

## Memorandum

**To:** Rajeev Bhatia, Dyett & Bhatia

**From:** Matt Kowta, Managing Principal

**Date:** April 5, 2018

**Re:** Updated Colma Serramonte and Collins Master Plan Existing Market Conditions Memo

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### Introduction

The purpose of this memo is to provide background information to support the preparation of the Serramonte and Collins Master Plan, for the Town of Colma. This memo provides analysis and review of demographic, economic, and real estate conditions for the Master Plan study area. It includes a focus on current retail sales volumes within the study area and changes since the 2012 Economic Development Strategy. This memo also includes a review of the Town's major General Fund revenue trends, and implications of the demographic, economic, fiscal and real estate findings for the current project.

This version of the memo has been updated from the January 29, 2018 version of the memo, to reflect findings from the Stakeholder Interviews conducted in February. Modifications from the January 29 version of the memo can be found in new "Stakeholder Input" section and minor modifications to the "Implications for Serramonte and Collins Master Plan" section. Both of these sections can be found at the end of the memo.

### Demographic and Economic Trends

This section reviews and analyzes recent demographic and economic data to provide the market context for the Town's Master Plan efforts. It provides a streamlined update of the analysis BAE conducted as part of the Town's 2012 Economic Development Plan. The following data are drawn from the 2000 U.S. Census, the 2011-2015 American Community Survey, the State of California Department of Finance, the State Employment Development Department, and the Esri Business Analyst platform (a private demographic and economic data provider). Census data from 2010 are not used because they reflect an inaccurate count of Colma's population and households.<sup>1</sup> As was done in the 2012 study, the Town of Colma is

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<sup>1</sup> The Census Bureau inaccurately included a 119-unit affordable housing complex outside the Town boundaries in Colma's 2010 Census counts. The Town successfully challenged the 2010 counts, and the Census Bureau released corrected 2010 population and household counts in 2013. However, population and household characteristics data were not updated to correspond to the corrected counts. Because those data still reflect the inclusion of the affordable housing complex, their inclusion would significantly skew the demographic and economic profile of Colma.

compared to a larger Market Area defined to include the communities of Brisbane, Broadmoor, Colma, Daly City, Pacifica, San Bruno, and South San Francisco. Colma is also compared to the City and County of San Francisco and the nine-county Bay Area region (“the Region”) for benchmarking purposes.

**Population and Households**

The California Department of Finance estimates that Colma’s 2017 population is 1,506 residents and 430 households. It is the smallest incorporated city in the Bay Area by population. As indicated in Table 1, Colma’s population has grown 3.6 percent since 2010, an addition of 52 people. Colma’s rate of population growth since 2010 is significantly lower than that of the Market Area (6.3 percent), San Francisco (8.6 percent), and the Region (7.9 percent).

According to the Department of Finance, Colma added zero net new households over the same seven-year period. Because the Town’s population growth was absorbed within the same number of households, Colma experienced an increase in average household size, from 3.31 persons in 2010 to 3.49 persons in 2017. In both 2010 and 2017, Colma had a significantly larger average household size than the other comparison geographies. Colma’s 2017 average household size is the fourth highest of any Bay Area city, after East Palo Alto, Gilroy and Union City.

Table 2 describes household characteristics per the 2000 Census and the 2011-2015 American Community Survey. During the 2011-2015 sampling period, over two-thirds of Colma’s households were family households (i.e., groups of individuals sharing a dwelling who are related by birth, marriage, or adoption). This reflects a decline from 2000, when family households constituted nearly three-fourths of all Colma households. Despite the decline, Colma maintained a higher proportion of family households than San Francisco and the Region.

**Table 1: Population and Households, 2010-2017**

| <b>Town of Colma</b>   | <b>2010</b> | <b>2017</b> | <b>% Change<br/>2010-2017</b> |
|------------------------|-------------|-------------|-------------------------------|
| Population             | 1,454       | 1,506       | 3.6%                          |
| Households             | 430         | 430         | 0.0%                          |
| Avg. Household Size    | 3.31        | 3.49        |                               |
| <b>Market Area (a)</b> |             |             |                               |
| Population             | 248,788     | 264,385     | 6.3%                          |
| Households             | 82,936      | 83,774      | 1.0%                          |
| Avg. Household Size    | 2.98        | 3.13        |                               |
| <b>San Francisco</b>   |             |             |                               |
| Population             | 805,235     | 874,228     | 8.6%                          |
| Households             | 345,168     | 365,755     | 6.0%                          |
| Avg. Household Size    | 2.26        | 2.32        |                               |
| <b>Bay Area (b)</b>    |             |             |                               |
| Population             | 7,150,739   | 7,714,638   | 7.9%                          |
| Households             | 2,606,288   | 2,720,908   | 4.4%                          |
| Avg. Household Size    | 2.69        | 2.78        |                               |

Notes:

(a) The Market Area consists of Brisbane, Colma, Daly City, Pacifica, San Bruno, and South San Francisco. Data for Broadmoor were unavailable because it is an unincorporated area.

(b) The nine-county Bay Area consists of the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

Sources: California Department of Finance, 2010, 2017; BAE, 2017.

## Tenure

As shown in Table 2, 55.3 percent of Colma’s households owned their homes in the 2011-2015 period. While Colma had a lower percentage of owner households than the Market Area,

it significantly exceeded San Francisco and was slightly higher than the Region. Unlike the Market Area and Region, Colma’s proportion of owner households grew between 2000 and the 2011-2015 period.

**Table 2: Household Characteristics, 2000 and 2011-2015 Five-Year Sample**

| Town of Colma          | 2000 (a) | 2011-2015 (b) |
|------------------------|----------|---------------|
| <b>Household Type</b>  |          |               |
| Families (c)           | 74.5%    | 68.2%         |
| Non-Families           | 25.5%    | 31.8%         |
| <b>Tenure</b>          |          |               |
| Owner                  | 52.0%    | 55.3%         |
| Renter                 | 48.0%    | 44.7%         |
| <b>Market Area (d)</b> |          |               |
| <b>Household Type</b>  |          |               |
| Families (c)           | 72.1%    | 71.0%         |
| Non-Families           | 27.9%    | 29.0%         |
| <b>Tenure</b>          |          |               |
| Owner                  | 63.0%    | 59.4%         |
| Renter                 | 37.0%    | 40.6%         |
| <b>San Francisco</b>   |          |               |
| <b>Household Type</b>  |          |               |
| Families (c)           | 44.0%    | 45.8%         |
| Non-Families           | 56.0%    | 54.2%         |
| <b>Tenure</b>          |          |               |
| Owner                  | 35.0%    | 36.4%         |
| Renter                 | 65.0%    | 63.6%         |
| <b>Bay Area (e)</b>    |          |               |
| <b>Household Type</b>  |          |               |
| Families (c)           | 64.7%    | 65.7%         |
| Non-Families           | 35.3%    | 34.3%         |
| <b>Tenure</b>          |          |               |
| Owner                  | 57.7%    | 55.2%         |
| Renter                 | 42.3%    | 44.8%         |

**Notes:**

- (a) 2000 Census data are used instead of 2010 Census data because the latter reflect a miscount of Colma’s population and households.
- (b) 2011-2015 five-year sampling data are used because one-year estimates are unavailable for Colma and several Market Area cities.
- (c) A family is a group of two people or more related by birth, marriage, or adoption and residing together.
- (d) The Market Area consists of Brisbane, Colma, Daly City, Pacifica, San Bruno, and South San Francisco.
- (e) The nine-county Bay Area consists of the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

Sources: U.S. Census Bureau, 2010 Census SF-1, 2011-2015 American Community Survey; BAE, 2017

## Household Income

Household income estimates from the 2011-2015 American Community Survey indicate that Colma has a lower average household income than the comparison areas. In the 2011-2015 period, Colma’s median household income (adjusted to 2015 dollars) was \$77,337, approximately \$5,200 less than the Market Area median.

An income distribution is shown in Table 3. Approximately a third of Colma’s households are in each of the following income brackets: less than \$50,000, \$50,000 to \$99,999, and greater than \$100,000. Compared to the Market Area and Region, Colma had a higher proportion of households in the lowest bracket and a significantly lower proportion in the highest bracket.

Within the lowest bracket, Colma’s households were concentrated in the middle. Colma’s proportion of households at the very lowest income levels (less than \$25,000) was modestly higher than the Market Area but generally similar to the Region. Colma diverged from all other comparison geographies with its notably high proportion of households with income between \$25,000 and \$34,999, and a low proportion at the \$35,000 to \$49,999 level.

