



Economic &  
Planning Systems

*Public Finance*  
*Real Estate Economics*  
*Regional Economics*  
*Land Use Policy*

## FINAL REPORT

# UKIAH VALLEY AREA PLAN ECONOMIC BACKGROUND

Prepared for:

County of Mendocino

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# I. INTRODUCTION

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Economic & Planning Systems (EPS) was retained by the County of Mendocino to provide an economic perspective for the Ukiah Valley Area Plan (UVAP). The County of Mendocino (County) is in the process of reassessing the UVAP, which was tentatively adopted by the Mendocino County Board of Supervisors in 2003. This report concentrates on the unincorporated County portions surrounding the City of Ukiah (Study Area) and provides an economic perspective that includes an analysis of growth trends and real estate market analysis for the Study Area in the context of its surrounding trade area. This economic information will help develop a land use plan for the Study Area that is consistent with recent trends, market realities, and growth prospects.

As the County continues with this effort, there are several growth and land-use planning related questions that must be resolved by Mendocino County and other local jurisdictions serving the Study Area:

1. What is the demand for residential development in the Study Area over the next 20 years and does limited land supply for urban development and limited infrastructure capacities constrain urban development?
2. What are the “economic drivers” of the Study Area and trends in these drivers over time?
3. What amount of retail expansion should be accommodated in the Study Area and how might such outlying retail expansion affect the downtown Ukiah area?
4. How can land use policy and related administration balance growth and development opportunities with protection of natural and managed resources?
5. Given existing economic conditions and prospects, what should be the focus of economic development efforts, and how can resource-based industries, such as agriculture and timber, be revitalized?

The Ukiah Valley Area Plan Economic Background provides technical information that helps answer these questions and serves as a basis for policies to be included in the Ukiah Valley Area Plan.

## STUDY AREA

Ukiah Valley is located about 25 miles inland from the Pacific Ocean. The Valley runs north-south for approximately nine miles, with a maximum width of about three miles. The Russian River enters the Valley at the north end and runs south along the Valley floor. Pear orchards and vineyards grow along both sides of the river, while residential

and commercial land uses predominate on the west side of the river. The railroad right-of-way and Highway 101 also parallel the river through the Valley.

The Study Area for the Draft UVAP consists of approximately 37,000 acres and includes the unincorporated county portions surrounding the City of Ukiah. The exact boundaries of the Study Area are identified in **Figure 1**.

## KEY FINDINGS

**1. *Housing supply will continue expanding at historical rates if adequate land and infrastructure are made available.***

Residential growth in recent years in the Study Area is projected to continue at a pace similar to the historical rate of approximately 1 percent per year over the next 20 years. This growth, averaging about 40 residential units per year, will be influenced by a combination of factors including the expansion of the local economy, commuters from points south on the Highway 101 Corridor, and retirement households. Rural estates will remain a component of the market along with more traditional subdivisions in areas with urban services. Increasingly higher density housing products, consistent with national trends, will be built.

Inadequate water supply (and/or related water service issues) and lack of sewer capacity and limited land supply have constrained development opportunities, especially suburban density projects, in recent years. Population growth and housing demand in the Ukiah Valley could be higher than projected if adequate urban land supply and related urban infrastructure is available.

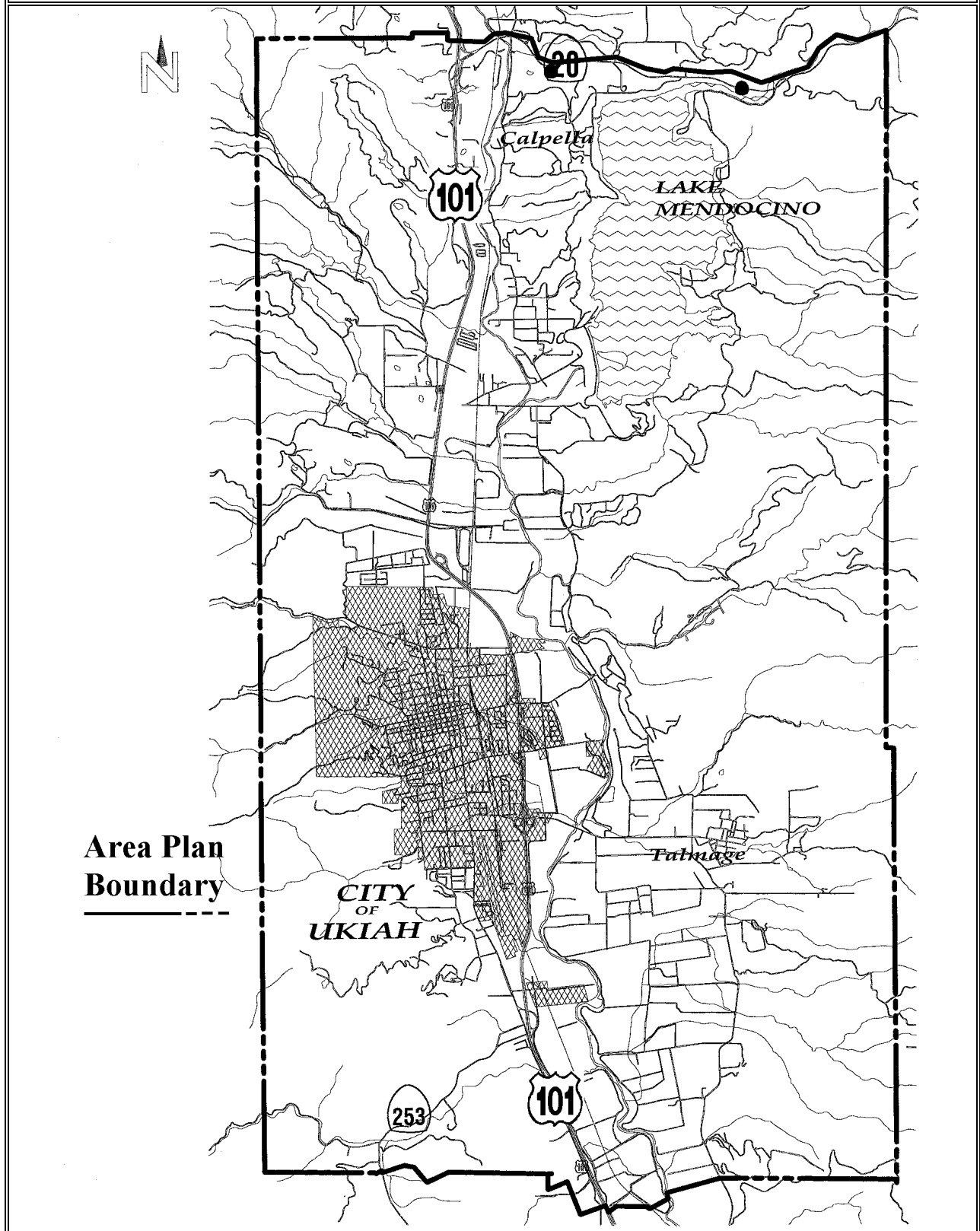
Providing an adequate supply of housing, with a range of types and affordability, is important to help maintain the quality of life of Study Area residents and enhance economic development efforts.

**2. *The “economic drivers” of the Ukiah Valley presently include retail trade and services, resource-based industries, and government; this mix is expected to continue towards an expanded service sector in the future.***

A majority of future job growth is projected to occur in the service sector consisting of trade, financial activities, professional and business services, educational and health services, leisure and hospitality, and government. The wine grape industry is expected to be stable, while the timber industry is expected to further decline. However, there is potential for increased manufacturing (local wine production and revival of wood products manufacturing), but such a reversal of current trends, while beneficial from an economic development perspective, would not substantially alter the projected expansion of the service sector. If anything, an increase in manufacturing employment would increase the expansion of the service sector.

Area Encompassed by Ukiah Valley Area Plan

Figure 1



**Area Plan  
Boundary**

Note: The Study Area does not include the City of Ukiah.

Future economic development and related increases in employment, including basic (e.g., manufacturing) and population serving (e.g., retail), will be linked to the size and quality of the labor force; the limited population growth that is projected in the Study Area and the City of Ukiah will proportionately limit economic development. However, workers in-commuting from neighboring Lake County will continue to offset local labor force shortages. It is important to note that the substantial informal economy will continue to be significant in Mendocino County, as it is in the rural counties throughout Northern California.

**3. *Expansion of the retail sector in the Study Area and the City of Ukiah can enhance the position of the Ukiah Valley as a regional center and capture sales currently “leaking” to points south along the Highway 101 Corridor.***

The Ukiah Valley presently serves a regional market consisting of the Ukiah Valley and most of Mendocino County and Lake County, with an estimated \$648 million in retail sales. As such, it is a substantial overall “attractor” of regional retail sales. At the same time, the Apparel retail sector in the Ukiah Valley and certain retail sectors, such as General Merchandise and Eating and Drinking Places in the Study Area experience “leakage” as shoppers travel down Highway 101 for regional shopping. While the market analysis indicates modest demand from the City of Ukiah and the Study Area at the present time, expanding retail in the Ukiah Valley would strengthen the Area’s position as a regional shopping destination and retain at least a portion of sales currently “leaking” from the area. The prospects for new regional retail depend on its ability to attract competitive retailers and to capture expenditures from a trade area larger than the Ukiah Valley; the mix of regional retailers will also determine the ability to compete with Santa Rosa, as well as with existing Ukiah Valley retail.

Retail expansion in the Study Area may have an effect on businesses in the Ukiah Downtown area; however, it is likely these effects can be offset in the long term. New shopping centers may affect existing businesses, especially older, underperforming stores; however, adequate opportunities exist, as has been demonstrated in other communities, for reformatting and transforming older retail areas. For example, the downtown area could focus on attracting new “mixed-use” development, including multifamily residential uses and a range of “specialty retail” shops and eating, drinking, and entertainment venues. The unique character of the Downtown and opportunity to establish mixed uses with a residential component will enhance its vitality even in the face of expanded retail elsewhere in the Valley.

**4. *Land use policy and related administration can balance growth and development opportunities with protection of natural and managed resources by establishing clear objectives for new development along with strong and enforceable resource protection policies and programs.***

Unplanned or sprawling land use patterns can diminish viability of agriculture and other managed resource production activity. The Area Plan can be used to resolve major policy issues and provide a framework for well-planned development and resource protection. To achieve this objective definitive limits on the location and intensity of new construction should focus on more efficient utilization of lands that possess urban services. Planning and implementation efforts should allow development in urban areas and seek enforceable restrictions (conservation easements, etc.) to permanently protect sensitive habitats and managed resource areas (prime agricultural lands).

## **METHODS AND SOURCES**

In order to assess the market conditions in the Ukiah Valley, population, household, employment, and housing data were gathered from the California Department of Finance, the California Employment Development Department, the U.S. Census Bureau, and the Mendocino County Planning Team. These data are used to assess the potential demand for various land uses now and in the future and compare this demand with the existing supply of land to plan for future growth.

## II. ECONOMIC BASE

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The economic base of the Ukiah Valley and Mendocino County has been evolving, reflecting patterns seen throughout rural portions of California and around the United States. A largely rural area, the Ukiah Valley economy has historically been dependent upon the County's abundant timber resources and its own agricultural capability. In the past, the Ukiah Valley and the County have relied upon agricultural crops and the timber and fishing industries for a majority of their jobs. The timber industry, along with wood products manufacturing, has been in decline for several decades. The Ukiah Valley experienced the decline first-hand with the closure of the Masonite Plant, a manufacturer of wood-based products. Several hundred jobs were lost and the site remains vacant.

While timber and related industries have recently experienced a decline, other resource-based industries are expanding. Upward economic trends are in grape acreage, wine production, tourism, and organic farming. Grape acreage is greater than all other agricultural crops combined. According to the 2005 Crop Report, there were a total of 16,624 acres of wine grapes compared to 2,619 acres for all other crops including apples, pears, walnuts, etc. Organic farming is a growing niche in the County. While relatively small, organic farming typically produces a premium-priced product for consumers and therefore a higher added value.

Two proposals to build a slaughterhouse in the Ukiah area are being explored. One entity is considering several sites along the railroad and Highway 101 in the City of Ukiah, while the other is examining a site near Talmage. No formal applications have been submitted, but the two parties are investigating the area to gauge community receptivity.<sup>1</sup>

Despite increases in agricultural processing and tourism, the region's economy has evolved from a resource-based economy to a service-based economy. According to the Mendocino County Workforce Investment Board's September 2006 Economic Scorecard, the service industry, excluding government employment, accounted for 55 percent of the total employment in the County for the second quarter 2006, an increase of 2 percentage points from the previous year. Government employment is also a significant component of total employment throughout the County and is generally stable, accounting for 23 percent of total employment in the County.

## SOURCES OF INCOME

As discussed above, the economic base of the County of Mendocino is evolving. Historically, the area's economy has been resource-based. However, with the decline in natural resource extraction, the economy has shifted to a more service-based economy.

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<sup>1</sup>Background information found at <http://noslaughterhouse.org/Background.html>.

