

January 4, 2021

Pierre Rivas, Director
Development Services Department
City of Placerville
3101 Center Street
Placerville, CA 95667

Re: Therapy Stores Impact Analysis, Placerville, CA

Dear Mr. Rivas:

ALH Urban & Regional Economics (“ALH Economics”) has prepared this letter report regarding the prospective impact of the proposed Therapy Stores at 339 Main Street in Placerville, CA. The sales area of the planned store will comprise approximately 1,800 square feet, plus additional area for dressing room space. The primary purpose of the analysis is to respond to a November 16, 2020 Memo (“Memo”) prepared by Dr. Phillip King submitted to the Placerville Planning Commission on that date by attorney Patrick Soluri of the law firm Soluri Meserve.¹ This Memo was also included in the December 10, 2020 Appeal submitted by Mr. Soluri to the Placerville City Council of the Planning Commission’s December 1, 2020 approval of a Conditional Use Permit and Site Plan Review authorizing the store’s approval to locate in Downtown Placerville.

The primary outcome of Dr. King’s Memo was his opinion that the Therapy Stores has the potential to close other local businesses in the Historic Downtown Placerville. As a result of these closures, he believes there is a “serious and significant possibility”² that the proposed Therapy Stores would create urban decay in Downtown Placerville. Accordingly, setting the urban decay issue in the context of CEQA, Dr. King suggests the store’s Planning application be denied on the basis of urban decay.

The purpose of this report prepared by ALH Economics is to provide information and evidence to suggest that urban decay is not a reasonable or valid concern associated with the opening of the proposed Therapy Stores. This is achieved through the preparation of independent research to refute the claims made by Dr. King. As relevant, reference is made to information or opinions offered by Dr. King in his Memo.

For the purpose of this analysis and in accordance with CEQA, “[U]rban decay is defined as, among other characteristics, visible symptoms of physical deterioration that invite vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and multiple long term vacancies. This physical deterioration to properties or structures is so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, or the

¹ Phillip King, Ph.D., November 16, 2020 Memo Re: Proposed Therapy Store in Placerville, California, To: City of Placerville.

² Ibid, page 6.

health, safety, and welfare of the surrounding community. ***The manifestations of urban decay include such visible conditions as plywood-boarded doors and windows, parked trucks and long term unauthorized use of the properties and parking lots, extensive gang and other graffiti and offensive words painted on buildings, dumping of refuse on site, overturned dumpsters, broken parking barriers, broken glass littering the site, dead trees and shrubbery together with weeds, lack of building maintenance, abandonment of multiple buildings, homeless encampments, and unsightly and dilapidated fencing.***” (*Joshua Tree Downtown Business Alliance v. County of San Bernardino* (2016) 1 Cal.App.5th 677, 685, emphasis added.)

This study focuses on responding to claims made by Dr. King in his Memo and assessing the urban decay potential of the planned opening of the Therapy Stores. This was achieved by performing the following tasks:

- Reviewed City of Placerville documents pertaining to the proposed store and viewed videos or observed Zoom meetings of Planning Commission hearings for November 17, 2020 and December 1, 2020 addressing the topic of the proposed store;
- Visited several Therapy Stores to become familiar with the store’s format, merchandising concept, product mix, and specific product lines and spoke with store staff about merchandising and operational practices;
- Reviewed the Therapy Stores website and spoke with the Therapy Stores ownership about existing and anticipated operational practices;
- Engaged in field reconnaissance to Main Street Placerville and visited and shopped at the retail stores specifically mentioned in Dr. Phillip King’s Memo;
- Reviewed the websites and Facebook pages for select Main Street retailers;
- Examined the websites of select Therapy Stores manufacturers and makers;
- Obtained and analyzed quarterly taxable retail sales data for restaurant and retail sales on a portion of Main Street through third quarter 2020.
- Observed commercial real estate conditions on Main Street in Placerville;
- Contacted several commercial real estate brokers active in Placerville to obtain insight into the comparative commercial real estate market conditions on Main Street;
- Estimated the store’s impacts on select existing Main Street retailers;
- Assessed the extent to which the Therapy Stores operations may or may not cause or contribute to urban decay.

The study findings are presented in this letter report. These findings are subject to the assumptions and general limiting conditions included at the end of the report. Select tables are included in the text. For general information purposes a description of ALH Economics, its qualifications in performing urban decay analyses, and a resume of the firm Principal, Amy L. Herman is included in the Appendix.

SUMMARY OF FINDINGS

Therapy Stores Operation

Therapy Stores is a small, independently- and family-owned small business. The store is an inclusive lifestyle retail store that strives to sell something for everyone, and includes clothing for women, men, children, and babies, jewelry, and accessories, as well as housewares, books, games, toys, candles, bath and beauty products, greeting cards, gift items, and other sundry goods. The sales area of the planned Placerville store will comprise approximately 1,800 square feet, plus additional area for dressing room space.

Main Street Placerville Retailers

Downtown Placerville along Main Street comprises a very compact shopping and eating district, targeted to appeal to tourists. Dr. King identified 16 Main Street retailers he anticipates will be negatively impacted by the proposed Therapy Stores. Each of these stores is unique from the other, and include stores selling women's apparel, gifts, home décor, garden décor, holiday décor, toys and candy, bath and body wares, used and rare books, furniture and home goods, kitchen wares, apothecary goods, magazines and newspapers, and pharmaceuticals and medical supplies. The unique characteristics of these stores and their continued presence on Main Street suggests they successfully and effectively coexist with each other as well as other retail shops on Main Street.

While these stores are all unique from each other, in many ways they are also similar given there is much product overlap between the stores, leading to existing competition between the stores. There may not be specific product overlap in exact product lines, but there is much overlap in the type of goods sold, meaning that the stores are competing for shoppers if they visit more than one store during an average Downtown Placerville shopping trip. This indicates that absent the planned addition of Therapy Stores, the existing Placerville retail stores already present the same type of competitive influence with each other that Dr. King expresses concern about regarding the Therapy Stores. This suggests that if they can operate now in the face of competition from each other, they should be able to operate in the face of competition from just one more additional store.

Therapy Stores Competitiveness with Main Street Retailers

Dr. King indicated specific product lines or generic goods carried by the 16 local stores he identified as most at risk of sales displacement from Therapy Stores. ALH Economics examined the claims presented by Dr. King to determine if the product lines he identified are sold by Therapy Stores. The results of this analysis indicated that many of the product lines Dr. King identified are ones that Therapy Stores does not carry or does not anticipate carrying in Placerville. Thus, much of his concern in this regard is moot and misplaced. In cases where there may be manufacturer overlap, the product lines for most of the manufacturers are so vast that ALH Economics believes there is a very low likelihood that the exact same product selections would be available between Therapy Stores and the existing stores. Therefore, shoppers likely will be provided with complementary shopping opportunities between Therapy Stores and the existing stores. In the few cases where there might be some more direct product overlap, the retailer's unique concepts and formats will differentiate the stores, and shoppers will make choices how and where to spend their shopping dollars and bundle their shopping purchases.

Dr. King also includes claims about Therapy Stores' sales competitiveness in key product categories sold by individual stores. ALH Economics reviewed these retail categories relative to Therapy Stores product sales and concluded that Therapy Stores is unlikely to be highly competitive with the stores in the retail categories cited by Dr. King due to the unique natures of the individual stores and their specializations in many of the retail product categories cited.

Pandemic Retail Sales Impact

Dr. King raises concern in his memo about the impact of COVID-19 on Downtown Placerville businesses, citing how retail chains across the nation have gone into bankruptcy and how the stay-at-home restrictions harmed businesses across the U.S., especially small businesses. Dr. King believes that allowing Therapy Stores to enter Downtown Placerville at this time places other local businesses at serious risk of closure.

Taxable retail sales data for Main Street suggest that Main Street's businesses fared surprisingly well after an initial downturn at the beginning of the pandemic. After experiencing declines between paired 1st and 2nd quarters 2019 and 2020, Restaurant sales on Main Street in 3rd quarter 2020 were down only 7% from a year earlier (one restaurant closed during this quarter in 2020) and All Other Retail sales were up by 1%. Given that Combella's was not operating during the 3rd quarter of 2020 when it was during the same quarter last year, this means that the existing stores on Main Street actually performed better during 3rd quarter 2020 than they did during 3rd quarter 2019, even in the midst of the COVID-19 pandemic. This is a remarkable circumstance during unprecedented times, and indicates that small businesses in Downtown Placerville are not struggling as significantly as suggested by Dr. King. Instead, Main Street Placerville's Business District appears to be functioning well, continuing to attract tourists and shoppers.

Therapy Stores Sales Impact

ALH Economics believes that operation of Therapy Stores in Placerville is not likely to cause any of the 16 existing businesses identified by Dr. King to experience a sales impact sufficient to risk business closure. Based upon review of the existing businesses and Therapy Stores operations, several reasons in support of this belief include the following:

- The unique characteristics of the identified Main Street retail stores, which result in their own unique customer base
- The continued operation of the existing stores despite current product overlap among the stores
- A portion of the Therapy Stores retail sales comprises apparel sales, effectively replacing the prior lost Combella's apparel retail sales
- The small size of the planned Therapy Stores relative to the scope of the existing Main Street retail market
- A planned Therapy Stores merchandising strategy to avoid product duplication with the existing stores in Placerville, both as a general business practice and pursuant to sales reps and vendor requirements
- Examples of Therapy Stores' fitting in well in other shopping districts and complementing neighboring retailers
- The ability of existing Placerville stores to adjust their own merchandising strategies as necessary to avoid observed or perceived product duplication, keeping store merchandise fresh and unique

ALH Economics therefore concludes that Therapy Stores will add to the vitality of the commercial retail base in Downtown Placerville and will complement the existing retail base.

