

(Wildland Resource Managers, March 2021) provides the same conclusions that there are no aquatic resources present on the Project site. That study included four test pits. As such, ten total soil test pits were completed (six by De Novo Planning Group in 2022, and four by Wildland Resource Managers in 2021).

Additionally, an inventory of plant species present was made to determine if there was a prevalence of hydrophytes. All plants identified were upland, facultative upland, or facultative plants. These are not classified as hydrophytes according to the National Wetland Plant List. The hydrology of the Project site is such that storm water that falls on the site either seeps into the soil or sheet flows to roadside culverts and subsequent storm drains. Though the mapped soil type can have minor components with a hydric soil rating, there is no evidence of hydric soils based on specific soil testing. Additionally, there are no Obligate Wetland, or Facultative Wetland plants on the Project site.

With respect to bats, see Impact 3.3-3 in Section 3.3. As discussed, there is a possibility that bats can be present in abandoned building as several members of the species are known to use similar structures for roosting. The surveys performed by De Novo Planning Group on March 29th and April 20th were a daytime habitat assessment to determine if the Project site, including the building to be removed and any vegetation present, has a potential to provide bat roosting habitat, and to determine if bats are present. All buildings and trees with a potential to provide significant bat roosting habitat were inspected with binoculars, a spotlight, a "peeper" mirror, and a borescope to look for indications of use such as guano, staining, bat smells or sounds, or visual confirmation of active occupancy. No evidence of bat roosting on the Project site was present.

Regardless of the absence of bats, or evidence of bats, on the Project site during the survey, there remains a possibility that bats could establish a roost in the abandoned building in the future. Mitigation Measure 3.3-2 would require a preconstruction bat survey. The measure also includes measures to follow should special-status bat maternity roosts or a non-maternal roost are located on-site.

With respect to tree removal, as stated in the Draft EIR (including but not limited to Section 3.3, Biological Resources), four ornamental trees are currently located in the northwestern portion of the Project site, and additional ornamental trees are located along the South Street frontage. It is possible that the existing trees could be preserved as part of the proposed landscaping plan; however, it is also possible that tree removal in some capacity would be required. Removal of trees may also be necessary in order to have a viable Project design. The proposed landscaping materials have been selected for the local climate. Proposed landscaping includes trees and vegetation along the property boundaries within the proposed parking lot and bioretention basins located along the northwest and southwest boundaries. Trees would be planted along the north, south, and east boundaries, with a few along the west boundary, as well as one tree within each of the parking lot landscaping islands.

The Project is consistent with the General Plan policies listed in the comment. See Table 3.5-1 in Section 3.5, Land Use, of the Draft EIR.

**Response C-7:** The commenter states that there is much wildlife in the area and they saw a blue heron on the property. The commenter states that, “By putting a concrete parking lot and the GO on that property the seven special-status invertebrates, the five special-status amphibians, one special-status reptile, four special-status mammals, eight special-status birds, as well as the 55 special-status plants that are documented within the six-quadrangle area according to the CNDDDB that could potentially be found on that site might not be seen any more on the Project site.”

The majority of the special-status species documented within the six-quadrangle search area radius (an approximately 10-mile radius) of the Project site do not have the potential to be found on-site. The potential to be found on-site depends a range of factors, including but not limited to the: species range and population, results of the recent and past site surveys, the site conditions (presence of various soil types, presence of trees, presence of host plant species, etc.), and surrounding uses.

As discussed in Impact 3.3-2 in Section 3.3, Biological Resources, of the Draft EIR, according to the CDFW California Wildlife Habitat Relationships System, the habitat for great blue herons is shallow estuaries and fresh and saline emergent wetlands, as well as perches and roosts in secluded tall trees and offshore kelp beds. This species usually nests in colonies in tops of secluded large snags or live trees. Nearly 75 percent of their diet is fish. Although less common, the species can be found in croplands and pastures. Additionally, herons have been observed eating gophers and other rodents on lawns and other open spaces; however, this does not qualify these spaces as an aquatic resource, or specifically blue heron habitat, rather, this is a highly mobile bird that can thrive in upland and wetland in the presence of food resources. As stated on page 3.3-27 of Section 3.3 of the Draft EIR, Mitigation Measure 3.3-1 requires preconstruction surveys for active nests of special-status birds (including great blue heron).

**Response C-8:** The commenter quotes Policy OS-15.2 of the General Plan and states that there is no way possible that the mitigations set in place would protect these plants and animals and therefore has a significant effect on the environment.

A consistency analysis with various General Plan policies is included in Table 3.5-1 in Section 3.5, Land Use, of the Draft EIR. As discussed on page 3.5-20 of Section 3.5 of the Draft EIR, the proposed Project is consistent with Policy OS-15.2 of the General Plan. The southern portion of the site is vacant with a dirt driveway, but does not qualify as one of the types of open space addressed by this policy. It does not qualify as a view corridor or a coastal area, and no watercourses are located on-site. Although limited habitat potential is found in the southern portion of the site, the mitigation measures included in this section would ensure that impacts to special-status bird and bat species would be less than significant.

**Response C-9:** The commenter expresses agreeance with Mary Rose Kaczorowsky's comments made at the October 11, 2022 City Council meeting, and cites the thresholds of significance for energy. The commenter then reproduces Goal 3 of the City's General Plan, and states that this goal cannot be met as the intersection of North Harbor Drive and Highway 1/Noyo Bridge will not be safe, and pedestrians who live in the neighborhood need more sidewalks than proposed to be safe. The commenter concludes by reproducing Goals 5 and 7, and states that the Draft EIR does not explain that Cypress Street and South Street are also the streets used most often by public service vehicles.

The proposed Project would provide traffic improvements within the bounds of the site which the applicant has control over. Currently, the site is accessed on the north end via a paved entrance to South Street. There is an existing dirt driveway that runs across the southern parcel from S. Franklin Street to N. Harbor Drive. The proposed Project includes the construction of a new, 30-foot-wide entrance on N. Harbor Drive and a 35-foot entrance on S. Franklin Street. The existing driveway on the north end of the site would be removed as part of the proposed Project. Additionally, the proposed Project will include an internal system of walkways and crosswalks to provide pedestrian connectivity between the parking lot, building, and sidewalk. The pedestrian improvements would be Americans with Disabilities Act (ADA)-compliant. A sidewalk would be constructed along the South Street, S. Franklin Street, and N. Harbor Drive frontages, as required by City standards and to provide pedestrian access around the Site. Where required, existing sidewalks would be upgraded to meet City standards.

As part of the proposed Project, a parking area with 53 parking spaces would be constructed on the south side of the Grocery Outlet building including two RV spaces on the western side of the lot and one motorcycle parking space. Four electric vehicle parking stalls will be provided with the required wiring for charging facilities to be installed in the future. Additionally, six clean air vehicle priority parking spots will be provided. Further, an internal system of walkways and crosswalks would be provided, as well as two bicycle parking racks.

As discussed in Impact 3.7-1 of Section 3.7, Transportation and Circulation, of the Draft EIR, some Grocery Outlet Store employees or customers will elect to walk to and from the site, as there is residential and commercial development near the site. However, sidewalk exists on the streets adjoining the site, and with frontage improvements installed by Grocery Outlet Store, sidewalks will generally provide a complete path of travel to and from the site. There are two locations where gaps in the pedestrian system may remain, including:

- The south side of South Street from Franklin Street easterly to Myrtle Street (150 feet)
- The north side of North Harbor Drive between Franklin Street and Myrtle Street (100 feet)

The gaps exist at locations where it appears that residences were constructed prior to the City of Fort Bragg requiring frontage improvements. Privately maintained landscaping exists near the road. The availability of right of way to construct improvements is unknown.

With respect to emergency vehicles, based on assumptions made for other traffic studies, the City assumed that 50% of the trips specifically made to visit the Grocery Outlet Store (i.e., primary trips) will have origins / destination south of the Noyo River and use SR 1 and SR 20 to reach the site. The balance will be oriented to the north and to areas of the community east of Franklin Street. Table 3.7-6 in Section 3.7 summarizes the assumed distribution of new trips. Implementation of the proposed Project would not create roadway and transportation facilities that impede access for emergency response vehicles. All existing roadways and intersections, and internal transportation network is designed to maintain levels of accessibility for police and fire response times, which ensures vehicles have the necessary access when responding to an emergency.

**Response C-10:** The commenter provides comments regarding urban decay and blight in the City of Fort Bragg. The commenter states that the proposed Project most likely will provoke a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake. The commenter also cites the number of employees the proposed Project would generate, discusses the types of jobs the proposed Project would provide, and questions where the housing for the employees is. The commenter concludes by reproducing General Plan Policies 4.1 and 4.4 and states the proposed Project is not consistent and will be growth inducing.

As discussed on page 4.0-17 of the Draft EIR, the proposed Project would not induce substantial unplanned population growth in the area, as the proposed Project entails the construction and operation of a comparatively small retail store and only up to a total of 15 to 25 employees are anticipated under operation of the proposed Project. While some employees may relocate to the Fort Bragg area to work at the proposed retail store, most, if not all, of the employees would be anticipated to commute from their current residences within the City of Fort Bragg and surrounding communities. In addition, customers who would shop at the proposed retail store would largely be those who reside in Fort Bragg and surrounding communities. The proposed Project would be constructed over an approximately 6-month period until the entire Project is completed. Because construction of the proposed Project would be temporary in nature, it is anticipated that most, if not all, of the construction workers, would be local, although some workers may temporarily relocate to the area for the duration of the construction period. Although there may be a minimal increase in employees and population in the area as a result of the proposed Project, changes would be limited, and no significant infrastructure improvements would be required to serve the proposed Project.

The Project site has been identified in the City of Fort Bragg' General Plan for future Highway Visitor Commercial uses. Infrastructure needed to support development of the Project area, and the subsequent employment increases, have already been planned and

evaluated. Additionally, all lands within the General Plan jurisdiction have been planned to accommodate growth within the City have been evaluated in the General Plan FEIR. While the proposed Project will result in employment growth, it is not anticipated to significantly induce growth beyond the levels analyzed in the City's General Plan.

With respect to urban decay, see Section 3.5, Land Use, of the Draft EIR which provides an analysis of the potential for the proposed Project to result in urban decay. As discussed, under CEQA, an EIR should only consider direct and indirect physical effects of projects. Section 15064(d) of the CEQA Guidelines states that, "In evaluating the significance of the environmental effect of a project, the Lead Agency shall consider direct physical changes in the environment which is caused by and immediately related to the project." Section 15064(d)(3) further states that, "An indirect physical impact is to be considered only if that change is a reasonably foreseeable impact which may be caused by the project. A change which is speculative or unlikely to occur is not reasonably foreseeable." In addition, CEQA requires that a determination that a project may have a significant environmental effect must be based on substantial evidence (CEQA Guidelines §15064(f)).

On the secondary socioeconomic effects of projects, Section 15131(a) of the CEQA Guidelines indicates that, "Economic and social effects of a project shall not be treated as significant effects on the environment. An EIR may trace a chain of cause and effect from a proposed decision on a project through anticipated economic or social changes resulting from the project to physical changes caused in turn by the economic or social changes. The intermediate economic or social changes need not be analyzed in any detail greater than necessary to trace the chain of cause and effect. The focus of the analysis shall be on the physical changes." In other words, economic and social changes are not, in themselves, considered under CEQA to be significant effects on the environment.

Since only physical effects are to be considered under CEQA, economic and social changes resulting from a project may be considered if they in turn produce changes in the physical environment. To fully satisfy the requirements of an EIR, an economic analysis must start with the economic impacts. The analysis would then follow the causal chain to assess the likelihood of new retail space causing long-term vacancies in existing retail space and ultimately leading to urban decay and physical deterioration of existing retail centers and nodes.

In recent years, the California Courts have identified the term "urban decay" as the physical manifestation of a project's potential socioeconomic impacts and have specifically identified the need to address the potential for urban decay in environmental documents for large retail projects, or mixed-use projects with a notable retail component. The leading case is *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, in which the court set aside two environmental impact reports for two proposed Wal-Mart projects that would have been located less than five miles from each other. This was the first court decision to use the term "urban decay," as opposed to the term "blight." The court quoted "experts [who] are now warning about

land use decisions that cause a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.” (Id. at p. 1204.) The court also discussed prior case law that addressed the potential for large retail projects to cause “physical deterioration of [a] downtown area” or “a general deterioration of [a] downtown area.” (Id. at pp. 1206, 1207). The Bakersfield court also described the circumstances in which the duty to address urban decay issues arise.

Accordingly, there are two pertinent questions to be asked with regard to the effects of the proposed Project in terms of this economic impact and urban decay analysis: 1) would the proposed new retail uses result in sales losses that are sufficiently large at existing retail establishments to force some to close; and 2) would the affected closed stores stay idle long enough to create physical changes that could be defined as urban decay?

While the measurement of urban decay is not strictly defined under CEQA, this analysis assumes that the term describes significant deterioration of existing structures and/or their surroundings. This is based upon the premise that such deterioration occurs when property owners reduce property maintenance activities below that required to keep such properties in good condition. It assumes that property owners make rational economic decisions about maintaining their property and are likely to make reductions in maintenance activities only under conditions where they see little likelihood of future positive returns from such expenditures. Where vacancy rates are low or growth rates are high, property owners are likely to see the prospect of keeping properties leased-up at favorable rents. Where vacancy rates are high and persistent, and growth rates are low, property owners are more likely to have a pessimistic view of the future and be prone to reducing property maintenance as a way to reduce costs.

However, whether or not conditions in between those discussed above (i.e., moderate vacancy levels that persist for a few years) are likely to lead to “urban decay” depends on many factors including the growth prospects of the market area, the future state of the national and local economy, financial strength of existing tenants and landlords, and the profitability and viability of existing commercial centers.

Impact 3.5-2 in Section 3.5, Land Use, of the Draft EIR was revised to incorporate the analysis and findings of the Urban Decay Study (ALH Urban & Regional Economics, 2023) completed for the proposed Project. See Appendix J of the Draft EIR for the complete Study, and Chapter 3.0, Revisions, of this Final EIR for the additional urban decay discussion.

As discussed in Impact 3.5-2, as of 2021, the area is characterized by retail sales leakage in all major retail categories except food and beverage stores, building materials and garden equipment, and gasoline stations. The attraction in food and beverage stores comprise 60% of all food and beverage sales, where the retail leakage in all other categories range from -12% to -78% of sales. The high leakage amounts generally indicate that the primary market area is under-retailed relative to the demand generated by its population base.

There are a select number of stores in Fort Bragg, nearby Mendocino, and the general primary market area environs that might be competitive to varying degrees with the proposed Grocery Outlet because of the availability of overlapping sales merchandise. These stores are a subset of the following categories of stores: Grocery Stores; Natural Food Stores; Other Stores with Substantial Food and Beverage Sales; Convenience Stores; and Gas Station Convenience Stores. There are nine grocery facilities distributed throughout different residential neighborhoods and commercial establishments in the community, including: Safeway (660 South Main Street), Harvest Market (171 Boatyard Drive), Purity Supermarket (242 North Franklin Street), Nello's Market and Deli (860 North Main Street), La Mexicana Market (116 S. Main Street), Down Home Foods (115 S. Franklin Street), Colombi Market and Deli (647 E Oak Street), B&C Grocery (401 E. Oak Street) and El Yuca (242 North Mcpherson Street).

Of all these stores, the existing stores that are anticipated to have more food and related sales overlap with Grocery Outlet relative to other area stores include the full-service grocery stores, of which there are four (including one in Mendocino), and the general merchandise store Dollar Tree. The Natural Food Stores, Convenience Stores, Other Stores with Substantial Food and Beverage Sales (excluding Dollar Tree), and Gas Station Convenience Stores are not anticipated to experience much, if any competitive overlap.

Based on the estimated Grocery Outlet store sales by type of retail, and the volume of sales estimated to be supported by primary market area residents, the proposed Fort Bragg Grocery Outlet store will need to capture only 2.1% of primary market area food and beverage sales to achieve stabilized sales consistent with national Grocery Outlet store performance standards. This is a very small capture rate. The capture rate is higher for non-perishable primary market area sales; however, these sales categories are estimated to have existing retail leakage in the primary market area. Thus, no sales impact is anticipated among stores selling non-perishable goods comparable to Grocery Outlet, as the recapture of these sales will reduce the existing leakage, making the primary market area's retail base stronger.

These findings suggest that the existing primary market area food and other stores selling goods in common with Grocery Outlet are unlikely to experience strong individual store sales impacts resulting from the operations of the proposed Grocery Outlet Store. If sales are diverted from any existing stores resulting from Grocery Outlet's operation, they will be dispersed among many of the stores, such that no one store is likely to experience sales loss sufficient to significantly impact store sales. The full-service orientation and unique offerings at the existing grocery stores will help insulate them from the nominal amount of competitive food item sales anticipated at Grocery Outlet. Moreover, these stores have established customer bases. Accordingly, they will have the ability to modify their product mix to maximize sales in products not available at Grocery Outlet General yet targeted to meet the needs of its loyal customers.

Grocery Outlet does not exactly duplicate the market niche or product focus of any of the primary market area stores, although it is closest to Dollar Tree in its discount orientation,

as well as nonperishable product offerings. However, given Grocery Outlet's relatively low levels of projected sales, Dollar Tree's pronounced general merchandise orientation, and distance from the proposed Grocery Outlet site, there is unlikely to be even a noticeable impact on Dollar Tree following the Grocery Outlet's opening.

There are a range of commercial retail building or retail space vacancies scattered throughout the primary market area. Most of the vacancies are in Fort Bragg, and especially Downtown Fort Bragg or at The Boatyard Shopping Center. The vacancies are primarily located in small, older buildings, with many vacant for extended periods of time, such as two or more years. Many of the identified vacancies have been vacant since prior to the COVID-19 pandemic, or even earlier. However, many of the vacancies are not being actively marketed. This is evidenced by the lack of signage on the properties with commercial broker names, phone numbers, or even owner contact information. The physical condition of the vacancies varies, with some in well-kept condition and others appearing more rundown, or in less manicured condition, such as peeling paint in need of refreshing. None of the vacancies, however, exhibit classic signs of urban decay, such as graffiti, boarded up doors or windows, broken windows, or excessive trash. Moreover, despite the presence of some long-term commercial vacancies, there are indications of recent retail leasing activity in Fort Bragg.

Further, fieldwork conducted in March through May 2022 indicated there were no significant signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes and corridors in Fort Bragg, with only a few isolated instances of small amounts of fast food-related trash near some commercial properties. It is noted that the City has reported some issues with transient populations at the on-site vacant building in the past. The City of Fort Bragg Code Enforcement Department receives a limited number of complaints pertaining to commercial properties, and most of these complaints do not pertain to issues associated with urban decay.

The study analysis completed as part of the Urban Decay Study does not suggest any retailers would be at risk of losing retail sales sufficient to result in store closure leading to increased commercial vacancy as a result of Grocery Outlet's development, and thus there would likely be no risk for their properties to erode into conditions leading to urban decay. Yet, if such an event were to occur, there is no indication from the market that urban decay would result from such a store closure. Even properties that have been closed for longer periods of time, up to four years or more, continue to be maintained in reasonable condition and, most importantly, are not indicative of urban decay. Thus, real estate market conditions in Fort Bragg do not appear to be conducive to urban decay.

Therefore, pursuant to the existing market conditions, projected retail supply and demand conditions, and Grocery Outlet project orientation, the Urban Decay Study concludes that there is no reason to consider that development of the proposed Grocery Outlet store would cause or contribute to urban decay.

Overall, impacts related to urban decay were determined to be less than significant.



**Response C-11:** The commenter cites Policy LU-10.4 of the City's General Plan and states that the proposed Project is not consistent with the Policy. The commenter also states that the lack of adequate services to serve the proposed development shall be grounds for denial of the development. The commenter then copies the comments made in Comment C-2.

See Response C-2. The proposed Project is consistent with General Plan Policy LU-10.4. See Table 3.5-1 in Section 3.5, Land Use, of the Draft EIR. As discussed, the development will be served with adequate water and wastewater treatment. All impacts related to utilities and services systems, including water and wastewater treatment, would be less than significant.

As discussed, the average Grocery Outlet Store uses 300 to 450 gallons of water per day (109,500 to 164,250 gallons per year) in both domestic water for the store and irrigation water for the landscaping. The Grocery Outlet store average use is considerably lower than was estimated using the average commercial space rate. Additionally, drought tolerant landscaping will be required. The usage for the proposed Project is expected to be less than 25 percent of the average water usage of other grocers in the City. In part, this is due to the operations of the market which does not include a deli, meat counter, bakery, or food preparation. Everything arrives packaged and in addition to the landscaping, water is used mainly for sanitation, restrooms, and other minor uses. To provide further context, for the FY 19-20 the City produced 272,833,000 gallons of water and sold 200,164,052 gallons. In that year, grocery stores made up less than 2 percent of the City's water sales. The increase in water sales in the city would be approximately 0.055 percent and a 0.04 percent increase in the usage of treated water.

Further, because this is a commercial building, the applicant will be required to show that the facility has adequate pressure to accommodate fire suppression. However, this is not a CEQA impact because the proposed Project will not impact the water pressure of the existing distribution system. The fire hydrants in this location have sufficient pressure and flows as documented in the 2013 study and re-verified in 2015, the last time the City conducted a complete pressure system test. Nothing has changed in system pressure since that time and there is no reason to believe that this business will create a significant change; however, pursuant of the California Building Codes, the water pressure will be tested to document pressures mentioned above.

With respect to the bioretention facilities, see Response C-2. Bioretention facilities are planned as part of the proposed Project. As discussed, bioretention facilities would be sized to capture and treat runoff from the proposed impervious surfaces produced by the 24-hour, 85th percentile rain event. The proposed storm water management plan is shown in Figure 2.0-9. As shown in the figures, two retention areas would be located along the western site boundary.

It is also noted that three Special Conditions (reproduced below) were developed for the proposed Project during the City staff's previous review and consideration of the proposed Project. These special conditions remain applicable and will be imposed on the

proposed Project to ensure compliance with the stormwater and water quality requirements described above, and ensure compliance with the stormwater management requirements of the City's Coastal General Plan. It is noted that the proposed Project does not include permeable pavement materials.

1) Bioretention features shall be sized and designed to retain and infiltrate runoff produced by all storms up to and including the 85th percentile (0.83" in 24-hours). A Maintenance and Operations agreement for ongoing maintenance of the bioretention features installed with this Project shall be submitted to the City for review and approval and shall be recorded with the County Recorder's office to ensure that the bioretention features are maintained and remain effective. Recordation of the Maintenance Agreement shall be completed prior to Certificate of Occupancy.

2) Prior to issuance of the Building Permit the applicant shall submit a Water Quality Management Plan and/or a Storm Water Pollution Prevention Plan (SWPPP) for review and approval by the City Engineer.

3) All work shall be done in compliance with all conditions required by the City of Fort Bragg Grading Ordinance; Land Use Code Chapter 17.60-17.64 – Grading and Stormwater Runoff Requirements and Procedures. If construction is to be conducted between October and April (the rainy season) approval from the Public Works Department and additional construction BMP's will be required.

Additionally, about half of the Project site is currently impervious from the existing paved surface and building. The other half of the Project site is currently pervious and would need storm drainage control. The following mitigation measure requires the Project applicant to install storm drainage infrastructure that meets standards and specifications of the City of Fort Bragg. Prior to the issuance of a building or grading permit, the Project applicant would be required to submit a drainage plan to the City of Fort Bragg for review and approval. The plan would be an engineered storm drainage plan that calculates the runoff volume and describes the volume reduction measures, if needed, and treatment controls used to reach attainment consistent with the Fort Bragg Storm Drain Master Plan and City of Fort Bragg Design Specifications and Standards

**Response C-12:** The commenter questions how could utilities and service systems be mitigated and states concerns regarding the amount of waste that would be created by operation of the proposed Project. The commenter questions the capacity of the Ukiah Landfill and the requirements for diversion of waste from construction and demolition. The commenter further asks for proof of mold in the existing building and asks how much asbestos there is in the building. The commenter concludes by stating the following: "This project will also create a bigger need for emergency medical response and police protection do to the fact that alcohol and tobacco will be sold. Many homeless people will be frequenting the GO on their way to the beach/ocean. This is not consistent."

See Response C-2. The waste from the proposed Project would not be taken to the Ukiah Landfill. The California Green Building Code requires that 65% of construction and demolition (C&D) debris be diverted from landfills on each covered Project. Before a building permit can be issued, a Waste Management Plan must be approved that identifies both (1) a waste hauler and (2) a C&D sorting facility. Before a project can be finalized, a Waste Log documenting the 65% diversion requirement must be approved. Waste Logs should be submitted prior to calling for a final inspection.

The Mendocino County Air Quality Management District regulates asbestos under two different programs. The Federal Clean Air Act National Emissions Standards for Hazardous Air Pollutants (NESHAP) contains requirements for Renovation and Demolition of existing structures (including notification forms). The California Air Resources Board Air Toxic Control Measures for Naturally Occurring Asbestos regulations tend to effect new construction and grading activities. Further, during any disturbance of ACM on the Project site, the CAL OSHA worker health and safety regulations would apply. These regulations would apply regardless of friability or quantity disturbed. If there is greater than 100 square feet of ACM which will be affected by the demolition, a California Licensed Contractor who is registered with CAL OSHA for asbestos would be hired. The regulations regarding asbestos are found in Title 8 CCR Section 1529, and also include formal notification requirements to CAL OSHA at least 24 hours prior to removal. Removal would be conducted with the material(s) kept in a wetted state in order to contain dust and hazardous emissions.

Air toxics regulations under the Clean Air Act specify work practices for asbestos to be followed during demolitions and renovations of all facilities, including, but not limited to, structures, installations, and buildings (excluding residential buildings that have four or fewer dwelling units). The regulations require a thorough inspection where the demolition or renovation operation will occur. The regulations require the owner or the operator of the renovation or demolition operation to notify the District before any demolition, or before any renovations of buildings.

The rule requires work practice standards that control asbestos emissions. Work practices often involve removing all asbestos-containing materials, adequately wetting all regulated asbestos-containing materials, sealing the material in leak tight containers and disposing of the asbestos-containing waste material as expediently as practicable, as the regulation explains in greater detail. These work practice standards are designed to minimize the release of asbestos fibers during building demolition or renovation, waste packaging, transportation and disposal.

With respect to the commenter's claim that the Project "will also create a bigger need for emergency medical response and police protection do to the fact that alcohol and tobacco will be sold," and that "many homeless people will be frequenting the GO on their way to the beach/ocean," while the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the Draft EIR. It is noted that the

proposed Grocery Outlet store will not sell tobacco. As discussed in Section XV, Public Services, of the Initial Study, impacts related public services, including police and fire services and facilities, would be less than significant.

**Response C-13:** The commenter states that the proposed Project is inconsistent with General Plan Policy OS-5.3 because the fences, parking lot, streets, traffic from cars & trucks would not be attractive for wildlife, and basically no corridors would be available to them.

A consistency analysis with the applicable General Plan Policies is included in Table 3.5-1 in Section 3.5, Land Use, of the Draft EIR. As discussed, the site is located in a developed, urban area, and the property is not part of any corridor through which wildlife could move. The Project site is located immediately adjacent to commercial developments to the north, south, and west, and approximately 500 feet north of the Noyo River. Current businesses adjacent to the western site boundary include Super 8, Mountain Mike's Pizza, and a Chevron station. The Seabird Lodge is across South Street to the north of the Project site, and the Harbor Lite Lodge is located across North Harbor Drive to the south of the Project site. To the east of the site across S. Franklin Street are five single-family residences, one multi-family residential building, and two vacant lots.

The Project would not be anticipated to substantially interfere with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors or impede the use of native wildlife nursery sites. The Project site does not contain any streams, creeks, or wetland areas, and is located within an urban built-up environment with no existing wildlife corridors.

There are no existing wildlife nursery sites within or near the site that could be impacted by the proposed Project. The CNDDDB record search did not reveal any documented wildlife corridors or wildlife nursery sites on or adjacent to the Project site.

**Response C-14:** The commenter states that the proposed Project is inconsistent with the Goal for Runoff Reduction (206) because the commenter states that the property is located next to a special review and runoff sensitive area and the proposed Project does not consider that, with drought, we can also have atmospheric rivers.

The Goal in questions states the following: "In Developments of Special Water Quality Concern, the post development peak stormwater runoff discharge rate shall not exceed the estimated predevelopment rate for developments where an increased discharge rate will result in increased potential for downstream erosion or other adverse habitat impacts." The proposed Project is consistent with this Goal. A consistency analysis with the applicable General Plan Policies is included in Table 3.5-1 in Section 3.5, Land Use, of the Draft EIR. As discussed, the Plan Set Site Plans shows that the proposed Project would create more than 10,000 square feet of new impervious surfaces (buildings, sidewalks and Asphalt Concrete Parking). For that reason, the proposed Project is categorized as a Project of Special Water Quality Concern by the CLUDC. The preliminary Grading and

Drainage plan and Stormwater Low Impact Development (LID) Area plan (Attachment 2) included in the packet has been reviewed by the City's Public Works Department.

As discussed in Response C-11, three Special Conditions (reproduced below) were developed for the proposed Project during the City staff's previous review and consideration of the proposed Project. These special conditions remain applicable and will be imposed on the proposed Project to ensure compliance with the stormwater and water quality requirements described above, and ensure compliance with the stormwater management requirements of the City's Coastal General Plan. It is noted that the proposed Project does not include permeable pavement materials.

1) Bioretention features shall be sized and designed to retain and infiltrate runoff produced by all storms up to and including the 85th percentile (0.83" in 24-hours). A Maintenance and Operations agreement for ongoing maintenance of the bioretention features installed with this Project shall be submitted to the City for review and approval and shall be recorded with the County Recorder's office to ensure that the bioretention features are maintained and remain effective. Recordation of the Maintenance Agreement shall be completed prior to Certificate of Occupancy.

2) Prior to issuance of the Building Permit the applicant shall submit a Water Quality Management Plan and/or a Storm Water Pollution Prevention Plan (SWPPP) for review and approval by the City Engineer.

3) All work shall be done in compliance with all conditions required by the City of Fort Bragg Grading Ordinance; Land Use Code Chapter 17.60-17.64 – Grading and Stormwater Runoff Requirements and Procedures. If construction is to be conducted between October and April (the rainy season) approval from the Public Works Department and additional construction BMP's will be required.

Additionally, about half of the Project site is currently impervious from the existing paved surface and building. The other half of the Project site is currently pervious and would need storm drainage control. The following mitigation measure requires the Project applicant to install storm drainage infrastructure that meets standards and specifications of the City of Fort Bragg. Prior to the issuance of a building or grading permit, the Project applicant would be required to submit a drainage plan to the City of Fort Bragg for review and approval. The plan would be an engineered storm drainage plan that calculates the runoff volume and describes the volume reduction measures, if needed, and treatment controls used to reach attainment consistent with the Fort Bragg Storm Drain Master Plan and City of Fort Bragg Design Specifications and Standards

**Response C-15:** The commenter recites City General Plan Policies C-2.6, CD-2.2, CD-2.5, CD-5.1, and SF-6.1. With respect to Policy C-2.6, the commenter states that many of the projects are known by the community as well as future foreseeable projects, but are not addressed in

this Draft EIR. With respect to Policy CD-2.2, the commenter states that there is nothing harmonious about this cookie cutter ugly development. With respect to Policy CD-2.5, the commenter states that, as both signs would be visible, it would have a negative effect as far as scenic view is concerned, and also compared with the beauty of this area, a big attraction to many eco-tourists it would impact the scenic view. With respect to Policy CD-5.1, the commenter states that the current design does not hide the parking lot. With respect to Policy SF-6.1, the commenter states that “Police services are hard to come by in this town with many homeless, drug addicted people who often suffer from mental health issues and offering ‘cheap food’, alcohol and tobacco only exasperate the situation. Countywide we are lacking enough police services.” Additionally, the commenter states that noise is a concern from cars and trucks

Further, the commenter references traffic-related comments received by Mary Rose Kaczorowsky and Mikael Blaisdell at the City Council meeting on October 11, 2022. The commenter states that the total number of parking spaces listed in the NOP submitted to the State Clearinghouse lists a 47-space parking lot, and the proposed Project does not include places for shopping carts. Lastly, the commenter states that “the fact that there are two entries to the store and the traffic would endanger people walking to and from the store has not been solved even though the Planning Commission insisted on that.”

The Project is consistent with the listed General Plan Policies. A consistency analysis with the applicable General Plan Policies is included in Table 3.5-1 in Section 3.5, Land Use, of the Draft EIR. With respect to Policy C-2.6, a Traffic Impact Analysis was completed for the proposed Project. The traffic study identified known and foreseeable projects and their effects on the street system. See page 3.7-16 of Section 3.7, Transportation and Circulation, of the Draft EIR.

With respect to Policy CD-2.2, as discussed in Table 3.5-1, the proposed Project is not a large commercial development along the lines of a big box retail store. Rather, the proposed Project’s grocery store will only be 16,157 square feet in size. Even if the proposed Project were subject to this policy, however, it would comply. Commercial uses are located to the west of the site. To the east of the site across S. Franklin Street are five single-family residences, one multi-family residential building, and two vacant lots. The northern portion of the Project site contains existing development and the southern portion of the site is vacant with a dirt driveway. As noted above in the discussion for Policy LU-4.4, upon development of the proposed Project, the site would contain a grocery store with parking areas. The retail grocery store would be a maximum of 28 feet tall at the top of the proposed canopy and a maximum of 23 feet tall at the top of the proposed parapet. The proposed building includes differentiated treatments along the base, mid-section, and top along the three facades facing public streets, windows would remain clear glass for lighting a view out, and the roofline on the corner cut-off entrance is also unique to the other rooflines for additional visual interest. The building will be composed of elements and details representative of Fort Bragg’s architectural heritage, as the Applicant’s chosen design elements were influenced by Fort Bragg’s downtown

architecture. The window and door treatments give homage to the smaller shops along the main downtown street's detailing as well as the Hardie Board (wood composite) wood paneling, masonry, and providing a variety of the materials on the elevations to add visual interest. Rooflines of the building would align with buildings on adjacent properties to avoid clashes in building height. The proposed architecture would blend with the existing surrounding development.

With respect to Policy CD-2.5, as discussed in Table 3.5-1, in the opinion of City staff, the Project site does not currently provide any "scenic views" or "scenic resources" within the meaning of Policy CD 2.5, as the site is on the landward side of Highway 1, and there is intervening commercial development between the site and Highway 1. The proposed Project is replacing an existing structure with one of approximately the same size. Current views from the middle and southern portions of the Project site are limited by the adjacent two-story motel adjacent west of the site, which is the direction in which the Pacific Ocean and landscapes immediately adjacent to the coast are located. Although the proposed structure will block an existing view of the ocean from the far northern portion of the Project site, that view is not easily discernable by pedestrians and is interrupted by two large trees and a Chevron Station and an intervening vacant legal lot between the Project site and that Chevron Station. This vacant lot could be developed under existing conditions, and a new structure could completely block the existing interrupted view of the Chevron Station and ocean. The current building is located in the central and northern portions of the site. The proposed building would be located approximately where the existing building is located. The southern portion of the site would contain the parking area and landscaping. As such, any views afforded in the southern portion of the site would generally be maintained.

With respect to Policy CD-5.1, as discussed in Table 3.5-1, the proposed building would be located approximately where the existing building is located. The southern portion of the site would contain the parking area and will be screened by landscaping. The proposed building would be contiguous with S Franklin Street, and walkways from the sidewalk to the proposed building would be provided.

With respect to Policy SF-6.1, the proposed Project was reviewed for its demand on police services. As discussed in Section XV, Public Services, of the Initial Study, impacts related to police protection would be less than significant.

See responses to the City Council hearing comments in Letter AA, the responses to Mary Rose Kaczorowsky in Letter S, and the responses to Mikael Blaisdell in Letter T.

With respect to parking, the parking space count in the Draft EIR is correct. Minor revisions to the site plan were made after the NOP was issued. A cart corral would be provided in the southeastern corner of the site.

While some of the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the adequacy of the Draft EIR.

**Response C-16:** The commenter provides non-CEQA related opinions and statements. The commenter states that the Draft EIR uses mostly old studies and does not address the Mandatory Findings of Significance, Hazards and Hazardous Materials, or Hydrology and Water Quality.

As part of the Draft EIR, additional biological field surveys were completed by De Novo Planning Group Principal Biologist Steve McMurtry on March 29, 2022 and April 20, 2022. Additionally, visual simulations were completed for the Draft EIR. Further, additional air quality, greenhouse gas emission, and energy modeling and calculations were completed for the Draft EIR. Lastly, an addendum to the traffic impact analysis, a VMT analysis, and a noise report were completed for the Draft EIR.

Mandatory Findings of Significance are discussed in the Draft EIR and Initial Study, while impacts related to Hazards and Hazardous Materials and Hydrology and Water Quality were discussed in the Initial Study. As discussed in the Initial Study, all impacts related to Hazards and Hazardous Materials and Hydrology and Water Quality were determined to be less than significant.

As discussed in the Initial Study, certain mandatory findings of significance must be made to comply with CEQA Guidelines §15065. The EIR text examined each of the environmental topics identified in this Initial Study as potentially significant to determine if there would be an impact related to these mandatory findings. Many of the issues raised by the mandatory findings of significance were addressed along the way. Thus, for example, the analysis of biological resources in the EIR text addressed whether the proposed Project would substantially reduce the habitat of a fish or wildlife species; cause a fish or wildlife population to drop below self-sustaining levels; threaten to eliminate a plant or animal community; or substantially reduce the number or restrict the range of a rare or endangered plant or animal. For all other topics similarly addressed in detail in the text of the EIR, the City addressed whether the proposed Project will have impacts that are individually limited but cumulatively considerable impacts. The cumulative impact analysis is included in Chapter 4.0 of the Draft EIR. The analysis of air quality in the EIR text addresses whether air pollution associated with the proposed Project will cause substantial adverse effects on human beings.

All other topics addressed in the Initial Study were deemed to be less than significant, or no impact, and do not warrant further environmental review. As to these other topics, the Initial Study found that the proposed Project does not have the potential to substantially degrade the quality of the environment. As discussed in Sections V, Cultural Resources, and XVIII, Tribal Cultural Resources, of the Initial Study, the proposed Project would not eliminate important examples of the major periods of California history or prehistory. The Cultural Survey (Genesis Society, 2019) found that no historical resources



or historic properties have been documented within the Project area. While the proposed Project includes the demolition of an existing building, the existing building is a contemporary (post-1996) commercial building. Additionally, the proposed Project is not anticipated to cause a substantial adverse change in the significance of an archaeological resource or disturb any human remains. Based on the records search conducted at the Northwest Information Center (NWIC), the consultation undertaken with the Native American Heritage Commission (NAHC), and the Tribal consultation effort completed by Genesis Society (2019), no unique archaeological resources or prehistoric cultural material was identified in the Project area. The Cultural Survey recommends archaeological clearance for the proposed Project, with the inclusion of general provisions that recommend consultation and protocol in the event of inadvertent discovery. A standard condition of approval to that effect will apply to the proposed Project if it is approved. The proposed Project is found consistent with policies of the City of Fort Bragg for protection of cultural resources, including human remains.

The analyses in Sections IX, Hazards and Hazardous Materials, and X, Hydrology and Water Quality, of the Initial Study determined that substantial adverse effects on human beings will not result from the use of, or exposure to, hazardous materials or from the proposed Project's effects on water quality. Those topics therefore were not addressed in the text of the EIR.

While some of the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the adequacy of the Draft EIR.

-----Original Message-----

From: Annemarie <aweibel@mch.org>  
Sent: Monday, October 31, 2022 4:56 PM  
To: Gurewitz, Heather <hgurewitz@fortbragg.com>  
Cc: cdd <cdd@fortbragg.com>; Peters, Sarah <speters@fortbragg.com>; McCormick, Sarah <smccormick@fortbragg.com>; Ducey, Peggy <PDucey@fortbragg.com>  
Subject: Re: DEIR comments about Grocery Outlet

Hi Heather,

Please find attached comments regarding the DEIR for the Grocery Outlet. I would appreciate an acknowledgement that these comments were received timely.

Thank you,  
Annemarie Weibel

----- Forwarded Message -----

From: Deirdre Lamb <mendocino111@yahoo.com>  
To: cdd@fortbragg.com <cdd@fortbragg.com>  
Sent: Wednesday, June 9, 2021 at 11:01:00 AM PDT  
Subject: Grocery Outlet comment

June 9, 2021

To Whom It May Concern:

I am thinking a Grocery Outlet is appropriate for Fort Bragg City, however, I am not convinced the proposed spot is the best location. This will increase traffic immensely in the area, Noyo Harbor road is a small road on lane each way road that reaches Noyo Harbor, which is a busy port and getting busier with new restaurants and housing being recently added. It is only going to get busier. To compound matters, Noyo Harbor Drive going west is a right turn only, the chances are there will be additional traffic zooming through the gas station to take a left in a location of the Noyo Bridge coming into town. There is a reason it is right turn only, it is a potentially dangerous and high traffic spot since this is where Highway 1 turns into Main street in Fort Bragg.

Going the other direction, South Street is the road to the Fort Bragg Clinic and Coast District Hospital, as well as many dental and doctor offices. Then there are a number of residential apartment complexes for seniors and low income housing that already bring in a high volume of traffic.

While I commend the Grocery Outlet for choosing a dilapidated building which is an eye sore, the larger and long term picture is that when a store that is sure to be popular, Grocery Outlet, is added to a compressed high traffic area, the long term effects outweigh the immediate needs for a busy store to be approved in this location.

For this reason, I oppose the Grocery Outlet to be located on South Franklin street just north of Noyo Harbor Drive.

Thanks,  
Deirdre Lamb

Deirdre Lamb, Broker  
Mendocino Realty Company  
45005 Ukiah St., Box 897  
Mendocino, CA. 95460

Office (707) 937-4040  
Cell (707) 324-9401  
Home (707) 937-9999

[www.mendocinorealtycompany.com](http://www.mendocinorealtycompany.com)

D-1

D-2

**Response to Letter D: Annemarie Weibel**

**Response D-1:** The commenter provides introductory comments regarding the attached comment. See Response D-2.

**Response D-2:** The commenter forwarded comments made by Deirdre Lamb regarding the proposed Project. The comments pertain to traffic and Noyo Harbor.

The forwarded comments were originally made over one year before the Draft EIR was published. As such, the comments do not address the adequacy of the Draft EIR, or compliance with CEQA. With respect to traffic safety near the Project site and near Noyo Harbor, based on assumptions made for other traffic studies, the City assumed that 50% of the trips specifically made to visit the Grocery Outlet Store (i.e., primary trips) will have origins / destination south of the Noyo River and use SR 1 and SR 20 to reach the site. The balance will be oriented to the north and to areas of the community east of Franklin Street. Table 3.7-6 in Section 3.7 summarizes the assumed distribution of new trips. Implementation of the proposed Project would not create roadway and transportation facilities that impede access for emergency response vehicles. All existing roadways and intersections, and internal transportation network is designed to maintain levels of accessibility for police and fire response times, which ensures vehicles have the necessary access when responding to an emergency.

While the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the adequacy of the Draft EIR.

**Sent:** Wednesday, October 19, 2022 11:32 AM  
**To:** Gurewitz, Heather <hgurewitz@fortbragg.com>  
**Subject:** Grocery outlet

My family and I are in favor of the Grocery Outlet project. We shop at the Grocery Outlet stores in Willits, Ukiah, and Santa Rosa whenever possible. The addition of this affordable grocery option is critical in our small town. Check the demographics!

The store will not hurt Harvest Market as they will continue to carry many hundreds of items that the Grocery Outlet will never carry. They sell very high end and expensive clothing, housewares, pet food, alcohol, coffee, tea, dairy and alternative dairy items, (just to name a few), and the folks who buy these things are not going to abandon Harvest for a Grocery Outlet just because it is in Fort Bragg rather than Willits. Safeway (Albertson's) corporate chain grocery store will continue to attract customers with many hundreds of items on sale and available for rewards such as the "Just for You" program. Purity customers will not abandon their store as it is a neighborhood shop and loyal customers know what to expect and where everything is. Plus, they have really good produce.

It was thought that the addition of a corporate chain coffee shop would KILL all the local espresso shops and they are still standing. Decades ago the addition of a McDonalds did not put Jenny's Giant Burger out of business. The Grocery Outlet is not going to toll a death bell to the other three "grocery" stores in Fort Bragg. I, personally, will always get my eggs, salsa, veggies, pork, spices, dog treats, tea, butter, crackers, cheese and other items at Harvest, organic nuts, sauces, spinach, and yeast at Down Home Foods, and various produce and tortillas and things at Purity Market.

E-1

The folks who do not want the Grocery Outlet, largely, do not have to budget to the penny to be able to afford to buy food. Many do not even live in Fort Bragg. The business owners against the Grocery Outlet are worried over nothing. It will be fine. They will see.

Please, let us move forward with this project and help our low income and senior citizens, who may be forced to make a trip over the hill to buy affordable groceries. ALSO, the Grocery will be family owned. Just like Harvest, and Purity Market.

If possible, please do not share my name if you read this letter at any meeting or copy this letter to circulate for any reason. I do not want to anger anyone, and this is a HIGHLY divisive issue!

Thank you so much,



**Response to Letter E:      Anonymous**

**Response E-1:** The commenter expresses support for the proposed Project and states that an affordable grocery store is critical in this small town. The commenter also provides comments regarding why the commenter believes the proposed grocery store won't hurt other local grocery stores or businesses in the area. The commenter further concludes by expressing support for the proposed Project.

While the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the adequacy of the Draft EIR.

[REDACTED]  
Sent: Wednesday, October 19, 2022 1:12 PM  
To: Gurewitz, Heather <hgurewitz@fortbragg.com>  
Subject: RE: DEIR for Grocery Outlet

"SIGNIFICANT ENVIRONMENTAL EFFECTS: The Draft EIR has identified the following environmental issue areas as having significant and unavoidable environmental impacts from implementation of the project: Noise and Cumulative Greenhouse Gas Emissions. All other environmental issues were determined to have no impact, less than significant impacts, or less than significant impacts with mitigation measures incorporated into the project."

F-1

Noise? I feel it will be negligible. It is not like a heavy metal band will be playing at the front door 365 days a year, 24/7. As for gas emissions, people should be more concerned about the emissions related to Starbucks, Taco Bell, Rollin Dough, A Frame Espresso, McDonalds, and Taco Bell's Drive through where cars are running while in line from 6:00 - 8:00 or longer depending on the business.

Nit picking.

[REDACTED]

*P.s. Please do not include my name in discussing my remarks, thanks!*

<https://mail.google.com/mail/u/1/?ik=802be77d6b&view=pt&search=all&permthid=thread-f%3A1747151189042477512&siml=msg-f%3A17471511890...> 1/2

**Response to Letter F:      Anonymous**

**Response F-1:** The commenter states that they feel noise impacts will be negligible and greenhouse gas emissions aren't concerning.

As shown in Table ES-2 in Chapter ES, Executive Summary, and as discussed on page 4.0-26 of Chapter 4.0, Other CEQA-Required Topics, of the Draft EIR, no significant and unavoidable impacts would occur as a result of the proposed Project. Impacts associated with noise and greenhouse gases are discussed in Sections 3.6 and 3.4 of the Draft EIR, respectively.

**From:** Carol Eshom <caroleshom@yahoo.com>  
**Sent:** Monday, September 19, 2022 6:35 PM  
**To:** Gurewitz, Heather <hgurewitz@fortbragg.com>  
**Subject:** grocery outlet

I am writing in complete support of the Grocery Outlet coming to Fort Bragg. Not everyone can afford to shop at our over-priced stores and I do believe it is in the best interests of our community to provide an alternative. So many are food insecure right now and it doesn't look like it will get better. Sure, the existing stores will probably see a decrease in sales, but that's what business is all about. Having some competition would be a good thing. This absurd battle has been going on since I moved here six years ago, and probably before that. Let them in for heaven's sake. G-1

Carol Eshom

<https://mail.google.com/mail/u/1/?ik=802be77d6b&view=pt&search=all&permthid=thread-f%3A1744502118882061482&siml=msg-f%3A17445021188...> 1/1



**Response to Letter G: Carol Eshom**

**Response G-1:** The commenter expresses support for the proposed Project and describes why she is in favor of the proposed Project.

While the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the adequacy of the Draft EIR.

-----Original Message-----

From: carol francois <pokewoman3@yahoo.com>  
Sent: Friday, October 28, 2022 11:03 PM  
To: Gurewitz, Heather <hgurewitz@fortbragg.com>  
Subject: Grocery Outlet in Fort Bragg

To Whom This May Concern:

I would like to express my support for Grocery Outlet to be allowed to open a store in Fort Bragg. I have shopped at these stores in a few different Bay Area counties and have been grateful for the variety of food and other items that are reasonably priced and of good quality. Contrary to what some folks believe they do carry a nice selection of organic foods in addition to non-organic foods. They often offer good wine for sale at incomparable prices too.

At a time when the price of groceries is going up and consumer confidence is going down I think that a grocery store which is known for it's fair prices should be welcomed.

Carol F., Little River

Sent from my iPad

H-1

<https://mail.google.com/mail/u/1/?ik=802be77d6b&view=pt&search=all&permthid=thread-f%3A1748217327651443293&simpl=msg-f%3A1748217327...> 1/1

**Response to Letter H: Carol Francois**

**Response H-1:** The commenter expresses support for the proposed Project and describes why she is in favor of the proposed Project.

While the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the adequacy of the Draft EIR.

**From:** D. D. <[boxdhs@gmail.com](mailto:boxdhs@gmail.com)>  
**Sent:** Sunday, October 30, 2022 3:45 PM  
**To:** Gurewitz, Heather <[hgurewitz@fortbragg.com](mailto:hgurewitz@fortbragg.com)>  
**Subject:** Grocery Outlet / comment

Heather Gurewitz

Thank-you for this opportunity to comment on a very important issue!

Shopping 'locally' is very important to me. I will even pay more for the same item (for instance Muck boots at Feet First) to support local business. I bought my mattress at Cancellini, as well as my cooking range. I buy clothes, tools and furniture locally. I am all onboard for local business. The Grocery Outlet is a different matter altogether.

At the very last minute I found out that there is still a chance we could get a Grocery Outlet in Fort Bragg. I thought it had been successfully killed, robbing hundreds of families the chance to have a better diet. The food prices here on the Coast are astronomical. The average annual income in the Fort Bragg area is around \$25,000. I would challenge those who oppose Grocery Outlet to try to feed a family on that! The obvious financial advantage of having a Grocery Outlet for low income families was demonstrated when previously, one of the City Council members shopped for the exact same items at Harvest, Safeway and the Willits Grocery Outlet. At the Grocery Outlet there was an approximate 30% savings, including the gas to go to Willits.

There are dozens of chain businesses in Fort Bragg so opposing one more that hundreds of families want and need to survive is not justified. The proposed Grocery Outlet building site, the old Social Services Building, is not in the historic downtown area, and the site has a history of public use.

The old Social Services Building is in itself a biohazard by now. Reportedly it is dilapidated and full of black mold. Practically speaking, the neighborhood would be safer without it. The extent of focus on environmental issues concerning the old Social Services Building site is a blatant abuse of a very important process. If this had been a sensitive environmental area then the former Social Services Building would have already altered that.

When affordable housing is so expensive and scarce in this area, when we have the most expensive Safeway in California, and Harvest is even more expensive than that, it is no wonder that businesses find it hard to hire the low-end employees. Where are they to live and how are they to eat? Just shop at Harvest, just shop at Safeway or Purity; this 'just let them eat cake' attitude is an appalling attitude to support in a community with the level of poverty we have.

The tenacity, and funding of the opposition to the Grocery Outlet is interesting in itself. It provokes speculation as to who has this much interest in keeping Grocery Outlet out of Fort Bragg. Who would be willing and able to fund such a legal battle as was threatened? Fort Bragg, are you going to help the hundreds of families in need, or are you going to support an anonymous special interest? School children need good food to thrive, single mothers need to buy good food while they work two and three jobs, young folks just starting out usually don't make much money, seniors on fixed incomes need help. Why on Earth would you block a potential solution for those lower income families? Who are you here to support?

Deborah Shook  
(707) 937-2443  
[boxdhs@gmail.com](mailto:boxdhs@gmail.com)

.

I-1

**Response to Letter I: Deborah Shook**

**Response I-1:** The commenter provides statements regarding their support for the proposed Project, local grocery affordability, and chain businesses in town. The commenter also states that the old Social Services Building is a biohazard and the neighborhood would be safer without it. The commenter then provides rhetorical questions regarding the group opposing the proposed Project.

While the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the adequacy of the Draft EIR.

**From:** dooby sommer <[dobbyonearth@hotmail.com](mailto:dobbyonearth@hotmail.com)>  
**Sent:** Friday, October 28, 2022 12:09 PM  
**To:** Gurewitz, Heather <[hgurewitz@fortbragg.com](mailto:hgurewitz@fortbragg.com)>  
**Subject:** Grocery Outlet

Dear Heather,

This is to let you know that I am overwhelmingly in favor of Grocery Outlet coming to Fort Bragg. I have lived on the coast for 50+ years and I deserve to have a lower priced food store here. Driving to Fort Bragg is more economical than driving over the hill. I am of the opinion that no one is going to go out of business because of Grocery Outlet.

J-1

Thank you for reading this.

Sincerely

dobby sommer

pob 568

Albion, Ca.95410

Sent from my Verizon, Samsung Galaxy smartphone  
Get [Outlook for Android](#)

<https://mail.google.com/mail/u/1/?ik=802be77d6b&view=pt&search=all&permthid=thread-f%3A1747959990993200156&simpl=msg-f%3A1747959990...> 1/2

**Response to Letter J: Dobby Sommer**

**Response J-1:** The commenter expresses support for the proposed Project, states that they want a lower price food store, and states their opinion that no one is going to go out of business because of Grocery Outlet.

While the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the adequacy of the Draft EIR.



October 31, 2022

**By E-Mail**

Heather Gurewitz, Associate Planner  
 City of Fort Bragg Community Development Department  
 416 N. Franklin Street  
 Fort Bragg, CA 95437  
 hgurewitz@fortbragg.com

**Re: Draft EIR for Proposed Grocery Outlet at 825, 845, and 851 S. Franklin Street, Fort Bragg**

Dear Ms. Gurewitz:

Please accept the following comments on the Draft EIR referenced above, submitted on behalf of Fort Bragg Local Business Matters (“Fort Bragg LBM”).

As you may recall, Fort Bragg LBM was the plaintiff in the CEQA lawsuit challenging the City’s previous approval of this Grocery Outlet project (“Project”) based on a mitigated negative declaration rather than an EIR. That lawsuit contended that substantial evidence showed the Project might have significant impacts on the environment, particularly in the areas of noise and air quality. We are of course very pleased that the lawsuit settled and that the City agreed to prepare an EIR to evaluate these and other potentially significant Project impacts. However, there are still some remaining analytic deficiencies that should be addressed in a revised Draft EIR before the City takes action to approve the Project in its current form. These are discussed in more detail below.

K-1

**Air Quality**

In its Air Quality Section, under Impact 3.2-4, the Draft EIR notes that sensitive receptors of air pollution are located in the residences immediately adjacent to the Project site to the east, and that emissions of diesel particulate matter (DPM) from diesel truck exhaust are toxic air contaminants (TACs) that can adversely affect the health of these receptors. The Draft EIR reports that the Project’s operations will include 8 heavy-duty diesel truck deliveries per week, and 4 to 5 medium-duty diesel truck deliveries per day. Some of these deliveries would be in trucks with top-mounted refrigeration units that also generate DPM emissions.

