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MEMORANDUM

To: Mr. Boris Sztorch, Manager,
Economic/Redevelopment Division
Community Development Commission
County of Los Angeles

From: Calvin E. Hollis
Kevin E. Engstrom

Date: May 14, 2004

Subject: Lake Avenue Market Opportunities Assessment

Keyser Marston Associates, Inc. (KMA) has been retained by the Los Angeles County Community Development Commission to examine the market opportunities and provided implementation suggestions for North Lake Avenue (Corridor) in the community of Altadena. This memorandum represents Task 7 of our proposal: the Final Memorandum.

KMA's work entailed a review of market conditions affecting the study area, discussions with brokers and other knowledgeable parties concerning the business conditions in the Corridor, and a review of potential actions the County and property owners could take to improve business performance. The following summarizes our conclusions:

MARKET CONDITIONS

For the purposes of this analysis, KMA reviewed the socio-economic character of the market area residents, summarized the current employment patterns, evaluated the current retail productivity levels in the market area, and summarized the current residential market indicators.

Market Summary

KMA reached the following conclusions, based on our analysis:

1. Overall the area demonstrates relatively healthy socio-economic characteristics. Specifically, the household income and education levels are relatively high when compared to the County as a whole.

2. There are a number of factors that will inhibit opportunities for significant additional commercial development and redevelopment.

   a. The cities of Pasadena and Burbank are well-established retail centers in the region.

   b. Pedestrian and automobile traffic volumes along the Corridor are relatively low. This will limit the attractiveness of the Corridor to potential retailers.

   c. A significant share of the buildings in the area is under-parked, which inhibits their reuse potential.

   d. A large share of the building stock is relatively old and obsolete for modern retailers.

   e. Overall, the rents in the area are moderate and do not indicate significant pent up demand.

3. The residential market is relatively strong.

   a. Rents in the area are relatively high and brokers indicate there is interest for available space.

   b. The per square foot sales price has increased significantly in recent years. In fact the rate of increase surpassed the County.

Analysis

Socio-Economic Characteristics

Identifying the socio-economic character of the market area residents is necessary for the evaluation of potential market opportunities. Shown in Table 1 is a summary of the salient socio-economic characteristics for one-mile, two-mile, three-mile market areas around the intersection of Lake Avenue and Calaveras Street. To provide a benchmark against which the market area residents can be measured, socio-economic characteristic for the community of Altadena ("Community") and the County of Los Angeles (County) are also presented. The salient socio-economic characteristics are summarized below:

Population

1. According to Claritas, the population in the Community is approximately 71,000 persons. The one-mile market area population is 7,200 and the three-mile population is 48,900 persons.

2. There are 14,800 households in the Community with an average size of 2.8 persons, which is smaller than the County's.

Income

1. Per capita and household income levels in the one-mile market area and Community are relatively high. The per capita and household income within the Community is $29,300 and $81,400, respectively. This compares favorably to the County where the income levels are $23,400 (per capita) and $71,400 (household).

2. Approximately one-quarter of the households within the one-mile market area and Community have income levels greater than $100,000, compared to less than 20% in the County.

Demographic Characteristics

1. The age breakdown for all of the market areas, the Community and the County are generally consistent.

2. A relatively high percentage, approximately one-third of the market area and Community residents graduated from college. While slightly more than 20% of the County residents graduated from college.

Overall, the market area can be characterized as follows: moderately populated; relatively high-income levels; and, relatively high education levels.

Employment

As shown in Table 2, there are approximately 7,700 persons working within the Community, with nearly 50% of this total in the service industries. Within the market areas, the share of service employment is generally consistent with the Community. Comparatively, approximately 42% of the County employees are engaged in the service industries. The primary reason for this difference is the greater share of employees working in the wholesale trade and manufacturing sectors within the County. In all of the areas the share of employment in retail trade is consistent.

Retail Market Conditions

The Community exists in a very competitive marketplace. In particular, the cities of Pasadena and Burbank are generating significant retail sales as evidenced by the analysis below. For Pasadena in particular, these results are not surprising given the magnitude of the retail development in the City. The KMA evaluation of existing retail conditions includes a review of taxable sales and permits in the region, an analysis of the parking and traffic conditions along the Corridor, and interviews of retail brokers active in the area.

Per Capita Retail Sales

As shown in Table 3, the taxable retail sales for the cities in the region are significantly higher per capita than the County and the State. In fact, retail sales within Pasadena and Burbank are approximately $4,000 greater per capita than the County. When the retail sales are broken down by category, the results can be summarized as follows:

1. Apparel Stores – The per capita sales in Pasadena and Glendale are over 80% higher than the County average. In addition, the sales in La Canada and Burbank are higher than the County average.