Main Street Placerville Commercial Real Estate Environment

ALH Economics observed commercial real estate conditions on Main Street and adjoining streets in Placerville in early December 2020. At that time, only five commercial retail vacancies were noted, only two of which had no retenanting activity apparent. These vacancies are the Let's Poke restaurant space on Center Street, vacant since March 2020, and The Farm Table Restaurant, vacant since August 2020. The longer term vacancy on Center Street lacks a central location and is relatively hidden from the pedestrian traffic on Main Street. Despite its relatively longer-term vacancy, the space appears to be in good condition with no signs of disrepair.

Discussions with commercial real estate brokers familiar with Main Street Placerville indicated that the commercial real estate market on and adjoining Main Street is generally a strong market. This is supported by the street's commercial properties appearing to be in good physical condition with no visible signs of urban decay. The commercial real estate brokers indicated that commercial vacancies on Main Street do not occur very often, and when they do, they are typically retented very quickly. This is especially the case for smaller commercial spaces for which demand is strongest. When vacancies occur, commercial brokers indicate there is a mix of tenant demand generated by local store owners and non-local store owners. For an average new Main Street deal, the average turnaround for vacant retail spaces is typically 3-4 months at the longest. Tenant demand is strongest for smaller spaces ranging from 1,000 to 1,500 square feet. Larger spaces take longer to retent.

In the era of the pandemic, retail spaces that become available for lease could take a little more time to retent, especially larger store spaces. However, the core strength and interest in Main Street remains, with its strong fundamental as a tourist attraction area. Thus, the real estate brokers generally believe that spaces that become available even during the pandemic would not remain vacant for prolonged periods of time, and that tenant interest would develop, with property owners continuing to maintain their property in good physical condition until such time as new tenants take occupancy of the space.

Potential for Urban Decay

Along Main Street Placerville, the commercial retail properties are moderately to well-maintained, with no properties exhibiting long-term vacancies. Existing properties do not currently demonstrate any characteristics indicative of urban decay, such as extensive graffiti, dumping of refuse, lack of building maintenance, broken glass littering the site.

The study analysis does not suggest any retailers would be at risk of losing retail sales sufficient to result in store closure leading to increased commercial vacancy as a result of Therapy Stores opening, and thus there would likely be no risk for their properties to erode into conditions leading to urban decay. Yet, if such an event were to occur, market indication that urban decay would result from such a store closure. Market demand for properties on Main Street is strong and the existing vacant properties have been well-maintained while on the market waiting for new tenancies. Further, property owners are well-motivated to maintain their properties to maximize tenant appeal and rent expectations. Thus, real estate market conditions on Main Street do not appear to be conducive to urban decay.

Pursuant to the existing commercial real estate market conditions, historic trends in backfilling commercial vacancies, and Therapy Store operations, ALH Economics concludes that there is no reason to consider that opening of the proposed Therapy Stores would cause or contribute to urban decay.

THERAPY STORES OPERATIONS AND MERCHANDISE

Therapy Stores is a small, independently- and family-owned retail chain established in San Francisco in 1994. The store is an inclusive lifestyle retail store that strives to sell something for everyone, and includes clothing for women, men, children, and babies, jewelry, and accessories, as well as housewares, books, games, toys, candles, bath and beauty products, greeting cards, gift items, and other sundry goods. In some locations it also sells other items, such as vintage furniture, bar ware, and lighting fixtures. The store sizes range from about 1,100 to 4,500 square feet, with most typically

ranging between 1,400 to 2,400 square feet. The sales area of the planned Placerville store will comprise approximately 1,800 square feet, plus additional area for dressing room space.

ALH Economics visited several Therapy Stores to become familiar with the store's format, merchandising concept, product mix, and specific product lines. This included stores in Berkeley, Oakland, and Folsom, CA. These comprise three of the ten Therapy stores in California, with an eleventh store in Portland, Oregon. The Folsom store is the one located in closest proximity to Placerville, with the other nine California stores located in the San Francisco Bay Area, including San Francisco, the East Bay (Albany, Berkeley, Oakland, Pleasanton, and Livermore), the South Bay (Campbell, Mountain View), and the Peninsula (Burlingame). In addition to visiting the stores, ALH Economics staff also spoke to store staff to gain insight into key aspects of store operations relative to the local shopping district or neighborhood in which each store is located. ALH Economics also conducted brief interviews with the store ownership to ask several questions regarding store operations in general as well as the anticipated store operation in Placerville vis-a-vis other Therapy Stores locations, the store's website, and the existing retail mix in Downtown Placerville. Highlights of this research are presented below.

Per the State of California definition, Therapy Stores is a small business, as it is an independently owned and operated business that is not dominant in its field of operation, with its principal office located in California, its officers domiciled in California, with 100 or fewer employees, and average annual gross receipts of \$10,000,000 or less over the previous three years (i.e., 2018, 2019, and 2020).³ Therapy Stores has only 28 employees, including the two owners. Most of the employees rotate to some extent among the nine Bay Area stores, getting to know the inventory and shopping districts where the stores are located. Therapy Stores ownership has indicated that with the opening of the Placerville store, the workforce would likely expand by 3-4 additional employees, including a mix of full-time and part-time employees. The store would operate from 10:00 am to 7:00 or 8:00 pm daily.

Each Therapy Stores location strives to sell some merchandise unique to its individual location. In Folsom as well as other stores, this includes locally made ceramic ware bowls or plates branded to reflect local place names, that are unique to only Therapy Stores and not carried by any other area retailers. Therapy Stores also strives to carry examples of other unique merchandise, such as jewelry, working directly with the makers to carry goods unique to its local marketplace. The matriarchal owner of the business is also the head buyer, making all the sales decisions, and she is also actively involved in the business, working on the sales floor of the retail stores, rotating between the stores. She also travels intensively in the country to source hand-made jewelry and as a result, the stores are well known for presenting unique products direct from the makers in this sales category.

While Therapy Stores has a mix of goods it strives to provide in its stores, the sales representatives the store works with, the manufacturer selling the goods, or the maker of the goods will often indicate what goods Therapy Stores can sell in a particular location. Thus, Therapy Stores has some limitations in selecting the mix of goods it chooses to sell. This is based on the degree to which the product is already being successfully sold in the local market where each Therapy Stores is located. For example, Therapy Stores sells Blue Q socks and other Blue Q products, such as dish towels, in its Berkeley and Oakland stores. However, these products are not present in the Folsom store. This is because the Blue

³See definition here:

https://leginfo.ca.gov/faces/codes_displaySection.xhtml?sectionNum=14837.&lawCode=GOV

Q sales rep has indicated these products are already sufficiently well represented in Folsom, and thus are not available for Therapy Stores to also sell in Folsom.

The Placerville Therapy Stores will be locating in a space previously occupied by an apparel store. The ownership of Therapy Stores anticipates that up to approximately 20% of the store space may comprise apparel goods. This includes casual wear as well as outer wear, such as shawls and hats. In this manner, then, a portion of the Therapy Stores sales will be replacing or substituting for the type of sales previously generated by Combellack's prior to its closure (e.g., clothing sales). The other sales will be generated by a range of products, which Amy Herman of ALH Economics has examined in person at three different Therapy Stores locations.

The goods sold at Therapy Stores include a mixed variety of items, such as leather and cloth bags and backpacks, body creams and eau de parfum for men and women, gift bags, many different brands of candles, children's toys, stuffed animals, jewelry (primarily earrings and necklaces), sunglasses, reading glasses, greeting cards, and novelty magnets and pencils. Other items include serving spoons and other serving pieces, mugs, food storage containers, dish and tea towels, small ceramic platters, stainless steel straws, thermoses, keychains, leather wallets, card cases, or small zipper cases, stationary items such as plain and lined notebooks, novelty signs, and small Navajo rugs. The store carries a carefully curated selection of books, chosen to appeal to store customers, ranging from children to adults, including self-development books and cookbooks. But with 50% to 60% turnover of books every season (e.g., every 3 months), the selection is kept fresh for consumers. Some of the books, as well as the ceramic ware, is designed to appeal to the consumers in the store's immediate neighborhood. For example, the Berkeley store boasted the book title "East Bay Cooks," as well as customized ceramic ware such as platters with a heart and Berkeley or Alameda on them, or platters with Bay Area area codes on them, as well as mugs that say "Someone In Berkeley Loves You," or "Someone In Oakland Loves You," or "Someone In Alameda Loves You," or even a platter with an outline of the State of California and a heart stamped in the location of Alameda, and the words "Someone in Alameda Loves You" etched in the ceramic.

There are yet other gift, personal, and housewares items for sales in the stores, demonstrating the wide range of goods for sale in the Therapy Stores, of which a similar mix would likely be made available at the planned Placerville store, including customized ceramic ware.

MAIN STREET PLACERVILLE RETAILERS

Downtown Placerville along Main Street comprises a very compact shopping and eating district, which is targeted to appeal to tourists who are drawn to Placerville to spend time in the City or at neighboring attractions such as nearby Apple Hill's farms and wineries, or who pass through on their way to or from other attractions in the Sierras. The testimony provided by Main Street shop owners at the November 17, 2020 Public Hearing, ALH Economics discussions with commercial real estate brokers, and examination of yelp reviews for select retailers on Main Street all reinforce the tourist orientation of shopper demand.

In Dr. King's Memo, he identified 16 Main Street retailers that he anticipates will be negatively impacted by the proposed Therapy Stores.⁴ For these 16 stores, there are 166 yelp reviews dated from 2015 through 2020, with 2015 selected as a cut off period that generally reflects a

⁴ Dr. King's Memo cites 17 stores (see page 4 of his Memo), but his analysis double-counted one store in Table 1 on page 3, Ambiance, so the correct store count is 16.

contemporary time period.⁵ Pooled across all 16 stores, 81% of these reviews were written by persons living outside Placerville or towns in the general vicinity of Placerville. In other words, less than 20% of the shoppers as represented by the yelp reviews are local shoppers. The balance of shoppers include 33% from the Sacramento region, 20% representing all nine counties of the Bay Area, and 27% from a wide range of Other locations in and out of the State of California. While yelp can be a skewed resource, due to the self-selected nature of its users, it still provides a useful guide and customer origin indicator.

