

May 7, 2015

Mr. Joshua Simon
President
SimonCRE
5111 N Scottsdale Road, Suite 200
Scottsdale, AZ 85018

Re: Dollar General Economic Analysis in Nevada County, CA

Dear Mr. Simon:

ALH Urban & Regional Economics (ALH Economics) has prepared a brief economic analysis examining the market potential for multiple Dollar General stores in Nevada County, California. The purpose of the analysis is to demonstrate the degree to which multiple Dollar General stores can be supported by the market in the general vicinity of Grass Valley, including census designated places located up to 9.4 miles from Grass Valley. These stores include the relatively new Dollar General store that opened in Grass Valley in November 2014, as well as planned stores in the Alta Sierra, Rough and Ready, and Penn Valley census designated places. To accomplish this analysis, ALH Economics engaged in the following tasks:

- Obtained information about the existing and planned Dollar General stores
- Reviewed Dollar General documents regarding store sales, operations, and typical market draw
- Visited the prospective store sites and surrounding retail establishments
- Estimated the likely generalized market area relative to all four Dollar General stores
- Estimated existing and prospective market area retail demand due to household growth
- Analyzed anticipated Dollar General sales in the context of market area demand
- Researched other planned retail supply in the area
- Assessed the implications of Dollar General's operations in the portion of Nevada County in and around Grass Valley

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

SUMMARY OF FINDINGS

Dollar General opened a store in Grass Valley, California in November 2014. The retailer is now seeking to open another three stores in the unincorporated areas surrounding Grass Valley. These other store locations are to the south and west of Grass Valley, in the communities of Alta Sierra, Rough and Ready, and Penn Valley. In general, the physical conditions of the commercial base in these areas is good to moderate, with most properties generally well maintained.

Based on national store performance and estimated individual store sales of \$1.6 million, these four stores are estimated to generate annual sales totaling \$6.5 million. These collective sales are anticipated to comprise \$2.5 million in food sales, \$2.5 in general merchandise sales, \$0.4 million in apparel sales, \$0.4 million home furnishings/appliances sales, and \$0.8 million in a mix of other retail sales.

Pursuant to the existing and prospective store locations and the typical shopping patterns of Dollar General shoppers, the Dollar General stores are anticipated to generally serve the geography within a 12.5-mile radius of the existing Dollar General store. This area includes 35,065 households with estimated annual retail demand potential totaling \$842.3 million. Household growth projected between 2015 and 2020 will increase this demand estimate by \$18.8 million per year by 2020.

The Dollar General stores will need to capture only a small portion of market area demand to achieve stabilized sales consistent with national store performance standards. This capture rate is 1.3% of demand across the categories of sales relevant to Dollar General. The 12.5-mile market area is likely characterized by retail leakage in most of the Dollar General merchandising categories, excepting the food and beverage store sales. The low capture rate, combined with the retail leakage in the area in most categories, suggests the retail base can readily absorb the projected Dollar General sales, with little to no impact on existing retailers. Most importantly, the new market area household growth is projected to generate more than sufficient support between 2015 and 2020 to absorb the \$6.5 million in estimated Dollar General sales, with yet two-thirds of the new household demand remaining to the benefit of other retailers. For several sales categories, sufficient new demand is projected to be generated to absorb the new Dollar General store sales in as little as two years.

Overall, the study findings indicate Dollar General appears well poised to meet overall retail shopping needs of existing and future market area households, and is unlikely to cause existing stores to lose sales sufficient to result in store closure or a consequent decline in the physical condition of the commercial real estate base. This conclusion remains the same even with consideration of the known planned projects in Grass Valley and western Nevada County. In addition, the proposed Dollar General stores in Alta Sierra, Rough and Ready, and Penn Valley will enhance the critical mass of retail in their respective communities. As a result, existing retailers and restaurants are likely to achieve greater visibility, resulting in enhanced market demand, which in turn will help preserve the physical condition of the existing commercial physical stock.

EXISTING AND PROPOSED NEVADA COUNTY DOLLAR GENERAL STORES

Dollar General opened a store in Grass Valley in November 2014, and is seeking to open three additional stores in the Nevada County region generally near Grass Valley. These three additional stores are planned for the Alta Sierra, Rough and Ready, and Penn Valley census designated places

(CDP). As shown in Table 1, these additional store locations are approximately 8 to 9 miles from the Grass Valley store site, located to the south (Alta Sierra) and west southwest (Rough and Ready and Penn Valley).

Table 1. Location and 2015 Demographic Characteristics of Dollar General Nevada County Sites

Location	Store Status	Distance from Grass Valley Store		Area Demographics	
		Miles	Direction	Population	Households
Grass Valley City	Existing	0.0	NA	13,207	6,279
Alta Sierra CDP	Planned	8.3	South	6,771	2,825
Rough and Ready CDP	Planned	9.2	West, SW	1,001	438
Penn Valley CDP	Planned	9.4	West, SW	1,629	644

Sources: Nielson Reports; and ALH Urban and Regional Economics

Among all the Nevada County areas with existing and planned Dollar General stores, the population and household counts are highest in Grass Valley, with an estimated 2015 population of 13,207 and 6,279 households. The CDPs with planned stores have much smaller populations, ranging from a low of 1,001 in the Rough and Ready CDP to 6,771 in the Alta Sierra CDP. The comparable household counts are 438 and 2,825, respectively. Given their location relative to Grass Valley, versus other nearby cities, such as Auburn, which is 24 miles south of Grass Valley, the City of Grass Valley likely comprises the major shopping destination for all the areas where Dollar General stores are planned.

Dollar General's store format typically includes 9,100 square feet, of which approximately 7,200 square feet comprises sales floor area. The balance of the space comprises a range of uses, such as office, break room, restrooms, restroom corridor, storage area, etc. The existing Dollar General Store in Grass Valley is located near other retailers, including across the street from a community shopping center. The planned Alta Sierra store, located 8.3 miles south of the Grass Valley store, will be developed in a small commercial area, which also includes an auto care center, mini storage, a gas station, a stand-alone liquor store and market, and three commercial centers including a mix of office, retail, and medical office space. The Rough and Ready site, located 9.2 miles west, southwest of the Grass Valley store, is an existing, rundown office structure that will be replaced with new construction, with no adjoining commercial operations, along a two-lane highway. Rough and Ready has a very limited commercial base. The Penn Valley site, located 9.4 miles south southwest of the Grass Valley store, is a vacant site between a mini-storage facility and a post office, and is across the street from a church. There are many nearby commercial uses, including a deli, building materials providers, gas station, hydroponics, RV & boat storage, a neighborhood shopping center, and True Value hardware store, and a Tire and Auto Service Center, among others.

