



City of Mission Viejo

Date: October 24, 2023

To: City Council

From: Keith Rattay, Assistant City Manager

For: City Council Meeting

Subject: Los Osos Restaurant/Food Oriented Retail Project Sales Tax Analysis and Economic Benefits

EXECUTIVE SUMMARY

The City of Mission Viejo contracted with Barry Foster of HdL ECONSolutions, a recognized consultant in the development of economic studies and reports using actual sales data and marketplace factors. The firm creates business models that can project sales tax generation in a certain segment of the marketplace.

The City requested that HdL ECONSolutions develop a study that anticipates the restaurant/food oriented retail sales revenue potential for the Mission Viejo marketplace. The study indicated the following key factors:

- 93,080 residents in Mission Viejo but daytime population increases to 114,537 (an estimated increase of 21,457 visitors)
- There are 33,800 rooftops in Mission Viejo
- Average age is 45 years old
- Average household Income is \$153,974
- Type of jobs (white collar) 79%
- % who have college degree and above 54%

The statistics can then be used to determine the potential sales and tax generated from the Mission Viejo marketplace. In general, the Mission Viejo marketplace is very strong. The study also considers the 5, 10 and 15 minute drive time areas surrounding Mission Viejo. This increases the potential tax generated study area well beyond City boundaries. The City requested that Mr. Foster estimate the sales tax leakage that the City of Mission Viejo faces for the restaurant and food-oriented sector.

HdL ECONSolutions typically generates high-level reports on all aspects of our local economy. However, this report is more granular and detailed to focus specifically on entertainment, and, in particular, fast, casual and fine dining opportunities that are leaving Mission Viejo due to poor retail conditions, size of infrastructure, etc.

In summary, page 12 of the report indicates that Mission Viejo is experiencing opportunity gaps of at least 20-30% in the three specific food related categories. In other words, currently, there is approximately \$48,000,000 in potential sales (untapped consumer demand) that is not being met for Mission Viejo.

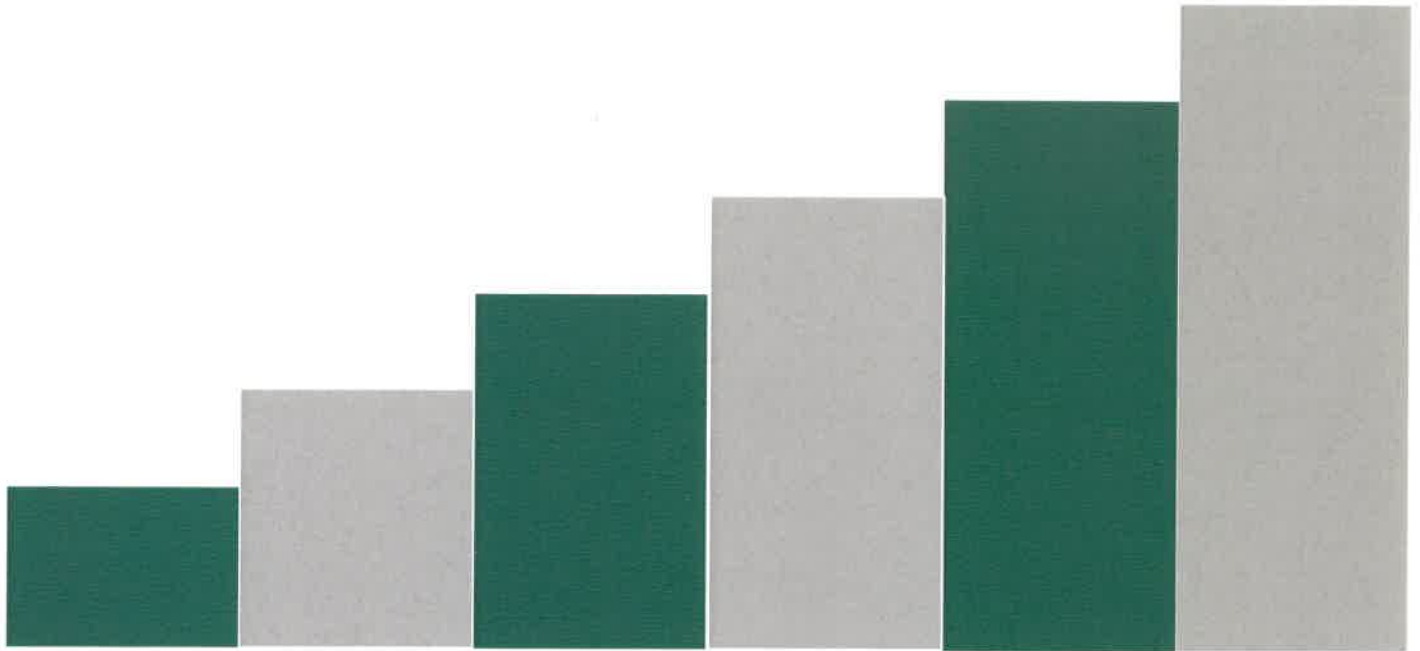
Based on the comparison of other food intensive development in Southern California, the report indicates that the LOS OSOS project should be able to anticipate a sale tax generation of \$3.57/SF based on the square footage of the project. This would equate to roughly between \$50,000 and \$65,000 of additional sales tax to the City of Mission Viejo per year.

