

# Retail Impact Study Proposed Home Depot Store City of San Bernardino

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# CHAPTER 1 INTRODUCTION

## 1.1 Purpose

This study examines whether or not adverse physical impacts are likely to result from economic impacts of the proposed Home Depot store at Highland and Arden Avenues in the City of San Bernardino, as shown in Figure 1-1, on existing and future stores in competitive locations. The central concern of this study is to determine whether the proposed Home Depot store will cause “urban decay,” that is, “... to indirectly cause urban/suburban decay by precipitating a downward spiral of retail store closures and long-term vacancies in competitive locations.”<sup>1</sup>

Building Materials and Garden Equipment and Supplies is defined by the North American Industrial Classification System (NAICS) as NAICS 444. In this study, this category is also referred to interchangeably as Building Materials and Home Improvement stores, or simply as Building Materials stores.

## 1.2 Project Description

The Home Depot store is proposed to be located in a proposed retail development on an approximate 17.37-acre site located in the northeastern section of the City of San Bernardino, at the southwest corner of Highland Avenue and Arden Avenue, as shown in Figure 1-2.

**Proposed Store.** In this study, the urban decay analysis focuses on the Home Depot store, which is proposed to include retail sales of building supplies, lumber, hardware, landscaping, and associated home improvement items. Products and services provided at this location would also include tool and equipment rentals, propane sales, trailers and sheds sales, on-site truck rentals, and independent food service vendors.

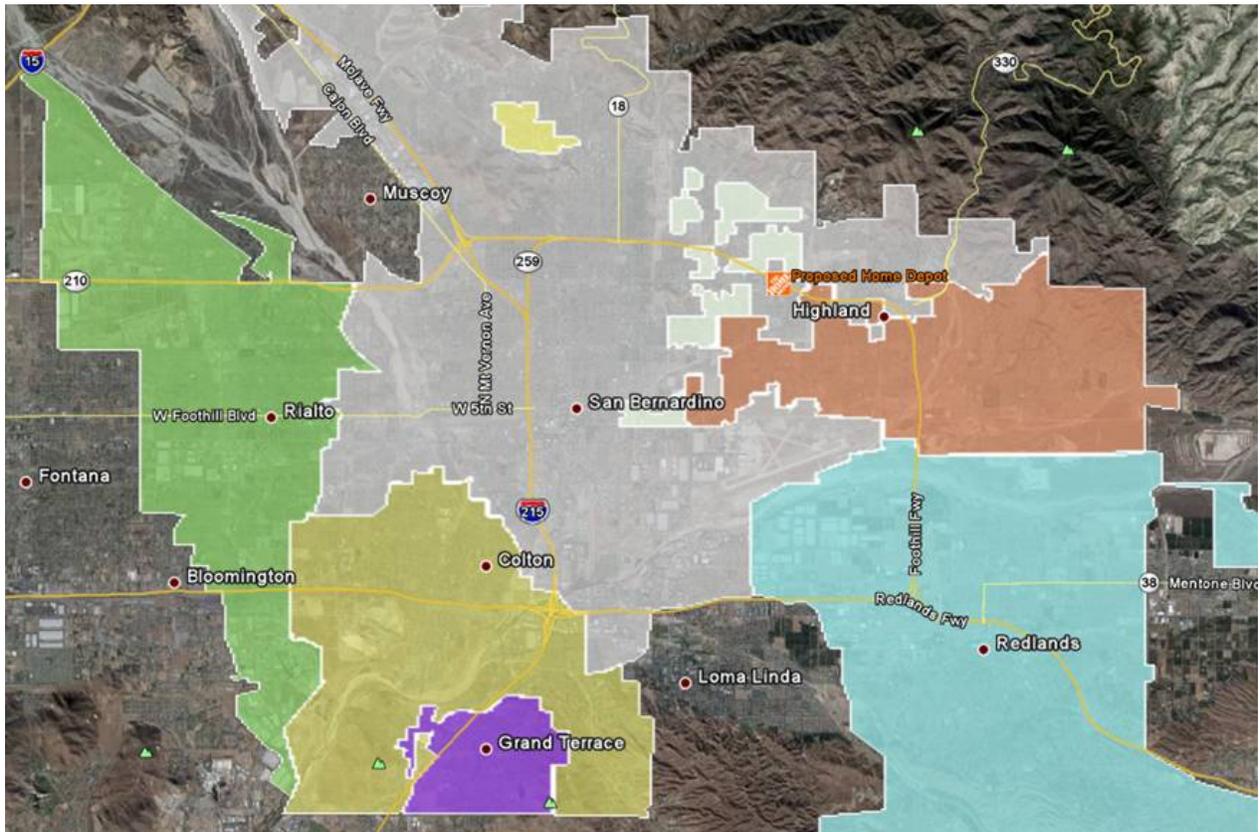
As shown in Figure 1-3, the proposed retail development subdivides the 17.37-acre site into seven parcels, ranging from 0.73 acres to 8.93 acres. Based on information provided by Lilburn Corporation, the site was previously developed as multi-family residential use. Demolition of the structures comprising the project site and relocation of the residents started in 2007, and was completed in or around 2010. The project site would require a General Plan Amendment (GPA) in order to change the current land use description from Public Commercial Recreation (PCR) to Commercial General (CG-1). The property would also need a Conditional Use Permit (CUP) for multiple tenants to occupy the site.

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<sup>1</sup> *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal. App 4<sup>th</sup> 1184, p 2.

As shown in Figure 1-3 and Table 1-1, the retail development – which totals 204,720 square feet – includes 136,090 square feet for the Home Depot store and garden center, as well as 68,630 square feet of retail space for one major tenant (48,830 square feet), four other tenants ranging from 2,900 to 5,500 square feet, and 8,340 square feet for retail shops. The Home Depot retail store and garden center would be located east of Guthrie Street and north of 20<sup>th</sup> Street, in proximity to residential homes and an elementary school. Other tenants would be located along Highland Avenue and in the southeast corner of the site.

Figure 1-1  
Proposed Store Location Vicinity  
City of San Bernardino



Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011

Figure 1-2  
Proposed Store Location  
City of San Bernardino



Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011



Table 1-1  
Proposed Home Depot Square Footage  
City of San Bernardino

Tenant	Square Footage	Percent of Total
Home Depot Retail Store	107,979	52.7%
Home Depot Garden Center	<u>28,111</u>	<u>13.7%</u>
<b>Subtotal of Retail Store &amp; Garden Center</b>	<b>136,090</b>	<b>66.5%</b>
Major Tenant	43,830	21.4%
Other Retail	<u>24,800</u>	<u>12.1%</u>
<b>Subtotal of Home Depot, Major Tenant &amp; Other Retail</b>	<b>68,630</b>	<b>33.5%</b>
<b>Total</b>	<b>204,720</b>	<b>100.0%</b>

Source: Stanley R. Hoffman Associates, Inc.  
Lilburn Corporation

### 1.3 Urban Decay Analysis Overview

This study examines whether or not adverse physical impacts are likely to result from economic impacts of the proposed Home Depot Center on existing and future competitive stores pursuant to CEQA Guidelines §15131(a). It is intended to comply with the mandates of the Fifth District Court of Appeal decision in *Bakersfield Citizens for Local Control vs. City of Bakersfield*.

While the measurement of urban decay is not strictly defined under CEQA, this analysis assumes that it includes significant deterioration of existing structures and/or their surroundings. This analysis is based upon the premise that such deterioration occurs when property owners reduce property maintenance activities below that required to keep such properties in good condition. It assumes that property-owners make rational economic decisions about maintaining their property and are likely to make reductions in maintenance activities only under conditions where they see little likelihood of future positive returns from such expenditures.

Where vacancy rates are low or growth rates are high, property owners are likely to see the prospect of keeping properties leased-up at favorable rents. But vacancy rates can and often do range far higher for extended periods of time, especially during extraordinary times, such as during the recent ‘Great Economic Recession’ and its resulting aftermath. Where vacancy rates are high and persistent, and growth rates are low, property owners are more likely to have a pessimistic view of the future and be prone to reducing property maintenance as a way to reduce costs. Certainly, most knowledgeable observers would agree that very high vacancy rates (say over 25 percent) that persist for long periods of time, for example, for several years are more likely to lead to reduced maintenance expenditures and in turn to physical deterioration.

Whether or not conditions in between those discussed above (i.e. moderate vacancy levels that persist for a few years) are likely to lead to “urban decay” depends on many factors including the growth prospects of the market area, the future state of the national and local economy, financial strength of existing tenants and landlords, the profitability of existing stores, and the potential for conversion to office, residential or other land uses.

#### 1.4 Methodology

This retail impact analysis report is presented for Building Materials stores in the proposed store’s vicinity, as defined in Chapter 2. The study uses two geographies – a demand area over which the proposed store attracts retail expenditures from residential and non-residential sources, and a supply area of present and future retail stores that compete with the proposed store for the above expenditures. The demand area is called the ‘Retail Trade Area’ (RTA), and the supply area is the ‘Competitive Retail Supply Area’ (CRSA).

In this study, the RTA, i.e. the area from which retail expenditures at the proposed store originate, consists primarily of areas in the Valley region of San Bernardino County, and secondarily communities in the Mountain areas to the north of the proposed site. The demand areas in the Valley region are defined by Traffic Analysis Zones that wholly or partially fall within 5.0 miles of the proposed Home Depot. The selected TAZs fall within the cities of San Bernardino, Colton, Highland, Loma Linda, Redlands and Rialto, as well as other adjacent unincorporated areas. The demand areas in the Mountain region of the county include TAZs that include Lake Arrowhead CDP (census defined place), Running Springs CDP, Crestline CDP, Big Bear City CDP and the City of Big Bear Lake. Further, the CRSA, i.e. the supply area of retail stores that compete with the proposed store for the RTA expenditures, has most of the stores within 15.0 miles of the proposed Home Depot, and some stores up to 22 miles, such as the DIY Home Center that was opened in Big Bear Lake in 2011.

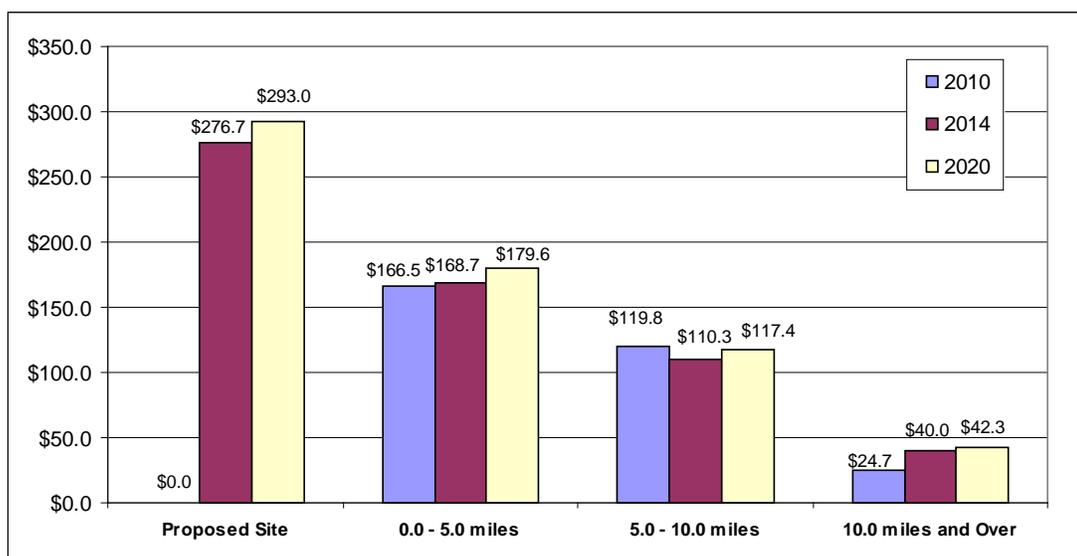
The analysis for the Building Materials store retail category involves three steps: 1) estimation of existing and future Building Materials demand from permanent and seasonal households and non-residential development within the RTA; 2) estimation of existing and future Building Materials space supply within the CRSA; and 3) predicting the likely future sales at the CRSA Building Materials stores that serve RTA demand. The retail impact analysis is conducted over three time periods: 1) base year conditions (2010), 2) estimated Home Depot store opening date (2014), and 3) a longer-term projection period (2020).

## 1.5 Summary of Findings and Conclusions

From this analysis, the following findings and conclusions are drawn:

1. Based on the performance measure of sales per square foot for Building Material stores serving the RTA, it is concluded that the supply of competitive stores will not experience significant vacancies that will persist over the long-term.
2. In the present analysis, as shown in Figure 1-4, sales per square foot trends after the introduction of the proposed Home Depot store, show: 1) either increases in performance at various distances from the proposed site (0-5 miles and greater than 10 miles); or 2) relatively small decreases (5 to 10 miles) in the short-term (2014), and then increases back close to their 2010 level by 2020.
3. While there have been declines in Building Materials and Home Improvement sales in recent years in the overall market area studied, there have also been decreases in the supply with the closing of the Lowe's Home Improvement store in northwest San Bernardino in late 2010. A Home Depot store located near the intersection of Interstate 215 and Highway 159 in San Bernardino is expected to close when its lease expires in early 2014.
4. The DIY Home Center that opened in 2011 in the City of Big Bear Lake is shown to largely capture its sales from the Mountain area and does not directly compete for households that reside near the competitive stores in the City of San Bernardino and its neighboring jurisdictions.
5. While it is possible that individual stores may experience greater or lesser sales per square foot impacts than the averages shown for various distance bands from the proposed Home Depot store (due to their unique locations or business conditions), it is projected that the sales per square foot trends, in conjunction with increases and decreases in the competitive retail supply, would not likely result in substantial and persistent increases in commercial vacancies that would result in Urban Decay.

Figure 1-4  
Projected Change in Sales per Square Foot by Distance  
2010-2020



Source: Stanley R. Hoffman Associates, Inc.

## 1.6 Organization of the Report

The study RTA and CRSA definitions are presented in Chapter 2. Chapter 3 details the demographics data for existing and future growth for selected Valley and Mountain communities and for the study RTA. Also shown in this chapter are growth projections for the RTA to estimate future expenditures for Building Materials. Chapter 4 discusses the inventory of retail space supply of Building Materials and Home Improvement stores within the CRSA. Chapter 5 explains the demand for Building Materials generated from within the Study RTA. Chapter 6 analyzes the potential urban decay impacts of the proposed store from its expected opening in early 2014 to 2020. Appendices include supporting tables and project references.

## CHAPTER 2 STUDY AREA GEOGRAPHIES

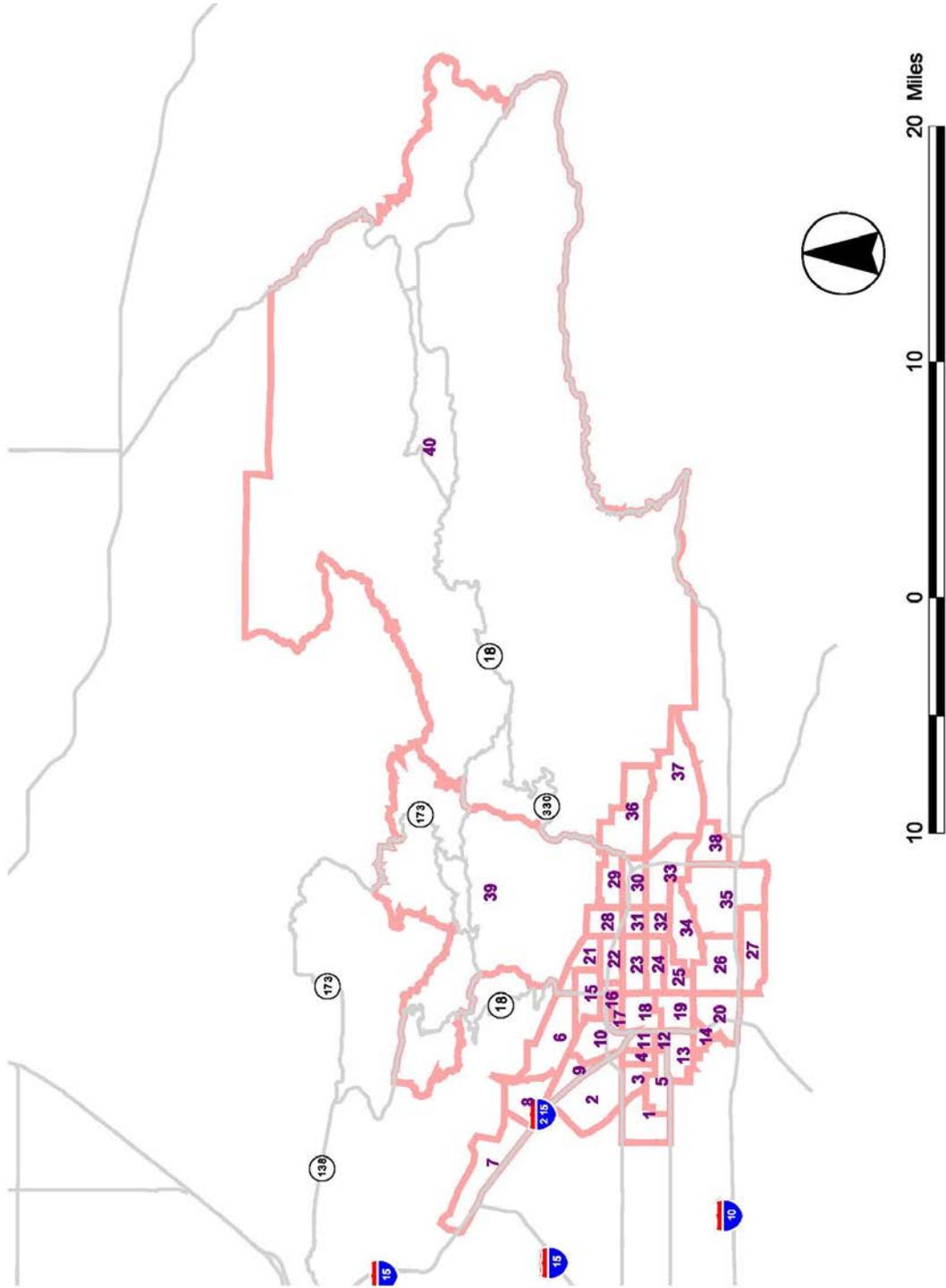
### 2.1 Retail Trade Area

The present study analyzes the impact of the proposed Home Depot on existing Building Materials stores with which it would compete. The Retail Trade Area is defined as the area from which the proposed store is expected to draw most of its retail demand from residential and non-residential sources. In this study for Building Materials merchandise, the RTA for the proposed store was defined as primarily including demand zones based on Southern California Association of Governments (SCAG) Traffic Analysis Zones (TAZs) that were wholly or partially within five miles of the proposed site. Secondly, TAZs representing the mountain communities of Lake Arrowhead, Crestline, Running Springs, Big Bear City CDP and the City of Big Bear Lake were also included in the RTA. There is a substantial year round as well as seasonal population residing in this mountain area and until the recent opening of the DIY Home Center, very little competitive retail supply had been available.

A map of the RTA definition showing demand zones based on the SCAG TAZs can be found in Figure 2-1, and a list of TAZs comprising the demand zones is shown in Appendix Table A-1. Households residing within this RTA comprise the majority of the customer base for the proposed store. Besides residential demand, including demand from seasonal homes in the mountain communities, the study also calculates a portion of the Building Materials demand that originates from non-residential sources.

Decision was made to conform the RTA definition to the SCAG Traffic Analysis Zones because (a) these zones are used by state, regional and local governmental entities in traffic and other planning activities, (b) they are consistent with US Census Bureau census tract definitions and (c) SCAG prepares and maintains data and forecasts for these areas. The distance criterion was selected by the consultants after an assessment of various factors including existing and future residential development, present and future road patterns, the locations of competitive home improvement retail stores, and the RTA demand draw of typical home improvement stores. Consequently, some stores included in the analysis are located farther away than 15 miles from the proposed store, including a few stores to the south in Fontana, Moreno Valley, and Riverside County, and the DIY store in Big Bear Lake to the north.

Figure 2-1  
 Building Material Retail Trade Areas (RTAs) by Traffic Analysis Zones



Source: Stanley R. Hoffman Associates, Inc.

## 2.2 Competitive Retail Supply Area

The Building Materials and Home Improvement stores within the Competitive Retail Supply Area (CRSA) are shown in Figure 2-2; their names, addresses and distances from the proposed Home Depot store are shown in Table 2-1. The proposed Home Depot is planned at the southwest corner of East Highland Avenue and Arden Avenue. An existing Home Depot store, scheduled to close in early 2014 when its lease expires, is located about 3.9 miles to the west of the proposed store at 1055 West 21st Street.

As identified in Table 2-1, other than the proposed store, there are 38 stores within the CRSA falling within the NAICS 444 Building Materials stores category including Home Improvement, Hardware, Paint, Lumber and Electrical Supplies stores; 17 of these stores are within 5 miles of the proposed Home Depot. Another 12 stores are identified as within 5 to 10 miles, and the 9 remaining stores are more than 10 miles away from the proposed store. The distances are measured on a point-to-point basis.

The closest Home Depot within the City of San Bernardino is located at 695 East Hospitality Lane about 5 miles south of the proposed store. There is also a Home Depot store located in a southeasterly direction about 5 miles away in Redlands at 1151 West Lugonia Avenue.

There are no Lowe's Home Improvement stores that are currently open in the City of San Bernardino. The closest Lowe's store is about 3 miles southeast of the proposed store and located at 27847 Greenspot Road in the City of Highland. Also, in the City of Highland, about 0.8 miles south of the proposed store at 26091 Base Line Street is K&L Hardware, a relatively small neighborhood-serving hardware store.