K-2



October 31, 2022

Page 2

The Draft EIR concludes, however, that the Project would not expose these sensitive receptors to substantial TAC emissions because the frequency of truck trips is “very small.” Similarly, the Draft EIR concludes that existing TAC emissions from diesel vehicle traffic on Highway 1 adjacent to the Project site under baseline conditions, are “not particularly high” when compared to other parts of California. More information is necessary to support these conclusions. “Very small” compared to what? “Not particularly high” compared to what other parts of California? Furthermore, what routes will the trucks take to the site? Will they be idling? If so, for how long? How much DPM will result? A more detailed, quantitative study should be performed.

K-2  
cont'd

### Noise

The Draft EIR reports that it determined baseline noise levels by taking one continuous 24-hour measurement near the residences adjacent to the site, and one short-term measurement to the southeast, on January 10-11, 2022. A single-day measurement is not adequate to establish a meaningful baseline, as traffic levels and nearby activities will likely vary depending on the day of the week, etc. Measurements should be taken continuously over a multi-day period, ideally during different months.

K-3

It appears that the noise analysis omitted consideration of receptors at the Super 8 Motel immediately adjacent to the Project site to the west. The noise contours in Figures 3.5-1 through 7 suggest that Project-related noise levels exceeding applicable significance thresholds at this location. While strictly speaking a commercial use, a motel houses sleeping guests (and possibly an on-site owner or caretaker), who should be considered sensitive noise receptors. The City should revise the Draft EIR’s noise analysis to evaluate whether impacts to receptors in the Super 8 Motel will be significant and, if so, whether mitigation is feasible.

### Urban Decay

The Draft EIR correctly notes that under CEQA there are two pertinent questions to be asked with regard to the potential urban decay-related effects of a proposed project: 1) would the proposed new retail uses result in sales losses that are sufficiently large at existing retail establishments to force some to close; and 2) would the affected closed stores stay idle long enough to create physical changes that could be defined as urban decay? Although the Draft EIR lists nine grocery stores currently distributed throughout the City, it does not actually analyze whether the Project would result in sales losses at any of them. In other words, it does not address the first question. Because the first question is unanswered, the Draft EIR’s summary conclusion that the Project would not lead to urban decay is unsupported.

K-4

October 31, 2022  
Page 3

Correspondingly, the Draft EIR's assertion that some unidentified "fieldwork" conducted in Spring 2022 (by whom? using what methodology?) indicated there were no signs of litter, graffiti, weeds, etc., in existing commercial areas is irrelevant. The absence of urban decay today does not necessarily mean there would not be urban decay in the future if the Project led to the closure of a grocery store that anchored a commercial center or node elsewhere in the City.

The Draft EIR should therefore be revised to include an economic impact/urban decay analysis that actually addresses the questions required by CEQA. By way of example, we are attaching an urban decay study that the City of Walnut Creek required for an EIR for a shopping center project that included an expanded Safeway store that had the potential to affect sales at a Grocery Outlet store in the same community. While this study was for a much larger commercial project than the one addressed in the Draft EIR, it nevertheless illustrates the scope and depth of analysis that is appropriate for meaningful consideration of a grocery store's potential to negatively affect sales in other grocery facilities, leading to store closures and possible urban decay.

K-4  
cont'd

Thank you for your consideration of these comments.

Most sincerely,

M. R. WOLFE & ASSOCIATES, P.C.

Mark R. Wolfe

On behalf of Fort Bragg Local Business Matters

MRW:sjs  
Attachment

**ATTACHMENT**

**The Orchards at Walnut Creek  
Shopping Center  
Urban Decay Analysis**

**Prepared for:**

**City of Walnut Creek**

**Prepared by:**

**ALH | ECON**

**ALH Urban & Regional Economics**

**October 2013**



ALH Urban & Regional Economics

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October 24, 2013

Mr. Ethan Bindernagel, AICP  
Senior Planner  
City of Walnut Creek, Planning Division  
1666 N. Main Street, 2<sup>nd</sup> Floor  
Walnut Creek, CA 94596

**Re: Urban Decay Analysis for The Orchards at Walnut Creek**

Dear Mr. Bindernagel:

ALH Urban & Regional Economics (ALH Economics) is pleased to present this study regarding the urban decay analysis of the planned Orchards at Walnut Creek retail project in the City of Walnut Creek. This study highlights the study findings regarding the economic impact/urban decay analysis of the planned development of a 225,000-square-foot shopping center including a relocated and expanded Safeway store. The purpose of this report is to provide an assessment of the potential for the project to cause or contribute to urban decay.

It has been a pleasure working with you on this project. Please let me know if you have any questions or concerns.

Sincerely,

Amy L. Herman, AICP  
Principal

C:\ALH Econ\2013 Projects\1312\Report\1312.r04.doc

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- Exhibit 2. Distribution of 100,000 Square Feet of Commercial Space, by Type of Retail
- Exhibit 3. Distribution of Annual Retail Sales Estimates, in 2013 Dollars
- Exhibit 4. Map of The Orchards at Walnut Creek Retail Market Area
- Exhibit 5. Share of Sales Generated by Market Area Residents, in 2013 Dollars
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- Exhibit 7. Household and Population Estimates and Projections, City of Walnut Creek, City of Concord, and Project Market Area, 2010-2018
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- Exhibit 11. Existing and Future Retail Demand by Category, Market Area, 2013, 2016, and 2018
- Exhibit 12. Implied Project Capture Rate of Market Area Demand, 2016 and 2018
- Exhibit 13. City of Walnut Creek BOE Taxable Sales Estimate, in Current Dollars, Third Quarter 2011 Through Second Quarter 2012 (in \$000s)
- Exhibit 14. Adjusted City of Walnut Creek Retail Sales Base, 2013 Estimate
- Exhibit 15. Retail Demand, Sales Attraction, and Spending Analysis, City of Walnut Creek, 2013
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- Exhibit 18. Project Sales Impacts, Impact on Existing Retail Base in Walnut Creek and Walnut Creek Combined with Concord, in 2013 Dollars



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- Exhibit 21. Project Sales Impacts, Impact on Existing Walnut Creek and Concord Combined Retail Sales Base Inclusive of Future Demand to 2016, in 2013 Dollars
- Exhibit 22. Residual Project Sales Impacts, Sales Impact Above 3% of Sales Base, City of Walnut Creek and Combined Cities of Walnut Creek and Concord, in 2013 Dollars
- Exhibit 23. Market Area and Nearby Grocery and Food Stores by Orientation, September 2013
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- Exhibit 27. Cumulative Major Retail Developments (10,000+ Square Feet), Cities of Walnut Creek, Concord, and Pleasant Hill, September 2013
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- Exhibit 29. Estimate of Cumulative Project Sales by BOE Category, in 2013 Dollars
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- Exhibit 31. Orchards at Walnut Creek and Cumulative Project Sales Impacts, Impact on Existing Retail Base in Walnut Creek and Walnut Creek Combined with Concord, in 2013 Dollars
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Exhibit 38. Representative Larger Surrounding Area Retail Vacancies, September 2013

Exhibit 39. Examples of Larger Backfilled Tenants in Walnut Creek and Concord

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- Exhibit B-2. Calculation of Sales per Square foot Estimates, Select Retail Stores and Store Types, 2009-2012 and 2013 Projected
- Exhibit B-3. Market Area Constituent Census Tracts and City Match
- Exhibit B-4. State of California Taxable Retail Sales Estimate by Board of Equalization Taxable Retail Category, 2011 (in \$000s)
- Exhibit B-5. City of Walnut Creek Sales Tax Trends, First Quarter 2011 – First Quarter 2013
- Exhibit B-6. Redevelopment Plan for Encina Grande shopping center
- Exhibit B-7. Allocations of Unknown Retail Space into BOE Categories by Shopping Center Format

## I. EXECUTIVE SUMMARY

### INTRODUCTION

The purpose of this study is to assess the economic impact and potential for urban decay resulting from development of the planned The Orchards at Walnut Creek shopping center located in the City of Walnut Creek (the "Project"). The shopping center will be located within the Shadelands Gateway Specific Plan Area, which is located within the Shadelands Business Park. The Project is planned for development by Property Development Centers, LLC (PDC) a wholly owned subsidiary of Safeway specializing in retail shopping center development. The development site is located at the corner of Ygnacio Valley Road and Oak Grove Road and is partially developed with two existing office buildings measuring approximately 126,000 square feet. The eastern half of the lot is undeveloped containing grasses and several mature trees. The City of Walnut Creek retained First Carbon Solutions – Michael Brandman Associates to prepare an Environmental Impact Report (EIR) for the Project. ALH Urban & Regional Economics ("ALH Economics") was retained to conduct the EIR's urban decay analysis.

The Project is planned to include a 55,000-square-foot Lifestyle Safeway store and additional commercial uses, including 25,000 square feet of restaurant space, 100,000 square feet of retail space, and up to 45,000 square feet for a health club. Presently no specific tenants other than Safeway have been identified for the Project. The Safeway store anchor will comprise the relocation and expansion of an existing, much smaller Safeway store across Ygnacio Valley Road from the Project site, within the Encina Grande shopping center.

This study estimates the potential impacts of the Project's tenants on existing retailers in the Project's market area and other potentially affected areas, primarily in the form of diverted sales from existing retailers. The study further estimates the extent to which the opening of the Project and other cumulative retail projects may or may not contribute to urban decay pursuant to potential store closures attributable to existing retailer sales diversions. The key indicator from a CEQA perspective is impacts on the physical environment, which includes existing stores and commercial real estate conditions, as measured by the current baseline. This is the baseline reflected by existing conditions discussed in this report.

### SUMMARY OF FINDINGS

#### Project Sales

ALH Economics estimates that net new stabilized sales for the Project would total \$82.7 million in 2013 dollars. This reflects the total sales inclusive of the portion of Safeway sales relocated from the Encina Grande shopping center location. Net of the existing Safeway sales, the Project's anticipated annual retail sales total \$65.6 million. Based on assumptions regarding the allocation of Project space by type of retailer and average sales estimates by type of retail, the Project's total sales distribution is assumed as follows:

- \$38.5 million in food & beverage sales;
- \$17.4 million in other retail sales;
- \$12.0 million in restaurant sales;

- \$9.3 million in clothing & accessories sales; and
- \$5.7 million in home furnishings & appliances sales

These categories of sales are based upon categories defined by the State of California Board of Equalization. The “other retail” category is a broad category that includes a wide range of goods, such as office supplies, pet supplies, books, toys, pharmacy, jewelry, sporting goods, and gifts.

The Project is anticipated to draw 80% of its sales from its market area. This market area includes six census tracts radiating out from the Project site that include portions of Walnut Creek and Concord. These six census tracts were defined as the market area based on examination of Safeway shopper data and analysis regarding average travel time and distance to the Project compared to other Lifestyle Safeway stores in Walnut Creek and Concord. Pursuant to this 80% market area sales assumption, the estimated portion of Project sales generated by market area residents is \$66.1 million, of which \$52.5 million is estimated to be in addition to the existing Encina Grande Safeway store sales. The remaining 20% of sales are assumed to be generated by other sources, such as employees at Shadelands Business Park and consumers traveling through the area.

#### **Retail Sales Base and Characterization**

The sales bases in Walnut Creek and Concord collectively total over \$4.0 billion, with just less than half occurring in Walnut Creek. Both cities as a whole are retail attraction markets, meaning that more sales are captured by area retailers than would be expected from resident spending alone. This retail base attraction is characteristic of all the retail sectors with Project sales contributions, although the City of Walnut Creek exhibits leakage in the building materials & garden equipment category, meaning that less sales are captured in this category than one would expect based on household spending patterns.

#### **Project Sales and Store Impacts**

Recognizing that Walnut Creek and Concord are retail sales attraction markets, the analysis estimates that for the Project to be successful, all of its sales from market area residents would occur to the detriment of existing retailers, excepting demand generated by new market area households. The Project is estimated to be completed in fall 2015, with 2016 comprising its first full year of operations. Therefore, there may be potential for new market area household growth to generate additional demand for retail sales in the market area, although the growth potential is limited. The analysis additionally assumes that sales impacts up to 3% of each retail category’s sales base can be absorbed by existing retailers and that some sales impacts can be offset by unmet demand in retail categories not impacted by the Project. In other words, if some stores experience impacts so severe as to close, demand for different retail categories would result to support new retailers occupying potentially vacated space.

The result of the Project’s analysis indicates that net of new growth and the 3% sales buffer, but before consideration of unmet demand offset in additional retail categories, the Project is estimated to result in food & beverage sales impacts totaling \$12.1 million if all the impacts occur in the City of Walnut Creek. If the impact instead occurs throughout Walnut Creek and Concord, then the sales impacts would be absorbed. Based upon assumptions regarding retail sales performance, the \$12.1 million sales impact in Walnut Creek is estimated to be equivalent to

24,200 – 30,250 square feet of grocery store space. These estimates for Walnut Creek impacts are considered maximum impacts, as the more likely scenario is that the impacts will spread into Concord. However, ALH Economics anticipates that the impacts will be more heavily weighted toward Walnut Creek because the market area and nearby grocery stores are more centered around Walnut Creek.

To set the food & beverage sales impacts in context ALH Economics reviewed the market for grocery stores in and around the market area. This included visiting almost 40 grocery and food stores in Walnut Creek, Concord, and Pleasant Hill. Select Pleasant Hill stores were included because some are just as close to the Project site as stores in Walnut Creek and Concord. While the Project is unlikely to achieve significant demand from Pleasant Hill households, existing stores in Pleasant Hill could experience some sales diversions if market area households redirect their spending from Pleasant Hill stores to the Project. The market review included three grocery stores and a convenience market in the market area. The grocery stores include a Nob Hill store across Oak Grove Road from the Project site in Citrus Marketplace, a Safeway store, and a Trader Joe's. The convenience store is a Fresh and Easy. Store performance information indicated that many of the grocery stores are performing above industry average or above average for their chain, including several in the market area. This supports the assumption that some stores can absorb a 3% sales decline without risking store closure. Others, however, do not appear to be performing as well. This includes the Nob Hill store, other more conventional grocery stores, and some area discount food stores.

As a result of these grocery store field observations, analysis of grocery store sales data, and anecdotal information, ALH Economics concludes that the Nob Hill grocery store in the Citrus Marketplace across Oak Grove Road from the Project site analysis will likely experience sales losses attributable to the Project and, *under a worst case scenario*, could potentially close as a result of Project sales impacts. This store is specifically mentioned because it appears to be the market area store with the poorest relative performance, it is located in a shopping center that has devolved to comprise a large share of non-retail tenants, and the store interior shows signs of deferred maintenance.

#### **Cumulative Project Sales Impacts**

ALH Economics identified six potential cumulative retail development projects in the market area and surrounding areas. These are projects estimated to include at least 10,000 square feet of retail space. Five of these projects are anticipated to be developed within the timeframe of the Project. All of the projects are located in the City of Walnut Creek but only one is in the market area. This project is the redevelopment of the Encina Grande shopping center, which is the location of the existing Safeway store that is expanding and relocating to the Project area. This center will be redeveloped, including build out for an expanded 37,500-square-foot grocery space that will be occupied by Whole Foods. Other changes will occur at this center, but this is the most substantial feature of the redevelopment program. All other planned projects are relatively small, with the largest comprising the net addition of 31,000 square feet of space. Altogether, the six cumulative projects total approximately 76,000 square feet of new retail space.

Retail sales for the cumulative projects are estimated to total \$52.7 million. The cumulative retail projects are anticipated to draw sales from throughout Walnut Creek and the City of Concord. Thus, all of the sales are anticipated to be competitive with the Project, especially within the context

of analyzing the Project's sales impacts on the combined sales bases of Walnut Creek and Concord. Based upon the sales distribution assumptions, ALH Economics estimates that the cumulative projects will generate retail sales as follows:

- A decline of approximately \$800,000 in home furnishings & appliances sales;
- An increase of \$40.9 million in food and beverage sales;
- An increase of \$3.1 million in general merchandise store sales;
- An increase of \$5.3 million in food services and drinking places; and
- An increase of \$4.2 million in other retail sales.

These sales were added to the Project sales to develop an estimate of total Project and cumulative project sales. The collective sales were then analyzed relative to the existing sales bases to assess prospective sales impacts. The impact analysis considered sales impacts absorbed by new demand, the 3% sales buffer, and the additional potential that some sales impacts can be offset by unmet demand in retail categories not impacted by the Project.

With the addition of the Whole Foods store and other cumulative projects, the sales impacts are more pronounced than for just the Project alone. This is especially the case in the food & beverage sales category. Absent consideration of sales offset by unmet demand categories, the food & beverage sales impacts are estimated at \$49.7 million if the impacts occur only among Walnut Creek retailers, or \$32.0 million if spread across both Walnut Creek and Concord. The impact results are likely somewhere between these two figures, depending upon the location of the stores experiencing the sales impacts. If the impacts are isolated to Walnut Creek, retailers in three other categories would be impacted, including home furnishings & appliances, food services & drinking places, and other retail.

With regard to the food & beverage impacts, if the Project and cumulative projects perform at lower sales levels than estimated then the impacts will be lower, but lower sales alone are unlikely to reduce the impacts to a level that will not comprise a large portion of the food store sales base. Thus, the analysis suggests that the success of the Project and cumulative projects will occur to the detriment of other food stores. Existing food stores can bear only so many sales losses before store viability becomes a concern. ALH Economics believes the level of store impacts projected for the Project and cumulative projects combined is sufficiently large enough that the likely result is that at least one existing food store will experience high levels of sales diversion. The level of prospective sales impacts is high enough that, *under a worst case scenario*, possibly even two stores could close. As with just the Project impacts, a prospective candidate for sales impacts high enough to prompt store closure is the Nob Hill grocery store in nearby Citrus Marketplace. This is especially likely since the Nob Hill would have become one of only three grocery stores at the Ygnacio Valley Road and Oak Grove Road commercial node. The analysis suggests that based on the high infusion of new food sales generated by the Project and cumulative projects, estimated level of prospective sales impacts, and understanding of the future grocery store dynamics in the market area, that one existing grocery store in the Walnut Creek and Concord area could close, with the Nob Hill Grocery comprising a strong candidate for closure, and possibly one other, not as clearly identified store.

In addition to the food & beverage impacts, the analysis suggests that pursuant to the \$12.6 million in sales impacts spread among other retail categories that there could also be the potential for some additional store closures. The sales categories experiencing these impacts include a wide

range of retailers. Therefore, the particular retailers that could close and cause market area vacancies cannot be specifically identified, but the potential appears to exist for some stores other than food stores to also close as a result of the Project and cumulative project impacts.

### **Square Footage Implications**

ALH Economics also looked at the prospective Project and cumulative projects impacts by converting the estimated sales impacts to supportable square footage. The intent is to identify the amount of retail space that risk closure as a result of the sales impacts. This analysis took into consideration the additional unmet demand in retail categories not served by the new retail projects. The results indicate that these sales impacts are estimated at \$53.3 million if all impacts are isolated in just the City of Walnut Creek, and a lower \$14.0 million if the impacts are spread between Walnut Creek and Concord. In all likelihood the impacts will be somewhere between these two bookends, as households in areas of Concord distant from the Project or the cumulative projects are unlikely to make significant expenditures at these retail projects.

Based on assumed sales performance characteristics, the square footage impact analysis indicates the level of potential impacted square feet pursuant to the Project and cumulative projects, which ranges from 106,555 to 133,194 square feet if all impacts are confined to Walnut Creek or 28,055 to 35,069 square feet if the impacts are more widely dispersed including in Concord. This is an oversimplified analysis, and should not be construed to mean that stores totaling the cited square footage amounts would necessarily close as a result of the Project and cumulative projects. However, this finding suggests that the sales impacts will be steep enough that some store closures will likely occur. This is especially the case among grocery stores but could also include stores in other retail categories as well.

### **URBAN DECAY DETERMINATION**

#### **Definition of Urban Decay**

For the purpose of this analysis, urban decay is defined as, among other characteristics, visible symptoms of physical deterioration that invite vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and long term vacancies. This physical deterioration<sup>1</sup> to properties or structures is so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community.

#### **Retail Market Characteristics**

The cities of Walnut Creek, Concord, and Pleasant Hill have an aggregate 12.4-million-square-foot retail base. Historically, all of these cities have maintained relatively healthy retail market

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<sup>1</sup> The manifestations of urban decay include such visible conditions as plywood-boarded doors and windows, parked trucks and long term unauthorized use of the properties and parking lots, extensive gang and other graffiti and offensive words painted on buildings, dumping of refuse on site, overturned dumpsters, broken parking barriers, broken glass littering the site, dead trees and shrubbery together with weeds, lack of building maintenance, homeless encampments, and unsightly and dilapidated fencing.



sectors. As of 2<sup>nd</sup> quarter 2013, Walnut Creek had an overall retail vacancy rate of 3.3%. This rate has been consistent over an extended time period, with the vacancy rate ranging between 2.5% and 3.9% since 2006. This indicates an extremely healthy and very stable retail base. The 2<sup>nd</sup> quarter 2013 vacancy rates were 5.1% in Concord and 3.6% in Pleasant Hill. In general, retail markets are deemed most healthy when there is some increment of vacancy, at least 5.0%, which allows for market fluidity and growth of existing retailers. Even retail vacancy rates at the 10% level are generally considered a reasonably healthy retail market. Thus, the cited prevailing retail vacancy rates of 3.3%, 5.1%, and 3.6%, comprising 4.2% on a weighted average basis, reflect strong retail markets.

There are some larger retail vacancies distributed among these three cities, although the majority are located in Concord. These are vacancies with 10,000 or more square feet, which would be more representative of prospective grocery store vacancies. With almost no exception, these vacancies are well-maintained and are not characterized by urban decay or deterioration. The market has a strong record of backfilling larger spaces, especially in Walnut Creek, where grocery store vacancies have been successfully divided and filled with multiple tenants. Examples of Walnut Creek grocery stores that have closed and subsequently backfilled include Andronico's and two Albertson's.

Regardless of location, about 122 retail leases were executed over the one-year time frame from approximately August 2012 to August 2013, totaling approximately 360,000 square feet, with an average size of about 3,000 square feet. The largest retail lease transactions during this time frame ranged from about 6,000 to 38,500 square feet across the three cities. This volume of lease activity indicates the markets are active, characterized by internal movement as retailers relocate and expand within the market, as well as attraction of new retailers.

#### **Urban Decay Conclusion**

ALH Economics focused on determining whether or not physical deterioration in existing retail centers would likely result from the opening of the Project and other cumulative retail developments in reaching a conclusion about urban decay. The conclusion is based on consideration of current market conditions, findings regarding diverted sales, and regulatory controls. Highlights of these findings are as follows:

**Current Market Conditions:** The fieldwork and market research indicated that retail market conditions are moderate to very strong in the relevant cities, with low retail vacancy rates. Retail leasing activity is occurring throughout the area and existing vacancies are well maintained. There are a few instances of long-term vacancy, but these are generally concentrated in older retail centers, and few such vacancies are more than 10,000 square feet. With scant exceptions, existing vacancies, including longer-term vacancies, are well-maintained, and are not indicative of urban decay or deterioration.

**Sales and Vacancy Impacts:** ALH Economics anticipates that the Project and Project combined with cumulative projects sales impacts could result in closure of existing retailers. The analysis suggests that one and possibly two grocery stores could close and some additional retailers. The result could be up to about 40,000 square feet of vacant space for the Project alone and up to about 133,000 square

feet resulting from the Project in combination with the cumulative projects, if all the impacts are focused in Walnut Creek. The likelihood is that the impacts will be more widely spread, and thus the vacancy impacts will be lower than these figures. Even if these amounts of vacancy result, however, the resulting increments in retail vacancy rates will be nominal to modest, with all resulting vacancy rates well within the range indicative of a healthy retail market. Moreover, the market's demonstrated retail absorption and the strong to moderately strong market conditions suggest that most vacancies that might occur as a result of Project or cumulative project impacts would likely be backfilled within a reasonable time and not be characterized by prolonged vacancy.

Even if some sites experience prolonged vacancy because they might be of a size that experiences less demand or they are located in shopping centers with poor visibility or other undesirable characteristics, the prevailing market conditions suggest that these vacancies would be well-maintained and would not devolve into urban decay or deterioration. Moreover, it should be noted that when tenants vacate prior to lease expiration, they continue to be responsible for rent and their share of building operating expenses. While not all tenants would have the wherewithal to continue these payments, national or regional retailers are more likely to have this capability. This is an important consideration because landlords would continue to receive income on these vacated spaces through committed lease payments, which means they would have available financial resources to continue to maintain their properties.

**Regulatory Controls:** Owners of commercial retail properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new retail tenants. This appears to be the case in the Project's environs as evidenced by the overall positive prevailing physical condition of the area's retail vacancy, with little-to-no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes in Walnut Creek, Concord, and Pleasant Hill. This is especially the case for most of the area's long-term vacancies, of which there are few. If property owners lag, however, and property maintenance begins to show signs of deferred maintenance or other disrepair, Walnut Creek, Concord, and Pleasant Hill all have regulatory controls that can be implemented to avoid the onset of deterioration or decay. Thus, ALH Economics concludes that existing measures to maintain private commercial property in good condition in the environs are generally effective and would serve to help preclude the potential for urban decay and deterioration in the event any existing retailers close following the operations of the Project and other cumulative retail projects.

Based upon these findings, ALH Economics concludes that The Orchards at Walnut Creek shopping center project and the identified cumulative projects would not cause or contribute to urban decay.

## II. INTRODUCTION

### STUDY BACKGROUND

Property Development Centers, LLC (PDC) is seeking to develop a retail shopping center in the City of Walnut Creek. Identified as The Orchards at Walnut Creek (the "Project"), the development site is located at the northwest corner of Ygnacio Valley Road and Oak Grove Road. The shopping center will be located within the Shadelands Gateway Specific Plan Area, which is itself located within the Shadelands Business Park. The Shadelands Business Park is one of Walnut Creek's major employment nodes. Although the business park's occupancy has declined in recent years as other regional employment nodes closer to transit and the highway system have evolved, Shadelands Business Park is still home to numerous professional and medical offices. The Specific Plan Area is an approximately 25-acre property comprising three parcels. The three parcels will be developed with a mix of uses, and could include senior housing, professional and medical offices, health club, and retail, including grocery, restaurants, and personal services. The Orchards at Walnut Creek is the Specific Plan Area's proposed retail component, approved for up to 225,000 square feet of commercial space pursuant to the site's maximum development capacity under the Specific Plan.

PDC is a wholly-owned subsidiary of Safeway specializing in retail shopping center development. PDC projects are concentrated in Safeway's urban and suburban markets with high barriers to entry. PDC seeks to create value by obtaining entitlements, transforming centers and leasing retail space to third parties. The Project is planned to include a 55,000-square-foot Safeway store and additional commercial uses, including 25,000 square feet of restaurant space, 100,000 square feet of retail space, and up to 45,000 square feet for a health club. Presently no specific tenants other than Safeway have been identified for the Project. The Safeway store anchor will comprise the relocation and expansion of an existing, much smaller Safeway store across Ygnacio Valley Road from the Project site, within the Encina Grande shopping center. This project is part of Safeway's plan nationwide to redevelop existing stores into Lifestyle stores, with progress 88% complete throughout the chain as of year-end 2012.<sup>2</sup> A hallmark of Lifestyle stores is the sale of expanded perishable options, the availability of greater health-oriented options, and an earth-toned décor package that includes custom flooring and unique display features.

An Environmental Impact Report (EIR) for the Project is being prepared and coordinated by First Carbon Solutions – Michael Brandman Associates for the City of Walnut Creek. To support this effort and comply with the California Environmental Quality Act ("CEQA"), ALH Urban & Regional Economics ("ALH Economics") was asked to prepare findings regarding the potential for the Project to cause or contribute to urban decay. The decision by the Fifth District Court of Appeal in *Bakersfield Citizens for Local Control v. The City of Bakersfield* indicated that CEQA requires a lead agency to consider and analyze the potential for the introduction of planned retailers to result in adverse physical impacts on the environment by causing a chain reaction of store closures and long-term vacancies, otherwise referred to as a condition of "urban decay." This analysis is not required for all projects subject to CEQA, but only projects where there is the perceived potential for urban decay or deterioration to result.

<sup>2</sup> Safeway Inc., "Form 10-K, For the fiscal year ended December 29, 2012," page 8.

This study addresses the concerns voiced in the Bakersfield decision by considering the potential impact of the Project in conjunction with the introduction of other relevant cumulative retail developments. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in the context of an urban decay analysis includes existing stores and commercial real estate conditions, as measured by the current baseline. The Notice of Preparation (NOP) for the EIR was released in June 2013. The market conditions were most recently assessed in September 2013, comprising the study baseline. Other data included in the report were the most recently available at the time of the NOP.

#### PRIOR PROJECT STUDIES

In April 2012, a market demand analysis for the Shadelands Gateway Specific Plan was prepared for the City of Walnut Creek. The purpose of the market analysis was to inform the Specific Plan process. The report included an overview of current market conditions and future outlook for a range of land uses under consideration for the Shadelands Gateway Specific Plan Area. These uses included local- and community-serving retail and restaurants; office/medical office; market rate senior housing; and R&D. The retail analysis portion of the study provided an analysis of supportable square feet of retail space and recommendations for the preferred retail space configuration alternative. This retail study was then subject to a peer review analysis, which provided input and comments regarding the study approach and findings. Since these analyses were completed the retail component of the Shadelands Gateway Specific Plan has come to be known as The Orchards at Walnut Creek, or the "Project."

The prior study conducted for the Shadelands Gateway Specific Plan is a different kind of study than the present study, which focuses on the prospective urban decay impacts of the Project. As such, the study approaches vary. The market analysis focused on identifying supportable retail space at the Gateway site, essentially starting from the "bottom up," by first examining prospective consumer demand within a prescribed study area, which in the case of this study included four census tracts, and then determining the level of support available for a prospective shopping center. An urban decay study takes a different approach, which is more of a "top down" approach. An urban decay study, conducted in the context of environmental analysis assessing a project's impact on the environment, presumes that a project will be built and will be successful. The analysis then examines what this presumed success would mean for the most relevant portion of the commercial retail sector, and by extension the commercial real estate base. While the primary focus of a market study is to determine market demand for a project, the urban decay study starts with the premise that the project, as defined, will be successful. The urban decay study then extends this analysis to include other cumulative projects with the potential for development relatively concurrent with the project under study.

Because of this major difference in approach the findings for the current urban decay study vary from the findings of the prior market study. Another major distinction between the two studies is the degree to which Safeway's identity as the anchor tenant was given weight in the analysis. This is a critical piece of information for the urban decay study and helps determine and shape a number of important project assumptions, all of which are noted in the urban decay analysis. While the study approaches are different, ALH Economics reviewed the prior studies and utilized information to inform the urban decay study where relevant. However, all data resources and analyses contained herein are separate and independent of the prior studies.

### STUDY TASKS

ALH Economics engaged in numerous tasks to complete this assignment assessing the prospective urban decay of The Orchards at Walnut Creek shopping center. These tasks included the following:

- Identified the Project's market area, i.e., the area from which the majority of The Orchards at Walnut Creek shopping center consumers are anticipated to originate;
- Developed a prototypical retail program for the Project;
- Estimated the Project's retail sales;
- Conducted fieldwork to review the Project's development site and evaluate existing market conditions;
- Conducted retail sales leakage analyses for the cities of Walnut Creek and Concord;
- Estimated demand generated by households added to the market area by the time the Project achieves stabilized sales;
- Estimated the Project's required capture rate of market area demand;
- Estimated the Project's impacts on existing retailers;
- Identified planned retail projects in relevant areas;
- Assessed the cumulative impacts of planned retail projects; and
- Assessed the extent to which operations of the Project and the cumulative projects may or may not contribute to urban decay.

The findings pertaining to these tasks are reviewed and summarized in this report, with analytical findings presented in the exhibits in Appendices A and B.

### STUDY RESOURCES AND REPORT ORGANIZATION

#### Study Resources

Many resources were relied upon for this study. This included information provided by First Carbon Solutions – Michael Brandman Associates; Property Development Centers, LLC; the Planning Departments in the cities of Walnut Creek, Concord, and Pleasant Hill; and individuals engaged in commercial real estate familiar with the area's retail market. Detailed commercial market data were generated from CoStar, a commercial real estate information company, and provided by CB Richard Ellis.

Additional study resources included the California State Board of Equalization; the U.S. Bureau of the Census, American Community Survey; Nielson Reports, a national provider of economic and demographic data; and Neilson Trade Dimensions. Some retail sales data were provided by Retail MAXIM's *Alternative Retail Risk analysis for Alternative Capital, July 2012*, and earlier editions. Inflationary adjustments were prepared based upon the U.S. Bureau of Labor Statistics' Consumer Price Index for all urban consumers in the Western U.S. Region. All sources are cited as relevant in the study exhibits.

**Report Organization**

This report includes 10 chapters, as follows:

- I. Executive Summary
- II. Introduction
- III. Project Sales Estimation
- IV. Market Area Definition and Retail Characterization
- V. Market Area Demographics and Retail Spending Potential
- VI. Project Sales Impact Analysis
- VII. Grocery and Food Store Impacts
- VIII. Fitness Center Impacts
- IX. Cumulative Project Impacts
- X. Urban Decay Determination

This report is subject to the appended Assumptions and General Limiting Conditions.

### III. PROJECT SALES ESTIMATION

A description of the planned Orchards at Walnut Creek Project and ALH Economics' estimates of the total retail sales generated by the Project are presented below. This includes sales generated by retail category. This estimate is necessary to facilitate analysis of the Project's urban decay impacts.

#### PROJECT DESCRIPTION

The Orchards at Walnut Creek Project is located at the intersection of Ygnacio Valley Road and Oak Grove Road in Walnut Creek, California. The Project site is currently vacant and comprises a portion of The Shadelands Gateway Specific Plan Area. The Project will be anchored by a 55,000-square-foot Safeway store. This store comprises the relocation and expansion of the existing Safeway store at the Encina Grande shopping center located across Ygnacio Valley Road from the Project site. The existing store is 22,500 square feet, thus the new store will comprise a net expansion of 32,500 square feet. The new store will include a pharmacy, which is not present in the existing store that will be relocated.

In addition to the Safeway store development, the Project will include 25,000 square feet of restaurant space, 100,000 square feet of retail space (excluding restaurant space), and possibly 45,000 square feet for a health club. In all, there will be approximately 225,000 total square feet of commercial space, of which 202,500 square feet will comprise net new retail space. Given the new development site location, the existing Encina Grande Safeway store is anticipated to remain open and available to customers throughout the construction period. The Project's distribution of space by use is presented in Exhibit 1. This includes reference to Safeway's net change in square footage.

In order to support the analysis, ALH Economics developed assumptions regarding the prospective distribution of the 100,000 square feet of retail space planned for the Project. Tenants for this portion of the Project have not yet been determined by PDC. ALH Economics developed working assumptions for the space based upon review of the tenant mix at other Safeway-anchored shopping centers developed by PDC, experience in the retail industry, and professional judgment.

The tenant retail categories selected are consistent with categories defined by the State of California Board of Equalization ("BOE"), which collects and reports business count and taxable sales data by retail category. This study makes strong use of these BOE data, as they comprise the best available sales trend data for locations in California. Therefore, it is important to use the BOE's defined retail sales categories for analytical purposes to maximize the use of these data. Accordingly, ALH Economics' analysis is benchmarked to these categories, which generally include:

- Motor Vehicle & Parts Dealers
- Home Furnishings & Appliances
- Building Materials & Garden Equipment
- Food & Beverage Stores
- Gasoline Stations
- Clothing & Clothing Accessories
- General Merchandise Stores

- Food Services & Drinking Places (Restaurants)
- “Other Retail” Group<sup>3</sup>

ALH Economics’ distribution of tenant spaces assumes retailers would be spread across only a few merchandising categories due to the Project’s neighborhood-serving nature and relatively small size. These categories for the 100,000 square feet of non-anchor or restaurant space, and assumed square footages are presented in Exhibit 2 and summarized in Table 1.

**Table 1. Assumed Allocation of 100,00 Sq. Ft. of Commercial Space**

Proposed Tenant or Retail Category	Percent	Square Feet
Motor Vehicle & Parts Dealers	0%	0
Home Furnishings & Appliances	20%	20,000
Building Materials & Garden Equipment	0%	0
Gasoline Stations	0%	0
Clothing & Clothing Accessories	20%	20,000
General Merchandise Stores	0%	0
Other Retail Group	40%	40,000
Non-Retail Uses	20%	20,000
<b>Total</b>	<b>100%</b>	<b>100,000</b>

Source: Exhibit 2.

As noted, the 100,000 square feet are assumed to be distributed among four general categories, including home furnishings & appliances, clothing & clothing accessories, a broad other retail category that includes numerous types of retail such as office supply, pet supply, etc., and non-retail uses including bank/financial and personal services, such as hair and nail salons.

Overall, the assumptions for the distribution of the entire Project’s total and net incremental space by retail category are summarized below in Table 2. This is inclusive of the existing and new Safeway store space, the proposed restaurant and additional space, and the proposed health center.

**Table 2. Estimated The Orchards at Walnut Creek Distribution of Retail Categories**

Proposed Tenant or Retail Category	Proposed Square Feet	Net Square Feet
Grocery	55,000	32,500
Home Furnishings & Appliances	20,000	20,000
Clothing & Clothing Accessories	20,000	20,000
Other Retail Group	40,000	40,000
Restaurant	25,000	25,000
Health Club	45,000	45,000
Non-Retail Services	20,000	20,000
<b>Total</b>	<b>225,000</b>	<b>202,500</b>

Sources: Exhibits 1 and 2.

<sup>3</sup> “Other retail” stores include a wide range of retailers, such as pet supplies, office supplies, sporting goods, jewelry, book stores, florists, and gifts.



**PROJECTED SALES****Approach**

PDC has indicated its intention to host a ribbon cutting for its new store on October 1, 2015. For analytical purposes, therefore, this study assumes the Project's first full year of operations will be 2016. To facilitate the study, however, the analysis is conducted assuming sales in year 2013 dollars. Stabilized sales are not expected to occur the first year of store operations, but rather the second or third year, which is typical of new retail operations.

Store sales projections were prepared differently by type of prospective retail tenant. Two methods were employed, one for the Safeway store and one for all other retail tenants. A description of these methods follows.

**Safeway Store Sales**

A sales projection for the expanded Safeway store was developed based upon examination of a compilation of grocery store sales performance data prepared by Nielson Trade Dimensions, a vendor that provides individual store weekly sales estimates as well as estimated store sales selling area. ALH Economics reviewed the Trade Dimensions data specifically relative to Safeway store performance in the general Walnut Creek area, including Concord and Pleasant Hill. This includes the existing Safeway store at the Encina Grande neighborhood shopping center. This examination indicated that Safeway stores in the area typically outperform Safeway and average grocery industry performance.<sup>4</sup> Review of Safeway annual reports indicates that in 2012, the average Safeway store achieved sales totaling \$506 per square foot.<sup>5</sup> In 2013, grocery industry average performance is estimated to be about \$560.<sup>6</sup> Based upon the Trade Dimensions data findings, however, ALH Economics assumes the new Safeway will achieve sales in excess of these average figures. This higher figure is estimated at \$760 per square foot. This is also assumed to reflect the store's existing level of performance. The Safeway store is therefore assumed to achieve total annual sales of \$41.8 million, with \$24.7 million comprising incremental sales (see Exhibit 2).

Of the total Safeway sales, 8.7% is estimated to comprise pharmacy sales, or approximately \$3.6 million. This 8.7% figure was reported in Safeway's SEC 10-K form for 2012.<sup>7</sup> For analytical purposes, these sales are grouped with the Project's other retail sales, as this is how the BOE reports drug store sales at the city level.

<sup>4</sup> Nielsen's Terms of Use for the Trade Dimensions data prevent publishing individual store performance information. Therefore, the report refers to generalities about relative food store performance.

<sup>5</sup> Calculation derived from information included in Safeway's 2012 Annual Report and 2012 10-K prepared for the SEC. Per the 10-K, Safeway sales in 2012 totaled \$44,206.5 million. Fuel sales were \$4,974.2 million, leaving \$39,232.3 million for sales excluding fuel (page 80). Total retail square footage at year-end 2012 was 77.6 million square feet (page 8). This equates to a sales equivalent of \$506 per square foot.

<sup>6</sup> See Exhibit B-2, which presents industry average figures.

<sup>7</sup> Safeway Inc., "Form 10-K, For the Fiscal Year Ended December 29, 2012," page 80.

### All Other Retail Store Sales

In order to estimate the annual sales performance of the Project's 100,000 square feet of retail space and additional 25,000 square feet of restaurant space, ALH Economics matched the assumptions regarding the type of tenant likely to occupy the space with corresponding sales-per-square-foot figures. Estimates were not prepared for the Health Club or the non-retail services. Sales generated by these uses are not reported by the State of California BOE in a manner that is conducive to comparative analysis. Such sales are typically not reflected in urban decay analyses. Further, the analysis later considers a non-sales based approach to assessing the Health Club.

The sales per square foot figures are based on information available from Retail MAXIM, which annually publishes an industry resource document that reports average sales per square foot figures for many national retailers and aggregates the data by specific retail categories. ALH Economics tracks Retail Maxim's store performance estimates, with an inflation-adjusted data trend inclusive of sales performance figures from 2009 through 2012 presented in Exhibit B-2. Averaging these figures and inflation adjusting to 2013 dollars is believed to provide a reasonable estimate of potential store sales performance for relevant categories. While specific retail and restaurant operators have not been identified, the retail spaces were matched to categories included in the Retail Maxim retail survey. The resulting sales figures, cited in Exhibit 3, include the following:

- \$288 per square foot for the home furnishings & appliances category, reflective of the Retail Maxim average for domestics and furniture, which includes retailers that sell kitchen wares, bedding, mattresses, and furniture;
- \$466 per square foot for the clothing & clothing accessories space, reflective of the Retail Maxim average for apparel, which includes specialty apparel, shoes, and accessories;
- \$479 per square foot for the restaurant space, based on the average sales among major national restaurant chains;
- \$345 per square foot for the portion of the retail space allocated to other retail, reflective of the Retail Maxim estimate for a range of categories that correspond with the BOE other retail sales category, including fragrances, office supplies, sports, pet supplies, toy stores, music stores, and gifts, hobbies, and fabrics; and
- There are no competitive retail sales associated with the non-retail services uses.

All of the sales per square foot assumptions are presented in Exhibit 3, with additional back up data in Exhibit B-3.

Based upon the preceding store sales per square foot figures, the Project's annual retail store sales estimate is documented in Exhibit 3 and summarized below in Table 3. The total annual sales in 2013 dollars are estimated at \$82.7 million. This reflects the total sales inclusive of the portion of Safeway sales relocated from the Encina Grande shopping center location. Net of these sales, the Project's anticipated annual retail sales total \$65.6 million.

**Table 3**  
**Estimated The Orchards at Walnut Creek Sales by Type of Retail**  
**Total Sales and Net of Existing Safeway Sales**

Proposed Tenant or Retail Category	Total Sales	Net Sales
Grocery	\$38,163,400	\$21,063,400
Home Furnishings & Appliances	\$5,758,568	\$5,758,568
Clothing & Clothing Accessories	\$9,319,948	\$9,319,948
Other Retail Group	\$17,446,346	\$17,446,346
Restaurant	\$11,982,417	\$11,982,417
Health Club	NA	NA
Non-Retail Services	NA	NA
<b>Total</b>	<b>\$82,670,678</b>	<b>\$65,570,678</b>

Source: Exhibit 3.

As noted in Table 3, the largest component of Project sales is the grocery component of Safeway's sales, with \$38.2 million total sales and \$21.1 million net sales. This does not include the portion of sales anticipated for the Safeway pharmacy. These sales are folded into the other retail sales, as noted above. The next largest increments of estimated Project sales include \$17.4 million in other retail sales, \$12.0 million in restaurant sales, \$9.3 million in clothing & clothing accessories sales; and \$5.8 million in home furnishings & accessories sales.

#### IV. MARKET AREA DEFINITION AND RETAIL CHARACTERIZATION

This report chapter discusses the approach to estimating The Orchards at Walnut Creek's market area, which is the area from which the majority of shoppers are anticipated to originate. This chapter describes the market area and characterizes the area's existing retail inventory.

##### APPROACH TO DEFINING MARKET AREA

The Project's market area definition is based on the principle that most consumers will travel to the shopping destination most convenient to their homes given the type of goods available. A market area is the geographic area from which the majority of a retail shopping center's demand is anticipated to originate. Several tasks were completed to identify the Project's market area, foremost of which included mapping the location of the Project relative to other Safeway stores, especially existing or planned Lifestyle stores, and consideration of consumer origin data provided by Safeway.

##### MARKET AREA CONCEPTUAL DESCRIPTION

In developing a market area, ALH Economics strives to identify the area from which the majority of demand for a shopping center will originate, typically at least 70%, based upon the following industry resources.

Materials published by major industry organizations indicate that a retail store's trade area generally supplies 70% to 90% of the store's sales, while the remaining 10% to 30% of sales are attributed to consumers residing outside of the store's market area. In its Shopping Center Development Handbook, Third Edition, the Urban Land Institute (ULI) states the following:

"A site generally has a primary and a secondary trade area, and it might have a tertiary area. The primary trade area should generally supply 70 to 80 percent of the sales generated by the site. These boundaries are set by geographical and psychological obstacles."<sup>8</sup>

ULI is a nonprofit research and education organization representing the entire spectrum of land use and real estate development disciplines. Among real estate, retail, and economic development professionals, this organization is considered a preeminent educational forum.

Information published by the International Council of Shopping Centers (ICSC), a trade association for the shopping center industry, also provides instructional information about market area definitions. In the recent publication Developing Successful Retail in Secondary & Rural Markets, the ICSC says:

"A trade area is the geographic market that you will be offering to potential retailers as a consumer market. ... Defining a retail trade area is an art and a science. In general, a trade area should reflect the geography from which 75-90 percent of retail sales are generated. Different stores can have different trade areas based on their individual drawing power and the competitive market context."<sup>9</sup>

<sup>8</sup> Shopping Center Development Handbook, Third Edition, Urban Land Institute, 1999, page 44.

<sup>9</sup> Developing Successful Retail in Secondary & Rural Markets, International Council of Shopping Centers in cooperation with National Association of Counties, 2007, page 7.

In summary, these industry resources suggest that a retail project's trade area, or market area, typically is defined as the geographic area from which at least 70% of demand is anticipated to originate.

#### PROJECT MARKET AREA DEFINITION

ALH Economics conducted research to develop an estimate of the market area for the Project, i.e., the area from which the majority of shoppers will originate. For the purpose of this study Safeway made available customer sales data for the existing Encina Grande store. These data included point in time sales generated by shoppers on a zip code basis. From these data, it was possible to determine the zip code areas that generate the greatest level of support for the existing Safeway store. The four zip codes that encompassed approximately 80% of the Safeway shoppers were then mapped to observe their geographical locations and distribution. Because zip codes are large and irregularly shaped, ALH Economics superimposed the zip codes over a census tract map to identify the census tracts that would best comprise the market area for the Project. An advantage of using census tracts is that the market area definition is easily defined, easily replicable, and key demographic estimates and projections are readily available in this format.

Once the zip codes and census tracts were superimposed, ALH Economics refined the edges of the market area based on the location of the nearest other Safeway stores. This refinement is based upon the assumption that consumers will shop at the Safeway store closest to their home, especially other Lifestyle or otherwise updated and expanded stores. These stores are plotted on Exhibit 4, including store size. ALH Economics then identified multiple intersections within the census tracts closest to the Project site. These intersections were tested using mapping software to determine which Safeway store, including the planned Project site, was closest in proximity and involved the shortest travel time.

The testing results identified six census tracts for which the Project's Safeway store will be the closest or approximately tied on average for the closest store. The census tracts are noted on Exhibit 4, and are listed in Exhibit B-3.<sup>10</sup> The census tracts encompass a portion the City of Walnut Creek and a small portion of the City of Concord. In some cases the Project site is as close to the census tract residents as are other Safeway stores, or involve comparable travel time, and thus the Project will have potential to draw some demand from these census tracts. This is especially the case in census tract 3340.06, located to the north northeast of the Project site. For this census tract the Project site's travel time and distance from nine intersections were tested compared to the two Safeway stores on Clayton Road in Concord. On average, the results indicated that the Clayton Road stores were closer, but travel time was in many cases the same or faster to the Project site. It is assumed that shoppers living in this census tract seeking to grocery shop on their way home from other locations, such as work or other shopping expeditions, would be more likely to use the proposed store given its location en route. Based on this, census tract 3340.06 was included in the market area. The Project's Safeway store will compete with other Safeway stores for shoppers from this area, but ALH Economics concluded that at least some of these shoppers will be likely to use the store. The same is true for census tract 3382.01, which is bookended by the Project site but also includes a Safeway store in Countrywood Shopping Center. Again, shoppers in this census tract will be drawn to both stores, yet it is clear from its location that the proposed store will draw from this area and thus it should be included in the market area.

<sup>10</sup> These census tracts include 3373, 3553.02, 3383.02, 3383.01, 3382.01, and 3340.06, and encompass portions of both Walnut Creek and Concord.

**MARKET AREA SUPPORT OF PROJECT SALES****Project Sales Generated by Market Area Residents**

For the purpose of this study, ALH Economics developed an estimate of the percentage of sales achieved by the Project's retailers from market area resident spending. This estimate is based on considering the geographic size of the market area, the Project size and tenant orientation, population density of the area, amount of existing retail in the market area, and the potential to attract demand from vehicular traffic along Ygnacio Valley Road, including evening commuters en route home after work as well as people who work in the area (e.g., Shadelands Business Park) but live elsewhere. Pursuant to all these considerations, as well as the provided Safeway shopper data, ALH Economics estimates that 80% of the Project's demand would be generated from market area shoppers.

Pursuant to this 80% market area sales assumption, the estimated portion of Project sales generated by market area residents is \$66.1 million and the estimated portion of sales generated from other sources is \$16.5 million. These \$16.5 million in out of market area sales include \$7.6 million for groceries, \$2.4 million for and \$6.5 million for the balance of retail goods.

Of the \$66.1 million market area portion, \$52.5 million is estimated to be in addition to the existing Encina Grande Safeway store sales (see Exhibit 5). Of the \$52.5 million net sales contributed by market area residents, \$16.9 million is estimated to be Safeway grocery sales with \$35.6 million generated for the Project's other retailers, including the Safeway pharmacy. The balance of the Project's sales are anticipated to originate from other sources, such as employees at Shadelands Business Park and other shoppers traveling through the area.

**Outside Market Area Sales Assumption Reasonableness**

In support of the outside of market area sales assumption, the aforementioned market demand analysis conducted in April 2012 for the Shadelands Gateway Specific plan estimated that 3,710 people worked at Shadelands Business park at the time of the last decennial census (i.e., 2010). No update to this figure is available, but this provides a general estimate of the potential employment base at Shadelands Business Park. A key industry resource provides estimates of worker retail spending during the workday. This resource is the publication "Office-Worker Retail Spending in a Digital Age," prepared by the International Council of Shopping Centers in 2012. Pursuant to figures included in this report, and presented in Exhibit B-1, ALH Economics estimates that during the workday, the average office worker in an urban area with ample retail offerings spends the following on an annual basis during the workday, including to and from their workplace:

- \$2,096 for full-service restaurants and fast food;
- \$1,230 on groceries; and
- \$5,644 on other retail items, such as personal care shops, office supplies, department stores, drug stores, electronics, jewelry stores, entertainment, clothing, and other goods.

These figures suggest that the approximate 3,710 Shadelands Business Park employees make annual workday purchases totaling \$7.8 million for restaurants and fast food, \$4.6 million for groceries, and \$20.9 million for all other retail items. These figures exceed the share of Project sales anticipated to be generated from outside the market area, with the exception of the \$4.6 million grocery figure, which comprises approximately two-thirds the \$7.6 million estimate of sales generated from outside the market area. There will be many factors that determine how much of these estimated Shadelands

Business Park employee expenditures occur at the Project versus other retail outlets, including factors such as where workers live and their associated commute patterns, the type of retail good being sought, and the range of available retail outlets available at the Project compared to other retail venues. Therefore, the Project will have the potential to capture a portion, but not all of these sales. However, these figures support the assumption that a portion of demand for the Project will originate from outside the market area, including probable Shadelands Business Park employees, and support the reasonableness of the 20% out of market area sales assumption for the Project's sales.

#### MARKET AREA RETAIL ORIENTATION

At up to 225,000 square feet, the Project would be positioned as a neighborhood or community shopping center, with PDC's concept more akin to a neighborhood center. This is consistent with the grocery store anchor planned for the Project. The Project would comprise a strong addition to the market area's retail base, which also includes several other existing neighborhood or community shopping centers. The following text describes the shopping centers, which are mapped in Exhibit 6. All but one of the shopping centers is located in the Walnut Creek portion of the market area.

#### Market Area Shopping Centers

The market area shopping center closest to the Project site is the **Encina Grande** shopping center where the existing 23,500-square-foot Safeway store is located. This neighborhood shopping center is immediately across the street from the Project site, located at the southwest corner of Ygnacio Valley Road and Oak Grove Road. The center, built in 1965, is dated, and includes numerous other retail tenants, including Walgreens, 1000 Oaks Hardware, Leslie's Swimming Pool Supplies, the UPS Store, Radio Shack, a drycleaner, many eating establishments, and select personal services. The center is currently operating with four small shop vacancies. After Safeway leaves this center, which totals 102,413 square feet, the current property owner, Regency Centers, plans to redevelop the center. The first phase is anticipated to begin in 2015, after some additional leases expire. Whole Foods has signed a lease to begin operations in the fall of 2016. This will be approximately one year after the Project opening.

The redevelopment of Encina Grande shopping center will include the following four components: 1) demolition of the existing Safeway and Walgreens spaces and construction of a new, larger 37,500-square-foot footprint for Whole Foods; 2) moving Walgreens to an expanded end cap space with a drive thru; 3) remodel and façade upgrade to the remaining center; and 4) upgrades to the parking lot, landscaping, and pedestrian areas. The renovated center will be slightly larger, at approximately 106,000 square feet. However, the overall shop space will decline given the expanded grocery and pharmacy space for Whole Foods and Walgreens and increased parking area. Of the four existing vacancies, two will be incorporated into the Whole Foods store and the other two are not being marketed at this time. While the center is dated, it is in good condition and does not show any signs of urban decay or deterioration.

Another dated shopping center located near the Project site is **Citrus Marketplace**, located on Oak Grove Road one block north of Ygnacio Valley Road. This approximately 100,000-square-foot shopping center fronts on Oak Grove Road and does not have accessibility from Ygnacio Valley Road. The center is located across Oak Grove Road from the Shadelands Gateway Specific Plan Area, almost but not quite across from the portion of the site on which The Orchards at Walnut Creek will be developed. This center is also an older center, and was last remodeled in approximately 1994, at which time the property was rezoned to establish a new Planned Development (PD). At that time new commercial square footage was added and the center was redesigned to include the current Nob Hill

Foods grocery store that anchors the center, which was limited to 38,000 square feet of gross floor area, and additional retail square footage. The grocery store was inconsistent with the provisions of the prior Planned Development zoning for the site. The PD zoning established in 1994 identified permitted uses on the site and set guidelines for other uses, such as limiting the number of restaurants, banks/savings and loan offices, and real estate offices. In 2007, BevMo! replaced Long's as the center's junior anchor tenant.

