EUREKA BALLOON TRACK RETAIL DEVELOPMENT

ECONOMIC IMPACT AND URBAN DECAY ANALYSIS
EUREKA, CALIFORNIA

Prepared for:

SECURITY NATIONAL PROPERTIES

NOVEMBER 2006

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November 10, 2006

Mr. Brian Morrissey
Sr. Vice President
Security National Properties
222 South 15th Street
Omaha, NE 68102

Mr. Randy Gans
Vice President - Development
Security National Properties
323 Fifth Street
Eureka, CA 95501

Re: Eureka Balloon Track Retail Development Economic Impact and Urban Decay Analysis

Dear Mr. Morrissey and Mr. Gans:

CB Richard Ellis Consulting/CBRE Consulting ("CBRE Consulting") is pleased to submit this report completed for the City of Eureka on behalf of Security National Properties regarding the economic impact and urban decay analysis for the planned retail development of the Eureka Union Pacific Railroad Balloon Track ("Marina Center"), including anchor tenant Home Depot. The report discusses the proposed Marina Center's anticipated sales, the likely impact of these sales on existing retailers, cumulative impacts of other selected planned developments in the primary market area, the extent to which the center may or may not contribute to urban decay in the primary market area, and the fiscal benefit to the City of Eureka General Fund resulting from property and sales tax revenue.

It has been a pleasure working with you on this project. Please let us know if you have any questions or additional needs.

Sincerely,

Amy L. Herman, AICP
Managing Director

Pipi Ray Diamond
Consultant

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I. EXECUTIVE SUMMARY

OVERVIEW

The purpose of this report is to analyze the economic impact of the proposed Marina Center in the City of Eureka, California. Marina Center is a mixed-use project planned for the 35-acre Union Pacific Balloon Track Property, located near Downtown Eureka. The 586,000-square-foot project is proposed to include office, industrial, retail, and residential uses, with a 327,500-square-foot shopping center serving as the development's anchor.

The shopping center is planned to include a 132,000-square-foot Home Depot (includes a 28,000-square-foot garden center), three additional anchor spaces totaling 67,000 square feet, and 128,500 square feet of additional retail space in various buildings. CBRE Consulting worked with Security National Properties to allocate the unknown retail sales to specific retail categories. The unknown retail sales were allocated based on Security National Properties' expectations of the types of retailers they would seek to attract and represent a typical mix of tenants for a shopping center of this type and size. In addition to the retail component, 104,000 square feet of office space, 70,000 square feet of industrial space, and 12,500 square feet of public attraction space (planned to be a children's museum) are anticipated. The proposed Marina Center is anticipated to be completed in 2010.

This study probes the potential impacts of the center on existing primary market area retailers, especially those offering goods similar to those expected to be sold at Marina Center including apparel, general merchandise, building materials, home furnishings and appliances, dining, and "other retail stores" categories. This study also estimates the extent to which the Marina Center may or may not contribute to urban decay in the primary market area.

SUMMARY OF FINDINGS

Marina Center Sales

CBRE Consulting estimates that annual stabilized Marina Center sales will total $122.3 million in 2010 dollars, comprised of:

- $15.1 million in apparel sales;
- $6.7 million in eating and drinking places;
- $14.8 million in home furnishings and appliances sales;
- $26.4 million in building materials;
- $25.7 million in specialty stores;
- $7.1 million in garden supplies; and
- $26.5 million in "other retail stores" sales.

Of these new sales, approximately 85 percent, or $104.0 million, is estimated to be generated by primary market area residents, which is defined as Humboldt County. The remaining 15 percent of sales generated at Marina Center are expected to originate from shoppers residing outside this area. Stabilized sales are not expected to occur the first year of store operations, but rather the second or third year, which is typical of new retail operations. However, for the sake of simplicity, the analysis conservatively assumes stabilized sales are achieved in 2010. Accordingly, all dollar figures unless otherwise noted are presented in 2010 dollars.

Impacts on Existing Primary Market Area Retailers

For the purposes of this analysis, Humboldt County was identified as Marina Center's primary market area. CBRE Consulting conducted analysis to determine the extent to which Marina Center's retail sales would impact existing retailers in Humboldt County. Additionally, given Eureka's status as the County's retail hub, CBRE Consulting assessed the impacts Marina Center would have on existing retailers in the City of Eureka only.

The analysis indicates that Marina Center could divert a maximum of $49.3 million in sales from existing Humboldt County retailers once stabilized sales are achieved. Table 1, following, details the potential sales diversion, which includes $2.5 million in eating and drinking places sales, $11.9 million in building materials sales, $6.7 million in specialty stores sales, $5.7 million in garden supplies sales, and $22.5 million in "other retail stores" sales.

Table 1
Maximum Marina Center Retailers Sales Impacts Upon Stabilization
Humboldt County (Primary Market Area)
2010 Dollars, in Millions

Retail Category	Marina Center Sales	Maximum Sales Diverted From Primary Market Area Retailers	Minimum New Sales to Primary Market Area
Apparel	$15.1	$0.0	$15.1
Eating and Drinking Places	6.7	2.5	4.2
Home Furnishings and Appliances	14.8	0.0	14.8
Building Materials	26.4	11.9	14.4
Specialty Stores: Stationary and books	7.8	6.7	1.2
Specialty Stores: Office, store and school supplies	17.9	0.0	17.9
Garden Supplies	7.1	5.7	1.4
"Other Retail Stores"	26.5	22.5	4.0
Total	**$122.3**	**$49.3**	**$73.0**

Sources: Exhibit 12; and CBRE Consulting.

As presented in Table 2, the potential impacts on City of Eureka retailers could be a maximum of $30.5 million, comprising $1.2 million in eating and drinking places sales, $6.8 million in building materials sales, $4.0 million in specialty stores sales, $0.8 million in garden supplies, and $17.8 million in "other retail stores."

Table 2
Maximum Marina Center Sales Impacts on Eureka Retailers
2010 Dollars, in Millions

Retail Category	Maximum Sales Diverted From Humboldt County (Primary Market Area) Retailers	Maximum Sales Diverted From Eureka Retailers	Minimum Net New Sales to City of Eureka
Apparel	$0.0	$0.0	$15.1
Eating and Drinking Places	2.5	1.2	5.6
Home Furnishings and Appliances	0.0	0.0	14.8
Building Materials	11.9	6.8	19.6
Specialty Stores: Stationary and books	6.7	4.0	3.8
Specialty Stores: Office, store and school supplies	0.0	0.0	17.9
Garden Supplies	5.7	0.8	6.3
Other Retail	22.5	17.8	8.7
Total	**$49.3**	**$30.5**	**$91.8**

Source: Exhibit 14.

In total, the maximum diverted sales represent 6.9 percent of the primary market area's estimated 2010 sales in relevant Marina Center sales categories. New population growth is anticipated to help mitigate a portion of the lost store sales. In addition, retailers could successfully reposition their stores and primary market area sales could increase overall due to the enhanced regionalism of the primary market area's retail market.

There are not expected to be any store closures in Apparel as well as Electronics (in the Specialty Stores: office, store and school supplies category). There will be no impacts on the Home Furnishings and Appliances category. There may be short-term impacts in Building Materials, but the impacts are not expected to be severe enough to lead to store closures. There may be a reduction in sales for stationary and book stores, especially Borders Bookstore, which is the only large competitive store, but there are not expected to be any store closures. The sales impacts on restaurants is likely to be spread across many places and all of the impacts will be mitigated by population growth. Therefore, no closures in the Eating and Drinking Places category is expected. There will be sales impacts on stores selling garden supplies, but the impacts are likely to be spread across many stores. If stores cannot survive the loss of sales, it is possible that a maximum of 15,500 square feet of garden supplies space is at risk of closing. There is likely to be sales impacts on "Other Retail" stores which includes stores selling general merchandise. If these stores cannot withstand the downturn in sales, it is possible that a maximum of 89,900 square feet of other retail space is at risk of closing.

The Historic Old Town and Historic Downtown Districts are unlikely to be negatively impacted by Marina Center because of the type of retailers there and their orientation towards the tourist market. Retailers in the historic districts tend to be small stores such as art galleries, antique stores, and restaurants. There are also a few tourist attractions in these areas. These types of retailers are not likely to compete directly with the larger stores at Marina Center. Given Marina

Center's close proximity to the districts, there may even be positive impacts with greater foot traffic that Marina Center will generate in the neighborhood. The Eureka Mall may feel some impacts from the new stores at Marina Center, but given its successful competition with the Bayshore Mall, it is likely to survive further competition. Specific stores in Bayshore Mall may suffer sales loss due to competition with stores at the Marina Center, but in the event that a store cannot endure the sales loss and closes, it is highly likely that Bayshore Mall will be able to retenant the space.

Cumulative Impacts

CBRE Consulting identified two other planned retail projects in the primary market area, one in Fortuna and one in Redway, and assessed the cumulative impacts of Marina Center and the retail offerings proposed for these projects. There were no projects of significance identified in the City of Eureka. Not included in this analysis is the Fred Katz development in Fortuna on the former Pacific Lumber Company Sawmill site, since the current plans are in the conceptual stage. No application for the Fred Katz project has been submitted.

The results of this cumulative impact analysis indicate that, assuming development of Marina Center and both cumulative projects, at worst, $70.7 million in sales will comprise sales diverted away from existing primary market area retailers. The diverted sales impact estimate is $9.4 million on drug stores, $3.7 million on eating and drinking places, $11.9 million on building materials stores, $6.7 million on specialty stores, $5.7 million on garden supplies, and $33.3 million on "other retail stores." There are no estimated impacts on apparel stores, or home furnishings and appliances because of the retail sales leakage in those categories.

Cumulative Impacts Including Lowe's

A cumulative impact analysis was also completed that considered the addition of a Lowe's Home Improvement Store built in the City of Fortuna after the Home Depot is built. This store would be part of the above referenced Fred Katz development. An application has not been submitted for this store; however, analysis was conducted to determine the potential impact. The results indicate that an additional $16.7 million in sales may be diverted away from existing primary market area retailers if the Lowe's is built in Fortuna. The increase in diverted sales impact estimate in the building materials category is $13.1 million and in the garden supplies category is $3.5 million. However, there have been two recent examples in Fortuna of closed building materials and garden supply spaces that were retenanted by different types of retailers. If this type of space does close due to cumulative impacts, it appears that the space could be reused. There are no estimated increases in impacts on other retail categories from the Lowe's store.

Urban Decay Determination

CBRE Consulting concludes that the opening of the Marina Center may result in some existing primary market area store closures. The existing primary market area shopping centers have low vacancy rates, which is an indication of the primary market area's stable performance and ability to re-tenant smaller vacancies as they occur. Therefore, vacated retail spaces have the potential to be successfully re-tenanted. Even large vacancies, such as if the planned Home Depot eventually closed, are likely to be filled by other large stores that may want to enter the market, such as Fred Meyer. If no large tenant is found, the Home Depot space can also be divided into several smaller spaces. Because it is expected that potential vacancies as a result of

the Marina Center will eventually be retenanted, CBRE Consulting does not expect vacancies to lead to physical deterioration so prevalent and substantial that it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Therefore, CBRE Consulting concludes that although development of the Marina Center may contribute to further retail vacancies in the primary market area, those vacancies are unlikely to result in urban decay. In addition, the current state of the Eureka Balloon Track property contributes to urban decay in its surrounding neighborhood. Remediating and/or capping the toxic chemicals on the site and redeveloping the land into a retail and commercial center would be a major improvement to the property, removing blight, reducing crime and stimulating new economic activity, which would significantly contribute to the revitalization of the neighborhood.

General Fund Revenue Impacts

Marina Center is estimated to generate $1.2 million in annual taxes but cause $305,398 in tax losses to the City of Eureka General Fund. In total, Marina Center will generate an estimated incremental tax gain of $1.0 million to the City of Eureka General Fund. Detailed incremental city service costs that may be caused by Marina Center have not been formally estimated in this revenue analysis. However, an interview with the Fire Chief of Eureka indicated that there is not likely to be a change in service costs for the fire department; the Police Chief of Eureka estimated that one full time police officer and one police services officer will need to be hired at the cost of $147,441 in 2006 dollars to provide service to Marina Center. These are likely the two most significant city services relative to the new site development.

In addition to the City of Eureka General Fund, CBRE Consulting probed the revenues earmarked for Eureka's school districts as a result of Marina Center's development. Since the project is in a Redevelopment Project Area, many of the funds typically allocated to school districts will be diverted to the Redevelopment Agency. The Redevelopment Agency would receive 60 percent of the property tax revenues from the project, or $546,838 in the first year of operations, all of which goes to fund redevelopment activities. The Housing Set-aside program would receive an additional 20 percent of the revenues, or $182,279 in the first year of operations. After these revenues are sent to the Redevelopment Agency, the remaining 20 percent of property tax revenues totaling $182,279 will be distributed to statutory taxing entities, including the College of the Redwoods and Humboldt County Office of Education. The two local school districts will receive the following revenues:

- Eureka Elementary School District: $39,190
- Eureka High School District: $35,180

The Humboldt County Auditor indicates that, in theory, the school districts will be made whole by the State of California for the revenues lost to the Redevelopment Agency. Using the tax allocation factors provided for the tax rate area for the purposes of this study, the two Eureka school districts would collectively be in line for additional annual revenues totaling $371,850.

In total there will be a combined benefit of $2.1 million going to the City of Eureka's General Fund, the Redevelopment Agency, the affordable housing set-aside, the elementary school district, high school district, local community college, and County Office of Education.

Net Jobs Impacts Conclusion

Marina Center will generate 1,246 new jobs in Humboldt County (primary market area). This includes 264 jobs at Home Depot, 391 other retail jobs, 416 office jobs, 140 light industrial

jobs, 13 public attraction jobs, and 22 property management jobs. All of these jobs will be created in the City of Eureka. It is estimated that there could be 267 jobs lost in Humboldt County as a result of competition with Marina Center. Of those 267 jobs lost, it is estimated that 154 jobs may be lost in the City of Eureka. This means that the estimated net new jobs are 979 in Humboldt County and 1,092 in the City of Eureka. This jobs impacts estimate presents new retail, office, industrial, and property maintenance jobs only and does not estimate any potential new city service jobs indirectly created as a result of the addition of the shopping center.

Case Studies

CBRE Consulting conducted case study analyses of three cities in Northern California to explore other cities' experiences with Home Depot stores coming into their communities. The cities studied are Ukiah, San Rafael, and Woodland. The case studies were conducted to probe issues regarding the local economic impacts following the opening of Home Depot stores. Interviews with city officials found that no negative economic impacts were experienced as a result of the Home Depot stores. Although some communities had concerns about Home Depot, ultimately, no local hardware stores closed as a result of the Home Depot store and no shopping districts were negatively affected.

An analysis was also done on the taxable sales trends in Woodland and San Rafael. In Woodland the number of home building materials and home furnishings/appliances stores was stable and did not decline after the Home Depot store opened. Home furnishings sales declined slightly, but building materials sales grew significantly. In San Rafael both the number of relevant stores and retail sales grew after the introduction of the Home Depot store. The results indicate that Home Depot's store has contributed to increased retail sales for each city. If any negative impacts did occur, they were in the nature of product mix changes or refocusing and minimal decreases in store sales rather than any store closures. In Ukiah, the Home Depot store was opened so recently that there are not enough data to do a taxable sales analysis. However, interviews with city officials found that no competitive stores have closed and no negative impacts have been felt in the downtown shopping district. Thus, the experience of the case study communities and their home improvement retailers generally appear positive and supportive of Home Depot development.

These case study results indicate that the new introduction of a Home Depot to an established retail market can benefit a market. This benefit occurs through the increased spending by market area residents and businesses, the increased attraction of a market due to a retailer with a strong draw, and the attraction of complementary retailers seeking to locate near a successful anchor retail tenants. This suggests that any negative impacts associated with home improvement retailers identified in the Marina Center primary market area and City of Eureka may not occur, as the market, consumers, and local contractors adjust and consumers in particular take advantage of the market entrance of a retailer that offers consumer education workshops and a broad range of well-priced home improvement goods sufficient for most home improvement projects.

II. INTRODUCTION

STUDY BACKGROUND

Security National Properties is seeking to build Marina Center, a mixed-use project on the approximately 35-acre Union Pacific Balloon Track Property in Eureka, California. The property, located near Downtown Eureka, was used primarily as a switching station and for fueling trains prior to its closure in the late 1980's. The proposed Marina Center is anticipated to be completed in 2010.

The 586,000-square-foot project is proposed to include office, industrial, retail, and residential uses, with a 327,500-square-foot shopping center serving as the development's anchor. As of the date of this analysis, Security National Properties has not identified all the specific tenants for Marina Center. However, a Home Depot has been identified as a proposed user. The shopping center is planned to include a 132,000-square-foot Home Depot (includes a 28,000 square foot garden center), three additional anchor spaces totaling 67,000 square feet, and 128,500 square feet of additional retail space in various buildings. For the purposes of this analysis, CBRE Consulting worked with Security National Properties to allocate the unknown retail sales to specific retail categories. The unknown retail sales were allocated based on Security National Properties' expectations of the types of retailers they would seek to attract and represent a typical mix of tenants for a shopping center of this type and size. In addition to the retail component, 104,000 square feet of office space, 70,000 square feet of industrial space, 12,500 square feet of public attraction space (planned to be a children's museum), and 72,000 square feet (54 units) of multifamily residential are anticipated.

Security National Properties commissioned this economic impact study to accompany its Environmental Impact Report for Marina Center. The bulk of the analysis pertains to the impacts potentially caused by the retail component of the project. The purpose of this study is as follows:

1) probe potential impacts of Marina Center on existing primary market area retailers;
2) estimate cumulative impacts of Marina Center and other selected retail projects in the primary market area;
3) develop an estimate of the extent to which the opening of Marina Center (either alone or cumulatively) may or may not contribute to urban decay in the primary market area;
4) estimate the City of Eureka General Fund fiscal benefits resulting from development of the Marina Center retail, industrial, and office components; and
5) estimate the number of new jobs resulting from the development of Marina Center.

This report documents CBRE Consulting's research and analysis of the aforementioned issues.

STUDY TASKS

CBRE Consulting performed several tasks during the course of this assignment. In brief, these tasks included the following:

- Identified major home improvement, apparel, books, and electronics retailers in the primary market area and beyond;
- Conducted fieldwork to identify and evaluate existing primary market area retailers and selected shopping centers;
- Estimated the planned Marina Center sales;
- Collected and analyzed primary market area taxable retail sales;
- Conducted retail leakage analyses for the primary market area;
- Estimated the share of Marina Center's sales to be generated by the primary market area versus a tertiary market area; there is no secondary market area;
- Estimated the maximum Marina Center impacts on existing primary market area retailers;
- Estimated the maximum Marina Center impacts on City of Eureka retailers;
- Estimated the share of the Marina Center's sales likely to be new to the primary market area;
- Assessed the competitiveness of existing primary market area stores and likely Marina Center impacts;
- Identified planned retail projects in the primary market area;
- Assessed the cumulative impacts of the Marina Center and selected retail projects in the primary market area;
- Assessed the extent to which opening of the Marina Center may or may not contribute to urban decay in the primary market area;
- Estimated the property and sales tax revenue accruing to the Eureka General Fund due to the proposed project;
- Probed the opportunity costs of not developing Marina Center on the City of Eureka's status as Humboldt County's retail hub; and
- Researched impacts of Home Depot store openings in other communities.

STUDY RESOURCES

Many resources were relied upon for this study. These resources included information provided by Security National Properties, The Home Depot, the City of Eureka, and Humboldt County. Additional study resources included the California Department of Finance's Demographic Research Unit, and taxable sales data generated by the State of California Board of Equalization. The Board of Equalization publishes taxable sales numbers for counties and major cities; its most recent full-year taxable sales numbers are from 2004 in its publication, *Taxable Sales in California – 2004*. Business-specific data identifying primary and secondary market area retailers were obtained from the 2004 Shopping Center Directory for the Western United States, Claritas, Inc., and other sources. Additional resources prepared by Claritas, Inc., a national provider of demographic and economic data, were relied upon for mean household income trend data. Inflationary adjustments were made based upon the Consumer Price Index for all urban consumers in the Western Region of the United States. Retail Maxim's: Perspectives on Retail Real Estate and Finance was used to determine appropriate sales per square foot data for specific retail categories. Local commercial real estate brokers also provided insight and information.

REPORT ORGANIZATION

This report includes eleven chapters, as follows:

I. Executive Summary
II. Introduction
III. Center Sales Trends and Estimates
IV. Retail Sales Leakage Analysis
V. Sales Impacts
VI. Impacts on Comparable Retailers
VII. Cumulative Impacts
VIII. Cumulative Impacts Including Lowe's
IX. Urban Decay Determination
X. Municipal and Other Revenue Impacts
XI. Jobs Impacts
XII. Case Studies

All the exhibits referenced in the report are included in the Appendices. This report is subject to the appended Assumptions and General Limiting Conditions.

III. CENTER SALES TRENDS AND ESTIMATE

CBRE Consulting's findings relative to the anticipated retail sales of the proposed Marina Center are presented below. These include estimates of the total sales generated by the center, the minimum amount of sales estimated to be new to the primary market area, and the maximum amount of sales estimated to be diverted away from existing primary market area stores competing in various retail categories. The potential for population growth to recover lost sales is also presented.

MARINA CENTER DESCRIPTION

The site consists of nine vacant private parcels that are currently owned by Cue VI LLC, which is owned and controlled by Security National Properties. The properties were previously used as a switching yard by the railroad. According to the developer, Security National Properties, the Marina Center will have approximately 327,500 gross square feet of retail space. In addition, there will be 104,000 square feet of office space, 12,500 square feet for a public attraction such as a museum, 72,000 square feet of residential housing, and 70,000 square feet of light industrial space.

While Security National Properties has not identified all of the specific retail tenants, it has named Home Depot as a proposed anchor tenant and targeted retail sales categories for much of the remaining shopping center space. The Marina Center is planned to include a 132,000-square-foot Home Depot with garden center, a 12,000-square-foot home furnishings store, a 12,000-square-foot home furnishings store, a 25,000-square-foot book store, a 30,000-square-foot electronics store, 33,000 square feet of apparel, 10,000 square feet of furniture, 6,500 square feet of chain restaurants, and 7,500 square feet of local restaurants. The remaining 71,500 square feet of space represents "other retail." A breakdown of the retail square footage by targeted retail category is displayed in Exhibit 1, and summarized in Table 3.

Table 3
Proposed Marina Center
Type of Retail and Associated Square Feet

Retailer	Retail Space (Sq. Ft.)	Percent Distribution
Home Depot	132,000	40.3%
Home Furnishings	12,000	3.7%
Book Store	25,000	7.6%
Electronics Store	30,000	9.2%
Apparel	33,000	10.1%
Furniture Store	10,000	3.1%
Chain Restaurants	6,500	2.0%
Local Restaurants	7,500	2.3%
Other Retail	71,500	21.8%
Total	**327,500**	**100.0%**

Sources: Security National Properties; and CBRE Consulting.

The majority of the retail space, approximately 60.8 percent, will be dedicated to anchor tenants such as the Home Depot, home furnishings, book store, and electronics retailers. The balance will consist of smaller apparel stores, a furniture store, restaurants and other smaller retail stores.

PROJECTED MARINA CENTER SALES

In order to determine the annual sales of the proposed Marina Center, CBRE Consulting developed assumptions based on the Retail MAXIM's *Perspectives on Retail Real Estate and Finance, July 2004*. The Retail MAXIM publication provides average sales per square foot figures for many national retailers and aggregates the data by specific retail categories. Security National Properties anticipates that Marina Center will be completed in 2009, with the first full year of sales in 2010. Stabilized sales are not expected to occur the first year of store operations, but rather the second or third year, which is typical of new retail operations. However, for the sake of simplicity, the analysis conservatively assumes stabilized sales are achieved in 2010. Thus, all sales estimates were projected to 2010 using the inflation assumptions in Exhibit 2. CBRE Consulting used the resulting sales per square foot figures to estimate annual sales based on the total square feet for each targeted retail category.

While not all specific retailers have been identified, targeted retail categories for a majority of the space are proposed. Where the retail category was known, CBRE Consulting prepared sales estimates based on relevant retailer information provided by the Retail MAXIM publication. For example, an electronics store is proposed for the Marina Center. In order to estimate the sales per square foot, CBRE Consulting utilized the average sales per square foot of electronics stores as reported in the Retail MAXIM. When the targeted retail category was known, CBRE Consulting utilized an average representative of stores within that category. This approach was taken for the home furnishings, apparel, electronics, book store, furniture, and restaurant spaces. All of the per square foot sales estimates and assumptions are detailed in Exhibit 2.

Where the targeted retail category was unknown, CBRE Consulting relied on the industry-accepted standard of $300 per square foot of sales per year. CBRE Consulting assumed that $300 sales per square foot represents 2003 data and inflated the amount to 2010 dollars based on inflation assumptions in Exhibit 2. CBRE Consulting used the $300 figure as a floor for 2003 sales per square foot estimates for unknown retail categories. This might overstate sales at Marina Center if some of the tenants are local non-chain retailers who achieve lower sales per square foot. Overall, it is a conservative approach when trying to determine the maximum impact of the project on primary market area retail, as this study seeks to accomplish. Based on the methodology described above and detailed in Exhibit 2, CBRE Consulting estimates Marina Center sales in 2010 to total $122.3 million.

Projected Sales by Category

The new sales generated by Marina Center will be spread across many store-merchandising categories due to the range of retailers anticipated. CBRE Consulting contacted the California Board of Equalization ("BOE") to obtain the categories in which the sales of the targeted Marina Center retailers will be classified for sales tax purposes. The unknown retail sales were allocated to specific retail categories using information provided by Security National Properties and assumptions prepared by CBRE Consulting. The representative BOE retail categories at Marina Center are apparel, eating and drinking places, home furnishings and appliances, building materials, specialty stores (for electronics and book stores), and "other retail stores." Exhibit 3 presents Marina Center sales by retail category, including assumptions developed by CBRE Consulting with input from Security National Properties regarding the unknown retail.

For analytical purposes, the total store sales estimates for The Home Depot are allocated into key retail categories. These categories match the taxable retail sales categories reported by the BOE. Sorting the anticipated Home Depot sales into these categories facilitates detailed economic impact analysis by type of existing home improvement store thereby allowing easy comparison by category.

The estimated sales by category are based upon detailed Home Depot store sales analyses conducted by CB Richard Ellis Consulting.[1] The major categories and their respective share of total sales include the following:

- household and home furnishings, 20 percent;
- building materials, 63 percent; and
- garden supply stores, 17 percent.

Within the building materials category, sales are further estimated at:

- lumber and building materials, 25 percent;
- hardware, 13 percent;
- plumbing and electrical supplies, 16 percent; and
- paint, glass, and wallpaper, 9 percent.

This information indicates that lumber and building materials is the single largest category of anticipated sales.

[1] Based upon representative store sales data provided by Home Depot.

Exhibit 3 attributes sales to the appropriate category and provides an estimate of total sales at Marina Center by BOE retail category. The results are summarized in Table 4, following.

Table 4
Estimated Marina Center Sales by Retail Category [1]
2010 Dollars, in Millions

Retail Category	Estimated Retail Sales
Apparel	$15.1
Eating and Drinking Places	$6.7
Home Furnishings and Appliances	$14.8
Building Materials	$26.4
Specialty Stores	$25.7
Garden Supplies	$7.1
"Other Retail Stores"[2]	$26.5
Total	**$122.3**

Note: Figures may not total due to rounding.
(1) Based on California Board of Equalization retail categories.
(2) Includes general merchandise sales.
Source: Exhibit 3.

Sales at Marina Center are projected to total $122.3 million in 2010 dollars. Building materials, specialty stores, and "other retail stores" will comprise the largest shares of sales, with approximately $26 million of sales in each category.

NEW SALES TO THE PRIMARY MARKET AREA

To assess the prospective minimum share of Marina Center sales that would be new to the primary market area and the potential impacts on existing primary market area retailers, CBRE Consulting estimated the following:

- Primary market area;
- Secondary market area;
- Share of Marina Center sales originating from a tertiary market area;
- Primary market area and City of Eureka retail leakage and attraction;
- Maximum share of Marina Center sales likely to be initially diverted from existing primary market area retailers and City of Eureka retailers on a worst case basis; and,
- Impact of population growth and other factors on sales impacts.

The following findings are documented in a series of exhibits included in Appendix A, all of which are identified in the List of Exhibits at the beginning of this report.

Market Area Definitions

Primary Market Area Definition. CBRE Consulting estimates that the primary market area for retail demand is Humboldt County, with residents of the primary market area comprising the largest share of demand for retail sales. The largest concentration of population in Humboldt County includes the cities of Eureka, Fortuna, and Arcata, and the unincorporated area of McKinleyville. CBRE Consulting's Retail Sales Leakage Analysis, documented in the next chapter, indicates that resident spending represents the equivalent of 82.3 percent of sales in the

primary market area. Thus, the primary market area generates many of its own retail sales, but the primary market area also captures sales from non-residents. Further examination of the primary market area's spending and sales patterns indicates that the primary market area attracts sales in most categories but has sales leakage in the apparel, eating and drinking places, and household appliances and home furnishings categories. There is also leakage in the following subcategories: office, store, and school supply; other specialties; food stores that do not sell liquor; lumber and building materials; new auto dealers; and mobile home, trailer, and camper dealers.

Secondary Market Area Definition. CBRE Consulting has determined that due to the large size of the primary market area, the sparse population and relative geographical isolation, there is not a secondary market area for the proposed Marina Center. CBRE Consulting assumed that residents in areas north of Humboldt County will be attracted to retailers in Crescent City; residents in areas east of Humboldt County will be attracted to retailers in Redding; and residents to the south will be attracted to retailers in Santa Rosa and Ukiah. The boundaries of the primary market area, as depicted in Exhibit 4, are reflective of the area from which the proposed Marina Center will most likely draw the largest balance of its customers.

Currently there are no major national chain home improvement retailers within the primary market area. The nearest Home Depot stores are in Redding and Ukiah, which are several hours drive from Eureka. The nearest Lowe's store is even farther away in Chico. In addition, there is a Home Depot that recently opened in Crescent City and a 134,934 square foot Lowe's store that recently opened in Redding.

CBRE Consulting estimates that Humboldt County (primary market area) residents will generate 85 percent of Marina Center sales. Thus, residents coming from tertiary markets will generate the remaining 15 percent of sales. The 15 percent tertiary percentage allocation is consistent with the retail leakage analysis findings in chapter 4 that indicate that the Humboldt County (primary market area) collectively attracts 17.7 percent of sales from other areas.

The concept of a percentage share allocation of demand from a market area is consistent with general real estate market analysis principles, which recognize that regional retailers have primary, secondary, and often even tertiary market areas. In Humboldt County's case we would anticipate the primary component of the tertiary market area is tourists visiting and traveling through the county. The concept of demand from market areas is also consistent with discussions CBRE Consulting had with retail brokerage professionals.

Market Area Sales. Applying the estimated division of sales between the primary market area (85 percent) and tertiary market area (15 percent) to the stabilized Marina Center sales estimates of $122.3 million indicates that the sales from Marina Center are estimated to be distributed as presented in Table 5.