The DIY Home Center is identified as the farthest store from the proposed store within the CRSA and is located almost 22 miles away in the City of Big Bear Lake at 42146 Big Bear Boulevard. DIY opened in 2011 and will largely be serving the Mountain communities, particularly, Big Bear City CDP and the City of Big Bear Lake.



**Table 2-1**  
**Stores Located within the Competitive Retail Supply Area (CRSA)**  
**San Bernardino County and Riverside County**

Map Label	Name	Address	City	Zip Code	Distance (mi.)
HI 1	Proposed Home Depot	E. Highland Ave. & Arden Ave.	San Bernardino	92346	0.00
HI 2	Home Depot #683	1055 W. 21st St.	San Bernardino	92405	3.86
HI 3	Home Depot #610	695 E. Hospitality Ln.	San Bernardino	92408	4.98
HI 4	Home Depot #1013	1151 W. Lugonia Ave.	Redlands	92374	4.99
HI 5	Home Depot #6683	1451 W. Foothill Blvd.	Rialto	92376	9.36
HI 6	Home Depot #6960	16005 Sierra Lakes Pkwy	Fontana	92336	12.47
HI 7	Home Depot #1857	16783 Santa Ana Ave.	Fontana	92337	12.56
HI 8	Home Depot #616	12255 Pigeon Pass Rd.	Moreno Valley	92557	13.12
HI 9	Home Depot #6619	3323 Madison St.	Riverside	92504	16.44
HI 10	Home Depot #1087	15975 Perris Blvd.	Moreno Valley	92551	16.73
HI 11	Lowe's (Closed 2010)	4060 N. Hallmark Pkwy	San Bernardino	92407	6.04
HI 12	Lowe's #2856	27847 Greenspot Rd.	Highland	92346	3.01
HI 13	Lowe's #0759	1725 W. Redlands Blvd.	Redlands	92373	5.10
HI 14	Lowe's #1700	16851 Sierra Lakes Pkwy.	Fontana	92336	11.39
HI 15	Lowe's #1574	12400 Day St.	Moreno Valley	92553	13.38
HI 16	Lowe's #1048	9851 Magnolia Ave.	Riverside	92503	19.16
PT 17	U-Sav Mor Stores Inc.	908 W. Highland Ave.	San Bernardino	92405	3.67
PT 18	Sherwin-Williams	1375 Camino Real	San Bernardino	92408	5.06
PT 19	Spectra-Tone Paint Store	1595 E. San Bernardino Ave.	San Bernardino	92408	3.87
PT 20	SB Paint & Supply	160 E. Highland Ave.	San Bernardino	92404	2.53
PT 21	Vista Paint	414 E. Redlands Blvd.	San Bernardino	92408	5.19
PT 22	Dunn Edwards Paints	1211 E. Washington St.	Colton	92324	6.97
HW 23	Highland Ave Lumber & Hardware Co.	1680 W. Highland Ave.	San Bernardino	92411	4.88
HW 24	Cooley Hardware	633 N. D St.	San Bernardino	92401	3.33
HW 25	Ace Hardware	4111 N. Sierra Way	San Bernardino	92407	3.51
HW 26	K&L Hardware	26091 Base Line St.	San Bernardino	92410	0.79
HW 27	Lake Drive Hardware	23895 Lake Dr.	Crestline	92325	8.06
LM 28	Canam Wood Products	1410 Richardson St.	San Bernardino	92408	3.96
LM 29	Barr Lumber Company Inc	111 E. Mill St.	San Bernardino	92408	3.79
LM 30	House of Plywood and Paneling	1321 E. Base Line St.	San Bernardino	92410	1.33
LM 31	Squires Lumber Co Inc.	370 N. 9th St.	Colton	92324	6.45
EL 32	Prudential Lighting Inc.	1832 Commercenter Cir.	San Bernardino	92408	5.10
EL 33	Safeway Electric Co.	1474 Miller Dr	Colton	92324	5.70
EL 34	Lamps Plus	9425 California St.	Redlands	92374	3.53
TL 35	Empire Tile & Marble Supply	190 E. Mill St.	San Bernardino	92408	3.66
TL 36	New Impressions Tile	1156 W. Highland Ave.	San Bernardino	92405	4.01
CL 37	Redlands Cluster 1	606 N. Eureka St.	Redlands	92374	5.78
CL 38	Redlands Cluster 2	320 E. Stuart Ave.	Redlands	92374	6.10
HW 39	DIY Home Center	42146 Big Bear Blvd.	Big Bear Lake	92315	21.84

Source: Stanley R. Hoffman Associates, Inc.  
 Google Maps, 2011.

**Table 2-2**  
**Stores Located within Redlands Clusters 1 and 2**  
**San Bernardino County**

Serial Number	Map Label	Type of Store	Address	City	Zip Code	Latitude	Longitude	Square Footage
<b>Redlands Cluster 1</b>								
1.	CL 37	Redlands Paint	555 W. Redlands Blvd.	Redlands	92373	34.057303	-117.189047	6,256
2.	CL 37	Dave's Paint N' Paper	606 N. Eureka St.	Redlands	92374	34.060703	-117.186211	4,380
3.	CL 37	W.I.T. Windows & Doors	402 W. Colton Ave.	Redlands	92374	34.063072	-117.187066	2,430
4.	CL 37	Ray's Cabinet Shop	508 Texas St.	Redlands	92374	34.059901	-117.190987	3,600
<b>Redlands Cluster 2</b>								
5.	CL 38	Carlson Hardware	330 Orange St.	Redlands	92374	34.058205	-117.182227	3,600
6.	CL 38	Redlands Floorhouse	36 W. Stuart Ave.	Redlands	92374	34.059821	-117.183875	2,800
7.	CL 38	Classic Building Supply	320 E. Stuart Ave.	Redlands	92374	34.059307	-117.178529	5,208

Source: Stanley R. Hoffman Associates, Inc.  
 Google Earth, 2011.

## CHAPTER 3 RETAIL TRADE AREA DEMOGRAPHICS

### 3.1 Historic Population and Household Characteristics

This section presents demographic trends from the 2010 Census and the American Community Survey for the City of San Bernardino, other Retail Trade Area (RTA) Communities, and the County of San Bernardino. The communities within the RTA include the cities of San Bernardino, Big Bear Lake, Colton, Highland, Loma Linda, Redlands, and Rialto, as well as Big Bear City CDP, Crestline CDP, Lake Arrowhead CDP, and Running Spring CDP. A CDP, or Census Designated Place, is defined as "...a densely settled concentration of population that is not within an incorporated place, but is locally identified by a name."<sup>2</sup> The demographic trends presented include data on population, households, and income.

**Population.** As shown in Table 3-1, the population in City of San Bernardino was the largest among the RTA Communities from 2000 to 2010. The City experienced a significant increase from 185,401 in 2000 to 208,770 in 2006, followed by a slight increase to 209,924 in 2010, based on the U.S. Census. Overall, the City experienced a 13.2 percent increase between 2000 and 2010. In comparison, the sum of all RTA communities together experienced the same increase as the City of San Bernardino with a total rise of 13.2 percent in population, from 487,307 people in 2000 to 551,740 people in 2010. The County population experienced the greatest percent change of 19.1 percent, increasing from 1.7 million people in 2000 to 2.0 million people in 2010.

**Households.** As shown in Table 3-2, the City of San Bernardino had the greatest increase in households of the RTA Communities from 2000 to 2010. The City had a total of 56,330 households in 2000, which increased to 61,617 in 2006. The City subsequently experienced a decrease with a total of 59,283 households in 2010. The City of San Bernardino experienced a 5.2 percent increase in households over the ten-year period. In comparison, the total number of households in the sum of all RTA Communities together increased 9.0 percent from 152,829 households in 2000 to 166,629 households in 2010. Households in the County experienced more growth than the City and the sum of all RTA Communities together, increasing 15.7 percent from 2000 to 2010. The total number of households in the County was 528,594 in 2000, increased to 591,141 in 2006, and increased further to 611,618 in 2010.

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<sup>2</sup> U.S. Census Bureau ([http://factfinder.census.gov/home/en/epss/glossary\\_c.html](http://factfinder.census.gov/home/en/epss/glossary_c.html))

**Table 3-1  
Population Growth  
RTA Communities  
2000-2010**

Jurisdiction	2000	2006 <sup>1</sup>	2010	Change from 2000 to	
				2010	Percent Change from 2000 to 2010
San Bernardino	185,401	208,770	209,924	24,523	13.2%
Big Bear Lake	5,438	n/a	5,019	-419	-7.7%
Colton	47,662	52,421	52,154	4,492	9.4%
Highland	44,605	54,645	53,104	8,499	19.1%
Loma Linda	18,681	22,843	23,261	4,580	24.5%
Redlands	63,591	70,127	68,747	5,156	8.1%
Rialto	91,873	102,468	99,171	7,298	7.9%
Big Bear City CDP	5,779	n/a	12,304	6,525	112.9%
Crestline CDP	10,218	n/a	10,770	552	5.4%
Lake Arrowhead CDP	8,934	n/a	12,424	3,490	39.1%
Running Springs CDP	<u>5,125</u>	<u>n/a</u>	<u>4,862</u>	<u>-263</u>	<u>-5.1%</u>
RTA Communities	487,307	n/a	551,740	64,433	13.2%
County of San Bernardino	1,709,434	1,982,845	2,035,210	325,776	19.1%

1. 2006 represents ACS 2005-07 data, which is only available for geographic areas with populations of 20,000 or more.

Source: Stanley R. Hoffman Associates, Inc.  
Census 2010.  
U.S. Census American Community Survey, 2005-2007.

**Table 3-2  
Households Growth  
RTA Communities  
2000-2010**

Jurisdiction	2000	2006 <sup>1</sup>	2010	Change from 2000 to	
				2010	Percent Change from 2000 to 2010
San Bernardino	56,330	61,617	59,283	2,953	5.2%
Big Bear Lake	2,343	n/a	2,187	-156	-6.7%
Colton	14,520	15,842	14,971	451	3.1%
Highland	13,478	15,631	15,471	1,993	14.8%
Loma Linda	7,536	8,703	8,764	1,228	16.3%
Redlands	23,593	25,468	24,764	1,171	5.0%
Rialto	23,593	25,781	25,202	1,609	6.8%
Big Bear City CDP	2,290	n/a	5,011	2,721	118.8%
Crestline CDP	4,000	n/a	4,360	360	9.0%
Lake Arrowhead CDP	3,243	n/a	4,672	1,429	44.1%
Running Springs CDP	<u>1,903</u>	<u>n/a</u>	<u>1,944</u>	<u>41</u>	<u>2.2%</u>
RTA Communities	152,829	n/a	166,629	13,800	9.0%
County of San Bernardino	528,594	591,141	611,618	83,024	15.7%

1. 2006 represents ACS 2005-07 data, which is only available for geographic areas with populations of 20,000 or more. Data was unavailable for City of Big Bear Lake, Big Bear City CDP, Crestline CDP, Lake Arrowhead CDP, and Running Springs CDP.

Source: Stanley R. Hoffman Associates, Inc.  
Census 2010.  
U.S. Census American Community Survey, 2005-2007.

**Average Household Income.** As shown in Table 3-3, the City of San Bernardino had an average household income of \$55,690 in 2000, in constant 2010 dollars, and decreased slightly to \$50,939 in 2010. From 2000 to 2010, the average household income in the City of San Bernardino decreased by 9.3 percent.

In comparison, the total for all RTA Communities together had a higher average household income of \$66,338 in 2000, which decreased to \$63,152 in 2010, as shown in Table 3-3. With the exception of Highland, Loma Linda, and Running Springs, the RTA Communities experienced a decline in average household income from 2000 to 2010. The County experienced a smaller decrease of 2.0 percent from \$72,166 in 2000 to \$70,780 in 2010.

**Table 3-3**  
**Average Household Income Trends**  
**RTA Communities**  
**2000-2010**  
(In Constant 2010 Dollars)

Jurisdiction	2000	2010 <sup>1</sup>	Percent Change from 2000 to 2010
San Bernardino	\$55,690	\$50,939	-9.3%
Big Bear Lake	\$67,556	\$64,789	-4.3%
Colton	\$59,192	\$54,605	-8.4%
Highland	\$72,867	\$74,444	2.1%
Loma Linda	\$66,816	\$72,564	7.9%
Redlands	\$87,710	\$87,030	-0.8%
Rialto	\$67,100	\$61,594	-8.9%
Big Bear City CDP	\$65,556	\$49,531	-32.4%
Crestline CDP	\$72,672	\$67,575	-7.5%
Lake Arrowhead CDP	\$104,446	\$74,478	-40.2%
Running Springs CDP	<u>\$76,883</u>	<u>\$81,297</u>	<u>5.4%</u>
RTA Communities <sup>2</sup>	\$66,338	\$63,152	-5.0%
County of San Bernardino	\$72,166	\$70,780	-2.0%

1. Data from the ACS for small geographies, including communities smaller than 20,000 population, is only available in the ACS 2005-2009 5-year estimates. The Average Household Income from this data series is in 2009 constant dollars, which have been adjusted to 2010 dollars.

2. Weighted Averages for the RTA Communities were calculated using the aggregate incomes and number of households for each jurisdiction and CDP. Aggregate incomes were calculated using average incomes and number of households for each jurisdiction and CDP.

Source: Stanley R. Hoffman Associates, Inc.  
Census 2000, 2010.  
American Community Survey 2005-09.  
U.S. Bureau of Labor Statistics, Consumer Price Index 2000-10.

### 3.2 Building Materials RTA Demographic Projections: 2010-2020

**Projection Methodology.** This section projects the future demand for Building Materials based on the growth of households in the RTA and its Building Materials-related expenditures. The growth in Building Materials-related expenditures then translates to the estimated growth in demand for retail space. The growth in household retail demand is compared to the future supply of competitive retail space in the CRSA to determine future impacts on store performance. The resulting sales per square foot measure are compared against benchmark industry sales per square foot indicators for the home improvement stores category.

The projections developed in this study are driven by growth forecasts provided by the Southern California Association of Governments (SCAG) Draft Regional Transportation Plan (RTP) 2012 forecasts at the traffic analysis zones (TAZ) level. The SCAG RTP dataset includes data on population, households, employment and median household income for 2008, 2020 and 2035.

The RTA for this study, as explained in previous sections, is based on TAZs with centroids within a 5.0 mile ring from the proposed Home Depot site, and also includes TAZs comprising the Mountain communities of Crestline CDP, Lake Arrowhead CDP, Running Springs CDP, Big Bear City CDP and the City of Big Bear Lake. Additionally, a few smaller TAZs have been combined into larger demand zones to result in a total of 40 study demand zones, as shown previously in Figure 2-1, for which household Building Materials expenditures have been established for 2010 and 2020. Base-year 2010 demographic data have been developed by calibrating the 2008 TAZ-based distributions to control totals obtained from the Census 2010 for an area coterminous with the study area defined by Census Tracts. Further, the assembled study RTA demographic projections are presented here by three sub-areas -- the City of San Bernardino, the Mountain Areas, and the Remainder area. As shown in Table 3-4, projections of resident population, households, persons per household, average household income, and employment have been estimated for each sub-area.

Average household income and persons per household are two important factors influencing the amount of dollars spent by each household on retail purchases. The persons per household ratios for the base-year 2010 and 2020 forecast year are derived directly from the assembled demand zones projection data for resident population and households. Average household income levels (in constant 2010 dollars) are estimated by utilizing the information for forecasted median household incomes provided in the SCAG RTP 2012 at the TAZ level. Average household incomes for 2008 and 2020 are first calculated at the TAZ level by applying a county-wide ratio of average to median household income to the median household income of each TAZ. Weighted average household incomes are then calculated in cases where TAZs are further aggregated. Additionally, the derived average household income for 2008 at the level of the 40 demand zones is assumed to hold steady to the year 2010.

Table 3-4  
Retail Trade Area (RTA) Demographics  
2010 & 2020

	2010	2020	Change	Percent Change
<b>Resident Population</b>				
City of San Bernardino <sup>1</sup>	199,728	213,691	13,963	6.99%
Mountain Areas <sup>2</sup>	49,401	50,959	1,558	3.15%
Remainder <sup>3</sup>	<u>114,584</u>	<u>124,534</u>	<u>9,950</u>	<u>8.68%</u>
<b>TOTAL</b>	363,713	389,184	25,471	7.00%
<b>Households</b>				
City of San Bernardino <sup>1</sup>	56,750	64,067	7,317	12.89%
Mountain Areas <sup>2</sup>	18,732	19,972	1,240	6.62%
Remainder <sup>3</sup>	<u>34,083</u>	<u>39,539</u>	<u>5,456</u>	<u>16.01%</u>
<b>TOTAL</b>	109,565	123,578	14,013	12.79%
<b>Persons per Household</b>				
City of San Bernardino <sup>1</sup>	3.519	3.335		
Mountain Areas <sup>2</sup>	2.637	2.552		
Remainder <sup>3</sup>	<u>3.362</u>	<u>3.150</u>		
<b>OVERALL AVERAGE</b>	3.320	3.149		
<b>Average Household Income <sup>4</sup></b>				
City of San Bernardino <sup>1</sup>	\$52,123	\$52,123		
Mountain Areas <sup>2</sup>	\$70,680	\$70,680		
Remainder <sup>3</sup>	<u>\$59,580</u>	<u>\$59,580</u>		
<b>OVERALL AVERAGE</b>	\$57,615	\$57,615		
<b>Employment</b>				
City of San Bernardino <sup>1</sup>	91,774	102,979	11,205	12.21%
Mountain Areas <sup>2</sup>	14,447	16,636	2,189	15.15%
Remainder <sup>3</sup>	<u>47,328</u>	<u>57,797</u>	<u>10,469</u>	<u>22.12%</u>
<b>TOTAL</b>	153,549	177,412	23,863	15.54%

1. Includes all RTA zones that have their centroids within the City of San Bernardino.

2. Includes the mountain communities of Crestline CDP, Lake Arrowhead CDP, Running Springs CDP, City of Big Bear Lake, and Big Bear City CDP.

3. Includes portions of the trade area falling in the cities of Colton, Highland, Loma Linda, Fontana, Redlands, Rialto, and unincorporated San Bernardino County, as well as Moreno Valley and Riverside.

4. Average Household Incomes are obtained from ACS 2005-09 data at the census tract level and then allocated to the corresponding SCAG traffic analysis zone (TAZ) in 2009 dollars. These estimates are adjusted to 2010 dollars and held constant over the projection time period.

Source: Stanley R. Hoffman Associates, Inc.

Southern California Association of Governments (SCAG),  
Draft Regional Transportation Plan (RTP) 2012.

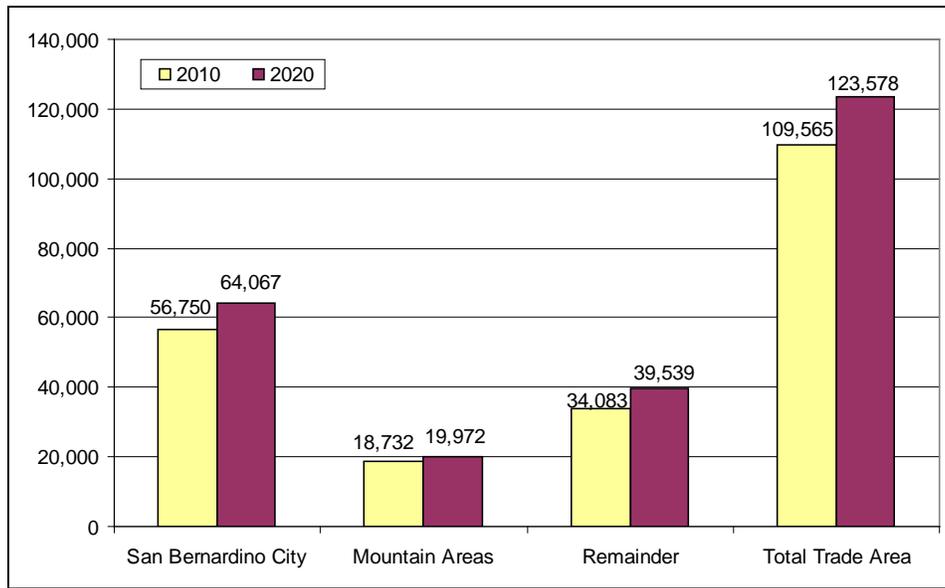
American Community Survey (ACS) 2005-09

**RTA Resident Population.** As shown in Table 3-4, projections in the overall RTA indicate growth in resident population from 363,713 people in 2010 to an estimated 389,184 persons in 2020 (7.00 percent increase). Each zone within the RTA is projected to increase in resident population. The portion of the RTA estimated to experience the greatest percent increase (8.68 percent) in population is the Remainder area (portions of Colton, Highland, Loma Linda, Redlands, Rialto and unincorporated San Bernardino County), which is projected to grow from 114,584 people in 2010 to 124,534 people in 2020. Next, the resident population in the RTA portion of the City of San Bernardino is projected to rise from 199,728 in 2010 to 213,691 in 2020 (6.99 percent increase). In contrast, the Mountain Areas are projected to grow slightly, from 49,401 in 2010 to 50,959 in 2020 (3.15 percent increase).

**RTA Households.** As shown in Table 3-4, the RTA is estimated to grow from 109,565 households in 2010 to 123,578 households in 2020 (12.79 percent increase). Percent change in the projected number of households is greatest in the Remainder area at 16.01 percent, increasing from 34,083 households in 2010 to 39,539 households in 2020. The projected number of households in the City of San Bernardino grows from 56,750 in 2010 to 64,067 in 2020 (12.89 percent). The number of households in the Mountain Areas is projected to grow slightly from 18,732 in 2010 to 19,972 in 2020 (6.62 percent). As shown in Figure 3-1, each geographic portion of the RTA is projected to increase in the number of households between 2010 and 2020.