As noted, Dr. King highlighted 16 stores in Placerville comprising local stores he believes will lose sales after the Therapy Stores opens and begins operations in Placerville, with the result being that “some local stores will close.”⁶ Dr. King specifically states “It is likely that several stores will eventually close as a direct result of the Therapy store opening.”⁷ To assess the reasonableness of Dr. King’s assessment, Amy Herman of ALH Economics visited the stores in early December 2020, with the exception of one store that is not open to in-store customer sales at this time due to the pandemic. The purpose of the field visitation to the stores was as follows:

- to develop a sense of each store’s concept and market niche;
- to become familiar with the products available at the stores; and
- to assess the potential that the retenting of a vacant former apparel shop by Therapy Stores could lead to lost sales and closure of some of the identified existing retailers.

A matrix of all 16 stores is presented in Table 1 on the following page. This matrix includes the store name, its address on Main Street, with the addresses listed first on the east side of the street and then the west side of the street, and then a listing for each store about its retail characterization and representative products sold. Specific brands of products are not listed under the retail characterization, but the listing identifies many types of products sold at the stores. These are not comprehensive listings of products, but rather highlight some of the major products that represent the dominant concept or market niche of the store, but also some additional products complementary to the primary store theme or focus. The information about the retail characterization and representative products sold is based on ALH Economics’ personal store visitation, supplemented by the store’s own promotional materials including websites and Facebook pages.

Unique Characteristics of Identified Downtown Placerville Stores

As the information in Table 1 indicates, each of the 16 stores is unique from all the other stores. For example, the first store listed, **Blue Skies**, is primarily a women’s apparel store, much like several other stores included in Table 1, but its designer focus sets it apart from other women’s apparel stores, like **My Martha Design Boutique**, which specializes in very unique, art nouveau style clothes and highly stylized accessories packed into a limited space, and **Ambiance**, which has a much larger womenswear collection focusing on casual wear, including shoes, as well as menswear, which is unique since the closure of Combellacks. More detail for each of these stores is provided in Table 1.

⁵ This is the number of reviews where the location of the reviewer is identified; only one or two from this time period lack an identifiable location. This time period was also selected to correspond with the prospective likelihood that the reviewer may still live in the identified location, versus relocating over the passage of time.

⁶ King Memo, page 4.

⁷ Ibid.

Table 1. Main Street Placerville Retail Stores Labeled by Dr. Phillip King To Be Likely to Lose Sales and Risk Closure As A Direct Result of the Placerville Therapy Stores Opening

Store Name	Main St. Address	Retail Characterization and Representative Products Sold
East Side of Main Street (Even)		
Blue Skies	466	Women's Clothing and Accessories and Home Goods, inc. Designer Clothing, Jewelry, Leather Handbags and Other Bags/Wallets/Backpacks, Boots, Blankets, Pillows, Candles, Greeting Cards, and Other Goods
Panic & Swoon (1)	430	General Store, Modern Goods with an Old Time Spirit, inc. Carefully Curated New and Vintage Goods, inc. Home Goods (Such as Mugs, Bowls, Food Storage), Jewelry, Skin Care, Candles, Posters, Ash Trays, Dream Catchers, Greeting Cards, Gift Wrap, Select Books, Some Apparel (All Ages), Witchcraft Section, A Very Eclectic Mix of Goods
T.W. Bonkers	398	Toy and Candy Emporium, inc. Well Curated Array of Unique, Educational, and Contemporary Toys and Games, Plus Stuffed Animals, Blankets, Journals
Mattywags	376	Souvenirs, Gifts, Home Décor, inc. Body Products, Hard and Liquid Soap, Bath Products, Candles, Paper Products (Decorative Paper Plates), Journals, Games, Themed Pencils, Baking Supplies, Mugs, Kitchenware, Jewelry (adult and kids), Hand Mirrors, Metallic Garden Art, Dish Towels and Oven Mitts, Socks, Handbags, Outer Wear (Hats, Shawls), Greeting Cards (wide variety, inc. racy), Pet Care Products, Locally-made Goods Including Gnomes, Men's Personal Care Products, Themed Product Displays, Children's Section with Toys, Clothes (inc. Locally-made Clothes and Baby Blankets), Books, Puzzles, Stuffed Animals
Body Basics (2)	364	Bath and Body Shop, inc. Custom Scentable Bath and Body Products, Jewelry, Cards, and Gifts. Limited to Curbside Pickup and Mail Order At Present
The Bookery	326	Used and Rare Bookstore, Specializing in Western American and Gold Rush History, and Used Vinyl Record Sales
Brass + Oak	320	Home Goods, Furniture, Interior Design, Rugs, Lighting (Can Customize Furniture Selections)
My Martha Design Boutique (1)	312, #103	Art Nouveau Style Women's Clothing and Accessories Shop, inc. Soap, Candles, and Socks
Kollektive	266	Home, Garden, and Baby Goods, inc. Children's Clothes and Toys, Handcrafted Rings and Knives
Ambiance	262	Men and Women's Clothing, Accessories, and Gifts, inc. Jewelry, Handbags, Leather Bags, Shoes, Candles, Christmas Ornaments, Outerwear, Socks, Jewelry Accessories (Ring Storage), Body Cream, Blankets, Greeting Cards
West Side of Main Street (Odd)		
Lighthouse Nature Store (1)	451, #1	Gift Shop, inc. Jewelry, Greeting Cards, Windchimes, Metallic Garden Décor, Decorative Boxes, Trinkets, Puppets, Crystals, Glass Balls, Hand Bags/Crossbody Bags and Leather Bags
Ultimate Kitchen Design (1)	451, #3	Kitchen Showroom, Cabinetry, Hardware, Cookware, Dinnerware (inc. Seasonal Themed), Bar Ware, Kitchen Goods and Gifts, inc. Kitchen Towels, Drink Mixes, Candles, Cook Books
Midnight Kin	435	Natural House-Made Body and Bath Products, Women's and Baby Clothing (Natural Clothing), Cleaning Brushes, Leather Handbags, Backpacks, Greeting Cards, Candles, Books, Blankets, Ceramicware
Placerville News Company	409	Magazines, Newspapers, Office Supplies, Art Supplies, Maps, Body Care Products, Candles, Melissa and Doug Toys, a Large Selection of Gifts, Greeting Cards, Stationary, Gift Wrap, Keepsake Ornaments, Collectibles, Books (inc. Local Authors and Specilizing in History and Nature), and a Music Counter with Guitar Strings, Picks, Drum Sticks, Reeds, and Sheet Music
Robinson's Pharmacy	359	Pharmacy, inc. Prescription Drugs, Over the Counter Medications, First Aid, Personal Care Items, and Medical Supplies, as well as Home Goods, Greeting Cards, Candles, Jewelry, Children's Clothes, Candy, Christmas Displays and Ornaments, Clothing, Handbags
Treehouse	327	Home Décor, Gifts, Lighted Floral Creations, Kitchen Décor, Christmas Holiday Collections, When Visited in December 2020, Store Merchandise inc. Wall Clocks, Home Goods, Stationary, Dish Towels, Candles, Liquid Soap, and Extensive Christmas Displays and Ornaments

Sources: Phillip King, Ph.D., November 16, 2020 Memo Re: Proposed Therapy Store in Placerville, California, To: City of Placerville; ALH Urban & Regional Economics Field Examination, December 2020; and Retail Store websites and Facebook pages.

(1) These stores appear to be located in small retail spaces. This finding is based on personal observation.

(2) This store was not open for in-store customer sales during December 2020 (or for the foreseeable future during the pandemic). Accordingly, it is the only store on this list that ALH Economics was not able to personally visit during the December 2020 store field visits.

Panic & Swoon, listed second on Table 1, is a self-declared General Store, which identifies its store concept as one of selling modern goods with an old time spirit, including carefully curated new and vintage goods. The feel of the store is one of a gift shop with an eclectic mix of goods, many of which are unique on Main Street, including dream catchers, ash trays, posters, and a store nook with witchcraft items. This store space is limited, and packs a lot of merchandise into a small space. Another store with a general gift shop feel is **Mattywags**, just down the block, which promotes itself as a store of Fripperies · Frou Frou · Fun, and also as a souvenir shop, gift shop, and home décor store. This store sells a wide range of goods spanning a large array of product categories, with examples including kitchenware, jewelry, garden art, socks, body products, candles, handbags, greeting cards (including racy ones), locally-made goods including gnomes, and a children's section with toys, stuffed animals, books, puzzles, and locally-made clothes and baby blankets. The locally-made products, a focus on fun products (such as fun soaps, fun pencils, fun greeting cards), and product themed displays at Mattywags (past themes include roosters, bees, and cats) are among some of the ways the store distinguishes itself as a unique retailer on Main Street. Another nearby gift shop is **Lighthouse Nature Store**, which is a small retail space packed with jewelry, greeting cards, windchimes, metallic garden décor, decorative boxes, trinkets, puppets, crystals, glass balls, handbags, crossbody bags, and leather bags. The focus on garden art is the main distinguishing feature of this store, which also sells many other goods not represented elsewhere on Main Street. Finally, **Treehouse**, a home, garden, and holiday shop, also functions as a gift shop on Main Street. When visited in early December, however, this store was fully demonstrating its most unique characteristic, which is an extensive collection of Christmas wares, including home decor and Christmas tree ornaments. Prior to Christmas, the store had seasonal fall displays, including seasonal wares for Halloween, another unique characteristic. Aside from the store's unique seasonal displays and merchandising strategies, other store wares visible in December (presumably other goods will be back in rotation after Christmas) included wall clocks, home goods, stationary, dish towels, candles, and liquid soap. As with the women's apparel stores, more detail for most of these gift stores is provided in Table 1.

