This project was funded by the Southern California Association of Governments (SCAG) Compass Blueprint Demonstration Project Program and developed in partnership with the City of Lancaster. Compass Blueprint provides tools to cities to evaluate planning options and stimulate development consistent with the region’s goals. SCAG provides cities with support to help with visioning, infill analysis, policy assistance, economic and marketing assistance and developing communication tools for cities.

The preparation of this report was funded in part through grants from the United States Department of Transportation—Federal Highway Administration and the Federal Transit Administration—under provisions of the Transportation Equity Act for the 21st Century (TEA-21). Additional assistance was provided by the State of California State Business, Transportation and Housing Agency through the California Regional Blueprint Planning Grant.
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>I. Data and Information</td>
<td>2</td>
</tr>
<tr>
<td>Population</td>
<td></td>
</tr>
<tr>
<td>Households</td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td></td>
</tr>
<tr>
<td>Taxable Sales</td>
<td></td>
</tr>
<tr>
<td>K-12 and College Student Enrollment</td>
<td></td>
</tr>
<tr>
<td>Crime</td>
<td></td>
</tr>
<tr>
<td>2. Housing</td>
<td>31</td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td>Housing Production</td>
<td></td>
</tr>
<tr>
<td>Housing Values</td>
<td></td>
</tr>
<tr>
<td>3. Competitiveness Profile</td>
<td>37</td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td>Derivation of the Index</td>
<td></td>
</tr>
<tr>
<td>Scenario 1</td>
<td></td>
</tr>
<tr>
<td>Scenario 2</td>
<td></td>
</tr>
<tr>
<td>Summary</td>
<td></td>
</tr>
<tr>
<td>4. Strengths, Weaknesses, Opportunities and Threats</td>
<td>45</td>
</tr>
<tr>
<td>References</td>
<td>51</td>
</tr>
</tbody>
</table>
Lancaster, California

2006 Statistical Update

Population: 138,660
Median age (years): 31.8
Percent White Non-Hispanic: 36.0
Percent Hispanic/Latino: 28.0
Percent Black: 19.3
Number of Households: 42,675
Owner Occupied (percent): 61.6
Number of Housing Units: 45,169
Average Household Size (persons): 2.96
Median Family Household Income: $44,686
Median Detached Existing Home Price: $369,800
Total Wage & Salary Employment (jobs): 37,100
Total Number of Working Residents (people): 50,328
**Introduction**

The goal of this study is to provide the City of Lancaster with meaningful and updated economic and demographic information. The information is presented and interpreted to demonstrate current trends that portend the future direction of Lancaster.

This study develops and presents new information that has yet to be reported elsewhere. Information is obtained from a myriad of sources, updated to 2006.

The study is divided into 4 distinct sections:

In section 1, we provide updated information on population, demographic and household characteristics, employment, taxable sales, income, student enrollment, and crime.

The role of housing in Lancaster and the Antelope Valley is presented in section 2. Housing is a critical element in Lancaster’s current and future growth, and also represents a key determinant in the competitiveness index that is constructed in section 3.

In section 3, a competitiveness index is developed from current data based on 14 different criteria. The City of Lancaster is compared to 12 other cities and then ranked in terms of “competitiveness.”

From the development of the database and analysis of trends and the forecast, a SWOT assessment is made in section 4.
1. City Level Data and Information

Population

Population Growth

The population of Lancaster and the greater Antelope Valley continues to grow rapidly, relative to other areas of California. The growth rate for the two incorporated cities is much faster than the greater Antelope Valley which includes Quartz Hill, Acton, and Little Rock in the Northeastern Los Angeles County corner.

<table>
<thead>
<tr>
<th>Year</th>
<th>Lancaster</th>
<th>Palmdale</th>
<th>Antelope Valley</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>118,000</td>
<td>116,100</td>
<td>296,283</td>
</tr>
<tr>
<td>2004</td>
<td>129,011</td>
<td>131,102</td>
<td>324,300</td>
</tr>
<tr>
<td>2005</td>
<td>132,951</td>
<td>135,834</td>
<td>331,500</td>
</tr>
<tr>
<td>2006</td>
<td>138,392</td>
<td>141,012</td>
<td>342,329</td>
</tr>
</tbody>
</table>

Since 2000, the average annual compound rate of population growth is 2.7 percent for Lancaster and 2.4 percent for the greater Antelope Valley. For the most recent time period, the population of Lancaster eclipsed 4.0 percent, and the Antelope Valley grew 3.3 percent.

The availability and affordability of housing in the area along with increasing employment opportunities is responsible for the recent surge in population growth.

Despite the current housing market correction, thousands of homes will be built and sold in the Antelope Valley. Population growth is forecast to slow but remain healthy for the next 5 years.

Our forecast for the greater Antelope Valley area from our latest publication calls for an average compound annual growth rate of 2.1 percent between 2006 and 2011, implying an average increase of 7,564 residents per year.¹

¹ The 2007 Santa Clarita Valley Real Estate and Economic Outlook, by the California Economic Forecast, November 2006, pages 35-37
For the City of Lancaster, an average annual growth rate of 2.5 percent is forecast; the population grows from 138,400 today to $156,600 by 2011.
**Population by Age**

The Lancaster population is dominated by the school age populations (5-20 years old) and the middle aged working cohort (35-54 years old). The distribution of population for Lancaster would be described as “bi-modal.” Together the two cohorts account for 56.6 percent of the population in 2006. Both are expected to increase from 2006 to 2011, but as a percent of total population both cohorts will decline, in favor of older age population groups.

