

CHAPTER 5 DEMOGRAPHICS AND ECONOMICS

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5.2 PURPOSE OF CHAPTER

This chapter summarizes key demographic and employment trends in Mountain View, as well as summarizes the real estate market conditions and trends that will shape long-term development opportunities in the City. It also evaluates how these trends relate to opportunities and constraints in the nine focus areas identified through the General Plan Visioning Process.

This chapter was prepared by Bay Area Economics (BAE), Economic Planning Systems (EPS), Mundie and Associates and MIG.

The following sections of the Economics Chapter:

- Describe and compare Mountain View demographic and employment trends with Santa Clara County and the Bay Area in general;
- Analyze housing, retail, office and industrial market trends;
- Indicate long term opportunities for the housing, retail, office and industrial market sectors;
- Identify economic opportunities and challenges to achieving the visions for the nine focus areas identified during the Visioning Phase; and
- Provide an analysis of the City's fiscal health.

5.3 DRAFT HIGHLIGHTS AND OBSERVATIONS

These represent key observations, issues and highlights noted by City staff and the consultant team related to Demographics and Economics.

- Mountain View has experienced more moderate population growth compared to Santa Clara County and the Bay Area as a whole. The relative lack of vacant land in Mountain View compared to other parts of the County and region, and the resulting constraint on new housing production, contributes to this trend.
- Mountain View is characterized by a lower homeownership rate and higher proportion of single-person and non-family households. Mountain View's higher percentage of renters and single-person households, along with the City's smaller household size, suggests that many younger workers live in the City.
- In 2008, the City's median household income of \$81,200 was slightly lower than the County median but higher than the Bay Area's median household income. However, on a per capita basis, Mountain View residents are actually wealthier than the County as a whole.
- In 2007, Mountain View was approximately 58 percent White, a figure slightly higher than the County's 53 percent. Conversely, the County had a slightly higher Asian population (30 percent) than Mountain View (25 percent). In addition, 15,136 (21 percent) Mountain View residents identified themselves as Latino or Hispanic. Eighty-two percent of Mountain View residents who identified themselves as Latino or Hispanic spoke Spanish with varying degrees of English fluency, and the remaining 18 percent spoke English only.
- Mountain View has experienced strong employment growth in recent years. The number of jobs in Mountain View grew by 19 percent between 2003 and 2008, more than three times the growth in Santa Clara County as a whole.
- Employment in Mountain View is concentrated in the information sector and the professional, scientific, and technical services sector.
- Mountain View has been an increasingly "jobs rich" community, where the number of jobs exceeds the number of employed residents.
- The City's Downtown Redevelopment Project Area (Revitalization District) is set to expire in April 2011. As such, future projects in the Downtown will not have the benefit of redevelopment agency powers or resources.
- Despite recent deteriorating market conditions at the State and national levels, Mountain View's housing market has remained relatively strong due to the City's favorable location, proximity to major employment hubs, and quality of life amenities.
- Although suburban style neighborhoods account for the majority of land area, the City maintains a large proportion of higher-density homes and rental units

relative to neighboring communities. From a development perspective, higher density development is likely to continue to be economically attractive in the long term. However, because of the lack of vacant land in the City, future growth will likely be limited and focused at key in-fill opportunity sites.

- The retail supply in Mountain View consists of a diverse mix of retailers, which are spatially disaggregated. The City's demographics and accessible location within the larger Peninsula region have contributed to a relatively strong "capture rate" of non-resident expenditures in most retail categories. Despite this success, Mountain View has retail "leakage" in some key categories and many of the City's shopping centers and districts maintain relatively antiquated formats and structures that could benefit from modernization and limited expansion. However, significant new investment and expansion will be constrained by an established and highly competitive regional market and the need to consolidate retail in concentrated areas.
- Mountain View's office and research and development (R&D) sectors, including approximately 90 biotech and life sciences businesses, remain relatively competitive despite the national recession. This can be attributed to the City's location in the heart of Silicon Valley, access to a large pool of talented and educated workers, and history of innovation and success in high-tech, biotech, and telecommunications. In addition, Mountain View has a history of fostering a large number of start-up companies. Although focused in the North Bayshore Area, an area characterized by lower-intensity, single-use, business parks, the office and R&D market thrives in a variety of other locations throughout the City, including the Downtown and in the eastern part of the Moffett/Whisman Road Area. Future expansion should consider higher intensity development, which could make better use of the lower intensity areas by providing a more highly amenitized, mixed-use, and transit-friendly environment generally sought by the next generation of high-tech firms and employees.
- Higher density residential and office uses present the most viable development opportunities for intensification in selected "focus areas" given the City's historically competitive market position for these uses. Opportunities for retail (re-) development will be more constrained given the mature nature of the regional market. Additionally, the difficulties with increasing retail density (e.g. providing parking and leasing second floors) will affect the financial feasibility of new development, especially at sites with existing tenants.
- Given the lack of vacant land in most of Mountain View, future growth and redevelopment opportunities will be limited to a select number of opportunity sites in "focus areas" throughout the City. Located primarily in the City's commercial corridors, these focus areas will benefit from the City's overall strong economic and demographic conditions. However, redevelopment will be challenged by a variety of factors including parcel configuration, ownership patterns, existing uses, and competition from established areas in the City and Silicon Valley as a whole.

5.4 CURRENT ECONOMIC CONDITIONS

An over-arching issue currently facing development in Mountain View, as elsewhere in the region, is the ongoing national recession. Market conditions are weak across the range of potential uses, reflecting the economic downturn, instability in the credit and capital markets, the fall off in retail expenditures, and declining housing prices. These conditions are expected to continue and a number of years may pass before there is a return to more normal market conditions. Even then, there may be significant changes in real estate demand across the range of uses including retail and commercial space, office space and housing.

Although the current economic environment is an important issue that affects development feasibility, this analysis is provided in the context of a General Plan and thus focuses on longer term trends. Given Mountain View's location in the heart of Silicon Valley and the sub-region's diverse and resilient economy, it can be expected that market conditions in Mountain View will lead and be stronger than those of other more outlying portions of the State and will adjust successfully to future changes.

5.5 DEMOGRAPHIC TRENDS

Population

As of 2008, Mountain View had an estimated population of 73,932 residents. As shown in Table 5-1, the City has experienced moderate growth since 1990, with a population increase of 10 percent. As a city with few vacant parcels, Mountain View did not grow as rapidly as Santa Clara County or the Bay Area as a whole. The County's population has increased by 23 percent since 1990, while the Bay Area grew by 21 percent during the same period.

Households

The Census Bureau defines a household as a person or group of persons living in a housing unit, as opposed to persons living in group quarters, such as dormitories, convalescent homes, or prisons. According to the California Department of Finance, Mountain View contained 32,247 households in 2008. The number of households in the City, county, and region has grown at a slightly slower pace than population since 1990. The number of households in Mountain View increased by eight percent between 1990 and 2008, while the County and Bay Area household total grew by 17 percent and 18 percent, respectively.

Homeownership Rate

Mountain View has a relatively low homeownership rate compared to Santa Clara County and the rest of the Bay Area. In 2008, approximately 41 percent of Mountain View households owned their homes while 59 percent of County households and 58 percent of Bay Area households were homeowners. The City's homeownership rate has increased slightly since 1990 when 38 percent of households owned their homes.

Table 5-1 Population and Household Trends, 1990-2008 (a)

| | 1990 | 2000 | 2008(est) (b) | % Change 1990-2008 | % Change 2000-2008 |
|---------------------------|-----------|-----------|---------------|-----------------------|-----------------------|
| Mountain View | | | | | |
| Population | 67,460 | 70,708 | 73,932 | 9.6% | 4.6% |
| Households | 29,990 | 31,242 | 32,247 | 7.5% | 3.2% |
| Average Household Size | 2.23 | 2.25 | 2.28 | | |
| Household Type (c) | | | | | |
| Families | 51.4% | 50.9% | 51.1% | | |
| Non-Families | 48.6% | 49.1% | 48.9% | | |
| Tenure (d) | | | | | |
| Owner | 37.8% | 41.5% | 41.4% | | |
| Renter | 62.2% | 58.5% | 58.6% | | |
| Santa Clara County | | | | | |
| Population | 1,497,577 | 1,682,585 | 1,837,075 | 22.7% | 9.2% |
| Households | 520,180 | 565,863 | 608,652 | 17.0% | 7.6% |
| Average Household Size | 2.81 | 2.92 | 2.97 | | |
| Household Type (c) | | | | | |
| Families | 69.1% | 69.9% | 69.9% | | |
| Non-Families | 30.9% | 30.1% | 30.1% | | |
| Tenure (d) | | | | | |
| Owner | 59.1% | 59.8% | 59.3% | | |
| Renter | 40.9% | 40.2% | 40.7% | | |
| Bay Area (e) | | | | | |
| Population | 6,023,577 | 6,783,760 | 7,301,080 | 21.2% | 7.6% |
| Households | 2,246,242 | 2,466,019 | 2,643,390 | 17.7% | 7.2% |
| Average Household Size | 2.61 | 2.69 | 2.71 | | |
| Household Type (c) | | | | | |
| Families | 64.9% | 59.1% | 64.8% | | |
| Non-Families | 35.1% | 40.9% | 35.2% | | |
| Tenure (d) | | | | | |
| Owner | 56.4% | 56.4% | 57.8% | | |
| Renter | 43.6% | 43.6% | 42.2% | | |

Notes:

(a) 1990 and 2000 data provided by the U.S. Census. 2008 data provided by California Department of Finance.

(b) 2008 Household Type and Tenure data provided by Claritas.

(c) The Census defines a family household as a householder living with one or more individuals related by birth, marriage, or adoption.

(d) Tenure distinguishes between owner occupied and renter occupied housing units.

(e) Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

Sources: U.S. Census, 1990, 2000; CA Department of Finance, Table E-5, 2008; Claritas, 2008; BAE, 2009.

Household Composition

Average household size is a function of the number of people living in households divided by the number of occupied housing units in a given area. In Mountain View, the average household size in 2008 was 2.28, lower than the Santa Clara County figure of 2.97. Because population growth has outpaced the increase in households in Mountain View and the County, the average household size has increased for both jurisdictions since 1990.

The smaller household sizes in Mountain View can be attributed to the higher proportion of single-person households. As shown in Table 5-2, single-person households comprised 36 percent of all Mountain View households, compared to just 22 percent of Santa Clara County households and 26 percent of households in the Bay Area. Mountain View is also characterized by a higher proportion of non-family households.¹ Thirteen percent of households with two or more people in Mountain View were non-family households in 2008. By comparison, approximately nine percent of households in the County and Bay Area were non-family households.

Table 5-2 Household Type, 2008

| Household Type | Mountain View | | Santa Clara County | | Bay Area (a) | |
|---|---------------|---------------|--------------------|---------------|------------------|---------------|
| | Number | % Total | Number | % Total | Number | % Total |
| 1-Person Household: | 11,180 | 35.7% | 128,289 | 21.6% | 660,906 | 25.8% |
| Male Householder | 5,889 | 18.8% | 62,401 | 10.5% | 299,035 | 11.7% |
| Female Householder | 5,291 | 16.9% | 65,888 | 11.1% | 361,871 | 14.2% |
| 2 or More Person Household: | 20,162 | 64.3% | 466,072 | 78.4% | 1,895,884 | 74.2% |
| Family Households (b) | 16,009 | 51.1% | 415,349 | 69.9% | 1,656,885 | 64.8% |
| Married-Couple Family: | 12,571 | 40.1% | 325,619 | 54.8% | 1,264,782 | 49.5% |
| With Own Children Under 18 years | 5,430 | 17.3% | 164,975 | 27.8% | 610,289 | 23.9% |
| Other Family: | 3,438 | 11.0% | 89,730 | 15.1% | 392,103 | 15.3% |
| Male Householder, No Wife Present: | 1,156 | 3.7% | 29,634 | 5.0% | 115,208 | 4.5% |
| With Own Children Under 18 years | 444 | 1.4% | 12,075 | 2.0% | 50,631 | 2.0% |
| Female Householder, No Husband Present: | 2,282 | 7.3% | 60,096 | 10.1% | 276,895 | 10.8% |
| With Own Children Under 18 years | 1,053 | 3.4% | 30,491 | 5.1% | 145,391 | 5.7% |
| Non-Family Households (c) | 4,153 | 13.3% | 50,723 | 8.5% | 238,999 | 9.3% |
| Male Householder | 2,553 | 8.1% | 31,114 | 5.2% | 136,967 | 5.4% |
| Female Householder | 1,600 | 5.1% | 19,609 | 3.3% | 102,032 | 4.0% |
| Total Households (d) | 31,342 | 100.0% | 594,361 | 100.0% | 2,556,790 | 100.0% |

Notes:

(a) Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

(b) A family is a householder living with one or more individuals related by birth, marriage, or adoption.

(c) A non-family household is a householder living alone or with nonrelatives only.

(d) Total households here may differ from household estimates provided by California Department of Finance shown in Table 5-1

Sources: Claritas, 2008; BAE, 2009.

¹ A non-family household is a householder living alone or with nonrelatives only.

Age Distribution

Mountain View's higher percentage of renters and single-person households along with the City's smaller household size suggests that many younger workers live in the City. The age distribution of Mountain View residents supports this notion. As shown in Table 5-3, the City has a lower proportion of children under the age of 18 years old (20 percent) than Santa Clara County (25 percent) and the Bay Area (23 percent). In addition, Mountain View's percentage of residents between the ages of 25 and 34 years old and 35 and 44 years old is higher than the County and regional proportions. Due to the lower percentage of children in Mountain View, the City has a higher median age (38.1 years) than Santa Clara County (36.7 years).

Table 5-3 Age Distribution, 2008

| Age Cohort | Mountain View | | Santa Clara County | | Bay Area (a) | |
|-------------------|---------------|---------------|--------------------|---------------|------------------|---------------|
| | Number | Percent | Number | Percent | Number | Percent |
| Under 15 | 12,435 | 17.5% | 376,965 | 21.2% | 1,367,072 | 19.3% |
| 15 to 17 | 1,875 | 2.6% | 68,875 | 3.9% | 277,399 | 3.9% |
| 18 to 20 | 1,578 | 2.2% | 66,999 | 3.8% | 262,568 | 3.7% |
| 21 to 24 | 2,464 | 3.5% | 88,193 | 5.0% | 347,445 | 4.9% |
| 25 to 34 | 13,123 | 18.4% | 237,195 | 13.4% | 952,858 | 13.4% |
| 35 to 44 | 13,507 | 19.0% | 297,244 | 16.7% | 1,117,804 | 15.8% |
| 45 to 54 | 10,982 | 15.4% | 265,236 | 14.9% | 1,093,401 | 15.4% |
| 55 to 64 | 7,195 | 10.1% | 183,950 | 10.4% | 820,904 | 11.6% |
| 65 to 74 | 4,082 | 5.7% | 105,245 | 5.9% | 446,131 | 6.3% |
| 75 to 84 | 2,808 | 3.9% | 61,956 | 3.5% | 280,963 | 4.0% |
| 85 + | 1,182 | 1.7% | 24,380 | 1.4% | 125,486 | 1.8% |
| Total (b) | 71,231 | 100.0% | 1,776,238 | 100.0% | 7,092,031 | 100.0% |
| Median Age | 38.1 | | 36.7 | | 38.0 | |

Notes:

(a) Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties

(b) Total population here may differ from population estimates provided by California Department of Finance shown in Table 5-1

Sources: Claritas, 2008; BAE 2009.