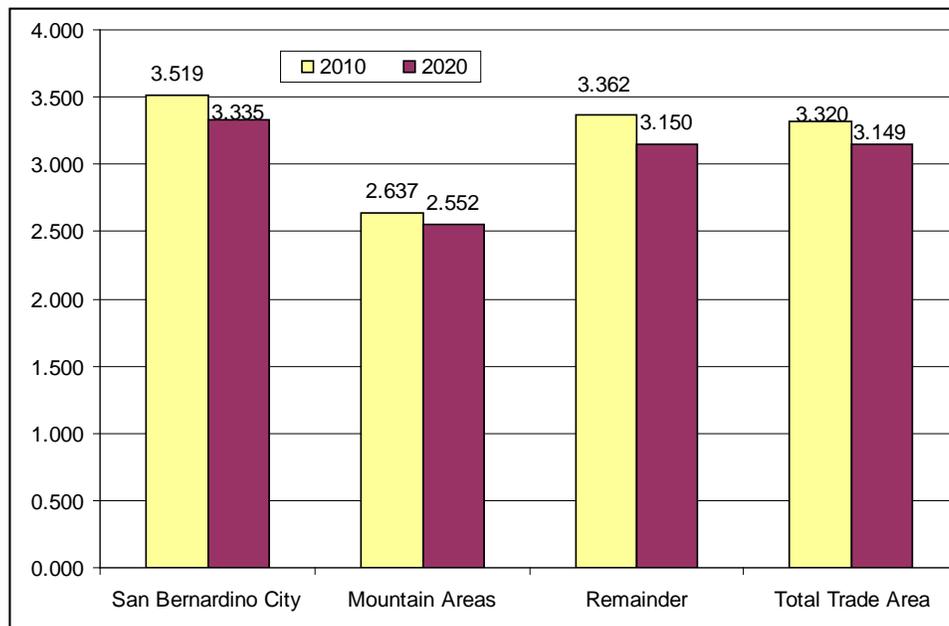
**RTA Persons per Household.** In response to the projected resident population and household growth, the projected persons per household within the RTA decreases from 3.320 in 2010 to 3.149 in 2020, as shown in Table 3-4. Each portion of the overall RTA experiences a decrease as well, as shown in Table 3-4 and Figure 3-2. The projected number of persons per household declines from 3.519 to 3.335 in the City of San Bernardino, from 3.362 to 3.150 in the Remainder area, and from 2.637 to 2.552 in the Mountain Areas from 2010 to 2020.

**Figure 3-1**  
**Projected Households by Sections within the RTA**  
**2010 & 2020**



Source: Stanley R. Hoffman Associates, Inc.  
 Southern California Association of Governments (SCAG), Draft Regional Transportation Plan (RTP) 2012.

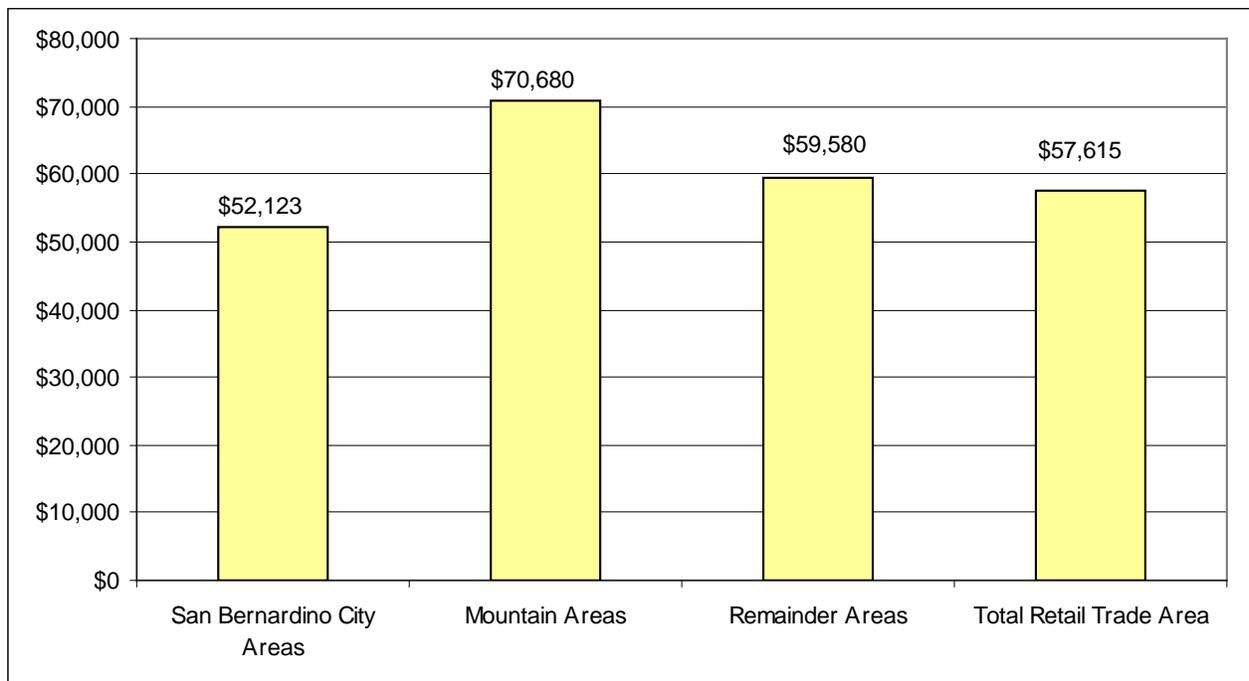
**Figure 3-2**  
**Projected Persons per Household by Sections within the RTA**  
**2010 & 2020**



Source: Stanley R. Hoffman Associates, Inc.  
 Southern California Association of Governments (SCAG), Draft Regional Transportation Plan (RTP) 2012.

**RTA Average Household Income.** As shown previously in Table 3-4, the average household income in the overall RTA is conservatively projected to remain the same from 2010 to 2020 at \$57,615, in constant 2010 dollars. As shown in the table and Figure 3-3 below, the average household income is estimated to remain constant in each portion of the RTA. The Mountain Areas are projected to have the highest average household income of the RTA at \$70,680 in 2010 and 2020. Next, the average household income in the Remainder area is projected to be \$59,580 in 2010 and 2020. The RTA portion of the City of San Bernardino is projected to have an average household income of \$52,123 in 2010 and 2020.

**Figure 3-3**  
**Average Household Income by Sections within the RTA: 2010<sup>1</sup>**  
(In Constant 2010 Dollars)

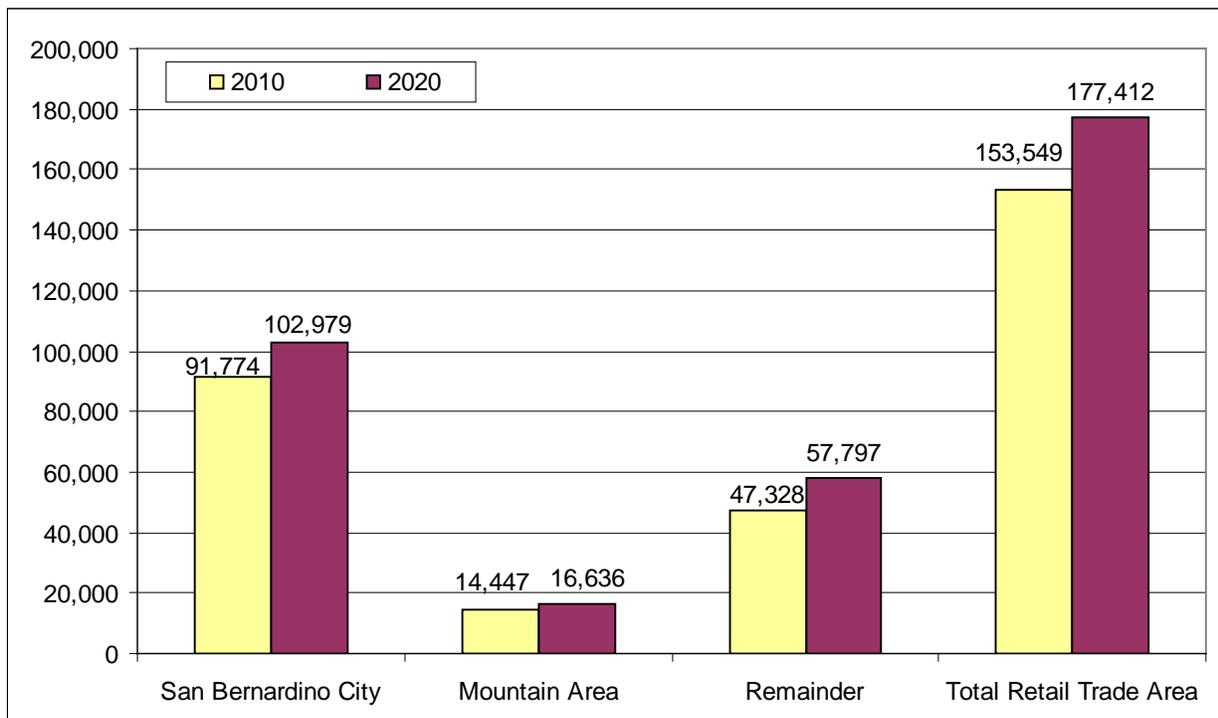


1. The average household income in each section is conservatively projected to remain the same from 2010 to 2020.

Source: Stanley R. Hoffman Associates, Inc.  
Southern California Association of Governments (SCAG), Draft Regional Transportation Plan (RTP) 2012.

**RTA Employment.** As shown in Table 3-4 and Figure 3-4, projected employment grows from 153,549 employed in 2010 to 177,412 employed in 2020 (15.54 percent increase) in the overall RTA. The greatest percent change of 22.12 percent is projected to occur in the Remainder areas, growing from 47,328 employed in 2010 to 57,797 employed in 2020. In contrast, the Mountain areas are projected to experience a 15.15 percent increase in employment, growing from 14,447 employed in 2010 to 16,636 in 2020. The RTA portion of the City of San Bernardino is estimated to grow at a more modest 12.21 percent, increasing from 91,774 employed to 102,979 employed in 2020. Each geographic portion of the RTA is projected to experience an increase in employment between 2010 and 2020.

**Figure 3-4**  
**Employment by Sections within the RTA**  
**2010 & 2020**



Source: Stanley R. Hoffman Associates, Inc.  
 Southern California Association of Governments (SCAG), Draft Regional Transportation Plan (RTP) 2012.

### 3.3 Historic Building Permit Data

An indicator of housing growth in the RTA is the residential building activity trend in the RTA Cities and San Bernardino County. Building permit data for single family and multi-family units is shown in Table 3-5 and Figures 3-5 and 3-6 for the 1996 to 2010 time period.

As shown in Figure 3-5, the number of total units based on the building permits in the City of San Bernardino increased significantly from 96 units in 1996 to 537 units in 2005 (459.4 percent increase). However, the ten-year period between 2000 and 2010 showed a more stable increase of 13.2 percent, from 76 units in 2000 to 86 units in 2010. This trend was similar for the RTA Cities, as the number of total units in all other cities increased from 760 units in 1996 to 1,757 units in 2005 (131.2 percent increase). However, the number of total units decreased from 651 units in 2000 to 284 units in 2010 (56.4 percent decrease).

As shown in Figure 3-6, the number of multi-family units based on building permits in the City of San Bernardino remained at 0 units over the 1996 to 2005 time period, based on the historical building permit data. However, multi-family units grew increased from 0 units in 2000 to 80 units in 2010. In comparison, multi-family units increased from 0 in 1996 to 158 units in 2005 in the RTA Cities. Multi-family units increased more steadily from 103 in 2000 to 166 in 2010.

**Table 3-5  
Historical Building Permit Data  
San Bernardino and RTA Cities Total  
1996-2010**

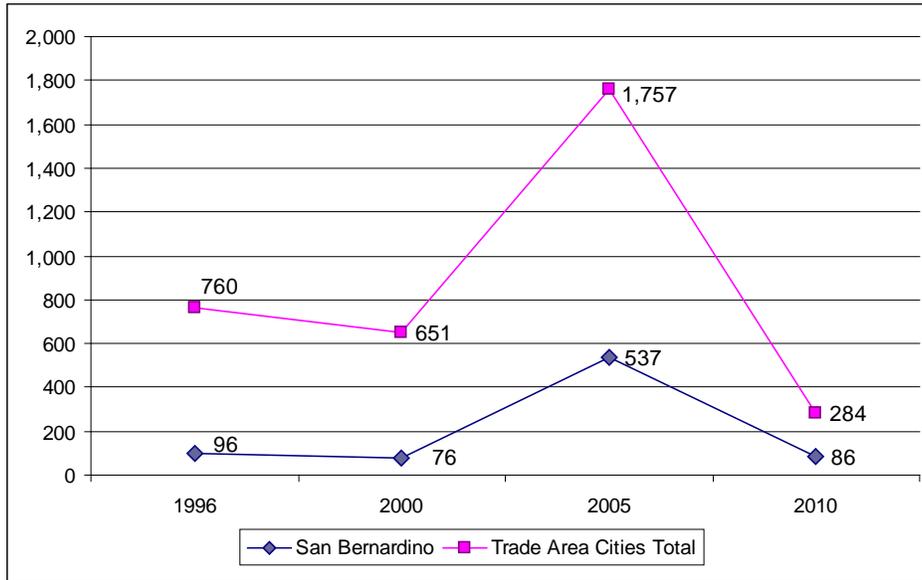
Jurisdiction	1996			2000			2005			2010			Percent Change from 1996 to 2005	Percent Change from 2000 to 2010
	Single Family Units	Multi-family Units	Total Units	Single Family Units	Multi-family Units	Total Units	Single Family Units	Multi-family Units	Total Units	Single Family Units	Multi-family Units	Total Units		
Colton	211	0	211	62	3	65	89	0	89	19	0	19	-57.8%	-70.8%
Highland	212	0	212	53	0	53	344	0	344	23	0	23	62.3%	-56.6%
Loma Linda	1	0	1	89	0	89	221	0	221	0	0	0	22000.0%	-100.0%
Redlands	62	0	62	153	0	153	342	28	370	4	11	15	496.8%	-90.2%
Rialto	178	0	178	115	100	215	66	130	196	66	75	141	10.1%	-34.4%
San Bernardino	96	0	96	76	0	76	537	0	537	6	80	86	459.4%	13.2%
<b>Trade Area Cities Total <sup>1</sup></b>	<b>760</b>	<b>0</b>	<b>760</b>	<b>548</b>	<b>103</b>	<b>651</b>	<b>1,599</b>	<b>158</b>	<b>1,757</b>	<b>118</b>	<b>166</b>	<b>284</b>	131.2%	-56.4%
<b>San Bernardino County</b>	<b>4,660</b>	<b>162</b>	<b>4,822</b>	<b>5,767</b>	<b>704</b>	<b>6,471</b>	<b>15,135</b>	<b>1,500</b>	<b>16,635</b>	<b>1,260</b>	<b>529</b>	<b>1,789</b>	245.0%	-72.4%

1. Market Area Cities Total includes the cities of Colton, Highland, Loma Linda, Redlands, Rialto and San Bernardino.

Source: Stanley R. Hoffman Associates, Inc.

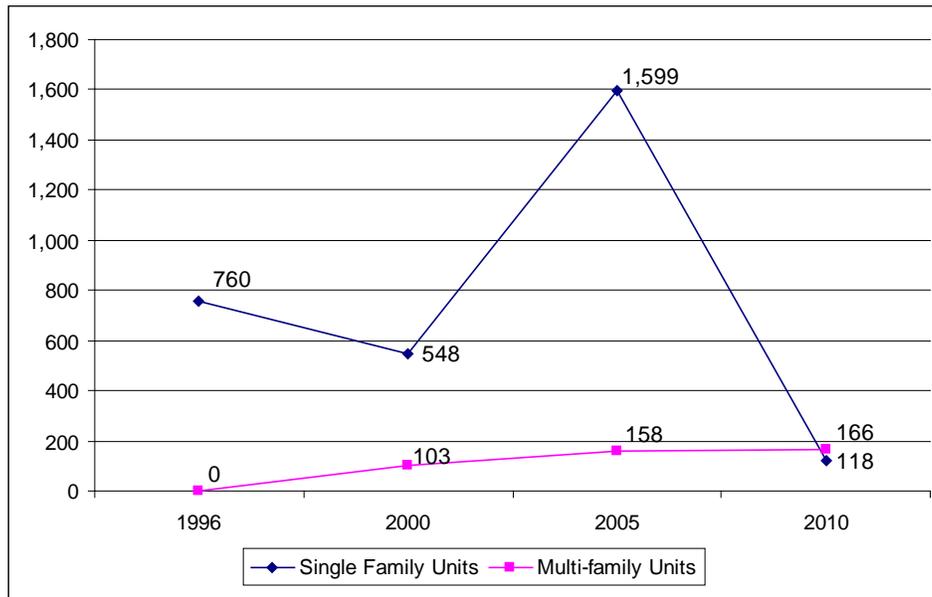
U.S. Census Bureau, Building Permit Estimates, 1996 to 2010.

Figure 3-5  
 Historical Building Permit Data  
 San Bernardino and RTA Cities Total  
 1996-2010



Source: Stanley R. Hoffman Associates, Inc.  
 U.S. Census Bureau, Building Permit Estimates, 1996-2010.

Figure 3-6  
 Single and Multi-Family Units  
 RTA Cities Total  
 1996-2010



Source: Stanley R. Hoffman Associates, Inc.  
 U.S. Census Bureau, Building Permit Estimates, 1996-2010.

## CHAPTER 4

### COMPETITIVE HOME IMPROVEMENT STORES

This chapter studies the competitive major home improvement stores located within the Competitive Retail Supply Area (CRSA) that serve the demand from the defined Retail Trade Area around the proposed Home Depot in the City of San Bernardino.

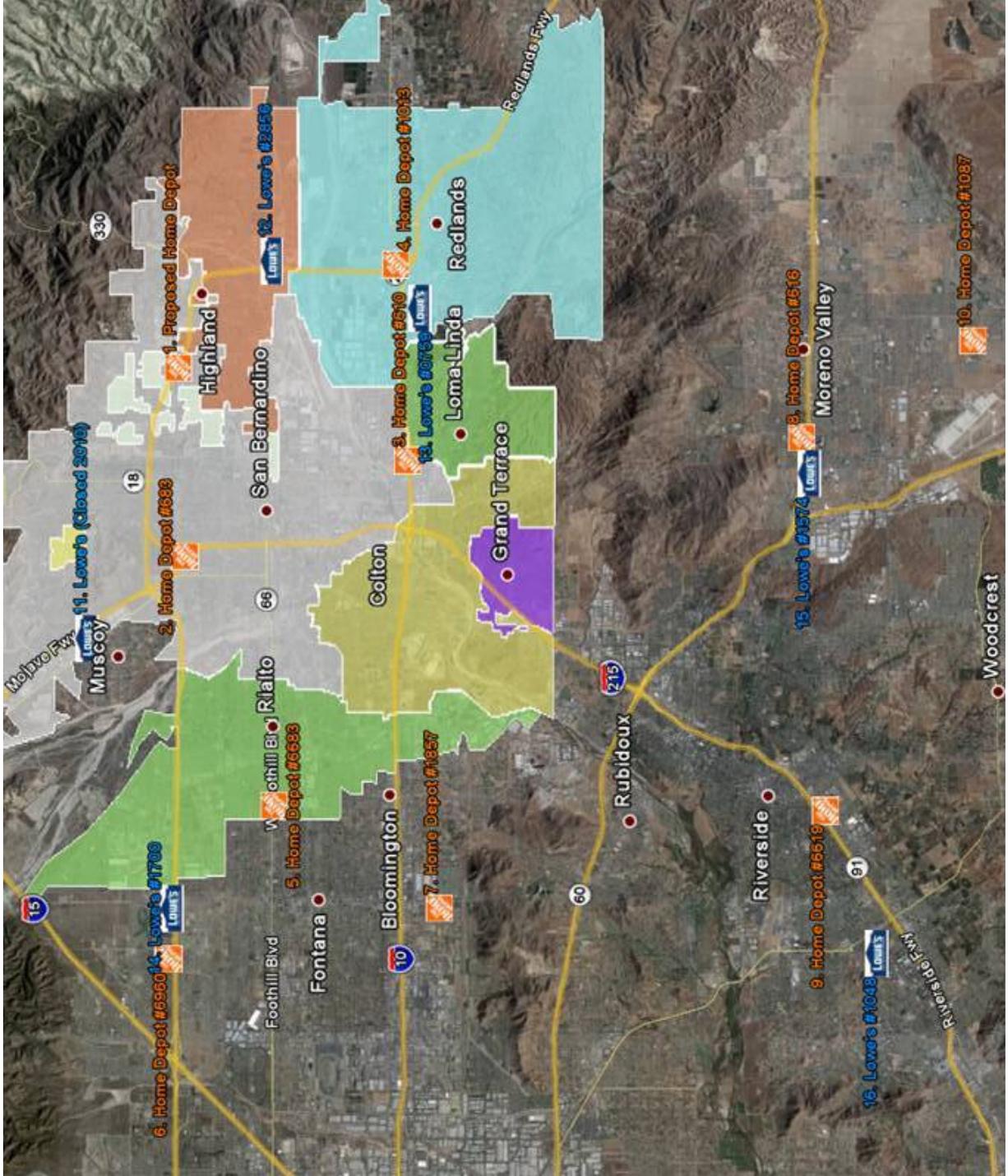
#### 4.1 Existing Home Improvement Stores Supply

The existing Building Materials stores were examined for the RTA using Google Earth, 2011 and the websites of major home improvement stores serving the market area.

