

**Majestic Gateway
Urban Decay Analysis**

Prepared for:

Majestic Realty Co.

Prepared by:



ALH Urban & Regional Economics

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I. EXECUTIVE SUMMARY

INTRODUCTION

The purpose of this study is to assess the potential for urban decay resulting from development of Majestic Gateway, a planned retail project in Bakersfield. The Majestic Gateway retail development site comprises about 28 acres situated near the northwest corner of Hosking Avenue and South H Street in the City of Bakersfield, California (the “Project”). This site is just beyond an approximate square-shaped parcel located immediately at the northwest corner of Hosking Avenue and South H Street under separate ownership and not part of the Project.¹ The Project site has access from South H Street but also abuts the east side of State Route 99 (“SR-99”) and the SR-99/Hosking Avenue interchange in the southern portion of Bakersfield, and thus has desirable highway visibility.

This study is in support of the CEQA environmental review process for the Project. The City of Bakersfield’s guidelines require the preparation of urban decay studies for retail commercial development projects. The Project’s development plans include 12 buildings totaling up to 187,500 square feet of retail space. The buildings are proposed to include two larger buildings, 57,200 and 42,000 square feet, and 10 smaller buildings ranging from 3,600 square feet to 15,000 square feet. The commercial building coverage is approximately 15%, whereas the market standard is higher at approximately 25%. This report’s focus on this commercial retail project is pursuant to the City of Bakersfield guidelines for urban decay studies.

The City of Bakersfield will prepare an Environmental Impact Report (“EIR”) for the Project. ALH Urban & Regional Economics (“ALH Economics”) is responsible for conducting the urban decay analysis to be incorporated into the EIR. Generally speaking, for the purpose of CEQA, urban decay is characterized by physical deterioration to properties or structures that is so prevalent, substantial, and lasting a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community.

This study estimates the extent to which development of the Project may or may not contribute to urban decay pursuant to potential impacts on existing retailers. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in the context of an urban decay analysis for a retail project includes the commercial real estate base and other germane real estate conditions, as measured by the current baseline. Characteristics of physical deterioration contributing to urban decay include abandoned buildings, boarded up doors and windows, parked trucks on vacant sites, long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth. A prominent example of urban decay in Bakersfield was the former East Hills Mall, located about 11 miles northeast of the Project in Northeast Bakersfield. This 350,000-square-foot indoor mall, built in 1986, declined during the recession of the late 2000’s, eventually losing all its anchor tenants. The mall was completely closed about five years ago. Prior to the summer 2021 sale of the property and its September 2021 demolition in advance of site redevelopment, the mall had been vandalized and extensively damaged by vagrants, including drywall that had been pulled off, holes tunneled through the whole mall, ceilings pulled down, glass

¹ Note this assemblage does not include an approximately square-shaped vacant parcel owned by DelPapa, which is located at the northwest corner of Hosking Avenue and S. H Street.

doors shattered and broken, and wires stripped and burned for the purpose of removing the copper wiring inside.²

SUMMARY OF FINDINGS

Key Findings

Highlights of the urban decay analysis for the Project are as follows:

- The Project's Retail Market Area and proximate surrounding areas are estimated to total more than 4.8 million square feet of retail space. Most properties are in good to excellent condition, with only 2 small centers in poor condition.
- By 2026, after sufficient time for the retail component to be delivered to the market and tenanted, the Project's retail space is estimated to have a nominal 1.1% vacancy impact on the existing inventory, with the market continuing to perform within healthy vacancy parameters.
- Including the Project, up to about 870,000 square feet of cumulative retail space was identified in or near the Project's Retail Market Area. Relative to all of Bakersfield's retail base, these projects are anticipated to increase the overall retail vacancy rate by 1.6%.
- Bakersfield has the demonstrated capacity to backfill retail vacancies, including anchor spaces, in addition to the repurposing or redevelopment of functionally obsolete retail properties.
- City of Bakersfield Planning and Economic Development documents suggest the city will be embarking on an economic development strategy designed to address endemic concerns about the struggles of older shopping centers with high vacancy and lackluster tenant mixes.

In summary, the Project, along with the identified cumulative projects, is not anticipated to cause or contribute to urban decay in the City of Bakersfield.

Retail Market Impacts Summary

Majestic Gateway's proposed retail component totals 187,500 square feet of space. This space is estimated to generate \$61.2 million in total sales, with approximately 75%, or \$46.0 million, generated by households in the Project's Retail Market Area. This market area is estimated to extend a distance up to approximately 5.0 miles from the Project depending upon direction. The balance of sales are estimated to originate from other sources, including households living beyond the Retail Market Area, visitors to the area, and nearby workers.

The Project's Retail Market Area and surrounding areas have at least an estimated 4.8 million square feet of retail space, with no less than 27 shopping centers of various sizes, ranging from less than 50,000 square feet to over 1.1 million square feet. The Project's retail space will comprise a modest addition to this inventory, and its location close to Highway 99 as well as residential nodes will serve to generate demand to support the Project. There are a wide variety of tenants represented in and around the Retail Market Area, with anchor tenants including department stores, grocery stores, pharmacies, dollar stores, fitness centers, general merchandise stores, home improvement stores, and apparel stores. There is also a wide variety of retail shop tenants and personal and business services. All but four of the identified shopping centers are in good to excellent condition, with only two smaller,

² Information about East Hills Mall is sourced to Wikipedia, Bakersfield.com/news, and Bakersfieldnow.com.

older centers in poor condition exhibiting characteristics sometimes associated with urban decay, such as boarded up areas, fenced off areas, and broken glass.

The Retail Market Area and proximate surrounding area inventory is estimated to have a post-COVID 3.3% vacancy rate as of late summer/early fall 2021.³ As in any retail market, there will be vacancies and some chronic vacancies, particularly when newer retail is constructed, with some retailers preferring newer updated developments. However, most of the existing vacancies are actively being marketed. Some properties or spaces, however, may continue to be vacant due to a variety of reasons. Nevertheless, most existing area vacancies appear to be reasonably well-maintained, with the retail base in the market area and surrounding areas serving a broad range of consumer shopping needs.

The City of Bakersfield retail market is characterized by retail attraction. Accordingly, the Project is not forecasted to absorb any existing retail leakage. New demand generated by market area household growth is anticipated to absorb some of the Project sales. However, the primary anticipated consequences of the Project's sales impacts include a nominal amount of reduced sales at some retailers and a potential 1.1% increase in the market area and surrounding area's retail inventory vacancy rate. This increase is estimated to still result in a localized retail market operating within healthy vacancy parameters.

There are a number of identified cumulative retail projects planned for the Project's Retail Market Area or nearby surroundings. The square footage of all the cumulative projects is not yet available, but available information and estimates suggest these projects, plus Majestic Gateway's retail component, could total almost 870,000 square feet of new area retail space available for lease. Considering the impact of these new projects across the entirety of the Bakersfield retail market, along with estimates of new citywide retail demand, suggests another nominal retail market impact equal to an estimated 1.6% increase in the city's retail vacancy rate. This increase would comprise an insignificant impact, with the City's overall existing vacancy rate estimated at below 10%. Accordingly, the market is anticipated to continue to operate within healthy parameters following development of the Project and the other identified cumulative retail projects. Therefore, ALH Economics concludes that the cumulative retail projects, inclusive of the Majestic Gateway Project, are unlikely to result in negative impacts contributing to the potential for urban decay to occur.

URBAN DECAY CONCLUSIONS

The study findings suggest that existing retail properties in the City of Bakersfield are not anticipated to experience significant adverse physical impacts related to economic and social changes and/or effects leading to urban decay or deterioration following the addition of the planned Majestic Gateway retail Project or cumulative retail projects.

The retail analysis found that development of the Project's retail component could potentially result in increasing the retail vacancy rate in the retail market and surrounding areas. However, the increased vacancy rate is estimated to be below 5.0%, which is a rate indicative of a healthy retail market and is well below the national average. The resulting low vacancy rate is not likely to lead to or contribute to urban decay, as it is within the range indicative of a healthy retail market. The anticipated lack of urban decay is especially the case given the market area's recent propensity to backfill some of the area's anchor tenants. In addition, the market has the demonstrated ability to repurpose vacant retail

³ Site fieldwork was conducted in July 2021, with subsequent follow-up.

buildings or redevelop obsolete retail sites. This tendency will especially be relevant to the impacts associated with the Project in combination with identified cumulative retail projects. Examined on a citywide level, and inclusive of future demand considerations, the cumulative project impacts are similarly anticipated to have a low vacancy impact on the Bakersfield retail base.

The City of Bakersfield recognizes that there are some retail properties in the city that are functionally obsolete, with others comprising older, underutilized properties. A recommended strategy in the city's recently adopted Economic Development Strategic Plan is designed to implement land use policies and offer city financial incentives for the repurposing of obsolete shopping center sites with more productive/attractive land uses. The development of this strategy suggests that center age and obsolescence are much more significant issues to the City of Bakersfield than the potential Project and cumulative project impacts. Therefore, ALH Economics further concludes that the Project and the identified cumulative retail projects are not likely to cause or contribute to urban decay.

II. INTRODUCTION

STUDY BACKGROUND

The City of Bakersfield will prepare an Environmental Impact Report for the Majestic Gateway Project ("Project"). To support this effort and comply with the California Environmental Quality Act ("CEQA"), ALH Urban & Regional Economics ("ALH Economics") was asked to analyze the potential for the Project to cause or contribute to urban decay. The initial impetus for urban decay analysis within the context of environmental review stems from the decision by the Fifth District Court of Appeal in *Bakersfield Citizens for Local Control v. The City of Bakersfield*, which was a case pertaining to the environmental review of planned Walmart and other associated retail development in the City of Bakersfield. This court decision suggested that in some circumstances, CEQA may require a lead agency to consider and analyze the potential for the introduction of planned retailers to result in adverse physical impacts on the environment by causing a chain reaction of store closures and long-term vacancies, otherwise referred to as a condition of "urban decay." Consequently, urban decay analyses are often prepared for retail developments, or the retail components of large-scale mixed-use projects.

For the purpose of this analysis, and to support CEQA's impact threshold requirements,⁴ urban decay is defined as extended long-term business vacancies, directly or indirectly resulting in physical deterioration to properties or structures that is so prevalent, substantial, and long lasting that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. Physical deterioration includes abandoned buildings, boarded doors and windows, parked trucks on vacant sites, long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth.

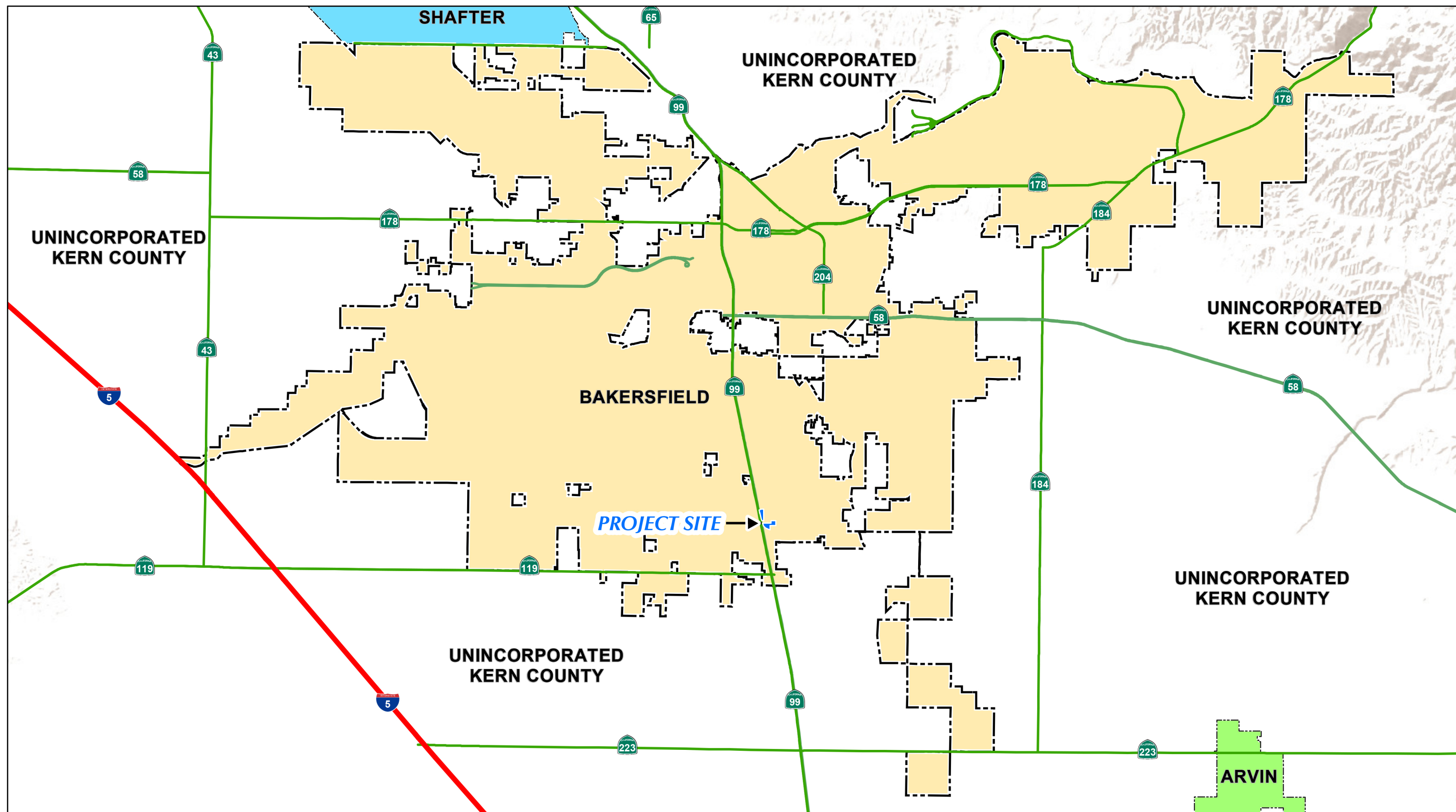
This study analyzes the potential impact of the Project's planned retail component on the physical environment as represented by the City's retail base. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in the context of an urban decay analysis includes existing stores and commercial and other germane real estate conditions, as measured by the current baseline.

PROJECT DESCRIPTION ⁵

The Majestic Gateway retail development site comprises about 28 acres situated near the northwest corner of Hosking Avenue and South H Street in the City of Bakersfield, California (the "Project"). This site is just beyond an approximate square-shaped parcel located immediately at the northwest corner of Hosking Avenue and South H Street owned by DelPapa. The Project site has access from South H Street but also abuts the east side of State Route 99 ("SR-99") and the SR-99/Hosking Avenue interchange in the southern portion of Bakersfield, and has partial State Route 99 visibility. Map 1 depicts the regional location of the Project site, while Map 2 shows the Project site and its more immediate vicinity.

⁴ CEQA Guidelines Section 15064(e), 15064(f)(6), 15131, and 15182.

⁵ The information in this section is based on "CEQA Initial Study: Majestic Gateway Project, Bakersfield, California" Deliberative Process Review Draft Date October 21, 2021, Pages 2 and 3.



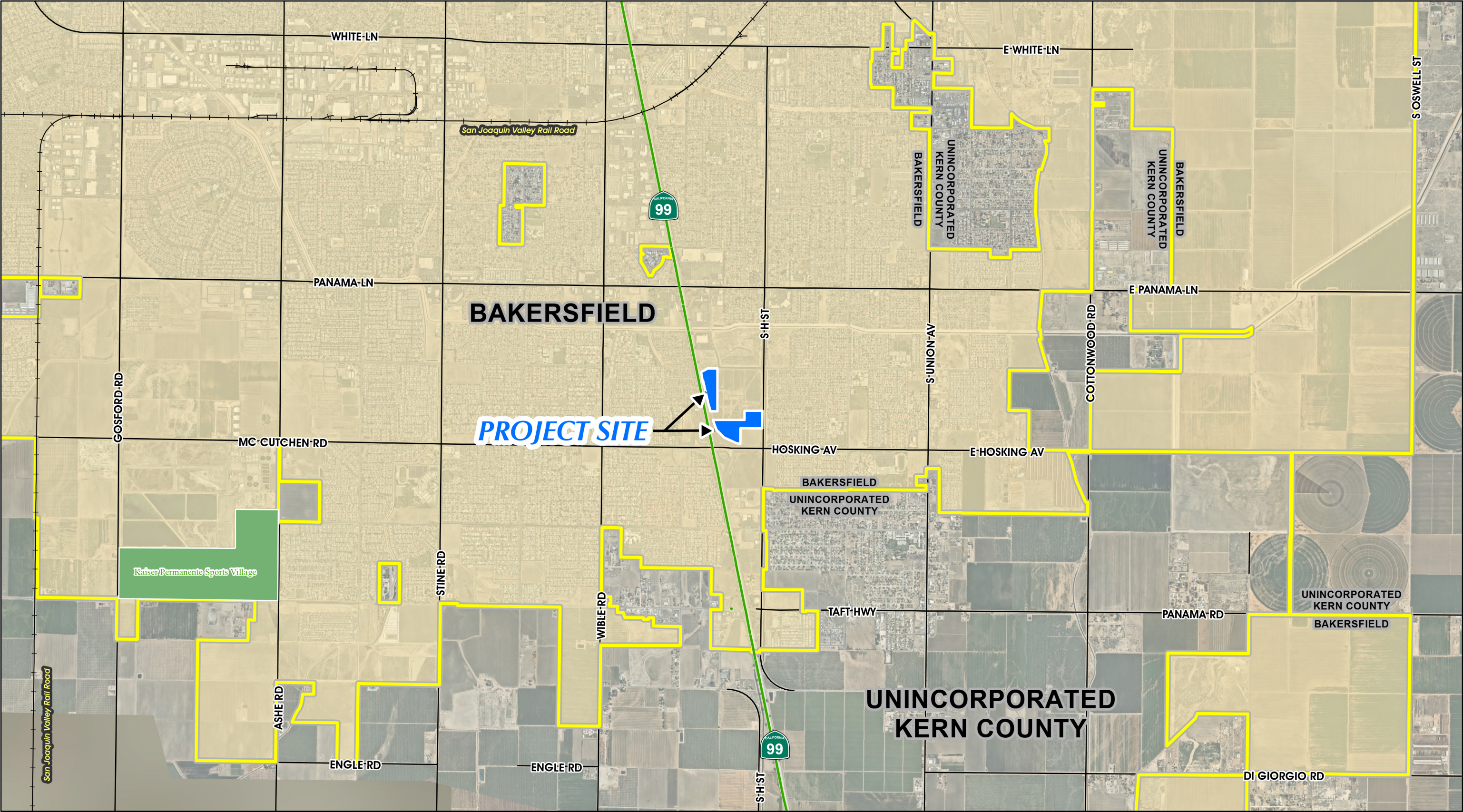
Source(s): ESRI, Nearmap Imagery (2021), Kern County (2021)

Majestic Gateway

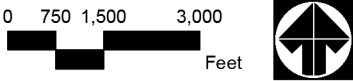
MAP 1. REGIONAL LOCATION

0 0.5 1 2
Miles





Source(s): ESRI, Nearmap Imagery (2021), Kern County (2021)



The general site setting includes land to the north owned by Kaiser Permanente, which is slated for a potential medical facility development, as well as a planned retail center with one major tenant already sited on the property, i.e., Floor & Décor. Sites on the south side of Hosking Avenue at South H Street are proposed for future commercial development. To the east of the site is the Kern Island Canal and a residential neighborhood, while west of SR-99 is a residential neighborhood, plus a light industrial use and vacant parcels.

