December 17, 2015

Paul Stephenson  
Project Manager  
Impact Sciences, Inc.  
555 12th Street, Suite 1650  
Oakland, CA 94607

Re: Urban Decay Consideration for VillaSport’s Proposed Roseville, CA Location

Dear Mr. Stephenson:

At the request of VillaSport, ALH Urban & Regional Economics (“ALH Economics”) has prepared analysis assessing the need to include an urban decay analysis as part of the Environmental Impact Report for the proposed VillaSport Athletic Club and Spa Project (“VillaSport”, or “Project”). The Project is proposed to be located at the northwestern end of Conference Center Drive in the City of Roseville, California, approximately 2.0 miles from Interstate 80. Major arterials in the vicinity of the Project site include Roseville Parkway, located approximately 0.25 mile to the south, and Galleria Boulevard, located about 0.25 mile to the east.

INTRODUCTION

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

The Project does not comprise a retail operation. And there is no precedent or basis by which to anticipate that the Project could cause or contribute to urban decay. However, to most fully inform the EIR process, this analysis was conducted to determine if there is a basis to be concerned about the Project causing urban decay. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in this instance pertains to the commercial retail market, since most
fitness facilities are located in retail space, or otherwise comprise commercial space most akin to retail space. Typically, for the purpose of CEQA analysis, urban decay is defined as, among other characteristics, visible symptoms of physical deterioration that invite vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and long term vacancies. This physical deterioration to properties or structures is so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community.

To accomplish this analysis to determine if there is any basis to be concerned about urban decay resulting from the Project, ALH Economics engaged in several tasks. These tasks were performed in recognition that a new fitness facility with many similarities to VillaSport opened in Roseville in May 2015. This facility is Life Time Athletic. It seems reasonable to anticipate that any noted impacts associated with Life Time Athletic could by extension be considered possible with VillaSport, given these general similarities, e.g., large fitness facilities with numerous amenities including pools, fitness classes, family oriented sports, and spa facilities (with the exception that Life Time Athletic includes tennis courts and VillaSport does not). Thus, some of the analysis examines the general market implications of this new Life Time Athletic facility as well as general market analysis to determine if there is any reasonable cause to be concerned about urban decay in the Project’s Roseville environs.

The tasks associated with this analysis included the following:

- Visit the Project site and view the surrounding environs;
- Generally assess existing commercial real estate market conditions in Roseville, where the Project will be located;
- Examine locations with existing fitness facilities, including the new Life Time Athletic facility in Roseville;
- Contact select existing Roseville fitness facilities to gain an understanding if existing customers were drawn away by the Life Time Athletic facility;
- Conduct research on the degree to which Life Time Athletic and VillaSport can coexist in the same marketplace;
- Obtain information about existing and historical trends in Roseville’s commercial real estate market, including commercial retail vacancy and absorption.
- Assess the condition of existing retail vacancies, including a selection of properties that have been vacant for extended periods of time; and
- Document information about Roseville’s Municipal Code, its relevancy to commercial real estate market conditions, and associated enforcement.

The findings pertaining to these tasks are reviewed and summarized in this letter report, with accompanying exhibits presented in Appendix A. Professional qualifications for ALH Economics are included in Appendix B. This letter report is subject to the appended Assumptions and General Limiting Conditions.

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

The proposed Project will be a high-end, family-oriented sports, fitness, family recreation, and resort/spa center that provides a range of indoor and outdoor amenities. The Project will include an approximately 88,000-square-foot building and an approximately 50,000-square-foot outdoor area. This will be the second large fitness facility developed in Roseville. The first facility was Life Time Athletic, which opened in May 2015. VillaSport anticipates having a lower level of membership than Life Time Fitness, in some part due to differences in overall size and amenities, as well as operational differences. Thus, VillaSport is anticipated to require a lesser amount of market support than the somewhat comparable Life Time Athletic.

There are numerous fitness facilities in the City of Roseville and nearby Rocklin. The range of these facilities includes small studios, family-oriented centers, tennis clubs, and the somewhat comparable Life Time Athletic. A survey of several fitness clubs suggests that the market introduction of Life Time Athletic has not had a material impact on membership at existing clubs, and most importantly has not lead to closure of any clubs, which would be a necessary precondition for urban decay to be a concern associated with VillaSport. Since no clubs have closed due to induced membership declines, this suggests there is no basis to be concerned about the potential for urban decay to occur.

Even if any facilities close as a result of a project impetus, this alone would not signify urban decay. The concern of urban decay typically arises when real estate market demand is stagnant or so low that vacated properties are not backfilled or are not maintained to a standard that wards off the indicators of urban decay, such as boarded up windows, lingering trash or graffiti, and loitering. Analysis of retail market statistics such as vacancy, absorption, and lease transactions indicates the Roseville retail market is strong and robust, and successfully attracts tenants with a variety of space needs. This is true of retail spaces previously occupied by a range of establishments, including fitness facilities. Even properties characterized by prolonged vacancy appear to be maintained to a standard that is not indicative of urban decay, further suggesting there is a reason to think urban decay could result from additional properties becoming vacant.

Fieldwork in December 2015 indicated there were no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes and corridors in Roseville, with only a few isolated instances of small amounts of fast food-related trash near some commercial properties. The City of Roseville Code Enforcement Department receives a limited number of complaints pertaining to commercial properties, and most of these complaints do not pertain to issues associated with urban decay. Most importantly, the City of Roseville has a 100% closure rate on violation cases, indicating strong regulatory controls to maintain private property in the city, which further precludes the incidence of urban decay, thus eliminating the need for concern about urban decay resulting from the operations of VillaSport. Thus, ALH Economics concludes there is no reason to be concerned about urban decay in relation to development of VillaSport.

PROJECT DESCRIPTION

The proposed Project will be a high-end, family-oriented sports, fitness, family recreation, and resort/spa center that provides a range of indoor and outdoor amenities. The Project will include an approximately 88,000-square-foot building and an approximately 50,000-square-foot outdoor area. Indoor amenities would include: swimming pools; whirlpools; a basketball court; exercise equipment;
exercise studios; locker rooms; a spa; a café; and a kid’s area with a basketball court, studios for skill-based classes, and play areas. Outdoor amenities would include: an outdoor pool area with two swimming pools (one with 25-foot slides); whirl pools; an outdoor café; an outdoor play area with play structures; and an area for a potential future artificial turf field. The operating hours for the proposed facility would be from 5:00 a.m. to 11:00 p.m., seven days a week.

