



## Existing Conditions Report

Appendix A



# Existing Conditions Report

*for the*

**City of Hollister**

*Prepared for*

**RBF CONSULTING**

OCTOBER, 2007



## **I. Introduction/Context**

---

### **a. Description of Assignment**

The Conley Consulting Group (CCG), in conjunction with and under subcontract to RBF, is pleased to present this evaluation of downtown revitalization opportunities for the City of Hollister (City). The following deliverable contains the results of the first two sections of a four-section report, to be delivered in full at a later date.

### **b. Background**

Recently, economic pressures and opportunities linked to the greater regional economy have come to bear on Hollister. Although San Benito County is a member of the Association of Monterey Bay Area Governments (AMBAG), increasingly it also functions as part of the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA), and is included in that MSA by both the census and EDD. This MSA has a vastly different demographic make up than the central coast counties with which San Benito is normally associated. The resulting variation in statistics expands the range of issues to consider and present multiple opportunities to explore.

This background report is the first phase contribution to the Downtown Hollister Revitalization Plan being performed by a team lead by RBF consultants, with CCG as a sub consultant.

### **c. Caveats and Limitations**

Conley Consulting Group, (CCG) has made extensive efforts to confirm the accuracy and timeliness of the information contained in this document. Such information was compiled from a variety of sources deemed to be reliable, including state and local government, planning agencies, real estate brokers, and other third parties. Although CCG believes all information in this document is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties. Further, no guarantee is made as to the possible effect on development of current or future federal, state, or local legislation including environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions that were developed using currently available economic data, project specific data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize and unanticipated events and circumstances may occur. Such changes are likely to be material to the projections and conclusions herein and, if they occur, require review or revision of this document.

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While CCG believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a prolonged a recession and that both are currently beginning a slow, but shallow recovery. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The development concept will not vary significantly from that identified in this analysis.

**d. Report Organization**

Following this introductory section, the report is organized as follows:

**Executive Summary**

**Section I** presents a demographic analysis of the City as well as an evaluation of future housing growth. From these two perspectives we have evaluated the City's current economic base. Variables analyzed include:

*Race and Age, Educational Attainment, Employment, Workforce, and Travel Time to Work.*

**Section II** is an examination of Market Dynamics, including analyses of *Existing Sales and Leakage, Supportable Retail, and Large Scale (new and pipeline) Residential and Commercial Developments* which are certain to impact downtown revitalization strategies.

**Section V** presents a series of economic development strategies, including an analysis of selected catalyst projects.

Finally, **Section VI** presents a Recommended Downtown Action Plan for the City.

## **II. Executive Summary**

---

Downtown Hollister is an architecturally charming and pedestrian friendly shopping district with great potential for commercial vitality. However, the district's physical assets and design elements could be maximized by an opportunity presented by the relationship of Downtown retail and resident commute patterns. Today, most downtown businesses are focused on serving Hollister's daytime employment base, and therefore run on typical business hours. As a result, the economic potential of the 60% of workers who commute outside of the City goes largely untapped. Retail leakage analyses indicate that comparison shopping and dining—both of which are evening and weekend-based businesses—are two areas in which Hollister residents are underserved. These retail sectors pose a vital commercial opportunity for Downtown Hollister.

There are indications that these patterns of out-commuting will only intensify in the near future. Hollister's primary employment industries are not projected to grow significantly in the Monterey Bay Area through 2014. These are industries with pay scales that are high in the context of the AMBAG tri county region, but low to moderate in comparison to the San Jose-Sunnyvale-Santa Clara MSA. Additionally, the Monterey Bay Area – Silicon Valley Inter-Regional Partnership Study reports that housing production in Hollister will outstrip job growth, and that the number of commuters to the Silicon Valley will continue to grow in proportion to the overall population of Hollister.

Any Downtown Hollister revitalization strategy must cater to the large—and growing—portion of the community whose visits to downtown are largely restricted to evenings and weekends. The strategy of the local business mix must be shifted to meet the demands of households less likely to patronize Downtown during the workday.

Success will mean support from the City in the form of policy designed to focus a greater business mix Downtown rather than in surrounding residential areas, the organization of weekend events Downtown, and support for re-investment in existing Downtown buildings in order to expand Downtown business schedules to include weekend hours.

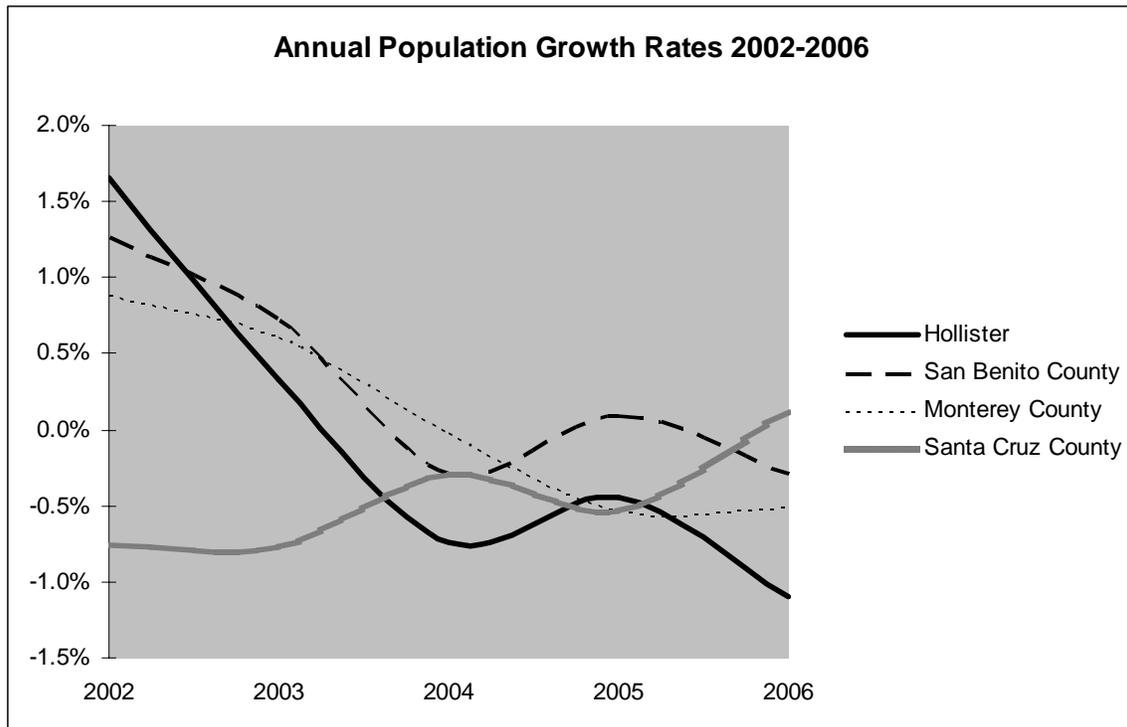
### III. Demographic Profile

This section provides a demographic analysis of the City and an evaluation of future housing growth. These perspectives will facilitate both an analysis of the City's current economic base and the implications of that base for Downtown revitalization opportunities.