The site is currently vacant. Historically, the site was used for crop cultivation, but has not been planted since 2009. The site is generally level with ample frontage on Hosking Avenue, South H Street, and Berkshire Road.

The Project's retail development plans include 12 buildings totaling up to 187,500 square feet. The commercial buildings are proposed to include two larger buildings, 57,200 and 42,000 square feet, and 10 smaller buildings ranging from 3,600 square feet to 15,000 square feet. While tenant types are unknown, some of the smaller buildings are designed to appeal to restaurants, including sit-down, quick service, and fast-food restaurants.⁶ The Project will also include on-site parking, landscaping, lighting, signage, and frontage improvements.

STUDY TASKS

ALH Economics engaged in numerous tasks to complete this assignment assessing the prospective urban decay impact of the Project. The general tasks pursued to explore the Project's urban decay implications are as follows:

- Conduct site and field reconnaissance
- Identify a Retail Market Area from which the bulk of the Project's retail demand is estimated to originate
- Assess existing conditions of the retail real estate market in the Retail Market Area
- Estimate existing and future Retail Market Area retail demand
- Assess Project impacts on the existing retail base
- Identify and assess cumulative retail project impacts
- Identify urban decay implications of the Project's planned retail space

The findings pertaining to these tasks are reviewed and summarized in this report, with analytical findings presented in the exhibits in the Appendix.

STUDY RESOURCES AND REPORT ORGANIZATION

Study Resources

The urban decay analysis relied upon a number of key resources. These resources are all identified in the sources and notes to the exhibits developed to support the analysis. Representative resources include the following:

- **City of Bakersfield resources.** These include representatives from the City's Planning Department; city documents such as the City of Bakersfield Geographic Information System and Laserfiche WebLink; and the City of Bakersfield Municipal Code.

⁶ Ibid., Proposed Development plan, Page 10.

- **Other governmental resources.** These sources include the State of California Employment Development Department; Kern County Planning and Building Departments; State of California Department of Tax and Fee Administration; U.S. Census Bureau, American Community Survey; U.S. Bureau of Labor Statistics, Consumer Expenditures Survey; U.S. Economic Census; and State of California Department of Finance.
- **Third party resources.** These sources include Majestic Realty Co.; Kosmont Companies; Cushman & Wakefield; Cushman & Wakefield/Pacific Commercial Realty Advisors; ASU Commercial; brokerage firm and developer websites; Loopnet, Claritas, a national resource for demographic estimates and projections; HdL ECONsolutions; emarketer.com; Chainlinks Retail Advisors; Jones Lang LaSalle; KGET.com; The Natelson Dale Group; Ruetters & Schuler; local commercial real estate brokers; and GoogleMaps.

All of these resources are identified as warranted in the text and/or the series of exhibits found in Appendices A and B that document the study analysis.

Report Organization

This report includes seven chapters, as follows:

- I. Executive Summary
- II. Introduction
- III. Project Concept and Retail Sales Estimation
- IV. Market Area Definition, Share of Project Sales, and Retail Characterization
- V. Market Area Demographics and Retail Spending Potential
- VI. Project and Cumulative Projects Impact Analysis
- VII. Urban Decay Implications

This report is subject to the appended Assumptions and General Limiting Conditions.

III. PROJECT CONCEPT AND RETAIL SALES ESTIMATION

SPACE DISTRIBUTION BY TYPE OF RETAIL

Majestic Gateway's retail component is proposed to include 187,500 square feet of retail space. This space is anticipated to be distributed among 12 buildings, ranging in size from a 3,600-square-foot pad to a 57,200-square-foot space for a major tenant. The other building sizes include a 42,000-square-foot space, two 15,000-square-foot buildings, and seven spaces ranging from 6,000 to 9,500 square feet. The Project tenant composition is relatively undefined at this stage of conceptualization, with the Sponsor indicating the tenant mix is likely to include fast food restaurants, general retail, and soft goods.

To support analysis of the Project's retail component, ALH Economics developed an estimated distribution of square feet by major retail category, including non-retail uses for personal and professional services. The major categories match categories identified and defined by the State of California Tax and Fee Administration ("CDTFA"), which is the statewide body that tracks and reports taxable retail sales in the State of California. Use of these categories facilitates analysis based on State-reported data.

The estimated retail space distribution by category is presented in Exhibit 1, and summarized in Table 1. This distribution was prepared based on input from the Project Sponsor, professional judgment, and ALH Economics experience in the retail industry. In some cases, smaller buildings were grouped together into the same retail categories to develop overall assumptions. The guidance provided by the Sponsor included the expectation that the Project would not include a grocery store. ALH Economics further assumed the Project would not include used or new motor vehicle sales or auto parts dealers as well as a gas station.

**Table 1. Retail Project Space Distribution
by Retail Category**

Retail Sales Category	Square Feet
Motor Vehicle & Parts Dealers	0
Home Furnishings & Appliances (4)	15,000
Building Materials & Garden Equipment	15,000
Food & Beverage Stores	0
Gasoline Stations	0
Clothing & Clothing Accessories (5)	9,500
General Merchandise Stores	57,200
Food Services & Drinking Places	26,300
Other Retail Group (6)	51,500
Non-Retail Uses (7)	13,000
Total	187,500

Source: Exhibit 1.

As can be seen in Table 1, the large anchor space is assumed to comprise a General Merchandise retailer (including department stores, variety stores, and dollar stores) and the other large anchor space totaling 42,000 square feet is assumed to comprise a tenant in the Other Retail Group. This

retail category includes retailers selling a wide range of goods, including drug stores, health and personal care, gifts, art goods and novelties, sporting goods, pet supply, toy stores, florists, photographic equipment and supplies, musical instruments, stationary and books, office and school supplies, and miscellaneous other retail stores. All other major retail categories are assumed to be represented at the Project, including the following:

- home furnishings & appliances (e.g., furniture, electronics, home appliances, linens, bed and bath supplies);
- building materials & garden equipment (e.g., hardware stores, home improvement stores, nurseries);
- clothing & clothing accessories (e.g., apparel, boutiques, shoes, purses); and
- food services & drinking places (e.g., restaurants/fast food and bars).

Because most retail centers also include non-retail stores including banks, financial services, insurance, postal services, and personal services, such as hair and nail salons, a portion of the Project retail space is also assumed to comprise these uses. Overall, as shown in Exhibit 1, the largest retail components and their share of the total Project retail space are assumed to include the following:

- General Merchandise, 31%
- Other Retail, 27%
- Food Services & Drinking Places, 14%

All other uses comprise 8% or less of the total retail space.

PROJECTED RETAIL SALES

Exhibit 1 also includes projections of retail sales for the Project's retail component. These sales projections were developed to be consistent overall with a sales per square foot figure projected by Kosmont Companies in a fiscal impact and economic benefit analysis of the Project prepared for the City of Bakersfield. This aggregate figure is \$325 per square foot.⁷ Because sales per square foot performance varies by type of retailer, ALH Economics estimated sales per square figures for each assumed Project retail sales category, weighted to equate as closely as possible to the Kosmont \$325 per square foot estimate. As shown in Exhibit 1, these category estimates ranged from \$300 to \$550 per square foot. The individual category modifications are consistent with industry standard sales as reported by various resources, including HdL ECON Solutions and emarkter.com (see sources to Exhibit 1).

The resulting total projected retail sales by category are summarized in Table 2. As noted, the Project's projected retail sales total \$61.2 million. This figure does not include sales for non-retail uses. The sales at such uses are not readily tracked by the CDTFA, and thus are not as readily analyzed as the sales in categories reported by CDTFA.

⁷ See Kosmont Companies, "Draft Majestic Realty, Net Fiscal Impact & Economic Benefit Analysis, Bakersfield, CA", July 2021, page 21.

Table 2. Summary Retail Sales

Retail Sales Category	Square Feet	Annual Sales
Motor Vehicle & Parts Dealers	0	\$0
Home Furnishings & Appliances (4)	15,000	\$4,875,000
Building Materials & Garden Equipment	15,000	\$4,875,000
Food & Beverage Stores	0	\$0
Gasoline Stations	0	\$0
Clothing & Clothing Accessories (5)	9,500	\$3,087,500
General Merchandise Stores	57,200	\$17,160,000
Food Services & Drinking Places	26,300	\$14,465,000
Other Retail Group (6)	51,500	\$16,737,500
Non-Retail Uses (7)	13,000	\$0
Total	187,500	\$61,200,000

Source: Exhibit 1.

Consistent with the assumed distribution of the Project's retail space, projected sales are greatest in General Merchandise Stores, totaling \$17.2 million, followed closely by Other Retail Group at \$16.7 million and the Food Services & Drinking Places at \$14.5 million. These sales estimates are in in 2021 dollars.

IV. MARKET AREA DEFINITION, SHARE OF PROJECT SALES, & RETAIL CHARACTERIZATION

PROJECT MARKET AREA DEFINITION

This section discusses the approach to estimating the Project's retail market area, which is the area from which the majority of shoppers are anticipated to originate.

Approach to Defining Market Area

The Project's retail market area definition for consumer retail sales is based on the principle that most consumers will travel to the shopping destination most convenient to their homes given the type of goods available. A market area is the geographic area from which the majority of a retail shopping center's demand is anticipated to originate. Several tasks were completed to identify the Project's market area, foremost of which included mapping the location of the Project relative to existing retail shopping centers and taking into consideration comparative distance, travel time, and the size and composition of the retail base in the market area.

Market Area Conceptual Description

In developing a market area, ALH Economics strives to identify the area from which the majority of demand for a shopping center will originate, typically at least 70%, based upon the following industry resources.

Materials published by major industry organizations indicate that a retail store's trade area generally supplies 70% to 90% of the store's sales, while the remaining 10% to 30% of sales are attributed to consumers residing outside of the store's market area. In its Shopping Center Development Handbook, Third Edition, the Urban Land Institute ("ULI") states the following:

"A site generally has a primary and a secondary trade area, and it might have a tertiary area. The primary trade area should generally supply 70 to 80 percent of the sales generated by the site. These boundaries are set by geographical and psychological obstacles."⁸

ULI is a nonprofit research and education organization representing the entire spectrum of land use and real estate development disciplines. Among real estate, retail, and economic development professionals, this organization is considered a preeminent educational forum.

Information published by the International Council of Shopping Centers ("ICSC"), a trade association for the shopping center industry, also provides instructional information about market area definitions. In the recent publication Developing Successful Retail in Secondary & Rural Markets, the ICSC says:

"A trade area is the geographic market that you will be offering to potential retailers as a consumer market. ... Defining a retail trade area is an art and a science. In general, a trade area should reflect the geography from which 75-90 percent of retail sales are generated.

⁸ Shopping Center Development Handbook, Third Edition, Urban Land Institute, 1999, page 44.

Different stores can have different trade areas based on their individual drawing power and the competitive market context.”⁹

In summary, these industry resources suggest that a retail project’s trade area, or market area, typically is defined as the geographic area from which at least 70% of demand is anticipated to originate. However, depending upon the nature of the retail, the share of sales originating from the geographic area deemed most consistent with a market area can be less, as discussed below.

Majestic Gateway Retail Market Area

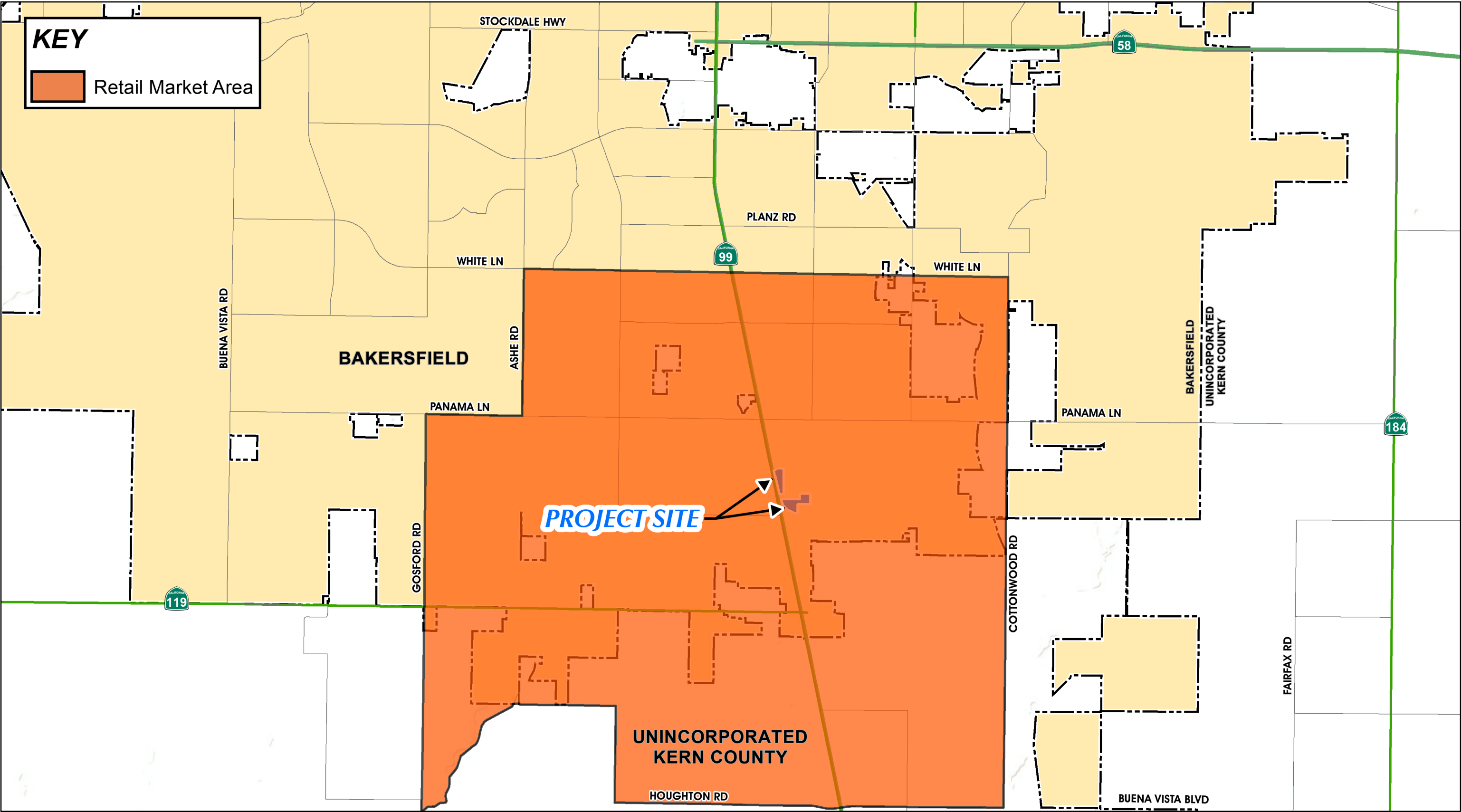
ALH Economics conducted research to develop an estimate of the retail market area for the Project, i.e., the area from which the majority of shoppers will originate. This market area took into consideration the location of other retail nodes where consumers can shop, the location of population nodes, distance from the Project site, and drive time from the Project site. In general, based upon the existing distribution pattern of shopping centers, and the typical distance driven by consumers to satisfy basic shopping needs, the parameters used to determine the market area geography were an approximate drive time of 10 minutes or under to the Project and a distance of up to 5.0 miles to the Project. For study purposes, this area is referred to as the Project’s Retail Market Area. Examples of retail anchors located in this Retail Market Area include grocery stores Winco, Albertson’s, and Vallarta; general merchandisers Walmart, Costco, and Dollar Tree; and other stores such as Lowe’s and Auto Zone.