VillaSport anticipates that membership will range from 4,000 – 4,500, with approximately 2.5 people per membership given anticipated family memberships. This suggests total facility participation by 10,000 – 11,250 people of all ages. Most members are anticipated to originate from within a 10-minute drive time. In contrast, according to Life Time Fitness’s 2012 Annual Report (owners of Life Time Athletic), the current Life Time Athletic model generally targets 6,500 to 10,500 memberships2, which is approximately 64% to over 100% greater than expected at VillaSport. The Annual Report also indicates that as of December 31, 2013, there was an average of 1.9 members per membership.3 Using these figures, it appears that the current model Life Time Athletic facility averages 12,350 to 19,950 individual members, which is up to approximately 80% greater than the VillaSport expectation. Thus, VillaSport is anticipated to require a lesser amount of market support than the somewhat comparable Life Time Athletic. This is especially the case when one considers that VillaSport anticipates attracting more families with children, and that children do not typically comprise membership at many competitive fitness facilities.

COMPETITIVE FACILITIES

There are numerous fitness facilities in the City of Roseville and nearby Rocklin. The range of these facilities includes small studios, family-oriented centers, tennis clubs, and the newest market entrant, Life Time Athletic in Roseville, which opened in May 2015. The Life Time Athletic facility is a large, full-service fitness club totaling approximately 120,000 square feet of building space plus outdoor area for pool and tennis courts. Additional features include indoor swimming, an indoor cycling studio, kids’ activities, fitness studios, a full-service spa and salon, and a café, among others. This facility is located at 1435 East Roseville Parkway and is the largest fitness facility in the Roseville area. Life Time Athletic is approximately 2.2 miles southeast of the proposed VillaSport with a travel time of about 7 minutes. As corresponds with the relative size of fitness facilities and breadth of amenities, Life Time Athletic membership rates are much higher than smaller studios, comprising the peak price point in the market.

Roseville’s VillaSport will be smaller than Life Time Athletic and will not include tennis courts, but in many ways will serve a comparable market. This will likely include comparable pricing. The two facilities, however, are located on opposite sides of Interstate 80, with Life Time Athletic located to the east of Interstate 80 and VillaSport located to the west of Interstate 80. This suggests the two facilities will be distinguished in part by market draw, with each facility drawing more demand from the areas on their respective sides of Interstate 80.

As a general means of assessing the type of impact VillaSport may have on the existing fitness market it is instructive to consider how fitness facilities present prior to the opening of Life Time Athletic have or have not managed to coexist with this major new facility. Accordingly, ALH Economics contacted

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3 Ibid, page 8.
several fitness clubs representing a range of options in the market and queried them regarding the
degree to which their membership changed after Life Time Athletic opened, and if they were impacted
to the extent to risk closure, which could result in vacancies. These facilities were also located at
varying distances from the site of Life Time Athletic.

ALH Economics successfully contacted six existing Roseville and nearby fitness facilities. These include
three California Family Fitness locations, which are the largest, most family-oriented fitness facilities
that also feature pools and youth activities somewhat similar to Life Time Athletic, a Gold’s Gym,
California Ripped Fitness (a former Gold’s Gym), and Roseville Health & Wellness. The California
Family Fitness facilities are 3.5, 4.1, and another 4.1 miles distant from Life Time Athletic. All three
facilities continue to operate, with one indicating that they had anticipated an impact from the
opening of Life Time Athletic but did not really experience any. This facility indicated that some
members left but ultimately returned to their club. Another California Family Fitness indicated they
experienced no impact, believing they serve a different market since they have a strong soccer focus,
and mentioned that their member numbers are higher than projected last year. Finally, the third
surveyed California Family Fitness experienced some impact in the first couple months after Life Time
Athletic opened, with up to 10 cancellations a month, but this rate of cancellation has since dwindled
to closer to 1-2 a month. The representative of this California Family Fitness facility indicated that the
members who left live closer to Life Time Athletic, and previously had no closer fitness facility
available.

Among the other three surveyed fitness facilities, none indicated any negative impacts associated with
the opening of Life Time Athletic, other than possibly 1 to 2 member losses over the entire time period
since the new facility opened. Their representatives attributed this lack of impact primarily to the
different, lower pricing structures of their membership or different population groups served.

While less than a year has elapsed since the Life Time Athletic opened in Roseville, the experience thus
far suggests that this expansive fitness facility has not had a material impact on membership at
existing clubs, and most importantly has not lead to closure of any clubs, which would be a necessary
precondition for urban decay to even be a concern. Since no clubs have closed, this suggests there is
no basis to be concerned about the potential for urban decay to occur.

ALH Economics is aware of two fitness facilities that were present in the Roseville market prior to the
opening of Life Time Athletic that are no longer operational. These fitness facilities include Strong
Fitness located at 354 North Sunrise Avenue and Rocklin CrossFit located in an older strip center on
Harding Boulevard in Roseville. Market research indicates that Strong Fitness closed well before Life
Time Athletic became operational (closing sometime around 2014) and that Rocklin CrossFit closed in
early summer 2015, which is too soon to be associated with residual impacts from Life Time Athletic.
Thus, while the closure of these fitness facilities occurred prior to the market introduction or
stabilization of Life Time Athletic. Importantly, from an urban decay perspective, the Strong Fitness
retail space has met with market success, with the 9,540-square-foot property reportedly recently sold
to a high end salon. Thus, the market is demonstrating that former fitness facility space can be
successfully backfilled, further ameliorating any concerns that closed fitness facilities in Roseville can
lead to urban decay. The smaller Rocklin CrossFit space with 3,100 square feet has not yet been
leased, but the property’s commercial real estate broker indicates there has been some interest in the
property, so it too appears poised for successful backfilling.
This analysis does not probe market demand and determine if VillaSport and Life Time Athletic can successfully compete in the same general market in Roseville and its environs. However, ALH Economics conducted a limited amount of research in Colorado Springs, Colorado, which is the only location where both VillaSport and Life Time Athletic operate in the same marketplace. In this case, the VillaSport opened in December 2007 and Life Time Athletic followed several years later in May 2011. The two facilities are located about 4.8 miles distant from each other, reflecting about 7 minutes of travel time. Notably, this is the equivalent travel time between the existing Life Time Athletic in Roseville and the proposed VillaSport Roseville site.

The ALH Economics research included contacting several fitness facilities in Colorado Springs to inquire about their ability to successfully compete even with the market presence of two major fitness facilities. The several fitness facilities contacted by ALH Economics, all of which are smaller facilities, indicated that they are not in direct competition with VillaSport or Life Time Athletic, and were not aware of any clubs that closed as a result of the subsequent opening of the second club, i.e., Life Time Athletic. Similar to the case in Roseville, these facilities indicate they serve a different market with a different price point, and that they differentiate themselves by their more unique offerings, such as being open 24 hours or providing lower cost youth activities. In addition, membership at the existing VillaSport in Colorado Springs did not decline after the opening of Life Time Athletic, with membership actually peaking above all prior levels approximately 1.5 years after the opening of Life Time Athletic. This suggests that rather than depressing participation at other fitness facilities, the presence of more facilities representing a range of options enhances consumer awareness and encourages more active fitness facility engagement.