#### A. Population

Hollister's population was 34,413 at the time of the 2000 Census. The latest Census Bureau estimate of Hollister's population was 35,690 as of July 2006. Both Hollister and the Monterey Bay Area have experienced slow growth over the past five years. For the City of Hollister slow growth rates for the past two years have largely been the result of a building moratorium, which restricted development in 2005. Assuming a halt to that moratorium, the population is projected to grow 55%--from 34,413 to 53,485--by 2020 according to AMBAG in 2004<sup>1</sup>. By 2010, the population is proposed to increase to 38,200. Today, it seems it is unlikely that this projected rate of housing-based population growth will occur, given the current national downturn in the housing market. Figure 1 below shows annual population growth rates between 2002 and 2006. Figure 2 shows population projections from 2000 to 2020.

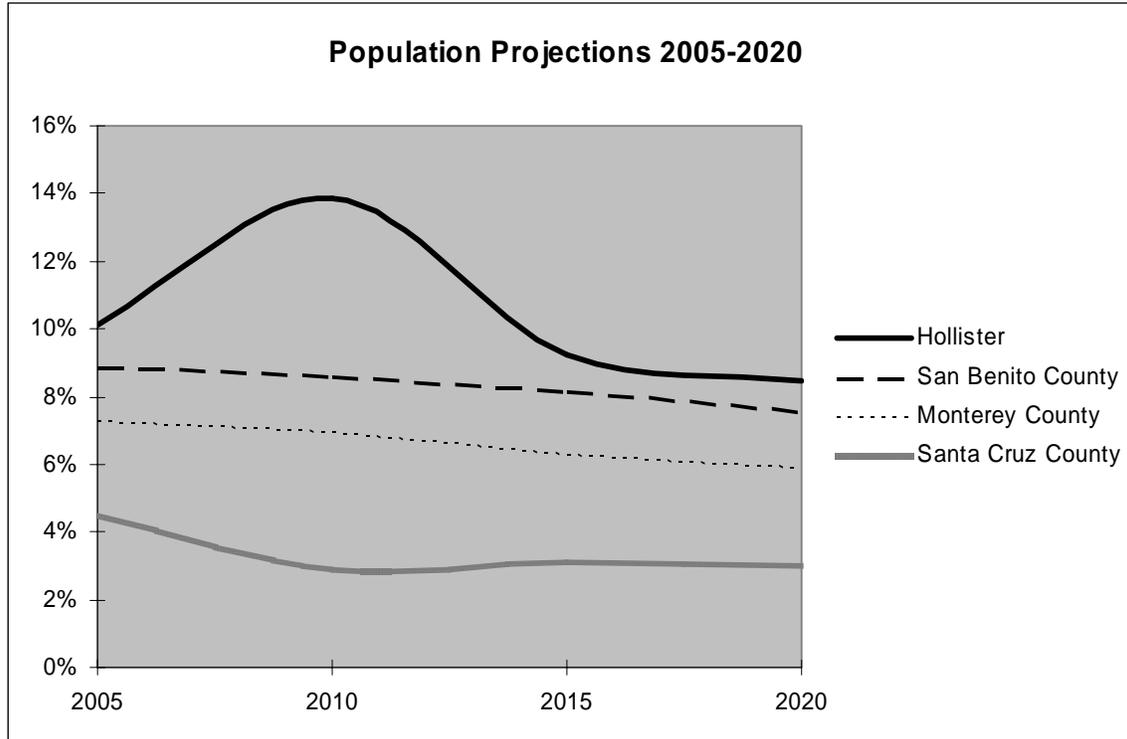
Figure 1



Sources: Conley Consulting Group, US Census 2006 Population Estimates, September 2007

<sup>1</sup> AMBAG, 2004 Population, Housing Unit and Employment Forecasts.

**Figure 2**



Sources: Conley Consulting Group, AMBAG 2004 Population, Housing Unit and Employment Forecasts, September 2007

## **B. Housing Units**

In response to housing pressures from the Silicon Valley during the last economic expansion, the Cities of Hollister and San Juan Bautista enacted growth management initiatives in 2002. At that time, the Central Coast Regional Water Quality Control Board imposed the previously-mentioned moratorium on new sewage hook-ups in the City of Hollister, pending the completion of a new sewage treatment plant. It is expected that the new plant will be completed in 2008. At this point, any development proposals previously on hold will be able to move forward.

In 2006, the City Council approved amendments to the 2005-2023 General Plan, adding 582 acres to the current 3,490 acres currently available for housing development. These approvals expanded the housing capacity for new construction to 3,719 units. This greatly exceeds the projected housing for the planning period (3,154 units), and is sufficient to meet Hollister's regional share. Moreover, Measure U limits growth to 244 units per year, and these General Plan amendments project a development rate of 315 units a year. This assures continued measured growth for the City over the next 30 years.

### **C. Household Size**

Household size for Hollister currently averages 3.64 persons, which is the largest such average among central coast communities. According to Claritas projections, there has been a 3% increase in household size since 2000, when it was estimated at 3.52 by the Census. Hollister's household size is significantly larger than that of Santa Clara County, which has an average household size of 2.97. In addition, 83% of Hollister households are identified as 'family' households, whereas only 70% of households in Santa Clara County are labeled as such<sup>2</sup>. With 33% of population under the age of 18, the presence of children explains the high frequency of family households in Hollister.

### **D. Race and Age**

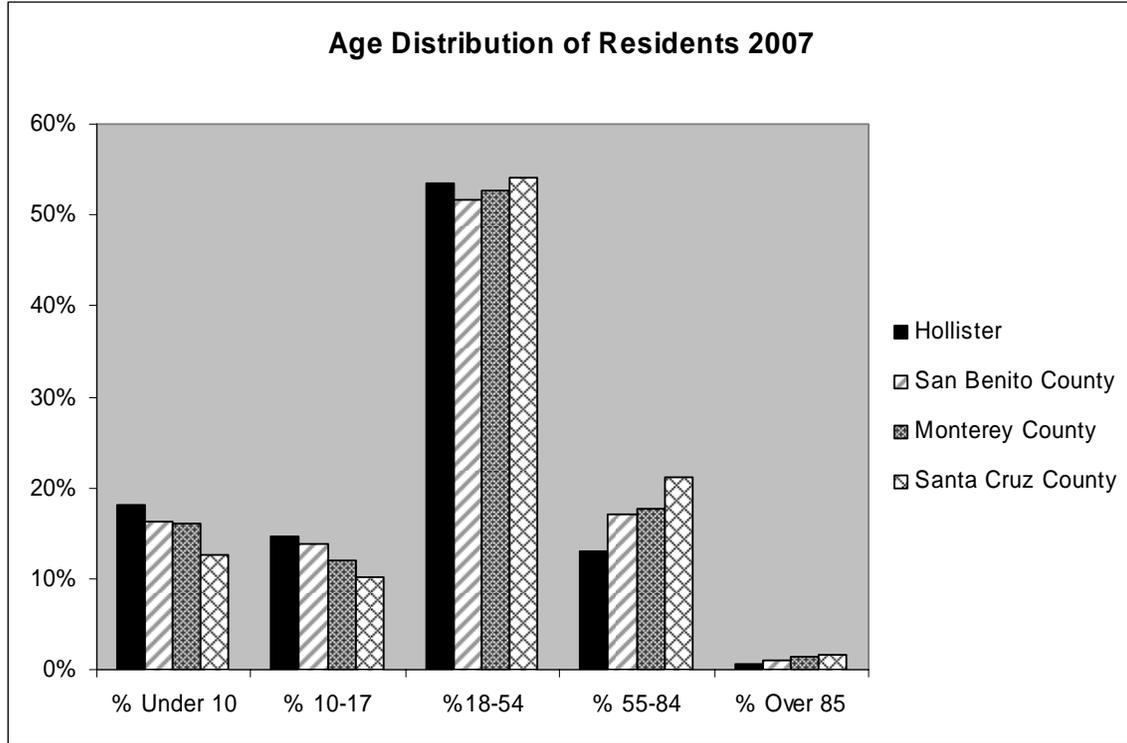
The City of Hollister differs slightly in its racial classifications from the counties of San Benito and Monterey, and to an even greater extent from Santa Cruz County. Currently, 56% of the City's population is of European origin, with less than 2% of the population identifying as African American, and 3% as Asian American. Fifty-eight percent of current Hollister residents identify themselves as of Hispanic or Latino origin.

