

***Preliminary Working Draft
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**ECONOMIC, FISCAL AND “URBAN DECAY” ANALYSIS OF
THE COMMONS AT QUARTZ HILL, A PROPOSED SHOPPING CENTER
IN THE CITY OF LANCASTER, CALIFORNIA**

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EXECUTIVE SUMMARY

Introduction

The following report provides an analysis of the general economic and fiscal impacts of The Commons at Quartz Hill (“Project”), a proposed shopping center that would be developed in the City of Lancaster, California, and the potential for the operation of the Project to directly or indirectly cause “urban decay,” as that concept has been addressed in court decisions interpreting the California Environmental Quality Act (CEQA).

The general economic impacts of the Project refer to the jobs, worker compensation and total economic output associated with the Project’s construction and annual operation once it is completed and occupied. These impacts are measured at the scale of the County of Los Angeles, because that is the geographic scale at which total impacts are captured. The fiscal impacts of the project refer to the difference between recurring annual project-related tax and other revenues to the City of Lancaster and the marginal (i.e., incremental) costs to provide services to the Project site.

The potential for the project to cause “urban decay” — which has been described as a chain reaction of store closures and long term vacancies, ultimately destroying existing neighborhoods and leaving decaying building shells in their wake — involves a two-part analysis. First, it must be determined whether the Project will attract retail sales away from existing and/or other planned future retail centers to any significant degree. Second, if it can be reasonably foreseen that sales will be attracted away from other retailers, it must be determined whether the severity of this change in economic circumstances will cause disinvestment that is significant enough to result in business closures, abandonment or other forms of physical deterioration or other manifestations of “urban decay.”

The Commons at Quartz Hill (“Project”) would consist of 369,444 square feet of Gross Leasable Area (GLA) that is to be distributed between retail stores, eating and drinking facilities and Non-retail Services space as summarized in Table 1.

Table 1
PROPOSED “THE COMMONS” RETAIL CENTER

<u>Retail Space Category</u>	<u>Square Feet GLA 1/</u>
Wal-Mart Superstore	220,800
Drug Store	14,740
Major retailer	20,000
Other Retail Shops	89,911
Services	5,500
Eating & Drinking Facilities	18,493
Grand Total	<u>369,444</u>

1/ GLA: Gross Leasable Area.

Source: Rothbart Development; HR&A, Inc.; W&W, Inc.

Construction is planned for completion by 2011, making 2012 the first full year of center operation.

Economic Impacts Analysis [NEED DEVELOPMENT COST DATA FROM APPLICANT TO FILL IN ALL BLANKS]

Using the well-established IMPLAN input-output model of the Los Angeles County economy, it is estimated that the planned expenditure of about \$__ million to construct the Project will result in a total economic output impact of \$__ million (in 2008 \$) in the Los Angeles County economy, generating __ total full-time and part-time jobs, of which __ will be involved directly in the Project's construction, as shown in the top panel of Table 2. Most of the direct (i.e., construction) and many of the indirect (i.e., materials and services supplied to contractors) economic impacts of Project development will occur in the City of Lancaster economy. Some of the remaining impacts (i.e., from household spending by direct and indirect workers) may occur in the City, but most will occur elsewhere in the County economy where these workers reside.

Table 2
 EMPLOYMENT AND OTHER ECONOMIC IMPACTS IN LOS ANGELES COUNTY FROM
 CONSTRUCTION AND OPERATION OF THE COMMONS AT QUARTZ HILL
 (all dollar amounts in 2008 \$)

Impact Category	DUE TO PROJECT CONSTRUCTION			Total Impact ¹
	Direct Impact	Indirect Impact	Induced Impact	
Employment				
Construction	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-
Employee Compensation	\$ million	\$ million	\$ million	\$ million
Total Economic Output	\$ million	\$ million	\$ million	\$ million
	DUE TO ANNUAL OPERATION OF THE COMPLETED PROJECT			
Impact Category	Direct Impact	Indirect Impact	Induced Impact	Total Impact ¹
Employment	680.0	103.6	143.3	927.0
Compensation	\$17.6 million	\$4.8 million	\$5.6 million	\$28.0 million
Total Economic Output	\$44.5 million	\$16.6 million	\$19.6 million	\$80.7 million

¹ Totals may not sum precisely due to independent rounding.

Source: HR&A, Inc.

Once the Project is in full operation in 2012, it is estimated that its \$140 million in annual sales will result in a total economic output impact of \$80.7 million (in 2008 \$) in the Los Angeles County economy, including 927 total full-time and part-time jobs, of which 680 will be directly located at the Project, as shown in the bottom panel of Table 2. Here again, most of the direct (i.e., retail sales) and many of the indirect (i.e., materials and services supplied to retail tenants) economic impacts of Project development will occur in the City economy. Some of the remaining impacts (i.e., from household spending by direct and indirect workers) may occur in the City, but most will occur elsewhere in the County economy where these workers reside.

Fiscal Impacts Analysis [NEED SITE PURCHASE PRICE FROM APPLICANT TO FILL IN ALL BLANKS]

The Project will also yield about \$___ in one-time revenues to the City of from sales tax on construction materials and real estate transfer tax on the purchase of the Project site. Various permit, planning and mitigation fees are not included, because they directly offset City costs and therefore do not yield net new revenue to the City. In the opening year of 2012, the Project will yield about \$___ million from the City’s share of the net increase in property tax, sales tax and business license tax. Over the following 20 years, the Project will generate \$___ million in tax revenue to the City (\$__ million in 2008 dollars). The Project’s revenue projections are summarized in Table 3.

Table 3
ESTIMATE OF ONE-TIME AND RECURRING ANNUAL TAX REVENUES
TO THE CITY OF LANCASTER FROM CONSTRUCTION
AND OPERATION OF THE COMMONS AT QUARTZ HILL

One-Time Revenues					
Construction Materials Sales Tax	\$	-			
Real Estate Transfer Tax	\$	-			
Total One-Time Revenues	\$	-			
 Annual Recurring Revenues					
		<u>Nominal \$</u>		<u>2008 \$</u>	
		<u>Opening Year</u>	<u>Over 20 Years</u>	<u>Opening Year</u>	<u>Over 20 Years</u>
Property Tax	\$	-	\$	-	\$
Sales Tax	\$	1,290,601	\$	37,009,909	\$
Business License Tax	\$	1,639	\$	46,993	\$
Total Recurring Revenues	\$	1,292,240	\$	37,056,903	\$
			\$	1,089,449	\$
					\$
					\$

Source: HR&A, Inc.

The tax revenue estimates and projections are based on the first round of Project-related spending only — i.e., the tax revenues derived directly from Project construction and the Project’s annual sales. Secondary and tertiary sources of tax revenue will also be generated as a result of expenditures by local businesses that supply goods and services for construction of the Project, and to the retail tenants that will occupy it. The amounts of these indirect and induced tax revenues, and the degree to which they will accrue to the City, are not susceptible to reliable estimation. Therefore, the estimates presented here understate, to some unknown degree, the actual tax revenues the Project will produce for the City.

The Project will not have any significant marginal (i.e., incremental) impacts on City services, according to the Project’s Environmental Impact Report, and from this perspective, the Project’s net new revenues to the City represent the net fiscal impact of the Project (i.e., \$___ million in 2012). Any costs generated by the Project for fire protection will be paid from a share of the property tax allocated to the County Fire District.

Urban Decay Analysis

The analysis presented here evaluates whether development of the retail and dining space contained in the Project will result in such intense competition that there is likely to be a significant adverse economic impact on existing retail developments in the City of Lancaster and other nearby jurisdictions. Methodologically, the potential for such an impact can be determined in a given market area through a comparison of the projected growth in demand for retail goods, as measured by the change in supportable retail space for particular retail store categories, with the amount of proposed additions to the supply of retail space. In this particular context, the analysis focuses on whether the proposed amount of floor area in each major retail and dining use category planned for the Project exceeds the likely increase in demand for those same uses within the relevant market area(s) serving the Project, where demand is measured by the anticipated growth in population and per capita personal income that would be available for expenditure on the specified retail goods and dining. If the proposed change in the supply of floor area for retail and eating and drinking activities exceeds anticipated growth in demand, the resulting competitive conditions could challenge existing retailers and restaurateurs to such a degree that net sales could be attracted away from their existing stores without their likely replacement by sales from the new sources of demand. Under such circumstances, further analyses would be required to assess whether it is foreseeable that this draining of sales from existing businesses would logically result in significant disinvestment, business closures, abandonment, other forms of physical deterioration, leading to “urban decay.”

Conversely, if the amount of retail and eating and drinking facility space planned for the Project, together with proposed retail space for comparable uses in other planned projects within the same time frame, *is equal to or less than* the increase in space that can be supported by projected increases in future demand, it can be argued that the proposed Project is not exerting significant adverse competitive pressures that could potentially lead to urban decay. This conclusion follows the logic that the growth in customer demand will be large enough to economically support both the Project and other existing and planned projects offering comparable retail and restaurant uses. Given such circumstances, there is no need to further evaluate the potential for urban decay as a consequence of the development of the Project.

Making these economic impact measurements requires: (1) establishing appropriate market areas for each retail and restaurant category in the Project for which such retail space will be provided; (2) projecting the scale of customer demand based on population growth, income growth and spending growth for those use categories over a relevant time period (i.e., 2007-2012); (3) converting projected changes in future customer retail spending and eating and drinking facility spending into magnitudes of supportable square feet of gross leasable floor area (GLA), so that the projected increase in supportable space can be compared directly with the projected change in supply proposed for each retail category in the Project’s development program; and (4) comparing the magnitude(s) of supportable space with the proposed supply of space and evaluating the results of this comparison.

Following the methodology outlined above, separate market impact analyses were conducted for the four basic types of retail and restaurant uses that are to be included in the Project: (1) Shopper Goods, consisting of stores offering General Merchandise (typically,

department stores); Apparel and Accessories stores; Home Furnishings, Furniture and Appliance stores; and Other (or Specialty) retail stores; (2) Building Materials and Garden Supply stores; (3) Convenience Goods stores, including food stores (e.g., supermarkets, bakeries, liquor stores) and drug stores; and (4) Eating and Drinking Facility space, including both fast food facilities and “sit-down” restaurants serving alcohol.

The analysis presented in the report leads to the following urban decay impact findings and conclusions:

- ***Delineation of Market Areas.*** Given the dispersed character of existing development in the Antelope Valley and the location of existing retail development competition, two market areas were established for the determination of potential demand for the four classes of retail goods that were evaluated in the analysis: (1) a *Primary Market Area* (PMA) encompassing the geographic area situated within five miles of the Project site, utilizing a centroid at the intersection of 60th Street W and West Avenue L; and (2) a *Secondary Market Area* (SMA) encompassing a circular ring around the PMA and extending from five to 10 miles around the Project site. For certain types of retail goods — notably, Shopper Goods and Building Materials and Garden Supplies – the PMA would provide 70 percent of the market support and the SMA 30 percent of the market support. For other classes of goods (e.g., Convenience Goods and Eating and Drinking Facilities) market support would be expected almost entirely from the PMA.

The delineation of a secondary market area is particularly appropriate in this analysis due to the possibility that the Project will share the intersection at 60th Street W and West Avenue L with another proposed retail development known as the Lane Ranch Towne Center (“Lane Ranch”), which is also planning its first full year of operation in 2012. Together, the two centers would provide nearly 800,000 square feet of new retail space in the market, making this location the second largest retail concentration in the Antelope Valley and thereby enhancing the drawing power for the location that is well beyond the normal range for a single 400,000 square foot shopping center.

- ***Shopper Goods (General Merchandise, Apparel, Home Furnishings/Furniture and Specialty Goods).*** The analysis of Shopper Goods considered three different comparisons between potential market support for new retail space and potential future competitive supply. These three comparisons were as follows.
 - **Project with PMA:** The Project’s proposed Shopper Goods space is compared to future PMA resident support for additional Shopper Goods space;
 - **Project and Lane Ranch with the Combined PMA and SMA:** The total proposed Shopper Goods space from the Project and Lane Ranch is compared to the projected total supportable Shopper Goods space from all market sources, represented by both PMA residents and SMA residents; and
 - **Cumulative Projects with the Combined PMA and SMA:** The total proposed Shopper Goods space (including the Project, The Commons and all other identified

developments proposed for completion by 2012) is compared to the projected total supportable Shopper Goods space from all market sources, represented by both PMA residents and SMA residents.

The results of the first of these comparisons indicate that the Project's Shopper Goods space can be supported by the PMA, as it would provide the equivalent of 66 percent of the PMA's potential supportable Shopper Goods space. Under the assumptions for the second comparison, the results indicate that the combination of the Project and Lane Ranch together would provide an amount of Shopper Goods space that would constitute 113 percent of the total supportable space from the combined PMA and SMA resident markets. This comparison recognizes that in this type of market context the two centers would draw patronage much like a regional shopping center, where the PMA would account for 70 percent of potential market support and the SMA an additional 30 percent. In the final comparison, the projected supply of Shopper Goods space from all proposed developments is compared with the Total Supportable Space from all sources of market demand as defined by the combination of PMA and SMA residents. Under these assumptions, the total proposed supply represents the equivalent of 145 percent of total demand in 2012. Effectively, the projected excess supply of Shopper Goods space in 2012 is measured at 231,965 square feet GLA.

While the development of the Project together with (1) the development of Lane Ranch and (2) other planned retail projects in the PMA could theoretically lead to an oversupply of Shopper Goods space in the PMA in 2012, this oversupply is unlikely to create extreme competitive conditions that could lead to urban decay. The primary reasons that underline this summary observation are the following:

- The market demand for Shopper Goods in the PMA and SMA is growing with development of the residential base, and by 2012 the annual growth in supportable Shopper Goods space should exceed 100,000 square feet GLA. Thus, if there is excess supply, it would likely be a short-term phenomenon that would be resolved from growth in resident demand in the two market areas by late 2014 or early 2015.
- The proposed major Shopper Goods anchor tenants for the two centers (including the Project and Lane Ranch) to be developed at 60th Avenue W and West Avenue L are already well-established in the market area. If the two projects draw sales from other establishments it is likely that this "cannibalization" by the anchor tenants will largely come from their own existing stores. Presumably, this potential loss in sales has already been considered in the decisions by the major department store chains to locate additional new stores in the Lancaster market.
- The threshold sales requirement for Shopper Goods that is utilized in the analysis has been set at a standard for the industry that assumes that the stores have reached maturity, and thus may be conservative (i.e., too high) for stores opening in a market area that is undergoing significant growth. Often there is a "ramp-up" period of several years for stores entering a market before they realize the threshold sales level(s) that are typical for the industry. In this regard, the anchor stores in all

likelihood are establishing their location well in advance of the long term demand that will ultimately be present in the growing Quartz Hill community.

- Developers of other projects have the option to delay or otherwise adjust their development programs to reflect market conditions, particularly in recognition of the strength of the anchor tenants present at the Project and Lane Ranch. There also could be adjustments to development schedules in response to recent trends in the residential market that are highly indicative of a major slow down in new residential construction. If there are no “rooftops” in the immediate vicinity, shopping center development likely will be delayed or phased to meet these changes in market conditions.
- ***Building Materials and Garden Supplies.*** The analysis of Building Materials and Garden Supplies retail space follows the same basic approach that was utilized for the Shopper Goods analysis, recognizing that shopping behavior for this type of good and anchor tenants that will provide this space, such as The Home Depot, Lowe’s, Wal-Mart and Target, will likely attract significant sales from beyond the PMA. Once again, three basic comparisons were made between supportable space and the proposed development supply, following the framework provided above for Shopper Goods. The results of these comparisons are as follows:
 - **Project with PMA:** Growth in demand within the PMA for Building Materials and Garden Supplies is sufficient to support the retail space proposed for this use in the Project. The proposed supply at the Project would effectively represent 17 percent of potential supportable space in this category, thus absorbing the entire projected increase in PMA demand by 2012.
 - **Project and Lane Ranch with the Combined PMA and SMA:** The proposed cumulative supply of Building Materials and Garden Supplies space in the Project and Lane Ranch would represent 25 percent of the total demand generated by PMA and SMA residents that could be captured at the shared location of 60th Street W and West Avenue L.
 - **Cumulative Projects with the Combined PMA and SMA:** The proposed supply represents 149 percent of total projected supportable space from the combined market areas, as it includes the space at the 60th Street/Avenue L complexes plus a proposed Lowe’s Home Improvement Center with 139,410 square feet of space by 2012. At the projected rate of growth in demand for this type of space, the market would support all of the proposed development area at the threshold sales level utilized in this analysis by 2013, the second full year of the combined centers’ operations
- ***Convenience Goods.*** Analysis of the potential market support for Convenience Goods was based exclusively on the additional demand generated by PMA residents. Accordingly, the three comparisons were modified to the following for both Food Store Space and Drug Store/Pharmacy Space: (1) Project with PMA; (2) Project and The

Commons with the PMA; and (3) Cumulative Projects with the PMA. These comparisons are summarized below:

Food Stores, including Supermarkets, Other Food Stores and Beverage Stores

- **Project with PMA:** The Project will offer 49,800 square feet GLA of this type of space. This is equal to 42 percent of the potential supportable demand, leaving considerable market share available for other projects.
- **Project and Lane Ranch with the PMA:** The two projects will offer 84,887 square feet GLA, representing 70 percent of the total demand for this category, again leaving considerable market share available for other projects.
- **Cumulative Projects with the PMA:** The cumulative proposed supply will represent 130 percent of total supportable demand for this category. This oversupply would be balanced by growth in PMA residents by mid-2014, thus it is not considered to raise such a significant issue with respect to potential impact on existing and future retailers that the likely impact would lead to “urban decay.”

Drug Stores/Pharmacies (including free-standing drug stores and pharmacies within major retailers)

- **Project with PMA:** The Project will provide a freestanding drug store and pharmacy space within the Wal-Mart, estimated to total 24,740 square feet GLA for the two facilities. This supply represents 82 percent of total projected PMA resident demand by 2012, leaving market share available for other projects.
- **Project and Lane Ranch with the PMA:** The two projects together will provide two free-standing drug stores and two pharmacies within a larger department store setting, with a combined square footage of 91,467 square feet. This amount of space constitutes 137 percent of the total PMA resident demand for this expenditure category, and thus indicates a significant potential oversupply by 2012.
- **Cumulative Projects with the PMA:** As presently proposed, the cumulative supply of proposed drug stores and pharmacies represents nearly *three times* (283 percent) of the total projected supportable demand from PMA residents for this category by 2012.

These results indicate that if all proposed drug stores and pharmacies are developed as currently proposed in the PMA by 2012 there could be a very significant oversupply of this type of space in the market. While this condition would not be generated by the Project in isolation of other projects, the proposed development of four drug stores and pharmacies at the intersection of 60th Avenue W and West Avenue L would appear to be unrealistic. In light of this information, and depending on which project signs up a drug store tenant first, it is possible that there would be adjustments to the tenant mix in one or both project development programs.

In recognition of the likely conditions of oversupply of drug store space in the PMA by 2012, field surveys and additional market research were conducted that related to the four existing drug stores and one proposed drug store in order to determine which, if any, of the properties would be susceptible to closure and significant urban decay from the forces of extreme competition caused by development of the proposed drug store and pharmacy facilities at the Project and other proposed developments. Five existing and proposed drug stores located near the intersection of 60th Avenue W and West Avenue L are considered most at risk, due to the likely overlap of their respective markets with that of the Project. These investigations indicate, for the reasons presented in the report, that even in light of a serious oversupply of drug store and pharmacy space in the Project's PMA if the Project and Lane Ranch both open as currently scheduled, it is unlikely that the competitive retail developments studied would experience the store closures, abandonment and physical deterioration that characterizes "urban decay." The four existing drug store chains with stores in the PMA are all capable of holding on to viable market shares over the long term due to their respective geographic positioning and the underlying strength of the brand. Moreover, it is also very possible that the sales thresholds actually achieved by these stores per square foot may be below the standard utilized in this analysis for determining supportable drug store and pharmacy space, and that this possibility has already been considered in the market strategies of the chains in their location decision-making..

- ***Eating and Drinking Facilities.*** The analysis of the potential impact of the proposed Eating and Drinking Facility component of the Project utilized the same comparison framework that was followed in the Convenience Goods analysis where market support is derived exclusively from PMA residents.

Two types of restaurant space are considered in the analysis: (1) fast food restaurants; and (2) "sit-down" restaurants serving alcohol. The analysis indicates that the PMA can adequately support the Project's proposed fast food restaurants and all other proposed fast food restaurant space that was considered in the analysis. With regard to restaurants serving alcohol, the analysis indicates that there would be a short-term oversupply in 2012, though this imbalance would be satisfied by growth in PMA demand by 2013. Given these findings, there is little likelihood that the proposed restaurant space at the Project would have major competitive impacts on other existing or future eating and drinking facilities in the PMA. As the addition of the proposed eating and drinking uses in the Project will not have a significant negative impact on the existing and proposed supply of competitive uses in the PMA, this component of the Project will not lead to urban decay at any of the existing or proposed shopping centers and business districts found in the competitive market area.

The analysis concludes that, while the Project together with other new shopping centers will add new competitive retail and restaurant facilities to the Antelope Valley region, there is no reasonable likelihood that the operation of the Project and the other projects identified in this analysis as they are presently conceived would result in significant adverse economic competition within the regional market area to the degree that this competition would lead to urban decay. This conclusion is supported by the finding that the amount of new retail and

restaurant facility space that can be supported by future growth in market demand exceeds or meets the amounts of new space for each use category that is planned for inclusion in the Project. As a result, there is no compelling economic reason to further evaluate potential changes in the physical environment (e.g., “urban decay”) that could be associated with the economic interactions between the Project and its market context.

I. INTRODUCTION

A. Purpose of the Analysis

This report analyzes the economic and fiscal impacts of The Commons at Quartz Hill (“Project”), a 369,444 square foot retail development located on 35.77 acres at the intersection of 60th Street W and West Avenue L in the City of Lancaster (“City”), County of Los Angeles, and the potential for the operation of the Project to directly or indirectly cause “urban decay,” as that concept has been defined in court decisions interpreting the California Environmental Quality Act (CEQA).¹

The general economic impacts of the Project refer to the jobs, worker compensation and total economic output associated with the Project’s construction and operation. These impacts are measured at the scale of the County of Los Angeles, because that is the geographic scale at which total impacts are captured. The fiscal impacts of the project refer to the difference between recurring annual project-related tax and other revenues to the City of Lancaster and the marginal (i.e., incremental) or average costs to provide services to the project site.

Analysis of the potential for new retail development to cause urban decay — “. . . a chain reaction of store closures and long term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake”² — requires a two-stage analysis. First, it must be determined whether the new retail development will attract retail sales away from existing and/or other planned future retail centers to any significant degree. Second, if this is the likely outcome, then it must be determined whether the severity of this change in economic circumstances will cause significant disinvestment to such a degree such that it is reasonably foreseeable that business closures, abandonment or other forms of physical deterioration or “urban decay” will result.

This report was prepared for the City of Lancaster by HR&A Advisors, Inc. (HR&A), in association with Whitney & Whitney, Inc. (W&W). The two firms provide independent professional urban and other economic analysis to a wide range of public and private clients. Summaries of the firms’ respective qualifications are included in Appendix A to this report.

B. Overview of the Lane Ranch Towne Center Project

The following is a summary description of the proposed Project.

1. Project Location

The Commons at Quartz Hill is located at the northwest corner of the intersection of 60th Street W and West Avenue L in the City of Lancaster, California. The site lies about 4.5 miles

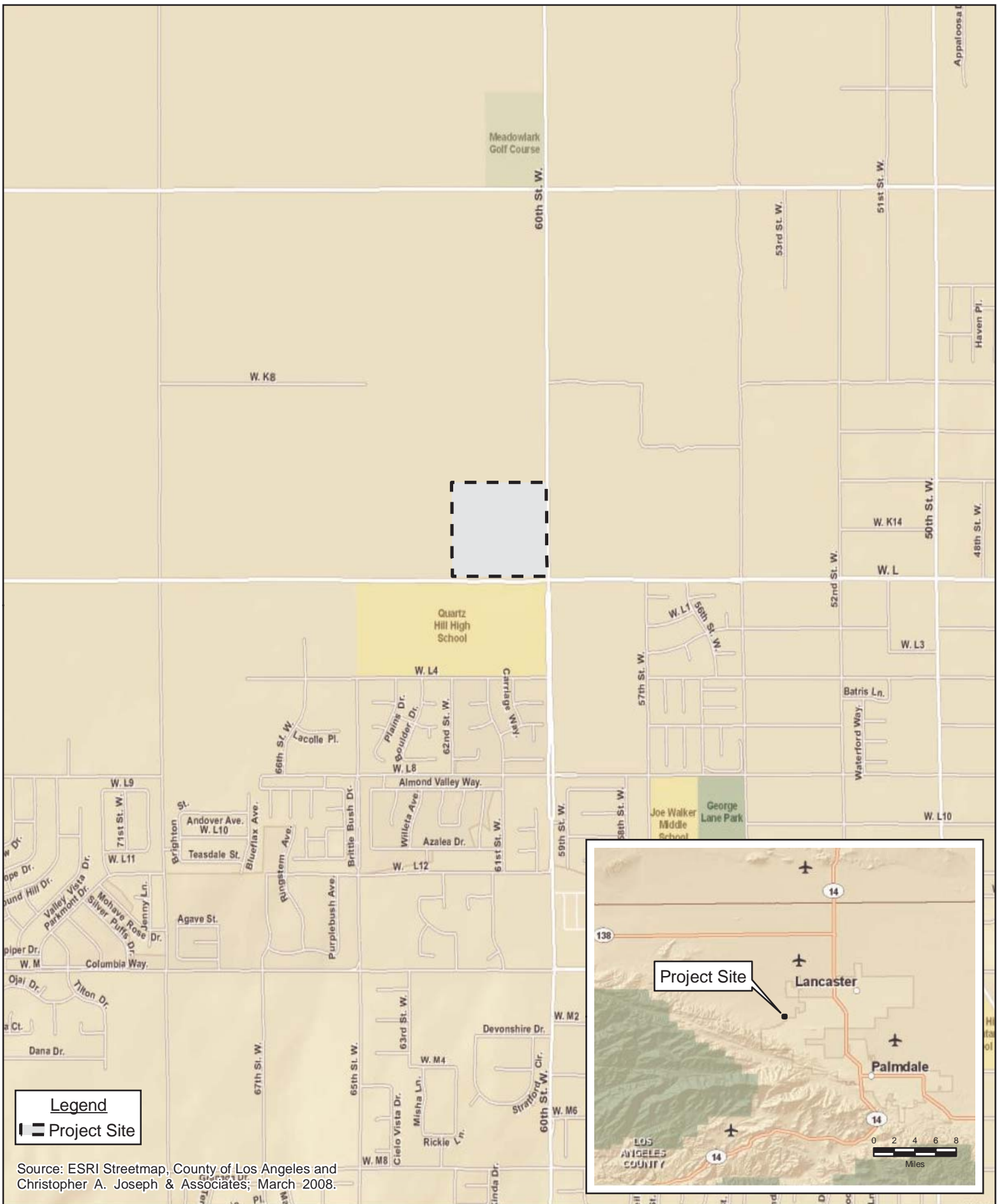
² Collectively, Cal. Public Resources Code § 21000, *et seq.* and Calif. Admin. Code §15000 *et seq.*, commonly referred to as the “CEQA Guidelines.”