The service providing industry is the largest component of the economy. According to the Mendocino County Workforce Investment Board, retail trade, services, and government are the three largest industry employers in the County. In addition, these industries are forecast to have the largest growth between 2003 and 2008.<sup>2</sup>

## RETAIL SALES

Retail sales tax revenue for the Study Area in 2005 was approximately \$2 million. Between 2001 and 2005 the average annual growth rate was 4.8 percent.

## MANAGED RESOURCES

### **Timber**

Mendocino County is ranked fourth in the State of timber producing counties behind Humboldt, Siskiyou, and Shasta Counties. Timber is the highest value agriculture product in Mendocino County. In 2005 the value of timber was approximately \$89.4 million; however, this represents a \$70.6 million decline from its value in 1996. While log production and the total value of timber have decreased over the years, recently its per-unit value has increased. In 2005, the average price for stumpage was approximately \$446/mbf<sup>3</sup>, an increase of approximately 19 percent from the 2004 value of \$375/mbf.<sup>4</sup>

### **Grapes and Wine**

Grape acreage and wine production is also an important part of the resource-based economy. Grape acreage has grown significantly over the years. In 2005, total wine grape-bearing acreage was 16,084, which was an increase of 476 acres from 2004. The value of wine grapes in 2005 was approximately \$72.6 million, which represents 83 percent of the value from all fruit and nut crops.

However, approximately 50 percent of the grapes are exported to other counties, such as Napa and Sonoma, for wine production. Retaining some of these exports represents an opportunity for an increase in more local wine production. This value-added agricultural production can result in additional income for the economy.

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<sup>2</sup> Mendocino County Workforce Investment Board. "Modification PY06-07 of our 5-Year Strategic Workforce Investment Plan". Accessed at [http://www.mendowib.org/5yr\\_mod\\_2006-07.pdf](http://www.mendowib.org/5yr_mod_2006-07.pdf).

<sup>3</sup> Per thousand board feet.

<sup>4</sup> Mendocino County Crop Report 2005.

## GOVERNMENT

The government industry is a significant component of Mendocino County's economy and is the second largest industry employer in the County. Government employment is generally stable. Employees in this economic sector manage Federal and State lands and programs, and work for local governments and educational institutions. The government industry is expected to continue to remain a large part of the economy.

## TRANSFER PAYMENTS

Transfer payments are an additional source of income for residents in Mendocino County. Transfer payments consist of temporary disability payments, Medicaid, temporary assistance for needy families, veterans benefit payments, etc. These payments are a combination of State and Federal support. According to the Bureau of Economic Analysis, in 2004, personal current transfer receipts in Mendocino County totaled approximately \$555 million.

## TOURISM

Tourism contributes to Mendocino County's economy through tourist-related employment and visitor spending. There has been a general upward trend in tourism in Mendocino County over the past years. Between 1992 and 2000, tourism spending in the County increased from \$230.8 million to \$325.6 million, which represents an increase of \$94.8 million or about 4.4 percent average annual growth. While the coastal areas attract most of the County's visitors, inland communities along the Highway 101 corridor also serve an important niche in the County's tourism economy. A substantial amount of Highway 101 traffic makes use of the commercial services in Hopland, Ukiah, and Willits.<sup>5</sup>

## INFORMAL ECONOMY

When discussing the economy of the Study Area and Mendocino County as a whole, the impacts of the informal economy must be discussed. Mendocino County is known for the illegal production of marijuana, which contributes income to the local economy. It is difficult to accurately measure its impact, but some sources believe that the local marijuana industry adds approximately \$1.5 billion to the County's legal economy, an

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<sup>5</sup> Mendocino County Workforce Investment Board. "Modification PY06-07 of our 5-Year Strategic Workforce Investment Plan". Accessed at [http://www.mendowib.org/5yr\\_mod\\_2006-07.pdf](http://www.mendowib.org/5yr_mod_2006-07.pdf).

estimated two-thirds of the legal economy.<sup>6</sup> This influx of dollars into the economy is unreported and can skew the market analysis.

Bartering is another aspect of the informal economy that accompanies the rural character of the area. Trading for goods and services is not typically documented, yet contributes to the local economy. The existence of bartering means that the reported size of the economy understates its actual size.

These aspects of the informal economy distort economic statistics. In effect, there is more disposable income than is measured for households from standard government sources. This added (informal) income is expended in the local economy resulting in higher expenditures than would normally be occurring.

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<sup>6</sup> Adair, Mike. "Cash Crop: Marijuana Adds \$1.5 billion to County Economy." The Willits News. November 25, 2005.

### III. GROWTH TRENDS

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This chapter presents demographic data and other characteristics of the Study Area and Mendocino County, as a whole. This information forms the basis for subsequent market demand estimates.

#### POPULATION AND HOUSEHOLDS

Future population and anticipated growth are important considerations when developing an Area Plan. Projected population and household growth determine not only the amount and types of residential development, but also the type and amount of employment-related and population-serving developments. These factors influence the demand for various land uses and help to designate appropriate amounts given existing market conditions.

As a part of the Ukiah Valley Area Plan, several important population-related issues have and will continue to influence the future of the area:

- Inadequate infrastructure has limited the growth potential of the Ukiah Valley.

Historical population figures for the Study Area were determined by overlaying Census block data on to the Study Area boundaries. All other historical population figures were gathered from the California Department of Finance (DOF). Population projections were also gathered from the DOF. Projections for the Study Area were determined by assessing the historical proportion of the Study Area population to the County population. The result is a projected Study Area population that is 25 percent of the unincorporated County population.

Mendocino County has experienced relatively low rates of population growth over the past 15 years and this modest growth is projected to continue. **Table 1** shows existing and projected population and household figures from 1990 to 2025. Between 1990 and 2005, the County population increased from 80,345 to 90,275. The Study Area grew from 13,149 to 15,262, for a net increase of 2,113. Over the same time period, the City of Ukiah also experienced growth from a population of 14,599 in 1990 to 16,010 in 2005.

Population growth rates between 1990 and 2005 varied from 1 percent for the Study Area to 0.62 percent for the City. Based on DOF population projections for 2025, the average annual growth rate will decrease to 0.65 percent for the Study Area and 0.54 percent for the City.

**Table 1**  
**Population and Households**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Item	Historical			Projected	1990-2005			2005-2025		
	1990	2000	2005	2025 [1]	Net Change	Avg. Annual Change	Avg. Annual Growth Rate	Net Change	Avg. Annual Change	Avg. Annual Growth Rate
<b>County of Mendocino</b>										
Population	80,345	86,265	90,275	103,378	9,930	662	0.78%	13,103	655	0.68%
Households	33,649	36,937	38,659	44,179	5,010	334	0.93%	5,520	276	0.67%
<b>Unincorporated Mendocino County</b>										
Population	54,234	58,195	61,696	70,297	7,462	497	0.86%	8,601	430	0.65%
Households	23,015	25,518	26,930	30,697	3,915	261	1.05%	3,767	188	0.66%
<b>City of Ukiah</b>										
Population	14,599	15,497	16,010	17,843 [2]	1,411	94	0.62%	1,833	92	0.54%
Households	5,841	6,137	6,351	7,081	510	34	0.56%	730	36	0.55%
<b>Study Area [3]</b>										
Population	13,149	14,396	15,262	17,390	2,113	141	1.00%	2,128	106	0.65%
Households	5,116	5,602	5,939	6,766	822	55	1.00%	828	41	0.65%

Source: Department of Finance (DOF); US Census Bureau; Economic & Planning Systems, Inc.

[1] Population projections are based on 2020 and 2030 DOF projections for Mendocino County.

[2] According to the City of Ukiah's Housing Element, current maximum buildout potential is an additional 1,833 people from the 2005 population.

[3] 1990 and 2000 Study Area population determined by overlaying Study Area boundaries on US Census block data. 2005 population and, at the direction of County staff, projected 2025 population assumes a 25% fixed share of the Unincorporated Mendocino County population, based on the ratio of the actual study area population to the Unincorporated County population in 1990 and 2000.

The number of households in the County increased from 33,649 in 1990 to 38,659 in 2005. In the Study Area, the number of households increased from 5,116 to 5,939 over the same time period. In the City, the number of households increased from 5,841 to 6,351.

The number of households grew at a similar rate to population. The household growth rates ranged from 0.56 percent for the City to 1.05 percent for unincorporated Mendocino County.

## **EMPLOYMENT**

Prospects for future employment are an important consideration in formulating an Area Plan. Most importantly, the type and amount of future employment creates demand for land for expanding and new businesses. Also, employment growth drives population growth as new workers form households in the local area. Finally, Area Plans are often concerned with promoting economic development in a broad sense. Designating land, providing urban infrastructure and services, and permitting a balanced supply of housing are all important elements of economic development.

As a part of the Ukiah Valley Area Plan several important employment-related issues have and will continue to influence the future of the area:

- In recent years the economy, mirroring that of other rural areas of the State, has shifted away from traditional resource-based industries.
- At the same time the area has increased its position as a regional center of retail and service businesses.
- The influx of population that is not directly tied to the local economy (retirees, “lone eagles”, and commuters) have expanded the labor force, creating job opportunities, new firms, and entrepreneurship.
- The informal economy, primarily involving production of high-grade marijuana, presently competes with the formal economy for resources, including labor, capital, and entrepreneurship.

Historical and projected employment figures were gathered from the California Employment Development Department (EDD).

## COMPOSITION OF EMPLOYMENT

Employment trends in Mendocino County vary by industry. In 2005, there were a total of 32,500 jobs, as shown in **Table 2**. The Service industry is the largest industry with approximately 10,900 jobs, which represents 33.6 percent of total jobs. The next largest employer is the Government with approximately 7,400 jobs, or 22.9 percent. These two industries, combined, employ over half of the workers in the County. It is important to note that between 1999 and 2003 there appears to be a large increase in the number of jobs in the Government industry. According to a researcher at EDD, a number of factors contributed to this increase, including the addition of charter schools during this time period, the classification of tribal administration as government employment, as well as the natural growth in State and local government. The smallest industry is the Natural Resources and Mining industry with approximately 330 jobs, which represents 1 percent of total jobs. The composition of employment in Mendocino County further demonstrates the shift from a resource-based to a service economy, which is a trend that is occurring across the country as well as in the Ukiah Valley. According to the California Labor Market Review, December 2006, California job gains were seen in the service sector, while the manufacturing sector lost jobs and the number of natural resource and mining jobs did not change.<sup>7</sup>

## UNEMPLOYMENT

When compared to nearby counties, Mendocino County has a relatively low unemployment rate, as shown in **Table 3**. In 2005, the unemployment rate was 5.7 percent, which is the lowest it has been since 2000. The unemployment rate was the highest in 1992, at 12.4 percent. It has steadily declined since 1992, with slight increases from 2001 to 2003. A trend line of the annual average unemployment rate for Mendocino County over the past 15 years is shown in **Figure 2**. In 2005, the annual average unemployment rate in California was 5.4 percent. With an unemployment rate of 5.7 percent, Mendocino County ranked 26<sup>th</sup> among the 58 counties in California. Orange County was the top ranked County with the lowest unemployment rate, at 3.8 percent, while Imperial County had the highest rate, at 15.8 percent.<sup>8</sup>

## LABOR SUPPLY AND COMMUTING PATTERNS

Mendocino County, and by extension the Ukiah Valley, has a relatively small economy, which is supported by a relatively small labor force. Of the estimated population of Mendocino County of 90,000 people, 49.1 percent are estimated to be in the labor force (the statewide average is 65.8 percent). In 2005, there were approximately 32,500

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<sup>7</sup> Employment Development Department. "California Labor Market Review". December 2006.

<sup>8</sup> Employment Development Department. "Report 400C Monthly Labor Force Data for Counties Annual Average 2005 - Revised". April 21, 2006.

**Table 2**  
**Employment by Major Industry in Mendocino County: 1995 to 2025**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

	1995	1997	1999	2001	2003	2005	2012 [1]	2025 [2]	Net Change			Average Annual Growth		
									1995-2005	2005-2012	2005-2025	1995-2005	2005-2012	2005-2025 [3]
<b>Agriculture - Farm</b>	1,930	2,410	2,410	2,470	2,170	1,940	1,947	2,283	10	7	343	0.05%	0.05%	0.82%
<b>Natural Resources and Mining</b>	660	730	700	480	350	330	350	388	-330	20	58	-6.70%	0.84%	0.82%
<b>Construction</b>	1,210	1,360	1,350	1,640	1,610	1,490	1,959	1,754	280	469	264	2.10%	3.99%	0.82%
<b>Manufacturing</b>	4,060	4,930	5,010	4,080	3,380	3,110	3,644	3,660	-950	534	550	-2.63%	2.29%	0.82%
<b>Trade [4]</b>	4,980	5,140	5,250	5,370	5,230	5,370	6,046	6,320	390	676	950	0.76%	1.71%	0.82%
<b>TWU [5]</b>	580	640	670	710	710	660	978	777	80	318	117	1.30%	5.78%	0.82%
<b>FIRE [6]</b>	1,030	1,040	1,090	1,150	1,190	1,260	1,316	1,483	230	56	223	2.04%	0.62%	0.82%
<b>Services [7]</b>	9,570	9,970	10,010	10,800	10,580	10,910	12,114	12,840	1,340	1,204	1,930	1.32%	1.51%	0.82%
<b>Government [8]</b>	5,290	5,310	5,560	6,750	7,840	7,430	8,945	8,745	2,140	1,515	1,315	3.46%	2.69%	0.82%
<b>Total Employment</b>	<b>29,310</b>	<b>31,530</b>	<b>32,050</b>	<b>33,450</b>	<b>33,060</b>	<b>32,500</b>	<b>37,300</b>	<b>38,250</b>	<b>3,190</b>	<b>4,800</b>	<b>5,750</b>	<b>1.04%</b>	<b>1.99%</b>	<b>0.82%</b>

Source: Employment Development Department; Economic & Planning Systems, Inc.