In addition, Hollister residents are, on average, younger than those of the greater Monterey Bay Area. The City is populated by considerably fewer seniors. The median age of Hollister residents is 30, and 32% of Hollister residents are under the age of 18. These indicators are partially explained by the previously-stated prevalence of families with children, both young and grown. Figure 3 shows year 2007 age distribution in Hollister and surrounding counties.

---

<sup>2</sup> Claritas, Inc. Demographic Snapshot, 2007

**Figure 3**

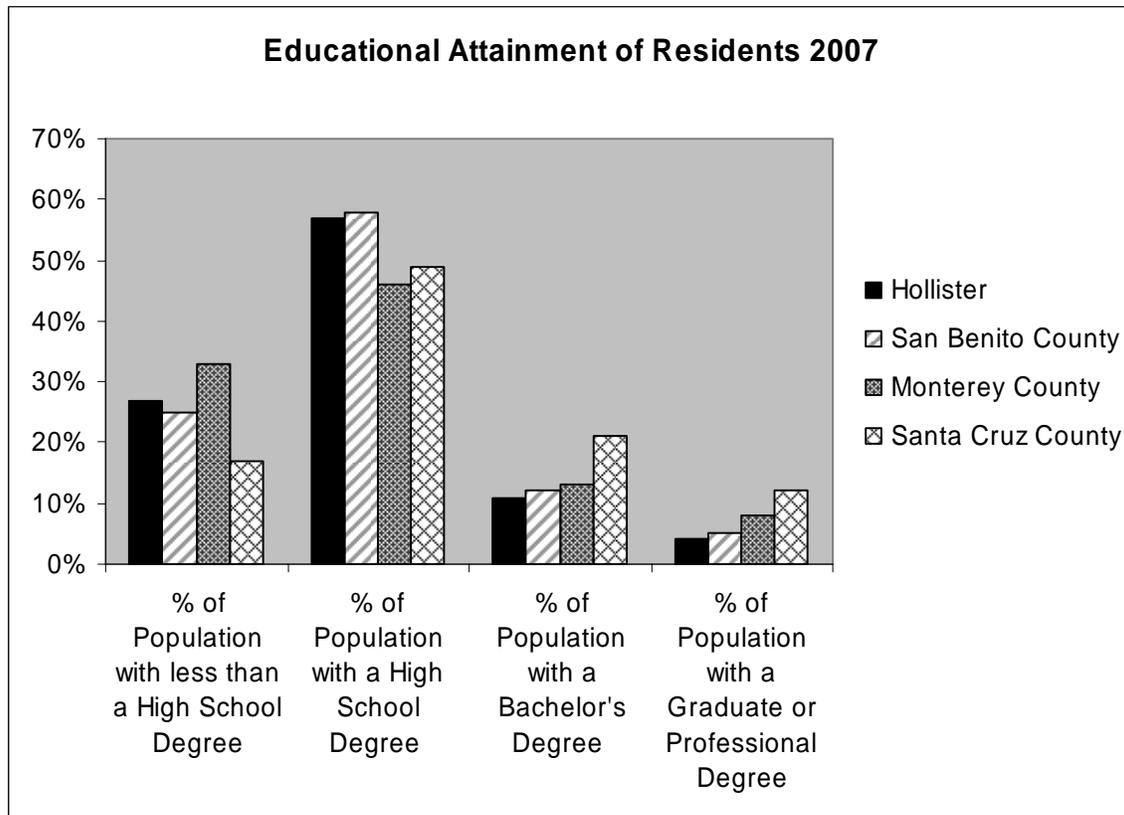


Sources: Conley Consulting Group, Claritas, September 2007

## E. Educational Attainment

While nearly 60% of Hollister residents have a high school diploma, the population as a whole has lower post- high school educational attainment levels than San Benito County and the rest of the surrounding Monterey Bay Area. In the Monterey Bay Area, 16.20% of the population earned a bachelor's degree and 9.57% earned a graduate or professional degree; those levels for Hollister are only 10.99% and 4.34%, respectively. Figure 4 below compares educational attainment levels of Hollister residents 25 and older with similarly-aged residents of Monterey Bay counties.

Figure 4



Sources: Conley Consulting Group, Claritas, September 2007

## F. Income

The median household income of Hollister residents was \$67,168 in 2007, representing a 16% increase over the 2000 Census estimate of \$56,104<sup>3</sup>. According to the 2000 Census, 9.5% of Hollister residents were below the poverty level, compared with 10% of residents of San Benito County, and 7.5% of Santa Clara County residents.

Generally, income growth trends in Hollister have mirrored those of the greater Monterey Bay Area. Although average household incomes in Hollister remain consistently below