Household Income

According to Claritas estimates, the median household income in Mountain View in 2008 was \$81,246 (see Table 5.4). This figure is slightly lower than the Santa Clara County median household income of \$85,454, but higher than the Bay Area median of \$74,275.

Given Mountain View's relatively small household sizes, it is not surprising that the City's median household income falls below the County's. On a per capita basis, Mountain View residents are actually wealthier than the County as a whole. The median per capita income in the City was \$46,644 in 2008, substantially higher than the County's median of \$37,470. Again, this finding points to the sizeable presence of young workers in the City.

Table 5-4 Household Income, 2008

| Household Income | Mountain View | | Santa Clara County | | Bay Area (a) | |
|---------------------------------|-----------------|---------------|--------------------|---------------|------------------|---------------|
| | Number | Percent | Number | Percent | Number | Percent |
| Less than \$15,000 | 2,096 | 6.7% | 37,893 | 6.4% | 208,322 | 8.1% |
| \$15,000 to \$24,999 | 1,792 | 5.7% | 30,785 | 5.2% | 163,949 | 6.4% |
| \$25,000 to \$34,999 | 1,821 | 5.8% | 34,517 | 5.8% | 177,443 | 6.9% |
| \$35,000 to \$49,999 | 3,470 | 11.1% | 58,619 | 9.9% | 291,229 | 11.4% |
| \$50,000 to \$74,999 | 5,367 | 17.1% | 99,221 | 16.7% | 450,515 | 17.6% |
| \$75,000 to \$99,999 | 4,504 | 14.4% | 86,440 | 14.5% | 362,903 | 14.2% |
| \$100,000 to \$149,999 | 6,115 | 19.5% | 122,222 | 20.6% | 474,017 | 18.5% |
| \$150,000 to \$249,999 | 4,477 | 14.3% | 87,039 | 14.6% | 292,620 | 11.4% |
| \$250,000 to \$499,999 | 1,238 | 3.9% | 25,535 | 4.3% | 89,355 | 3.5% |
| \$500,000 and over | 462 | 1.5% | 12,090 | 2.0% | 46,437 | 1.8% |
| Total (b) | 31,342 | 100.0% | 594,361 | 100.0% | 2,556,790 | 100.0% |
| Median Household Income | \$81,246 | | \$85,454 | | \$74,275 | |
| Median Per Capita Income | \$46,644 | | \$37,470 | | \$36,322 | |

Notes:

(a) Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

(b) Total households here may differ from household estimates provided by California Department of Finance shown in Table 5-1

Sources: Claritas, 2008; BAE, 2009.

Race and Ethnicity

Mountain View, like the Bay Area region overall, is a diverse city including residents of many races and ethnicities. Table 5-5 presents population demographics by race and ethnicity for Mountain View and Santa Clara County in 2007, the most recent year for which data is available. The data indicate that Mountain View and Santa Clara County are racially and ethnically similar, with both having slight White majorities, followed by Asian and Some Other Race.² In 2007, Mountain View was approximately 58 percent White, a figure slightly higher than the County's 53 percent. Conversely, the County had a slightly higher Asian population (30 percent) than Mountain View (25 percent). In

² Some Other Race can include persons claiming Latino or Hispanic ethnicity in addition to any other race category not identified in the data.

both geographies, approximately 11 percent of the population identified themselves as Some Other Race, a category that can include Latino or Hispanic persons, and three percent claimed two or more races.

Table 5-5 Population by Race and Ethnicity, 2007

| | Mountain View | % | Santa Clara County | % |
|--|---------------|---------------|--------------------|---------------|
| White alone | 40,930 | 57.5% | 903,795 | 52.5% |
| Black or African American alone | 1,103 | 1.6% | 45,314 | 2.6% |
| American Indian and Alaska Native alone | 177 | 0.2% | 8,199 | 0.5% |
| Asian alone | 17,982 | 25.3% | 513,901 | 29.8% |
| Native Hawaiian and Other Pacific Islander alone | 428 | 0.6% | 6,559 | 0.4% |
| Some Other Race alone | 8,105 | 11.4% | 189,787 | 11.0% |
| Two or more races | 2,428 | 3.4% | 55,264 | 3.2% |
| Total | 71,153 | 100.0% | 1,722,819 | 100.0% |

Source: American Community Survey, US Census, 2007. Total population here may differ from 2008 population estimates provided by California Department of Finance show in Table 5-1.

Since 2000, the U.S. Census has changed the way it collects race and ethnicity data to allow individual respondents the opportunity to claim multiple race and ethnicity categories. In addition, the Census no longer identifies Latino or Hispanic as a racial category, but rather as a linguistic category including persons of various racial and ethnic backgrounds. This means that a person can be counted as both Hispanic and White according to current census methodologies. Language data from 2007 indicate that 82 percent of Mountain View residents who identified themselves as Hispanic or Latino spoke Spanish with varying degrees of English fluency, and the remaining 18 percent spoke English only.

Table 5-6 presents Latino or Hispanic race and ethnicity data for both Mountain View and Santa Clara County in 2007. These data indicate that 15,136 Mountain View residents identified themselves as Latino or Hispanic. Within this group, 51 percent listed themselves as Some Other Race, and 46 percent as White.

Table 5-6 Race and Ethnicity among Latino or Hispanic-Identified Residents

| | Mountain View | % | Santa Clara County | % |
|--|---------------|---------------|--------------------|---------------|
| White alone | 6,957 | 46.0% | 230,384 | 52.6% |
| Black or African American alone | 51 | 0.3% | 1,996 | 0.5% |
| American Indian and Alaska Native alone | 105 | 0.7% | 3,064 | 0.7% |
| Asian alone | 23 | 0.2% | 3,616 | 0.8% |
| Native Hawaiian and Other Pacific Islander alone | 0 | 0.0% | 456 | 0.1% |
| Some Other Race alone | 7,715 | 51.0% | 182,430 | 41.6% |
| Two or more races | 285 | 1.9% | 16,111 | 3.7% |
| Total | 15,136 | 100.0% | 438,057 | 100.0% |

Source: American Community Survey, US Census, 2007.

Educational Attainment

Mountain View is a highly educated community. Approximately 60 percent of residents between ages 25 and 64 have a bachelor's degree or higher and an additional 20 percent have at least some college or an associate's degree. This contrasts sharply with Santa Clara County educational attainment levels overall, where only 46 percent of the population has a bachelor's degree or higher and 25 percent have some college or an associate's degree. Table 5-7 presents 2007 educational attainment data for Mountain View and Santa Clara County.

Table 5-7 Educational Attainment for Population 25-64 years, 2007

| | Mountain View | | Santa Clara County | |
|------------------------------------|---------------|---------------|--------------------|---------------|
| | Estimate | % | Estimate | % |
| Less than high school graduate | 3,998 | 8.9% | 123,777 | 12.7% |
| High school graduate | 5,079 | 11.3% | 164,017 | 16.9% |
| Some college or associate's degree | 8,746 | 19.5% | 237,319 | 24.4% |
| Bachelor's degree or higher | 27,142 | 60.4% | 447,060 | 46.0% |
| Total | 44,965 | 100.0% | 972,173 | 100.0% |

Source: American Community Survey, US Census, 2007.

Geographic Mobility

Mountain View residents tend to be somewhat more geographically mobile than residents in other neighboring Santa Clara County cities. As shown in Table 5-8, the US Census reports that approximately 80 percent of Mountain View residents had lived in the same house in the previous year, compared to 88 percent of Cupertino residents, 83 percent of Palo Alto residents, and 82 percent of Sunnyvale residents. This increased mobility corresponds with Mountain View's younger, less family-oriented households, discussed previously. The data also suggest that in any given year, approximately five percent of the City's population is new to Mountain View, and has lived there for less than 12 months. This rate is similar to the other comparison cities, which have percentages ranging from two to six percent.

Table 5-8 Geographic Mobility among Residents

| | Mountain View | | Cupertino | | Palo Alto | | Sunnyvale | |
|---|---------------|------------|-----------|------------|-----------|------------|-----------|------------|
| | Estimate | % of Total | Estimate | % of Total | Estimate | % of Total | Estimate | % of Total |
| Total Population (a) | 70,207 | 100% | 56,055 | 100% | 63,107 | 100% | 133,593 | 100% |
| Lived in same house 1 year ago | 56,068 | 80% | 49,082 | 88% | 52,588 | 83% | 108,954 | 82% |
| Lived in different house in US 1 year ago | 12,696 | 18% | 5,318 | 9% | 9,406 | 15% | 21,924 | 16% |
| Same city or town | 3,366 | 5% | 1,307 | 2% | 2,840 | 5% | 7,496 | 6% |
| Elsewhere | 9,330 | 13% | 4,011 | 7% | 6,566 | 10% | 14,428 | 11% |
| Same county | 3,722 | 5% | 2,226 | 4% | 2,304 | 4% | 7,060 | 5% |
| Different county | 5,608 | 8% | 1,785 | 3% | 4,262 | 7% | 7,368 | 6% |
| Same state | 3,674 | 5% | 822 | 1% | 2,687 | 4% | 5,511 | 4% |
| Different state | 1,934 | 3% | 963 | 2% | 1,575 | 2% | 1,857 | 1% |
| Abroad 1 year ago | 1,443 | 2% | 1,655 | 3% | 1,113 | 2% | 2,715 | 2% |

Notes

(a) Total Population may differ from other tables due to varying data sources.
Source U.S. Census Bureau, 2005-2007 American Community Survey; BAE, 2009.

5.6 EMPLOYMENT TRENDS

Table 5-9 and Table 5-10 provide a summary of employment by industry sector and the number of employed residents in Mountain View and Santa Clara County based on data from California Employment Development Department.

Local Employment Opportunities

As shown in Table 5-9, the number of jobs in Mountain View grew by 19 percent between 2003 and 2008, more than three times the growth in jobs for Santa Clara County as a whole. Mountain View added 9,000 jobs in the five year period, for a total of 56,228 jobs in 2008.

Employment in Mountain View is concentrated in the information sector and the professional, scientific, and technical services sector, each representing 20 percent of the City's jobs. The information sector, which includes services such as internet publishing and web search portals, has grown substantially since 2003, with a 294 percent increase in jobs. The manufacturing industry, which decreased nine percent, and the health care and social assistance industry also have a large presence in Mountain View. These sectors each represent 10 percent of the City's employment. The following list of Mountain View's top 10 businesses illustrates the City's strengths across various sectors:

- [Google](#)
- [El Camino Hospital](#)
- [Intuit](#)
- [Microsoft Corporation](#)
- [Synopsys](#)
- [Veritas](#)
- [KPMG](#)
- [Information Systems Support](#)
- [Teledyne Microwave](#)
- [Pinnacle Systems](#)
- [Cybersource](#)
- [City of Mountain View](#)

Table 5-9 Jobs by Sector, Q1 2003 – Q1 2008 (a)

| Industry Sector | Mountain View | | | | | Santa Clara County | | | | |
|---|---------------|---------------|---------------|---------------|-----------------------|--------------------|---------------|----------------|---------------|-----------------------|
| | Q1 2003 | | Q1 2008 | | % Change 2003-2008 | Q1 2003 | | Q1 2008 | | % Change 2003-2008 |
| | Jobs | % Total | Jobs | % Total | | Jobs | % Total | Jobs | % Total | |
| Agric., Forestry, Fishing and Hunting | 60 | 0.1% | 24 | 0.0% | -59.7% | 3,848 | 0.4% | 3,228 | 0.4% | -16.1% |
| Mining (b) | 0 | 0.0% | 0 | 0.0% | 0.0% | 151 | 0.0% | 253 | 0.0% | 67.5% |
| Construction | 1,762 | 3.7% | 1,845 | 3.3% | 4.7% | 38,001 | 4.4% | 42,948 | 4.7% | 13.0% |
| Manufacturing | 6,967 | 14.8% | 5,697 | 10.1% | -18.2% | 180,585 | 21.1% | 164,700 | 18.2% | -8.8% |
| Utilities (b) | 0 | 0.0% | 0 | 0.0% | 0.0% | 1,453 | 0.2% | 1,807 | 0.2% | 24.4% |
| Wholesale Trade | 2,840 | 6.0% | 3,569 | 6.3% | 25.7% | 34,799 | 4.1% | 40,174 | 4.4% | 15.4% |
| Retail Trade | 4,822 | 10.2% | 4,406 | 7.8% | -8.6% | 81,090 | 9.5% | 82,989 | 9.2% | 2.3% |
| Transportation and Warehousing | 135 | 0.3% | 98 | 0.2% | -27.2% | 12,899 | 1.5% | 11,016 | 1.2% | -14.6% |
| Information | 2,911 | 6.2% | 11,454 | 20.4% | 293.5% | 32,388 | 3.8% | 41,080 | 4.5% | 26.8% |
| Finance and Insurance | 571 | 1.2% | 739 | 1.3% | 29.5% | 19,525 | 2.3% | 20,538 | 2.3% | 5.2% |
| Real Estate and Rental and Leasing | 750 | 1.6% | 600 | 1.1% | -20.0% | 14,710 | 1.7% | 15,078 | 1.7% | 2.5% |
| Professional, Scientific, and Technical Services | 13,026 | 27.6% | 11,195 | 19.9% | -14.1% | 102,119 | 11.9% | 113,512 | 12.5% | 11.2% |
| Management of Companies and Enterprises | 503 | 1.1% | 276 | 0.5% | -45.0% | 15,920 | 1.9% | 9,763 | 1.1% | -38.7% |
| Administrative and Waste Services | 1,958 | 4.2% | 2,530 | 4.5% | 29.2% | 46,899 | 5.5% | 54,342 | 6.0% | 15.9% |
| Educational Services | 412 | 0.9% | 718 | 1.3% | 74.3% | 22,993 | 2.7% | 28,605 | 3.2% | 24.4% |
| Health Care and Social Assistance | 4,185 | 8.9% | 5,805 | 10.3% | 38.7% | 65,479 | 7.6% | 73,177 | 8.1% | 11.8% |
| Arts, Entertainment, and Recreation | 333 | 0.7% | 419 | 0.7% | 25.6% | 8,667 | 1.0% | 9,642 | 1.1% | 11.2% |
| Accommodation and Food Services | 2,756 | 5.8% | 3,273 | 5.8% | 18.7% | 56,481 | 6.6% | 63,967 | 7.1% | 13.3% |
| Other Services, except Public Administration | 1,223 | 2.6% | 1,622 | 2.9% | 32.6% | 25,162 | 2.9% | 31,815 | 3.5% | 26.4% |
| Unclassified | 2 | 0.0% | 105 | 0.2% | 5133.3% | 114 | 0.0% | 2,864 | 0.3% | 2412.3% |
| Government (c) | 1,970 | 4.2% | 1,853 | 3.3% | -5.9% | 94,595 | 11.0% | 94,150 | 10.4% | -0.5% |
| Total | 47,185 | 100.0% | 56,228 | 100.0% | 19.2% | 857,878 | 100.0% | 905,648 | 100.0% | 5.6% |

Notes:

(a) Includes all wage and salary employment covered by unemployment insurance.