[1] Projections derived by applying EDD's 2002-2012 projected growth by industry for the North Coast Region to 2003 levels of employment. The EDD projections are only for non-farm jobs. In order to project farm employment for 2012, it is assumed that the industry will continue to grow at the same rate as the past 10 years, 0.05 percent.

[2] Assumes that total employment will increase proportional to population increase while the employment composition remains unchanged from 2005. Employment is estimated by applying the average percent of the County population that is employed, 37 percent, to the County Population in 2025.

[3] The average annual growth rate for the long-term projection remains constant at 0.82% between 2005 and 2025 because total employment increases while employment composition remains unchanged from 2005. This results in the same growth rate for total employment, as well as across all industries.

[4] Includes retail and wholesale trade.

[5] Transportation, Warehousing and Utilities.

[6] Finance, Insurance and Real Estate.

[7] Includes information, professional and business, educational and health, and leisure and hospitality, and other services.

[8] Includes both Federal and State and Local Government.

**Table 3**  
**2005 Annual Average Unemployment Rate**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

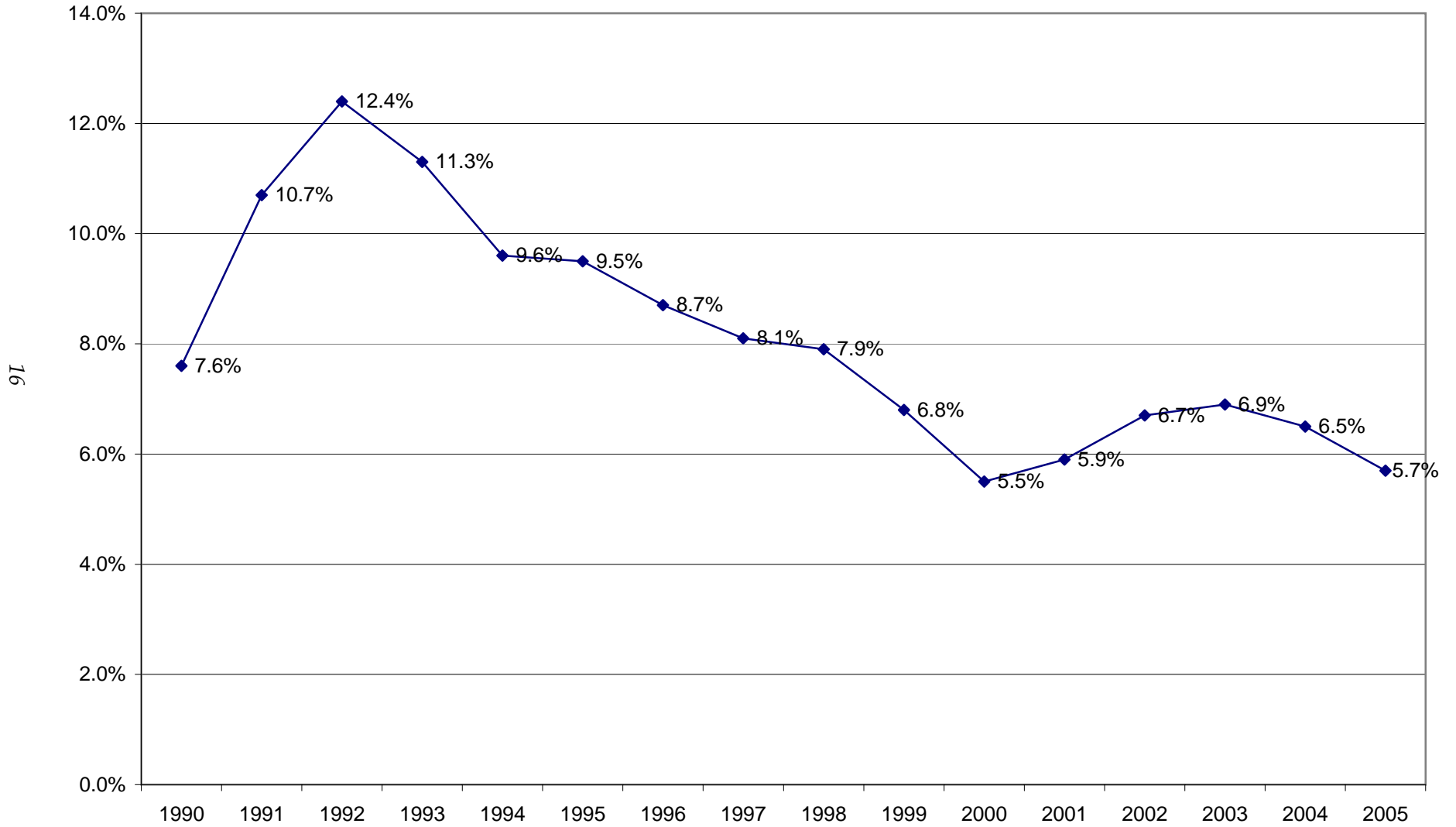
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County	Annual Average Unemployment Rate
Orange	3.8%
Napa	4.2%
Sonoma	4.4%
<b>Mendocino</b>	<b>5.7%</b>
Humboldt	6.1%
Tehama	6.7%
Lake	7.6%
Glenn	8.5%
Trinity	10.0%
Imperial	15.8%

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Source: Employment Development Department

Figure 2: Mendocino County Annual Average Unemployment Rate (1990-2005)



employed in the County. By comparison, Sonoma and Lake Counties employed approximately 244,800 and 24,000, respectively. Los Angeles County had the largest economy in California with approximately 4.6 million jobs. The smallest economy was in Alpine County with only 500 jobs.<sup>9</sup>

According to the Census journey-to-work flow data, the ratio of the number of people employed in Mendocino County to those that are employed and also live in Mendocino County is 1.06.<sup>10</sup> This means that there are slightly more jobs in the County than there are working people living in the County able to fill them indicating that labor demand is somewhat greater than the current labor supply in Mendocino County. As a result of this marginal imbalance, people from outside of Mendocino County are commuting in to the County for work, primarily from Lake County. At the same time approximately 2,000 workers, about 5 percent of the labor force, commuted out of the County in 2000 to jobs elsewhere, primarily points south along the 101 corridor, as shown in **Table 4**.

One factor that constrains the labor supply is the informal economy. The illegal production of marijuana, which is an aspect of the informal economy, creates an alternative economy that draws off members of the labor force. This competition for labor reduces the supply of labor available to fill the jobs in the legal economy. In connection with the illegal production of marijuana is the problem of drug use. Drug use in the County further constrains the labor supply by decreasing the number of individuals that qualify for employment.

## EMPLOYMENT GROWTH PROSPECTS

Mendocino County has experienced minimal employment growth in recent years. Overall, employment experienced a growth rate of 1.04 percent, or 3,190 jobs, between 1995 and 2005. Government experienced the largest growth rate of 3.46 percent from 1995 to 2005, for a total net increase of 2,140 jobs. The lowest average annual growth rate was -6.7 percent for the Natural Resources and Mining industry. The largest net loss in jobs over the same time period was in Manufacturing with 950 jobs lost.

### **Short-Term Projections**

Short-term employment projections are derived by applying EDD's 2002-2012 projected growth by industry for the North Coast Region to 2003 levels of employment. The EDD projections are only for non-farm jobs. In order to project farm employment for 2012, it is assumed that the industry will continue to grow at the same rate as the past 10 years, 0.05 percent. The result is that total employment is projected to increase

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<sup>9</sup> Employment Development Department. "Report 400C Monthly Labor Force Data for Counties Annual Average 2005 - Revised". April 21, 2006.

<sup>10</sup> United States Census Bureau. Census Transportation Planning Package 2000 (CTPP2000) Part 3. May 6, 2004.

**Table 4**  
**Employment Commuting Patterns in Mendocino County, 2000**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

<b>Origin of Mendocino County Jobs</b>	<b>Number of Employees</b>	<b>Percent of Total</b>	<b>Destination of Mendocino County Workers</b>	<b>Number of Employees</b>	<b>Percent of Total</b>
Mendocino	35,425	94.6%	Mendocino	35,425	94.7%
Alameda	35	0.1%	Alameda	110	0.3%
Butte	35	0.1%	Contra Costa	75	0.2%
Contra Costa	45	0.1%	Humboldt	120	0.3%
Humboldt	125	0.3%	Lake	255	0.7%
Lake	1,015	2.7%	Los Angeles	40	0.1%
Los Angeles	40	0.1%	Marin	100	0.3%
Marin	45	0.1%	Napa	20	0.1%
Napa	25	0.1%	Sacramento	45	0.1%
Orange	10	0.0%	San Francisco	125	0.3%
San Francisco	25	0.1%	San Mateo	45	0.1%
San Mateo	45	0.1%	Santa Clara	30	0.1%
Shasta	15	0.0%	Sonoma	<u>1,025</u>	<u>2.7%</u>
Sonoma	<u>545</u>	1.5%	<b>Total</b>	<b>37,415</b>	<b>100%</b>
<b>Total</b>	<b>37,430</b>	<b>100%</b>			
<b>Total Commuting In</b>	<b>2,005</b>	<b>5%</b>	<b>Total Commuting Out</b>	<b>1,990</b>	<b>5%</b>

Source: US Census Transportation Planning Package 2000, Part 3; Economic & Planning Systems, Inc.

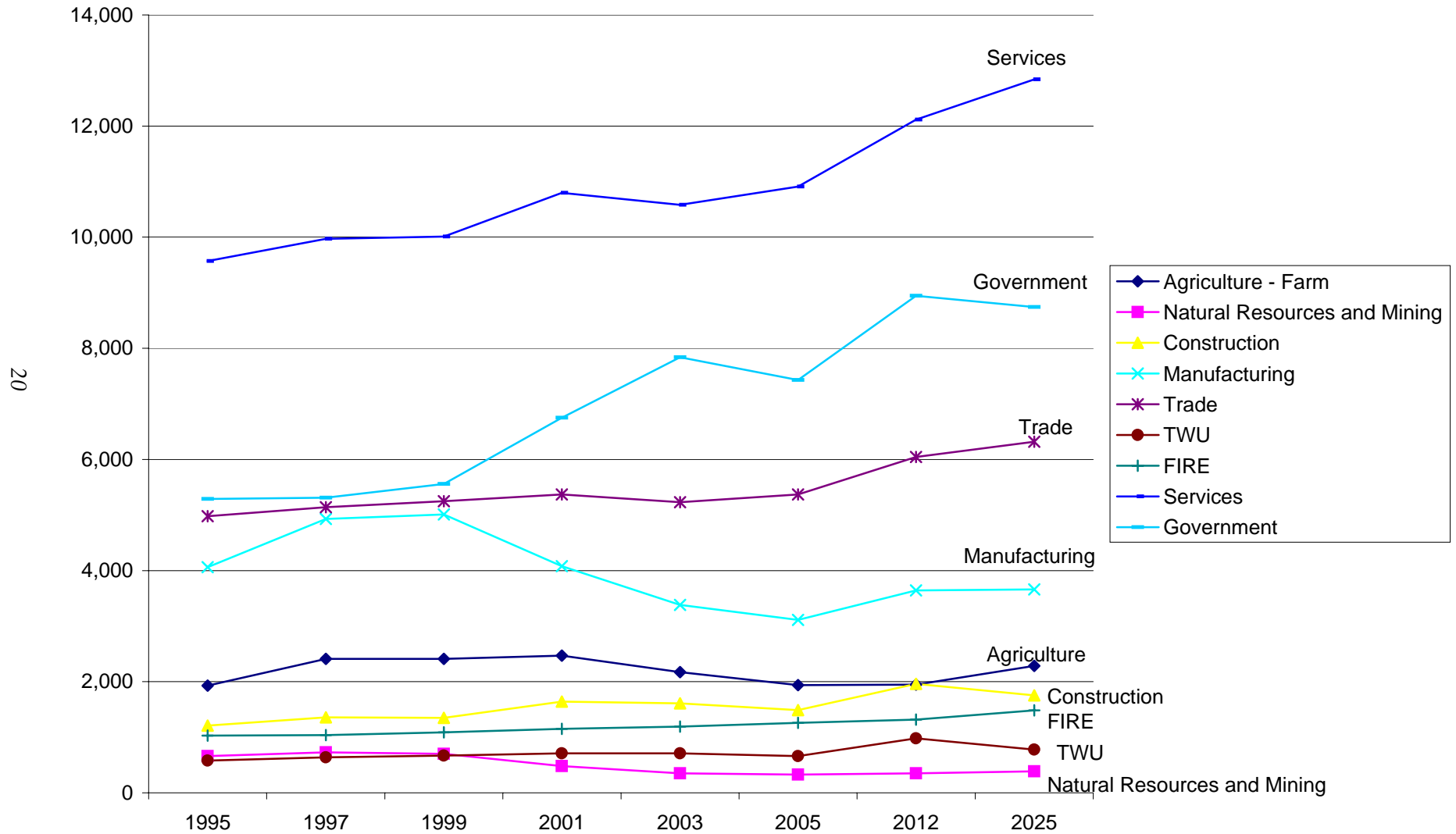
by approximately 4,800 jobs. The Transportation, Warehousing, and Utilities industry will experience the largest growth rate of 5.78 percent, followed by Construction with 3.99 percent. The largest net increase in jobs is in the Government sector, with approximately 1,500 jobs. The trend-based pattern of a continued shift from a resource-based to a service economy is evident in the short-term projections.