The 55 to 64 year old age cohort, which increased from 6.6 to 8.3 percent between 2000 and 2006, will represent nearly 10 percent of the population by 2011. This group is forecast to overtake both the 0 to 4 and the 65 and older age groups. However, the 65 and older age group does continue to grow and will also approach 10 percent of the population by 2011.

As a result of the recent increase of birthing in the area, the 0 to 4 year old age group remains a constant percentage of the population through 2011. However, there are currently more children age 5 to 9 than 0 to 4 and this is forecast to continue through 2011 as well.

Unless there is continued in-migration of young families to the area, the school age children cohort would eventually decline sometime after 2011.

The younger working cohort (21-34 years of age) currently represents 18.3 percent of the population. It is expected to increase slightly to 18.8 percent by 2011.
**Population by Race/Ethnicity**

Like most areas in California, the percent of the Lancaster population that includes “White” in the classification of race has declined over time and is expected to continue to decline. In 2000, 62.8 percent of the population was White. That percentage has declined to 57.8 in 2006 and is expected to fall further to 53.8 percent by 2011.

Most of the minority populations will increase as a percentage of the total population. In 2000, 16 percent of the population was Black. That number jumped to 19.3 percent in 2006 and is forecast to rise to 21.6 percent by 2011. Blacks are the fastest growing major race/ethnicity in Lancaster, increasing slightly faster than Hispanics. The Asian population accounts for less than 5 percent of the total population, but it too will continue to increase.

The percentage of people who are of another race or of two or more races accounts for 18.8 percent of the population in 2006. By 2011, just over 20 percent of the population will be in that category. Currently, about 51 percent of the category is persons with Hispanic ethnicity. An additional 44 percent of Hispanics list their race as White. In 2000, 24.1 percent of the Lancaster
population was Hispanic. That percentage has grown to 28 percent in 2006 and will reach 31.4 percent by 2011.

The increase in Hispanic ethnicity in Lancaster is consistent with all other areas of Southern California. In the adjacent Santa Clarita Valley where Hispanics account for approximately 23 percent of the population, the growth of this group will dominate all other ethnicities over the foreseeable future.
Households

**Household Size**

Approximately two thirds of all Lancaster households have less than four people, with 18 percent having three people, 27 percent having two people and 22 percent as single occupancy.

Forty-four percent of the population lives in households with less than four people. The most common household size in the city is two. Households of size four account for 16 percent of all households in Lancaster. However, 30,300 people live in a four-person household, the most of any size. The next largest are two person households, with 25,300 residents.

![Percent of Households by Size / Lancaster](chart)

Larger households of five or more persons account for 18 percent of all households. Owing to the large number of persons per household, nearly 35 percent of the population lives in a household of five or more persons.

Between 2000 and 2006, larger size households of five or more people increased as a share of all households. Smaller size households of one or two people declined as a share of all households, as did four-person households. The share of three-person households increased slightly.

These results are consistent with the type of housing that has been built recently in the area. Almost all new homes have at least three bedrooms. For example,
in the third quarter of 2006, less than one percent of new homes sold had less than three bedrooms. Nearly 70 percent of homes had more than three bedrooms, indicating a growing number of larger family households.

**Household Income**

A majority (56 percent) of Lancaster households have an annual household income of less than $50,000. Of those households that earn less than $50,000, half are below $25,000.

A total of 31 percent of the households earn between $50,000 and $100,000 per year. 20 percent have an annual income between $50,000 and $75,000. The remaining 13 percent have an annual income in excess of $100,000, mostly in the $100,000 to $150,000 range.

The fastest growing income groups are those households that earn more than $100,000 per year. As a percentage of all Lancaster households, they increased 33 percent between 2000 and 2006, from nearly 10 percent to 13 percent of total households.

Household income levels in the greater Antelope Valley are slightly above the level in Lancaster. 51 percent of households in the Antelope Valley earn less than $50,000 per year. Nearly 16 percent have an annual income of more than $100,000.
Employment

By Workplace and Residence

Employment information is presented for the entire Antelope Valley rather than for the smaller City of Lancaster area. The greater area allows for a more accurate depiction of employment trends due in large part to the mobility of workers.

The Antelope Valley is largely a region of commuters and retirees. While total wage and salary employment inside the Antelope Valley is just short of 75,000 jobs, the population of the greater Antelope Valley is estimated at approximately 340,000 this year. Employment by workplace therefore represents 22 percent of the total population.

Thousands of Lancaster and Palmdale residents commute into the San Fernando and San Gabriel Valleys each day. Commuting from Lancaster and Palmdale into Southern Kern County is also quite common. The counts of employment by workplace obviously exclude commuters because they are counted in the employment by workplace numbers elsewhere (such Glendale, Burbank, or Los Angeles).

The total estimated number of residents in 2006 who were employed is 129,438. An estimated 9,237 are self-employed, leaving 120,000 residents employed in wage and salary jobs either in the Antelope Valley or outside of it. If 75,000 wage and salary jobs are located in the Antelope Valley, then 45,000 residents must work elsewhere.

Commuters therefore account for 35 percent of the workforce, and represent a large population group in the region that could be counted on to fill more local employment opportunities as the area grows and large employers relocate.