(b) There was no employment in either the Mining or Utilities sectors within the city of Mountain View.

(c) Government employment includes workers in all sectors, not just public administration. For example, all public school staff are in the Government category.

Sources: California Employment Development Department, 2009; BAE, 2009.

Jobs-Housing Balance

The Bay Area region supports cities working towards improving their balance between housing and jobs because of the associated benefits of reduced driving and congestion, fewer greenhouse gas emissions and pollution, and lower costs to commuters and businesses, among other things. The jobs-housing ratio compares the number of employed residents to the number of jobs in the City.

As shown in Table 5-10, Mountain View's job growth has outpaced the City's growth in employed residents. While the number of jobs grew by 19 percent, Mountain View's population of employed residents grew from 38,000 to 39,900, or by five percent, between 2003 and 2008. Santa Clara County's growth in employed residents also grew by five percent, but the County's job growth was more modest at six percent between 2003 and 2008. Employers in Mountain View provide jobs for residents of neighboring communities such as Cupertino and Los Gatos and other parts of Santa Clara and San Mateo Counties. In 2003, the ratio of jobs to employed residents in Mountain View stood at 1.2. Over the next five years, the ratio grew to 1.4. Mountain View added four times as many jobs as employed residents between 2003 and 2008. The jobs-housing imbalance is less pronounced in Santa Clara County as a whole. The County's ratio of total jobs to employed residents was 1.1, while the Bay Area's ratio was about 1.0 in 2008. Mountain View can thus be characterized as an increasingly "jobs rich" community, where the number of jobs exceeds the number of employed residents. These trends suggest that employers in Mountain View provide jobs for residents of neighboring communities such as Cupertino, Los Gatos, and other parts of Santa Clara, San Mateo, and Alameda Counties.

Table 5-10 Employment Trends, 2003 – 2008

| | Mountain View | | | Santa Clara County | | | Bay Area | | |
|--------------------------------------|---------------|----------|--------------------------|--------------------|----------|--------------------------|-----------|-----------|--------------------------|
| | 2003 | 2008 (a) | Percent Change 2003-2008 | 2003 | 2008 (a) | Percent Change 2003-2008 | 2003 | 2008 (a) | Percent Change 2003-2008 |
| Total Jobs (b) | 47,185 | 56,228 | 19.2% | 857,878 | 905,648 | 5.6% | 3,214,280 | 3,331,745 | 3.7% |
| Employed Residents | 38,000 | 39,900 | 5.0% | 779,200 | 818,800 | 5.1% | 3,346,800 | 3,465,800 | 3.6% |
| Total Jobs/Employed Residents | 1.2 | 1.4 | | 1.1 | 1.1 | | 1.0 | 1.0 | |
| Unemployment rate | 6.1% | 5.6% | | 8.3% | 7.7% | | 7.3% | 6.7% | |

Notes:

(a) 2008 employed residents and unemployment rate reported for December 2008.

(b) Total jobs reported for 1st Quarter 2003 and 2008.

Sources: California Employment Development Department, 2008; BAE 2009

5.7 POPULATION AND EMPLOYMENT PROJECTIONS

Table 5-10 presents population, household, and job growth projections for Mountain View, Santa Clara County, and the nine county Bay Area between 2005 and 2030. These figures represent the Association of Bay Area Governments (ABAG) estimates benchmarked against the 2000 Census and a variety of local sources.

Between 2005 and 2030, Mountain View's population is expected to grow by 15,200 residents, or 21 percent. ABAG projects Santa Clara County and the Bay Area as a whole will experience larger population increases of 29 percent and 23 percent, respectively.

Job growth is expected to continue to outpace population and household growth in Mountain View, compounding the "jobs rich" nature of the City. ABAG expects the City to experience a 38 percent increase in jobs between 2005 and 2030, while population and households are only expected to grow by 21 and 22 percent, respectively.

Table 5-11 Population, Household, and Employment Projections, 2005-2030

| | 2005 | 2010 | 2015 | 2020 | 2025 | 2030 | Total Change 2005 - 2030 | % Change 2005 - 2030 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------------------|-------------------------|
| Mountain View (a) | | | | | | | | |
| Population | 71,800 | 73,900 | 77,000 | 81,000 | 84,400 | 87,000 | 15,200 | 21.2% |
| Households | 31,860 | 32,910 | 34,340 | 35,990 | 37,530 | 39,010 | 7,150 | 22.4% |
| Jobs | 51,130 | 52,610 | 56,520 | 60,690 | 65,160 | 70,500 | 19,370 | 37.9% |
| Santa Clara County | | | | | | | | |
| Population | 1,763,000 | 1,867,500 | 1,971,100 | 2,085,300 | 2,177,800 | 2,279,100 | 516,100 | 29.3% |
| Households | 595,700 | 628,870 | 665,000 | 701,470 | 732,830 | 769,750 | 174,050 | 29.2% |
| Jobs | 872,860 | 938,330 | 1,017,060 | 1,098,290 | 1,183,840 | 1,272,950 | 400,090 | 45.8% |
| Bay Area (b) | | | | | | | | |
| Population | 7,096,100 | 7,412,500 | 7,730,000 | 8,069,700 | 8,389,600 | 8,712,800 | 1,616,700 | 22.8% |
| Households | 2,583,080 | 2,696,580 | 2,819,030 | 2,941,760 | 3,059,130 | 3,177,440 | 594,360 | 23.0% |
| Jobs | 3,449,640 | 3,693,920 | 3,979,200 | 4,280,700 | 4,595,170 | 4,921,680 | 1,472,040 | 42.7% |

Note:

(a) Data reported for Mountain View jurisdictional boundary.

(b) Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

Sources: ABAG Projections, 2007; BAE, 2009.

5.8 RESIDENTIAL MARKET OVERVIEW

Despite recent deteriorating market conditions at the State and national levels, Mountain View's housing market has remained relatively strong. This is an indication of the City's strong locational attributes and quality of life amenities as well as the lack of vacant parcels in the community. However, future growth is likely to be limited and focused on key in-fill opportunity sites given the limited land supply. The following sections summarize the key market indicators that will affect the type and amount of development that is likely to occur in the long term.

Housing Stock and Tenure

As reported by BAE, the number of housing units in the City grew by a modest three percent between 2000 and 2008, from 32,432 to 33,475 units, compared with eight percent growth in Santa Clara County overall during that same period. Again, this below average growth rate reflects the City's diminishing development opportunities rather than weak market demand.

Mountain View's housing stock includes a diverse mix of single family, multi-family, rental and ownership units. Specifically, 56 percent of the City's housing stock consists of multi-family apartments and condominiums, and 27.8 percent of the stock consists of single family detached units; the remainder includes a combination of single family attached units such as townhouses (12.1 percent), and other housing types (including mobile homes). Table 5-12 illustrates housing units by type in Mountain View. Of the multi-family units, more than 85 percent are in buildings with five or more units. It is interesting to note that Mountain View's share of single-family detached homes (27.8 percent) is relatively low. In Santa Clara County, 54 percent of the housing stock consists of single-family detached units, which is consistent with the Bay Area overall.

Compared with Santa Clara County as a whole, Mountain View has more renters and more non-family households. About 41.4 percent of the housing units are owner-occupied which is well below the average in Santa Clara County (59.3 percent owner-occupied) and the average in the Bay Area (57.8 percent owner-occupied). Again, this is likely a reflection of the high proportion of multi-family housing which tends to disproportionately cater to renters.

Residential Market Indicators

Residential market indicators, such as prices, vacancy, and turn-over provide useful information on performance of Mountain View's housing market relative to the region as a whole.

Rental Market Characteristics and Trends

A review of rental market conditions in Mountain View was conducted using data from RealFacts, a private vendor that collects quarterly rental data from apartment complexes with 50 or more units. This database includes over 7,700 units in the City, representing approximately 40 percent of Mountain View's renter occupied housing units.

Table 5-12 Housing Units by Type, 2000-2008

| Mountain View | 2000 | | 2008 | | % Change |
|--------------------------|------------------------|----------------|------------------------|----------------|------------------|
| | Number of Units | % Total | Number of Units | % Total | 2000-2008 |
| Single Family Detached | 9,145 | 28.2% | 9,318 | 27.8% | 1.9% |
| Single Family Attached | 3,700 | 11.4% | 4,038 | 12.1% | 9.1% |
| Multifamily 2 to 4 Units | 2,670 | 8.2% | 2,650 | 7.9% | -0.7% |
| Multifamily 5+Units | 15,686 | 48.4% | 16,238 | 48.5% | 3.5% |
| Mobile Home | 1,231 | 3.8% | 1,231 | 3.7% | 0.0% |
| Total | 32,432 | 100.0% | 33,475 | 100.0% | 3.2% |

| Santa Clara County | | | | | % Change |
|---------------------------|------------------------|----------------|------------------------|----------------|------------------|
| | Number of Units | % Total | Number of Units | % Total | 2000-2008 |
| Single Family Detached | 323,913 | 55.9% | 336,196 | 54.0% | 3.8% |
| Single Family Attached | 52,739 | 9.1% | 55,834 | 9.0% | 5.9% |
| Multifamily 2 to 4 Units | 46,371 | 8.0% | 46,932 | 7.5% | 1.2% |
| Multifamily 5+Units | 136,628 | 23.6% | 164,151 | 26.4% | 20.1% |
| Mobile Home | 19,678 | 3.4% | 19,666 | 3.2% | -0.1% |
| Total | 579,329 | 100.0% | 622,779 | 100.0% | 7.5% |

| Bay Area (a) | | | | | % Change |
|--------------------------|------------------------|----------------|------------------------|----------------|------------------|
| | Number of Units | % Total | Number of Units | % Total | 2000-2008 |
| Single Family Detached | 1,376,861 | 53.9% | 1,466,501 | 53.7% | 6.5% |
| Single Family Attached | 224,824 | 8.8% | 233,612 | 8.5% | 3.9% |
| Multifamily 2 to 4 Units | 266,320 | 10.4% | 272,843 | 10.0% | 2.4% |
| Multifamily 5+Units | 623,388 | 24.4% | 699,127 | 25.6% | 12.1% |
| Mobile Home | 61,011 | 2.4% | 61,328 | 2.2% | 0.5% |
| Total | 2,552,404 | 100.0% | 2,733,411 | 100.0% | 7.1% |

Note:

(a) Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.
Sources: CA Department of Finance, Table E-5, 2008; BAE, 2009.

As shown in Table 5-13, Mountain View had an average rent of \$1,730 for the fourth quarter of 2008. RealFacts reports rents for studios averaging \$1,240 a month, a \$1,594 average monthly rent for one-bedroom units, and a monthly rent of \$2,127 and \$2,388 for two- and three-bedroom units, respectively. On average, rents have increased by 15 percent between 2006 and 2008, an indicator of a strong rental market. This trend parallels regional strength in the residential rental market, as potential homebuyers have continued to rent until the for-sale housing market recovers, the larger economy rebounds, and/or credit markets loosen.

Table 5-13 Overview of Rental Market, Mountain View, Q4 2008

CURRENT MARKET DATA - Q4 2008

| <u>Unit Type</u> | <u>Number</u> | <u>Percent of Mix</u> | <u>Avg. Sq. Ft.</u> | <u>Avg. Rent</u> | <u>Avg. Rent/Sq. Ft.</u> |
|------------------|---------------|-----------------------|---------------------|------------------|--------------------------|
| Studio | 709 | 9% | 480 | \$1,240 | \$2.58 |
| Jr 1BR/1 BA | 430 | 6% | 571 | \$1,331 | \$2.33 |
| 1 BR/1 BA | 3,227 | 42% | 695 | \$1,594 | \$2.29 |
| 2 BR/1 BA | 1,168 | 15% | 901 | \$1,698 | \$1.88 |
| 2BR/1.5 BA | 24 | 0% | 980 | \$1,770 | \$1.81 |
| 2 BR/2 BA | 1,504 | 20% | 1,015 | \$2,127 | \$2.10 |
| 2 BR TH | 247 | 3% | 1,068 | \$2,209 | \$2.07 |
| 3 BR/ 1 BA | 5 | 0% | 1,000 | \$2,035 | \$2.04 |
| 3 BR/2 BA | 359 | 5% | 1,204 | \$2,388 | \$1.98 |
| 3 BR/3 BA | 6 | 0% | 1,491 | \$4,060 | \$2.72 |
| 3 BR TH | 26 | 0% | 1,300 | \$2,753 | \$2.12 |
| 4 BR | 5 | 0% | 1,240 | \$1,790 | \$1.44 |
| Totals | 7,710 | 100% | 802 | \$1,730 | \$2.16 |

AVERAGE RENT HISTORY

| <u>Unit Type</u> | <u>2006</u> | <u>2007</u> | <u>2006-2007 % Change</u> | <u>2008</u> | <u>2006-2008 % Change</u> |
|------------------|----------------|----------------|---------------------------|----------------|---------------------------|
| Studio | \$1,143 | \$1,373 | 20.1% | \$1,229 | 7.5% |
| Jr 1BR | \$1,079 | \$1,242 | 15.1% | \$1,316 | 22.0% |
| 1BR/1 BA | \$1,419 | \$1,625 | 14.5% | \$1,615 | 13.8% |
| 2 BR/1 BA | \$1,417 | \$1,615 | 14.0% | \$1,713 | 20.9% |
| 2 BR/2 BA | \$1,872 | \$2,119 | 13.2% | \$2,122 | 13.4% |
| 2 BR TH | \$1,847 | \$2,096 | 13.5% | \$2,206 | 19.4% |
| 3 BR/2 BA | \$1,971 | \$2,210 | 12.1% | \$2,361 | 19.8% |
| 3 BR TH | \$2,450 | \$2,762 | 12.7% | \$2,891 | 18.0% |
| All Units | \$1,509 | \$1,725 | 14.3% | \$1,737 | 15.1% |

