

**BARGHAUSEN**

MEMORANDUM

DATE: July 2, 2020

TO: City of Hayward City Council

FROM: Julie Anderson, Barghausen Consulting Engineers, Inc.

CC: Marcus Martinez, City of Hayward
Kim Katz, Costco Wholesale
Therese Garcia, Costco Wholesale
John Ellingsen, Ellingsen & Company, Inc.
Anna Shimko, Burke, Williams & Sorensen, LLP
Amy Lopez, Kittelson & Associates, Inc.
Amy Herman, ALH Urban & Regional Economics
Sean Anderson, Barghausen Consulting Engineers, Inc.

RE: Planning Commission Response Memorandum

INTRODUCTION

Costco Wholesale (Costco) has submitted an application to the City for the construction of a self-service fuel facility at the Costco Business Center site at 22330 Hathaway Avenue. The application was considered by the City Planning Commission on November 14, 2019 as a public hearing item, during which the Planning Commission provided comments after the public hearing portion closed. On behalf of Costco, Barghausen Consulting Engineers, Inc. is providing responses and additional documents and data in response to the comments received during the Planning Commission hearing.

EXECUTIVE SUMMARY

During the City Planning Commission hearing on November 14, 2019, primary Planning Commission comments included a desire for on-site electric vehicle (EV) charging stations, concerns over the economic impact of the project on surrounding gas stations, and questions as to what had changed since the previous application for a fuel facility on the site. In addition, public comments were received during the CEQA review process for the project, as well as during the November 14, 2019 Planning Commission public hearing. Following the Planning Commission hearing, Costco carefully considered the comments and, in coordination with City staff, revised the project scope and prepared additional documents and data to comprehensively address the Planning Commission and public comments, as discussed in further detail below.

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Electric Vehicle Charging Stations

The Planning Commission requested that EV charging stations be provided as part of the project. Costco revised the project scope to include on the Costco Business Center site the provision of two (2) EV charging stations with four (4) charge ports and electrical conduit for three (3) future EV charging stations. In addition, the project includes the installation of Shore Power for refrigerated delivery trucks and the upgrade of all parking lot lights to LED light fixtures for the Business Center site. These revisions to the project scope address the EV concerns of the Planning Commission, as well as support the City of Hayward's General Plan goal to promote sustainable development practices.

Economic Impact on Surrounding Gas Stations

The Planning Commission also raised concerns regarding the economic impact of the Costco Fuel Facility on surrounding existing gas stations. The Costco fuel facility would be an ancillary use to the Costco Business Center and a members-only facility; therefore, only Costco members are able to use the fuel facility. In addition, Costco's fuel facility business model varies from the typical gas station business model by only selling fuel; no other goods are available for purchase at the facility and no ancillary services are offered. Further, the surrounding gas stations along "A Street" are open 24 hours, while the Costco gas station will only be open during typical daytime business hours. Lastly, a Market Analysis was prepared by ALH Urban & Regional Economics which found that the Costco fuel facility will not cause long-term negative impacts to gas stations in the surrounding area. Please refer to the enclosed Appendix A: Market Analysis for further detail.

Application Differences

The Planning Commission also raised a question as to how the current project application differs from the previous project land use applications that were denied in 1999 (Application No. 99-190-03) and 2002 (Application No. PL-2002-0003/0002). First, the current proposed location of the fuel facility on the Costco site has changed since the previous applications. In both 1999 and 2002, Costco proposed to locate the fueling facility in the southwest corner of the site, which would have been prominently visible to passers-by and would have precluded possible future development at that corner. The current proposed location of the fuel facility is in the northeast corner of the overall Costco development on the vacant "Tire Center" site. This location allows the fuel facility to be tucked behind the warehouse, away from the prominent "A Street" and "Hathaway Avenue" corner.

Second, in 1999 and 2002 the Planning Commission denied the project application based on findings of non-conformance with the General Plan, the Santa Clara Neighborhood Plan, the Cannery Area Design Plan, the Amended Downtown Hayward Redevelopment Plan, and applicable development standards. Circumstances have changed since the previous denials and the City has updated its policies and plans such that the bases of non-conformance for its prior denials are no longer pertinent to the project. The current project supports multiple goals and policies of the City's 2040 General Plan and is consistent with the Cannery Area Design Plan and all required development standards of the Planned Development zone, with the exception of the minimum parking requirement. While the current proposal includes a Parking Reduction Request, that request is adequately compensated for by the provision of a Transportation Demand Management Plan, additional landscaping, shore power, LED lighting upgrades, the provision of EV charging stations, and the provision of electrical conduit for future EV charging stations that are not otherwise required by City Code. Further, the Santa Clara Neighborhood Plan and the Amended Downtown Hayward Redevelopment Plan no longer apply to the subject site. Please refer to the enclosed Appendix B: Differences Summary for further detail.

Planning Commission Response

In addition to the above information, Costco prepared a detailed narrative response to each of the comments received by the Planning Commission during the November 14, 2019 public hearing. Please refer to the enclosed Appendix C: Planning Commission Response for further detail.

Public Comment Response

During the CEQA review process for the project, the City received written comments from Mr. Daljit Singh, the owner of the Mobil gas station located at 391 West A Street. In addition, Mr. Singh provided oral comments during the November 14, 2019 Planning Commission hearing. All written and oral comments were provided by the same person. Costco prepared a narrative response to each of the written and oral public comments received. Please refer to the enclosed Appendix D: Public Comment Response for further detail.

CONCLUSION

We hope you will agree that we have satisfactorily responded to and resolved the concerns raised by the Planning Commission members and the public so as to enable City Council approval of the Costco fuel facility. We would be happy to discuss these issues further or provide any additional information desired, upon your request.

Appendix A

Market Analysis

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Berkeley, CA 94705
510.704.1599

aherman@alhecon.com

April 1, 2020

Kim Katz
Costco Wholesale Corporation
999 Lake Drive
Issaquah, WA 98027

Re: Hayward Costco Business Center Fuel Facility Expansion

Dear Ms. Katz:

ALH Urban & Regional Economics (ALH Economics) has prepared a study assessing the prospective impact of the Costco Fuel Facility proposed at the Hayward Costco Business Center located at 22330 Hathaway Avenue in Hayward, California.. The purpose of the analysis is to estimate the potential for the facility to be competitive with existing fuel stations in the City of Hayward along A Street proximate to the proposed fuel station. This letter report summarizes the tasks and analyses undertaken for this assignment, and includes three exhibits in Appendix A at the end of the document. Appendix B includes a firm background and qualifications for ALH Economics. The report is subject to the Assumptions and General Limiting Conditions appended to the end of the report.

SUMMARY OF KEY FINDINGS AND CONCLUSIONS

Summary of Findings

The letter report's key findings are highlighted below in the following bullet point statements. Each statement is more fully elaborated upon in the body of the letter report.

- Costco's proposed gas station at the Hayward Business Center will comprise Costco's third gas station in the Hayward area, with one located 5 miles away in Hayward and one located 6.4 miles away in San Leandro. The Business Center gas station is anticipated to be open fewer hours per week than the other stations but is anticipated to draw some demand away from these stations, even from Costco members not shopping at the Business Center. This is attributable to proximity, since gas is often a purchase of convenience, based on need and easy access, including pass by demand en route to home, work, or other destinations.
- The Business Center's primary market area includes Hayward, San Leandro, and San Lorenzo. The secondary market area accounts for more than 50% of the store's customers, who will likely bring new gasoline demand to the Business Center and would not therefore be diverting sales away from existing Hayward gas stations.
- In 2019, Hayward had 49 gasoline station business establishments, with annualized estimated total taxable sales of \$202 million, averaging \$4.1 million per establishment. This average

likely underrepresents name brand gasoline station sales given a likely high number of outlets with comparatively insignificant sales. In addition, gas stations with significant complementary services, such as convenience stores or car washes, would also have higher sales than other stations.

- There are nine existing gas stations located up to 2.0 miles away from the Hayward Costco Business Center in Hayward and neighboring San Lorenzo, five of which are within closest proximity of the Business Center.
- Only Costco members can purchase gas at Costco gas stations, where only Regular and Premium gasoline is sold, although the proposed Business Center gasoline station will also sell Diesel. In contrast, any consumer can purchase gas at the nine nearby gas stations, which offer a wider range of fuel products, are open longer hours and for more days of the week, sell on-site convenience store products, many have customer restrooms (which are not a Costco gas station feature), and in some cases provide expanded automobile care services. All of the existing gas stations have more customer service offerings than Costco and they all have access to a broader customer base because they do not have a customer membership requirement.
- Analysis of Santa Maria, Eastvale, and Ukiah, California, case study cities where a Costco gas station was added to a community in recent years, indicates that each community's initial response was a short-term downward trend in gasoline sales, then a re-stabilization within six months after a period of market adjustment, marked by no decline in the number of gas stations, with some cities even increasing the number of gas stations or planning expansions.
- Hayward achieves significant retail sales attraction in gasoline sales, amounting to 42% of all sales. This is the City's third strongest retail sales attraction category, indicating that Hayward's gasoline sales base is one of Hayward's relatively strongest performing retail sectors, clearly satisfying regional demands in excess of local needs.

Summary of Conclusions

The study's key conclusions are summarized below, further elaborated upon in the final sections of the letter report.

- ALH Economics estimates that the proposed Hayward Costco Business Center gas station may achieve annual sales of \$16.5 million. The Business Center gas station may be better located to some members than the Hayward and San Leandro gas stations. Therefore, per the composition of the Business Center customers by geography, and the volume of existing gas station sales by member geography, up to half of these Business Center gas station sales are anticipated to be captured away from Costco's existing area gas stations. Another one-quarter of the Business Center gas station sales are anticipated to be drawn from the Business Center's secondary market area customers. Given the composition of the primary market area, this leaves up to an estimated \$3.3 million in sales with the potential to be diverted away from existing Hayward gas stations.
- If this \$3.3 million in net new gas sales were diverted from all existing Hayward gas stations, that would be equivalent to 2% of Hayward's estimated 2019 gas station sales base. This is a very nominal impact spread across the entire inventory of Hayward gas stations. If the sales

were diverted from a smaller pool of gas stations, such as the five stations clustered closest to the Hayward Costco Business Center, then the sales impact could be greater. The sales levels achieved by these stations are unknown, but this study speculatively calculates a temporary impact of up to 8% to 16% of gas station sales if all of the \$3.3 million sales impact were diverted from just these gas stations.

- Such a focused impact analysis, however, is fallacious, as just because these gas stations are located close to the Business Center does not mean that Costco members currently already purchase gas at these stations, purchase gas at them to any significant degree, or purchase gas at them disproportionately relative to other Hayward gas stations. Therefore, if Costco members redirect their gasoline purchases away from gas stations in Hayward, and towards the new Costco gas station at the Business Center to the neglect of existing Hayward stations, the closest gas stations may not be the gas stations they would switch away from. The Hayward gas stations that would experience sales losses would in all likelihood be more dispersed throughout the city, in keeping with the geographic distribution of Costco members' home and work locations.
- ALH Economics concludes that the resulting initial sales impacts would likely be more consistent with the low end of the impacts estimate in the range of 2% of Hayward's gasoline station sales base.
- Based on the case study findings, and the Hayward market's experience with existing Costco gas stations, ALH Economics further concludes that the minimal estimated gas station sales impacts are anticipated to wane after approximately six months, as the market adjusts to the introduction of the new Costco gas station and stabilizes based on the prevailing trend in gasoline pricing at the time.

INTRODUCTION

Study Objective

Costco Wholesale Corporation is seeking to add a Fuel Facility to its existing Business Center location at 22330 Hathaway Avenue in Hayward, California. Adding a gas station to this location is Costco's way of providing a basic service it believes Costco members have come to expect from Costco. During a November 2019 Hayward Planning Commission Public hearing associated with the review process for the gas station, a concern was raised during public comment that a Costco gas station at this location would negatively impact existing gas stations in Hayward. The public comment specifically indicated that gas stations nearby on A Street could be so severely impacted that they would no longer be profitable and would be forced to close because of Costco's price impacts.

Hayward's Planning Commission recommended that the City Council deny Costco's application to add the fuel facility to the existing Hayward Costco Business Center. Costco's application will next go before the Hayward City Council. The purpose of this report is to provide objective analysis regarding the prospective impact a new Costco gas station in Hayward might have on existing Hayward gas stations, especially gas stations located near the Costco Business Center on A Street, based on data specific to Costco's operations model and the Hayward gas station market. This analysis is suitable for submission to the City of Hayward's Planning staff as background information for staff review prior to preparation of staff's report to the City Council on the Costco Fuel Facility application.

Project Description

Expansion of Existing Hayward Business Center. The Costco Fuel Facility (i.e., gas station) is proposed to be located at 22330 Hathaway Avenue in Hayward, on the same site as the existing Costco Business Center. The proposed Fuel Facility would be located on the site of a former tire center building, which is now vacant. This location is approximately 1-2 blocks east of the Interstate 880 and West A Street interchange in Hayward. This location is along the northernmost perimeter of the City of Hayward, immediately adjoining San Lorenzo, an unincorporated community in Alameda County.

Costco seeks to add a gas station at this location to diversify the services available to its members, who in general increasingly desire additional services. Costco Business Centers are distinct from Costco Warehouses in many ways. Both types of stores require membership, but Costco Business Centers cater predominantly to enterprises, with a focus on small businesses, many of which are resellers.

Costco's Business Centers do not carry most consumer items, like fresh food items, clothing, jewelry, media, and tires, while carrying larger quantities and more options for the business products they do carry. Similarly, they do not offer most of the consumer-oriented services found at regular Costco warehouses. They have rapid product turnover and typically 25% to 30% of sales are delivered to members. Costco Business Centers also have more limited hours, with the Hayward Business Center open M-F, 7 am – 6 pm; Sat., 7 am – 4 pm; and closed Sunday. This equals 64 hours per week.

Proposed Gas Station Size, Product, and Hours. The proposed Hayward Costco Business Center gas station is anticipated to have 12 pumps with 24 fueling stations. The proposed gas station would sell three types of fuel: Regular; Premium; and Diesel. The gas station hours would likely be comparable to the hours at other Costco Business Center gas stations. These hours are longer than the business center hours, but still limited, as follows: M-F, 6 am – 8 pm; Sat. 6 am – 6 pm; Sun. closed. Thus, the gas station would be open for approximately 82 hours on a weekly basis.

Qualified Gas Station Customers. Costco gasoline is only available for sale to Costco members. Therefore, members of the public lacking Costco membership would not be able to purchase gas at the Hayward Costco Business Center gas station. The gasoline station would be similar to the gasoline stations at Costco warehouses, with no additional services provided or sundries for sale.

BUSINESS CENTER MARKET AREA

Business Center Customers. Costco provided information on the zip codes of members shopping at the Hayward Business Center for the purpose of identifying the market area, or market draw for the existing Business Center operations. ALH Economics matched the zip codes with city or unincorporated county locations. Notably, this information pertained to the number of customers, and not the volume of purchases made by customers. The information was provided for Fiscal Year 2019 for all types of Costco Members, including regular Members, Executive Members, Goldstar Members, and Business Members. These represented the largest share of customers, in descending order (i.e., from greatest number to lowest). The information is useful because it can be indicative of the residential location of Hayward Business Center customers. However, the information can alternatively also indicate the location of the businesses purchasing goods at this store location.

The results of the market area draw information are presented in Table 1, showing the percent of customers by location. This table indicates that the largest increment of customers is from Hayward, comprising 36% of all customers. However, that leaves the majority of all customers or businesses,

comprising 64% of the total, originating from elsewhere, including neighboring and more distant communities. The most predominant locations outside Hayward are noted in Table 1, and include Castro Valley and Oakland each with 6%, the Tri-Valley and San Leandro each with 5%, and neighboring San Lorenzo with 4%. Union City is included in Table 1 with 1% of members. This is a low percentage, but the relevance of this will be made clear in the next report section. The balance of all members or businesses, or 37%, are from a range of other locations, including, in no particular order or frequency, Fremont, Alameda, Emeryville, and even locations in Marin County and the South Bay.

**Table 1. Hayward Costco Business Center
Market Area Draw by Member Location
Fiscal Year 2019**

Member Location	Percent
Hayward (1)	36%
Castro Valley	6%
Oakland	6%
Tri-Valley (2)	5%
San Leandro (1)	5%
San Lorenzo (1)	4%
Union City	1%
Sub-total	63%
All Other Locations	37%
Total	100%

Sources: Costco Wholesale Corporation; and ALH Urban & Regional Economics.

(1) These locations together comprise a primary market area with 45%.

(2) Includes Pleasanton, Livermore, Dublin, San Ramon, and Danville.

This information demonstrates that while Hayward and surrounding communities like San Leandro and San Lorenzo comprise a primary market area for the Costco Business Center, only approximately one-half the store's clientele originates from this geography. Another one-half of the store's customers originate from other locations where they probably already purchase gasoline in those communities. These are the existing customers of the Hayward Costco Business Center. There is likely no strategic advantage for these customers to currently purchase gas in the City of Hayward versus their point of origin, except on the occasions when they might need gas to successfully complete their round trip. Therefore, any of these customers coming from outside the store's primary market area of Hayward, San Leandro, and San Lorenzo, and routinely purchasing gas at the proposed Business Center gas station, would be bringing a consistent source of new gasoline demand to Hayward and would not be diverting sales away from existing Hayward gas stations except for the potential occasional sales necessitated by spot customer needs.