2. General Merchandise Stores – This category of establishments includes department stores, warehouse clubs (e.g. Costco) and large box retailers (e.g. Wal-Mart and Target). Per capita, general merchandise sales are extremely high in the cities surrounding Altadena. In fact, the sales in Burbank are twice as high as the County average.

3. Food Stores – The per capita taxable food store sales in the region are generally consistent with the County and the State.

4. Eating and Drinking Places – Eating and drinking places sales in Pasadena and Burbank are approximately twice the levels in the County. The sales in La Canada and Glendale are generally consistent with the County and State.

5. Home Furnishing and Appliances – Per capita sales in this category are significantly higher in Pasadena and Burbank when compared to the County. The other cities are consistent with the County and State.

6. Other Retail Stores – This category includes specialty shops such as books stores, florists, stationers and the like. In all of the cities surrounding Altadena, the per capita sales are higher than the County and State average.

The retail sales information suggests the following:

1. Regional serving uses:

   a. General merchandise stores are generating significant sales within the region. Unless a retailer has a great desire to locate in Altadena for specific reasons, there does not appear to be excess demand that could be captured by the Corridor.

   b. The sales in home furnishings and appliance stores are healthy in Burbank and Pasadena. Given the parcel sizes and land uses along the Corridor, there appears to be limited opportunities for this type of retailer.

2. Community serving uses:

   a. The sales data indicates that food store sales are generally consistent in the market area.

   b. The restaurant sales in the region are very healthy. Retail centers in Burbank, Pasadena and even Glendale are very attractive to national eateries. In all likelihood, demand along the Corridor will likely be limited to local franchises or owner-operated establishments.

   c. The sales in "other retail stores" are generally high in the region, with all of the cities evaluated exceeding the County average. However, given the market area demographics and current land use patterns, these are the types of tenants that would likely be best suited for Lake Avenue.

Sales and Residents Per Permit

The table below shows the sales per permit for the cities in the region, the County and the State.

	2001 Sales Per Permit
Pasadena	$472,700
Glendale	$525,400
La Canada- Flintridge	$587,700
Burbank	$708,300
Los Angeles County	$452,200
California	$511,300

Source: California State Board of Equalization

The sales per permit are significantly higher in Burbank and Glendale when compared to the County and State averages.

The table below shows the residents per permit for the cities in the region, the County and the State.

	2001 Residents Per Permit
Pasadena	55
Glendale	91
La Canada- Flintridge	106
Burbank	75
Los Angeles County	97
California	97

Source: California State Board of Equalization & Department of Finance

The residents per permit analysis indicate there are a significant number of retail establishments in Pasadena when compared to the other Cities, the County and the State.

Parking and Traffic

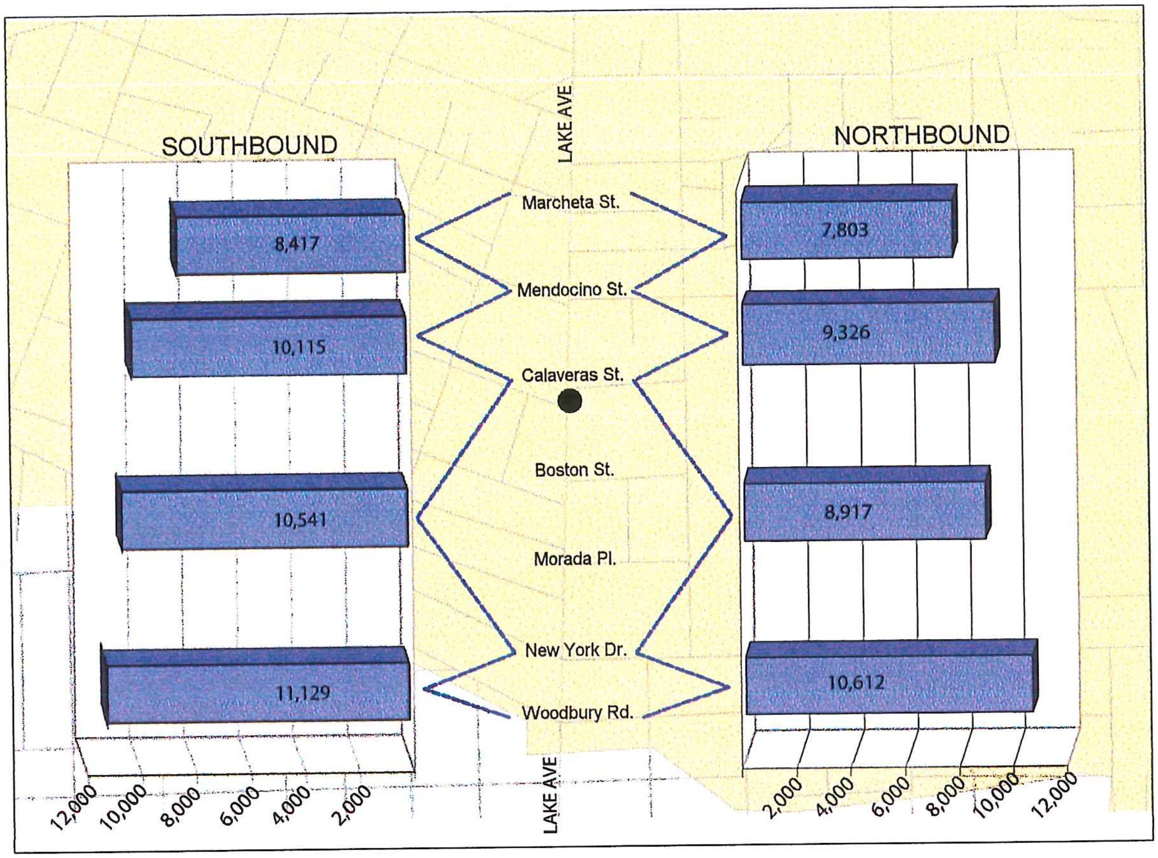
KMA reviewed the current parking and traffic patterns along the Corridor. The North Lake Avenue Corridor between Woodbury Road and Marcheta Street varies in width from 80 to 90 feet. For this analysis, the commercial buildings were separated based on their use as retail or office space. Typically, retail space requires a parking ratio of four to five spaces for every thousand feet of building area. KMA reviewed the current development along the Corridor and found that 53% of the properties do not meet the minimum recommended ratio of four per thousand. For office space, the typical ratio is three spaces per thousand feet of building area. Along the Corridor, 39% of the properties fall short of achieving this level of parking.

