



ATTACHMENT G

RETAIL CONVERSION LAND USE

MARKET ANALYSIS

Retail Conversion Land Use and Market Analysis

THE MARC

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The MARC retail conversion Land Use Analysis and Market Analysis

Project Description

The Marc project, APN 219-163-48 is a proposed conversion of exiting vacant retail space to residential apartments within the Davia Village Specific Plan area, which is fully built out. The project is Located north of Highway 78 on Armorlite Drive. The project is within the Davia Village Specific Plan Area which is situated in north San Marcos and close to a major transit hub in San Marcos. It is also located on a segment of Armorlite Drive already developed with complete street improvements that include a protected bicycle lane and pedestrian walkway on Armorlite Drive, which provides a safe and easy connection to high quality transit. The site also provides freeway access and is close to major San Marcos thoroughfares. The site is close to educational, office, retail, residential and industrial uses, making it an ideal location for infill development. The conversion would allow the Marc management team to convert approximately 10,000 square feet of vacant commercial/retail space to residential apartments with approval of a Conditional Use Permit (CUP). The CUP allows the residential use to occupy the retail space on a “temporary” basis until a time when the retail space is viable which could then be converted back to retail. Ten new dwelling units may range in size from a minimum of approximately 1,085 square feet to up to 1,530 square feet. There will be a mix of 1BR/1BA units and 2BR/2BA units with a loft, which equates to approximately 13,540 square feet of residential living space. Each dwelling unit will include private open space in the form of an outdoor patio.

Regional Connectivity

The Marc retail conversion project is in the Davia Village Specific Plan Area which is situated in the north central portion of the City of San Marcos, in an area defined as the Business/Industrial District by the City’s General Plan. Regionally, the Specific Plan area is located approximately 1,000 feet north of Highway 78 and approximately 5 miles from Interstate 15.

Other uses near the Specific Plan area include retail and P-I uses to the west, Palomar College resides north of the project site, and mixed-uses are located immediately adjacent to the project’s east and south boundary.

The Specific Plan Area is considered a Transit Oriented District because it’s located within a half mile of a major transit station, provides pedestrian connectivity to sidewalks and bicycle facilities, and reduces parking and reliance on vehicle trips and promotes alternative modes of transportation. The Palomar College Transit Center is located approximately 400 feet from the Specific Plan area and consists of a bus depot on the north side of West Mission Road, near the main entrance to Palomar College, and a SPRINTER rail station on the south side of West Mission Road. Rail service and bus transit service offered at the Transit Center provide local and regional connections to schools, employment centers, shopping, and entertainment options within the City of San Marcos, as well as San Diego and Riverside Counties. The Inland Rail Trail, a 21-mile Class I bikeway, runs along the south side of West Mission Road and connects

the Cities of Oceanside, Vista, San Marcos, and Escondido as well as areas of unincorporated San Diego County.

This Specific Plan area design and location reflects SANDAG's long-term transit development strategy. The Specific Plan area's density, product type, and most importantly the project's location, are consistent with several strategies outlined in SANDAG's Regional Transit Oriented Development (TOD) Strategy as well as SANDAG's TOD growth models for 2035 and 2050, which encourage denser development along future expanded transit corridors.

Land Use and Zoning Analysis

The mixed residential/retail uses proposed in the Davia Village Specific Plan represent compatible land uses with the existing surrounding development along Armorlite Drive. The Specific Plan Area is comprised of high-density mixed-use residential apartments and commercial-retail development. The added density from the Armorlite Lofts project should help contribute to the eventual sustainability of retail uses in the corridor, however, until such time as retail uses can sustain themselves, the project proposes amending the Specific Plan to allow for temporary residential use of the retail spaces via a Conditional Use Permit (CUP). The proposed CUP for conversion to residential units at the Marc will only help to increase the area's density in a way that could support retail use. Without additional residential units to increase density, there will not be enough foot traffic in the area to support commercial business and retail shopping now or in the future. The flexibility of the Specific Plan accounts for the necessity of these site adjustments to address current conditions. The temporary nature of the CUP allows for conversion back to retail if demand requires it. Lastly, the proximity to a major transit hub makes the location ideal for an increased residential density reducing reliance on single-use vehicle trips by promoting use of the Sprinter rail line and Breeze bus service located immediately north of the project area.

Taking into consideration the elements mentioned earlier in this paragraph, the project is better suited as residential use until densities in the area can sustain enough foot traffic to make retail viable. The proposed project area is a compatible land use for the site and is consistent with the Goals and Policies of the City of San Marcos General Plan Land Use Element also noted in the Land Use Compliance Table in this document as well as SANDAG's long-term transit development strategy, SANDAG's Regional Transit Oriented Development (TOD) Strategy, and SANDAG's TOD growth models for 2035 and 2050 encouraging dense development along future transit corridors.