Existing Nearby Costco Gas Station Options for Costco Members. The Hayward Costco Business Center is located roughly midway between two Costco warehouses with existing gas stations. These include one warehouse 5 miles away in Hayward (southwestern Hayward) and one warehouse 6.4 miles away in San Leandro. The existing Costco Hayward gas station has 10 pumps and 20 fueling

stations.¹ The existing Costco San Leandro gas station is similar in size to the proposed Business Center gas station, with 12 pumps and 24 fueling stations. Both existing Costco gas stations are open for more hours than anticipated for the Business Center gas station, with their hours including M-F, 6 am – 9:30 pm; Sat. 6 am – 8 pm; and Sun. 7 am – 8 pm. Thus, these gas stations are open for a total of 104.5 hours per week. This compares to 82 hours per week estimated for the Business Center gas station.

The existing Costco gas stations only sell gasoline to Costco members. For the purpose of this study, Costco provided information on the volume of gasoline sales purchases made at the Hayward and San Leandro gas stations by member zip code. ALH Economics matched the zip codes with city or unincorporated county location. A summary of that information by percentage of total gasoline sales is provided in Table 2 for a six-month period in 2019. This summary is presented in the same location order as Table 1, to facilitate a geographical comparison.

Table 2. Hayward and San Leandro Costco Gas Stations, Volume of Gas Sales by Member Location, 6 mos. 2019

Member Location (1)	Percent
Hayward	24%
Castro Valley	3%
Oakland	14%
Tri-Valley (2)	2%
San Leandro	13%
San Lorenzo	3%
Union City	11%
Sub-total	71%
All Other Locations	29%
Total	100%

Sources: Costco Wholesale Corporation; and ALH Urban & Regional Economics.

(1) Locations listed in the same order as Table 1.

(2) Includes Pleasanton, Livermore, Dublin, San Ramon, and Danville.

As the findings in Table 2 indicate, the combined greatest volume of gasoline sales at the Costco gas stations is to members who live in Hayward. These members accounted for 24% of all gasoline sales at both Costco gas stations. The locations whose members generated the next levels of sales included Oakland and San Leandro to the north of Hayward and Union City abutting Hayward to the south, each accounting for 11% -14% of all gas sales.

¹ While currently smaller than the proposed Business Center gas station, this gas station is expanding to 16 pumps with 32 fueling stations. The land use entitlement is ready to be issued for this expansion, with construction starting as early as July 2020. The primary purpose of the expansion is to shorten the wait for existing customers. In other locations where Costco has expanded existing gas stations, demand does not increase proportional with the size of the expansion. Therefore, despite a 60% increase in capacity, Costco anticipates the volume of gasoline sales to increase by a substantially lower amount.

Costco members likely often, but not always, combine a gasoline purchase trip with a warehouse purchase trip. Once there is a gas station available at the Hayward Costco Business Center, members who live closer to this location could likely shift to purchasing gas there even if they are not pairing the gasoline purchase with any other Costco purchases because gas is often a purchase of convenience, based on need and easy access, including pass by demand en route to home, work, or other destinations. Given that 24% of the shoppers at Costco's existing area gas stations live in Hayward, and that Costco's existing Hayward gas station is located in the southwestern corner of Hayward, it seems likely that the proposed new gas station at the Hayward Costco Business Center will be well-located to serve the more occasional demand generated by existing Hayward members, thereby drawing demand away from Costco's existing area gas stations.

The Costco members purchasing gas at the San Leandro Costco Warehouse gas station who live closest to that location would likely continue to purchase gas at that gas station while members living closest to the existing Hayward Costco Warehouse gas station would likely continue to purchase gas at that gas station as well.

HAYWARD COSTCO BUSINESS CENTER GASOLINE SALES PROJECTION

Gasoline sales prices are highly volatile, changing frequently based on a number of factors, such as the price of crude oil (influenced by global supply and demand), seasonal effects, and weather conditions. It is therefore difficult to track gasoline prices over time and to project gasoline sales prices. However, for the sake of this analysis, this section includes a generalized estimate of Costco's 2019 gas station sales and preparation of a sales projection for the Hayward Costco Business Center gas station.

To illustrate the volatility of gasoline sales prices, the listing below shows the average per gallon price of regular gas in California around the first of each month from January through December 2019 as reported by the California Energy Commission:²

- January, \$3.183
- February, \$3.131
- March, \$3.195
- April, \$3.529
- May, \$4.006
- June, \$3.830
- July, \$3.621
- August, \$3.537
- September, \$3.491
- October, \$4.091
- November, \$3.953
- December, \$3.674

As can be seen from this listing, the average per gallon price over the 12-month period ranged from a low of \$3.131 to a high of \$4.091. The price volatility is highlighted by the 28% increase over the three-month period from February to May 2019, followed by a 13% decline through September, which was capped by a 17% spike in one month, from September to October.

² See the California Energy Commission:

https://ww2.energy.ca.gov/almanac/transportation_data/gasoline/retail_gasoline_prices2_cms.html

However, using Costco sales performance data, ALH Economics presents information in Table 3 that approaches the preparation of a gasoline sales estimate for the proposed Hayward Costco Business Center gas station. This estimate is based upon data presented in Costco’s 2019 10-K prepared for the Securities and Exchange Commission, and takes total net sales across all Costco stores, divided into all warehouses to derive an average warehouse sales estimate. In the 10-K, Costco cites that gasoline sales comprise 11% of net sales, thus Table 3 derives an average generalized estimate of \$21 million per Costco gasoline station.

Table 3. Estimated Annual Sales, Hayward Costco Business Center Gas Station, 2019 Dollars

Costco Store Characteristic	Value
Costco Store Total Net Sales (1)	\$149,351,000,000
Costco Number of Warehouses (2)	782
Calculated Sales per Warehouse	\$190,985,934
Gasoline Sales Percent of Net Sales (3)	11%
Average Gasoline Sales per Gasoline Station	\$21,008,453
Average Gasoline Sales per Business Center Gas Station (4)	\$16,485,102

Sources: United States Securities and Exchange Commission, Costco Wholesale Corporation 10-K form for the fiscal year ending September 1, 2019, pages 4 and 19; and ALH Urban & Regional Economics.

(1) Costco net sales for the year ending September 1, 2019. See Costco 10-K, page 19.

(2) Warehouse count for the end of the year. See Costco 10-K, page 19.

(3) Costco indicates gasoline sales comprises 11% of total net sales. See Costco 10-K, page 4.

(4) Per Exhibit 1, the Costco Warehouse gas station is typically open 104.5 hours per week and the Costco Business Center gas station is open 82 hours per week. Therefore, the Business Center gas station is open 78% of the hours the Warehouse gas station is open. For study purposes, therefore, this analysis assumes the Business Center gas station generates 78% of the average sales per Costco gasoline station.

As cited above, the Costco gas stations associated with the Warehouses in San Leandro and Hayward are open more hours than the anticipated Business Center gas station, i.e., 104.5 hours per week versus 82 hours per week. This means the Business Center gas station is projected to be open about 78% of the time the Warehouse gas stations are open. Accordingly, ALH Economics assumes the Business Center gas station revenues would be about 78% of the average amount calculated in Table 3, or \$16.5 million. Hence, for study purposes, even though the calculation is presented in 2019 dollars, the Hayward Costco Business Center gas station is projected to achieve annual gasoline sales of about \$16.5 million.

HAYWARD GASOLINE SALES BASE

The City of Hayward’s annual trend of taxable gasoline sales further demonstrates the volatility of gasoline sales prices, but also demonstrates the size and volume of Hayward’s gasoline station industry. Table 4 presents the annual gasoline sales in Hayward from 2015 through 2019 (projected) along with the number of outlets (i.e., gasoline stations) and the calculated average annual sales per outlet. The total sales over the 5-year period ranged from \$167.7 million in 2016 to \$202.4 million (projected) in 2019. According to the State of California Department of Tax and Fee Administration

(CDTFA), the City of Hayward had 47 to 51 business establishments classified as gasoline stations over these years. This would suggest average sales over time of \$3.4 to \$4.1 per establishment, with the most recent figure comprising \$4.1 million.

Table 4. City of Hayward, Taxable Gasoline Sales

Year	Taxable Sales	Number of Outlets	Average Annual Sales/Outlet
2015	\$183,923,796	47	\$3,913,272
2016	\$167,664,543	49	\$3,421,725
2017	\$181,106,537	49	\$3,696,052
2018	\$201,332,472	51	\$3,947,696
2019 (1)	\$202,370,132	49	\$4,130,003

Sources: State of California Department of Tax and Fee Administration; and ALH Urban & Regional Economics.

(1) Sales annualized based on the trend for the first three quarters of the year, assuming the fourth quarter reflects 25% of the year's sales, which is comparable to the trend for 2016-2018.

Notably, the average annual sales figures likely underrepresent the average name brand gasoline station sales given a likely high number of outlets with insignificant sales. For example, Hayward's gasoline stations include name brand stations such as Chevron, Mobil, 76, Valero, Arco, and Shell. Other gas stations in Hayward include Rotten Robbie, Speedway Express, Doubletime, Golden State Petroleum, All Star Gasoline, World Gas, ABE Gasoline, Harder Road Gas, and Industrial Gas. In addition, this classification includes all gas stations and all sales occurring at gas stations, so if gas stations include convenience stores as part of the same business operation, the convenience store sales are typically reflected in the gas station sales figures.

INVENTORY OF EXISTING GASOLINE STATIONS

ALH Economics identified and prepared an inventory of the existing gasoline stations closest in proximity to the Hayward Costco Business Center, along with other selective gasoline stations in Hayward and neighboring San Lorenzo up to 2.0 miles away. The purpose of this inventory was to identify area gas stations to demonstrate the extent to which the stations may or may not be competitively differentiated from Costco's proposed gasoline station other than by price, since it is generally recognized that Costco gas prices are highly competitive. These stations are listed in Exhibit 1, which also includes summary information about the Costco gas stations in San Leandro (denoted by the letter A on Exhibit 1) and Hayward (denoted by the letter B on Exhibit 1) as well as summary information about the proposed fueling station at the Hayward Costco Business Center (denoted by the letter C on Exhibit 1). The locations of the gas stations identified in Exhibit 1 are mapped in Exhibit 2.

Identification and Characteristics of Proximate Gas Stations

The matrix in Exhibit 1 outlines the key characteristics of the gasoline stations proximate to the Hayward Costco Business Center. These characteristics include name of station, address, distance from the Hayward Costco Business Center, the number of pumps and fueling stations, gas price and cash discounts, type of fuel sold, hours of operation, presence of a convenience store, and any unique

station features. The field work involved in visiting each gas station occurred on the same day to document that day's pricing for gas so the pricing differentials could be observed between Costco and the existing gas stations. As noted on Exhibit 1, the day of fieldwork was February 5, 2020.

Aside from the Costco gas stations, a total of 9 gas stations were identified and visited. These are the gas stations in closest proximity to the Hayward Costco Business Center, and thus presumably most likely to experience competitive impacts if customers change their gasoline purchasing patterns once the new Costco gas station is added to the supply. Six of the stations are located on A Street/West A Street, which is the major roadway that the Hayward Costco Business Center abuts. Gas stations to the east of the proposed Costco gas station are on A Street while gas stations to the west are on West A Street. Another three stations are identified on Hesperian Boulevard, which is a major arterial perpendicular to West A Street and that parallels Interstate 880.

Of the 9 gas stations, five are located closest to the proposed new Costco gas station, i.e., a distance of one mile or less away. To the east, these include the Speedway Express at 207 A Street (Map Code #3 on Exhibit 2) and Chevron at 486 A Street (#2), which are 0.7 and 0.9 miles to the east of the new Costco gas station site, respectively. To the west, the nearest existing gas stations include the Mobil at 391 W. A Street (#4), Chevron at 525 West A Street (#5), and 76 at 700 W. A Street (#6).

All 9 of the existing gas stations identified in Exhibit 1 are collectively discussed below. Following this discussion, the five most proximate gas stations are especially culled out, as they may be perceived to have heightened competitiveness with the proposed Costco gas station as a direct result of this greater proximity. The report addresses this potential perception.

Customer Access. As noted earlier, only Costco members can purchase gasoline at a Costco gas station. However, both Costco members and all members of the general public can purchase gasoline at any other gasoline station during a station's hours of operation. Therefore, access to the Costco gas station is limited, but access is unlimited to all other gas stations.

Gasoline Brand. The gasoline stations listed on Exhibit 1 and mapped on Exhibit 2 comprise several major national gasoline brands, as well as one more generic gas station. Of the 9 stations, three are 76 stations, two are Chevron stations, and there is one each representing Mobil, Valero, Arco, and Speedway Express (i.e., the more generic gas station, not nationally branded). The stations closest to the proposed Costco gasoline station include the two Chevron stations (#2 and #5), Speedway Express (#3), Mobil (#4), and 76 (#6). As noted in the **Hayward Gasoline Sales Base** discussion above, almost all of these gasoline stations likely perform above the average sales volume per Hayward gasoline station calculated in Table 4 due to their national brand gasoline status.

Days and Hours of Operation. The proposed Costco gas station is anticipated to be open Monday to Friday from 6 am – 8 pm and Saturdays 6 am – 6 pm, for a total of six days and 82 hours per week. In comparison, all of the Hayward and San Lorenzo gas stations identified in Exhibit 1 are open 7 days per week. In addition, nearly half of the gas stations are open 24 hours a day (#1, 76; #2, Chevron; #4, Mobil; and #6, 76), equivalent to 168 hours per week, and the remainder are open more than 12 hours per day, ranging from 112 to 133 hours per week. Thus, the gas stations in Exhibit 1 are open many more hours than the proposed Costco gas station and thus customers have much more flexibility in when they can purchase gasoline from these gasoline stations than they will from the proposed new Costco gas station.

Interstate Proximity. As shown on Exhibit 2, the map of the local gasoline stations, three of the local gasoline stations plus the proposed Costco gasoline station site are located very proximate to the Interstate 880 A Street off-ramps. Costco (C) and the Mobil station (#4) are more accessible to drivers traveling north on Interstate 880 while the Chevron (#5) and 76 (#6) are more accessible to drivers traveling south on Interstate 880. However, only the Chevron station (#5) is on the side of the road (West A Street) most convenient to drivers exiting Interstate 880 without having to cross traffic to access the station. This interstate proximity positions these gasoline stations to best satisfy highway-related gasoline demand.

Gasoline Pricing. The pricing information presented in Exhibit 1 indicates that on the day all the gas stations were visited, the gas prices at the San Leandro and Hayward Costco gas stations were among the lowest of the inventoried stations. However, they were not the very lowest, as there was one gas station priced lower than Costco. In addition, there were price differences between the Costco in Hayward and San Leandro. These Costco pricing differentials were likely due to differences in City tax rate structures. This also may account for why the pricing at gas station #9, the Arco in San Lorenzo, was less expensive than the Costco in Hayward (but not San Leandro).

In general, among the Hayward gas stations (#1 through #7, excluding #2 Chevron, which is a high priced outlier), the pricing for Regular gas was about 10% more than the gas price at the Hayward Costco. Specifically, Costco's price for Regular gas was \$3.119 per gallon on the day the gas stations were visited, compared to the average price per gallon of \$3.414 at gas stations #1 through #7, excluding #2. The pricing at gas station #2 (a Chevron) was much higher than all other gas stations, with Regular gas priced 26% higher than the average among the other Hayward gas stations. There was a similar pricing differential for Plus gasoline as well. ALH Economics is unsure of the justification behind the higher pricing structure at this station but several contributors likely include customer availability of preferential pricing through Safeway's discount gasoline program, the station's 24 hour access, and the enhanced services available at the station, including Smog Check and Auto Care.

One of the gas stations inventoried in Exhibit 1 offers a cash discount for gas purchases (#7, Valero). This discount is about 2% off the credit card price of the gasoline. Several other gas stations have additional gasoline pricing discount programs. These include the aforementioned Chevron gas savings tie-ins with Safeway (gas stations #2 as well as #5), and a 10 cent per gallon app-based savings program at another gas station (#4, Mobil).

Types of Fuel. The existing area Costco gasoline stations sell only two types of fuel – Regular and Premium. Every local gas station included in Exhibit 1 sells Regular and Plus gasoline as well as a higher quality gasoline, variously branded as Premium, Supreme, or Super. In addition, three of the gas stations sell Diesel fuel (#4, Mobil; #6, 76; and #8, 76), and one of the Chevron stations sells E85 Ethanol gas (#5, Chevron). Therefore, all of the gasoline stations identified in Exhibit 1 have a broader range of gasoline product available for purchase than is currently be available at the existing area Costco gas stations. However, the proposed gas station at the Hayward Costco Business Center is anticipated to carry Diesel fuel. As such, it will have a slightly broader range of fuel options available than the other area Costco gas stations, but still not as broad a range as the other existing area local gas stations.

Convenience Store Shopping. Costco gasoline stations sell gas and that is the only product they sell. In contrast, all of the local gas stations included in Exhibit 1 have a convenience store present at the station. Some of the convenience stores are more substantial than others, ranging from a 7 Eleven at one gas station (#6, 76) to a small walk-up kiosk at another gas station (#3, Speedway Express). However, the majority of the stores are bona fide convenience stores and sell a range of convenience

good products, including beverages (alcoholic and non-alcoholic), snacks, food products, lottery tickets, cigarettes, automobile necessities, a variety of sundry products, and offer customer restrooms.

Range of On-Site Services. The local gasoline stations vary in their range of additional services. Some sell propane, which is not available at Costco gas stations, while others provide on-site automobile services. These services include car wash, smog check, auto care services, and auto repair. The gasoline stations that provide these more expanded automobile services include two of the stations closest to the site of the proposed Costco gasoline station (i.e., #2, Chevron and #4, Mobil) and the two stations in San Lorenzo (#8, 76 and #9, Arco).

