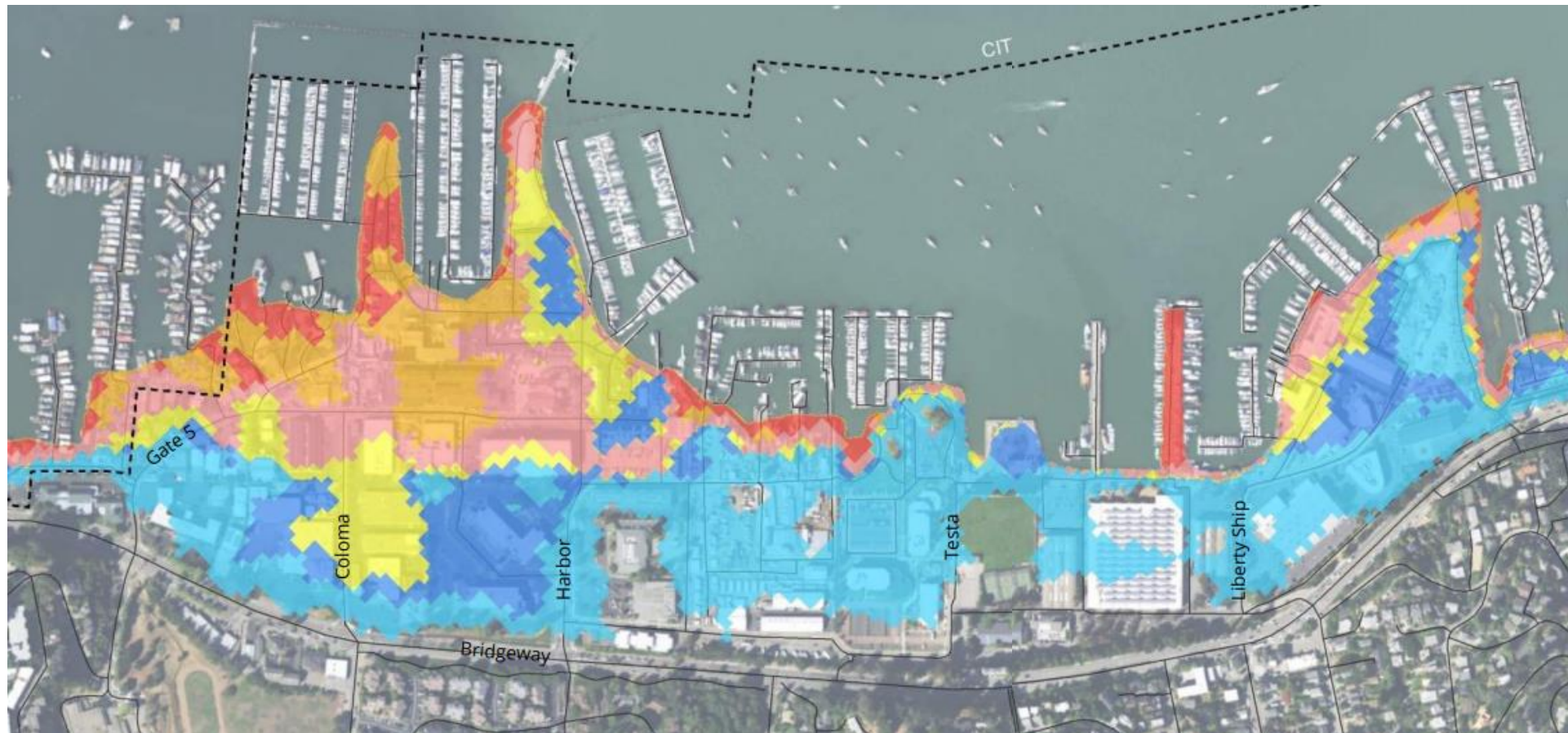
## Marinship - Office Market History

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	Office Gross Rent Overall
2020 YTD	480,777	97,702	20.3%	(2,408)	\$58.09
2019	480,777	95,294	19.8%	(7,047)	\$57.02
2018	480,777	88,247	18.4%	(42,171)	\$54.86
2017	480,777	46,076	9.6%	(17,366)	\$49.64
2016	480,777	28,710	6.0%	1,397	\$48.99
2015	480,777	30,107	6.3%	20,495	\$37.12
2014	480,777	50,602	10.5%	(1,100)	\$39.97
2013	480,777	49,502	10.3%	16,846	\$38.34
2012	480,777	66,348	13.8%	(3,353)	\$34.93
2011	480,777	62,995	13.1%	2,690	\$33.56
2010	480,777	65,685	13.7%	8,262	\$35.37

Source: CoStar, accessed January 2020

Notes: Costar defines Full Service / Gross Rent as “a rental rate that includes normal building standard services which are provided and paid by the landlord.”  
Market data generated for smaller geographies can face additional issues due to data reporting issues / inconsistencies; rent estimates based on market transactions and may not be representative of average rents paid by existing tenants.

# FLOODING SCENARIOS CONSIDERED UNDER BAYWAVE DEMONSTRATE VARYING IMPACT ON MARINSHIP



Source: Sea Level Rise and Subsidence; Sausalito Comprehensive Existing Conditions Report, General Plan Update, 2019