Today, Citrus Marketplace exhibits signs of decline as a neighborhood shopping center, with few retail tenants other than restaurants and the referenced Nob Hill Foods and BevMo! Grocery store sales performance data, suggests that the Nob Hill Foods is a moderate-performing grocery store, achieving below industry average sales. A large portion of the center's shop space is devoted to personal and other services and youth-oriented activities, such as the Mildly Ill and Children's Medical Center, a karate studio, My Gym (a children's fitness center), and a Weight Watchers center. The center currently has two small shop vacancies, totaling 2,500 square feet, with two additional vacancies anticipated by the end of 2013, totaling another 3,780 square feet. The two existing vacancies have been prolonged vacancies. One of these vacancies, a former coffee shop, has been vacant approximately 3-4 years, and the other vacancy, a former ballet studio, has been vacant for five years, and was vacant for a prolonged period prior to the ballet studio's tenancy. While these vacancies have been prolonged, another recent vacancy, a Carl's Jr., was backfilled within approximately three months by a family restaurant. Thus, while this center appears to be in general decline given its high proportion of non-retail tenants and two prolonged vacancies, it continues to have some, albeit limited market appeal to new retail tenants.

The next nearest shopping location in the market area is **Oak Grove Plaza**, at the southwest corner of Oak Grove Road and Treat Boulevard. This approximately 120,000-square-foot center is located in Concord approximately 0.9 miles from the Project site, near the edge of the market area. Trader Joe's is the grocery anchor at this shopping center, which is accompanied by Pet Food Express. Other tenants at this center include two fitness facilities, Curves and Concord CrossFit, a pharmacy, a sporting goods store, several services such as beauty salon, photo lab, nail salon, and cleaners, and other neighborhood-serving uses. This center has no visible vacancies, appears to attract a high customer volume, and is in good physical condition.

**Ygnacio Plaza** is a neighborhood shopping center 1.3 miles west of the Project site, located on Ygnacio Valley Road. This approximately 110,000-square-foot center is located near the western edge of the Project's market area. In contrast to the other market area shopping centers, this shopping center does not feature an anchor supermarket. Instead, Fresh and Easy is located at this center as the only food store. Tesco, the owner of the Fresh and Easy brand, recently moved to divest of the chain and successfully found a buyer. In the process, many Fresh and Easy store locations were closed, but this location appears to have been retained by the chain and is anticipated to successfully change ownership. There was an approximately 35,000-square-foot Albertson's grocery store at this center, which was successfully backfilled by Sports Basement in 2007. Other tenants at this shopping center include Fitness 19, Lemonade (a children's boutique), Encore Theatrical Supply, Walkabout Footwear, and others. This center also features numerous restaurants and services, such as Mooyah Burgers Fries and Shakes, Subway, Yoppi Yogurt, European Wax Center, an optometrist, and an education center. This center appears busy and in good condition. As of September 2013 there was one small, very recent shop vacancy with 3,100 square feet. The Plaza's leasing agent indicates the center is typically 100% occupied, and anticipates this new vacancy will lease quickly.

The final market area shopping center is **Countrywood Shopping Center**, located at the western edge of the market area. Situated 1.4 miles from the Project site, this is a community shopping center



anchored by a 24-hour Safeway store approximately 50,000 square feet in size. The center totals approximately 150,000 square feet and is located at the southeast corner of Treat Boulevard and Bancroft Road. This center includes two other larger retail tenants, McCaulou's Department Store and CVS. Countrywood Fitness is also located at this center. There are numerous other retailers located at Countrywood, such as a home interiors store, a music store, a florist, and swim shop, plus restaurants and services. This shopping center appears to have strong customer volume, has no visible vacancies, and is in good physical condition.

#### **Summary of Market Area Retail Characteristics**

As the preceding review indicates, some of the market area's existing shopping centers are older, dated shopping centers, while others appear to be strong performing shopping centers. All of the centers have a major food store or other food sales tenant, and more than half include a fitness facility. The centers in general provide a range of retailers, restaurants, and services, providing a strong retail base for the surrounding residents. The centers generally have strong occupancy, with only Citrus Marketplace characterized by chronic vacancies. Even with these chronic vacancies the center is well-maintained, thus there is no existing evidence of urban decay or deterioration in the market area.

The market area's existing centers are primarily neighborhood-oriented, excepting Countrywood Shopping Center, which has more of a community orientation given the tenancy of McCaulou's Department Store. When developed, the Project will be the largest retail shopping center in the market area. The Project is proposed to be 225,000 square feet, with the majority of the existing market area shopping centers in the 100,000- to 120,000-square-foot range. Countrywood Shopping Center, home of the market area's only 24-hour grocery store, is larger than the other market area shopping centers at 150,000 square feet, but is still smaller than the proposed Project. Thus, upon completion, the Project will be the largest retail center in the market area.

While the five identified shopping centers are located in the Project's market area, the centers will not necessarily serve the market area to the same extent as the Project. The Project's market area was defined to identify the geography from which the majority of the Project's shoppers will originate. Every shopping center has its own unique market area, such that nearby shopping centers may have some market area commonality, but not necessarily 100% overlap. The shopping centers located at the periphery of the market area, which include Ygnacio Plaza, Countrywide Shopping Center, and Oak Grove Plaza, all have portions of their own market areas that are unique from the Project's market area. Thus, only a portion of the market areas for these centers will overlap with the Project. Hence their draw on demand from within the Project's market area will be less than the Project's draw. In contrast, other centers located more proximate to the Project are likely to have more comparable market areas. These include Encina Grande shopping center in its current condition and Citrus Marketplace. These small centers are located effectively adjacent to the Project, and thus likely have market areas with strong similarities. In the future, however, assuming Encina Grande is redeveloped as planned, the market area for Encina Grande shopping center is likely to shift and be larger than the Project's market area because of the relatively unique draw of Whole Foods, with only one other Whole Foods in the combined cities of Walnut Creek and Concord. Thus, while the Project will be the largest shopping center in the market area, the redeveloped Encina Grande shopping center will likely draw customers from a wider area. This will only be the case when the Encina Grande shopping center is fully redeveloped, which is anticipated to occur approximately one year following the Project's completion.

## V. MARKET AREA DEMOGRAPHICS AND RETAIL SPENDING POTENTIAL

This report chapter identifies the market area's demographic characteristics, including in comparison to the cities of Walnut Creek and Concord. The chapter additionally estimates retail demand generated by the market area's residents and the relationship between projected market area retail demand and the Project's forecasted sales.

### DEMOGRAPHIC CHARACTERISTICS

Demographic estimates and projections for the Project's market area indicate that the market area has an estimated 2013 household count of 9,916 (See Exhibit 7). The population equivalent is 27,160. This is for the six census tracts that collectively comprise the market area. By 2016, the first estimated year of full operations for the Project, the household count is forecasted to increase to 10,077, for a nominal increase of 161 households. By 2018, a couple years after full operations, the household count is forecast to rise to 10,188, or by an additional 111 households. These forecasts are based upon data prepared by Nielson Reports, a national provider of economic and demographic data. The market area population counts for the same time periods include 27,160 in 2013, 27,536 by 2016, and 27,791 by 2018.

The market area census tracts encompass portions of the City of Walnut Creek and the City of Concord. The majority of the market area is located in Walnut Creek pursuant to the map in Exhibit 4, but two of the census tracts include portions of Concord (census tracts 3382.01 and 3373) and one census tract is completely located in Concord (census tract 3340.06). Demographic data for Walnut Creek and Concord are also presented in Exhibit 7. The household counts for Walnut Creek and Concord in 2013 comprise 31,479 and 45,426, respectively, for a total of 76,905. Thus, the market area's 2013 household count of 9,916 comprises 13% of the combined city total. The market area's 2013 population comprises a slightly higher 14% share of the combined city total of 191,015.

### INCOME CHARACTERISTICS

The Project's market area comprises very affluent portions of each respective City. In 2013, the market area's average household income is estimated at \$152,311 (see Exhibit 8). The overall range across the census tracts is \$122,012 to \$199,027. All of these figures are greater than the averages throughout Walnut Creek and Concord, where 2013 average household incomes are estimated at \$115,855 and \$83,996, respectively. These figures indicate strong retail spending potential by the market area's households, especially in contrast to the balance of Walnut Creek and Concord.

### MARKET AREA RETAIL DEMAND POTENTIAL

#### Approach to Estimating Retail Demand

ALH Economics prepared a retail spending potential analysis, or demand analysis, for the Project's market area households. This spending analysis takes into consideration average household income, the percent of household income spent on retail goods, and prospective spending on retail by the same retail categories reported by the BOE. Pursuant to data published by the U.S. Bureau of Labor Statistics, 2012 Consumer Expenditures Survey, households in the income group with annual household incomes over \$70,000 throughout the United States spent an average of 25% of household income on the type of retail goods tracked by the BOE. This is the highest income bracket

analyzed by the Consumer Expenditures Survey, and these households had average household incomes of \$133,437 before taxes. These income parameters are the most appropriate Consumer Expenditures Survey match for the market area. Therefore, ALH Economics assumes that for the market area households, 25% of income will be spent on retail goods.

As a proxy for household spending patterns, ALH Economics analyzed statewide taxable sales trends for 2011 and converted them to estimated total sales. The results, presented in Exhibit B-4, indicate that household spending by retail category ranges from a low of 5.4% on home furnishings & appliances to a high of 18.0% on food & beverage stores.

Market area retail demand projections for the market area's current and future household bases were estimated based upon the percent share of income spent on retail and estimated distribution of retail spending. The demand projection for the current household base is presented in Exhibit 9, the demand estimates for the incremental new households is presented in Exhibit 10. These demand estimates are then combined in Exhibit 11 which presents the total demand estimate for the current 2013 time period as well as future household demand in 2016 and 2018, all in 2013 dollars.

#### Retail Demand Findings

The household demand estimates in Exhibit 11 are summarized below in Table 4. This indicates that the current household base has the estimated potential to spend \$377.6 million on retail goods. The largest share of spending is for food & beverage stores, which totals \$68.1 million for the existing household base. This demand figure will increase only nominally to \$69.2 million by the time the Project is fully operational, and to \$70.0 million shortly thereafter by 2018.

Table 4. Market Area Retail Demand Estimates, in millions of 2013 dollars

Type of Retailer	Existing	All Future Households	
	2013	By 2016	By 2018
Motor Vehicles and Parts Dealers	\$46.1	\$46.9	\$47.4
Home Furnishings and Appliance Stores	\$20.4	\$20.7	\$21.0
Building Materials and Garden Equip	\$22.6	\$22.9	\$23.2
Food and Beverage Stores	\$68.1	\$69.2	\$70.0
Gasoline Stations	\$47.8	\$48.6	\$49.1
Clothing and Clothing Accessories Stores	\$25.6	\$26.0	\$26.3
General Merchandise Stores	\$52.2	\$53.0	\$53.6
Food Services and Drinking Places	\$47.4	\$48.2	\$48.7
Other Retail Group	\$47.3	\$48.1	\$48.6
<b>Total</b>	<b>\$377.6</b>	<b>\$383.7</b>	<b>\$387.9</b>

Source: Exhibit 11.

The market area retail demand figures summarized in Table 4 reflect the total retail spending potential for the market area households, regardless of the location of retail venues where spending occurs. These figures suggest that the existing Safeway store is already capturing a strong share of the market area demand. Based upon the earlier analysis, the existing Safeway store is estimated to

achieve \$17.1 million in annual sales.<sup>11</sup> If 80% of these sales are generated by the market area, as suggested by the Safeway shopper data and assumed for the Project, then \$13.7 million in store sales are captured from the existing market area. This \$13.7 million in sales is equivalent to a 20% capture rate, or 1/5 all market area demand for grocery sales.

**IMPLIED PROJECT MARKET AREA CAPTURE RATE**

ALH Economics calculated the amount of market area demand the Project would need to capture if the market area residents provide 80% of the support for the Project, as anticipated based upon the market area definition process. The analysis supporting these calculations is presented in Exhibit 12, which summarizes the Project sales estimated to be generated by market area residents and estimated market area demand by 2016 and 2018, and then calculates the implied Project capture rate for the total and net sales. The analysis is presented for 2016 as this is the first full year of operations for the Project, while the analysis is projected for 2018 as a later stabilized year.

As indicated in Exhibit 12, and summarized in Table 5, for the Project to achieve the estimated level of market area sales support totaling \$66.1 million, the Project as a whole in 2016 would need to capture 17% of all market area demand. The amount of demand by retail category varies based upon the Project's estimated distribution of sales. The implied market area demand capture rate is highest in the food & beverages category, with 44% of market demand. This is a substantial increase over the previously estimated 20% capture rate for the existing Encina Grande Safeway store. Therefore, the net increase in food & beverage capture will be 24%.

**Table 5. Implied Market Area Project Sales Capture Rates  
Based on 2016 Market Area Spending Analysis**

Type of Retailer	Total Project Sales		Net New Project Sales	
	Total	Capture Rate	Total	Capture Rate
Motor Vehicles and Parts Dealers	\$0	0%	\$0	0%
Home Furnishings and Appliance Stores	\$4,606,854	22%	\$4,606,854	22%
Building Materials and Garden Equip	\$0	0%	\$0	0%
Food and Beverage Stores	\$30,530,720	44%	\$16,850,720	24%
Gasoline Stations	\$0	0%	\$0	0%
Clothing and Accessories Stores	\$7,455,959	29%	\$7,455,959	29%
General Merchandise Stores	\$0	0%	\$0	0%
Food Services and Drinking Places	\$9,585,933	20%	\$9,585,933	20%
Other Retail Group	\$13,957,076	29%	\$13,957,076	29%
<b>Total</b>	<b>\$66,136,542</b>	<b>17%</b>	<b>\$52,456,542</b>	<b>14%</b>

Source: Exhibit 12.

<sup>11</sup> Comprising the existing 22,500 square feet at estimated sales performance of \$760 per square foot (see Exhibit 3 for sales per square foot).

The necessary capture rates for the Project's remaining anticipated sales categories are lower, ranging from 20% for restaurants to 29% each for clothing & clothing accessories and the other retail group.

As noted previously, the Project will compete most strongly for shopper demand with other existing shopping centers in the market area. For the Project to capture 44% of market area demand for food & beverage sales at the time the Project becomes operational means that the remaining three market area grocery stores (Nob Hill, Safeway, and Trader Joe's), one market area convenience store (Fresh and Easy), and all other possible food stores would capture the remaining 56% of the demand.

For the Project's Safeway to increase its share of market area sales from 20% to 44% implies that the increase in captured sales would need to come from other sources. The retail demand analysis indicated that not much growth is anticipated in the market area, and thus market area growth will not provide for this increase in sales without sales being redirected from elsewhere. Already up to 20% of the Project's sales are anticipated to originate from outside the market area; therefore, the market area demand is an important contributor of support for the Project and the anchor Safeway store. It is therefore important to examine the overall retail market and the extent to which the overall market has the capacity to absorb new sales or if the new sales will be shifted from elsewhere. These shifted sales will not necessarily originate from within the market area, as there are other stores near the market area in Walnut Creek and Concord where market area residents can readily shop. Thus, the following impact analysis considers analysis of the Project in the context of the sales base for both the City of Walnut Creek and the City of Concord.

## VI. PROJECT SALES IMPACT ANALYSIS

This chapter assesses the extent to which the Project's sales might impact the existing retail sales base. It examines the characterization of the sales bases in Walnut Creek and Concord, the two cities straddled by the Project's market area, and then considers the extent to which the Project may or may not divert sales away from existing retailers.

### RETAIL SALES BASE CHARACTERIZATION

#### Approach

For the purpose of this study, ALH Economics characterized the retail sales bases of Walnut Creek and Concord with regard to the extent to which they attract or leak retail demand generated by their population base. Toward this end, ALH Economics uses a retail model that estimates retail spending potential for an area based upon household counts, income, and consumer spending patterns. The model then computes the extent to which the area is or is not capturing this spending potential based upon taxable sales data published by the State of California Board of Equalization (BOE) or provided by local government municipal tax consultants. This analysis can be most readily conducted for cities, groupings of cities, or counties, consistent with the geographies reported by the BOE.

For any study area, retail categories in which spending by locals is not fully captured are called "leakage" categories, while retail categories in which more sales are captured than are generated by residents are called "attraction" categories. This type of study is generically called a retail demand, sales attraction, and spending leakage analysis, or retail gap analysis. Generally, attraction categories signal particular strengths of a retail market while leakage categories signal particular weaknesses. ALH Economics' model, as well as variations developed by other urban economic and real estate consultants and economic analysts, compares projected spending to actual sales.

For the purpose of generating a Retail Demand, Sales Attraction, and Spending Leakage Analysis for the relevant cities, ALH Economics obtained taxable retail sales data for 3<sup>rd</sup> Quarter 2011 through 2<sup>nd</sup> Quarter 2012 as reported by the BOE and adjusted the taxable sales to reflect total, more current sales. These were the most recent BOE data available at the time the study was conducted. Using the retail sales data, combined with household counts and household income figures estimated by Nielsen Reports, ALH Economics conducted a Retail Demand, Sales Attraction, and Spending Leakage Analysis. This analysis compared total estimated household spending to actual retail sales in both Walnut Creek and Concord. To the extent possible, sales estimates were updated to reflect a more current time period than measured by the BOE data. This included analyzing sales tax trend data in Walnut Creek from 2<sup>nd</sup> Quarter 2012 through 1<sup>st</sup> Quarter 2013, to generate sales adjustment factors by category to result in an estimated 2013 retail sales base. These data were provided by the City of Walnut Creek via the City's tax consultant. Comparable data were not available for the City of Concord, therefore the Concord analysis was conducted based on 2012 sales. Retail sales for both cities were also adjusted upward to adjust for nontaxable sales in key sales categories, including food & beverage stores and the drug store component of other retail sales. All these adjustments are noted as relevant in the analysis.

### Demographic Characteristics

ALH Economics' Retail Demand, Sales Attraction, and Spending Leakage Analysis requires household count, average household income, and percent of income spent on retail inputs for the area of analysis. These data inputs or assumptions for Walnut Creek and Concord are summarized in Table 6.

Table 6. Household Count and Income Estimates

City	Year	Number of Households	Average HH Income	
			Amount	Percent Spent on Retail
Walnut Creek	2013	31,479	\$115,855	25%
Concord	2012	45,065	\$84,507	30%

Sources: Exhibits 7 and 8.

As noted in Table 6, the household income profiles vary substantially between Walnut Creek and Concord, with average incomes much higher in Walnut Creek. Accordingly, the percent of income spent on retail is assumed to be greater in Concord, as these households have less disposable income, and thus a higher percentage of spending on retail. These assumptions are generally consistent with the aforementioned findings pertaining to the U.S. Consumer Expenditures Survey. As referenced earlier, households in the income group with annual household incomes over \$70,000 throughout the United States spent an average of 25% of household income on the type of retail goods tracked by the BOE. The survey findings further indicated that U.S. household incomes overall averaged \$65,596 before taxes, with retail spending comprising 32% of total income. As incomes go down, the percent of spending on retail increases. For example, households earning between \$50,000 and \$70,000, with an overall average of \$59,283, spent an estimated 36% of before tax income on retail purchases. Based on these findings, and the respective average household incomes of \$115,855 in Walnut Creek and \$84,507 in Concord, ALH Economics assumed that the Walnut Creek households would spend 25% of income on retail while the Concord households would spend 30% of income on retail.

### Retail Demand, Sales Attraction, and Spending Leakage Findings

**City of Walnut Creek.** The estimate of Walnut Creek's retail sales base pursuant to the most recently available BOE data is presented in Exhibit 13. This figure, reflective of annual retail sales ending the 2<sup>nd</sup> Quarter of 2012, is approximately \$1.7 billion. Based upon interim changes in sales, including the September 2012 market entrance of Sprout's, a new grocery store, the sales base was estimated to increase to almost \$1.8 billion by the end of 1<sup>st</sup> Quarter 2013 (see Exhibit 14). This indicates average sales on a per household basis of \$56,957. This figure reflects sales captured per household, not demand per household. Pursuant to the estimated distribution of household demand based upon the pattern noted earlier in Exhibit B-4, estimated retail spending per household in Walnut Creek is \$28,964 (see Exhibit 15). This demand figure is substantially lower than the sales per household figure, indicating in the aggregate that Walnut Creek captures more sales than is spent by its own households. In other words, Walnut Creek as a whole attracts retail sales. This result is not surprising, as Walnut Creek has a very strong downtown with regional draw.

Overall, the Retail Demand, Sales Attraction, and Spending Leakage estimates in Exhibit 15 suggest that almost 50% of the sales achieved in Walnut Creek are attracted from elsewhere. As Exhibit 15 further indicates, this retail sales attraction extends across almost every retail category, including food

& beverage sales. In this category, more than a third of Walnut Creek's estimated sales comprise sales attraction (e.g., 36%), or sales infused into the City of Walnut Creek from other locations. Walnut Creek is estimated to have sales leakage in only one retail category - the building materials & garden equipment category. Based on these findings, there does not appear to be much opportunity for retail new to the City of Walnut Creek to stem leakage and recapture sales lost to local retailers. This includes the food & beverage category, which is the category with the greatest amount of estimated sales for The Orchards at Walnut Creek. Therefore, instead of comprising recaptured sales leakage, sales achieved by new Walnut Creek retailers will comprise sales generated by new household growth, sales diverted away from existing retailers, sales that serve to strengthen the city's existing sales attraction, or some combination thereof.

**City of Concord.** The findings for the City of Concord display a similar trend to Walnut Creek. The estimated 2012 sales base in Concord totaled \$2.3 billion (see Exhibit 16). Per household sales generally equaled \$50,355, compared to a per household demand estimate of \$25,352 (see Exhibit 17). Thus, similar to Walnut Creek, Concord is estimated to achieve retail sales approximately 50% greater than one would expect from the City's population base alone. This is attributable to Concord's strong regional retail sales orientation, including major retail nodes such as Sunvalley Shopping Center and the Willows Shopping Center. As shown in Exhibit 17, Concord's estimated retail sales attraction occurs in all major retail categories, including food & beverage sales, where sales attraction comprises approximately 1/3 of all sales. Thus, as with Walnut Creek, on an overall basis there does not appear to be opportunity for citywide sales leakage to be recaptured.

#### PROJECT SALES IMPACTS

This section estimates the extent to which the Project's sales may comprise a negative sales impact on the existing retail sales base. For study purpose, both the sales bases in Walnut Creek and Concord are examined, as competitive projects span both cities, and thus if sales are diverted from existing retailers this could have repercussions for the sales base in both cities.

#### Approach

ALH Economics has developed an analytic approach that estimates the impact of the Project's incremental sales on existing retailers. For this analysis, the approach assumes that if the Project is adding sales to a category in an amount greater than any potential recaptured leakage in the category, **then at worst**, the amount of sales in that category in excess of any recaptured leakage would be diverted away from existing area retailers. In cases when this applies, this can be a conservative assumption given that diverted sales beyond the amount of recaptured leakage could also occur among other retailers beyond the market area or relevant city boundaries. Or, in cases where new household growth occurs, demand captured from these new households can offset impacts by increasing total sales captured by retailers throughout the area under study.

#### Retail Leakage Considerations

The preceding retail demand, sales attraction, and spending leakage analyses suggest that overall, there is no retail leakage in either Walnut Creek or Concord in categories relevant to the estimated Project sales. Therefore, ALH Economics assumes there is no potential for Project support to be gained by recapturing existing leakage. Sales may be shifted within the general community, with potentially some market area resident spending occurring outside the market area being recaptured within the market area, but such recapture would most likely only shift sales from other Walnut Creek or Concord retailers. Thus, there is not anticipated to be any net gain in area sales from the existing



population base. This could be different if the Project were to include retailers unique to the market, such that consumers would choose to increase their spending vector, which could occur when the Whole Foods store opens in the redeveloped Encina Grande shopping center, but given the neighborhood orientation of the Project this is an unlikely occurrence.

#### **Future Growth Considerations**

The study's demographic resource includes modest projections for future growth for Walnut Creek and Concord. As reflected in Exhibit 7, these growth projections between the 2013 baseline and 2016, the assumed first year of Project operations, totals 929 for the City of Walnut Creek and 1,077 for the City of Concord. Future retail spending patterns by these households is assumed to be comparable to the existing households in each respective city.

#### **Estimated Project Sales Base Impacts**

**Approach.** ALH Economics analyzed the Project impacts on the existing sales base based upon the amount of Project sales estimated to be net new to the sales base. This means the sales captured by the existing Encina Grande Safeway store are already considered in the retail base. As estimated in Exhibit 5, the net new sales total \$66.6 million.

These sales were examined as impacts on the existing sales base and then also as impacts on the existing sales base less future demand from new households. This does not mean that the new households are anticipated to spend all their retail dollars at the Project, but that as new retail dollars are spent in the market it provides support for all retailers, which may or may not include the Project's retailers. Thus, if the Project diverts retail dollars spent at existing retailers, new demand generated by household growth can potentially offset these sales diversions. Moreover, new demand for sales categories not represented by the Project can additionally provide support for yet other retailers, and hence support retail occupancy by additional new retailers.

The analysis assessing the Project's impacts on the existing retail sales base for both the City of Walnut Creek and Walnut Creek combined with Concord is presented in Exhibit 18. The retail demand projections pertaining to the household growth projected to occur prior to the Project's first year of full operations are presented in Exhibit 19. This demand analysis uses the same approach to estimating future demand as referenced earlier for the market area, with total retail demand estimated as a percent of the average household income for each city, and then the retail spending allocated using the pattern of sales noted in the State of California. The Project's impacts on the existing retail sales base less consideration of the projected demand is presented in Exhibit 20 for Walnut Creek and Exhibit 21 for Walnut Creek combined with Concord. The impacts in excess of 3% of the sales base are then presented in Exhibit 22. Retail is a dynamic industry with periodic fluctuations in sales performance. Historic fluctuations in retail sales nationally suggest that a 3+/- percent variation in sales is common. In the typical ebb and flow of retailing stores commonly experience sales increases and declines, and stores respond by implementing new merchandising, product repositioning, service changes, and other new strategies. Therefore, it is most relevant to evaluate the percentage impacts above the 3% percent threshold. This then lays the foundation for estimating the remaining impacts on the commercial retail base in Walnut Creek and Walnut Creek combined with Concord after consideration of all offsetting factors.

**Impacts Exclusive of Future Demand.** The results of the Project impact analysis without consideration of future demand are summarized in Table 7. Because no retail leakage is assumed in the market, the Project's net new sales are anticipated to be synonymous with the Project's sales

impacts. While ALH Economics analyzed the Project impacts relative to just the City of Walnut Creek sales base, the impacts are not anticipated to be isolated to Walnut Creek. This is because a portion of the market area is in the City of Concord, with other retail venues, especially grocery stores, in locations where market area residents could also shop (see discussion of grocery stores in the next chapter). Thus, sales diversions could occur among retail venues in Concord as well as in Walnut Creek. However, given the location of the Project and its surrounding market area, a greater proportion of the impacts are likely to be experienced by Walnut Creek retailers.

The summary results in Table 7 indicate that absent consideration of new demand, if all the Project's sales impacts were experienced by Walnut Creek retailers, the impacts would range from 3.4% to 9.6% of the sales in the Project's sales categories, with the 3.4% figure pertaining to the clothing & accessories retail category and the 9.6% figure pertaining to the food & beverage retail category. Across the entire City sales base the impacts would be equivalent to 3.7% of the sales base. Thus, if all the Project's sales impacts were experienced by Walnut Creek retailers, there could be a collective decline of 3.7% of sales among these retailers. As discussed previously, the City of Walnut Creek alone is not anticipated to bear the full brunt of the Project's estimated sales impacts, with Concord retailers also likely to experience some sales diversions. Taking the City of Concord retail sales base into account reduces the overall sales impacts based upon the existing population base to 1.6%. With Concord's sales base included in the base, the food & beverage sales impact drops to 4.3% of sales. While yet further sales impacts could be experienced in Pleasant Hill due to select Pleasant Hill grocery stores being located just as close to the Project site as stores in Walnut Creek and Concord, inclusion of Pleasant Hill sales would only serve to further reduce the percentage sale base impacts in the area beyond Walnut Creek. Moreover, inclusion of Pleasant Hill would not be relevant to the following analysis that takes new household retail demand into account, as the Project is not deemed likely to achieve significant demand from Pleasant Hill households.

**Table 7. Project Sales Impacts on Sales Base, Sales in \$millions  
Existing Base without Consideration of Future Demand**

Retail Category	Existing Population Base		
	Total Net New Sales	Walnut Creek	Combined Cities (1)
Motor Vehicles and Parts Dealers	\$0	0.0%	0.0%
Home Furnishings and Appliance Stores	\$5,758,568	7.9%	2.7%
Building Materials and Garden Equip	\$0	0.0%	0.0%
Food and Beverage Stores	\$24,700,000	9.6%	4.3%
Gasoline Stations	\$0	0.0%	0.0%
Clothing and Clothing Accessories Stores	\$9,319,948	3.4%	2.3%
General Merchandise Stores	\$0	0.0%	0.0%
Food Services and Drinking Places	\$11,982,417	5.8%	3.2%
Other Retail Group	\$13,809,746	7.5%	3.2%
<b>Total</b>	<b>\$65,570,678</b>	<b>3.7%</b>	<b>1.6%</b>

(1) Walnut Creek and Concord sales bases combined.  
Source: Exhibit 18.

**Impacts Net of Future Demand.** Taking into consideration prospective demand generated by households new to the City of Walnut Creek prior to the full operation of the Project (i.e., 2016), the overall sales impacts will decline to 2.8%, with the sales impact on the food & beverage category declining to 7.7%. These figures are presented in Table 8, which also indicates new demand will

remain in retail categories not present at the Project. Thus, demand in these categories can support other new retail opportunities. This unmet demand totals \$12.0 million, of which \$5.3 million is for non-auto uses.

**Table 8. Project Sales Impacts on Sales Base Less Consideration of Future Demand  
City of Walnut Creek, 2016**

Retail Category	Total Net New Sales	Sales Impact Less New Demand	Remaining Demand	% Impact on Sales Base
Motor Vehicles and Parts Dealers	\$0	\$0	\$3,287,535	0.0%
Home Furnishings and Appliance Stores	\$5,758,568	\$4,304,370	\$0	5.9%
Building Materials and Garden Equip	\$0	\$0	\$1,607,544	0.0%
Food and Beverage Stores	\$24,700,000	\$19,846,911	\$0	7.7%
Gasoline Stations	\$0	\$0	\$3,405,125	0.0%
Clothing and Clothing Accessories Stores	\$9,319,948	\$7,494,342	\$0	2.8%
General Merchandise Stores	\$0	\$0	\$3,717,432	0.0%
Food Services and Drinking Places	\$11,982,417	\$8,605,301	\$0	4.1%
Other Retail Group	\$13,809,746	\$10,438,848	\$0	5.7%
<b>Total</b>	<b>\$51,760,932</b>	<b>\$40,250,924</b>	<b>\$12,017,636</b>	<b>2.8%</b>

Source: Exhibit 20.

As shown in Table 9, when both future demand to 2016 and City of Concord sales are factored into the Project's impact analysis the Project's overall sales impacts are reduced to 0.9%. Using the combined retail base, the largest retail category impact is 2.6% of the food & beverage category. As with the Walnut Creek sales base analysis, additional unmet demand will remain in categories not served by the Project, and can support new retail opportunities. This unmet demand totals \$24.1 million, of which \$10.7 million is for non-auto uses.

**Table 9. Project Sales Impacts on Sales Base Less Consideration of Future Demand  
Cities of Walnut Creek and Concord Combined, 2016**

Retail Category	Total Net New Sales	Sales Impact Less New Demand	Remaining Demand	% Impact on Sales Base
Motor Vehicles and Parts Dealers	\$0	\$0	\$6,604,202	0.0%
Home Furnishings and Appliance Stores	\$5,758,568	\$2,837,287	\$0	1.4%
Building Materials and Garden Equip	\$0	\$0	\$3,229,333	0.0%
Food and Beverage Stores	\$24,700,000	\$14,950,818	\$0	2.6%
Gasoline Stations	\$0	\$0	\$6,840,423	0.0%
Clothing and Accessories Stores	\$9,319,948	\$5,652,558	\$0	1.4%
General Merchandise Stores	\$0	\$0	\$7,467,805	0.0%
Food Services and Drinking Places	\$11,982,417	\$5,198,260	\$0	1.4%
Other Retail Group	\$13,809,746	\$7,038,081	\$0	1.7%
<b>Total</b>	<b>\$51,760,932</b>	<b>\$28,638,923</b>	<b>\$24,141,762</b>	<b>0.9%</b>

(1) Walnut Creek and Concord sales bases combined.

Source: Exhibit 21.

As previously stated, the Project's impacts are most likely to straddle the findings in Tables 8 and 9, as the impacts are likely to be distributed among both Walnut Creek and Concord retailers, but with a greater portion in Walnut Creek since the majority of the market area is in Walnut Creek and the

shopping locations closest to the market area are also in Walnut Creek. However, some impacts are likely to occur in the City of Concord since a portion of the market area is in Concord and these and other market area households could divert some of their shopping expenditures from Concord retailers. As noted earlier, some additional impacts could be experienced among Pleasant Hill food stores, but these are not anticipated in any way to be substantial.

**Residual Impacts Net of 3% of Sales Base.** Taking the impact analysis one step further, Exhibit 22 includes estimates of the amount of residual Project impacts that would remain even after Project impacts equivalent to 3% of the sales base for each category with estimated impacts are absorbed by existing retailers. This is included as a proxy for expected sales fluctuation for retailers, recognizing that there is always some level of sales volatility inherent in operating in a dynamic industry sector. These findings are summarized in Table 10, below.

The results of this analysis indicates that if all the impacts were incurred among Walnut Creek retailers, the residual sales impacts would total \$21.5 million, of which \$12.1 million would be in the food & beverage category. If the impacts were spread across both Walnut Creek and Concord, then the existing retailers could absorb the impacts within the estimated 3% buffer and there would be no residual impacts.

Table 10. Residual Project Impacts > 3% of Sales Base by Retail Category, 2016

Retail Category	City of Walnut Creek	Combined Cities of Walnut Creek and Concord
Motor Vehicle & Parts Dealers	\$0	\$0
Home Furnishings & Appliances	\$2,126,940	\$0
Building Materials & Garden Equipment	\$0	\$0
Food & Beverage Stores	\$12,090,493	\$0
Gasoline Stations	\$0	\$0
Clothing & Clothing Accessories	\$0	\$0
General Merchandise Stores	\$0	\$0
Food Services & Drinking Places	\$2,371,593	\$0
Other Retail Group	\$4,936,437	\$0
Total	\$21,525,463	\$0

Source: Exhibit 22.

As cited earlier, the impact results are likely somewhere between the two analytical findings of \$21.5 million impacts on Walnut Creek retailers versus no impacts on combined Walnut Creek and Concord retailers. If the impacts are isolated to Walnut Creek, retailers in four categories would be impacted, including home furnishings & appliances, food & beverage, food services & drinking places, and other retail. The following section assesses the impacts these prospective losses could have on the overall retail inventory if the depth of these impacts result, **under a worst case scenario**, in the closure of existing retailers, especially in the City of Walnut Creek.

### Conclusion Regarding Project Impacts on Store Closures

As stated above, with growth taken into consideration and each retail sector's ability to absorb up to a 3% decline in sales, the Project's residual sales impacts total an estimated \$21.5 million if the impacts are incurred only by Walnut Creek retailers, with no residual impacts among Walnut Creek retailers. ALH Economics considered the potential for some of these sales impacts to be offset by unmet demand in retail categories not impacted by the Project. In other words, if some stores experience impacts so severe as to close, demand for different retail categories would result in support for new retailers to occupy potentially vacated space. This demand for different retail categories for the City of Walnut Creek is presented in Exhibit 20 and for the City of Walnut Creek combined with Concord is presented in Exhibit 21. As noted above, the remaining demand in Walnut Creek for non-auto sales totals \$5.3 million, while the comparable figure in the combined cities is \$10.7 million. Auto-related sales are excluded because they generally require very specialized retail spaces that are not typically located in shopping center locations and thus are not competitive with the Project. The intent of this analysis is to identify the amount of retail space that could be jeopardized as a result of the Project's residual sales impacts.

This supportable space analysis is included in Table 11. This table presents the residual sales impacts > 3% of the sales base less the unmet demand generated by new growth, to isolate the amount of new sales that will not be estimated to be absorbed by household growth. A generic sales per square foot range was then applied to the adjusted sales impacts figures, to assess the amount of square feet of retail space that could be affected by the sales impacts. This is essentially the amount of space anticipated to lose consumer demand, or support, under the assumption that the Project will perform as estimated. If the sales achieved by the Project are lower, then the remaining sales impacts and affected square feet of retail space will correspondingly be less as well. The generic sales per square foot figures generally correspond to the weighted average range of sales per square foot assumed for the cumulative projects.

**Table 11. Project Sales Impacts > 3% of Sales Base Converted to Square Feet Impacted  
Less Consideration of Future Demand, 2016**

Sales Impact Factor	City of Walnut Creek	Cities of Walnut Creek and Concord Combined
Sales Impacts > 3% of Sales Base	\$21,525,463	\$0
Non-Auto Surplus Demand	\$5,324,976	\$10,697,138
Sales Impacts Less Surplus Demand	\$16,200,487	\$0
Sales per Square Foot (1)	\$400 - \$500	NA - NA
Impacted Square Feet (2)	40,501 - 32,401	0 - 0

Sources: Exhibits 21 and 22.

(1) Sensitivity analysis regarding prospective sales performance.

(2) Sales Impacts Less Surplus Demand / Sales per Square Foot.

The result of this calculation indicates the level of potential impacted square feet pursuant to the Project's impacts after all possible retail market offsets are applied. This result is 32,401 to 40,501 square feet if the impacts are isolated to Walnut Creek. These square footage impacts would only occur if the Project's sales impacts are concentrated among a small number of retailers, in which case they might incur a high enough loss in sales to impair operations and ultimately close. This suggests

32,401 to 40,501 range of square feet is the **maximum amount** of commercial retail space that could become vacant as a result of the Project, as store sales are impacted to the point where store viability is jeopardized. This is a **worst case** scenario. In contrast, if the impacts are spread between Concord as well as Walnut Creek, then the impacts would be absorbed by new demand, and no square footage impacts are anticipated.

There could be real estate market impacts resulting from the potential increase in vacant commercial square feet pursuant to the Project's impacts, which could in turn have implications regarding urban decay and deterioration. These impacts are probed in the context of the market's overall health and performance in Chapter X. Urban Decay Determination. Meanwhile, the Project's specific prospective impacts on food & beverage sales are discussed in the following Chapter.

## VII. GROCERY AND FOOD STORE IMPACTS

This chapter provides information and analysis about the grocery and food stores in and around the market area most germane to the proposed Orchards at Walnut Creek Shopping Center. This chapter emphasizes analysis of food stores as it comprises the Project's anchor tenant, and is also representative of the sales category with the greatest level of prospective impacts. Existing stores are identified by name and type, and discussed relative to their potential competitiveness with the Project. In addition to their relevance to the Project, many of the stores are included because they are especially relevant on a cumulative basis, meaning when additional food sales impacts occur after the addition of other planned retail projects. The cumulative impacts are discussed in a later report chapter, but this chapter discusses the extent and nature of potential area food sales impacts, as well as possible existing grocery and food stores that may experience negative sales impacts following completion of the Project.

### COMPETITIVE GROCERY AND FOOD STORES IDENTIFICATION AND PERFORMANCE

#### Identification of Competitive Grocery and Food Stores

The market area and surrounding areas of Walnut Creek and Concord have an abundant and diverse supply of grocery and food stores located in a variety of settings, including shopping centers and major commercial nodes. In addition, the City of Pleasant Hill also has numerous grocery stores that could potentially compete for market area sales, as select stores in Pleasant Hill located an equivalent distance from the Project site as other stores or shopping centers in Walnut Creek and Concord. ALH Economics visited many of these stores, viewing product mixes, customer volume, level of service, unique attributes, and commercial real estate settings. The food and grocery stores are diverse in their target consumer. Some are specialty or high-end, upscale stores that focus on providing extensive or exclusive product selection often in a stylized setting, others offer a conventional supermarket setting, a few are discount-oriented stores, and some are smaller niche markets that serve a very localized clientele or narrow produce niche, such as mostly fresh fruits and vegetables. There are also many ethnic markets located throughout the combined city areas, serving specialized international markets, most especially Latino. Most stores fit in one of the referenced market orientations; Safeway, however, has a mix of conventional and upscale stores.

ALH Economics visited select portions of the Walnut Creek and Concord retail markets in September 2013 to visually assess food and grocery store market performance, to determine market niches, to qualitatively assess the degree to which stores might incur lost sales due to the Project, and to assess overall retail market conditions. Select stores in Pleasant Hill were also visited. The competitive food store locations are listed in Exhibit 23, which identifies each store's distance from the Project, and are mapped on Exhibit 24. These presentations include many of the smaller food stores and all of the large grocery stores in the Project's market area and immediate surrounding city areas. While these materials do not include all stores selling food items in and around the cited cities, they include the stores deemed most competitive with or relevant to analysis of the Project and ultimately the cumulative projects.

Given the market orientation and locational distribution of the food stores relative to the Project, ALH Economics believes it is most meaningful to classify the competitive food stores by orientation and location. Accordingly, the following store discussions and analyses are presented in this manner.

### Grocery Store Sales Performance Information

For the purpose of this study, ALH Economics obtained information about select grocery store performance in and around the Project's market area and surrounding city environs. These data were obtained from Nielsen Trade Dimensions, which provides individual store weekly sales estimates as well as each store's estimated sales selling area. From these data, generalized analysis can be conducted to assess the relative sales performance of the stores. Nielsen's Terms of Use for the Trade Dimensions data prevent publishing individual store performance information. However, information about store performance in general and in relation to other stores can be divulged.

Based on the Nielsen Trade Dimensions data it appears that many of the market area and outside market area stores are performing at or above general grocery industry sales per square foot standards or the average sales per square foot figures for the relevant chains, such as Safeway, Trader Joe's, Whole Foods, and Sprouts. According to the prior analysis (see Chapter III), the Safeway chain nationally in 2012 achieved average sales of \$506 per square foot. Per industry resource Retail Maxim, per square foot sales figures in 2012 for Trader Joe's, Whole Foods, and Sprouts were \$1,875, \$919, and \$490, respectively.<sup>12</sup> The high sales of these stores locally is a strong indicator of store success. The greatest relevancy of this information is its use as an indicator of the potential for some existing stores to withstand potential sales declines while still retaining above industry or chain sales performance.

Pursuant to the Trade Dimensions data some market area grocery stores are performing below the overall national average of store performance, identified in Exhibit B-2 as \$557 in 2013 dollars. Typically, more value-oriented stores perform below this average and specialty/high-end or organic/gourmet stores perform above this average. This is borne out in the market area and environs, where store chains such as Nob Hill, Lucky, and Grocery Outlet appear to be performing below \$557 in average per square foot sales and stores such as Trader Joe's and Whole Foods are performing well above this level.

### MARKET AREA AND ENVIRONS STORE CHARACTERIZATION

There are a number of grocery and food stores distributed throughout the market area and environs, including regional and national chain stores such as Safeway, and general merchandise stores with a strong grocery component, such as Costco, Sam's Club, and Target. There are also numerous independent stores, mostly of an ethnic orientation, with the greatest number clustered in Concord. All of the identified stores are listed in Exhibit 23 and mapped on Exhibit 24. For the purpose of this analysis ALH Economics identified and visited almost 40 market area and environs grocery and food stores. Numbers in parenthesis following the store names in the text refer to the Identifier Numbers for market area stores on Exhibits 23 and 24.

### Market Area Stores

**Conventional Grocery and Food Stores.** Conventional stores are full-service grocery stores that offer most or all of the following: a fresh bakery; fresh meat and seafood; frozen foods including frozen meat; fresh produce; a deli counter; and prepared foods. Other specialties sometimes include organic foods, a flower selection, a pharmacy, or a photo center. The market area has two chain stores providing more conventional grocery shopping opportunities. These include the Safeway at Encina Grande (1), which will be relocated and expanded at the Project, and Nob Hill Foods (2). ALH

<sup>12</sup> Retail Maxim, "Alternative Retail Risk Analysis for Alternative Capital," July 2013.



Economics assumes that the sales at the Encina Grande Safeway will be transferred to the Project's expanded Safeway store. The new store is anticipated to be more upscale, comprising a Safeway Lifestyle store and open 24 hours. The Nob Hill store is located at the Citrus Marketplace shopping center, immediately across Oak Grove Road from the Project site at a distance of 0.1 miles from the Project site. This store is estimated at 38,000 square feet, and thus is below average in size for the current format of full-service grocery stores. Despite its relatively smaller size, the store includes an on-site bakery, a deli counter, prepared foods, a small eat-in area, staffed seafood and butcher counters, organic produce, a gluten free bread section, a bulk foods section, florist, greeting cards/books/magazines, and a video rental box. The store interior appears dated, with some chipping on the linoleum floor and water staining on the ceiling. The store does not appear to achieve high shopper volume and pursuant to the Trade Dimensions data appears to be under performing industry average grocery store sales. As noted earlier, Citrus Marketplace is characterized by a couple prolonged retail vacancies, although one recent vacancy leased quickly, and the vacancies are maintained in moderate condition. The shopping center appears to have a high percentage of non-retail tenants. Given its location, general condition, and traditional orientation, this store is likely to be highly competitive with the Project's planned Safeway store, although the store may continue to appeal to shoppers seeking a more conventional, smaller-scale shopping experience.

**Upscale Grocery and Food Stores.** Upscale stores focus on providing extensive or exclusive product selection often in a stylized setting. There is usually an emphasis on fresh foods, gourmet products, and organic foods at upscale stores. These stores have wider aisles and nicer decors, such as wood flooring in the produce section. The market area has only one store that satisfies this market niche, which is the Lifestyle-oriented Safeway (3) at Countrywood Shopping Center, 1.4 miles from the Project site. This store is a typical Safeway Lifestyle store and includes an on-site bakery, deli counter, prepared foods, florist, organic produce, coffee bar, eat-in area, greeting cards/magazines, staffed seafood and butcher counters, video rental, soup bar, olive bar, and self-checking. This store, which is open 24 hours, does not include a pharmacy but the shopping center includes a CVS store. The Trade Dimensions data for this store suggests that per square foot sales are very healthy, and above the Safeway store average and the average assumed for the Project's store performance. This further suggests that this store may be drawing a high volume of sales from within the market area and environs, which could be redirected to the Project's proposed Safeway store upon completion. It is therefore probable that some Project sales will occur to the detriment of this existing Safeway store, but that the store will likely continue to achieve reasonably strong sales.

**Specialty and Niche Market Stores.** Specialty and niche market stores are usually smaller stores that are distinguished from other stores by offering a certain type of grocery selection that is different than conventional stores. This may be the store's own, local, or imported brands of items. In the Project's market area, there are two examples of these stores, the Trader Joe's (4) located 0.9 miles away at Oak Grove Plaza and the Fresh & Easy (5) 1.3 miles away at Ygnacio Plaza. Both of these stores are located in well-maintained shopping centers, with a wide variety of other neighborhood- and community-serving tenants. Both stores have a strong focus on prepared or packaged foods, with less fresh produce than the typical full-service grocery store. Shopper volume appears very high at the Trader Joe's store, which caters to a more upscale clientele, and the Trade Dimensions data suggest the store exceeds storewide average sales. In contrast, the Fresh and Easy store, which focuses more on convenience shopping, appeared to have light shopper volume; the Trade Dimensions data suggest this store is underperforming the Fresh and Easy store average. ALH Economics anticipates that the Fresh and Easy store will likely not experience any negative sales impacts due to the expanded Safeway store as Fresh and Easy is almost exclusively convenience-oriented and has limited product selection, including limited fresh produce. Trader Joe's is also likely to compete well with the

expanded Safeway store, although some competition may occur as some of Safeway's more upscale products are comparable to products available at Safeway.

**Discount Grocery and Food Stores.** Discount stores are characterized by lower-than-average price points. Sometimes these are manifested by bulk sales, which allow the customer to get more for their dollar relative to most other grocery stores. The market area does not feature any discount grocery stores, although there are several located outside but near the market area (see discussion below and map in Exhibit 24).

**Ethnic Markets.** Ethnic food stores are stores that are distinguished from other stores by offering food products unique to a specific international culture or cuisine. These stores are often but not always smaller than conventional food stores. The market area does not feature any ethnic markets, although there are a number located outside the market area within the cities of Walnut Creek and Concord (see discussion below and map in Exhibit 24).

**Warehouse Stores.** Warehouse stores tend to sell products in bulk, with a limited range of options. There are no warehouse stores in the market area, although several are located outside the market area, most especially in Concord (see discussion below and map in Exhibit 24).

**Market Area Summary.** In summary, the market area has a limited number of food stores, spanning several market orientations, including conventional, upscale, and niche. ALH Economics believes the Project's Safeway store will be competitive with most of these stores to some extent, especially the neighboring Nob Hill store, existing Lifestyle Safeway store and, to a lesser extent, Trader Joe's. Most of these stores are located in very well-maintained neighborhood or community shopping centers, with very few if any existing vacancies, except the Nob Hill store.

#### **Outside Market Area Stores**

There are many other grocery and food stores located outside the market area but with the potential to draw demand from market area or other nearby residents. These stores may therefore be vulnerable to negative sales impacts if some of these shoppers shift their grocery shopping to the Project's Safeway store. These stores are also especially relevant to the later discussion regarding cumulative impacts.

The outside market area stores are also listed on Exhibit 23 and mapped on Exhibit 24. In contrast to the market area, all manner of food stores are located outside the market area but within the cities of Walnut Creek, Concord, and Pleasant Hill. Select stores in Pleasant Hill are included because some are located an equivalent distance from the Project site as other stores or shopping centers in Walnut Creek and Concord. Thus, while households located near these stores are unlikely to shop at the Project and thus divert their demand away from these stores, the stores could experience some sales diversions if market area households redirect their spending from outside of market area stores to the Project.

The referenced outside market area stores include a few conventional stores, most of which are Lucky stores; numerous Safeway stores, most of which are already Lifestyle stores; the upscale Lunardi's; several niche and specialty markets including the new Sprout's store in Walnut Creek that opened in September 2012, a Whole Foods, a couple more Trader Joe's, and produce or natural foods stores; numerous discount stores such as Food Maxx, Smart and Final, Grocery Outlet, and Target with an expanded food section; a number of large and small ethnic stores serving the Latino and Asian

markets in particular; and two warehouse stores, a Costco and a Sam's Club. These include the majority of the larger food stores or stores located in closest proximity to the market area. The large number and variety of existing stores support the earlier study finding regarding food store attraction in both Walnut Creek and Concord.

The majority of the outside of market area grocery and food stores are located in shopping centers, but some are also stand-alone stores. In almost all cases, retail vacancies at the shopping centers where the grocery or food stores are located are very minimal. Approximately one-half the shopping centers have no visible vacancies and among those that do, vacancies are limited to no more than three small shop spaces. The only exception is the Clayton Valley Shopping Center in Concord (approximately 3.4 miles from the Project site). This center, which includes a Fresh and Easy store, includes nine small shop vacancies. The center has numerous junior anchor stores, including Ross Dress for Less, CVS Pharmacy, Orchard Supply Hardware, and Pet Food Express. Despite the nine vacancies, the center is in good condition. The other exception regarding retail vacancies is the Plaza Bonita in Concord where one of two area Los Montanos grocery stores is located. The vacancies here are within the Los Montanos store, which features a mercado-like interior with numerous small retail spaces, approximately one-half of which are vacant. However, these vacancies are all internal to the store, and do not appear from the exterior of the store, and thus the center as a whole appears fairly well tenanted.

#### GROCERY AND FOOD STORES MOST SUSCEPTIBLE TO IMPACTS

The residual Project impacts analysis in Exhibit 22 estimated **at worst** \$12.1 million in food & beverage sales impacts attributable to the Project if all Project impacts were experienced by Walnut Creek retailers. This was the level of impact above the amount of impacts absorbed by new demand and a 3% sales buffer to allow for market fluctuation but before the offset for other unmet new demand. Exhibit 22 also indicated that if the impacts were spread among combined Walnut Creek and Concord retailers that the 3% market fluctuation would absorb the Project's food & beverage impacts.

ALH Economics assumes the prospective Project impact on food & beverage stores is somewhere between the two estimated residual impact figures, with the majority of impacts likely to be experienced by comparable stores closest to the Project. At the \$12.1 million maximum impacts figure, this would equate to approximately 24,200 – 30,250 square feet of grocery store space, pursuant to the earlier \$400 to \$500 average store sales figure. Stores that are weak performers will achieve sales levels less than this range while stores that are strong performers will achieve sales levels greater than this range. Notably, these figures are already above the assumption that sales diversions equivalent to 3% of the respective food & beverage store sales bases will be absorbed by existing stores.

The four stores within the market area, and thus easiest for the majority of market area residents to shop at, include the Countrywood Safeway, the Oak Grove Plaza Trader Joe's, the Citrus Marketplace Nob Hill, and the Ygnacio Plaza Fresh and Easy. With the exception of Fresh and Easy, due to its convenience orientation and limited product mix including fresh produce, these are also likely to be the stores that will experience the greatest amount of sales diversions as market area consumers shift their shopping patterns to support the new Safeway store. This shift is anticipated to reflect the following:

- shoppers who live closer to the Project site but who sought a Lifestyle Safeway shopping experience at the nearby Countrywood Safeway;
- shoppers buying specialty products at Trader Joe's that would now be able to buy specialty-oriented food products at the new Safeway store; and
- shoppers from the Nob Hill store seeking similar goods at the new Safeway but with the potential for expanded goods as well in an updated setting.

To a lesser extent additional stores that could experience notable sales impacts could also include the Safeway stores in Concord on Clayton Avenue (stores #9 and #11 on Exhibit 23) and the Safeway store in downtown on South Broadway (store #10), as again, market area Safeway shoppers seeking the Lifestyle Safeway shopping experience chose to shop at these stores rather than the more conventional, older-style Safeway at Encina Grande shopping center. Safeway store shopper information provided for these stores indicates that shoppers from the zip codes in which the market area is located currently shop to some extent at all the above-referenced Safeway Lifestyle stores.

Of all these stores, field observations, grocery store sales data, and anecdotal information suggest the Nob Hill store is the lowest performance store, and is not performing commensurate with industry averages. If a large portion of the prospective residual store impacts are diverted from this store, the losses may be severe enough to trigger store closure. Therefore, ALH Economics concludes that the Nob Hill store may experience sales losses attributable to the Project and could potentially close as a result of Project sales impacts. The link between this potential closure and urban decay is discussed in later in this report, in Chapter X. Urban Decay Determination.

## VIII. FITNESS CENTER IMPACTS

This chapter addresses the Project's planned health club and presents analysis regarding the market area's prospective support for the facility. Existing market area facilities are identified and the Project's facility support is explored in the context of these facilities.

### AREA FITNESS CENTERS

The Project is planning to include a health club, or fitness center totaling 45,000 square feet. The exact operator of the facility is not yet identified, although discussions are in progress. PDC indicates the fitness center will likely not include a pool, the lack of which is typical of most indoor fitness facilities. For the purpose of this analysis, ALH Economics assumes the proposed fitness center will most resemble a fitness facility focused on providing cardio equipment and personal training. However, a pool could potentially be identified as an additional feature of the Project's potential fitness center.

The market area includes a number of fitness centers and health clubs. Many are also located in other parts of Walnut Creek and Concord. These facilities are listed in Exhibit 25 and mapped in Exhibit 26. The facilities are listed in Exhibit 25 based upon their distance from the Project, and numbered accordingly. These numbers match the Map Identifiers on Exhibit 26.