Summary. In summary, the gas stations listed on Exhibit 1 are all differentiated from the proposed Hayward Costco Business Center gas station, as Costco gas stations are very generic and the proposed gas station will sell only Regular, Premium, and Diesel gasoline. In contrast, the nearby Hayward and San Lorenzo gas stations are all differentiated from Costco's gas stations by offering longer hours, being open more days of the week, providing a wider range of fuel products, selling additional on-site convenience store products, offering customer restrooms and, in some cases by providing expanded automobile care services. In this manner, all of the existing gas stations provide more customer service offerings than will the proposed Costco gas station. Finally, because only Costco members can purchase gas at a Costco gas station, existing area gas stations have access to a much broader customer base because they lack any comparable customer barriers.

Gas Stations Most Proximate to Proposed Costco Gas Station

Among the gasoline stations identified in Exhibits 1 and 2, and reviewed above, the ones lightly shaded in gray in Exhibit 1 are closest in proximity to the site of the proposed Hayward Costco Business Center gasoline station. The Mobil station (#4) is the closest, located about one block away from the proposed Costco gas station. The next closest is the Speedway Express, #3, followed by the two Chevron stations, #5 and #2, and then the 76, #6. All five of these stations are located within 1.0 mile or less of the proposed Costco gas station. Except for the Speedway Express, all are nationally branded gas stations, which likely perform well in the Hayward market and above the citywide average cited in Table 4 due to this name recognition, coupled with other key factors. These other key factors include their location on a prominent thoroughfare with Highway accessibility, the strong convenience store operation present at most stations, and the additional car services offered at two of the stations, e.g., the extensive Mobil car wash operation and the Chevron station Smog Check and Auto Care services. In addition, the market advantage of the Speedway Express station is its market pricing, as it is the Hayward station on A Street or W. A Street with the lowest priced gasoline.³

REPRESENTATIVE CASE STUDY ANALYSIS

ALH Economics obtained a list from Costco of the most recent Costco gas stations opened in California. The purpose of this list was to identify locations that could be researched on a case study basis to evaluate the Costco stations' impacts on other local gasoline stations and to determine if the case study findings might provide perspective on the potential local impacts of the proposed Hayward Costco Business Center gasoline station. The study goal was to identify three communities useful for the purpose of case study analysis, and to conduct relevant gasoline station permitting and taxable

³ One other gas station on Exhibit 1 has lower pricing, but this gas station is located in San Lorenzo (#9, Arco), not Hayward. The lower pricing at the San Lorenzo Arco station is likely attributable to lower local tax rates.

sales trends analysis and interview city staff to obtain information about market dynamics and impacts.

Starting with the most recent, the list of recent Costco gas stations opened in California and their opening dates includes the following locations:

- Oxnard, 11/15/19
- Clovis, 7/17/19
- Ukiah, 7/18/18
- Eastvale, 6/5/18
- Santa Maria, 9/13/17
- San Jose, 6/28/17

Of these locations, ALH Economics determined that the Oxnard and Clovis gas stations were too new, and that there would not be sufficient opportunity for any impacts to be observed in the economy or reported in quantitative data regarding gasoline station sales or the number of gasoline station establishments. Further, given the size of the City of San Jose, ALH Economics determined that San Jose would not comprise a good case study because it would be too difficult to isolate impacts associated with just one store, or to find a City representative likely to be knowledgeable about impacts in the area immediately near the new San Jose Costco gas station.

After eliminating the locations that were not feasible for impact assessment purposes, ALH Economics narrowed the case study analysis to the three cities with new Costco gas stations developed in 2017 and 2018. These cities include Santa Maria, Eastvale, and Ukiah. Economic development representatives were contacted for each city to obtain information about the local gas station impacts. In addition, quarterly data on the number of gas station permits and gas station sales were obtained for each city from first quarter 2016 through third quarter 2019. Sales data for the State of California for the same time period were also obtained. Quarter over quarter percent changes in gasoline sales volumes were calculated for each city and compared to the State to assess if there were any noticeable differentials before and after the Costco gas stations opened in each community. The State data were included in the analysis as a control benchmark. These data findings are presented in Exhibit 3, and are woven into the discussions for each city, below. Select descriptive information is provided for each city, including 2019 population data provided by the State of California Department of Finance.⁴ Notably, Costco gas station sales are not reflected in the gas station sales reported in Exhibit 3, as Costco sales are all reported in one sales category by the State of California, and this sales category is the General Merchandise category for state reporting purposes.

City of Santa Maria. The City of Santa Maria is in California's Central Coast region, and is located in Santa Barbara County. Santa Maria is about 65 miles northwest of Santa Barbara and 150 miles northwest of downtown Los Angeles. It is the most populated city in Santa Barbara County, with an estimated 2019 population of about 107,356. The Costco gas station in Santa Maria opened in September 2017. An existing Costco store in Santa Maria near a Trader Joe's store closed and relocated a short distance away. The new store location is now near U.S. Highway 101, behind a Lowe's home improvement store, and includes a gas station. There is now an Auto Center being built nearby.

⁴ From Table 2: E-5 City/County Population and Housing Estimates, 1/1/2018, State of California, Department of Finance. See <http://www.dof.ca.gov/Forecasting/Demographics/Estimates/E-5/>

According to Santa Maria's Economic Development Manager, Suzanne Singh, there was a dip in gasoline sales in the City of Santa Maria for about the first 6 months after the Costco gas station opened, with existing gas stations lowering their prices closer to the Costco gas sales price. The Economic Development Manager likened this to the type of economic impact most major new retailers have on similar retailers in their market area, which ultimately achieves a new market equilibrium over time. Ms. Singh further indicated that no gas stations closed after the Costco gas station opened and, instead, several existing stations located at some distance from Costco have rebuilt and expanded their stations. These include Chevron and Arco stations. She does not believe, however, that these actions are related to the presence of the Costco gas station, but instead are related to area beautification efforts as well as general business expansion plans. Ms. Singh indicated that the gas stations near the Costco gas station provide more services than Costco, such as car wash, and that these gas stations in general seem to perform better than gas stations that lack such services. In general, Ms. Singh believes that the presence of the Costco gas station created a regional draw for the City of Santa Maria, did not negatively impact existing gas stations, and encouraged the existing gas stations to re-evaluate their pricing strategies, i.e., resulting in slightly more competitive pricing. She further believes the City's gasoline stations are well positioned to take advantage of the electronic signage provisions on which they can post daily changes in pricing, as no other industry in Santa Maria is allowed the use of electronic signs (notably, while gas stations in Santa Maria can advertise in this manner, Costco typically does not post gas prices in this or any other manner other than at the fuel pump).

The trend data in Exhibit 3 support the local information that no gas stations in Santa Maria closed after the Costco gas station opened in September 2017, which corresponds with Q3 2017. From that quarter onward, the number of gasoline stations in Santa Maria stayed constant or increased. Santa Maria gasoline sales declined -11% from Q3 to Q4 in 2017, and -6% from Q4 2017 to Q1 2018, which were more significant declines than the -2% dip and 2% increase throughout the State of California over the same time periods. Thereafter, however, the gasoline sales pattern changes vary between Santa Maria and the State of California, with Santa Maria outperforming or approximately paralleling the State of California's performance in every subsequent quarter but one. Thus, after the initial dip following the Costco gas station opening, Santa Maria's gasoline sector expanded and experienced increased sales during times of obvious rising gasoline prices (pursuant to parallel increases in rising California gasoline sales).

City of Eastvale. The City of Eastvale is located in northwestern Riverside County, California. Eastvale is located south of the City of Ontario and had an estimated 2019 population of 66,078. Costco's Warehouse with a gas station opened in Eastvale on June 5, 2018. Eastvale is a relatively new city, incorporated in October 2010. The city totals 13.1 square miles, is landlocked, and is 85% developed as of early 2020. Kimberly Wright, the City's Economic Development Manager, is not aware of any existing gas stations that raised concerns about Costco's entry into the community prior to the gas station opening. The Costco store as a whole was welcomed and accepted into the community and no gas stations closed after the gas station opening date. Since that time, Ms. Wright indicates that several additional gas stations have been approved, at least three of which are coming on-line soon. Two of these three gas stations are Chevron gas stations and the third is a 7-11 gas station. There are already one existing Chevron and one existing 7-11 gas station in Eastvale, and Eastvale's Economic Development Manager indicates the existing Chevron station is one of the highest performing Chevron gasoline stations in the region.

The trend data for the City of Eastvale in Exhibit 3 show relative stability in the number of gas stations in Eastvale, with the pending increase due to recent approvals not yet showing up in the trend data. There is one temporary decrease in the number of permits during Q4 2018, which is somewhat

unexplained, but could be due to a change in ownership or other administrative issue. The count returns to the prior level in the next quarter. Similar to the trend data for the City of Santa Maria, the percentage gasoline sales declines were greater in Eastvale than the State of California the first two quarters after the Costco gas station opened, i.e., after Q2 2018. However, thereafter, the pattern of gasoline sales from quarter to quarter are either relatively comparable between the City of Eastvale and the State of California or stronger in Eastvale, suggesting that any potential negative impact of Costco's market introduction was temporary, and that Eastvale's gasoline market outperformed or approximately equaled the State of California's performance thereafter.

City of Ukiah. The City of Ukiah is the County seat of Mendocino County, with an estimated 2019 population of 16,296. Ukiah's Costco store with a gasoline station opened on July 18, 2018. This is Ukiah's first Costco store. According to Shannon Riley, Ukiah's Deputy City Manager, the Costco store as a whole was welcomed by the community, and since the opening of the Costco gas station, none of Ukiah's 10 existing gas stations have closed. The Costco store located in the southernmost part of Ukiah, in an established retail area that also includes Les Schwab Tire Center, Tractor Supply Company, Friedman's Home Improvement Store, Food Maxx, Staples, Walmart, a couple of hotels, and a Quik Stop gas station with convenience store and car wash. The Quik Stop gas station is immediately adjacent to U.S. Highway 101 on- and off-ramps and about 0.6 miles from the Costco gas station. There is another gas station just across U.S. Highway 101 (Arco) and yet another one just down the road to the west towards the main part of Ukiah (Chevron).

Ms. Riley indicated to ALH Economics that operations at the Quik Stop, which is the gas station in closest proximity to the Costco gas station, have not appeared to change significantly since the Costco opened, and that collectively, the gasoline stations located closest to the Costco store have not experienced a significant decline in gasoline sales, although she anecdotally noted they may have experienced a competitive pricing effect. Yet, as with the other two case study cities, Exhibit 3 indicates that the pattern of gasoline sales in Ukiah experienced greater declines than in the State of California as a whole for the first two quarters after the Costco gas station opened, i.e., after Q3 2018. Thereafter, however, the pattern is erratic, with the City of Ukiah experiencing a large increase in gasoline sales during second quarter 2019, comprising more than twice the increase experienced statewide, but then experiencing a much greater decline than the State during the third quarter of 2019 (-18% in Ukiah compared to -4% in the State). The City of Ukiah is in an area of the State of California that suffered during Pacific Gas & Electric's Public Safety Power (PSP) shut off for the wildfire season in the fall of 2019, with 5 days of power loss that affected gasoline stations in the City of Ukiah, resulting in the closure of all City gas stations for the duration of the PSP event. However, this occurred during October 2019, which would be reflected in fourth quarter 2019 sales data that have not yet been released. While not germane to the subject of this study, i.e., Costco's impact on gasoline stations, during this 5-day PSP shut-off period, the Costco gasoline station brought in generators and, as a public service, sold gasoline to all members of the community, irrespective of their status as a Costco member.

Case Study Conclusion. In January 2019, the City of Hayward had an estimated population of 159,433. At the same time, the City of Hayward had 50 gasoline station outlets. Both figures are greater than in any of the case study cities, where the population ranged from 16,296 in Ukiah to 107,356 in Santa Maria and the 2019 Q1 number of gasoline stations ranged from 5 in Eastvale and 23 in Santa Maria. The City of Hayward is generally built out while two of the case study cities, Santa Maria and Eastvale, are still experiencing new growth. In addition, Hayward already has a Costco gas station with another located very nearby in neighboring San Leandro, while none of the case study cities had a Costco gas station prior to the opening of the referenced Costco gas station.

The preceding figures and information indicate there are several ways in which Hayward is not comparable to the case study cities, which casts into some question the applicability of the case study findings to the City of Hayward. Yet while the case study cities have dissimilarities to each other, some of the overall findings generally seem to coalesce, suggesting relative uniformity in each community's economic response to the market entrance of the Costco gasoline station. This response appears to entail an initial short-term downward trend in gasoline sales among existing gasoline stations, likely comprising an initial lowering of prices responding to Costco's low gasoline prices, that then re-stabilizes two quarters later following a period of market adjustment, after which no gasoline stations experience a sales impact significant enough to warrant closure and with the market in some cases even expanding by adding or planning to add new gas stations. This suggests that a similar impact might occur in Hayward after the proposed Hayward Costco Business Center gasoline station opens, with existing gasoline stations inclined to initially lower prices to retain existing customers before re-stabilizing.

However, since there is already a Costco gasoline station presence in the Hayward market, and another nearby in San Leandro, ALH Economics believes there is less of a likelihood for such a market pricing reaction to happen, since the availability of Costco gasoline is not a new phenomenon for area Costco members. Instead, area Costco members who wish to purchase Costco gasoline can already do so at the Costco gas stations in Hayward and San Leandro. The figures reported earlier in Table 2 indicated that such purchases do occur. This table, however, does not indicate if there are area Costco members who do not avail themselves of that opportunity. Therefore, it is possible that some Costco members who live or work closer to the proposed Hayward Costco Business Center gasoline station than to the other Costco gas stations, and who do not already purchase Costco gasoline, might choose to change their gasoline purchasing patterns and start purchasing Costco gas once the new station is built. Or Costco members who perhaps purchase gas from local gas stations in Hayward between visits to the nearby Costco Warehouse stores with gas stations could instead avail themselves of the additional Costco gas shopping opportunity for these interim purchases. If this occurs, then this could result in the possible diversion of gasoline sales from existing Hayward gas stations, or the incentive for local gasoline stations to lower prices. The occurrence of this is purely speculative, but could account for a possible market response comparable to the trends noted in the case study cities, all of which, however, appeared to generally rebound within approximately six months after the opening of the Costco gas station.

CHARACTERIZATION OF HAYWARD GASOLINE SALES BASE

For the purpose of this study, ALH Economics additionally characterized Hayward's gasoline sales base with regard to the extent to which it attracts or leaks demand generated by the city's population base. To achieve this, ALH Economics used a retail model that estimates retail spending potential for an area based upon household counts, income, and consumer spending patterns. The model then computes the extent to which the area is or is not capturing this spending potential based upon taxable sales data published by the State of California Department of Tax and Fee Administration (CDTFA). For any study area, retail categories in which spending by locals is not fully captured are called "leakage" categories, while retail categories in which more sales are captured than are generated by residents are called "attraction" categories. This type of study is generically called a retail demand, sales attraction, and spending leakage analysis, or retail gap analysis. Generally, attraction categories signal particular strengths of a retail market while leakage categories signal particular weaknesses. ALH Economics' model, as well as variations developed by other urban economic and real estate consultants and economic analysts, compares projected spending to actual sales.

For the purpose of generating such an analysis for Hayward, ALH Economics obtained taxable retail sales data for 2018 to reflect the most recent full year data available at the time this study was conducted. These taxable retail sales were adjusted upward to reflect nontaxable sales in key sales categories, including food & beverage stores and the drug store component of other retail sales. These data were combined with Hayward household counts, an average household income estimate, household spending by retail category estimates, and an assumption of percent of income spent on retail.

The results of the retail demand, sales attraction, and spending leakage analysis for Hayward are presented in Exhibit 4, with additional support provided in Exhibits 5-7. This includes results for all major retail categories, but the findings for the gasoline sector are highlighted in bold. For this sector, the findings indicate that Hayward achieves significant retail sales attraction in gasoline, amounting to 42% of all sales. In other words, Hayward achieves 42% more gasoline sales than one would expect from just Hayward's local population base. This is an indicator that Hayward attracts gasoline sales from a more regional population base, such as from people who work in Hayward but do not live there, people who come to Hayward to shop or go to school, or people who stop in Hayward for gas while traveling through the city or exit Interstate 880 for a fuel stop.

The figures on Exhibit 4 demonstrate that Hayward is an attraction city in all but one retail category, which is the comparison shopping goods category of home furnishings & appliance stores. On average, Hayward's retail sales base comprises 36% sales attraction, meaning the City attracts just more than one-third more retail sales than would be expected given the size of the City's population base. The two strongest retail sectors both achieve 65% retail attraction, including general merchandise stores (e.g., stores like Walmart and department stores) and building materials & garden equipment stores (e.g., stores like Home Depot, Harbor Freight, and hardware stores). These are the only sectors with stronger retail attraction than gasoline sales. Thus, at 42% retail sales attraction, Hayward's gasoline sales base is one of Hayward's relatively strongest performing retail sectors, clearly satisfying regional demands in excess of local needs.

CONCLUDED COSTCO BUSINESS CENTER GAS STATION SALES IMPACTS

Earlier in the analysis, ALH Economics developed an estimate of \$16.5 million in annual Hayward Costco Business Center gas station sales. This section of the report presents findings regarding the prospective impacts that the success of this gas station may have on existing gas stations in Hayward, especially gas stations clustered on A Street/West A Street in Hayward proximate to the Business Center. The sales impact analysis discussed in this section is documented in Exhibit 8.