OCCUPANCY RATE

| <u>Year</u> | <u>Average Occupancy</u> |
|-------------|--------------------------|
| 2004 | 94.4% |
| 2005 | 95.1% |
| 2006 | 96.9% |
| 2007 | 96.9% |
| 2008 | 96.0% |

AGE OF HOUSING INVENTORY (by Project)

| <u>Year</u> | <u>Percent of Projects</u> |
|-------------|----------------------------|
| Pre 1960's | 3.4% |
| 1960's | 67.8% |
| 1970's | 22.0% |
| 1980's | 3.4% |
| 1990's | 1.7% |
| 2000's | 1.7% |

Notes:

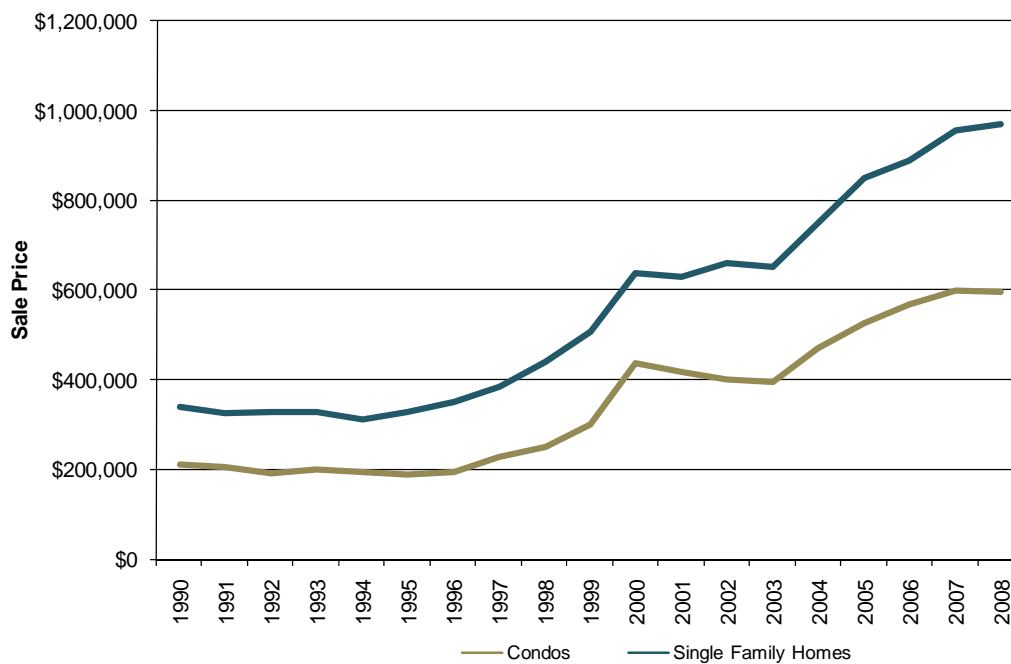
(a) Represents only housing complexes with 50 units or more. Data taken from fourth quarter, 2008.

Sources: RealFacts, Inc., 2009; BAE, 2009.

Home Sale Trends

As shown in Figure 5-1, home values in Mountain View have increased significantly since 2000. According to DataQuick Information Systems, the median sales price for a single-family home increased by 52 percent from \$637,000 in 2000 to \$969,500 in 2008. During the same period, condominium median sales prices grew by 37 percent from \$434,500 to \$596,000. While many other markets in California and across the country have seen home values fall during the current economic downturn, sale prices in Mountain View remained relatively strong through the end of 2008. As of December 2008, the median sales price in Mountain View had only declined by four percent on a year-over-year basis. In comparison, Santa Clara County as a whole saw a 35 percent decline.

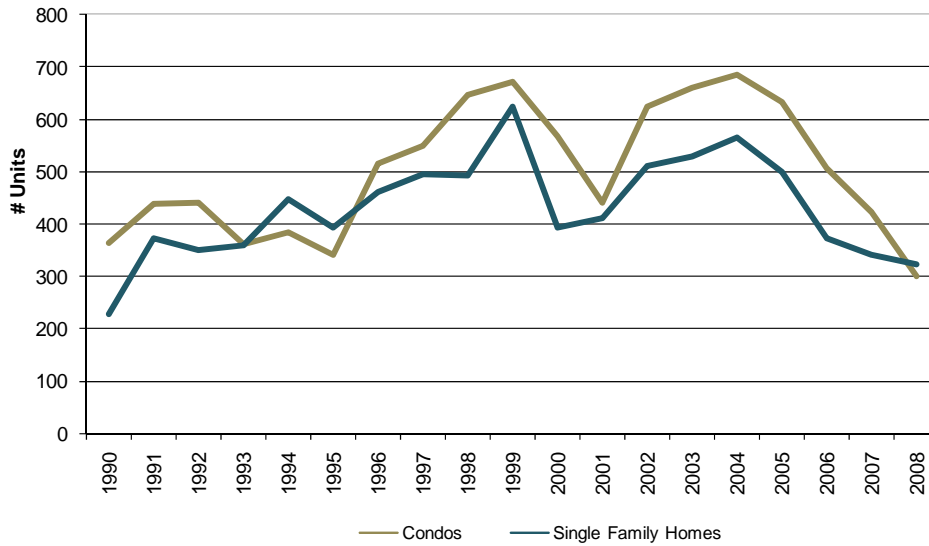
Figure 5-1 Annual Median Home Price, Mountain View, 1990-2008



Source: DataQuick Information Systems, 2009; BAE, 2009.

Although sales prices have remained robust in Mountain View, sales volume has reached its lowest point since 1990. In 2008, 322 single-family homes and 301 condominiums were sold in Mountain View. As Figure 5-2 illustrates, sales volume for single-family homes peaked with 624 sales in 1999, the height of the “dot-com” boom, while condominium sales reached their highest point in 2004, with 685 units. For most of the 18-year sample period, the number of condominium sales has exceeded the number of single-family home sales, a function of the City’s concentration of multi-family homes.

Figure 5-2 Annual Home Sales Volume, Mountain View, 1990-2008



Source: DataQuick Information Systems, 2009; BAE, 2009.

Housing Occupancy and Vacancy Status

Table 5-14 presents housing vacancy conditions in Mountain View in 2000. A low vacancy rate indicates that the demand for housing exceeds the available supply, typically resulting in higher housing prices. In 2000, Mountain View’s vacancy rate of 3.7 percent was higher than the Santa Clara County and Bay Area rates, but lower than the statewide vacancy rate of 5.8 percent.

Table 5-14 Occupancy and Vacancy Status, Rental and Ownership Units, 2000

| Occupancy Status | Mountain View | | Santa Clara County | | California | |
|--------------------------|---------------|---------|--------------------|---------|------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Occupied Housing Units | 31,242 | 96.3% | 565,863 | 97.7% | 11,502,870 | 94.2% |
| Vacant Housing Units (a) | 1,190 | 3.7% | 13,466 | 2.3% | 711,679 | 5.8% |
| Homeowner Vacancy Rate | | 0.6% | | 0.5% | | 1.4% |
| Rental Vacancy Rate | | 1.6% | | 1.8% | | 3.7% |

Notes:

(a) Total vacancy rate includes vacant units for rent, for sale, rented or sold but not occupied, for seasonal, recreational or occasional use, for migrant workers, and for other reasons.

Sources: U.S. Census, SF1-H3 and DP-1, 2000; BAE, 2009

Ownership Housing

Housing economists generally consider a two percent vacancy rate for homeownership units as sufficient to provide adequate choice and mobility for residents. According to the 2000 Census, Mountain View’s vacancy rate for homeownership units in 2000 was 0.6 percent. Vacancy in 2000, the peak of the “dot-com” boom, was also low in Santa Clara County at 0.5 percent. The statewide rate at the same time was higher at 1.4 percent. The low homeownership vacancy rate in Mountain View in 2000 was indicative of the tight housing market at the time. More current data on the homeownership vacancy rate in Mountain View is not available.

Rental Housing

A rental vacancy rate of five percent is considered sufficient to provide adequate choice and mobility for residents. In 2000, Mountain View's rental vacancy rate stood at 1.6 percent, compared to 1.8 percent for the County and 3.7 percent for the state overall. More recent data from RealFacts suggests that rental vacancy rates have increased since 2000. The vacancy rate for rental units in buildings with 50 or more units was 4.0 percent in 2008 (refer to Table 5-13 above). Nevertheless, the current rental vacancy rate still falls below the five percent benchmark for a "balanced" rental market. Again, Mountain View's current rental vacancy rate is generally consistent with rental markets throughout the region, and is a response to the regional and national downturns in the housing market and broader economy.

Long-Term Residential Opportunities and Constraints

Several factors suggest that higher-density product types (e.g., town-homes or condominiums) will continue to be a successful component of the City's future development and redevelopment efforts, if supply is paced to match demand.

- Socio-Economic Trends. As noted in Table 5-11, Mountain View is projected to experience moderate population growth through 2030, adding about 15,200 new residents (between 2005 and 2030), a 21.2 percent increase. However, the rate of employment growth is expected to dramatically outpace population growth. The City is expected to add 19,370 new jobs between 2005 and 2030, a 37.9 percent increase. This suggests that new Mountain View residents are likely to be young, single professionals, a market segment that tends to exhibit stronger preferences for higher density living.
- Limited Land Supply. Mirroring a trend throughout the Bay Area, average home prices have experienced rapid escalation in the City over the last five to seven years. As of the end of 2008, Mountain View has not experienced the dramatic price declines that have plagued many other California markets. This is in part a function of the relationship between market demand and supply and the diminishing amount of readily available tracts of land for large-scale residential development. Increasing home prices combined with reduced land availability will continue to improve the economic attractiveness of higher density development in the long term.
- Potential for Desirable Urban Amenities in Accessible Location. Mountain View is a well-regarded community conveniently located relative to major commercial and employment centers in the Bay Area. A variety of in-fill opportunities adjacent to transit and other urban amenities are likely to be well received by the marketplace, which could include both young urban professionals in addition to an increasingly aging population.

5.9 RETAIL MARKET OVERVIEW

Mountain View is centrally located in a mature and supply-rich retail environment that includes some of the most diverse and successful commercial districts in the United States. This broader region contains the full spectrum of retail offerings—districts that cater to everything from daily needs and discount shopping to entertainment, tourism, high-fashion, and other specialty categories (e.g., ethnic and arts and crafts). Meanwhile, the City itself contains a relatively diverse, albeit disaggregated retail sector including a traditional “main street” oriented Downtown, a well-traveled commercial strip (i.e., El Camino Real), a department store anchored shopping center (San Antonio Center), and numerous neighborhood and stand-alone commercial centers.

From the perspective of both retail tenants and customers in Mountain View, the City’s jurisdictional boundaries are less important than factors such as convenience and travel time, the range and quality of retail offerings, geographic or psychological barriers, and existing commute or shopping patterns. Consequently, Mountain View’s retail sector must be viewed in the context of the over-lapping and inter-connected sub-markets that shape the shopping, commute, and leisure/entertainment patterns of residents, visitors and workers within the broader region.

The complex interrelationships among the communities along the Peninsula have both positive and negative implications for Mountain View’s retail sector. These interrelationships suggest that particular tenants or projects have the potential to attract demand from a variety of market segments, including commuters, employers and their workers, and a cross section of residential neighborhoods. However, they also suggest a high level of competition, making it difficult for a tenant or project to dominate a particular sub-market or niche.

An overview of the key market indicators and trends that will affect the City’s long-term retail performance is provided below.

Regional Retail Supply

With nearly 33 million square feet of retail in centers 50,000 square feet or greater, Santa Clara County boasts a rich and established retail inventory.³ Mountain View’s retail supply of 2.25 million square feet represents approximately seven percent of the County total.⁴

San Jose to the south of Mountain View offers nearly 17 million square feet of retail including the major shopping destinations of Santana Row, Westfield-Oakridge, El Paseo de Saratoga, Westgate Shopping Mall, the Willow Glen Shopping District, and the Downtown area. Palo Alto to the north is home to the Stanford Shopping Center and Santa Clara offers Westfield at Valley Fair (see Table 5-14). Consequently, in order to compete at a regional level, Mountain View will have to do more than mimic existing

³ Terranomics, Santa Clara County Year-End 2008 Retail Shopping Centers Report. Gross Leasable Area estimate of 33 million square feet in Santa Clara County excludes malls.

⁴ Terranomic’s retail supply estimate is not comprehensive. The figure only includes retail space located in shopping centers that are 50,000 square feet and greater.

retail models and formats; it will need to distinguish itself from the very successful Santana Row, Stanford Shopping Center and other nearby shopping destinations.

Table 5-15 Shopping Centers/Districts within Mountain View's Trade Area

| Shopping Center/District | City | Address |
|-------------------------------|---------------|---|
| Santana Row | San Jose | 368 Santana Row, Suite 1020 |
| Westfield — Valley Fair | Santa Clara | 2855 Stevens Creek Boulevard |
| Westfield — Oakridge | San Jose | 925 Blossom Hill Road |
| Great Mall | Milpitas | 447 Great Mall Drive |
| Downtown San Jose Shopping | San Jose | Downtown Core |
| PruneYard Shopping Center | Campbell | 1875 South Bascom Ave |
| Stanford Shopping Center | Palo Alto | 1 Stanford Shopping Court |
| El Paseo de Saratoga | San Jose | Saratoga Avenue and Campbell Avenue |
| Westgate Shopping Mall | San Jose | 1600 Saratoga Avenue |
| The Town of Los Gatos | Los Gatos | Downtown Core |
| Downtown Campbell | Campbell | Campbell Avenue (between Winchester Blvd and Railway Ave) |
| San Antonio Shopping Center | Mountain View | El Camino Real and San Antonio Road |
| Downtown Sunnyvale | Sunnyvale | Downtown Core |
| Downtown Palo Alto | Palo Alto | Downtown Core |
| Mercado | Santa Clara | Mission College Boulevard between Highway 101 and Great America Parkway |
| McCarthy Ranch | Milpitas | North McCarthy Boulevard and Ranch Drive |
| Willow Glen Shopping District | San Jose | Lincoln Avenue Downtown Business District (between Coe Street and Minnesota Avenue) |

Sources: www.sanjose.com/shops; Economic & Planning Systems, Inc.