**COMMERCIAL MARKET TRENDS**

Even if any facilities close as a result of a project impetus, this alone does not signify urban decay. The concern of urban decay typically arises when real estate market demand is stagnant or so low that vacated properties are not backfilled or are not maintained to a standard that wards off the indicators of urban decay, such as boarded up windows, lingering trash or graffiti, and loitering (see further definition below in Representative Retail Vacancies). Accordingly, characteristics of Roseville’s commercial retail market are an important consideration to determine if there is any basis to be concerned about urban decay resulting from a new development project such as VillaSports. ALH Economics examined three data sources with historical information about commercial retail market performance in Roseville to determine these characteristics for the local real estate market. These sources all provide different data, which, while not all consistent with each, provide the same positive picture of retail market activity in Roseville.

One source is the commercial brokerage firm Colliers International, which prepares quarterly reports on the Sacramento retail market, with the Roseville and Rocklin markets combined for data presentation purposes. These data are presented in Exhibit 1 and are presented for year-end 2011 through year-end 2014 (identified as fourth quarter for each respective year), and the third quarter of 2015, the most recent time period available. The time series is limited to 2011 onward because ALH Economics could not locate a similar report for year-end 2010 and the year-end 2009 data were not comparable due to changes in the manner in which Colliers International tracks retail centers (i.e., specialty/lifestyle/outlet retail centers were identified as a separate category of retail in 2009, but this distinction is no longer present in the data from 2011 onward).
As noted in Exhibit 1, with almost no exception, retail vacancy rates have consistently dropped or remained stable for all types of retail centers in the combined Roseville/Rocklin area since year-end 2011. For example, at year-end 2011, community and neighborhood centers were characterized by 15.5% vacancy. By the end of third quarter 2015, this had dropped to 10.8%. During 2011, almost 62,000 net square feet of community and neighborhood space were absorbed, increasing to more than 150,000 net square feet in 2012 and still remaining high at over 10,000 square feet in 2014. The Colliers International time series includes additional information on power/regional centers and strip centers, and ALH Economics also combined all the center data to obtain a blended time series of market performance. This blended time series demonstrates how retail vacancy in the combined Roseville and Rocklin area has consistently declined since year-end 2011, when the overall vacancy rate was 15.3%. Now, through third quarter 2015, this vacancy rate is 9.7%. In general, retail markets are deemed most healthy when there is some increment of vacancy, at least 5.0%, which allows for market fluidity and growth of existing retailers. Even retail vacancy rates at the 10% level are generally considered a reasonably healthy retail market. Thus, the combined Roseville and Rocklin retail market exemplifies this threshold for a reasonably healthy retail market.

By combining the Roseville and Rocklin markets, the Colliers International data obscure the individual performance of the Roseville retail market. ALH Economics therefore sought out a different source with historical trend data specific to just Roseville. This data source comprises CoStar, a commercial real estate information company. These data are presented in Exhibit 2, and provide a quarterly time series back to first quarter 2006. Every commercial real estate brokerage or information company tracks a different complement of properties when measuring inventory, vacancy, and absorption. Thus, the CoStar data for Roseville in Exhibit 2 do not provide an easy comparison with the combined Roseville and Rocklin data reported by Colliers International in Exhibit 1. Notably, the CoStar data for Roseville appears to show a higher inventory than the combined Roseville and Rocklin inventory reported by Colliers International. Reconciling the data discrepancies between Colliers International and CoStar is an impossible task unless one can identify the individual properties tracked by each industry leader and perform a property by property comparison. Such a task would only be achievable by an industry insider with access to each company’s database.

The CoStar data indicate that by separating Roseville from Rocklin more favorable market trends emerge. These trends show a similarly declining retail vacancy rate over time, but with Roseville characterized by a much lower vacancy rate, never exceeding 10.7% during the 2006 through present day time series. A current retail vacancy rate of 4.8% is indicative of a very healthy retail market.

Information about lease transactions provides another indicator of the strength of Roseville’s retail market. This information, presented in Table 1 below, is also summarized from CoStar data, which included information on all lease transactions tracked by CoStar over the one-year period ending 12/4/15. This data indicates that 65 lease transactions were completed, for a total of 247,126 square feet of retail space. The smallest lease transaction was for 492 square feet while the largest was for 42,000 square feet (comprising Smart & Final backfilling space previously occupied by Wise Buys discount retailer).
Table 1. Roseville Retail Lease Transactions
12/4/14 - 12/4/15

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<th>Sq. Ft. Range (1)</th>
<th>Number of Leases</th>
<th>Total Sq. Ft.</th>
<th>Smallest Space</th>
<th>Largest Space</th>
<th>Average Sq. Ft.</th>
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<tr>
<td>0 - 1,500</td>
<td>26</td>
<td>28,719</td>
<td>492</td>
<td>1,500</td>
<td>1,105</td>
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<tr>
<td>1,501 - 3,000</td>
<td>22</td>
<td>46,999</td>
<td>1,538</td>
<td>3,000</td>
<td>2,136</td>
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<td>10</td>
<td>38,576</td>
<td>3,060</td>
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<td>132,832</td>
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<tr>
<td>Total</td>
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<td>247,126</td>
<td>492</td>
<td>42,000</td>
<td>3,802</td>
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</tbody>
</table>

Sources: CoStar; and ALH Urban & Regional Economics.

(1) The median size lease size over this time period was approximately 1,800 sq. ft.

As shown in Table 1, lease transactions varied in size, showing that retail spaces of all sizes are successfully leased in Roseville. The average lease transaction was for approximately 3,800 square feet, while the median transaction was 1,800 square feet, meaning that half of all leases were executed for spaces less than 1,800 square feet and half were for spaces greater than 1,800 square feet. Many of these smaller spaces were for uses such as personal services and restaurants. In addition to Smart & Final, the larger lease transactions during the time period included 11,000 square feet for Arizona Leather, 15,000 square feet for Bassett Furniture, 16,000 square feet for Ninja Sushi & Teriyaki, and 34,456 square feet for Saks Off 5th. Based on the numerous lease transactions in Roseville, and the varied sizes encompassed by these leases, the Roseville retail market appears to be strong and robust, and successfully attracts tenants with a variety of space needs.