Table 5
Origin of Marina Center Sales
2010 Dollars, in Millions

Retail Category	Total	Primary Market Area	Tertiary Market Area
Apparel	$15.1	$12.8	$2.3
Eating and Drinking Places	6.7	5.7	1.0
Home Furnishings and Appliances	14.8	12.6	2.2
Building Materials	26.4	22.4	4.0
Specialty Stores: Stationary and books	7.8	6.7	1.2
Specialty Stores: Office, store and school supplies	17.9	15.2	2.7
Garden Supplies	7.1	6.1	1.1
Other Retail	26.5	22.5	4.0
Total – All Relevant Categories	**$122.3**	**$104.0**	**$18.3**

Note: Figures may not total due to rounding.
Source: CBRE Consulting.

These estimates indicate that a total of $104.0 million in Marina Center sales are estimated to be generated from within the center's primary market area, with $18.3 million of sales generated from a tertiary market area.

IV. RETAIL SALES LEAKAGE ANALYSIS

METHODOLOGY

Approach

CBRE Consulting operates a statistical regression-based model that estimates retail spending potential for a market area (usually a city, grouping of cities, or county) based upon population, income, and consumer spending patterns. Generally referred to as a "Retail Sales Leakage Analysis," or similar nomenclature by real estate-based economic consulting firms comparable to CBRE Consulting, the model determines the extent to which a market area is or is not capturing its sales potential based upon reported taxable sales data. In California, these data are generally published by BOE or provided by municipal tax consultants. Retail categories in which spending is not fully captured are called "leakage" categories, while categories in which more sales are captured than are generated by residents are called "attraction" categories. Generally, attraction categories signal particular strengths of a retail market, while leakage categories signal particular weaknesses.

Several data points are included in CBRE Consulting's Retail Sales Leakage Analysis. These include per capita figures and aggregate figures. Per capita figures are presented for the sales achieved by retail category for a study control area and the market area under study, as well as an estimate of spending by retail category generated from within the market area. Only the per capita spending figures (as a proxy for all area spending) in the Retail Sales Leakage Analysis are the result of detailed methodological calculations. All other per capita figures simply reflect actual area sales divided by estimated population, with some disclosed adjustments for taxable versus nontaxable sales (see subsequent discussion).[2]

The purpose of including a control area is to compare the study area to a geographic area with similar characteristics, so as to be representative of, or "control," the spending patterns of the study area.[3] The use of the control area accounts for characteristics unique to individual markets that might artificially inflate or deflate the calculated area spending pattern. Therefore, a control area is chosen carefully, with the goal being the selection of an area within which there is a relative balance between the inflow and outflow of retail spending. The CBRE Consulting Retail Sales Leakage Analysis uses the control area sales by retail category as a dominant variable in the regression analysis, to impute the study area spending potential by category.

In addition to being benchmarked to a control area, the market area per capita spending figures are benchmarked to the Consumer Expenditures Survey, a publicly available data resource published periodically by the United States Department of Labor, Bureau of Labor Statistics. This resource provides regional- and income-based estimates regarding spending patterns of households throughout the United States. The data presented in the Consumer Expenditures Survey are for different income brackets, reflecting different expenditure patterns by household income. The regression basis of CBRE Consulting's Retail Sales Leakage Analysis takes these varying household income expenditure patterns into account, especially when there are income disparities between the control area and the study area.

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[2] The calculations for determining these spending estimates are not presented in this report. However, the remaining discussion in this section generally discusses their theoretical basis.
[3] For the purposes of this study, the control area has been defined as the State of California.

CBRE Consulting's Retail Sales Leakage Analysis is conducted for all retail sales in an area, including taxable and nontaxable. However, for purposes of this study, the findings below focus on the categories most relevant to Center, e.g., apparel, home furnishings and appliances, building materials, specialty stores, eating and drinking places, and "other retail stores."

Population Estimates

Staff at the City of Eureka indicated to CBRE Consulting that it generally relies on the State of California Department of Finance ("DOF") population figures for its own use. As a result, CBRE Consulting relied on DOF's population figures and projections for the Retail Sales Leakage Analysis, as depicted in Exhibit 5. DOF uses the U.S. Census estimate of population in 2000, estimates population for every current year, and does projections in ten-year increments to 2050 for counties; they do not project population for cities. CBRE Consulting utilized the population estimates and projections to project Humboldt County (primary market area) and the City of Eureka's population each year to 2020. To interpolate the population between the data points, CBRE Consulting utilized the compound annual growth rate in two periods: 2005 to 2010, and 2010 to 2020. Because DOF does not project the population of cities, it was assumed that all cities within Humboldt County would grow at the rate implied by the county projections. This is a conservative assumption since Humboldt County's growth rate is lower than the growth rates of the fastest growing cities such as Fortuna and Arcata. The City of Eureka actually has the slowest growth rate of all areas in Humboldt County.

Confidentiality Issues in Sales Data

The Retail Sales Leakage Analysis conducted for the City of Eureka does not have all sales categories present. When the Board of Equalization publicly reports data, it will not report data for a sales category if it does not meet certain disclosure requirements. For example, if there are four or fewer stores in a category or if one retailer dominates the category sales in a single city (e.g., 80 percent of sales), then the sales in that category will not be released. Instead, they will be combined with the sales in a different category and most typically in the "other retail stores" category. This is more prone to occur in retail markets where the number of retailers is small or one large retailer makes up most of the sales. This is the case with the men's apparel, florists, stationary and books, packaged liquor stores, farm implement dealers, fuel and ice dealers, and mobile homes, trailers, and campers sales in the City of Eureka. All categories for Humboldt County are reported. For the City of Eureka, the Board of Equalization combined the farm implement dealers with the lumber and building materials sales. This is reflected in the Retail Sales Leakage Analysis exhibits for the City of Eureka.

Analytical Adjustments

Two major adjustments to the Retail Sales Leakage Analysis findings were made to reflect trends in real sales growth and contractor sales in Humboldt County. The following two sections outline the methodology.

Real Sales Growth Adjustment. To ascertain the health of the retail market in Humboldt County and Eureka, CBRE Consulting examined historical sales trends in each area. The results indicate that both locations have increased in importance as a magnet for retail sales.

The California Board of Equalization provides data on taxable sales in Eureka and Humboldt County. The latest full year of data is for 2004. For both Eureka and Humboldt County, total

taxable sales have increased dramatically from 2000 to 2004. Humboldt County's total retail sales grew at an average annual rate of 4.6 percent over the time period while Eureka's retail sales grew at an average annual rate of 4.5 percent. However, inflation and changes in the population can influence total retail sales growth. To adjust for changes in the population, CBRE Consulting examined per capita sales trends. Exhibit 10 contains a summary of retail sales trends in the relevant categories in Humboldt County. Appendix B has detailed exhibits by category for Humboldt County and the City of Eureka. Table 6 summarizes the results. In Humboldt County, total population grew at an average below annual rate of 0.8 percent whereas in Eureka population grew slower at 0.2 percent. Some of the total retail sales growth can be attributed to the increasing population. By examining per capita sales, an adjustment is made for this population growth. Between 2000 and 2004 Humboldt County's average annual per capita sales increased by 3.8 percent; Eureka grew at an average annual rate of 4.3 percent.

Table 6
Retail Sales Trends in Humboldt County and City of Eureka
Average Annual percent Growth
2000 – 2004

Trend	Humboldt County	City of Eureka
Retail Sales Growth	4.6%	4.5%
Population Growth	0.8%	0.2%
Per Capita Retail Sales Growth	3.8%	4.3%
Real Per Capita Sales Growth (Inflation Adjusted)	**1.0%**	**1.4%**

Source: Exhibit 10 and Tables B-1 and B-1 in Appendix B.

Some of the increase in per capita sales is due to rising prices and wages. Using the California consumer price index, the per capita sales figures for Eureka and Humboldt County were adjusted for inflation. Even after adjusting for inflation, Humboldt County's average annual per capita sales grew 1.0 percent while Eureka's average annual per capita sales grew 1.4 percent. Overall, these sales trends show that the retail sales environment in both Eureka and Humboldt County has improved greatly over the time period shown.

Looking at the detail by category in Exhibit 10, real sales growth in Humboldt County varies from 0.3 percent in eating and drinking places to 7.3 percent in garden supplies. All of the relevant categories had positive real sales growth and most of these categories had growth that was higher than the total real sales growth. An adjustment in the retail sales leakage model was made to account for real sales growth given historical trends. This adjustment is made in the first column of Exhibit 11. Two measures were taken to make sure the estimates were conservative. First, growth rates were derived from the county figures which are slower than the historical growth rates in the Cities of Arcata and Fortuna and second, only two-thirds of the real sales growth was assumed. Humboldt County per capita spending in 2010 is multiplied by two-thirds of the relevant categories' average annual real sales growth rate for each of six years, since there are six years from the estimates in 2004 to the 2010 first full year of operations.

Contractor Sales Patterns. The second adjustment to the Retail Sales Leakage Analysis findings pertains to contractor sales. Despite the fact that Humboldt County has a net attraction in the

Building Materials category (except for Lumber and Building Materials, which has leakage of $1.5 million), there are some contractor sales being lost. Twenty-five to thirty percent of an average Home Depot store's sales derives from contractors. Home Depot routinely has a desk specifically for providing customer help to contractors.

CBRE Consulting conducted informational calls to various contractors in Humboldt County to ask about their shopping habits. Five contractors out of five interviewed said that they go outside of Humboldt County to buy some of their building materials supplies. They drive to the Home Depot stores in Redding, Ukiah, and even in Klamath Falls and Medford, Oregon to buy building material supplies and spend an average of $75,000 a year outside Humboldt County. Annual dollars spent outside Humboldt County range from $8,000 to $350,000. The contractors interviewed bought supplies from outside Humboldt County on an occasional basis, monthly, and as frequently as three times a week. On each trip their spending varied from $200 to $15,000 a trip. The types of supplies purchased include lumber, nails, bolts, small electrical equipment, safety supplies, wood working tools, lighting, plumbing fixtures, windows, and doors. Although some contractors did buy lumber, several noted that they do not buy lumber outside of the county either because they consider it too large to haul or because they prefer other lumber suppliers closer to home. Although some contractors bought supplies outside the county for convenience when they were working on a site outside Humboldt County, most bought supplies outside Humboldt County because they felt they could save money.

Exhibit 12 displays the adjustment made for recaptured contractor sales. Column C assumes that 5 percent of the sales at the Home Depot store will be from contractors who used to shop outside Humboldt County to buy these supplies. This five percent figure was derived from point-of-sales survey data collected from the Klammath Falls, Redding, and Ukiah Home Depot stores. These data indicated that $1.8 million dollars of 2005 sales at those stores came from residents of Humboldt County, most likely especially including contractors. The Home Depot store that is under construction in Crescent City is also likely to attract sales from contractors in Humboldt County. Column E, Adjustment to Primary Market Area sales, subtracts the recaptured contractor sales from total primary market area sales. This adjustment decreases the maximum sales diverted from primary market area retailers since these sales are coming from stores outside of Humboldt County.

FINDINGS

Two Retail Sales Leakage Analyses were conducted to assess the state of the primary market area's and the City of Eureka's retail climate. The first Retail Sales Leakage Analysis examines the primary market area's sales performance relative to its own population base in order to assess the degree to which the primary market area is serving the retail needs of its resident population. A second Retail Sales Leakage Analysis examines the City of Eureka's sales performance relative to its own population base.

The Retail Sales Leakage Analyses were conducted using 2004 sales data and extrapolated to 2010, reflecting the sales estimates for Marina Center upon completion. The per capita expenditure trends from 2004 were assumed to be equivalent to the per capita expenditure trends for 2010, with adjustments for interim population growth, inflation, and real growth in select retail categories (see discussion below). The purpose of these adjustments was to maximize comparison with Marina Center's anticipated net additional primary market area sales during its first full year of operations in 2010.

The Retail Sales Leakage Analysis results for the primary market area and the City of Eureka are located in Appendix A (see Exhibits 6 and 7 for Humboldt County results, and Exhibits 8 and 9 for City of Eureka results). For benchmark purposes, detailed results for all retail categories are presented in each market area.

The primary market area has overall attraction in retail sales. Nearly all of the retail categories, with the exception of apparel, eating and drinking places, and home furnishings and appliances, experienced attraction in sales. Spending by Humboldt County (primary market area) residents represents the equivalent of approximately 82.3 percent of total retail spending in the primary market area. This indicates that Humboldt County (primary market area) has strong overall attraction, bringing in an additional 17.7 percent of spending after retaining the equivalent of its own residents' spending.

The City of Eureka has even stronger attraction in retail than Humboldt County. All categories and subcategories in the City of Eureka have retail sales attraction. Spending by City of Eureka residents represents the equivalent of approximately 29.1 percent of total retail spending in the primary market area. This indicates that the City of Eureka has very strong overall attraction, bringing in an additional 70.9 percent of spending after retaining the equivalent of its own residents' spending. In other words, over 70 percent of sales at Eureka retailers originates from non-residents. Since the majority of City of Eureka sales are from non-residents and not internally generated, the primary market area must incorporate areas where these non-residents live. This is why the primary market area is Humboldt County and not the City of Eureka. The combined sales attraction of all categories totals an estimated $635.6 million in 2010 dollars.

V. SALES IMPACTS

The following analysis examines whether Marina Center would attract new sales to the primary market area as opposed to diverting sales from existing retailers. The degree of impact on existing Humboldt County (primary market area) retailers and on the City of Eureka is considered.

CBRE Consulting has developed an analytic approach that conservatively estimates the maximum impact of retailers such as those proposed for Marina Center on existing retailers. For this analysis, the approach assumes that if Marina Center is adding sales to a category in an amount greater than any primary area leakage in the category, ***then at worst***, the amount of Marina Center sales in that category in excess of any leakage will be diverted away from existing primary market area (Humboldt County) retailers. In other words, the negative economic impacts of Marina Center's sales will be spread proportionally among all the like retailers in the primary market area. This diversion estimate, prepared for analytic purposes, conservatively assumes no recovery among the impacted retailers.

APPROACH

Exhibit 12 documents the diverted sales estimate and methodology. The approach takes into account the following factors for the most relevant retail sales categories:

- Marina Center sales by major category;
- Estimated Marina Center sales by major category generated by primary market area residents;
- Leakage, if any, occurring in the primary market area;
- The portion of leakage, if any, in the primary market area that might be absorbed by Marina Center sales;
- The share of Marina Center sales estimated, at maximum, to be diverted from existing Humboldt County (primary market area) retailers upon stabilization; and
- The minimum new sales achieved by Marina Center ***not*** diverted away from existing Humboldt County (primary market area) retailers (i.e., sales resulting from recaptured leakage, if any, and from primary market area).

This is a conservative approach, in that it assumes there will be no net increase in primary market area sales after Marina Center achieves market stabilization. Such increases commonly happen as residents shift their shopping patterns or increase their expenditures based upon the enhanced availability of consumer goods. This is why CBRE Consulting considers the resulting existing retailer impacts ***maximum estimates*** upon stabilization, and the resulting new sales to the primary market area (Humboldt County) ***minimum estimates***.

SALES IMPACTS ON EXISTING RETAILERS IN HUMBOLDT COUNTY

The sales impact results, derived in Exhibit 12 and summarized in Table 7, indicate that, at worst, $49.3 million in sales generated at Marina Center upon stabilization will be diverted away from existing Humboldt County (primary market area) retailers. Thus, the balance of new sales, or $73.0 million, is the minimum estimate of Marina Center sales new to the primary market area. These new sales will come from a combination of recaptured (in select categories) and new sales in the primary and tertiary market areas.

Table 7
Maximum Marina Center Retailers Sales Impacts Upon Stabilization
Humboldt County (Primary Market Area)
2010 Dollars, in Millions

Retail Category	Marina Center Sales	Maximum Sales Diverted From Primary Market Area Retailers	Minimum New Sales to Primary Market Area
Apparel	$15.1	$0.0	$17.9
Eating and Drinking Places	6.7	2.5	4.2
Home Furnishings and Appliances	14.8	0.0	14.8
Building Materials	26.4	11.9	14.4
Specialty Stores: Stationary and books	7.8	6.7	1.2
Specialty Stores: Office, store and school supplies	17.9	0.0	17.9
Garden Supplies	7.1	5.7	1.4
Other Retail (Inc. Gen'l Merch.)	26.5	22.5	4.0
Total	**$122.3**	**$49.3**	**$73.0**

Sources: Exhibit 12; and CBRE Consulting.

These figures are conservative and are presented as an analytical benchmark. They are considered conservative for several reasons. Foremost, they assume the maximum diversion away from existing retailers upon stabilization of Marina Center. Thus, they do not take into account any prospective market corrections or enhancements following the introduction of Marina Center to the marketplace, including competitive retailer repositioning. More importantly, they do not take into consideration population growth in the combined primary and secondary market area following introduction of Marina Center.

Absent any market adjustments, the maximum sales diverted from Humboldt County (primary market area) retailers represent 6.9 percent of the estimated combined total apparel, eating and drinking places, home furnishings and appliances, building materials, stationary and books, office, store and school supplies, and "other retail stores" in the primary market area in 2010 (refer to Exhibit 13). The maximum sales diverted as a percent of total sales in each retail category range from a low of no impact in the apparel, home furnishings and appliances, and office, store and school supplies categories to a high of 39 percent in the stationery and books (book store) stores category. The maximum diverted sales as a percent of estimated Humboldt County (primary market area) sales by category is displayed in the following Table 8.

Table 8
Maximum Diverted Sales as a percent of Humboldt County (Primary Market Area "PMA") Sales
2010 Dollars

Retail Category	Diverted Sales as A percent of PMA Sales
Apparel	0.0%
Eating and Drinking Places	1.7%
Home Furnishings and Appliances	0.0%
Building Materials	8.7%
Specialty Stores: Stationary and books	39.3%
Specialty Stores: Office, store and school supplies	0.0%
Garden Supplies	19.2%
Other Retail (Inc. Gen'l Merch.)	8.0%
Average – All Relevant Categories	**6.9%**

Source: Exhibit 13.

SALES IMPACTS ON EXISTING RETAILERS IN CITY OF EUREKA

The City of Eureka is the major shopping hub in Humboldt County (primary market area). More than half of all sales that occurred in Humboldt County in 2004 came from retailers located in the City of Eureka. To determine the maximum sales diverted from City of Eureka retailers, the maximum sales diverted from the primary market area was multiplied by the percentage of City of Eureka sales of primary market area sales. The results are documented in Exhibit 14, and summarized in Table 9, below. Table 9 displays the maximum sales diverted from City of Eureka retailers by category as well as the minimum net new sales to the City of Eureka. Note that sales diverted from the City of Eureka are a subset of sales diverted from Humboldt County.

For the eating and drinking as well as the building materials category, Eureka's sales comprise about half of all Humboldt County sales. The maximum sales diverted in the eating and drinking category is estimated at $1.2 million in 2010 dollars while the maximum sales impact in the building materials category is estimated at $6.8 million. Eureka's sales in the office, store, and school supplies category make up a 61 percent share of all Humboldt County sales; estimated maximum sales diverted are $4.0 million in that category. Eureka has a small share of discrete garden supplies sales, only 13 percent of Humboldt County sales, and consequently the estimated maximum sales diverted is minimal at $0.8 million. In contrast, Eureka has a large share of "other retail" sales, 79 percent of total Humboldt County sales, and may experience a maximum sales diversion of $17.8 million in 2010 dollars.

Table 9
Maximum Marina Center Sales Impacts On Eureka Retailers
2010 Dollars, in Millions

Retail Category	Maximum Sales Diverted From Humboldt County (Primary Market Area) Retailers	Eureka Sales As a percentage of PMA Sales	Maximum Sales Diverted From Eureka Retailers[1]	Minimum Net New Sales to City of Eureka
Apparel	$0.0	78%	$0.0	$15.1
Eating and Drinking Places	1.2	46%	1.2	5.6
Home Furnishings and Appliances	0.0	75%	0.0	14.8
Building Materials	11.9	54%	6.8	19.6
Specialty Stores: Stationary and books	6.7	61%	4.0	3.8
Specialty Stores: Office, store and school supplies	0.0	57%	0.0	17.9
Garden Supplies	5.7	13%	0.8	6.3
Other Retail (Inc. Gen'l Merch.)	22.5	79%	17.8	8.7
Total	**$49.3**		**$30.5**	**$91.8**

(1) The sales diverted from Eureka are a subset of sales diverted from Humboldt County.
Source: Exhibit 14.

Mitigating Effects of Population Growth and Other Factors.

The maximum diverted sales estimate summarized in Table 9 will likely be slightly reduced by the time the Marina Center achieves stabilization after about two to three years because new demand from anticipated population growth in Humboldt County (primary market area) will absorb some of the new sales.

The greatest mitigating factor to any potential negative economic impacts is the anticipated population growth and the associated spending of these new residents. Humboldt County, however, is not growing very fast. Between 2005 and 2010, the primary market area's population is anticipated to grow by 1,802, while the City of Eureka is anticipated to grow by 362 (see Exhibits 5, 15, and 16). Given the estimated per capita spending for the primary market area residents, this new population is estimated to generate approximately $20.4 million in new sales by 2015, as summarized in Table 10.

Table 10
New Population Retail Demand
Humboldt County (Primary Market Area)
2010 – 2015, in 2010 Dollars, in Millions

Retail Category	Primary Market Area
Apparel	$1.7
Eating and Drinking Places	4.3
Home Furnishings and Appliances	2.0
Building Materials	3.9
Specialty Stores: Stationary and books	0.4
Specialty Stores: Office, store and school supplies	1.7
Garden Supplies	0.3
Other Retail (Inc. Gen'l Merch.)	6.0
Total	**$20.4**

Note: Figures may not total due to rounding.
Source: CBRE Consulting.

These figures indicate that by 2015, primary market area retailers are estimated to capture an additional $20.4 million in sales categories impacted by the Marina Center. The largest amount of this new demand, approximately 50 percent, will be generated in the other retail and eating and drinking places categories. Because the population is growing so slowly, these figures only mitigate a moderate amount of the diverted sales.

The extent to which diverted sales truly will impact existing retailers depends on many additional factors, such as their market niche, hours of operation, market strength, store and management quality, and location relative to Marina Center. Some of these factors are presented in the following chapters.

VI. IMPACTS ON COMPARABLE RETAILERS

The findings presented in the previous chapter indicate that, at worst, $49.3 million in total annual sales might be initially diverted away from existing primary market area retailers after the completion of the Marina Center: $2.5 million in eating and drinking places; $11.9 million in building materials; $6.7 million in specialty stores: stationary and books; $5.7 million in garden supplies and $22.5 million in other retail. These maximum figures represent between 1.7 percent (eating and drinking places) and 39.3 percent (stationary and books) of total sales for each category in 2010 (see Exhibit 13). Because of retail sales leakage in these categories, there are not expected to be any impacts in apparel, home furnishings and appliances, lumber and building materials, or office, store, and school supply (electronics stores). The maximum sales diverted will likely be reduced by the time the Marina Center achieves stabilization after about two to three years because new demand from anticipated population growth in the primary market area will absorb some of the new sales. Exhibit 28 summarizes the amount of square feet in each retailer category that may be impacted.

This chapter considers the extent to which these maximum sales impacts could affect existing primary market area stores competing in the above categories based on their store characteristics.

COMPETITIVE/MAJOR SHOPPING CENTERS AND STORES

CBRE Consulting visited competitive and/or major shopping centers and hardware/home improvement stores in the primary market area in October 2005 to visually assess their performance, to determine their market niche, and to qualitatively assess the degree to which they may actually incur lost sales due to the addition of Marina Center. CBRE Consulting identified competitive shopping centers based on their size and retail focus relative to Marina Center. CBRE Consulting located existing competitive stores via store location information provided by InfoUSA. The major competitive shopping center and stores will be discussed according to their category of sales. Shopping centers and selected store locations are mapped on Exhibits 17 and 18, respectively. The maps also depict the location of the proposed Marina Center.

Competitive/Major Shopping Centers

Overview. The primary market area contains several competitive shopping centers. There are other smaller, more neighborhood serving shopping centers in the primary market area. However, CBRE Consulting toured those shopping centers considered most competitive with the Marina Center. These shopping centers are identified in Exhibit 17 and described below, followed by a discussion by store type.

- Bayshore Mall is a regional-serving shopping center located at the intersection of Highway 101 and Harris Street in the City of Eureka. It is located approximately 1.9 miles south of the proposed Marina Center. The center opened in 1987 and was last renovated in 1989. It has approximately 615,000 square feet of gross leaseable area. Major anchor tenants include Borders Books & Music, Ray's Food Place, Sears, Ross Dress for Less, Gottschalk's, and Mervyn's. Additional tenants include Old Navy Clothing, Gap/GapKids, Foot Locker, Bath & Body Works, Hot Topic, Radio Shack, Victoria's Secret, Dollar Tree, Arby's, Subway, McDonald's, and Burger King. Some stores in the Bayshore Mall may be affected by Marina Center. However, if some stores are unable to survive the loss in sales and close, the mall

has demonstrated an ability to find new tenants for vacant space, most recently bringing in Pier One. Therefore, although there may be a turnover in tenants, the Bayshore Mall is not expected to be impacted in the long term by Marina Center.

- The Eureka Mall is a community-serving shopping center located at the intersection of West Harris Street and Central. It is located approximately 1.9 miles south of the proposed Marina Center, not far from the Bayshore Mall. The center opened in 1967 and was last renovated in 1994. It has approximately 222,300 square feet of gross leaseable area. Major anchor tenants include WinCo Foods, Safeway and Staples Office Supply. Additional tenants include Longs Drugs, Michael's Arts and Crafts, Blockbuster Video, and Hancock Fabrics. Marina Center may have a small impact on the Eureka Mall, but given that the Eureka Mall has successfully competed with the nearby Bayshore Mall, it is likely to also compete well with Marina Center.

- Historic Districts include the Historic Old Town and the Historic Downtown Districts. Historic Downtown is located along Fourth, Fifth, and Sixth streets from C Street up to J Street. In this area State Highway 101 splits into two one-way streets on Fourth and Fifth streets (see Exhibit 17). Historic Old Town is located north of Highway 101 along First, Second, and Third streets from C Street to M Street. Both historic districts have many small specialty businesses such as antique stores, art galleries, and restaurants. There are several places to stay (hotels, motels, and inns), as well as museums and tourist sights. Because the stores in the historic districts are small specialty retailers, they are unlikely to compete directly with the types of stores at Marina Center. In addition, since Marina Center is located so close to the historic districts, it is possible that the center may bring increased foot traffic to the area and thereby increase sales in the historic districts.

In addition to these shopping centers and districts there are several major stores in the City of Eureka that attract shoppers from a wide area: K-Mart, Costco Warehouse, WinCo Foods and Target. The K-Mart store is located on Highway 101 just south of the Bayshore Mall. Costco Warehouse has a store west of Highway 101 and a few blocks south of the Eureka Balloon Track site. WinCo Foods is located in the Eureka Mall, Target is located east of Historic Old Town in a building which had previously been a Montgomery Wards store.

Home Furnishings & Appliances / Building Materials

Overview. CBRE Consulting considers these categories together since some retailers overlap in these areas. CBRE Consulting identified several hardware/home improvement retailers in the primary market area. The local retailers that CBRE Consulting reviewed as part of this category are described below.

- Pierson's Building Center is a large hardware and lumber store located at 4100 Broadway in Eureka, approximately 2.5 miles southwest of the Marina Center. The Pierson's compound has a separate garden supply store as well as a separate area to pick up lumber. The compound which entails over 94,000 square feet in buildings and 20,000 square feet in garden center areas has a very festive friendly atmosphere with whimsical murals on the outside of the hardware store and a small bakery on the inside. Products sold include doors, windows, carpet, wood paneling, moulding, sinks, shower stalls, wood/pellet stoves, lamps, and specialty items such as children's rubber boots. This store attracts a high volume of shoppers.

- **Shafer's Ace Hardware** is located in the Henderson Center shopping area, a collection of small local stores comprising over 15,000 square feet of floor area and an 8,000 square foot outdoor garden center located within a few blocks of Henderson Street between D and H streets in the City of Eureka. Shafer's is at the intersection of Henderson Street and E Street. The store is approximately 2.1miles southeast of the Marina Center. The surrounding neighborhood is residential. The store offers a wide selection of hardware materials and garden supplies as well as furniture, pellet stoves, and some consumer goods such as movies on DVD. The Ace Hardware does not offer building materials in bulk quantities like that offered by Home Depot.

- **Myrtletown Do It Best Lumber** is located just outside of the boundary of the City of Eureka in the Myrtletown residential neighborhood at Hubbard Lane near Harris Street. The store is approximately 3.2 miles east of the Marina Center. This store has its own brand name goods and sells a large supply of lumber, electrical supplies, paint, and flooring out of a 12,000 square foot store and a 1-acre lumber yard. It does not have a garden center area. The store clearly caters to contractors with a separate room just for their orders.

- **Fortuna Ace Hardware and Garden** is located in the City of Fortuna at 140 South Fortuna Boulevard. The City of Fortuna is approximately 18 miles south of the City of Eureka. This is a new location for the store, which was in a smaller location about six blocks away on Fortuna Boulevard. The previous store was approximately 7,500 square feet. The new location, which was a Safeway, has more than double the space at 18,000 square feet. The store offers a typical selection of hardware materials including paint, lawn and garden supplies, small appliances, and fishing supplies. It has a low volume of shoppers, appealing to convenience shoppers in the neighborhood.

- **Forbusco Lumber and Building Supplies** is also located in the City of Fortuna at 140 South Fortuna Boulevard. This store is approximately 23,000 square feet of buildings and covered lumber/building supply warehouses and roughly 3 acres out door lumber yards. The store offers a typical selection of hardware materials including paint, power tools, plumbing and electrical supplies and interior finish products such as doors and cabinets with a very limited amount lawn and garden supplies, It has customary aimed its primary business at local contractors but also caters to local residents of Fortuna and its neighboring communities of Ferndale, Hydesville, Rio Dell, and Scotia.

- **Ace Home Center in McKinleyville** is located in the unincorporated town of McKinleyville, which is just north of Arcata, approximately 14 miles from the City of Eureka. The store is at 2197 Central Avenue near Hiller Road, across the street from a Blockbuster store. The Ace Home Center is a fairly large store consisting of over 60,000 square feet of buildings, covered lumber, garden center areas, and a large parking lot. Products sold include plumbing, lighting, and general merchandise. In addition, the store rents out equipment.

- **Various Lumber Yards** are located in the primary market area (Humboldt County). The closest one to the Marina Center site is Schmidbauer Lumber, which is at 839 West Washington Street right across the street from the planned site for Marina Center. Schmidbauer's lumber yard is full of huge redwood and Douglas fir logs piled stories high. Their lumber products are not in direct competition with Home Depot since they are predominantly a finished and unfinished dimensional lumber manufacturer and wholesaler. In addition to its lumber manufacturing business, Schmidbauer has become very efficient at marketing and selling home building packages (these packages consist of lumber,

windows, framing materials, siding, etc.) specifically designed to meet the needs of to both local and out of area contractors. Another large lumber yard, Mill Yard, is located on Highway 101 between the City of Eureka and the City of Arcata. This store sells various building supplies including large quantities of lumber, windows, doors, and millwork. Most of the products are displayed outside in the yard. The Mill Yard also has limited hardware sales primarily of tools and equipment. Large lumber yards are primarily courting business from contractors. To the extent that Home Depot can capture the contractor market, their businesses may be impacted by the Marina Center.