Once this area was drawn on a map, ALH Economics superimposed area census tracts over the general boundary to identify the census tracts that would best comprise the market area for the Project. This resulted in the identification of select census tracts, matching up with city and unincorporated County area boundaries. An advantage of using census tracts is that the market area definition is easily defined, easily replicable, and key demographic estimates and projections can often be readily available in this format. The resulting market area is presented in Map 3. Some of the census tracts reflected in the market area are partial areas, as noted in the following demographic analysis.

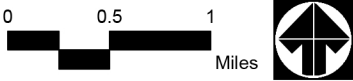
MARKET AREA SUPPORT OF PROJECT SALES

For the purpose of this study, ALH Economics developed an estimate of the percentage of Project sales supported by market area resident spending. This estimate is based on considering the geographic size of the market area, the Project size and tenant orientation, population density of the area, amount of existing retail in the market area, and Project proximity and accessibility to major thoroughfares, including SR-99. Pursuant to all these considerations, ALH Economics estimates that market area residents will support 75% of the Project’s retail sales. This percentage estimate recognizes that there are many other retail shopping centers and nodes in Bakersfield that attract shoppers from other parts of Bakersfield and beyond. While the Project is located at the southernmost end of the City of Bakersfield, there is not a large population base south of the city to generate support for retail. Therefore, while there is potential for the Project’s retail to attract more demand from south of the city, and perhaps boost retail sales attraction to the city, this possibility for the Project alone (versus as part of a critical mass of retail) may be somewhat limited due to geography and low population density.

⁹ Developing Successful Retail in Secondary & Rural Markets, International Council of Shopping Centers in cooperation with National Association of Counties, 2007, page 7.



Source(s): ESRI, Kern County (2021), US Census (2020)



Based on this market area sales assumption, the estimated portion of Project sales generated by market area residents is approximately \$46.0 million. This leaves the estimated portion of sales generated from other sources at \$15.3 million (see Exhibit 2). This balance of Project sales is anticipated to originate from other sources, such as people who work nearby but live beyond the market area, visitors to the area, shoppers living outside the Retail Market Area but drawn to the site due to its highway visibility and accessibility, and other shoppers traveling through the area.

MARKET AREA RETAIL ORIENTATION AND PHYSICAL CONDITION

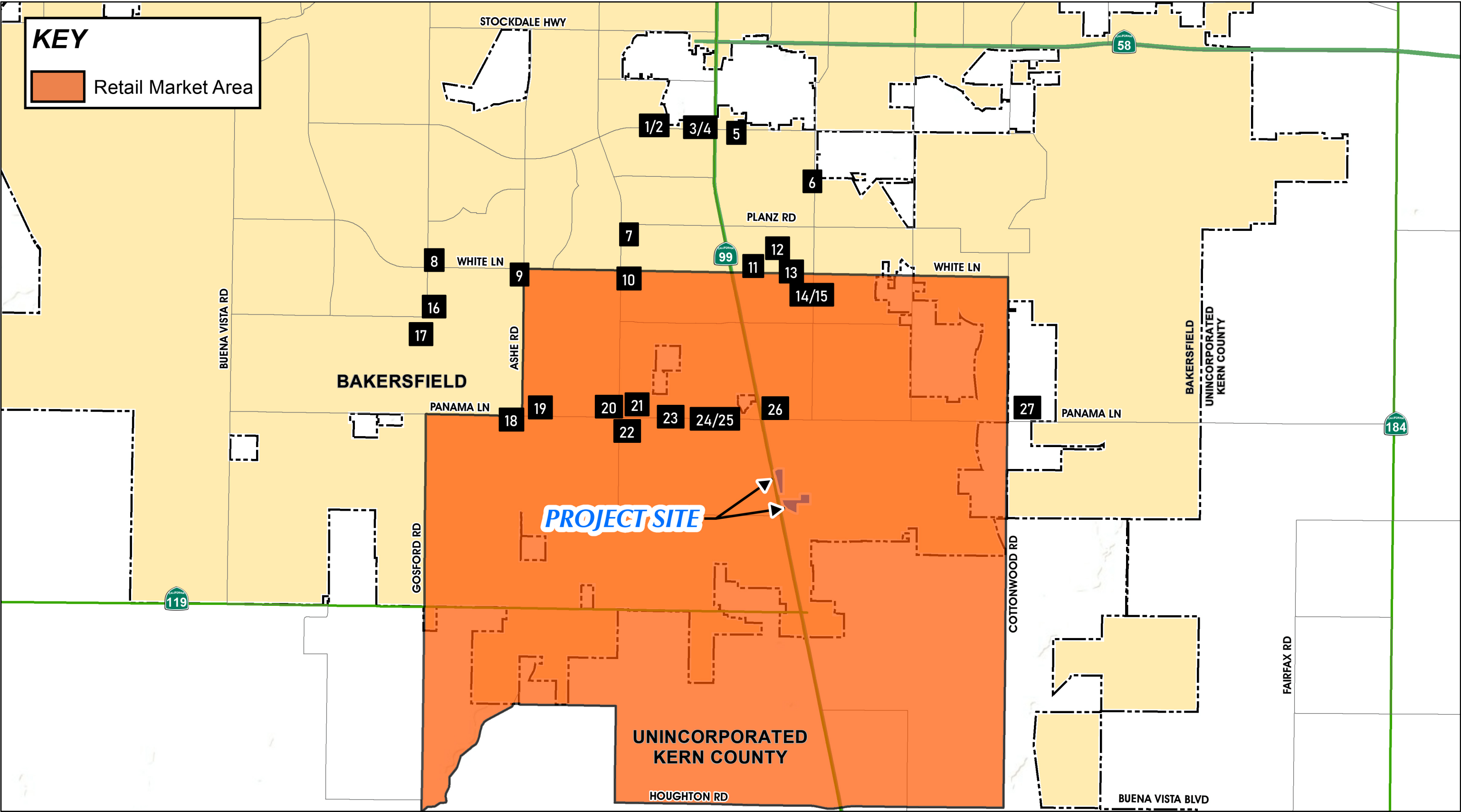
Retail Volume and Orientation

The Project will be located in the southeasternmost portion of an area currently characterized by a large number of small to large shopping centers. The centers vary in size, age, occupancy status, and physical condition. There are many shopping centers in the Project's Retail Market Area that could compete with the Project, as well as others in areas just beyond the market area boundaries that could also compete for sales generated by market area households. Given the number of existing shopping centers, the Project's retail space will comprise a modest addition to an already large and varied retail base.

Representative shopping centers in or near the market area are listed in Exhibits 10 and 11, and are mapped for locational reference purposes in Map 4. While these resources include 27 shopping centers, not all shopping locations are included in this inventory. The focus is on larger centers, centers close to the Project site, centers including anchor tenants that could be represented at the Project, or centers anticipated to be competitive with the Project. All of the identified centers are located north of the Project site, with no substantive retail centers currently located south of the site. Of the 27 identified shopping centers, 12 are located in the market area, 2 are located immediately adjacent to the market area, and 13 are located outside the market area.

The total square footage of the identified shopping centers is indeterminate, but based on information in the files of ALH Economics, listings on Loopnet, broker websites, and other real estate databases, as well as the professional judgement of ALH Economics, the inventory is estimated to total more than 4.8 million square feet. As noted in Exhibit 3, the centers range in size from less than 50,000 square feet to over 1.1 million square feet for Valley Plaza Mall, Bakersfield's regional mall. This mall is included in the inventory because market area residents are assumed to shop there, both because of its orientation and location not far from the market area's northernmost boundary. Other nearby centers are included because of their proximity to Valley Plaza Mall as well as the market area boundary.

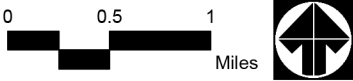
There are a wide variety of tenants represented in and around the Retail Market Area (see Exhibit 4). Anchor tenants include department stores (e.g., Macy's, Target, JC Penney), grocery stores, pharmacies, dollar stores, fitness centers, Walmart and other general merchandise stores, home improvement stores, and apparel stores. Other shop tenants include a wide range of the tenants one typically finds in a strong retail district, such as apparel, pet supply, pool supply, shoe stores, home improvement stores, fitness clubs, furniture, auto parts, many restaurants and quick serve restaurants, personal and business services, rental centers, and cigarette stores, among others.



Source(s): ESRI, Kern County (2021), US Census (2020)

Majestic Gateway

MAP 4. REPRESENTATIVE RETAIL CENTERS IN OR NEAR MARKET AREA



Retail Vacancy and Physical Condition

In addition to the square footage, the collective vacancy rate of the inventoried shopping centers is not available. As noted on Exhibit 4, some of the centers are fully occupied while others have small to moderate amounts of vacant space. ALH Economics estimates a weighted average 3.3% vacancy rate across all of the centers, ranging from 0% to approximately 25%. This is a post-COVID vacancy rate, reflecting late summer/early fall 2021.¹⁰ As noted, 10 of the 27 centers, or almost 40%, have no vacancy. An 11th center has a new lease soon to be fully executed, which would increase the percent of centers with no vacancy to 41%.

Four of the inventoried centers have vacant anchor spaces (see centers #1, #6, #14, and #15 on Exhibit 4.) Broker information suggests that all but one were vacant prior to the COVID-19 pandemic. This circumstance, coupled with information shared by local brokers, suggests that retail center vacancy in this quadrant of Bakersfield was not significantly impacted by the pandemic. Among the four vacant anchor spaces, two spaces have new tenant leases in process, with occupancy anticipated in December 2021 or shortly thereafter, occupying all or the majority of the vacant anchor space. These new tenants are both medical services, which comprises a retail growth sector in Bakersfield. Other retail growth sectors identified by local retail brokers include fitness clubs, grocery stores, and restaurants, especially quick serve restaurants.

Commercial broker information suggests that the southeast quadrant of Bakersfield where the Project is located is not the most growth-oriented retail sector in the city. Instead, more retail growth is concentrated in the northwest and southwest portions of the city, where newer retail centers are located and are attracting new tenants, with the leading edge of new tenants including gas stations and restaurants. However, retailer demand may be migrating towards the southeast, with one broker in particular suggesting that the existing vacancies will eventually be absorbed.

Following site reconnaissance visits to all the inventoried shopping centers, ALH Economics made an assessment of the physical condition of each center. These assessments are noted on Exhibit 4, and indicate that all but four of the centers are in Good to Excellent condition. Specifically, 22% of the centers were deemed to be in Excellent condition and the largest share, or 63%, were deemed to be in Good condition. Only two centers each were deemed to be in Fair or Poor condition, each comprising 7% of the center total. The two centers in Fair condition are older centers, one of which is estimated to be 25% vacant. The two Poor centers are amongst the smallest centers in the inventory, both of which are located outside the Retail Market Area but very near the market area's northeastern boundary (see Map #'s 11 and 15). Neither center appears to be actively marketed, as evidenced by the lack of commercial broker signs at the property. Typical signs of urban decay include graffiti, trash, and boarded windows. Both of the centers in Poor condition are characterized by some of these indicators, including boarded up vacant spaces, fenced off areas, and glass on the ground.

Overall Summary

The Retail Market Area and surrounding areas have a vast array of retail shopping opportunities, with a wide range of convenience, comparison, and even regional shopping opportunities. The Project's location close to Highway 99 as well as near residential nodes will serve to generate demand to support the Project. Most retail shopping centers are in Good to Excellent condition, but there are a couple instances of physical characteristics consistent with the definition of urban decay. These are near, but not within the Retail Market Area. As in any retail market, there will be vacancies and some

¹⁰ Based upon fieldwork conducted in July 2021, and subsequent follow-up.

chronic vacancies, particularly when retail becomes functionally obsolete and other properties are characterized by locational characteristics attractive to retailers. However, most of the existing vacancies are actively being marketed, demonstrated by the broker signs posted on most centers as well as individual vacancies. Some properties or spaces, however, may continue to be vacant due to a variety of reasons such as changing consumer preferences, functional obsolescence, an awkward building orientation, or other market-based factors. Nevertheless, most existing area vacancies appear to be reasonably well-maintained, with the retail base in the market area and surrounding areas serving a broad range of consumer shopping needs.

V. MARKET AREA DEMOGRAPHICS AND RETAIL SPENDING POTENTIAL

This section identifies the market area's demographic characteristics, including in comparison to the City of Bakersfield and Kern County. The market area's retail demand/spending potential is also estimated along with the overall characterization of Bakersfield and Kern County's retail bases.

DEMOGRAPHIC CHARACTERISTICS

ALH Economics obtained demographic estimates for the population base of the market area census tracts from Claritas, which is a leader in the United States in providing demographic and economic data, including modeled data. These demographic data are presented in Exhibit 5, and summarized in Table 3. Exhibit 5 includes data for all of Kern County, the City of Bakersfield, and the 11 market area census tracts. The figures reported for some of the census tracts are adjusted to account for portions of the census tracts deemed to be within the market area and portions deemed to be outside the market area. In total there are six census tracts estimated to be totally within the market area, one census tract where 75% of the area is within the market area, one census tract where 66% of the area is within the market area, and three census tracts where 50% of the area is within the market area.

Per Claritas, there are an estimated 910,903 people and 274,189 households in Kern County in 2021, with an average household size of 3.2 persons. The average household income for these households is about \$74,429, with a median of \$53,234. The comparable figures for the City of Bakersfield include a population of 389,137, 122,445 households, average household size equal to Kern County, average household income higher than the county at \$83,710, and a median household income of \$60,960. The Retail Market Area comprises a subset of both Bakersfield and Kern County, and is estimated to include a population base of 85,545, 22,514 households, an average household size of 3.8 persons, an average household income of \$71,444 and a median household income of \$58,083.

Table 3. Summary Demographic Characteristics, 2021

Demographic Characteristic	Kern County (1)	City of Bakersfield (1)	Market Area (2)
Population	910,903	389,137	85,545
Households	274,189	122,445	22,514
Average HH Size	3.2	3.2	3.8
Average HH Income	\$74,429	\$83,710	\$71,444
Median HH Income	\$53,234	\$60,960	\$58,083

Sources: Claritas, Demographic Quick Facts, Kern County, City of Bakersfield, and Census Tracts Aggregation; and ALH Urban & Regional Economics.

(1) See Exhibit 5.

(2) The Market Area includes all or a portion of 11 census tracts in the City of Bakersfield and Kern County.

These figures indicate that the market area comprises approximately 18% of Bakersfield's base of households.¹¹ Average household incomes are lower in the market area than in Bakersfield, although

¹¹ While the market area includes areas within Unincorporated Kern County, there is very little population in this portion of the market area. Therefore, ALH Economics believes it is acceptable to compare the market area to the City of Bakersfield.

relatively comparable to the countywide average. However, as shown in Exhibit 5, a third of all market area households have annual household incomes ranging between \$50,000 and \$99,999, with another 23% having average household incomes above \$99,999.

MARKET AREA RETAIL DEMAND

ALH Economics maintains a retail demand model that estimates household spending on retail. The model is based upon analysis of taxable statewide retail sales combined with an estimate of household spending on retail by income. The model assumes that households in a market area will make retail expenditures comparable to the pattern of retail sales in the State of California. Exhibit 6 presents the results of this analysis. This exhibit indicates that among the nine major retail categories tracked by the State of California Department of Tax and Fee Administration, household spending in 2019 was anticipated to be greatest for Food & Beverage sales at 16.6% of all retail spending and lowest for Home Furnishings & Appliances at 5.0% of all retail spending.¹²

Pursuant to data published by the U.S. Bureau of Labor Statistics, 2019 Consumer Expenditure Survey, households in different income brackets in the United States spend different percentages of their household income on retail goods. Typically, the percentage is highest in the lowest income brackets and decreases as incomes increase. This relationship is depicted in Exhibit 7, which summarizes the Consumer Expenditure Survey findings. For example, households with annual incomes in 2019 between \$15,000 to \$29,999 spent an average of 62% of household income on the type of retail goods tracked by the State of California Department of Tax and Fee Administration. At the far extreme, this percentage dropped to 15% for households earning over \$200,000 a year. The corresponding percentages for all other intervening income brackets are presented in Exhibit 7, which shows that the percent of income spent on retail decreases as income increases. The income bracket presented in Exhibit 7 that best matches the Majestic Gateway Retail Market Area demographics is the \$70,000 to \$99,999 bracket, where the average household income is \$83,558 and the percent of income spent on retail is 31%. Because the average market area household income of \$71,444 is lower than the average within the bracket, ALH Economics estimates that the market area households will on average spend 34% of income on retail goods based on interpolation of the data findings.

Market area household retail demand was estimated based upon this 34% share of income spent on retail and the estimated distribution of retail spending pursuant to Exhibit 6. Results for the existing 2021 household base are presented in Exhibit 8, with a projection to the year 2026 presented in Exhibit 9. Both years are collated in Exhibit 10 and summarized below in Table 4. These figures indicate total market area retail demand potential for brick & mortar stores of \$502.8 million in 2021 for the proposed Majestic Gateway Retail Market Area, increasing to \$522.7 million by 2026.¹³ These demand estimates are based on pre-pandemic spending patterns.

¹² The year 2019 is referenced for baseline purposes because retail sales throughout California in 2020 were influenced by the COVID-19 pandemic, and consequently do not comprise a representative baseline year for taxable retail sales.

¹³ The demand analysis makes adjustments for e-commerce spending as a percent of all retail demand, recognizing the increasing propensity over time for on-line retail shopping. The remaining demand net of e-commerce comprises demand for brick & mortar stores.

