

ideas and thoughts on a sheet of paper.

Following these working sessions each group presented their findings in a group setting. A summary of the workshop outcomes can be found in Appendix A.

A second workshop is planned to review this working draft of the Downtown Strategic Plan.

3.3 PERSONAL INTERVIEWS

In order to obtain background information, the Team (City Planning and Housing Staff, Mogavero Notestine Associates and The Hausrath Economics Group) had individual and group meetings with City Staff (administration, planning, traffic and public works), business and property owners, and community members.

3.4 FIELD RESEARCH

The Team also conducted field research to identify existing land uses, opportunity sites, building and neighborhood conditions, streetscape conditions, traffic and circulation, and other constraints and opportunities. In addition, the Team conducted a market assessment (See Section 4.1).

4 ECONOMIC ANALYSIS

4.1 MARKET ASSESSMENT

INTRODUCTION

The following text and tables present the details of the market assessment conducted by the Hausrath Economics Group (HEG) for the Grass Valley Downtown Strategic Plan. The first section describes analysis of retail sales data for Grass Valley and other parts of Nevada County, concluding with a focus on Downtown Grass Valley contributions to total City sales. The second section describes characteristics of the Downtown building inventory. The third section analyzes market area retail spending and develops spending patterns scenarios for Downtown Grass Valley. The last two sections present a baseline estimate of support for increased Downtown retail activity and identify strategies for enhancing the Downtown retail sector, in light of the existing strengths and growth potentials.

RETAIL SALES ANALYSIS

Sources and definitions

The retail sales analysis conducted for the downtown Grass Valley market assessment is based on data from the State Board of Equalization, reporting taxable retail sales for Nevada County unincorporated areas and cities and City of Grass Valley data summarizing sales tax revenue for the City and separately for the Downtown Assessment District. For the purposes of this report, HEG converted **taxable** retail sales to **total** retail sales using accepted conversion factors provided by the State Board of Equalization for the grocery store and drug store categories.

The market assessment uses retailing categories to describe the different types of retail business activity. Similar categories and definitions are used routinely in retail market analysis.

- **Comparison** retail includes goods for which shoppers are willing to spend time comparing selec-

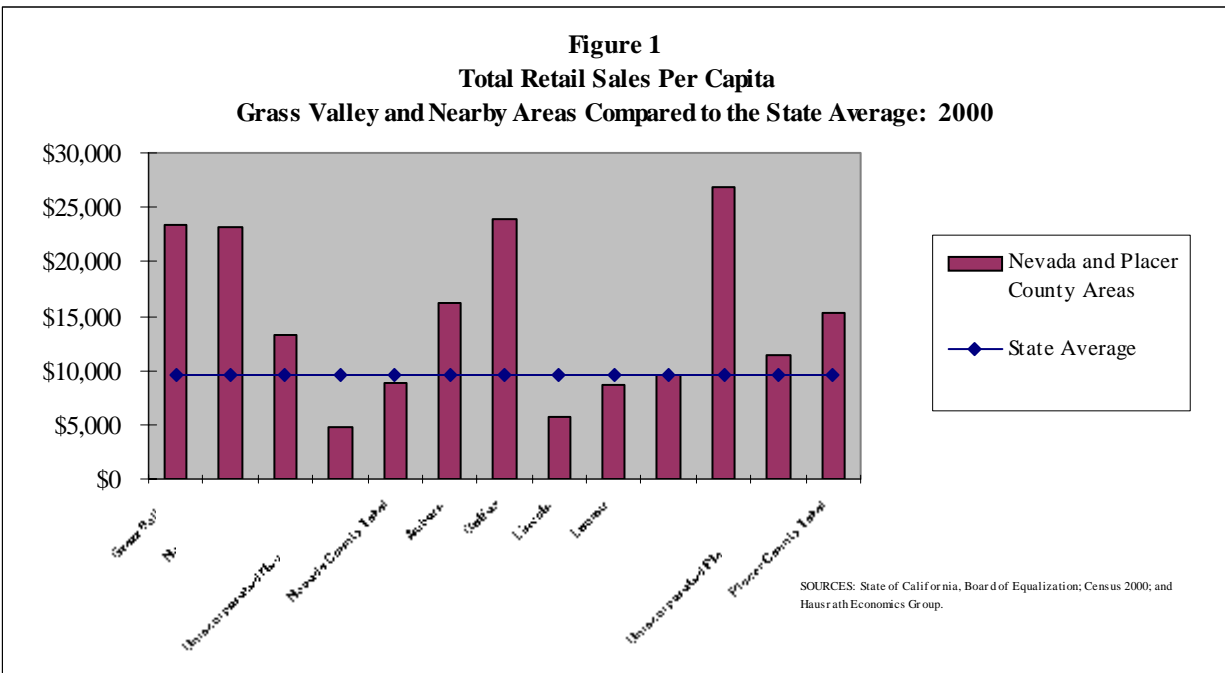
tion, price, and service. Items in the comparison category include apparel and accessories, toys, appliances, furniture, electronic equipment, sporting goods, office supplies, hardware, garden supplies, jewelry, and gifts. These items are found in department stores, home improvement stores, off-price superstores, variety stores, and in small and large format specialty stores.

- **Convenience** retail includes goods that consumers need immediately and frequently. These are generally the items that are found in grocery stores and neighborhood shopping centers.
- **Eating and Drinking** covers sales of food away from home. This category includes sales at full-service restaurants, bars, take-out and drive-through establishments, coffee houses, and cafes. In the analysis of Downtown and citywide sales and market area spending potential, eating and drinking is combined with entertainment, such as movie theatres and performing arts.
- **Auto-related sales** includes sales of new and used vehicles, auto supplies, and service station sales.
- The category labeled **“Other”** covers a variety of types of retail and commercial activity, much of which is supported by business-to-business spending. This category includes personal services such as beauty salons, repair shops, contractors, print shops, insurance and real estate companies, designers, travel agents, manufacturers, and lodging, as well as amusement and entertainment establishments such as movie theatres and bowling alleys.

In today’s retailing environment, the distinction among categories is often blurred as large retail development formats have enabled the combination of comparison and convenience shopping under one roof or within one large highway-oriented center. Nevertheless, the categories remain a useful way to describe and classify trends in sales and in retail spending patterns.

Grass Valley boasts a strong retail base

Grass Valley is an important regional retail center and visitor destination. The data that illustrate this conclusion are striking. As shown in Figure 1, per capita retail sales in Grass Valley top \$23,000—more than twice the statewide average of \$9,500 per capita. Comparing per capita sales across other nearby jurisdictions, only Roseville shows higher per capita sales. At about \$27,000 per capita, the average for Roseville is only about 15 percent higher than the Grass Valley average. This high level of per capita retail



sales is a strong indicator of Grass Valley's role as a regional economic center, of the strength of the City's retail sector, and of the importance of visitor retail spending to the City's retail sector.

Market analysis of retail sales data often takes a per capita approach. Dividing aggregate sales data for a specific geographic area by the household population in that same geographic area provides one means of evaluating the relative retail strengths and weaknesses of that geographic area, compared to county or state norms (established by comparable per capita averages). Multi-county regional averages and state-wide averages in particular can be said to represent a per capita norm for a relatively self-sufficient retail market, i.e., one in which there is no substantial leakage of spending or capture of outside spending.¹

There is a diversity of retail activity in all Nevada County jurisdictions. Comparing Grass Valley sales to sales countywide and in other Nevada County cities illustrates potential gaps in the local market as well as the distinguishing features of Grass Valley retailing. Table 1 presents analysis of Nevada County retail sales by jurisdiction and retail category.

¹ The per capita sales analysis discussed here is not to be confused with the household spending analysis discussed later in this report. The per capita sales analysis divides reported sales in retail and other establishments by the relevant local population—comparing relative levels of retail activity across jurisdictions. The household spending analysis develops estimates of per-household retail spending based on estimates of household income and survey data describing the amount of money household spend every year on different types of retail and other goods and services.

Total retail sales in Grass Valley totaled about \$358 million in 2000, representing 30 percent of total retail sales in Nevada County. Among Nevada County communities, Grass Valley ranks strongest in auto and related sales (sales at auto and truck dealers, auto supply stores, and service stations), capturing over half of all sales in the county.