- Various Stores Selling Home Furnishings that would compete with the type and variety of home furnishings offered by a home furnishings retailer were considered by CBRE Consulting. Two large primary market area retailers with a variety of bed- and bath-related products are K-Mart and Target. However, these stores do not offer the selection or same price range as a dedicated home furnishings retailer. The other major market player in this category is Bed, Bath, and Beyond, located in the Bayshore Mall in the City of Eureka. These stores target mass market and discount shoppers.

Marina Center Impacts. The primary market area (Humboldt County) retail leakage analysis for 2010 (see Exhibit 7) indicates that it suffers leakage of $1.9 million in the lumber and building materials subcategory, but no leakage in the larger building materials group. Household home furnishings and appliances suffers leakage of $17.3 million. The adjusted leakage analysis in Exhibit 12 indicates that a maximum of $11.9 million in sales may be diverted from existing building materials stores in the primary market area (Humboldt County). As a percent of estimated 2010 sales, the diverted sales comprise 8.7 percent of building materials sales of $137.8 million (see Exhibit 13). However, because of leakage in the subcategory of lumber and building materials, there are no projected impacts in that subcategory. Impacts will be felt instead in the hardware, plumbing, and electrical supplies, and paint, glass, and wallpaper stores. There are no projected impacts in the household home furnishings and appliances category because of the retail leakage.

The extent to which the Marina Center retailers will negatively impact existing stores will depend upon their ability to sustain a temporary downturn in sales. This downturn will diminish somewhat over time as new market area residents generate additional sales. The cumulative retail demand estimates due to population growth documented in Exhibit 15 indicate that it will take four to five years to generate $3.9 million in building materials sales from new growth following the assumed 2010 first full year of operation of the Marina Center. Population growth cannot be expected to fully mitigate the negative impacts of Marina Center on building materials stores. There will likely be short term impacts to existing retailers, but the impacts are not expected to be so severe as to lead to store closures. However, if stores cannot withstand this downturn in sales and sales impacts are concentrated among one to two retailers, it is possible that a maximum of 32,300 square feet of existing buildings materials store space is at risk of closing.

Apparel

Overview. The primary market area (Humboldt County) contains several apparel stores that can be classified into one of two major store types, as follows:

- *National Chains* – The Gap, Old Navy, Foot Locker, PayLess Shoe Source, and Victoria's Secret, all located in the Bayshore Mall; and

- *Specialty/Boutique* - Primarily small stores located in the historic districts of the City of Eureka or in downtown Arcata, including stores such as North Soles Footwear, Willow & Rags, and Annie's Shoes. These stores represent niche retail spaces targeting specific customer groups.

Marina Center Impacts. The primary market area (Humboldt County) retail leakage analysis for 2010 (see Exhibit 7) indicates that it suffers leakage of $18.1 million in the apparel category. The adjusted leakage analysis projected there would be no sales diverted from primary market area (Humboldt County) apparel retailers. Therefore, apparel retailers are not anticipated to experience negative impacts attributable to Marina Center.

Specialty Stores: Books and Electronics

Overview. The Borders Bookstore located in the Bayshore Mall in the City of Eureka is the largest bookstore in the primary market area (Humboldt County). All of the other bookstores are very small stores that serve niche markets such as Christian books, new age titles, vintage books and comic books.

There are very few chain electronics stores in the primary market area (Humboldt County). There are two Radio Shack stores in the City of Eureka, one Radio Shack store in the City of Arcata, and another Radio Shack in the City of Fortuna. Other electronics stores are either very small or cater to certain niche markets such as high end home theater and acoustical design, car stereo or industrial electronics. Sales of major chain electronics stores such as Best Buy or Circuit City are categorized by the Board of Equalization under "office, store, and school supplies" because of their computer products or under "household appliance dealers" because of their television and stereo products. Given the possibility that Marina Center may attract a Best Buy store, CBRE Consulting conducted the analysis for "office, store, and school supplies" category since that is where Best Buy sales are recorded by the Board of Equalization.

Marina Center Impacts. The primary market area (Humboldt County) retail leakage analysis for 2010 (see Exhibit 7) indicates that it suffers leakage of $20.4 million in the office, store, and school supply category. In contrast, there is $3.7 million of retail sales attraction in the stationary and books category. Because of the extensive leakage in the office, store, and school supply category, there are no projected economic impacts on electronics stores.

The adjusted leakage analysis indicated that in 2010 dollars, a maximum of $6.7 million in sales may be diverted away from existing stationary and book stores in the primary market area, comprising 39.3 percent of estimated 2010 stationary and book stores sales of $16.9 million (see Exhibits 12 and 13). Because of its size, the Borders Bookstore is the most competitive store to the proposed book store at Marina Center. It is most vulnerable to a reduction in sales, but given its large size, it should be able to sustain a reduction in sales without closing. The smaller stores that exist have already endured competition from the Borders Bookstore and so have carved out their niche markets. The cumulative retail demand estimates due to population growth documented in Exhibit 15 indicate that it will take slightly more than five years to generate $0.4 million in book store sales within the primary market area (Humboldt County) from new growth following the assumed 2010 first full year of operation of the Marina Center. However, if stores cannot withstand this temporary downturn in sales, it is possible that a maximum of 18,000 square feet of stationary and book store space is at risk of closing.

Eating and Drinking Places

The analysis indicates there is approximately $1.6 million of primary market area (Humboldt County) sales leakage in the eating and drinking category. The adjusted leakage analysis indicated that in 2010 dollars, a maximum of $2.5 million in sales may be diverted away from existing eating and drinking places in the primary market area (Humboldt County), comprising 1.7 percent of estimated 2010 restaurant sales of $143.8 million (see Exhibits 12 and 13). The cumulative retail demand estimates due to population growth documented in Exhibit 15 indicate that it will take three years to generate $2.9 million in restaurant store sales within the primary market area (Humboldt County) from new growth following the assumed 2010 full year operation of the Marina Center. Population growth, therefore, is anticipated to mitigate all of the potential economic impact.

However, if restaurants cannot withstand this temporary downturn in sales, it is possible that a maximum of 6,800 square feet of restaurant space is at risk of closing. However, as there are many restaurant options in the primary market area, it is highly unlikely that the negative impacts will be concentrated so much that existing restaurants will close. Instead, existing restaurants may need to employ cost saving techniques to mitigate the relatively low 1.7 percent projected impact throughout the category.

"Other Retail Stores"

Overview. "Other retail stores" is a broad category that includes sales in second-hand merchandise, farm implements, gardening supplies, fuel and ice, mobile homes, trailers, boats and motorcycles. For the purpose of this study, this category also includes general merchandise sales (excluding drug sales). As a result, it is difficult to precisely identify the "other retail stores" in the primary market area without first knowing all of the "other retail stores" tenants at the proposed Marina Center. However, there is 28,000 square feet of planned gardening space at the proposed Home Depot store. The local retailers that sell gardening supplies are described below.

- There are several nurseries in the primary market area (Humboldt County) that might compete with Home Depot's gardening section. The most competitive store would probably be Pierson's Garden Shop and Nursery located at the Pierson's compound on Broadway in the City of Eureka, approximately 2.5 miles southwest of the Marina Center. Pierson's Garden Center sells fertilizer, trees, sculpture, pots, gardening books and specialty plants. Their selection and service are likely to be superior to Home Depot's garden center.
- Other hardware stores, such as Shafer's Ace Hardware in the City of Eureka, Fortuna Ace Hardware and Garden in the City of Fortuna, and the Ace Home Center in McKinleyville sell gardening supplies similar to those sold at Home Depot. These stores may lose some garden sales to Home Depot, but to the extent that they serve a local neighborhood community, the convenience of their locations should help keep them competitive.
- There are several stores in the primary market area (Humboldt County) that exclusively sell gardening supplies and plants. These nurseries, such as Mad River Gardens in the City of Arcata and Miller Farms Nursery in McKinleyville, have an extensive selection of soil, plants, seeds, sculpture, and gardening supplies for sale. These types of stores may lose some sales to the Home Depot garden center, but should be able to stay competitive given their superior product selection and customer service.

Marina Center Impacts. The analysis indicates that there is little primary market area (Humboldt County) leakage in any of the "other retail" categories, including the farm and garden supplies stores subcategory. This includes the general merchandise category. The adjusted leakage analysis indicated that in 2010 dollars, a maximum of $5.7 million in sales may be diverted away from existing garden supplies stores in the primary market area (Humboldt County), comprising 19.2 percent of estimated 2010 garden supplies sales of $30 million (see Exhibits 12 and 13). The cumulative retail demand estimates due to population growth documented in Exhibit 15 indicate that it will take slightly more than five years to generate $0.3 million in garden supplies store sales within the primary market area (Humboldt County) from new growth following the assumed 2010 full year operation of the Marina Center. Thus, population growth is not expected to fully mitigate the economic impacts in this category. Sales impacts will also likely come from stores that also sell garden supplies but aren't categorized this way. This can include Target and K-Mart. Therefore, the maximum impacts on garden specialty stores will be lessened as these sales impacts are more widely spread.

The adjusted leakage analysis indicated that in 2010 dollars, a maximum of $22.5 million in sales may be diverted away from existing "other retail" stores in the primary market area (Humboldt County), comprising 8.0 percent of estimated 2010 "other retail" sales of $280.9 million (see Exhibits 12 and 13). This includes general merchandise stores. The cumulative retail demand estimates due to population growth documented in Exhibit 16 indicate that it will take slightly more than five years to generate $6.0 million in "other retail" store sales within the primary market area (Humboldt County) from new growth following the assumed 2010 full year operation of the Marina Center. Thus, population growth is not expected to mitigate the potential economic impact on "other retail" stores. If stores cannot withstand the downturn in sales it is possible that a maximum of 89,900 square feet of other retail space is at risk of closing.

The findings detailed in this chapter are summarized in the following Table 11.

Table 11
Proposed Marina Center
Summary of 2010 Primary Market Area Impacts[1]

Retail Category	Diverted Sales	Percent of Sales	Supportable Square Feet	Years to Mitigate
Apparel	$0.0	0.0%	N/A	N/A
Eating and Drinking Places	2.5	1.7	6,800	3 years
Home Furnishings and Appliances	0.0	0.0	N/A	N/A
Building Materials	11.9	8.7	32,300	10+ years
Specialty Stores	6.7	39.3	18,000	10+ years
Garden Supplies	5.7	19.2	15,500	10+ years
"Other Retail Stores" (Inc. Gen'l Merch.)	22.5	8.0	60,800	10+ years
Total	$49.3	6.9%	133,400	

(1) Refer to Exhibits 13 and 28.
Source: CBRE Consulting.

Table 11 provides a summary of the diverted sales impact discussed in this chapter. Assuming Marina Center's new primary market area (Humboldt County) sales occurred at the proportional expense of existing primary market area retailers, then existing retailers would experience a maximum annual impact of $49.3 million in lost sales upon stabilization of the

Marina Center in 2010 dollars. In total, the maximum diverted sales represent 6.9 percent of the primary market area's estimated 2010 sales in relevant Marina Center sales categories. New population growth is anticipated to help recoup all of the impacts in the eating and drinking places category, but very little of the lost store sales in the other affected categories. Retailers could strive to reposition their stores and primary market area sales could increase overall due to the enhanced regionalism of the primary market area. This is a conservative approach, in that it assumes there will be no net increase in primary market area (Humboldt County) sales after Marina Center achieves market stabilization. This is why CBRE Consulting considers the resulting existing retailer impacts maximum estimates upon stabilization.

OPPORTUNITY COSTS (FORTUNA ALTERNATIVE)

The former Pacific Lumber Company's sawmill site in Fortuna is under preliminary consideration for development into a 600,000-square-foot retail center. The project is currently on hold while the City of Fortuna updates the General Plan. An application for the retail project has not been filed yet with the city and there are currently workshops being held by the City of Fortuna to determine whether retail would be the best use of the site. Because of this delay, the Pacific Lumber site is likely to be built after the Marina Center. Lowe's Home Improvement Warehouse, the main competitor to Home Depot, has expressed interest in building a store on the Pacific Lumber site. Because of the relatively small population base in Humboldt County, however, CBRE Consulting perceives that the Lowe's store is unlikely to be built if there is already a Home Depot store in the City of Eureka.

If Home Depot is not built in the City of Eureka, and Lowe's builds a store in the City of Fortuna, the economic impacts on the primary market area (Humboldt County) will be similar to impacts from the proposed Home Depot store; however, the impacts on the City of Eureka will be drastically different. All the potential benefits to the City of Eureka will instead go to the City of Fortuna. At the same time, the City of Eureka will still feel all the prospective negative economic impacts. All sales tax from the Lowe's store will go to the City of Fortuna. All the new jobs created will be in the City of Fortuna. All the property taxes that might have gone to the City of Eureka or City of Eureka schools will go to the City of Fortuna and to the City of Fortuna's schools. In addition, the new retail development in the City of Fortuna will weaken the City of Eureka's role as a retail hub for Humboldt County.

Because of this alternative situation, it is important to consider not just what the economic impacts will be if the Marina Center and Home Depot store are built, but what the economic impacts will be if the Marina Center and Home Depot store are not built. If the City of Eureka gives up the opportunity to have a Home Depot store, there are likely to be negative economic impacts with all mitigating positive impacts going to the City of Fortuna.

Exhibit 19 shows a sales estimate for the proposed center in the City of Fortuna assuming its development. The center is in the preliminary planning stages, but may contain a Lowe's Home Improvement Center and a Wal-Mart store. The estimated sales in 2010 totals $214.1 million with the Wal-Mart contributing $78 million and the Lowe's Home Improvement Center contributing $28 million. This sales estimate is almost $100 million higher than the estimate for Marina Center. Exhibit 20 displays a Retail Sales Leakage Analysis for the City of Fortuna in 2004. Overall, Fortuna is a market with retail sales attraction, but certain categories have retail sales leakage. About half of the potential sales dollars in general merchandise and 90 percent of apparel store sales are being lost. "Other retail stores" also has some retail sales leakage.

Projected Fortuna Retail Sales Leakage for 2010 is displayed in Exhibit 21. By 2010 it is projected that the City of Fortuna will have $4.7 million of retail sales leakage in apparel, $11.5 million of retail sales leakage in general merchandise, and $5.8 million of retail sales leakage in "other retail stores." These figures suggest that in total, $192.1 million in center sales could occur at the expense of existing primary market area retailers (i.e., total sales of $214.1 million less projected leakage). Clearly there is not enough retail sales leakage in the City of Fortuna to fully mitigate the effect of the proposed Pacific Lumber site retail development.

If the $192.1 million in projected sales not absorbed by leakage occurs at the expense of primary market area retailers, then in general, 66 percent of these sales could be diverted from existing Eureka retailers. This is the combined share of Eureka's sales in apparel, general merchandise, household and home furnishings, building materials, and other retail, all categories impacted by the potential Fortuna center. This equates to a potential Eureka diverted sales impact of $126.8 million. This figure is much more substantial than the anticipated maximum impact of $30.5 million estimated for Marina Center. Thus, if Marina Center is not developed, and the Pacific Lumber Company sawmill site is successfully developed instead, Eureka could lose sales estimated at $126.8, equivalent to 14 percent of its anticipated 2010 retail base (or 27 percent in just the identified categories). This would comprise a very significant opportunity cost for Eureka, which could be proactively avoided at least in part by the development of Marina Center anchored by Home Depot. This development would likely significantly reduce, if not eliminate, Lowes' interest in the market area, helping to preserve the retail base of Eureka.

VII. CUMULATIVE IMPACTS

This study analyzes the Marina Center retail component in the context of other currently proposed retail projects in the primary market area. This includes two projects currently approved or in planning in Humboldt County: Strongs Creek Plaza in Fortuna; and Meadow Business Park in Redway. Not included in this analysis is the Fred Katz development in Fortuna on the former Pacific Lumber Company Sawmill site, since the current plans are in the concept stage. No application for the Fred Katz project has been submitted. While it is known that Lowe's is a possible anchor for an anticipated retail development on the site, it is not likely that such a store within the project would be built with a Home Depot in Eureka, as reputedly stated by Lowe's. However, the next chapter looks at the cumulative impacts if the Lowe's were to be built following the Home Depot.

IDENTIFIED PROJECTS

Primary Market Area

CBRE Consulting identified major planned retail projects in the primary market area (Humboldt County). There were two projects identified in the primary market area, one in Fortuna and one in Redway. There were no projects of significance that would be competitive with Marina Center identified in the City of Eureka. The selected retail projects are identified in Exhibit 22, which also identifies three rumored retail projects which are not currently in the planning process. These projects are presented for informational purposes only and are not included in the cumulative impacts analysis. Available details for the two projects included in the cumulative impacts analysis are as follows:

- Strongs Creek Plaza: This project, currently under construction, will consist of four separate buildings developed in several phases. Stores include Walgreens, Starbucks, a pizza parlor, unidentified restaurants, a bank, and a general merchandise store such as Cost Plus or Pier One Imports. Construction began in 2006 with a planned 2007 opening.

- Meadow Business Park: This approved project is located in the southern part of the county in the town of Redway. It will include a retail component consisting of one 10,000-square-foot building and another 7,500-square-foot building. There will also be 2,800 square feet of office space. No anchor tenants have been named, but it is expected that there will be a variety of retail, wholesale, and service stores. The timing of this project is not currently available.

PRIMARY MARKET AREA STORE SALES ANALYSIS

Sales Estimates for Planned Retail Developments

CBRE Consulting estimated sales for the proposed primary market area retail developments in Exhibit 23. Since most of the tenants for Strongs Creek Plaza have been identified, CBRE Consulting estimated sales using Retail MAXIM's sales per square foot data for appropriate retailers and categories. However, for the unknown portion of the retail space at Strongs Creek Plaza, and for all of the retail space at Meadow Business Park, CBRE Consulting assumed the industry accepted standard of $300 sales per square foot (in 2003 dollars to be consistent with Exhibit 2).

Strongs Creek Plaza is expected to open in 2007, while the opening date for Meadow Business Park is unknown. For this analysis, all planned development sales are projected to 2010. CBRE Consulting has assumed 2010 for analytical purposes since that would be the earliest that all projects, including the Marina Center, could be completed.

Exhibits 23 and 24 identify estimates of sales by retail category for the identified planned retail projects in the primary market area. The sales estimates indicate that the planned primary market area retail projects will have the potential to generate up to $28.9 million in new sales, including $11.1 million in drug store sales, $1.4 million in eating and drinking places sales, $2.2 million in household and home furnishings sales, $1.6 million in specialty stores, and $12.7 million in "other retail stores" sales.

Of these new sales, $24.6 million are estimated to be generated by primary market area residents, per the previous market split assumptions (85 percent / 15 percent). The remaining sales are expected to originate from an undefined tertiary market.

Utilizing the same methodology discussed in Chapter IV Retail Sales Leakage Analysis and Sales Impacts, CBRE Consulting estimated the maximum impact of the planned retail developments on existing retailers in the primary market area. This approach, presented in Exhibits 25 to 28, considered the following factors:

- New sales by major category;
- Estimated new sales by major category generated by primary market area residents;
- The primary market area's (Humboldt County) new retail sales base after development of Marina Center;
- The share of the planned retail projects' sales, at maximum, to be diverted from existing primary market area (Humboldt County) retailers upon stabilization; and
- The minimum new sales achieved by the planned retail projects not diverted away from existing primary market area (Humboldt County) retailers.

CUMULATIVE SALES IMPACTS

Exhibits 25 through 28 summarize the maximum diverted sales impacts resulting from development of Marina Center and both primary market area cumulative projects. These results indicate that assuming development of Marina Center and both cumulative projects, at worst, $70.7 million in sales will comprise sales diverted away from existing primary market area retailers (see Exhibit 28). The diverted sales impact estimate is $9.4 million on drug stores, $3.7 million on eating and drinking places, $11.9 million on building materials stores, $6.7 million on specialty stores, $5.7 million on garden supplies, and $33.3 million on "other retail stores." There are no estimated impacts on apparel stores, or home furnishings and appliances because of the retail sales leakage in those categories. Impacts on each of the five retail categories are discussed below. This section does not include the possible cumulative sales impacts of the potential Lowe's store in Fortuna. No application has been filed for that project. See Chapter VIII for an analysis that includes the Lowe's store.

- **Drug Stores.** The estimated $9.4 million in diverted drug store sales is equivalent to approximately 25,400 square feet of impacted space. The primary market area is projected to require 8 years to generate this level of additional demand. Thus, it appears a maximum of 25,400 square feet of drug store space in the primary market area is at risk of closing. However, it is unlikely that all negative impacts will be experienced by just one store in the primary market area. Therefore, if the impacts are more realistically spread among a

number of stores, then some declines will be felt by stores that may not be severe enough to trigger store closure, thus reducing the timeframe for store recovery.

- Eating and Drinking Places. The estimated $3.7 million in diverted eating and drinking places sales is equivalent to approximately 9,900 square feet of impacted space. The primary market area is projected to require approximately four years to generate this level of additional demand if this impact is solely concentrated among a few restaurants. While it appears that at maximum 9,900 square feet of eating and drinking places space in the primary market area is at risk of closing, more likely the impacts will be spread more widely, with lesser total impacts regarding closed restaurants.

- Building Materials Stores. The estimated $11.9 million in diverted building materials sales is equivalent to approximately 32,300 square feet of impacted space, or 8.7 percent of estimated total building materials stores sales in Humboldt County. The primary market area is projected to require more than 10 years to generate this level of additional demand. While it appears that a maximum of 32,300 square feet of building materials space in the primary market area is at risk of closing, it is unlikely that the impacts would be concentrated on one store causing it to close. The impacts will more likely be spread among several retailers in the market area, resulting in a reduction in sales not severe enough to cause any one store to close.

- Specialty Stores. The estimated $6.7 million in diverted specialty stores sales is equivalent to approximately 18,000 square feet of impacted space. The primary market area is projected to require more than 10 years to generate this level of additional demand. Thus, it appears a maximum of 18,000 square feet of specialty stores space in the primary market area is at risk of closing if the impacts are concentrated on a small number of stores. However, it is more likely that the sales diversion would be spread among several retailers in the market, causing a reduction in sales not severe enough to result in closed stores.

- Garden Supplies. The estimated $5.7 million in diverted garden supplies sales is equivalent to approximately 15,500 square feet of impacted space. The primary market area is projected to require more than 10 years to generate this level of additional demand. Thus, it appears a maximum of 15,500 square feet of garden supplies space in the primary market area is at risk of closing if the impacts are concentrated on a small number of stores. However, sales diversion likely would be spread among several retailers in the market, causing a reduction in sales not severe enough to result in closed stores.

- "Other Retail Stores." The estimated $33.3 million in diverted food store sales is equivalent to approximately 89,900 square feet of supportable space. The primary market area is projected to require more than 10 years to generate this level of additional demand. Thus, it appears a maximum of 89,900 square feet of "other retail stores" space in the primary market area is at risk of closing. While it is likely that diverted sales will be spread among several stores in the market area, the substantial volume of impacted square footage could result in a few store closings.

These cumulative impact figures are conservative and are presented as an analytical benchmark. They are considered conservative for several reasons. Foremost, they assume the maximum diversion away from existing retailers upon stabilization of the Marina Center, Strongs Creek Plaza, and Meadow Business Park. Thus, they do not take into account any prospective market corrections or enhancements following the introduction of the Marina

Center, Strongs Creek Plaza, and Meadow Business Park into the marketplace, including competitive retailer repositioning. This is a conservative analysis in that it assumes the stores achieve stabilized sales in year one. However, retail stores typically achieve stabilized sales after about two to three years. Therefore the initial impact is overstated.

VIII. CUMULATIVE IMPACTS INCLUDING LOWE'S

Even though the plans for a Lowe's Home Improvement store in the City of Fortuna are very preliminary, given that the store is a direct competitor with Home Depot, CBRE Consulting felt it would be useful to look at possible cumulative impacts if the store opens after the Home Depot store in Eureka opens. Exhibits 29 through 34 replicate the earlier cumulative analysis from Chapter VII, but the potential of a Lowe's store in Fortuna is additionally considered. The focus is on the Lowe's store since it is a direct competitor with Home Depot. The other potential stores at the Pacific Lumber site are not considered.

SALES ESTIMATE FOR THE POTENTIAL LOWE'S STORE IN FORTUNA

In order to estimate potential sales for a Lowe's store in Fortuna, CBRE Consulting took the average sales figure from Lowe's Companies Inc. 2004 Form 10-K. That number was deflated to sales per square foot in 2003 using the consumer price index so that it would match estimates of other cumulative projects in Humboldt County. The potential size of the Lowe's store was also taken from the company's 2004 10-K document that says that the typical store is 116,000 square feet plus 31,000 square feet of outdoor garden space.

Assuming that the Marina Center opens in the City of Eureka, a potential Lowe's Home Improvement store in the City of Fortuna would primarily serve the southern part of Humboldt County. The bulk of the county's population is in Eureka, Arcata, and McKinleyville. Given Home Depot's prime location on the Balloon Track site, the population in Eureka and north of Eureka are likely to prefer shopping at Home Depot rather than driving past Eureka to Fortuna to shop at Lowe's. Therefore, the market area for the Fortuna Lowe's is only about 30,000 to 40,000 persons.

In order to adjust for the small size of the market, confidential sales data were examined for Home Depot stores that have a similar market size. Based on comparable sales data at Home Depot stores in similar sized markets, it was determined that the typical Home Depot store in a market of 30,000 to 40,000 persons generates sales per square foot that are approximately half the national average Home Depot store sales. Assuming that Lowe's stores in smaller markets perform similarly as compared to the national average Lowe's store, a discount was conservatively applied which resulted in a discounted $152 sales per square foot in 2003 for the potential Lowe's store in Fortuna. Exhibit 29 shows this sales estimate along with the other cumulative projects in the primary market area.

Exhibits 30 and 31 identify estimates of sales by retail category for the identified planned retail projects in the primary market area (focusing only on the Lowe's store at the Pacific Lumber site). The sales estimates indicate that the planned primary market area retail projects will have the potential to generate up to $56.5 million in new sales, including $11.1 million in drug store sales, $1.4 million in eating and drinking places sales, $10.2 million in household and home furnishings sales, $15.5 million in building materials, $1.6 million in specialty stores, $4.1 million in garden supplies, and $12.7 million in "other retail stores" sales.

Of these new sales, $48.0 million are estimated to be generated by primary market area residents, per the previous market split assumptions (85 percent / 15 percent). The remaining sales are expected to originate from an undefined tertiary market.

SALES ADJUSTMENT FOR HOME DEPOT IN EUREKA

Given the adjustment made to the Lowe's sales estimate, it is fair to consider whether Home Depot's sales also need to be adjusted downward. Home Depot has estimated that their sales are typically impacted by 15 percent when a Lowe's store enters their market. On Exhibit 31, that adjustment is made so that Home Depot's sales assuming market competition with a Lowe's store are not overestimated. The adjustment is only made in the categories relevant to Home Depot: home furnishings and appliances, building materials, and garden supplies. This results in a new primary market area retail sales base of $1,007,800,000.

CUMULATIVE SALES IMPACTS INCLUDING THE POTENTIAL LOWE'S STORE IN FORTUNA

Exhibits 31 through 34 summarize the maximum diverted sales impacts resulting from development of Marina Center and all primary market area cumulative projects. These results indicate that assuming development of Marina Center and all cumulative projects, at worst, $87.4 million in sales will comprise sales diverted away from existing primary market area retailers (see Exhibit 34). This is an increase of $16.7 million over the cumulative impacts estimated without the Lowe's store. The diverted sales impact estimate is $9.4 million on drug stores, $3.7 million on eating and drinking places, $25.1 million on building materials stores, $6.7 million on specialty stores, $9.3 million on garden supplies, and $33.3 million on "other retail stores." There are no estimated impacts on apparel stores, or home furnishings and appliances because of the retail sales leakage in those categories. Compared to the previous cumulative impacts analysis, the categories with increased impacts are building materials and garden supplies. These categories are discussed below.

- Building Materials Stores. The estimated $25.1 million in diverted building materials sales is equivalent to approximately 67,800 square feet of impacted space. This is an increase of $13.2 million and 35,500 square feet over the analysis that excludes the Lowe's store. The primary market area is projected to require more than 10 years to generate this level of additional demand. Therefore, it is possible that building materials space in the primary market area is at risk of closing if the impacts are concentrated on a small number of stores. If some building materials stores closed, it is possible that they could be retenanted quickly. The new Fortuna Ace Hardware and Garden store left a vacant 7,600 square feet of space when it moved to its new location. That space is reportedly going to be retenanted with an Oriental Buffet restaurant. The retenanting is expected to happen in less than a year, proving that this type of space can be reused. It is possible that larger building materials stores may take longer to retenant.

- Garden Supplies. The estimated $9.3 million in diverted garden supplies sales is equivalent to approximately 25,100 square feet of impacted space. This is an increase of $3.6 million and 9,600 square feet over the analysis that excludes the Lowe's store. The primary market area is projected to require more than 10 years to generate this level of additional demand. Thus, it appears that garden supplies space in the primary market area is at risk of closing if the impacts are concentrated on a small number of stores. If some garden supplies stores close it is possible that they could be retenanted quickly. Schaefer's Lawn & Garden store merged with the new Fortuna Ace Hardware store and left a vacant space when it moved to the new location. That space is reportedly going to be retenanted with a stone countertop store, which needed a new storeroom. This retenanting also is expected to happen within a year, demonstrating that this type of space can be reused.

These cumulative impact figures are conservative and are presented as an analytical benchmark. They are considered conservative for several reasons. Foremost, they assume the maximum

diversion away from existing retailers upon stabilization of the Marina Center, Strongs Creek Plaza, Meadow Business Park, and Lowe's Home Improvement. Thus, they do not take into account any prospective market corrections or enhancements following the introduction of these projects into the marketplace, including competitive retailer repositioning. This is a conservative analysis in that it assumes the stores achieve stabilized sales in year one. However, retail stores typically achieve stabilized sales after about two to three years. Therefore the initial impact may be overstated.

IX. URBAN DECAY DETERMINATION

The purpose of this chapter is to assess the degree to which development of Marina Center may or may not contribute to urban decay in the primary market area (Humboldt County). This includes impacts associated with the cumulative impacts of Marina Center and other planned primary market area retail developments. Urban decay could theoretically result from the closure of stores due to the development of Marina Center and other known primary market area planned retail developments. However, while urban decay could result from such store closures, it does not necessarily result. To make this determination, it is necessary to consider whether, if stores remained closed, urban decay would likely occur. This chapter discusses the definition of urban decay, the study's approach to determining urban decay potential, retailer demand in the primary market area, and CBRE Consulting's urban decay determination.

STUDY DEFINITION OF URBAN DECAY

For the purpose of this study, urban decay is defined as physical deterioration that is so prevalent and substantial it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Physical deterioration includes, but is not limited to, abnormally high business vacancies, abandoned buildings and industrial sites, boarded doors and windows, parked trucks and long term unauthorized use of properties and parking lots, extensive gang or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees or shrubbery and uncontrolled weed growth or homeless encampments.

It is relevant to point out that the Eureka Balloon Track site is currently in a state of urban decay. There are toxic chemicals on the site that need to be remediated and/or capped. There is uncontrolled plant growth, old pieces of railroad machinery, and homeless encampments currently on the site. Crime and drug use has made the area dangerous. City services such as the police department currently must devote extra resources to the area. The urban decay on the Eureka Balloon Track site also negatively influences its surrounding neighborhood, taking away from the charming Historic Old Town district a few blocks away. Cleaning up and redeveloping the land would be an improvement over its current state and would contribute to making the waterfront drive and promenade more pleasant.

