

October 26, 2009

Ms. Sidnie Olson, AICP
Principal Planner
City of Eureka
Community Development Department
531 "K" Street
Eureka, CA 95501

Re: Public Media Conflict of Interest Comments Regarding CBRE

Dear Ms. Olson:

The purpose of this letter is to respond to the Sunday, October 18, 2009 The Times-Standard article titled "Urban Decay: Marina Center EIR talks economics" in which questions arise regarding CBRE Consulting's conflict of interest in conducting the urban decay analysis for the Marina Center EIR. Comments are made in the article questioning CBRE Consulting's independence and objectivity, especially in regard to CBRE Consulting's client relationship with the project developer and CBRE's brokerage work for Home Depot.

In conducting urban decay analyses, CBRE Consulting (formerly Sedway Group) typically works directly for cities where the projects under study are planned or for the EIR consultants retained by cities. In some cases, for ease of administration, CBRE Consulting is retained directly by the project developer or the developer's legal counsel, but CBRE Consulting always works in coordination with the EIR consultant and other members of the EIR team. This is the case of Marina Center, where CBRE Consulting worked directly for the project developer, but in coordination with the EIR consultant. In reference to the newspaper article comments, it is notable that CBRE Consulting was not retained by Home Depot for this assignment.

The nature of the work we conducted for the urban decay analysis of Marina Center is no different than the work we conduct directly for cities or as a sub-consultant to EIR firms on other proposed high-volume retail centers. A comparison between these studies will indicate a similarity in approach, methodology, assumptions, and tone. In all cases we strive for objectivity. We are not project advocates, just urban economic and real estate analysts. That is the case with most of the work conducted by our firm. The information we use in our high-volume retail economic impact studies is the same type of information that would be available to any other independent analyst conducting a similar study, and the general approach used is comparable to the approach used by other analysts.

The entity that conducted the urban decay analysis for Marina Center is CBRE Consulting, Inc., a group engaged in real estate and urban economic consulting. This is a wholly-owned subsidiary of CB Richard Ellis, Inc. a commercial real estate services firm providing commercial property and corporate facilities management, tenant representation, property/agency leasing, property sales, valuation, real estate investment management, commercial mortgage origination and servicing, capital markets (equity and debt) solutions, development services and proprietary research. Any Home Depot-related services referenced in the Times-Standard article were provided by individuals not associated with CBRE Consulting, Inc., and were not relevant

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to assessing the impacts of new retail store development, as is the focus of the urban decay analysis.

Moreover, on the Marina Center urban decay assignment, all of CBRE Consulting's work was conducted by the professional staff of CBRE Consulting. No one from the commercial real estate services division of CB Richard Ellis, Inc. was involved in the analysis or the formulation of its findings and conclusions. Nor was CB Richard Ellis, Inc. involved as a source of information about the local retail market, as were other commercial brokerage firms active in the market. Therefore, we do not believe there was any conflict of interest in our performance of the urban decay analysis for Marina Center.

The Times-Standard article cites that Philip King has a "history of submitting comments critical of CBRE's reports." Please note that Philip King routinely submits comments critical of an array of urban economists in the State of California who conduct urban decay studies, including Bay Area Economics, The Natelson Dale Group, and Applied Development Economics. Thus, Dr. King's issues are not specifically with CBRE Consulting's work, but rather with urban decay analyses in general, for which project opponents or their attorney's routinely retain his services. Thus, Dr. King's comments and analyses do not come from a position of objectivity, but rather one of advocacy.

In our experience, Dr. King always reaches the conclusion that urban decay will result from the development of the large-scale retail development projects evaluated by him and/or his consulting group California Economic Research Associates. He typically makes findings that are not subsequently borne out. For example, in Anderson, California, relative to the planned development of a Walmart Supercenter, he cited that an existing Safeway store would be displaced following the opening of the Walmart. The Walmart opened in 2006, and as of early 2009, the referenced Safeway had not only **not** closed, but had undergone a recent remodeling, including the addition of a Starbucks café, signaling the store's plans to remain in operation. In like manner in American Canyon, where a Walmart Supercenter opened in September 2007, Dr. King predicted in 2005 that the commercial space created by the Walmart-anchored project would create physical deterioration and decay in the immediate area surrounding the site and lead to a less healthy business climate in the city. This is in direct contradiction with the view of American Canyon's Finance Director, who has cited to CBRE Consulting that the referenced project has been a great advantage to the city and has become a focal point of new retail activity for a wide variety of businesses not previously present. In addition, in April 2008, Fortune Small Business magazine ranked American Canyon 11th on its list of the 100 best places in the United States to live and launch a business. Thus, it does not appear that Dr. King's forecast for American Canyon has come to fruition. We believe the same will be the case with Dr. King's forecast for Eureka following the opening of Marina Center.

Finally, CBRE Consulting's analysis for Marina Center was peer reviewed, not once, but twice. The first peer review occurred by the City of Eureka's independent consultant, Economic Research Associates (ERA). ERA's conclusion to the City of Eureka was that they did not find any fatal flaws in the analysis that would invalidate the findings of the CBRE Consulting report. In addition, the City's EIR consultant, ESA, also peer reviewed the report pursuant to inclusion of the findings in the FEIR for the project. The fact that no untoward bias in favor of the project surfaced as a result of these peer reviews supports the independence and objectivity of the

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urban decay analysis. In addition, on several occasions CBRE Consulting updated or re-examined the study findings pursuant to changes in the economy. Thus, changes in the regional economy were taken into consideration in determining the continued validity of the urban decay analysis findings. Finally, Marina Center is a mixed use development project that will replace existing blight on a prominent parcel in the City of Eureka. Development alone, as cited in the urban decay analysis, will comprise a major improvement to the property, with the planned residential and employment generating uses providing a stimulus for new economic activity, both at Marina Center and elsewhere in the City of Eureka.

I hope the information included in this letter provides you with sufficient information regarding CBRE Consulting's independence relative to the urban decay analysis for the Marina Center project. Please let me know if you have any questions about the information included in this letter or seek further information.

Sincerely,

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

Amy L. Herman, AICP
Senior Managing Director