Unique food and retail oriented uses will be critical to keeping the Core Area alive and growing. The City's commercial infrastructure is in poor condition and on-trend retail and food uses will not choose to locate into the Core Area unless updated retail store fronts and highly amenitized outdoor spaces are provided. Mission Viejo is in direct competition with our neighboring communities for these types of businesses, and using the LOS OSOS project as the center and focal point will entice new and innovative businesses to come to our City.

Over the last 18 months, Mission Viejo has had many entrepreneurial business owners approach the City about leasing space in the LOS OSOS project. Once the project is further along, our ability to attract better quality tenants will be greatly enhanced.

Summary of Attachments

Sales Tax Analysis and Economic Benefits Report



Development Driven by Data

City of Mission Viejo, CA
Restaurant/Food Oriented Retail
Project
Sales Tax Analysis and
Economic Benefits

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About Us

In 2014, HdL Companies expanded its services to provide strategic planning and consulting services to assist local governments with economic development planning and execution. HdL ECONSolutions offers a variety of products and services for customized solutions based on a client's budget needs and specific development requirements.

The seven person HdL ECONSolutions team has over 150 years of local economic development and community development experience in California. Most of the HdL ECONSolutions staff members have significant experience working for cities in executive level management positions as a City Manager, Assistant City Manager, Community and Economic Development Director, or Economic Development Manager. Barry Foster, the Principal/Managing Director for HdL ECONSolutions has helped facilitate more than 35 million square feet of development including industrial, distribution, logistics, retail, shopping centers, office, hotels, auto centers and medical healthcare.

HdL ECONSolutions offers powerful data capability, an online GIS platform with state-of-the-art software for market analytics and the ability to leverage HdL's extensive database systems. HdL ECONSolutions offers a range of projects from data analysis to comprehensive studies to advisory support and to public/private collaboration. HdL has the largest privately held sales tax database in the State of California with sales tax data for 99% of the State's businesses. The firm's proprietary sales tax software system affords numerous opportunities to prepare economic development and revenue projection reports. HdL ECONSolutions has significant experience in retail, logistics, healthcare, and hotel and mixed-use development, along with possessing a strong understanding of these sectors within the California marketplace.

Executive Summary

The City of Mission Viejo stands at the precipice of an exciting opportunity to breathe new life into its retail landscape by repurposing a vacant Stein Mart building into a dynamic food hall or food-oriented retail development. This potential project emerges from a comprehensive market assessment, revealing substantial unmet demand for food-related establishments within the community. Consumer demand surpasses existing supply, signaling a prime opening for an innovative food destination.

With a population of 93,080 residents, Mission Viejo boasts a vibrant demographic profile, including promising 5-year projected growth. This upward trajectory aligns seamlessly with the city's quest for economic vitality. Strategically located within convenient reach of neighboring cities, including Rancho Santa Margarita, Lake Forest, Laguna Hills, Laguna Niguel and Aliso Viejo to name a few, the proposed Restaurant/Food Oriented Retail development taps into a wide regional audience, positioning itself as a focal point for diverse culinary experiences.

Beyond repurposing underutilized space, this project has the ability to enrich the community in multifaceted ways. It's not merely about revenue generation, but also about fostering community cohesion. The Restaurant/Food Oriented retail concept transcends traditional dining by serving as a gathering space for cultural events, live performances, and workshops. This communal dimension contributes significantly to the city's social fabric.

Furthermore, it's important to recognize the significant economic potential associated with this project. The transformation of the former Stein Mart building has the capacity to stimulate the local economy through various means, including job creation, heightened property tax revenues, and the generation of additional rental income, whether through tenants or a joint development agreement. The project's ability to draw in tourists also serves as a noteworthy factor in enhancing its economic influence.

In conclusion, the repurposing of the vacant Stein Mart building into a food hall or food-oriented retail development aligns seamlessly with Mission Viejo's upward trajectory. However, while the potential repurposing of the vacant Stein Mart building into a food hall or restaurant/food-oriented retail suggests positive prospects, it's essential to approach the venture with a thorough and objective lens. The project necessitates detailed financial analysis, the identification of a suitable development partner, and active community engagement. Before proceeding, all these elements should be carefully weighed and integrated into the decision-making process. This ensures that any advancement aligns with the best interests of Mission Viejo and its residents.

Introduction

The City of Mission Viejo has engaged HdL Companies to assess the potential development of the former Stein Mart site for restaurant/food-oriented retail purposes. The scope of work includes evaluating the sales tax revenue prospects for a proposed Food Oriented Retail project, comprising 14 food/restaurant retail spaces within the former Stein Mart store location.

The assessment involves the following components:

INSIGHT Market Analytics Package: This includes reports on Consumer Demographic Profile, Consumer Demand & Market Supply Assessment (identifying demand, supply, and opportunity gaps) for categories such as bar/drinking places, full-service restaurants, limited-service eating places, and special food services. It also includes supporting Trade Area Maps covering the former Stein Mart building and the broader Mission Viejo trade area.