The average daily traffic along the Corridor is summarized in the table below:

	Southbound	**Northbound**
Marcheta to Mendocino	8,417	7,803
Mendocino to Calaveras	10,115	9,326
Calaveras to New York	10,541	8,917
New York to Woodbury	11,129	10,612

Source: Los Angeles County

The traffic patterns are relatively low, as the peak traffic point (both directions) is only 21,700 between New York and Woodbury and drop to 17,220 at the northern end of the Corridor.



Broker Perspectives

KMA interviewed several retail and commercial brokers active along the Corridor. The results of these discussions are summarized below:

1. Monthly retail rents range from $.85 per square foot triple net to $2.00 per square foot. In general, the older, obsolete space will rent from $.85 to $1.00 per square foot and the newer space will rent for $1.25 to $2.00 per square foot. The Washington Mutual development is an example at the higher end of the range.

2. Monthly office rents range from $1.05 to $2.50, with older space leasing for $1.05 to $1.50 and newer space at $1.75 to $2.50.

3. Vacancy rates vary among centers, with space remaining on the market for extended periods of time. Examples were cited of space lasting on the market for years.

4. There is relatively little traffic along the Corridor, including both automobiles and pedestrians.

5. Many of the brokers indicated the Corridor's significant distance from the freeway inhibits development and leasing opportunities.

6. Many feel that little has been done by owners to improve the area.

7. Large institutional uses are occupying what otherwise would be larger potential development sites.

8. Many believe that the current zoning for the area limits the reuse potential.

9. A significant lack of parking exists on the Corridor.

10. Very few higher end retail establishments are attracted to the Corridor.

Overall, the retail market overview indicates a very competitive market area with the cities of Pasadena and Burbank generating tremendous retail sales. In addition, traffic and parking limitations are inhibiting development and redevelopment opportunities along the Corridor.

Residential Overview

This section of the report presents an analysis of housing market conditions. For the purposes of this analysis, KMA evaluated the market of for-rent and for-sale residences.

In general, Altadena is a desirable area to live given its convenient location in proximity to major employment centers in Los Angeles County. In addition, the region offers a wide variety of community serving shopping opportunities, services and cultural attractions. Currently, there is high demand to live within the market area, with a limited supply of housing units. The continued population growth within Southern California contrasted with a limited supply of new housing built throughout the region will likely sustain demand for new housing in the Community through the foreseeable future.

Rental Product

KMA surveyed several residential property managers and realtors regarding the Altadena residential rental market.[1] The residential rental market consists primarily of attached units. The rental rates vary greatly in the area depending on the amenities, condition and location of the unit. The local real estate professionals interviewed indicated residential vacancy rates were not known, however the consensus is approximately 5%. The table below summarizes typical rents for the various product types available in the Community.

Unit Type	**Average Monthly Rent**
Studio	$940
One Bedroom	$1,010
Two Bedroom	$1,510
Three Bedroom	$2,040

The rents shown above are relatively high, reflecting the desirable nature of the Community.

For-Sale Product

To gauge the market demand and depth for ownership units, KMA reviewed data provided by Metroscan. Shown in the table below is a summary of the average price per square foot for detached residential product in Los Angeles County and Altadena from 1998 through 2002.

