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

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

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

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

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

Outside Market Area Stores

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

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

The referenced outside market area stores include a few conventional stores, most of which are Lucky stores; numerous Safeway stores, most of which are already Lifestyle stores; the upscale Lunardi's; several niche and specialty markets including the new Sprout's store in Walnut Creek that opened in September 2012, a Whole Foods, a couple more Trader Joe's, and produce or natural foods stores; numerous discount stores such as Food Maxx, Smart and Final, Grocery Outlet, and Target with an expanded food section; a number of large and small ethnic stores serving the Latino and Asian markets in particular; and two warehouse stores, a Costco and a Sam's Club. These include the majority of the larger food stores or stores located in closest proximity to the market area. The large number and variety of existing stores support the earlier study finding regarding food store attraction in both Walnut Creek and Concord.

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

GROCERY AND FOOD STORES MOST SUSCEPTIBLE TO IMPACTS

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

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

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

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

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

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

VIII. FITNESS CENTER IMPACTS

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

AREA FITNESS CENTERS

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

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

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

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

INDUSTRY WIDE FITNESS CENTER SUPPLY AND DEMAND

The International Health, Racquet & Sportsclub Association (IHRSA) tracks U.S. consumer participation at health clubs and the number of health club facilities. They also conduct consumer surveys and ascertain estimates about health club member usage. Trend data regarding health club membership and health club counts by year is available on the IHRSA web site. This information indicates that in 2012, there were an estimated 50.2 million people who belonged to a health facility. At the time there were 30,500 health facilities. This averages to 1,657 members per facility.[13] This figure has moved around a bit in recent years, but has averaged between 1,600 and 1,700 since 2010.

MARKET AREA FITNESS CENTER DEMAND AND IMPLICATIONS

Market Area Participation

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

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

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

Project Fitness Center Implications

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

[13] http://www.ihrsa.org/about-the-industry, accessed September 21, 2013.
[14] "The IHRSA Health Club Consumer Report: 2012 Health Club Activity, Usage, Trends & Analysis," published by IHRSA, 2012, page 8.
[15] Ibid.

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

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

IX. CUMULATIVE PROJECT IMPACTS

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

IDENTIFIED RETAIL DEVELOPMENT PROJECTS

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

Market Area Projects

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

Outside Market Area Projects

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

2. ***1500 North California Boulevard.*** This small project at the corner of North California Boulevard and Bonanza Street, 3.4 miles from the Project site, is approved for development of a new 6-story mixed-use building with 18,270 square feet of retail space and 140 apartments, i.e., five stories of residential above retail. The development includes demolition of approximately 3,500 square feet of existing retail space, which comprised a bank and vacant café, for the net addition of 14,770 square feet. Project construction began in January 2013 and is expected to be operational by early 2016. The project developer is anticipating a mix of local and national retail tenants, but marketing of the space has not yet begun.

3. ***1500 Mt. Diablo Boulevard.*** This small project located at Mt. Diablo Boulevard and North Main Street 3.5 miles from the Project site will comprise development of 8,800 square feet of rentable enclosed space plus 4,000 square feet of second floor outdoor and rooftop open seating. Project plans are under review with the City of Walnut Creek. The enclosed space will include a 1,200-square-foot cafe, a 4,500-square-foot restaurant, and 3,100 square feet of general retail. The project is being developed on property that was sold by the City of Walnut Creek through a public bidding process. Project completion is anticipated by 1st quarter 2015.

4. ***Centre Place South.*** Located at Olympic Boulevard and California Boulevard 3.6 miles from the Project site, this project is under review with the City of Walnut Creek. The project will include demolition of an existing 5,050-square-foot building and construction of 23,000 square feet of retail space in two buildings. The project also includes 142 residential condominiums and a 182-stall garage. Net of the existing on-site retail the project will entail the addition of 17,950 square feet of retail to the market. The timing of this project is unknown.

5. ***Broadway Plaza Shopping Center.*** This project will involve the renovation of the existing downtown regional mall at Mount Diablo Boulevard and South Broadway and addition of up to 300,000 square feet of new retail space. This project is under review with the City of Walnut Creek. Timing of the project is unknown, including the project start, but the overall plan is anticipated to be phased over a 20-year time period. Broadway Plaza is approximately 3.6 miles from the Project site.

6. ***The Village at 1500 Newell Avenue.*** This mixed-use project is approved and is anticipated to begin construction by year-end 2013. Project-related demolition is complete, which included demolishing an 8-story office building and 1-story retail structure with 6,000 square feet. New project construction will include 37,000 square feet of retail, 49 condominium units, and a 250-stall parking garage. The net change in retail space will total 31,000 square feet. Several tenants have signed letters of intent but their identity is not being disclosed at the present time. This project is located 4.0 miles from the Project site at the corner of Newell Avenue at Main Street, and is anticipated to be completed by 1st Quarter 2015 at the latest.

Relevant Cumulative Projects

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

CUMULATIVE PROJECT SALES ESTIMATES

Cumulative Projects Sales Estimates

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

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

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

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

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

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

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

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

ALL PLANNED PROJECTS SALES ESTIMATES

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

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

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

Source: Exhibit 30.

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

PROJECT AND CUMULATIVE PROJECTS IMPACT ANALYSIS

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

Retail Category Sales Impacts

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

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

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

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

(1) Walnut Creek and Concord sales bases combined.
Sources: Exhibits 30 and 31.

The City of Walnut Creek alone is not anticipated to bear the full brunt of the Project's estimated sales impacts, with Concord retailers also likely to experience some sales diversions. This is especially the case given the likely wider area from which the Whole Foods store will draw customers. Therefore, taking the City of Concord retail sales base into account reduces the overall sales impacts based upon the existing population base to 2.9%. With Concord's sales base included in the base the food sales impact drops to 11.5% of sales.

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

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

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

Source: Exhibit 33.

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

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

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

Source: Exhibit 34.
(1) Walnut Creek and Concord sales bases combined.

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

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

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

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

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

Sources: Exhibits 33 and 34.

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

Store Closure Potential

Food Stores. The sales impact analysis indicated a projected $32.0 to $49.7 million food store sales impact resulting from development of the Project and cumulative projects. This is after consideration of new demand and absorption of an assumed 3% sales decline in the food & beverage category. This is the level of impact estimated assuming the Project and identified cumulative projects perform at the level of sales estimated for each store or project. If the Project and cumulative projects perform at lower sales levels then the impacts will be lower, but lower sales alone are unlikely to reduce the impacts to a level that will not comprise a large portion of the food store sales base. Thus, the analysis suggests that the success of the Project and cumulative projects will occur to the detriment of other food stores.

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

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

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

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

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

Square Footage Implications

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

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

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

Sources: Exhibits 33 and 34.
(1) Sensitivity analysis regarding prospective sales performance.
(2) Sales Impacts Less Surplus Demand / Sales per Square Foot.

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

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

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

X. URBAN DECAY DETERMINATION

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

STUDY DEFINITION OF URBAN DECAY

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

APPROACH TO DETERMINING URBAN DECAY POTENTIAL

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

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

THE CURRENT ENVIRONMENT

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

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

Retail Market Statistics

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

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

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

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

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

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

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

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

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

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

Representative Retail Lease Transactions

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

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

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

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

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

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

[17] The exception is the Pleasant Hill activity reflects September to September activity.

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

Representative Major Retail Vacancies

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

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

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

Retail Backfilling Examples

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

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

REGULATORY CONTROLS

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

City of Walnut Creek

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

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

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

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

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

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

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

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

City of Concord

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

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

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

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

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

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

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

[18] City of Concord, "Municipal Code," Chapter 62 Neighborhood Preservation, Sec. 62-31. Purpose."
[19] Ibid, Sec. 62-21.z.

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

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

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

City of Pleasant Hill

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

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

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

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

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

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

Summary

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

POTENTIAL FOR URBAN DECAY RESULTING FROM THE PROJECT

Contributing Causes to Urban Decay

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

Project and Cumulative Project Vacancy Impacts

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

The vacancy impacts of the Project and Project combined with the cumulative projects is presented in Table 20. This table indicates the percentage increase in the retail base vacancy rate that would occur if the maximum vacancy impacts result. The resulting retail vacancy rate is also shown for each location.

Table 20
Project and Cumulative Project Retail Vacancy Rate Impacts

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

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

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

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

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

Urban Decay Conclusion

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

> ***Current Market Conditions***: The fieldwork and market research indicated that retail market conditions are moderate to very strong in the relevant cities, with low retail vacancy rates. Retail leasing activity is occurring throughout the area and existing vacancies are well maintained. There are a few instances of long-term vacancy, but these are generally concentrated in older retail centers, and few such vacancies are more than 10,000 square feet. With scant exceptions, existing vacancies, including longer-term vacancies, are well-maintained, and are not indicative of urban decay or deterioration.
>
> ***Sales and Vacancy Impacts:*** ALH Economics anticipates that the Project and Project combined with cumulative projects sales impacts could result in closure of existing retailers. The analysis suggests that one and possibly two grocery stores could close and some additional retailers. The result could be up to about 40,000 square feet of vacant space for the Project alone and up to about 133,000 square feet resulting from the Project in combination with the cumulative projects, if all the impacts are focused in Walnut Creek. The likelihood is that the impacts will be more widely spread, and thus the vacancy impacts will be lower than these figures. Even if these amounts of vacancy result, however, the resulting increments in retail vacancy rates will be nominal to modest, with all resulting vacancy rates well within the range indicative of a healthy retail market. Moreover, the market's demonstrated retail absorption and the strong to moderately strong market conditions suggest that most vacancies that might occur as a result of Project or cumulative project impacts would likely be backfilled within a reasonable time and not be characterized by prolonged vacancy.
>
> Even if some sites experience prolonged vacancy because they might be of a size that experiences less demand or they are located in shopping centers with poor visibility or other undesirable characteristics, the prevailing conditions in the market area and environs suggest that these vacancies would be well-maintained and would not devolve into urban decay or deterioration. Moreover, it should be noted that when tenants vacate prior to lease expiration, they continue to be responsible for rent and their share of building operating expenses. While not all tenants would have the wherewithal to continue these payments, national or regional retailers are more likely to have this capability. This is an important consideration because landlords would continue to receive income on these vacated spaces through committed lease payments, which means they would have available financial resources to continue to maintain their properties.
>
> ***Regulatory Controls:*** During Project-related fieldwork conducted in September 2013, ALH Economics found there were little-to-no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes in the Project's market area or greater environs. Thus, ALH Economics concludes that existing measures to

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

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

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

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

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

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

APPENDIX A: EXHIBITS

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

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

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

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

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

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

Source: ALH Urban & Regional Economics.

(1) Retail tenants for this portion of the retail space have not yet been determined. ALH Urban & Regional Economics developed working assumptions for this space based upon professional judgment, review of the tenant mix at other Safeway-anchored shopping centers developed by Property Development Centers (PDC), and experience in the retail industry.
(2) Retail categories pursuant to the State of California Board of Equalization categories. Use of these categories facilitates analysis of prospective sales at The Orchards at Walnut Creek relative to the existing sales base.
(3) Includes retailers selling home furnishings and appliances, such as home décor, kitchenware, bedding, small and large appliances, furniture, and mattresses.
(4) Includes retailers selling a wide range of clothing, shoes, and accessories such as purses and hats.
(5) The Other Retail Group includes a range of retail goods, such as drug stores, health and personal care, gifts, art goods and novelties, sporting goods, pet supply, toy stores, florists, photographic equipment and supplies, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.
(6) Non-retail uses include bank/financial and personal services, such as hair and nail salons. The 20,000 square feet shown here comprise approximately 9% of the total project square footage (i.e., 225,000 square feet as presented in Exhibit 1).

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

	Square Feet		Sales per Square	Annual Retail Sales	
BOE Retail Category (1)	**Total (2)**	**Net (2)**	**Foot Estimates (3)**	**Total**	**Net New**
Motor Vehicle & Parts Dealers	0	0	NA	$0	$0
Home Furnishings & Appliances	20,000	20,000	$288 (4)	$5,758,568	$5,758,568
Building Materials & Garden Equipment	0	0	NA	$0	$0
Food and Beverage Stores	55,000	32,500	$760 (5)	$41,800,000	$24,700,000
Grocery Component	*50,215*	*27,715*	*$760*	*$38,163,400*	*$21,063,400*
Pharmacy Component (6)	*4,785*	*4,785*	*$760*	*$3,636,600*	*$3,636,600*
Sub-total	*55,000*	*32,500*		*$41,800,000*	*$24,700,000*
Gasoline Stations	0	0	NA	$0	$0
Clothing & Clothing Accessories Stores	20,000	20,000	$466 (7)	$9,319,948	$9,319,948
General Merchandise Stores	0	0	NA	$0	$0
Food Services & Drinking Places	25,000	25,000	$479 (8)	$11,982,417	$11,982,417
Other Retail Group	40,000	40,000	$345 (9)	$13,809,746	$13,809,746
Non-Retail Services - Personal Services	20,000	20,000	-- (10)	--	--
Non-Retail Services - Health Club	45,000	45,000	-- (10)	--	--
Total	**225,000**	**202,500**	**NA**	**$82,670,678**	**$65,570,678**

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

(1) Retail sales are analyzed pursuant to the State of California Board of Equalization classification to facilitate analysis.
(2) See Exhibits 1 and 2.
(3) See Exhibit B-2.
(4) Average sales per square foot for Domestics and Furniture, see Exhibit B-2.
(5) Average assumed sales per square foot for Safeway, based upon analysis of Nielsen Trade Dimensions store performance data for Safeway stores in Walnut Creek, Concord, and Pleasant Hill.
(6) Safeway's Form 10-K for 2012 indicates pharmacy sales in 2012 comprised 8.7% of all store sales. For analytical purposes ALH Urban & Regional Economics assumes this is also the percent of store space allocated to the pharmacy. Note, to parallel the sales trend data compiled by the State of California Board of Equalization, pharmacy sales will subsequently be grouped with "Other Retail Group" sales, as this is how the sales data collected by the BOE are grouped on a city basis.
(7) The sales per square foot estimate for the clothing & clothing accessories stores space is based on the average for apparel. See the Retail Maxim summary data in Exhibit B-2.
(8) The sales per square foot estimate for the restaurant space is based on the average sales among major national restaurant chains. See the Retail Maxim summary data in Exhibit B-2.
(9) The sales per square foot estimate for the other retail space is based on the average of other retail categories. See the Retail Maxim summary data in Exhibit B-2.
(10) Non-retail services include uses such as banks, salons, and tutoring centers. Sales generated by these uses are not reported by the State of California BOE in a manner that is conducive to comparative analysis. Given the limited area devoted to these uses the sales are anticipated to be relatively low and not highly competitive with other service providers.

