

REVISED DRAFT MEMORANDUM

To: City of Redding Development Services
From: David Zehnder and Tom Martens
Subject: Riverfront Specific Plan—Market Assessment;
EPS #232121
Date: July 11, 2024

Overview

The scope of work for the Project Team includes preparation of a Market Assessment, including both a demographic/economic overview and a high-level overview of the real estate market.

The economic and demographic profile is intended to highlight trends in household and economic characteristics in the City of Redding (City) and relevant larger geographies to identify strengths, weaknesses, opportunities, and threats associated with potential future uses.

The high-level real estate market overview will assess both the supply-side performance metrics and recent and projected trends affecting the key demand drivers for select uses to gauge the potential for various uses in the study area.

Key Findings

- While retail spending remains strong, purchases of so-called shopper’s goods, such as apparel or home goods, have been steadily migrating to either big box stores or online and therefore provide minimal opportunity for the Specific Plan Area.
- Downtown Redding retail is transitioning to “experiential” retail, with a focus on eating and drinking establishments. Retail rents Downtown, while still relatively low overall, have seen a dramatic uptick from new development. Eating and drinking establishments and performance venues within the Specific Plan Area would be mutually beneficial, bolstering the capture of both entertainment and eating and

The Economics of Land Use



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drinking expenditures from the larger region within Park Marina, and likely leading to spillover effects in Downtown. Upcoming site-specific feasibility analyses will assess potential capture of these spending categories in Park Marina and the potential effects on Downtown. Interviews have indicated that additional points of interest in the Specific Plan Area could contribute to increased awareness and visitation, which may be necessary to support new or refurbished facilities.

- The suburban office market east of the river has seen occupancy rates soften considerably since the pandemic. Downtown occupancy in leasable office space has remained stronger and will likely benefit from projected growth in both health-sector employment (a major user Downtown) and in professional services-sector employment, which often includes small or creative firms that are drawn to Downtown. However, it is unlikely that local demand for office space would support new development in both Downtown and the Riverfront Specific Plan area.
- The addition of the Sheraton Hotel in the Riverfront Area has dramatically brought up the overall hotel room rate in central Redding. Average room rates for economy properties have also increased since the addition of the hotel. Occupancy levels suggest that the market may be able to support additional rooms, ideally in a slightly different segment, such as a small-scale upscale to luxury property.
- Housing of all kinds is in demand statewide, with largest obstacles presented by development costs exceeding ability to pay. Accordingly, the City and Shasta County (County) have seen a dramatic increase in renter households in upper income categories, likely partly because of growth in the healthcare sector and the resulting influx of workers in the sector. As the healthcare sector continues to grow, it is likely demand for new multifamily rental units will also grow.

Demographic Trends

The City experienced greater population growth than the rest of the County over the last 10 years, with a majority of the countywide population growth occurring within the city limits. The County has seen a stronger shift toward smaller household sizes, likely because of a larger share of older households.

In the City, household size has declined only slightly, with a slightly higher share of households with children, but a significantly larger share of young adults than the County overall, a pattern that has stayed fairly constant over the last 10 years. This suggests a fair number of roommate/cohabitation households, which represents a potential source of multifamily demand in the City. (As noted in the Housing Trends section below, a large share of renter households in the

City are in single-family units, likely resulting in significant numbers of roommate situations.)

Table 1. Population and Household Growth

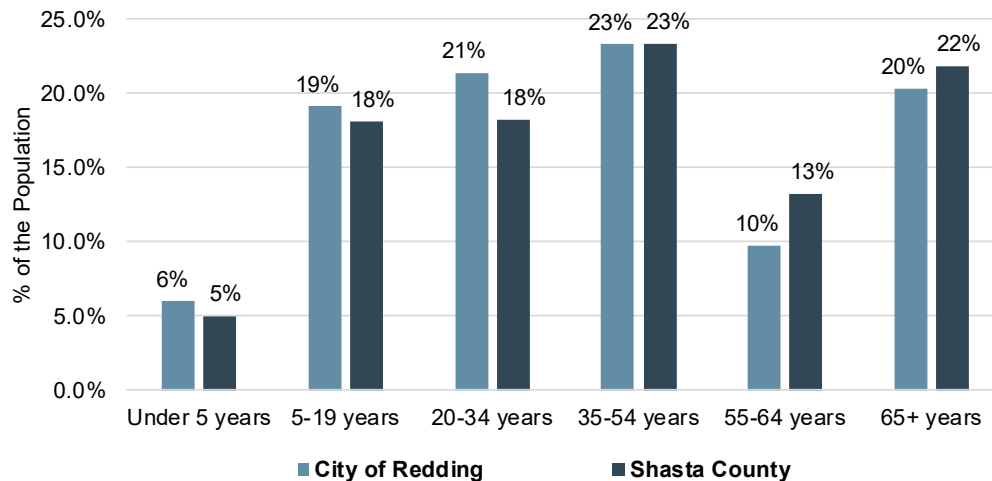
| Category | 2012 Actual | 2022 Actual | 2032 Projection | Change | | | |
|--------------------------|----------------|----------------|--------------------|-----------|--------|-----------|--------|
| | | | | 2012-2022 | | 2022-2032 | |
| | | | | Number | % | Number | % |
| City of Redding | | | | | | | |
| Population | 90,750 | 92,896 | 93,067 | 2,146 | 2.4% | 171 | 0.2% |
| Households | 38,914 | 40,048 | 40,827 | 1,134 | 2.9% | 779 | 1.9% |
| Person per Household [1] | 2.33 | 2.32 | 2.31 | (0.01) | (0.5%) | (0.01) | (0.5%) |
| Shasta County | | | | | | | |
| Population | 178,586 | 180,930 | 183,145 | 2,344 | 1.3% | 2,215 | 1.2% |
| Households | 77,308 | 80,113 | 81,108 | 2,805 | 3.6% | 995 | 1.2% |
| Person per Household | 2.31 | 2.26 | 2.21 | (0.05) | (2.2%) | (0.05) | (2.2%) |

Source: American Community Survey 1 Year Tables DP05 and Department of Finance Table P-4 ; EPS.

[1] The General Plan uses 2.37 persons per household, based on earlier Census data.

Figure 1 illustrates the larger share of younger households in the City and the larger share of older households in the County overall.

Figure 1. Age Distribution—City of Redding and Shasta County



The median household income is similar in the City and the County, at approximately \$68,000, compared to a statewide median of approximately \$92,000. Income distribution also follows a similar pattern in both the City and the County, as shown in **Figure 2**.

Figure 2. Household Income—City of Redding and Shasta County

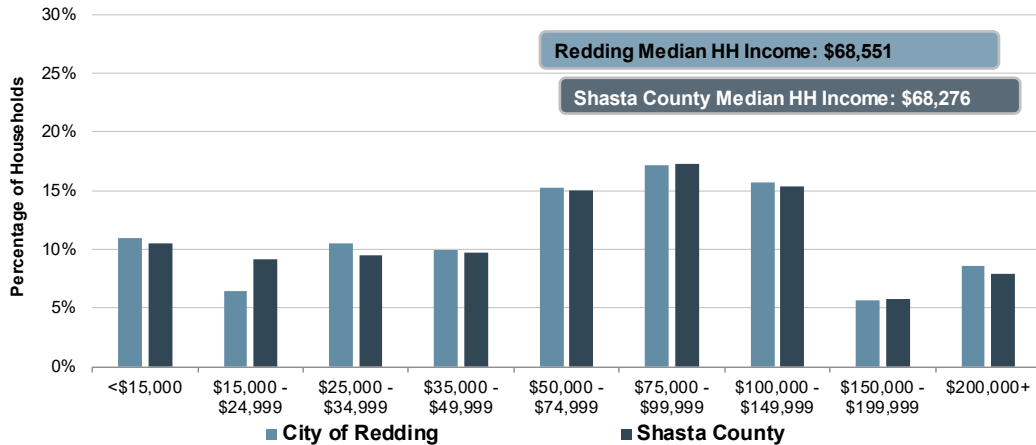
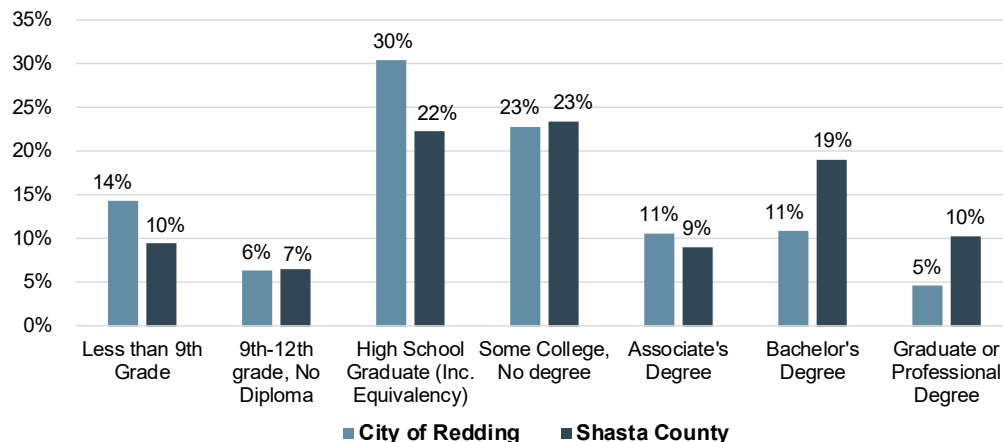