APPROACH TO DETERMINING URBAN DECAY POTENTIAL

CBRE Consulting engaged in several tasks to assess the probability of urban decay ensuing from development of Marina Center or the identified cumulative store impacts. These tasks revolved around assessing the potential for closed primary market area store spaces, if any, to remain vacant for a prolonged period of time or to be leased to other retailers within a reasonable marketing period. Several sources active in the primary market area were contacted regarding the health of the primary market area retail market and the depth of prospective demand for retail space. The purpose of this research was to determine if sufficient retailer demand exists to absorb vacated space in the event existing primary market area retailers close due to any negative economic impacts of Marina Center and the other identified planned projects.

RETAILER DEMAND IN THE PRIMARY MARKET AREA

CBRE Consulting conducted telephone interviews with three real estate brokers experienced in the primary market area, one with experience dating back fifteen years. The real estate brokers represented a mix of independent commercial brokerage houses and in-house leasing agents for owners of shopping centers in the primary market area. All of the brokers contacted have experience working with tenants and landlords in the primary market area. In the course of the interviews, the real estate brokers shared their candid thoughts and some proprietary information with CBRE Consulting. Findings from these interviews are summarized below.

Market Characterization

In general, the brokers characterized the primary market area's retail market as stable with high occupancy rates but little rent escalation. The Oldtown and Downtown Historic Districts have a vacancy rate between five and ten percent. Bayshore Mall has a vacancy of seven percent and the Redwood Village Shopping Center in Fortuna has a vacancy of five percent. Despite the low vacancy, rents have remained flat. The economy in Humboldt County has been suffering from the decline of the timber and fishing industries, but as employment becomes more diversified into other industries, the economy is stabilizing. Slow population growth also contributes to a lack of rent appreciation. Because of the lack of jobs, many young persons leave Humboldt County. At the same time, retirees are attracted to Humboldt County's undeveloped beauty and affordable housing. The City of Fortuna especially is starting to become a retirement community.

The Historic Districts in the City of Eureka apparently suffered when the Bayshore Mall opened in the late 1980s, but these areas have since recovered. In general, these areas fulfill specific niche markets, especially the tourist market. In contrast to the Bayshore Mall, the Eureka Balloon Track is within walking distance of these districts. Given the close proximity, the Marina Center might help bring more business to these areas whereas the Bayshore Mall pulled customers to a different part of town.

Because of the small retail market and isolated geography in Humboldt County, many of the retailers that currently exist in the market have very few competitors and may be overperforming compared to similar stores in more competitive markets. The Safeway market in the City of Fortuna is reputedly the highest grossing Safeway store in the primary market area (Humboldt County). The Sears store at Bayshore Mall is one of the few stores to offer a wide variety of appliances, and reputedly has high appliance sales. Many of the stores at the Redwood Village Shopping center in the City of Fortuna have recently remodeled their spaces. This will help keep them competitive with the new Marina Center as well as the planned Strongs Plaza in the City of Fortuna.

The interviewed brokers did feel that hardware stores in the primary market area (Humboldt County) would likely be negatively impacted by the Home Depot store. The brokers did not expect there to be store closures, but they also did not rule it out. Other stores likely to be impacted include the Sears, Sam Goody's, and Borders Bookstore. These stores would all compete with a chain electronics store because of product overlap in household appliances, televisions, stereos, and entertainment products such as music and movies. Also, the chain restaurants located in the Bayshore Mall may be impacted by competition with chain restaurants that go into the Marina Center.

Retailer Interest

According to the brokers contacted, most retailers that want to be in the market are currently represented in the primary market area (Humboldt County). For some retailers such as Eddie Bauer, Talbots, or Men's Warehouse, the market area in Humboldt County is just not large enough to justify a presence. It was reported that current interest is limited with a few notable exceptions. A new shopping center called Strongs Plaza is being planning for the space next door to the current Redwood Village Shopping Center in the City of Fortuna. Stores expected to go into that space include a Starbucks café, Walgreens, restaurants such as a pizza parlor, and a home furnishings store such as Cost Plus. A Pier One store is opening in the Bayshore Mall. Wal-Mart unsuccessfully tried to enter the market in the late 1990s and may still be interested. The developer Fred Katz is starting to plan a 600,000-square-foot retail center at the former Pacific Lumber sawmill site. Currently the project is held up until the City of Fortuna General Plan update is finished in mid-2007. The earliest that the project could open is 2010. Lowe's home improvement store has expressed interest in the planned retail center and given the size of the center, other big box stores may be interested in the space.

Re-tenanting Potential

Brokers in the market were unable to predict or comment on the potential to re-tenant major store closures in the primary market area resulting from the development of the Marina Center. The reasoning provided was that there was not a lot of history of significant vacancies and subsequent re-tenanting in the primary market area in recent years. The major example of retenanting is the Montgomery Wards which closed in 2001 after the company declared bankruptcy. After the Montgomery Wards bankruptcy proceedings were finalized the site and structure was immediately marketed and sold in a sealed bid sale with Target being the successful purchaser. Target demolished the building and opened a new store on the site in late 2004. It took several years to retenant the space, but that was largely attributable to all the requirements by the City of Eureka for an environmental impact report. The site plan also had to be approved with the Coastal Commission. The general perception from the brokers is that re-tenanting large format vacancies would not happen quickly. However, the existing primary market area shopping centers have low vacancy rates, which is an indication of the primary market area's stable performance and ability to re-tenant smaller vacancies as they occur. The sources have a strong belief that re-tenanting would occur in the long-term.

Another possible issue is whether the potential space in Marina Center could be re-tenanted if Home Depot closed. Lowe's would likely to be interested in filling the space since they have previously expressed interest in entering the Humboldt County market. Also Fred Meyer is a potential replacement given their major expansion program going on in Northern California. The fact that the Montgomery Ward building was so quickly filled by Target indicates that the market specifically for large big box retail space is strong. The Bayshore Mall has recently had success in attracting large tenants such as Ross Dress For Less, Old Navy, Borders, and Bed, Bath, and Beyond, and was also able to fill the 50,000-square-foot space left by J.C. Penney in a short time period. Also, the Home Depot space is designed so that it can be broken into three smaller spaces from 20,000 to 40,000 square feet in size. This means that it might not be necessary to find one big box retail store that requires the entire space.

URBAN DECAY CONCLUSION

As discussed in the preceding analysis, CBRE Consulting concludes that the opening of the Marina Center may result in some existing primary market area store closures. The existing primary market area shopping centers have low vacancy rates, which is an indication of the primary market area's stable performance and ability to re-tenant smaller vacancies as they occur. Therefore, vacated retail spaces have the potential to be successfully re-tenanted. It is also likely that if Home Depot closed its potential store in Eureka, that the space could be eventually filled by another big box store that is not currently in the Humboldt County market area. Because it is expected that potential vacancies as a result of the Marina Center will eventually be retenanted, CBRE Consulting does not expect vacancies to lead to physical deterioration so prevalent and substantial that it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Therefore, CBRE Consulting concludes that although development of the Marina Center may contribute to further retail vacancies in the primary market area, those vacancies are unlikely to result in urban decay. In addition, the current state of the Eureka Balloon Track property contributes to urban decay in its surrounding neighborhood. Remediating and/or capping the toxic chemicals on the site and redeveloping the space into a retail center would be a major improvement and contribute to the revitalization of the neighborhood.

X. MUNICIPAL AND OTHER REVENUE IMPACTS

CBRE Consulting determined the fiscal benefit to the City of Eureka's General Fund and other taxing entities based on changes in sales and property tax receipts due to the addition of Marina Center. For this task, CBRE Consulting collected information from the California Board of Equalization, the Solano County Assessor and Auditor/Tax Collector, HdL, and the City of Eureka. CBRE Consulting contacted the developer, Security National Properties, to determine the parcel numbers and total development costs associated with Marina Center.

SALES TAX

Determination of Taxable Sales. Sales tax revenue accrues to the Eureka General Fund based on retail sales. For this analysis CBRE Consulting estimated taxable sales generated by the Marina Center. Estimated taxable sales by retail category are contained in Exhibit 35. The analysis is conducted in 2010 dollars. As presented earlier, the project is estimated to generate about $122.3 million in total retail sales, based on average sales per square foot in Exhibit 2. All these sales are assumed to be taxable. It should be noted, however, that estimates of taxable sales, and thus sales tax revenue, are based on industry standards, which may or may not be achieved in any particular market area.

Estimated Sales Tax Revenue. The Eureka General Fund receives 1.0 percent of taxable retail sales. Given the $122.3 million taxable sales estimate, the City of Eureka is estimated to receive total annual sales tax revenue of $1.2 million (see Exhibit 35).

If the maximum projected store sales impacts of $30.5 million on existing Eureka retailers materialize, then Eureka will experience a corresponding reduction in sales tax revenue generated by these retailers. The total loss of sales taxes in Eureka assuming the maximum impact on existing retailers and the Eureka adjustment would equal $305,398 (see Exhibit 35).

Net Result. Therefore, the annual net sales tax revenue results are equal to $900,000. This is equivalent to the total new sales tax revenue from the proposed Marina Center of $1.2 million, less the estimated sales tax revenue associated with the diverted sales impacts on Eureka retailers of $305,398.

PROPERTY TAX

Property taxes generated by Marina Center will be a function of the assessed value. For the purpose of this analysis, it is assumed that the assessed value of Marina Center will be estimated based on the cost approach. That is, the construction costs (hard and soft costs) plus land value (total development costs) will be the basis for calculating real property taxes. Construction cost estimates from Security National Properties were used to estimate the potential assessed value of Marina Center. Detailed development cost estimates were reviewed for reasonableness by CBRE Consulting. Development costs were provided in 2006 dollars and adjusted for inflation by CBRE Consulting at 3.0 percent per year.

CBRE Consulting contacted the Humboldt County Assessor's and Auditor's Offices for property tax rate information. The property is located in the City of Eureka's Tomorrow Redevelopment Project Area, a factor that impacts the revenue generation for the statutory taxing entities, including the City of Eureka General Fund and local school districts. Since the project is in a Redevelopment Area, these entities will draw a proportional share of 20 percent of the

revenues, as 80 percent will be diverted to the Redevelopment Agency and Housing Set-aside fund. CBRE Consulting estimated the property tax allocations at buildout for the Redevelopment Agency, Housing Set-aside, City of Eureka General Fund, and local school districts in Exhibit 36. The City of Eureka's tax consultant, HdL, provided information on the allocation of taxes to each of the agencies listed in Exhibit 36.

CBRE Consulting calculated that Marina Center would generate annual property tax revenue of $911,396 on an assessed value of $91.1 million in 2010 dollars (see Exhibit 36). The Redevelopment Agency would receive 60 percent of the property tax revenues from the project, or $546,838 in the first year of operations. The Housing Set-aside program would receive an additional 20 percent of the revenues, or $182,279 in the first year of operations. Finally, the statutory taxing entities would receive a proportional share of the remaining 20 percent of revenues, allocated as follows:

- City of Eureka General Fund: $29,529
- Eureka Elementary School District: $39,190
- Eureka High School District: $35,180
- College of the Redwoods: $11,301
- Humboldt County Office of Education: $2,552

According to the Humboldt County Auditor, there is a mechanism in the State of California whereby local school districts are made whole by the State for tax revenues lost in the diversion of revenues in redevelopment project areas to Redevelopment Agencies. While determining the specifics of this mechanism is beyond the expertise of CBRE Consulting, it is possible that local school districts could reap substantial additional revenues from the development of Marina Center (e.g., Eureka Elementary School and Eureka High School District). Absent the diversion of property tax revenues to the Redevelopment Agency, these revenues would be $371,850 based on the projected 2010 value of $91.1 million.

POLICE AND FIRE SERVICE COSTS

A discussion with the Fire Chief of Eureka found that service costs are not expected to change dramatically if the Marina Center is built. Currently there are many service costs associated with the empty lot. The Fire Department responds to wild fires on the site as well as medical emergencies with the homeless population. Wild fire risk is expected to decline if the Marina Center is built, but then there will be the new risk of structure fire. Given these factors, it is hard to estimate the change in service costs, but the Fire Department does not believe they will change dramatically.

Currently, the Police Department serves the area in regards to crime with the homeless population. Given the mixed uses of office, retail, and housing planned for Marina Center, the Police Chief of Eureka indicated that one full-time police officer and one police services officer will need to be hired to handle service requirements if the Marina Center is built. The police services officer has all the duties of a police officer except powers to arrest. The cost of adding these two positions is estimated at $147,441 in 2006 dollars. This calculation does not take into account the current cost of time spent by the Police Department on the property, only the incremental increase.

REVENUE IMPACTS CONCLUSION

The minimum City of Eureka General Fund tax revenue gain for both sales and property tax is summarized in Table 12 and detailed in Exhibit 37. The table indicates the total taxes generated, nets out the maximum tax revenue lost, and presents the incremental tax revenue gain from Marina Center.

Table 12
Estimated Property and Sales Tax Revenue (1) from
Marina Center
2010 Dollars

Type of Tax	New Tax Revenue	Diverted Tax Revenue	Net New Tax Revenue
Sales Tax	$1,223,133	$305,398	$917,735
Property Tax	$29,529	$0	$29,529
Total	**$1,252,662**	**$305,398**	**$947,264**

(1) Includes City of Eureka revenues only.
Source: Exhibits 35 – 37; and CBRE Consulting

Marina Center is estimated to generate $1.3 million in annual taxes but cause $290,169 in tax losses to the City of Eureka General Fund. In total, the Marina Center will generate an estimated incremental tax gain of $1.0 million to the City of Eureka General Fund. Less the anticipated police service costs, (inflated to 2010 dollars to become $165,946), this General Fund net revenue estimate becomes $781,318.

Table 13 shows a summary of the public entities that will receive the greatest level of benefits from Marina Center's sales and property taxes. There will be a benefit of $2.1 million going to the City of Eureka's General Fund, the Redevelopment Agency, the affordable housing set-aside, the elementary school district, high school district, local community college and County Office of Education.

Table 13
Summary of Total Benefits to Public Entities from
Marina Center
2010 Dollars

Public Entity Receiving the Benefit	New Funds
City of Eureka General Fund	$1,252,662
Redevelopment Agency	$546,838
Affordable Housing Set-Aside	$182,279
Eureka Elementary School District	$39,190
Eureka High School District	$35,180
College of the Redwoods	$11,301
Humboldt County Office of Education	$2,552
Total	**$2,070,002**

Source: Exhibits 35 – 37; and CBRE Consulting

Yet several other public entities will receive a share of the property tax revenues generated by the project, but these are generally not located in Eureka and don't generate significant benefit to Eureka.

The funds going to the City of Eureka General Fund will fund many city services, as demonstrated by the City's current distribution of General Fund expenditures. This distribution is presented in Table 14, which shows the share of expenditures by department in the City of Eureka's 2005-06 annual budget.

Table 14
Operating Expenses Summary by Department
City of Eureka Budget 2005-06

Department	Expenditure	Percent of Total
Legislative	$282,223	1%
City Manager	$396,492	1%
Personnel	$274,163	1%
Finance	$4,898,325	14%
City Attorney	$225,895	1%
Police	$7,259,515	20%
Fire	$4,044,712	11%
Public Works	$12,631,225	35%
Engineering	$1,461,835	4%
Community Development	$492,144	1%
Redevelopment	$4,049,501	11%
Total	**$36,016,030**	**100%**

Source: City of Eureka Annual Budget 2005-06, June 30, 2005 ;and CBRE Consulting

There may be select other service costs associated with the project, but they have not been included in this analysis. These other costs, however, are anticipated to be minimal, as fire and police service costs have already been accounted for.

XI. JOBS IMPACTS

CBRE Consulting estimated the prospective number of net new jobs created as a result of the added employer demand at Marina Center. The estimate is based on estimates deduced from industry-accepted assumptions that are confirmed by CBRE Consulting's experience.

ANTICIPATED NEW JOBS

CBRE Consulting relied on square foot figures provided by Security National Properties to determine the number of employees for the retail, office, and industrial space at Marina Center. CBRE Consulting applied a retail industry metric of 500 square feet per employee to estimate 264 employees for the Home Depot store and 391 employees for the other retail stores. An office industry metric of 250 square feet per employee was applied to estimate 416 employees for the office space at Marina Center; an industrial industry metric of 500 was applied to estimate 140 employees working in light industry at Marina Center; and a public attraction metric of 1,000 was applied to estimate 13 employees working at the museum at Marina Center. In addition, Security National Properties estimated the number of employees needed for security, maintenance, and property management at 22. Adding these estimates together yields a total of 1,246 new jobs for the Marina Center development as presented in Exhibit 38.

Home Depot's average hourly rate in 2004 was $12.57 an hour. This wage level will probably be higher due to inflation adjustment in 2010 when the Marina Center opens. This compares with an estimated average 2004 retail wage of $9.96 in Humboldt County.[4] Home Depot offers medical dental, vision, disability, and life insurance to all full-time and part-time employees. Other benefits offered to all employees include 401(k) retirement plans, paid vacation, holiday, and sick leave. Average 2004 hourly rates in Humboldt County for office workers were $12.31 and for industrial workers were $15.70.[5]

Security National Properties estimates that they will need one chief engineer to be paid $60,000 a year and two junior engineers to be paid $35,000 per year. All the engineers will have full benefits. New hires will also include hire two property managers to be paid $35,000 a year, one marketing director to be paid $25,000 a year, four general maintenance staff to be paid $10 an hour, five office janitorial staff to be paid $10 an hour, and eight security employees to be paid $11 an hour.

PROSPECTIVE JOB LOSSES

Humboldt County

Exhibit 39 presents the scenario in which existing Humboldt County (primary market area) retailers suffer sales impacts from the addition of Marina Center. CBRE Consulting took the maximum 2010 sales impact of $49.3 million calculated in Exhibit 28, divided by estimated

[4] Data comes from the U.S. Census Bureau's 2003 County Business Patterns. In 2003 there were 7,257 employees working in retail trades jobs in Humboldt County. The total annual payroll was $146,516,000. Assuming that employees worked full-time 40 hours a week for 52 weeks a year, the average wage would have been $9.71. Using the California consumer price index, this wage was inflated to $9.96 in 2004 dollars. Similar calculations were done to estimate 2004 average industrial and office wages.

[5] The U.S. Census Bureau's industry code description of "professional, scientific, and technical services" was used to estimate office workers' average wages while the industry code description of "manufacturing" was used to estimate industrial workers' average wages.

average sales per square foot of $370 in 2010 to calculate total square feet impacted, and divided that amount by the assumed 500 square feet per employee. The results indicate that under the worst-case scenario, 267 jobs could be impacted at existing Humboldt County (primary market area) retailers.

City of Eureka

All of the new jobs generated at Marina Center will be located in the City of Eureka. To estimate the possible job losses in Eureka, CBRE Consulting examined Eureka's share of total Humboldt County retail sales. Because Eureka is the major retail hub in Humboldt County, it is not surprising that 58 percent of Humboldt County retail sales in 2004 were generated in the City of Eureka. This percentage was applied to the maximum sales impacts to Humboldt County in order to gauge the maximum sales impacts to the City of Eureka. The methodology used above for Humboldt County was applied the same here resulting in the worst-case scenario of 154 jobs impacted at existing City of Eureka retailers.

Net Jobs Impacts Conclusion

Marina Center will create net new jobs in Humboldt County (primary market area). The net jobs impacts are summarized in Table 15.

Table 15
Net Jobs Impacts from Marina Center
2010

Type	Humboldt County (Primary Market Area)	City of Eureka
Jobs Generated	1,246	1,246
Jobs Lost	(267)	(154)
Total	**979**	**1,092**

The table nets the estimated 267 lost Humboldt County jobs from the 1,246 jobs at Marina Center. The addition of Marina Center will generate an estimated 979 net new jobs in Humboldt County (primary market area). For the City of Eureka, an estimated 154 jobs may be lost resulting in a net of 1,092 jobs. This jobs impacts estimate presents new retail, office, industrial, and property maintenance jobs only and does not estimate any potential new city service jobs indirectly created as a result of the addition of the shopping center.

XII. CASE STUDIES

The purpose of this chapter is to explore other cities' experiences with Home Depot stores moving into their communities. Interviews with city officials found that no negative economic impacts were experienced as a result of the Home Depot stores. Although some communities had concerns about Home Depot, ultimately, no local hardware stores closed as a result of the Home Depot store and no shopping districts were negative affected.

BACKGROUND

CBRE Consulting conducted case study analyses of three cities in Northern California that have Home Depot stores in order to find out what economic impacts these cities may have experienced. The cities studied are Ukiah, San Rafael, and Woodland. The Ukiah store opened last year in 2005, while the San Rafael store opened ten years ago in 1996 and the Woodland store opened in 2002. These locations were selected as case studies for several reasons, including the following characteristics shared somewhat with Eureka: similar-sized small California cities; a location outside of major urbanized areas; and a role as the major shopping hub in their counties.

The case studies were conducted to probe issues regarding the local economic impacts following the opening of Home Depot stores. The purpose of the case studies was to document, to the extent possible, the impact development of the store had on other local home improvement stores. The queries involved the following topics:

- Community concern prior to the opening of the Home Depot store;
- Negative economic impacts since the opening of the Home Depot store;
- Additional business development as a result of Home Depot's presence; and
- Shopping districts that may have been hurt or helped by Home Depot's presence.

To complete the case studies, CBRE Consulting interviewed local economic development, redevelopment, and city officials. The interviews were conducted over the telephone, and all individuals were asked the same set of questions.

Additionally, the qualitative case study research was complemented by a historical trend analysis of local home furnishings/appliances and building materials sales for the more mature stores in Woodland and San Rafael. The primary purpose of this research was to determine the extent to which other home furnishings/appliances and building materials stores were impacted following Home Depot's entrance to the market.

INDIVIDUAL CASE STUDY FINDINGS

Community Concern

Community concern varied greatly by the case study community studied. There was little concern over the establishment of Home Depot in Ukiah, some concern about the store in Woodland, and active opposition of the store in San Rafael. The strongest opposition was led by a local hardware store in San Rafael which has thrived since the arrival of Home Depot.

By case study community, the concerns expressed by residents and retailers were as follows:

- In Ukiah the proposed Home Depot store was not a controversial project. Home Depot took over the space of an existing big box store, K-Mart, which had been built in the late 1990s. Some businesses that have a product line that overlaps with Home Depot expressed some concerns, but there was no appeal and the project went through the planning process without any difficulty.

- There was a lot of concern about the proposed Home Depot store in San Rafael. The owner of Jackson's Hardware led the opposition. At the time a full environmental impact report was done and opposing views were expressed during the public hearings. Despite the store owner's initial opposition, Jackson's Hardware store has thrived and grown since the San Rafael Home Depot store opened.

- There was some concern expressed over the proposed Home Depot store in Woodland, but not enough to derail or stop the project. There was much stronger sentiment against big box stores expressed when a Wal-Mart store was proposed. The city now requires that an economic impact report be done when large retail is proposed. They also have a fiscal neutrality policy in which new projects cannot cost anything to the city.

Negative Economic Impacts

The negative economic impacts associated with the opening of a Home Depot store in each of the case study cities has either been minimal or non-existent. Only one store closed in Woodland, but city officials were unable to attribute the closure to the presence of Home Depot. Ukiah and San Rafael have had no store closures and there are several examples of local hardware stores that are carving out a successful niche in the marketplace. Specific city findings follow.

- In Ukiah, there were no negative impacts associated with the opening of the Home Depot store. There are a few older home improvement stores in Ukiah that might have been vulnerable to lost sales, but all of them are still in business. Stores such as Friedman Bros. changed their product line and increased customer service in order to differentiate themselves from Home Depot. When Wal-Mart came to Ukiah, Long's Drugs did a similar restructuring and has been doing well.

- San Rafael could not identify any negative economic impacts as a result of Home Depot's presence. It was reported that no business related to home improvement closed because of Home Depot's entrance into this market. The owner of Jackson Hardware had been strongly opposed to the Home Depot. He responded to the new store by selling his business to his employees. Jackson's Hardware has been doing very well since Home Depot opened. This can be attributed to their product line which is more high-end than Home Depot and their customer service. Their employees are known for being very knowledgeable. The store particularly targets female shoppers who may feel uncomfortable shopping at Home Depot's warehouse-style stores.

  Another store that potentially could have been affected, Goodman's, also carries high-end products and caters to the locals living in Mill Valley. Goodman's has stayed in business by focusing on convenience-related products and services.

Yardbirds is a local hardware store chain with a store in San Rafael. The entire chain was recently bought by Home Depot. The San Rafael store has a prime location on the edge of the Downtown district as opposed to the Home Depot which is located in a light industrial area without much other retail. Home Depot intends to reopen the Yardbirds store in a more upscale format. This new format may put it in more direct competition with Jackson's Hardware, but the fact that Home Depot is keeping this store open indicates that it has been doing well.

- In Woodland, no stores closed due to competition from the Home Depot store. In July 2001, more than a year before the Home Depot store opened, a 103-year-old hardware store called Cranston Brothers Hardware located in the Downtown district did close, mainly because it had been suffering from sales loss due to the competition with chain hardware stores such as True Value and Orchard Supply Hardware. In the early 1990s, the Downtown district had many vacant storefronts. An effort was made by the City of Woodland to encourage specialty stores, which offer a different product mix than chain or big box stores, to open in the Downtown District. By the time Cranston Brothers Hardware closed, this effort had been successful, with several antique stores opening Downtown. The space previously occupied by Cranston Brothers Hardware is currently occupied by a bookstore.

Additional Business Development

The case study findings were inconclusive regarding the development of additional businesses as a complement to Home Depot. None of the city officials interviewed could provide concrete examples of business development or sales increases. Specific city findings follow.

- The Home Depot in Ukiah is located next to a small shopping mall. It is hard to say whether it has positively affected the shopping mall, but it certainly may be attracting more potential customers to the area than the previous tenant of the building, K-Mart.

- San Rafael's Home Depot store is located in a light industrial area with very little other retail activity. Because of traffic constraints, the city will not allow further development in this area. Consequently, complementary businesses have not been able to move or open near the Home Depot. For that reason, it is unclear if there has been additional business development as a result of the Home Depot store.

- Woodland's Home Depot store is located in a shopping center with other major retailers. Some of those stores may be benefiting from close proximity to the Home Depot. A tractor supply store carrying some of the same products as Home Depot opened six months ago, so clearly new stores selling competitive goods are still able to enter the market. In general, the retail market in Woodland, which includes a Wal-Mart, Staples, 400,000 square foot regional mall and an Applebee's restaurant, is strong.

Impact on Other Shopping Districts

Shopping districts in all three of the case study cities were not affected by the presence of Home Depot in their communities. Specific city findings follow.

- No shopping districts have been hurt in Ukiah by Home Depot's presence. The Home Depot store is located approximately half a mile from the Downtown shopping district. The other

major shopping district is the mall next to Home Depot, which is doing well and has a JC Penney's, Big 5, Mervyn's, and Albertson's.

- Shopping districts in San Rafael have not been affected by the presence of Home Depot. The location of the Home Depot store is in a light industrial area somewhat isolated from other retail. The restrictions on development have meant that this area is unlikely to grow into a new retail district.

- Shopping districts in Woodland have not been hurt by the presence of Home Depot. The Downtown District has been evolving into a specialty store market. This area had many vacant storefronts during the early 1990s, but it has been thriving since before the Home Depot store opened.

TAXABLE SALES AND OUTLETS

Trend analysis of home building materials and home furnishings/appliances taxable sales and outlets for Woodland and San Rafael provides information regarding the growth or decline of stores competitive with or complementary to Home Depot. It was not possible to do this analysis for Ukiah because the Home Depot store was opened recently in 2005 and therefore there is not enough data for a trend. These trends, presented in the tables below, indicate that Woodland did not experience a pronounced decrease in the number of building materials and home furnishings/appliances outlets since 2002, when the Woodland Home Depot store opened. Although the number of home furnishings stores declined from 2002 to 2003, their numbers have since come back up to just above the six-year average for the years shown. The number of building materials stores has not changed since the Woodland Home Depot store opened.

Over the past three years, Woodland's building materials sales have grown over 50 percent (unadjusted for inflation). Home furnishings sales have declined three percent since 2002, but this can partially be explained by the fact that this category competes with Home Depot but does not include any Home Depot sales.

Table 16:
Taxable Retail Outlets and Taxable Sales
Woodland, California
(Current Dollars)
Home Depot 2002 Opening

	Building Materials		Home Furnishings	
Year	Outlets	Sales	Outlets	Sales
1999	30	$69,245,000	31	$8,765,000
2000	30	$74,540,000	31	$9,148,000
2001	31	$76,947,000	28	$10,737,000
2002	**34**	**$87,752,000**	**33**	**$10,760,000**
2003	33	$112,984,000	27	$10,497,000
2004	35	$133,942,000	31	$10,462,000

In contrast to Woodland's steady number of home furnishings/appliances and building materials stores, San Rafael, has had a significant increase in the number of buildings materials

and home furnishings stores since the Home Depot store opened in 1996. Home furnishings stores have grown 40 percent from 95 stores the year before the Home Depot Store opened, to 133 stores in 2004. Stores selling building materials had been decreasing in the years prior to the Home Depot store opening. Though it may not be related to the opening of the Home Depot store, since 1996 the number of buildings materials stores have been increasing. They have grown 26 percent from 38 in the year before the San Rafael Home Depot store opened to 48 in 2004, surpassing the earlier peak of 46 stores in 1993. Thus, it is clear from this trend that complementary home improvement sales in San Rafael experienced a strong upswing even after the introduction of Home Depot to the market.

Relevant retail sales have also grown steadily in San Rafael. Buildings materials sales have more than doubled since the San Rafael Home Depot store opened. Home furnishings sales have increased by more than 50 percent since the year before the store opened. One can see a small decline from 2000 to 2003 in home furnishings sales that may be related to the 2001 recession. However, in 2004 sales gained back most of the ground that were lost.

Table 17:
Taxable Retail Outlets and Taxable Sales
San Rafael, California
(Current Dollars)
Home Depot 1996 Opening

	Building Materials		Home Furnishings	
Year	Outlets	Sales	Outlets	Sales
1993	46	$93,421,000	93	$64,423,000
1994	43	$95,963,000	90	$61,951,000
1995	38	$104,266,000	95	$59,860,000
1996	**43**	**$121,179,000**	**91**	**$60,103,000**
1997	41	$149,683,000	91	$65,158,000
1998	44	$164,901,000	114	$70,650,000
1999	47	$188,624,000	111	$84,693,000
2000	49	$209,334,000	116	$95,997,000
2001	49	$213,325,000	121	$92,187,000
2002	50	$218,392,000	124	$88,898,000
2003	49	$223,296,000	132	$87,086,000
2004	48	$251,915,000	133	$92,473,000

SUMMARY CASE STUDY FINDINGS

The preceding findings indicate that none of the case study cities experienced significant negative retailer impacts attributable to Home Depot's market presence. While not all the communities initially embraced Home Depot's market entrance, the results indicate that Home Depot's store has contributed to increased retail sales for each city. If any negative impacts did occur, they were in the nature of product mix changes or refocusing and minimal decreases in store sales rather than any store closures. Thus, the experience of the case study communities and their home improvement retailers generally appear positive and supportive of Home Depot

development.

