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UC Monterey Bay Education, Science, and Technology Center Visioning Process

Former Fort Ord | California



Prepared for

UC Santa Cruz

Ford Ord Reuse Authority

Prepared by

U R B A N D E S I G N A S S O C I A T E S

Urban Community Partners

Urban Community Economics

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1. Executive Summary

In 1994 the University of California (UC) obtained approximately 1,100 acres of land at Fort Ord, 500 acres of which became the University of California Monterey Bay Education, Science, and Technology Center (UC MBEST Center), operated by the UC Santa Cruz campus. Despite high aspirations, market demand for the Center has failed to meet expectations. Over the course of the last ten years UC engaged in two unsuccessful attempts to partner with a master developer. UC Santa Cruz Chancellor Blumenthal announced in March 2010 that UC intended to shrink the footprint of the Center and consider alternative uses for peripheral lands. In response to a request from Congressman Sam Farr, a group of stakeholders was assembled to discuss and make recommendations regarding a future vision for UC MBEST Center lands. UC Santa Cruz and the Fort Ord Reuse Authority (FORA) hosted a series of facilitated stakeholder meetings. This report summarizes the stakeholders' recommendations.

The sustaining vision for the UC MBEST Center remains valid: regional stakeholders continue to believe that the development of a university-related research park is vital to future economic development. Further, stakeholders continue to value collaboration and alliances among and between private businesses, government agencies, education and research institutions, and policy makers. However, the stakeholders generally agree on an updated approach that includes; a) adjusting the campus scale, b) seeking and securing anchor tenants, c) completing entitlements on UC MBEST Center lands, d) considering transactional alternatives and e) making peripheral lands attractive for near term development. Maintaining the vision while identifying course adjustments will establish a clear path forward.

The "Visioning" process started in March 2011, with interviews with Congressman Sam Farr, UCSC Chancellor George Blumenthal, FORA Chair Dave Potter, County Supervisor Jane Parker, and Marina Mayor Bruce Delgado.



The process, which resulted in final recommendations in August, engaged not only these leaders, but also stakeholders and voluntary participants throughout each step. At the same time the consultant team created baseline market and development assessments. These studies provide insight into the UC MBEST Center's strengths and weaknesses. The Center includes many assets such as its UC Santa Cruz affiliation, existing/subsidized infrastructure, proximity to universities and community colleges that can create a skilled labor force, and business incubator services. Additionally, it is located in the Monterey Bay Crescent, a world center for education and research. Yet, ongoing challenges to development include the lingering economic recession, incomplete entitlements, a potentially cumbersome project approval process, lack of an anchor tenant, and limited resources. Current restrictions on the eligibility of tenants under the UC MBEST Center Master Plan and the UC Santa Cruz campus process for approving tenants is another challenge.

RECOMMENDATIONS

The "Visioning" process resulted in a series of recommendations that are described in the following topics.

Vision for Moving Forward

Stakeholder input reinforced the desire to see economic activity at the UC MBEST Center dramatically speed up. Further discussions resulted in stakeholders recommending a variety of measures to this end, including reevaluating market potential, pursuing a catalyst tenant, incorporating recognized elements for success, and lifting restrictions on peripheral lands. Stakeholders agreed that new development will need to balance the original research vision with changes in the marketplace. Stakeholders generally agreed that the UC MBEST Center should be thought of as a more broadly defined university research park, although changes to the name were not discussed that might reflect this broader reach.

UC Transactional Options

Private sector developers perceive the development process at the UC MBEST Center to be more complicated than in other competing business parks in the region such as The Dunes on Monterey Bay (The Dunes). This perceived complexity is the result of three factors: 1) incomplete entitlements for UC MBEST Center development; 2) statutory requirements that land be sold via an auction process; and 3) involvement of both City/County and UC approval processes. Alternative options were discussed in evaluating how to best put the UC MBEST Center on comparable footing with competing business parks. UC has at least three transactional options moving forward including the status quo (with minor modifications), partnership with a Redevelopment Agency, and formation of a new entity. Related issues were also explored, from timing considerations to resource implications.

Peripheral Lands

Each UC MBEST Center parcel has a unique set of development and market opportunities and challenges. The UC MBEST Center Master Plan, which currently governs two parcels, stipulates that development will be for a university-affiliated research and development park. Stakeholders concurred with the UC Santa Cruz Chancellor's conclusion that there is insufficient market demand to extend this form of development to the UC MBEST Center's additional three parcels, which would take decades to build out. The consensus was that some lands be considered peripheral and to the extent possible made attractive for near-term development. Educational and R&D uses will still be welcomed on all lands, but other job-generating uses should also be allowed, consistent with the FORA Base Reuse Plan.

Intended Outcomes

All Parties agreed on the following intended outcomes:

- » UC's presence continues to be valued. Stakeholders recommend that UC retain control of the UC MBEST Center.
- » The local institutions of higher education should be invited to explore the establishment of an advisory group to help guide the UC MBEST Center.
- » UC should actively seek new UC MBEST Center tenants and work to streamline the approval process.
- » UC Peripheral lands may be used in the near term for economic development opportunities.
- » UC may be expected to retain and utilize reasonable revenues for development.

Next Steps

This section lists recommendations for a series of next steps to encourage positive discussion moving forward.

These steps include:

1. Convene a special Working Group meeting to explore potential federal initiatives.
2. Convene a meeting between UC Santa Cruz and the California State University at Monterey Bay (CSUMB) to explore uses of the Eighth Street parcel.
3. Invite local institutions of higher education to collaborate in providing guidance to UC Santa Cruz for future development of the UC MBEST Center and to establish a process for expanding the range of potential research uses.
4. Seek funding for entitlements and additional water resources.
5. Complete entitlements.

2. Background and Purpose

I. BACKGROUND

TENANT CRITERIA FROM THE UC MBEST CENTER MASTER PLAN

- » Involvement in research, education, or public policy that includes interaction, or complementary activities, with regional and other institutions of tertiary education or research, or other tenants of the UC MBEST Center.
- » Regulatory responsibility for applying results of research.
- » Post-secondary instruction such as degree courses, professional in-service training, or lifelong learning.
- » Involvement with international activities requiring extensive use of foreign languages.
- » Activities which enhance the research or educational objectives of regional institutions of research or tertiary education, or other tenants of the UC MBEST Center, by producing knowledge, goods, or services that complement, draw upon, are used by, or apply the knowledge, goods, or services of these regional entities.
- » Activities which create opportunities for the faculty, staff, or alumni of regional institutions to work in their fields of specialty.

HISTORY OF THE UC MBEST CENTER

In 1994, UC obtained approximately 500 acres of developable land and 600 acres of habitat reserve land from the U.S. government as part of the realignment of the former Fort Ord. In 1996, the UC Regents incorporated the 600-acre Fort Ord Natural Reserve into the UC Natural Reserve System (NRS). In 1997, the UC Regents approved a master plan for the UC MBEST Center, operated by UC Santa Cruz. The UC MBEST Center Master Plan defines four campuses located adjacent to the Marina Municipal airport, divided by existing roadways: the West Campus, Central North Campus, Central South Campus, and East Campus. The Master Plan identifies roadways and utilities, parcels, land uses, and design criteria for a university-related research park. The Master Plan also sets forth tenant criteria to help ensure that tenants will be engaged in university-related research or closely allied activities.

Because there are endangered species on some portions of the former Fort Ord, permits are required if a development will result in “take” of endangered species; in 2000, the UC MBEST Center obtained an endangered species take permit covering nearly all of its developable lands. In 2001, the UC MBEST Center Headquarters building was constructed by UC and an initial roadway and utility project serving the UC MBEST Center was constructed by FORA. No further construction has occurred at the UC MBEST Center since 2001.

In 1997, the Fort Ord Reuse Authority (FORA) adopted a Base Reuse Plan covering the entire 28,000-acre former Fort Ord. Within the past 13 years, FORA has constructed several million dollars’ worth of roads and utilities throughout the former Army base. Although a number of large housing projects approved shortly before the recent economic downturn have been halted in early stages of development, a retail shopping center has been established and several institutional projects have broken ground in the past year. Throughout the past 15 years, the most successful civil-

ian project on the former Fort Ord has been the establishment of CSUMB.

UC Santa Cruz attempted to enter into agreements with developers in 2003 and in 2009. Both attempts were unsuccessful partly due to low market demand, but also partly due to a complicated development approval process. After these two unsuccessful attempts to partner with a developer for the UC MBEST Center, UC Santa Cruz Chancellor George Blumenthal announced in March of 2010 that the campus intended to continue stewardship of the Fort Ord Natural Reserve lands while reducing the UC MBEST Center footprint to the +/- 70 acres where infrastructure has been installed, and would consider alternative uses for peripheral lands. Following discussions with Congressman Sam Farr, UC Santa Cruz and FORA hosted facilitated discussions among principal stakeholders regarding UC MBEST Center lands. Stakeholders include:

- » UC/UC Santa Cruz.
- » Congressman Sam Farr.
- » FORA.
- » City of Marina (Marina).
- » County of Monterey.
- » CSUMB.
- » Monterey Peninsula College (MPC).
- » Naval Postgraduate School (NPS).
- » Defense Language Institute/Presidio of Monterey (DLI/POM).
- » Monterey Institute for International Studies (MIIS).
- » Monterey College of Law.

The outcome of this process is a summary of consensus recommended principles for guiding development at the UC MBEST Center.



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2. VISIONING GOALS

(AS ORIGINALLY DEFINED)

Per the RFP, the visioning exercise is intended to achieve the following outcomes:

1. Articulate a long-term regional economic development vision of the former Fort Ord area, based on:
 - a. the existing Fort Ord Base Reuse Plan and other existing planning documents;
 - b. known market analyses; and
 - c. conversations with Monterey Bay region stakeholders and community leaders.

To assist in developing this long-term economic development vision:

- » consider economic development themes, such as education, health care, agriculture, tourism, defense, environmental industries, green business, marine resources, and homeland security;
 - » identify limitations, strengths and opportunities to achieve economic development goals; and
 - » identify resource implications.
2. Develop recommendations specific to UC MBEST properties, in the form of a summary of information obtained from stakeholders, community leaders, and existing information sources on the following topics:
 - a. Principles for determining land uses, including:
 - i. the value of blending intellectual research with R&D and entrepreneurship;
 - ii. the ways in which UC MBEST Center properties can best be linked to the regional economic development vision;
 - iii. how the UC MBEST Center can take advantage of opportunities; and
 - iv. changes to the 1996 UC MBEST Center Master Plan vision that may be warranted.

- b. Principles for interaction with other stakeholders or third parties for bringing UC MBEST Center lands to market.
 - c. Measures for obtaining resources needed to implement UC MBEST Center development.
 - d. The effect of economic adjacencies, including general plans and adjacent planning entitlements.
3. Provide a summary of discussion/recommendations for the regional economic development vision and resulting partnering/collaborations that can support achievement of the vision.

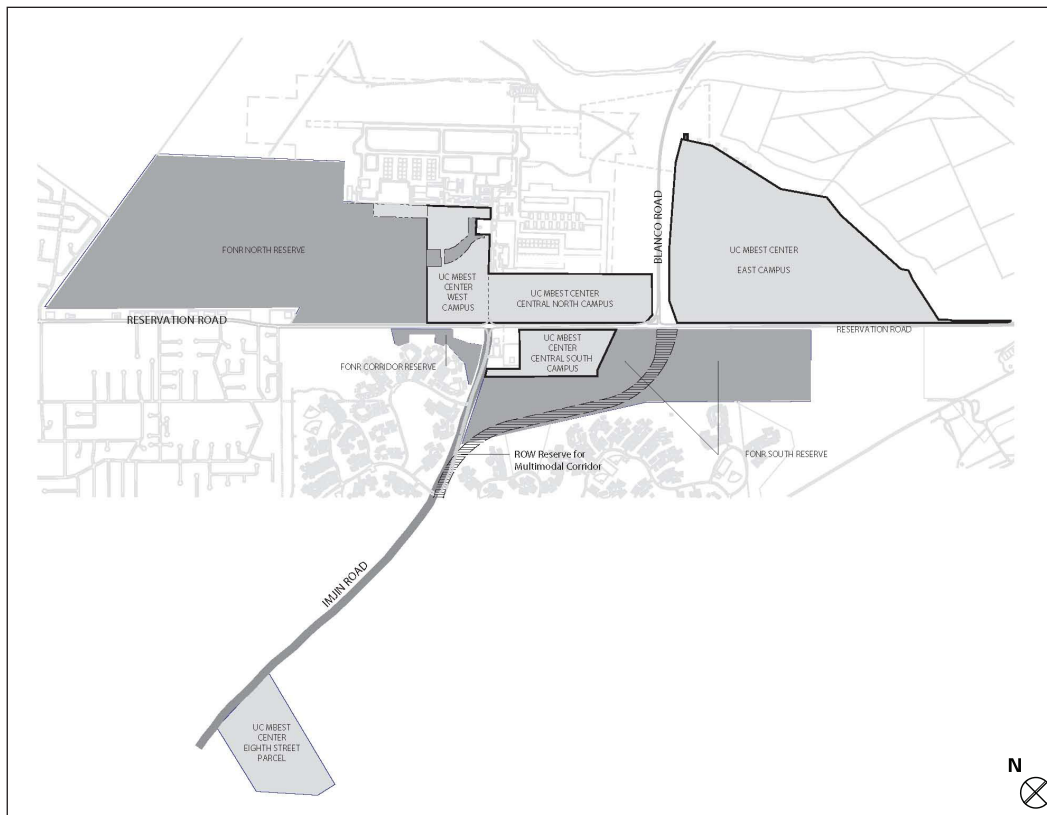


Figure 2.1 *UC MBEST Center and UC/NRS Fort Ord Natural Reserve*

LANDS MANAGED BY THE UNIVERSITY OF CALIFORNIA NATURAL RESERVE SYSTEM (605 ACRES)

LANDS FOR DEVELOPMENT (484 ACRES)