### **Long-Term Projections**

No reliable long-term employment forecasts are available. For purposes of the preparation of the Area Plan (and related land requirements), it is assumed that total employment will be equal to the historical proportion of the population that is employed, while the employment composition remains unchanged from 2005. **Figure 3** charts employment trends and projected growth in Mendocino County for each industry. The chart illustrates that the Service, Government, and Trade industries have experienced the largest growth over time, while the Natural Resources and Mining and Manufacturing industries have experienced minimal growth or have declined.

Employment growth is estimated by applying the historical ratio of the County population that is employed, 37 percent, to the County Population in 2025. Between 2005 and 2025, total employment is expected to increase by approximately 5,700 jobs for total employment of 38,200. The largest job gain, 1,900 jobs, will be in the Service industry. The Trade, Services, and Government industries account for approximately 70 percent of the job growth from 2005 to 2025. Services and Government will remain the two largest industries. It is important to note that these projections can be affected by a number of factors, such as business openings and closings or fluctuations in the national economy. As a result, there is a level of uncertainty as to whether these forecasts will actually occur.

Figure 3: Mendocino County Employment by Major Industry (1995-2020)



## IV. MARKET ASSESSMENT

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This chapter discusses the current supply of various uses of land and compares supply with current and estimated future demand.

### RESIDENTIAL

The DOF provides data on the number and type of housing units in various jurisdictions in California. These data from the DOF form the basis of the current supply of housing units in unincorporated Mendocino County, the City of Ukiah, and the Study Area.

**Table 5** summarizes the number of housing units by type in unincorporated Mendocino County. Over 70 percent of the housing in unincorporated Mendocino County is single-family detached. In 2006, there were a total of 27,222 housing units. Of this figure, 77 percent are single-family housing, 6 percent are multifamily housing, and 17 percent are mobile homes.

The growth in the number of housing units in unincorporated Mendocino County has been minimal. Between 1990 and 2000, the rate of growth was 1.04 percent per year, representing a total increase of 2,503 units. Between 2000 and 2006, the growth rate increased slightly to 1.08 percent, which represents a total increase of 1,704 units.

In spite of the overall growth in housing units, the number of multifamily housing units declined from 1990 to 2000. During this period, multifamily units experienced a -0.5 percent growth rate, or a decline of 73 units. The rate then increases to 0.34 percent between 2000 and 2006.

While the figures in **Table 5** refer to housing units throughout unincorporated Mendocino County, both within and outside of the Study Area, they illustrate the mix of housing types that can be found in the Study Area. **Table 6** summarizes the number of housing units within the Study Area.<sup>11</sup> In 2006, there were a total of approximately 5,600 housing units in the Study Area. The housing growth rates in the Study Area are also minimal. The average annual growth was 0.90 percent from 1990 to 2000 and increased to 1.15 percent between 2000 and 2006. The net change was an increase of 446 units between 1990 and 2000 and 372 units between 2000 and 2006. Assuming that the housing mix follows the pattern found in all of unincorporated Mendocino County, the increase in units are mainly detached single-family units.

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<sup>11</sup> 1990 and 2000 housing units in the Study Area were determined by overlaying Study Area boundaries on US Census Block data. 2006 housing units assume a 20.5% fixed share of the Unincorporated Mendocino County housing units, based on the ratio of the actual Study Area housing units to the Unincorporated Mendocino County housing units in 1990 and 2000.

**Table 5**  
**Housing Units by Type in Unincorporated Mendocino County**  
**Ukiah Valley Area Plan Economic Background; EPS #1607C**

Housing Unit Type	1990		2000		2006		Net Change		Average Annual Growth	
	Units	Percent	Units	Percent	Units	Percent	1990-2000	2000-2006	1990-2000	2000-2006
<b>Single-Family</b>										
Detached	16,658	72%	18,983	74%	20,545	75%	2,325	1,562	1.32%	1.33%
Attached	381	2%	535	2%	535	2%	154	0%	3.45%	0.00%
<b>Subtotal</b>	<b>17,039</b>	<b>74%</b>	<b>19,518</b>	<b>76%</b>	<b>21,080</b>	<b>77%</b>	<b>2,479</b>	<b>1,562</b>	<b>1.37%</b>	<b>1.29%</b>
<b>Multi-Family</b>										
2-4 Units	543	2%	695	3%	725	3%	152	30	2.50%	0.71%
5+ Units	1,003	4%	778	3%	778	3%	-225	0%	-2.51%	0.00%
<b>Subtotal</b>	<b>1,546</b>	<b>7%</b>	<b>1,473</b>	<b>6%</b>	<b>1,503</b>	<b>6%</b>	<b>-73</b>	<b>30</b>	<b>-0.48%</b>	<b>0.34%</b>
<b>Mobile Homes</b>	<b>4,430</b>	<b>19%</b>	<b>4,527</b>	<b>18%</b>	<b>4,639</b>	<b>17%</b>	97	112	<b>0.22%</b>	<b>0.41%</b>
<b>Total Units</b>	<b>23,015</b>	<b>100%</b>	<b>25,518</b>	<b>100%</b>	<b>27,222</b>	<b>100%</b>	<b>2,503</b>	<b>1,704</b>	<b>1.04%</b>	<b>1.08%</b>

Source: Department of Finance; Economic & Planning Systems, Inc.

**Table 6**  
**Estimated Housing Units by Type in Study Area [1]**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

	<u>1990</u>		<u>2000</u>		<u>2006</u>		<u>Net Change</u>		<u>Average Annual Growth</u>	
	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>	<u>1990-2000</u>	<u>2000-2006</u>	<u>1990-2000</u>	<u>2000-2006</u>
<b>Single-Family [2]</b>										
Detached	3,429	72%	3,855	74%	4,185	75%	425	331	1.18%	1.38%
Attached	<u>95</u>	<u>2%</u>	<u>104</u>	<u>2%</u>	<u>112</u>	<u>2%</u>	<u>9</u>	<u>7</u>	0.90%	1.15%
<b>Subtotal</b>	<b>3,525</b>	<b>74%</b>	<b>3,959</b>	<b>76%</b>	<b>4,297</b>	<b>77%</b>	<b>434</b>	<b>338</b>	<b>1.17%</b>	<b>1.38%</b>
<b>Multi-Family [2]</b>										
2-4 Units	143	3%	156	3%	167	3%	13	11	0.90%	1.15%
5+ Units	<u>191</u>	<u>4%</u>	<u>156</u>	<u>3%</u>	<u>167</u>	<u>3%</u>	<u>-34</u>	<u>11</u>	-1.96%	1.15%
<b>Subtotal</b>	<b>333</b>	<b>7%</b>	<b>313</b>	<b>6%</b>	<b>335</b>	<b>6%</b>	<b>-21</b>	<b>22</b>	<b>-0.64%</b>	<b>1.15%</b>
<b>Mobile Homes [2]</b>	<b>905</b>	<b>19%</b>	<b>938</b>	<b>18%</b>	<b>949</b>	<b>17%</b>	<b>33</b>	<b>11</b>	<b>0.36%</b>	<b>0.20%</b>
<b>Housing Units</b>	<b>4,763</b>	<b>100%</b>	<b>5,209</b>	<b>100%</b>	<b>5,581</b>	<b>100%</b>	<b>446</b>	<b>372</b>	<b>0.90%</b>	<b>1.15%</b>

Source: US Census Bureau; Economic & Planning Systems, Inc.

[1] 1990 and 2000 housing units in the Study Area determined by overlaying Study Area boundaries on US Census Block data. 2006 housing units assume a 20.5% fixed share of the Unincorporated Mendocino County housing units, based on the ratio of the actual Study Area housing units to the Unincorporated Mendocino County housing units in 1990 and 2000.

[2] The housing mix in the Study Area was determined using the same proportions found in unincorporated Mendocino County.

**Table 7** summarizes the number of housing units by type for the City of Ukiah. In 2006, there were a total of approximately 6,400 residential units in the City with a housing mix similar to that found in unincorporated Mendocino County. Despite increases in the number of units, the rate of housing growth in the City has been minimal with an average annual growth rate of less than 1 percent. Multifamily units experienced the largest growth rate of 0.97 percent from 1990 to 2000 and 1.6 percent from 2000 to 2006. The growth rate in total units has increased in recent years from 0.46 percent between 1990 and 2000 to 0.68 percent from 2000 to 2006.

Median home values for Mendocino County are shown in **Table 8**. These values have not been adjusted for inflation. Between 1980 and 2000, median home values increased at an average annual rate of 4.22 percent. Consistent with the real estate boom experienced across the country in the early 2000s, from 2000-2005 the growth rate in home values increased to 17.73 percent. The median home value was \$385,000 in 2005. Additionally, according to the Mendocino County Workforce Investment Board, in Q3 2006, the median home sale price was \$408,000.<sup>12</sup>

## FUTURE HOUSING DEMAND

When comparing the average annual growth rates of housing units and households in the Study Area, it appears that the number of households has grown at a marginally faster pace than the number of housing units between 1990 and 2000. Between 2000 and 2006 the growth rate of housing units marginally outpaces household growth rates. Based upon the population projections in **Table 1**, by 2025 there will be approximately 6,800 households in the Study Area, an increase of about 830 from 2005. Meanwhile, assuming housing units continue to increase at about 1 percent, 1000 housing units are expected to be added over the same time period. Therefore, future supply for housing appears to be greater than future demand.

According to a report published in 2002 by the Public Policy Institute of California, the Far North region of California, which includes Mendocino County, has a much older population than the other regions of California. The dependency ratio is a measure of the age structure of a population and serves as a rough measure of a population's ability to support nonworking members. The ratio represents the number of people of "nonworking" ages (younger than 18 and 65 and older) per 100 people of "working" ages (18 to 64). The Far North region has the third highest dependency ratio, which can be attributed to the high populations of older residents in this region.<sup>13</sup> The median age also illustrates this point. According to the US Census Bureau's 2005 American Community Survey, the median age in California is 34 years, while it is 39 years in Mendocino County. The median household income in Mendocino County is also lower

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<sup>12</sup> Mendocino County Workforce Investment Board. "Economic Scorecard." December 2006.

<sup>13</sup> Johnson, Hans P. "A State of Diversity: Demographic Trends in California's Regions". *California Counts*, Vol. 3, No. 5 (May 2002). Public Policy Institute of California.

**Table 7**  
**Housing Units by Type in the City of Ukiah**  
**Ukiah Valley Area Plan Economic Background; EPS #1607C**

Housing Unit Type	1990		2000		2006		Net Change		Average Annual Growth	
	Units	Percent	Units	Percent	Units	Percent	1990-2000	2000-2006	1990-2000	2000-2006
<b>Single-Family</b>										
Detached	3,363	58%	3,465	57%	3,528	55%	102	63	0.30%	0.30%
Attached	375	6%	377	6%	379	6%	2	2	0.05%	0.09%
<b>Subtotal</b>	<b>3,738</b>	<b>64%</b>	<b>3,842</b>	<b>63%</b>	<b>3,907</b>	<b>61%</b>	<b>104</b>	<b>65</b>	<b>0.27%</b>	<b>0.28%</b>
<b>Multi-Family</b>										
2-4 Units	708	12%	794	13%	767	12%	86	-27	1.15%	-0.57%
5+ Units	943	16%	1,025	17%	1,233	19%	82	208	0.84%	3.13%
<b>Subtotal</b>	<b>1,651</b>	<b>28%</b>	<b>1,819</b>	<b>30%</b>	<b>2,000</b>	<b>31%</b>	<b>168</b>	<b>181</b>	<b>0.97%</b>	<b>1.59%</b>
<b>Mobile Homes</b>	<b>452</b>	<b>8%</b>	<b>453</b>	<b>7%</b>	<b>462</b>	<b>7%</b>	<b>1</b>	<b>9</b>	<b>0.02%</b>	<b>0.33%</b>
<b>Total Units</b>	<b>5,841</b>	<b>100%</b>	<b>6,114</b>	<b>100%</b>	<b>6,369</b>	<b>100%</b>	<b>273</b>	<b>255</b>	<b>0.46%</b>	<b>0.68%</b>

Source: Department of Finance; Economic & Planning Systems, Inc.