Exhibit 4: Orchards at Walnut Creek Market Area

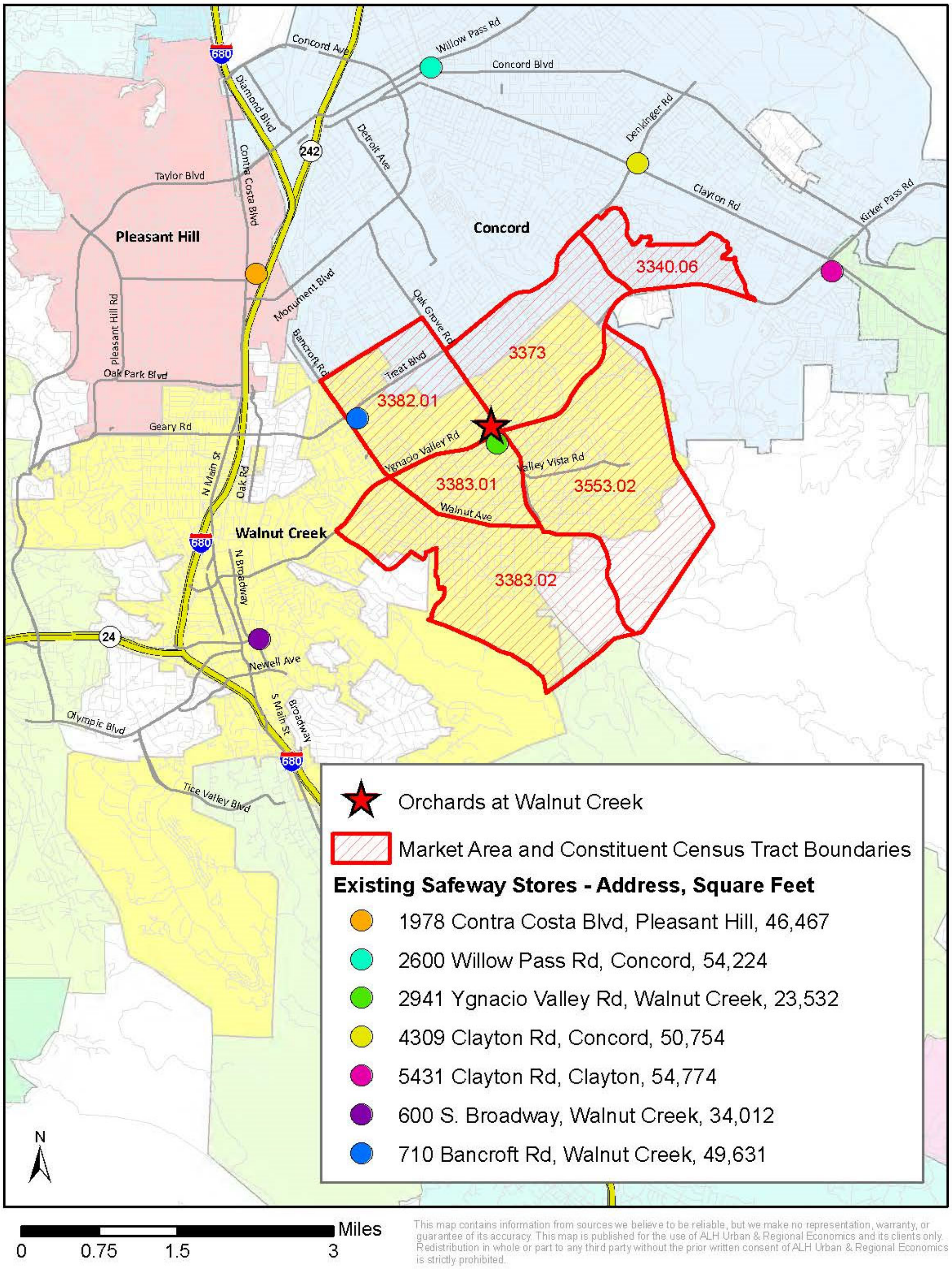


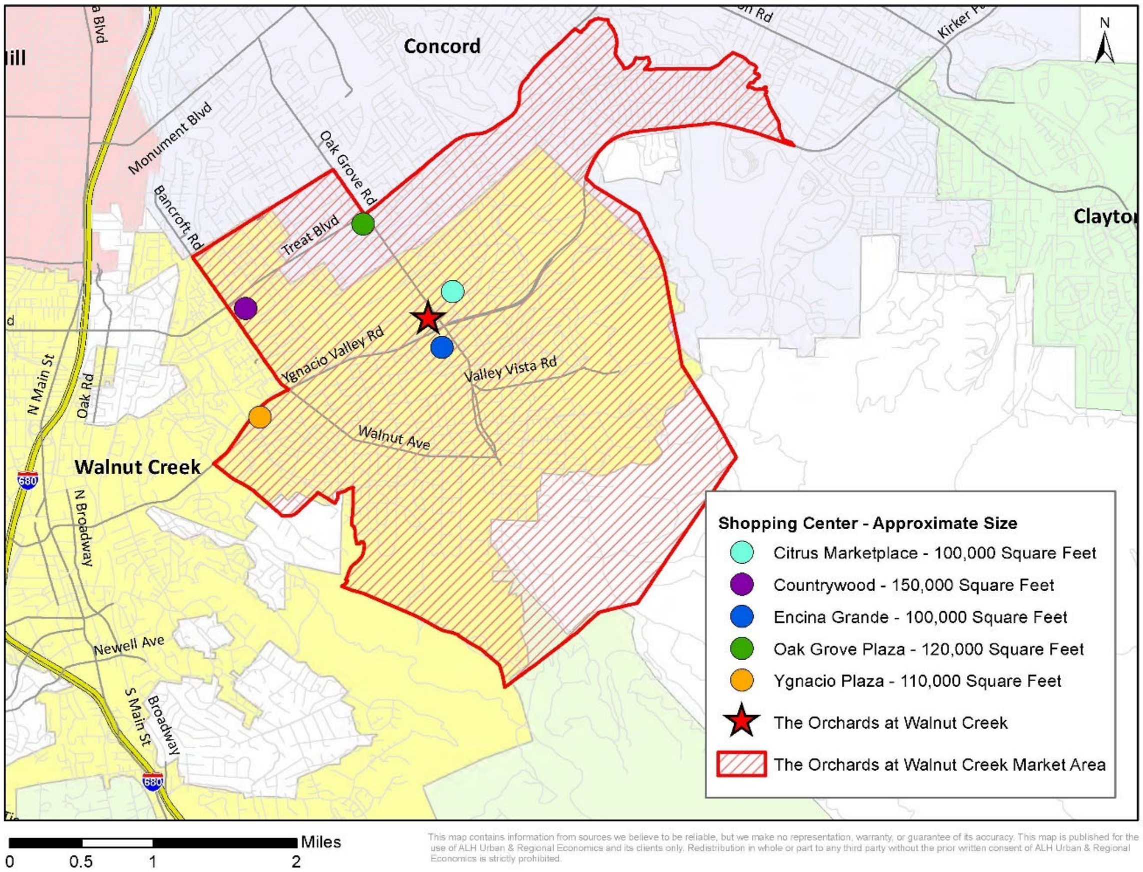
Exhibit 5
The Orchards at Walnut Creek
Share of Sales Generated by Market Area Residents
In 2013 Dollars

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

Source: ALH Urban & Regional Economics.

(1) See Exhibit 3.
(2) Assumption developed by ALH Urban & Regional Economics.
(3) Comprises share of store sales anticipated to be generated by market area households.

Exhibit 6: Orchards at Walnut Creek Market Area Shopping Centers



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

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

Demographic Characteristic	2010 (3)	2011 (4)	2012 (4)	2013 (5)	2014 (6)	2015 (6)	2016 (6)	2017 (6)	2018 (5)	Compound Annual Average Growth Rates 2010-2018
Households										
Market Area										
Census Tract 3340.06	1,688	1,704	1,721	1,737	1,751	1,766	1,780	1,795	1,810	0.88%
Census Tract 3373	2,242	2,253	2,265	2,276	2,289	2,302	2,315	2,328	2,341	0.54%
Census Tract 3382.01	1,406	1,412	1,418	1,424	1,431	1,438	1,445	1,453	1,460	0.47%
Census Tract 3383.01	1,091	1,093	1,095	1,097	1,100	1,104	1,107	1,111	1,114	0.26%
Census Tract 3383.02	2,140	2,152	2,163	2,175	2,189	2,202	2,216	2,230	2,244	0.59%
Census Tract 3553.02	1,205	1,206	1,206	1,207	1,209	1,211	1,213	1,215	1,217	0.12%
Total Market Area	**9,772**	**9,820**	**9,868**	**9,916**	**9,969**	**10,023**	**10,077**	**10,131**	**10,186**	**0.52%**
City of Walnut Creek	30,526	30,840	31,158	31,479	31,786	32,095	32,408	32,723	33,042	0.99%
City of Concord	44,352	44,707	45,065	45,426	45,782	46,141	46,503	46,868	47,235	0.79%
Population										
Market Area										
Census Tract 3340.06	4,767	4,787	4,806	4,826	4,851	4,876	4,901	4,927	4,952	0.48%
Census Tract 3373	6,098	6,118	6,137	6,157	6,184	6,211	6,238	6,266	6,293	0.39%
Census Tract 3382.01	3,790	3,800	3,811	3,821	3,836	3,851	3,866	3,882	3,897	0.35%
Census Tract 3383.01	2,922	2,925	2,928	2,931	2,938	2,945	2,952	2,959	2,966	0.19%
Census Tract 3383.02	5,807	5,853	5,899	5,946	5,993	6,040	6,088	6,136	6,185	0.79%
Census Tract 3553.02	3,484	3,482	3,481	3,479	3,483	3,487	3,490	3,494	3,498	0.05%
Total Market Area	**26,868**	**26,965**	**27,062**	**27,160**	**27,285**	**27,410**	**27,536**	**27,663**	**27,791**	**0.42%**
City of Walnut Creek	64,877	65,418	65,963	66,513	67,074	67,639	68,209	68,784	69,364	0.84%
City of Concord	122,213	122,971	123,734	124,502	125,353	126,210	127,073	127,942	128,817	0.66%

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

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

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

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

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

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

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

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

Source: ALH Urban & Regional Economics.

(1) All figures are expressed in 2013 dollars.
(2) The per household spending estimates for the market area were generated by ALH Urban & Regional Economics by taking the estimated average 2013 market area household income figure of $152,311 presented in Exhibit 8 and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail.This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.
(3) Represents per household spending multiplied by the respective household count in Exhibit 7.
(4) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.
(5) Other Retail Group includes drug stores, electronics, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, electronics, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

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

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

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

(1) The per household spending estimates for the market area were generated by ALH Urban & Regional Economics by taking the estimated average 2013 market area household income figure of $152,311 presented in Exhibit 8 and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail.This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.
(2) Represents per household spending multiplied by the respective increase in households, which is 161 between 2013 and 2016, and an additional incrase of 109 between 2016 and 2018. See Exhibit 7 for household projections.

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

Type of Retailer	Existing Demand 2013 (1)	Demand by 2016 (2)	Demand by 2018 (3)
Motor Vehicles and Parts Dealers	$46,147,637	$46,896,959	$47,404,178
Home Furnishings and Appliance Stores	$20,412,789	$20,744,242	$20,968,604
Building Materials and Garden Equip (5)	$22,565,343	$22,931,747	$23,179,768
Food and Beverage Stores	$68,123,556	$69,229,712	$69,978,473
Gasoline Stations	$47,798,259	$48,574,383	$49,099,745
Clothing and Clothing Accessories Stores	$25,626,322	$26,042,429	$26,324,094
General Merchandise Stores	$52,182,167	$53,029,474	$53,603,020
Food Services and Drinking Places	$47,405,093	$48,174,833	$48,695,873
Other Retail Group (6)	$47,317,802	$48,086,125	$48,606,206
Total	**$377,578,969**	**$383,709,904**	**$387,859,962**

Source: ALH Urban & Regional Economics.

(1) See Exhibit 9.
(2) Includes existing demand and future demand to 2016, presented in Exhibit 10.
(3) Includes existing demand and future demand to 2016 and to 2018, presented in Exhibit 10.

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

	Project Retail Sales Generated by Market Area Residents (2)		2016			2018		
			Market Area Demand	Orchards at Walnut Creek Implied 2016 Market Area Capture Rate (4)		Market Area Demand	Orchards at Walnut Creek Implied 2018 Market Area Capture Rate (4)	
Type of Retailer	Total	Net New	By 2016 (3)	Total Sales	Net New Sales	By 2018 (3)	Total Sales	Net New Sales
Motor Vehicles and Parts Dealers	$0	$0	$46,896,959	0%	0%	$47,404,178	0%	0%
Home Furnishings and Appliance Stores	$4,606,854	$4,606,854	$20,744,242	22%	22%	$20,968,604	22%	22%
Building Materials and Garden Equip	$0	$0	$22,931,747	0%	0%	$23,179,768	0%	0%
Food and Beverage Stores	$30,530,720	$16,850,720	$69,229,712	44%	24%	$69,978,473	44%	24%
Gasoline Stations	$0	$0	$48,574,383	0%	0%	$49,099,745	0%	0%
Clothing and Clothing Accessories Stores	$7,455,959	$7,455,959	$26,042,429	29%	29%	$26,324,094	28%	28%
General Merchandise Stores	$0	$0	$53,029,474	0%	0%	$53,603,020	0%	0%
Food Services and Drinking Places	$9,585,933	$9,585,933	$48,174,833	20%	20%	$48,695,873	20%	20%
Other Retail Group	$13,957,076	$13,957,076	$48,086,125	29%	29%	$48,606,206	29%	29%
Total	**$66,136,542**	**$52,456,542**	**$383,709,904**	**17%**	**14%**	**$387,859,962**	**17%**	**14%**

Source: ALH Urban & Regional Economics.

(1) This exhibit estimates what the capture rate by retail category would be for The Orchards at Walnut Creek if 80% of its sales were generated by market area households. This is presented for illustrative purposes, and is not a projection of performance.
(2) See Exhibit 5.
(3) See Exhibit 11.
(4) Comprises The Orchards at Walnut Creek estimated sales divided into the market area demand for the year cited.

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

	BOE Taxable Sales Estimate in $000s (1)					City of Walnut Creek Taxable Sales Adjusted to Total Retail
Type of Retailer	**Q3 2011** [A]	**Q4 2011** [B]	**Q1 2012** [C]	**Q2 2012** [D]	**Total Taxable Sales City of Walnut Creek** [E = A + B + C +D]	
Motor Vehicle & Parts Dealers	$91,751	$97,580	$96,932	$108,831	$395,094	$395,094
Home Furnishings & Appliances	$19,006	$22,029	$17,118	$17,234	$75,387	$75,387
Building Materials & Garden Equipment	$9,030	$9,087	$7,803	$9,263	$35,183	$35,183
Food & Beverage Stores	$18,931	$21,411	$17,020	$18,213	$75,575	$251,917 (2)
Gasoline Stations	$31,971	$31,247	$30,781	$33,336	$127,335	$127,335
Clothing & Clothing Accessories	$61,065	$77,201	$53,718	$64,452	$256,436	$256,436
General Merchandise Stores	$31,339	$46,363	$33,535	$41,424	$152,661	$190,826 (3)
Food Services & Drinking Places	$46,310	$50,415	$49,946	$51,574	$198,245	$198,245
Other Retail Group	$31,523	$36,006	$31,500	$32,236	$131,265	$183,402 (4)
Total (5)	**$340,926**	**$391,339**	**$338,353**	**$376,563**	**$1,447,181**	**$1,713,825**

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

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

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

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

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

(1) See Exhibit 13.
(2) Reflects sales for 3rd Quarter 2011 through 2nd Quarter 2012.
(3) The sales base is adjusted pursuant to analysis of recent retail sales trends for the City of Walnut Creek (i.e., through first quarter 2013, or for three quarters). This is the most recent sales performance data available through the City's tax consultant.
(4) The City of Walnut Creek had an estimated 31,479 households in early 2013. See Exhibit 7.

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

Type of Retailer	Per Household Spending (2)	Per Household Sales (3)	Walnut Creek Household Spending (4)	City of Walnut Creek Sales (3)	Retail Sales Attraction/(Leakage) Amount	Retail Sales Attraction/(Leakage) Percent
Motor Vehicles and Parts Dealers	$3,540	$13,829	$111,433,915	$435,308,894	$323,874,979	74.4%
Home Furnishings and Appliance Stores	$1,566	$2,306	$49,291,301	$72,581,003	$23,289,703	32.1%
Building Materials and Garden Equip (5)	$1,731	$1,199	$54,489,128	$37,751,399	($16,737,729)	(30.7%)
Food and Beverage Stores	$5,226	$8,213	$164,499,746	$258,547,256	$94,047,510	36.4%
Gasoline Stations	$3,667	$3,952	$115,419,716	$124,412,650	$8,992,934	7.2%
Clothing and Clothing Accessories Stores	$1,966	$8,632	$61,880,555	$271,717,631	$209,837,075	77.2%
General Merchandise Stores	$4,003	$6,399	$126,005,653	$201,425,607	$75,419,954	37.4%
Food Services and Drinking Places	$3,636	$6,601	$114,470,328	$207,790,264	$93,319,936	44.9%
Other Retail Group (6)	$3,630	$5,827	$114,259,544	$183,413,710	$69,154,166	37.7%
Total	**$28,964**	**$56,957**	**$911,749,886**	**$1,792,948,414**	**$881,198,528**	**49.1%**

Source: ALH Urban & Regional Economics.