² *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184 at 1204.

west of S.R. 14, or the Antelope Valley Freeway, a major north-south regional highway that connects the Antelope Valley with the Santa Clarita Valley, San Fernando Valley and other urbanized portions of Los Angeles County.

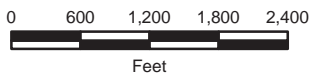
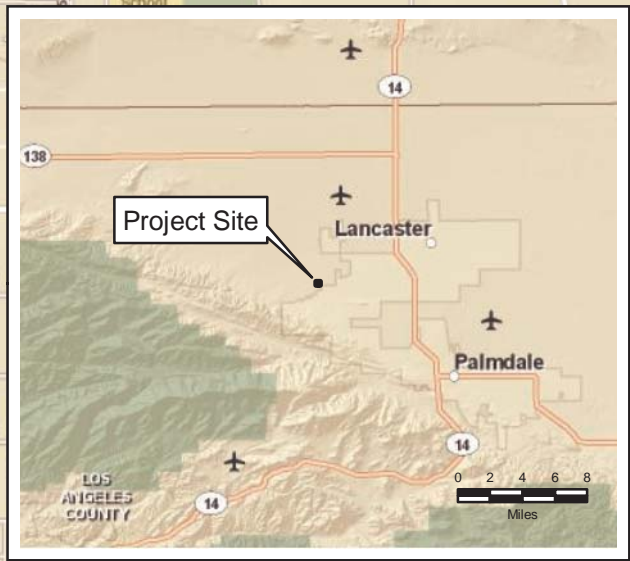
The two streets that provide direct frontage and ingress/egress to the Project — West Avenue L and 60th Street W — are regional arterial roads that are part of the one-mile grid system of streets and highways that cover the urbanizing portions of the Antelope Valley. In addition, 60th Street W and its extension to the south known as Godde Hill Road provide important direct access across the San Andreas Fault to Elizabeth Lake Road and the residential areas of the Leona Valley.

The Project's location is unlike that of most of the other major shopping centers in the Antelope Valley that have been positioned on sites on or near Antelope Valley Freeway. However, its westerly location relative to its competition places the site at an important point of "interception" for residents and visitors living in or entering the area from positions westerly of the Freeway corridor. The site's location in the Antelope Valley is shown in Figure 1 below.



Legend
 Project Site

Source: ESRI Streetmap, County of Los Angeles and Christopher A. Joseph & Associates; March 2008.

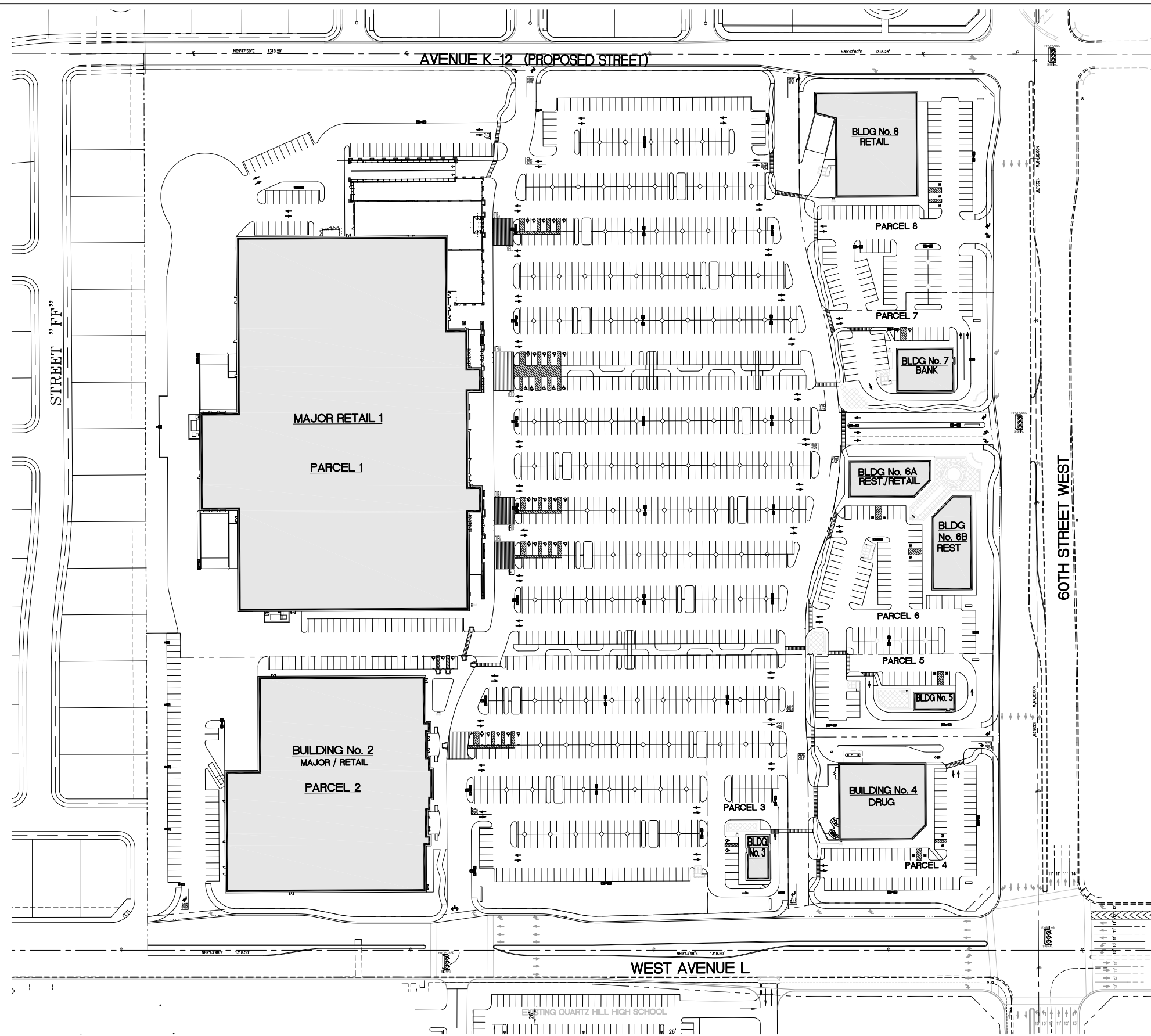


2. Project Description

The Project is situated within the community of Quartz Hill, an affluent residential area dominated by the recent construction of single-family detached and attached home subdivisions. This pattern of growth is likely to continue into the future. In this regard, a recent listing of proposed projects prepared by Overland Traffic Consultants indicated that there were over 75 projects under consideration with a total capacity approaching 9,800 units within a two-mile radius of the Project site. Allowing for an average household size of 3.0 persons per unit,³ the residential inventory under consideration could accommodate over 29,000 new residents.

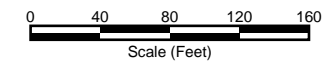
As presently conceived the proposed Project would offer 369,444 square feet of Gross Leasable Area (GLA), of which 356,944 square feet GLA would be allocated for retail uses. The center would be anchored by a Wal-Mart Superstore that would have a total GLA of 220,800 square feet or nearly 60 percent of the total space in the development. For purposes of this analysis, the Wal-Mart square footage has been allocated as follows: (1) General Merchandise, 127,800 square feet GLA; (2) Building Materials and Garden supplies, 26,200 square feet GLA; (3) Food Store, 49,800 square feet GLA; (4) Drug Store, 10,000 square feet GLA; and (5) Non-retail Services, 7,000 square feet GLA. The balance of the space would be allocated for a 20,000 square foot GLA mini-anchor, a 14,740 square foot GLA drug store, and a variety of smaller retail/restaurant/services uses. The proposed center layout is shown in Figure 2 below.

³ According to the 2000 U.S. Census, the average size of owner-occupied homes in Lancaster was 3.01 persons.



LEGEND FOR PROPOSED IMPROVEMENTS	
	PROPOSED PARKING SPACES
	LANDSCAPE ISLANDS
	HEAVY DUTY ASPHALTIC CONCRETE PAVEMENT
	HEAVY DUTY CONCRETE PAVEMENT
	STANDARD DUTY ASPHALTIC CONCRETE PAVEMENT
	DECORATIVE PAVING
	PROPOSED NEW BUILDINGS OFFSITE AC PAVEMENT
	FUTURE PAVEMENT IMPROVEMENTS BY OTHERS

Source: Tait & Associates.



The Project is proposed to be constructed in one phase, with its first full year of operations proposed for 2012. For purposes of this analysis the proposed space has been delineated into four major retail classifications as shown in Table 4 below, together with projections of the expected sales volume per square foot of GLA for each type of space and the expected annual sales volume expressed in 2007 constant dollars. The projected sales per square foot standards utilized in the table and at other places in this Report are based upon published industry reports such as The Urban Land Institute's (ULI) *Dollars & Cents of Shopping Centers* biennial reports, discussions with other retail shopping center advisors, and HR&A/W&W expert opinion of the market potential at the site and the unique conditions represented by the Antelope Valley region.

Table 4
PROJECTED DISTRIBUTION OF SPACE AND TOTAL SALES BY MAJOR RETAIL CATEGORY
THE COMMONS AT QUARTZ HILL
(in Square Feet of Gross Leasable Area)

<u>Retail Space Category</u>	<u>Square Feet GLA 1/</u>	<u>Projected Sales 3/ per Sq Ft GLA</u>	<u>Projected Annual Sales</u>
1. Shopper Goods (GAFO) 2/			
General Merchandise (incl Department Stores)	127,800	\$ 350	\$ 44,730,000
Apparel and Accessories			
Furniture, Furnishings, Appliances			
Other or Specialty Retail Goods			
Non-Specified GAFO Space	109,911	\$ 350	\$ 38,468,850
Subtotal	<u>237,711</u>		<u>83,198,850</u>
2. Building Materials/Garden Supplies	26,200	\$ 250	\$ 6,550,000
3. Convenience Goods			
Food/Beverage (Supermarkets/Liquor Stores)	49,800	\$ 500	\$ 24,900,000
Drug Stores (incl Pharmacies)	24,740	\$ 650	\$ 16,081,000
Subtotal	<u>74,540</u>		<u>40,981,000</u>
4. Eating & Drinking			
Fast Food (Restaurants no Alcohol)	4,198	\$ 500	\$ 2,099,000
Restaurants (serving Alcohol)	14,295	\$ 500	\$ 7,147,500
Subtotal	<u>18,493</u>		<u>9,246,500</u>
Subtotal, Retail Space	<u>356,944</u>		<u>\$ 139,976,350</u>
Non-Retail Space (Business and Personal Services, et al)	12,500		-
GRAND TOTAL	<u>369,444</u>		<u>\$ 139,976,350</u>

1/ GLA: Gross Leasable Area.

2/ GAFO: Acronym for General Merchandise, Apparel, Furniture/Furnishings, Other (Specialty) Goods. It should be noted that for purposes of this analysis the GLA of Wal-Mart has been distributed as follows: General Merchandise, 127,800 square feet; Garden Supplies, 26,200 square feet; Food, 49,800 square feet; Drugs, 10,000 square feet; and Non-retail Services, 7,000 square feet..

3/ Sales expressed in 2007 Constant Dollars

Source: Lane Ranch LLC; HRA, Inc.; W & W, Inc.

A more detailed description of the proposed space in the Project is provided below:

- **Shopper Goods.** A total of 64 percent of the proposed space in the Project, or 237,711 square feet GLA, is to be allocated for “Shopper Goods.” Also referred to by the acronym “GAFO” or “Comparison Goods,” this type of retail activity is the staple of regional shopping centers, as department stores and in-line retail stores selling Shopper

Goods typically constitute the vast majority of the total occupied space. By definition, Shopper Goods encompass four types of retail stores:⁴ **G**eneral merchandise stores (most commonly, department stores); **A**pparel and accessories stores; **F**urniture, home furnishings, appliance and related stores; and “**O**ther” or specialty retail stores, encompassing a diverse array of retail shops selling such items as gifts, art goods, sporting goods, florists, photographic equipment, musical instruments, stationery, books, jewelry, and office and school supplies. Shopper Goods derive their name from shopper behavior commonly related to their purchase. Characteristically, given the level of expenditure and the diversity of product choice involved, a shopper will travel a reasonable distance to compare prices and consider a range of alternative goods as part of the purchase decision.

The Shopper Goods space in the Project is presently comprised of a portion of the Wal-Mart Superstore with 127,800 square feet GLA (out of a total 220,800 square feet of GLA) and an allocation of 109,911 square feet GLA of non-specified GAFO space for tenants to be identified in the future.

- ***Building Materials and Garden Supplies.*** A total of 26,200 square feet GLA or nearly 38 percent of the total Project GLA will be occupied by the Wal-Mart’s garden center.
- ***Convenience Goods.*** Convenience goods refer to those retail goods that are required to meet day-to-day living needs, such as food, drugs and sundries, which are purchased from locations conveniently located adjacent to residential development. Convenience goods retail space in the Project includes a proposed drug store with 14,740 square feet GLA on a separate pad; an allocation of 10,000 square feet GLA for a pharmacy within the Wal-Mart; and an additional allocation of 49,800 square feet GLA in the Wal-Mart.
- ***Eating and Drinking Facilities.*** This use category will constitute a net addition of 18,493 square feet GLA, equivalent to five percent of the total space in the Project. Eating and drinking facilities will include a 14,295 square foot GLA for dinner restaurants and 4,198 square feet GLA for fast food units. While some eating and drinking facility patronage will likely come from customers who are visiting other stores at the Project, it is likely that most of the support for eating and drinking facilities will come from local residents.

⁴ The definition of “Shopper Goods” generally follows the retail store classification system utilized by the State of California Board of Equalization.

C. Economic Impacts

The "economic impact" of the Project is the incremental difference that its construction and occupancy will make to the number of people employed, employee compensation earned (i.e., wages and benefits), and the resulting circulation of dollars through the local economy. Using a well-established input-output model and detailed data on the structure of the Los Angeles County economy, estimates were made of the Project's economic impact. The estimates include the "direct" effects of the project (i.e., the development-related expenditures and annual occupancy of the Project once it is completed), as well as the "multiplier effect" from the circulation of these direct expenditures within the County economy.

The economic impact projections were made for the County economy, rather than the City of Lancaster, because the County is the scale of geography that best captures the transactional flows among and between all the industry sectors that together define a local economy. Nearly all of the direct impacts, many of the indirect impacts and some of the induced impacts will, however, occur in the City economy.

The projected economic impacts of the Project are presented in Chapter II.

D. Fiscal Impacts

In addition to the general economic impacts on the County economy, the \$57 million investment in developing the Project, and its annual operation once it is completed and occupied, will also generate various tax and other revenues for the City, County, local school districts, the State of California and a variety of other governmental agencies. This analysis focuses on the revenues that will accrue to the City of Lancaster.

As with the Project's general economic impacts, the development-related tax revenues will be a one-time event, whereas the completed Project, once it is occupied will generate new annual revenues to the City. These revenues result from a variety of taxes, some of which are unique to the City and therefore accrue entirely to the City (e.g., business license tax). Other revenues are shared between the City and other taxing entities (e.g., property tax and sales tax revenues that are shared with the County and State).

The tax revenue estimates are based primarily on the first round of Project-related spending only — i.e., the tax revenues derived directly from Project construction and annual Project operation. Secondary and tertiary sources of tax revenue will also be generated as a result of indirect and induced economic activity that result from expenditures for Project construction and household spending, but the amounts of these additional revenues, and the degree to which they will accrue to the City, are not susceptible to reliable estimation. Therefore, the estimates presented here understate, to some unknown degree, the actual tax revenues that the Project will produce for the City.

The projected fiscal impacts of the Project are presented in Chapter III.

E. The “Urban Decay” Concept in Environmental Impact Analysis

When a proposed development project is subject to CEQA, both direct and indirect (or “secondary”) impacts of the project on the physical environment must be analyzed.⁵ Economic and social impacts of a project, though they may be included in a CEQA document, are not to be treated as “significant” impacts on the physical environment,⁶ as defined.⁷ To the extent that there is a direct or indirect causal connection between a change in economic or social circumstances and a change in the physical environment, the economic or social change may be used to establish whether the physical change is “significant.”⁸

With this statutory and interpretive guidance in mind, the courts have recognized that there is a potential for a proposed new retail development to trigger economic competition with existing retailers in the project’s host community. If existing retailers are adversely affected by this competition, declines in sales could directly result in and/or lead to disinvestment, business closures, abandonment and other forms of physical deterioration that are indicative of “urban decay.” If the severity of this change in physical circumstances is so substantial that it adversely affects appropriate use of the area or otherwise threatens the public health, safety or general welfare, this situation may cross a threshold that defines a “significant impact” under CEQA, such that mitigation capable of reducing the impact on that physical environment must be considered.

Thus, for urban decay to be an issue within the meaning of CEQA, there must first be an adverse economic circumstance that is likely to be caused by a proposed project. If such an adverse effect is identified, then the severity of this economic impact must be evaluated for its potential to cause a significant change in the physical environment (i.e., “decay”). Accordingly, this Report presents an assessment of whether the proposed Project’s retail uses could reasonably be projected to cause adverse economic circumstances in the surrounding market areas that could be traceable to the Project’s improvements. Only to the degree that such adverse circumstances can be predicted reasonably is there any need to evaluate the potential to cause “decay” or other significant physical changes in the environment.

Chapter IV of this Report presents an analytic framework for assessing whether the Project’s development could cause adverse economic impacts on the surrounding retail market area, then applies this framework to the specific retail components of the Project’s improvements and their respective market areas. Appendix C includes further details on the data sources and projections used in this analysis.

⁵ CEQA Guidelines § 15358.

⁶ CEQA Guidelines §§ 15064 and 15382.

⁷ “A substantial or potentially substantial adverse change in the environment.” (Public Resources Code § 21068). The focus on physical changes in the environment is further reinforced by §§ 21100 and 21151.

⁸ See, in general, CEQA Guidelines §§ 15131(a) and (b), and their associated discussion section.

II. ECONOMIC IMPACTS ANALYSIS

A. Overview of the Economic Impact Analysis Approach

As noted in Chapter I, the "economic impact" of the Project is the incremental difference that its construction and occupancy will make to the number of people employed, employee compensation earned (i.e., wages and benefits), and the resulting circulation of dollars through the local economy. Using the well-established IMPLAN input-output model and detailed data on the structure of the Los Angeles County economy, estimates were made of the Project's economic impact. The estimates include the "direct" effects of the project (i.e., the development-related expenditures and annual occupancy of the Project once it is completed), as well as the "multiplier effect" from the circulation of these direct expenditures within the County economy.

Employment and other economic impacts related to the development of the Project and its annual operation once it is completed were estimated using the IMPLAN input-output model of the Los Angeles County economy as of 2006, which is the most recent year for which model data were available at the time this analysis was prepared. Input-output analysis is an economic impact modeling method for understanding the interactions among the industries in a local economy that result from investment in a new capital project or other changes. In form, it resembles a giant matrix, or spreadsheet, in which the "inflows" of goods and services needed by an industry (i.e., the purchasing sectors) are the columns, and the rows consist of the outputs or selling sectors. This enables analysis of the specific sectors of an area's economy that are affected, and by how much, when a dollar's worth of investment, new employment, or other measure of "final demand" is added to a particular sector or sectors. These inter-industry relationships can be expressed in terms of dollar impacts or employment impacts.

IMPLAN⁹ is a widely accepted model that the consultant team and many others, including public agencies, have used to estimate the economic consequences of new investment in, or other changes to, a local or regional economy.¹⁰ It explicitly accounts for impact leakage, or the fact that not all economic impacts are necessarily experienced inside the geographic area or site under study. The IMPLAN model can be used to generate estimates of direct, indirect and induced employment, compensation (i.e., wages and benefits), and total economic output (i.e., a summary measure of all spending and economic activity), for both the construction and operations phases of a project, on an annual basis. In this analysis, all economic impact dollar amounts are expressed in constant 2008 dollars (i.e., without the effects of inflation over time).

⁹ IMPLAN (IMpact Analysis for PLANning), a social accounting and impact analysis software program, was developed in 1979 by the U.S. Forest Service in cooperation with the Federal Emergency Management Agency and the U.S. Bureau of Land Management to assist the Forest Service in land and resource planning and management. The IMPLAN accounts closely follow the accounting conventions established for the U.S. economy and the rectangular format recommended by the United Nations.

¹⁰ HR&A has previously used IMPLAN to analyze the economic impacts of a wide range of projects throughout southern California and elsewhere in the nation, including large residential developments, high-rise office buildings, industrial projects, shopping centers, university buildings, and film and television studio campus expansions.

“Employment” includes full-time and part-time jobs, regardless of whether they are permanent or temporary.

Direct impacts include the investment in Project construction, and annual retail sales. The direct impacts occur primarily in the City of Lancaster. Indirect impacts are those resulting from purchases of goods and services to support Project construction and retail businesses and eating and drinking facilities. These impacts, too, may occur in the City of Lancaster or elsewhere in the County. Induced impacts result when direct and indirect employees (related to both construction expenditures and Project retail and dining operations) spend their compensation on consumer and other household-related goods and services. Some of these expenditures may also occur in the City, but most will occur elsewhere in the County, since only some direct and indirect employees will reside in the City. The indirect and induced effects are together sometimes referred to as the “multiplier effect” of the direct expenditures associated with a development project.

B. Economic Impacts of Project Development [NEED DEVELOPMENT COST DATA FROM APPLICANT TO FILL IN ALL BLANKS]

Direct construction-related employment, compensation, and total economic impact were derived from the IMPLAN model based on a hard construction cost estimate of \$__ million provided by the Applicant. These are, essentially, one-time impacts that occur incrementally over the months of Project construction. The construction impacts are summarized in Table 5. It shows that the planned private investment of \$__ million to construct the Project translates to a total economic output impact of about \$__ million (in 2008 \$) in the Los Angeles County economy. The investment is associated with 865 full-time and part-time jobs in the County economy, of which __ will be involved directly in the Project’s construction in the City. Compensation paid to workers whose job is supported by the development investment will total \$__ million, including \$__ million for those directly involved in its design and construction. Attachment B-1 provides the sector-by-sector distribution of these impacts in the County economy.

Table 5
EMPLOYMENT AND OTHER ECONOMIC IMPACTS IN LOS ANGELES COUNTY FROM
CONSTRUCTION OF THE COMMONS AT QUARTZ HILL
(all dollar amounts in 2008 \$)

<u>Impact Category</u>	<u>Direct Impact</u>	<u>Indirect Impact</u>	<u>Induced Impact</u>	<u>Total Impact'</u>
Employment				
Construction	-	-	-	-
Other	-	-	-	-
Total'	-	-	-	-
Employee Compensation	\$ million	\$ million	\$ million	\$ million
Total Economic Output	\$ million	\$ million	\$ million	\$ million

' Totals may not sum precisely due to independent rounding.

Source: HR&A, Inc.

C. Economic Impacts of Annual Operations

The economic impacts of the Project once it is completed were also derived from the IMPLAN model. The model's results are based on the estimated \$140 million in annual sales by retail and dining facility type. Retail sales are adjusted to remove cost of goods sold. The IMPLAN model was then applied to estimate how these annual sales translate into direct, indirect, induced, and total employment, compensation and economic output impacts in the County economy. These impacts are summarized in Table 6. It shows that annual operation of the completed Project will result in a total economic output impact of about \$81 million (in 2008 \$) in the County economy,¹¹ and total compensation paid to workers will be about \$28 million, including \$18 million paid to workers at the Project site. The total employment impact in the County economy that is associated with this scale of Project sales is 927 full-time and part-time jobs, including 680 jobs at the Project site. Attachment B-2 provides the sector-by-sector distribution of these impacts in the County economy.

Table 6
EMPLOYMENT AND OTHER ECONOMIC IMPACTS IN LOS ANGELES COUNTY FROM
ANNUAL OPERATION OF THE COMMONS AT QUARTZ HILL
(all dollar amounts in 2008 \$)

<u>Impact Category</u>	<u>Direct Impact</u>	<u>Indirect Impact</u>	<u>Induced Impact</u>	<u>Total Impact¹</u>
Employment	680.0	103.6	143.3	927.0
Compensation	\$17.6 million	\$4.8 million	\$5.6 million	\$28.0 million
Total Economic Output	\$44.5 million	\$16.6 million	\$19.6 million	\$80.7 million

¹ Totals may not sum precisely due to independent rounding.

Source: HR&A, Inc.

¹¹ The total economic impact is less than total projected sales, because the economic impacts are based only on the gross margin to the retailer (i.e., total sales price minus production costs, such as manufacturing, transportation, warehousing).

III. FISCAL IMPACTS ANALYSIS

A. Overview of the Fiscal Impact Analysis Approach **[NEED DEVELOPMENT COST AND SITE PURCHASE PRICE TO FILL IN ALL BLANKS]**

In addition to the general economic impacts on the County economy, the \$__ million investment in developing the Project and its annual operation once it is completed and occupied will also generate various tax and other revenues for the City, County, local school districts, the State of California and a variety of other governmental agencies. This analysis focuses on the municipal revenues that will accrue to the City of Lancaster.

As with the Project's general economic impacts, the development-related tax revenues will be a one-time event, whereas the completed Project, once it is occupied, will generate new annual revenues to the City. These revenues result from a variety of taxes, some of which are unique to the City and therefore accrue entirely to the City (e.g., business license tax). Other revenues are shared between the City and other taxing entities (e.g., property tax and sales tax revenues that are shared with the County and State).

B. One-Time Project Revenues

The City will receive one-time revenues due to purchase of the Project site and purchase of certain construction materials. If the construction site is properly designated as a point-of-sale location, it is estimated that the Project will generate \$___ (in 2008 \$) in sales tax on purchase of some construction materials. The City will also receive \$___ in real estate transfer tax on the purchase of the site by the Project Applicant. The basis for these one-time revenue estimates is shown in Table 7.