Retail Market Indicators

Existing retail market indicators provide a snapshot of current conditions as well as information on the performance and role of Mountain View within the broader region.

Vacancy and Lease Rates

Average vacancy and lease rates in Mountain View suggest that the City compares relatively well to the County, although lags behind some of the premier districts and centers in the Peninsula. Although the City's retail vacancy rate is up to 2.2 percent as of year-end 2008 compared with 1.6 percent as of year-end 2007, it is below the County average of 4.7 percent and even further below the West County average of 6.1 percent.⁵ Annualized triple net asking rents⁶ range from \$30 to \$48, with an average of \$42.21, which is more than 20 percent higher than the County's average asking rent.⁷

⁵ Retail market indicators represent conditions of shopping centers 50,000 square feet and greater. Source: Terranomics. (2008). Santa Clara Retail Report Year End 2008. <http://www.terrannomics.com/index.htm>

⁶ A triple-net lease is one in which the tenant is to pay all operating expenses of the property in addition to the rent rate quoted.

⁷ Terranomics. (2008). Santa Clara Retail Report Year End 2008. <http://www.terrannomics.com/index.htm>

Historical Taxable Sales

Retail sales in Mountain View have grown over the past seven years at an annual average rate of 0.1 percent, as reported by the California State Board of Equalization and shown in Table 5-16 and 5-17.⁸ However, this annual growth rate is below the State-wide average of 4.4 percent. Because the Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area between 2000 and 2007 had an average annual inflation rate of 2.86 percent, retail sales in the City actually declined by just under 2.8 percent. In other words, the City's retail sector has remained relatively stagnant and has even contracted slightly, especially compared to the growth in total expenditure potential.

⁸ Taxable Sales in California (Sales and Use Tax) Annual Report, 2000-2007.

Table 5-16 City of Mountain View Taxable Sales by Type of Business, 2000-2007 (in thousands of nominal dollars)

| | 2000 | 2001 | 2002 | 2003 |
|---------------------------------|--------------------|------------------|------------------|--------------------|
| <u>Taxable Sales (a)</u> | | | | |
| Apparel | \$17,353 | \$16,390 | \$16,167 | \$16,265 |
| General Merchandise | \$248,271 | \$248,922 | \$242,148 | \$240,543 |
| Food | \$46,606 | \$47,812 | \$48,086 | \$47,904 |
| Eating and Drinking Places | \$126,106 | \$122,496 | \$117,235 | \$116,278 |
| Home Furnishings and Appliances | \$74,829 | \$58,690 | \$52,478 | \$47,344 |
| Building Materials | \$36,556 | \$36,723 | \$36,384 | \$36,046 |
| Motor Vehicles and Parts | \$99,812 | \$98,578 | \$98,457 | |
| Service Stations | \$95,224 | \$87,196 | \$79,764 | \$90,807 |
| Other Retail | <u>\$261,617</u> | <u>\$172,864</u> | <u>\$133,259</u> | <u>\$224,629</u> |
| Retail Stores, Total | \$1,006,374 | \$889,671 | \$823,978 | \$819,816 |
| California | \$287,067,697 | \$293,956,521 | \$301,612,306 | \$320,217,054 |
| | 2004 | 2005 | 2006 | 2007 |
| <u>Taxable Sales (a)</u> | | | | |
| Apparel | \$17,296 | \$18,118 | \$19,840 | \$21,580 |
| General Merchandise | \$249,492 | \$250,497 | \$265,136 | \$269,393 |
| Food | \$47,724 | \$48,057 | \$47,557 | \$49,933 |
| Eating and Drinking Places | \$124,705 | \$133,955 | \$143,537 | \$152,590 |
| Home Furnishings and Appliances | \$44,591 | \$36,133 | \$53,459 | \$60,944 |
| Building Materials | \$35,944 | \$38,532 | \$39,740 | \$40,237 |
| Motor Vehicles and Parts | | | \$93,292 | \$105,533 |
| Service Stations | \$108,030 | \$124,224 | \$133,944 | \$140,630 |
| Other Retail | <u>\$241,458</u> | <u>\$242,888</u> | <u>\$173,249</u> | <u>\$173,969</u> |
| Retail Stores, Total | \$869,240 | \$892,404 | \$969,754 | \$1,014,809 |
| California | \$350,172,688 | \$375,808,125 | \$389,066,572 | \$387,025,102 |

(a) Based on taxable sales as reported by the State Board of Equalization. The average annual inflation rate between 2000 and 2007 was 2.86%.

Sources: State Board of Equalization, *Taxable Sales in California (Sales and Use Tax) Annual Report, 2000-2007*; Economic & Planning Systems, Inc.

Table 5-17 Growth in the City of Mountain View Taxable Sales by Type of Business, 2000-2007, in thousands of nominal dollars.

| | Growth (2001-2007) | | |
|---------------------------------|--------------------|-------------|-------------|
| | # | % | Avg. Annual |
| <u>Taxable Sales (a)</u> | | | |
| Apparel | \$4,227 | 24.4% | 3.2% |
| General Merchandise | \$21,122 | 8.5% | 1.2% |
| Food | \$3,327 | 7.1% | 1.0% |
| Eating and Drinking Places | \$26,484 | 21.0% | 2.8% |
| Home Furnishings and Appliances | -\$13,885 | -18.6% | -2.9% |
| Building Materials | \$3,681 | 10.1% | 1.4% |
| Motor Vehicles and Parts | \$5,721 | 5.7% | 0.8% |
| Service Stations | \$45,406 | 47.7% | 5.7% |
| Other Retail | -\$87,648 | -33.5% | -5.7% |
| Retail Stores, Total | \$8,435 | 0.8% | 0.1% |
| California | \$99,957,405 | 34.8% | 4.4% |

(a) Based on taxable sales as reported by the State Board of Equalization. The average annual inflation rate between 2000 and 2007 was 2.86%.

Sources: State Board of Equalization *Taxable Sales in California (Sales and Use Tax) Annual Report, 2000-2007*; Economic & Planning Systems, Inc.

Retail Capture/Leakage

A recent study prepared for the City by CB Richard Ellis suggests that overall Mountain View attracts more retail sales than would be expected based on the expenditure power of its residents alone.⁹ Specifically, the study found that total retail sales in the City of about \$1.19 billion in 2007 exceeded the retail spending of local residents of about \$900 million, or by about 24 percent. In other words, the City attracts retail spending from a variety of sources beyond local residents, including employees, commuters, and residents of neighboring jurisdictions.

Although Mountain View's positive capture rate is generally indicative of a healthy retail environment, the City does have a number of "leakage" categories, or retail sectors that are not performing well relative to State averages. These leakage categories include Apparel Stores (55.8 percent); Building Material (48.2 percent); Auto Dealers and Auto Supplies (38.0 percent). Because Building Materials and Auto Dealers and Auto Supplies retail categories have been and will continue to be especially hard hit in this current recession, weakness in these sectors will not affect Mountain View's retail sales base to the same extent as is occurring elsewhere.

As a basis for comparison, the CBRE Study also provided capture/leakage data for other cities in the Peninsula that compete with Mountain View for tenants and customers, as summarized below. This indicates that Santa Clara is the strongest regional attraction market, followed by Palo Alto, and Mountain View, respectively. The findings mirror the presence of regional serving shopping opportunities as summarized

⁹ CB Richard Ellis. (2008). Mountain View Retail Leakage Study. Retrieved December 12, 2008.

in Table 5-15 of the previous section. The percentage represents the ratio between the amount of sales in the City to the total amount spent or the amount of retail capture for the various cities.

- Cupertino 1.5 percent
- Sunnyvale 13.1 percent
- San Jose 21 percent
- Mountain View 24 percent
- Palo Alto 34 percent
- Santa Clara 47 percent

Long-Term Retail Opportunities and Constraints

Although the proceeding analysis suggests that the Mountain View trade area has a saturated retail market, there may still be opportunities for expansion or upgrades in the type of product available. This could be accomplished through a differentiated product or market niche, the relocation or consolidation of existing retail categories, direct competition, or a combination of the above. It is also important to note that the recent economic trends suggest that the national retail market is likely to undergo significant transformation in upcoming years, including substantial consolidation and store closings. A major shake-up in the retail market presents a high degree of uncertainty with regard to tenanting and forecasting absorption. But in the long term it also offers new opportunities as more competitive retail tenants, concepts, and formats emerge and search out new locations.

The long-term retail outlook will depend on how the City and developers leverage the area's demographic and locational advantages at key opportunity sites, as discussed further in subsequent sections. However, significant expansion in the retail sector will be constrained by well established regional market and limited (re-)development opportunities. The subsequent Focus Area Opportunities and Constraints section provides further discussion of these opportunities and constraints.

5.10 OFFICE/INDUSTRIAL MARKET OVERVIEW

Mountain View's location in the heart of Silicon Valley, its access to a large pool of talented and educated workers, and the community's supportive business climate have positioned Mountain View to attract some of the county's most innovative businesses in the fields of high-tech, biotech, and telecommunications.

Historically, Mountain View has had industrial uses, but as the price of land within the City has increased, most of the former industrial land has been converted to more profitable office and research and development (R&D) space. Today the environment in Silicon Valley is still characterized by a continually changing industry mix with new sectors emerging as others contract. Even as the region's industry mix evolves, Mountain View has remained a focal point cultivating top-rated firms for the last 15 years.

The Joint Venture Silicon Valley Network notes that Silicon Valley's changing industry mix can be demonstrated in the shift in employment shares from hardware industries to software from ten years ago as well as in the evolving patterns of venture capital (VC) investment within the past five years. As shown in Table 5-17 below, which was included in the *Economic Development Strategy and Action Plan* for Mountain View, in 2000 significant industry clusters in Silicon Valley were computers and communications (119,147 employees), software (114,074 employees), and innovation and manufacturing (94,216 employees).

Table 5-18 Silicon Valley Average Employment by Industry Cluster, 1994-2000

| Industry Cluster¹ | 1994 | 2000 |
|--------------------------------------|------------------|------------------|
| Bioscience | 22,297 | 27,402 |
| Computers and Communications | 89,678 | 119,147 |
| Innovation and Manufacturing | 61,825 | 94,216 |
| Professional Services | 63,322 | 102,825 |
| Semiconductors | 58,846 | 77,436 |
| Software | 35,293 | 114,074 |
| Subtotal | 331,261 | 535,100 |
| Combined Silicon Valley Total | 1,045,695 | 1,375,744 |

(1) Clusters defined by Joint Venture Silicon Valley.

Sources: Conley Consulting Group; California EDD; Economic and Planning Systems, Inc.

Office/R&D Market Indicators

The bulk of Mountain View's office and R&D space is in the form of low- to mid-rise suburban business parks located in the North Bayshore Area and Moffett/Whisman Road Area of the City, although there are smaller clusters Downtown and throughout

the City. Generally, start-up companies tend to locate in workspace in the smaller clusters, including the City's Downtown, and as the firms expand, they often relocate to larger spaces in the North Bayshore Area.

Although brokers active in this market distinguish between office and R&D space, in Silicon Valley these types of buildings often exist along a spectrum and may be used for office and R&D interchangeably depending on the degree to which a firm's work is lab-intensive. As a result, historically in this area, the same building has catered to different types of firms. In general, R&D offices have more open areas, communal space, and higher ceilings rather than the closed-off, individual workspaces that characterize traditional office buildings. These workspaces, however, can be interchangeable by improving interior spaces to meet the specific tenant's needs.

Mountain View, like the broader Silicon Valley, has experienced steady tenant turnover as newer industries emerge and grow and others contract. Mountain View has attracted prominent companies such as Google, Microsoft, Intuit, Veritas (became Symantec), Verisign and Nokia. Overall, the City contains about six percent of Silicon Valley's total office space and 8.5 percent of the region's R&D space. Though Mountain View's office and R&D markets were largely sheltered from deteriorating economic conditions throughout 2008, at the end of the year, local real estate market conditions began to weaken with increased vacancy, reduced asking rates for existing product, and continued negative net absorption.

Despite the economic downturn, the Mountain View office submarket appears to be out-performing the Silicon Valley market as a whole commanding average asking lease rates of \$3.29 per square foot (full service¹⁰), which are higher than the average rates of \$3.07 per square foot in Silicon Valley overall (shown in Table 5-19).¹¹ Another example of the Mountain View office market's resilience is its relatively steady vacancy rates relative to those in Silicon Valley overall despite challenging economic conditions. The Silicon Valley office market experienced an increase in vacancy of over 60 percent from 10.5 percent in the fourth quarter of 2007 to 17.1 percent in late 2008. Meanwhile, Mountain View's vacancy rate remained relatively stable inching up 0.8 percentage points to 12.7 percent in the fourth quarter of 2008. During this time, Mountain View fared better than other prominent cities, including Palo Alto, San Jose, and Cupertino, which experienced more significant increases in vacancy.

Mountain View also continues to maintain a strong position relative to the Silicon Valley R&D market as a whole. As shown in Table 5-14, average asking rents in Mountain View are \$1.94 per square foot (triple net) compared to \$1.26 in Silicon Valley overall.¹² Cupertino and Palo Alto are the only cities in Silicon Valley commanding higher lease rates than Mountain View with rates of \$2.69 and \$2.43 per square foot, respectively. Additionally, in late 2008, vacancy rates in Mountain View (11.4 percent) were well-below those of Silicon Valley overall (16.3 percent).

¹⁰ In a full service lease, the landlord assumes responsibility for all of the operating expenses and taxes for the property.

¹¹ Office market indicators reflect conditions in Class A, Class B, and office flex buildings over 10,000 square feet.

¹² R&D market indicators reflect conditions in R&D buildings over 10,000 square feet.

It is important to note that the decline in total R&D square footage in Mountain View between 2005 and 2008 (shown in Table 5-19) does not reflect an absolute reduction in space within the City. Based on an interview with NAI BT Commercial staff, the R&D market in Mountain View remains strong, and for the most part, this apparent decline in supply represents the conversion of space to other uses, re-classification of the space due to tenant turnover or re-classification due to system error.