In Lancaster, an estimated 50,328 residents were employed in 2006. The largest category of employment for Lancaster workers is Sales and Office jobs, which represent 26 percent of employment. Other details of Lancaster employment by residence are shown below:

---

2 SiteReports, by Claritas, Inc, 2006.
3 Collaborating the size of the commuter workforce in the Antelope Valley, 38.7 percent of all workers travel at least 45 minutes one way to work. The average travel time to work for all workers is 40.2 minutes. Only 26 percent of the workforce travels less than 15 minutes to work.
Total Employed Population: 50,328

Self-Employed: 3,063
Private Sector: 35,748
Public Sector: 11,517

**Analysis of Employment by Workplace**

Non-farm employment accounts for 99 percent of total wage and salary employment. Job creation in the Antelope Valley remains strong. The region created approximately 3,100 jobs during 2006 implying a 4.4 percent gain in employment.
The largest employment sectors in the Antelope Valley are construction, manufacturing, retail trade, healthcare, hospitality and food services, and local government. Combined, these sectors account for 75 percent of the total employment in the area. All of these sectors added jobs in 2006. The fastest growing sector in the area is construction, which added more than 1,000 jobs this year.
The Antelope Valley has been one of the fastest growing areas in California since 1999. Over that time period, non farm growth has been at or above four percent each year, averaging 5.1 percent per year. During the same time period, statewide non farm growth averaged 1.3 percent per year. The Antelope Valley's
impressive job creation is expected to continue into the near term future, as workers and employers move inland from the high cost coastal areas.

Average Salaries

This year, the average salary for non-farm workers has increased 8.1 percent to $38,939 in the Antelope Valley. In 2005, average non-farm salaries were $36,033.

Average salaries in the Antelope Valley increased in most sectors in 2006. Some of the largest increases in salaries were in construction (17 percent), manufacturing (14 percent), wholesale trade (14 percent), healthcare (10 percent), and real estate and leasing (9 percent).

Average non-farm salaries have increased by 24 percent since 2001. Among the larger sectors, construction has had the greatest increase in average salary since 2001, rising 47 percent. Retail trade salaries have increased by only 17 percent over that time period.
Employment was grouped into three average salary categories:

- low (below $30,000),
- medium ($30,000 to $46,000) and
- high (above $46,000).

Thirty-six percent of workers are counted as working in lower average paying sectors. The majority of them are in the retail ($25,354) and hospitality and food services ($13,562) sectors.  

Fifty-one percent of workers were in medium average paying sectors. A large percentage is employed in the construction ($41,852), healthcare and social assistance ($42,091) and local government ($45,589) sectors.

The remaining 13 percent are in higher average paying sectors. Over 90 percent of the high average salary jobs are in the manufacturing sector, where average salaries are now just above $75,000 per year.

---

4 It is important to note that average salaries are reported in terms of dollars per worker and make no assumptions as to the dispersion of salaries within an industry or to the salary of a full-time worker in the industry.
Average Salary by Sector / Antelope Valley

2006

- Retail Trade
- Administrative Support
- Real Estate & Leasing
- Transportation and Warehousing
- Information
- Finance & Insurance
- Wholesale Trade
- Construction
- Healthcare & Social Assistance
- State Government
- Professional, Scientific
- Local Government
- Federal Government
- Manufacturing
- Utilities

Thousands of dollars

20 30 40 50 60 70 80
Taxable Sales

Data for taxable sales is complete through calendar 2005. Adjusted for inflation, total taxable sales in Lancaster increased 6.0 percent to $1.72 billion in 2005. Real (inflation adjusted) retail sales climbed 8.3 percent to $1.41 billion in 2005. Both real retail and real total taxable sales have reached new highs each year between 2002 and 2005. Sales growth has also been robust since 2003, with real taxable sales increasing by an average of 8.8 percent and real taxable sales increasing by an average of 7.4 percent over that time period.

While total sales are at record levels, much of the increase is due entirely to the population increase. (As more people move to and live in the area, more of their household income is spent locally.)

Real (inflation adjusted) sales per person has been generally increasing since the mid-90s. In 2005, real retail sales per person reached $10,610. However, back in 1990, the sales/person ratio was $12,348. Real retail sales per person fell sharply in the early 1990’s to $8,100 but since then there has been a fairly steady increase.

For the entire Antelope Valley, total taxable sales were $3.34 billion and retail sales were $2.84 billion in 2005.\(^5\) Adjusted for inflation, those are both record

---

\(^5\) The sum of retail and total taxable sales in Lancaster and Palmdale.
levels. The real sales per person ratio for the Antelope Valley is also at a record level. In 2005, real retail sales per person were $8,312. In 1990, the ratio was at $5,809. This implies that a majority of the new Antelope Valley retail developments have been in Palmdale over the last 15 years.
K-12 and College Student Enrollment

K-12 school enrollment statistics are compiled at the district level rather than at the city level. Presented below is enrollment by district and enrollment for the Antelope Valley. College enrollment is shown for the Antelope Valley College.

Public school enrollment continues to climb in the Antelope Valley. Between the 2004-2005 and 05-06 school years, total K-12 public school enrollment increased by 3.0 percent to 81,151 students. While the area is not likely to experience a decline in enrollments like most other Southern California regions, we expect a slowdown in growth rates.

Since the 00-01 school year, enrollment in the elementary districts has increased by 13 percent. Over that same time period, enrollment in the Antelope Valley Union High School District, which has most of the 9th -12th grade students, has increased by 32 percent. This is indicative of demographic trends, particularly, the declining birth rates between 1993 and 1999, which reduced the number of children in the 6 to 13 year old age group.
The largest district within Lancaster is the Lancaster School District. In the 05-06 school year, enrollment was 16,058, a 0.8 percent increase from the year before. Enrollment growth has been below 1.5 percent each of the last three years. The fastest growing elementary district has been Westside Union, which has schools
in both Lancaster and Palmdale. Over the last three years, 55 percent of all new elementary students in the Antelope Valley have enrolled in Westside Union Elementary.