**Table 8**  
**Median Home Value in Mendocino County: 1980 to 2005**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Item	1980	1990	2000	2005	Average Annual Growth Rate	
					1980-2000	2000-2005
<b>Median Home Value [1,2]</b>	\$74,396	\$123,900	\$170,200	\$385,000	4.22%	17.73%
<b>Median Gross Rent [2]</b>	\$198	\$471	\$600	\$757	5.70%	4.76%

Source: Mendocino County Housing Element; U.S. Census Bureau; Economic & Planning Systems, Inc.

[1] Median home value refers to an estimate of how much the property would sell for, not the actual sales price.

[2] Values are not inflation-adjusted.

than the median income in California as a whole, \$42,000 versus \$54,000, respectively. **Table 9** shows the age distribution of Mendocino County and **Table 10** shows the County's income distribution.

These data suggest the need for higher density, affordable units. Older populations with fixed incomes typically require smaller, more affordable housing units. Assuming that retired or nearly retired residents comprise roughly 30 percent of the County population, the future required housing supply should also represent this mix. As a result, 30 percent of the 830 housing units required by 2025, or 250 units, should be higher density or multifamily housing. The remaining 70 percent, or 580 units, can be less dense and can meet the demand of professionals or residents that desire larger homes. Assuming an average density of 20 dwelling units per acre for the denser multifamily housing, an additional 13 acres are required. Assuming an average density of six dwelling units per acre for the single-family housing units, an additional 97 acres are required. In total, approximately 110 acres are required to meet expected future housing demand.

## **RETAIL**

The Ukiah Valley, which is comprised of the Study Area and the City, has long served as a regional commercial center for large parts of Mendocino County and Lake County, providing goods and services to households and businesses throughout this expansive region. At the present time commercial development is concentrated along the North and South State Street corridor and in several nodes located along Highway 101. In addition to providing goods and services, these commercial businesses are an important source of tax base to both the City and County, which rely upon sales and other taxes to support services to local residents and businesses.

In the context of the UVAP the topic of retail and service businesses is controversial for a range of reasons including concerns over the advent of national chain "big-box" retailers, weak performance of many existing retailers, "leakage" of sales in certain retail sectors in the Study Area and the Apparel sector in the Ukiah Valley, and competition between new and proposed retailers and existing businesses in Downtown Ukiah and elsewhere along State Street.

Entering this discussion requires an assessment of current market conditions, the sources of demand for existing retail businesses, the performance of existing retail businesses, and the relative importance of "injection" of sales from outside the Study Area to "leakage" of sales to other commercial areas (e.g., Sonoma County). The following analysis provides this information, which includes identification of the "trade area," estimates of expenditure potential within the trade area, comparison of this sales potential to actual retail sales in the Study Area and, finally, identification of retail opportunities that may presently exist or which may expand as the population of the area continues to expand.

**Table 9**  
**Mendocino County Age Distribution, 2005**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

<b>Age Range</b>	<b>Amount</b>	<b>% of Total</b>
19 and under	22,887	27%
20 to 34	14,623	17%
35 to 54	25,018	29%
55 to 64	11,350	13%
65 and over	12,133	14%
Total Population	86,011	100%

Source: US Census Bureau, 2005 American Community Survey;  
 Economic & Planning Systems, Inc.

**Table 10**  
**Mendocino County Household Income Distribution, 2005**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

<b>Income Range</b>	<b>Number of Households</b>	<b>% of Total</b>
Less than \$10,000	3,566	10%
\$10,000 to \$14,999	2,252	7%
\$15,000 to \$24,999	5,037	15%
\$25,000 to \$34,999	4,119	12%
\$35,000 to \$49,999	5,348	16%
\$50,000 to \$74,999	6,419	19%
\$75,000 to \$99,999	4,038	12%
\$100,000 to \$149,999	2,202	6%
\$150,000 to \$199,999	491	1%
\$200,000 or more	825	2%
<b>Total</b>	<b>34,297</b>	<b>100%</b>

Source: US Census Bureau, 2005 American Community Survey; Economic & Planning Systems, Inc.

California State Board of Equalization (BOE) Taxable Sales data provides a basis for analysis of retail sales trends in the Study Area, providing a quantitative measure of existing retail supply. Demand estimates are generated by analyzing data from the Bureau of Labor Statistics' 2004-2005 Consumer Expenditure Survey and household data from the U.S. Census, **Appendix 1** and **Appendix 2**. These data form the basis of the retail expenditure potential of the Study Area, which estimates the amount of money expended by the average household on a range of retail goods. By comparing current retail supply with estimates of retail demand, existing retail expansion opportunities can be identified.

## TRADE AREA

The Ukiah Valley Study Area lies within a trade area consisting of the entirety of Mendocino County and Lake County. According to the 2005 American Community Survey, the Trade Area population is approximately 150,000, occupying 60,000 households. The median age was 41 years. Approximately 85 percent of the residents are high school graduates or higher and about 21 percent have a bachelor's degree or higher. The median household income is approximately \$41,000.

## RETAIL SALES POTENTIAL IN TRADE AREA

The retail expenditure potential of the Trade Area is determined by estimating the amount of money expended by the average household on a range of retail goods. Assuming that households spend about 40 percent of their income on retail expenditures and there are approximately 60,000 households with household income of about \$41,000, the expenditure potential of the Trade Area is approximately \$1 billion.

## CURRENT SALES TRENDS IN STUDY AREA

Retail sales growth in the Ukiah Valley is minimal, as shown in **Table 11**. In 2005, taxable sales in the Study Area were approximately \$152 million, which is an increase of approximately \$3.9 million from 2003. The annual average growth rate between 2003 and 2005 was 1.29 percent. Retail sales are larger and the growth rate slightly higher in the City of Ukiah than in the Study Area. In 2005, taxable sales in the City were approximately \$351 million, which is an increase of approximately \$35.9 million from 2003. The annual average growth rate between 2003 and 2005 was 5.55 percent.

Retail sales growth is slightly higher in the Trade Area, at 6.02 percent. In 2005, taxable sales were approximately \$1.3 billion, which is an increase of approximately \$140 million from 2003.

**Table 11**  
**Taxable Sales by Retail Category (in thousands of dollars)**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

	2003	2004	2005	Net Change	Average Annual Growth Rate (2003-2005)
<b>Study Area</b>					
Apparel Stores	\$1,259	\$1,236	\$1,357	\$98	3.82%
General Merchandise Stores	\$0	\$0	\$49	\$49	n/a
Home Furnishings and Appliances	\$2,426	\$2,655	\$2,793	\$367	7.30%
Building Materials and Farm Implements	\$57,508	\$52,951	\$33,278	-\$24,230	-23.93%
Auto Dealers and Auto Supplies	\$51,354	\$51,430	\$54,274	\$2,920	2.80%
Food Stores	\$9,738	\$10,373	\$13,114	\$3,376	16.05%
Eating and Drinking Places	\$6,353	\$6,254	\$7,199	\$846	6.45%
Service Stations	\$6,590	\$4,342	\$13,076	\$6,486	40.86%
Other Retail Stores [1]	<u>\$13,251</u>	<u>\$17,041</u>	<u>\$27,205</u>	<u>\$13,954</u>	<u>43.28%</u>
<i>Total</i>	<b>\$148,479</b>	<b>\$146,282</b>	<b>\$152,345</b>	<b>\$3,866</b>	<b>1.29%</b>
<b>City of Ukiah</b>					
Apparel Stores	\$2,964	\$2,998	\$3,648	\$684	10.94%
General Merchandise Stores	\$93,105	\$92,166	\$95,808	\$2,703	1.44%
Home Furnishings and Appliances	\$7,903	\$8,114	\$7,803	-\$100	-0.63%
Building Materials and Farm Implements	\$34,892	\$43,346	\$63,527	\$28,635	34.93%
Auto Dealers and Auto Supplies	\$53,194	\$54,977	\$60,968	\$7,774	7.06%
Food Stores	\$24,615	\$26,968	\$24,404	-\$211	-0.43%
Eating and Drinking Places	\$29,114	\$31,272	\$32,473	\$3,359	5.61%
Service Stations	\$20,876	\$13,458	\$14,732	-\$6,144	-15.99%
Other Retail Stores [1]	<u>\$47,962</u>	<u>\$49,627</u>	<u>\$47,175</u>	<u>-\$787</u>	<u>-0.82%</u>
<i>Total</i>	<b>\$314,625</b>	<b>\$322,926</b>	<b>\$350,538</b>	<b>\$35,913</b>	<b>5.55%</b>
<b>Ukiah Valley [2]</b>					
Apparel Stores	\$4,223	\$4,234	\$5,005	\$782	8.87%
General Merchandise Stores	\$93,105	\$92,166	\$95,857	\$2,752	1.47%
Home Furnishings and Appliances	\$10,330	\$10,769	\$10,596	\$266	1.28%
Building Materials and Farm Implements	\$92,400	\$96,297	\$96,804	\$4,404	2.36%
Auto Dealers and Auto Supplies	\$104,548	\$106,407	\$115,241	\$10,693	4.99%
Food Stores	\$34,353	\$37,341	\$37,518	\$3,165	4.51%
Eating and Drinking Places	\$35,467	\$37,527	\$39,671	\$4,204	5.76%
Service Stations	\$27,466	\$17,800	\$27,807	\$341	0.62%
Other Retail Stores [1]	<u>\$61,213</u>	<u>\$66,668</u>	<u>\$74,379</u>	<u>\$13,166</u>	<u>10.23%</u>
<i>Total</i>	<b>\$463,105</b>	<b>\$469,209</b>	<b>\$502,878</b>	<b>\$39,773</b>	<b>4.21%</b>
<b>Trade Area [3]</b>					
Apparel Stores	\$13,441	\$13,648	\$15,390	\$1,949	7.00%
General Merchandise Stores	\$194,109	\$200,591	\$208,895	\$14,786	3.74%
Home Furnishings and Appliances	\$27,737	\$29,188	\$28,669	\$932	1.67%
Building Materials and Farm Implements	\$203,796	\$222,480	\$233,378	\$29,582	7.01%
Auto Dealers and Auto Supplies	\$178,098	\$178,838	\$181,794	\$3,696	1.03%
Food Stores	\$136,616	\$142,311	\$147,535	\$10,919	3.92%
Eating and Drinking Places	\$124,744	\$130,444	\$134,817	\$10,073	3.96%
Service Stations	\$104,849	\$122,983	\$141,445	\$36,596	16.15%
Other Retail Stores [1]	<u>\$148,373</u>	<u>\$167,748</u>	<u>\$180,147</u>	<u>\$31,774</u>	<u>10.19%</u>
<i>Total</i>	<b>\$1,131,763</b>	<b>\$1,208,231</b>	<b>\$1,272,070</b>	<b>\$140,307</b>	<b>6.02%</b>

Source: Mendocino County; California State Board of Equalization; Economic & Planning Systems, Inc.

[1] Includes specialty stores; packaged liquor stores; second-hand merchandise; fuel and ice dealers; mobile homes, trailers, campers; boat, motorcycle, and plane dealers; and business and personal services.

[2] The Ukiah Valley consists of both the Study Area and the City of Ukiah.

[3] The Trade Area consists of Mendocino and Lake Counties.

## OPPORTUNITIES FOR RETAIL EXPANSION

In the City of Ukiah nearly all retail categories experienced sales larger than the expenditure potential of the households in the City of Ukiah indicating an inflow of sales from households in the surrounding Study Area and other areas of Mendocino County and nearby Lake County. Apparel Stores is the only retail category in the City where sales are less than the expenditure potential of households. This suggests a lack of apparel retailers in the City and as a result households travel to other areas to purchase these products, such as Santa Rosa.

In the Study Area, approximately half of the retail categories have retail sales that are less than the household expenditure potential. The largest outflow of sales is in the Eating and Drinking Places category and the General Merchandise Stores category. This is due to the limited number of restaurants and entertainment venues in the Study Area. As a result, residents travel to Ukiah, which has a number of restaurants in the downtown area, as well as movie theatres and other entertainment establishments. In addition, there are a few shopping complexes in the City of Ukiah with large retailers, such as Staples and Wal-Mart.

The expenditures of approximately 6,300 households in the City alone are not sufficient to support such large retailers. Households in the Study Area, and broader Trade Area, travel to the City of Ukiah or other nearby areas for general merchandise, which helps to explain the large inflow of retail sales for the general merchandise category in the City. Retail sales in the Study Area for the same retail category are low, for the same reason. **Tables 12, 13, and 14** summarize the expenditure potential for the Study Area, the City, and the Trade Area, respectively, while **Table 15** compares retail sales to expenditure potential.

**Table 15** also includes the potential square feet for additional retail, assuming that retailers require a minimum amount of sales per square foot. The retail categories experiencing a “leakage” of household expenditure are the same categories that can absorb additional retail square footage.

Household expenditure potential is only one component of retail sales. Tourists travel to and through the Ukiah Valley and purchase goods locally, creating an inflow of sales. However, tourism in the Ukiah Valley is relatively small and only accounts for a small portion of sales. A larger component is business sales. Businesses, such as contractors, purchase materials for operations or inputs for their production in the Ukiah Valley. This expenditure potential is not represented in the analysis and is a source of sales for the area. Business sales contribute to the large difference between sales and expenditure potential in the Building and Farm Implements category. As a result, the loss of household expenditures, or “leakage”, from the Ukiah Valley is likely to be greater than shown.