REPRESENTATIVE RETAIL VACANCIES

While the Roseville retail market is strong, there continue to be retail vacancies. Some increment of retail vacancy is optimal because vacancies allow for movement within a market as well as the opportunity for new retailers to enter the market. From an urban decay perspective, what is most important is the condition of retail vacancies, and if they exhibit signs of urban decay due to lack of market activity and poor maintenance and upkeep. When looking at the phenomenon of urban decay, it is also helpful to note economic impacts that do not constitute urban decay. For example, a vacant building is not urban decay, even if the building were to be vacant over a relatively long time. Similarly, even a number of empty storefronts would not constitute urban decay. Based on this description of urban decay, therefore, ALH Economics’ fieldwork assessed the degree to which the Roseville retail market does or does not exhibit signs of urban decay.

ALH Economics viewed many retail vacancies in Roseville to assess the degree to which they exhibit signs of urban decay. ALH Economics conducted similar project-related fieldwork approximately two years ago, in late 2013. This serial fieldwork provided the opportunity to view retail spaces that have remained vacant over the two-year period, and to assess the degree to which these properties have been maintained over that period of vacancy. Following are reviews of representative vacancies.

North Sunrise Boulevard. One property vacant in late 2013 and still today is a moderate-sized vacancy located on North Sunrise Boulevard next to the former Strong Fitness location. ALH Economics noted this property was vacant in late 2013 and continues to be vacant today. A photo of
this property demonstrates that despite this longer-term vacancy, this property appears to be well maintained, with no signs of urban decay. ALH Economics notes that this property does not front on a major thoroughfare, and thus has poor visibility, likely contributing to its prolonged vacancy.

**Former Borders Books and Music.** Another example of a long-term retail vacancy in Roseville is the former Borders Books and Music store located at the Rocky Ridge Town Center on Douglas Boulevard. This store closed in 2011 and the space has since remained vacant. Despite this long term vacancy, there are no visible signs of urban decay, with the property maintained in very good condition. Despite this prolonged vacancy, the balance of the property’s shopping center appears to be well-occupied with high customer traffic, with other tenants such as BevMo!, Macaroni Grill, Pieology Pizzeria, Orangetheory Fitness, and other community-serving retail.
Eureka Ridge Plaza. Not all vacant spaces in Roseville are larger tenant spaces. In 2013 ALH Economics noted several smaller retail shopping centers with a number retail shop vacancies. One such property is the Eureka Ridge Plaza, located at 1480 Eureka Road and built in 2005. In 2013, this property had approximately 11 retail spaces, with three vacant, although improvements were noted to be underway for one of the vacant spaces. Recent fieldwork revealed this center currently has four vacancies, sized at 1,200 square feet, 2,125 square feet, 1,722 square feet, and 9,150 square feet. While ALH Economics does not know if the current vacancies coincide with the prior vacancies, the current condition of the property indicates that this property’s experience with serial vacancy has not interfered with proper maintenance and care of the property.

Eureka Ridge Plaza, 1480 Eureka Road

Elk Hills Plaza. Elk Hills Plaza is another example of a smaller retail center with past strong vacancy. However, in this case, this property, which comprises an older strip center in Roseville, demonstrates how smaller retail spaces can lease up successfully. In 2013 this property was noted to have at least four vacancies out of seven shop spaces. The property at that time was noted to be in good physical condition despite this high vacancy. Today this property, pictured below, has only one vacancy, which also appears to be in good physical condition.
Former California Backyard Space. Lastly, the final highlighted vacancy is an example of a larger retail space being successfully subdivided to accommodate multiple smaller tenants. This is a market strategy that can be used for larger spaces to enhance leasing activity by making smaller spaces available to meet the needs of a larger pool of tenants. In 2013, there was a 20,000-square-foot vacancy comprising a former California Backyard store at the Fairway Commons shopping center, part of a node of thriving power center tenants. At that time, the space had been vacant for more than two years. Subdivision was cited as a possible strategy at the time to enhance the attraction of this space. As the photo below shows, this subdivision did occur, with Tuesday Morning occupying approximately one-half the space beginning in mid-2014, leaving an additional 10,000 square feet available for lease. Despite this continued availability, spanning now at least four years, this space is in strong physical condition and does not display any signs of urban decay.

Summary. As demonstrated by the above representative vacancies, even with prolonged vacancy, retail properties in the local Roseville market appear to be maintained to a standard that is not indicative of urban decay. Nor does their condition suggest there is a reason to think urban decay could result from additional properties becoming vacant.

REGULATORY CONTROLS

As cited above and supported by facts and analysis, urban decay is unlikely to result from the Project’s operations. However, in the event some existing fitness facilities in Roseville close, owners of commercial retail properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new retail tenants. This appears to be the case in the City of Roseville, as evidenced by the overall positive prevailing physical condition of the City’s longer-term retail vacancies. If property owners lag, however, and property maintenance begins to show
signs of deferred maintenance or other disrepair, the City has regulatory controls that can be implemented to avoid the onset of deterioration or decay.

The City of Roseville’s ordinances, such as the City of Roseville Municipal Code of Ordinances Chapter 10.54 on Nuisance Abatement; Chapter 16.34 on Administrative Penalty on Owners of Long-Term Boarded and Vacant Buildings Which are Not Under Repair or Actively offered for Sale, Lease, or Rent; Chapter 16.35 on Abatement of Substandard Buildings; Chapter 9.20 on Abatement of Weeds, Dirt, Rubbish, and Rank Growths; Chapter 10.52 on Damaging or Defacing Property, Chapter 10.53 on Spray Paint and Graffiti, and 10.56 on Camping require property owners to maintain their properties so as not to create a nuisance by creating a condition that reduces property values and promotes blight and neighborhood deterioration. Enforcement of these ordinances can help prevent physical deterioration due to any long-term closures of retail spaces, such as fitness facilities. The City of Roseville’s Code Enforcement Department is part of the Development Services Department. The Department currently has 4.25 full time inspectors in code enforcement, these positions include one code enforcement senior inspector, one full time code enforcement inspector, one full time building inspector that handles all building code related complaints, and three half-time building inspectors that assist code enforcement, and a weekend sign inspector that is a temporary employee.

Code enforcement is done on both a pro-active and complaint basis. Public complaints can be made through the City’s website, by email, and by calling the 24-hour enforcement hotline. The Code Enforcement Department works with residents, neighborhood associations, public service agencies, and other City departments to help resolve any violations on a voluntary basis. According to the City of Roseville, in order to attempt resolution of the violation before actual enforcement action is taken most violations will receive a warning, either verbal or written. If voluntary compliance is not obtained the City has several ways for enforcing code requirements, including:

- **Administrative Citation** - Remedy designed to address minor (one-time) violations. The fines increase with each offense. Administrative citations are standard forms, like traffic citations, that include blanks for entering the date, address, code section violated, and the penalty amount. Fines range from $100 to $500.