Table 5-19 City of Mountain View Office Market Trends, 2005-2008

| | 4Q2005 | 4Q2006 | 4Q2007 | 4Q2008 |
|---------------------------|-------------|-------------|-------------|-------------|
| Office | | | | |
| Mountain View | | | | |
| Total Building Base (a) | 4,180,763 | 3,957,306 | 3,996,899 | 4,187,693 |
| % of Total Silicon Valley | 6.1% | 5.7% | 5.7% | 5.6% |
| Available Square Feet | 623,866 | 584,051 | 506,295 | 533,023 |
| Vacancy | 14.9% | 14.8% | 12.7% | 12.7% |
| Average Asking Rate (b) | \$2.21 | \$2.72 | \$3.26 | \$3.29 |
| | \$1.15 - | \$1.05 - | \$1.05 - | \$1.50 - |
| Asking Rate Range (b) | \$7.10 | \$4.00 | \$4.08 | \$4.80 |
| Silicon Valley | | | | |
| Total Building Base (a) | 68,603,165 | 68,825,744 | 70,030,968 | 74,363,443 |
| Available Square Feet | 9,010,937 | 7,560,440 | 7,330,932 | 12,699,917 |
| Vacancy | 13.1% | 11.0% | 10.5% | 17.1% |
| Average Asking Rate (b) | \$2.12 | \$2.36 | \$2.76 | \$3.07 |
| | \$0.99 - | \$0.90 - | \$1.00 - | \$0.99 - |
| Asking Rate Range (b) | \$7.10 | \$5.80 | \$7.35 | \$8.70 |
| R&D | | | | |
| Mountain View | | | | |
| Total Building Base (c) | 13,946,740 | 13,170,166 | 13,208,445 | 13,062,985 |
| % of Silicon Valley Total | 9.0% | 8.6% | 8.6% | 8.5% |
| Available Square Feet | 1,969,760 | 1,548,922 | 1,131,966 | 824,598 |
| Vacancy | 14.1% | 11.8% | 8.6% | 11.4% |
| Average Asking Rate (d) | \$1.09 | \$1.22 | \$1.98 | \$1.94 |
| | \$0.50 - | \$0.50 - | \$0.65 - | \$0.80 - |
| Asking Rate Range (d) | \$2.50 | \$3.00 | \$2.75 | \$2.90 |
| Days on Market (Months) | 25.3 | 27.2 | 25.7 | 18.4 |
| Silicon Valley | | | | |
| Total Building Base (c) | 154,632,400 | 153,727,026 | 152,766,564 | 153,864,264 |
| Available Square Feet | 30,425,146 | 28,075,041 | 25,298,127 | 25,093,528 |
| Vacancy | 19.7% | 18.3% | 16.6% | 16.3% |
| Average Asking Rate (d) | \$0.88 | \$0.99 | \$1.26 | \$1.26 |
| | \$0.29 - | \$0.25 - | \$0.20 - | \$0.20 - |
| Asking Rate Range (d) | \$2.90 | \$3.25 | \$4.25 | \$4.75 |
| Days on Market (Months) | 27.9 | 29.2 | 31.2 | 33.2 |

(a) The office total building base estimate is not comprehensive. The figure only includes Class A, Class B, and office flex buildings over 10,000 square feet. Some owner-occupied space (i.e. not leased) may also be excluded.

(b) Full service.

(c) The R&D total building base estimate is not comprehensive. The figure only R&D buildings over 10,000 square feet. Some owner-occupied space (i.e., not leased) may also be excluded.

(d) Triple net.

Sources: NAIBT Commercial; Economic and Planning Systems, Inc.

Industrial Market Indicators

As previously noted, Mountain View has had more industrial users in its past, but as the price of land within the City has increased, most former industrial land has been converted to more profitable office and R&D space. In the fourth quarter of 2008, Mountain View contained about 2.9 million square feet of manufacturing space, which

represents about 4.4 percent of the total space in Silicon Valley.¹³ In late 2008, average asking lease rates in Mountain View were about \$1.11 per square foot (triple net), which were above the average rate in Silicon Valley of \$0.75 per square foot (triple net). Mountain View's lease rates are the highest in the region after those of Palo Alto, which are \$1.54 per square foot (triple net).

Long-Term Office/Industrial Opportunities and Constraints

As described above, the business environment in Silicon Valley is characterized by innovation and a continually changing industry mix. The facility requirements of existing businesses expanding within Mountain View and newly emerging firms will evolve concurrently. An understanding of these shifting workspace and industry requirements is critical. As noted in the recently published *City of Mountain View Long-Range Financial Forecast and Economic Development Strategy Update*, understanding these shifting workspace and industry requirements, "Mountain View must look ahead, not unlike Silicon Valley, to 'reinvent' and position itself to retain and attract many of the new and emerging markets such as life sciences, nanotechnology and companies associated with the emerging 'green economy.'"

In order to maintain its competitive position in the Bay Area's office and R&D markets and continue to attract firms to locate in the City, Mountain View will need to promote the reuse of existing buildings and sites in accordance with evolving workspace requirements. The bulk of Mountain View's office facilities are traditional suburban office parks. These large format, low- to mid-rise buildings are designed and situated to facilitate convenient auto, rather than transit, accessibility. Firms in the high-tech sector are increasingly demanding space in pedestrian-friendly, mixed-use areas with access to transit and other diverse neighborhood amenities, such as restaurants and shops.

The future of the Mountain View market will also be influenced by major nearby development at Moffett Field, including the NASA Research Park located just northeast of the City across Highway 101. The NASA Ames Development Plan allows for up to 4.7 million square feet of new development, including about 1,900 residential units and 2.6 million square feet of educational, office, R&D, museum, conference center, and retail space. This includes up to 1.2 million square feet of office/ R&D space as part of a Google campus and 1.1 million square feet of office/ R&D, educational, and other nonresidential space at the University Development Area.

It is difficult to speculate on the overall impact of the NASA Research Park development on Mountain View, although positive and negative impacts are likely to result. On the positive side, the area may generate spin-off activity as well as attract firms seeking to locate in close proximity to this high-profile development. However, there also may be some negative impacts resulting from increased traffic and increased competitive supply.

¹³ Manufacturing market indicators reflect conditions in manufacturing buildings over 10,000 square feet.

5.11 FOCUS AREA OPPORTUNITIES AND CONSTRAINTS

The portions of the City where land use changes are being expected or sought have been included within the nine focus areas (see Figure 1-5). The General Plan Visioning Process provided a general description for each of these areas and also expressed a “vision” for each of the focus areas. A major theme of this “vision” is to redevelop and revitalize the focus areas into “village-like” nodes with convenient and safe pedestrian access, a mix of land uses, and integrated public amenities. (Additional discussion of the General Plan Visioning Process and the focus areas is included in Chapter 1, Introduction as well as online at www.mountainview2030.com).

The following sections outline the opportunities and constraints affecting the nine focus areas. As noted at the outset, although the current economic climate will affect the immediate feasibility for a broad spectrum of uses, this analysis is focused on site attributes, local conditions, and economic trends that will determine achievable land uses in the focus areas over the longer term.

San Antonio Area

The San Antonio Area is a 58-acre area that is dominated by the San Antonio Center, an aging shopping center bounded by El Camino Real, San Antonio Road, California Street and Showers Drive. The focus area also includes peripheral land on the west side of San Antonio Road that contain assorted retail and office uses and the north side of California Street that contains The Crossings housing development. Current tenants at the San Antonio Center include regional retail tenants such as Sears, Wal-Mart and Joann’s Fabrics. Community and neighborhood retail uses include grocery stores and restaurants.

Over the years the City has sought the center’s revitalization, with success limited to re-tenanting existing buildings (e.g., Trader Joe’s). Wal-Mart was built in the mid 1990’s to replace a smaller existing department store. A Precise Plan was originally adopted in 1988 and subsequently amended. In 2007 the City considered options for re-activating planning efforts but these have not been pursued. It appears that original constraints including the multiple ownership (18 separate property owners) and long-term ground leases along with changing retail market conditions have frustrated substantial revitalization. In January 2009, the City Council authorized the assignment of staff and other resources to review an application for a General Plan amendment and an amendment to the San Antonio Center Precise Plan.¹⁴

Vision

The community vision for the San Antonio Center includes creating a new, improved regional shopping center along with introducing a wider range of uses including neighborhood shopping, housing, community services, office uses, and public spaces, all in a modern mixed-use development form that is pedestrian and transit-oriented.

¹⁴ City of Mountain View, City Council Minutes, Item 7.1, January 27, 2009.

Opportunities

Large, underutilized site

Similar to other older shopping centers, the San Antonio Center is dominated physically and visually by surface parking fields. Overall floor area ratio (FAR) is approximately 0.25 (25 percent coverage). A substantially increased “development envelope” could be created by removing existing buildings, building at higher densities, building on existing parking fields, and relying upon structured parking. Under such a scenario development intensity (current built space equals approximately 380,000 square feet) could be doubled or even tripled.

Excellent location and accessibility

The San Antonio Center is located along El Camino Real near the City’s boundary with Palo Alto to the west and Los Altos to the south, an excellent location from a retail market perspective. The site has good access and visibility along El Camino Real and also San Antonio Road, the major arterial running along the area’s northwest periphery. The trade area surrounding the area is densely populated and has very strong demographic characteristics (household income, etc.). The frontage along the major arterials creates the opportunity to create more traditional and visually pleasing and pedestrian-friendly development.

The area is bounded by two major transit corridors, the bus-transit lines running along El Camino Real and the Caltrain line that runs parallel with Central Expressway. Caltrain’s San Antonio Station is also located in the area. This transit access offers opportunities for additional transit-oriented development, including additional multi-family housing and office uses. Transit access and the potential for pedestrian accessibility to retail shopping and jobs have the potential to reduce travel demand and related increases in congestion on local arterials.

Constraints

Market conditions

While the community has expressed interest in upgrading the San Antonio Center to a modern, upscale regional shopping center and mixed-use neighborhood, this objective may be constrained by national and local market conditions. While the Center is well-located, as noted above, there is substantial competition for regional retail uses in the trade area including Stanford Shopping center, located less than five miles to the northwest in Palo Alto, and Santana Row (in San Jose) and Great Mall (in Milpitas) both less than 15 miles from Mountain View. Westfield Valley Fair (in Santa Clara) and the Prune Yard Shopping Center (in Campbell) lie approximately 17 miles from Mountain View.

Community and neighborhood shopping is also competitive with substantial retail facilities located in the City and nearby along the El Camino Real corridor. Moreover, retail business on a national scale, which has continuously undergone transformation in the past, is experiencing a major market contraction related to the ongoing national recession. It is likely that one result of this contraction will be the loss of many “national credit” retailers, as has already been experienced, a related shifting of sales venues, and a permanent reduction in retail space per capita.

Multiple ownership

Successful regional shopping centers typically have centralized ownership and management that allows continual updating, reinvestment, and reinvention. The fragmented ownership pattern of the San Antonio Center has led the individual owners to pursue business opportunities on their respective holdings without regard to the quality or functioning of the Center as a whole. Also, the multiple ownerships prevent achieving a sufficient scale to attract the major retail tenants typical of a competitive, improved regional shopping center.

Complex development pattern and tenancing

While being “underutilized” overall, the Center is the location of a number of successful retailers (e.g., Wal-Mart, Trader Joe’s) along with currently vacant buildings (Mervyn’s, to be retenanted by Kohl’s) and struggling retailers (e.g., Sears). The random pattern of these retailers makes a unified Center-wide redevelopment project challenging. This means that redevelopment will probably need to occur on a piecemeal basis; the reduced scale of such a process may limit the overall potential of the Center.

El Camino Real

The El Camino Real area is a narrow (generally a single parcel deep) corridor running the length of El Camino Real as it transects the City. The area is dominated by commercial development along its entire length, although vacant and under-utilized parcels do exist. Existing land uses include strip commercial centers, auto-related retail uses, national chain restaurants, lodging uses, and some multi-family residential uses.

Vision

The community vision for El Camino Real includes creating a mixed-use boulevard, consistent with the regional vision for the entire length of El Camino Real (i.e., Grand Boulevard Initiative). As such, the parcels fronting on El Camino Real would include a wider range of uses including neighborhood shopping, housing, community services, office uses, and public facilities, emphasizing modern mixed-use development form. As a part of this redevelopment, an effort will be made to create pedestrian crossings and other features that re-integrate the north and south portions of the City.

Opportunities

Underutilized parcels and antiquated buildings/uses

As is characteristic of much of the entire length of the El Camino Real in San Mateo and Santa Clara County, the existing older development pattern is generally underutilized with development intensity below existing zoning limits, although there are some smaller parcels with non-conforming development intensities that exceed current zoning limits. The character of development along El Camino Real and the adjoining use conditions suggest that the corridor is best organized as four linear sub-areas defined by the major crossing arterials - State Route 237, Calderon Avenue, Shoreline Boulevard, and Rengstorff Avenue.

Access and visibility

As a continuous historical commercial corridor El Camino Real has excellent visibility and access. Some 30,000 vehicle trips are carried on the road every day through Mountain View (pending confirmation by team traffic consultant). Also, for the most part, direct access onto the adjoining commercial parcels is available.

El Camino Real is a major regional bus route and there are a number of other crossing bus routes, adding to the transit access to and from the area. Additional higher density housing can contribute to the success of transit in this area to supplant automobile trips.

Connection to adjoining Focus Areas

The El Camino Real focus area adjoins the Downtown, Rengstorff, and San Antonio focus areas. As such, at least a third of its length on the north side of the road can be integrated with efforts in these areas.

Ability to achieve higher density development

The existing commercial character of the El Camino corridor, along with a general level of underutilization, as noted above, creates the opportunity to achieve higher density development that for one reason or another may not be feasible in other parts of the City. Such high density, often mixed-use development, if permitted, has the potential to overcome existing use and value constraints. Several recently completed or approved projects along the corridor in Mountain View and adjacent cities signals to the market that this type of density can be successfully developed.

Constraints

Market conditions and benefits of existing uses

The pattern of existing uses along El Camino Real reflects current market conditions and historical development and business patterns. While upgrading uses along El Camino Real is a desirable goal, the existing array of businesses provide valuable community services including auto-related services, commercial and business services, and personal services. Many of these businesses depend upon relatively low rents and "store-front" surface parking. Displacement through redevelopment to "higher value" uses may have other consequences including loss of convenience to residents and longer vehicle trips.

Shallow parcel depth

The corridor is defined by a preponderance of shallow commercial parcels along El Camino Real backing on to residential neighborhoods. This circumstance both limits development potential because of small parcel size and limited depth and creates potential use-conflicts with adjoining properties.

Variety of ownership, development form, type, and quality

The multiple property ownerships along the corridor along with distinctly varying age, intensity, and quality of development from parcel to parcel will make continuity of redevelopment along El Camino Real difficult.

Maintaining traffic capacity

While it is desirable to create better cross-boulevard access and a more pedestrian-friendly streetscape, El Camino Real will remain a major regional arterial roadway, albeit one with more or less close distance curb cuts and parking lots fronting the street (which can impede traffic capacity). The businesses arrayed along El Camino Real depend upon this vehicle volume and direct parking and access for their business.