Average Price Per Square Foot

	Altadena	**L.A. County**
1998	$155	$116
1999	$167	$130
2000	$192	$133
2001	$210	$132
2002	$240	$139

Source: Meyers Group; Metroscan

As shown in the table above, the average price per square foot for homes in Altadena increased significantly between 2001 and 2002, with the gains not matched by the County as a whole. To gain a further understanding of the for-sale market, KMA summarized the recent sales data for the market area.[2] As shown in Table 4, the price per square foot ranges from $189 for the larger units to $300 for the smaller units. The total sales price range considerably, with some of

[1] A total of 32 residential units were survey for this analysis.
[2] The market area is a 1.7 mile radius from 2235 Lake Avenue.

the larger units generating sales greater than $1.0 million. Overall, the recent escalation of prices compared to the County and total prices being achieved in the market area indicate a relatively healthy for-sale market.

ACTION ITEMS

The market opportunities and constraints analysis summarized above suggests that the most likely role the Corridor will play is to continue as a location for local serving retail and service uses. Lack of significant development sites, relatively low traffic volumes and substantial competition will inhibit significant development opportunities. However, recent private investment at the Washington Mutual site and the pending rehabilitation of the Ralph's supermarket suggests that local serving retailing is viable if some of the physical limitations can be overcome.

Critical to the success of local serving retail is the availability and location of adequate and convenient parking. The graphics following this section illustrate the land uses, ownership and the principal parking deficiencies in the Corridor. As shown, the principal deficiencies are located on the west side of Lake Avenue, particularly in the area north of Mariposa and between Calaveras and Sacramento Streets.

Various strategies can be developed to provide improved parking for potential customers of the Corridor. The following alternatives are provided as a means of furthering discussion among the stakeholders in the area. None of the following six strategies have been accepted by LACDC staff.

1. Improved Management of Existing Spaces

Often when existing parking resources are limited, employees of businesses in the area use the most convenient parking spaces. In the Corridor, these tend to be on-street parking spaces. Given the convenience nature of the market, potential customers become discouraged and will seek other alternatives to meet their convenience shopping needs. Potential strategies to minimize this occurring include the following:

a. Acknowledgement among stakeholders that on-street parking should be restricted from employees and a commitment to establish supportive policies among their employees.

b. Exploration with non-peak day and hour institutions (churches for example) for use of designated parking on street for retail and service employee parking.

2. **Acquisition and Creation of Additional Parking Resources**

a. Strict enforcement of one and two hour parking limits, and limited 20-minute parking in front of service businesses such as dry cleaners, take-out restaurants and similar short stay duration businesses.

b. Consideration of metered parking as an enforcement device as well as revenue generator for public improvements along the Corridor.

c. Acquisition of 2271 Lake: U.S. Post Office: This Postal Service should be contacted concerning their long-range plans for this facility. The property is privately owned.

d. Acquisition of Southwest Corner of Morada Place and Lake Avenue: This 7,800 square foot parcel could be acquired in combination with a portion of Morada Place to create a parking resource in the southern portion of the Corridor. This property is one of four parcels owned by a single party between Morada Place and Sacramento on the west side of Lake.

e. Closure of Marcheta Street West of Lake Avenue: This street could be considered for partial closure and conversion into an off street parking lot. Limited access to the United Church of Christ parking lot may be necessary, although Marcheta and thus the parking lot could be accessed from El Molino. Assuming the street was vacated from west of Lake, approximately 100 feet, the area of the closed street would be approximately 5,000 square feet, potentially larger if the access issues to the United Church of Christ property are creatively resolved. This low cost solution could create 12 to 18 spaces, relieving some of the parking deficiencies experienced in the block between Mariposa and Fontanet Way.