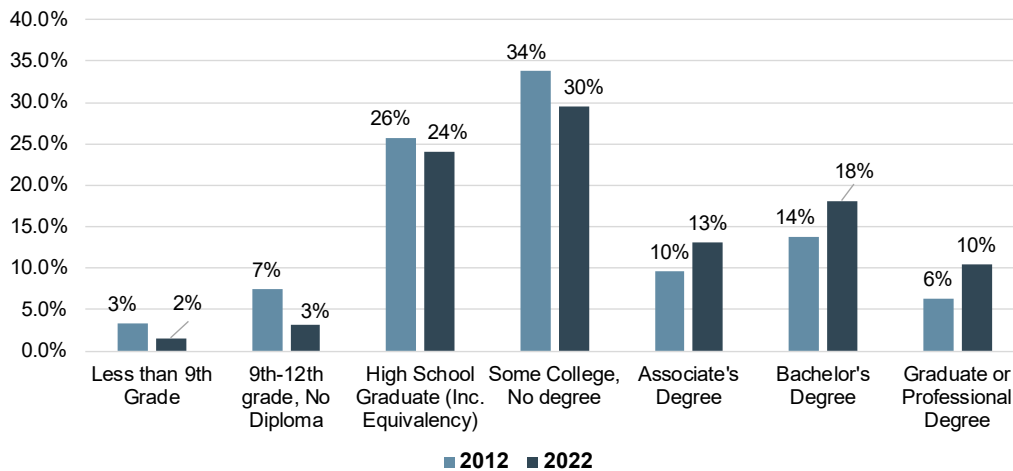
Figure 3 compares the educational attainment in the City versus the County. The share of the adult population with either less than 9th grade education or high school as the maximum attainment is noticeably higher in the City than in the County. Conversely, the share of the adult population with bachelor’s or graduate/professional degrees is significantly higher in the County overall than within the city limits, suggesting that activities typically targeting populations with higher education levels will likely need to be able to pull attendees from beyond the City.

Figure 3. Educational Attainment Comparison—Redding and Shasta County, 2022



However, as shown in **Figure 4**, the educational attainment for the adult population in the City has been steadily increasing. This suggests that the City is becoming attractive to higher educated and likely higher paid households over time. In addition, older population cohorts tend to be more heavily represented in lower educational attainment levels. As the existing populations in these cohorts are replaced by subsequent cohorts, the shares in the lowest attainment categories should continue to decrease.

Figure 4. City of Redding Change in Educational Attainment—2012 and 2022

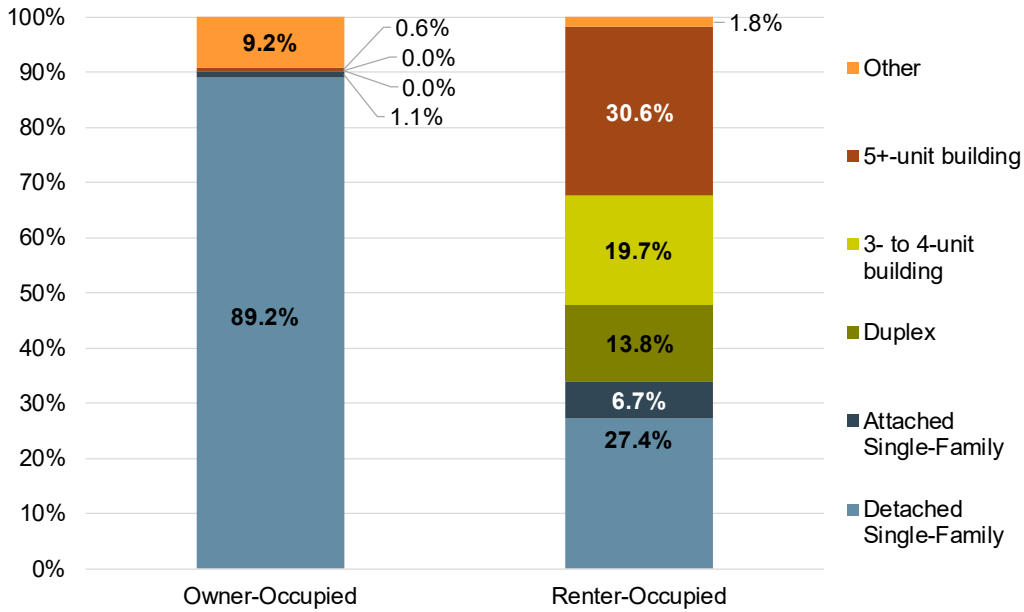


Housing Trends

More than half of Redding households live in owner-occupied housing, with the vast majority of that in detached single-family units. Most other owner-occupied households are categorized as “other,” most likely indicating mobile homes or similar.

Though declining slightly in absolute numbers and moderately as a share of the total, renter-occupied households still account for a significant portion of the City’s households, at 43 percent. Approximately a quarter of renter households are in detached single-family units, while about one-third are in buildings or complexes with 5 or more units. Most of the remaining renter households are distributed across attached single-family units, duplexes, and 3- to 4-unit buildings.

Figure 5. City of Redding Housing Unit Type by Tenure



The share of renter-occupied households in the City, at 43 percent, is significantly higher than the County (32 percent) but comparable to the statewide average (44 percent), as shown in **Table 2**.

Table 2. Housing Unit Type by Tenure Comparison by Geography

| Unit Type | City of Redding | | | Shasta County | | | State of California | | |
|------------------------|-----------------|-----------------|-----------------------|----------------|-----------------|-----------------------|---------------------|------------------|-----------------------|
| | Owner-Occupied | Renter-Occupied | Share Renter Occupied | Owner-Occupied | Renter-Occupied | Share Renter Occupied | Owner-Occupied | Renter-Occupied | Share Renter Occupied |
| Detached Single-Family | 18,445 | 4,335 | 19% | 40,228 | 7,976 | 17% | 6,221,410 | 1,618,233 | 21% |
| Attached Single-Family | 229 | 1,060 | 82% | 776 | 1,409 | 64% | 551,083 | 445,116 | 45% |
| Duplex | 0 | 2,190 | 100% | 9 | 2,458 | 100% | 56,962 | 250,696 | 81% |
| 3- to 4-unit building | 0 | 3,121 | 100% | 0 | 3,692 | 100% | 87,385 | 642,485 | 88% |
| 5+-unit building | 119 | 4,841 | 98% | 161 | 5,610 | 97% | 305,129 | 2,900,046 | 90% |
| Other | 1,896 | 289 | 13% | 7,200 | 1,694 | 19% | 343,533 | 128,508 | 27% |
| Total | 20,689 | 15,836 | 43% | 48,374 | 22,839 | 32% | 7,565,502 | 5,985,084 | 44% |

Source: American Community Survey 1-Year Estimates, Table B25032; EPS.

Table 3. City of Redding Tenure by Household Size

| Households | City of Redding | | | | Change (2012-2022) |
|-----------------------------------|-----------------|---------------|---------------|---------------|-----------------------|
| | 2012 [1] | | 2022 | | |
| | Total | % | Total | % | |
| Renter-Occupied Households | | | | | |
| 1-person | 5,507 | 15.6% | 6,843 | 18.7% | 24.26% |
| 2-person | 4,942 | 14.0% | 4,316 | 11.8% | (12.67%) |
| 3-person | 2,938 | 8.3% | 2,104 | 5.8% | (28.39%) |
| 4-person | 1,619 | 4.6% | 1,085 | 3.0% | (32.98%) |
| 5+-person | 1,917 | 5.4% | 1,488 | 4.1% | (22.38%) |
| Subtotal | 16,923 | 47.9% | 15,836 | 43.4% | (6.42%) |
| Owner-Occupied Households | | | | | |
| 1-person | 4,582 | 13.0% | 5,280 | 14.5% | 15.23% |
| 2-person | 8,710 | 24.6% | 8,526 | 23.3% | (2.11%) |
| 3-person | 2,433 | 6.9% | 2,403 | 6.6% | (1.23%) |
| 4-person | 1,581 | 4.5% | 2,477 | 6.8% | 56.67% |
| 5+-person | 1,131 | 3.2% | 2,003 | 5.5% | 77.10% |
| Subtotal | 18,437 | 52.1% | 20,689 | 56.6% | 12.21% |
| Total | 35,360 | 100.0% | 36,525 | 100.0% | |

Source: American Community Survey 1-Year Estimates Table B25009; EPS.