Downtown

The Downtown focus area is located at the heart of Mountain View centered along Castro Street surrounded by the City's original and well-maintained residential neighborhoods. The area is bounded by South Shoreline Boulevard on the east, West Evelyn Avenue and the Caltrain tracks on the north, El Camino Real on the south and Calderon Avenue on the east. The Downtown has long served as the City's "main street"; however, suburban trends weakened this role in the post-war period. Over the past several decades the City has engaged in a substantial effort to revitalize and redevelop the Downtown with considerable success. A Redevelopment Project Area was established and with it major civic improvements (City Hall, Performing Arts Center, Library) were completed in the 1990s. The Downtown Precise Plan was prepared in the 1988 that led the way to a round of redevelopment activity including new office and retail space, additional residential uses, and streetscape improvements along Castro Street.

Vision

The community vision for the Downtown includes building on past success by expanding neighborhood-serving retailers such as a grocery store, hardware, and cleaners; selective intensification of underutilized parcels with additional office and residential uses; strengthening the Downtown's eating and drinking and entertainment attractions; and improving access and linkage to other areas of the City and taking advantage of the Caltrain station.

Opportunities

Supportive policy environment and history of success

Mountain View has been investing in its Downtown area for the past several decades with a concerted effort of civic facility and public improvements, redevelopment actions, land use policy, and public/private cooperation. The results of this effort have been positive—the Downtown is vital and functions as an attractive, pedestrian-oriented "main street" for the City that is located in close proximity to a multi-modal transit center. This past success provides confidence and support to continue positive actions that further strengthen the Downtown.

Civic facilities and attractions

The location of public attractions including the Performing Arts Center, Library, City Hall, Eagle Park, the successful Downtown farmer's market, and special events have all strengthened the Downtown as a destination and community amenity. These facilities and events can continue to contribute vitality and attraction to the Downtown.

City-owned land (e.g., parking lots)

As a part of its prior redevelopment and revitalization efforts the City has purchased a number of parcels in the Downtown for use as surface parking lots generally arrayed along Bryant Street and Hope Street as they parallel Castro Street in the Downtown. These parcels have substantial development potential, especially if they can be combined with adjoining privately-held parcels. Replacement parking can be achieved through creating structured or underground parking, similar to the new Bryant Street garage. Such reuse of the surface parking lots and related parcel assembly has potential to create additional office, residential, and retail uses in the Downtown.

Market for multi-tenant office space

The central location of the Downtown in Silicon Valley along with emerging trends in the industry and its overall attractiveness and accessibility create opportunities for office space for smaller industry-serving professional businesses as well as “start-up” companies.

Vital businesses dominated by eating and drinking establishments

The aggregation of restaurants, drinking establishments, and specialty retail uses makes the Downtown a regionally recognized destination. This attractiveness creates the opportunity for expanded specialty retail uses including apparel and housewares.

Increasing residential densities

Redevelopment creates opportunities for additional residential projects in and nearby the Downtown that can increase its vitality as a pedestrian-oriented and diverse “main street”. Residential uses also create opportunities for increased transit ridership at the Downtown Caltrain station, increased demand for neighborhood-serving businesses, and reducing vehicle trips.

Market support for neighborhood-serving uses

The combination of increasing residential densities in the immediate trade area have improved market potential for a grocery store and perhaps other neighborhood-serving uses. A recent market study commissioned by the City indicates that adequate market demand is emerging for a mid-sized grocery store.

Constraints

Numerous small parcels and multiple ownerships

The Downtown is fragmented into numerous small parcels laid out when it was first platted in the 19th century. This parcel pattern results in limited development opportunities and other limitations. The small parcels, because of their existing commercial use conditions, bear relatively high land prices, making parcel assembly difficult and costly. Diverse ownership also makes cooperation (e.g., balanced and complementary retail tenancy) difficult.

Lack of large, developable sites

Other than the aforementioned municipal parking lots, there are few vacant parcels in the Downtown. Development capacity will derive almost entirely from redevelopment of existing underutilized parcels, creating an additional expense and hurdle for such redevelopment.

Expiration of Redevelopment Project Area

The City’s Downtown Redevelopment Project Area (Revitalization District) is set to expire in April, 2011. As such, future projects in the Downtown will not have the benefit of redevelopment agency powers or resources.

Impact of High Speed Rail

The California High Speed Rail system alignment runs parallel with the existing Caltrain right-of-way although no station is planned for Mountain View. While no detailed right-of-way studies have been conducted it is likely that the additional right-of-way will be required affecting existing and future development potential along West Evelyn

Avenue. Contingency planning will be necessary to assure that in the event of additional right-of-way requirements that the Downtown can continue to thrive.

Moffett Boulevard

Moffett Boulevard provides direct access to Downtown Mountain View from Highway 101, located approximately 1.5 miles to the north. The focus area generally encompasses the parcels fronting on Moffett Boulevard from Highway 101 to the Central Expressway. The area is presently characterized by a mix of lower density retail, commercial, lodging, and residential uses dispersed along the Boulevard and includes several publicly-owned sites. Retail uses are mostly located in several strip malls located at intersections along Moffett Boulevard. Visibility and direct access from Moffett Boulevard, along with adequate surface parking, are important to these businesses.

Vision

The community vision for the Moffett Boulevard area includes creating an inviting urban street that provides a “gateway” into Downtown Mountain View from the north. Along with upgrading existing uses, a range of new intensified mixed-uses would be located along the street that would provide pedestrian access, and connections to the Stevens Creek trail and related open space and improved commercial services for adjoining neighborhoods.

Opportunities

Market conditions

Substantial increases in development through infill or redevelopment of existing built sites assumes increasing market demand for such space. Additional residential and commercial development can contribute to this demand but it will be important to scale planned commercial uses to realistic estimates of space required. The current concentration of retail uses reflects historical development patterns, convenient access, and community and neighborhood demand for retail and commercial services. This pattern and scale of uses provides a basis for moderate expansion of retail and commercial uses as demand derived from gradual increases in population and employment occurs in the surrounding areas.

Underutilized parcels

As is the case with other focus areas, the Moffett Boulevard Area has been developed at relatively low intensities, generally single-story buildings with relatively low development intensity. These parcels have the potential for reuse and infill to more intensive commercial or mixed-use buildings.

Reuse sites

Moffett Boulevard encompasses two sites with potential for reuse, the County’s vector control facility and the Shenandoah Military Housing site. The City has considered cooperative efforts with the County and the federal government, the respective owners of these sites, to pursue reuse for residential or commercial purposes.

Proximity to transit, Downtown and other employment centers

Moffett Boulevard intersects Central Expressway near the Caltrain station providing access to transit services, as well as the employment opportunities and retail/commercial services and public amenities located in the Downtown. Moffett

Boulevard also provides direct access to NASA-Ames/Moffett Field, which is emerging as a major employment center.

Open space access

Stevens Creek transects Moffett Boulevard; trail improvements link the area to Shoreline Park located two miles north and to other public parks to the south. These facilities improve access and provide recreational amenities to local residents and employees.

Constraints

Fragmented, small-parcel development pattern

Similar to the City's other commercial thoroughfares, development along Moffett Boulevard has occurred over the past 50 years in a piecemeal fashion so at this time there is a mixture of newer, more intensive development with older lower intensity buildings. These conditions will require that redevelopment toward the vision occur in an opportunistic fashion, focusing upon the sites with the greatest development potential. Wholesale or coordinated redevelopment will be challenging.

Streetscape and access improvements

Desired streetscape and pedestrian access improvements will require substantial public investment that may not be achievable, in a continuous fashion, with the anticipated redevelopment of the Boulevard.

Old Middlefield Way Area

The Old Middlefield Way Area encompasses the parcels fronting on Old Middlefield Way as it extends from Highway 101 to the City boundary with Palo Alto. As an older commercial corridor, the area is characterized by auto-related and other service commercial uses and some small scale retail businesses. A variety of residential uses including single family and several apartment complexes are located in the north of the area.

Vision

The community vision for the Old Middlefield Way area focuses upon revitalization of the area to create a more complete neighborhood with a range of neighborhood serving uses, some residential development, and continuation of service commercial uses and light industrial uses.

Opportunities

Proximity to North Bayshore Area (employment center)

Old Middlefield Way carries considerable traffic volumes and links Palo Alto and points north to the North Bayshore Area located just across Highway 101. The concentration of employment and commercial activity strengthens business opportunities and related development potential in nearby areas.

Underutilized parcels

There are a considerable number of underutilized parcels in the area that could be available for increased-density development, including higher density residential uses and commercial mixed-use buildings.

Constraints

Market conditions and benefits of existing uses

Similar to service commercial uses located along El Camino Real, the uses arrayed along Old Middlefield Way reflect current market conditions and historical development and business patterns. While upgrading these properties to higher intensity uses is a desirable goal, the existing businesses provide valuable community services including auto-related services, commercial and business services, and personal services. Many of these businesses depend upon relatively low rents and “store-front” surface parking. Displacement through redevelopment to “higher value” uses may have other consequences including loss of convenience to residents and longer vehicle trips. There may be inadequate demand for substantial expansion of community or neighborhood serving uses.

Fragmented, small parcel development pattern

Development along Old Middlefield Way has occurred over the past 50 years in a piecemeal fashion. Given the service commercial character of the businesses along the way the area remains vital with a range of successful businesses. These conditions will require that redevelopment toward the vision occur in an opportunistic fashion, focusing upon the sites with the greatest development potential.

North Whisman Area - East

North Whisman Area – East is located east of North Whisman Road with Highway 101 defining its northern boundary. State Route 237 defines the southeast boundary and East Middlefield Road bisects the area. The area is presently characterized by a range of office and industrial uses developed over the past 40 years and occupied by high technology and science-based companies reflecting the Silicon Valley industrial cluster.

Vision

The community vision for the area suggests creating a more complete urban neighborhood in the historically industrial area by upgrading and intensifying office and industrial uses, adding higher density residential uses along with related neighborhood serving commercial uses, and providing additional open space and recreation amenities.

Opportunities

Transit access

The area is transected by the VTA line which leads to the Whisman and Middlefield light rail stations in the area. Transit access enhances the area for both residential uses and as an employment center. The VTA line provides transit service throughout the Valley but service levels will need to be improved to enhance ridership levels.

Underutilized and vacant sites

The low overall development intensity, older antiquated light industrial buildings, and vacant properties all create substantial opportunities for new development, reuse, and redevelopment of the area.

Trail and open space access

The Hetch Hetchy right-of-way creates an opportunity for creating a trail/linear park connection with other parts of the City and recreation and open space amenities.

Constraints

Hazardous materials

A portion of the area has been designated a Superfund site and is undergoing remediation efforts. Additional information on Superfund sites in Mountain View can be found in Chapter 12 Environmental Resources. While this may limit the development potential for the parcels directly affected it should not negatively affect development potential in other parts of the area.

Incomplete street grid

The original industrial development pattern created several large blocks lacking interior streets. Access would need to be improved as a part of redevelopment of these sites.

Pattern of existing uses

While overall there is substantial development potential, the existing pattern of use and the value of these uses may make continuity of redevelopment and infill development difficult to achieve.

North Whisman Area – West

The North Whisman Area – West is located south of Highway 101 just east of State Route 85. Moffett Boulevard forms the western boundary and East Middlefield Road the southern boundary. The area includes a mix of single family and multi-family housing reflecting housing styles and trends during the past 60 years.

Vision

The community vision for the North Whisman Area – West area is to enhance the existing residential character of the area through infill of existing vacant parcels and additional public amenities such as streetscape improvements, and a linear park along the Hetch Hetchy right-of-way. The community has also expressed a desire to improve linkages to other areas of the City and increase the amount of services in the area.

Opportunities

The key opportunity in this area is the stable and consistent residential nature of the area and the existence of vacant or underutilized parcels that create opportunities for additional residential development or creation of desired amenities.

Constraints

There are few constraints in this area to achieving the community's vision. There will be, as is the case elsewhere, the need to secure funding for desired improvements; the level of development activity anticipated will not likely create adequate financial capacity for such general upgrades to the area.

Rengstorff Area

The Rengstorff Area is located on the east side of Rengstorff Avenue between El Camino Real and Old Middlefield Road and is bisected by Central Expressway and the Caltrain tracks. The area is predominantly residential including higher density apartment complexes with some commercial uses located along Rengstorff Avenue. Rengstorff Park and the Senior Center are existing community facilities that focus community activities and recreation.

Vision

The community vision for the Rengstorff Area includes improving accessibility to Downtown, improving public safety (pedestrian crossings, etc.), improving public amenities and expanding commercial services.

Opportunities

Increase ownership-affordable housing

It may be possible to upgrade existing residential apartment complexes through condominium conversion and the creation of affordable “for sale” residential units as permitted under the City’s existing or planned Condominium Conversion Ordinance.

Infill sites

There are a number of underutilized parcels in the area that could be available for increased-density development, including higher density residential uses and commercial mixed-use buildings.

Constraints

Market conditions, including existing competitive retail sites and limited additional demand potential, will limit substantial expansion of community or neighborhood retail space. Many other elements of the community vision for the Rengstorff area will require public infrastructure and investment and are thus dependent upon public budgetary decisions.

North Bayshore Area

The North Bayshore Area, located in the northern part of Mountain View, is the City’s primary employment center. The employment uses include a number of prominent high-tech firms such as Google and Microsoft predominantly housed in a traditional, low-density, suburban business park setting. In addition, the North Bayshore Area houses the Shoreline Amphitheatre, which is a regional entertainment attraction, and Century West Theater, a relatively old cinema complex with a more localized trade area. The primary retail uses are located in the Pear Avenue Center, an auto-oriented commercial development with tenants such as Starbucks, Quizno’s, and 7-11. The focus area’s only residential land use area is Santiago Villa, a mobile home community.

The focus area is bound by The Bayshore Freeway (Highway 101) to the south, Moffett Field and Stevens Creek to the east, and Shoreline Park and golf course to the north. It should be noted that the focus area cannot be accessed from the east as it is bordered by Moffett Field. North Shoreline Boulevard is the area’s major north-south arterial, providing local and regional access to Shoreline Park and Shoreline Amphitheatre.

Vision

The community vision for the North Bayshore Area includes developing a mixed-use environment, in which current office and R&D uses are intensified and integrated with higher-density residential, neighborhood retail, and community services, while preserving existing open space in the area. A key goal is to create a mixed-use area, which is pedestrian-friendly, transit-oriented, and more effectively integrated with the rest of Mountain View. In addition, City staff and policy makers consider it critical that the area maintain its competitive position as a regional employment center and potentially develop new entertainment and visitor serving uses.

Opportunities

Market Conditions

Mountain View has a national reputation as a focal point of high-tech, biotech, and telecommunications industries, and many of the City's high-profile businesses have located in the North Bayshore Area. This reputation for attracting high-profile tenants, its proximity to other major employment centers in the region, and quality of life amenities make the City an attractive place for businesses to locate.