3. VISIONING PROCESS

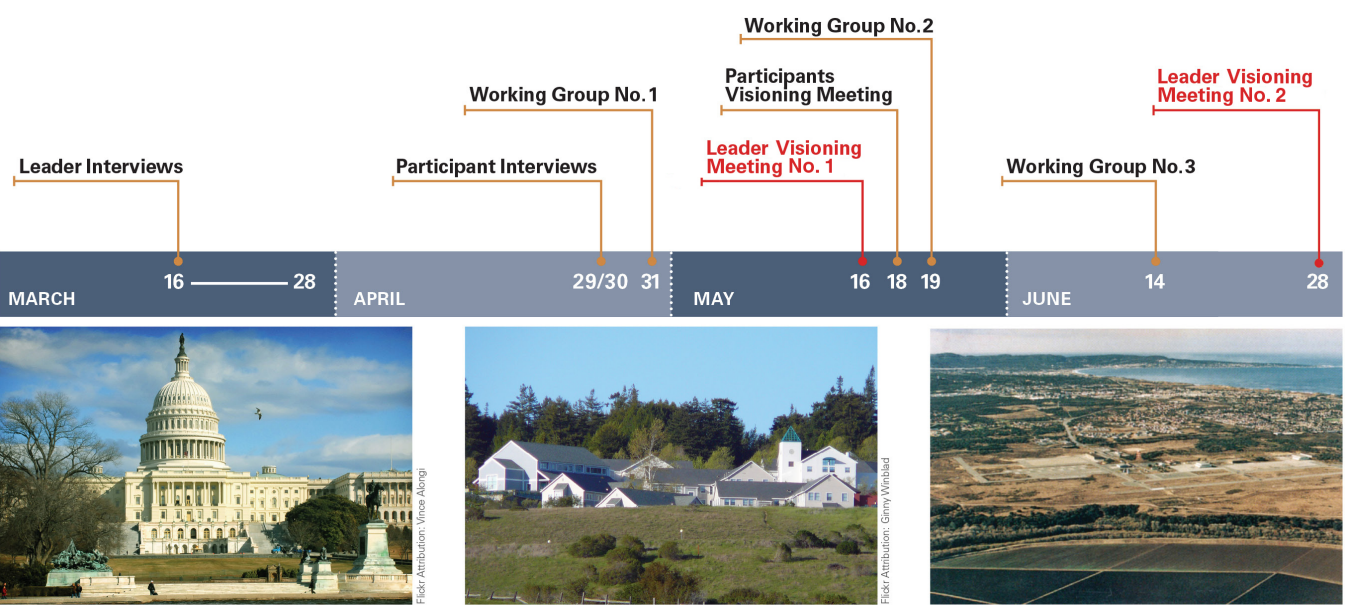
The UC MBEST Center Visioning process is a true collaborative effort. Over the three-month schedule all affected stakeholders involved in the reuse of the former Fort Ord worked directly or indirectly with the facilitation consultants. In addition, interviews and visioning working sessions with individuals and organizations provided important feedback and ideas on “what is working and what isn’t” and how to make the UC MBEST Center a future success.

Stakeholder discussions were informed by a baseline economic and development ‘white paper’, which is provided in Appendix 1.

SCHEDULE OVERVIEW

The consultant team began its work by collecting and reviewing several existing documents. This was followed by interviews with stakeholder leaders and indirectly affected stakeholders in March and April. A number of workshops were held in May and June with staff and leadership of stakeholders. Appendix 2 presents a summary of the timeline of the visioning process.

Figure 2.2 UC MBEST
Visioning Process Timeline



3. Assessments

I. BASELINE MARKET ASSESSMENT

PERMITTED USES UNDER THE UC MBEST CENTER MASTER PLAN

- » Educationally Related
- » Research & Development
- » Light Industrial/
Service Commercial
- » Commercial Mixed-Use
- » Special Amenity
- » Interim Uses

The intent of the baseline market study, prepared by UCE and included as Appendix 1 of this report, is to provide a framework defining a range of development that would be reasonable at the UC MBEST Center over the next 20 years. The market study is intended to update and revise the analysis originally prepared for the UC MBEST Center project, and uses the same methodology but with a different market area.¹ UCE prepared a projection of population and employment growth over the next 20 years, and analyzed categories of employment to identify the type of employment that would lead to demand that meets the current criteria at the UC MBEST Center. The main findings and conclusions of the analysis are:

- » The original analysis projected demand of five to seven million square feet, serving between 3,500 and 18,500 employees at the UC MBEST Center over the first 20 years of operation from 1995 to 2016. The projected annual increase in employment varied across categories from 2.5 percent to 6.3 percent.
- » Actual employment growth to date has fallen far short of projections, approximately 1.2 percent annually, and the UC MBEST Center has seen little actual development.
- » Based on the updated analysis, over the next 20 years, Monterey County is projected to grow at 0.7 percent annually, adding 70,000 new residents by 2030, with most of the growth concentrated in Salinas and points south.
- » Over the next 20 years, Monterey County is projected to see employment growth of 30,650. This projected labor growth in Monterey County is dominated by education, services, and government.

¹ The original study contemplated a market area that included the entirety of Monterey and Santa Cruz counties. UCE believes that realistically the market shed for the project is primarily Monterey County and the revised analysis reflects this.

- » 1,400 – 1,800 jobs in business and professional services are projected over the next 20 years, with a resulting demand at the UC MBEST Center of approximately 296,000 square feet, which is less than 10% of the amount originally projected for 2016.
- » In addition to the general market, there appear to be significant opportunities for large institutional users, as discussed later in this report.
- » Central North Campus appears to be a reasonable size to set aside for future potential growth.²
- » These findings and conclusions, along with supporting data and other information, are explained in greater detail in the full report, included as Appendix 1.

² UCE has examined the likely baseline demand for the types of use contemplated for the UC MBEST Center and concluded that there will be approximately 296,000 square feet of demand for space at the UC MBEST Center stemming from general market and employment growth. Using a floor to area ratio (FAR) of 0.25, this would result in demand for approximately 27 net acres. The Central North Campus totals approximately 60 acres on a net (developable) basis. Based on a qualitative assessment of other potential users and the size of university research parks elsewhere, UCE believes that this total is the right amount to set aside for future potential growth from large users, some of whom are identified in this report and others who may come in the future. The 33 additional net acres (after the baseline demand discussed in Section 4.1 and in Appendix 1) will allow for approximately 360,000 square feet of development at a density typical for research parks.

2. BASELINE DEVELOPMENT ASSESSMENT

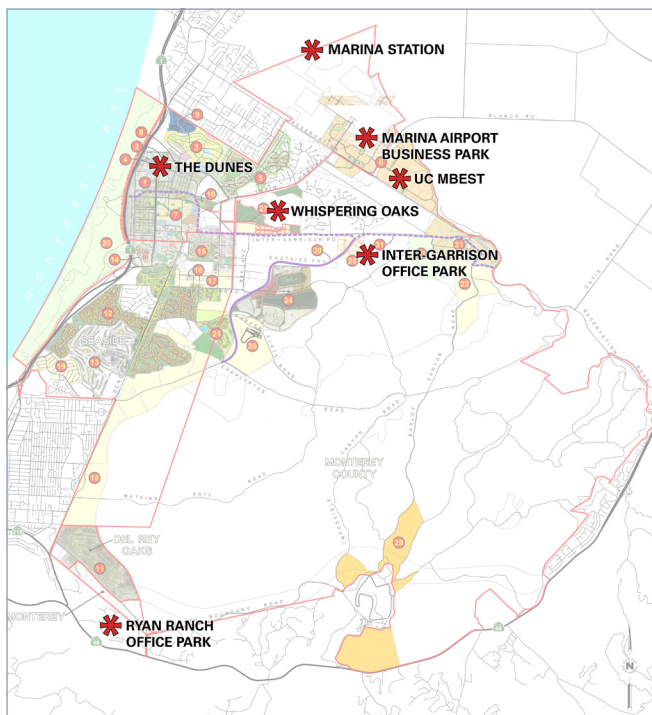


Figure 3.1

Background

The mission for the UC MBEST Center is currently restricted to research and research-related uses (see tenant criteria on p. 29). However, it is important to review the project with the understanding that there is a competitive environment for real estate development and that there are several projects that could provide suitable alternate sites for users who may be thinking of locating at the UC MBEST Center. A map of these sites is included as Figure 3.1. There are existing or planned business park projects at The Dunes, Ryan Ranch, Whispering Oaks, Inter Garrison Office Park, Marina Airport Business Park, and Marina Station. All of these projects will compete to some extent with the UC MBEST Center for users.

Any potential user will undertake a selection process with respect to their proposed occupation. This process will evaluate such factors as site cost, availability of financing, location, ease of permitting, tenure available (i.e. leasehold or fee) and any other potential challenges and constraints.

The elements which potential users or developers will be seeking, before investing are:

- » Simplicity.
- » Predictability.
- » Manageable risk.
- » Speed.

In order to understand the attractiveness of the UC MBEST Center concept in a development context, Figures 3.2 through 3.4 compare and contrast that process to the steps that would be required at a comparable private development, also within Fort Ord.

The restrictions with respect to potential tenant uses and mission are dealt with elsewhere in this report, however it is important to note that even without these mission-driven constraints, the current status of the entitlements at the UC

MBEST Center, along with the UC real estate disposition process add considerable complexity and risk to a developer's evaluation.

Entitlements

A typical master developer for a business park or research park will invest considerable resources in order to create a real estate product that is competitive in the marketplace. They will design and entitle a series of sites permitted for appropriate development, which may be sold or ground leased. These sites usually include streets, utilities and other infrastructure improvements in place and are typically ready for a user to design and construct a building; a much less complex process than undertaking a full entitlement process for a single building.

In California, entitlements would also include the approval of a master CEQA document for the project, which would simplify the CEQA review associated with a project application. At Fort Ord it is also necessary to obtain a "Consistency Determination" from FORA before full entitlements are in place; again this would typically be completed for the entire development up front, which would obviate the need for subsequent building projects to go through the same process.

With respect to the UC MBEST Center, although the Master Plan addresses the Central North, West, Central South and East Campuses, the Regents took action in 1997 only to approve the plan for the Central North and West Campuses. This action was based on a program-level CEQA document. A project-level CEQA analysis was not completed, nor was any "transferable" entitlement received from the local jurisdiction (City of Marina), nor a Consistency Determination from FORA. A parcel map was prepared for the property but this was never approved, so there are no legal parcels created which may be sold or ground leased. As described above, UC obtained an endangered species take permit from the California Department of Fish and Game

(CDFG). This permit can be transferred to new property owners only with the approval of CDFG, necessitating future discussions and agreements. In addition, infrastructure was installed to service the Central North Campus although this was not accompanied by the usual filing of a Subdivision Map. The result is that although the MBEST Center has full infrastructure serving more than 50 acres and an endangered species take permit for its own activities, the lack of full entitlements presents a significant barrier to development.

UC Real Estate Process

Sales of UC property generally fall under the Stull Act, which requires a publicized sealed-bid auction. This additional layer of complexity (which is made inherent by state law) must also be viewed as an additional obstacle by any potential developer, when comparing sites in differing locations. Figures 3.2 through 3.4 illustrate the primary steps required to get a building constructed at the UC MBEST Center today, compared to a competing Fort Ord Business park. If one were to add a ranking to the two processes reflecting risk and uncertainty, it is immediately apparent that the UC MBEST Center process as currently constituted would be perceived by developers as more risky and uncertain than the process for a competitor, requiring more time, multiple levels of external approvals, and significant cost.

