

January 10, 2023

Ms. Heather Gurewitz
City of Fort Bragg
Community Development
Associate Planner
416 North Franklin Street
Fort Bragg, CA 95437

Re: Urban Decay Study for Fort Bragg Grocery Outlet

Dear Ms. Gurewitz:

As you will recall, the comment letter from attorney Mark Wolfe on the Draft EIR for the proposed Best Grocery Outlet project, submitted on behalf of Fort Bragg Local Business Matters, recommended the preparation of a formal urban decay analysis for the project. As an example of an urban decay study that "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," Mr. Wolfe attached a report undertaken by ALH Urban & Regional Economics for a proposed shopping center in Walnut Creek, which, as Mr. Wolfe recognized, was a project much larger than the Best Grocery Outlet project.

In order to ensure that the issue of urban decay was fully considered, Best Development Group commissioned that very same firm, of which I am the Principal, to prepare an analysis for the Grocery Outlet project. The resulting study is attached, and is intended to assist the City with the preparation of the Final EIR.

Sincerely,

ALH Urban & Regional Economics



Amy L. Herman
Principal

January 10, 2023

Terry Johnson
Best Development Group
2580 Sierra Blvd., Suite E
Sacramento, CA 95825

Re: Grocery Outlet Urban Decay Analysis in Fort Bragg, California

Dear Mr. Johnson:

ALH Urban & Regional Economics (ALH Economics) has prepared an economic analysis of a proposed 16,157-square-foot Grocery Outlet store in Fort Bragg, California, located in Mendocino County. The purpose of the analysis is to provide an assessment of the potential for the store to coexist with existing nearby retailers and to assess the potential for development of the store to cause or contribute to urban decay. You are seeking this analysis to address public comments made about the project during the City of Fort Bragg approvals process.

For the purpose of this analysis and in accordance with the California Environmental Quality Act (CEQA), “[U]rban 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 multiple long term vacancies. This physical deterioration 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, or the health, safety, and welfare of the surrounding community. ***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, abandonment of multiple buildings, homeless encampments, and unsightly and dilapidated fencing.***” (*Joshua Tree Downtown Business Alliance v. County of San Bernardino* (2016) 1 Cal.App.5th 677, 685, emphasis added.)

This study specifically focuses on assessing the urban decay potential of the proposed development of the Grocery Outlet store. This is achieved by performing the following tasks:

- Obtain information about the proposed Grocery Outlet store;
- Review Grocery Outlet documents regarding store sales and operations, and obtain operating information from Grocery Outlet;

- Estimate the store's primary market area, i.e., the area from which the majority of the store's consumers are anticipated to originate;
- Obtain market area demographic data and estimate the retail demand profile for the store's primary market area;
- Conduct retail sales leakage and attraction analyses for the primary market area and Mendocino County;
- Conduct fieldwork to review the store's proposed site, to identify nearby food stores, and to evaluate existing nearby real estate market conditions;
- Estimate the proposed store's impacts on existing primary market area retailers; and
- Assess the extent to which the Grocery Outlet operations may or may not cause or contribute to urban decay.

The study findings are presented in this report. These findings are subject to the assumptions and general limiting conditions included at the end of the report. Select tables are included in the text, with exhibits presented in Appendix A. For general information purposes, a description of ALH Economics and resume of the firm Principal, Amy L. Herman, are included in Appendix B.

SUMMARY OF FINDINGS

Store and Primary Market Area Characteristics

The proposed value-oriented Grocery Outlet store is estimated to serve a primary market area along coastal Mendocino County, extending from Cleone to the north and Point Arena to the south. This area has a population base of 21,384 people and 9,565 households with average household incomes in 2022 of \$84,331.

The Grocery Outlet store is estimated to achieve annual sales of \$6.5 million during its first year of operations, comprising \$2.3 million in perishable goods and \$4.2 million in non-perishable goods. Prices at Grocery Outlet are generally 40% to 70% below conventional retailers and 20% below the leading discounters.

The primary market area households are estimated to generate demand for \$258.5 million in annual retail sales, including \$40.1 million in food and beverage store sales. Overall, 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 comprises 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.

Existing Potential Competitive Stores

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. 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.

Grocery Outlet Impact on the Retail Market

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.

Evaluation of Urban Decay

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.

Conclusion

The study analysis 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, ALH Economics concludes that there is no reason to consider that development of the proposed Grocery Outlet store would cause or contribute to urban decay.

PROPOSED GROCERY OUTLET STORE

The Best Development Group is seeking entitlements for a Grocery Outlet store on 1.63 acres comprising three parcels in Fort Bragg (the "Project"). These three parcels would be merged to create one parcel to accommodate the new retail store. The development site is located at the cross streets of South Franklin St. between South St. and North Harbor Drive, on the site of a vacant former office building locally referred to as the "Old Social Services Building." The existing office building has not been leased since 2010 but has been used for storage since then. The store would be a stand-alone structure with dedicated off-street parking. Including store management, the store is anticipated to employ 20 full-time employees and 10 part-time employees.

As stated in the company's SEC 10-K, Grocery Outlet is a value-oriented grocery retailer that sells a mixture of everyday staple products and an ever-changing assortment of customer deals, at prices generally 40% to 70% below conventional retailers and 20% below the leading discounters. Grocery Outlet stores are designed in a small-box format, and feature many name-brand consumables and fresh products. The stores are independently operated and include product offerings in grocery, produce, refrigerated and frozen foods, beer and wine, fresh meat and seafood, general merchandise, and health and beauty care. One can visit two Grocery Outlet stores in the same community and see different merchandising products available for sale based on varied purchasing strategies of the two stores. In this manner, each store's independent operator can tailor the store to their community. Grocery Outlet strives for each independent operator to offer shoppers a fun, treasure hunt shopping experience with an ever-changing assortment of "WOW!" deals, generating customer excitement and encouraging frequent visitors from bargain-minded shoppers.¹

¹ Many of these statements are summarized from "Form 10-K, Grocery Outlet Holding Corp., For the fiscal year ended January 1, 2022," pages 3 and 4.

In 2021, Grocery Outlet operated 415 stores throughout the United States, with net sales of \$3,079,582,000. This was equivalent to average store sales of \$7.4 million per store.² An average of 35% of all store sales comprised perishable goods.³ Because Grocery Outlet stores are in a mix of locations, and reflect a range of maturity, ALH Economics queried Grocery Outlet regarding the following: a prospective annual store sales estimate for the proposed Fort Bragg store; and if the store would be expected to initially achieve the national average or start at a lower average given its new store status and location in a small, rural market. In response, Grocery Outlet provided a year one store sales estimate of \$6,500,000, or \$125,000 per week, increasing modestly for five years to full stabilization. ALH Economics believes this year one sales estimate at about 88% of the 2021 national average is reasonable, and is appropriate to reflect for study purposes. Accordingly, Table 1 presents assumptions for the Fort Bragg Grocery Outlet store sales.

Table 1. Projected Fort Bragg Grocery Outlet Store Sales, 2022 Dollars

Store Sales Category	Grocery Outlet Sales	
	Percent	Amount
Total Store Sales	100%	\$6,500,000
Perishable Goods	35%	\$2,252,509
Produce	13%	\$868,825
Meat and Seafood	6%	\$386,144
All Other (Dairy, Deli, Floral)	15%	\$997,540
Sub-total		\$2,252,509
Nonperishable Goods	65%	\$4,247,491

Sources: "Form 10-K, Grocery Outlet Holding Corp., For the fiscal year ended January 1, 2022," Grocery Outlet Holding Corporation, pages 48, 50, and 71; Grocery Outlet; and ALH Urban & Regional Economics.

As a subset of the 35% perishables estimate, for the purpose of this study, historic information provided by Grocery Outlet to ALH Economics provides a further breakdown indicating 13% of store sales are anticipated to comprise produce, 6% meat and seafood, and 15% all other perishables, e.g., dairy, deli, and floral. The balance of 65% of store goods are anticipated to comprise nonperishable goods, which include a wide mix of items, such as beverages, paper goods, laundry detergents, canned goods, cereal, plasticware, linens, seasonal, toys, household, health & beauty, and other goods.

PRIMARY MARKET AREA DEFINITION AND CHARACTERISTICS

Primary Market Area Geographic Definition

The proposed Grocery Outlet site is located in Fort Bragg, which is the second largest population center in Mendocino County. Ukiah comprises the largest population center in Mendocino County,

² Ibid., pages 48 and 50.

³ Ibid., page 71.

located 58 miles from Fort Bragg. Given the topography of Mendocino County, travel time to Ukiah averages approximately 1 hour 20 minutes. Ukiah has the largest retail base in Mendocino County. The most substantial retail shopping nodes located nearest to Fort Bragg outside of Mendocino County include Santa Rosa, located 117 miles south of Fort Bragg in Sonoma County, and Eureka, located 134 miles north of Fort Bragg in Humboldt County. All of these major retail nodes are located a significant distance from Fort Bragg and its surrounding environs.

There are two Grocery Outlet stores in Mendocino County. These include a store in Willits, east of Fort Bragg, and one in Ukiah, southeast of Fort Bragg. These are the Grocery Outlet stores located closest to Fort Bragg. The Grocery Outlet store located at 1718 S. Main Street in Willits is approximately 35 miles from the proposed Grocery Outlet store site in Fort Bragg. Travel time to Willits from Fort Bragg averages just under 1 hour under the best traffic conditions. This road, i.e., Highway 20, can be treacherous, with twists and turns along the way and wildlife routinely occupying or crossing the road. The Grocery Outlet store located at 1203 North State Street in Ukiah is approximately 55 miles from the proposed Grocery Outlet store site in Fort Bragg. Given Mendocino County's topography, the fastest way to get to Ukiah is through Willits, so the Willits store is located the closest to Fort Bragg and much of the environs around Fort Bragg.

Information about the market draw of the Willits Grocery Outlet store indicates that in a recent year, 9% of the Willits Grocery Outlet customer base originated from Fort Bragg.⁴ This demonstrates that Fort Bragg households are shopping at Grocery Outlet, and are sufficiently motivated to take the time to do so, as well as to incur the associated travel costs. During public hearings on the Project held by the City of Fort Bragg in the late spring and summer of 2021,⁵ public testimony of Fort Bragg residents and local workers suggests that the primary motivation for shopping at a Grocery Outlet in Fort Bragg is to keep their food costs down, to keep their dollars local to their own community, to support local jobs, and to minimize their transportation time and costs.