DOLLAR GENERAL STORE OPERATIONS INFORMATION

Dollar General is a discount retailer offering a broad selection of merchandise, including consumables, seasonal, home products, and apparel. The store merchandise includes national brands from leading manufacturers as well as private brand selections with prices at substantial discounts to national brands, including a Dollar General brand. The store's product offerings include most necessities, such as basic packaged and refrigerated food and dairy products, cleaning supplies, paper products, health and beauty care items, basic apparel, housewares, hardware and automotive

supplies, among others. Across all Dollar General stores, the average selling space is about 7,400 square feet. Through its broad merchandise offering, Dollar General seeks to enable customers to fulfill their routine shopping requirements.¹

Dollar General differentiates itself from other retailers by offering low prices in a small-store format. Most Dollar General items are priced at \$10 or less, with approximately 25% priced at \$1 or less. Dollar General locates its stores in a variety of rural, suburban, and urban communities, with approximately 70% serving communities with populations of fewer than 20,000. According to materials published by Dollar General, the majority of store customers live within 3.0- to 5.0-miles, or a 10-minute drive, of the stores.²

In 2014, average net store sales totaled \$223 per square foot throughout the U.S. This figure comprised modest increases over prior year figures, which were \$220 in 2013 and \$216 in 2012.³ These net sales figures were calculated by Dollar General based on average selling square footage of Dollar General stores. Assuming the Alta Sierra Dollar General store performs consistent with the retailer's national average results in a store sales estimate of \$1.6 million in 2014 dollars. (i.e., 7,200 square feet of sales area x \$223 per square foot). Assuming a modest increase in sales for 2015 similar to past year increases, up to \$226 per square foot, would continue to result in a store sales estimate of \$1.6 million.

As noted above, Dollar General categorizes store sales into four major merchandising categories – consumables, seasonal, home products, and apparel. The percentage of store sales occurring across these categories, and the type of merchandise represented, is summarized in Table 2, below.

Table 2. Dollar General Merchandise Categories

Category	Percent of Sales	Type of Merchandise
Consumables	75.7%	Paper and cleaning products, packaged food, perishables, snacks, health and beauty, pet, and tobacco products
Seasonal	12.4%	Decorations, toys, batteries, small electronics, greeting cards, stationery, prepaid phones and accessories, gardening supplies, hardware, automotive, and home office supplies
Home Products	6.4%	Kitchen supplies, cookware, small appliances, light bulbs, storage containers, frames, candles, craft supplies, and kitchen, bed, and bath soft goods
Apparel	5.5%	Casual everyday apparel for infants, toddlers, girls, boys, women and men, including socks, underwear, disposable diapers, shoes, and accessories

Source: Dollar General Corp, Form 10-K, Filed 03/20/15 for the Period Ending 01/30/15, p 5.

¹ See Dollar General Corp, Form 20-K, Filed 3/20/15 for the Period Ending 01/30/15, pages 2 and 3 for most of the information in this paragraph.

² Ibid.

³ Ibid, pages 27 and 28.

Based upon these store sales categories, and the \$1.6 million Alta Sierra store sales estimate, sales at the four existing and planned Dollar General stores would be distributed by category as presented in Table 3.

Table 3. Estimated Distribution of Grass Valley Area Dollar General Sales

Category	Percent of Sales	Sales (1)	No. of Stores	Total DG Sales
Consumables	75.7%	\$1,233,900	4	\$4,935,600
Seasonal	12.4%	\$202,100	4	\$808,400
Home Products	6.4%	\$104,300	4	\$417,200
Apparel	5.5%	\$89,700	4	\$358,800
	100.0%	\$1,630,000		\$6,520,000

Sources: Table 2 and ALH Urban & Regional Economics.

(1) Figures rounded to the nearest \$100.

The information in Table 3 indicates that approximately \$1.2 million in per store sales is estimated to comprise consumables, including food as well as non-food items. With respect to food items, based upon field visits to Dollar General stores in several California locations, these consumables do not include fresh produce such as fruits and vegetables. In addition, Dollar General carries a limited array of meats and cheeses, and does not include typical butcher or seafood counter food items. Further, while Dollar General sells beer and wine, these options are limited, and the store does not sell other types of alcohol products such as hard liquor. Dollar General also does not sell the type of prepared food items typically found in a deli or hot food counter in a grocery store or some convenience markets. Thus, while Dollar General sells many food items, the options are limited, including the range of food products, requiring consumers seeking a wider range of products to continue to shop elsewhere. Moreover, based upon store merchandise, ALH Economics estimates that half of the consumables comprise food sales and half comprise other types of merchandise (i.e., \$616,950 each per store), typically consistent with goods sold at general merchandise stores.

In total, estimated sales at the four Nevada County Dollar General stores total \$6.5 million. The collective sales include \$4.9 million in consumable sales, \$808,400 in seasonal sales, \$417,200 in home product sales, and \$358,800 in apparel sales.

CHARACTERIZATION OF NEVADA COUNTY RETAIL BASE

Nevada County is larger than the area around Grass Valley, including not just the City of Grass Valley but also the nearby City of Nevada City and the more distant City of Truckee, located approximately 56 miles from Truckee, plus numerous CDPs throughout the County. However, analysis of the overall retail base in Nevada County in the context of household demand for retail provides is generally informative.

ALH Economics maintains a retail demand model that estimates household spending on retail. Comparing the spending estimates in this model with the actual retail sales achieved by the area for which demand is estimated indicates how much of local retail demand is generally being captured by

the retail base. This is generically called a retail leakage and attraction analysis, and ALH Economics prepared such an analysis for Nevada County. Key inputs to this analysis include household counts and average household incomes. In all of Nevada County, there were an estimated 52,987 households in 2014, with average household incomes of \$76,978.⁴ These 2014 figures are more germane to the analysis than more current 2015 estimates because the Nevada County retail sales base available for analysis is from 2013. This is the result of lagging data availability from the State of California Board of Equalization, which collects and reports information on taxable sales for cities and counties in California.

Nevada County Demand

The retail demand model is based upon analysis of taxable statewide retail sales combined with an estimate of household spending on retail by income. The model assumes that households in a market area will make retail expenditures comparable to the pattern of retail sales in the State of California. Exhibit 1 in Appendix A presents the results of this analysis. This exhibit indicates that among the nine major retail categories tracked by the State of California Board of Equalization, household spending is anticipated to be greatest for food and beverage sales at 17.4% of all retail spending, and lowest for home furnishings and appliances at 5.4% of all retail spending.

Pursuant to data published by the U.S. Bureau of Labor Statistics, 2013 Consumer Expenditures Survey, households in the income group with annual household incomes over \$70,000 throughout the United States spent an average of 25% of household income on the type of retail goods tracked by the BOE. This is the highest income bracket analyzed by the Consumer Expenditures Survey, with an average income of \$131,945 per household (see Exhibit 2 in Appendix A). The next lowest bracket ranged from \$50,000 to \$69,999. In this income bracket, the average household income was \$59,101 and the average percent of income spent on retail was 36%. Given the range of income shares spent on retail relative to the average household income, ALH Economics estimates that the average Nevada County household with an average income of \$76,978 will spend 33% of income on retail.