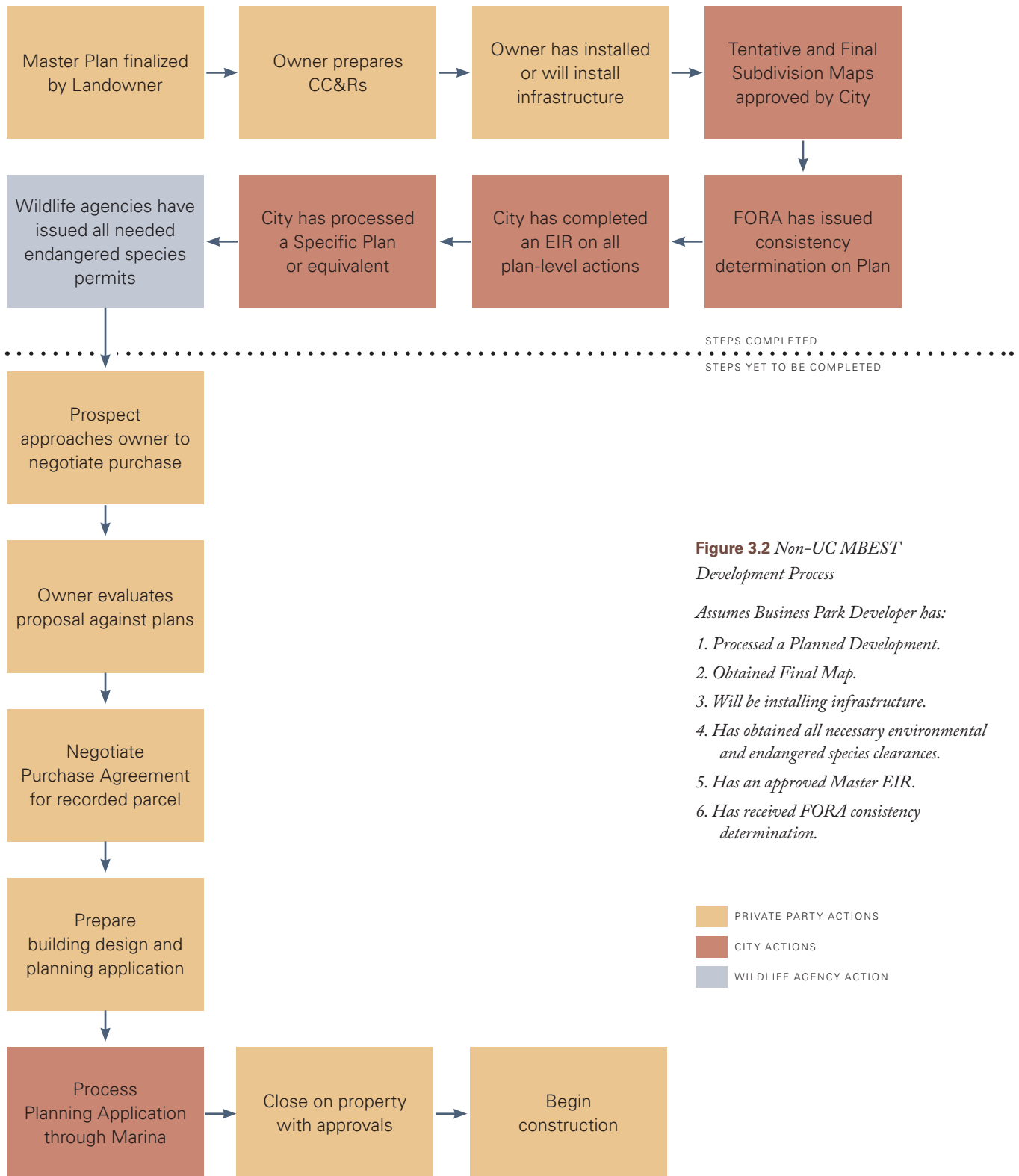
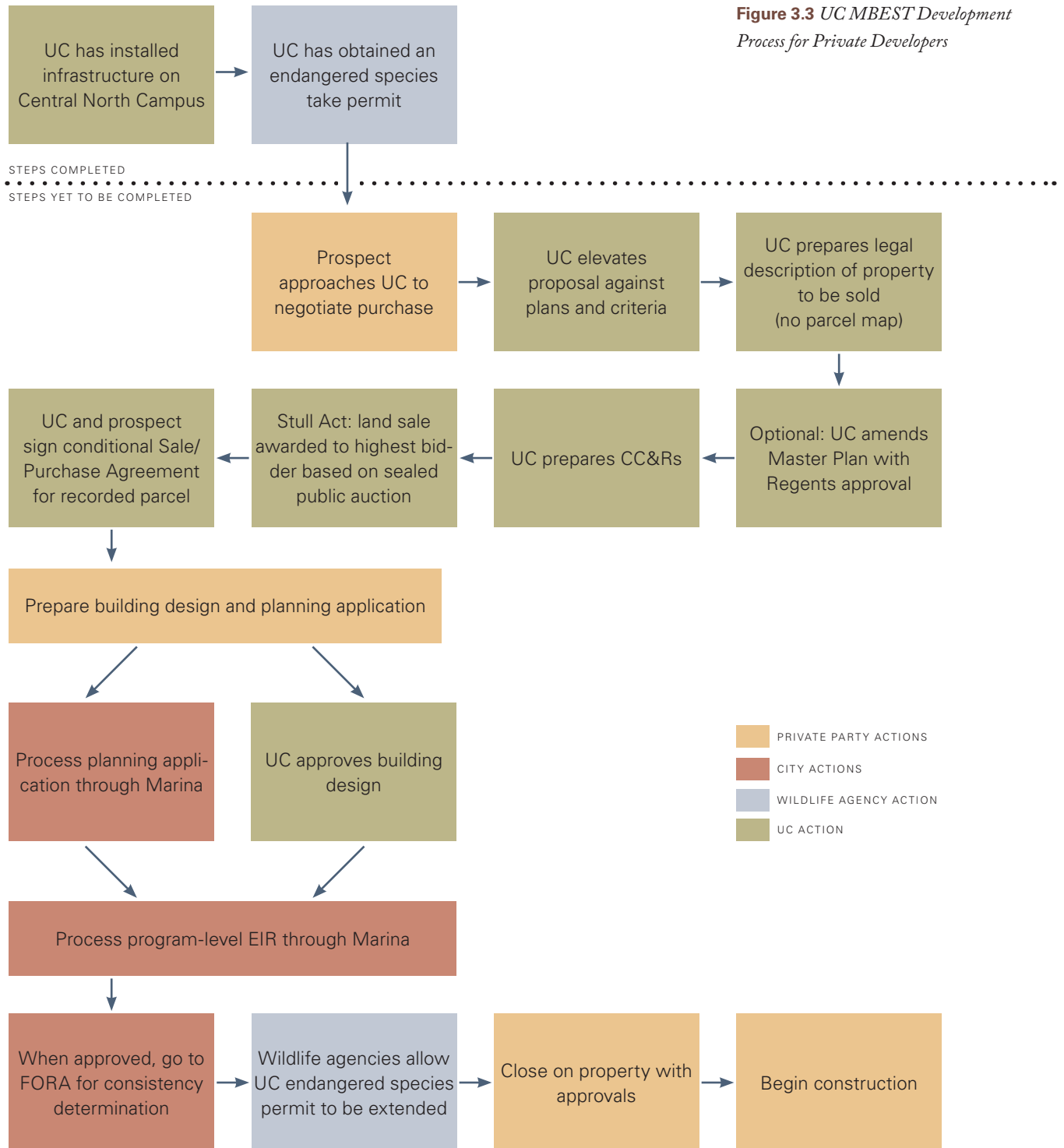
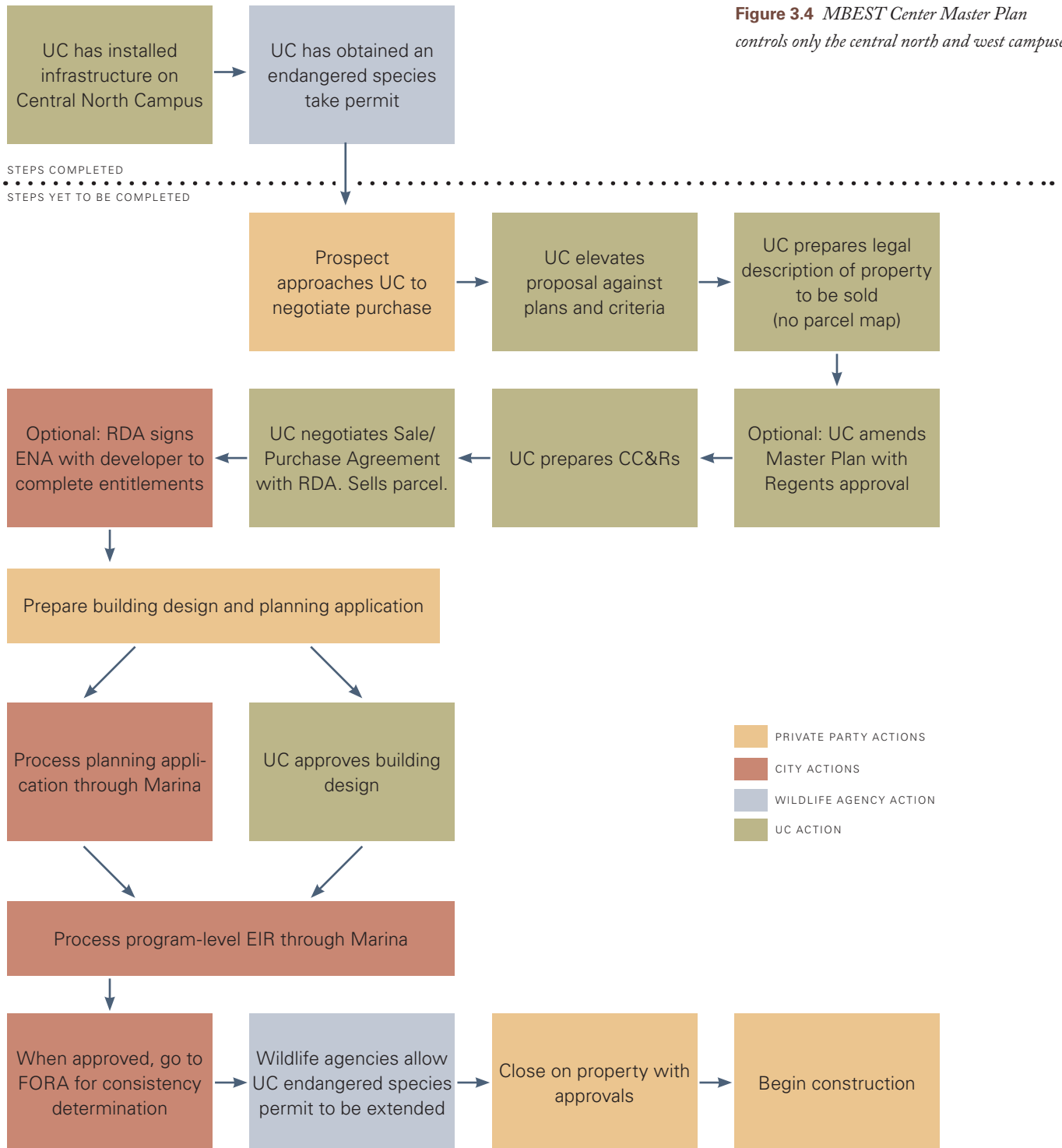


Figure 3.3 *UC MBEST Development
Process for Private Developers*





3. BENCHMARKING

ESSENTIAL ELEMENTS FOR SUCCESSFUL UNIVERSITY RESEARCH PARKS

(Published by the Association of
University Research Parks)

- » Ease of Development and Entitlement
- » Existing or subsidized infrastructure
- » Flexible uses and sizes for users
- » Proximity of researchers and sources of innovation
- » Access to appropriate labor force
- » Business incubator services
- » Commitment of the university community
- » Commitment of the local development community
- » Ability to offer space at a price competitive with regional alternatives
- » Presence of an anchor tenant
- » Availability of amenities

UNIVERSITY RESEARCH PARK COMPARATIVE ANALYSIS

UCE conducted a survey of the sustaining members of the Association of University Research Parks (AURP) in order to identify trends in successful parks that might be helpful in mapping out a strategy for the UC MBEST Center. Following are the broad conclusions.

Size

The size of the research parks varied widely, from a few acres to hundreds of acres. The larger parks tended to be in more urbanized areas, near multiple universities, and near existing tech centers.

Governance

UCE found that the research parks tended to be owned and operated either by a non-profit corporation or other at least nominally independent entity, or directly by the sponsoring University. Of the members for which UCE was able to obtain information, slightly more than one-third of the parks were operated directly by the university and the remaining two-thirds had some form of research foundation or non-profit development entity controlling development and operation of the research park. The smaller parks tended to be directly controlled by the sponsoring university, with the larger ones under the control of a separate entity. The separate entities often had diverse boards of directors, with representatives of the community, business, prominent tenants, but it appears in all cases that ultimate control rested with the sponsoring university.

California Public Universities

UCE also interviewed staff from the research parks of UC San Diego and California Polytechnic San Luis Obispo (CalPoly).

UC San Diego obtained external debt to finance the entitlements and infrastructure necessary for its park, which is on land directly adjacent to the campus. Although

adjacent, the park required the full suite of infrastructure improvements and entitlement work, including permits from the Army Corps of Engineers. The debt was justified by the existence of a large anchor tenant, Kirin Pharmaceutical. Kirin constructed its own building on land leased from the University for a 52-year term, with lease payments covering the University's debt service. In July 2011, the park celebrated its fifth year of operation. The UC San Diego park is focused very closely on uses that complement the mission of the university, and the staff who run the park (who are university employees) regularly seek out the faculty to inquire about opportunities and remind faculty of the park's availability.

The CalPoly research park is quite new and currently has an incubator building constructed (and 80 percent leased out) with two more planned. CalPoly borrowed money, in the form of revenue bonds, to complete entitlements and infrastructure development, which will be paid back from lease proceeds. The park itself is operated by the CalPoly Corporation, a non-profit entity controlled by the University that also operates the university bookstore and handles grants and contracts. The membership of the CalPoly Board of Directors is led by University officers but also includes faculty and members of the community.

Alternative Entitlement Funding Sources

As has been identified elsewhere in this report, a significant hurdle remaining for the development of the UC MBEST Center land is the cost and risk of entitlement, especially compared to several competing business parks on the former Fort Ord. To date the University has looked to the "first in" developer to fund the work that will be necessary to finish entitlements, most notably the cost of environmental work. The funding for entitlements can come from a few basic sources. First, a developer of some or all of the land could provide the funding, which the developer would recoup from the proceeds of land or building sales. Given the relatively small market for the defined uses at the UC MBEST Center

and the entitlement challenges, it is not surprising that to date no developer has stepped forward to take on this obligation. Second, UC Santa Cruz could sell or lease land and use the proceeds to finish entitlements on the remaining land. This approach has some promise but faces the difficulty that land without entitlements has little value and therefore it will be difficult to raise sufficient funding. Third, the University could obtain financing to finish entitlements, potentially secured by UC MBEST Center assets.

The three options present gradually increasing levels of financial risk for UC, but offer the potential to lend momentum to the project and participate in increasing land values as the project becomes more successful.

4. SUMMARY OF INTERVIEWS

In March through May 2011, the consultant team conducted over 20 interviews with leaders, stakeholders, and voluntary participants. Initially, all participants were asked the same series of open-ended questions: What are the strengths of the UC MBEST Center? What are the weaknesses? What is the vision for the Center's future? Subsequent meetings focused on recommendations for moving forward.

All participants expressed frustration with the slow pace of development at the UC MBEST Center and Fort Ord in general. Although the weak economy was repeatedly mentioned as a core-contributing factor, some interviewees expressed disappointment that UC Santa Cruz had not been able to realize more growth at the UC MBEST Center.

It is important to note that everyone is excited about the future potential of Fort Ord and willing to do what he or she can to help expedite economic development. Following are some highlights of the interviews.