Approach to Estimating Impacts

The approach to the proposed Hayward Costco Business Center gas station sales impact analysis is documented in Exhibit 8. There are numerous assumptions embedded in the approach, derived from the preceding analysis. ALH Economics recognizes that alternate assumptions could lead to different study conclusions. However, all possible efforts were made to generate reasonable and conservative assumptions to shape the analysis and support the study conclusions. The following describes the analysis in Exhibit 8 leading up to identifying the portion of the sales most at risk of being diverted from existing Hayward gas stations.

Portion of New Costco Gasoline Sales Captured from Existing Costco Gas Stations. A significant portion of the total \$16.5 million Business Center gas station sales are anticipated to be diverted away from Costco's existing area gas stations located at the Warehouse stores in Hayward and San

Leandro. This is anticipated due to members who live closer to the Business Center shifting their gas purchases to that location when it is convenient to do so. Between the estimates of the Business Center market area draw by member location and Warehouse gas station volume of gas sales by member location in Tables 1 and 2, respectively, ALH Economics estimates that up to 50% of the total gas sales volume may be captured, or diverted from existing Costco gas stations.⁵ Thus, while the sales may be new to the Business Center gas station, they will result in evening out demand at Costco's three areawide gas stations. This is estimated to account for \$8.2 million of sales at the Hayward Costco Business Center gas station.

Gas Station Sales Generated by Members Outside the Primary Market Area. After the \$8.2 million in gas station sales captured from existing area Costco gas stations are accounted for, \$8.2 million in gas station sales would remain. A large portion of these sales are anticipated to be absorbed by Costco members drawn to the Business Center from outside the primary market area of Hayward, San Leandro, and San Lorenzo. Based on the figures reported in Table 1, over 50% of Costco's customers at the Business Center originate from outside this area. Therefore, Exhibit 8 estimates that 50% of the net remaining gasoline sales will be absorbed by this demand, or \$4.1 million. These would be gas sales purchases made by Costco members originating in communities beyond Hayward, and therefore diverting gas sales from those communities, such as Castro Valley, Oakland, the Tri-Valley communities of Pleasanton, Livermore, Dublin, San Ramon, and Danville, Alameda, Emeryville, and other locations. This leaves a remaining balance of \$4.1 million in net gasoline sales to be sold to additional Costco members, most likely comprising primary market area members.

Balance of Net New Sales Originating from Members Living/Working in Hayward. Since the study objective is to assess the impact of the Hayward Costco Business Center gas station on Hayward gas stations, especially ones proximate to the Business Center to the extent possible, Exhibit 8 further narrows the net new gas sales to the amount estimated to originate from Costco members living or working in Hayward. This is estimated by multiplying the \$4.1 million remaining sales generated by primary market area sales by the 80% of primary market area members estimated to be from Hayward, resulting in a \$3.3 million estimate of sales supported by Hayward Costco members. This 80% figure is derived from findings in Table 1, regarding the geographic distribution of the Business Center's customers and derivation of the primary market area.

Conservative Estimate of Initial Hayward Gasoline Sales Impacts

For the \$3.3 million in net new gas purchases made by Hayward Costco members to occur at the proposed Hayward Costco Business Center gas station, they would logically be diverted from other gas stations. In all likelihood, the gas purchases being diverted would be geographically dispersed, as vehicle drivers make gas purchases based upon where they are located at the time their need for gas arises, which could include where they live, work, or travel. However, to be conservative, the analysis in Exhibit 8 identifies what it would look like if all of the diversion occurred to the detriment of existing Hayward gas stations.

⁵ Notably, the other gas stations achieve higher gas sales volumes due to their longer hours of operations (104.5 hours per week compared to 82 hours per week). Therefore, a 50% sales capture rate for the Business Center gasoline station would comprise significantly less than a 25% reduction per existing gas station, perhaps something more akin to 20% each.

The results in Exhibit 8 indicate that if the \$3.3 million balance of net new gas sales originating from Hayward Costco members were diverted from all existing Hayward gas stations, they would be equivalent to 2% of the 2019 estimated \$202.4 million gas station sales base. This is a very nominal impact spread across the entire inventory of Hayward gas stations. If the sales were diverted from a smaller pool of gas stations, such as the five stations noted in Exhibits 1 and 2 clustered closest to the Hayward Costco Business Center, then the quantitatively derived sales impact could be greater.

The actual sales achieved by the five gas stations clustered closest to the Hayward Costco Business Center is unknown. For the sake of analysis, these sales are estimated in Exhibit 8 as \$20.7 million to \$41.3 million. This is equivalent to the gas stations achieving the average to twice the annual average sales per gas station. It is likely very conservative to assume these gas stations would perform at the overall average for the City of Hayward, as they have strategic advantages relative to other Hayward gas stations, including that they are heavily weighted towards name brand gas stations, located along a major thoroughfare, have highway accessibility and high visibility, have convenience store offerings, and provide additional auto-related services. Nevertheless, assuming the \$20.7 million to \$41.3 million range of competitive gasoline station sales for these most proximate gas stations, the Business Center gas station impacts are temporarily estimated at 8% to 16% of gas station sales pursuant to the 2019 sales base.

ALH Economics believes there is a fallacy in focusing the examination of the gas station impacts on the gas stations located closest to the Hayward Costco Business Center. This fallacy is that just because these stations are located close to the Business Center does not mean that Costco members currently already purchase gas at these stations, or purchase gas at them to any significant degree, or purchase gas at them disproportionately relative to other Hayward gas stations. Therefore, if Costco members redirect their gasoline purchases away from gas stations in Hayward, and towards the new Costco gas station at the Business Center to the neglect of existing Hayward stations, these may not be the gas stations they would switch away from. The Hayward gas stations that would experience sales losses would in all likelihood be more dispersed throughout the city, in keeping with the geographic distribution of Costco members' home and work locations. ALH Economics concludes that the resulting initial sales impacts would therefore likely be more consistent with the low end of the impacts estimate in the range of 2% of Hayward's gasoline station sales base.

Forecasted Long-Term Gasoline Sales Impacts

The case study findings demonstrated that the case study communities experienced initial sales impacts following the opening of a Costco gas station new to their community. However, gas station sales typically recovered relative to a State of California benchmark and achieved stability approximately six months after the Costco gas station introduction, and no existing gas stations experienced sales losses significant enough to warrant closure. As noted, these were communities that previously did not have any Costco gas station, so the Costco gas station was a significant new entrant to the market. In contrast, Hayward and the general Hayward area has two existing Costco gas stations. Consequently, Hayward's gas station sector already has experience competing with Costco, is more insulated as a result, and is better positioned to withstand the competition. Moreover, Hayward is a community characterized by gasoline sales attraction. Therefore, even the minimal gas station sales impacts estimated above are anticipated to wane in the longer term, after approximately six months, as the market adjusts to the introduction of the new Costco gas station, and stabilizes, based on the prevailing trend in gasoline pricing at the time, recognizing that gasoline pricing continues, as always, to be volatile and dependent on a number of factors independent of the influence of the pricing strategy of any one individual gas station operator.

CLOSING

ALH Economics appreciates the opportunity to present this report regarding the prospective local gasoline station market impacts of the proposed Hayward Costco Business Center gasoline station. Please let us know if you have any questions regarding this report, which is subject to the appended Assumptions and General Limiting Conditions.

Sincerely,

ALH Urban & Regional Economics

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

Amy L. Herman
Principal

ALH Econ/Projects/2020/2001/Report/2001.r03.doc

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

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

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

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

APPENDIX A: EXHIBITS

Exhibit 1
List of Costco Gas Stations and Hayward and San Lorenzo Gas Stations Near Costco Hayward Business Center (1)
Select Gas Station Characteristics
February 5, 2020

Exhibit 2 Map Code (2)	Name of Station	Address (Address in Hayward unless otherwise stated)	Distance from Costco Business Center (miles)	Number of Pumps	Price of Gas per Gallon (3)		Name of Convenience Store	Hours	Unique Station Features
					Cash	Credit			
A	Costco	1900 Davis Street, San Leandro	6.4	12/24		Regular: \$3.059 Premium: \$3.299		M - F: 6 am - 9:30 pm Sat: 6 am - 8 pm Sun: 7 am - 8 pm	
B	Costco	28505 Hesperian Blvd.	5.0	10/20		Regular: \$3.119 Premium: \$3.419		M - F: 6 am - 9:30 pm Sat: 6 am - 8 pm Sun: 7 am - 8 pm	
1	76	898 A Street	1.5	5/10		Regular: \$3.499 Plus: \$3.599 Premium: \$3.699	Food Mart	Gas 24 hours	Sells propane
2	Chevron	486 A Street	0.9	5/10		Regular: \$4.299 Plus: \$4.499 Supreme: \$4.599	Food Mart	Gas 24 hours	Smog Check, Auto Care Safeway Gas Rewards
3	Speedway Express	207 A Street	0.7	5/10		Regular: \$3.339 Plus: \$3.539 Premium: \$3.639	Store present (very small)	5 am - 12 am	
C	Hayward Costco Business Center (4)	22330 Hathaway Ave	Proposed gas station	12/24				M - F: 6 am - 8 pm Sat: 6 am - 6 pm	
4	Mobil	391 W. A Street	0.5	6/12		Regular: \$3.399 Extra: \$3.599 Super: \$3.699 Diesel: \$3.759	Store present	Gas 24 hours Car wash 8 am - 8 pm	Car Wash Earn up to 10 cents/gallon with app Hydrogen pump
5	Chevron	525 W. A Street	0.8	8/16		Regular: \$3.549 Plus: \$3.699 Supreme: \$3.799 E85: \$3.299 85% Ethanol	Extra Mile	Gas 24 hours Store open 4 am - midnight	Safeway Gas Rewards Ethanol Gas
6	76	700 W. A Street	1.0	4/8		Regular: \$3.359 Plus: \$3.379 Premium: \$3.689 Diesel: \$3.759	7 Eleven	24 hours	
7	Valero	20450 Hesperian Boulevard	1.2	4/8	Unleaded: \$3.279 Plus: \$3.639 Super: \$3.799	Unleaded: \$3.339 Plus: \$3.699 Super: \$3.799	Food Shop	10:30 am - 11 pm	Sells propane
8	76	18501 Hesperian, San Lorenzo	1.6	4/8		Regular: \$3.599 Plus: \$3.759 Premium: \$3.859 Diesel: \$3.799	Snack Shop	5 am - 10 pm	Smog Services, Auto Repair
9	Arco	17601 Hesperian, San Lorenzo	1.8	6/12		Regular: \$3.115 Plus: \$3.319 Premium: \$3.419	Store present	6 am - 10 pm	Auto Care Center
Gas Stations Map Numbers 1-9 Totals				47/94					

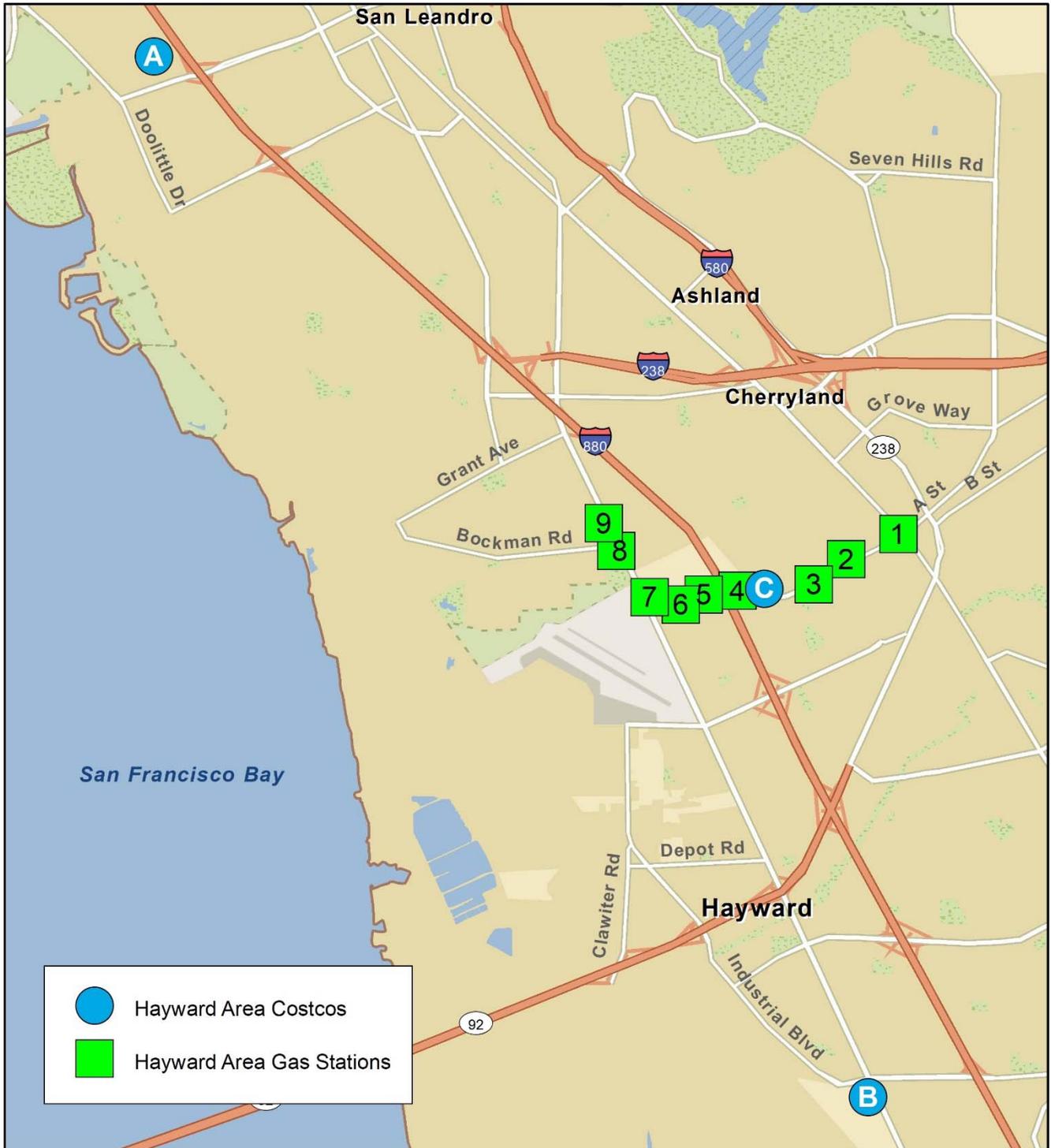
Source: ALH Urban and Regional Economics.

(1) The gas station entries shaded in light gray are the closest in proximity to the site of the proposed Costco gasoline station at the Hayward Business Center. These gas stations are located within 1.0 mile of the proposed gas station to the east and west of the gas station site.

(2) See Exhibit 2 for the mapped location of each cited gasoline station and the proposed Hayward Costco Business Center gasoline station.

(3) Pricing information is based on one day of fieldwork, occurring February 5, 2020.

Exhibit 2
Map of Costco Gas Stations and Hayward and San Leandro Gas Stations
Near Costco Hayward Business Center



0 1.25 2.5 5 Mile

Exhibit 3

**Gas Station Establishments and Taxable Sales, Before and After Opening of Costco Gas Stations (1)
City of Santa Maria, City of Eastvale, and City of Ukiah, Compared to State of California Change in Gas Station Sales (2)
2016 through Third Quarter 2019**

Year	Qtr	CA State Sales in \$bil	City of Santa Maria & CA				City of Eastvale & CA				City of Ukiah & CA			
			Date Costco Gas Station Opened: 9/13/2017				Date Costco Gas Station Opened: 6/5/2018				Date Costco Gas Station Opened: 7/18/2018			
			City Permits	City Sales (3)	City Sales Change	State Sales Change	City Permits	City Sales (3)	City Sales Change	State Sales Change	City Permits	City Sales (3)	City Sales Change	State Sales Change
2016	Q1	\$9.8	22	\$28,753,344	-	-	5	\$6,931,734	-	-	13	\$8,025,415	-	-
2016	Q2	\$11.2	21	\$34,229,152	19%	14%	5	\$9,327,188	35%	14%	13	\$8,602,327	7%	14%
2016	Q3	\$11.4	22	\$35,705,963	4%	1%	5	\$9,326,994	0%	1%	13	\$8,682,997	1%	1%
2016	Q4	\$10.9	21	\$32,275,056	-10%	-4%	5	\$8,937,192	-4%	-4%	13	\$8,085,814	-7%	-4%
2017	Q1	\$10.8	22	\$31,899,587	-1%	0%	6	\$7,975,912	-11%	0%	13	\$9,151,355	13%	0%
2017	Q2	\$12.1	21	\$37,752,870	18%	12%	6	\$9,860,201	24%	12%	12	\$9,707,151	6%	12%
2017	Q3	\$12.4	21	\$39,433,674	4%	2%	6	\$10,220,107	4%	2%	11	\$9,798,948	1%	2%
2017	Q4	\$12.1	22	\$34,962,172	-11%	-2%	6	\$10,283,603	1%	-2%	10	\$9,745,262	-1%	-2%
2018	Q1	\$12.4	22	\$32,843,761	-6%	2%	6	\$11,950,950	16%	2%	10	\$9,986,917	2%	2%
2018	Q2	\$14.1	23	\$41,298,199	26%	14%	5	\$13,540,070	13%	14%	10	\$10,469,821	5%	14%
2018	Q3	\$14.2	23	\$35,995,544	-13%	0%	5	\$10,030,173	-26%	0%	10	\$9,908,776	-5%	0%
2018	Q4	\$13.6	23	\$34,041,181	-5%	-4%	4	\$8,774,641	-13%	-4%	10	\$8,847,462	-11%	-4%
2019	Q1	\$11.7	23	\$33,074,430	-3%	-14%	5	\$7,396,867	-16%	-14%	10	\$6,071,999	-31%	-14%
2019	Q2	\$14.6	23	\$43,416,205	31%	25%	5	\$9,944,539	34%	25%	11	\$10,116,866	67%	25%
2019	Q3	\$14.0	23	\$43,340,013	0%	-4%	5	\$10,031,610	1%	-4%	13	\$8,302,781	-18%	-4%

Sources: State of California Department of Tax and Fee Administration, First Quarter 2016 through Third Quarter 2019, Taxable Quarterly Reports; Costco Wholesale Corporation; and ALH Urban & Regional Economics.