Half of the renter households in the City have a rent burden that falls within the standard limit of what is considered an acceptable level, with rent not exceeding 30 percent of total household income. However, nearly half of households exceed this threshold, with more than a quarter paying more than 50 percent of total income in rent. Compared to the County and the State, however, renters in the City are less rent burdened on average.

Figure 6. Rent as a Share of Household Income Comparison—2021

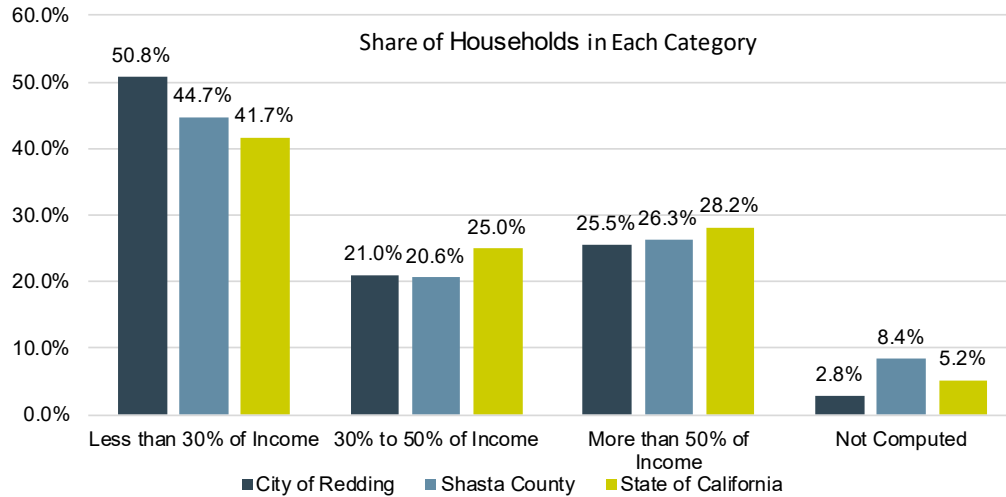


Table 4 summarizes the growth in renter-occupied households by income grouping. The number of renter households in the lower income groupings declined in both the City and the County over the last 10 years, while those in higher income groupings increased dramatically. With projected continued growth in the healthcare sector (discussed below) likely resulting in a continued influx of nurses and other healthcare workers into the City, the growth in renter households in higher income groups will likely continue, with resulting impact on apartment demand throughout the City.

Table 4. Change in Renter Households by Income

| Unit Type | City of Redding | | | Shasta County | | |
|--------------------------------|-----------------|---------------|--------------|---------------|---------------|--------------|
| | 2012 | 2022 | % Change | 2012 | 2022 | % Change |
| \$9,999 and less | 1,768 | 1,181 | -33.2% | 2,842 | 2,149 | -24.4% |
| \$10,000 to \$19,999 | 3,443 | 2,230 | -35.2% | 5,757 | 3,370 | -41.5% |
| \$20,000 to \$49,999 | 6,141 | 4,590 | -25.3% | 9,274 | 7,093 | -23.5% |
| \$50,000 to \$99,999 | 3,505 | 5,404 | 54.2% | 5,179 | 7,635 | 47.4% |
| \$100,000 to \$149,999 | 527 | 1,882 | 257.0% | 843 | 2,999 | 255.7% |
| \$150,000 or more | 155 | 1,169 | 653.9% | 193 | 1,604 | 732.4% |
| Total | 15,538 | 16,456 | 5.9% | 24,088 | 24,850 | 3.2% |
| Median Household Income | 30,193 | 51,735 | 71.3% | 29,021 | 49,266 | 69.8% |

Source: American Community Survey 5-Year Estimates, Table S2503; EPS.

Household Spending

Retail spending typically accounts for about one-third of household spending and drives supportable retail square footage locally. The largest share of household retail spending is typically for groceries and other convenience-driven purchases, such as personal care items. These grocery/convenience purchases are typically made close to home, often in grocery-anchored neighborhood or community shopping centers, but also along major corridors between home and work.

Typical comparison shopping goods purchases, such as clothing, furniture, electronics, and other general merchandise, are often made in shopping malls, big box stores (which also capture a share of grocery/convenience spending), or increasingly online.

Eating & Drinking Places comprise the third major category of retail spending. As other types of retail spending shift online, “experiential” retail, which includes restaurants, becomes increasingly more important, either as a primary draw or to enhance other traditional shopping locations.

Table 5 summarizes the total spending potential for the 3 categories of retail spending noted above for households within 5-mile, 20-mile, and 60-mile radii from central Redding. Spending potential for entertainment and recreation-related fees and admissions by households in the same geographies is also provided. Given Redding’s role as the primary urban center for the upper Sacramento Valley and beyond, the City has the potential to pull retail spending and entertainment spending from throughout the County and beyond.

Table 5. Household Retail and Non-Retail Entertainment/Recreation Spending

| Household Spending Category | Radius | | |
|-----------------------------------------------------------|------------------|--------------------|--------------------|
| | 5-Mile | 20-Mile | 60-Mile |
| Retail Spending | | | |
| Grocery/Convenience | \$342.6 M | \$605.4 M | \$1,115.7 M |
| General Merchandise/Apparel/Furnishings/Other | \$207.4 M | \$363.9 M | \$663.2 M |
| Eating & Drinking Places | \$137.6 M | \$239.6 M | \$433.5 M |
| Total Retail Spending | \$687.6 M | \$1,208.9 M | \$2,212.4 M |
| Non-Retail Entertainment & Recreation Spending | | | |
| Fees & Admissions | \$23.5 M | \$41.2 M | \$72.4 M |

Source: ESRI; EPS.

Table 6 provides further detail of household fees and admissions spending potential. Spending potential for tickets to cultural events (theaters/operas/concerts) is approximately double that of spending on movie tickets, with the \$5.7 million in potential annual spending by households within a 60-mile radius.

Table 6. Household Fees and Admissions Spending Detail

| Household Spending Category | Radius | | |
|-------------------------------------------|-----------------|-----------------|-----------------|
| | 5-Mile | 20-Mile | 60-Mile |
| Fees & Admissions [1] | | | |
| Membership Fees for Clubs | \$9.2 M | \$16.1 M | \$28.3 M |
| Fees for Participant Sports, excl. Trips | \$4.0 M | \$7.2 M | \$12.8 M |
| Tickets to Theatre/Operas/Concerts | \$1.8 M | \$3.2 M | \$5.7 M |
| Tickets to Movies | \$1.0 M | \$1.6 M | \$2.9 M |
| Tickets to Parks or Museums | \$1.0 M | \$1.6 M | \$2.9 M |
| ↳ Includes Admissions to Trade Shows | | | |
| Admission to Sporting Events, excl. Trips | \$1.9 M | \$3.3 M | \$5.8 M |
| ↳ Includes Admissions to Rodeos | | | |
| Fees for Recreational Lessons | \$4.5 M | \$8.0 M | \$14.0 M |
| Dating Services | \$0.0 M | \$0.1 M | \$0.1 M |
| Total | \$23.5 M | \$41.2 M | \$72.4 M |

Source: ESRI; EPS.

[1] ESRI spending potential estimates based on US Bureau of Labor Statistics spending data/categories.

Visitor Spending

Accommodation spending, which currently accounts for the largest share of visitor spending, has increased 7.5 percent annually, on average, since 2015, despite the sizable decline during the pandemic. Food Service spending, previously the largest share of visitor spending, has not returned to pre-pandemic levels and is the second largest category of visitor spending. Conversely, visitor spending at Food Stores has increased as a share of visitor spending, potentially indicating increased numbers of visitors in private residences and short-term rentals. While an increasing share of visitor food spending appears to be for consumption in homes, spending in eating and drinking places remains a key visitor activity.