There are three types of fitness facilities located in the market area. These include fitness clubs similar to what is proposed at the Project, with workout equipment located in a fixed facility. These clubs are located at retail shopping centers, including Ygnacio Plaza (Fitness 19, #5) and Countrywood Shopping Center (Countrywood Fitness, #8). Other facilities are more specialized, and include Concord CrossFit (#3) and Curves for Women (#4). Finally, there are two family-oriented facilities in the market area, the Woodlands Cabana Club (#1), which is a swim club open only during the late spring and summer months, and Club Sport Valley Vista (#2), which is a substantial tennis and swim center. At the periphery of the market area there is also the Clarke Memorial Swim Center (#6) and Walnut Creek Tennis Club (#7).

Beyond the Project's market area, the facility description and map indicate that the only multipurpose or fitness only facility south of Ygnacio Valley Road is Fitness 19 at Ygnacio Plaza. This facility and a 24 Hour Fitness (#11) are the only such facilities extending to the west of the Project site to Highway 680. To the east of the Project site, clustered at Clayton Road and Ygnacio Valley Road there are two fitness facilities, Anytime Fitness (#14) and Clayton Fitness center (#19). There is also a more specialized fitness facility with a pool located at this node, i.e., In-Shape Health club (#18). There are yet many other facilities throughout other parts of Walnut Creek and Concord, providing a wide range of fitness experiences for health conscious consumers.

### INDUSTRY WIDE FITNESS CENTER SUPPLY AND DEMAND

The International Health, Racquet & Sportsclub Association (IHRSA) tracks U.S. consumer participation at health clubs and the number of health club facilities. They also conduct consumer surveys and ascertain estimates about health club member usage. Trend data regarding health club membership and health club counts by year is available on the IHRSA web site. This information indicates that in 2012, there were an estimated 50.2 million people who belonged to a health facility. At the time there

were 30,500 health facilities. This averages to 1,657 members per facility.<sup>13</sup> This figure has moved around a bit in recent years, but has averaged between 1,600 and 1,700 since 2010.

#### MARKET AREA FITNESS CENTER DEMAND AND IMPLICATIONS

##### Market Area Participation

In 2012 IHRSA published a report on health club activity use and trends. This report is titled "The IHRSA Health Club Consumer Report: 2012 Health Club Activity, Usage, Trends & Analysis," and was published in 2012. Numerous trends are analyzed in the report based upon an online survey of 38,172 participants conducted through an industry leader in consumer survey administration. Many different types of information are included in the report, such as membership participation rates by state, participation rates by age, income, and region, and even the frequency of use of different health club features. The general findings as they pertain to the Project include that California has the 6<sup>th</sup> highest overall participation rate in the country and that participation rates generally tend to be higher as income goes up. In addition, while the participation rates pertain to the entire population over the age of 6, the age bracket that tends to have the highest participation rate is the age 35-44 bracket.

Pursuant to the IHRSA study, the average California participation rate among the population over the age of 6 is 20.6%.<sup>14</sup> This is higher than the U.S. average of 17.9%.<sup>15</sup> In 2013, the market area has an estimated population of 27,160 (see Exhibit 7). Of this, 25,312 are estimated to be over the age of 6. This determination is based on examination of Nielsen Reports age distribution estimates for the market. Applying the California participation rate to this market area population estimate results in an estimated market area health club participation estimate of 5,124. Between 2013 and 2016 the market area population is estimated to increase modestly, by approximately 1.4%. Applying this growth rate to the 2013 market area participation estimate results in a 2016 estimate of 5,286, or approximately 5,300.

The market area population is augmented by area workers, especially the approximately 3,710 workers at the Shadelands Business Park. If the 20.6% California participation rate applies equally to these workers, then this could generate additional health club participation from within the market area totaling 764. Yet more demand would be generated from other workers in the area, such as retail workers. While some of the estimated Shadelands Business Park health club participants could live within the market area, and thus be double-counted, conservatively assuming that up to one-fourth these employees might live in the market area still results in a Shadelands participation estimate of 573. Adding these participants to the market area participants results in a total estimate of almost 5,900 health club participants.

##### Project Fitness Center Implications

The market area's estimated 5,900 health club members will have a choice of facilities available for their use. At an average of about 1,650 members per facility, the market area participants could support approximately 3.6 fitness facilities. Many of the market area's existing facilities are located at the periphery of the market area, such that they would draw from a larger or different area than the Project's market area. These include all of the facilities except the more family-oriented facilities of

<sup>13</sup> <http://www.ihrsa.org/about-the-industry>, accessed September 21, 2013.

<sup>14</sup> "The IHRSA Health Club Consumer Report: 2012 Health Club Activity, Usage, Trends & Analysis," published by IHRSA, 2012, page 8.

<sup>15</sup> *Ibid.*

Woodlands Cabana Club (#1) and Club Sport Valley Vista (#2). These family-oriented facilities fill a different market need than the Project's planned fitness center, and are very heavily focused on outdoor activities, although Club Sport Valley Vista also has an indoor Fitness Center with cardio and other workout equipment. Moreover, Woodlands Cabana Club is only open part of the year, and is heavily focused toward youth swimming activities for the surrounding neighborhood, and thus does not attract members in the age 35-44 bracket that uses fitness facilities the most.

Based on this information, ALH Economics concludes that there will be sufficient market area demand to support the Project's fitness center and other market area fitness centers, such that existing facilities are not anticipated to close as a result of the Project's fitness center operations.

## IX. CUMULATIVE PROJECT IMPACTS

The analysis in this chapter seeks to quantify the impact of the Project taking into consideration other planned competitive retail projects within the market area and greater environs, including the cities of Walnut Creek, Concord, and Pleasant Hill. The cumulative projects assessed for impacts include retail developments that are in various stages of entitlement or planning. Because specific development timelines are not available for many of the projects, the analysis carefully considers each project prior to determining the set of projects most likely to be operational during the Project's approximate timeframe.

### IDENTIFIED RETAIL DEVELOPMENT PROJECTS

ALH Economics identified six potential cumulative retail development projects in the market area and surrounding areas. Information about these projects was primarily derived from interviews with local government sources, reviews of planning department information, and project leasing agents or developers. These six projects are described in Exhibit 27, which also identifies their distance from the Project site. Based on provided cumulative project information, ALH Economics developed estimates of likely project development and timing. All of the projects are located in the City of Walnut Creek. Research and inquiries were made about cumulative retail projects in the cities of Concord and Pleasant Hill as well, focusing on projects of a more competitive nature with 10,000 square feet or more of retail space, but none were identified.

#### Market Area Projects

There is only one cumulative project within the Project's market area. This project is the redevelopment of the Encina Grande shopping center located across the street from the Project site (see Exhibit 27, Project #1). As cited earlier, this center is planned for redevelopment after the Safeway closes and relocates to the Project. This center will feature a new Whole Foods store totaling 37,500 square feet. The existing Walgreens will be relocated within the center and expanded by 2,270 square feet. Overall, shop space at the center will decline by 13,767 square feet, with a net increase in size from 102,413 square feet to approximately 106,000 square feet. While there will be many changes to the composition of the center and its tenant spaces, the overall net increase will be a scant 3,503 square feet. While small, the big change for the market will be the addition of the 37,500-square-foot Whole Foods store. With the Safeway store's relocation to the Project this Whole Foods store will comprise a substantial net addition of grocery space for the market area and the City of Walnut Creek as a whole. This store will comprise the second Whole Foods store in Walnut Creek, but ALH Economics anticipates it will serve a wide area, given that there are no Whole Foods stores in Concord, which is the next nearest city to this center location. However, the market draw for this store is likely to primarily comprise Walnut Creek and Concord, and thus be competitive with numerous food stores located in these two cities.

#### Outside Market Area Projects

There are five additional cumulative projects located outside the Project's market area but still within the City of Walnut Creek. These projects are located between 3.0 and 4.0 miles of the Project site. These five additional projects and their net amount of planned retail space follow. The project numbers match the reference numbers in Exhibit 26.



2. **1500 North California Boulevard.** This small project at the corner of North California Boulevard and Bonanza Street, 3.4 miles from the Project site, is approved for development of a new 6-story mixed-use building with 18,270 square feet of retail space and 140 apartments, i.e., five stories of residential above retail. The development includes demolition of approximately 3,500 square feet of existing retail space, which comprised a bank and vacant café, for the net addition of 14,770 square feet. Project construction began in January 2013 and is expected to be operational by early 2016. The project developer is anticipating a mix of local and national retail tenants, but marketing of the space has not yet begun.
3. **1500 Mt. Diablo Boulevard.** This small project located at Mt. Diablo Boulevard and North Main Street 3.5 miles from the Project site will comprise development of 8,800 square feet of rentable enclosed space plus 4,000 square feet of second floor outdoor and rooftop open seating. Project plans are under review with the City of Walnut Creek. The enclosed space will include a 1,200-square-foot cafe, a 4,500-square-foot restaurant, and 3,100 square feet of general retail. The project is being developed on property that was sold by the City of Walnut Creek through a public bidding process. Project completion is anticipated by 1<sup>st</sup> quarter 2015.
4. **Centre Place South.** Located at Olympic Boulevard and California Boulevard 3.6 miles from the Project site, this project is under review with the City of Walnut Creek. The project will include demolition of an existing 5,050-square-foot building and construction of 23,000 square feet of retail space in two buildings. The project also includes 142 residential condominiums and a 182-stall garage. Net of the existing on-site retail the project will entail the addition of 17,950 square feet of retail to the market. The timing of this project is unknown.
5. **Broadway Plaza Shopping Center.** This project will involve the renovation of the existing downtown regional mall at Mount Diablo Boulevard and South Broadway and addition of up to 300,000 square feet of new retail space. This project is under review with the City of Walnut Creek. Timing of the project is unknown, including the project start, but the overall plan is anticipated to be phased over a 20-year time period. Broadway Plaza is approximately 3.6 miles from the Project site.
6. **The Village at 1500 Newell Avenue.** This mixed-use project is approved and is anticipated to begin construction by year-end 2013. Project-related demolition is complete, which included demolishing an 8-story office building and 1-story retail structure with 6,000 square feet. New project construction will include 37,000 square feet of retail, 49 condominium units, and a 250-stall parking garage. The net change in retail space will total 31,000 square feet. Several tenants have signed letters of intent but their identity is not being disclosed at the present time. This project is located 4.0 miles from the Project site at the corner of Newell Avenue at Main Street, and is anticipated to be completed by 1<sup>st</sup> Quarter 2015 at the latest.

#### Relevant Cumulative Projects

All of the identified cumulative projects are either under review, approved, or under construction. All but one of the projects is anticipated to be developed within the same timeframe as the Project. The only exception is the Broadway Plaza Shopping Center expansion, which has an extended timeframe for development. Therefore, ALH Economics assumes that five of the six identified cumulative projects will

be developed concurrent with the Project, and will comprise cumulative projects warranting analytical consideration.

#### CUMULATIVE PROJECT SALES ESTIMATES

##### Cumulative Projects Sales Estimates

**Total Sales.** Sales figures for the five cumulative projects anticipated to be competitive coincident with the Project are estimated in Exhibit 28. The estimates were developed with sensitivity to the size and nature of the prospective retail space, and range from \$350 per square foot to \$925 per square foot, as general sales estimations. These figures reflect estimates for generalized retail tenants based on the store sales survey presented in Exhibit B-2 or specific retail tenants or categories, depending upon the nature of the cumulative project. For example, sales are estimated for the Whole Foods store based on the chain's national average performance. Sales associated with the net increment in Walgreen's space was similarly based on analysis of national store averages. For the full amount of planned retail development among the cumulative projects, which totals approximately 100,000 square feet, these estimated sales total \$52.7 million.

These sales estimates assume for most projects that 15% of the space would be occupied by non-retail sales generating services. This assumption was not applied to the redevelopment of Encina Grande shopping center. Rather, the specific incremental square footages by tenant or type of space were included in the calculation. This calculation does not take into consideration the relocation or demolition of the existing 22,500-square-foot Safeway store. As the sales of this store are effectively being transferred to the Project, ALH Economics considers them still present in the market. Thus, while the Encina Grande shopping center will only entail a net change of 3,503 square feet, the cumulative analysis takes into consideration the additional sales associated with the new Whole Foods store and the expanded Walgreens. Net sales declines are considered for the 13,767-square foot-reduction in the center's shop space. Inclusive of just the net change in square footage at Encina Grande the five cumulative projects reflect 76,023 square feet of new retail space (see Exhibit 28). However, inclusive of all the internal changes at Encina Grande, the effective change in retail sales-generating space in the market is 98,523 square feet (i.e., 76,023 plus the 22,500 square feet of Safeway sales space being transferred to the Project).

The cumulative retail projects are anticipated to draw sales from throughout Walnut Creek and the City of Concord. Thus, all of the sales are anticipated to be competitive with the Project, especially within the context of analyzing the Project's sales impacts on the combined sales bases of Walnut Creek and Concord.

**Sales by Retail Category.** To facilitate the impact analysis of the cumulative projects assumptions were developed regarding the distribution of project sales by type of retail. This analysis is presented in Exhibit 29. For projects where specific tenants or types of tenants were not identified a generic assumption was made regarding the distribution of space. This generic assumption is consistent with findings at neighborhood shopping center locations, based upon findings previously reported by the International Council of Shopping centers. The neighborhood shopping center size was deemed relevant given the small size of all the projects lacking tenant definition. The assumption, referenced in Exhibit 29, includes 40% sales for food and beverage stores and 20% each for the categories of general merchandise, food services and drinking places, and other retail. An assumption was also made regarding prospective sales declines associated with the reduction in shop space at Encina

Grande following center redevelopment, with the reduced sales distributed among the home furnishings & appliance, food services and drinking, and other retail group categories.

Based upon the sales distribution assumptions, ALH Economics estimates that the cumulative projects will generate retail sales as follows:

- A decline of approximately \$800,000 in home furnishings & appliances sales;
- An increase of \$40.9 million in food and beverage sales;
- An increase of \$3.1 million in general merchandise store sales;
- An increase of \$5.3 million in food services and drinking places; and
- An increase of \$4.2 million in other retail sales.

As noted, these sales increments total a net increase of \$52.7 million in sales attributed to the cumulative projects.

#### ALL PLANNED PROJECTS SALES ESTIMATES

To fully assess the prospective sales impacts of the cumulative projects they need to be added to the net new sales estimated for the Project. This addition is shown in Exhibit 30, which totals \$118.3 million. These are the total amount of sales projected for the Project and the five cumulative projects identified in Exhibit 27. The sales by retail category are presented below in Table 12.

**Table 12. All Planned Project Net New Sales by Retail Category, in \$millions**

Type of Retailer	Cumulative		Total
	Project	Projects	
Motor Vehicles and Parts Dealers	\$0.0	\$0.0	\$0.0
Home Furnishings and Appliance Stores	\$5.8	(\$0.8)	\$5.0
Building Materials and Garden Equip	\$0.0	\$0.0	\$0.0
Food and Beverage Stores	\$24.7	\$40.9	\$65.6
Gasoline Stations	\$0.0	\$0.0	\$0.0
Clothing and Clothing Accessories Stores	\$9.3	\$0.0	\$9.3
General Merchandise Stores	\$0.0	\$3.1	\$3.1
Food Services and Drinking Places	\$12.0	\$5.3	\$17.3
Other Retail Group	\$13.8	\$4.2	\$18.0
<b>Total</b>	<b>\$65.6</b>	<b>\$52.7</b>	<b>\$118.3</b>

Source: Exhibit 30.

As noted in Table 12, food & beverage stores comprises the largest category of all planned project net new sales at \$65.6 million. This sales amount represents more than half the net new sales of all the planned projects identified, all of which are located in the City of Walnut Creek. This is a very substantial infusion of new grocery store sales into the market. The next largest retail categories are the other retail group and the food services and drinking places categories, with \$18.0 and \$17.3 million in prospective new sales, respectively.

**PROJECT AND CUMULATIVE PROJECTS IMPACT ANALYSIS**

In an analysis parallel to the Project impact analysis, the combined Project and cumulative project impact analysis is documented in Exhibits 30 - through 34. These exhibits examine the sales impacts on the existing retail sales base of Walnut Creek and Walnut Creek combined with Concord based on the current population demand profile and then also examines the impacts after new growth to the year 2018, which comprises a future time period when all cumulative projects are anticipated to be fully operational. Exhibit 31 estimates the impacts based on the current household demand profile, Exhibit 32 shows the projected new demand between 2013 and 2018, and Exhibits 33 and 34 show the respective impacts on just the Walnut Creek sales base and the combined city sales bases less future demand. Exhibits 33 and 34 also include the residual sales impact, i.e., the sales impacts remaining after existing retailers absorb sales losses equivalent to up to 3% of the existing sales base.

**Retail Category Sales Impacts**

**Impacts Exclusive of Future Demand.** The results of the Project and cumulative projects impact analysis without consideration of future demand are summarized in Table 13. Similar to the Project-only analysis, because no retail leakage is assumed in the market, the Project and cumulative project's net new sales are anticipated to be synonymous with the sales impacts. The analysis again examines sales impacts on the Walnut Creek and combined cities sales bases.

The summary results in Table 13 indicate that absent consideration of new demand, if all the Project and cumulative project's sales impacts were experienced by Walnut Creek retailers, the impacts would range from 1.5% to 25.4% of the sales in the sales categories represented by the Project and cumulative projects, with the 1.5% figure pertaining to general merchandise category and the 25.4% figure pertaining to the food & beverage retail category. Across the entire City sales base the impacts would be equivalent to 6.6% of the sales base. Thus, if all the Project and cumulative project sales impacts were experienced by Walnut Creek retailers, there would be a collective decline of 6.6% of sales among these retailers.

**Table 13. Project and Cumulative Project Sales Impacts on Sales Base, Sales in \$millions  
Existing Base without Consideration of Future Demand**

Retail Category	Existing Population Base		
	Total Net New Sales	Walnut Creek	Combined Cities (1)
Motor Vehicles and Parts Dealers	\$0	0.0%	0.0%
Home Furnishings and Appliance Stores	\$4,982,355	6.9%	2.4%
Building Materials and Garden Equip	\$0	0.0%	0.0%
Food and Beverage Stores	\$65,579,980	25.4%	11.5%
Gasoline Stations	\$0	0.0%	0.0%
Clothing and Accessories Stores	\$9,319,948	3.4%	2.3%
General Merchandise Stores	\$3,096,240	1.5%	0.5%
Food Services and Drinking Places	\$17,293,173	8.3%	4.6%
Other Retail Group	\$18,026,265	9.8%	4.2%
<b>Total</b>	<b>\$118,297,961</b>	<b>6.6%</b>	<b>2.9%</b>

(1) Walnut Creek and Concord sales bases combined.

Sources: Exhibits 30 and 31.

The City of Walnut Creek alone is not anticipated to bear the full brunt of the Project's estimated sales impacts, with Concord retailers also likely to experience some sales diversions. This is especially the

case given the likely wider area from which the Whole Foods store will draw customers. Therefore, taking the City of Concord retail sales base into account reduces the overall sales impacts based upon the existing population base to 2.9%. With Concord's sales base included in the base the food sales impact drops to 11.5% of sales.

**Impacts Net of Future Demand.** Taking into consideration prospective demand generated by households new to Walnut Creek prior to the full operation of the Project and the cumulative projects, the overall sales impacts will decline to 5.0%, with the sales impact on the food & beverage category declining to 22.2%. These figures are presented in Table 14, which also indicates demand will remain in retail categories not present at the Project. Thus, demand in these categories can support new retail opportunities. This unmet demand totals \$20.2 million, of which \$9.0 million is for non-auto uses.

**Table 14. Project and Cumulative Project Sales Impacts on Sales Base, 2018  
Less Consideration of Future Demand  
City of Walnut Creek**

Retail Category	Total Net New Sales	Sales		Remaining Demand	% Impact on Sales Base
		Impact Less New Demand			
Motor Vehicles and Parts Dealers	\$0	\$0		\$5,532,933	0.0%
Home Furnishings and Appliance Stores	\$4,982,355	\$2,534,936		NA	3.5%
Building Materials and Garden Equip	\$0	\$0		\$2,705,502	0.0%
Food and Beverage Stores	\$65,579,980	\$57,412,214		NA	22.2%
Gasoline Stations	\$0	\$0		\$5,730,837	0.0%
Clothing and Accessories Stores	\$9,319,948	\$6,247,446		NA	2.3%
General Merchandise Stores	\$3,096,240	\$0		\$6,256,451	0.0%
Food Services and Drinking Places	\$17,293,173	\$11,609,475		NA	5.6%
Other Retail Group	\$18,026,265	\$12,353,033		NA	6.7%
<b>Total</b>	<b>\$118,297,961</b>	<b>\$90,157,103</b>		<b>\$20,225,724</b>	<b>5.0%</b>

Source: Exhibit 33.

When both future demand and City of Concord sales are factored into the Project and cumulative projects impact analysis, the overall sales impacts are reduced to 1.6% (see Table 15).

**Table 15. Project and Cumulative Project Sales Impacts on Sales Base, 2018  
Less Consideration of Future Demand  
Cities of Walnut Creek and Concord Combined**

Retail Category	Total Net New Sales	Sales		Remaining Demand	% Impact on Sales Base
		Impact Less New Demand			
Motor Vehicles and Parts Dealers	\$0	\$0		\$11,104,279	0.0%
Home Furnishings and Appliance Stores	\$4,982,355	\$0		\$0	0.0%
Building Materials and Garden Equip	\$0	\$0		\$5,429,787	0.0%
Food and Beverage Stores	\$65,579,980	\$49,187,744		\$0	8.6%
Gasoline Stations	\$0	\$0		\$11,501,460	0.0%
Clothing and Accessories Stores	\$9,319,948	\$3,153,612		\$0	0.8%
General Merchandise Stores	\$3,096,240	\$0		\$12,556,338	0.0%
Food Services and Drinking Places	\$17,293,173	\$5,886,318		\$0	1.6%
Other Retail Group	\$18,026,265	\$6,640,415		\$0	1.6%
<b>Total</b>	<b>\$118,297,961</b>	<b>\$64,868,089</b>		<b>\$40,591,865</b>	<b>1.6%</b>

Source: Exhibit 34.

(1) Walnut Creek and Concord sales bases combined.

Using the combined retail base, the largest retail category impact is 8.6% of the food & beverage category. As with the Walnut Creek sales base analysis, additional unmet demand will remain in categories not served by the Project and cumulative projects, and can support new retail opportunities. This unmet demand totals \$40.6 million, of which \$18.0 million is for non-auto uses.

**Residual Impacts Net of 3% of Sales Base.** Taking the impact analysis one step further, Exhibits 33 and 34 include estimates of the amount of residual Project and cumulative project impacts that would remain even after all planned retail development impacts equivalent to 3% of the sales base for each category with estimated impacts are absorbed by existing retailers. This is included as a proxy for expected sales fluctuation for retailers, recognizing that there is always some level of sales volatility inherent in operating in a dynamic industry sector. These findings are summarized in Table 16, below.

The results of this analysis indicates that if all the impacts were incurred among Walnut Creek retailers, the residual sales impacts would total \$62.2 million, of which \$49.7 million would be in the food & beverage category. If the impacts were spread across both Walnut Creek and Concord, then the residual sales impacts would total \$32.0 million, all of which would be in the food and beverage category.

**Table 16. Project and Cumulative Project Residual Sales Impacts > 3% of Sales Base  
By Retail Category, 2018**

Retail Category	City of Walnut Creek	Combined Cities of Walnut Creek and Concord
Motor Vehicle & Parts Dealers	\$0	\$0
Home Furnishings & Appliances	\$357,506	\$0
Building Materials & Garden Equipment	\$0	\$0
Food & Beverage Stores	\$49,655,796	\$32,013,756
Gasoline Stations	\$0	\$0
Clothing & Clothing Accessories	\$0	\$0
General Merchandise Stores	\$0	\$0
Food Services & Drinking Places	\$5,375,767	\$0
Other Retail Group	\$6,850,621	\$0
<b>Total</b>	<b>\$62,239,691</b>	<b>\$32,013,756</b>

Sources: Exhibits 33 and 34.

As cited earlier, the impact results are likely somewhere between the two analytical findings of \$62.2 million impacts on Walnut Creek retailers or \$32.0 million on combined Walnut Creek and Concord retailers. If the impacts are isolated to Walnut Creek, retailers in four categories would be impacted, including home furnishings & appliances, food & beverage, food services & drinking places, and other retail. If the impacts are isolated to the combined Walnut Creek and Concord area, the residual impacts would only occur in the food & beverage category.

**Store Closure Potential**

**Food Stores.** The sales impact analysis indicated a projected \$32.0 to \$49.7 million food store sales impact resulting from development of the Project and cumulative projects. This is after consideration of new demand and absorption of an assumed 3% sales decline in the food & beverage category. This is the level of impact estimated assuming the Project and identified cumulative projects perform at the level of sales estimated for each store or project. If the Project and cumulative projects perform at

lower sales levels then the impacts will be lower, but lower sales alone are unlikely to reduce the impacts to a level that will not comprise a large portion of the food store sales base. Thus, the analysis suggests that the success of the Project and cumulative projects will occur to the detriment of other food stores.

This conclusion is borne out by separate analysis conducted by ALH Economics regarding the food sales trends in Walnut Creek following the September 2012 opening of Sprouts, a specialty grocery store that is smaller than a typical supermarket and focuses on fresh foods, produce, healthy foods, and vitamins/supplements. ALH Economics analyzed the Walnut Creek food sales trend data presented in Exhibit B-5. The period of time covered by this trend coincides with the opening of the Sprout's store. Retail Maxim reports that in 2012 the Sprouts chain averaged sales of \$490 per square foot. The City of Walnut Creek reports that the Sprouts store totals approximately 25,400 square feet. Assuming the Sprouts store performed at the national level, then ALH Economics estimates that approximately 40% of sales at Sprouts are net new to Walnut Creek and 60% of the store's sales were diverted from existing Walnut Creek grocery stores. The net new sales are likely attracted from the City of Pleasant Hill given the store's location close to Pleasant Hill (see Map Identifier #17 on Exhibit 23). While ALH Economics does not believe any existing Walnut Creek food stores have closed since the opening of Sprouts, this analysis suggests that other store sales have likely declined as a result, supporting the analysis' findings that existing store sales will likely be diverted as a result of the Project and cumulative project openings.

Existing food stores can bear only so many sales losses before store viability becomes a concern. ALH Economics believes the level of store impacts projected for the Project and cumulative projects combined is sufficiently large enough that the likely result is that at least one other existing food store will experience high levels of sales diversion. The level of prospective sales impacts is high enough that possibly even two stores could close. One prospective candidate for sales impacts high enough to prompt store closure is the Nob Hill grocery store in nearby Citrus Marketplace. This store was identified as a prospective candidate for closure following the opening of just the Project. The likelihood of store closure appears even greater if the Whole Foods store opens in the redeveloped Encina Grande shopping center.

At present, the Ygnacio Valley Road/Oak Grove Road commercial node includes approximately 60,500 square feet of grocery store space (Safeway 22,500 sq. ft. and Nob Hill 38,000 sq. ft.). When the Project and cumulative projects are completed this node will have 130,500 square feet of grocery store space (Safeway 55,000 sq. ft., Whole Foods 37,500 sq. ft., Nob Hill 38,000 sq. ft.) This is more than double the increment of existing grocery store space. Even though the Whole Foods store will have a different and larger market area than the Safeway and Nob Hill stores because of its market niche, ALH Economics believes this is more grocery space than can be supported at this market location. By 2018, the market area households will generate demand for \$70 million in food store sales (see Exhibit 12). If these residents generate the assumed 80% of sales for the expanded Safeway store (i.e., \$30.5 million, see Exhibit 5) and even just 33% of sales for the Whole Foods store (i.e., \$11.6 million, or  $\$34.7 \times 33\%$ ), then about \$42 million in market area demand will be absorbed by just these two stores. This would leave approximately \$28 million in demand to be captured by all other grocery stores, and not just the market area stores of Nob Hill, Safeway (in Countrywood Plaza), Trader Joe's, and Fresh and Easy. While these stores generate demand from other areas as well, the market area likely generates a meaningful portion of their demand. Many other grocery stores located outside the market area also likely attract sales from this area, including other stores along Clayton Road and Monument Boulevard in Concord.

Therefore, based on the high infusion of new food sales generated by the Project and cumulative projects, estimated level of prospective sales impacts, and understanding of the future grocery store dynamics in the market area and especially near the intersection of Ygnacio Valley Road and Oak Grove Road, ALH Economics believes that one existing grocery store in the Walnut Creek and Concord area could close, with the Nob Hill Grocery comprising a strong candidate for closure, and possibly one other, not as clearly identified store.

**Other Types of Stores.** The summary information in Table 16 indicates that retailers in select retail categories other than food stores could also experience sales diversions in Walnut Creek totaling \$12.6 million. This would be if all the impacts occur in Walnut Creek. If the impacts are spread beyond Walnut Creek into Concord, the impacts would be lessened, possibly reduced to no impacts given retail demand in additional categories. If these impacts are more concentrated in Walnut Creek than Concord there could also be the potential for some store closures. The identified categories include home furnishings & appliances, food services & drinking places, and other retail. These categories include a wide range of retailers. The types of retailers estimated to be generating the Project or cumulative project sales that will result in the impacts are unknown, and also likely include a wide range of retailers. Therefore, the particular retailers that could close and cause retail vacancies cannot be specifically identified, but the potential appears to exist for some stores other than food stores to also close as a result of the Project and cumulative project impacts.

**Square Footage Implications**

Another way of looking at the prospective impacts of the Project and cumulative projects is to convert the estimated impacts on the sales base into supportable square footage. The intent is to identify the amount of retail space that could be jeopardized as a result of the sales impacts. This supportable space analysis is included in Table 17. This table presents the residual sales impacts > 3% of the sales base less the unmet demand generated by new growth, to isolate the amount of new sales that are not estimated to be absorbed by household growth. As noted in Table 17, these sales impacts are estimated at \$53.3 million if all impacts are isolated in just the City of Walnut Creek, and a lower \$14.0 million if the impacts are spread between Walnut Creek and Concord. In all likelihood, ALH Economics anticipates that the impacts will be somewhere between these two bookends, as households in areas of Concord distant from the Project or the cumulative projects are unlikely to make significant expenditures at these retail projects.

**Table 17. Project and Cumulative Project Sales Impacts > 3% of Sales Base  
Less Consideration of Future Demand Converted to Square Feet Impacted, 2018**

Sales Impact Factor	City of Walnut Creek	Cities of Walnut Creek and Concord Combined
Sales Impacts > 3% of Sales Base	\$62,239,691	\$32,013,756
Non-Auto Surplus Demand	\$8,961,954	\$17,986,126
Sales Impacts Less Surplus Demand	\$53,277,737	\$14,027,631
Sales per Square Feet (1)	\$400 - \$500	\$400 - \$500
Impacted Square Feet (2)	133,194 - 106,555	35,069 - 28,055

Sources: Exhibits 33 and 34.

(1) Sensitivity analysis regarding prospective sales performance.

(2) Sales Impacts Less Surplus Demand / Sales per Square Foot.



A generic sales per square foot range was then applied to the adjusted sales impacts figures, to assess the amount of square feet of retail space that could be affected by the sales impacts. This is the same \$400 to \$500 range used previously in the similar analysis conducted for just the Project. The resulting impacted square feet figures are essentially the amount of space anticipated to lose consumer demand, or support, under the assumption that the Project and cumulative projects will perform as estimated. If the sales achieved by the Project or the cumulative projects are lower, then the remaining sales impacts and affected square feet of retail space will correspondingly be less as well. The result of this calculation indicates the level of potential impacted square feet pursuant to the Project and cumulative projects, which ranges from 106,555 to 133,194 square feet if all impacts are confined to Walnut Creek or 28,055 to 35,069 square feet if the impacts are more widely dispersed including in Concord, and possibly also Pleasant Hill.

This is an oversimplified analysis, and should not be construed to mean that stores totaling the cited square footage amounts would necessarily close as a result of the Project and cumulative projects. To some extent existing stores can absorb sales losses that occur when sales are diverted to new stores, including above the 3% allowance factored into the analysis. This could especially be the case for existing stores if they are greatly exceeding their store chain or industry average performance sales figures. In addition to the ability for existing stores to absorb some sales losses, ALH Economics believes several other factors could also offset some of the identified impacts. These factors include: 1) changes in retail composition, sales, or size of the cumulative supply; and 2) changing consumer shopping patterns, especially if new or different retailers encourage increased market area household retail spending in excess of the amount reflected in the analysis.

However, ALH Economics believes the sales impacts are steep enough that some store closures will likely occur. This is especially the case among grocery stores but could also include stores in other retail categories as well. The real estate market implications of these potential store closures are probed in the following chapter, addressing the potential urban decay impacts of the Project and the cumulative projects.

## X. URBAN DECAY DETERMINATION

The purpose of this chapter is to assess the degree to which development of The Orchards at Walnut Creek would or would not contribute to or cause urban decay. This includes impacts associated with the Project combined with other cumulative planned retail development. This chapter discusses the definition of urban decay, the study's approach to determining urban decay potential, and ALH Economics' urban decay determination.

### STUDY DEFINITION OF URBAN DECAY

For the purpose of this analysis, urban decay is defined as, among other characteristics, visible symptoms of physical deterioration that invite vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and long term vacancies. This physical deterioration<sup>16</sup> to properties or structures is so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community.

### APPROACH TO DETERMINING URBAN DECAY POTENTIAL

ALH Economics engaged in several tasks to assess the probability of urban decay ensuing from Project development and the identified cumulative projects. These tasks revolved around assessing the potential for closed retail store spaces, if any, to either (a) remain vacant for a prolonged period of time such that they contribute to the multitude of causes that could eventually lead to urban decay, or (b) be leased to other retailers within a reasonable marketing period.

The purpose of this research was to determine if sufficient retailer demand exists to absorb vacated space in the event existing retailers close due to any negative economic impacts of the Project and the development of other planned retail. An additional purpose was to assess the potential for long-term vacancies to devolve into urban decay. ALH Economics conducted field research and contacted real estate brokers and third party resources to determine the commercial health of the market area and environs.

### THE CURRENT ENVIRONMENT

ALH Economics conducted fieldwork throughout portions of the cities of Walnut Creek, Concord, and Pleasant Hill. The purpose of this fieldwork was to perform reconnaissance of the Project site, identify and visit select competitive retailers, examine the physical condition of major shopping centers and commercial shopping corridors, and identify existing retail vacancies and assess their condition and appearance. These personal observations are complemented by historical and current retail market performance data, demonstrating the underlying strength or weakness of the local commercial retail market.

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<sup>16</sup> The manifestations of urban decay include such visible conditions as plywood-boarded doors and windows, parked trucks and long term unauthorized use of the properties and parking lots, extensive gang and other graffiti and offensive words painted on buildings, dumping of refuse on site, overturned dumpsters, broken parking barriers, broken glass littering the site, dead trees and shrubbery together with weeds, lack of building maintenance, homeless encampments, and unsightly and dilapidated fencing.

### Retail Market Statistics

Historically, Walnut Creek and Concord have maintained reasonably healthy retail market sectors. The same is true of Pleasant Hill. Historical trend data in Exhibits 35, 36, and 37 present quarterly vacancy, absorption, and new construction trends in Walnut Creek, Concord, and Pleasant Hill, respectively, beginning 1<sup>st</sup> quarter 2006. Select 2<sup>nd</sup> quarter 2013 market statistics are summarized in Table 18. This table indicates that the retail inventory totals 4.8 million square feet in Walnut Creek, 7.7 million square feet in Concord, and a lesser 2.8 million square feet in Pleasant Hill. This indicates that the largest portion of area retail inventory is in Concord, with still substantial amounts in both Walnut Creek and Pleasant Hill.

As summarized in Table 18, as of 2<sup>nd</sup> quarter 2013, Walnut Creek had an overall retail vacancy rate of 3.3%. This rate has been remarkably consistent over an extended time period, with the vacancy rate ranging between 2.5% and 3.9% since 2006 (see Exhibit 35). This indicates an extremely healthy and very stable retail base throughout the City. This low vacancy rate was even maintained throughout the recent severe recession.

In general, retail markets are deemed most healthy when there is some increment of vacancy, at least 5.0%, which allows for market fluidity and growth of existing retailers. Even retail vacancy rates at the 10.0% level are generally considered a reasonably healthy retail market. Thus, the current Walnut Creek retail vacancy rate of 3.3% is a very low vacancy rate and indicative of a very strong market. The market is so strong that existing retailers seeking to expand may be experiencing difficulty finding adequate space.

**Table 18**  
**Second Quarter 2013 Retail Vacancy and Inventory**  
**Market Area Cities**

City	Vacancy Rate	Retail Inventory	Vacant Sq. Ft.
Walnut Creek	3.3%	4,770,939	159,287
Concord	5.1%	7,675,970	391,368
Pleasant Hill	3.6%	2,834,250	102,762
Weighted Average/Total	4.2%	12,446,909	550,655

Note: Figures may not total due to rounding.  
 Sources: Exhibits 35, 36, and 37.

In somewhat similar manner, the data presented for Concord and Pleasant Hill in Exhibits 36 and 37 and summarized in Table 18 indicate that these markets are characterized by strong to moderately strong retail markets, with 2<sup>nd</sup> quarter 2013 vacancy ranging from 3.6% in Pleasant Hill to 5.1% in Concord. Retail vacancy in Concord has experienced the most variability, ranging from a low of 3.6% before the recent recession and a high of 8.4% during 3<sup>rd</sup> quarter 2010. Since then Concord's retail vacancy has steadily dropped, to the very healthy 5.1% rate during the most recent quarter. This rate is more in line with Concord's retail vacancy rate prior to the recession.

Pleasant Hill's retail vacancy rate is also historically very low, ranging over approximately the past 8 years from a low of less than 1.0 percent during 1<sup>st</sup> quarter 2008 to a high of 5.7% during 1<sup>st</sup> quarter 2010. The timing of this high vacancy corresponds with the recent historic high in Concord. Similar to

Walnut Creek, Pleasant Hill has maintained a very low retail vacancy rate, indicative of a constrained market with little potential for movement or fluidity.

Across all three cities the overall 2<sup>nd</sup> quarter 2013 vacancy rate is 4.2%. This is a very low rate, indicative of a strong retail market. This bodes well for the market area and environs with respect to any potential increases in vacancy attributable to potential Project impacts resulting in store closures.

**Representative Retail Lease Transactions**

Table 19 demonstrates that retail vacancies in Walnut Creek and Concord are finding new tenants. The same is true in Pleasant Hill to a lesser extent. This table summarizes 122 retail lease transactions for previously occupied spaces that occurred over the one-year time frame generally from August 2012 to August 2013.<sup>17</sup> These 122 lease transactions totaled approximately 361,552 square feet of leased space, with an average size of almost 3,000 square feet.

**Table 19. Summary of Lease Transactions  
August 2012 - August 2013  
Walnut Creek, Concord, and Pleasant Hill**

City	Number of Leases	Total Sq. Ft.	Largest Space Sq. Ft.	Average Sq. Ft.
Walnut Creek	54	151,378	38,439	2,803
Concord	61	187,905	16,500	3,080
Pleasant Hill (1)	7	22,269	6,036	3,181
<b>Total</b>	<b>122</b>	<b>361,552</b>	<b>60,975</b>	<b>2,964</b>

Sources: CoStar; and ALH Urban & Regional Economics.  
(1) Data are for September 2012 - September 2013.

As Table 19 indicates, there were 54 retail lease transactions executed in Walnut Creek among previously occupied spaces over the one-year time frame, totaling approximately 151,378 square feet of leased space. The average Walnut Creek lease transaction was 2,803 square feet, with the largest being 38,439 square feet. This large lease was for a new 24-Hour Fitness at 2800 N. Main Street on the site of the former burned down Piedmont Lumber retail facility. There were 61 retail leases executed in Concord over the same time frame, totaling an even greater 187,905 square feet of leased space, with a similarly sized average of 3,080 square feet. The largest backfilled retail space in Concord was 16,500 for Airport Appliance at 1505 Willow Pass Road. Finally, leasing activity during the most recent one-year period in Pleasant Hill totaled seven leases comprising 22,269 square feet of leased space, with an average size of 3,181 square feet. In Pleasant Hill the largest backfilled retail space during this time period was 6,036 square feet. Notably these retail lease transactions all occurred during a time period of relative stability in each city’s retail market, with vacancy rates remaining low and stable.

These volumes of lease transactions are an indicator of the demand for previously occupied retail space throughout the general area. Discussions with commercial leasing agents active in the area indicate that the market is healthy and has improved over the last few years. Active commercial

<sup>17</sup> The exception is the Pleasant Hill activity reflects September to September activity.

brokers indicate the market is strongest in Walnut Creek and Pleasant Hill, especially downtown Walnut Creek but also other parts of the City. Concord is cited as a relatively weaker market, but still performing moderately. This market characterization is supported by Concord's current 5.1% vacancy rate. As indicated by the lease transactions, smaller spaces are more desirable and are absorbed more quickly than larger spaces, but larger spaces are also achieving absorption, including even before the vacancies occur, especially in malls near a critical mass of retail with strong anchor tenants. In general, the area's active commercial leasing agents indicate that vacancies in well-located properties generally lease quickly, but that extended vacancies are more prone to be located in older shopping centers that have not been kept up or improved.

#### **Representative Major Retail Vacancies**

Exhibit 38 presents representative listings of larger retail vacancies for the cities of Walnut Creek, Concord, and Pleasant Hill. This list of vacancies was provided in August 2013 by CoStar, a commercial real estate information company, and includes properties with approximately 10,000 or more vacant square feet. These are the vacancy sizes most likely to resemble prospective grocery store vacancies that might result from the Project and/or cumulative project impacts, and thus can prove instructive regarding the physical disposition of such vacancies. The list is not comprehensive, but is considered representative of the larger vacancies and their distribution in the area. ALH Economics verified all of the vacancies, including removing vacancies identified by CoStar that have since been leased. Notably, many of the vacancies are in older properties, with all but one built prior to the 1990s. This suggests that larger vacancies in the area are more prone to occur in older commercial properties. Further, none of the major vacancies are close to the Project site, with the nearest ones approximately 3.5 miles away. This especially indicates the relative health and strength of the Project site's immediate environs.

ALH Economics reviewed the physical condition of all the vacancies, focusing on their upkeep and physical appearance. As noted in Exhibit 38, most of the larger identified vacancies are in Concord. There are relatively few larger vacancies in both Walnut Creek and Pleasant Hill. This is a testament to the relative strength of these commercial markets. Among the existing vacancies, only two are former food or grocery store spaces. One is a former Safeway on Monument Boulevard in Concord that closed in January 2013. This 43,112-square-foot space is currently controlled by Safeway, but the company is in the process of negotiating the return of the space to the property owner. The property is 3.5 miles from the Project site. The space appears to be an older Safeway store but is in good condition. It comprises the only vacancy in the shopping center where it is located. The only other food store vacancy is the former Country Square Market in Pleasant Hill. This small store was less than 10,000 square feet, but in combination with other center vacancies totals approximately 10,000 square feet. This property is 6.7 miles from the Project site. The information for this vacancy is confusing, but it appears that the space is under contract to be backfilled by an appliance store and that Big 5 also took some of the space. One of the properties with vacancy appeared to have chronic vacancy issues, including one boarded up window, but this is turning around. This vacancy is the first Concord listing on Exhibit 38, which comprises a center built in 1980 with Guitar center as its last remaining of three major tenants. Prior tenants that left the center include Sports Chalet and Rasputin Music. However, Hobby Lobby recently signed a 10-year lease to take over both the Sports Chalet and Rasputin Music spaces, and Guitar Center has also signed a 10-year lease. Visual observation of the property indicated there is one boarded up broken window, but otherwise the center is in good condition. While the broken window is a sign of poor upkeep it appears this center is turning around with the recent execution of the 10-year lease with Hobby Lobby.

None of the other major vacancies show signs of poor maintenance or repair. Leasing activity is evident at many of the vacancies, and the ones that show little activity are demonstrating signs of upkeep. Therefore, based upon fieldwork observations, the area's larger vacancies are well maintained, including the former grocery or food stores, both of which are located relatively distant from the Project site. In general, and with almost no exception, the general area's vacancies do not exhibit signs of decay or deterioration.

#### **Retail Backfilling Examples**

As demonstration of the potential for backfilling of retail vacancies, including any vacancies that might result from the Project or cumulative project's sales impacts, ALH Economics compiled a list of examples of backfilled tenants, with a focus on larger tenant spaces backfilled in Walnut Creek and Concord. This list, presented in Exhibit 39, includes 16 examples of backfilled tenant spaces, comprising almost 375,000 square feet of space. Several of these examples were former grocery store spaces, but also include other larger tenant spaces. The distance of each backfilled site from the Project site is cited on Exhibit 39, with the distance ranging from 0.1 to 6.3 miles. There are two examples located approximately 0.1 miles from the Project. One is the backfilling of Long's at Citrus Marketplace in 2007, when BevMo! located at the center, and the other is the anticipated backfilling of the Encina Grande Safeway space with Whole Foods, anticipated in 2016.

The quantity of retail backfill examples is a very strong indicator of the reuse potential of larger retail spaces and the attraction of the retail market in Walnut Creek. The information in Exhibit 39 identifies the current/planned tenant and the prior tenant. Examples in Walnut Creek include grocery stores that were backfilled by other grocery stores, such as Trader Joe's in 2006 moving into part of a closed Albertson's; grocery stores that were subdivided and occupied by multiple non-grocery tenants, such as Andronico's in 2009 being subdivided for Cheesecake Factory, Elite Sports Authority, and Tilly's; and non-grocery spaces that were backfilled by food stores, such as Fresh and Easy taking over a former 15,000-square-foot Rite Aid in Ygnacio Plaza. More recent examples in Walnut Creek include a series of moves by Pier 1 Imports, with Pier 1 moving into 10,000 square feet formerly occupied by Golfsmith, and Golf Mart in turn taking over the 8,500 square feet vacated by Pier 1. There are also recent backfilling examples in Concord, with Airport Appliance taking over 16,500 square feet of space occupied by Velocity Sports Performance and Dollar General taking over 10,000 square feet occupied by Solano Foods. These are just some of the 16 backfill examples collected for the purpose of this study. This list is not comprehensive. The presence of these and yet other backfilling examples in the Walnut Creek, Concord, and Pleasant Hill shows that the market has the demonstrated ability to backfill retail vacancies, including larger spaces subdivided for multiple tenants, suggesting that any retail vacancies that might occur as a result of Project or cumulative project impacts will not remain vacant for long and contribute to conditions of urban decay or deterioration.

#### **REGULATORY CONTROLS**

Owners of commercial retail properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new retail tenants. This appears to be the case in the cities of Walnut Creek, Dublin, and Pleasant Hill, as evidenced by the overall positive prevailing physical condition of the retail vacancies in these cities. If property owners lag, however, and property maintenance begins to show signs of deferred maintenance or other disrepair, all three of these cities have regulatory controls that can be implemented to avoid the onset of deterioration or decay. A review of these regulations by city follows.

### City of Walnut Creek

City ordinances, such as the City of Walnut Creek Municipal Code of Ordinances, Title 1., Chapter 6 on Nuisances, require property owners to maintain their properties so as not to create a nuisance by creating a condition that promotes blight, reduces property values, or is detrimental to the public welfare. Article 3 of Chapter 6 identifies a range of conditions that are considered a public nuisance for persons owning, leasing, or occupying premises in the City of Walnut Creek. Examples of these conditions include the following:

- storing or accumulating personal property such as appliances, junk, rubbish, and debris that constitutes visual blight (Article 3.c);
- maintaining the exterior of any vacant or unoccupied building in a state of unsightliness so as to constitute a blighted condition (Article 3.e);
- keeping, depositing, or accumulating garbage, refuse, or rubbish (Article 3.n)

The Municipal Code proceeds to prescribe procedures for the reporting, enforcement, and completion of nuisance abatement, up to and including the City bearing the cost of remedying the abatement and placing a special assessment against the parcel, to be collected at the same time and in the same manner as ordinary municipal taxes are collected.

Enforcement of these ordinances can help prevent physical deterioration due to any long-term closures of retail spaces. Code enforcement in Walnut Creek is managed by the Nuisance Abatement/Code Enforcement Division of the City's Community Development Department. The division has one staff member devoted to its services.

Code enforcement in Walnut Creek is primarily done on a complaint basis, with only limited proactive efforts at identifying instances of non-compliance. A system called SeeClickFix is available to the public to lodge complaints either as a downloadable application for smart phones or on-line. Using the phone application, a complainant can take a picture of the violation, fill out a short form, and submit it electronically to the Enforcement Division. A similar process is followed on-line.

The focus of the Division's efforts is compliance and they are willing to work with owners to succeed. When a violation occurs, the responsible party is given an appropriate amount of time to correct the violation depending on the nature of the violation. In cases of graffiti the goal is to have it removed within three days. Generally the Division will provide repeated notices and will make a concerted effort to be sure that it is contacting the correct responsible party, including posting notices at the property. If no action is taken after 30 days the Division may correct the violation using third party contractors and levy the cost on the property owner. The Division will also issue fines that increase with each instance of violation. In the case of commercial properties, instances of non-correction following violation notice are very rare, particularly compared to other municipalities.

Separate information about reports filed for graffiti was not available from City sources. Graffiti clean-up is the responsibility of the property owner whose property was defaced by graffiti.

Overall, the Division receives approximately 50-60 complaints per month. The overwhelming majority of these complaints are residential or for issues such as noise or zoning violations, which do not have an impact on commercial urban decay as it relates to this study. In recent history no complaints for commercial properties have progressed to the point where the City took responsibility for abatement or placed a lien on a commercial property.

### City of Concord

Similar provisions also exist in the City of Concord, such as the City of Concord Municipal Code of Ordinances Chapter 62 on Neighborhood Preservation. Similar to Walnut Creek's Code, this Chapter of Concord's Municipal code defines a public nuisance, wherein the City's goal is to "protect the health, safety and welfare of its citizens and their property and that an ordinance is necessary to regulate, prevent and prohibit disorderly, disturbing, unsightly, unsafe, unsanitary conditions or objects in the city."<sup>18</sup> Many nuisances are specifically defined in Concord's Municipal Code. Examples include the following:

- a wall or fence that is poorly maintained, sagging, leaning, fallen, decayed or is otherwise structurally unsound or unsafe (Sec. 62-32.n)
- a building or other structure that is abandoned for a period of 90 days or more (Sec. 62-32.o)
- maintaining windows, building exteriors, roofs, and gutters in a defective, deteriorated, or damaged condition (Sec. 62-32.r)
- paint on a building, wall, fence, or structure that has become so deteriorated as to permit decay, peeling, dry rot, or insect infestation (Sec. 62-32.s)
- littering (Sec. 62-32.z)

With respect to littering, business owners "must maintain their property in a neat and orderly manner, free of loose trash, debris, or litter."<sup>19</sup>

Code enforcement in the City of Concord is done by the Code Enforcement Unit of the Concord Police Department. This Unit is responsible for violations of the municipal code relating to real property. Examples of common code violations include accumulation of trash, personal property and abandoned vehicles, overgrown vegetation, and broken windows, fences, and other property damage. The Unit is managed by a Police Sergeant and is staffed by a police corporal, four dedicated code enforcement officers, and a recycling theft prevention specialist.

Code violations are identified directly by the Code Enforcement Unit and by public complaints. Public complaints may be made by telephone and email. Land owners are identified by public records for the purpose of notification of violation. Notifications are not typically posted at the property. The process that occurs after a case is opened varies somewhat based on the history of the property and its owner with the Enforcement Unit and on the response of the owner to notification of violation. Typically the owner is given an informal notice and granted ten days to correct. If there is no correction, then a Notice of Violation is served along with a \$100 fine and another ten days to correct is granted. This would typically be followed by a second notice with a \$200 fine and an additional ten days and a third notice with a \$500 fine and another ten days. Ensuing steps involve the Court and include an Administrative Citation, establishing a lien on the property, and a Property Abatement order in which a third party is contracted to correct the violation on behalf of the owner and the City.

The Code Enforcement Unit manages approximately 200 cases per month. They do not maintain detailed data regarding the breakdown of cases by type.

Graffiti abatement in Concord is managed by a separate program within the Public Works Department. Cases are submitted from the public via a telephone line, the City website, email, and

<sup>18</sup> City of Concord, "Municipal Code," Chapter 62 Neighborhood Preservation, Sec. 62-31. Purpose."

<sup>19</sup> Ibid, Sec. 62-21.z.



from Public Works employees. The Public Works Department generally carries out all abatement of instances of graffiti within its jurisdiction. It contacts property owners to obtain waivers to enter private property before painting over the graffiti. Typically it does not require property owners to do the painting themselves. The Concord Public Works Department is responsible for all instances of graffiti that are visible from any roadway or public grounds within the City of Concord as well as Contra Costa County Flood Control areas.

The Public Works Department responds to graffiti complaints within 24 hours and usually covers over the graffiti within the same timeframe. In some cases they will paint a square over the graffiti to cover it up immediately and then return later to match the color. Instances of gang-related or racial subject matter receive priority.

Concord receives approximately 200 to 400 graffiti complaints per month. They paint over approximately 20,000 to 50,000 square feet of surface area per month or 400,000 to 500,000 square feet per year.

#### **City of Pleasant Hill**

Similar regulatory codes also exist in the City of Pleasant Hill, such as the City of Pleasant Hill Municipal Code of Ordinances Chapter 7 on Community Preservation. Examples of nuisances defined by Pleasant Hill's Municipal Code include the following:

- maintain property, a building, or structure, or required fence in such condition that it is defective, unsightly, or in such condition of dilapidation or disrepair that it causes or accelerates the substandard condition of the property ..... (7.05.020.D)
- maintain a building or structure which has been defaced with paint or other liquid (e.g., graffiti) which defacement is visible from a public street or sidewalk, public park, school or public right-of-way (7.05.020.E)
- maintain property with the accumulation of garbage, litter, dirt, debris, junk, trash, salvage materials, lumber or other debris

Code enforcement in the City of Pleasant Hill is the responsibility of the Code Enforcement Investigator ("CEI") within the Pleasant Hill Planning Department. Examples of common violations cited by the City include abandoned and dilapidated homes or buildings, improper vehicle storage or vehicle maintenance, graffiti, trash, and debris.

Code violations are identified both proactively by the CEI and by public complaint. Public complaint accounts for approximately 70% to 80% of cases. The public can make complaints by telephone or by using a form on the City website.

Once a case is established the property owner is identified through property neighbors or from public records. The first step in the enforcement process is typically an informal notification to the owner with a 7-10 day period to correct. If there is no correction then an Administrative Citation is issued with a \$100 fine and an additional ten day period to correct. If necessary, this would be followed a second Citation with a \$200 fine with ten days to correct and a third Citation with a \$500 fine and an additional ten days. The second and third citations may also include fees for administrative costs and the investigator's time. Finally, an Abatement Notice with a warrant from the court will be issued and the violation will be abated by the City.

Pleasant Hill has approximately 100 cases per month, of which 5% to 20% relate to commercial properties.

### Summary

During the fieldwork conducted in September 2013 there were no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes and corridors in the cities of Walnut Creek, Concord, and Pleasant Hill. Almost all vacant properties were well-maintained with no signs of decay or deterioration. Thus, ALH Economics concludes that existing measures to maintain private commercial property in good condition in the cities of Walnut Creek, Concord, and Pleasant Hill are effective and would serve to preclude the potential for urban decay and deterioration in the event any existing area retailers close following the operations of the Project and other cumulative retail projects.