**Table 12**  
**Estimated Household Retail Expenditures in Study Area, 2005**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Item	2005	Total Expenditure Potential
Households	5,939	
Median Household Income [1]	\$42,000	\$249,418,889
Estimated Retail Expenditures	per Household	
Apparel Stores	\$1,014	\$6,018,827
General Merchandise Stores	\$1,386	\$8,232,507
Home Furnishings and Appliances	\$565	\$3,353,376
Building Materials and Farm Implements	\$1,053	\$6,252,927
Auto Dealers and Auto Supplies	\$3,871	\$22,986,951
Food Stores	\$2,565	\$15,233,937
Eating and Drinking Places	\$2,869	\$17,036,916
Service Stations	\$1,819	\$10,803,497
<u>Other Retail Stores</u>	<u>\$2,045</u>	<u>\$12,144,437</u>
Total	\$17,187	\$102,063,376

Source: US Census Bureau; Economic & Planning Systems, Inc.

[1] Median household income for Mendocino County.

**Table 13**  
**Estimated Household Retail Expenditures in the City of Ukiah, 2005**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Item	2005	Total Expenditure Potential
Households	6,351	
Median Household Income [1]	\$42,000	\$266,742,000
Estimated Retail Expenditures	per Household	
Apparel Stores	\$1,014	\$6,436,858
General Merchandise Stores	\$1,386	\$8,804,287
Home Furnishings and Appliances	\$565	\$3,586,281
Building Materials and Farm Implements	\$1,053	\$6,687,217
Auto Dealers and Auto Supplies	\$3,871	\$24,583,484
Food Stores	\$2,565	\$16,291,993
Eating and Drinking Places	\$2,869	\$18,220,196
Service Stations	\$1,819	\$11,553,842
<u>Other Retail Stores</u>	<u>\$2,045</u>	<u>\$12,987,915</u>
Total	\$17,187	\$109,152,074

Source: US Census Bureau; Economic & Planning Systems, Inc.

[1] Median household income for Mendocino County.

**Table 14**  
**Estimated Household Retail Expenditures in the Trade Area, 2005**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Item	2005	Total Expenditure Potential
Households	60,000	
Median Household Income [1]	\$41,000	\$2,460,000,000
Estimated Retail Expenditures	per Household	
Apparel Stores	\$989	\$59,363,247
General Merchandise Stores	\$1,353	\$81,196,608
Home Furnishings and Appliances	\$551	\$33,074,098
Building Materials and Farm Implements	\$1,028	\$61,672,155
Auto Dealers and Auto Supplies	\$3,779	\$226,718,590
Food Stores	\$2,504	\$150,251,194
Eating and Drinking Places	\$2,801	\$168,033,838
Service Stations	\$1,776	\$106,554,092
<u>Other Retail Stores</u>	<u>\$1,996</u>	<u>\$119,779,681</u>
Total	\$16,777	\$1,006,643,504

Source: US Census Bureau; Economic & Planning Systems, Inc.

[1] Average of Mendocino and Lake County median household incomes.

**Table 15**  
**Retail Sales and Estimated Demand, 2005**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Retail Stores	Taxable Sales [1]	Percent Taxable [2]	Estimated Total Retail Sales [3]	Total Expenditure Potential [4]	Sales Minus Expenditure Potential [5]	Sales/Square Foot	Estimated Retail Capacity (Sq. Ft.) [5]
<b>Study Area</b>							
Apparel Stores	\$1,356,772	100%	\$1,356,772	\$6,018,827	(\$4,662,055)	\$300	(15,540)
General Merchandise Stores	\$49,383	100%	\$49,383	\$8,232,507	(\$8,183,124)	\$300	(27,277)
Home Furnishings and Appliances	\$2,793,388	100%	\$2,793,388	\$3,353,376	(\$559,988)	\$300	(1,867)
Building Materials and Farm Implements	\$33,277,866	100%	\$33,277,866	\$6,252,927	\$27,024,939	\$350	77,214
Auto Dealers and Auto Supplies	\$54,273,772	100%	\$54,273,772	\$22,986,951	\$31,286,821	\$350	89,391
Food Stores	\$13,114,247	25%	\$52,456,988	\$15,233,937	\$37,223,051	\$400	93,058
Eating and Drinking Places	\$7,198,865	90%	\$7,998,739	\$17,036,916	(\$9,038,177)	\$350	(25,823)
Service Stations	\$13,075,545	50%	\$26,151,090	\$10,803,497	\$15,347,593	\$300	51,159
Other Retail Stores	<u>\$27,204,866</u>	100%	<u>\$27,204,866</u>	<u>\$12,144,437</u>	<u>\$15,060,429</u>	\$300	<u>50,201</u>
<b>Total</b>	<b>\$152,344,704</b>		<b>\$205,562,864</b>	<b>\$102,063,376</b>	<b>\$103,499,488</b>		<b>290,515</b>
<b>City of Ukiah</b>							
Apparel Stores	\$3,647,874	100%	\$3,647,874	\$6,436,858	(\$2,788,984)	\$300	(9,297)
General Merchandise Stores	\$95,807,809	100%	\$95,807,809	\$8,804,287	\$87,003,522	\$300	290,012
Home Furnishings and Appliances	\$7,802,752	100%	\$7,802,752	\$3,586,281	\$4,216,471	\$300	14,055
Building Materials and Farm Implements	\$63,526,550	100%	\$63,526,550	\$6,687,217	\$56,839,333	\$350	162,398
Auto Dealers and Auto Supplies	\$60,967,576	100%	\$60,967,576	\$24,583,484	\$36,384,092	\$350	103,955
Food Stores	\$24,404,057	25%	\$97,616,228	\$16,291,993	\$81,324,235	\$400	203,311
Eating and Drinking Places	\$32,472,603	90%	\$36,080,670	\$18,220,196	\$17,860,474	\$350	51,030
Service Stations	\$14,731,894	50%	\$29,463,788	\$11,553,842	\$17,909,946	\$300	59,700
Other Retail Stores	<u>\$47,174,577</u>	100%	<u>\$47,174,577</u>	<u>\$12,987,915</u>	<u>\$34,186,662</u>	\$300	<u>113,956</u>
<b>Total</b>	<b>\$350,535,692</b>		<b>\$442,087,824</b>	<b>\$109,152,074</b>	<b>\$332,935,750</b>		<b>989,119</b>
<b>Ukiah Valley [6]</b>							
Apparel Stores	\$5,004,646	100%	\$5,004,646	\$12,455,686	(\$7,451,040)	\$300	(24,837)
General Merchandise Stores	\$95,857,192	100%	\$95,857,192	\$17,036,794	\$78,820,398	\$300	262,735
Home Furnishings and Appliances	\$10,596,140	100%	\$10,596,140	\$6,939,657	\$3,656,483	\$300	12,188
Building Materials and Farm Implements	\$96,804,416	100%	\$96,804,416	\$12,940,144	\$83,864,272	\$350	239,612
Auto Dealers and Auto Supplies	\$115,241,348	100%	\$115,241,348	\$47,570,435	\$67,670,913	\$350	193,345
Food Stores	\$37,518,304	25%	\$150,073,216	\$31,525,931	\$118,547,285	\$400	296,368
Eating and Drinking Places	\$39,671,468	90%	\$44,079,409	\$35,257,112	\$8,822,297	\$350	25,207
Service Stations	\$27,807,439	50%	\$55,614,878	\$22,357,339	\$33,257,539	\$300	110,858
Other Retail Stores	<u>\$74,379,443</u>	100%	<u>\$74,379,443</u>	<u>\$25,132,352</u>	<u>\$49,247,091</u>	\$300	<u>164,157</u>
<b>Total</b>	<b>\$502,880,396</b>		<b>\$647,650,688</b>	<b>\$211,215,450</b>	<b>\$436,435,238</b>		<b>1,279,634</b>
<b>Trade Area [7]</b>							
Apparel Stores	\$15,390,000	100%	\$15,390,000	\$59,363,247	(\$43,973,247)	\$300	(146,577)
General Merchandise Stores	\$208,895,000	100%	\$208,895,000	\$81,196,608	\$127,698,392	\$300	425,661
Home Furnishings and Appliances	\$28,669,000	100%	\$28,669,000	\$33,074,098	(\$4,405,098)	\$300	(14,684)
Building Materials and Farm Implements	\$233,378,000	100%	\$233,378,000	\$61,672,155	\$171,705,845	\$350	490,588
Auto Dealers and Auto Supplies	\$181,794,000	100%	\$181,794,000	\$226,718,590	(\$44,924,590)	\$350	(128,356)
Food Stores	\$147,535,000	25%	\$590,140,000	\$150,251,194	\$439,888,806	\$400	1,099,722
Eating and Drinking Places	\$134,817,000	90%	\$149,796,667	\$168,033,838	(\$18,237,172)	\$350	(52,106)
Service Stations	\$141,445,000	50%	\$282,890,000	\$106,554,092	\$176,335,908	\$300	587,786
Other Retail Stores	<u>\$180,147,000</u>	100%	<u>\$180,147,000</u>	<u>\$119,779,681</u>	<u>\$60,367,319</u>	\$300	<u>201,224</u>
<b>Total</b>	<b>\$1,272,070,000</b>		<b>\$1,871,099,667</b>	<b>\$1,006,643,504</b>	<b>\$864,456,163</b>		<b>2,463,259</b>

[1] Taxable sales necessary to generate the 1% sales tax revenue.  
[2] The percentage of actual total sales by category that are subject to tax.  
[3] Estimated total sales are derived by dividing taxable sales by the percentage that is taxable.  
[4] Determined by multiplying the number of households by the median household income.  
[5] A negative value indicates that the area has capacity for additional retail.  
[6] The Ukiah Valley consists of both the Study Area and the City of Ukiah  
[7] The Trade Area consists of Mendocino and Lake Counties.

The households in the Study Area and the City do not appear to be able to support the amount of retail space in the areas. Sales generally exceed expenditure potential, which suggests that there is an inflow of sales to the Ukiah Valley from other areas. The City tends to have larger retailers than the Study Area, such as Wal-Mart, as well as more entertainment and eating venues, which draw in sales from the surrounding Study Area, other areas of Mendocino County, and nearby Lake County. When comparing the expenditure potential of the trade area with the difference between retail sales and expenditure potential in the Ukiah Valley, it appears that the Ukiah Valley is capturing almost half of the expenditure potential in the trade area. However, the Ukiah Valley does experience loss “leakage” of sales, specifically in Apparel, to points south along the 101 corridor (e.g., Santa Rosa).

This analysis indicates that limited demand exists for new retail space in Ukiah or the Study area for a number of reasons. The area is so dependent upon regional household expenditures and “leakage” will always remain a factor. The prospects for new regional retail depend on its ability to capture expenditures from a trade area larger than the Ukiah Valley. The mix of regional retailers will also determine the ability to compete with Santa Rosa, as well as with existing Ukiah Valley retail. Market opportunities for new retail will depend upon capturing an increasing amount of regional expenditures and expenditures by new households in the Trade Area as it grows in future years. It is also possible that new competitive retailers will draw sales from existing retailers in Ukiah and in other commercial areas of the Study Area.

## IMPACT OF THE INFORMAL ECONOMY ON RETAIL SALES

The informal economy provides an alternate explanation for the difference between current sales and estimated expenditure potential. The informal economy provides some households with additional unreported income, which equates to higher overall expenditure potential within both the Study Area and the Trade Area. If this is the case, the expenditure potential within the Study Area calculated in the analysis underestimates the actual expenditure potential of the area. A 2000 report published by the National Organization for the Reform of Marijuana Laws estimates that the farm value of marijuana cultivation in California ranges from roughly \$3.9 billion to \$8.3 billion. **Table 16** shows a hypothetical calculation to illustrate the potential magnitude of this industry in Mendocino County. Assuming 10 percent of marijuana harvested State-wide comes from Mendocino County and that per-capita revenues are the same across the County, additional household income in the Ukiah Valley could range from \$4,000 to \$9,000 per household, or between 9 and 18 percent of total income, respectively. Assuming additional household income increased by \$4,000 in the Study Area and the City, total expenditure potential within the Ukiah Valley increases by \$20 million to approximately \$231 million. Thus, roughly \$20 million of retail sales can be attributed to marijuana industry revenues.

**Table 16**  
**Hypothetical Calculation of Potential Marijuana Income in Mendocino County**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Item	Amount	
	Low	High
Retail Estimate of CA Marijuana Harvest [1]	\$6,500,000,000	\$13,800,000,000
Farm Value Estimate of Harvest [1]	\$3,870,000,000	\$8,260,000,000
Assumed Mendocino Share [2]	\$387,000,000	\$826,000,000
Ukiah Valley Population as % of County	35%	
Estimated Ukiah Valley farm value [3]	\$134,060,232	\$286,133,725
Potential marijuana revenue per Ukiah Valley household	\$4,287	\$9,150
2005 Mendocino Area Median Income	<u>\$42,000</u>	<u>\$42,000</u>
Estimated total "hypothetical" income	\$46,287	\$51,150
Marijuana percent of total "hypothetical" income	9%	18%
"Hypothetical" marijuana income as % of median income	10%	22%

Source: National Organization for the Reform of Marijuana Laws (NORML); Economic & Planning Systems, Inc.

