

# **SAN MIGUEL RANCH RETAIL IMPACT**

# **SAN MIGUEL RANCH RETAIL IMPACT**

**Prepared for:  
LSA ASSOCIATES, INC.**

**January 2008**



---

**ALFRED GOBAR ASSOCIATES**

---

# Table of Contents

| CHAPTER     |   | PAGE   |
|-------------|---|--------|
| I           | INTRODUCTION .....  | I-1    |
|             | Study Objective and Approach .....  | I-1    |
| II          | SUMMARY AND CONCLUSIONS .....   | II-1   |
| III         | RETAIL COMPETITIVE IMPACT AND RISK OF URBAN DECAY .....   | III-1  |
|             | Project Description.....  | III-1  |
|             | Site Visibility, Access, and Exposure.....  | III-2  |
|             | Site Visibility.....  | III-2  |
|             | Site Access .....   | III-3  |
|             | Site Exposure .....   | III-4  |
|             | Relevant Trade Area.....  | III-4  |
|             | Trade Area Demographics and Future Growth.....  | III-6  |
|             | Consumer Demographics .....   | III-6  |
|             | Future Trade Area Growth.....   | III-7  |
|             | Retail Support Potential.....   | III-8  |
|             | Competitive Retail Supply.....  | III-10 |
|             | Residual Potential and Competitive Impact .....   | III-13 |
|             | Risk of Protracted Vacancies and Urban Decay.....   | III-14 |
| <br>EXHIBIT |   |        |
| I-1         | Post-Project Assessment of Trade Area Retail Potential<br>San Miguel Ranch, San Miguel, California .....          | II-3   |
| III-1       | San Miguel Ranch Site Location<br>San Miguel, California .....  | III-17 |
| III-2       | San Miguel Site Map<br>San Miguel, California and Vicinity .....  | III-18 |
| III-3       | Demographic and Income Comparison (Percentages)<br>San Miguel, California and Vicinity .....                      | III-19 |
| III-4       | Estimated Retail Sales Support Potential<br>Within 5-Mile Trade Area – San Miguel Ranch .....                     | III-21 |
| III-5       | Field Audit of Non-Residential Building Space<br>San Miguel, California – January 2008.....                       | III-22 |
| III-6       | Retail Storefront Comparison .....  | III-24 |
| III-7       | Estimated Sales Performance of Existing Retail Merchandisers<br>Within 5-Mile Trade Area – San Miguel Ranch ..... | III-25 |

# Table of Contents

| EXHIBIT |  | PAGE   |
|---------|--|--------|
| III-8   | Post-Project Assessment of Trade Area Retail Potential<br>San Miguel Ranch, San Miguel, California ..... | III-26 |

# Chapter I

## Introduction

### Study Objective and Approach

---

This report summarizes an economic-based analysis to determine the likely environmental effect that retail development within San Miguel Ranch will have on existing retailers within the San Miguel Urban Area, a rural enclave of San Luis Obispo County. San Miguel Ranch is a master plan residential project proposed for development immediately west of the San Miguel Urban Area. The proposed development plan calls for 5.5 acres of retail land use hosting a maximum of 21,000 square feet of retail-commercial space at the north end of the project. This analysis addresses the following environmental concerns related to the risk and likelihood of project-induced urban decay:

- Whether or not enough market potential exists to accommodate the scope of retail-commercial development proposed within San Miguel Ranch without having to dilute (or shift away) a significant amount of retail sales from existing retail establishments within the community.
- Whether or not any sales impact associated with a competitive sales shift can be reasonably expected to cause widespread retail vacancy that is of such protracted nature as to bring about serious neglect and deterioration of retail buildings currently occupied with retail activity.

In order to determine if the project will cause significant physical impacts, the following economic factors are considered:

- Market Potential – the relative abundance or absence of market potential determines the extent project performance is dependent on sales support that currently flows to existing retailers. When existing retailers cannot adequately satisfy consumer demand, consumers direct a portion of their spending to retailers outside the area. When a significant volume of consumer sales support leaks out of a localized area, market opportunity exists to recapture lost potential

with the introduction of new retailers, commonly located in new retail development.

- Competitive Interaction – in healthy and mature retail markets the entry of new retailers invariably influences the shopping behavior of consumers that previously shopped at existing retailers. All things equal, however, consumers favor convenience. As a result, new retail development tends to exert the greatest competitive influence on the purchase behavior of consumers it can serve more conveniently than the existing supply of competing retailers.

The following methodology guided the analysis of expected economic effect of retail development in San Miguel Ranch and the likelihood that significant environmental consequence associated with urban decay will occur as a result of such retail development:

- Project site location attributes are evaluated with respect to competitive retailing advantages or disadvantages that exist in relation to retailers in the historical center of San Miguel that now serve the community.
- Retail site access and exposure is evaluated in terms of the surrounding geographic area where site retailers can be expected to compete for consumer support.
- Selected demographic characteristics of trade area residents are evaluated in terms of factors that influence retail expenditures. Trade area expenditure potential is then estimated using broad-based per capita expenditure coefficients adjusted to account for unique trade area demographic circumstances.
- A field audit is conducted to identify, measure, and classify a broad mix of nonresidential buildings currently occupied in the community. Retail activities are further evaluated in terms of the estimated volume of trade area sales support currently flowing to existing retailers.
- A demand-supply analysis is prepared that estimates residual sales potential remaining in the trade area after accounting for the competitive performance of existing San Miguel retailers.
- Residual sales support is further evaluated with respect to benchmark levels of retail performance to identify the amount of retail floor space that can be supported by unmet demand. Retail floor space potential is compared against the proposed retail program to determine level of capture required to fully occupy the site.
- In the event insufficient retail floor space potential is identified to fully occupy the proposed retail program, the amount of corresponding sales shift needed from existing retailers is identified and quantified in terms of share of annual sales lost to competitive shift.

- Any significant competitive shift is evaluated in terms of the time required before the near-term reduction in sales is offset from sales growth, either resulting from trade area growth or constant dollar (inflation-adjusted) increases in sales growth.
- Based on the magnitude of sales shift, the potential for widespread vacancy resulting from project retail development is evaluated. Based on the projected period expected to elapse before impacted retailers recover lost sales, the risk of urban decay is evaluated in terms of its level of significance to the existing base of retail in the community of San Miguel.

# Chapter II

## Summary and Conclusions

1. The total amount of retail-commercial space proposed for development within San Miguel Ranch does not exceed 21,000 square feet. The proposed scale of development is consistent with a neighborhood-convenience oriented retail program characterized by smaller independent retailers that target day-to-day product consumption and consumer service needs of nearby residents.
2. Retail development at San Miguel Ranch will increase the number of storefront options available to consumers in this rural market area but does not constitute the most convenient shopping location for existing residents. Existing retailers are more conveniently located to residents living in the town center area of San Miguel. Regardless, the Project site remains a more convenient option for making incidental purchase of daily consumable products and services than driving a minimum of 8 to 10 miles one-way to stores in Paso Robles. As such, San Miguel Ranch retail can be expected to have a competitive influence on the purchase decisions of consumers living within a 5-mile area.
3. The surrounding trade area has experienced very little growth over the past several years. Development projects recently completed or underway in San Miguel are attractive but not of sufficient scope to alter the slow pace of growth that characterizes the area. By comparison, housing proposed at San Miguel Ranch will increase overall population in the trade area by about 45.0 percent to a total of 3,800 residents. Future growth in area market potential is largely tied to the San Miguel Ranch project. Upon project completion, total consumer spending by all residents is estimated to represent about \$36.0 million per year (described in current dollars) in retail support potential.
4. Retail development at San Miguel Ranch will compete with existing retailers for a portion of identified support potential. Existing retailers already capture a portion of estimated potential, and it is expected they will continue to capture the same precedent share in the future. A field audit of commercial buildings identified and measured more than 160,000 square feet of nonresidential floor

space within San Miguel, but only about 71,300 square feet could be classified as retail building space and over 60.0 percent of this space (43,250 square feet) is currently vacant. In all, the existing supply of competing retailers includes 15 storefront businesses occupying 19,600 square feet of retail space capturing an estimated \$8.0 million per year in retail support potential. The existing supply of competing retail within San Miguel is particularly low, even for the sparsely-populated trade area.

5. Exhibit II-1 summarizes a demand-supply analysis that compares the estimated pool of support potential anticipated once San Miguel Ranch is complete, share of potential captured by existing retailers, and residual opportunity that remains that Project retailers might seek to capture. Enough residual potential remains after accounting for existing retailers to support roughly 116,000 square feet of future retail space. A competitive retail project such as San Miguel Ranch, however, cannot be reasonably expected capture more than one-half of identified potential because of the low population base of the trade area and established shopping behavior of local residents that travel to Paso Robles to satisfy many shopping needs. Regardless, only 16.0 percent of identified potential must be captured at the San Miguel Ranch site to fully occupy 18,000 to 21,000 square feet of proposed retail space.
6. There is negligible risk retail development at San Miguel Ranch will adversely affect future sales performance of existing retailers and cause widespread and protracted vacancy that leads to urban decay. Retail development at San Miguel Ranch increases purchase options available in San Miguel but does not pose a significant threat to displace existing retailers who are more conveniently located to serve existing residents in the town center area. The risk of urban decay impacting a significant share of retail building space within San Miguel is a longstanding concern that predates this analysis or the proposed development at San Miguel Ranch. Given the age of many retail buildings and amount of vacant space that currently exists, the community of San Miguel will be faced with the challenge of refurbishing many older and dilapidated structures and improving curbside appearance of storefronts whether or not the proposed San Miguel Ranch retail program is ever developed.