Market area household retail demand was estimated based upon the 33% share of income spent on retail and the estimated distribution of retail spending pursuant to Exhibit 1. The results are presented in Table 4, which indicates Nevada County retail demand potential of \$1.3 billion. The estimated demand is distributed among the nine major retail categories tracked by the State of California Board of Equalization, with individual categories ranging from \$70.9 million for home furnishings and appliances to \$234.6 million in demand for food & beverage.

⁴ The household count is equivalent to housing units as identified by the State of California Department of Finance, as of 1/1/14. The average household income is pursuant to estimates generated by Nielson Reports.

Table 4. Estimated Nevada County Demand for Retail Goods, 2014

Retail Category	Distribution of Demand (1)	Nevada County Demand (3)	
		Per HH	Total
Food & Beverage Stores	17.4%	\$4,427	\$234,577,524
General Merchandise Stores	15.4%	\$3,911	\$207,242,585
Motor Vehicle & Parts Dealers	13.1%	\$3,335	\$176,704,189
Food Services & Drinking Places	12.6%	\$3,199	\$169,496,450
Gasoline Stations	12.4%	\$3,143	\$166,536,007
Other Retail Group	11.1%	\$2,811	\$148,920,520
Clothing & Clothing Accessories	6.9%	\$1,753	\$92,898,595
Building Materials & Garden Equipment	5.9%	\$1,487	\$78,774,878
Home Furnishings & Appliances	5.3%	\$1,337	\$70,861,891
Total Retail Spending	100.0%	\$25,403	\$1,346,012,639

Sources: State of California Department of Finance, Table 2: E-5 City/County Population and Housing Estimates, 1/1/2014; Neilson; and ALH Urban & Regional Economics.

(1) See Exhibit 1.

(2) Based on estimated 2014 household count of 52,987 and average household income of \$76,978.

(3) Assumes 33% of household income is spent on retail. See Exhibit 2.

Nevada County Retail Sales

In 2013, Nevada County taxable retail sales totaled \$815.7 million dollars (see Exhibit 3). ALH Economics uses several approaches to convert taxable sales to total sales, since several key retail items are not taxable. These include a larger percentage of grocery store sales, pharmacy sales, and the grocery items sold at other stores, like general merchandise stores. Based upon standard adjustment factors, ALH Economics estimates that in 2013 taxable and nontaxable retail sales combined in Nevada County totaled \$1.1 billion.

Nevada County Retail Attraction or Leakage

When comparing Nevada County retail sales with estimated household retail demand, the Nevada County retail base appears to be characterized by a lack of retail supply, resulting in retail sales leakage. The consolidated sales and demand figures by retail category are presented in Table 5, which indicates that in all of 2013 there was estimated leakage of \$242.8 million in retail sales. This indicates that resident spending equivalent to this amount is leaving Nevada County and being spent elsewhere to meet resident retail needs. Some level of leakage is apparent in all categories with the exception of food and beverage stores, which shows a fair amount of attraction.

Table 5. Estimated Nevada County Retail Attraction/Leakage, 2013/2014

Retail Category	County Total Sales (1)	County HH Demand (2)	Retail Attraction/ (Leakage)
Food & Beverage Stores	\$314,726,667	\$234,577,524	\$80,149,143
General Merchandise Stores	\$55,754,667	\$207,242,585	(\$151,487,918)
Motor Vehicle & Parts Dealers	\$61,230,000	\$176,704,189	(\$115,474,189)
Food Services & Drinking Places	\$117,430,000	\$169,496,450	(\$52,066,450)
Gasoline Stations	\$126,273,000	\$166,536,007	(\$40,263,007)
Other Retail Group	\$199,923,909	\$148,920,520	\$51,003,389
Clothing & Clothing Accessories	\$28,295,000	\$92,898,595	(\$64,603,595)
Building Materials & Garden Equipment	\$154,955,000	\$78,774,878	\$76,180,122
Home Furnishings & Appliances	\$44,611,000	\$70,861,891	(\$26,250,891)
Total Retail Spending	\$1,103,199,242	\$1,346,012,639	(\$242,813,396)

Source: ALH Urban & Regional Economics.

(1) See Exhibit 3.

(2) See Table 4.

While Nevada County is larger than just the Grass Valley area, this finding that Nevada County as a whole is characterized by retail leakage indicates that there are opportunities for additions to the retail supply in the County in general to meet resident shopping needs. Analysis conducted below demonstrates how the estimated sales at the existing/planned Dollar General stores relate to the potential market area retail demand in the retail categories relevant to the existing/planned Nevada County Dollar General stores.

MARKET AREA DEFINITION AND DEMOGRAPHIC CHARACTERISTICS

As noted earlier, Dollar General tends to locate stores in a variety of rural, suburban, and urban communities, with approximately 70% serving communities with populations of fewer than 20,000. All of the existing and proposed Nevada County locations meet the definition of this type of community with a low population basis. Dollar General typically draws customers from within 3.0- to 5.0-miles of the store location, or within a 10-minute drive.

Discussion with economic development officials in Grass Valley indicates that Grass Valley's market draw is substantially greater than this 3.0- to 5.0-mile distance. Given the lack of other retail opportunities in the general area, an economic development representative indicates that Grass Valley shoppers regularly come from quite a long distance, and that it is common for Grass Valley to draw shoppers from up to 15 miles away and/or a 20-minute drive time. To the south and west of Grass Valley, the planned Nevada County Dollar General stores are located within this 15-mile horizon, ranging from 8.3 to 9.4 miles. The market areas for these stores will in turn extend out another 3.0- to 5.0- miles.

Based on these factors, i.e., the typical Dollar General store market draw, the distance between the existing and planned Dollar General stores, and Grass Valley's common market draw, ALH Economics believes the most likely market area to cumulatively consider for the Dollar General stores

located in the Grass Valley area of Nevada County is a 12.5-mile radius from the existing Grass Valley store. This radius will effectively comprise a radius around the existing store as well as about a 3.0- to 4.0-mile radius around the planned stores. The radius will extend north of Grass Valley to Nevada City and beyond, which is an area where there are no other planned Dollar General stores. However, this area is relatively sparsely served by retail, such that the residents in this area likely do much of their shopping in Grass Valley. Conversely, the City of Colfax is located about 12.8 miles from Grass Valley. Truncating the market area at 12.5 miles results in the exclusion of Colfax from the market area. This is appropriate given that travel time is shorter from Colfax to Auburn than it is from Colfax to Grass Valley. Because there is a larger retail base in Auburn than in Grass Valley, Colfax households will be more likely to shop in Auburn than in Grass Valley.