[1] NORML, 2002.

[2] Assumes Mendocino County produces 10% of the State's marijuana yield.

[3] Assumes "hypothetical" marijuana revenues are distributed evenly within Mendocino County based on population.

Recently the California State Board of Equalization issued a memorandum relating to the taxable sale of medical marijuana. While the application of tax to the sales of medical marijuana provides a way to document the legal sale of marijuana, the value of illegal sales remains unreported and injects unreported dollars in to the economy.

## V. LAND SUPPLY ANALYSIS

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A key topic for an area plan is the forward planning for expected levels of population and employment growth. Through effective planning, new population and jobs can be located in the most advantageous places, taking advantage of existing development capacity, assuring efficient delivery of urban infrastructure and services, and avoidance of impacts on natural or managed resources.

In the Study Area, as previously noted, there has been a very small amount of population and employment growth in recent years. This trend has been the result of an overall weak economy (e.g., loss of employers), the relative remoteness from major employment centers, demographic trends (e.g., aging of population), and limitations on resources (e.g., water). Moving forward, as a part of shaping the Area Plan, it will be important to determine:

- Is there adequate capacity, including vacant buildings, “infill” parcels, proposed projects, and vacant, appropriately zoned land to meet expected growth?
- Are existing commercial and industrial sites adequate to meet expected employment demand?
- Are there institutional or infrastructure constraints that prevent otherwise developable land from being developed?

This chapter provides information on the current supply of land, areas prime for development, and proposed projects in the pipeline. Data on current zoning, vacant land, and projects in the pipeline were provided by the County.

### CURRENT ZONING AND DEVELOPMENT CAPACITY

Current zoning, in addition to existing development and proposed projects, determines the amount, type, and location of land uses through buildout. A summary of area zoning for the City and the Study Area is found on **Table 17**. In the City and the Study Area, there are currently 8,911 acres zoned for Agriculture and Open Spaces, 769 acres for Commercial, 1,157 acres for Industrial, 4,590 acres for Public Facilities, and 22,987 acres for Residential. Land zoned for Residential represents the largest portion of land in the area, at approximately 60 percent. Land zoned for Commercial is the smallest portion, at 2 percent. Agriculture and Open Space zoned land represents approximately 23 percent of total land.

**Table 17**  
**Summary of Ukiah Valley by Zoning District**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Zoning District [1]	Location	Acres	Percent
<b>Agriculture and Open Spaces</b>			
Recreational - REC	City	159	0.41%
<b>City Subtotal</b>		<b>159</b>	<b>0.41%</b>
Open Space - OS	Study Area	10	0.03%
Agricultural - AG	Study Area	8,742	22.76%
<b>Study Area Subtotal</b>		<b>8,752</b>	<b>22.78%</b>
<b>Commercial</b>			
General Commercial - C1	City	261	0.68%
Service Commercial - C2	City	140	0.36%
Neighborhood Commercial - CN	City	51	0.13%
<b>City Subtotal</b>		<b>452</b>	<b>1.18%</b>
Limited Commercial - C1	Study Area	118	0.31%
General Commercial - C2	Study Area	199	0.52%
<b>Study Area Subtotal</b>		<b>317</b>	<b>0.83%</b>
<b>Industrial</b>			
Manufacturing - M	City	28	0.07%
<b>City Subtotal</b>		<b>28</b>	<b>0.07%</b>
Limited Industrial - I1	Study Area	379	0.99%
General Industrial - I2	Study Area	675	1.76%
Pinoleville Industrial - PI	Study Area	75	0.19%
<b>Study Area Subtotal</b>		<b>1,129</b>	<b>2.94%</b>
<b>Public Facilities</b>			
Planned Development - PD	City	135	0.35%
Public Facility - PF	City	472	1.23%
<b>City Subtotal</b>		<b>607</b>	<b>1.58%</b>
Open Space - OS	Study Area	10	0.03%
Public Facility - PF	Study Area	3,973	10.34%
<b>Study Area Subtotal</b>		<b>3,983</b>	<b>10.37%</b>
<b>Residential</b>			
Low Density Residential - R1	City	593	1.54%
Low Density Residential (Hillside) - R1-H	City	510	1.33%
Medium Density Residential - R2	City	136	0.36%
High Density Residential - R3	City	129	0.34%
<b>City Subtotal</b>		<b>1,369</b>	<b>3.56%</b>
Single Family Residential - R1	Study Area	728	1.89%
Two Family Residential - R2	Study Area	8	0.02%
Multiple Family Residential - R3	Study Area	23	0.06%
Rural Residential - RR	Study Area	3,401	8.85%
Suburban Residential - SR	Study Area	604	1.57%
Range Land - RL	Study Area	12,280	31.97%
Upland Residential - UR	Study Area	4,442	11.56%
Rural Community - RC	Study Area	132	0.34%
<b>Study Area Subtotal</b>		<b>21,618</b>	<b>56.28%</b>
<b>Study Area Total [1]</b>		<b>35,799</b>	<b>93.19%</b>
<b>City Total [1]</b>		<b>2,615</b>	<b>6.81%</b>
<b>Total</b>		<b>38,413</b>	<b>100.00%</b>

Source: Mendocino County Planning Team; Economic & Planning Systems, Inc.

[1] Excludes 1,352 acres zoned Right-of-Way, which includes land both in the City and the Study Area. ROW designation includes both the paved areas and the unpaved shoulder space on either side of the road. ROW does include the railway, but does not include private logging roads or drives.

The development potential of the Study Area is described below:

- **Built Capacity.** Built capacity is the existing stock of housing units and commercial buildings. At the present time it is estimated that there are approximately 6,800 housing units in the Study Area with a current vacancy rate of 12.6 percent, which is within a typical market norm.<sup>14</sup> There is no reliable estimate of the supply of commercial space. Brokers indicate that commercial vacancy rates are in the range of 5 to 10 percent and are decreasing. It is also clear from observation that a certain amount of underutilization exists in older commercial properties, which may also be obsolete or require upgrades to meet current standards.
- **Approved Projects.** Several projects have been approved by the County through entitlement, such as a tentative map or building permit. These projects include a total of approximately 185 residential units and expansion of one auto dealer.

#### Residential

- Vichy Springs Subdivision: 76 units
- South of Calpella: 13 single-family units
- North of Lake Mendocino Drive: 62 single-family units
- South of Lake Mendocino Drive: 17 single-family units
- Marina Drive Subdivision: 10 single-family units
- Eastside-Calpella Road/Moore Street: 7 single-family units

#### Commercial/Institutional

- Thurston: Expand auto dealership, 10,000 square feet
- City of Ten Thousand Buddhas: Expansion of the university

- **Proposed Projects.** Several major projects have been proposed but await review and approval by the County. Many of these projects require a General Plan amendment and are estimated to include from approximately 1,200 to 2,400 residential units depending upon what is ultimately approved. These projects include:

#### Residential

- Gardens Gate: 199 single-family and multifamily units
- Orr Creek Commons: 152 apartments
- Creekbridge (Lover's Lane): 144 acres rezone from Agricultural to Urban use. An estimated 800 to 1,800 units.
- Gomes/Ward: Rezone 6.8 acres for future residential use. Approximately 30 to 150 units.

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<sup>14</sup> Based upon the Department of Finance vacancy rate for unincorporated Mendocino County.

- N. State St. in Calpella: 9 acres with 50 to 120 estimated, single-family or a combination of single-family and multifamily, units

#### Commercial/Industrial/Institutional

- Mattern Vineyards: 14 acres for lumber storage
  - Mendocino Crossing: 700,000 square feet retail on the Masonite site
  - Rose Industrial Park: 36,000 square feet light industrial
  - Criminal Justice Center: relocate or expand the County criminal justice services.
  - Gardens Gate: 300,000 square feet commercial
- **Planned Capacity.** Several parcels are potentially suitable for buildout under current zoning. **Table 18** summarizes the estimated amount of developable land by zoning district in both the City and the Study Area. The numbers represent both vacant and underutilized land.

#### Study Area

In the Study Area there is a total of approximately 5,300 acres of land available for development. The largest amount of available land is currently zoned Agricultural and is only available for agricultural uses. The next largest amount is Rural Residential, with approximately 359 acres. The amount of land available for residential uses in the Study Area is further clarified in **Table 19**. If developed to the maximum number of units under each zoning district, there is potential for approximately 950 to 2,500 additional residential units on land under current General Plan and Zoning Ordinance provisions. In addition, according to a land inventory report prepared by the Mendocino County Planning Team there is potential for more residential units in the Redevelopment Project Area: 30 units in Calpella and 230 units in North Ukiah. The Redevelopment Project Area contains approximately 770 acres, with active Project Area locations in Calpella, North Ukiah, and South Ukiah. Therefore, there is currently capacity for an additional 1,210 to 2,760 residential units in the Study Area.

#### City of Ukiah

As shown in **Table 18**, in the City there is approximately 90 acres of commercial land that is vacant or underutilized. Additionally, the Mendocino County Planning Team, along with City staff, determined that the City can accommodate 20 to 30 single-family units and 195 multi-family units on residentially zoned areas.

**Table 18**  
**Summary of Vacant or Underutilized Land in the Ukiah Valley by Zoning District**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Zoning District	Number of Parcels	Square Feet	Acreage	Percent of Total
<b>City of Ukiah</b>				
<b>Commercial</b>				
Commercial - COM	<u>43</u>	<u>3,920,400</u>	<u>90</u>	<u>1.7%</u>
<i>Subtotal</i>	<i>43</i>	<i>3,920,400</i>	<i>90</i>	<i>1.7%</i>
<b>Study Area</b>				
<b>Agriculture [1]</b>				
Agricultural - AG	<u>224</u>	<u>183,811,113</u>	<u>4,220</u>	<u>77.9%</u>
<i>Subtotal</i>	<i>224</i>	<i>183,811,113</i>	<i>4,220</i>	<i>77.9%</i>
<b>Commercial</b>				
Limited Commercial - C1	1	402,478	9	0.2%
General Commercial - C2	<u>8</u>	<u>1,266,096</u>	<u>29</u>	<u>0.5%</u>
<i>Subtotal</i>	<i>9</i>	<i>1,668,574</i>	<i>38</i>	<i>0.7%</i>
<b>Industrial</b>				
Limited Industrial - I1	27	5,978,019	137	2.5%
General Industrial - I2	<u>27</u>	<u>13,668,343</u>	<u>314</u>	<u>5.8%</u>
<i>Subtotal</i>	<i>54</i>	<i>19,646,362</i>	<i>451</i>	<i>8.3%</i>
<b>Residential [2]</b>				
Single Family Residential - R1	1	40,649	1	0.0%
Rural Residential - RR	35	15,619,712	359	6.6%
Suburban Residential - SR	22	5,274,663	121	2.2%
Range Land - RL	3	4,955,694	114	2.1%
Upland Residential - UR	<u>1</u>	<u>958,246</u>	<u>22</u>	<u>0.4%</u>
<i>Subtotal</i>	<i>62</i>	<i>26,848,964</i>	<i>616</i>	<i>11.4%</i>
<b>City Total</b>	<b>43</b>	<b>3,920,400</b>	<b>90</b>	<b>1.7%</b>
<b>Study Area Total</b>	<b>349</b>	<b>231,975,013</b>	<b>5,325</b>	<b>98.3%</b>
<b>Totals</b>	<b>392</b>	<b>235,895,413</b>	<b>5,415</b>	<b>100%</b>

Source: Mendocino County Planning Team; Economic & Planning Systems, Inc.

[1] Can only be developed for Agricultural uses.

[2] Does not include vacant or underutilized residential land in the City of Ukiah.

**Table 19**  
**Summary of Potential Residential Units on Vacant or Underutilized Residential Land in the Study Area [1]**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

Zoning District	Number of Parcels	Acreeage	Single Family (6,000 SF Lot Size) [2]	Single Family (4,000 SF Lot Size) [2]	Multi-Family (20 DU/Acre) [2]	Rural Residential [2]	Other	Total
Single-Family Residential - R1	1	1	6	-	-	-	-	6
Range Land - RL [3]	3	114	-	-	-	-	3	3
Rural Residential - RR	35	359	-	-	-	67	-	67
Suburban Residential - SR [4]	22	121	879	1,319	2,422	-	-	879 - 2,422
Upland Residential - UR [5]	1	22	-	-	-	-	1	1
<b>Total</b>	<b>62</b>	<b>616</b>	<b>885</b>	<b>1,319</b>	<b>2,422</b>	<b>67</b>	<b>4</b>	<b>956 - 2,499</b>

Source: Mendocino County Planning Team; Economic & Planning Systems, Inc.

[1] Does not include vacant or underutilized residential land in the City of Ukiah.

[2] The potential number of residential units assumes the maximum units under each zoning district and are not constrained by road access, topography, utility connections, flood hazards, etc.