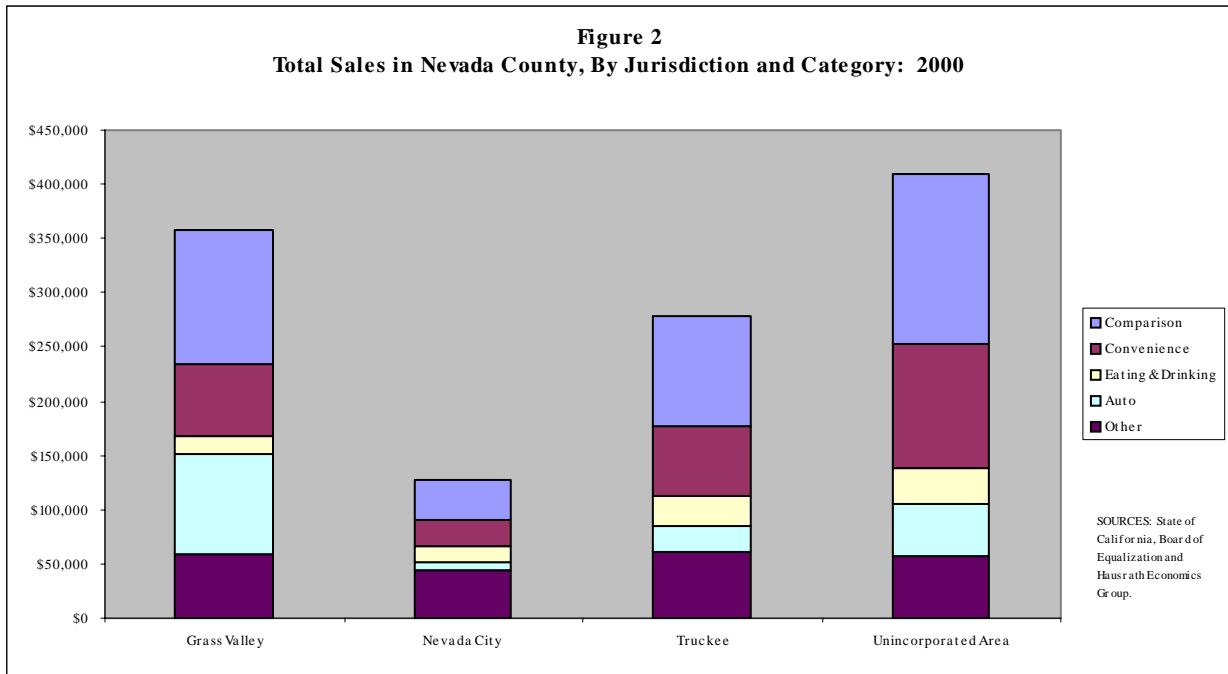
As might be expected, retail activity in Nevada County is concentrated in the cities. While 30 percent of the total population in the county lives in the cities, the cities, combined, account for 65 percent of all retail sales in the county. The low level of per capita sales in unincorporated areas reinforces this point (see Figure 1). Nevertheless, the unincorporated areas in Nevada County do generate substantial sales. Al-

TABLE 1
NEVADA COUNTY TOTAL RETAIL SALES BY JURISDICTION, 2000
(dollars in thousands)

Retail Category	Grass Valley	Nevada City	Truckee	Subtotal Cities	Unincorporated Area	TOTAL
Comparison	\$123,252	\$37,354	\$100,655	\$261,261	\$156,275	\$417,537
Convenience	66,874	24,380	64,462	155,716	114,976	270,692
Eating & Drinking	17,481	13,727	27,494	58,702	33,167	91,869
Auto	90,951	7,613	23,434	121,997	48,353	170,351
Other	59,689	44,829	61,687	166,205	56,347	222,552
Total Retail Sales	\$358,247	\$127,902	\$277,732	\$763,881	\$409,119	\$1,173,000
Percent Distribution by Area	Grass Valley	Nevada City	Truckee	Subtotal Cities	Unincorporated Area	TOTAL
Comparison	30%	9%	24%	63%	37%	100%
Convenience	25%	9%	24%	58%	42%	100%
Eating & Drinking	19%	15%	30%	64%	36%	100%
Auto	53%	4%	14%	72%	28%	100%
Other	27%	20%	28%	75%	25%	100%
Total Retail Sales	31%	11%	24%	65%	35%	100%
Distribution of Population by Area	12%	3%	15%	30%	70%	100%

SOURCE: State of California, Board of Equalization and Hausrath Economics Group.

though these sales levels are not high in proportion to population and much of the spending of residents of the unincorporated areas occurs in the cities, total sales in the unincorporated areas are over \$400 million—higher than total sales in any of the individual cities in Nevada County.



This level of sales is attributable in part to the diverse mix of retail activity in the unincorporated area. Figure 2 illustrates the composition of retail activity in Nevada County cities and the unincorporated area.

There is diversity in each jurisdiction and, for the most part, the proportions in each retail category are similar across all jurisdictions. Grass Valley does stand out as the auto-related sales center for the county. The relatively low level of eating and drinking sales also stands out. Sales at eating and drinking establishments account for less than five percent of total sales in Grass Valley. Although the overall level of retail activity in Grass Valley is substantially higher than that in Nevada City, eating and drinking sales are about the same in both places. Nevada City shows a relatively high proportion of sales in the “other” category. Since this represents business and personal services sales, and often business-to-business spending, it is representative of Nevada City’s role as the county seat.

TABLE 2
TRENDS IN SALES IN RETAIL STORES BY JURISDICTION: Taxable sales not adjusted for inflation, 1990, 1995, and 2000
(dollars in thousands)

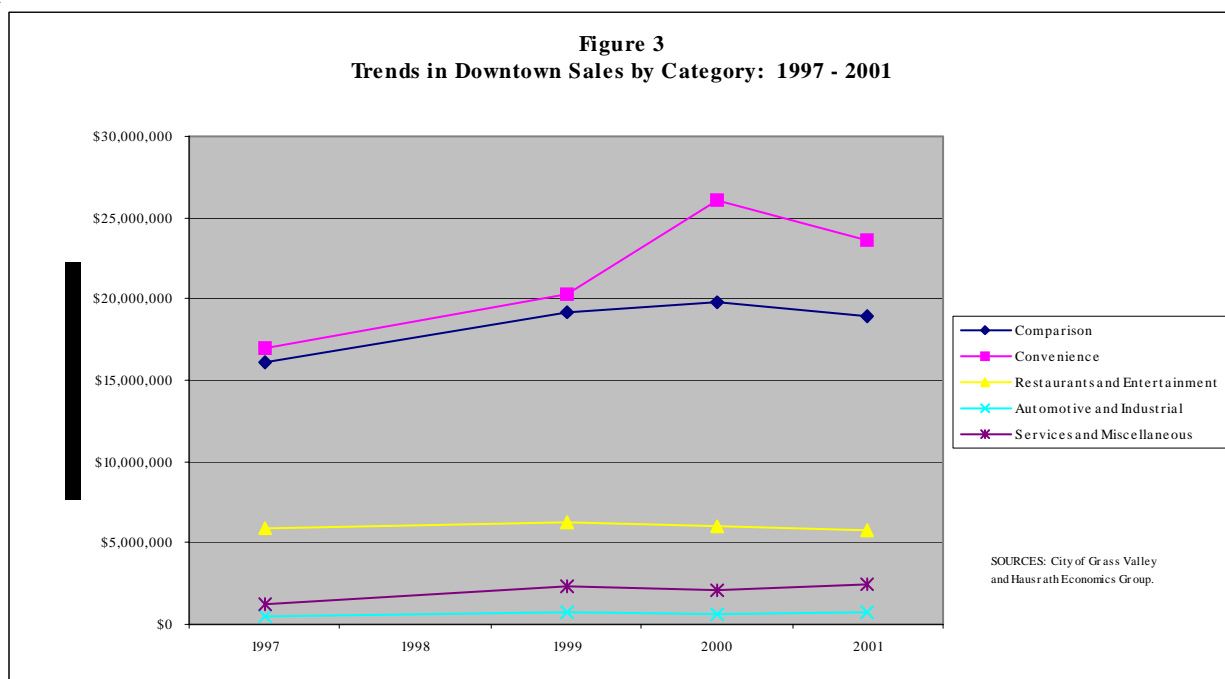
Jurisdiction	1990	1995	2000	Annual Compound Growth Rates		
				1990-1995	1995-2000	1990-2000
Grass Valley	\$140,548	\$159,501	\$218,111	2.6%	6.5%	4.5%
Nevada City	34,512	35,904	56,072	0.8%	9.3%	5.0%
Truckee	NA	102,174	148,900	na	7.8%	na
Unincorporated	NA	171,422	239,141	na	6.9%	na
TOTAL	\$404,576	\$469,001	\$662,224	3.0%	7.1%	5.1%

SOURCE: State of California, Board of Equalization

Countywide, retail sales levels have seen neither significant growth nor significant decline over the decade of the 1990s. Table 2 shows the trends in retail stores sales over the last decade in Nevada County jurisdictions. Sales in retail stores increased by about five percent per year between 1990 and 2000. This pace of growth keeps up with inflation (averaging three percent per year over the same period) and population growth (averaging just under two percent per year countywide from 1990 to 2000). Generally, there were stronger rates of growth in the last five years of the decade. These patterns hold across all Nevada County jurisdictions.