### POTENTIAL FOR URBAN DECAY RESULTING FROM THE PROJECT

#### Contributing Causes to Urban Decay

Before considering how the Project and cumulative projects might affect the market and environs, it is useful to focus on what constitutes the *environmental* impact known as urban decay. The leading court case on the subject, *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, 1204, described the phenomenon as “a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.” The court also discussed prior case law that addressed the potential for large retail projects to cause “physical deterioration of [a] downtown area” or “a general deterioration of [a] downtown area.” (Id. at pp. 1206, 1207). When looking at the phenomenon of urban decay, it is also helpful to note economic impacts that do not constitute urban decay. For example, a vacant building is not urban decay, even if the building were to be vacant over a relatively long time. Similarly, even a number of empty storefronts would not constitute urban decay. Based on the preceding descriptions regarding urban decay, therefore, ALH Economics’ analysis examined whether there was sufficient market demand to support the Project without affecting existing retailers so severely such as to lead to a downward spiral toward decay of the commercial real estate market.

#### Project and Cumulative Project Vacancy Impacts

The preceding analysis indicated the potential for one grocery store to close following development of the Project, and for one additional grocery store and other retail spaces to close following development of the cumulative projects. As noted in Table 11, the Project impacts alone are estimated **at worst** to result in the potential vacancy of 32,401 to 40,501 square feet of retail space in Walnut Creek. If the impacts are spread throughout Walnut Creek and Concord, as well as Pleasant Hill, then few vacancy impacts are anticipated. However, there is a strong possibility that the Project may result in one grocery store vacancy, which would likely be in Walnut Creek. Once all the cumulative projects are developed the potential vacancy impacts increase. These impacts could be as high as 106,555 to 133,194 square feet if all impacts are confined to Walnut Creek or lower at 28,055 to 35,069 square feet if the impacts are more widely dispersed including in Concord (see Table 17). In all likelihood, the vacancy impacts will be somewhere between these two bands, as the vacancy impacts are unlikely to occur in just Walnut Creek.

The vacancy impacts of the Project and Project combined with the cumulative projects is presented in Table 20. This table indicates the percentage increase in the retail base vacancy rate that would occur

if the maximum vacancy impacts result. The resulting retail vacancy rate is also shown for each location.

**Table 20**  
**Project and Cumulative Project Retail Vacancy Rate Impacts**

City	Retail Inventory	Maximum Sq. Ft. Impact	Increase in Vacancy Rate	Existing Sq. Ft. Vacant	Resulting Vacancy Rate
<b>Project</b>					
Walnut Creek	4,770,939	40,501	0.8%	159,287	4.2%
Walnut Creek and Concord	12,446,909	0	0.0%	550,655	4.4%
<b>Project and Cumulative Projects</b>					
Walnut Creek	4,770,939	133,194	2.8%	159,287	6.1%
Walnut Creek and Concord	12,446,909	35,069	0.3%	550,655	4.7%

Sources: Exhibits 35 and 36, Table 11 and Table 17.

The vacancy analysis indicates that if the Project's maximum real estate market impacts occur in Walnut Creek the city's vacancy rate would increase by less than 1.0%. The overall vacancy rate would increase to 4.2%. In general, retail markets are deemed most healthy when there is some increment of vacancy, at least 5.0%, which allows for market fluidity and growth of existing retailers. Even retail vacancy rates at the 10.0% level are generally considered a reasonably healthy retail market. Thus, the vacancy rate increase to 4.2% in Walnut Creek following the Project's maximum potential impacts would still be indicative of a very strong retail market. As a result, it is very unlikely that retail properties would fall into urban decay and that property owners would disinvest in their properties, leading to the downward spiral of urban deterioration and decay. There are no combined Walnut Creek and Concord vacancy impacts estimated for the Project's impacts alone, as demand generated by new growth is anticipated to absorb the Project's combined sales impacts. This may result in interim vacancies, but new growth in demand is anticipated to absorb these vacancies quickly, with no resulting vacancy impacts in the market and hence no measurable increase in the combined cities vacancy rate.

More noticeable vacancy rate impacts may occur pursuant to the development of the Project and the cumulative projects. These impacts could raise the Walnut Creek vacancy rate by 2.8% and the combined Walnut Creek and Concord vacancy rate by 0.3%. The resulting vacancy rates would be 6.1% for Walnut Creek and 4.7% for the combined cities. The resulting vacancy rate for Walnut Creek is high relative to the long-term trends presented in Exhibit 35. However, this rate is still within the realm of a rate indicative of a moderately healthy retail market.

If the available vacancies are concentrated in grocery store space, the strong retail market and the backfill examples suggest that the grocery store space would be successfully backfilled. Depending upon where the space is located, the vacated grocery store space could be subdivided as has previously successfully occurred among the backfill examples, especially in Walnut Creek.

### Urban Decay Conclusion

In developing a conclusion regarding the potential for urban decay, ALH Economics relied on the definition presented earlier in this chapter, which focused on determining whether or not physical deterioration would likely result from the opening of the Project and other cumulative retail developments. ALH Economics' conclusion is based on consideration of current market conditions, findings regarding sales and vacancy impacts, and regulatory controls, as summarized below:

**Current Market Conditions:** The fieldwork and market research indicated that retail market conditions are moderate to very strong in the relevant cities, with low retail vacancy rates. Retail leasing activity is occurring throughout the area and existing vacancies are well maintained. There are a few instances of long-term vacancy, but these are generally concentrated in older retail centers, and few such vacancies are more than 10,000 square feet. With scant exceptions, existing vacancies, including longer-term vacancies, are well-maintained, and are not indicative of urban decay or deterioration.

**Sales and Vacancy Impacts:** ALH Economics anticipates that the Project and Project combined with cumulative projects sales impacts could result in closure of existing retailers. The analysis suggests that one and possibly two grocery stores could close and some additional retailers. The result could be up to about 40,000 square feet of vacant space for the Project alone and up to about 133,000 square feet resulting from the Project in combination with the cumulative projects, if all the impacts are focused in Walnut Creek. The likelihood is that the impacts will be more widely spread, and thus the vacancy impacts will be lower than these figures. Even if these amounts of vacancy result, however, the resulting increments in retail vacancy rates will be nominal to modest, with all resulting vacancy rates well within the range indicative of a healthy retail market. Moreover, the market's demonstrated retail absorption and the strong to moderately strong market conditions suggest that most vacancies that might occur as a result of Project or cumulative project impacts would likely be backfilled within a reasonable time and not be characterized by prolonged vacancy.

Even if some sites experience prolonged vacancy because they might be of a size that experiences less demand or they are located in shopping centers with poor visibility or other undesirable characteristics, the prevailing conditions in the market area and environs suggest that these vacancies would be well-maintained and would not devolve into urban decay or deterioration. Moreover, it should be noted that when tenants vacate prior to lease expiration, they continue to be responsible for rent and their share of building operating expenses. While not all tenants would have the wherewithal to continue these payments, national or regional retailers are more likely to have this capability. This is an important consideration because landlords would continue to receive income on these vacated spaces through committed lease payments, which means they would have available financial resources to continue to maintain their properties.

**Regulatory Controls:** During Project-related fieldwork conducted in September 2013, ALH Economics found there were little-to-no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes in the Project's market area or greater environs. Thus, ALH Economics concludes that existing measures to

maintain private commercial property in good condition in Walnut Creek, Concord, and Pleasant Hill are generally effective and would serve to help preclude the potential for urban decay and deterioration in the event any existing retailers in the market area or environs close following the operations of the Project and other cumulative retail projects.

In conclusion, while some existing stores may experience negative impacts following the addition of the Project and the Project combined with cumulative retail developments, there is limited evidence to suggest that closed store spaces would exhibit traditional signs of deterioration and decay, such as graffiti, refuse dumping, and dilapidated fencing. Existing vacant spaces throughout the area appear well-maintained, including longer-term vacancies. This, plus the recent area leasing activity, indicates that the cities comprising the competitive retail market for The Orchards at Walnut Creek are inherently appealing retail markets. Based upon these findings, ALH Economics concludes that The Orchards at Walnut Creek shopping center project and the identified cumulative projects will not cause or contribute to urban decay.

### ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although ALH Urban & Regional Economics believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

**APPENDIX A: EXHIBITS**

**Exhibit 1**  
**The Orchards at Walnut Creek**  
**Project Description and Net Change from Existing Safeway**  
**Square Feet by Land Use**

<b>Land Use</b>	<b>Existing</b>	<b>Proposed</b>	<b>Net Change</b>
Grocery (1)	22,500	55,000	32,500
Restaurant	0	25,000	25,000
Retail (2)	0	100,000	100,000
Health Club	0	45,000	45,000
<b>Total</b>	<b>22,500</b>	<b>225,000</b>	<b>202,500</b>

Sources: First Carbon Solutions, Project Description, Table 2-3: Maximum Development Capacity, City of Walnut Creek Shadelands Gateway Specific Plan and The Orchards at Walnut Creek Project, Date forthcoming, and ALH Urban & Regional Economics

(1) Includes pharmacy.

(2) Includes retail and personal services. Space will be distributed among a number of buildings.



**Exhibit 2**  
**The Orchards at Walnut Creek**  
**Distribution of 100,000 Square Feet of Commercial Space**  
**By Type of Retail (1)**

<b>California Board of Equalization Sales</b>		
<b>Category (2)</b>	<b>Percent</b>	<b>Square Feet</b>
Motor Vehicle & Parts Dealers	0%	0
Home Furnishings & Appliances (3)	20%	20,000
Building Materials & Garden Equipment	0%	0
Gasoline Stations	0%	0
Clothing & Clothing Accessories (4)	20%	20,000
General Merchandise Stores	0%	0
Other Retail Group (5)	40%	40,000
Non-Retail Uses (6)	20%	20,000
<b>Total</b>	<b>100%</b>	<b>100,000</b>

Source: ALH Urban & Regional Economics.

(1) Retail tenants for this portion of the retail space have not yet been determined. ALH Urban & Regional Economics developed working assumptions for this space based upon professional judgment, review of the tenant mix at other Safeway-anchored shopping centers developed by Property Development Centers (PDC), and experience in the retail industry.

(2) Retail categories pursuant to the State of California Board of Equalization categories. Use of these categories facilitates analysis of prospective sales at The Orchards at Walnut Creek relative to the existing sales base.

(3) Includes retailers selling home furnishings and appliances, such as home décor, kitchenware, bedding, small and large appliances, furniture, and mattresses.

(4) Includes retailers selling a wide range of clothing, shoes, and accessories such as purses and hats.

(5) The Other Retail Group includes a range of retail goods, such as drug stores, health and personal care, gifts, art goods and novelties, sporting goods, pet supply, toy stores, florists, photographic equipment and supplies, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

(6) Non-retail uses include bank/financial and personal services, such as hair and nail salons. The 20,000 square feet shown here comprise approximately 9% of the total project square footage (i.e., 225,000 square feet as presented in Exhibit 1).

**Exhibit 3**  
**The Orchards at Walnut Creek**  
**Distribution of Annual Retail Sales Estimates**  
**In 2013 Dollars**

BOE Retail Category (1)	Square Feet		Sales per Square Foot Estimates (3)	Annual Retail Sales	
	Total (2)	Net (2)		Total	Net New
Motor Vehicle & Parts Dealers	0	0	NA	\$0	\$0
Home Furnishings & Appliances	20,000	20,000	\$288 (4)	\$5,758,568	\$5,758,568
Building Materials & Garden Equipment	0	0	NA	\$0	\$0
Food and Beverage Stores	55,000	32,500	\$760 (5)	\$41,800,000	\$24,700,000
Grocery Component	30,215	27,715	\$760	\$23,163,400	\$21,053,400
Pharmacy Component (6)	4,785	4,785	\$760	\$3,636,600	\$3,636,600
Sub-total	55,000	32,500		\$41,800,000	\$24,700,000
Gasoline Stations	0	0	NA	\$0	\$0
Clothing & Clothing Accessories Stores	20,000	20,000	\$466 (7)	\$9,319,948	\$9,319,948
General Merchandise Stores	0	0	NA	\$0	\$0
Food Services & Drinking Places	25,000	25,000	\$479 (8)	\$11,982,417	\$11,982,417
Other Retail Group	40,000	40,000	\$345 (9)	\$13,809,746	\$13,809,746
Non-Retail Services - Personal Services	20,000	20,000	— (10)	—	—
Non-Retail Services - Health Club	45,000	45,000	— (10)	—	—
<b>Total</b>	<b>225,000</b>	<b>202,500</b>	<b>NA</b>	<b>\$82,670,678</b>	<b>\$65,570,678</b>

Sources: Retail Maxim (see Exhibit B-2); Nielson Trade Dimensions; Safeway Inc., Form 10-K, For the Fiscal Year Ended December 29, 2012; and ALH Urban & Regional Economics.

(1) Retail sales are analyzed pursuant to the State of California Board of Equalization classification to facilitate analysis.

(2) See Exhibits 1 and 2.

(3) See Exhibit B-2.

(4) Average sales per square foot for Domestic and Furniture, see Exhibit B-2.

(5) Average assumed sales per square foot for Safeway, based upon analysis of Nielsen Trade Dimensions store performance data for Safeway stores in Walnut Creek, Concord, and Pleasant Hill.

(6) Safeway's Form 10-K for 2012 indicates pharmacy sales in 2012 comprised 8.7% of all store sales. For analytical purposes ALH Urban & Regional Economics assumes this is also the percent of store space allocated to the pharmacy. Note, to parallel the sales trend data compiled by the State of California Board of Equalization, pharmacy sales will subsequently be grouped with "Other Retail Group" sales, as this is how the sales data collected by the BOE are grouped on a city basis.

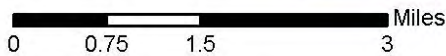
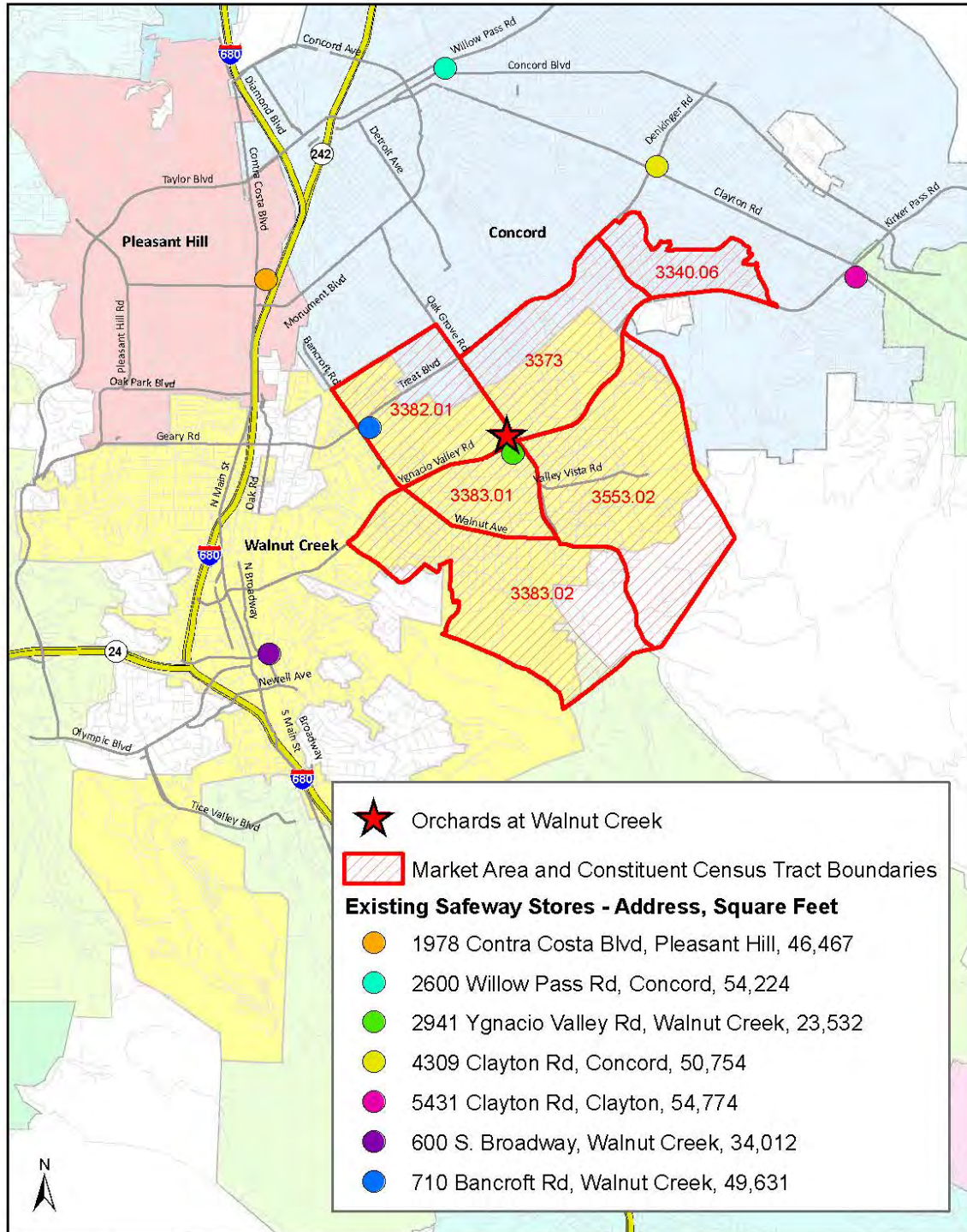
(7) The sales per square foot estimate for the clothing & clothing accessories stores space is based on the average for apparel. See the Retail Maxim summary data in Exhibit B-2.

(8) The sales per square foot estimate for the restaurant space is based on the average sales among major national restaurant chains. See the Retail Maxim summary data in Exhibit B-2.

(9) The sales per square foot estimate for the other retail space is based on the average of other retail categories. See the Retail Maxim summary data in Exhibit B-2.

(10) Non-retail services include uses such as banks, salons, and tutoring centers. Sales generated by these uses are not reported by the State of California BOE in a manner that is conducive to comparative analysis. Given the limited area devoted to these uses the sales are anticipated to be relatively low and not highly competitive with other service providers.

Exhibit 4: Orchards at Walnut Creek Market Area



This map contains information from sources we believe to be reliable, but we make no representation, warranty, or guarantee of its accuracy. This map is published for the use of ALH Urban & Regional Economics and its clients only. Redistribution in whole or part to any third party without the prior written consent of ALH Urban & Regional Economics is strictly prohibited.

**Exhibit 5**  
**The Orchards at Walnut Creek**  
**Share of Sales Generated by Market Area Residents**  
**In 2013 Dollars**

BOE Retail Category	Annual Orchards at Walnut Creek Retail Sales (1)		Sales Generated By Market Area Residents (2)	Annual Retail Sales Generated by Market Area (3)	
	Total	Net New		Total	Net New
Motor Vehicle & Parts Dealers	\$0	\$0	NA	\$0	\$0
Home Furnishings & Appliances	\$5,758,568	\$5,758,568	80%	\$4,606,854	\$4,606,854
Building Materials & Garden Equipment	\$0	\$0	NA	\$0	\$0
Food and Beverage Stores	\$38,163,400	\$21,063,400	80%	\$30,530,720	\$16,850,720
Gasoline Stations	\$0	\$0	NA	\$0	\$0
Clothing & Clothing Accessories Stores	\$9,319,948	\$9,319,948	80%	\$7,455,959	\$7,455,959
General Merchandise Stores	\$0	\$0	NA	\$0	\$0
Food Services & Drinking Places	\$11,982,417	\$11,982,417	80%	\$9,585,933	\$9,585,933
Other Retail Group	\$17,446,346	\$17,446,346	80%	\$13,957,076	\$13,957,076
<b>Total</b>	<b>\$82,670,678</b>	<b>\$65,570,678</b>	<b>80%</b>	<b>\$66,136,542</b>	<b>\$52,456,542</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 3.

(2) Assumption developed by ALH Urban & Regional Economics.

(3) Comprises share of store sales anticipated to be generated by market area households.

Exhibit 6: Orchards at Walnut Creek Market Area Shopping Centers

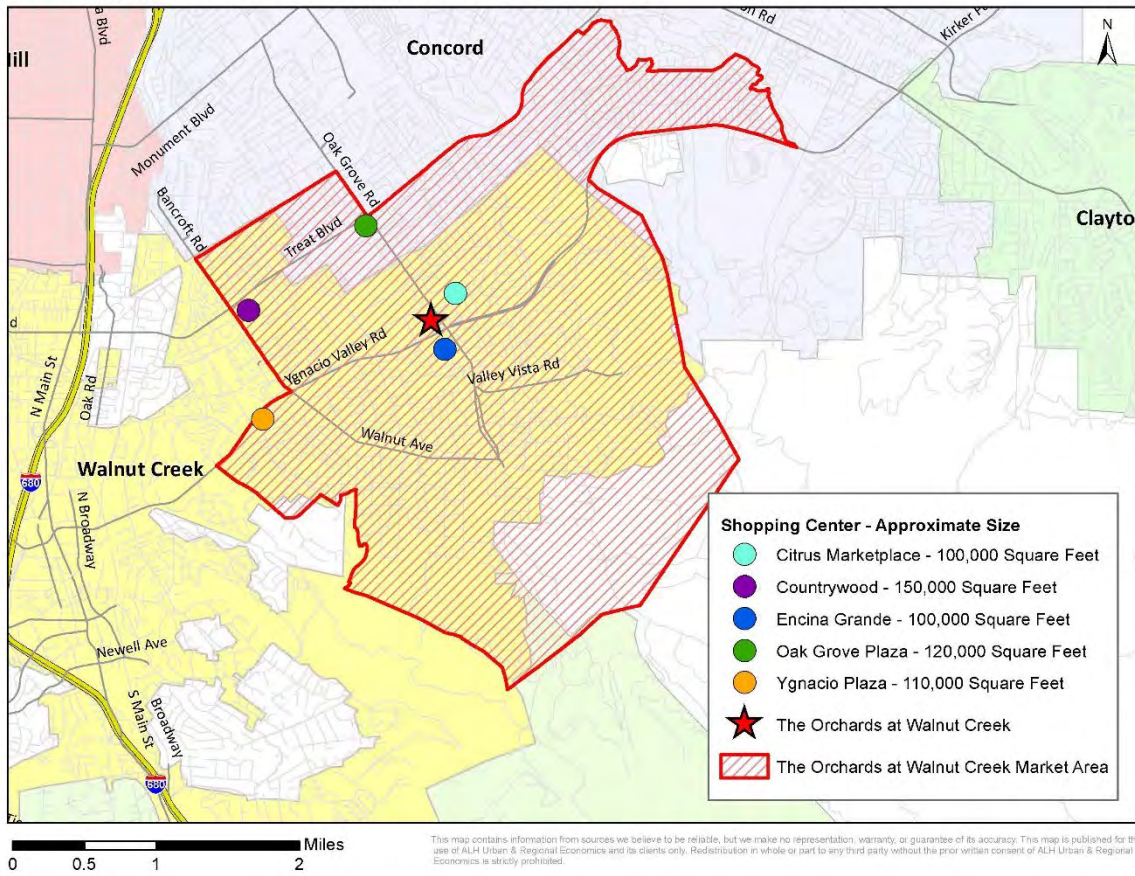


Exhibit 7  
 The Orchards at Walnut Creek  
 Household and Population Estimates and Projections  
 City of Walnut Creek, City of Concord, and Project Market Area (1)  
 2010 - 2018 (2)

Demographic Characteristic	2010 (3)	2011 (4)	2012 (4)	2013 (5)	2014 (6)	2015 (6)	2016 (6)	2017 (6)	2018 (6)	Compound Annual Average
										Growth Rates
										2010-2018
<b>Households</b>										
<b>Market Area</b>										
Census Tract 3340.05	1,668	1,704	1,721	1,737	1,751	1,766	1,780	1,795	1,810	0.88%
Census Tract 3373	2,242	2,253	2,265	2,276	2,289	2,302	2,315	2,328	2,341	0.54%
Census Tract 3382.01	1,406	1,412	1,416	1,424	1,431	1,438	1,445	1,453	1,460	0.47%
Census Tract 3383.01	1,091	1,093	1,095	1,097	1,100	1,104	1,107	1,111	1,114	0.26%
Census Tract 3383.02	2,140	2,152	2,163	2,175	2,189	2,202	2,216	2,230	2,244	0.69%
Census Tract 3553.02	1,205	1,206	1,206	1,207	1,209	1,211	1,213	1,215	1,217	0.12%
<b>Total Market Area</b>	<b>9,772</b>	<b>9,820</b>	<b>9,868</b>	<b>9,916</b>	<b>9,969</b>	<b>10,023</b>	<b>10,077</b>	<b>10,131</b>	<b>10,186</b>	<b>0.52%</b>
City of Walnut Creek	30,528	30,840	31,158	31,479	31,786	32,095	32,406	32,723	33,042	0.99%
City of Concord	44,352	44,707	45,065	45,426	45,782	46,141	46,503	46,868	47,235	0.79%
<b>Population</b>										
<b>Market Area</b>										
Census Tract 3340.05	4,767	4,767	4,808	4,826	4,851	4,876	4,901	4,927	4,952	0.46%
Census Tract 3373	6,098	6,118	6,137	6,157	6,184	6,211	6,238	6,266	6,293	0.39%
Census Tract 3382.01	3,790	3,800	3,811	3,821	3,836	3,851	3,866	3,882	3,897	0.35%
Census Tract 3383.01	2,922	2,925	2,928	2,931	2,935	2,945	2,952	2,959	2,966	0.19%
Census Tract 3383.02	5,807	5,853	5,899	5,946	5,993	6,040	6,088	6,136	6,185	0.79%
Census Tract 3553.02	3,464	3,462	3,461	3,479	3,483	3,487	3,490	3,494	3,498	0.05%
<b>Total Market Area</b>	<b>26,868</b>	<b>26,965</b>	<b>27,062</b>	<b>27,160</b>	<b>27,285</b>	<b>27,410</b>	<b>27,536</b>	<b>27,663</b>	<b>27,791</b>	<b>0.42%</b>
City of Walnut Creek	64,877	65,418	65,963	66,513	67,074	67,639	68,209	68,784	69,364	0.84%
City of Concord	122,213	122,971	123,734	124,502	125,353	126,210	127,073	127,942	128,817	0.66%

Sources: Nielson Reports; and ALH Urban & Regional Economics.

- (1) See Exhibit 4 for a map of The Orchards at Walnut Creek market area.
- (2) All data points reflect counts for April of the respective year, pursuant to census benchmarking in April for each decennial census.
- (3) Demographic Census data for 2010 provided by Nielson Reports.
- (4) Demographic estimates for 2011 and 2012 were prepared by ALH Urban & Regional Economics based on the estimated incremental growth rates between 2010 and 2013.
- (5) Demographic projections provided by Nielson Reports.
- (6) Demographic projections for 2014 through 2017 were prepared by ALH Urban & Regional Economics based on the estimated incremental growth rates between 2013 and 2018.

**Exhibit 8**  
**The Orchards at Walnut Creek**  
**Average Household Income Estimates**  
**City of Walnut Creek, City of Concord, and Market Area**  
**2010 - 2013 (1)**  
**In Current Year Dollars**

<b>Geographic Area</b>	<b>2010 (2)</b>	<b>2011 (3)</b>	<b>2012 (3)</b>	<b>2013 (4)</b>
City of Walnut Creek	\$106,997	\$109,872	\$112,824	\$115,855
City of Concord	\$85,537	\$85,021	\$84,507	\$83,996
Market Area				
Census Tract 3340.06	--	--	--	\$127,978
Census Tract 3373	--	--	--	\$139,389
Census Tract 3382.01	--	--	--	\$122,012
Census Tract 3383.01	--	--	--	\$187,320
Census Tract 3383.02	--	--	--	\$161,523
Census Tract 3553.02	--	--	--	\$199,027
<b>Weighted Average</b>				<b>\$152,311</b>

Sources: U.S. Bureau of the Census, American Community Survey, 2010 and 2011; Nielson Reports, and ALH Urban & Regional Economics.

- (1) All figures are presented in current year dollars.  
(2) The mean household income for 2010 is provided by the U.S. Bureau of the Census, American Community Survey.  
(3) Interim year estimates prepared by ALH Urban & Regional Economics based on the incremental growth rates between 2010 and 2013.  
(4) Benchmark years provided by Nielson Reports.

**Exhibit 9**  
**The Orchards at Walnut Creek**  
**Market Area Retail Spending Potential (1)**  
**Existing Retail Demand, 2013**  
**In 2013 Dollars**

<b>Type of Retailer</b>	<b>Per Household Demand (2)</b>	<b>Total Market Area Demand (3)</b>
Motor Vehicles and Parts Dealers	\$4,654	\$46,147,637
Home Furnishings and Appliance Stores	\$2,059	\$20,412,789
Building Materials and Garden Equip (4)	\$2,276	\$22,565,343
Food and Beverage Stores	\$6,870	\$68,123,556
Gasoline Stations	\$4,820	\$47,798,259
Clothing and Clothing Accessories Stores	\$2,584	\$25,626,322
General Merchandise Stores	\$5,262	\$52,182,167
Food Services and Drinking Places	\$4,781	\$47,405,093
Other Retail Group (5)	\$4,772	\$47,317,802
<b>Total</b>	<b>\$38,078</b>	<b>\$377,578,969</b>

Source: ALH Urban & Regional Economics.

(1) All figures are expressed in 2013 dollars.

(2) The per household spending estimates for the market area were generated by ALH Urban & Regional Economics by taking the estimated average 2013 market area household income figure of \$152,311 presented in Exhibit 8 and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.

(3) Represents per household spending multiplied by the respective household count in Exhibit 7.

(4) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

(5) Other Retail Group includes drug stores, electronics, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, electronics, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.



**Exhibit 10****The Orchards at Walnut Creek****New Retail Demand Generated by Household Growth in the Market Area****Retail Demand Generated Between 2013-2016 and 2013-2018****In 2013 Dollars**

<b>Type of Retailer</b>	<b>Per Household Spending (1)</b>	<b>Incremental Demand (2)</b>	
		<b>New Growth 2013-2016</b>	<b>New Growth 2016-2018</b>
Motor Vehicles and Parts Dealers	\$4,654	\$749,322	\$507,219
Home Furnishings and Appliance Stores	\$2,059	\$331,452	\$224,362
Building Materials and Garden Equip	\$2,276	\$366,405	\$248,021
Food and Beverage Stores	\$6,870	\$1,106,156	\$748,762
Gasoline Stations	\$4,820	\$776,124	\$525,362
Clothing and Clothing Accessories Stores	\$2,584	\$416,107	\$281,665
General Merchandise Stores	\$5,262	\$847,307	\$573,546
Food Services and Drinking Places	\$4,781	\$769,740	\$521,040
Other Retail Group	\$4,772	\$768,322	\$520,081
<b>Total</b>	<b>\$38,078</b>	<b>\$6,130,935</b>	<b>\$4,150,058</b>

Sources: Nielson Company Reports; and ALH Urban &amp; Regional Economics.

(1) The per household spending estimates for the market area were generated by ALH Urban & Regional Economics by taking the estimated average 2013 market area household income figure of \$152,311 presented in Exhibit 8 and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.

(2) Represents per household spending multiplied by the respective increase in households, which is 161 between 2013 and 2016, and an additional increase of 109 between 2016 and 2018. See Exhibit 7 for household projections.

**Exhibit 11**  
**The Orchards at Walnut Creek**  
**Existing and Future Retail Demand by Category**  
**Market Area**  
**2013, 2016, and 2018 (2)**

<b>Type of Retailer</b>	<b>Existing Demand 2013 (1)</b>	<b>Demand by 2016 (2)</b>	<b>Demand by 2018 (3)</b>
Motor Vehicles and Parts Dealers	\$46,147,637	\$46,896,959	\$47,404,178
Home Furnishings and Appliance Stores	\$20,412,789	\$20,744,242	\$20,968,604
Building Materials and Garden Equip (5)	\$22,565,343	\$22,931,747	\$23,179,768
Food and Beverage Stores	\$68,123,556	\$69,229,712	\$69,978,473
Gasoline Stations	\$47,798,259	\$48,574,383	\$49,099,745
Clothing and Clothing Accessories Stores	\$25,626,322	\$26,042,429	\$26,324,094
General Merchandise Stores	\$52,182,167	\$53,029,474	\$53,603,020
Food Services and Drinking Places	\$47,405,093	\$48,174,833	\$48,695,873
Other Retail Group (5)	\$47,317,802	\$48,086,125	\$48,606,206
<b>Total</b>	<b>\$377,578,969</b>	<b>\$383,709,904</b>	<b>\$387,859,962</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 9.

(2) Includes existing demand and future demand to 2016, presented in Exhibit 10.

(3) Includes existing demand and future demand to 2016 and to 2018, presented in Exhibit 10.

Exhibit 12  
The Orchards at Walnut Creek  
Implied Project Capture Rate of Market Area Demand (1)  
2016 and 2018

Type of Retailer	Project Retail Sales Generated by Market Area Residents (2)		Market Area Demand By 2016 (3)	2016 Orchards at Walnut Creek Implied 2016 Market Area Capture Rate (4)		Market Area Demand By 2018 (3)	2018 Orchards at Walnut Creek Implied 2018 Market Area Capture Rate (4)	
	Total	Net New		Total Sales	Net New Sales		Total Sales	Net New Sales
	Motor Vehicles and Parts Dealers	\$0		\$0	\$46,898,959		0%	0%
Home Furnishings and Appliance Stores	\$4,606,854	\$4,606,854	\$20,744,242	22%	22%	\$20,968,604	22%	22%
Building Materials and Garden Equip	\$0	\$0	\$22,931,747	0%	0%	\$23,179,768	0%	0%
Food and Beverage Stores	\$30,530,720	\$16,850,720	\$69,229,712	44%	24%	\$69,978,473	44%	24%
Gasoline Stations	\$0	\$0	\$48,574,383	0%	0%	\$49,089,745	0%	0%
Clothing and Clothing Accessories Stores	\$7,455,959	\$7,455,959	\$26,042,429	29%	29%	\$26,324,094	28%	28%
General Merchandise Stores	\$0	\$0	\$53,028,474	0%	0%	\$53,803,020	0%	0%
Food Services and Drinking Places	\$9,585,933	\$9,585,933	\$46,174,833	20%	20%	\$46,645,673	20%	20%
Other Retail Group	\$13,957,076	\$13,957,076	\$48,066,125	29%	29%	\$48,606,206	29%	29%
<b>Total</b>	<b>\$66,136,542</b>	<b>\$52,456,542</b>	<b>\$383,709,804</b>	<b>17%</b>	<b>14%</b>	<b>\$387,859,962</b>	<b>17%</b>	<b>14%</b>

Source: ALH Urban & Regional Economics

(1) This exhibit estimates what the capture rate by retail category would be for The Orchards at Walnut Creek if 60% of its sales were generated by market area households. This is presented for illustrative purposes, and is not a projection of performance.

(2) See Exhibit 5.

(3) See Exhibit 11.

(4) Comprises The Orchards at Walnut Creek estimated sales divided into the market area demand for the year cited.

**Exhibit 13**  
**The Orchards at Walnut Creek**  
**City of Walnut Creek BOE Taxable Sales Estimate**  
**in Current Dollars**  
**Third Quarter 2011 Through Second Quarter 2012**  
**(in \$000s)**

Type of Retailer	BOE Taxable Sales Estimate in \$000s (1)				Total Taxable Sales City of Walnut Creek (E = A + B + C + D)	City of Walnut Creek Taxable Sales Adjusted to Total Retail
	Q3 2011	Q4 2011	Q1 2012	Q2 2012		
	(A)	(B)	(C)	(D)		
Motor Vehicle & Parts Dealers	\$91,751	\$97,580	\$96,932	\$108,831	\$395,094	\$395,094
Home Furnishings & Appliances	\$19,006	\$22,029	\$17,118	\$17,234	\$75,387	\$75,387
Building Materials & Garden Equipment	\$9,030	\$9,067	\$7,803	\$9,263	\$35,183	\$35,183
Food & Beverage Stores	\$18,831	\$21,411	\$17,020	\$18,213	\$75,575	\$251,917 (2)
Gasoline Stations	\$31,971	\$31,247	\$30,781	\$33,336	\$127,336	\$127,336
Clothing & Clothing Accessories	\$81,065	\$77,201	\$53,718	\$64,452	\$256,436	\$256,436
General Merchandise Stores	\$31,339	\$46,363	\$33,535	\$41,424	\$152,661	\$190,826 (3)
Food Services & Drinking Places	\$46,310	\$50,415	\$49,946	\$51,574	\$198,245	\$198,245
Other Retail Group	\$31,523	\$36,006	\$31,500	\$32,236	\$131,265	\$183,402 (4)
<b>Total (5)</b>	<b>\$340,926</b>	<b>\$391,339</b>	<b>\$338,353</b>	<b>\$376,563</b>	<b>\$1,447,181</b>	<b>\$1,713,825</b>

Sources: California State Board of Equalization (BOE), "Taxable Sales in California" reports, for Third Quarter 2011, Fourth Quarter 2011, First Quarter 2012, and Second Quarter 2012; 2007 U.S. Economic Census; and ALH Urban & Regional Economics.

- (1) Taxable sales are pursuant to reporting by the State of California Board of Equalization (BOE).
- (2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.
- (3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 20% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 21% of General Merchandise Stores sales to food.
- (4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In Contra Costa County, drug store sales in Q3 2011, Q4 2011, Q1 2012, and Q2 2012 represented approximately 19.6% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.
- (5) Totals may not add up due to rounding.

11/22/2013

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**Exhibit 14**  
**The Orchards at Walnut Creek**  
**Adjusted City of Walnut Creek Retail Sales Base**  
**2013 Estimate**

Type of Retailer	Sales Base		Approx. 2013 Estimate	Sales per Household 2013 (4)
	2011/2012 (1) (2)	Increase to Q1 2013 (3)		
	(A)	(B)	[C = A x (1+ B)]	[D = C / # of HH]
Motor Vehicles & Parts Dealers	\$395,094,000	10.2%	\$435,308,894	\$13,829
Home Furnishings & Appliance Stores	\$75,387,000	(3.7%)	\$72,581,003	\$2,306
Building Materials & Garden Equipment	\$35,183,000	7.3%	\$37,751,399	\$1,199
Food & Beverage Stores	\$251,916,667	2.6%	\$258,547,256	\$8,213
Gasoline Stations	\$127,335,000	(2.3%)	\$124,412,650	\$3,952
Clothing & Clothing Accessories Stores	\$256,436,000	6.0%	\$271,717,631	\$8,632
General Merchandise Stores	\$190,826,250	5.6%	\$201,425,607	\$6,399
Food Services & Drinking Places	\$198,245,000	4.8%	\$207,790,264	\$6,601
Other Retail Group	\$183,401,671	0.0%	\$183,413,710	\$5,827
<b>Total</b>	<b>\$1,713,824,588</b>	<b>4.4%</b>	<b>\$1,792,948,414</b>	<b>\$56,957</b>

Sources: City of Walnut Creek Quarterly Sales Tax Data 2010 - 1Q 2013, and ALH Urban & Regional Economics

(1) See Exhibit 13.

(2) Reflects sales for 3rd Quarter 2011 through 2nd Quarter 2012.

(3) The sales base is adjusted pursuant to analysis of recent retail sales trends for the City of Walnut Creek (i.e., through first quarter 2013, or for three quarters). This is the most recent sales performance data available through the City's tax consultant.

(4) The City of Walnut Creek had an estimated 31,479 households in early 2013. See Exhibit 7.

**Exhibit 15**  
**The Orchards at Walnut Creek**  
**Retail Demand, Sales Attraction, and Spending Analysis (1)**  
**City of Walnut Creek**  
**2013**

Type of Retailer	Per Household		Walnut Creek Household Spending (4)	City of Walnut Creek Sales (3)	Retail Sales Attraction(Leakage)	
	Spending (2)	Sales (3)			Amount	Percent
Motor Vehicles and Parts Dealers	\$3,540	\$13,829	\$111,433,915	\$435,308,894	\$323,874,979	74.4%
Home Furnishings and Appliance Stores	\$1,566	\$2,306	\$49,291,301	\$72,581,003	\$23,289,703	32.1%
Building Materials and Garden Equip (5)	\$1,731	\$1,199	\$54,489,128	\$37,751,399	(\$16,737,729)	(30.7%)
Food and Beverage Stores	\$5,226	\$8,213	\$164,499,746	\$268,547,256	\$94,047,510	36.4%
Gasoline Stations	\$3,667	\$3,952	\$115,419,716	\$124,412,650	\$8,992,934	7.2%
Clothing and Clothing Accessories Stores	\$1,866	\$8,632	\$61,880,555	\$271,717,631	\$209,837,075	77.2%
General Merchandise Stores	\$4,003	\$6,399	\$128,005,653	\$201,425,607	\$75,419,954	37.4%
Food Services and Drinking Places	\$3,636	\$6,601	\$114,470,328	\$207,790,264	\$93,319,996	44.9%
Other Retail Group (6)	\$3,630	\$5,827	\$114,259,544	\$183,413,710	\$69,154,166	37.7%
<b>Total</b>	<b>\$28,964</b>	<b>\$56,957</b>	<b>\$911,749,886</b>	<b>\$1,792,948,414</b>	<b>\$881,198,528</b>	<b>49.1%</b>

Source: ALH Urban & Regional Economics.

(1) All figures are expressed in 2013 dollars.

(2) The per household spending estimates for the City of Walnut Creek were generated by ALH Urban & Regional Economics by taking the estimated average 2013 household income figure of \$115,855 presented in Exhibit 8 and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.

(3) See Exhibit 14.

(4) Represents per household spending multiplied by the respective household count.

(5) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

(6) Other Retail Group includes drug stores, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

**Exhibit 16**  
**The Orchards at Walnut Creek**  
**City of Concord BOE Taxable Sales Estimate**  
**Third Quarter 2011 Through Second Quarter 2012**  
**in Current Dollars**  
**(in \$000s)**

Type of Retailer	BOE Taxable Sales Estimate in \$000s (1)				Total Taxable Sales City of Concord [E = A + B + C + D]	City of Concord Taxable Sales Adjusted to Total Retail
	Q3 2011 [A]	Q4 2011 [B]	Q1 2012 [C]	Q2 2012 [D]		
Motor Vehicle & Parts Dealers	\$116,056	\$125,605	\$131,945	\$143,688	\$517,274	\$517,274
Home Furnishings & Appliances	\$32,536	\$37,032	\$33,446	\$32,392	\$135,406	\$135,406
Building Materials & Garden Equipment	\$57,705	\$90,109	\$50,317	\$66,777	\$224,908	\$224,908
Food & Beverage Stores	\$23,327	\$24,576	\$21,627	\$23,240	\$92,770	\$309,233 (2)
Gasoline Stations	\$42,030	\$40,480	\$40,437	\$43,322	\$166,269	\$166,269
Clothing & Clothing Accessories	\$29,575	\$40,835	\$28,080	\$30,780	\$129,270	\$129,270
General Merchandise Stores	\$66,692	\$100,575	\$65,561	\$72,073	\$304,901	\$381,128 (3)
Food Services & Drinking Places	\$39,937	\$40,836	\$42,281	\$43,885	\$167,019	\$167,019
Other Retail Group	\$43,565	\$45,995	\$37,940	\$43,365	\$170,865	\$238,730 (4)
<b>Total (5)</b>	<b>\$451,423</b>	<b>\$506,143</b>	<b>\$451,614</b>	<b>\$499,502</b>	<b>\$1,908,682</b>	<b>\$2,269,236</b>

Sources: California State Board of Equalization (BOE) "Taxable Sales in California" reports, for Third Quarter 2011, Fourth Quarter 2011, First Quarter 2012, and Second Quarter 2012; 2007 U.S. Economic Census; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the State of California Board of Equalization (BOE).

(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 20% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 21% of General Merchandise Stores sales to food.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In Contra Costa County, drug store sales in Q3 2011, Q4 2011, Q1 2012, and Q2 2012 represented approximately 19.6% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

(5) Totals may not add up due to rounding.

**Exhibit 17**  
**The Orchards at Walnut Creek**  
**Retail Demand, Sales Attraction, and Spending Analysis (1)**  
**City of Concord**  
**2012**

Type of Retailer	Per Household		Concord Household Spending (4)	City of Concord Sales (5)	Retail Sales Attraction/(Leakage)	
	Spending (2)	Sales (3)			Amount	Percent
Motor Vehicles and Parts Dealers	\$3,099	\$11,478	\$139,635,172	\$517,274,000	\$377,638,828	73.0%
Home Furnishings and Appliance Stores	\$1,371	\$3,005	\$61,765,749	\$135,406,000	\$73,640,251	54.4%
Building Materials and Garden Equip (6)	\$1,515	\$4,991	\$68,279,021	\$224,908,000	\$156,628,979	69.6%
Food and Beverage Stores	\$4,574	\$6,862	\$206,130,694	\$309,233,333	\$103,102,639	33.3%
Gasoline Stations	\$3,209	\$3,690	\$144,629,683	\$166,269,000	\$21,639,317	13.0%
Clothing and Clothing Accessories Stores	\$1,721	\$2,869	\$77,541,043	\$129,270,000	\$51,728,957	40.0%
General Merchandise Stores	\$3,504	\$8,457	\$157,894,868	\$381,128,250	\$223,231,582	58.6%
Food Services and Drinking Places	\$3,183	\$3,706	\$143,440,027	\$167,019,000	\$23,578,973	14.1%
Other Retail Group (7)	\$3,177	\$5,297	\$143,175,899	\$298,730,252	\$95,554,353	40.0%
<b>Total</b>	<b>\$25,352</b>	<b>\$50,355</b>	<b>\$1,142,491,955</b>	<b>\$2,269,235,836</b>	<b>\$1,126,743,880</b>	<b>49.7%</b>

Source: ALH Urban & Regional Economics

- (1) All figures are expressed in 2012 dollars.
- (2) The per household spending estimates for the City of Concord were generated by ALH Urban & Regional Economics by taking the estimated average 2012 household income figure of \$84,507 presented in Exhibit 8 and multiplying by 30%, utilizing the assumption that 30% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.
- (3) Comprises total City of Concord sales in Exhibit 16 divided by the number of households in Concord in 2012 from Exhibit 7.
- (4) Represents per household spending multiplied by the respective household count.
- (5) See Exhibit 16.
- (6) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.
- (7) Other Retail Group includes drug stores, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.



Exhibit 18  
 The Orchards at Walnut Creek  
 Project Sales Impacts  
 Impact on Existing Retail Base in Walnut Creek and Walnut Creek Combined with Concord  
 in 2013 Dollars

Retail Category	City of Walnut Creek Sales Impacts			Combined Cities of Walnut Creek and Concord Sales Impacts			
	Net New Project Retail Sales (1)	City of Walnut Creek Sales Base (2)	Sales Impact % of Walnut Creek Sales Base	City of Walnut Creek Sales Base (2)	City of Concord Sales Base (3)	Combined Cities Sales Base	Sales Impact % of Combined Sales Base
	(A)	(B)	(C = A / B)	(D)	(E)	(F = D + E)	(G = A / F)
Motor Vehicle & Parts Dealers	\$0	\$435,308,894	0.0%	\$435,308,894	\$525,111,990	\$960,420,885	0.0%
Home Furnishings & Appliances	\$5,758,568	\$72,581,003	7.9%	\$72,581,003	\$137,457,738	\$210,038,742	2.7%
Building Materials & Garden Equipment	\$0	\$37,751,399	0.0%	\$37,751,399	\$228,315,917	\$266,067,316	0.0%
Food & Beverage Stores	\$24,700,000	\$258,547,256	9.6%	\$258,547,256	\$313,818,988	\$572,466,245	4.3%
Gasoline Stations	\$0	\$124,412,650	0.0%	\$124,412,650	\$168,758,390	\$293,231,039	0.0%
Clothing & Clothing Accessories	\$9,310,948	\$271,717,631	3.4%	\$271,717,631	\$131,228,783	\$402,946,383	2.3%
General Merchandise Stores	\$0	\$201,425,607	0.0%	\$201,425,607	\$386,901,282	\$588,326,870	0.0%
Food Services & Drinking Places	\$11,982,417	\$207,790,284	5.8%	\$207,790,284	\$169,549,754	\$377,340,018	3.2%
Other Retail Group	\$13,809,746	\$163,413,710	7.5%	\$163,413,710	\$242,347,610	\$425,761,320	3.2%
<b>Total</b>	<b>\$85,570,678</b>	<b>\$1,792,948,414</b>	<b>3.7%</b>	<b>\$1,792,948,414</b>	<b>\$2,303,620,413</b>	<b>\$4,096,568,827</b>	<b>1.6%</b>

Sources: U.S. Bureau of Labor Statistics, Consumer Price Index; and ALH Urban & Regional Economics.

- (1) See Exhibit 3.  
 (2) See Exhibit 14.  
 (3) See Exhibit 16.

**Exhibit 19**  
**The Orchards at Walnut Creek**  
**New Demand Generated by Household Growth**  
**City of Walnut Creek and City of Concord**  
**2013 - 2016**  
**In 2013 Dollars**

Retail Category	Per Household Retail Demand		Demand From New Households 2013 - 2016 (3)		
	City of Walnut Creek (1)	City of Concord (2)	City of Walnut Creek	City of Concord	Combined Cities
	Motor Vehicle & Parts Dealers	\$3,540	\$3,080	\$3,287,535	\$3,316,867
Home Furnishings & Appliances	\$1,568	\$1,362	\$1,454,197	\$1,467,083	\$2,921,280
Building Materials & Garden Equipment	\$1,731	\$1,506	\$1,607,544	\$1,621,789	\$3,229,333
Food & Beverage Stores	\$5,226	\$4,546	\$4,853,089	\$4,896,093	\$9,749,182
Gasoline Stations	\$3,667	\$3,190	\$3,405,125	\$3,435,298	\$6,840,423
Clothing & Clothing Accessories	\$1,966	\$1,710	\$1,825,607	\$1,841,784	\$3,667,390
General Merchandise Stores	\$4,003	\$3,483	\$3,717,432	\$3,750,373	\$7,467,805
Food Services & Drinking Places	\$3,636	\$3,164	\$3,377,116	\$3,407,041	\$6,784,157
Other Retail Group	\$3,630	\$3,158	\$3,370,897	\$3,400,767	\$6,771,664
<b>Total</b>	<b>\$28,964</b>	<b>\$25,199</b>	<b>\$26,898,542</b>	<b>\$27,136,894</b>	<b>\$54,035,436</b>

Source: ALH Urban & Regional Economics

(1) See Exhibit 15.

(2) The per household spending estimates for the City of Concord were generated by ALH Urban & Regional Economics by taking the estimated average 2012 household income figure of \$84,507 presented in Exhibit 8 and multiplying by 30%, utilizing the assumption that 30% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.

(3) Reflects estimated household growth from 2013 to 2016 for the City of Walnut Creek of 929, and the City of Concord of 1,077. See Exhibit 7 for the household growth estimates.

**Exhibit 20**  
**The Orchards at Walnut Creek**  
**Project Sales Impacts**  
**Impact on Existing Walnut Creek Retail Sales Base Inclusive of Future Demand to 2016**  
**In 2013 Dollars**

Retail Category	Net New	New Walnut	Project Sales	Remaining	City of Walnut Creek Sales Impacts Less	
	Project Retail	Creek Demand	in Excess of	Demand	City of Walnut Creek	Sales Impact %
	Sales (1)	2013-2016 (2)	New Walnut	Available for	Existing	of Walnut Creek
	[A]	[B]	Creek Demand (3)	Retail Backfilling	Sales Base (4)	Sales Base
			[C = A - B if >0]	[D = B - A if >0]	[E]	[F = C / E]
Motor Vehicle & Parts Dealers	\$0	\$3,287,535	\$0	\$3,287,535	\$435,308,894	0.0%
Home Furnishings & Appliances	\$5,758,568	\$1,454,197	\$4,304,370		\$72,581,003	5.9%
Building Materials & Garden Equipment	\$0	\$1,607,544	\$0	\$1,607,544	\$37,751,399	0.0%
Food & Beverage Stores	\$24,700,000	\$4,853,089	\$19,846,911		\$258,547,258	7.7%
Gasoline Stations	\$0	\$3,405,125	\$0	\$3,405,125	\$124,412,650	0.0%
Clothing & Clothing Accessories	\$9,319,948	\$1,825,607	\$7,494,342		\$271,717,631	2.8%
General Merchandise Stores	\$0	\$3,717,432	\$0	\$3,717,432	\$201,425,607	0.0%
Food Services & Drinking Places	\$11,982,417	\$3,377,116	\$8,605,301		\$207,790,284	4.1%
Other Retail Group	\$13,809,748	\$3,370,887	\$10,438,861		\$183,413,710	5.7%
<b>Total</b>	<b>\$65,570,678</b>	<b>\$26,898,542</b>	<b>\$50,689,772</b>	<b>\$12,017,636</b>	<b>\$1,792,948,414</b>	<b>2.8%</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 3.

(2) See Exhibit 19.

(3) Comprises the level of net new project sales not anticipated to be absorbed by new demand occurring between the 2013 baseline period and 2016, the anticipated first full year of operations for the Orchards at Walnut Creek. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in Walnut Creek in order for the Orchards at Walnut Creek to achieve the level of operation projected in Exhibit 3, assuming only Walnut Creek establishments experience sales impacts.

(4) See Exhibit 14.

**Exhibit 21**  
**The Orchards at Walnut Creek**  
**Project Sales Impacts**  
**Impact on Existing Walnut Creek and Concord Combined Retail Sales Base Inclusive of Future Demand to 2016**  
**In 2013 Dollars**

Retail Category	Net New Project Retail Sales (1)	New Combined Walnut Creek and Concord Demand 2013-2016 (2)	Project Sales in Excess of New Combined Demand (3)	Remaining Demand Available for Retail Backfilling	Combined Cities of Walnut Creek and Concord Sales Impacts			
					City of Walnut Creek Sales Base (4)	City of Concord Sales Base (5)	Combined Cities Sales Base	Sales Impact % of Combined Sales Base
	(A)	(B)	(C = A - B, if >0)	(D = B - A, if >0)	(E)	(F)	(G = E + F)	(H = C / G)
Motor Vehicle & Parts Dealers	\$0	\$6,604,202	\$0	\$6,604,202	\$435,308,894	\$525,111,990	\$960,420,885	0.0%
Home Furnishings & Appliances	\$5,756,568	\$2,821,280	\$2,837,287	\$72,581,003	\$137,457,738	\$210,038,742	\$210,038,742	1.4%
Building Materials & Garden Equipment	\$0	\$3,229,333	\$0	\$3,229,333	\$37,751,399	\$228,315,917	\$266,067,316	0.0%
Food & Beverage Stores	\$24,700,000	\$9,749,182	\$14,950,818	\$258,547,256	\$313,918,889	\$572,466,245	\$572,466,245	2.6%
Gasoline Stations	\$0	\$6,840,423	\$0	\$6,840,423	\$124,412,650	\$168,788,390	\$293,201,038	0.0%
Clothing & Clothing Accessories	\$9,319,948	\$3,667,380	\$5,652,568	\$271,717,831	\$131,228,763	\$402,846,363	\$402,846,363	1.4%
General Merchandise Stores	\$0	\$7,467,805	\$0	\$7,467,805	\$201,425,907	\$386,901,262	\$588,326,870	0.0%
Food Services & Drinking Places	\$11,982,417	\$6,784,157	\$5,198,260	\$207,790,284	\$169,549,754	\$377,340,018	\$377,340,018	1.4%
Other Retail Group	\$13,809,740	\$6,771,684	\$7,038,081	\$163,413,710	\$242,347,610	\$425,761,320	\$425,761,320	1.7%
<b>Total</b>	<b>\$65,570,678</b>	<b>\$54,035,436</b>	<b>\$35,677,004</b>	<b>\$24,141,762</b>	<b>\$1,792,948,414</b>	<b>\$2,303,620,413</b>	<b>\$4,096,568,827</b>	<b>0.9%</b>

Sources: U.S. Bureau of Labor Statistics, Consumer Price Index; and ALH Urban & Regional Economics.