**EXHIBIT II-1  
POST-PROJECT ASSESSMENT OF TRADE AREA RETAIL POTENTIAL  
SAN MIGUEL RANCH, SAN MIGUEL, CA**

| Retail Store-Group Activity       | Post-Project Potential | Existing Retailers |                     | Post-Project Residual | Post-Project Retail Potential <sup>1</sup> |                       |
|-----------------------------------|------------------------|--------------------|---------------------|-----------------------|--|-----------------------|
|                                   | (\$000's)              | Stores             | Est Sales (\$000's) | (\$000's)             | Target \$/SF                               | Floor Space (Sq. Ft.) |
| Food Store (Gross Sales)          | \$6,036                | 2                  | \$2,676             | \$3,361               | \$365                                      | 9,220                 |
| Drug Store                        | 684                    |                    |                     | 684                   | 169  | 4,040                 |
| Apparel Store                     | 1,969                  |                    |                     | 1,969                 | 201  | 9,770                 |
| General Merchandise               | 5,226                  |                    |                     | 5,226                 | 201  | 25,940                |
| Home Electronics-Appliances       | 443                    |                    |                     | 443                   | 201  | 2,200                 |
| Home Furniture-Furnishings        | 1,315                  |                    |                     | 1,315                 | 201  | 6,530                 |
| Home Improvement                  | 4,384                  |                    |                     | 4,384                 | 240  | 18,270                |
| Sporting Goods                    | 478                    |                    |                     | 478                   | 201  | 2,370                 |
| Bookstores                        | 400                    |                    |                     | 400                   | 201  | 1,980                 |
| Office-School Supplies            | 1,710                  |                    |                     | 1,710                 | 204  | 8,370                 |
| Misc-Specialty Retail             | 2,798                  | 2                  | 201                 | 2,596                 | 204  | 12,710                |
| Eating and Drinking               | 5,127                  | 8                  | 2,863               | 2,264                 | 262  | 8,640                 |
| Packaged Liquor                   | 333                    |                    |                     | 333                   | 204  | 1,630                 |
| Auto Parts                        | 607                    |                    |                     | 607                   | 204  | 2,970                 |
| Service Station                   | 4,457                  | 1                  | 2,163               | 2,294                 | 1,355                                      | 1,690                 |
| Antiques/Used Merchandise         | 63                     | 2                  | 146                 | (83)                  | 102  | no residual           |
| <b>Existing Trade Area Supply</b> | <b>\$36,030</b>        | <b>15</b>          | <b>\$8,049</b>      | <b>\$27,981</b>       | <b>\$241</b>                               | <b>116,330</b>        |

| Estimated Trade Area Resident Population |              |
|--|--------------|
| Existing Population Within 5 Miles       | 2,630        |
| San Miguel Ranch Residents               | 1,180        |
| <b>Post-Project Consumer Population</b>  | <b>3,810</b> |

| San Miguel Ranch Retail Development     |               |
|---|---------------|
| Business-Consumer Services <sup>2</sup> | 3,000         |
| Product Merchandising                   | 18,000        |
| <b>Total Retail-Commercial</b>          | <b>21,000</b> |

**Notes:**

1 Identified post-project retail potential is limited to product merchandising activities that generate sales tax on the value of items purchased.

2 Business and consumer service activities (e.g.: hair salons, dry cleaners, tax accountants, etc.) not part of detailed retail analysis but generally occupy 10% to 15% of in-line space in retail centers.

Source: California State Board of Equalization; Alfred Gobar Associates

# Chapter III

## Retail Competitive Impact and Risk of Urban Decay

The competitive effect associated with San Miguel Ranch retail development (Project) depends on the amount of retail floor space proposed, overall market potential describing the trade area where the retail project is expected to compete, supply of existing retailers competing for a portion of trade area potential, and resulting surplus or shortfall of market potential needed to accommodate the proposed retail program.

### Project Description

---

San Miguel Ranch is a 550-acre master plan development program proposed to include 389 housing units (345 single-family detached units and 44 multi-family units hosting approximately 1,180 residents) on 368.2 acres, up to 21,000 square feet of retail-commercial space on 5.5 acres (including landscaped slope areas), with the balance of the property improved with recreation areas and landscaped or natural open space. The master plan development will be located on the west side of U.S. Highway 101 (grade-separated freeway) to the northwest of the community of San Miguel, which is located on the east side of the freeway.

The 5.5-acre area designated for retail-commercial development is located at the northern entry to the 550-acre project. The designated commercial property is situated on elevated terrain that requires slope grading to create a 1.4-acre parcel and 1.8-acre parcel. The 1.4-acre parcel will be the first visible parcel when entering San Miguel Ranch from the north with a maximum allowable building area of 5,000 square feet. This smaller parcel is designated for Highway Retail, which may include a fast food restaurant, service station, or related uses that appeal to passing traffic on Highway 101. The 1.8-acre parcel will set lower than the smaller retail parcel but still command an elevated pad location with a maximum allowable building area of 16,000 square feet. This larger parcel is designated for Neighborhood Retail and Office, which can include a mix of retail merchandising, personal services, and consumer-business services (convenience store, dry cleaner, hair salon, insurance agent,

dentist, etc.). All combined, total retail-commercial space within San Miguel Ranch will not exceed 21,000 square feet. The scale of proposed retail-commercial development is consistent with an unanchored neighborhood-convenience oriented retail program (no stores exceeding 10,000 square feet) characterized by retailing activities that target day-to-day product consumption and consumer service needs of nearby residents.

San Miguel Ranch will have a north and south connection to the community of San Miguel, as shown in Exhibit III-1. The southern connection involves 1.4 miles of straight-forward travel to the center of town from the Project's southern boundary via a 0.6-mile connector road (yet to be constructed) to 10<sup>th</sup> Street (the middle of three freeway exits serving the community of San Miguel). The northern connection involves 2.4 miles of circuitous travel from the Project northern boundary. To reach the town center from the north, Project residents must travel 0.3 miles north via the Project main entry route (yet to be constructed) to the Camp Roberts freeway ramps (the northerly of three freeway exits serving San Miguel); then take the southbound Highway 101 on-ramp but exit immediately to the Mission Street underpass; then travel another 1.5 miles southward on Mission Street from the freeway underpass.

## Site Visibility, Access, and Exposure

---

### Site Visibility

The Project site will command a gateway location at the main entrance to San Miguel Ranch. As such, the Project site will enjoy a high level of visibility to resident traffic originating within the San Miguel Ranch development. Project site visibility to passing freeway traffic is mixed. The Project site is clearly visible to northbound travelers on Highway 101 for several seconds before they must choose to exit at the Camp Roberts interchange. Southbound travelers on Highway 101 have a clear view of the site vicinity when approaching 1.3 miles from the north. Shortly thereafter, the freeway grade drops into a low area and a clear view of the Project site remains blocked by a knoll until after the Camp Roberts exit is already passed, at which point the Project site becomes clearly visible.

## Site Access

For San Miguel Ranch residents the retail Project site will constitute the most convenient option for buying retail products and services used day-in and day-out. Reaching the Project site involves less than 0.75 miles of travel from the vast majority of residences in San Miguel Ranch, while a limited number of homes in the southwest portion of the Ranch may have to travel as much as 1.35 miles.

For existing residents in the community of San Miguel, retail development at the Project site increases the number of options available but does not constitute a highly convenient shopping location. The Project site is located beyond the north end of town. All existing retailers in San Miguel are more centrally located to the majority of existing residents. In order to reach the Project site, most existing residents will need to reverse the same 2.4-mile circuitous route used by San Miguel Ranch residents to enter town from the north. Reaching the Project site via the southern connector road from San Miguel Ranch involves further travel than leaving town on northbound Mission Street. To reach the Project site from the south, San Miguel residents must travel 2.75 miles from the center of town via the 10<sup>th</sup> Street freeway underpass, up the southern connector road and along Loop Road East through San Miguel Ranch. From the 10<sup>th</sup> Street freeway underpass, the quickest way to reach the Project site is likely to involve 2.2 miles of northbound travel along Highway 101 to the Camp Roberts exit, at which point it is necessary to double-back 0.6 miles.

Project site access from Highway 101 is good for northbound traffic but requires travelers to double-back a distance of 0.6 miles from the bottom of the exit ramp to access the site. First-tier freeway-oriented retail sites command visible locations immediately adjacent to on-ramps and off-ramps in order to maximize traveler convenience. Project site visibility for southbound freeway travelers is effectively blocked until after the off-ramp is already passed, thereby diminishing otherwise good access. It is expected many southbound travelers will choose to take the Mission Street exit in hopes of reaching the Project site only to find the ramp does not provide access into the San Miguel Ranch development.

## Site Exposure

Site exposure is similar to site visibility but relates more to the volume and nature of vehicle traffic that passes a site location on a repeated basis. A site location that is visible almost exclusively to traffic originating in the localized area invariably depends on consumers within the same limited geographic area to generate the bulk of its retail support. By comparison, a site location that enjoys visibility to a high volume of regional or cross-town traffic may be well suited to compete for retail support from consumers throughout a large geographic area. Project site exposure is both localized and regional in nature due to its gateway location within San Miguel Ranch and visibility to Highway 101.

Local-oriented exposure is relatively modest because vehicle traffic that will repeatedly pass the Project site is largely limited to San Miguel Ranch residents. Traffic not directly attributed to site retail visits is not expected to exceed 10,000 average daily trips (ADT) over the foreseeable future, due to the scope of residential development proposed (389 homes). Repeat exposure to daily travel patterns of existing San Miguel residents is limited by the Project site's isolated location north of town.

Any retailing advantage inherent with regional-oriented exposure along the Highway 101 freeway corridor is somewhat blunted by the Project site's proximity to the central business district of the City of Paso Robles. The main retail-commercial corridor in Paso Robles is located approximately 10 miles south of the Project site starting at the intersection of State Route 46. Paso Robles is a popular fueling, dining, and sleep-over location for long-haul travelers. Similarly, area residents regularly travel to Paso Robles on a weekly and periodic basis to stock up on daily consumables and to purchase products and services not otherwise available in San Miguel and the surrounding area.

## Relevant Trade Area

---

For most contemporary forms of retail development found in metro area markets (i.e.; Fresno, Bakersfield, Sacramento, etc.), the interaction of competitive factors tends to produce trade area patterns described by the following geographies:

| Nature of On-Site Retail Development | Metro Market Trade Area |
|--------------------------------------|-------------------------|
| Convenience                          | 0.5 to 1.0 Mile         |
| Neighborhood                         | 1.5 to 2.0 Mile         |
| Community/Sub-Regional               | 3.0 to 5.0 Miles        |
| Regional                             | 5.0 to 7.0 Miles        |
| Super-Regional                       | 5.0 to 10.0 Miles       |
| Outlet/Festival                      | 50.0 Miles Minimum      |

Source: Alfred Gobar Associates.

