



City of
Los Banos
At the Crossroads of California

ECONOMIC DEVELOPMENT ADVISORY COMMISSION
MEETING NOTICE & AGENDA

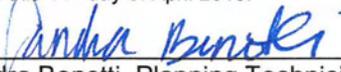
Tuesday, April 17, 2018 at 4:00 p.m.
City Hall, Conference Room A
520 J Street
Los Banos, CA 93635

1. CALL TO ORDER.
2. ROLL CALL: (COMMISSION MEMBERS)

Ballard __, Dvorkin __, Council Member Faria __, Council Member Lewis __,
Lowe __, Los Banos Chamber of Commerce Interim Executive Director Sandoval
__, Segura __.
3. APPROVAL OF AGENDA.
4. APPROVAL OF MINUTES – APRIL 18, 2017.
5. PUBLIC FORUM: Members of the public may address the Commission on an item of public interest that is within the jurisdiction of the Commission; which includes agenda and non-agenda items. No action will be taken on non-agenda items. Speakers are limited to a five (5) minute presentation.
6. INTRODUCTIONS
 - A. City Staff
 - B. EDAC Members
 - C. Consultants
7. PRESENTATION BY BAY AREA ECONOMICS (BAE): HIGHLIGHTS OF ECONOMIC CONDITIONS AND TRENDS REPORT.
8. EDAC DISCUSSION: FINDINGS FROM ECONOMIC CONDITIONS AND TRENDS REPORT.
9. EDAC DOT EXERCISE: REVIEW EXISTING ECONOMIC DEVELOPMENT ELEMENT GUIDING POLICIES AND IMPLEMENTING ACTIONS.

10. EDAC DISCUSSION: RESULTS OF DOT EXERCISE, INCLUDING IDENTIFICATION OF NEW GUIDING POLICIES AND IMPLEMENTING ACTIONS THAT SHOULD BE ADDED OR DELETED, AND/OR RECOMMENDED MODIFICATIONS TO EXISTING POLICIES AND ACTIONS.
11. EDAC DISCUSSION: BIG PICTURE ECONOMIC DEVELOPMENT IDEAS THAT SHOULD GUIDE PREPARATION OF THE UPDATED DRAFT ECONOMIC DEVELOPMENT ELEMENT.
12. COMMISSION MEMBER COMMENTS.
13. ADJOURNMENT.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted on the City Hall bulletin board not less than 72 hours prior to the meeting.
Dated this 11th day of April 2018.



Sandra Benetti, Planning Technician

**CITY OF LOS BANOS
ECONOMIC DEVELOPMENT ADVISORY COMMISSION MINUTES
REGULAR MEETING – APRIL 18, 2017**

ACTION MINUTES – These minutes are prepared to depict action taken for agenda items presented to the Economic Development Advisory Commission.

CALL TO ORDER: Community & Economic Development Director Elms called the Economic Development Advisory Commission Meeting to order at the hour of 4:00 p.m.

ROLL CALL – MEMBERS OF THE ECONOMIC DEVELOPMENT ADVISORY COMMISSION PRESENT: Kathy Ballard; Bertha Faria, Chamber of Commerce; Tom Faria, City Council; Deborah Lewis, City Council (arrived at 4:08 p.m.); Rhonda Lowe; **ABSENT:** Aleksey Dvorkin and Mary Segura.

STAFF MEMBERS PRESENT: Community & Economic Development Director Elms.

CONSIDERATION OF APPROVAL OF AGENDA: Motion by T. Faria, seconded by Lowe to approve the agenda as submitted. The motion carried by the affirmative action of all Commission Members present; Dvorkin, Lewis (arrived at 4:08 p.m.), and Segura absent.

CONSIDERATION OF APPROVAL OF MINUTES – JANUARY 17, 2017: Motion by Lowe, seconded by B. Faria to approve the minutes as submitted. The motion carried by the affirmative action of all Commission Members present; Dvorkin, Lewis (arrived at 4:08 p.m.), and Segura absent.

PUBLIC FORUM: MEMBERS OF THE PUBLIC MAY ADDRESS THE COMMISSION ON ANY ITEM OF PUBLIC INTEREST THAT IS WITHIN THE JURISDICTION OF THE COMMISSION; INCLUDES AGENDA AND NON-AGENDA ITEMS. NO ACTION WILL BE TAKEN ON NON-AGENDA ITEMS. SPEAKERS ARE LIMITED TO A FIVE (5) MINUTE PRESENTATION. Community & Economic Development Director Elms opened the public forum. No one came forward to speak and the public forum was closed.

Council Member Lewis arrived at 4:08 p.m.

PRESENTATION – OPENCOUNTER ENTERPRISES, INC. CUSTOM ONLINE INTERFACE FOR ZONING AND BUSINESS LICENSE FEE INFORMATION.

Community & Economic Development Director Elms presented an online demonstration of an application that the Community & Economic Development Department will be utilizing to streamline land entitlement and business license processes.

Informational item only; no action taken.

DISCUSSION – MURAL NO. 1B “LOS BANOS GRAMMAR SCHOOL” UNVEILING AT 1048 SIXTH STREET.

Community & Economic Development Director Elms presented photos of the Los Banos Grammar School mural and information regarding the unveiling in conjunction with the Los Banos Chamber of Commerce’s Downtown Spring Street Faire on Saturday, April 22, 2017 at 12:00 p.m.

Informational item only; no action taken.

ECONOMIC DEVELOPMENT ADVISORY COMMISSION MEMBER COMMENTS.

BALLARD: No report.

DVORKIN: Absent.

B. FARIA: No report.

T. FARIA: No report.

LEWIS: Reported that she was happy that the City was providing an online application process for the community and out of town customers.

LOWE: No report.

SEGURA: Absent.

ADJOURNMENT. The meeting was adjourned at the hour of 4:44 p.m.

APPROVED:

Sandra Benetti, Planning Technician

MEMORANDUM

DATE: April 5, 2018
TO: City of Los Banos Economic Development Advisory Committee
FROM: Matt Kowta, BAE, Managing Principal
RE: April 17 EDAC Meeting

Greetings EDAC members. BAE is a member of the consultant team that the City of Los Banos has retained to assist with the City's General Plan Update. BAE's role focuses on economic aspects of the General Plan Update, including the Economic Development Element, and we are looking forward to collaborating with your group in this effort.

The purpose of this memo is to:

- Describe the Economic Development Element update process; and
- Brief and prepare EDAC members for the April 17 meeting.

This cover memorandum is accompanied by the following attachments:

- Meeting Agenda
- 2018 Economic Conditions and Trends Report
- Existing Economic Development Element

To utilize everyone's time most effectively, we request that EDAC members review these materials prior to the April 17 meeting.

Economic Development Update Process

The EDAC will have an important role in the Economic Development Element Update. The consultant team will be leading a series of three EDAC meetings, the first of which will be on April 17, to solicit input and feedback on the opportunities, challenges, and key issues for economic development in Los Banos. The EDAC will have an active and important role in guiding the development of new Guiding Policies and Implementing Actions. This section describes the purpose of each of the three EDAC meetings.

First EDAC Meeting

The purpose of the April 17 meeting is to:

- Review and discuss the Economic Conditions and Trends report;
- Review the existing Economic Development Element to identify elements that should be retained and, conversely, identify missing pieces and/or pieces that are in need of revision; and
- Brainstorm some key economic development ideas that can guide the preparation of an initial draft of an updated Economic Development Element.

San Francisco

2600 10th St., Suite 300
Berkeley, CA 94710
510.547.9380

Sacramento

803 2nd St., Suite A
Davis, CA 95616
530.750.2195

Los Angeles

448 South Hill St., Suite 701
Los Angeles, CA 90013
213.471.2666

Washington DC

1400 I St. NW, Suite 350
Washington, DC 20005
202.588.8945

New York City

215 Park Avenue South, 6th Floor
New York, NY 1003
212.683.4486

As indicated in the attached agenda for the April 17 meeting, a key piece of the meeting will be for EDAC members to identify Guiding Policies and Implementing Actions in the existing Economic Development Element that should be retained, reviewed/revise, or deleted. **Please note that in preparation for this exercise, EDAC members are asked to review the Economic Conditions and Trends Report and the existing Economic Development Element in preparation for the April 17th meeting.** These documents are included as attachments to this memo.

EDAC members will participate in a “dot” exercise to help identify the focus of the Economic Development Element. Each EDAC member will be given a supply of green, yellow, and red dots. EDAC members will place dots on posters listing the existing Guiding Policies and Implementing Actions, with green signifying elements that should remain, yellow signifying elements that should be reviewed/modified, and red signifying elements that should be deleted. We will then discuss the results of the exercise as a group and give EDAC members the opportunity to share their ideas for Guiding Policies and/or Implementing Actions that should be retained, modified, and/or added as part of the update.

Second EDAC Meeting

Using the findings from the Economic Conditions and Trends Report and feedback obtained at the April 17 meeting as a guide, BAE will prepare an initial draft Economic Development Update for review and discussion at a second EDAC meeting (date TBD). This meeting will provide the EDAC with the opportunity to help identify refinements, including fine-tuning Guiding Policies and Implementing Actions.

Third EDAC Meeting

Based on input collected at the second EDAC meeting, BAE will make further revisions and bring an updated Draft Economic Development Element to a third meeting with the EDAC (date TBD). At this meeting, the EDAC will undertake a final round of review and comment before the Draft Economic Development Element is released for review by the public, Planning Commission, and City Council.



City of
Los Banos
At the Crossroads of California

LOS BANOS GENERAL PLAN UPDATE:

ECONOMIC CONDITIONS AND TRENDS REPORT

April 5, 2018



Prepared by: BAE in coordination with PlaceWorks

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1. Executive Summary

This report reviews recent economic and demographic conditions and trends in the City of Los Banos, with comparisons to Merced County and the State of California. It is intended to support the City's General Plan Update process by providing a common understanding of the socioeconomic opportunities and challenges faced by the City. The City can use this information to help form the basis for development and refinement of land use alternatives, and for General Plan goal and policy development. The findings from this chapter will be particularly important to informing the preparation of the Economic Development Element of the General Plan Update.

1.1 DEMOGRAPHIC TRENDS

Los Banos has experienced relatively slow population growth since 2010, when compared to Merced County and California as a whole, but there were considerable demographic shifts. These include declining average household size, the portion of the population age 55 and over growing more quickly than the remaining population, growth in non-family households and renters. The changes point to a need for a more diverse housing stock, to meet more varied household needs.

Los Banos is also adding residents with higher levels of educational attainment at a faster rate than the state as a whole, which could be a key factor in attracting new employers to Los Banos; however, despite increasing educational attainment, household income levels have not risen, after adjusting for inflation.

Moving forward, the City of Los Banos is expected to gain roughly 17,300 new residents and 5,630 households between 2015 and 2040, creating demand for new housing, generating important market support for local retail and services, and providing a growing workforce that can support business expansion.

1.2 ECONOMIC CONDITIONS AND TRENDS

Although unemployment has fallen since the Great Recession, Los Banos' unemployment levels tend to be elevated compared to Merced County as a whole and the State of California, resting at about 9.8 percent in 2017. For reference, the statewide rate was 4.8 percent. For local job opportunities, the community is particularly dependent upon public administration (i.e., government), retail, and accommodation and food service jobs, continuing historic patterns. This indicates that the community may benefit from efforts designed to diversify the portfolio of local employment opportunities.

Approximately 74 percent of employed Los Banos residents commute to jobs in locations outside of Los Banos, but the largest portion of Los Banos residents work within Merced County, accounting for 43.3

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percent of the working residents, including roughly 26.1 percent of working Los Banos residents who work within the City of Los Banos itself. Approximately 11 percent of employed Los Banos residents commute into Santa Clara County for work. This represents around 1,217 individual workers. Other notable work destinations for employed residents include Stanislaus County, Fresno County, and San Joaquin County.

Around 61 percent of those working in Los Banos live in Merced County, with 45 percent living in Los Banos itself. Those local workers who commute in from homes outside of Merced County live mostly in Stanislaus County (6.3 percent) and Fresno County (5.7 percent), with only 3.3 percent of local workers commuting in from Santa Clara County.

Total employment in the City of Los Banos is projected to grow by approximately 2,730 new jobs between 2015 and 2040. Broken down by the number of new jobs by major industry sector, Education and Health Services is projected to experience the largest net change, followed by Government and Retail Trade. Broken down by the percentage increase in jobs, the Professional and Business Services sector is projected to grow at the highest rate, at approximately 3.0 percent per year, followed by Construction and Mining, Information, and Educational and Health Services.

1.3 IMPLICATIONS OF KEY LOCAL INITIATIVES

Relocation or closure of the Los Banos Municipal Airport would allow for the intensification of development along the City's western boundary, facilitating urban expansion toward I-5. Research regarding local real estate market conditions indicates potential for healthcare related development at this location, though the current market for medical office space is limited. There is also potential for new single-family and multi-family residential uses, which would be well positioned in proximity to the City's newer retail developments along Highway 152 and the Downtown. The size and configuration of the site may offer an opportunity to develop a regional sports complex; however, the City could expect strong competition from facilities in larger urban areas.

The availability of large undeveloped sites with adequate infrastructure availability is crucial for the attraction and expansion of large scale industrial and office users. As a result, there is interest in development of a business park; however, the City's historically slow employment growth and relatively soft industrial and office real estate markets indicate that the City should approach investments in business park development with caution. The City should take steps to establish the zoning and development standards necessary to manage business park development, which will send a signal to the development community that the City is open for business. The City should also carefully consider how to phase buildout of a business park to limit upfront infrastructure costs on the expectation that buildout would be a long-term process. The City would need to consider advantages and disadvantages of several different options that have been discussed, before selecting a preferred location.

Finally, stakeholders may wish to consider the planned high speed rail stations in Merced and Gilroy, and their implications for potential housing demand from Bay Area commuters, and potential demand from employers who may view high speed rail access as a viable means to gain access to a super-regional labor pool.

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1.4 REAL ESTATE DEMAND PROJECTIONS

Based on the research and analysis documented in the main body of the report, following are summaries of the potential demand in different real estate sectors for the period extending through the General Plan Update's planning horizon.

1.4.1 RESIDENTIAL DEMAND

The City of Los Banos may experience demand sufficient to absorb roughly 5,270 new housing units through 2040. This would require development of an average of 210 new units per year, which is consistent with the historical trend. The City currently has enough residential development planned or already entitled to accommodate up to 3,564 residential units, meaning that the City should consider making enough land available to accommodate at least 1,700 additional residential units through 2040. While the majority of the planned and proposed new residential development involves single-family homes, the City may also want to consider zoning additional land for multi-family development, for up to approximately one-third of the total new housing supply, to help encourage development of a more diverse housing stock and to provide housing opportunities for a wider variety of households, including both owners and renters. This type of housing variety will likely be important to prospective employers, who will be concerned with the availability of housing for workers across a range of pay levels.

1.4.2 RETAIL DEMAND

Los Banos may be able to support an additional 489,000 square feet of non-automotive retail development through 2040, or around 20,000 square feet per year. In addition, the anticipated new retail demand may also be sufficient to support up to around three acres of automotive uses, including gasoline stations and/or motor vehicle and parts dealers.

1.4.3 OFFICE AND INDUSTRIAL DEMAND PROJECTIONS

New office employment could translate to demand sufficient to absorb between 234,000 and 378,000 square feet of new office development through 2040. New industrial employment could translate to demand sufficient to absorb between 84,000 and 199,500 square feet of new industrial development through 2040.

To encourage the establishment of new job generating uses, beyond the baseline projections presented above, and to make the City less reliant on outside employment (i.e., improving the jobs-housing balance), the Economic Development Element will need to look at what the community can do to facilitate expansion of existing local businesses, particularly those with roots in the local agricultural community, and at the same time make itself more attractive to other businesses from outside the local area, by developing competitive advantages for sectors other than agriculture. Potential strategies include, but are not limited to:

- Focus on local quality of life as an attractor for businesses across a variety of sectors

EXECUTIVE SUMMARY

- Reach out to existing businesses to understand their workforce and infrastructure/public facilities needs and work with local partners to address those needs
- Build on existing strengths in agriculture related businesses
- Retain hospital and related medical services; support growth in medical services, and position Los Banos as a hub for medical services in western Merced County
- Look for opportunities to accommodate businesses that are priced out of the Bay Area and match well with the existing Los Banos labor force capabilities
- Investigate opportunities for warehousing/distribution related to support industries active in the southern Santa Clara Valley
- Ensure availability of sites for commercial and industrial development with appropriate infrastructure to enable developers to anticipate and respond to demand for space for business expansions and relocations.

2. Introduction

This report reviews recent economic and demographic conditions and trends in the City of Los Banos, Merced County, and the State of California. The purpose of this analysis is to establish a common understanding of the socioeconomic opportunities and challenges faced by the City, which will form the basis for development and refinement of land use alternatives, and General Plan goal and policy development. The findings from this chapter will be particularly important to informing the preparation of the Economic Development Element of the General Plan Update.

More specifically, the following report reviews demographic trends, including population and household growth; resident educational attainment; household size, composition, and tenure; and household incomes. The analysis also profiles the housing stock, including year built, units in structure, occupancy and vacancy status, and current for-sale prices and rental rates. It also summarizes existing conditions within the current commercial (i.e., office and retail) and industrial real estate markets. Lastly, this report also reviews the currently available forecasts of population, household, and employment growth. Based on those forecasts, this report concludes with estimates of the potential demand for new residential, commercial, and industrial development in Los Banos during the General Plan time horizon, through 2040.

Where practicable, this analysis highlights key demographic, employment, and economic issues that should be considered as part of the General Plan Update process. This includes the status and economic implications of key City initiatives, such as the airport relocation project and the Highway 152 Bypass project, among others.

INTRODUCTION

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3. Demographic and Economic Trends

The following section summarizes historical population and household characteristics and trends in the City of Los Banos. For perspective, the analysis also includes comparisons with Merced County and the State of California. The analysis uses data from the U.S. Census Bureau, including both the 2010 Census and 2012-2016 five-year American Community Survey (ACS) estimates. Where appropriate, data are also provided from a variety of other sources, including the California Department of Finance (DoF), California Employment Development Department (EDD), and the Merced County Association of Governments (MCAG).

3.1 DEMOGRAPHIC CHARACTERISTICS AND TRENDS

Although Los Banos has experienced relatively slow population growth since 2010, when compared to Merced County and California as a whole, there were considerable demographic shifts compared to historic trends.

3.1.1 POPULATION AND HOUSEHOLD TRENDS

As shown in Table 1, the City of Los Banos population grew at less than 0.5 percent per year between 2010 and 2016. The Los Banos population increased by roughly 1,040 residents over the six-year period, a total increase of 2.9 percent. By comparison, Merced County and the State of California grew by 3.6 percent and 3.8 percent, respectively. However, the data provided in Table 1 also indicate that Los Banos added approximately 439 new households during this period, an increase of 4.3 percent. This indicates that the City added new households more quickly than the County or California overall, as shown in Table 1. This translates into a smaller average household size in Los Banos, compared to long-term historical trends. It also reinforces, when combined with other information discussed below, the conclusion that Los Banos is a comparatively attractive destination for households seeking more affordable housing options, relative to other nearby markets.

TABLE 1 POPULATION AND HOUSEHOLDS, 2010 TO 2016

	2010	2016	% Change 2010-2016
Population			
City of Los Banos	35,972	37,012	2.9%
Merced County	255,793	265,001	3.6%
State of California	37,253,956	38,654,206	3.8%
Households			
City of Los Banos	10,259	10,698	4.3%
Merced County	75,642	78,270	3.5%
State of California	12,577,498	12,807,387	1.8%

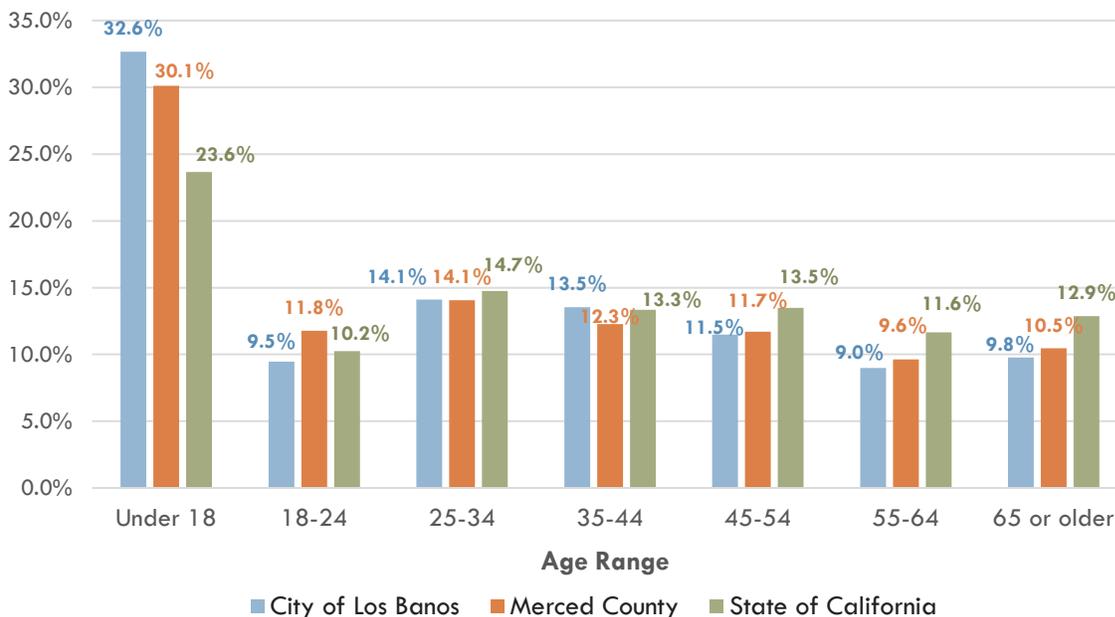
Sources: U.S. Census Bureau, 2010 Census, Table DP-1; U.S. Census Bureau, 2012-2016 American Community Survey, Table DP05; BAE, 2018.