Based on the preceding information, and for study purposes, it is most apt to identify a sub-area of Mendocino County as the primary market area for the proposed Grocery Outlet store. The sub-area identified includes cities and communities for which Fort Bragg is the closest retail shopping node. For ease of replication, ALH Economics identified zip code areas as the building blocks for the market area. The selected zip codes include, from north to south, 95437, 95420, 95456, 95427, 95410, 95432, 95459, and 95468. The collective geography defined by these zip codes is the area from which the study assumes the majority of customer demand at the store will originate. Some of the cities and communities (census designated places) encompassed by these zip codes include Cleone, Fort Bragg, Caspar, Mendocino, Comptche, Little River, Albion, Elk, Manchester, and Point Arena.

⁴ Market draw document prepared by placer.ai.

⁵ This testimony occurred in an earlier public process during which the City processed the Project based on a mitigated negative declaration. After litigation was filed challenging that document, the Best Development Group chose not to defend the litigation but instead requested the City to prepare an Environmental Impact Report (EIR), which was ultimately published in September 2022.

Primary Market Area Demographics

ALH Economics obtained demographic estimates for the primary market area population base from Claritas, which is a leader in the United States in providing demographic and economic data, including modeled data. These demographic data are presented in Table 2. Per Claritas, in 2022 there are an estimated 21,384 people and 9,565 households in the primary market area, with an average household size of 2.17. The average household income for these households is about \$84,300, with a median income of about \$60,100.

**Table 2. Demographic Characteristics
Primary Market Area (1), Fort Bragg, and Mendocino County
2022**

Demographic Characteristic	Primary Market Area	Fort Bragg	Mendocino County
Population	21,384	7,076	86,296
Households	9,565	2,855	35,051
Average HH Size	2.17	2.40	2.41
Average HH Income	\$84,331	\$73,591	\$84,165
Median HH Income	\$60,132	\$53,480	\$60,379

Sources: Claritas, Demographic Quick Facts, Primary Market Area, Fort Bragg, and Mendocino County, generation dates 12/5/22 and 12/21/22.
(1) Defined as zip codes 95437, 95420, 95456, 95427, 95410, 95432, 95459, and 95468.

For perspective, comparable data for just Fort Bragg’s population are also presented in Table 2, along with data for Mendocino County as a whole. Fort Bragg’s demographic base comprises about one-third of the primary market area’s demographic base, with 7,076 residents and 2,855 households. In turn, the primary market area comprises about one-quarter of Mendocino County’s demographic base of 86,300 residents and 35,100 households. In both Fort Bragg and Mendocino County, the average household size of about 2.4 is larger than in the primary market area. Average and median household incomes in Fort Bragg are about 85% - 90% of the incomes in the primary market area, but incomes countywide are comparable to those in the primary market area.

PRIMARY MARKET AREA RETAIL DEMAND AND SALES LEAKAGE AND ATTRACTION

Primary Market Area Retail Demand

ALH Economics maintains a retail demand model that estimates household spending on retail. The model is based upon analysis of taxable statewide retail sales combined with an estimate of household spending on retail by income. The model assumes that households in a market area will make retail expenditures comparable to the pattern of retail sales in the State of California. Exhibit 1 in Appendix A presents the results of this statewide analysis. This exhibit indicates that among the nine major retail categories tracked by the State of California Board of Equalization, household spending

in 2021 was anticipated to be greatest for Other Retail Group⁶ sales at 18.5% of all retail spending, followed by 15.5% for Food & Beverage Stores, with sales lowest for Home Furnishings & Appliances at 5.0% of all retail spending.^{7,8}

Pursuant to data published by the U.S. Bureau of Labor Statistics, 2021 Consumer Expenditure Survey, households in different income brackets in the United States spend different percentages of their household income on retail goods. Typically the percentage is highest in the lowest income brackets and decreases as incomes increase. This relationship is depicted in Exhibit 2, which summarizes the 2021 Consumer Expenditure Survey findings. For example, households with annual incomes in 2021 between \$15,000 to \$29,999 spent an average of 61% of household income on the type of retail goods tracked by the State of California Department of Tax and Fee Administration (formerly the Board of Equalization). At the far extreme, this percentage dropped to 17% for households earning over \$200,000 a year. The corresponding percentages for all other intervening income brackets are presented in Exhibit 2, which shows that the percent of income spent on retail decreases as income increases. The income bracket presented in Exhibit 2 that best matches the proposed Grocery Outlet primary market area demographics is the \$70,000 to \$99,999 bracket, where the average household income is \$83,658 and the percent of income spent on retail is 32%. Because the average primary market area household income of \$84,331 is nearly identical to the average within the bracket, ALH Economics estimates that the primary market area households will spend on average 32% of income on retail goods pursuant to interpolation of the data findings.

Primary market area household retail and restaurant demand was estimated based upon this 32% share of income spent on retail and the estimated distribution of retail spending pursuant to Exhibit 1. The results are presented in Table 3, which indicates total primary market area retail demand potential of \$258.5 million. As noted above, the second largest retail demand category is for Food & Beverage Stores, which would include a store like Grocery Outlet. However, Grocery Outlet also sells goods that cross over into other retail categories, such as General Merchandise, Other Retail Group, Clothing & Clothing Accessories, Home Furnishings & Appliances, and even sometimes Motor Vehicle & Parts Dealers (i.e., automobile supplies, which are combined in the same category as new and used car sales). As noted earlier in a footnote, based on California's Tax and Fee Administration's classification system, the Other Retail Group category presented in Table 3 includes drug stores, florists, and stores primarily selling health and personal care products, gifts, art goods and novelties, sporting goods, photographic equipment and supplies, musical instruments, stationery and books, office and school supplies, and second-hand merchandise, as well as miscellaneous other retail stores. Many of these types of goods are variously sold at Grocery Outlet, although not all of them.

⁶ Based on California's Tax and Fee Administration's classification system, the Other Retail Group sales include drug stores, florists, and stores primarily selling health and personal care products, pet supplies, gifts, art goods and novelties, sporting goods, musical instruments, stationery and books, office and school supplies, and second-hand merchandise, as well as miscellaneous other retail stores.

⁷ The year 2021 comprises the most recent year for which full year taxable retail sales are available.

⁸ Other Retail Group sales comprise drug stores, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, musical instruments, stationery and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

**Table 3. Estimated Fort Bragg Proposed Grocery Outlet
Primary Market Area Demand for Retail Goods and Restaurants, 2022 (1)**

Retail Category	Distribution of Demand (2)	Market Area Demand	
		Per HH (3)	Total (4)
Food & Beverage Stores	15.5%	\$4,188	\$40,056,391
General Merchandise Stores	12.3%	\$3,329	\$31,845,034
Motor Vehicle & Parts Dealers	14.9%	\$4,024	\$38,489,536
Food Services & Drinking Places	12.2%	\$3,308	\$31,639,929
Gasoline Stations	7.8%	\$2,121	\$20,286,774
Other Retail Group	18.5%	\$5,006	\$47,883,459
Clothing & Clothing Accessories	6.6%	\$1,795	\$17,172,702
Building Materials & Garden Equipment	7.1%	\$1,915	\$18,318,582
Home Furnishings & Appliances	5.0%	\$1,343	\$12,846,518
Total Retail Spending	100.0%	\$27,030	\$258,538,926

Sources: Table 2; Exhibit 1; Exhibit 2; Exhibit 4; and ALH Urban & Regional Economics.

(1) The primary market area comprises an aggregation of 8 zip codes in Mendocino County.

(2) See Exhibit 1.

(3) Total household spending on retail is based upon average market area household income estimate of \$84,331 (see Table 2) and average household spending of 32% (see Exhibit 2.)

(4) Total household demand is based on spending per category and the primary market area household count, totaling 9,565.

Excluding the three categories of Motor Vehicles & Parts dealers, Gasoline Stations, and Food Services & Drinking Places, results in a primary market area retail demand estimate of \$168.1 million for goods inclusive of the type of merchandise sold by Grocery Outlet. Notably, the coastal area of Mendocino County extending from Cleone south to Point Arena comprises the primary market area for retailers and restaurants in Fort Bragg. However, additional demand is generated from beyond this area as well, due to the strong tourism appeal of Mendocino County, with Fort Bragg located in an area that attracts tourists and people vacationing nearby. The sheer volume of hotels, motels, and bed and breakfast facilities in Fort Bragg provides proof of Fort Bragg's tourist appeal. A simple search for lodging facilities in just Fort Bragg easily identifies more than two dozen such facilities. The City of Fort Bragg pre-pandemic Adopted Budget for Fiscal Year 2019-2020 indicated that the City's General Fund is predominately supported by taxes, with sales tax and transient occupancy tax cited as the two highest tax revenue sources.⁹ In that fiscal year, transient occupancy taxes were estimated to comprise one-third of all tax revenues.¹⁰ This demonstrates the significance of tourism to the City of Fort Bragg.

These non-primary market area visitors provide additional sources of actual or potential demand for Fort Bragg's retail offerings. This is proven by figures reported upon annually in a publication prepared for the State of California by Dean Runyan Associates, Inc. titled "California Travel Impacts." The purpose of this annual publication is to provide statewide, regional, and county impact estimates associated with visitorship to California, including visitorship-related spending, industry employment, and tax revenues. Data in this publication are only presented at the county level.

⁹ City of Fort Bragg, Adopted Budget, Fiscal Year 2019-2020, page V.

¹⁰ Ibid, page 33.

Some of the interesting information pertaining to Mendocino County from the pre-pandemic era included in the “California Travel Impacts” reports indicates that an estimated 11.3% of all Mendocino County taxable sales in 2018 were attributed to visitors (compared to 7.0% statewide),¹¹ and visitors in 2019 were estimated to make \$24.1 million in food store sales in Mendocino County, along with \$53.2 million in retail sales, \$134.3 million in accommodations, and more in other categories.¹² Visitor spending across all categories of spending in Mendocino County in 2019 was estimated to total \$466.8 million, with other categories including transportation and gas, and arts, entertainment, and recreation. The amount spent on food stores was higher in 2019 than in prior years, with the amount increasing from \$22.4 million in 2015 to \$24.1 million in 2019.

As tourism in California experienced severe impacts during the peak of the COVID-19 pandemic, tourist spending in Mendocino County dropped dramatically in 2020 and was still suppressed in 2021. For example, in 2021, total visitor spending was estimated at \$422.8 million (not shown in tabular form); however, at \$24.2 million, food store sales in 2021 were relatively comparable to the 2019 level.¹³ As shown in Table 4, visitor spending on food comprised an estimated 5% to 6% of total County food sales in some of the most recent years.