In rural or emerging area markets where the population base is small or scattered across a large area, retailers generally compete within a broader trade area setting than is true for stores within a metro market area. The community of San Miguel, with approximately 1,630 residents, and the surrounding North San Luis Obispo County and South Monterey County is best described as a sparsely-populated rural market area. Outside the town center area of San Miguel, there are fewer than 20 residents per square mile. The Census Bureau defines a rural environment as a statistical area with fewer than 1,500 residents per square mile. Outside of San Miguel, there are few resident consumers and retail options are virtually nonexistent until you reach the City of Paso Robles.

The Project site does not constitute a highly convenient retail location for existing residents within San Miguel or rural residents to the east or west. Regardless, the Project site remains a more convenient option to make incidental purchase of daily consumable products and services (milk, coffee, batteries, flowers, dry cleaning, nail care, etc.) than driving a minimum of 8 to 10 miles to stores in Paso Robles. As such, the relevant trade area for the Project site is much larger than would be normally assigned to a convenience-oriented site.

Exhibit III-2 describes the relevant geographic trade area used to evaluate retail market conditions and environmental effects that can be anticipated with retail development at San Miguel Ranch. The relevant trade area is identified by a 5-mile ring centered around the Project site. Much of the identified trade area beyond 3 miles to the north and south is committed to agricultural use or designated to remain undeveloped. The designated trade area generally describes an area where existing travel routes favor the Project site as a location to make incidental purchases as part of the daily travel routine of local residents.

## Trade Area Demographics and Future Growth

---

### Consumer Demographics

Exhibit III-3 provides a summary of selected demographic characteristics for existing residents within the relevant trade area assigned to the Project site. Also shown for comparative purposes are the same characteristics for selected reference geographies including the community of San Miguel, San Luis Obispo County, and the State. Trade area residents represent the principal element of retail support opportunity because they will demand the broadest range of retail goods and services within proximity to their homes.

As of mid-year 2007, an estimated 2,630 residents live within a 5-mile radius of the Project site. Of the existing trade area population, about 1,640 residents or 63.0 percent of the existing population lives within the town of San Miguel. The effective population density of the trade area equates to 33 persons per square mile overall, and approximately 1,900 persons per square mile in the town center area. By all standards, the trade area reflects a rural market setting with the bulk of support opportunity represented by residents clustered in the town center area.

Selected demographic characteristics that distinguish the trade area and provide insight about likely consumer spending behavior are summarized as follows:

- Trade area consumers reflect a relatively strong family orientation with about 87.0 percent of all household residents living as part of a family unit. By comparison, the overall share of County residents that live as part of a family unit is significantly lower at 74.0 percent. The Statewide average is 83.0 percent.
- A strong family orientation within the trade area does not necessarily translate to a larger household size. The average household size within the trade area (2.70 persons per household) exceeds the average size for San Luis Obispo County (2.30 persons per household) but is otherwise comparable to the State average (2.80 persons per household) and slightly lower than the average describing the town of San Miguel (2.90 persons per household).
- The share of trade area children and youth-age dependents living within the trade area (28.7 percent) is nearly 1.25 times higher than is true of the County overall (23.1 percent) but is otherwise comparable to the Statewide average (30.3 percent). By comparison, households within the town center area of San Miguel have the highest proportion of children and youth living at home (31.7 percent). A high proportion of dependent children generally favors retailers that focus on providing daily consumable products and services.

- The trade area hosts a relatively high proportion of young adults 25 to 34 years of age (17.6 percent) when compared to the County overall (15.7 percent) or State (14.5 percent). The heavy concentration of young adults is most evident within the town of San Miguel (20.5 percent). A heavy concentration of young adults contributes to a median age in the trade area (33.9 years) and town of San Miguel (28.1 years) that is considerably lower than the County overall (36.7 years).
- There are relatively few retirees and early-retirees living within the trade area or community of San Miguel. Seniors 55+ years of age make up a relatively small share of residents in the trade area (20.7 percent) or town of San Miguel (15.4 percent) compared to the County overall (27.0 percent). San Luis Obispo County hosts a disproportionately large number of retirees concentrated in the coastal communities. Consequently, seniors as a share of total population within San Luis Obispo County exceed the Statewide average by nearly 32.0 percent.
- The average annual income of trade area households (\$76,700 per year) lags the County average income level (\$87,200 per year) by 12.0 percent. Interestingly enough, average annual income of households within the town of San Miguel is also higher (\$80,700 per year) than the trade area overall.
- Per capita income is a good indicator of wealth income available to all household consumers including retirees, wage earners, and dependent children. Because the average household size describing all of San Luis Obispo County is relatively small, per capita income (\$35,300 per capita) exceeds the Statewide average (\$31,200 per capita) by about 13.0 percent. By comparison, per capita income describing trade area consumers (\$26,300 per capita) lags the Statewide average by nearly 16.0 percent. Relatively low per capita wealth suggests limits on the ability to merchandise high-value discretionary products and services.
- Educational achievement of trade area consumers contrasts sharply with overall County achievement. About 20.0 percent of existing trade area residents over the age of 25 have less than a high-school education versus 14.0 percent for the County overall. By comparison, less than 14.0 percent of the same group of trade area residents have graduated from college versus nearly 25.0 percent for the County. Educational achievement is a strong indicator of earnings potential.

### **Future Trade Area Growth**

Overall population growth throughout the trade area has been quite modest, increasing at an average annual rate of 2.2 percent per year since 2000, or roughly equivalent to 50 residents per year. Statistical projections of expected growth anticipate even slower growth over the next five years, at a rate of less than 1.0 percent annually or approximately 25 residents per year. For purpose of estimating trade area potential, projected population growth suggests a negligible amount of change in overall consumer spending potential over the next five years. Statistical estimates based on historic patterns of population growth, however, do not account for unique and localized circumstances, such as San Miguel Ranch discussed below.

A more realistic outlook of future population growth should account for the resident population envisioned at San Miguel Ranch.

Future growth in the town of San Miguel is guided by the Salinas River Area Plan – a long-term policy plan for rural and urban area growth between San Miguel on the north and Atascadero on the south. Under the Salinas River Area Plan, a 550-acre Planning Area delineates the town of San Miguel. The policy plan envisions a very slow pace of growth with no more than 2,000 total residents living in the community by 2020 and an eventual buildout population of approximately 3,600 residents. The San Miguel Ranch Project now being proposed is not part of the current Salinas River Area Plan but will add 389 homes and approximately 1,180 residents (3.03 persons per household) to the resident population base of San Miguel.

Within the broad Planning construct of the Salinas River Area Plan, numerous land use development programs are currently under construction; are being processed for building permits; have planning approval; or have been submitted for review and approval (cumulative projects). In total, these future development programs include plans for 19 residential dwelling units, 316 residential lots, about 4,600 square feet of retail-office space, 3,000 square feet of dedicated office space, and 34,700 square feet of agric-industrial space. The largest housing development program is a 10-unit apartment being processed for building permits in the town center area. A 60-lot residential subdivision was also recently approved. The largest nonresidential project currently underway is a 5,000-square-foot commercial-residential building that will include about 2,700 square feet of ground-floor commercial space with two residential dwellings on the second floor. The scope and timing of development activity now being processed in the relevant trade area is generally consistent with the statistical projection of mid-term growth indicated in Exhibit III-3.

## Retail Support Potential

---

Retail support potential is effectively defined by the volume of sales describing trade area consumer spending on retail products. On an individual basis, consumer spending is highly unique – some folks direct a greater share of income to sporting goods, others toward clothing, etc. In aggregate, the purchase behavior of consumers can be reasonably approximated using taxable sales reporting data

compiled by State and Federal agencies. For purpose of this analysis, per capita sales data compiled by the California State Board of Equalization is used to estimate retail support potential represented by trade area consumers as a whole.

Exhibit III-4 summarizes an assessment of average per capita sales reported in 2006 for distinct forms of retail merchandising activity (Store-Group categories) used to describe retailers within San Luis Obispo County and throughout the State. Both County and State benchmark references are used in estimating per capita spending, and to account for unique factors such as tourism and a large university student population that may distort the level of spending that can be realistically anticipated for a given category of activity (eating and drinking, sporting goods, etc.) within the relevant trade area.

Certain categories of spending noted in the County and State benchmark references are excluded in determining support potential within the trade area. Sales support associated with auto-vehicle sales (new car lots, trailer sales, RV sales, etc.) and rural-industrial sales (fuel and ice vendors, farm implements, etc.) is not included because it is highly unlikely these forms of taxable retail activity are compatible with the type of retail envisioned for the San Miguel Ranch retail properties. Also, indicated food store sales reflect gross sales (taxable and non-taxable) to account for the fact that roughly 65.0 percent of sales at grocery stores is for non-taxable food products. By comparison, indicated drug store sales is only for taxable sundry and over-the-counter products, but does not include pharmaceutical sales that can account for 60.0 to 70.0 percent of gross sales at a conventional drug store. Finally, all identified spending figures reflect current dollars for purpose of this analysis.

As shown in Exhibit III-4, an adjusted level of per capita spending is used to describe support potential from existing trade area residents, future residents residing at San Miguel Ranch, and both groups on a combined basis once proposed housing development at San Miguel Ranch is completed. Estimated spending support used to describe existing trade area residents is roughly 9.0 percent lower than the overall Statewide spending benchmark (\$8,672 versus \$9,515 per capita) to account for lower average household income and lower per capita income. By comparison, the average income of households residing in San Miguel Ranch is likely to exceed the Countywide average (\$87,200 per household) in order to afford newly built homes in

the project. To account for the higher income of San Miguel Ranch residents, the overall level of per capita spending support assigned to these consumers (\$11,207 per capita) is significantly higher than overall spending support assigned to existing trade area residents, but remains about 4.0 percent below the corresponding level of spending describing San Luis Obispo County (\$11,630 per capita) due to a larger average household size (3.03 persons per household) that limits overall income per capita. Without making the income-based adjustments to consumer spending described above, overall market potential in the trade area would be overstated by roughly 20.0 percent.