DEMOGRAPHIC & ECONOMIC TRENDS

3.1.2 AGE CHARACTERISTICS

The Los Banos resident age profile is similar to that of Merced County as a whole, as indicated by median age (30.3 and 30.6 years of age, respectively). However, residents of Los Banos and Merced County are generally younger than their statewide counterparts (36.0 years of age). As seen in Figure 1 and Table 2, children under the age of 18 account for 32.6 percent of the Los Banos population, which is notably higher than the statewide share of 23.6 percent. Within Los Banos, working age adults (between 25 and 54 years of age) account for approximately 48.6 percent of the population, which is slightly below the countywide and statewide rates of 49.8 and 51.8 percent, respectively. Older adults are more dramatically under-represented. For example, adults age 55 to 64 years account for 18.8 percent of the population in Los Banos, compared to 20.1 percent in Merced County and 24.5 percent in the State of California as a whole. Nonetheless, the median age in Los Banos increased since 2010, which is consistent with both countywide and statewide trends. The population age 55 and over also grew more quickly than the remaining population, indicating that the City should plan for an aging population moving forward.

FIGURE 1 AGE CHARACTERISTICS, 2016



Sources: U.S. Census Bureau, 2012-2016 American Community Survey, Tables DP05; BAE, 2018.

DEMOGRAPHIC & ECONOMIC TRENDS

TABLE 2 AGE DISTRIBUTION, 2010 TO 2016

City of Los Banos	2010		2016		% Change 2010-2016
	Number	Percent	Number	Percent	
Under 18	12,102	33.6%	12,084	32.6%	-0.1%
18-24	3,703	10.3%	3,502	9.5%	-5.4%
25-34	4,682	13.0%	5,218	14.1%	11.4%
35-44	4,914	13.7%	5,013	13.5%	2.0%
45-54	4,533	12.6%	4,251	11.5%	-6.2%
55-64	2,961	8.2%	3,325	9.0%	12.3%
65 or older	3,077	8.6%	3,619	9.8%	17.6%
Total^a	35,972	100.0%	37,012	100.0%	2.9%
<i>Median Age</i>	29.8		30.3		
Merced County					
Under 18	80,698	31.5%	79,805	30.1%	-1.1%
18-24	30,456	11.9%	31,188	11.8%	2.4%
25-34	35,060	13.7%	37,261	14.1%	6.3%
35-44	31,967	12.5%	32,529	12.3%	1.8%
45-54	31,007	12.1%	30,982	11.7%	-0.1%
55-64	22,645	8.9%	25,500	9.6%	12.6%
65 or older	23,960	9.4%	27,736	10.5%	15.8%
Total^a	255,793	100.0%	265,001	100.0%	3.6%
<i>Median Age</i>	29.6		30.6		
State of California					
Under 18	9,295,040	25.0%	9,140,283	23.6%	-1.7%
18-24	3,922,951	10.5%	3,959,511	10.2%	0.9%
25-34	5,317,877	14.3%	5,701,167	14.7%	7.2%
35-44	5,182,710	13.9%	5,159,031	13.3%	-0.5%
45-54	5,252,371	14.1%	5,215,194	13.5%	-0.7%
55-64	4,036,493	10.8%	4,502,038	11.6%	11.5%
65 or older	4,246,514	11.4%	4,976,982	12.9%	17.2%
Total^a	37,253,956	100.0%	38,654,206	100.0%	3.8%
<i>Median Age</i>	35.2		36.0		

Sources: U.S. Census Bureau, 2010 Census, Table DP-1; U.S. Census Bureau, 2012-2016 American Community Survey, Table DP05; BAE, 2018.

DEMOGRAPHIC & ECONOMIC TRENDS

3.1.3 RACIAL AND ETHNIC COMPOSITION

The two most prevalent racial and ethnic cohorts in Los Banos are Hispanic and Latino residents, who account for 70 percent of the population, and White Non-Hispanic residents, who account for around 23 percent of the population. Since 2010, the share of the population who identify as Hispanic or Latino increased by roughly 5 percentage points, from 65 percent, while the share of the population who identify as White Non-Hispanic decreased by more than 3 percentage points, from around 26 percent. Other notable minority populations in Los Banos include Black and African American residents, who account for 1.8 percent of the population (down from 3.2 percent in 2010), and Asian residents, who account for 2.7 percent of the population (roughly the same as in 2010). Native American residents, Native Hawaiian/Pacific Islander residents, and residents of some other race or ethnicity, each account for less than 1 percent of the Los Banos population.

TABLE 3 RACE AND ETHNICITY, 2010 TO 2016

	2010		2016		% Change 2010-2016
	Number	Percent	Number	Percent	
City of Los Banos					
Hispanic/Latino	23,346	64.9%	25,911	70.0%	11.0%
Not Hispanic/Latino	12,626	35.1%	11,101	30.0%	-12.1%
White	9,521	26.5%	8,614	23.3%	-9.5%
Black/African American	1,154	3.2%	678	1.8%	-41.2%
Native American	142	0.4%	153	0.4%	7.7%
Asian	1,004	2.8%	1,002	2.7%	-0.2%
Native Hawaiian/Pacific Islander	116	0.3%	26	0.1%	-77.6%
Other	77	0.2%	0	0.0%	-100.0%
Two or More Races	612	1.7%	628	1.7%	2.6%
Total	35,972	100.0%	37,012	100.0%	2.9%
Merced County					
Hispanic/Latino	140,485	54.9%	152,475	57.5%	8.5%
Not Hispanic/Latino	115,308	45.1%	112,526	42.5%	-2.4%
White	81,599	31.9%	78,119	29.5%	-4.3%
Black/African American	8,785	3.4%	8,221	3.1%	-6.4%
Native American	1,126	0.4%	807	0.3%	-28.3%
Asian	18,183	7.1%	19,377	7.3%	6.6%
Native Hawaiian/Pacific Islander	476	0.2%	500	0.2%	5.0%
Other	439	0.2%	523	0.2%	19.1%
Two or More Races	4,700	1.8%	4,979	1.9%	5.9%
Total	255,793	100%	265,001	100.0%	3.6%

DEMOGRAPHIC & ECONOMIC TRENDS

TABLE 3 RACE AND ETHNICITY, 2010 TO 2016

	2010		2016		% Change 2010-2016
	Number	Percent	Number	Percent	
State of California					
Hispanic/Latino	14,013,719	37.6%	14,903,982	38.6%	6.4%
Not Hispanic/Latino	23,240,237	62.4%	23,750,224	61.4%	2.2%
White	14,956,253	40.1%	14,837,242	38.4%	-0.8%
Black/African American	2,163,804	5.8%	2,158,363	5.6%	-0.3%
Native American	162,250	0.4%	136,582	0.4%	-15.8%
Asian	4,775,070	12.8%	5,280,818	13.7%	10.6%
Native Hawaiian/Pacific Islander	128,577	0.3%	138,956	0.4%	8.1%
Other	85,587	0.2%	90,413	0.2%	5.6%
Two or More Races	986,696	2.6%	1,107,850	2.9%	14.4%
Total	37,253,956	100%	38,654,206	100.0%	3.8%

Sources: U.S. Census Bureau, 2010 Census, Table DP-1; U.S. Census Bureau, 2012-2016 American Community Survey, Table DP05; BAE, 2018.

3.1.4 EDUCATIONAL ATTAINMENT

Residents of Merced County, including those who live in Los Banos, generally have lower levels of educational attainment compared to their statewide counterparts. For example, approximately 32 percent of California residents have earned a Bachelor’s degree or higher, compared to only around 14 percent in Merced County and 11 percent in Los Banos. Residents of Merced County, including Los Banos, are also less likely to have graduated from high school, at around 69 percent, compared to 82 percent statewide. However, according to the Census Bureau, the City of Los Banos is adding residents with higher levels of educational attainment at a faster rate than the state as a whole. For example, the City of Los Banos added approximately 1,850 residents with a high school diploma of higher since 2010, for an increase of 14.2 percent, compared to the statewide increase of 9.4 percent. Likewise, the City added approximately 400 new residents with at least a Bachelor’s degree, which represents an increase of more than 20 percent, compared to the statewide increase of 14.4 percent. If this trend continues, it may offer important opportunities for Los Banos in terms of workforce readiness, the attractiveness of the local labor pool to employers seeking a more highly educated and highly skilled workforce, and consumer spending power that typically accompanies workers with higher educational attainment.

DEMOGRAPHIC & ECONOMIC TRENDS

TABLE 4 EDUCATIONAL ATTAINMENT, POPULATION AGE 25+, 2016

Educational Attainment	City of Los Banos		Merced County		State of California	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th Grade	3,797	17.7%	29,824	19.4%	2,524,636	9.9%
9th to 12th Grade, No Diploma	2,755	12.9%	18,521	12.0%	2,048,327	8.0%
High School Graduate (incl. Equivalency)	6,178	28.8%	38,871	25.2%	5,260,904	20.6%
Some College, No Degree	5,053	23.6%	34,635	22.5%	5,548,479	21.7%
Associate Degree	1,239	5.8%	11,116	7.2%	1,995,579	7.8%
Bachelor's Degree	1,624	7.6%	13,682	8.9%	5,136,043	20.1%
Graduate/Professional Degree	780	3.6%	7,359	4.8%	3,040,444	11.9%
Total	21,426	100%	154,008	100%	25,554,412	100%
Population 25+ with Bachelor's Degree or Higher (%)	11.2%		13.7%		32.0%	
Population 25+ High School Graduate (incl. Equivalency) or Higher (%)	69.4%		68.6%		82.1%	

Sources: U.S. Census Bureau, 2012-2016 American Community Survey, Table B15003; BAE, 2018.

3.1.5 RESIDENT EMPLOYMENT BY OCCUPATION

Table 5 reports employed residents by occupation.¹ The distribution generally mirrors that of Merced County, but differs in some important ways from the statewide distribution. Los Banos residents are most highly concentrated in office and administrative support occupations (14.9 percent), as well as construction and extraction occupations (8.5 percent), transportation occupations (7.8 percent), and food preparation and serving related occupations (6.9 percent). Los Banos residents are generally underrepresented in most other occupational categories, compared to Merced County and the state as a whole. Since 2010, the occupations with the largest growth amongst City of Los Banos residents include office and administrative support occupations; education, training, and library occupations; and installation, maintenance, and repair occupations. The number of Los Banos residents working in each of these occupational categories grew by 2.0 percentage points or more since 2010. Conversely, the occupations with the largest decreases in Los Banos include sales and related occupations; food preparation and serving related occupations; and architecture and engineering occupations, which each lost roughly 1.5 percentage points since 2010. In Merced County and the state as a whole, the proportion of residents employed in sales and related occupations decreased at similar rates, while the proportion of residents employed in food preparation and serving related occupations and architecture and engineering jobs either increase or remained the same between 2010 and 2016.

¹ Employed residents by occupation data are reported using Standard Occupational Classification (SOC) codes, while jobs by industry data are reported using North American Industry Classification System (NAICS) codes. Therefore, the data reported in Table 5 differ from the data reported in Table 11.

DEMOGRAPHIC & ECONOMIC TRENDS

TABLE 5 EMPLOYED RESIDENTS BY OCCUPATION, 2016

Occupation	City of Los Banos		Merced County		State of California	
	Number	Percent	Number	Percent	Number	Percent
Management	544	4.0%	6,243	6.4%	1,805,427	10.3%
Business and financial operations	229	1.7%	2,279	2.3%	883,660	5.0%
Computer and mathematical	89	0.7%	887	0.9%	569,670	3.2%
Architecture and engineering	60	0.4%	596	0.6%	377,770	2.1%
Life, physical, and social science	127	0.9%	535	0.6%	181,928	1.0%
Community and social services	207	1.5%	1,834	1.9%	267,805	1.5%
Legal	0	0.0%	268	0.3%	218,099	1.2%
Education, training, and library	658	4.9%	6,267	6.5%	953,534	5.4%
Arts, design, entertainment, sports, and media	49	0.4%	591	0.6%	493,810	2.8%
Healthcare practitioner and technical	363	2.7%	3,395	3.5%	866,843	4.9%
Healthcare support	382	2.8%	2,417	2.5%	342,467	1.9%
Protective service	205	1.5%	2,109	2.2%	365,006	2.1%
Food preparation and serving related	930	6.9%	5,043	5.2%	1,002,062	5.7%
Building and grounds cleaning and maintenance	711	5.3%		4.6%	753,925	4.3%
Personal care and service	423	3.1%	4,170	4.3%	829,239	4.7%
Sales and related	1,053	7.8%	8,365	8.6%	1,899,746	10.8%
Office and administrative support	2,015	14.9%	11,439	11.8%	2,217,615	12.6%
Farming, fishing, and forestry	946	7.0%	10,146	10.4%	286,585	1.6%
Construction and extraction	1,141	8.5%	5,345	5.5%	830,266	4.7%
Installation, maintenance, and repair	716	5.3%	3,631	3.7%	483,857	2.8%
Production	827	6.1%	6,961	7.2%	897,575	5.1%
Transportation	1,053	7.8%	5,249	5.4%	575,118	3.3%
Material moving	774	5.7%	4,944	5.1%	475,135	2.7%
Total	13,502	100%	97,146	100%	17,577,142	100%

Sources: U.S. Census Bureau, 2012-2016 American Community Survey, Table S2401; BAE, 2018.

3.1.6 HOUSEHOLD TYPE

Both the City of Los Banos and Merced County feature a higher share of family households, compared to California as a whole, with Los Banos also showing a slightly higher share, compared to Merced County. As

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reported in Table 6, California added family and non-family households at roughly the same rate between 2010 and 2016.² By comparison, Merced County added non-family households roughly four times faster than family households, while Los Banos added non-family households almost exclusively (i.e., the growth rate for family households was 0.1 percent per year, compared to 3.0 percent per year for non-family households).

TABLE 6 HOUSEHOLD COMPOSITION, 2010 TO 2016

City of Los Banos	2010		2016		% Change 2010-2016
	Number	Percent	Number	Percent	
Family Households	8,330	81.2%	8,401	78.5%	0.9%
Non-Family Households	1,929	18.8%	2,297	21.5%	19.1%
Total	10,259	100%	10,698	100%	4.3%
Merced County					
Family Households	58,767	77.7%	60,009	76.7%	2.1%
Non-Family Households	16,875	22.3%	18,261	23.3%	8.2%
Total	75,642	100%	78,270	100%	3.5%
State of California					
Family Households	8,642,473	68.7%	8,800,019	68.7%	1.8%
Non-Family Households	3,935,025	31.3%	4,007,368	31.3%	1.8%
Total	12,577,498	100%	12,807,387	100%	1.8%

Sources: U.S. Census Bureau, 2010 Census, Table DP-1; U.S. Census Bureau, 2012-2016 American Community Survey, Table B11001; BAE 2018.

3.1.7 HOUSEHOLD SIZE

Merced County and Los Banos feature average household sizes that are notably higher than the statewide average of 2.95 persons. This is due to their above-average concentrations of households with four or more members. However, between 2010 and 2016, the share of households with three or fewer residents increased dramatically, reflecting an influx of smaller, mostly non-family, households. This trend is also reflected, but to a lesser degree, in Merced County as a whole, with both jurisdictions experiencing decreasing average household sizes.

² A family household consists of two or more related persons living together. A non-family household can be a single person living alone, or a group of unrelated individuals sharing a dwelling.

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TABLE 7 AVERAGE HOUSEHOLD SIZE, 2010 TO 2016

City of Los Banos	2010		2016		% Change 2010-2016
	Number	Percent	Number	Percent	
1-person household	1,551	15.1%	1,845	17.2%	19.0%
2-person household	2,355	23.0%	2,630	24.6%	11.7%
3-person household	1,617	15.8%	1,948	18.2%	20.5%
4-person household	1,864	18.2%	1,458	13.6%	-21.8%
5-person household	1,410	13.7%	1,606	15.0%	13.9%
6-person household	769	7.5%	651	6.1%	-15.3%
7-or-more person household	693	6.8%	560	5.2%	-19.2%
Total, All Households	10,259	100%	10,698	100%	4.3%
<i>Average Household Size</i>	3.49		3.45		
Merced County					
1-person household	13,157	17.4%	14,548	18.6%	10.6%
2-person household	18,874	25.0%	20,450	26.1%	8.4%
3-person household	12,250	16.2%	13,492	17.2%	10.1%
4-person household	12,744	16.8%	11,959	15.3%	-6.2%
5-person household	9,033	11.9%	10,101	12.9%	11.8%
6-person household	4,954	6.5%	4,463	5.7%	-9.9%
7-or-more person household	4,630	6.1%	3,257	4.2%	-29.7%
Total, All Households	75,642	100%	78,270	100%	3.5%
<i>Average Household Size</i>	3.32		3.31		
State of California					
1-person household	2,929,442	23.3%	3,070,034	24.0%	4.8%
2-person household	3,653,802	29.1%	3,854,960	30.1%	5.5%
3-person household	2,043,812	16.2%	2,128,721	16.6%	4.2%
4-person household	1,883,451	15.0%	1,943,269	15.2%	3.2%
5-person household	1,040,408	8.3%	1,016,812	7.9%	-2.3%
6-person household	507,471	4.0%	449,853	3.5%	-11.4%
7-or-more person household	519,112	4.1%	343,738	2.7%	-33.8%
Total, All Households	12,577,498	100%	12,807,387	100%	1.8%
<i>Average Household Size</i>	2.90		2.95		

Sources: U.S. Census Bureau, 2010 Census, Tables H12 & H13; U.S. Census Bureau, 2012-2016 American Community Survey, Tables B25009 & B25010; BAE, 2018.

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3.1.8 HOUSEHOLD TENURE

Household tenure in Los Banos currently mirrors the broader countywide and statewide distribution, with 53 percent of Los Banos households owning their own homes, while 47 percent rent their accommodations. However, the ownership rate in Los Banos decreased much more rapidly between 2010 and 2016, compared to the countywide and statewide trends. For example, the ownership rate in Los Banos decreased by roughly 7 percentage points, from 60 percent in 2010 to 53 percent in 2016. By comparison, the ownership rates in Merced County and the State of California decreased by only 2 percentage points during this period. This reflects a real decrease in the number of owner households in Los Banos, which was larger than the declines in home ownership that occurred in both Merced County and California as a whole. It also reflects a rapid increase in the number of renter households.

TABLE 8 HOUSEHOLD TENURE, 2010 TO 2016

City of Los Banos	2010		2016		% Change 2010-2016
	Number	Percent	Number	Percent	
Owner-Occupied	6,197	60.4%	5,682	53.1%	-8.3%
Renter-Occupied	4,062	39.6%	5,016	46.9%	23.5%
Total	10,259	100%	10,698	100%	4.3%
Merced County					
Owner-Occupied	41,196	54.5%	40,889	52.2%	-0.7%
Renter-Occupied	34,446	45.5%	37,381	47.8%	8.5%
Total	75,642	100%	78,270	100%	3.5%
State of California					
Owner-Occupied	7,935,371	55.9%	6,929,007	54.1%	1.5%
Renter-Occupied	5,542,127	44.1%	5,878,380	45.9%	6.1%
Total	12,577,498	100%	12,807,387	100%	1.8%

Sources: U.S. Census Bureau, 2010 Census, Table DP-1; U.S. Census Bureau, 2012-2016 American Community Survey, Table B25003; BAE, 2018.

3.1.9 HOUSEHOLD INCOME

The distribution of households by income level in Los Banos generally mirrors that of Merced County, though both areas are generally lower income when compared to the state as a whole. As seen in Table 9, the 2016 median household income in Los Banos is \$45,750 per year, compared to the statewide median of \$63,750. Los Banos contains a significantly higher proportion of lower-income households compared to the state as a whole, with roughly 15.8 percent of households earning less than \$15,000 per year, compared to 10.6 percent statewide. Los Banos has a fairly stable concentration of households in the income brackets between \$35,000 to \$99,000 per year, which is fairly consistent with the countywide and statewide concentrations. In both the City of Los Banos and Merced County, however, households with incomes of more than \$100,000 per year are under-represented compared to the state.

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TABLE 9 HOUSEHOLD INCOME, 2016

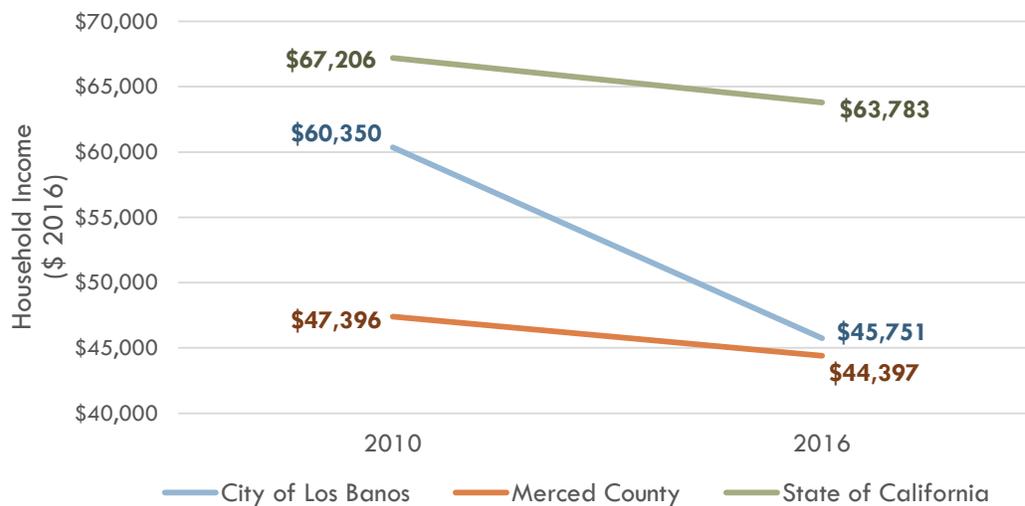
Income Category	City of Los Banos		Merced County		State of California	
	Number	Percent	Number	Percent	Number	Percent
Less than \$15,000	1,687	15.8%	11,272	14.4%	1,358,242	10.6%
\$15,000-\$24,999	1,318	12.3%	10,351	13.2%	1,165,049	9.1%
\$25,000-\$34,999	1,004	9.4%	9,112	11.6%	1,111,844	8.7%
\$35,000-\$49,999	1,833	17.1%	12,029	15.4%	1,507,937	11.8%
\$50,000-\$74,999	1,982	18.5%	14,503	18.5%	2,115,762	16.5%
\$75,000-\$99,999	1,273	11.9%	8,253	10.5%	1,552,490	12.1%
\$100,000-\$149,999	1,026	9.6%	7,606	9.7%	1,950,658	15.2%
\$150,000-\$199,999	436	4.1%	2,946	3.8%	935,208	7.3%
\$200,000 or more	139	1.3%	2,198	2.8%	1,110,197	8.7%
Total	10,698	100%	78,270	100%	12,807,387	100%
Median HH Income	\$45,751		\$44,397		\$63,783	
Per Capita Income	\$17,554		\$19,130		\$31,458	

Sources: U.S. Census Bureau, 2012-2016 American Community Survey, Tables B19001, B19013, and B19301; BAE, 2018.