Surrounding Land Uses and Site Characteristics

The Marc is a 416-unit, multi-family-retail, mixed-use development within the Davia Village Specific Plan Area and includes a total density of 35.8 du/acre. and includes six (6) buildings with site parking, landscaping, retail square footage, and a public park. There is currently a similar mix of fully developed residential/mixed uses, or development plans for future residential/mixed use projects in the immediate vicinity of the project site, which will help facilitate future retail viability in the community. Two other neighboring developments, the Palomar Station Specific Plan Area, which is fully built out and the Armorlite Lofts Specific Plan Area, which is currently in the entitlement process, are similarly situated.

Palomar Station is a 370-unit, multi-family development at 25.8 du/ac. Like The Marc, Palomar Station previously intended to use 13 ground-level units as retail on site. The development has since converted those 13 retail units into residential dwelling units or common area recreational amenity space. That conversion to residential use increased the number of dwelling units to 383 with an approximate density of 26.7 du/ac. And the still in-development Armorlite Lofts project will be a 165-unit multifamily complex at 67.6 du/ac, 7 of which are affordable units. The conversion of retail to residential units has been successfully demonstrated by the Palomar Station Specific Plan. Other existing uses located to the east along Armorlite Drive include light industrial suites, warehouse space, and institutional uses. It is possible many of these properties will redevelop to higher density residential or mixed-use projects in the future due to the proximity and access to the Palomar College Transit station, which includes a large bus depot as well as a Sprinter light rail stop.

Viability of Site as Commercial Retail

Development of the site as a commercial development remains unviable and presents certain economic and land use challenges. Property ownership has been unable to secure representation from various commercial brokerage firms because of the leasing challenges they see which are discussed below. Brokers identified two key factors necessary for the retail component to function. To support retail along Armorlite Drive the single biggest factor would be to significantly increase density which generates more foot traffic, and/or significantly increase parking in and around the retail spaces along Armorlite Drive. A study produced by the Local Government Commission (*Preuss, 2003*) cited higher density neighborhoods and developments are better able to sustain a larger range of commercial uses and conversely, lower density neighborhoods could only support limited retail uses at much lower square footage totals. These factors are important, because many of the mixed-use developments along Armorlite Drive are within a half mile of the Palomar Station transit center. The transit center is considered a major transit hub within San Marcos and a core feature of transit-oriented multi-family or mixed-use developments like the Marc, in which the development included implementation of a Climate Action Plan (CAP). Project design measure #4 of the CAP requires development within that half mile zone to reduce the total required parking spaces by 27%, thereby reducing reliance on vehicle trips by promoting transit use. Although the development of the Marc predated the update to the City's Transit Demand Management Plan and predates implementation of the CAP, the overall retail parking for the site was reduced based on the provision of on street parking on Armorlite Drive. Unfortunately, the results of the implementation of that measure have resulted in a lack of public parking that is critical to the support of successful retail developments. As noted in the Land Use and Zoning Analysis section of this document, the added density from the Armorlite Lofts project may help contribute to the eventual sustainability of retail uses in the corridor, but it will likely take more of the older parcels along Armorlite Drive converting to mixed use or multi-family developments to truly sustain a viable retail component along the corridor. As discussed previously, the neighboring development Palomar Station had to convert their ground-level retail units to residential units because they could not attract retail tenants due to the lack of parking afforded to customers and the lack of density and foot traffic driving customers to shopping. Potential tenants are not interested in submitting letters of intent for leasing the vacant retail space as it is clear there will not

be enough parking to accommodate both residents and commercial visitors to the site. On average, approximately one letter of intent is received by ownership from potential tenants per year. There has consistently been 10,000 SF of unused retail space on site over the past seven years. Another example of this is the Karl Strauss lot on Las Posas Road. The lot was originally owned and developed by Palomar Station. The City of San Marcos gave the developers a window of time in which they were required to obtain a commercial user for the site as part of Palomar Station's mixed-use development plans. If they could not obtain a commercial user, ownership of the lot would be transferred to the City of San Marcos. The developers were never able to attract a commercial user, and ownership was lost to the City. The City sold the lot for a small fee to a commercial user, Karl Strauss. Karl Strauss was never able to drive enough commercial traffic to the lot, despite ample parking. Thus, the venture was not a success, and lot ownership has been returned to the City to ultimately be developed into a fire station – a non-commercial use. Commercial use has consistently failed in this area. And, demand for additional housing will only increase as more people work and shop from home. Conversion of this space to residential dwelling units will better serve current and future residents of the City of San Marcos now and in the years to come.