As shown in Exhibit III-4, the trade represents approximately \$36.0 million per year in overall retail sales support (described in current dollars) upon completion of the San Miguel Ranch. The existing population base of the relevant trade area (2,630 residents) accounts for about \$22.8 million of overall support potential, while the future resident population envisioned at San Miguel Ranch (1,180 residents) accounts for \$13.2 million of identified potential. Total identified retail support potential (\$36.0 million per year) describes the total pool of support that existing San Miguel retailers and future retailers at San Miguel Ranch must seek to attract to their respective businesses.

### Competitive Retail Supply

---

Future retail activity at the Project site will need to compete with existing retailers for a share of sales support from residents within the relevant trade area. The existing supply of San Miguel retailers (specifically retailers that generate sales tax) effectively limit market potential that remains available to support the development of retail space at San Miguel Ranch.

To quantify the supply of competing retailers, a field audit of nonresidential building space within the community of San Miguel was conducted in January 2008. The field audit identified, measured, and classified all nonresidential buildings within the community, excluding the historic mission, church buildings, community clubhouses, boarding houses, utility buildings, and government buildings. Results of the field audit are summarized in Exhibit III-5. In total, 41 storefront locations representing more than 161,000 square feet of building space have been identified. About 90,000

square feet or 56.0 percent of nonresidential building space not suitable for retail activities and is either vacant or occupied by non-retail businesses including lodging, business services, miscellaneous and non-retail uses, or agricultural-industrial functions. No personal service businesses (such as hair salons, nail salons, etc.) currently exist in storefront locations.

Retail buildings in San Miguel host 31 storefront locations and account for 71,300 square feet of space, or 44.0 percent of all nonresidential building space within the community. Not all retail building space is occupied for retail activity generating sales tax. A mobile home service company, community bank, real estate office, and two dead-storage areas occupy 5 storefront locations occupying about 8,440 square feet. Exhibit III-6 illustrates the store type composition of existing storefronts in San Miguel compared to the storefront mix that typifies neighborhood- and community-serving retail centers and districts. As shown, many store type activities common to most neighborhood-serving retail districts do not exist in San Miguel, while the Spartan supply of retailers that do exist is relatively overstated as a share of all retail-oriented business.

The supply of vacant retail space in San Miguel is substantial. Eleven storefront locations are vacant and represent about 42,250 square feet of retail building space. The current supply of vacant retail space represents an overall vacancy rate exceeding 60.0 percent. The extensive supply of vacant retail space is largely due to the dilapidated condition of many retail storefronts and associated lease space. Many retail buildings are over 50 years old and show signs of protracted neglect. By comparison, new construction and remodeling efforts are underway in two locations that account for 8,330 square feet, or 20.0 percent of all vacant retail space in San Miguel.

Existing retail businesses expected to compete directly with retail development in San Miguel Ranch occupy 15 storefront locations and about 19,600 square feet of retail building space, or an average of 1,300 square feet per business location. The precise location and business name of each competing retailer has been previously detailed in Exhibit III-5 but can be generally summarized as follows:

| Store-Group Activity      | Number of Stores | Space Occupied |
|---------------------------|------------------|----------------|
| Food Stores               | 2                | 4,508          |
| Misc/Specialty Retail     | 2                | 1,752          |
| Eating and Drinking       | 8                | 9,266          |
| Service Stations          | 1                | 1,388          |
| Antiques/Used Merchandise | <u>2</u>         | <u>2,694</u>   |
|                           | 15               | 19,608         |

The current supply of occupied retail space is low, even for the limited population base of the trade area. In a mature retail market, consumer spending can generally support on the order of 50 square feet of retail space per capita across a full range of retail merchandising, personal service, and consumer service activity. Convenience- and neighborhood-serving activities most often account for 40% to 60% of this support limit, or roughly 20 to 30 square feet per capita. The current supply of competing retail space within San Miguel is roughly equal to 10 square feet per capita. The low population base of the trade area is a significant factor contributing to the limited supply of competing retail.

Existing retailers already capture a share of consumer spending by trade area residents. An underlying assumption of the impact analysis is that existing retailers will continue to capture their precedent share of support, thereby limiting market potential that remains available in the trade area that retail development at San Miguel Ranch might seek to attract. Exhibit III-7 summarizes the Consultant's estimate of taxable sales performance describing the existing supply of retailers within the trade area. Estimated sales performance is based on overall average sales per establishment describing the State of California and San Luis Obispo County; Bureau of Census 2002 Economic Census data distinguished by size of establishment to characterize anchor and non-anchor retailers; and median sales per square foot performance for a broad selection store-group activities reported by the Urban Land Institute *2006 Dollars and Cents of Shopping Centers*.

As shown in Exhibit III-7, total annual sales potential captured by existing retailers in San Miguel is estimated at approximately \$8.0 million, or an average of \$537,000 per establishment. The estimated level of average sales per existing establishment is roughly 40.0 percent lower than the broad benchmark reference describing all

retailers throughout San Luis Obispo County and State of California. A lack of volume-discount retailers and anchor stores in the trade area is a significant factor contributing to lower overall sales. Despite low overall sales per establishment, the Consultant's estimate of total annual sales likely overstates actual sales performance of existing retailers. When evaluated in terms of effective sales per square foot, overall sales performance exceeds \$320 per square foot of occupied floor space, excluding the service station on 10<sup>th</sup> Street. The corresponding benchmark reference reported by the Urban Land Institute in 2006 for neighborhood- and community-serving centers is \$169 and \$236 per square foot, respectively.

### Residual Potential and Competitive Impact

---

The probable likelihood that existing retailers in San Miguel will be significantly impacted by the development and occupancy of retail space in San Miguel Ranch is strongly influenced by the volume of annual sales potential not already captured by existing retailers. Market potential that remains available to increase the supply of occupied retail space at San Miguel Ranch is largely defined by the volume of sales potential that leaves the area and flows to retailers in other locations, such as the City of Paso Robles.

The small population of the trade area poses a challenge to many prospective retailers that need to achieve threshold levels of overall sales performance to realize profitable operations, particularly anchor-scale and chain-store operators. Consequently, a portion of total identified support potential is destined to flow outside the trade area until such time the overall population base increases. A realistic scenario of market capture opportunity describing the competitive limits of retail performance for retail at San Miguel Ranch is roughly one-half of identified potential that now leaves the area to Paso Robles and other well-established retail districts.

Exhibit III-8 summarizes the residual volume of market potential that remains after accounting for the competitive performance of existing retailers and anticipated population growth represented by San Miguel Ranch. Also shown is the amount of retail floor space that remaining (unmet) potential can realistically support based on median sales performance benchmarks used to describe neighborhood- and community-serving retail development. Over the near- to mid-term, retail

development at San Miguel Ranch is not likely to compete very effectively for more than one-half of identified potential, given established shopping behavior of trade area residents which is strongly influenced by the large base of retail stores in Paso Robles.

As shown in Exhibit III-8, residual market potential within the designated trade area can support over 116,000 square feet of retail space based on a median level of sales performance describing neighborhood- and community-serving development. This level of residual potential translates to roughly 58,000 square feet of maximum potential for a competitive retail location within the designated trade area. By comparison, a maximum of 21,000 square feet of retail-commercial space will be built at San Miguel Ranch, and at least 3,000 square feet of proposed space is likely to be occupied for consumer-service and business-service activities. To fully develop and occupy the of proposed amount of retail space within San Miguel Ranch, only about 16.0 percent of unmet support potential must be captured on site.

The scope of retail development proposed at San Miguel Ranch is modest in comparison to the level of market support that remains under-served within the relevant trade area. Development and occupancy of 18,000 to 21,000 square feet of retail space in San Miguel Ranch can be expected to increase the number of retail purchase options available to residents within and around the community of San Miguel without adversely affecting sales performance of existing retailers.

### Risk of Protracted Vacancies and Urban Decay

Proposed development and occupancy of 18,000 to 21,000 square feet of retail-commercial space with retail merchandising activities poses negligible risk to the sales performance of existing retailers within the community of San Miguel. With respect to location, the Project site does not afford existing residents with a more convenient alternative than is currently represented by existing retailers within the town center area. Retail development at the Project site does, however, increase the number of purchase options available to existing residents as an alternative to an 8- to 10-mile drive into Paso Robles. The bulk of support for retail activities at the Project site can be expected to originate from San Miguel Ranch residents themselves. The projected resident population at San Miguel Ranch (1,180