Strengths

- » The UC brand
- » Existing infrastructure and planning
- » UC's commitment to economic development and job creation
- » Water allocations sufficient for the Central North Campus and West Campuses (or a similar amount of land)
- » Existing UC MBEST Center building
- » Fort Ord Natural Reserve
- » CSUMB, MPC, Monterey College of Law, Emerging Health Facilities, and retail
- » Proximity to the Marina Airport
- » UC's exemption from local land-use jurisdictions for projects that are in furtherance of its mission
- » Existing collaboration between UC faculty and NPS
- » Proximity to transit service
- » Ability to meet force protection requirements for federal tenants

- » No contamination issues
- » Number and quality of regional research and educational institutions
- » UC's endangered species take permit
- » 500 developable acres

Weaknesses

- » Development process requires more steps than competitors
- » Incomplete entitlements
- » Many unfinished projects at Fort Ord
- » Distance to the Santa Cruz campus
- » Decisions that involve the Board of Regents are perceived as time consuming
- » Slow pace of development
- » Too many people and institutions at Fort Ord are in their own "silos"
- » Slow absorption of new research space
- » Strong competition for small number of potential tenants
- » Limited industrial research base near the UC MBEST Center
- » UC Santa Cruz budgetary constraints
- » Not enough water to serve more than the Central North Campus and West Campuses (or a similar amount of land)
- » Lingering negative impact of the Great Recession
- » UC MBEST Center Master Plan restrictions given the current market
- » Master Plan height limit that is below City's height limit
- » Bid process for prospective land sales (Stull Act)
- » Lack of a "collegial environment"
- » Unpredictable development process
- » Challenging to do a development deal with a land lease

Vision

- » Retain original mission and UC brand
- » Find a way to complete entitlements
- » Pursue opportunities with NPS, DLI, and MIIS
- » The UC MBEST Center should be self-contained with housing, commercial development, and jobs
- » Simplified and faster approval process
- » High-paying jobs that will encourage young people to stay
- » Establish a training center for public safety
- » More regional collaboration among jurisdictions, agencies, and institutions
- » Seek out anchor tenants that can act as a catalyst
- » Facilitate near-term economic development (job-generating uses) on Peripheral Lands
- » More flexible uses
- » Engage a local leader/champion
- » Generate FORA fees
- » Economically sustainable projects with new public and private investment
- » Exploit potential synergies between North Central Campus, West Campus, and Marina Airport Business Park
- » Adjust the UC Master Plan to better respond to current market conditions
- » Explore opportunities for new federal initiatives at the leadership level
- » Explore the establishment of an advisory group to get all higher education entities engaged
- » Explore alternative transactional options that help streamline development
- » Affordable research space
- » Greater collaboration between institutions to realize greater efficiencies and grow regional research strengths

4. Recommendations

I. VISION FOR MOVING FORWARD

The consensus of the visioning process is that there continues to be an important role for a university-related research park in the development of the regional economy and that the scope of the UC MBEST Center should be expanded to be a more broadly defined university research park. The vision articulated in interviews with stakeholders and others is consistent with the original vision of UC MBEST Center and its role in the overall development of Fort Ord. What came out of the visioning process is a reaffirmation of the potential of UC MBEST Center and an understanding of the potential of the institutions and human capital of the Monterey area. As a center of learning and research, UC MBEST Center can leverage the resources of the existing institutions and relationships in the Monterey area, such as marine research, building upon them and seeking new opportunities as they arise, such as homeland security. The UC MBEST Center will expand the range of university-related research it can attract if it reflects the interests of multiple Monterey Bay higher education entities. The Center should occupy a ‘right sized’ area of the current UC MBEST Center property, and UC Santa Cruz will seek an anchor tenant development prospect in the near-term and will complete entitlements in order to streamline the development process thereby making the Center as competitive as possible. UC lands that are peripheral to the UC MBEST Center will be made available for development that generates employment, helps entitle the UC MBEST Center and benefits UC Santa Cruz. Lands immediately adjacent to the UC MBEST Center will be developed in a manner that is visually consistent with and supportive of the UC MBEST Center development and the Fort Ord Natural Reserve.

Collaboration Among Higher Education Institutions

Stakeholders explored the notion of establishing a new entity with a board composed of higher education and industry representatives. While discussions concluded that it would not facilitate development to establish a new entity to own or

manage the UC MBEST Center, establishing some form of an advisory group of higher education institutions to advise UC on the UC MBEST Center may be an important near-term step. UC Santa Cruz is committed to exploring further the role that an advisory board of institutional leaders could play in the future of the newly-configured UC MBEST Center. Benefits of this collaboration include breaking down silos, improving communication, sharing ideas, attracting new tenants, and further differentiating the Center from competing business parks.

Right Size and Location for the Campus

One of the issues stakeholders discussed is the right size for the land reserved for the core uses at UC MBEST Center: research and development and ancillary uses that support research and development. The property currently consists of hundreds of acres divided into several large parcels, as discussed elsewhere in this report. The Central North Campus, on which the UC MBEST Center Headquarters building sits, is approximately 70 acres in total, with 60 or so acres on a net basis (after setting aside land for right of way, frontage, access, and other uses). The key to the right size for the UC MBEST Center core campus is striking a balance between allowing for potential growth while not unnecessarily restricting development of land that could be put to other productive job generating uses. Based on the Baseline Market Study, stakeholders discussed the likely background, or baseline, demand for the types of uses appropriate to the UC MBEST Center, along with an assessment of the prospects for institutional, educational, and other large anchor users that would provide demand in excess of what will come from general economic growth in the region, and concluded that the Central North Campus will meet this demand (See Section 2.1).

The stakeholder group recommended that UC review and adjust the UC Master Plan to better respond to current market conditions. Specifically, stakeholders recommended

that the Central North Campus generally maintain the current restrictions on use (primarily research and development and ancillary activities, as shown on page 17) subject to a review and adjustment to better respond to current market conditions. There was consensus that potential uses should reflect input from other higher education institutions and relaxing tenancy criteria to allow more tenants that are generally aligned with regional institutions to qualify. Another recommendation was that Master Plan requirements should also be synchronized with the Marina Airport Land Use Plan, allowing building heights to reflect current City of Marina standards.

Stakeholders recommended that the balance of UC lands at the former Fort Ord be made available for other opportunities that can generate jobs for Fort Ord and the Monterey region, as summarized in Section 4.3.

Essential Elements for Success

The Association of University Research Parks (AURP) has documented common traits of successful research parks (see summary in Section 2). The UC MBEST Center already incorporates some of these elements such as existing/subsidized infrastructure, potential to develop an appropriately trained labor force, and business incubator services. Missing are ease of development and entitlement, presence of an anchor tenant, and availability of amenities. Also absent are things that support the creation of a collegial atmosphere – something that researchers and stakeholders identified as important. The presence of a research cluster or an anchor tenant would go a long way toward meeting these benchmarks for success.

Opportunities

There is broad support among the stakeholders for a federal initiative to establish a crucial research cluster at the UC MBEST Center that would act as a catalyst for additional economic development. NPS – as an example – is consider-

ing an off-campus expansion. NPS's research functions currently require more space than is available on their campus. The UC MBEST Center could be an attractive location for NPS expansion in that it would allow private contractors to co-locate, security requirements to be met, state-of-the-art facilities to be built, and the scale of research/jobs to grow. An orchestrated effort involving many stakeholders is likely to be needed to bring this to fruition, NPS anticipates that the success of their relocation would depend on the potential for the MBEST Center to respond to potential future expansion of NPS and affiliated industries. In other words, it will be important that future development be streamlined and responsive to opportunities.

From a regional perspective, stakeholders believed that a broader federal initiative centered on Homeland Security research (food, water, air, transportation, power grid, and hazardous material safety), could be an attractive opportunity, and could be a possible complimentary cluster to NPS, whenever NPS relocates. Training programs associated with Homeland Security would also be a good opportunity. In addition, stakeholders supported forming initiatives around the region's other existing strengths: agricultural research and technology; environmental and marine sciences; and international languages. In general they believe that any successful initiative must build on existing regional assets.

In addition to discussions regarding the UC MBEST Center program on the Central North Campus, stakeholders were generally supportive of exploring opportunities on peripheral lands.

2. UC TRANSACTIONAL OPTIONS

As was noted in the Baseline Development Assessment (Section 3.1), development on lands reserved for continued growth of the UC MBEST Center includes steps that are not required for developing projects on competing properties at Fort Ord, although the processes are not significantly different if UC is able to entitle the property. Stakeholders discussed alternative options for how to best put the UC MBEST Center on par with competing business parks. The three transactional options moving forward are:

1. UC retains control of the land and either sells or ground leases to a private entity. Although this is UC's current approach, it could include the addition of a broadly constituted advisory board (consisting of regional higher education and business leaders), to broaden the criteria for development.
2. UC sells or transfers to a Redevelopment Agency (RDA), which in turn sells to a private entity.
3. UC sells or transfers to a new entity (501-C-3, LLC, or other), whose sole purpose is to promote and manage the UC MBEST Center. The board of such an entity would need to be controlled by UC if it is to continue to lend its name to the park, but it could be broadly composed of regional higher education and business leaders.



Stakeholders concluded that university affiliation is a key differentiating element for many research parks, including the UC MBEST Center. The UC name is synonymous with the highest research academic standards, and provides a competitive advantage over non-university business parks. The stakeholders agreed that it is not reasonable to expect UC to lend its name to the park without retaining control. Thus there are few potential process-related benefits from forming a new entity, which would need to be controlled by UC.

Challenges such as completing entitlements will need to be addressed for all the options. Options 1 and 2 are at some competitive disadvantage when compared to competing developments because both include some additional

steps, costs, and risks to potential developers (see Baseline Development Analysis). Option 3 would be appealing if it could expedite the development process by reducing steps, costs, and risks. Stakeholders concluded that it is uncertain whether establishing a new entity can accomplish this however, and so for this reason as well, formation of a new entity was not recommended, although UC Santa Cruz may choose to continue to evaluate the option. Instead, stakeholders encouraged UC to address entitlements and to take what steps are possible to streamline project approval.

Start-up Time

If UC Santa Cruz opts to continue to consider formation of a new entity, such formation would take a significant amount of time. Required steps include, at a minimum, settling on a consensus approach, creating a legal definition and structure, adopting bylaws, approval by the Board of Regents, establishment of a funding source, and recruiting a Board of

Directors and staff. The Consultants estimate that this process would take a minimum of two years.

Two Parallel Tracks

The decision to pursue an anchor tenant in the near term, and the decision of whether to establish a new entity, should be independent of each other. Given the long start-up time and unmet resource needs for a new entity and the relatively short window of opportunity associated with some potential anchor tenants, stakeholders recommended two parallel tracks: UC Santa Cruz should continue to seek an anchor tenant while at the same time investigating how to streamline development, including whether to establish a new entity.

Proof of Concept

If UC Santa Cruz's evaluation of the new entity alternative were to indicate that the project approval process would be simplified, then the campus might consider a "Proof of Concept" approach as a way of possibly expediting develop-



ment. UC Santa Cruz expressed a willingness to consider starting with a pilot project – transferring a small amount of land (potentially two development pads) on the Central North Campus to a new entity, rather than the entire site or another parcel. The stakeholders were supportive of this idea if it helps expedite economic development. UC would need a performance clause incorporated into the agreement that requires the land to revert to UC after a specified period of time (such as sixty months) if the new entity does not perform adequately.

Leader/Champion

Budget cuts have forced UC to reduce staffing for the UC MBEST Center. This was the only research/office park that we visited in the Monterey region without full-time, on-site, high-level representation. Many stakeholders noted that to be truly competitive the UC MBEST Center must have an active presence. This would preferably be in the form of a leader, a person dedicated to championing the Center on a daily basis. The leader's resumé would include regional recognition, academic credentials, business acumen/experience, public sector perspective, and political/community savvy. Stakeholders recognized, however, that in the current market and budget climate, funding is not available for this position.

Resource Implications

UC estimates that they have invested approximately four million dollars in the UC MBEST Center over the past 15 years. The Center currently runs at a deficit, which is hard to defend in the current budget climate. In addition, the federal government has invested nearly eleven million dollars for the construction of the UC MBEST Center Headquarters Building and for infrastructure in and adjacent to the Central North Campus. Both UC and the federal government are experiencing substantial budget cuts.

Alternative sources of funding will be required to complete entitlements and construct future infrastructure. Potential alternative funding sources include:

- » Financing (e.g. revenue bonds) – this option was used by a number of AURP members.
- » Master Developer Capital – a master developer might be willing to invest the capital necessary to complete entitlements in return for an anticipated future income stream.
- » Office of Economic Adjustment Funds – will require the assistance of FORA and the 17th Congressional District.
- » Revenue from Building Sale – UC could sell one or both of its existing buildings to the City of Marina, although this would eliminate a current revenue stream and would require careful evaluation by the Board of Regents.
- » Revenue from Land Sales – UC could reinvest income from the sale of any peripheral lands. However, peripheral lands could themselves require investments in entitlements followed by investments in infrastructure to enhance sale prices. Any income stream to UC is likely to be long-term.
- » Discount on subdivision process costs – The City of Marina could discount the cost of processing a subdivision map.

Water Allocations

UC currently has a water allocation that is sufficient to cover development on the Central North and West Campuses or a similar amount of land on other parcels. At the current pace of development this allocation is adequate for the foreseeable future. Still, additional water will directly equate to increased potential for development and additional jobs over time. If federal tenants are found, it would be helpful if they came with their own water allocation from the Army's surplus holdings and would allow UC to stretch its allocation further.

3. PERIPHERAL LANDS

The UC MBEST Center is comparable in size to many successful research parks, such as the research Triangle in North Carolina. However as noted in the Baseline Market Assessment (Section 3.1), demand is limited and build-out of the Center as originally envisioned would take many decades. The amount of land that is ultimately determined to be peripheral will be set by the trade-offs between near-term economic development objectives and the amount of land that is reserved for long-term economic development. Stakeholders agreed that all lands beyond the Central North Campus be considered peripheral and to the extent possible made attractive for near-term development. Educational and R&D uses will still be welcomed on peripheral lands, but other job-generating uses should be allowed, consistent with the FORA Base Reuse Plan. Each UC MBEST Center parcel has a unique set of opportunities and challenges. The following specific recommendations are made in support of the overriding economic development objective:

Eighth Street Parcel

This parcel, which the UC MBEST Center Business Plan recommended be sold to help fund other UC MBEST Center operations, is potentially the most marketable, given its location along the Imjin Corridor. Challenges on the Eighth Street Parcel include a lack of entitlements and a lack of adjacent infrastructure. California State University, Monterey Bay (CSUMB) expressed an interest in the role this parcel plays as a northern campus gateway from the Salinas Valley. CSUMB is also understandably concerned about maintaining a voice in future development decisions. Consistent with the FORA Base Reuse Plan, mixed-use development is still the most obvious use for this site. It is recommended that on portions of the parcel that are near the CSUMB campus, uses compatible with student wants and needs be targeted first. Disposition of this parcel should be done in consultation with CSUMB and other directly impacted stakeholders as development opportunities arise and as water is made available.