**Enrollment / Lancaster School District**

1989 - 2005

**Enrollment / Westside Union School District**

1989 - 2005
The largest college in the area is Antelope Valley College. The college is located in Lancaster and serves as a community college for the entire Antelope Valley. As of Spring 2006, the total headcount was 11,585 students. 3,390 of the students, or 29 percent, were considered full-time, meaning that they had a unit load of 12 or more units. Although it varies by semester, on average, about 70 percent of the students at the College are high school graduates who are either freshman or sophomores. Presumably, most of these students are from the local surrounding area.

In the last four years, total enrollment at Antelope Valley College has been flat or declining. This is consistent with enrollment trends for the entire South Central Regional Consortium, which is a group of nearby community colleges.

Part-time student enrollment has been affected more than full time enrollment. Full time enrollment is principally comprised of younger students who have recently graduated from high school. Part time enrollment has a higher percentage of students who are farther removed from high school and are actively working, but looking to increase their skill-set.

The weakness in part time enrollment growth is due to the strong job growth environment in the Antelope Valley. Individuals who in weaker job markets are unable to find satisfactory full time employment are more likely to consume education to increase their skills.
Crime

Crime levels in Lancaster are well above the state average. They are also higher than most of the surrounding areas, including Palmdale and Santa Clarita.

Areas in California can be compared to one another on the basis of the California Crime Index (CCI). The CCI is the sum of the following four violent crime categories (willful homicide, forcible rape, robbery, aggravated assault) and two property crime categories (burglary and motor vehicle theft). Counts of reported crimes by category are normalized by expressing them as offenses per 100,000 people. The resultant rates can be compared across areas as a measure of relative crime. In 2003, the California Department of Justice added larceny over $400 to the list of property crimes, which already included burglary and motor vehicle theft. Current year property crime rate comparisons between areas will include larceny over $400, but long term views will focus on the CCI property crimes only (burglary and motor vehicle theft).

In 2005, the California Crime Index in Lancaster increased 4.2 percent to 2,601 reports per 100,000 people. The CCI in Lancaster is 27 percent above Palmdale, 153 percent above Santa Clarita, and 37 percent above the state average.

Lancaster has both higher violent crime levels and higher property crime levels. In 2005, there were 892 violent crime reports per 100,000 residents in Lancaster.
Although this is six percent increase over 2004, it is actually a nine percent decrease from the average of the five previous years. Violent crime is on the decline throughout California. Still, the violent crime rate in Lancaster is 16 percent above Palmdale, 344 percent above Santa Clarita, and 73 percent above the state average. Every component of the violent crime portion of the CCI is well above the state average: willful homicide (77 percent), forcible rape (60 percent), robbery (51 percent) and aggravated assault (86 percent).
After plunging during the 1990s, CCI property crime rates have been on the rise since 1999 in California. Lancaster has followed a similar trend, with the rate increasing 61 percent from 1999 to 2005 to 1,708 CCI property crime reports per 100,000 residents in Lancaster.

The CCI property crime rate in Lancaster is 34 percent above Palmdale, 107 percent above Santa Clarita, and 24 percent above the state average. Including larceny over $400, the total property crime rate in Lancaster is 2,365 reports per 100,000 residents. That rate is 26 percent above Palmdale, 71 percent above Santa Clarita, and 20 percent above the state average.

Every component of the total property crime rate is above the state average, but not as far above as the violent crime measures. Burglary rates are 40 percent above the state average, but motor vehicle theft rates are 9 percent above and larceny over $400 is 12 percent above.
Motor vehicle theft rates declined by 8 percent in 2005, the first decline since 1999. However, theft rates are still 153 percent above the 1999 level. Rising vehicle theft rates are a statewide and western United States trend that is not as
apparent at the national level. According to the National Insurance Crime Bureau, six of the top ten highest motor vehicle theft rates in the nation are in California, though San Diego is the only Southern California city on the list.

What is the significance of the rising vehicle theft rate in Lancaster? To understand the extent of the rate of motor vehicle thefts, an approximate estimate can be made of the likelihood that any registered vehicle in Lancaster was reported as stolen in 2005.

Assume that the vehicle ownership rate in Lancaster was the same as for all of Los Angeles County, that all vehicles stolen in Lancaster belonged to Lancaster residents, and that a vehicle cannot be stolen more than once in a year. Consequently, a vehicle selected at random in Lancaster had a 1.27 percent chance of being stolen in 2005.
2. Housing

Introduction

The housing market, both new residential construction and existing resales, is vitally important to the Lancaster economy. Construction employment accounts for nearly 10 percent of total employment in the Antelope Valley. Ancillary sectors like real estate and leasing (real estate agents, real estate brokers, etc.), and finance and insurance (mortgage brokers, title companies) which benefit from growth in the housing markets account for an additional 6 percent of total employment. All three sectors combined have been directly responsible for 32 percent of the job growth in the past five years in the region.

In addition to the large direct employment effect, residential construction drives population growth. Without home production the population does not increase, unless household density levels rise. This simple phenomenon is becoming acutely obvious in some coastal California counties where new home production has been constrained and population growth has slowed in response.

Companies looking to relocate or expand operations take notice of housing production trends. Without a sufficient supply of homes, affordability grows problematic and worker recruitment becomes increasingly difficult.