Table 7
**ESTIMATE OF ONE-TIME TAX REVENUES
 TO THE CITY OF LANCASTER FROM CONSTRUCTION
 OF THE COMMONS AT QUARTZ HILL**
 (all dollar values in 2008 \$)

Sales Tax on Construction Materials		
Hard Construction Cost	\$	-
Materials Share		50.0%
Materials Amount	\$	-
Materials Share Subject to Sales Tax		50.0%
Amount Subject to Sales Tax	\$	-
Tax Rate ¹		1.0%
Tax Revenue to Lancaster	\$	-
 Real Estate Transfer Tax		
Site Purchase Price ²	\$	-
Less Mortgage Amount ⁴	\$	-
	<hr/>	<hr/>
Taxable Amount	\$	-
Tax Rate		0.06%
Tax Revenue to Lancaster	\$	-
Total One-Time Tax Revenue	\$	-

¹ Assumes contractor takes out sub-permit designating site as point of sale.

Includes 0.75% local sales tax plus 0.25% sales tax rebated as property tax.

² Per Project Applicant.

Source: HR&A, Inc.

Although the Project will also generate planning and construction permit fees, these fees are generally set at levels that are intended to directly offset City staff time to process them, and therefore they do not represent net new revenue to the City. Similarly, any Project payments for the estimated cost of traffic and other environmental mitigation are excluded, because they are also set at levels to directly offset Project impacts, and therefore do not represent net new revenue to the City.

C. Recurring Annual Project Revenues

Once the Project is completed and occupied, the City will receive annual revenues of about \$___ million in the first full year of operation (2012) from its shares of the property taxes, sales taxes, and business license taxes, as shown in Table 8. Each tax revenue category utilizes a different estimation approach, which is briefly described below.

Table 8
ESTIMATE OF RECURRING ANNUAL TAX REVENUES
TO THE CITY OF LANCASTER FROM OPERATION
OF THE COMMONS AT QUARTZ HILL, 2012

Property Tax	\$	-
Sales Tax	\$	1,290,601
Business License Tax	\$	<u>1,639</u>
Total Recurring Revenues	\$	1,292,240

Source: HR&A, Inc.

1. Property Tax Estimate

The property tax applicable to the Project site includes a one percent levy on the assessed value of land and buildings, which is distributed among 26 different local public agency accounts, plus a proportional share of voter-approved indebtedness (calculated as a percentage of assessed value) and direct assessments (calculated according to a formula established by each agency imposing the assessment). It is assumed in this analysis that the Project's assessed value, and therefore the basis for the one percent general levy and the share of indebtedness, is equal to the construction cost (\$__ million), which then increases a maximum of two percent per year under Proposition 13, until sold. The City receives about 6.6 percent¹² of the one percent general levy for general governmental purposes in this part of the City, plus additional sums for voter-approved indebtedness and special assessments. The current assessed value of the Project site is \$__.¹³ The City's current share of the one percent general levy is \$__.

As shown in Table 9, the City's net share of the one percent general levy will total about \$__ in 2012, after accounting for property tax revenue from existing uses at the Project site.

¹² 6.6107188%, for Tax Rate Area 02432, per the Los Angeles County Assessor.

¹³ Los Angeles County Assessor data provided by First American Real Estate Solutions, for APN 3102-027-036, for 2006-07.

Table 9
ESTIMATE OF RECURRING ANNUAL PROPERTY TAX REVENUES, 2012
THE COMMONS AT QUARTZ HILL

Construction Cost (2008 \$) ¹	\$	-
Annual Construction Cost Inflation		3.00%
Construction Cost (2012 \$)	\$	-
1% General Levy		-
City's Share of 1% Levy ²		6.610718800%
City's Tax Revenue	\$	-
Less Existing Tax		
Assessed Value (2008 \$) ²	\$	-
Annual AV Inflation		2.00%
Assessed Value (2012 \$)	\$	-
1% General Levy		-
City's Share of 1% Levy ²		6.610718800%
City's Tax Revenue	\$	-
Net Tax Revenue to City		-

¹ Per Project Applicant

² Per Los Angeles County Assessor

Source: HR&A, Inc.

2. Sales Tax Revenue

The City receives one percent¹⁴ out of the 8.25 percent tax applicable to retail and certain other sales within the City limits that are subject to the State sales and use tax. The balance of the tax goes to the County and the State of California.

The sales tax revenue estimate for Project is based on taxable sales from each type of store planned for the Project. Most of these sales, with the exception of groceries and pharmacy items, are all subject to the sales tax. Only about 40 percent of grocery sales and 36 percent of pharmacy sales are subject to sales tax.¹⁵ As shown in Table 10, total annual sales at the Project are projected to equal about \$140 million using 2008 sales per square foot values for each tenant category. Assuming that these sales per square foot will increase at three percent per year to 2012, sales in that year would total \$158 million. This translates to about \$1.3 million in sales tax revenue to the City in 2012, assuming all space in the project is occupied and no sales are transferred from or otherwise reduced at other retailers located in the City as a consequence of opening the Project.

¹⁴ Under recent changes in State law enacted to finance the State's structural deficit, 0.75% is remitted to the City as sales tax revenue and another 0.25% is remitted as additional property tax. For calculation convenience this analysis treats the entire one percent as sales tax revenue.

¹⁵ Based on the ratios of "County Baseline" to "County Adjusted" in Appendix C, Table C-8.

Table 10
ESTIMATE OF RECURRING ANNUAL SALES TAX REVENUES
THE COMMONS AT QUARTZ HILL

Retail Space Category	Square Feet	2008 Projected Sales	2008 Projected	% Taxable	2008	1%	
	GLA	per Sq Ft GLA	Annual Sales		Taxable \$	City Tax, 2008 \$	City Tax, 2012 \$
General Merchandise (incl Department Stores)	127,800	\$350	\$ 44,730,000	100.0%	\$ 44,730,000	\$ 447,300	\$ 503,440
Non-Specified GAFO Space	109,911	\$350	\$ 38,468,850	100.0%	\$ 38,468,850	\$ 384,689	\$ 432,970
Subtotal	237,711		\$ 83,198,850		\$ 83,198,850	\$ 831,989	\$ 936,410
Building Materials/Garden Supplies	26,200	\$250	\$ 6,550,000	100.0%	\$ 6,550,000	\$ 65,500	\$ 73,721
Convenience Goods							
Food/Beverage	49,800	\$500	\$ 24,900,000	39.5%	\$ 9,835,500	\$ 98,355	\$ 110,699
Drug Stores (incl Pharmacies)	24,740	\$650	\$ 16,081,000	36.3%	\$ 5,837,403	\$ 58,374	\$ 65,700
Subtotal	74,540		\$ 40,981,000		\$ 15,672,903	156,729	176,400
Eating & Drinking							
Fast Food (Restaurants no Alcohol)	4,198	\$500	\$ 2,099,000	100.0%	\$ 2,099,000	\$ 20,990	\$ 23,624
Restaurants (serving Alcohol)	14,295	\$500	\$ 7,147,500	100.0%	\$ 7,147,500	\$ 71,475	\$ 80,446
Subtotal	18,493		\$ 9,246,500		\$ 9,246,500	92,465	104,070
Subtotal, Retail Space	356,944		\$ 139,976,350		\$ 114,668,253	\$ 1,146,683	\$ 1,290,601

Source: HR&A, Inc.; W&W, Inc.

3. Business License Tax Revenue

The City currently collects an annual tax on the number of employees in each business. The current tax rate varies from \$83 to \$176, plus a new application (\$62) or annual renewal processing fee (\$23). Assuming the Project includes five tenants with less than 26 employees, four tenants with 26-50 employees and two tenants with more than 76 employees, and that the current tax rates increase three percent per year, the total recurring business license fee revenue in 2012 would be \$1,639.

4. 20-Year Tax Revenue Projection

Assuming that all of the taxes that now apply to commercial projects in Lancaster will remain in place over a 20-year period following Project completion, these revenues are projected to total \$__ million in nominal dollars (i.e., including inflation¹⁶), or \$__ million in constant 2008 dollars (without inflation), as shown in Table 11.

Table 11
ESTIMATE OF RECURRING ANNUAL TAX REVENUES
TO THE CITY OF LANCASTER FROM OPERATION
OF THE COMMONS AT QUARTZ HILL, OVER 20 YEARS

	Nominal \$	2008 \$
Property Tax	\$ -	\$ -
Sales Tax	\$ 37,009,909	\$ 20,103,691
Business License Tax	\$ 46,993	\$ 25,527
Total Recurring Revenues	\$ 37,056,903	\$ 20,129,218

Source: HR&A, Inc.

¹⁶ Assumes 3% annual inflation in retail sales and the business license tax rate, and 2% per year in assessed value.

D. Public Service Costs and Net Fiscal Impact

The net fiscal impacts of a proposed development project is calculated by subtracting any recurring costs to provide public services to the project from the tax and other revenues it generates. The net result depends entirely on how the accounting is performed, and whether “average” or “marginal” public service costs are used in the calculation.

In HR&A’s view, “marginal” (or incremental) rather than “average” costs should be the basis for estimating public service costs for a development like the proposed Project. The marginal cost approach examines the degree to which a project’s service demands can be accommodated by existing service capacities, or would cause the need for an expansion of capacity. On the other hand, it does not account for the sunk (i.e., already expended) cost of producing any existing surplus service capacity, nor the opportunity cost when a project uses up existing service capacity that will then no longer be available to a future project. The marginal cost approach also ignores costs for services that historically do not actually change as each new project is developed. It is, however, more consistent with the way traffic and other environmental impacts, are calculated. In HR&A’s experience, the average cost approach is better suited to analysis of large-scale, long-term public investment decisions, such as the fiscal impacts of alternative General Plan buildout scenarios or annexations of large land areas.

According to the Project’s EIR, the County Fire District and County Sheriff have sufficient capacity to serve the Project at current levels of service.¹⁷ The EIR also concluded that the Project will not burden existing capacities of the water, electricity, wastewater, stormwater or solid waste systems serving the City.¹⁸

The Project’s EIR includes, however, a number of mitigation measures that reflect existing legal requirements and/or good planning principles that will limit Project impacts on the demand for public safety services (i.e., police, fire and emergency medical and parks and recreation). Thus, the completed Project is not expected to produce any marginal (or “incremental”) public service costs that would need to be netted against Project revenues to yield the net fiscal impact of the Project on the City. Therefore, the Project’s tax revenue yield of about \$___ million in 2012 is also its net fiscal impact.

Although public school facilities are not the responsibility of the City, potential impacts on the Westside Union School District and Antelope Valley Union High School District were also reviewed in the EIR.¹⁹ The EIR found that the Project would generate a need for only ___ additional student seats. The Project will be required, nevertheless, to pay a school facilities impact fee of about \$155,000 to the District,²⁰ which would fully mitigate potential school impacts under applicable law.

¹⁷ Christopher A. Joseph & Assoc., *The Commons at Quartz Hill Draft EIR*, September 2007, Sections IV.K.1. (Fire); IV.K.2. (Police).

¹⁸ *Id.*, Section IV.O. (Utilities).

¹⁹ *Id.*, Section IV.K.3. (Schools).

²⁰ 369,444 square feet x \$0.42/square foot = \$155,166.

IV. URBAN DECAY ANALYSIS

A. Overview of the Urban Decay Analysis Approach

The urban decay analysis measures the degree to which the construction and operation of the Project could result in a significant adverse economic impact on existing and proposed retail developments in the same market area. Methodologically, any such impact is identified and measured by assessing the degree to which the amount of space planned for development in each of the Project's retail and dining use categories would *exceed* the anticipated increase in the supportable amount of retail and dining space that can be projected to occur, based upon the anticipated growth in future customer demand for comparable retail and dining activities in a defined market area. If the proposed supply exceeds the anticipated growth in demand, it could be argued that the Project would attract sales away from other existing or planned new retail and dining establishments of the same type. Such a finding, in turn, would require further investigation to assess whether it is foreseeable that this potential attraction of sales away from other retail and dining businesses could result in disinvestment, business closures, abandonment, and/or other forms of physical deterioration that are effectively indicators of "urban decay." If, on the other hand, the amount of retail and dining space planned for the Project *is less than* the amount of retail and dining space that can be supported by projected future demand, it can be concluded that the scale of potential customer demand is sufficiently large that it can support both the Project and all other existing and planned space proposed for those same general categories of retail use. There would be no need, therefore, to further evaluate the potential for urban decay associated with the Project.

Making these economic impact measurements typically requires: (1) establishing logical market areas appropriate for each retail and dining category for which future retail space will be provided by the Project; (2) projecting the likely increase in customer demand based on population growth, income growth and spending patterns for particular categories of retail goods and types of dining over a relevant time period (i.e., 2007-2012); (3) converting the projected changes in future customer demand to amounts of supportable retail and dining space measured in square feet GLA, and (4) making a comparison of the projected change in demand in the form of supportable space with the change in supply as represented by the increase in GLA proposed for the Project and other developments in the relevant market area(s).

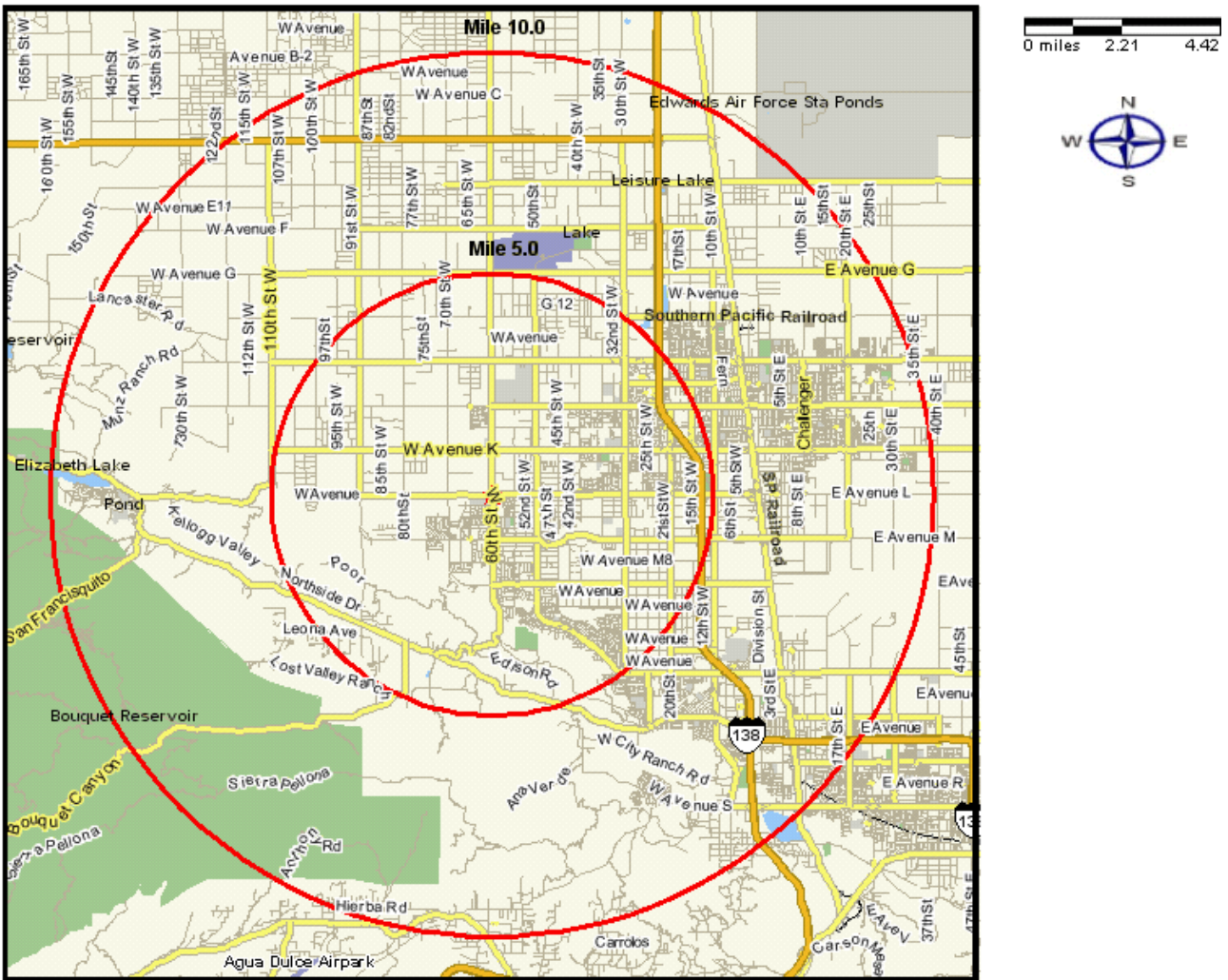
Following this methodology, separate market impact analyses were conducted for each of the four principal types of retail and dining space that are to be included in the Project

B. Market Area Delineation

Given the proposed scale of the Project, the unique geography and development patterns of the Antelope Valley and the location of existing and proposed competitive retail facilities, two market areas were established in order to evaluate the potential for Shopper Goods Space: (1) a *Primary Market Area* (PMA), defined geographically as the land area contained within a circle having a 5-mile radius whose center is the intersection of 60th Street W and West Avenue L; and (2) a *Secondary Market Area* (SMA), represented by a circular ring around the PMA extending

from five to 10 miles from the intersection of 60th Street W and West Avenue L. The two market areas are shown in Figure 3.

Figure 3: Lancaster Shopping Center Primary Market Area (PMA) and Secondary Market Area (SMA)



Source: Claritas

The basic demographic characteristics of the two market areas are shown in Table 12. According to Claritas, Inc., a well-accepted third party demographic data source, the 2007 population in the PMA is estimated at 88,234 persons; by 2012 it is expected to increase by 12,544 residents to 100,778 persons. In comparison, the 2007 SMA population is estimated by Claritas to be 146,798 persons; by 2012 it is projected to reach 162,723 persons, realizing a net growth of 15,925 residents. Table 12 also shows for each market area the projected increase in average per capita income for the period 2007 to 2012 and the resulting growth in Aggregate Income, a key indicator of the growth in retail sales potential. Over the five year forecasting period, Aggregate Income in the PMA is projected to increase by nearly \$1.49 billion; for the

SMA, the projected increase is expected to exceed \$1.56 billion. As nearly one-third of personal income is typically allocated for retail sales, this increase in Aggregate Income should translate into \$1.37 billion in additional annual retail sales in the combined market areas.

Table 12
**BASELINE DEMOGRAPHIC ESTIMATES AND PROJECTIONS
 LANCASTER SHOPPING CENTER MARKET AREAS**

<u>Data Category</u>	<u>Primary Market Area 0-5 Mile Radius</u>	<u>Secondary Market Area 5-10 Mile Radius</u>
Population		
2007	88,234	146,798
2012	<u>100,778</u>	<u>162,723</u>
Net Increase 2007-2012	12,544	15,925
Average Per Capita Income (per BEA definition) ^{1/}		
2007	\$ 41,802	\$ 28,935
2012	\$ 51,357	\$ 35,705
Aggregate Income		
2007	\$ 3,688,357,668	\$ 4,247,600,130
2012	<u>\$ 5,175,655,746</u>	<u>\$ 5,810,024,715</u>
Net Increase 2007-2012	\$ 1,487,298,078	\$ 1,562,424,585

^{1/} See Appendix B for explanation of Income definitions.

Source: Claritas, Inc.; United States Bureau of Economic Analysis (BEA) HRA, Inc.; W & W, Inc.

C. Existing and Projected Competitive Retail Supply

Within the PMA and SMA there are a number of existing shopping centers that will compete for Shopper Goods sales with the proposed Project, including four existing Wal-Mart stores. Most of these competitive facilities have been placed at locations that are immediately adjacent to or visible from the Antelope Valley Freeway. The largest and most dominant existing retail facility in the region is the Antelope Valley Mall, with over one million square feet GLA offering 135 stores and six major anchors, including Dillard's, two Gottschalks, Mervyn's, Sears, JC Penney, and a Cinemark 10-theater complex. The mall is located immediately west of the Antelope Valley Freeway at its interchange with Avenue P.

In addition to the existing supply of retail space, the Project will also likely compete with a proposed retail development to be located across the intersection of 60th Street W and West Avenue L on the northwest corner known as the Lane Ranch Towne Center ("Lane Ranch"), as well as other developments proposed to be completed by 2012 in the PMA. As presently conceived, Lane Ranch will have a total complement of 370,571 square feet GLA, and feature a Target Department Store and a Home Depot Store as the anchor tenants. Like the Project, Lane Ranch is scheduled to be in operation by 2012. A preliminary breakdown of the proposed space in Lane Ranch by major retail category is shown in Table 13.

Table 13
PROPOSED LANE RANCH TOWNE CENTER

<u>Retail</u> <u>Space Category</u>	<u>Square Feet</u> <u>GLA 1/</u>
Target Department Store	204,730
Kohl's Department Store	105,966
Drug Store	14,820
Miscellaneous Shops	86,213
Eating & Drinking Facilities	11,771
Grand Total	423,500

1/ GLA: Gross Leasable Area.

Source: Lane Ranch LLC; HR&A, Inc.; W&W, Inc.

It should be noted that for purposes of this analysis the proposed 240,730 square feet of GLA within the Target Department Store in Lane Ranch has been allocated to the following space categories: (1) General Merchandise, 151,100 square feet GLA; (2) Building Materials/Garden Supplies, 14,200 square feet GLA; (3) Food/Beverage, 35,087 square feet GLA; and (4) Pharmacy, 1,555 square feet GLA; and Non-Retail Personal Services, 2,788 square feet GLA.

In addition to Lane Ranch, discussions with City of Lancaster Planning Department staff indicated that there were nine additional projects with major retail components that were known to the City and were either undergoing entitlement or anticipated to be starting this process in the near future. These projects, listed in Table 14 along with a description of their basic characteristics, also represent competitive retail space that could be developed over the analysis period 2007-2012.

Table 14
INVENTORY OF POTENTIAL COMPETITIVE FACILITIES
LANCASTER SHOPPING CENTERS PRIMARY MARKET AREA (PMA)

<u>Center Identification/Location</u>	<u>Acres</u>	<u>Retail Square Feet</u>	<u>Allocation of Space</u>	<u>Status/Comments</u>
1 Neighborhood Shopping Center NW Corner, 40th Street West and West Avenue J	12.5	96,100	Supermarket: 53,000 Drug Store: 13,000 Miscellaneous: 26,600 Fast Food 3,500	Undergoing entitlement process. Should be constructed and operational by 2012
2 Community Shopping Center NW Corner, 60th Street West and West Avenue K	22.3	235,835	Lowe's Home Imp: 139,410 CVS Drug Store 13,225 Three Mini-Majors 70,000 Two Pads (Rests.) 13,200	Undergoing entitlement process. Should be completed and operational by 2012
3 Armagosa Creek Commercial District NE Corner, Avenue L and 10th Street West	110+/-	1,100,000- 1,500,000	Existing stores may relocate in initial phases ???	Undergoing entitlement process. Space not considered. To be constructed in four phases over a 10 year period. Located at eastern edge of PMA
4 Lancaster Spectrum SW Corner, 20th Street West and Avenue J-8	14.72	43,883		Project includes a four-story hotel. Approved but not under construction
5 Conditional Use Permit 05-10 NE Corner, 20th Street West and Avenue J-12	9.72	???		Mixed use development with hotel and office space. Approved, under construction
6 Conditional Use Permit 06-02 SW Corner, 30th Street West and Avenue K	4.4	36,300	Restaurants: 10,500 Miscellaneous: 25,800	Hearings for approval to be held in 2008
7 Conditional Use Permit 06-05 NE Corner, 20th Street West and Avenue I	4.88	43,535	Office Depot: 20,000 Major 15,000 Misc. Retail/Rest 8,535	Approved, under construction.
8 Conditional Use Permit 07-10 SE Corner, 30th Street West and Avenue K	8.52	42,867	Food Store: 15,000 Drug Store: 17,272 Miscellaneous: 10,595	Hearings for approval to be held in late 2007
9 Site Plan Review 06-21 South side Avenue L, west of 10th Street West	6.89	14,500	Fast Food 14,500	
Total Space		513,020		

Source: City of Lancaster Planning Department

Table 15 provides a summary of this potential competitive space by the major retail and eating and drinking categories utilized in this analysis. Together, these projects represent a potential competitive supply of 513,020 square feet of GLA, of which 479,317 square feet GLA is considered likely to be allocated for retail activities.

Table 15
INVENTORY OF OTHER RETAIL SPACE, PROJECTED
COMPETITIVE FACILITIES IDENTIFIED IN TABLE 14

<u>Retail</u> <u>Space Category</u>	<u>Square Feet</u> <u>GLA 1/</u>
Comparison Goods Space	163,000
Building Materials and Garden Supplies	139,410
Convenience Goods: Food Stores	73,000
Convenience Goods: Drug Stores	43,907
Eating & Drinking Facilities: Fast Food	30,000
Eating & Drinking Facilities: Dinner restaurants	30,000
Subtotal, Competitive Retail Space	479,317
Services/Other Uses	33,703
Grand Total	513,020

1/ GLA: Gross Leasable Area.

Source: Lane Ranch LLC; City of Lancaster; HR&A, Inc.; W&W, Inc.

Table 16 provides a summary of the proposed competitive supply of retail space used in the analysis by major space category. The total retail space that would be added to the PMA by 2012 is projected at 1,256,973 square feet GLA. The Project's 356,944 square feet GLA of space represents 28.4% of the projected addition to future competitive supply.

Table 16
PROJECTED INCREASE IN SUPPLY OF COMPETITIVE RETAIL SPACE
LANCASTER PRIMARY MARKET AREA (PMA)
2007-2012
(in Square Feet of Gross Leasable Area)

<u>Retail Space Category</u>	<u>Total</u> <u>Proposed Space</u>	<u>THE PROJECT</u> <u>Proposed</u> <u>The Commons</u>	<u>Lane Ranch</u> <u>Town Centre</u>	<u>Other</u> <u>Retail Centers</u>
Shopper Goods (GAFO)				
General Merchandise (incl Department Stores)	384,866	127,800	257,066	
Apparel and Accessories				
Furniture, Furnishings, Appliances				
Other or Specialty Retail Goods	20,000		20,000	
Non-Specified GAFO Space	339,124	109,911	66,213	163,000
Subtotal	743,990	237,711	343,279	163,000
Building Materials/Garden Supplies	179,810	26,200	14,200	139,410
Convenience Goods				
Food/Beverage (Supermarkets/Liquor Stores)	157,887	49,800	35,087	73,000
Drug Stores (incl Pharmacies)	85,022	24,740	16,375	43,907
Subtotal	242,909	74,540	51,462	116,907
Eating & Drinking				
Fast Food (Restaurants no Alcohol)	39,469	4,198	5,271	30,000
Restaurants (serving Alcohol)	50,795	14,295	6,500	30,000
Subtotal	90,264	18,493	11,771	60,000
Subtotal, Retail Space	1,256,973	356,944	420,712	479,317
Non-Retail Space (Business and Personal Services, et al)	48,991	12,500	2,788	33,703
GRAND TOTAL	1,305,964	369,444	423,500	513,020

Source: Various developers; City of Lancaster Planning Department; HRA, Inc.; W & W, Inc.

