

**VERNAZZA WOLFE ASSOCIATES, INC.**

**5464 College Avenue, Suite C**

**Oakland, California 94618**

**Tel. (510) 596-2475**

**FAX (510) 652-5605**

**E-Mail: mwolfe@vernazzawolfe.com**

**DATE:** October 2, 2009

**TO:** Geoffrey Reilly, Principal, Christopher A. Joseph & Associates

**FROM:** Marian Wolfe, Ph.D., Principal Vernazza Wolfe Associates, Inc.

**RE:** **Peer Review of Enright & Company, Inc.'s 2007 and 2009 Reports**

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I have reviewed the following documents pertaining to the Big Wave Business Park.

- CEQA Project Description and Applicant's Comments on Project Description
- Enright & Company, Inc.'s 2007 Appraisal Report and Appendix
- Enright & Company, Inc.'s 2009 Appraisal Report

The purpose of this peer review is to address the following two questions:

1. Will the skills/experience/education of the population living along the San Mateo coast match the jobs to be offered at the office park in both the short and long-term?
2. Do the Enright & Company, Inc. reports provide a reasonable answer to this question?

To address these questions, this memo provides information in the following areas:

- Development characteristics that could affect employment patterns (enhanced work environment, size of condo spaces to be built, and limited amount of parking)
- Assessment of Methodology used in the two Enright Reports
- Factors to consider when assessing the employment match

## Overview

The project description and Enright Reports provide a good overview of the Big Wave development slated for the San Mateo Coast. There are many positive attributes of this development. Some of these include the following:

- Big Wave buildings will be built in phases to meet demand for Business Park space. This is positive. It will benefit the financial feasibility of the project. Also, a delay in the development schedule will allow completion of the improvements along Highway One, which will benefit travel from Pacifica to Big Wave. Finally, since it is unlikely that the coastal area will experience much population or employment growth, demand for new space is incremental. Again, a phased project is a feasible approach given this context.
- Renting or owning space at Big Wave will have special benefits that competitive space in the area does not provide, including the affiliation with the Wellness Center and a state-of-the-art ecological work environment.
- If one assumes that demand will be primarily from Coastside businesses, then build-out could take even longer than is currently projected. As long as the developer can continue to carry project costs, this may not be a problem.

It should be noted that we did not undertake a separate evaluation of short-term employment and employment at project build-out. I have assumed that the developer will not build subsequent phases of the Business Park until earlier phases are leased or sold. Thus, the major focus of this memo is on the project at build-out, at which time it is estimated that there will be 225,000 SF of General Office, R&D, Storage, and Light Manufacturing space in which 703 workers will be employed.<sup>1</sup>

## Relevant Big Wave Development Characteristics

There are several project characteristics that impact the potential match between local employees and new employment opportunities at Big Wave. Most, if not all, of these characteristics are presented in the CEQA Project Description or the 2007 Enright Report. These include the following:

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<sup>1</sup> It should be noted that the project description in the 2009 Enright Report differs slightly from the 2007 Enright Report project description. For example, employment for storage and half of the industrial space was not originally included in the 2007 employee count. Since the 2009 Report and EIR Project Description are more recent, I have used these sources for project details.

Relatively Small Spaces for Sale or Lease - The 2007 Enright Report assumes that the typical condo spaces for office use will be 5,000 SF and 1,400 SF for industrial spaces.

Special Development Features – Big Wave is not a typical commercial development. It will offer opportunities for renewable energy, physical fitness, fresh food service, and other amenities not typically provided at a Business Park.

Potential Tenants/Buyers – The market for Big Wave is assumed to be drawn from the local businesses already located on the coast. These tenants may be existing businesses that need to expand, home-based businesses that are interested in renting or purchasing space, or other interested small firms. It is assumed that potential businesses at Big Wave would not be larger firms that have relocated from areas east of the Santa Cruz mountains.

Limited Parking Spaces – Parking will be limited to 640 spaces. This number is below the existing parking ratio of one space for every 200 SF. It is assumed that employees will use shuttle services, ride share, ride or bike, or use public transportation. Limiting parking is consistent with the focus on reducing non-renewable energy consumption in the development and with the idea of focusing on employment opportunities for Coastside residents.

### **Methodology of Enright Reports**

The two reports are very different.

The 2007 Enright Report covered more topics and included background demographic data and projections, a survey of business owners at the coast (covering 13 questions) as well as interviews with local informants, such as Chamber of Commerce officials and employment specialists.

Since details regarding the survey and interviews, such as response rates, response bias, frequency counts and cross-tabulations are not provided, it is difficult to assess conclusions based on the survey. The following example illustrates this point.

*A substantial number of businesses were interviewed for this assignment. A relatively moderate amount reported that the coastal community businesses lack a central business park which can group companies in an area. (Page 18)*

In order to evaluate this conclusion, the Report should mention how many businesses were

interviewed and the number of businesses that provided this opinion.<sup>2</sup>

In comparison, the 2009 Enright Report was much more limited and covered two topics: (1) employment densities and their application to the Big Wave project to estimate future employment levels) and (2) a survey of Coastside employee resident locations. The 2009 Report provides evidence for its conclusions.