In addition to featuring above-average concentrations of lower income households, the data indicate that inflation-adjusted household incomes in Los Banos decreased much more quickly since 2010, compared to Merced County and California more broadly. For example, after adjusting for inflation, the 2010 median Los Banos household income (in 2016 dollars) was approximately \$60,350, which decreased by more than 24 percent to \$45,751 in 2016 as shown in Figure 2. This is compared to decreases of between 5 and 6 percent in California and Merced County, respectively. While this may be a result of increases in smaller households, including potential single person households with lower incomes but similar purchasing power, the inflation-adjusted per capita income in Los Banos also decreased between 2010 and 2016, from approximately \$20,850 to \$17,550, compared to stagnant per capita incomes in the County and State. While the increasing number of smaller and lower-income households living in Los Banos likely influences the observed decrease in the inflation-adjusted median and per-capita income figures, the magnitude of the decreases indicate that the change is driven, at least to some extent, by a real decrease in the inflation adjusted incomes of existing Los Banos households. Regardless of the cause, such a significant decrease in the real spending power of Los Banos residents has significant implications for the City’s ability to both retain existing retailers and attract new retail outlets.

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FIGURE 2 MEDIAN HOUSEHOLD INCOME, 2010 AND 2016^a



a. 2010 income figures adjusted to 2016 dollars using the Consumer Price Index for all urban consumers in the Western Region, as reported by the BLS. Sources: U.S. Census Bureau, 2012-2016 American Community Survey, Tables B19001, B19013; 2008-2010 American Community Survey, Tables B19001, B19013; BLS; BAE, 2018.

3.1.10 DEMOGRAPHIC PROJECTIONS

According to MCAG, in association with the Center for Business and Policy Research at the University of Pacific (UOP), the City of Los Banos is expected to gain roughly 17,300 new residents between 2015 and 2040, at an average annual growth rate of 1.5 percent per year. This is roughly consistent with the growth rate experienced in Los Banos between 2010 and 2017, as reported by the DoF.³ Over the same time period, MCAG estimates that the number of households residing in Los Banos will increase by approximately 5,630 households, at an average annual rate of 1.6 percent per year. While the Census Bureau estimates that population growth outpaced household growth since 2010, MCAG anticipates that the two growth rates will track fairly consistently moving forward, which is generally consistent with the historical Merced County trend. MCAG also anticipates that growth in Los Banos will marginally outpace countywide growth, with MCAG projecting the total Merced County population will grow at a rate of 1.3 percent per year, with the total household count increasing at an average of 1.4 percent per year.

³ The Census data presented in **Error! Reference source not found.** indicate a 0.5 percent annual growth rate in Los Banos between 2010 and 2016, while the DoF data indicate a 1.5 percent annual growth rate between 2010 and 2017. This is likely due to the rolling average data sampling methodology used by the Census Bureau, whereas the DoF data is reported on an annual point-in-time basis. Also, the DoF annual data indicate that the City of Los Banos population expanded significantly between 2014 and 2017, which may not be fully captured in the 5-year average data published by the Census Bureau as part of the American Community Survey (ACS).

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TABLE 10 POPULATION AND HOUSEHOLD PROJECTIONS, 2015 TO 2040

	2015	2020	2025	2030	2035	2040	Net Change ('15-'40)	Average Annual Growth ('15-'40)
City of Los Banos								
Population	38,681	41,638	44,785	48,634	52,349	55,990	17,309	1.5%
Households	11,164	12,263	13,262	14,481	15,635	16,792	5,628	1.6%
Merced County								
Population	272,718	291,056	310,572	334,443	357,496	380,057	107,339	1.3%
Households	80,591	87,323	93,440	100,908	107,984	115,058	34,467	1.4%

Note: The 2015 population and households estimates used by the Center for Business and Policy Research to benchmark the projections come from the California Department of Finance and thus differ slightly from the Census data presented in Table 1.

Sources: Sources: Merced County Association of Governments, 2016; Center for Business and Policy Research, 2016; BAE, 2018.

3.2 ECONOMIC CONDITIONS AND TRENDS

The following section summarizes the current economic conditions in the City of Los Banos and Merced County. The analysis draws on data from a number of sources, including data published by the California Employment Development Department (EDD), the California State Board of Equalization (SBOE), the U.S. Census Bureau (Census), and ESRI, a private data vendor.

3.2.1 LABOR FORCE CHARACTERISTICS

The City of Los Banos, similar to Merced County and the majority of California’s Central Valley, suffers from chronically elevated unemployment, resulting at least in part from the lingering effects of the Great Recession. In addition, elevated levels of unemployment are often associated with Central Valley communities where seasonal agricultural work is a substantial part of the local economy. As reported in Table 11, the 2010 unemployment rate within the City of Los Banos was roughly 18.3 percent, which was on par with the Merced County rate, but was significantly above the statewide unemployment rate of 12.2 percent. Since 2010, the unemployment rates in all three geographies decreased significantly, with City of Los Banos reaching an annual average of 9.8 percent in 2017, compared to 9.6 percent in Merced County. While this represents a substantial decrease from the recent historic high, the local unemployment rate remains concerningly high compared to the statewide rate of just 4.8 percent. While the labor forces expanded in both Merced County and California as a whole during the last seven years, the labor force in Los Banos remained roughly the same size.

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TABLE 11 LABOR FORCE AND UNEMPLOYMENT TRENDS, 2010 TO 2017

Year	Labor Force	Employment	Unemployment	Unemployment Rate
City of Los Banos				
2017 ^a	15,767	14,233	1,550	9.8%
2016	15,900	14,200	1,700	10.7%
2015	15,800	13,900	1,800	11.6%
2014	15,800	13,700	2,100	13.1%
2013	15,800	13,500	2,300	14.8%
2012	15,900	13,200	2,600	16.7%
2011	15,800	13,000	2,900	18.0%
2010	15,700	12,800	2,900	18.3%
Merced County				
2017 ^a	114,458	103,517	10,942	9.6%
2016	115,000	103,000	12,100	10.5%
2015	114,300	101,400	12,900	11.3%
2014	114,500	99,800	14,700	12.8%
2013	114,600	98,000	16,600	14.5%
2012	115,000	96,200	18,800	16.3%
2011	114,700	94,500	20,200	17.6%
2010	113,600	93,200	20,400	18.0%
State of California				
2017	19,224,100	18,302,817	921,283	4.8%
2016	19,102,700	18,065,000	1,037,700	5.4%
2015	18,893,200	17,723,300	1,169,900	6.2%
2014	18,755,000	17,348,600	1,406,400	7.5%
2013	18,624,300	16,958,700	1,665,600	8.9%
2012	18,523,800	16,602,700	1,921,100	10.4%
2011	18,415,100	16,258,100	2,157,000	11.7%
2010	18,336,300	16,091,900	2,244,300	12.2%

a. 2017 data is preliminary.

Sources: California Employment Development Department; BAE, 2018.

DEMOGRAPHIC & ECONOMIC TRENDS

3.2.2 JOBS BY INDUSTRY

As seen in Table 12,⁴ Public Administration and Retail Trade each account for more 1,300 jobs in the City of Los Banos, or 20 percent of the total employment base. This represents a larger proportion compared to the countywide and statewide distribution of jobs by industry. In addition to Public Administration and Retail Trade, other leading industry sectors in Los Banos include Accommodation and Food Services (900 jobs; 13.1 percent), Natural Resources and Mining (880 jobs; 12.9 percent), and Education and Health Services (850 jobs; 12.5 percent). The remaining industry sectors each account for fewer than 300 jobs and less than 5 percent of the total employment base, indicating that the community may benefit from efforts designed to diversify the portfolio of employment opportunities available.

In terms of ongoing employment growth, the Natural Resources and Mining sector experienced the most growth between 2010 and 2016, with the addition of roughly 800 new jobs.⁵ Los Banos also experienced an increase in the number of jobs reported in Retail Trade (390 new jobs); Education and Health Services (370 new jobs), and public administration (310 new jobs). Thus, the community appears to be building on its existing competitive advantages in sectors that already account for a majority of the local employment opportunities.

TABLE 12 EMPLOYMENT BY INDUSTRY, 2016

Industry	City of Los Banos		Merced County		State of California	
	Number	Percent	Number	Percent	Number	Percent
Natural Resources and Mining	882	12.9%	13,769	18.0%	445,886	2.7%
Utilities	0	0.0%	252	0.3%	58,269	0.3%
Construction	205	3.0%	2,166	2.8%	769,670	4.6%
Manufacturing	296	4.3%	9,283	12.1%	1,294,761	7.7%
Wholesale Trade	62	0.9%	2,007	2.6%	715,995	4.3%
Retail Trade	1,377	20.2%	8,135	10.6%	1,667,847	10.0%
Transportation and Warehousing	143	2.1%	2,164	2.8%	512,158	3.1%
Information	67	1.0%	323	0.4%	517,212	3.1%
Finance and Insurance	102	1.5%	1,247	1.6%	541,077	3.2%
Real Estate Rental and Leasing	56	0.8%	562	0.7%	276,035	1.7%
Professional and Business Services	162	2.4%	3,635	4.7%	2,517,539	15.1%

⁴ Jobs by industry data are reported using North American Industry Classification System (NAICS) codes, while employed residents by occupation data are reported using Standard Occupational Classification (SOC) codes. Therefore, the data reported in Table 11 differ from the data reported in Table 5.

⁵ The significant addition of new jobs in the Natural Resources and Mining sector may reflect the reallocation of reported jobs from other areas. In other words, this increase may, or may not, reflect a real increase in the employment base, but may alternatively reflect a change in the way that jobs are reported to/by the EDD.

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TABLE 12 EMPLOYMENT BY INDUSTRY, 2016

Industry	City of Los Banos		Merced County		State of California	
	Number	Percent	Number	Percent	Number	Percent
Educational and Health Services	854	12.5%	9,177	12.0%	2,470,475	14.8%
Arts, Entertainment, and Recreation	54	0.8%	480	0.6%	298,966	1.8%
Accommodation and Food Services	897	13.1%	5,023	6.6%	1,586,281	9.5%
Other Services (except Public Administration)	157	2.3%	1,160	1.5%	519,953	3.1%
Public Administration	1,484	21.7%	17,241	22.5%	2,430,289	14.5%
Unclassified	25	0.4%	250	0.3%	96,235	0.6%
Total	6,822	100%	76,624	100%	16,718,648	100%

Sources: Employment Development Department, Quarterly Census of Employment and Wages; BAE, 2018.

3.2.3 MAJOR EMPLOYERS

According to the City of Los Banos Comprehensive Annual Financial Report (CAFR), the major employers in Los Banos principally include public service providers and major retailers. As shown in Table 13, the Los Banos Unified School District is the largest employer within the City, with an estimated 1,150 employees. The next largest employer is Wal-Mart, with around 310 employees, followed by the Memorial Hospital with 240 employees. Of the remaining top employers, the majority are major retailers, including Target, Home Depot, Food 4 Less, and Save Mart.

TABLE 13 MAJOR EMPLOYERS, CITY OF LOS BANOS, 2016

Employer	Number of Employees
Los Banos Unified School District	1,150
Wal-Mart	311
Memorial Hospital	242
City of Los Banos	188
Kagome	155
Target	115
Home Depot	112
APEX	85
Food 4 Less	80
Save Mart	80

Sources: City of Los Banos, Comprehensive Annual Financial Report, 2016; BAE, 2018.

3.2.4 REGIONAL COMMUTE FLOW

As shown in Table 14, approximately 74 percent of the Los Banos workforce commutes outside of Los Banos for work. The left side of Table 14 shows the place of work for Los Banos residents. Most Los Banos residents work within Merced County, accounting for 43.3 percent of the working residents. Within this total, roughly 26.1 percent of Los Banos residents work within the City of Los Banos itself, and another 5 percent work in the City of Merced.

Approximately 11 percent of employed Los Banos residents commute into Santa Clara County for work. This represents around 1,217 individual workers. Other notable destinations include Stanislaus County, Fresno County, and San Joaquin County. Workers commuting to these destinations represent around 23 percent of the Los Banos workforce.

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The right side of Table 14 shows the residence locations of the people who work in Los Banos. According to this information, around 61 percent of those holding jobs in Los Banos live in Merced County, with 45 percent living in Los Banos itself. Those local workers who commute in from homes outside of Merced County live mostly in Stanislaus County (6.3 percent) and Fresno County (5.7 percent), with only 3.3 percent of local workers commuting in from Santa Clara County.

TABLE 14 **COMMUTE FLOWS, 2015**

Residents by Place of Work			Workers by Place of Residence		
Place of Work	Employed Residents		Place of Residence	Workers	
	Number	Percent		Number	Percent
Merced County	4,735	43.3%	Merced County	3,833	61.0%
City of Los Banos	2,855	26.1%	City of Los Banos	2,855	45.5%
City of Merced	548	5.0%	City of Merced	161	2.6%
Volta CDP	141	1.3%	City of Dos Palos	101	1.6%
Santa Nella CDP	131	1.2%	City of Atwater	83	1.3%
Other Merced County	1,060	9.7%	City of Gustine	69	1.1%
Santa Clara County	1,217	11.1%	Other Merced County	564	9.0%
City of San Jose	344	3.1%	Stanislaus County	397	6.3%
City of Gilroy	321	2.9%	City of Turlock	50	0.8%
City of Morgan Hill	145	1.3%	City of Newman	45	0.7%
Other Santa Clara County	407	3.7%	City of Ceres	43	0.7%
Stanislaus County	941	8.6%	Other Stanislaus County	259	4.1%
City of Turlock	230	2.1%	Fresno County	358	5.7%
Other Stanislaus County	711	6.5%	City of Fresno	108	1.7%
Fresno County	707	6.5%	Other Fresno County	250	4.0%
City of Fresno	315	2.9%	Santa Clara County	208	3.3%
Other Fresno County	392	3.6%	City of San Jose	132	2.1%
San Joaquin County	443	4.0%	Other Santa Clara County	76	1.2%
City of Stockton	115	1.1%	Madera County	178	2.8%
Other San Joaquin County	328	3.0%	Monterey County	150	2.4%
All Other Places	2,897	26.5%	All Other Places	1,157	18.4%
Total	10,940	100%	Total	6,281	100%
Live and Work in Los Banos	2,855	26.1%	Live and Work in Los Banos	2,855	45.5%
Live in Los Banos but Work Elsewhere	8,085	73.9%	Work in Los Banos but Live Elsewhere	3,426	54.5%

Sources: U.S. Census Bureau, Longitudinal Employer-Household Dynamics via OnTheMap; BAE, 2018.

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3.2.5 EMPLOYMENT PROJECTIONS

According to MCAG, total employment in the City of Los Banos and Merced County is projected to grow at roughly 1.4 percent per year between 2015 and 2040. This translates to an increase of approximately 2,730 new jobs in Los Banos over the 25-year period. Broken down by major industry sector, Education and Health Services is projected to experience the largest net change, with an increase of 750 jobs (2.0 percent), followed by Government (720 new jobs; 1.6 percent), Retail Trade (380 new jobs; 1.1 percent), Leisure and Hospitality (290 new jobs; 1.1 percent), and Professional and Business Services (240 new jobs; 3.0 percent). MCAG anticipates that the Professional and Business Services sector will grow at the highest rate, with an annual increase of roughly 3.0 percent per year, followed by Construction and Mining (2.5 percent per year), Information (2.1 percent per year), and Educational and Health Services (2.0 percent per year).

TABLE 15 TOTAL EMPLOYMENT PROJECTIONS, 2015 TO 2040

Employment	2015	2020	2025	2030	2035	2040	Net Change ('15-'40)	Average Annual Growth ('15-'40)
City of Los Banos	6,334	6,966	7,318	7,867	8,432	9,065	2,731	1.4%
Merced County	72,864	82,017	86,055	92,099	96,913	103,290	30,426	1.4%

Sources: Merced County Association of Governments, 2016; Center for Business and Policy Research, 2016; BAE, 2018.

3.3 IMPLICATIONS OF KEY INITIATIVES

The City of Los Banos is currently pursuing a number of key initiatives which will likely impact the community's long-term prospects for economic growth and development. This primarily includes the potential closure or relocation of the existing Los Banos Municipal Airport, exploring development of a business park near Interstate 5 (I-5), and development of the Highway 152 Bypass. While the proposed California High Speed Rail (HSR) line will not go through Los Banos, potential transit connectivity to the Merced Station and proximity to the Central Valley Wye may pose opportunities for improved economic development and growth.

3.3.1 AIRPORT RELOCATION

The Los Banos Municipal Airport is currently located approximately one mile from Downtown on the western edge of Los Banos, just north of Highway 152 and the existing Stone Creek Plaza shopping center. The airport covers an area of roughly 125 acres, with a single paved asphalt runway. The airport offers year-round general aviation services, with around 20 aircraft permanently based at the field and 16,000 annual local and itinerant operations per year.⁶ At current activity levels, the 2017 Airport Feasibility

⁶ ECONSolutions by HdL. *City of Los Banos Airport Feasibility Study*, <http://www.losbanos.org/wp-content/uploads/2018/02/CC-Agenda-Packet-2.7.18.pdf>, accessed February 2018.

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TABLE 16 EMPLOYMENT BY INDUSTRY PROJECTIONS, 2015-2040

City of Los Banos	2015	2020	2025	2030	2035	2040	Net Change ('15-'40)	Average Annual Growth ('15-'40)
Agriculture, Forestry, Fishing and Hunting	183	236	219	235	226	235	52	1.0%
Construction & Mining	182	232	268	286	309	336	154	2.5%
Manufacturing	433	473	486	490	493	498	66	0.6%
Wholesale Trade	72	67	74	81	83	87	15	0.8%
Retail Trade	1,241	1,309	1,359	1,436	1,526	1,620	379	1.1%
Transportation, Warehousing, and Utilities	171	172	175	176	171	163	-7	-0.2%
Information	41	43	50	55	61	69	28	2.1%
Financial Activities	109	107	110	115	123	131	22	0.7%
Professional & Business Services	221	250	302	348	395	460	239	3.0%
Educational & Health Services	1,187	1,314	1,433	1,577	1,759	1,940	753	2.0%
Leisure & Hospitality	895	964	1,003	1,046	1,107	1,184	289	1.1%
Other Services	141	144	146	152	157	165	24	0.6%
Government	1,459	1,653	1,693	1,870	2,022	2,176	717	1.6%
Total Employment ^a	6,334	6,966	7,318	7,867	8,432	9,065	2,731	1.4%
Merced County								
Agriculture, Forestry, Fishing and Hunting	9,664	12,462	11,545	12,412	11,930	12,428	2,764	1.0%
Construction & Mining	1,900	2,418	2,795	2,983	3,230	3,508	1,608	2.5%
Manufacturing	9,900	10,828	11,120	11,210	11,280	11,400	1,500	0.6%
Wholesale Trade	1,700	1,585	1,748	1,918	1,965	2,063	363	0.8%
Retail Trade	8,000	8,435	8,760	9,255	9,835	10,443	2,443	1.1%
Transportation, Warehousing, and Utilities	2,300	2,323	2,360	2,378	2,300	2,203	-97	-0.2%
Information	300	320	370	403	450	505	205	2.1%
Financial Activities	1,500	1,473	1,520	1,590	1,700	1,805	305	0.7%
Professional & Business Services	3,700	4,198	5,058	5,830	6,623	7,710	4,010	3.0%
Educational & Health Services	9,400	10,403	11,345	12,488	13,923	15,363	5,963	2.0%
Leisure & Hospitality	5,400	5,820	6,055	6,310	6,680	7,143	1,743	1.1%
Other Services	1,400	1,430	1,450	1,505	1,553	1,640	240	0.6%
Government	17,700	20,325	21,930	23,820	25,445	27,083	9,383	1.7%
Total Employment ^a	72,864	82,017	86,055	92,099	96,913	103,290	30,426	1.4%

a. Totals may not sum due to rounding.

Sources: Merced County Association of Governments, 2016; Center for Business and Policy Research, 2016; BAE, 2018.

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Study indicates that “the Los Banos Municipal Airport lacks the needed infrastructure, amenities, or location to successfully compete in today’s marketplace.” At its current location, the FAA also restricts takeoff and landing activities that involve flying over the residential areas located to the south and west of the existing airport.⁷ The presence of the airport likewise constrains potential future development west and south of the airport, due to overflight concerns, including restrictions on multistory buildings west of Los Banos.

Relocation or closure of the airport would allow for the intensification of development along the City’s western boundary, facilitating urban expansion toward I-5. Reuse of the existing airport site will likely face environmental contamination issues related to the site’s use history. According to the Airport Feasibility Study, likely reuse targets include E-commerce and warehouse/distribution uses, as well as healthcare/medical office, and multi-family residential uses. The study also indicates some potential for development of a regional sports complex. While the Airport Feasibility Study reports information on the regional market conditions for industrial, warehousing, e-commerce, and distribution land uses, additional research conducted by BAE regarding local real estate market conditions indicates limited development potential in these categories and a lack of competitiveness compared to other regional alternatives, such as Tracy, Lathrop, and Stockton. BAE’s research indicates that there is some potential for healthcare related development, though the current market for medical office space is limited. BAE’s research indicates that there is potential for new residential development at the site, for both single-family and multi-family uses, which would be well positioned in proximity to the City’s newer retail developments along Highway 152 and the Downtown. While the size and configuration of the site may offer an opportunity to develop a regional sports complex, the community’s location outside of a major metropolitan area may limit the potential of this land use to function as a significant economic development driver.