These case study results indicate that the new introduction of a Home Depot to an established retail market can benefit a market. This benefit occurs through the increased spending by market area residents and businesses, the increased attraction of a market due to a retailer with a strong draw, and the attraction of complementary retailers seeking to locate near a successful anchor retail tenants. This suggests that any negative impacts associated with home improvement retailers identified in the Marina Center primary market area and City of Eureka may not occur, as the market, consumers, and local contractors adjust and consumers in particular take advantage of the market entrance of a retailer that offers consumer education workshops and a broad range of well-priced home improvement goods sufficient for most home improvement projects.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

CBRE Consulting 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 CBRE Consulting 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.

This report may not be used for any purpose other than that for which it is prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through publication advertising media, public relations, news media, sales media, or any other public means of communication without prior written consent and approval of CBRE Consulting.

APPENDIX A: EXHIBITS

EXHIBIT 1
DEVELOPMENT PROGRAM SUMMARY (1)
MARINA CENTER

Retail Space	Type of Retail	Estimated Square Feet Building	Garden Center	Total
Anchor Tenant				
Anchor 1 Home Depot	Building Materials	104,000	28,000	132,000
Pad Sites (2)				
Anchor 2	Home Furnishings	12,000	0	12,000
Anchor 3	Book Store	25,000	0	25,000
Anchor 4	Electronics Store	30,000	0	30,000
N/A	Apparel	33,000	0	33,000
N/A	Furniture Store	10,000	0	10,000
N/A	Unidentified Retail Tenants	71,500	0	71,500
N/A	Chain Restaurants	6,500	0	6,500
N/A	Local Restaurants	7,500	0	7,500
3 Office/retail Buildings	Unidentified Office Tenants	104,000	0	104,000
1 Building	Public Attraction such as a museum	12,500	0	12,500
1 Building in Southwest corner	Light Industrial	70,000	0	70,000
2 Buildings	54 units of Multifamily Residential	72,000	0	72,000
Total Retail		299,500	28,000	327,500
Total Development		**558,000**	**28,000**	**586,000**

Notes:
(1) Based on information provided by Security National Servicing Corporation and Home Depot.
(2) Specific retail tenants have not been identified for each of the pad sites; however, prospective types of tenants are identified for the majority of space based upon marketing goals and efforts for the project.

Sources: Security National Servicing Corporation; Home Depot; and CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales 10-Nov-06

EXHIBIT 2
MARINA CENTER SALES IMPACTS
ESTIMATE OF MARINA CENTER RETAIL SALES
2010

Name / Type of Store (1)			Sales in 2010		
Name or Type	Site Location	Average Sales Per Sq. Foot 2003	Average Sales Per Sq. Foot 2010 (2)	Estimated Marina Center Square Feet	Estimated Sales 2010
RETAILER IDENTIFIED					
Home Depot (3)	Anchor 1	$346	$403	104,000	$41,871,304
RETAILER NOT IDENTIFIED (4)					
Home Furnishings	Anchor 2	$287	$354	12,000	$4,248,000
Book Store	Anchor 3	$254	$313	25,000	$7,825,000
Electronics Store	Anchor 4	$484	$597	30,000	$17,910,000
Apparel	N/A	$371	$458	33,000	$15,114,000
Furniture Store	N/A	$176	$217	10,000	$2,170,000
Other Retail	N/A	$300	$370	71,500	$26,455,000
Chain Restaurants	N/A	$389	$480	6,500	$3,120,000
Local Restaurants	N/A	$389	$480	7,500	$3,600,000
TOTAL				299,500	$122,313,304

Notes:
(1) Security National Servicing Corporation identified some retailers by name but not others. For the unidentified retailers, Security National Servicing Corporation provided the generic store category.
(2) Used the U.S. Department of Labor, Bureau of Labor Statistics annual 2003 to 2004 reported inflation rate for California of 2.63 percent and the 2004 to 2005 annual rate of 3.68 percent. For future years 3.0 percent was assumed.
(3) The sales estimate is based on information from Home Depot that the total sales in 2010 will be $46.3 million given a store size of 115,000 square feet. That implies a sales per square foot of $403 which was applied to the actual square footage of 104,000. This estimate was checked for reasonableness.
(4) CBRE Consulting relied on Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2004, for the average sales per square foot in 2003 for the following categories: Home Furnishings, Apparel, Book Superstores, Electronics, Furniture and Restaurants. For the Other Retail category $300 per square foot is used as an industry average.

Sources: Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2004; Security National Servicing Corporation; U.S. Department of Labor, Bureau of Labor Statistics; Home Depot; and CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax [PRD] November 10, 2006

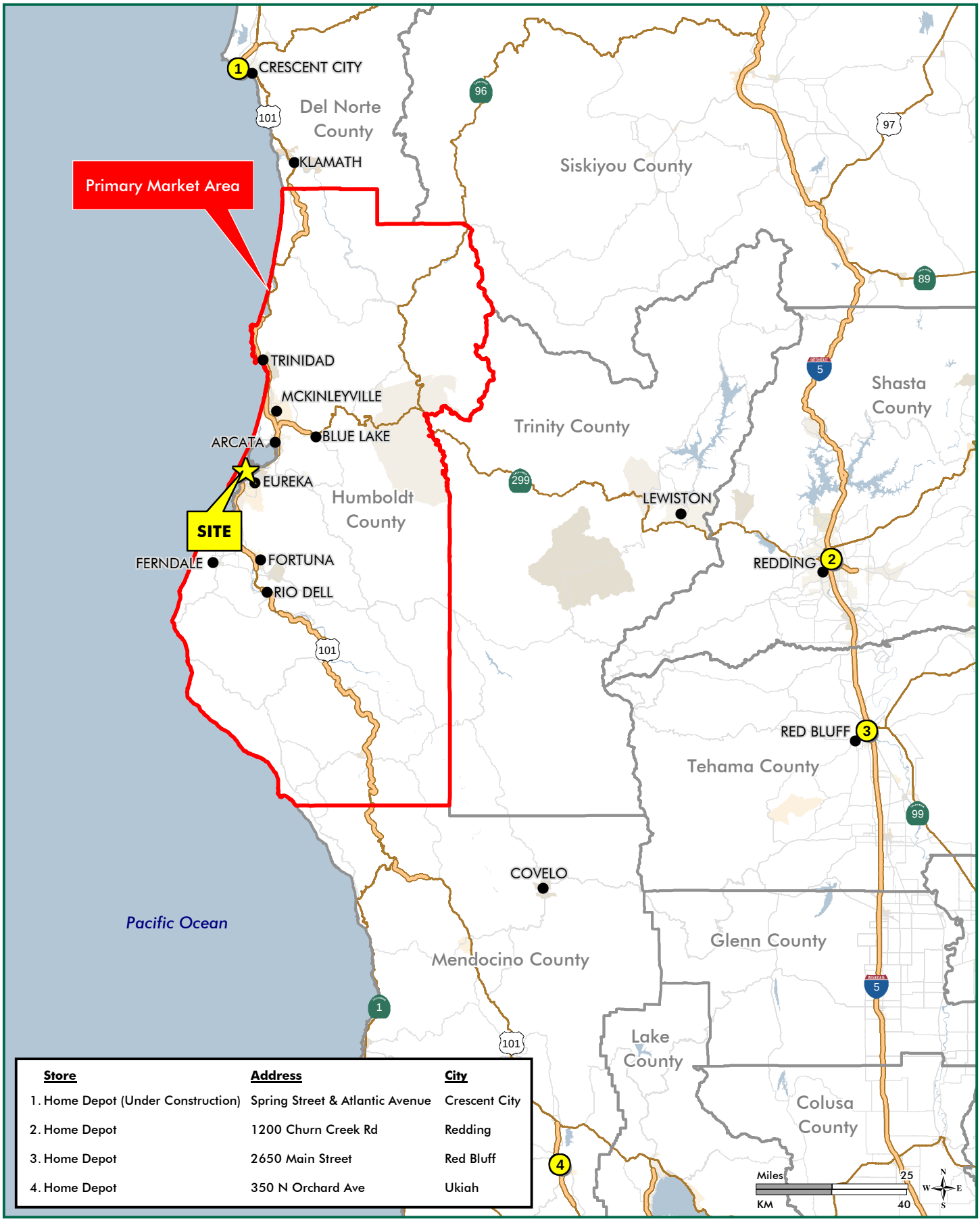
EXHIBIT 3
SALES ALLOCATED TO RETAIL CATEGORIES
MARINA CENTER
2010 DOLLARS

	Marina Center		California Board of Equalization Retail Category										
						Building Materials				Specialty Stores		Other Retail	
Type of Retail	Total Square Feet (1)	2010 Estimated Sales (2)	Apparel	Eating and Drinking Group	Home Furnishings and Appliances	Lumber and Building Materials	Hardware	Plumbing and Electrical Supplies	Paint, Glass, and Wallpaper	Stationery and Books	Electronics Store	Garden Supplies	All Other Retail Stores (Includes General Merchandise Stores)
Home Depot (3)	104,000	$41,871,304			$8,374,261	$10,467,826	$5,443,270	$6,699,409	$3,768,417			$7,118,122	
as a % of estimated sales					20.0%	25.0%	13.0%	16.0%	9.0%			17.0%	
Home Furnishings	12,000	$4,248,000			4,248,000								
as a % of estimated sales					100.0%								
Bookstore	25,000	$7,825,000								$7,825,000			
as a % of estimated sales										100.0%			
Electronics Store	30,000	$17,910,000									$17,910,000		
as a % of estimated sales											100.0%		
Apparel	33,000	$15,114,000	$15,114,000										
as a % of estimated sales			100.0%										
Furniture Store	10,000	$2,170,000			$2,170,000								
as a % of estimated sales					100.0%								
Chain & Local Restaurants	14,000	$6,720,000		$6,720,000									
as a % of estimated sales				100.0%									
Other Retail	71,500	$26,455,000											$26,455,000
as a % of estimated sales													100.0%
Total	299,500	$122,313,304	$15,114,000	$6,720,000	$14,792,261	$10,467,826	$5,443,270	$6,699,409	$3,768,417	$7,825,000	$17,910,000	$7,118,122	$26,455,000
as a % of estimated sales			12.4%	5.5%	12.1%	8.6%	4.5%	5.5%	3.1%	6.4%	14.6%	5.8%	21.6%

Notes:
(1) Refer to Exhibit 1.
(2) Refer to Exhibit 2.
(3) Sales allocation figures by category are based upon typical Home Depot store sales data historically provided to CBRE Consulting by Home Depot.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

Exhibit 4: Primary Market Area (Humboldt County)



Store	Address	City
1. Home Depot (Under Construction)	Spring Street & Atlantic Avenue	Crescent City
2. Home Depot	1200 Churn Creek Rd	Redding
3. Home Depot	2650 Main Street	Red Bluff
4. Home Depot	350 N Orchard Ave	Ukiah

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EXHIBIT 5
POPULATION ESTIMATES AND PROJECTIONS (1)
HUMBOLDT COUNTY (PRIMARY MARKET AREA) (2)
2000 - 2020

	Estimated						Projected							Average Annual Growth Rate (3)		
Primary Market Area	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2020	'00-'05	'05-'10	'10-'20
City of Eureka	26,128	26,134	26,125	26,279	26,342	26,381	26,453	26,525	26,598	26,670	26,743	27,376	28,025	0.2%	0.3%	0.5%
City of Arcata	16,651	16,865	16,937	17,033	17,162	17,289	17,336	17,383	17,431	17,479	17,526	17,941	18,366	0.8%	0.3%	0.5%
City of Fortuna	10,498	10,557	10,773	10,957	11,112	11,250	11,281	11,311	11,342	11,373	11,404	11,674	11,951	1.4%	0.3%	0.5%
City of Rio Dell	3,174	3,171	3,182	3,200	3,218	3,240	3,249	3,258	3,267	3,276	3,284	3,362	3,442	0.4%	0.3%	0.5%
City of Ferndale	1,382	1,365	1,418	1,419	1,399	1,434	1,438	1,442	1,446	1,450	1,454	1,488	1,523	0.7%	0.3%	0.5%
City of Blue Lake	1,137	1,144	1,168	1,171	1,175	1,178	1,181	1,184	1,188	1,191	1,194	1,222	1,251	0.7%	0.3%	0.5%
City of Trinidad	312	314	317	313	317	323	324	325	326	327	327	335	343	0.7%	0.3%	0.5%
Balance of County	67,236	67,548	68,066	68,871	69,667	70,239	70,431	70,623	70,816	71,009	71,203	72,889	74,616	0.9%	0.3%	0.5%
Total Humboldt County	126,518	127,098	127,986	129,243	130,392	131,334	131,692	132,052	132,412	132,774	133,136	136,290	139,518	0.7%	0.3%	0.5%

Notes:

(1) As reported by the California Department of Finance Demographic Research Unit ("DOF"). Population estimates for 2000, 2001, 2002, 2003, 2004, and 2005 provided by DOF as well as Humboldt County projections for 2010 and 2020. Intermediate years (2006 to 2009) estimated by CBRE Consulting. Since there were no projections for individual cities, it was assumed that their projected growth rates (2005-2010 and 2010-2020) would be the same as the County's projected growth rates.

(2) The primary market area (PMA) is defined as Humboldt County. There is no secondary market. See Exhibit 4 for a map of the PMA.

(3) The compound average annual growth rate between the indicated years. These growth rates are the basis for projections for the intermediary years.

Sources: California Department of Finance Demographic Research Unit; and CBRE Consulting.

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Exhibit 6
2004 Retail Sales Leakage Analysis
Primary Market Area (Humboldt County)
2004 Dollars

	PER CAPITA (1)			TOTAL		
Retail Category	Control Area Average Sales (2)	Humboldt County Spending (3)	Humboldt County Sales	Humboldt County Spending	Humboldt County Sales	Attraction/ (Leakage)
Women's Apparel	$128	$93	$61	$12,109,105	$7,900,000	($4,209,105)
Men's Apparel	$29	$21	$13	$2,711,914	$1,669,000	($1,042,914)
Family Apparel	$244	$177	$119	$23,131,527	$15,509,000	($7,622,527)
Shoes	$69	$50	$36	$6,523,903	$4,690,000	($1,833,903)
Apparel Stores Group	$468	$341	$228	$44,476,449	$29,768,000	($14,708,449)
General Merchandise Stores	$1,324	$984	$1,398	$128,259,119	$182,307,000	$54,047,881
Drug Stores (4)	$502	$396	$697	$51,678,499	$90,842,424	$39,163,925
General Merchandise Group	$1,826	$1,380	$2,095	$179,937,618	$273,149,424	$93,211,806
Gifts, Art Goods, and Novelties	$51	$38	$69	$4,969,416	$9,049,000	$4,079,584
Sporting Goods	$101	$75	$131	$9,770,197	$17,048,000	$7,277,803
Florists	$30	$22	$38	$2,882,821	$5,004,000	$2,121,179
Photo Equip. and Supplies	$14	$11	$18	$1,400,138	$2,323,000	$922,862
Musical instruments	$42	$31	$38	$4,055,034	$4,995,000	$939,966
Stationary and Books	$111	$82	$106	$10,747,053	$13,788,000	$3,040,947
Jewelry	$73	$54	$60	$7,056,813	$7,798,000	$741,187
Office, Store, and School Supply	$433	$321	$194	$41,894,152	$25,292,000	($16,602,152)
Other Specialties	$498	$370	$364	$48,197,257	$47,504,000	($693,257)
Specialty Stores Group	$1,352	$1,004	$1,018	$130,972,881	$132,801,000	$1,828,119
Food Stores Selling Liquor	$1,155	$1,024	$1,873	$133,558,909	$244,173,333	$110,614,425
All Other Food Stores	$670	$594	$507	$77,434,864	$66,136,667	($11,298,197)
Food Stores Group (5)	$1,825	$1,618	$2,380	$210,993,773	$310,310,000	$99,316,227
Eating Places: No Alcohol	$551	$419	$362	$54,674,512	$47,235,000	($7,439,512)
Eating Places: Beer and Wine	$298	$227	$373	$29,561,520	$48,661,000	$19,099,480
Eating and Drinking: All Liquor	$346	$263	$163	$34,302,127	$21,298,000	($13,004,127)
Eating and Drinking Group	$1,195	$909	$899	$118,538,159	$117,194,000	($1,344,159)
Hshold and Home Furnishings	$331	$251	$164	$32,697,364	$21,342,000	($11,355,364)
Household Appliance Dealers	$122	$92	$71	$12,037,176	$9,308,000	($2,729,176)
Household Group	$453	$343	$235	$44,734,541	$30,650,000	($14,084,541)
Lumber and Building Materials	$707	$510	$498	$66,504,005	$64,969,000	($1,535,005)
Hardware Stores	$94	$68	$216	$8,809,043	$28,123,000	$19,313,957
Plumbing and Electrical Supplies	$113	$81	$94	$10,613,507	$12,319,000	$1,705,493
Paint, Glass, and Wallpaper	$30	$21	$52	$2,790,091	$6,837,000	$4,046,909
Building Materials Group	$943	$680	$861	$88,716,646	$112,248,000	$23,531,354
New Motor Vehicle Dealers	$1,649	$1,253	$1,041	$163,427,731	$135,768,000	($27,659,731)
Used Motor Vehicles Dealers	$159	$121	$291	$15,751,347	$37,896,000	$22,144,653
Automotive Supplies and Parts	$147	$112	$215	$14,605,151	$28,025,000	$13,419,849
Service Stations	$905	$775	$891	$100,992,855	$116,115,000	$15,122,145
Automotive Group	$2,860	$2,261	$2,437	$294,777,084	$317,804,000	$23,026,916
Packaged Liquor Stores	$65	$45	$45	$5,875,217	$5,923,000	$47,783
Second-Hand Merchandise	$15	$11	$55	$1,428,103	$7,145,000	$5,716,897
Farm Implement Dealers	$82	$59	$97	$7,729,379	$12,618,000	$4,888,621
Farm and Garden Supply Stores	$66	$49	$188	$6,383,536	$24,453,000	$18,069,464
Fuel and Ice Dealers	$9	$7	$20	$859,820	$2,638,000	$1,778,180
Mobile Homes, Trailers, Campers	$40	$30	$25	$3,886,285	$3,300,000	($586,285)
Boat, Motorcycle, Plane Dealers	$86	$64	$115	$8,303,703	$14,933,000	$6,629,297
All Other Retail Stores Group	$363	$264	$545	$34,466,043	$71,010,000	$36,543,957
Retail Stores Total	**$11,286**	**$8,801**	**$10,698**	**$1,147,613,194**	**$1,394,934,424**	**$247,321,230**

Notes:
(1) Population figures per Department of Finance (DOF) data. The 2004 DOF population estimate for Humboldt County was 130,392 and for California was 36,203,202.
(2) The control area is defined as the State of California.
(3) The analysis assumes average household incomes as reported by Claritas, Inc., a national provider of economic and demographic data. Average 2004 household income in Humboldt County was estimated at $46,833 and in California at $72,754.
(4) Taxable transactions for drug stores have been adjusted by 0.33, to account for non-taxable sales.
(5) Taxable transactions for grocery stores have been adjusted by 0.30, to account for non-taxable sales.

Sources: State Board of Equalization (BOE) "Taxable Sales in California- 2004"; State of California, Department of Finance "E-1 City/County Population Estimates, with annual percent change, January 2004 and 2005", Sacramento, California, May 2005; Claritas; and CBRE Consulting.
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Exhibit 7
2010 Projected Retail Sales Leakage Analysis
Primary Market Area (Humboldt County)
2010 Dollars (1)

	PER CAPITA (2)			TOTAL		
Retail Category	Control Area Average Sales	Humboldt County Spending	Humboldt County Sales	Humboldt County Spending	Humboldt County Sales	Attraction/ (Leakage)
Women's Apparel	$153	$112	$73	$14,861,328	$9,695,555	($5,165,773)
Men's Apparel	$34	$25	$15	$3,328,292	$2,048,339	($1,279,953)
Family Apparel	$293	$213	$143	$28,388,985	$19,033,969	($9,355,016)
Shoes	$83	$60	$43	$8,006,691	$5,755,968	($2,250,722)
Apparel Stores Group	$563	$410	$274	$54,585,296	$36,533,831	($18,051,464)
General Merchandise Stores	$1,592	$1,182	$1,681	$157,410,543	$223,742,717	$66,332,174
Drug Stores (3)	$603	$476	$837	$63,424,267	$111,489,580	$48,065,313
General Merchandise Group	$2,195	$1,659	$2,518	$220,834,810	$335,232,297	$114,397,487
Gifts, Art Goods, and Novelties	$62	$46	$83	$6,098,891	$11,105,705	$5,006,814
Sporting Goods	$121	$90	$157	$11,990,820	$20,922,761	$8,931,941
Florists	$36	$27	$46	$3,538,045	$6,141,336	$2,603,292
Photo Equip. and Supplies	$17	$13	$21	$1,718,369	$2,850,984	$1,132,615
Musical instruments	$50	$37	$46	$4,976,684	$6,130,291	$1,153,606
Stationary and Books	$133	$99	$127	$13,189,701	$16,921,811	$3,732,110
Jewelry	$88	$65	$72	$8,660,723	$9,570,371	$909,648
Office, Store, and School Supply	$520	$386	$233	$51,416,081	$31,040,502	($20,375,579)
Other Specialties	$598	$444	$438	$59,151,789	$58,300,965	($850,824)
Specialty Stores Group	$1,626	$1,207	$1,224	$160,741,103	$162,984,727	$2,243,623
Food Stores Selling Liquor	$1,389	$1,231	$2,251	$163,914,897	$299,670,364	$135,755,467
All Other Food Stores	$805	$714	$610	$95,034,677	$81,168,565	($13,866,113)
Food Stores Group (4)	$2,194	$1,945	$2,861	$258,949,574	$380,838,928	$121,889,354
Eating Places: No Alcohol	$663	$504	$435	$67,101,229	$57,970,825	($9,130,404)
Eating Places: Beer and Wine	$358	$273	$449	$36,280,422	$59,720,934	$23,440,513
Eating and Drinking: All Liquor	$416	$316	$196	$42,098,500	$26,138,724	($15,959,776)
Eating and Drinking Group	$1,437	$1,093	$1,080	$145,480,151	$143,830,484	($1,649,667)
Hshold and Home Furnishings	$398	$301	$197	$40,128,997	$26,192,725	($13,936,273)
Household Appliance Dealers	$147	$111	$86	$14,773,051	$11,423,572	($3,349,478)
Household Group	$545	$412	$283	$54,902,048	$37,616,297	($17,285,751)
Lumber and Building Materials	$850	$613	$599	$81,619,393	$79,735,504	($1,883,889)
Hardware Stores	$113	$81	$259	$10,811,210	$34,514,947	$23,703,737
Plumbing and Electrical Supplies	$136	$98	$114	$13,025,803	$15,118,929	$2,093,126
Paint, Glass, and Wallpaper	$36	$26	$63	$3,424,238	$8,390,950	$4,966,713
Building Materials Group	$1,134	$818	$1,035	$108,880,643	$137,760,330	$28,879,687
New Motor Vehicle Dealers	$1,982	$1,507	$1,252	$200,572,466	$166,626,082	($33,946,384)
Used Motor Vehicles Dealers	$191	$145	$349	$19,331,398	$46,509,207	$27,177,809
Automotive Supplies and Parts	$177	$135	$258	$17,924,689	$34,394,673	$16,469,984
Service Stations	$1,088	$931	$1,070	$123,947,055	$142,506,243	$18,559,188
Automotive Group	$3,437	$2,717	$2,930	$361,775,607	$390,036,205	$28,260,598
Packaged Liquor Stores	$78	$54	$55	$7,210,568	$7,269,211	$58,644
Second-Hand Merchandise	$18	$13	$66	$1,752,689	$8,768,954	$7,016,265
Farm Implement Dealers	$99	$71	$116	$9,486,154	$15,485,887	$5,999,733
Farm and Garden Supply Stores	$79	$59	$225	$7,834,421	$30,010,810	$22,176,389
Fuel and Ice Dealers	$11	$8	$24	$1,055,244	$3,237,579	$2,182,335
Mobile Homes, Trailers, Campers	$48	$36	$30	$4,769,581	$4,050,042	($719,539)
Boat, Motorcycle, Plane Dealers	$103	$77	$138	$10,191,014	$18,327,053	$8,136,039
All Other Retail Stores Group	$436	$318	$655	$42,299,671	$87,149,535	$44,849,865
Retail Stores Total	**$13,566**	**$10,579**	**$12,859**	**$1,408,448,902**	**$1,711,982,634**	**$303,533,732**

Notes:
(1) For 2008 estimates, adjusted for inflation based on the consumer price index for all urban consumers in California, as defined by the U.S. Department of Labor, Bureau of Labor Statistics. Inflation for the 2004 to 2005 period is 3.68 percent; assumed annual inflation rate of 3.0 percent for projected years.
(2) Projected 2010 Humboldt County population of 133,136 is determined by the Department of Finance's (DOF) 2010 projection.
(3) Taxable transactions for drug stores have been adjusted by 0.33, to account for non-taxable sales.
(4) Taxable transactions for grocery stores have been adjusted by 0.30, to account for non-taxable sales.

Sources: State Board of Equalization (BOE) "Taxable Sales in California- 2004"; State of California, Department of Finance "E-1 City/County Population Estimates, with annual percent change, January 2004 and 2005", Sacramento, California, May 2005; Claritas; U.S. Department of Labor, Bureau of Labor Statistics; and CBRE Consulting.
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Exhibit 8
2004 Retail Sales Leakage Analysis
City of Eureka
2004 Dollars

	PER CAPITA (1)			TOTAL		
Retail Category	Control Area Average Sales (2)	Eureka Spending (3)	Eureka Sales	Eureka Spending	Eureka Sales	Attraction/ (Leakage)
Women's Apparel	$128	$84	$214	$2,204,475	$5,633,000	$3,428,525
Men's Apparel (4)	N/A	N/A	N/A	N/A	N/A	N/A
Family Apparel (4)	$272	$179	$533	$4,704,824	$14,046,000	$9,341,176
Shoes	$69	$45	$137	$1,187,683	$3,619,000	$2,431,317
Apparel Stores Group	$468	$308	$885	$8,096,982	$23,298,000	$15,201,018
General Merchandise Stores	$1,324	$896	$5,983	$23,586,010	$157,525,000	$133,938,990
Drug Stores (5)	$502	$369	$1,697	$9,719,498	$44,678,788	$34,959,290
General Merchandise Group	$1,826	$1,265	$7,680	$33,305,509	$202,203,788	$168,898,279
Gifts, Art Goods, and Novelties	$51	$35	$127	$913,843	$3,339,000	$2,425,157
Sporting Goods	$101	$68	$363	$1,796,675	$9,547,000	$7,750,325
Florists (4)	N/A	N/A	N/A	N/A	N/A	N/A
Photo Equip. and Supplies	$14	$10	$85	$257,476	$2,227,000	$1,969,524
Musical instruments	$42	$28	$81	$745,694	$2,132,000	$1,386,306
Stationary and Books (4)	N/A	N/A	N/A	N/A	N/A	N/A
Jewelry	$73	$49	$266	$1,297,702	$6,995,000	$5,697,298
Office, Store, and School Supply	$433	$293	$543	$7,704,060	$14,297,000	$6,592,940
Other Specialties (4)	$638	$432	$1,435	$11,369,604	$37,793,000	$26,423,396
Specialty Stores Group	$1,352	$915	$2,899	$24,085,053	$76,330,000	$52,244,947
Food Stores Selling Liquor	$1,155	$992	$2,640	$26,107,799	$69,520,000	$43,412,201
All Other Food Stores	$670	$575	$759	$15,136,795	$19,983,333	$4,846,538
Food Stores Group (6)	$1,825	$1,566	$3,399	$41,244,594	$89,503,333	$48,258,739
Eating Places: No Alcohol	$551	$385	$920	$10,128,366	$24,221,000	$14,092,634
Eating Places: Beer and Wine	$298	$208	$727	$5,476,224	$19,134,000	$13,657,776
Eating and Drinking: All Liquor	$346	$241	$398	$6,354,414	$10,473,000	$4,118,586
Eating and Drinking Group	$1,195	$834	$2,044	$21,959,005	$53,828,000	$31,868,995
Hshold and Home Furnishings	$331	$229	$653	$6,041,595	$17,206,000	$11,164,405
Household Appliance Dealers	$122	$84	$220	$2,224,147	$5,790,000	$3,565,853
Household Group	$453	$314	$873	$8,265,741	$22,996,000	$14,730,259
Lumber and Building Materials (4)	$789	$515	$1,441	$13,551,848	$37,931,000	$24,379,152
Hardware Stores	$94	$61	$405	$1,608,155	$10,665,000	$9,056,845
Plumbing and Electrical Supplies	$113	$74	$385	$1,937,574	$10,127,000	$8,189,426
Paint, Glass, and Wallpaper	$30	$19	$123	$509,352	$3,243,000	$2,733,648
Building Materials Group	$1,026	$669	$2,353	$17,606,929	$61,966,000	$44,359,071
New Motor Vehicle Dealers	$1,649	$1,151	$4,272	$30,305,672	$112,478,000	$82,172,328
Used Motor Vehicles Dealers	$159	$111	$664	$2,920,894	$17,478,000	$14,557,106
Automotive Supplies and Parts	$147	$103	$346	$2,708,346	$9,111,000	$6,402,654
Service Stations	$905	$743	$1,636	$19,560,681	$43,084,000	$23,523,319
Automotive Group	$2,860	$2,108	$6,918	$55,495,593	$182,151,000	$126,655,407
Packaged Liquor Stores (4)	N/A	N/A	N/A	N/A	N/A	N/A
Second-Hand Merchandise (4)	$80	$54	$219	$1,418,653	$5,779,000	$4,360,347
Farm Implement Dealers (4)	N/A	N/A	N/A	N/A	N/A	N/A
Farm and Garden Supply Stores (4)	$75	$51	$157	$1,332,006	$4,132,000	$2,799,994
Fuel and Ice Dealers (4)	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Homes, Trailers, Campers (4)	N/A	N/A	N/A	N/A	N/A	N/A
Boat, Motorcycle, Plane Dealers (4)	$126	$85	$591	$2,241,659	$15,572,000	$13,330,341
All Other Retail Stores Group (4)	$280	$190	$968	$4,992,317	$25,483,000	$20,490,683
Retail Stores Total	**$11,286**	**$8,167**	**$28,019**	**$215,051,724**	**$737,759,121**	**$522,707,398**

Notes:
(1) Population figures per Department of Finance (DOF) data. The 2004 DOF population estimate for the city of Eureka was 26,330 and for California was 36,203,202.
(2) The control area is defined as the State of California.
(3) The analysis assumes average household incomes as reported by Claritas, Inc., a national provider of economic and demographic data. Average household income in the City of Eureka was estimated at $40,122 and in California at $72,754.
(4) Due to the California State Board of Equalization's confidentiality requirements, data in several categories have been merged with more broadly defined categories. Men's Apparel has been added to the Family Apparel category. Florists and Stationery and Books have been added to the Other Specialties category. Packaged Liquor Stores has been combined with Second-hand Merchandise, Farm and Garden Supply Stores has been combined with Fuel and Ice Dealers. Mobile Homes, Trailers, and Campers have been combined with Boat, Motorcycle, and Plane Dealers. Farm Implement Dealers has been combined with the Lumber and Building Materials category.
(5) Taxable transactions for drug stores have been adjusted by 0.33, to account for non-taxable sales.
(6) Taxable transactions for grocery stores have been adjusted by 0.30, to account for non-taxable sales.