The 2007 Enright Report included Pacifica in the Coastside area, whereas the 2009 Report did not. It seems reasonable to define the Coastside labor market area in the same way it is defined in the 2007 Enright Report. (The Coastside labor market area is defined as the incorporated Cities of Half Moon Bay and Pacifica, the Census Designated Places [CDPs] of El Granada, Moss Beach, and Montara, and the remainder of unincorporated Half Moon Bay [Princeton and Miramar]). I am not sure why Pacifica was not considered to be part of the Coastside labor market in the 2009 Enright Report. Pacifica is important, since it is the largest, local city and has the greatest, numerical difference between employed residents and number of jobs located in Pacifica. It is located approximately 10 miles from the proposed Big Wave project site and seems appropriate to include in the labor market area, defined as Coastside.<sup>3</sup>

### **Match Between the Local Labor Supply and Potential Jobs at Big Wave**

The potential pool of employees can be defined as follows:

Those who currently live and work at the coast - These employees are those that have decided that they do not want to commute to larger job centers in San Francisco, San Mateo County, or Silicon Valley. These employees were the focus of the 2007 Enright Report and are an important source of labor for the Big Wave Business Park.

Those who currently live at the coast, but commute to other job centers, for example to San Francisco, other parts of San Mateo County, or Silicon Valley - This second group of employees could benefit from expanded job opportunities at Big Wave. However, if the types of jobs at Big Wave are likely to be business support services and some light R&D

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<sup>2</sup> Since the purpose of this peer review is to answer the questions of whether there will be an adequate labor supply on the coast and whether the reports demonstrate this, I will not provide an overall evaluation of the 2007 Enright Report. Instead, the focus of this memo is limited to whether there is sufficient information in the two reports to demonstrate that there is an adequate, local labor supply for the Business Park.

<sup>3</sup> Another difference between the two Enright reports is the size of the Business Park. However, this is not a methodological problem, since project sizes frequently change during the development planning period.

located in small firms (i.e., those occupying 5,000 SF), there will be fewer possibilities for some types of specialty jobs, particularly in research and high tech. Furthermore, the opportunity for synergy that accompanies the clustering of high tech jobs will not be possible at the Big Wave Business Park, since it is geographically isolated from other high tech companies. So, there will always be some commuters who would not be interested in the employment opportunities at Big Wave and will therefore continue to commute to outside jobs.

Those who do not live at the coast, but live in other population centers -These employees would either undertake a reverse commute or move to the coast in order to work at the new jobs at Big Wave. This group is the largest numerically and is difficult to identify. It is likely that employees who do not live on the coast will be commuters initially and not move for several reasons. For example, potential employees could have another worker in the household (who already has an established job location), or could have family ties to a particular geographic area. However, eventually, once potential employees become long-term workers at the Business Park, they may become motivated to move to the Coastside to reduce their commute times. On the other hand, vacancies are not particularly high and there has not been much new residential construction at the coast to provide additional housing opportunities for employees who want to move to the coast.<sup>4</sup>

It is likely that the future employers at Big Wave will not require their employees to have specialized job skills.<sup>5</sup> So, it is quite probable that the local labor force currently has the training and education that will be needed for future jobs. The background information provided in the 2007 Enright Report's Appendix indicates that the labor force in 2007, within a five-mile radius of the Big Wave Business Park, is over 65 percent white collar (approximately 7,500 employees), with important concentrations in the services, professions and sales. (Page 5 of 9 in the 2007 Enright Report Appendix.) If this labor market area were extended to a ten-mile radius, the number of employees working in white collar jobs would be even higher.

The best approach to show a match (empirically) between the jobs to be offered at Big Wave and the skills of the Coastside labor force (defined to include Pacifica), would be to compare the occupations

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<sup>4</sup> If, in fact, there were an increase in demand for housing, this could lead to some upward pressure on sales prices.

<sup>5</sup> The 2007 Enright Report assumes that the types of businesses that will occupy future space at the Big Wave Business Park will be local businesses. This is a very important assumption, since if the potential businesses represented a different mix of businesses than currently exist on the coast, one could question whether there was an adequately trained labor supply to work at these businesses. For example, if the Business Park were to be occupied by a single biotech firm, then, the potential match between locally employed residents and future jobs could be problematic.

of employed residents with future jobs to be provided at Big Wave. While the U.S. Census provides information on the occupations of employed residents, the actual firms that will locate at the Business Park are unknown, so this comparison is not possible at this time.<sup>6</sup>

### **Evidence from Enright Reports to Document Match between Local Labor Supply and Potential Jobs at Big Wave**

After reviewing the information provided by the two Enright Reports, I have concluded that each has its strengths and weaknesses in documenting the match between the local labor supply and potential jobs at the Big Wave Business Park.