(1) All figures are expressed in 2013 dollars.
(2) The per household spending estimates for the City of Walnut Creek were generated by ALH Urban & Regional Economics by taking the estimated average 2013 household income figure of $115,855 presented in Exhibit 8 and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail.This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.
(3) See Exhibit 14.
(4) Represents per household spending multiplied by the respective household count.
(5) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.
(6) Other Retail Group includes drug stores, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

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

	BOE Taxable Sales Estimate in $000s (1)					City of Concord Taxable Sales Adjusted to Total Retail
Type of Retailer	Q3 2011 [A]	Q4 2011 [B]	Q1 2012 [C]	Q2 2012 [D]	Total Taxable Sales City of Concord [E = A + B + C +D]	
Motor Vehicle & Parts Dealers	$116,056	$125,605	$131,945	$143,668	$517,274	$517,274
Home Furnishings & Appliances	$32,536	$37,032	$33,446	$32,392	$135,406	$135,406
Building Materials & Garden Equipment	$57,705	$50,109	$50,317	$66,777	$224,908	$224,908
Food & Beverage Stores	$23,327	$24,576	$21,627	$23,240	$92,770	$309,233 (2)
Gasoline Stations	$42,030	$40,480	$40,437	$43,322	$166,269	$166,269
Clothing & Clothing Accessories	$29,575	$40,835	$28,080	$30,780	$129,270	$129,270
General Merchandise Stores	$66,692	$100,575	$65,561	$72,073	$304,901	$381,126 (3)
Food Services & Drinking Places	$39,937	$40,936	$42,261	$43,885	$167,019	$167,019
Other Retail Group	$43,565	$45,995	$37,940	$43,365	$170,865	$238,730 (4)
Total (5)	**$451,423**	**$506,143**	**$451,614**	**$499,502**	**$1,908,682**	**$2,269,236**

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

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

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

	Per Household		Concord Household	City of Concord	Retail Sales Attraction/(Leakage)	
Type of Retailer	**Spending (2)**	**Sales (3)**	**Spending (4)**	**Sales (5)**	**Amount**	**Percent**
Motor Vehicles and Parts Dealers	$3,099	$11,478	$139,635,172	$517,274,000	$377,638,828	73.0%
Home Furnishings and Appliance Stores	$1,371	$3,005	$61,765,749	$135,406,000	$73,640,251	54.4%
Building Materials and Garden Equip (6)	$1,515	$4,991	$68,279,021	$224,908,000	$156,628,979	69.6%
Food and Beverage Stores	$4,574	$6,862	$206,130,694	$309,233,333	$103,102,639	33.3%
Gasoline Stations	$3,209	$3,690	$144,629,683	$166,269,000	$21,639,317	13.0%
Clothing and Clothing Accessories Stores	$1,721	$2,869	$77,541,043	$129,270,000	$51,728,957	40.0%
General Merchandise Stores	$3,504	$8,457	$157,894,668	$381,126,250	$223,231,582	58.6%
Food Services and Drinking Places	$3,183	$3,706	$143,440,027	$167,019,000	$23,578,973	14.1%
Other Retail Group (7)	$3,177	$5,297	$143,175,899	$238,730,252	$95,554,353	40.0%
Total	**$25,352**	**$50,355**	**$1,142,491,955**	**$2,269,235,836**	**$1,126,743,880**	**49.7%**

Source: ALH Urban & Regional Economics.

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

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

		City of Walnut Creek Sales Impacts		Combined Cities of Walnut Creek and Concord Sales Impacts			
Retail Category	Net New Project Retail Sales (1)	City of Walnut Creek Sales Base (2)	Sales Impact % of Walnut Creek Sales Base	City of Walnut Creek Sales Base (2)	City of Concord Sales Base (3)	Combined Cities Sales Base	Sales Impact % of Combined Sales Base
	[A]	[B]	[C = A / B]	[D]	[E]	[F = D + E]	[G = A /F]
Motor Vehicle & Parts Dealers	$0	$435,308,894	0.0%	$435,308,894	$525,111,990	$960,420,885	0.0%
Home Furnishings & Appliances	$5,758,568	$72,581,003	7.9%	$72,581,003	$137,457,738	$210,038,742	2.7%
Building Materials & Garden Equipment	$0	$37,751,399	0.0%	$37,751,399	$228,315,917	$266,067,316	0.0%
Food & Beverage Stores	$24,700,000	$258,547,256	9.6%	$258,547,256	$313,918,989	$572,466,245	4.3%
Gasoline Stations	$0	$124,412,650	0.0%	$124,412,650	$168,788,390	$293,201,039	0.0%
Clothing & Clothing Accessories	$9,319,948	$271,717,631	3.4%	$271,717,631	$131,228,763	$402,946,393	2.3%
General Merchandise Stores	$0	$201,425,607	0.0%	$201,425,607	$386,901,262	$588,326,870	0.0%
Food Services & Drinking Places	$11,982,417	$207,790,264	5.8%	$207,790,264	$169,549,754	$377,340,018	3.2%
Other Retail Group	$13,809,746	$183,413,710	7.5%	$183,413,710	$242,347,610	$425,761,320	3.2%
Total	**$65,570,678**	**$1,792,948,414**	**3.7%**	**$1,792,948,414**	**$2,303,620,413**	**$4,096,568,827**	**1.6%**

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

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

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

	Per Household Retail Demand		Demand From New Households 2013 - 2016 (3)		
Retail Category	**City of Walnut Creek (1)**	**City of Concord 2)**	**City of Walnut Creek**	**City of Concord**	**Combined Cities**
Motor Vehicle & Parts Dealers	$3,540	$3,080	$3,287,535	$3,316,667	$6,604,202
Home Furnishings & Appliances	$1,566	$1,362	$1,454,197	$1,467,083	$2,921,280
Building Materials & Garden Equipment	$1,731	$1,506	$1,607,544	$1,621,789	$3,229,333
Food & Beverage Stores	$5,226	$4,546	$4,853,089	$4,896,093	$9,749,182
Gasoline Stations	$3,667	$3,190	$3,405,125	$3,435,298	$6,840,423
Clothing & Clothing Accessories	$1,966	$1,710	$1,825,607	$1,841,784	$3,667,390
General Merchandise Stores	$4,003	$3,483	$3,717,432	$3,750,373	$7,467,805
Food Services & Drinking Places	$3,636	$3,164	$3,377,116	$3,407,041	$6,784,157
Other Retail Group	$3,630	$3,158	$3,370,897	$3,400,767	$6,771,664
Total	**$28,964**	**$25,199**	**$26,898,542**	**$27,136,894**	**$54,035,436**

Source: ALH Urban & Regional Economics.

(1) See Exhibit 15.
(2) The per household spending estimates for the City of Concord were generated by ALH Urban & Regional Economics by taking the estimated average 2012 household income figure of $84,507 presented in Exhibit 8 and multiplying by 30%, utilizing the assumption that 30% of household income is spent on BOE type retail.This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.
(3) Reflects estimated household growth from 2013 to 2016 for the City of Walnut Creek of 929, and the City of Concord of 1,077. See Exhibit 7 for the household growth estimates.

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

					City of Walnut Creek Sales Impacts Less Future Demand	
Retail Category	Net New Project Retail Sales (1) [A]	New Walnut Creek Demand 2013-2016 (2) [B]	Project Sales in Excess of New Walnut Creek Demand (3) [C = A - B if >0]	Remaining Demand Available for Retail Backfilling [D = B - A if >0]	City of Walnut Creek Existing Sales Base (4) [E]	Sales Impact % of Walnut Creek Sales Base [F = C / E]
Motor Vehicle & Parts Dealers	$0	$3,287,535	$0	$3,287,535	$435,308,894	0.0%
Home Furnishings & Appliances	$5,758,568	$1,454,197	$4,304,370		$72,581,003	5.9%
Building Materials & Garden Equipment	$0	$1,607,544	$0	$1,607,544	$37,751,399	0.0%
Food & Beverage Stores	$24,700,000	$4,853,089	$19,846,911		$258,547,256	7.7%
Gasoline Stations	$0	$3,405,125	$0	$3,405,125	$124,412,650	0.0%
Clothing & Clothing Accessories	$9,319,948	$1,825,607	$7,494,342		$271,717,631	2.8%
General Merchandise Stores	$0	$3,717,432	$0	$3,717,432	$201,425,607	0.0%
Food Services & Drinking Places	$11,982,417	$3,377,116	$8,605,301		$207,790,264	4.1%
Other Retail Group	$13,809,746	$3,370,897	$10,438,848		$183,413,710	5.7%
Total	**$65,570,678**	**$26,898,542**	**$50,689,772**	**$12,017,636**	**$1,792,948,414**	**2.8%**

Source: ALH Urban & Regional Economics.

(1) See Exhibit 3.
(2) See Exhibit 19.
(3) Comprises the level of net new project sales not anticipated to be absorbed by new demand occurring between the 2013 baseline period and 2016, the anticipated first full year of operations for the Orchards at Walnut Creek. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in Walnut Creek in order for the Orchards at Walnut Creek to achieve the level of operation projected in Exhibit 3, assuming only Walnut Creek establishments experience sales impacts.
(4) See Exhibit 14.

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

					Combined Cities of Walnut Creek and Concord Sales Impacts			
	Net New Project Retail Sales (1)	New Combined Walnut Creek and Concord Demand 2013-2016 (2)	Project Sales in Excess of New Combined Demand (3)	Remaining Demand Available for Retail Backfilling	City of Walnut Creek Sales Base (4)	City of Concord Sales Base (5)	Combined Cities Sales Base	Sales Impact % of Combined Sales Base
Retail Category	[A]	[B]	[C = A - B if >0]	[D = B - A if >0]	[E]	[F]	[G = E + F]	[H = C / G]
Motor Vehicle & Parts Dealers	$0	$6,604,202	$0	$6,604,202	$435,308,894	$525,111,990	$960,420,885	0.0%
Home Furnishings & Appliances	$5,758,568	$2,921,280	$2,837,287		$72,581,003	$137,457,738	$210,038,742	1.4%
Building Materials & Garden Equipment	$0	$3,229,333	$0	$3,229,333	$37,751,399	$228,315,917	$266,067,316	0.0%
Food & Beverage Stores	$24,700,000	$9,749,182	$14,950,818		$258,547,256	$313,918,989	$572,466,245	2.6%
Gasoline Stations	$0	$6,840,423	$0	$6,840,423	$124,412,650	$168,788,390	$293,201,039	0.0%
Clothing & Clothing Accessories	$9,319,948	$3,667,390	$5,652,558		$271,717,631	$131,228,763	$402,946,393	1.4%
General Merchandise Stores	$0	$7,467,805	$0	$7,467,805	$201,425,607	$386,901,262	$588,326,870	0.0%
Food Services & Drinking Places	$11,982,417	$6,784,157	$5,198,260		$207,790,264	$169,549,754	$377,340,018	1.4%
Other Retail Group	$13,809,746	$6,771,664	$7,038,081		$183,413,710	$242,347,610	$425,761,320	1.7%
Total	**$65,570,678**	**$54,035,436**	**$35,677,004**	**$24,141,762**	**$1,792,948,414**	**$2,303,620,413**	**$4,096,568,827**	**0.9%**

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

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

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

	City of Walnut Creek				Combined Cities of Walnut Creek and Concord			
Retail Category	Sales Base (2) [A]	Sales Impacts in Excess of New Walnut Creek Demand (3) [B]	3% of Sales Base [C = A * .03]	Residual Sales Impact Above 3$ of Sales Base [D = B - C if >0]	Sales Base (4) [E]	Sales Impacts in Excess of New Combined Cities Demand (4) [F]	3% of Sales Base [G = E * .03]	Residual Sales Impact Above 3% of Sales Base [H = F - E if >0]
Motor Vehicle & Parts Dealers	$435,308,894	$0	$13,059,267	$0	$960,420,885	$0	$28,812,627	$0
Home Furnishings & Appliances	$72,581,003	$4,304,370	$2,177,430	$2,126,940	$210,038,742	$2,837,287	$6,301,162	$0
Building Materials & Garden Equipment	$37,751,399	$0	$1,132,542	$0	$266,067,316	$0	$7,982,019	$0
Food & Beverage Stores	$258,547,256	$19,846,911	$7,756,418	$12,090,493	$572,466,245	$14,950,818	$17,173,987	$0
Gasoline Stations	$124,412,650	$0	$3,732,379	$0	$293,201,039	$0	$8,796,031	$0
Clothing & Clothing Accessories	$271,717,631	$7,494,342	$8,151,529	$0	$402,946,393	$5,652,558	$12,088,392	$0
General Merchandise Stores	$201,425,607	$0	$6,042,768	$0	$588,326,870	$0	$17,649,806	$0
Food Services & Drinking Places	$207,790,264	$8,605,301	$6,233,708	$2,371,593	$377,340,018	$5,198,260	$11,320,201	$0
Other Retail Group	$183,413,710	$10,438,848	$5,502,411	$4,936,437	$425,761,320	$7,038,081	$12,772,840	$0
Total	**$1,792,948,414**	**$50,689,772**	**$53,788,452**	**$21,525,463**	**$4,096,568,827**	**$35,677,004**	**$122,897,065**	**$0**

Source: ALH Urban & Regional Economics.

(1) Reflects residual sales impact assuming existing retail base can absorb up to a 3% salse impact, reflecting ebb and flow and retail sales.
(2) See Exhibit 14.
(3) See Exhibit 20.
(4) See Exhibit 21.

Exhibit 23
The Orchards at Walnut Creek
Market Area and Nearby Grocery and Food Stores by Orientation (1) (2)
September 2013

Map Identifier (3)	Store (4)	Address	City	Miles from Site	Shopping Center	Other Tenants (5)	Estimated # of Vacancies
MARKET AREA							
Conventional Market Orientation (Map color code Yellow)							
1	Safeway (Existing store being closed and replaced at The Orchards at Walnut Creek)	2941 Ygnacio Valley Rd	Walnut Creek	0.1	Encina Grande	Walgreens, 1000 Oaks Hardware, Applebee's, Kumon Learning Center, Taco Bell, Varella Cleaners, Evie's Hamburgers, Toyo Sushi, Renew You Massage, Sparta Taekwondo, Walnut Creek Nails, Excel Realty & Mortgage, Kv Cuts, Encina Bike Shop, Rocco's Ristorante & Pizza, Yogurt Station, Leslie's Swimming Pool Supplies, Bagel Street Cafe, The UPS Store, Jade Garden, Radio Shack, Papa Murphy's Take & Bake, Alex Katoozian Furniture	4 small shop vacancies
2	Nob Hill Foods	2270 Oak Grove Rd	Walnut Creek	0.1	Citrus Marketplace	BevMo, Mildly Ill and Children's Medical Center, Bank of America, JPMorgan Chase, the US Post Office, Panda Express, My Gym and Mary's Pizza Shack, hair and beauty salons, Children's Karate, taqueria, yogurt shop, Weight Watchers, beauty supply, State Farm, cleaners, math tutoring	2 small shop vacancies, 2 additional forthcoming
Upscale Market Orientation (Map color code Green)							
3	Safeway ***Open 24 Hrs.***	710 Bancroft Rd	Walnut Creek	1.4	Countrywood	CVS/Pharmacy, **Countrywood Fitness**, Tropical Solution Tanning, Countrywood Nail Salon, David's Hairpointe, McCaulou's Department Store, Countrywood Interiors, Milner's Jewelers, Countrywood Music, Countrywood Florist, NorCal Swim Shop, Artie's Countrywood Lounge, Sichuan House, Genova Delicatessen, Sorrento Italian Restaurant, Una Mas Mexican Grill, Allstar Donuts, Panera Bread, Noah's New York Bagels, Starbuck's Coffee, Jamba Juice, Guanatos Ice Cream, Black Bear Diner, Fashion Cleaners, Provident Credit Union, Cousin's Locksmith, The UPS Store, C2 Education	no visible vacancies
Specialty & Niche Market Orientation (Map color code Blue)							
4	Trader Joe's	785 Oak Grove Rd	Concord	0.9	Oak Grove Plaza	**Curves**, **Concord CrossFit**, Chipotle, Baskin Robbins, independent pharmacy, cleaners, sporting goods, Postal Annex, Pet Food Express, comics, liquors, Round Table, beauty salon, sewing, health center, Italian restaurant, cleaners, deli, Peet's, photo lab, sushi, nails, Wells Fargo, Verizon	no visible vacancies
5	Fresh and Easy	1827 Ygnacio Valley Rd	Walnut Creek	1.3	Ygnacio Plaza	Sports Basement, **Fitness 19,** Lovely Nails, Premium Cleaners, Lemonade, Encore Theatrical Supply, China Village Restaurant, Walnut Creek Tanning, Postal Annex, Tatsu, Peet's Coffee, Great Clips, Kinder's Meats * Deli * Bib, Mountain Mike's Pizza, Massage Envy, European Wax Center, High Tech Burrito, Walkabout Footwear, Mooyah Burgers Fries And Shakes, Subway, A Sweet Affair, Yoppi Yogurt, A Daphne's Greek Cafe, B Jc Education Center, For Your Eyes Only, Michaels Hair Works, Chase Bank	1 small shop vacancy

Exhibit 23
The Orchards at Walnut Creek
Market Area and Nearby Grocery and Food Stores by Orientation (1) (2)
September 2013