Analysis of Comparable Food Oriented Retail Projects: The assessment involves analyzing sales tax revenue data from existing comparable food halls or restaurant/food-oriented retail projects, including Claremont Packing House, Glendora Public Market, Citizen Public Market-Culver City, Steel Craft-Garden Grove, and the Lab-Costa Mesa.

The objective is to provide the City with an estimate of potential sales tax revenue and other economic benefits that could be generated by the proposed Mission Viejo Food Oriented Retail Project, based on the findings and insights derived from the assessment and analysis of comparable projects.

City of Mission Viejo

Overview

Mission Viejo, nestled in Orange County, California, is a city renowned for its family-friendly environment, top-tier schools, and recreational abundance. With a diverse population of around 93,000 residents, the community exudes a strong sense of belonging and camaraderie. It benefits from its association with the acclaimed Saddleback Valley Unified School District, consistently ranking among California's top school districts, making it an ideal locale for families. While Mission Viejo doesn't house major industries, it

thrives as a residential haven close to neighboring job hubs, with residents employed in fields like healthcare, education, technology, and professional services.

Mission Viejo	
Population	93,080
Daytime Population	114,537
Households	33,834
Average Age	45
Average HH Income	\$153,974
White Collar (Residents)	79.2%
College Degree & Above	54.1%

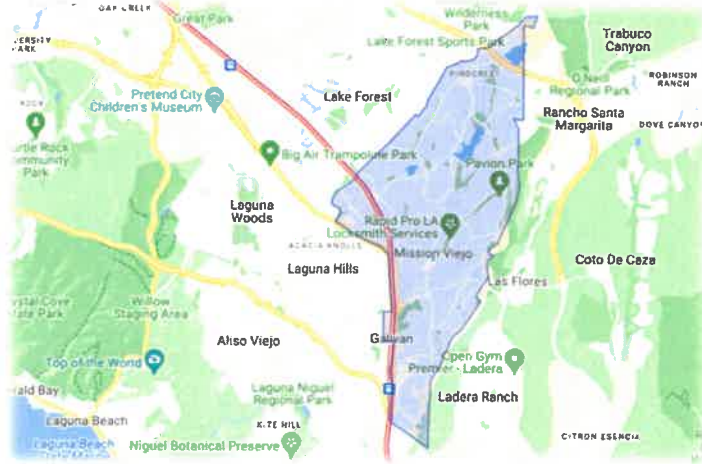


Figure 1 | Demographic Data and City Map

The city offers an appealing blend of shopping, lifestyle amenities, and recreational outlets. The Shops at Mission Viejo is a prominent retail destination, housing a plethora of stores, dining establishments, and entertainment venues. The community's commitment to green spaces and parks is evident through its numerous outdoor facilities and the scenic Oso Creek Trail. Cultural events, concerts, and festivals add vibrancy to the city, complementing the serene recreational opportunities at Lake Mission Viejo and nearby beaches. Boasting a reputation for safety, quality schools, and a range of activities, Mission Viejo provides a high quality of life, making it a sought-after destination for residents looking to experience the best of Southern California living.

Trade Area Overview

When performing this analysis, it is important to define the area you are evaluating. While this study is focused on the potential of a restaurant/food-related development in the City of Mission Viejo, it's important to consider that a retail market extends beyond municipal boundaries.

Developers, site selectors and real estate professionals place value on factors like population density, demographics, psychographics, co-tenant quality, traffic volume and traffic flow patterns, and competition when looking to expand and invest in new locations. This assessment will examine the make-up of the consumers and the retail market within the City of Mission Viejo and its trade area.

Throughout the study the market analytics, supply & demand assessment, and sales tax market conditions for Mission Viejo are carefully analyzed, along with the influence that neighboring communities in the surrounding areas that might have in producing customers for Mission Viejo retailers, but also competition from those neighboring communities. All of this can influence the dynamics of the retail marketplace within the City of Mission Viejo and South Orange County.

Figure 2 | Demographic Data with 5-10-15 Minute Drive Times



Demographic Overview of Mission Viejo and Surrounding Trade Area

Mission Viejo, along with its 5-minute and 10-minute drive time zones, presents a dynamic demographic profile. Mission Viejo itself has a population of approximately 93,080, while the 10-minute drive time area encompasses 203,438 residents, and the 15-minute drive time extends to 405,538 individuals. Over the next five years, there is projected growth in all areas, with the 15-minute drive time zone showing the most significant increase at 3.9%.

Household statistics also reveal a healthy community with 33,834 households in Mission Viejo and 75,019 within the 10-minute drive time zone. The five-year projection indicates continued growth, especially in the 15-minute drive time area, which is expected to see a 4.0% increase.