#### 2007 Enright Report

- This report included a survey with 200 local businesses; interviews with organizations familiar with the labor market; demographic and labor market information on the Coastside communities, and analysis of the competitive supply of commercial space. This background information will be very useful in the future marketing of the Business Park.
- Many of the Report's conclusions regarding the types of businesses that would be interested in the Business Park and the interest of the local labor force in working at Big Wave are not substantiated by empirical information and are more inferences. I provided one example in the Methodology section of this memo. Another example is as follows:

*Interviews with local area businesses indicated that most employees would prefer to work closer to their residences, but do not have those options based on limited Coastside opportunities. This suggests that the project's ability to capture the existing employment base could more readily support the proposed business park. (Page 21)*

What employees do these refer to? The employees of local businesses are already working at the coast. The important group to know more about would have been employees who are currently commuting out of the area for work. However, this group is not included in the research work presented in the 2007 Enright Report.

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<sup>6</sup> While census information is from 2000, since there has been such little growth in the area, it can still be used for this type of analysis. Another benefit of census data is that information is available for Half Moon Bay, Pacifica, El Granada, Montara and Moss Beach.

2009 Enright Report

- This report included a survey of local businesses to determine residential location of their employees. While 13 businesses submitted useful information, the majority of these businesses are much larger than the types of firms that could move to the Big Wave Business Park. Table 1 provides information on the average number of employees per business that could be expected at the Big Wave Business Park. These calculations are based on employee density figures provided by the 2009 Enright Report. As this table illustrates, the firm size is likely not to exceed 25 employees.

**Table 1: Potential Number of Employees per Condo at the Big Wave Business Park**

Tenant	Anticipated Size of Commercial Condos	Estimate of SF per Employee	Number of Employees Based on Employee Density Figures
Office	5,000	200	25
R&D	5,000	278	18
Industrial	1,400	1,000	1.4

Sources: 2009 Enright Report and Vernazza Wolfe Associates Inc.

Only four firms that submitted information in response to the Employer Survey presented in the 2009 Enright Report consist of 25 or fewer employees.<sup>7</sup> (See Table 2.) Based on the weighted survey responses from these four firms, the percent of local employees *in small firms* that currently live on the coast is 56 percent. While this figure is a little lower than the 60 percent of local employees who live locally (provided in the 2009 Enright Report) and is based only on four firms, the 2009 Enright Report finding that *on an aggregate basis, the division of estimated employee residence locations appears supported at approximately 60 percent local and 40 percent remote* appears to be valid. (Page 7)

**Table 2: Estimate of Number of Employees Living at the Coast (Small Firms Only)**

Name of Firm	# of Employees	# of Employees Living at the Coast
TRC	12	4
Blue Sky Designs	28	21
San Mateo Co. Harbor District	11	6
Andreini Bros	20	9
<b>Total</b>	<b>71</b>	<b>40</b>

Sources: 2009 Enright Report and Vernazza Wolfe Associates Inc.

<sup>7</sup>In order to present information on at least four firms, I have included Blue Sky Designs, even though there are 28 employees at that firm.

## Conclusion

While the 2007 Enright Report does not provide empirical evidence to document many of its statements, I have concluded that based on the two reports, it is reasonable to assume that local residents possess the skills required for the jobs to be offered at the Business Park and about half of the labor force for the Big Wave Business Park will come from the local labor market area, particularly if the labor market area is defined to include Pacifica.

There is one more important point to consider. While the scale of the Big Wave Business Park is much larger than other commercial developments on the coast, the number of employees that could work at the Business Park at build-out is still relatively small when compared to (1) the total jobs provided on the coast and (2) the total number of employed residents on the coast. As Table 3 indicates, the projection of future jobs at the Big Wave Business Park at build-out represents approximately five percent of total jobs in the labor market area in 2005 as well as five percent of total jobs projected for 2015 in the labor market area. Furthermore, as a percent of employed residents (which include Coastside employees and commuters) the number of future employees at the Big Wave Business Park represents approximately two percent of all employed residents in 2005 and 2015. If the increase in employment were more significant, then, concern about the employee impacts could be of greater concern.

**Table 3: 2005 and 2015 Jobs in Coastside Locations**

<b>Location</b>	<b>2005 Number of Jobs</b>	<b>2015 Number of Jobs</b>	<b>2005 Number of Employed Residents</b>	<b>2015 Number of Employed Residents</b>
<b>Pacifica</b>	6,190	6,960	18,600	20,630
<b>Half Moon Bay</b>	5,100	5,470	5,440	6,440
<b>Half Moon Unincorporated</b>	1,960	2,220	5,530	6,220
<b>Total</b>	13,250	14,650	29,570	33,290
<b>Big Wave Jobs as a Percent of Total Jobs (1)</b>	5.3%	4.8%	2.4%	2.1%

(1) Assumes 703 jobs at the Big Wave Business Park.

Sources: 2007 ABAG Projections and 2009 Enright Report

While I have not been involved in the discussions regarding the importance of a local labor force, it would appear that the traffic modeling to be used in the EIR will be based on a conservative ratio of coastal versus non-coastal employees (47 percent local, 53 percent non-local). This is an honest assumption.

In my professional opinion, I recommend that all parties move beyond the efficacy of the Enright Reports and focus now on other planning issues, such as the EIR analyses.