Table 4. Market Area Retail Demand Estimates, in \$millions

Type of Retailer	Existing 2021	Projected 2026
Motor Vehicles & Parts Dealers	\$75.8	\$78.8
Home Furnishings & Appliance Stores	\$21.9	\$22.8
Building Materials & Garden Equip	\$32.7	\$34.0
Food & Beverage Stores	\$86.2	\$89.6
Gasoline Stations	\$48.8	\$50.7
Clothing & Clothing Accessories Stores	\$33.0	\$34.3
General Merchandise Stores	\$61.0	\$63.4
Food Services & Drinking Places	\$80.5	\$83.7
Other Retail Group	\$62.9	\$65.4
Total	\$502.8	\$522.7

Source: Exhibit 10.

As noted above, even with adjustments for e-commerce spending, the largest retail demand category is for Food & Beverage Stores, which is not anticipated to be present at the Majestic Gateway retail center. Another significant demand category not anticipated at the Project includes the large Motor Vehicles & Parts Dealers category. The other categories all have varying levels of projected demand, ranging from about \$22 million in the Home Furnishings & Appliance Stores category to over \$80 million in the Food Services & Drinking Places category. With the exception of Gasoline Stations all these other categories are anticipated to be present at the Project.

RETAIL SALES LEAKAGE AND ATTRACTION

For the purpose of this study, ALH Economics sought to characterize the retail sales bases in Bakersfield and Kern County with regard to the extent to which they attract or leak demand generated by their population bases. Ideally, this analysis would be conducted for the Retail Market Area, but reliable retail sales data for just the market area are not available. The study therefore characterizes the retail sales bases of the city and county as a partial indicator for the market area, and to provide a general context.

Approach

To best characterize the City of Bakersfield and Kern County's sales bases, ALH Economics used a retail model that estimates retail spending potential for an area based upon household counts, income, and consumer spending patterns. The model then computes the extent to which the area is or is not capturing this spending potential based upon taxable sales data published by the CDTFA. For any study area, retail categories in which spending by locals is not fully captured are called "leakage" categories, while retail categories in which more sales are captured than are generated by residents are called "attraction" categories. This type of study is generically called a retail demand, sales attraction, and spending leakage analysis, or retail gap analysis. Generally, attraction categories signal particular strengths of a retail market while leakage categories signal particular weaknesses. ALH Economics' model, as well as variations developed by other urban economic and real estate consultants and economic analysts, compares projected spending to actual sales.

For the purpose of generating such an analysis, ALH Economics obtained historical trend taxable retail sales data for the City of Bakersfield for the period 2016-2020 (see Exhibit 11). These data were

examined to see if 2020, the most recent year, was a representative year compared to 2019 and prior years. The purpose of this examination was to ascertain any significant shifts in the area resulting from the COVID-19 pandemic. The results for 2020 indicate a slight deviation from prior year trends, so the analysis is benchmarked to 2019, comprising the most recent pre-pandemic year. While the total sales figures between the two years are generally comparable, 2020 was characterized by comparatively more spending on Building Materials, Food and Beverage stores, and the Other Retail category, and markedly less spending on Clothing, Restaurants, and Gasoline Stations. Accordingly, the analysis is also benchmarked to Kern County's 2019 taxable retail sales data.

The 2019 taxable retail sales for Bakersfield and Kern County were adjusted upward to reflect nontaxable sales in key sales categories, including Food & Beverage stores and the drug store component of Other Retail sales. The results are presented in Exhibit 11 for Bakersfield and Exhibit 12 for Kern County. As noted in these exhibits, taxable sales in the City of Bakersfield totaled \$5.3 billion, resulting in an adjusted total sales estimate of \$6.3 billion (see Exhibit 12). The comparable figures for Kern County are \$10.1 billion in taxable sales and \$12.1 billion in total sales (see Exhibit 13). Thus, the City of Bakersfield's retail base comprises approximately half to the total countywide retail base.

To produce the retail demand, sales attraction, and spending leakage analyses, these data were combined with their respective geography household counts, average household income estimates, household spending by retail category estimates, and an assumption of percent of income spent on retail. An adjustment was also made for demand estimated to be satisfied by e-commerce.

Findings

The retail demand, sales attraction, and spending leakage analysis results are presented in Exhibit 14 for Bakersfield and Exhibit 15 for Kern County. These include results for all major retail categories, and show that both geographies are significant attractors of retail spending. The overall rate of attraction is 51% in Bakersfield and 48% in Kern County. In Bakersfield, the range of attraction among the major retail categories is 19% to 70%, while the range in Kern County is 24% to 72%. All these figures indicate that no matter the retail category, Bakersfield and Kern County have strong retail bases, characterized by a great deal of attraction. This indicates that households living outside these geographies are routinely shopping at Bakersfield and Kern County retailers.

The implications of these findings are that both geographies are characterized by strong demand for retail. If one or more of the areas were characterized by retail leakage, there could be an opportunity for the Project's retail component to achieve sales by recapturing lost sales. Instead, since there is such strong attraction, there are two economic options for the Majestic Gateway retail space – sales at the space strengthens existing attraction or sales are achieved at the Project to the detriment of existing area retailers.

VI. PROJECT AND CUMULATIVE PROJECTS IMPACT ANALYSIS

PROJECT RETAIL SALES IMPACT ANALYSIS

This section estimates the extent to which the Project's sales may comprise a negative sales impact on the existing retail sales base. For the Project, the relevant existing sales base includes the sales of all centers in the Retail Market Area and the surrounding environs, as market area households near the edges of the market area could just as easily shop in the areas outside the market area as inside the market area. However, data for sales in this generalized area are not available, so for the sake of the analysis the Project impact on the Bakersfield retail market is examined.

Approach

ALH Economics has developed an analytic approach that estimates the impact of the Project's incremental sales on existing retailers. For this analysis, the approach assumes that if the Project is adding sales to a category in an amount greater than any potential recaptured leakage in the category, *then at worst*, the amount of sales in that category in excess of any recaptured leakage would be diverted away from existing area retailers. In cases when this applies, this can be a conservative assumption given that diverted sales beyond the amount of recaptured leakage could also occur among other retailers beyond the market area or relevant city boundaries. Or, in cases where new household growth occurs, demand captured from these new households can offset impacts by increasing total sales captured by retailers throughout the area under study. In the case of the Project retail component, Bakersfield as a whole does not appear to exhibit any retail leakage. This analysis therefore focuses exclusively on the potential for Project sales generated by the Project's market area retail consumers to be absorbed by new demand, with any resulting sales not absorbed by new demand comprising potential sales impacts.

To support this analysis ALH Economics developed an estimate of the existing baseline retail sales base, corresponding to 2021. This was estimated by taking the 2020 estimated total retail sales base and nominally growing it out by 2% across all retail categories. The 2% figure was selected based on analysis of the City of Bakersfield's taxable retail sales trends between 2016 and 2020. With the adjustment, the estimated size of the city's total retail sales base is approximately \$6.5 billion (see Exhibit 16).

Project Sales Impact

The analysis assessing the Project's impacts on the existing competitive sales base is fully presented in Exhibit 17 and summarized below in Table 5. For the entirety of the City of Bakersfield retail base, the Project's impact absent any new household growth is estimated to total 0.7% of the city's retail base, or \$45.9 million. These are the results presented for 2021. Since there is no existing retail leakage, this amount of sales diversion is equivalent to the sales anticipated to be supported by Retail Market Area households. The amount of impact varies by retail category, ranging from 0.7%-0.8% in the Building Materials & Garden Equipment category and Clothing & Clothing Accessories category, respectively (low impact categories), to 2.2% in the Other Retail Group category (e.g., high impact category).

Taking into consideration prospective demand generated by households new to the market area by 2026 (i.e., a 5-year time period, with 5 years selected to allow sufficient time for the Project to be developed and tenanted), the Project's sales impacts are projected to drop modestly to \$34.3 million, or 0.5% of the citywide retail sales base. Under this scenario, the range of impact by category drops nominally to 0.3% to 0.5% in the low impact categories to 1.8% in the high impact category.

**Table 5. Project Sales Impact on Existing Bakersfield Retail Base,
2021 and 2026**

Type of Retailer	Sales Base Impact	
	2021	2026
Motor Vehicles & Parts Dealers	0.0%	NA
Home Furnishings & Appliance Stores	1.6%	1.2%
Building Materials & Garden Equip	0.7%	0.5%
Food & Beverage Stores	0.0%	NA
Gasoline Stations	0.0%	NA
Clothing & Clothing Accessories Stores	0.8%	0.3%
General Merchandise Stores	1.0%	0.8%
Food Services & Drinking Places	1.4%	1.0%
Other Retail Group	2.2%	1.8%
Total	0.7%	0.5%

Source: Exhibit 17.

On the whole, these sales impact estimates comprise a low level of impact. At less than 3.0%, they are within the level of sales variability and fluctuation that retailers should be able to sustain. Retail is a dynamic industry with periodic fluctuations in sales performance. Historic fluctuations in retail sales nationally suggest that a 3% +/- variation in sales is common. In the typical ebb and flow of retailing, stores commonly experience sales increases and declines, and stores respond by implementing new merchandising, product repositioning, service changes, and other new strategies. Therefore, it is most relevant to be concerned when the percentage impact overall or in individual categories is above the 3% percent threshold.

Given that for the entirety of the Bakersfield retail base, both in total and by retail category, the Project's impacts throughout the city are anticipated to be nominal and not sufficient to cause any individual businesses to close. However, not all of the City of Bakersfield's retail base will be impacted by the Project. Retail centers distant from the Project site are unlikely to experience any impacts. Instead, the impacts will likely be concentrated among the retail centers located in the Project's Retail Market Area as well as other areas outside but somewhat near the market area, where market area households could also shop given their proximity to these centers.

As cited earlier, the total square footage of the shopping centers identified in Map 4 and Exhibits 10 and 11 is indeterminate, but likely totals more than 4.8 million square feet. There are yet other, small centers in these areas not included in the study inventory. By 2026, the estimated Project sales diversion of \$34.3 million (in 2021 dollars) comprises approximately 56% of the total Project sales estimate of \$61.2 million. All things being equal, this would be equivalent to about 105,150 square feet given the average Project retail sales estimate of \$326 per square foot. Looked at another way, 56% of the Project's 187,500 square feet totals 105,500 square feet. These two figures coalesce at about 105,000 square feet.

If this average amount of space became vacant in the market following stabilization of the Project's retail component, this would be equivalent to increasing the vacancy rate of the inventoried centers' 4.8 million square by only approximately 2.2%.

This analysis should not be construed to mean that stores totaling the cited square footage amounts would necessarily close as a result of the Project. Yet, if all of this space at the extreme, or even just half this space, resulted in competitive sales base vacancy, then the result would be a very nominal increase in retail vacancy. The full increase is estimated to total 2.2% of the existing estimated base of 4.8 million square feet, or 1.1% if half the impact resulted in reduced sales and the other half resulted in closed retail stores.

As with the inventory, the collective vacancy rate of the inventoried shopping centers is not available. Some of the centers are fully occupied while others have small to moderate amounts of vacant space. ALH Economics estimated a weighted average 3.3% vacancy rate across all of the centers, ranging from 0% to approximately 25%. Assuming reasonable accuracy of this weighted average vacancy rate, and the more moderate 1.1% vacancy impact, the Project's potential impact could increase the vacancy rate of the existing properties to 4.4%, or just under 5.0%. If the Project enhances existing market retail sales attraction, then the vacancy impact would be less. Given that the Project would be the southeasternmost retail center in Bakersfield (until such time as other planned projects are developed as discussed in the next section), there could be the potential for such enhanced attraction to occur, but if so, it is likely to be minimal given the relatively small size of the Project's retail component.

The resulting 4.4% vacancy rate is well below the 10% vacancy range generally deemed sufficient to maintain a healthy retail market, which includes some increment of vacancy to allow for market fluidity and growth of existing retailers. Thus, the Project's potential increment in retail vacancy is not perceived to be detrimental to the real estate sector, and hence the physical environment of the Project's Retail Market Area, surrounding areas, or Bakersfield as a whole.

CUMULATIVE RETAIL PROJECT ANALYSIS

Identification of Cumulative Projects

Project-based urban decay analyses typically also consider cumulative impacts associated with other planned and proposed projects. They generally include consideration of projects that are under construction, approved for development, or engaged in the entitlements process. These are the type of projects that have a foreseeable expectation of being developed during the same development horizon as the project under study given knowledge and information about their development cycle status.

For the purpose of preparing a cumulative projects analysis, ALH Economics obtained information about planned retail projects in Bakersfield. These projects are listed and identified in Exhibit 18. The projects included in this exhibit do not comprise a census of all planned or proposed retail projects in Bakersfield; instead, the exhibit includes projects within the Majestic Gateway Retail Market Area and select nearby areas. As the exhibit indicates, there are at least seven retail projects in various stages of the planning and development process in these geographic areas, including three that are developed or in the process of being developed and four that are not yet developed.

The three projects that are developed or in the process of being developed total approximately 282,300 square feet of space, with 187,900 square feet still available for lease or anticipated in future phases. For some of these centers the available space has already been built, while in others they will be built when required to meet tenant demand. These projects are likely ahead of the curve in absorbing retail demand relative to the Majestic Gateway retail space. Of these 3, only the Floor & Décor Center is located relatively close to the Project site at 1.6 miles, also in Bakersfield's southwest quadrant. The other two projects – Panama Village and Old River Ranch - are 3.2 and 6 miles distant from the Project site, respectively. With these locations, and their smaller sizes relative to the Project, they may be less competitive with the Project and the Project's demand pool.

The other cumulative retail projects not yet developed total at least about 350,000 to 400,000 square feet of retail space (rounded). This is the total square footage anticipated at three of the four projects, with the fourth project on a 32-acre site having an unidentified amount of planned retail space. Two of these not yet developed projects are located roughly adjacent to the Majestic Gateway retail site, totaling a minimum of about 230,000 square feet of retail space (possibly more depending upon the size of the planned project most adjacent to the Project at the NWC of Hosking Avenue and South H Street). Thus, these planned projects, also located in Bakersfield's southwest quadrant, are likely to be most competitive with the Project. If built, however, along with the Project, these centers could create a critical mass node of retail space, with a collective total of more than 400,000 square feet of retail space located near the intersection of Hosking Avenue and South H Street.

Future Market Area Demand

Prospective tenants and tenant mixes are not known for the cumulative projects. Therefore, the impacts of the cumulative supply are best assessed relative to the planned square footage and the existing retail base, tempered by future demand. Thus, the City of Bakersfield's demand for retail space between 2021 and 2026 is converted to supportable retail space to facilitate a space-based supply and demand analysis. As with the Project's demand analysis, citywide demand is projected to 2026 as an estimated benchmark time period during which the cumulative projects could potentially be developed and tenanted. This is compared to citywide supply of retail as well. The supply and demand analyses are expanded to include all of Bakersfield because while the cumulative projects are located in or near the Project's market area, they in turn have their own market areas. Hence, while some of the market areas will overlap with the Project, large portions will also include areas of Bakersfield more distant from the Project site, such as perhaps even up to 12 or more miles away given that several of the cumulative projects are located 6 miles from the Project location.

The city's supportable space conversion is documented in Exhibit 19, which incorporates estimated demand, estimated sales performance per square foot, an increment of space for personal and business services, and a modest vacancy allocation to allow for market fluidity. The supportable demand analysis results indicate that new Bakersfield retail shoppers are estimated to have the ability to support 195,700 square feet of new retail space by 2026, or almost 200,000 square feet of space. Assuming the market continues to attract 50% of retail sales, this figure grosses up to estimated demand for 391,401 square feet of new retail by 2026, or almost 400,000 square feet. In 2020, a retail opportunities study was prepared for the City of Bakersfield by The Natelson Dale Group (TNDG). This report, titled "Bakersfield Market Opportunities Analysis – Retail Land Uses" was prepared as a background report to the City's Economic Development Strategy, adopted by the City Council on September 15, 2021. The TNDG report includes projections of new retail demand for the

City of Bakersfield for benchmark years 2019, 2025, 2030, and 2035.¹⁴ TNDG's overall approach to analyzing the retail market is similar to the ALH Economics approach, but assumptions incorporated into the analyses vary between the two firms. Despite these variations, the retail demand projections for the approximate 5-year period between 2021 and 2026 are reasonably close, with the ALH Economics estimate more conservative than the TNDG estimate. Based upon interpolation of the TNDG demand projections between 2019 and 2030, ALH Economics estimates a TNDG projection of about 620,000 square feet of new Bakersfield retail demand between 2021 and 2026. This compares to the more conservative ALH Economics estimate of almost 400,000 square feet.

Cumulative Projects Impact

The supply and demand analyses relevant to analysis of the cumulative retail (including the Project) are consolidated and summarized in Exhibit 20. This exhibit pulls together the retail supply figures for the Project and the identified cumulative retail in or near the Project's Retail Market Area. The exhibit also includes the City of Bakersfield retail demand estimate presented as supportable square feet. Table 6 below summarizes the findings of Exhibit 20.

**Table 6. Bakersfield Retail Base Cumulative Retail Projects
Impact, 2026**

Supply and Demand Characteristic	Figure
Cumulative Supply	868,167
Future Demand (2026)	391,401
Excess New Supply	476,766
Existing City of Bakersfield Retail Inventory	14,700,000
Cumulative Projects Vacancy Impacts	
<i>Square Feet Impact</i>	238,383
<i>Percent of Retail Base</i>	1.6%

Source: Exhibit 20.

The cumulative retail analysis results indicate that assuming all the identified cumulative retail projects are developed by 2026, there will be an excess of new supply totaling 476,766 square feet (i.e., a projected shortfall of demand to support the cumulative projects). Similar to the Project only analysis, the cumulative analysis assumes that one-half the excess supply is absorbed through lower sales at existing stores, with the other one-half comprising a vacancy impact. Thus, the cumulative projects analysis is estimated to result in 238,383 square feet of vacancy impact. This is a nominal amount of vacancy impact based upon the estimated size of the Bakersfield retail market, which is estimated to total 14.7 million square feet, exclusive of space for auto sales or gasoline stations (see Exhibit 21). If new store sales impacts resulted in store closures and this amount of space becoming vacant, it would comprise a cumulative project vacancy impact of 1.6%. In other words, 1.6% of the estimated existing non-auto retail base would become vacant as a result of development and absorption of the Project and other identified planned retail projects.