Map Identifier (3)	Store (4)	Address	City	Miles from Site	Shopping Center	Other Tenants (5)	Estimated # of Vacancies
OUTSIDE OF MARKET AREA							
	Conventional Market Orientation (Map color code Yellow)						
6	Lucky	5190 Clayton Rd	Concord	3.4	The Vineyard	Kmart, Round Table, UPS Store, watch repair, McCaulou's Department Store, martial arts, hair salon, Italian restaurant, Payless Shoes, dentist, nails, pool supplies optometrist, shoe repair, Baskin Robbins, mortgage broker, Kelly Moore, PaintKidz Planet, taqueria	1 small shop vacancy
7	Lucky	155 Crescent Plaza	Pleasant Hill	3.7	Unknown	Ross Dress For Less (This location is behind the Downtown Pleasant Hill)	no visible vacancies
8	Safeway	1972 Tice Valley Blvd	Walnut Creek	5.6	Rossmoor Shopping Center	CVS, Home Savings of America, US Bank, law office, Wells Fargo, UPS Store, cleaners, Better Home Realty, Chevron auto care, Chase Bank, Rossmoor Diner, Pacific National Bank, U.S. Post Office, general contractor, Tri-Valley Unified Methodist Church, Lolonis Winery, Diablo Valley Foundation for the Aging, Premier Capital Mortgage, Old Republic Title, First Community Bank, Drapers and Damens, Tri-Valley Beauty Salon, CPA office, Walnut Creek Hearing Aid Center, optometrist	
	Upscale Market Orientation (Map color code Green)						
9	Safeway	4309 Clayton Rd	Concord	2.9	Unknown	Japanese restaurant, cleaners, hair salon, Buttercup Grill and Bar, Verizon	1 small shop vacancy
10	Safeway ***Open 24 Hrs.***	600 South Broadway	Walnut Creek	3.0	Standalone Grocery Store	None	Not Applicable
11	Safeway ***Open 24 Hrs.***	5431 Clayton Rd	Clayton	3.7	Clayton Station	**Clayton Fitness Center**, Walgreens Automotive Paradigm, Avite Caffe, All State, Hawaiian Restaurant, B&T $2 Cleaners, Bonanza Street Books, Carl's Jr., Clayton Valley Shell, Computers USA, GNC, H&R Block, Pizza Hut, Postal Annex, Prime Cuts, Taqueria, Smoothy's Yogurt & Juice Bar, Starbucks, Wells, Wine Thieves, Wolf Camera, jewelers, pet hospital, cleaners, Cold Stone, tanning salon, ReMax, dentist	no visible vacancies
12	Safeway ***Open 24 Hrs.***	2600 Willow Pass Rd	Concord	3.7	Standalone Grocery Store	None	Not Applicable
13	Safeway ***Open 24 Hrs.***	1978 Contra Costa Blvd	Pleasant Hill	3.8	Pleasant Hill Plaza	Starbucks, Nathan's Burgers, Union Bank, Consumer Learning Center, Gold Shop, Hitchcock Realty, two hair salons, Metro Insurance, trophy shop, PC Service Center, SAS Shoes, Sushi, Plaza Café, Yopop Yogurt, Farrington's Bar, cleaners, massage/hot tubs, dentist, Thai restaurant, Subway, Prudential, taqueria, Beauty Source	no visible vacancies
14	Safeway	600 Patterson Blvd	Pleasant Hill	4.1	Standalone Grocery Store	None	Not Applicable
15	Lunardi's	1600 Palos Verdes Mall	Walnut Creek	4.3	Palos Verdes Mall	Rite Aid, **RW Sport Gym**, Animal Crackers per grooming, watch repair, hair salon, veterinarian, Thai restaurant, Chase Bank, yogurt, UPS, Starbucks, travel, cigarettes, Chinese restaurant, Lampshades, nail salon, beauty salon, Subway, café, Papa Murphy, cleaners, shoe repair, kids apparel, barber, gift shop, Snap Fitness, optometrist	3 small shop vacancies
16	Safeway (with gas) ***Open 24 Hrs.***	707 Contra Costa Blvd	Pleasant Hill	5.9	Sunvalley Mall	Approximately 170 stores including Macy's, JCPenney, Sears, and Nordstrom.	2 smaller mall vacancies

Exhibit 23
The Orchards at Walnut Creek
Market Area and Nearby Grocery and Food Stores by Orientation (1) (2)
September 2013

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

Exhibit 23
The Orchards at Walnut Creek
Market Area and Nearby Grocery and Food Stores by Orientation (1) (2)
September 2013

Map Identifier (3)	Store (4)	Address	City	Miles from Site	Shopping Center	Other Tenants (5)	Estimated # of Vacancies
30	Grocery Outlet	1671 Contra Costa Blvd	Pleasant Hill	4.5	Unknown	Bay Area Properties, Cash America cash advance, Seafood Deli, pizza, cleaners, sportscard, Fed Ex, Vietnamese restaurant, donuts, Asian restaurant, liquors, hair/nail salon, Radio Shack, Goodwill	2 small shop vacancies
Ethnic Market Orientation (Map color code Orange)							
31	Mercado del Valle	1651 Monument Blvd	Concord	2.9	Standalone Food Store	None	Not Applicable
32	Los Rancheros Supermarket	1099 Reganti Dr.	Concord	3.1	Unknown	Hankook Korean Market, El Rancho Restaurant, Mercado del Sol Restaurant, Korean BBQ, laundry	no visible vacancies
33	Hankook Korean Market	1450 Monument Blvd	Concord	3.1	Unknown	Los Rancheros Supermarket, El Rancho Restaurant, Mercado del Sol Restaurant, Korean BBQ, laundry	no visible vacancies
34	Los Montanas	2691 Monument Blvd	Concord	3.5	Plaza Bonita	Interior mercado style mall with 16 small local tenants, Exterior tenants include Center for Economic Opportunity, liquor, laundry, Maxi Burger, 2 hair salons, kabob restaurant, photo studio, auto repair	8 mercado spaces
35	Ranch 99	1795 Willow Pass Rd	Concord	4.5	Park and Shop	Ross, Burlington Coat Factory, Fry's Electronics, Payless Shoe Source, UPS Store, CopyMat, McDonald's, O'Reilly Auto Parts, tailor, dentist, Subway, taqueria, Hair salon, Chinese restaurant, 99 Cent Store, T-Mobile, donuts, Avenue Apparel, massage, computers, cleaners, beauty supply, Metro PCS, bagels, Saigon Bistro, Elizabeth's Apparel, Choice Apparel, Fashions 4 All, Joann Crafts, China Buffet, Korean BBQ, Quickly Tapioca, Paris Beauty College, Asian restaurant, Harvest Church, Burger King, tax preparation, Chuck E Cheese, Kevin's Noodle House, Korea House, Hot Pot Restaurant, Red Wing Shoes, Mediterranean Restaurant, China Gourmet, Mo Ba Lo Ca Bubble Tea	2 small shop vacancies, additional moderate-sized tenant space occupied seasonally by Halloween store
36	Los Montanas	1725 Willow Pass Rd	Concord	4.5	Park and Shop	See preceding entry	See above
37	Seafood City	2030 Diamond Blvd	Concord	4.7	Unknown	Hometown Buffet, dentist, Subway, Goldilocks Bakery, Chow King Restaurant, Jollibee Restaurant, Red Robin Bake Shop, Vietnamese restaurant, Hana's Sari Shop, hair salon, cell phones, Manila Restaurant, jewelers, watch repair, Century Properties, X-Clusive Marketing, law office (most tenants in mercado-style interior mall)	no visible vacancies
Warehouse Market Orientation (Map color code Gray)							
38	Costco	2400 Monument Blvd	Concord	2.3	Standalone Store	None	Not Applicable
39	Sam's Club	1225 Concord Ave	Concord	5.4	Unknown	Sports Authority	no visible vacancies

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

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

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

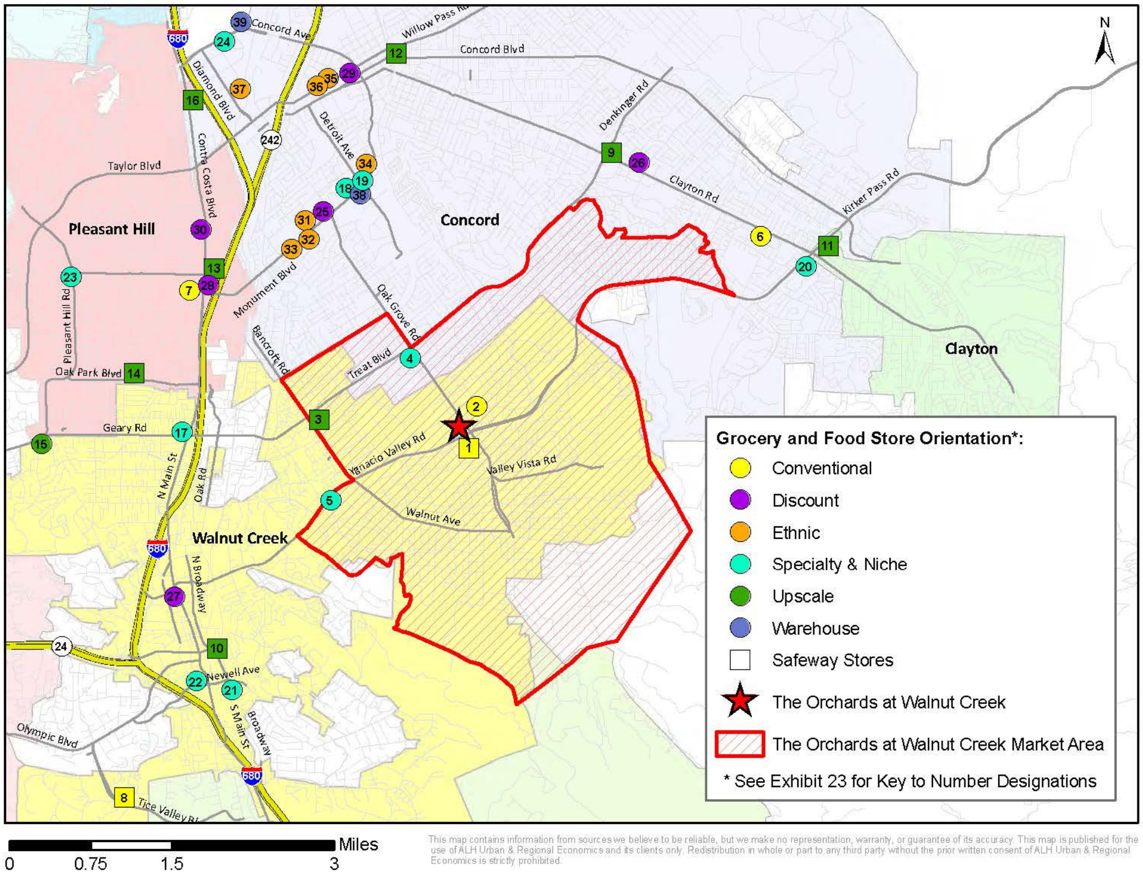

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Exhibit 25
The Orchards at Walnut Creek
Area Fitness Centers and Health Clubs

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

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

Map Number	Distance from Project Site (miles)	Fitness Center	Address	City	Amenities	
11	3.3	24 Hour Fitness - Active	2033 N. Main Street	Walnut Creek	Cardio equipment, circuit training, free weights, group c cycling, group e exercise, personal training, Kids' Club, Area Pro Shop	(1)
12	3.4	24 Hour Fitness - Super Sport	2800 N. Main Street	Walnut Creek	Cardio equipment, free weights, strength machines, TRX suspension training, full-sized basketball court, group cycling, group exercise, indoor lap pool, whirlpool, sauna, steam room, personal training, personal viewing screens, Pro Shop, towel service, Kids' Club, free WiFi	(1)
13	4.0	Curves for Women	2099 Mt. Diablo Boulevard	Walnut Creek	Cardio equipment, weights, weight management programs	
14	4.2	Anytime Fitness	5434 Ygnacio Valley Road	Concord	Personal training, cardio TVs, hats, health plan discounts, wellness programs, cardio equipment, circuit/selectorized weights, free weights, racks, plate loaded	
15	4.2	Curves for Women	4691 Clayton Road	Concord	Cardio equipment, weights, weight management programs	
16	4.2	Lynch Fitness	1530 S. Main Street	Walnut Creek	Functional training and circuit training, bootcamps	
17	4.3	Forma Gym	1908 Olympic Boulevard	Walnut Creek	Group fitness, free weights, cardio, outdoor turf studio, massage, outdoor lounge, pool, cycle studio, personal training, "Kidzville"	
18	4.3	In-Shape Health Club	5294 Clayton Road	Concord	Cardio theater, racquetball, Kids Club, pool (outdoor), group classes, basketball, free weights, group cycling, group fitness, selectorized machines, intro to 29-Minute Circuit, abs & stretching area, massage, tanning	
19	4.4	Clayton Fitness Center	1516 Kirker Pass Road	Clayton	Cardio equipment, free weights, circuit/selectorized weight, fitness boot camp/ circuit training program	
20	4.4	Fitness Evolution	3517 Clayton Road	Concord	Free weights, 30 minute circuit, group exercise classes, abs and stretch, boot camps, cardio movie theatre, executive style locker rooms, HydroMassage, personal training, personal TVs on cardio, tanning	

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

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

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

(1) Personal training and Kids' Club cost extra.

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

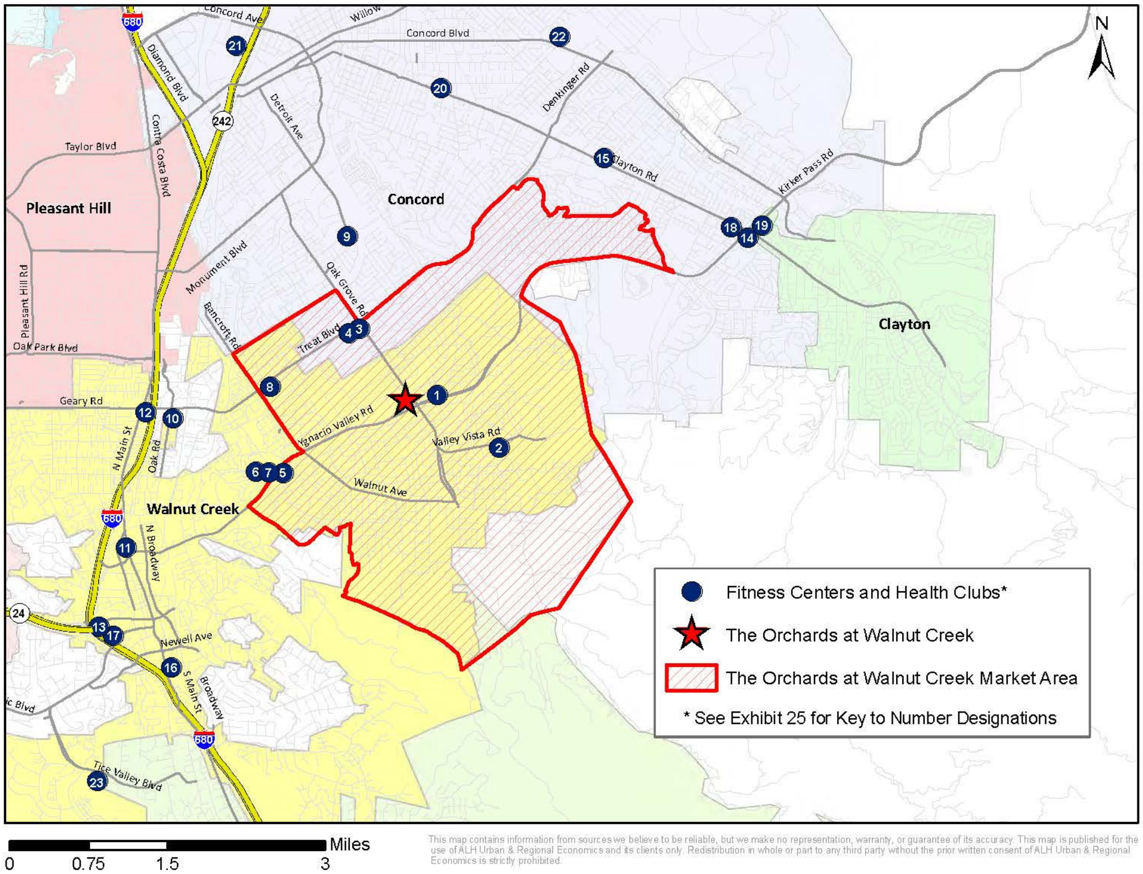

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Exhibit 27
The Orchards at Walnut Creek
Cumulative Major Retail Developments (10,000+ Square Feet)
Cities of Walnut Creek, Concord, and Pleasant Hill (1) (2)
September 2013