**Table 3: Household Income, 2011-2015 Five-Year Sample**

| <b>Income Category</b>  | <b>Colma</b>    | <b>Market Area (a)</b> | <b>San Francisco</b> | <b>Bay Area (b)</b> |
|-------------------------|-----------------|------------------------|----------------------|---------------------|
| Less than \$15,000      | 8.5%            | 6.2%                   | 12.6%                | 8.5%                |
| \$15,000-\$24,999       | 7.8%            | 6.3%                   | 7.4%                 | 7.0%                |
| \$25,000-\$34,999       | 12.0%           | 6.1%                   | 6.0%                 | 6.6%                |
| \$35,000-\$49,999       | 5.9%            | 10.2%                  | 8.2%                 | 9.6%                |
| \$50,000-\$74,999       | 11.1%           | 16.9%                  | 12.8%                | 14.7%               |
| \$75,000-\$99,999       | 20.0%           | 14.1%                  | 10.4%                | 11.9%               |
| \$100,000-\$149,999     | 14.6%           | 21.2%                  | 16.4%                | 17.7%               |
| \$150,000-\$199,999     | 9.6%            | 9.9%                   | 9.7%                 | 9.9%                |
| \$200,000 or greater    | 10.5%           | 9.1%                   | 16.4%                | 14.2%               |
| <b>Total</b>            | <b>100.0%</b>   | <b>100.0%</b>          | <b>100.0%</b>        | <b>100.0%</b>       |
| <b>Median HH Income</b> | <b>\$77,337</b> | <b>\$82,576</b>        | <b>\$81,294</b>      | <b>\$82,727</b>     |

Notes:

(a) The Market Area consists of Brisbane, Broadmoor, Colma, Daly City, Pacifica, San Bruno, and South San Francisco.

(b) The nine-county Bay Area consists of the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

Sources: U.S. Census Bureau, 2011-2015 American Community Survey; BAE, 2017

percent of all Colma households—had incomes between \$100,000 and \$149,999. However, this is a low proportion relative to the comparison geographies, especially the Market Area which had 21.2 percent of households within this range. Colma’s proportion of households with income between \$150,000 and \$199,999 was generally consistent with the comparison geographies. Its proportion with income more than \$200,000 was slightly higher than the Market Area and lower than the Region.

**Employment**

Employment by industry data from 2010 and 2016 for San Mateo County were obtained from the Quarterly Census of Employment and Wages (QCEW) published by the California Employment Development Department (EDD). The employment figures are annual averages derived from quarterly reports submitted to EDD by San Mateo County employers. Employment-by-industry data at the two-digit NAICS (North American Industry Classification System) level are shown in Table 4.

In 2016, the five largest industries in San Mateo County by employment were Professional and Technical Services (13.5 percent of total employment), Accommodation and Food Service (9.4 percent), Health Care and Social Assistance (9.3 percent), Retail Trade (8.6 percent), and Government/Public Administration (8.1 percent).

Within the middle bracket, most households were at the higher end. It had a low proportion of households in the category between \$50,000 and \$74,999 compared to all other comparison geographies. However, one-fifth of Colma’s households had income between \$75,000 to \$99,000, a markedly higher proportion than any other comparison geography.

Within the highest bracket, Colma’s households were concentrated at the lower end. Most households within this bracket—and nearly 15

San Mateo County experienced a 23.3 percent growth in employment between 2010 and 2016, slightly higher than the 21.4 percent growth for the Region overall. Only San Francisco and Santa Clara counties experienced greater growth. This reflects San Mateo County's overall robust recovery from the Great Recession. The five industries with the greatest percentage employment growth in San Mateo County between 2010 and 2016 (omitting the Unclassified sector) were Information (80.3 percent growth), Management of Companies and Enterprises (60.5 percent), Educational Services (51.9 percent), Construction (45.6 percent), and Professional and Technical Services (40.4 percent). Much of this growth in these industries is likely related, directly or indirectly, to the expansion of the tech and biotech sectors in San Mateo County. In terms of absolute numeric growth, Health Care and Social Assistance, Accommodations and Food Service, and Transportation, Warehousing, and Utilities join Professional and Technical services and Information in the top five.

**Table 4: Employment by Industry, San Mateo County, 2010-2016**

| Industry                                   | 2010           |               | 2016           |               | # Change<br>2010-2016 | % Change<br>2010-2016 |
|--|----------------|---------------|----------------|---------------|-----------------------|-----------------------|
|  | Number         | Percent       | Number         | Percent       |                       |                       |
| Natural Resources and Mining               | 1,768          | 0.6%          | 1,833          | 0.5%          | 65                    | 3.7%                  |
| Construction                               | 12,504         | 3.9%          | 18,210         | 4.6%          | 5,706                 | 45.6%                 |
| Manufacturing                              | 26,555         | 8.4%          | 25,138         | 6.4%          | -1,417                | -5.3%                 |
| Wholesale Trade                            | 11,286         | 3.6%          | 11,891         | 3.0%          | 605                   | 5.4%                  |
| Retail Trade                               | 32,970         | 10.4%         | 33,636         | 8.6%          | 666                   | 2.0%                  |
| Transportation, Warehousing, and Utilities | 24,521         | 7.7%          | 30,281         | 7.7%          | 5,760                 | 23.5%                 |
| Information                                | 17,519         | 5.5%          | 31,578         | 8.1%          | 14,059                | 80.3%                 |
| Finance and Insurance                      | 13,176         | 4.1%          | 15,435         | 3.9%          | 2,259                 | 17.1%                 |
| Real Estate, Renting, and Leasing          | 5,432          | 1.7%          | 6,984          | 1.8%          | 1,552                 | 28.6%                 |
| Professional and Technical Services        | 37,602         | 11.8%         | 52,812         | 13.5%         | 15,210                | 40.4%                 |
| Management of Companies and Enterprises    | 4,610          | 1.5%          | 7,399          | 1.9%          | 2,789                 | 60.5%                 |
| Administrative and Waste Services          | 17,688         | 5.6%          | 21,183         | 5.4%          | 3,495                 | 19.8%                 |
| Educational Services                       | 5,053          | 1.6%          | 7,678          | 2.0%          | 2,625                 | 51.9%                 |
| Health Care and Social Assistance          | 27,984         | 8.8%          | 36,498         | 9.3%          | 8,514                 | 30.4%                 |
| Arts, Entertainment, and Recreation        | 5,072          | 1.6%          | 5,849          | 1.5%          | 777                   | 15.3%                 |
| Accommodation and Food Service             | 28,666         | 9.0%          | 36,761         | 9.4%          | 8,095                 | 28.2%                 |
| Other Services                             | 13,959         | 4.4%          | 14,777         | 3.8%          | 818                   | 5.9%                  |
| Government                                 | 30,540         | 9.6%          | 31,603         | 8.1%          | 1,063                 | 3.5%                  |
| Unclassified                               | 734            | 0.2%          | 2,092          | 0.5%          | 1,358                 | 185.0%                |
| <b>Total</b>                               | <b>317,639</b> | <b>100.0%</b> | <b>391,638</b> | <b>100.0%</b> | <b>73,999</b>         | <b>23.3%</b>          |

Sources: California Employment Development Department, 2010, 2016; BAE, 2017.

For the 2012 study, BAE utilized business license data obtained from the Town which were sorted, coded, tabulated, and compared to published data for San Mateo County. For the

purposes of this analysis, BAE utilizes data from Esri Business Analyst (“Esri”), a private data vendor. Esri summarizes business records maintained by a leading business database, Infogroup. Because the records rely on a variety of sources, including directories and postal data, the resulting data have a higher susceptibility to error than government data. Areas with a relatively small number of employees, like Colma, are especially vulnerable to errors in employment counts. For that reason, employment counts should not be relied upon or directly compared to other sources, like QCEW or BAE’s 2012 analysis. However, Esri’s overall distributions and trends are considered to be generally indicative of existing conditions.

**Table 5: Employment by Industry, Colma, 2017**

| Industry                                   | Colma        |               | Colma's Share of County |
|--|--------------|---------------|-------------------------|
|  | Number       | Percent       |                         |
| Natural Resources and Mining               | 0            | 0.0%          | 0.0%                    |
| Construction                               | 30           | 0.7%          | 0.2%                    |
| Manufacturing                              | 7            | 0.2%          | 0.0%                    |
| Wholesale Trade                            | 39           | 0.9%          | 0.3%                    |
| Retail Trade                               | 2,328        | 51.0%         | 5.5%                    |
| Transportation, Warehousing, and Utilities | 31           | 0.7%          | 0.2%                    |
| Information                                | 0            | 0.0%          | 0.0%                    |
| Finance and Insurance                      | 7            | 0.2%          | 0.0%                    |
| Real Estate, Renting, and Leasing          | 16           | 0.4%          | 0.1%                    |
| Professional and Technical Services        | 28           | 0.6%          | 0.1%                    |
| Management of Companies and Enterprises    | 0            | 0.0%          | 0.0%                    |
| Administrative and Waste Services          | 52           | 1.1%          | 0.3%                    |
| Educational Services                       | 10           | 0.2%          | 0.1%                    |
| Health Care and Social Assistance          | 23           | 0.5%          | 0.1%                    |
| Arts, Entertainment, and Recreation        | 627          | 13.7%         | 8.2%                    |
| Accommodation and Food Service             | 207          | 4.5%          | 0.6%                    |
| Other Services                             | 874          | 19.1%         | 3.7%                    |
| Government                                 | 255          | 5.6%          | 1.0%                    |
| Unclassified                               | 30           | 0.7%          | 2.1%                    |
| <b>Total</b>                               | <b>4,564</b> | <b>100.0%</b> | <b>1.2%</b>             |

Sources: Esri Business Analyst, 2017; BAE, 2017.