- **Administrative Compliance Order** - Remedy designed to address ongoing and/or continuing violations that are relatively permanent in nature. Administrative compliance orders are in the form of a letter detailing specific violations and have a fine set by the Board of Hearing Examiners. If the resident or business fails to comply with the compliance order, follow-up legal action may include further correspondence, litigation, or referral to a hearing panel. This process also allows the City to assess administrative penalties and costs incurred by the Code Enforcement staff. Fines range from $25.00 to $500.00 per day, with a maximum of $50,000.

In addition, according to Municipal Code Chapter 2.52.130, if a violation has not been corrected by the allotted time in the Administrative Order, the City or a contracting agent will abate the problem.

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The actual cost to remedy the violation, administrative costs, and any other associated costs will be at the expense of the property owner.\(^6\)

According to the City of Roseville Code Enforcement Department, they received 2,041 complaints in fiscal year 2011-12, 1,953 in 2012-13, 869 in 2013-14, and 641 for 2014-15 (as of mid-December). Of the complaints received in 2011-12, 839 violation cases were opened and 839 were closed, equaling a closure rate of 100%. In 2012-13, 914 violation cases were opened and 906 were closed, equaling a closure rate of 99%. In 2013-14 832 violations cases were closed, equaling a closure rate of 99% and in 2014-15 580 violation cases were closed, equaling a closure rate of 95%. According to the City of Roseville, 59% of cases are resolved within 30 days, 88% within 120 dates, and 98% within one year.\(^7\) Not all complaints pertain to commercial properties. Historically, roughly one-third of complaints pertain to commercial properties, and those that do pertain to issues not typically associated with urban decay.\(^8\) The few categories in which commercial properties are estimated to comprise approximately 30% or more of the complaints include Sign Violations, Work Without Permits, Vacant Structures, and Expired Permits. The nature of these complaints suggests very little correlation with conditions conducive to urban decay. For the remaining complaint categories, commercial properties comprise approximately 0% – 5% of the cases. These categories include Property Nuisances, Substandard Conditions, Encroachments, Weeds, Zoning Violations, Noise, Waster Water, and other less common complaints.

As one would expect from this high complaint closure rate, and low percentage pertaining to commercial properties, during fieldwork in December 2015 there were no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes and corridors in Roseville. There were a few instances of small amounts of trash near some commercial properties, but mostly fast food-related, such as empty cups and straws, or beverage cans. All vacant properties were well-maintained with no signs of decay or deterioration. Thus, ALH Economics concludes that existing measures to maintain private commercial property in good condition in Roseville are effective and serve to preclude the incidence of urban decay and deterioration in Roseville, thus eliminating the need for concern about urban decay resulting from the operations of VillaSport.

**CONCLUSION**

ALH Economics believes that the analysis contained herein indicates there is no reason to be concerned about urban decay in relation to development of VillaSport. The existing base of fitness facilities has already weathered the introduction of one large fitness facility, e.g., Life Time Athletic. With a likely lower membership base the impact of VillaSport will be even less than Life Time Athletic. Further, even when fitness facilities in the local market close, their commercial space is successfully backfilled, or meets with attention from the market. Even prolonged vacancies in Roseville do not exhibit signs of urban decay, with City regulations helping to ensure that private commercial properties are maintained in good condition.

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\(^7\) Code Enforcement Department, Code Enforcement Inspector, City of Roseville; interview conducted December 11, 2015.

\(^8\) Complaint information provided by Code Enforcement Department, December 11, 2015.
If there are any questions or concerns about this analysis please reach out to ALH Urban & Regional Economics.

Sincerely,

ALH Urban & Regional Economics

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

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

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.
APPENDIX A: EXHIBITS
### Exhibit 1
Roseville/Rocklin Retail Trends by Type of Retail Center
Year-end 2011 through Third Quarter 2015

<table>
<thead>
<tr>
<th>Type of Shopping Center</th>
<th>Rentable Building Area</th>
<th>Vacant Sq. Ft.</th>
<th>Vacancy Rate</th>
<th>Net Absorption Quarter (1)</th>
<th>YTD (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community Neighborhood</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Quarter 2011</td>
<td>5,292,965</td>
<td>818,491</td>
<td>15.5%</td>
<td>33,463</td>
<td>61,940</td>
</tr>
<tr>
<td>Fourth Quarter 2012</td>
<td>5,162,030</td>
<td>698,176</td>
<td>13.5%</td>
<td>9,226</td>
<td>150,512</td>
</tr>
<tr>
<td>Fourth Quarter 2013</td>
<td>5,126,977</td>
<td>691,668</td>
<td>13.5%</td>
<td>31,509</td>
<td>51,428</td>
</tr>
<tr>
<td>Fourth Quarter 2014</td>
<td>5,178,499</td>
<td>603,319</td>
<td>11.7%</td>
<td>54,068</td>
<td>104,755</td>
</tr>
<tr>
<td>Third Quarter 2015</td>
<td>5,173,107</td>
<td>559,471</td>
<td>10.8%</td>
<td>(15,265)</td>
<td>46,417</td>
</tr>
<tr>
<td><strong>Power Regional</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Quarter 2011</td>
<td>3,259,793</td>
<td>377,369</td>
<td>11.6%</td>
<td>16,643</td>
<td>85,639</td>
</tr>
<tr>
<td>Fourth Quarter 2012</td>
<td>3,303,545</td>
<td>317,359</td>
<td>9.6%</td>
<td>23,433</td>
<td>60,344</td>
</tr>
<tr>
<td>Fourth Quarter 2013</td>
<td>3,278,347</td>
<td>219,529</td>
<td>6.7%</td>
<td>37,569</td>
<td>74,217</td>
</tr>
<tr>
<td>Fourth Quarter 2014</td>
<td>3,505,583</td>
<td>226,512</td>
<td>6.5%</td>
<td>74,737</td>
<td>227,434</td>
</tr>
<tr>
<td>Third Quarter 2015</td>
<td>3,573,048</td>
<td>218,067</td>
<td>6.1%</td>
<td>33,794</td>
<td>50,845</td>
</tr>
<tr>
<td><strong>Strip</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Quarter 2011</td>
<td>1,126,828</td>
<td>282,844</td>
<td>25.1%</td>
<td>12,498</td>
<td>7,029</td>
</tr>
<tr>
<td>Fourth Quarter 2012</td>
<td>1,091,746</td>
<td>269,850</td>
<td>24.7%</td>
<td>(755)</td>
<td>14,540</td>
</tr>
<tr>
<td>Fourth Quarter 2013</td>
<td>1,115,860</td>
<td>235,168</td>
<td>21.1%</td>
<td>31,554</td>
<td>36,597</td>
</tr>
<tr>
<td>Fourth Quarter 2014</td>
<td>1,073,121</td>
<td>180,265</td>
<td>16.8%</td>
<td>23,647</td>
<td>47,766</td>
</tr>
<tr>
<td>Third Quarter 2015</td>
<td>1,106,505</td>
<td>177,592</td>
<td>16.0%</td>
<td>9,459</td>
<td>6,273</td>
</tr>
<tr>
<td><strong>Combined (3)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Quarter 2011</td>
<td>9,679,586</td>
<td>1,478,704</td>
<td>15.3%</td>
<td>62,604</td>
<td>154,608</td>
</tr>
<tr>
<td>Fourth Quarter 2012</td>
<td>9,557,321</td>
<td>1,285,385</td>
<td>13.4%</td>
<td>31,904</td>
<td>225,396</td>
</tr>
<tr>
<td>Fourth Quarter 2013</td>
<td>9,521,184</td>
<td>1,146,365</td>
<td>12.0%</td>
<td>100,632</td>
<td>162,242</td>
</tr>
<tr>
<td>Fourth Quarter 2014</td>
<td>9,757,203</td>
<td>1,010,096</td>
<td>10.4%</td>
<td>152,452</td>
<td>379,955</td>
</tr>
<tr>
<td>Third Quarter 2015</td>
<td>9,852,660</td>
<td>955,130</td>
<td>9.7%</td>
<td>27,988</td>
<td>103,535</td>
</tr>
</tbody>
</table>