D. Shopper Goods Space Impact Analysis

The Project will provide a total of 237,711 square feet of Shopper Goods space that will include space in the Wal-Mart Superstore (127,800 square feet GLA of General Merchandise) and a mix of apparel, home furnishings and other specialty retail stores. Based upon spending patterns exhibited in Los Angeles County, over 29 percent of PMA resident retail dollars typically are spent for Shopper Goods, as noted in Table 17 below.

Table 17
PERCENTAGES OF RETAIL SALES ALLOCABLE TO SHOPPER GOODS
LOS ANGELES COUNTY AND LANCASTER MARKET AREAS

<u>Retail Space Category</u>	<u>Percent of Retail Sales</u>
General Merchandise (incl Department Stores)	9.75%
Apparel and Accessories	4.45%
Furniture, Furnishings and Appliances	3.61%
Other or Specialty	11.82%
Grand Total	<u>29.63%</u>

Source: California State Board of Equalization, 2005 Annual Report; HR&A, Inc.; W&W, Inc.

Table 18 provides an annual projection of the growth in demand for Shopper Goods in the PMA for the period 2007 through 2012 that is based upon projected increases in population and per capita incomes. Based upon the market area growth forecast, total sales in Shopper Goods should increase by \$145.4 million over the five-year projection period, as shown in the last row of Table 18.

Table 18
PROJECTED GROWTH IN DEMAND FOR SHOPPER GOODS
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2012

	Net Change (‘000s) <u>2007-2012</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
Primary Market Area (PMA) Population	12,544	88,234	90,611	93,052	95,559	98,134	100,778	
Per Capita Personal Income (per BEA Definition)	\$ 9,555	\$ 41,802	\$ 43,559	\$ 45,390	\$ 47,298	\$ 49,285	\$ 51,357	
Aggregate Regional Market Area Income (‘000s)	\$ 1,487,298	\$ 3,688,358	\$ 3,946,931	\$ 4,223,631	\$ 4,519,730	\$ 4,836,586	\$ 5,175,656	
Percent of Personal Income Allocable for Retail Sales:		33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	
Potential Demand for Retail Sales (‘000s)	\$ 490,808	\$ 1,217,158	\$ 1,302,487	\$ 1,393,798	\$ 1,491,511	\$ 1,596,073	\$ 1,707,966	
Calculation of Demand for Selected Shopper Goods by Major Category:								
	% of Total Demand	Net Change (‘000s) <u>2007-2012</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Merchandise	9.75%	\$ 47,854	\$ 118,673	\$ 126,992	\$ 135,895	\$ 145,422	\$ 155,617	\$ 166,527
Incremental Growth in Demand by Year (‘000s)				\$ 8,320	\$ 8,903	\$ 9,527	\$ 10,195	\$ 10,910
Cumulative Growth in Demand (‘000s)				\$ 8,320	\$ 17,222	\$ 26,749	\$ 36,944	\$ 47,854
Apparel	4.45%	\$ 21,841	\$ 54,164	\$ 57,961	\$ 62,024	\$ 66,372	\$ 71,025	\$ 76,005
Incremental Growth in Demand by Year (‘000s)				\$ 3,797	\$ 4,063	\$ 4,348	\$ 4,653	\$ 4,979
Cumulative Growth in Demand (‘000s)				\$ 3,797	\$ 7,860	\$ 12,209	\$ 16,862	\$ 21,841
Household Furnishings, Appliances, et al	3.61%	\$ 17,718	\$ 43,939	\$ 47,020	\$ 50,316	\$ 53,844	\$ 57,618	\$ 61,658
Incremental Growth in Demand by Year (‘000s)				\$ 3,080	\$ 3,296	\$ 3,527	\$ 3,775	\$ 4,039
Cumulative Growth in Demand (‘000s)				\$ 3,080	\$ 6,377	\$ 9,904	\$ 13,679	\$ 17,718
Specialty or "Other"	11.82%	\$ 58,014	\$ 143,868	\$ 153,954	\$ 164,747	\$ 176,297	\$ 188,656	\$ 201,882
Incremental Growth in Demand by Year (‘000s)				\$ 10,086	\$ 10,793	\$ 11,550	\$ 12,359	\$ 13,226
Cumulative Growth in Demand (‘000s)				\$ 10,086	\$ 20,879	\$ 32,428	\$ 44,788	\$ 58,014
All Shopper Goods: Incremental Growth in Demand by Year (‘000s)				\$ 25,283	\$ 27,055	\$ 28,952	\$ 30,982	\$ 33,154
Cumulative Growth in Demand (‘000s)				\$ 25,283	\$ 52,338	\$ 81,291	\$ 112,273	\$ 145,427

Source: California State Board of Equalization; Claritas, Inc.; HRA, Inc.; W & W, Inc.

Table 19 translates the projected incremental change in PMA demand for Shopper Goods into a measure of net supportable retail space, allowing for a threshold sales requirement of \$350 per square foot²¹ of GLA in 2007 to reflect the necessary basis for effective market support. This sales support requirement is expected to increase at the rate of three percent annually, reaching \$406 per square foot of GLA in 2012. Over the five-year analysis period, the projected increase in supportable retail space for the combined Shopper Goods retail categories is 358,418 square feet.

²¹ This sales requirement and others utilized in the analysis are based on data from The Urban Land Institute and International Council of Shopping Centers, Dollars & Cents of Shopping Centers, 2006.

Table 19
PROJECTED INCREASE IN SUPPORTABLE SPACE FOR SHOPPER GOODS
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2012

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Projected Increase in Supportable Retail Space, Department Stores:						
Sales per Square Foot of GLA Requirement, Average:	\$ 350	\$ 361	\$ 371	\$ 382	\$ 394	\$ 406
Base	\$ 350					
Annual Increase in Required Support	3.0%					
Projected Increase in Supportable Retail Space, Other Shopper Goods Stores:						
Sales per Square Foot of GLA Requirement, Average:	\$ 350	\$ 361	\$ 371	\$ 382	\$ 394	\$ 406
Base	\$ 350					
Annual Increase in Required Support	3.0%					

	<u>In Square Feet GLA</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Supportable General Merchandise Space in GLA, Annual Increase	23,073	23,971	24,904	25,874	26,882
Cumulative Increase (Adjusted for higher sales requirement per square foot)	23,073	46,372	69,926	93,763	117,914
Supportable Apparel Space in GLA, Annual Increase	10,533	10,943	11,369	11,812	12,272
Cumulative Increase (Adjusted for higher sales requirement per square foot)	10,533	21,170	31,923	42,805	53,830
Supportable Furniture/Furnishings Space in GLA, Annual Increase	8,551	8,884	9,230	9,589	9,962
Cumulative Increase (Adjusted for higher sales requirement per square foot)	8,551	17,185	25,915	34,749	43,699
Supportable Specialty Retail Space in GLA, Annual Increase	27,969	29,058	30,190	31,365	32,586
Cumulative Increase (Adjusted for higher sales requirement per square foot)	27,969	56,213	84,765	113,661	142,937
Total Supportable Shopper Goods Retail Space in GLA, Annual Increase	70,126	72,856	75,693	78,640	81,702
Cumulative Increase	70,126	140,940	212,528	284,978	358,380

Source: HRA, Inc.; W & W, Inc.

In 2012 the potential increase in supply of Shopper Goods retail space will be generated by three sources: (1) the Project, with 237,711 square feet GLA; (2) Lane Ranch, 343,279 square feet GLA; and (3) other competitive centers, 163,000 square feet GLA. This projected additional supply, summarized in Table 20, totals 743,990 square feet GLA.

Table 20
COMPARISON OF PROJECTED INCREASE IN MARKET DEMAND WITH PROJECTED INCREASE IN SUPPLY OF SHOPPER GOODS SPACE
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA) AND OTHER SOURCES
2007-2014

		Square Feet GLA						
	Factor	2008	2009	2010	2011	2012	2013	2014
Total Supportable GAFO Space by PMA Residents	70%	70,133	140,954	212,550	285,008	358,418	432,871	508,461
Total Supportable GAFO Space from Other Market Sources	30%	30,057	60,409	91,093	122,146	153,608	185,516	217,912
Total Supportable Space	100%	100,190	201,363	303,643	407,154	512,025	618,387	726,373
Projected Supply of Additional GAFO Space								
PROPOSED PROJECT								
Other Competitive Center at 60th Street West and Avenue L (Lane Ranch)						237,711	237,711	237,711
Subtotal, Supply of Space, Combined Centers at 60th Street West and Avenue L						343,279	343,279	343,279
Other Proposed Space in PMA						580,990	580,990	580,990
Grand Total, All Proposed Shopper Goods Space						163,000	163,000	163,000
						743,990	743,990	743,990
Comparison 1:	Proposed Project Space as a Percent of Total Supportable Space by PMA Residents					66%	55%	47%
Comparison 2:	Projected Supply of Space at the Two Centers at 60th Street W and West Avenue L as a Percent of Total Supportable Space from All Market Sources					113%	94%	80%
Comparison 3:	Projected Total Supply of Space as a Share of Total Supportable Space from All Market Sources					145%	120%	102%

Source: HRA, Inc.; W & W, Inc.

The final step in the analysis is making a comparison between the projected demand and projected supply of Shopper Goods space. In this regard, three comparisons are considered relevant to this analysis: (1) a comparison between the growth in demand for Shopper Goods space in the PMA with the additional supply represented by the Project; (2) a comparison between the demand for Shopper Goods space in the combined PMA and SMA with potential supply represented by both the Project and Lane Ranch, where the SMA represents 30 percent of total demand; and (3) a comparison between potential demand for Shopper Goods at the Project location from both the PMA and the SMA, and the cumulative development of the Project, Lane Ranch and other competitive centers. Each comparison is presented below and summarized in the bottom three rows of Table 20.

- ***Comparison 1: Increase in Shopper Goods supportable space in the PMA with the Shopper Goods space proposed at the Project.*** In this comparison the total supply of Shopper Goods space in the Project of 237,711 square feet GLA is only 66 percent of the projected increase in demand for Shopper Goods space in the PMA. Thus, if the Project provided the only new Shopper Goods retail space developed in the PMA, it could easily be supported without impacting existing retailers' sales support levels from PMA residents.
- ***Comparison 2: Increase in Shopper Goods supportable space in the PMA (70%) and SMA (30%) with the combined Shopper Goods space for the Project and Lane Ranch that will be developed at the intersection of 60th Street W and West Avenue L.*** The combined development of the two centers would provide 580,990 square feet GLA of Shopper Goods space, which is equivalent to 113 percent of the Total Shopper Goods space that can be supported by the combined demand from both PMA and SMA residents. While slightly greater than the anticipated level of additional demand by 2012, the amount of space in the two centers would not adversely impact future market conditions to the extent that it would lead to a process of urban decay.
- ***Comparison 3: Increase in Supportable Shopper Goods space for the combined PMA and SMA with the Cumulative Shopper Goods Space for all Projects.*** In this

comparison the projected cumulative supply of space represents 145 percent of total demand, representing a condition of potential oversupply of 231,965 square feet in 2012. However, given that the growth in Shopper Goods demand is then likely to exceed 107,000 square feet per year, the potential oversupply should be eliminated by market area growth by the end of 2014 or early in 2015.

Summarizing the above findings, given the likely continued growth of both the PMA and the SMA in population and per capita personal income over the five year period 2007 through 2012 and in subsequent years to at least 2015, together with the likelihood that the Project will draw significant patronage from the SMA, development of the Project should not have a significant impact on the existing base of Shopper Goods retail space in the PMA or the SMA. Moreover, the likely depth of the expanding market should also allow for the successful development of the proposed competitive facility known as Lane Ranch without creating circumstances that would lead to urban decay.

One final observation should be made regarding the proposed development of Shopper Goods space on the site that has been chosen for the Project. The proposed location and timing of the Project and the Lane Ranch development strongly suggests that the developers and their anchor store tenants are establishing positions in the market that are in advance of future demand. In taking this step they may be intending to pre-empt market competition in the future by selecting a superior position, then accepting short term sales shortfalls in order to ensure long term success.

E. Building Materials and Garden Supplies Space Impact Analysis

Los Angeles County residents typically allocate 6.81% of their retail purchases for the combined Building Materials and Garden Supplies retail categories. As noted in Table 21 below, based upon the anticipated growth in population and income, PMA residents are projected to increase their retail sales for Building Materials and Garden Supplies by nearly \$33.4 million between 2007 and 2012.

Table 21
PROJECTED GROWTH IN DEMAND FOR BUILDING MATERIALS AND GARDEN SUPPLIES
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2012

	Net Change 2007-2012	2007	2008	2009	2010	2011	2012
Primary Market Area (PMA) Population	12,544	88,234	90,611	93,052	95,559	98,134	100,778
Per Capita Personal Income (per BEA Definition)	\$ 9,555	\$ 41,802	43,559	45,390	47,298	49,285	51,357
Aggregate Regional Market Area Income ('000s)	\$ 1,487,298	\$ 3,688,358	\$ 3,946,931	\$ 4,223,631	\$ 4,519,730	\$ 4,836,586	\$ 5,175,656
Percent of Income Allocable for Retail Sales:		33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Potential Demand for Retail Sales ('000s)	\$ 490,808	\$ 1,217,158	\$ 1,302,487	\$ 1,393,798	\$ 1,491,511	\$ 1,596,073	\$ 1,707,966
Calculation of Demand for Building Materials and Related Space:							
	% of Total Demand	Net Change ('000s) 2007-2012					
Building Materials and Related Sales Demand	6.81%	\$ 33,424	\$ 82,888	\$ 88,699	\$ 94,918	\$ 101,572	\$ 108,693
Incremental Growth in Demand by Year ('000s)			\$ 5,811	\$ 6,218	\$ 6,654	\$ 7,121	\$ 7,620
Cumulative Growth in Demand ('000s)			\$ 5,811	\$ 12,029	\$ 18,683	\$ 25,804	\$ 33,424

Source: California State Board of Equalization; Claritas, Inc.; HRA, Inc.; W & W, Inc.

Table 22 translates the projected 2007-2012 growth in Building Materials and Garden Supply sales demand within the PMA into supportable retail space. Given a market standard of \$250 per square foot (measured in constant 2007 dollars and inflated annually at three percent), the projected increase in demand in the PMA is projected to support an additional 115,328 square feet GLA of Building Materials and Garden Supplies space by 2012.

Table 22
PROJECTED INCREASE IN SUPPORTABLE SPACE FOR BUILDING MATERIALS AND GARDEN SUPPLY SPACE
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2012

		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Projected Increase in Supportable Retail Space:							
Sales per Square Foot of GLA Requirement, Average:	\$	250	\$ 258	\$ 265	\$ 273	\$ 281	\$ 290
Base	\$	250					
Annual Increase in Required Support		3.0%					
					<i>In Square Feet GLA</i>		
Supportable Building Materials and Related Space in GLA, Annual Increase			22,567	23,445	24,358	25,307	26,292
Supportable Building Materials and Related Space in GLA, Cumulative Increase			22,567	45,355	68,392	91,707	115,328

Source: HRA, Inc.; W & W, Inc.

A major garden center at Wal-Mart can expect to draw substantial patronage from an area beyond the PMA, in this instance most probably from portions of the SMA that are located westerly and southerly of the shopping center site. Demand for sales should also come from builders and landscape contractors that are active in the community. As a consequence, after allowance is made for 30 percent of the market support to come from beyond the PMA, the total supportable space approaches 164,754 square feet GLA, as presented in Table 23 below..

Table 23
COMPARISON OF PROJECTED MARKET DEMAND WITH PROJECTED INCREASE OF SUPPLY OF BUILDING MATERIALS AND GARDEN SUPPLY SPACE
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA
2007-2013

	Factor	<i>Square Feet GLA</i>					
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Supportable Building Materials Space by PMA Residents	70%	22,567	45,355	68,392	91,707	115,328	139,284
Total Supportable Building Materials Space from Other Market Sources	30%	9,671	19,438	29,311	39,303	49,426	59,693
Total Supportable Space	100%	32,238	64,792	97,703	131,009	164,754	198,977
Projected Supply of Additional Building Materials and Related Space							
PROPOSED PROJECT							
Other Competitive Center at 60th Street West and Avenue L (Lane Ranch)						26,200	26,200
						14,200	14,200
Subtotal, Supply of Space, Combined Centers at 60th Street West and Avenue L						40,400	40,400
Other Proposed Space in PMA						139,410	139,410
Grand Total, All Proposed Building Materials and Garden Supply Space						179,810	179,810
Comparison 1:	Proposed Project Space as a Percent of Total Supportable Space by PMA Residents					23%	19%
Comparison 2:	Projected Supply of Space at the Two Centers at 60th Street W and West Avenue L as a Percent of Total Supportable Space from All Market Sources					25%	20%
Comparison 3:	Projected Total Supply of Space as a Percent of Total Supportable Space from all Market Sources					109%	90%

Source: HRA, Inc.; W & W, Inc.

In addition to the proposed Garden Supplies space at the Project, additional space will be provided by Lane Ranch. As noted in Table 23 this development is expected to add a total of 14,200 square feet GLA of Building Materials/Garden Supplies space to the market, thus increasing the total additions to space in this category at the intersection of 60th Street W and West Avenue L from the two proposed projects to 40,400 square feet GLA by 2012. Further, a Lowe's Home Improvement Center proposed for another shopping center (see Table 14) could

increase the total Building Material and Garden Supplies space in the PMA to 179,810 square feet GLA by that date.

Following the logic presented previously for Shopper Goods, three comparisons were made between the projected additional demand and proposed additional supply of Building Materials and Garden Supplies space: (1) a simple comparison of additional demand for space generated by the PMA with the amount of space proposed by the Project; (2) a comparison of additional PMA and SMA resident demand with the total supply proposed by the Project and Lane Ranch where the SMA residents represent 30 percent of total demand; and (3) a comparison of the demand for space generated by combined PMA residents and SMA residents with the total space proposed by the Project and all other new projects planned for completion in the PMA over the same time period. These comparisons are shown in the bottom three rows of Table 23.

- ***Comparison 1: Increase in Building Materials and Garden Supplies supportable space in the PMA with Building Materials and Garden Supplies space proposed at the Project.*** In this comparison the total space proposed by the Project represents only 23 percent of the projected increase in PMA demand, and thus could be supported without adversely impacting the existing pattern of sales in the market area.
- ***Comparison 2: Increase in Building Materials and Garden Supplies supportable space in the PMA and SMA with the combined Building Materials and Garden Supplies space provided by the Project and Lane Ranch.*** The combined development of the Project and Lane Ranch would generate Building Materials and Garden Supplies space totaling 40,400 square feet GLA, an amount which is equivalent to 25 percent of the projected demand from the combined market areas. No adverse market impacts would result from this development pattern.
- ***Comparison 3: Increase in Building Materials and Garden Supplies Supportable space in the PMA and the SMA with the proposed space for the Project and all other projects.*** In this comparison, the projected supply of 179,810 square feet GLA is measured at 109 percent of aggregate demand. However, this projected oversupply condition would be alleviated due to continued market growth by mid-2013 as shown in Table 23, thus is not considered to be a potential cause of conditions that would lead to urban decay, as further discussed in Section H below.

F. Convenience Goods Space Impact Analysis

Typically, there are two major types of Convenience Goods that are included in retail analysis: (1) Food Stores, including supermarkets, specialty food stores like Trader Joe's and beverage stores; and (2) large, free-standing drugstores that offer a variety of household goods, such as paper and personal care products and small pharmacies specializing in prescriptions. The following section reviews the market for both food stores and drug stores.

Given the dispersed character of the Antelope Valley development pattern and the existence of two regional anchor tenants in the Project, the market area for food stores and drug

stores at the Project is considered to be the same as the PMA or the five-mile market radius. This radius is larger than would be used in urban settings where development is more dense and compact, and where competitive facilities are found at nearby locations. Given the relatively large size of the PMA and the presence of competitive facilities in the SMA, it is logical to assume that there would be very little demand generated from secondary sources for the Project's food and drug store facilities.

Analysis of Los Angeles County resident spending patterns taken from both the State Board of Equalization and U.S. Census of Retail Trade publications indicates that 14.36 percent of all retail expenditures are captured by food stores and 4.62 percent of all retail expenditures are captured by drug stores. Over the period 2007 through 2012, the PMA resident demand should approach \$70.5 million for food and beverage store purchases and \$22.7 million for drugstore purchases. These projections are presented in Table 24.

Table 24
PROJECTED GROWTH IN DEMAND FOR CONVENIENCE GOODS
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2012

	Net Change ('000s)						
	<u>2007-2012</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Primary Market Area (PMA) Population	12,544	88,234	90,611	93,052	95,559	98,134	100,778
Per Capita Personal Income (per BEA Definition)	\$ 9,555	\$ 41,802	\$ 43,559	\$ 45,390	\$ 47,298	\$ 49,285	\$ 51,357
Aggregate Regional Market Area Income ('000s)	\$ 1,487,298	\$ 3,688,358	\$ 3,946,931	\$ 4,223,631	\$ 4,519,730	\$ 4,836,586	\$ 5,175,656
Percent of Personal Income Allocable for Retail Sales:		33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Potential Demand for Retail Sales ('000s)	\$ 490,808	\$ 1,217,158	\$ 1,302,487	\$ 1,393,798	\$ 1,491,511	\$ 1,596,073	\$ 1,707,966

Calculation of Demand for Selected Convenience Goods by Major Category:

	% of Total Demand	Net Change ('000s)						
		<u>2007-2012</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Food and Beverage (Liquor) Stores	14.36%	\$ 70,480	\$ 174,784	\$ 187,037	\$ 200,149	\$ 214,181	\$ 229,196	\$ 245,264
Incremental Growth in Demand by Year ('000s)				\$ 12,253	\$ 13,112	\$ 14,032	\$ 15,015	\$ 16,068
Cumulative Growth in Demand ('000s)				\$ 12,253	\$ 25,366	\$ 39,397	\$ 54,412	\$ 70,480
Drug Stores	4.62%	\$ 22,675	\$ 56,233	\$ 60,175	\$ 64,393	\$ 68,908	\$ 73,739	\$ 78,908
Incremental Growth in Demand by Year ('000s)				\$ 3,942	\$ 4,219	\$ 4,514	\$ 4,831	\$ 5,169
Cumulative Growth in Demand ('000s)				\$ 3,942	\$ 8,161	\$ 12,675	\$ 17,506	\$ 22,675

Source: California State Board of Equalization; Claritas, Inc.; HRA, Inc.; W & W, Inc.

Table 25 converts the projected 2007-2012 PMA growth in food store and drug store sales demand into supportable square feet GLA of drugstore/pharmacy space. Utilizing market standards that are appropriate for this location of \$500 per square foot GLA for food stores and \$650 per square foot for drug stores/pharmacies (in 2007 dollars and inflated at three percent per year to 2012), the projected increase in supportable food store space in 2012 is 121,593 square feet GLA and 30,092 square feet GLA for drug stores.

Table 25
PROJECTED INCREASE IN SUPPORTABLE SPACE FOR CONVENIENCE GOODS
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2012

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Projected Increase in Supportable Retail Space, Food/Beverage Stores:						
Sales per Square Foot of GLA Requirement, Average:	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580
Base	\$ 500					
Annual Increase in Required Support	3.0%					
Projected Increase in Supportable Retail Space, Drug Stores:						
Sales per Square Foot of GLA Requirement, Average:	\$ 650	\$ 670	\$ 690	\$ 710	\$ 732	\$ 754
Base	\$ 650					
Annual Increase in Required Support	3.0%					
<u>In Square Feet GLA</u>						
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
Supportable Food/Beverage Space in GLA, Annual Increase	23,793	24,719	25,682	26,682	27,721	
Cumulative Increase (Adjusted for higher sales requirement per square foot)	23,793	47,819	72,108	96,689	121,593	
Supportable Drug Store Space in GLA, Annual Increase	5,888	6,118	6,356	6,603	6,860	
Cumulative Increase (Adjusted for higher sales requirement per square foot)	5,888	11,834	17,845	23,929	30,092	

Source: HRA, Inc.; W & W, Inc.

1. Food Stores, including Supermarkets, Other Food Stores and Beverage Stores

Food store space at the Project is projected to approach 49,800 square feet GLA, based on the typical allocation for this category within a Wal-Mart Superstore. For Lane Ranch, the allocation is estimated at 35,087 square feet GLA, per space provided within the Target Department Store. The other proposed centers in the PMA are expected to supply 73,000 square feet of food store space by 2012, raising the total addition to supply to 157,887 square feet GLA. These additions to supply are summarized in Table 26 along with comparisons to future demand.

Table 26
COMPARISON OF PROJECTED INCREASE IN MARKET DEMAND WITH PROJECTED INCREASE IN SUPPLY OF FOOD/BEVERAGE STORE SPACE
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2014

		<u>Square Feet GLA</u>						
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Supportable Food/Beverage Space by PMA Residents		23,793	47,819	72,108	96,689	121,593	146,852	172,496
Projected Supply of Additional Food/Beverage Space								
PROPOSED PROJECT					49,800	35,087	35,087	35,087
Other Competitive Center at 60th Street West and Avenue L (Lane Ranch)					35,087	49,800	49,800	49,800
Subtotal, Supply of Space, Combined Centers at 60th Street West and Avenue L					84,887	84,887	84,887	84,887
Other Proposed Space in PMA					73,000	73,000	73,000	73,000
Grand Total, All Proposed Food/Beverage Store Space					157,887	157,887	157,887	157,887
Comparison 1:	Proposed Project Space as a Percent of Total Supportable Space by PMA Residents				41%	24%	20%	
Comparison 2:	Projected Supply of Space at the Two Centers at 60th Street West and Avenue L as a Percent of Total Supportable Space by PMA Residents				70%	58%	49%	
Comparison 3:	Projected Total Supply of Space as a Percent of Total Supportable Space by PMA Residents				130%	108%	92%	

Source: HRA, Inc.; W & W, Inc.

Because the analysis of the potential market support for Convenience Goods was based exclusively on the additional demand generated by PMA residents, the three comparisons were modified to the following methodological structure for both Food Store Space and Drug Store Space: (1) Project with PMA; (2) Project and Lane Ranch with the PMA; and (3) Cumulative

Projects with the PMA. The results for the comparisons of food store space supply and demand are summarized as follows:

- **Project with PMA:** The Project's 49,800 square feet GLA of this type of space represents 41 percent of the potential supportable PMA resident demand;
- **Project and Lane Ranch with the PMA:** The two projects will offer about 70 percent of the total PMA resident demand for this category; and
- **Cumulative Projects with the PMA:** The cumulative proposed supply will represent 130 percent of total supportable demand for this category. This short-term oversupply would likely be balanced by continued growth in the PMA resident population by mid-2014, thus is not considered to be a significant issue with respect to potential impact on existing and future food store retailers.