According to Esri, Colma’s 2017 employment is largely concentrated in three major industries that together constitute 83.8 percent of total employment: Retail Trade (51.0 percent of total employment), Other Services (19.1 percent), and Arts, Entertainment, and Recreation (13.7 percent). Other industries for which Esri reports significant numbers of local employees include Government (5.6 percent) and Accommodation and Food Service (4.5 percent), though Town staff indicate that the Government employment figure is likely over-estimated. According to Esri, all other industries account for approximately one percent or less of total employment. This distribution is generally consistent with BAE’s findings in the 2012 study.

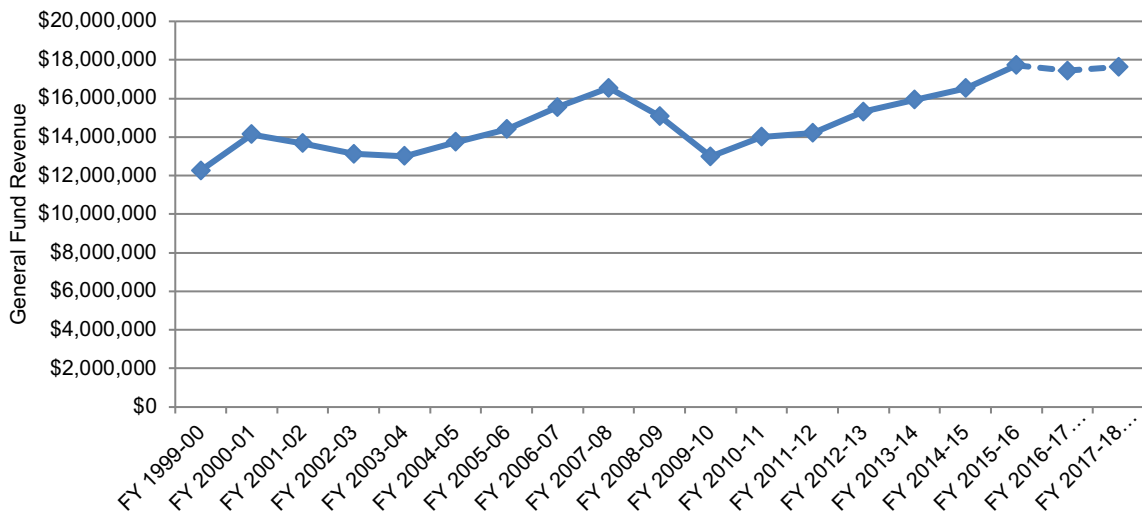
## Fiscal Revenue Overview

As discussed in the 2012 study, Colma’s fiscal situation is highly dependent upon revenues generated by commercial activity, particularly retail sales. Given that the vast majority of Colma’s commercial activity takes place within the Serramonte and Collins Master Plan area, it is important to understand the Town’s current fiscal context, to which the area heavily contributes. This section extends the fiscal revenue analysis undertaken in the 2012 Economic Development study to FY 2015-16, the most recent year for which actual revenues are reported. It also includes projected revenues for FY 2016-17 and FY 2017-18. BAE sourced these General revenue data from Town of Colma’s published annual budgets.

### General Fund Revenue Trends

Figure 1 illustrates the General Fund revenue trends from 1999 to the FY 2017-18 projection. FY 2009-10, the last year of actual revenue data analyzed in the 2012 study, recorded the lowest General Fund revenues (\$12.9 million) since FY 1999-2000. This followed a dramatic decline in revenues from the pre-Great Recession high of \$16.5 million only two fiscal years prior. At the time of the 2012 study, Town budgets projected that future revenues would hover near the FY 2009-10 level, a cautious forecast indicative of the uncertainty of economic recovery at the time. However, actual revenues in the years following FY 2009-10 were more favorable than anticipated. Between FY 2009-10 and FY 2015-16, General Fund revenue grew at an annual average rate of 5.3 percent, approaching the average annual growth experienced during the mid-2000s economic expansion (6.2 percent between FYs 2003-2004 and 2007-08). By FY 2015-16, General Fund revenues reached \$17.7 million, surpassing their pre-Recession high.

**Figure 1: Colma General Fund Revenue Trends, Actual and Projected, 1999-2018**

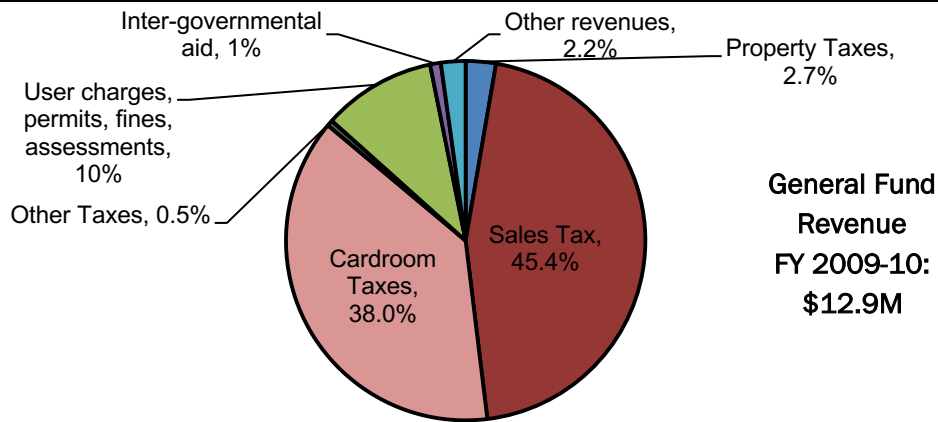


Sources: Town of Colma, 1999-2017; BAE, 2017.

**General Fund Revenue Sources**

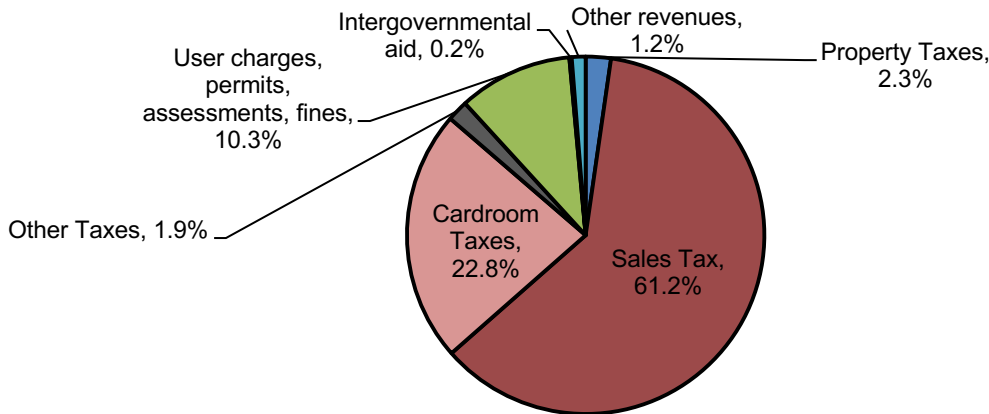
Figure 2 and Figure 3 illustrate the sources of Colma’s General Fund revenues in FYs 2009-10 and 2015-16, respectively. In FY 2009-10, 45.4 percent of General Fund revenues came from sales tax and 38.0 percent from cardroom taxes, with the two combined representing 83.4 percent of the Town’s General Fund revenues. These two sources together constituted a similar percentage of total revenues in FY 2015-16. However, the sales tax share grew to 61.2 percent while the cardroom tax share declined to 22.8 percent. Other revenue sources, such as property tax, user charges, permit fees, and fines, and inter-governmental aid, continue to contribute to the General Fund at similar proportions as they did in FY 2009-10.

**Figure 2: Breakdown of General Fund Revenues, Colma, FY 2009-2010**



Sources: Town of Colma, 2011; BAE, 2017.

**Figure 3: Breakdown of General Fund Revenues, Colma, FY 2015-2016**



Sources: Town of Colma, 2017; BAE, 2017.



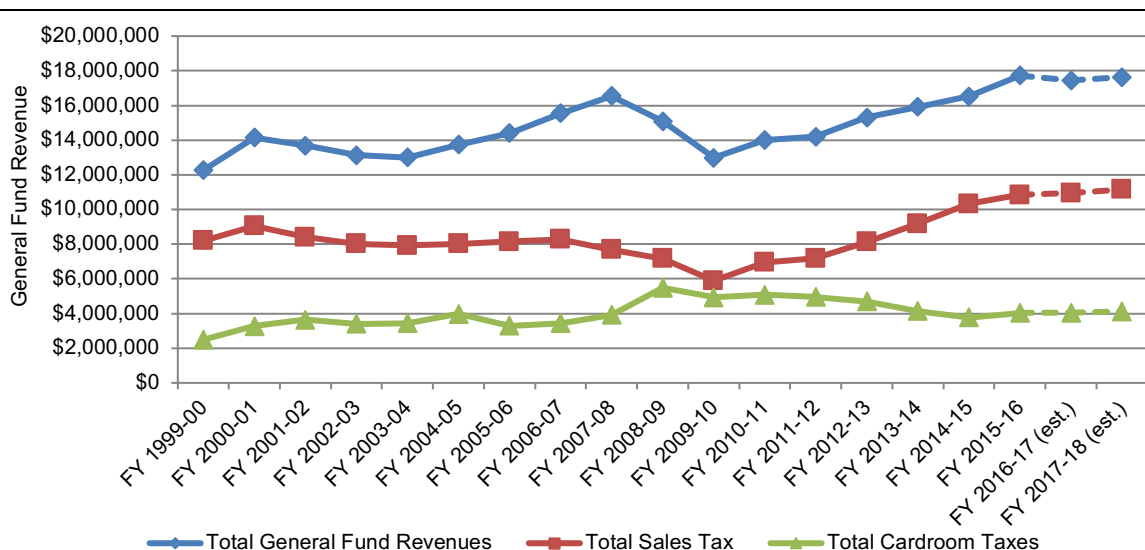
The Town is heavily reliant on sales and cardroom tax revenues because it is uniquely limited in its ability to increase its revenues from other sources, particularly property taxes. Because nearly all the Town's land area is either fully developed or dedicated to cemetery uses, there is little opportunity to grow the Town's taxable property base through new development. With little vacant land, there are also limited opportunities to bring in new industries. Between FY 2009-10 and FY 2015-16, the Town's property tax revenues grew at an average annual rate of 2.2 percent. In FY 2015-16, property tax revenues constituted only 2.3 percent of total General Fund revenues.