Figure 7. County Visitor Spending by Major Category—All Accommodation Types (\$millions)

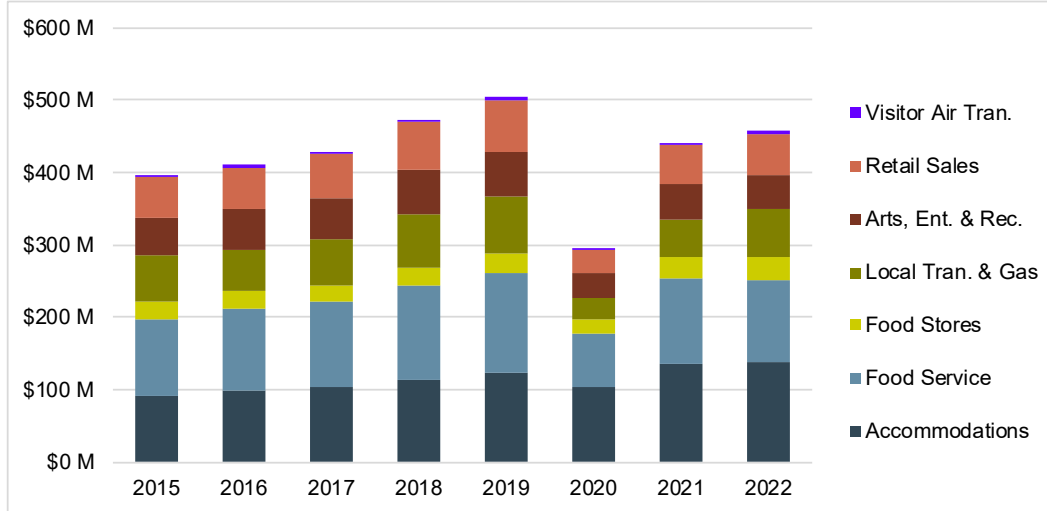


Table 7. County Visitor Spending by Major Category—All Accommodation Types (\$millions)

| Spending Category | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Average Annual Change |
|----------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|-----------------------|
| Accommodations | 91.2 | 97.8 | 102.7 | 114.7 | 123.2 | 103.2 | 135.5 | 139.3 | 7.5% |
| <i>Share of Annual Total</i> | 23% | 24% | 24% | 24% | 24% | 35% | 31% | 30% | |
| Food Service | 106.9 | 113.9 | 118.3 | 128.8 | 138.1 | 74.5 | 118.9 | 111.9 | 0.7% |
| <i>Share of Annual Total</i> | 27% | 28% | 28% | 27% | 27% | 25% | 27% | 24% | |
| Food Stores | 23.6 | 23.9 | 24 | 24.8 | 26.1 | 19 | 27.7 | 33.1 | 5.8% |
| <i>Share of Annual Total</i> | 6% | 6% | 6% | 5% | 5% | 6% | 6% | 7% | |
| Local Tran. & Gas | 63 | 58.3 | 63.7 | 74.6 | 79 | 30.1 | 52.3 | 64.7 | 0.4% |
| <i>Share of Annual Total</i> | 16% | 14% | 15% | 16% | 16% | 10% | 12% | 14% | |
| Arts, Ent. & Rec. | 53.1 | 55.4 | 56.2 | 59.7 | 62.3 | 33.4 | 49.7 | 46.5 | -1.8% |
| <i>Share of Annual Total</i> | 13% | 14% | 13% | 13% | 12% | 11% | 11% | 10% | |
| Retail Sales | 55.6 | 57.3 | 60.2 | 67 | 71.8 | 33.7 | 54.2 | 56.3 | 0.2% |
| <i>Share of Annual Total</i> | 14% | 14% | 14% | 14% | 14% | 11% | 12% | 12% | |
| Visitor Air Tran. | 2.6 | 3.3 | 3.3 | 3.1 | 4.5 | 1.4 | 3.4 | 5.7 | 17.0% |
| <i>Share of Annual Total</i> | 1% | 1% | 1% | 1% | 1% | 0% | 1% | 1% | |
| Total | 395.9 | 409.7 | 428.4 | 472.7 | 505 | 295.3 | 441.6 | 457.6 | 2.2% |
| <i>Annual Change</i> | 0.1% | 3.5% | 4.6% | 10.3% | 6.8% | -41.5% | 49.5% | 3.6% | |
| Shasta Cascade Region Total [1] | 1224 | 1249 | 1326 | 1426 | 1542 | 940 | 1389 | 1453 | 2.7% |
| <i>Annual Change</i> | -0.5% | 2.0% | 6.2% | 7.5% | 8.1% | -39.0% | 47.8% | 4.6% | |
| <i>Shasta County Share of Region</i> | 32.3% | 32.8% | 32.3% | 33.1% | 32.7% | 31.4% | 31.8% | 31.5% | |

Source: Dean Runyan Associates; EPS.

[1] Shasta Cascade Region includes the counties of Butte, Lassen, Modoc, Plumas, Shasta, Siskiyou, Tehama, and Trinity.

The County’s share of visitor spending in the larger 8-County Shasta Cascade region has remained fairly constant over the past several years.

Figure 8 illustrates the differences in visitor spending based on the type of accommodations. Visitors staying in hotels/motels/short-term vacation rentals spend the most overall. While much of the spending by those staying in hotels/motels/short-term vacation rentals goes toward accommodations, these travelers typically have significantly higher spending per person on meals, entertainment, and retail goods. Day Travelers have the second highest total spending in the County.

Figure 8. County Total Visitor Spending by Accommodation Type (\$millions)

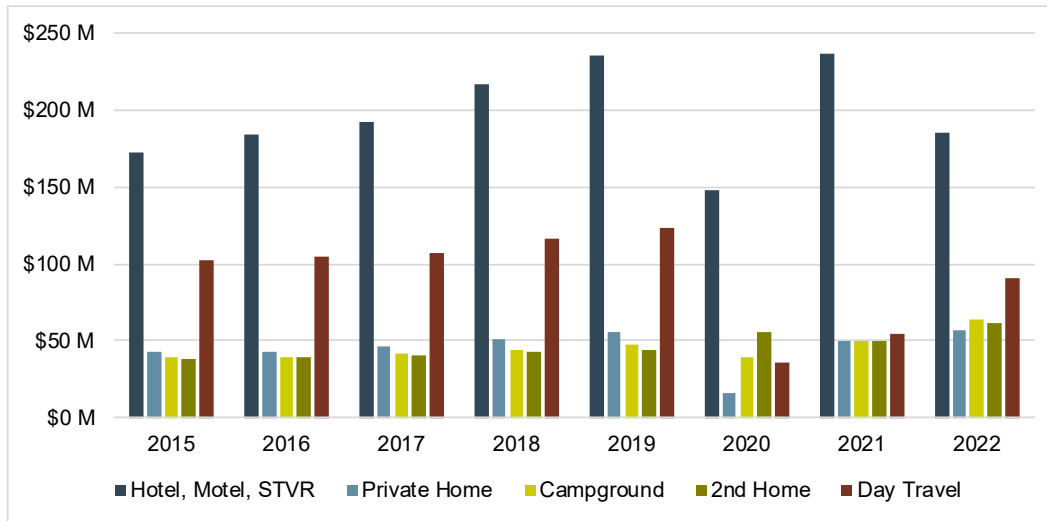


Table 8. County Total Visitor Spending by Accommodation Type (\$millions)

| Accommodation Type | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Average Annual Change |
|------------------------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|-----------------------|
| Hotel, Motel, STVR | 171.9 | 183.4 | 192.5 | 216.9 | 234.8 | 147.6 | 236.6 | 185.4 | 1.1% |
| <i>Share of Annual Total</i> | 43% | 45% | 45% | 46% | 46% | 50% | 54% | 41% | |
| Private Home | 43.1 | 42.9 | 46.2 | 51.6 | 55.6 | 16.4 | 50.5 | 57.2 | 4.7% |
| <i>Share of Annual Total</i> | 11% | 10% | 11% | 11% | 11% | 6% | 11% | 13% | |
| Campground | 39.5 | 40 | 41.9 | 44 | 47.4 | 39.7 | 49.5 | 63.4 | 8.6% |
| <i>Share of Annual Total</i> | 10% | 10% | 10% | 9% | 9% | 13% | 11% | 14% | |
| 2nd Home | 38.5 | 39.2 | 40.7 | 43.3 | 44.4 | 55.4 | 50 | 61.5 | 8.5% |
| <i>Share of Annual Total</i> | 10% | 10% | 10% | 9% | 9% | 19% | 11% | 13% | |
| Day Travel | 102.9 | 104.3 | 107.1 | 116.9 | 122.8 | 36.2 | 55 | 90.2 | -1.8% |
| <i>Share of Annual Total</i> | 26% | 25% | 25% | 25% | 24% | 12% | 12% | 20% | |
| Total | 395.9 | 409.7 | 428.4 | 472.7 | 505 | 295.3 | 441.6 | 457.6 | 2.2% |
| <i>Annual Change</i> | 0.1% | 3.5% | 4.6% | 10.3% | 6.8% | -41.5% | 49.5% | 3.6% | |

Source: Dean Runyan Associates; EPS.

Employment Trends

Table 9 illustrates job growth by major sector in the City and the County, respectively. Construction and healthcare sectors experienced some of the strongest job growth over the last 10 years. Healthcare is projected to continue to see strong growth over the next 10 years. Of the sectors that typically occupy commercial office space, Professional, Scientific, and Technical Services and Other Services are projected to see moderate growth in the City. Most other office-using sectors are projected to remain at roughly the same level of employment or to decline somewhat.