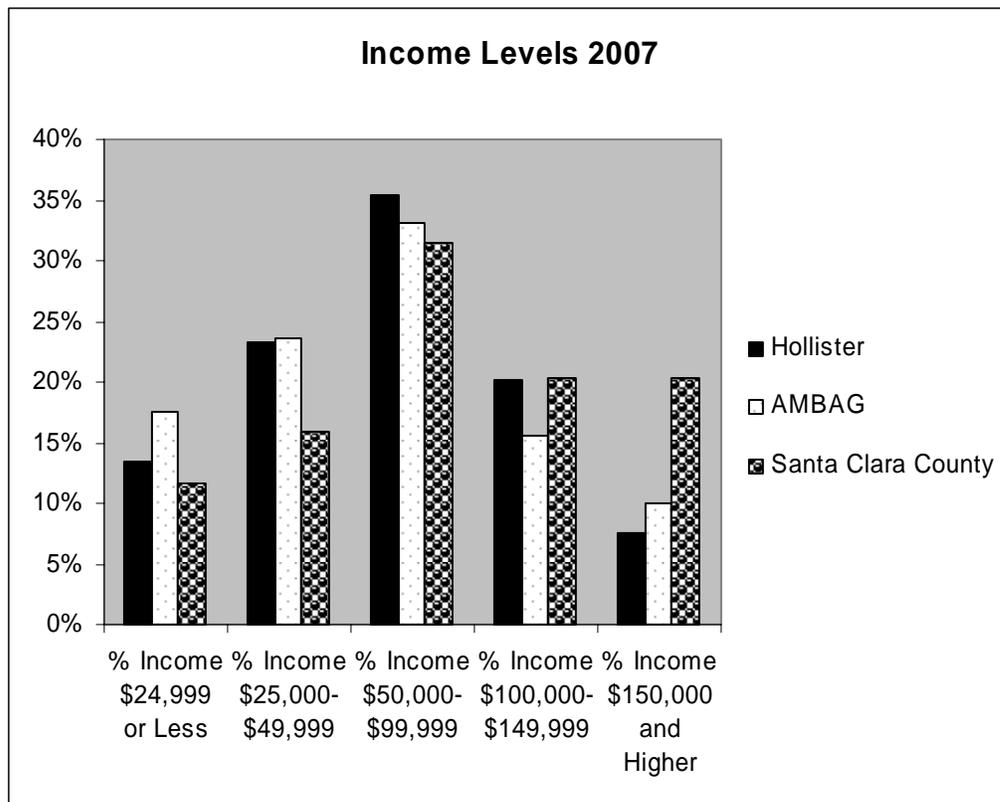
<sup>3</sup> Claritas, Inc. [Hollister Demographic Snapshot, 2007](#).

average incomes in both the Central Coast and South Bay area, poverty levels in Hollister are consistent with, or below, averages of counties in the Central Coast.

Hollister's per capita income is currently \$21,367, representing an 11.7% increase from the 2000 Census estimate. San Benito County's per capita income has risen 13.0% to \$24,063. Finally, Santa Clara County's per capita income has risen 10.4% to \$36,603. This is a 34% difference in per capita income between Santa Clara and San Benito Counties (U.S. Census /Claritas).

**Figure 5** below shows 2007 Household Income levels for Hollister, AMBAG, and Santa Clara County.

**Figure 5**

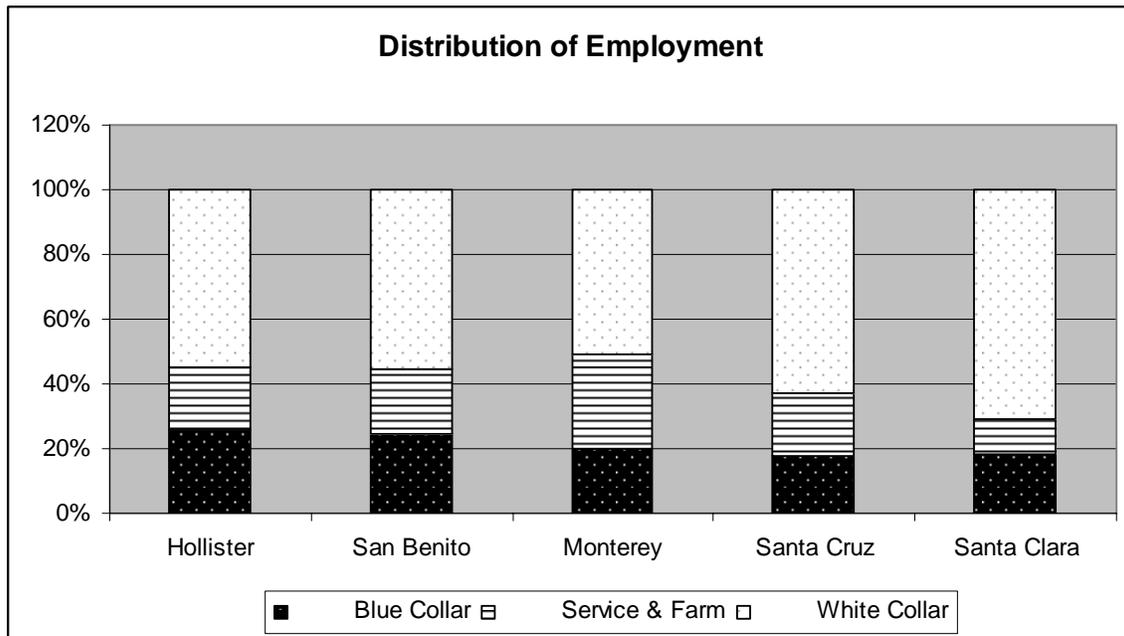


Sources: Conley Consulting Group, Claritas 2007 Demographic Report, September 2007

## G. Employment

Employment patterns in the City of Hollister closely reflect those of San Benito County. One exception is the slightly higher percentage of workers in the 'blue collar' trades in Hollister. Specifically, Hollister has a higher percent of residents working in the construction, production, transportation and material moving trades than surrounding counties (Table 1).

**Figure 6**  
**Employment Distribution**  
**San Jose-Sunnyvale-Santa Clara MSA and AMBAG Counties**



Sources: Conley Consulting Group, Claritas, September 2007  
 See Table 1

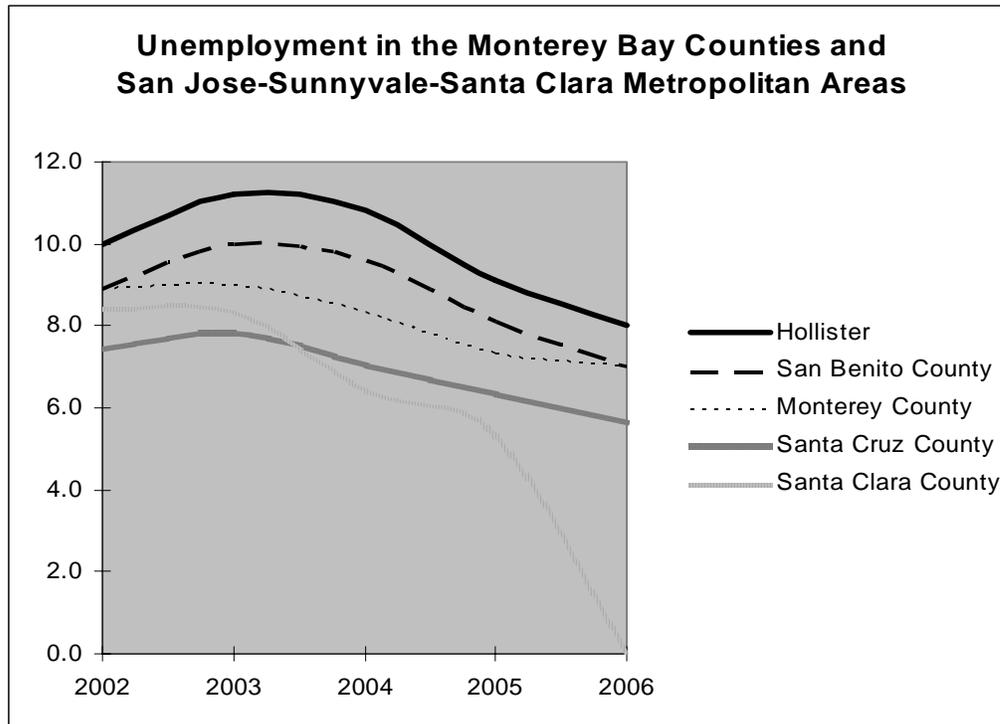
**Table 1**  
**Employment Distribution in San Jose-Sunnyvale-Santa Clara MSA and AMBAG Counties**