Cardroom taxes provide a significant and relatively steady base of revenue for the Town. The Town's single cardroom, Lucky Chances, pays to the Town a monthly tax based on the gross revenues it earns. The rate of taxation grows with gross revenue, ranging from five to twenty percent of gross revenues, plus a fixed amount. For example, if the cardroom earns more than \$3.0 million in gross revenues in a month, it must pay the Town 20 percent of those gross revenues plus \$287,000. Since FY 1999-2000, the Town has collected between \$2.5 million and \$5.5 million in annual cardroom tax revenues each year. Cardroom tax revenues reached their highest point in FY 2008-09 when Lucky Chances increased its number of tables and updated its games and marketing strategy. Cardroom tax revenues remained steady near \$5 million throughout the Great Recession before declining slightly during the economic recovery. According to the Town budget, this decline was due to increased competition from other cardrooms in the region. As of FY 2015-16, cardroom tax revenues were approximately \$4.0 million. The Town budget anticipates that cardroom tax revenues will continue to hover near this level through FY 2017-18.

With cardroom tax revenues remaining flat or declining, sales tax revenues are becoming even more important to the Town's revenue situation. Sales tax revenues account for the largest share of the Town's General Fund revenues, by far. In FY 2015-16, sales tax revenues constituted 61.2 percent of General Fund revenues, up from 45.4 percent in FY 2009-10. This growth in share is due to the strong increase in sales tax revenues relative to steady or declining revenues from other sources, including property and cardroom taxes. In FY 2009-10, at the height of the Recession, sales tax revenues and cardroom tax revenues were closer to each other than they had ever been (\$5.9 million and \$4.9 million, respectively) as taxable sales collapsed and cardroom revenues grew. By FY 2015-16, however, sales tax revenues had grown to \$10.9 million, while cardroom tax revenues had declined to \$4.0 million.

Comparing sales tax and cardroom revenues in real terms, as shown in **Error! Reference source not found.**, underscores the importance of sales tax growth to Colma's General Fund revenue recovery since FY 2009-10. The sales tax revenue trend line nearly mirrors that of total General Fund revenues, while cardroom tax revenues slowly declined. The next section describes the retail sales trends that delivered this strong sales tax revenue growth.

**Figure 4: Sales Tax, Cardroom Tax, and Total General Fund Revenue Trends, Town of Colma, FY 1999-2000 to FY 2017-2018 (Projected)**



Sources: Town of Colma, 2017; BAE, 2017.

## Retail Sales Trends

As described in the previous section, retail sales are fundamental to the Town’s fiscal stability and economic vitality. In the 2012 study, BAE concluded that, despite the collapse of consumer spending during the Great Recession, Colma’s retail sector was fundamentally strong and well-positioned for recovery. Given that regional and national economic conditions have changed dramatically since 2012, a re-evaluation of Colma’s retail sales performance and relative strength in the region is timely. This section analyzes taxable retail sales data for the Retail Trade Area (RTA), the Town of Colma, and the Serramonte and Collins Master Plan Area. BAE compiled taxable retail sales time-series data for each municipality in the RTA from the State Board of Equalization (SBOE) and adjusted to 2016 dollars. Although SBOE reports taxable sales by business type for each municipality in California, such data are only published after 2014. Fortunately, the Town’s sales tax consultant, HdL Companies, provided detailed data describing Colma’s sales tax revenue allocations by type of business from 2005 through the second quarter of 2017. These data are used as a proxy for actual taxable retail sales, to identify longer term trends in the Town and Master Plan Area.

### Retail Trade Area Context

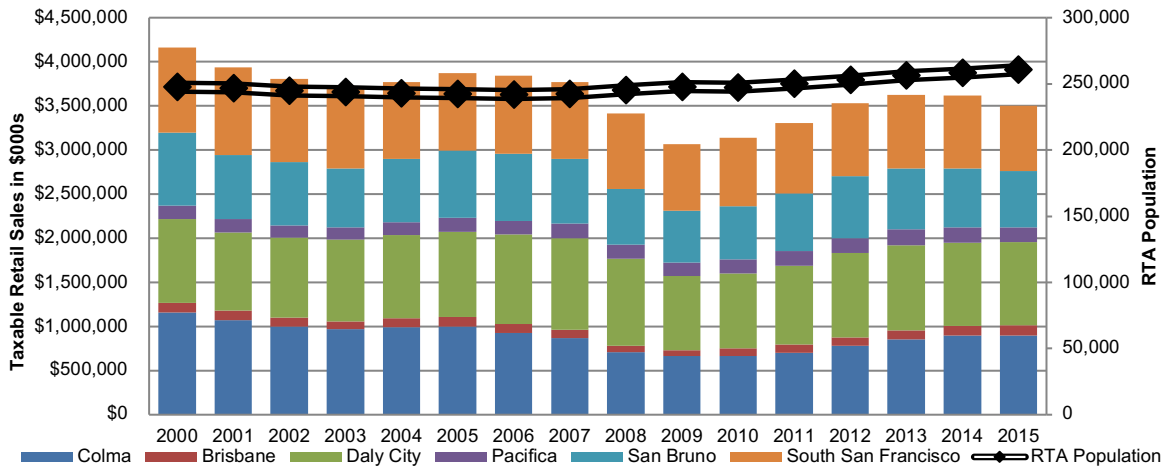
Consistent with the 2012 study, BAE defined the RTA as the following municipalities in northern San Mateo County: Brisbane, Colma, Daly City, Pacifica, South San Francisco, and San Bruno. BAE selected these communities because, except for Pacifica, they are within a short drive of Colma, such that Colma shoppers may regularly patronize stores in those communities and their residents have good access to Colma’s offerings. Pacifica was included because Colma is a plausible regional retail destination for Pacifica residents. These areas

include the majority, but not all, of Colma's regular shoppers and, as such, represent the Town's primary trade area. Unincorporated communities near Colma, such as Broadmoor and San Bruno Mountain, were omitted from the RTA analysis because SBOE does not report taxable sales for individual unincorporated communities.

Colma also likely draws shoppers from San Francisco, particularly those who reside in the parts of the city with convenient access to Colma via I-280. However, as was done in the 2012 study, BAE omitted San Francisco from the RTA because of data limitations and analytical concerns. Because SBOE publishes taxable retail sales data at the city level, it is not practical for this analysis to include only the portions of San Francisco that are most likely to regularly exchange shoppers with Colma. Further, Colma's trade area for automobile sales is much larger than the RTA defined the purposes of this memorandum. Auto shoppers are generally willing to travel greater distances to seek out deals and make comparisons than those shopping for other goods. In the 2012 study, BAE identified that significant proportions of Colma's automobile purchasers come from San Francisco and communities throughout San Mateo County, Santa Clara County, and even the East Bay. However, because communities at greater distance from Colma represent steadily decreasing portions of Colma's auto buyers they are not included in this RTA analysis.

Figure 5 illustrates the population and taxable retail sales trends between 2000 and 2015. Over that period, the RTA's population grew by 14,680 people or 5.9 percent. Its annual taxable retail sales declined 15.8 percent, on an inflation-adjusted basis. The RTA's taxable retail sales trendline reflected national business cycles, with a modest decline during the recession in the early 2000s, a small recovery in the middle of the decade, and a more dramatic collapse during the Great Recession. Taxable retail sales grew at an increasing rate from 2009 to 2012, before slowing in 2013 and declining slightly in 2014 and 2015. As of 2015, taxable sales in the RTA had yet to recover to pre-Great Recession levels.