The estimated 1.6% retail vacancy increment is very low, and would comprise an insignificant impact on the market area's retail base. Existing resources do not include information on the retail vacancy rate for Bakersfield's overall retail market. However, if the vacancy rate in and around the Project's Retail Market Area is a reasonable indication, then ALH Economics believes the overall market

¹⁴ See "Bakersfield Market Opportunities Analysis – Retail Land Uses," prepared by The Natelson Dale Group, Inc., For the City of Bakersfield, February 12, 2020, Table A-17.

vacancy rate is low, and well below 10%. The estimated 1.6% vacancy rate impact is therefore not likely to comprise a significant impact on Bakersfield's retail market and will not be detrimental to the commercial retail market. Accordingly, the market is anticipated to continue to operate within healthy parameters following development of the Project and the other identified cumulative retail projects. Therefore, ALH Economics concludes that the cumulative projects, inclusive of the Majestic Gateway Project, are unlikely to result in negative impacts contributing to the potential for urban decay to occur. Further support for these findings is presented in the following report chapter.

VII. URBAN DECAY IMPLICATIONS

STUDY DEFINITION OF URBAN DECAY AND CONTRIBUTING CAUSES

Definition of Urban Decay

For the purpose of this analysis, and in accordance with CEQA, urban decay is defined as extended long-term business vacancies, directly or indirectly resulting in physical deterioration to properties or structures that is so prevalent, substantial, and lasting a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. Physical deterioration includes abandoned buildings, boarded doors and windows, parked trucks on vacant sites, long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth. Typically, pursuant to the Fifth District Court of Appeal in decision in *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, 1204, urban decay analyses are primarily prepared for retail development, or the retail components of large-scale mixed-use projects.

A prominent example of urban decay in Bakersfield was the former East Hills Mall, located about 11 miles northeast of the Project in Northeast Bakersfield. This 350,000-square-foot indoor mall, built in 1986, declined during the recession of the late 2000's, eventually losing all its anchor tenants. The mall was completely closed about five years ago. Prior to the summer 2021 sale of the property and its September 2021 demolition in advance of site redevelopment, the mall had been vandalized and extensively damaged by vagrants, including drywall that had been pulled off, holes tunneled through the whole mall, ceilings pulled down, glass doors shattered and broken, and wires stripped and burned for the purpose of removing the copper wiring inside.¹⁵

Contributing Causes of Urban Decay

Before considering how Majestic Gateway might affect the market and environs, it is useful to focus on what constitutes the *environmental* impact known as urban decay. In *Bakersfield Citizens for Local Control v. City of Bakersfield*, the court described the phenomenon as “a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.” The court also discussed prior case law that addressed the potential for large retail projects to cause “physical deterioration of [a] downtown area” or “a general deterioration of [a] downtown area.” (Id. at pp. 1206, 1207). The emphasis on retail is pursuant to the focus of the case, which was prospective retail development. When looking at the phenomenon of urban decay, it is also helpful to note economic impacts that do not constitute urban decay. For example, a vacant building is not urban decay, even if the building were to be vacant over a relatively long time. Similarly, in the context of retail development, even a number of empty storefronts would not constitute urban decay. Based on the above description regarding urban decay, therefore, ALH Economics’ analysis examined whether there was sufficient market demand to support the Project’s retail space without affecting existing retailers so severely such as to lead to a downward spiral toward decay of the existing physical environment.

¹⁵ Information about East Hills Mall is sourced to Wikipedia, Bakersfield.com/news, and Bakersfieldnow.com.

REGULATORY CONTROLS

Owners of commercial retail properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new tenants. This appears to generally be the case in the portion of Bakersfield where the competitive retail properties are located, as evidenced by the overall positive prevailing physical condition of the market area's retail vacancies. If property owners lag, however, and property maintenance begins to show signs of deferred maintenance or other disrepair, the City of Bakersfield has regulatory controls that can be implemented to avoid the onset of deterioration or decay. Some of the key associated regulations follows.

City ordinances such as the City of Bakersfield Municipal Code of Ordinances Chapter 8.27 on Property Maintenance declare it unlawful for anyone owning, leasing, occupying, or having charge or possession of any property to maintain it in such a manner to become a public nuisance. A number of conditions are identified in Bakersfield's Municipal Code that constitute a public nuisance. Examples of these conditions include the following:¹⁶

- Any doorway, window or other opening into a vacant structure not closed and maintained by means or materials approved by the building director.
- Any broken window constituting a hazardous condition and facilitating trespass or malicious mischief, or constituting a shelter for vagrants or criminals or enabling persons to resort thereto for the purpose of committing unlawful acts.
- Any building exterior, wall, fence, driveway, sidewalk, or walkway which is maintained in such condition of deterioration or disrepair as to be unsafe or which is so defaced as to substantially detract from the appearance of the immediate neighborhood.

These and other provisions of the chapter are to be enforced by the building director, with penalties in place for violations. Further, each day a violation exists it shall constitute a separate offense. There are other relevant provisions in the Municipal Code, such as Litter Control in Chapter 8.29, including prohibitions against the accumulation of litter in or upon any public place or private premises within the city.¹⁷ Penalties include being found guilty of an infraction or misdemeanor.

As demonstrated by the above sections of the Code of Ordinances for the City of Bakersfield, the city has measures in place to minimize the potential for urban deterioration and decay to occur among retail properties.

MAJESTIC GATEWAY URBAN DECAY DETERMINATION

Relevant Existing Area Conditions

In developing a conclusion regarding the potential for urban decay, ALH Economics relied on the definition presented earlier in this chapter, which focused on determining whether or not economic and social changes and/or effects resulting from development of the Project as well as other cumulative projects would cause significant adverse physical impacts and result in urban decay. During July 2021 Project-related fieldwork, ALH Economics found that among the retail properties examined in and around the Project's Retail Market Area, there are two small properties identified as

¹⁶ City of Bakersfield, "Municipal Code," Chapter 8.27 Property Maintenance, Section 8.27.010. See: <https://bakersfield.municipal.codes/Code>

¹⁷ City of Bakersfield, "Municipal Code," Chapter 8.29 Litter Control, Section 8.29.020.

being in poor condition that are characterized by some indicators of urban decay, including boarded up vacant spaces, fenced off areas, and glass on the ground. These include the relatively small Singh Plaza at White and Hughes lanes, built in 2001, and the Foodsco Shopping Center at White Lane and S. H Street, built in 1980.¹⁸ Both of these centers are just outside the Project's Retail Market Area. The comparatively older age of these retail properties likely contribute to their declining conditions, despite regulatory measures. Given that only two of the 27 retail properties in and near the defined Retail Market Area were found to exhibit some indicators of urban decay, ALH Economics concludes that existing measures to maintain private commercial property in good condition are also generally effective and would serve to help preclude the potential for urban decay and deterioration in the event any existing commercial operations in Bakersfield close following the completion and tenanting of the Project and other cumulative projects. More detailed findings for these two land uses follow.

Project Potential to Impact Urban Decay

The retail analysis found that development of the Project could potentially impact the existing Bakersfield retail base by 0.7% in 2021, dropping to 0.5% in 2026 taking into consideration new Retail Market Area household demand. These are citywide impacts, which do not recognize the more localized context of the Project's Retail Market Area and nearby surrounding areas. If just these areas are taken into consideration, then the analysis suggested the Project's maximum impact could result in increasing the area retail vacancy rate by 2.2%, with a 1.1% impact deemed more likely. Added to the existing area vacancy, the resulting area retail vacancy rate is estimated at 4.4%. This low vacancy rate is not likely to lead to or contribute to urban decay. This is especially the case given the market area's recent propensity to backfill some of the area's anchor tenants.

Retail Repurposing Examples

While not necessarily in the Project's Retail Market Area, the property owners in the City of Bakersfield also have a demonstrated history of repurposing vacant retail buildings. One highly relevant example of this repurposing includes reuse of the 93,000-square-foot Kmart building at the former Kmart Shopping Center on Wilson Road. This shopping center also featured a Big Lots! store. Located at 3500-3600 Wilson Road, about 4.2 miles northwest of the Project site (outside the Retail Market Area), this site is in the process of being redeveloped as a last-mile facility for Amazon. This reuse was initially announced in December 2020, and then again in April 2021, and will involve a \$20 million renovation.¹⁹ When ALH Economics visited the Retail Market Area and surrounding areas in July 2021, conversion of this building was already in process. More distant from the Project site, Downtown's former Sinaloa Mexican restaurant, closed for three years, was demolished in May 2021 to make way for a 40-unit market-rate housing project.²⁰

Perhaps most importantly, redevelopment of the site of the decaying East Hills Mall is a prominent example of retail repurposing in Bakersfield. East Hills Mall is located about 11 miles northeast of the Project in Northeast Bakersfield. This 350,000-square-foot indoor mall, built in 1986, declined during the recession of the late 2000's, eventually losing all its anchor tenants. The mall was completely closed about five years ago. The property was sold in summer 2021. Prior to then, the mall had been

¹⁸ Construction dates are provided by Loopnet.com.

¹⁹ See <https://bakersfieldnow.com/news/local/amazon-to-open-last-mile-delivery-station-in-bakersfield> and https://www.bakersfield.com/news/amazon-plans-distribution-hub-at-former-bakersfield-kmart/article_cec64cea-43e4-11eb-8c30-6b0be55c7af1.html

²⁰ See https://www.bakersfield.com/news/sage-levels-former-sinaloa-building-to-make-way-for-apartments/article_1b69ba2c-adea-11eb-b7c8-ab5480799d9b.html

vandalized and extensively damaged by vagrants, including drywall that had been pulled off, holes tunneled through the whole mall, ceilings pulled down, glass doors shattered and broken, and wires stripped and burned for the purpose of removing the copper wiring inside.²¹ Demolition of the mall began in September 2021 paving the way for site redevelopment. The plans for this redevelopment are in the process of being formulated.

City Retail Repurposing Plans

The Kmart reuse scenario presages a new, upcoming City of Bakersfield economic development strategy that recognizes that many of the City's commercial structures are functionally obsolete. This reuse (or redevelopment) strategy is recommended in the "City of Bakersfield Economic Development Strategic Plan," recently adopted on September 15, 2021. This recommended initial/priority high-profile Plan strategy is identified as the **"Reinvent Retail" Demonstration Project**. In association with the City's forthcoming General Plan Update, the recommendations of this project are to "implement land use policies and offer City financial incentives for the repurposing of obsolete shopping center sites with more productive/attractive land uses."²² This project recommends beginning with a demonstration project, selected on a competitive basis. The City is already developing potential selection criteria, focusing on centers with closed anchors or ones that have been replaced by lesser uses.²³ The Economic Development Strategic Plan anticipates there will be an ongoing need for this type of program.²⁴

The recommended **"Reinvent Retail"** strategy recognizes that even in light of future demand for retail, "older shopping centers will increasingly struggle to maintain acceptable occupancy levels and vibrant tenant mixes."²⁵ This suggests center age and obsolescence are much more significant issues to Bakersfield than the potential impacts of the Majestic Gateway retail project, which is anticipated to have only a minor sales impact on the local retail market. The cumulative project impacts, which are estimated to comprise about a 1.6% vacancy impact on the citywide retail market, are also likely to be overshadowed by the city's basic concerns about functionally obsolete properties. The existing or prospective negative performance of obsolete retail properties are likely to have more to do with their age, condition, and ability to attract viable tenants than with any potential cumulative project impacts.

Conclusion

Based on the preceding economic development considerations, and the earlier minor estimated retail vacancy impacts of the cumulative projects, ALH Economics concludes that the Project and the identified cumulative retail projects are not likely to cause or contribute to urban decay. Even if a small number of existing retailers close as a result of Project or cumulative project impacts, the resulting vacancies are anticipated to be well-maintained and backfill within a reasonable period of time, resulting in no significant adverse physical impacts related to economic and social changes and/or effects and thus no potential for urban decay to result.

²¹ Information about East Hills Mall is sourced to Wikipedia, Bakersfield.com/news, and Bakersfieldnow.com.

²² "City of Bakersfield Economic Development Strategic Plan," Adopted by Bakersfield City Council September 15, 2021, Prepared by The Natelson Dale Group, Inc., page 10.

²³ See https://www.bakersfield.com/news/bakersfields-vacant-storefronts-get-a-closer-look/article_984489a6-180b-11ec-b845-734eecd4e57.html

²⁴ "City of Bakersfield Economic Development Strategic Plan," page 85.

²⁵ Ibid.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

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

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

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

APPENDIX: EXHIBITS

Exhibit 1
Majestic Gateway
Distribution of Retail Space and Estimated Sales
By Type of Retail (1)

Retail Sales Category (2)	Percent	Square Feet	Annual Taxable Sales	
			Per Sq. Ft. (3)	Total
Motor Vehicle & Parts Dealers	0%	0	\$0	\$0
Home Furnishings & Appliances (4)	8%	15,000	\$325	\$4,875,000
Building Materials & Garden Equipment	8%	15,000	\$325	\$4,875,000
Food & Beverage Stores	0%	0		\$0
Gasoline Stations	0%	0		\$0
Clothing & Clothing Accessories (5)	5%	9,500	\$325	\$3,087,500
General Merchandise Stores	31%	57,200	\$300	\$17,160,000
Food Services & Drinking Places	14%	26,300	\$550	\$14,465,000
Other Retail Group (6)	27%	51,500	\$325	\$16,737,500
Non-Retail Uses (7)	7%	13,000	\$0	\$0
Total/Weighted Average	100%	187,500	\$326	\$61,200,000

Sources: Majestic Realty Co.; Kosmont Companies, "Draft Majestic Realty, Net Fiscal Impact & Economic Benefit Analysis, Bakersfield, CA", July 2021; "California Retail Analytics: Expanding Retailers and Retail Stores Sales Estimate," page 4, HdL ECONsolutions, 2019; emarketer.com (2018 retail sales per square foot); and ALH Urban & Regional Economics.

(1) Retail tenants for the retail space have not yet been determined. ALH Urban & Regional Economics developed working assumptions for this space based general input from Majestic Realty Co., professional judgment, and experience in the retail industry.

(2) Retail categories pursuant to the State of California Department of Tax and Fee Administration. Use of these categories facilitates analysis of prospective sales at "Project Name" relative to the existing sales base.

(3) The sales per square foot estimates are based on industry standards, and also synchronize with the overall taxable sales per square foot estimate for Majestic Gateway of \$325 prepared by consulting firm Kosmont Companies, in its July 2021 report identified in the sources, on page 21.

(4) Includes retailers selling home furnishings and appliances, such as home décor, kitchenware, bedding, small and large appliances, furniture, and mattresses.

(5) Includes retailers selling a wide range of clothing, shoes, and accessories such as purses and hats.

(6) The Other Retail Group includes a range of retail goods, such as drug stores, health and personal care, gifts, art goods and novelties, sporting goods, pet supply, toy stores, florists, photographic equipment and supplies, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

(7) Non-retail uses include bank/financial and personal services, such as hair and nail salons.

Exhibit 2
Majestic Gateway
Share of Retail Sales Generated by Market Area Residents
In 2021 Dollars

Retail Category	Annual Sales (1)	Sales Generated By Market Area Residents (2)	Retail Sales Generated by Market Area (3)
Motor Vehicle & Parts Dealers	\$0	NA	\$0
Home Furnishings & Appliances	\$4,875,000	75%	\$3,656,250
Building Materials & Garden Equipment	\$4,875,000	75%	\$3,656,250
Food and Beverage Stores	\$0	NA	\$0
Gasoline Stations	\$0	NA	\$0
Clothing & Clothing Accessories Stores	\$3,087,500	75%	\$2,315,625
General Merchandise Stores	\$17,160,000	75%	\$12,870,000
Food Services & Drinking Places	\$14,465,000	75%	\$10,848,750
Other Retail Group	\$16,737,500	75%	\$12,553,125
Total	\$61,200,000	75%	\$45,900,000

Source: ALH Urban & Regional Economics.

- (1) See Exhibit 1.
(2) Assumption developed by ALH Urban & Regional Economics.
(3) Comprises share of store sales anticipated to be generated by market area households.