[3] The maximum dwelling capacity of RL lands is 1 DU/160 acres. Therefore each parcel can only have 1 unit.

[4] The number of potential units assumes the same housing type for all parcels. As a result, the total number of housing unit for SR ranges from 879 to 2,422.

[5] The maximum dwelling capacity of UR lands is 1 DU/20 acres or 1 DU/40 acres. Therefore the parcel can have only 1 unit.

## OPPORTUNITY SITES

The following sites in the Ukiah Valley involve projects that are in various stages of planning that are being studied in detail as a part of development of the Ukiah Valley Area Plan:

- **South State Street (Stone) Site:** The proposed project, called Garden's Gate, will have 200 housing units with a mix of types, from moderate to upper incomes. Vineyards are currently on the site, but it is zoned for urban development.
- **Brush Street Triangle:** This is a large site east of the Ukiah city limits. A portion of the site is proposed for annexation. A project of at least 150 affordable apartments is proposed on a portion of the site. The site is zoned Industrial.
- **Lover's Lane Site:** Located north of the City of Ukiah, the site is zoned Agricultural with a portion in the Agricultural Preserve. The current proposal is to reclassify 140 acres for urban development.
- **Masonite Site:** The site contains approximately 75 acres. It was a former industrial site and economic draw for Ukiah. The site is zoned Industrial. The proposal is to replace the existing buildings with retail and commercial development.

## DEVELOPMENT CAPACITY AND GROWTH PROJECTIONS

The population and employment projections can be converted into estimates of land requirements using market-based estimates of development prototype and density. As determined earlier, future housing demand requires 110 acres for residential land, which is met by the current 616 acres of developable residential land in the Study Area, as shown in **Table 19**. It is important to note that of the 616 acres, 136 acres are zoned Range Land and Upland Residential and only yield a maximum of 4 units. The estimate of an additional 830 residential units demanded can be filled by the supply estimated in the current zoning and development capacity described above.

Based upon the employment projections shown in **Table 2**, various amounts of land for industrial, commercial, and retail uses are required. The building requirements for the different employment industries as determined through industry standards and previous EPS experience are summarized in **Table 20**. By applying the building requirements to 2025 employment projections, building needs for the projected employment growth is determined. Using industry standards of the amount of square feet required per employee yields the total square footage required by building type. Then assuming that the share of County employment located in the Study Area will remain the same, it is estimated that three acres of industrial, five acres of commercial,

**Table 20**  
**Projections of Type of Building Required by Industry [1]**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

<b>Group/Industry</b>	<b>Industrial</b>	<b>Commercial</b>	<b>Retail</b>	<b>Institutional/ Other [2]</b>	<b>Total</b>
Agriculture - Farm	10%	10%		80%	100%
Natural Resources and Mining	10%	10%		80%	100%
Construction	30%	10%		60%	100%
Manufacturing	40%	40%	10%	10%	100%
Trade [3]	20%	20%	60%		100%
TWU [4]	40%	40%		20%	100%
FIRE [5]		90%		10%	100%
Services [6]	10%	65%		25%	100%
Government	10%	60%		30%	100%

Source: Economic & Planning Systems, inc.

[1] The type of building required by each industry is determined using industry standards and previous EPS experience.

[2] Refers to jobs that do not require actual indoor space or those associated with institutions such as schools that do not take up traditional workspace.

[3] Includes retail and wholesale trade.

[4] Transportation, Warehousing and Utilities.

[5] Finance, Insurance and Real Estate.

[6] Includes information, professional and business, educational and health, and leisure and hospitality, and other services.

and one acre of retail are required to accommodate the growth in jobs. **Table 21** details these results. These estimates of land demand can also be met by the supply estimated in the current zoning and development capacity described above.

Given population growth projections and related demand for housing and commercial and industrial space it is likely that the amount of land supply reflected in the existing Area Plan and proposed projects will meet demand over the next 20 years. Various factors can affect these projections, such as a large employer moving in to the area. Even if that is the case and the projections and corresponding land use estimates in this report underestimate actual future values by a factor of two, the amount of land supply that exists in the Area Plan is adequate to meet demand. However, changes in the profile of demand and the existence of development constraints may justify changes in land use capacity in any case.

## **DEVELOPMENT CONSTRAINTS**

Various factors can constrain growth and development in the Ukiah Valley. Deficient infrastructure, including deteriorated roads, lack of sewer hook-ups, and inadequate water supply, in the Ukiah Valley can limit development opportunities. There are correctly zoned vacant properties that could be developed if the infrastructure allowed.

Current restrictions on water service connections and uncertainties on the water supply meeting the current and future water needs inhibit planning and development in the area. Three separate water districts supply water to the Ukiah Valley: the Calpella County Water District, the Millview County Water District, and the Willow County Water District. The largest of the three water districts, the Millview County Water District, currently has a moratorium on new service connections. In addition, all three of the water districts fail to meet state standards on storage capacity.<sup>15</sup>

The physical constraints of the land, such as flood plains, are not a component of this analysis. As a result, the physical land constraints further reduce the amount of land available to meet the future needs of the Study Area.

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<sup>15</sup> Mendocino County Redevelopment Agency. Report on the Redevelopment Plan, Vol. 1, May 2003. Mendocino County Redevelopment Project.

**Table 21**  
**Projected Workspace Demand by Required Building Type**  
**Ukiah Valley Area Plan Economic Background; EPS #16070**

<b>Group/Industry</b>	<b>Industrial</b>	<b>Commercial</b>	<b>Retail</b>
<b><u>Projected Job Growth by Required Building Type</u></b>			
Agriculture - Farm	34	34	0
Natural Resources and Mining	6	6	0
Construction	79	26	0
Manufacturing	220	220	55
Trade [1]	190	190	570
TWU [2]	47	47	0
FIRE [3]	0	201	0
Services [4]	193	1,255	0
Government	<u>131</u>	<u>789</u>	<u>0</u>
Total	901	2,767	625
<b><u>SqFt per Employee [5]</u></b>	550	275	350
<b><u>Total SqFt Required</u></b>			
Agriculture - Farm	18,877	9,439	0
Natural Resources and Mining	3,211	1,606	0
Construction	43,495	7,249	0
Manufacturing	121,048	60,524	19,258
Trade [1]	104,506	52,253	199,511
TWU [2]	25,689	12,844	0
FIRE [3]	0	55,172	0
Services [4]	106,160	345,020	0
Government	<u>72,298</u>	<u>216,894</u>	<u>0</u>
Total	495,284	761,001	218,769
<b><u>Floor Area Ratio [6]</u></b>	0.3	0.3	0.3
<b><u>Total Acres Required in Mendocino County</u></b>	38	58	17
<b><u>Total Acres Required in Study Area [7]</u></b>	3	5	1

Source: Economic & Planning Systems, Inc.

[1] Includes retail and wholesale trade.

[2] Transportation, Warehousing and Utilities.

[3] Finance, Insurance and Real Estate.

[4] Includes information, professional and business, educational and health, and leisure and hospitality, and other services.

[5] The required square foot per employee was determined using industry and planning standards.

[6] The floor area ratio was determined by the Mendocino County Planning Team. The Team surveyed the existing buildings in the Ukiah Valley and found that on average, the floor area ratio was 0.3.

[7] Assumes that the amount of land required in the Study Area is proportionate to the percentage of Mendocino County employment located in the Study Area, 8.3%.

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## APPENDIX 1:

# HOUSEHOLD SPENDING PATTERNS

**Appendix 1**  
**Household Spending Patterns**  
**Ukiah Valley Area Plan Economic Analysis; EPS #16070**

Item	Average Annual Expenditures	% of Income	% of Annual Retail Expenditures
Expenditure Survey Participant Income before Taxes [1]	\$60,730		
Average Annual Expenditures [1]	\$50,305		
Annual Expenditures as % of Income	83%		
<b><u>Retail Expenditures</u></b>	<b><u>\$24,851</u></b>	<b><u>40.9%</u></b>	<b><u>100%</u></b>
<b>Apparel</b>	<b>\$1,954</b>	3.2%	7.9%
<b>General Merchandise</b>	<b>\$1,923</b>	3.2%	7.7%
Personal Care Products	\$621	1.0%	2.5%
Reading	\$153	0.3%	0.6%
Tobacco	\$239	0.4%	1.0%
Miscellaneous	\$910	1.5%	3.7%
<b>Food</b>	<b>\$6,798</b>	11.2%	27.4%
Food at Home	\$3,580	5.9%	14.4%
Food Away from Home	\$2,701	4.4%	10.9%
Alcoholic Beverages	\$517	0.9%	2.1%
<b>Housing &amp; Building Related Merchandise</b>	<b>\$2,648</b>	4.4%	10.7%
Housekeeping Supplies	\$618	1.0%	2.5%
Household Furnishings and Equipment	\$2,030	3.3%	8.2%
<b>Automobiles</b>	<b>\$8,892</b>	14.6%	35.8%
Vehicle Purchases	\$4,268	7.0%	17.2%
Gasoline and Motor Oil	\$1,966	3.2%	7.9%
Other Vehicles Expenses	\$2,658	4.4%	10.7%
<b>Entertainment</b>	<b>\$2,636</b>	4.3%	10.6%
<b><u>Non-Retail Expenditures</u></b>	<b><u>\$25,453</u></b>	<b><u>41.9%</u></b>	
<b>Housing</b>	<b>\$14,179</b>	23.3%	
Shelter	\$10,480	17.3%	
Utilities, Fuels, and Public Services	\$2,795	4.6%	
Household Operations	\$904	1.5%	
<b>Transportation</b>	<b>\$606</b>	1.0%	
<b>Health Care and Insurance</b>	<b>\$8,053</b>	13.3%	
Health Care	\$2,602	4.3%	
Insurance	\$5,451	9.0%	
<b>Education</b>	<b>\$1,039</b>	1.7%	
<b>Cash Contributions</b>	<b>\$1,576</b>	2.6%	

Sources: U.S. Bureau of Labor Statistics (BLS) Consumer Expenditure Survey (2004-2005) for the West Region; Economic & Planning Systems, Inc.

[1] The BLS Consumer Expenditure Survey analyzes spending patterns of consumers throughout the U.S. and provides detail based on region or the country. The survey reports total amount spent per retail category as shown in this table.

## APPENDIX 2:

# BLS HOUSEHOLD SPENDING ESTIMATES IN BOE CATEGORIES

**Appendix 2**  
**BLS Household Spending Estimates in BOE Categories**  
**Ukiah Valley Area Plan Economic Analysis; EPS #16070**

<b>BOE Category</b>	<b>%</b>	<b>BLS Category</b>	<b>Amount</b>	<b>% of Income</b>
Average Participant Household Income before Taxes			\$60,730	100%
<b>Retail Category</b>				
Apparel Stores	75%	Apparel	\$1,466	2.41%
General Merchandise Stores	100%	Personal Care Products	\$621	1.02%
	100%	Reading	\$153	0.25%
	100%	Tobacco	\$239	0.39%
	75%	Miscellaneous	\$683	1.12%
	50%	Housekeeping Supplies	<u>\$309</u>	<u>0.51%</u>
<i>Subtotal</i>			\$2,005	3.30%
Home Furnishings and Appliances	50%	Housekeeping Supplies	\$309	0.51%
	25%	Household Furnishings and Equipment	<u>\$508</u>	<u>0.84%</u>
<i>Subtotal</i>			\$817	1.34%
Bldg. Matr. And Farm Implements	75%	Household Furnishings and Equipment	\$1,523	2.51%
Auto Dealers and Auto Supplies	100%	Vehicle Purchases	\$4,268	7.03%
	50%	Other Vehicle Expenses	<u>\$1,329</u>	<u>2.19%</u>
<i>Subtotal</i>			\$5,597	9.22%
Other Retail Stores [1]	25%	Apparel	\$489	0.80%
	25%	Miscellaneous	\$228	0.37%
	50%	Alcoholic Beverages	\$259	0.43%
	25%	Other Vehicle Expenses	\$665	1.09%
	50%	Entertainment	<u>\$1,318</u>	<u>2.17%</u>
<i>Subtotal</i>			\$2,957	4.87%
Food Stores	100%	Food at Home	\$3,580	5.89%
	25%	Alcoholic Beverages	<u>\$129</u>	<u>0.21%</u>
<i>Subtotal</i>			\$3,709	6.11%
Eating and Drinking Places	100%	Food away from Home	\$2,701	4.45%
	25%	Alcoholic Beverages	\$129	0.21%
	50%	Entertainment	<u>\$1,318</u>	<u>2.17%</u>
<i>Subtotal</i>			\$4,148	6.83%
Service Stations	100%	Gasoline and Motor Oil	\$1,966	3.24%
	25%	Other Vehicle Expenses	<u>\$665</u>	<u>1.09%</u>
<i>Subtotal</i>			\$2,631	4.33%
<b>Total</b>			\$24,851	40.92%

[1] Includes specialty stores; packaged liquor stores; second-hand merchandise; fuel and ice dealers; mobile homes, trailers, campers; boat, motorcycle, and plane dealers; and business and personal services.

Source: BLS; Economic & Planning Systems, Inc.