The existing resale market, particularly the level of home prices, is also an important factor in accommodating both population growth and job growth. With a relatively low median home price compared to nearby coastal areas, Lancaster can attract young working families.

Housing Production

In recent years, North Los Angeles County has been a region of significant housing production. Lancaster and Palmdale have been principal contributors to the housing boom. Over the last ten years, from 1997 to 2006 there have been 10,924 units permitted in Lancaster, of which 7,026, or 64 percent, have occurred in the last three years. In 2006, Lancaster was on pace to permit nearly 2,040 homes, a 29 percent decline from total permits in 2005, but still well above any year from 1990 to 2003.
Nearly 90 percent of the permits over the last ten years have been for single-family detached homes, with most of the remaining 10 percent in larger 5+ unit buildings.

On a per capita basis, housing production in Lancaster has been well above the rate in Los Angeles County and California for the past four years. In the past three years, there has been an average of 17.5 homes permitted per 1,000 residents of Lancaster. Over the same period, the rate for all of Los Angeles County was 2.6 permits per 1,000 people. For the state it was a bit higher at 5.3 permits per 1,000 people, but that is still 70 percent below Lancaster.
In Lancaster, there are currently 5,931 approved units in the development pipeline. A total of 2,423 of the approved units are in projects that are under construction. The additional 3,508 units are in projects that are approved, but have not yet begun construction. At the 2006 production level, there is an approximately three years worth of approved new home supply. This is without taking into consideration any pending projects, which could be approved and even begin construction within the next three years. It should be noted that Palmdale has over 14,000 approved units. However, nearly 12,000 of these are in large projects, Ritter Ranch and Anaverde, which will be developed over a long period of time.

The largest approved project in Lancaster is Rancho Del Sur. The tentative maps have been approved for Rancho Del Sur (1,925 units), located approximately 4 miles southeast of Fox Field. The land was purchased from the Larwin Company and is now being developed by Standard Pacific and IHP Capital Partners. Standard Pacific is planning on building a majority of the homes in the master-planned development.

The lots are seven miles from existing sewer lines, and new lines should begin to be laid in early 2007, with site construction and model homes opening by mid-2008. Most of the units will be single-family detached homes. However, along with 70 duplexes and depending on market conditions, a small age restricted portion may be developed.
There are 14 other approved residential projects, which have between 100 and 450 units left to build.

Falcon Pointe (432 units) opened for sales in late August 2006. The single family detached project by Frontier Homes is located at 20th St. East and Avenue H-8. It consists of two single family neighborhoods: Falcon Pointe Manor which has floor plans ranging from 1,300 to 1760 square feet, and Falcon Pointe Estates which has floor plans ranging from 2,080 to 2,730 square feet.

Pacific Manor (318 units), located on the corner of West Avenue J-8 and 45th Street West began construction in August 2006. The Pacific Communities project consists of three to five bedroom single-family detached homes. Located on the adjacent corner, Pacific Communities is also developing Pacific Tapestry (218 units), which recently began construction.

KB Home expects to open Aztec Gardens (288 units) for sale in April 2007. The single family detached project is located near Avenue K-8 and 35th Street West.

**Housing Values**

In 2006, the median single-family home price was Lancaster is $369,800. For comparison, it was $389,000 in Palmdale and $648,800 in the Santa Clarita Valley. The median price in Lancaster, and the entire Antelope Valley, is nearly $200,000 below the median price for all of California.

While a buyer who purchased the median home in the year 2000 for $100,000 may now question the affordable nature of the Antelope Valley, the region still has some of the most affordable housing in Southern California.
Home prices continued to rise in Lancaster during 2006. The estimated median home selling value increased 19 percent during the year. The 2006 annual value of $369,800 is approximately double the 2003 annual value.

Like most areas in California, the current median price represents a new record level. Even though appreciation has been above 15 percent for the past six years there the rate of appreciation is now slowing. Year over year price appreciation was above 20 percent from June 2003 to March 2006, but since March it has declined. In September 2006, year over price appreciation was 10.2 percent. At the statewide level, home price appreciation is nearly flat, running well below five percent, and approximately even with inflation.
Home values are not expected to decline much because there is little historical precedence for that. A dramatic correction is therefore not in the forecast for 2007. However, the slowdown in home price appreciation, which was long overdue, will persist into 2007 and beyond.

To date, the real estate bubble has not exploded, though it clearly is deflating. As we continue to monitor the fundamentals that move the market, a bursting bubble (defined in terms of the asset price) is unlikely because the general economy is still growing, labor markets are currently at full employment, incomes are rising, and a recession is not on the horizon.
3. Competitiveness of Lancaster

Introduction: the Competitive Index

This competitive index is a guide to the business competitiveness of 13 Southern California cities. The principal motivation for developing the index is to objectively compare the competitive fitness of Lancaster to nearby or competing business locations in California. For that reason, the cities selected for the comparison are meant to match Lancaster in terms of general population size. In addition, an effort was made to choose at least one city from all of the surrounding areas.

The 12 selected cities, in addition to Lancaster are:
- Bakersfield, Kern County
- Glendale, Los Angeles County
- Irvine, Orange County
- Moreno Valley, Riverside County
- Oxnard, Ventura County
- Palmdale, Los Angeles County
- Rancho Cucamonga, San Bernardino County
- San Bernardino, San Bernardino County
- Santa Clarita, Los Angeles County
- Santa Maria, Santa Barbara County
- Simi Valley, Ventura County
- Visalia, Tulare County

Fourteen indicators were included in the criteria compiled for each city. The criteria include:
1) Annual business taxes
2) Sales tax rate
3) Property tax rate
4) Transient tax rate
5) Residential development/impact fees
6) Commercial/industrial development/impact fees
7) Median home price
8) Average salary
9) Retail sales per person
10) Index of major crime report
11) Non-farm job growth
12) Population growth
13) Percent population age 25+ with a 4 year college degree
14) Percent population age 25-44
The first four characteristics are measures of taxation. The higher the tax rate relative to the mean for all cities, the less competitive the city, holding all other criteria constant.