- (1) See Exhibit 3.
- (2) See Exhibit 19.
- (3) Comprises the level of net new projected sales not anticipated to be absorbed by new demand occurring between the 2013 baseline period and 2016, the anticipated first full year of operations for the Orchards at Walnut Creek. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in Walnut Creek and Concord combined in order for the Orchards at Walnut Creek to achieve the level of operation projected in Exhibit 3 assuming both Walnut Creek and Concord establishments experience sales impacts.
- (4) See Exhibit 14.
- (5) Comprises the City of Concord retail sales base from Exhibit 16, inflated by the Consumer Price Index from June 2012 to June 2013, as a proxy for the existing retail sales base in 2012. The CPI adjustment factor is 1.0152.

Exhibit 22  
 The Orchards at Walnut Creek  
 Project Sales Impacts  
 Residual Sales Impact Above 3% of Sales Base (1)  
 City of Walnut Creek and Combined Cities of Walnut Creek and Concord  
 in 2013 Dollars

Retail Category	City of Walnut Creek				Combined Cities of Walnut Creek and Concord			
	Sales Impacts In Excess of New Walnut Creek Demand (3)		3% of Sales Base (C = A * .03)	Residual Sales Impact Above 3% of Sales Base (D = B - C if > 0)	Sales Impacts In Excess of New Combined Cities Demand (4)		3% of Sales Base (G = E * .03)	Residual Sales Impact Above 3% of Sales Base (H = F - G if > 0)
	Sales Base (2) (A)	Creek Demand (3) (B)			Sales Base (4) (E)	Cities Demand (4) (F)		
Motor Vehicle & Parts Dealers	\$435,208,884	\$0	\$13,056,267	\$0	\$960,420,885	\$0	\$28,812,627	\$0
Home Furnishings & Appliances	\$72,581,003	\$4,304,370	\$2,177,430	\$2,126,940	\$210,038,742	\$2,837,287	\$6,301,162	\$0
Building Materials & Garden Equipment	\$37,751,389	\$0	\$1,132,542	\$0	\$269,287,316	\$0	\$7,982,619	\$0
Food & Beverage Stores	\$258,547,256	\$19,846,911	\$7,758,418	\$12,090,483	\$572,486,245	\$14,850,818	\$17,173,887	\$0
Gasoline Stations	\$124,412,850	\$0	\$3,732,379	\$0	\$293,201,038	\$0	\$8,796,031	\$0
Clothing & Clothing Accessories	\$271,717,831	\$7,494,342	\$8,151,528	\$0	\$402,848,383	\$5,852,558	\$12,088,382	\$0
General Merchandise Stores	\$201,426,607	\$0	\$6,042,789	\$0	\$588,326,870	\$0	\$17,648,006	\$0
Food Services & Drinking Places	\$207,790,264	\$8,605,301	\$6,233,708	\$2,371,593	\$377,340,018	\$5,188,260	\$11,320,201	\$0
Other Retail Group	\$183,413,710	\$10,438,848	\$5,502,411	\$4,836,437	\$425,761,320	\$7,038,081	\$12,772,840	\$0
<b>Total</b>	<b>\$1,792,848,414</b>	<b>\$50,688,772</b>	<b>\$52,788,452</b>	<b>\$21,525,463</b>	<b>\$4,096,568,827</b>	<b>\$35,677,004</b>	<b>\$122,897,085</b>	<b>\$0</b>

Source: ALH Urban & Regional Economics

(1) Reflects residual sales impact assuming existing retail base can absorb up to a 3% sales impact, reflecting ebb and flow and retail sales

(2) See Exhibit 14

(3) See Exhibit 20

(4) See Exhibit 21

Exhibit 23  
The Orchards at Walnut Creek  
Market Area and Nearby Grocery and Food Stores by Orientation (1) (2)  
September 2012

Map Identifier (3)	Store (4)	Address	City	Miles from Site	Shopping Centre	Other Tenants (5)	Estimated # of Vacancies
<b>MARKET AREA</b>							
<b>Conventional Market Orientation (Map color code Yellow)</b>							
1	Safeway (Existing store being closed and replaced at The Orchards at Walnut Creek)	2945 Ygnacio Valley Rd	Walnut Creek	0.1	Ericks Grande	Walgreens, 1000 Ours Hardware, Applebee's, Kumon Learning Center, Taco Bell, Vanelle Cleaners, Evi's Hamburgers, Toyo Sushi, Renew You Massage, Sparta Taekwondo, Walnut Creek Nails, Excel Realty & Mortgage, JV Cuts, Echina Bike Shop, Rocco's Pizzeria & Pizzeria, Yogurt Station, Leslie's Swimming Pool Supplies, Bagel Street Cafe, The UPS Store, Jade Garden, Radio Shack, Papa Murphy's Take & Bake, Alex Kofodan Furniture	4 small shop vacancies
2	Hob Hill Foods	2270 Oak Grove Rd	Walnut Creek	0.1	Citrus Marketplace	BelMo, Mily H and Children's Medical Center, Bank of America, JP Morgan Chase, The US Post Office, Panda Express, My Gym and Mary's Pizzeria, hair and beauty salons, Children's Karate, Taqueria, yogurt shop, Weight Watchers, beauty supply, State Farm, cleaners, math tutoring	2 small shop vacancies, 2 additional forthcoming
<b>Upscale Market Orientation (Map color code Green)</b>							
3	Safeway (Open 24 hrs)	710 Bancroft Rd	Walnut Creek	1.4	Countrywood	CVD/Pharmacy, Countrywood Fitness, Tropical Solution Tanning, Countrywood Nail Salon, David's Hairpiece, McCaskey's Department Store, Countrywood Interiors, Milner's Jewelers, Countrywood Music, Countrywood Forest, NorCal Swim Shop, Arnie's Countrywood Lounge, Sichuan House, Genova Delicatessen, Sorrento Italian Restaurant, Line Mas Mexican Grill, Alister Donuts, Panera Bread, Neutra New York Bagels, Starbucks Coffee, Jamaica Juice, Guanaco Ice Cream, Black Bear Diner, Fashion Cleaners, Provident Credit Union, Cousins Locomotion, The UPS Store, CS Education	no visible vacancies
<b>Specialty &amp; Niche Market Orientation (Map color code Blue)</b>							
4	Trader Joe's	795 Oak Grove Rd	Concord	0.9	Oak Grove Plaza	Curves, Concord CrossFit, Crispelle, Baskin Robbins, independent pharmacy, cleaners, sporting goods, Postal Annex, Pal Food Express, comics, liquors, Round Table, beauty salon, sewing, health center, Italian restaurant, cleaners, dell, Peet's, photo lab, sushi, nails, Wells Fargo, Verizon	no visible vacancies
5	Fresh and Easy	1627 Ygnacio Valley Rd	Walnut Creek	1.3	Ygnacio Plaza	Sports Basement, Fitness 19, Lovely Nails, Premium Cleaners, Lemonade, Encore Theatrical Supply, China Village Restaurant, Walnut Creek Tanning, Postal Annex, Tatsu, Peet's Coffee, Great Clips, Kinder's Meats, Dell, Bibi Mountain Mikos Pizzeria, Massage City, European Wax Center, High Tech Burrito, Walkabout Footwear, Mosyah Burgers Free And Shakes, Subway, A Sweet Affair, Yoppi Yogurt, A Daphne's Greek Cafe, B Jc Education Center, For Your Eyes Only, Michaels Hair Works, Chase Bank	1 small shop vacancy

Exhibit 23  
The Orchards at Walnut Creek  
Market Area and Nearby Grocery and Food Stores by Orientation (1) (2)  
September 2012

Map Identifier (3)	Store (4)	Address	City	Miles from Site	Shopping Centre	Other Tenants (5)	Estimated # of Vacancies	
<b>OUTSIDE OF MARKET AREA</b>								
<b>Conventional Market Orientation (Map color code Yellow)</b>								
6.	Lucky	5190 Clayton Rd	Concord	3.4	The Vineyard	Kmart, Round Table, UPS Store, watch repair, McClellan's Department Store, martial arts, hair salon, Italian restaurant, Playless Shoes, dentist, nails, pool supplies, optometrist, shoe repair, Bastin Roberts, mortgage broker, Kelly Moore, FairKids Planet, laqueria	1 small shop vacancy	
7	Lucky	155 Crescent Plaza	Pleasant Hill	3.7	Unknown	Ross Dress For Less (This location is behind the Downtown Pleasant Hill)	no visible vacancies	
9	Safeway	1972 Tice Valley Blvd	Walnut Creek	5.6	Roadrunner Shopping Center	CVS, Home Savings of America, US Bank, law office, Wells Fargo, UPS Store, cleaners, Better Home Realty, Chevron auto care, Chase Bank, Rossmore Diner, Pacific National Bank, U.S. Post Office, general contractor, Tri-Valley United Methodist Church, Loloni's Winery, Diablo Valley Foundation for the Aging, Premier Capital Mortgage, Old Republic Title, First Community Bank, Drapers and Damens, Tri-Valley Beauty Salon, CPA office, Walnut Creek Hearing Aid Center, optometrist		
<b>Upscale Market Orientation (Map color code Green)</b>								
8	Safeway	4309 Clayton Rd	Concord	2.9	Unknown	Japanese restaurant, cleaners, hair salon, Buttercup Grill and Bar, Verizon	1 small shop vacancy	
10	Safeway 24 Hrs.	Open	500 South Broadway	Walnut Creek	3.0	Standalone Grocery Store	None	Not Applicable
11	Safeway 24 Hrs.	Open	5431 Clayton Rd	Clayton	3.7	Clayton Station	Clayton Fitness Center, Walgreens Autozone Paradigm, Avite Cafe, Ali Stone Hawaiian Restaurant, B&T 52 Cleaners, Bonanza Street Books, Cerf Jr., Clayton Valley Shell, Computers USA, GNC, H&R Block, Pizz'N' Hut, Postal Annex, Prime Cuts, Taqueria, Smoothy's Yogurt & Juice Bar, Starbucks, Wells, Wine Thieves, Wolf Camera, jewelers, pet hospital, cleaners, Cold Stone, tanning salon, R&M&S, dentist	no visible vacancies
12	Safeway 24 Hrs.	Open	2600 Willow Pass Rd	Concord	3.7	Standalone Grocery Store	None	Not Applicable
13	Safeway 24 Hrs.	Open	1978 Contra Costa Blvd	Pleasant Hill	3.9	Pleasant Hill Plaza	Starbucks, Nathan's Burgers, Union Bank, Consumer Learning Center, Gold Shop, Hitchcock Realty, two hair salons, Metro Insurance, Trophy shop, PC Service Center, SAS Etcors, Sushi Place Cafe, Yopop Yogurt, Farrington's Bar, cleaners, massage/hot tubs, dentist, Thai restaurant, Subway, Prudential, laqueria, Beauty Source	no visible vacancies
14	Safeway	Open	500 Patterson Blvd	Pleasant Hill	4.1	Standalone Grocery Store	None	Not Applicable
15	Lunardi's	Open	1800 Palos Verdes Mall	Walnut Creek	4.3	Palos Verdes Mall	Rite Aid, RW Sport Gym, Animal Crackers pet grooming, watch repair, hair salon, veterinarian, Thai restaurant, Chase Bank, yogurt, UPS, Starbucks, travel, cigarettes, Chinese restaurant, Lampshades, nail salon, beauty salon, Subway, cafe, Papa Murphy, cleaners, shoe repair, loss apparel, barber, gift shop, Shop Fitness, optometrist	3 small shop vacancies
16	Safeway (with gas) Open 24 Hrs.	Open	707 Contra Costa Blvd	Pleasant Hill	5.9	Sunway Mall	Approximately 170 stores including Macy's, JCPenney, Sears, and Nordstrom.	2 smaller mall vacancies

Exhibit 23  
The Orchards at Walnut Creek  
Market Area and Nearby Grocery and Food Stores by Orientation (1) (2)  
September 2012

Map Identifier (3)	Store (4)	Address	City	Miles from Site	Shopping Center	Other Tenants (5)	Estimated # of Vacancies
<b>Specialty &amp; Niche Market Orientation (Map color code Blue)</b>							
17	Sprouts (opened 9/5/12)	1510 Geary Road	Walnut Creek	3.0	Unknown	Freebirds Burritos, Habit Burger Grill, Supercuts, Subway, nail salon	1 shop vacancy
18	Harvest House	2395 Monument Blvd	Concord	3.0	Monument Plaza	Billiards, locksmith, music, Diablo Corals, carpet supply, motorcycle accessories (This location is more industrial than retail oriented)	5 small vacancies
19	Concord Produce and Fish	2511 Monument Blvd	Concord	3.3	Standalone Food Store	None	Not Applicable
20	Fresh and Easy	5410 Ygnacio Valley Rd	Concord	3.4	Clayton Valley SC	Ross Dress For Less, CVS Pharmacy, Orchard Supply Hardware, Anytime Fitness, Clayton Valley Dance Academy, Allthea Cortin Salon, Sally Beauty Supply, Tuesday Morning, Clayton Frameworks, Fashion Cleaners, Western Healthcare, Five Guys Burgers & Fries, Massage Envy, The Tanning Company & Spa, Feresight Optometry, Jamba Juice, Wingstop Restaurant, Clayton Valley Dental Care, Rose Liquors, Concord Kung Fu Academy, Diamond Pure Water, Dollar Tree, Dickey's Barbecue Pit, Circular Wireless, Gamestop, Spirit, Sport Clips, Trail Cuisine, Yogurt Shack, Shop-Info Comfort, T.J. Maxx, T-Mobile, Burger King, Bank Of America, Chase Bank, Peet's Coffee, Panda Express, Tachi Sushi Bar, Bella Ristorante, Pet Food Express, Guedesajara Grill	9 small shop vacancies
21	Whole Foods	1333 Newell Ave	Walnut Creek	3.8	Newell Square	Hespeice Boutique, Blush Frozen, Yogurt, The Natural Mattress Store	no visible vacancies
22	Trader Joe's	1372 South California Blvd	Walnut Creek	3.9	None	Pet Food Express	no visible vacancies
23	Pleasant Hill Market	2397 Pleasant Hill Rd	Pleasant Hill	5.0	Standalone Food Store	None	Not Applicable
24	Trader Joe's	1150 Concord Ave	Concord	6.7	Heritage Square	Patco, Pacific Sales, Contra Costa Power Sports, Sushi, Arizona Leather, Starbucks, Mechanics Bank, Ashley Furniture, Weight Watchers, chiropractic	2 small shop vacancies
<b>Discount Market Orientation (Map color code Purple)</b>							
25	Food Maxx	1751 Monument Blvd	Concord	2.8	Concord Shopping Center	Rite Aid, Subway, Sew and Vac, travel agency, Vietnamese restaurant, nail salon, Metro PCS, insurance, apparel, beauty supply, Asian restaurant, credit union, optometrist, mail service, las preparation, teriyaki restaurant, Best Burger	2 small shop vacancies
26	Food Maxx	4505 Clayton Rd	Concord	3.0	Dianda Plaza	Ace Hardware, cleaners, Hobby Town USA, O'Reilly Auto, martial arts, cigarettes, Dairy Queen, El Polo Loco	no visible vacancies
27	Target	1871 North Main St	Walnut Creek	3.0	Standalone Store	None (Starbucks and Pizza Hut within Target store)	Not Applicable
28	Smart and Final	2100 Contra Costa Blvd	Pleasant Hill	3.7	The Courtyard	Rite Aid, Staples, The Vitamin Shoppe, Spirit, Pet Food Express, Mike's Cameras, Bank of America, Lenscrafters, Beston Market, Great Clips salon	no visible vacancies
29	Grocery Outlet	1840 Willow Pass Rd	Concord	4.4	Standalone Food Store	None	Not Applicable



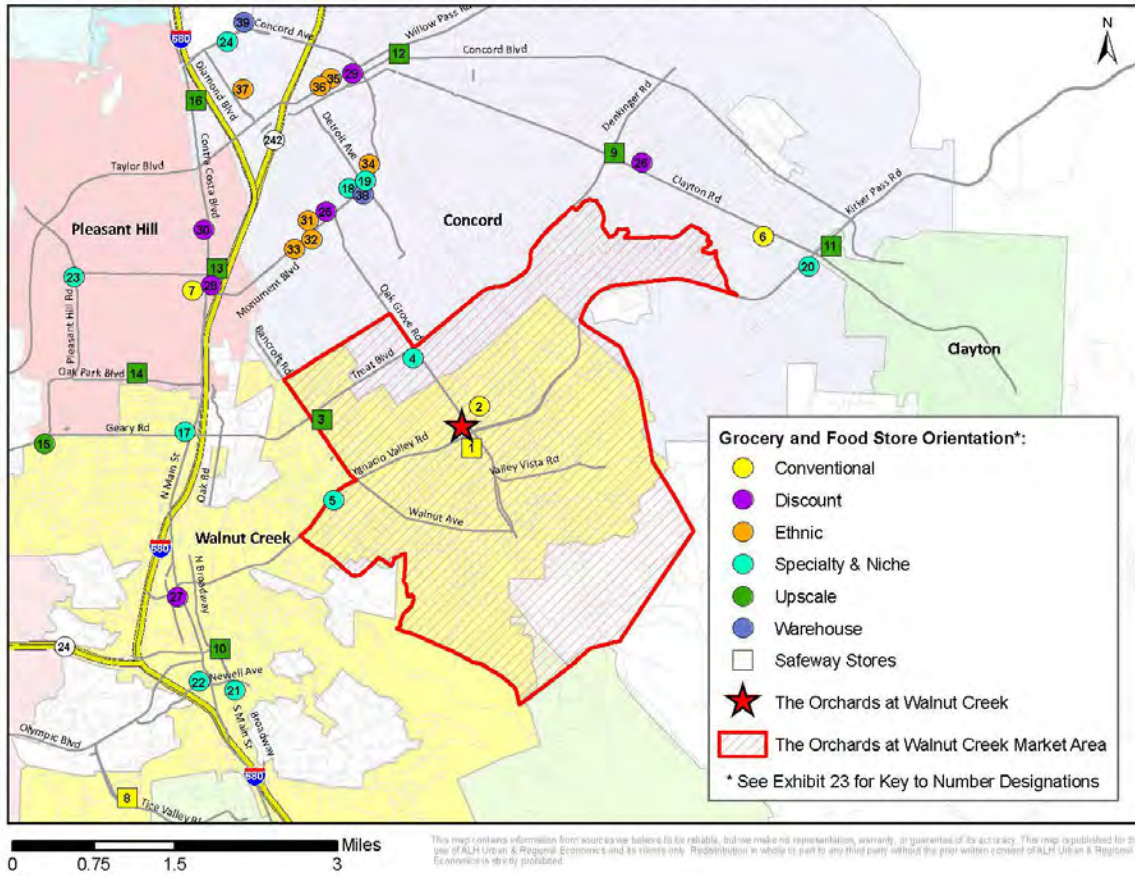
Exhibit 23  
The Orchards at Walnut Creek  
Market Area and Nearby Grocery and Food Stores by Orientation (1) (2)  
September 2012

Map Identifier (3)	Store (4)	Address	City	Miles from Site	Shopping Center	Other Tenants (5)	Estimated # of Vacancies
30	Grocery Outlet	1671 Contra Costa Blvd	Pleasant Hill	4.5	Unknown	Bay Area Properties, Cash America cash advance, Seafood Deli, pizza, cleaners, sportscard, Fed Ex, Vietnamese restaurant, donuts, Asian restaurant, liquors, hair/mail salon, Radio Shack, Goodwill	2 small shop vacancies
<b>Ethnic Market Orientation (Map color code Orange)</b>							
31	Mercedo del Valle	1651 Monument Blvd	Concord	2.9	Standalone Food Store	None	Not Applicable
32	Los Rancheros Supermarket	1099 Regent Dr.	Concord	3.1	Unknown	Hankook Korean Market, El Rancho Restaurant, Mercado del Sol Restaurant, Korean BBQ, laundry	no visible vacancies
33	Hankook Korean Market	1450 Monument Blvd	Concord	3.1	Unknown	Los Rancheros Supermarket, El Rancho Restaurant, Mercado del Sol Restaurant, Korean BBQ, laundry	no visible vacancies
34	Los Montanas	2691 Monument Blvd	Concord	3.9	Plaza Bonita	Interior mercado style mall with 16 small local tenants, Exterior tenants include Center for Economic Opportunity, liquor, laundry, Maxi Burger, 2 hair salons, kebab restaurant, photo studio, auto repair	8 mercado spaces
35	Ranch 99	1795 Willow Pass Rd	Concord	4.0	Park and Shop	Ross, Burlington Coat Factory, Fry's Electronics, Payless Shoe Source, UPS Store, CopyMat, McDonald's, O'Reilly Auto Parts, tailor, dental, Subway, taqueria, hair salon, Chinese restaurant, 99 Cent Store, T-Mobile, donuts, Avenue Apparel, massage, computers, cleaners, beauty supply, Metro PCS, bagels, Saigon Bistro, Elizabeth's Apparel, Choice Apparel, Fashion's 4 All, Jason Craft, China Buffet, Korean BBQ, Quacky Tapoca, Paris Beauty College, Asian restaurant, Harvest Church, Burger King, tax preparation, Chuck E Cheese, Kevin's Noodle House, Koriva House, Hot Pot Restaurant, Red Wing Shoes, Mediterranean Restaurant, Chino Gourmet, Mo Ba Lo Ca Bubble Tea	2 small shop vacancies, additional moderate-sized tenant space occupied seasonally by Halloween store
36	Los Montanas	1725 Willow Pass Rd	Concord	4.5	Park and Shop	See preceding entry	See above
37	Seafood City	2630 Diamond Blvd	Concord	4.7	Unknown	Hometown Buffet, dental, Subway, Goldie's Bakery, Chen King Restaurant, Jollibee Restaurant, Red Robin Eatery Shop, Vietnamese restaurant, Hertz Self Shop, hair salon, cell phones, Manila Restaurant, jewelers, watch repair, Century Properties, A-Clusive Marketing, law office (most tenants in mercado-style interior mall)	no visible vacancies
<b>Warehouse Market Orientation (Map color code Gray)</b>							
38	Dixie	2400 Monument Blvd	Concord	2.3	Standalone Store	None	Not Applicable
39	Sew's Club	1225 Concord Ave	Concord	5.4	Unknown	Sports Authority	no visible vacancies

Sources: Maps Google.com; and ALH Urban & Regional Economics.

(1) Includes major grocery stores in Walnut Creek, Concord, and select Pleasant Hill locations, as well as smaller markets within relative proximity of the planned Orchards at Walnut Creek shopping center site.  
 (2) Market orientation pursuant to visual observation. As more grocery stores are upgraded the distinctions between upscale and conventional stores are blurred. Map colors pertain to the Competitive Stores Map.  
 (3) Stores are presented by area (inside or outside of the market area), by orientation of store, and then by distance from the planned site for the Orchards at Walnut Creek.  
 (4) Stores open 24 hours are noted under the store name.  
 (5) Fitness Center tenants are noted in **highlighted, bold text**.

Exhibit 24: Orchards at Walnut Creek Market Area and Other Area Grocery and Food Stores



**Exhibit 25**  
**The Orchards at Walnut Creek**  
**Area Fitness Centers and Health Clubs**

Map Number	Distance from Project Site (miles)	Fitness Center	Address	City	Amenities
1	0.5	Woodlands Cabana Club	111 Longleaf Drive	Walnut Creek	Three swimming pools, BBQ pit, and clubhouse. Open Early May through end of September.
2	1.0	Club Sport Valley Vista	3737 Valley Vista Road	Walnut Creek	Tennis center (19 outdoor lighted tennis courts), aquatic center (Jr. Olympic six-lane outdoor lap and recreation pool), Fitness Center with state-of-the-art weight and cardio equipment, group fitness classes, TEAM ClubSport, personal training, complimentary towels, stress management programs, nutrition counseling, spa services (massage or a facial), saunas, steam rooms, whirlpools, cafe and lounge, event hosting, Club Kid (childcare for children six weeks - 12 years, arts, crafts and activities, children's fitness programs, indoor/outdoor play area), picnic lawn and BBQ area, free WiFi, ProShop
3	1.1	Concord CrossFit	2956 Treat Boulevard	Concord	A gym that offers CrossFit: a strength and conditioning program
4	1.1	Curves for Women	2962 Treat Boulevard	Concord	Cardio equipment, weights, weight management programs
5	1.4	Fitness 19	1853 Ygnacio Valley Road	Walnut Creek	Cardio equipment, circuit training, free weights, kids room
6	1.7	Clarke Memorial Swim Center	1750 Heather Drive	Walnut Creek	Olympic size 20-lane lap pool, fitness center with cardiovascular and weight equipment, diving pool with spring board, children's wading pool
7	1.7	Walnut Creek Tennis Club	1751 Heather Drive	Walnut Creek	Tennis center (10 pay-as-you-play courts), ball machine rental, lessons and classes, pro shop
8	1.9	CountryWood Fitness	2074 Treat Boulevard	Walnut Creek	Cardio equipment, free weights, circuit/selectorized weight, fitness boot camp/ circuit training program
9	2.4	CrossFit Adventure	936 Detroit Avenue	Concord	A staff of lifestyle coaches and health advocates utilizing a CrossFit gym
10	3.2	Renaissance Club Sport	2805 Jones Road	Walnut Creek	State-of-the-art Weight & Cardio Equipment. 15'-17" TV's on most cardio machines, stretch/core training area, certified personal trainers, private training studio, nutrition

**Exhibit 25**  
**The Orchards at Walnut Creek**  
**Area Fitness Centers and Health Clubs**

Map Number	Distance from Project Site (miles)	Fitness Center	Address	City	Amenities
11	3.3	24 Hour Fitness - Active	2033 N. Main Street	Walnut Creek	Cardio equipment, circuit training, free weights, group c. cycling, group e. exercise, personal training, Kids' Club, Area Pro Shop (1)
12	3.4	24 Hour Fitness - Super Sport	2800 N. Main Street	Walnut Creek	Cardio equipment, free weights, strength machines, TRX suspension training, full-sized basketball court, group cycling, group exercise, indoor lap pool, whirlpool, sauna, steam room, personal training, personal viewing screens, Pro Shop, towel service, Kids' Club, free WiFi (1)
13	4.0	Curves for Women	2099 Mt. Diablo Boulevard	Walnut Creek	Cardio equipment, weights, weight management programs
14	4.2	Anytime Fitness	5434 Ygnacio Valley Road	Concord	Personal training, cardio TVs, mats, health plan discounts, wellness programs, cardio equipment, circuit/selectorized weights, free weights, racks, plate loaded
15	4.2	Curves for Women	4681 Clayton Road	Concord	Cardio equipment, weights, weight management programs
16	4.2	Lynch Fitness	1530 S. Main Street	Walnut Creek	Functional training and circuit training, bootcamps
17	4.3	Forma Gym	1908 Olympic Boulevard	Walnut Creek	Group fitness, free weights, cardio, outdoor turf studio, massage, outdoor lounge, pool, cycle studio, personal training, "Kidzville"
18	4.3	In-Shape Health Club	5294 Clayton Road	Concord	Cardio theater, racquetball, Kids Club, pool (outdoor), group classes, basketball, free weights, group cycling, group fitness, selectorized machines, intro to 28-Minute Circuit, abs & stretching area, massage, tanning
19	4.4	Clayton Fitness Center	1516 Kirker Pass Road	Clayton	Cardio equipment, free weights, circuit/selectorized weight, fitness boot camp, circuit training program
20	4.4	Fitness Evolution	3517 Clayton Road	Concord	Free weights, 30 minute circuit, group exercise classes, abs and stretch, boot camps, cardio movie theatre, executive style locker rooms, HydroMassage, personal training, personal TVs on cardio, tanning

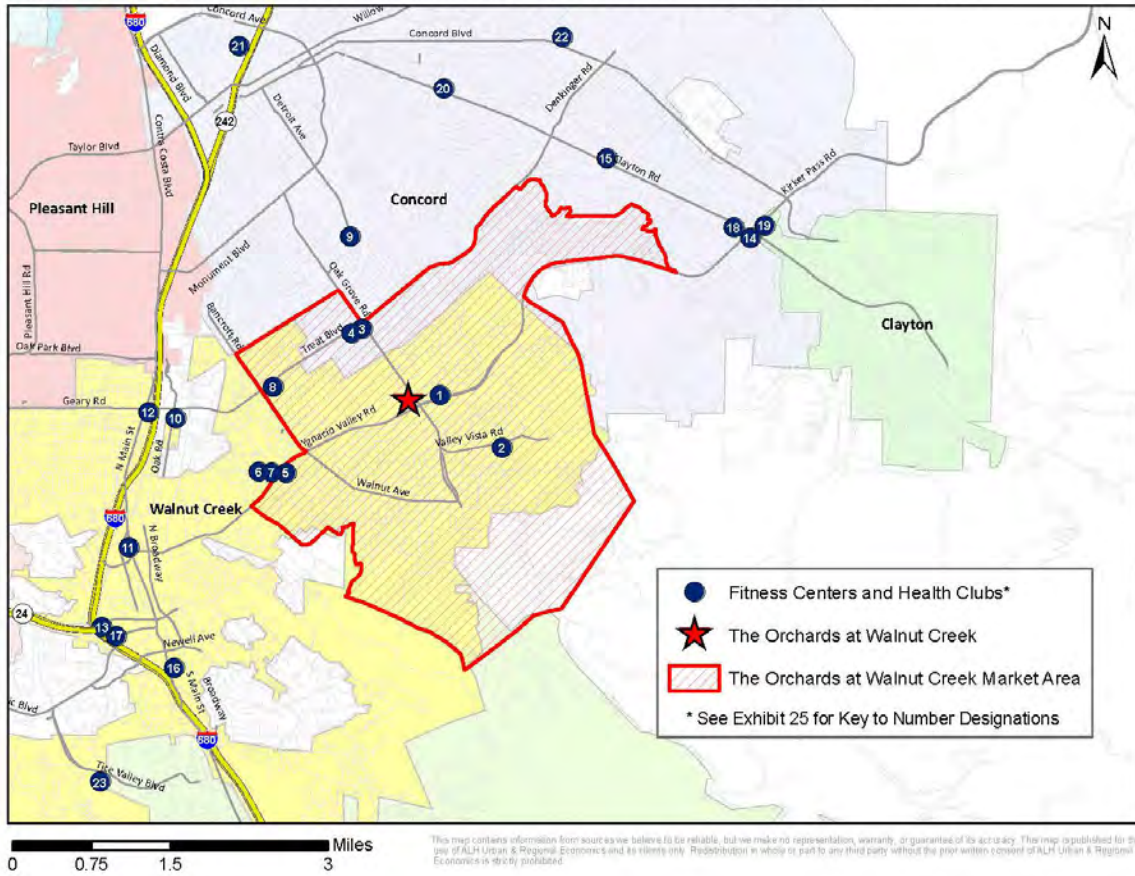
**Exhibit 25**  
**The Orchards at Walnut Creek**  
**Area Fitness Centers and Health Clubs**

Map Number	Distance from Project Site (miles)	Fitness Center	Address	City	Amenities
21	4.6	The Big C Athletic Club	1381 Galaxy Way	Concord	weight room, state of the art equipment, group fitness, group cycling, outdoor swimming pool, racquet courts, exercise studios, personal training, sauna and steam rooms, basketball court, The Big C Grille, spa, shoe shine service, salon
22	5.1	Fitness 19	4115 Concord Boulevard	Concord	Cardio equipment, circuit training, free weights, kids room
23	6.2	Tice Valley Community Gym	2055 Tice Valley Boulevard	Walnut Creek	Group fitness, basketball court, badminton

Sources: Fitness center websites, and ALH Urban & Regional Economics.

(1) Personal training and Kids' Club cost extra

**Exhibit 26: Orchards at Walnut Creek Market Area and Area Fitness Centers and Health Clubs**



**Exhibit 27**  
**The Orchards at Walnut Creek**  
**Cumulative Major Retail Developments (10,000+ Square Feet)**  
**Cities of Walnut Creek, Concord, and Pleasant Hill (1) (2)**  
**September 2013**

Project	City	Description	Estimated Net New Retail Square Footage	Status	Location	Distance from The Orchards	Anticipated Opening / Completion
<b>Market Area</b>							
1. Encina Grande Shopping Center (3)	Walnut Creek	Remodel of existing shopping center buildings, parking lot, and landscaping. Add approximately 3,500 square feet of retail space. It is planned that the existing Salsbury store at Encina Grande will be relocated to the subject The Orchards at Walnut Creek. A new Whole Foods store is committed to moving into an expanded grocery store space after Salsbury departs. The Whole Foods store will total 37,500 square feet.	3,500 (1)	Under review	Across the street from the proposed subject site. The Orchards at Walnut Creek. Located at 2695 Ygnacio Valley Road at Oak Grove Road.	0.7	Yr 2010
<b>Outside Market Area</b>							
2. 1550 North California Blvd.	Walnut Creek	Development of a new 6-story mixed-use building with 18,270 square feet of retail space and 140 apartment units. Demolished approximately 3,500 square feet of existing retail space.	18,770	Under Construction	1550 North California Boulevard at Bonanza Street	2.4	Early 2015
3. 1500 Mt Diablo Blvd.	Walnut Creek	Develop a new building with a total of 8,800 square feet of rentable enclosed space (1,200sf cafe/restaurant, 4,500sf general restaurant, and 3,100sf general retail) plus 4,000sf of second floor outdoor and rooftop open loading area. Property sold to the developer by the City of Walnut Creek after public bidding process.	8,800 (3)	Under review	1500 Mt Diablo Boulevard at N Main Street	3.5	1st Qtr 2015
4. Centre Floor South	Walnut Creek	Demolition of existing 5,050-square-foot building and construction of 23,090 square feet of retail space in two buildings. Includes 142 residential condominiums and a 182-stall parking garage.	17,250	Under review	Olympic Boulevard and California Boulevard	3.6	Unknown
5. Broadway Plaza Shopping Center	Walnut Creek	Renovation of existing regional mall to add up to 300,000 square feet of new retail space. It is unknown when the project will begin. It is planned to be phased over a 20-year period.	70,554	Under review	Mount Diablo Boulevard and South Broadway at Downtown Walnut Creek	3.6	30-15-2021
6. The Village at 1550 Nevada Avenue	Walnut Creek	Demolition of an 8-story office building and 1-story retail structure with 6,000 square feet is complete. New construction of 37,000 square feet of retail, 49 condominium units, and a 250-stall parking garage to begin by December 2013.	21,000	Approved. Demolition complete.	1550 Nevada Avenue at Main Street	4.0	1st Qtr 2015

Sources: Planning Departments in the cities of Walnut Creek, Concord, and Pleasant Hill; and ALU Urban & Regional Economics

(1) Projects listed based on distance from the Project site

(2) Includes projects with 10,000 square feet or more of planned retail development, unless otherwise noted. (No projects were identified in Concord or Pleasant Hill. Projects identified but not likely to be developed within the general parameters of The Orchards at Walnut Creek are shaded in gray.)

(3) Detailed information about the expansion and reconfiguration of this project is located in B-5

(4) The larger square footage figure includes the rooftop loading area. ALU Urban & Regional Economics conservatively rounded this value to 70,000, and this prospective sale is best checked in the following exhibits based upon the larger square footage figure.

**Exhibit 28**  
**The Orchards at Walnut Creek**  
**Sales Estimates for Cumulative Projects (1)**  
**In 2013 Dollars**

Project Name	Miles from The Orchards at Walnut Creek	Estimated Net Sq. Ft.	Sales per Sq. Ft.	Total Retail Sales (2)
	(A)	(B)	(C)	(D = (B x C) * %Retail)
<b>Market Area</b>				
1. Encina Grande Shopping Center Redevelopment (3)	0.1	3,503	See Below	
Whole Foods Grocery Store (4)		3,500	\$925 (6)	\$34,687,500
Net Increment in Pharmacy Space (Walgreens)		2,770	\$835 (6)	\$1,896,462
Net Increment in Shop Space		(13,767)	\$350 (7)	(\$2,069,900) (8)
<b>Outside the Market Area</b>				
2. 1500 North California Blvd	3.4	14,770	\$350 (7)	\$4,394,075 (2)
3. 1500 Mt Diablo Blvd.	3.5	8,800 (9)	See Below	
Restaurant Space (including outdoor seating)		5,700	\$479 (10)	\$2,731,981
Retail		3,100	\$350 (7)	\$622,250 (2)
4. Centre Place South	3.6	17,950	\$350 (7)	\$942,375 (2)
6. The Village at 1500 Newell Avenue	4.0	31,000	\$350 (7)	\$9,222,500 (2)
<b>Total (11)</b>		<b>76,023</b>		<b>\$52,727,283</b>

Sources: Retail Maxim, "Store Productivity Survey of G-400 Credits & Formats," July 2013; Walgreens, Inc., Annual 10-K Form for period ending 8/31/12; U.S. Bureau of Labor Statistics, CPI Index for Urban West; and ALH Urban & Regional Economics.

(1) Projects with an undetermined timeline are generally too speculative for inclusion in this analysis. Project numbers match the numbers on Exhibit 27. Project distance and net square footages figures are also noted in Exhibit 27.

(2) Projects lacking specific identified uses are assumed to generate retail sales for 85% of the space, with the 15% balance assumed for non-retail service uses.

(3) The Encina Grande Shopping Center will be redeveloped, with a net increase of approximately 3,503 square feet of retail space. However, the shopping center's existing Safeway store will be relocated and expanded across the street at the proposed Orchards at Walnut Creek project. See Exhibit B-6 for redevelopment details.

(4) See Exhibit 27 and Exhibit B-6 for the estimated Whole Foods Grocery store space.

(5) Pursuant to Retail Maxim, Whole Foods stores achieved average sales of \$919 per square foot in 2012. This sales figure is generally inflated to \$925 in 2013 for analytical purposes.

(6) Sales per square foot estimated from the Walgreens annual 10-K report. This figure is calculated by dividing the net sales of \$71.6 billion by 87 million square feet of sales space, then inflated to 2013 dollars by the CPI index change of 1.0152% from June 2012 to June 2013.

(7) Unless otherwise specified, a standard sales per square foot assumption is applied to the cumulative projects based upon project size. This assumption is intended to be a generalized average assumption regarding prospective sales per square foot, generally based on the findings in Exhibit B-6. This figure is \$350 per square foot.

(8) Encina Grande currently has four retail shop spaces vacant, with a total of 7,853 square feet vacant (see Exhibit B-6). These spaces are not currently generating retail sales. Thus, lost future retail sales will pertain to only the portion of the shop space that is currently occupied. This amount of space is 13,767 square feet minus 7,853 square feet, or 5,914 square feet. This is the amount of space for which shop sales are estimated to decline following redevelopment.

(9) This figure does not include the estimated seating space for the second floor and open rooftop seating. This square footage was not included in the City's square footage calculation for parking requirements.

(10) Average sales per square foot for restaurants, see Exhibit B-2.

(11) The total figure reflects the net addition of space at the low end and the addition plus the increase at Encina Grande anticipated for Whole Foods, essentially assuming that the square footage for the existing Safeway store is transferred to the Orchards at Walnut Creek.





**Exhibit 30****The Orchards at Walnut Creek****Orchards at Walnut Creek and Cumulative Retail Project Net New Sales****In 2013 Dollars**

<b>Retail Category</b>	<b>Net New Project Retail Sales (1)</b>	<b>Net New Cumulative Project Retail Sales (2)</b>	<b>Total All Planned Retail Project Sales</b>
Motor Vehicle & Parts Dealers	\$0	\$0	\$0
Home Furnishings & Appliances	\$5,758,568	(\$776,213)	\$4,982,355
Building Materials & Garden Equipment	\$0	\$0	\$0
Food & Beverage Stores	\$24,700,000	\$40,879,980	\$65,579,980
Gasoline Stations	\$0	\$0	\$0
Clothing & Clothing Accessories	\$9,319,948	\$0	\$9,319,948
General Merchandise Stores	\$0	\$3,096,240	\$3,096,240
Food Services & Drinking Places	\$11,982,417	\$5,310,756	\$17,293,173
Other Retail Group	\$13,809,746	\$4,216,519	\$18,026,265
<b>Total</b>	<b>\$65,570,678</b>	<b>\$52,727,283</b>	<b>\$118,297,961</b>

Source: ALH Urban &amp; Regional Economics.

(1) See Exhibit 3.

(2) See Exhibit 29.

Exhibit 31  
 The Orchards at Walnut Creek  
 Orchards at Walnut Creek and Cumulative Project Sales Impacts  
 Impact on Existing Retail Base in Walnut Creek and Walnut Creek Combined with Concord  
 in 2013 Dollars

Retail Category	City of Walnut Creek Sales Impacts			Combined Cities of Walnut Creek and Concord Sales Impacts			
	All Planned Retail Project Sales (1)	City of Walnut Creek Sales Base (2)	Sales Impact % of Walnut Creek Sales Base	City of Walnut Creek Sales Base (2)	City of Concord Sales Base (3)	Combined Cities Sales Base	Sales Impact % of Combined Sales Base
	(A)	(B)	(C = A / B if >0)	(D)	(E)	(F = D + E)	(G = A / F)
Motor Vehicle & Parts Dealers	\$0	\$435,308,894	0.0%	\$435,308,894	\$525,111,990	\$960,420,885	0.0%
Home Furnishings & Appliances	\$4,982,355	\$72,581,003	6.9%	\$72,581,003	\$137,457,738	\$210,038,742	2.4%
Building Materials & Garden Equipment	\$0	\$37,751,399	0.0%	\$37,751,399	\$228,315,917	\$266,067,316	0.0%
Food & Beverage Stores	\$65,579,980	\$258,547,256	25.4%	\$258,547,256	\$313,818,988	\$572,466,245	11.5%
Gasoline Stations	\$0	\$124,412,650	0.0%	\$124,412,650	\$168,758,390	\$293,231,039	0.0%
Clothing & Clothing Accessories	\$9,310,948	\$271,717,631	3.4%	\$271,717,631	\$131,228,783	\$402,946,383	2.3%
General Merchandise Stores	\$3,096,240	\$201,425,607	1.5%	\$201,425,607	\$386,901,262	\$588,326,870	0.5%
Food Services & Drinking Places	\$17,293,173	\$207,790,284	8.3%	\$207,790,284	\$169,549,754	\$377,340,018	4.6%
Other Retail Group	\$18,026,265	\$163,413,710	9.8%	\$183,413,710	\$242,347,610	\$425,761,320	4.2%
<b>Total</b>	<b>\$118,297,961</b>	<b>\$1,792,948,414</b>	<b>6.6%</b>	<b>\$1,792,948,414</b>	<b>\$2,303,620,413</b>	<b>\$4,096,568,827</b>	<b>2.9%</b>

Sources: U.S. Bureau of Labor Statistics, Consumer Price Index; and ALH Urban & Regional Economics

(1) See Exhibit 30

(2) See Exhibit 14

(3) See Exhibit 16

**Exhibit 32**  
**The Orchards at Walnut Creek**  
**New Demand Generated by Household Growth**  
**City of Walnut Creek and City of Concord**  
**2013 - 2018**  
**In 2013 Dollars**

Retail Category	Per Household Retail Demand		Future Household Demand 2013 - 2018 (3)		
	City of Walnut Creek (1)	City of Concord (2)	City of Walnut Creek	City of Concord	Combined Cities
	Motor Vehicle & Parts Dealers	\$3,540	\$3,080	\$5,532,933	\$5,571,346
Home Furnishings & Appliances	\$1,566	\$1,362	\$2,447,419	\$2,464,410	\$4,911,829
Building Materials & Garden Equipment	\$1,731	\$1,506	\$2,705,502	\$2,724,285	\$5,429,787
Food & Beverage Stores	\$5,226	\$4,546	\$8,167,766	\$8,224,470	\$16,392,236
Gasoline Stations	\$3,667	\$3,190	\$5,730,837	\$5,770,623	\$11,501,460
Clothing & Clothing Accessories	\$1,966	\$1,710	\$3,072,503	\$3,093,833	\$6,166,336
General Merchandise Stores	\$4,003	\$3,483	\$6,256,451	\$6,299,887	\$12,556,338
Food Services & Drinking Places	\$3,636	\$3,164	\$5,683,698	\$5,723,157	\$11,406,854
Other Retail Group	\$3,630	\$3,158	\$5,673,232	\$5,712,618	\$11,385,850
<b>Total</b>	<b>\$28,964</b>	<b>\$25,199</b>	<b>\$45,270,341</b>	<b>\$45,584,629</b>	<b>\$90,854,970</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 15.

(2) The per household spending estimates for the City of Concord were generated by ALH Urban & Regional Economics by taking the estimated average 2012 household income figure of \$85,021 presented in Exhibit 8 and multiplying by 30%, utilizing the assumption that 30% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.

(3) Reflects estimated household growth from 2013 to 2018 for the City of Walnut Creek of 1,563, and the City of Concord of 1,809. See Exhibit 7 for the household growth estimates.

Exhibit 33  
 The Orchards at Walnut Creek  
 Cumulative Project Sales Impacts  
 Residual Impact on Existing Walnut Creek Retail Sales Base Inclusive of Future Demand to 2018  
 In 2013 Dollars

Retail Category	All Planned Retail Project Sales (1)	New Walnut Creek Demand 2013-2018 (2)	Project Sales in Excess of New Walnut Creek Demand (3)	Remaining Demand Available for Retail Backfilling (4)	City of Walnut Creek Sales Impacts Less Future Demand		Residual Sales Impact > 3% of Sales Base (5)
					Walnut Creek Existing Sales Base (4)	Sales Impact % of Walnut Creek Sales Base (5)	
	(A)	(B)	(C = A - B if >0)	(D = F - A if >0)	(E)	(F = C / E)	(G = C - (E * 0.3) if >0)
Motor Vehicle & Parts Dealers	\$0	\$5,532,933	\$0	\$5,532,933	\$435,308,894	0.0%	\$0
Home Furnishings & Appliances	\$4,982,355	\$2,447,419	\$2,534,936	NA	\$72,561,003	3.5%	\$357,508
Building Materials & Garden Equipment	\$0	\$2,705,502	\$0	\$2,705,502	\$37,751,399	0.0%	\$0
Food & Beverage Stores	\$65,579,960	\$8,167,796	\$57,412,214	NA	\$258,547,258	22.2%	\$49,655,796
Gasoline Stations	\$0	\$5,730,837	\$0	\$5,730,837	\$124,412,650	0.0%	\$0
Clothing & Clothing Accessories	\$9,319,948	\$3,072,503	\$6,247,446	NA	\$271,717,831	2.3%	\$0
General Merchandise Stores	\$3,096,240	\$6,256,451	\$0	\$6,256,451	\$201,425,807	0.0%	\$0
Food Services & Drinking Places	\$17,293,173	\$5,683,898	\$11,609,475	NA	\$207,790,264	5.6%	\$5,375,767
Other Retail Group	\$18,028,295	\$5,673,232	\$12,353,033	NA	\$183,413,710	6.7%	\$6,680,621
<b>Total</b>	<b>\$118,297,961</b>	<b>\$45,270,341</b>	<b>\$80,157,103</b>	<b>\$20,225,724</b>	<b>\$1,792,948,414</b>	<b>5.0%</b>	<b>\$62,238,691</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 30.

(2) See Exhibit 32.

(3) Comprises the level of net cumulative project sales not anticipated to be absorbed by new demand occurring between the 2013 baseline period and 2018, a prospective future stabilized year for the cumulative projects. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in Walnut Creek in order for the Orchards at Walnut Creek and the cumulative projects to achieve their assumed levels of operation, assuming only Walnut Creek establishments experience sales impacts.

(4) See Exhibit 14.

(5) Comprises the remaining sales impacts after existing retailers absorb sales impacts equivalent to 3% of the sales base for the categories forecasted to experience impacts.

**Exhibit 34**  
**The Orchards at Walnut Creek**  
**Cumulative Project Sales Impacts**  
**Residual Impact on Existing Walnut Creek and Concord Combined Retail Sales Base Inclusive of Future Demand to 2018**  
**In 2013 Dollars**

Retail Category	All Planned Retail Project Sales (1)	New Combined Walnut Creek and Concord Demand 2013-2018 (2)	Project Sales in Excess of New Combined Cities Demand (3)	Remaining Demand Available for Retail Backfilling (4)	Combined Cities Sales Impacts Less Future Demand		Residual Sales Impact > 3% of Sales Base (5)
					Combined Cities Sales Base (4)	Sales Impact % of Combined Sales Base (F = C / E)	
	(A)	(B)	(C = A - B if >0)	(D = F - A if >0)	(E)	(F = C / E)	(G = C - (E * 0.3) if >0)
Motor Vehicle & Parts Dealers	\$0	\$11,104,279	\$0	\$11,104,279	\$960,420,665	0.0%	\$0
Home Furnishings & Appliances	\$4,982,355	\$4,911,829	\$0	\$0	\$210,038,742	0.0%	\$0
Building Materials & Garden Equipment	\$0	\$5,429,787	\$0	\$5,429,787	\$269,067,316	0.0%	\$0
Food & Beverage Stores	\$65,579,980	\$16,392,296	\$49,187,744	\$0	\$572,466,245	6.8%	\$32,013,758
Gasoline Stations	\$0	\$11,501,460	\$0	\$11,501,460	\$293,201,038	0.0%	\$0
Clothing & Clothing Accessories	\$2,319,948	\$6,169,336	\$3,153,812	\$0	\$402,945,393	0.8%	\$0
General Merchandise Stores	\$3,096,240	\$12,556,336	\$0	\$12,556,336	\$588,326,670	0.0%	\$0
Food Services & Drinking Places	\$17,293,173	\$11,406,654	\$5,886,318	\$0	\$377,340,019	1.6%	\$0
Other Retail Group	\$16,026,265	\$11,385,650	\$6,640,415	\$0	\$425,761,320	1.6%	\$0
<b>Total</b>	<b>\$116,297,961</b>	<b>\$90,854,970</b>	<b>\$64,888,089</b>	<b>\$40,591,865</b>	<b>\$4,096,568,827</b>	<b>1.0%</b>	<b>\$32,013,758</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 31.

(2) See Exhibit 32.

(3) Comprises the level of net cumulative project sales not anticipated to be absorbed by new demand occurring between the 2013 baseline period and 2018, a prospective future stabilized year for the cumulative projects. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in Walnut Creek and Concord combined in order for the Orchards at Walnut Creek and the cumulative projects to achieve their assumed levels of operation, assuming both Walnut Creek and Concord establishments experience sales impacts.

(4) See Exhibit 21.

(5) Comprises the remaining sales impacts after existing retailers absorb sales impacts equivalent to 3% of the sales base for the categories forecasted to experience impacts.