## 7. BUSINESS AREA: CALEDONIA

# CALEDONIA AREA OVERVIEW

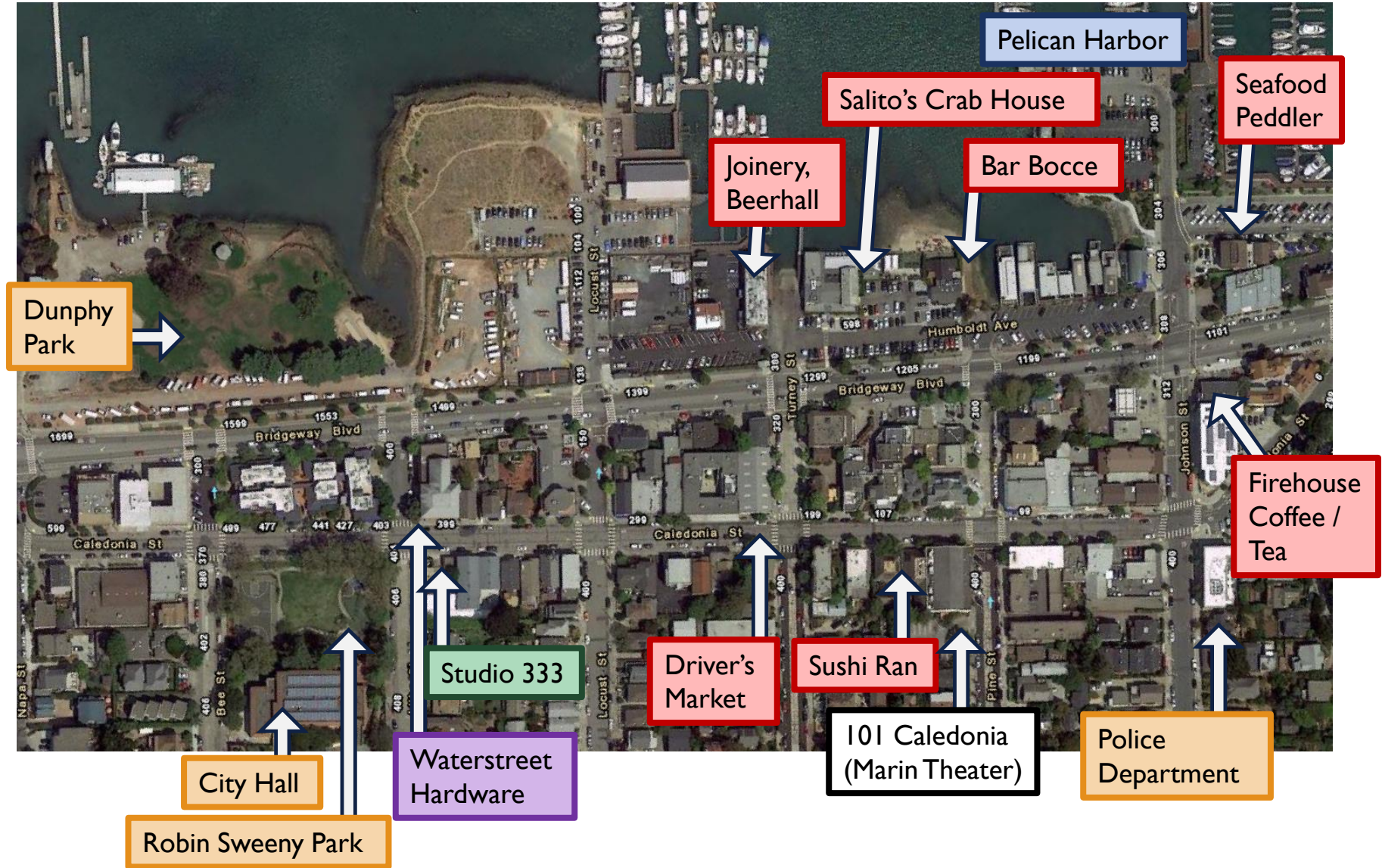
- Caledonia Street is a local main street that runs parallel to Bridgeway for ~6 blocks, and is characterized by an eclectic blend of resident-serving retail uses, including restaurants, markets, retail stores, galleries, and office uses
- The greater-Caledonia area also includes nearby retail establishments along Bridgeway and the adjacent waterfront
- As a locally-serving street in a city with a small population, Caledonia Street faces major challenges in today's retail market
- The former movie theatre has not been replaced

Key Tenant	Type
Government Buildings	Cultural / Institutional
Drivers Market	Market
Sushi Ran	Restaurant
Joinery, Beerhall	Restaurant
Salitos Crab House	Restaurant
Dunphy Park	Parks
Robin Sweeny Park	Parks
Waterstreet Hardware	Hardware Store



# CALEDONIA STREET

- Marine-based
- Art / Applied Arts
- Food / Restaurant
- Retail
- Cultural



# CALEDONIA COSTAR MARKET DATA PROPERTY MAP



Source: CoStar, accessed January 2020  
Blue Pins denote properties with space available

# CALEDONIA COMMERCIAL LAND USE MARKET DATA

Caledonia – Retail Market Historical Data					
Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption (SF Total)	All Service Type Rent Overall
2020 YTD	145,756	19,571	13.4%	(1,558)	\$42.21
2019	145,756	18,013	12.4%	(17,248)	\$42.62
2018	145,756	765	0.5%	15,821	\$40.72
2017	145,756	16,586	11.4%	(1,686)	\$43.46
2016	145,756	14,900	10.2%	(13,600)	\$29.44
2015	145,756	1,300	0.9%	3,309	\$31.67
2014	145,756	4,609	3.2%	(3,078)	\$41.03
2013	145,756	1,531	1.1%	8,088	\$37.28
2012	145,756	9,619	6.6%	(3,403)	\$32.67
2011	145,756	6,216	4.3%	4,957	\$31.56
2010	145,756	11,173	7.7%	(6,370)	\$39.85
2009	145,756	4,803	3.3%	(4,803)	\$36.84

Caledonia – Office Market Historical Data					
Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption (SF Total)	Office Gross Rent Overall
2020 YTD	72,300	1,000	1.4%	0	\$46.44
2019	72,300	1,000	1.4%	(1,000)	\$45.06
2018	72,300	-	0.0%	0	\$37.62
2017	72,300	-	0.0%	116	\$82.76
2016	72,300	116	0.2%	(116)	\$38.71
2015	72,300	-	0.0%	0	-
2014	72,300	-	0.0%	0	-
2013	72,300	-	0.0%	0	\$31.73
2012	2,300	-	0.0%	1,175	\$25.66
2011	72,300	1,175	1.6%	746	\$27.36
2010	72,300	1,921	2.7%	2,079	\$29.00
2009	72,300	4,000	5.5%	1,850	\$29.34

Caledonia – Multifamily Market Historical Data					
Year	Inventory Units	Vacant Units	Vacant Percent	Absorption (Units)	Effective Rent Per Unit
2020 YTD	34	1	4.1%	-	\$2,037
2019	34	1	4.1%	-	\$2,037
2018	34	1	2.9%	-	\$2,028
2017	34	1	3.2%	-	\$2,024
2016	34	2	4.7%	-	\$2,007
2015	34	2	5.6%	(1)	\$1,980
2014	34	1	3.2%	-	\$1,916
2013	34	1	3.2%	-	\$1,865
2012	34	1	3.2%	-	\$1,803
2011	34	1	3.2%	-	\$1,766
2010	34	1	3.5%	-	\$1,737
2009	34	2	4.4%	-	\$1,627

Source: CoStar, accessed January 2020

Notes: Costar defines Full Service / Gross Rent as “a rental rate that includes normal building standard services which are provided and paid by the landlord” and Effective Rent as “the average rent paid over the term by a tenant adjusted downward for concessions paid for by the landlord, and upward for costs that are the responsibility of the tenant.” Market data generated for smaller geographies can face additional issues due to data reporting issues / inconsistencies; rent estimates based on market transactions and may not be representative of average rents paid by existing tenants.