2. Drug Stores/Pharmacies

In contrast to the relative balance that is likely to be achieved between supply and demand for general merchandise, building materials/garden supply and food/beverage store space within two years after full operation of the proposed centers, if all the drug store and pharmacy space included in proposed shopping center development programs is constructed as currently proposed, there will be a major oversupply by 2012. Both the developers of the Project and Lane Ranch, for example, have expectations of providing: (1) a free-standing drug store on a pad; and (2) a pharmacy inside the anchor store in their respective centers, potentially resulting in four drug/pharmacy facilities with 41,115 square feet GLA of space at the intersection of 60th Street W and West Avenue L. In addition, other projects are expecting to add another 43,907 square feet GLA of drug stores/pharmacies to the PMA, raising the total additional space in this Convenience Goods category to 85,022 square feet GLA by 2012. These additions to inventory are summarized in Table 27 below.

Table 27
**COMPARISON OF PROJECTED INCREASE IN MARKET DEMAND WITH PROJECTED INCREASE IN SUPPLY OF DRUG STORE SPACE
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2012**

	<i>Square Feet GLA</i>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Supportable Drug Store Space by PMA Residents	5,888	11,834	17,845	23,929	30,092
Projected Supply of Additional Drug Store Space					
PROPOSED PROJECT					24,740
Other Competitive Center at 60th Street West and Avenue L (Lane Ranch)					<u>16,375</u>
Subtotal, Supply of Space, Combined Centers at 60th Street West and Avenue L					41,115
Other Proposed Space in PMA					<u>43,907</u>
Grand Total, All Proposed Drug Store Space					85,022
Comparison 1:	Proposed Project Space as a Percent of Total Supportable Space by PMA Residents				82%
Comparison 2:	Projected Supply of Space at the Two Centers at 60th Street W and West Avenue L as a Percent of Total Supportable Space by PMA Residents				137%
Comparison 3:	Projected Total Supply of Space as a Percent of Total Supportable Space by PMA Residents				283%

Source: HRA, Inc.; W & W, Inc.

The comparison between supply and demand for drug store/pharmacy space under the three sets of potential market conditions results in the following:

- **Project with PMA:** The Project will offer a stand-alone drug store and additional pharmacy space within the Wal-Mart, resulting in a total of 24,740 square feet GLA. This supply represents 82 percent of total projected PMA resident demand, and does not adversely affect future market conditions.
- **Project and Lane Ranch with the PMA:** The two projects together will offer two free-standing drug stores and two pharmacies within their respective anchor stores, for a total of 41,115 square feet GLA. This projected space constitutes 137 percent of the total PMA resident demand for this retail category, and thus indicates a significant potential oversupply in the market from these two developments alone, though continued population and income growth in the PMA would generate sufficient support of this space by 2014.
- **Cumulative Projects with the PMA:** As presently proposed, the cumulative supply of proposed drug stores and pharmacies from all projects represents nearly *three times* (283 percent) the total projected supportable demand from PMA residents for this category. Given the potential for this significant oversupply to occur from the cumulative development of multiple drug stores, a more detailed analysis of existing and projected future drug store/pharmacy space in the PMA was undertaken in order to assess whether the condition could lead to urban decay. The results of this further evaluation are presented in Section H below.

G. Eating and Drinking Facilities Impact Analysis

While the demand for the Project's Eating and Drinking Facilities would logically be generated from the entire range of customers at the center, it can be argued that the major source of market support for the Project's restaurants would come from residents living near the site. As a consequence, the Eating and Drinking Facilities analysis utilizes the 5.0-mile PMA as the basis for determining the magnitude of market support that will exist for proposed restaurants at the Project site.

Table 28 provides a projection of the increase in Eating and Drinking Facilities demand for the period 2007 through 2012 by utilizing an analytic approach similar to the one presented above for Convenience Goods retail space. The analysis considers two types of restaurant space: (1) fast food restaurant facilities; and (2) "sit-down" or dinner restaurant facilities that serve alcohol. In Table 28, the fast food units are considered to be comparable to restaurants that the California State Board of Equalization characterizes as "Restaurants, No Alcohol", while dinner restaurants would be considered as comparable to the State's category of "Restaurants with Alcohol."

Table 28
PROJECTED GROWTH IN DEMAND FOR EATING & DRINKING FACILITIES
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2012

	Net Change ('000s)							
	<u>2007-2012</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
Primary Market Area (PMA) Population	12,544	88,234	90,611	93,052	95,559	98,134	100,778	
Per Capita Personal Income (per BEA Definition)	\$ 9,555	\$ 41,802	\$ 43,559	\$ 45,390	\$ 47,298	\$ 49,285	\$ 51,357	
Aggregate Regional Market Area Income ('000s)	\$ 1,487,298	\$ 3,688,358	\$ 3,946,931	\$ 4,223,631	\$ 4,519,730	\$ 4,836,586	\$ 5,175,656	
Percent of Personal Income Allocable for Retail Sales:		33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	
Potential Demand for Retail Sales ('000s)	\$ 490,808	\$ 1,217,158	\$ 1,302,487	\$ 1,393,798	\$ 1,491,511	\$ 1,596,073	\$ 1,707,966	
Calculation of Demand for Selected Shopper Goods by Major Category:								
	% of Total Demand	Net Change ('000s)						
		<u>2007-2012</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Restaurants, No Alcohol (Fast Food)	5.59%	\$ 27,436	\$ 68,039	\$ 72,809	\$ 77,913	\$ 83,375	\$ 89,221	\$ 95,475
Incremental Growth in Demand by Year ('000s)				\$ 4,770	\$ 5,104	\$ 5,462	\$ 5,845	\$ 6,255
Cumulative Growth in Demand ('000s)				\$ 4,770	\$ 9,874	\$ 15,336	\$ 21,181	\$ 27,436
Restaurants with Alcohol	5.35%	\$ 26,258	\$ 65,118	\$ 69,683	\$ 74,568	\$ 79,796	\$ 85,390	\$ 91,376
Incremental Growth in Demand by Year ('000s)				\$ 4,565	\$ 4,885	\$ 5,228	\$ 5,594	\$ 5,986
Cumulative Growth in Demand ('000s)				\$ 4,565	\$ 9,450	\$ 14,678	\$ 20,272	\$ 26,258

Source: California State Board of Equalization; Claritas, Inc.; HRA, Inc.; W & W, Inc.

Based upon Los Angeles County resident spending patterns, 10.94 percent of retail expenditures made by PMA residents typically are made at restaurants, with 5.59 percent allocable to fast food restaurants ("Restaurants No Alcohol") and 5.35 percent to dinner restaurants ("Restaurants with Alcohol"). As shown in Table 28, the projected growth in demand for Fast Food Eating and Drinking facilities between 2007 and 2012 is projected at \$27.4 million; the projected growth in sales for Restaurants Serving Alcohol over the same period is nearly \$26.3 million.

Allowing for both types of restaurants to achieve sales volumes approaching \$500 per square feet (in 2007 dollars and inflated 3% per year to 2012) as a threshold support requirement, by 2012 the anticipated increase in local area demand should be able to sustain additional restaurant space in an amount approaching 47,333 square feet GLA for fast food units and 45,301 square feet GLA for restaurants serving alcohol. These projections are shown in Table 29.

Table 29
PROJECTED INCREASE IN SUPPORTABLE SPACE FOR EATING & DRINKING FACILITIES
LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
2007-2012

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Projected Increase in Supportable Space, Restaurants, no Alcohol (Fast Food):						
Sales per Square Foot of GLA Requirement, Average:	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580
Base	\$ 500					
Annual Increase in Required Support	3.0%					
Projected Increase in Supportable Space, Restaurants with Alcohol:						
Sales per Square Foot of GLA Requirement, Average:	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580
Base	\$ 500					
Annual Increase in Required Support	3.0%					
	<u>In Square Feet GLA</u>					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
Supportable Fast Food Restaurant Space in GLA, Annual Increase	9,262	9,623	9,997	10,387	10,791	
Cumulative Increase (Adjusted for higher sales requirement per square foot)	9,262	18,615	28,070	37,639	47,333	
Supportable Dinner Restaurant Space in GLA, Annual Increase	8,864	9,209	9,568	9,941	10,328	
Cumulative Increase (Adjusted for higher sales requirement per square foot)	8,864	17,816	26,865	36,023	45,301	

Source: HRA, Inc.; W & W, Inc.

The Project has two fast food units that will provide 4,198 square feet GLA; this square footage represents nine percent of the potential increase in fast food restaurant supportable space by PMA residents. Lane Ranch would add another 5271 square feet GLA of fast food space, bringing the total addition to supply to 9,469 square feet, equivalent to 20 percent of projected additional PMA resident demand at the 60th Street W and West Avenue L intersection. On a cumulative basis, the total projected supply of fast food space from all sources is estimated at 39,469 square feet GLA or about 83 percent of projected additional PMA resident demand, thus is not likely to have a significant impact on market conditions for this type of space. These findings are presented in Table 30.

Table 30
 COMPARISON OF PROJECTED INCREASE IN MARKET DEMAND WITH PROJECTED INCREASE IN SUPPLY
 FAST FOOD EATING AND DRINKING FACILITIES
 LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
 2007-2012

	<i>In Square Feet GLA</i>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Supportable Space, Restaurants without Alcohol (Fast Food), by PMA Residents	9,262	18,615	28,070	37,639	47,333
Projected Supply of Additional Fast Food Restaurant Space					
PROPOSED PROJECT					4,198
Other Competitive Center at 60th Street West and Avenue L (Lane Ranch)					5,271
Subtotal, Supply of Space, Combined Centers at 60th Street West and Avenue L					9,469
Other Proposed Space in PMA					30,000
Grand Total, All Proposed Fast Food Space					39,469
Comparison 1: Proposed Project Space as a Percent of Total Supportable Space by PMA Residents					9%
Comparison 2: Projected Supply of Space at the Two Centers at 60th Street West and Avenue L as a Percent of Total Supportable Space by PMA Residents					20%
Comparison 3: Projected Total Supply of Space as a Percent of Total Supportable Space by PMA Residents					83%

Source: HRA, Inc.; W & W, Inc.

With regard to “sit-down” or dinner restaurants (restaurants serving alcohol), as noted in Table 31, the cumulative supply of proposed space from all sources is 50,795 square feet GLA, an amount equivalent to 112 percent of projected demand. However, this oversupply would likely be resolved with continued PMA market growth by 2013, and therefore is not considered to represent an adverse market condition that could lead to urban decay.

Table 31
 COMPARISON OF PROJECTED INCREASE IN MARKET DEMAND WITH PROJECTED INCREASE IN SUPPLY
 DINNER RESTAURANT FACILITIES
 LANCASTER SHOPPING CENTER PRIMARY MARKET AREA (PMA)
 2007-2013

	<i>In Square Feet GLA</i>					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Supportable Restaurants with Alcohol (Dinner Restaurant) Space by PMA Residents	8,864	17,816	26,865	36,023	45,301	54,712
Projected Supply of Dinner Restaurant Space						
PROPOSED PROJECT					14,295	14,295
Other Competitive Center at 60th Street West and Avenue L (Lane Ranch)					6,500	6,500
Subtotal, Supply of Space, Combined Centers at 60th Street West and Avenue L					20,795	20,795
Other Proposed Space in PMA					30,000	30,000
Grand Total, All Proposed Dinner Restaurant Space					50,795	50,795
Comparison 1: Proposed Project Space as a Percent of Total Supportable Space by PMA Residents					32%	26%
Comparison 2: Projected Supply of Space at the Two Centers at 60th Street W and West Avenue L as a Percent of Total Supportable Space by PMA Residents					46%	38%
Comparison 3: Projected Total Supply of Space as a Percent of Total Supportable Space by PMA Residents					112%	93%

Source: HRA, Inc.; W & W, Inc.

In summary, given (1) the relatively small proportion of future supportable space that is represented by the Project’s Eating and Drinking Facilities, and (2) that the proposed developments are not counting on restaurants to serve as anchor tenants, it can be concluded that the development of the additional Eating and Drinking Facility space is not likely to have a major impact on the existing base of restaurants in the local market area, and therefore will not contribute to adverse market conditions that could lead to urban decay.

H. Evaluation of the Project's Potential to Cause Urban Decay

Based on the foregoing analysis, the proposed Project would be a significant source of new competitive supply of retail space in a number of the retail space categories that have been evaluated in this study. However, analysis of each retail category suggests that with one notable exception — drug store and pharmacy space — market growth in demand for retail and dining space within the relevant market areas surrounding the Project will be sufficient to absorb the additional supply without creating conditions that could result in extreme economic competition leading to the threat of “urban decay.”

More specifically, the analysis of potential impacts has revealed the following:

- **Sources of Market Support.** The PMA for the Project is a fast growing residential community of single-family detached homes with residents whose incomes are higher than the Los Angeles County average. Between 2007 and 2012 the resident population of the PMA is projected to increase by 12,544 persons that, along with general income growth in the region, should provide the major source of market support for the Project. In addition, the Project's location coupled with its anchor stores and the presence of an adjacent retail development known as Lane Ranch, should draw additional market support from the SMA, defined here as the resident population living within a five- to 10-mile band around the Project site. Between 2007 and 2012 the SMA is projected to grow by 15,925 persons and contribute 30 percent of total market support to the Shopper Goods and Building Materials/Garden Supply space at the Project.

The growth forecasts have been examined from both an historical perspective and from a review of proposed developments in the market areas. A recent listing of planned developments suggests that about 9,800 units have been proposed for development in the PMA alone that could generate population growth over 29,000 persons. While the actual timing and delivery of this product is open to some question, particularly in the current market where mortgage foreclosures have spiked and access to mortgage debt has become more difficult, the forecasts appear to be realistic in their suggestion that major growth is likely to continue in the Antelope Valley subregion well beyond 2012.

- **Competitive Supply Considerations.** As noted above, in addition to the Project, there is a proposed development known as Lane Ranch that would be developed at the same intersection that would initiate operations in the same year, 2012. As presently conceived these two developments together would add a total of 724,727 square feet GLA of retail space to the market area. Given their proximity and timing, they will function as one large project in terms of their potential impact on the local market area. In this regard, the juxtaposition of these two centers should yield “agglomerative” benefits in that the range of choice provided by the combined retail offerings on the two sites should enhance the location as a retail destination for SMA residents and enhance this location's customer drawing power beyond the normal market reach of a single 400,000 square foot GLA shopping center.

- ***Shopper Goods (General Merchandise, Apparel, Home Furnishings, Other/Specialty Goods.*** The analysis of Shopper Goods considered three different measures of comparison between potential market support for new retail space and potential future competitive supply. These three comparisons were as follows:
 - **Comparison 1:** Project proposed Shopper Goods space with PMA resident support for additional space;
 - **Comparison 2:** Combined Project and Lane Ranch Shopper Good Space with combined PMA and SMA resident support for additional Shopper Goods space; and
 - **Comparison 3:** Total proposed Shopper Goods space (Project and cumulative developments) with combined PMA resident and SMA resident support for additional space.

The results of the first of these comparisons indicate that the Project's Shopper Goods space can be supported by the PMA, as it would provide the equivalent of 66 percent of the PMA's potential supportable Shopper Goods space. In the second comparison, the analysis shows that the combination of the Project and Lane Ranch would provide an amount of space that would constitute 113 percent of potential additional demand generated by the combined PMA and SMA resident markets. In the final comparison, the total Shopper Goods from all proposed projects represents 145 percent of the projected demand from the combined PMA and SMA resident markets. While this projected magnitude of new development represents a significant oversupply in 2012, given the likely continued growth in population and resultant market demand in both the PMA and SMA, this short-term oversupply condition would be resolved by late 2014 or early 2015 when the anticipated additional growth would be capable of fully supporting the proposed space.

While the Project and Lane Ranch would leave little capacity for other new development in the subregion, it is unlikely that they would individually or collectively create conditions that could lead to urban decay. This conclusion is based on the following considerations.

- The market demand for Shopper Goods in the PMA and SMA is growing with development of the residential base, and by 2012 the annual growth in supportable Shopper Goods space should exceed 100,000 square feet GLA on an annual basis. Thus, if there is excess supply, it would likely be a short-term phenomenon that would be resolved from growth in resident demand in the two market areas by 2014, about one and a half years after the projects are planned to be fully operational.
- The proposed major Shopper Goods anchor tenants for the two centers to be located at the intersection of 60th Street W and West Avenue L are already well-established in the market area. If the two projects draw sales from other establishments it is likely that any such "cannibalization" will come largely from their own existing stores.

Presumably, this potential loss in sales has already been considered in each anchor store's decision to place a new store at this location.

- The threshold sales requirement for Shopper Goods that has been utilized in the analysis has been set at a level equivalent to the magnitudes achieved by mature stores, thus may be conservative (i.e., too high) in the short term for a market area that is undergoing significant growth. Normally, there is a "ramp-up" period where stores require several years to achieve threshold sales levels, particularly in rapid-growth residential markets like the Antelope Valley. The anchor stores that are locating at this position in the market also appear to be making a strategic choice to establish new stores in advance of the long-term demand that will ultimately be present in the growing Quartz Hill community, and may have allowed for slightly lower sales in the first few years of operation.
- Developers of other projects will have the option to delay or otherwise adjust their development programs to reflect evolving market conditions, particularly in recognition of the strength of the anchor tenants that will be present at the Project and Lane Ranch. Moreover, recent trends in the housing market may have a significant impact on the timing of some or all of new retail projects, as their development will probably be correlated with the presence of new residents in the market areas.
- **Building Materials and Garden Supplies.** The analysis of Building Materials and Garden Supplies retail space followed the same basic approach that was utilized for the Shopper Goods analysis, recognizing that shopping behavior for this type of good and anchor tenants such as The Home Depot at the proposed Lane Ranch Towne Center will likely attract significant sales from beyond the PMA, particularly from non-local builders constructing projects in the immediate vicinity. Once again, three basic comparisons were made between supportable space and the proposed development supply, following the framework provided above for Shopper Goods. The results of these comparisons were as follows:
 - **Comparison 1:** Growth in demand within the PMA for Building Materials and Garden Supply space is sufficient to support the space proposed for this use in the Project.
 - **Comparison 2:** The proposed cumulative supply of Building Materials and Garden Supply space in the Project and Lane Ranch would represent 25 percent of combined PMA and SMA resident demand.
 - **Comparison 3:** Projected growth in supply from known competitive sources would include the addition of a 139,000+/- square foot Lowe's Improvement Center as well as space at the Project and Lane Ranch. Under these conditions, growth in supply would constitute 109 percent of additional demand from the combined PMA and SMA resident markets. At the projected rate of growth in demand for this type of space, the market would not support the proposed space at the threshold sales level utilized in this analysis by mid-2013.

The short-term oversupply of building materials/garden supplies space projected in the analysis would not create competitive conditions that could lead to urban decay for essentially the same reasons as were noted in the discussion of the potential oversupply of Shopper Goods.

- Convenience Goods.** Analysis of the potential market support for Convenience Goods was based exclusively on the additional demand generated by PMA residents. Two major types of Convenience Goods space were considered: (1) food/beverage store space; and (2) drug store/pharmacy space. The comparison analysis between the projected growth in PMA demand with potential growth in supply indicates a likely balance for food/beverage store space by early 2014. However, for drug store/pharmacy space, the projected increase in supply from all sources was 283 percent or nearly *three times* projected PMA resident demand (i.e., 85,022square feet GLA of proposed new space versus projected demand for 30,192 square feet GLA). In fact, the proposed drug store/pharmacy space included in just the Project and Lane Ranch projects represents 137 percent of potential additional demand in 2012.

This projected supply-demand imbalance and likely competition for customers--caused by the cumulative development of all drug store/pharmacy space as presently proposed for the PMA, of which the Project represents about 29 percent--could theoretically lead to store closures and consequent urban decay. Those retail centers most at risk would be older drug store facilities in inferior locations and existing and proposed convenience centers where a major drug store was the exclusive or major anchor tenant. In such circumstances, the failure of the “anchor tenant” drug store could lead to a major decline in patronage at the center, resulting in the failure of in-line tenants who were dependent on the drug store’s drawing power.

Given the above condition of likely oversupply, field surveys and related research were conducted to determine which drug stores would be most vulnerable to extreme competition if all or most of the proposed drug store space was developed at the intersection of 60th Street W and West Avenue L as envisioned in the analysis. Those stores considered most at risk are those existing and proposed drug stores located westerly of the Antelope Valley Freeway within the PMA. A total of five existing and proposed drug store properties were identified and evaluated, including the following facilities:

CVS Facility	4105 West Avenue L	Lancaster
Walgreens Facility	2840 West Avenue L	Lancaster
SavOn Facility	5038 West Avenue N	Palmdale
Rite Aid Facility	3105 Rancho Vista Boulevard	Palmdale
Proposed Drug Store	SE Corner, 30 th St W and W Avenue K	Lancaster

Analysis of each drug store’s susceptibility to conditions of extreme competition is provided below.

- CVS Facility. This drug store is the one located closest to the Project on a site about two miles east on West Avenue L, the major east-west arterial street that will serve as major access to both the Project and Lane Ranch. Currently, road improvements are being completed on 40th Street W that should enhance the CVS location as a convenience retail node. The CVS store serves as a co-anchor with a Von's supermarket in this newer shopping center that enjoys a high occupancy rate for its available space as of the dates it was surveyed. Given its existing and projected local market base, accessibility, age, configuration, tenant mix and the presence of two anchor stores, this center is not at great risk to be negatively impacted by development of the Project to such a degree that it would lead to conditions of urban decay.
- Walgreens Facility. The Walgreens store is a newer drive-through store located alone as a single unit at the intersection of West Avenue L and 30th Street W opposite the West Lancaster Plaza Shopping Center. The site has excellent accessibility and visibility. If it were to close due to extreme competition, the building and its location would be attractive to other retailers. As the store does not anchor any other retail space, its closure would not materially impact other retailers.
- SavOn Facility. The SavOn facility co-anchors (with Albertson's) a recently-developed convenience shopping center located at the intersection of Avenue N and Rancho Vista Boulevard in the City of Palmdale. The location is at a key intersection with high traffic volume and excellent visibility. Moreover, the center's performance is likely to improve substantially with additional residential development in the immediate vicinity in the near future. Given the center's location, visibility, co-anchorage and relative age, the likelihood of its being severely impacted to such an extent that there would be store closures and urban decay is minimal.
- Rite Aid Facility. The Rite Aid store is located five miles from the Project at the intersection of Sierra Vista Boulevard and 30th Street W, thus it is at the edge of the Project's PMA. The drug store serves as a co-anchor with a Von's supermarket at a well-established, modern convenience center known as Rancho Vista Plaza. Given this center's location, visibility, accessibility and design configuration, it is not likely to be materially impacted by development of the Project and suffer from the effects of extreme competition.
- Proposed Drug Store Facility. A 17,272 square foot GLA drug store is proposed for development at the intersection of 30th Street W with West Avenue K. Hearings are scheduled for late 2007. The proposed 42,867 square foot GLA center has a second "mini-anchor," a 15,000-square foot GLA food store. Given the relatively small scale of both the center and co-anchor food store, this project could be at risk due to its scale and the limited time it would have to establish a strong position in the market place. However, given the availability of information regarding likely market conditions, the developer of this project can re-position this project, delay its development or accept the market risk. In any event, the total amount of space potentially at risk is less than 43,000 square feet GLA, and, as this site has not even

been approved for construction at this time, it can hardly be considered to constitute a situation that will lead to urban decay.

In summary, the site-specific analyses indicate that while there could be a serious oversupply of drug store/pharmacy space in the Project's PMA if the Project and Lane Ranch open as currently scheduled, this oversupply is not likely to create conditions at any of the specific locations studied that would likely lead to significant urban decay. The four major drug store chains with stores in the PMA identified above are all capable of holding on to their market shares for the long term, due to their brand strengths and to their respective geographic positioning. However, it is also very possible that the sales achieved per square foot at these stores may be below the standard threshold utilized in this analysis for determining supportable drug store space.

- ***Eating and Drinking Facilities.*** Analysis of the potential impact of the proposed Eating and Drinking Facility component of the Project indicates that there is sufficient market support generated by the PMA resident population to support the proposed addition of this type of space in the market place. As the addition of the proposed eating and drinking uses in the Project will not have a significant negative impact on the existing and proposed supply of competitive uses in the PMA, this component of the Project will not lead to urban decay at any of the existing or proposed shopping centers and business districts found in the competitive market area.

APPENDIX A

**Summary Qualifications of HR&A Advisors, Inc. and
Whitney & Whitney, Inc.**

QUALIFICATIONS TO PREPARE CEQA/NEPA DOCUMENTATION ON SOCIOECONOMIC ISSUES

HR&A Advisors, Inc. (HR&A) is a full service policy, financial and management consulting firm. Founded in 1976, the firm has a distinguished track record of providing realistic answers to complex economic, economic development, public finance, real estate, housing and strategic planning problems. HR&A clients include Fortune 500 corporations, all levels of government, the nation's leading foundations, and not-for-profit agencies. The firm has extensive experience working for the legal community in such roles as court-appointed special master, consent decree monitor, technical advisor and expert witness.

HR&A's practice lines include local and regional economic analysis, economic development program formulation and analysis, fiscal impact analysis, real estate analysis and advisory services, housing policy research and analysis, population forecasting and demographic analysis, and transportation and other capital facilities analysis and financing.

Among the qualities for which HR&A is widely known and respected are the impeccable quality of its analysis, ability to invent new analytic methods and approaches to suit the needs of a particular client, independent professional judgment honed through extensive exposure to the rigors of the public review process and the scrutiny of the judicial system, the ability to translate complex technical analysis for a variety of non-technical audiences, and the extensive involvement of its Partners in every project it accepts.

The firm's domestic and international consulting is provided by a staff of 30 people located in offices in Los Angeles and New York. Staff members include public finance professionals, planners, economists, architects, lawyers, and experienced project managers. Virtually every member of the firm has substantial public or private sector experience in economic, financial and policy analysis, real estate development and planning.

HR&A has frequently been called on by its public and private sector clients to provide analysis of population, housing, employment, economic, public school facilities and induced growth impacts for projects subject to the California Environmental Policy Act and the National Environmental Policy Act. The following are examples of projects that illustrate this experience.