The next two characteristics measure the cost of new development. Higher impact fees for new development would reduce relative competitiveness of the city.

The next two criteria: home prices and average salaries, represent indicators of the cost of living. Higher relative home prices and average salaries reduce competitiveness for businesses. Higher home prices make recruiting more difficult and higher salaries increase business costs. While higher salaries benefit workers, and would attract more population, they also discourage businesses from relocating in the region unless the skilled labor pool is large. This criteria is also added (as described below).

Retail sales per person captures the rate at which the population generates sales tax revenues to the city. It’s a relative measure of the amount of retail infrastructure the city has relative to its size. Higher ratios of this measure imply the city is more retail competitive than other cities, and the city is able to generate more revenue through sales taxes.

The social indicator is the level of crime. Higher crime rates would discourage competitiveness in the region.

Non-farm job growth and population growth are used as indicators of momentum. Higher rates imply the city is attractive for whatever criteria we have omitted. Momentum is important because it represents an empirical rather than a theoretical indicator of competitiveness.

The last two criteria describe the labor force in terms of its level of education and it’s size, relative to the entire population. A larger relative population in the 25 to 44 year old cohort indicates the availability of more workers for entry level, supervisory, and middle management positions which all existing and relocating companies seek.

The largest single source of data was the Kosmont Cost of Doing Business Survey. Other data sources included Claritas, Inc, the Department of Finance, the Labor Market Information Division, the Construction Industry Research Board, First American Real Estate Solutions, the State Board of Equalization, and the Department of Justice.

**Derivation of the Competitive Index**
The data was collected, checked, and assembled for the 13 cities.

Indices were created for each of the criteria. The characteristic or criterion for each city was compared to the mean value for all 13 cities. The mean therefore establishes the basis for comparison and is assigned an index value of 100.

The criteria for each city are each assigned an index value above or below the mean index of 100, depending on the value of the criteria relative to the mean.

Each of the criteria were summed to form an aggregate index for each city to be used in the comparison

**Scenario 1: The Index weighting all criteria equally**

Initially, the aggregate index was constructed that weighted each of the 14 characteristics or indicators with equal importance. Each of the criteria accounted for 1/14, or 7.143 percent of the aggregate index. This index was computed with a value of 100 being the average for all cities. Higher values indicate higher levels of competitiveness. The rankings are as follows:

**Scenario 1 Competitive Rankings**

<table>
<thead>
<tr>
<th>City</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glendale</td>
<td>111</td>
</tr>
<tr>
<td><strong>Lancaster</strong></td>
<td><strong>111</strong></td>
</tr>
<tr>
<td>Visalia</td>
<td>107</td>
</tr>
<tr>
<td>Rancho Cucamonga</td>
<td>106</td>
</tr>
<tr>
<td>Santa Clarita</td>
<td>105</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>104</td>
</tr>
<tr>
<td>Irvine</td>
<td>105</td>
</tr>
<tr>
<td>Palmdale</td>
<td>103</td>
</tr>
<tr>
<td>Simi Valley</td>
<td>101</td>
</tr>
<tr>
<td>Santa Maria</td>
<td>101</td>
</tr>
<tr>
<td>Moreno Valley</td>
<td>97</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>78</td>
</tr>
<tr>
<td>Oxnard</td>
<td>77</td>
</tr>
</tbody>
</table>

The distribution of the city indices is positively skewed, with only the values for Moreno Valley, San Bernardino and Oxnard falling below the average. However, the last two indices are well below 100. The top city is Glendale with Lancaster in a virtual tie as the most competitive city on the list.
Scenario 2: The Index with unequal weighting of the criteria

An alternative index was devised that weighted the criteria according to the relative importance of the group of criteria measuring competitiveness. Under Scenario 1, each individual tax measure is given the same weight as other broader indicators of competitiveness. Scenario 2 is an attempt to weight competitive indicator groupings more fairly with other groupings.

Admittedly, the weighting scheme chosen is a subjective notion that would change depending upon the analyst’s frame of reference. However, this second scenario is an attempt to “flex” the index and show its sensitivity to alternative weights of the criteria. Other weighting scenarios could easily be hypothesized and tested.

For this scenario, the criteria are now grouped into categories.

Categories and percent importance
1) Taxes – 15 percent
   a. Annual business taxes – 5 percent
   b. Sales tax rate – 2.5 percent
   c. Property tax rate – 5 percent
   d. Transient tax rate – 2.5 percent
2) Development/Impact Fees – 15 percent
   a. Residential fees – 7.5 percent
   b. Commercial/Industrial fees – 7.5 percent
3) Demographics – 20 percent
   a. Percent population age 25-44 – 10 percent
   b. Percent population age 25+ with a 4 year college degree – 10 percent
4) Momentum – 15 percent
   a. Population growth – 7.5 percent
   b. Non-farm job growth – 7.5 percent
5) Direct cost of living/doing business – 20 percent
   a. Median home price – 10 percent
   b. Average salary – 10 percent
6) Social Indicator – 10 percent
   a. Major crime index – 10 percent
7) Fiscal Revenue Generator – 5 percent
   a. Retail sales per person – 5 percent