Table 9. Redding and Shasta County Jobs by Major Sector

| Sector/Subsector | City of Redding | | | | Shasta County | | | |
|-----------------------------------------------------------|--------------------|-------------------|--------------------------|-----------------------|--------------------|-------------------|--------------------------|-----------------------|
| | Current Employment | Location Quotient | Annual Change Since 2013 | Annual Change to 2033 | Current Employment | Location Quotient | Annual Change Since 2013 | Annual Change to 2033 |
| Health Care and Social Assistance | 12,545 | 1.7 | 2.6% | 1.2% | 15,299 | 1.5 | 3.1% | 1.2% |
| Retail Trade | 7,313 | 1.5 | 0.8% | (0.6%) | 9,555 | 1.4 | 1.1% | (0.6%) |
| Public Administration | 5,144 | 2.2 | 0.0% | (0.5%) | 6,099 | 1.0 | 1.2% | 1.1% |
| Accommodation and Food Services | 4,898 | 1.1 | 0.7% | 0.4% | 6,130 | 1.0 | 0.9% | 0.6% |
| Arts, Entertainment, and Recreation | 761 | 0.8 | 1.3% | (0.2%) | 1,600 | 1.1 | 1.0% | 0.2% |
| Educational Services | 2,984 | 0.7 | 0.9% | 0.3% | 5,533 | 1.0 | 0.3% | 0.2% |
| Construction | 2,098 | 0.8 | 6.2% | 0.0% | 3,013 | 0.7 | 0.9% | 0.1% |
| Administrative/Support (and Waste Mgmt/Remediation Svcs.) | 2,369 | 0.8 | 0.9% | 0.1% | 4,109 | 1.1 | 5.5% | (0.1%) |
| Professional, Scientific, and Technical Services | 1,990 | 0.6 | 2.1% | 0.5% | 2,933 | 0.5 | 3.1% | (0.4%) |
| Other Services (except Public Administration) | 1,630 | 1.1 | (2.4%) | 0.7% | 2,460 | 0.5 | 2.2% | 0.5% |
| Finance and Insurance | 1,562 | 0.8 | 0.1% | 0.1% | 2,167 | 1.1 | (3.4%) | 0.7% |
| Real Estate and Rental and Leasing | 631 | 0.8 | 3.8% | (0.2%) | 1,126 | 2.0 | 0.3% | 0.0% |
| Information | 464 | 0.5 | (2.3%) | 1.3% | 1,035 | 1.0 | 3.9% | (0.2%) |
| Management of Companies and Enterprises | 289 | 0.4 | 3.9% | (0.1%) | 576 | 1.6 | 0.8% | (1.0%) |
| Manufacturing | 1,167 | 0.3 | 3.3% | (0.4%) | 2,087 | 0.6 | (1.6%) | 0.2% |
| Wholesale Trade | 1,115 | 0.6 | (0.4%) | (0.1%) | 1,774 | 0.6 | 0.1% | 0.1% |
| Transportation and Warehousing | 1,019 | 0.4 | (0.9%) | 0.4% | 1,682 | 0.6 | 0.7% | (0.1%) |
| Agriculture, Forestry, Fishing and Hunting | 146 | 0.4 | 2.1% | 0.8% | 527 | 0.4 | (2.6%) | 1.3% |
| Mining, Quarrying, and Oil and Gas Extraction | 74 | 0.4 | 1.1% | 0.2% | 509 | 0.4 | 2.9% | (0.1%) |
| Utilities | 37 | 0.1 | (14.7%) | (1.1%) | 98 | 0.4 | 2.1% | 0.2% |
| Unclassified | 30 | 0.3 | (9.4%) | 0.3% | 50 | 0.4 | (9.8%) | 0.3% |
| Total - All Industries | 48,266 | 1.0 | 1.2% | 0.4% | 68,362 | 1.0 | 1.2% | 0.4% |

Source: JobsEQ 2023 Q3; EPS.

In the Arts and Entertainment sector, the subsectors for Promoters and Agents/Managers saw significant growth rates over the past 5-year period, albeit from relatively low bases. Most other subsectors remained flat or declined.

Table 10. Arts and Entertainment Jobs—Sector Detail

| Sector/Subsector | City of Redding | | | | Shasta County | | | |
|-------------------------------------------------------------|--------------------|-------------------|--------------------------|--------------------------|--------------------|-------------------|--------------------------|--------------------------|
| | Current Employment | Location Quotient | Annual Change Since 2013 | Annual Change Since 2018 | Current Employment | Location Quotient | Annual Change Since 2013 | Annual Change Since 2018 |
| Arts, Entertainment, and Recreation | | | | | | | | |
| Other Amusement and Recreation Industries | 517 | 1.0 | 1.1% | (0.8%) | 680 | 1.0 | 0.5% | (1.6%) |
| All Other Amusement and Recreation Industries | 70 | 0.7 | 2.2% | (1.0%) | 93 | 0.7 | 4.0% | 0.1% |
| Bowling Centers | 14 | 0.6 | (6.6%) | (10.8%) | 23 | 0.7 | (5.4%) | (8.5%) |
| Fitness and Recreational Sports Centers | 281 | 1.3 | 1.2% | 1.8% | 330 | 1.1 | (0.1%) | 1.4% |
| Marinas | 29 | 2.2 | (7.1%) | (12.3%) | 90 | 4.7 | (3.0%) | (9.9%) |
| Golf Courses and Country Clubs | 123 | 0.9 | 5.6% | (0.5%) | 145 | 0.8 | 4.5% | (0.8%) |
| Gambling Industries | 25 | 0.3 | (7.3%) | (3.7%) | 457 | 4.5 | 1.0% | 2.0% |
| Museums, Historical Sites, and Similar Institutions | 64 | 0.8 | 4.4% | 2.7% | 196 | 1.8 | 1.0% | 2.3% |
| Independent Artists, Writers, and Performers | 64 | 0.6 | 1.0% | 0.0% | 107 | 0.7 | 0.4% | (0.4%) |
| Amusement Parks and Arcades | 42 | 0.6 | 12.5% | 1.4% | 62 | 0.6 | 9.2% | (0.1%) |
| Promoters of Performing Arts, Sports, and Similar Events | 19 | 0.3 | 9.3% | 17.3% | 41 | 0.5 | 8.9% | 10.6% |
| Spectator Sports | 20 | 0.3 | (1.9%) | (5.9%) | 34 | 0.4 | (1.9%) | (6.0%) |
| Agents and Managers for Artists, Athletes, Etc. | 7 | 0.6 | 15.9% | 36.1% | 12 | 0.7 | 15.4% | 35.9% |
| Performing Arts Companies | 3 | 0.1 | (3.5%) | (11.6%) | 11 | 0.2 | (2.5%) | 4.0% |
| Subtotal/Average Arts, Entertainment, and Recreation | 761 | 0.8 | 1.3% | (0.2%) | 1,600 | 1.1 | 1.0% | 0.2% |
| Total - All Industries | 52,020 | 1.0 | 1.0% | 0.2% | 73,701 | 1.0 | 1.2% | 0.4% |

Source: JobsEQ 2023 Q3; EPS.

The Restaurants sector saw moderate growth in both the City and the County over the past 10 years. Traveler Accommodation and Drinking Places also saw moderate growth in the County but remained relatively flat in the City. Other related subsectors saw declines.

Table 11. Accommodation and Food Service Jobs—Sector Detail

| Sector/Subsector | City of Redding | | | | Shasta County | | | |
|---------------------------------------------------------|--------------------|-------------------|--------------------------|--------------------------|--------------------|-------------------|--------------------------|--------------------------|
| | Current Employment | Location Quotient | Annual Change Since 2013 | Annual Change Since 2018 | Current Employment | Location Quotient | Annual Change Since 2013 | Annual Change Since 2018 |
| Accommodation and Food Service | | | | | | | | |
| Restaurants and Other Eating Places | 4,059 | 1.2 | 0.7% | 0.6% | 5,002 | 1.0 | 0.8% | 0.8% |
| Traveler Accommodation | 577 | 1.0 | 0.1% | 0.1% | 768 | 0.9 | 1.4% | 0.6% |
| Drinking Places (Alcoholic Beverages) | 131 | 1.0 | 6.0% | 1.0% | 187 | 1.0 | 5.3% | 0.4% |
| Special Food Services | 106 | 0.4 | (1.9%) | (3.9%) | 120 | 0.3 | (1.8%) | (3.6%) |
| RV (Recreational Vehicle) Parks and Recreational Camps | 22 | 0.9 | (3.5%) | (4.5%) | 51 | 1.5 | 0.1% | (1.5%) |
| Rooming/Boarding Houses, Dormitories, and Work Camps | 2 | 0.4 | (1.6%) | (13.3%) | 3 | 0.4 | (0.7%) | (13.5%) |
| Subtotal/Average Accommodation and Food Services | 4,898 | 1.1 | 0.7% | 0.4% | 6,130 | 1.0 | 0.9% | 0.6% |
| Total - All Industries | 52,020 | 1.0 | 1.0% | 0.2% | 73,701 | 1.0 | 1.2% | 0.4% |

Source: JobsEQ 2023 Q3; EPS.