The remaining stores listed in Table 1 are more dissimilar from each other than they are alike, reinforcing their unique characteristics. These include **T.W. Bonkers**, the toy and candy emporium, that sells a well curated array of educational and contemporary toys and games. **Body Basics** is a bath and body shop that prepares custom scented bath and body products. While other products are sold at this store, this is the primary focus of this shop, with a wide range of custom scents available for application in customer products. **The Bookery** is a used and rare bookstore, specializing in western American and gold rush history, as well as general bookstore sales and used vinyl record sales. **Brass + Oak** is a furniture store that also sells home goods, rugs, lighting, and interior design services. There are no other furniture stores on Main Street. **Kollektive** is a difficult shop to typify. It was created as a merger of two shops, one being a vintage home design shop. Accordingly, the shops wares include many include many home and garden items, but also a significant amount of simply-designed children's clothes and toys, with an old-timey feel. **Ultimate Kitchen Design** is unique in its singular focus on kitchen design and kitchen wares, such as dinnerware (including seasonally themed), cook ware, bar ware, drink mixes, cook books, hardware, kitchen towels, and kitchen accessories. **Midnight Kin** is a boutique with handcrafted gifts and apothecary goods with a health and beauty focus, many of which are produced by a small batch skincare line based in Placerville. Other items carried in the boutique include women's and baby clothing made of natural products, cleaning brushes, leather handbags, blankets, and ceramic ware. Midnight Kin's orientation towards natural products is a unique focus among Placerville retailers, highlighted by its skincare line, which includes soaps, candles, and sanitizers. The **Placerville News Company** has been Placerville's newsstand since 1856, and has evolved over time into a more full-service store selling a wide range of products while never losing its core product orientation of

magazines and newspapers. In addition, the store functions as a stationary and art supply store, selling office supplies, art supplies, and maps, plus other varied goods, such as collectibles, toys, greeting cards, and music supplies, including guitar strings and drum sticks. Finally, **Robinson's Pharmacy** is the only drugstore on Main Street. While this store includes prescription drug sales and other traditional pharmaceutical sales, its expanded store merchandise also includes home goods, greeting cards, candy, candles, Christmas holiday displays and ornaments, clothing, and handbags. Some additional detail of the products sold at these unique stores is also listed in Table 1.

The unique characteristics of these stores and their continued presence on Main Street suggests they successfully and effectively coexist with each other as well as other retail shops on Main Street not singled out by Dr. King in his Memo. They likely have their own loyal customers and also seem to have successfully and effectively coexisted with Combella's prior to its closure at the beginning of 2020.

Common Characteristics of Identified Downtown Placerville Stores

The preceding discussion and the information presented in Table 1 highlighted the ways in which the identified Main Street retailers are unique from each other, and thus distinct from the perspective of tourists and shoppers to Downtown Placerville. However, in many ways, the stores are also similar given there is much product overlap between the stores, leading to existing competition **between the stores**. There may not be specific product overlap in exact product lines (although there may be some), but there is clearly much overlap in the type of goods sold, meaning that the stores are competing for shoppers if they visit more than one store during an average Downtown Placerville shopping trip. This level of competition among the existing stores is relevant because Dr. King's argument about the Therapy Stores impact on the 16 Downtown Placerville stores, while largely predicated upon the argument that they will carry the **exact same products** as local Placerville businesses and thus could displace sales at the existing stores, also implies Therapy Stores will displace sales because they will sell the same type of products as the existing stores.

Table 2 shows a matrix of the 16 Downtown Placerville retailers identified by Dr. King and the approximately 14 retail product categories represented by the product lines Dr. King indicated in his Memo (his Table 1) that are carried by these stores that he believed will be impacted by Therapy Stores. Examples of these product lines include candles, women's clothing, home décor, books, greeting cards, and jewelry. The matrix includes a rectangle corresponding to each store and each of the 14 retail products. Each time ALH Economics believes a store sells that product then the corresponding rectangle is shaded gray. This shading reflects ALH Economics' best recollection based on fieldwork, as well as website and Facebook research, and is presented as representative, not definitive, or comprehensive. There may be some product categories sold at stores that are not identified. Table 2 is presented on the next page.

As Table 2 indicates, many of the retail categories already have extensive overlap among Placerville's existing retailers. The category with the greatest overlap comprises candles, with 12 of the 16 retailers selling candles, or 75%. Soap/skin care products and jewelry are both carried by 8 retailers, or 50% of all the identified retailers. Almost as many carry both books and greeting cards, at 7 retailers for each of these product categories. A total of 6 retailers each carry women's apparel and home décor items. Lagging slightly behind this, 5 retailers each carry children's apparel and kitchen accessories. Then 25% of all the retailers, or 4, carry toys, stuffed animals/puppets, stationary/journals, and socks. Finally, the category with the lowest representation is blankets, with only 3 retailers selling blankets. In all likelihood, these counts are conservative, in that ALH Economics may have underrepresented some categories in an effort to avoid misrepresentation.

Table 2. Representative Retail Category Overlap Among Main Street Placerville Retail Stores, December 2020

Retail Store	Representative Retail Category (1) (2)													
	Candles	Women's Apparel	Child- ren's Apparel	Toys	Stuffed Animals/ Puppets	Home Décor	Blankets	Books	Soap/ Skin Care	Greeting Cards	Station- ary/ Journals	Socks	Jewelry	Kitchen Access- ories
Blue Skies														
Panic and Swoon														
T.W. Bonkers														
Mattywags														
Body Basics														
The Bookery														
Brass + Oak														
Martha Design Btqe.														
Kollektive														
Ambiance														
Lighthouse Nature Store														
Ultimate Kitchen Design														
Midnight Kin														
Placerville News Co.														
Robinson's Pharmacy														
Treehouse														
Number of Retailers	12	6	5	4	4	6	3	7	8	7	4	4	8	5

Sources: Retail store websites and Facebook pages; and ALH Urban & Regional Economics.
 (1) The representative retail categories match categories of product lines identified by Phillip King as product lines impacted by Therapy Stores at the identified
 (2) Shaded boxes indicate the product is sold at the identified retail store, of which there are 16. This reflects ALH Economics' best recollection based on fieldwork, as well as website and Facebook research, and is presented as representative, and not definitive or comprehensive. There may be some product categories sold at stores not identified.

These findings indicate that absent the planned addition of Therapy Stores, the existing Placerville retail stores already present the same type of competitive influence with each other that Dr. King expresses concern about regarding the Therapy Stores. This suggests that if they can operate now in the face of competition from each other, they should be able to operate in the face of competition from just one more additional store, that is smaller than many of the existing stores on Main Street.⁸

THERAPY STORES COMPETITIVENESS WITH MAIN STREET RETAILERS

In Dr. King’s Memo, he included a table identifying specific product lines or generic goods carried by the 16 local stores he identified as most at risk of sales displacement from Therapy Stores. He included these goods believing them to be specific products or goods also carried by Therapy Stores, suggesting by inference that they would be goods sold by Therapy Stores in Placerville. He then suggested that the sale of these goods at Therapy Stores would result in displacement of the sale of the goods at all of the identified Placerville stores, with the result being that some of the local stores would close.

ALH Economics examined row by row the claims presented in Dr. King’s product table to determine if the product lines he identified are sold by Therapy Stores, and how competitive this might be with the stores he identified that already sell these product lines in Downtown Placerville. The results are presented in detail in Table 3 on the next page for the 15 specific manufacturers cited by Dr. King, and in the text for the more generic goods identified.

⁸ See size discussion under the later Therapy Stores Sales Impact section.

Table 3. Review of Therapy Stores Product Competitiveness with Downtown Placerville Stores Identified by Dr. King			
Manufacturer	Product	Stores Dr. King Identified As Impacted	Therapy Stores Product Competitiveness
Whiskey River	Candles, Soaps	Mattywags	Mattywags also carries Whiskey River pencils. Therapy Stores only carries Whiskey River pencils at its existing stores, but will not carry this product in Placerville.
Compedium	Cards, Books	Mattywags	Therapy Stores does not carry this manufacturer
Blue Q	Socks, Towels	Mattywags, Panic	Therapy Stores sells these products, but will not carry these products in Placerville
San Francisco Co.	Bottles, Stickers, Toys	Mattywags	Therapy Stores does not carry this manufacturer
Jelly Cat	Stuffed Animals	Mattywags	The Jelly Cat line of soft toy products is vast. There are 19 animal product lines, each with multiple options, such as 26 "Dogs & Puppies" available and 20 "Birds." There is also a Soft Toys line available, with 21 options, such as "Bashful Bunnies" and "Fuddlewuddles." Each of these also have multiple variations. In its existing stores, Therapy Stores carries no more than two small baskets of Jelly Cat stuffed animals per store in its limited section of children's gifts
Fine Lines	Books, Journals	Mattywags	Fine Lines is a very broad manufacturer's representative, with 15 individual product lines available in "Cards, Books, & Paper," each with multiple products. Therapy Stores carries products from some of these lines but they may be completely different from the lines carried by Mattywags
Nelson Line	Cards, Magnets	Mattywags	Therapy Stores carries some Nelson Line magnets, and will be asking their sales rep if this line can be carried in Placerville. They do not carry the cards
Cavallini	Paper and Gift Products	Panic & Swoon	Therapy Stores carries puzzles, towels, and notebooks manufactured by Cavallini, but not products from their other lines, which include aprons, calendars/planners, frames, greeting cards, napkins, postcards, pouches, tote bags, wraps and posters, among others
Viski Glassware	Glassware	Panic & Swoon	Therapy Stores only carries 3 or 4 styles (there are 9 collections promoted on the Viski Glassware website, with up to 16 products available in some of the collections, so the options are extensive)
Last Craft Designs	Candles, Soaps	Panic & Swoon	Therapy Stores no longer carries this manufacturer
Larissa Loden	Jewelry	Panic & Swoon	This is a large product line (e.g., the manufacturer's website currently features 38 bracelets, 126 pair of earrings, 168 necklaces); Therapy Stores carries only a few pieces
Root Candles	Candles	Treehouse	Therapy Stores does not carry this manufacturer
Hester and Cook	Cards	Treehouse	Therapy Stores does not carry this manufacturer
Molly and Rex	Stationary	Treehouse	Therapy Stores does not carry this manufacturer
Fine Lines	Home Décor	Treehouse	Fines Lines is a manufacturer's representative, and carries nine major "Home Décor" lines, each with numerous home décor products. Therapy Stores carries four of these lines: Barefoot Dreams, Corkcicle, Rockflowerpaper, and Wild + Wolf. Each of these lines includes numerous individual products. As there are many products available in these lines, as well as five other lines that Therapy Stores does not currently carry, without knowing which manufacturer lines Treehouse orders from, it cannot be determined if Therapy Stores items will or will not be directly competitive

Sources: Phillip King, Ph.D., November 16, 2020 Memo Re: Proposed Therapy Store in Placerville, California, To: City of Placerville, Table 1, page 3; ALH Economics field observation; Interviews with Therapy Stores ownership and store retail staff; review of manufacturer, maker, and manufacturer representative websites (whiskeyriversoap.com, jellycat.com, finelinescompany.com, cavallini.com, viski.com, larissaloden.com); and ALH Urban & Regional Economics.