Wadell Engineering is currently analyzing the possibility of relocating the Los Banos Municipal Airport to four potential sites located outside of the existing City limits. Wadell currently estimates the cost of relocation at \$7.72 million. Recognizing the declining usage of the existing facility, as well as the broader decline of the general aviation industry at large, ECONsolutions does not recommend relocation of the existing airport. However, the Airport Feasibility Study also highlights that the FAA strictly regulates the closure of airport facilities which receive federal funding, requiring that the applicant demonstrate how the action will benefit civil aviation. Therefore, closure of the facility without relocation may be difficult.

3.3.2 BUSINESS PARK DEVELOPMENT

To encourage the expansion of existing Los Banos businesses, and to facilitate the attraction of new establishments, the City of Los Banos is considering the creation of a business park that would make land available for new office and industrial development. The availability of large undeveloped sites with adequate infrastructure availability is crucial for the attraction and expansion of large scale industrial and office users. Therefore, in order to participate in the regional industrial and office markets, the City should

⁷ AirNav, LLC., Los Banos Municipal Airport: FAA Information Effective 01 February 2018, <https://www.airnav.com/airport/KLSN>, accessed February 11, 2018.

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work to make sites available. However, the City's historically slow employment growth and relatively soft industrial and office real estate markets indicate that the City should also approach investments in business park development with a commensurate amount of caution. The City should take steps to establish the zoning and development standards necessary to manage business park development, which will send a signal to the development community that the City is open for business. Similarly, the City should carefully consider how to phase buildout of the park to limit upfront infrastructure costs. The City may also want to consider financing mechanisms that can help tie the cost of infrastructure development to the value created by new projects. As an interim step, the City may also want to look for opportunities to zone land for development of lower-intensity industrial and commercial steel framed flex space, which is the only industrial category for which there appears to be unmet demand within the current market. This may be sited as an interim use for the business park or may be located elsewhere in the City.

There are two areas currently being considered for a potential business park development along I-5 at the Highway 152 and 165 interchanges. Establishment of the business park along I-5 would offer ready access for commercial trucking activities, as well as highway visibility. It would also offer a buffer between residential and commercial uses in Los Banos and industrial uses located at the park. However, establishment of the business park along I-5 at either the Highway 152 or 165 interchanges poses challenges in terms of infrastructure availability (including the unique difficulties and cost associated with routing utilities under or across multiple aqueducts), which is a critical competitive requirement. Without adequate water, sewer, and electrical capacity, the business park would not be sufficiently competitive with industrial offerings in the greater region, such as those in Patterson and Tracy, as well as Merced, Modesto, Gilroy, and Hollister. Also, while the intersection of I-5 and Highway 165 offers certain advantages from a land assemblage standpoint, the intersection of I-5 and Highway 152 may offer a slight advantage in terms of highway visibility, ready transportation access to the southern Santa Clara Valley, and a reduced distance between Los Banos' existing urban edge and the business park site.

One possible alternative would also be to reuse the airport site to develop the business park, which would pose fewer constraints on nearby uses compared to the existing airport facilities; would complement the existing industrial uses along West H Street; and would have ready access to necessary infrastructure, such as water, sewer, and electrical utilities. The airport site, however, is less well positioned in terms of I-5 highway transportation access and has the potential to create conflicts between nearby residential and commercial activities and industrial uses that require tractor trailer access. However, if appropriately designed, development of the Highway 152 bypass might help to alleviate some of the access concerns.

3.3.3 HIGHWAY 152 BYPASS

Plans for the Highway 152 Bypass date back at least a decade. The project would include establishment of a new four lane freeway bypass route around the core of Los Banos, along with public safety improvements along the existing Highway 152 alignment. The effort recognizes the role of Highway 152 as an important regional commuter, commercial, and recreational transportation route, connecting residents of Los Banos, Merced, Atwater, and Fresno with employment and recreational centers located in Monterey, Santa Cruz, and Santa Clara counties. Highway 152 also provides an important regional east-west link between Highway 101, I-5, and State Route 99. Thus, establishment of the 152 Bypass would

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facilitate the movement of people and goods throughout the region, reducing congestion and improving public safety.

Since Highway 152 currently extends through the core urban area of Los Banos, construction of the Bypass has important implications for the General Plan Update. The most readily apparent benefits to the City include a reduction in traffic congestion through the City's central commercial district, including routing heavy truck traffic around, rather than through, the central city. However, the high traffic counts and robust consumer visibility are often cited as two of the main reasons that the City features such large concentrations of new retail development along the existing Highway 152 alignment.

Routing that traffic around the City's main commercial corridor could impact the viability of important commercial establishments. The thoughtful siting and design of critical access points, along with land use policies that do not encourage a migration of retail activity away from the City's established commercial areas, may help to mitigate these risks. The Highway 267 bypass, which re-routed regional through-traffic heading from Interstate 80 towards the Northstar ski resort and the Kings Beach area of North Lake Tahoe is an example of a successful highway bypass project that did not adversely affect the vitality of the historic commercial core by diverting travelers who had no intention of stopping in the downtown. Arguably, Truckee's historic downtown area is also more attractive and hospitable for shoppers and diners, now that regional through traffic can bypass the area.

Similarly, the development of the Bypass may also improve the potential viability of a business park development at the current Los Banos Municipal Airport site, if the Bypass helps provide easy access to the site.

3.3.4 HIGH SPEED RAIL

The closest California High Speed Rail station to Los Banos will be the Merced Station, which is about 40 minutes from Los Banos by car. While the High Speed Rail line will not extend into Los Banos, establishment of the Merced Station and other stations throughout the Central Valley may offer valuable opportunities for expanded residential growth and economic development. The location of the Merced Station in close proximity to the preferred alignment of the Central Valley Wye, the junction of the main north-south line from Merced to Bakersfield with an east-west line toward Gilroy and San Jose, will likely make Merced County a logical location for people and businesses who value easy access to areas accessed by both high-speed routes. The High Speed Rail Authority estimates that the travel time from Diridon Station in San Jose to Merced or Fresno would be approximately 60 minutes. While the City of Merced is likely to benefit most from High Speed Rail, provision of easy transit and automotive routes may allow Los Banos to leverage the community's assets to attract some new residents and businesses who value the City's unique offerings and would utilize the High Speed Rail system on a somewhat regular basis. A Los Banos residential location would not likely be a preferred location for people who wish to use High Speed Rail as a regular commute mode.

While the Merced Station will be the closest, conversations with Los Banos stakeholders indicate that residents traveling to the Bay Area may also explore use of the Gilroy Station in an effort to minimize total travel time. There are currently two locations being considered for the Station in Gilroy. One is located near the existing Caltrain station in Downtown Gilroy, near the intersection of Monterey Street and 8th

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Street. The other is located East of Highway 101, just beyond the Gilroy Premium Outlets. If developed, the estimated drive time from Los Banos to either of the proposed station sites would be between 40-60 minutes. The High Speed Rail Authority estimates that the travel time from Diridon Station to Gilroy will be around 17 minutes. This would equal a total travel time of roughly 60-80 minutes to go from Los Banos to the Gilroy Station and on to Diridon Station in San Jose. This is significantly shorter when compared to an estimated total travel time of 100 minutes (i.e., one hour and forty minutes) from Los Banos to the Merced Station and on to Diridon Station in San Jose.

Note that these travel time estimates assume limited traffic or weather delays. For example, the three main automotive routes from Los Banos to Merced could be impacted by traffic, particularly if the Merced Station is developed as anticipated. Highway 152 over Pacheco Pass may be similarly impacted by traffic congestion, though recent improvements at the Highway 152 and 156 interchange have significantly reduced traffic conflicts in that area. The Pacheco Pass is also impacted by certain weather conditions and geographic constraints due to the height of the coastal mountains, such as high winds and steep grades.

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4. Real Estate Market Conditions

The following section summarizes current real estate market conditions in the City of Los Banos, with comparisons to Merced County and the State of California, where appropriate. The following analysis utilizes a variety of public data sources, including the Census, SBOE, and DOF, in addition to a variety of private data vendors. The latter includes home sales records from ListSource, and real estate market statistics for multi-family rental, and non-residential uses (i.e., retail, office, and industrial) from CoStar. Where appropriate, additional information was collected through interviews with local real estate brokers to provide more detail regarding existing conditions within different market segments.

4.1 RESIDENTIAL MARKET CONDITIONS

4.1.1 HOUSING STOCK CHARACTERISTICS

Single-family detached structures dominate the inventory of housing units within the City of Los Banos. As seen below in Table 17, 82.9 percent of the total housing stock in Los Banos consists of single-family detached units, compared to 75.5 percent in Merced County and 58.1 percent statewide. According to the Census Bureau, Los Banos contains roughly 244 attached single-family units, which account for 2.2 percent of the housing stock. Multi-family housing units account for 12.5 percent of the Los Banos housing stock, which is substantially below the average of 16 percent in Merced County and 35 percent statewide. The largest portion of multi-family units in Los Banos is located in smaller multi-family complexes containing less than 20 units.

4.1.2 AGE OF HOUSING STOCK

Housing within the City of Los Banos is notably newer relative to Merced County and California as a whole. As seen in Figure 3, just 24 percent of housing units in Los Banos were built prior to 1970, compared to 30 percent in Merced County and 43 percent across California. Conversely, units built since 1990 account for 56 percent of the housing stock in Los Banos, compared to 38 percent and 24 percent in Merced County and California, respectively. The median year built for housing units in the City of Los Banos is 1993, which reflects the City's high proportion of newer units.

4.1.3 HOUSING OCCUPANCY STATUS

The residential vacancy rate in Los Banos is quite healthy at 5.1 percent as shown in Table 18. This is compared to a vacancy rate of 7.0 percent in Merced County and 7.9 percent statewide. Los Banos shows a vacancy rate in the rental housing market of roughly 1.8 percent, which is similar to the current vacancy rate in both Merced County and the state as a whole. The current vacancy rate in the for-sale market is approximately 0.8 percent, which again is similar to the countywide and statewide trend. The main difference between

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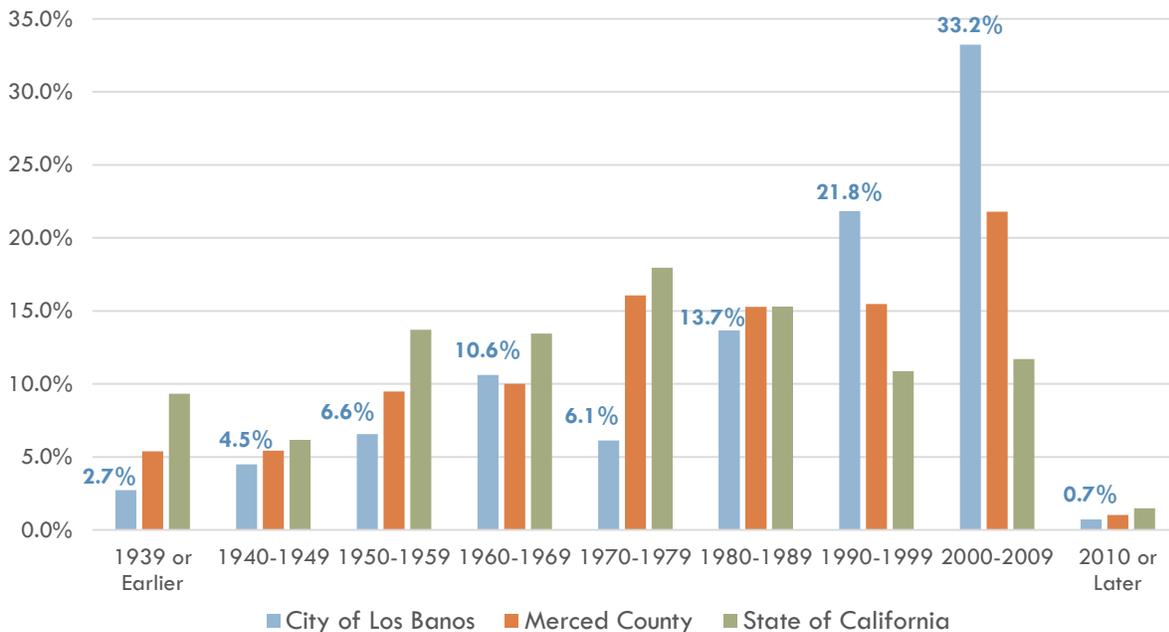
TABLE 17 HOUSING UNIT CHARACTERISTICS, 2016

Type of Residence	City of Los Banos		Merced County		State of California	
	Number	Percent	Number	Percent	Number	Percent
Single Family Detached	9,350	82.9%	63,505	75.5%	8,076,586	58.1%
Single Family Attached	244	2.2%	1,876	2.2%	962,527	6.9%
Multi-Family 2 Units	199	1.8%	2,636	3.1%	345,952	2.5%
Multi-Family 3-19 Units	1,102	9.8%	8,964	10.7%	2,368,259	17.0%
Multi-Family 20-49 Units	52	0.5%	835	1.0%	683,637	4.9%
Multi-family 50+	59	0.5%	1,030	1.2%	942,759	6.8%
Mobile Home	259	2.3%	5,217	6.2%	517,173	3.7%
Other ^a	7	0.1%	77	0.1%	14,844	0.1%
Total	11,272	100.0%	84,140	100.0%	13,911,737	100.0%
Single Family Housing Units	9,594	85.1%	65,381	77.7%	9,039,113	65.0%
Multi-Family Housing Units	1,412	12.5%	13,465	16.0%	4,340,607	31.2%

a. Includes boats, RVs, vans, or any other non-traditional residences.

Sources: U.S. Census Bureau, 2012-2016 American Community Survey, Table B25024; BAE, 2018.

FIGURE 3 HOUSING UNITS BY YEAR BUILT, 2016



Sources: U.S. Census Bureau, 2012-2016 American Community Survey, Table B25034; BAE, 2018.

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TABLE 18 HOUSING OCCUPANCY AND VACANCY STATUS, 2016

City of Los Banos	Number	Percent
Occupied Units	10,698	94.9%
Vacant Units	574	5.1%
<i>For rent</i>	199	1.8%
<i>Rented, not occupied</i>	0	0.0%
<i>For sale only</i>	53	0.5%
<i>Sold, not occupied</i>	32	0.3%
<i>For seasonal, recreational, or occasional use</i>	61	0.5%
<i>For migrant workers</i>	0	0.0%
<i>Other vacant^a</i>	229	2.0%
Total, All Units	11,272	100%
Merced County		
Occupied Units	78,270	93.0%
Vacant Units	5,870	7.0%
<i>For rent</i>	1,681	2.0%
<i>Rented, not occupied</i>	194	0.2%
<i>For sale only</i>	546	0.6%
<i>Sold, not occupied</i>	1,053	1.3%
<i>For seasonal, recreational, or occasional use</i>	499	0.6%
<i>For migrant workers</i>	98	0.1%
<i>Other vacant^a</i>	1,799	2.1%
Total, All Units	84,140	100%
State of California		
Occupied Units	12,807,387	92.1%
Vacant Units	1,104,350	7.9%
<i>For rent</i>	232,391	1.7%
<i>Rented, not occupied</i>	58,002	0.4%
<i>For sale only</i>	89,797	0.6%
<i>Sold, not occupied</i>	51,305	0.4%
<i>For seasonal, recreational, or occasional use</i>	373,589	2.7%
<i>For migrant workers</i>	2,967	0.0%
<i>Other vacant^a</i>	296,299	2.1%
Total, All Units	13,911,737	100%

a. Includes units vacant for other reasons, such as personal reasons of the owner, use by a caretaker or janitor, and boarded-up units not available for occupancy.

Sources: U.S. Census Bureau, 2012-2016 American Community Survey, Tables B25004; BAE, 2018.

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Los Banos and Merced County and the state is Los Banos' lack of housing held vacant for seasonal or recreational use.

4.1.4 FOR-SALE RESIDENTIAL

As reported above, the City of Los Banos added a significant number of new housing units during the lead up to the Great Recession. Table 19 profiles the median home sale price within the City, from 2006 to 2016. According to these data, the median home sale price was around \$420,000 in 2006. With the onset of the Great Recession in 2008, the median home price in Los Banos dropped rapidly to a low of \$115,000 in 2009. Since that time, the median home price has trended upward, reaching a more recent high of \$296,750 in 2016, which is still well below pre-recession levels.

Individuals knowledgeable about the Los Banos market indicate that the pace of new home building is increasing, though it is nowhere near pre-recession levels.

Conversations with real estate professionals, and an analysis of marketing materials for currently selling new home subdivisions, show that there are four residential developers actively marketing new homes in Los Banos, including Anderson Homes, K. Hovnanian, D.R. Horton, and Stonefield Home. K. Hovnanian's Four Seasons development along West H Street offers six models of two-bedroom homes ranging from 1,053 to 1,954 square feet for starting prices of \$266,000 to \$281,000. Anderson Homes' Southbrook development, south of SR 152 and east of Badger Flat Road, behind the Walmart Super Center, offers four models of homes ranging from 1,675 to 2,698 square feet, with three to four bedrooms, for starting prices between \$375,000 and \$434,000. D.R. Horton's Mission Village development in North Los Banos, east of Mercy Springs Road, offers four models with three to five bedrooms and 1,239 to 2,429 square feet, for starting prices between \$277,000 and \$354,000. Stonefield Homes is currently marketing seven communities in Los Banos, with three communities located behind the Walmart Super Center (Brookshire, Meadowlands Gold Collection, and Sandstone), two communities in north Los Banos west of SR 165 (Village Green and Harvest Grove), and two communities in north Los Banos east of SR 165 (Mission Village South and Meadowlands Silver Collection). Homes in these projects generally range from three to five bedrooms, with 1,398 to 2,292 square feet, and starting prices between \$295,500 and \$338,900. Stonefield Homes' most expensive units are in the Village Green development, which offers three- to four-bedroom units, ranging from 1,960 to 2,306 square feet, for a starting price of \$416,500.

TABLE 19 HOME SALE PRICE TRENDS, 2006 TO 2016

Year	City of Los Banos		Merced County	
	Median Sale Price	Yr-to-Yr % Change	Median Sale Price	Yr-to-Yr % Change
2006	\$420,000	–	\$358,000	–
2007	\$329,000	-21.7%	\$290,000	-19.0%
2008	\$158,000	-52.0%	\$155,000	-46.6%
2009	\$115,000	-27.2%	\$110,000	-29.0%
2010	\$130,000	13.0%	\$116,500	5.9%
2011	\$118,000	-9.2%	\$112,000	-3.9%
2012	\$128,000	8.5%	\$117,000	4.5%
2013	\$160,000	25.0%	\$146,000	24.8%
2014	\$200,000	25.0%	\$175,000	19.9%
2015	\$235,500	17.8%	\$200,000	14.3%
2016	\$269,750	14.5%	\$220,000	10.0%

Sources: DQ News; BAE, 2018.

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According to local real estate professionals, around 80 percent of demand for both new and resale homes in Los Banos comes from families moving to the City from the Bay Area. Demand is particularly strong from South Santa Clara and San Benito County communities such as Hollister, Gilroy, and Morgan Hill, with some additional demand from households moving from San Jose, Sunnyvale, and even Palo Alto. Those who move from the Bay Area are drawn to Los Banos by the comparative affordability, the ability to commute over the Pacheco Pass, and the small-town feel. These greater Bay Area transplants tend to work in service-related industries, such as sales or construction, and commute to their jobs to the west daily, with very few workers telecommuting. The majority of homes in Los Banos are reportedly sold to first time homebuyers using Federal Housing Administration (FHA) loans. Because the FHA lending limit in Merced County is \$294,515, homes around \$300,000 or below are in the highest demand.

4.1.5 RENTAL RESIDENTIAL

According to CoStar, the City of Los Banos contains approximately 1,210 multi-family units, accounting for roughly 9.6 percent of the Merced County multi-family inventory as shown in Table 20. Of the total units, roughly 35 units were vacant in the fourth quarter of 2017, resulting in a multi-family vacancy rate of just 2.9 percent in the City, similar to the countywide rate of 3.2 percent. The asking rents in Los Banos are considerably lower than in Merced County as a whole, with the average asking rent in Los Banos being roughly \$650 per month, compared to \$850 countywide.

Los Banos' below average rents reflect a high prevalence of rent restricted units. BAE surveyed four of Los Banos' larger apartment complexes, including Carrington Pointe, Pacheco Court, Los Banos Apartments, and Overland Court Apartments, which account for approximately one-quarter of the city's multi-family housing stock, and found that each of these complexes offered only subsidized, rent restricted, units. Rental rates at each complex varied depending on specific income restrictions. Generally, one-bedroom/one-bathroom apartments rent for around \$500 to \$575 per month, except for in Overland Court Apartments, which restricts units to tenants age 62 years or older. There, one-bedroom units can rent for as low as \$243 per month. Two-bedroom apartments rent for between \$720 and \$750 per month, except at the Overland Court Apartments, where two-bedroom units can rent for as low as \$333 per month. Three-bedroom apartments tend to rent for between \$820 and \$850 per month, and four-bedroom apartments tend to rent for \$800 to \$950 per month.

Surveyed complexes that calculate their income limit requirements based on a households' annual income as a percent of the Area Median Income (AMI) tend to serve households with incomes at or below 50 percent of AMI, otherwise considered very low- and extremely low-income households. One complex, the Los Banos Apartments, participates in the United States Department of Agriculture (USDA) Rural Development Multi-Family Housing Rental Assistance Program, whereby households with incomes at or below 80 percent of AMI contribute 30 percent of their annual income towards housing expenses, and the Rental Assistance Program subsidizes the remaining costs. In addition to these larger complexes, BAE also spoke with a representative for one smaller, market rate 12-unit multi-family complex with three-bedroom, two-bath, townhome style units that rent for around \$1,400 per month.