For Public Sector Clients

- For the City of Lancaster, HR&A is preparing economic, fiscal and “urban decay” analysis for EIRs on the Lane Ranch Towne Center and The Commons at Quartz Hill, two regional shopping centers planned for opposite corners at 60th and Avenue L.
- For Los Angeles World Airports, HR&A prepared all of the economic impact analyses needed to evaluate alternative Master Plan concepts for future development of Los Angeles International Airport. The project included extensive econometric modeling of future baseline (pre-project) economic conditions and forecasts of conditions under alternative development scenarios in the City of Los Angeles, the County of Los Angeles, incorporated and unincorporated areas adjacent to the airport, and the surrounding five-county region.
- For the City of Chicago Department of Aviation, HR&A prepared regional and local economic and fiscal impact analyses of the O'Hare Modernization Program (OMP), which was used by the Federal Aviation Administration to prepare an Environmental Impact Statement on the project. The analysis includes econometric modeling of the six-county Chicago regional area to forecast the employment, total economic output, population and households, among other factors, that would be associated with the \$16-billion OMP project, as compared with a No Project scenario.
- For the City of Los Angeles Environmental Affairs Department, HR&A prepared draft Initial Study screening criteria, thresholds of significance and recommendations for analysis approach on the topics of housing, population and employment impacts.
- For Central City West Association and the City of Los Angeles, HR&A prepared a demographic portrait and forecast, and baseline "jobs/housing balance" analysis as part of the Central City West Specific Plan, a transitional neighborhood located directly north of Pico-Union, and across the Harbor Freeway, from the Los Angeles central business district. HR&A's analysis was used as the technical basis for the population, housing and employment sections of the EIR on the Plan. The firm also assisted counsel for interested parties regarding these issues during subsequent litigation over the adequacy of the Final EIR, which was ultimately decided in favor of the City.
- For the Santa Monica-Malibu Unified School District, HR&A managed a detailed review of the options available to the District to consolidate use of its four properties in the Ocean Park neighborhood of Santa Monica, an area which had been experiencing significant enrollment declines. The project included managing the preparation and certification of an EIR on the multi-site strategy adopted by the Board of Education, which included construction of the first new elementary school since the 1950s.
- For the University of California, Los Angeles, the firm prepared an analysis of the degree to which employment and housing associated with UCLA's 1991 Long Range Development Plan was consistent with the emerging regional planning concept of "jobs-housing balance." The firm's analysis was included as a technical appendix to the Final EIR on the Plan, which received approval by the Regents of the University.
- Also for the University of California, Los Angeles, HR&A prepared the population and housing section, and contributed to the induced growth section of the EIR on the 2000-2010 Long-Range Development Plan Update for the campus. The Final EIR was certified by the Regents.
- For the University of California, Santa Barbara, HR&A analyzed the public school impacts of the 1992 Long-Range Development Plan for the Santa Barbara campus, and prepared a Supplemental Environmental Impact Report on this issue, pursuant to a judgment against the University in an action brought by the Goleta Union School District. The Supplemental EIR was certified by the Regents of the University. Upon return to the writ, the court found that the analysis adequately supported the Regent's action. This determination was upheld by the Second District Court of Appeal in *Goleta Union School District v. Regents of the University of California*, 36 Cal. App. 4th 1121 (1995) (opinion on rehearing), holding that the University was not required to pay school mitigation fees.

- For the Southern California Association of Governments (SCAG), HR&A prepared the economic and fiscal impact sections of the EIR on SCAG's 1996 Regional Comprehensive Plan and Guide.

For Private Sector Clients

- For Westfield Corporation, HR&A prepared "urban decay" and public services impact analyses for a 100,000 square foot addition to the existing Westfield Santa Anita super-regional shopping center in Arcadia, and a 280,000 square foot addition to Westfield Fashion Square in Sherman Oaks.
- For Bisno Development Company, HR&A is preparing technical reports on the population, housing employment and school facilities impacts of a 2,300-unit condominium project proposed for a former US Navy housing site in the San Pedro-Wilmington area of Los Angeles.
- For General Growth Properties, HR&A prepared detailed comments on various socio-economic issues in the Draft and Final EIR for the Americana at Brand, a "lifestyle" mall proposed for a site immediately adjacent to the Glendale Galleria in Glendale.
- For Universal Studios, Inc., HR&A analyzed the employment, housing, population and economic and fiscal impacts in Los Angeles County of a proposed \$3 billion Specific Plan that will nearly double the intensity of development at Universal City, the home of Universal Studios, Inc.'s film studio, studio tour, various entertainment retail uses, commercial office buildings and hotels. HR&A's analyses were included in the project's Draft EIR. HR&A is now preparing similar analyses for the EIR on the new Universal City Vision Plan being proposed by NBC Universal.
- For the Ratkovitch-Villaneuva Partnership, HR&A prepared the employment, housing, population and public schools impact analyses for the EIR on a proposal to construct 10 million square feet of new commercial and residential development around the City of Los Angeles' Union Station. The Draft EIR was certified by the Los Angeles City Council.
- For St. John's Hospital and Health Center, HR&A prepared analyses of the economic and fiscal impact of current health center impact on the economy of the City of Santa Monica, and the impact that will result from each of two phases of a major reconstruction of the health center following the 1994 Northridge earthquake. The analysis was relied on by the City's consultants in preparing the project's EIR, which was certified by the Santa Monica City Council. HR&A also prepared analysis for the Health Center on the degree to which draft police services mitigation measures being considered by the City met the requirements of CEQA.
- For The Walt Disney Company, HR&A prepared a comprehensive analysis of the employment, population, housing, "jobs-housing balance" and vehicle miles traveled impacts of Downtown Disney and Disney's California Adventure, in Anaheim. The firm's analysis is contained in a series of technical appendices to the EIR, which was certified by the Anaheim City Council.
- Also for The Walt Disney Company, HR&A analyzed the "jobs-housing balance" implications of a proposal to consolidate all of Disney's studio and studio-related administrative facilities on a single site in the City of Burbank. HR&A's analysis was included as a technical appendix to the project's EIR, which was certified by the Burbank City Council.
- For Wilshire-Barrington Associates, HR&A analyzed the population, housing, employment and jobs-housing balance impacts of a preliminary concept for converting the Barrington Apartments in West Los Angeles into a mixed-use project consisting of 700 apartments, a 262-room hotel, 210,000 s.f. of office space plus miscellaneous retail.
- For the Santa Monica Beach Hotel Development Partnership, HR&A coordinated an extensive review and prepared the Draft EIR comment letter for the developer of a proposed 160-room luxury hotel and community center proposed for a parcel of State-owned land along Santa Monica Beach.

- For Reliance Development Group, HR&A coordinated an extensive review and prepared the Draft EIR comment letter for the developer of a 1.8 million square foot office park and studio complex proposed for surplus land at Santa Monica Airport.

- For Maguire Thomas Partners, HR&A coordinated an extensive review and prepared the Draft EIR comment letter for the developer of a proposed office building and hotel project to be developed on Ocean Avenue in the City of Santa Monica.

REPRESENTATIVE LIST OF CLIENTS

Financial Institutions & Investment Companies

American Council on Life Insurance
Citibank Private Banking Group
Citicorp Real Estate, Inc.
Community Preservation Corporation
First Union National Bank
Fleet Financial Group
Goldman Sachs
Hartland Asset Management
Lehman Bros.
Shorebank Corporation

Real Estate Development Organizations and Private Companies

ARC Development
ARCORP Properties
Bermant Development Company
Boeing Realty Corporation
Casden Properties, Inc.
Castle & Cook Development Company
Centex Homes
Continental Development Corporation
Daniel Island Development Company
Disney Development Corporation
Edward J. Minskoff Equities
Gaylord Entertainment
General Growth Properties
Gibson Speno LLC
Home Depot Company
JMB Urban Realty Corporation
K. Hovnanian Companies of California
Landmark Land Company
Madison Square Garden
Maefield Development Corporation
Maserich Company
Maguire Thomas Partners
Millennium Partners
Newhall Land & Farming Company
New York Times Company
Olympia & York (USA)
The Related Companies
Reliance Development Group
Santa Monica Beach Development Corporation
Starrett Housing Corporation
Sunset Development Corporation
Tishman Speyer Properties
Trammell Crow Company
Trammell Crow Residential
TransAction Companies, Ltd.
Twentieth Century Fox
Universal Studios, Inc.
The Walt Disney Company
Westfield Corporation, Inc.
William Lyon Homes

World Financial Properties

Public Development Agencies

Alliance for Downtown New York
Battery Park City Authority
Brooklyn Bridge Park Development
Brooklyn Navy Yard Development Corporation
Catskill Watershed Corporation
Catholic Charities of Brooklyn
Cincinnati Business Committee
Columbus Downtown Redevelopment Corporation
Downtown Brooklyn Local Development Corporation
Economic Development Growth Enterprises, Oneida Co., NY
Empire State Development Corporation
Inland Valley Development Agency
Memphis Riverfront Development Corp.
National Capital Revitalization Corp.
New York City Economic Development Corporation
New York State Urban Development Corporation
Penmar Development Corporation
Port Authority of New York and New Jersey
Queens West Development Corporation

Cultural, Recreational & Special Events Clients

American Museum of Natural History
Brooklyn Academy of Music Corporation
Brooklyn Museum of Art
City of New Haven Arts & Entertainment Facilities Committee
Lincoln Center for the Performing Arts
Madison Square Garden
New Jersey Performing Arts Center
NYC2008
Public Space for Public Life
Randall's Island Sports Foundation
The Trust for Public Land

Other Quasi-Public and Non-Profit Organizations and Foundations

Apartment Association of Greater Los Angeles
The Bowery Mission
Common Ground Community
Cornell University
Corporation for Supportive Housing
Community Services Society of New York

Other Quasi-Public and Non-Profit Organizations and Foundations (con't.)

The Enterprise Foundation
Ford Foundation
Gay Men's Health Crisis
Griffiss Local Development Corporation
Harry Frank Guggenheim Foundation
Kaiser Permanente
Local Initiatives Support Corporation
Los Angeles Collaborative for Community Development
Metropolitan Boston Housing Partnership
Metropolitan Jewish Geriatric Center
National Equity Fund
Neighborhood Progress, Inc.
New York Blood Center
Newark Alliance
Saint John's Hospital and Health Center
Saint Vincent's Hospital
San Gabriel Valley Council of Governments
Spanish-American Merchant's Assoc.
University of California, Los Angeles
University of California, Santa Barbara
Upper Manhattan Empowerment Zone Development Corp.
Williamsburg Affordable Housing
Westside Urban Forum

Governmental Agencies

Boulder Urban Renewal Authority
City of Berkeley Rent Stabilization Board
City of Beverly Hills
City of Chester (PA)
City of Columbus
City of Culver City (CA)
City of Detroit
City of Houston
City of Huntington Beach (CA)
City of Indianapolis
City of Lancaster
City of Los Angeles
City of New York
City of Olathe (KS)
City of Phoenix
City of San Luis Obispo (CA)
City of Santa Monica
City of West Hollywood (CA)
City of Yonkers
Community Redevelopment Agency of the City of Los Angeles
Compton Unified School District (CA)
County of Santa Barbara
District of Columbia
New Jersey Department of Commerce and Economic Development

Redevelopment Authority of the City of Philadelphia
San Diego Association of Governments
Santa Ana Unified School District (CA)
Santa Monica-Malibu Unified School District
Southern California Association of Governments
Yonkers Office of Downtown & Waterfront Development

Transportation Agencies

City of Chicago Department of Airports
Connecticut Dept. of Transportation
Delaware Dept. of Transportation

Los Angeles County Metropolitan Transportation Authority
Los Angeles World Airports
Massachusetts Bay Transportation Authority
New Jersey Transportation Corp.
New York Metropolitan Transportation Authority
San Diego County Regional Airport Authority
U.S. Dept. of Transportation

Housing Agencies

Chicago Housing Authority
Community Redevelopment Agency of the City of Los Angeles
Cuyahoga Metropolitan Housing Authority (IN)
Detroit Housing Commission
Housing Authority of Baltimore City
Housing Authority of the City of Houston
Housing Authority of the County of Los Angeles
Housing Authority of the City of Santa Monica
Housing Bureau, City of Long Beach
Indianapolis Housing Authority
Los Angeles Housing Department
New York City Housing Authority
New York City Housing Development Corporation
New York State Housing Finance Agency
Omaha Housing Authority (NE)
Philadelphia Housing Authority
Redevelopment Authority of the City of Philadelphia
St. Louis Housing Authority (MO)
United States Department of Housing and Urban Development

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Whitney & Whitney, Inc. (W&W) is a real estate development advisory services firm located in Los Angeles, California. The company was founded by William H. Whitney, Ph.D. in 1984. After six years of serving the southern California and Hawaii markets, W&W reduced the scope of its activities when Mr. Whitney was recruited by Arthur Andersen to assist their Real Estate and Hospitality/Leisure consulting practices in establishing both a national and international presence.

Mr. Whitney served with Arthur Andersen for over nine years, participating on major real estate and hospitality consulting engagements in over 40 different countries throughout the world. Activities during this period also included starting Arthur Andersen's Asia/Pacific Region real estate consulting practice in Manila, and spending three years in Andersen's London offices serving as a resource for the European and Middle East real estate consulting practices.

Following his return to the United States in March 2000 Mr. Whitney has re-activated Whitney & Whitney, Inc. The firm's major focus is on the provision of real estate consulting services to both public and private clients in the following areas:

- Due diligence services for companies involved with the acquisition and operation of real estate assets;
- Participation on multi-disciplinary teams with architects, planners and other design professionals in the planning of resorts, new communities and urban mixed-use projects
- Advisory services related to the maximization of returns from corporate real estate assets;
- Advisory services related to the maximization of public benefits from proper utilization of public lands;
- Market feasibility studies for large scale land development programs, including waterfront projects, shopping centers, resorts, and new communities;
- Master planning for large-scale urban parks and open space programs;
- Financial feasibility studies for proposed real estate investments;
- Negotiation assistance related to the formation and implementation of public/private partnerships;
- Fiscal impact, economic impact, cost-revenue and cost-benefit evaluations of proposed real estate development activities for public agencies and private developers;
- Valuation/expert witness services related to complex real estate transactions and/or arbitration and litigation proceedings; and
- Implementation services related to attaining necessary development entitlements and funding for real estate programs.

W & W's recent projects include the following: since the early 1990s has served as a real estate economic and financial advisor to the State of Hawaii Aloha Tower Development Corporation related to the redevelopment of the downtown Honolulu waterfront; performed a market and financial analysis of a proposed "high technology" park/mixed-use commercial development program in Dubai, United Arab Emirates known as Dubai Internet City; conducted an analysis of the economic feasibility of converting the 4,700-acre El Toro Marine Corps Air Station to an urban park; conducted an analysis of the redevelopment potentials for tourist-serving projects in the Old City of Shanghai; provided a market analysis of the retail redevelopment potential for the International Market Place in Waikiki for the Queen Emma Foundation; performed an evaluation of redevelopment potentials and the resultant fiscal impacts from conversion of certain industrial lands to retail and other uses for the City of San Jose; provided an evaluation of the market feasibility for residential and commercial retail uses on surplus lands owned by Ohlone Community College, Fremont, California; evaluated the market and financial opportunity for development of a major shopping center near Mililani Town on the Island of Oahu, Hawaii for Forest City; and reviewed the market for office and retail commercial uses near the East Eisenhower Transit Station for the City of Alexandria, Virginia; and a market study for a C. J. Segerstrom & Sons development project

located near South Coast Plaza in Orange County. Currently, the firm is serving as an advisor to Castle & Cooke on the preparation of a master plan and development strategy for 28,000+/- acres of land located on the North Shore of the Island of Oahu; providing a review of the master plan for the Sa'adiyat Island resort located in Abu Dhabi, United Arab Emirates; and preparing market/financial analyses and a business plan for a proposed destination spa to be located in the Santa Monica Mountains.

Mr. Whitney's background in the analysis of major shopping center developments and the planning of their adjacent lands supersedes the formation of W & W. He has been conducting investigations of retail development opportunities for nearly 40 years, starting with the re-use of the Chevron properties located in El Segundo and Manhattan Beach that ultimately led to the development of Manhattan Beach Village. One such project, the planning of the Puente Hills Mall and its immediate surrounding lands for the Western Harness Racing Association in 1970, was the inspiration for his doctoral dissertation, "An Investigation of Selected Impacts on Surrounding Lands Which are Generated by Development of Regional Shopping Centers" (UCLA, 1975).

A partial listing of Mr. Whitney's shopping center experience includes the following:

ERNEST W. HAHN, INC. (NOW TRIZECHAHN): Regional Shopping Center Market Analysis and Economic/Fiscal Impact Studies, California and Washington

Conducted numerous market feasibility and economic/fiscal impact studies of proposed regional shopping centers for the Ernest W. Hahn Company, forerunner to TrizecHahn, including analyses for the following existing regional shopping centers: Puente Hills Mall, City of Industry; Mariner's Island, San Mateo; North County Fair, Escondido; Kelso Mall, Kelso, Washington; and Sierra Vista, Clovis, California.

PSB REALTY CORPORATION: Costa Mesa Courtyards, Costa Mesa, California

Performed market and financial feasibility studies for the Costa Mesa Courtyards, a 173,000 square foot shopping center once honored as the "Best Retail Development" in the Western States at the Pacific Coast Builders Conference. The 11-acre project has been an important stimulus to the revitalization of the City of Costa Mesa's old central business district.

JAMES YOUNGBLOOD, DEVELOPER: The Lumberyard, Encinitas, California

Conducted market and financial feasibility studies for the project, a specialty retail center with 80,000 square feet of retail space located in the City of Encinitas. The center has been successfully developed, and has performed at or above initial market expectations.

THE IRVINE COMPANY: Fashion Island and Spectrum Center Impact Studies, Newport Beach and Irvine, California

Conducted economic and fiscal impact evaluations of these two major centers as part of their submissions for general plan amendments to the Cities of Newport Beach and Irvine, respectively. The Fashion Island expansion program focused on the interactive benefits that could be generated between the existing and proposed retail uses and the surrounding hotel and office developments; in contrast, the central concern regarding the proposed Spectrum project was its potential sales and property tax generation for the municipality.

LIVERPOOL DEPARTMENT STORE AND THE FRANSEN COMPANY: Regional Shopping Center Market Evaluations, Various Metropolitan Areas, Mexico

Conducted detailed investigations of the market opportunities for Liverpool Department Store to serve as an anchor tenant and developer of regional shopping centers throughout Mexico. A number of sites in major metropolitan locations were evaluated, and projections were made of potential store sales and supportable retail space. As of 2001, the study had resulted in one new shopping center currently operating in the Mexico City metro area and a second project under construction.

MITSUI TRUST & BANKING CO., LTD.: Aloha Tower Marketplace, Honolulu, Oahu, Hawaii

Provided a market validation study for a festival marketplace that was under construction in downtown Honolulu. The development program, which ultimately became the Aloha Tower marketplace, called for approximately 200,000 square feet of retail and restaurant space at Honolulu Harbors Piers 7, 8 and 9 adjacent to the historic Aloha Tower. The analysis included a thorough examination of each segment of

the potential customer base and an assessment of the potential expenditure patterns at the center from those identified market segments. The results of the market studies were then utilized to generate sales projections for the center.

THE ROBERTS GROUP: Wood Ranch Development Program, Simi Valley, California

Performed an analysis of retail commercial potentials for a major community shopping center located in the Wood Ranch planned community. The study involved a detailed assessment of competitive retail projects found within the immediate market area surrounding Wood Ranch and a determination of market support generated by Wood Ranch residents. The center is open and operating successfully.

A&B HAWAII, INC./VANGUARD PROPERTIES: Triangle Square Factory Stores, Kahului, Maui, Hawaii

Provided a market analysis of a proposed factory outlet center in Kahului, Maui near the Kahului Airport. The development program called for 110,000 square feet of retail space to be built at one of Maui's most important highway junctions. The analysis included an examination of the potential customer base, consideration of the potential expenditure patterns by the major market segments, and a projection of potential sales at the project. The project has been developed and is operating successfully.

CITY OF VISALIA: Regional Shopping Center Location Studies; Visalia, California

Served the City of Visalia as market and planning consultants in the evaluation of potential locations for new regional shopping center facilities in the City of Visalia. The analysis included an assessment of the market, fiscal, transportation and other economic and social impacts related to the alternative sites under consideration for the new center.

AMFAC/JMB HAWAII, INC.: Kaanapali North Beach Entertainment / Retail Center Feasibility Studies, Kaanapali, West Maui, Hawaii

Provided a detailed assessment of a proposed themed entertainment/retail attraction at North Beach. A number of different retail and entertainment concepts were evaluated for the property, including specialty retail alternatives similar to Whaler's Village and more elaborate commercial recreation complexes featuring entertainment venues similar to Church Street Station in Orlando, Florida. The major finding of the study was that the most profitable use in terms of land utilization and environmental constraints was a major health spa, as this use generated the highest visitor expenditures per unit of land area and required relatively low market penetration of the existing visitor base.

CASTLE & COOKE PROPERTIES, INC.: Iwilei District Market Feasibility Study, Honolulu, Hawaii

Conducted market feasibility studies to provide development guidelines for the redevelopment of the 50-acre Iwilei property. The site is located near downtown Honolulu in an area transitioning from industrial to commercial uses, and was previously occupied by the Dole Cannery. The market analysis concentrated primarily on the market potential for outlet-type retail shopping activities and "bull-pen"-type office space. Major issues raised by the study pertained to the site's relative accessibility for both local residents and visitors.

CASTLE & COOKE PROPERTIES, INC.: Mililani Town Center Market Assessment, Mililani Town, Oahu, Hawaii

Conducted a market analysis of the existing Mililani Town Center, a 166,500 square foot community shopping center located in central Oahu. The primary purposes of the investigation were to first, assess the current market performance of the center given its location, configuration and competitors; second, determine a strategy for expansion of the center to 400,000 square feet of space after giving full consideration to future market positioning, product mix and anchor tenants. Attention also focused on expanding the range of activities at the center to include a variety of service functions in addition to the retail tenants.

CITY OF LAWNSDALE: South Bay Galleria Buyout, Redondo Beach, California

Provided a financial evaluation of the ownership interest held by the City of Lawndale in the South Bay Galleria, a regional shopping center that was undergoing renovation by Forest City Development Company. The work performed by the consultant formed the basis for the city's successful sale of its interest in the project to the developer.

CITY OF PASADENA: Lake/Washington Neighborhood Shopping Center, Pasadena, California

Analyzed the development potential for a major new neighborhood shopping center intended to revitalize an older shopping district in Pasadena. The study involved an extensive review of existing businesses in order to assess both the positive and negative impacts of the new facility. The center has been constructed with a supermarket and drug store as the anchor tenants, and has successfully fostered revitalization of the entire district with new commercial development.

MAGUIRE THOMAS PARTNERS: Peter's Landing Specialty Center, Huntington Harbour, California

Provided market and financial consulting services to Peter's Landing, a specialty retail center and marina complex located in the affluent waterfront residential community of Huntington Harbour. Initially, the focus was on evaluating the market potentials for boat slips and retail and office uses. Later, attention was focused on evaluating the financial trade-offs between retention of the marina as a rental program and sale of the berths under a "dockominium" concept.

THE IRVINE COMPANY: Mervyn's Retail Location Study, Various Locations, Orange County

Assisted The Irvine Company (TIC) in evaluating potential alternative locations for Mervyn's department stores on various properties owned by TIC. The study considered both the provision of "blanket" coverage by the chain store throughout Orange County with multiple locations as well as an evaluation of specific sites on TIC lands. Presented results of the study to Mervyn's leadership in Minneapolis.

SAN DIEGO UNIFIED PORT DISTRICT: Embarcadero Master Planning Program Feasibility Studies San Diego, California

Performed market studies leading to the establishment of Seaport Village, a leading specialty retail center of about 200,000 square feet located on the San Diego waterfront. Other market and related investigations have led to development of hotel, marina, convention center and cruise ship terminal facilities along the Embarcadero.

CITY OF IRVINE: Retail Commercial Needs Assessment Study, Irvine, California

Prepared a retail commercial needs assessment for the City of Irvine that considered the long term demand for and supply of retail commercial space in the community. One of the sites investigated ultimately became the Spectrum specialty/entertainment center. The results of the study were somewhat controversial, as the analysis was critical of a number of the existing and proposed retail locations in the residential villages of Irvine with respect to their long term economic viability.

DAVID HOCKER & ASSOCIATES: Shelter Cove Shopping Centers, Palmetto Dunes, Hilton Head, South Carolina

Performed market investigations of the potential for (1) a 200,000 square foot specialty retail shopping center anchored by "downsized" department stores, and a (2) 120,000 square foot convenience retail center. While the convenience center was accepted and completed as originally conceived, there was significant resistance from department stores to the concept of the specialty center in a resort setting because of the low visitation at Hilton Head during the prime Christmas season.

ARROWHEAD REGIONAL DEVELOPMENT COMMISSION: Downtown Duluth Regional Center Evaluation, Duluth, Minnesota

Performed a comprehensive economic and fiscal analysis of alternative locations for a regional shopping center in the Duluth region. While the study clearly showed the advantages to the community of utilizing the downtown as a location for the facility, these potential benefits did not convince potential chain retailers that there was sufficient market support for the facility or that the center city location could be successfully "retrofitted" with large quantities of retail space.

NANSAY CORPORATION: Market Assessment of Retail Potentials, Westwood Mixed Use Project Westwood, California

Analyzed the market potential for development of a major new retail center in Westwood. The study documented the need for quality retail stores and restaurants in the Westwood area, though the stigma associated with Westwood following several crimes of violence plus the recession of the early 1990s

effectively doomed the project. Notwithstanding, in recent years Westwood has been rejuvenated on a piecemeal basis with many of the retail activities proposed in the study.

PRUDENTIAL REALTY/MELVIN SIMON COMPANY: Marina Place Economic/Fiscal Impact Study, Culver City, California

Provided market assessments and economic and fiscal impact analyses of the proposed Marina Place regional shopping center as part of the consultant team that was successful in obtaining approvals for the proposed development on a 30+/- acre site near Marina del Rey. Unfortunately, regional economic conditions coupled with the decline in performance of traditional department stores led to the project's demise; the site was developed instead with a Costco department store.

HAWAII OMORI CORPORATION: Lahaina Cannery Shopping Center Evaluation, Lahaina, Maui

Performed a series of market evaluations for three properties owned by Hawaii Omori Corporation that were located in the Town of Lahaina, Maui. One of the properties serves as the site for the Lahaina Cannery Shopping Center, an existing 180,000 square foot facility. The study examined the possibility of developing a multi-centered retail complex with both specialty and convenience retail nodes designed to serve the full range of resident and tourist retail needs.

MAUNA LANI RESORT, INC.: Specialty Retail Center Market Studies, Mauna Lani, South Kohala, Big Island of Hawaii

Analyzed the market potentials for the development of a specialty retail center at Mauna Lani Resort. The analysis focused on upper-income visitors and their propensities to support specialty retail shops in hotels and at "boutique" centers similar to The Shops at Kapalua. The study identified candidate tenants for the development, provided recommendations regarding store mix, and offered suggestions with respect to the optimum location for the facility within the resort.

ALOHA TOWER DEVELOPMENT CORPORATION: Aloha Tower Development Program, Phases I and II, Honolulu, Hawaii

Prepared developer selection criteria and evaluated business terms of proposals for redevelopment of the Aloha Tower complex, a \$1 billion redevelopment program for the downtown Honolulu waterfront featuring a "festival market" specialty retail center, the precursor to current "entertainment/retail" projects. The first phase of the project, Aloha Tower Marketplace, was completed in 1994. Following the selection of the preferred developer, Enterprise Development Company, provided leasing advisory services and negotiated the business terms of the lease agreement between parties.