ALH Economics obtained demographic estimates for the population base within the 12.5-mile radius of the existing Grass Valley Dollar General store site from Nielsen Reports, which is a leader in the United States in providing demographic and economic data, including modeled data. According to Nielsen, in 2015 there are 80,356 people and 35,065 households within the 12.5-mile radius with an average household income of \$72,793. Based upon the demographic data included in Table 1, this indicates that Grass Valley and the three CDP's with planned Dollar General stores comprise about 30% of the market area's demographic base.

MARKET AREA RETAIL DEMAND

Existing Market Area Retail Demand

ALH Economics prepared a retail demand estimate for the market area households based on the approach used for Nevada County. This analysis incorporated the preceding 12.5-mile area household count and income estimates. The results of this analysis are presented in Table 6, which indicates that in 2015, Grass Valley area residents within 12.5 miles of the existing Grass Valley Dollar General store have estimated annual demand for retail totaling \$842.3 million dollars.

Table 6. Estimated Grass Valley Area (12.5 Mile Radius) Demand for Retail Goods, 2015

Retail Category	Distribution	Grass Valley Area Demand (2)	
	of Demand (1)	Per HH (3)	Total
Food & Beverage Stores	17.4%	\$4,186	\$146,796,765
General Merchandise Stores	15.4%	\$3,699	\$129,690,775
Motor Vehicle & Parts Dealers	13.1%	\$3,154	\$110,580,088
Food Services & Drinking Places	12.6%	\$3,025	\$106,069,542
Gasoline Stations	12.4%	\$2,972	\$104,216,920
Other Retail Group	11.1%	\$2,658	\$93,193,287
Clothing & Clothing Accessories	6.9%	\$1,658	\$58,135,208
Building Materials & Garden Equipment	5.9%	\$1,406	\$49,296,697
Home Furnishings & Appliances	5.3%	\$1,265	\$44,344,812
Total Retail Spending	100.0%	\$24,022	\$842,324,095

Sources: Neilson; and ALH Urban & Regional Economics.

(1) See Exhibit 1.

(2) Based on estimated 2015 household count of 35,065 and average household income of \$72,793.

(3) Assumes 33% of household income is spent on retail. See Exhibit 2.

Not all this demand is in categories representative of Dollar General sales, most notably Motor Vehicles & Parts Dealers, Gasoline Stations, and Food Services and Drinking Places (i.e., restaurants and bars). While there is some overlap with motor vehicle parts, the majority of this category is most likely measuring demand for automobile sales. Thus, excluding these three categories results in a market area retail demand estimate of \$521.5 million for goods inclusive of the type of merchandise sold by Dollar General. Of note, the "Other Retail Group" category presented in Table 6 includes drug stores, health and personal care, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores. Many of these types of goods are sold at Dollar General, although not all of them.

EXISTING RETAIL SALES

Because the 12.5-mile area is a custom area that includes more than just the City of Grass Valley, estimates of the size of the existing retail base are not available. However, analysis of just the Grass Valley retail sales base presented in Exhibit 4 indicate that the Grass Valley retail base in 2013 was estimated to total \$534.0 million. Sales data for 2013 are the most recently available data. These compare to the 12.5-mile area current year retail demand estimate of \$842.3 million, which generally indicates that based on just Grass Valley sales alone, the area is generally characterized by retail leakage.

Based on visual observation, the retail base in the other communities included in this geographic area, especially Alta Sierra, Rough and Ready, and Penn Valley, is relatively small. Penn Valley seems to have the largest retail base among these communities, including several nodes. One of these nodes is near the core of the Penn Valley community, which includes a True Value Hardware store and the small Penn Valley Shopping Center with a small market/liquor store and other retail tenants such as café/restaurants, boutique, and thrift shop. The other node is Wildwood Center near Lake Wildwood, located about 4.0 miles away from the core of Penn Valley, so quite distant from the planned Dollar General store location. This center features the Holiday Market, the most substantial grocery store in the area. Other tenants in the very well-maintained center are more service-oriented, but also include a small pharmacy and video store. In addition to the preceding visual observation of the Penn Valley retail base, government-generated data compiled by the U.S. Census Bureau, Zip Code Business Patterns for the Penn Valley zip code of 95946 indicates that in 2012 Penn Valley had 14 retail establishments. Only three of these establishments had more than 4 employees, and these establishments are in the supermarket and other grocery store (20-49 employees), hardware stores (10 to 19 employees) and tire dealers (10 to 19 employees) categories. The composition of Penn Valley's retail market pursuant to visual observation and the U.S. Census Bureau data suggest that Penn Valley would increase the market area sales most notably in the food and beverage, building materials and garden equipment, and motor vehicles and parts dealers categories.

Alta Sierra includes only a few retailers, such as the convenience-oriented Alta Sierra Market, a gas station with a mini-market, and natural health and gift store, none of which appear large or strong enough to increase the sales base estimate by a noticeable amount. Dated information from the 2007 Economic Census of the United States indicated there were five retail establishments in the Alta Sierra CDP at that time, of which four achieved sales totaling \$1.6 million.⁵ These establishments included a

⁵ U.S. Census Bureau, American Factfinder, Table EC0744A1 for Alta Sierra CDP.

motor vehicle and parts dealer, two health and personal care stores, and a nonstore retailer. Sales at the fifth establishment, which was a restaurant, could not be disclosed for reasons of confidentiality. This count of retail establishments is likely not comprehensive, since at the very least it does not seem to include the Alta Sierra Market, but by any measure these figures indicate that retail sales in Alta Sierra were very low in 2007. Given periodic vacancy of the area's large restaurant space (currently vacant), departure of the area's only bank after this 2007 time period, and the presence of other small area vacancies, the area's sales likely continue to be low at present. Lastly, Rough and Ready does not have a perceptible retail base. According to the U.S. Census Bureau zip code data for the 95975 zip code for Rough and Ready, there were 5 retail establishments in the area in 2012, with only one, a nursery, garden center, having more than 4 employees. Visual observation of the area does not suggest many viable commercial operations, with some lingering vacancy along the Rough and Ready Highway. Thus, Alta Sierra and Rough and Ready would comprise only negligible additions to the market area retail sales base if sales information were available for their local retailers.

In general, the physical conditions of the commercial base in these areas is good to moderate, with most properties generally well maintained. With regard to the location of the planned stores, the Alta Sierra area has the greatest number of proportional vacancies, but in general only a few properties are vacant. One such vacancy is a large restaurant space (7,000 square feet) that has cycled through several tenants and vacancies since the long-established German and Swiss restaurant closed in 2003 after about 20 years of operations. Despite periodic periods of vacancy, including the present time, this property is in moderately good physical condition. Penn Valley has limited vacancy, and all properties are in moderate to good condition. The Rough and Ready area has a limited commercial base, but some of the properties located along the Rough and Ready Highway that traverses the area are slightly run down. In all likelihood, the opening of a Dollar General store along this arterial will serve as an economic development catalyst, drawing in customers and thus enhancing the potential of other nearby commercial spaces.