# CALEDONIA OBSERVATIONS

- With a local population of 7,300 residents and 145,000 SF of retail space, the Caledonia area is facing significant leasing challenges if limited to local-serving businesses
- Compounding the problem are many landlords expectations of \$4 - \$5/sf monthly market rents, making many small business tenants financially infeasible. Kosmont estimates that a business would need to generate approximately \$500 per square foot in annual sales to afford such market rents.
- Possible land use changes to improve economic conditions include:
  - Allow residential uses on Caledonia that could eliminate large vacant spaces by activating the street and providing \$10,000 - \$20,000 per resident in annual spending potential
  - Allow more office / coworking spaces to encourage generation of more trips to the street



## 7. BUSINESS AREA: DOWNTOWN

# DOWNTOWN AREA OVERVIEW

- Downtown Sausalito is a retail district that is centered along a ~0.5 mile stretch of waterfront Bridgeway and the adjacent Princess Street corridor. It is characterized by primarily visitor-serving retail uses, including restaurants, small retail stores, galleries, and boutique hotels.
- The Downtown area encounters large influxes of day-visitors during the March-October visitor season, many of whom travel by bike or ferry from San Francisco and other nearby communities.






Key Tenant	Type
Visitor Center	Cultural / Institutional
Gabrielson Park	Cultural / Institutional
Ferry Terminal	Transportation
Casa Madrona	Hotel
Poggio Trattoria	Restaurant
Copita	Restaurant
Hotel Sausalito	Hotel
Inn Above Tide	Hotel
Napa Valley Burger Co.	Restaurant
Barrel House	Restaurant
Trident	Restaurant
The Gables Inn	Hotel
The Spinnaker	Restaurant