(1) Each Costco gas station opening date is identified in the column headings by City. For each city, the figures corresponding to the quarter during which the Costco gas station opened are shaded in light gray.

(2) The trend analysis for each city includes the State of California trend in gas station sales on a quarter over quarter basis.

(3) All dollars are in current year dollars, and have not been adjusted for inflation.

Exhibit 4
City of Hayward
Retail Demand, Sales Attraction, and Spending Analysis (1)
2018

Type of Retailer	Per Household		City of Hayward Household	City of Hayward Sales	Retail Sales Attraction/(Leakage)	
	Spending (2)	Sales (3) (4)	Spending (4)	(3)	Amount	Percent
Motor Vehicles & Parts Dealers	\$4,533	\$7,167	\$214,742,588	\$339,491,971	\$124,749,383	37%
Home Furnishings & Appliance Stores	\$1,574	\$1,265	\$74,572,563	\$59,904,676	(\$14,667,887)	-20%
Building Materials & Garden Equip (5)	\$1,955	\$5,510	\$92,589,960	\$261,001,588	\$168,411,628	65%
Food & Beverage Stores	\$5,003	\$6,176	\$236,996,324	\$292,567,913	\$55,571,589	19%
Gasoline Stations	\$2,472	\$4,274	\$117,106,706	\$202,440,671	\$85,333,965	42%
Clothing & Clothing Accessories Stores	\$2,095	\$2,435	\$99,260,650	\$115,352,770	\$16,092,120	14%
General Merchandise Stores	\$3,429	\$9,766	\$162,454,701	\$462,593,701	\$300,139,000	65%
Food Services & Drinking Places	\$4,292	\$4,922	\$203,315,024	\$233,177,211	\$29,862,187	13%
Other Retail Group (6)	\$3,684	\$3,817	\$174,507,205	\$180,818,827	\$6,311,622	3%
Total	\$29,038	\$45,331	\$1,375,545,720	\$2,147,349,328	\$771,803,608	36%

Sources: State of California, Department of Finance, "Table 2: E-5 City/County Population and Housing Estimates, 1/1/2018,"; U.S. Bureau of the Census, American Community Survey, average household income data for 2018; and ALH Urban & Regional Economics.

(1) All figures are expressed in 2018 dollars.

(2) The per household spending estimates for the City of Hayward were generated by ALH Urban & Regional Economics by taking the estimated average 2018 area household income figure of \$104,033 for 2018 from the ACS and multiplying by 28%, utilizing the assumption that 28% of household income is spent on California Department of Tax and Fee Administration type retail at this average income level (see Exhibit 5). This figure was then multiplied by the percentages calculated from the ratio of the California Department of Tax and Fee Administration sales for the State of California (see Exhibit 6).

(3) See Exhibit 7.

(4) Represents per household spending multiplied by the respective household count (e.g., occupied housing units) for the City of Hayward of 47,370.

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

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

Exhibit 5
Household Income Spent on Retail (1)
United States
2017

Characteristic	All Consumer Units	Household Income Range							
		\$15,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 to \$99,999	\$100,000 to \$149,999	\$150,000 to \$199,999	\$200,000 and more
Average HH Income	\$73,573	\$22,315	\$34,685	\$44,771	\$59,382	\$83,829	\$120,288	\$170,234	\$306,051
Amount Spent on Retail (2)	\$22,911	\$13,370	\$17,130	\$18,277	\$22,028	\$25,418	\$33,044	\$40,565	\$52,002
Percent Spent on Retail (3)	31%	60%	49%	41%	37%	30%	27%	24%	17%

Sources: Table 1203. Income before taxes: Annual expenditure means, shares, standard errors, and coefficient of variation, Consumer Expenditure Survey, 2017, U.S. Bureau of Labor Statistics; and ALH Urban & Regional Economics.

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

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

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

Exhibit 6
State of California Board of Equalization Taxable Retail Sales Estimate by Retail Category
2018

Type of Retailer	Total Taxable Sales (1)	State of California Taxable Sales Adjusted to Total Retail	Percent of Total
Motor Vehicle & Parts Dealers	\$89,696,668,865	\$86,983,283,145	15.6%
Home Furnishings & Appliances	\$31,099,159,205	\$30,206,241,172	5.4%
Building Materials & Garden Equipment	\$39,469,798,311	\$37,504,338,446	6.7%
Food & Beverage Stores	\$29,697,424,447	\$95,997,345,380 (2)	17.2%
Gasoline Stations	\$54,302,231,927	\$47,435,051,665	8.5%
Clothing & Clothing Accessories	\$42,233,560,412	\$40,206,357,448	7.2%
General Merchandise Stores	\$56,416,292,603	\$65,803,636,835 (3)	11.8%
Food Services & Drinking Places	\$85,226,196,681	\$82,354,452,662	14.8%
Other Retail Group	\$61,018,669,056	\$70,685,604,584 (4)	12.7%
Total (5)	\$489,160,001,507	\$557,176,311,337	100%

Sources: California Department of Tax and Fee Administration (CDTFA), "Statewide Taxable Sales by Type of Business, 2018"; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States and States: 2007"; and ALH Urban & Regional Economics.

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

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

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes approximately 26% of General Merchandise Stores sales to food.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the (former) California BOE and examination of U.S. Census data. In California, drug store sales in 2018 represented approximately 11.87% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

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

Exhibit 7
City of Hayward Taxable Sales Estimate (1)
2018

Type of Retailer	Total Taxable Sales City of Hayward	City of Hayward Taxable Sales Adjusted to Total Retail
Motor Vehicles & Parts Dealers	\$339,491,971	\$339,491,971
Home Furnishings & Appliance Stores	\$59,904,676	\$59,904,676
Building Materials & Garden Equip .	\$261,001,588	\$261,001,588
Food & Beverage Stores	\$87,770,374	\$292,567,913 (2)
Gasoline Stations	\$202,440,671	\$202,440,671
Clothing & Clothing Accessories Stores	\$115,352,770	\$115,352,770
General Merchandise Stores	\$346,945,276	\$462,593,701 (3)
Food Services & Drinking Places	\$233,177,211	\$233,177,211
Other Retail Group	\$145,700,340	\$180,818,827 (4)
Total (5)	\$1,791,784,877	\$2,147,349,328
Percent Taxable (6)	80%	

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 4. Taxable Sales in California Cities, By Type of Business, 2018"; "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States: 2007"; and ALH Urban & Regional Economics.

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

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

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 26% of General Merchandise Stores sales to food.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE (predecessor Department to Department of Tax and Fee Administration) and examination of U.S. Census data. In California, drug store sales in 2018 represented approximately 11.87% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

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

(6) Rounded to the nearest 10.

Exhibit 8**Estimated Hayward Costco Business Center Distribution of Sales Demand
Prospective Business Center Gas Station Sales Impact on Hayward Area Gas Stations****Figure**

Estimated Costco Gas Sales Net New to Hayward Costco Business Center	
Gasoline Sales Estimate for Hayward Costco Business Center Gas Station (1)	\$16,485,102
Prospective Share of Business Center Gas Station Sales Captured from Existing Area Costco Gas Stations (2)	50%
Amount of Business Center Gas Station Sales Captured from Existing Area Costco Gas Stations (3)	\$8,242,551
Balance of Gas Station Sales New to Hayward Costco Business Center Gas Station (4)	\$8,242,551
Estimated Net New Business Center Gas Sales Generated by Primary Market Area Costco Members	
Total Gas Sales Net New to Costco	\$8,242,551
Percent Sales Originating from Costco Members Outside Business Center Primary Market Area (5)	50%
Amount of Sales Originating from Costco Members Outside Business Center Primary Market Area (3)	\$4,121,275
Balance of Net New Gas Sales Originating from Costco Members in Business Center Primary Market Area (4)	\$4,121,275
Business Center Primary Market Area Composition (6)	
City of Hayward	80%
San Leandro and San Lorenzo	20%
Balance of Net New Gas Sales Originating from Business Center Customers Living/Working in Hayward (7)	\$3,296,831
Estimated City of Hayward and Proximate Gas Station Sales Base	
Total Hayward Annual Taxable Gas Station Sales (8)	\$202,370,132
Annual Average Taxable Gas Station Sales per Station (8)	\$4,130,003
Number of Stations in Closest Proximity to Planned Costco Gas Station at Business Center (9)	5
Estimate of Annual Sales of Proximate Stations (10)	
Assuming Stations Proximate to the Business Center Performed at the Annual Average of Existing Stations (10)	\$20,650,013
Assuming Stations Proximate to the Business Center Performed at Twice the Annual Average of Existing Stations (11)	\$41,300,027
Prospective Costco Business Center Gas Station Sales Impact on Hayward Area Gas Stations	
New Primary Market Area Sales Diverted as a Share of All Hayward Gasoline Stations (12)	2%
New Primary Market Area Sales Diverted as Share of Estimated Sales for Stations Proximate to Business Center	
Assuming Stations Proximate to the Business Center Performed at the Annual Average of Existing Stations (13)	16%
Assuming Stations Proximate to the Business Center Performed at Twice the Annual Average of Existing Stations (14)	8%

Source: ALH Urban & Regional Economics.

(1) See Table 3.

(2) Assumes half of the sales achieved at the new Hayward Costco Business Center gas station comprise sales diverted away from the existing Costco gas stations at the San Leandro and Hayward Warehouse store locations, due to being more conveniently located for Costco members who already purchase gas at these locations but live closer to the Business Center location. This parallels the market draw

(3) This figure is the result of multiplying the two preceding figures.

(4) This figure is the result of subtracting the two preceding figures one from the other.

(5) Pursuant to the figures reported in Table 3, approximately 50% of Costco's customers at the Hayward Costco Business Center originate from outside the primary market area of Hayward, San Leandro, and San Lorenzo.

(6) The percentage division of primary market area geography is based upon information presented in Table 1.

(7) The is the estimated share of the balance of primary market area demand generated by Hayward primary market area members.

(8) See Table 4.

(9) See Exhibit 1.

(10) This sales estimate conservatively assumes the five stations in closest proximity to the Hayward Costco Business Center achieve the annual sales volume equal to the annual average for all Hayward gasoline stations.

(11) This sales estimate, for lack of any other estimate, assumes that the stations in closest proximity to the Hayward Costco Business Center achieve twice the average annual sales volume as the average gas station in the City of Hayward. This assumption was developed by ALH Urban & Regional Economics, based on the propensity for these stations to be heavily weighted towards name brand gas stations, to be located along a major thoroughfare, to have highway accessibility and high visibility, to have convenience store offerings, and to provide additional auto-related services.

(12) Comprises the \$3,296,831 in estimated net new Hayward Costco member gas sales divided into all estimated 2019 Hayward gas station sales.

(13) Comprises the \$3,296,831 in estimated net new Hayward Costco member gas sales divided into all estimated 2019 Hayward gas station sales for just the gas station sales most proximate to the Hayward Costco Business Center assuming they perform at the annual average of existing stations.

(14) Comprises the \$3,296,831 in estimated net new Hayward Costco member gas sales divided into all estimated 2019 Hayward gas station sales for just the gas station sales most proximate to the Hayward Costco Business Center assuming they perform at twice the annual average of existing stations.

APPENDIX B: FIRM BACKGROUND AND QUALIFICATIONS

ALH ECONOMICS QUALIFICATIONS

Firm Overview

ALH Urban & Regional Economics (ALH Economics) is a sole proprietorship devoted to providing urban and regional economic consulting services to clients throughout California. The company was formed in June 2011. Until that time, Amy L. Herman, Principal and Owner (100%) of ALH Economics, was a Senior Managing Director with CBRE Consulting in San Francisco, a division of the real estate services firm CB Richard Ellis. CBRE Consulting was the successor firm to Sedway Group, in which Ms. Herman was a part owner, which was a well-established urban economic and real estate consulting firm acquired by CB Richard Ellis in late 1999.

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

Ms. Herman holds a Master of Community Planning degree from the University of Cincinnati and a Bachelor of Arts degree in urban policy studies from Syracuse University. She pursued additional post-graduate studies in the Department of City and Regional Planning at the University of California at Berkeley. She is Past President of the Board of Directors of Rebuilding Together East Bay - North (formerly Christmas in April) and serves as an officer on other non-profit boards.

Prior to forming ALH Economics, Ms. Herman worked for 20 years as an urban economist with Sedway Group and then CBRE Consulting's Land Use and Economics practice. Her prior professional work experience included 5 years in the Real Estate Consulting Group of the now defunct accounting firm Laventhol & Horwath (L&H), preceded by several years with the real estate consulting firm Land Economics Group, which was acquired by L&H. During her career, Ms. Herman has established a strong professional network and client base providing access to contacts and experts across a wide spectrum of real estate and urban development resources.

A resume for Ms. Herman follows at the end of this Appendix.

Service Areas and Client Base

ALH Economics provides a range of economic consulting services, including:

- market feasibility analysis for commercial, housing, and industrial land uses
- fiscal and economic impact analysis
- CEQA-prescribed urban decay analysis
- economic studies in support of general plans, specific plans, and other long-range planning efforts

- economic development and policy analysis
- other specialized economic analyses tailored to client needs

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

- the cities of Concord, Pleasanton, Tracy, Dublin, Inglewood, Petaluma, and Los Banos, the Office of Community Investment and Infrastructure as Successor Agency to the Redevelopment Agency of the City and County of San Francisco, Alameda County Community Development Agency, the Alameda County Fair, Bay Area Rapid Transit District, East Bay Community Energy, and The Presidio Trust;
- the University of California at Berkeley, The Primary School, The Claremont Colleges Services, Stanford Real Estate, and the University of California at Riverside;
- Group 4 Architecture, Research + Planning, Inc., Paul Halajian Architects; LSA Associates, Raney Planning and Management, Inc., Environmental Science Associates (ESA), First Carbon Solutions - Michael Brandman Associates, and Infrastructure Management Group, Inc.;
- Maximus Real Estate Partners, New West Communities, Build, Inc., Arcadia Development Co., Howard Hughes Corporation dba Victoria Ward LLC, Blu Homes, Inc., China Harbour Engineering Company, Kimco Realty, Align Real Estate LLC, Centercal, and Carvana Co.;
- Ronald McDonald House and Hospital Council of Northern and Central California; and
- Gresham Savage Nolan & Tilden, PC, Remy Moose Manley, Pelosi Law Group, and Sedgwick LLP.

Throughout her more than 30-year career, Ms. Herman has managed real estate consulting assignments for hundreds of additional clients, including many California cities, corporations, residential, commercial, and industrial real estate developers, and Fortune 100 firms.

Representative Project Qualifications

The Principal of ALH Economics, Amy L. Herman, has personally performed and managed over 50 urban decay studies for retail development projects in California. These studies have generally been the direct outcome of the 2004 court ruling *Bakersfield Citizens for Local Control ("BCLC") v. City of Bakersfield* (December 2004) 124 Cal.App.4th 1184, requiring environmental impacts analyses to take into consideration the potential for a retail project as well as other cumulative retail projects to contribute to urban decay in the market area served by the project. However, subsequent court rulings for other projects throughout California have provided further direction regarding urban decay study requirements. Ms. Herman has studied and reviewed all these rulings in an effort to optimize urban decay study preparation and minimize subsequent challenges. The urban decay studies prepared by Ms. Herman have often been conducted as part of the EIR process, but also in response to organized challenges to a city's project approval or to Court decisions ruling that additional analysis is required. Ms. Herman has also conducted peer review analysis of urban decay and comparable economic impact studies prepared by other economic consulting firms, especially for projects in the California cities of Placer, Selma, and Stockton.

The types of high volume retail projects for which these studies have been conducted include single store developments, typically comprising a Walmart Store, The Home Depot, Lowe's Home Improvement Warehouse, or Target store. The studies have also been conducted for large retail shopping centers, typically anchored by one or more of the preceding stores, but also including as much as 300,000 to 400,000 square feet or more of additional retail space with smaller anchor stores and in-line tenants.

The scope of services for these studies includes numerous tasks. The basic tasks common to most studies include the following:

- defining the project and estimating sales for the first full year of operations
- identifying the market area
- identifying and touring existing competitive market area retailers
- evaluating existing retail market conditions at competitive shopping centers and along major commercial corridors in the market area
- conducting retail demand, sales attraction, and spending leakage analyses for the market area and other relevant areas
- forecasting future retail demand in the market area
- researching the retail market's history in backfilling vacated retail spaces
- assessing the extent to which project sales will occur to the detriment of existing retailers (i.e., diverted sales)
- determining the likelihood existing competitive and nearby stores will close due to sales diversions attributable to the project
- researching planned retail projects and assessing cumulative impacts
- identifying the likelihood the project's economic impacts and cumulative project impacts will trigger or cause urban decay.

Many studies include yet additional tasks, such as assessing the project's impact on downtown retailers; determining the extent to which development of the project corresponds with city public policy, redevelopment, and economic development goals; projecting the fiscal benefits relative to the host city's General Plan; forecasting job impacts; analyzing wages relative to the existing retail base; and assessing potential impacts on local social service providers.