Sources: State Board of Equalization (BOE) "Taxable Sales in California- 2004"; State of California, Department of Finance "E-1 City/County Population Estimates, with annual percent change, January 2004 and 2005", Sacramento, California, May 2005; Claritas; and CBRE Consulting.

Exhibit 9
2010 Projected Retail Sales Leakage Analysis
City of Eureka
2010 Dollars (1)

	PER CAPITA (2)			TOTAL		
Retail Category	Control Area Average Sales	Eureka Spending	Eureka Sales	Eureka Spending	Eureka Sales	Attraction/ (Leakage)
Women's Apparel	$153	$101	$257	$2,680,577	$6,849,563	$4,168,986
Men's Apparel (3)	N/A	N/A	N/A	N/A	N/A	N/A
Family Apparel (3)	$327	$215	$641	$5,720,928	$17,079,524	$11,358,596
Shoes	$83	$54	$165	$1,444,188	$4,400,598	$2,956,410
Apparel Stores Group	$563	$370	$1,064	$9,845,693	$28,329,685	$18,483,992
General Merchandise Stores	$1,592	$1,077	$7,191	$28,679,898	$191,545,784	$162,865,886
Drug Stores (4)	$603	$444	$2,040	$11,818,625	$54,328,097	$42,509,472
General Merchandise Group	$2,195	$1,520	$9,231	$40,498,523	$245,873,881	$205,375,358
Gifts, Art Goods, and Novelties	$62	$42	$152	$1,111,206	$4,060,126	$2,948,920
Sporting Goods	$121	$82	$436	$2,184,704	$11,608,872	$9,424,168
Florists (3)	N/A	N/A	N/A	N/A	N/A	N/A
Photo Equip. and Supplies	$17	$12	$102	$313,084	$2,707,967	$2,394,883
Musical instruments	$50	$34	$97	$906,742	$2,592,450	$1,685,707
Stationary and Books (3)	N/A	N/A	N/A	N/A	N/A	N/A
Jewelry	$88	$59	$319	$1,577,967	$8,505,715	$6,927,748
Office, Store, and School Supply	$520	$352	$653	$9,367,911	$17,384,733	$8,016,822
Other Specialties (3)	$767	$519	$1,725	$13,825,105	$45,955,181	$32,130,076
Specialty Stores Group	$1,626	$1,099	$3,485	$29,286,719	$92,815,043	$63,528,324
Food Stores Selling Liquor	$1,389	$1,192	$3,174	$31,746,318	$84,534,283	$52,787,964
All Other Food Stores	$805	$691	$912	$18,405,900	$24,299,148	$5,893,248
Food Stores Group (5)	$2,194	$1,883	$4,086	$50,152,218	$108,833,431	$58,681,213
Eating Places: No Alcohol	$663	$462	$1,106	$12,315,796	$29,452,026	$17,136,230
Eating Places: Beer and Wine	$358	$250	$873	$6,658,928	$23,266,383	$16,607,455
Eating and Drinking: All Liquor	$416	$290	$478	$7,726,782	$12,734,861	$5,008,079
Eating and Drinking Group	$1,437	$1,002	$2,457	$26,701,507	$65,453,271	$38,751,764
Hshold and Home Furnishings	$398	$276	$785	$7,346,402	$20,921,992	$13,575,590
Household Appliance Dealers	$147	$102	$264	$2,704,497	$7,040,470	$4,335,973
Household Group	$545	$377	$1,050	$10,050,899	$27,962,462	$17,911,563
Lumber and Building Materials (3)	$949	$619	$1,732	$16,478,650	$46,122,984	$29,644,334
Hardware Stores	$113	$73	$487	$1,955,470	$12,968,327	$11,012,858
Plumbing and Electrical Supplies	$136	$88	$462	$2,356,033	$12,314,135	$9,958,103
Paint, Glass, and Wallpaper	$36	$23	$148	$619,357	$3,943,393	$3,324,036
Building Materials Group	$1,233	$804	$2,829	$21,409,509	$75,348,840	$53,939,331
New Motor Vehicle Dealers	$1,982	$1,383	$5,135	$36,850,809	$136,769,952	$99,919,143
Used Motor Vehicles Dealers	$191	$133	$798	$3,551,722	$21,252,736	$17,701,014
Automotive Supplies and Parts	$177	$124	$416	$3,293,270	$11,078,709	$7,785,439
Service Stations	$1,088	$893	$1,967	$23,785,214	$52,388,881	$28,603,667
Automotive Group	$3,437	$2,533	$8,315	$67,481,015	$221,490,278	$154,009,263
Packaged Liquor Stores (3)	N/A	N/A	N/A	N/A	N/A	N/A
Second-Hand Merchandise (3)	$96	$65	$264	$1,725,040	$7,027,095	$5,302,055
Farm Implement Dealers (3)	N/A	N/A	N/A	N/A	N/A	N/A
Farm and Garden Supply Stores (3)	$90	$61	$189	$1,619,680	$5,024,391	$3,404,711
Fuel and Ice Dealers (3)	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Homes, Trailers, Campers (3)	N/A	N/A	N/A	N/A	N/A	N/A
Boat, Motorcycle, Plane Dealers (3)	$151	$102	$711	$2,725,792	$18,935,096	$16,209,304
All Other Retail Stores Group (3)	$337	$228	$1,163	$6,070,511	$30,986,581	$24,916,070
Retail Stores Total	**$13,566**	**$9,817**	**$33,679**	**$261,496,594**	**$897,093,472**	**$635,596,878**

Notes:

(1) For 2008 estimates, adjusted for inflation based on the consumer price index for all urban consumers in California, as defined by the U.S. Department of Labor, Bureau of Labor Statistics. Inflation for the 2004 to 2005 period is 3.68 percent; assumed annual inflation rate of 3.0 percent for projected years.

(2) The California Department of Finance (DOF) does not provide population projections for the City of Eureka; therefore, projections were based on the average annual growth rate of Humboldt County. Estimated 2010 City of Eureka population of 26,636 is determined by the annual growth rate implied by the Department of Finance's (DOF) 2005 estimate and the DOF 2010 projection.

(3) Due to the California State Board of Equalization's confidentiality requirements, data in several categories have been merged with more broadly defined categories. Men's Apparel has been added to the Family Apparel category. Florists and Stationery and Books have been added to the Other Specialties category. Packaged Liquor Stores has been combined with Second-hand Merchandise, Farm and Garden Supply Store has been combined with Fuel and Ice Dealers and Mobile Homes, Trailers, and Campers have been combined with Boat, Motorcycle, and Plane Dealers. Farm Implement Dealers has been combined with the Lumber and Building Materials category.

(4) Taxable transactions for drug stores have been adjusted by 0.33, to account for non-taxable sales.

(5) Taxable transactions for grocery stores have been adjusted by 0.30, to account for non-taxable sales.

Sources: State Board of Equalization (BOE) "Taxable Sales in California- 2004"; State of California, Department of Finance "E-1 City/County Population Estimates, with annual percent change, January 2004 and 2005", Sacramento, California, May 2005; Claritas; U.S. Department of Labor, Bureau of Labor Statistics; and CBRE Consulting.

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EXHIBIT 10
RETAIL SALES TRENDS IN HUMBOLDT COUNTY (PRIMARY MARKET AREA)
AVERAGE ANNUAL GROWTH RATE (1)
2000 - 2004

	Total	Apparel	Eating & Drinking	Home Furnishings & Appliances	Building Materials	Specialty Stores	Garden Supplies	Other Retail (2)
Retail Sales	4.6%	5.7%	3.9%	9.9%	9.1%	7.3%	11.2%	5.3%
Per Capita Sales	3.8%	4.9%	3.1%	9.1%	8.3%	6.4%	10.4%	4.5%
Inflation Adjusted Real Sales Growth (3)	1.0%	2.0%	0.3%	6.1%	5.3%	3.5%	7.3%	1.6%

Notes:
(1) See Appendix B for detail on average annual growth rate calculation.
(2) Includes general merchandise and drug stores.
(3) Per capita growth trend.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax [PRD] 10-Nov-06

EXHIBIT 11
ESTIMATED RETAIL DEMAND ANALYSIS
RELEVANT HOME IMPROVEMENT AND RETAIL CATEGORIES
HUMBOLDT COUNTY (PRIMARY MARKET AREA "PMA")
2010 DOLLARS

	2010 Per Capita (1)			2010 Estimated Primary Market Area Total (2)			
Selected Retail Categories (3)	Humboldt County Spending	Humboldt County Spending Adjusted (4)	Humboldt County Sales	PMA Spending	PMA Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel	$410	$444	$274	$59,109,750	$36,533,831	($22,575,918)	(38.2%)
Eating and Drinking Group							
Chain and Local Restaurants	$1,093	$1,104	$1,080	$147,032,835	$143,830,484	($3,202,351)	(2.2%)
Home Furnishings and Appliances	$412	$523	$283	$69,640,564	$37,616,297	($32,024,267)	(46.0%)
Building Materials							
Lumber and Building Materials	$613	$755	$599	$100,458,981	$79,735,504	($20,723,477)	(20.6%)
Hardware Stores	$81	$100	$259	$13,306,680	$34,514,947	$21,208,267	61.4%
Plumbing and Electrical Supplies	$98	$120	$114	$16,032,450	$15,118,929	($913,522)	(5.7%)
Paint, Glass, and Wallpaper	$26	$32	$63	$4,214,629	$8,390,950	$4,176,322	49.8%
Subtotal	$818	$1,007	$1,035	$134,012,740	$137,760,330	$3,747,590	2.7%
Specialty Stores							
Stationery and Books (Bookstore)	$99	$114	$127	$15,160,150	$16,921,811	$1,761,661	10.4%
Office, Store, and School Supplies (Electronics Store)	$386	$444	$233	$59,097,282	$31,040,502	($28,056,780)	(47.5%)
Subtotal	$485	$558	$360	$74,257,432	$47,962,313	($26,295,119)	(35.4%)
Garden Supplies	$59	$78	$225	$10,428,822	$30,010,810	$19,581,988	65.2%
All Other Retail Stores (5)	$1,441	$1,537	$2,110	$204,638,334	$280,881,443	$76,243,109	27.1%
TOTAL	$4,718	$5,251	$5,367	$699,120,475	$714,595,507	$15,475,032	2.2%

Notes:
(1) Refer to Exhibit 7 for per capita estimates.
(2) The per capita figures are applied to the estimated primary market area population of 132,412. Refer to Exhibit 5 for population assumptions.
(3) Includes the categories relevant to the prospective Marina Center retailers. The Home Improvement categories as well as the Garden Sales under Other Retail Stores are relevant to Home Depot. Refer to Exhibit 2. Anticipated additional tenants, such as an electronics store, are shown in the category in which their sales are reported by the California Board of Equalization.
(4) The per capita figures are derived from the per capita spending estimates presented in Exhibit 7 and adjusted by two-thirds of the real sales growth presented in Exhibit 10. For example Humboldt County spending on apparel for 2010 is expected to be $410 per person. This number is multipled by one plus two-thirds of the 2.0 percent inflation adjusted real sales growth in Exhibit 10 for each of six years. The formula for apparel is then $410*(1+(2.0%)*2/3)^6.
(5) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug store sales.

Sources: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

EXHIBIT 12
MAXIMUM MARINA CENTER SALES IMPACTS
ON HUMBOLDT COUNTY (PRIMARY MARKET AREA "PMA") RETAIL SALES
2010 ESTIMATE (IN MILLIONS)

Type of Retailer	Humboldt County Marina Center Sales (1) [A]	Source of Sales (2): Primary Market Area [B = A*85%]	Recaptured Contractor Sales (3) [C=B*5%]	Tertiary Market Area [D = A*15%]	Adjusted Primary Market Area [E=B-C]	Primary Market Area Leakage (4) [F]	Maximum Sales Diverted from PMA Retailers (5) [G = E+F]	Minimum Net New Sales to PMA (6) [H = A+G]
Apparel	$15.1	$12.8	N/A	$2.3	$12.8	($22.6)	$0.0	$15.1
Eating and Drinking Group								
Chain and Local Restaurants	$6.7	$5.7	N/A	$1.0	$5.7	($3.2)	($2.5)	$4.2
Home Furnishings and Appliances	$14.8	$12.6	$0.6	$2.2	$11.9	($32.0)	$0.0	$14.8
Building Materials								
Lumber and Building Materials	$10.5	$8.9	$0.4	$1.6	$8.5	($20.7)	$0.0	$10.5
Hardware	$5.4	$4.6	$0.2	$0.8	$4.4	$0.0	($4.4)	$1.0
Plumbing and Electrical Supplies	$6.7	$5.7	$0.3	$1.0	$5.4	($0.9)	($4.5)	$2.2
Paint, Glass, and Wallpaper	$3.8	$3.2	$0.2	$0.6	$3.0	$0.0	($3.0)	$0.7
Subtotal	$26.4	$22.4	$1.1	$4.0	$21.3	($21.6)	($11.9)	$14.4
Specialty Stores								
Stationery and Books (Bookstore)	$7.8	$6.7	N/A	$1.2	$6.7	$0.0	($6.7)	$1.2
Office, Store, and School Supplies (Electronics Store)	$17.9	$15.2	N/A	$2.7	$15.2	($28.1)	$0.0	$17.9
Subtotal	$25.7	$21.9	N/A	$3.9	$21.9	($28.1)	($6.7)	$19.1
Garden Supplies	$7.1	$6.1	$0.3	$1.1	$5.7	$0.0	($5.7)	$1.4
All Other Retail Stores (7)	$26.5	$22.5	N/A	$4.0	$22.5	$0.0	($22.5)	$4.0
Total	$122.3	$104.0	N/A	$18.3	$101.9	($107.5)	($49.3)	$73.0

Notes:
(1) These figures are from Exhibit 3.
(2) CBRE Consulting estimates that 85 percent of sales will be generated from primary market area residents and businesses, with the 15 percent balance of sales generated by a tertiary market area. This tertiary market area is not defined, but extends beyond the boundaries of the primary market area and includes sales from tourists.
(3) Recaptured contractor sales is only applicable to categories relevant to Home Depot: Home Furnishings, Building Materials, and Garden Supplies.
(4) Refer to Exhibit 7. Assumes any existing primary market area leakage is absorbed by Marina Center sales.
(5) The figures in this column comprise the maximum amount of net new primary market area Marina Center sales diverted from existing primary market area retailers, assuming sales in excess of any leakage will be diverted away from existing primary market area retailers. This implies that any negative impacts of Marina Center's sales will be spread proportionally among all the like retailers by retail category in the primary market area. If the leakage is greater than the sales estimate, then the diverted sales are zero and if the result continues to be leakage it is not presented.
(6) This column comprises all new Marina Center sales less the maximum sales diverted from primary market area retailers. Figures may not total due to rounding.
(7) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug store sales.

Sources: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

EXHIBIT 13
MAXIMUM DIVERTED SALES AS A PERCENT
OF ESTIMATED HUMBOLDT COUNTY (PRIMARY MARKET AREA "PMA") SALES
2010 ESTIMATE (IN MILLIONS)

Type of Retailer	Maximum Sales Diverted From PMA Retailers (1)	Estimated PMA Retail Sales (2)	Diverted Sales as a Percent of Estimated Sales
Apparel	$0.0	$36.5	0.0%
Eating and Drinking Group			
Chain and Local Restaurants	($2.5)	$143.8	1.7%
Home Furnishings and Appliances	$0.0	$37.6	0.0%
Building Materials			
Lumber and Building Materials	$0.0	$79.7	0.0%
Hardware	($4.4)	$34.5	12.7%
Plumbing and Electrical Supplies	($4.5)	$15.1	29.7%
Paint, Glass, and Wallpaper	($3.0)	$8.4	36.3%
Subtotal	($11.9)	$137.8	8.7%
Specialty Stores			
Stationery and Books (Bookstore)	($6.7)	$16.9	39.3%
Office, Store, and School Supplies (Electronics Store)	$0.0	$31.0	0.0%
Subtotal	($6.7)	$48.0	13.9%
Garden Supplies	($5.7)	$30.0	19.2%
All Other Retail Stores (3)	($22.5)	$280.9	8.0%
Total	($49.3)	$714.6	6.9%

Notes:
(1) Refer to Exhibit 12, column G.
(2) Refer to Exhibit 11, primary market area sales.
(3) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug store sales.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax 10-Nov-06

EXHIBIT 14
MAXIMUM DIVERTED SALES IMPACTS
FROM CITY OF EUREKA RETAILERS
2010 ESTIMATE (IN MILLIONS)

Type of Retailer	Marina Center Sales	Maximum Sales Diverted From PMA Retailers (1)	Eureka Sales as a Percentage of PMA Sales	Maximum Sales Diverted From Eureka Retailers	Minimum Net New Sales To City of Eureka
Apparel	$15.1	$0.0	78%	$0.0	$15.1
Eating and Drinking Group					
Chain and Local Restaurants	$6.7	($2.5)	46%	($1.2)	$5.6
Home Furnishings and Appliances	$14.8	$0.0	75%	$0.0	$14.8
Building Materials					
Lumber and Building Materials (2)	$10.5	$0.0	56%	$0.0	$10.5
Hardware	$5.4	($4.4)	38%	($1.7)	$3.8
Plumbing and Electrical Supplies	$6.7	($4.5)	82%	($3.7)	$3.0
Paint, Glass, and Wallpaper	$3.8	($3.0)	47%	($1.4)	$2.3
Subtotal	$26.4	($11.9)	54%	($6.8)	$19.6
Specialty Stores					
Stationery and Books (Bookstore) (3)	$7.8	($6.7)	61%	($4.0)	$3.8
Office, Store, and School Supplies (Electronics Store)	$17.9	$0.0	57%	$0.0	$17.9
Subtotal		($6.7)	58%	($4.0)	$21.7
Garden Supplies (4)	$7.1	($5.7)	13%	($0.8)	$6.3
All Other Retail Stores (5)	$26.5	($22.5)	79%	($17.8)	$8.7
Total	**$122.3**	**($49.3)**		**($30.5)**	**$91.8**

Notes:
(1) Refer to Exhibit 12, column G.
(2) Because there is only one permit holder for Farm Implement Dealers in Eureka, their sales data is added to the Lumber and Building Materials category. Sales for that store was estimated by using the average sales per permit holder in Humboldt County ($1,262). Then it was transferred out of the lumber category.
(3) In the Eureka sales data, the Stationery and Books category is omitted due to disclosure limitations (i.e., one retailer, Borders, dominates the category). Instead it is combined with Other Specialty Stores. CBRE estimated Eureka sales given the presence of the Border's Bookstore. The typical sales of a Borders Store, $5.7 million, according to the latest 10-K report, was deducted from the total Humboldt County sales. Then the sales per permit holder without the Borders store was calculated. Average sales per permit holder multiplied by the number of permit holders (55 without the Borders) is $2.6 million. Total Stationery and Books sales was estimated as the typical Border's sales, $5.7 million, plus the $2.6 million. That total, $8.3 million, was then taken out of Other Specialty Stores.
(4) In the 2004 Eureka sales data, the Fuel and Ice Dealers category is added to the Farm and Garden Supply Stores category. Eureka Fuel and Ice Dealers sales was calculated by taking the $425 sales per permit holder in Humboldt County, and multiplying it by the two permit holders in Eureka. Then it was transferred out of the Farm and Garden Supply Stores category.
(5) Eureka's 76% share of Humboldt County sales for all other retail stores was calculated by removing garden sales from the total Other Retail sales and adding General Merchandise sales.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax 10-Nov-06

EXHIBIT 15
NEW POPULATION RETAIL DEMAND (ANNUAL)
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 - 2015
2010 DOLLARS (MILLIONS)

	Per Capita Retail Spending (1)	Year 10-11	11-12	12-13	13-14	14-15
Primary Market Area						
Annual Population Growth (2)		625	628	631	634	637
Estimated Demand Due to Population Growth						
Apparel	$444	$0.3	$0.3	$0.3	$0.3	$0.3
Eating and Drinking Group						
Chain and Local Restaurants	$1,104	$0.7	$0.7	$0.7	$0.7	$0.7
Home Furnishings and Appliances	$523	$0.3	$0.3	$0.3	$0.3	$0.3
Building Materials						
Lumber and Building Materials	$755	$0.5	$0.5	$0.5	$0.5	$0.5
Hardware	$100	$0.1	$0.1	$0.1	$0.1	$0.1
Plumbing and Electrical Supplies	$120	$0.1	$0.1	$0.1	$0.1	$0.1
Paint, Glass, and Wallpaper	$32	$0.0	$0.0	$0.0	$0.0	$0.0
Subtotal	$1,007	$0.6	$0.6	$0.6	$0.6	$0.6
Specialty Stores						
Stationery and Books (Bookstore)	$114	$0.1	$0.1	$0.1	$0.1	$0.1
Office, Store, and School Supplies (Electronics Store)	$444	$0.3	$0.3	$0.3	$0.3	$0.3
Subtotal	$558	$0.3	$0.4	$0.4	$0.4	$0.4
Garden Supplies	$78	$0.0	$0.0	$0.0	$0.0	$0.0
All Other Retail Stores (3)	$1,537	$1.0	$1.0	$1.0	$1.0	$1.0
Total	**$5,251**	**$3.3**	**$3.3**	**$3.3**	**$3.3**	**$3.3**

Notes:
(1) Refer to Exhibit 11 for the primary market area per capita figures.
(2) Refer to Exhibit 5. Interim population numbers not indicated in Exhibit 5 are estimated using the calculated growth rates.
(3) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug store sales.

Source: CBRE Consulting.
v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

EXHIBIT 16
NEW POPULATION RETAIL DEMAND (CUMULATIVE)
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 - 2015
2010 DOLLARS (MILLIONS)

	Per Capita Retail Spending (1)	Calendar Year 10-11	11-12	12-13	13-14	14-15
Primary Market Area						
Annual Population Growth (2)		1,349	1,976	2,607	3,241	3,877
Estimated Demand Due to Population Growth						
Apparel	$444	$0.6	$0.9	$1.2	$1.4	$1.7
Eating and Drinking Group						
Chain and Local Restaurants	$1,104	$1.5	$2.2	$2.9	$3.6	$4.3
Home Furnishings and Appliances	$523	$0.7	$1.0	$1.4	$1.7	$2.0
Building Materials						
Lumber and Building Materials	$755	$1.0	$1.5	$2.0	$2.4	$2.9
Hardware	$100	$0.1	$0.2	$0.3	$0.3	$0.4
Plumbing and Electrical Supplies	$120	$0.2	$0.2	$0.3	$0.4	$0.5
Paint, Glass, and Wallpaper	$32	$0.0	$0.1	$0.1	$0.1	$0.1
subtotal	$1,007	$1.4	$2.0	$2.6	$3.3	$3.9
Specialty Stores						
Stationery and Books (Bookstore)	$114	$0.2	$0.2	$0.3	$0.4	$0.4
Office, Store, and School Supplies (Electronics Store)	$444	$0.6	$0.9	$1.2	$1.4	$1.7
Subtotal	$558	$0.8	$1.1	$1.5	$1.8	$2.2
Garden Supplies	$78	$0.1	$0.2	$0.2	$0.3	$0.3
All Other Retail Stores (3)	$1,537	$2.1	$3.0	$4.0	$5.0	$6.0
Total	**$5,251**	**$7.1**	**$10.4**	**$13.7**	**$17.0**	**$20.4**

Notes:
(1) Refer to Exhibit11 for the primary market area per capita figures.
(2) Refer to Exhibit 5. Interim population numbers not indicated in Exhibit 5 are estimated using the calculated growth rates.
(3) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug store sales.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis 10-Nov-06

Exhibit 17: Major Shopping Destinations in Eureka

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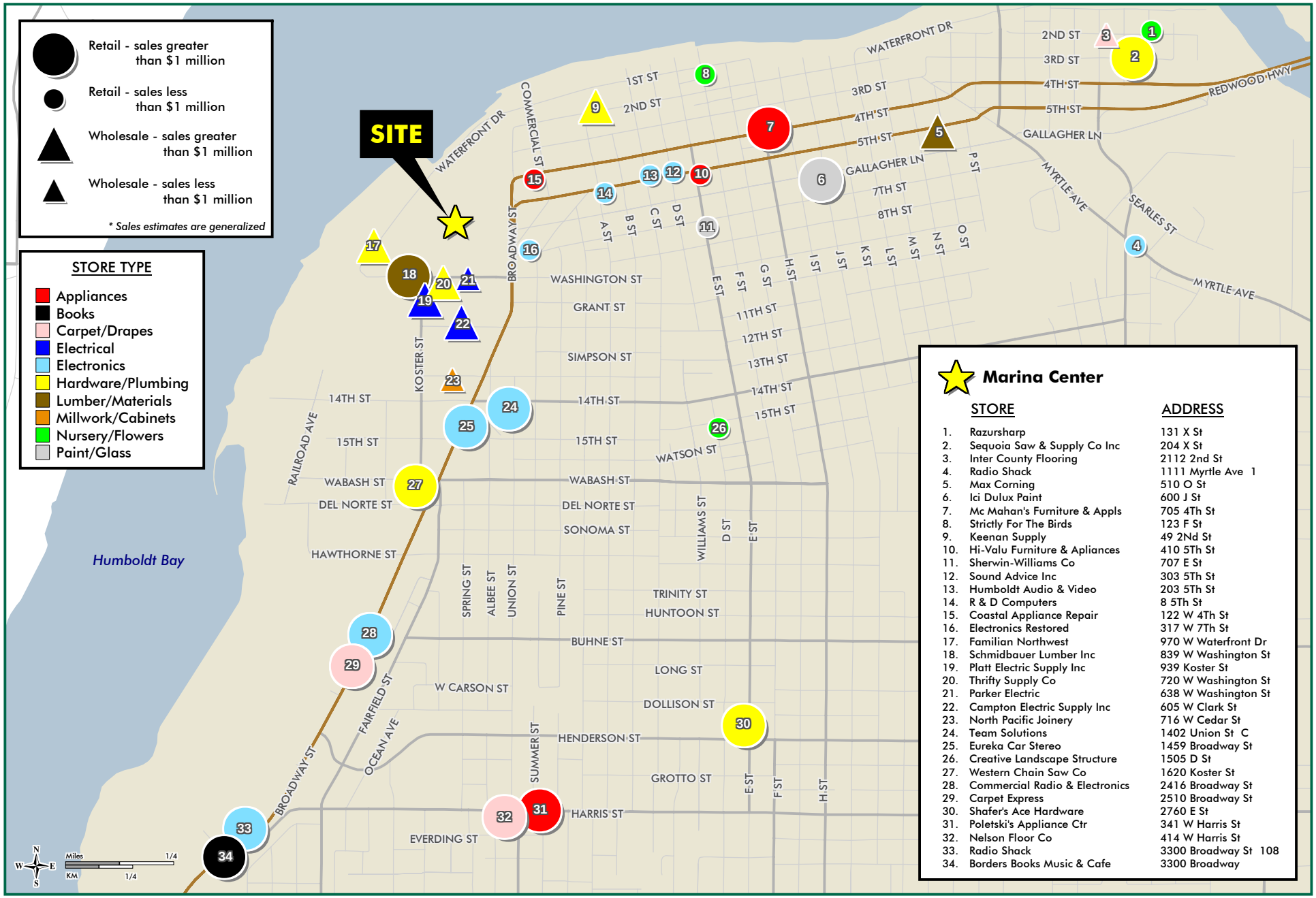
Exhibit 18a: Representative Competitive Stores in Eureka, Excluding Apparel



Marina Center

	STORE	ADDRESS
1.	Razursharp	131 X St
2.	Sequoia Saw & Supply Co Inc	204 X St
3.	Inter County Flooring	2112 2nd St
4.	Radio Shack	1111 Myrtle Ave 1
5.	Max Corning	510 O St
6.	Ici Dulux Paint	600 J St
7.	Mc Mahan's Furniture & Appls	705 4Th St
8.	Strictly For The Birds	123 F St
9.	Keenan Supply	49 2Nd St
10.	Hi-Valu Furniture & Apliances	410 5Th St
11.	Sherwin-Williams Co	707 E St
12.	Sound Advice Inc	303 5Th St
13.	Humboldt Audio & Video	203 5Th St
14.	R & D Computers	8 5Th St
15.	Coastal Appliance Repair	122 W 4Th St
16.	Electronics Restored	317 W 7Th St
17.	Familian Northwest	970 W Waterfront Dr
18.	Schmidbauer Lumber Inc	839 W Washington St
19.	Platt Electric Supply Inc	939 Koster St
20.	Thrifty Supply Co	720 W Washington St
21.	Parker Electric	638 W Washington St
22.	Campton Electric Supply Inc	605 W Clark St
23.	North Pacific Joinery	716 W Cedar St
24.	Team Solutions	1402 Union St C
25.	Eureka Car Stereo	1459 Broadway St
26.	Creative Landscape Structure	1505 D St
27.	Western Chain Saw Co	1620 Koster St
28.	Commercial Radio & Electronics	2416 Broadway St
29.	Carpet Express	2510 Broadway St
30.	Shafer's Ace Hardware	2760 E St
31.	Poletski's Appliance Ctr	341 W Harris St
32.	Nelson Floor Co	414 W Harris St
33.	Radio Shack	3300 Broadway St 108
34.	Borders Books Music & Cafe	3300 Broadway

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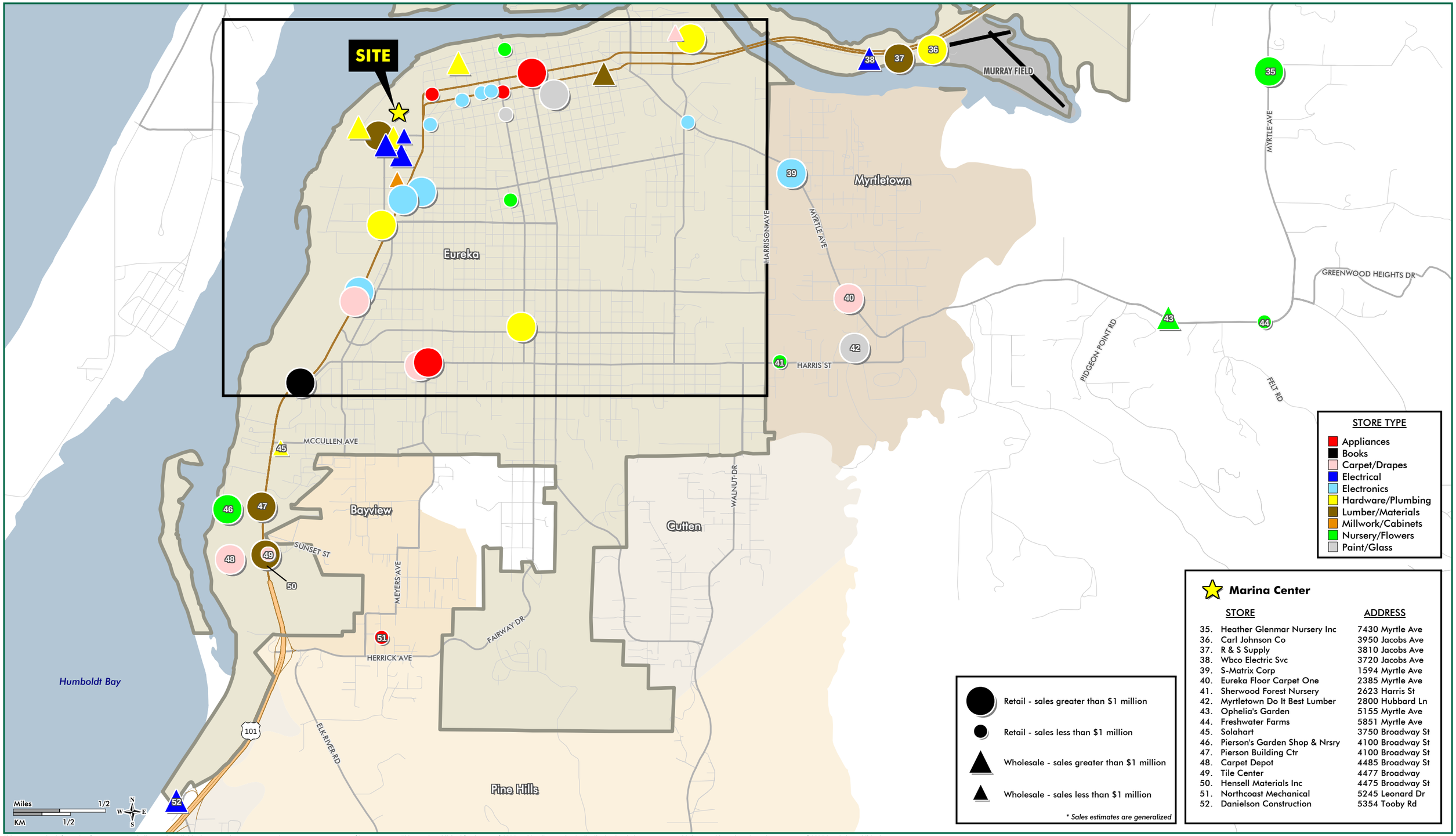
Exhibit 18a: Representative Competitive Stores in Eureka and Environs, Excluding Apparel