**Major Building Materials Store Inventory.** As shown in Figure 4-1 and Table 4-1, a total of 16 major home improvement stores were included in the analysis. In addition to the proposed Home Depot store, these include nine existing Home Depot stores, five existing Lowe's stores, and one closed Lowe's store. The City of San Bernardino currently has two Home Depots, one located at the northwestern portion of the City and the other located at the southern tip of the City. The Home Depot store located in northwestern San Bernardino is on West 21<sup>st</sup> Street, north of Interstate 215, south of West Highland Avenue, and west of Freeway 259 (labeled as #2 in Figure 4-1); it is planned to close upon the expiration of their lease in early 2014. Other Home Depot stores are located in the cities of Redlands, Rialto, Fontana, Moreno Valley, and Riverside. The Lowe's stores are located in the cities of Highland, Redlands, Fontana, Moreno Valley, and Riverside.

As shown in Table 4-1, the estimated square footage of a major home improvement store within the RTA, including the garden centers, ranges from approximately 109,580 to 156,500 square feet. The average size of a Home Depot store in the RTA is approximately 124,714 square feet, while the average size of a Lowe's store in the RTA is approximately 149,824 square feet. The proposed Home Depot retail store and garden center would be a combined 136,090 square feet, about 6 percent larger than the average Home Depot store in the RTA.

Figure 4-1  
Major Home Improvement Stores within Retail Trade Area  
San Bernardino County



Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011

Table 4-1  
Major Home Improvement Stores within the CRSA  
San Bernardino County and Riverside County

Number	Type of Store	Address	City	Zip Code	Latitude	Longitude	Square Footage of Retail Store	Square Footage of Garden Center	Square Footage of Retail Store & Garden Center
1.	Proposed Home Depot	E. Highland Ave. & Arden Ave.	San Bernardino	92346	34.135616	-117.236349	107,979	28,111	136,090
2.	Home Depot #683	1055 West 21st St.	San Bernardino	92405	34.133543	-117.30674	78,400	48,000	126,400
3.	Home Depot #610	695 E. Hospitality Ln.	San Bernardino	92408	34.06473	-117.270987	117,600	6,500	124,100
4.	Home Depot #1013	1151 W. Lugonia Ave.	Redlands	92374	34.068327	-117.197836	106,800	10,800	117,600
5.	Home Depot #6683	1451 W Foothill Blvd.	Rialto	92376	34.105995	-117.399839	103,600	24,000	127,600
6.	Home Depot #6960	16005 Sierra Lakes Pkwy.	Fontana	92336	34.138598	-117.457219	109,200	28,500	137,700
7.	Home Depot #1857	16783 Santa Ana Ave.	Fontana	92337	34.054821	-117.438129	106,860	2,720	109,580
8.	Home Depot #616	12255 Pigeon Pass Rd.	Moreno Valley	92557	33.942957	-117.262622	97,500	15,300	112,800
9.	Home Depot #6619	3323 Madison St.	Riverside	92504	33.935582	-117.401713	105,000	22,100	127,100
10.	Home Depot #1087	15975 Perris Blvd.	Moreno Valley	92551	33.889907	-117.226462	105,350	34,200	139,550
<b>Average Square Footage of Existing Home Depot Stores</b>							<b>103,368</b>	<b>21,347</b>	<b>124,714</b>
11.	Lowe's (Closed 2010)	4060 N. Hallmark Pkwy.	San Bernardino	92407					
12.	Lowe's #2856	27847 Greenspot Rd.	Highland	92346	34.106673	-117.196361	132,000	20,000	152,000
13.	Lowe's #0759	1725 West Redlands Blvd.	Redlands	92373	34.061076	-117.214135	145,700	10,800	156,500
14.	Lowe's #1700	16851 Sierra Lakes Pkwy.	Fontana	92336	34.137527	-117.438282	125,720	21,600	147,320
15.	Lowe's #1574	12400 Day St.	Moreno Valley	92553	33.940617	-117.275918	122,200	28,600	150,800
16.	Lowe's #1048	9851 Magnolia Ave.	Riverside	92503	33.919672	-117.454791	<u>120,000</u>	<u>22,500</u>	<u>142,500</u>
<b>Average Square Footage of Existing Lowe's Stores</b>							<b>129,124</b>	<b>20,700</b>	<b>149,824</b>

Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.  
www.homedepot.com  
www.lowes.com

**Smaller Building Materials Store Inventory.** This section presents the nearby smaller Building Materials stores serving the RTA, which compared to the larger Home Improvement Stores such as Home Depot and Lowe's, are selected because they draw customers from a shorter distance assumed to be, in general, about 6 miles from the proposed store. The 6-mile radius covers portions of the surrounding cities of Colton, Highland, Loma Linda, Redlands, and Rialto. Additionally, two stores from the mountain communities, located more than 6 miles from the proposed store were also included in the analysis to reflect the unique geography of the CRSA. The types of Building Materials stores inventoried were paint, wall-paper and wall covering stores; hardware stores; lumber stores and lighting stores. The stores were inventoried using various businesses listing websites and the building sizes were estimated using Google Earth, 2011.

As shown in Figure 4-2 and Table 4-2, there are five existing paint, wallpaper and wall covering stores in the City of San Bernardino ranging from an estimated 1,890 to 51,000 square feet in size, based on Google Earth, 2011. In Colton and Redlands, there are three existing paint type stores, ranging from an estimated 4,380 square feet to 9,000 square feet.

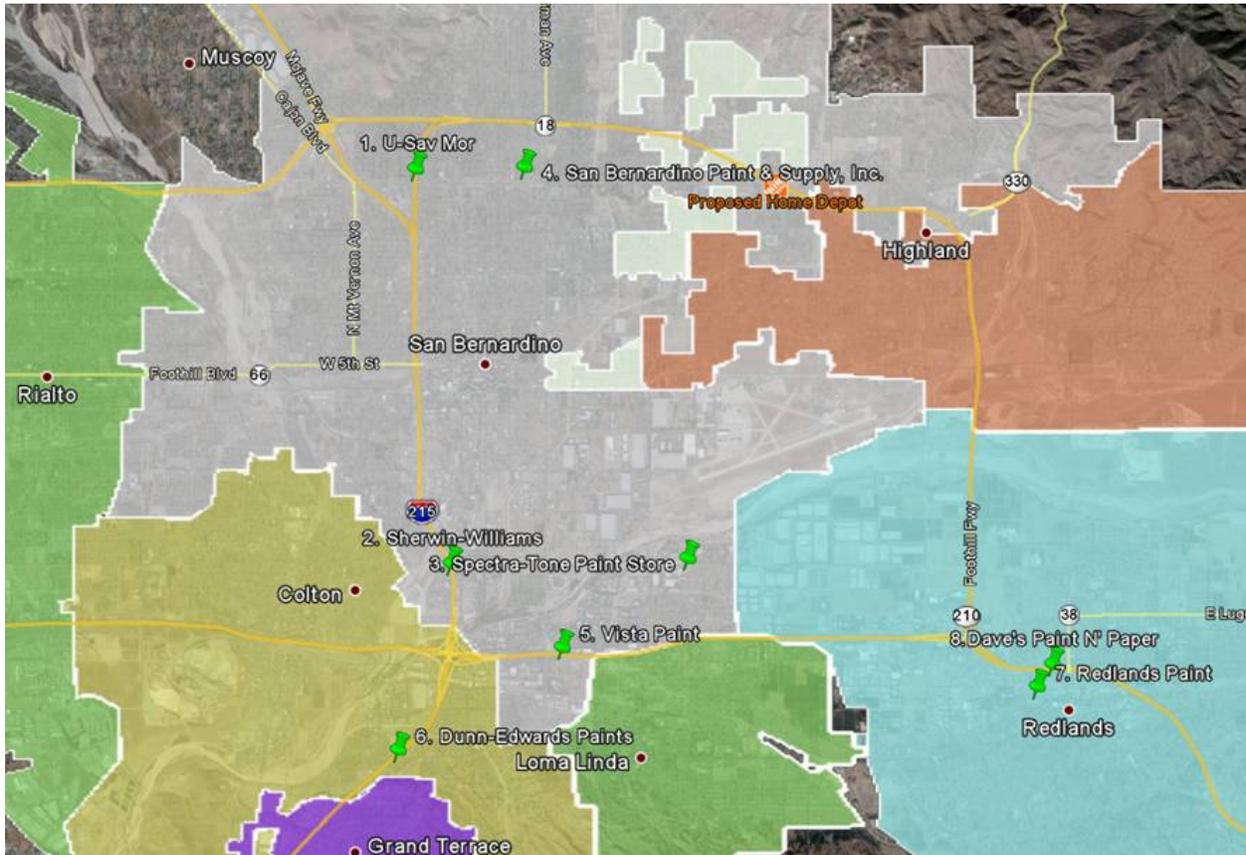
As shown in Figure 4-3 and Table 4-3, there are a total of eight hardware stores in the 6-mile radius area, four of which are located in San Bernardino; these stores range in size from an estimated 2,400 square feet to 12,000 square feet. Two stores are located in Redlands and one is in the Crestline CDP; they range in size from an estimated 2,430 square feet to 5,392 square feet.

As shown in Figure 4-4 and Table 4-4, there are seven lumber stores in the 6-mile radius area, three of which are located in San Bernardino. These stores range in size from an estimated 7,480 square feet to 68,400 square feet. The four stores in the surrounding cities are located in Redlands (3) and Colton (1), and range in size from an estimated 2,800 to 19,800 square feet.

As shown in Figure 4-5 and Table 4-5, there are three lighting stores in the 6-mile radius area, one of which is in the City of San Bernardino and totals an estimated 6,500 square feet. The two stores in the surrounding cities are located in Redlands and Colton, and range in size from an estimated 4,800 to 81,750 square feet.

As shown in Figure 4-6 and Table 4-6, there are two tile stores in the City of San Bernardino. One is an estimated 4,000 square feet, and the other is an estimated 35,650 square feet.

Figure 4-2  
Paint, Wallpaper & Wall Covering Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities



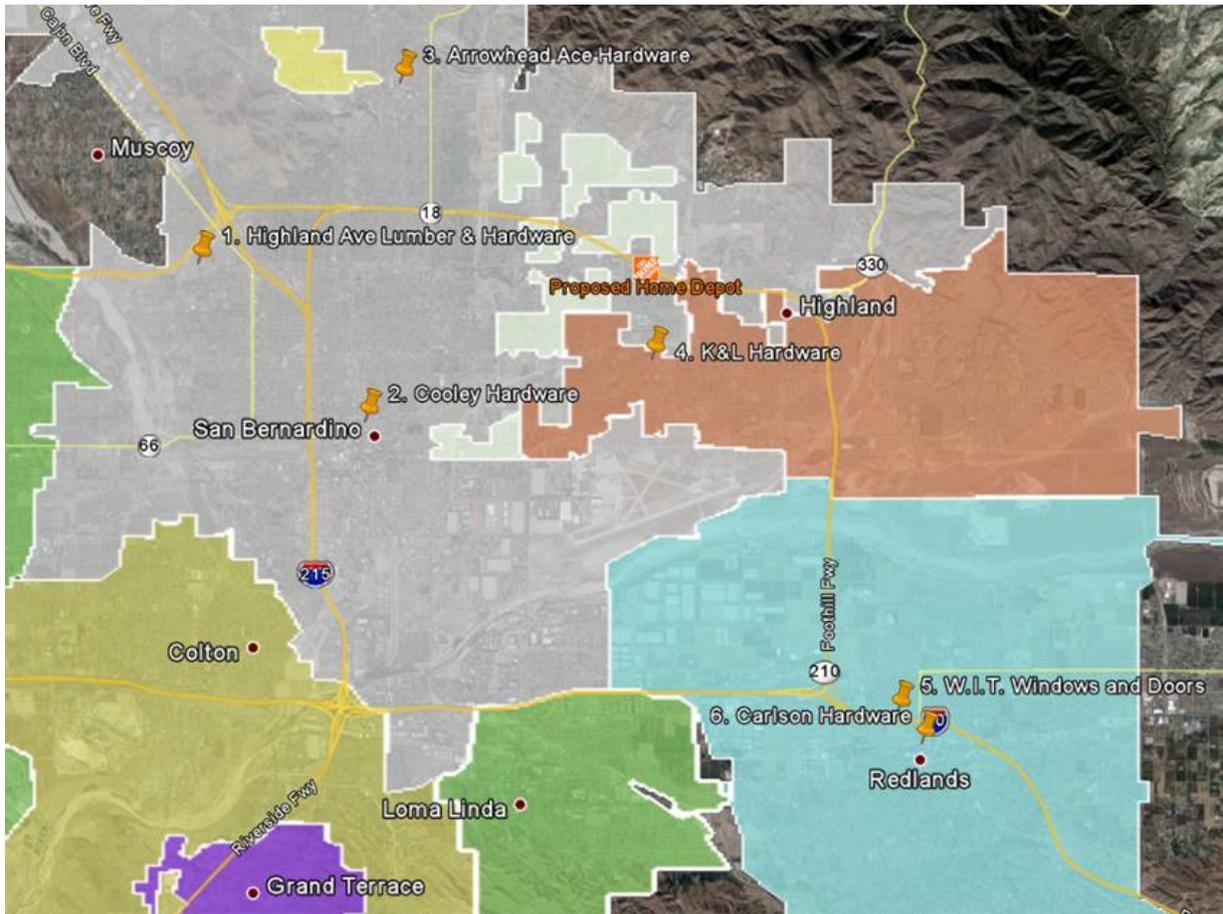
Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

Table 4-2  
Paint, Wallpaper & Wall Covering Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities

Number	Type of Store	Address	City	Zip Code	Latitude	Longitude	Square Footage
<b>San Bernardino</b>							
1.	U-Sav Mor Stores Inc.	908 W. Highland Ave.	San Bernardino	92405	34.13628	-117.30326	1,890
2.	Sherwin-Williams	1375 Camino Real	San Bernardino	92408	34.076122	-117.296737	35,000
3.	Spectra-Tone Paint Store	1595 E. San Bernardino Ave.	San Bernardino	92408	34.077078	-117.253276	51,000
4.	San Bernardino Paint & Supply, Inc.	160 E. Highland Ave.	San Bernardino	92404	34.136543	-117.283201	3,000
5.	Vista Paint	414 E. Redlands Blvd.	San Bernardino	92408	34.063332	-117.276316	6,000
<b>Other Jurisdictions</b>							
6.	Dunn Edwards Paints	1211 E. Washington St.	Colton	92324	34.047731	-117.306456	9,000
7.	Redlands Paint	555 W. Redlands Blvd.	Redlands	92373	34.057303	-117.189047	6,256
8.	Dave's Paint N' Paper	606 N. Eureka St.	Redlands	92374	34.060703	-117.186211	4,380

Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

Figure 4-3  
Hardware Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities



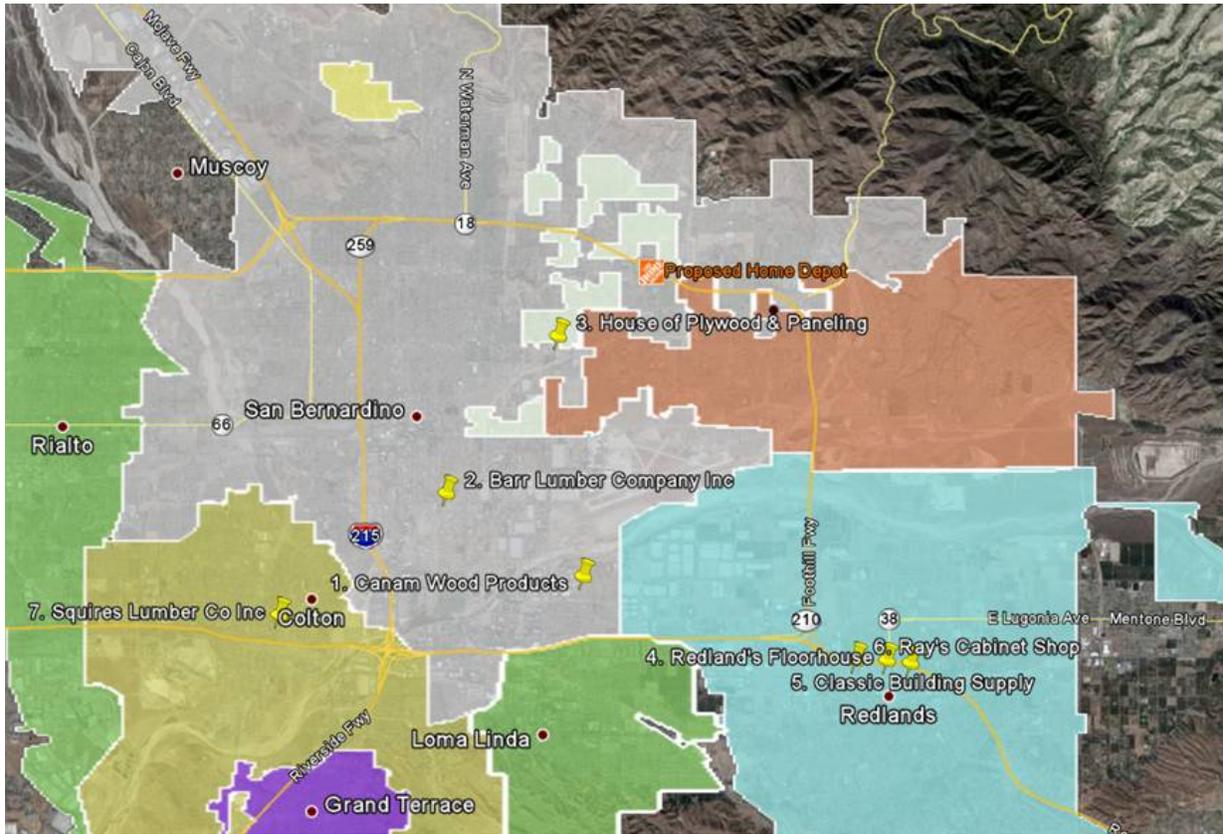
Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

Table 4-3  
Hardware Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities

Number	Type of Store	Address	City	Zip Code	Latitude	Longitude	Square Footage
<b>San Bernardino</b>							
1.	Highland Ave. Lumber & Hardware Co.	1680 W. Highland Ave.	San Bernardino	92411	34.136428	-117.32449	12,000
2.	Cooley Hardware	633 N. D St.	San Bernardino	92401	34.110728	-117.291611	2,400
3.	Ace Hardware	4111 N. Sierra Way	San Bernardino	92407	34.165895	-117.284748	3,380
4.	K&L Hardware (Ace affiliate)	26091 Base Line St.	San Bernardino	92410	34.120849	-117.235269	9,500
<b>Other Jurisdictions</b>							
5.	W.I.T. Windows & Doors	402 W. Colton Ave.	Redlands	92374	34.063072	-117.187066	2,430
6.	Carlson Hardware	330 Orange St.	Redlands	92374	34.058205	-117.182227	3,600
7.	Lake Drive Hardware	23895 Lake Dr.	Crestline	92325	34.243014	-117.281964	5,392
8.	DIY Home Center	42146 Big Bear Blvd.	Big Bear Lake	92315	34.251166	-116.885362	21,280

Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

Figure 4-4  
Lumber Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities



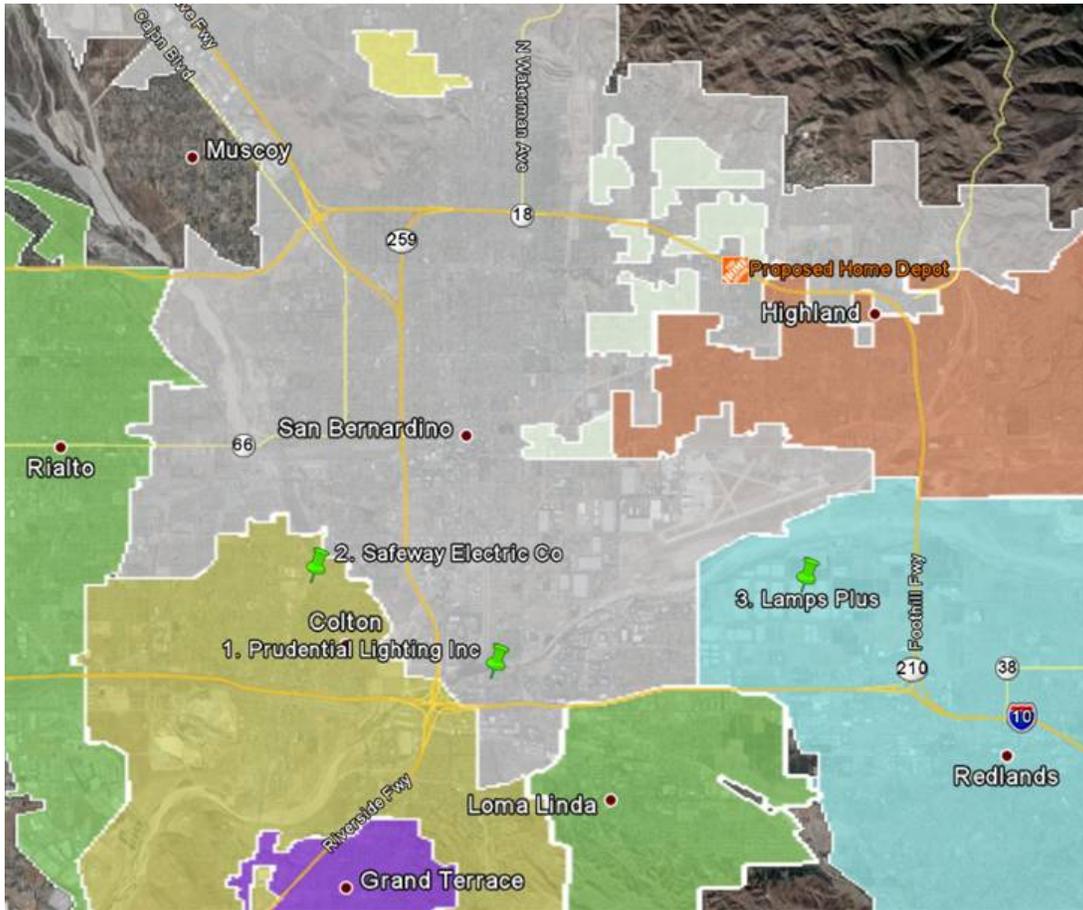
Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