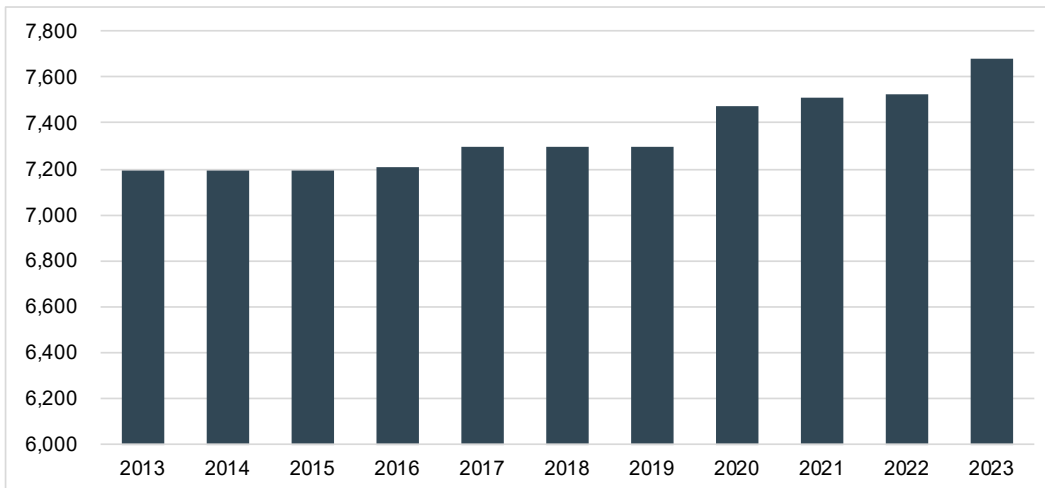
Real Estate Market Trends

A supply side overview of the key real estate market sectors is provided below.

Multifamily Residential

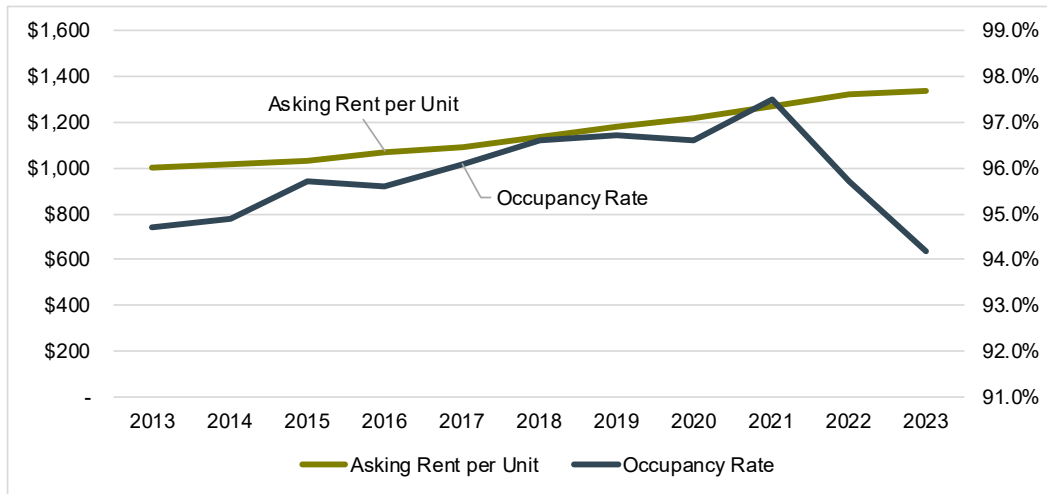
Apartment rental rates have been steadily increasing over the last several years, while the vacancy rate has also continued to tighten through 2021. However, some potential demand softening during the pandemic and recent additions to apartment unit inventory appear to have helped return the apartment market to a lower but healthier occupancy rate that allows more opportunity for new households and relocations within the market.¹ A sizable portion of the recent additions to apartment inventory have been in the Downtown, with 78 units at California Place, 82 units at Market Center, and 12 units at The Lofts Redding. However, a few large developments outside of the central area account for many of the new units, including 77 units at Hilltop Springs, 39 units at Alturas Crossing, 132 units at Kennett Court, and 49 units at Center of Hope. As these new developments are absorbed, occupancy rates will likely begin to rise from their current levels.

Figure 9. Apartment Unit Inventory



¹ Occupancy rates in the mid-90s generally indicate a healthy rental market. Occupancy rates in the high-90s indicate a lack of available inventory for new and relocating households, while occupancy rates below the low-90s indicate an oversupply of units or other mismatch between supply and households.

Figure 10. Apartment Occupancy and Asking Rent



Retail

The Mount Shasta Mall area remains the region’s primary comparison-shopping destination and the largest concentration of retail space in Redding, accounting for almost one-third of the City’s retail space. As such, the area captures a large share of the region’s household spending on general merchandise, apparel, and furnishings, though it faces competition from online sales and peripheral big box locations. It is unlikely the study area would be able to capture a significant share of this type of retail spending, which is dependent upon generating sufficient critical mass to draw shoppers from other nodes.

The Downtown area comprises a modest share of the City’s retail space, at 8 percent of the total. Until recently, Downtown retail was characterized by relatively high occupancy but also relatively low rental rates. Recent development in the Downtown, however, has brought an increase in average asking rents, reflective of new construction commanding higher rents than many of the older retail spaces Downtown.

Following absorption of prime retail spots in new construction Downtown in 2022, average asking rents Downtown have declined moderately. Asking rents for well-designed, well-sighted retail space in new construction in the study area can be expected to be comparable to that for new construction Downtown, assuming a compelling destination is created.

The Kutras area, which includes the southern portion of the Specific Plan Area (and the area to the west), also comprises a modest share of the City’s retail space, at 5 percent of the total. This area is also characterized by relatively low rental rates and fairly significant fluctuations in occupancy. However, current vacancy rates appear strong at 96 percent.

The bulk of the retail space is spread throughout the City. The share of retail space in what is termed herein as the “Rest of Redding” has been increasing, as retail follows residential developments on the fringes of the City, and big box stores locate along other corridors or peripheral areas of the City, where most new residential construction has occurred.