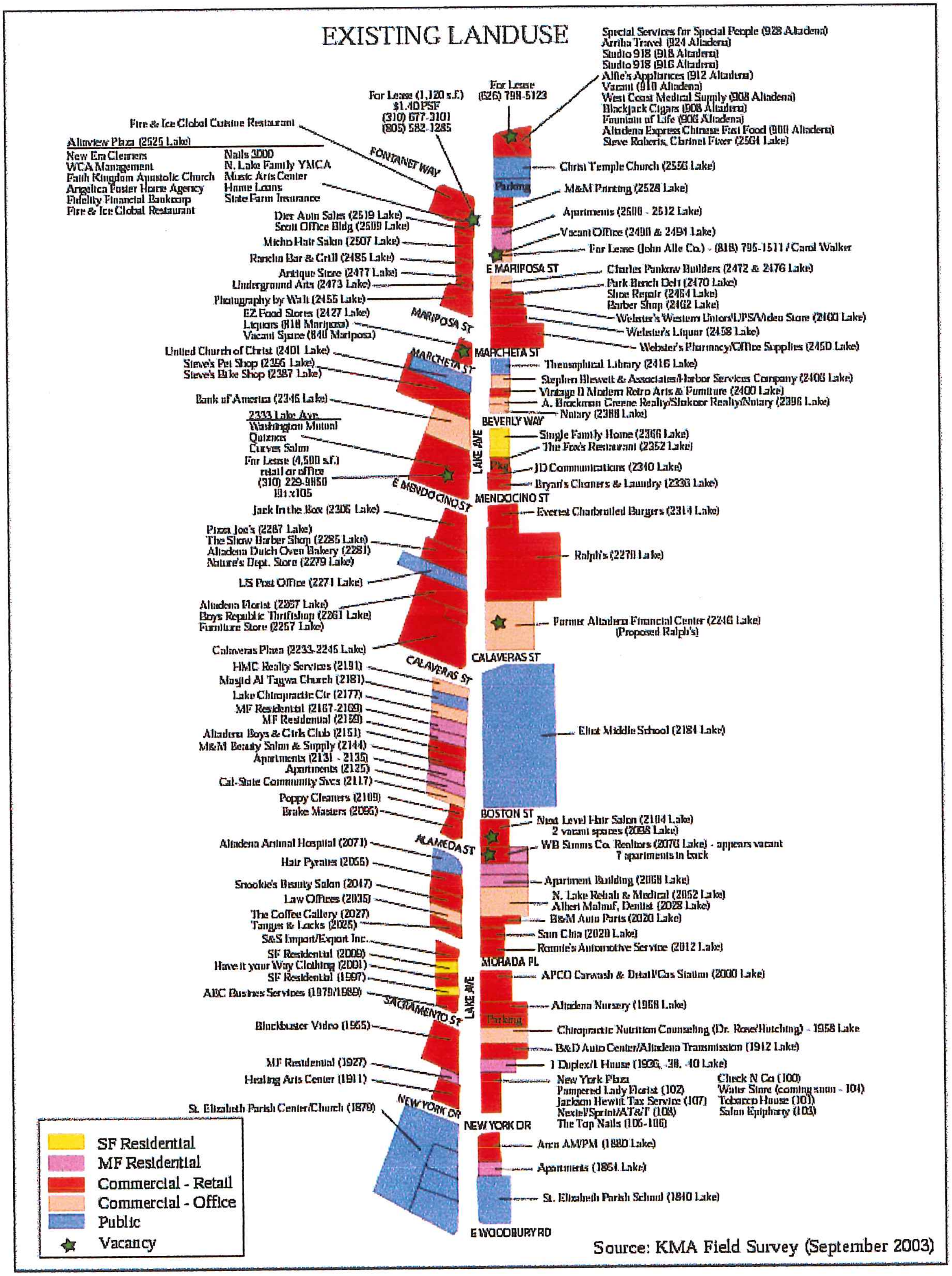
3. **Increase On Street Parking**

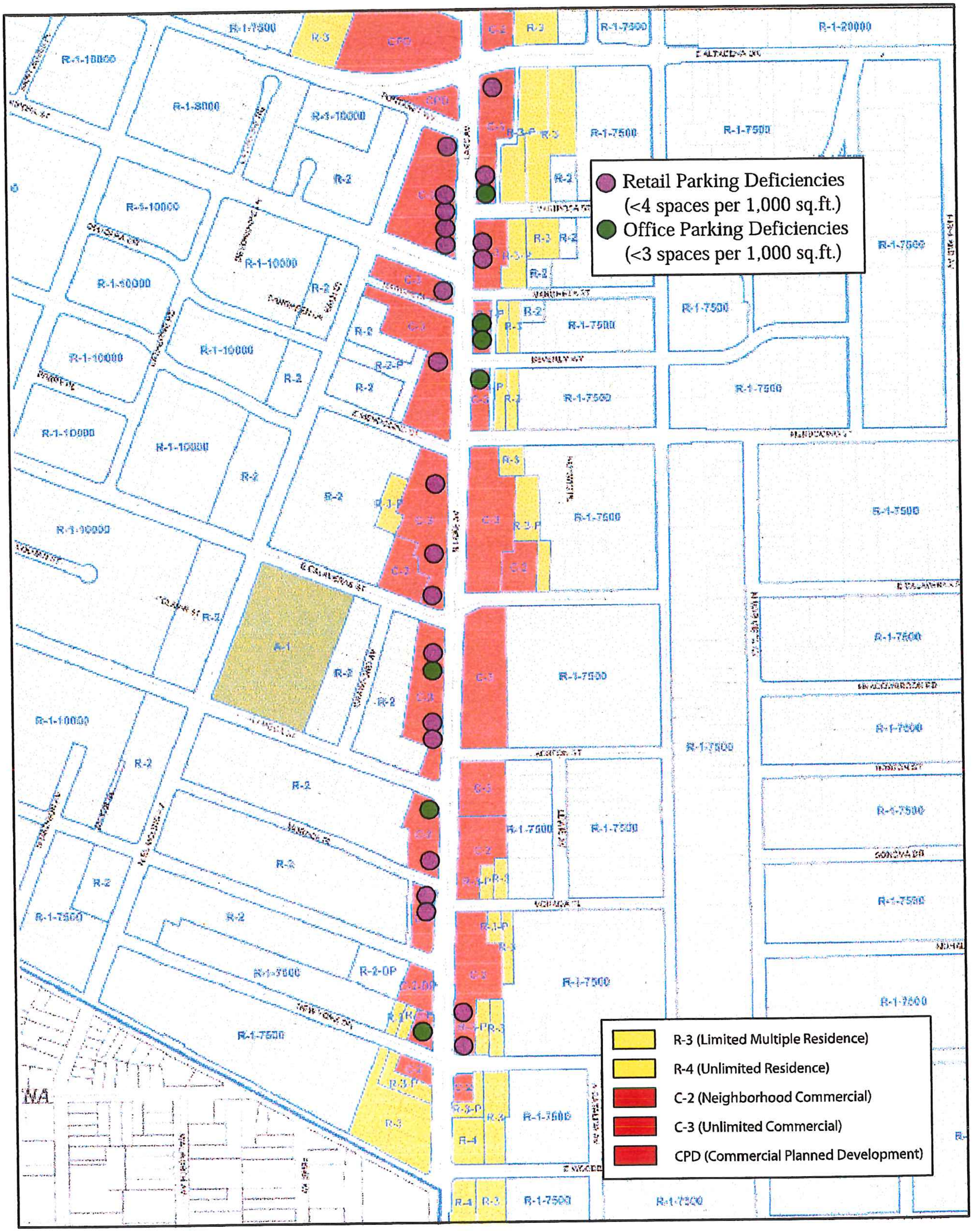
The relatively low traffic counts, width of the street and the resulting high speed of traffic along the Corridor may argue for consideration of traffic calming devices. Slowing the traffic will both increase the awareness of commuters as to the retail and service opportunities along the Corridor, and increase the pedestrian friendliness of the North Lake Avenue district. These strategies will preferably be based on a Context Sensitive Solutions process (CSS), which will involve forming a multidisciplinary team that includes a public involvement process (informal meetings), and is composed of a full range of stakeholders and transportation officials in the decision-making process. This process ensures that the project is "in harmony with the community" and that "it preserves environmental, scenic, aesthetic, historic, and natural resource values of the area."[3]

a. One method of calming is angled parking. Such parking would increase the number of on-site spaces.

