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## **DRAFT REPORT**

# MARKET ANALYSIS FOR RETAIL DEVELOPMENT IN COYOTE VALLEY

Prepared for:

City of San Jose

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## I. INTRODUCTION AND SUMMARY OF FINDINGS

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Economic & Planning Systems, Inc. (EPS) has been retained by the City of San Jose to provide a variety of economic consulting services in furtherance of the creation of the Coyote Valley Specific Plan. A key part of these services is the assessment of market conditions for residential, retail, and workspace development. This report presents EPS's findings regarding the current and future market prospects for retail development at Coyote Valley.

### **BACKGROUND**

Coyote Valley is an area comprised of over 7,000 acres of land in the southern part of San Jose and in unincorporated Santa Clara County but within San Jose's sphere of influence. Since the 1980s, San Jose's City Council has maintained a policy that reserves Coyote Valley for future urban development, and establishes goals for the overall development program for the area as well as "triggers" that must be met for the development to begin. Specifically, the policy has maintained that the overall plan for Coyote Valley must reserve over half of the overall acreage as a "greenbelt" on which no urban development can occur, and that the remainder of the land must be developed at sufficient density to accommodate 50,000 "qualifying" jobs (excluding retail and public or quasi-public jobs) and 25,000 housing units. In addition, a trigger has been established that none of the housing development can occur until at least 5,000 of the qualifying jobs are in place in Coyote Valley.

The Coyote Valley Specific Plan is being developed through the joint efforts of the City of San Jose and a multidisciplinary group of consultants, including EPS. This retail market assessment is intended to provide information that will help this group of stakeholders to create the following:

1. A land use program that is supported by current and expected market conditions and meets the established goals for the development of Coyote Valley.
2. A financing program that distributes the benefits, costs, and risks of development among the various landowners.
3. An implementation strategy that efficiently phases and locates land use and infrastructure development to optimize the value of development to the landowners, developers, and the City of San Jose.

## KEY FINDINGS

The following points summarize the most important findings of this report:

**1. Three supermarkets could be supported at Coyote Valley by buildout, with one integrated into the Town Center and the other two anchoring neighborhood centers.**

The demand for retail goods at supermarkets will provide sufficient support for three supermarkets of an average size of 55,000 square feet. Each of these supermarkets could anchor an additional 55,000 to 95,000 square feet of neighborhood-serving retail space. One of these supermarkets could be integrated into the Town Center, while the other two will anchor neighborhood shopping centers. The two neighborhood shopping centers will likely average 130,000 square feet of retail space, or 260,000 square feet combined.

**2. Neighborhood center development and success depends on location and design.**

Neighborhood centers should be located within the heart of the residential populations they serve, with convenient automobile access and visibility. A design-orientation that creates an attractive environment for spending time will add to the market success of these centers.

**3. Supermarkets will wait until a critical mass of households is present before locating at neighborhood shopping centers.** Supermarkets, the anchors of the neighborhood shopping centers, will want to see the presence of over 5,000 households in their market area prior to their location at Coyote Valley.

**4. There is insufficient market support from surrounding areas to catalyze early development at the Town Center.** The areas surrounding Coyote Valley, including Morgan Hill and the southernmost portions of San Jose, do not offer sufficient market support to catalyze early retail development at the Town Center.

**5. A high-end grocery store and associated neighborhood-serving stores could be developed relatively early in the development of the Town Center.** Once sufficient residential development is in place, a neighborhood center could be developed at the Town Center. This neighborhood center might include a larger range of restaurants, than the typical neighborhood center, building off the amenity value of the lake, and the draw of some households from other parts of Coyote Valley and the surrounding areas. This primarily neighborhood-driven development at the Town Center could include up to 150,000 square feet of retail space.

**6. As Coyote Valley grows and provides more market support for the Town Center, additional retail and entertainment development could be added.** Sufficient market support for an eight-screen movie theater is likely to evolve by half-way through the residential development program. The development of a movie theater could also anchor the development of additional restaurants and other entertainment options.

Further along in the development program, a book and CD store could be attracted to the site, and the overall draw of the now more fully developed Town Center could act to attract even more eating and drinking establishments as well as specialty retail.

**7. Over time, the Town Center could evolve to include about 415,000 square feet of retail/ entertainment space.** This could include about 150,000 square feet of primarily neighborhood-serving development, a 35,000 square foot movie theater, a 30,000 square foot book store, 100,000 square feet of restaurants/ eateries, and 100,000 square feet of additional specialty retail.

**8. Big box retailers could be attracted to easily accessible sites between Highway 101 and Monterey Road.** A large number of “big box” retailers have numerous sites throughout Santa Clara County, though the large traffic counts close to Coyote Valley could attract these retailers. A 30-acre site, between Highway 101 and Monterey Road, with easy access from the major arterial and strong direct visibility or freeway signage could attract a number of big-box retailers in the early to middling stages of Coyote Valley development. With surface parking, this site could accommodate about 330,000 square of this type of retail.

**9. In sum, by buildout, Coyote Valley could support about 1.0 million square feet of retail development.** This retail development could include up to 260,000 square feet of retail space at two neighborhood centers, 415,000 square feet at the Town Center, and 330,000 square feet of “big box” retail.

## CONTENT OF REPORT

**Chapter I**, this chapter, summarizes the findings of the retail market assessment. **Chapter II** provides an overview of the retail market in the cities of San Jose, Morgan Hill, Gilroy, and in Santa Clara County. It includes estimates of annual retail expenditures and sales, projected growth in expenditures, and an inventory of existing and proposed region-serving retail, including regional malls, power centers, and “big box” retailers. **Chapter III** evaluates the prospects at Coyote Valley for retail development at neighborhood centers, at the Town Center, and at freeway-serving sites. It includes estimates of the market support for each of these types of retail development by Coyote Valley buildout.