The rankings are as follows:
Scenario 2  Competitive Rankings

<table>
<thead>
<tr>
<th>City</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glendale</td>
<td>110</td>
</tr>
<tr>
<td>Rancho Cucamonga</td>
<td>108</td>
</tr>
<tr>
<td>Visalia</td>
<td>107</td>
</tr>
<tr>
<td>Lancaster</td>
<td>107</td>
</tr>
<tr>
<td>Irvine</td>
<td>106</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>105</td>
</tr>
<tr>
<td>Simi Valley</td>
<td>104</td>
</tr>
<tr>
<td>Santa Clarita</td>
<td>104</td>
</tr>
<tr>
<td>Palmdale</td>
<td>100</td>
</tr>
<tr>
<td>Santa Maria</td>
<td>97</td>
</tr>
<tr>
<td>Moreno Valley</td>
<td>97</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>80</td>
</tr>
<tr>
<td>Oxnard</td>
<td>78</td>
</tr>
</tbody>
</table>

Once again, the highest ranked city is Glendale, which benefits from having a well-educated workforce, a low rate of crime, moderate business taxes and no development/impact fees.
Lancaster is the fourth most competitive city (separated from third place Visalia by decimal points). Its main strengths are:

- moderate to low business taxes
- inexpensive housing
- moderate to low development/impact fees and
- strong non-farm job growth momentum.

The weaknesses in Lancaster are the

- high rates of crime
- low rate of college degrees and
- the lack of affluence or retail centers in the city.

Lancaster also has the second lowest percentage of the population in the 25 to 44 working age cohorts. However, the range of this percentage among the 13 cities is tight, from 26.0 to 30.1 percent. Lancaster is at 27.5 percent, while Palmdale is the lowest at 26.0 percent.

Lancaster ranks above both Palmdale and Santa Clarita, the two closest cities in geographic terms. Lancaster has lower priced housing. It also has lower development/impact fees. Taxes in all three areas are roughly equivalent and salary levels are comparable.

All three cities have strong non-farm job growth momentum, but Santa Clarita has the highest rate. Santa Clarita also has a substantially more educated population and the lowest crime rate. The crime rate in Lancaster is well above both Palmdale and Santa Clarita. Lancaster has approximately the same retail sales per person as Palmdale, but both are well below the rate of Santa Clarita.

**Summary of Competitive Analysis**

**Strengths:**
- Low development/impact fees
- Strong non-farm job growth momentum
- Relatively inexpensive housing
- Moderate to low taxes

**Weaknesses:**
- High crime rate
- Less educated populace (with respect to a college degree)
- Lower retail sales per person
- Smaller percent of population in the working age cohort of 25 to 44
In The Middle:
- Moderate average salaries (not too high to discourage businesses)
- Average population growth momentum
4. Strengths, Weaknesses, Opportunities, and Threats

The objective of Lancaster is to identify potential areas of growth, while minimizing the environmental and economic threats, so as to protect and improve the quality of life for the residents of Lancaster and the region.¹

We conduct the SWOT analysis by first identifying strengths and weaknesses which have been presented earlier in this report, and evaluating them in the context of the City’s objective noted above.²

What are Lancaster’s strengths that are helpful to the objective?
The city of Lancaster is located in Northern Los Angeles County, which has been one of the fastest growing areas in California during this decade. There is strong momentum in place to continue growing as businesses are moving to the area and people are migrating to the area.

Some of the keys to this growth have been inexpensive housing, an equitable development environment, proximity to the business centers of Los Angeles and availability of land.

Although housing prices have doubled in the last four years, home prices in Lancaster still represent very affordable housing compared to selling values for homes in the 13 surveyed cities in the competitiveness analysis. Only Bakersfield, Visalia and San Bernardino have lower or similar prices for existing housing. Of those three cities, only San Bernardino is as close as Lancaster to the business centers of Los Angeles.

More importantly, Lancaster has a much lower median price than Santa Clarita. This is an advantage for many reasons. Santa Clarita has had and is continuing to experience significant job growth. New workers in Santa Clarita need housing. Many of them would ideally choose to live in Santa Clarita, but high housing costs send them to Lancaster (or Palmdale). This increases the number of well-educated, higher earning individuals living in the Antelope Valley.

Consequently, the area grows more attractive to businesses because many Santa Clarita workers living in Lancaster (or Palmdale) would leave their jobs and the opportunity became available closer to home, that is if an equally well-paying job became available in the Antelope Valley.

¹ We understand this to be the objective of the City of Lancaster, as indicated by the Statement of Work (objective #2)
² We were able to organize this analysis using the generic definition of SWOT given in the ever-pervasive online Wikipedia: http://en.wikipedia.org/wiki/SWOT_Analysis
When this scenario plays out, there are positive effects on retail sales per person, population growth and educational attainment of the population.

Lancaster is more business and development friendly than many of the coastal cities in California. Of the 13 surveyed cities, Lancaster had lower overall taxes and development/impact fees than all but Glendale and Visalia. Having lower fees will continue to entice businesses to the area. This is especially important to businesses that are concerned about the availability of workers in the area and need an inducement to relocate to the region. It will also keep home prices at reasonable levels because higher development fees are passed onto homebuyers in one form or another.

**What are Lancaster’s weaknesses that are harmful to the objective?**

The crime rate in Lancaster is higher than the state and county average and has been increasing in recent years. It is also above the rates in Palmdale and Santa Clarita. Of the 13 cities, only San Bernardino had a significantly higher crime rate. This should be an issue of major concern for Lancaster. Social indicators, as partly measured by crime reports, directly affect local business progress, the desirability of real estate assets and population momentum in the area. If crime levels do not revert towards the mean or escalate further, individuals and businesses will be more hesitant to relocate to the area.