West Campus

The West Campus is currently included in the approved UC Master Plan. The Plan calls for light-industrial/service commercial uses, as reflected in the Marina General Plan. The stakeholders generally agreed with removing the UC MBEST Master Plan restrictions while continuing to adhere to use restrictions appearing in the Marina General Plan. This change would differentiate the West Campus from the Central North Campus, by allowing for uses that are not programmatically linked to universities, thereby enhancing the value of the land for purchase. We believe that this approach will create a complimentary set of opportunities adjacent to the Marina Airport that only partially exists today. Conveyance may need to include deed restrictions to ensure comparability with uses and design of the Central North Campus and to limit disruption to the adjacent Fort Ord Nature Reserve.

Central South Campus

The Central South Campus currently houses an asphalt/concrete recycling operation and is outside of the approved UC Master Plan. This parcel is unique in that it is bordered on two sides by the Fort Ord Nature Reserve. The green buffer makes it ideal for a user that requires physical separation from other users, such as government uses that require mandatory setbacks and possibly security fencing. Deed restrictions should be considered to ensure protection of the adjacent Fort Ord Natural Reserve.

East Campus

This parcel, at the intersection of Blanco and Reservation Roads, is characterized by open grassland. UC initially made this land available for agricultural uses with an interim water allocation from FORA. However this was only an interim use, and the water allocation expired. In addition, salt water intrusion spoiled the well, so continued farming of this property is not likely to be feasible.

Challenges on the East Campus include a lack of entitlements, a lack of infrastructure, lack of water, visual impact issues related to the location of the site on a ridge line, and parcel size (it is the largest parcel). Given these challenges this parcel is not likely to be developed in the near future.

It is recommended that UC consult with the County and other relevant stakeholders regarding development prospects, including the feasibility of high-density, mixed-use development. As with the South Central Campus, the site's physical separation may make it attractive to users that requires a buffer from roads and other users. Given the large site it could easily support a mix of uses as contemplated in the FORA Base Reuse Plan. UC expressed a willingness to consider a limited agricultural activity if campus faculty were to express interest and if a new source of water were to be found. Conveyance should include deed restrictions on portions of the East Campus that face the Central North Campus to ensure compatibility with uses and design of the Central North Campus.

Alternative Vision for Lands in Monterey County

It was suggested during the process that UC consider changing their plans for the East and Central South Campus' to allow these areas to forever remain in agricultural and open space uses. As was noted in Section 2.4, the majority of UC's lands are already dedicated to permanent open space. Additional open space is also programmed into the remaining 484 acres of land for development. The consultants agree with UC and the majority of other stakeholders that dedicating the East and Central South Campus to permanent open space would reduce UC's ability to provide replacement jobs and generate associated FORA fees, which in turn would reduce funds for habitat management and base-wide roadway improvements. It therefore appears better for the stakeholders that these areas remain dedicated to future economic development, consistent with the FORA Base Reuse Plan.

Disposition of Income from Land Sales

UC should at some point see income from the sale or lease of peripheral lands, sorely needed to address the operating deficits now and projected in the future. As was mentioned previously, UC could reinvest this income in completing entitlement work for the Central North Campus. However, peripheral lands will themselves require investments in entitlements followed by investments in infrastructure. Any income stream to UC is likely to be long-term. All parties acknowledged UC's need to make some return on UC MBEST Center property through property conveyance, especially given their current budget challenges.

4. NEXT STEPS

A series of recommended next steps will allow discussions to move forward:

1. Convene special Working Group meeting with representatives from UC Santa Cruz, NPS, GSA, FORA, DOD, the 17th Congressional District, and Marina to explore in detail potential federal initiatives.
2. Convene a meeting between UC Santa Cruz and CSUMB to discuss mutually beneficial uses for the Eighth Street Parcel and the best path forward.
3. Invite higher education institutions to establish an advisory group to help guide the UC MBEST Center and expand the range of potential research uses.
4. Seek funding for entitlements and additional water resources.
5. Complete Entitlements – Complete the project entitlements to a level which makes the project competitive. These entitlements include:
 - › Master Plan amendments (including design guidelines and use criteria)
 - › Specific Plan, General Development Plan (or other appropriate planning document)
 - › Tentative and Final Subdivision Maps
 - › CEQA Project-Level EIR Approval
 - › All project-level environmental permitting
 - › FORA Consistency Determination

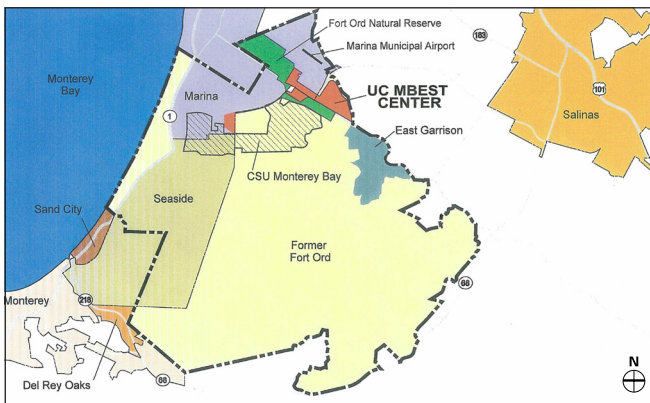


Figure 4.2 *Ford Ord Map*

If complete entitlements can be obtained on UC MBEST Center lands, the number of steps required to approve individual buildings could be greatly reduced, as shown in figures 4.3 and 4.4.

Given the extensive work already completed by UC Santa Cruz, we believe that the additional entitlement work could be completed for a cost of under \$1M.

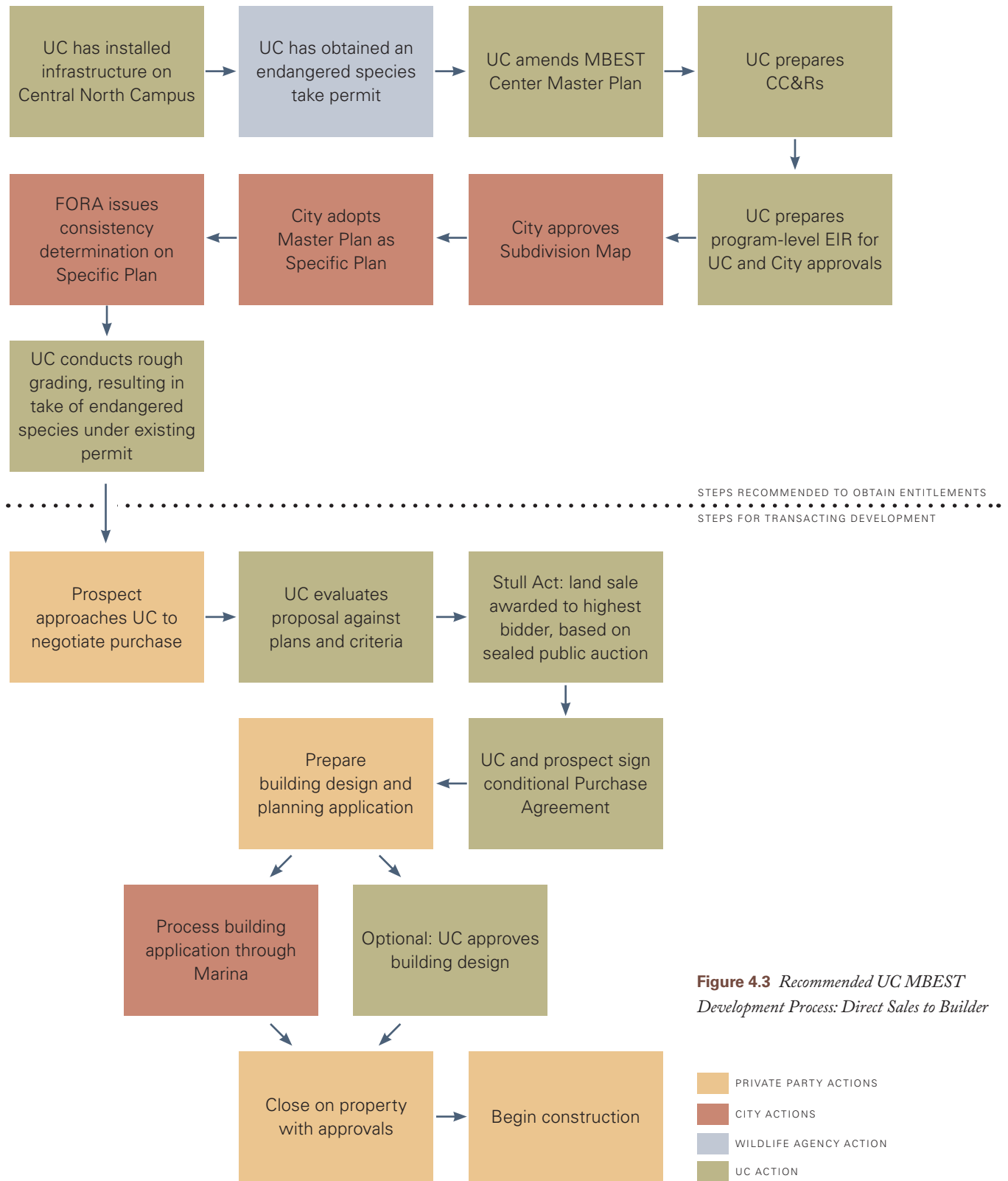


Figure 4.3 Recommended UC MBEST Development Process: Direct Sales to Builder

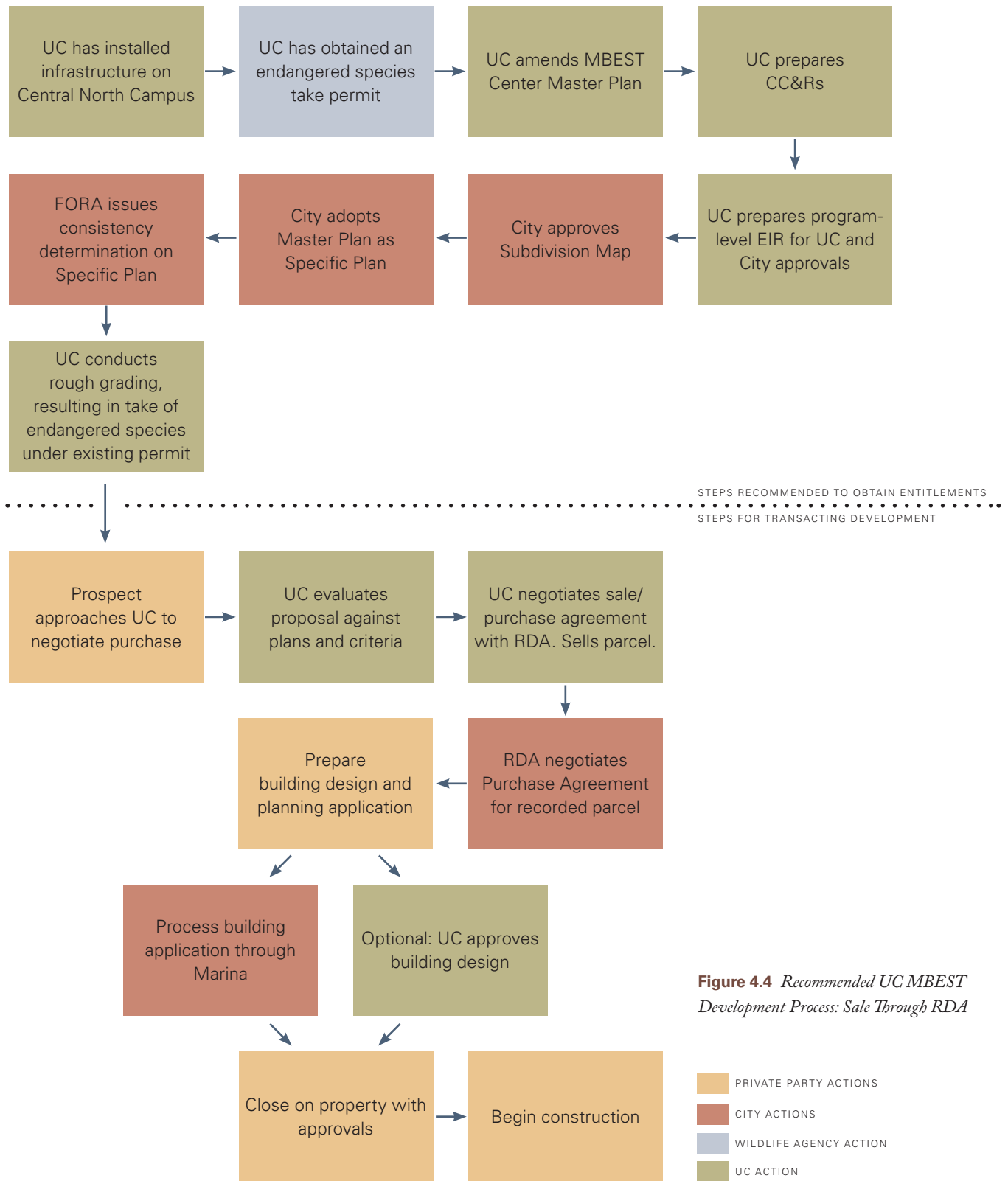


Figure 4.4 *Recommended UC MBEST Development Process: Sale Through RDA*

Appendix 1



DRAFT Project Report

UCMBEST Vision Plan Market White Paper

Prepared for

University of California, Santa Cruz

Submitted by

Urban Community Economics, Inc. (UCE)

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Urban Community Economics, Inc. (UCE) and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by UCE from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of April 2011 and UCE has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by UCE that any of the projected values or results contained in this study will actually be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Urban Community Economics" in any manner without first obtaining the prior written consent of UCE. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of UCE. This report is not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of UCE. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from UCE.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Introduction

The University of California, Santa Cruz (UCSC), along with the Fort Ord Reuse Authority and other stakeholders, has engaged a team of consultants to refresh the vision for the Monterey Bay Education, Science and Technology Center (UCMBEST). The team is currently in the midst of stakeholder interviews and research, but wanted to prepare a white paper on the market and economic factors of the project to document current understanding and provide a baseline for subsequent discussions. As originally envisioned, UCMBEST contains approximately 400 acres slated for commercial development and over six hundred acres reserved as open space.