Table 4-4  
Lumber Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities

Number	Type of Store	Address	City	Zip Code	Latitude	Longitude	Square Footage
<b>San Bernardino</b>							
1.	Canam Wood Products	1410 Richardson St.	San Bernardino	92408	34.075702	-117.252927	21,000
2.	Barr Lumber Company Inc.	111 E. Mill St.	San Bernardino	92408	34.091361	-117.283965	68,400
3.	House of Plywood and Paneling	1321 E. Base Line St.	San Bernardino	92410	34.12097	-117.258552	7,480
<b>Other Jurisdictions</b>							
4.	Redlands Floorhouse	36 W. Stuart Ave.	Redlands	92374	34.059821	-117.183875	2,800
5.	Classic Building Supply	320 E. Stuart Ave.	Redlands	92374	34.059307	-117.178529	5,208
6.	Ray's Cabinet Shop	508 Texas St.	Redlands	92374	34.059901	-117.190987	3,600
7.	Squires Lumber Co Inc.	370 N. 9th St.	Colton	92324	34.06842	-117.322004	19,800

Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

Figure 4-5  
Lighting Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities



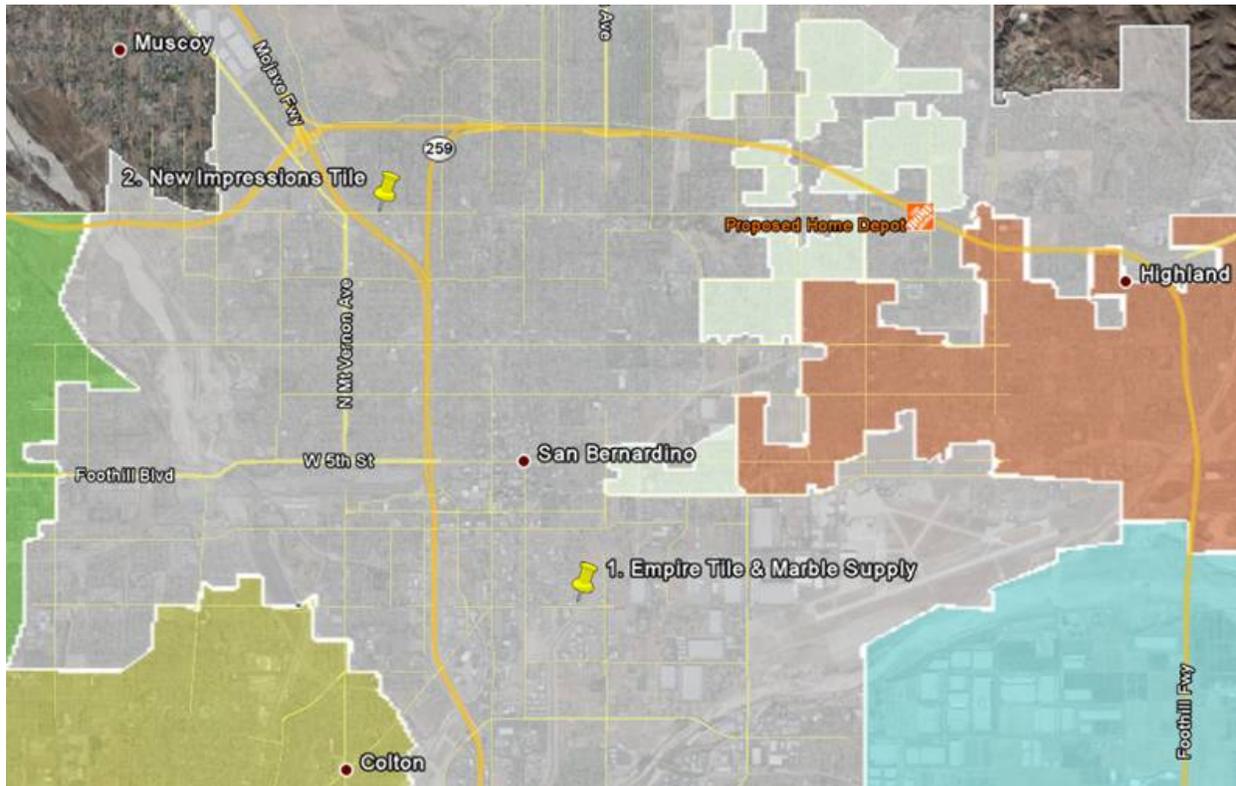
Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

Table 4-5  
Lighting Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities

Number	Type of Store	Address	City	Zip Code	Latitude	Longitude	Square Footage
<b>San Bernardino</b>							
1.	Prudential Lighting Inc.	1832 Commercenter Cir.	San Bernardino	92408	34.068401	-117.284874	6,500
<b>Other Jurisdictions</b>							
2.	Safeway Electric Co.	1474 Miller Dr.	Colton	92324	34.084231	-117.32058	4,800
3.	Lamps Plus	9425 California St.	Redlands	92374	34.082572	-117.223275	81,750

Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

Figure 4-6  
Lighting Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities



Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

Table 4-6  
Tile Stores within Proximity to Project Site  
City of San Bernardino and RTA Cities

Serial Number	Type of Store	Address	City	Zip Code	Latitude	Longitude	Square Footage
1.	Empire Tile & Marble Supply	190 E. Mill St.	San Bernardino	92408	34.09266	-117.282538	35,650
2.	New Impressions Tile	1156 W. Highland Ave.	San Bernardino	92405	34.136276	-117.309214	4,000

Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

## 4.2 Existing Retail Conditions

**Current Conditions around Proposed Site.** The site for the proposed Home Depot is on Highland Avenue, between Arden Avenue and Guthrie Street, south of the Highland Avenue exit off the 210 Freeway. This section discusses the characteristics of the businesses within roughly a quarter-mile of the proposed site of the Home Depot. Within this area there is just over an estimated 600,000 square feet of commercial space, as shown in Table 4-7, including two large shopping centers that each feature large anchor retailers. These centers include Target, Rio Ranch Market, Rite Aid, and Big Five Sporting Goods, as shown in Figure 4-7. A third large shopping center previously contained a Staples and indoor mall, but now the space is vacant. The remaining stores in these three centers are a combination of general merchandise, restaurants, and services. Two smaller centers lie closer to the proposed site, one immediately west and one across the street, but neither contains a major retailer. In fact, the center just west is about half vacant; its only occupants are an independent living program center and barber shop.

Retail space identified within the project site vicinity constitutes an estimated 47 percent of total commercial square footage, as shown in Table 4-7. Service businesses are the largest block of non-retail business, accounting for 23 percent of the total square footage in the area. A sixth center, composed primarily of office space, is located just west and across Highland Avenue from the proposed site. Two schools lie just south of the proposed site. Overall commercial vacancy is estimated at 25 percent. The data was collected through commercial real estate listings, business listings on Google, distance measurements on Google Earth, and confirmed by site visits and contacting selected proprietors.

**Table 4-7  
Business Profile around Proposed Home Depot  
City of San Bernardino**

Business Category	# Businesses	Percent	Sq. Ft.	Percent	Avg. Sq. Ft. per Business
<b>RETAIL</b>					
Home Improvement	2	2%	13,600	2%	6,800
General Merchandise <sup>1</sup>	11	9%	186,586	31%	16,962
Restaurant	8	7%	20,147	3%	2,518
Grocery	3	2%	37,900	6%	12,633
Auto	1	1%	8,000	1%	8,000
Misc. Retail	8	7%	18,017	3%	2,252
<b>Retail Total</b>	<b>33</b>	<b>27%</b>	<b>284,249</b>	<b>47%</b>	<b>8,614</b>
<b>NON-RETAIL</b>					
Service	39	32%	141,848	23%	3,637
Office	11	9%	27,796	5%	2,527
<b>Non-Retail Total</b>	<b>50</b>	<b>41%</b>	<b>169,644</b>	<b>28%</b>	<b>3,393</b>
Vacant Total	38	31%	154,983	25%	4,078
<b>STUDY AREA TOTAL</b>	<b>121</b>	<b>100%</b>	<b>608,876</b>	<b>100%</b>	<b>5,032</b>

1. This includes 113,000 sq. ft. Target.

Data used in this section was collected through commercial real estate listings, business listings on Google, distance measurements on Google Earth, and confirmation as much as possible by contacting selected proprietors and site visits.

Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

**Figure 4-7  
Businesses Near Proposed Home Depot  
City of San Bernardino**



Source: Stanley R. Hoffman Associates, Inc.  
Google Earth, 2011.

### 4.3 New Home Improvement Stores Under-Construction, Approved or Proposed

It is important to estimate future retail-space supply in order to conduct the short- and long-term impact analysis. This involves compiling an inventory of current and future Building Materials stores that serve the RTA. In July 2011, Stanley R. Hoffman Associates, Inc. completed a phone survey of planning departments in the surrounding cities.

- The County of San Bernardino Land Use Services Department and the County of Riverside Planning Department reported no proposed retail developments in the unincorporated portions of the RTA.
- Planning departments in the cities of San Bernardino, Highland, Loma Linda, Redlands, Colton, Fontana, Moreno Valley, Grand Terrace, Riverside, and Rialto also reported no proposed developments.
- The City of San Bernardino Planning Department confirmed that a Lowe’s store, located in the northwestern region of the city, had closed in November 2010.
- The City of Colton Planning Department also reported that White Cap Construction Supply had closed in June 2009.
- The opening date for the DIY Home Center in the City of Big Bear Lake in August 2011 was confirmed with the City of Big Bear Lake Planning Department.

### 4.4 Current Performance Levels of Stores

As shown in Table 4-7, the average sales per square foot for all Home Depot stores nationwide in the 2010 fiscal year was \$234.48 per square foot, based on Home Depot Inc. 10-K Annual Report, January 30, 2011. Home Depot had a total of 2,248 stores nationwide in 2010, with an average store size of 105,000 square feet with approximately 24,000 additional square feet of outdoor garden area. As shown in the same table, Lowe’s average sales nationwide per square foot in 2010 was lower than Home Depot at \$192.48 per square foot, based on Lowe’s Companies, Inc. 10-K Annual Report, January 28, 2011. Lowe’s had fewer stores than Home Depot in 2010 with 1,749 stores but had a larger average store size of 113,000 square feet with approximately 32,000 square feet of outdoor garden area.

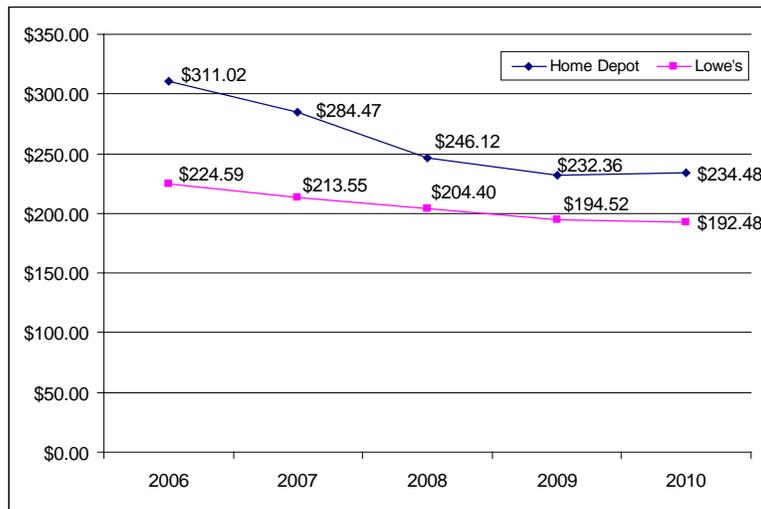
**Table 4-8  
Home Depot & Lowe’s  
Average Sales per Square Foot: 2010**

	Home Depot	Lowe’s
Total Number of Stores	2,248	1,749
Total Square Footage	289,992,000	253,605,000
Average Retail Store Size (in sq. ft.)	105,000	113,000
Average Garden Center Size (in sq. ft.)	<u>24,000</u>	<u>32,000</u>
Average Store Size (Retail Store & Garden Center, in sq. ft.)	129,000	145,000
Total Store Sales	\$67,997,000,000	\$48,815,000,000
<b>Average Sales per Square Foot</b>	<b>\$234.48</b>	<b>\$192.48</b>

Source: Stanley R. Hoffman Associates, Inc.  
Home Depot Inc.10-K Annual Report, January 30, 2011.  
Lowe’s Companies Inc.10-K Annual Report, January 28, 2011.

As shown in Figure 4-7 and Table 4-8, both Home Depot, Inc. and Lowe's Companies, Inc. experienced a decline in sales per square foot from 2006 to 2010, in constant 2010 dollars. Home Depot stores averaged \$234.48 per square foot in 2010, which was a 25 percent decrease from \$311.02 per square foot in 2006. Lowe's stores averaged \$192.48 per square foot in 2010, which was a 15 percent decrease from \$224.59 per square foot in 2006.

**Figure 4-8**  
**Home Depot & Lowe's**  
**Average Sales per Square Foot**  
**2006-2010**  
(In Constant 2010 Dollars)



Source: Stanley R. Hoffman Associates, Inc.  
Home Depot, Inc. 10-K Annual Report, 2006-2010  
Lowe's Companies, Inc. 10-K Annual Report, 2006-2010

**Table 4-9**  
**Home Depot & Lowe's**  
**Average Sales per Square Foot**  
**2006-2010**  
(In Constant 2010 Dollars)

	2006	2007	2008	2009	2010
<b>Home Depot</b> <sup>1</sup>	\$311.02	\$284.47	\$246.12	\$232.36	\$234.48
<b>Lowe's</b> <sup>2</sup>	\$238.66	\$224.59	\$207.01	\$197.71	\$192.48

1. Average Sales per Square Foot include Garden Center square footage.
2. In 2007 and 2008, Garden Center Size, which is included in the Average Sales per Sq. Ft., is based on the average of square feet reported in 2006 and 2009.

Source: Stanley R. Hoffman Associates, Inc.  
Home Depot, Inc. 10-K Annual Reports, 2006-2010  
Lowe's Companies, Inc. 10-K Annual Reports, 2006-2010.

Table 4-9 shows the distribution of sales by product category for Home Depot and Lowe's detailed in the Home Depot Inc. 10-K Annual Report, January 30, 2011 and the Lowes Companies Inc. 10-K Annual Report, January 28, 2011. As shown in Table 4-9, the Plumbing, Electrical, and Kitchen product category took the largest share of 2010 net sales for both Home Depot at 30.0 percent and Lowe's at 40.4 percent.

For Home Depot, the percentage of total sales for the Plumbing, Electrical and Kitchen product category was followed by Hardware and Seasonal at 29.4 percent, Materials, Lumber, and Millwork at 21.7 percent, and Paint and Flooring at 18.9 percent. For Lowe's, the percentage of total sales for the Plumbing, Electrical, and Kitchen product category was followed by Hardware and Seasonal at 25.9 percent, Hardware and Seasonal at 25.9 percent, Building Materials, Lumber, and Millwork at 18.9 percent, and Paint and Flooring at 14.8 percent.

Table 4-10  
Home Depot & Lowe's  
Net Distribution of Sales by Product Category  
2010  
(In Millions of Dollars)

Product Group	Home Depot	Percent of Total	Lowe's	Percent of Total
Plumbing, Electrical and Kitchen	\$20,399	30.0%	\$19,723	40.4%
Hardware and Seasonal	\$19,991	29.4%	\$12,642	25.9%
Building Materials, Lumber and Millwork	\$14,755	21.7%	\$9,249	18.9%
Paint and Flooring	<u>\$12,851</u>	<u>18.9%</u>	<u>\$7,203</u>	<u>14.8%</u>
Total	\$67,997	100.0%	\$48,815	100.0%

Source: Home Depot Inc. 10-K Annual Report, January 30, 2011.  
Lowe's Companies Inc. 10-K Annual Report, January 28, 2011.

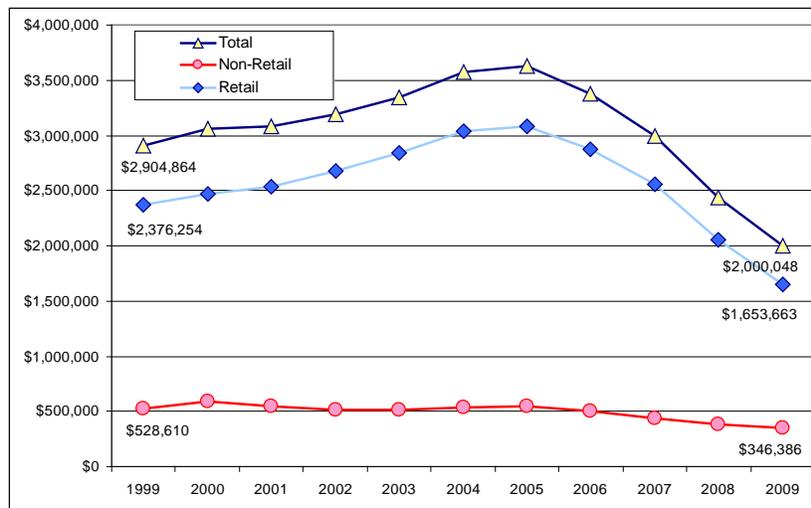
## CHAPTER 5 RETAIL TRADE AREA (RTA) EXPENDITURES

This section discusses the historical taxable sales for the City of San Bernardino, RTA cities, and the County of San Bernardino in the years 1999 to 2009. RTA Communities include the cities of San Bernardino, Colton, Highland, Loma Linda, Redlands, Rialto and Big Bear Lake.

### 5.1 Retail and Building Materials Sales Trends

**Total Taxable Sales.** As shown in Figure 5-1 and Table 5-1, the total taxable sales for the City of San Bernardino in 2009 were \$2.0 billion dollars. Retail sales formed a large share of total taxable sales at \$1.7 billion (82.7 percent); and non-retail taxable sales totaled \$346 million (17.3 percent). In comparison, as shown in Table 5-1, retail sales formed about 81.8 percent of total taxable sales in 1999. Over the 1999 to 2009 time period, non-retail taxable sales decreased from about \$529 million to \$346 million while retail taxable sales increased from \$2.4 billion to \$3.1 billion in 2005, then decreased to about \$1.7 billion in 2009. As shown in Figure 5-2, General Merchandise, Motor Vehicle Parts and Dealers, and Food Services and Drinking Places form just over 50 percent of the total retail sales (\$1.7 billion) in the City of San Bernardino. Building Materials and Garden Equipment and Supplies comprised 8.3 percent of the total retail sales while sales of other categories ranged from 5.4 percent to 13.0 percent of the total.