Most businesses need an educated workforce to operate effectively and they choose to locate in areas where there is a plentiful supply of educated workers. 15.6 percent of the Lancaster population age 25+ has obtained at least a four-year college degree. That is actually above some of the cities that have large agricultural operations, like, Visalia and Santa Maria. But, it is well below Simi Valley (25 percent), Santa Clarita (29 percent), Glendale (32 percent) and Irvine (59 percent).

One caveat is that the spread in the percentage of people with at least a high school degree is much smaller. In Lancaster, 78 percent of the population age 25+ has at least a high school degree, equal to Glendale, and only 10 to 20 percent below Santa Clarita and Irvine. Manufacturing, transportation, warehousing and other blue-collar firms will continue to move to the area because they mostly demand workers who have a high school degree. Historically higher paying white collar firms will be more hesitant to move to the area if they feel that the supply of qualified workers is limited.

The primary source of unencumbered sources of revenue for a city’s general fund is usually sales taxes. Compared to the other cities in the index, Lancaster’s retail sales per person of $10,193, is slightly below the average of nearly $11,800. This implies that the sales taxes per person are also below average. There are many factors that determine the amount of retail sales per
person in a given community that are difficult to influence through policy change, including the relative affluence of the residents.

The city of Lancaster can address the issue of “leakage”, whereby residents of Lancaster incur an inordinate amount of retail sales in outside cities, mostly Palmdale and Santa Clarita. Some leakage will always occur. However, an excessive amount of leakage can occur when the shopping demands of a city’s residents are not met by local businesses. This is reasonable in a smaller size city. As the population of the entire Antelope Valley grows, it will be necessary to not only meet the incremental demands of the new residents, but to widen the diversity of shopping offerings to capture a larger share of resident’s spending. There are some large projects already in process, including Front Row Center, Lancaster Spectrum, Lane Ranch, Promenade at Amargosa Creek, 20th and J, and Valley Central Way.

**What are Lancaster’s opportunities that are helpful to the objective?**

Most long range forecasts point to inland California as the region that will lead the state in population growth. Lancaster is in a unique position because it is an inland area (with all of the low cost benefits), but it is also 70 freeway miles from the coast. This combination has been the main driving force behind the strong growth in the Antelope Valley. It will continue to benefit the area as long as the cost differences and transportation times are maintained.

The forecast growth of inland California presents Lancaster with an opportunity to further engage in the expected increase in the logistics sector. Logistics mainly consists of warehousing and transportation. As the level of imports from Asian countries to the United States expands further, Southern California ports will experience increased traffic. The goods in the ports are shipped across the country, but first they are usually taken to distribution centers, which require large spaces of land for the actual center, easy truck/rail transportation within a reasonable distance of the coast and a growing workforce. Lancaster has these attributes. The city has taken advantage of growth in the sector, with large distribution centers for Michael’s, Rite Aid, and Sygma. Lancaster is in a good position to capitalize on further growth in the logistics sector.

**What are Lancaster’s threats that are harmful to the objective?**

Part of the allure of Lancaster is its relatively close distance to the downtown areas of Los Angeles. This is important to residents who may enjoy the cultural, retail or entertainment experiences that a city the size of Lancaster cannot support. Also, living within a reasonable driving distance of major airports, such as LAX and Bob Hope Airport is a benefit, especially for wealthier individuals that tend to travel more.
For businesses, the benefits are even more numerous. In addition to access to cargo airports, there are two of the largest west coast ports (Los Angeles and Long Beach) and the business centers of downtown Los Angeles.

If traffic becomes too congested on Highway 14, then Lancaster will cease to be considered “near” Los Angeles. This is the greatest threat.

From 1992 to 2005, along Highway 14 from Avenue F to Route 5, traffic counts have increased 46 percent; while rush hour traffic counts have increased 38 percent. Truck traffic, which has increased by 42 percent over that time period, only accounts for 4 – 6.5 percent of traffic at any point along Highway 14 in Los Angeles County.
A principal way to reduce commuting is to reduce the incentive to use Highway 14. More local job creation would accomplish the disuse of Highway 14 more than any other action.

Consequently, the city of Lancaster should work on policies that promote local job growth to reduce commuting and other issues associated with being partially a bedroom community.

Like any city, Lancaster must contend with the natural business cycles. Over the last five or so years, there has been a boom in residential construction throughout the state and in Northern Los Angeles County. Recent data suggests that residential construction, as measured by the number of building permits issued, has reached a peak and is starting to decline. Approximately 10 percent of the Antelope Valley employment is in the construction sector, compared to 6 percent for all of California. This means that if there is a large decline (there is not one forecast), it will have a much greater affect on the area than on the rest of the state. This threat can apply to almost any employment sector that the area is “overweight” in.
References

2006 Kosmont Cost of Doing Business Survey
California Association of Realtors
California Economic Forecast
    “2007 Santa Clarita Valley Real Estate and Economic Outlook”
California Community Colleges Chancellor’s Office
California Department of Education
California Department of Finance, Demographic Research Unit
California Department of Justice
California Department of Transportation
California EDD, Labor Market Information Division
Construction Industry Research Board
California State Board of Equalization
Claritas, Inc.
First American Real Estate Solutions
Google Maps
Lancaster Redevelopment Agency
The Siracusa Report