UCSC contracted with a team of consultants, led by Urban Design Associates, Inc., to assist with revising and refreshing the vision for UCMBEST. UCE has been tasked to prepare an economics overview of the proposed plan. The goal of this study is to provide a guide for how much and what types of development are realistic in the real estate market place over the next 20 years, both taking advantage of current market opportunities and assisting with the planning team in creating new ones. This document is meant to provide an early look at this work effort, as well as provide background on past studies and business plans that have informed the planning of UCMBEST.

To answer these questions, UCE completed a real estate market analysis and forecast of anticipated light industrial and R&D demand in Monterey County over the short term (ten years) and long term (twenty years). UCE reviewed population and employment estimates and projections from the Association of Monterey Bay Area Governments (AMBAG) and other sources as well as historical real estate data. This white paper is intended to serve as a framework for discussions, meetings, and other activities. It will also serve as a basis for a subsequent study that will be prepared later in the process.

Summary of Conclusions

The following is a summary of the demographic and economic trends observed in Monterey County:

- *Population.* As of 2010, the UCMBEST Area (Monterey County) had approximately 436,000 residents. Over the next 20 years it is expected to grow at approximately 0.7 percent per year, adding 70,000 new residents (29,000 households) between 2010 and 2030, but with most of the growth occurring in

Salinas and points south. Countywide, population in the age group older than 65 is expected to grow the fastest.

- *Employment.* Between 2010 and 2030 the UCMBEST Area is expected to add an additional 30,650 new jobs, with the highest proportion in the service sector (i.e. information, insurance, finance, and real estate, professional services, and leisure & entertainment). The share of employment in the public, industrial and construction sectors will also increase, while agriculture will increase very little and represent a smaller share of overall employment by 2030.
- *UCMBEST employment and real estate demand.* Although there is significant employment growth projected for the region, the types of employment appropriate for UCMBEST will be relatively limited, approximately 1,600 employees countywide through 2028. As detailed below, this results in maximum estimated new demand for the types of commercial space contemplated at UCMBEST of 296,000 square feet over the same period (assuming 50 percent capture by UCMBEST).
- *Non-market factors.* Based on the limited market demand, it appears clear that the UCMBEST complex will need to work closely with regional institutions to promote activity at UCMBEST. The vision of bringing this about will be the subject of meetings and sessions over the coming two months.

Background and Past Efforts

The initial planning for UCMBEST occurred in the mid 1990s, soon after the announcement of the closure of the former Fort Ord. Building on the vision and master plan for UCMBEST, a team of consultants engaged by the University of California, Santa Cruz, prepared a series of technical documents assessing the financial feasibility of UCMBEST and likely market niches that would be best served by the facility. The documents included:

- *Monterey Bay Science and Technology Center Baseline Operations Plan and Financial Analysis*, March 1995
- *Monterey Bay Education, Science and Technology Center: Business Plan* (with technical appendices), December 1996

These documents envisioned a development of five to seven million square feet over several decades at UCMBEST, primarily consisting of R&D, industrial and office. They assumed the ability of UCMBEST to draw tenants and businesses internationally, with a development rate of 100,000 square feet per year. The operations planned examined the first 20 years of operation, from 1995 to 2016, and concluded (based on a number of assumptions) that the complex could not support the cost of its infrastructure from lease and other revenues. The business plan also identified several market segments that could potentially be served by the MBEST project, including multimedia, information technology, biotechnology, and environmental technology. Although each of these areas was identified as having potential, the business plan also identified a number of challenges faced by MBEST in attracting each. The business plan was followed up by four smaller reports that examined each of the market niches in turn:

- *Multimedia Market Niche Study: Final Report*, September 1996
- *Biotechnology Industry Market Niche Study: Final Report*, September 1996
- *Environmental Industry Market Niche Study: Final Report*, September 1996
- *Information Technology Market Niche Study: Final Report*, September 1996

The basic conclusions of these reports was that there were a number of national and regional trends, including the establishment of research parks affiliated with academic institutions, that could serve as early opportunities at UCMBEST, but that implementation would require significant upfront investment and a long-term perspective (start by encouraging small firms and serve as an incubator, for example). Although dated, the market niche studies have many useful suggestions for marketing the site and attracting key users.

Finally, UCMBEST commissioned the *Market Evaluation and Strategy Plan*, dated October 1996, that pulled together the earlier analysis into a cohesive strategy for implementing UCMBEST.

The plan focused on attracting the industry clusters identified in the market niche reports, and provided a series of steps to implement development of those clusters and of the UCMBEST plan more broadly.

After the preparation of these planning documents, UCMBEST obtained a grant to construct infrastructure for the first phase of the development of UCMBEST. The infrastructure has been constructed and stands on the site today, but little development has occurred. Although the feasibility studies conducted in 1995 and 1996 identified infrastructure as the major hurdle for the project, it faced larger challenges.

Currently UCMBEST is focused on a fairly narrow set of uses related to its vision and its mission, mostly research and development. The current permitted uses include:

- Educationally Related
- Research and Development
- Light Industrial/Service Commercial
- Commercial Mixed Use
- Special Amenity
- Interim Uses

Although fairly broad, these permitted uses are subject to the tenant selection criteria, however, which include the following:

- Involvement in research, education, or public policy that includes interaction, or complementary activities, with regional and other institutions of tertiary education or research. Examples of interactions include: research agreements; intellectual property agreements; membership in industrial consortia; shared facilities; joint appointments; training agreements; consulting; gifts, donations or other contributions; recruitment of personnel; or student internships.
- Involvement in research, education, or public policy that includes interaction with other tenants of the UC MBEST Center.
- Regulatory responsibility for applying results of research.
- Post-secondary instruction such as degree courses, professional in-service training, or lifelong learning.
- Involvement with international activities requiring extensive use of foreign languages.
- Activities which enhance the research or educational objectives of regional institutions of research or tertiary education, or other tenants of the UC MBEST Center, by producing knowledge, goods, or services that complement, draw upon, are used by, or apply the knowledge, goods, or services of these regional entities.
- Activities which create opportunities for the faculty, staff, or alumni of regional institutions to work in their fields of specialty.

These requirements mean that a wide range of uses typically in business parks in Monterey County, such as logistics and agricultural processing, are not permitted at UCMBEST.

Market Analysis

In this section, UCE reviewed key economic and demographic trends in Monterey County and the area around UCMBEST, and examined the market potential for development at UCMBEST over the short term (ten years) and long term (twenty years). It is important to note a difference in this analysis from that conducted originally. The original work for UCMBEST defined the market area of UCMBEST as the “Monterey Bay region”, encompassing both Monterey and Santa Cruz counties. Because of the weight of Silicon Valley, the NASA/Ames research center, and other complementary uses equidistant from UC Santa Cruz as UCMBEST, UCE does not believe that Santa Cruz county is reasonably within the market shed of UCMBEST and should not be included for planning purposes. This assessment appears to be borne out by the experience at UCMBEST over the past fifteen years. If it turns out that UCBMEST can draw employees from Santa Cruz County, perhaps through an effective collaboration or marketing campaign, the performance of UCBMEST could improve significantly.

Regional Demographic and Economic Trends

Population

The population of Monterey County has grown steadily from 2000 to 2010, increasing by over 34,000 to 436,000 (see Table 1). During this period, the county’s population increased at an annual average rate of 0.8 percent. Unincorporated Monterey County gained more than 8,000 new residents during that period, for a total population of almost 110,000 in 2010.

Monterey County’s population is projected to experience modest growth over the next 25 years, as shown in Table 2. According to AMBAG’s projections, the population of Monterey County will increase at an average annual rate of 0.7 percent between 2010 and 2030, while the unincorporated portion of the County will grow 0.2 percent annually. From 2010 to 2030 Monterey County will add 70,000 new residents and 29,000 new housing units. It is important to note, however, that the majority of the population growth will occur in Salinas (17,000) and in cities such as Gonzales, Greenfield and King City in the southern part of the County.

Employment

As shown on Table 3, as of 2010 Monterey County held approximately 121,500 non-farm jobs, and had an unemployment rate of 12.8 percent. Agriculture continues to be the largest source of employment for the County. Total farm jobs accounted for approximately 27 percent of jobs in the County. Leisure & hospitality jobs and retail trade combined account for approximately 22 percent of the jobs in the Monterey County economy. Professional & Business Services accounts for approximately seven percent of all employment.

UCE analyzed historical employment trends in Monterey County. As shown in Table 3, the county's employment had been growing steadily up until 2008, but saw a significant drop in 2009 (followed by a mild decrease in 2010), leading to an annual average rate of -0.1 percent for the last nine years. Monterey County's economy is driven primarily by agriculture, tourism and jobs that serve the local population. As a result of its economic mix Monterey County's economy is growing somewhat more slowly than the other counties. Nevertheless, with few exceptions, overall employment increased significantly in most industries during the late 1990s before stagnating during the economic downturn from 2000 to 2004 and more recently during the 2007-2008 economic slowdown. For example, the construction and professional & business service industries grew at robust rates of 3.0 and 5.9 percent, respectively during the 1990s. Educational and health services grew at approximately 3.4 percent during the same period. Since 2000, however, employment in the construction and professional services industries has stagnated significantly, and declined since 2007. Educational and health services and leisure & hospitality, as well as wholesale and retail trade, and farm-related jobs have driven employment growth since 2000.

The Association of Monterey Bay Area Governments' (AMBAG) estimates for 2008 (see Table 2) show that employment growth is expected to be more evenly distributed than population growth (which appears weighted to the south). As shown on Table 2, communities near UCMBEST, such as Monterey, Sand City, and Seaside, have projected rates of employment growth above the countywide average of 0.7 percent. Through 2030 overall countywide employment is projected to grow by 30,000.

Table 4 details employment trends in Monterey County by industry. As shown in Table 4, employment is projected to grow more quickly in the service sector and retail, while agriculture is projected to grow at a rate of only 0.1 percent annually. Government and construction employment will grow by 0.8 percent annually through 2030, while industrial employment will grow by 0.5 percent. As a result, while agriculture will remain an important part of County employment, the relative share of other industry sectors will increase, especially the service sector (which has projected growth of 16,000, or 1.0 percent).

Because the AMBAG data does not provide a more detailed breakdown of employment projections, UCE has also obtained data from the Employment Development Department of the State of California, which creates employment estimates based on data from the United States Department of Labor, Bureau of Labor Statistics, classified according to NAICS (North American Industry Classification System) categories. The State of California publishes this data through its Employment Development Department (EDD). As shown on Table 6, the EDD projects that employment in Monterey County will increase by approximately 16,000 between 2008 and 2018. The vast majority of this increase, however, will occur in the farm sector (5,700), education health care and social assistance (3,400) and government (3,200). By way of contrast, professional and business services is projected to gain 800 jobs and manufacturing is projected to lose 700. These are the two key employment categories for the kinds of private sector businesses contemplated for UCMBEST. Table 5 details the same information for the past twenty years. As shown on Table 6, the professional and business services category saw some growth from 1990 to 2005, increasing by 4,000, but by 2010 had lost over half of that growth. This is likely part of the explanation why it has been difficult to find tenants of the types envisioned for UCMBEST, they have been fairly scarce.

If UCMBEST casts a wider net, however, there are other industry categories that look more promising. As shown on Table 6, both education and government employment have significant projected growth through 2018, at 26 percent and 10 percent, respectively, and 6,200 additional jobs between them. A more detailed analysis would be required, however, to drill down into the NAICS categories to determine market support more precisely.

Table 1 Monterey County Population Growth

	4/1/90	4/1/00	1/1/01	1/1/02	1/1/03	1/1/04	1/1/05	1/1/06	1/1/07	1/1/08	1/1/09	1/1/10	Rate of Growth '90- '00	Absolute Growth '90-'00	Rate of Growth '00-'10	Absolute Growth '00-'10
Population																
Carmel-By-The-Sea	4,241	4,081	4,117	4,137	4,135	4,134	4,089	4,051	4,041	4,049	4,028	4,053	-0.4%	-160	-0.1%	-28
Del Rey Oaks	1,661	1,650	1,663	1,668	1,667	1,667	1,647	1,629	1,623	1,627	1,630	1,649	-0.1%	-11	0.0%	-1
Gonzales	4,660	7,564	7,937	8,204	8,409	8,490	8,397	8,486	8,717	8,803	9,007	9,114	5.0%	2,904	1.9%	1,550
Greenfield	7,464	12,648	12,744	12,948	13,144	13,270	13,354	15,390	16,589	17,316	17,512	17,898	5.4%	5,184	3.5%	5,250
King City	7,634	11,204	11,363	11,494	11,498	11,566	11,428	11,370	11,491	11,852	11,999	12,140	3.9%	3,570	0.8%	936
Marina	26,512	18,925	19,073	19,153	19,178	19,266	19,047	18,891	18,914	19,171	19,224	19,445	-3.3%	-7,587	0.3%	520
Monterey	31,954	29,696	29,665	30,064	30,452	29,779	30,462	30,101	30,057	29,322	29,187	29,455	-0.7%	-2,258	-0.1%	-241
Pacific Grove	16,117	15,522	15,643	15,708	15,700	15,698	15,525	15,359	15,408	15,472	15,506	15,683	-0.4%	-595	0.1%	161
Salinas	108,777	142,685	144,696	146,689	148,117	149,906	149,675	148,870	149,208	150,898	152,285	153,948	2.8%	33,908	0.8%	11,263
Sand City	192	261	270	271	285	310	302	301	300	298	312	329	3.1%	69	2.3%	68
Seaside	38,826	33,097	33,530	34,139	33,896	33,674	33,991	33,509	33,306	34,194	34,175	34,628	-1.6%	-5,729	0.5%	1,531
Soledad	7,161	23,015	22,636	22,482	24,711	26,315	27,362	28,134	28,323	27,905	28,016	27,929	12.4%	15,854	2.0%	4,914
Balance Of County	100,461	101,414	103,616	105,419	106,227	106,727	106,095	105,326	105,785	107,642	108,160	109,607	0.1%	953	0.8%	8,193
County Total	355,660	401,762	406,953	412,376	417,419	420,802	421,374	421,417	423,762	428,549	431,041	435,878	1.2%	46,102	0.8%	34,116

Data for 1990 and 2000 are as of April of that year. All other data are as of January of that year. Population estimates differ from AMBAG estimates presented in table II-3 by less than 1 percent.