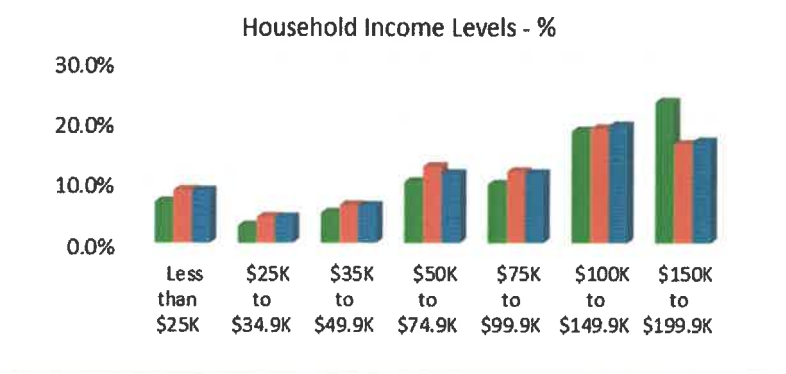
When examining household income, Mission Viejo boasts a per capita income of \$56,896, while the 10-minute drive time area has a slightly lower figure at \$54,023. Average household income is robust in Mission Viejo, standing at \$165,905, with the 15-minute drive time area displaying a slightly lower but still substantial average income of \$150,692. Median household income is similarly impressive, with Mission Viejo at \$141,585, indicating affluence in the community.

Overall, this demographic profile suggests a thriving and growing region with solid income levels, making it an attractive prospect for potential developments and investments.

Figure 3 | Demographic Data

	Mission Viejo CA	10 Min Drive	15 Min Drive
Demographics			
Population	93,080	203,438	405,538
5-Year Population estimate	90,487	204,727	421,310
Population Households	92,107	201,606	402,601
Group Quarters Population	973	1,832	2,937
Households	33,834	75,019	151,779
5-Year Households estimate	32,843	75,257	157,906
WorkPlace Establishments	3,535	8,872	19,717
Workplace Employees	25,847	66,671	186,858
Median Household Income	\$128,423	\$114,762	\$119,393

Figure 4 | Demographics by Household Income Levels



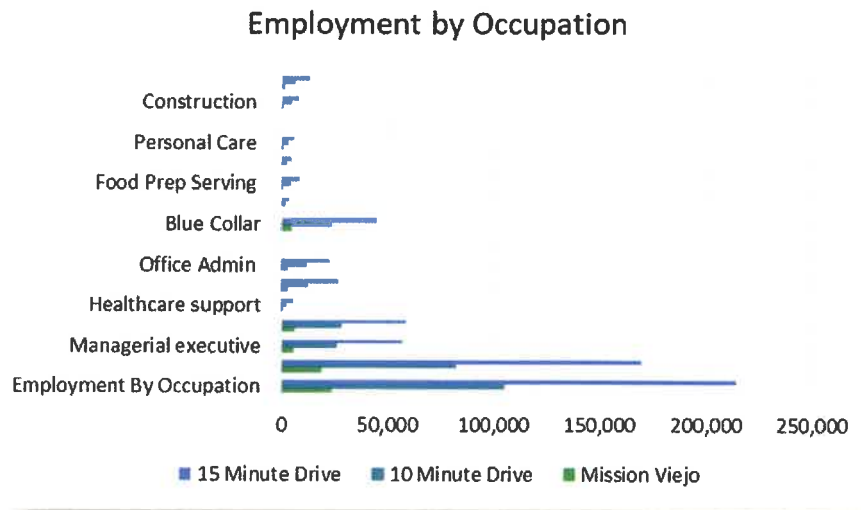
Employment by Occupation

The workforce composition in the Mission Viejo area, analyzed across 5-minute, 10-minute, and 15-minute drive times, underscores a diverse and dynamic employment landscape. Predominantly, white-collar occupations make up the majority of the workforce in all three zones, comprising approximately 78.7% on average. Notably, managerial and executive roles account for a significant segment of this category, making up approximately 25.6% of the workforce in the respective drive time zones. Additionally, professional specialty roles are prevalent, constituting around 27% of the workforce on average, reflecting the area's strong emphasis on specialized expertise and professional occupations.

In contrast, blue-collar occupations also hold a significant presence in the workforce composition, contributing an average of approximately 21.3% across the three drive time zones. Particularly noteworthy are roles in construction and production, as well as transportation, which constitute a

substantial portion of the blue-collar workforce. This underscores the importance of these sectors in the area's economic landscape. Furthermore, the diversity within the blue-collar sector is exemplified by employment opportunities in food preparation and serving, building maintenance, and personal care, reflecting a broad spectrum of blue-collar occupations. Altogether, this workforce profile highlights the Mission Viejo area's ability to support a multifaceted and well-balanced labor force, offering opportunities across a wide array of occupations and industries.

Figure 5 | Employment by Occupation



Retailer Performance

Sales & Use Tax

Sales and Use taxes have long been an important revenue stream for local governments in California, making retail and restaurant recruitment and retention a priority. According to HdL Companies Q4-2022 Consensus Forecast, there will likely be a slowdown in taxable merchandise spending to show little to no growth in fiscal year 2023-24. While no recession is anticipated, the higher cost of utilizes, food and other necessities continue to limit dollars available for discretionary spending and non-essential purchases. This section analyzes past and current retail markets and performances by examining the City's total sales tax, sales tax by major sales tax producing industry groups, per capita comparisons, and local retailer performance.

Sales Tax Summary

Analyzing Mission Viejo's top 100 sales tax contributors over the past three fiscal years reveals some notable trends. While it's essential to keep this information confidential, we can offer general insights. Auto dealerships, including South County Lexus, Audi, Jaguar, Tesla and more, contribute greatly to the local economy, reflecting a strong market for automobiles in the area.