**Figure 5: Retail Trade Area Taxable Retail Sales and Population Trends, 2000-2015**



Note:

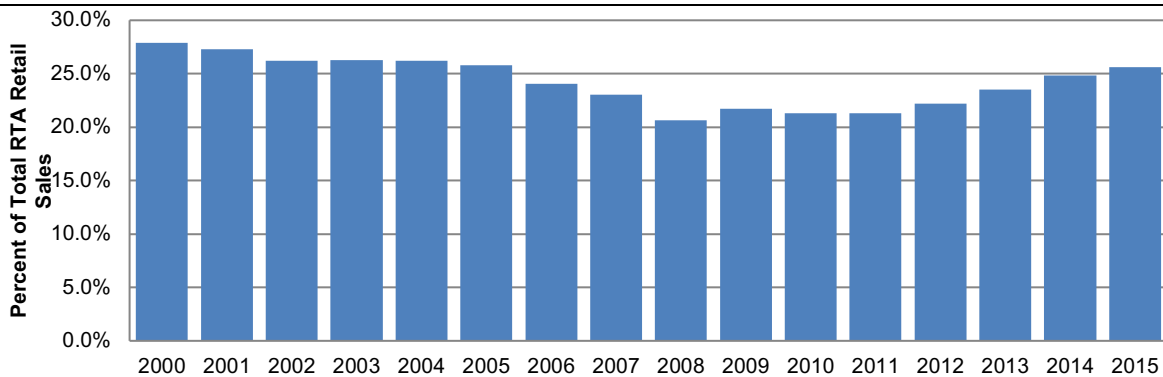
All sales shown in 2016 dollars.

Sources: State of California, Board of Equalization, 2017; State of California, Department of Finance, 2017; BAE, 2017.

Despite having the smallest population in the RTA, Colma has been among the top three RTA generators of taxable retail sales activity since at least 2000. As shown in Figure 6, Colma generated between 20.7 percent and 27.9 percent of the RTA’s taxable retail sales over the 2000 to 2015 period. Colma was the RTA’s largest taxable retail sales generator from 2000 to 2005. Daly City, the largest municipality in the RTA by population, exceeded Colma’s taxable retail sales in 2005. South San Francisco, the RTA’s second most populous municipality, surpassed Colma in 2007. From 2013 to 2015, Colma was the second largest taxable retail sales generator after Daly City. Given that Colma’s taxable retail sales growth from 2009 to 2015 (34.9 percent) strongly outpaced that of Daly City (11.7 percent), Colma may soon become the top taxable retail sales generator in the RTA, if it is not currently.

Colma exhibited significantly greater variability in its annual taxable retail sales than other RTA municipalities between 2000 and 2015. The spread between Colma’s highest and lowest annual taxable sales figures (\$496.1 million) is more than double the nearest municipality’s spread. Colma’s year-over-year variability was also significant. Out of the 16 years examined, Colma experienced the RTA’s largest year-over-year real declines in four years (2002, 2006, 2007, and 2008) and largest year-over-year real growth in three years (2012, 2013, and 2014). Its year-over year decline in 2008 (\$162.8 million) and growth in 2012 (\$80.6 million) were the largest such changes recorded by any municipality in the RTA between 2000 and 2015.

**Figure 6: Colma Taxable Retail Sales as a Share of RTA Taxable Retail Sales, 2000-2015**



Note:  
Based on sales figures adjusted to 2016 dollars.  
Sources: State of California, Board of Equalization, 2017; BAE, 2017.

Colma’s significant variability in taxable retail sales indicates that its retail sector is more sensitive to changes in the broader economy than those of other RTA municipalities. The municipalities with taxable retail sales figures similar to Colma’s (Daly City, South San Francisco, and San Bruno) have much larger resident populations that probably provide some stability in the form of a “captive” audience of local shoppers to support local retailers. A larger population base can also support a more diverse mix of retail establishments. Having a more diverse retail base that includes a larger share of recession-resilient sectors enables these municipalities to be less affected by the “boom and bust” of consumer spending cycles. Colma’s retail sector, in contrast, is primarily region-serving and dominated by an industry that is highly sensitive to consumer confidence: automobile sales. This places Colma in an optimal position to benefit when consumer confidence is high and an especially vulnerable position when consumer confidence declines. Further, the prominence of retail sales of automobiles to individual owners in Colma’s overall retail sales mix may be jeopardized in the future, if predictions of increased use of car sharing/car sourcing services such as Uber and Lyft and use of autonomous car fleets become as popular as some analysts predict.

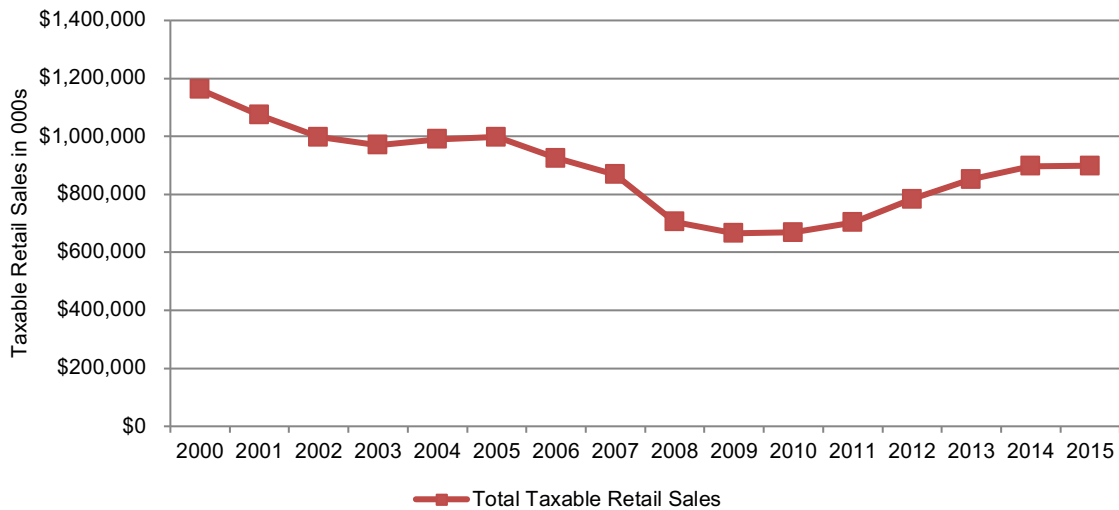
***Retail Performance in Colma***

Colma’s local taxable retail sales performance from 2000 to 2015 is shown in Figure 7. Unsurprisingly, the Great Recession had a strong negative impact on Colma’s retail sector, as demonstrated by a 23.3 percent decline in taxable retail sales from 2007 to 2009. However, Colma’s taxable retail sales had already started to decline in 2005. From its low point in 2009, Colma experienced accelerating year-over-year taxable retail sales growth through 2012. The growth continued, but at a decelerating rate, through 2015. Overall, Colma’s taxable retail sales grew 34.9 percent between 2009 and 2016. Total townwide taxable retail sales in 2016 were \$927.3 million.<sup>2</sup> On an inflation-adjusted basis, this represents an

<sup>2</sup> Note that the figures referenced in this section reflect taxable retail sales activity that occurs within the Town of Colma. The Town receives sales tax equal to approximately one percent of local taxable sales.

approximately 22.7 percent decline from 2000. Some of this decline can be attributed to an approximately 15.8 percent taxable sales decline in the RTA overall, some of which may be due to increasing online sales. The balance of the Town’s decline can be attributed to a slight loss of market share within the RTA, as Brisbane and Pacifica actually increased their taxable sales over the same time period, and Daly City’s 2015 taxable sales were nearly the same as in 2000, on an inflation-adjusted basis.

**Figure 7: Taxable Retail Sales Trends, Town of Colma, 2000-2015**



Note:  
 All sales shown in 2016 dollars.  
 Sources: State of California, Board of Equalization, 2017; BAE, 2017.

Figure 8 illustrates taxable retail sales by type of business type, based on sales tax revenue allocation data obtained through HdL Companies. To comply with state disclosure rules, BAE sorted narrower business categories into the broad categories shown below. Because of differences in methodology between published SBOE data and HdL data, data points from the two sources should not be compared directly.

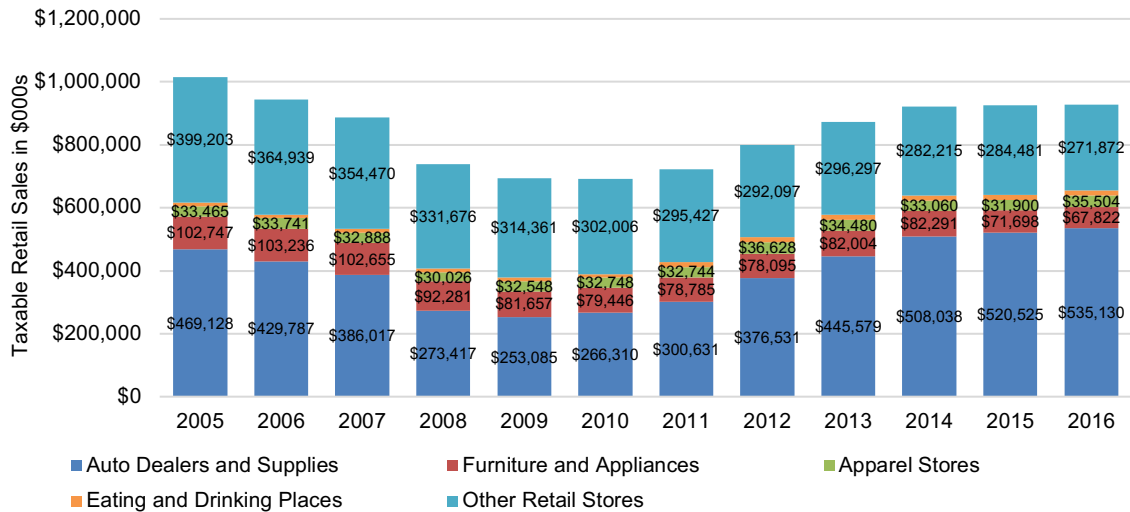
Automobile dealers and related industries generated the largest share of Colma’s taxable retail sales in all but three years between 2005 and 2016. As automobile sales faltered because of the Great Recession, “Other Retail Stores,” a broad category that includes large-format retailers including Target and Home Depot, delivered the largest share of taxable retail sales.