Because of strong market conditions within the City, the area could likely support higher-intensity, mixed-use uses, including the potential inclusion of residential uses. Increasing employment in the North Bayshore Area without deviating from current development patterns is challenged by the relatively high occupancy rates of existing space and current FAR restrictions. In order to create more office and light industrial space, and thus more jobs, in the area, new development must be characterized by higher intensities. The North Bayshore Area is well-positioned to attract new firms in emerging markets such as life sciences, nanotechnology and companies associated with the 'green economy,' as noted in the recently published *City of Mountain View Long-Range Financial Forecast and Economic Development Strategy Update*.

Physical Conditions

The physical configuration of North Bayshore's low-density uses is amenable to relatively easy redevelopment of the area. By way of example, the existing development consists of large, relatively low-cost buildings, on large parcels owned by a relatively small number of landowners. Additionally, the area has significant open space and recreational amenities and has convenient auto and bicycle accessibility.

Constraints

Existing Viable Uses

The property owners in this area are already in the enviable position of collecting high rents on the existing office space, so they may have little financial incentive to redevelop. In addition, efforts to increase the density and mix of uses may meet with resistance from some of the area's existing tenants. Nevertheless, the current low-density, single-use environment may not provide the type and level of amenities sought by the next generation of high-tech firms and employees.

Traffic

As a regional employment center, Mountain View generates significant commuter traffic, as employees residing outside of the City drive to work as they have limited transit alternatives. Changing the nature of development within the North Bayshore Area so that it integrates residential and retail uses may reduce some vehicle trips and improve congestion, but it will not solve all traffic-related problems.

Mixed-use development in the area has the potential to reduce vehicle trips, but this potential will not be fully realized until local and regional transit systems are available to better connect local and regional destinations.

Lack of Services

Although strong market conditions may support residential development of the North Bayshore Area, potential barriers to development include a current lack of services to

the area. For example, because there are almost no residential uses currently occupying the area, it is not well served by schools, neighborhood shopping opportunities (e.g., grocery stores), or child care facilities.

Environmental Conditions

Much of the area is located on a former landfill, which may restrict the amount of high-density development that the land can physically support. In addition, other environmental conditions such as the existence of endangered species, as well as water, waste water, future sea level rise, and storm drainage capacity will need to be evaluated with regard to expanding development.

5.12 FISCAL HEALTH

This section describes the City's financial condition by presenting an analysis of the City's costs of providing public services and the revenues it collects to pay for those services.

Structure of the City's Operating Budget

The City's budget is organized into a series of funds. Governmental and Proprietary Funds are two principal types of funds used in the City's budget. Each is described below.

- **Governmental Funds**
 - General Fund. This fund is used to account for the majority of the City's day-to-day services, including Police, Fire, Parks, Recreation, Library, Planning and administrative functions necessary for ongoing City operations. These activities are funded with revenues that are not designated for any specific use. Mountain View organizes its General Fund into three parts: the General Operating Fund, General Fund – Other and various General Fund Reserves.
 - Special Funds. These funds are used to account for revenues designated for a specific purpose (e.g., gas taxes - dedicated to road maintenance; housing impact fees - dedicated to the provision of affordable housing), and the expenditures related to the provision of the facilities and/or services of the specific purposes.
 - Capital Projects Funds. These funds account for the revenues designated for storm drainage projects and the acquisition and development of new parks.
- **Proprietary Funds**
 - The Enterprise Funds are used to account for the operations of the City's water, wastewater, and solid waste management utilities. The City charges residents and businesses for these services with rates set at a level intended to cover the costs of the specific services provided.
 - The Internal Service Funds account for the funds required to meet future City needs and City obligations, such as equipment maintenance and replacement, insurances, employee benefits, and retirement benefits.

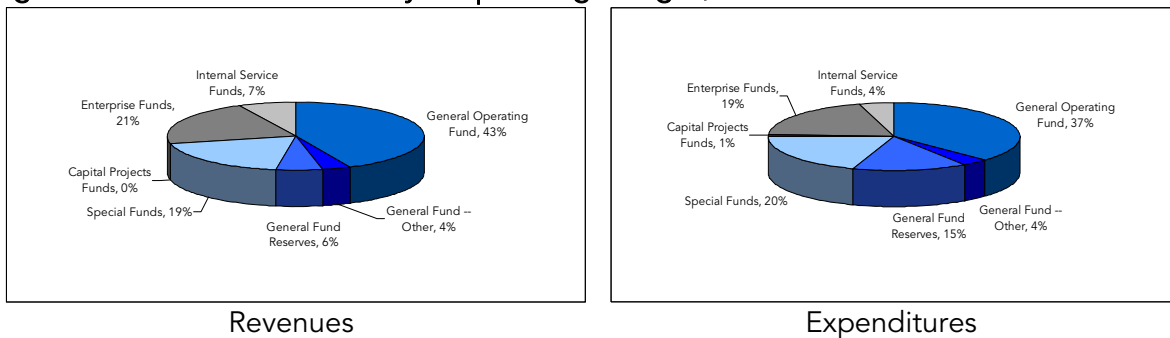
Table 5-20 and Figure 5-3 show the distribution of Governmental and Proprietary funds for Fiscal Year 2008-09.

Table 5-20 Structure of the City's Operating Budget, FY 2008-09

| | Revenues | | Expenditures | |
|---------------------------|----------------------|-------------|----------------------|-------------|
| | Amount | % of Total | Amount | % of Total |
| <i>Governmental Funds</i> | | | | |
| General Operating Fund | \$88,951,421 | 43% | \$88,392,553 | 37% |
| General Fund -- Other | 7,832,762 | 4% | 8,415,645 | 4% |
| General Fund Reserves | 11,807,496 | 6% | 34,743,604 | 15% |
| Special Funds | 38,822,176 | 19% | 46,709,897 | 20% |
| Capital Projects Funds | 469,316 | 0% | 2,829,560 | 1% |
| Subtotal | \$147,883,171 | 71% | \$181,091,259 | 76% |
| <i>Proprietary Funds</i> | | | | |
| Enterprise Funds | \$43,963,493 | 21% | \$46,372,404 | 19% |
| Internal Service Funds | 15,014,332 | 7% | 10,502,305 | 4% |
| Subtotal | \$58,977,825 | 29% | \$56,874,709 | 24% |
| Total | \$206,860,996 | 100% | \$237,965,968 | 100% |

Source: City of Mountain View, California, Fiscal Year 2008-09, Adopted Budget

Figure 5-3 Structure of the City's Operating Budget, FY 2008



Source: City of Mountain View, California, Fiscal Year 2008-09, Adopted Budget

Notes: Governmental Funds: General Funds, Special Funds, Capital Projects Funds

Proprietary Funds: Enterprise Funds, Internal Service Funds

Sources and Uses of Funds for Ongoing Operations

Discussion of the City's financial condition focuses on the General Funds and, most specifically, on the General Operating Fund. This fund pays for most of the ongoing public services provided by the City – police and fire protection, community and economic development, library, parks and recreation services, public works, and general government functions.

Table 5-21 and Figure 5-4 illustrate the uses of funds (expenditures) in the General Operating Fund by type of service in Fiscal Year 2008-09. Table 5-21 provides additional information about funding for each type of service from all funds and the proportion of total funding contributed by the General Operating Fund.

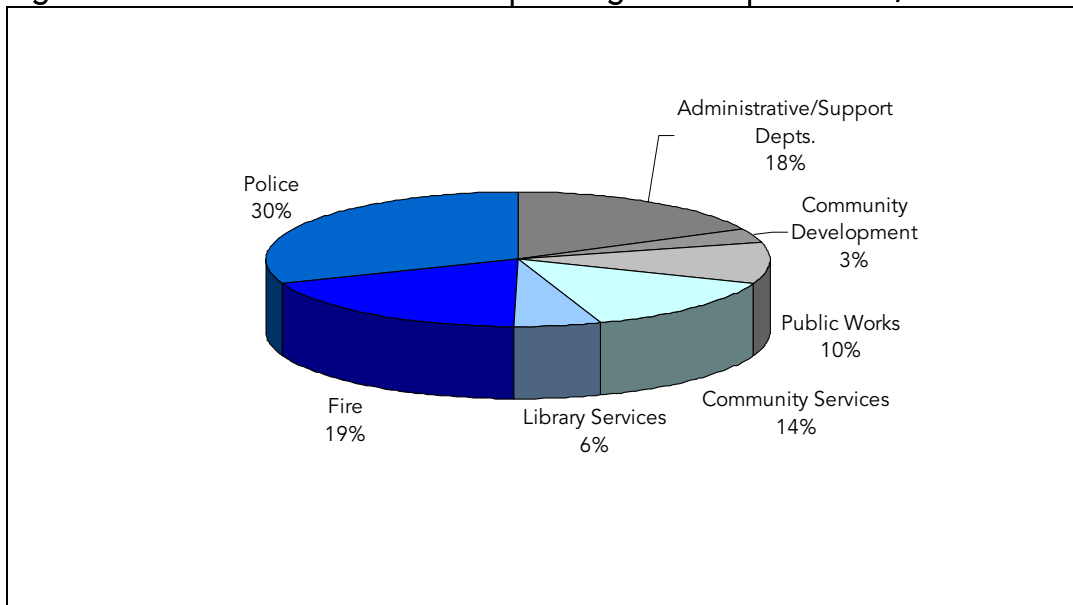
Table 5-21 Distribution of General Operating Fund Expenditures, FY 2008-09

| | All Funds | General Operating Fund | % from General Operating Fund |
|----------------------------------|----------------------|------------------------|-------------------------------|
| Administrative/Support Depts.(a) | \$45,716,881 | \$15,506,996 | 34% |
| Community Development | 9,192,917 | 2,945,538 | 32% |
| Public Works | 44,164,056 | 8,718,940 | 20% |
| Community Services | 18,124,553 | 12,282,845 | 68% |
| Library Services | 4,933,917 | 4,873,692 | 99% |
| Fire | 18,787,738 | 16,927,639 | 90% |
| Police | 27,794,799 | 27,136,903 | 98% |
| Total | \$168,714,861 | \$88,392,553 | 52% |

(a)City Council, City Clerk, City Attorney, City Manager, Employee Services, Finance and Admin Services, Non-Departmental Operating.

Source: City of Mountain View, California, Fiscal Year 2008-09, Adopted Budget

Figure 5-4 Distribution of General Operating Fund Expenditures, FY 2008



Source: City of Mountain View, California, Fiscal Year 2008-09, Adopted Budget

The General Operating Fund receives revenues in the form of taxes (property, sales, transient occupancy, business licenses), charges for services, rentals of City-owned land and facilities, income from investments, transfers from other City funds, and the County, State, and federal governments. Table 5-22 and Figure 5-5 summarize the City’s revenue sources.

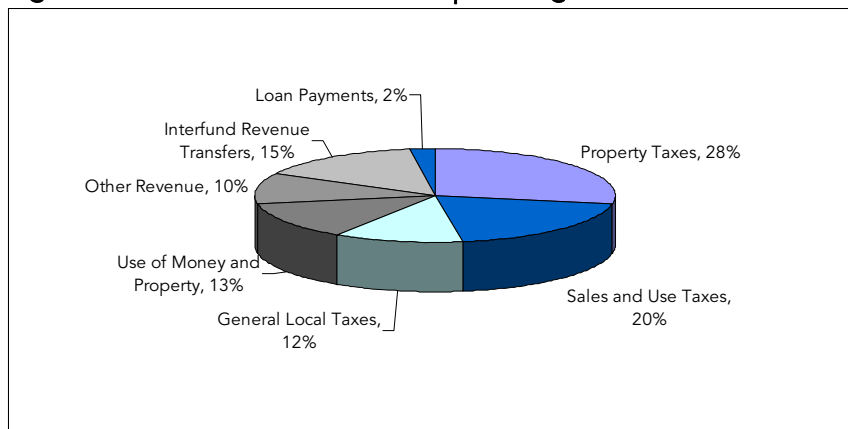
Table 5-22 Sources of General Operating Fund Revenues, FY 2008-09

| Source | Amount | % of Total |
|------------------------------|---------------------|-------------|
| Property Taxes | \$24,888,760 | 28% |
| Sales and Use Taxes | 17,400,730 | 20% |
| General Local Taxes | 10,284,153 | 12% |
| Use of Money and Property(a) | 11,748,275 | 13% |
| Other Revenue(b) | 9,200,561 | 10% |
| Interfund Revenue Transfers | 13,369,189 | 15% |
| Loan Payments | 2,059,753 | 2% |
| Total | \$88,951,421 | 100% |

(a) Includes Rents & Leases and Investment Earnings.

(b) Includes Franchise Fees, General Service Charges, Miscellaneous Revenue, Recreation Service Charges, Fines & Forfeitures, and Intergovernmental Revenues (county, state, and federal).

Source: City of Mountain View, California, Fiscal Year 2008-09, Adopted Budget

Figure 5-5 Sources of General Operating Fund Revenues, FY 2008

Source: City of Mountain View, California, Fiscal Year 2008-09, Adopted Budget

Expected Changes in Revenues and Costs

Over time, revenues collected by the General Operating Fund and the costs of providing services may change. The *Long-Range Financial Forecast and Economic Development Strategy Update Report*, prepared by City staff in January, 2009, identifies several factors that cause revenues and expenditures to change over time:

- **Economic climate factors.** These factors, which are associated with national economic trends, include housing prices, credit availability, unemployment, and the fiscal condition of the State of California. They affect multiple sources of municipal revenues, including property taxes, sales taxes, transient occupancy (hotel) taxes, utility user taxes, franchise fees and investment earnings.
- **Physical characteristics of the City.** Because Mountain View has few vacant parcels, there are few opportunities for new development, besides redeveloping existing sites, which could generate new revenues.
- **Characteristics of businesses located in Mountain View.** In particular, the past decade has seen an exodus of manufacturing firms with local sales and leasing operations, which had generated sales tax revenues for the City.
- **Rules governing property taxation.** California limits both the tax rate that may be levied on real property and the increase in the assessed value of that property absent a change of ownership or new construction.

- Contractual obligations. Approximately 80 percent of City General Operating Fund expenditures are for salaries and benefits. Compensation agreements with the unions that represent City employees typically include annual cost-of-living increases.
- Inflation. Increases in prices affect both City revenues (indirectly, in the form of property taxes, sales taxes, hotel taxes, and other sources that are based on the prices of goods and services) and costs (for personnel and materials/supplies). The cost-of-living increases in personnel costs are often tied in some way to the consumer price index (CPI), which is a broad measure of inflation.