National retail chains like Target, Nordstrom, Best Buy, and Home Depot demonstrate the city's thriving shopping landscape. Restaurants and eateries, such as Cheesecake Factory, Chipotle, and Panini Kabob

Grill, consistently contribute to sales tax revenues. Additionally, a range of service providers, including banking institutions like JP Morgan Chase, play a pivotal role in supporting the city's economy. It's clear that Mission Viejo's vibrant commercial scene comprises a diverse array of businesses, contributing significantly to the city's financial well-being and enhancing its status as a thriving Southern California community.

Figure 6 | Top 25 Sales Tax Generators in Alphabetical Order

CITY OF MISSION VIEJO TOP 25 SALES TAX PRODUCERS FOR 3Q 2022 THROUGH 2Q 2023	
Business Name (in alphabetical order)	
Apple	Macy's
Arco AM PM	Mission Viejo Kia
Audi Leasing Bentley Leasing	Nordstrom
Audi Mission Viejo	Pavilions
Berri Brothers	Ralphs
Best Buy	Shell
Cheesecake Factory	South Central Pool Supply
Dicks Sporting Goods	South County Lexus at Mission Viejo
Floor & Decor	Target
Greggs Mobil	Tesla Motors
Home Depot	TJ Maxx
Jaguar & Land Rover Mission Viejo	Toyota Lease Trust
	Volvo Cars Mission Viejo

Sales Tax Growth Forecast

The sales tax growth trends for the city of Mission Viejo show varying degrees of change across different sectors and overall is projected to be modest in several sectors. While some sectors are expected to experience positive growth rates, these increases are generally gradual and moderate, indicating a stable but not rapid expansion in revenue. For instance, the Autos & Transportation sector is expected to recover from a decline to achieve a modest 4% growth by the end of FY25-26. Similarly, the Building & Construction sector is forecasted to show steady improvement, with a 4% growth rate expected for the same period. The Business & Industry, Food & Drugs, and Restaurants & Hotels sectors are also anticipated to maintain a consistent 3% growth rate. This overall pattern of modest growth suggests that the city's economy is on a steady path of recovery and development, rather than experiencing dramatic fluctuations.

In conclusion, the city's sales tax growth is expected to rebound positively in several sectors, including autos and transportation, building and construction, business and industry, and food and drugs, reflecting overall economic recovery and growth for Mission Viejo.

Figure 7 | Sales Tax Growth Estimates

GROWTH FACTORS Name	CURRENT YEAR FY23-24				NEXT YEAR FY24-25				EXTENDED			
	3Q23	3Q24	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	FY25-26	FY26-27	FY27-28	FY28-29
Autos & Transportation	-3.00%	-3.00%	-2.00%	-1.00%	1.00%	1.50%	2.50%	3.00%	3.50%	4.00%	4.00%	4.00%
Building & Construction	-5.00%	-3.50%	0.00%	1.70%	3.70%	3.70%	3.70%	3.00%	4.00%	4.00%	4.00%	5.00%
Business & Industry	0.00%	1.00%	2.00%	2.00%	2.50%	2.50%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%
Food & Drugs	1.00%	1.00%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Fuel & Service Stations	-10.00%	-5.00%	5.00%	5.00%	4.00%	-2.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%
General Consumer Goods	-1.10%	-1.00%	-0.50%	1.20%	1.50%	1.20%	1.40%	1.50%	2.00%	2.00%	1.50%	1.50%
Restaurants & Hotels	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Transfers & Unidentified	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
State & County Pools	-2.00%	-1.00%	0.00%	1.00%	2.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%

Stein Mart Closure

In 2020, Stein Mart, the discount retail chain, declared bankruptcy and made the decision to shutter all of its physical stores across the United States. The liquidation process was initiated with going-out-of-business sales conducted by a consortium of firms, including Gordon Brothers, Hilco Merchant Resources, Tiger Capital Group, B. Riley Financial’s Great American Group, and SB360 Capital Partners. This process encompassed all 279 Stein Mart locations in 30 states.



The 112-year-old retailer's decision to file for Chapter 11 bankruptcy protection was driven by financial difficulties exacerbated by the challenging retail landscape and the impact of the COVID-19 pandemic.

As part of this process, the Mission Viejo store was included in the list of final store closures, marking the end of Stein Mart's presence in that location.

Future Development of Site

The City of Mission Viejo initiated a Vision Plan in April 2016 for the Core Area around the La Paz Road and Marguerite Parkway intersection. This plan, shaped through community engagement, outlines the future development prospects for this region, encompassing various aspects like land use, physical attributes, public spaces, transportation, and market viability.



In March 2017, the City, in collaboration with the community, established a vision for the Village Center at Marguerite Parkway and La Paz Road. In December 2021, the City acquired the former Stein Mart building and adjacent parking lot, extending to Marguerite Parkway. From March 2022 to the present, the City has been refining a phase one project for this property, referred to as "LOS OSOS," which has undergone extensive public input. LOS OSOS encompasses the 3.3-acre City-owned parcel in the Village Center, including the 33,000 square foot former Stein Mart building, in-line store facades to the north, the North Paseo, related entertainment areas, the Urban Alley, and Plazas overlooking the Oso Creek Trail.