Exhibit 3**Representative Existing Retail Centers (1)****Majestic Gateway Retail Market Area and Surrounding Area****Center Size, Market Area Location, and Distance from Project****July - November 2021**

New Map No. (2)	Shopping Center	Size Category (Square Feet) (3)	Location	Center or Representative Store Address	In/Out of Market Area	Miles from Site (4)
1	Ming Around the Corner	100,000 - 125,000	NWC Ming Ave & Stine Rd	4300-4496 Ming Ave	Out	5.1
2	Builders Square	150,000 - 175,000	SEC Ming Ave & Stine Rd	4001-4151 Ming Ave	Out	5.0
3	Ming Plaza	150,000 - 175,000	S of Ming Ave bet. Akers & S Real Rds	3412-3690 Ming Ave	Out	5.0
4	Valley Village Shopping Center	<100,000	NWC Ming Ave & Highway 99	3400-3698 Ming Ave	Out	4.6
5	Valley Plaza Mall	1,100,000 +	SEC Ming Ave & Wible Rd	2601-3001 Ming Ave	Out	4.7
6	Vallarta-Anchored Center	100,000-125,000	SWC Wilson Rd and S H St.	2705 S H St	Out	3.5
7	Stockdale Town Center	150,000 - 175,000	SEC Plantz Rd & Stine Rd	3300-3504 Stine Rd	Out	4.6
8	Village at the Oaks	200,000 - 225,000	NEC White Ln & Gosford Rd	8040 White Ln	Out	6.2
9	The Crossroads	175,000 - 200,000	SWC White Ln & Ashe Rd	6561 White Ln	Out (5)	5.3
10	Stine & White Crossings	150,000 - 175,000	SEC White Ln & Stine Rd	4801 White Lane	In	4.2
11	Singh Plaza	<50,000	NWC White Ln & Hughes Ln	3905 Hughes Ln	Out (5)	3.6
12	Falles-Anchored Center	125,000 - 150,000	NEC White Ln & Hughes Ln	2300 White Ln	Out (5)	3.0
13	Superior Grocers-Anchored Center	200,000 - 225,000	NEC White Ln & Hughes Ln	2190-2060 White Ln	Out (5)	3.0
14	White Lane Plaza	100,000 - 125,000	SEC White Ln & S H St.	1491 - 1549 White Ln	In	3.5
15	Foodsco Shopping Center	<100,000	SWC White Ln & S H St.	1801 White Lane	Out (5)	3.5
16	Home Depot-anchored Center	100,000-125,000	SEC District Blvd & Gosford Rd	4700 Gosford Rd	Out	6.4
17	Gosford Village	500,000-700,000	NWC Harris Rd & Gosford Rd	5075 Gosford Rd	Out	6.0
18	Silvercreek Plaza	<100,000	SWC Panama Ln & Ashe Rd	6801 Panama Ln	In	4.2
19	Panama & Ashe Village	<100,000	NEC Panama Ln & Ashe Rd	6402 Ashe Rd	In	5.0
20	Costco	100,000 - 150,000	NWC Panama Ln & Stine Rd	4900 Panama Ln	In	3.2
21	Bella Vista Shopping Center	<100,000	NEC Panama Ln & Stine Rd	4700 Panama Ln	In	3.2
22	The Palms	<50,000	SEC Panama Ln & Stine Rd	4701-4831 Panama Ln	In	2.9
23	Panama Lane Plaza	<50,000	NEC Panama Ln & Akers Rd	4004 Panama Ln	In	2.6
24	Ridgeview Plaza	<100,000	NWC Panama Ln & Wible Rd	3300-3500 Panama Ln	In	2.1
25	Bakersfield Crossings	<100,000	SWC Panama Ln & Wible Rd	3541 Panama Ln	In	2.2
26	Panama Lane Shopping Center	350,000-400,000	NEC Panama Ln & Highway 99	6225 Colony St	In	1.6
27	Vallarta-Anchored Center	100,000 - 150,000	SEC Panama Ln & S H St.	1515 E Panama Ln	In	2.1
Total Estimated Inventory		4,800,000 minimum square feet				

Sources: Google Maps; Loopnet; Select brokerage firms; and ALH Urban & Regional Economics.

(1) Includes shopping centers inside the market area as well as others located along the edges of the market area that could draw demand from households living in the market area. These are representative centers, and do not comprise a census of all existing shopping centers.

(2) Shopping centers are generally ordered in a progression from north to south, west to east.

(3) Size ranges are based on information in the files of ALH Urban & Regional Economics, listings on Loopnet, broker discussion and websites, other real estate databases, and ALH Economics professional judgement.

(4) For mapping purposes, the Project site is mapped at the intersection of Hosking Avenue & South H Street.

(5) These shopping centers are located outside the market area, but almost immediately adjacent to the market area boundary.

Exhibit 4
Representative Existing Retail Centers (1)
Majestic Gateway Retail Market Area and Surrounding Area
Center Condition, Vacancies, and Tenants
July - November 2021

Map No. (2)	Shopping Center	Center Physical Condition	Existing Vacancies	Anchor(s)	Other Representative Stores (3)
1	Ming Around the Corner	Good	Vacant Anchor (Dollar Tree, new Medical use lease imminent for 18,000 sq. ft.)	Food Maxx, Walgreens	H&R Block, Sportswear Mart, Temp tenant Halloween Spirit
2	Builders Square	Good	2 visible vacancies, one boarded up	Home Depot	Omni Family Health, Payday Loans, Vape Zone, Aaron's Computers
3	Ming Plaza	Good	1 visible vacancy	Ross, dd's Discounts	Dunn-Edwards Paints, Rent-A-Center, The Computer Depot
4	Valley Village Shopping Center	Good	4 shop vacancies	TJ Maxx, Guitar Center	O'Reilly Auto Parks, Tobacco, Restaurants, Barber, Hair & Nail Salon
5	Valley Plaza Mall	Excellent	5 small vacancies & 2 food court tenants	Macy's, Target, JC Penney, Forever 21	Apparel, Shoes, Cinema, Jewelry, Specialty, and Cards, Gifts & Bks
6	Vallarta-Anchored Center	Good	Home Mart, vacant 2 years, new partial lease imminent (12,000 of 18,000 sq. ft.) and 1 shop space	Vallarta, Dollar Tree	Melrose Fashions, Ice Cream, Cleaners, Check Cashing, Restaurants
7	Stockdale Town Center	Good	Approx. 3 shop vacancies	CVS, Auto Zone (took over Von's)	Firestone, Oak Sofa Liquidators, Leslie's Pool Supplies, Restaurants
8	Village at the Oaks	Good	4 small shop vacancies	Albertson's, Rite Aid, Dollar Tree	Little Caesar's, Wells Fargo, Sports Nutrition, Restaurants
9	The Crossroads	Good	No visible vacancies	Food Maxx	Graphics Printing & Shipping, Metro/T Mobile, Dental, Restaurants
10	Stine & White Crossings	Good	No visible vacancies	Big Lots!	In-shape, Urgent care, Mr. Cigar, Restaurants
11	Singh Plaza (4)	Poor	Boarded up spaces, glass on ground	None	Indian Village coming soon, Insurance, Tobacco, Beauty Salon
12	Falles-Anchored Center	Good	Boarded up store behind Planet Fitness	Falles Discount Store	American Freight Furniture, Planet Fitness, Dentist, Check Cash
13	Superior Grocers-Anchored Center	Good	1 small shop vacancy	Superior Grocers	Baskin Robbins, Sally Beauty, Fast Food
14	White Lane Plaza	Fair; 25% vacant	Anchor (Factor 2-U, closed about 2 yrs.) + 3 small shop vacancies (25,536 sq. ft.)	99 Cents Only	dd's Discounts, Rent-A-Center, Fast Food/Restaurants
15	Foodsco Shopping Center (4)	Poor	Vacant Hometown Buffet, boarded and fenced, closed about 1 year	Foods Co	Rusty's Pizza Parlor
16	Home Depot-anchored Center	Good	No visible vacancies	Home Depot	Wendy's, El Pollo Loco
17	Gosford Village	Excellent	3 small shop vacancies	Sam's Club, Walmart	Kohl's, Ross, Old Navy, Walgreens, Petco, Restaurants
18	Silvercreek Plaza	Excellent	No visible vacancies	Winco	Les Schwab Tires, Urgent Care, Pieology, Taco Bell
19	Panama & Ashe Village	Excellent	3 visible vacancies, new tenants	Planet Fitness	Habit Burger, Nails, Weight Loss, Subs, 7-11,
20	Costco	Good	No visible vacancies	Costco	Costco store, gas station, & tire center
21	Bella Vista Shopping Center	Excellent	4 small vacancies, new building	None	Health focus, Bank
22	The Palms	Fair	No visible vacancies	Dollar Tree	UPS Store, Cellular, Army Recruitment Center, Restaurants
23	Panama Lane Plaza	Excellent	No visible vacancies	None	State Farm, Physical Therapy, Smoke Shop, Barber
24	Ridgeview Plaza	Good	No visible vacancies	Albertson's	Allstate, McDonald's, Nails, Cleaners, Boost Mobile, Smoke
25	Bakersfield Crossings	Good	Could be up to 7,000 sq. ft. available	Walgreens, Auto Zone	Body Change Sports Club, Sports Bar, Tacos, Wells Fargo
26	Panama Lane Shopping Center	Good	No visible vacancies	Lowe's, Walmart	Aldi Food Market, In'n Out Burger, T Mobil, Restaurants
27	Vallarta-Anchored Center	Good	No visible vacancies	Vallarta	Family Dollar, Job Spot, Fast Food/Restaurants
Weighted Average Vacancy (5)			3.3%		

Sources: Google Maps; Select brokerage firms; Online broker marketing materials; Loopnet; Chainlinks Retail Advisors, Retail Expansion Guides; and ALH Urban & Regional Economics.

(1) Includes shopping centers inside the market area as well as others located along the edges of the market area that could draw demand from households living in the market area. These are representative centers, and do not comprise a census of all existing shopping centers.

(2) Shopping centers are generally ordered in a progression from north to south, west to east.

(3) Most centers include other tenants not included due to lack of space.

(4) These centers, assessed as being in poor condition, were built in 2001 (Singh Plaza) and 1980 (Foodsco Shopping Center), both dates according to Loopnet.com.

(5) Weighted average vacancy estimated by ALH Urban & Regional Economics based on field reconnaissance and review and consideration of broker information.

Exhibit 5
Demographic Characteristics
Kern County, City of Bakersfield, and Majestic Gateway Retail Market Area (1)
2021

Demographic Characteristic	Kern County	City of Bakersfield	Market Area											
			100% Census Tracts (2)	75% Census Tracts (3)	66% Census Tracts (4)	50% Census Tracts (5)	Total/Wtd Average							
2021 Demographics														
Population	910,903	389,137	58,611	3,071	14,671	9,193	85,545							
Households	274,189	122,445	15,156	767	3,813	2,778	22,514							
Average HH Size	3.20	3.16	3.86	3.99	3.85	3.28	3.80							
Average HH Income	\$74,429	\$83,710	\$72,409	\$49,271	\$85,209	\$53,409	\$71,444							
Median HH Income	\$53,234	\$60,960	\$57,240	\$40,621	\$76,140	\$42,723	\$58,083							
2021 Households														
by Income	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%		
< \$15,000	34,553	13%	13,551	11%	1,302	9%	127	17%	168	4%	347	12%	1,943	9%
\$15,000 - \$24,999	29,101	11%	10,493	9%	1,338	9%	112	15%	255	7%	332	12%	2,037	9%
\$25,000 - \$34,999	28,899	11%	11,540	9%	1,732	11%	85	11%	267	7%	395	14%	2,479	11%
\$35,000 - \$49,999	37,407	14%	15,594	13%	2,228	15%	162	21%	469	12%	591	21%	3,450	15%
\$50,000 - \$74,999	47,526	17%	21,267	17%	3,042	20%	145	19%	715	19%	573	21%	4,476	20%
\$75,000 - \$99,999	31,982	12%	15,454	13%	1,935	13%	66	9%	678	18%	248	9%	2,927	13%
\$100,000 - \$124,999	22,667	8%	11,602	9%	1,519	10%	29	4%	592	16%	146	5%	2,285	10%
\$125,000 - \$149,999	13,874	5%	7,242	6%	896	6%	19	2%	304	8%	51	2%	1,270	6%
\$150,000 - \$199,999	14,946	5%	7,923	6%	711	5%	18	2%	239	6%	62	2%	1,030	5%
\$200,000 - \$249,999	5,630	2%	3,089	3%	221	1%	4	0%	70	2%	18	1%	313	1%
\$250,000 - \$499,999	5,811	2%	3,521	3%	195	1%	2	0%	51	1%	15	1%	263	1%
Income \$500,000+	1,793	1%	1,169	1%	37	0%	0	0%	5	0%	3	0%	45	0%
2026 Demographics														
Population	938,883	402,712	61,231	3,116	15,798	9,295	89,440							
Households	281,860	126,132	15,712	779	4,103	2,813	23,407							

Sources: Claritas, Demographic Quick Facts, Kern County, City of Bakersfield, and Census Tracts, generation date October 12, 2021; and ALH Urban & Regional Economics.

(1) The Retail Market Area comprises a geographic area based on census tracts as building blocks. See following footnotes for the census tract specifications.

(2) These data reflect 100% of the demographic characteristics of census tracts 32.02, 32.05, 31.22, 31.15, 31.14, and 31.24, as 100% of these census tracts are assumed to be encompassed within the Retail Market Area.

(3) These data reflect 75% of the demographic characteristics of census tract 31.03, as only 75% of this census tract is assumed to be encompassed within the Retail Market Area.

(4) These data reflect 66% of the demographic characteristics of census tract 32.06, as only 66% of this census tract is assumed to be encompassed within the Retail Market Area.

(5) These data reflect 50% of the demographic characteristics of census tracts 31.12, 31.13, and 31.21, as only 50% of these census tracts are assumed to be encompassed within the Retail Market Area.

Exhibit 6
State of California Taxable Retail Sales Estimate by Retail Category
2019

Retail Category	Total Taxable Sales (1)	State of California Taxable Sales Adjusted to Total Retail	Percent of Total
Motor Vehicle & Parts Dealers	\$88,526,876,497	\$88,526,876,497	14.6%
Home Furnishings & Appliances	\$30,426,140,016	\$30,426,140,016	5.0%
Building Materials & Garden Equipment	\$40,313,947,890	\$40,313,947,890	6.7%
Food & Beverage Stores	\$30,216,432,022	\$100,721,440,073 (2)	16.6%
Gasoline Stations	\$54,141,178,088	\$54,141,178,088	8.9%
Clothing & Clothing Accessories	\$43,130,842,467	\$43,130,842,467	7.1%
General Merchandise Stores	\$58,066,003,189	\$77,421,337,585 (3)	12.8%
Food Services & Drinking Places	\$89,403,959,724	\$89,403,959,724	14.7%
Other Retail Group	\$66,797,888,264	\$82,115,081,860 (4)	13.5%
Total (5)	\$501,023,268,157	\$606,200,804,200	100%

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 1. Taxable Sales in California, By Type of Business, 2019"; U.S. Economic Census, "Retail Trade: Summary Statistics for the U.S., States, and Selected Geographies: 2017"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the State of California Department of Tax and Fee Administration (CDTFA).

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

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable sales, since some General Merchandise Store sales include non-taxable items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery, pharmacy, and other non-taxable items. This estimate is based on analysis of the 2017 U.S. Economic Census findings for General Merchandise stores in California.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the former California BOE and examination of U.S. Census data. In California, drug store sales in 2019 represented approximately 11.3% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

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

Exhibit 7
Household Income Spent on Retail (1)
United States
2019

Characteristic	All Consumer Units	Household Income Range							
		\$15,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 to \$99,999	\$100,000 to \$149,999	\$150,000 to \$199,999	\$200,000 and more
Average HH Income	\$82,852	\$22,189	\$34,772	\$44,831	\$59,328	\$83,558	\$121,433	\$171,061	\$343,498
Amount Spent on Retail (2)	\$24,003	\$13,746	\$16,871	\$19,447	\$22,167	\$26,266	\$32,330	\$40,258	\$50,145
Percent Spent on Retail (3)	29%	62%	49%	43%	37%	31%	27%	24%	15%

Sources: Table 1203. Income before taxes: Annual expenditure means, shares, standard errors, and coefficient of variation, Consumer Expenditure Survey, 2019, U.S. Bureau of Labor Statistics; and ALH Urban & Regional Economics.

(1) Includes retail categories estimated to be equivalent to the retail sales categories compiled by the State of California, Department of Tax and Fee Administration.

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

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

Exhibit 8
Estimated Majestic Gateway Market Area Demand
For Brick & Mortar Retail Goods and Restaurants
2021

Retail Category	Distribution of Demand (2)	Brick & Mortar Market Area Demand (1)			
		Total Per HH (3)	Percent E-Commerce (4)	Adjusted for Brick & Mortar (5)	Total (6)
Motor Vehicles & Parts Dealers	14.6%	\$3,542	5.0%	\$3,365	\$75,754,421
Home Furnishings & Appliance Stores	5.0%	\$1,217	20.0%	\$974	\$21,925,327
Building Materials & Garden Equip .	6.7%	\$1,613	10.0%	\$1,452	\$32,681,883
Food & Beverage Stores	16.6%	\$4,030	5.0%	\$3,828	\$86,189,581
Gasoline Stations	8.9%	\$2,166	0.0%	\$2,166	\$48,768,224
Clothing & Clothing Accessories Stores	7.1%	\$1,726	15.0%	\$1,467	\$33,022,968
General Merchandise Stores	12.8%	\$3,098	12.5%	\$2,710	\$61,020,809
Food Services & Drinking Places	14.7%	\$3,577	0.0%	\$3,577	\$80,531,537
Other Retail Group	13.5%	\$3,285	15.0%	\$2,793	\$62,871,105
Total Retail Spending	100.0%	\$24,253	7.9%	\$22,331	\$502,765,855

Sources: "Bagged or Boxed: The Future of 13 Retail Categories," 2017, page 11, Jones Lang LaSalle; ""Table 3. Supplemental Estimated Quarterly U.S. Retail Trade Sales (Not Adjusted, millions of dollars) - Total and E-commerce," Retail Indicators Branch, U.S. Census Bureau, February 19, 2021; "U.S. Retail Market Outlook," March 2021, page 7, Cushman & Wakefield; and ALH Urban & Regional Economics.

(1) Total household demand for the Retail Market Area takes into account estimates for e-commerce retail expenditures.

(2) Distribution of demand by retail category is based on the distribution of all sales in the State of California, as presented in Exhibit 6.

(3) Total household spending by retail category is based upon average market area household income estimate of \$71,444 (see Exhibit 5) and average household spending of 34% (see Exhibit 7).