Housing

Many cities across California are facing critical shortages in housing inventory for current and future residents, including the City of San Marcos. The City of San Marcos General Plan Housing Element's goals and policies reflect a desire by the city to facilitate housing development to address the challenges of low inventory. The proposed CUP to accommodate additional housing on site will help support the city's goals. Increasing this sought-after housing product is in line with housing directives promoted by the State as well as the City of San Marcos. The conversion from retail/mixed use to residential through the conditional use permit process will allow the city to support a future conversion back to retail if community demand for such uses increases, while allowing the city to support the community's current needs related to critical housing deficits across our state. The CUP facilitates a temporary use of the space as residential apartments, which could be reverted in the future if residential densities increase in the area which may lead to market conditions capable of supporting retail space in the immediate area.

Public Benefits

A total of seven public benefits have been identified and included in the following discussion:

1. Creation of 10 additional workforce housing units to San Marcos.
2. Activates the vacant storefronts and improves the street scene along Armorlite Drive.
3. Inclusion of transit-oriented design elements. The project is located within a half mile of a major transit station and would allow new residents to utilize pedestrian connectivity to sidewalks, bicycle facilities, and bike infrastructure, which would reduce the need for additional parking and reliance on vehicle trips and promote alternative modes of transportation thereby reducing the project's GHG emissions.

4. The project area is located within the SM-3 Mixed Use Transit Corridor as identified in the San Diego Association of Government's (SANDAG) Smart Growth Concept Map for North County. That SANDAG designation along with the proposed location and type of development would make the project a transit-oriented development. The project area is located within half a mile of a major transit station, provides pedestrian connectivity to sidewalks, bicycle facilities, and reduces parking and reliance on vehicle trips and promotes alternative modes of transportation. The proximity to transit and bicycle/pedestrian facilities also makes this a rare low Vehicle Miles Traveled (VMT) area within the City of San Marcos. These factors result in a unique project that is less reliant on vehicle transportation by promoting alternative transportation, which is a regional SANDAG goal, a goal for the City of San Marcos and an extremely rare project that can claim compliance with almost all state, regional, and local transit-oriented development goals.
5. Provides improved compatibility with the adjacent land uses. The conversion to residential use is similar to the existing developments in the immediate vicinity of the project.
6. Provides desperately needed housing for current and future residents of San Marcos.

Infrastructure and Community Services

The project is a conversion in use of existing square footage currently part of the Davia Village Specific Plan Area, and has already either constructed or contributed the required infrastructure funds to offset potential impacts to the City of San Marcos facilities and services. The project paid the following fees to the city to offset impacts to infrastructure and community services:

- Schools within San Marcos Unified School District where school age children will attend.
- Parks, recreation, and open space impacts.
- Library services.
- Fire services.
- Police protection, and
- Solid waste disposal.

In the case of Parks, recreation, open space, police, and fire services, the project has previously paid its share of Public Facility Fees at the time of building permit issuance, to offset any potential project impacts. The project will pay the in-lieu affordable housing fee.

Infrastructure to the site is fully constructed and includes water and sewer services, gas and electric service, stormwater facilities, and telecommunications services. Other than interior building and construction improvements, no additional infrastructure improvements are anticipated to convert the units to residential use.

Conclusions

Considering the factors analyzed herein, the proposed project would be a superior alternative to allowing the 10,000 SF of retail space included in the Davia Village Specific Plan Area to remain vacant. Approval of a Conditional Use Permit would allow for residential users to occupy the vacant space on a temporary

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basis while also increasing the workforce housing within the Davia Village Specific Plan Area. Additionally, the site's proximity to transit and transportation opportunities lends itself to residential uses, transit-oriented development, and is well-suited to provide the type of residential development identified in SANDAG's Regional Transit Oriented Development Strategy by facilitating residential growth near employment and transit opportunities. The project is a viable alternative to the existing zoning and will also immediately contribute valuable workforce housing units to the housing stock of San Marcos, whereas leaving the spaces as vacant retail may yield little prospects for growth due to market conditions. Residential use of the site provides consistent style development with other existing developments along Armorlite Drive, thereby contributing to the residential density which, if residential development continues along Armorlite Drive, may later produce enough foot traffic to sustain commercial retail uses along the corridor. Therefore, processing a Conditional Use Permit to temporarily allow a retail to residential conversion would be an appropriate transition of uses as well as the best transition of land use for the prospective project site.