Downtown Grass Valley has a well-rounded mix of retail activity that maintains Downtown’s contribution to citywide retail sales and attracts local, regional, and visitor markets

Although sales data back to 1990 are not available for Downtown Grass Valley, it is likely that trends in the Downtown have tracked fairly closely with citywide trends. More recently, Downtown sales increased at an annual rate of six percent per year from 1997 through 2001, in spite of a decline in the last year.¹ (See Figure 3.) This period saw total Downtown retail sales increase from \$41 million in 1997 to a peak of \$55 million in 2000 (a 35 percent increase). Sales declined to \$52 million in 2001. Both the largest Downtown sales categories—comparison and convenience—experienced this overall pattern of growth and more recent decline. By contrast, there has been a slow but steady decline in sales in the restaurant and



¹ In this section and all subsequent sales and spending analysis presented in this report, the source of the sales data is the City of Grass Valley. The City uses somewhat different retail categories than those employed by the State Board of Equalization. Those City categories, however, are more useful for the analysis of types of activity occurring Downtown.

entertainment category, and steady increases in sales in automotive/industrial and services/miscellaneous categories.

Within Grass Valley, Downtown accounts for about 18 percent of total retail sales and offers a retail mix for the most part consistent with the functions of a well-rounded downtown district. (See Figure 4.) City restaurant and entertainment sales are concentrated in the Downtown, and the share of city sales occurring Downtown in both the comparison and services categories is also higher than the average. The relatively high share of city convenience sales captured Downtown is particularly strong evidence of the existing diversity of retail activity Downtown.

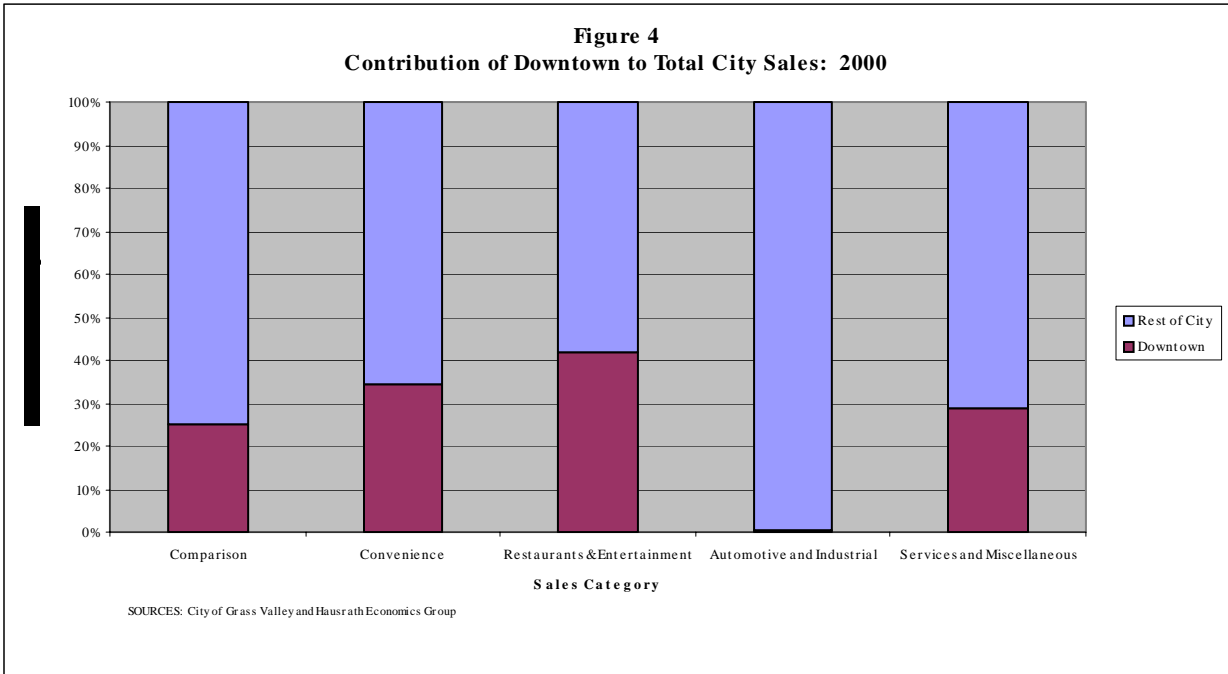
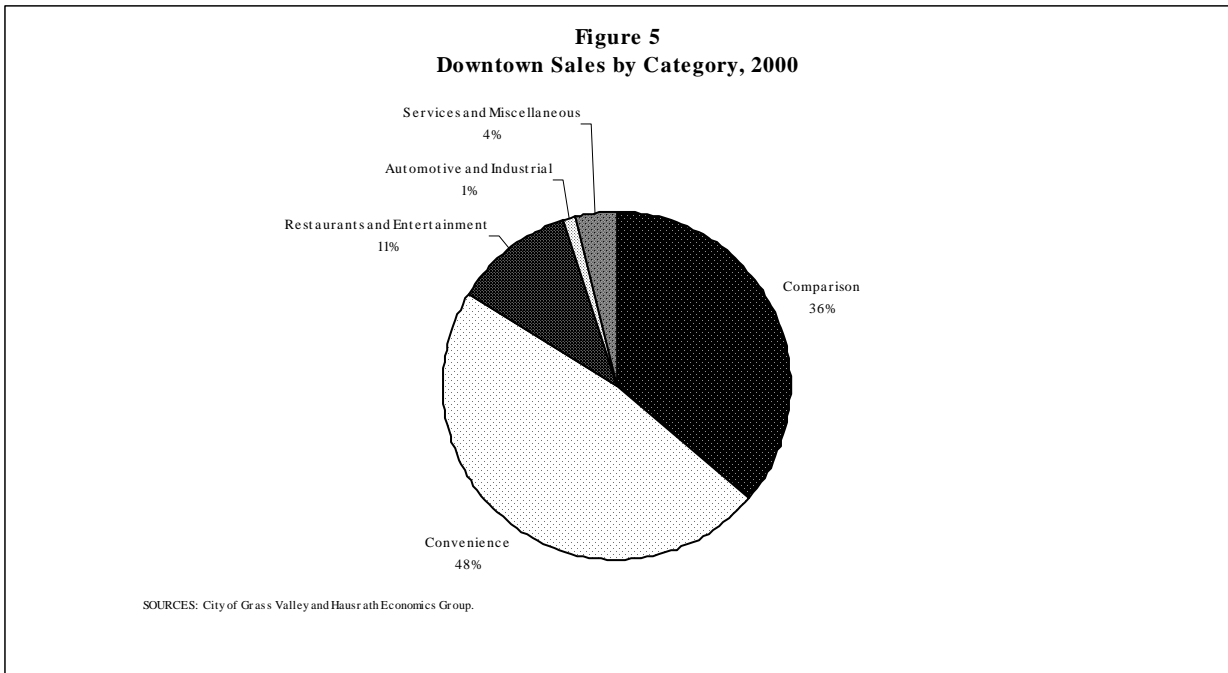