**Table 4. Food and Beverage Store Sales
Mendocino County, 2018-2022**

Year	County Food and Beverage Sales		Tourist Food Store Sales	
	Taxable Sales	Total Sales (1)	Total Sales	Percent of County
2018	\$116,463,681	\$388,212,270	\$22,800,000	6%
2019	\$113,256,283	\$377,520,943	\$24,100,000	6%
2020	\$127,800,933	\$426,003,110	\$16,200,000	4%
2021	\$135,894,967	\$452,983,223	\$24,200,000	5%

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 1. Taxable Sales in California, By Type of Business, 2018, 2019, 2020, and 2021"; "The Economic Impact of Travel in California, 2021p, State, regional, & County Impacts, Visit California, 4/18/2022, Dean Runyan Associates, Inc., page 162; and ALH Urban & Regional Economics.

(1) 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.

¹¹ "California Travel Impacts, 2010-2019p, April 2020, Visit California," A Joint Marketing Venture of Visit California and the Governor's Office of Business Development, Prepared by Dean Runyan Associates, Inc., Portland, Oregon, pages 16 and 17.

¹² Ibid, page 73.

¹³ "The Economic Impact of Travel in California, 2021p, State, Regional, & County Impacts." Visit California, 4/18/2022, Primary Research Conducted by Dean Runyan Associates, Inc., Portland, Oregon, page 162.

Primary Market Area Retail Sales Leakage and Attraction

For the purpose of this study, ALH Economics additionally characterized the primary market area's retail sales base with regard to the extent to which it attracts or leaks demand generated by the primary market area population base. To achieve this, ALH Economics used 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 Department of Tax and Fee Administration (CDTFA). 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 such an analysis for the primary market area, ALH Economics obtained taxable retail sales data for 2021 to reflect the most recent full year data available at the time this study was conducted. These taxable retail sales were adjusted upward to reflect nontaxable sales in key sales categories, including Food & Beverage stores and the drug store component of Other Retail sales (see Exhibit 3). Other adjustments were made to include sales for primary market area food stores located outside Fort Bragg, i.e., Harvest at Mendocino's and Corners of the Mouth in Mendocino (see the next major report section identifying the relevance of these stores). These data were combined with primary market area household counts, an average household income estimate, household spending by retail category estimates, and an assumption of percent of income spent on retail, many of which were already presented in Table 2 and Exhibits 1 and 2. An adjustment was also made for demand estimated to be satisfied by e-commerce.

The results of the retail demand, sales attraction, and spending leakage analysis for the primary market area are presented in Exhibit 4. This includes results for all major retail categories, but the findings for the Food & Beverage Stores sector are highlighted in bold. For this sector, the findings show that the primary market area achieves a substantial level of sales attraction, totaling \$56.7 million, equivalent to 60% of all sales. This indicates that for food sales, the primary market area's food stores attract a substantial amount of sales from shoppers originating from outside the primary market area. As reflected by the information about tourist spending in Mendocino County (see Table 4), some portion of the sales attraction is attributable to tourist spending. But even if all of the County's \$24.2 million in tourist food sales in 2021 was achieved by the primary market area food stores (which is unlikely, especially given the strong food store sector in Ukiah), there would still be a very substantial amount of primary market area food sales attraction.

The remaining figures in Exhibit 4 indicate that in almost all other retail categories, the primary market area is characterized by retail sales leakage. This leakage is very substantial in the majority of retail categories, with a range of -30% to -78% sales leakage, except in Food Services & Drinking Places, where leakage is more modest at -12%. Two other categories besides Food & Beverage Stores have retail sales attraction, including a scant 6% in gasoline stations and a much higher 45% in Building Materials & Garden Equipment. The retail leakage findings generally indicate that the

primary market area is under-retailed relative to the size of the population base, even with the capture of tourist retail sales in other retail categories aside from food stores. In short, the primary market area is clearly a very under-retailed location, whose residents must routinely shop out of the area for some of their basic retail shopping needs.

Mendocino County Retail Sales Leakage and Attraction

For perspective, Exhibits 5 and 6 present total year 2021 retail sales in Mendocino County and a retail demand, sales attraction, and spending analysis for the County. The retail sales figures in Exhibit 5 identify a total retail sales base of almost \$2.0 billion for the County, with \$453.0 million in Food & Beverage Store sales. In contrast, per Exhibit 3, the Grocery Outlet primary market area has a total estimated retail sales base of \$213.1 million, equivalent to just 11% of the County's sales base. However, relative to the County, the primary market area sales are strongest in Food & Beverage Stores, which at an estimated \$85.4 million comprise 19% of the County's total food sales. This is further demonstration that the food sales sector is the strongest retail sector in the primary market area. However, the Food & Beverage Stores sector in Mendocino County as a whole has an even higher level of attraction than in the primary market area, with 69% in the County (see Exhibit 6), compared to 60% in the primary market area (see Exhibit 4).

EXISTING PRIMARY MARKET AREA FOOD STORES AND REAL ESTATE CONDITIONS

ALH Economics conducted fieldwork in November 2022 for the purpose of visiting existing stores in the primary market area that sell food and other merchandise likely to overlap with Grocery Outlet and to observe the physical conditions of the primary market area's commercial retail real estate base, especially existing retail vacancies in Fort Bragg, the city where the store will be located. The purpose of this reconnaissance was to assess the degree to which Grocery Outlet might compete with existing retail venues in the primary market area and to assess the potential for urban decay impacts to result if any negative store impacts occurred to the extent that stores might close, resulting in retail vacancies of existing store spaces.

Primary Market Area Food and Related Stores¹⁴

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 identified in Exhibit 7, and are classified into five main categories of stores, based upon the portion of store goods that are classified as food sales. These categories are Grocery Stores, Natural Food Stores, Other Stores with Substantial Food and Beverage Sales, Convenience Stores, and Gas Station Convenience Stores. For all five categories, the store names are listed along with type of structure, address, miles from the Grocery Outlet (GO) site, and some select comments.

¹⁴ Various sources were used for information in this section, including ALH Economics field work, yelp, company websites (such as harvestmarket.com), <https://www.groceteria.com/store/regional-chains/purity-stores/>, <https://www.pressdemocrat.com/article/news/grocery-stores-come-and-go-but-loyalties-die-hard/>, <https://www.flickr.com/photos/romleys/3670465746>, and <https://www.zippia.com/safeway-careers-37354/history/>.

Grocery Stores. In all of Fort Bragg and the additional primary market area geography, there are only four stores that are exclusively food stores with a traditional grocery store format. These full-service stores include Purity Supermarket, Safeway, and Harvest Market in Fort Bragg, which are located 1.2 miles north, 0.4 miles north, and 0.9 miles south of the Grocery Outlet site, respectively. They also include the more distant Harvest at Mendosa's, 9 miles south of the Grocery Outlet site in Mendocino.

The Purity Supermarket is one of the two oldest grocery stores in Fort Bragg, located in Downtown Fort Bragg, originally opening not far from its current location. This store is the most traditional grocery store, with the least number of specialized products, and also the smallest full-service grocery store, with an estimated 11,000 square feet. In addition, some of the coolers appear old and not as modern as ones at the primary market area's other food stores. This store is the last remaining Purity grocery store, from a chain of more than 75 stores started by a Burlingame, CA family in 1929, with stores located at least as far north as Yreka in Humboldt County and as far south as San Luis Obispo. The original chain ownership changed hands in the 1970's, at which time the Purity store was purchased by some of the then-current employees. The Safeway store is the largest food store in Fort Bragg, with an estimated 47,000 square feet. The Safeway chain was likely present in Fort Bragg by the mid 1920's, although the current store is one of the newer format Safeway stores. Purity Supermarket (11,000 square feet) and Safeway (47,000 square feet) bookend the two Harvest Market stores, which comprise 40,000 square feet in Fort Bragg and 15,000 square feet in Mendocino. The Fort Bragg Harvest Market store, which is family-owned and operated, opened in 1985. In 2006, the family purchased the 100+-year-old Mendosa's in Mendocino, which was a family-owned general store, and repositioned it as primarily a grocery store, but with a limited selection of general merchandise items as well.

Of these four stores, prices for basic packaged products such as tomato sauce, rice, whole wheat bread, crackers, butter, and marinara sauce, are generally highest at Purity and lowest at the Harvest Market stores, based upon a pricing analysis of identical goods conducted by ALH Economics. However, this price comparison was influenced by the member prices offered by Safeway on select products on a rotating basis, as well as sale pricing at Harvest Market. Absent consideration of member and sale pricing, the select market basket of goods was virtually identically priced between Purity and Safeway, with Harvest Market still a little lower (by 3% compared to Purity and Safeway). However, when reduced pricing is taken into consideration (either member pricing or pricing during sales events), the prices at Purity were 16% higher than the lowest prices at Harvest Market. Yet, the range of products and variety is narrowest at Purity Market, and most expansive at Safeway. Both Safeway and Harvest Market sell many high-end goods that are not available at Purity. For example, both Safeway and Harvest Market sell wines and spirits (including high end wines and spirits), a wide variety of prepared foods (fresh and packaged), more expansive offerings in many products (such as fresh meat and seafood, crackers, chocolate, grains, pet supplies, etc.), and non-grocery items (such as greeting cards, personal care items, puzzles, and yoga mats). As a result of these different mixes of products, the average shopping cart purchase at Safeway and the Harvest Markets is likely much higher than the average shopping cart purchase at Purity.

Because these four stores are full-service grocery stores, many of the more traditional grocery items sold at Grocery Outlet would also be available at them. However, many of the existing stores would have far greater variety available per product, such as six types of jarred tomato sauce versus one, or multiple types of canned fish or jarred olives, but for some product items, the prices at Grocery Outlet

could be up to 15% - 17% lower.¹⁵ In addition, the full-service stores generally have a greater array of produce than would Grocery Outlet, and much more substantial sales in other categories not well-represented at Grocery Outlet, such as meat, seafood, bakery, and cooking supplies. For example, shoppers seeking to purchase ingredients for a special recipe, even including one or two unique spices, likely will not be able to meet all their needs at Grocery Outlet, but they would at the other primary market area grocery stores. In contrast, Grocery Outlet would likely sell some products not available at most of the full-service grocery stores, due to Grocery Outlet's propensity to carry some general merchandise items as well as the afore-mentioned treasure hunt aspect of shopping at Grocery Outlet and WOW! Deals. In conclusion, Grocery Outlet is anticipated to be somewhat competitive with the existing primary market area full-service grocery stores, but shoppers will not be able to purchase as wide and varied an array of goods at Grocery Outlet as they can at the full-service grocery stores.