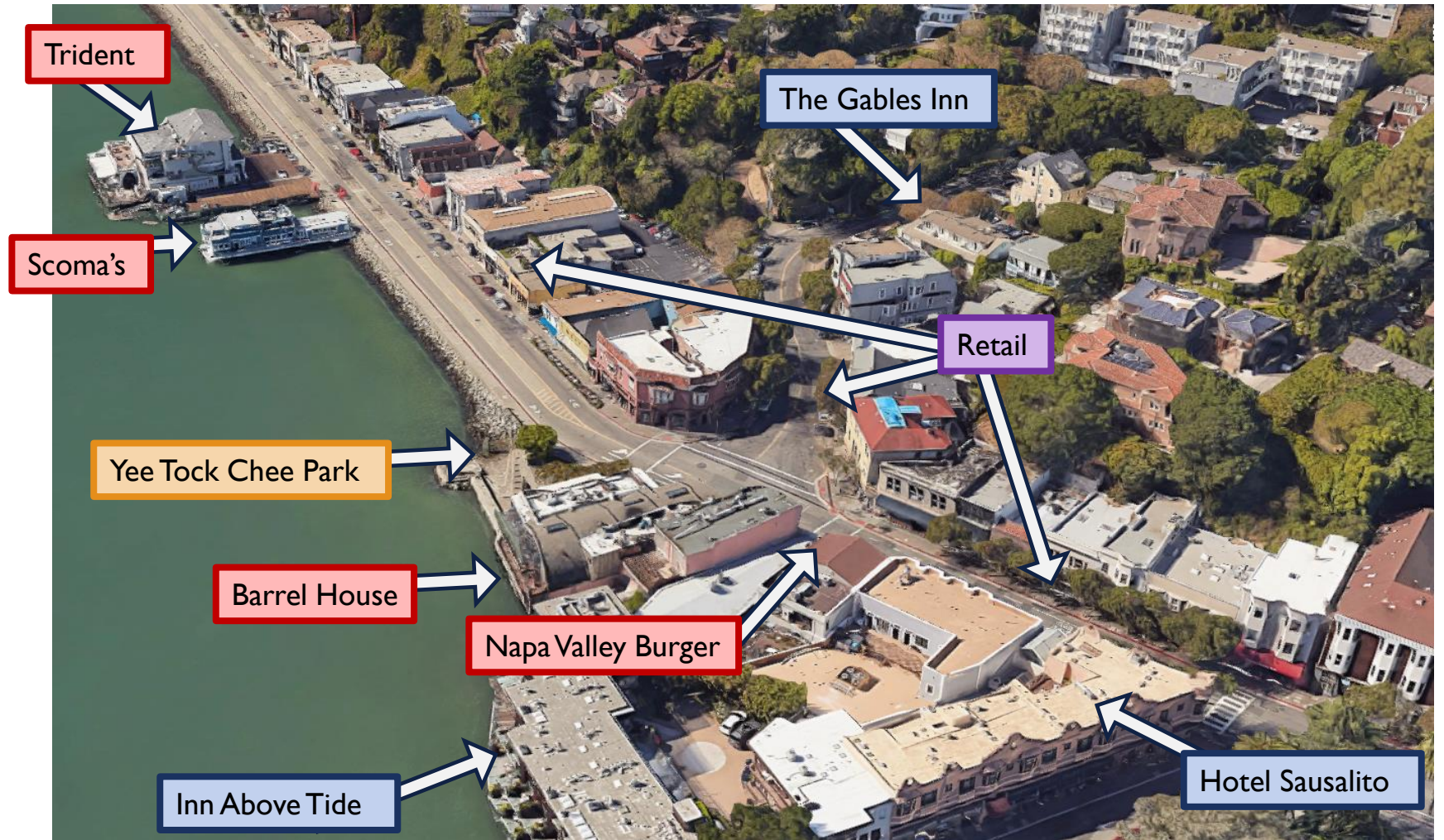
# DOWNTOWN SAUSALITO

- Marine-based
- Art / Applied Arts
- Food / Restaurant
- Retail
- Cultural



# DOWNTOWN SAUSALITO

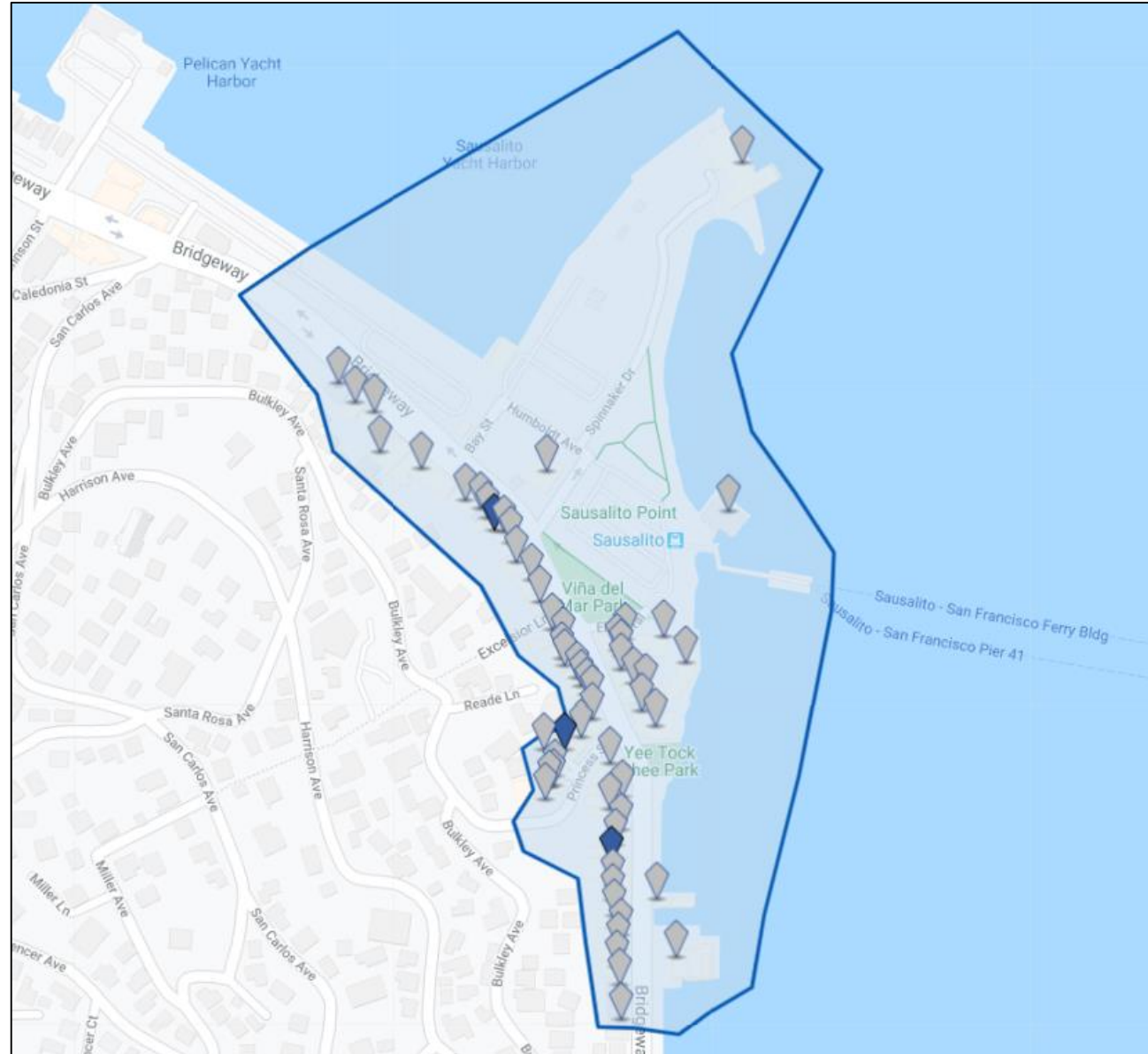
-  Hotel
-  Art / Applied Arts
-  Food / Restaurant
-  Retail
-  Cultural





# DOWNTOWN SAUSALITO COSTAR MARKET DATA PROPERTY MAP

Source: CoStar, January 2020  
Blue Pins denote properties with space available



# DOWNTOWN COMMERCIAL LAND USE MARKET DATA

## Downtown – Retail Market Historical Data

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption (SF Total)	All Service Type Rent Overall
2020 YTD	223,970	329	0.2%	0	\$118.46
2019	223,970	329	0.2%	8,683	\$118.46
2018	223,970	9,012	4.3%	0	\$16.80
2017	223,970	9,012	4.3%	466	\$66.00
2016	223,970	9,478	4.5%	(5,556)	\$64.35
2015	223,970	3,922	1.9%	(1,022)	\$41.04
2014	223,970	2,900	1.4%	(2,900)	\$48.00
2013	223,970	-	0.0%	0	\$33.00
2012	223,970	-	0.0%	0	\$76.92
2011	223,970	-	0.0%	1,500	\$57.73
2010	223,970	1,500	0.7%	4,200	\$42.44
2009	223,970	5,700	2.7%	(4,700)	\$42.00

## Downtown – Office Market Historical Data

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption (SF Total)	Office Gross Rent Overall
2020 YTD	31,784	5,250	26.8%	0	\$63.00
2019	31,784	5,250	26.8%	(5,250)	\$63.00
2018	31,784	-	0.0%	1,524	\$36.00
2017	31,784	1,524	7.8%	4,571	\$36.90
2016	31,784	6,095	31.1%	2,055	\$36.89
2015	31,784	8,150	41.6%	(5,905)	\$48.76
2014	31,784	2,245	11.5%	(2,245)	\$27.00
2013	31,784	-	0.0%	6,500	\$27.00
2012	31,784	6,500	33.2%	274	\$2.95
2011	31,784	6,774	34.6%	0	\$40.52
2010	31,784	6,774	34.6%	5,082	\$45.53
2009	31,784	11,856	60.5%	(11,356)	\$71.16

## Downtown – Multifamily Market Historical Data

Year	Inventory Units	Vacant Units	Vacant Percent	Absorption (Units)	Effective Rent Per Unit
2020 YTD	18	1	4.4%	-	\$2,485
2019	18	1	4.4%	-	\$2,466
2018	18	1	3.3%	-	\$2,449
2017	18	1	3.3%	-	\$2,418
2016	18	1	5.6%	-	\$2,389
2015	18	1	6.1%	(1)	\$2,357
2014	18	1	3.3%	-	\$2,281
2013	18	1	3.3%	-	\$2,220
2012	18	1	3.3%	-	\$2,147
2011	18	1	3.3%	-	\$2,102
2010	18	1	3.9%	-	\$2,069
2009	18	1	4.4%	-	\$2,077