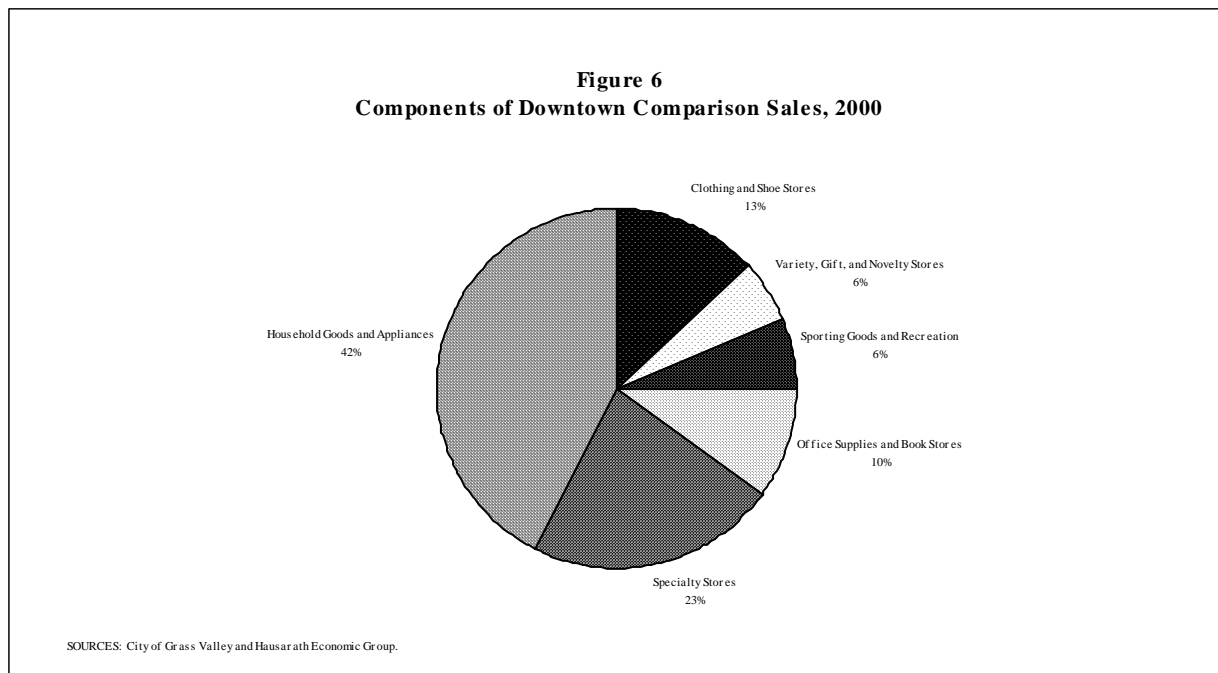
Figure 5 illustrates the contribution of the various major categories to Downtown retail sales. Almost all sales (95 percent) are in the traditional convenience, comparison, and restaurant/entertainment categories. Because of the large grocery store located on the edge of the Downtown district, almost half of Downtown sales are in the convenience category. Comparison sales account for over one-third of total Downtown sales, and restaurants and entertainment account for just over 10 percent of the total.



This mix of sales illustrates the attraction of Downtown Grass Valley to several important markets. The target market for convenience goods and services is primarily a local market. Comparison retailing and restaurants and entertainment depend on a larger regional market and on visitors, as well as on the local market. The spread of Downtown sales across categories implies that the Downtown successfully attracts elements of all markets.

Comparison sales are a diverse and important part of Downtown retail sales

The comparison category is worth examining in more detail since it includes stores selling a wide variety of merchandise that appeals to the broader regional market and to the visitor market. Figure 6 illustrates the contribution of the various components to Downtown comparison sales.



All of the major types of comparison retailing are represented in the Downtown except hardware and building materials. Household goods and appliances is the largest component in terms of sales (42 percent of total comparison sales). These stores have seen strong sales growth of 4-5 percent per year for the last several years.¹ Specialty stores (including jewelry, antiques, toys) account for almost one-quarter of Downtown comparison sales, and, until a recent slowdown, sales had increased at a rate of about eight percent per year. Sales have been flat for clothing and shoe stores and office supplies and bookstores, each representing 10 – 15 percent of comparison sales Downtown. Sales in the variety, gift, and novelty store category declined from over 10 percent of total comparison sales in 1997 to just over five percent of the total in 2001. On the other hand, sales in the sporting goods and recreation category increased by a factor of four.

¹ Both trends in sales in existing stores and changing tenancies contribute to changes in sales levels.

ANALYSIS OF DOWNTOWN BUILDING SPACE

There are almost 500,000 square feet of building space in Downtown Grass Valley and over half of that space is retail, restaurant, bar, and entertainment space. See Table 3 and Figure 7. Overall, the space inventory confirms the visual and physical impression that there is a substantial mix of activity in the Downtown. Most of the ground floor space is retail and restaurant space, while office, residential, meeting hall, and lodging space is located on the upper floors. There is a low vacancy rate—the 2002 inventory indicates a vacancy rate of four percent. This vacancy rate does not include much of the upper floor building space that might be considered under-utilized in its current use as storage or as quasi-dormant lodge or meeting space. Since the 2002 estimates of building space by use are based on a listing of tenants, storage space is not separately identified for 2002.

Over 60 percent of the building space downtown is in retail, restaurant / bar, and entertainment use. Most of this space—about 45 percent of the total—is retail space. This retail space generates about \$200 per square foot in retail sales, based on aggregate Downtown comparison and convenience sales levels in 2001.

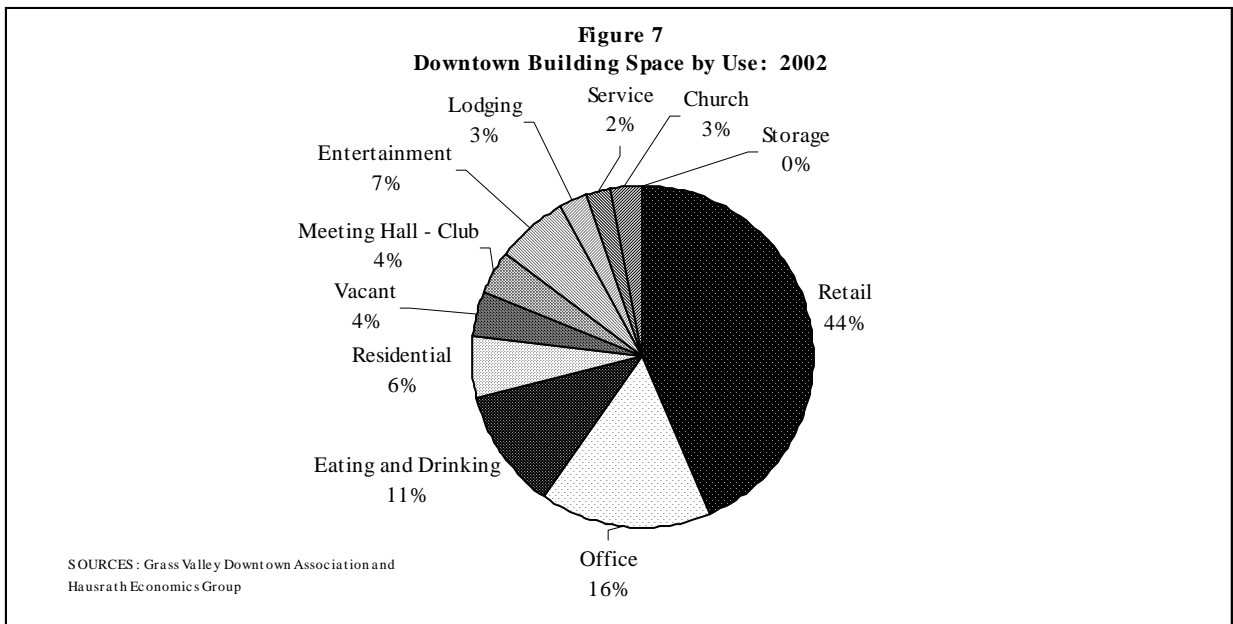


TABLE 3	
DOWNTOWN BUILDING SPACE BY USE, 2002	
Use Category	Square Feet
Retail	211,975
Office	78,648
Eating and Drinking	55,979
Residential	27,911
Vacant	21,150
Meeting Hall – Club	19,213
Entertainment	33,505
Lodging	13,150
Service	10,722
Church	14,884
Storage ^a	-
Total Space	487,137

^a The 2002 inventory listed tenants, not space use, so storage space is not indicated for 2002.
SOURCE: Grass Valley Downtown Association and Hausrath Economics Group.