Appendix A General Plan Land Use Consistency Table

Goal	Goal Description	Hallmark Barham Specific Plan Consistency
		Land Use Element
LU-1 <i>Achieve a balanced and compatible mix of land uses.</i>	Achieve a balanced distribution and compatible mix of land uses to meet the present and future needs of all residents and the business community.	The Marc retail conversion project is consistent with Goal LU-1. The Marc retail conversion project proposes to convert approximately 10,000 sf of existing long-term vacant retail space to residential uses via a CUP. This change meets the present need for housing units during the ongoing housing crisis, while still allowing flexibility for future conversion back to retail square footage should market forces strengthen retail viability in the area. That conversion can happen if residential densities develop to a point where retail spaces become self-sustaining
LU-2 <i>High quality and sustainable development.</i>	Promote development standards and land use patterns that encourage long-term environmental sustainability.	The Marc retail conversion project is consistent with Goal LU-2. The Marc retail conversion project respects the long-term environmental sustainability goals of state, local, and city planning guidelines and standards. The project is less than a half mile from a Breeze bus station and Sprinter train station as well as the Inland Rail Trail, making it a walkable community. The project location near transit and transportation is consistent with SANDAG goals for Regional Transit Oriented Development. The project will incorporate all the current required California sustainability requirements.
LU-3 <i>Community Connections.</i>	Develop land use patterns that are compatible with and support a variety of mobility opportunities and choices.	The Marc retail conversion project is consistent with Goal LU-3. The Marc retail conversion project contributes to this goal by providing a transit, pedestrian and bike friendly project less than half mile from a Breeze bus station and Sprinter trains station. Additionally, the Inland Rail Trail promotes alternative transportation to the site. The project location near transit and transportation is consistent with SANDAG goals for Regional Transit Oriented Development.
LU-4 <i>Education Hub.</i>	Promote San Marcos as the educational center of North County while creating a greater synergy between the business community and its academic institutions.	The Marc retail conversion project is consistent with Goal LU-4. Implementation of the Marc retail conversion project would complement the LU-4 Goal by creating a development with easy access and close to Palomar Community College and transit accessible to California State University San Marcos.
LU-5 <i>A city of distinct and memorable places.</i>	Promote community design that produces a distinctive, high-quality built environment with forms and character that create memorable places and enrich community life.	The Marc retail conversion project is consistent with Goal LU-5. The Marc retail conversion project will provide architecture, design, and built forms consistent with the existing building design and will retain the commercial/retail building elements to allow the building to be easily converted back to retail should future conditions allow for sustainable retail markets. Therefore, the Project is consistent with LU-5.

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<p>LU-6 Economic Strength and Stability</p>	<p><i>Maintain a supportive business climate and a healthy, sustainable economy to retain and attract high quality businesses and create additional employment opportunities.</i></p>	<p><i>The Marc retail conversion project is consistent with Goal LU-6.</i> The project proposes temporarily converting approximately 10,000 sf of existing retail space into 10 residential dwelling units. Retail space in the building has been chronically unused and underutilized at the property which is surrounded by other mixed-use developments facing the same commercial retail market constraints. Conversion of the retail is consistent with other developments nearby which have undergone similar conversions. Additional residential units along the corridor will help contribute to retail economic sustainability.</p>
<p>LU-7 Growth Management and Adequate Provision of Urban Services.</p>	<p><i>Direct and sustain growth and expansion in areas of San Marcos that can support a concentration of a variety of uses and are particularly suitable for multimodal transportation and infrastructure expansion and improvements.</i></p>	<p><i>The Marc retail conversion project is consistent with Goal LU-7.</i> The project is situated less than half a mile from a Breeze Bus terminal and Sprinter transit station. The project location near transit and transportation closely mimics SANDAG goals for Regional Transit Oriented Development and would embody the intent of those goals providing an ideal location for a residential project to facilitate alternative modes of transportation.</p>
<p>LU-8 Growth Management and Adequate Provision of Urban Services.</p>	<p><i>Ensure that existing and future development is adequately serviced by infrastructure and public services.</i></p>	<p><i>The Marc retail conversion project is consistent with Goal LU-8.</i> The project is located on Armorlite Drive which is a fully constructed complete street inclusive of existing water, sewer, and stormwater facilities as well as electrical infrastructure. The project only requires internal building permits to modify or connect to existing utilities and services.</p>
<p>LU-11 Growth Management and Adequate Provision of Urban Services.</p>	<p><i>Ensure all residents have access to high-quality education.</i></p>	<p><i>The Marc retail conversion project is consistent with Goal LU-11.</i> The Project is an existing building which paid Public Facility Fees and school fees prior to issuance of building permits.</p>

References

Preuss, A. K. (2003). Creating Great Neighborhoods: Density In Your Community. *Local Government Commission in Cooperation with the Environmental Protection Agency*.