Natural Food Stores. In addition to the primary market area's full-service grocery stores, there are two natural foods markets selling organic and natural products. These natural food stores include Down Home Foods 0.8 miles north of the proposed Grocery Outlet site in Downtown Fort Bragg, in business since 1974, and Corners of the Mouth, a collectively-owned store housed in a small, converted church located 9.2 miles south of the proposed Grocery Outlet site in Mendocino since 1975.

Notably, Grocery Outlet is not known for carrying a substantial selection of organic or natural food products. However, basic store selections at these natural foods stores are comparable to what one might find at Grocery Outlet, such as bread, dairy, flours, and eggs. For some of these products, the pricing at the natural foods stores is similar to or lower than the prices at the primary market area's full-service grocery stores. Yet, most other products at these stores are relatively unique to the primary market area; they include typical grocery products, but with a more natural orientation, including the following (at one or both stores): organic fruits and vegetables (some exotic), bulk flours, natural toothpaste, vitamins, herbal supplements, other natural life-style supplements, essential oils, Chinese medicines, specialized juices (fresh and jarred), a cheese counter, bulk herbs, ready-made sandwiches, dried fruits, bulk seeds, bulk and packaged nuts, bulk coffee beans, bulk maple syrup and honeys, natural cereals, shelf stable and cold beverages (including milk alternatives), some frozen items, local cheeses, kombucha, fresh bagels once a week, fresh flowers, and some personal and household goods, such as candles (including Shabbat and Chanukah candles), natural soaps and other skin care products, shopping bags, serving spoons, and earrings. Due to the natural foods orientation of Down Home Foods and Corners of the Mouth, their product offerings, small sizes, locations near the center of each area's tourist activity, and especially the Corners of the Mouth 9.2-mile distance from the proposed Grocery Outlet location, it is very unlikely that the Grocery Outlet store would be competitive with these venues.

Convenience Stores. There are about five convenience stores near and in Fort Bragg that sell a small assortment of traditional grocery store items. These stores include the Cleone Grocery, 4.7 miles north of the proposed Grocery Outlet site in Cleone; and four stores in Fort Bragg, including El Yuca, 1.9 miles north of the proposed Grocery Outlet site; Nello's Market & Deli, 1.6 miles north of the proposed Grocery Outlet site; New B&C Grocery, 1.0 miles north of the proposed Grocery Outlet site;

¹⁵ This is based upon ALH Economics personal shopping experience and observation comparing prices for select grocery items at Grocery Outlet and full-service grocery stores in other Northern California locations.

and la Mexicana Market, 0.9 miles north of the proposed Grocery Outlet site. The Cleone Grocery is a small, well-stocked market with basic food and other supplies, including personal goods and sweat shirts. The store has a baking section, frozen foods, staples, dairy coolers, and as a small community benefit, a rack of free, used books to peruse or take. This store also sells cigarettes and some beer and wine. El Yuca and La Mexicana Market both have a strong Mexican focus in their product offerings, which include fresh fruits, vegetables, household goods, kitchen staples, fresh-baked items, and pinatas. The La Mexicana Market is also connected to a clothing store. Nello's Market & Deli is a basic convenience store with many staples and snacks, but is sparsely stocked, with a noticeable amount of unused space, and sells cigarettes, alcohol, some prepared hot foods, and fresh coffee. Finally, the New B&C Grocery has a few food items, but is mostly a snack and sandwich shop. This operation is also closed weekends, hence store hours are limited overall compared to the primary market area's convenience stores and the proposed Grocery Outlet store.

The convenience nature of these stores does not lend themselves to strong competition with the Grocery Outlet, just as they are not highly competitive with the primary market area's full-service grocery stores. Shoppers at convenience stores tend to purchase stop gap items, to fill very special periodic needs, or at least not purchase a typical full range of shopping goods. These stores are generally not equipped to support a household's weekly shopping needs. Moreover, two of the stores have a strong Mexican focus in their goods, which are not otherwise available in the primary market area. For all these reasons, these stores are not anticipated to be highly competitive with the proposed Grocery Outlet.

Other Stores with Substantial Food and Beverage Sales. There are four other stores in Fort Bragg that sell merchandise that overlaps with some of the offerings that will be available at Grocery Outlet. These include Roundman's Smoke House and Butcher Shop in Downtown Fort Bragg 1.4 miles north of the Grocery Outlet site; CVS, a stand-alone pharmacy/drug store adjacent to downtown and 0.8 miles north of the Grocery Outlet site; Rite Aid, another stand-alone pharmacy/drug store, located 0.5 miles north of the Grocery Outlet site; and Dollar Tree, general merchandise store located 0.9 miles south of the Grocery Outlet site at the Boatyard Shopping Center, which is also where Fort Bragg's Harvest Market is located. The first three of these stores are north of the proposed Grocery Outlet site, while Dollar Tree is to the south.

The Roundman's Smoke House and Butcher Shop is located in Downtown Fort Bragg. This very small shop sells fresh, smoked, and packaged meats, including beef, pork, poultry, and lamb. In addition, the store sells cooking and baking supplies, boxed pasta, sauces, chutney, and some fish and cheese products. Further, Roundman's offers custom cut and wrap and smoking for customers who bring in their own beef, pork, and venison, etc. The store works with ranchers and farmers throughout Northern California to provide smoked meats and fresh cuts at local farmer's markets, and are featured in a number of markets, hotels, and restaurants throughout Mendocino County.¹⁶ The food and food-related items at Roundman's appear to be very carefully curated, with a specialty focus. While there might be some overlap with Grocery Outlet relative to type of food item sold, like smoked sausage, the products at Roundman's tend toward the all-natural, with no specific commonalities with Grocery Outlet. This, in combination with the butchering services and distribution of Roundman's products, makes store competition with the proposed Grocery Outlet store very unlikely.

¹⁶ Much of the store descriptive information is on the store's Yelp page.

While the majority of CVS and Rite Aid store sales include prescription sales, reflecting the drug store format of each store, the “front store space” (e.g., the space devoted to non-pharmacy sales) of both stores contain a range of different products, including over-the-counter medications; health, beauty products, and cosmetics; personal care items; household items; food and beverages; other convenience foods; seasonal and other general merchandise; pet care; greeting cards; and other product lines and offerings.¹⁷ Approximately 21.3% of all store sales at CVS and 30% at Rite Aid comprise these front store sales.¹⁸ Many of these product types are the same as the non-perishable items one can purchase at Grocery Outlet, or even the primary market area full-service grocery stores, including beverages, chips, ground coffee, candy, paper products, cleaning supplies, etc. The product range is not as wide as is available at the grocery stores, but there are clearly opportunities for product overlap. The nature of the shopping experience at CVS and Rite Aid, however, is qualitatively different than the shopping experience at Grocery Outlet or even the full-service grocery stores, with a primary focus on personal care and with many shopping visits to CVS and Rite Aid likely driven by pharmacy pickups and resulting other in-store purchases comprising ancillary convenience purchases. In this manner, the goods purchased may be competitive with Grocery Outlet, but the shopping experience is not.

Dollar Tree is a discount general merchandise retailer offering a broad selection of merchandise, including consumables, variety, and seasonal products. The store merchandise includes 57% - 59% of merchandise purchased domestically and 41% - 43% imported from outside the United States. The retailer’s domestic purchases include basic, home, closeouts, and promotional merchandise. Dollar Tree believes that its mix of imported and domestic merchandise provides buyers with flexibility, and allows the chain to consistently exceed customers’ expectations. Starting in 2022, the chain’s pricing strategy increased the price point on a majority of its formerly \$1.00 merchandise to a new \$1.25 price point. Dollar Tree’s reasoning for this strategy was to enable the chain to introduce new products and expand its merchandise assortment while maintaining value for its customers. The chain continues to implement another initiative that provides customers with value in discretionary categories priced at the \$3 and \$5 price points.¹⁹

Dollar Tree categorizes store sales into three major merchandising categories – consumables, variety, and seasonal. The percentage of store sales occurring across these categories, and the type of merchandise represented, is summarized in Table 5.

The consumables category of goods at Dollar Tree is likely to be the category of goods most competitive with Grocery Outlet, but overlap will likely occur among all Dollar Tree categories. The same price comparison exercise conducted between the primary market area’s full-service grocery stores was also conducted with Dollar Tree. The result indicated limited exact product comparison, although many types of goods are similar between Dollar Tree and the primary market area’s full-

¹⁷ This information is from Form 10-K for The Fiscal Year ended December 31, 2021, for CVS Health Corporation, Exhibit 10.52, and from Form 10-K for The Fiscal Year Ended February 26, 2022, for Rite Aid Corporation, page 5.

¹⁸ The figure for CVS was derived from analysis of figures in the CVS 2021 Form 10-K, page 81 and the figure for Rite Aid can be found on page 5 of the Rite Aid Form 10-K for The Fiscal Year Ended February 26, 2022.

¹⁹ See Dollar Tree, Inc., Form 10-K, For the fiscal year ended January 29, 2022, pages 7 and 8 for most of the information in this paragraph.

service grocery stores. Where some identical products were identified, especially among canned products, the prices at Dollar Tree were substantially lower than those at the full-service grocery stores (in some cases as much as 30% lower).

Table 5. Dollar Tree Merchandise Categories, 2022

Category	Percent of Sales	Average Store Sales	Type of Merchandise
Consumables	45.5%	\$785,821	Everyday consumables such as household paper and chemicals, food, candy, health and personal care products, frozen and refrigerated food
Variety	48.8%	\$842,823	Toys, durable housewares, gifts, stationery, party goods, greeting cards, softlines, arts and crafts supplies, and other items
Seasonal	5.7%	\$98,449	Christmas, Easter, Halloween, and Valentine's Day merchandise, among others
Total	100%	\$1,727,093	

Sources: Dollar Tree, Inc., Form 10-K, For the fiscal year ended January 29, 2022, pages 8, 30, 33, and 66; and ALH Urban & Regional Economics.

The main distinction with Dollar Tree is that the store is classified as a general merchandise store, and as such does not sell any substantial fresh food products, such as fruits and vegetables, meat, seafood, or much dairy and cheese. The store sells some perishable products, but they are a very small portion of all store products and associated sales. However, Dollar Tree does sell many shelf-stable canned and jarred products, numerous snack products, and household goods that overlap with Grocery Outlet products, also with a discount orientation. Therefore, Grocery Outlet will likely be most competitive with Dollar Tree for non-perishable items.