CoStar data indicate that roughly 185 multi-family rental units have been built within the City since 2010. Of these newer units, Pacheco Court accounted for 82 units, and Overland Court, which was finished in 2017, accounted for 70 units. Countywide, however, just 232 units have been built since 2010, and 118 of

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those were constructed in 2017, indicating Los Banos accounts for 80 percent of all new multi-family rental units built since 2010.

Interview participants indicate that the greatest demand for multi-family rental units comes from family households with three members or more. As a result, demand is highest for two-bedroom units, though many tenants would prefer three-bedroom units. Interview participants gave mixed responses as to the complexes' tenant profiles, with both existing area residents and those moving to Los Banos from outside the area driving demand. Representatives for Los Banos Apartments and Overland Court Apartments report that most tenants are local residents who work in the area, are retired, or disabled, while the representative for Carrington Pointe reported that most tenants work in Fresno or greater Bay Area cities, like Gilroy, and that these tenants are drawn to Los Banos by the affordability of the housing stock. The representative for Pacheco Court Apartments did not comment on tenant characteristics.

TABLE 20 MULTI-FAMILY RESIDENTIAL MARKET OVERVIEW, Q4 2017^a

Summary, Q4 2017	City of Los Banos	Merced County
Total Units	1,212	12,634
Occupied Units	1,177	12,228
Vacant Units	35	406
Vacancy Rate	2.9%	3.2%
<i>Inventory (% of Merced County)</i>	9.6%	N/A
Asking Monthly Rents		
Average Asking Rent	\$652	\$854
Average Size (Sq. Ft.)	936	888
Average Rent/Sq. Ft.	\$0.70	\$0.96
New Activity (Units)^b		
New Construction, 2010-2017	184	232
New Construction, 2017	70	118

a. CoStar data may underrepresent smaller multifamily complexes.
b. Reflects new construction based on properties tracked by CoStar.
Sources: CoStar; BAE, 2018.

4.1.6 HOUSING UNIT PROJECTIONS

Similar to population and household projections, MCAG anticipates the City of Los Banos housing unit inventory will expand at a slightly faster rate relative to Merced County between 2015 and 2040. As seen in Table 21 below, the City of Los Banos housing inventory is expected to expand by roughly 5,910 units between 2015 and 2040, at an average rate of 1.6 percent, or around 240 units, per year. Over the same time frame, MCAG projects the Merced County housing inventory will increase by approximately 36,200 units, at an average rate of 1.4 percent, of around 1,500 units, per year. While the MCAG projections do not discern between single-family and multi-family unit growth, the final section of this report outlines the anticipated demand for various housing unit types through the General Plan planning period.

According to City staff, there are 26 residential development projects currently planned, proposed, or under development within the City of Los Banos as shown in Table 22. A total of 20 of these projects, are currently approved and include a total of 1,985 residential units that are currently awaiting construction. In addition, there are 1,579 units contained in projects that are currently pending approval. This brings the total planned, but unbuilt, inventory to 3,564 residential units, the majority of which are single-family structures. There are two multi-family residential development projects included in the pipeline. The

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TABLE 21 HOUSING UNIT PROJECTIONS, 2015 TO 2040

Housing Units	2015	2020	2025	2030	2035	2040	Net Change ('15-'40)	Average Annual Growth ('15-'40)
City of Los Banos	11,722	12,876	13,925	15,205	16,417	17,631	5,909	1.6%
Merced County	84,620	91,689	98,112	105,954	113,383	120,811	36,191	1.4%

Sources: Merced County Association of Governments, 2016; Center for Business and Policy Research, 2016; BAE, 2018.

Presidential Estates East project includes a mix of housing types, including both single-family and multi-family units, while the Racquet Club Estates is a multi-family for-sale condominium project. City staff indicate that Los Banos has been averaging roughly 250 residential building permits per year, which equals roughly 2 percent growth per year. This is consistent with the current household growth projections, but somewhat outpaces historical average household growth. Assuming that Los Banos can maintain a rate of absorption of 250 units per year, the City currently has a 14-year supply of both planned and entitled residential development, with the currently approved but unbuilt lots representing an eight-year supply of buildable land.

4.2 NON-RESIDENTIAL MARKET CONDITIONS

4.2.1.1 RETAIL MARKET OVERVIEW

Retail plays a pivotal role in the Los Banos real estate market, and appears to be improving, contrary to countywide trends. As seen in Table 23, the City of Los Banos contains approximately 2.2 million square feet of retail space, which accounts for 19.4 percent of the total countywide inventory. By comparison, the City of Los Banos represents roughly 14 percent of the total Merced County population. According to CoStar, roughly 223,000 square feet of the retail space was vacant as of the fourth quarter of 2017, yielding a retail vacancy rate of 10.0 percent. This was slightly above the countywide rate of 7.0 percent, but still within the realm of a typical healthy market. Local real estate professionals interviewed for this analysis indicate that a small number of vacancies in larger shopping centers, such as the former Savemart building, account for the majority of retail vacancies in the City, with little to no vacancy in the downtown. Despite the slightly higher vacancy rate, retail rents in the City are slightly higher than the countywide average and increased year-over-year. As seen in the table, the average asking rent in Los Banos was \$1.14 per square foot in the fourth quarter of 2017, an increase of roughly 18.8 percent compared to one year earlier. Over the same time frame, Merced County rents were stagnant at \$0.94 per square foot, roughly \$0.20 below the Los Banos average rate. Local real estate professionals, however, caution against interpreting the increasing rental rates as a trend towards increasing demand, instead attributing the increase to natural variations within the relatively small Los Banos retail market. Two retail brokers interviewed for this analysis believed CoStar’s reported average rent per square foot figure to be higher than what they typically see in the field, with one broker indicating that \$1.05 per square foot is probably more accurate. The brokers interviewed also indicate that area rents are generally too low to justify new retail development.

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TABLE 22 PLANNED AND PROPOSED RESIDENTIAL PROJECTIONS

Project Name	Location	Project Type	Total Units	Units Built	Units Remaining
Approved					
Sunset Hills Development	Delaware/Madrone	SFR	11	0	11
Mission Village North	Overland/Place	SFR	211	177	34
Mission Village South Ph. 3	Mission/Las Palmas	SFR	91	0	91
Magnolia Grove	Ortigalita/Birch	SFR	31	30	1
Village Green	Nantes/Overland	SFR	47	8	39
The Villas	Cardoza/Center	SFR	231	0	231
Southpointe at Regency Park	Ward/Overland	SFR	510	0	510
Mission Village South Ph. 2	Las Palmas/Willmott	SFR	88	42	46
Villages at Stonecreek	Badger Flat/Oatgrass	SFR	161	160	1
Villages at Stonecreek IIA & III	Prairie Springs/Badger Flat	SFR	187	150	37
Villages at Stonecreek IV	Cardoza/Ortigalita	SFR	309	112	197
Villages at Stonecreek V	Stonecreek Blvd	SFR	53	0	53
Harvest Grove	North/Wilmott	SFR	57	19	38
Hill Property	Center/Diablo	SFR	138	0	138
Villages at Stonecreek VII	Pioneer/Badger Flat	SFR	343	0	343
Villages at Stonecreek IX	Pioneer/Ortigalita	SFR	71	0	71
Racquet Club Estates	Racquet Club/San Luis	MFR-Sale	30	0	30
San Luis Estates	San Luis/Jeffrey	SFR	25	0	25
Villages at Los Banos	H/Auction	SFR	97	52	45
Alta Vista	7th/Willmott	SFR	56	12	44
Subtotal, All Approved			2,747	762	1,985
Pending and Planned					
Northpointe at Regency Park	Place/Rockport	SFR	596	0	596
Sunrise Ranch	San Luis/E. B Street	SFR	197	0	197
Presidential Estates East	Mercey Springs/Pioneer	Mixed ^a	420	0	420
Shaunessy Village	Mercey Springs/Scripps	SFR	151	0	151
College Greens No. 5	East Pioneer	SFR	129	0	129
Mercey Springs Estates	Mercey Springs/Stanford	SFR	86	0	86
Subtotal, Pending & Planned			1,579	0	1,579
Total Pipeline			4,326	762	3,564
<i>Single-Family</i>			<i>4,296</i>	<i>762</i>	<i>3,534</i>
<i>Multi-Family For Sale</i>			<i>30</i>	<i>0</i>	<i>30</i>
<i>Multi-Family Rental</i>			<i>0</i>	<i>0</i>	<i>0</i>

a. Based on the available information, the majority of units within the Presidential Estates East will be single-family units.
Source: City of Los Banos; PlaceWorks; BAE, 2018.

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TABLE 23 RETAIL MARKET OVERVIEW, CITY OF LOS BANOS AND MERCED COUNTY, Q4 2017

Summary, Q4 2017	City of Los Banos	Merced County
Inventory (Sq. Ft.)	2,232,570	11,510,321
Occupied Stock (Sq. Ft.)	2,009,733	10,703,242
Vacant Stock (Sq. Ft.)	222,837	807,079
Vacancy Rate	10.0%	7.0%
<i>Inventory (% of Merced County)</i>	<i>19.4%</i>	<i>N/A</i>
Asking Rents^a		
Avg Asking Rent, NNN (per sq. ft.), Q4 2016	\$0.96	\$0.94
Avg Asking Rent, NNN (per sq. ft.), Q4 2017	\$1.14	\$0.94
% Change	18.8%	0.0%
Net Absorption (Sq. Ft.)		
Net Absorption, 2010 - 2017	-31,778	195,187
Net Absorption, 2017	30,462	-88,646
New Activity (Sq. Ft.)^b		
New Construction, 2010 - 2017	68,678	321,945
New Construction, 2017	23,588	44,288

a. Average asking rents reflect a triple net (NNN) lease where the tenant pays all real estate taxes, building maintenance, and insurance on the property, in addition to rent, utilities, and other expenses.

b. Reflects new construction based on properties tracked by CoStar.

Source: CoStar; BAE, 2018.

While the City has seen an increasing retail vacancy rate since 2010, more recent data indicate the City absorbed approximately 30,500 square feet of retail space in 2017, which signals an improving market. Conversely, while Merced County experienced positive net absorption of roughly 195,000 square feet since 2010, data for 2017 indicate a net negative absorption of approximately 89,000 square feet countywide. Lastly, CoStar estimates that approximately 69,000 square feet of new retail space have been built in the City of Los Banos since 2010, with roughly 23,500 square feet built over the past year. Countywide, Merced has seen roughly 322,000 square feet since 2010, with approximately 44,300 square feet occurring in 2017. This indicates that while the City of Los Banos retail space accounts for just 19.4 percent of the total countywide inventory, the recent construction of new retail space in Los Banos accounts for approximately 53.3 percent of the new activity countywide.

Local real estate professionals once again caution against interpreting these data as pointing towards increasing retail demand, citing Los Banos' relatively small population as the major inhibitor of new retail development. According to them, prior to the recession large retailers were attracted to Los Banos by its' rapid housing construction and entitlement pipeline. With the onset of the recession, and the residential development pipeline drying, some retailers, such as Lowe's, did not have the population base necessary to operate profitably, and therefore closed. While some new retailers, such as Hobby Lobby, filled most of

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these vacant spaces, and some new retail has since been built, large retailers remain wary. Big box retailers considering relocation to Los Banos are generally looking for roughly 500 to 1,000 new units built annually, not just entitled, before considering relocating. When questioned about the viability of retail development oriented toward I-5, all three retail brokers were skeptical, once again citing the small population base as a detractor. One broker suggested a truck stop and motel development could work, but agreed with the other two brokers that there would be very little, if any interest, from larger retailers. Instead, one broker specializing in downtown Los Banos commercial real estate reported that smaller, 300 to 400 square foot retail spaces are in high demand, usually from small, locally oriented service firms.

4.2.1.2 TAXABLE SALES

Based on data compiled by the California SBOE, the City of Los Banos has lower per capita taxable sales relative to Merced County as a whole. As seen in Table 24, the citywide per capita taxable sales amounted to roughly \$8,800 per resident, compared to \$10,240 per person in Merced County as a whole. The retail category that generates the most taxable sales in Los Banos includes General Merchandise Stores (\$71 million; 20.6 percent). This is likely driven by Wal-Mart and Target, and likely accounts for the relatively low per capita sales in other retail categories, since the General Merchandise stores often sell a wide variety of products, including those often sold by other specialty stores. Other retail categories with significant sales volumes include Gasoline Stations (\$63 million; 18.2 percent) and Food services and Drinking Places (\$53 million; 15.4 percent). In terms of the share of county taxable sales, Los Banos accounts for roughly 12.4 percent of total sales, with Los Banos receiving a disproportionately higher share of sales within General Merchandise Stores, Food and Beverage Stores, and Food Service and Drinking Places.

It is worth noting that the Building Material and Garden Equipment sales data is withheld for confidentiality purposes. To protect the confidentiality of individual businesses, this data is withheld when there are either less than three establishments in a study area, or one establishment that accounts for more than 80 percent of the total sales, since data based on such a small sample size would be able to be connected to a specific store. Given the Home Depot located in the City, it is likely safe to assume that the City sees at least a comparable share of taxable sales within this category relative to Merced County.

4.2.1.3 RETAIL LEAKAGE

To better assess the net balance of trade in the retail sector, BAE compiled data on the retail sales and corresponding consumer expenditures from ESRI, a private data vendor. As reported in Table 25, City of Los Banos residents spent approximately \$376 million on retail purchases in 2017. This corresponds to approximately \$345 million in retail sales within the city limit, resulting in an estimated leakage of approximately \$31 million in retail sales.⁸ Reflecting the relative shortage of retail shopping opportunities in Merced County more broadly, the data indicate that Merced County experienced a similar leakage of \$22 million.

⁸ A net leakage of retail sales occurs when the total dollar value of retail purchases made by residents is larger than the dollar value of retail sales that occur within the community. A net injection of retail sales occurs when the value of retail sales within the community is larger than the amount of money spent by residents on retail purchases.

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TABLE 24 TAXABLE SALES, 2016

Category	City of Los Banos			Merced County			Share of County Total
	Thousands	Percent	Per Capita ^a	Thousands	Percent	Per Capita ^a	
Motor Vehicle and Parts Dealers	\$31,589	9.1%	\$803	\$330,986	11.9%	\$1,218.89	9.5%
Furnishings and Appliance Stores	\$7,836	2.3%	\$199	\$75,200	2.7%	\$277	10.4%
Building Material and Garden Equipment	^b	N/A	N/A	\$147,418	5.3%	\$543	N/A
Food and Beverage Stores	\$30,986	9.0%	\$787	\$145,019	5.2%	\$534	21.4%
Gasoline Stations	\$63,004	18.2%	\$1,601	\$419,967	15.1%	\$1,547	15.0%
Clothing and Clothing Accessories	\$3,585	1.0%	\$91	\$77,663	2.8%	\$286	4.6%
General Merchandise Stores	\$71,130	20.6%	\$1,807	\$315,099	11.3%	\$1,160	22.6%
Food Services and Drinking Places	\$53,314	15.4%	\$1,355	\$274,136	9.9%	\$1,010	19.4%
Other Retail Group	\$46,832	13.5%	\$1,190	\$178,962	6.4%	\$659	26.2%
Subtotal, All Retail and Food	\$308,276	89.2%	\$7,833	\$1,964,450	70.7%	\$7,234	15.7%
All Other Outlets	\$37,500	10.8%	\$953	\$815,907	29.3%	\$3,005	4.6%
Total, All Outlets	\$345,776	100%	\$8,786	\$2,780,357	100%	\$10,239	12.4%

a. Based on 2016 population estimates published by the Department of Finance.
b. Data withheld for confidentiality purposes. Data is included in the "Other Retail Group" category.
Sources: California State Board of Equalization; California Department of Finance; BAE, 2018.

As noted earlier with regard to per capita retail sales, the major General Merchandise stores, such as Wal-Mart and Target, typically provide a range of retail items, which often overlaps with offerings available at smaller, more specialized retail outlets. This results in an apparent leakage of retail sales in certain related retail categories, including electronics, food and beverage stores, and clothing stores, among others. This is simply due to a shifting of sales from specialized retailers to the General Merchandise retailer, and does not necessarily reflect opportunities for the capture of retail leakage. With that caveat in mind, the ESRI data indicate significant leakage among Motor Vehicle and Parts Dealers (\$33 million), Clothing and Clothing Accessories Stores (\$20 million), Furniture and Home Furnishings Stores (\$12 million), and Electronics and Appliance Stores (\$11 million).⁹ Conversely, the major retail categories that experience injections include General Merchandise Stores (\$43 million), Food and Beverage Stores (\$8 million), and Food Service and Drinking Places (\$6 million).

⁹ Clothing and furniture are two retail categories that experience spillover from the General Merchandise category, therefore these leakage estimates should be interpreted with caution.

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TABLE 25 RETAIL LEAKAGE AND INJECTION ANALYSIS, 2017

Retail Category	Consumer Expenditures	Retail Supply	(Leakage)/ Injection	Estimated Sales/SF ^a	Supportable Square Feet ^b
CITY OF LOS BANOS					
Furniture and Home Furnishings Stores	\$12,674,510	\$952,812	(\$11,721,698)	\$209	56,010
Electronics and Appliance Stores	\$12,734,533	\$1,901,145	(\$10,833,388)	\$302	35,848
Building Material, Garden Equip Stores	\$20,415,360	\$23,953,527	\$3,538,167	\$389	0
Food and Beverage Stores	\$54,691,884	\$63,082,742	\$8,390,858	\$412	0
Health and Personal Care Stores	\$22,899,989	\$16,787,063	(\$6,112,926)	\$177	34,562
Clothing and Clothing Accessories Stores	\$24,432,613	\$4,038,129	(\$20,394,484)	\$233	87,650
Sporting Goods, Hobby, Book, Music Stores	\$10,951,385	\$6,880,206	(\$4,071,179)	\$220	18,518
General Merchandise Stores	\$57,018,865	\$99,576,329	\$42,557,464	\$150	0
Miscellaneous Store Retailers	\$12,370,725	\$7,139,783	(\$5,230,942)	\$248	21,133
Non-Store Retailers	\$9,689,741	\$5,956,327	(\$3,733,414)	N/A	N/A
Food Service and Drinking Places	\$36,821,187	\$42,884,944	\$6,063,757	\$314	0
Subtotal, Non-Automotive	\$274,700,792	\$273,153,007	(\$1,547,785)		253,721
				Estimated Sales/Acre^c	Supportable Acreage^c
Motor Vehicle and Parts Dealers	\$70,595,221	\$36,985,559	(\$33,609,662)	\$12,634,000	2.7
Gasoline Stations	\$31,028,452	\$35,049,547	\$4,021,095	\$5,806,423	0.0
Subtotal, Automotive	\$101,623,673	\$72,035,106	(\$29,588,567)		2.7
Net Balance of Trade	\$376,324,465	\$345,188,113	(\$31,136,352)		
<i>Categories with Leakage</i>	<i>\$176,348,717</i>	<i>\$80,641,024</i>	<i>(\$95,707,693)</i>		

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TABLE 25 RETAIL LEAKAGE AND INJECTION ANALYSIS, 2017

Retail Category	Consumer Expenditures	Retail Supply	(Leakage)/ Injection	Estimated Sales/SF ^a	Supportable Square Feet ^b
GREATER LOS BANOS AREA^d					
Furniture and Home Furnishings Stores	\$13,398,343	\$1,049,131	(\$12,349,212)	\$209	59,008
Electronics and Appliance Stores	\$13,485,683	\$1,901,145	(\$11,584,538)	\$302	38,334
Building Material, Garden Equip Stores	\$21,538,275	\$24,070,827	\$2,532,552	\$389	0
Food and Beverage Stores	\$57,901,983	\$63,784,233	\$5,882,250	\$412	0
Health and Personal Care Stores	\$24,228,544	\$16,787,062	(\$7,441,482)	\$177	42,073
Clothing and Clothing Accessories Stores	\$25,890,396	\$4,038,129	(\$21,852,267)	\$233	93,916
Sporting Goods, Hobby, Book, Music Stores	\$11,602,617	\$6,880,206	(\$4,722,411)	\$220	21,480
General Merchandise Stores	\$60,364,724	\$99,576,329	\$39,211,605	\$150	0
Miscellaneous Store Retailers	\$13,081,068	\$7,569,837	(\$5,511,231)	\$248	22,265
Non-Store Retailers	\$10,258,255	\$5,956,327	(\$4,301,928)	N/A	N/A
Food Service and Drinking Places	\$38,966,679	\$43,817,643	\$4,850,964	\$314	0
Subtotal, Non-Automotive	\$290,716,567	\$275,430,869	(\$15,285,698)		277,076
				Estimated Sales/Acre^c	Supportable Acreage^c
Motor Vehicle and Parts Dealers	\$74,567,698	\$36,985,559	(\$37,582,139)	\$12,634,000	3.0
Gasoline Stations	\$32,839,907	\$66,660,054	\$33,820,147	\$5,806,423	0.0
Subtotal, Automotive	\$107,407,605	\$103,645,613	(\$3,761,992)		3.0
Net Balance of Trade	\$398,124,172	\$379,076,482	(\$19,047,690)		
<i>Categories with Leakage</i>	<i>\$186,512,604</i>	<i>\$81,167,396</i>	<i>(\$105,345,208)</i>		

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TABLE 25 RETAIL LEAKAGE AND INJECTION ANALYSIS, 2017

Retail Category	Consumer Expenditures	Retail Supply	(Leakage)/ Injection	Estimated Sales/SF ^a	Supportable Square Feet ^b
MERCED COUNTY					
Furniture and Home Furnishings Stores	\$82,199,392	\$24,359,839	(\$57,839,553)	\$209	276,374
Electronics and Appliance Stores	\$82,288,619	\$36,540,666	(\$45,747,953)	\$302	151,383
Building Material, Garden Equip Stores	\$135,378,177	\$128,573,768	(\$6,804,409)	\$389	17,508
Food and Beverage Stores	\$365,518,492	\$513,885,461	\$148,366,969	\$412	0
Health and Personal Care Stores	\$154,321,086	\$127,328,106	(\$26,992,980)	\$177	152,615
Clothing and Clothing Accessories Stores	\$158,311,189	\$41,463,915	(\$116,847,274)	\$233	502,180
Sporting Goods, Hobby, Book, Music Stores	\$71,289,545	\$27,671,577	(\$43,617,968)	\$220	198,399
General Merchandise Stores	\$377,781,576	\$529,721,771	\$151,940,195	\$150	0
Miscellaneous Store Retailers	\$83,430,874	\$34,164,879	(\$49,265,995)	\$248	199,030
Non-Store Retailers	\$64,276,867	\$11,053,035	(\$53,223,832)	N/A	N/A
Food Service and Drinking Places	\$240,167,264	\$214,401,195	(\$25,766,069)	\$314	82,026
Subtotal, Non-Automotive	\$1,814,963,081	\$1,689,164,212	(\$125,798,869)		1,579,515
				Estimated Sales/Acre^c	Supportable Acreage^c
Motor Vehicle and Parts Dealers	\$474,542,107	\$335,257,495	(\$139,284,612)	\$12,634,000	11.0
Gasoline Stations	\$207,292,446	\$450,613,572	\$243,321,126	\$5,806,423	0.0
Subtotal, Automotive	\$681,834,553	\$785,871,067	\$104,036,514		11.0
Net Balance of Trade	\$2,496,797,634	\$2,475,035,279	(\$21,762,355)		
<i>Categories with Leakage</i>	<i>\$1,170,659,679</i>	<i>\$637,839,512</i>	<i>(\$532,820,167)</i>		

a. Sales per square foot are based on data reported in the Dollars and Cents of Shopping Centers, published by the Urban Land Institute.

b. Supportable square footage estimates include a 14 percent non-retail adjustment and a 10 percent vacancy allowance.

c. Sales per acre estimates are based on taxable sales per establishment figures derived from data published by the California State Board of Equalization. The figures assume that an average motor vehicle dealership will range in size between 5.3 and 6.4 acres, while a typical gasoline station would occupy approximately one acre.

d. The Greater Los Banos Area is defined as a 15-mile radius from the center of Los Banos.