The mix of activities in the Downtown building inventory has remained remarkably stable over time. HEG created a correspondence between a 2002 listing of occupants by address and a 1983 land use inventory for Downtown parcels, showing occupants by address and square footage for each occupant in 1983. Table 4 shows the distribution of Downtown building space by use for each year, based on analysis of the building occupancy information. Generally, over the course of 20 years, the data show little change in the overall mix of activities using Downtown space: 40 – 45 percent is retail space, 16-19 percent is office space, about 10 percent is space in eating and drinking establishments, and each of the rest of the categories account for less than 10 percent of the total. During this time period, individual businesses have closed or relocated, but they have been replaced by businesses of similar type.

Use Category	1983	2002
Retail	39%	44%
Office	19%	16%
Eating and Drinking	9%	11%
Residential	9%	6%
Vacant	5%	4%
Meeting Hall – Club	5%	4%
Entertainment	2%	7%
Lodging	0%	3%
Service	7%	2%
Church	3%	3%
Storage ^a	2%	0%
Total Space	100%	100%
^a The 2002 inventory listed tenants, not space use, so storage space is not indicated for 2002. SOURCE: Grass Valley Downtown Association and Hausrath Economics Group.		

MARKET AREA RETAIL SPENDING AND SPENDING PATTERNS SCENARIOS

Grass Valley attracts spending from a large market area

Analysis of countywide retail sales indicates that Grass Valley is a center for regional economic activity. Grass Valley attracts retail spending from households living throughout Western Nevada County.¹ For the purposes of Downtown retail analysis, it is useful to define subareas of this larger primary market area: Downtown Grass Valley, the rest of the City of Grass Valley, and the rest of Western Nevada County.

¹ *Western Nevada County is defined to include the Grass Valley Census County Division and the Nevada City Census County Division, covering Census Tracts 1.01 through 10. This area includes the cities of Grass Valley and Nevada City and the unincorporated areas in the western half of the County.*

Consumer demographics for subareas of the primary market area

The number of households and the characteristics of those households determine the spending potential in the market area. Table 5 shows the key demographic facts about the market area, based on 2000 Census data.

Downtown Grass Valley as a retail center most likely gets strong support from the surrounding residential community. For the purposes of this analysis, the Downtown Grass Valley residential area is defined as the approximately one square mile Town Center area. The retail / commercial core is the heart of this greater Downtown area.

Over one-third (35 percent) of Grass Valley population lives in the Town Center—almost 4,000 households. Households in the Town Center / Downtown are somewhat larger on average than households citywide. The residential vacancy rate is somewhat higher (six percent compared to 4.7 percent), and a higher proportion of the housing stock is rental housing. The age distribution for the Town Center population shows a somewhat younger population than is the case for the city overall. The median household income is higher than the citywide median.

The whole of Western Nevada County includes the bulk of the market area population and households. Total population in the greater primary market area is almost 80,000, living in 32,000 households. The population of the City of Grass Valley is only 14 percent of the total population of Western Nevada County. Western Nevada County households, living for the most part in the unincorporated county, are larger than Grass Valley households and are more likely to consist of families with children and less likely to be young

	Downtown Grass Valley		City of Grass Valley		Western Nevada County	
Total Population	3,864		10,922		77,541	
Group Quarters Population	-		260		820	
Total Households	1,742		5,016		31,487	
Household Size	2.22		2.13		2.44	
Total Housing Units	1,853		5,266		33,759	
Vacant Units	111		250		2,272	
Vacancy Rate	6.0%		4.7%		6.7%	
Owner Occupied	660	38%	2,209	44%	23,956	76%
Renter-Occupied	1,082	62%	2,807	56%	7,531	24%
Male	1,851	48%	4,915	45%	37,957	49%
Female	2,013	52%	6,007	55%	39,584	51%
Age Distribution						
Under 5 years	7%		6%		4%	
5 - 19 years	21%		19%		20%	
20-34 years	23%		19%		11%	
35-64 years	36%		34%		44%	
65 years and over	13%		22%		20%	
Total	100%		100%		100%	
Estimated Median Household Income in 2000	\$32,600		\$29,000		\$45,100	

NOTE: Downtown Grass Valley is defined to include households living within the approximately one square mile Town Center area. The City of Grass Valley includes the households and population living in the current city limits. Western Nevada County includes the population of Grass Valley, Nevada City, and the unincorporated areas in the western half of the County. Western Nevada County incorporates Nevada County Census Tracts 1.01 through 10.

SOURCE: 2000 Census and Hausrath Economics Group.

singles or couples. Median household incomes are substantially higher than the median in Grass Valley, and the housing stock is primarily owner-occupied.

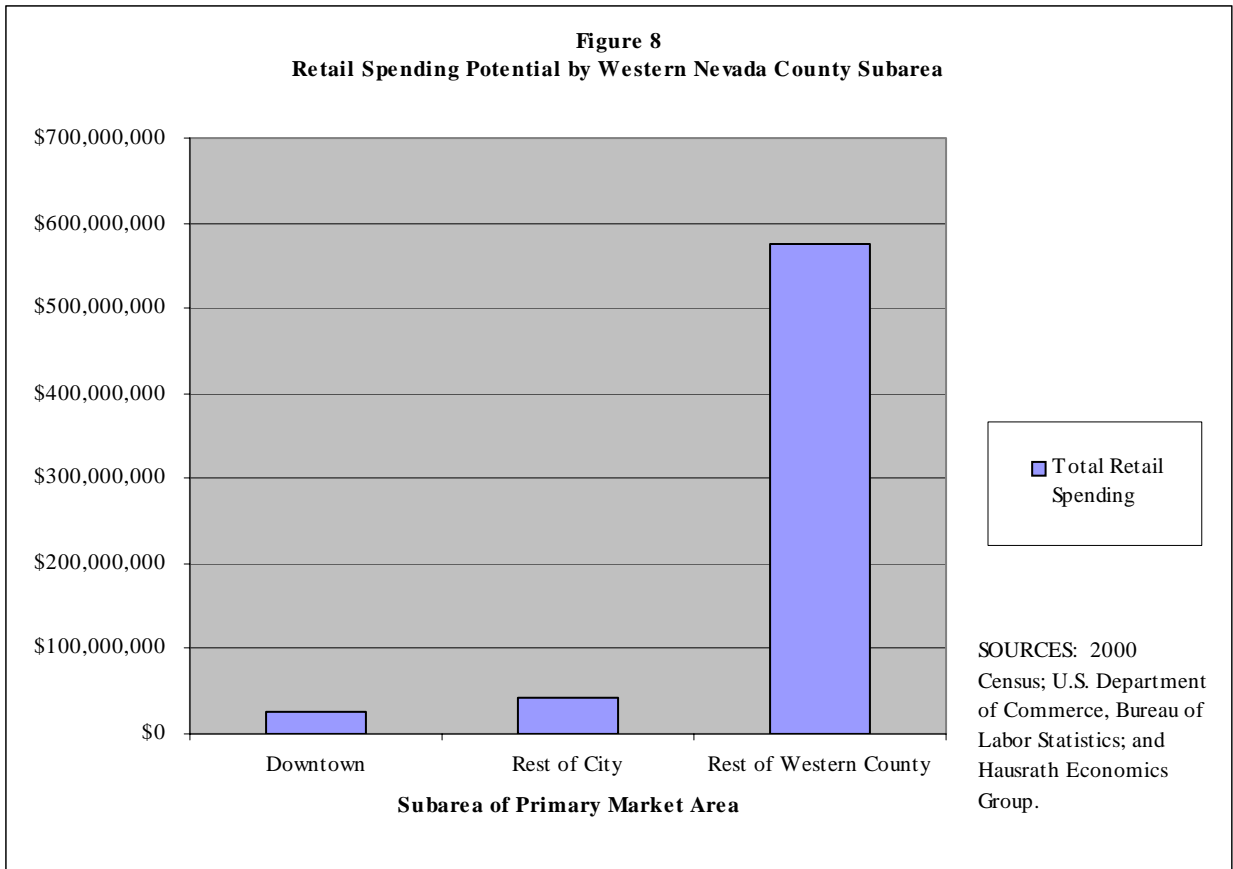
Spending potential of market area households

Table 6 presents estimates of annual spending potential in 2000 for the various retail categories for each subarea of the primary market area: Downtown households, households in the rest of Grass Valley, and households in the rest of Western Nevada County. The estimates are based on analysis of consumer spending data for the western region of the United States, from the U.S. Department of Commerce Bureau of Labor Statistics. That data source provides estimates of average annual expenditures for detailed retail categories and other types of household spending (e.g., housing, utilities, insurance). The expenditure data are sensitive to differences in household income. On average, about 50 percent of annual household income is devoted to retail spending.