The City is now seeking a collaborative and innovative development partner to construct and manage commercial buildings for retail and food establishments within the LOS OSOS project. The City is seeking a partner that should possess the expertise required for designing, permitting, and overseeing the construction of retail and restaurant spaces in a blended-use environment on the designated Sites.

Consumer Demand & Market Supply Assessment

The analysis of consumer demand and market supply in Mission Viejo reveals important insights into retail gaps, particularly in the context of restaurant/food-related uses.

The difference between demand and supply represents the opportunity gap or surplus available for each retail outlet cited on the Market Outlook report for the specified trade area or reporting geography. When the demand is greater than (or less than) the supply, there is an opportunity gap (or surplus) for that retail outlet. In other words, a negative value signifies an opportunity gap where the Consumer Demand is higher than the Market Supply, while a positive value signifies a surplus.

The data highlights several key points:

In the Mission Viejo retail landscape, it's clear that there is a significant demand for various restaurant/food-related businesses. Among the highlighted categories, restaurants stand out as particularly promising:

- **Limited-Service Eating Places:** This category shows a substantial opportunity gap of approximately \$29.9 million. It indicates a robust demand for quick-service dining options, such as fast-casual restaurants, which could cater to the busy lifestyles of the local population.
- **Full-Service Restaurants:** While the opportunity gap of approximately \$16.3 million is comparatively smaller, it still underscores a notable demand for full-service dining establishments. This suggests that there is room for growth and diversification in the upscale dining segment to cater to various culinary preferences.
- **Bar/Drinking Places (Alcoholic Beverages):** Although this category presents a moderate opportunity gap of approximately \$2.1 million, it signifies a consistent demand for drinking establishments. This suggests that there is potential for bars and similar venues to thrive in the area.

These opportunity gaps highlight the untapped potential within the restaurant industry in Mission Viejo, indicating a strong appetite for diverse dining experiences among the local residents. Entrepreneurs and investors may find promising opportunities in meeting these unmet demands, contributing not only to the city's economic growth but also enriching its culinary scene.

Figure 7 | Consumer Demand & Market Supply Assessment

Consumer Demand & Market Supply Assessment				
Retail/Food-Related Industries	Consumer Demand	Market Supply	Opportunity Gap/Surplus	%
Other Misc. Store Retailers	\$35,781,355	\$17,457,729	(\$18,323,626)	-51%
Other General Merchandise Stores	\$223,401,976	\$131,886,261	(\$91,515,715)	-41%
Bar/Drinking Places (Alcoholic Bev)	\$7,083,710	\$4,978,486	(\$2,105,224)	-30%
Limited-Service Eating Places	\$114,265,969	\$84,414,100	(\$29,851,869)	-26%
Full-Service Restaurants	\$113,922,482	\$97,651,455	(\$16,271,027)	-14%

Comparison Analysis Restaurant/Food-Oriented Retail Developments Overview

Food halls or restaurant/food oriented retail has gained popularity as unique culinary destinations known for their vibrant and diverse offerings. These establishments typically feature a multitude of food and beverage vendors, ranging from gourmet restaurants to casual eateries, dessert shops, and beverage bars. The goal is to provide a wide variety of culinary experiences to cater to diverse tastes and preferences.

One of the defining characteristics is the provision of shared dining areas. These communal spaces encourage social interaction and contribute to a lively atmosphere, where patrons from different vendors can dine together, creating a sense of community and camaraderie.

Food halls or restaurant/food oriented retail projects are curated spaces, with careful selection of vendors to offer a diverse and appealing range of cuisines and food options. The selection process ensures that the culinary offerings meet the preferences of a broad spectrum of customers.

Moreover, they are known for their commitment to creating unique atmospheres. They often incorporate modern or rustic design elements, artistic installations, live entertainment, and events to enhance the overall dining experience, making them not just a place to eat but also a destination for leisure and social engagement.

In summary, restaurant/food-oriented retail projects embody a dynamic fusion of culinary diversity, community engagement, and creative design. They serve as appealing destinations that bring people together to enjoy food, socialize, and experience local culture in carefully curated spaces.

Comparable Restaurant/Food-Oriented Retail Projects

Claremont Packing House, Claremont

The Claremont Packing House, constructed in 1922 by the College Heights Orange and Lemon Association, played a pivotal role in Claremont's economy for decades as one of its largest employers. The construction of freeways replaced orchards with houses, and in 1972, College Heights closed, leading to a decline in the Packing House's businesses.

To rescue this historic landmark, the City of Claremont acquired the building, and 2007 began the restoration effort with a local developer. This restoration preserved its historic elements, while enhancing the space to accommodate a vibrant mix of lofts, offices, galleries, boutiques, and entertainment venues. Today, the Claremont Packing House has once again become a thriving centerpiece of community life with its fifteen tenants.



It's worth noting that popular dining establishments such as Gus's BBQ (3,500 sf.) and Eureka (3,300 sf.) have become key attractions within the food hall. These restaurants have garnered a significant following and contribute to the overall appeal of the Claremont Packing House as a culinary destination.