Sources: Esri, 2017; Urban Land Institute, 2008; State Board of Equalization, 2017; BAE, 2018.

REAL ESTATE MARKET CONDITIONS

The results of the retail leakage and injection analysis correspond with local real estate professionals' assessment of Los Banos' role in the countywide retail market. According to them, Los Banos attracts shoppers for day-to-day expenditures from smaller, surrounding communities, such as Firebaugh, Mendota, and Volta, but when it comes to larger, more substantial purchases, shoppers will travel to the cities of Merced, Turlock, or even Fresno. Participants in the joint City Council/Planning Commission meeting held on January 10, 2018 for the General Plan Update kick-off indicated that many people who commute over the Pacheco Pass for work will shop in Gilroy, as that is on their commute path, but will also travel back over the Pass to go shopping on weekends.

To estimate the approximate amount of new retail development that might reasonably be supported through the capture of existing retail leakage, BAE applied the estimated average sales per square foot for various retail categories, as published by the Urban Land Institute (ULI). Using this approach, BAE estimates that the City could support up to 254,000 additional square feet of non-automotive retail space, and up to 2.7 acres of new automotive retail uses. Note, however, that these figures rely on the retail leakage estimates described above, which are subject to the following limitations:

1. The retail leakage calculations may overstate the functional leakage present within the Los Banos market, due to the redistribution of sales from specialized retail categories into General Merchandise.
2. The leakage analysis considers the spending potential of Los Banos residents, but does not consider the contributions of residents from surrounding small communities for whom Los Banos is a convenient shopping destination for goods not readily available closer to home.

There are limitations on the types of retail establishments that a mid-sized community like Los Banos can support. Generally, the more specialized the products sold, the larger the population base needed to support a store. For this reason, smaller communities rarely support high-end department stores; luxury goods retailers, including luxury car dealers; and specialty retailers that appeal to a very narrow slice of the population (e.g., sporting goods store specializing in archery or fencing). As a result, a community like Los Banos should not expect to fully capture all of its residents' expenditures, but may hope to offset some leakage of resident expenditures with capture of expenditures from shoppers who live outside of the community.

According to City staff, there are seven retail development projects currently planned, proposed, or under development within the City of Los Banos. Five of these projects are currently approved, representing a total of 22,178 square feet of new retail/commercial space. These projects include a new car wash facility, two standalone restaurants, an O'Reilly Auto Parts store, and a 4,800-square foot strip retail center. There are also two projects that are planned, but not yet approved. These include the 18,000-square foot East Pacheco Center and a 9,536-square foot strip retail center. If developed as planned, these projects will likely absorb some of the existing retail leakage present within the community, as well as some of the projected future retail demand.

REAL ESTATE MARKET CONDITIONS

TABLE 26 PLANNED AND PROPOSED RETAIL PROJECTS, CITY OF LOS BANOS

Project Name	Location	Project Type	Total Size	
Approved				
Sonic Drive-in	2180 Pacheco Blvd.	Restaurant	1,500	Sq. Ft.
Vieira Development	305 Mercey Springs Rd.	Retail	4,800	Sq. Ft.
O'Reilly Auto Parts	540 Pacheco Blvd.	Retail	8,712	Sq. Ft.
La Michoacana Expansion	820 W. Pacheco Blvd.	Retail	1,700	Sq. Ft.
Prime Shine Car Wash	1230 Pacheco Blvd.	Commercial	5,466	Sq. Ft.
Total, All Approved			22,178	Square Feet
Pending and Planned				
OA Holdings	1420 Pacheco Blvd.	Retail/Restaurant	9,536	Sq. Ft.
East Pacheco Center Retail	2027 Pacheco Blvd.	Retail	18,000	Sq. Ft.
Total, Pending & Approved			27,536	Square Feet
Total Pipeline			49,714	Square Feet

Sources: City of Los Banos; PlaceWorks; BAE, 2018.

4.2.1.4 OFFICE MARKET OVERVIEW

Based on the CoStar data presented in Table 27, the City of Los Banos features a fairly limited supply of office space. CoStar estimates that there are around 190,000 square feet of office space in Los Banos, which represents just 5.5 percent of the total office inventory in Merced County. The vacancy rate in the fourth quarter of 2017 was only 1.2 percent, reflecting a total of around 2,200 square feet of vacant space. One local office broker indicated that larger office spaces are particularly difficult to lease due to a lack of adequately sized users, and that demand is strongest for smaller office spaces offering between 300 and 400 square feet of floor area. Demand for specialty office space, such as medical office, is also limited, with the same broker citing knowledge of a recently remodeled medical office building near the hospital listed for \$1.50 per square foot that has received very little interest in the three months it has been on the market.

Average asking office rents in the City of Los Banos are modestly higher than the countywide average, with both jurisdictions realizing an increase in the average office rental rate from 2016 and 2017. More specifically, the average asking rent for office space in the City was approximately \$1.31 per square foot in the final quarter of 2017, an 18.0 percent increase from the previous year. Similarly, the countywide office rental rate reached \$1.15 per square foot in the fourth quarter of 2017, a 17.3 percent increase from the previous year.

REAL ESTATE MARKET CONDITIONS

TABLE 27 OFFICE MARKET OVERVIEW, CITY OF LOS BANOS AND MERCED COUNTY, Q4 2017

Summary, Q4 2017	City of Los Banos	Merced County
Inventory (Sq. Ft.)	189,949	3,468,670
Occupied Stock (Sq. Ft.)	187,749	3,274,786
Vacant Stock (Sq. Ft.)	2,200	193,884
Vacancy Rate	1.2%	5.6%
<i>Inventory (% of Merced County)</i>	5.5%	N/A
Asking Rents^a		
Avg Asking Rent, Full Service Gross, Q4 2016	\$1.11	\$0.98
Avg Asking Rent, Full Service Gross, Q4 2017	\$1.31	\$1.15
% Change	18.0%	17.3%
Net Absorption (Sq. Ft.)		
Net Absorption, 2010 - 2017	7,227	255,539
Net Absorption, 2017	1,832	-23,733
New Activity (Sq. Ft.)^b		
New Construction, 2010 - 2017	0	124,045
New Construction, 2017	0	15,500

a. Average asking rents reflect a full service gross lease, where all major expenses, like real estate taxes, building maintenance, insurance, and utilities, are included in the base rental rate.

b. Reflects new construction based on properties tracked by CoStar.

Sources: CoStar; BAE, 2018.

Office absorption countywide since 2010 has been fairly significant, with Merced County as a whole absorbing roughly 255,500 square feet of office space. More recent trends indicate a slight dampening of the market, with 24,000 square feet of negative absorption in 2017. Meanwhile, absorption in Los Banos has been minor, with only 7,000 square feet of positive absorption citywide since 2010, with approximately 1,800 occurring in 2017. When asked about the viability of business park development in Los Banos, one office broker indicated it could be possible, if rental rates were not too high. Likely tenants would include existing tenants of older office spaces in town. While it could be possible to attract users from outside the area, recent interest from users outside the area has been limited. The broker specifically noted that downtown office tenants would likely not be able to afford the rental rate of new construction, and that rates low enough to attract other local businesses would also likely be insufficient to justify the cost of construction.

There are currently no private office developments projects planned, proposed, or under construction in Los Banos. There is one mixed office/institutional project planned within the City that will include a new 35,000 square foot police station.

REAL ESTATE MARKET CONDITIONS

4.2.1.5 INDUSTRIAL MARKET OVERVIEW

The City of Los Banos contains 555,000 square feet of dedicated industrial space, accounting for just 5.0 percent of the total countywide inventory of 11.1 million square feet, as shown in Table 28.¹⁰ According to CoStar, all of the Los Banos industrial inventory is occupied, yielding a vacancy rate of zero. However, brokers indicate that the Dairyman milk processing facility is slated for closure in the near future, which will yield approximately 40,000 square feet of vacant specialized industrial space. In terms of new deliveries, CoStar indicates that only 10,200 square feet of new industrial space has been built in Merced County since 2010, all of which was within the City of Los Banos. This addition is likely attributable to the expansion of the existing Kagome tomato processing plant.

In terms of asking rents, the industrial pricing in Los Banos generally mirrors the countywide average rate, with the Los Banos rents averaging \$0.37 per square foot and countywide rents averaging roughly \$0.35 per square foot.

As a historically agricultural community, food processing has generally dominated the Los Banos industrial market; however, one real estate broker noted that current demand for industrial space seems to be driven by recreation vehicle storage and contractors looking for small spaces. Using the emergence of Central Valley communities such as Patterson as a model, BAE inquired with local industrial real estate brokers regarding the likelihood of Los Banos attracting warehousing and distribution users. While multiple local brokers felt this would be in the best interest for the city, another broker who represents industrial users in Patterson cautioned against encouraging speculative industrial development, or “shovel ready sites.” According to this broker, industrial users decide where to locate based on the confluence of several factors, including logistics, and the availability and cost of skilled labor and the cost of development. Patterson was able to attract Amazon due to their position between the Bay Area and Stockton. Patterson also had a large skilled labor pool, and development fees were \$1.25 per square foot, compared to \$8.00 to \$10.00 in the East Bay. For Los Banos to compete with cities such as Stockton, Tracy, Patterson, and Lathrop, where user demand and speculative industrial development drove more than 3.3 million square feet of positive net absorption in 2017,¹¹ the city would need to provide a logistical advantage (e.g., proximity to manufacturing or distribution nodes; ease of access to key transportation corridors; etc.) over other available sites in communities closer to the Bay Area and Sacramento metropolitan areas, in addition to ensuring the availability of buildable land and an adequate labor force, as well as a development friendly regulatory environment (e.g., low development fees, available land, etc.). Shovel ready sites alone are not necessarily sufficient to attract users to Los Banos. Rather, brokers indicate that the City should focus on finding the right users that would benefit from Los Banos’ specific geographic location.

¹⁰ The industrial inventory tracked by CoStar includes existing industrial buildings with docking facilities of 50,000 square feet or more with a minimum clearance height of 24 feet.

¹¹ Central Valley Industrial, Q4 2017. CBRE. Available at: <https://www.cbre.us/research-and-reports/Central-Valley-Industrial-Marketview-Q4-2017>

REAL ESTATE MARKET CONDITIONS

TABLE 28 INDUSTRIAL MARKET OVERVIEW, CITY OF LOS BANOS AND MERCED COUNTY, Q4 2017

Summary, Q4 2017	City of Los Banos	Merced County
Inventory (Sq. Ft.)	554,104	11,078,069
Occupied Stock (Sq. Ft.)	554,104	10,095,364
Vacant Stock (Sq. Ft.)	0	982,705
Vacancy Rate	0.0%	8.9%
<i>Inventory (% of Merced County)</i>	<i>5.0%</i>	<i>N/A</i>
Asking Rents^a		
Avg Asking Rent, NNN (per sq. ft.), Q4 2016	\$0.37	\$0.37
Avg Asking Rent, NNN (per sq. ft.), Q4 2017	\$0.37	\$0.35
% Change	0.0%	-5.4%
Net Absorption (Sq. Ft.)		
Net Absorption, 2010 - 2017	137,942	317,250
Net Absorption, 2017	16,679	221,469
New Activity (Sq. Ft.)^b		
New Construction, 2010 - 2017	10,200	10,200
New Construction, 2017	0	0

a. Average asking rents reflect a triple net (NNN) lease, where the tenant pays all real estate taxes, building maintenance and insurance on the property, in addition to rent, utilities, and other expenses.

b. Reflects new construction based on properties tracked by CoStar.

Sources: CoStar; BAE, 2018.

There is only one industrial development project currently planned within the City of Los Banos, albeit a relatively large one. This includes the 175,034 square foot expansion of the existing Paradise Tomato Kitchen warehouse and production facility on two adjoining parcels totaling 12.57 acres, at 149 G Street.

5. Land Use Demand Projections

The following section presents a forecast of long-term demand for new housing units, broken down by unit type, as well as new non-residential space including retail, office, and industrial square footage over the General Plan time horizon. As will be discussed in additional detail below, the analysis relies on the recent MCAG projections of population, housing units, and employment within the City, which were profiled in their respective sections above. While the MCAG projections are benchmarked to 2015,¹² the following analysis re-benchmarks the projections to more current data available from the California Department of Finance (DoF), Employment Development Department (EDD), and State Board of Equalization (SBOE).

5.1 RESIDENTIAL DEMAND PROJECTIONS

The housing demand forecast presented in Table 29 is based on the housing unit projections published by MCAG, shown previously in Table 21. The distribution of housing units by type (i.e., single-family or multi-family) is based on the current distribution, as reported by the DoF. Based on these inputs and assumptions, the City of Los Banos may experience demand sufficient to absorb roughly 5,270 new housing units through 2040. This would require development of an average of 210 new units per year, which is consistent with the historical trend. When broken down by unit type, the majority of projected demand will be for single-family housing (4,640 units). However, if recent trends continue, the City may experience increasing demand for multi-family housing, which may result in demand above and beyond the 630 multi-family housing units included in this forecast. For example, if Los Banos were to achieve a housing mix (i.e., the distribution of units between single-family and multi-family structures) similar to the statewide distribution, all of the new housing development in Los Banos during the General Plan planning period would need to be multi-family structures. Therefore, BAE anticipates that while the community will likely experience demand for multi-family housing that is greater than what was experienced in the past, due to decreasing affordability of single-family homes and demographic changes leading to smaller household sizes and more non-family households, housing growth in Los Banos will likely continue to represent a mix of both single-family and multi-family housing types. To illustrate this, Table 30 shows new residential demand by unit type, assuming different splits between single-family and multi-family structures. The left-hand estimates show the number of units demanded if the new units mirror the current distribution of housing units by type in Los Banos. The middle estimates show the distribution if the new units mirror the distribution of housing units in Merced County, while the right-hand estimates apply the statewide distribution.

¹² The most recent year for which data were available at the time of publication.

LAND USE DEMAND PROJECTIONS

TABLE 29 RESIDENTIAL DEMAND, 2017 TO 2040

	Projected Growth					Total Growth
	2017-2020	2020-2025	2025-2030	2030-2035	2035-2040	
City of Los Banos						
Housing Units ^a	681	1,013	1,236	1,170	1,172	5,272
Single-Family ^b	600	892	1,088	1,030	1,032	4,642
Multi-Family ^b	81	121	148	140	140	630
Merced County						
Housing Units ^a	4,200	6,260	7,644	7,241	7,240	32,585
Single-Family ^b	3,403	5,073	6,193	5,867	5,866	26,403
Multi-Family ^b	797	1,188	1,450	1,374	1,374	6,182

a. Based on the housing unit projections reported by MCAG, benchmarked to the Department of Finance 2017 housing unit estimate.

b. Assumes the 2017 housing unit mix distribution remains constant in the City and County, as reported by the Department of Finance.

Los Banos		Merced County	
Single-Family	88.0%	Single-Family	81.0%
Multi-Family	12.0%	Multi-Family	19.0%

Sources: Merced County Association of Governments; California Department of Finance, Table 2: E-5 City/County Population and Housing Estimates; BAE, 2018.

TABLE 30 ALTERNATIVE DISTRIBUTION OF NEW HOUSING UNITS

Unit Type	Unit Mix Distribution Scenario		
	Single-Family Dominant ^a	Mixed Residential ^b	Multi-Family Emphasis ^c
Single-Family	4,642	4,271	3,555
Multifamily	630	1,000	1,717
Total, All Units	5,272	5,272	5,272

a. Assumes the unit growth in the City of Los Banos through 2040 mirrors the existing Los Banos unit mix as reported by the Department of Finance.

Single-Family	88.0%
Multi-Family	12.0%

b. Assumes the unit growth in the City of Los Banos through 2040 mirrors the existing Merced County unit mix as reported by the Department of Finance:

Single-Family	81.0%
Multi-Family	19.0%

c. Assumes the unit growth in the City of Los Banos through 2040 mirrors the existing State of California unit mix as reported by the Department of Finance:

Single-Family	67.4%
Multi-Family	32.6%

Sources: Merced County Association of Governments; California Department of Finance, Table 2: E-5 City/County Population and Housing Estimates; BAE, 2018.

LAND USE DEMAND PROJECTIONS

The existing pipeline of planned and proposed residential projects indicates that residential builders anticipate continued strong demand for single-family detached homes, with only a very small amount of multi-family housing currently proposed. At current, the City has approximately eight years' worth of land that is already entitled for new residential development, with enough proposed development to meet another six years' worth of demand. In order to meet projected residential demand through 2040, assuming continued demand for approximately 250 new residential units per year and recognizing that the City currently has enough development planned or already entitled to accommodate up to 3,564 residential units, the City will need to make enough land available to accommodate approximately 1,700 additional residential units through 2040. While the majority of the planned and proposed new development involves single-family homes, the City may also want to consider zoning additional land for market rate multi-family development, to help encourage development of a more diverse housing stock and to provide housing opportunities for a wider variety of households, including both owners and renters.

5.2 RETAIL DEMAND PROJECTIONS

The retail demand projections utilize the population growth projections published by MCAG, re-benchmarked to 2017 and combined with the City's average per capita taxable sales rate reported by the SBOE. Based on this approach, retail sales in the City of Los Banos are projected to increase by a total of \$142 million between 2017 and 2040, around \$6.4 million annually.¹³ Based on this new retail demand, Los Banos may be able to support an additional 489,000 square feet of non-automotive retail development through 2040, or around 20,000 square feet per year. In addition, the anticipated new retail demand may also be sufficient to support up to around 3.0 acres of automotive uses, including gasoline stations and/or motor vehicle and parts dealers.

Development of the seven currently planned and proposed retail developments, which total approximately 50,000 square feet in all, will not significantly impact the City's long-term retail absorption potential. However, real estate brokers active in Los Banos generally indicate that the market is "over-retailed." Thus, the City should approach approval of large new retail developments with caution over the next four or five years, to avoid over development of the market and to allow the residential consumer base to catch up. Similarly, the projections reported in Table 31 do not reflect significant capture of existing retail leakage. BAE recommends that the City take a more conservative approach to planning for future retail development that primarily relies on anticipated population growth. While the capture of existing leakage would represent a benefit to the City, the data represent an insufficient basis for long-term land use planning.

¹³ Does not assume additional capture of existing retail leakage due to uncertainty regarding the distribution of retail sales between General Merchandise and other more specialized retail categories.

LAND USE DEMAND PROJECTIONS

TABLE 31 RETAIL DEMAND PROJECTIONS, 2017 TO 2040

	Projected Growth					Total Growth
	2017-2020	2020-2025	2025-2030	2030-2035	2035-2040	
City of Los Banos						
Retail Sales (Millions) ^a	\$15,879,391	\$27,758,271	\$33,950,298	\$32,768,344	\$32,115,623	\$142,471,927
Non-Automotive (Sq. Ft.) ^b	54,464	95,206	116,444	112,390	110,151	488,655
Automotive (Acres) ^c	0.3	0.6	0.7	0.7	0.7	3.0
Merced County						
Retail Sales (Millions) ^a	\$111,981,597	\$196,078,846	\$239,833,887	\$231,615,374	\$226,672,210	\$1,006,181,916
Non-Automotive (Sq. Ft.) ^b	347,004	607,602	743,188	717,721	702,404	3,117,920
Automotive (Acres)(c)	2.4	4.2	5.2	5.0	4.9	21.7

a. Based on projected population growth, multiplied by the average per capita taxable sales for each jurisdiction in 2016. The estimates also assume full absorption of existing retail leakage by 2030.

b. Represents the maximum square feet of new development that may be supportable based on projected population growth and the capture of existing retail leakage among all non-automotive retail sales categories (i.e., excluding Motor Vehicle and Parts Dealers and Gasoline Stations). Includes a 15.0 percent vacancy and non-retail adjustment.

c. Represents the maximum acres of new development that may be supportable based on projected population growth and the capture of existing retail leakage among automotive oriented retail sales categories, including Motor Vehicle and Parts Dealers and Gasoline Stations. Does not include a vacancy adjustment, since auto dealerships and gas stations are typically built to suit.

Sources: Merced County Association of Governments; California Department of Finance, Table 2: E-4 Population Estimates for Cities, Counties, and State; ESRI; State Board of Equalization; BAE, 2018.