STATE OF HAWAII EMPLOYEES RETIREMENT SYSTEM (ERS): Kaahumanu Regional Center Expansion, Kahului, Maui, Hawaii

Provided a market and financial evaluation of the proposed expansion of Kaahumanu Center from 316,600 square feet of gross leasable area (GLA) to 542,600 square feet. The only regional center located on Maui, the property was owned by Maui Land & Pineapple Company, developers of Kapalua Resort. The analysis measured investment returns to the State of Hawaii ERS under a range of future outcomes. Of particular significance were the assessments of potential competitive impacts on the center from Mainland retailers entering the Maui market. The expansion program was successfully completed.

STATE OF HAWAII EMPLOYEES RETIREMENT SYSTEM (ERS): Waikele Shopping Center, Central Oahu, Hawaii

Completed a due diligence review of a proposed power center and an outlet mall which were developed on 40+ / - acres of freeway frontage in the Waikele master-planned community. The services provided to the ERS included a review of major sources of demand for retail goods and services, a survey of existing and proposed competitive facilities on Oahu, and a detailed examination of the developer's proposed tenant mix and pro forma financial projections. Also compared actual leases with the pro-forma rent schedules to ensure that the project would achieve its target levels of return.

QUEEN LILIUOKALANI TRUST/FIRST HAWAIIAN BANK: Mauka Lands Evaluation, Kailua-Kona, Big Island of Hawaii

Served the Queen Liliuokalani Trust as market and financial advisors for 1,200 acres of land located in Kailua-Kona on the Big Island of Hawaii. Following its re-classification to urban use by the State Land

Use Commission, provided assistance to the Trust by performing market studies for the site and reviewing proposals for the first phase of development from shopping center developer candidates. The project has gone forward successfully, and several increments of retail commercial development have been completed.

T & S DEVELOPMENT, INC.: Regional Shopping Center Assessment, Riverside, California

Provided a critique of the market study that supported the expansion of the existing Tyler Mall regional shopping center. Also presented a comparative analysis of the economic benefits resulting from the proposed expansion of Tyler Mall with an alternative program to develop a new regional center at Canyon Springs Road.

DONAHUE/SHRIBER AND THE IRVINE COMPANY: Comparative Analysis of Alternative Sites, City of Irvine, California

Assisted the shopping center developer and the Irvine Company in evaluating alternative locations for the development of Target department stores. Primary focus was on two sites in the City of Irvine – Interstate-5/Myford and Culver/Barranca. The principal basis for comparison was the demographic characteristics of the primary market areas served by the two locations.

HOMART DEVELOPMENT CORP. (SEARS): Proposed Regional Shopping Center, Eugene, Oregon

Evaluated the market potential for a regional shopping center to be located in the Eugene, Oregon metropolitan area. The results of the study suggested that the market was likely too small to absorb the retail space proposed in the Homart project.

THE IRVINE COMPANY: Proposed Regional Shopping Center, Orange County, California

Provided a market analysis of the future potentials for a regional shopping center located on Santiago Canyon Road easterly of the City of Orange. The primary purpose of the study was to guide the master planning for the area and make necessary allocations for lands sufficient to accommodate future commercial space requirements.

AHMANSON COMMERCIAL DEVELOPMENT CORPORATION: Palm Desert Community Shopping Center, Palm Desert, California

Performed market and financial feasibility studies for this recently completed community shopping center located on Highway 111 adjacent to the Palm Desert Town Center regional mall. One purpose of the study was to consider a tenant mix that would be able to effectively compete with the regional mall.

**LOS ANGELES COUNTY CHIEF ADMINISTRATIVE OFFICE: Civic Center Mall Retail Analysis
Civic Center Mall, Los Angeles**

Evaluated the market potential for specialty retail and service commercial uses at a potential retail location on the Civic Center Mall near the Music Center. The purpose of the facility was to provide for the needs of governmental workers and visitors to County Hall of Administration. Consulting services also included lease negotiations with candidate tenants for the project.

APPENDIX B

IMPLAN Economic Impact Analysis Results

B-1 Project Construction Impacts

[WILL BE ADDED WHEN DEVELOPMENT COST IS PROVIDED BY APPLICANT]

- a. Employment**
- b. Compensation**
- c. Total Economic Output**

B-2 Project Annual Operation Impacts

- a. Employment**
- b. Compensation**
- c. Total Economic Output**

APPENDIX B-2(a) The Commons Operations Employment Impacts in the Los Angeles County Economy

IMPLAN Industry Sector	Direct	Indirect	Induced	Total	Percentage	Cum. %
410 General merchandise stores	356.8	0.8	4.2	361.8	39.0%	39.0%
481 Food services and drinking places	158.2	3.8	15.1	177.1	19.1%	58.1%
405 Food and beverage stores	146.8	0.8	4.2	151.7	16.4%	74.5%
404 Building material and garden supply stores	17.9	0.4	1.7	19.9	2.1%	76.7%
431 Real estate	0.0	11.4	4.3	15.7	1.7%	78.3%
454 Employment services	0.0	9.4	3.1	12.5	1.3%	79.7%
390 Wholesale trade	0.0	4.5	6.5	11.0	1.2%	80.9%
451 Management of companies and enterprises	0.0	7.8	1.0	8.8	1.0%	81.8%
465 Offices of physicians- dentists- and other health	0.0	0.0	8.4	8.4	0.9%	82.7%
467 Hospitals	0.0	0.0	6.7	6.7	0.7%	83.5%
470 Social assistance- except child day care services	0.0	0.0	4.9	4.9	0.5%	84.0%
447 Advertising and related services	0.0	4.2	0.6	4.8	0.5%	84.5%
494 Private households	0.0	0.0	4.8	4.8	0.5%	85.0%
458 Services to buildings and dwellings	0.0	3.3	1.4	4.7	0.5%	85.5%
438 Accounting and bookkeeping services	0.0	3.5	1.1	4.5	0.5%	86.0%
468 Nursing and residential care facilities	0.0	0.0	4.0	4.0	0.4%	86.5%
401 Motor vehicle and parts dealers	0.0	0.6	3.2	3.8	0.4%	86.9%
462 Colleges- universities- and junior colleges	0.0	0.3	3.4	3.7	0.4%	87.3%
444 Management consulting services	0.0	2.8	0.7	3.6	0.4%	87.6%
425 Nondepository credit intermediation and related a	0.0	2.7	0.9	3.6	0.4%	88.0%
399 Couriers and messengers	0.0	2.9	0.5	3.5	0.4%	88.4%
437 Legal services	0.0	1.6	1.6	3.3	0.4%	88.8%
479 Hotels and motels- including casino hotels	0.0	1.6	1.5	3.0	0.3%	89.1%
398 Postal service	0.0	2.1	0.8	3.0	0.3%	89.4%
412 Nonstore retailers	0.0	0.5	2.2	2.7	0.3%	89.7%
430 Monetary authorities and depository credit interme	0.0	1.1	1.6	2.7	0.3%	90.0%
408 Clothing and clothing accessories stores	0.0	0.4	2.3	2.6	0.3%	90.3%
411 Miscellaneous store retailers	0.0	0.4	2.2	2.6	0.3%	90.6%
457 Investigation and security services	0.0	2.0	0.6	2.5	0.3%	90.8%
400 Warehousing and storage	0.0	2.2	0.3	2.5	0.3%	91.1%
426 Securities- commodity contracts- investments	0.0	0.8	1.6	2.4	0.3%	91.4%
455 Business support services	0.0	1.8	0.6	2.4	0.3%	91.6%
493 Civic- social- professional and similar organizati	0.0	0.7	1.7	2.4	0.3%	91.9%
394 Truck transportation	0.0	1.2	1.2	2.4	0.3%	92.1%
469 Child day care services	0.0	0.0	2.4	2.4	0.3%	92.4%
483 Automotive repair and maintenance- except car wash	0.0	0.5	1.8	2.2	0.2%	92.6%
472 Spectator sports	0.0	1.4	0.8	2.2	0.2%	92.9%
406 Health and personal care stores	0.0	0.4	1.8	2.2	0.2%	93.1%
427 Insurance carriers	0.0	0.4	1.7	2.2	0.2%	93.3%
466 Other ambulatory health care services	0.0	0.0	2.0	2.0	0.2%	93.6%
107 Cut and sew apparel manufacturing	0.0	0.0	1.7	1.8	0.2%	93.7%
478 Other amusement- gambling- and recreation industri	0.0	0.1	1.6	1.7	0.2%	93.9%
422 Telecommunications	0.0	1.0	0.7	1.6	0.2%	94.1%
461 Elementary and secondary schools	0.0	0.0	1.6	1.6	0.2%	94.3%
499 Other State and local government enterprises	0.0	0.7	0.9	1.6	0.2%	94.5%
43 Maintenance and repair of nonresidential buildings	0.0	1.2	0.3	1.5	0.2%	94.6%
487 Personal care services	0.0	0.0	1.5	1.5	0.2%	94.8%
464 Home health care services	0.0	0.0	1.4	1.4	0.2%	94.9%
463 Other educational services	0.0	0.1	1.3	1.4	0.2%	95.1%
439 Architectural and engineering services	0.0	0.9	0.5	1.4	0.2%	95.2%
471 Performing arts companies	0.0	1.0	0.4	1.3	0.1%	95.4%
489 Drycleaning and laundry services	0.0	0.6	0.8	1.3	0.1%	95.5%
409 Sporting goods- hobby- book and music stores	0.0	0.2	1.1	1.3	0.1%	95.7%
402 Furniture and home furnishings stores	0.0	0.2	1.0	1.3	0.1%	95.8%
459 Other support services	0.0	1.0	0.3	1.2	0.1%	95.9%
476 Fitness and recreational sports centers	0.0	0.3	0.9	1.2	0.1%	96.1%
442 Computer systems design services	0.0	0.9	0.3	1.1	0.1%	96.2%
452 Office administrative services	0.0	0.9	0.3	1.1	0.1%	96.3%
73 Bread and bakery product- except frozen- manufactu	0.0	0.7	0.3	1.0	0.1%	96.4%
139 Commercial printing	0.0	0.9	0.2	1.0	0.1%	96.5%
498 State and local government electric utilities	0.0	0.6	0.4	1.0	0.1%	96.6%
420 Radio and television broadcasting	0.0	0.9	0.1	1.0	0.1%	96.8%
492 Grantmaking and giving and social advocacy organiz	0.0	0.0	1.0	1.0	0.1%	96.9%
418 Motion picture and video industries	0.0	0.6	0.3	0.9	0.1%	97.0%
395 Transit and ground passenger transportation	0.0	0.4	0.5	0.9	0.1%	97.1%
403 Electronics and appliance stores	0.0	0.2	0.7	0.9	0.1%	97.2%
407 Gasoline stations	0.0	0.2	0.7	0.9	0.1%	97.3%
428 Insurance agencies- brokerages- and related	0.0	0.2	0.7	0.8	0.1%	97.3%
432 Automotive equipment rental and leasing	0.0	0.3	0.4	0.8	0.1%	97.4%
490 Other personal services	0.0	0.1	0.6	0.7	0.1%	97.5%
491 Religious organizations	0.0	0.0	0.7	0.7	0.1%	97.6%
440 Specialized design services	0.0	0.5	0.1	0.7	0.1%	97.6%
All Other Sectors	0.4	10.9	10.5	21.8	2.4%	100.0%
Totals	680.0	103.6	143.3	927.0	100.0%	

Sources: IMPLAN Pro ver. 2.0.1025; HR&A, Inc.

APPENDIX B-2(b) The Commons Operations Worker Compensation Impacts in the Los Angeles County Economy (in 2007 \$)

IMPLAN Industry Sector	Direct	Indirect	Induced	Total	Percentage	Cum. %
410 General merchandise stores	\$9,243,552	\$20,419	\$108,946	\$9,372,918	33.6%	33.6%
405 Food and beverage stores	\$4,506,061	\$24,006	\$127,921	\$4,657,988	16.7%	50.2%
481 Food services and drinking places	\$3,148,893	\$76,563	\$299,935	\$3,525,391	12.6%	62.8%
451 Management of companies and enterprises	\$0	\$846,064	\$112,097	\$958,162	3.4%	66.3%
404 Building material and garden supply stores	\$674,001	\$14,027	\$63,407	\$751,435	2.7%	69.0%
390 Wholesale trade	\$0	\$262,132	\$379,642	\$641,775	2.3%	71.3%
467 Hospitals	\$0	\$0	\$475,922	\$475,922	1.7%	73.0%
465 Offices of physicians- dentists- and other health	\$0	\$0	\$454,356	\$454,356	1.6%	74.6%
425 Nondepository credit intermediation and related a	\$0	\$229,129	\$76,110	\$305,239	1.1%	75.7%
454 Employment services	\$0	\$210,603	\$68,658	\$279,261	1.0%	76.7%
447 Advertising and related services	\$0	\$226,629	\$30,810	\$257,439	0.9%	77.6%
426 Securities- commodity contracts- investments	\$0	\$79,428	\$158,833	\$238,261	0.9%	78.5%
431 Real estate	\$0	\$167,358	\$62,860	\$230,218	0.8%	79.3%
437 Legal services	\$0	\$106,081	\$105,488	\$211,569	0.8%	80.0%
401 Motor vehicle and parts dealers	\$0	\$32,304	\$173,543	\$205,847	0.7%	80.8%
430 Monetary authorities and depository credit interne	\$0	\$75,367	\$113,715	\$189,082	0.7%	81.5%
438 Accounting and bookkeeping services	\$0	\$139,114	\$42,116	\$181,230	0.6%	82.1%
427 Insurance carriers	\$0	\$33,631	\$140,367	\$173,999	0.6%	82.7%
444 Management consulting services	\$0	\$138,220	\$35,274	\$173,494	0.6%	83.3%
398 Postal service	\$0	\$114,901	\$44,436	\$159,336	0.6%	83.9%
462 Colleges- universities- and junior colleges	\$0	\$10,932	\$117,161	\$128,093	0.5%	84.4%
400 Warehousing and storage	\$0	\$108,018	\$15,901	\$123,919	0.4%	84.8%
498 State and local government electric utilities	\$0	\$74,978	\$48,780	\$123,758	0.4%	85.3%
499 Other State and local government enterprises	\$0	\$53,499	\$69,167	\$122,666	0.4%	85.7%
468 Nursing and residential care facilities	\$0	\$0	\$121,260	\$121,260	0.4%	86.1%
420 Radio and television broadcasting	\$0	\$101,594	\$15,930	\$117,524	0.4%	86.6%
458 Services to buildings and dwellings	\$0	\$75,082	\$32,975	\$108,056	0.4%	86.9%
422 Telecommunications	\$0	\$62,360	\$44,461	\$106,821	0.4%	87.3%
479 Hotels and motels- including casino hotels	\$0	\$53,159	\$50,816	\$103,974	0.4%	87.7%
399 Couriers and messengers	\$0	\$85,944	\$15,599	\$101,544	0.4%	88.1%
470 Social assistance- except child day care services	\$0	\$64	\$101,174	\$101,238	0.4%	88.4%
493 Civic- social- professional and similar organizati	\$0	\$27,297	\$67,438	\$94,735	0.3%	88.8%
466 Other ambulatory health care services	\$0	\$138	\$87,830	\$87,968	0.3%	89.1%
418 Motion picture and video industries	\$0	\$54,809	\$30,504	\$85,313	0.3%	89.4%
455 Business support services	\$0	\$63,478	\$20,570	\$84,047	0.3%	89.7%
439 Architectural and engineering services	\$0	\$52,493	\$28,780	\$81,274	0.3%	90.0%
406 Health and personal care stores	\$0	\$14,483	\$63,555	\$78,037	0.3%	90.3%
394 Truck transportation	\$0	\$37,610	\$36,914	\$74,524	0.3%	90.5%
452 Office administrative services	\$0	\$54,995	\$18,710	\$73,705	0.3%	90.8%
43 Maintenance and repair of nonresidential buildings	\$0	\$54,315	\$14,522	\$68,838	0.2%	91.0%
408 Clothing and clothing accessories stores	\$0	\$9,766	\$56,042	\$65,809	0.2%	91.3%
107 Cut and sew apparel manufacturing	\$0	\$494	\$60,580	\$61,074	0.2%	91.5%
428 Insurance agencies- brokerages- and related	\$0	\$11,189	\$47,277	\$58,466	0.2%	91.7%
461 Elementary and secondary schools	\$0	\$0	\$56,697	\$56,697	0.2%	91.9%
483 Automotive repair and maintenance- except car wash	\$0	\$12,174	\$44,103	\$56,278	0.2%	92.1%
139 Commercial printing	\$0	\$46,969	\$9,250	\$56,219	0.2%	92.3%
30 Power generation and supply	\$0	\$32,807	\$22,012	\$54,819	0.2%	92.5%
457 Investigation and security services	\$0	\$42,006	\$12,608	\$54,614	0.2%	92.7%
442 Computer systems design services	\$0	\$39,159	\$12,650	\$51,809	0.2%	92.9%
472 Spectator sports	\$0	\$30,868	\$18,935	\$49,803	0.2%	93.1%
411 Miscellaneous store retailers	\$0	\$7,854	\$41,904	\$49,758	0.2%	93.2%
478 Other amusement- gambling- and recreation industri	\$0	\$2,927	\$46,740	\$49,667	0.2%	93.4%
492 Grantmaking and giving and social advocacy organiz	\$0	\$0	\$49,391	\$49,391	0.2%	93.6%
397 Scenic and sightseeing transportation and support	\$0	\$22,909	\$24,592	\$47,501	0.2%	93.8%
471 Performing arts companies	\$0	\$33,953	\$13,302	\$47,255	0.2%	93.9%
402 Furniture and home furnishings stores	\$0	\$8,301	\$36,763	\$45,064	0.2%	94.1%
459 Other support services	\$0	\$35,029	\$9,005	\$44,034	0.2%	94.2%
403 Electronics and appliance stores	\$0	\$9,038	\$34,955	\$43,994	0.2%	94.4%
73 Bread and bakery product- except frozen- manufactu	\$0	\$29,777	\$13,659	\$43,435	0.2%	94.6%
494 Private households	\$0	\$0	\$41,664	\$41,664	0.1%	94.7%
412 Nonstore retailers	\$0	\$7,406	\$34,019	\$41,425	0.1%	94.9%
464 Home health care services	\$0	\$0	\$40,141	\$40,141	0.1%	95.0%
463 Other educational services	\$0	\$2,736	\$36,067	\$38,803	0.1%	95.1%
469 Child day care services	\$0	\$0	\$37,623	\$37,623	0.1%	95.3%
391 Air transportation	\$0	\$15,430	\$19,248	\$34,678	0.1%	95.4%
414 Periodical publishers	\$0	\$27,121	\$7,515	\$34,636	0.1%	95.5%
409 Sporting goods- hobby- book and music stores	\$0	\$5,448	\$27,337	\$32,785	0.1%	95.6%
460 Waste management and remediation services	\$0	\$23,452	\$9,074	\$32,526	0.1%	95.8%
19 Oil and gas extraction	\$0	\$17,047	\$13,982	\$31,029	0.1%	95.9%
497 State and local government passenger transit	\$0	\$11,847	\$18,196	\$30,043	0.1%	96.0%
489 Drycleaning and laundry services	\$0	\$12,296	\$17,058	\$29,354	0.1%	96.1%
473 Independent artists- writers- and performers	\$0	\$21,824	\$7,309	\$29,133	0.1%	96.2%
All Other Sectors	\$13,989	\$491,683	\$559,352	\$1,065,024	3.8%	100.0%
Totals	\$17,586,495	\$4,792,734	\$5,555,534	\$27,934,764	100.0%	

Sources: IMPLAN Pro ver. 2.0.1025; HR&A, Inc.

APPENDIX B-2(c) Lane Ranch Operations Total Economic Output Impacts in the Los Angeles County Economy (in 2007 \$)

IMPLAN Industry Sector	Direct	Indirect	Induced	Total	Percentage	Cum. %
410 General merchandise stores	\$22,121,292	\$48,867	\$260,724	\$22,430,882	27.8%	27.8%
405 Food and beverage stores	\$11,266,334	\$60,020	\$319,837	\$11,646,192	14.4%	42.2%
481 Food services and drinking places	\$9,246,496	\$224,821	\$880,738	\$10,352,055	12.8%	55.1%
431 Real estate	\$0	\$2,379,559	\$893,769	\$3,273,328	4.1%	59.1%
509 Owner-occupied dwellings	\$0	\$0	\$2,214,572	\$2,214,572	2.7%	61.9%
404 Building material and garden supply stores	\$1,839,690	\$38,287	\$173,069	\$2,051,046	2.5%	64.4%
451 Management of companies and enterprises	\$0	\$1,757,410	\$232,844	\$1,990,254	2.5%	66.9%
390 Wholesale trade	\$0	\$782,421	\$1,133,168	\$1,915,589	2.4%	69.3%
142 Petroleum refineries	\$0	\$639,027	\$505,826	\$1,144,853	1.4%	70.7%
465 Offices of physicians- dentists- and other health	\$0	\$0	\$1,003,227	\$1,003,227	1.2%	71.9%
467 Hospitals	\$0	\$0	\$915,101	\$915,101	1.1%	73.0%
430 Monetary authorities and depository credit interme	\$0	\$326,631	\$492,821	\$819,452	1.0%	74.1%
447 Advertising and related services	\$0	\$667,528	\$90,750	\$758,278	0.9%	75.0%
425 Nondepository credit intermediation and related a	\$0	\$556,904	\$184,987	\$741,891	0.9%	75.9%
422 Telecommunications	\$0	\$377,648	\$269,251	\$646,899	0.8%	76.7%
427 Insurance carriers	\$0	\$121,423	\$506,784	\$628,206	0.8%	77.5%
498 State and local government electric utilities	\$0	\$351,031	\$228,379	\$579,410	0.7%	78.2%
437 Legal services	\$0	\$274,446	\$272,910	\$547,356	0.7%	78.9%
401 Motor vehicle and parts dealers	\$0	\$77,518	\$416,441	\$493,959	0.6%	79.5%
444 Management consulting services	\$0	\$387,209	\$98,817	\$486,026	0.6%	80.1%
438 Accounting and bookkeeping services	\$0	\$369,178	\$111,766	\$480,944	0.6%	80.7%
421 Cable networks and program distribution	\$0	\$284,474	\$182,550	\$467,024	0.6%	81.3%
499 Other State and local government enterprises	\$0	\$194,819	\$251,879	\$446,698	0.6%	81.8%
426 Securities- commodity contracts- investments	\$0	\$144,197	\$288,351	\$432,547	0.5%	82.4%
454 Employment services	\$0	\$279,836	\$91,228	\$371,063	0.5%	82.8%
30 Power generation and supply	\$0	\$214,153	\$143,690	\$357,843	0.4%	83.3%
394 Truck transportation	\$0	\$157,646	\$154,726	\$312,372	0.4%	83.7%
466 Other ambulatory health care services	\$0	\$490	\$311,409	\$311,898	0.4%	84.1%
479 Hotels and motels- including casino hotels	\$0	\$157,697	\$150,745	\$308,442	0.4%	84.4%
458 Services to buildings and dwellings	\$0	\$196,135	\$86,139	\$282,274	0.3%	84.8%
420 Radio and television broadcasting	\$0	\$235,794	\$36,973	\$272,767	0.3%	85.1%
107 Cut and sew apparel manufacturing	\$0	\$2,072	\$254,055	\$256,127	0.3%	85.4%
31 Natural gas distribution	\$0	\$112,572	\$140,726	\$253,298	0.3%	85.8%
452 Office administrative services	\$0	\$183,151	\$62,311	\$245,463	0.3%	86.1%
68 Meat processed from carcasses	\$0	\$172,054	\$72,833	\$244,887	0.3%	86.4%
412 Nonstore retailers	\$0	\$43,266	\$198,734	\$242,000	0.3%	86.7%
408 Clothing and clothing accessories stores	\$0	\$35,493	\$203,667	\$239,160	0.3%	87.0%
462 Colleges- universities- and junior colleges	\$0	\$20,291	\$217,477	\$237,769	0.3%	87.3%
418 Motion picture and video industries	\$0	\$151,706	\$84,433	\$236,139	0.3%	87.6%
399 Couriers and messengers	\$0	\$197,140	\$35,782	\$232,921	0.3%	87.8%
436 Lessors of nonfinancial intangible assets	\$0	\$172,652	\$51,950	\$224,602	0.3%	88.1%
43 Maintenance and repair of nonresidential buildings	\$0	\$174,278	\$46,597	\$220,875	0.3%	88.4%
468 Nursing and residential care facilities	\$0	\$0	\$212,379	\$212,379	0.3%	88.7%
19 Oil and gas extraction	\$0	\$115,206	\$94,493	\$209,698	0.3%	88.9%
160 Pharmaceutical and medicine manufacturing	\$0	\$137	\$208,346	\$208,483	0.3%	89.2%
398 Postal service	\$0	\$149,947	\$57,989	\$207,936	0.3%	89.4%
400 Warehousing and storage	\$0	\$178,249	\$26,240	\$204,489	0.3%	89.7%
483 Automotive repair and maintenance- except car wash	\$0	\$43,759	\$158,520	\$202,279	0.3%	89.9%
439 Architectural and engineering services	\$0	\$128,728	\$70,577	\$199,305	0.2%	90.2%
455 Business support services	\$0	\$146,274	\$47,400	\$193,674	0.2%	90.4%
470 Social assistance- except child day care services	\$0	\$114	\$182,251	\$182,366	0.2%	90.6%
450 All other miscellaneous professional and technical	\$0	\$111,857	\$65,035	\$176,892	0.2%	90.9%
406 Health and personal care stores	\$0	\$32,727	\$143,619	\$176,346	0.2%	91.1%
73 Bread and bakery product- except frozen- manufactu	\$0	\$116,486	\$53,433	\$169,919	0.2%	91.3%
459 Other support services	\$0	\$130,930	\$33,657	\$164,587	0.2%	91.5%
478 Other amusement- gambling- and recreation industri	\$0	\$9,181	\$146,583	\$155,764	0.2%	91.7%
62 Fluid milk manufacturing	\$0	\$102,475	\$51,141	\$153,616	0.2%	91.9%
428 Insurance agencies- brokerages- and related	\$0	\$27,916	\$117,957	\$145,872	0.2%	92.1%
407 Gasoline stations	\$0	\$25,957	\$119,184	\$145,141	0.2%	92.2%
402 Furniture and home furnishings stores	\$0	\$25,351	\$112,278	\$137,629	0.2%	92.4%
429 Funds- trusts- and other financial vehicles	\$0	\$790	\$136,613	\$137,403	0.2%	92.6%
490 Other personal services	\$0	\$15,248	\$118,971	\$134,219	0.2%	92.8%
432 Automotive equipment rental and leasing	\$0	\$58,157	\$71,021	\$129,178	0.2%	92.9%
411 Miscellaneous store retailers	\$0	\$18,894	\$100,812	\$119,707	0.1%	93.1%
64 Cheese manufacturing	\$0	\$91,096	\$28,012	\$119,108	0.1%	93.2%
493 Civic- social- professional and similar organizati	\$0	\$34,157	\$84,386	\$118,542	0.1%	93.4%
414 Periodical publishers	\$0	\$91,983	\$25,488	\$117,471	0.1%	93.5%
391 Air transportation	\$0	\$47,311	\$59,019	\$106,330	0.1%	93.6%
139 Commercial printing	\$0	\$87,742	\$17,281	\$105,023	0.1%	93.8%
71 Seafood product preparation and packaging	\$0	\$89,804	\$15,163	\$104,967	0.1%	93.9%
469 Child day care services	\$0	\$0	\$103,324	\$103,324	0.1%	94.0%
440 Specialized design services	\$0	\$83,728	\$18,795	\$102,523	0.1%	94.1%
All Other Sectors	\$14,085	\$2,108,725	\$2,598,135	\$4,720,946	5.9%	100.0%
Totals	\$44,487,897	\$16,642,766	\$19,550,140	\$80,680,803	100.0%	

Sources: IMPLAN Pro ver. 2.0.1025; HR&A, Inc.