Exhibit 35  
The Orchards at Walnut Creek  
City of Walnut Creek Vacancy Trends  
2006 Through Q2 2013

Period	Rentable Building Area					Total Net Absorption	Leasing Activity		New Construction			
	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF		Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2013 2Q	431	4,770,939	159,287	3.3%	4,611,652	10,458	15	29,862	0	0	0	0
2013 1Q	431	4,770,939	169,745	3.6%	4,601,194	35,523	12	17,875	3	53,304	0	0
2012 4Q	428	4,717,636	151,964	3.2%	4,565,671	(12,454)	16	75,055	1	4,671	3	53,304
2012 3Q	427	4,712,964	134,839	2.9%	4,578,125	7,298	7	9,955	1	25,472	4	57,975
2012 2Q	426	4,687,492	116,665	2.5%	4,570,827	1	7	6,704	0	0	5	83,447
2012 1Q	426	4,687,492	116,666	2.5%	4,570,826	122,772	16	124,308	1	86,000	3	35,174
2011 4Q	425	4,601,492	163,438	3.3%	4,448,054	22,814	18	18,790	1	29,731	1	86,000
2011 3Q	424	4,571,761	146,521	3.2%	4,425,240	23,958	7	16,055	0	0	2	115,731
2011 2Q	424	4,571,761	170,479	3.7%	4,401,282	6,860	16	52,248	0	0	2	115,731
2011 1Q	424	4,571,761	177,339	3.9%	4,394,422	(6,357)	10	16,659	1	17,707	1	86,000
2010 4Q	423	4,554,054	153,275	3.4%	4,400,779	12,686	7	6,473	0	0	1	17,707
2010 3Q	423	4,554,054	165,961	3.6%	4,388,093	(4,389)	16	31,128	1	1,137	1	17,707
2010 2Q	422	4,552,917	160,436	3.5%	4,392,481	4,199	14	40,184	0	0	2	18,844
2010 1Q	422	4,552,917	164,635	3.6%	4,388,282	(15,726)	6	9,407	2	9,795	2	18,844
2009 4Q	420	4,543,122	139,112	3.1%	4,404,010	(3,336)	10	17,126	0	0	3	10,932
2009 3Q	420	4,543,122	135,776	3.0%	4,407,346	189	16	20,918	0	0	3	10,932
2009 2Q	420	4,543,122	135,945	3.0%	4,407,177	(13,354)	11	20,678	0	0	3	10,932
2009 1Q	420	4,543,122	120,591	2.7%	4,422,531	19,200	8	23,697	0	0	3	10,932
2008 4Q	420	4,543,122	139,791	3.1%	4,403,331	12,494	7	30,221	0	0	2	9,795
2008 3Q	420	4,543,122	152,285	3.4%	4,390,837	14,114	7	18,635	0	0	0	0
2008 2Q	420	4,543,122	166,399	3.7%	4,376,723	(13,165)	3	2,750	0	0	0	0
2008 1Q	420	4,543,122	163,234	3.4%	4,389,888	(33,440)	5	31,765	0	0	0	0
2007 4Q	420	4,543,122	119,794	2.6%	4,423,328	1,713	3	15,993	0	0	0	0
2007 3Q	420	4,543,122	121,507	2.7%	4,421,615	49,519	7	4,705	0	0	0	0
2007 2Q	420	4,543,122	171,026	3.8%	4,372,096	(8,495)	0	1,085	0	0	0	0
2007 1Q	420	4,543,122	162,530	3.6%	4,380,592	(45,235)	0	0	0	0	0	0
2006 4Q	420	4,543,122	117,295	2.6%	4,425,827	49,733	6	3,020	0	0	0	0
2006 3Q	420	4,543,122	167,028	3.7%	4,376,094	(542)	2	13,071	0	0	0	0
2006 2Q	420	4,543,122	165,486	3.7%	4,376,636	1,887	5	21,402	0	0	0	0
2006 1Q	420	4,543,122	188,373	3.7%	4,374,749	6,472	4	22,867	0	0	0	0

Sources: Costar, and CB Richard Ellis

Exhibit 36  
 The Orchards at Walnut Creek  
 City of Concord Vacancy Trends  
 2006 Through Q2 2013

Period	Rentable Building Area					Total Net Absorption	Leasing Activity		New Construction			
	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF		Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2013 2Q	472	7,675,970	391,368	5.1%	7,284,602	(521)	17	39,652	0	0	0	0
2013 1Q	472	7,675,970	390,847	5.1%	7,285,123	133	9	37,025	0	0	0	0
2012 4Q	472	7,675,970	390,980	5.1%	7,284,990	(5,448)	17	30,267	0	0	0	0
2012 3Q	472	7,675,970	385,532	5.0%	7,290,438	20,778	13	57,165	0	0	0	0
2012 2Q	472	7,675,970	406,310	5.3%	7,269,660	56,511	12	33,971	0	0	0	0
2012 1Q	472	7,675,970	462,821	6.0%	7,213,149	24,210	10	38,294	0	0	0	0
2011 4Q	472	7,675,970	487,031	6.3%	7,188,939	71,409	9	26,307	0	0	0	0
2011 3Q	472	7,675,970	558,440	7.3%	7,117,530	6,603	14	51,595	0	0	0	0
2011 2Q	472	7,675,970	565,043	7.4%	7,110,927	26,904	14	15,334	0	0	0	0
2011 1Q	472	7,675,970	591,947	7.7%	7,084,023	(35,880)	15	42,315	1	10,000	0	0
2010 4Q	472	7,675,970	556,067	7.2%	7,119,903	85,038	11	35,149	0	0	0	0
2010 3Q	472	7,675,970	641,105	8.4%	7,034,865	(4,458)	10	15,223	0	0	0	0
2010 2Q	471	7,673,424	634,101	8.3%	7,039,323	1,662	11	97,909	0	0	1	2,546
2010 1Q	471	7,673,424	635,763	8.3%	7,037,661	94,950	21	57,074	2	118,546	1	2,546
2009 4Q	470	7,557,424	614,713	8.1%	6,942,711	(3,715)	8	21,310	0	0	1	116,000
2009 3Q	470	7,557,424	610,998	8.1%	6,946,426	(55,803)	13	49,795	0	0	1	116,000
2009 2Q	470	7,557,424	555,195	7.3%	7,002,229	(156,254)	7	35,260	0	0	1	116,000
2009 1Q	470	7,557,424	398,941	5.3%	7,158,483	(18,918)	15	57,888	0	0	0	0
2008 4Q	470	7,557,424	380,023	5.0%	7,177,401	22,067	6	48,051	0	0	0	0
2008 3Q	470	7,557,424	402,090	5.3%	7,155,334	(52,233)	6	9,803	1	5,800	0	0
2008 2Q	469	7,551,624	344,057	4.6%	7,207,567	(74,388)	6	91,241	0	0	1	5,800
2008 1Q	469	7,551,624	269,669	3.6%	7,281,955	6,504	7	55,655	1	2,390	1	5,800
2007 4Q	468	7,549,234	273,783	3.6%	7,275,451	21,120	5	13,404	0	0	2	8,190
2007 3Q	468	7,549,234	294,903	3.9%	7,254,331	1,764	7	12,530	0	0	2	8,190
2007 2Q	468	7,549,234	296,687	3.9%	7,252,547	48,124	3	11,698	0	0	1	5,800
2007 1Q	468	7,549,234	344,811	4.6%	7,204,423	(28,347)	5	10,067	0	0	0	0
2006 4Q	468	7,549,234	316,464	4.2%	7,232,770	25,376	6	5,201	0	0	0	0
2006 3Q	468	7,549,234	341,840	4.5%	7,207,394	55,479	5	6,734	0	0	0	0
2006 2Q	468	7,549,234	397,319	5.3%	7,151,915	(4,356)	8	89,262	0	0	0	0
2006 1Q	468	7,549,234	392,963	5.2%	7,156,271	142,274	10	46,066	6	79,290	0	0

Sources: Costar, and CB Richard Ellis



Exhibit 37  
The Orchards at Walnut Creek  
City of Pleasant Hill Vacancy Trends  
2006 Through Q2 2013

Period	Rentable Building Area					Total Net Absorption	Leasing Activity		New Construction			
	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF		Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2013 2Q	185	2,834,250	102,762	3.6%	2,731,488	(3,958)	1	4,738	0	0	0	0
2013 1Q	185	2,834,250	99,804	3.5%	2,734,446	(7,925)	1	2,850	0	0	0	0
2012 4Q	185	2,834,250	91,879	3.2%	2,742,371	(8,038)	6	14,681	0	0	0	0
2012 3Q	185	2,834,250	83,841	3.0%	2,750,409	17,119	3	3,078	0	0	0	0
2012 2Q	185	2,834,250	100,960	3.6%	2,733,290	6,035	10	65,467	1	3,000	0	0
2012 1Q	184	2,831,250	103,995	3.7%	2,727,255	(11,807)	1	1,869	0	0	1	3,000
2011 4Q	184	2,831,250	92,188	3.3%	2,739,062	22,526	8	20,178	0	0	1	3,000
2011 3Q	184	2,831,250	114,714	4.1%	2,716,536	(17,535)	7	19,502	0	0	0	0
2011 2Q	184	2,831,250	97,179	3.4%	2,734,071	6,445	5	5,445	0	0	0	0
2011 1Q	184	2,831,250	103,624	3.7%	2,727,626	(8,750)	4	53,294	0	0	0	0
2010 4Q	184	2,831,250	94,874	3.4%	2,736,376	37,512	3	4,241	0	0	0	0
2010 3Q	184	2,831,250	132,386	4.7%	2,698,864	13,333	6	34,522	0	0	0	0
2010 2Q	184	2,831,250	145,719	5.1%	2,685,531	16,031	8	26,420	0	0	0	0
2010 1Q	184	2,831,250	161,750	5.7%	2,669,500	(7,912)	10	18,685	0	0	0	0
2009 4Q	184	2,831,250	153,838	5.4%	2,677,412	(25,449)	4	23,968	0	0	0	0
2009 3Q	184	2,831,250	128,389	4.5%	2,702,861	(12,792)	5	29,373	0	0	0	0
2009 2Q	184	2,831,250	115,597	4.1%	2,715,653	(22,672)	12	21,771	0	0	0	0
2009 1Q	184	2,831,250	92,925	3.3%	2,738,325	(48,599)	2	2,905	0	0	0	0
2008 4Q	184	2,831,250	44,366	1.6%	2,786,884	771	4	6,375	0	0	0	0
2008 3Q	184	2,831,250	45,137	1.6%	2,786,113	(6,206)	3	7,330	0	0	0	0
2008 2Q	184	2,831,250	38,931	1.4%	2,792,319	(12,422)	2	4,003	0	0	0	0
2008 1Q	184	2,831,250	26,509	0.9%	2,804,741	749	3	3,138	0	0	0	0
2007 4Q	184	2,831,250	27,258	1.0%	2,803,992	29,299	3	4,271	0	0	0	0
2007 3Q	184	2,831,250	56,557	2.0%	2,774,693	(14,783)	2	22,530	0	0	0	0
2007 2Q	184	2,831,250	41,774	1.5%	2,789,476	50,102	0	3,200	1	27,995	0	0
2007 1Q	183	2,803,255	63,881	2.3%	2,739,374	43,677	3	9,489	1	16,226	1	27,995
2006 4Q	182	2,787,029	91,332	3.3%	2,695,697	10,956	6	22,259	0	0	2	44,221
2006 3Q	182	2,787,029	102,288	3.7%	2,684,741	(19,019)	5	5,869	0	0	1	16,226
2006 2Q	182	2,787,029	83,269	3.0%	2,703,760	1,323	3	11,808	0	0	0	0
2006 1Q	182	2,787,029	84,592	3.0%	2,702,437	(2,592)	3	4,195	0	0	0	0

Sources: Costar, and CB Richard Ellis.

**Exhibit 38**  
**The Orchards at Walnut Creek**  
**Representative Larger Surrounding Area Retail Vacancies (1)**  
**September 2013**

City/Building Address	Miles from Site	Year Built	Rentable Building Area	Max Building Contiguous Space	Total Available Space (SF)	Largest Vacancies Former Use	Comments
<b>Walnut Creek</b>							
1444-1450 N California Blvd	3.5	1989	23,458	12,980	12,980	Forma Gym	Gym moved to 1908 Olympic Blvd in mid 2012
1375 N Main St	3.5	1925	12,801	10,334	10,334	Adi's Persian Rug	Moving to 1429 S. Main Street.
Sub-Total			36,059		23,294		
<b>Concord</b>							
1280 Willow Pass Rd	4.5	1980	73,982	42,812	57,721	Sports Chalet, Raspulin Music Space vacant during fieldwork but new lease executed (see Comments)	Guitar Center was remaining tenant for a while, but Hobby Lobby now taking over Sports Chalet Space. Center had one broken window at site visit but is otherwise in good condition.
2250 Monument Boulevard	3.5	1985	N/A	N/A	43,112	Safeway, closed Jan. 2013	Safeway holds lease but seeking to return to landlord. Balance of center includes Orchard Supply Hardware, Big Lots, furniture store, liquor store, and others
1657-1673 Willow Pass Rd	4.4	1980	57,500	20,100	20,100	Theatre	Theatre part of property is under rehab to become a church. Remaining vacancy is approx. 8,000 sq. ft.
4476-4494 Treat Blvd	4.3	1983	20,880	8,500	17,121	Salvation Army/Uguor/Hobby Town	Center dated, but anchors Staples and CVS look healthy
1975 Diamond Blvd	4.9	1977	253,000	5,910	15,931	Tony Roma's, Gofmart	Post Office is big draw
1385 Galindo St	4.1	1967	29,973	15,000	15,000	Yamaha/Kawasaki dealership	Leasing activity evident but leasing agent will not disclose details. El Tomto demolished to make way for new restaurant. Existing Old Navy is expanding.
1825 Salvio St	4.7	1950	15,000	15,000	15,000	N/A	Stand alone space, prolonged vacancy.
2737-2737 Clayton Rd	4.9	1964	25,416	3,855	12,945	Restaurant services	Under rehab to become a Dollar Tree store
3375 Port Chicago Hwy	5.0	2005	47,573	3,750	10,988	Ace Hardware, closed March 2012	Dated strip center. Restaurant vacancy prolonged, with smaller service type vacancies behind restaurant.
4375 Clayton Rd	4.2	1970	23,700	5,100	10,850	Hollywood Video	Fresh and Easy leased but never opened.
Sub-Total			527,037		218,866		Temporarily backfilled by Spirit Halloween store.
<b>Pleasant Hill</b>							
548 Contra Costa Blvd	6.4	1976	36,587	6,928	13,954	N/A	Vacant 5+ years, current under renovation for gym.
508 Contra Costa Blvd	6.7	1982	35,350	6,000	10,421	Country Square Market (Asian market closed in 2012), Bingo, Tanning Salon	The largest space is under contract to become an appliance store, space was subdivided after the market closed. Big 5 took some of the space.
Sub-Total			71,947		24,375		

Sources: CoStar, and ALH Urban & Regional Economics.

(1) Includes total building vacancies of 10,000 square feet or more in the cities of Walnut Creek, Concord, and Pleasant Hill.

**Exhibit 39**  
**The Orchards at Walnut Creek**  
**Examples of Larger Backfilled Tenants in Walnut Creek and Concord**

Location	Driving Distance from Site	Prior Tenant	Current/Future Tenant	Approximate Year of Occupancy	Estimated Square Footage
<b>City of Walnut Creek</b>					
1181 Locust Street	3.8	Andronico's	Cheesecake Factory, Elite Sports Authority, and Tilly's	2009 (1)	40,000
1881 Ygnacio Valley Road	1.4	Albertson's	Sports Basement	2007	35,000
1372 S. California Boulevard	4.1	Albertson's	Trader Joe's and Elephant Pharm	2006	25,000
2941 Ygnacio Valley Road	0.2	Safeway (existing)	Whole Foods (forthcoming)	2016 (2)	22,500
2900 N. Main Street	3.3	BevMo!	Walgreens	2007 (3)	16,500
1827 Ygnacio Valley Road	1.6	Rite Aid	Fresh and Easy	2011	15,000
2044 Mt. Diablo Boulevard	4.0	Good Guys Tire and Auto	Ace Hardware	2009	15,000
1372 S. California Boulevard	4.1	Elephant Pharm	Pet Food Express	2009	12,500
1902 Mt. Diablo Boulevard	3.9	Golfsmith	Pier 1 Imports	2013	10,000
2220 Oak Grove Road	0.1	Long's	BevMo!	2007	10,000
2099 Mt. Diablo Boulevard	4.0	Pier 1 Imports	Golf Mart	2013	8,500
<b>City of Concord</b>					
1280 Willow Pass Rd	4.5	Sports Chalet and Rasputin's	Hobby Lobby (forthcoming in 2013)	2013	57,721
1505 Willow Pass Road	4.5	Velocity Sports Performance	Airport Appliance	2013	16,500
1150 Concord Avenue	4.7	Brand Name Furniture	Contra Costa Powersports	2013	17,111
1990 Market Street	4.4	Elegant Touch Furniture	Monument Crisis Center	2013	12,696
2150-2190 Solano Way	6.3	Solano Foods	Dollar General	2013	10,000
				<b>Total:</b>	<b>374,028</b>

Sources: City of Walnut Creek; Equity Real Estate Solutions; area Commercial Real Estate Brokers; and ALH Urban and Regional Economics.

(1) Date reflect The Cheesecake Factory.

(2) Anticipated opening date.

(3) ALH Urban & Regional Economics estimate.

**APPENDIX B: SUPPORT EXHIBITS**

**Exhibit B-1**  
**The Orchards at Walnut Creek**  
**Average Annual Estimated Daytime Retail Spending**  
**Office Workers in Urban Locations**  
**In 2013 Dollars (1)**

Category of Spending (2)	Weekly Spending		Annual Spending	
	Urban Locations	Urban Ample Locations (3)	Urban Locations	Urban Ample Locations (3)
Full-Service Restaurants and Fast Food	\$27.23	\$40.31	\$1,415.94	\$2,095.93
Goods and Services				
Groceries	\$16.55	\$23.65	\$860.66	\$1,230.02
All Other (4)	\$75.95	\$108.55	\$3,949.45	\$5,644.37
<b>Total</b>	<b>\$119.73</b>	<b>\$172.51</b>	<b>\$6,226.06</b>	<b>\$8,970.31</b>

Sources: "Office-Worker Retail Spending in a Digital Age," International Council of Shopping Centers, 2012; United States Bureau of Labor Statistics, CPI for Urban West; and ALH Urban & Regional Economics.

(1) The data were reported for 2011. ALH Urban & Regional Economics inflated the figures to 2013 by using the Urban West CPI Index, with adjustments from June 2011 to June 2013, resulting in a 1.036% (rounded) adjustment.

(2) Excludes spending on transportation and online purchases.

(3) Reflects an increase in spending by office workers in location with more ample retail, restaurant, and services offerings in the vicinity of the office building. This adjustment is based upon analysis reflected in the cited International Council of Shopping Centers source document. In urban locations the increment was approximately 43% more.

(4) All other includes a range of retail purchases, such as personal care shops, office supplies, department stores, drug stores, electronics, jewelry stores, entertainment, clothing, and other goods.

Exhibit B-2  
The Orchards at Walnut Creek  
Calculation of Sales Per Square Foot Estimates  
Selected Retail Stores and Store Types  
2009 - 2012 and 2013 Projected (1)

Store or Category (2)	2009		2010		2011		2012		Average in 2013 <sup>(3)</sup>
	In 2009 <sup>(1)</sup>	In 2013 <sup>(1)</sup>	In 2010 <sup>(1)</sup>	In 2013 <sup>(1)</sup>	In 2011 <sup>(1)</sup>	In 2013 <sup>(1)</sup>	In 2012 <sup>(1)</sup>	In 2013 <sup>(1)</sup>	
<b>Apparel &amp; Accessories</b>									
Specialty	\$397	\$427	\$405	\$430	\$447	\$460	\$472	\$478	\$449
Women's Apparel	\$389	\$418	\$395	\$398	\$455	\$470	\$515	\$521	\$449
Shoe Store	\$357	\$394	\$371	\$394	\$454	\$459	\$407	\$493	\$438
Row Dress for Less	\$285	\$309	\$324	\$344	\$195	\$200	\$195	\$199	\$213
Katrina	\$222	\$239	\$229	\$242	\$215	\$222	\$209	\$211	\$229
Accessories	\$774	\$832	\$775	\$827	\$978	\$1,011	\$1,191	\$1,205	\$869
Average of Apparel & Accessories	\$406	\$435	\$412	\$439	\$457	\$473	\$512	\$517	\$466
<b>Discount Stores</b>									
Target	\$209	\$225	\$194	\$208	\$212	\$219	\$213	\$215	\$217
Wal-Mart	\$282	\$303	\$289	\$300	\$260	\$300	\$304	\$328	\$302
	\$424	\$455	\$422	\$448	\$499	\$516	\$455	\$483	\$470
<b>Off-Prices</b>	\$250	\$306	\$0	\$0	\$0	\$0	\$0	\$0	\$77
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Department Stores Category</b>	\$266	\$285	\$280	\$298	\$276	\$285	\$274	\$277	\$279
Sears	\$278	\$299	\$265	\$218	\$205	\$212	\$210	\$212	\$235
Macy's	\$152	\$193	\$162	\$172	\$174	\$193	\$183	\$186	\$176
<b>Domestic Category</b>	\$284	\$305	\$294	\$312	\$288	\$299	\$288	\$271	\$297
<b>Furniture Category</b>	\$226	\$242	\$199	\$210	\$207	\$200	\$351	\$355	\$279
Average of Domestic & Furniture	\$255	\$273	\$244	\$261	\$259	\$269	\$315	\$316	\$288
<b>Neighborhood Center Category</b>									
Supermarkets	\$470	\$526	\$530	\$558	\$529	\$551	\$575	\$582	\$587
Specialty/Organic	\$504	\$541	\$510	\$542	\$458	\$480	\$698	\$705	\$617
Drug Stores	\$983	\$734	\$724	\$709	\$657	\$679	\$667	\$675	\$714
Pet-Aid	\$488	\$594	\$421	\$447	\$560	\$579	\$549	\$555	\$528
CVS	\$772	\$851	\$902	\$852	\$806	\$820	\$882	\$893	\$857
<b>Restaurants Category</b>	\$431	\$468	\$429	\$456	\$494	\$413	\$480	\$486	\$479
Casual Dining	\$416	\$447	\$435	\$428	\$578	\$597	\$549	\$570	\$518
Fast Food/Chain	\$447	\$480	\$431	\$458	\$507	\$524	\$492	\$499	\$490
<b>Home Improvement</b>	\$280	\$301	\$289	\$285	\$298	\$287	\$287	\$299	\$291
<b>Auto - DRY Stores (3)</b>	N/A	N/A	\$265	\$278	\$218	\$225	\$220	\$223	\$222
<b>Other Retail Categories</b>									
H&A, Home Progression	\$431	\$463	\$541	\$575	\$494	\$490	\$531	\$537	\$515
Electronics	\$508	\$545	\$685	\$729	\$1,171	\$1,210	\$821	\$833	\$629
Office Supplies	\$277	\$298	\$265	\$260	\$270	\$279	\$282	\$265	\$280
Sports	\$225	\$243	\$225	\$240	\$239	\$247	\$252	\$252	\$245
Pet Supplies	\$179	\$192	\$185	\$197	\$188	\$194	\$218	\$221	\$201
Book Superstores	\$242	\$260	\$180	\$191	\$247	\$255	\$210	\$213	\$230
Toys	\$350	\$376	\$320	\$340	\$350	\$344	\$312	\$316	\$344
Music Superstores	\$294	\$316	\$318	\$308	\$317	\$308	\$314	\$316	\$325
Gifts, Hobbies & Fabrics	\$124	\$130	\$124	\$132	\$136	\$141	\$137	\$139	\$135
Average of Other Retail Categories	\$292	\$314	\$315	\$330	\$325	\$338	\$346	\$344	\$345

Source: Retail MAXX, "Alternative Retail Risk Analysis for Alternative Capital" 2010, 2011, 2012, and 2013; (all publications present figures in the prior year dollars) United States Bureau of Economic Analysis Consumer Price Index - All Urban Consumers and All Urban & Regional Economic

(1) Figures are adjusted to 2013 purchasing in the implicit CPI index for All Urban Consumers.  
(2) Includes industry and category-representative stores.  
(3) Average reflects a five-year trend.

**Exhibit B-3**  
**The Orchards at Walnut Creek**  
**Market Area Constituent Census Tracts and City Match**

<b>2010 Census Tract</b>	<b>Geography</b>
3340.06	Concord
3373	Walnut Creek and Concord
3382.01	Walnut Creek and Concord
3383.01	Walnut Creek
3383.02	Walnut Creek
3353.02	Walnut Creek and Concord

Sources: U.S. Census Bureau; and ALH Urban & Regional Economics.

**Exhibit B-4**  
**The Orchards at Walnut Creek**  
**State of California Taxable Sales Estimates by Board of Equalization Retail Category**  
**in Current Dollars**  
**2011**  
**(in \$000s)**

Type of Retailer	Total Taxable Sales (1)	State of California Taxable Sales	
		Adjusted to Total Retail	% of Total
Motor Vehicle & Parts Dealers	\$53,303,501	\$53,303,501	12.2%
Home Furnishings & Appliances	\$23,578,090	\$23,578,090	5.4%
Building Materials & Garden Equipment	\$26,064,428	\$26,064,428	6.0%
Food & Beverage Stores	\$23,606,132	\$78,687,107 (2)	18.0%
Gasoline Stations	\$55,210,076	\$55,210,076	12.7%
Clothing & Clothing Accessories	\$29,600,057	\$29,600,057	6.8%
General Merchandise Stores	\$48,219,018	\$60,273,773 (3)	13.8%
Food Services & Drinking Places	\$54,755,944	\$54,755,944	12.6%
Other Retail Group	\$41,180,792	\$54,655,117 (4)	12.5%
<b>Total (5)</b>	<b>\$355,518,038</b>	<b>\$436,128,093</b>	<b>100%</b>

Sources: California State Board of Equalization (BOE), "Taxable Sales in California" reports, for 2011; 2007 U.S. Economic Census; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the BOE.

(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 20% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 21% of General Merchandise Stores sales to food.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In California, drug store sales in 2011 represented approximately 16.1% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

(5) Totals may not add up due to rounding.



Exhibit B-5  
The Orchards at Walnut Creek  
City of Walnut Creek Sales Tax Trends  
First Quarter 2011 - First Quarter 2013

Economic Segment	2011		2012		2011		2011		Percent Change Q2 '12 - Q1 '11	
	1Q	4Q	1Q	2Q	1Q	4Q	3Q	2Q		
Auto Sales - New	\$3,987,374	\$3,898,912	\$3,712,980	\$3,535,520	\$3,339,327	\$3,247,326	\$3,142,409	\$3,136,856	\$3,115,297	12.2%
Department Stores	\$2,831,248	\$2,860,067	\$2,735,931	\$2,657,083	\$2,552,841	\$2,471,738	\$2,425,041	\$2,374,047	\$2,340,175	8.8%
Restaurants	\$2,191,310	\$2,186,501	\$2,124,741	\$2,065,901	\$2,036,009	\$1,991,211	\$1,942,970	\$1,917,748	\$1,893,411	5.1%
Miscellaneous Retail	\$1,709,279	\$1,709,774	\$1,699,523	\$1,696,975	\$1,684,627	\$1,651,869	\$1,624,562	\$1,612,219	\$1,599,198	0.7%
Service Stations	\$1,269,698	\$1,282,292	\$1,289,820	\$1,298,907	\$1,293,505	\$1,299,552	\$1,220,951	\$1,165,990	\$1,098,584	-2.2%
Apparel Stores	\$1,215,189	\$1,186,128	\$1,164,564	\$1,142,773	\$1,124,602	\$1,107,852	\$1,079,019	\$1,053,335	\$1,016,853	6.3%
Furniture/Appliance	\$908,242	\$804,651	\$852,857	\$829,552	\$844,679	\$814,353	\$773,543	\$791,755	\$764,669	-2.5%
Food Markets	\$893,896	\$880,997	\$875,374	\$877,872	\$864,775	\$863,303	\$863,983	\$846,540	\$854,980	2.8%
Leasing	\$809,804	\$472,293	\$444,456	\$415,613	\$392,403	\$395,419	\$397,002	\$387,260	\$382,819	22.4%
Auto Parts/Repair	\$344,227	\$343,646	\$342,207	\$344,024	\$340,036	\$337,025	\$336,258	\$334,659	\$334,750	0.1%
Recreation Products	\$335,653	\$344,436	\$345,629	\$348,392	\$353,952	\$337,390	\$320,789	\$305,646	\$284,843	-3.8%
Drug Stores	\$322,480	\$318,726	\$322,096	\$321,503	\$318,505	\$316,536	\$310,129	\$309,700	\$307,981	-0.3%
Office Equipment	\$257,510	\$259,594	\$240,191	\$214,809	\$216,508	\$214,822	\$214,791	\$198,708	\$182,597	19.9%
Bldg. Materials - Wholesale	\$253,018	\$247,119	\$252,182	\$229,479	\$234,905	\$232,985	\$231,144	\$220,362	\$222,250	10.3%
Bldg. Materials - Retail	\$203,153	\$197,841	\$195,347	\$193,391	\$191,218	\$184,959	\$182,200	\$180,515	\$187,860	-5.0%
Auto Sales - Used	\$197,436	\$188,844	\$193,590	\$175,559	\$160,632	\$143,224	\$132,851	\$117,141	\$123,091	12.5%
Light Industry	\$178,463	\$186,259	\$190,399	\$207,543	\$211,193	\$217,118	\$220,939	\$223,932	\$226,941	-14.0%
Liquor Stores	\$177,199	\$179,028	\$176,684	\$173,014	\$168,738	\$163,130	\$160,962	\$159,706	\$158,374	2.4%
Health & Government	\$152,466	\$153,365	\$157,472	\$158,665	\$149,827	\$146,217	\$145,180	\$144,456	\$144,044	-2.7%
Misc. Vehicle Sales	\$133,954	\$129,172	\$120,690	\$115,292	\$102,850	\$92,911	\$92,101	\$88,637	\$91,939	16.2%
Business Services	\$121,122	\$123,869	\$125,047	\$121,603	\$118,640	\$103,053	\$80,063	\$83,137	\$79,701	-0.4%
Heavy Industry	\$28,903	\$32,360	\$32,833	\$31,484	\$26,487	\$21,785	\$20,378	\$19,708	\$19,067	-9.2%
Electronic Equipment	\$27,248	\$29,047	\$30,142	\$38,037	\$42,296	\$39,781	\$61,605	\$101,979	\$129,987	-29.4%
Chemical Products	\$24,904	\$27,263	\$27,458	\$29,538	\$29,277	\$24,775	\$29,071	\$29,950	\$28,807	-7.8%
Florist/Nursery	\$16,897	\$16,238	\$15,863	\$15,448	\$15,341	\$14,994	\$14,991	\$14,351	\$14,645	9.4%
Miscellaneous Other	\$10,013	\$9,981	\$10,854	\$10,621	\$10,510	\$12,162	\$12,539	\$13,391	\$13,961	-9.3%
Food Processing Eqp.	\$2,587	\$1,643	\$870	\$1,982	\$1,695	\$1,882	\$2,701	\$5,337	\$8,365	89.0%
Emerg. Sales	\$0	\$0	\$802	\$802	\$802	\$802	\$0	\$0	\$0	-100.0%
Closed Acct. - Adjustment	-\$1,450	-\$1,450	-\$1,149	-\$1,342	-\$3,199	-\$4,193	-\$5,625	-\$6,514	-\$4,769	9.0%
<b>Total</b>	<b>\$17,881,019</b>	<b>\$17,656,980</b>	<b>\$17,348,279</b>	<b>\$16,963,897</b>	<b>\$16,523,393</b>	<b>\$16,133,550</b>	<b>\$15,736,213</b>	<b>\$15,537,257</b>	<b>\$15,293,278</b>	<b>5.4%</b>

Sources: City of Walnut Creek and ALH Urban & Regional Economics

**Exhibit B-6**  
**The Orchards at Walnut Creek**  
**Redevelopment Plan for Encina Grande Shopping Center (1)**

Current Shopping Center			Planned Shopping Center (2)		
Suite	Current Tenant	Current SF	Suite	Planned Tenant	Planned SF
2,817	Vacant	2,568	2,817	Vacant	2,568
2,819	Applebees	5,432	2,819	Applebees	5,432
2,839	Kumon Learning Center	1,041	2,839	Kumon Learning Center	1,041
2,849	Taco Bell	2,359	2,849	Taco Bell	2,359
2,857	Varella Cleaners	2,500	2,857	Varella Cleaners	2,500
2,861	Evie's Hamburgers	1,353	2,861	Evie's Hamburgers	1,353
2,865	Toyo Sushi	1,295	2,865	Toyo Sushi	1,295
2,883	Renew You Massage	1,394	2,883	Renew You Massage	1,394
2,885	Sparta Taekwondo	4,548	2,885	Sparta Taekwondo	4,548
2,887	Vacant	1,792	2,887	Vacant	1,792
2,891	Walnut Creek Nails	1,258	2,891	Walnut Creek Nails	1,258
2,893	Excel Realty & Mortgage	884	2,893	Excel Realty & Mortgage	884
2,895	KV Cuts	1,258	2,895	KV Cuts	1,258
2,901	Encina Bike Shop	2,200	2,901	Encina Bike Shop	2,200
2,911	Rocco's Ristorante & Pizza	2,770	2,911	Rocco's Ristorante & Pizza	2,770
2,913	Yogurt Station	630	2,913	Yogurt Station	630
2,923	Walgreens	12,550	2,923	Whole Foods	
2,929	Vacant	1,793	2,929	Whole Foods	
2,933	Vacant	1,700	2,933	Whole Foods	
2,941	Safeway	22,500	2,941	Whole Foods	37,500
2,967	1000 Oaks Hardware	6,545	2,967	1000 Oaks Hardware	6,545
2,971	Leslie's Swimming Pool Supplies	3,369	2,971	Leslie's Swimming Pool Supplies	3,369
2,975	Bagel Street Cafe	2,500	2,975	Bagel Street Cafe	2,500
2,977	The UPS Store	1,000	2,977	The UPS Store	1,000
2,979	Jade Garden	2,500	2,979	Jade Garden	2,500
2,987	Radio Shack	2,389	2,987	Walgreens	
2,991	Papa Murphy's Take & Bake	1,571	2,991	Walgreens	
2,995	Alex Katoozian Furniture Store	6,314	2,995	Walgreens	14,820
N.A.P. 1	Gas Station		N.A.P. 1	Gas Station	
	Total	98,013		Total	101,516

Sources: Regency Centers, inc. <http://www.regencycenters.com/retail-space/ca/walnut-creek/encina-grande>; and ALH Urban & Regional Economics.

(1) The redevelopment plans include expanded grocery space, a relocated and expanded Walgreens, and reduced shop space. The current 22,500 square feet of Safeway grocery space will be expanded to 37,500 square feet for Whole Foods, for a net increase of 15,000 square feet of grocery space. The Walgreens will be relocated, with the current size of 12,500 square feet increasing to 14,820, for a net increase of 2,270 square feet. Overall shop space will be reduced from 62,963 square feet to 49,196 square feet, for a net reduction of 13,767 square feet.

(2) The current shopping center has at least four noted vacancies, totaling 7,853 square feet. ALH Urban & Regional Economics assumes that spaces currently vacant but remaining after the redevelopment will be occupied by new tenants, despite notations to the contrary. Thus, the net reduction in occupied retail shop space will be 13,767 - 7,853, or 5,914 square feet.

**Exhibit B-7**  
**Allocations of Unknown Retail Space into BOE Categories by Shopping Center Format (1)**

Format	Motor Vehicles and Parts Dealers	Home Furnishings and Appliance Stores	Building Materials and Garden Equip	Food and Beverage Stores	Gasoline Stations	Clothing and Clothing Accessories Stores	General Merchandise	Food Services and Drinking Places	Other Retail
Neighborhood Centers	0%	0%	0%	40%	0%	0%	20%	20%	20%
Community Centers	0%	0%	5%	25%	0%	5%	35%	15%	15%
Power Centers	0%	5%	10%	15%	0%	10%	45%	5%	10%
Regional Malls	0%	10%	0%	0%	0%	30%	35%	5%	20%
Lifestyle Centers	0%	10%	0%	10%	0%	15%	10%	30%	25%

Sources: International Council of Shopping Centers (ICSC), U.S. Shopping Center Definitions, July 2012 ([http://www.icsc.org/sroh/IB/US\\_CENTER\\_CLASSIFICATION.pdf](http://www.icsc.org/sroh/IB/US_CENTER_CLASSIFICATION.pdf)); and ALH Urban & Regional Economics.

(1) ALH Urban & Regional Economics estimates for typical shopping center formats were developed based on ICSC shopping center classification criteria.

**Response to Letter K: Fort Bragg Local Business Matters**

**Response K-1:** The commentor provides the following introductory and legal comments:

*“Please accept the following comments on the Draft EIR referenced above, submitted on behalf of Fort Bragg Local Business Matters (“Fort Bragg LBM”).*

*As you may recall, Fort Bragg LBM was the plaintiff in the CEQA lawsuit challenging the City’s previous approval of this Grocery Outlet Project (“Project”) based on a mitigated negative declaration rather than an EIR. That lawsuit contended that substantial evidence showed the proposed Project might have significant impacts on the environment, particularly in the areas of noise and air quality. We are of course very pleased that the lawsuit settled and that the City agreed to prepare an EIR to evaluate these and other potentially significant Project impacts. However, there are still some remaining analytic deficiencies that should be addressed in a revised Draft EIR before the City takes action to approve the proposed Project in its current form. These are discussed in more detail below.”*

This comment is noted. This comment is generally an introductory statement. Please see Responses J-2 through J-4 for specific responses to the commentor’s concerns.

**Response K-2:** The commenter states that in the Air Quality Section, under Impact 3.2-4, the Draft EIR notes that sensitive receptors are located in the residences immediately adjacent to the Project site to the east, and that emissions of diesel particulate matter (DPM) are toxic air contaminants (TACs) that can adversely affect the health of these receptors. The commentor also states that the Draft EIR reports that the proposed Project’s operations will include 8 heavy-duty diesel truck deliveries per week, and 4 to 5 medium-duty diesel truck deliveries per day, and that some of these deliveries would be in trucks with top-mounted refrigeration units that also generate DPM emissions. The commentor states that, the Draft EIR concludes, however, that the proposed Project would not expose sensitive receptors to substantial TAC emissions because the frequency of truck trips is “very small”. The commentor also states that, similarly, the Draft EIR concludes that existing TAC emissions from diesel vehicle traffic on Highway 1, adjacent to the Project site under baseline conditions, is “not particularly high” when compared to other parts of California. The commentor states that more information is necessary to support these conclusions. The commentor asks what parts of California is this being compared to? The commentor also asks what routes the trucks will take, will there be idling, and if so, for how long, and how much DPM would result. The commentor requests that a more detailed, quantitative study should be performed.

As noted by the commentor, the frequency of truck trips is indeed very small—8 heavy-duty diesel truck deliveries per week, and 4 to 5 medium-duty diesel truck deliveries per day, is a very small number of truck trips generated by a project, compared to projects that would normally undergo a more detailed health risk analysis. Typically, projects would need to generate upwards of one hundred heavy-duty truck trips per day to have

the possibility of generating enough TACs to exceed the Mendocino County Air Quality Management District (MCAQMD) thresholds for health risks (i.e., an increased cancer risk of greater than 10 in a million, or an increased non-cancer risk exceeding the Hazard Index of 1.0). This is true despite the relatively close location of the nearest sensitive receptors, which include residences just to the east of the Project site. Ultimately, even with top-mounted refrigeration units on some of the heavy-duty and/or medium-duty vehicles, the heavy- and medium-duty truck trips would not represent a significant risk of TACs on nearby sensitive receptors from DPM because there are so few truck trips.

Separately, while existing TAC emissions from diesel vehicle traffic on Highway 1 could impact the Project site and nearby receptors, the proposed Project itself would not generate new sensitive receptors. This is a crucial fact. As stated on page 3.2-26 of the Draft EIR, crucially, CEQA only requires analysis of the impact of the proposed Project compared with baseline conditions. That is, CEQA requires analysis of the potential impact of proposed Project (i.e., the difference between the baseline conditions and the proposed Project scenario), not the potential impact of baseline conditions. This is independent of whether the existing diesel vehicle traffic on Highway 1 is or is not “particularly high” compared to other freeways in California. That being said, it is not uncommon for grocery stores to be located a similar distance (approximately 300 feet) from an existing active freeway, near freeways in other parts of California (such as Los Angeles or Oakland) that have dramatically higher traffic levels than the traffic along Highway 1 near to the Project site. Regardless, as previously stated, the key concern of CEQA for TAC emissions is whether the proposed Project itself would generate TACs in excess of the applicable thresholds; as previously stated, the level of diesel truck traffic generated by the proposed Project is so small that it is not possible for the TACs generated from the proposed Project truck trips to cause an exceedance of the applicable TAC thresholds, as promulgated by the MCAQMD. No further response to this comment is warranted.

**Response K-3:** The commenter states that a single-day noise measurement is not adequate to establish a meaningful baseline, and that measurements should be taken continuously over a multi-day period, ideally during different months. The commenter also states that it appears that the noise analysis omitted consideration of receptors at the Super 8 Motel immediately adjacent to the Project site to the west, and the noise contours in Figures 3.5-1 through 7 suggest that Project-related noise levels exceeding applicable significance thresholds at this location. The commenter concludes by stating that, while strictly speaking a commercial use, a motel houses sleeping guests (and possibly an on-site owner or caretaker), who should be considered sensitive noise receptors, and the City should revise the Draft EIR’s noise analysis to evaluate whether impacts to receptors in the Super 8 Motel will be significant and, if so, whether mitigation is feasible.

Continuous noise measurements were completed as part of the noise analysis. As discussed in Section 3.6, Noise, of the Draft EIR, one continuous (24-hour) noise level measurement was conducted near receptors adjacent to the Project site from January

10th to January 11th, 2022. A short-term noise level measurement was conducted at one location to the southeast of the Project site on January 10th, 2022. The noise measurement locations are shown on Figure 3.6-1. The noise level measurement survey results are provided in Table 3.6-2. Appendix B of Appendix E shows the complete results of the continuous noise monitoring at sites LT-1 and ST-1.

With respect to the Super 8 Motel, as discussed in Section 3.6, Noise, of the Draft EIR, Policy N-1.4 of the City of Fort Bragg Coastal Region General Plan establishes a standard of 45 Ldn for indoor noise levels for all new residential development including hotels and motels and a standard of 60 Ldn for outdoor noise at residences. These limits shall be reduced by 5 dB for senior housing and residential care facilities. These thresholds and standards were used to analyze Project impacts to the Super 8 Motel. Noise impacts at existing receptors from increased traffic noise would be considered less-than-significant.

**Response K-4:** The commenter cites the two questions regarding urban decay and states that, “although the Draft EIR lists nine grocery stores currently distributed throughout the City, it does not actually analyze whether the proposed Project would result in sales losses at any of them. In other words, it does not address the first question. Because the first question is unanswered, the Draft EIR’s summary conclusion that the proposed Project would not lead to urban decay is unsupported.” The commenter also questions who and the methodology for the field survey completed in Spring 2022. Additionally, the commenter states that the absence of urban decay today does not necessarily mean there would not be urban decay in the future if the proposed Project led to the closure of a grocery store that anchored a commercial center or node elsewhere in the City. Further, the commenter states that the Draft EIR should be revised to include an economic impact/urban decay analysis that actually addresses the questions required by CEQA, and attaches an urban decay study that the City of Walnut Creek completed for an EIR. The commenter concludes by stating that, while this study was for a much larger commercial project than the one addressed in the Draft EIR, it nevertheless illustrates the scope and depth of analysis that is appropriate for meaningful consideration of a grocery store’s potential to negatively affect sales in other grocery facilities, leading to store closures and possible urban decay.

With respect to urban decay, see Section 3.5, Land Use, of the Draft EIR which provides an analysis of the potential for the proposed Project to result in urban decay. As discussed, under CEQA, an EIR should only consider direct and indirect physical effects of projects. Section 15064(d) of the CEQA Guidelines states that, “In evaluating the significance of the environmental effect of a project, the Lead Agency shall consider direct physical changes in the environment which is caused by and immediately related to the project.” Section 15064(d)(3) further states that, “An indirect physical impact is to be considered only if that change is a reasonably foreseeable impact which may be caused by the project. A change which is speculative or unlikely to occur is not reasonably foreseeable.” In addition, CEQA requires that a determination that a project may have a significant

environmental effect must be based on substantial evidence (CEQA Guidelines §15064(f)).

On the secondary socioeconomic effects of projects, Section 15131(a) of the CEQA Guidelines indicates that, “Economic and social effects of a project shall not be treated as significant effects on the environment. An EIR may trace a chain of cause and effect from a proposed decision on a project through anticipated economic or social changes resulting from the project to physical changes caused in turn by the economic or social changes. The intermediate economic or social changes need not be analyzed in any detail greater than necessary to trace the chain of cause and effect. The focus of the analysis shall be on the physical changes.” In other words, economic and social changes are not, in themselves, considered under CEQA to be significant effects on the environment.

Since only physical effects are to be considered under CEQA, economic and social changes resulting from a project may be considered if they in turn produce changes in the physical environment. To fully satisfy the requirements of an EIR, an economic analysis must start with the economic impacts. The analysis would then follow the causal chain to assess the likelihood of new retail space causing long-term vacancies in existing retail space and ultimately leading to urban decay and physical deterioration of existing retail centers and nodes.

In recent years, the California Courts have identified the term “urban decay” as the physical manifestation of a project’s potential socioeconomic impacts and have specifically identified the need to address the potential for urban decay in environmental documents for large retail projects, or mixed-use projects with a notable retail component. The leading case is *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, in which the court set aside two environmental impact reports for two proposed Wal-Mart projects that would have been located less than five miles from each other. This was the first court decision to use the term “urban decay,” as opposed to the term “blight.” The court quoted “experts [who] are now warning about land use decisions that cause a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.” (Id. at p. 1204.) The court also discussed prior case law that addressed the potential for large retail projects to cause “physical deterioration of [a] downtown area” or “a general deterioration of [a] downtown area.” (Id. at pp. 1206, 1207). The Bakersfield court also described the circumstances in which the duty to address urban decay issues arise.

Accordingly, there are two pertinent questions to be asked with regard to the effects of the proposed Project in terms of this economic impact and urban decay analysis: 1) would the proposed new retail uses result in sales losses that are sufficiently large at existing retail establishments to force some to close; and 2) would the affected closed stores stay idle long enough to create physical changes that could be defined as urban decay?

While the measurement of urban decay is not strictly defined under CEQA, this analysis assumes that the term describes significant deterioration of existing structures and/or

their surroundings. This is based upon the premise that such deterioration occurs when property owners reduce property maintenance activities below that required to keep such properties in good condition. It assumes that property owners make rational economic decisions about maintaining their property and are likely to make reductions in maintenance activities only under conditions where they see little likelihood of future positive returns from such expenditures. Where vacancy rates are low or growth rates are high, property owners are likely to see the prospect of keeping properties leased-up at favorable rents. Where vacancy rates are high and persistent, and growth rates are low, property owners are more likely to have a pessimistic view of the future and be prone to reducing property maintenance as a way to reduce costs.

However, whether or not conditions in between those discussed above (i.e., moderate vacancy levels that persist for a few years) are likely to lead to “urban decay” depends on many factors including the growth prospects of the market area, the future state of the national and local economy, financial strength of existing tenants and landlords, and the profitability and viability of existing commercial centers.

Impact 3.5-2 in Section 3.5, Land Use, of the Draft EIR was revised to incorporate the analysis and findings of the Urban Decay Study (ALH Urban & Regional Economics, 2023) completed for the proposed Project. See Appendix J of this Draft EIR for the complete Study, and Chapter 3.0, Revisions, of this Final EIR for the additional urban decay discussion.

As discussed in Impact 3.5-2, as of 2021, the area is characterized by retail sales leakage in all major retail categories except food and beverage stores, building materials and garden equipment, and gasoline stations. The attraction in food and beverage stores comprise 60% of all food and beverage sales, where the retail leakage in all other categories range from -12% to -78% of sales. The high leakage amounts generally indicate that the primary market area is under-retailed relative to the demand generated by its population base.

There are a select number of stores in Fort Bragg, nearby Mendocino, and the general primary market area environs that might be competitive to varying degrees with the proposed Grocery Outlet because of the availability of overlapping sales merchandise. These stores are a subset of the following categories of stores: Grocery Stores; Natural Food Stores; Other Stores with Substantial Food and Beverage Sales; Convenience Stores; and Gas Station Convenience Stores. There are nine grocery facilities distributed throughout different residential neighborhoods and commercial establishments in the community, including: Safeway (660 South Main Street), Harvest Market (171 Boatyard Drive), Purity Supermarket (242 North Franklin Street), Nello’s Market and Deli (860 North Main Street), La Mexicana Market (116 S. Main Street), Down Home Foods (115 S. Franklin Street), Colombi Market and Deli (647 E Oak Street), B&C Grocery (401 E. Oak Street) and El Yuca (242 North Mcpherson Street).



Of all these stores, the existing stores that are anticipated to have more food and related sales overlap with Grocery Outlet relative to other area stores include the full-service grocery stores, of which there are four (including one in Mendocino), and the general merchandise store Dollar Tree. The Natural Food Stores, Convenience Stores, Other Stores with Substantial Food and Beverage Sales (excluding Dollar Tree), and Gas Station Convenience Stores are not anticipated to experience much, if any competitive overlap.

Based on the estimated Grocery Outlet store sales by type of retail, and the volume of sales estimated to be supported by primary market area residents, the proposed Fort Bragg Grocery Outlet store will need to capture only 2.1% of primary market area food and beverage sales to achieve stabilized sales consistent with national Grocery Outlet store performance standards. This is a very small capture rate. The capture rate is higher for non-perishable primary market area sales; however, these sales categories are estimated to have existing retail leakage in the primary market area. Thus, no sales impact is anticipated among stores selling non-perishable goods comparable to Grocery Outlet, as the recapture of these sales will reduce the existing leakage, making the primary market area's retail base stronger.

These findings suggest that the existing primary market area food and other stores selling goods in common with Grocery Outlet are unlikely to experience strong individual store sales impacts resulting from the operations of the proposed Grocery Outlet Store. If sales are diverted from any existing stores resulting from Grocery Outlet's operation, they will be dispersed among many of the stores, such that no one store is likely to experience sales loss sufficient to significantly impact store sales. The full-service orientation and unique offerings at the existing grocery stores will help insulate them from the nominal amount of competitive food item sales anticipated at Grocery Outlet. Moreover, these stores have established customer bases. Accordingly, they will have the ability to modify their product mix to maximize sales in products not available at Grocery Outlet General yet targeted to meet the needs of its loyal customers.

Grocery Outlet does not exactly duplicate the market niche or product focus of any of the primary market area stores, although it is closest to Dollar Tree in its discount orientation, as well as nonperishable product offerings. However, given Grocery Outlet's relatively low levels of projected sales, Dollar Tree's pronounced general merchandise orientation, and distance from the proposed Grocery Outlet site, there is unlikely to be even a noticeable impact on Dollar Tree following the Grocery Outlet's opening.

There are a range of commercial retail building or retail space vacancies scattered throughout the primary market area. Most of the vacancies are in Fort Bragg, and especially Downtown Fort Bragg or at The Boatyard Shopping Center. The vacancies are primarily located in small, older buildings, with many vacant for extended periods of time, such as two or more years. Many of the identified vacancies have been vacant since prior to the COVID-19 pandemic, or even earlier. However, many of the vacancies are not being actively marketed. This is evidenced by the lack of signage on the properties with commercial broker names, phone numbers, or even owner contact information. The

physical condition of the vacancies varies, with some in well-kept condition and others appearing more rundown, or in less manicured condition, such as peeling paint in need of refreshing. None of the vacancies, however, exhibit classic signs of urban decay, such as graffiti, boarded up doors or windows, broken windows, or excessive trash. Moreover, despite the presence of some long-term commercial vacancies, there are indications of recent retail leasing activity in Fort Bragg.

Further, fieldwork conducted in March through May 2022 indicated there were no significant signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes and corridors in Fort Bragg, with only a few isolated instances of small amounts of fast food-related trash near some commercial properties. It is noted that the City has reported some issues with transient populations at the on-site vacant building in the past. The City of Fort Bragg Code Enforcement Department receives a limited number of complaints pertaining to commercial properties, and most of these complaints do not pertain to issues associated with urban decay.

The study analysis completed as part of the Urban Decay Study does not suggest any retailers would be at risk of losing retail sales sufficient to result in store closure leading to increased commercial vacancy as a result of Grocery Outlet's development, and thus there would likely be no risk for their properties to erode into conditions leading to urban decay. Yet, if such an event were to occur, there is no indication from the market that urban decay would result from such a store closure. Even properties that have been closed for longer periods of time, up to four years or more, continue to be maintained in reasonable condition and, most importantly, are not indicative of urban decay. Thus, real estate market conditions in Fort Bragg do not appear to be conducive to urban decay.

Therefore, pursuant to the existing market conditions, projected retail supply and demand conditions, and Grocery Outlet project orientation, the Urban Decay Study concludes that there is no reason to consider that development of the proposed Grocery Outlet store would cause or contribute to urban decay.

Overall, impacts related to urban decay were determined to be less than significant.

**From:** Gary McCray <[garymccray@gmail.com](mailto:garymccray@gmail.com)>  
**Sent:** Sunday, September 18, 2022 11:46 AM  
**To:** Gurewitz, Heather <[hgurewitz@fortbragg.com](mailto:hgurewitz@fortbragg.com)>  
**Subject:** Fort Bragg Grocery Outlet

Hello Heather Guerwitz Fort Bragg City Planner,

I, Gary McCray am a local resident and I favor the permitting of Grocery Outlet because I think it would be an excellent asset for the people of Fort Bragg providing much needed food cost relief and also competition to the other markets in the area that could encourage reducing the "Tourist Area" price gouging there as well. "Fort Bragg Local Business Matters" is acting against the best interests of the people of Fort Bragg while trying to eliminate competition with the existing markets for their own continued exploitative profit. They have no interest in the welfare of the people of Fort Bragg. All comments and commenters on their posts that are negative are deleted and the commenters are banned from commenting. Please do not think that the negative comments you receive about the Grocery Outlet are representative; it is a calculated campaign orchestrated by one person whose hypocritical self interest outweighs everything else. Sincerely,

Gary R. McCray [16951 Franklin Road](#)

[Fort Bragg, CA 95437](#)

707-962-9303

L-1

**Response to Letter L: Gary McCray**

**Response L-1:** The commenter expresses support for the proposed Project. The commenter also makes statements regarding the group opposing the proposed Project.

While the comment does not address the adequacy of the Draft EIR, or compliance with CEQA, this comment is noted and will be forwarded to the decision makers for their consideration of topics beyond the adequacy of the Draft EIR.

**From:** Ducey, Peggy <PDucey@fortbragg.com>  
**Sent:** Tuesday, November 1, 2022 10:44 AM  
**To:** Gurewitz, Heather <hgurewitz@fortbragg.com>  
**Subject:** FW: Written Comments on the DEIR for the S. Franklin Street Grocery Outlet Project

On Mon, Oct 31, 2022 at 3:56 PM Jacob Patterson <jacob.patterson.esq@gmail.com> wrote:

October 31, 2022

City of Fort Bragg Community Development Department

Attr: Heather Gurewitz, Associate Planner

Please accept these written comments on the Draft Environmental Impact Report (DEIR) for the Grocery Outlet project proposed for S. Franklin Street. Please also confirm receipt of this email and attachment so that I can be sure that the City received and logged my comments prior to the 5 PM submission deadline for comments that will receive written responses and be included in the Final EIR (FEIR).

Rather than submitting a long letter listing individual written comments about the adequacy of the DEIR, I have formatted my comments as notes in red text on the attached PDF of the Public Review DEIR along with corresponding yellow highlights. (Note: the attachment is a Google Drive download link because the attachment is larger than the 25MB maximum for direct attachments.) Each red note and corresponding highlight in the PDF should be treated as a separate and distinct comment about an aspect of the DEIR--the corresponding highlights are easily identifiable based on the context of the particular red note and the physical proximity of the notes to the highlighted content in the DEIR. In some instances, the original DEIR includes limited yellow highlighting, usually in tables, which do not have a corresponding red note provided by me because they are not my comments.

To facilitate the City's written responses, I have also numbered each note/comment in blue from 001 to 279 (i.e., there are 279 discrete comments in total). I commented on the DEIR body and Appendices F, G, and H concerning transportation analysis. The attached PDF containing my substantive comments is 916 pages long. My first written comment other than the legend on the cover is found on page 5 of 916 in the PDF (aka ES-1) and my final written comment is found on page 916 of 916 (aka Appendix H of the DEIR). There are no comments in Appendices A through E (pages 407 to 718) but I provided comments on Appendices F through H, which are found on pages 744 to 758 and 901 to 916. (That may be confusing but it should save City staff and the consultant time by only reviewing the pages with my comments.)

Please let me know if there are any technical issues with this file (e.g., technical errors that make it difficult to download, open, or read the PDF). I saved alternative copies and could send those to address any technical difficulties the City may experience.

Thank you for your consideration of these important issues. I look forward to reviewing the written comments submitted by other members of the public and responsible agencies about this DEIR and the City's responses

Regards,

-- Jacob Patterson

 Grocery Outlet Public Review DEIR - with embedd...

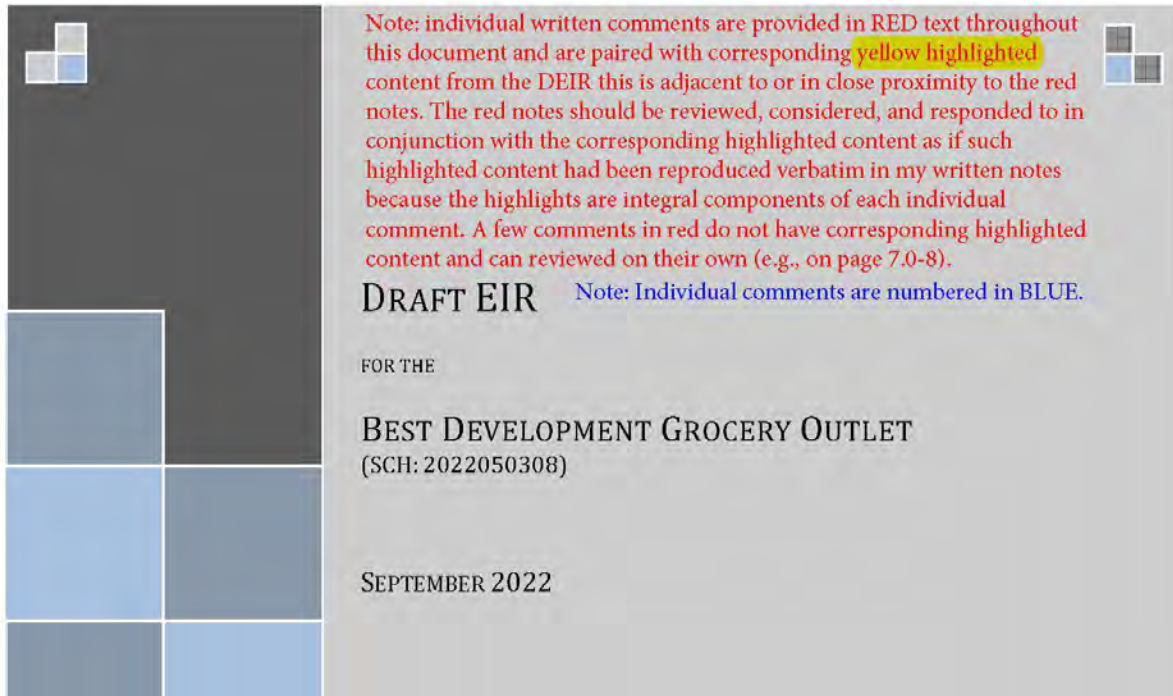
M-J

**Response to Letter M: Jacob Patterson**

**Response M-1:** The commentor provides instructions regarding interpreting their comments made on the Draft EIR.

Please see Responses M-2 through M-154 regarding the listed concerns.

**Response M-2:** The commentor provided the following comment on the Draft EIR:



The commentor provides instructions regarding interpreting their comments made on the Draft EIR.

Please see Responses M-3 through M-154 regarding the listed concerns.