Gas Station Convenience Stores. There are seven other stores in various locations in the primary market area that also sell food and related products that will overlap with Grocery Outlet. These are all convenience stores located at gas stations, with six in Fort Bragg and one much further south in Little River. The six stores in Fort Bragg are located within 0.2 to 1.6 miles of the proposed Grocery Outlet store location (three are located 0.2 miles away), with the seventh located 11.8 miles south in the small Little River community. All of these locations are oriented towards convenience purchases, and for the sake of their sales, would likely be classified along with gasoline sales, as that is typically how the State of California classifies their sales. All or most of the stores sell chips, candy, beverages, cigarettes, drinks (including alcoholic), car supplies, and then each sell a different mix of other convenience goods, many of which are typically found at a Grocery Outlet, such as dairy products, first aid supplies, and meats. But some of the stores also are somewhat distinct from Grocery Outlet in some of their offerings, such as prepared sandwiches, phone cards, hot food items, soda machines, telephone accessories, and hard liquor. All of these stores are relatively small in size.

Despite the overlap in some store sales products, as well as the close proximity of three of the stores to the Grocery Outlet site, the Grocery Outlet store is not anticipated to be significantly competitive with these gas station convenience stores. The nature of these stores is just as their ascribed label indicates, “convenience,” with most purchases tied to a gasoline purchase, or a quick in and out purchase of a convenience nature. Someone purchasing gas and also interested in a snack is not likely to make two stops when one will suffice. Further, because of their small size, easy accessibility, and location on major thoroughfares, these stores likely attract customers seeking convenience purchases even absent a gasoline purchase. The introduction of a Grocery Outlet store into the mix of retailers in the primary market area is unlikely to disrupt this shopping pattern.

Competitive Summary of Existing Stores. In summary, the existing primary market area stores that are anticipated to have more food and related sales overlap with Grocery Outlet relative to other primary market area stores include the four full-service grocery stores and 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.

Primary Market Area Commercial Retail Vacancies

There are a range of commercial retail building or retail space vacancies scattered throughout the primary market area. These vacancies were identified by ALH Economics reconnaissance field work in mid-November 2022. 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. A selection of these vacancies are listed in Exhibit 8, including address, former use if identifiable, length of most recent vacancy, and select comments on the property or information on market interest. The properties are listed in Exhibit 8 by address, as they are located on 6 specific streets or shopping centers. The street numbering system in Fort Bragg is not always well identified, so some of the vacancies referenced in Exhibit 8 are noted more by location on a street block, rather than specifically by address.

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, exhibited classic signs of urban decay, such as graffiti, boarded up doors or windows, broken windows, or excessive trash. Many of the identified vacancies have been vacant since prior to the COVID-19 pandemic, or even earlier. In addition, 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 number of vacancies and length of time many of them have been available indicates that Fort Bragg experiences relatively low demand for retail space. Yet, it is not a no demand market, as several of the identified vacancies are being renovated by new tenants, who will bring new concepts to Downtown Fort Bragg, such as community uses at 310 North Franklin Street and a beer manufacturer at 362 North Franklin Street. Both of these spaces had previously been vacant since at least 2019, before the pandemic. The comments section of Exhibit 8 also identifies other recent retail leasing activity in Fort Bragg, including some relatively quick instances of retail backfilling. For example, the Sherwood Company (a gift shop), now located at 350 North Main Street, relocated there in April 2022 from a shop location at 142 East Laurel Street. Shortly after that space became vacant a new

tenant moved in, Sip Wine Bar. Another recent leasing transaction involving short-term vacancy was space at 141 Boatyard Drive in The Boatyard Shopping Center. This space was occupied by Oasis Express (a beauty store and boutique) until spring 2022. Shortly thereafter, one-half the space was reoccupied by a Subway shop. While one-half of the space remains vacant, this backfilling example and others demonstrate that there is some new tenant interest in Fort Bragg. Other prospective new tenants are anticipated soon, such as a prospective office user in a portion of The Boatyard Shopping Center that trends more toward office space than retail space, with the office user likely taking over 4,000 square feet vacant for about 4-5 years previously occupied by a medical call center. Other property owners report interest in other vacant space, but by users seeking to develop uses not entirely compatible with the available space, such as coffee shops in space not equipped for commercial food preparation or thrift stores in Downtown Fort Bragg.

This review of representative commercial vacancies in Fort Bragg indicates the presence of retail leasing activity in the commercial retail market, although the pandemic impacted the retail market, which was already experiencing some constrained demand for retail space. There appear to be some properties with unmotivated owners, as evidenced by the lack of visible marketing efforts on many of the existing vacancies, including ones that have remained vacant for the longest periods of time. Yet despite this, on the whole, properties are generally well-maintained. During reconnaissance fieldwork ALH Economics saw no visible signs of graffiti on any of the vacant properties or other characteristics of urban decay.

GROCERY OUTLET STORE SALES IMPACTS

The earlier review of existing stores indicated that Grocery Outlet is likely to have a limited amount of product overlap with some (but not all) area grocery stores as well as other stores with food and beverage sales, but not much with the area natural food stores, convenience stores, or gas station convenience stores. The stores identified as “other stores with substantial food and beverage sales” are almost all classified by the State of California’s Department of Tax and Fee Administration differently than Grocery Outlet, with the pharmacy/drug stores classified in the Other Retail category and the Dollar Tree classified in the General Merchandise category. In addition, many Grocery Outlet sale items are also likely to be classified as Home Furnishings & Appliances, as the store often sells items such as sheets, towels, and kitchen wares, and all these fit in that retail category. While Grocery Outlet may compete with existing stores in Fort Bragg and its environs, such as the ones reviewed earlier, it may also compete with stores located outside this area, especially if it attracts sales leaking from its market area to the next nearest Grocery Outlet store in Willits, as suggested by information provided by Grocery Outlet cited earlier as well as examination of the Yelp reviews for this store. As a corporation, Grocery Outlet does not have the ability to identify the volume of sales generated at this or other Grocery Outlet stores (like Ukiah) from within the market area. However, it is clear that such sales do occur and will likely be shifted to Fort Bragg if the proposed store is successfully developed there.

The proposed Grocery Outlet store is projected to achieve approximately \$6.5 million in annual store sales. Pursuant to the distribution of sales between perishable and nonperishable goods, this sales estimate is further broken down into an estimated \$2.3 million in perishable goods sales (e.g., Food & Beverage sales) and approximately \$4.2 million in nonperishable goods. Not all these sales are anticipated to be generated by the primary market area residents. As noted earlier, a portion of food and beverage sales in Mendocino County are generated by tourists. In 2021, this amount was

estimated as 5% of all category sales; the percentage was slightly higher at 6% pre-pandemic (see Table 4). Given the high amount of attraction in the food and beverage category in the primary market area (60% of all sales), yet additional demand clearly originates from outside the primary market area, including in addition to tourists. To be conservative, analysis in Table 6 shows the amount of Grocery Outlet store sales estimated to be generated from within the primary market area assuming that only 10% of sales are generated from outside the area, i.e., 90% generated by the primary market area. Thus, \$5.85 million in Grocery Outlet store sales are estimated to be generated from within the primary market area, with \$2.0 million in perishable goods and \$3.8 million in non-perishable goods.

Table 6. Primary Market Area (PMA) Share of Store Sales, 2022 Dollars

Store Sales Category	Total	Generated by PMA (1)
Total Store Sales	\$6,500,000	\$5,850,000
Perishable Goods	\$2,252,509	\$2,027,258
Produce	\$868,825	\$781,943
Meat and Seafood	\$386,144	\$347,530
All Other (Dairy, Deli, Floral)	\$997,540	\$897,786
Non-perishable	\$4,247,491	\$3,822,742

Sources: "Form 10-K, Grocery Outlet Holding Corp., For the fiscal year ended January 1, 2022," Grocery Outlet Holding Corporation, pages 48, 50, and 71; Grocery Outlet; and ALH Urban & Regional Economics.

(1) Assumes as much as 90% of Grocery Outlet store sales are generated by primary market area residents. The balance of sales (i.e., demand) is assumed to originate from tourists and other consumers originating from outside the primary market area.

As shown in Table 7, and based upon the total \$2.0 million in perishable (e.g., food and beverage) store sales estimated to be generated by primary market area residents, the proposed Fort Bragg Grocery Outlet store will need to capture only a small, 2.1% of primary market area food and beverage sales to achieve stabilized sales consistent with national Grocery Outlet store performance standards. The capture rate for non-perishable primary market area sales increases to 12.0% across the three non-perishable sales categories. However, all three of these 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.

Table 7. Fort Bragg Primary Market Area (PMA) Sales and Leakage in Key Sales Categories (2021) and Grocery Outlet Estimated Sales (2022)

Type of Store	Fort Bragg PMA Sales (1)	Existing PMA Leakage (2)	Grocery Outlet PMA Sales (3)	PMA Sales Capture Rate	Impact on Existing Sales	
					Amount	Percent of Sales
Food & Beverage Stores	\$95,192,763 (2)	\$0	\$2,027,258 (4)	2.1%	\$2,027,258	2.1%
General Merchandise Stores	\$2,994,020	(\$24,870,385)				
Home Furnishings & Appliance Stores	\$3,674,860	(\$6,602,354)				
Other Retail Group	\$25,124,592	(\$14,379,262)				
Sub-total	\$31,793,471	(\$45,852,002)	\$3,822,742	12.0%	\$0 (5)	0.0%

Sources: Exhibit 3; Exhibit 4; and Table 1.

(1) Unless otherwise noted, see Exhibit 3.

(2) See Exhibit 4.

(3) See Table 6.

(4) Corresponds to Perishable Goods in Table 6.

(5) There is retail leakage in all these sales categories in the primary market area (PMA). Therefore, the Grocery Outlet sales impact is 0.0%, as Grocery Outlet sales will absorb existing primary market area sales leakage.

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. These reasons include, but are not limited to, the following:

- the low, 2.1% percent of sales impact on primary market area food and beverage stores;
- the primary market area’s substantial retail sales leakage in the retail categories represented by the store’s anticipated nonperishable goods; and
- the competitive store analysis, with each store having its own individual market niche and product focus.

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.