DOLLAR GENERAL RETAIL DEMAND CAPTURE RATE

Existing Market Area Population Base

Based upon the collective \$6.5 million sales estimate for the four existing/planned Dollar General stores, the stores will need to capture only a small portion of market area demand to achieve stabilized sales consistent with national store performance standards. Across all categories of market area demand, this would be 0.8% of the \$842.3 million estimated demand. However, demand for Dollar General merchandise will not originate from all categories of market area demand. Therefore, this capture rate increases to an overall 1.3% of area demand for all retail excluding demand for motor vehicles, gas, and restaurants. These figures are presented in Table 7, which also estimates potential market area capture rates in the specific demand categories most likely to correspond with Dollar General's store sales.

As noted in Table 7, the market area demand capture rates by retail category for the Dollar General 12.5-mile area around Grass Valley range from 0.6% in clothing & accessories to 1.9% in general merchandise. These captures rates are very low, which indicate that the Dollar General stores need to capture only a very limited amount of area demand to achieve market success.

In addition, the earlier findings suggested that the area is likely characterized by retail leakage in most of the Dollar General merchandising categories, with the exception of the food and beverage store sales. Thus, the low capture rate, combined with the likely retail leakage in the area in most categories, suggests that the retail base can readily absorb the projected Dollar General sales, with little to no impact on existing retailers.

**Table 7. Dollar General Grass Valley Area (12.5 mile Radius) Demand Capture Rate Analysis
Existing Households in 2015**

Retail Category	Dollar General Sales (1)	Market Area Demand (2)	Dollar General Capture Rate
Food & Beverage Stores	\$2,467,800 (3)	\$146,796,765	1.7%
General Merchandise Stores	\$2,467,800 (3)	\$129,690,775	1.9%
Motor Vehicle & Parts Dealers	\$0 (4)	\$110,580,088	0.0%
Food Services & Drinking Places	\$0	\$106,069,542	0.0%
Gasoline Stations	\$0	\$104,216,920	0.0%
Other Retail Group	\$808,400 (5)	\$93,193,287	0.9%
Clothing & Clothing Accessories	\$358,800	\$58,135,208	0.6%
Building Materials & Garden Equipment	\$0 (4)	\$49,296,697	0.0%
Home Furnishings & Appliances	\$417,200	\$44,344,812	0.9%
Total All Retail	\$6,520,000	\$842,324,095	0.8%
Total Less Motor Vehicles, Gas, and Rests.	\$6,520,000	\$521,457,545	1.3%

Source: ALH Urban & Regional Economics.

(1) See Table 3.

(2) See Table 6.

(3) For the sake of analysis, and based upon visual observation of existing Dollar General stores, the store's "Consumables" sales are anticipated to be split between these two categories, as not all consumables are food or beverage-based products.

(4) Some sales are anticipated in these categories, but they are anticipated to be nominal compared to the other retail categories.

(5) Corresponds with the "Seasonal" sales estimate.

Moreover, the Dollar General store sales per community are relatively low, at \$1.6 million per store, with about \$617,000 of this amount comprising food sales. The availability of Dollar General merchandising will result in residents living near the stores being able to reduce their travel time and the associated transportation costs to obtain basic household necessities. This includes home furnishings and supplies such as towels, shower curtains, area rugs, vases, ironing boards, laundry baskets, and picture frames; electronics such as wall clocks, alarm clocks, and cell phones; and apparel such as baby and toddler clothes, women and men's underwear, and t-shirts. While a portion of the store sales are anticipated to occur in the food & beverage category, which is one of the few retail categories for which the market area as a whole appears to have sales attraction, this attraction is a result of Grass Valley food stores, with no food stores located in Alta Sierra or Rough and Ready. Further, the food store in Penn Valley is located about 4.0 miles from the retail node where the Dollar General store is planned to locate, so the area more immediately around the Penn Valley location is only served by the small market/liquor store at the Penn Valley Shopping Center, which includes limited fresh foods and is primarily focused on convenience shopping items.

Future Market Area Population Base

Demographic projections prepared by Neilson, the demographic data source for this study, include projected growth in market area households between 2015 and 2020. This projected growth totals 782 households, increasing from 35,065 in 2015 to 35,847 in 2020. This reflects a 0.44% annual average growth rate. These figures reflect earlier growth based upon the U.S. Census figures, which totaled 30,476 in 2000 and 34,516 in 2010. Thus, while slow, the market area is characterized by historic household growth.

Based upon the household demand estimates, these new market area households are projected to generate \$18.8 million in new retail demand per year by 2020 (see Exhibit 5). If the four existing/planned Dollar General stores captured all their sales from just this future demand, there would still be \$12.3 million per year in demand remaining in 2020 to be realized by yet other retailers. This finding is summarized in Table 8.

Table 8. Annual Demand Generated by New Households Formed Between 2015 and 2020

Retail Category	New Household Demand	Dollar General Store Sales (1)	Remaining Demand
Food & Beverage Stores	\$3,273,779	\$2,467,800	\$805,979
General Merchandise Stores	\$2,892,291	\$2,467,800	\$424,491
Motor Vehicle & Parts Dealers	\$2,466,095	\$0	\$2,466,095
Food Services & Drinking Places	\$2,365,504	\$0	\$2,365,504
Gasoline Stations	\$2,324,187	\$0	\$2,324,187
Other Retail Group	\$2,078,345	\$808,400	\$1,269,945
Clothing & Clothing Accessories	\$1,296,499	\$358,800	\$937,699
Building Materials & Garden Equipment	\$1,099,387	\$0	\$1,099,387
Home Furnishings & Appliances	\$988,953	\$417,200	\$571,753
Total Retail Spending	\$18,785,040	\$6,520,000	\$12,265,040

Source: Exhibit 5.

(1) Reflects sales from the three new stores, as the existing store is already meeting area household demand.

As the summary figures in Table 8 indicate, there will be remaining demand in all categories anticipated to reflect Dollar General sales. Thus, Dollar General could serve only new market area households as a whole and fully absorb sales even without recapturing any of the market area's leakage or, less likely, impact existing store sales. In fact, if the rate of growth occurs consistent with the 0.44% annual average compound growth rate pursuant to the estimated and projected household figures, then sufficient new demand will be generate to absorb the new Dollar General store sales in as little as two years for some of the retail categories.

OTHER PLANNED RETAIL SUPPLY

Research conducted by ALH Economics regarding other prospective new retail developments that could compete to some degree with the proposed Dollar General stores identified two projects in Grass Valley and one project in the western part of the County that could be developed within a comparable timeframe as the planned Dollar General stores. In Grass Valley, the projects are conceptual at present, and do not have approvals. These include a 9,000-square-foot O'Reilly auto parts store proposed near the existing Dollar General Store and a 200,000-square-foot shopping center proposed for a site off Dorsey Drive and Highway 49. This latter development site is about 0.8 miles south of the existing Dollar General store and 3.8, 8.6, and 7.5 miles driving distance from the proposed Dollar General sites in Rough and Ready, Penn Valley, and Alta Sierra, respectively. Plans for this project were submitted to the City of Grass Valley but are being revised in response to City comments. This project will require an EIR, thus City estimates suggest the project may not be completed for at least two years. This project includes several anchor spaces, but information on the prospective tenants has not been disclosed.