Project	City	Description	Estimated Net New Retail Square Footage	Status	Location	Distance from The Orchards	Anticipated Opening / Completion
Market Area							
1. Encina Grande Shopping Center (3)	Walnut Creek	Remodel of existing shopping center buildings, parking lot, and landscaping. Add approximately 3,500 square feet of retail space. It is planned that the existing Safeway store at Encina Grande will be relocated to the subject The Orchards at Walnut Creek. A new Whole Foods store is committed to locating into an expanded grocery store space after Safeway departs. The Whole Foods store will total 37,500 square feet.	3,503 (3)	Under review	Across the street from the proposed subject site, The Orchards at Walnut Creek. Located at 2895 Ygnacio Valley Road at Oak Grove Road	0.1	Fall 2016
Outside Market Area							
2. 1500 North California Blvd.	Walnut Creek	Development of a new 6-story mixed-use building with 18,270 square feet of retail space and 140 apartment units. Demolished approximately 3,500 square feet of existing retail space.	14,770	Under Construction	1500 North California Boulevard at Bonanza Street	3.4	Early 2016
3. 1500 Mt Diablo Blvd.	Walnut Creek	Develop a new building with a total of 8,800 square feet of rentable enclosed space (1,200sf cafe restaurant, 4,500sf general restaurant, and 3,100sf general retail) plus 4,000sf of second floor outdoor and rooftop open seating area. Property sold to the developer by the City of Walnut Creek after public bidding process.	8,800 (4)	Under review	1500 Mt Diablo Boulevard at N. Main Street	3.5	1st Qtr 2015
4. Centre Place South	Walnut Creek	Demolition of existing 5,050-square-foot building and construction of 23,000 square feet of retail space in two buildings. Includes 142 residential condominiums and a 182-stall parking garage.	17,950	Under review	Olympic Boulevard and California Boulevard	3.6	Unknown
5. Broadway Plaza Shopping Center	Walnut Creek	Renovation of existing regional mall to add up to 300,000 square feet of new retail space. It is unknown when the project will begin. It is planned to be phased over a 20-year period.	299,984	Under review	Mount Diablo Boulevard and South Broadway in downtown Walnut Creek	3.6	2016-2023
6. The Village at 1500 Newell Avenue	Walnut Creek	Demolition of an 8-story office building and 1-story retail structure with 6,000 square feet is complete. New construction of 37,000 square feet of retail, 49 condominium units, and a 250-stall parking garage to begin by December 2013.	31,000	Approved. Demolition complete.	1500 Newell Avenue at Main Street	4.0	1st Qtr 2015

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

(1) Projects listed based on distance from the Project site.
(2) Includes projects with 10,000 square feet or more of planned retail development, unless otherwise noted. No projects were identified in Concord or Pleasant Hill. Projects identified but not likely to be developed within the general timeframe of The Orchards at Walnut Creek are shaded in gray.
(3) Detailed information about the expansion and reconfiguration of this project is located in B-6.
(4) The larger square footage figure includes the roof top seating area. ALH Urban & Regional Economics conservatively considers this sales space, and thus prospective sales are benchmarked in the following exhibits based upon this larger square footage figure.

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

Project Name	Miles from The Orchards at Walnut Creek [A]	Estimated Net Sq. Ft. [B]	Sales per Sq. Ft. [C]	Total Retail Sales (2) [D = (B x C)*%Retail]
Market Area				
1. Encina Grande Shopping Center Redevelopment (3)	0.1	3,503	See Below	
Whole Foods Grocery Store (4)		*37,500*	$925 (5)	$34,687,500
Net Increment in Pharmacy Space (Walgreens)		*2,270*	$835 (6)	$1,896,492
Net Increment in Shop Space		*(13,767)*	$350 (7)	($2,069,900) (8)
Outside the Market Area				
2. 1500 North California Blvd.	3.4	14,770	$350 (7)	$4,394,075 (2)
3. 1500 Mt Diablo Blvd.	3.5	8,800 (9)	See Below	
Restaurant Space (including outdoor seating)		5,700	$479 (10)	$2,731,991
Retail		3,100	$350 (7)	$922,250 (2)
4. Centre Place South	3.6	17,950	$350 (7)	$942,375 (2)
6. The Village at 1500 Newell Avenue	4.0	31,000	$350 (7)	$9,222,500 (2)
Total (11)		**76,023**		**$52,727,283**

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

(1) Projects with an undetermined timeline are generally too speculative for inclusion in this analysis. Project numbers match the numbers on Exhibit 27. Project distance and net square footages figures are also noted in Exhibit 27.
(2) Projects lacking specific identified uses are assumed to generate retail sales for 85% of the space, with the 15% balance assumed for non-retail service uses.
(3) The Encina Grande Shopping Center will be redeveloped, with a net increase of approximately 3,503 square feet of retail space.However, the shopping center's existing Safeway store will be relocated and expanded across the street at the proposed Orchards at Walnut Creek project. See Exhibit B-6 for redevelopment details.
(4) See Exhibit 27 and Exhibit B-6 for the estimated Whole Foods Grocery store space.
(5) Pursuant to Retail Maxim, Whole Foods stores achieved average sales of $919 per square foot in 2012. This sales figure is generally inflated to $925 in 2013 for analytical purposes.
(6) Sales per square foot estimated from the Walgreens annual 10-K report. This figure is calculated by dividing the net sales of $71.6 billion by 87 million square feet of sales space, then inflated to 2013 dollars by the CPI index change of 1.0152% from June 2012 to June 2013.
(7) Unless otherwise specified, a standard sales per square foot assumption is applied to the cumulative projects based upon project size. This assumption is intended to be a generalized average assumption regarding prospective sales per square foot, generally based on the findings in Exhibit B-6. This figure is $350 per square foot.
(8) Encina Grande currently has four retail shop spaces vacant, with a total of 7,853 square feet vacant (see Exhibit B-6). These spaces are not currently generating retail sales. Thus, lost future retail sales will pertain to only the portion of the shop space that is current occupied.This amount of space is 13,767 square feet minus 7,853 square feet, or 5,914 square feet. This is the amount of space for which shop sales are estimated to decline following redevelopment.
(9) This figure does not include the estimated seating space for the second floor and open rooftop seating. This square footage was not included in the City's square footage calculation for parking requirements.
(10) Average sales per square foot for restaurants, see Exhibit B-2.
(11) The total figure reflects the net addition of space at the low end and the addition plus the increase at Encina Grande anticipated for Whole Foods, essentially assuming that the square footage for the existing Safeway store is transferred to the Orchards at Walnut Creek.

Exhibit 29
The Orchards at Walnut Creek
Estimate of Cumulative Project Sales by BOE Category (1)
In 2013 Dollars

		Sales Distribution (2)				
Planned Project	**Estimated Net Sales (3)**	**Home Furnishings and Appliance Stores**	**Food and Beverage Stores**	**General Merchandise Stores**	**Food Services and Drinking Places**	**Other Retail Group**
Market Area						
1. Encina Grande Shopping Center						
Whole Foods Grocery Store	$34,687,500	$0	$34,687,500	$0	$0	$0
Net Increment in Pharmacy Space	$1,896,492	$0	$0	$0	$0	$1,896,492
Net Increment in Shop Space (4)	($2,069,900)	($776,213)	$0	$0	($517,475)	($776,213)
subtotal	$34,514,092					
Outside the Market Area						
2. 1500 North California Blvd.	$4,394,075	$0	$1,757,630	$878,815	$878,815	$878,815
3. 1500 Mt Diablo Blvd.						
Restaurant Space	$2,731,991	$0	$0	$0	$2,731,991	$0
Retail	$922,250	$0	$368,900	$184,450	$184,450	$184,450
subtotal	*$3,654,241*					
4. Centre Place South	$942,375	$0	$376,950	$188,475	$188,475	$188,475
6. The Village at 1500 Newell Avenue	$9,222,500	$0	$3,689,000	$1,844,500	$1,844,500	$1,844,500
Total (5)	**$52,727,283**	**($776,213)**	**$40,879,980**	**$3,096,240**	**$5,310,756**	**$4,216,519**
Percent of Total		**-1%**	**78%**	**6%**	**10%**	**8%**

Source: ALH Urban & Regional Economics.

(1) Retail categories to which no sales are allocated are not shown in this exhibit. Project numbers match the numbers on Exhibit 28.
(2) Unless a specific retailer or retail type is identified, sales are allocated consistent with general trends for the shopping centers by size. As all the size increments are consistent with a neighborhood shopping center, the retail distribution pattern identified for neighborhood centers in Exhibit B-7 was relied upon, which comprises 40% food and beverage and 20% each for general merchandise stores, food services and drinking places, and other retail.
(3) See Exhibit 28.
(4) It is unclear which shop retailers may not be included in the redeveloped shopping center. However, current information suggests this could include the furniture store, a restaurant, and electronics retailer. For the sake of the analysis, ALH Urban & Regional Economics assumes that 25% of the lost sales will comprise food services and drinking places, and 37.5% will comprise each of home furnishings & appliances and other retail.
(5) Figures may not total due to rounding.

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

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

Source: ALH Urban & Regional Economics.

(1) See Exhibit 3.
(2) See Exhibit 29.

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

		City of Walnut Creek Sales Impacts		Combined Cities of Walnut Creek and Concord Sales Impacts			
Retail Category	**All Planned Retail Project Sales (1)**	**City of Walnut Creek Sales Base (2)**	**Sales Impact % of Walnut Creek Sales Base**	**City of Walnut Creek Sales Base (2)**	**City of Concord Sales Base (3)**	**Combined Cities Sales Base**	**Sales Impact % of Combined Sales Base**
	[A]	[B]	[C = A / B if >0]	[D]	[E]	[F = D + E]	[G = A /F]
Motor Vehicle & Parts Dealers	$0	$435,308,894	0.0%	$435,308,894	$525,111,990	$960,420,885	0.0%
Home Furnishings & Appliances	$4,982,355	$72,581,003	6.9%	$72,581,003	$137,457,738	$210,038,742	2.4%
Building Materials & Garden Equipment	$0	$37,751,399	0.0%	$37,751,399	$228,315,917	$266,067,316	0.0%
Food & Beverage Stores	$65,579,980	$258,547,256	25.4%	$258,547,256	$313,918,989	$572,466,245	11.5%
Gasoline Stations	$0	$124,412,650	0.0%	$124,412,650	$168,788,390	$293,201,039	0.0%
Clothing & Clothing Accessories	$9,319,948	$271,717,631	3.4%	$271,717,631	$131,228,763	$402,946,393	2.3%
General Merchandise Stores	$3,096,240	$201,425,607	1.5%	$201,425,607	$386,901,262	$588,326,870	0.5%
Food Services & Drinking Places	$17,293,173	$207,790,264	8.3%	$207,790,264	$169,549,754	$377,340,018	4.6%
Other Retail Group	$18,026,265	$183,413,710	9.8%	$183,413,710	$242,347,610	$425,761,320	4.2%
Total	**$118,297,961**	**$1,792,948,414**	**6.6%**	**$1,792,948,414**	**$2,303,620,413**	**$4,096,568,827**	**2.9%**

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

(1) See Exhibit 30.
(2) See Exhibit 14.
(3) See Exhibit 16.

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

	Per Household Retail Demand		Future Household Demand 2013 - 2018 (3)		
Retail Category	**City of Walnut Creek (1)**	**City of Concord (2)**	**City of Walnut Creek**	**City of Concord**	**Combined Cities**
Motor Vehicle & Parts Dealers	$3,540	$3,080	$5,532,933	$5,571,346	$11,104,279
Home Furnishings & Appliances	$1,566	$1,362	$2,447,419	$2,464,410	$4,911,829
Building Materials & Garden Equipment	$1,731	$1,506	$2,705,502	$2,724,285	$5,429,787
Food & Beverage Stores	$5,226	$4,546	$8,167,766	$8,224,470	$16,392,236
Gasoline Stations	$3,667	$3,190	$5,730,837	$5,770,623	$11,501,460
Clothing & Clothing Accessories	$1,966	$1,710	$3,072,503	$3,093,833	$6,166,336
General Merchandise Stores	$4,003	$3,483	$6,256,451	$6,299,887	$12,556,338
Food Services & Drinking Places	$3,636	$3,164	$5,683,698	$5,723,157	$11,406,854
Other Retail Group	$3,630	$3,158	$5,673,232	$5,712,618	$11,385,850
Total	**$28,964**	**$25,199**	**$45,270,341**	**$45,584,629**	**$90,854,970**

Source: ALH Urban & Regional Economics.

(1) See Exhibit 15.
(2) The per household spending estimates for the City of Concord were generated by ALH Urban & Regional Economics by taking the estimated average 2012 household income figure of $85,021 presented in Exhibit 8 and multiplying by 30%, utilizing the assumption that 30% of household income is spent on BOE type retail.This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-4.
(3) Reflects estimated household growth from 2013 to 2018 for the City of Walnut Creek of 1,563, and the City of Concord of 1,809. See Exhibit 7 for the household growth estimates.

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

					City of Walnut Creek Sales Impacts Less Future Demand		
Retail Category	All Planned Retail Project Sales (1) [A]	New Walnut Creek Demand 2013-2018 (2) [B]	Project Sales in Excess of New Walnut Creek Demand (3) [C = A - B if >0]	Remaining Demand Available for Retail Backfilling [D = F - A if >0]	Walnut Creek Existing Sales Base (4) [E]	Sales Impact % of Walnut Creek Sales Base [F = C / E]	Residual Sales Impact > 3% of Sales Base (5) [G = C - (E * 0.3) if >0]
Motor Vehicle & Parts Dealers	$0	$5,532,933	$0	$5,532,933	$435,308,894	0.0%	$0
Home Furnishings & Appliances	$4,982,355	$2,447,419	$2,534,936	NA	$72,581,003	3.5%	$357,506
Building Materials & Garden Equipment	$0	$2,705,502	$0	$2,705,502	$37,751,399	0.0%	$0
Food & Beverage Stores	$65,579,980	$8,167,766	$57,412,214	NA	$258,547,256	22.2%	$49,655,796
Gasoline Stations	$0	$5,730,837	$0	$5,730,837	$124,412,650	0.0%	$0
Clothing & Clothing Accessories	$9,319,948	$3,072,503	$6,247,446	NA	$271,717,631	2.3%	$0
General Merchandise Stores	$3,096,240	$6,256,451	$0	$6,256,451	$201,425,607	0.0%	$0
Food Services & Drinking Places	$17,293,173	$5,683,698	$11,609,475	NA	$207,790,264	5.6%	$5,375,767
Other Retail Group	$18,026,265	$5,673,232	$12,353,033	NA	$183,413,710	6.7%	$6,850,621
Total	**$118,297,961**	**$45,270,341**	**$90,157,103**	**$20,225,724**	**$1,792,948,414**	**5.0%**	**$62,239,691**

Source: ALH Urban & Regional Economics.

(1) See Exhibit 30.
(2) See Exhibit 32.
(3) Comprises the level of net cumulative project sales not anticipated to be absorbed by new demand occurring between the 2013 baseline period and 2018, a prospective future stabilized year for the cumulative projects. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in Walnut Creek in order for the Orchards at Walnut Creek and the cumulative projects to achieve their assumed levels of operation, assuming only Walnut Creek establishments experience sales impacts.
(4) See Exhibit 14.
(5) Comprises the remaining sales impacts after existing retailers absorb sales impacts equivalent to 3% of the sales base for the categories forecasted to experience impacts.

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

Retail Category	All Planned Retail Project Sales (1) [A]	New Combined Walnut Creek and Concord Demand 2013-2018 (2) [B]	Project Sales in Excess of New Combined Cities Demand (3) [C = A - B if >0]	Remaining Demand Available for Retail Backfilling [D = F - A if >0]	Combined Cities Sales Impacts Less Future Demand: Combined Cities Sales Base (4) [E]	Combined Cities Sales Impacts Less Future Demand: Sales Impact % of Combined Sales Base [F = C / E]	Residual Sales Impact > 3% of Sales Base [G = C - (E * 0.3) if >0]
Motor Vehicle & Parts Dealers	$0	$11,104,279	$0	$11,104,279	$960,420,885	0.0%	$0
Home Furnishings & Appliances	$4,982,355	$4,911,829	$0		$210,038,742	0.0%	$0
Building Materials & Garden Equipment	$0	$5,429,787	$0	$5,429,787	$266,067,316	0.0%	$0
Food & Beverage Stores	$65,579,980	$16,392,236	$49,187,744		$572,466,245	8.6%	$32,013,756
Gasoline Stations	$0	$11,501,460	$0	$11,501,460	$293,201,039	0.0%	$0
Clothing & Clothing Accessories	$9,319,948	$6,166,336	$3,153,612		$402,946,393	0.8%	$0
General Merchandise Stores	$3,096,240	$12,556,338	$0	$12,556,338	$588,326,870	0.0%	$0
Food Services & Drinking Places	$17,293,173	$11,406,854	$5,886,318		$377,340,018	1.6%	$0
Other Retail Group	$18,026,265	$11,385,850	$6,640,415		$425,761,320	1.6%	$0
Total	**$118,297,961**	**$90,854,970**	**$64,868,089**	**$40,591,865**	**$4,096,568,827**	**1.6%**	**$32,013,756**

Source: ALH Urban & Regional Economics.