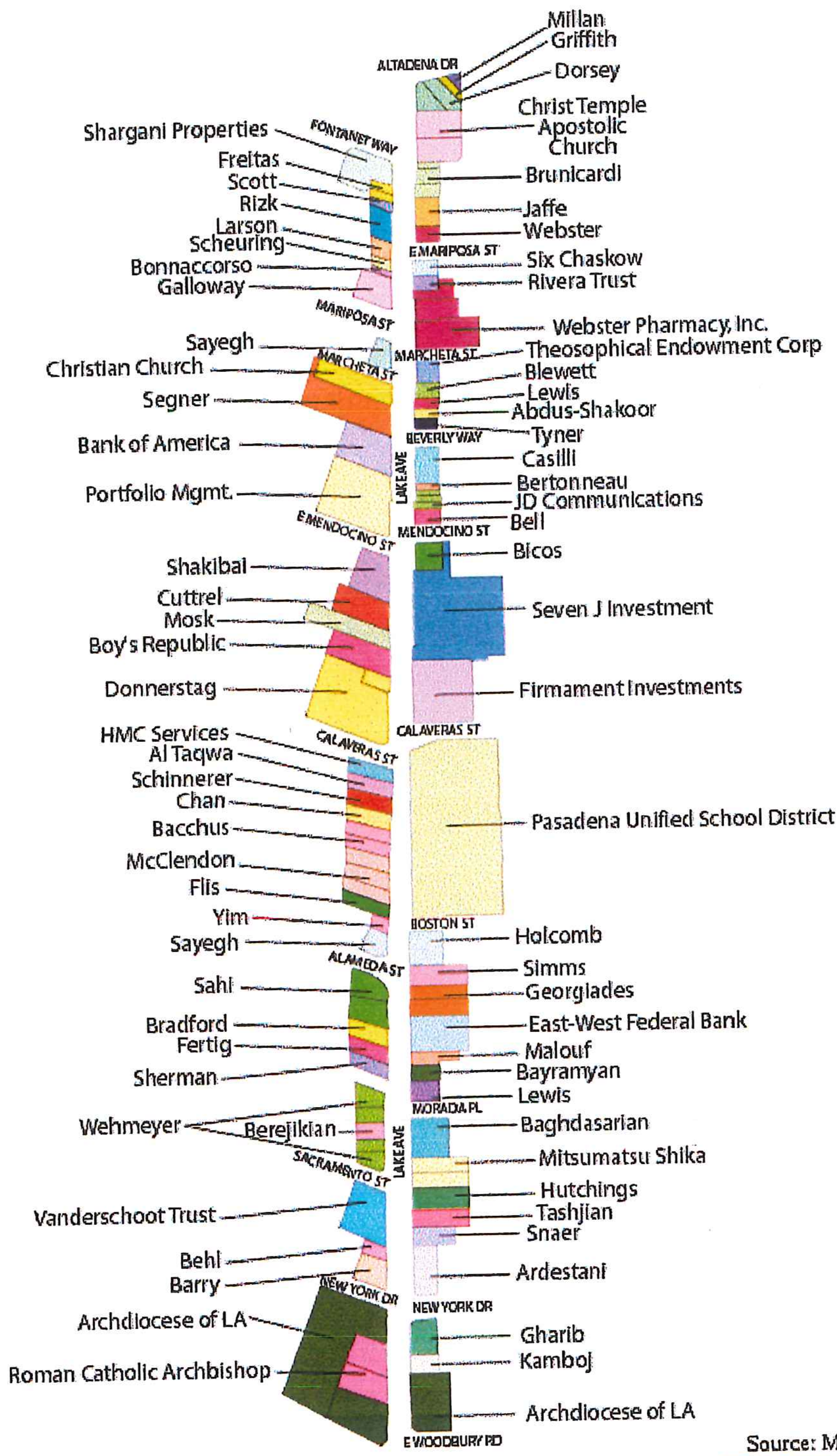
b. Studying the placement of bus stops in areas that are not parking deficient may also result in the addition of parking spaces where they are most needed. Once the on-street spaces are maximized, the next strategy to explore is the introduction of public off-street parking. The Corridor is virtually built out, which would likely necessitate the acquisition of improved and occupied properties. The following map shows the area and parcelization.

[3] "Thinking Beyond the Pavement: A National Workshop on Integrating Highway Development with Communities and the Environment" – 1998 (Maryland)