Source: California Department of Finance

Table 2 Projected Population and Employment, Monterey County

	2005	2010	2015	2020	2025	2030	Rate of Growth '10-'30	Absolute Growth '10-'30
Population								
Carmel-By-The-Sea	4,091	4,075	3,848	3,873	3,885	4,007	-0.1%	-68
Del Rey Oaks	1,647	1,627	1,745	2,237	2,684	3,197	3.4%	1,570
Gonzales	8,399	10,831	13,304	15,969	18,199	20,941	3.4%	10,110
Greenfield	13,357	17,795	19,090	21,855	24,912	27,348	2.2%	9,553
King City	11,430	13,540	15,392	17,269	19,295	22,482	2.6%	8,942
Marina	19,051	24,551	26,658	29,274	30,133	32,010	1.3%	7,459
Monterey	30,467	30,106	30,092	30,278	30,464	30,650	0.1%	544
Pacific Grove	15,528	15,530	15,550	15,550	15,300	15,057	-0.2%	-473
Salinas	149,705	153,779	162,044	163,234	166,401	170,913	0.5%	17,134
Sand City	302	447	1,498	1,498	1,498	1,498	6.2%	1,051
Seaside	35,173	34,666	35,165	35,158	35,709	35,017	0.1%	351
Soledad	27,365	28,853	31,115	33,760	36,392	38,801	1.5%	9,948
Unincorporated Monterey Co.	106,117	109,509	111,105	113,778	114,469	113,628	0.2%	4,119
<i>Total Monterey County</i>	422,632	445,309	466,606	483,733	499,341	515,549	0.7%	70,240
<i>San Benito County</i>	57,324	62,431	68,471	76,140	83,383	89,431	1.8%	27,000
<i>Santa Cruz County</i>	260,092	268,041	273,983	280,493	285,735	290,597	0.4%	22,556
Housing Units								
Carmel-By-The-Sea	3,349	3,377	3,387	3,409	3,434	3,458	0.1%	81
Del Rey Oaks	727	727	780	1,000	1,200	1,419	3.4%	692
Gonzales	1,920	2,512	3,104	3,695	4,287	4,879	3.4%	2,367
Greenfield	2,886	3,700	4,287	4,987	5,688	6,388	2.8%	2,688
King City	2,886	3,470	4,055	4,639	5,224	5,808	2.6%	2,338
Marina	8,612	9,437	10,662	11,487	12,312	13,137	1.7%	3,700
Monterey	13,537	13,630	13,723	13,816	13,909	14,002	0.1%	372
Pacific Grove	8,052	8,108	8,108	8,108	8,123	8,140	0.0%	32
Salinas	41,725	44,080	46,566	48,558	50,532	52,507	0.9%	8,427
Sand City	105	200	670	670	670	670	6.2%	470
Seaside	11,223	11,408	11,593	11,779	11,964	12,149	0.3%	741
Soledad	3,447	4,066	4,684	5,303	5,922	6,540	2.4%	2,474
Unincorporated Monterey Co.	38,869	42,506	44,442	45,406	46,668	47,139	0.5%	4,633
<i>Total Monterey County</i>	137,338	147,221	156,061	162,857	169,933	176,236	0.9%	29,015
Employment								
Carmel-By-The-Sea	3,245	3,245	3,245	3,245	3,245	3,245	0.0%	0
Del Rey Oaks	354	360	377	395	416	437	1.0%	77
Gonzales	1,014	1,063	1,100	1,140	1,210	1,273	0.9%	210
Greenfield	962	1,008	1,045	1,230	1,277	1,326	1.4%	318
King City	2,859	2,923	3,047	3,186	3,344	3,512	0.9%	589
Marina	3,253	3,334	3,653	3,990	4,273	4,473	1.5%	1,139
Monterey	32,327	32,752	34,209	35,773	37,346	38,974	0.9%	6,222
Pacific Grove	6,936	7,058	7,406	7,586	7,684	7,785	0.5%	727
Salinas	49,141	49,872	52,135	54,230	56,380	58,611	0.8%	8,739
Sand City	2,219	2,366	2,629	2,933	3,289	3,568	2.1%	1,202
Seaside	6,840	7,360	7,792	8,462	9,224	10,055	1.6%	2,695
Soledad	5,501	5,868	5,890	6,008	6,269	6,554	0.6%	686
Unincorporated Monterey Co.	78,459	79,221	81,082	82,882	84,753	86,817	0.5%	7,596
<i>Total Monterey County</i>	193,110	196,430	203,660	211,160	218,830	226,780	0.7%	30,350
<i>San Benito County</i>	16,910	17,380	18,090	19,050	19,970	20,980	0.9%	3,600
<i>Santa Cruz County</i>	116,320	115,070	120,800	126,870	133,350	140,160	1.0%	25,090

Source: Monterey Bay Area 2008 Regional Forecast, Association of Monterey Bay Area Governments.

Table 3 Monterey County Employment Growth

Employment Category	1990	2000	2005	2006	2007	2008	2009	2010	1990-2000		2000-2010	
									Ann. Rate of Growth	Absolute Change	Ann. Rate of Growth	Absolute Change
Population based employment ^a												
Civilian Labor Force	172,800	203,100	208,800	206,400	209,200	213,300	216,600	219,600	1.6%	30,300	0.9%	16,500
Civilian Employment	156,100	188,200	193,500	192,100	194,100	195,400	190,900	191,500	1.9%	32,100	0.2%	3,300
Civilian Unemployment	16,700	14,900	15,300	14,300	15,100	17,900	25,700	28,000	-1.1%	-1,800	7.3%	13,100
Civilian Unemployment Rate	9.7%	7.4%	7.3%	6.9%	7.2%	8.4%	11.9%	12.8%				
Industry based employment ^b												
Total, All Industries	138,900	166,400	169,800	168,300	169,500	171,500	165,400	166,800	1.8%	27,500	0.0%	400
Total Farm	28,800	39,100	42,400	40,400	41,100	43,300	42,800	45,400	3.1%	10,300	1.7%	6,300
Total Nonfarm	110,100	127,300	127,400	127,900	128,400	128,200	122,100	121,500	1.5%	17,200	-0.5%	-5,800
Natural Resources & Mining	200	100	200	200	200	200	200	200	-6.7%	-100	8.0%	100
Construction	4,700	6,300	6,700	7,200	7,000	6,100	4,600	4,100	3.0%	1,600	-4.7%	-2,200
Manufacturing	9,100	8,700	6,700	6,100	6,000	6,100	5,700	5,300	-0.4%	-400	-5.4%	-3,400
Service Providing	96,100	112,200	113,800	114,400	115,400	115,800	111,700	111,800	1.6%	16,100	0.0%	-400
Trade, Transportation & Utilities	22,000	24,500	25,000	25,300	25,500	25,400	23,400	23,400	1.1%	2,500	-0.5%	-1,100
Wholesale Trade	4,200	4,600	4,800	5,000	4,900	5,100	4,900	5,000	0.9%	400	0.9%	400
Retail Trade	14,700	16,400	16,800	16,800	17,000	16,700	15,100	15,100	1.1%	1,700	-0.9%	-1,300
Information	3,400	2,800	2,400	2,200	2,100	2,000	1,700	1,700	-1.9%	-600	-5.4%	-1,100
Financial Activities	6,600	6,300	6,100	6,200	6,000	5,500	4,700	4,400	-0.5%	-300	-3.9%	-1,900
Professional & Business Services	7,300	12,900	12,500	12,400	12,000	11,600	10,900	11,300	5.9%	5,600	-1.5%	-1,600
Educational & Health Services	8,000	11,200	12,200	12,500	12,600	13,100	13,600	13,600	3.4%	3,200	2.2%	2,400
Leisure & Hospitality	17,800	20,000	20,800	20,700	21,100	21,400	20,300	20,100	1.2%	2,200	0.1%	100
Other Services	3,500	4,200	4,600	4,500	4,500	4,600	4,600	4,700	1.8%	700	1.3%	500
Government	27,700	30,400	30,300	30,600	31,500	32,200	32,600	32,600	0.9%	2,700	0.8%	2,200

^a These figures represent employment of Monterey County residents regardless of where they may be employed.

^b These figures represent employment in Monterey County based businesses regardless of where the employee resides.

Source: State of California Department of Employment Development, Labor Market Info

Table 4 Projected Employment Growth by Industry, Monterey County

	2005	2010	2015	2020	2025	2030	2010-2020		2010-2030	
							Ann. Growth Rate	Absolute Growth	Ann. Growth Rate	Absolute Growth
All Sectors	193,110	196,430	203,660	211,160	218,830	226,780	0.7%	14,730	0.7%	30,350
Retail	19,000	19,200	20,040	20,920	21,840	22,800	0.9%	1,720	0.9%	3,600
Service ^a	67,970	69,560	73,370	77,360	81,400	85,560	1.1%	7,800	1.0%	16,000
Industrial ^b	20,690	21,020	21,580	22,160	22,750	23,360	0.5%	1,140	0.5%	2,340
Public ^c	31,020	31,990	33,310	34,640	36,020	37,470	0.8%	2,650	0.8%	5,480
Construction	10,740	10,910	11,380	11,870	12,380	12,910	0.8%	960	0.8%	2,000
Agriculture	43,690	43,750	43,980	44,210	44,440	44,680	0.1%	460	0.1%	930

^a Includes Information, Finance, Insurance, and Real Estate Services, Professional Services, and Leisure & Entertainment.

^b Includes Manufacturing, Wholesale, and Transportation.

^c Includes employment in Education Government/Military, and Other.

Source: Monterey Bay Area 2008 Regional Forecast, Association of Monterey Bay Area Governments.

Table 5 Historical Employment By NAICS Classification

Industry Category	1990	1995	2000	2005	2010	Employment Change			
						1990-2010	%	1995-2010	%
Total Employment	172,800	174,600	203,200	207,000	219,600	46,800	27.1%	45,000	25.8%
Total Farm	28,800	33,000	39,100	42,400	45,400	16,600	57.6%	12,400	37.6%
Total Nonfarm	110,100	108,200	127,300	127,400	121,500	11,400	10.4%	13,300	12.3%
Mining and Logging	200	100	100	200	200	0	0.0%	100	100.0%
Construction	4,700	3,800	6,300	6,700	4,100	(600)	-12.8%	300	7.9%
Manufacturing	9,100	9,000	8,700	6,700	5,300	(3,800)	-41.8%	(3,700)	-41.1%
<i>Durable Goods</i>	3,300	3,100	2,500	1,700	1,400	(1,900)	-57.6%	(1,700)	-54.8%
<i>Nondurable Goods</i>	5,700	5,900	6,200	5,000	3,900	(1,800)	-31.6%	(2,000)	-33.9%
Food Manufacturing	3,700	4,100	4,500	3,300	2,300	(1,400)	-37.8%	(1,800)	-43.9%
Non-Durable Goods - Residual	2,100	1,800	1,800	1,700	1,600	(500)	-23.8%	(200)	-11.1%
Trade, Transportation & Utilities	22,000	20,300	24,500	25,000	23,400	1,400	6.4%	3,100	15.3%
<i>Wholesale Trade</i>	4,200	3,400	4,600	4,800	5,000	800	19.0%	1,600	47.1%
<i>Retail Trade</i>	14,700	14,100	16,400	16,800	15,100	400	2.7%	1,000	7.1%
Food & Beverage Stores	3,000	2,900	3,500	3,400	3,400	400	13.3%	500	17.2%
Retail Trade - Residual	11,800	11,100	12,900	13,400	11,600	(200)	-1.7%	500	4.5%
<i>Transportation, Warehousing & Utilities</i>	3,000	2,900	3,500	3,400	3,300	300	10.0%	400	13.8%
Information	3,400	3,100	2,800	2,400	1,700	(1,700)	-50.0%	(1,400)	-45.2%
Financial Activities	6,600	6,700	6,300	6,100	4,400	(2,200)	-33.3%	(2,300)	-34.3%
Professional & Business Services	7,300	9,600	12,900	12,500	11,300	4,000	54.8%	1,700	17.7%
Educational, Health Care & Social Assistance	8,000	9,300	11,200	12,200	13,600	5,600	70.0%	4,300	46.2%
<i>Educational Services</i>	1,200	1,500	1,800	1,700	2,200	1,000	83.3%	700	46.7%
<i>Health Care & Social Assistance</i>	6,700	7,800	9,400	10,500	11,400	4,700	70.1%	3,600	46.2%
Leisure & Hospitality	17,800	16,800	20,000	20,800	20,100	2,300	12.9%	3,300	19.6%
<i>Arts, Entertainment & Recreation</i>	2,000	1,200	2,200	2,300	2,200	200	10.0%	1,000	83.3%
Accommodation & Food Services	15,800	15,600	17,800	18,400	18,000	2,200	13.9%	2,400	15.4%
Accommodation	6,400	6,400	7,100	7,200	6,700	300	4.7%	300	4.7%
Food Services & Drinking Places	9,400	9,200	10,700	11,200	11,300	1,900	20.2%	2,100	22.8%
Other Services	3,500	3,700	4,200	4,600	4,700	1,200	34.3%	1,000	27.0%
Government	27,700	25,800	30,400	30,300	32,600	4,900	17.7%	6,800	26.4%
<i>Federal Government</i>	8,600	5,500	5,000	4,800	5,800	(2,800)	-32.6%	300	5.5%
<i>State & Local Government</i>	19,100	20,300	25,400	25,400	26,800	7,700	40.3%	6,500	32.0%
<i>State Government</i>	2,400	2,600	4,500	4,600	5,500	3,100	129.2%	2,900	111.5%
State Government Education	0	200	900	900	1,000	1,000	N/A	800	400.0%
State Government Excluding Education	2,400	2,500	3,500	3,700	4,500	2,100	87.5%	2,000	80.0%
<i>Local Government</i>	16,700	17,600	20,900	20,900	21,300	4,600	27.5%	3,700	21.0%