(1) See Exhibit 31.
(2) See Exhibit 32.
(3) Comprises the level of net cumulative project sales not anticipated to be absorbed by new demand occurring between the 2013 baseline period and 2018, a prospective future stabilized year for the cumulative projects. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in Walnut Creek and Concord combined in order for the Orchards at Walnut Creek and the cumulative projects to achieve their assumed levels of operation, assuming both Walnut Creek and Concord establishments experience sales impacts.
(4) See Exhibit 21.
(5) Comprises the remaining sales impacts after existing retailers absorb sales impacts equivalent to 3% of the sales base for the categories forecasted to experience impacts.

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

	Rentable Building Area						Leasing Activity		New Construction			
Period	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF	Total Net Absorption	Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2013 2Q	431	4,770,939	159,287	3.3%	4,611,652	10,458	15	29,862	0	0	0	0
2013 1Q	431	4,770,939	169,745	3.6%	4,601,194	35,523	12	17,875	3	53,304	0	0
2012 4Q	428	4,717,635	151,964	3.2%	4,565,671	(12,454)	16	75,055	1	4,671	3	53,304
2012 3Q	427	4,712,964	134,839	2.9%	4,578,125	7,298	7	9,955	1	25,472	4	57,975
2012 2Q	426	4,687,492	116,665	2.5%	4,570,827	1	7	6,704	0	0	5	83,447
2012 1Q	426	4,687,492	116,666	2.5%	4,570,826	122,772	16	124,308	1	86,000	3	35,174
2011 4Q	425	4,601,492	153,438	3.3%	4,448,054	22,814	18	18,790	1	29,731	1	86,000
2011 3Q	424	4,571,761	146,521	3.2%	4,425,240	23,958	7	16,055	0	0	2	115,731
2011 2Q	424	4,571,761	170,479	3.7%	4,401,282	6,860	16	52,248	0	0	2	115,731
2011 1Q	424	4,571,761	177,339	3.9%	4,394,422	(6,357)	10	16,659	1	17,707	1	86,000
2010 4Q	423	4,554,054	153,275	3.4%	4,400,779	12,686	7	6,473	0	0	1	17,707
2010 3Q	423	4,554,054	165,961	3.6%	4,388,093	(4,388)	16	31,128	1	1,137	1	17,707
2010 2Q	422	4,552,917	160,436	3.5%	4,392,481	4,199	14	40,184	0	0	2	18,844
2010 1Q	422	4,552,917	164,635	3.6%	4,388,282	(15,728)	6	9,407	2	9,795	2	18,844
2009 4Q	420	4,543,122	139,112	3.1%	4,404,010	(3,336)	10	17,126	0	0	3	10,932
2009 3Q	420	4,543,122	135,776	3.0%	4,407,346	169	16	20,918	0	0	3	10,932
2009 2Q	420	4,543,122	135,945	3.0%	4,407,177	(15,354)	11	20,678	0	0	3	10,932
2009 1Q	420	4,543,122	120,591	2.7%	4,422,531	19,200	8	23,687	0	0	3	10,932
2008 4Q	420	4,543,122	139,791	3.1%	4,403,331	12,494	7	30,221	0	0	2	9,795
2008 3Q	420	4,543,122	152,285	3.4%	4,390,837	14,114	7	18,635	0	0	0	0
2008 2Q	420	4,543,122	166,399	3.7%	4,376,723	(13,165)	3	2,750	0	0	0	0
2008 1Q	420	4,543,122	153,234	3.4%	4,389,888	(33,440)	5	31,765	0	0	0	0
2007 4Q	420	4,543,122	119,794	2.6%	4,423,328	1,713	3	15,993	0	0	0	0
2007 3Q	420	4,543,122	121,507	2.7%	4,421,615	49,519	7	4,706	0	0	0	0
2007 2Q	420	4,543,122	171,026	3.8%	4,372,096	(8,496)	0	1,085	0	0	0	0
2007 1Q	420	4,543,122	162,530	3.6%	4,380,592	(45,235)	0	0	0	0	0	0
2006 4Q	420	4,543,122	117,295	2.6%	4,425,827	49,733	6	3,020	0	0	0	0
2006 3Q	420	4,543,122	167,028	3.7%	4,376,094	(542)	2	13,071	0	0	0	0
2006 2Q	420	4,543,122	166,486	3.7%	4,376,636	1,887	5	21,402	0	0	0	0
2006 1Q	420	4,543,122	168,373	3.7%	4,374,749	6,472	4	22,867	0	0	0	0

Sources: Costar; and CB Richard Ellis.

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

	Rentable Building Area						Leasing Activity		New Construction			
Period	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF	Total Net Absorption	Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2013 2Q	472	7,675,970	391,368	5.1%	7,284,602	(521)	17	39,652	0	0	0	0
2013 1Q	472	7,675,970	390,847	5.1%	7,285,123	133	9	37,025	0	0	0	0
2012 4Q	472	7,675,970	390,980	5.1%	7,284,990	(5,448)	17	30,267	0	0	0	0
2012 3Q	472	7,675,970	385,532	5.0%	7,290,438	20,778	13	57,165	0	0	0	0
2012 2Q	472	7,675,970	406,310	5.3%	7,269,660	56,511	12	33,971	0	0	0	0
2012 1Q	472	7,675,970	462,821	6.0%	7,213,149	24,210	10	38,294	0	0	0	0
2011 4Q	472	7,675,970	487,031	6.3%	7,188,939	71,409	9	26,307	0	0	0	0
2011 3Q	472	7,675,970	558,440	7.3%	7,117,530	6,603	14	51,595	0	0	0	0
2011 2Q	472	7,675,970	565,043	7.4%	7,110,927	26,904	14	15,334	0	0	0	0
2011 1Q	472	7,675,970	591,947	7.7%	7,084,023	(35,880)	15	42,315	1	10,000	0	0
2010 4Q	472	7,675,970	556,067	7.2%	7,119,903	85,038	11	35,149	0	0	0	0
2010 3Q	472	7,675,970	641,105	8.4%	7,034,865	(4,458)	10	15,223	0	0	0	0
2010 2Q	471	7,673,424	634,101	8.3%	7,039,323	1,662	11	97,909	0	0	1	2,546
2010 1Q	471	7,673,424	635,763	8.3%	7,037,661	94,950	21	57,074	2	118,546	1	2,546
2009 4Q	470	7,557,424	614,713	8.1%	6,942,711	(3,715)	8	21,310	0	0	1	116,000
2009 3Q	470	7,557,424	610,998	8.1%	6,946,426	(55,803)	13	49,795	0	0	1	116,000
2009 2Q	470	7,557,424	555,195	7.3%	7,002,229	(156,254)	7	35,260	0	0	1	116,000
2009 1Q	470	7,557,424	398,941	5.3%	7,158,483	(18,918)	15	57,888	0	0	0	0
2008 4Q	470	7,557,424	380,023	5.0%	7,177,401	22,067	6	48,051	0	0	0	0
2008 3Q	470	7,557,424	402,090	5.3%	7,155,334	(52,233)	6	9,803	1	5,800	0	0
2008 2Q	469	7,551,624	344,057	4.6%	7,207,567	(74,388)	6	91,241	0	0	1	5,800
2008 1Q	469	7,551,624	269,669	3.6%	7,281,955	6,504	7	55,655	1	2,390	1	5,800
2007 4Q	468	7,549,234	273,783	3.6%	7,275,451	21,120	5	13,404	0	0	2	8,190
2007 3Q	468	7,549,234	294,903	3.9%	7,254,331	1,784	7	12,530	0	0	2	8,190
2007 2Q	468	7,549,234	296,687	3.9%	7,252,547	48,124	3	11,698	0	0	1	5,800
2007 1Q	468	7,549,234	344,811	4.6%	7,204,423	(28,347)	5	10,067	0	0	0	0
2006 4Q	468	7,549,234	316,464	4.2%	7,232,770	25,376	6	5,201	0	0	0	0
2006 3Q	468	7,549,234	341,840	4.5%	7,207,394	55,479	5	6,734	0	0	0	0
2006 2Q	468	7,549,234	397,319	5.3%	7,151,915	(4,356)	8	89,262	0	0	0	0
2006 1Q	468	7,549,234	392,963	5.2%	7,156,271	142,274	10	46,066	6	79,290	0	0

Sources: Costar; and CB Richard Ellis.

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

	Rentable Building Area						Leasing Activity		New Construction			
Period	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF	Total Net Absorption	Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2013 2Q	185	2,834,250	102,762	3.6%	2,731,488	(2,958)	1	4,738	0	0	0	0
2013 1Q	185	2,834,250	99,804	3.5%	2,734,446	(7,925)	1	2,850	0	0	0	0
2012 4Q	185	2,834,250	91,879	3.2%	2,742,371	(8,038)	6	14,681	0	0	0	0
2012 3Q	185	2,834,250	83,841	3.0%	2,750,409	17,119	3	3,078	0	0	0	0
2012 2Q	185	2,834,250	100,960	3.6%	2,733,290	6,035	10	65,467	1	3,000	0	0
2012 1Q	184	2,831,250	103,995	3.7%	2,727,255	(11,807)	1	1,869	0	0	1	3,000
2011 4Q	184	2,831,250	92,188	3.3%	2,739,062	22,526	8	20,178	0	0	1	3,000
2011 3Q	184	2,831,250	114,714	4.1%	2,716,536	(17,535)	7	19,502	0	0	0	0
2011 2Q	184	2,831,250	97,179	3.4%	2,734,071	6,445	5	5,445	0	0	0	0
2011 1Q	184	2,831,250	103,624	3.7%	2,727,626	(8,750)	4	53,294	0	0	0	0
2010 4Q	184	2,831,250	94,874	3.4%	2,736,376	37,512	3	4,241	0	0	0	0
2010 3Q	184	2,831,250	132,386	4.7%	2,698,864	13,333	6	34,522	0	0	0	0
2010 2Q	184	2,831,250	145,719	5.1%	2,685,531	16,031	8	26,420	0	0	0	0
2010 1Q	184	2,831,250	161,750	5.7%	2,669,500	(7,912)	10	18,685	0	0	0	0
2009 4Q	184	2,831,250	153,838	5.4%	2,677,412	(25,449)	4	23,968	0	0	0	0
2009 3Q	184	2,831,250	128,389	4.5%	2,702,861	(12,792)	5	29,373	0	0	0	0
2009 2Q	184	2,831,250	115,597	4.1%	2,715,653	(22,672)	12	21,771	0	0	0	0
2009 1Q	184	2,831,250	92,925	3.3%	2,738,325	(48,559)	2	2,905	0	0	0	0
2008 4Q	184	2,831,250	44,366	1.6%	2,786,884	771	4	6,375	0	0	0	0
2008 3Q	184	2,831,250	45,137	1.6%	2,786,113	(6,206)	3	7,330	0	0	0	0
2008 2Q	184	2,831,250	38,931	1.4%	2,792,319	(12,422)	2	4,003	0	0	0	0
2008 1Q	184	2,831,250	26,509	0.9%	2,804,741	749	3	3,138	0	0	0	0
2007 4Q	184	2,831,250	27,258	1.0%	2,803,992	29,299	3	4,271	0	0	0	0
2007 3Q	184	2,831,250	56,557	2.0%	2,774,693	(14,783)	2	22,530	0	0	0	0
2007 2Q	184	2,831,250	41,774	1.5%	2,789,476	50,102	0	3,200	1	27,995	0	0
2007 1Q	183	2,803,255	63,881	2.3%	2,739,374	43,677	3	9,489	1	16,226	1	27,995
2006 4Q	182	2,787,029	91,332	3.3%	2,695,697	10,956	6	22,259	0	0	2	44,221
2006 3Q	182	2,787,029	102,288	3.7%	2,684,741	(19,019)	5	5,869	0	0	1	16,226
2006 2Q	182	2,787,029	83,269	3.0%	2,703,760	1,323	3	11,808	0	0	0	0
2006 1Q	182	2,787,029	84,592	3.0%	2,702,437	(2,592)	3	4,195	0	0	0	0

Sources: Costar; and CB Richard Ellis.

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

City/Building Address	Miles from Site	Year Built	Rentable Building Area	Max Building Contiguous Space	Total Available Space (SF)	Largest Vacancies Former Use	Comments
Walnut Creek							
1444-1450 N California Blvd	3.5	1969	23,458	12,960	12,960	Forma Gym	Gym moved to 1908 Olympic Blvd in mid 2012
1375 N Main St	3.5	1925	12,601	10,334	10,334	Adib's Persian Rug	Moving to 1426 S. Main Street
Sub-Total			36,059		23,294		
Concord							
1280 Willow Pass Rd	4.5	1980	73,992	42,612	57,721	Sports Chalet, Rasputin Music Space vacant during fieldwork but new lease executed (see Comments)	Guitar Center was remaining tenant for a while, but Hobby Lobby now taking over Sports Chalet Space. Center had one broken window at site visit but is otherwise in good condition.
2250 Monument Boulevard	3.5	1985	N/A	N/A	43,112	Safeway, closed Jan. 2013	Safeway holds lease but seeking to return to landlord. Balance of center includes Orchard Supply Hardware, Big Lots, furniture store, liquor store, and others
1657-1673 Willow Pass Rd	4.4	1960	37,500	20,100	20,100	Theatre	Theatre part of property is under rehab to become a church. Remaining vacancy is approx. 9,000 sq. ft.
4476-4494 Treat Blvd	4.3	1963	20,880	8,500	17,121	Salvation Army/Liquor/Hobby Town	Center dated, but anchors Staples and CVS look healthy. Post Office is big draw.
1975 Diamond Blvd	4.9	1977	253,000	5,910	15,931	Tony Roma's, Golfmart	Leasing activity evident but leasing agent will not disclose details. El Torrito demolished to make way for new restaurant. Existing Old Navy is expanding.
1395 Galindo St	4.1	1967	29,976	15,000	15,000	Yamaha/Kawasaki dealership	Stand alone space, prolonged vacancy.
1825 Salvio St	4.7	1956	15,000	15,000	15,000	N/A	Under rehab to become a Dollar Tree store
2737-2787 Clayton Rd	4.6	1964	25,416	3,655	12,945	Restaurant, service	Dated strip center. Restaurant vacancy prolonged, with smaller service type vacancies behind restaurant.
3375 Port Chicago Hwy	6.0	2005	47,573	3,750	10,988	Ace Hardware, closed March 2012	Fresh and Easy leased but never opened.
4375 Clayton Rd	4.2	1970	23,700	5,100	10,950	Hollywood Video	Temporarily backfilled by Spirit Halloween store.
Sub-Total			527,037		218,868		
Pleasant Hill							
548 Contra Costa Blvd	6.4	1978	36,597	6,928	13,954	N/A	Vacant 5+ years, current under renovation for gym.
508 Contra Costa Blvd	6.7	1982	35,350	6,000	10,421	Country Square Market (Asian market closed in 2012), Bingo, Tanning Salon	The largest space is under contract to become an appliance store, space was subdivided after the market closed. Big 5 took some of the space.
			71,947		24,375		

Sources: CoStar; and ALH Urban & Regional Economics.

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

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

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

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

(1) Date reflect The Cheesecake Factory.
(2) Anticipated opening date.
(3) ALH Urban & Regional Economics estimate.

APPENDIX B: SUPPORT EXHIBITS

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

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

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

(1) The data were reported for 2011. ALH Urban & Regional Economics inflated the figures to 2013 by using the Urban West CPI Index, with adjustments from June 2011 to June 2013, resulting in a 1.036% (rounded) adjustment.
(2) Excludes spending on transportation and online purchases.
(3) Reflects an increase in spending by office workers in location with more ample retail, restaurant, and services offerings in the vicinity of the office building. This adjustment is based upon analysis reflected in the cited International Council of Shopping Centers source document. In urban locations the increment was approximately 43% more.
(4) All other includes a range of retail purchases, such as personal care shops, office supplies, department stores, drug stores, electronics, jewelry stores, entertainment, clothing, and other goods.