Table 3 includes four columns, which includes the Manufacturer cited by Dr. King, the corresponding Product, the Stores Dr. King Identified as Impacted, and comments regarding Therapy Stores Product Competitiveness. The research conducted by ALH Economics that contributed to the preparation of Table 3 included conducting two interviews with the ownership of Therapy Stores, examination of the merchandise at three Therapy Stores location, field examination of the merchandise at the identified Placerville retail stores, and examination of maker and manufacturer websites. Notably, only three stores are referenced in Table 3. These stores include Mattywags, Panic & Swoon, and Treehouse.

Manufacturer-Specific Product Evaluation

As noted in Table 3, of the 15 manufacturer-specific products identified by Dr. King, 8, or just more than 50%, are not carried by Therapy Stores, are no longer carried by Therapy Stores, or Therapy Stores does not plan to carry the products in the planned Placerville store. These are the items with comments presented in shaded bold type in the far right column, and include products manufactured by Whiskey River, Compedium, Blue Q, San Francisco Co., Last Craft Designs, Root Candles, Hester and Cook, and Molly and Rex. Note that most of these are products not carried by Therapy Stores, so this was incorrect information presented by Dr. King.

This leaves 7 remaining items for which Dr. King indicates Therapy Stores will carry **exactly the same** product lines as existing Placerville stores. Of these 7 manufacturer lines, 5 are very extensive lines, and Dr. King does not mention the specific products from these lines that the existing Placerville stores carry. An example of how extensive some of these lines are includes the Jelly Cat line of stuffed animals carried at Mattywags. Therapy Stores carries no more than two small baskets of Jelly Cat stuffed animals in any one store at a time. Meanwhile, review of the company's website indicates that the collection of Jelly Cat soft toy products is vast. There are 19 animal product lines and 21 soft toy lines.⁹ Just one animal product line, such as dogs & puppies, has multiple options, including 26 individual selections, and there are 20 varieties of birds. These are just two examples, with ultimately hundreds of different individual Jelly Cat soft toys available, such that Mattywags and Therapy Stores could easily differentiate selections between the two stores. So while the product line in this case may be the same, the specific product could be easily differentiated.

Twice Fine Lines was cited by Dr. King as a manufacturer with competitive product lines to Therapy Stores, once in the product category of Books, Journals (competing with Mattywags) and once in the product category of Home Décor (competing with Treehouse). Fine Lines is a manufacturer's representative that has been representing gift, fashion, and home decor industry leaders in the Western US for over 30 years. As such, they represent a wide range of different industry leaders in numerous retail categories, of which the cited categories are just two. Yet in these two categories, they represent numerous manufacturers, including 15 individual product lines in "Cards, Books, & Paper" and 9 individual product lines in "Home Décor."¹⁰ Each product line in turn has numerous individual products. For example, Therapy Stores carries items from 4 of the 9 Home Décor product lines, but without knowing which manufacturer lines Treehouse orders from, it cannot be determined if Therapy Stores items will or will not be directly competitive with Treehouse. In summary, given the wide range of available product options, without knowing the specific Fine Lines products sold at Mattywags or Treehouse that might be sold at Therapy Stores, concern about which products represented by Fine Lines that would be competitive cannot be fully evaluated. And given the wide range of products available, the potential likelihood of exact product overlap seems low without this further information.

Two other manufacturers with large collections cited by Dr. King include Viski Glassware and Larissa Loden. Therapy Stores carries 3 or 4 styles of Viski Glassware, whereas there are 9 collections promoted on the Viski Glassware website, with up to 16 products available in some of the collections.¹¹ Therefore, the few styles carried by Therapy Stores are very unlikely to overlap with the styles or selections available Panic & Swoon, which Dr. King indicates is the local Placerville store carrying this manufacturer. It seems likely there would be ample availability for both stores to feature glassware by this maker with shoppers unlikely to even recognize their common manufacture, as

⁹ See jellycat.com

¹⁰ See finelinescompany.com

¹¹ See viski.com

some of the styles are quite dissimilar from each other. In like manner, the Larissa Loden line of jewelry is a very large product line, which ALH Economics identified from the company's website to include 38 bracelets, 126 pair of earrings, and 168 necklaces.¹² Therapy Stores carries only a few pieces of this jewelry line. Hence it seems very unlikely that there would be any significant overlap in product availability of Larissa Loden products between Therapy Stores and Panic & Swoon, the store identified by Dr. King as carrying "exactly" these same products.

This leaves two remaining specific manufacturers identified in Table 3. One of these includes Nelson Line, which includes some magnets that Therapy Stores carries that Dr. King cites that Mattywags also carries. These are a small novelty item. ALH Economics believes the sales of these magnets would not likely comprise a significant portion of either store's sales, and likely comprise an impulse purchase at either store. Moreover, this product line is also quite extensive, suggesting each store could differentiate the options available.¹³ Therapy Stores does not carry the Nelson Lines greeting cards, which are carried at Mattywags. The other manufacturer is Cavallini, whose puzzles, towels, and notebooks Therapy Stores carries. Dr. King indicates that Panic & Swoon also carries Cavallini products, in the paper and gift products categories. As noted in Table 3, Cavallini products include many categories of goods,¹⁴ and only the cited notebooks carried by Therapy Stores crosses into the paper and gift products category carried by Panic + Swoon, suggesting there is very little crossover of Cavallini products between the two stores.

In summary, many of the product lines Dr. King identified that he believed Therapy Stores would impact at Mattywags, Panic & Swoon, and Treehouse are product lines that Therapy Stores does not carry or does not anticipate carrying in Placerville. Thus, much of his concern in this regard is moot and misplaced. In cases where there may be manufacturer overlap, the product lines for most of the manufacturers are so vast that ALH Economics believes there is a very low likelihood that the exact same product selections would be available between Therapy Stores and these three existing Placerville stores, as purported by Dr. King. Therefore, shoppers likely will be provided with complementary shopping opportunities between Therapy Stores, Mattywags, Panic + Swoon, and Treehouse. In the few cases where there might be some more direct product overlap, the retailer's unique concepts and formats will differentiate the stores, and shoppers will make choices how and where to spend their shopping dollars and bundle their shopping purchases.

Store Impacts Based on Generic Goods Product Evaluation

Dr. King's Table 1 also includes claims about Therapy Stores' sales competitiveness in key product categories sold by individual stores he anticipates will be impacted by the planned Therapy Stores (this list includes all the stores except Mattywags and Panic & Swoon). These categories include books, holiday décor, blankets and rugs, jewelry, women's clothing, gifts and printed material, children's clothing, home goods, bath and body, toys and stuffed animals, gifts/cards/jewelry, kitchen accessories, and candles/sundries. In this case he tied these products specifically to individual stores anticipated to be impacted.

ALH Economics reviewed these retail categories relative to Therapy Stores product sales and provides the following comments regarding the products sold by Therapy Stores compared to either the products sold by the cited stores as stated by Dr. King or the category in general:

¹² See larissaloden.com

¹³ See <https://nelsonline.com/gifts/products/magnets/>

¹⁴ See cavallini.com

- **Books - The Bookery:** Therapy Stores carry a seasonally changing assortment of new books, that generally do not compete with books sold at The Bookery;
- **Holiday Décor - Treehouse:** Therapy Stores carries Christmas-themed gifts but does not create storewide Christmas displays, and thus the holiday décor at Treehouse will have market dominance over Therapy Stores
- **Blankets, Rugs - Midnight Kin:** Therapy Stores carries limited blankets and small rugs, such as Navajo rugs; the available products do not overlap with goods sold at Midnight Kin, which focus more on products produced with natural fibers (like mohair blankets)
- **Jewelry - Treehouse, My Martha's Boutique & Blue Skies:** Therapy Stores' owner travels intensively in the country to source hand-made jewelry (and handcrafts) and the store is well known for presenting unique products direct from the makers in this sales category, so the store is unlikely to have many overlapping products with Treehouse, My Martha's Boutique, or Blue Skies
- **Women's Clothing - Ambiance, My Martha's Boutique & Blue Skies:** Up to 20% of the planned Therapy Stores may comprise men, women's, and children's apparel, similar to the sales base of the former Combellack's; the women's apparel is of a totally different character than the apparel sold at My Martha's Boutique and Blue Skies, and Therapy Stores ownership anticipates working with its sales rep to avoid product duplication with Ambiance
- **Gifts, Printed Material - Placerville News Company:** All products sold at Therapy Stores can be considered gifts, and there are no magazines, newspapers, or books similar to those sold at Placerville News Company sold at the store, so it is unlikely that there will be much, if any printed matter overlap between Placerville News Company and Therapy Stores
- **Children's Clothing - Kollektive:** Up to 20% of the planned Therapy Stores may comprise men, women's, and children's apparel, similar to the sales base of the former Combellack's; the children's apparel is of a different character than the apparel sold at Kollektive, which has a more old-timey feel, and thus these products are unlikely to be competitive between the two stores
- **Home Goods - Brass + Oak:** Brass and Oak has a furniture store orientation, while Therapy Stores is more accessory or ornamentation oriented, such as pillows or small rugs, and there are only a few of these available at Therapy Stores compared to Brass + Oak
- **Bath and Body – Body Basics:** Therapy Stores does not provide customized products like Body Basics, and thus does not provide the level of personal customer service provided at Body Basics
- **Toys, Stuffed Animals – T.W. Bonkers:** Therapy Stores has a very small and very limited children's section with very few toys and stuffed animals, which is overshadowed and overpowered by the options available at T.W. Bonkers
- **Gifts, Cards, Jewelry – Lighthouse Nature Store:** Therapy Stores carries gifts, greeting cards, and jewelry by many manufacturers and makers not already represented in Placerville, so there is unlikely to be any product overlap with Lighthouse Nature Store
- **Kitchen Accessories – Ultimate Kitchen Design:** Therapy Stores sells a changing array of small kitchen accessories, such as serving spoons, measuring spoons, cutting boards, comprising a limited area of display space, versus a wider array of kitchen wares and accessories sold at Ultimate Kitchen Design
- **Candles, Sundries – Robinson's Pharmacy:** Therapy Stores carries about six brands/product lines of candles. Sundries is a broad product category and it is unclear what this means. However, as Robinson's is primarily a drugstore, which comprises a different type of retail altogether from Therapy Stores and focuses on providing healthcare services to the community, it is unlikely that Therapy Stores will comprise a significant competitive influence on Robinson's Pharmacy

This review indicates that Therapy Stores is unlikely to be highly competitive with the above-cited stores in the retail categories cited by Dr. King due to the unique natures of the individual stores and their specializations in many of the retail product categories cited, or the individuation of Therapy Stores' products such as its jewelry collection and handcrafted products.

PANDEMIC RETAIL SALES IMPACTS

Dr. King raises concern in his memo about the impact of COVID-19 on Downtown Placerville businesses, citing how retail chains across the nation have gone into bankruptcy and how the stay-at-home restrictions harmed businesses across the U.S., especially small businesses with lower margins, less access to capital, and less able to cope with the cumbersome COVID-19 compliance costs. Dr. King follows these concerns with a statement that allowing Therapy Stores "to enter the downtown Placerville market at this time places other local businesses in downtown Placerville, who are already struggling, at serious risk of closure."¹⁵

ALH Economics obtained taxable retail sales data from the City of Placerville Department of Finance that sheds light on the status of restaurant and retail sales on Main Street during the first three quarters of 2020, which coincide with the initial onset of the COVID-19 pandemic through September 30, 2020, when the economy began to open up again before the fall surge. These taxable sales data provide quarterly sales data for Restaurant and All Other Retail sales for addresses between 88 and 601 Main Street, for 1st quarter 2019 through 3rd quarter 2020. These addresses include all of the 16 retail businesses identified by Dr. King in his Memo as well as many other retail businesses and restaurants located on Main Street between Rector Street to just past Cedar Ravine Road. This area was selected to capture the majority of the Downtown Placerville business activity on Main Street.

The sales data are presented below in Table 4, which clearly show a slowdown in the Main Street economy during 1st quarter 2020, as Restaurant sales dropped 68% from 1st quarter 2019 and All Other Retail sales dropped 40% from 1st quarter 2019. Some of the 1st quarter 2020 All Other Retail sales decline was due to the January 13, 2020 closure of Combella's, one of the largest retail stores on Main Street. However, the decline most likely largely reflected the dawning awareness of the pandemic, and then the initial statewide stay-at-home order, which limited business operations to only those considered to provide essential services, defined as those that provide food, shelter, social services and homeless services, and other necessities of life for economically disadvantaged or otherwise needy individuals; fresh and non-perishable food retailers (including convenience stores); pharmacies; child care facilities; gas stations; banks; laundry businesses and services necessary for maintaining the safety, sanitation and essential operation of a residence.¹⁶ On Main Street, examples of essential businesses include Robinson's Pharmacy, Placerville Hardware, El Dorado Savings Bank, and Shell Gas Station.

¹⁵ King, page 5.

¹⁶ See <https://sonomacounty.ca.gov/CAO/Press-Releases/Health-Officer-Orders-County-Residents-Shelter-in-Place/>

Quarter	Retail Type	Year		Paired Quarter Change	
		2019	2020	Dollars	Percent
1st	Restaurants	\$4,525,826	\$1,453,636	(\$3,072,190)	-67.9%
1st	All Other Retail	\$5,146,935	\$3,089,733	(\$2,057,202)	-40.0%
	Total	\$9,672,761	\$4,543,369	(\$5,129,392)	-53.0%
2nd	Restaurants	\$4,676,433	\$4,177,149	(\$499,284)	-10.7%
2nd	All Other Retail	\$4,286,802	\$3,101,711	(\$1,185,091)	-27.6%
	Total	\$8,963,235	\$7,278,860	(\$1,684,375)	-18.8%
3rd	Restaurants	\$4,364,909	\$4,063,270	(\$301,639)	-6.9%
3rd	All Other Retail	\$5,053,419	\$5,109,346	\$55,927	1.1%
	Total	\$9,418,328	\$9,172,616	(\$245,712)	-2.6%
4th	Restaurants	\$5,736,776			
4th	All Other Retail	\$6,445,586			
	Total	\$12,182,362			

Source: City of Placerville, Department of Finance.

As the figures in Table 4 indicate, During 2nd quarter 2020, which reflected the April through June 2020 period, Restaurant and All Other Retail sales were 11% and 28% below their same quarter levels from the prior year. While these obviously lower, likely reflecting pandemic impacts, they also are reflecting the continued loss of Combellack's sales following the store's January closure. What is most notable is that despite the store closure from a year earlier, by 3rd quarter 2020, even with continued pandemic conditions, Restaurant sales on Main Street were only down 7% from a year earlier (California Kitchen at 251 Main Street closed during the end of this quarter), and All Other Retail sales were up by 1%. Given that Combellack's was not operating during the 3rd quarter of 2020 when it was during the same quarter last year, this means that the existing stores on Main Street actually performed better during 3rd quarter 2020 than they did during 3rd quarter 2019, even in the midst of the COVID-19 pandemic. This is a remarkable circumstance during unprecedented times, and indicates that businesses in Downtown Placerville are not struggling as significantly as suggested by Dr. King. Instead, under the circumstances, Main Street Placerville's Business District appears to be functioning well, continuing to attract tourists and shoppers.

Additional tough times are ahead as the pandemic continues to surge, with stay-at-home orders in place for the Sacramento Region including El Dorado County, which allow retailers to remain open but at significantly reduced capacity and restaurants restricted to take-out only until the orders are relaxed or lifted. However, Main Street's resiliency demonstrated during 3rd quarter 2020 bodes well for Main Street's ability to attract people anxious to be out and about, and suggests a post-pandemic recovery may not be as dire as the picture painted by Dr. King, since Downtown Placerville has already experienced growth at a time when most forecasters would have expected decline, although data reported by Deloitte Insights indicated that in general, as consumers adjusted to the pandemic, spending revived in 3rd quarter 2020,¹⁷ as was demonstrated on Main Street Placerville.

¹⁷ "COVID-19 Will Weigh On Consumer Spending Till Vaccinations Change the Game," Deloitte Insights, December 18, 2020. See <https://www2.deloitte.com/us/en/insights/economy/spotlight/economics-insights-analysis.html>

With the upcoming proliferation of the COVID-19 vaccine into the general community, the economy is expected to begin its slow recovery. The fullest impact of this recovery may not be seen until summer or fall of 2021, after the greatest deployment of the vaccine.¹⁸ However, in the meantime, Downtown Placerville has already demonstrated an ability to hold water, suggesting that the dire predictions made by Dr. King are not on point.

THERAPY STORES SALES IMPACT

Just like the existing Main Street retailers already reviewed in this report, as well as others located on Main Street but not reviewed, the proposed Therapy Stores will comprise another unique retailer in Downtown Placerville. The store will fill a large, existing vacancy on Main Street, with a portion of the sales replacing the apparel sales of the historic retailer whose space it will be occupying. The preceding review demonstrated that many of the existing retailer products Dr. King believes Therapy Stores would replicate is not the case. Instead, the merchandise at Therapy Stores will complement these stores, broadening the retail opportunities available to shoppers in Downtown Placerville, providing further opportunities for tourists and local shoppers to be drawn to the area and stay in the area as they prolong their shopping trip to Main Street and explore the range of available merchandise, seeking merchandise that meets their needs or appeals to their fancies.

Therapy Stores is sensitive to retailer concerns about competition, as are its sales reps and vendors. In the process of seeking and ordering merchandise, Therapy Stores' owner/buyer will work with the store's sales reps and vendors to determine if there are brands or certain maker goods they cannot carry in Placerville because they are already well represented in the market by other retailers. If this is the case, then Therapy Stores will honor and respect these restrictions and will instead find other products that fit its desired merchandising requirements.

In the process of learning about Therapy Stores for the purpose of preparing this report, ALH Economics visited three Therapy Stores. Part of the learning process included visiting and speaking to a few competitive businesses situated in the shopping districts where the Berkeley and Folsom stores are located. The purpose of these visits was to assess the degree to which these stores believed Therapy Stores was competitive with their stores, or complementary. While only a few stores were visited, the results indicated that the store representatives believed, even in these pandemic times, that there was room in the market for both stores (the store being queried and Therapy Stores) and some stores even mentioned that Therapy Stores was a referral source of customers. Also in preparing this report, ALH Economics learned that Therapy Stores staff will frequently refer customers to other nearby retailers if that is what is necessary to satisfy customer shopping needs. Store staff seek to develop collaborative relationships with their neighboring retailers so they can be of mutual benefit to each other. This is in keeping with the family orientation among the Therapy Stores staff, where staff from the different stores all seem to know each other, something else evident during ALH Economics' visits to the different Therapy Stores locations.