Representative Project Examples

Select operational retail or other commercial projects for which Ms. Herman has prepared economic impact and urban decay studies are listed below. All of the cited studies were prepared for CEQA documents. Yet other studies have been completed for projects that are still engaged in the environmental review process or are awaiting development. Projects are listed alphabetically by the California city in which they are located.

- Alameda, Alameda Landing, totaling 285,000 square feet anchored by a Target (opened October 2013), rest of center opening starting in 2015
- American Canyon, Napa Junction Phases I and II, 239,958 square feet, anchored by a Walmart Superstore, prepared in response to a Court decision; project opened September 2007

- Bakersfield, Gosford Village Shopping Center, totaling 700,000 square feet, anchored by a Walmart Superstore, Sam's Club, and Kohl's; Walmart store opened March 18, 2010, Sam's Club and Kohl's built earlier
- Bakersfield, Panama Lane, Shopping Center, totaling 434,073 square feet, anchored by a Walmart Superstore and Lowe's Home Improvement Warehouse; Walmart store opened October 2009, Lowe's store built earlier
- Bakersfield, Silver Creek Plaza, anchored by a WinCo Foods, totaling 137,609 square feet, opened February 28, 2014
- Carlsbad, La Costa Town Square lifestyle center, totaling 377,899 square feet, anchored by Steinmart, Vons, Petco, and 24 Hour Fitness, opened Fall 2014
- Citrus Heights, Stock Ranch Walmart Discount Store with expanded grocery section, 154,918 square feet; store opened January 2007
- Clovis, Clovis-Herdon Shopping Center, totaling 525,410 square feet, anchored by a Walmart Superstore, opened March 2013
- Concord, Lowe's Commercial Shopping Center, totaling 334,112 square feet, anchored by a Lowe's Home Improvement Warehouse and a national general merchandise store; EIR Certified December 2008 with no subsequent legal challenge; store opened January 2010
- Concord, Veranda Shopping Center, a 375,000-square foot center anchored by a Whole Foods 365 Market, Movie Theater, and upscale apparel retail, opened October 2017, with 365 Market opening December 2017
- Dublin, Persimmon Place, 167,200 square feet, anchored by Whole Foods, opened 2015
- Folsom, Lifetime Fitness Center, a 116,363-square-foot fitness center including an outdoor leisure and lap pool, two water slides, whirlpool, outdoor bistro, eight tennis courts, outdoor Child Activity Area, and outdoor seating, opened April 2017
- Fresno, Park Crossing (formerly Fresno 40), totaling 209,650 square feet, July 2015
- Gilroy, 220,000-square-foot Walmart Superstore, replaced an existing Discount Store; store opened October 2005, with Discount Store property under new ownership planned for retail redevelopment of a 1.5-million-square-foot mall
- Gilroy, Lowe's Home Improvement Warehouse, 166,000 square feet; store opened May 2003
- Hesperia, Main Street Marketplace, totaling 465,000 square feet, anchored by a Walmart Superstore and a Home Depot, Walmart under construction, opened September 2012
- Madera, Commons at Madera, totaling 306,500 square feet, anchored by a Lowe's Home Improvement Warehouse; project opened July 2008
- Oakland, Safeway expansion, College & Claremont Avenues, 51,510 square feet total, comprising a 36,787 square-foot expansion, opened January 2015
- Oakland, Rockridge Safeway expansion and shopping center redevelopment (The Ridge), including total net new development of 137,072 square feet, opened September 2016
- Oroville, Walmart Superstore, 213,400 square feet, replacing existing Walmart Discount Store, opened April 2017
- Rancho Cordova, Capital Village, totaling 273,811 square feet, anchored by a Lowe's Home Improvement Warehouse; phased project opening, January 2008 – July 2008
- Sacramento, Delta Shores, 1.3- to 1.5-million square feet, anchored by a lifestyle center; phased project opening beginning September 2017
- Sacramento, Downtown Commons, mixed-use entertainment complex with 682,500 square feet of retail space adjoining new Golden 1 Center for the Sacramento Kings; initial tenant 2016, additional tenants beginning November 2017

- San Francisco, Chase Center, prepared response to comments regarding impacts on Oakland Arena, opened September 2019
- San Jose (East San Jose), Home Depot Store, 149,468 square feet; store opened October 2007
- San Jose, Lowe's Home Improvement Warehouse (redevelopment of IBM site), up to 180,000 square feet, store opened March 2010
- San Jose, Almaden Ranch, up to 400,000 square feet, anchor tenant Bass Pro Shop opened October 2015
- Sonora, Lowe's Home Improvement Warehouse, 111,196 square feet; store opened December 2010
- Sonora, Sonora Crossroads, Walmart Discount Store expansion to a Superstore, net increase of 30,000 square feet, groundbreaking May 2017
- Ukiah, Costco, 148,000-square-foot warehouse membership store, groundbreaking September 2017, opened July 2018
- Victorville, The Crossroads at 395, totaling 303,000 square feet, anchored by a Walmart Superstore, opened May 2014
- Victorville, Dunia Plaza, totaling 391,000 square feet, anchored by a Walmart Superstore and a Sam's Club, replacing existing Walmart Discount Store, opened September 2012
- West Sacramento, Riverpoint Marketplace, totaling 788,517 square feet, anchored by a Walmart Superstore, Ikea, and Home Depot; phased openings beginning March 2006
- Willows, Walmart Superstore totaling 196,929 square feet, replacing existing Walmart Discount Store (subsequently scaled back to a 54,404-square-foot expansion to existing 86,453-square-foot store), opened March 2012
- Walnut Creek, The Orchards at Walnut Creek, mixed-use project including up to 225,000 square feet of retail space, opened September 2016
- Woodland, Home Depot Store, 127,000 square feet; store opened December 2002
- Yuba City, Walmart Superstore, 213,208 square feet, replacing existing Discount Store; store opened April 2006. Discount Store site backfilled by Lowe's Home Improvement Warehouse



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PRINCIPAL

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SELECT OTHER CLIENTS

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

Amy L. Herman, Principal of ALH Urban & Regional Economics, has provided urban and regional consulting services for approximately 35 years. During this time, she has been responsible for directing assignments for corporate, institutional, non-profit, and governmental clients in key service areas, including fiscal and economic impact analysis, economic development and redevelopment, feasibility analysis, location analysis, strategic planning, policy analysis, and transit-oriented development. Her award-winning economic development work has been recognized by the American Planning Association, the California Redevelopment Association, and the League of California Cities.

Prior to forming ALH Urban & Regional Economics in 2011, Ms. Herman's professional tenure included 20 years with Sedway Group, inclusive of its acquisition by CB Richard Ellis and subsequent name change to CBRE Consulting. Her prior professional work experience includes five years in the Real Estate Consulting Group of the now defunct accounting firm Laventhol & Horwath (L&H), preceded by several years with the land use consulting firm Land Economics Group, which was acquired by L&H.

Following are descriptions of select consulting assignments managed by Ms. Herman.

ECONOMIC IMPACT ANALYSIS

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

University of California. Conducted economic impact studies and frequent updates for five University of California campuses: Berkeley, Davis, Riverside, San Francisco, and San Diego. Prepared models suitable for annual updates by campus personnel.

Hospital Council of Northern and Central California. Prepared an analysis highlighting the economic impacts of hospitals and long-term care facilities in Santa Clara County. The analysis included multiplier impacts for hospital spending, county employment, and wages. Completed a similar study for the Monterey Bay Area Region.

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

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

FISCAL IMPACT ANALYSIS

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

City of Concord. Structured and managed fiscal impact analysis designed to test the net fiscal impact of multiple land use alternatives pertaining to the reuse of the 5,170-acre former Concord Naval Weapons Station, leading to possible annexation into the City of Concord, California.

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

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

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

AMY L. HERMAN
Principal

ECONOMIC DEVELOPMENT AND PUBLIC FINANCE

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

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

Office of Community Investment and Infrastructure as Successor Agency to the Redevelopment Agency of the City and County of San Francisco. Managed financial analysis estimating the tax payments in lieu of property taxes associated with UCSF development of medical office space in the former Mission Bay Redevelopment Project area.

LAND USE POLICY

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

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

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

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

DEVELOPMENT FEASIBILITY

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

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

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

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

EDUCATION

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

Appendix B

Differences Summary

DIFFERENCES SUMMARY

Application No. 201706217

Costco Wholesale New Fuel Facility
22330 Hathaway Avenue, Hayward, CA 94541
APN 429008200300
Costco Loc. No. 823/Our Job No. 6636

Prepared by:
Barghausen Consulting Engineers, Inc.

July 2, 2020

INTRODUCTION

During the November 14, 2019 Planning Commission Hearing on Costco Wholesale's (Costco) proposal to build a self-service fuel facility on the Costco Business Center site at 22330 Hathaway Avenue, some Planning Commissioners raised a question as to how the current project application differs from the previous project land use applications that were denied in 1999 (Application No. 99-190-03) and 2002 (Application No. PL-2002-0003/0002). On behalf of Costco, Barghausen Consulting Engineers, Inc. has prepared a summary of differences between the applications and circumstances surrounding the 1999 and 2002 denials of Costco's fuel facility proposals and those related to Costco's current application. We are confident that changes in both Costco's application and circumstances, as well as pertinent plans and policies, justify the City's revised findings to now approve the Costco fueling facility.

PROJECT DIFFERENCES

Changes in Proposed Physical Layout

First of all, the current proposed placement of the fuel facility on the Costco site has changed dramatically from the layout proposed in 1999 and 2002. In both 1999 and 2002, Costco proposed to locate the fueling facility at the corner of West "A" Street (an arterial street that provides regional access to the project site) and Hathaway Avenue, which would have been prominently visible to passers-by and would have precluded possible future development at that corner. By contrast, Costco's currently-proposed site layout has tucked away the fueling facility on the site of a vacant "Tire Center." This area is the least utilized parking area on Costco's site, as discussed in the Transportation Assessment prepared by Kittelson & Associates, Inc. Furthermore, as discussed in more detail below, Costco's current proposal meets all of the City's landscaping standards, whereas the prior proposals did not.

Changes in Circumstances and Policies

Over the past 17 years since the 2002 denial of Costco's prior proposal, circumstances have changed and the City has updated its policies and plans such that the bases for its prior denial are no longer pertinent to the project. This is demonstrated via our responses below to each of the Planning Commission's findings for its 1999 and 2002 denials of Costco's fuel facility proposal.

The 1999 Planning Commission's findings and an explanation of the reasons that different conclusions are now warranted are as follows:

- 1. The project is not in conformance with the General Policies Plan Map designation of Mixed Industrial. It has been determined that the fueling facility would not be compatible with the surrounding uses. In addition, the project is not in conformance with the Growth Management and Economic Development Elements of the General Policies Plan. Furthermore, the project is not in conformance with the Santa Clara Neighborhood Plan and the Amended Downtown*

Hayward Redevelopment Plan in that, the use is not compatible to the goals and objectives of these Elements and Plans which urge the development of supporting uses and services lacking in the Plan area and does not meet the needs from an economic development standpoint.

Response: The project fully conforms to the City's updated General Plan and all other currently applicable plans and policies, as detailed below.

General Plan Designation and Policies. In July 2014, the City adopted the Hayward 2040 General Plan, which replaced the prior "General Policies Plan" to which the findings above refer. The 2040 General Plan designates the subject site as Mixed Industrial (MI). This designation allows warehousing and logistics uses, as well as automobile service and repair stations, while manufacturing uses and wholesale and service uses are permitted as supporting uses. Since the proposed project comprises a gas station, an automobile service use, it is consistent with the MI designation. In addition, the project supports the following policies of the General Plan, as described below:

- Economic Development - Policy ED-1.3: The City shall encourage commercial and industrial development by ensuring the availability of suitable sites for development and providing appropriate zoning.

The MI designation is intended to facilitate industrial uses such as Costco's proposed fueling facility, which will further diversify the City's economic base. Furthermore, the changed location of the fueling facility from that previously proposed will leave the corner of West "A" Street and Hathaway Avenue unchanged, thus potentially making it available in the future for additional economic development.

- Economic Development - Policy ED-1.11: The City shall encourage the establishment and expansion of commercial businesses that increase local spending within Hayward and provide needed goods and services to local residents and businesses.

Costco's proposed fueling facility would provide another venue for residents to purchase gas and would likely redirect revenue to the City from residents who currently purchase gas from Costco sites outside of the City. In addition, the Costco Business Center and fueling facility will provide two (2) electric vehicle charging stations with four (4) charge ports, and electrical conduit for three (3) future vehicle charging stations; thereby, providing an additional service to members.

- Economic Development - Policy ED-1.13: The City shall encourage private sector investment to physically upgrade existing regional shopping centers and to create new centers at key retail opportunity sites.

Costco's proposal would serve as a physical upgrade to its site, as it will replace a vacant Tire Center building and provides the following amenities not otherwise required by City Code: the installation of two (2) electric vehicle charging stations with four (4) charge ports, electrical conduit for three (3) future electric vehicle charging stations, shore power for the refrigerated delivery trucks, additional landscaping and LED lighting upgrades for the entire Business Center parking lot. In addition, the location of the fuel facility would leave open the possibility of developing the corner of West "A" Street and Hathaway Avenue in the future.

- Land Use - Policy LU-1.4: The City shall encourage property owners to revitalize or redevelop abandoned, obsolete, or underutilized properties to accommodate growth.

Costco's proposal would replace a vacant Tire Center building and add a key service to its existing Business Center, thus potentially drawing more customers to the area and increasing sales at the Costco Business Center, as well as at surrounding retailers and wholesalers.

- Land Use - Policy LU-5.1: The City shall encourage a mix of retail, service, dining, recreation, entertainment, and cultural uses and activities in regional and community centers to meet a range of neighborhood and citywide needs.

Costco's proposed fueling facility would introduce a new use to the area that would increase and diversify the existing mix of services to meet the needs of residents.

- Santa Clara Neighborhood Plan. The northern boundary of the Santa Clara Neighborhood Plan is West "A" Street, which forms the southern border of the Costco site. As such, this neighborhood plan does not include the subject site within its boundaries and is not applicable to the project site. Furthermore, the relocation of the proposed fueling facility to the northernmost corner of Costco's site eliminates any likelihood that the project might inhibit the commercial uses that the neighborhood plan envisioned lining the southern edge of West "A" Street.
- Amended Downtown Hayward Redevelopment Plan. As you know, the Hayward Redevelopment Agency was officially dissolved in 2012, such that the Amended Downtown Hayward Plan is no longer applicable to the project site.

2. *The development will not provide a use that will be in conformity with applicable performance standards, will not be appropriate in size, location and overall planning for the purpose intended, will not create an environment of sustained desirability and stability through the design and development standards, and may have adverse effect upon surrounding residential, commercial and industrial development in that the proposed use is not needed at this location as required by the Amended Downtown Hayward Redevelopment Plan.*

Response: As noted above, the Amended Downtown Hayward Redevelopment Plan no longer applies to the project site and thus the uses and development standards set forth therein are inapplicable to the site. Furthermore, the project is fully consistent with the development standards of the applicable Planned Development Zone, as shown in the table below.

<u>Development Standard</u>	<u>Requirement</u>	<u>Response</u>
Maximum Building Height	28 feet	The maximum height of the canopy is approximately 17 feet 6 inches from finished grade.
Front Yard Setback	19.5 feet minimum	The project will not encroach into the setback area.
Side Yard Setback	0 feet minimum	The project will not encroach into the setback area.
Rear Yard Setback	6 feet minimum	The project will not encroach into the setback area.

<u>Development Standard</u>	<u>Requirement</u>	<u>Response</u>
Landscaping	10-foot landscape planter along adjacent rights-of-way. Minimum 5-foot parking islands must be provided at the end of each parking aisle.	Parking islands will continue to be provided at the end of each parking row at a minimum width of 5 feet and a minimum 10-foot-wide landscape area will continue to be provided along rights-of-way. The project will add approximately 5,750 square feet of landscape area beyond what is required by City Code.
Trees	Removed trees must be replaced with a tree of like-size, like-kind or equal value.	The project will remove approximately 19 trees and 21 new trees will be planted. The removed trees will be replaced with trees of equal value, consistent with City Tree Replacement Requirements.
Off-Street Parking	1/250 square feet of gross floor area. (115,707/250 = 463 stalls)	The project will remove 105 parking stalls and the Costco site will provide an overall total of 398 parking stalls. An exception to City minimum parking standards is requested due to the unique use of the site as a Business Center. Please see the enclosed Planned Development Modification Exception Request for further detail.
Signs	Maximum of two (2) wall signs for the fuel canopy. Maximum aggregate sign area of 100 square feet.	The project will include one (1) 20-square-foot "Costco Wholesale" sign on two (2) canopy façades, for an aggregate sign area total of 40 square feet.

Exterior Lighting	Minimum light level of 1 footcandle. All exterior lighting shall be directed so as not to cast light on adjacent right-of-ways or property.	Under-canopy lighting will be LED lighting fixtures with a minimum light level of 1 foot-candle and lighting will be directed downward to prevent off-site glare.
Design Criteria	City Design Guidelines require the fuel facility to match the design of the Business Center.	The fuel canopy design will match the design of the Business Center and will include a tan, metal-wrapped canopy with galvanized steel canopy columns.

As noted earlier in this letter, the proposed fuel facility would be located in the northwest corner of the site, on an underutilized parking area. As shown in the chart above, the project is appropriate in size, location, and overall planning for the purpose intended. Lastly, the project will not have an adverse effect on surrounding uses as the project is consistent with the adjacent industrial and commercial uses and the site is no longer subject to the Amended Downtown Hayward Redevelopment Plan.