	Santa Cruz	Monterey	San Benito	Hollister	Santa Clara
Management, Business & Financial Operations	15%	11%	13%	13%	19%
Professional. & Related Occupations	25%	18%	18%	18%	30%
Service	15%	17%	15%	16%	11%
Sales & Office	23%	23%	25%	25%	23%
Farming, Fishing & Forestry	4%	12%	4%	3%	0%
Construction & Maintenance	9%	9%	12%	12%	7%
Production, Transport. & Material Moving	9%	11%	13%	14%	11%

Sources: Conley Consulting Group, Claritas, September 2007



Figure 7



Source: Conley Consulting Group, EDD Unemployment Rates, September 2007

## H. Place of Work/Commute to Work

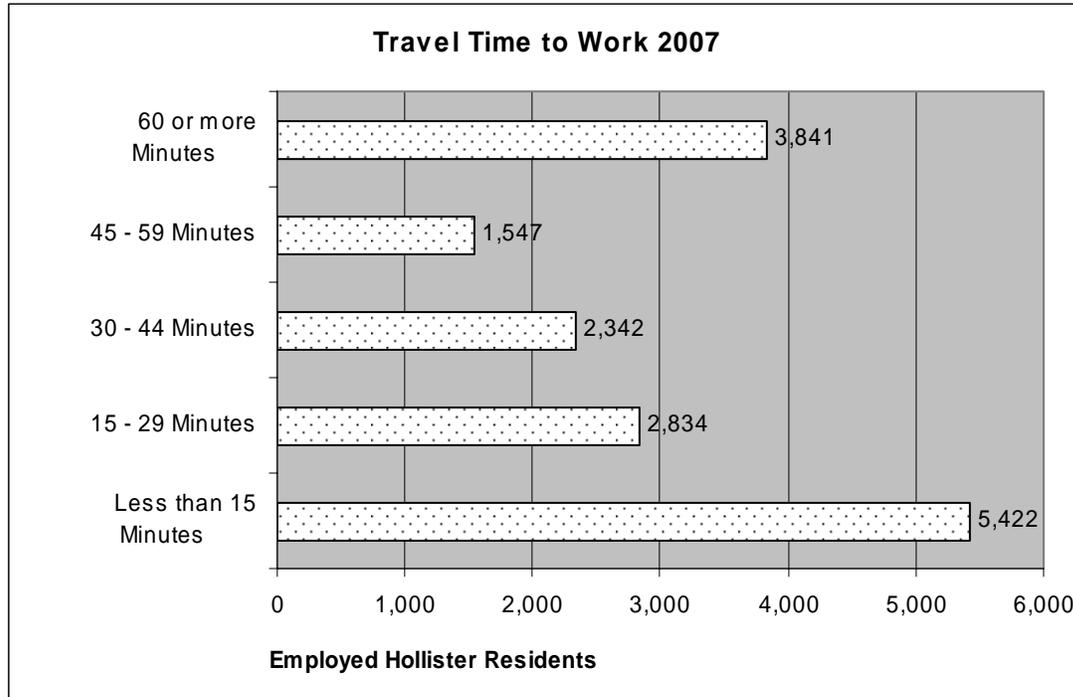
Currently, only 40% of the employed residents of Hollister in 2007 live and work in the City. Roughly 60% of the employed residents commute outside the city to their place of employment, with 24% of the residents commuting over an hour to work.

According to the Monterey Bay Area – Silicon Valley Inter-Regional Partnership Study, the continuing jobs-housing imbalance at both the regional and local levels will result in striking increases in daily county-to-county commute patterns. It is forecasted that by 2025, 312,000 workers will commute into Santa Clara County, a 36% increase from 2000. Roughly 75,300 of those individuals—an 80% increase from 2000—will commute from the tri-county Monterey Bay Area. It is estimated that over 20,000 San Benito County residents will commute to Santa Clara County in 2025. (Monterey Bay Area – Silicon Valley Inter-Regional Partnership Study Phase Five Final Report and Implementation Part III page 53.)

Along with this overall increase in commuting, the Inter-Regional Partnership Study projects that by 2025, worsening congestion will result in a decrease in average travel speed by as much as 26% on highways and 11% on major arterials and freeways. Despite scheduled major road improvements, the rate of growth in daily Vehicle Miles Traveled (VMT) is projected to increase by 31% overall, a figure that exceeds the estimated 30% increase in number of overall trips. The result is that vehicle trips will get longer.

*This presents an opportunity for Downtown Hollister to capture workers who will want to stay closer to home on the weekends for their shopping and entertainment.*

**Figure 8**



Sources: Conley Consulting Group, Claritas, September 2007

## **J. Economic Base**

Hollister's employment base has decreased in the last five years. Between 2001 and 2006, the number of jobs in Hollister decreased from 16,500 to 15,000 (EDD). However, the City is slowly recovering from its 2004 employment low of 14,700 jobs, coupled with a 10.8% unemployment rate. Currently, many of Hollister's jobs are service sector positions, including a large concentration in retail trade, construction and manufacturing.

The majority of Hollister's business base is comprised of service firms, with a fairly large amount of manufacturing and construction. Among the industries that make up Hollister's employment base, retail is the largest employer, though it has experienced an overall decrease in jobs since 2001. Earlier this decade the construction industry and wholesale trade sectors represented a strong source of job growth for Hollister. Taking into account the development moratorium, it can be concluded that the number of construction contractors based in Hollister currently outweighs number of the construction jobs. Although the moratorium is expected to be lifted, the fact that housing construction is expected to decline sharply through Northern California and the nation, means that employment opportunities in Hollister may also experience a decline.

While the State of California has seen job growth in the areas of finance, retail, food and accommodation and healthcare since 2001, San Benito County's job growth since 2001

has occurred primarily in construction and manufacturing. Today, these sectors make up a larger overall percentage of San Benito's employment base than the statewide average for those sectors. Hollister itself is the foundation of employment in San Benito County, with 24 of the 25 largest employers in the County located there. Of those, 8 are in construction-related industries (See Table 2).