APPENDIX C

Explanation of Population, Income and Retail Sales Allocation Factors Used in the Analysis

This Appendix provides additional explanatory detail for the population, income and retail sales projections that are presented in the preceding urban decay analysis, and how potential conflicts among some of the data sources were reconciled.

Population

The baseline population forecasts underlying this analysis were prepared by Claritas, Inc., a nationally-recognized provider of demographic information for market analyses. As presented in Table C-1, Claritas provided population and baseline income data for two market areas for the study property—the Lancaster Shopping Center Primary Market Area (PMA), defined as the geographic area within a 5.0-Mile Radius from the intersection of 60th street West and West Avenue L in the City of Lancaster; and the Lancaster Shopping Center Secondary Market Area (SMA), represented geographically by a circular ring around the PMA extending from 5.0 miles to 10.0 miles from the intersection of 60th Street West and West Avenue L—as well as for Los Angeles County. Data were prepared for several time periods: the baseline year 2000, per information collected from the U.S. Census; a current estimate for the year 2007; and a five-year projection for the year 2012. These estimates and projections were then evaluated for internal consistency and for comparability with other data sources, including the California State Department of Finance and the Los Angeles County Economic Development Commission.

Table C-1
BASELINE DEMOGRAPHIC ESTIMATES AND PROJECTIONS.
LOS ANGELES COUNTY AND LANCASTER SHOPPING CENTER MARKET AREAS

<u>Data Category</u>	<u>Primary Market Area 0-5 Mile Radius</u>	<u>Secondary Market Area 5-10 Mile Radius</u>	<u>Los Angeles County</u>
Population			
2000	70,338	124,971	9,519,338
2007	88,234	146,798	10,164,031
2012	100,778	162,723	10,734,503
Number of Households			
2000	22,453	40,299	3,133,774
2007	28,449	46,681	3,314,263
2012	32,730	51,414	3,486,188
Average Per Capita Income			
2000 ¹	\$ 22,102	\$ 15,654	\$ 20,683
2007	\$ 26,724	\$ 17,244	\$ 23,618
2012	\$ 29,703	\$ 18,798	\$ 25,813
Average Household Income			
2000 ¹	\$ 67,055	\$ 48,544	\$ 61,811
2007	\$ 80,994	\$ 54,228	\$ 71,592
2012	\$ 89,811	\$ 59,496	\$ 79,482

¹ Data actually are for calendar year 1999.
Source: Claritas, Inc.

Income

Table C-1 also provides Claritas' current and projected household and per capita income data for the PMA, SMA and Los Angeles County. While these statistics may be indicative to the degree that they reflect that there are basic differences between the three geographic areas with respect to income levels, the current estimates made by Claritas appear to be conservative. For example, Claritas' household and per capita income growth estimates for Los Angeles County between 1999 and 2007 is measured at about 1.7 percent, while other income estimates for this jurisdiction suggest that incomes have been growing at a rate measured at 3.6 percent. Given what the consultant believes are unrealistically low estimates by Claritas, further analysis was conducted to arrive at more realistic projections of current and future income levels for the PMA, SMA and Los Angeles County. These revised estimates and projections are noted in Table C-2.

There are two basic measures of per capita personal income that are commonly used in retail market analysis: Per Capita Personal Income as measured by the U.S. Bureau of Economic Analysis (BEA); and Per Capita Personal Income as reported in the United States Census. The BEA definition is a broad definition of per capita personal income that includes both money receipts and changes in assets; it usually is a substantially higher figure for a given population than the per capita amount reported by the U.S. Census, which reports a more limited concept of "money" income that is derived from estimates provided by a sample of census respondents. As noted in Table C-2, the U.S. Census figure for Los Angeles County per capita income was equivalent to only 73.1 percent of the BEA County per capita income measure estimate in 1999, and comparative data for other time periods suggest that the ratio between these two per capita income measures has stayed fairly consistent over time.

In the preparation of per capita personal income estimates and projections for the PMA and the SMA, the baseline estimates made by Claritas were adjusted upward to reflect both: (1) the recent 2005 and 2006 BEA estimates of per capita income for State of California residents; (2) the recent 2005 and 2006 BEA estimates of per capita income for County of Los Angeles residents; and (3) the relative differentials in per capita incomes historically found in the PMA and the SMA *vis a vis* Los Angeles County as measured by Claritas. The results of these adjustments are presented in Table C-2 in the form of per capita income estimates in 2007 for both PMA and SMA residents.

Per capita personal incomes for the PMA and SMA are projected to 2012 using an annual compound growth rate of 3.5 percent that is applied to the baseline 2007 estimates. This magnitude of growth is consistent with the State's annual per capita income growth that has been experienced over the 7-year period 1999-2006, a period that reflects both recession and expansion phases in the general economy. The projection also reflects the fact that the PMA and SMA are important locations that are attracting County residents who seek single-family detached residential housing as land available for this purpose becomes increasingly scarce in Los Angeles County.

Table C-2
COMPARISON OF PER CAPITA INCOMES FOR STATE OF CALIFORNIA, LOS ANGELES COUNTY AND LANCASTER SHOPPING CENTER MARKET AREAS

	1998	1999	2000	2001	2002	2003	2004	2005	Preliminary 2006	Projected 2007	Projected 2012
State of California											
Per Capita Personal Income, BEA Definition	\$29,489	\$30,152	\$32,588	\$32,964	\$32,751	\$33,202	\$35,172	\$36,936	\$38,956	\$40,319	\$47,887
County of Los Angeles											
Per Capita Personal Income, BEA Definition	\$27,479	\$28,294	\$29,314	\$30,478	\$30,535	\$31,193	\$32,619	\$34,350	\$36,307	\$37,577	\$44,631
County as Percent of State	93.2%	93.8%	90.0%	92.5%	93.2%	93.9%	92.7%	93.0%	93.2%	93.2%	93.2%
Money Income as Percent of Personal Income		73.10%						73.10%	73.10%	73.10%	73.10%
County of Los Angeles Per Capita Personal Income, Census Definition (Claritas):		\$20,683						\$22,727		\$23,618	\$25,813
Adjusted County of Los Angeles Per Capita Personal Income, Census Definition		\$20,683						\$25,110	\$26,450	\$27,469	\$32,625
<u>Lancaster Shopping Center Market Areas</u>											
Per Capita Personal Income:											
Primary Market Area, 0-5 Mile Radius											
Per Capita Personal Income, Census Definition (Claritas)		\$22,102								\$26,724	\$29,703
Adjusted Per Capita Personal Income, Census Definition		\$22,102								\$31,082	\$37,542
Per Capita Personal Income: BEA Definition		\$30,235						\$38,310	\$40,796	\$41,802	\$51,357
Secondary Market Area, 5-10 Mile Radius											
Per Capita Personal Income, Census Definition (Claritas)		\$15,654								\$17,244	\$18,798
Adjusted Per Capita Personal Income, Census Definition		\$15,654								\$21,151	\$26,100
Per Capita Personal Income: BEA Definition		\$21,415						\$25,763	\$27,593	\$28,935	\$35,705

Source: US Bureau of Economic Analysis; U S Census of Retail Trade; State of California: Department of Finance, Employment Development Department, State Board of Equalization; Bureau of Labor Statistics; Los Angeles County Economic Development Commission; Claritas, Inc.; W & W, Inc.; HRA, Inc.

Retail Sales Demand

Future retail demand has been calculated by determining the percent of personal income that has historically been expended for retail sales in the State of California and applying it to existing and future population and income levels in the two Lancaster market areas. This percentage has been calculated by comparing total retail sales as measured by the U.S. Census of Retail Trade in census years 1997 and 2002 with the BEA measure of California Personal Income for those two corresponding periods. This comparison is noted below in Table C-3:

Table C-3
RETAIL SALES AS PERCENT OF INCOME, US BEA AND US CENSUS
STATE OF CALIFORNIA

Year	Total Personal Income (<u>'000s</u>)	Total Retail Sales ^{1/} (<u>'000s</u>)	Retail Sales as % of Personal Income (BEA)	Retail Sales as % of Personal Income (Census)
1997	\$ 860,544,880	\$ 283,179,576	32.9%	45.0%
2002	\$ 1,147,868,177	\$ 379,500,969	33.1%	45.2%
		Average	33.0%	45.1%

^{1/} Excludes e-sales and vending machines; adds Eating and Drinking facility sales.

Source: U S Bureau of Economic Analysis (BEA); U S Census; W & W, Inc.; HRA, Inc.

Allocations of retail sales to individual retail categories and store types have been developed following the retail store classification system utilized by the State of California State

Board of Equalization. As shown in Table C-4, annual retail sales measured by the State and by the U.S. Census correspond reasonably well after adjustments are made in the State's taxable sales statistics that convert them to total retail sales. The adjustments that convert the State's taxable retail sales to total retail sales are based on a review of years 1997 and 2002, years when comparative data are available from both the U.S. Census and the Board of Equalization.

After the adjustments to retail sales by store category are made at the state level for 2002 and 2005 (see Tables C-5 and C-6), they are then refined to reflect local tastes and preferences by utilizing the retail sales distributions for various retail store categories per the percentage distributions that are found in Los Angeles County. The final retail sales distributions to individual retail store categories utilized in this analysis for the Lancaster Shopping Center PMA and SMA are derived from data presented in Tables C-7, C-8 and C-9. The data in these tables show the distribution of taxable and total retail sales in Los Angeles County for 2002 and 2005. In this regard, it should be noted that 2005 is the most recent calendar year for which annual data are available as of the date of preparation of this report.

Table C-4
COMPARATIVE ANALYSIS, STATE BOARD OF EQUALIZATION AND U S CENSUS OF RETAIL TRADE
RETAIL SALES BY MAJOR RETAIL CATEGORY, STATE OF CALIFORNIA
2002
(in Thousands of Current Dollars)

<u>Retail Store Category</u>	<u>2002 State</u>	<u>Adjust. Factor</u>	<u>State Adjusted</u>	<u>2002 Census</u>
Apparel Stores	14,029,200		14,029,200	
Clothing, Accessories, Jewelry, Luggage				22,661,146
General Merchandise Stores				
Department Stores & Other General Merchandise	42,741,257		42,741,257	46,696,215
Drug Stores	5,745,634	3.069	17,635,808	17,635,808
Total, General Merchandise	48,486,891		60,377,065	64,332,023
Food Store Group				
Food Stores	18,951,412	3.066	58,106,188	57,964,493
Liquor Stores	2,137,065		2,137,065	2,278,760
Total, Food & Beverage	21,088,477		60,243,253	60,243,253
Eating & Drinking Group				
Restaurants, no Alcohol	17,202,160		17,202,160	
Resaurants with Alcohol	20,877,670		20,877,670	
Total, Eating & Drinking	38,079,830		38,079,830	
Household Furnishings Group	13,983,287		13,983,287	
Furniture & Home Furnishings				11,605,138
Electronics & Appliances				13,186,464
Building Materials and Farm Supplies				
Building Materials and Supplies	25,816,009		25,816,009	24,515,132
Fuel and Ice Dealers	277,357		277,357	906,907
Lawn/Garden Supplies, including Farm Eqpt	4,393,715		4,393,715	2,265,209
Total, Building Materials and Garden Supplies	30,487,081		30,487,081	27,687,248
Automotive Group				
Auto Dealers/Parts	63,821,146	1.421	90,664,859	90,664,859
Service Stations	23,928,351		23,928,351	23,421,136
Total, Automotive Group	87,749,497		114,593,210	114,085,995
All Other: State Board of Equalization				
Specialty Group(Calif definition)	43,539,120		43,539,120	
Used Merchandise	520,999		520,999	
Mobile Home, RV, Motorcycle, Boat, Plane Dealers	3,647,924		3,647,924	5,256,663
All Other: US Census				
Health & Personal Care(less Drug Stores/Pharmacies)				3,108,465
Sporting Goods, Hobby, Books, Music, et al				9,789,031
Misc. Retail: Florists, Office Supplies, Used Merch., Pets, Art, et al				10,786,260
Total, Other	47,708,043		47,708,043	28,940,419
Grand Total, Store Groups Noted Above	301,612,306		379,500,969	342,741,686
Less: Eating & Drinking			(38,079,830)	
Total Retail Store Sales, Selected Categories			341,421,139	342,741,686
<u>State as Percent of Census</u>			99.61%	

Source: State of California, State Board of Equalization; U S Census of Retail Trade; HRA, Inc.; W & W, Inc.

Table C-5
DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY IN PERCENTAGES
STATE OF CALIFORNIA
2002
(in Thousands of Current Dollars)

<u>Retail Store Category</u>	<u>TAXABLE SALES</u>		Adjustment <u>Factor</u>	<u>TOTAL SALES</u>	
	State <u>Baseline</u>	Percent of <u>Total</u>		State <u>Adjusted</u>	Percent of <u>Total</u>
Apparel Stores	14,029,200	4.65%		14,029,200	3.70%
General Merchandise					
Department Stores	42,741,257	14.17%		42,741,257	11.26%
Drug Stores	5,745,634	<u>1.90%</u>	3.069	17,635,808	<u>4.65%</u>
Total, General Merchandise	48,486,891	16.08%		60,377,065	15.91%
Food Store Group					
Food Stores	18,951,412	6.28%	3.066	58,106,188	15.31%
Liquor Stores	2,137,065	<u>0.71%</u>		2,137,065	<u>0.56%</u>
Total, Food Store Group	21,088,477	6.99%		60,243,253	15.87%
Eating & Drinking Group					
Restaurants, no Alcohol	17,202,160	5.70%		17,202,160	4.53%
Restaurants with Alcohol	20,877,670	<u>6.92%</u>		20,877,670	<u>5.50%</u>
Total, Eating & Drinking Group	38,079,830	12.63%		38,079,830	10.03%
Household Furnishings Group	13,983,287	4.64%		13,983,287	3.68%
Building Materials and Farm Supplies					
Building Materials and Supplies	25,816,009	8.56%		25,816,009	6.80%
Lawn/Garden Supplies, including Farm Eqpt.	4,671,072	<u>1.55%</u>		4,671,072	<u>1.23%</u>
Total, Building Materials and Garden Supplies	30,487,081	10.11%		30,487,081	8.03%
Automotive Group					
Auto Dealers/Parts	63,821,146	21.16%	1.421	90,664,859	23.89%
Service Stations	23,928,351	<u>7.93%</u>		23,928,351	<u>6.31%</u>
Total, Automotive Group	87,749,497	29.09%		114,593,210	30.20%
Specialty Group, incl Used Merchandise	44,060,119	14.61%		44,060,119	11.61%
All Other (Camper, Boat, Airplane sales et al)	3,647,924	<u>1.21%</u>		3,647,924	<u>0.96%</u>
Retail Stores Total	301,612,306	100.00%		379,500,969	100.00%

Source: State of California, State Board of Equalization; U S Census of Retail Trade; HRA, Inc.; W & W, Inc.

Table C-6
DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY
STATE OF CALIFORNIA
2005
(in Thousands of Current Dollars)

<u>Retail Store Category</u>	<u>TAXABLE SALES</u>		Adjustment <u>Factor</u>	<u>TOTAL SALES</u>	
	<u>State Baseline</u>	<u>Percent of Total</u>		<u>State Adjusted</u>	<u>Percent of Total</u>
Apparel Stores	18,712,125	4.98%		18,712,125	4.04%
General Merchandise					
Department Stores	50,588,297	13.46%		50,588,297	10.92%
Drug Stores	6,198,856	1.65%	3.069	19,026,940	4.11%
Total, General Merchandise	56,787,153	15.11%		69,615,237	15.03%
Food Store Group					
Food Stores	21,128,469	5.62%	3.066	64,781,178	13.98%
Liquor Stores	2,511,183	0.67%		2,511,183	0.54%
Total, Food Store Group	23,639,652	6.29%		67,292,361	14.53%
Eating & Drinking Group					
Restaurants, no Alcohol	21,341,643	5.68%		21,341,643	4.61%
Restaurants with Alcohol	25,071,204	6.67%		25,071,204	5.41%
Total, Eating & Drinking Group	46,412,847	12.35%		46,412,847	10.02%
Household Furnishings Group	17,388,704	4.63%		17,388,704	3.75%
Building Materials and Farm Supplies					
Building Materials and Supplies	36,152,218	11.99%		36,152,218	7.80%
Lawn/Garden Supplies, including Farm Eqpt.	6,541,010	2.17%		6,541,010	1.41%
Total, Building Materials and Garden Supplies	42,693,228	11.36%		42,693,228	9.22%
Automotive Group					
Auto Dealers/Parts	73,601,374	19.58%	1.421	104,558,733	22.57%
Service Stations	38,566,548	10.26%		38,566,548	8.33%
Total, Automotive Group	112,167,922	29.85%		143,125,281	30.90%
Specialty Group, incl Used Merchandise	52,928,654	14.08%		52,928,654	11.43%
All Other (Camper, Boat, Airplane sales et al)	5,077,840	1.35%		5,077,840	1.10%
Retail Stores Total	375,808,125	100.00%		463,246,278	100.00%

Source: State of California, State Board of Equalization; U S Census of Retail Trade; HRA, Inc.; W & W, Inc.

Table C-7
COMPARATIVE ANALYSIS, STATE BOARD OF EQUALIZATION AND U S CENSUS OF RETAIL TRADE
RETAIL SALES BY MAJOR RETAIL CATEGORY, LOS ANGELES COUNTY
2002
(in Thousands of Current Dollars)

<u>Retail Store Category</u>	<u>2002 County</u>	<u>Adjust. Factor</u>	<u>County Adjusted</u>	<u>2002 Census</u>
Apparel Stores	4,036,630		4,036,630	
Clothing, Accessories, Jewelry, Luggage				6,887,625
General Merchandise Stores				
Department Stores & Other General Merchandise	9,704,153		9,704,153	10,659,149
Drug Stores	<u>1,492,554</u>	3.257	<u>4,861,770</u>	<u>4,861,770</u>
Total, General Merchandise	11,196,707		14,565,923	15,520,919
Food Store Group				
Food Stores	4,235,229	3.506	14,850,438	14,821,554
Liquor Stores	<u>544,140</u>		<u>544,140</u>	<u>573,024</u>
Total, Food & Beverage	4,779,369		15,394,578	15,394,578
Eating & Drinking Group				
Restaurants, no Alcohol	5,364,930		5,364,930	
Resaurants with Alcohol	<u>5,176,950</u>		<u>5,176,950</u>	
Total, Eating & Drinking	10,541,880		10,541,880	
Household Furnishings Group	3,378,316		3,378,316	
Furniture & Home Furnishings				3,003,224
Electronics & Appliances				3,542,758
Building Materials and Farm Supplies				
Building Materials and Supplies	5,528,888		5,528,888	4,991,218
Fuel and Ice Dealers	48,785		48,785	40,529
Lawn/Garden Supplies, including Farm Eqpt	<u>463,253</u>		<u>463,253</u>	<u>240,146</u>
Total, Building Materials and Garden Supplies	6,040,926		6,040,926	5,271,893
Automotive Group				
Auto Dealers/Parts	15,869,231	1.599	25,373,957	25,373,957
Service Stations	<u>6,404,120</u>		<u>6,404,120</u>	<u>5,396,775</u>
Total, Automotive Group	22,273,351		31,778,077	30,770,732
All Other: State Board of Equalization				
Specialty Group(Calif definition)	11,638,997		11,638,997	
Used Merchandise	100,733		100,733	
Mobile Home, RV, Motorcycle, Boat, Plane Dealers	561,088		561,088	721,339
All Other: US Census				
Health & Personal Care(less Drug Stores/Pharmacies)				917,972
Sporting Goods, Hobby, Books, Music, et al				2,581,307
Misc. Retail: Florists, Office Supplies, Used Merch., Pets, Art, et al				<u>2,731,895</u>
Total, Other	<u>12,300,818</u>		<u>12,300,818</u>	<u>6,952,513</u>
Grand Total, Store Groups Noted Above	74,547,997		98,037,148	87,344,242
Less: Eating & Drinking			<u>(10,541,880)</u>	
Total Retail Store Sales, Selected Categories			87,495,268	87,344,242
<u>State as Percent of Census</u>			100.17%	

Source: State of California, State Board of Equalization; U S Census of Retail Trade; HRA, Inc.; W & W, Inc.

Table C-8
DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY IN PERCENTAGES
LOS ANGELES COUNTY
2002
(in Thousands of Current Dollars)

<u>Retail Store Category</u>	<u>TAXABLE SALES</u>			<u>TOTAL SALES</u>	
	<u>County</u> <u>Baseline</u>	<u>Percent of</u> <u>Total</u>	<u>Adjustment</u> <u>Factor</u>	<u>County</u> <u>Adjusted</u>	<u>Percent of</u> <u>Total</u>
Apparel Stores	4,036,630	5.41%		4,036,630	4.12%
General Merchandise					
Department Stores	9,704,153	13.02%		9,704,153	9.90%
Drug Stores	<u>1,492,554</u>	<u>2.00%</u>	3.257	<u>4,861,770</u>	<u>4.96%</u>
Total, General Merchandise	11,196,707	15.02%		14,565,923	14.86%
Food Store Group					
Food Stores	4,235,229	5.68%	3.506	14,850,438	15.15%
Liquor Stores	<u>544,140</u>	<u>0.73%</u>		<u>544,140</u>	<u>0.56%</u>
Total, Food Store Group	4,779,369	6.41%		15,394,578	15.70%
Eating & Drinking Group					
Restaurants, no Alcohol	5,364,930	7.20%		5,364,930	5.47%
Restaurants with Alcohol	<u>5,176,950</u>	<u>6.94%</u>		<u>5,176,950</u>	<u>5.28%</u>
Total, Eating & Drinking Group	10,541,880	14.14%		10,541,880	10.75%
Household Furnishings Group	3,378,316	4.53%		3,378,316	3.45%
Building Materials and Farm Supplies					
Building Materials and Supplies	5,528,888	7.42%		5,528,888	5.64%
Lawn/Garden Supplies, including Farm Eqpt.	<u>512,038</u>	<u>0.69%</u>		<u>512,038</u>	<u>0.52%</u>
Total, Building Materials and Garden Supplies	6,040,926	8.10%		6,040,926	6.16%
Automotive Group					
Auto Dealers/Parts	15,869,231	21.29%	1.599	25,373,957	25.88%
Service Stations	<u>6,404,120</u>	<u>8.59%</u>		<u>6,404,120</u>	<u>6.53%</u>
Total, Automotive Group	22,273,351	29.88%		31,778,077	32.41%
Specialty Group, incl Used Merchandise	11,739,730	15.75%		11,739,730	11.97%
All Other (Camper, Boat, Airplane sales et al)	<u>561,088</u>	<u>0.75%</u>		<u>561,088</u>	<u>0.57%</u>
Retail Stores Total	74,547,997	100.00%		98,037,148	100.00%

Source: State of California, State Board of Equalization; U S Census of Retail Trade; HRA, Inc.; W & W, Inc.

Table C-9
DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY
LOS ANGELES COUNTY
2005
(in Thousands of Current Dollars)

<u>Retail Store Category</u>	<u>TAXABLE SALES</u>		Adjustment	<u>TOTAL SALES</u>	
	County <u>Baseline</u>	Percent of <u>Total</u>		County <u>Adjusted</u>	Percent of <u>Total</u>
Apparel Stores	5,248,349	5.69%		5,248,349	4.45%
General Merchandise					
Department Stores	11,504,506	12.47%		11,504,506	9.75%
Drug Stores	<u>1,672,209</u>	<u>1.81%</u>	3.257	<u>5,446,969</u>	<u>4.62%</u>
Total, General Merchandise	13,176,715	14.28%		16,951,475	14.36%
Food Store Group					
Food Stores	4,532,723	4.91%	3.506	15,893,573	13.47%
Liquor Stores	<u>602,264</u>	<u>0.65%</u>		<u>602,264</u>	<u>0.51%</u>
Total, Food Store Group	5,134,987	5.57%		16,495,837	13.98%
Eating & Drinking Group					
Restaurants, no Alcohol	6,590,968	7.14%		6,590,968	5.59%
Restaurants with Alcohol	<u>6,313,342</u>	<u>6.84%</u>		<u>6,313,342</u>	<u>5.35%</u>
Total, Eating & Drinking Group	12,904,310	13.99%		12,904,310	10.94%
Household Furnishings Group	4,263,142	4.62%		4,263,142	3.61%
Building Materials and Farm Supplies					
Building Materials and Supplies	7,701,383	8.35%		7,701,383	6.53%
Lawn/Garden Supplies, including Farm Eqpt.	<u>676,879</u>	<u>0.73%</u>		<u>339,070</u>	<u>0.29%</u>
Total, Building Materials and Garden Supplies	8,378,262	9.08%		8,040,453	6.81%
Automotive Group					
Auto Dealers/Parts	18,263,829	19.79%	1.599	29,202,777	24.75%
Service Stations	<u>10,261,639</u>	<u>11.12%</u>		<u>10,261,639</u>	<u>8.70%</u>
Total, Automotive Group	28,525,468	30.91%		39,464,416	33.44%
Specialty Group, incl Used Merchandise	13,944,113	15.11%		13,944,113	11.82%
All Other (Camper, Boat, Airplane sales et al)	<u>695,809</u>	<u>0.75%</u>		<u>695,809</u>	<u>0.59%</u>
Retail Stores Total	92,271,155	100.00%		118,007,904	100.00%

Source: State of California, State Board of Equalization; U S Census of Retail Trade; HRA, Inc.; W & W, Inc.