(1) Reflects absorption for just the quarter reported. Is not cumulative.
(2) Reflects year-to-date cumulative absorption. For the fourth quarter this reflects absorption for the calendar year.
(3) Summation of data reported for each type of center by time period. Calculated by ALH Urban & Regional Economics.
### Exhibit 2

**City of Roseville Vacancy Trends**

**2006 Through Q4 2015 To Date (December 4, 2015)**

<table>
<thead>
<tr>
<th>Period</th>
<th># Bldgs</th>
<th>Total SF</th>
<th>Vacant SF</th>
<th>Percent Vacant</th>
<th>Occupied SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Q4</td>
<td>624</td>
<td>10,760,882</td>
<td>521,749</td>
<td>4.8%</td>
<td>10,239,133</td>
</tr>
<tr>
<td>2015 Q3</td>
<td>623</td>
<td>10,758,882</td>
<td>545,973</td>
<td>5.1%</td>
<td>10,212,909</td>
</tr>
<tr>
<td>2015 Q2</td>
<td>623</td>
<td>10,758,882</td>
<td>544,451</td>
<td>5.1%</td>
<td>10,214,431</td>
</tr>
<tr>
<td>2015 Q1</td>
<td>621</td>
<td>10,621,517</td>
<td>558,359</td>
<td>5.3%</td>
<td>10,063,158</td>
</tr>
<tr>
<td>2014 Q4</td>
<td>621</td>
<td>10,621,517</td>
<td>565,139</td>
<td>5.3%</td>
<td>10,056,378</td>
</tr>
<tr>
<td>2014 Q3</td>
<td>621</td>
<td>10,621,517</td>
<td>575,187</td>
<td>5.4%</td>
<td>10,046,330</td>
</tr>
<tr>
<td>2014 Q2</td>
<td>621</td>
<td>10,621,517</td>
<td>596,316</td>
<td>5.6%</td>
<td>10,025,201</td>
</tr>
<tr>
<td>2014 Q1</td>
<td>621</td>
<td>10,621,517</td>
<td>602,058</td>
<td>5.7%</td>
<td>9,919,459</td>
</tr>
<tr>
<td>2013 Q4</td>
<td>620</td>
<td>10,606,517</td>
<td>645,531</td>
<td>6.1%</td>
<td>9,960,986</td>
</tr>
<tr>
<td>2013 Q3</td>
<td>620</td>
<td>10,606,517</td>
<td>699,478</td>
<td>6.6%</td>
<td>9,907,039</td>
</tr>
<tr>
<td>2013 Q2</td>
<td>620</td>
<td>10,606,517</td>
<td>754,944</td>
<td>7.1%</td>
<td>9,851,573</td>
</tr>
<tr>
<td>2013 Q1</td>
<td>619</td>
<td>10,599,017</td>
<td>730,651</td>
<td>6.9%</td>
<td>9,868,366</td>
</tr>
<tr>
<td>2012 Q4</td>
<td>618</td>
<td>10,592,717</td>
<td>768,294</td>
<td>7.3%</td>
<td>9,824,423</td>
</tr>
<tr>
<td>2012 Q3</td>
<td>617</td>
<td>10,576,311</td>
<td>831,423</td>
<td>7.9%</td>
<td>9,744,888</td>
</tr>
<tr>
<td>2012 Q2</td>
<td>617</td>
<td>10,576,311</td>
<td>927,678</td>
<td>8.8%</td>
<td>9,648,633</td>
</tr>
<tr>
<td>2012 Q1</td>
<td>617</td>
<td>10,576,311</td>
<td>895,872</td>
<td>8.5%</td>
<td>9,680,439</td>
</tr>
<tr>
<td>2011 Q4</td>
<td>617</td>
<td>10,576,311</td>
<td>948,918</td>
<td>9.0%</td>
<td>9,627,393</td>
</tr>
<tr>
<td>2011 Q3</td>
<td>616</td>
<td>10,570,561</td>
<td>1,014,230</td>
<td>9.6%</td>
<td>9,556,331</td>
</tr>
<tr>
<td>2011 Q2</td>
<td>616</td>
<td>10,570,561</td>
<td>1,046,902</td>
<td>9.9%</td>
<td>9,523,659</td>
</tr>
<tr>
<td>2011 Q1</td>
<td>615</td>
<td>10,553,441</td>
<td>1,097,462</td>
<td>10.4%</td>
<td>9,455,979</td>
</tr>
<tr>
<td>2010 Q4</td>
<td>615</td>
<td>10,553,441</td>
<td>1,104,660</td>
<td>10.5%</td>
<td>9,448,781</td>
</tr>
<tr>
<td>2010 Q3</td>
<td>615</td>
<td>10,553,441</td>
<td>1,115,519</td>
<td>10.6%</td>
<td>9,437,922</td>
</tr>
<tr>
<td>2010 Q2</td>
<td>615</td>
<td>10,553,441</td>
<td>1,128,154</td>
<td>10.7%</td>
<td>9,425,287</td>
</tr>
<tr>
<td>2010 Q1</td>
<td>615</td>
<td>10,553,441</td>
<td>1,030,876</td>
<td>9.8%</td>
<td>9,522,565</td>
</tr>
<tr>
<td>2009 Q4</td>
<td>615</td>
<td>10,553,441</td>
<td>982,954</td>
<td>9.3%</td>
<td>9,570,487</td>
</tr>
<tr>
<td>2009 Q3</td>
<td>615</td>
<td>10,553,441</td>
<td>974,888</td>
<td>9.2%</td>
<td>9,578,753</td>
</tr>
<tr>
<td>2009 Q2</td>
<td>614</td>
<td>10,540,441</td>
<td>948,603</td>
<td>9.0%</td>
<td>9,591,838</td>
</tr>
<tr>
<td>2009 Q1</td>
<td>613</td>
<td>10,523,169</td>
<td>873,613</td>
<td>8.3%</td>
<td>9,649,556</td>
</tr>
<tr>
<td>2008 Q4</td>
<td>612</td>
<td>10,507,378</td>
<td>761,124</td>
<td>7.2%</td>
<td>9,746,254</td>
</tr>
<tr>
<td>2008 Q3</td>
<td>607</td>
<td>10,427,818</td>
<td>582,223</td>
<td>5.6%</td>
<td>9,845,595</td>
</tr>
<tr>
<td>2008 Q2</td>
<td>605</td>
<td>10,380,399</td>
<td>671,749</td>
<td>6.5%</td>
<td>9,708,650</td>
</tr>
<tr>
<td>2008 Q1</td>
<td>594</td>
<td>10,157,405</td>
<td>540,154</td>
<td>5.3%</td>
<td>9,617,251</td>
</tr>
<tr>
<td>2007 Q4</td>
<td>593</td>
<td>10,150,938</td>
<td>496,589</td>
<td>4.9%</td>
<td>9,654,349</td>
</tr>
<tr>
<td>2007 Q3</td>
<td>591</td>
<td>10,130,832</td>
<td>542,958</td>
<td>5.4%</td>
<td>9,587,874</td>
</tr>
<tr>
<td>2007 Q2</td>
<td>590</td>
<td>10,123,594</td>
<td>546,822</td>
<td>5.4%</td>
<td>9,576,772</td>
</tr>
<tr>
<td>2007 Q1</td>
<td>589</td>
<td>10,115,797</td>
<td>502,466</td>
<td>5.0%</td>
<td>9,613,331</td>
</tr>
<tr>
<td>2006 Q4</td>
<td>583</td>
<td>10,005,992</td>
<td>637,600</td>
<td>6.4%</td>
<td>9,368,392</td>
</tr>
<tr>
<td>2006 Q3</td>
<td>579</td>
<td>9,950,935</td>
<td>700,082</td>
<td>7.0%</td>
<td>9,250,853</td>
</tr>
<tr>
<td>2006 Q2</td>
<td>570</td>
<td>9,806,990</td>
<td>940,189</td>
<td>9.6%</td>
<td>8,866,801</td>
</tr>
<tr>
<td>2006 Q1</td>
<td>565</td>
<td>9,774,640</td>
<td>619,086</td>
<td>6.3%</td>
<td>9,155,554</td>
</tr>
</tbody>
</table>