(4) ALH Urban & Regional Economics developed these percentage estimates after reviewing and analyzing many retail-related resource materials with information about the share of consumer retail sales captured by the internet around 2019 and thereafter. The sources included estimates by retail category, many of which coincided exactly with the CDTFA retail categories and many of which were for more specific categories that ALH Urban & Regional Economics then aggregated for analytical purposes. The resources used for this analysis comprised the source materials prepared by Jones Lang LaSalle, the U.S. Census Bureau, Cushman & Wakefield, and CDTFA.

(5) Household demand by category is adjusted downward based on the share of demand estimated to be spent on e-commerce.

(6) Total household demand is based on spending per category and the market area household count, estimated to total 22,514, as prepared by Claritas. See Exhibit 5.

Exhibit 9**Estimated Majestic Gateway Retail Market Area Demand Generated by New Household Growth****From 2021 to 2026****For Brick & Mortar Retail Goods and Restaurants, In 2021 Dollars**

Retail Category	Distribution of Demand (2)	Brick & Mortar Market Area Demand (1)			
		Total Per HH (3)	Percent E-Commerce (4)	Adjusted for Brick & Mortar (5)	Total (6)
Motor Vehicles & Parts Dealers	14.6%	\$3,542	5.0%	\$3,365	\$3,003,855
Home Furnishings & Appliance Stores	5.0%	\$1,217	20.0%	\$974	\$869,395
Building Materials & Garden Equip .	6.7%	\$1,613	10.0%	\$1,452	\$1,295,920
Food & Beverage Stores	16.6%	\$4,030	5.0%	\$3,828	\$3,417,636
Gasoline Stations	8.9%	\$2,166	0.0%	\$2,166	\$1,933,784
Clothing & Clothing Accessories Stores	7.1%	\$1,726	15.0%	\$1,467	\$1,309,444
General Merchandise Stores	12.8%	\$3,098	12.5%	\$2,710	\$2,419,630
Food Services & Drinking Places	14.7%	\$3,577	0.0%	\$3,577	\$3,193,280
Other Retail Group	13.5%	\$3,285	15.0%	\$2,793	\$2,492,999
Total Retail Spending	100.0%	\$24,253	7.9%	\$22,331	\$19,935,942

Sources: "Bagged or Boxed: The Future of 13 Retail Categories," 2017, page 11, Jones Lang LaSalle; "Table 3. Supplemental Estimated Quarterly U.S. Retail Trade Sales (Not Adjusted, millions of dollars) - Total and E-commerce," Retail Indicators Branch, U.S. Census Bureau, February 19, 2021; "U.S. Retail Market Outlook," March 2021, page 7, Cushman & Wakefield; and ALH Urban & Regional Economics.

(1) Total household demand for the Retail Market Area takes into account estimates for e-commerce retail

(2) Distribution of demand by retail category is based on the distribution of all sales in the State of California, as presented in Exhibit

(3) Total household spending by retail category is based upon an average Retail Market Area household income estimate of \$71,444 (see Exhibit 5) and average household spending of 34% (see Exhibit 7).

(4) ALH Urban & Regional Economics developed these percentage estimates after reviewing and analyzing many retail-related resource materials with information about the share of consumer retail sales captured by the internet around 2019 and thereafter. The sources included estimates by retail category, many of which coincided exactly with the CDTFA retail categories and many of which were for more specific categories that ALH Urban & Regional Economics then aggregated for analytical purposes. The resources used for this analysis comprised the source materials prepared by Jones Lang LaSalle, the U.S. Census Bureau, Cushman & Wakefield, and CDTFA.

(5) Household demand by category is adjusted downward based on the share of demand estimated to be spent on e-commerce.

(6) Total household demand is based on spending per category and the market area household count increase from 2021 to 2026, estimated to total 893, as prepared by Claritas. See Exhibit 5.

Exhibit 10
Majestic Gateway
Existing and Future Retail Demand by Category
Retail Market Area
2021 and 2026 (2)
In 2021 Dollars

Retail Category	Existing Demand 2021 (1)	New Demand 2021-2026 (2)	Total Demand by 2026 (3)
Motor Vehicles and Parts Dealers	\$75,754,421	\$3,003,855	\$78,758,276
Home Furnishings and Appliance Stores	\$21,925,327	\$869,395	\$22,794,722
Building Materials and Garden Equip (5)	\$32,681,883	\$1,295,920	\$33,977,803
Food and Beverage Stores	\$86,189,581	\$3,417,636	\$89,607,216
Gasoline Stations	\$48,768,224	\$1,933,784	\$50,702,008
Clothing and Clothing Accessories Stores	\$33,022,968	\$1,309,444	\$34,332,412
General Merchandise Stores	\$61,020,809	\$2,419,630	\$63,440,439
Food Services and Drinking Places	\$80,531,537	\$3,193,280	\$83,724,817
Other Retail Group (6)	\$62,871,105	\$2,492,999	\$65,364,104
Total	\$502,765,855	\$19,935,942	\$522,701,797

Source: ALH Urban & Regional Economics.

(1) See Exhibit 8.

(2) Includes future demand generated between 2021 and 2026. See Exhibit 9.

(3) Includes existing demand and future demand to 2026.

Exhibit 11
City of Bakersfield Taxable Sales Estimates (1)
In Current Dollars
Calendar Years 2016-2020 (2)

Retail Category	2016	2017	2018	2019	2020
Motor Vehicles & Parts Dealers	\$1,240,242,504	\$1,316,124,272	\$1,306,125,483	\$1,333,472,199	\$1,409,807,838
Home Furnishings & Appliance Stores	\$220,950,261	\$219,163,299	\$233,193,033	\$229,640,235	\$227,159,699
Building Materials & Garden Equip .	\$335,639,507	\$343,859,982	\$373,509,929	\$395,294,573	\$499,541,384
Food & Beverage Stores	\$235,035,583	\$241,564,240	\$248,528,791	\$257,035,946	\$286,694,220
Gasoline Stations	\$396,455,436	\$445,586,810	\$520,692,593	\$517,041,312	\$426,899,566
Clothing & Clothing Accessories Stores	\$336,176,726	\$341,149,016	\$356,377,511	\$364,547,374	\$289,132,920
General Merchandise Stores	\$885,660,088	\$912,063,427	\$939,384,546	\$949,657,867	\$949,604,122
Food Services & Drinking Places	\$705,187,765	\$754,209,435	\$780,123,611	\$832,551,255	\$740,065,331
Other Retail Group	\$386,963,085	\$378,868,807	\$398,875,740	\$384,312,589	\$449,278,430
Total All Retail Types	\$4,742,310,955	\$4,952,589,288	\$5,156,811,237	\$5,263,553,350	\$5,278,183,510
Percent Change from Prior Year	NA	4.4%	4.1%	2.1%	0.3%
Total Excluding Gasoline (3)	\$4,345,855,519	\$4,507,002,478	\$4,636,118,644	\$4,746,512,038	\$4,851,283,944
Percent Change from Prior Year	NA	3.7%	2.9%	2.4%	2.2%
Total Excluding Gasoline and Food Services (4)	\$3,640,667,754	\$3,752,793,043	\$3,855,995,033	\$3,913,960,783	\$4,111,218,613
Percent Change from Prior Year	NA	3.1%	2.8%	1.5%	5.0%

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 4. Taxable Sales in California Cities, By Type of Business, 2016, 2017, 2018, 2019, and 2020"; U.S. Economic Census, "Retail Trade: Summary Statistics for the U.S., States, and Selected Geographies: 2017"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the State of California Department of Tax and Fee Administration (CDTFA).

(2) Note these sales comprise taxable sales only, and do not reflect the non-taxable portion of sales typically calculated for several categories, such as Food & Beverage Stores, General Merchandise Stores, and Other Retail Group.

(3) Total figures exclude Gasoline Stations because the pricing of gasoline is volatile, with aggregate sales a poor indicator of demand over time.

(4) Total figures excluding the Gasoline Stations and Food Services & Drinking Places, as these were the sales categories that appear to be most impacted by the COVID-19 pandemic during calendar year 2020, in addition to the above-mentioned volatility of gasoline pricing.

Exhibit 12
City of Bakersfield (1)
Taxable and Total Retail Sales
2019 (2)

Retail Category	Total Taxable Sales City of Bakersfield	City of Bakersfield Taxable Sales Adjusted to Total Retail
Motor Vehicles & Parts Dealers	\$1,333,472,199	\$1,333,472,199
Home Furnishings & Appliance Stores	\$229,640,235	\$229,640,235
Building Materials & Garden Equip .	\$395,294,573	\$395,294,573
Food & Beverage Stores	\$257,035,946	\$856,786,487 (3)
Gasoline Stations	\$517,041,312	\$517,041,312
Clothing & Clothing Accessories Stores	\$364,547,374	\$364,547,374
General Merchandise Stores	\$949,657,867	\$1,266,210,489 (4)
Food Services & Drinking Places	\$832,551,255	\$832,551,255
Other Retail Group	\$384,312,589	\$472,437,985 (5)
Total (6)	\$5,263,553,350	\$6,267,981,909
Percent Taxable	84%	

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 3. Taxable Sales in California Cities, By Type of Business, 2019"; U.S. Economic Census, "Retail Trade: Summary Statistics for the U.S., States, and Selected Geographies: 2017"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the State of California Department of Tax and Fee Administration (CDTFA).

(2) The analysis is benchmarked to 2019, which comprised a more representative year than 2020, as the year 2020 reflected pandemic-related retail responses.

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

(4) Sales for General Merchandise Stores have been adjusted to account for non-taxable sales, since some General Merchandise Store sales include non-taxable items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery, pharmacy, and other non-taxable items. This estimate is based on analysis of the 2017 U.S. Economic Census findings for General Merchandise stores in California.

(5) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the (former) California BOE and examination of U.S. Census data. In California, drug store sales in 2019 represented approximately 11.30% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

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

Exhibit 13
Kern County Retail Sales Estimate (1)
2019

Retail Category	Total Taxable Sales Kern County	Kern County Taxable Sales Adjusted to Total Retail
Motor Vehicles & Parts Dealers	\$1,692,864,514	\$1,692,864,514
Home Furnishings & Appliance Stores	\$1,035,107,811	\$1,035,107,811
Building Materials & Garden Equip .	\$836,898,956	\$836,898,956
Food & Beverage Stores	\$566,649,646	\$1,888,832,153 (2)
Gasoline Stations	\$1,834,170,784	\$1,834,170,784
Clothing & Clothing Accessories Stores	\$573,007,212	\$573,007,212
General Merchandise Stores	\$1,275,722,897	\$1,700,963,863 (3)
Food Services & Drinking Places	\$1,322,889,621	\$1,322,889,621
Other Retail Group	\$953,908,146	\$1,172,645,536 (4)
Total (5)	\$10,091,219,587	\$12,057,380,450
Percent Taxable	84%	

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 3. Taxable Sales in California Counties, By Type of Business, 2019"; U.S. Economic Census, "Retail Trade: Summary Statistics for the U.S., States, and Selected Geographies: 2017"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the State of California Department of Tax and Fee Administration (CDTFA).

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

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable sales, since some General Merchandise Store sales include non-taxable items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery, pharmacy, and other non-taxable items. This estimate is based on analysis of the 2017 U.S. Economic Census findings for General Merchandise stores in California.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the (former) California BOE and examination of U.S. Census data. In California, drug store sales in 2019 represented approximately 11.30% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

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

Exhibit 14
City of Bakersfield
Household Retail Demand, Sales Attraction, and Spending Analysis (1)
2019

Retail Category	Bakersfield Household Spending (4)					City of Bakersfield Sales (3)	Retail Sales Attraction/(Leakage)	
	Per Household		Total Demand (4)	Percent E-Commerce (5)	Remaining Brick & Mortar Demand (6)		Amount	Percent
	Spending (2)	Sales (3)						
Motor Vehicles & Parts Dealers	\$3,960	\$10,910	\$483,938,620	5%	\$459,741,689	\$1,333,472,199	\$873,730,510	66%
Home Furnishings & Appliance Stores	\$1,361	\$1,879	\$166,326,711	15%	\$141,377,704	\$229,640,235	\$88,262,531	38%
Building Materials & Garden Equip. (7)	\$1,803	\$3,234	\$220,379,133	10%	\$198,341,220	\$395,294,573	\$196,953,353	50%
Food & Beverage Stores	\$4,505	\$7,010	\$550,601,090	3%	\$534,083,058	\$856,786,487	\$322,703,429	38%
Gasoline Stations	\$2,422	\$4,230	\$295,966,695	0%	\$295,966,695	\$517,041,312	\$221,074,617	43%
Clothing & Clothing Accessories Stores	\$1,929	\$2,983	\$235,777,893	12%	\$207,484,546	\$364,547,374	\$157,062,828	43%
General Merchandise Stores	\$3,463	\$10,360	\$423,229,383	10%	\$380,906,444	\$1,266,210,489	\$885,304,045	70%
Food Services & Drinking Places	\$3,999	\$6,812	\$488,733,260	0%	\$488,733,260	\$832,551,255	\$343,817,995	41%
Other Retail Group (8)	\$3,673	\$3,865	\$448,888,078	15%	\$381,554,866	\$472,437,985	\$90,883,119	19%
Total (all retail types)	\$27,113	\$51,284	\$3,313,840,862	6.8% (9)	\$3,088,189,481	\$6,267,981,909	\$3,179,792,427	51%

Sources: US Census, American Community Survey (ACS), "S1902: Mean Income in the Past 12 Months"; State of California Department of Finance, Table E-5 for 2019; "Bagged or Boxed: The Future of 13 Retail Categories," 2017, page 11, Jones Lang LaSalle; "Table 3. Supplemental Estimated Quarterly U.S. Retail Trade Sales (Not Adjusted, millions of dollars) - Total and E-commerce," Retail Indicators Branch, U.S. Census Bureau, February 19, 2021; "U.S. Retail Market Outlook," March 2021, page 7, Cushman & Wakefield; and ALH Urban & Regional Economics.

(1) All figures are expressed in 2019 dollars.

(2) The per household spending estimates for the City of Bakersfield were generated by ALH Urban & Regional Economics by taking the estimated average 2019 area household income figure of \$87,611 from the ACS and multiplying by 30.9%, utilizing the assumption that 30.9% of household income is spent on California Department of Tax and Fee Administration (CDTFA) type retail. This figure was then multiplied by the percentages calculated from the ratio of the CDTFA sales for the State of California. See Exhibit 7.

(3) Presented for illustrative purposes. Comprises City of Bakersfield sales divided by the estimated household count of 122,222 from the State of California Department of Finance.

(4) Total Demand represents per household spending multiplied by the 2019 household count for the City of Bakersfield of 122,222, per the State of California Department of Finance (with housing unit count deemed a proxy for households).

(5) ALH Urban & Regional Economics developed these percentage estimates after reviewing and analyzing many retail-related resource materials with information about the share of consumer retail sales captured by the internet around 2019. The sources included estimates by retail category, many of which coincided exactly with the CDTFA retail categories and many of which were for more specific categories that ALH Urban & Regional Economics then aggregated for analytical purposes. The resources used for this analysis comprised the source materials referenced in the exhibit Sources prepared by Jones Lang LaSalle, the U.S. Census Bureau, Cushman & Wakefield, and CDTFA.

(6) Comprises the balance of household demand anticipated to be expressed for brick and mortar stores, after deducting the percent of demand assumed to be satisfied by internet sales.

(7) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

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

(9) Weighted average totals.

Exhibit 15
Kern County
Household Retail Demand, Sales Attraction, and Spending Analysis (1)
2019

Retail Category	Kern County Household Spending (4)							
	Per Household		Total Demand (4)	Percent E-Commerce (5)	Remaining Brick & Mortar Demand (6)	Kern County Sales (3)	Retail Sales Attraction/(Leakage)	
	Spending (2)	Sales (3)					Amount	Percent
Motor Vehicles & Parts Dealers	\$3,641	\$6,214	\$991,875,080	5%	\$942,281,326	\$1,692,864,514	\$750,583,188	44%
Home Furnishings & Appliance Stores	\$1,251	\$3,799	\$340,901,331	15%	\$289,766,132	\$1,035,107,811	\$745,341,679	72%
Building Materials & Garden Equip. (7)	\$1,658	\$3,072	\$451,686,560	10%	\$406,517,904	\$836,898,956	\$430,381,052	51%
Food & Beverage Stores	\$4,142	\$6,933	\$1,128,505,719	3%	\$1,094,650,547	\$1,888,832,153	\$794,181,606	42%
Gasoline Stations	\$2,227	\$6,733	\$606,609,964	0%	\$606,609,964	\$1,834,170,784	\$1,227,560,820	67%
Clothing & Clothing Accessories Stores	\$1,774	\$2,103	\$483,247,681	12%	\$425,257,960	\$573,007,212	\$147,749,252	26%
General Merchandise Stores	\$3,184	\$6,244	\$867,446,118	10%	\$780,701,506	\$1,700,963,863	\$920,262,356	54%
Food Services & Drinking Places	\$3,677	\$4,856	\$1,001,702,118	0%	\$1,001,702,118	\$1,322,889,621	\$321,187,503	24%
Other Retail Group (8)	\$3,377	\$4,304	\$920,035,887	15%	\$782,030,504	\$1,172,645,536	\$390,615,032	33%
Total (all retail types)	\$24,931	\$44,258	\$6,792,010,457	6.8% (9)	\$6,329,517,959	\$12,057,380,450	\$5,727,862,491	48%

Sources: US Census, American Community Survey (ACS), "S1902: Mean Income in the Past 12 Months"; State of California Department of Finance, Table E-5 for 2019; "Bagged or Boxed: The Future of 13 Retail Categories," 2017, page 11, Jones Lang LaSalle; "Table 3. Supplemental Estimated Quarterly U.S. Retail Trade Sales (Not Adjusted, millions of dollars) - Total and E-commerce, "Retail Indicators Branch, U.S. Census Bureau, February 19, 2021; "U.S. Retail Market Outlook," March 2021, page 7, Cushman & Wakefield; and ALH Urban & Regional Economics.