Figure 11. Distribution of Redding Retail Space

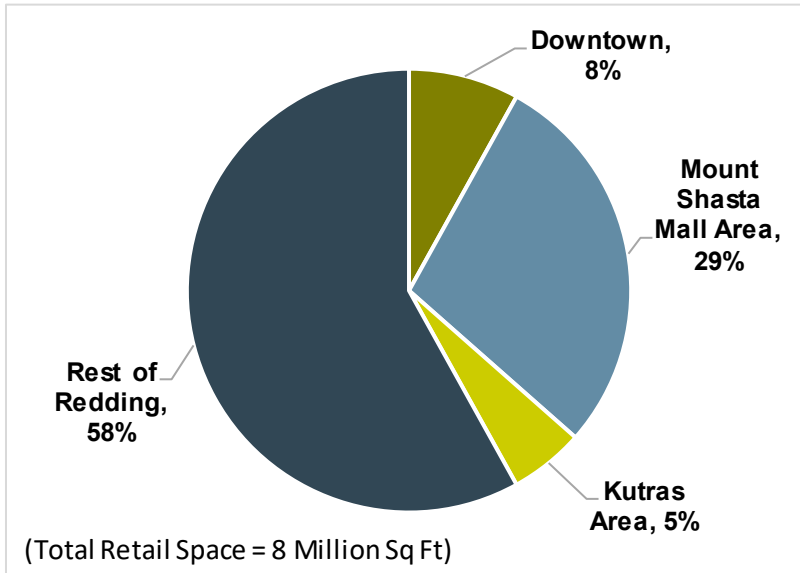


Figure 12. Redding Retail Inventory

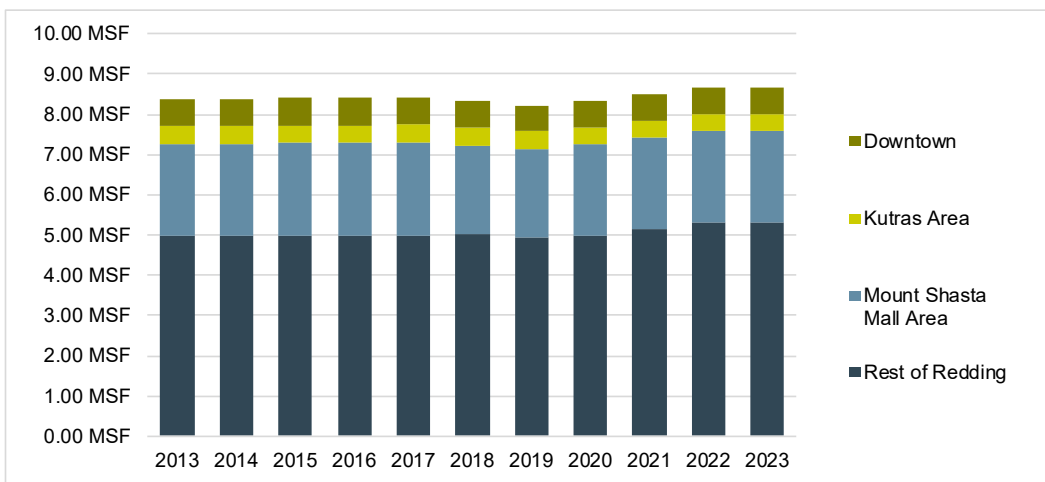


Figure 13. Redding Retail Asking Rents

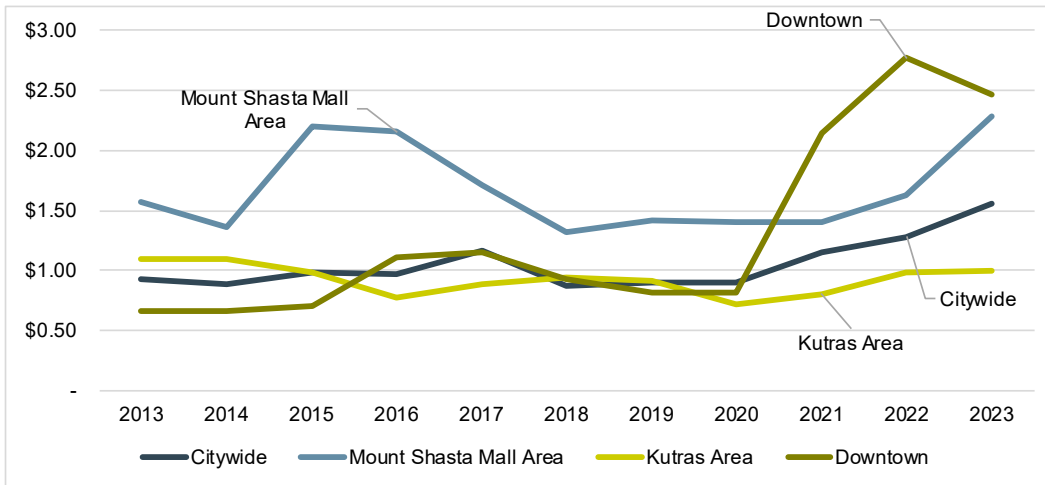
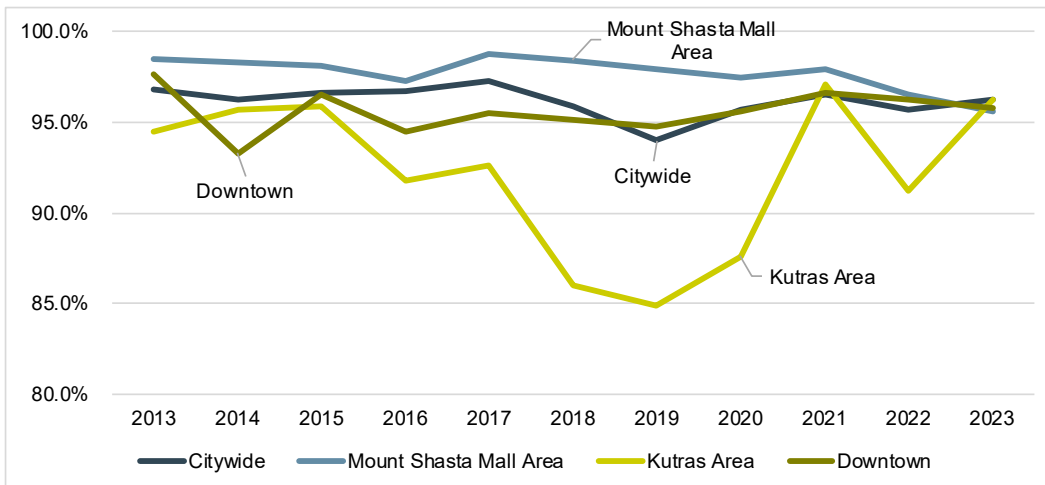


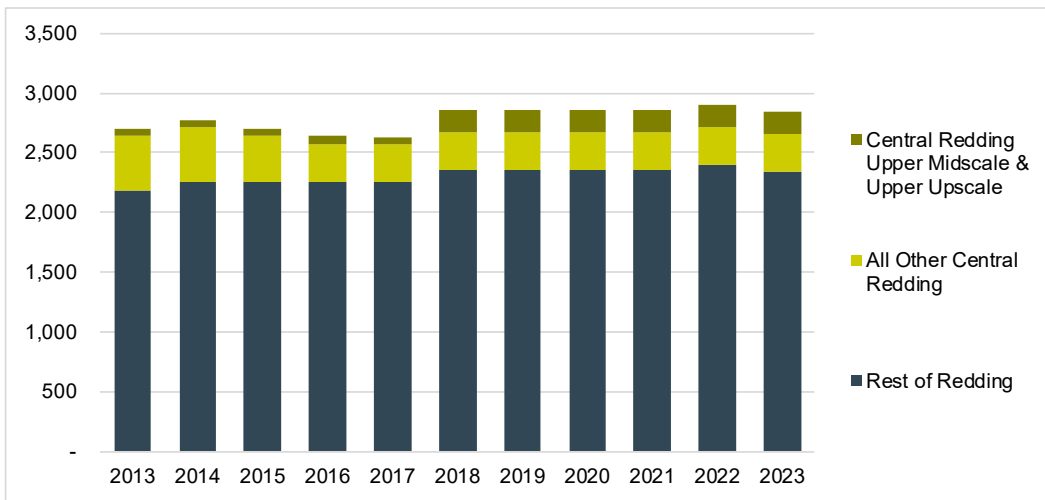
Figure 14. Redding Retail Occupancy



Hospitality

Central Redding, including the Specific Plan Area, includes about 17 percent of the City’s hotel room inventory. Most of the inventory in Central Redding is classified as Economy, per hotel industry definitions, similar to the rest of the City. Before the addition of the hotel in the northern portion of the Specific Plan Area, there was only one small hotel, with 58 rooms, classified above Economy, at Upper Midscale. The addition of the Sheraton added 130 rooms classified as Upper-Upscale.

Figure 15. Redding Hotel Room Inventory



The higher average daily rates commanded by the Sheraton are evident in the dramatic increase in Central Redding average daily rates. Following a dip in rates during the pandemic, the average daily rate for upper midscale and upper upscale rates has returned to pre-pandemic levels. Interestingly, the overall average rates for all Central Redding hotels have increased even higher than the two higher classification properties. This suggests there may be some sort of combination of impact from recent developments Downtown and possibly a trickle-down effect on the Economy class properties because of the presence of the Sheraton.

Figure 16. Redding Hotel Average Daily Rate

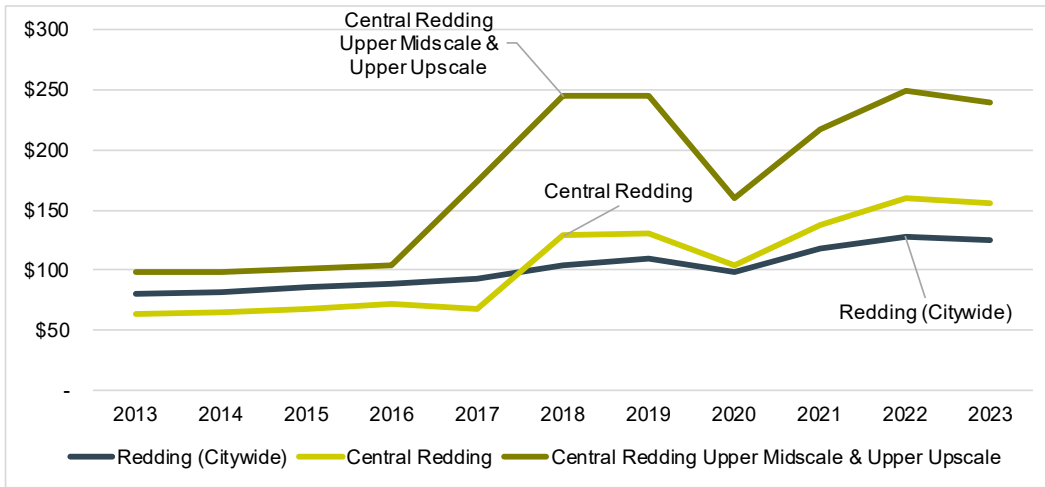
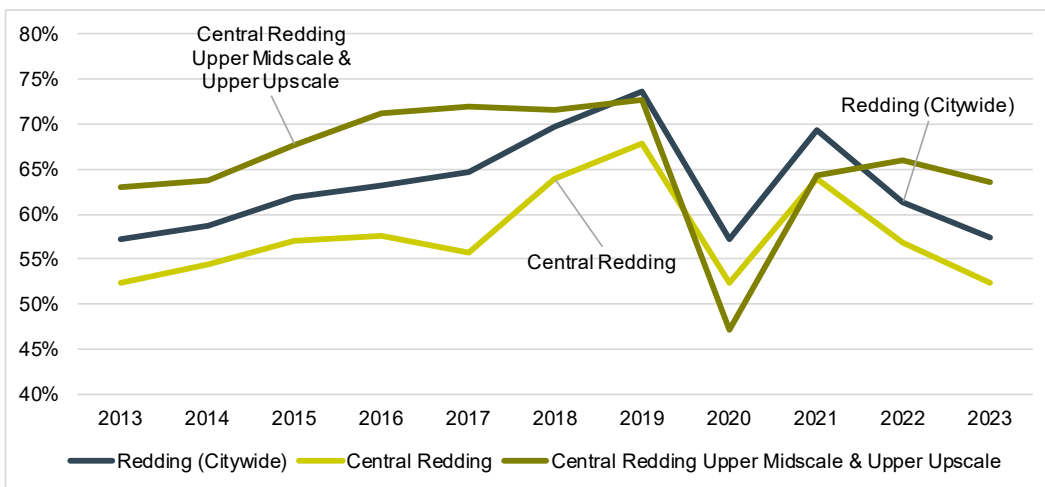