The 2002 City Council findings for denial of Costco's subsequent proposal and an explanation of the reasons that different conclusions are now warranted are as follows:

1. *The project application has been reviewed according to the standards and requirements of the California Environmental Quality Act (CEQA) and an Initial Study Environmental Evaluation Checklist has been prepared for the proposed project. The Initial Study has determined that the proposed project could not result in significant effects on the environment and therefore a Negative Declaration has been prepared.*

Response: This finding is a statement of the CEQA Initial Study Determination that a Negative Declaration was appropriate under CEQA. Therefore, this is not a finding for denial and no further response is required. An entirely new and updated Initial Study and Negative Declaration have been prepared for the current application, finding that the project will not result in significant unavoidable adverse impacts on the environment.

2. *The development is not in substantial harmony with the surrounding area and does not conform to the General Plan, the Cannery Area Design Plan, Downtown Hayward Redevelopment Project Plan, the Santa Clara Neighborhood Plan and Planned Development Zoning in that the use is not compatible with the goals to provide a neighborhood or regional serving use that would also be an employment generator. In addition, the project would consume land that could be used for uses envisioned in the Cannery Area Design Plan and designed to be consistent with the Downtown Hayward Redevelopment Project Plan.*

Response: The use of the former Tire Center site as a new fuel facility is in substantial harmony with the surrounding area as the project site is bordered to the north and east by industrial uses and to the west and south by commercial uses. In addition, the project is

consistent with the policies and goals of the Hayward 2040 General Plan, the Cannery Area Design Plan, and the City's Planned Development Zoning. The Santa Clara Neighborhood Plan and Downtown Hayward Redevelopment Project Plan do not apply to the subject site and thus are inapplicable to consistency findings.

- **General Plan:** As noted in response to the 1999 Planning Commission findings, the project supports the goals and policies of the now-applicable 2040 General Plan, which was adopted by the City in 2014.
- **Cannery Area Design Plan.** The project site is located within the boundaries of the Cannery Transit Neighborhood, within the Cannery Area Design Plan. General Plan Policy LU-2.11 directs that the Cannery Area Design Plan be "maintain[ed] and implement[ed] ... to guide and regulate future development and infrastructure improvements within The Cannery Transit Neighborhood." The Cannery Area Design Plan designates the Costco site (together with the area immediately to the north) as "Subarea 1," and provides a land use plan that designates this area as "Big Box Retail." However, the plan only envisions that additional big box retail stores would take the place of the existing buildings on the two properties to the north of the Costco site (i.e., the Owens-Brockway/Container General Warehouse and the Hayward Properties and Weigman Road Properties buildings), while imposing minimal development standards such as parking ratios and landscaping buffers for those two properties. As to the Costco site, the Cannery Area Design Plan merely states, "*The existing Costco store, at the corner of Hathaway Avenue and A Street, could be joined by two additional retail stores...*," referring to the properties to the north. Thus, the Cannery Area Design Plan clearly expects and envisions that the Costco Business Center would remain as it is, on its current site, for the foreseeable future. The proposed gas station on Costco's site, as an accessory use to the existing "big box" Costco Business Center, is not inconsistent with the vision set forth in the Cannery Area Design Plan. To the contrary, as an accessory use to a big box retail store, it enhances the "big box retail" environment and would draw additional customers to potential new big box uses in the area, as envisioned by the Plan.
- **Planned Development Zoning.** The project is consistent with all of the development standards of the Planned Development Zone that are shown in the table above, other than off-street parking for the Costco Business Center, which is required by code to be provided at a ratio of four (4) spaces per 1,000 square feet of building area. Such a decreased parking ratio reflects the current trend in transportation planning and sustainability away from parking minimums and toward a desire for less rather than more parking. Furthermore, the proposed parking ratio for the whole site post-completion of the fueling facility would be 3.44 spaces per 1,000 square feet of building area, which (as shown in the parking needs assessment prepared by Kittelson & Associates, Inc.) would be entirely sufficient to meet the parking demand generated by the Costco Business Center.

3. *The development of the site with a gasoline fueling facility will not provide a use that will be in conformity with applicable performance standards since only 10 percent of the site is proposed to be landscaped where 20 percent is required for all gasoline service stations. In addition the location and overall planning for the purpose intended will not create an environment of sustained desirability and stability through the design and development standards.*

Response: Contrary to Costco's 1999 and 2002 proposals, which did not meet the City's landscaping standards, the currently proposed project will add approximately 5,750 square feet of landscape area to the Costco site beyond the amount that the City requires. In addition, the fuel facility will be located in the northwest corner of the site, which is away from

the "A" Street corner. Currently, the subject area contains a vacant tire center and was found to be the least utilized parking area for the Costco Business Center.

4. *The exception to the policies and goals of the General Plan, the Cannery Area Design Plan, Downtown Hayward Redevelopment Project Plan, the Santa Clara Neighborhood Plan and landscaping performance standard is not adequately compensated for by providing functional facilities or amenities not otherwise required or exceeding other required development standards.*

Response: As stated above, the project is consistent with the policies and goals of the Hayward 2040 General Plan and the Cannery Area Design Plan. The Santa Clara Neighborhood Plan does not apply to the site and the Downtown Hayward Redevelopment Project Plan no longer applies to the subject site. In addition, the project exceeds the City's minimum landscape standards by providing an additional 5,750 square feet of landscape area beyond City requirements. Lastly, while the current proposal includes a Parking Reduction Request, that request is adequately compensated for by the provision of a Transportation Demand Management Plan, additional landscaping, shore power for refrigerated delivery trucks, LED lighting upgrades for the entire Business Center parking lot, two (2) EV charging stations with four (4) charge ports, and electrical conduit for three (3) future EV charging stations, which is not otherwise required by City Code.

CONCLUSION

As demonstrated herein, by contrast to Costco's 1999 and 2002 proposals, Costco's current fuel facility proposal is entirely consistent with all applicable plans and polices and (except for a slight reduction in parking that is consistent with current transportation planning and sustainability principles) conforms to all site development standards. Furthermore, it could help catalyze further desirable growth in the area, consistent with the goals and policies of the General Plan and the Cannery Area Design Plan.

Appendix C
Planning Commission Response

**PLANNING COMMISSION
COMMENT/RESPONSE**
Application No. 201706217

Costco Wholesale New Fuel Facility
22330 Hathaway Avenue, Hayward, CA 94541
APN 429008200300
Costco Loc. No. 823/Our Job No. 6636

Prepared by:
Barghausen Consulting Engineers, Inc.

July 2, 2020

INTRODUCTION

On behalf of Costco Wholesale (Costco), Barghausen Consulting Engineers, Inc. is providing responses to the Planning Commission comments noted in the November 14, 2019 Planning Commission Meeting Minutes after the public hearing portion closed. We hope you will agree that we have satisfactorily responded to and resolved the concerns raised by the Planning Commission members so as to enable approval by the City Council of the Costco fuel facility.

PLANNING COMMISSION COMMENT/RESPONSE

The following outline provides each of the comments in italics, along with a narrative response addressing the comments.

1. *A Commissioner finds it difficult to believe that there are not EV charging stations being proposed and suggested adding to the conditions of approval that EV charging stations be a requirement.*

Response: The Costco Fuel Facility scope has been revised to include two (2) EV charging stations with four (4) charge ports within the Business Center parking lot. In addition, electrical conduit for three (3) additional EV charging stations will be installed, for an overall total of five (5) future EV charging stations and 10 charge ports for the site. While the City may be working on a code revision to require EV stations, this provision is not currently required. In addition, the gas station itself does not give rise to the need for EV charging stations. Although there is no real "nexus" between the gas station and the need for additional EV charging stations, Costco has chosen to accommodate two (2) (with additional conduit for future EV stations) in the Business Center parking lot, thus enhancing the member experience and amenities at the Business Center, which is not the subject of this application.

2. *A Commissioner noted that Costco gas stations are destination gas stations and is concerned about whether the traffic study data is relevant. They also provided concerns about the impacts to the area and said a rush hour traffic analysis should have been included.*

Response: A Traffic Impact Analysis was prepared for the project in consultation with City staff. That analysis did indeed include the evening commute hours in the data collection and evaluate project PM peak hour impacts. The Traffic Impact Analysis concluded that the project will not have a significant traffic impact during evening commute hours. Please see the Traffic Impact Analysis for further information.

3. *A Commissioner recommended the installation of solar panels for the fuel canopy and the existing Business Center.*

Response: Costco evaluated the use of solar panels for the gas station and Business Center and determined that a solar array system for the site is not feasible. While a gas station canopy is an attractive location for solar panels they are not a viable solution to meet the power needs of a gas station. Renewable power runs in parallel to the grid and is not in lieu of the power grid. Additionally, solar is an intermittent source, not meant to be the sole source of energy, therefore, it would be unreliable for the operation of the facility's equipment in totality.

First, the installation of solar panels on the fuel canopy would not reliably generate the amount of power required to run the facility. The gas station uses a series of variable-speed turbines that draw power as needed to maintain line pressure and consistent flow rates, regardless of how many people are refueling at a given time. Solar cannot be used independently from the distribution network and outages of the distribution network render the solar array off at the same time. Therefore, the use of solar panels will require the local distribution grid and capacity for the electrical power system to be reliable and result in the need for distribution and solar to work in parallel not independently. Due to the power requirements of the fuel facility and safety issues, a solar energy source is insufficiently reliable for the operation of the gas station.

Second, the installation of solar panels for a partial use (e.g. canopy lighting) would also be impractical due to the significant cost of the improvement. The structural design of the fuel canopy would need to be over-sized to accommodate the extra weight of the solar panels to provide this second power source for lighting.

Based on this information, the use of solar power would need to be augmented by a conventional power system to provide the sufficient and reliable power to safely operate the gas station. This would result in two (2) power systems instead of one (1) for the project.

Lastly, the age of the existing Business Center does not allow for the infrastructure required to support solar panels on the Business Center. The structure of the existing building was not designed to withstand the weight and design of a solar panel system and a complete structural retrofit of the entire Business Center would be required. Therefore, the installation of solar panels on the Business Center is not structurally feasible.

4. *A Commissioner said a Costco gas station will not benefit the local Hayward community, that they found the public comments of a nearby gas station owner compelling, and that there will be an impact to the existing small business owners.*

Response: The Costco Business Center is part of the local Hayward business community and provides many positive contributions to the community. The Costco fuel facility is not anticipated to negatively impact the surrounding existing gas stations along "A Street." The Costco fuel facility is an ancillary use to the Costco Business Center and is a members-only facility; therefore, only Costco members are able to use the fuel facility. In addition, Costco's fuel facility business model varies from the typical gas station business model. For example, the fuel facility will only sell fuel, while a typical non-Costco gas station is associated with a convenience store with additional goods available for purchase and possibly with automobile service or repair offered as well. Further, the surrounding gas stations along "A Street" are open 24 hours, while the Costco gas station will only be open during typical daytime business hours. Lastly, a Market Analysis was prepared by ALH Urban & Regional Economics which found that the Costco fuel facility will not cause long-term negative impacts to gas stations in the surrounding area. Please refer to the Market Analysis for further detail.

5. *A Commissioner appreciates the traffic study and the review by City staff, but she has concerns about the traffic impacts on the left turn lane and that the hours studied by the applicant provided some information but not a complete picture, and that the study should have included the evening commute traffic impacts when people are coming home from work.*

Response: A Traffic Impact Analysis was prepared for the project in consultation with City staff. That analysis did indeed include the evening commute hours in the data collection, evaluate project PM peak hour impacts, and evaluate queues for all movements on all approaches to the Hathaway Avenue/West A Street intersection. During 5 percent of the PM peak hour, several movements are projected to increase in queue length with the project. However, these 95th percentile queues are not projected to block upstream intersections. Further, the Traffic Impact Analysis concluded that the project will not have a significant traffic impact during evening commute hours. Please see the Traffic Impact Analysis for further information.

6. *A Commissioner said that in his research of the existing gas stations, there was not a lot of backup of cars utilizing the stations and he has concerns about the impact to the existing business owners. Mr. Bonilla views the Costco gas station as a separate business from the Business Center and that what has substantially changed from the last denial were insufficient.*

Response: The Market Analysis evaluated the site and surrounding area and determined that the Costco fuel facility is not anticipated to negatively impact the surrounding existing gas stations along "A Street," as the Costco fuel facility is a members-only facility with a business model that differs from the typical gas station. In addition, a letter is enclosed detailing the changes in circumstances, application proposals, and applicable regulations since the previous Costco gas station application denials that warrant approval of the current application now. Please refer to the Market Analysis and Differences Letter for further detail.

7. *A Commissioner stated that there should be requirements for EV charging stations as that is the future and the grounds for the previous denials still exist along with the impact to the existing gas stations. The Commissioner noted that the public brought up good points regarding storage, particulate matter and idling cars impacting air quality, and the traffic impacts, especially from the eastbound A Street left turn lane, especially during peak hours.*

Response: The Costco Fuel Facility scope has been revised to include two (2) EV charging stations with four (4) charge ports within the Business Center parking lot. In addition, electrical conduit for three (3) additional EV charging stations will be installed, for an overall total of five (5) future EV charging stations and 10 charge ports for the site. While the City may be working on a code revision to require EV stations, this provision is not currently required. In addition, the gas station itself does not give rise to the need for EV charging stations. Although there is no real "nexus" between the gas station and the need for additional EV charging stations, Costco has chosen to accommodate two (2) (with additional conduit for future EV stations) in the Business Center parking lot, thus enhancing the member experience and amenities at the Business Center, which is not the subject of this application.

A letter is enclosed detailing the differences in applications, circumstances, and regulations (Differences Letter) since the previous decisions. In addition, the enclosed Market Analysis evaluated the site and surrounding area and determined that once market stabilization occurs in a short period of time, the Costco fuel facility is not anticipated to negatively impact the surrounding existing gas stations along "A Street." Further, the project will comply with all local, state, and federal requirements to protect the public health, safety, and general welfare. The project is also subject to CEQA review. An Initial Study prepared by LSA under the direction of City staff determined that the fuel facility will have no significant environmental impacts with the implementation of the mitigation measures provided in the Study. In addition, a Health Risk Assessment was prepared for the project in accordance with Bay

Area Air Quality Management District (BAAQMD) standards and determined that the project will not exceed BAAQMD health risk thresholds for surrounding residential properties. Lastly, a Traffic Impact Analysis was prepared in consultation with City staff and determined that the project will not have a significant impact on the surrounding street network, including the eastbound A Street left-turn lane during peak hours. Please refer to the Initial Study, Traffic Impact Analysis, and the enclosed Differences Letter and Market Analysis for further detail.

8. *A Commissioner would like the project to include a standard EV charging unit and would like to have an analysis presented to staff as to why an advanced vehicle charging station is not included.*

Response: The Costco Fuel Facility scope has been revised to include two (2) EV charging stations with four (4) charge ports within the Business Center parking lot. In addition, electrical conduit for three (3) additional EV charging stations will be installed, for an overall total of five (5) future EV charging stations and 10 charge ports for the site. Costco also reviewed the site for the provision of advanced vehicle charging stations and determined that advanced stations are not appropriate for the Hayward Business Center because of the significant cost and low utilization rate by members. While the City may be working on a code revision to require EV stations, this provision is not currently required. In addition, the gas station itself does not give rise to the need for EV charging stations, especially advanced stations. Although there is no real "nexus" between the gas station and the need for additional EV charging stations, Costco has chosen to accommodate two (2) (with additional conduit for future EV stations) in the Business Center parking lot, thus enhancing the member experience and amenities at the Business Center, which is not the subject of this application.

9. *A Commissioner has concerns about exposing the community to increased health risks since the needs of the community are being met by the existing gas stations.*

Response: The project is subject to CEQA review and an Initial Study was prepared by LSA. The Initial Study determined that the fuel facility will have a less than significant impact with the implementation of the mitigation measures provided in the Study. In addition, a Health Risk Assessment was prepared for the project in accordance with Bay Area Air Quality Management District (BAAQMD) standards and determined that the project will not exceed BAAQMD health risk thresholds for surrounding residential properties. Please refer to the Initial Study for further detail.

PROPOSED CONDITIONS OF APPROVAL

In addition to the above responses and supporting materials provided, we propose that the following conditions of approval be considered to address the Planning Commission's comments:

- A minimum of two (2) electric vehicle (EV) charging stations must be provided on the Business Center site, as well as electrical conduit for three (3) future EV charging stations.
- The fuel facility shall only sell fuel to Costco members and not the general public.
- No food or additional goods may be sold at the fuel facility.
- The project must obtain all required permits and approvals from Bay Area Air Quality Management District prior to construction.
- The project must provide eight (8) Shore Power charging stations for the Business Center delivery trucks.
- The existing Business Center parking lot lighting must be upgraded with LED fixtures.

CONCLUSION

We ask that the City Council consider the above responses and proposed conditions of approval prior to a final determination. Costco is confident that it has responded to the issues raised by the Planning Commissioners and have provided additional amenities, as well as data, to alleviate the reservations expressed by the Commissioners.

Appendix D
Public Comment Response

PUBLIC COMMENT RESPONSE

Application No. 201706217

Costco Wholesale New Fuel Facility
22330 Hathaway Avenue, Hayward, CA 94541
APN 429008200300
Costco Loc. No. 823/Our Job No. 6636

Prepared by:
Barghausen Consulting Engineers, Inc.

July 2, 2020

INTRODUCTION

Costco Wholesale (Costco) has submitted an application to the City for the construction of a self-service fuel facility at the Costco Business Center site at 223330 Hathaway Avenue. On behalf of Costco, Barghausen Consulting Engineers, Inc. is providing responses to the public comments that were received during the CEQA review process for the project, as well as comments received at the Planning Commission hearing on the project on November 14, 2019 (all written and oral comments were provided by the same person). We would be happy to discuss these issues further or provide any additional information desired, upon your request.