5.3 OFFICE AND INDUSTRIAL DEMAND PROJECTIONS

Demand for new office and industrial space is projected based on anticipated job growth in office and industrial using industries through 2040. Table 32 includes two employment growth scenarios. The low growth scenario projects future employment based on the average annual industry-specific growth rates from 2010 through 2016, reflecting a continuation of the recent trend. The high growth scenario is based on the published MCAG projections for Los Banos. Both sets of projections were benchmarked to 2016 using the most recent data for Los Banos reported in the Quarterly Census of Employment and Wages (QCEW).

Using this approach, BAE estimates that Los Banos may add between 890 and 1,440 new office-based jobs through 2040. Assuming an average of 250 square feet per office worker, plus a five percent vacancy adjustment, this new office employment could translate to demand sufficient to absorb between 234,000 and 378,000 square feet of new office development. BAE also estimates that Los Banos may add between 80 and 190 new industrial jobs through 2040. Assuming an average of 1,000 square feet per industrial worker, plus a five percent vacancy adjustment, this new industrial employment could translate to demand sufficient to absorb between 84,000 and 199,500 square feet of new industrial development through 2040.

LAND USE DEMAND PROJECTIONS

TABLE 32 OFFICE AND INDUSTRIAL DEMAND PROJECTIONS, 2016 TO 2040

	Projected Growth					Total Growth
	2016-2020	2020-2025	2025-2030	2030-2035	2035-2040	
City of Los Banos						
New Office Jobs ^a	251	194	333	349	367	1,494
Supportable Sq Ft ^b	62,711	48,597	83,275	87,302	91,730	373,615
New Industrial Jobs ^c	57	47	25	19	23	170
Supportable Sq Ft ^d	56,713	47,325	24,531	18,600	23,194	170,363
Merced County						
New Office Jobs ^a	3,214	3,378	3,768	3,866	4,170	18,395
Supportable Sq Ft ^b	803,523	844,511	941,881	966,464	1,042,383	4,598,761
New Industrial Jobs ^c	1,079	859	460	283	394	3,075
Supportable Sq Ft ^d	1,079,117	858,722	460,489	282,617	394,281	3,075,226

a. Includes the projected number of new jobs in industries that typically exhibit the greatest demand for office space, including Information; Financial Activities; Professional and Business Services; Education and Health Services; and Government.

b. Assumes an average of 250 square feet per office job.

c. Includes the projected number of new jobs in industries that typically exhibit the greatest demand for industrial space, including Construction, Natural Resources, and Mining; Manufacturing; Wholesale Trade; and Transportation, Warehousing, and Utilities.

d. Assumes an average of 1,000 square feet per industrial job.

Sources: Merced County Association of Governments, 2016; Center for Business and Policy Research, 2016; BAE, 2018.

This relatively modest level of new development, even for the high-level projection, suggests continuing incremental growth in the local market, rather than attraction of major new users to the City. As demonstrated by the current market conditions, and the current list of planned and proposed projects, future office and industrial development will likely be driven by demand originating by specific users, who will build facilities to meet their needs. The exception to this may include relatively small office buildings and industrial-flex facilities that can be leased to individual users on an ad-hoc basis; though building such a project on a speculative basis would likely place the developer at significant financial risk, which would likely limit their ability to secure conventional construction financing.

LAND USE DEMAND PROJECTIONS

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6. *Summary of Growth Projections and Implications for General Plan*

As described in detail in the sections above, the City of Los Banos is a dynamic community, facing unique challenges and opportunities. While the early- and mid-2000s brought rapid residential and commercial development to Los Banos, the years following the end of the Great Recession were characterized by more modest and steady growth. Over the past few years, the community has added new residential housing units at a steady pace of around 250 new units per year, expanding the community's consumer base and bolstering its workforce. Yet during this same period, job growth occurred more modestly, meaning that most of the City's new net increasing in working residents is dependent upon work elsewhere in the greater Merced County community, with some commuting to the lower Santa Clara Valley for work. While these super commuters represent only around 11 percent of the resident workforce, they represent an important source of demand for new residential development and consumer services. However, the data indicate that most of these commuters are not engineers, management professionals, or other high wage earners, but rather support staff to the broader tech industry, seeking improved housing affordability and a better quality of life compared to the greater San Francisco Bay Area.

Based on the available projections, combined with the results of the existing conditions analysis, BAE estimates that Los Banos could absorb an additional 5,272 new residential units through 2040. If the community is to maintain its existing housing mix (i.e., ratio of single-family to multi-family housing units), Los Banos would need to add approximately 4,642 new single-family homes, as well as 630 new multi-family homes. If the community were to try and achieve a housing mix that was closer to the statewide average, all of the new development would need to be in multi-family structures. The current pipeline of planned and proposed projects would be sufficient to accommodate roughly 82 percent of the new residential demand projected through 2040, and is almost entirely comprised of single-family development projects. Therefore, the Los Banos residential market is likely to remain dominated by single-family housing, though the City may want to consider zoning additional land for multi-family development and exploring opportunities to incentivize its construction, so as to encourage development of a more diverse mix of housing types, including assuring a good supply of housing affordable to the local workforce.

The office and industrial demand projections anticipate relatively modest growth in demand for new job generating development. This is fairly consistent with recent historical trends, where new development is primarily driven by the needs of a given user, rather than by speculative development aimed at a robust demand pool. To encourage the establishment of new job generating uses, beyond the baseline projections presented here, and to make the City less reliant on outside employment options (i.e., improving the jobs-housing balance), the Economic Development Element will need to look at what the community can do to 1) facilitate expansion of existing local businesses, particularly those with roots in

SUMMARY OF GROWTH PROJECTIONS & IMPLICATIONS FOR GENERAL PLAN

the local agricultural community, and 2) to make itself more attractive to other businesses from outside the local area and with competitive advantages in sectors other than agriculture. A number of potential strategies that the City might employ include, but are not limited to:

- a. Focus on building quality of life as a way to attract business owners and a skilled and educated workforce. Efforts may include;
 - i. Impose high standards of quality on new development.
 - ii. Build, improve, and maintain community facilities and amenities.
 - iii. Enhance Downtown as a community focal point.
 - iv. Ensure good mobility throughout the city, including bike/pedestrian access between homes, jobs, schools, and key civic areas.
 - v. Maintain a commitment to the city's fiscal health, to make sure it can continue provide high quality public services.
- b. Reach out to existing businesses and understand their workforce and infrastructure/public facilities needs; work with the community college to address skills gaps and look at projects such as airport reuse and/or I-5 business park as potential solutions for the latter.
- c. Build on existing strengths in agriculture related businesses; retain and expand hospital and related medical services to position Los Banos as a hub for medical services in western Merced County.
- d. Look for opportunities to accommodate businesses that are priced out of the Bay Area and match well with the existing Los Banos labor force capabilities.
- e. Investigate opportunities for warehousing/distribution related to support industries active in the southern Santa Clara Valley.
- f. Ensure availability of sites for commercial and industrial development with appropriate infrastructure, to enable developers to anticipate and respond to demand for space for business expansions and relocations.

While the City of Los Banos should take steps to improve its attractiveness as a destination for new businesses, it will be important to balance the City's fiscal health and cohesiveness with the desires of new businesses. For example, the high cost of extending infrastructure to potential business park sites near I-5 may prove prohibitive, given the community's competitive positioning within the broader region. In other words, the likelihood of attracting new businesses may not be high enough to justify significant investment in infrastructure. The City should also consider the nature of any benefits gained as a result of any such investments. For example, an investment of \$100,000 in infrastructure to attract a 50,000 square foot industrial user does not provide the same employment yield (i.e., number of jobs) compared to an office-based business. This is because different types of businesses generate new jobs at different intensities, with office businesses creating more jobs per square foot of space than industrial businesses. Nonetheless, new industrial businesses may offer other benefits to the community. For example, a new warehousing facility may, or may not, be designated as the official point of sale, which has an impact on the amount of new sales tax generated to the City. These will be important factors to consider as the City develops its preferred land use alternative and will also play an important role in how the City shapes policies and programs for the new Economic Development Element.

SUMMARY OF GROWTH PROJECTIONS & IMPLICATIONS FOR GENERAL PLAN

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2

Economic Development

Los Banos is committed to a healthy and vibrant economy. The City aims to provide quality jobs for its growing population, maintain a vibrant downtown, and ensure fiscal and financial balance. To achieve this, the City will work closely with both private and public sectors to attract new businesses. It also will provide sites for development, and strive to maintain a healthy supply of skilled labor. How this will be accomplished is addressed in the Economic Development Element of the General Plan. The guiding policies and implementing actions included in this Element are intended to assist the City in crafting a focused economic development strategy. They aim to maximize local strengths and opportunities, and at the same time, address weaknesses that may impair Los Banos' ability to compete regionally.

2.1 ECONOMIC VISION

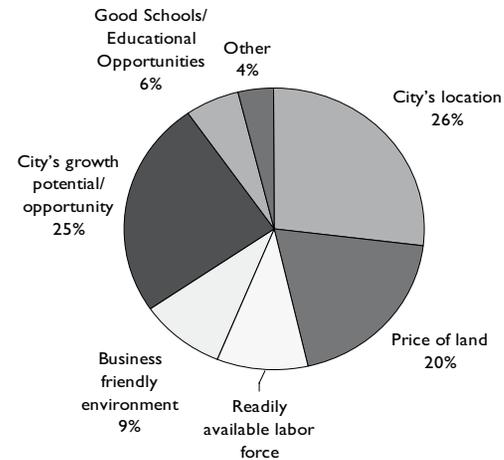
The General Plan recognizes that future growth must be guided by a vision that will help maintain Los Banos' special character. This vision includes a strong and vibrant downtown that is the pride of community, supported by a network of neighborhood commercial centers that serve the needs of nearby residents. A positive business climate will support the continued expansion of business, professional offices, and entertainment uses throughout the city. New business parks will accommodate manufacturing, processing, research and development, and office uses, providing a diverse mix of job opportunities. Los Banos Community College and other technical institutes will provide job training courses to match those needed by the local job market. New employers will be drawn to Los Banos because of its educated population, positive business climate, quality of life and its rising reputation as a pulsating economic hub in the San Joaquin Valley.

COMMUNITY SURVEYS

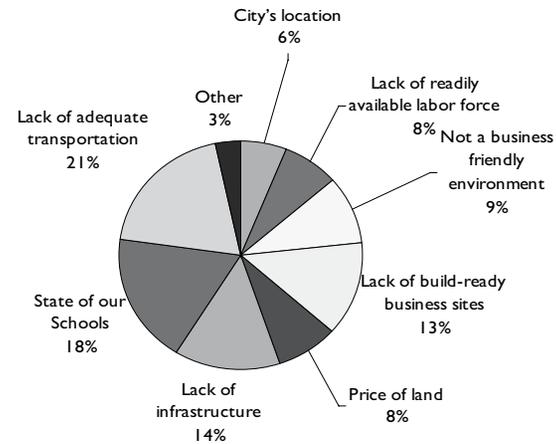
As part of the research for this economic development element, two surveys were conducted to assess Los Banos’ economic conditions and to collect community views on economic planning. The first was a community wide survey conducted in November 2006, and the second was a survey of economic development committee members, stakeholders, and other interested parties in January 2007. Together, these surveys provided valuable information about economic conditions on the ground and economic issues that are of concern to business leaders as well as residents.

Los Banos’ residents are generally satisfied with existing economic conditions. However, they also expressed a desire to see moderate to significant levels of economic development in the future. A vast majority of respondents thought that the City should attract high-tech businesses and light industries to Los Banos in view of the employment opportunities they bring. Retail businesses were also desired by many residents as current retail opportunities are viewed as limited. Many respondents highlighted the need for high wage jobs that would enable more of Los Banos’ educated workforce to work in the city rather than drive out of town. The city’s highly accessible location and its growth potential, is listed by Los Banos’ residents as its chief asset in attracting businesses. Conversely, residents worry that the state of Los Banos’ schools and the city’s lack of adequate transportation infrastructure are negative factors that may discourage businesses from investing or locating in the area. When asked about their concerns about economic development impacts, a vast majority of residents listed traffic as their primary concern, followed by impacts to schools, and Los Banos’ small town character.

The charts to the right showcase some of the survey results.



Community response to the question: "What do you think attracts business to Los Banos?"



Community response to the question: "What do you think might keep businesses from locating in Los Banos?"

2.2 LOS BANOS' ECONOMIC BASE

THE BEGINNINGS

Since its incorporation in 1907, Los Banos' economy has traditionally relied on farm products and agricultural services for revenue and jobs. Blessed with a hospitable climate and prime arable land, it was a major producer of milk products, tomatoes, dried fruit, nuts, cotton, melons and beef, as well as a supplier of sand for industry. The arrival of Kagome Foods, California Dairies and Ryan Pereira Company affirmed the city's position as an agriculture center in the Valley.

The importance of the agriculture industry, however, declined as the City grew. This is in line with a regional trend in which California agriculture on the fringe of growing communities is gradually replaced by high tech manufacturing or knowledge intensive industries. Migration increased sharply from 1980 onwards, spurred on by Los Banos' proximity to the San Francisco Bay Area, its low land cost and attractive natural environment. This increased population and economic activity is changing the face of Los Banos from a small community dependent on agriculture to a mid-sized city with a mix of businesses, retail, and services.

EXISTING EMPLOYMENT

The number of jobs in Los Banos increased dramatically in the 1990s. According to the U.S. Census, Los Banos had approximately 9,290 employed residents in 2000, representing a 64 percent increase over its 1990 total of 5,666 residents. The growth in employment by industry groups between 1990 and 2000 is summarized in Table 2-1.

2-1: Number of Employed Residents by Industry Group, 1990 to 2000

Employment by Industry (NAICS Classification)	1990	2000	Jobs Added	Percent Change
Agriculture and mining	789	801	12	1.5
Construction	349	824	475	136.1
Manufacturing and wholesale	764	1,599	835	109.3
Retail	1,318	1,292	-26	-2.0
Transportation and warehousing, and utilities	473	713	240	50.7
Information	n/a	192	192	192.0
Finance, insurance and real estate	201	230	29	14.4
Professional and management services	179	671	492	274.9
Educational, health, and social services	1,189	1,505	316	26.6
Arts, recreation, and other services	164	1,165	1,001	610.4
Public administration	240	298	58	24.2
Total	5,666	9,290	3,624	64.0

The classification system used by the Census changed from 1990 to 2000, and certain categories, such as 'Information', were added only in 2000.

Source: U.S. Census.

The fastest growing economic sectors, in terms of employment, are in professional services and in arts, recreation, and other services. The former increased over 270 percent, and the latter, over 610 percent from 1990 to 2000. This is likely caused by spillover effects of a population boom in that period.¹ With a larger resident population, demands for professional and business services, as well personal services such as food, entertainment, recreational, and other amenities likewise increased. Surprisingly, jobs in the retail industry declined over the decade. Nonetheless, retail jobs still represented a substantial share of total jobs, at 14 percent. The data also highlight the reduced importance of agriculture as an employment sector. While agriculture jobs grew by 1.5 percent, its share of all jobs dropped from 14 percent in 1990 to only 8 percent in 2000.

ECONOMIC STRENGTHS AND CHALLENGES

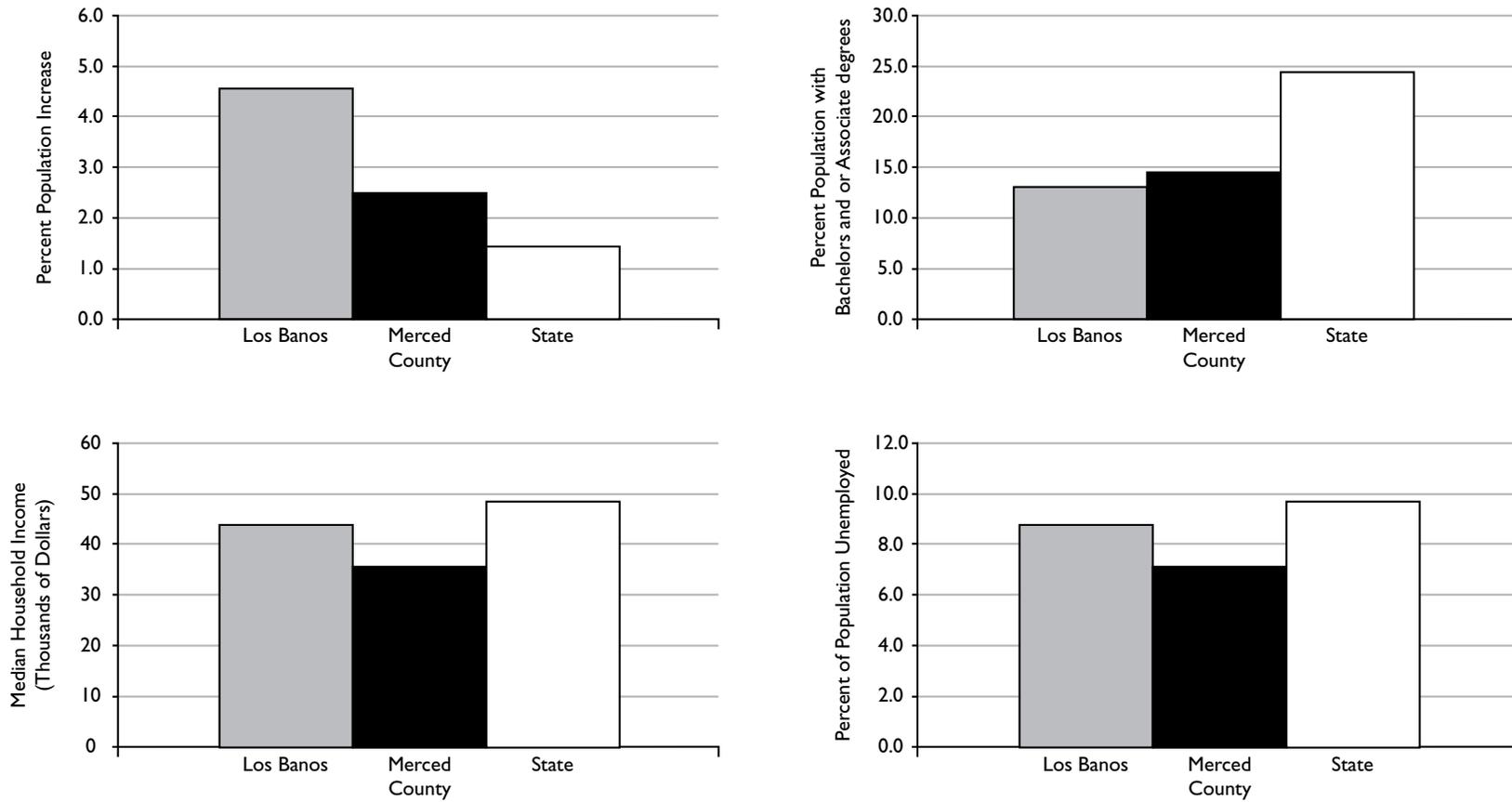
An assessment of existing economic strengths, weaknesses, opportunities and threats (SWOT) is a necessary step in the economic development process. Without knowing its characteristics and using this knowledge to narrow the focus of economic development, a city cannot meet its full potential. Conversely, a community that understands itself can take the greatest possible advantage of potential opportunities while formulating a plan to correct weaknesses. The following presents a SWOT assessment of Los Banos, gained from community surveys, stakeholder interviews, and an objective assessment of economic conditions.

¹ According to census data, the number of housing units in Los Banos grew by 59 percent from 5,070 to 8,070 in the ten year period. The California Department of Finance estimated the number of units to be 10,039 in 2005.

Strengths

- **Accessibility.** Los Banos is conveniently located and highly accessible to major urban centers. As such, it is particularly suitable for industries that rely heavily on ground transportation.
- **Supply of Sites.** Under the current General Plan 2030, adequate land has been zoned to accommodate employment growth through year 2030 and beyond.
- **Quality of Life.** Los Banos' community character and small-town feel is an asset that can be used to attract businesses as well as knowledge workers.
- **Higher Education.** Los Banos has a Community College, and is minutes away from UC Merced. Merced Community College, Los Banos Campus, has expressed willingness to work with the City and prospective industry to provide tailored vocational training to improve the local workforce.
- **Population Boom.** Growing cities such as Los Banos hold an edge over stagnant or declining cities. A population boom in the last decade has fueled construction activities and an increased need for retail and basic services. This condition is extremely attractive to potential investors.
- **Economic Development Strategy.** The City has an economic development program managed by the Redevelopment Agency. The program includes monthly site selector visits in and out of the state, partnership with the Central California Economic Development Corporation for extensive outreach and contracts with Merced County Economic Development Corporation for an assertive economic development strategy.

Figure 2-1: Economic Snapshot of Los Banos



Annual population increase are taken from 2004 to 2005, Unemployment figures are from 2005, Bachelors and Associate degree and Median household income are from 2000 Census.

Source: U.S. Census

Weaknesses

- **Workforce readiness.** Unemployment is high in Los Banos. Workers are generally unskilled, and the number of persons with college degrees is below national averages.
- **R&D Tradition.** There is a lack of knowledge intensive work or R&D tradition in Los Banos.
- **Specialty.** Nothing about Los Banos particularly stands out. To compete for investment dollars, Los Banos needs a marketing strategy centered on a “big idea”.
- **Lack of Economic Development.** At present, the City has no “business center”, the City website offers little information to investors.

Opportunities

- **UC Merced.** Los Banos may benefit from education-related services, such as administration, teaching and supporting jobs resulting from the opening of UC Merced.
- **Agriculture.** Los Banos can capitalize on its agriculture tradition by moving into high-end food processing.

Threats

- **Air Quality.** Low air quality in the Central Valley region may become a threat to quality of life.
- **NIMBY.** A “Not In My Back Yard” mentality may become a threat to development initiatives.

IDENTIFYING OPPORTUNITIES AND SOURCES OF GROWTH

The next step in formulating an economic strategy is to identify future opportunities and potential sources of growth. While economic modeling is by no means an exact science, a good picture can be found by:

1. Identifying comparative advantages of different industries;
2. Identifying existing strength of different industries; and
3. Identifying future growth based on employment forecast models.