The auto parts store is not anticipated to be competitive with Dollar General stores and will be well poised to attract market area demand. Dollar General sells some auto supplies but these supplies are limited, with O'Reilly stores selling a much broader mix of merchandise, thus dominating the auto supplies market. The planned shopping center is likely to be much more competitive with the existing Grass Valley retail base than with planned Dollar General stores. The mix of tenants at this prospective shopping center is not presently available, but it is unlikely that a center of this size will introduce any unique types of tenants not already present in the market. Thus, ALH Economics believes this potential project will not impact the ability of the proposed Dollar General stores in the communities outside Grass Valley to capture market area demand, or vice versa.

The project in western Nevada County is a proposed 86,500-square-foot shopping center (with 41,000 square feet of office space) referred to as Higgins Marketplace. This Lake of the Pines area project is located at the corner of Higgins and Highway 49, which is 15.5 miles south of the existing Dollar General store and 7.6 miles south of the planned Alta Sierra Dollar General site. As such, this project is beyond the 12.5-mile market area defined for the Dollar General stores, including beyond a more specific market area for the Alta Sierra Dollar General store. This project had a difficult approvals process, weathering EIR-related lawsuits, but is now entitled and waiting for tenant commitments prior to proceeding with development. Initially Bel Air grocery was a planned tenant for this project, but with the protracted approvals process this grocery dropped out. A County official indicates the project developer is seeking to attract Bel Air back to the project, but thus far Bel Air has not made a commitment to the project. Because of its distance from Grass Valley, as well as the proposed Alta Sierra Dollar General site, this project is not anticipated to be competitive with Dollar General, or the estimated 12.5-mile market area demand. Alta Sierra shoppers already leave their community for the purpose of grocery shopping and other major retail purchases, and at best could potentially shift some of their existing Grass Valley shopping to the Higgins Marketplace due to its somewhat closer proximity than Grass Valley. However, Grass Valley will continue to have a greater critical mass of retail, and thus retain its role as the major shopping destination for market area residents south of Grass Valley.

There are other development projects that have been approved in western Nevada County with retail components. These include projects in Grass Valley and its Sphere of Influence, Penn Valley, and the

Lake of the Pines area. However, sources indicate none of these projects are in active development mode, and thus there is no expectation of their development, or associated timing. Many of the projects were approved prior to the Great Recession and did not progress because of the economy. The approvals for these projects have not yet expired, but they remain unbuilt.

Even with consideration of the known planned projects in Grass Valley and western Nevada County, Dollar General appears well poised to meet overall retail shopping needs of existing and future market area households, and is unlikely to cause existing stores to lose sales sufficient to result in store closure or a consequent decline in the physical condition of the commercial real estate base.

CONCLUSION

In conclusion, this analysis suggests that Nevada County, and more specifically the market area comprising a 12.5-mile radius around the existing Grass Valley Dollar General store, can absorb the four existing/planned Dollar General stores without negatively impacting the existing retail base. The county and area surrounding Grass Valley appear to be characterized by retail sales leakage in general, with the exception of food store sales. However, the volume of food store sales at Dollar General stores is relatively low, and forecasted household growth is anticipated to generate more than sufficient demand to absorb the projected Dollar General food store sales. Moreover, the proposed Dollar General stores in Alta Sierra, Rough and Ready, and Penn Valley will enhance the critical mass of retail in their respective communities. As a result, existing retailers and restaurants are likely to achieve greater visibility, resulting in enhanced market demand, which in turn will help preserve the physical condition of the existing commercial physical stock.

CLOSING COMMENTS

ALH Urban & Regional Economics was pleased to prepare these findings pertinent to the existing and proposed Dollar General stores in Nevada County, California. Please let us know if you have any comments or questions on the analysis.

Sincerely,

ALH Urban & Regional Economics



Amy L. Herman
Principal

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

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

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

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

**APPENDIX A
REPORT EXHIBITS**

Exhibit 1
State of California BOE Taxable Retail Sales Estimate by Retail Category
in Current Dollars
2012
(in \$000s)

Type of Retailer	Total Taxable Sales (1)	State of California Taxable Sales Adjusted to Total Retail	% of Total
Motor Vehicle & Parts Dealers	\$61,547,848	\$61,547,848	13.1%
Home Furnishings & Appliances	\$24,681,910	\$24,681,910	5.3%
Building Materials & Garden Equipment	\$27,438,083	\$27,438,083	5.9%
Food & Beverage Stores	\$24,511,714	\$81,705,713 (2)	17.4%
Gasoline Stations	\$58,006,168	\$58,006,168	12.4%
Clothing & Clothing Accessories	\$32,357,516	\$32,357,516	6.9%
General Merchandise Stores	\$54,138,509	\$72,184,679 (3)	15.4%
Food Services & Drinking Places	\$59,037,320	\$59,037,320	12.6%
Other Retail Group (4)	\$39,653,754	\$51,870,516 (5)	11.1%
Total (6)	\$381,372,822	\$468,829,753	100%

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax) during 2012; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States and States: 2007"; and ALH Urban & Regional Economics.

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

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

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes approximately 26% of General Merchandise Stores sales to food.

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

(5) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In California, drug store sales in 2012 represented approximately 15.2% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

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

Exhibit 2
Household Income Spent on Retail (1)
United States
in Current Dollars
2013

Characteristic	All Consumer Units	Household Income Range		
		\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 and more
Average HH Income	\$63,784	\$44,576	\$59,101	\$131,945
Amount Spent on Retail (2)	\$20,555	\$17,769	\$21,104	\$32,771
Percent Spent on Retail (3)	32%	40%	36%	25%

Sources: Table 1202. Income before taxes: Annual expenditure means, shares, standard errors, and coefficient of variation, Consumer Expenditure Survey, 2013, U.S. Bureau of Labor Statistics; and ALH Urban & Regional Economics.

(1) Includes retail categories estimated to be equivalent to the retail sales categories compiled by the State of California, Board of Equalization.