Website: [Claremont Packing House](#)

The Lab Anti-Mall, Costa Mesa

The LAB Anti-Mall is a distinctive retail center located in Costa Mesa, Orange County. Established over 25 years ago, its name, "LAB," stands for "Little American Business." This unconventional space was founded with the aim of serving as a unique hub for the creative community, providing a place for gathering, shopping, dining, and artistic expression.

With 32,650 square-feet, the LAB has 20 tenants that offer a diverse range of small businesses, including a variety of tenants including doughnuts and coffee, sushi, craft beer, clothing exchange, eco-friendly hygiene product refilling station, plant store, and a record shop.



Website: [The Lab](#)

Citizen Public Market, Culver City

Citizen Public Market, housed in a historic landmark that once accommodated the Citizen Publishing Company in Culver City, continues the legacy of this iconic location.



Citizen Public Market, located in the heart of Culver City, offers a curated selection of top-quality food and drink options within its 7,500 square-foot (8 tenants) market-hall setting. With its intimate size, central location, and dedication to culinary entrepreneurship, Citizen is a bustling spot for dining and socializing from sunrise to moonlight, welcoming all to enjoy good food and camaraderie.

Website: [Citizen Public Market](#)

SteelCraft, Garden Grove

SteelCraft, an outdoor eatery based in Long Beach. They distinguish themselves by its creative use of repurposed shipping containers. Their mission is to weave themselves into the very fabric of the community by actively engaging the neighbors through outreach initiatives, live music performances, and community events, fostering a shared celebration of the culinary experience.

SteelCraft made its debut in February 2017, quickly establishing itself as a cornerstone of the Bixby Knolls neighborhood in Long Beach. Today, they have two additional locations in Bellflower and Garden Grove. The Garden Grove location opened in the fall of 2019. Its 20,000-square-foot complex is made up of 22 repurposed shipping containers connected with a steel-truss, and features 10 small craft businesses serving: coffee, craft beer, ice cream, macarons, burgers, tacos, Asian-inspired chicken, all-day breakfast, and a Filipino concept.



Website: [Steel Craft Garden Grove](#)

Glendora Public Market, Glendora

The Glendora Public Market, located in Glendora, California, is a vibrant 19,000-square-foot food hall featuring 10 diverse tenants. Many of these businesses are rooted in the Glendora area and San Gabriel Valley. Situated in the historic Wonder Bread factory, originally constructed in 1948 and saved from demolition, the food hall has quickly become a culinary hub since its opening on September 26, 2020. With over 18,932 square feet of space, it houses renowned eateries, including notable names like Jinya Ramen Bar, Smog City Brewing Co. and Belly Bombz, which originated at a Long Beach farmers market, making it a significant addition to the San Gabriel Valley's culinary landscape.



Website: [Glendora Public Market](#)

Economic Benefit of Food Oriented Development

Potential Revenue Generation

In assessing the revenue generation potential of each venue, we rely on the metric of per square foot revenue, considering that sales tax data is confidential and can only be discussed in a broader context. To derive meaningful insights, it's important to note that this analysis does not factor in the percentage of square footage dedicated to open space, communal dining, community, and event spaces, as these areas typically do not generate direct revenue.

The per square foot revenue metric offers a valuable perspective on the efficiency and profitability of each venue within the broader food-oriented project. It helps identify which tenants are optimizing their use of space and attracting a high volume of customers. Such insights can be instrumental in shaping leasing strategies, tenant selection, and overall project planning.

Additionally, this analysis facilitates comparisons with industry benchmarks and similar food-oriented retail projects, enabling the City of Mission Viejo to gauge the performance of its proposed development in the context of broader market trends. It also assists in evaluating the potential economic impact and sustainability of the project, helping stakeholders make informed decisions.

Figure 8 | Food-Oriented Venues Per Square Foot Revenue Estimates

Food Oriented Venue Comparison				
City	Food Hall/Market	Retail Square Footage	Sale Tax Per Sq.Ft.	Number Tenants
Claremont	Claremont Packing House	56,344	\$2.58	15
Costa Mesa	The Lab-Anti Mall	34,496	\$5.76	20
Culver City	Citizen Public Market	17,386	\$3.32	8
Glendora	Public Market	18,132	\$2.34	10
Garden Grove	SteelCraft	8,388	\$2.85	11

To estimate the potential sales tax revenue for a typical food hall or food-oriented business in Mission Viejo, we can look at comparable venues in surrounding cities. In our analysis, we considered several food-oriented venues, including the Claremont Packing House in Claremont, The Lab-Anti Mall in Costa Mesa, Citizen Public Market in Culver City, Public Market in Glendora, and SteelCraft in Garden Grove.

Upon examining the sales tax data for these venues, we found notable variations in sales tax generated per square foot. Claremont Packing House generates approximately \$2.58 per square foot, while The Lab-Anti Mall in Costa Mesa stands out with a higher figure of approximately \$5.76 per square foot. Citizen Public Market in Culver City generates around \$3.32 per square foot, Public Market in Glendora approximately \$2.34 per square foot, and SteelCraft in Garden Grove about \$2.85 per square foot.