TABLE 6				
ESTIMATES OF PRIMARY MARKET AREA HOUSEHOLD SPENDING POTENTIAL BY SUBAREA: 2000				
Downtown Households				
Retail Category	Percent of Household Income	Total Annual Spending per Household	Total Annual Spending	
Eating and Drinking	6%	\$1,827	\$3,182,000	
Groceries and Convenience	11%	3,561	6,202,000	
Comparison and Specialty	17%	5,525	9,625,000	
Auto	14%	4,540	7,909,000	
Total Retail Spending	47%	\$15,453	\$26,918,000	
Households in Rest of Grass Valley				
Retail Category	Percent of Household Income	Total Annual Spending per Household	Total Annual Spending	
Eating and Drinking	6%	\$1,625	\$4,970,000	
Groceries and Convenience	11%	3,167	9,686,000	
Comparison and Specialty	17%	4,915	15,028,000	
Auto	14%	4,039	12,351,000	
Total Retail Spending	47%	\$13,747	\$42,035,000	
Households in Rest of Western Nevada County				
Retail Category	Percent of Household Income	Total Annual Spending per Household	Total Annual Spending	
Eating and Drinking	5%	\$2,373	\$66,578,000	
Groceries and Convenience	10%	4,581	128,351,000	
Comparison and Specialty	16%	7,106	199,092,000	
Auto	14%	6,441	182,550,000	
Total Retail Spending	46%	\$20,501	\$576,571,000	
SOURCE: 2000 Census, U.S. Department of Commerce, Bureau of Labor Statistics, <i>Consumer Expenditure Survey: 1999-2000</i> , and Hausrath Economics Group.				

In total, the primary market area represents a total annual retail spending potential of \$645 million. About 70 percent of that spending potential—\$443 million—is in the downtown retail categories: eating and drinking, groceries and convenience, and comparison and specialty.

The number of households and household incomes determines the spending potential from each subarea. Downtown households represent a total annual retail spending potential of about \$27 million—less than five percent of the market area total. Households from the rest of the city account for annual retail spending potential of \$42 million—about 11 percent of the total. Households in the rest of Western Nevada County are by far the largest contributor to market area spending potential, representing \$577 million, or almost 90 percent of the total. Figure 8 illustrates the relative contributions of each subarea.



Businesses and visitors are other sources of spending in Downtown Grass Valley

While household retail spending contributes the most to Grass Valley and Downtown sales, visitors and local business activity are other sources of sales. Visitors to Grass Valley include people touring the Gold Country and specifically attracted to historic downtown Grass Valley, people attending the Nevada County Fair and other special events at the Fairgrounds and in the Downtown, people attracted to Nevada County’s recreational resources, and residents of nearby counties passing through on Highways 49, 20, and 174. Local business activity also supports retail sales by attracting business travelers, business meetings, and conferences. Those sales attributable to visitors and business travelers represent spending captured from outside the primary market area.

About 1,000 people work in Downtown Grass Valley. The California Main Street Program Evaluation conducted in April 2002 identified about 850 downtown workers. The building space estimates cited

above support estimates of about 1,000 jobs, using standard employment density estimating factors. These workers are a source of Downtown sales, primarily for eating and drinking places and for convenience shopping. Because most of these downtown workers live in the primary market area, the spending potential represented by these workers is included in the household spending estimates described above.

Market area household spending and sales analysis: Spending patterns scenarios for Downtown

HEG compared the spending potential represented by various components of the market area to retail sales downtown and in the rest of Grass Valley. From this analysis, HEG developed *hypothetical scenarios of spending patterns*, i.e., estimates of how much of market area spending occurs (or is “captured”) Downtown, how much is captured in the rest of the City, and how much spending occurs outside the City of Grass Valley, including the spending that “leaks” outside Nevada County. At the same time, the analysis also considers what share of Downtown sales is attributable to other sources of spending, i.e., tourists, recreational visitors, and other people from outside the primary market area of Western Nevada County.

The 1999 *Business Leakage Survey*, compiled for the City of Grass Valley by Burnes Consulting, provides a starting point for developing spending patterns scenarios. Table 7 summarizes survey results that provide an indication of the relative attraction of Downtown compared to other shopping locations in Grass Valley and outside Nevada County.

Frequency of shopping in each area	Grass Valley Shopping Areas				Outside Nevada County
	Glenbrook Basin/Brunswick	K-Mart / Pine Creek / Raley’s	Average for Non Downtown Areas	Downtown	
Weekly	56%	46%	51%	20%	17%
Monthly	30%	38%	34%	51%	40%
Subtotal	86%	84%	85%	71%	57%
Yearly	6%	8%	7%	18%	25%
Never	6%	6%	6%	7%	15%
Sales and special events only	2%	2%	2%	4%	3%
Total	100%	100%	100%	100%	100%

NOTE: The question refers to shopping besides grocery shopping. The percentages indicate the proportion of respondents shopping in each area by frequency of shopping trip.
SOURCE: Burnes Consulting, *Business Leakage Survey Results*, compiled for the City of Grass Valley, May 1999.

According to the survey results, other shopping areas in Grass Valley besides Downtown attract more shoppers on a regular weekly basis. The average for the non-downtown areas is that about 50 percent of shoppers patronize those other areas at least weekly. The percentages for Downtown are not insignificant, however. Fully 20 percent of survey respondents shopped Downtown on a weekly basis, and another 50 percent shopped there on a monthly basis. While other Grass Valley shopping areas attracted more shoppers overall, a substantial majority of shoppers patronize all Grass Valley shopping areas on a regular basis: about 70 percent shop in the Downtown at least monthly and 85 percent shop in other areas at least monthly. The survey also indicated that, for non-grocery shopping, almost 60 percent of respondents regularly shopped outside Nevada County.

Other results of the *Business Leakage Survey* reinforce these patterns. Eighty percent of the survey respondents said it is important to shop locally, and over 60 percent indicated they try to shop locally always or most of the time.

HEG considered a variety of other factors and information in developing the hypothetical spending patterns scenarios. This included: the mix of retail activity Downtown and in the rest of the City, the amount and pattern of sales and retail activity elsewhere in Nevada County, comments from Downtown merchants, and observations from the September 2002 Downtown Strategic Plan Community Workshop. In addition, substantial professional judgment informs the scenario.

HEG developed spending patterns scenarios for each major downtown retail category: comparison/specialty, restaurants/entertainment, and groceries/convenience. The scenarios are summarized in Table 8. For comparison/specialty retail and for restaurants and entertainment, the average pattern for the entire Western Nevada County market area is presented. This is because, as indicated by the spending potential estimates presented above for the subareas of the primary market area, the spending potential for the rest of Western County subarea dwarfs the spending potential of the Downtown and rest of City subareas. Therefore, the spending pattern for the rest of Western Nevada County subarea determines the overall average. While one might argue for a larger share for those closer-in households, that larger share does not change the overall average. Furthermore, there is no clear reason to assume a different pattern except for proximity; according to the *Business Leakage Survey*, other factors besides “closest location” are more important or at least as important to shoppers making their decision where to shop.¹ Separate subarea spending patterns are presented for the groceries/convenience category since these patterns are more likely to vary depending on location.

¹ Among those factors are price, quality of product, selection of merchandise, clean and attractive stores, attractive shopping environment, knowledgeable and friendly store clerks, and safety. (*Business Leakage Survey Results, compiled for the City of Grass Valley by Burnes Consulting, May 1999, pp. 12-23.*)

Place of Spending/Sales	Comparison and Specialty	Restaurants and Entertainment	Groceries and Convenience			
	Average for Western Nevada County Households	Average for Western Nevada County Households	Downtown Households	Rest of City Households	Rest of Western Nevada County	Average for Western Nevada County
Downtown Grass Valley	7%	8%	80%	35%	12%	16%
Rest of Grass Valley	25%	11%	20%	60%	30%	32%
Total Grass Valley	32%	18%	100%	95%	42%	48%
Outside Grass Valley	68%	82%	0%	5%	58%	52%
Total Spending	100%	100%	100%	100%	100%	100%

NOTE: These spending pattern scenarios were developed for the purposes of the Downtown Strategic Plan. They illustrate the aggregate potential pattern for each subarea, not the pattern for any individual household.
SOURCES: City of Grass Valley and Hausrath Economics Group.