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

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

Exhibit 3
Taxable and Total Retail Sales
Nevada County
2013
Dollars in \$000s

Retail Category	Taxable Sales (1)	Total Sales (2)
Food & Beverage Stores (3)	\$94,418	\$314,727
General Merchandise Stores (4)	\$41,816	\$55,755
Motor Vehicle & Parts Dealers	\$61,230	\$61,230
Food Services & Drinking Places	\$117,430	\$117,430
Gasoline Stations	\$126,273	\$126,273
Other Retail Group (5)	\$145,660	\$199,924
Clothing & Clothing Accessories	\$28,295	\$28,295
Building Materials & Garden Equipment	\$154,955	\$154,955
Home Furnishings & Appliances	\$44,611	\$44,611
Total Retail Spending (6)	\$814,688	\$1,103,199

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax)" During 2013; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States: 2007"; and ALH Urban & Regional Economics.

- (1) Taxable sales are pursuant to reporting by the State of California Board of Equalization (BOE).
- (2) Reflects taxable sales adjusted to total sales.
- (3) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.
- (4) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 26% of General Merchandise Stores sales to food.
- (5) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, per discussions with the California BOE and examination of U.S. Census data. In Nevada County, drug store sales in 2013 represented approximately 18.35% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.
- (6) Totals may not add up due to rounding.

Exhibit 4
Taxable and Total Retail Sales
City of Grass Valley
2013

Retail Category	Grass Valley	
	Nontaxable Sales (1)	Total Sales (2)
Food & Beverage Stores (3)	\$52,855	\$176,183
General Merchandise Stores (4)	\$37,251	\$49,668
Motor Vehicle & Parts Dealers	\$45,099	\$45,099
Food Services & Drinking Places	\$46,977	\$46,977
Gasoline Stations	\$59,393	\$59,393
Other Retail Group (5)	\$57,119	\$78,398
Clothing & Clothing Accessories	\$5,820	\$5,820
Building Materials & Garden Equipment	\$53,399	\$53,399
Home Furnishings & Appliances	\$19,013	\$19,013
Total Retail Spending (6)	\$376,926	\$533,950

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax)" During 2013; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United

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

(2) Reflects taxable sales adjusted to total sales.

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

(4) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 26% of General Merchandise Stores sales to food.

(5) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, per discussions with the California BOE and examination of U.S. Census data. In Nevada County, drug store sales in 2013 represented approximately 18.35% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

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

Exhibit 5
Grass Valley Area Growth in Retail Demand Compared to Dollar General Sales
2015 - 2020

Retail Category	Distribution of Demand (1)	Grass Valley Area Demand (2)		Dollar General Sales (4)	Remaining Unmet Demand
		Per HH (3)	Total		
Food & Beverage Stores	17.4%	\$4,186	\$3,273,779	\$2,467,800	\$805,979
General Merchandise Stores	15.4%	\$3,699	\$2,892,291	\$2,467,800	\$424,491
Motor Vehicle & Parts Dealers	13.1%	\$3,154	\$2,466,095	\$0	\$2,466,095
Food Services & Drinking Places	12.6%	\$3,025	\$2,365,504	\$0	\$2,365,504
Gasoline Stations	12.4%	\$2,972	\$2,324,187	\$0	\$2,324,187
Other Retail Group	11.1%	\$2,658	\$2,078,345	\$808,400	\$1,269,945
Clothing & Clothing Accessories	6.9%	\$1,658	\$1,296,499	\$358,800	\$937,699
Building Materials & Garden Equipment	5.9%	\$1,406	\$1,099,387	\$0	\$1,099,387
Home Furnishings & Appliances	5.3%	\$1,265	\$988,953	\$417,200	\$571,753
Total Retail Spending	100.0%	\$24,022	\$18,785,040	\$6,520,000	\$12,265,040

Sources: Neilson; and ALH Urban & Regional Economics.

(1) See Exhibit 1.

(2) Based on estimated 2015 household count of 35,065, 2020 household count of 35,847, and average household income of \$72,793.

(3) Assumes 33% of household income is spent on retail. See Exhibit 2.

(4) See Table 7.

APPENDIX B

FIRM QUALIFICATIONS AND PRINCIPAL RESUME

FIRM INTRODUCTION

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

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

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

Ms. Herman's clients have included numerous cities and redevelopment agencies throughout California, transportation agencies, medical and educational institutions, nonprofits, commercial and residential developers, and many of the top Fortune 100 companies. Since forming ALH Economics, Ms. Herman's client roster includes California cities, major universities, environmental consulting firms, commercial developers, and law firms. A select list of ALH Economics clients include the University of California at Berkeley; LSA Associates; Raney Planning and Management, Inc.; During Associates; Lamphier-Gregory; Gresham Savage Nolan & Tilden, PC; California Gold Development Corporation; Environmental Science Associates (ESA); Arcadia Development Co.; Catellus Development Corporation; Sedgwick LLP; First Carbon Solutions - Michael Brandman Associates; the City of Concord; Hospital Council of Northern and Central California; Howard Hughes Corporation dba Victoria Ward, LLC; Signature Flight Support Corporation; Blu Homes, Inc.; Ronald McDonald House; Infrastructure Management Group, Inc.; Charter Properties; Equity One Realty & Management CA, Inc.; Remy Moose Manley; Orchard Supply Hardware; Office of Community Investment and Infrastructure as Successor Agency to the Redevelopment Agency of the City and County of San Francisco; City of Los Banos; Dudek; City of Tracy; Bay Area Rapid Transit District; Eagle Commercial Partners, LLC; City of Dublin; China Harbour Engineering Company; and Alameda County Community Development Agency.

PRINCIPAL INTRODUCTION

Ms. Amy Herman, Principal of ALH Economics, has directed assignments for corporate, institutional, non-profit, and governmental clients in key service areas, including commercial market analysis, fiscal and economic impact analysis, economic development and redevelopment, location analysis, strategic planning, and policy analysis. During her career spanning 30 years, Ms. Herman has supported client goals in many ways, such as to assess supportable real estate development, demonstrate public and other project benefits, to assess public policy implications, and to evaluate

and maximize the value of real estate assets. In addition, her award-winning economic development work has been recognized by the American Planning Association, the California Redevelopment Association, and the League of California Cities.

Ms. Herman holds a Master of Community Planning degree from the University of Cincinnati and a Bachelor of Arts degree in urban policy studies from Syracuse University. She pursued additional post-graduate studies in the Department of City and Regional Planning at the University of California at Berkeley. She is President of the Board of Directors of Rebuilding Together East Bay - North (formerly Christmas in April) and serves as an officer on yet other non-profit boards.