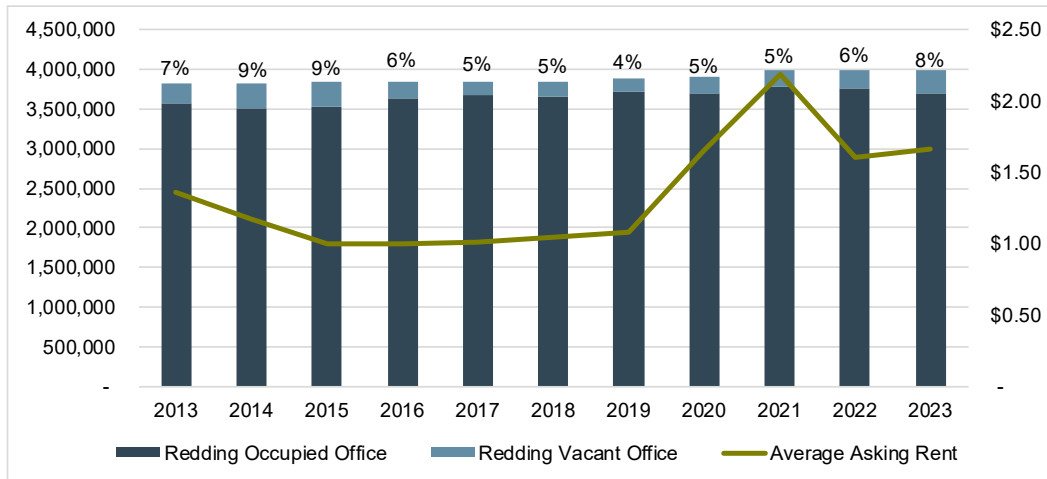
Figure 17. Redding Hotel Occupancy



Office

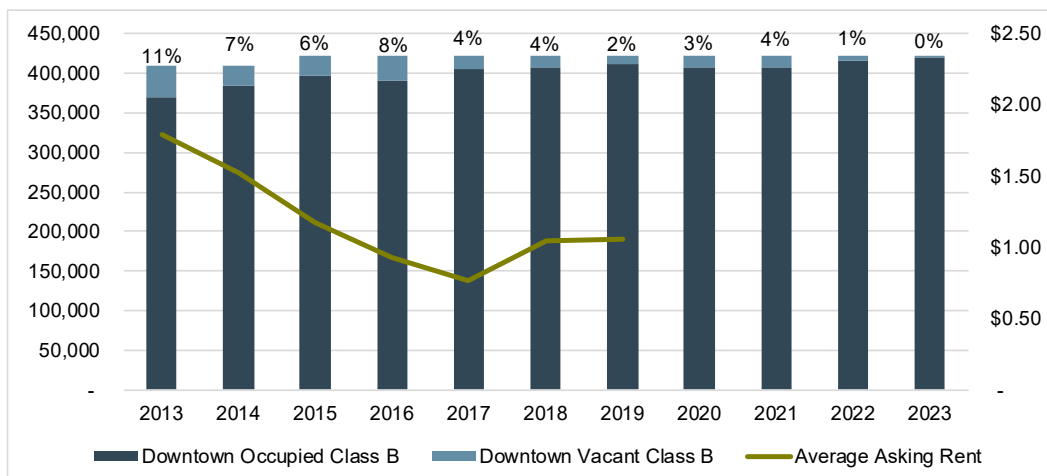
The Redding office market overall has maintained relatively healthy occupancy rates through the pandemic and shift to remote/hybrid work. However, despite a brief spike in 2021, rental rates are fairly low.

Figure 18. Redding Office Occupied Inventory (Sq Ft) and Average Asking Rent



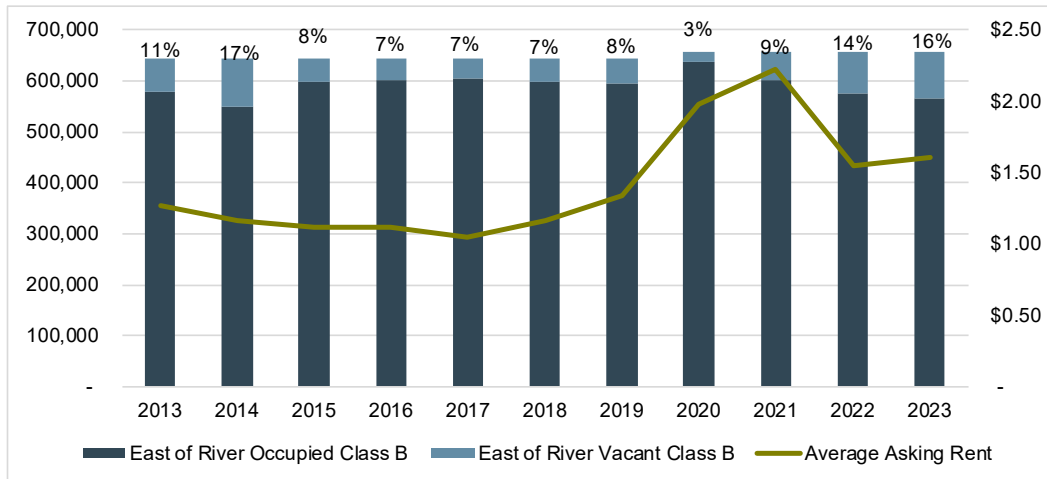
The more desirable office buildings in Redding, including newer construction, tend to be what are termed Class B office buildings. Downtown is the historic location for such buildings, but over the last several decades, a strong office submarket has developed east of the Sacramento River. Office vacancy rates in Class B buildings Downtown have tightened over the last several years, reaching a level that is generally considered unhealthy because it inhibits business expansion and relocation. As a result, there is no recent data for average asking rents for Class B buildings Downtown because there is no leasable space being listed.

Figure 19. Downtown Class B Office Occupied Inventory (Sq Ft) and Average Asking Rent



The more suburban office submarket east of the Sacramento River appears to have been more negatively impacted by the shift to remote/hybrid work, with a significant increase in vacant office space in the last couple of years.

Figure 20. East of the River Class B Office Occupied Inventory (Sq Ft) and Average Asking Rent



While there appears to be office demand Downtown that could be tapped to support potential development in the study area, it is not clear if current rents would support new construction. In addition, the high vacancy in the nearby submarket east of the river could depress rents Downtown and impact the ability to obtain financing for any significant office construction throughout the market until vacancy is reduced. However, moderate amounts of office space may be feasible as a component of mixed-use development in the study area, potentially self-supporting or partially subsidized by other, more profitable uses.

Implications and Next Steps

The Northern and Southern Riverfront Areas provide several different opportunities for future uses, with prospects for development supported by potential residential development, experiential retail, and additional visitor-serving concepts.

The Northern Riverfront Area is being evaluated in terms of one or more strategically designed replacement facilities that will serve the region’s historical uses, arts, cultural, sports, and entertainment events and activities. Based on market data collected to date, there may be some possibility of positioning well-located and designed uses that (1) generate additional points of interest for visitors and (2) provide an annual annuity (e.g., annual ground lease payments), helping to fund construction and operations of replacement facilities.

The Southern Riverfront Area provides an active but declining commercial district; strategic replacement of blighted commercial buildings can be combined with a variety of residential, retail dining, and entertainment prototypes. However, there is a need to ensure that flood protection and related investments can be delivered to support substantial new investment in a cost-effective manner.

Overall findings indicate a range of public and private destination, entertainment, mixed-use, commercial, and residential development in the Specific Plan Area is conceptually feasible. Upcoming pro forma analysis on specific concepts will help to clarify feasibility concerns and public and private funding potential.