Source: Costar.
APPENDIX B: ALH URBAN & REGIONAL ECONOMICS QUALIFICATIONS

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; 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; Alameda County Community Development Agency; Golden State Lumber; SimonCRE; Public Storage; RSC Engineering; Alexander and Associates; and Cross Development LLC.

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, assess public policy implications, and 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 postgraduate 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 Laventhal & 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 is presented on the following pages.

During her tenure with CBRE Consulting Ms. Herman developed a strong practice area involving the conduct of urban decay analyses as part of the environmental review process for projects with major retail components. A review of Ms. Herman’s experience with these types of studies follows.

**EXPERIENCE CONDUCTING URBAN DECAY STUDIES**

**Description of Services**

The Principal of ALH Economics, Amy L. Herman, has performed economic impact and urban decay studies for a number of retail development projects in California. These studies have generally been the direct outcome of the 2004 court ruling *Bakersfield Citizens for Local Control ("BCLC") v. City of Bakersfield* (December 2004) 124 Cal.App.4th 1184, requiring environmental impacts analyses to take into consideration the potential for a retail project as well as other cumulative retail projects to contribute to urban decay in the market area served by the project. Prior to the advent of the Bakersfield court decision, Ms. Herman managed these studies for project developers or retailers, typically at the request of the host city, or sometimes for the city itself. Following the Bakersfield decision, the studies have most commonly been directly commissioned by the host cities or environmental planning firms conducting Environmental Impact Reports (EIRs) for the projects. Studies are often conducted as part of the EIR process, but also in response to organized challenges to a city’s project approval or to Court decisions ruling that additional analysis is required.

The types of high volume retail projects for which these studies have been conducted include single store developments, typically comprising a Walmart Store, The Home Depot, Lowe’s Home Improvement Warehouse, or Target store. The studies have also been conducted for large retail shopping centers, typically anchored by one or more of the preceding stores, but also including as much as 300,000 to 400,000 square feet of additional retail space with smaller anchor stores and in-line tenants.
The scope of services for these studies includes numerous tasks. The basic tasks common to most studies include the following:

- defining the project and estimating sales for the first full year of operations;
- identifying the market area;
- identifying and touring existing competitive market area retailers;
- evaluating existing retail market conditions at competitive shopping centers and along major commercial corridors in the market area;
- conducting retail demand, sales attraction, and spending leakage analyses for the market area and other relevant areas;
- forecasting future retail demand in the market area;
- researching the retail market’s history in backfilling vacated retail spaces;
- assessing the extent to which project sales will occur to the detriment of existing retailers (i.e., diverted sales);
- determining the likelihood existing competitive and nearby stores will close due to sales diversions attributable to the project;
- researching planned retail projects and assessing cumulative impacts; and
- identifying the likelihood the project’s economic impacts and cumulative project impacts will trigger or cause urban decay.

Many studies include yet additional tasks, such as assessing the project’s impact on downtown retailers; determining the extent to which development of the project corresponds with city public policy, redevelopment, and economic development goals; projecting the fiscal benefits relative to the host city’s General Plan; forecasting job impacts; analyzing wages relative to the existing retail base; and assessing potential impacts on local social service providers.

**Representative Projects**

Many high volume retail projects for which Ms. Herman has prepared economic impact and urban decay studies are listed below. These include projects that are operational, projects under construction, projects approved and beyond legal challenges but not yet under construction, and project currently engaged in the public process. By category, projects are listed alphabetically by the city in which they are located.