**Figure 5-1**  
**Historical Taxable Sales**  
**City of San Bernardino**  
**1999-2009**  
(In Thousands of Constant 2009 Dollars)



Source: Stanley R. Hoffman Associates, Inc.  
State Board of Equalization, (SBOE), 2009

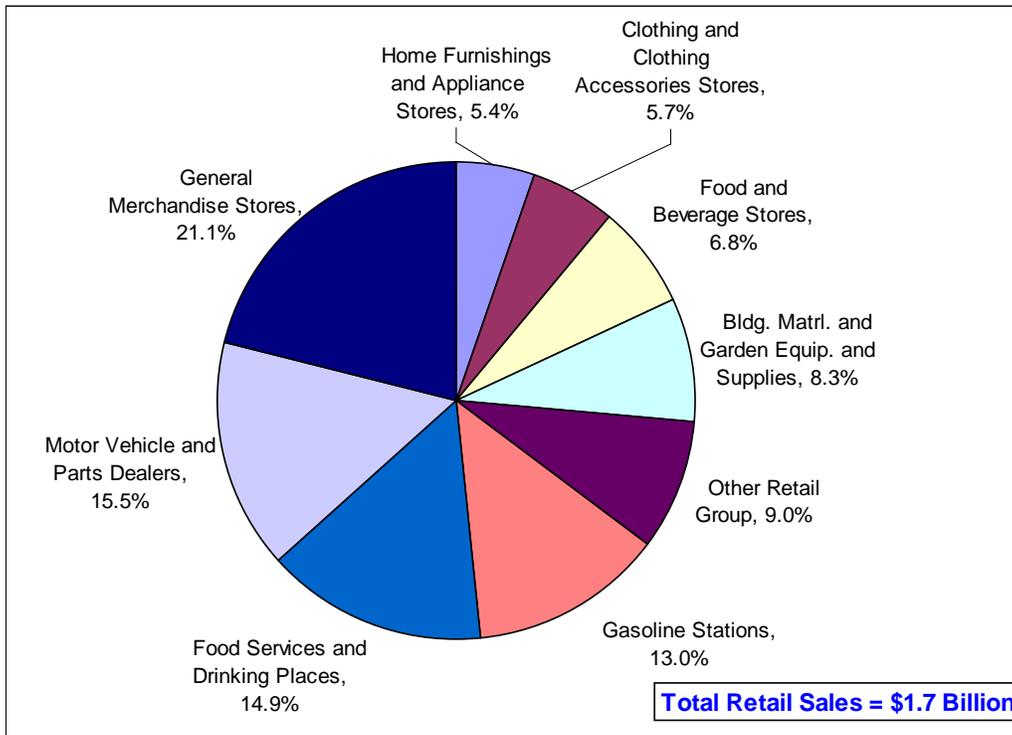
**Table 5-1**  
**Historical Taxable Sales**  
**City of San Bernardino**  
**1999-2009**  
(In Thousands of Constant 2009 Dollars)

Year	Retail	Percent of Total	Non-Retail	Percent of Total	Total	Percent of Total
1999	\$2,376,254	81.8%	\$528,610	18.2%	\$2,904,864	100.0%
2000	\$2,465,827	80.7%	\$590,881	19.3%	\$3,056,708	100.0%
2001	\$2,539,924	82.3%	\$546,630	17.7%	\$3,086,553	100.0%
2002	\$2,672,554	83.8%	\$515,533	16.2%	\$3,188,087	100.0%
2003	\$2,836,341	84.8%	\$509,192	15.2%	\$3,345,534	100.0%
2004	\$3,035,126	85.0%	\$534,628	15.0%	\$3,569,754	100.0%
2005	\$3,077,084	84.9%	\$549,291	15.1%	\$3,626,375	100.0%
2006	\$2,872,644	85.1%	\$501,448	14.9%	\$3,374,092	100.0%
2007	\$2,553,175	85.4%	\$438,052	14.6%	\$2,991,227	100.0%
2008	\$2,050,752	84.2%	\$385,057	15.8%	\$2,435,809	100.0%
2009	\$1,653,663	82.7%	\$346,386	17.3%	\$2,000,048	100.0%
<b>AAGR<sup>1</sup></b>	<b>-3.56%</b>		<b>-4.14%</b>		<b>-3.66%</b>	

1. AAGR - Average Annual Growth Rate

Source: Stanley R. Hoffman Associates, Inc.  
California State Board of Equalization, 1999 - 2009

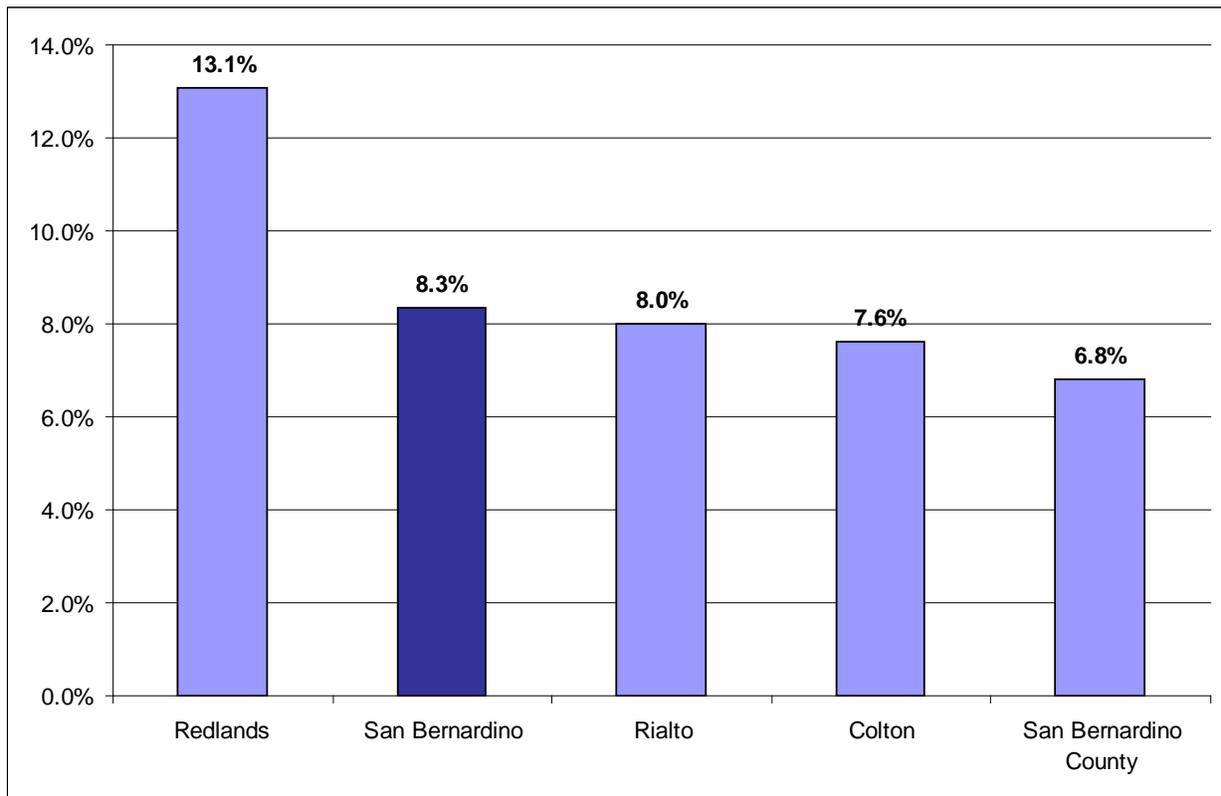
**Figure 5-2**  
**Percent of Taxable Sales by Retail Category**  
**City of San Bernardino**  
**2009**



Source: Stanley R. Hoffman Associates, Inc.  
California State Board of Equalization, 2009

**Building Materials Sales in RTA Cities.** As shown in Figure 5-3, the sales of Building Materials and Garden Equipment and Supplies in the RTA cities ranged from about 7.6 percent to 13.1 percent of the total sales in 2009. Building Materials and Garden Equipment and Supplies sales in Redlands comprised the highest share of total retail sales at 13.1 percent while the City of San Bernardino was at 8.3 percent. Estimated shares of Building Materials sales for the cities of Highland, Loma Linda, and Big Bear Lake are included in the RTA cities total only and are not shown separately since the California State Board of Equalization (BOE) does not provide the distribution of taxable sales by retail categories for these smaller cities. The estimated breakdowns of sales by retail categories are shown in Appendix A, Table A-2.

**Figure 5-3**  
**Building Materials and Garden Equipment Supplies as Percent of Total Retail Sales**  
**City of San Bernardino, Selected RTA Cities<sup>1</sup> and County of San Bernardino**  
**2009**

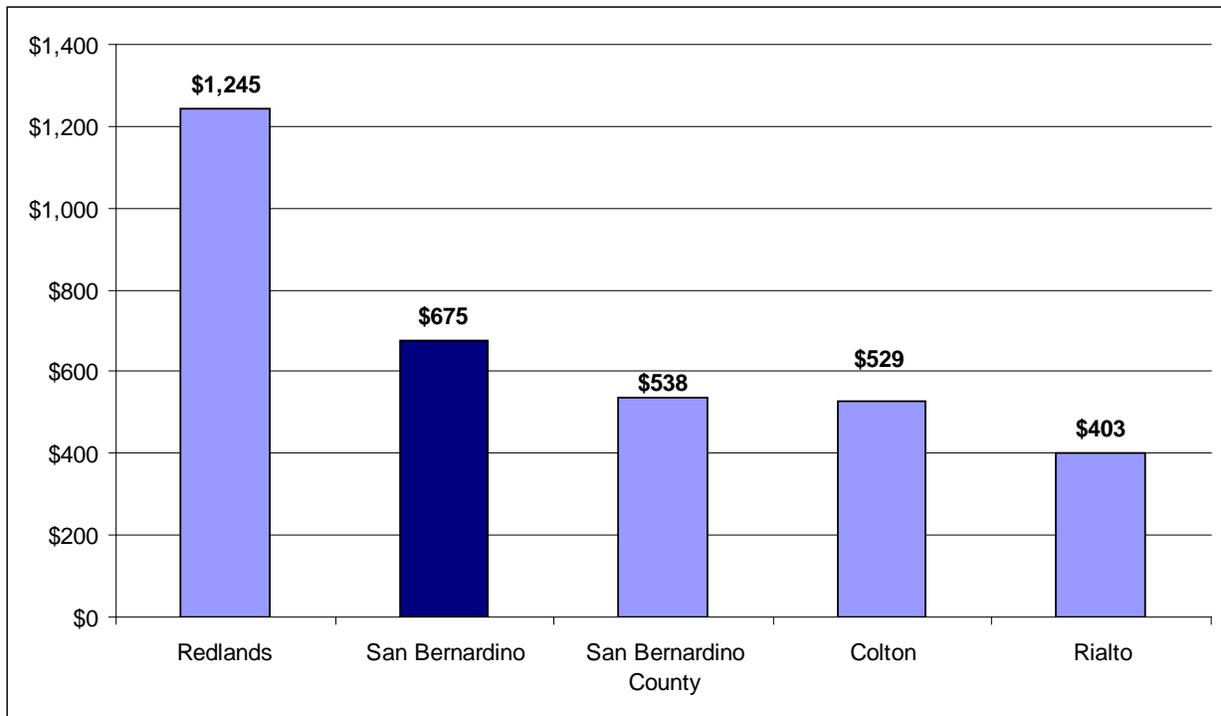


1. The cities of Highland, Loma Linda, and Big Bear Lake are not shown since their detailed distribution of Building Materials and Home Improvement retail sales were not provided by the California Board of Equalization.

Source: Stanley R. Hoffman Associates, Inc.  
 State Board of Equalization, (SBOE), 2009

Per Capita Building Materials Sales for RTA Cities. Per Capita sales of Building Materials and Garden Equipment and Supplies are shown in Figure 5-4. Redlands had the highest per capita sales in this retail sales category at \$1,246 in 2009. Following Redlands were the other RTA Cities at \$702 and San Bernardino at \$675. San Bernardino County, Colton and Rialto per capita sales for the same category ranged from \$403 to \$538. The cities of Highland, Loma Linda, and Big Bear Lake are not shown since their detailed distribution of Building Materials and Home Improvement retail sales were not provided by the California Board of Equalization.

**Figure 5-4**  
**Sales of Building Materials per Capita**  
**City of San Bernardino, Selected RTA Cities<sup>1</sup> and San Bernardino County**  
**2009**  
(In Thousands of Actual 2009 Dollars)



1. The cities of Highland, Loma Linda, and Big Bear Lake are not shown since their detailed distribution of Building Materials and Home Improvement retail sales were not provided by the California Board of Equalization.

Source: Stanley R. Hoffman Associates, Inc.  
State Board of Equalization, (SBOE), 2009

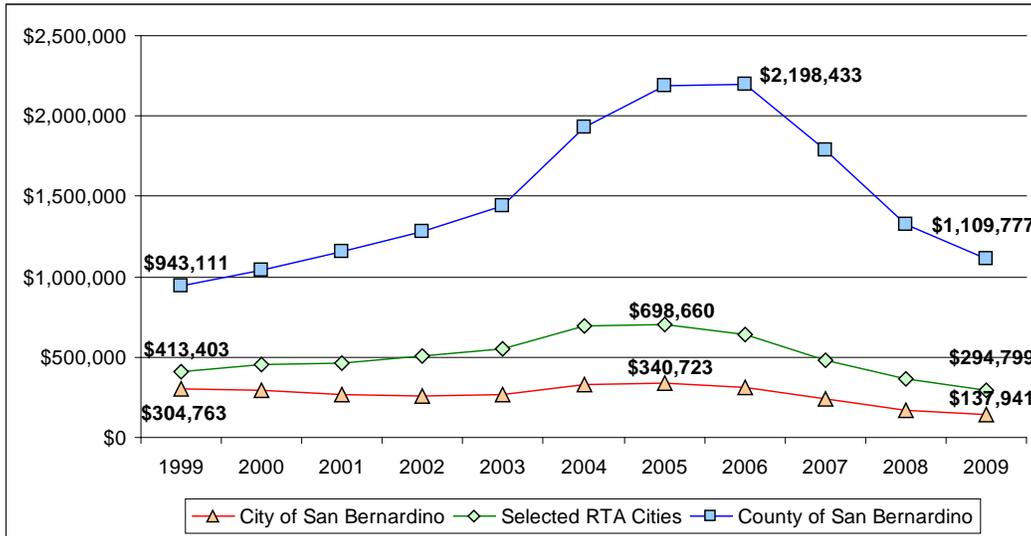
**Historical Building Materials Sales Trends.** This section presents sales trends between 1999 and 2009 for the City of San Bernardino, Selected RTA Cities, and San Bernardino County using data from the California State Board of Equalization. These data include information on Building Materials sales and total retail sales, which are presented in thousands of constant 2009 dollars. Selected RTA Cities include the cities of San Bernardino, Colton, Redlands, and Rialto.

As shown in Figure 5-5, net sales of Building Materials in the City of San Bernardino totaled approximately \$305 million in 1999, mildly fluctuated between 1999 and 2005, peaked at \$341 million in 2005, and decreased to \$138 million in 2009. In comparison, the Selected RTA Cities had about \$413 million in net sales of Building Materials in 1999, steadily increased to a peak of \$699 million in 2005, and decreased to \$295 million in 2009. The County of San Bernardino experienced more dramatic variations in Building Materials sales during the same period. Net sales of Building Materials in the County of San Bernardino totaled \$943 million in 1999, peaked at \$2.2 billion in 2006, and decreased to \$1.1 billion in 2009.

As shown in Figure 5-6, Building Materials sales as a percent of total retail sales steadily declined in the City of San Bernardino from 12.8 percent in 1999 to 8.3 percent in 2009. In contrast, the Selected RTA Cities and the County of San Bernardino experienced fluctuations in Building Materials sales during the same period. In the Selected RTA Cities, Building Materials sales formed 10.3 percent of total retail sales in 1999, increased to 12.8 percent in 2004, and decreased to 9.2 percent in 2009. In the County of San Bernardino, Building Materials sales formed 8.3 percent of total retail sales in 1999, increased to 10.5 percent in 2004, and decreased to 6.8 percent in 2009. The decline in the sales of Building Materials after 2004 is largely due to the recession and housing market downturn.

As shown in Table 5-2, the overall decrease in Building Materials sales as a percent of total retail sales was greatest in the City of San Bernardino at 54.7 percent from 1999 to 2009. The Selected RTA Cities experienced a 28.7 percent decrease from 1999 to 2009, and the County of San Bernardino experienced a 12.4 percent decrease from 1999 to 2009.

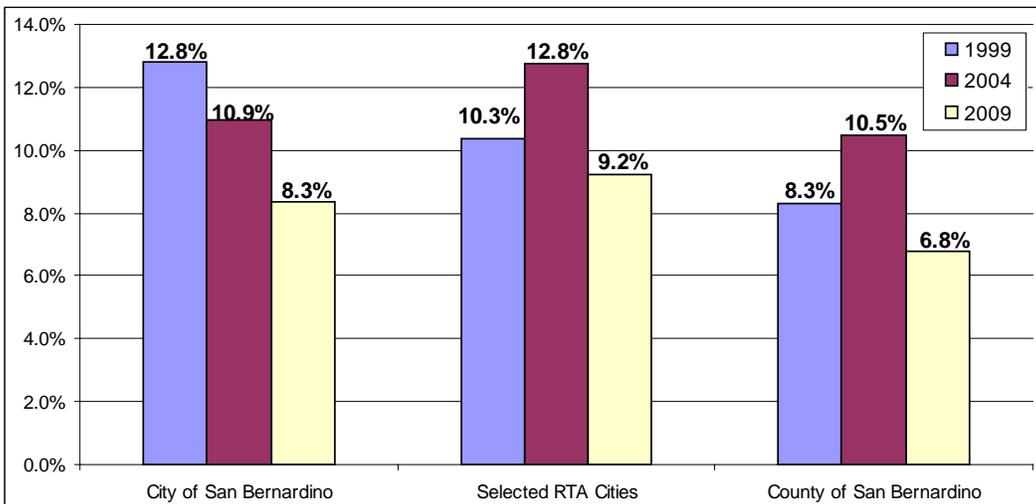
**Figure 5-5**  
**Sales of Building Materials**  
**City of San Bernardino, Selected RTA Cities<sup>1</sup> and County of San Bernardino**  
**1999-2009**  
(In Thousands of Constant 2009 Dollars)



1. Selected RTA Cities include data from the cities of San Bernardino, Colton, Redlands, and Rialto. The taxable sales breakdown for the cities of Highland, Loma Linda, and Big Bear Lake were not provided by the State Board of Equalization (SBOE) in 2009.

Source: Stanley R. Hoffman Associates, Inc.  
State Board of Equalization, (SBOE), 2009.

**Figure 5-6**  
**Sales of Building Materials as Percent of Total Retail Sales**  
**City of San Bernardino, Selected RTA Cities<sup>1</sup> and County of San Bernardino**  
**1999-2009**



1. Selected RTA Cities include data from the cities of San Bernardino, Colton, Redlands, and Rialto. The taxable sales breakdown for the cities of Highland, Loma Linda, and Big Bear Lake were not provided by the State Board of Equalization (SBOE) in 2009.

Source: Stanley R. Hoffman Associates, Inc.  
State Board of Equalization, (SBOE), 2009.

**Table 5-2**  
**Building Materials Sales**  
**City of San Bernardino, Selected RTA Cities<sup>1</sup> and County of San Bernardino**  
**1999-2009**  
(In Thousands of Constant 2009 Dollars)

Year	City of San Bernardino			Selected RTA Cities <sup>1</sup>			County of San Bernardino		
	Building Materials	Total Retail Sales	Percent of Total	Building Materials	Total Retail Sales	Percent of Total	Building Materials	Total Retail Sales	Percent of Total
1999	\$304,763	\$2,376,254	12.8%	\$413,403	\$3,994,725	10.3%	\$1,267,431	\$11,335,824	8.3%
2000	\$289,288	\$2,465,827	11.7%	\$449,676	\$4,305,876	10.4%	\$1,354,047	\$12,801,364	8.1%
2001	\$265,145	\$2,539,924	10.4%	\$465,811	\$4,385,659	10.6%	\$1,454,230	\$13,525,375	8.5%
2002	\$255,253	\$2,672,554	9.6%	\$508,569	\$4,598,189	11.1%	\$1,567,294	\$14,319,508	8.9%
2003	\$265,894	\$2,836,341	9.4%	\$548,336	\$4,904,870	11.2%	\$1,725,106	\$15,905,360	9.1%
2004	\$332,006	\$3,035,126	10.9%	\$690,114	\$5,403,460	12.8%	\$2,233,301	\$18,468,023	10.5%
2005	\$340,723	\$3,077,084	11.1%	\$698,660	\$5,636,739	12.4%	\$2,418,215	\$21,120,406	10.4%
2006	\$313,161	\$2,872,644	10.9%	\$638,472	\$5,388,727	11.8%	\$2,332,377	\$22,130,160	9.9%
2007	\$236,736	\$2,553,175	9.3%	\$482,152	\$4,829,146	10.0%	\$1,839,571	\$21,335,824	8.4%
2008	\$172,511	\$2,050,752	8.4%	\$365,342	\$3,959,443	9.2%	\$1,314,986	\$19,065,786	7.0%
2009	\$137,941	\$1,653,663	8.3%	\$294,799	\$3,199,046	9.2%	\$1,109,777	\$16,330,138	6.8%
<b>% Change from 1999 to 2009</b>	<b>-54.7%</b>	<b>-30.4%</b>		<b>-28.7%</b>	<b>-19.9%</b>		<b>-12.4%</b>	<b>44.1%</b>	

1. Selected RTA Cities include subtotals from the cities of San Bernardino, Colton, Redlands, and Rialto. The taxable sales breakdown for the cities of Highland, Loma Linda, and Big Bear Lake were not provided by the State Board of Equalization (SBOE) in 2009.

Source: Stanley R. Hoffman Associates, Inc.  
California State Board of Equalization (SBOE), Taxable Sales in California, 1999-2009.

## 5.2 Average Expenditures of Households Residing within the RTA

Direct sales to permanent households make up the largest single component of sales at Building Materials stores and average annually about \$1,028 per year-round household in the RTA. In addition, the sales per seasonal or vacation home resident averages annually about \$393 per seasonal home as was estimated by the consultant based on data from the U.S. Consumer Expenditure Survey for 2006. Additionally, the Building Materials stores collectively sell a large amount of merchandise to non-household customers. Table B-1 in Appendix B of this report shows the major categories of customers and the percentage that each category accounts for the total sales of Building Materials stores.

## 5.3 Projected Overall Building Materials Expenditures

As shown in Table 5-3 and Figure 5-7, overall Building Materials expenditures, which include permanent households, seasonal households, and non-residential, were an estimated \$232 million in 2010. This is projected to increase by about 4.7 percent or \$242 million by 2014. As a result of expected population and household growth, total Building Materials expenditures are projected to increase by about 6.2 percent to \$258 million by 2020.

As shown in Table 5-3 and Figure 5-7, Building Materials expenditures of year-around households in the RTA are projected to increase by about 5.1 percent, increasing from an estimated \$113 million to \$118 million from 2010 to 2014. This is projected to increase by about 6.7 percent to \$126 million by 2020. As shown in Figure 5-7, overall residential Building Materials expenditures (year-around and seasonal households combined) are projected to reach \$135 million, or 52 percent of overall Building Materials expenditures, by 2020.

Also shown are Building Materials expenditures from non-residential customers estimated at \$110 million in 2010. This is projected to increase by about 4.7 percent, reaching an estimated \$115 million by 2014. From 2014 to 2020, Building Materials expenditures of the non-residential customers are projected to increase by about 6.2 percent, reaching an estimated \$123 million by 2020.