In addition to the local sales tax revenue allocation, the Town of Colma receives an allocation of pooled sales tax revenues from the State. Pooled sales tax revenues are from sales taxes collected on transactions that are not associated with a specific point of sale within the state (e.g., certain sales tax revenues collected on sales of taxable goods to California residents over the Internet and remitted to the State). Pooled revenues are allocated to local jurisdictions based on their share of countywide and statewide taxable sales. In the most recent four quarters for which data are reported (Q4, 2016 through Q3, 2017), Colma’s additional pooled sales tax revenues were an amount equal to approximately 20 percent of the Town’s sales tax revenues from local taxable sales.

These retailers were far less negatively impacted by the Great Recession than auto dealers. After 2012, as the broader economy improved, auto dealers and related industries constituted a growing majority of the Town’s taxable retail sales.

Furniture and appliances, apparel, and food and drink retailers generated much lower taxable retail sales. Of these, furniture and appliance retailers were the hardest hit by the Great Recession, with a 23.3 percent taxable retail sales decline between 2007 and 2011. Despite some positive sales growth between 2011 and 2014, furniture and appliance sales had not rebounded to pre-Recession levels by 2016. Apparel stores showed modest post-Recession growth (9.1 percent between 2009 and 2016). Sales in Eating and Drinking establishments grew even more significantly (46.2 percent), bolstered by new additions to Colma’s dining inventory.

**Figure 8: Taxable Retail Sales by Type of Business, Town of Colma, 2008-2016**



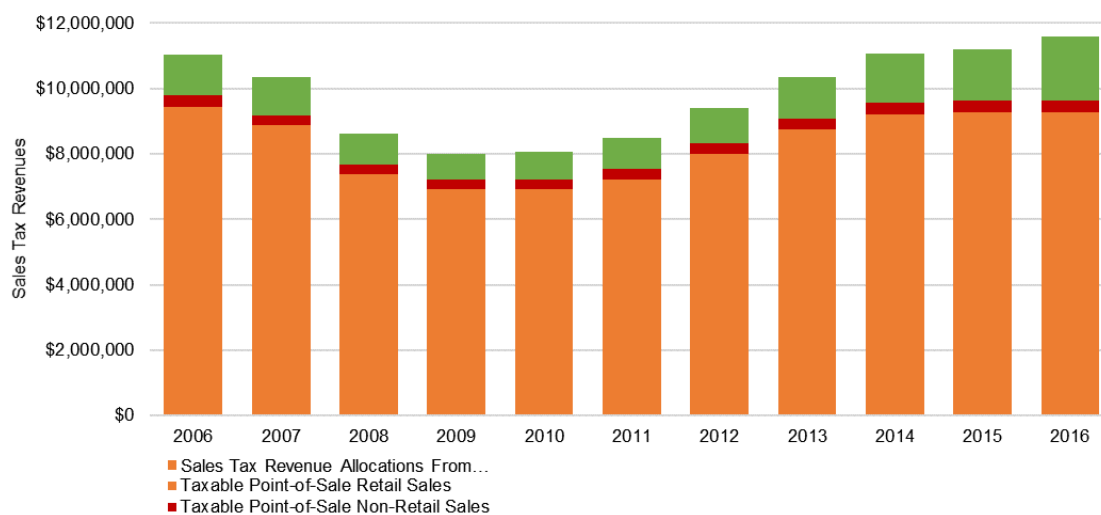
Notes:  
 The data in this figure are from a different source than the previous figure. Because of differences in methodologies, totals from different sources should not be directly compared to one another.  
 All sales shown in 2016 dollars.  
 Sources: HdL Companies, 2017; BAE, 2017.

**Shifting Sales Tax Revenue Composition**

As mentioned previously, some of the Town’s inflation-adjusted decline in local taxable retail sales activity may be due shifting consumer habits, including increased use of the Internet for shopping, which reduces local point-of-sale transactions in “bricks and mortar” retail establishments. In recognition of this, the State of California began distributing “pooled” sales tax revenues collected on transactions that do not have specific in-state point of sale locations. The local share of the sales tax collected on these transactions is placed in a countywide pool for the county in which the purchased good will be put to its first functional use (in the case of internet sales, the county to which the good is delivered). When a good’s first functional use cannot be traced to a particular county, the local sales tax share is placed in a statewide pool.

Revenues in these county and statewide pools are allocated quarterly to localities based on their proportionate share of taxable sales at the countywide and statewide levels, respectively. Figure 9 illustrates that in 2006<sup>3</sup>, Colma received approximately \$1.3 million (inflation-adjusted to 2016 \$) from the county and statewide pools, growing to approximately \$1.9 million in 2016. Figure 9 also shows that the Town’s non-retail sales tax revenue has trended up slightly on an inflation-adjusted basis, from about \$345,000 in 2005 to about \$371,000 in 2016. These data show that although Colma’s local taxable retail sales declined on an inflation-adjusted basis between 2006 and 2016, the growth of pooled sales tax revenue, which is driven by Colma’s local taxable sales performance, has helped the Town to replace lost sales tax revenue from local taxable sales and increase its overall sales tax revenue collection by about five percent between 2006 and 2016.

**Figure 9: Sales Tax Revenue Allocations by Source, Town of Colma, 2005-2016**



**Notes:**

All data are adjusted to 2016 dollars.

This figure combines data from two sources. Pool allocation data from 2006 to 2010 were obtained from HdL Companies.

Pool allocation data from 2011 to 2016 were obtained from SBOE.

Sources: State of California Board of Equalization, 2017; HdL Companies, 2017; BAE, 2017.

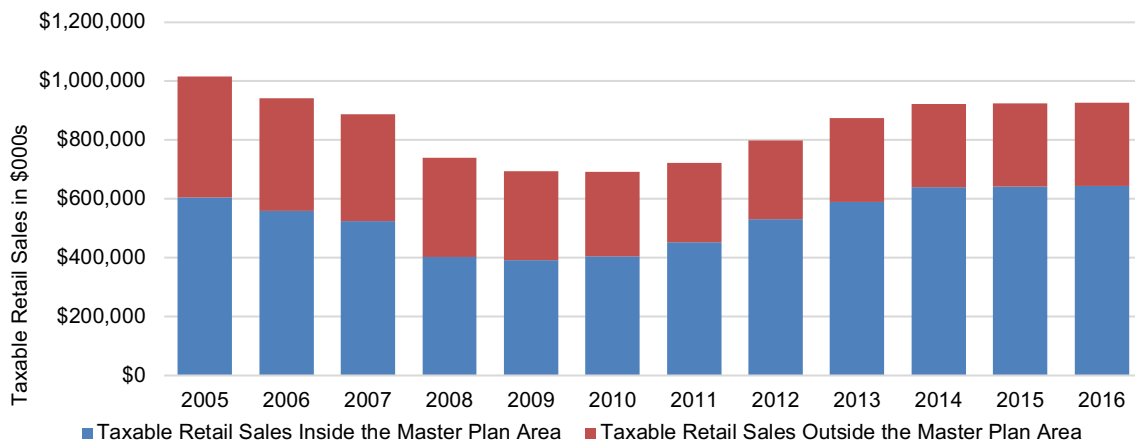
**Retail Performance in the Serramonte and Collins Master Plan Area**

The Serramonte and Collins Master Plan Area has generated the majority of the Town’s taxable retail sales since at least 2005, as illustrated in **Error! Reference source not found..** The Master Plan Area includes many of the Town’s strongest taxable retail sales generators, including all the Town’s auto dealerships, a major shopping center, several standalone large-format retail stores, and the Lucky Chances cardroom. In 2016, the Master Plan Area generated 69.6 percent of the Town’s taxable retail sales, or \$645.0 million.

<sup>3</sup> Although Colma received pooled sales tax revenues prior to 2006, this was the first calendar year for which BAE obtained a detailed breakout of sales tax revenues by type.



**Figure 10: Taxable Retail Sales Inside and Outside of the Serramonte-Collins Master Plan Area, 2005-2016**



Note:

All sales shown in 2016 dollars.