Source: Employment Development Department, State of California

Urban Community Economics, Inc., 2011

Table 6 Employment Projections by NAICS Classification

Industry Category	2008	2018	Change	
			2008-2018	%
Total Employment	187,800	203,900	16,100	8.6%
Total Farm	43,300	49,000	5,700	13.2%
Total Nonfarm	128,200	137,100	8,900	6.9%
Mining and Logging	200	200	0	0.0%
Construction	6,100	5,900	(200)	-3.3%
Manufacturing	6,100	5,400	(700)	-11.5%
<i>Durable Goods Manufacturing (321,327,331-339)</i>	1,600	1,700	100	6.3%
<i>Nondurable Goods Manufacturing (includes 311-316,322-326)</i>	4,500	3,700	(800)	-17.8%
Food Manufacturing	2,700	1,900	(800)	-29.6%
Residual (includes 312-313,315,322-323,325)	1,800	1,800	0	0.0%
Trade, Transportation, and Utilities	25,400	26,400	1,000	3.9%
<i>Wholesale Trade</i>	5,100	5,600	500	9.8%
<i>Retail Trade</i>	16,700	17,100	400	2.4%
Food and Beverage Stores	3,400	3,600	200	5.9%
Residual (includes 441-444,446-448,451-454)	13,300	13,500	200	1.5%
Transportation, Warehousing, and Utilities	3,600	3,700	100	2.8%
Information	2,000	1,600	(400)	-20.0%
Financial Activities	5,500	5,000	(500)	-9.1%
Professional and Business Services	11,600	12,400	800	6.9%
Education Services, Health Care, and Social Assistance	13,100	16,500	3,400	26.0%
<i>Educational Services (Private)</i>	1,900	2,700	800	42.1%
<i>Health Care and Social Assistance</i>	11,200	13,800	2,600	23.2%
Leisure and Hospitality	21,400	23,400	2,000	9.3%
<i>Arts, Entertainment, and Recreation</i>	2,200	2,400	200	9.1%
<i>Accommodation and Food Services</i>	19,300	21,000	1,700	8.8%
Accommodation	7,500	8,100	600	8.0%
Food Services and Drinking Places	11,800	12,900	1,100	9.3%
Other Services (excludes 814-Private Household Workers)	4,600	4,900	300	6.5%
Government	32,200	35,400	3,200	9.9%
<i>Federal Government</i>	5,100	5,500	400	7.8%
<i>State and Local Government</i>	27,100	29,900	2,800	10.3%
State Government	5,400	5,900	500	9.3%
State Government Education	1,000	1,100	100	10.0%
Other State Government	4,400	4,800	400	9.1%
Local Government	21,800	24,000	2,200	10.1%
Local Government Education	11,300	12,000	700	6.2%
Other Local Government	10,500	12,000	1,500	14.3%

Commercial Market

Industrial

As shown on Table 7, as of the first quarter of 2011, Monterey County had a total of 20.8 million square feet of industrial space. Of this total, 1.7 million is in the area of Monterey County north of Salinas. The vacancy rate in the first quarter of 2011 ranged from 1.1 percent to 5.2 percent, an improvement over 3.8 percent to 7.9 percent in the first quarter of 2010. Countywide the vacancy rate stood at 7.6 percent in the first quarter of 2010 and 6.0 percent in the first quarter of 2011.

Office

Table 7 also details historical statistics for the office market in Monterey County. As of the first quarter of 2011, Monterey County had a total of 8.5 million square feet of office space. Of this total, 4.1 million is in the area of Monterey County north of Salinas. The vacancy rate in the first quarter of 2011 ranged from 6.4 percent to 18.0 percent, an increase of over 9.3 percent to 16.2 percent in the first quarter of 2010. Countywide the vacancy rate stood at 10.0 percent in the first quarter of 2010 and 9.1 percent in the first quarter of 2011. By way of comparison, in 1995 Monterey County had a total of 4.7 million square feet of R&D and Office space, with a net increase of 3.7 million square feet, or 79 percent, from 1995 to 2011.¹

Table 7 Office and Industrial Market in Monterey County

Type	Q1 2011	Vacancy	Q1 2010	Vacancy	1995	Vacancy	1995-2011	%
Office								
Carmel/Pacific Grove	545,246	18.0%	542,246	16.2%				
Monterey	3,392,206	8.9%	339,2206	12.2%				
Sand City/Seaside/Marina	243,556	6.4%	243,556	9.3%				
Salinas Castroville	4,093,250	8.6%	4,093,250	7.8%				
South Cnty	179,328	3.2%	179,328	2.2%				
Total Monterey County	8,453,586	9.1%	8,453,586	10.0%	4,713,159	7.3%	3,740,427	79.4%
Industrial								
Monterey	582,569	1.1%	582,569	3.8%				
Sand City/Seaside/Marina	1,181,304	5.2%	1,181,304	7.9%				
Salinas Castroville	15,347,805	5.2%	15330805	7.0%				
South Cnty	3,640,420	10.4%	3640420	10.5%				
Total Monterey County	20,752,098	6.0%	20,735,098	7.6%				

Source: Cassidy Turley/BT Commercial

Urban Community Economics, Inc., 2011

Real Estate Demand Analysis

The primary driver for demand for new commercial space in a market area is employment growth. Different categories of employment drive different categories of

¹ The source of this data, BT Commercial, no longer tracks R&D and Office space separately in Monterey County.

commercial space. As noted above, the types of industry contemplated for UCMBEST are limited to the “manufacturing” and “professional and business services categories”. The following analysis projects market demand for space at UCMBEST for those employment categories.

Future Demand

UCE’s calculation of UCMBEST demand in Monterey County is based on the following key assumptions:

- EDD’s employment projections from 2008 to 2018.
- Standard industry ratios for employee space of 350 gross square feet per employee are applied.
- 50% market share of new employees for UCMBEST.²




As shown on Table 8, this increase in employment results in an annual demand for new space at UCMBEST of approximately 15,000. The total estimated market demand through 2028 is 296,000 square feet. This is far short of what is needed to build out the UCMBEST plan. This analysis does not take into account any existing vacant space or space available for sublease, which could reduce market demand for UCMBEST. Depending on the time horizon of UCMBEST planning, however, the total number of expected square feet could be higher. It is important to note, however, that this estimate is calculated from the total number of new professional and business services employees projected for Monterey County. In point of fact it is likely that a significant portion of these new employees will not be appropriate for UCMBEST, and that therefore the estimate of market demand may be lower than what is calculated on Table 6.

Existing Users

Given the relatively modest demand from new employees in the market area, it appears likely that UCMBEST will need to look to existing users to create a critical mass of activity at the site. The original business plan and feasibility work contemplated this, and suggested extensive collaboration with nearby research and education institutions, and a focus on areas of potential strength in the region, including agriculture- and marine-related research and technology.

² This is a rough estimate of capture, and assumes a successful marketing campaign by UCMBEST. It is not supported by a market study or other analysis but in the estimation of UCE constitutes a “best case” for for absorption of market opportunities by UCMBEST.

Table 8 UCMBEST Space Demand Estimate

	2008-2018	2018-2028 (2)	Total Demand 2008-2028
<u>Employment Growth</u>			
Estimated UCMBEST Space Users in Monterey County (1)	800	800	1,600
<u>Office Demand Growth</u>			
Space Demand Growth @ 350 gross sf per new employee	280,000	280,000 	560,000
Occupancy in Equilibrium (%) (3)	95%	95%	
New Space Demand	296,000 	296,000	592,000
Total Demand for New UCMBEST Users in Monterey Co (SF)	296,000 	296,000	592,000
Annual Office Demand (SF)	29,600	29,600	29,600
Estimated UCMBEST Share	50.0%	50.0%	
Estimated UCMBEST Demand	148,000	148,000	296,000
Annual	14,800	14,800	29,600

Sources: EDD, AMBAG, Urban Community Economics, Inc.

(1) Employees from "professional and business services on Table 6

(2) Assumes 2018-2028 increase same as 2008-2018.

(3) Occupancy in equilibrium is based on average for the last two years

Urban Community Economics, 2011

Successful University Research Parks

Successful research parks are all alike, unsuccessful research parks are each unsuccessful in their own way. Leo Tolstoy (paraphrased)

According to the Association of University Research Parks, successful university research parks share a number of factors that contribute to their success:

- Ease of Development and Entitlement
- Existing or subsidized Infrastructure
- Flexible uses and sizes of users
- Proximity of researchers and sources of innovation
- Access to appropriate labor force
- Business incubator services
- Commitment of the university community
- Commitment of the local development community
- Ability to offer space at a price competitive with regional alternatives
- Presence of an anchor tenant
- Availability of amenities

UCMBEST has many of these factors. A key to understanding how UCMBEST can be successful will be to emphasize the factors that have helped while minimizing things that may have impeded development. It may be useful over the course of the visioning process to understand the extent to which tenants and businesses that would have been appropriate for UCMBEST chose to locate elsewhere and why. Such case studies can provide the key to not losing the next tenant who comes along.

In addition, there are a number of trends apparent nationally as business parks have evolved:

- Focus more on incubating future tenants rather than recruiting
- Targeting particular niches
- Mixed-use development to provide richer environment and on-site amenities for employees

These offer potential modifications to the original vision for UCMBEST and can be points of discussion among stakeholders as a revised vision for the project is formulated.

Next Steps

This study is meant to provide an overview of what has gone on before, in support of an effort to refresh the vision of UCMBEST and come to a consensus on next steps. The Monterey Area has gone through at least two real estate cycles since the establishment of UCMBEST, with very little development. As part of the visioning effort UCE will prepare an understanding of the market prospects of the site in a general way, along with an evaluation of the ideas that come out of the visioning process over the next two months. In cooperation with stakeholders and other parties, UCE will also revisit the analysis originally conducted to see if the market clusters are still valid or need to be adjusted.

UCE staff will work with stakeholders and other participants to “truth” the ideas that emerge and formulate an implementation plan that builds on what has already been prepared, updating the analysis and identifying new opportunities. Given the relatively modest inherent market demand in Monterey County, it seems clear that close collaboration with Monterey-area institutions will be key to UCMBEST’s success.

Appendix 2

I. VISIONING PROCESS TIMELINE

March/April – Assessing and Understanding

The consultant team collected and reviewed several existing documents, including:

- » UC MBEST Center Master Plan, ROMA Design Group, 12/96.
- » Final Report: Monterey Bay Science and Technology Center Baseline operations plan and financial analysis, EPS, 3/95.
- » Monterey Bay Science and Technology Center Business Plan, EPS, 12/96.
- » Monterey Bay Science and Technology Center Business Plan Executive Summary, EPS, 12/96.
- » Environmental Industry Market Niche Study, Final Report, EPS, 9/96.
- » Information Technology Market Niche Study, Final Report, EPS, 9/96.
- » Multimedia Market Niche Study, Final Report, EPS, 9/96.
- » Biotechnology Market Niche Study, Final Report, EPS, 9/96.
- » Monterey Bay Science and Technology Center, The Market Evaluation and Strategy Plan, various authors, 10/96.
- » Monterey Bay Science and Technology Center Business Plan Technical Appendices, EPS, 12/96.
- » Marina Airport Master Plan, 11/96.
- » Fort Ord Reuse Plan, '97.
- » CSUMB Master Plan, 5/10.

Leader interviews included:

- » March 16th – Congressman Sam Farr.
- » March 21st – 5th District Supervisor/ FORA Chair Dave Potter.
- » March 21st – UC Chancellor and senior staff.
- » March 30th – 4th District Supervisor Jane Parker.

- » April 6th –Marina Mayor Bruce Delgado.
- » April 20th CSUMB Staff.

Meetings with key directly- and indirectly-affected stakeholders included:

- » MPC.
- » CSUMB.
- » NPS.
- » DLI.
- » MIIS.
- » Cities – Monterey, Del Rey Oaks, Seaside, Salinas.
- » Educational and Technology – Marina Technology Cluster, Monterey College of Law, Hartnell College, Defense Management Data Center (DMDC), UC Extension, MPUSD, USDA, Golden Gate University.
- » Ocean research – Monterey Bay Crescent Ocean Research Consortium (Moss Landing Marine Lab - CSU, MBARI, UC Santa Cruz Institute of Marine Sciences, etc.).
- » Business representatives – Monterey Business Council, Monterey/Santa Cruz Building and Trades Council, Hospitality Industry, Ag Industry.
- » Fort Ord Developers: The Dunes, Marina Heights, East Garrison, Monterey Downs, and others.

May – Visioning Workshop, Working Group, and Leadership Meetings

During the month of May three facilitated meetings were held: a Visioning Workshop was held (May 18/19) with many of the stakeholder groups; a working group meeting (May 19); and a Leaders “summit” meeting (May 16). The goal of these meetings was to identify, at a policy level, common visions and ideas that would lead to an overall consensus and direction to move forward.

June – Final Meetings and Recommendations

A series of meetings and conference calls were held to review all of the ideas and information gathered during the previous two months. An initial set of recommendations was developed and presented to the Leaders on June 27th to obtain their feedback and thoughts on the overall process and direction for moving forward.