Los Banos’ Competitive Advantage

To judge the relative strength of each industry in Los Banos, it is fruitful to compare them to data from a larger geographical entity (the County in this case). Table 2-2 presents employment makeup in year 2000 for comparison. According to census data, sectors that provide the most employment in Los Banos are *Manufacturing and Wholesale* (providing 17 percent of all jobs), *Retail* (14 percent), and *Education, Health and Social Services* (16 percent). Together, these three sectors account for nearly half of all jobs in the city.

Between 1990 and 2000, Los Banos was able to increase its capture of County employment from 8.5 percent to 12.3 percent. This roughly mirrors a similar trend in population growth where Los Banos also increased its share of population from 8.1 to 12.3 percent. Analyzing industries individually, the City shows definite strength in *Construction, Retail, and Transportation, Warehousing and Utilities*. A location quotient (LQ) of 1.0 and above generally signal basic activity, where local production exceed local demand and any excess is exported regionally. Such larger presence and higher concentration can translate into comparative advantages if these sectors are ear-marked for further development.



A population boom in the 90s through 2006 is largely responsible for a construction boom and growth in the services industries.

2-2: Number of Employed Residents in Los Banos and Merced County, 2000

Employment by Industry	City of Los Banos	Percent of Total	Merced County	Percent of Total	Location Quotient
Agriculture and mining	801	8.6	9,378	12.5	0.7
Construction	824	8.9	5,081	6.7	1.3
Manufacturing and wholesale	1,599	17.2	13,164	17.5	1.0
Retail	1,292	13.9	8,071	10.7	1.3
Transportation and warehousing, and utilities	713	7.7	3,620	4.8	1.6
Information	192	2.1	2,034	2.7	0.8
Finance, insurance and real estate	230	2.5	2,533	3.4	0.7
Professional and management services	671	7.2	4,547	6.0	1.2
Educational, health and social services	1,505	16.2	15,296	20.3	0.8
Arts, recreation, and other services	1,165	12.5	8,399	11.2	1.1
Public administration	298	3.2	3,198	4.2	0.8
Total	9,290	100.0	75,321	100.0	1.0

Location Quotient is the measure indicating the degree to which an area is specialized, relative to another area, in the production of a particular product.

Source: U.S. Census.

Understanding Components of Growth

Employment growth can be divided into three basic components: (a) A *national growth effect* which is the part of growth due to employment growth in the nation as a whole; (b) An *industry effect* which is the amount of growth the industries in the city would have experienced due solely to growth in that particular industry; and (c) A *local effect* which represents employment growth due to local conditions. How each local industry is performing relative to national or industrial trends can be seen when all three components are compared.

According to this analysis, Los Banos counted several ‘winner’ industries from 1990 to 2000. ‘Winner’ industries are defined as those that performed well over national standards in growing sectors. The *Construction* industry, for example, added 475 jobs, 42 of those driven by national economic growth, 34 by industry-specific growth, and the remaining 398 attributable to Los Banos’ local conditions. Likewise, *Professional and Management Services* would have added only 228 jobs if it followed national economic trends and industrial trends. A further 264 jobs were added due solely to local factors.

During the same period, several ‘Questionable winners’ can be identified. These are industries that performed well amid national or industrial decline. The *Manufacturing and Wholesale* sectors, *Retail*, and the *Educational, Health and Social Services* sectors all added jobs despite losing jobs elsewhere in the nation.

Implicit in this trend are two potential outcomes. In one scenario, growing local excellence places Los Banos in a stronger position to take advantage of future national or industrial growth, should they occur. In an alternative scenario, the City is “heading the wrong direction” should these industrial categories continue to decline in importance. The strong performance of local industries in categories that are declining nationally is thus questionable in a sense that their future is dependent upon national trends. Since Los Banos is too small to exert any influence on the national economy, it is more important to follow national trends than to go against them.

2-3: Components of Job Growth, 1990 to 2000

Employment by Industry	1990	2000	Growth Effect	Industry Effect	Local Effect	Jobs Added
Agriculture and mining	789	801	96	-386	302	12
Construction	349	824	42	34	398	475
Manufacturing and wholesale	764	1,599	93	-170	912	835
Retail	1,318	1,292	160	-448	262	-26
Transportation and warehousing, and utilities	473	713	57	-142	324	240
Information	0	192	0	0	192	192
Finance, insurance and real estate	201	230	24	0	5	29
Professional and management services	179	671	22	206	264	492
Educational, health and social services	1,189	1,505	144	-195	367	316
Arts, recreation, and other services	164	1,165	20	302	679	1,001
Public administration	240	298	29	0	29	58
Total	5,666	9,290	-	-	-	3,624

Growth effect is the contribution of national economic growth to local growth. Industry effect is the performance of industry nationwide subtracting national growth. Local effect is the local conditions that lead to better or worse than expected performance.

Source: U.S. Census.

Future Employment

Table 2-4 presents existing and expected future employment in Los Banos organized by industry groups for comparison. The number of employed residents is expected to increase to over 35,000 by 2030. Some economic sectors, most notably those in the *Retail* industry, the *Public Administration* industry, and the services industries, are likely to grow in response to the needs of a growing population. Others, such as *Manufacturing*, will respond to market demands of a broader geographic area. This later growth will be influenced by the degree to which city assets—central location, good transportation, affordable housing—are able to attract

business. *Agriculture* is expected to follow a regional and historical trend of decline unless specific economic initiatives are developed for this sector. Meanwhile, *Education* is expected to grow to meet the needs of a growing youth population in Los Banos. On the whole, the job market is expected to remain fairly diverse with job increases in every sector. Job growth will be highest in *Manufacturing and Wholesale, Retail, and Education, Health and Social Services*. An expanded employment base will expand opportunities for local residents and help to further stabilize the local economy.

2-4: Projected Number of Employed Residents, 2010 to 2030

Los Banos	2000	2005	2010	2020	2030	Percent Share in 2000	Expected Percent Share in 2030
Population	25,869	33,506	40,300	60,700	90,400	NA	NA
Households	7,721	10,092	12,100	18,300	27,200	NA	NA
Agriculture and mining	801	894	950	1,050	1,200	8.6	3.3
Construction	824	1,457	1,800	2,630	3,600	8.9	10.3
Manufacturing and wholesale	1,599	2,577	3,190	4,640	6,500	17.2	18.5
Retail	1,292	2,311	2,930	4,380	6,200	13.9	17.7
Transportation and warehousing, and utilities	713	1,033	1,270	1,800	2,500	7.7	7.1
Information	192	274	370	630	1,000	2.1	2.8
Finance, insurance and real estate	230	303	370	500	700	2.5	1.8
Professional and management services	671	722	960	1,570	2,400	7.2	6.9
Educational, health and social services	1,505	2,413	3,120	4,770	7,000	16.2	19.7
Arts, recreation, and other services	1,165	1,315	1,570	2,120	2,700	12.5	7.7
Public administration	298	464	600	940	1,400	3.2	4.0
Total	9,290	13,764	17,130	25,030	35,200	100.0	100.0

Employment forecast is based on a Shift-share of ABAG projections to give Merced County projections; this data is adjusted to fit probably trends, and then further projected for Los Banos using a constant share method.

Source: U.S. Census.

POTENTIAL GROWTH INDUSTRIES

Several industries are proposed for targeting based on their fit with City strengths, past performance, and future growth potential.

Education and Healthcare

The Bay Area region has one of the largest concentrations of education institutions and healthcare providers in the nation. With UC Merced nearby, and the Community College and Memorial Hospital within City limits, Los Banos is poised to take advantage of regional dynamism to become a world-class health care and education center. Even without the aid of development initiatives, the sector (including social services) is projected to provide jobs to nearly 20 percent of all residents by 2030. In addition to jobs, education and health care bring other positive spillovers. They add to the ‘quality of life’ and bring training opportunities to Los Banos. For example, acute and specialty hospitals, dental offices and pharmacists attract diagnostic labs, medical insurance companies, and provide training for a range of health care professionals. This in turn may attract pharmaceuticals, medical supply firms, bio-tech and R&D to Los Banos.

Manufacturing

Conventional wisdom suggests that manufacturing is disappearing in the United States. While it is true that globalization has increasingly outsourced component design and manufacturing to diverse geographic locations, the U.S. manufacturing employment has stayed roughly constant since the 1940s. Manufacturing is responsible for two thirds of all exports and accounts for a quarter of all U.S. economic output. Los Banos may be able to capture a share of the growth of light manufacturing due to its proximity to R&D hubs in the Bay Area, access to export harbors, and availability of low cost labor relative to

other Bay Area cities. The remarkable performance of manufacturing in Los Banos against a backdrop of national decline from 1990 to 2000 is a testament to this fact. Future prospects continue to look strong for Los Banos. Subsector activities that are particularly important to the Central Valley region include the manufacture of industrial machinery used in agriculture, electronic equipment for export, and transportation and logistics.

Agriculture Processing

Agriculture production was Los Banos’ economic cornerstone until the mid-1980s. Even today, farmers continue to grow tomatoes, citrus fruits, almonds, and raise cattle in areas surrounding the city. A significant number of jobs can be created if business operations can turn these raw commodities into processed food or other value-added products. The city’s location advantage, with half-day access to markets and export harbors, make this an attractive proposition for economic development. However, the abundant number of Central Valley cities adopting the same strategy means that Los Banos must work to complement, rather than compete against, regional cities. The City should identify niche markets it can enter (such as organic foods, specialty foods, farm implements, etc.) and continue to explore areas of cooperation with regional economic development organizations.



Light or medium manufacturing may be attracted by Los Banos’ half day access to major ports and abundant, cheap labor.

Advanced Logistics and Distribution

County jobs in logistics and distribution have increased over the years due to Merced County's central location and access to major highways. Truck load and volume continues to increase year after year. Los Banos could take advantage of this factor by improving cargo handling capacities and adopting advanced supply chain management technologies. Critical ingredients however, include adopting a strategic plan to improve technical and college education, improving transportation and telecommunication infrastructure, and continue increased marketing of the city's assets to businesses.

Construction

The construction industry is another industry where Los Banos has obvious comparative advantages. This sector may be target-developed with caution. While the sector performed remarkably well over the last ten years and continues to show good prospects, jobs in construction are usually low paying and driven by population booms. To make them sustainable in the long run, the City must help the industry upgrade its skills and expertise in specialized areas. For example, the creation of a pre-fabrication building materials industry—a logical step forward given the strength of local home-building—will increase job diversity and security by expanding the market. Potential sectors to focus on include building-supply businesses, 'dry construction' or prefabrication businesses, green building businesses (such as builders of green roofs and photovoltaic cells), and other businesses that can help capture a regional market.

2.3 FINDING ROOM TO GROW

The most important action the City can take for economic development is to make space available both for existing businesses to expand and for new businesses to locate in the community. To ensure an adequate supply of land, the City will need to plan in advance to anticipate business expansion potential and to attract new or added uses to the local economy.

FUTURE NON-RESIDENTIAL LAND NEEDS

The land use program of the Los Banos 2030 General Plan reflects the historic economic mix and takes into account the types of new jobs the region as a whole attracts, and the type of jobs that gravitate to Los Banos based on its capture of regional growth. The Plan provides for space to accommodate the kinds of employment economically suitable to Los Banos. During the time horizon of the General Plan—assuming continuing strong regional growth—it is reasonable to expect strong absorption of non-residential development.



Areas planned for employment and business parks will provide land for job growth.

The General Plan allows for significant commercial growth in areas as follows:

- **Office space**, up to 3.7 million square feet;
- **Retail and Commercial space**, up to 8.9 million square feet;
- **Industrial and Employment Park space**, up to 10.4 million square feet.

These increases in built space for employment will take place on lands not currently in urban use as well as on lands previously developed, but on which (through infill development and development in a new mixed use land designation) the existing intensity of development could increase.

2.4 CITY'S ROLE IN ECONOMIC DEVELOPMENT

Beyond ensuring sufficient land is allocated for growth, the City has an important role in promoting economic development and providing support for businesses. For example, by “streamlining” the design review, permitting and licensing processes, the City can make doing business less complicated, costly, and time-consuming. In addition, the City is also responsible for maintaining streets and other infrastructure, overseeing workforce training programs and housing development. Actions in these areas can help to create an attractive investment climate.

DEFINING AN ECONOMIC DEVELOPMENT STRATEGY

A coordinated economic strategy is essential to Los Banos’ economic development objectives. Such a strategy will include a managed program of fiscal development, strategic public improvements, and a balanced approach to land use. Instead of traditional approaches—such as providing tax breaks and other subsidies to attract businesses—Los Banos will focus on investing in workforce readiness, infrastructure development, and most of all, creating a superb quality of life. The development strategy will build on and reinforce initiatives already undertaken by the Merced County Economic Development Corporation (MCEDCO), and capitalize on technical assistance and grant funding provided by State and federal agencies. This element envisions the following key initiatives:

- **Sectoral targeting.** Cities that guide economic development through strategic sectoral targeting policies reap greater benefits and faster results than those that allow development without guidance. The key is to identify and attract economic sectors that have the greatest potential for job growth and wage increases, and whose development is compatible with the City’s vision in keeping Los Banos a vibrant, safe, and attractive place to live. Table 2-5 presents criteria to evaluate firms among targeted sectors.
- **Marketing.** City marketing is more than just a mere promotion of place. Marketing defines Los Banos’ image and increases its exposure to potential investors and the world at large. Adopting a marketing message can help differentiate Los Banos’ business environment from regional competitors, focusing on characteristics that make it a desirable business location.

2-5: Screening Criteria for Targeted Industries

Economic Characteristics	Firm Characteristics
Above-average wages	Telecommunication and transit-friendly
Employs local residents	Provides training to workers
Basic sector or primary engine of growth ¹	Creates few or no negative environmental effects
High productivity	Contributes to social equity ³
High-tech or knowledge-driven	
Large investment per employee ²	

¹ These businesses typically generate secondary uses and are export oriented.

² Businesses with larger local investment tend to be more permanent.

³ This may include providing for employee health insurance, childcare, and other needs.

- **Investment in infrastructure.** In addition to land, businesses look for ready infrastructure including water, sewer, road, power, and telecommunications, in their investment decisions. The City will seek to provide a modern, attractive, dependable, efficient and cost competitive infrastructure plan through investments and continued improvements.
- **Investment in human capital.** Human resources development assists economic development by making available a pool of trained workers for existing and new businesses. The City will take a role in improving college graduation rates and skilled labor through encouraging job training, workforce development, and life long education.

- **Improving the business climate.** A good business climate allows businesses to conduct their affairs with minimal interference while accessing quality high inputs and customers at low costs. The City will improve both the ease and the cost of doing businesses by simplifying permitting and other application procedures, reducing barriers to investment, and implementing local assistance programs as needed.
- **Improving Downtown.** Los Banos' Downtown has long been a center of retail in the surrounding area. The General Plan recognizes its historic role and potential value in serving economic goals of the City. An attractive and vibrant Downtown is an asset in attracting new residents and businesses. It helps create a favorable impression and instill confidence for investments. The new community center will also help.
- **Maintaining fiscal health.** Economic and other initiatives called for in the General Plan will have fiscal consequences for Los Banos. Increasing residential development and business activity will boost revenue sources. At the same time, rising demand for services and capital facilities will increase operating costs. The City must ensure revenue and expenditure achieve a healthy balance and a sufficient operating reserve is maintained at all times.

According to analysis, this General Plan is fiscally sound in the long run. Particular emphasis should be placed on future City efforts to:

- Maintain an active economic development effort to attract continuing nonresidential development as well as residential development over time;
- Maintain fiscal mechanisms (such as the Community Facilities District) that are already in place, and extend them to additional areas of the City where possible; and
- Monitor fiscal conditions continuously to provide early indications of potential revenue shortfalls or unanticipated cost increases.

With these efforts, implemented through the policies that follow, Los Banos will be able to achieve its economic development goals efficiently and effectively.

GUIDING POLICIES

- ED-G-1 Help create jobs and improve job quality for existing and future Los Banos residents.
- ED-G-2 Facilitate the development of new businesses, and/or expansion of existing businesses through site availability, infrastructure investment, and labor force preparedness.
- ED-G-3 Make Los Banos an ideal place to do business by fostering a business friendly climate.
- ED-G-4 Strengthen positive working relationships among the business community, education providers, regional economic institutions and City government.
- ED-G-5 Promote Downtown as a cultural and entertainment center to bring people downtown and stimulate business opportunities.
- ED-G-6 Foster a fiscally healthy City government.

IMPLEMENTING ACTIONS

Sectoral Targeting

- ED-I-1 Prepare an outreach strategy for targeted industries, focusing on:
 - Industries that indicate an interest in the San Joaquin Valley, Merced County, or Los Banos;
 - Industries whose labor requirements match the occupations and skills of the local labor force;
 - Businesses that rely on ground and air transportation;
 - Businesses that can add on to existing industrial clusters or firms;
 - Public or private enterprises appropriate to strengthening the health/education/services sector, or those that would improve the local quality of life; and
 - Partnership with area educational institutions to assist with training for a new workforce.
- ED-I-2 Continue to have economic development staff contact and visit target companies, including businesses, real estate brokers and site consultants.
- ED-I-3 In partnership with the Chamber of Commerce and Merced County Economic Development Corporation, continuously track local, state, and national economic trends to identify new candidate industries for Los Banos.

Marketing

ED-I-4 Create and market a unique city image that differentiates Los Banos from other locations.

Investment in Infrastructure

ED-I-5 Actively promote Los Banos as a place for business through the following:

- Continue to attend trade shows or other gatherings for industries that may contribute to a critical mass of demand for supporting businesses;
- Advertise in industry publications;
- Publish an inventory of assets that Los Banos offers in newsletters and on the web;
- Create materials to keep businesses and industry groups informed of services using electronic newsletter, postcards, and specialized promotional packages; and
- Prepare industry profiles with a typical operating cost pro forma to be used as a sample for business attraction.

Investment in Human Capital

ED-I-6 Create, maintain, or upgrade Los Banos' infrastructure to support economic development.

ED-I-7 Promote opportunities to develop executive housing.

ED-I-8 Actively recruit vocational institutions to locate in Los Banos, and support development of a vocational education certificate program at Merced Community College that can address the gaps for technical skills needed by the City's major industries.

ED-I-9 Actively recruit UC Merced staff and students to network with Los Banos for research, pilot, or training opportunities.

ED-I-10 Work with high schools, the Community College, UC Merced, and other educational providers to develop internship, mentoring and apprenticeship programs.

ED-I-11 Promote workforce retraining and lifelong education:

- Provide technical assistance to employers that send workers for skill upgrading or retraining.
- Encourage local educational providers to establish continuing education programs to meet the existing and foreseeable needs of local employers.

Improving Business Climate

ED-I-12 Improve the ease of doing business within the City to ensure the growth, development, and prosperity of Los Banos' business community by:

- Continuing to maintain an inventory of "ready to go" sites, with information about their location, size, configuration, infrastructure availability, zoning, and other data that indicates readiness for development;
- Continuing to provide businesses with assistant services, including visitation to existing businesses;

- Adopting a streamlined permit process and expediting permit decisions; and
- Creating a one-stop web portal for economic development.

- ED-I-13 Establish financing plans for existing businesses seeking to expand in Los Banos for whom payment of fees “upfront” may represent a major financial burden.
- ED-I-14 Continue to improve the city’s business incubator program to foster the development of local start-ups.

Improving Downtown

- ED-I-15 In partnership with the Chamber of Commerce, Downtown store owners and local hotels, encourage parades, festivals, celebrations, promotional sales and sporting events in Downtown that will draw visitors to the area.

Also see policies in Chapter 3: Land Use.

Economic Administration

- ED-I-16 Continue to work with regional economic development organizations to foster the economic health of the area.
- ED-I-17 Maintain the Economic Development Committee to advise the City Council and staff regarding economic development, redevelopment, employment, and housing issues.
- ED-I-18 Continue to periodically survey the business community for evaluation of City services and improvement suggestions.

Maintaining Fiscal Health

- ED-I-19 Seek to maintain an operating reserve of not less than 50 percent of projected operating expense for the following fiscal year to assure that sufficient financial resources will be available in the event of sudden economic dislocations or general economic slowdowns.
- ED-I-20 Continue to identify, pursue and capture State, federal and other grants for economic development.
- ED-I-21 Assure current revenue sources can adequately finance the City’s capital and program initiatives, and at the same time, provide for maintenance of existing facilities or identify available revenue as needed.

2.5 SPECIFIC ECONOMIC POLICIES

Aside from general economic policies, which aim at elevating overall economic conditions for all residents, the City recognizes the need to establish a number of specific policies with more focused objectives. These policies typically have a shorter time range, are program-oriented, and are designed to satisfy a need not covered by general policies. In most occasions, specific economic policies are crafted in response to community feedback, economic surveys, or stakeholder interviews. They are intended to promote particular activities most urgently needed by Los Banos in the immediate future.

GUIDING POLICIES

ED-G-7 Seek and promote particular businesses or economic opportunities that provide needed local goods, services, employment, or those that enhance the city's physical and social well being.

- Providing clear signage on roads leading to points-of-interest on city maps; and
- Supporting special events, such as “Wild on Wetlands” and particularly multiple day events that celebrate the rich biological diversity around Los Banos.

IMPLEMENTING ACTIONS

ED-I-22 Investigate the benefits that senior communities may bring to Los Banos and, if appropriate, pursue development of such communities in appropriate locations.

ED-I-23 Promote youth related businesses and those that provide activities families can enjoy together.

ED-I-24 Explore the feasibility of creating an Auto Mall at the eastern or western end of Pacheco Boulevard, near the 152 bypass intersection.

ED-I-25 Establish Los Banos as a tourism destination through promoting activities associated with the O'Neil Forebay, Grasslands Ecological Area, and other points-of-interest around the city. Specific initiatives may include the following:

- Promoting commerce associated with the O'Neil Forebay as a summer recreation area, and the Tule Elk Reserve for wildlife viewing;
- Promoting commerce associated with private recreational activities within the Grasslands such as wildlife viewing and hunting;
- Establishing easy access to visitor information in the city;

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