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

	2009		2010		2011		2012		Average In
Store or Category (2)	In 2009$'s	In 2013$'s	In 2010$'s	In 2013$'s	In 2011$'s	In 2013$'s	In 2012$'s	In 2013$'s	2013$'s
Apparel & Accessories									
Specialty	$397	$427	$405	$430	$447	$462	$472	$478	$449
Women's' Apparel	$389	$418	$365	$388	$455	$470	$515	$521	$449
Shoe Stores	$367	$394	$371	$394	$454	$469	$487	$493	$438
Ross Dress for Less	$286	$307	$324	$344	$195	$202	$195	$197	$263
Kohl's	$222	$239	$229	$243	$215	$222	$209	$211	$229
Accessories	$774	$832	$778	$827	$978	$1,011	$1,191	$1,205	$969
Average of Apparel & Accessories	$406	$436	$412	$438	$457	$473	$512	$517	$466
Discount Stores	$209	$225	$196	$208	$212	$219	$213	$215	$217
Target	$282	$303	$282	$300	$290	$300	$304	$308	$302
Wal-Mart	$424	$456	$422	$448	$499	$516	$456	$461	$470
Off-Pricers	$285	$306		$0		$0		$0	$77
		$0		$0		$0		$0	$0
Department Stores Category	$266	$286	$252	$268	$276	$285	$274	$277	$279
Sears	$278	$299	$206	$219	$205	$212	$210	$212	$235
Macy's	$152	$163	$162	$172	$174	$180	$183	$185	$175
Domestics Category	$284	$305	$294	$312	$288	$298	$268	$271	$297
Furniture Category	$225	$242	$198	$210	$290	$300	$361	$365	$279
Average of Domestics & Furniture	$255	$273	$246	$261	$289	$299	$315	$318	$288
Neighborhood Center Category									
Supermarkets	$490	$526	$535	$569	$533	$551	$575	$582	$557
Specialty/Organic	$504	$541	$510	$542	$658	$680	$698	$706	$617
Drug Stores	$683	$734	$724	$769	$657	$679	$667	$675	$714
Rite Aid	$488	$524	$421	$447	$560	$579	$549	$555	$526
CVS	$792	$851	$802	$852	$806	$833	$883	$893	$857
Restaurants Category	$431	$463	$429	$456	$496	$513	$480	$486	$479
Casual Dining	$416	$447	$431	$458	$578	$597	$563	$570	$518
Fast Food Chains	$447	$480	$431	$458	$507	$524	$492	$498	$490
Home Improvement	$280	$301	$269	$286	$278	$287	$287	$290	$291
Auto - DIY Stores (3)	N/A	N/A	$205	$218	$218	$225	$220	$223	$222
Other Retail Categories									
HBA, Home Fragrances	$431	$463	$541	$575	$474	$490	$531	$537	$516
Electronics	$508	$546	$686	$729	$1,171	$1,210	$821	$831	$829
Office Supplies	$277	$298	$263	$280	$270	$279	$262	$265	$280
Sports	$226	$243	$226	$240	$239	$247	$252	$255	$246
Pet Supplies	$179	$192	$185	$197	$188	$194	$218	$221	$201
Book Superstores	$242	$260	$180	$191	$247	$255	$210	$212	$230
Toys	$350	$376	$320	$340	$333	$344	$312	$316	$344
Music Superstores	$294	$316	$318	$338	$317	$328	$314	$318	$325
Gifts, Hobbies & Fabrics	$124	$133	$124	$132	$136	$141	$137	$139	$136
Average of Other Retail Categories	$292	$314	$316	$336	$375	$388	$340	$344	$345

Sources: Retail MAXIM, "Alternative Retail Risk Analysis for Alternative Capital" 2010, 2011, 2012, and 2013 (all publications present figures in the prior year dollars); United States Bureau of Labor Statistics Consumer Price Index - All Urban Consumers; and ALH Urban & Regional Economics.

(1) Figures are adjusted to 2013 pursuant to the mid-year CPI Index for All Urban Consumers.
(2) Includes industry-and category-representative stores.
(3) Average reflects a three-year trend.

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

2010 Census Tract	Geography
3340.06	Concord
3373	Walnut Creek and Concord
3382.01	Walnut Creek and Concord
3383.01	Walnut Creek
3383.02	Walnut Creek
3353.02	Walnut Creek and Concord

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

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

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

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

(1) Taxable sales are pursuant to reporting by the BOE.
(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.
(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 20% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 21% of General Merchandise Stores sales to food.
(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In California , drug store sales in 2011 represented approximately 16.1% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.
(5) Totals may not add up due to rounding.

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

	2013	2012				2011				Percent Change
Economic Segment	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	Q2 '12 - Q1 ' 13
Auto Sales - New	$3,967,374	$3,868,912	$3,712,960	$3,535,528	$3,339,327	$3,247,326	$3,142,409	$3,136,856	$3,115,297	12.2%
Department Stores	$2,831,249	$2,800,067	$2,735,931	$2,657,063	$2,552,841	$2,471,739	$2,423,041	$2,374,047	$2,340,175	6.6%
Restaurants	$2,191,310	$2,166,501	$2,124,741	$2,085,801	$2,039,009	$1,991,211	$1,942,970	$1,917,748	$1,893,411	5.1%
Miscellaneous Retail	$1,709,279	$1,709,774	$1,699,523	$1,696,975	$1,684,627	$1,651,669	$1,624,562	$1,612,219	$1,586,196	0.7%
Service Stations	$1,269,668	$1,282,292	$1,299,820	$1,298,807	$1,293,505	$1,269,552	$1,220,951	$1,165,099	$1,086,594	-2.2%
Apparel Stores	$1,215,189	$1,188,128	$1,164,564	$1,142,773	$1,124,602	$1,107,852	$1,078,019	$1,053,335	$1,016,853	6.3%
Furniture/Appliance	$808,242	$804,651	$832,857	$828,552	$844,679	$814,353	$773,543	$791,755	$764,669	-2.5%
Food Markets	$593,985	$580,997	$575,374	$577,872	$564,775	$563,303	$563,983	$546,540	$554,980	2.8%
Leasing	$508,904	$472,293	$444,456	$415,613	$392,403	$395,419	$397,002	$387,260	$382,919	22.4%
Auto Parts/Repai	$344,227	$343,646	$342,207	$344,024	$340,036	$337,025	$336,258	$334,658	$334,750	0.1%
Recreation Products	$335,683	$344,436	$345,528	$348,392	$353,662	$337,390	$320,786	$305,646	$284,643	-3.6%
Dug Stores	$322,490	$318,726	$322,096	$321,503	$318,905	$316,936	$310,129	$308,700	$307,891	0.3%
Office Equipment	$257,510	$259,584	$240,191	$214,808	$216,508	$214,622	$214,791	$198,706	$182,597	19.9%
Bldg. Materials - Wholesale	$253,018	$247,118	$232,182	$229,479	$234,905	$232,985	$231,144	$230,362	$222,250	10.3%
Bldg. Materials - Retail	$203,153	$197,841	$195,347	$193,391	$191,218	$184,859	$182,200	$180,515	$187,880	5.0%
Auto Sales - Used	$197,438	$186,844	$183,560	$175,559	$160,632	$143,224	$132,851	$117,141	$123,001	12.5%
Light Industry	$178,463	$186,259	$190,386	$207,543	$211,193	$217,116	$220,839	$223,832	$226,941	-14.0%
Liquor Stores	$177,199	$179,024	$176,684	$173,014	$168,738	$163,130	$160,952	$158,706	$158,374	2.4%
Health & Government	$152,459	$153,365	$157,472	$156,655	$149,827	$146,217	$143,190	$144,456	$144,644	-2.7%
Misc. Vehicle Sales	$133,954	$129,172	$120,690	$115,292	$102,850	$92,911	$92,101	$88,637	$91,939	16.2%
Business Services	$121,122	$123,868	$125,047	$121,603	$118,640	$103,053	$90,063	$83,137	$79,701	-0.4%
Heavy Industry	$28,903	$32,360	$32,833	$31,484	$26,487	$21,785	$20,378	$19,708	$19,087	-8.2%
Electronic Equipment	$27,249	$28,047	$39,142	$38,037	$42,295	$59,761	$61,505	$101,979	$129,987	-28.4%
Checmical Products	$24,904	$27,263	$27,458	$26,938	$26,277	$24,775	$28,071	$29,650	$28,607	-7.6%
Florist/Nursery	$16,897	$16,238	$15,853	$15,448	$15,341	$14,884	$14,861	$14,351	$14,645	9.4%
Miscellaneous Other	$10,013	$9,381	$10,854	$10,921	$10,910	$12,162	$12,538	$13,391	$13,661	-8.3%
Food Processing Eqp.	$2,587	$1,643	$870	$1,362	$1,595	$1,682	$2,701	$5,337	$8,355	89.9%
Energ Sales	$0	$0	$802	$802	$802	$802	$0	$0	$0	-100.0%
Closed Acct - Adjustment	-$1,450	-$1,450	-$1,149	-$1,342	-$3,196	-$4,193	-$5,625	-$6,514	-$4,769	8.0%
Total	**$17,881,019**	**$17,656,980**	**$17,348,279**	**$16,963,897**	**$16,523,393**	**$16,133,550**	**$15,736,213**	**$15,537,257**	**$15,295,278**	**5.4%**

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

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

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

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

(1) The redevelopment plans include expanded grocery space, a relocated and expanded Walgreens, and reduced shop space. The current 22,500 square feet of Safeway grocery space will be expanded to 37,500 square feet for Whole Foods, for a net increase of 15,000 square feet of grocery space. The Walgreens will be relocated, with the current size of 12,500 square feet increasing to 14,820, for a net increase of 2,270 square feet. Overall shop space wil be reduced from 62,963 square feet to 49,196 square feet, for a net reduction of 13,767 square feet.
(2) The current shopping center has at least four noted vacancies, totaling 7,853 square feet. ALH Urban & Regional Economics assumes that spaces currently vacant but remaining after the redevelopment will be occupied by new tenants, despite notations to the contrary. Thus, the net reduction in occuppied retail shop space will be 13,767 - 7,853, or 5,914 square feet.

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

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

Sources: International Council of Shopping Centers (ICSC), U.S. Shopping Center Definitions, July 2012 (http://www.icsc.org/srch/lib/US_CENTER_CLASSIFICATION.pdf); and ALH Urban & Regional Economics.

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

Response to Letter K: Fort Bragg Local Business Matters

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

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

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

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

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

As noted by the commentor, the frequency of truck trips is indeed very small—8 heavy-duty diesel truck deliveries per week, and 4 to 5 medium-duty diesel truck deliveries per day, is a very small number of truck trips generated by a project, compared to projects that would normally undergo a more detailed health risk analysis. Typically, projects would need to generate upwards of one hundred heavy-duty truck trips per day to have the possibility of generating enough TACs to exceed the Mendocino County Air Quality Management District (MCAQMD) thresholds for health risks (i.e., an increased cancer risk of greater than 10 in a million, or an increased non-cancer risk exceeding the Hazard Index of 1.0). This is true despite the relatively close location of the nearest sensitive receptors, which include residences just to the east of the Project site. Ultimately, even with top-mounted refrigeration units on some of the heavy-duty and/or medium-duty vehicles, the heavy- and medium-duty truck trips would not represent a significant risk of TACs on nearby sensitive receptors from DPM because there are so few truck trips.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From: Gary McCray <garyrmccray@gmail.com>
Sent: Sunday, September 18, 2022 11:46 AM
To: Gurewitz, Heather <hgurewitz@fortbragg.com>
Subject: Fort Bragg Grocery Outlet

Hello Heather Guerwitz Fort Bragg City Planner,

I, Gary McCray am a local resident and I favor the permitting of Grocery Outlet because I think it would be an excellent asset for the people of Fort Bragg providing much needed food cost relief and also competition to the other markets in the area that could encourage reducing the "Tourist Area" price gouging there as well. "Fort Bragg Local Business Matters" is acting against the best interests of the people of Fort Bragg while trying to eliminate competition with the existing markets for their own continued exploitative profit. They have no interest in the welfare of the people of Fort Bragg. All comments and commenters on their posts that are negative are deleted and the commenters are banned from commenting. Please do not think that the negative comments you receive about the Grocery Outlet are representative; it is a calculated campaign orchestrated by one person whose hypocritical self interest outweighs everything else. Sincerely, L-1

Gary R. McCray 16951 Franklin Road

Fort Bragg, CA 95437

707-962-9303

Response to Letter L: Gary McCray

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

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

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

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

October 31, 2022

City of Fort Bragg Community Development Department

Attn: Heather Gurewitz, Associate Planner

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

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

M-1

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

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

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

Regards,

-- Jacob Patterson

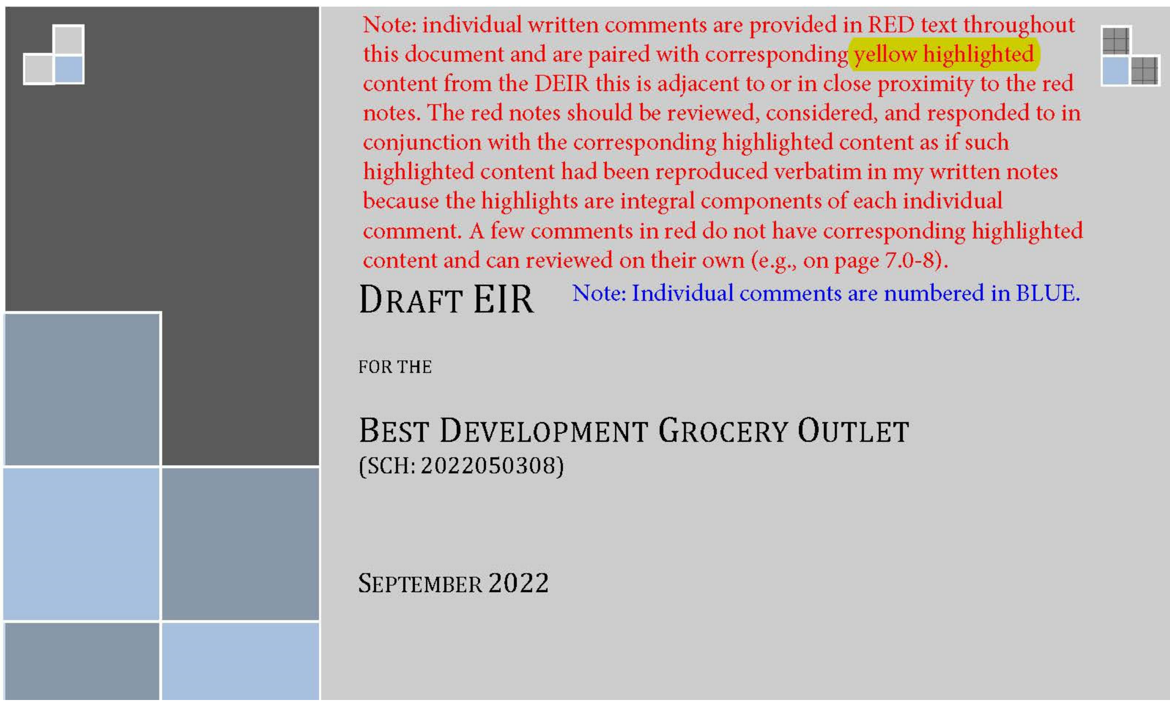
Grocery Outlet Public Review DEIR - with embedd...

Response to Letter M: Jacob Patterson

Response M-1: The commentor provides instructions regarding interpreting their comments made on the Draft EIR.

Please see Responses M-2 through M-154 regarding the listed concerns.

Response M-2: The commentor provided the following comment on the Draft EIR:



Note: individual written comments are provided in RED text throughout this document and are paired with corresponding yellow highlighted content from the DEIR this is adjacent to or in close proximity to the red notes. The red notes should be reviewed, considered, and responded to in conjunction with the corresponding highlighted content as if such highlighted content had been reproduced verbatim in my written notes because the highlights are integral components of each individual comment. A few comments in red do not have corresponding highlighted content and can reviewed on their own (e.g., on page 7.0-8).

DRAFT EIR

Note: Individual comments are numbered in BLUE.

FOR THE

BEST DEVELOPMENT GROCERY OUTLET

(SCH: 2022050308)

SEPTEMBER 2022

The commentor provides instructions regarding interpreting their comments made on the Draft EIR.

Please see Responses M-3 through M-154 regarding the listed concerns.