**Table 2**

**Major Employers in San Benito County**

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
ALBERTSONS	Hollister	GROCERS-RETAIL
AMERICAN ELECTRICAL SVC	Hollister	ELECTRIC CONTRACTORS
CEDAR VALLEY SHINGLE	Hollister	SHINGLES & SHAKES
CIMINO'S CABINET DOOR CO	Hollister	CABINET MAKERS
CINDERELLA MOTEL	Hollister	MOTELS & HOTELS
CORBIN INC	Hollister	MOTORCYCLES-SUPLS & PARTS-
EARTHBOUND FARM	San Juan	FRUITS & VEGETABLES-GROWERS
EL MODENO GARDENS INC	Hollister	NURSERIES-PLANTS TREES & ETC-
HAZEL HAWKINS MEMORIAL HSP	Hollister	HOSPITALS
JESUS QUINTERO INC	Hollister	LABOR CONTRACTORS
M C ELECTRONICS	Hollister	ELECTRONIC EQUIPMENT &
MC CORMICK SELPH INC	Hollister	SCIENTISTS-CONSULTING
MILGARD MANUFACTURING INC	Hollister	WINDOWS-MANUFACTURERS
NOB HILL FOODS INC	Hollister	GROCERS-RETAIL
PACIFIC SCIENTIFIC ENERGETIC	Hollister	EXPLOSIVES-MANUFACTURERS
R & R LABOR	Hollister	LABOR CONTRACTORS
RIDGEMARK GOLF & COUNTRY CLUB	Hollister	HOTELS & MOTELS
SAFETY STORAGE INC	Hollister	PREFABRICATED METAL
SAFEWAY	Hollister	GROCERS-RETAIL
SAFEWAY	Hollister	FLORISTS-RETAIL
SAN BENITO FOODS	Hollister	CANNING (MANUFACTURERS)
SAN BENITO HIGH SCHOOL	Hollister	SCHOOLS
TANIMURA & ANTLE	Hollister	FRUITS & VEGETABLES-
TARGET	Hollister	DEPARTMENT STORES
WEST MARINE	Hollister	MARINE EQUIPMENT & SUPPLIES

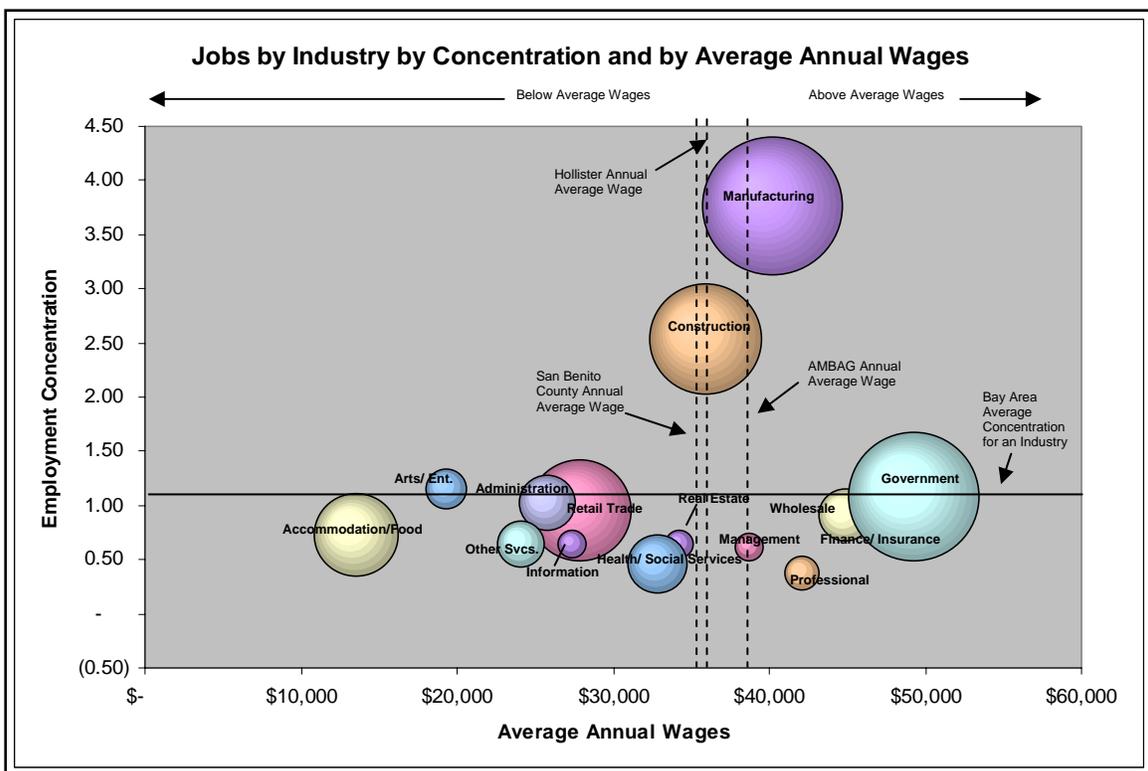
Sources: Conley Consulting Group, California Employment Development Department, September 2007

## K. Employment Concentration

*Employment concentration* is defined as the total share of jobs that is represented by different industry sectors in an employment market. When compared to the rest of the Monterey Bay Area, Hollister has higher employment concentration in the government, manufacturing and construction sectors. The professional and management sectors show the lowest job concentration.

The figure below shows how Hollister's industrial concentration compares to that of the Monterey Bay Area. In this chart, a concentration of "1" means that the percent of jobs in a particular industry is the same in both Hollister and the Monterey Bay Area. A concentration below "1" means that Hollister has a lower percentage of jobs in this industry; any concentration above "1" means that Hollister has a higher portion of jobs in this industry than does the Monterey Bay Area. Each 'bubble' represents an industry. The size of the bubble represents the number of jobs, the placement of the bubble along the horizontal axis shows the average local wages in that industry, and the position along the vertical axis compares the concentration of employment in the industry in Hollister to its concentration in the Monterey Bay Area.

Figure 9



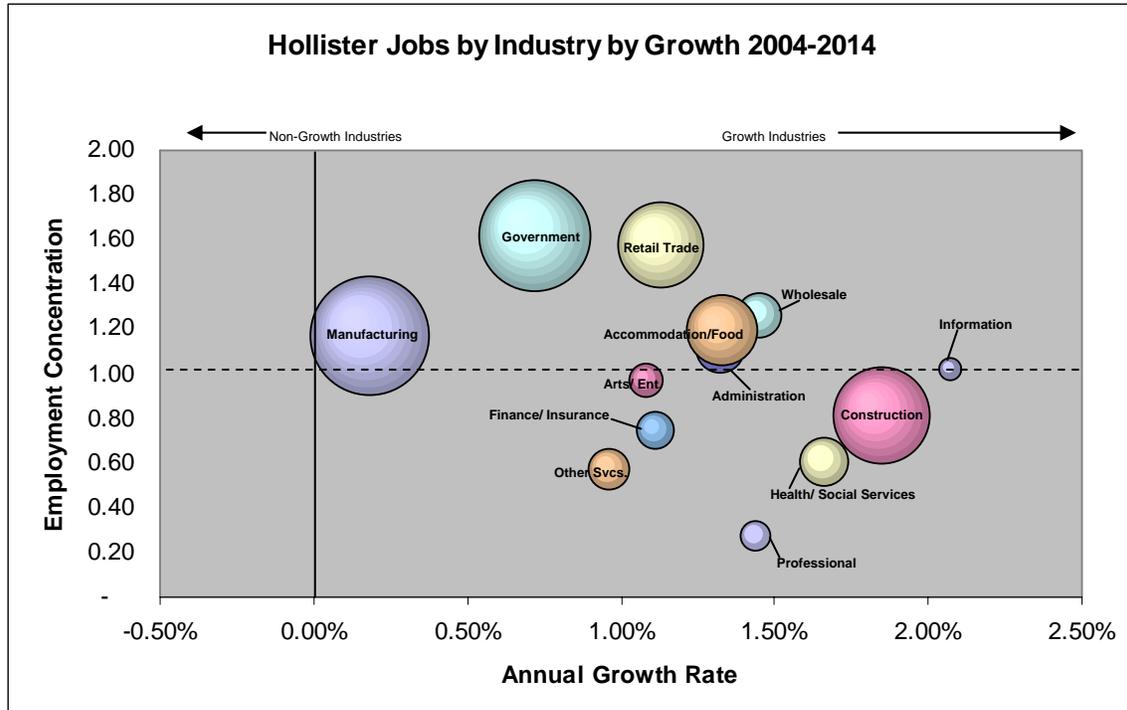
Sources: Conley Consulting Group, EDD, September 2007

Hollister has high concentration of jobs in lower and high wage industries, and lower average wages than the Monterey Bay Area. The City's largest job concentrations are in

Government, Manufacturing, Retail Trade, and Construction. However, the City's highest wage jobs are in Government, Wholesale Trade, Professional and Manufacturing.