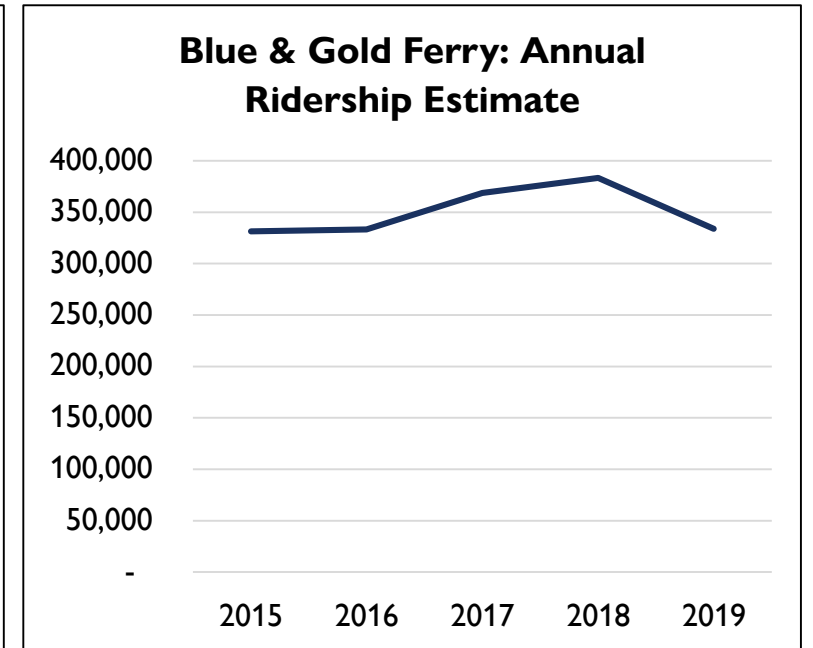
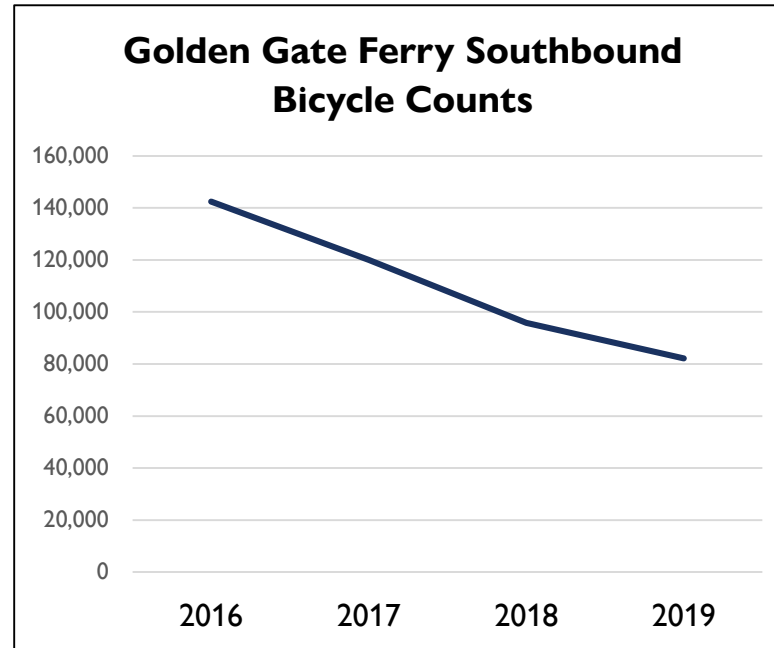
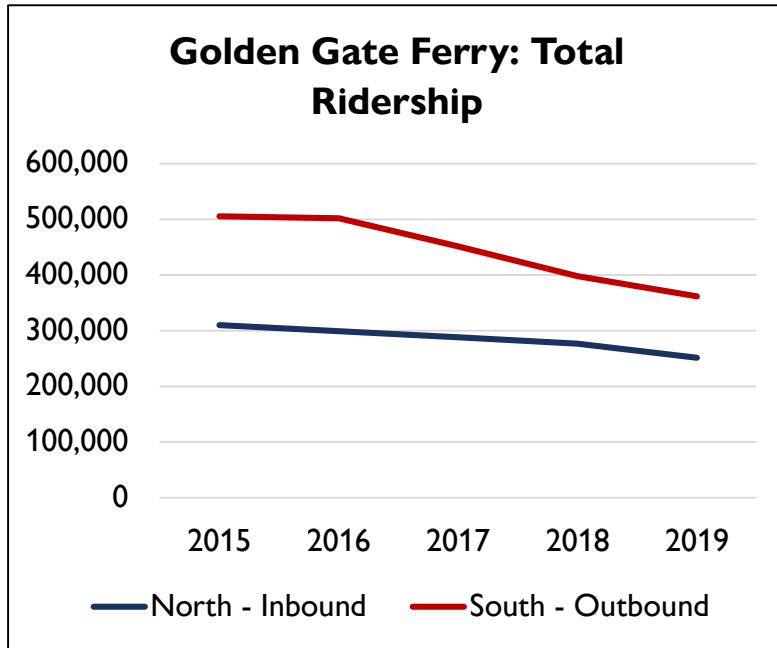
Source: CoStar, accessed January 2020

Notes: Costar defines Full Service / Gross Rent as “a rental rate that includes normal building standard services which are provided and paid by the landlord” and Effective Rent as “the average rent paid over the term by a tenant adjusted downward for concessions paid for by the landlord, and upward for costs that are the responsibility of the tenant.” Market data generated for smaller geographies can face additional issues due to data reporting issues / inconsistencies; rent estimates based on market transactions and may not be representative of average rents paid by existing tenants.

# DOWNTOWN OBSERVATIONS

- While Sausalito sees significant visitor / tourist traffic to its Downtown that could drive demand for area retailers and restaurants, there are challenges related to that tourist demand:
  - Activity appears to be decreasing over recent years
  - Ferry and bicycle traffic has been declining
  - Many of the visitors come for quick day-trips / visits, and their spending potential can be minimal;
  - Much of the traffic is centered around ferry travelers and bikes, leading many retailers to close ~6:00pm
- While home to a few boutique hotels, Sausalito has a limited supply of hotel rooms (~128 rooms) in the City, making it difficult to attract longer-term guests with greater spending potential
- Many landlords have expectations for high rents, making many small business operations financially infeasible

# FERRY RIDERSHIP TRENDING DOWNWARD





## 8. PERMITS, REGULATORY TOOLS / POLICIES

# PERMITS / REGULATORY TOOLS / POLICIES

## KEY ISSUES

Sausalito has a lukewarm reputation for business friendliness - common issues include:

- **Entitlement/Permitting Processes:** difficult to navigate, time consuming
- **Zoning Code:** certain use restrictions considered inflexible, not enforced properly, not keeping pace with evolving land uses
- **Formula Retail Restriction:** current prohibitions may be too onerous; format retailers are virtually not allowed (generally via conditional use permits, name changes, ownership changes etc.)
- **Signage / Storefront Requirements:** current provisions may be too restrictive for small business owners
- **Marinship Specific Plan / Fair Traffic Initiative:** elements of the Marinship Specific Plan that migrated to the General Plan Update may be hindering development / improvement in the Marinship area; based on old data / outdated plans; may need modernization to reflect community's future goals, marine innovation zone, and costs of necessary infrastructure
- **City Economic Development Office / Program:** More proactive economic development initiatives can be beneficial to improve business climate in the City

# PERMITS / REGULATORY TOOLS / POLICIES CONSIDERATIONS

Sausalito can consider the following courses of action to address business friendliness issues:

- **Entitlement/Permitting/Zoning Processes**
  - Consider revamping zoning/permitting processes to be more flexible to accommodate market and changing business/retailer/customer dynamics
  - Identify City priority business categories and streamline processes for those businesses
  - Limit the number of uses that require Conditional Use Permits or time-consuming / high-risk approval processes
- **Signage / Storefront Requirements**
  - Consider loosening requirements to allow more signage to assist businesses attract customers
- **City Economic Development Office / Program**
  - Utilize City resources to encourage business development activities across the City

# ADMINISTRATIVE CONSIDERATIONS

## FORMULA RETAIL REQUIREMENTS

While some cities use formula retail restrictions to protect local character and independent businesses, particular types of formula retail do not necessarily threaten the quality of retail areas. In many cases, larger firms can help draw customers to districts, supporting smaller businesses.

Sausalito could consider making revisions to the formula retail requirements including different options:

- Fully repeal formula retail restrictions
- Limit formula retail restrictions to a smaller geographic area
- Limit restrictions to particular retailer types (restaurants, clothing stores, etc)
- Limit formula retailers by square footage or frontage
- Allow formula retailers up to a percentage cap, either geographically or by number of “like businesses”
- Allow smaller chains by setting “formula retailer” designation only above a certain number of locations (e.g. *San Francisco sets designation at 11+ U.S. locations*)



# ADMINISTRATIVE CONSIDERATIONS

## MARINSHIP SPECIFIC PLAN / FAIR TRAFFIC INITIATIVE

As noted earlier, the City could consider updating the sections of the Marinship Specific Plan that have migrated to the General Plan Update.

Kosmont suggests that the City consider commissioning an engineering analysis to examine the infrastructure costs and scenarios across the Marinship area. This analysis will better inform the cost/benefit choices available to the City.

- The City could consider a planning/infrastructure strategy that improves industrial uses in targeted areas where infrastructure costs are not overly burdensome, while considering higher densities / other land uses in areas where infrastructure costs are too high for various uses (e.g., Community Facilities Districts, ("CFD's") Assessment Districts, Development Opportunity Reserve D.O.R.<sup>TM</sup>)
- When structuring an innovation-centered maritime area, the City could consider that recent innovation districts focus on blending industrial / R&D uses with a more urban-style street life involving restaurants, wine and cheese bars, coffee shops, retail, and event programming. This creates a desirable environment for workers and encourages companies to locate in the area.



## 9. TOURISM, SPECIAL EVENTS & MARKETING

# TOURISM AND MARKETING OBSERVATIONS

- Sausalito has unique and diverse features, built environment, history, and culture. There are many attractions for day visitors and overnight guests - downtown retail district, galleries, restaurants, waterfront activities, the Bay Model
- Sausalito also benefits from its proximity to San Francisco and nearby attractions, such as the Golden Gate Bridge, Fort Baker, the Marin Headlands, Muir Woods, Angel Island, and Alcatraz
- Sausalito can be well-suited to attract modern experiential consumers – wellness/recreation, arts, eclectic food/beverage, memorable indoor and outdoor experiences
- Tourism can be a major economic benefit for the City, with visitors driving business to retail establishments in the downtown area and supporting the overall health of the City’s business environment
- Much of Sausalito’s tourism seems to be driven by external demand rather than internal attraction, limiting its ability to attract visitors on the City’s own terms
- Sausalito also seems to lack marketing messaging regarding the character of its community assets, and lacks a unified marketing approach toward attracting visitors (e.g. social media branding)

# TOURISM AND MARKETING RECOMMENDATIONS

- Sausalito could consider developing a better consensus regarding what the City has to offer and guide consumers toward those tourism destinations in ways that can support local businesses without detrimental impacts on the community's character
- Sausalito could consider more active participation in local tourism initiatives/organizations to attract high-quality visitors, such as San Francisco Travel (\$5,000 per year). Marin County Visitor Bureau (at 2% of hotel revenue or \$250,000 per year) not recommended.
- Sausalito could consider finding new ways to partner with local organizations such as the Chamber of Commerce and the Bay Model to market Sausalito businesses and attractions toward targeted visitor groups

# HOTEL / CONFERENCE / RESORT OPPORTUNITIES

Sausalito is home to only ~128 hotel rooms in the City, which hinders its ability to attract overnight visitors and increases the City's reliance on daytime tourists

Sausalito could consider approaches that increase its visibility as a destination for overnight / conference / resort guests, who are likely to bring higher levels of spending and fewer detrimental impacts than day-tripping tourists. This strategy could include:

- Additional hotel rooms within the City to attract more overnight guests
- Bed-and-breakfast B&B / smaller format hospitality options on houseboats/concrete barges (Aqua Maison is a local Marinship firm specializing in new floating barge construction)
- Strategic alliances with Marin County hotels, Cavallo Point Lodge, employers, and transportation providers to attract nearby visitors to City attractions / businesses.

## SPECIAL EVENTS

# SAUSALITO ART FESTIVAL

The Sausalito Art Festival is a premier art and music event that has been held Labor Day weekend for the past 67 years. Over 100 world class artists help draw as many as 60,000 people over the weekend. In 2020 the Festival is being suspended, due to the extraordinary costs of providing crowd security and booking musical performers.

**Kosmont suggests that the City consider a smaller scale art fair for that weekend to maintain momentum with Bay Area residents.**

There are many examples of successful art fairs without live music, or with music offerings centered around smaller local artists. For example, in Louisville KY, the St James Court Art Show is a free event that has been held for over 60 years. 700 artists from across the U.S. exhibit their furniture, pottery, jewelry, paintings to tens of thousands of visitors, many of whom come from out of state. Local companies sponsor the event and use opportunity to promote themselves.