(1) All figures are expressed in 2019 dollars.

(2) The per household spending estimates for Kern County were generated by ALH Urban & Regional Economics by taking the estimated average 2019 area household income figure of \$75,669 from the ACS and multiplying by 32.9%, utilizing the assumption that 32.9% of household income is spent on California Department of Tax and Fee Administration (CDTFA) type retail. This figure was then multiplied by the percentages calculated from the ratio of the CDTFA sales for the State of California. See Exhibit 7.

(3) Presented for illustrative purposes. Comprises Kern County sales divided by the estimated household count of 272,433 from the State of California Department of Finance.

(4) Total Demand represents per household spending multiplied by the 2019 household count for Kern County of 272,433, per the State of California Department of Finance (with housing unit count deemed a proxy for households).

(5) ALH Urban & Regional Economics developed these percentage estimates after reviewing and analyzing many retail-related resource materials with information about the share of consumer retail sales captured by the internet around 2019. The sources included estimates by retail category, many of which coincided exactly with the CDTFA retail categories and many of which were for more specific categories that ALH Urban & Regional Economics then aggregated for analytical purposes. The resources used for this analysis comprised the source materials referenced in the exhibit Sources prepared by Jones Lang LaSalle, the U.S. Census Bureau, Cushman & Wakefield, and CDTFA.

(6) Comprises the balance of household demand anticipated to be expressed for brick and mortar stores, after deducting the percent of demand assumed to be satisfied by internet sales.

(7) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

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

(9) Weighted average totals.

Exhibit 16
City of Bakersfield (1)
Estimated Retail Sales Base
2021 (2)

Retail Category	2020		Growth Assumption to 2021 (3)	Estimated 2021 Sales Base
	Total Taxable Sales City of Bakersfield (1)	City of Bakersfield Taxable Sales Adjusted to Total Retail (2)		
Motor Vehicles & Parts Dealers	\$1,409,807,838	\$1,409,807,838	2%	\$1,438,003,995
Home Furnishings & Appliance Stores	\$227,159,699	\$227,159,699	2%	\$231,702,893
Building Materials & Garden Equip .	\$499,541,384	\$499,541,384	2%	\$509,532,212
Food & Beverage Stores	\$286,694,220	\$955,647,400	2%	\$974,760,348
Gasoline Stations	\$426,899,566	\$426,899,566	2%	\$435,437,557
Clothing & Clothing Accessories Stores	\$289,132,920	\$289,132,920	2%	\$294,915,578
General Merchandise Stores	\$949,604,122	\$1,266,138,829	2%	\$1,291,461,606
Food Services & Drinking Places	\$740,065,331	\$740,065,331	2%	\$754,866,638
Other Retail Group	\$449,278,430	\$552,300,919	2%	\$563,346,937
Total (6)	\$5,278,183,510	\$6,366,693,886	2%	\$6,494,027,764

Source: ALH Urban & Regional Economics.

(1) See Exhibit 11.

(2) See Exhibit 12 for the methodology converting taxable retail sales to total sales.

(3) Conservative growth rate estimated based on analysis of Bakersfield's annual taxable retail sales trends in Exhibit 11.

Exhibit 17
Majestic Gateway
Project Sales Impact on Existing Bakersfield Retail Base
2021 Sales Base, In 2021 Dollars

Retail Category	Project Sales Supported by Market Area Households (1)	2021 Bakersfield Retail Base (2)	Sales Diverted from the Existing Retail Base (3)	Existing Majestic Gateway Sales Impact (4)	New Market Area Demand to 2026 (5)	Sales Impact by 2026 (6)	2026 Majestic Sales Impact (7)
Motor Vehicle & Parts Dealers	\$0	\$1,438,003,995	\$0	0.0%	NA	\$0	NA
Home Furnishings & Appliances (4)	\$3,656,250	\$231,702,893	\$3,656,250	1.6%	\$869,395	\$2,786,855	1.2%
Building Materials & Garden Equipment	\$3,656,250	\$509,532,212	\$3,656,250	0.7%	\$1,295,920	\$2,360,330	0.5%
Food & Beverage Stores	\$0	\$974,760,348	\$0	0.0%	NA	\$0	NA
Gasoline Stations	\$0	\$435,437,557	\$0	0.0%	NA	\$0	NA
Clothing & Clothing Accessories (5)	\$2,315,625	\$294,915,578	\$2,315,625	0.8%	\$1,309,444	\$1,006,181	0.3%
General Merchandise Stores	\$12,870,000	\$1,291,461,606	\$12,870,000	1.0%	\$2,419,630	\$10,450,370	0.8%
Food Services & Drinking Places	\$10,848,750	\$754,866,638	\$10,848,750	1.4%	\$3,193,280	\$7,655,470	1.0%
Other Retail Group (6)	\$12,553,125	\$563,346,937	\$12,553,125	2.2%	\$2,492,999	\$10,060,126	1.8%
Total	\$45,900,000	\$6,494,027,764	\$45,900,000	0.7%	\$11,580,667	\$34,319,333	0.5%

Source: ALH Urban & Regional Economics.

(1) See Exhibit 2. These are equivalent to the sales diverted away from existing retailers since Bakersfield is a sales attraction retail market.

(2) See Exhibit 16.

(3) Since there is no estimated leakage for Project sales to absorb, the analysis assumes that all sales generated by market area households will be diverted away from existing area retailers.

(4) These figures comprise the percent impact on the estimated existing (2021) citywide retail base by retail category.

(5) See Exhibit 10.

(6) The diverted sales presented in the third column are reduced by the estimated new market area demand to 2026.

(7) These figures comprise the percent impact on the existing citywide retail base by retail category net of future demand generated by market area households between 2021 and 2026.

Exhibit 18
Representative Retail Future Supply (1)
City of Bakersfield
Compiled November 2021

Project Status/ Project Name	Acres	Size (2)		Address/Location	Miles from Site (3)	Developer/Broker	Occupancy, Marketing Information, and Planning Status (4)
		Total	Available				
Projects Developed or In Process							
Floor & Décor Center (5)	14.92	135,500	55,500	6800 Colony Street NWC Colony Street & Berkshire Road	1.6	ASU Commercial	Floor & Décor occupies 80,000 sq. ft. The balance of the space is not built but is actively being marketed. Planned building sizes include 30,000 sq. ft., 15,000 sq. ft., and four spaces ranging from 2,000 to 2,500 sq. ft. Other anticipated tenants include retail and food.
Panama Village	11.50	81,950	81,000	SWC White Lane & Highway 99	3.2	Sangera Properties/ ASU Commercial	Dutch Bros. tenant secured, other spaces being actively marketed. Anchor spaces total 20,000 and 25,000 sq. ft., sub-anchor space totals 9,000 sq. ft., and other spaces range from 950 (Dutch Bros.) to 6,000 sq. ft.
Old River Ranch	NA	64,812	51,412	SWC Panama Lane & Old River Road	6.0	ASU Commercial	Existing Phase I tenants include Starbucks, Flame Broiler, Epic Wings, a Nail Salon, and Millbrook Convenience store and gasoline. Approximately 13,400 square feet already leased. Phase II leasing activity includes two 20,000-square-foot anchor spaces still available as well as a 7,000-square-foot building and other shop space. Located in a predominantly residential neighborhood.
Sub-Total		282,262	187,912				
Projects Not Yet Developed							
Name TBD (6)	NA	54,400 to 100,000	54,400 to 100,000	NWC Hosking Avenue & South H Street	0.1	ASU Commercial/Family-owned	Approved by City of Bakersfield. Owner waiting to see what happens at the Majestic Realty Project site before proceeding with retail development plans.
The Crossings at Hoskings	28.80	174,000	174,000	SWC Hosking Avenue & South H Street	0.1	Bomar Partners/Olivieri	Tentative Map expires 2/20/22. Phase I planned square footage of 43,385 square feet is presently being marketed.
Name TBD	NA	118,755	118,755	NEC Panama Lane & Old River Road	6.0	Nicholson Combs, LLC	Regional commercial center (approved by PC). Tenant types include Gym (31,500 SF), Convenience Store (4,088 SF), Bank, Restaurants/Fast Food, and Gas Station.
Name TBD	32.00	NA	NA	NEC Panama Lane & Old River Road 9600 Panama Lane	6.0		Permit issued. Project moving forward.
Sub-Total		347,155 to 392,755	347,155 to 392,755				
Grand Total (7)		629,417 to 675,017	535,067 to 580,667				

Sources: ASU Commercial marketing brochures; Ruetters & Schuler; City of Bakersfield Planning Department; developer and broker websites; and ALH Urban & Regional Economics.

(1) This is a representative sample of planned retail projects in or near the Retail Market Area for the proposed Majestic Gateway retail project. Other as yet undeveloped projects may also be engaged in the City of Bakersfield planning process, or anticipating future development.

(2) Project size information sometimes varied by source, especially between the City of Bakersfield and retail broker information. Where sources varied, ALH Urban & Regional Economics deferred to the brokerage marketing information developed for the project.

(3) For mapping purposes, the Project site is mapped at the intersection of Hosking Avenue & South H Street.

(4) This is a mixture of information from different sources.

(5) The name for this center is not known; the name of Floor & Décor Center was assigned by ALH Urban & Regional Economics.

(6) Square footage information varies by source, hence two figures are reported.

(7) Totals are not complete as some acreages, total square footages, and available square footages are missing.

Exhibit 19
Estimated City of Bakersfield Retail Demand Generated by New Household Growth
From 2021 to 2026
For Brick & Mortar Retail Goods and Restaurants, In 2021 Dollars

Retail Category	Distribution of Demand (2)	Brick & Mortar Market Area Demand (1)				Sales per Sq. Ft. (7)	Supportable Sq. Ft. (8)
		Total Per HH (3)	Percent E-Commerce (4)	Adjusted for Brick & Mortar (5)	Total (6)		
Motor Vehicles & Parts Dealers	14.6%	\$3,783	5.0%	\$3,594	\$13,251,235	NA	NA
Home Furnishings & Appliance Stores	5.0%	\$1,300	20.0%	\$1,040	\$3,835,257	\$325	11,801
Building Materials & Garden Equip .	6.7%	\$1,723	10.0%	\$1,551	\$5,716,832	\$325	17,590
Food & Beverage Stores (9)	16.6%	\$4,304	5.0%	\$4,089	\$15,076,590	\$600	25,128
Gasoline Stations	8.9%	\$2,314	0.0%	\$2,314	\$8,530,712	NA	NA
Clothing & Clothing Accessories Stores	7.1%	\$1,843	15.0%	\$1,567	\$5,776,496	\$325	17,774
General Merchandise Stores	12.8%	\$3,309	12.5%	\$2,895	\$10,673,978	\$300	35,580
Food Services & Drinking Places	14.7%	\$3,821	0.0%	\$3,821	\$14,086,865	\$550	25,612
Other Retail Group	13.5%	\$3,509	15.0%	\$2,983	\$10,997,639	\$325	33,839
Total Retail Spending	100.0%	\$25,906	7.9%	\$23,853	\$87,945,604	NA	167,324
Space Increment for Services (10)							10%
Total New Retail and Service Retail Space Demand (11)							185,915
Space Allocation for Retail Vacancy (12)							5%
Grand Total New Retail and Service Retail Space Demand (13)							195,700

Sources: "Bagged or Boxed: The Future of 13 Retail Categories," 2017, page 11, Jones Lang LaSalle; "Table 3. Supplemental Estimated Quarterly U.S. Retail Trade Sales (Not Adjusted, millions of dollars) - Total and E-commerce," Retail Indicators Branch, U.S. Census Bureau, February 19, 2021; "U.S. Retail Market Outlook," March 2021, page 7, Cushman & Wakefield; "California Retail Analytics: Expanding Retailers and Retail Stores Sales Estimate," page 4, HdL ECONsolutions, 2019; emarketer.com (2018 retail sales per square foot); and ALH Urban & Regional Economics.

- (1) Total household demand for the Retail Market Area takes into account estimates for e-commerce retail expenditures.
- (2) Distribution of demand by retail category is based on the distribution of all sales in the State of California, as presented in Exhibit 6.
- (3) Total household spending by retail category is based upon average market area household income estimate of \$83,710 (see Exhibit 5) and average household spending of 31% (see Exhibit 7).
- (4) ALH Urban & Regional Economics developed these percentage estimates after reviewing and analyzing many retail-related resource materials with information about the share of consumer retail sales captured by the internet around 2019 and thereafter. The sources included estimates by retail category, many of which coincided exactly with the CDTFA retail categories and many of which were for more specific categories that ALH Urban & Regional Economics then aggregated for analytical purposes. The resources used for this analysis comprised the source materials prepared by Jones Lang LaSalle, the U.S. Census Bureau, Cushman & Wakefield, and CDTFA.
- (5) Household demand by category is adjusted downward based on the share of demand estimated to be spent on e-commerce.
- (6) Total household demand is based on spending per category and the market area household count increase from 2021 to 2026, estimated to total 3,687, as prepared by Claritas. See Exhibit 5.
- (7) See Exhibit 1 for the sales per square foot, which match the assumptions for the Project. The auto-related categories are excluded because they are generally not represented among the cumulative retail supply.
- (8) Supportable square feet is estimated by dividing the total new brick & mortar retail demand by the sales per square foot assumption. The total figure excludes auto-related categories.
- (9) The Food & Beverage Stores sales per square foot is based upon review of some of the resources referenced in the Sources, including materials prepared by HdL and emarketer.com.
- (10) Reflects an allocation of 10% of space to accommodate service retail, such as banks, personal, and business services.
- (11) Figure is equal to Total Retail Spending/(1-.10), i.e., divided by 90%, comprising the inverse of the percent of space allocated to service retail.
- (12) Assumed modest retail vacancy rate to allow for market fluidity.
- (13) Figure is equal to Total New Retail and Service Retail Space Demand/(1-.05), i.e., divided by 95%, comprising the assumed occupancy rate.

Exhibit 20
Cumulative Retail Projects Impact
On Bakersfield Retail Base
Estimated 2026 Impact (1)

Supply and Demand Characteristic	Figure
Cumulative Supply	
Majestic Gateway Retail Project (2)	187,500
Other Planned Projects (3)	
Projects Developed or In Process	187,912
Projects Not Yet Developed	392,755
32-acre Planned Project (4)	100,000
Sub-Total	680,667
Total New Supply	868,167
Future Demand (2026)	
City of Bakersfield New Demand (5)	195,700
Increment Due to Retail Attraction (6)	195,700
Total New Demand	391,401
Excess New Supply (7)	476,766
Existing City of Bakersfield Retail Inventory (8)	14,700,000
Cumulative Projects Vacancy Impacts	
Square Feet Impact (9)	238,383
Percent of Retail Base	1.6%

Source: ALH Urban & Regional Economics.

(1) This impact year was selected because it coincides with the demand estimates.

(2) See Exhibit 1.

(3) See Exhibit 18.

(4) Information on this project in Exhibit 18 does not include planned square footage. For the sake of the analysis, ALH Urban & Regional Economics assumes a planned retail size totaling 100,000 square feet.

(5) See Exhibit 19.

(6) As noted in Exhibit 14 ALH Urban & Regional Economics estimates that Bakersfield is characterized by about 50% retail sales attraction. The analysis therefore assumes that the market will continue to achieve this level of attraction.

(7) This figure comprises the Total New Supply less Total New Demand, with the result indicating that there is insufficient demand estimated to absorb the new supply.

(8) See Exhibit 21.

(9) Comprises one-half the Excess New Supply, based on an assumption that the existing inventory of retail stores will be able to absorb one-half of the excess supply in the form of reduced sales.

Exhibit 21
Estimated Bakersfield Retail Base
Excluding Auto Sales and Gas Stations (1)
2021

Retail Supply Characteristic	Figure		
Approach Based on Total Estimated Retail Sales			
Estimated 2021 Retail Sales (2)	\$4,620,586,212		
Average Sales Per Sq. Ft. (3)	\$325		
Calculated Retail Space	14,217,188		
Space Increment for Services (4)	10%		
Total Non-Auto Retail Space	15,796,876		
Approach Based on Sales/Sq. Ft. per Category			
<i>Retail Category</i>	<i>2021 Sales (2)</i>	<i>Sales Sq. Ft. (4)</i>	<i>Estimated Sq. Ft.</i>
Home Furnishings & Appliance Stores	\$231,702,893	\$325	712,932
Building Materials & Garden Equip .	\$509,532,212	\$325	1,567,791
Food & Beverage Stores	\$974,760,348	\$600	1,624,601
Clothing & Clothing Accessories Stores	\$294,915,578	\$325	907,433
General Merchandise Stores	\$1,291,461,606	\$300	4,304,872
Food Services & Drinking Places	\$754,866,638	\$550	1,372,485
Other Retail Group	\$563,346,937	\$325	1,733,375
Sub-total			12,223,489
Space Increment for Services (4)			10%
Total Non-Auto Retail Space			13,581,654
Non-Auto Retail Space Average			
Calculated			14,689,265
Rounded			14,700,000

Source: ALH Urban & Regional Economics.

(1) All figures included in the exhibit do not include auto sales or gasoline sales estimates.

(2) See Exhibit 16. This figure excludes auto and gasoline sales.

(3) See footnote (3) in Exhibit 1.

(4) See Exhibit 19.