Figure 10 shows how Hollister's jobs are distributed between sectors projected to grow and decline. Many of Hollister's biggest employment-producing industries are those industries which are not projected to see significant growth in the Monterey Bay Area through 2014.

**Figure 10**



Source: Conley Consulting Group 2007

*The construction trades in Hollister have been supported by regional development; in the short term, there will be a decline in new development which will have an impact on Hollister residents. The South Bay real estate market is solidifying and the slowdown in housing construction is not expected to be long-term*

## SECTION IV. Market Dynamics

The United States Office of Management and Budget (OMB) defines individual metropolitan areas for purposes of collecting, tabulating, and publishing federal data. While Hollister's industry and economic job base is reflective of the AMBAG Tri County region, its retail and housing market dynamics are influenced by the larger Metropolitan Statistical Area. The OMB's San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA), is comprised of San Benito and Santa Clara Counties.

### A. HOUSING

In September 2007, the median home sale price in Hollister was \$509,955, 10.81% less than the \$571,750 median sales price in September of 2006 (a figure 3% lower than the year before). Of the other counties in the tri-county region, Monterey County experienced a 15.76% decline in median home sales and Santa Cruz County a similar 15.73% decline. Interestingly, while Santa Clara County has exhibited a slight increase in median sales price, Gilroy and Morgan Hill, the two southernmost cities of the county, were the only two communities which experienced a drop in median sales price. Morgan Hill home values dropped 14.77% and Gilroy median sales dropped 9.29% (see Table 3).

**Table 3. Sale Activity: Home, 2006**

County/City/Area	# Sold	2006	2005	% Chg Yr-to-Yr
Hollister	540	\$580,000	\$600,000	-3.33
San Benito County	593	\$585,000	\$605,000	-3.31%
San Juan Bautista	44	\$717,750	\$1,050,750	-31.69%
Tres Pinos	3	\$1,000,000	\$1,285,000	-22.18%
Santa Clara County	20,755	\$680,000	\$660,000	3.03%

Sources: Conley Consulting Group, DataQuick , September 2007

1) Includes resale of single family homes ,condos, as well as new homes.

Historically, the development of new housing in San Benito County has grown at a faster rate than the number of jobs. Hollister has exhibited the same trend, and as a result is now home to many people who work in Santa Clara County.

*The slow down in the housing market in the inner Bay Area will alleviate the pressure for Santa Clara workers to move farther south to Hollister in the short to mid term. The housing based population growth that was expected for Hollister will be curtailed by the recent downturn in the housing market. Many analysts expect the housing market contraction to last 3-5 years.*

**Table 4. Sale Activity: Home Sales, September 2006-2007**

County/City/Area	# Sold	Sept. 2007	Sept. 2006	% Chg Yr-to-Yr
San Benito County	22	\$491,955	\$572,250	-14.03%
<b>Hollister</b>	<b>20</b>	<b>\$509,955</b>	<b>\$571,750</b>	<b>-10.81%</b>
Monterey County	107	\$505,000	\$599,500	-15.76%
Salinas	29	\$502,500	\$590,000	-14.83%
Santa Cruz County	125	\$600,000	\$712,000	-15.73%
Watsonville	14	\$512,500	\$647,000	-20.79%
Santa Clara County	923	\$700,000	\$677,000	3.40%
Gilroy	28	\$635,000	\$700,000	-9.29%
Morgan Hill	31	\$698,500	\$819,500	-14.77%

Sources: Conley Consulting Group, DataQuick , September 2007

1) Includes resale of single family homes, condos, as well as new homes.

According to the US Department of Housing and Urban Development, the 2007 median income in San Benito County was \$74,700, 27% less than Santa Clara County's median income of \$105,500. Similarly, San Benito's median home sales price in September, 2007 was \$491,955, or 30% less than Santa Clara County's median home sales price of \$700,000. Hollister's median home sales price was only slightly higher than that of the County, at \$509,955. This is 27% less than Santa Clara County's median sale price and 20% less than neighboring Gilroy's.

Sources interviewed for this study indicated that Hollister's downtown is an asset that would be attractive to the "empty nester" and first-time homebuyer market segments, but in the current market, subsidies would be required for mixed-use housing development to be feasible in the downtown.

*Given the performance of the surrounding market, it does not appear that a market rate multi-family condominium product would be feasible in Downtown Hollister in the next five years. A mixed use affordable rental housing project with ground floor commercial could be an alternative that would meet multiple needs of city both for its residents and for the downtown revitalization.*

## **B. Economic Base**

In the San Jose-Sunnyvale-Santa Clara MSA there was a notable loss in the Manufacturing sector of 37,500 jobs (18% of total) between 2002 and 2006. With the durable goods sector, Computer & Electronic Products declined by 19.8% (a loss of 28,300 jobs). Santa Cruz County lost 1,000 Manufacturing jobs and 700 Information jobs, while during this same time period Monterey lost 2,100 Manufacturing jobs, 700 Government jobs and 500 jobs in the Trade, Transportation and Utilities sectors.

The three industries that led job growth in the San Jose-Sunnyvale-Santa Clara MSA in 2006 were Education and Health Care Social Assistance Services; Leisure and Hospitality and Information. In Monterey, Agriculture and Construction led job growth rates, contributing 2,700 new jobs. In Santa Cruz, job growth was lead by the Natural Resources and Mining, Government and Educational/Health Services sectors. (<http://www.labormarketinfo.edd.ca.gov>).

As discussed above, many of Hollister's most significant employment-producing industries are those industries which are not projected to grow significantly in the Monterey Bay Area through 2014. *Furthermore, Hollister employers are concentrated in sectors with pay scales that are high in the context of the AMBAG tri county region, but low to moderate in comparison to the San Jose-Sunnyvale-Santa Clara MSA.*

*AMBAG and the Monterey Bay Area – Silicon Valley Inter-Regional Partnership Study have identified Hollister as the source of housing for the job growth in Santa Clara County. While this will occur, with the current housing market slow down, in the short-term population growth in Hollister will not be driven by Silicon Valley economic expansion.*

## C. Expenditure Potential

Based on city and statewide per capita income levels, CCG has used California state average expenditure patterns to estimate the expenditure potential of City residents<sup>4</sup>. See Figure 11.