# SPECIAL EVENTS

## ONGOING SMALLER SCALE EVENTS

Events can activate commercial districts, spur interest in local businesses, and develop a better sense of community between local residents, businesses, and regional visitors. In addition to larger-scale annual events such as the Sausalito Art Festival, Sausalito could consider supporting more smaller-scale events throughout the year, such as:

- **Park Concert Series**: The summer concert series is well-received by community-members, and helps to spur activity in Downtown restaurants
- **Princess/Caledonia Street Fair**: Street fairs can build momentum in the area. Various cities are experimenting with frequent temporary pedestrian malls/street fairs to activate smaller retail districts
- **Marine & Waterfront Experiences**: Supporting more water activities - such as kayaking, sailing, rowing, and cruises - can direct visitor activity in a way that supports local marine artisans
- **Art Experiences**: Supporting / growing events such as Open Studios at the Industrial Center Building, art classes, and art fairs can draw local and regional visitors and support local artisans



## 10. CASE STUDIES



# CASE STUDY LESSONS

## BLENDED USES & DOWNTOWN DISTRICTS

To create engaging destinations, vibrant downtown areas must blend a variety of uses, including:

- **Anchors** that drive captive user foot traffic throughout the day/night (e.g. universities, transit hubs, institutions, theaters, tourist destinations)
- **Amenities** such as attractive landscaping (gardens, fountains, monuments), public art, public tables / chairs, stages, artists, vendors
- **Outdoor Spaces** that act as invisible anchor tenants;
- **Programming** (such as festivals, concerts, sports, food trucks) that drive vibrancy and creates a sense of place and destination
- **Variety of Uses and Activities** that drive diverse utilization
- **Coordinated Activities** between retailers, organizations, and city offices to ensure strategic management and area maintenance.





# CASE STUDY PORT TOWNSEND, WA

# CASE STUDY

## PORT TOWNSEND, WA

- During Kosmont's interviews with key stakeholders, the City of Port Townsend was mentioned as an example of a City with significant economic benefits associated with a maritime trade cluster
- Although located in a rather remote area with 200 miles of shoreline, the Jefferson County and Port Townsend area have similarities to Sausalito. The area was first settled in 1851 and grew to become an active seaport with many Victorian era homes and commercial buildings. Fort Worden was a key factor in City's growth through the late 1800's. Fortunately, the Victorian era buildings were not torn down and they now constitute a National Historic District. The City's population is just over 9,000 people, in a County with only 30,000 people. Beginning in the 1970s, many retirees moved to Port Townsend.
- With regular ferry service, the City has embraced tourism - establishing an international film festival, an internationally renowned Wooden Boat Festival, a writer's conference, and jazz/blues festivals. Maritime life is a central element, with regattas and weekly races. The area is also home to two artist collectives, the non-profit Northwind Arts Center, a monthly art walk, and many galleries.

# CASE STUDY

## PORT TOWNSEND, WA

- Maritime trade is a major economic driver in Port Townsend, with highly skilled tradespeople building and repairing wooden boats. Northwest Maritime Center was established to educate people on traditional and modern maritime life and to sponsor competition and inspire adventure
- In 2018 Martin Associates did an economic impact study of maritime trades on Jefferson County and Port Townsend. The report identified 1,150 jobs and \$55 million in labor income associated with six main areas of activity:
  - Boat building and repair
  - Passenger activity
  - Commercial fishing
  - Recreational boating/marinas
  - Maritime education
  - Government activities
- 35% of the jobs are related to the boat building/repair industry, with 25% related to recreational boating and 23% related to commercial fishing
- Port Townsend shows how maritime industry can coexist and even thrive with a tourism based economy

# CASE STUDY

## SANTA BARBARA – STATE STREET

**State Street Santa Barbara** encountered problems that threatens its long-term viability:

- Declining sales for past five years; lost its cache for high end customers
- Permit process for new retailers was expensive and high-risk
- Planning and building departments are short staffed
- City staff not enthusiastic to expedite development
- Measure C increased local sales tax 1% to address major infrastructure needs

### **Kosmont recommendations included:**

- Identify beneficial retail categories and streamline permit process
- Provide easy permits for temporary Pop-Up businesses/attractions
- Facilitate infill housing or live/work space in vacant buildings along State Street
- Facilitate outdoor dining permits – yields major increase in restaurant sales
- Prioritize Economic Development / reorganize other Downtown organizations
- Need to create more experiences for shoppers (e.g. entertainment, breweries)



# CASE STUDY

## SANTA BARBARA – FUNK ZONE



Santa Barbara's industrial area for many decades is located east of State Street and between the beach and the 101 Freeway. Its existence was relatively unknown to most visitors. Following the Great Recession of 2009-10, entrepreneurs saw an opportunity with lower land costs, simpler permit process and manufacturing zoning to develop a brewery, wine tasting, art galleries, a distillery and followed by live music venues that attracted younger, upscale visitors in the afternoons and evenings, seeking a different experience from the traditional downtown State Street retail corridor.

The Funk Zone today is a +30-acre blend of wine tasting, brewery, distillery, cafes, art galleries and kayak rental through adaptive reuse of old buildings within Santa Barbara's industrial zone. The Funk Zone case study shows how a small vibrant commercial area within, a large industrial zone can help attract thousands of **upscale visitors** – without hurting existing industrial businesses.

# CASE STUDY

## DOWNTOWN ST. HELENA

### St. Helena faced many challenges:

- Significant Downtown vacancies as a result of macro changes in the retail industry and competition for retail sales from neighboring cities
- City's Zoning Code is outdated, creates major hurdles for new businesses
- 2<sup>nd</sup> home buyers are replacing long term residents impacting retail sales
- Resident population cannot support all existing retail
- Some landlords are not motivated to lease buildings

### Kosmont made several recommendations:

- Improve City image with marketing/branding
- Establish tie-ins with Downtown merchants
- Consider monthly community events in Downtown
- Consider Market Hall concept for iconic Masonic Lodge space
- Create more experiences for shoppers
- Work with landlords on experiential / omnichannel retail trends
- Add more high-end hotel rooms
- Provide more parking and wayfinding signage



# CITY OF SAUSALITO LAND ECONOMICS STUDY



1601 N. Sepulveda Blvd., #382  
Manhattan Beach, CA 90266  
TEL: (424) 297-1070 | URL: [www.kosmont.com](http://www.kosmont.com)

Presented By:

**Ken K. Hira**

President, Kosmont Companies

[KHIRA@kosmont.com](mailto:KHIRA@kosmont.com)

**Tom Jirovsky**

Senior Advisor, Kosmont Companies

[TJIROVSKY@kosmont.com](mailto:TJIROVSKY@kosmont.com)

**Robert Valenti**

Senior Project Analyst, Kosmont Companies

[RVALENTI@kosmont.com](mailto:RVALENTI@kosmont.com)





## 11. APPENDIX A: STAKEHOLDER FEEDBACK

# STAKEHOLDER COMMENTS

Kosmont participated in over two days of meetings in November 2019 and a dozen phone interviews with stakeholders, primarily comprised of local business owners, property owners, city staff, and members of the City Council, BAC, and HBDC.