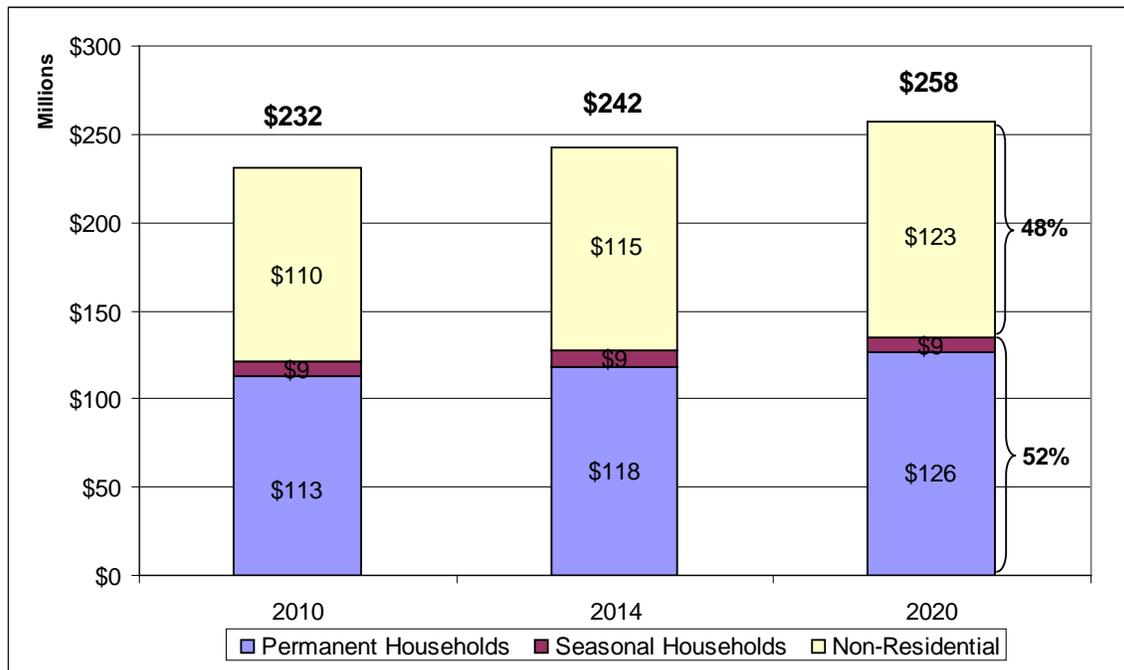
**Table 5-3**  
**Projected Overall Building Materials Expenditures within the RTA<sup>1</sup>**  
**Permanent Homes, Seasonal Homes, and Non-Residential**  
**2010-2020**  
(In Constant 2010 Dollars)

				CHANGE		PERCENT CHANGE	
	2010	2014	2020	2010-2014	2014-2020	2010-2014	2014-2020
Permanent Households	\$112,713,109	\$118,416,883	\$126,330,571	\$5,703,774	\$7,913,687	5.1%	6.7%
Seasonal Households	\$8,613,317	\$8,613,293	\$8,613,078	-\$24	-\$215	0.0%	0.0%
Non-Residential	<u>\$110,140,129</u>	<u>\$115,317,994</u>	<u>\$122,501,844</u>	<u>\$5,177,865</u>	<u>\$7,183,850</u>	<u>4.7%</u>	<u>6.2%</u>
<b>TOTAL</b>	\$231,466,555	\$242,348,170	\$257,445,493	\$10,881,615	\$15,097,323	4.7%	6.2%

1. RTA stands for Retail Trade Area.

Source: Stanley R. Hoffman Associates, Inc.  
Robert E. Goldman, Economist

**Figure 5-7**  
**Projected Overall Building Materials Expenditures within the RTA<sup>1</sup>**  
**Permanent Homes, Seasonal Homes, and Non-Residential**  
**2010-2020**  
(In Millions of Constant 2010 Dollars)



1. RTA stands for Retail Trade Area.

Source: Stanley R. Hoffman Associates, Inc.  
Robert E. Goldman, Economist

## CHAPTER 6

### POTENTIAL IMPACTS OF BUILDING MATERIALS RETAIL DEVELOPMENT

#### 6.1 Overview

In this chapter, the potential impacts of the proposed Home Depot entering the RTA Building Materials market in 2014 are examined. Other factors, such as the Lowe's closure in San Bernardino in 2010 and the opening of DIY Home Center in the City of Big Bear Lake in 2011, and the planned closure of an existing Home Depot store in San Bernardino in 2014, were considered in the analysis. Other than these projects, there are no other known Building Materials stores proposed or planned for the Competitive Retail Supply Area (CRSA).

Building Materials and Garden Equipment and Supplies is defined by the North American Industrial Classification System (NAICS) as NAICS 444. In this study, this category is also referred to interchangeably as Building Materials and Home Improvement stores or simply as Building Materials stores.

In this study, projected sales per square foot trends were analyzed and compared to the national average sales per square foot of Home Depot's and Lowe's in order to benchmark performance measures. Potential sales per square foot decline and vacancy rates are related, and the degree to which either changes is a function of how the market responds. Essentially, if the retail sales per square foot decline enough that reasonable profits cannot be achieved over a long-term time period, it is likely that businesses would close, and thereby generate vacancies. Moreover, new Building Materials and Home Improvement retailers might not locate in the market or delay entry for a period of time until market conditions improve.

#### 6.2 Spatial Distribution of Building Materials Sales

Projected residential (permanent and seasonal households) and non-residential Building Materials sales are presented by relative distance from the proposed Home Depot, as shown in Tables 6-1 and 6-2. Projections of residential and non-residential sales are expressed in 2010 dollars.

As shown in Panel A of Table 6-1, stores in Band 1 (from 0 to 5.0 miles away from the proposed Home Depot) and Band 2 (from 5.0 to 10.0 miles away), are projected to experience decreases in Building Materials sales in the short-term period, from 2010 to 2014. Stores in Band 3 are projected to experience an increase of about 56.5 percent in sales from 2010 to 2014. However,

from 2014 to 2020, all three Bands are projected to experience small increases in sales for Building Materials and Home Improvements.

As shown in Panel B of Table 6-1, sales to seasonal households by stores in Bands 1 and 2 are projected to experience decreases from 2010 to 2014. However, Band 3 is projected to experience more than a threefold increase in sales during this same time period. This is largely due to the opening of DIY Home Center in the City of Big Bear Lake.

As previously mentioned, the total Building Materials sales include expenditures from residential and non-residential demand. Also shown in Panel A of Table 6-2, total sales from households, both permanent and seasonal, are projected to reach approximately \$135 million by 2020.

As shown in Table 6-2, between Panel A and B, a non-residential-to-residential multiplier of 0.9078 was applied to project the Building Materials sales of the non-residential component. This multiplier is further described in Appendix B Table B-1. As previously mentioned, the total non-residential sales from the RTA are projected to reach approximately \$123 million by 2020.

As shown in Panel C of Table 6-2, the total Building Materials and Home Improvement sales from the RTA is projected to be about \$231 million in 2010 and increasing to about \$257 million by 2020. Combined, the area surrounding the proposed Home Depot inside Band 1 (0 to 5 miles) is projected to capture approximately 64 percent of the projected 2020 Building Materials sales. This is a projected increase from 60 percent capture in 2010.

**Table 6-1**  
**Projected Residential Building Materials Sales at CRSA<sup>1</sup> Stores**  
**2010-2020**  
(In Constant 2010 Dollars)

				CHANGE		PERCENT CHANGE	
	2010	2014	2020	2010-2014	2014-2020	2010-2014	2014-2020
<b>A. PERMANENT HOUSEHOLDS</b>							
Proposed Home Depot	\$0	\$18,180,285	\$19,347,752	\$18,180,285	\$1,167,467	n/a	6.4%
Band 1-- From 0 to 5.0 Miles	\$66,064,569	\$57,104,809	\$61,078,170	-\$8,959,761	\$3,973,361	-13.6%	7.0%
Band 2-- From 5.0 to 10.0 Miles	\$33,255,338	\$22,164,909	\$23,638,630	-\$11,090,429	\$1,473,721	-33.3%	6.6%
Band 3-- Over 10.0 miles	<u>\$13,393,202</u>	<u>\$20,966,880</u>	<u>\$22,266,019</u>	<u>\$7,573,678</u>	<u>\$1,299,138</u>	<u>56.5%</u>	<u>6.2%</u>
<b>TOTAL</b>	\$112,713,109	\$118,416,883	\$126,330,571	\$5,703,774	\$7,913,687	5.1%	6.7%
<b>B. SEASONAL HOUSEHOLDS</b>							
Proposed Home Depot	\$0	\$1,555,022	\$1,554,983	\$1,555,022	-\$39	n/a	0.0%
Band 1-- From 0 to 5.0 Miles	\$6,741,641	\$4,285,172	\$4,285,065	-\$2,456,469	-\$107	-36.4%	0.0%
Band 2-- From 5.0 to 10.0 Miles	\$1,445,126	\$904,502	\$904,479	-\$540,625	-\$23	-37.4%	0.0%
Band 3-- Over 10.0 miles	<u>\$426,549</u>	<u>\$1,868,597</u>	<u>\$1,868,551</u>	<u>\$1,442,048</u>	<u>-\$47</u>	<u>338.1%</u>	<u>0.0%</u>
<b>TOTAL</b>	\$8,613,317	\$8,613,293	\$8,613,078	-\$24	-\$215	0.0%	0.0%
<b>C. TOTAL RESIDENTIAL</b>							
Proposed Home Depot	\$0	\$19,735,307	\$20,902,735	\$19,735,307	\$1,167,428	n/a	5.9%
Band 1-- From 0 to 5.0 Miles	\$72,806,210	\$61,389,981	\$65,363,235	-\$11,416,229	\$3,973,254	-15.7%	6.5%
Band 2-- From 5.0 to 10.0 Miles	\$34,700,464	\$23,069,411	\$24,543,109	-\$11,631,054	\$1,473,699	-33.5%	6.4%
Band 3-- Over 10.0 miles	<u>\$13,819,751</u>	<u>\$22,835,478</u>	<u>\$24,134,569</u>	<u>\$9,015,726</u>	<u>\$1,299,092</u>	<u>65.2%</u>	<u>5.7%</u>
<b>TOTAL</b>	\$121,326,426	\$127,030,176	\$134,943,649	\$5,703,750	\$7,913,472	4.7%	6.2%

1. CRSA stands for Competitive Retail Supply Area.

Source: Stanley R. Hoffman Associates, Inc.  
Robert E. Goldman, Economist

**Table 6-2**  
**Projected Residential and Non-Residential Building Materials Sales at CRSA<sup>1</sup> Stores**  
**2010-2020**  
(In Constant 2010 Dollars)

				CHANGE		PERCENT CHANGE	
	2010	2014	2020	2010-2014	2014-2020	2010-2014	2014-2020
<b>A. TOTAL RESIDENTIAL DEMAND</b>							
Proposed Home Depot	\$0	\$19,735,307	\$20,902,735	\$19,735,307	\$1,167,428	n/a	5.9%
Band 1-- From 0 to 5.0 Miles	\$72,806,210	\$61,389,981	\$65,363,235	-\$11,416,229	\$3,973,254	-15.7%	6.5%
Band 2-- From 5.0 to 10.0 Miles	\$34,700,464	\$23,069,411	\$24,543,109	-\$11,631,054	\$1,473,699	-33.5%	6.4%
Band 3-- Over 10.0 miles	<u>\$13,819,751</u>	<u>\$22,835,478</u>	<u>\$24,134,569</u>	<u>\$9,015,726</u>	<u>\$1,299,092</u>	<u>65.2%</u>	<u>5.7%</u>
<b>TOTAL</b>	\$121,326,426	\$127,030,176	\$134,943,649	\$5,703,750	\$7,913,472	4.7%	6.2%
<b>RESIDENTIAL TO NONRESIDENTIAL MULTIPLIER<sup>2</sup> =</b>		<b>0.9078</b>					
<b>B. TOTAL NONRESIDENTIAL DEMAND</b>							
Proposed Home Depot	\$0	\$17,915,712	\$18,975,503	\$17,915,712	\$1,059,791	n/a	5.9%
Band 1-- From 0 to 5.0 Miles	\$66,093,478	\$55,729,825	\$59,336,745	-\$10,363,653	\$3,606,920	-15.7%	6.5%
Band 2-- From 5.0 to 10.0 Miles	\$31,501,081	\$20,942,411	\$22,280,235	-\$10,558,671	\$1,337,824	-33.5%	6.4%
Band 3-- Over 10.0 miles	<u>\$12,545,570</u>	<u>\$20,730,047</u>	<u>\$21,909,362</u>	<u>\$8,184,476</u>	<u>\$1,179,315</u>	<u>65.2%</u>	<u>5.7%</u>
<b>TOTAL</b>	\$110,140,129	\$115,317,994	\$122,501,844	\$5,177,865	\$7,183,850	4.7%	6.2%
<b>C. TOTAL BUILDING MATERIAL DEMAND</b>							
Proposed Home Depot	\$0	\$37,651,018	\$39,878,238	\$37,651,018	\$2,227,220	n/a	5.9%
Band 1-- From 0 to 5.0 Miles	\$138,899,688	\$117,119,806	\$124,699,980	-\$21,779,882	\$7,580,174	-15.7%	6.5%
Band 2-- From 5.0 to 10.0 Miles	\$66,201,546	\$44,011,822	\$46,823,344	-\$22,189,724	\$2,811,522	-33.5%	6.4%
Band 3-- Over 10.0 miles	<u>\$26,365,321</u>	<u>\$43,565,524</u>	<u>\$46,043,931</u>	<u>\$17,200,203</u>	<u>\$2,478,407</u>	<u>65.2%</u>	<u>5.7%</u>
<b>TOTAL</b>	\$231,466,555	\$242,348,170	\$257,445,493	\$10,881,615	\$15,097,323	4.7%	6.2%

1. CRSA stands for Competitive Retail Supply Area.

2. As shown in Appendix Table B-1.

Source: Stanley R. Hoffman Associates, Inc.  
Robert E. Goldman, Economist

### 6.3 Urban Decay Analysis

**Overview of Methodology.** The Urban Decay analysis for the proposed Home Depot store in San Bernardino estimates the sales impact of the proposed Home Depot site and outward for three distance bands: 1) 0 to 5.0 miles; 2) 5.0 to 10.0 miles; and 3) greater than 10.0 miles. The analysis estimates and projects retail sales per square foot, the key performance indicator, for the proposed Home Depot store and for competitive Building Materials and Home Improvement stores within the three bands over the following time periods: 1) 2010 as existing conditions; 2) 2014 when the proposed Home Depot is projected to open; and 3) for a forecast year of 2020. The analysis compares the projected trends in Building Materials sales per square foot with the existing conditions estimates and determines if they are increasing or decreasing among the competitive stores. The next step is to evaluate whether any projected decreases are steep enough to cause vacancies among competitive stores and determine whether these vacancies are likely to persist over the long-term.

The projected sales per square foot performance measures are also compared with benchmark averages as presented earlier in Chapter 4. All dollar figures are stated in constant 2010 dollars in order to remove the effects of inflation.

It should be noted that as the sales are shown for bands further from the proposed Home Depot location, the sales per square foot measures are relatively lower than the comparisons with either the Home Depot or Lowe's average sales levels. That is because there are other households and non-residential sales generators outside of the study RTA that make Building Materials or Home Improvement purchases that are not accounted for in this analysis. The key question is whether the sales per square foot capture from demand sources originating from within the RTA is shown to be decreasing significantly over the long-term that might result in Urban Decay.

**Projected Building Materials Sales Trends.** As shown in Table 6-2, Panel C, the overall projected Building Materials sales generated by demand from within the RTA increases from 2010 to 2020. However, in Band 1 - (0 to 5.0 miles) and Band 2 - (5.0 to 10.0 miles), projected Building Materials sales decline from 2010 to 2014 when the proposed Home Depot is estimated to open. Then, sales are projected to increase slightly by 2020. In the third band – (over 10.0 miles), the projected Building Materials sales are shown to increase significantly, largely due to the opening of the DIY Home Center in the City of Big Bear Lake. The DIY store will capture much of the permanent and seasonal household sales potential for Building Materials in the Mountain region, primarily from Big Bear Lake and the unincorporated communities of Running Springs

Arrowbear and Big Bear City. The new Home Depot is projected to capture about \$37.7 million of sales in 2014 and about \$39.9 million in 2020.

**Evaluation of Projected Sales per Square Foot Performance.** For evaluation purposes, the key measure of performance is the sales per square foot as shown in Table 6-3, Panel C. This is the result of dividing the projected sales in Table 6-3, Panel A by the competitive store square footages in Table 6-3, Panel B by the various distance bands from the proposed Home Depot.

The sales per square foot trends are presented graphically in Figure 6-1 and are projected to increase by 2014 and 2020 for Bands 1 and 3 and decrease only slightly by 2014 for Band 2 and then return to a growth trend by 2020, only about 2 percent below its level in 2010. The reason that the performance measures do not fluctuate downward as much as the projected Building Materials sales is because over the 2010 to 2014 time period, both an existing Lowe's and an existing Home Depot Store are identified as leaving the competitive market supply. Conversely, the DIY Home Center in Big Bear Lake has entered the competitive supply and is primarily attracting household expenditures from the Mountain area.

The proposed Home Depot store is projected to yield about \$277 per square foot upon opening in 2014, and increasing to \$293 per square foot by 2020. This is comparable with the sales per square foot estimates for Home Depot stores at the national level, as shown earlier in Figure 4-7, that ranged from about \$234 per square foot in 2010 to \$311 per square foot in 2006, in constant 2010 dollars. Similarly, the projected sales per square foot of \$167 in 2010, generated from within the study RTA, for competitive stores within the 0 to 5 mile band is shown to increase to about \$169 per square foot by 2014, and to about \$180 per square foot by 2020.

For the band over 10.0 miles, the sales per square foot performance, also generated from within the study RTA, is shown to increase rather significantly from about \$25 per square foot in 2010 to about \$40 per square foot in 2014, growing further to about \$42 per square foot in 2020. This is largely due to the DIY Home Center in the City of Big Bear Lake that opened in 2011. Only the middle band from 5.0 to 10.0 miles showed a decrease in sales per square foot of about 8 percent (\$120 to \$110) from 2010 to 2014, but then increased from 2014 to 2020 (\$110 to \$117).

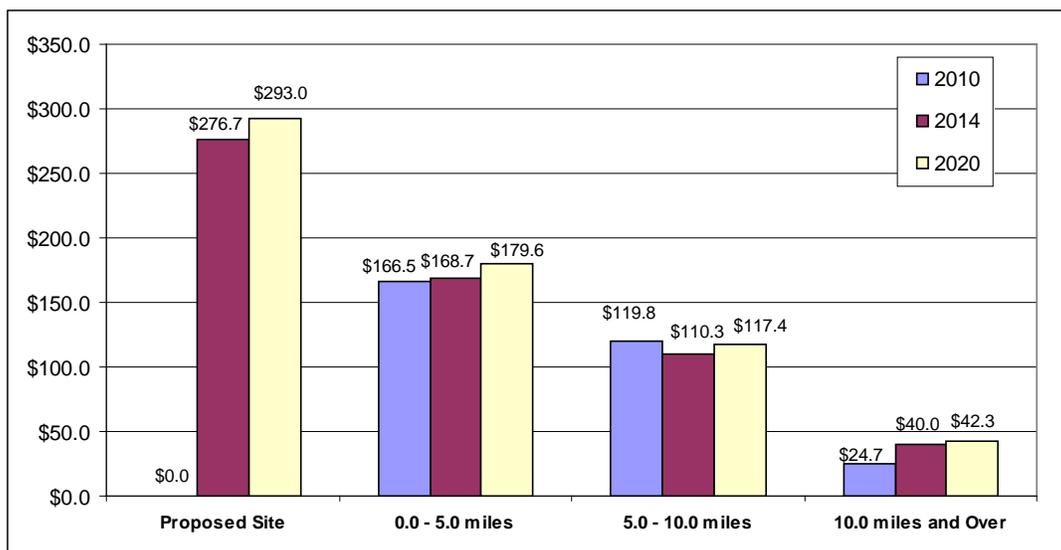
**Table 6-3**  
**Calculation of Building Materials Retail Impacts by Distance within the CRSA<sup>1</sup>**  
**2010-2020**  
(In Constant 2010 Dollars)

				CHANGE		PERCENT CHANGE	
	2010	2014	2020	2010-2014	2014-2020	2010-2014	2014-2020
<b>A. TOTAL RETAIL DEMAND</b>							
Proposed Home Depot	\$0	\$37,651,018	\$39,878,238	\$37,651,018	\$2,227,220	n/a	5.9%
Band 1-- From 0 to 5.0 Miles	\$138,899,688	\$117,119,806	\$124,699,980	-\$21,779,882	\$7,580,174	-15.7%	6.5%
Band 2-- From 5.0 to 10.0 Miles	\$66,201,546	\$44,011,822	\$46,823,344	-\$22,189,724	\$2,811,522	-33.5%	6.4%
Band 3-- Over 10.0 miles	<u>\$26,365,321</u>	<u>\$43,565,524</u>	<u>\$46,043,931</u>	<u>\$17,200,203</u>	<u>\$2,478,407</u>	<u>65.2%</u>	<u>5.7%</u>
<b>TOTAL</b>	\$231,466,555	\$242,348,170	\$257,445,493	\$10,881,615	\$15,097,323	4.7%	6.2%
<b>B. RETAIL SUPPLY SQUARE FEET</b>							
Proposed Home Depot	0	136,090	136,090	136,090	0	n/a	0.0%
Band 1-- From 0 to 5.0 Miles	834,300	694,300	694,300	-140,000	0	-16.8%	0.0%
Band 2-- From 5.0 to 10.0 Miles	552,741	398,866	398,866	-153,875	0	-27.8%	0.0%
Band 3-- Over 10.0 miles	<u>1,067,350</u>	<u>1,088,630</u>	<u>1,088,630</u>	<u>21,280</u>	<u>0</u>	<u>2.0%</u>	<u>0.0%</u>
<b>TOTAL</b>	2,454,391	2,317,886	2,317,886	-136,505	0	-5.6%	0.0%
<b>C. RETAIL SALES PER SQUARE FOOT</b>							
Proposed Home Depot	n/a	\$276.7	\$293.0	n/a	\$16.4	n/a	5.9%
Band 1-- From 0 to 5.0 Miles	\$166.5	\$168.7	\$179.6	\$2.2	\$10.9	1.3%	6.5%
Band 2-- From 5.0 to 10.0 Miles	\$119.8	\$110.3	\$117.4	-\$9.4	\$7.0	-7.9%	6.4%
Band 3-- Over 10.0 miles	<u>\$24.7</u>	<u>\$40.0</u>	<u>\$42.3</u>	<u>\$15.3</u>	<u>\$2.3</u>	<u>62.0%</u>	<u>5.7%</u>
<b>TOTAL</b>	\$94.3	\$104.6	\$111.1	\$10.2	\$6.5	10.9%	6.2%

1. CRSA stands for Competitive Retail Supply Area.

Source: Stanley R. Hoffman Associates, Inc.  
Robert E. Goldman, Economist

**Figure 6-1**  
**Projected Change in Sales per Square Foot by Distance within the CRSA<sup>1</sup>**  
**2010-2020**



1. CRSA stands for Competitive Retail Supply Area.  
 Source: Stanley R. Hoffman Associates, Inc.  
 Robert E. Goldman, Economist

**Findings and Conclusions.** From this analysis, the following findings and conclusions are drawn:

1. Based on the performance measure of sales per square foot for Building Materials and Home Improvement stores serving the study RTA, it is concluded that the supply of competitive stores will not experience significant vacancies that will persist over the long-term.
2. In the present analysis, as shown in Figure 6-1, sales per square foot trends after the introduction of the proposed Home Depot store, show: 1) either increases in performance at various distances from the proposed site (0-5 miles and greater than 10 miles); or 2) relatively small decreases (5 to 10 miles) in the short-term (2014), and then increases back close to their former level by 2020.
3. While there have been declines in Building Materials and Home Improvement sales in recent years in the overall market area studied, there have also been decreases in the supply with the closing of the Lowe’s Home Improvement store in northwest San Bernardino in late 2010, and, a Home Depot store located near the intersection of Interstate 215 and Highway 159 in San Bernardino is expected to close when its lease expires in early 2014.
4. The DIY Home Center that opened in 2011 in the City of Big Bear Lake is shown to largely capture its sales from the Mountain area and does not directly compete for households that reside near the competitive stores in the City of San Bernardino and its neighboring jurisdictions.
5. While it is possible that individual stores may experience greater or lesser sales per square foot impacts than averages shown for various distance bands from the proposed Home Depot store (due to their unique locations or business conditions), it is projected that the sales per square foot trends, in conjunction with increases and decreases in the competitive retail supply, would not likely result in substantial and persistent increases in commercial vacancies that would result in Urban Decay.