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



**AMY L. HERMAN, AICP
PRINCIPAL**

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Economics
Berkeley, California

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OTHER CLIENTS

- Arcadia Development Company
- Bay Area Rapid Transit District
- Blu Homes, Inc.
- Charter Properties
- Essex Property Trust
- General Electric Company
- Gresham Savage Nolan & Tilden
- Infrastructure Management Group
- Kaiser Permanente
- Lawrence Berkeley National Laboratory
- Lennar
- City of Los Banos
- Merlone Geier Partners
- Michael Brandman Associates
- Mills Corporation
- City of Mountain View
- Port of San Francisco
- The Presidio Trust
- Pulte Homes
- Santa Clara Valley Transportation Authority
- City of Santa Rosa
- Shea Properties
- Sheppard Mullin Richter & Hampton LLP
- Simon Property Group
- The Sobrato Organization
- Southbay Development
- City of Sunnyvale
- Sunset Development Co.
- Westfield Corporation

Amy L. Herman, Principal of ALH Urban & Regional Economics, has provided urban and regional consulting services for approximately 30 years. During this time she has been responsible for directing assignments for corporate, institutional, non-profit, and governmental clients in key service areas, including fiscal and economic impact analysis, economic development and redevelopment, feasibility analysis, location analysis, strategic planning, policy analysis, and transit-oriented development. Her award-winning economic development work has been recognized by the American Planning Association, the California Redevelopment Association, and the League of California Cities.

Prior to forming ALH Urban & Regional Economics in 2011, Ms. Herman's professional tenure included 20 years with Sedway Group, inclusive of its acquisition by CB Richard Ellis and subsequent name change to CBRE Consulting. Her prior professional work experience includes five years in the Real Estate Consulting Group of the now defunct accounting firm Laventhol & Horwath (L&H), preceded by several years with the land use consulting firm Land Economics Group, which was acquired by L&H.

Following are descriptions of select consulting assignments managed by Ms. Herman.

ECONOMIC IMPACT ANALYSIS

University of California. Conducted economic impact studies and frequent updates for five University of California campuses: Berkeley, Davis, Riverside, San Francisco, and San Diego. Prepared models suitable for annual updates by campus personnel.

Various EIR Firms. Managed numerous assignments analyzing the potential for urban decay to result from development of major big box and other shopping center retailers. The analysis comprises a required Environmental Impact Report component pursuant to CEQA.

Hospital Council of Northern and Central California. Prepared an analysis highlighting the economic impacts of hospitals and long-term care facilities in Santa Clara County. The analysis included multiplier impacts for hospital spending, county employment, and wages. Just completed a similar study for the Monterey Bay Area Region.

Howard Hughes Corporation. Managed economic impact and fiscal impact analysis for a large-scale master planned development in Honolulu, including residential, commercial, and industrial land uses.

FISCAL IMPACT ANALYSIS

Stanford Management Company and Stanford Hospitals. Managed numerous assignments involving fiscal impact analysis for planned facilities developed by Stanford Management Company or Stanford Hospitals, including a satellite medical campus in Redwood City, a hotel and office complex in Menlo Park, and expansion of the hospital complex and the Stanford School of Medicine in Palo Alto.

Office of Community Investment and Infrastructure as Successor Agency to the Redevelopment Agency of the City and County of San Francisco. Managed financial analysis estimating the tax payments in lieu of property taxes associated with UCSF development of medical office space in the former Mission Bay Redevelopment Project area.

City of Concord. Structured and managed fiscal impact analysis designed to test the net fiscal impact of multiple land use alternatives pertaining to the reuse of the 5,170-acre former Concord Naval Weapons Station, leading to possible annexation into the City of Concord, California.

Ronald McDonald House. Analyzed the fiscal impact of the expansion of Ronald McDonald House in the City of Palo Alto.

San Francisco Mayor's Office of Economic Development. Conducted fiscal and economic impact analysis of redevelopment and expansion of San Francisco's Parkmerced residential community, including assessing the project's impacts on the San Francisco Municipal Transportation Agency.

AMY L. HERMAN, AICP
Principal

ECONOMIC DEVELOPMENT AND REDEVELOPMENT

Catellus/City of Alameda. Prepared a retail leasing strategy for Alameda Landing, a regional shopping center planned on the site of the former U.S. Navy's Fleet Industrial Supply Center in Alameda.

City of Morgan Hill. Reviewed the City's economic development practices and compared them with "best practices" to other competitive Bay Area cities.

City of San Jose Redevelopment Agency. Prepared a study analyzing the costs and benefits associated with creating a bioscience incentive zone in the Edenvale industrial redevelopment area.

City of Palo Alto. Conducted a retail study targeting six of Palo Alto's retail business districts for revitalization, including the identification of barriers to revitalization and recommended strategies tailored to the priorities established for each of the individual target commercial areas.

East Bay Municipal Water District. Managed economic, demographic, and real estate data analysis in support of developing market-sensitive adjustments to long-term water demand forecasts.

DEVELOPMENT FEASIBILITY

PCR Services Corporation. Analyzed the retail supportability of the planned mixed-use development of the UTC/Rocketdyne site in the Warner Center area of Los Angeles

ChevronTexaco. Conducted a regional market analysis of an 8,400-acre oil field retired from active oil production in the New Orleans, Louisiana metropolitan area.

City of San Jose. Managed alternative City Hall location analysis, focused on recommending a long-term occupation strategy for the City. Following relocation of City Hall conducted a study examining the feasibility of redeveloping the City's former City Hall location and nearby parking facilities for residential, retail, and civic land uses.

General Motors Corporation. Managed reuse studies for closed manufacturing facilities in Indiana (250 acres, 14 sites) and New Jersey (80 acres). Studies focused on the long term reuse and redevelopment potential of the closed manufacturing sites.

CORPORATE LOCATION ANALYSIS

Toyota Motor Corporation. Conducted a location analysis study for a distribution facility in the San Francisco Bay Area, designed to minimize travel time distance to the majority of area dealerships.

Cisco Systems. Managed multiple corporate location studies for Cisco Systems, headquartered in San Jose, California. These studies focused on the formulation of both a regional and a North American location strategy.

Starbucks Coffee Company. Directed analysis examining alternative locations for a new coffee roasting plant in the Western United States. A variety of economic, business, and labor market data were collected. The roasting plant was successfully sited in Sparks, Nevada.

Sacramento Regional Transportation District (RTD). Managed a consultant team assisting the RTD in planning for its immediate and long-term administrative office space needs, and in developing a strategy for maximizing the value of the existing RTD complex.

Hines. Managed comparative analysis highlighting business and employee costs associated with business locations in three competitive Bay Area locations.

AMY L. HERMAN, AICP
Principal

PROFESSIONAL AFFILIATIONS

- American Planning Association (APA) and its Economic Development Division
- State of California, Real Estate Salesperson License, License #01821384

EDUCATION

- Ms. Herman holds a Bachelor of Arts degree in urban studies, magna cum laude, from Syracuse University. She also holds a Master of Community Planning degree from the University of Cincinnati. She has also pursued advanced graduate studies in City and Regional Planning at the University of California at Berkeley.

VOLUNTEER ACTIVITIES

- President, Rebuilding Together (formerly Christmas in April), East Bay - North
- Past President, Diablo Pacific Short Line, 501 (c)(3) Portable Modular Train Organization
- Secretary and Volunteer, Swanton Pacific Railroad, Santa Cruz County, California
- Volunteer, Redwood Valley Railway, Tilden Regional Park, California