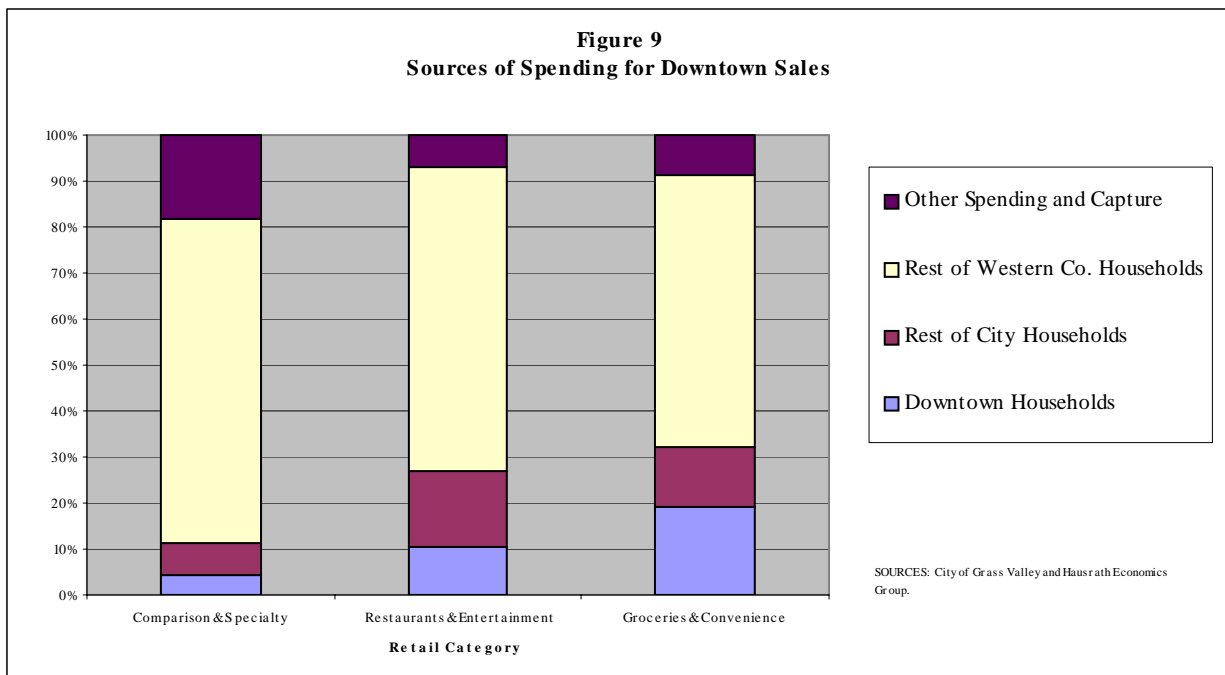
In the spending patterns scenarios, Downtown captures somewhat less than 10 percent of market area spending in the comparison/specialty and restaurant/entertainment retail categories. The rest of Grass Valley captures about one-quarter of market area comparison/specialty spending potential and about ten percent of market area restaurant and entertainment spending. In both categories, most market area spending occurs outside Grass Valley. This includes spending in Nevada City and in unincorporated Nevada County (where substantial retail options are located), as well as spending outside Nevada County.

The spending patterns scenarios are different for convenience retailing, reflecting the importance of proximity to this shopping decision. For Downtown and Grass Valley households, almost all convenience spending occurs in Grass Valley. The Downtown is assumed to capture fully 80 percent of the spending potential of Downtown households and a substantial share of the spending of households living elsewhere in the city. The Downtown captures a relatively small share of the convenience spending of other market area households. Some spending is assumed based on the amount of convenience sales posted for the Downtown and as a side effect of the shopping trips households from the greater market area make to the Downtown for other shopping and entertainment purposes.

Another way to evaluate the spending pattern assumptions is to analyze the results in terms of the contributions of each market segment to total sales. Table 9 and Figure 9 illustrate the resultant distribution of sales by source for each major downtown retail category.

Source of Sales	Comparison & Specialty	Restaurants & Entertainment	Groceries & Convenience
Downtown Households	4%	11%	19%
Rest of City Households	7%	16%	13%
Rest of Western Co. Households	70%	66%	59%
Subtotal Household Spending	81%	93%	91%
Other Spending and Capture	19%	7%	9%
Total	100%	100%	100%

NOTE: These results are based on hypothetical spending patterns scenarios developed for the Downtown Strategic Plan. They illustrate one view of the likely composition of Downtown sales.
SOURCES: City of Grass Valley and Hausrath Economics Group.



Overall, according to these spending assumptions, market area household spending accounts for about 80-90 percent of Downtown retail sales. The balance of Downtown sales is attributable to capture of visitor and other spending from outside the market area. Capture of outside spending is most important in the comparison and specialty category. Assuming they do most of their convenience shopping in the Downtown, Downtown households account for almost 20 percent of Downtown grocery and convenience sales. Given the reported grocery and convenience sales levels in the Downtown, that retail activity also relies on substantial spending from the rest of the City and from the greater market area. The pattern for restaurants and entertainment reflects substantial competition from Nevada City for market area and visitor restaurant spending and the offsetting attraction of Downtown Grass Valley's movie theatre and performing arts venues.

GROWTH POTENTIAL FOR DOWNTOWN RETAIL ACTIVITY

Increases in retail activity in Downtown Grass Valley will likely come from increases in households in the market area, increased capture of market area spending, and increased visitor spending. To provide a rough baseline for planning purposes, HEG prepared estimates of the increase in retail spending associated with projected increases in households in the market area. Implementing Downtown development strategies designed to attract a higher share of market area household retail spending and more visitor spending could bolster and, perhaps add to, this baseline growth potential.

Increases in housing in the market area support a baseline projection of increased market area spending potential

The baseline estimate of potential future Downtown retail activity relies on projected growth in households in the market area and on that household retail spending. Table 10 summarizes the increase in terms of annual spending for the key downtown retail categories, based on household growth for the City of Grass Valley, the rest of the Grass Valley Planning Area, and the rest of the Western County market area. The estimates in the table show total spending potential before consideration of spending patterns such as those presented in Table 8—the shares of spending captured Downtown or in the rest of Grass Valley, for example. The increases represent the difference between market area spending potential in 2020 and market area spending potential in 2000 (presented in Table 6), assuming household growth as projected by City and County General Plans.

As is the case for existing market area spending, growth in the rest of Western Nevada County dominates the growth in spending potential, accounting for 85 percent of the total increase. Only limited residential development is expected in the city of Grass Valley over the next 20 years. The Grass Valley *General Plan* forecasts an increase of less than 900 households. More residential development is projected for the Grass Valley planning area; the *General Plan* forecasts about 1,200 more households in the Planning Area, in addition to those expected in the existing city limits. The estimates for the rest of the Western County market area assume an additional 10,000 households by 2020, consistent with the current *Nevada County General Plan* (1996) and updated countywide population projections that account for the results of the 2000 Census.¹ Those County *General Plan* projections assume expansion of infrastructure to accommodate continued growth in Lake Wildwood, Lake of the Pines, and Penn Valley, as well as potential “new town” development in western Nevada County's unincorporated area.

¹ *Interim County Population Projections prepared by the California Department of Finance in June 2001 show a Nevada County population of 133,200 in 2020. This is essentially the population estimated for the 2015 planning horizon in the County's 1996 General Plan.*

Growth in the market area supports increased retail activity and increased retail space Downtown

This additional spending represents the potential for increased retail activity in Downtown Grass Valley—increases that could be realized through development of more retail space and/or increases in retail activity in existing retail space. Table 11 presents an estimate of increased support for *Downtown* retail activity based on the projections of household growth in the market area, assuming the same spending patterns scenarios developed to describe current market conditions (see Table 8).

TABLE 10
TOTAL ADDITIONAL SPENDING POTENTIAL BASED ON
HOUSEHOLD GROWTH IN THE PRIMARY MARKET AREA: 2000
- 2020

Household Growth, 2000 - 2020	
City of Grass Valley	844
Rest of Grass Valley Planning Area	1,186
Rest of Western Nevada County Market Area	10,815
Increase in Annual Convenience Retail Spending	
City of Grass Valley	\$2,673,000
Rest of Grass Valley Planning Area	\$5,974,000
Rest of Western Nevada County Market Area	\$49,542,000
Increase in Annual Comparison Retail Spending	
City of Grass Valley	\$4,148,000
Rest of Grass Valley Planning Area	\$9,270,000
Rest of Western Nevada County Market Area	\$76,850,000
Increase in Annual Restaurant Retail Spending	
City of Grass Valley	\$1,372,000
Rest of Grass Valley Planning Area	\$3,064,000
Rest of Western Nevada County Market Area	\$25,668,000

NOTE: These are estimates of the increase between 2000 and 2020 of total annual spending potential in the primary market area, based solely on the projected increase in households. These are estimates of spending potential before consideration of spending patterns. The estimates assume no real change in median household income.