Other stores located a similar distance from or closer to the Grocery Outlet site are also unlikely to experience any impacts sufficient to raise concerns. For example, despite potential sales merchandise overlap with the existing stores selling food items, the portion of Grocery Outlet’s sales anticipated to be most competitive with these stores includes \$2.3 million in Food & Beverage sales. The full-service grocery stores in particular sell many products not well represented at Grocery Outlet. These include expanded fresh and frozen meat offerings, fresh and frozen seafood, an ample array of fresh produce, organic produce, gluten free foods, a broader range of items such as pasta and soups, freshly prepared hot foods, floral goods, fresh bakeries, an expansive wine selection (often including high end wineries), as well as hard liquor and a broader range of beer than typically sold at Grocery Outlet. The provision of these more full-service grocery items indicates that primary market area shoppers will still need to frequent the identified full-service grocery stores to purchase important weekly food items necessary to prepare healthy meals. These product offerings will help insulate the

full-service grocery stores 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 mixes to maximize sales in products not available at Grocery Outlet yet targeted to meet the needs of their loyal customers. This will likely be the case for all of the food stores, but most especially among the two largest stores – Safeway and Harvest Market.

Similar to the full-service grocery stores, the nearby pharmacy/drug stores and convenience stores sell some mix of products comparable to Grocery Outlet, but also many products not available at Grocery Outlet. In the case of many of the convenience stores, this product distinction includes hard liquor and expanded wine and beer products not available at Grocery Outlet, as well as ethnic Hispanic food offerings.

In summary, if sales are diverted from any existing stores, 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. Moreover, the stores all have the capability to modify their offerings and product mix to better insulate their inventory against competitive impacts associated with Grocery Outlet. These stores are anticipated to weather the addition of the Grocery Outlet store to the market area by reinforcing and maximizing their existing customer awareness and loyalty through service enhancements and key merchandising strategies.

URBAN DECAY IMPACTS ANALYSIS

Definition of Urban Decay

As cited earlier, for the purpose of this analysis and in accordance with CEQA, 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 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.

Contributing Causes of Urban Decay

Before considering how the proposed Grocery Outlet 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 important to note that economic impacts do not always lead to urban decay. Indeed, urban decay is likely to be the exception and not the rule. 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, particularly where an agency uses its code enforcement powers to prevent landowners from letting their properties

deteriorate (see, e.g., *Citizens for Open Government v. City of Lodi* (2012) 205 Cal.App.4th 296, 317.) Nor is “the loss of close and convenient shopping” for some shoppers, as might occur with a competitive new retail project, an environmental impact under CEQA. (*Chico Advocates for a Responsible Economy v. City of Chico* (2019) 40 Cal.App.5th 839, 848.)

As explained in *Joshua Tree Downtown Business Alliance v. County of San Bernardino* (2016) 1 Cal.App.5th 677, 691, “the mere fact that a new store might cannibalize part of other stores' sales does not mean that urban decay would result. Common sense alone tells us nothing about the *magnitude* of this effect. The other stores might be able to continue in business. If worse came to worst and they went out of business, a more efficiently run store of the same type or a different type of store might move in. The property might be turned to an entirely different use, such as office or residential. And even if a handful of properties were to remain permanently vacant, the result would not necessarily be the kind of change to the physical environment that implicates CEQA.” (Italics added.)

In *Placerville Historic Preservation League v. Judicial Council of California* (2017) 16 Cal.App.5th 187, 197, the court added that “urban decay is a relatively extreme economic condition. In a dynamic urban environment, including that of a small city such as Placerville, change is commonplace. In the absence of larger economic forces, urban decay is not the ordinary result. On the contrary, businesses and other activities come and go for reasons of their own, without necessarily affecting the overall health of the economy.”

Based on the preceding descriptions regarding urban decay, therefore, ALH Economics’ analysis examined whether there was sufficient market demand to support the proposed Grocery Outlet without affecting existing retailers so severely such as to lead to a downward spiral toward decay of the commercial real estate market.

Grocery Outlet Potential to Cause Urban Decay

In Fort Bragg, the commercial retail properties are on the whole moderately to well-maintained, despite some being vacant for relatively longer periods of time. This is especially the case given the age of many of the older vacancies. Recent leasing activity is present in the market, while other properties have remained vacant for a number of years. As stated earlier, the properties with unmotivated owners appear to be among the properties that have remained vacant for the longest periods of time. Yet even these properties generally appear well-maintained, with only one vacant property in Fort Bragg observed during fieldwork by ALH Economics to be characterized by a more run-down, cosmetic appearance. However, this appearance is not characteristic of urban decay.

The study analysis 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, ALH Economics concludes that there is no reason to consider that development of the proposed Grocery Outlet store would cause or contribute to urban decay.

CLOSING

ALH Urban & Regional Economics was pleased to prepare these findings pertinent to the proposed Grocery Outlet store in Fort Bragg, California. Please let us know if you have any comments or questions on the analysis.

Sincerely,

ALH Urban & Regional Economics



Amy L. Herman
Principal

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
REPORT EXHIBITS**

Exhibit 1
State of California Taxable Retail Sales Estimate by Retail Category
2021

Type of Retailer	Total Taxable Sales (1)	State of California Taxable Sales Adjusted to Total Retail	Percent of Total
Motor Vehicle & Parts Dealers	\$106,686,237,970	\$106,686,237,970	14.9%
Home Furnishings & Appliances	\$35,608,291,679	\$35,608,291,679	5.0%
Building Materials & Garden Equipment	\$50,775,894,055	\$50,775,894,055	7.1%
Food & Beverage Stores	\$33,308,785,191	\$111,029,283,970 (2)	15.5%
Gasoline Stations	\$56,231,375,008	\$56,231,375,008	7.8%
Clothing & Clothing Accessories	\$47,599,716,027	\$47,599,716,027	6.6%
General Merchandise Stores	\$66,201,633,381	\$88,268,844,508 (3)	12.3%
Food Services & Drinking Places	\$87,700,329,269	\$87,700,329,269	12.2%
Other Retail Group	\$114,691,196,514	\$132,724,543,754 (4)	18.5%
Total (5)	\$598,803,459,094	\$716,624,516,240	100%

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 1. Taxable Sales in California, By Type of Business, 2021"; U.S. Economic Census, "Retail Trade: Summary Statistics for the U.S., States, and Selected Geographies: 2017"; and ALH Urban & Regional Economics.

- (1) Taxable sales are pursuant to reporting by the State of California Department of Tax and Fee Administration (CDTFA).
- (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 sales, since some General Merchandise Store sales include non-taxable items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery, pharmacy, and other non-taxable items. This estimate is based on analysis of the 2017 U.S. Economic Census findings for General Merchandise stores in California.
- (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 former California BOE and examination of U.S. Census data. In California, drug store sales in 2019 represented approximately 7.74% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for
- (5) Totals may not add up due to rounding.

Exhibit 2
Household Income Spent on Retail (1)
United States
2021

Characteristic	All Consumer Units	Household Income Range									
		\$15,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 to \$99,999	\$100,000 to \$149,999	\$150,000 to \$199,999	\$200,000 and more		
Average HH Income	\$87,432	\$22,355	\$34,780	\$44,683	\$59,210	\$83,658	\$121,162	\$171,570	\$316,328		
Amount Spent on Retail (2)	\$25,348	\$13,540	\$18,071	\$19,752	\$22,313	\$26,814	\$32,175	\$39,269	\$52,967		
Percent Spent on Retail (3)	29%	61%	52%	44%	38%	32%	27%	23%	17%		

Sources: Table 1203. Income before taxes: Annual expenditure means, shares, standard errors, and coefficient of variation, Consumer Expenditure Survey, 2021, U.S. Bureau of Labor Statistics; and ALH Urban & Regional Economics.

(1) Includes retail categories estimated to be equivalent to the retail sales categories compiled by the State of California, Department of Tax and Fee Administration.

(2) Includes the Consumer Expenditures categories of: food; alcoholic beverages; laundry and cleaning supplies; other household products; household furnishings and equipment; apparel and services; vehicle purchases, gasoline and motor oil; 1/2 of maintenance and repairs (as a proxy for taxable parts); drugs; medical supplies; audio and visual equipment and services; pets, toys, hobbies, and playground equipment; personal care products and services; reading; and tobacco products and smoking supplies.

(3) Percentages may be low as some expenditure categories may be conservatively undercounted by ALH Urban & Regional Economics.

**Exhibit 3
Fort Bragg Taxable Sales Estimate (1)
2021**

Type of Retailer	Total Taxable Sales City of Fort Bragg	Fort Bragg Taxable Sales Adjusted to Total Retail
Motor Vehicles & Parts Dealers	\$10,636,661	\$10,636,661
Home Furnishings & Appliance Stores	\$3,674,860	\$3,674,860
Building Materials & Garden Equip .	\$29,915,383	\$29,915,383
Food & Beverage Stores	\$25,617,829	\$85,392,763 (2)
Gasoline Stations	\$21,605,340	\$21,605,340
Clothing & Clothing Accessories Stores	\$5,736,599	\$5,736,599
General Merchandise Stores	\$2,245,515	\$2,994,020 (3)
Food Services & Drinking Places	\$27,983,717	\$27,983,717
Other Retail Group	\$21,710,901	\$25,124,592 (4)
Total (5)	\$149,126,805	\$213,063,935
Percent Taxable	70%	

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 1. Taxable Sales in California, By Type of Business, 2021"; U.S. Economic Census, "Retail Trade: Summary Statistics for the U.S., States, and Selected Geographies: 2017"; and ALH Urban & Regional Economics.