The proposed Placerville Therapy Stores will comprise approximately 1,800 square feet of retail sales space. Among the 16 Main Street retailers identified by Dr. King, four have larger sales areas - T.W. Bonkers, Placerville News Company, Robinson's Pharmacy, and Treehouse – and at least one has approximately a similar sales area, Ambiance. Therapy Stores will therefore become just one of a number of larger retailers on Main Street. These are just the retailers included in the list of competitive retailers identified by Dr. King, as there are yet other large retail spaces on Main Street. Yet while

¹⁸ Ibid.

comprising one of the larger tenants, at 1,800 square feet of retail sales space, this is still a small amount of retail sales space. There is no comparison between this amount of space and the type of retailers that spawned and fueled the impetus behind the concept of urban decay in the context of CEQA in California, such as Walmart, Target, and Costco, and major shopping centers with store or shopping center sizes ranging from around 150,000 square feet for a single store to over 1.0 million square feet for a shopping center.

ALH Economics believes that operation of Therapy Stores in Placerville is not likely to cause any of the 16 existing businesses identified by Dr. King to experience a sales impact sufficient to risk business closure. Several reasons in support of this belief include the following:

- The unique characteristics of the identified Main Street retail stores, which result in their own unique customer base
- The continued operation of the existing stores despite current product overlap among the stores
- A portion of the Therapy Stores retail sales comprising apparel sales, effectively replacing the prior lost Combellacks apparel retail sales
- The small size of the planned Therapy Stores relative to the scope of the existing Main Street retail market
- The planned Therapy Stores merchandising strategy to avoid product duplication with the existing stores in Placerville, both as a general business practice and pursuant to sales reps and vendor requirements
- Examples of Therapy Stores' fitting in well in other shopping districts and complementing neighboring retailers
- The ability of existing Placerville stores to adjust their own merchandising strategies as necessary to avoid observed or perceived product duplication, keeping store merchandise fresh and unique

Thus, ALH Economics concludes that Therapy Stores will add to the vitality of the commercial retail base in Downtown Placerville and will complement the existing retail base.

MAIN STREET PLACERVILLE COMMERCIAL REAL ESTATE ENVIRONMENT

Vacancies Visible in Early December 2020

ALH Economics observed commercial real estate conditions on Main Street and adjoining streets in Placerville in early December 2020. At that time, only five commercial retail vacancies were noted, only two of which had no retenanting activity apparent. These five commercial vacancies, from the oldest to the most recent, included the following:

- The former Randolph Jewelers at 375 Main Street closed December 2018 upon the retirement of its owner, Charles Stephens. His store had continued a tradition of continual jewelry store operation at this location since 1852, with ownership of the jewelry store passing down through a successive line of owners. Seeking to maintain the heritage of a jewelry store operating in the space, Mr. Stephens sought out another jewelry store occupant, and ultimately the building was purchased, remodeled, and while vacant at the time of the ALH Economics fieldwork in early December, occupancy for the building was issued on December 17, 2020 and a new jewelry store, Roman's Jewelry, is now open for business.

- The Combellack's store at 339 Main Street, closed January 13, 2020, after operating under four generations of the same family ownership continuously at this location for 131 years, with the building purchased by Therapy Stores in October 2020 after being on the market for approximately 6 months.
- The Let's Poke restaurant at 3182 Center Street, closed in March 2020, with vacancy of 2,020 square feet of office/retail space. The Let's Poke restaurant operated in this space for approximately 2.5 years. Previous to that, Z Pies operated at the location for 25 years.
- The California Kitchen restaurant at 251 Main Street closed in August 2020. At the time the restaurant closed new ownership was already in progress for the space, with negotiations begun in February 2020 and the purchase completed in October 2020. So while the space was closed and vacant in early December, new ownership was already working on revamping the space for The Green Room Social Club, a new restaurant and bar concept with musical entertainment, with a potential new opening by March or April, after receipt of a beer and wine license.
- The Farm Table Restaurant at 311 Main Street closed at the end of August 2020. This restaurant tried to maintain operations through the pandemic but ultimately could not make a go of it. The restaurant owner has been seeking another restaurant operator to take over the space, but this is a difficult time to secure another restaurant operator, and the greatest interest thus far has been from persons seeking to purchase the fixtures and furnishings.

Of these five vacancies, only the Let's Poke restaurant and The Farm Table Restaurant spaces continue to remain vacant, with the Let's Poke space comprising the longest term vacancy. As noted, this space is not located on Main Street, but rather lacks a central location and is relatively hidden from the pedestrian traffic on Main Street. Despite this location, the space appears to be in good condition with no signs of disrepair. The Let's Poke restaurant occupied the space for approximately 2.5 years, but was not doing well prior to the pandemic, and closed operations coincident with the onset of the pandemic. There has been some, but not much interest expressed in the space since it has become available. Lookers have included hair salons. The commercial broker representing the space indicates that the size of the space is a bit of a deterrent, and that if it could be readily subdivided it would be easier to lease, but that there are complications to achieve this subdivision despite the space having two entryways. Absent the pandemic, however, he believes the space would have been leased by now despite it's less favorable location off Main Street. This belief is supported by the previous 14-year occupancy of the space by only two prior restaurant tenants.

Main Street Retail Commercial Demand and Physical Condition

Discussions with commercial real estate brokers familiar with Main Street Placerville indicated that the commercial real estate market on and adjoining Main Street is generally a strong market. This is supported by the street's commercial properties appearing to be in good physical condition with no visible signs of urban decay. Many of the buildings are historic and date back to Placerville's Gold Rush days, and reflect the historic nineteenth century architecture of the Downtown District.

The commercial real estate brokers indicated that commercial vacancies on Main Street do not occur very often, and when they do, they are typically retenanted very quickly. This is especially the case for smaller commercial spaces for which demand is strongest. Unlike the commercial real estate market in other parts of Placerville, even the nearby Broadway Corridor just north of Main Street where vacancy is much higher, commercial demand in Downtown Placerville is driven by tourism, dominated by tourist shopping and restaurants. Shop owners with a product that appeals to tourists seek to locate on Main Street. Some of the events typically held on Main Street absent the pandemic help support and fuel this attraction, such as Oktoberfest, WINEderlust Renegade Wine, Art, & Music Festival.

When vacancies occur, commercial brokers indicate there is a mix of tenant demand generated by local store owners and non-local store owners. They generally see a lot of interest expressed for spaces on Main Street, with calls coming in within a week of vacancies being posted during pre-pandemic times. For an average new Main Street deal, from start to finish, it takes 60-90 days to identify a tenant, so the average turnaround for vacant retail spaces is typically 3-4 months at the longest taking into consideration lease preparation, conditional use permits, tenant improvements, and permit preparation. Some of this strong demand is driven by lower lease rates on Main Street, which are lower than elsewhere in Placerville. Lease rates Downtown may range from \$1.10 to \$1.15 per square foot, while in other parts of Placerville they may average \$1.30 or more per square foot - up to \$1.40 plus \$0.78/sq. ft. CAM (Common Area Maintenance) in one example. Some of what drives the lower lease rates on Main Street is the parking limitations, with limited on-street parking and 2-hour public parking available instead in nearby City-owned garages.

Tenant demand is strongest for smaller spaces ranging from 1,000 to 1,500 square feet. Larger spaces take longer to retenant. For example, if a 2,500-square-foot space became vacant prior to the pandemic, one experienced real estate broker estimated such a space could be retenant within 90-120 days (e.g., 4 months), with a smaller space requiring less time. In the era of the pandemic, retail spaces that become available for lease could take a little more time to retenant, especially larger store spaces. For example, instead of up to 120 days, such a space could take up to 6 months to retenant during the pandemic. However, the core strength and interest in Main Street remains, with its strong fundamental as a tourist attraction area. Thus, the real estate brokers generally believe that spaces that become available even during the pandemic would not remain vacant for prolonged periods of time, and that tenant interest would develop, with property owners continuing to maintain their property in good physical condition until such time as new tenants take occupancy of the space.

POTENTIAL FOR URBAN DECAY

Definition of Urban Decay

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

Contributing Causes of Urban Decay

Before considering how the proposed Therapy Stores might affect the market and environs, it is useful to focus on what constitutes the *environmental* impact known as urban decay. The leading court case on the subject, *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, 1204, described the phenomenon as “a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.” The court also discussed prior case law that addressed the potential for large retail projects to cause “physical deterioration of [a] downtown area” or “a general deterioration of [a] downtown area.” (Id. at pp. 1206, 1207). When looking at the phenomenon of urban decay, it is also helpful to note economic impacts that do not constitute urban decay. For example, a vacant building is not urban decay, even if the building were to be vacant over a relatively long time. Similarly, even a number of empty storefronts would not constitute urban decay. Based on the preceding description regarding

urban decay, therefore, ALH Economics' analysis considered whether there was sufficient cause to believe the Therapy Stores would impact existing retailers so severely such as to lead to store closures and resulting vacancies, which could then lead to a downward spiral toward decay of the commercial real estate market.

Therapy Stores Potential to Cause Urban Decay

Along Main Street Placerville, the commercial retail properties are moderately to well-maintained, with no properties exhibiting long-term vacancies. There is only one existing vacancy in the Main Street area at present that has been closed for more than 9 months (but less than a year) with no strong market interest, and this is a vacancy that does not feature visibility on Main Street. All but one of the several commercial ground floor retail vacancies on Main Street are all in the process of turning over, with new tenants in progress. These include a former restaurant, a former jewelry store (whose owner held out for another jewelry store tenant), and the relatively large Combellacks building, purchased by Therapy Stores. In no instances at all do any existing properties, including the other existing Main Street vacancy presently lacking new tenant interest, currently demonstrate any characteristic indicators of urban decay, such as extensive graffiti, dumping of refuse, lack of building maintenance, broken glass littering the site (see definition on page 2).