Response M-3: The commentor provided the following comment on the Draft EIR:

> On February 2, 2022, legal counsel for the Project applicant, the Best Development Group (Best), wrote a letter to the City Council mentioning the litigation and requesting that the City Council rescind the earlier approvals for the Project and commence preparation of an EIR. Project counsel stated that "[a]lthough Best believes that, given the small size of the Project and its minimal environmental effects, a spirited legal defense of the MND could be mounted, any such effort could consume as much as three years or more, given how slowly the California court system moves. Best has therefore concluded that the better and more prudent course of action will be to have the City prepare an EIR and put the Planning Commission and, if need be, the City Council back into a position to consider the Project anew based on such an EIR." During its meeting on February 28, 2022, the City Council rescinded its prior actions approving the Project and directed City staff to proceed with preparation of an EIR. On May 19, 2022, the City issued a Notice of Preparation (NOP) for the Project.
>
> The EIR contains a description of the Project, a description of the environmental setting, identification of Project impacts, and mitigation measures for impacts found to be significant, as well as an analysis of Project alternatives, identification of significant irreversible environmental changes, growth-inducing impacts, and cumulative impacts. This EIR also identifies issues determined to have no impact or a less than significant impact, relying as permitted by CEQA Guidelines section 15128 on the Initial Study checklist attached as Appendix A to this Draft EIR, and provides detailed analysis of potentially significant and significant impacts. Comments received in response to the NOP were considered in preparing the analysis in this EIR.
>
> 001
>
> This sentence should be deleted because it is merely the opinion of the applicant and not relevant information about the project that merits inclusion. It is "advocacy".
>
> Draft Environmental Impact Report – Best Development Grocery Outlet ES-1

The requested deletion was made to Chapter ES of the Draft EIR. See Chapter 3.0, Revisions, of this Final EIR for the revision.

It is noted that here, the Draft EIR is not advocating for the proposed Project. The text in question is a factual statement with the quoted material which provides background information for those readers of the Draft EIR who may have been unaware that the City Council had previously approved the proposed Project in July 2021 based on a Mitigated Negative Declaration (MND) and that litigation previously occurred. Because an EIR is intended to be an informational document, the statement is relevant and provides background information regarding the previous CEQA document and subsequent litigation.

Response M-4: The commentor provided the following comment on the Draft EIR:

The proposed Project includes demolition of the existing 16,436-sf vacant former office building and parking area and subsequent development and operation of a 16,157-sf Grocery Outlet (retail grocery store) with associated improvements on the Project site. Grocery Outlet is a value grocer, meaning that it sells brand name products at bargain prices due to their opportunity buying style. Associated improvements include a parking lot, loading dock and trash enclosure, circulation and access improvements, and utility infrastructure. 002

"Improvements" should be changed to "alterations"

The Project would also include a merger of three existing parcels (lots) to create one 71,002 sf (1.63 acres) parcel to accommodate the footprint of the proposed retail store within the resulting parcel.

AREAS OF CONTROVERSY AND ISSUES TO BE RESOLVED 003

This Draft EIR addresses environmental impacts associated with the proposed Project that are known to the City of Fort Bragg because they were raised during the initial public review period for the MND for the Project and subsequent public hearings, in the lawsuit over the Project, or in comments responding to the NOP, or because they otherwise emerged during preparation of the Draft EIR. The text of this Draft EIR discusses potentially significant impacts associated with aesthetics, air quality, biological resources, greenhouse gas emissions, land use, noise, transportation and circulation, and utilities. The remaining issues required to be addressed under CEQA are dealt with primarily in the Initial Study Checklist attached as Appendix A to this Draft EIR.

This list is not consistent with other references to the list of impact areas identified as having potentially significant impacts, including in the critical Alternatives section.

The City of Fort Bragg received written comment letters on the NOP for the proposed Project. A copy the letters are provided in Appendix A of this Draft EIR. The commenting agency/citizen is provided below. Based on input received on the Project as described above, the following subjects could be described as areas of controversy relating to the Project:

- whether the Project site contains wetlands;
- whether the Project site provides valuable habitat for wildlife such as blue herons;
- whether the building demolition required for the Project will deal adequately with any bats that may be inhabiting the existing on-site structure;

ES-2 Draft Environmental Impact Report – Best Development Grocery Outlet

The sentence in question is intended to discuss the environmental topics which are analyzed in detail in the Draft EIR. The term "potentially significant" was removed from the highlighted sentence for consistency. See Chapter 3.0, Revisions, of this Final EIR for the revision.

"Improvements" is a standard term to use in the planning industry when describing elements of construction that are intended to modify the existing condition. The term is used accurately here. The term "alterations" as indicated by the commenter, is semantic.

Response M-5: The commentor provided the following comment on the Draft EIR:

- whether the existing structure on the Project site can be feasibly repurposed and reused.

004

ALTERNATIVES TO THE PROPOSED PROJECT

The CEQA Guidelines require an EIR to describe a reasonable range of alternatives to the Project or to the location of the Project which would reduce or avoid significant impacts, and which could feasibly accomplish most of the basic objectives of the proposed Project. Three alternatives to the proposed Project were developed based on input from City staff, the public during the NOP review period, and the technical experts addressing the environmental effects of the proposed Project. The alternatives analyzed in this EIR include the following three alternatives in addition to the proposed Project.

- **No Project (No Build) Alternative**: Under this alternative, development of the Project site would not occur, and the Project site would remain in its current existing condition.
- **Building Reuse Alternative:** Under this alternative, the proposed Project would be developed with the same amenities as described in the Project Description, but the existing vacant former office building would be renovated and reused for the grocery store use.
- **Decreased Density Alternative:** Under this alternative, the proposed Project would be developed with the same amenities as described in the Project Description, but the density of the grocery store use would be decreased.

Alternatives are described in detail in Chapter 5.0. Table ES-1 provides a comparison of the alternatives using a qualitative matrix that compares each alternative relative to the other Project alternatives.

The selected alternatives are inadequate because they fail to include other even more environmentally superior alternatives that would reduce the identified significant impacts compared to the proposed project.

Draft Environmental Impact Report – Best Development Grocery Outlet ES-3

See Response M-114 below.

Response M-6: The commentor provided the following comment on the Draft EIR:

TABLE ES-1: COMPARISON OF ALTERNATIVE PROJECT IMPACTS TO THE PROPOSED PROJECT

ENVIRONMENTAL TOPIC	PROPOSED PROJECT[1]	NO PROJECT (NO BUILD) ALTERNATIVE	BUILDING REUSE ALTERNATIVE	DECREASED DENSITY ALTERNATIVE
SECTION 3.1, AESTHETICS				
AES Impact 3.1-1	LS	Less	Equal	Less
AES Impact 3.1-2	LS	Less	Equal	Less
AES Impact 3.1-3	LS	Less	Equal	Less
AES Impact 3.1-4	LS	Less	Equal	Less
SECTION 3.2, AIR QUALITY				
AQ Impact 3.2-1	LS	Less	Less	Less
AQ Impact 3.2-2	LS	Less	Less	Less
AQ Impact 3.2-3	LS	Less	Equal	Equal
AQ Impact 3.2-4	LS	Less	Less	Less
AQ Impact 3.2-5	LS	Less	Equal	Equal
SECTION 3.3, BIOLOGICAL RESOURCES				
BIO Impact 3.3-1	LS	Less	Equal	Equal
BIO Impact 3.3-2	LS/MM	Less	Equal	Less
BIO Impact 3.3-3	LS/MM	Less	Equal	Equal
BIO Impact 3.3-4	LS	Less	Equal	Equal
BIO Impact 3.3-5	LS	Less	Equal	Equal
BIO Impact 3.3-6	LS	Less	Equal	Equal
BIO Impact 3.3-7	LS	Less	Equal	Equal
SECTION 3.4, GREENHOUSE GASES, CLIMATE CHANGE AND ENERGY				
GHG Impact 3.4-1	LS	Less	Less	Less
GHG Impact 3.4-2	LS	Less	Less	Less
SECTION 3.5, LAND USE				
LU Impact 3.5-1	LS	Less	Equal	Equal
LU Impact 3.5-2	LS	Less	Equal	Equal
SECTION 3.6, NOISE				
NOI Impact 3.6-1	LS/MM	Less	Equal	Less
NOI Impact 3.6-2	LS/MM	Less	Less	Less
SECTION 3.7, TRANSPORTATION AND CIRCULATION				
TC Impact 3.7-1	LS	More	Equal	Less
TC Impact 3.7-2	LS	More	Equal	Less
TC Impact 3.7-3	LS	Less	Equal	Less

005 ES-4 Draft Environmental Impact Report – Best Development Grocery Outlet

These conclusions about 3.7-1 and 3.7-2 are not justified or supported by the relevant analysis in the Transportation and Alternatives sections.

See Response M-114 below.

Chapter 5.0, Alternatives to the Proposed Project (not Section 3.7, Transportation and Circulation), of the Draft EIR includes justification and support for the increased impacts related to Impacts 3.7-1 and 3.7-2. As discussed on pages 5.0-6 and 5.0-7 of Chapter 5.0 of the Draft EIR, the proposed Project would result in a net increase in VMT over baseline conditions. However, the model considers a very limited amount of re-routing of Fort Bragg residents that currently go to the Grocery Outlet store located in Willits for grocery shopping. As such, the VMT calculation was adjusted for re-routing. According to information provided by Grocery Outlet, over the last 12 months (June 2021 to June 2022), around 9% of the people that visit their Willits store come from Fort Bragg. Considering that the length of a one-way trip from Fort Bragg to the Willits Grocery Outlet store is approximately 35 miles, and one mile from Fort Bragg to the Project site, 990 VMT is equivalent to the re-routing of 30 one-way trips or 15 round trips from the Willits Grocery Outlet store to the proposed Project store. Per the Institute of Transportation Engineers Trip Generation Manual, 11th Edition, a grocery store such as the one in Willits generates approximately 3,500 daily one-way trips. Therefore, the re-routing of less of 1% of these trips would result in a net decrease in VMT for both baseline (2022) and future year (2030) conditions. Table 3.7-18 shows the adjusted VMT results accounting for a trip redistribution from the Willits Grocery Outlet to the Fort Bragg Grocery Outlet of 1% and 9%. All transportation-related impacts were determined to be less than significant.

The No Project (No Build) Alternative would not introduce additional vehicle trips onto the study area roadways. Rather, retail customers would continue their existing driving patterns in pursuit of groceries. According to information provided by Grocery Outlet, over the last 12 months (June 2021 to June 2022), around 9% of the people that visit their Willits store come from Fort Bragg. Considering that the length of a one-way trip from Fort Bragg to the Willits Grocery Outlet store is approximately 35 miles, and one mile from Fort Bragg to the Project site, 990 VMT is equivalent to the re-routing of 30 one-way trips or 15 round trips from the Willits Grocery Outlet store to the proposed Project store. Per the Institute of Transportation Engineers Trip Generation Manual, 11th Edition, a grocery store such as the one in Willits generates approximately 3,500 daily one-way trips. Therefore, as noted in Section 3.7 of this Draft EIR, the re-routing of less of 1% of these trips would result in a net decrease in VMT for both baseline (2022) and future year (2030) conditions. Table 3.7-18 shows the adjusted VMT results accounting for a trip redistribution from the Willits Grocery Outlet to the Fort Bragg Grocery Outlet of 1% and 9%. Under the No Project (No Build) Alternative, re-routing of traffic would not occur, and a net decrease in VMT for both baseline (2022) and future year (2030) conditions would not occur. As such, impacts related to CEQA Guidelines Section 15064.3, subdivision (b) would be increased compared to the proposed Project.

With respect to Impact 3.7-2, under the No Project (No Build) Alternative, transit use would not increase, bicycle storage facilities would not be installed, and pedestrian frontage improvements would not be constructed. Impacts related to conflicts with a program, plan, ordinance or policy addressing the circulation system, including transit, roadway, bicycle, and pedestrian facilities would be increased under this alternative.

Response M-7: The commentor provided the following comment on the Draft EIR:

with certain City policies.

On February 2, 2022, legal counsel for the Project applicant, the Best Development Group (Best), wrote a letter to the City Council mentioning the litigation and requesting that the City Council rescind the earlier approvals for the Project and commence preparation of an EIR. Project counsel stated that "[a]lthough Best believes that, given the small size of the Project and its minimal environmental effects, a spirited legal defense of the MND could be mounted, any such effort could consume as much as three years or more, given how slowly the California court system moves. Best has therefore concluded that the better and more prudent course of action will be to have the City prepare an EIR and put the Planning Commission and, if need be, the City Council back into a position to consider the Project anew based on such an EIR." During its meeting on February 28, 2022, the City Council, through its adoption of Resolution 4517-2022, rescinded its prior actions approving the Project, and thereby essentially directed City staff to proceed with preparation of an EIR. On May 19, 2022, the City issued a Notice of Preparation (NOP) for the Project.

006

Remove highlighted text, which is the applicant's opinion and not relevant to environmental analysis.

An EIR must disclose the expected environmental impacts, including impacts that cannot be avoided, growth-inducing effects, impacts found not to be significant, and significant cumulative impacts, as well as identify mitigation measures and alternatives to the proposed project that could reduce or avoid its adverse environmental impacts. CEQA requires government agencies to consider and, where feasible, minimize significant environmental impacts of proposed development. CEQA also requires agency decision-makers, when considering the approval of projects with significant unavoidable environmental effects, to balance a variety of public objectives, including economic, environmental, and social factors.

Draft Environmental Impact Report – Best Development Grocery Outlet 1.0-1

The requested deletion was made to Chapter 1.0 of the Draft EIR. See Chapter 3.0, Revisions, of this Final EIR for the revision.

It is noted that here, the Draft EIR is not advocating for the proposed Project. The text in question is a factual statement with the quoted material which provides background information for those readers of the Draft EIR who may have been unaware that the City Council had previously approved the proposed Project in July 2021 based on a Mitigated Negative Declaration (MND) and that litigation previously occurred. Because an EIR is intended to be an informational document, the statement is relevant and provides background information regarding the previous CEQA document and subsequent litigation.

Response M-8: The commentor provided the following comment on the Draft EIR:

DRAFT EIR

This document constitutes the Draft EIR. The Draft EIR contains a description of the proposed Project, description of the environmental setting, identification of project impacts, and mitigation measures for impacts found to be significant, as well as an analysis of project alternatives, identification of significant irreversible environmental changes, growth-inducing impacts, and cumulative impacts. This Draft EIR identifies issues determined to have no impact or a less than significant impact, relying as permitted by CEQA Guidelines section 15128 on the Initial Study checklist attached as Appendix A to this Draft EIR, and provides detailed analysis of potentially significant and significant impacts. Comments received in response to the NOP were considered in preparing the analysis in this EIR. Upon completion of the Draft EIR, the City of Fort Bragg will file the Notice of Completion (NOC) with the State Clearinghouse of the Governor's Office of Planning and Research to begin the public review period for state agencies. Additionally, the Town of Fort Bragg will file the Notice of Availability with the County Clerk and have it published in a newspaper of regional circulation to begin the local public review period.

007

How? This assertion isn't actually evident in the DEIR as currently written.

PUBLIC NOTICE/PUBLIC REVIEW

The City of Fort Bragg will provide a public notice of availability for the Draft EIR, and invite comment from the general public, agencies, organizations, and other interested parties. Consistent with CEQA, the review period for this Draft EIR is forty-five (45) days. Public comment on the Draft EIR will be accepted in written form. All comments or questions regarding the Draft EIR should be addressed to:

Attn: Heather Gurewitz, Associate Planner
City of Fort Bragg
Community Development Department
416 N. Franklin Street
Fort Bragg, CA 95437
(707) 961-2827
hgurewitz@fortbragg.com

Additionally, in accordance with Fort Bragg's Coastal Land Use and Development Code section 17.72.100, there will be an additional public hearing to accept comments on this Draft EIR during the 45-day review period.

Draft Environmental Impact Report – Best Development Grocery Outlet 1.0-3

Each NOP comment letter was read by De Novo Planning Group and City of Fort Bragg staff as they were received. Additionally, the relevant comment letters were provided to the biological resources, transportation, and noise consultant staff members before work on the Draft EIR began in order to ensure the CEQA-related concerns were addressed. Each technical section of the Draft EIR (Sections 3.1 through 3.8) summarizes the relevant NOP comment authors which were considered in preparing each Draft EIR section.

It is noted that CEQA does not require a lead agency, in issuing an NOP, to solicit comments from the general public. Rather, NOPs are addressed to responsible agencies and trustee agencies. Although the NOP for the proposed Project was distributed to members of the public via public noticing and various agencies, the City is not obligated to meet informational demands made by members of the public or to provide in the Draft