- (1) Taxable sales are pursuant to reporting by the State of California Department of Tax and Fee Administration (CDTFA).
- (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 sales, since some General Merchandise Store sales include non-taxable items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery, pharmacy, and other non-taxable items. This estimate is based on analysis of the 2017 U.S. Economic Census findings for General Merchandise stores in California.
- (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 former California BOE and examination of U.S. Census data. In California, drug store sales in 2019 represented approximately 7.74% 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 4
Primary Market Area (PMA)
Retail Demand, Sales Attraction, and Spending Analysis (1)
2021

Type of Retailer	Primary Market Area (PMA) Household Spending				Retail Sales	
	Per HH Spending (2)	PMA HH Spending (3)	E-Commerce (4) Percent	Remaining Brick & Demand (5)	PMA Sales (6)	Attraction/(Leakage) Amount Percent
Motor Vehicles & Parts Dealers	\$4,024	\$38,489,536	5.0%	\$36,565,060	\$10,636,661	(\$25,928,399) -67%
Home Furnishings & Appliance Stores	\$1,343	\$12,846,518	20.0%	\$10,277,214	\$3,674,860	(\$6,602,354) -51%
Building Materials & Garden Equip (7)	\$1,915	\$18,318,582	10.0%	\$16,486,724	\$29,915,383	\$13,428,659 45%
Food & Beverage Stores	\$4,188	\$40,056,391	4.0%	\$38,454,135	\$95,192,763 (8)	\$56,738,628 60%
Gasoline Stations	\$2,121	\$20,286,774	0.0%	\$20,286,774	\$21,605,340	\$1,318,566 6%
Clothing & Clothing Accessories Stores	\$1,795	\$17,172,702	15.0%	\$14,596,797	\$5,736,599	(\$8,860,198) -52%
General Merchandise Stores	\$3,329	\$31,845,034	12.5%	\$27,864,405	\$2,994,020	(\$24,870,385) -78%
Food Services & Drinking Places	\$3,308	\$31,639,929	0.0%	\$31,639,929	\$27,983,717	(\$3,656,212) -12%
Other Retail Group (9)	\$5,006	\$47,883,459	17.5%	\$39,503,854	\$25,124,592	(\$14,379,262) -30%
Total	\$27,030	\$258,538,926	8.8% (10)	\$235,674,892	\$222,863,935	(\$12,810,957) -5%

Sources: Claritas, Demographic Quick Facts, Primary Market Area, generation date December 21, 2022; "Bagged or Boxed: The Future of 13 Retail Categories," 2017, page 11, Jones Lang LaSalle; "Table 3. Supplemental Estimated Quarterly U.S. Retail Trade Sales (Not Adjusted, millions of dollars) - Total and E-commerce," Retail Indicators Branch, U.S. Census Bureau, February 19, 2021; "U.S. Retail Market Outlook," March 2021, page 7, Cushman & Wakefield; and ALH Urban & Regional Economics.

- (1) All figures are expressed in 2021 dollars.
- (2) The per household spending estimates for the primary market area were generated by ALH Urban & Regional Economics by taking the estimated average 2021 area household income figure of \$84,331 for 2021 estimated by Claritas and multiplying by 32%, utilizing the assumption that 32% of household income is spent on BOE type retail at this average income level. See Exhibit 2. This figure was then multiplied by the percentages calculated from the ratio of the CDTFA sales for the State of California. See (3) Represents per household spending multiplied by the respective household count (e.g., occupied housing units) for the primary market area of 9,565.
- (4) ALH Urban & Regional Economics developed these percentage estimates after reviewing and analyzing many retail-related resource materials with information about the share of consumer retail sales captured by the internet around 2019 and thereafter. The sources included estimates by retail category, many of which coincided exactly with the CDTFA retail categories and many of which were for more specific categories that ALH Urban & Regional Economics then aggregated for analytical purposes. The resources used for this analysis comprised the source materials referenced in the exhibit Sources prepared by Jones Lang LaSalle, the U.S. Census Bureau, Cushman & (5) Comprises the balance of household demand anticipated to be expressed for brick and mortar stores, after deducting the percent of demand assumed to be satisfied by internet sales.
- (6) See Exhibit 3.
- (7) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.
- (8) Food & Beverage sales are increased by estimated sales for two food stores in Mendocino - Harvest at Mendosa's and Corners of the Mouth. Based on a foodchainmagazine.com article (for Harvest Market) and examination of Google Map images, the stores are estimated to comprise 15,000 and 2,000 square feet of total space, respectively. Based on industry standards, store sales are estimated at \$600 and \$400 per square foot, respectively. This results in an increment of \$9.8 million in (9) Per the State of California Department of Tax and Fee Administration the Other Retail Group includes drug stores, florists, and stores primarily selling health and personal care products, pet supplies, gifts, art goods and novelties, sporting goods, musical instruments, stationary and books, office and school supplies, and second-hand merchandise as well as miscellaneous other retail stores.
- (10) Weighted average totals.

**Exhibit 5
Mendocino County Taxable Sales Estimate (1)
2021**

Type of Retailer	Total Taxable Sales Mendocino County	Mendocino County Taxable Sales Adjusted to Total Retail
Motor Vehicles & Parts Dealers	\$235,458,962	\$235,458,962
Home Furnishings & Appliance Stores	\$35,494,331	\$35,494,331
Building Materials & Garden Equip.	\$242,423,635	\$242,423,635
Food & Beverage Stores	\$135,894,967	\$452,983,223 (2)
Gasoline Stations	\$233,846,971	\$233,846,971
Clothing & Clothing Accessories Stores	\$53,287,568	\$53,287,568
General Merchandise Stores	\$183,024,648	\$244,032,864 (3)
Food Services & Drinking Places	\$158,465,077	\$158,465,077
Other Retail Group	\$262,939,669	\$304,282,706 (4)
Total (5)	\$1,540,835,828	\$1,960,275,337

Percent Taxable

79%

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 1. Taxable Sales in California, By Type of Business, 2021"; U.S. Economic Census, "Retail Trade: Summary Statistics for the U.S., States, and Selected Geographies: 2017"; and ALH Urban & Regional Economics.

- (1) Taxable sales are pursuant to reporting by the State of California Department of Tax and Fee Administration (CDTFA).
- (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 sales, since some General Merchandise Store sales include non-taxable items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery, pharmacy, and other non-taxable items. This estimate is based on analysis of the 2017 U.S. Economic Census findings for General Merchandise stores in California.
- (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 former California BOE and examination of U.S. Census data. In California, drug store sales in 2019 represented approximately 7.74% 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 6
Mendocino County
Retail Demand, Sales Attraction, and Spending Analysis (1)
2021

Type of Retailer	Mendocino County Household Spending				Mendocino County Sales (6)	Retail Sales Attraction/(Leakage)	
	Per HH Spending (2)	Mendocino County HH Spending (3)	E-Commerce (4) Percent	Remaining Brick & Demand (5)		Amount	Percent
Motor Vehicles & Parts Dealers	\$4,016	\$140,767,633	5.0%	\$133,729,251	\$235,458,962	\$101,729,711	43%
Home Furnishings & Appliance Stores	\$1,340	\$46,983,519	20.0%	\$37,586,815	\$35,494,331	(\$2,092,484)	-4%
Building Materials & Garden Equip (7)	\$1,911	\$66,996,480	10.0%	\$60,296,832	\$242,423,635	\$182,126,803	75%
Food & Beverage Stores	\$4,180	\$146,498,084	4.0%	\$140,638,161	\$452,983,223	\$312,345,063	69%
Gasoline Stations	\$2,117	\$74,194,739	0.0%	\$74,194,739	\$233,846,971	\$159,652,232	68%
Clothing & Clothing Accessories Stores	\$1,792	\$62,805,658	15.0%	\$53,384,809	\$53,287,568	(\$97,241)	0%
General Merchandise Stores	\$3,323	\$116,466,721	12.5%	\$101,908,381	\$244,032,864	\$142,124,483	58%
Food Services & Drinking Places	\$3,301	\$115,716,591	0.0%	\$115,716,591	\$158,465,077	\$42,748,486	27%
Other Retail Group (8)	\$4,996	\$175,123,992	17.5%	\$144,477,293	\$304,282,706	\$159,805,413	53%
Total	\$26,977	\$945,553,416	8.8% (9)	\$861,932,872	\$1,960,275,337	\$1,098,342,465	56%

Sources: Claritas, Demographic Quick Facts, Primary Market Area, generation date December 21, 2022, "Bagged or Boxed: The Future of 13 Retail Categories," 2017, page 11, Jones Lang LaSalle; "Table 3. Supplemental Estimated Quarterly U.S. Retail Trade Sales (Not Adjusted, millions of dollars) - Total and E-commerce," Retail Indicators Branch, U.S. Census Bureau, February 19, 2021; "U.S. Retail Market Outlook," March 2021, page 7, Cushman & Wakefield; and ALH Urban & Regional Economics.

- (1) All figures are expressed in 2021 dollars.
- (2) The per household spending estimates for Mendocino County were generated by ALH Urban & Regional Economics by taking the estimated average 2021 area household income figure of \$84,165 for 2021 estimated by Claritas and multiplying by 32%, utilizing the assumption that 32% of household income is spent on BOE type retail at this average income level. See Exhibit 2. This figure was then multiplied by the percentages calculated from the ratio of the CDTFA sales for the State of California. See Exhibit 1.
- (3) Represents per household spending multiplied by the respective household count (e.g., occupied housing units) for Mendocino County of 35,051.
- (4) ALH Urban & Regional Economics developed these percentage estimates after reviewing and analyzing many retail-related resource materials with information about the share of consumer retail sales captured by the internet around 2019 and thereafter. The sources included estimates by retail category, many of which coincided exactly with the CDTFA retail categories and many of which were for more specific categories that ALH Urban & Regional Economics then aggregated for analytical purposes. The resources used for this analysis comprised the source materials referenced in the exhibit Sources prepared by Jones Lang LaSalle, the U.S. Census Bureau, Cushman & Wakefield, and
- (5) Comprises the balance of household demand anticipated to be expressed for brick and mortar stores, after deducting the percent of demand assumed to be satisfied by internet sales.
- (6) See Exhibit 5.
- (7) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.
- (8) Per the State of California Department of Tax and Fee Administration the Other Retail Group includes drug stores, florists, and stores primarily selling health and personal care products, pet supplies, gifts, art goods and novelties, sporting goods, musical instruments, stationary and books, office and school supplies, and second-hand merchandise as well as miscellaneous other retail stores.
- (9) Weighted average totals.