	STORE	ADDRESS
35.	Heather Glenmar Nursery Inc	7430 Myrtle Ave
36.	Carl Johnson Co	3950 Jacobs Ave
37.	R & S Supply	3810 Jacobs Ave
38.	Wbco Electric Svc	3720 Jacobs Ave
39.	S-Matrix Corp	1594 Myrtle Ave
40.	Eureka Floor Carpet One	2385 Myrtle Ave
41.	Sherwood Forest Nursery	2623 Harris St
42.	Myrtletown Do It Best Lumber	2800 Hubbard Ln
43.	Ophelia's Garden	5155 Myrtle Ave
44.	Freshwater Farms	5851 Myrtle Ave
45.	Solahart	3750 Broadway St
46.	Pierson's Garden Shop & Nrsry	4100 Broadway St
47.	Pierson Building Ctr	4100 Broadway St
48.	Carpet Depot	4485 Broadway St
49.	Tile Center	4477 Broadway
50.	Hensell Materials Inc	4475 Broadway St
51.	Northcoast Mechanical	5245 Leonard Dr
52.	Danielson Construction	5354 Tooby Rd

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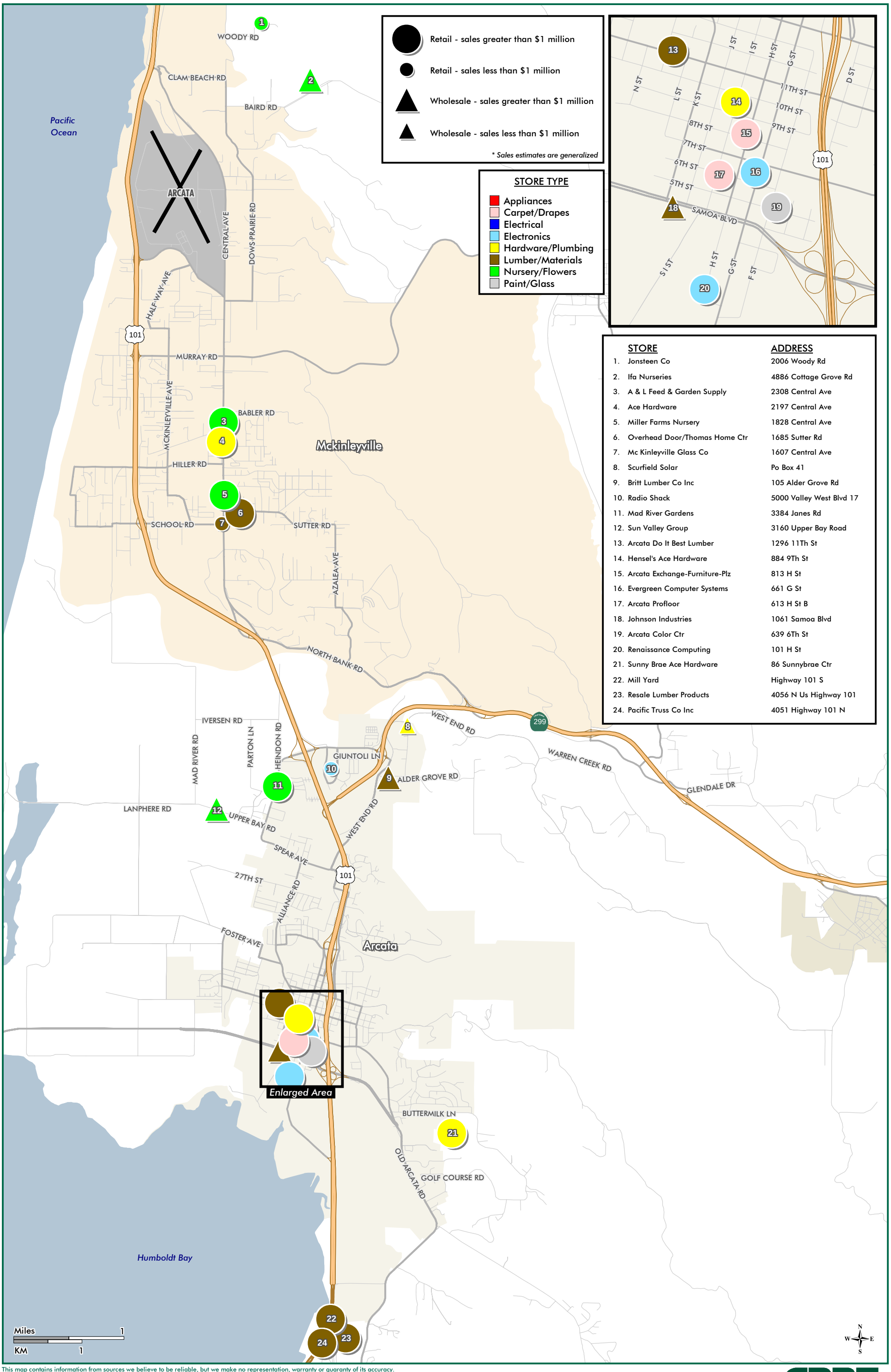
Exhibit 18b: Representative Competitive Stores in Arcata & McKinleyville, Excluding Apparel



	STORE	ADDRESS
1.	Jonsteen Co	2006 Woody Rd
2.	Ifa Nurseries	4886 Cottage Grove Rd
3.	A & L Feed & Garden Supply	2308 Central Ave
4.	Ace Hardware	2197 Central Ave
5.	Miller Farms Nursery	1828 Central Ave
6.	Overhead Door/Thomas Home Ctr	1685 Sutter Rd
7.	Mc Kinleyville Glass Co	1607 Central Ave
8.	Scurfield Solar	Po Box 41
9.	Britt Lumber Co Inc	105 Alder Grove Rd
10.	Radio Shack	5000 Valley West Blvd 17
11.	Mad River Gardens	3384 Janes Rd
12.	Sun Valley Group	3160 Upper Bay Road
13.	Arcata Do It Best Lumber	1296 11Th St
14.	Hensel's Ace Hardware	884 9Th St
15.	Arcata Exchange-Furniture-Plz	813 H St
16.	Evergreen Computer Systems	661 G St
17.	Arcata Profloor	613 H St B
18.	Johnson Industries	1061 Samoa Blvd
19.	Arcata Color Ctr	639 6Th St
20.	Renaissance Computing	101 H St
21.	Sunny Brae Ace Hardware	86 Sunnybrae Ctr
22.	Mill Yard	Highway 101 S
23.	Resale Lumber Products	4056 N Us Highway 101
24.	Pacific Truss Co Inc	4051 Highway 101 N

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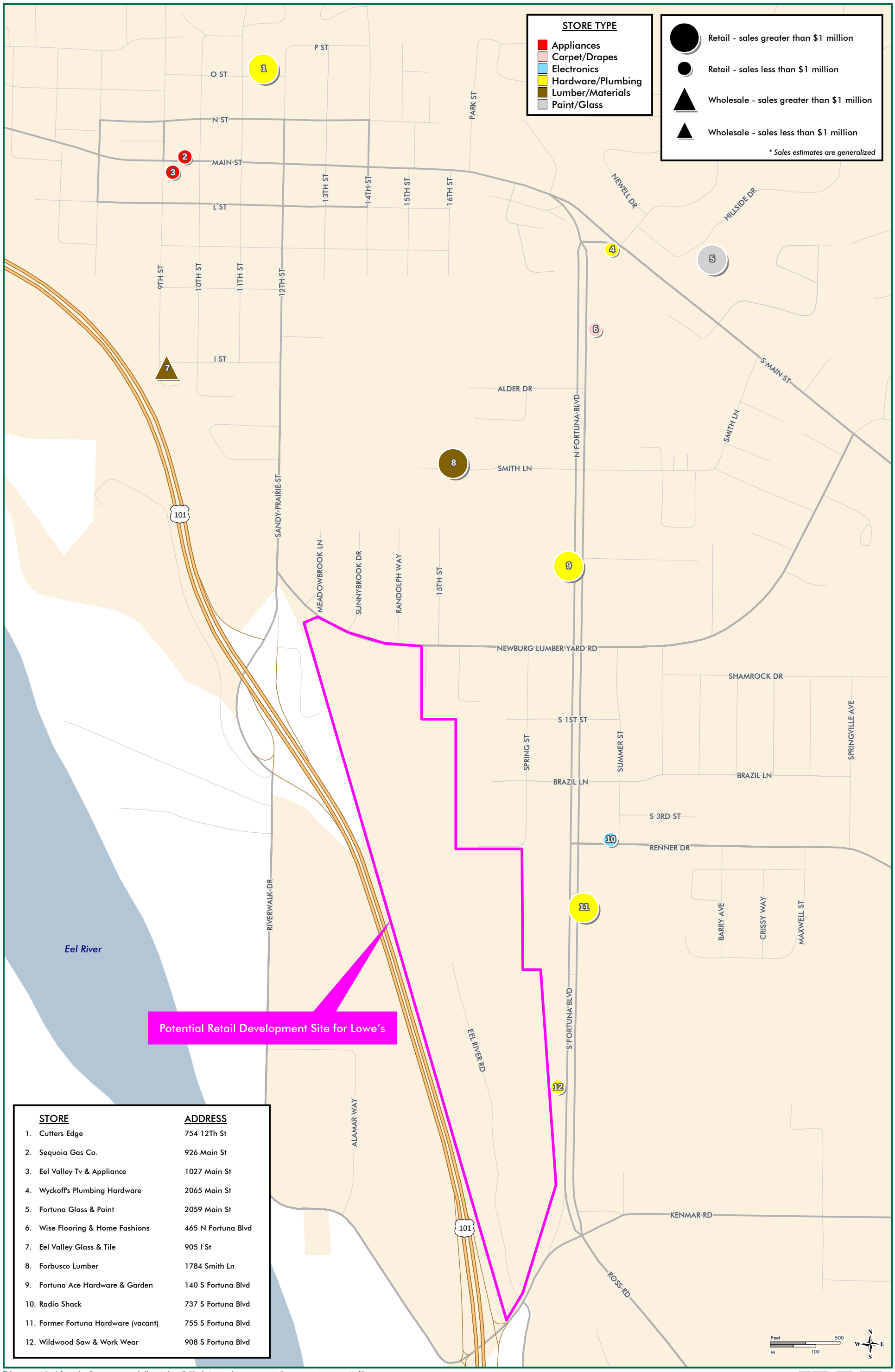
Exhibit 18c: Representative Competitive Stores in Fortuna, Excluding Apparel



	STORE	ADDRESS
1.	Cutters Edge	754 12Th St
2.	Sequoia Gas Co.	926 Main St
3.	Eel Valley Tv & Appliance	1027 Main St
4.	Wyckoff's Plumbing Hardware	2065 Main St
5.	Fortuna Glass & Paint	2059 Main St
6.	Wise Flooring & Home Fashions	465 N Fortuna Blvd
7.	Eel Valley Glass & Tile	905 I St
8.	Forbusco Lumber	1784 Smith Ln
9.	Fortuna Ace Hardware & Garden	140 S Fortuna Blvd
10.	Radio Shack	737 S Fortuna Blvd
11.	Former Fortuna Hardware (vacant)	755 S Fortuna Blvd
12.	Wildwood Saw & Work Wear	908 S Fortuna Blvd

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Exhibit 18d: Representative Competitive Apparel Stores in the Primary Market Area

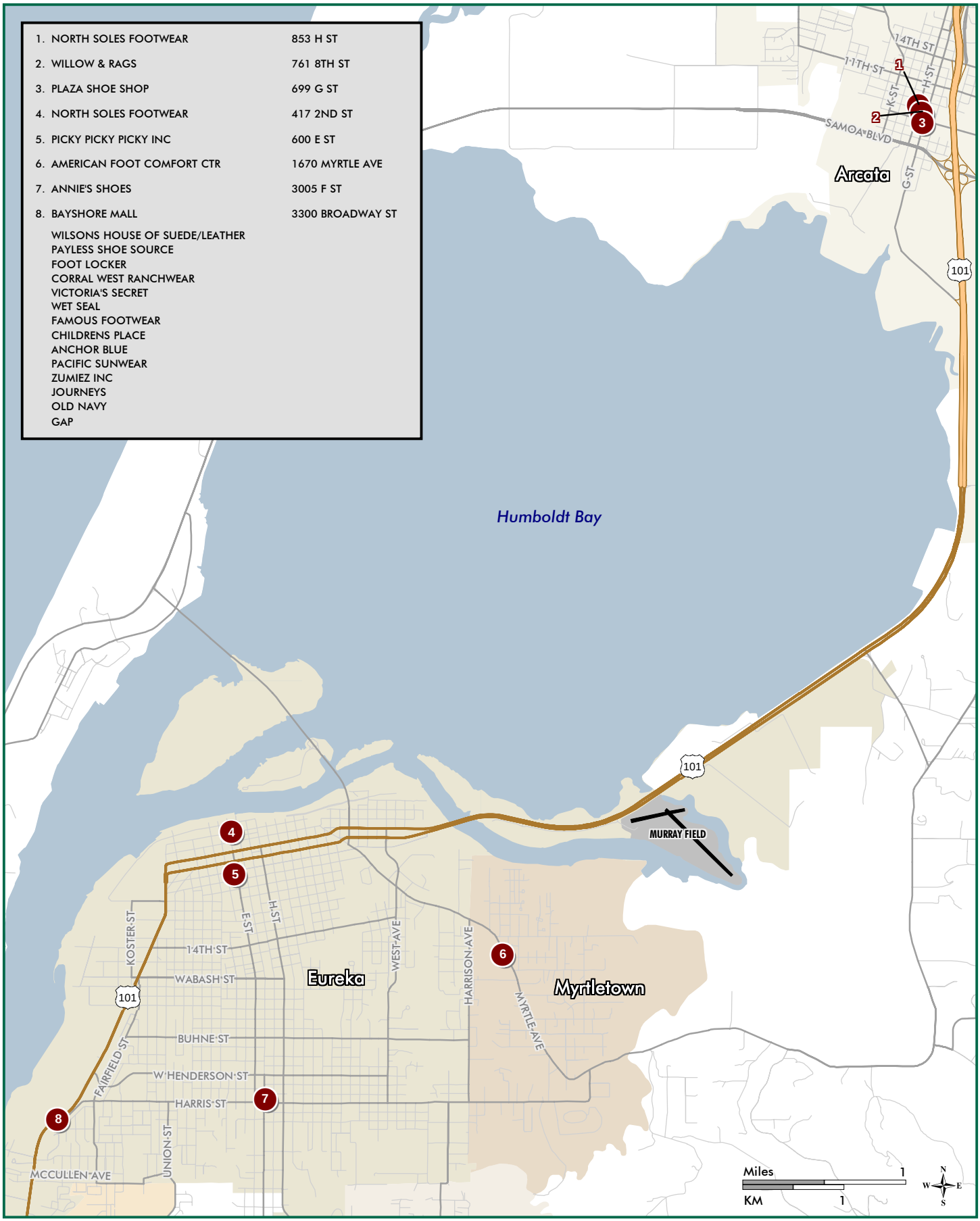

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EXHIBIT 19
RETAIL SALES ESTIMATE
ESTIMATE OF PROPOSED FORTUNA CENTER
2010

Name / Type of Store (1)	Average Sales Per Sq. Foot 2005	Average Sales Per Sq. Foot 2010 (2)	Estimated Square Feet		Estimated Sales 2010
RETAILER IDENTIFIED					
Lowe's Home Improvement (3)	$162	$188	147,000	(4)	$27,624,621
Wal-Mart (5)	$421	$488	160,000		$78,080,000
RETAILER NOT IDENTIFIED (6)					
Seven Big Box Retailers	$319	$370	70,000		$25,900,000
Other Retail	$319	$370	223,000		$82,510,000
TOTAL			600,000		$214,114,621

Notes:
(1) The only known retailers are Lowe's and Wal-Mart. There is the potential for seven more big box retailers of at least 10,000 square feet each. The entire proposal includes 600,000 square feet total.
(2) An annual inflation rate of 3.0 percent was assumed.
(3) Based on the average sales figure derived from Lowe's Companies Inc. 2004 Form 10-K of $295 per square foot, the inflation-adjusted sales per square foot in 2005 is $306. This number has been conservatively adjusted down by 53 percent. Assuming that the Home Depot store in Eureka is built, a Lowe's store in Fortuna will attract shoppers mainly from the southern portion of Humboldt County. Given that Home Depot stores in areas with similar population bases (30,000 to 40,000 persons) have a sales per square foot that is 53 percent of Home Depot's national average store performance, a similar adjustment was made to the Lowe's sales estimate to reflect the small market area.
(4) Size of Lowe's Home Improvement stores from Lowe's Companies Inc. 2004 Form 10-K. The typical store is 116,000 square feet plus 31,000 square feet of outdoor sales.
(5) Based on the average sales figure derived from Wal-Mart Stores, Inc. Fiscal Year Ended January 31, 2006 Form 10-K.
(6) Other retail average sales per square foot based on industry average. See Exhibit 2 footnote 4.

Sources: Wal-Mart Stores; U.S. Department of Labor, Bureau of Labor Statistics; Home Depot; and CBRE Consulting.

EXHIBIT 20
RETAIL SALES LEAKAGE ANALYSIS (1)
CITY OF FORTUNA
2004

Type of Retailer	PER CAPITA (2)			TOTAL			
	California Avg. Sales (3)	City of Fortuna Spending (4)	City of Fortuna Sales	City of Fortuna Spending	City of Fortuna Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores (4)	$468	$377	$37	$4,187,620	$413,000	($3,774,620)	(90.1%)
General Merchandise Stores (4) (5)	$1,826	$1,451	$612	$16,101,412	$6,793,180	($9,308,232)	(57.8%)
Food Stores (6)	$1,825	$1,659	$3,456	$18,407,048	$38,350,000	$19,942,952	52.0%
Eating and Drinking Places	$1,195	$964	$1,007	$10,692,231	$11,174,000	$481,769	4.3%
Home Furnishings and Appliances	$453	$337	$332	$3,739,862	$3,681,000	($58,862)	(1.6%)
Building Materials (7)	$1,026	$786	$1,027	$8,718,024	$11,392,000	$2,673,976	23.5%
Auto Dealers and Auto Supplies	$1,955	$1,572	$3,147	$17,441,057	$34,918,000	$17,476,943	50.1%
Service Stations	$905	$777	$1,361	$8,619,785	$15,105,000	$6,485,215	42.9%
Other Retail Stores (8)	$1,633	$1,298	$877	$14,397,768	$9,731,000	($4,666,768)	(32.4%)
Totals	$11,286	$9,220	$11,857	$102,304,808	$131,557,180	$29,252,372	22.2%

Notes:
(1) All figures are expressed in constant 2004 dollars.
(2) Population figures for 2000, 2005, and 2010 per Department of Finance (DOF) data. The 2004 DOF population estimate for the city of Fortuna, 11,095, and for California, 36,203,202, was interpolated by CBRE Consulting.
(3) Control area defined as the State of California.
(4) Analysis assumes average household incomes as reported by Claritas, Inc., a national provider of economic and demographic data.
(5) Includes general merchandise and drug stores. Drug stores are assumed to comprise 12 percent of total general merchandise sales based on CBRE Consulting's analysis of control area averages. Taxable transactions for drug stores have been adjusted by 0.33, to account for non-taxable sales.
(6) Taxable transactions for grocery stores have been adjusted by 0.30 to account for non-taxable sales.
(7) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.
(8) Other retail stores includes packaged liquor stores, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationary and books, jewelry, office and school supplies, second-hand merchandise, farm and garden supply stores, mobile homes/trailers and campers, boat and motorcycle dealers, and miscellaneous other retail stores.

Sources: State Board of Equalization "Taxable Sales in California- 2004"; California Department of Finance; Claritas, Inc.; and CBRE Consulting.
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EXHIBIT 21
PROJECTED RETAIL SALES LEAKAGE
CITY OF FORTUNA
2010 PROJECTION

Type of Retailer	City of Fortuna Annual Per Capita				2010 Estimated Total (3)			
	2004 (1)		2010 Estimate (2)					
	Spending	Sales	Spending	Sales	City of Fortuna Spending	City of Fortuna Sales	Attraction / (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores	$377	$37	$454	$45	$5,173,235	$510,205	($4,663,030)	(90.1%)
General Merchandise	$1,451	$612	$1,744	$736	$19,891,107	$8,392,051	($11,499,056)	(57.8%)
Food Stores (4)	$1,659	$3,456	$1,994	$4,154	$22,739,406	$47,376,215	$24,636,808	52.0%
Eating and Drinking Places	$964	$1,007	$1,158	$1,210	$13,208,799	$13,803,959	$595,160	4.3%
Home Furnishings and Appliances	$337	$332	$405	$399	$4,620,091	$4,547,375	($72,716)	(1.6%)
Building Materials (5)	$786	$1,027	$944	$1,234	$10,769,934	$14,073,268	$3,303,334	23.5%
Auto Dealers and Auto Supplies	$1,572	$3,147	$1,889	$3,783	$21,546,057	$43,136,445	$21,590,388	50.1%
Service Stations	$777	$1,361	$934	$1,636	$10,648,573	$18,660,175	$8,011,602	42.9%
Other Retail Stores (6)	$1,298	$877	$1,560	$1,054	$17,786,487	$12,021,328	($5,765,158)	(32.4%)
Totals	$9,220	$11,857	$11,082	$14,251	$126,383,690	$162,521,022	$36,137,332	22.2%

Notes:

(1) Refer to 2004 leakage Exhibit 6 for this city.

(2) Adjusted for inflation based on the consumer price index for all urban consumers in California, as defined by the California Department of Industrial Relations, Division of Labor Statistics and Research. Inflation for the 2004-2005 (3.68%). Inflation for the periods 2005-2010 estimated to be 3.00% per year.

(3) Estimated 2010 Fortuna population of 11,404 per DOF projections.

(4) Includes estimated taxable and non-taxable sales.

(5) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.

(6) Other retail stores includes packaged liquor stores, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationary and books, jewelry, office and school supplies, second-hand merchandise, farm and garden supply stores, mobile homes/trailers and campers, boat and motorcycle dealers, and miscellaneous other retail stores.

Sources: State Board of Equalization; Claritas, Inc.; California Department of Industrial Relations, Division of Labor Statistics and Research; and CBRE Consulting / Sedway Group.

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EXHIBIT 22
SELECTED SURVEY OF OTHER POTENTIAL MAJOR RETAIL DEVELOPMENT ACTIVITY (1)
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
FEBRUARY 2006

Development	City	Size (Sq. Ft.)	Development Timeframe	Status/Information
Competitive Major Retail				
Strongs Creek Plaza	Fortuna	46,800	2006	This project has several phases and four separate buildings. Construction on the infrastructure has begun. The project is currently in design review. Stores include a Walgreens, Starbucks, pizza parlor, restaurants, a bank, and a general merchandise store such as Cost Plus or Pier One Imports. Construction will begin in 2006.
Meadow Business Park	Redway	17,500	2007	This project is located in the southern part of the county in the town of Redway. The project is approved. There will be 2,800 square feet of office space. The retail component consists of one 10,000-square-foot building and another 7,500-square-foot building. No anchor tenants have been named, but it is expected that there will be a variety of retail, wholesale, and service stores.
Other Retail (2)				
Vigo Street Development	Eureka	40,000	2007	This project for a tractor store was rejected, but will be resubmitted for a different site. The planning process will likely take between 8 months to a year.
Expansion of Bayshore Inn	Eureka	N/A	2007	This project includes a new restaurant on Truesdale Street. The application has not been submitted yet.
Former Pacific Lumber Company Sawmill Site	Fortuna	600,000	2008 +	Fred Katz is developing this land. This project is currently on hold until the update for the General Plan is finished in mid-2007. It is not clear how the site will be zoned and what uses will be approved. The developer is currently planning all retail for the site. Potential tenants include Lowe's and other big-box stores.

Note:
(1) CBRE Consulting excluded developments with 10,000 square feet or less.
(2) Other retail projects are those that are in preliminary stages or are not competitive with Marina Center. These projects were not included in the cumulative impacts.

Sources: City Planning Departments in Eureka, Arcata, and Fortuna; McKinleyville Chamber of Commerce; McKinleyville Community Services District; Humboldt County Community Development Services Department; and CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax 10-Nov-06

EXHIBIT 23
SALES ESTIMATES FOR MAJOR PLANNED RETAIL DEVELOPMENTS
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 DOLLARS

Location Development Tenant	Average Sales Per Sq. Foot 2003 Dollars [A]	Average Sales Per Sq. Foot 2010 Dollars (1) [B]	Estimated Square Feet (2) [C]	Estimated Store Sales 2010 [D=BxC]
Fortuna				
Strongs Creek Plaza				
Walgreens	$641 (3)	$791	14,000	$11,069,844
Cost Plus (4)	$266 (3)	$328	6,750	$2,214,832
Pier 1 (4)	$188 (3)	$232	6,750	$1,565,370
Starbucks	$514 (3)	$634	1,000	$634,043
Pizza Parlor	$389 (3)	$480	1,550	$743,767
Unknown	$300 (5)	$370	16,750	$6,198,570
Total			46,800	$22,426,426
Redway				
Meadow Business Park				
Unknown	$300 (5)	$370	17,500	$6,476,118
Total			**64,300**	**$28,902,544**

Notes:
(1) Adjusted for inflation based on the consumer price index for all urban consumers in California, as defined by the U.S. Department of Labor, Bureau of Labor Statistics. Inflation for the year 2003-2004 period is 2.6 percent; inflation for the year 2004-2005 is 3.68 percent; assumed annual inflation rate of 3.0 percent for projected years.
(2) Square feet estimate from City of Fortuna Planning Department.
(3) Sales per square foot estimates are from Retail Maxim's Perspectives on Retail Real Estate and Finance.
(4) There is one 13,500-square-foot space that will contain either a Cost Plus or a Pier 1 store. CBRE Consulting incorporated this uncertainty by splitting the space between the two retailers.
(5) For unknown retailers, Sedway Group used the retail industry sales standard of $300 per square foot.

Sources: Bureau of Labor Statistics; Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2004; and CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, 10-Nov-06

EXHIBIT 24
ALLOCATION OF RETAIL SALES: MAJOR PLANNED RETAIL DEVELOPMENTS
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 DOLLARS

Location Project/Retailer	2010 Estimated Sales (2)	Retail Sales Category				
		Drug Stores	Eating and Drinking Places	Household and Home Furnishings	Specialty Stores	Other Retail Stores
Primary Market Area (PMA)						
Strongs Creek Plaza						
Walgreens	$11,069,844	$11,069,844				
Cost Plus	$2,214,832			$2,214,832		
Pier 1	$1,565,370				$1,565,370	
Starbucks	$634,043		$634,043			
Pizza Parlor	$743,767		$743,767			
Unknown	$6,198,570					$6,198,570
Meadow Business Park						
Unknown	$6,476,118					$6,476,118
Total Primary Market Area	$28,902,544	$11,069,844	$1,377,809	$2,214,832	$1,565,370	$12,674,688

Notes:
(1) CBRE Consulting allocated the estimated major planned retail stores' sales to a category based on California Board of Equalization retail sales categories.
(2) Refer to Exhibit 23.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

EXHIBIT 25
RETAIL SALES BASE ADJUSTMENT FOR CUMULATIVE SALES IMPACTS
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 ESTIMATE (IN MILLIONS)

	New Primary Market Area (PMA) Sales Base		
Type of Retailer	PMA Retail Sales (1) [A]	Minimum New Sales to PMA (2) [B]	New PMA Retail Sales Base [C=A+B]
Apparel Stores	$36.5	$15.1	$51.6
Drug Stores	$111.5	N/A	$111.5
Eating and Drinking Places	$143.8	$4.2	$148.0
Home Furnishings and Appliances	$37.6	$14.8	$52.4
Building Materials	$137.8	$14.4	$152.2
Specialty Stores	$163.0	$19.1	$182.1
Garden Supplies	$30.0	$1.4	$31.4
Other Retail Stores (3)	$280.9	$4.0	$284.8
Total	$941.1	$73.0	$1,014.1

Notes:
(1) Refer to primary market area sales in Exhibit 7.
(2) Minimum new sales resulting from the Marina Center project. Refer to Exhibit 12, Column H.
(3) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug stores.

Source: CBRE Consulting.

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EXHIBIT 26
CUMULATIVE IMPACTS OF MAJOR RETAIL DEVELOPMENTS
ON HUMBOLDT COUNTY (PRIMARY MARKET AREA) RETAILERS
2010 DOLLARS (IN MILLIONS)

	2010 Estimated Sales (1)	Retail Sales Category				
		Drug Stores	Eating and Drinking	Home Furnishings and Appliances	Specialty Stores	Other Retail Stores
New Sales (2)						
Strongs Creek Plaza and Meadow Business Park	$28.9	$11.1	$1.4	$2.2	$1.6	$12.7
New Sales Excluding Tertiary Market Area (3)						
Strongs Creek Plaza and Meadow Business Park	$24.6	$9.4	$1.2	$1.9	$1.3	$10.8
Unabsorbed Leakage (4)						
Strongs Creek Plaza and Meadow Business Park	($19.6)	$0.0	$0.0	($17.2)	($2.3)	$0.0
Max Sales Diverted from PMA Retailers (5)						
Strongs Creek Plaza and Meadow Business Park	($21.4)	($9.4)	($1.2)	$0.0	$0.0	($10.8)

Notes:
(1) Reflects the sum of the retail categories.
(2) Refer to Exhibit 24.
(3) Primary market area estimated at 85 percent of total sales. Refer to Exhibit 12, footnote 2.
(4) The analysis assumes that any leakage in the primary market area will be absorbed before sales impacts occur. Accounts for primary market area leakage already absorbed by new sales at the Marina Center in Exhibit 12.
(5) The maximum sales diverted from primary market area retailers is equivalent to the sales generated in the primary market area, less any unabsorbed leakage

Sources: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

EXHIBIT 27
CUMULATIVE IMPACTS OF MAJOR RETAIL DEVELOPMENTS (1)
MAXIMUM DIVERTED SALES AS A PERCENT
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 ESTIMATE (IN MILLIONS)

Retail Category	Maximum Sales Diverted from PMA Retailers (2) [A]	New PMA Retail Sales Base (3) [B]	Additional Diverted Sales as a % of Estimated Sales [C=A/B]
Apparel	$0.0	$51.6	0.0%
Drug Stores	($9.4)	$111.5	8.4%
Eating and Drinking Places	($1.2)	$148.0	0.8%
Home Furnishings and Appliances	$0.0	$52.4	0.0%
Building Materials	$0.0	$152.2	0.0%
Specialty Stores	$0.0	$182.1	0.0%
Garden Supplies	$0.0	$31.4	0.0%
Other Retail Stores (4)	($10.8)	$284.8	3.8%
Total	($21.4)	$1,014.1	2.1%

Notes:
(1) Includes Strongs Creek Plaza and Meadow Business Park.
(2) Refer to Exhibit 26.
(3) Refer to Exhibit 25, column C.
(3) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug stores.