Hollister is well served by Convenience Goods category with a Hollister Super, Safeway, Nob Hill Foods and Albertson's. Total taxable sales in this category were approximately \$31M for 2006. The City's per capita sales in Convenience Goods are 40% above the state average, which includes grocery stores selling liquor and other food stores. It can be assumed that there are sales being imported from other communities due to specialty food stores such as San Benito Foods.

On the other hand, per capita sales of Comparison Goods are 64% below the state average. This category includes apparel, general merchandise, and home furnishings. This is largely because of the limited amount of comparison shopping available in Hollister. It can be assumed that many of Hollister's residents are exporting their sales to Santa Clara outlets, such as Gilroy.

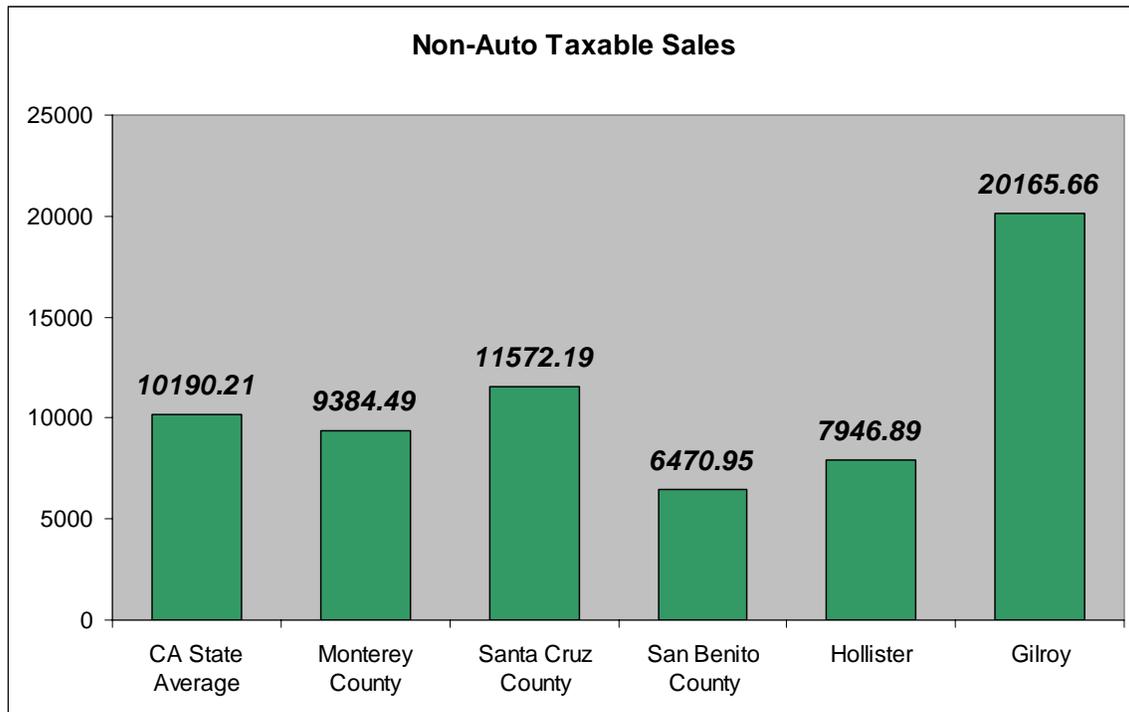
Sales of Eating and Drinking establishments are also below the state average— 40% below. Hollister's assortment of Eating & Drinking establishments is relatively small, limited to the most part to a number of fast food and *taqueria* establishments. There are very few mid-range, family dining, or fine dining offerings. Two characteristics of Hollister's population may explain the lower-than-average restaurant sales: The 60% of out-commuters who most likely patronize restaurants near their place of work, and the large percentage of larger families, who may eat more meals at home than households of state average size.

Automotive sales in Hollister are 37% below the state average. This indicates that Hollister's residents patronize both the Gilroy Auto Mall and auto dealerships in Morgan Hill. Sales at service stations, however, total a remarkable 155% above the state average, due largely to traffic flowing into the central valley. The arrival of the new Honda Powerhouse Dealership should be maximized as a catalyst for auto-related future retail development, particularly as more tourist traffic intersects the City. In addition, the construction of the new Highway #25 Bypass will allow greater access to new Downtown retail ventures, and may present an opportunity for another service station visible from the highway.

---

<sup>4</sup> The fourth quarter of sales tax data was used along with the first through third quarter sales tax information to create a full year.

**Figure11**



Retail in downtown Hollister consists mostly of specialty stores. However, there is a current lack of large retail anchors to provide the customer draw that small retailers rely on.

### **1. New Development**

Two large-scale retail projects are in the pipeline for Hollister: The Lowe’s Center and the Gibson Center, which together will be adding over 300,000 S.F. of retail to the City. These projects will bring much needed large-format shopping to San Benito County, the customers of which are currently being lost to Gilroy. These developments will contribute to the retention of comparison sales within the City, but they will not necessarily result in increased sales for the Downtown, as both shopping centers will be located outside the district.

Considering current employment and commute patterns, it is likely that residents will continue to spend a significant portion of their comparison retail dollars in Santa Clara during the work week. However, these new developments pose an opportunity for Downtown Hollister. Hollister residents will no longer need to leave the City and County for their comparison shopping on the weekends, and as such will be more likely to patronize existing specialty retail Downtown.

## **2. Downtown Economic Development Implications**

As has been stressed, current downtown business hours and the majority of promotional events Downtown target weekday shoppers; city and county workers, and local residents who remain in Hollister during the workday. The 60% of Hollister workers who commute out of the city are not targeted.

Downtown Hollister's greatest potential for market growth is in capturing the weekend shopping habits of residents—especially out-commuters. The Target and two proposed large-format shopping developments will provide an opportunity to attract the weekend spending power of these commuters. Still, a concerted effort will be needed to capture the attention of these residents who would otherwise travel outside of Hollister for their comparison shopping on the weekends.

By providing both the professional and family service needs of residents, in addition to specialty shopping, cultural and dining opportunities that target evening and weekend spending, it will be possible to transform Downtown into a true “community center” of Hollister.

The City can work to promote this Downtown transformation by investing in the existing building stock and marketing the advantages of locating Downtown— as opposed to in the new developments and large-format shopping areas outside of Downtown—to potential small and family service-oriented businesses.

Promoting Downtown as a “community center” can also be achieved by encouraging the location of personal and professional services, including after school tutorial programming, martial arts, dental and legal services, to occupy the above-ground commercial spaces of the downtown district. Policy that discourages the development of non-family friendly activities Downtown will be a vital part of this effort.

Finally, by hosting special events such as the farmers market and various cultural activities on weekends, residents, commuters and regional tourists could be drawn to Downtown Hollister. With business hours and a Downtown business mix that complement this increased weekend exposure, Hollister could begin to “stop up” the prevailing retail leakage. Again, this successful mix is one characterized by a focus of Specialty/Boutique shopping and dining, supported largely by community-oriented businesses in the form of family and professional services.

Once the local position is secured, secondary target market such as regional tourism could be developed to support local interests.