EXISTING LANDUSE
Special Services for Special People (928 Altadena)
Arriba Travel (924 Altadena)
Studio 918 (918 Altadena)
Studio 918 (916 Altadena)
Alfie's Appliances (912 Altadena)
Vacant (910 Altadena)
West Coast Medical Supply (908 Altadena)
Blackjack Cigars (908 Altadena)
Fountain of Life (906 Altadena)
Altadena Express Chinese Fast Food (900 Altadena)
Steve Roberts, Clarinet Fixer (2561 Lake)
For Lease (626) 798-5123
For Lease (1,120 s.f.) $1.40PSF (310) 677-3101 (805) 582-1285
Fire & Ice Global Cuisine Restaurant
Altaview Plaza (2525 Lake)
New Era Cleaners
WCA Management
Faith Kingdom Apostolic Church
Angelica Foster Home Agency
Fidelity Financial Bankcorp
Fire & Ice Global Restaurant
Nails 2000
N. Lake Family YMCA
Music Arts Center
Home Loans
State Farm Insurance
FONTANET WAY
Christ Temple Church (2556 Lake)
Parking
M&M Printing (2528 Lake)
Apartments (2500 - 2512 Lake)
Vacant Office (2498 & 2494 Lake)
For Lease (John Alle Co.) - (818) 795-1511 / Carol Walker
Dier Auto Sales (2519 Lake)
Scott Office Bldg (2509 Lake)
Micho Hair Salon (2507 Lake)
Rancho Bar & Grill (2485 Lake)
Antique Store (2477 Lake)
Underground Arts (2473 Lake)
Photography by Walt (2455 Lake)
EZ Food Stores (2427 Lake)
Liquors (818 Mariposa)
Vacant Space (840 Mariposa)
E MARIPOSA ST
MARIPOSA ST
Charles Pankow Builders (2472 & 2476 Lake)
Park Bench Deli (2470 Lake)
Shoe Repair (2464 Lake)
Barber Shop (2462 Lake)
Webster's Western Union/UPS/Video Store (2460 Lake)
Webster's Liquor (2458 Lake)
Webster's Pharmacy/Office Supplies (2450 Lake)
United Church of Christ (2401 Lake)
Steve's Pet Shop (2396 Lake)
Steve's Bike Shop (2387 Lake)
MARCHETA ST
Theosophical Library (2416 Lake)
Stephen Blewett & Associates/Harbor Services Company (2408 Lake)
Vintage II Modern Retro Arts & Furniture (2400 Lake)
A. Brockman Greene Realty/Slokoor Realty/Notary (2396 Lake)
Notary (2388 Lake)
Bank of America (2346 Lake)
2333 Lake Ave.
Washington Mutual
Quiznos
Curves Salon
For Lease (4,500 s.f.) retail or office (310) 229-9850 181x105
BEVERLY WAY
Single Family Home (2366 Lake)
The Fox's Restaurant (2352 Lake)
LAKE AVE
Pkg
JD Communications (2340 Lake)
Bryan's Cleaners & Laundry (2330 Lake)
E MENDOCINO ST
MENDOCINO ST
Jack In the Box (2306 Lake)
Everest Charbroiled Burgers (2314 Lake)
Pizza Joe's (2287 Lake)
The Show Barber Shop (2285 Lake)
Altadena Dutch Oven Bakery (2281)
Nature's Dept. Store (2279 Lake)
Ralph's (2270 Lake)
US Post Office (2271 Lake)
Altadena Florist (2267 Lake)
Boys Republic Thriftshop (2261 Lake)
Furniture Store (2257 Lake)
Former Altadena Financial Center (2246 Lake) (Proposed Ralph's)
Calaveras Plaza (2233-2245 Lake)
CALAVERAS ST
HMC Realty Services (2191)
Masjid Al Taqwa Church (2181)
Lake Chiropractic Ctr (2177)
MF Residential (2167-2169)
MF Residential (2159)
Altadena Boys & Girls Club (2151)
M&M Beauty Salon & Supply (2144)
Apartments (2131 - 2135)
Apartments (2125)
Cal-State Community Svcs (2117)
Eliot Middle School (2184 Lake)
Poppy Cleaners (2109)
Brake Masters (2095)
BOSTON ST
Next Level Hair Salon (2104 Lake)
2 vacant spaces (2098 Lake)
Altadena Animal Hospital (2071)
ALAMEDA ST
WB Simms Co. Realtors (2078 Lake) - appears vacant
7 apartments in back
Hair Pyrates (2055)
Apartment Building (2068 Lake)
Snookie's Beauty Salon (2047)
Law Offices (2035)
N. Lake Rehab & Medical (2052 Lake)
Albert Malouf, Dentist (2028 Lake)
The Coffee Gallery (2027)
Tangles & Locks (2025)
B&M Auto Parts (2020 Lake)
S&S Import/Export Inc.
Sam Chin (2020 Lake)
Ronnie's Automotive Service (2012 Lake)
SF Residential (2009)
Have it your Way Clothing (2001)
SF Residential (1997)
MORADA PL
APCO Carwash & Detail/Gas Station (2000 Lake)
ABC Business Services (1979/1989)
SACRAMENTO ST
Altadena Nursery (1968 Lake)
Parking
Blockbuster Video (1965)
Chiropractic Nutrition Counseling (Dr. Rose/Hutching) - 1958 Lake
B&D Auto Center/Altadena Transmission (1912 Lake)
MF Residential (1927)
1 Duplex/1 House (1936, -38, -40 Lake)
Healing Arts Center (1911)
New York Plaza
Pampered Lady Florist (102)
Jackson Hewitt Tax Service (107)
Nextel/Sprint/AT&T (108)
The Top Nails (105-106)
Check N Go (100)
Water Store (coming soon - 104)
Tobacco House (101)
Salon Epiphany (103)
St. Elizabeth Parish Center/Church (1879)
NEW YORK DR
Arco AM/PM (1880 Lake)
Apartments (1864 Lake)
St. Elizabeth Parish School (1840 Lake)
E WOODBURY RD
SF Residential
MF Residential
Commercial - Retail
Commercial - Office
Public
Vacancy
Source: KMA Field Survey (September 2003)


Retail Parking Deficiencies
(<4 spaces per 1,000 sq.ft.)
Office Parking Deficiencies
(<3 spaces per 1,000 sq.ft.)
R-3 (Limited Multiple Residence)
R-4 (Unlimited Residence)
C-2 (Neighborhood Commercial)
C-3 (Unlimited Commercial)
CPD (Commercial Planned Development)

OWNERSHIP



Source: Metroscan

Mixed-Use and Residential Development

The market analysis suggests that the strength of the housing market may create demand for residential uses along the Corridor. We understand the County land use regulations were amended to allow such development, but to date there has been no interest in development. This lack of interest may be due to the fact that only recently have housing prices and rents risen to the point that the cost associated with mixed-use development could be supported. Additionally, the heavily improved nature of most of the properties along North Lake may have made the costs of acquisition unfeasible. The LACDC may consider interviewing developers of mixed-use, in-fill housing product to see if the current regulatory conditions require further revisions to encourage such development. To accommodate mixed-use or in-fill residential on narrow or shallow lots, it is sometimes necessary to provide for more creative parking configurations, including tandem parking.