Kosmont noted many themes that came out of these discussions:

- **Context:** Historic & changing conditions
- **Market:** Evolving market forces
- **Administrative:** Issues with City Zoning/Permitting processes
- **Infrastructure:** Public investment needs

Kosmont has itemized interviews/comments along with internal observations and lessons learned from similar downtown revitalization assignments throughout California.

# CITYWIDE STAKEHOLDER COMMENTS

- Sausalito lacks central messaging / character of assets; should emphasize key pillars of wellness/recreation, arts, waterfront, food / beverage, experiences
- Community should develop a better consensus of what the City offers, and guide visitors to what Sausalito wants them to consume (*rather than being driven by external demand*)
- Community should capitalize on waterfront activities – public piers, charters, fishing, recreation
- Permitting / Zoning difficulties – City processes have reputation as being tough to navigate by businesses, and certain zoning code provisions may be too onerous and stifle commercial activity
- Infrastructure issues exist across the City, from necessary flooding and roadway improvements in the Marinship, to connectivity / streetscape improvements needed in Caledonia & Downtown

# DOWNTOWN STAKEHOLDER COMMENTS

## Context

- Primarily visitor serving retail area: many residents avoid area, particularly during tourist season / daytime
- High summer visitor counts: many day-trippers via bike or ferry
- Declining Visitors: Outbound Ferry ridership declined 25% since 2016
- Need to incentivize visitors to stay / treat Sausalito as a destination
- Attract new segments: business travelers, multi-day trips; better attract residents, younger populations, and higher-quality visitors
- Princess Street issues: eclectic retail, but since Starbucks closed, visitors are not drawn up the street
- Retail mix could use upgrading; find ways to bring more Sausalito art / marine culture to Downtown area
- Congestion concerns: not primarily vehicular traffic; congestion caused by mix of pedestrians, bikes, cars, rideshare, buses, delivery
- Events, such as concert series in park, help to activate the area and attract both residents and visitors

## Market

- Concern that rents are too high, particularly along Bridgeway
- Concerns that retail customer traffic is down, spending is down;
- Concerns that retailers close ~6:00 pm
- Only ~100 hotel rooms in the City (*Every room contributes \$15,000 per year in tax revenues*), limits ability to attract overnight guests.

## Administrative

- Consider loosening format retail restrictions (larger firms better able to afford high rents, attract shoppers)
- Ferry-related pedestrian/bike congestion: could benefit from wayfinding, staff, and better logistics

## Infrastructure

- Parking not necessarily an issue: more a matter connectivity / management of bikes, pedestrians, rideshare, etc.
- Streetlights can help activate the area in early evening
- Consider closing Tracy Way / El Portal for pedestrian uses
- Strategic reuse of former-Bank America building—potential for local artist gallery, food hall

# CALEDONIA

## STAKEHOLDER COMMENTS

### Context

- Primarily resident-serving retail area: many residents see it as the area that is “protected” from tourists
- Some interest in attracting new patrons: visitors from neighboring communities, some tourists; can help support retailers
- Caledonia Street Fair (*now discontinued*) helped give sense of community and increased Caledonia engagement

### Market

- High asking rents make it difficult to attract local service businesses
- Some properties struggle with vacancy /turnover; some concern that business is slow, can't be supported by local residents only
- Some interest (and concern) related to blending uses: some retail spaces have office in back; some objections to ground-floor office; keeping street-level active, with office/residential above
- Retail demand can't be forced – some openness needed for artist studios, office concepts, bed-and-breakfasts, etc.

### Administrative

- Permitting: some expressed that the process can be time-consuming and difficult to navigate
- Signage Restrictions occasionally cited as too onerous
- Format Retail Restrictions: some suggested that lifting / revising format retail restrictions to at least allow for small / local chains
- Zoning: some concern that zoning code is too restrictive and needs more flexibility
- Parking Problems: street-parking time limits / resident restrictions along Caledonia and nearby cross-streets difficult for restaurant / entertainment patrons; some parking available across Bridgeway, but needs better signage / connectivity

### Infrastructure

- Wayfinding / Connectivity improvements could better link Caledonia to Bridgeway (signage, sidewalks, lights, etc)

# MARINSHIP STAKEHOLDER COMMENTS

## Context

- Traditionally a strong marine light-industrial sector: a major marine-serving district in the Bay Area
- Strong Artist / Artisan community
- Long history of innovation: Liberty Ships, Autodesk, green technology
- Geographically varied: characterized by marine and industrial uses in waterfront areas; office and retail uses located closer to Bridgeway
- Some worry about changes that depart from marine/artisan history, such as residential/office development
- Some interest in blending uses: a working waterfront area, as well as higher-developed parts closer to Bridgeway

## Market

- Some sense that bad infrastructure keeps rent cheap; some concern that building renovations push out artisan workers, threatening overall health of marine light-industrial cluster
- Difficulty finding affordable space for expansion of existing businesses
- Difficulty accommodating business clientele due to lack of hotel rooms
- Public storage site: high potential for new use; large area, single owner

## Administrative

- Some sense that Zoning Code not enforced consistently
- Specific Plan / Fair Traffic Initiative: some consider it out of date, burdensome; revisions should account for diversity of uses, while also supporting existing marine-industrial and artisan clusters

## Infrastructure

- Resiliency: Subsidence, flooding, soil conditions problematic in many areas; some properties, circulating roads, parking lots consistently impacted by flooding
- Roads / Circulation / Connectivity need improvement
- Ferry service to Marinship could help employees at some firms
- Utilities: One of the few areas in the Bay Area with 220 volt 3-phase electric power readily available; some improvement needed – power outages
- Contaminated Properties: Machine Shop and other properties have expensive remediation needs