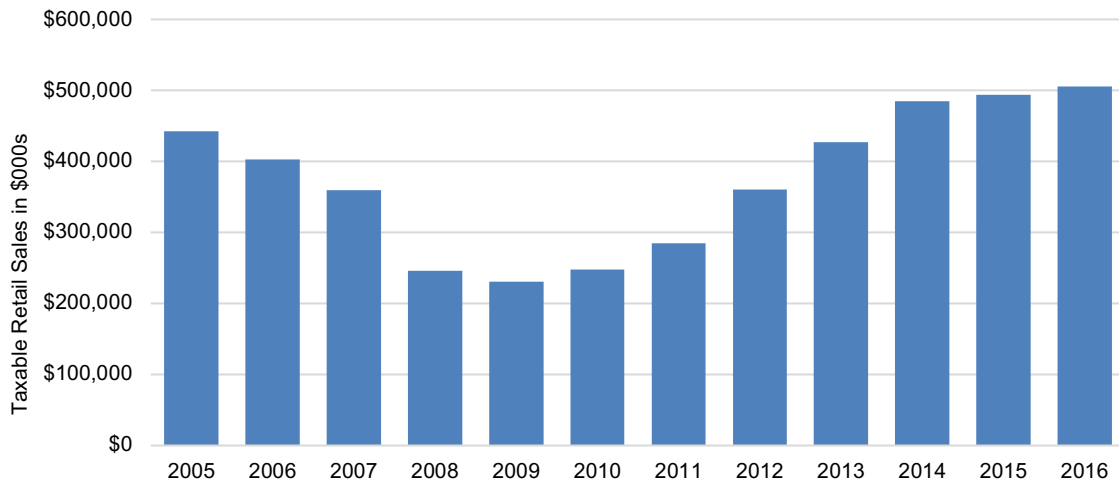
Sources: HdL Companies; BAE, 2017.

Because of confidentiality issues related to the Master Plan Area’s limited number of establishments, BAE is unable to publish data assessing taxable retail sales performance by narrow business category. Instead, BAE utilized two broad categories: automobile sales and other retail.

As repeatedly discussed in this memo, automobile sales generate a remarkably high proportion of the Town’s taxable retail sales. In 2016, automobile sales delivered 57.7 percent of the Town’s taxable retail sales and 78.4 percent of the Master Plan Area’s taxable retail sales. As shown in Figure 9, auto sales have fluctuated dramatically between 2005 and 2016. The Great Recession had a major negative impact on auto sales, as demonstrated by a 35.9 percent decline between 2007 and 2010. However, as BAE noted in its 2012 study, auto sales had been slowly declining since at least 2001.

Post-Recession, auto sales rebounded relatively quickly, with a modest 7.4 percent growth from 2009 to 2010 followed by a dramatic 15.0 percent growth the following year. The strongest year-over-year growth took place from 2012 to 2013, with 26.6 percent growth. This impressive boost was made possible by the opening of a new Subaru dealership. Since then, auto sales have continued to grow, albeit at a much slower pace than that of 2009 to 2013. Over the seven years from 2009 to 2016, auto-related taxable sales grew at an average annual rate of 11.9 percent.

**Figure 9: Automobile Sales, Serramonte-Collins Master Plan Area, 2005-2016**



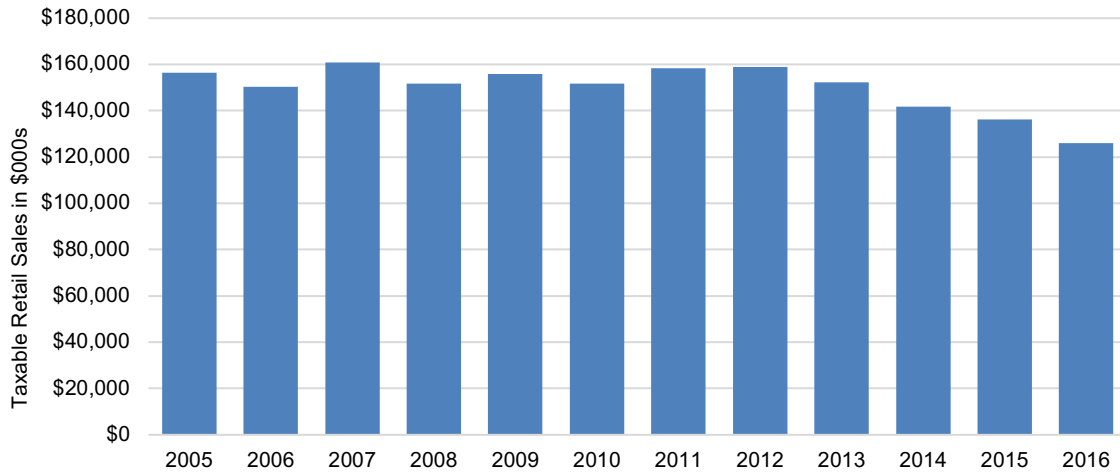
**Note:**

All sales shown in 2016 dollars.

Sources: HdL Companies; BAE, 2017.

The other retailers in the Master Plan Area showed far less variability in their taxable retail sales between 2005 and 2016, as illustrated in Figure 10. The non-auto retail sector even maintained relatively stable taxable retail sales volumes during the Great Recession. Although the Great Recession negatively impacted certain business types, growth in more recession-resilient retail sectors offset those losses. As the Great Recession subsided, the non-auto retail sector began a notable decline in taxable retail sales that continued through 2016. Non-auto taxable retail sales declined 20.7 percent from 2012 to 2016. This decline may be attributable to broader shifts in consumer spending patterns away from brick-and-mortar stores toward online retailers. While the non-auto retail sector represents a smaller share of taxable retail sales than the auto sector, its relative stability makes it a critical base. The Town may wish to strengthen that base to ensure that the Master Plan Area—and Colma overall—are less negatively impacted when broader economic conditions harm auto sales.

**Figure 10: Non-Auto Taxable Retail Sales, Serramonte-Collins Master Plan Area, 2005-2016**



Note:  
All sales shown in 2016 dollars.  
Sources: HdL Companies; BAE, 2017.

## Retail Real Estate

This section reviews the retail real estate market within the Serramonte and Collins Master Plan Area and compares it to the Town of Colma. BAE compiled the data from CoStar, a leading national commercial real estate data vendor.

### *Retail Market Summary*

As of the fourth quarter of 2017, the Serramonte and Collins Master Plan Area contained 705,074 square feet of retail space, or 58.6 percent of the Town's total retail inventory. This square footage includes interior building area only and does not include exterior sales area used by auto dealerships. Retail development added 4,464 square feet to the Master Plan Area's retail inventory in 2010 and 2011, and 10,521 square feet were removed in 2012. Despite this overall loss in inventory, total occupancy increased by 21,341 square feet between the first quarter of 2010 and the fourth quarter of 2017. This is due to the lease-up of previously vacant space. CoStar reported zero vacancies in the Master Plan Area throughout 2017. The Master Plan Area has maintained consistently low vacancy rates since at least 2008. During the Great Recession, the Master Plan Area vacancy rate peaked at 5.9 percent, a rate that would be considered healthy in most markets.

Quarterly net absorption in the Master Plan Area was zero, as there was no vacant inventory to be absorbed. Net absorption since 2010 has been positive, despite the inventory loss mentioned above.

Net absorption figures in the Master Plan Area reflect higher demand for space than those of the Town of Colma overall; however, townwide retail occupancy is still strong with CoStar indicating 36,293 vacant square feet. Current information published on the 280 Metro

**Table 6: Retail Real Estate Summary, Serramonte-Collins Master Plan Area and Town of Colma, Q4 2017**

| <b>All Retail, Q4 2017</b>           | <b>Master Plan Area</b> | <b>Town of Colma</b> |
|--------------------------------------|-------------------------|----------------------|
| Inventory                            | 705,074                 | 1,202,897            |
| Inventory (% Town)                   | 58.6%                   | 100.0%               |
| <b>Occupancy</b>                     |                         |                      |
| Occupied Stock                       | 705,074                 | 1,166,604            |
| Vacant Stock                         | 0                       | 36,293               |
| Vacancy Rate                         | 0.0%                    | 3.0%                 |
| <b>Net Absorption</b>                |                         |                      |
| Net Absorption, Q4 2017              | 0                       | (14,916)             |
| Net Absorption, Q1 2010 - Q4 2017    | 21,341                  | (10,527)             |
| Annual Average, 2010-2017            | 1,378                   | (680)                |
| <b>Full Service Asking Rents (a)</b> |                         |                      |
| Avg. Asking Rent (psf), Q4 2016      | \$6.22                  | \$6.22               |
| Avg. Asking Rent (psf), Q4 2017      | \$5.00                  | \$5.92               |
| % Change                             | -19.6%                  | -4.8%                |

Note:

(a) Due to a lack of available data for NNN rents in Colma, full service rent data were used instead. Because Colma has a very limited stock of available listings from which to calculate average asking rents, the data may reflect an unrepresentative sample of actual retail rents. The data should be interpreted with caution.

Sources: CoStar, 2017; BAE, 2017.

Center, which is outside of the Master Plan area, indicates that with the recent closing of the Nordstrom Rack as well as several smaller vacant in-line store spaces, that center has about 41,233 vacant square feet. This information indicates that the Q4 Costar data may somewhat understate current vacancies, but the Town's overall retail vacancy rate is still very low.

Average asking rents, as recorded by CoStar, are extremely high in both the Master Plan Area and the Town of Colma. However, those numbers should be interpreted with extreme caution. CoStar tabulates average asking rents using the most recent listings for available space. Because the Master Plan Area and Colma seldom have available listings, the rent figures may reflect a small sample unrepresentative of the actual retail real estate market.

Specifically, it is safe to assume that a typical property in the Master Plan Area would command a lower rent than the \$5.00 per square foot figure that CoStar reports. For comparison, retail space in neighboring Daly City commanded \$1.78 per square foot in the third quarter of 2017. Given the Master Plan Area's consistently low vacancy rate and strong net absorption figures, it is also reasonable to assume that a typical space in the Master Plan Area could command higher rents than those of Daly City.