**Exhibit 7
Fort Bragg Primary Market Area
Stores Selling Groceries and Other Food Items
November 2022 (1)**

Store Type and Name	Type of Accompanying Structure	Address	City/Area	Miles from GO Site (2)	Type of Store/Comments (3)
Grocery Stores					
Purity Supermarket	Downtown Fort Bragg	242 N. Franklin	Fort Bragg	1.2	Basic, full service grocery store (11,000 sq. ft.)
Safeway	Stand Alone Store	660 S. Main Street	Fort Bragg	0.4	Full service grocery store with pharmacy (47,000 sq. ft.)
Harvest Market	The Boatyard Shopping Center	171 Boatyard Drive	Fort Bragg	0.9	High-end, full service grocery store (40,000 sq. ft.)
Harvest at Mendosa's	Stand Alone Store	10501 Lansing Street	Mendocino	9.0	Not quite as high end as the Fort Bragg store, more focused on natural and organic items (11,000 sq. ft.) (3)
Natural Food Stores					
I Down Home Foods	Downtown Fort Bragg	115 S. Franklin	Fort Bragg	0.8	Natural food grocery store, inc. fresh fruits & vegetables
Corners of the Mouth	In converted church	45051 Ukiah Street	Mendocino	9.2	Natural food grocery store, many supplements, estimated size 2,000 square feet (3)
Convenience Stores					
Cleone Grocery	Stand Alone Store	24400 North Highway 1	Cleone	4.7	Small market with basic food and other supplies
El Yuca	Downtown Fort Bragg	242 N. McPherson St.	Fort Bragg	1.9	Strong Hispanic focus, inc. fresh fruits, vegetables, and household goods
Nello's Market & Deli	Stand Alone Store	860 N. Main Street	Fort Bragg	1.6	Sparsely stocked basic market with alcohol, prepared hot foods, fresh coffee
New B&C Grocery	Edge of Downtown	401 E. Oak Street	Fort Bragg	1.0	Mostly sandwiches, closed weekends
La Mexicana Market	In a small strip-type center	116 S. Main Street	Fort Bragg	0.9	Strong Hispanic focus, inc. fresh fruits, vegetables, and household goods - connected to clothing store
Other Stores with Substantial Food and Beverage Sales					
Roundman's Smoke House and Butcher Shop	Downtown Fort Bragg	412 N. Main Street	Fort Bragg	1.4	Butcher shop with fresh and packaged meats, cooking and baking supplies, boxed pasta, sauces, and
CVS	Stand Alone Store, adjacent to downtown	150 S. Main Street	Fort Bragg	0.8	Drug store with food items, inc. frozen prepared foods
Rite Aid	Stand Alone Store	490 S. Main Street	Fort Bragg	0.5	Drug store with food items, pharm closed weekends
I Dollar Tree	The Boatyard Shopping Center	189 Boatyard Drive	Fort Bragg	0.9	General merchandise store with many food items (8,000 - 10,000 sq. ft.)
Gas Station Convenience Stores					
1 Dino Mart	Sinclair Gas Station	863 N. Main Street	Fort Bragg	1.6	Connected to adjacent fast food restaurant
Red Rhino	Exxon Gas Station	710 S. Main Street	Fort Bragg	0.2	Primarily snacks, car supplies, cigarettes, phone cards
Chevron	Chevron Gas Station	810 S. Main Street	Fort Bragg	0.2	Snacks/candy, soda machine, wine section, frozen goods
Arco	Arco Gas Station	1004 S. Main Street	Fort Bragg	0.2	Snacks/candy, soda machine, beer section, frozen goods
Norcal	Norcal Gas Station	18770 CA-1	Fort Bragg	1.2	Snacks, car supplies, sundries, cigarettes, lottery machine
Food Mart	Speedway Express Gas Station	18475 CA-1	Fort Bragg	1.4	Snacks, cigarettes, drinks, coffee machine, broken cooler
I Little River Market	Gas Station	7746 N. Highway 1	Little River	11.8	Snacks, wine, cigarettes, limited food cooler offerings, some fresh fruit

Sources: Google; Google Earth; Dollar Tree, Inc. Form 10-K for The Fiscal Year Ending January 20, 2022, page 7; and ALH Urban & Regional Economics.

- (1) Stores by category listed generally from north to south.
- (2) For distance mapping purposes, 825 South Franklin Street was used as the address for Grocery Outlet.
- (3) Where listed, square foot sizes are estimated based on Google Earth calculations.

**Exhibit 8
Representative Commercial Vacancies in Fort Bragg
November 2022**

Address	Former Use(s)	Comments/Market Interest
North Franklin Street 310	Appears to have been vacant in April 2019 (per Google maps)	Extensive renovation in progress, many community use options under consideration, inc. crafts gallery, retail space, and flexible space for activities, work-shops, and classes.
312	Appears to have been an antique store	Building for sale. Exterior paint peeling.
322	Sherwood Company (Home Décor and Accessories)	Sherwood Company left this space in late 2018/early 2019. It has been vacant ever since. Sherwood Company had an interim location at 142 East Laurel Street, which they vacated in early 2022, relocating to 350 North Main Street in April 2022. The space on East Laurel Street was backfilled quickly by Sip Wine Bar in 2022.
336	Appears to have been vacant in April 2019 (per Google maps)	For sale by owner.
362	Sears Appliance Repair	Vacant since approximately 2019. Tall Man Brewing Inc., small beer manufacturer, now coming.
366	Antique store, operated by building owner	Store closed pre-pandemic. Approx. 3,000 sq. ft., vacant, building owner seeking to sell building, field inquiries often, most serious inquiry was for a bar whose operator obtained a liquor license, but investors backed out.
South Franklin Street 486	Detrick Veterinary Hospital	Veterinary practice closed, relocated out of state. Continues to own the building, but extensive modifications will be required to convert the space to traditional retail space.
South Main Street 546	Serial failed restaurants, such as Chinese, Indian, Steak House	Long-term vacancy, approximately 8-9 years. Property has limited parking.
East Laurel Street 2 vacancies on the north side of the street	Not Available	Addresses not visible, no brokerage signage.
115	Oasis Express (Beauty and Boutique)	Closed this location and consolidated at The Boatyard Shopping Center, then closed that location around summer 2022 and moved to North Franklin Street in downtown Fort Bragg. Half of the space vacated at The Boatyard Shopping Center was quickly backfilled by ***.
East Redwood Avenue 2 vacancies on the south side of the street		Addresses not visible, no brokerage signage.
The Boatyard Shopping Center (Boatyard Drive) 101A, 101 B, 101 C	Medical call center (4,000 sq. ft. total)	Space vacant for 4-5 years. Prospective interest by office user, with occupancy in 2023.
141	Oasis Express	Vacated this space spring 2022. One-half the space was leased to Subway and one-half remains vacant.
179A	Not Available (900 sq. ft.)	Space vacant approximately 2 years. Coffee shops have inquired, but the space is set up for retail, not for a user requiring a commercial kitchen.

Sources: Century 21 Fort Bragg Realty; Group II; Property owners; Google Maps; and ALH Urban & Regional Economics.

(1) Includes representative commercial building vacancies in Fort Bragg. This list is not intended to be comprehensive but illustrative of existing vacancies.

APPENDIX B

FIRM QUALIFICATIONS AND PRINCIPAL RESUME

FIRM INTRODUCTION

ALH Urban & Regional Economics (ALH Economics) is a sole proprietorship devoted to providing urban and regional economic consulting services to clients throughout California. The company was formed in June 2011. Until that time, Amy L. Herman, Principal and Owner (100%) of ALH Economics, was a Senior Managing Director with CBRE Consulting in San Francisco, a division of the real estate services firm CB Richard Ellis. CBRE Consulting was the successor firm to Sedway Group, in which Ms. Herman was a part owner, which was a well-established urban economic and real estate consulting firm acquired by CB Richard Ellis in late 1999.

ALH Economics provides a range of economic consulting services, including:

- fiscal and economic impact analysis
- CEQA-prescribed urban decay analysis
- economic studies in support of general plans, specific plans, and other long-range planning efforts
- market feasibility analysis for commercial, housing, and industrial land uses
- economic development and policy analysis
- other specialized economic analyses tailored to client needs

Since forming ALH Economics, Ms. Herman's client roster includes California cities, counties, and other public agencies; educational institutions; architectural, environmental, and other real estate-related consulting firms; commercial and residential developers; non-profits; and law firms. A select list of ALH Economics clients includes the following:

- the cities of Concord, Pleasanton, Tracy, Dublin, Inglewood, Petaluma, and Los Banos, the Office of Community Investment and Infrastructure as Successor Agency to the Redevelopment Agency of the City and County of San Francisco, Alameda County Community Development Agency, the Alameda County Fair, Bay Area Rapid Transit District, East Bay Community Energy, and The Presidio Trust;
- the University of California at Berkeley, Stanford Real Estate, The Primary School, The Claremont Colleges Services, and the University of California at Riverside;
- Environmental Science Associates (ESA), Dudek, Group 4 Architecture, Research + Planning, Inc., Paul Halajian Architects, LSA Associates, Raney Planning and Management, Inc., First Carbon Solutions - Michael Brandman Associates, and Infrastructure Management Group, Inc.;
- Catellus Development Corporation, Maximus Real Estate Partners, New West Communities, Build, Inc., Arcadia Development Co., KB Home, Howard Hughes Corporation dba Victoria Ward LLC, Blu Homes, Inc., Kimco Realty, Align Real Estate LLC, Centercal, Carvana Co., and Trammell Crow Residential;
- Costco Wholesale Corporation, One Medical, Golden State Lumber, Public Storage, Home Depot, and Lifetime Fitness;
- Gresham Savage Nolan & Tilden, PC, Remy Moose Manley, Pelosi Law Group, Sedgwick LLP, Coblenz Patch Duffy & Bass LLP

Throughout her more than 30-year career, Ms. Herman has managed real estate consulting assignments for hundreds of additional clients, including many California cities, corporations, residential, commercial, and industrial real estate developers, and Fortune 100 firms.

PRINCIPAL INTRODUCTION

Ms. Amy Herman, Principal of ALH Economics, has directed assignments for corporate, institutional, non-profit, and governmental clients in key service areas, including commercial market analysis, fiscal and economic impact analysis, economic development and redevelopment, location analysis, strategic planning, and policy analysis. During her career spanning over 30 years, Ms. Herman has supported client goals in many ways, such as to assess supportable real estate development, demonstrate public and other project benefits, to assess public policy implications, and to evaluate and maximize the value of real estate assets. In addition, her award-winning economic development work has been recognized by the American Planning Association, the California Redevelopment Association, and the League of California Cities.

Prior to forming ALH Economics, Ms. Herman worked for 20 years as an urban economist with Sedway Group and then CBRE Consulting's Land Use and Economics practice. Her prior professional work experience included 5 years in the Real Estate Consulting Group of the now defunct accounting firm Laventhol & Horwath (L&H), preceded by several years with the real estate consulting firm Land Economics Group, which was acquired by L&H. During the course of her career, Ms. Herman has established a strong professional network and client base providing access to contacts and experts across a wide spectrum of real estate and urban development resources.

Ms. Herman holds a Master of Community Planning degree from the University of Cincinnati and a Bachelor of Arts degree in urban policy studies from Syracuse University. She pursued additional post-graduate studies in the Department of City and Regional Planning at the University of California at Berkeley. A professional resume for Ms. Herman follows.