SOURCE: City of Grass Valley *General Plan 2020* (November 1999), *Nevada County General Plan* (1996), California Department of Finance, and Hausrath Economics Group.

Assuming the household growth projections represented by current general plans and the same spending patterns scenarios assumed to exist today, there would be increases in support for Downtown convenience retail, comparison retail, and restaurant/entertainment retail activity. Growth in the local market area (growth in the City of Grass Valley and in the Grass Valley Planning Area) would provide the most support for increased convenience retail activity Downtown. As is likely the case today, increased retail activity Downtown as a result of growth in the market area would depend primarily on growth in Western Nevada County unincorporated areas.

For rough estimates to guide Downtown and citywide planning, the Downtown spending and sales estimates for each category are translated to estimates of retail space supported. Growth in market area retail spending Downtown translates to a total of about 80,000 square feet of space, about half of which would be convenience retail space (41,000 square feet). Increases in comparison retail spending would support about 26,000 square feet of space, and increases in restaurant/entertainment spending would support about 10,000 square feet of space.

comparison retail spending would support about 26,000 square feet of space, and increases in restaurant/entertainment spending would support about 10,000 square feet of space.

Caveats

The estimates presented above of Downtown retail space supported by market area spending growth are intended as rough planning benchmarks. They are based on a set of hypothetical spending patterns scenarios. They depend on continued housing development, particularly on large amounts of housing development in unincorporated Western Nevada County. They assume no major competitive retail development in the market area that would result in substantial shifts of spending away from the downtown. Moreover, it is likely that some increases in retail activity would be absorbed as increases in sales in existing retail space, as existing stores do better or as higher-performing operations replace existing stores over time.

Other sources for increased retail activity Downtown

Market area household growth is not the sole source for increased retail activity in Downtown Grass Valley. Overall economic growth and increases in business activity in the market area would support the health of the Downtown. Increases in visitors to Nevada County and to Grass Valley in particular are other substantial sources of potential sales growth. Most importantly, maintaining and enhancing the ability of Downtown to attract market area shoppers would increase capture of market area spending and could support additional retail supply and building investment.

4.2 STRATEGIES FOR ENHANCING THE DOWNTOWN RETAIL SECTOR

Downtown Grass Valley already fulfills many people’s needs for a conveniently located, attractive, shopping area, with high quality goods, relatively competitive prices, good service, and an enjoyable atmosphere, near other entertainment. This is a strength to be nurtured and to build on. It is important that the Downtown attracts shoppers from a large regional market area, and also attracts closer-in people for frequent convenience shopping.

The following points outline some strategic directions for enhancing the existing strengths in Downtown Grass Valley and capitalizing on market area growth potentials. See Section 7, Management, Maintenance and Promotion for specifics on implementing these recommendations.

- Building on existing strengths, broaden the appeal of Downtown Grass Valley to the local market. Attract more local shoppers on a weekly basis who now only shop downtown monthly, and attract new shoppers from the greater market area.
- Expand the array of convenience-oriented shopping and service opportunities by recruiting the following types of businesses: pharmacy, health food store, bakery, delicatessen, wine and cheese shop, traditional dry goods/"surplus" store, laundromat, and travel agency.
- Improve signage on the highways and at the entrances to Downtown to increase visibility to visitors and local residents and to help maintain competitiveness in the market area.
- Focus enhanced marketing on the Downtown’s entertainment and performing arts niche: movie theatre, galleries, local artists, upper floor clubs, Center for the Arts classes and events.
- Customer service enhancements: consider expanding hours of operation to be open more convenient hours and make parking easier.
- Recruit office and professional uses to underutilized upper floors of existing Downtown buildings.
- Investigate re-use of some upper floor space for housing.

TABLE 11 SCENARIO OF DOWNTOWN SPACE SUPPORTED BY PRIMARY MARKET AREA HOUSEHOLD GROWTH: 2000 - 2020	
Support for Downtown Convenience Retail	
City of Grass Valley	\$2,138,000
Rest of Grass Valley Planning Area	\$2,091,000
Rest of Western Nevada County Market Area	\$5,945,000
Convenience Retail Space^a	41,000
Support for Downtown Comparison Retail	
City of Grass Valley	\$373,000
Rest of Grass Valley Planning Area	\$834,000
Rest of Western Nevada County Market Area	\$5,380,000
Comparison Retail Space^a	26,000
Support for Downtown Restaurant/Entertainment Retail	
City of Grass Valley	\$274,000
Rest of Grass Valley Planning Area	\$613,000
Rest of Western Nevada County Market Area	\$1,540,000
Restaurant/Entertainment Retail Space^a	10,000
TOTAL RETAIL SPACE	77,000
NOTE: This scenario of downtown retail space supported by growth in spending in the primary market area is based on the spending patterns scenarios shown in Table 8. The estimates would be greater if there were an increase in the Downtown’s capture of market area retail spending. The increases would be less if competitive retail locations elsewhere in the market area captured proportionally more market area spending in the future. Furthermore, it is likely that some of any increase in spending and sales in the Downtown would be absorbed as a result of increases in the sales per square foot in existing retail space.	
^a Estimates of retail space supported assume average sales of \$250 per square foot.	
SOURCE: Hausrath Economics Group	

- Consider new mixed-use development for larger existing parking lot sites in the Downtown. Grass Valley is well-positioned to take advantage of the market for in-town living. New apartments over ground floor retail space would provide immediate support for all types of downtown retail activity. Limited amounts of new retail space would increase the range of potential supply options Downtown, aiding business recruitment efforts.
- Encourage Downtown hotel development to attract a larger number of visitors to stay longer in Downtown Grass Valley and support Downtown eating and drinking establishments, entertainment, and specialty stores. Scrutinize in the planning process the amount and type of retail space proposed for any hotel development.

5 DOWNTOWN-WIDE ISSUES

5.1 LAND USES AND DEVELOPMENT STANDARDS

Downtown Grass Valley is truly a mixed use environment. Residential, Civic, Retail, Restaurants, Entertainment, Office, Parks, Churches and Light Industrial uses are all located within an easy walking distance of each other.

The Committee made it very clear that they are very supportive of maintaining a true mix of uses in the Downtown Area. Even uses such as auto repair are needed to service the Downtown as well as surrounding neighborhoods.

There are some obvious clusters of uses such as residential north of Richardson Street and south of Neal Street along Mill and Church Streets, financial uses in the vicinity of Neal and Church Street, civic uses such as the Post Office, City Hall and the Police Department along East Main and South Auburn Streets; the Churches of Church Street; and the concentration of retail, restaurants and entertainment along Mill and East Main Streets. See Exhibit 2 - Existing Land Use.

In a review of City planning documents, the only deficiency found related to land use regulations (other than as they relate to parking see Section 5.2) was the lack of protection for historic structures, therefore it is recommended that the City develop an ordinance that discourages or prohibits the demolition of historic structures.

Two issues in Article 9 of the Zoning Ordinance pose potential development problems. Section 9-02 (a) requires 2,000 square feet of lot area per dwelling unit this is a very low density for infill projects in the Downtown area. For loading purposes, Section 9-03 (b) requires a 12 foot rear yard set-back where the project backs-up to a street alley or parking lot. Some types of development projects such as residential or office may not require loading areas. However because of the Planned Unit Development provision of the Zoning Ordinance found in Section 16A et. seq. there is adequate provision in the Zoning Ordinance to allow enough flexibility for all forms of new development in the Downtown area. Specifically Section 16A states "The Planned unit development procedure is intended to provide for greater flexibility in the design of developments than otherwise possible through strict application of zoning regulations; to provide a method whereby land may be designed and developed as a unit for residential, commercial or industrial use by taking advantage of modern site planning techniques in order to produce an environment of stable, desirable character in harmony with existing or potential development of the surrounding neighborhood".

In a review of the Design Guidelines, several inadequacies were found and it is recommended that the City undertake a review and update of the Design Guidelines for the Downtown study area. The Design