Source: CBRE Consulting
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, 10-Nov-06

EXHIBIT 28
MAXIMUM DIVERTED SALES IMPACTS
MARINA CENTER AND
CUMULATIVE HUMBOLDT COUNTY (PRIMARY MARKET AREA) PROJECTS
2010 ESTIMATE

Project Retail Category	Maximum Sales Diversion (1) [A]	Number of Years to Mitigate (2) [B]	Sales Average (2010 Dollars) (3) [C]	Supportable Square Feet (Rounded) [D=A/C]
Marina Center Only				
Apparel	$0	N/A	$370	0
Drug Stores	$0	N/A	$370	0
Eating and Drinking Places	$2,509,649	3 years	$370	6,800
Home Furnishings and Appliances	$0	N/A	$370	0
Building Materials	$11,934,688	10 + years	$370	32,300
Specialty Stores	$6,651,250	10 + years	$370	18,000
Garden Supplies	$5,747,883	10 + years	$370	15,500
Other Retail Stores (4)	$22,486,750	10 + years	$370	60,800
Total	$49,330,220			133,400
Marina Center and All Primary Market Area Cumulative Projects				
Apparel	$0	N/A	$370	0
Drug Stores (5)	$9,409,368	10 + years	$370	25,400
Eating and Drinking Places	$3,680,787	4 years	$370	9,900
Home Furnishings and Appliances	$0	N/A	$370	0
Building Materials	$11,934,688	10 + years	$370	32,300
Specialty Stores	$6,651,250	10 + years	$370	18,000
Garden Supplies	$5,747,883	10 + years	$370	15,500
Other Retail Stores (4)	$33,260,235	10 + years	$370	89,900
Total	$70,684,210			191,000

Notes:

(1) Refer to Exhibits 12 and 27.

(2) Estimated based on the cumulative retail demand in Exhibit 16.

(3) The current performance of existing retailers in unknown. In order to estimate the supportable square feet CBRE Consulting assumed the generally accepted retail standard of $300 per square foot (2003 dollars) and inflated to 2010 dollars. Used the U.S. Department of Labor Bureau of Labor Statistics annual 2003 to 2004 reported inflation rate for California of 2.63 percent and the 2004 to 2005 annual rate of 3.68 percent. For future years 3.0 percent inflation was assumed.

(4) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug stores.

(5) The estimate for cumulative retail demand in general merchandise was based on a per capita spending projection of $1,659 in 2010. See Exhibit 7.

Source: CBRE Consulting.

P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

EXHIBIT 29
REVISED SALES ESTIMATES FOR MAJOR PLANNED RETAIL DEVELOPMENTS (INCLUDING LOWE'S)
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 DOLLARS

Location Development Tenant	Average Sales Per Sq. Foot 2003 Dollars [A]	Average Sales Per Sq. Foot 2010 Dollars (1) [B]	Estimated Square Feet (2) [C]	Estimated Store Sales 2010 [D=BxC]
Fortuna				
Strongs Creek Plaza				
Walgreens	$641 (3)	$791	14,000	$11,069,844
Cost Plus (4)	$266 (3)	$328	6,750	$2,214,832
Pier 1 (4)	$188 (3)	$232	6,750	$1,565,370
Starbucks	$514 (3)	$634	1,000	$634,043
Pizza Parlor	$389 (3)	$480	1,550	$743,767
Unknown	$300 (5)	$370	16,750	$6,198,570
Total			46,800	$22,426,426
Pacific Lumber Site				
Lowe's Home Improvement	$152 (6)	$188	147,000 (7)	$27,624,621
Redway				
Meadow Business Park				
Unknown	$300 (5)	$370	17,500	$6,476,118
Total			**211,300**	**$56,527,165**

Notes:
(1) Adjusted for inflation based on the consumer price index for all urban consumers in California, as defined by the U.S. Department of Labor, Bureau of Labor Statistics. Inflation for the year 2003-2004 period is 2.6 percent; inflation for the year 2004-2005 is 3.68 percent; assumed annual inflation rate of 3.0 percent for projected years.
(2) Square feet estimate from City of Fortuna Planning Department.
(3) Sales per square foot estimates are from Retail Maxim's Perspectives on Retail Real Estate and Finance.
(4) There is one 13,500-square-foot space that will contain either a Cost Plus or a Pier 1 store. CBRE Consulting incorporated this uncertainty by splitting the space between the two retailers.
(5) For unknown retailers, CBRE Consulting used the retail industry sales standard of $300 per square foot.
(6) Based on the average sales figure derived from Lowe's Companies Inc. 2004 Form 10-K and adjusted for inflation to sales per square foot in 2003. Assuming that the Home Depot store in Eureka is built, a Lowe's store in Fortuna will attract shoppers mainly from the southern portion of Humboldt County. Given that Home Depot stores in areas with similar population bases (30,000 to 40,000 persons) have a sales per square foot that is approximately half the national average Home Depot store sales, a similar adjustment was made to the Lowe's sales estimate to reflect the small market area.
(7) Size of Lowe's Home Improvement stores from Lowe's Companies Inc. 2004 Form 10-K. The typical store is 116,000 square feet plus 31,000 square feet of outdoor garden sales.

Sources: Bureau of Labor Statistics; Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2004; and CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales 10-Nov-06

EXHIBIT 30
REVISED ALLOCATION OF RETAIL SALES: MAJOR PLANNED RETAIL DEVELOPMENTS (INCLUDING LOWE'S)
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 DOLLARS

Location Project/Retailer	2010 Estimated Sales (2)	Retail Sales Category						
		Drug Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Specialty Stores	Garden Supplies	Other Retail Stores
Primary Market Area (PMA)								
Strongs Creek Plaza								
Walgreens	$11,069,844	$11,069,844						
Cost Plus	$2,214,832			$2,214,832				
Pier 1	$1,565,370					$1,565,370		
Starbucks	$634,043		$634,043					
Pizza Parlor	$743,767		$743,767					
Unknown	$6,198,570							$6,198,570
Pacific Lumber Site (3)								
Lowe's Home Improvement (4)	$27,624,621			$8,011,140	$15,469,788		$4,143,693	
Meadow Business Park								
Unknown	$6,476,118							$6,476,118
Total Primary Market Area	$56,527,165	$11,069,844	$1,377,809	$10,225,972	$15,469,788	$1,565,370	$4,143,693	$12,674,688

Notes:
(1) CBRE Consulting allocated the estimated major planned retail stores' sales to a category based on California Board of Equalization retail sales categories
(2) Refer to Exhibit 29.
(3) The focus is on the Lowe's store since it is a direct competitor with Home Depot. The other potential stores at the Pacific Lumber site are not considered.
(4) Lowe's Home Improvement stores's distribution of sales by category from Lowe's Fact Sheet 1Q '05 for Investors and adjusted for increased share of Garden Supplies sales in California indicated by Lowe's representatives. The balance of sales was distributed proportionately among Home Furnishings and Building Materials based on the relative national shares.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

EXHIBIT 31
REVISED RETAIL SALES BASE ADJUSTMENT FOR CUMULATIVE SALES IMPACTS (INCLUDING LOWE'S)
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 ESTIMATE (IN MILLIONS)

	New Primary Market Area (PMA) Sales Base			
Type of Retailer	PMA Retail Sales (1) [A]	Minimum New Sales to PMA (2) [B]	Home Depot Competitive Market Adjustment (3) [C]	New PMA Retail Sales Base [D=A+B+C]
Apparel Stores	$36.5	$15.1		$51.6
Drug Stores	$111.5	N/A		$111.5
Eating and Drinking Places	$143.8	$4.2		$148.0
Home Furnishings and Appliances	$37.6	$14.8	($1.3)	$51.2
Building Materials	$137.8	$14.4	($4.0)	$148.2
Specialty Stores	$163.0	$19.1		$182.1
Garden Supplies	$30.0	$1.4	($1.1)	$30.3
Other Retail Stores (4)	$280.9	$4.0		$284.8
Total	$941.1	$73.0	($6.3)	$1,007.8

Notes:
(1) Refer to primary market area sales in Exhibit 7.
(2) Minimum new sales resulting from the Marina Center project. Refer to Exhibit 12, Column H.
(3) Assuming that the Lowe's store in Fortuna is built, Home Depot and other furniture and home furnishings stores are likely to have sales impacts of 15 percent; therefore, the sales are adjusted to reflect the decrease. This sales impact estimate comes from prior Home Depot experiences in the marketplace. Refer to Exhibit 3 for the Home Depot sales which are adjusted.
(4) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug stores.

Source: Home Depot; and CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales 10-Nov-06

EXHIBIT 32
REVISED CUMULATIVE IMPACTS OF MAJOR RETAIL DEVELOPMENTS (INCLUDING LOWE'S)
ON HUMBOLDT COUNTY (PRIMARY MARKET AREA) RETAILERS
2010 DOLLARS (IN MILLIONS)

	2010 Estimated Sales (1)	Retail Sales Category						
		Drug Stores	Eating and Drinking	Home Furnishings and Appliances	Building Materials	Specialty Stores	Garden Supplies	Other Retail Stores
New Sales (2)								
Strongs Creek Plaza, Lowe's Home Improvement, and Meadow Business Park	$56.5	$11.1	$1.4	$10.2	$15.5	$1.6	$4.1	$12.7
New Sales Excluding Tertiary Market Area (3)								
Strongs Creek Plaza, Lowe's Home Improvement, and Meadow Business Park	$48.0	$9.4	$1.2	$8.7	$13.1	$1.3	$3.5	$10.8
Unabsorbed Leakage (4)								
Strongs Creek Plaza, Lowe's Home Improvement, and Meadow Business Park	($19.6)	$0.0	$0.0	($17.2)	$0.0	($2.3)	$0.0	$0.0
Max Sales Diverted from PMA Retailers (5)								
Strongs Creek Plaza, Lowe's Home Improvement, and Meadow Business Park	($38.0)	($9.4)	($1.2)	$0.0	($13.1)	$0.0	($3.5)	($10.8)

Notes:
(1) Reflects the sum of the retail categories.
(2) Refer to Exhibit 30.
(3) Primary market area estimated at 85 percent of total sales. Refer to Exhibit 12, footnote 2.
(4) The analysis assumes that any leakage in the primary market area will be absorbed before sales impacts occur. Accounts for primary market area leakage already absorbed by new sales at the Marina Center in Exhibit 12.
(5) The maximum sales diverted from primary market area retailers is equivalent to the sales generated in the primary market area, less any unabsorbed leakage.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

EXHIBIT 33
REVISED CUMULATIVE IMPACTS OF MAJOR RETAIL DEVELOPMENTS (INCLUDING LOWE'S) (1)
MAXIMUM DIVERTED SALES AS A PERCENT
HUMBOLDT COUNTY (PRIMARY MARKET AREA)
2010 ESTIMATE (IN MILLIONS)

Retail Category	Maximum Sales Diverted from PMA Retailers (2) [A]	New PMA Retail Sales Base (3) [B]	Additional Diverted Sales as a % of Estimated Sales [C=A/B]
Apparel	$0.0	$51.6	0.0%
Drug Stores	($9.4)	$111.5	8.4%
Eating and Drinking Places	($1.2)	$148.0	0.8%
Home Furnishings and Appliances	$0.0	$51.2	0.0%
Building Materials	($13.1)	$148.2	8.9%
Specialty Stores	$0.0	$182.1	0.0%
Garden Supplies	($3.5)	$30.3	11.6%
Other Retail Stores (4)	($10.8)	$284.8	3.8%
Total	($38.0)	$1,007.8	3.8%

Notes:
(1) Includes Strongs Creek Plaza, Lowe's Home Improvement store, and Meadow Business Park.
(2) Refer to Exhibit 32.
(3) Refer to Exhibit 31, column C.
(3) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug stores.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, 10-Nov-06

EXHIBIT 34
REVISED MAXIMUM DIVERTED SALES IMPACTS (INCLUDING LOWE'S)
MARINA CENTER AND CUMULATIVE HUMBOLDT COUNTY (PRIMARY MARKET AREA) PROJECTS
2010 ESTIMATE

Project Retail Category	Maximum Sales Diversion (1) [A]	Number of Years to Mitigate (2) [B]	Sales Average (2010 Dollars) (3) [C]	Supportable Square Feet (Rounded) [D=A/C]
Marina Center Only				
Apparel	$0	N/A	$370	0
Drug Stores	$0	N/A	$370	0
Eating and Drinking Places	$2,509,649	3 years	$370	6,800
Home Furnishings and Appliances	$0	N/A	$370	0
Building Materials	$11,934,688	10 + years	$370	32,300
Specialty Stores	$6,651,250	10 + years	$370	18,000
Garden Supplies	$5,747,883	10 + years	$370	15,500
Other Retail Stores (4)	$22,486,750	10 + years	$370	60,800
Total	$49,330,220			133,400
Marina Center and All Primary Market Area Cumulative Projects				
Apparel	$0	N/A	$370	0
Drug Stores (5)	$9,409,368	10 + years	$370	25,400
Eating and Drinking Places	$3,680,787	4 years	$370	9,900
Home Furnishings and Appliances	$0	N/A	$370	0
Building Materials	$25,084,008	10 + years	$370	67,800
Specialty Stores	$6,651,250	10 + years	$370	18,000
Garden Supplies	$9,270,022	10 + years	$370	25,100
Other Retail Stores (4)	$33,260,235	10 + years	$370	89,900
Total	$87,355,669			236,100

Notes:
(1) Refer to Exhibits 12 and 33.
(2) Estimated based on the cumulative retail demand in Exhibit 16.
(3) The current performance of existing retailers in unknown. In order to estimate the supportable square feet CBRE Consulting assumed the generally accepted retail standard of $300 per square foot (2003 dollars) and inflated to 2010 dollars. Used the U.S. Department of Labor Bureau of Labor Statistics annual 2003 to 2004 reported inflation rate for California of 2.63 percent and the 2004 to 2005 annual rate of 3.68 percent. For future years 3.0 percent inflation was assumed.
(4) Includes general merchandise, liquor stores, second-hand merchandise, farm implement dealers, fuel and ice dealers, mobile homes, trailers, campers, boat, motorcycle, and plane dealers. Excludes drug stores.
(5) The estimate for cumulative retail demand in general merchandise was based on a per capita spending projection of $1,326 in 2008. See Exhibit 7.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[PRD] 10-Nov-06

EXHIBIT 35
FISCAL BENEFIT ANALYSIS
TAXABLE SALES AND SALES TAX REVENUE ASSUMPTIONS
PROPOSED MARINA CENTER
2010 DOLLARS

PROPOSED MARINA CENTER

For the purposes of calculating sales tax revenue, CBRE Consulting relied on the estimated retail sales and assumptions in Exhibit 3.

Estimated Sales	Total Center Sales (1)	Percent Taxable	Total Taxable Sales
Apparel Stores	$15,114,000	100.0%	$15,114,000
Eating and Drinking Places	$6,720,000	100.0%	$6,720,000
Home Furnishings and Appliances	$14,792,261	100.0%	$14,792,261
Building Materials	$26,378,922	100.0%	$26,378,922
Specialty Stores	$25,735,000	100.0%	$25,735,000
Garden Supplies	$7,118,122	100.0%	$7,118,122
All Other Retail Stores	$26,455,000	100.0%	$26,455,000
Total	$122,313,304		$122,313,304

Tax Estimate	
Total	$122,313,304
Eureka Sales Tax Rate (2)	1.0%
Annual Sales Taxes Accruing to Eureka General Fund	$1,223,133

LESS DIVERTED SALES IMPACTS

For the purpose of calculating proposed sales tax revenue impacts, CBRE Consulting relied on the maximum sales impacts analysis relative to Eureka retailers in Exhibit 14.

Estimated Diverted Sales (Eureka) (4)	Total Sales (3)	Percent Taxable	Total Taxable Sales
Apparel Stores	$0	100.0%	$0
Eating and Drinking Places	($1,152,699)	100.0%	($1,152,699)
Home Furnishings and Appliances	$0	100.0%	$0
Building Materials	($6,806,460)	100.0%	($6,806,460)
Specialty Stores	($4,026,535)	100.0%	($4,026,535)
Garden Supplies	($771,260)	100.0%	($771,260)
All Other Retail Stores	($17,782,817)	100.0%	($17,782,817)
Total	($30,539,771)		($30,539,771)

Diverted Sales Tax Estimate	
Estimated Diverted Eureka Sales	($30,539,771)
Sales Tax Accruing to Eureka General Fund (2)	1.0%
Annual Diverted Sales Taxes (diverted from the Eureka General Fund)	($305,398)

TOTAL NET NEW SALES TAX REVENUE (6)	$917,735

Notes:
(1) Refer to Exhibit 3.
(2) Sales tax rate accruing to the City of Eureka General Fund.
(3) Refer to Exhibit 14.
(4) Because the analysis estimates diverted sales for the entire primary market area, which includes Eureka and Humboldt County, it is necessary to estimate the portion of such sales that would be diverted from the Eureka General Fund. See Exhibit 14.
(5) The proposed Marina Center sales tax revenue less the diverted Eureka sales tax revenue.

Sources: California State Board of Equaliztion; and CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[KJA] 10-Nov-06

EXHIBIT 36
FISCAL BENEFIT ANALYSIS
PROPERTY VALUE AND PROPERTY TAX REVENUE ASSUMPTIONS (1)
PROPOSED MARINA CENTER
ALL FIGURES IN 2010 DOLLARS

Marina Center Development	2010 Value
Property Tax Estimate	
Total Assessed Value (1)	$91,139,640
Property Tax Rate (2)	1.0%
Total Annual Property Taxes	$911,396
Property Tax Allocations (3)	
Redevelopment Agency	$546,838
Housing Set-aside	$182,279
Statutory Pass Throughs	$182,279
Eureka Elementary School	$39,190
Eureka High School	$35,180
City of Eureka General Fund	$29,529
College of the Redwoods	$11,301
Property Tax Accruing to City of Eureka Schools	**$85,671**

Notes:
(1) For purposes of calculating real property taxes, it is assumed that the assessed value of the Marina Center will be based on the total development costs of the project. This figure comprises the 2008 construction cost appreciated 3.0 percent per year. Total development costs were provided by Security National Properties and checked for reasonableness by CBRE Consulting. Detailed cost estimates were provided. The construction cost detail is suppressed for confidentiality. Total development costs include the construction costs incurred either by Security National Properties or by individual retail tenants. The estimates include land acquisition costs, hard and soft costs, on and off-site costs, and all tenant improvement costs.
(2) Per Proposition 13.
(3) Property tax allocations based on information provided by HdL, the City of Eureka's municipal tax consultant.

Sources: Security National Properties; Hinderliter, de Llamas & Associates (HdL); Humboldt County Auditor's Office; City of Eureka Redevelopment Agency; and CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[KJA] 10-Nov-06

EXHIBIT 37
FISCAL BENEFIT ANALYSIS (1)
SUMMARY OF NET NEW TAX REVENUES
CITY OF EUREKA AND LOCAL SCHOOLS
2010 DOLLARS (2)

Source	2010
New Tax Revenues	
Net New Sales Tax Revenues (3)	$917,735
Net New Property Tax Revenues (4)	
To Redevelopment Agency and Housing Set-aside	$729,117
To City of Eureka General Fund	$29,529
To Eureka Elementary School District	$39,190
To Eureka High School District	$35,180
To College of the Redwoods	$11,301
Subtotal	$844,318
Net New Tax Revenue Total	$1,762,053

Notes:

(1) The economic impact analysis estimated the impact of the proposed Marina Center on the primary market area, defined as Humboldt County. The fiscal benefit analysis estimated the fiscal benefit to the City of Eureka only, as Eureka will be the jurisdiction receiving property tax and sales tax revenue as a result of the proposed development.
(2) For the purpose of internal consistency with the economic impact analysis the fiscal benefit analysis assumes build out of the project in 2010.
(3) Refer to Exhibit 35.
(4) Refer to Exhibit 36.

Sources: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax[KJA] 10-Nov-06

EXHIBIT 38
JOBS ESTIMATE
MARINA CENTER

Type of Space (1)	Estimated Square Feet Total	Square Feet Per Job	Total Jobs
Retail			
Home Depot	132,000	500	264
Other Retail Excluding Home Depot	195,500	500	391
Subtotal	327,500		655
Office	104,000	250	416
Public Attraction	12,500	1,000	13
Light Industrial	70,000	500	140
Residential	72,000	0	0
Property Management	N/A	N/A	22
Total Development	**586,000**		**1,246**

Notes:
(1) Refer to Exhibit 1.
(2) Security National Properties estimates it will need 22 people for security, engineering, and maintenance staff.

Sources: Security National Servicing Corporation; Home Depot; and CBRE Consulting.
P:\2005\1005105 Security National 10-Nov-06

EXHIBIT 39
JOBS IMPACT
MARINA CENTER NEW JOBS
2010

Source of Employees	Amount
Total New Jobs Created at Marina Center (1)	1,246
Less: Potential Maximum Job Loss	
Maximum Sales Impact to Humboldt County (Primary Market Area) (2)	$49,330,220
Retail Sales per Square Foot (3)	$370
Maximum Impacted Square Feet to Humboldt County	133,302
Estimated Square Feet per Employee (4)	500
Maximum Impacted Jobs in Humboldt County	267
Minimum Net Job Creation in Humboldt County	**979**
City of Eureka's Percent Share of Sales Impact (5)	58%
Maximum Sales Impact to City of Eureka	$28,496,567
Retail Sales per Square Foot (3)	$370
Maximum Impacted Square Feet to the City of Eureka	77,004
Estimated Square Feet per Employee (4)	500
Maximum Impacted Jobs in City of Eureka	154
Minimum Net Job Creation in City of Eureka	**1,092**

Notes:
(1) Refer to Exhibit 38.
(2) Refer to Exhibit 28.
(3) Inflated $300 retail sales per square foot as of 2003 to 2008 using inflation assumptions per Exhibit 2.
(4) Relied on industry-accepted standard.
(5) City of Eureka retail sales in 2004 made up 58 percent of total Humboldt County retail sales.

Source: CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[1005105 Economic Analysis v3.xls]Ex35, Sales Tax November 10, 2006

APPENDIX B: RETAIL SALES TRENDS

TABLE B-1
HUMBOLDT COUNTY RETAIL SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales (1)	$931,847,000	$963,104,000	$989,252,000	$1,051,879,000	$1,116,853,000	19.9%	4.6%
Population (2)	126,518	127,098	127,986	129,243	130,392	3.1%	0.8%
Per Capita Sales	$7,365	$7,578	$7,729	$8,139	$8,565	16.3%	3.8%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$7,365	$7,290	$7,260	$7,472	$7,662	4.0%	1.0%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[Appendix B1 & B2, Sales Tax Analysis Total.xls]B1, Humboldt Sales [PRD 17-Aug-06

TABLE B-2
EUREKA RETAIL SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales (1)	$540,594,000	$555,587,000	$568,916,000	$604,007,000	$645,172,000	19.3%	4.5%
Population (2)	26,128	26,134	26,125	26,279	26,342	0.8%	0.2%
Per Capita Sales	$20,690	$21,259	$21,777	$22,984	$24,492	18.4%	4.3%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$20,690	$20,451	$20,454	$21,101	$21,909	5.9%	1.4%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[Appendix B1 & B2, Sales Tax Analysis Total.xls]B1, Humboldt Sales [PRD 17-Aug-06

TABLE B-3
HUMBOLDT COUNTY RETAIL APPAREL SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Apparel (1)	$23,866,000	$27,256,000	$27,574,000	$28,734,000	$29,768,000	24.7%	5.7%
Population (2)	126,518	127,098	127,986	129,243	130,392	3.1%	0.8%
Per Capita Sales	$189	$214	$215	$222	$228	21.0%	4.9%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$189	$206	$202	$204	$204	8.3%	2.0%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[Appendix B3 - B14, Sales Tax Analysis by Category.xls]B13, Humboldt 17-Aug-06

TABLE B-4
EUREKA RETAIL APPAREL SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Apparel (1)	$20,290,000	$22,807,000	$22,167,000	$22,617,000	$23,298,000	14.8%	3.5%
Population (2)	26,128	26,134	26,125	26,279	26,342	0.8%	0.2%
Per Capita Sales	$777	$873	$848	$861	$884	13.9%	3.3%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$777	$840	$797	$790	$791	1.9%	0.5%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
P:\2005\1005105 Security National Properties\Exhibits\[Appendix B3 - B14, Sales Tax Analysis by Category.xls]B13, Humboldt Other GM 17-Aug-06

TABLE B-5
HUMBOLDT COUNTY RETAIL EATING AND DRINKING PLACES SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Eating and Drinking Places	$100,646,000	$105,161,000	$108,061,000	$109,865,000	$117,194,000	16.4%	3.9%
Population (2)	126,518	127,098	127,986	129,243	130,392	3.1%	0.8%
Per Capita Sales	$796	$827	$844	$850	$899	13.0%	3.1%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$796	$796	$793	$780	$804	1.1%	0.3%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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TABLE B-6
EUREKA RETAIL EATING AND DRINKING PLACES SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Eating & Drinking (1)	$46,359,000	$48,141,000	$49,694,000	$50,278,000	$53,828,000	16.1%	3.8%
Population (2)	26,128	26,134	26,125	26,279	26,342	0.8%	0.2%
Per Capita Sales	$1,774	$1,842	$1,902	$1,913	$2,043	15.2%	3.6%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$1,774	$1,772	$1,787	$1,756	$1,828	3.0%	0.7%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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TABLE B-7
HUMBOLDT COUNTY RETAIL HOME FURNISHINGS AND APPLIANCES SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Home Furnishings & Appliances (1)	$21,021,000	$21,227,000	$23,628,000	$29,261,000	$30,650,000	45.8%	9.9%
Population (2)	126,518	127,098	127,986	129,243	130,392	3.1%	0.8%
Per Capita Sales	$166	$167	$185	$226	$235	41.5%	9.1%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$166	$161	$173	$208	$210	26.6%	6.1%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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TABLE B-8
EUREKA RETAIL HOME FURNISHINGS & APPLIANCES SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Home Furnishings & Appliances (1)	$14,988,000	$14,829,000	$16,383,000	$21,565,000	$22,996,000	53.4%	11.3%
Population (2)	26,128	26,134	26,125	26,279	26,342	0.8%	0.2%
Per Capita Sales	$574	$567	$627	$821	$873	52.2%	11.1%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$574	$546	$589	$753	$781	36.1%	8.0%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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TABLE B-9
HUMBOLDT COUNTY RETAIL BUILDING MATERIALS SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Building Materials (1)	$79,295,000	$82,696,000	$91,982,000	$101,099,000	$112,248,000	41.6%	9.1%
Population (2)	126,518	127,098	127,986	129,243	130,392	3.1%	0.8%
Per Capita Sales	$627	$651	$719	$782	$861	37.4%	8.3%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$627	$626	$675	$718	$770	22.9%	5.3%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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TABLE B-10
EUREKA RETAIL BUILDING MATERIALS SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Building Materials (1)	$44,968,000	$44,107,000	$47,087,000	$53,186,000	$61,966,000	37.8%	8.3%
Population (2)	26,128	26,134	26,125	26,279	26,342	0.8%	0.2%
Per Capita Sales	$1,721	$1,688	$1,802	$2,024	$2,352	36.7%	8.1%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$1,721	$1,624	$1,693	$1,858	$2,104	22.3%	5.2%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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TABLE B-11
HUMBOLDT COUNTY RETAIL SPECIALTY STORES SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Specialty Stores (1)	$100,364,000	$106,839,000	$114,394,000	$126,470,000	$132,801,000	32.3%	7.3%
Population (2)	126,518	127,098	127,986	129,243	130,392	3.1%	0.8%
Per Capita Sales	$793	$841	$894	$979	$1,018	28.4%	6.4%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$793	$809	$840	$898	$911	14.8%	3.5%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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TABLE B-12
HUMBOLDT COUNTY GARDEN SUPPLIES SALES TRENDS
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Other Retail Stores (1)	$15,997,000	$17,257,000	$18,224,000	$20,664,000	$24,453,000	52.9%	11.2%
Population (2)	126,518	127,098	127,986	129,243	130,392	3.1%	0.8%
Per Capita Sales	$126	$136	$142	$160	$188	48.3%	10.4%
California Inflation Rate (3)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$126	$131	$134	$147	$168	32.7%	7.3%

Notes:
(1) Data from the California State Board of Equalization.
(2) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(3) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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TABLE B-13
HUMBOLDT COUNTY GENERAL MERCHANDISE AND OTHER RETAIL STORES SALES TRENDS (1)
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Other Retail Stores (2)	$186,288,000	$187,203,000	$191,533,000	$206,940,000	$228,864,000	22.9%	5.3%
Population (3)	126,518	127,098	127,986	129,243	130,392	3.1%	0.8%
Per Capita Sales	$1,472	$1,473	$1,497	$1,601	$1,755	19.2%	4.5%
California Inflation Rate (4)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$1,472	$1,417	$1,406	$1,470	$1,570	6.6%	1.6%

Notes:
(1) Excludes drug store sales and garden supplies sales.
(2) Data from the California State Board of Equalization.
(3) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(4) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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TABLE B-14
EUREKA RETAIL OTHER RETAIL STORES SALES TRENDS (1)
2000 - 2004

	2000	2001	2002	2003	2004	Percent Change 2000 - 2004	Average Annual Growth Rate
Retail Sales Other Retail Stores (2)	$73,828,000	$78,367,000	$84,571,000	$96,255,000	$101,813,000	37.9%	8.4%
Population (3)	26,128	26,134	26,125	26,279	26,342	0.8%	0.2%
Per Capita Sales	$2,826	$2,999	$3,237	$3,663	$3,865	36.8%	8.1%
California Inflation Rate (4)		4.0%	2.4%	2.3%	2.6%	N/A	N/A
Inflation Adjusted Per Capita Sales	$2,826	$2,885	$3,041	$3,363	$3,457	22.4%	5.2%

Notes:
(1) Includes specialty stores sales and garden supplies sales.
(2) Data from the California State Board of Equalization.
(3) Population estimates as reported by the California Department of Finance Demographic Research Unit ("DOF").
(4) From the U.S. Department of Labor Bureau of Labor Statistics annual reported inflation rates for California.

Sources: State Board of Equalization "Taxable Sales in California" annual reports; California Department of Finance Demographic Research Unit; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index; CBRE Consulting.
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