**Response M-3:** The commentor provided the following comment on the Draft EIR:

On February 2, 2022, legal counsel for the Project applicant, the Best Development Group (Best), wrote a letter to the City Council mentioning the litigation and requesting that the City Council rescind the earlier approvals for the Project and commence preparation of an EIR. Project counsel stated that “[a]lthough Best believes that, given the small size of the Project and its minimal environmental effects, a spirited legal defense of the MND could be mounted, any such effort could consume as much as three years or more, given how slowly the California court system moves. Best has therefore concluded that the better and more prudent course of action will be to have the City prepare an EIR and put the Planning Commission and, if need be, the City Council back into a position to consider the Project anew based on such an EIR.” During its meeting on February 28, 2022, the City Council rescinded its prior actions approving the Project and directed City staff to proceed with preparation of an EIR. On May 19, 2022, the City issued a Notice of Preparation (NOP) for the Project.

The EIR contains a description of the Project, a description of the environmental setting, identification of Project impacts, and mitigation measures for impacts found to be significant, as well as an analysis of Project alternatives, identification of significant irreversible environmental changes, growth-inducing impacts, and cumulative impacts. This EIR also identifies issues determined to have no impact or a less than significant impact, relying as permitted by CEQA Guidelines section 15128 on the Initial Study checklist attached as Appendix A to this Draft EIR, and provides detailed analysis of potentially significant and significant impacts. Comments received in response to the NOP were considered in preparing the analysis in this EIR.

001

*This sentence should be deleted because it is merely the opinion of the applicant and not relevant information about the project that merits inclusion. It is “advocacy”.*

The requested deletion was made to Chapter ES of the Draft EIR. See Chapter 3.0, Revisions, of this Final EIR for the revision.

It is noted that here, the Draft EIR is not advocating for the proposed Project. The text in question is a factual statement with the quoted material which provides background information for those readers of the Draft EIR who may have been unaware that the City Council had previously approved the proposed Project in July 2021 based on a Mitigated Negative Declaration (MND) and that litigation previously occurred. Because an EIR is intended to be an informational document, the statement is relevant and provides background information regarding the previous CEQA document and subsequent litigation.

**Response M-4:** The commentor provided the following comment on the Draft EIR:

The proposed Project includes demolition of the existing 16,436-sf vacant former office building and parking area and subsequent development and operation of a 16,157-sf Grocery Outlet (retail grocery store) with associated improvements on the Project site. Grocery Outlet is a value grocer, meaning that it sells brand name products at bargain prices due to their opportunity buying style. Associated improvements include a parking lot, loading dock and trash enclosure, circulation and access improvements, and utility infrastructure. *"Improvements" should be changed to "alterations"*

002

The Project would also include a merger of three existing parcels (lots) to create one 71,002 sf (1.63 acres) parcel to accommodate the footprint of the proposed retail store within the resulting parcel.

**AREAS OF CONTROVERSY AND ISSUES TO BE RESOLVED**

003

This Draft EIR addresses environmental impacts associated with the proposed Project that are known to the City of Fort Bragg because they were raised during the initial public review period for the MND for the Project and subsequent public hearings, in the lawsuit over the Project, or in comments responding to the NOP, or because they otherwise emerged during preparation of the Draft EIR. *The text of this Draft EIR discusses potentially significant impacts associated with aesthetics, air quality, biological resources, greenhouse gas emissions, land use, noise, transportation and circulation, and utilities.* The remaining issues required to be addressed under CEQA are dealt with primarily in the Initial Study Checklist attached as Appendix A to this Draft EIR.

*This list is not consistent with other references to the list of impact areas identified as having potentially significant impacts, including in the critical Alternatives section.*

The City of Fort Bragg received written comment letters on the NOP for the proposed Project. A copy the letters are provided in Appendix A of this Draft EIR. The commenting agency/citizen is provided below. Based on input received on the Project as described above, the following subjects could be described as areas of controversy relating to the Project:

- whether the Project site contains wetlands;
- whether the Project site provides valuable habitat for wildlife such as blue herons;
- whether the building demolition required for the Project will deal adequately with any bats that may be inhabiting the existing on-site structure;

The sentence in question is intended to discuss the environmental topics which are analyzed in detail in the Draft EIR. The term “potentially significant” was removed from the highlighted sentence for consistency. See Chapter 3.0, Revisions, of this Final EIR for the revision.

“Improvements” is a standard term to use in the planning industry when describing elements of construction that are intended to modify the existing condition. The term is used accurately here. The term “alterations” as indicated by the commenter, is semantic.



**Response M-5:** The commentor provided the following comment on the Draft EIR:

- whether the existing structure on the Project site can be feasibly repurposed and reused.

#### ALTERNATIVES TO THE PROPOSED PROJECT

The CEQA Guidelines require an EIR to describe a reasonable range of alternatives to the Project or to the location of the Project which would reduce or avoid significant impacts, and which could feasibly accomplish most of the basic objectives of the proposed Project. Three alternatives to the proposed Project were developed based on input from City staff, the public during the NOP review period, and the technical experts addressing the environmental effects of the proposed Project. **The alternatives analyzed in this EIR include the following three alternatives in addition to the proposed Project.**

- **No Project (No Build) Alternative:** Under this alternative, development of the Project site would not occur, and the Project site would remain in its current existing condition.
- **Building Reuse Alternative:** Under this alternative, the proposed Project would be developed with the same amenities as described in the Project Description, but the existing vacant former office building would be renovated and reused for the grocery store use.
- **Decreased Density Alternative:** Under this alternative, the proposed Project would be developed with the same amenities as described in the Project Description, but the density of the grocery store use would be decreased.

Alternatives are described in detail in Chapter 5.0. Table ES-1 provides a comparison of the alternatives using a qualitative matrix that compares each alternative relative to the other Project alternatives.

See Response M-114 below.

**Response M-6:** The commentor provided the following comment on the Draft EIR:

004  
The selected alternatives are inadequate because they fail to include other even more environmentally superior alternatives that would reduce the identified significant impacts compared to the proposed project.

TABLE ES-1: COMPARISON OF ALTERNATIVE PROJECT IMPACTS TO THE PROPOSED PROJECT

ENVIRONMENTAL TOPIC	PROPOSED PROJECT <sup>1</sup>	NO PROJECT (NO BUILD) ALTERNATIVE	BUILDING REUSE ALTERNATIVE	DECREASED DENSITY ALTERNATIVE
<b>SECTION 3.1, AESTHETICS</b>				
AES Impact 3.1-1	LS	Less	Equal	Less
AES Impact 3.1-2	LS	Less	Equal	Less
AES Impact 3.1-3	LS	Less	Equal	Less
AES Impact 3.1-4	LS	Less	Equal	Less
<b>SECTION 3.2, AIR QUALITY</b>				
AQ Impact 3.2-1	LS	Less	Less	Less
AQ Impact 3.2-2	LS	Less	Less	Less
AQ Impact 3.2-3	LS	Less	Equal	Equal
AQ Impact 3.2-4	LS	Less	Less	Less
AQ Impact 3.2-5	LS	Less	Equal	Equal
<b>SECTION 3.3, BIOLOGICAL RESOURCES</b>				
BIO Impact 3.3-1	LS	Less	Equal	Equal
BIO Impact 3.3-2	LS/MM	Less	Equal	Less
BIO Impact 3.3-3	LS/MM	Less	Equal	Equal
BIO Impact 3.3-4	LS	Less	Equal	Equal
BIO Impact 3.3-5	LS	Less	Equal	Equal
BIO Impact 3.3-6	LS	Less	Equal	Equal
BIO Impact 3.3-7	LS	Less	Equal	Equal
<b>SECTION 3.4, GREENHOUSE GASES, CLIMATE CHANGE AND ENERGY</b>				
GHG Impact 3.4-1	LS	Less	Less	Less
GHG Impact 3.4-2	LS	Less	Less	Less
<b>SECTION 3.5, LAND USE</b>				
LU Impact 3.5-1	LS	Less	Equal	Equal
LU Impact 3.5-2	LS	Less	Equal	Equal
<b>SECTION 3.6, NOISE</b>				
NOI Impact 3.6-1	LS/MM	Less	Equal	Less
NOI Impact 3.6-2	LS/MM	Less	Less	Less
<b>SECTION 3.7, TRANSPORTATION AND CIRCULATION</b>				
TC Impact 3.7-1	LS	More	Equal	Less
TC Impact 3.7-2	LS	More	Equal	Less
TC Impact 3.7-3	LS	Less	Equal	Less

005

ES-4 Draft Environmental Impact Report – Best Development Grocery Outlet

These conclusions about 3.7-1 and 3.7-2 are not justified or supported by the relevant analysis in the Transportation and Alternatives sections.

See Response M-114 below.

Chapter 5.0, Alternatives to the Proposed Project (not Section 3.7, Transportation and Circulation), of the Draft EIR includes justification and support for the increased impacts related to Impacts 3.7-1 and 3.7-2. As discussed on pages 5.0-6 and 5.0-7 of Chapter 5.0 of the Draft EIR, the proposed Project would result in a net increase in VMT over baseline conditions. However, the model considers a very limited amount of re-routing of Fort Bragg residents that currently go to the Grocery Outlet store located in Willits for grocery shopping. As such, the VMT calculation was adjusted for re-routing. According to information provided by Grocery Outlet, over the last 12 months (June 2021 to June 2022), around 9% of the people that visit their Willits store come from Fort Bragg. Considering that the length of a one-way trip from Fort Bragg to the Willits Grocery Outlet store is approximately 35 miles, and one mile from Fort Bragg to the Project site, 990 VMT is equivalent to the re-routing of 30 one-way trips or 15 round trips from the Willits Grocery Outlet store to the proposed Project store. Per the Institute of Transportation Engineers Trip Generation Manual, 11th Edition, a grocery store such as the one in Willits generates approximately 3,500 daily one-way trips. Therefore, the re-routing of less of 1% of these trips would result in a net decrease in VMT for both baseline (2022) and future year (2030) conditions. Table 3.7-18 shows the adjusted VMT results accounting for a trip redistribution from the Willits Grocery Outlet to the Fort Bragg Grocery Outlet of 1% and 9%. All transportation-related impacts were determined to be less than significant.

The No Project (No Build) Alternative would not introduce additional vehicle trips onto the study area roadways. Rather, retail customers would continue their existing driving patterns in pursuit of groceries. According to information provided by Grocery Outlet, over the last 12 months (June 2021 to June 2022), around 9% of the people that visit their Willits store come from Fort Bragg. Considering that the length of a one-way trip from Fort Bragg to the Willits Grocery Outlet store is approximately 35 miles, and one mile from Fort Bragg to the Project site, 990 VMT is equivalent to the re-routing of 30 one-way trips or 15 round trips from the Willits Grocery Outlet store to the proposed Project store. Per the Institute of Transportation Engineers Trip Generation Manual, 11th Edition, a grocery store such as the one in Willits generates approximately 3,500 daily one-way trips. Therefore, as noted in Section 3.7 of this Draft EIR, the re-routing of less of 1% of these trips would result in a net decrease in VMT for both baseline (2022) and future year (2030) conditions. Table 3.7-18 shows the adjusted VMT results accounting for a trip redistribution from the Willits Grocery Outlet to the Fort Bragg Grocery Outlet of 1% and 9%. Under the No Project (No Build) Alternative, re-routing of traffic would not occur, and a net decrease in VMT for both baseline (2022) and future year (2030) conditions would not occur. As such, impacts related to CEQA Guidelines Section 15064.3, subdivision (b) would be increased compared to the proposed Project.

With respect to Impact 3.7-2, under the No Project (No Build) Alternative, transit use would not increase, bicycle storage facilities would not be installed, and pedestrian frontage improvements would not be constructed. Impacts related to conflicts with a program, plan, ordinance or policy addressing the circulation system, including transit, roadway, bicycle, and pedestrian facilities would be increased under this alternative.

**Response M-7:** The commentor provided the following comment on the Draft EIR:

with certain City policies.

On February 2, 2022, legal counsel for the Project applicant, the Best Development Group (Best), wrote a letter to the City Council mentioning the litigation and requesting that the City Council rescind the earlier approvals for the Project and commence preparation of an EIR. Project counsel stated that “[a]lthough Best believes that, given the small size of the Project and its minimal environmental effects, a spirited legal defense of the MND could be mounted, any such effort could consume as much as three years or more, given how slowly the California court system moves. Best has therefore concluded that the better and more prudent course of action will be to have the City prepare an EIR and put the Planning Commission and, if need be, the City Council back into a position to consider the Project anew based on such an EIR.” During its meeting on February 28, 2022, the City Council, through its adoption of Resolution 4517-2022, rescinded its prior actions approving the Project, and thereby essentially directed City staff to proceed with preparation of an EIR. On May 19, 2022, the City issued a Notice of Preparation (NOP) for the Project.

An EIR must disclose the expected environmental impacts, including impacts that cannot be avoided, growth-inducing effects, impacts found not to be significant, and significant cumulative impacts, as well as identify mitigation measures and alternatives to the proposed project that could reduce or avoid its adverse environmental impacts. CEQA requires government agencies to consider and, where feasible, minimize significant environmental impacts of proposed development. CEQA also requires agency decision-makers, when considering the approval of projects with significant unavoidable environmental effects, to balance a variety of public objectives, including economic, environmental, and social factors.

006  
Remove highlighted text, which is the applicant's opinion and not relevant to environmental analysis.

The requested deletion was made to Chapter 1.0 of the Draft EIR. See Chapter 3.0, Revisions, of this Final EIR for the revision.

It is noted that here, the Draft EIR is not advocating for the proposed Project. The text in question is a factual statement with the quoted material which provides background information for those readers of the Draft EIR who may have been unaware that the City Council had previously approved the proposed Project in July 2021 based on a Mitigated Negative Declaration (MND) and that litigation previously occurred. Because an EIR is intended to be an informational document, the statement is relevant and provides background information regarding the previous CEQA document and subsequent litigation.

**Response M-8:** The commentor provided the following comment on the Draft EIR:

#### DRAFT EIR

This document constitutes the Draft EIR. The Draft EIR contains a description of the proposed Project, description of the environmental setting, identification of project impacts, and mitigation measures for impacts found to be significant, as well as an analysis of project alternatives, identification of significant irreversible environmental changes, growth-inducing impacts, and cumulative impacts. This Draft EIR identifies issues determined to have no impact or a less than significant impact, relying as permitted by CEQA Guidelines section 15128 on the Initial Study checklist attached as Appendix A to this Draft EIR, and provides detailed analysis of potentially significant and significant impacts. **Comments received in response to the NOP were considered in preparing the analysis in this EIR.** Upon completion of the Draft EIR, the City of Fort Bragg will file the Notice of Completion (NOC) with the State Clearinghouse of the Governor's Office of Planning and Research to begin the public review period for state agencies. Additionally, the Town of Fort Bragg will file the Notice of Availability with the County Clerk and have it published in a newspaper of regional circulation to begin the local public review period.

007  
How? This assertion isn't actually evident in the DEIR as currently written.

#### PUBLIC NOTICE/PUBLIC REVIEW

The City of Fort Bragg will provide a public notice of availability for the Draft EIR, and invite comment from the general public, agencies, organizations, and other interested parties. Consistent with CEQA, the review period for this Draft EIR is forty-five (45) days. Public comment on the Draft EIR will be accepted in written form. All comments or questions regarding the Draft EIR should be addressed to:

Attn: Heather Gurewitz, Associate Planner  
City of Fort Bragg  
Community Development Department  
416 N. Franklin Street  
Fort Bragg, CA 95437  
(707) 961-2827  
[hgurewitz@fortbragg.com](mailto:hgurewitz@fortbragg.com)

Additionally, in accordance with Fort Bragg's Coastal Land Use and Development Code section 17.72.100, there will be an additional public hearing to accept comments on this Draft EIR during the 45-day review period.

Each NOP comment letter was read by De Novo Planning Group and City of Fort Bragg staff as they were received. Additionally, the relevant comment letters were provided to the biological resources, transportation, and noise consultant staff members before work on the Draft EIR began in order to ensure the CEQA-related concerns were addressed. Each technical section of the Draft EIR (Sections 3.1 through 3.8) summarizes the relevant NOP comment authors which were considered in preparing each Draft EIR section.

It is noted that CEQA does not require a lead agency, in issuing an NOP, to solicit comments from the general public. Rather, NOPs are addressed to responsible agencies and trustee agencies. Although the NOP for the proposed Project was distributed to members of the public via public noticing and various agencies, the City is not obligated to meet informational demands made by members of the public or to provide in the Draft

EIR a detailed explanation of how the document reflects particular items of input received through scoping.

**Response M-9:** The commentor provided the following comment on the Draft EIR:

008 If the City Council approves the proposed Project, that decision can be appealed to the California Coastal Commission. Similarly, if the City Council denies the proposed Project, that decision can be appealed to the California Coastal Commission. Under either such scenario, the California Coastal Commission would become the final decisionmaker on the Project.

This is not accurate because this project is not appealable to the Coastal Commission.

### 1.5 ORGANIZATION AND SCOPE

Sections 15122 through 15132 of the State CEQA Guidelines identify the content requirements for Draft and Final EIRs. An EIR must include a description of the environmental setting, an environmental impact analysis, mitigation measures, alternatives, growth-inducing impacts, and cumulative impacts. Section 15128 provides that “[a]n EIR shall contain a statement briefly indicating the reasons that various possible significant effects of a project were determined not to be significant and were therefore not discussed in detail in the EIR. Such a statement may be contained in an attached copy of an Initial Study.” This EIR satisfies section 15128 in part through reliance on a detailed Initial Study, which is included as Appendix A to this Draft EIR.

EIRs for certain kinds of projects, as set forth in CEQA Guidelines section 15127, must discuss significant irreversible environmental changes. These projects include those involving (i) the adoption, amendment, or enactment of a plan, policy, or ordinance of a public agency, (ii) the adoption by a Local Agency Formation Commission of a resolution making determinations, or (iii) the parallel preparation of an environmental impact statement under the federal National Environmental Policy Act. Here, the proposed Project does not fall into one of those categories, meaning that this EIR is not required to address significant irreversible environmental changes. Even so, the City has opted, on a voluntary basis, to address that topic, as it may be of interest to members of the public.

Discussion of the environmental issues addressed in the Draft EIR was established through the following: review of environmental and planning documentation developed for the proposed Project prior to the original approval of the Project based on a Mitigated Negative Declaration in

The information in the Draft EIR is correct. The proposed Project is appealable to the California Coastal Commission because it is within 300 feet of what is considered a coastal bluff.

**Response M-10:** The commentor provided the following comment on the Draft EIR:

### 1.6 COMMENTS RECEIVED ON THE NOTICE OF PREPARATION

The City of Fort Bragg received six written comment letters on the NOP for the proposed Project. A copy of the letters is provided in Appendix A of this Draft EIR. The commenting agency/citizen is provided below. **Note: there were also oral comments submitted at the scoping meeting on**

**June 7, 2022, which are not reflected here. 009**

- California Department of Toxic Substances Control (June 17, 2022);
- Jacob Patterson (June 14, 2022);
- Janet Kabel (May 19, 2022);
- Leslie Kashiwada (June 20, 2022);
- Renz Martin (June 18, 2022);
- Sherwood Valley Band of Pomo Indians (June 1, 2022).

**010 This list appears incomplete and should be updated to include submitted comments on the NOP that are not currently listed, including additional comments submitted by some of the listed parties, including but not limited to a June 8, 2022 email comment from Jacob Patterson.**

Draft Environmental Impact Report – Best Development Grocery Outlet 1.0-7

See Response M-8. Both of the commenter’s letters were received and are included in Appendix A of the Draft EIR. Chapter 1.0, Introduction, of the Draft EIR was revised to include the commenter’s second comment letter date.

**Response M-11:** The commentor provided the following comment on the Draft EIR:

**Building Architecture and Signage**

The proposed Project would include 51,650 sf (1.18 acres) of hardscape areas that would be covered with the proposed store, parking lot, accessways or sidewalks, and driveways. As shown in Figure 2.0-5, the retail building would be located in the northern portion of the site with parking in the south portion.

The retail grocery store would be a maximum of 28 feet tall at the top of the proposed canopy and a maximum of 23 feet tall at the top of the proposed parapet. The proposed building includes differentiated treatments along the base, mid-section, and top along the three facades facing public streets. Windows would remain clear glass for lighting a view out, and the roofline on the corner cut-off entrance is also unique to the other rooflines for additional visual interest. The building will be composed of elements and details representative of Fort Bragg's architectural heritage, as the Applicant's chosen design elements were influenced by Fort Bragg's downtown architecture. The window and door treatments give homage to the smaller shops along the main downtown street's detailing as well as the Hardie Board (wood composite) wood paneling, masonry, and providing a variety of the materials on the elevations to add visual interest. Rooflines of the building would align with buildings on adjacent properties to avoid clashes in building height. Architectural perspectives of the proposed building are shown in Figure 2.0-6.

011

This is not justified and is merely an unsupported opinion concerning how "representative" the architecture will be.

The proposed Project would include the installation of a six-foot-tall illuminated monument sign on the southeast corner of the site. The monument sign would have 15 sf of branding on each side, in addition to the unbranded base. Additionally, an 83.3-sf illuminated channel sign would be located on the sign parapet along the front elevation of the building.

All exterior lighting would be limited to a maximum height of 18 feet and utilize energy-efficient fixtures and lamps. No permanently installed lighting would blink, flash, or be of unusually high intensity or brightness. Exterior lighting would be shielded or recessed and directed downward and away from adjoining properties and public right-of-way to reduce light bleed so that no on-site light fixture directly illuminates an area off-site, in compliance with regulations set by the International Dark-Sky Association.

**Landscaping**

012 Currently, four ornamental trees are located in the northwestern portion of the Project site, and additional ornamental trees are located along the South Street frontage. It is possible that the existing

The sentence regarding architectural elements was revised in Chapter 2.0 of the Draft EIR. See Chapter 3.0, Revisions, of this Final EIR for the revision.



**Response M-12:** The commentor provided the following comment on the Draft EIR:

## 2.0 PROJECT DESCRIPTION

- 012 **Tree removal is a concern and is inconsistent with the discussion during the prior related review. trees could be preserved as part of the proposed landscaping plan; however, it is likely that tree removal in some capacity would be required.** Proposed landscaping includes trees and vegetation along the property boundaries within the proposed parking lot. Trees would be planted primarily along the north, south, and east boundaries, with a few along the west boundary, as well as one tree within each of the parking lot landscaping islands. Approximately 19,265 sf (0.44 acres) of the site would be landscaped and permeable to stormwater as the proposed Project would be designed to capture stormwater and pre-treat it on-site to remove dirt, oil, and heavy metals using bioretention basins located along the northwest and southwest boundaries. The proposed landscaping plan would comply with the Model Water Efficient Landscape Ordinance (MWELo). The MWELo is also referenced by Title 24, Part 11, of the CalGreen Building Code. The purpose of MWELo is not only to increase water efficiency but to improve environmental conditions in the built environment. Landscaping should be valued beyond the aesthetic because landscapes replace habitat lost to development and provide many other related benefits such as improvements to public health and quality of life, climate change mitigation, energy and materials conservation, and increased property values.

## CIRCULATION, TRANSPORTATION, AND PARKING

Currently, the site is accessed on the north end via a paved entrance to South Street. There is an existing dirt driveway that runs across the southern parcel from S. Franklin Street to N. Harbor Drive. The proposed Project includes the construction of a new, 30-foot-wide entrance on N. Harbor Drive and a 35-foot entrance on S. Franklin Street. The existing driveway on the north end of the site would be removed as part of the Project. Additionally, the proposed Project will include an internal system of walkways and crosswalks to provide pedestrian connectivity between the parking lot, building, and sidewalk. The pedestrian improvements would be Americans with Disabilities Act (ADA)-compliant. A sidewalk would be constructed along the South Street, S. Franklin Street, and N. Harbor Drive frontages, as required by City standards and to provide pedestrian access around the Site. Where required, existing sidewalks would be upgraded to meet City standards.

As part of the proposed Project, a parking area with 53 parking spaces would be constructed on the south side of the Grocery Outlet building including two RV spaces on the western side of the lot and one motorcycle parking space. Four electric vehicle parking stalls will be provided with the required wiring for charging facilities to be installed in the future. Additionally, six clean air vehicle priority parking spots will be provided. Further, **an internal system of walkways and crosswalks would be provided,** as well as two bicycle parking racks. **The site plans do not show this internal system of walkways and the proposed**  
013 **parking area layout is inconsistent with the Citywide Design Guidelines.**

With respect to tree removal, the discussion in question is accurate. Tree removal may be required in some capacity. The trees being considered for removal are “ornamental” and not protected species; therefore, their removal does not present a significant impact to biological resources under CEQA. Likewise, removal of these trees will not significantly impact aesthetics as they are “not part of the natural scenic landscape” and will be replaced “with landscaping selected for the local climate, including the planting of 37 new trees.” Notwithstanding, the Draft EIR states that it may be possible that these trees can be preserved.

With respect to the walkways and crosswalks, these features are shown in the site plan (Figure 2.0-5). The site plan shows an internal system of walkways and crosswalks.

As noted on page 2.0-6, the proposed Project will be subject to Design Review. The Design Review will include a review of the proposed site plans as they relate to the Citywide Design Guidelines requirements.

**Response M-13:** The commentor provided the following comment on the Draft EIR:

PROJECT DESCRIPTION 2.0

014 (2) Developments approved by the local government not included within paragraph (1) that are located on tidelands, submerged lands, public trust lands, within 100 feet of any wetland, estuary, or stream, or within 300 feet of the top of the seaward face of any coastal bluff.  
 Neither of these conditions appear to apply to this project so it does not appear to be appealable to the CCC.  
 Although the proposed Project is subject to water quality regulations and general permits put in place by state and federal agencies, no state or federal approvals are required in order for site construction to proceed. Construction activities for the proposed Project will be subject to the requirements of General Construction Activity Stormwater Permit (Construction General Permit Order 2009-0009-DWQ, also known as the CGP), issued by the State Water Resources Control Board. This General Permit requires operators of construction sites to implement stormwater controls and develop a Stormwater Pollution

The information in the Draft EIR is correct. The proposed Project is appealable to the California Coastal Commission because it is within 300 feet of what is considered a coastal bluff.

**Response M-14:** The commentor provided the following comment on the Draft EIR:

015 **Policy CD-1.1** Visual Resources: Permitted development shall be designed and sited to protect views to and along the ocean and scenic coastal areas, to minimize the alteration of natural landforms, to be visually compatible with the character of surrounding areas, and, where feasible, to restore and enhance scenic views in visually degraded areas.  
 Yet this project is sited to block the only existing views of the ocean through the site!  
**Policy CD-1.4** New development shall be sited and designed to minimize adverse impacts on scenic areas visible from scenic roads or public viewing areas to the maximum feasible extent.  
**Policy CD-1.5** All new development shall be sited and designed to minimize alteration of natural landforms by:  
 1. Conforming to the natural topography.

Draft Environmental Impact Report – Best Development Grocery Outlet 3.1-3

A consistency analysis with the applicable General Plan Policies is included in Table 3.5-1 in Section 3.5, Land Use, of the Draft EIR. As discussed, the proposed Project is consistent with Policy CD-1.1. The Project site is not located “along the ocean” or within a “scenic coastal area” within the meaning of Policy CD 1.1, as the site is on the landward side of Highway 1, and there is intervening commercial development between the site and Highway 1. The proposed Project is replacing an existing structure with one of approximately the same size. Current views from the middle and southern portions of the Project site are limited by the adjacent two-story motel adjacent west of the site, which is the direction in which the Pacific Ocean and landscapes immediately adjacent to the coast are located. Although the proposed structure will block an existing view of the ocean from the far northern portion of the Project site, that view is not easily discernable by

pedestrians and is interrupted by two large trees and a Chevron Station and an intervening vacant legal lot between the Project site and that Chevron Station. This vacant lot could be developed under existing conditions, and a new structure could completely block the existing interrupted view of the Chevron Station and ocean. As discussed in Section I, Aesthetics and Visual Resources, of the Initial Study, the proposed development is compatible with the character of surrounding areas. The proposed Project would include redevelopment of the Project site in order to replace a 16,436-sf vacant former office building with a 16,157-sf Grocery Outlet (retail grocery store) with associated improvements on the Project site. The retail grocery store would be a maximum of 28 feet tall at the top of the proposed canopy and a maximum of 23 feet tall at the top of the proposed parapet.

**Response M-15:** The commentor provided the following comment on the Draft EIR:

### 3.1.3 IMPACTS AND MITIGATION MEASURES

#### THRESHOLDS OF SIGNIFICANCE

Consistent with Appendix G of the CEQA Guidelines, the proposed Project will have a significant impact on aesthetics if it will:

- Have a substantial adverse effect on a scenic vista; **How, what is the criteria for "substantial"?**
- Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway;
- In nonurbanized areas, substantially degrade the existing visual character or quality of public views of the site and its surroundings. (Public views are those that are experienced from publicly accessible vantage point). In an urbanized area, conflict with applicable zoning and other regulations governing scenic quality;
- Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area.

**None of these checklist questions serve as thresholds of significance, which are completely lacking for aesthetic impacts.**

#### IMPACTS AND MITIGATION MEASURES

##### **Impact 3.1-1: Project implementation would not result in substantial adverse effects on a scenic vista (Less than Significant)**

The Project would not have a substantial adverse effect on a scenic vista. Per Map CD-1 of the City's Community Design Element of the Coastal General Plan, the proposed Project is not located in an area designated as having "potential scenic views toward the ocean or the Noyo River".

**The northernmost portion of the project site includes views TO the ocean, which is distinct from "along"** The Project site is not located "along the ocean" or within a "scenic coastal area" within the meaning of Coastal General Plan Policy CD 1.1, which provides that "[p]ermitted development shall be designed and sited to protect views to and along the ocean and scenic coastal areas, to minimize the alteration of natural landforms, to be visually compatible with the character of surrounding areas, and, where feasible, to restore and enhance scenic views in visually degraded areas." Rather, the Project site is located on the landward side of State Highway 1, and there is intervening visually obtrusive commercial development between the site and State Highway 1.

The proposed Project would replace an existing structure with one of approximately the same size. The proposed retail store would occupy a similar location to the existing structure on the northern portion of the Project site, where views looking to the west toward the Pacific Ocean are blocked by the existing Super 8 hotel, west of the Project site, which is the direction in which the Pacific Ocean and landscapes immediately adjacent to the coast are located. There are limited views of the Pacific Ocean through the Project site from S. Franklin Street along the north boundary as these views

**This is false, the new building is further to the north and thereby would block the existing views to the ocean!**

3.1-6 Draft Environmental Impact Report – Best Development Grocery Outlet

To determine whether an impact to a scenic vista will be substantial, the Draft EIR used consistency with General Plan provisions and policies related to scenic and/or protected views as criteria. This approach is common and acceptable. "An agency has considerable discretion to decide the manner of the discussion of potentially significant effects in an EIR." (Sierra Club v. County of Fresno (2018) 6 Cal.5th 502, 515 (County of Fresno).) The ultimate question is whether substantial evidence supports the analysis and conclusions reached in an EIR. (Ibid.) Here, it does, and the commentor presents no evidence to the contrary.

The Draft EIR explains in detail why the proposed Project does not conflict with these provisions and policies that the City has formally adopted for planning development in this developed area, and then reasonably interprets them for this purpose. In doing so, for the existing development on the Project site and in the vicinity of the Project site has been accounted for. The determination that aesthetic impacts will be less than significant is consistent with the general principle that the aesthetic impacts of a new “building in a highly developed area” normally should not be found to be significant. (See, e.g., *Bowman v. City of Berkeley* (2004) 122 Cal.App.4th 572, 592.)

The Project would include redevelopment of an infill site. This physical context is an important consideration. As noted previously in Response M-5, “[a]n ironclad definition of significant effect is not always possible because the significance of an activity may vary with the setting. For example, an activity which may not be significant in an urban area may be significant in a rural area.” (Guidelines, § 15064, subd. (b)(1).) Given the infill nature of the proposed Project, an interpretation or application of CEQA leading to a reduction in proposed building intensity would be environmentally counterproductive. As noted earlier, the proposed 16,157 sf Project, if approved, would result in a net reduction of 279 square feet of physical space compared with the existing 16,436-sf structure on the site. If this net reduction in building intensity were to be characterized as resulting a significant aesthetic effect requiring feasible mitigation in the form of a reduction in size, such an outcome would undermine the City’s efforts to facilitate infill development, with its attendant long-term environmental benefits.

Here, CEQA was construed and applied in a holistic way that considered the aesthetic impact of a modest infill project on a developed site within a larger environmental context. Accordingly, the Draft EIR reasonably found this potential impact to be less than significant.

With respect to Comments 016 and 017, a recurring theme in the commenter’s comments is that the City erred in using thresholds of significance that are derived from language found in the sample Initial Study checklist found in Appendix G to the CEQA Guidelines. The commenter cites no legal support for his criticism, however, and none exists. The City acted within its discretion, and followed a very common practice, in adopting language from Appendix G for this purpose. “CEQA grants agencies discretion to develop their own thresholds of significance.” (*Save Cuyama Valley v. County of Santa Barbara* (2013) 213 Cal.App.4th 1059, 1068 (*Save Cuyama*), citing Guidelines, § 15064, subd. (d)).

Where an agency wants to formally adopt significance thresholds for general use, each threshold should be “an identifiable quantitative, qualitative or performance level of a particular environmental effect, noncompliance with which means the effect will normally be determined to be significant by the agency and compliance with which means the effect normally will be determined

to be less than significant.” (Guidelines, § 15064.7, subd. (a).) Hence, thresholds need not always be quantitative. Qualitative thresholds are perfectly proper and are commonly used by lead agencies for a variety of resource areas. Not every impact analysis (e.g., aesthetics) lends itself to quantitative analysis.

Additionally, the practice of using thresholds of significance derived from language in the Guidelines Appendix G is common and proper. The language is easily adaptable for such a purpose in that it poses questions about the nature, kind, and extent of potential impacts to various environmental resources. Further, the questions reflect the interface between CEQA and other environmental laws governing subjects such as air and water quality, biological resources, cultural resources, climate change, hazards and hazardous materials, local land use planning, housing, transportation, water supply planning, and the like. The questions also reflect input given to the California Natural Resources Agency (CNRA) from state agencies such as the Air Resources Board and the Department of Fish and Wildlife and from leading CEQA practitioners and technical experts.

Further, the CNRA has fashioned the language and questions found in Appendix G in order to focus CEQA lead agencies on particular aspects of particular topics. Thus, Appendix G itself instructs that “lead agencies should normally address the questions from this checklist that are relevant to a project’s environmental effects in whatever format is selected.” (Guidelines, appendix G, Evaluation of Environmental Impacts)

As stated in page 3.1-6 of Section 3.1 of the Draft EIR, the City’s Community Design Element does not define the Project site as having potential scenic views toward the ocean or the Noyo River.

With respect to the final comment, the Draft EIR states that the location of the existing and proposed structures is similar, not identical. This is true and correct.

**Response M-16:**

The commentor provided the following comment on the Draft EIR:

## AESTHETICS AND VISUAL RESOURCES

## 3.1

extend through numerous parcels, including an existing Chevron gas station and the undeveloped Mill Project site to the west of State Highway 1. **These views are interrupted by two large trees, which substantially obscure pedestrians' and drivers' views of the ocean.** The 'keyhole' view is also dependent on the future development patterns of these sites. The vacant Mill Project site could be developed under existing zoning, and a new structure could completely block the existing interrupted view of the Chevron Station and ocean.

017 **These hypothetical future view-blocking developments are too speculative and don't reflect the actual baseline conditions.**

The market's public entrance would face South Franklin Street mid-block. The proposed building parapet height would be approximately 24 feet above sidewalk level on the south side and just over 25 feet at the north side due to the lower sidewalk elevation on the north side. The proposed building setback from South Street is 18 feet and 7 inches from the property line. The proposed building setback from South Franklin Street is 10 feet. The West side of the building adjacent to the motel would be setback 24 feet and 1 inch, which is in excess of the required 20 feet setback. A mature cypress tree along the West site boundary would be protected during construction and retained.

018 **There is not a Taco Bell at this location.**

There are currently vacant parcels across the street to the north and the east. There is also a vacant parcel between the Chevron/**Taco Bell** and the site. The surrounding neighborhood land uses include Highway Visitor Commercial to the west and south, General Commercial to the north and east, and Office Commercial to the Northeast. One block further to the east is Low Density Residential, and High Density Residential uses are located four blocks to the east.

016 **This is false; the trees only block views of the sky; not views of the ocean from a pedestrian or vehicular vantage point.**

The Draft EIR determined that the proposed Project would not result in a substantial adverse impact on a coastal scenic vista because, first and foremost, the Project site is not located "along the ocean" or within a "scenic coastal area" within the meaning of Coastal General Plan Policy CD-1.1. Therefore, the proposed Project cannot have an impact on coast views. The Draft EIR then went beyond this conclusion and looked more into the proposed Project's consistency with Coastal General Plan Policy CD-1.1, which provides, in full:

Permitted development shall be designed and sited to protect views to and along the ocean and scenic coastal areas, to minimize the alternation of natural landforms, to be visually compatible with the character of surrounding areas, and, where feasible, to restore and enhance views in visually degraded areas.

To further demonstrate the proposed Project's consistency with this policy, the City reasonably interpreted and applied the policy. More specifically, the City considered the facts along with the plain language in Policy CD-1.1 and reasonably determined, as mentioned above, that the Project site is "not located 'along the ocean' or within a 'scenic coastal area' within the meaning of Policy CD[-]1.1, as the site is on the landward side of Highway 1, and there is intervening commercial development between the site and Highway 1." (Draft EIR, p. 3.5-22.) Thereby, "views...along the ocean and scenic coastal areas" would not be impacted by the proposed Project. (Ibid. [quoting Policy CD-1.1].)

The City then reasonably determined that, because the proposed Project “is replacing an existing structure with one of the approximate same size,” and because other nearby structures already obstruct the ocean view from “the middle and southern portions of the project site,” these supposed views “to” the ocean would not be impacted by the proposed Project because they are already obstructed. (Draft EIR, p. 3.5-22.) The City further reasonably determined that the other “existing view of the ocean from the far northern portion of the site” would not be impacted because, for one, it “is not easily discernible by pedestrians and is interrupted by two large trees and a Chevron Station and intervening vacant lot between the Project site and Chevron Station and the ocean.” (Ibid.; see also Draft EIR, Figure 3.1-4.) This limited view is “not easily discernible,” in large part, because of the distance, development, and climate—the ocean is more than a quarter of a mile away, is continuously obstructed by layers of trees and the Chevron gas station (ibid.), and is often shrouded in marine layer (id., p. 3.2-1 – 3.2-2).

It is also a fleeting view. Currently, this view from the north of the Project site is only available to a passerby along a maximum 40-foot stretch of S. Franklin Street, through one of the existing access points. (See Draft EIR, p. 3.1-19 [Figure 3.1-4].) The remainder of any potential ocean view is nearly completely blocked by existing onsite shrubbery and development. (Ibid.) Further, a large portion of a passerby driving in a vehicle, given both the overall commercial/office development in the surrounding area and the fact that this stretch of S. Franklin connects N. Harbor Drive to South Street and to the other side of S. Franklin (both of which are commercial/office corridors), thus making that 40-foot view even more fleeting.

This specific view also is not easily discernible because, as discussed on page 3.1-7 of the Draft EIR, two large trees on the northwest border of the Project site substantially obscure pedestrians’ and drivers’ views of the ocean. The trunk of the southern-most tree directly blocks a portion of the distant ocean view from ground level. The trunk of the northern-most tree does not block as much of the distant ocean view because that supposed view is already blocked by the Chevron gas station building. These visual interferences (trees and the gas station) reduce the already fleeting view by, probably, 15 to 20 feet, making the 40-foot viewpoint along S. Franklin Street even more fleeting, at between 20 to 25 feet. This viewpoint shrinks even further when vehicles are lined up at the gas pumps and further blocking any view, which one safely assumes occurs consistently throughout the day.

The City also concluded that the vacant lot directly west, in between the Project site and the Chevron station, could be developed with a sizable commercial structure, which would then “completely block the existing interrupted view of the Chevron Station and ocean.” (Draft EIR, p. 3.1-7.) The City’s conclusion about



the development potential is reasonable and not overly speculative given the type of commercial developments immediately adjacent to this vacant parcel (gas station, motel, pizza restaurant) and given that a comparable development is allowed by-right under existing land use designation and zoning. To be sure, the City has carefully planned for this exact type of “future growth and development,” inclusive of “[c]ommercial land uses...along Franklin Street corridor[,]” in its General Plan and set its policies accordingly to “support a concentrated development pattern by encouraging infill development on vacant and underutilized sites throughout the City.” (Coastal General Plan, Element 2 - Land Use, p. 2-1 [Purpose]; see also p. 2-18 [Policy LU-1.1, “Implement the Land Use Designations Map by approving development...consistent with the land use designations”].)

Additionally, the City is entitled to deference with respect to its interpretation of its General Plan and other City enactments. “It is well settled that [an agency] is entitled to considerable deference in the interpretation of its own General Plan.” (Gray v. County of Madera (2008) 167 Cal.App.4th 1099, 1129-1130; see also Friends of Davis v. City of Davis (2000) 83 Cal.App.4th 1004, 1015 [“an agency’s view of the meaning and scope of its own ordinance is entitled to great weight”].) “A reviewing court accords ‘great deference’ to an agency’s determination that a project is consistent with its own general plan, recognizing that ‘the body which adopted the general plan policies in its legislative capacity has unique competence to interpret those policies when applying them in its adjudicatory capacity.’” (San Diego Citizenry Group v. County of San Diego (2013) 219 Cal.App.4th 1, 26; see also Pfeiffer v. City of Sunnyvale City Council (2011) 200 Cal.App.4th 1552, 1563.)

More to the point, the courts have recognized that modest degradations of the visual environment can reasonably be found to be less than significant. (See, e.g., North Coast, supra, 216 Cal.App.4th at pp. 627–628 [the fact that a large new water tank on a hillside would be visible to the public did not render the visual impact significant]; Clover Valley Foundation v. City of Rocklin (2011) 197 Cal.App.4th 200, 243-244 [visual impact was less than significant despite acknowledgement in the EIR that “the visual character of the site would undergo a ‘high level’ of change”].)

Importantly, much of the City’s analysis in this context goes to the meaning of the City’s own policies and thus has nothing to do with CEQA. CEQA principles such as “baseline” have no place in a city’s interpretation of its own general plan, which is subject to broader principles of construction that recognize the need for reviewing courts to give deference to agencies’ interpretations of their own enactments. Where general plan interpretation is concerned, the primary guiding principle is one of reasonableness. (See, e.g., No Oil, supra, 196 Cal.App.3d at p. 243.) Here, the City is assessing the consistency of the proposed Project with

Policy CD-1.1. As part of that assessment, the City has reasonably taken into account the planned development, allowed by right, of the undeveloped lot west of the Project site. There is nothing arbitrary or irrational about this approach to interpreting and applying Policy CD-1.1.

The City appropriately interpreted Policy CD-1.1, based on the policy's plain language and the specific facts associated with the proposed Project, and "in light of the [General Plan's] purposes," and ultimately concluded that the proposed Project does not conflict with this policy. (Endangered Habitats League, *supra*, 131 Cal.App.4th at p. 782.) Only if "no reasonable person could have reached the same conclusion on the evidence before it" do "an agency's factual findings of consistency" lose deference. (*Ibid.*) The City's interpretation is thoughtful and reasonable, evidenced by the fact that several reasonable and qualified City staffers and consultants reached the same conclusion.

The sentence in Section 3.1 regarding the vacant Mill Project Site is phrased in such a way that implies the site *could* be developed under existing zoning. This discussion does not speculate about development, it merely states that the current land use and zoning *could* result in development of the site. Additionally, as discussed on page 3.1-5 of Section 3.1, of the Draft EIR, in 2019, the Planning Commission considered revisions to the Citywide Design Guidelines at three public meetings related to reuse of the former Mill Site. As such, the City has discussed the potential development of the Mill Site in the recent past, and future development of the site *could* occur. Although no plans to develop the Mill Site currently exist, a new structure could completely block the existing interrupted view of the Chevron Station and ocean if the Mill Site is developed in the future. It is noted that, regardless, the conclusion does not hinge on this fact alone.

Regardless of the above, for clarification purposes, the sentences regarding Taco Bell and the two large trees in question were revised in Section 3.1 of the Draft EIR. Additionally, clarifying text regarding the Mill Site was also added. See Chapter 3.0, Revisions, of this Final EIR for the revisions.

**Response M-17:** The commentor provided the following comment on the Draft EIR:

Consistent with the General Plan, the immediate neighborhood is zoned for commercial uses and may be developed at a similar height over time. The proposed building is slightly shorter in height than the existing building. As noted above, the proposed building parapet height would be approximately 24 feet above sidewalk level on the south side and just over 25 feet at the north side due to the lower sidewalk elevation on the north side. The buildings in the Project area are one to two stories in height. **Similar size buildings could be developed across South Street and South Franklin Street on the currently vacant lots in the future that would balance the building massing along the streets.** This would have the effect of giving stronger visual definition to the street and the intersection. Additionally, planting street trees at regular intervals on both sides of the streets is a cost-effective visual intervention. Street trees that are spaced regularly on both sides of the street increasingly contribute to the sense of visual enclosure and affect the aspect ratio and visual definition as they mature. **Irrelevant: no street trees are proposed as part of this project!**

019  
This is not accurate and those vacant lots are too small to accommodate a similar sized building.

020

The proposed Grocery Outlet building would provide architectural interest at street level and would not present blank facades to any public way. The market has architectural design elements that wrap around the building on four sides. There would be strong visual connection between private and public space because of the placement of large windows, whether true or faux, landscaping design, trellis at the entry and building entrance facing the street with good pedestrian access from the sidewalk. Generally, windows, false windows, and balconies on facades facing the public way help create the perception that someone could appear to look out on the street and support a perceived sense of “eyes on the street” increasing a feeling of security in the neighborhood.

The proposed project and neighborhood context were studied with the goal of representing typical daytime visual experiences of neighbors, community members and visitors to the area. Nine camera locations were photographed, considered, and narrowed down to four views from which to create the visual simulations. Visual simulations of the proposed grocery store are shown in Figures 3.1-1 through 3.1-4.

**View A:** View A was photographed from in front of the Harbor Lite Lodge looking North. The building would be set back from North Harbor Drive, further than the existing structure. The parking lot would be visually prominent. A continuous hedge is shown on the site plan, which would function as a parking lot screen. Pylon signage, typical for Grocery Outlet, is absent in the design to respect local preferences. The building entry would be easy to identify because of the hip roof, the trellis, and the angled nature to the street. Building articulation on the south and east façades helps to establish human scale appropriate for Fort Bragg. **How? These conclusions are not explained.** 021

**View B:** View B was photographed from in front of the County Social Services site as shown on the key map on the exhibit. Façade articulation establishes a human scale and visual interest at

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With respect to Comment 019 regarding the vacant lots, the Draft EIR discusses these vacant lots on South Street (north of the Project site) and S. Franklin Street (east of the Project site) in the context of the area’s zoning for commercial uses. While both vacant lots are smaller in size than the Project site and differently shaped, they could still be developed by-right with commercial structures that are similar in size as the proposed Project. For example, these vacant lots could be developed with buildings that have more than one level (such as the Seabird Lodge, located adjacent to the vacant lot on South Street), resulting in square footage comparable to that of the proposed structure. See Draft EIR, p. 3.1-8 (“buildings in the Project area are one to two stories in height”). A building need

not be the same exact dimensions as another to be considered the same overall size.

Notwithstanding, even if these lots are developable only with buildings smaller than the proposed structure, such a possibility does not undermine or alter the Draft EIR's conclusion that the proposed Project will "fit the surrounding neighborhood environment", as stated on page 3.1-7 of the Draft EIR. As is stated in the Project Description chapter, "[t]he Project site is located immediately adjacent to commercial developments to the north, south, and west, and approximately 500 feet north of the Noyo River. Current businesses adjacent to the western site boundary include Super 8, Mountain Mike's Pizza, and a Chevron station. The Seabird Lodge is across South Street to the north of the Project site, and the Harbor Lite Lodge is located across North Harbor Drive to the south of the Project site." (Id. At pp. 2.0-1 – 2.0-2.)

Regardless, the sentence regarding development of the vacant parcels to the north and east was revised in Section 3.1 of the Draft EIR. See Chapter 3.0, Revisions, of this Final EIR for the revisions.

Street trees are proposed as part of this Project. The proposed landscaping is summarized on pages 2.0-3 and 2.0-4 of Chapter 2.0, Project Description of the Draft EIR. The proposed Project will include "trees and vegetation along the property boundaries within the proposed parking lot" with trees "planted primarily along the north, south, and east boundaries, with a few along the west boundary." (Draft EIR, p. 2.0-4.) Trees planted along the north boundary will run parallel with South Street and trees planted along the east boundary will run parallel with S. Franklin Street. These trees will indeed be planted near the street and will enhance the aesthetic value of the Project site and its surrounding area. Therefore, it is relevant to discuss these trees in this context.

It is widely accepted in the planning industry that building articulations along building facades establish human scale. The City's Citywide Design Guidelines reference avoidance of boxy and monotonous facades which lack human scale dimensions and have large expanses of flat blank wall planes visible to the public.

**Response M-18:** The commentor provided the following comment on the Draft EIR:

**View D:** View D was photographed from across the street from the existing driveway on South Franklin Street. This view was chosen to show the visibility of the horizon over the ocean when viewed across the existing onsite parking area and the Chevron site looking West. The simulation was done at a 5.5 feet eye height. **The horizon over the ocean is just visible between the existing building and the cypress tree just above the distant fence line. Thus the existing views to and**

CONCLUSIONS

022 **of the ocean are not obstructed by the existing trees in any way!**

Clear design effort was made to minimize the visual impact of the proposed grocery store building in the current setting through the use of exterior materials variation, large windows on three sides, significant use of architectural detail and building envelope articulation, and the absence of large scale signage. Site organization would place the most active sides of the market furthest from the residential areas.

The proposed Project would be subject to the policies and goals of the Fort Bragg General Plan, Citywide Design Guidelines, as well as the City's Standards for all Development and Land Uses outlined in Chapter 17.30 of the Municipal Code. The Citywide Design Guidelines complement the standards contained in the City of Fort Bragg Inland Land Use and Development Code, and the Coastal Land Use and Development Code by providing good examples of appropriate design solutions, and by providing design interpretations of the various regulations. Chapter 17.30, Standards for all Development and Land Uses, of the City's Coastal Land Use and Development Code expands upon the zoning district development standards of Article 2 by addressing additional details of site planning, project design, and the operation of land uses. The intent of these standards is to ensure that proposed development is compatible with existing and future development on neighboring properties, and produces an environment of stable and desirable character, consistent with the General Plan, Local Coastal Program, and any applicable specific plan.

023 While the proposed Project would permanently convert the developed site from a vacant building to a new grocery store building, the Project site is designated for and consistent with the use established by the General Plan for the site. **Overall, this is considered a less than significant impact.**

**How is this conclusion justified? There is no threshold of significance included and no actual analysis of the potential significance of these impacts. This is mere unsupported assertion. Without applicable thresholds of significance and relevant analysis, this impact area remains potentially significant.**

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With respect to the View D discussion in question, the Draft EIR acknowledges that the proposed structure will block an existing view of the ocean from the far northern portion of the Project site. As discussed on page 3.5-22 of Section 3.5, Land Use, of the Draft EIR, "The Project is replacing an existing structure with one of approximately the same size. Current views from the middle and southern portions of the Project site are limited by the adjacent two-story motel adjacent west of the site, which is the direction in which the Pacific Ocean and landscapes immediately adjacent to the coast are located. Although the proposed structure will block an existing view of the ocean from the far northern portion of the Project site, that view is not easily discernable by pedestrians and is interrupted by two large trees and a Chevron Station and an intervening vacant legal lot between the Project site and that Chevron Station. This vacant lot could be developed under existing conditions, and a new structure could completely block the existing interrupted view of the Chevron Station and ocean. As discussed in

Section I, Aesthetics and Visual Resources, of the Initial Study, the proposed development is compatible with the character of surrounding areas. The proposed Project would include redevelopment of the Project site in order to replace a 16,436-sf vacant former office building with a 16,157-sf Grocery Outlet (retail grocery store) with associated improvements on the Project site. The retail grocery store would be a maximum of 28 feet tall at the top of the proposed canopy and a maximum of 23 feet tall at the top of the proposed parapet.”

The conclusion for Impact 3.1-1 is justified by the discussion on pages 3.1-6 through 3.1-9, and inclusion of the visual simulations discussed in this impact discussion.

**Response M-19:** The commentor provided the following comment on the Draft EIR:

As previously mentioned, the southern portion of the Project site is approximately one-third bare soil but is otherwise vegetated with annual grasses and forbs, with scattered shrubs. The northern portion is almost completely paved or developed with an existing structure; however, the northern property boundary has ornamental landscaping. The existing vegetation would be removed for the development of the new building, parking lot, and the Project site’s landscaping. The existing vegetation was likely planted as ornamental landscaping around the existing parking lot, and is not part of a natural scenic landscape. The replacement of the existing vegetation with landscaping selected for the local climate, including the planting of 37 new trees, would not be anticipated to damage any existing scenic resources on Project site, such as existing trees or rock outcroppings. A

**024** *less than significant* impact would occur. *How? This has the same issues as the prior impact area that also lacked applicable thresholds or any supporting analysis.*

**Impact 3.1-3: Project implementation would not conflict with an applicable zoning or other regulation governing scenic quality within an urbanized area. (Less than Significant)**

The CEQA definition for an “Urbanized area” means a central city or a group of contiguous cities with a population of 50,000 or more, together with adjacent densely populated areas having a population density of at least 1,000 persons per square mile. In addition, to be considered an Urbanized area according to CEQA, projects must also be within the boundary of a map prepared by the U.S. Bureau of the Census which designates the area as urbanized area. The Census Bureau identifies two types of urban areas: (1) Urbanized Areas (UAs) of 50,000 or more people; and (2) Urban Clusters (UCs) of at least 2,500 and less than 50,000 people. According to the U.S. Bureau of the Census, the City of Fort Bragg, which includes the Project site, is mapped and designated as an Urbanized Cluster. Therefore, the Project site is located in an urbanized area.

**025** The proposed Project would replace an existing structure with one of approximately the same size. While development of the proposed Project would change and alter the existing visual character of the Project site, *these changes would not degrade the visual quality of the site or the surrounding*

*Why not? This assertion is not supported by any analysis. Ocean views will be blocked degrading the existing aesthetics.*

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The first portion of the comment pertains to Impact 3.1-2: Project implementation would not substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway. As stated on the onset of the analysis of this impact analysis, the “Project would be located on city streets and not along a highway.” (Draft EIR, p. 3.1-10.) Therefore, by definition, the proposed Project could not “substantially damage scenic resources...within a state scenic highway.” The Draft EIR goes on

to explain the Project site's distance from Highway 1 and the many structures and business that separate it from the highway, as well as the fact that neither "[n]either of the two highways near the Project site, State Highway 1 and State Highway 20, are [designated] state scenic highways." (Ibid.) As previously stated "[a]n agency has considerable discretion to decide the manner of the discussion of potentially significant effects in an EIR." (County of Fresno, *supra*, 6 Cal.5th at p. 515.) The language of Impact 3.1-2 presents a straightforward and commonplace threshold of significance (see Section I.C, *supra*) related to state scenic highways, and the Draft EIR thoroughly discusses and analyzes the potential impact, going above and beyond what is required by the threshold itself.

The second portion of the comment pertains to Impact 3.1-3. The statement in questions is supported by the discussion in Impacts 3.1-1 and 3.1-3. See also Response M-20.