The study analysis does not suggest any retailers would be at risk of losing retail sales sufficient to result in store closure leading to increased commercial vacancy as a result of Therapy Stores opening, and thus there would likely be no risk for their properties to erode into conditions leading to urban decay. Yet, if such an event were to occur, there is no indication from the market that urban decay would result from such a store closure. Commercial real estate brokers indicate that market demand for properties on Main Street is strong, and the existing vacant properties have been well-maintained while on the market waiting for new tenancies. Further, property owners are well-motivated to maintain their properties to maximize tenant appeal and rent expectations. Thus, real estate market conditions on Main Street do not appear to be conducive to urban decay. This is contrary to the opinion voiced by Dr. King in his Memo, which is based on a total lack of information about the commercial real estate market in Placerville. Without citing any information about current physical conditions in Placerville, or in fact without setting eyes on the current physical conditions, Dr. King opined that "there is a serious and significant possibility that the proposed Therapy store in downtown Placerville would create urban decay in the downtown due to the closure of several local business".¹⁹ Further, Dr. King admitted in his Memo that he had not recently visited Downtown Placerville, e.g., in his Memo Introduction he states "I am also familiar with downtown Placerville and have visited it numerous times, though not recently."²⁰

Contrary to Dr. King, ALH Economics presented information and evidence about the physical condition of Downtown Placerville's commercial real estate base, indicating there are no current signs of urban decay. Therefore, pursuant to the existing commercial real estate market conditions, historic trends in backfilling commercial vacancies, and Therapy Store operations, ALH Economics concludes that there is no reason to consider that opening of the proposed Therapy Stores would cause or contribute to urban decay.

¹⁹ King Memo, page 6.

²⁰ Ibid, page 1.

CLOSING

ALH Urban & Regional Economics was pleased to prepare these findings pertinent to the proposed Therapy Stores in Placerville, California. Please let us know if you have any comments or questions on the analysis.

Sincerely,

ALH Urban & Regional Economics

A handwritten signature in blue ink, appearing to read "Amy L. Herman".

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 FIRM QUALIFICATIONS

Firm Overview

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:

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

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

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

Principal Introduction

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

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 Past President of the Board of Directors of Rebuilding Together East Bay - North (formerly Christmas in April) and serves as an officer on 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 her career, Ms. Herman has established a strong professional network and client base providing access to contacts and experts across a wide spectrum of real estate and urban development resources.

Ms. Herman's resume follows.



AMY L. HERMAN
PRINCIPAL

ALH Urban & Regional
Economics
Berkeley, California

T 510.704.1599
aherman@alhecon.com

SELECT OTHER CLIENTS

- Alameda County Fair
- Arcadia Development Company
- Catellus Development Corporation
- CenterCal Properties
- Claremont University Consortium
- City of Dublin
- Dudek
- Environmental Science Associates
- Equity One
- First Carbon Solutions (formerly Michael Brandman Associates)
- Gresham Savage Nolan & Tilden
- Howard Hughes Corporation
- City of Inglewood
- LSA Associates
- Maximus Real Estate Partners
- The Primary School
- Remy Moose Manley
- Ronald McDonald House
- Signature Flight Support
- Syufy Enterprises
- City of Tracy

Amy L. Herman, Principal of ALH Urban & Regional Economics, has provided urban and regional consulting services for approximately 35 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

Alameda County. Prime consultant for a complex team that prepared a Local Development Business Plan for the newly launched East Bay Community Energy Community Choice Aggregation program for Alameda County. ALH Economics components included economic impact and financial analysis of the local development program components.

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.

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. Completed a similar study for the Monterey Bay Area Region.

Bay Area Rapid Transit District. Completed economic impact analysis of BART's operations in the San Francisco Bay Area region.

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

FISCAL IMPACT ANALYSIS

Stanford Research Park. Analyzed historic and current fiscal contributions generated by the Stanford Research Park real estate base and businesses to the City of Palo Alto, Santa Clara County, and the Palo Alto Unified School District.

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.

Kimco Realty. Prepared fiscal impact analysis of plans to renovate and redevelop part of Westlake Shopping Center and infill development of a 179-unit apartment project adjoining the shopping center.

Sycamore Real Estate Investments, LLC. Prepared a fiscal impact model for client implementation, to test the General Fund net fiscal impacts of alternative land use mixes.

Residential and Commercial Developers. Prepared fiscal impact studies for new development projects, including residential, office, and mixed-use projects, demonstrating the net fiscal impact on the respective city's General Fund and local school districts.

AMY L. HERMAN
Principal

ECONOMIC DEVELOPMENT AND PUBLIC FINANCE

Infrastructure Management Group. Contributed to due diligence analysis of the proposed Transbay Transit Center to support evaluation of requested bond loan adjustment requests to support project construction.

Alameda County. Managed numerous assignments helping Alameda County achieve its economic development goals for the County's unincorporated areas through surplus site disposition assistance, including market analysis and financial due diligence for residential and commercial mixed-use developments.

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.

LAND USE POLICY

Union City Property Owner. Provided an independent analysis regarding the reasonableness of the City of Union City continuing to reserve a key development area for office and/or R&D development in the context of the General Plan Update.

Alameda County Community Development Agency. Provided analysis and input regarding the Ashland and Cherryland Business District Specific Plan requirements for non-residential floor space in mixed-use development sites over 10,000 square feet

DCT Industrial Trust (Subsequently acquired by ProLogis, Inc.). Performed economic analysis on a proposed change to the Newark Zoning Ordinance regarding permitted industrial uses. The analysis demonstrated the market, fiscal, and economic impacts that could result from the proposed zoning ordinance change.

City and County of San Francisco. Under direction of the San Francisco Planning Department, conducted analysis and literature review regarding residential and commercial displacement, especially they pertained to two planned Mission District mixed-income apartment projects.

DEVELOPMENT FEASIBILITY

China Harbour Engineering Company Ltd. (CHEC). Prepared a market assessment and development feasibility analysis for the potential development of a 5.54-acre parking lot at the West Oakland BART Station in Oakland, CA for CHEC, the development entity selected by BART to pursue joint development of the site pursuant to an Exclusive Right to Negotiate Agreement.

Align Real Estate, LLC. Prepared independent economic analysis of a proposed residential development in San Francisco on the site of several buildings, including one considered an historic resource pursuant to CEQA. The analysis tested several project alternatives, focusing on net developer margin as an indicator of financial feasibility.

Build, Inc. Conducted financial analysis comparing the development of a prospective San Francisco residential site as a "stand-alone" project compared to a larger "combined lot" project that would incorporate unused floor-area-ratio from an adjacent property.

Various Residential Developers. In support of fiscal impact studies, prepared residential market analysis examining historical development and pricing trends, absorption, and forecasting demand by product type. Prepared achievable pricing estimates by residential unit type and size.

EDUCATION

- Bachelor of Arts degree in urban studies, magna cum laude, Syracuse University.
- Master of Community Planning degree from the University of Cincinnati.
- Advanced graduate studies in City and Regional Planning at the University of California at Berkeley.

APPENDIX B

RELEVANT EXPERIENCE: RETAIL 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, Target store, and other club retail stores. 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-Herdon 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
- Concord, Veranda Shopping Center, a 375,000-square foot center anchored by a Whole Foods 365 Market, Movie Theater, and upscale apparel retail, opened October 2017, with 365 Market opening December 2017
- Dublin, Persimmon Place, 167,200 square feet, anchored by Whole Foods, opened 2015
- 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, opened April 2017
- Fresno, Park Crossing (formerly Fresno 40), totaling 209,650 square feet, July 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
- Oakland, Rockridge Safeway expansion and shopping center redevelopment (The Ridge), including total net new development of 137,072 square feet, opened September 2016
- Oroville, Walmart Superstore, 213,400 square feet, replacing existing Walmart Discount Store, opened April 2017
- Rancho Cordova, Capital Village, totaling 273,811 square feet, anchored by a Lowe's Home Improvement Warehouse; phased project opening, January 2008 – July 2008
- Sacramento, Delta Shores, 1.3- to 1.5-million square feet, anchored by a lifestyle center; phased project opening beginning September 2017
- Sacramento, Downtown Commons, mixed-use entertainment complex with 682,500 square feet of retail space adjoining new Golden 1 Center for the Sacramento Kings; initial tenant 2016, additional tenants beginning November 2017
- Sacramento, Land Park Commercial Center, proposed commercial center with a 55,000-square-foot relocated and expanded full service Raley's grocery store and pharmacy and seven freestanding retail buildings comprising 53,980 square feet, Raley's opened April 2020
- San Francisco, Chase Center, prepared response to comments regarding impacts on Oakland Arena, opened September 2019
- 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
- Sonora, Sonora Crossroads, Walmart Discount Store expansion to a Superstore, net increase of 30,000 square feet, groundbreaking May 2017
- Ukiah, Costco, 148,000-square-foot warehouse membership store, groundbreaking September 2017, opened July 2018
- 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
- Walnut Creek, The Orchards at Walnut Creek, mixed-use project including up to 225,000 square feet of retail space, opened September 2016
- 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 in Progress/Engaged in the Public Process

- Cool, Dollar General, proposed store on a 1.69-acre site totaling 9,100 square feet.
- 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
- Oakland, Oakland Waterfront District Park, prepared gentrification, displacement, and urban decay study for the proposed new Oakland A's multi-purpose Major League Baseball ballpark at the Howard Terminal, totaling approximately 55 acres, with a capacity of up to 35,000 persons and additional land uses, including up to 3,000 residential units, 1.5 million square feet of office, a 400-room hotel, up to 270,000 square feet of mixed retail, cultural and civic uses, a 50,000-square-foot performance center, and parking for all Project uses.
- 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