### **Retail Centers**

There are several significant retail properties within the Serramonte and Collins Master Plan Area. Table 7 details these centers. It focuses on retail stores and omits auto dealerships and properties with service-providing users. The largest retail property in the Master Plan Area is the Serra Center with 225,376 rentable square feet. Anchored by a Target, it also features large in-line tenants, including BevMo, and Michaels. It also includes smaller specialty

retailers, such as Mancini's SleepWorld, Mattress Firm, Verizon, Carter's, GameStop and Aaron Brothers, and several restaurants. It is near the intersection of Serramonte Blvd. and Junipero Serra Blvd. with convenient access to and from Interstate 280.

Other large properties in the Master Plan Area are standalone. A Kohl's at Serramonte Boulevard, southwest of El Camino Real features 97,321 rentable square feet and a 400-space parking lot. Further southwest on Serramonte Boulevard, a 36,397-square-foot Babies "R" Us and an 18,000-square-foot Dollar Tree are adjacent to one another but on their own lots with their own large surface parking lots.







The newest retail property in the Master Plan Area is Viviana Fair, just south of the Serra Center at the intersection of Serramonte Boulevard and Junipero Serra Boulevard. Built in 2010, the 6,627-square-foot center features four small food and drink tenants: Starbucks, Chipotle, Popeyes Chicken, and Poke Bowl.

The remaining retail property in the Master Plan Area is a standalone flower shop on El Camino Real (Lester's Flowers).

Other non-retail commercial and office uses in the plan area include:

- Enterprise Car Rental;
- First National Bank and offices;
- Standard Plumbing;
- Light industrial uses at 480 Collins Avenue;
- Christy Vault Manufacturing;
- Precision Body Shop and Detailing;
- Cypress Lawn Pre-Planning Offices;
- Serramonte Ford Collision Center;
- A portion of Cypress Lawn westside campus (cemetery comes out to Collins Avenue);
- Town of Colma Town Hall and Police Station;
- Peninsula Reflections Senior Assisted Living;
- A veterinary office; and
- Two dental offices

**Table 7: Retail Properties in the Serramonte-Collins Master Plan Area, December 2017**

| <u>Name/Address</u>  | <u>Gross Leasable Area (SF)</u> | <u>Anchor Tenants</u>           | <u>In-Line Tenants</u>  | <u>Parking</u>             | <u>Details</u>  |
|--|---------------------------------|---------------------------------|---|----------------------------|---|
| <b>Serra Center</b><br>4915-5075 Junipero Serra Blvd.<br> | 225,376                         | Target, BevMo!, Michaels, CVS   | Mattress Firm, Carter's, Verizon, MetroPCS, Mancini's Sleep World, Aaron Brothers, Sizzler, Black Bear Diner, H&R Block | Approx. 800 surface spaces | Power center with multiple buildings; Built between 1972 and 1987; Target owns its own pad. |
| <b>1200 El Camino Real</b><br>                            | 97,321                          | Kohl's                          | None  | 400 surface spaces         | Freestanding, single-tenant building, built 2004.   |
| <b>775 Serramonte Blvd.</b><br>                           | 36,397                          | Babies "R" Us                   | None  | 200 surface spaces         | Freestanding, single-tenant building.   |
| <b>735 Serramonte Blvd.</b><br>                         | 18,000                          | Dollar Tree                     | None  | 80 surface spaces          | Freestanding, single-tenant building, built 1975.   |
| <b>990 Serramonte Blvd.</b><br>                         | 6,627                           | Starbucks, Chipotle, Poke Bowl, | None  | 35 surface spaces          | Small center tailored to casual food and drink tenants; built 2010.                         |
| <b>1242-1250 El Camino Real</b><br>                     | 200                             | Lester's Flower Shop            | None  | 5 surface spaces           | Built 1920; small shop in front of a residence.   |

Notes:

All retail properties in the study area have zero percent vacancy as of December 2017.  
 BAE omitted all auto-related retail properties and storefront medical office spaces from this list.  
 Sources: CoStar, 2017; BAE, 2017.

## Stakeholder Input

As part of the planning process, the Town of Colma and Dyett & Bhatia organized a series of interview sessions involving plan area stakeholders. Dyett & Bhatia has produced a separate Stakeholder Interviews Report which fully details this activity. In terms of economic conditions in the area, input collected during the interviews generally focused on the need for circulation/mobility, parking, and signage improvements for the area. This revolved around the following needs:

- Improved circulation, to make it easier for autos to circulate through the area and for access by vehicle transport trucks that need space to stage and unload vehicles
- Improved traffic safety to protect employees and patrons from hazards such as speeding and unsafe street crossings for pedestrians.
- Parking improvements, to ensure adequate parking for employee and customer vehicles, and space for vehicles being stored for sale or for repairs/service
- Improvements to facilitate mobility by alternative transportation means, such as shuttles to/from the Colma BART station.
- Collins Avenue business and property owners expressed more concern about parking and possibly adding permit parking than about sidewalk and bicycle improvements. In addition, they expressed concern about speeds and the need for traffic calming measures.
- Serramonte business and property owners showed more interest in upgrading appearance and sidewalks than in providing dedicated bicycle improvements.
- Improved “visibility” of the Serramonte and Collins Master Plan Area to the regional marketplace. This includes freeway signage to make the plan area more visible within the regional market area, and programmatic approaches, such as joint marketing campaigns to promote the Master Plan Area as a regional shopping destination.

Stakeholders recognized that due to the Master Plan Area’s nature as an auto sales hub, auto circulation will likely remain a priority in the area. Stakeholders also indicated that it will be important to give businesses and property owners flexibility to adapt to changing needs due to the evolution of the bricks and mortar retail industry in response to the rise of e-commerce (e.g., local bricks and mortar stores incorporating e-commerce fulfillment functions) and potential changes in how people access the area due to technologies such as car-sharing and autonomous vehicles (e.g., need for curbside pick-up/drop-off areas). Auto dealers also mentioned the potential shift to functions relating to serving as the fleet management hubs for autonomous vehicles. At the same time, stakeholders felt that these changes would occur over an extended period of time (e.g., between now and 2030), and this means there is a short-term need for solutions based on today’s technologies.

## Implications for Serramonte and Collins Master Plan

- With limited residential development, and a mostly built-out inventory of land, Colma's commercial districts along El Camino Real and in the Serramonte and Collins Master Plan Area are currently, and will continue to be, prominent features within the Town.
- Retail sales and the associated retail sales tax revenues represent the Town of Colma's most important industry, and this role has become increasingly important since the Great Recession.
- The Serramonte and Collins Master Plan Area accounts for an increasingly large share of the Town's overall retail sales activity and also hosts the Town's sole cardroom, which remains one of the most important single revenue generators for the Town's budget.
- Retail sales and cardroom activity in the Serramonte and Collins Master Plan Area generate approximately \$6.5 million in annual sales tax revenue and \$4.0 million in annual cardroom revenue, respectively, representing approximately 60.7 percent of the Town's current General Fund revenue.
- It is very important for Colma to position itself as an attractive destination for shoppers coming from nearby communities, as sales captured from out-of-town residents fuel most of Colma's retail sales. The same can also be said of Colma's cardroom activity and related card room tax revenues.
- Overall RTA taxable sales levels have declined on an inflation-adjusted basis since 2000, and Colma faces challenges to retaining its extraordinarily large share of retail sales, due to stiff competition from other jurisdictions that also covet retail sales tax revenues. Additional challenges include changes to consumer shopping habits (e.g., online sales) that threaten traditional bricks and mortar retailers, and technological changes that could fundamentally alter patterns of car buying and ownership that would in turn affect auto sales, one of Colma's most important retail sectors.
- Retail real estate within the Serramonte and Collins Master Plan Area is essentially fully occupied; thus, economic development efforts should focus on maintaining occupancy and helping existing businesses to maintain and increase their sales levels.
- These factors all indicate that Colma should pay close attention to the need to help maintain the Serramonte and Colma Master Plan Area as a functional and attractive commercial area. At the same time, the Town should be sensitive to potential changes that could create shifts in the types of business activity conducted in the area. This may include the need to help existing businesses adapt to changing conditions or to consider new uses such a hotel or offices.
- The Town should maintain close communications with major retailers, the auto dealers, and the card room over shifts in their industries and how they use property in the Master Plan Area, to anticipate any changes needed at the Town regulatory level that will encourage effective adaptation and long-term business success



- Uncertainty about the exact long-term impact of expected changes related to e-commerce and transportation technologies means that the Town and stakeholders should be cautious with large investments that are specifically tied to current operating models and technologies. Instead, investments should be strategically designed to enhance the Master Plan Area's flexibility and adaptability over time, while addressing short-term needs. For example, parking improvements should be designed so that they will accommodate today's fleet of primarily privately owned vehicles, but with an eye towards utility for a fleet of the future that may involve a large component of autonomous vehicles, and also the possibility that the mix of uses within the Master Plan Area will change over time
- If successful in helping to maintain and increase sales tax revenue generation from the current \$653.9 million taxable retail sales base within the Serramonte and Collins Master Plan Area, investments in public improvements within the Master Plan Area can generate critically important returns on investment for the Town.