**Projects Operational**

- Alameda, Alameda Landing, totaling 285,000 square feet anchored by a Target (opened October 2013), rest of center opening starting in 2015
- American Canyon, Napa Junction Phases I and II, 239,958 square feet, anchored by a Walmart Superstore, prepared in response to a Court decision; project opened September 2007
- Bakersfield, Gosford Village Shopping Center, totaling 700,000 square feet, anchored by a Walmart Superstore, Sam’s Club, and Kohl’s; Walmart store opened March 18, 2010, Sam’s Club and Kohl’s built earlier
- Bakersfield, Panama Lane, Shopping Center, totaling 434,073 square feet, anchored by a Walmart Superstore and Lowe’s Home Improvement Warehouse; Walmart store opened October 2009, Lowe’s store built earlier
- Bakersfield, Silver Creek Plaza, anchored by a WinCo Foods, totaling 137,609 square feet, opened February 28, 2014
• Carlsbad, La Costa Town Square lifestyle center, totaling 377,899 square feet, anchored by SteinMart, Vons, Petco, and 24 Hour Fitness, opened Fall 2014
• Citrus Heights, Stock Ranch Walmart Discount Store with expanded grocery section, 154,918 square feet; store opened January 2007
• Clovis, Clovis-Herndon Shopping Center, totaling 525,410 square feet, anchored by a Walmart Superstore, opened March 2013
• Concord, Lowe’s Commercial Shopping Center, totaling 334,112 square feet, anchored by a Lowe’s Home Improvement Warehouse and a national general merchandise store; EIR Certified December 2008 with no subsequent legal challenge; store opened January 2010
• Dublin, Persimmon Place, 167,200 square feet, anchored by Whole Foods, opened 2015
• Gilroy, 220,000-square-foot Walmart Superstore, replaced an existing Discount Store; store opened October 2005, with Discount Store property under new ownership planned for retail redevelopment of a 1.5-million-square-foot mall
• Gilroy, Lowe’s Home Improvement Warehouse, 166,000 square feet; store opened May 2003
• Hesperia, Main Street Marketplace, totaling 465,000 square feet, anchored by a Walmart Superstore and a Home Depot, Walmart under construction, opened September 2012
• Madera, Commons at Madera, totaling 306,500 square feet, anchored by a Lowe’s Home Improvement Warehouse; project opened July 2008
• Oakland, Safeway expansion, College & Claremont Avenues, 51,510 square feet total, comprising a 36,787 square-foot expansion, opened January 2015
• Rancho Cordova, Capital Village, totaling 273,811 square feet, anchored by a Lowe’s Home Improvement Warehouse; phased project opening, January 2008 – July 2008
• San Jose (East San Jose), Home Depot Store, 149,468 square feet; store opened October 2007
• San Jose, Lowe’s Home Improvement Warehouse (redevelopment of IBM site), up to 180,000 square feet, store opened March 2010
• San Jose, Almaden Ranch, up to 400,000 square feet, anchor tenant Bass Pro Shop opened October 2015
• Sonora, Lowe’s Home Improvement Warehouse, 111,196 square feet; store opened December 2010
• Victorville, The Crossroads at 395, totaling 303,000 square feet, anchored by a Walmart Superstore, opened May 2014
• Victorville, Dunia Plaza, totaling 391,000 square feet, anchored by a Walmart Superstore and a Sam’s Club, replacing existing Walmart Discount Store, opened September 2012
• West Sacramento, Riverpoint Marketplace, totaling 788,517 square feet, anchored by a Walmart Superstore, Ikea, and Home Depot; phased openings beginning March 2006
• Willows, Walmart Superstore totaling 196,929 square feet, replacing existing Walmart Discount Store (subsequently scaled back to a 54,404-square-foot expansion to existing 86,453-square-foot store), opened March 2012
• Woodland, Home Depot Store, 127,000 square feet; store opened December 2002
• Yuba City, Walmart Superstore, 213,208 square feet, replacing existing Discount Store; store opened April, 2006. Discount Store site backfilled by Lowe’s Home Improvement Warehouse

Projects Under Construction
• Folsom, Lifetime Fitness Center, a 116,363-square-foot fitness center including an outdoor leisure and lap pool, two water slides, whirlpool, outdoor bistro, eight tennis courts, outdoor Child Activity Area, and outdoor seating (offsite infrastructure in progress)
• Oakland, Rockridge Safeway expansion and shopping center redevelopment, including total net new development of 137,072 square feet, site preparation began summer 2015
• Oroville, Walmart Superstore, 213,400 square feet, replacing existing Walmart Discount Store, broke ground in 2015
• Sacramento Entertainment and Sports Center, mixed-use entertainment complex with 682,500 square feet of retail space
• Walnut Creek, The Orchards at Walnut Creek, mixed-use project including up to 225,000 square feet of retail space, anticipated completion late 2015

Projects In Progress/Engaged in the Public Process
• Chico, Walmart expansion, expansion of an existing Walmart store plus addition of three development parcels including a fueling station, restaurant, and retail space
• Davis, Davis Innovation Center, an innovation center with 4.0 million square feet of planned space, including tech office, laboratory, R&D, assembly, industrial flex space, ancillary retail space, and a hotel.
• Davis, Mace Ranch Innovation Center, an innovation center with 2,654,000 square feet of planned space, including research, office, R&D, manufacturing, ancillary retail, and hotel/conference center
• Folsom, Westland-Eagle Specific Plan Amendment, Folsom Ranch, a 643-acre portion of the larger 3,585-acre Folsom Ranch Master Plan area including 977,000 square feet of retail space, along with residential, office, and industrial space
• Lincoln, Village 5 Specific Plan, area including 8,200 residential units, 3.1 million square feet of commercial retail space, 1.4 million square feet of office space, a 100-room hotel, and a 71-acre regional sports complex
• Roseville, Hotel Conference Center, a 2,500-room hotel with a 20,000-square-foot conference facility and a 1,200-seat ballroom
• Tracy, Tracy Hills Specific Plan, Specific Plan area including 5,499 residential units, 875,300 square feet of commercial retail space, 624,200 square feet of office space, and 4,197,300 square feet of industrial space
PROFESSIONAL PROFILE

Amy L. Herman, Principal of ALH Urban & Regional Economics, has provided urban and regional consulting services for over 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.

DEVELOPMENT FEASIBILITY

The Mehmet Noyan Company. Conducted market feasibility analysis of a prospective grocery store anchored shopping center in Fresno, including assessment of impacts on existing area grocery stores.

Charter Properties. Assessed the long-term supportability of sites zoned for retail in the City of Dublin, focused on the retail suitability of a small infill site adjacent to residential development.

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.

ECONOMIC IMPACT ANALYSIS


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. A representative project includes the proposed Fresno 40 project in Fresno, CA.

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. A similar analysis was completed 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.
AMY L. HERMAN, AICP
Principal

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.

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.

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.
PROFESSIONAL AFFILIATIONS

- 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