**APPENDIX A  
SUPPORTING TABLES AND FIGURES**

Table A-1  
List of Traffic Analysis Zones by RTA Demand Zones

ZONE ID	SCAG SEQ NO.
1	3759
2	3764
3	3767
4	3776
5	3768
6	3777
	3786
7	3746
8	3761
9	3771
10	3784
11	3782
12	3781
13	3773
	3783
14	3785
15	3798
16	3802
17	3791
18	3792
	3794
	3793
19	3800
	3790
	3795
20	3796
	3787
	3797
21	3811
22	3808
	3816
23	3803
	3812
24	3805
	3815

Continued on next page....

Table A-1 (continued)  
List of Traffic Analysis Zones by RTA Demand Zones

ZONE ID	SCAG SEQ NO.
25	3810
26	3806
	3814
	3807
27	3804
	3813
	3819
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Source: Stanley R. Hoffman Associates, Inc.  
Southern California Association of Governments (SCAG)

**Table A-2 (Part 1 of 2)**  
**Detailed Building Materials Sales**  
**City of San Bernardino, Selected RTA Cities, and County of San Bernardino**  
**1999-2009**

(In Thousands of Constant 2009 Dollars)

Year	San Bernardino			Colton			Redlands		
	Building Materials	Total Retail Sales	Percent of Total	Building Materials	Total Retail Sales	Percent of Total	Building Materials	Total Retail Sales	Percent of Total
1999	\$304,763	\$2,376,254	12.8%	\$45,320	\$531,332	8.5%	\$10,270	\$663,412	1.5%
2000	\$289,288	\$2,465,827	11.7%	\$47,253	\$606,657	7.8%	\$32,869	\$716,249	4.6%
2001	\$265,145	\$2,539,924	10.4%	\$41,202	\$572,351	7.2%	\$78,984	\$790,510	10.0%
2002	\$255,253	\$2,672,554	9.6%	\$46,018	\$587,513	7.8%	\$122,022	\$857,590	14.2%
2003	\$265,894	\$2,836,341	9.4%	\$54,824	\$649,796	8.4%	\$139,513	\$911,743	15.3%
2004	\$332,006	\$3,035,126	10.9%	\$71,327	\$775,818	9.2%	\$177,218	\$984,021	18.0%
2005	\$340,723	\$3,077,084	11.1%	\$73,563	\$870,822	8.4%	\$176,958	\$1,016,737	17.4%
2006	\$313,161	\$2,872,644	10.9%	\$73,608	\$842,109	8.7%	\$165,657	\$989,428	16.7%
2007	\$236,736	\$2,553,175	9.3%	\$53,142	\$698,467	7.6%	\$139,561	\$887,629	15.7%
2008	\$172,511	\$2,050,752	8.4%	\$42,074	\$464,787	9.1%	\$106,249	\$765,112	13.9%
2009	\$137,941	\$1,653,663	8.3%	\$27,328	\$358,242	7.6%	\$89,184	\$682,123	13.1%

Source: Stanley R. Hoffman Associates, Inc.  
 California State Board of Equalization (SBOE), Taxable Sales in California, 1999-2009.

**Table A-2 (Part 2 of 2)**  
**Detailed Building Materials Sales**  
**City of San Bernardino, Selected RTA Cities, and County of San Bernardino**  
**1999-2009**

(In Thousands of Constant 2009 Dollars)

Year	Rialto			Selected RTA Cities <sup>1</sup>			San Bernardino County		
	Building Materials	Total Retail Sales	Percent of Total	Building Materials	Total Retail Sales	Percent of Total	Building Materials	Total Retail Sales	Percent of Total
1999	\$53,050	\$423,726	12.5%	\$413,403	\$3,994,725	10.3%	\$1,267,431	\$15,234,023	8.3%
2000	\$80,265	\$517,142	15.5%	\$449,676	\$4,305,876	10.4%	\$1,354,047	\$16,652,143	8.1%
2001	\$80,481	\$482,874	16.7%	\$465,811	\$4,385,659	10.6%	\$1,454,230	\$17,028,317	8.5%
2002	\$85,277	\$480,532	17.7%	\$508,569	\$4,598,189	11.1%	\$1,567,294	\$17,543,284	8.9%
2003	\$88,105	\$506,989	17.4%	\$548,336	\$4,904,870	11.2%	\$1,725,106	\$18,985,982	9.1%
2004	\$109,563	\$608,495	18.0%	\$690,114	\$5,403,460	12.8%	\$2,233,301	\$21,337,545	10.5%
2005	\$107,416	\$672,096	16.0%	\$698,660	\$5,636,739	12.4%	\$2,418,215	\$23,362,120	10.4%
2006	\$86,045	\$684,547	12.6%	\$638,472	\$5,388,727	11.8%	\$2,332,377	\$23,478,480	9.9%
2007	\$52,713	\$689,876	7.6%	\$482,152	\$4,829,146	10.0%	\$1,839,571	\$21,913,155	8.4%
2008	\$44,508	\$678,792	6.6%	\$365,342	\$3,959,443	9.2%	\$1,314,986	\$18,914,197	7.0%
2009	\$40,346	\$505,019	8.0%	\$294,799	\$3,199,046	9.2%	\$1,109,777	\$16,330,138	6.8%

1. Selected RTA Cities include subtotals from the cities of San Bernardino, Colton, Redlands, and Rialto. The taxable sales breakdown for the cities of Highland, Loma Linda, and Big Bear Lake were not provided by the State Board of Equalization (SBOE) in 2009.

Source: Stanley R. Hoffman Associates, Inc.  
 California State Board of Equalization (SBOE), Taxable Sales in California, 1999-2009.

**Table A-3**  
**Detailed Taxable Retail Sales**  
**City of San Bernardino and RTA Cities**  
**2009**  
(In Constant 2009 Dollars)

	San Bernardino		Colton		Redlands		Rialto		Selected RTA Cities <sup>1</sup>		San Bernardino County	
	Taxable Sales	% of Total	Taxable Sales	% of Total	Taxable Sales	% of Total	Taxable Sales	% of Total	Taxable Sales	% of Total	Taxable Sales	% of Total
<b>RETAIL SALES (in thousands)</b>												
Motor Vehicle and Parts Dealers	\$256,988	15.5%	\$67,695	18.9%	\$164,202	24.1%	\$21,927	4.3%	\$488,885	22.9%	\$2,356,548	14.4%
Home Furnishings and Appliance Stores	\$89,263	5.4%	\$38,167	10.7%	\$15,129	2.2%	\$3,757	0.7%	\$142,559	6.7%	\$507,681	3.1%
Bldg. Maint. and Garden Equip. and Supplies	\$137,941	8.3%	\$27,328	7.6%	\$89,184	13.1%	\$40,346	8.0%	\$254,453	11.9%	\$1,109,777	6.8%
Food and Beverage Stores	\$112,476	6.8%	\$43,298	12.1%	\$60,491	8.9%	\$42,651	8.4%	\$216,265	10.1%	\$1,108,248	6.8%
Gasoline Stations	\$215,728	13.0%	\$56,042	15.6%	\$69,158	10.1%	\$193,876	38.4%	\$340,928	16.0%	\$2,612,062	16.0%
Clothing and Clothing Accessories Stores	\$94,868	5.7%	n/a	n/a	\$28,736	4.2%	\$15,297	3.0%	n/a	n/a	\$1,143,894	7.0%
General Merchandise Stores	\$349,668	21.1%	n/a	n/a	\$83,602	12.3%	n/a	n/a	n/a	n/a	\$3,007,168	18.4%
Food Services and Drinking Places	\$247,135	14.9%	\$47,759	13.3%	\$99,652	14.6%	\$67,053	13.3%	\$394,547	18.5%	\$2,184,337	13.4%
Other Retail Group	\$149,595	9.0%	\$77,952	21.8%	\$71,969	10.6%	\$120,111	23.8%	\$299,516	14.0%	\$2,300,421	14.1%
<b>TOTAL RETAIL SALES (in thousands)</b>	<b>\$1,653,663</b>	<b>100.0%</b>	<b>\$358,242</b>	<b>100.0%</b>	<b>\$682,123</b>	<b>100.0%</b>	<b>\$505,019</b>	<b>100.0%</b>	<b>\$2,137,154</b>	<b>100.0%</b>	<b>\$16,330,138</b>	<b>100.0%</b>
<b>POPULATION</b>	<b>204,483</b>		<b>51,684</b>		<b>71,646</b>		<b>100,022</b>		<b>427,835</b>		<b>2,060,950</b>	
<b>PER CAPITA</b>												
Motor Vehicle and Parts Dealers	\$1,257	15.5%	\$1,310	18.9%	\$2,292	24.1%	\$219	4.3%	\$1,143	22.9%	\$1,143	14.4%
Home Furnishings and Appliance Stores	\$437	5.4%	\$738	10.7%	\$211	2.2%	\$38	0.7%	\$333	6.7%	\$246	3.1%
Bldg. Maint. and Garden Equip. and Supplies	\$675	8.3%	\$529	7.6%	\$1,245	13.1%	\$403	8.0%	\$595	11.9%	\$538	6.8%
Food and Beverage Stores	\$550	6.8%	\$838	12.1%	\$844	8.9%	\$426	8.4%	\$505	10.1%	\$538	6.8%
Gasoline Stations	\$1,055	13.0%	\$1,084	15.6%	\$965	10.1%	\$1,938	38.4%	\$797	16.0%	\$1,267	16.0%
Clothing and Clothing Accessories Stores	\$464	5.7%	n/a	n/a	\$401	4.2%	\$153	3.0%	n/a	n/a	\$555	7.0%
General Merchandise Stores	\$1,710	21.1%	n/a	n/a	\$1,167	12.3%	n/a	n/a	n/a	n/a	\$1,459	18.4%
Food Services and Drinking Places	\$1,209	14.9%	\$924	13.3%	\$1,391	14.6%	\$670	13.3%	\$922	18.5%	\$1,060	13.4%
Other Retail Group	\$732	9.0%	\$1,508	21.8%	\$1,005	10.6%	\$1,201	23.8%	\$700	14.0%	\$1,116	14.1%
<b>TOTAL RETAIL SALES PER CAPITA</b>	<b>\$8,087</b>	<b>100.0%</b>	<b>\$6,931</b>	<b>100.0%</b>	<b>\$9,521</b>	<b>100.0%</b>	<b>\$5,049</b>	<b>100.0%</b>	<b>\$4,995</b>	<b>100.0%</b>	<b>\$7,924</b>	<b>100.0%</b>
<b>PER CAPITA INDEXED TO SELECTED RTA CITIES TOTAL<sup>1</sup></b>												
Total Retail Sales	1.62		1.39		1.91		1.01		1.00		1.59	
<b>PER CAPITA INDEXED TO COUNTY</b>												
Total Retail Sales	1.02		0.87		1.20		0.64		0.63		1.00	

1. Selected RTA Cities include subtotals from the cities of San Bernardino, Colton, Redlands, and Rialto. The taxable sales breakdown for the cities of Highland, Loma Linda, and Big Bear Lake were not provided by the State Board of Equalization (SBOE) in 2009.

Source: Stanley R. Hoffman Associates, Inc.  
California State Board of Equalization (SBOE), Taxable Sales in California, 2009.  
California Department of Finance (DOF), City/County Population and Housing Estimates 2009.

## APPENDIX B

### METHODOLOGY OF RETAIL CONSUMER BEHAVIOR MODELS

#### B.1 Overview

Two separate mathematical models of consumer behavior were used in the analyses presented in this report. The first model, called the Consumer Expenditure Model, estimates the amount that any given household is likely to spend on an array of retail products and services, including the Building Materials and Home Improvement category. The second model, a “gravity model”, estimates where these purchases would likely be made (that is, at which of the stores serving the market area).

The analysis presented in this report focuses on Building Materials and Garden Equipment and Supplies Dealers (this is code 444 in the North American Industrial Classification System). Included within the NAICS 444 category are Home Centers, Paint and Wallpaper Stores, Hardware Stores, Other Building Material Dealers (such as lumber, glass, plumbing supply, electrical supply, and kitchen and bath cabinets and countertops), and Lawn and Garden Equipment and Supply Stores.

#### B.2 Consumer Retail Expenditures

The amount spent on various kinds of retail purchases by any given household will vary according to the characteristics of the household. Income and household size are the most important characteristics that determine household expenditures.

Retail expenditures were estimated using the Consumer Expenditure Model, a proprietary model developed by the consultant. This model forecasts household expenditures by detailed expenditure category using a set of “consumption functions.” These consumption functions, which were calibrated using data from the US Consumer Expenditure Survey, show how expenditures relate to income and household size. In addition to expenditures by category, the model’s output includes an estimate of sales captured by major types of stores for lines of merchandise typically carried by these stores. These estimates are based upon data from the US Census of Retailing.

In addition to the demand generated directly by households residing within the RTA, the present study looked at two other sources of demand: 1) owners of seasonal housing units in the Mountain area; and 2) non-residential and indirect sources of demand for Building Materials and related products. Owners of seasonal housing generate retail demands to maintain, repair and improve their seasonal housing. The present study assumes that these purchases would be made in stores that serve the area in which the seasonal homes are located rather than in stores located near the full-time home of the owner. Data used to derive these household estimates were obtained from the Consumer Expenditure Survey at the US Census Bureau.

Non-residential and indirect sources of demand were estimated primarily from data published as part of the Economic Census. The table below shows the share of sales by class of customer for the U.S. for Building Materials stores for 2002 and 2007. The Economic Census identifies 12 classes of customers (including households). The largest class is “Household consumers and individual users” at 45.5 percent in 2007. Not far behind is “Building contractors...etc.” at 37.7 percent in 2007. However, the consultants believe that this category potentially includes some sales/expenditures they treated as household spending in the Consumer Expenditure Survey. (These would be items like water heaters, or furnaces where the homeowner purchased the item from a contractor who in turn purchased the item through a Building Materials store.) In order to eliminate the potential double counting, the consultants performed an econometric analysis relating annual Building Materials Store sales over a 20-year period to the value of residential and non-residential building permits in California. The analysis found that the residential variable explained about 65 percent of annual Building Materials sales while the non-residential variable explained about 35 percent. These relative weights were used to derive an estimate of the size of this customer class that reflected sales to households.

### **B.3 Gravity Model: Spatial Distribution of Sales**

The next step in the process is to estimate where those expenditures will be made (i.e. at which specific stores would those sales likely occur). This part of the analysis was performed using a “gravity model” which is a type of model often used in retail sales location analysis. The gravity model, based upon general principles of shopping theory, determines the market share of household expenditures from each census tract, or zone, within the RTA that would be captured by each competing retail store.

The gravity model is based upon two central propositions:

- The farther a given store is located (relative to all other stores) from a specific zone, the smaller will be that store's share of the market from that zone, and
- The greater the "attraction" of a given store (relative to all other stores), the greater will be that store's share of the market from a given zone. The "attractiveness" of a store depends upon its size and marketing strength. In the present study, total floor area was used as a proxy for market strength.

The idea for the gravity model in retail market analysis is generally attributed to W.J. Reilly who first applied notions from Newtonian physics to measure the extent of retail market areas. (See Reilly, W.J., 1929, *Methods for the Study of Retail Relationships*, University of Texas Bulletin no. 2944, Austin, TX: University of Texas.). Professor David L. Huff (who has served on the faculty of the University of Texas as well as UCLA) created a probabilistic version of the Reilly model to forecast the store choice of consumers in relation to their place of residence. (See, for example, Huff, D.L. (1965) "A Probabilistic Analysis of Shopping Center RTAs," *Land Economics* 39, 81-90). Another key article describing the use of the gravity model in retail analysis was written shortly after the Huff article by Lakshmanan and Hansen. (Lakshmanan, T.R. and Walter G. Hansen, (1965). "A Retail Market Potential Model," *Journal of the American Institute of Planners* 13, 134-143. The gravity model used in the present analysis was derived from the works of Huff and Lakshmanan and Hansen.

#### B.4 Application of the Models

The Consumer Expenditure Model was used to estimate Building Materials and Garden Equipment and Supplies expenditures for the RTA defined for the analysis. These per household estimates for the market area were then multiplied by the number of households in the area to derive an estimate of Building Materials and Garden Equipment and Supplies Dealers expenditures from all households of the area.

The Gravity Model was used to forecast where both these purchases would be made. In addition to the stores that are physically within the RTA, stores that are outside of these areas, but that are near enough to draw shoppers from parts of the RTA were also included in the analyses.

A separate analysis was performed to measure the demand for Building Materials products that would be generated by the maintenance, repair and improvement needs of the seasonal housing in the Lake Arrowhead, Crestline, Big Bear, Running Springs and other mountain areas. These estimates were based upon national data on spending by owners of second homes provided by the Consumer Expenditure Survey staff. These household estimates provided the basis for

separate runs of the gravity model for the two analysis zones within the Mountain Area, 39 and 40, to determine where these purchases would likely be made.

The final component that was examined was non-household sources of demand for products from Building Materials and Garden Equipment and Supplies Dealers. Direct data on this question are not publicly available for small geographic areas. The following table from the 2007 Economic Census, however, does show at a national level the sales of Building Materials and Garden Equipment and Supplies to each of 12 classes of customers. These factors were used to estimate non-residential sources of demand and to benchmark these to the total residential demand,

**Table B-1**  
**Share of Sales by Class of Customer**  
**Building Material and Garden Equipment & Supplies Dealers**  
**Economic Census 2007**

Class of Customer	Percentage Distribution of Expenditures	Ratio to Household Consumer (A)	Adjusted Percentage Distribution of Expenditures	Adjusted Ratios (B)
Household consumers and individual users	45.5%	1.0000	52.4%	1.0000
Retailers for resale	2.6%	0.0571	3.0%	0.0571
Wholesale establishments for resale	1.9%	0.0418	2.2%	0.0418
Repair shops for use in repair work	1.1%	0.0242	1.3%	0.0242
Manufacturing and mining for use as input goods in production	1.6%	0.0352	1.8%	0.0352
Restaurants, hotels, food services, and contract feeding	0.3%	0.0066	0.3%	0.0066
Businesses for end use in their own operation, not for resale	2.9%	0.0637	3.3%	0.0637
Building contractors, heavy garden equipment and supplies dlr.	37.7%	0.8286	28.2%	0.5386
Farmers for use in farm production	4.6%	0.1011	5.3%	0.1011
Export sales	0.1%	0.0022	0.1%	0.0022
Governmental bodies	1.3%	0.0286	1.5%	0.0286
All other customers	<u>0.4%</u>	<u>0.0088</u>	<u>0.5%</u>	<u>0.0088</u>
<b>Non-residential Customers</b>	<b>54.5%</b>	<b>1.1978</b>	<b>47.6%</b>	<b>0.9078</b>
<b>All classes of customers</b>	<b>100.0%</b>	<b>2.1978</b>	<b>100.0%</b>	<b>1.9078</b>

1. Building Contractors share of expenditures are adjusted to account for contractors share of household expenditures already projected in the household expenditure analysis in this study. An adjustment factor of 0.65 is applied to the building contractors line in column A to result in a revised value in column B.

Source: Compiled by Robert Goldman from 2002 and 2007 Economic Census data

## APPENDIX C PROJECT REFERENCES

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