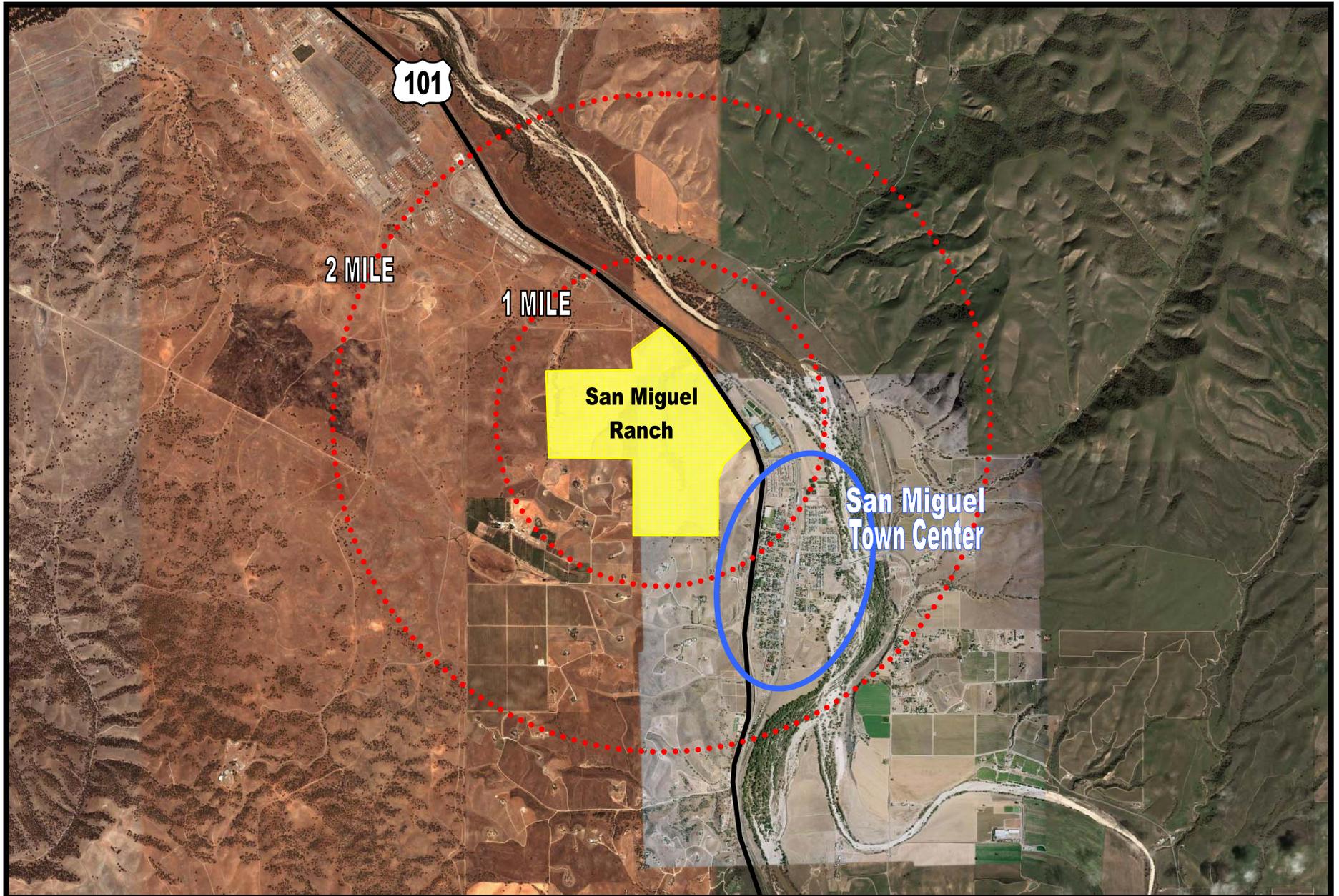
residents) represents a 45.0 percent increase in the overall population base of the trade area and enough sales support to warrant roughly 53,000 square feet of conventional retail space. The likelihood that retailers within San Miguel Ranch will be heavily dependent on support from existing residents within the town center area of San Miguel is remote.

About 43,250 square feet (or 60.0 percent) of existing retail building space within the town of San Miguel is currently vacant. Much of the vacant space exists because affected storefronts and interior areas are functionally obsolete, impacted by age, and in various states of deterioration due to lack of maintenance or neglect. Tangible efforts to restore existing retail space or build new contemporary retail space are evident at several town center locations. Notable efforts include the Mission Market & Deli and Heritage Oaks Bank building with approximately 3,600 square feet of ground-level retail space (recently completed); a new 5,430 square foot retail-office building at 1450 Mission Street (currently under construction); and approximately 2,870 square feet of partially restored storefront space (4 divisible spaces available for lease) at 1145 Mission Street. In addition, an attractive parking and sidewalk improvement effort has served to improve accessibility to storefronts facing Mission Street between 12<sup>th</sup> and 13<sup>th</sup> Street. Despite these noteworthy investments, the appearance of many existing retail buildings in San Miguel already indicate signs of protracted neglect of building finishes and detail.

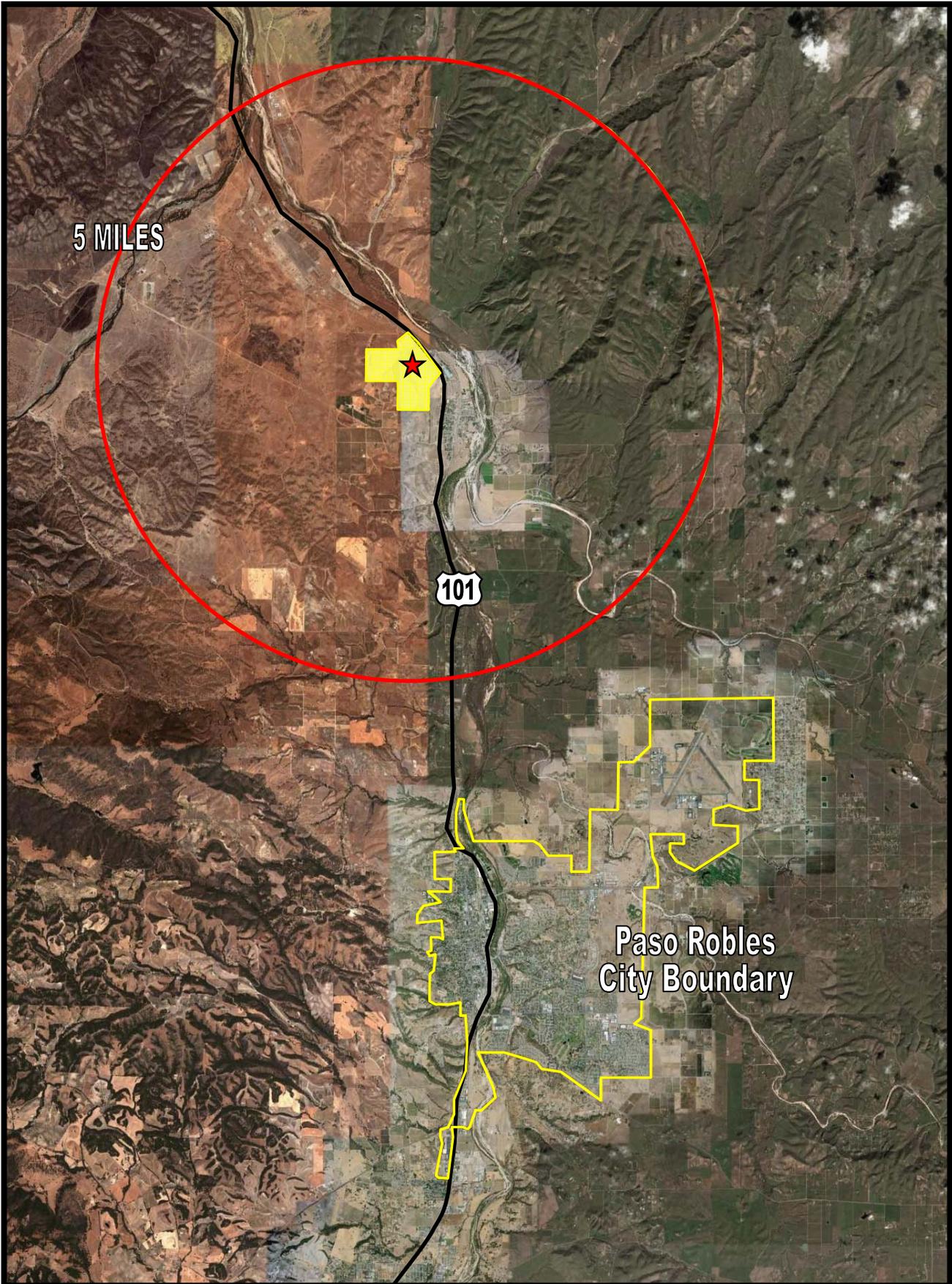
The risk of urban decay impacting a significant share of retail building space within San Miguel is a longstanding concern that predates this analysis and proposed development at San Miguel Ranch. The community of San Miguel will be faced with the challenge of refurbishing many older and dilapidated structures and improving curbside appearance of storefronts whether or not the proposed San Miguel Ranch retail program is ever developed. As the above improvement projects indicate, there are numerous material examples that the need to forestall urban decay is being taken seriously. Proposed retail development in San Miguel Ranch would have a significant risk of adversely impacting individual and collective efforts to refurbish the significant supply of vacant and deteriorated retail buildings if the overall level unmet support potential in the trade area were much smaller. The volume of unmet retail potential, however, is substantial in relation to the trade area's existing and projected population base. There is, in fact, a relative undersupply of existing retail space

occupied for business within San Miguel, even for the limited population base. Proposed retail at San Miguel Ranch will be substantially supported by expenditure growth in the trade area represented by future project residents and, to a lesser extent, recapture of volume of unmet demand that currently flows out of the area to stores in Paso Robles and beyond.