Taking an average of these figures, we estimate that a typical food hall or restaurant/food-oriented retail business in Mission Viejo could generate sales tax revenue of approximately \$3.57 per square foot. With a 17,470 square foot project in Mission Viejo the estimate annual sales tax restaurant would be \$62,368. We would recommend using a range of \$50,000 to \$65,000 in annual sales tax revenue to the City of Mission Viejo. However, it's essential to note that these are approximate figures, and actual revenue can be influenced by various factors, including the specific tenant mix and location. Nonetheless, this estimate provides valuable insight into the potential economic impact of such developments in Mission Viejo.

Rental Income

In the discussion of rental income, it's important to consider the different models through which food-oriented retail developments, such as food halls, can generate revenue. One common approach involves leasing individual spaces within the development to various tenants, who then pay rent to the property owner or management company. This rental income is a crucial component of the financial viability of the project and contributes to the overall economic benefit of the food hall.

However, it's worth noting that there is an alternative approach that some municipalities may consider when developing food-oriented retail projects. Instead of leasing out individual spaces, a city could choose to partner with a developer to operate the food-oriented business themselves. In this scenario, the developer becomes a key player in the project, taking on the responsibility of managing the entire operation, from tenant selection to day-to-day management.

This alternative approach involves the negotiation of a lease payment between the city and the developer partner. The terms of this lease would be subject to careful negotiation to ensure that both parties are satisfied with the financial arrangements. The lease payment could be structured in various ways, such as a fixed monthly or annual amount, a percentage of gross revenue, or a combination of these.

The decision between leasing individual spaces to tenants or partnering with a developer to operate the restaurant/food-oriented development directly depends on various factors, including the city's goals, financial considerations, and the level of control and involvement desired. Each approach has its own advantages and challenges, and the choice should align with the specific objectives of the city and the project.

Ultimately, both models contribute to the economic benefit of the community by generating revenue, creating jobs, and enhancing the overall appeal and vibrancy of the area. The specific approach chosen should align with the unique circumstances and goals of the city in question.

Increase Property Tax

Developing a new restaurant/food-oriented retail development within a closed-up former retail space has the potential to increase property tax revenue for a locality in several ways. First, repurposing an abandoned or underutilized retail space into a thriving food hall can significantly enhance the property's overall value. This increase in property value is typically a fundamental factor in determining property tax assessments in California and many other jurisdictions.

It's important to note that property tax assessments in California are not solely based on development costs. While development costs and property improvements are factors that can influence the assessed value, the primary focus is on the property's market value as determined by comparable sales, income, and other market data.

Job Creation

The development of a new food-oriented retail use brings significant economic benefits to the community, primarily through job creation and increased local spending. Food halls are labor-intensive operations that require a diverse workforce, including chefs, kitchen staff, servers, bartenders, janitorial staff, and management positions. This wide range of employment opportunities can provide a substantial boost to the local job market.

Additional Benefits of Restaurant/Food-Oriented Retail Developments

Aside from the economic benefit of a new development including new revenue sources, job creation, support for local business and new real estate development (including additional property taxes), food halls and food-oriented developments offer a range of advantages that extend well beyond their economic development potential. While their economic impact is certainly significant, these developments play a pivotal role in fostering vibrant and cohesive communities. Here are some key benefits:

Restaurant/Food-oriented retail projects are vital community gathering spaces that go beyond dining, promoting connections and a sense of belonging through cultural events and communal activities. This strengthens the community's fabric by fostering bonds among residents. These hubs proudly exhibit

cultural diversity, offering various culinary traditions that celebrate the multicultural nature of the community and encourage cross-cultural exploration.

Additionally, they play a pivotal role in supporting local businesses, especially small-scale food entrepreneurs, by providing exposure and foot traffic, contributing to the community's economic vitality. Moreover, these developments often revitalize urban areas, reinvigorating underutilized spaces while preserving architectural heritage.

In summary, restaurant/food-oriented retail developments contribute significantly to the social fabric and economic vitality of a community. They create gathering spaces, support local businesses, celebrate cultural diversity, and revitalize urban areas, making them essential components of community development.

Next Steps and Recommendations

The analysis of the Mission Viejo retail marketplace, coupled with a focus on restaurant/food-oriented retail developments, reveals promising opportunities for the community. The comparison of food related revenues per square foot across multiple regions indicates the potential for significant economic benefits, including increased sales tax and property tax revenue, job creation, and community enrichment.

Repurposing the former Stein Mart building into a food hall or restaurant/food-oriented retail development represents a valuable addition to the community. The development would not only revitalize an underutilized space but also create a bustling hub for residents and visitors alike. The economic impact of such a venture, in terms of job creation and increased local spending, could be significant. Moreover, the potential for cultural exchange and community gatherings within this space can foster a sense of belonging and strengthen the social fabric of the Mission Viejo community.

Detailed financial planning is imperative at this juncture. This includes a comprehensive assessment of investment requirements, revenue projections, and a meticulous exploration of diverse funding sources. Public-private partnerships and grant opportunities should be explored to bolster the project's financial foundation and facilitate its successful execution.

In conclusion, the repurposing of the former Stein Mart building into a restaurant/food-oriented retail development presents a unique opportunity to invigorate the Mission Viejo community economically, socially, and culturally. Through careful planning, stakeholder engagement, and execution of the next steps, this project has the potential to become a thriving asset that contributes to the city's vitality and enhances the quality of life for its residents.