PUBLIC COMMENT RESPONSE

Mr. Daljit Singh, the owner of the Mobil gas station located at 391 West A Street, provided written comments to the City of Hayward during the course of the City's evaluation of the project pursuant to the California Environmental Quality Act (CEQA). The following outline provides each of the written comments in italics, along with a narrative response to each comment.

1. *Parking to Building square footage ratio at 3.44 per 1,000sqft of building does not meet the required ratio of 4.*

Response: In October 2018, Costco submitted to the City a request for an exception from the Hayward Municipal Code parking requirements for the Costco Business Center site with the addition of the fuel facility that included a Transportation Assessment, with a Parking Demand Study, prepared by Kittelson & Associates, Inc. dated September 27, 2018. This request was made in accordance with the City of Hayward Code Section 10-1.2535, which allows an exception from City Code development standards for sites with a Planned Development zoning designation if the exception is adequately offset by providing functional amenities not otherwise required or exceeding other required development standards. Costco believes that this requirement has been met and City staff, in its report to the Planning Commission, agreed with that conclusion.

The Parking Demand Study relied on parking data collected at the Hayward Costco Business Center. The study found that a parking demand ratio of 2.61 spaces per 1,000 square feet is required to meet site operational needs during peak periods. Therefore, the study concluded that the new parking ratio of 3.44 spaces per 1,000 square feet (with construction of the fuel facility) would exceed site parking demand during peak periods and provide ample "reserve capacity" for the site. Please refer to the Transportation Assessment for further information.

In addition, the project would provide the installation of two (2) electric vehicle charging stations with four (4) charge ports, electrical conduit for three (3) future electric vehicles charging stations, shore power for refrigerated delivery trucks, LED lighting upgrades for the

entire Business Center parking lot, an additional 5,750 square feet of landscape area beyond the City landscape requirements, and implement a Transportation Demand Management (TDM) Plan, which would not otherwise be required for the site. The benefit of these amenities for the site amply offsets the slight decrease in required parking ratios.

Please note that current trends in transportation and sustainability planning favor decreased parking ratios in order to encourage multimodal access to sites.

2. *Taking away 105 parking spots and doubling traffic to the site. Will lead to a shortage of parking spaces and traffic jams which will be unsafe.*

Response: The Transportation Assessment was prepared in consultation with City staff and determined that an average peak hour trip generation rate of 380 trips is anticipated for the new fuel center project. The Assessment reviewed trip generation data and other transportation information for other Costco Business Centers in California and used the average trip generation from those sites to determine the anticipated trip generation rate for the project. The Assessment concluded that the site contains adequate capacity to accommodate the additional trips.

In addition, as noted above, a Parking Demand Study was included in the Transportation Assessment and concluded that the new parking ratio of 3.44 spaces per 1,000 square feet will exceed site parking demand during peak periods and provide ample "reserve capacity" for the site. Please refer to the Transportation Assessment for further detail.

Finally, as noted above, a reduction in parking ratios is consistent with current transportation planning and sustainability principles.

3. *No geotechnical soils report or remediation plan for repair shop was provided. Pollutants will be found in soil below the Tire Center as oil stains were visible when open. Costco should be responsible for installing remediation wells/pumps.*

Response: In October 2017 Costco submitted to the City a Phase I Environmental Site Assessment (Phase I ESA) prepared by Kleinfelder. The Phase I ESA found no significant staining on the asphalt-paved surface and found no evidence of Recognized Environmental Conditions (RECs) or controlled RECs in connection with the site. The Phase I ESA identified one (1) historical REC associated with the removal of three (3) underground storage tanks (USTs) during construction of the existing Costco Business Center. The Phase I ESA found that all contaminated soil was excavated during the UST removal and that the San Francisco Bay Regional Water Quality Control Board and the California Department of Toxic Substances Control issued a case closure for remediation for the site in 1996. Therefore, the Initial Study for the project concluded that any potential subsurface contamination associated with the historical REC had already been adequately assessed and remediated and therefore, the project would not expose workers and/or the public to potentially contaminated soils during construction.

In addition, the Initial Study determined that the project would not have any significant impacts regarding geology and soils. In accordance with Mitigation Measure GEO-1 of the Initial Study, a design-level geotechnical investigation would be submitted to the City once site development plans are final. Please refer to the Initial Study for further detail.

4. *Has the Cal Recycling exemption been granted for the recycling center?*

Response: A Cal Recycling exemption has not been requested for the fuel facility. Recycling for the fuel facility would be handled through existing recycling operations associated with the Business Center and thus, no exemption would be required.

5. *What species are the 24 Mature trees being removed and are they on a protected list?*

Response: The project will remove 19 trees and provide 21 new trees. The 19 trees to be removed include fourteen (14) Raywood Ash trees, two (2) Aristocrat Pear Tree, one (1) Ash Species Tree, and two (2) Bradford Pear trees. All of the trees to be removed are defined as Protected Trees by the City of Hayward and will be replaced in accordance with the City Tree Protection Standards.

6. *The report states that the closest house is 400 ft away from the nearest fuel pump however the ques described in the CEQUA report leading to the pumps state that when full they could reach 126 feet long. Has the noise/air pollution level been tested from the end of the proposed fuel line to the closest home. The tailpipe of the last car in line will be roughly 250 feet away from the closest home.*

Response: As shown on the Site Plan, the western edge of the fuel facility queue will be approximately 400 feet from the closest residential property to the west. A Health Risk Assessment was prepared for the project in accordance with the Bay Area Air Quality Management District (BAAQMD) standards which determined that the project would not exceed BAAQMD health risk thresholds for surrounding residential properties.

7. *Has the city thought about the job losses/station closures from the several gas stations nearby which will occur when the Costco Business center fuel station has opened. The Costco business center does not bring one job to the community.*

Response: The Costco fuel facility is not anticipated negatively to impact the surrounding existing gas stations along "A Street." The Costco fuel facility would be an ancillary use to the Costco Business Center and is a members-only facility; therefore, only Costco members would be able to use it. In addition, Costco's fuel facility business model varies from the typical gas station business model in ways that would favor existing gas stations in the area. For example, the fuel facility would only sell fuel, while a typical non-Costco gas station is associated with a convenience store with additional goods available for purchase. Further, the surrounding gas stations along "A Street" are open 24 hours, while the Costco gas station would be open only during typical, daytime business hours. Lastly, we are enclosing for your reference a Market Analysis prepared by ALH Urban & Regional Economics, which found that the Costco fuel facility would not negatively impact gas stations in the surrounding area after an initial 6-month stabilization period. Please refer to the Market Analysis for further detail.

8. *What will happen to the long lines at the pumps when a fuel delivery truck in onsite. If a delivery is made during business hours traffic jams will certainly happen. As the pumps will be blocked by the delivery truck. There are no guarantees that deliveries will be made off hours as the market itself cannot be forecasted refinery outages in california happen often.*

Response: As shown on the Site Plan, a designated outside fuel drop will be provided along the south edge of the fuel facility. This design will allow the fuel truck to deliver fuel to the site without blocking the dispensers, queue area, or drive aisles.

9. *What will the protocols be when deliveries are made at MSI international which shares the entrance with Costco 18 wheelers will have to maneuver in tight traffic and if the lines are longer than anticipated there could be safety concerns.*

Response: The fuel facility will be located in the northeast corner of the site with the back of the queue approximately 190 feet from the access to the adjacent property (owned by MSI). In addition, Costco's site contains an "access and no-build" easement with the adjacent property (MSI) to the north, in order to ensure that access to the adjacent property will be

available during all times. The Site Plan includes the easement locations and shows that the fuel facility will not impact the access easement. Further, the Transportation Assessment found that anticipated queues are expected to be contained within the designated queue area and therefore, will not impact the adjacent property's access. Please refer to the Transportation Assessment and Traffic Impact Analysis for further detail.

10. *The preparer of the CEQUA report states and I quote, "I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared." My questions is what are the revisions to the plan which are going to save the Hayward from a significant environmental impact please list them clearly.*

Response: As stated in the Response to Comments Memorandum prepared by LSA, the CEQA Initial Study outlined mitigation measures that must be implemented in connection with the Project, which measures were elaborated upon in the proposed Mitigation Monitoring and Reporting Program for the project. The Initial Study found that implementation of the noted mitigation measures will result in the project having a less-than-significant impact on the environment. Please refer to the Initial Study and Response to Comments Memorandum for further information.

11. *What does the city gain in cannibalizing local businesses for a multi billion dollar corporation?*

Response: As stated above, the Market Analysis evaluated the site and surrounding area and determined that the Costco fuel facility is not anticipated to negatively impact the surrounding existing gas stations along "A Street," principally because the Costco fuel facility is a members-only facility with a business model that differs from the typical gas station. Please refer to the Market Analysis for further detail.

12. *As global temperatures increase and global warming becomes more of an issue what kind of example is the City of Hayward setting for the bay area?*

Response: The Initial Study prepared for the project determined that the fuel facility will have a less than significant impact on the environment (including with respect to greenhouse gases and other global warming factors) with the implementation of the mitigation measures provided in the Study. Please refer to the Initial Study for further information. In addition, the provision of a Costco fuel facility at the Hayward Business Center may prevent Costco members from driving to other Costco locations further away to purchase gas and the provision of an Electric Vehicle charging station helps reduce greenhouse gas emissions.

13. *My company sacrificed a large area of our location to add a Hydrogen fueling station and the City of Hayward got national recognition and touted itself as being green. If I knew a Costco gas station was going to be built down the street I would have allocated space for more fueling pumps or a larger car wash after 15 years of being in Hayward as a business owner I cannot help but feel betrayed by the city of Hayward like most other gas station owners who are going to lose substantial business if this project is approved.*

Response: As stated above, the Market Analysis evaluated the site and surrounding area and determined that the Costco fuel facility is not anticipated to negatively impact over the long term or to cause the closure of the surrounding existing gas stations along "A Street," principally because the Costco fuel facility is a members-only facility with a business model that differs from the typical gas station. Please see the Market Analysis for further information.

14. *The parking stalls labeled 9,6,13,19 in the submitted plans will not be accessible if this Fueling facility performs like most other Costcos. Patrons will either be blocked in if a traffic jam at the pump occurs or just wont be able to access the stalls leading to further confusion and traffic jams. The traffic flow will not be sufficient or efficient as the main artery is being shared with patrons only going to the Costco business center. On days when sales are being held there is barely any room to maneuver in the parking lot. I highly suggest getting a third party to due a traffic study.*

Response: Costco has drawn upon decades of experience as to the operational and queuing characteristics associated with its particular fuel facility model in order to provide a layout that will be fast, efficient, and convenient for its members. The Traffic Impact Analysis and Transportation Assessment found that the resulting project layout will contain the expected queues for the fuel facility within the designated queue area and concluded that the northeast corner of the property, where the fuel facility will be located, is currently the least utilized area of the overall Costco site and thus the least likely to negatively impact vehicular flow on the site. In addition, the Traffic Impact Analysis and Transportation Assessment was prepared in consultation with City staff and determined that the fuel facility is not anticipated to generate a significant number of new trips to the site. Please see the Traffic Impact Analysis and Transportation Assessment for further detail.

15. *The total length of the fuel queue is roughly 125 which is only enough for roughly 6 cars per line please see the existing Costco gas station in Hayward where lines are usually 15 cars per queue. Although this is touted as a business center Costco is obviously trying to get more regular non business customers in to this location. Over time they will change SKUS in the store for a wider customer base.*

Response: The Transportation Assessment determined that a lower trip generation rate was anticipated for the project, as it is located within a Business Center as opposed to a main Costco Warehouse. The evaluation of trip making to the Hayward Business Center was based on data collected at the two (2) other Business Centers with fuel stations operating in California at the time of the transportation analysis: Commerce and Hawthorne. Costco Business Centers are a members-only distributor for small to medium-sized businesses, with a target industry segment of convenience stores, offices, and food service. Costco Business Centers do not provide the typical accessory departments found within Costco Warehouses, such as pharmacy, optical, deli, bakery, and photo departments. The type of goods provided at Costco Business Centers are larger bulk items tailored toward corporate and small business needs as opposed to typical retail customers or general Costco Warehouse members. Further, member businesses can either visit a Business Center to purchase products or they can place orders online or by phone for delivery to their place of business. Online shopping is encouraged at Costco Business Centers and a large portion (25 percent) of Business Center sales are made online for delivery to the member's business. This eliminates many of the trips that would otherwise be made to a Business Center and reduces a site's transportation impacts. The combined effect of these operational characteristics results in Business Center's exhibiting a significantly lower trip generation than is found at traditional Costco Warehouses. Therefore, the Transportation Assessment concluded that the expected queues for the fuel facility are anticipated to be contained within the designated queue area since the overall activity on the site is expected to be less than at a Costco Warehouse and the queue area is similar in size to queue areas provided at many Costco Warehouse fuel stations. Moreover, the fuel station would be located away from local street access to ensure any incidental queue spillback during unusually busy periods would be contained on site within the parking field drive aisles. Please refer to the Transportation Assessment for further detail.

Lastly, Costco does not have a history of converting Business Center locations to main Warehouses. The intent of the fuel facility is to provide an additional service and an efficient fuel purchasing experience for Costco members visiting the Business Center.

16. *Parking is a major concern as the business owners who frequent this location take longer to gather and exit this location when compared to regular Costco customers thus stalls will be occupied for a longer time. There can be no comparison as I don't believe any other Costco centers have fueling stations probably for the many reasons I am bringing up here.*

Response: The Parking Demand Study that is included in the Transportation Assessment collected parking data at the Hayward Costco Business Center and found that a parking demand ratio of 2.61 spaces per 1,000 square feet is required to meet site operational needs during peak periods. Further, online shopping and phone sales for delivery are encouraged at Costco Business Centers and a large portion of the Business Center's sales are made online for delivery to the member's business. This eliminates many of the trips that would otherwise be made to the Business Center and reduces the site's parking demand. In addition, the Transportation Assessment reviewed parking demand data for the two (2) other Costco Business Centers with fuel stations operating in California at the time of the transportation analysis: Commerce and Hawthorne. The Transportation Assessment determined that the peak parking demand ratio varied between 1.08 and 2.77 spaces per 1,000 square feet for these two (2) locations. Therefore, the Study concluded that the post-project parking ratio of 3.44 spaces per 1,000 square feet would exceed site parking demand during peak periods and provide ample "reserve capacity" for the site. Please see the Transportation Assessment for further detail.

17. *The exit of the fueling island will most certainly have a bottleneck traffic issue as it exits into main traffic artery thus making the lines longer at the beginning on the queue which will again effect customers parked in section 9,6,13, and 19.*

Response: The project is designed so that members may exit the fuel facility along the eastern edge of the property, which the Transportation Assessment determined was the least utilized area of the overall Costco site. This design allows members to exit away from the main circulation areas of the Business Center, thus reducing the potential for conflict or congestion with those members not patronizing the fuel facility.

In addition to the written comments above, Mr. Daljit Singh provided oral comments during the Public Hearing portion of the Planning Commission hearing on November 14, 2019. No other public comments were received. The following outline provides the oral comments received by Mr. Daljit Singh in italics, along with a narrative response addressing the comments.

1. *"The average Costco gas station does anywhere from 500,000 to 1 million gallons a month in fuel... will double the traffic to the site... an additional 500,000 gallons a month to this site will bring an additional 50,000 trips to this site a month at 10 gallons per vehicle..."*

Response: The Transportation Assessment and Traffic Impact Analysis determined that an average peak hour trip generation rate of 380 trips is anticipated for the fuel facility project. In preparing the Transportation Assessment, Kittelson & Associates, Inc. reviewed trip generation data and other transportation information for the two (2) other Costco Business Centers with fuel stations operating in California at the time of the transportation analysis: Commerce and Hawthorne. Kittelson & Associates, Inc. used the average trip generation from those sites to determine the anticipated trip generation rate for the project. In addition, the data found that there is not a linear relationship between fuel positions and trip generation; rather, it is a function of the number of members in the market area. As a result of this factor, the Assessment concluded that the site contains adequate capacity to accommodate the additional trips. Please see the Transportation Assessment and Traffic Impact Analysis for additional information.

2. *"I live next to a 65+ year and older, directly behind my site. Many of them suffer from asthma and they are in their late stages of life; their lungs are hard. Bringing 500,000 gallons more of*

this concentrated air pollution, plus we're next to the freeway... the air quality in the area will be more concentrated with this pollution..."

Response: A Health Risk Assessment was prepared for the project in accordance with Bay Area Air Quality Management District (BAAQMD) standards and determined that the project would not exceed BAAQMD health risk thresholds for surrounding residential properties. In addition, the project would comply with all federal, state, and local environmental requirements as noted in the Initial Study.

3. *"The City brought up that there are not many gas stations going out of business because we sell gas at night. No one is pumping gas at night. We sell 200-300 gallons a night. They are going to be open from 6am to 9pm, that's when everyone pumps gas."*

Response: As stated above, the Market Analysis evaluated the site and surrounding area and determined that the Costco fuel facility is not anticipated to negatively impact in the long run or to cause closure of the surrounding existing gas stations along "A Street," primarily because the Costco fuel facility is a members-only facility with a business model that differs from the typical gas station. Please see the Market Analysis for further information.

CONCLUSION

We respectfully request that you consider the responses above prior to making a final determination on the project. Costco is confident that it has addressed the above comments and have provided additional data to alleviate the expressed reservations. Thank you for your consideration.