**EXHIBIT III-1  
SAN MIGUEL RANCH SITE LOCATION  
SAN MIGUEL, CA**



**EXHIBIT III-2  
SAN MIGUEL SITE MAP  
SAN MIGUEL, CA, AND VICINITY**



**EXHIBIT III-3**

**DEMOGRAPHIC AND INCOME COMPARISON (PERCENTAGES)  
SAN MIGUEL, CA AND VICINITY**

| Demographic Variables                 | San Miguel | 5.0 Mile Ring | San Luis Obispo County | California |
|---------------------------------------|------------|---------------|------------------------|------------|
| 2012 Population                       | 1,716      | 2,755         | 262,471                | 38,096,486 |
| 2007 Population                       | 1,641      | 2,627         | 258,516                | 36,774,880 |
| 2000 Population                       | 1,427      | 2,254         | 246,681                | 33,871,648 |
| 1990 Population                       | 1,217      | 1,785         | 217,062                | 29,760,082 |
| % Change in Population 2006-2012      | 4.6%       | 4.9%          | 1.5%                   | 3.6%       |
| % Change in Population 2000-2007      | 15.0%      | 16.5%         | 4.8%                   | 8.6%       |
| % Change in Population 1990-2000      | 17.3%      | 26.3%         | 13.6%                  | 13.8%      |
| 2012 Households                       | 617        | 977           | 110,427                | 13,579,147 |
| 2007 Households                       | 571        | 902           | 104,724                | 12,948,833 |
| 2000 Households                       | 468        | 728           | 92,739                 | 11,502,870 |
| 1990 Households                       | 430        | 605           | 80,250                 | 10,381,193 |
| % Change in Households 1990-2000      | 8.8%       | 20.3%         | 15.6%                  | 10.8%      |
| % Change in Households 2000-2007      | 22.0%      | 23.9%         | 12.9%                  | 12.6%      |
| 2007 Persons in Household             |            |               |                        |            |
| 1 Person Household                    | 21.4%      | 22.8%         | 34.2%                  | 25.4%      |
| 2 Person Household                    | 29.1%      | 31.7%         | 32.9%                  | 29.1%      |
| 3 Person Household                    | 17.0%      | 16.1%         | 13.2%                  | 15.3%      |
| 4 Person Household                    | 15.1%      | 14.6%         | 11.3%                  | 14.6%      |
| 5 Person Household                    | 11.4%      | 9.5%          | 5.1%                   | 8.3%       |
| 6+ Person Household                   | 6.1%       | 5.3%          | 3.3%                   | 7.3%       |
| 2007 Average Household Size           | 2.90       | 2.70          | 2.30                   | 2.80       |
| 2000 Population by Household Type     |            |               |                        |            |
| Group Quarters                        | 0.5%       | 0.5%          | 6.3%                   | 2.4%       |
| Family                                | 86.7%      | 86.8%         | 73.7%                  | 83.4%      |
| Non-Family                            | 12.8%      | 12.7%         | 20.0%                  | 14.1%      |
| 2000 Average Family Size              | 2.64       | 2.69          | 1.96                   | 2.46       |
| 2007 Ethnicity                        |            |               |                        |            |
| White                                 | 57.3%      | 69.0%         | 82.5%                  | 59.6%      |
| Black                                 | 1.5%       | 1.2%          | 2.1%                   | 6.5%       |
| Asian/Pacific Islander                | 0.5%       | 0.6%          | 3.3%                   | 12.9%      |
| Other                                 | 39.2%      | 27.9%         | 11.4%                  | 20.3%      |
| Two or More Races                     | 1.6%       | 1.4%          | 0.6%                   | 0.7%       |
| Hispanic                              | 41.3%      | 31.1%         | 18.7%                  | 36.4%      |
| 2007 Detailed Population by Age Group |            |               |                        |            |
| 0-19                                  | 31.7%      | 28.7%         | 23.1%                  | 30.3%      |
| 20-24                                 | 4.8%       | 3.9%          | 6.1%                   | 5.7%       |
| 25-34                                 | 20.5%      | 17.6%         | 15.7%                  | 14.5%      |
| 35-54                                 | 27.6%      | 29.1%         | 28.0%                  | 29.1%      |
| 55-64                                 | 8.1%       | 11.5%         | 12.3%                  | 9.7%       |
| 65-74                                 | 3.1%       | 4.6%          | 6.7%                   | 5.4%       |
| 75+                                   | 4.2%       | 4.7%          | 8.1%                   | 5.4%       |
| 2007 Median Age                       | 28.1       | 33.9          | 36.7                   | 33.7       |

Source: Alfred Gobar Associates; AnySite Online.com.

**EXHIBIT III-3 (Cont'd)**

**DEMOGRAPHIC AND INCOME COMPARISON (PERCENTAGES)  
SAN MIGUEL, CA AND VICINITY**

| Demographic Variables                        | San Miguel | 5.0 Mile Ring | San Luis Obispo<br>County | California |
|--|------------|---------------|---------------------------|------------|
| <b>2007 Household Income Distribution</b>    |            |               |                           |            |
| Less than \$14,999                           | 6.7%       | 8.8%          | 9.7%                      | 10.0%      |
| \$15,000 - \$24,999                          | 8.9%       | 11.2%         | 9.6%                      | 9.3%       |
| \$25,000 - \$34,999                          | 11.2%      | 12.8%         | 9.9%                      | 9.3%       |
| \$35,000 - \$49,999                          | 19.6%      | 19.1%         | 14.4%                     | 14.3%      |
| \$50,000 - \$59,999                          | 6.1%       | 8.2%          | 10.0%                     | 9.1%       |
| \$60,000 - \$74,999                          | 18.4%      | 17.4%         | 15.3%                     | 13.6%      |
| \$75,000 - \$99,999                          | 18.2%      | 13.4%         | 14.1%                     | 15.6%      |
| \$100,000 and Greater                        | 10.9%      | 9.1%          | 16.9%                     | 18.9%      |
| 2007 Average Household Income                | \$80,694   | \$76,711      | \$87,172                  | \$88,562   |
| 2007 Median Household Income                 | \$55,856   | \$48,221      | \$56,371                  | \$57,934   |
| 2007 Per Capita Income                       | \$28,078   | \$26,339      | \$35,313                  | \$31,184   |
| <b>2007 Family Income Distribution</b>       |            |               |                           |            |
| Less than \$14,999                           | 6.9%       | 9.2%          | 10.2%                     | 10.5%      |
| \$15,000 - \$24,999                          | 9.3%       | 11.8%         | 10.1%                     | 9.8%       |
| \$25,000 - \$34,999                          | 11.7%      | 13.4%         | 10.4%                     | 9.7%       |
| \$35,000 - \$49,999                          | 16.4%      | 14.8%         | 9.9%                      | 9.9%       |
| \$50,000 - \$59,999                          | 6.4%       | 8.6%          | 10.6%                     | 9.5%       |
| \$60,000 - \$74,999                          | 19.1%      | 18.3%         | 16.1%                     | 14.3%      |
| \$75,000 - \$99,999                          | 18.9%      | 14.1%         | 14.9%                     | 16.4%      |
| \$100,000 and Greater                        | 11.3%      | 9.6%          | 17.8%                     | 19.8%      |
| <b>2000 White Collar Employment</b>          |            |               |                           |            |
| Mgmt/Business/Finance                        | 0.0%       | 4.8%          | 12.3%                     | 14.6%      |
| Professional                                 | 11.0%      | 13.5%         | 22.0%                     | 21.4%      |
| Sales/Office                                 | 15.8%      | 17.6%         | 25.3%                     | 26.8%      |
| <b>2000 Blue Collar Employment</b>           |            |               |                           |            |
| Service                                      | 73.3%      | 64.3%         | 40.4%                     | 37.3%      |
| Farming/Fishing/Forestry                     | 24.9%      | 20.8%         | 18.8%                     | 14.8%      |
| Construction/Extr/Mainten                    | 13.4%      | 10.4%         | 2.1%                      | 1.3%       |
| Production/Transp./Materials                 | 19.4%      | 17.6%         | 9.8%                      | 8.4%       |
| 15.6%  | 15.6%      | 9.8%          | 12.7%                     |            |
| <b>2007 Households by Number of Vehicles</b> |            |               |                           |            |
| No Vehicles                                  | 7.4%       | 5.7%          | 6.7%                      | 11.7%      |
| One Vehicle                                  | 40.4%      | 38.8%         | 42.2%                     | 42.0%      |
| Two or more Vehicles                         | 52.3%      | 55.5%         | 51.1%                     | 46.4%      |
| <b>2007 Population 25+ by Education</b>      |            |               |                           |            |
| No School Completed                          | 5.5%       | 3.4%          | 1.1%                      | 3.2%       |
| Elementary Up To 8th Grade                   | 9.8%       | 6.6%          | 3.8%                      | 8.2%       |
| Some High School                             | 11.0%      | 9.9%          | 9.2%                      | 11.4%      |
| High School Graduate                         | 30.7%      | 30.5%         | 22.0%                     | 20.5%      |
| Some College                                 | 20.9%      | 23.4%         | 27.5%                     | 22.6%      |
| Associate Degree                             | 11.9%      | 11.5%         | 9.5%                      | 7.4%       |
| Bachelor Degree                              | 9.0%       | 11.4%         | 17.6%                     | 17.2%      |
| Graduate Degree                              | 1.2%       | 2.3%          | 7.2%                      | 7.2%       |
| Professional Degree                          | 0.1%       | 1.0%          | 2.2%                      | 2.2%       |
| <b>2007 Total Housing Units</b>              |            |               |                           |            |
| Owner-Occupied                               | 51.1%      | 61.5%         | 63.0%                     | 58.7%      |
| Renter-Occupied                              | 48.9%      | 38.5%         | 37.0%                     | 41.3%      |

Note: Details may not add to "100.0%" due to independent rounding.

Source: Alfred Gobar Associates; AnySite Online.com.

**EXHIBIT III-4**  
**ESTIMATED RETAIL SALES SUPPORT POTENTIAL**  
**WITHIN 5-MILE TRADE AREA - SAN MIGUEL RANCH**

| Retail Store-Group Activity | Per Capita Spending On Taxable Retail Merchandise |                        |   |                                       |                         |
|-----------------------------|---|------------------------|---|---------------------------------------|-------------------------|
|                             | California Statewide Average                      | San Luis Obispo County | Existing San Miguel Trade Area <sup>1</sup> | San Miguel Ranch Project <sup>2</sup> | Post-Project Trade Area |
|                             | (Benchmark Reference)                             |                        |   |                                       |                         |
| Food Store (Gross Sales)    | \$1,520   | \$1,924                | \$1,476                                     | \$1,825                               | \$1,584                 |
| Drug Store                  | 176   | 251                    | 158   | 226                                   | 180                     |
| Apparel Store               | 542   | 554                    | 488   | 581                                   | 517                     |
| General Merchandise         | 1,445   | 1,444                  | 1,300                                       | 1,531                                 | 1,372                   |
| Home Electronics-Appliances | 118   | 142                    | 107   | 138                                   | 116                     |
| Home Furniture-Furnishings  | 357   | 395                    | 321   | 399                                   | 345                     |
| Home Improvement            | 1,069   | 1,895                  | 962   | 1,571                                 | 1,151                   |
| Sporting Goods              | 113   | 225                    | 101   | 179                                   | 125                     |
| Bookstores                  | 112   | 103                    | 101   | 114                                   | 105                     |
| Office-School Supplies      | 486   | 410                    | 437   | 475                                   | 449                     |
| Misc-Specialty Retail       | 785   | 715                    | 707   | 795                                   | 734                     |
| Eating and Drinking         | 1,346   | 1,756                  | 1,212                                       | 1,644                                 | 1,346                   |
| Packaged Liquor             | 73  | 182                    | 66  | 135                                   | 87                      |
| Auto Parts                  | 164   | 187                    | 147   | 186                                   | 159                     |
| Service Station             | 1,192   | 1,425                  | 1,073                                       | 1,387                                 | 1,170                   |
| Antiques/Used Merchandise   | 17  | 22                     | 15  | 20                                    | 17                      |
| Auto-Vehicle Sales          | 1,935   | 2,043                  | Not Included                                | Not Included                          | Not Included            |
| Rural-Indust Retail         | 112   | 128                    | Not Included                                | Not Included                          | Not Included            |
| <b>Retail Stores Total</b>  | <b>\$11,562</b>                                   | <b>\$13,801</b>        | <b>\$8,672</b>                              | <b>\$11,207</b>                       | <b>\$9,457</b>          |
|                             | Estimated Resident Population:                    |                        | 2,630                                       | 1,180                                 | 3,810                   |
|                             |   |                        | (\$000's)                                   | (\$000's)                             | (\$000's)               |
|                             | Total Estimated Retail Sales Support:             |                        | \$22,806                                    | \$13,224                              | \$36,030                |

**Note:**

<sup>1</sup> Estimated per capita retail expenditure within San Miguel trade area adjusted down 13% from the Statewide average to account for lower overall average household income and per capita income. Adjustment based on Bureau of Labor Statistics survey of household expenditures for alternate household income levels.

<sup>2</sup> Average household and per capita income of San Miguel Ranch residents expected to exceed Countywide average income levels. Corresponding per capita expenditure reflects an average of the State and County benchmark figures.

Source: 2006 California State Board of Equalization; Alfred Gobar Associates.

**EXHIBIT III-5  
FIELD AUDIT OF NON-RESIDENTIAL BUILDING SPACE  
SAN MIGUEL, CA - JANUARY 2008**

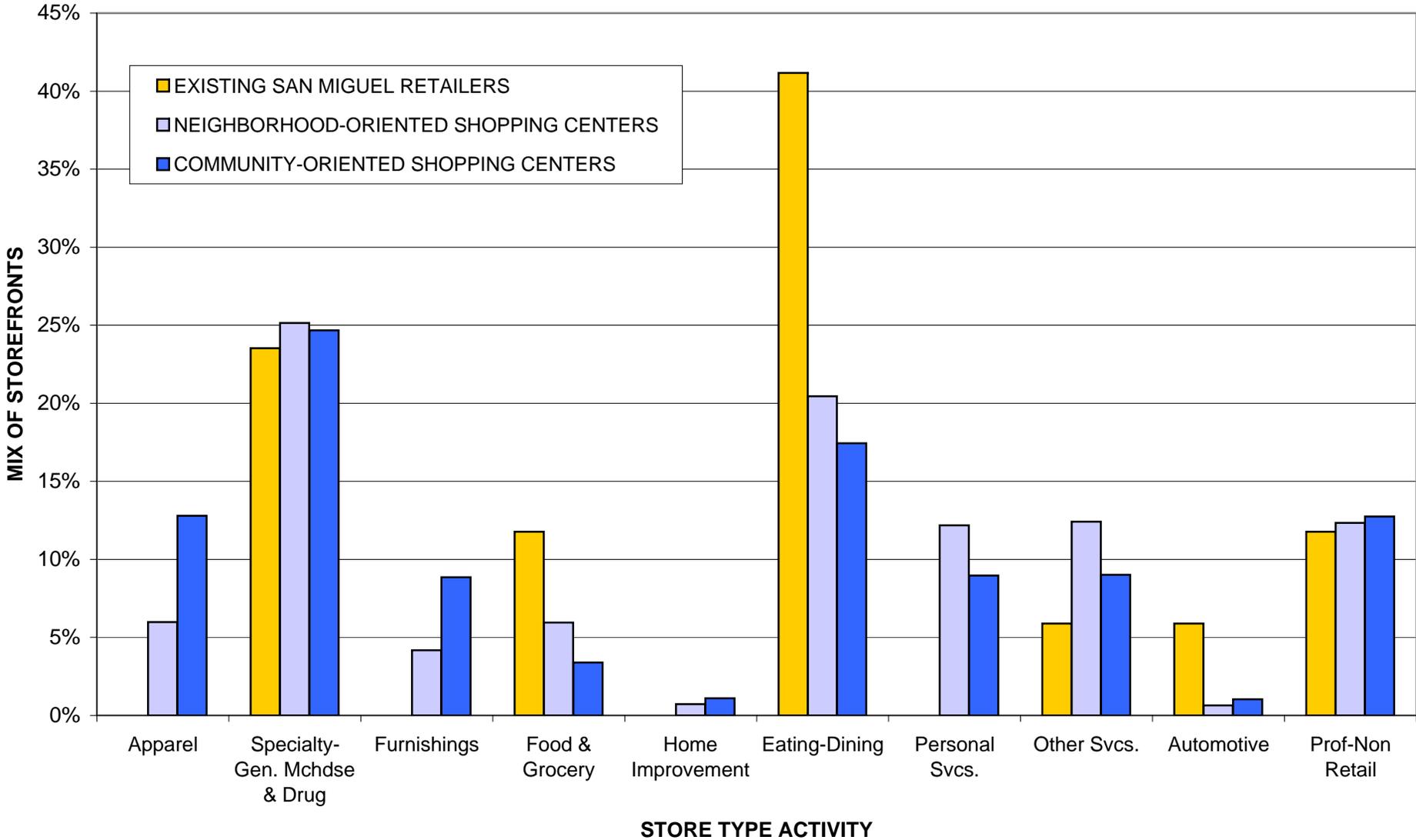
| Type Activity & Name of Business                    | Location        | Type of Building | Sq. Ft.       | Distance From Site |
|---|-----------------|------------------|---------------|--------------------|
| <b><u>Food Stores</u></b>                           |                 |                  |               |                    |
| Mission Market & Deli                               | 1402 Mission St | Retail           | 2,645         | 1.1                |
| Tortilleria Sinacoa                                 | 1299 Mission St | Retail           | 1,863         | 1.2                |
| <b>Total:</b>                                       |                 |                  | <b>4,508</b>  |                    |
| <b><u>Miscellaneous/Specialty Retail Stores</u></b> |                 |                  |               |                    |
| El Porvenir   | 330 14th St     | Retail           | 1,068         | 1.1                |
| La Tapatia  | 1299 Mission St | Retail           | 684           | 1.1                |
| <b>Total:</b>                                       |                 |                  | <b>1,752</b>  |                    |
| <b><u>Eating and Drinking</u></b>                   |                 |                  |               |                    |
| Restaurant  | 1599 Mission St | Retail           | 536           | 1.0                |
| Dos Padres Mexican Restaurant                       | 336 14th St     | Retail           | 1,468         | 1.1                |
| Mission Pizza & Pasta Kitchen                       | 1425 Mission St | Retail           | 2,014         | 1.1                |
| The Country Diner                                   | 1291 Mission St | Retail           | 350           | 1.2                |
| Elkhorn   | 1251 Mission St | Retail           | 1,226         | 1.2                |
| Coffee Station                                      | 1199 Mission St | Retail           | 903           | 1.2                |
| San Miguel Bakery                                   | 1010 K St       | Retail           | 1,263         | 1.3                |
| Tenth Street Café                                   | 249 10th St     | Retail           | 1,506         | 1.3                |
| <b>Total:</b>                                       |                 |                  | <b>9,266</b>  |                    |
| <b><u>Service Stations</u></b>                      |                 |                  |               |                    |
| Chevron   | 998 K St        | Retail           | 1,388         | 1.3                |
| <b>Total:</b>                                       |                 |                  | <b>1,388</b>  |                    |
| <b><u>Antiques/Used Merchandise</u></b>             |                 |                  |               |                    |
| Los Ninos Thrift Shop                               | 1299 Mission St | Retail           | 1,976         | 1.1                |
| Mission Collectibles                                | 1177 Mission St | Retail           | 718           | 1.2                |
| <b>Total:</b>                                       |                 |                  | <b>2,694</b>  |                    |
| <b><u>Miscellaneous/Non-Retail Stores</u></b>       |                 |                  |               |                    |
| Occupied  | 1245 Mission St | Retail           | 1,469         | 1.2                |
| Mobile Home Service                                 | 1191 Mission St | Retail           | 3,613         | 1.2                |
| Occupied  | 1205 Mission St | Retail           | 1,277         | 1.2                |
| Post Office   | 1185 Mission St | Government       | 1,039         | 1.2                |
| Locked Storage                                      | 1145 Mission St | Industrial       | 5,751         | 1.2                |
| <b>Total:</b>                                       |                 |                  | <b>13,149</b> |                    |
| <b><u>Business Services</u></b>                     |                 |                  |               |                    |
| Heritage Oaks Bank                                  | 1402 Mission St | Retail           | 960           | 1.1                |
| Mission Country Real Estate                         | 347 12th St     | Retail           | 1,117         | 1.2                |
| <b>Total:</b>                                       |                 |                  | <b>2,077</b>  |                    |
| <b><u>Lodging</u></b>                               |                 |                  |               |                    |
| Shady Rest Motel                                    | 1485 Mission St | Lodging          | 3,631         | 1.1                |
| Casa San Miguel                                     | 1399 Mission St | Lodging          | 3,492         | 1.1                |
| Western States Inn                                  | 1099 K St       | Lodging          | 14,108        | 1.2                |
| <b>Total:</b>                                       |                 |                  | <b>21,231</b> |                    |

**EXHIBIT III-5 (Cont'd)**  
**FIELD AUDIT OF NON-RESIDENTIAL BUILDING SPACE**  
**SAN MIGUEL, CA - JANUARY 2008**

| Type Activity & Name of Business | Location         | Type of Building | Sq. Ft.       | Distance From Site |
|----------------------------------|------------------|------------------|---------------|--------------------|
| <b>Industrial</b>                |                  |                  |               |                    |
| Flour Milling Plant              | 1401 N St        | Industrial       | 22,823        | 1.1                |
| Reuk's Pump & Power Equip.       | 1271 Mission St  | Industrial       | 2,016         | 1.2                |
| Aqua Engineering                 | Mission St       | Industrial       | 5,322         | 1.4                |
| <b>Total:</b>                    |                  |                  | <b>30,161</b> |                    |
| <b>Vacant Stores</b>             |                  |                  |               |                    |
| Vacant                           | Mission St       | Industrial       | 15,891        | 0.9                |
| Vacant                           | 1555 Mission St  | Retail           | 1,606         | 1.0                |
| Vacant                           | 1450 Mission St  | Retail           | 5,458         | 1.0                |
| Vacant                           | 1401 Mission St  | Retail           | 8,324         | 1.1                |
| Vacant                           | 1402 Mission St  | Retail           | 5,194         | 1.1                |
| Vacant                           | 1301 Mission St  | Retail           | 3,214         | 1.1                |
| Vacant                           | 1350 Mission St  | Retail           | 2,152         | 1.1                |
| Vacant                           | 1285 Mission St  | Retail           | 6,848         | 1.2                |
| Vacant                           | 1279 Mission St  | Retail           | 2,089         | 1.2                |
| Vacant                           | 1145 Mission St  | Retail           | 2,872         | 1.2                |
| Vacant                           | 1135 Mission St  | Retail           | 935           | 1.3                |
| Vacant                           | 1125 Mission St  | Retail           | 4,563         | 1.3                |
| Vacant                           | Mission St       | Industrial       | 15,975        | 1.3                |
| <b>Total:</b>                    |                  |                  | <b>75,121</b> |                    |
| <b>Existing Retail Space:</b>    |                  |                  |               |                    |
|                                  | <b>(Sq. Ft.)</b> | <b>Mix</b>       |               |                    |
| Food Stores                      | 4,508            | 6.3%             |               |                    |
| Misc/Specialty Retail            | 1,752            | 2.5%             |               |                    |
| Eating and Drinking              | 9,266            | 13.0%            |               |                    |
| Service Stations                 | 1,388            | 1.9%             |               |                    |
| Antiques/Used Merchandise        | 2,694            | 3.8%             |               |                    |
| Miscellaneous/Non-Retail         | 6,359            | 8.9%             |               |                    |
| Business Services                | 2,077            | 2.9%             |               |                    |
| Lodging                          | N/A              | N/A              |               |                    |
| Industrial                       | N/A              | N/A              |               |                    |
| Vacant Stores                    | 43,255           | 60.7%            |               |                    |
| <b>Total Space Audited:</b>      | <b>71,299</b>    | <b>100.0%</b>    |               |                    |
| <b>Percent of Total:</b>         | <b>44%</b>       |                  |               |                    |
| <b>All Building Space:</b>       |                  |                  |               |                    |
|                                  | <b>(Sq. Ft.)</b> | <b>Mix</b>       |               |                    |
| Food Stores                      | 4,508            | 2.8%             |               |                    |
| Misc/Specialty Retail            | 1,752            | 1.1%             |               |                    |
| Eating and Drinking              | 9,266            | 5.7%             |               |                    |
| Service Stations                 | 1,388            | 0.9%             |               |                    |
| Antiques/Used Merchandise        | 2,694            | 1.7%             |               |                    |
| Miscellaneous/Non-Retail         | 13,149           | 8.1%             |               |                    |
| Business Services                | 2,077            | 1.3%             |               |                    |
| Lodging                          | 21,231           | 13.2%            |               |                    |
| Industrial                       | 30,161           | 18.7%            |               |                    |
| Vacant Stores                    | 75,121           | 46.6%            |               |                    |
| <b>Total Space Audited:</b>      | <b>161,347</b>   | <b>100.0%</b>    |               |                    |
| <b>Percent of Total:</b>         | <b>100%</b>      |                  |               |                    |

Source: Field Survey by Alfred Gobar Associates.

**EXHIBIT III-6  
RETAIL STOREFRONT COMPARISON**



Source: Urban Land Institute 2006 Dollars and Cents of Shopping Centers; Alfred Gobar Associates.

**EXHIBIT III-7**  
**ESTIMATED SALES PERFORMANCE OF EXISTING RETAIL MERCHANTISERS<sup>1</sup>**  
**WITHIN 5-MILE TRADE AREA - SAN MIGUEL RANCH**

| Retail Store-Group Activity        | Avg Sales Per Estab (\$000's) |              | San Miguel Field Audit |                                | Estimated Sales of Existing Stores |                           |                        |
|------------------------------------|-------------------------------|--------------|------------------------|--------------------------------|------------------------------------|---------------------------|------------------------|
|                                    | Statewide Average             | SLO County   | Existing Retailers     | Occupied Floor Space (Sq. Ft.) | Taxable Retail Sales               | Sales Per Estab (\$000's) | Annual Sales Per Sq Ft |
|                                    | (Benchmark Reference)         |              |                        |                                |                                    |                           |                        |
| Food Store (Gross Sales)           | \$2,226                       | \$2,891      | 2                      | 4,508                          | \$2,676                            | \$1,338                   | \$594                  |
| Drug Store                         | 1,415                         | 1,731        |                        |                                |                                    |                           |                        |
| Apparel Store                      | 440                           | 487          |                        |                                |                                    |                           |                        |
| General Merchandise                | 3,957                         | 4,973        |                        |                                |                                    |                           |                        |
| Home Electronics-Appliances        | 972                           | 798          |                        |                                |                                    |                           |                        |
| Home Furniture-Furnishings         | 439                           | 369          |                        |                                |                                    |                           |                        |
| Home Improvement                   | 2,451                         | 1,941        |                        |                                |                                    |                           |                        |
| Sporting Goods                     | 545                           | 450          |                        |                                |                                    |                           |                        |
| Bookstores                         | 405                           | 275          |                        |                                |                                    |                           |                        |
| Office-School Supplies             | 1,020                         | 958          |                        |                                |                                    |                           |                        |
| Misc-Specialty Retail              | 167                           | 151          | 2                      | 1,752                          | 201                                | 101                       | 115                    |
| Eating and Drinking                | 559                           | 551          | 8                      | 9,266                          | 2,863                              | 358                       | 309                    |
| Packaged Liquor                    | 504                           | 379          |                        |                                |                                    |                           |                        |
| Auto Parts                         | 345                           | 349          |                        |                                |                                    |                           |                        |
| Service Station                    | 4,653                         | 3,605        | 1                      | 1,388                          | 2,163                              | 2,163                     | 1,558                  |
| Antiques/Used Merchandise          | 80                            | 90           | 2                      | 2,694                          | 146                                | 73                        | 54                     |
| Auto-Vehicle Sales                 | 4,748                         | 3,089        | Not Included           | Not Included                   | Not Included                       | Not Included              | Not Included           |
| Rural-Indust Retail                | 1,885                         | 1,132        | Not Included           | Not Included                   | Not Included                       | Not Included              | Not Included           |
| <b>Retail Stores Total</b>         | <b>\$863</b>                  | <b>\$856</b> | <b>15</b>              | <b>19,608</b>                  | <b>\$8,049</b>                     | <b>\$537</b>              | <b>\$410</b>           |
| Retail Stores (Excl'd Gas Station) | n.a.                          | n.a.         | 14                     | 18,220                         | \$5,886                            | \$420                     | \$323                  |

**Note:**

<sup>1</sup> Retail merchandisers are limited to stores generating sales tax on the value of items sold. Personal and consumer service establishments such as hair care, dry cleaning, banking, real estate, tax accounting, insurance, banking, etc., are excluded from the analysis of taxable retail sales.

Source: 2006 California State Board of Equalization; January 2008 Field Audit By Alfred Gobar Associates

**EXHIBIT III-8**  
**POST-PROJECT ASSESSMENT OF TRADE AREA RETAIL POTENTIAL**  
**SAN MIGUEL RANCH, SAN MIGUEL, CA**

| Retail Store-Group Activity       | Post-Project Potential | Existing Retailers |                     | Post-Project Residual | Post-Project Retail Potential <sup>1</sup> |                       |
|-----------------------------------|------------------------|--------------------|---------------------|-----------------------|--|-----------------------|
|                                   | (\$000's)              | Stores             | Est Sales (\$000's) | (\$000's)             | Target \$/SF                               | Floor Space (Sq. Ft.) |
| Food Store (Gross Sales)          | \$6,036                | 2                  | \$2,676             | \$3,361               | \$365                                      | 9,220                 |
| Drug Store                        | 684                    |                    |                     | 684                   | 169  | 4,040                 |
| Apparel Store                     | 1,969                  |                    |                     | 1,969                 | 201  | 9,770                 |
| General Merchandise               | 5,226                  |                    |                     | 5,226                 | 201  | 25,940                |
| Home Electronics-Appliances       | 443                    |                    |                     | 443                   | 201  | 2,200                 |
| Home Furniture-Furnishings        | 1,315                  |                    |                     | 1,315                 | 201  | 6,530                 |
| Home Improvement                  | 4,384                  |                    |                     | 4,384                 | 240  | 18,270                |
| Sporting Goods                    | 478                    |                    |                     | 478                   | 201  | 2,370                 |
| Bookstores                        | 400                    |                    |                     | 400                   | 201  | 1,980                 |
| Office-School Supplies            | 1,710                  |                    |                     | 1,710                 | 204  | 8,370                 |
| Misc-Specialty Retail             | 2,798                  | 2                  | 201                 | 2,596                 | 204  | 12,710                |
| Eating and Drinking               | 5,127                  | 8                  | 2,863               | 2,264                 | 262  | 8,640                 |
| Packaged Liquor                   | 333                    |                    |                     | 333                   | 204  | 1,630                 |
| Auto Parts                        | 607                    |                    |                     | 607                   | 204  | 2,970                 |
| Service Station                   | 4,457                  | 1                  | 2,163               | 2,294                 | 1,355                                      | 1,690                 |
| Antiques/Used Merchandise         | 63                     | 2                  | 146                 | (83)                  | 102  | no residual           |
| <b>Existing Trade Area Supply</b> | <b>\$36,030</b>        | <b>15</b>          | <b>\$8,049</b>      | <b>\$27,981</b>       | <b>\$241</b>                               | <b>116,330</b>        |

| Estimated Trade Area Resident Population |              |
|--|--------------|
| Existing Population Within 5 Miles       | 2,630        |
| San Miguel Ranch Residents               | 1,180        |
| <b>Post-Project Consumer Population</b>  | <b>3,810</b> |

| San Miguel Ranch Retail Development     |               |
|---|---------------|
| Business-Consumer Services <sup>2</sup> | 3,000         |
| Product Merchandising                   | 18,000        |
| <b>Total Retail-Commercial</b>          | <b>21,000</b> |

**Notes:**

- 1 Identified post-project retail potential is limited to product merchandising activities that generate sales tax on the value of items purchased.
- 2 Business and consumer service activities (e.g.: hair salons, dry cleaners, tax accountants, etc.) not part of detailed retail analysis but generally occupy 10% to 15% of in-line space in retail centers.

Source: California State Board of Equalization; Alfred Gobar Associates