APPENDIX C URBAN DECAY TECHNICAL REPORT

The Baylands
Urban Decay Analysis

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I. EXECUTIVE SUMMARY

INTRODUCTION

The purpose of this study is to assess the potential for urban decay resulting from development of The Baylands, located on 641.8 gross acres situated between U.S. Highway 101 and Bayshore Boulevard in the City of Brisbane, California (the "Project"). This is in support of the CEQA environmental review process for the Project. The site, which extends southward from the Brisbane City Limits and Beatty Avenue, is bisected by the Caltrain right-of-way, which creates two development areas – the West Area and the East Area. The Project's development plans include four components – up to 6,397,800 square feet of office and life science space in both the West and East Areas, ground floor retail space of approximately 102,200 square feet located primarily in the West Area's mixed-use buildings, 500,000 square feet of hotel use, and 2,200 residential units. The hotel component and residential units, both located in the West Area, are not part of this urban decay analysis.

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

This study estimates the extent to which development of the Project's office/life science and retail components may or may not contribute to urban decay pursuant to potential impacts on existing office/life science space and existing retailers. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in the context of an urban decay analysis includes the commercial real estate base and other germane real estate conditions, as measured by the current baseline. Characteristics of physical deterioration contributing to urban decay include abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth.

SUMMARY OF FINDINGS

Key Findings

Highlights of the urban decay analysis for The Baylands (the "Project") are as follows:

- The Brisbane/South San Francisco life science market is the largest in the Bay Area with 13.05 million square feet, for a market share of 36.5%.
- The combined office/life science market in Brisbane/South San Francisco totals 15.8 million square feet, of which 8.1% was available as of the end of 2022.
- The Project represents a 40.5% addition to the current office/life science market area inventory.
- The addition of cumulative office/life science projects would boost the future supply of new office/life science space by 22.66 million square feet, and with the Project, 28.96 million square feet. This would increase the existing supply by over 183%. This amount is substantially more than projected demand of 17.4 million square feet through 2050.

- The office/life science real estate base in Brisbane/South San Francisco is well maintained and does not exhibit signs of physical deterioration. While the market has some office buildings that date to the 1980s, the majority of the life science product has been built since 2000.
- A very high percentage of the market inventory is controlled by a small number of well-established corporate real estate firms, and a very large owner/user (Genentech). This high corporate ownership creates market stability and ensures that properties will be maintained. Additionally, many of these companies have projects on the cumulative supply list – it is in the best interests of their portfolios to not cannibalize their existing buildings by rampantly developing new product.
- The Project's retail market area is overwhelmingly characterized by neighborhood-serving retail options, oriented toward serving neighborhood residents and some daytime employee commercial needs. Most properties are generally in fair to moderate condition, and do not exhibit any existing signs of urban decay.
- The Project's retail space would require a reasonable 11.5% capture rate of retail demand generated by the Project itself (households and employees) to meet with market success and not result in a negative impact on existing retail market area retailers.
- Consideration of new retail supply and demand associated with cumulative retail and demand-generating projects in the retail market area increases the required capture rate only nominally to 12.9%. This is a relatively low capture rate, that will leave almost an additional 1.0 million square feet of demand available for other local and regional retail venues.
- Existing retailers are not anticipated to incur any vacancy impacts induced by the Project or cumulative projects, and development of The Baylands and the cumulative retail projects are not anticipated to be detrimental to the commercial retail market.

In conclusion, The Baylands Project, along with the identified cumulative projects, are not anticipated to cause or contribute to urban decay in the City of Brisbane or the balance of the Project's relevant market areas.

Office/Life Science Market Impacts

The proposed 6,397,800 square feet of The Baylands office/life science space represents a 40.5% addition to the market inventory. Considering the countywide inventory of office and life science space of 61.1 million square feet, the Project represents a 10.5% supply increase.

For the Project's office/life science space to potentially have a negative impact on the market, it would need to draw tenants away from existing buildings without the possibility of that space being re-tenanted, thus increasing the vacancy rate to an unhealthy level. The following major factors suggest these circumstances are unlikely to happen:

- The office/life science market area's spring 2023 availability rate is low at 8.1% for office and life science combined, which is favorable in contrast to other areas. For example, it is widely reported that the vacancy rate in San Francisco's downtown office market is near 30%.
- Future demand projections suggest that existing companies will be growing and other new tenants would be interested in locating in the competitive office/life science market area. This is especially true for life science companies drawn by a cluster of firms in this area.
- At worst, interception of this demand by the Project would slow development and absorption of the competitive office/life science buildings, but not create widespread vacancies.
- Development of the Project itself will occur in phases and be driven by market conditions and tenant demand. To the extent that demand for the Project's office/life science buildings is less

robust than expected, then construction will slow to better match demand. This may mean that timing of development of future phases would be pushed further out into the future.

The existing inventory of space in Brisbane and South San Francisco is relatively new, with many buildings less than 20 to 25 years old. Additionally, the market has a highly concentrated ownership pattern, with large, experienced companies controlling most of the space. This suggests that these landlords have the wherewithal to successfully maintain, market, and re-tenant any large vacancies due to tenant movement to the Project.

Cumulative future supply is estimated to be 22.56 million square feet in 23 projects. Including the Project, the potential supply increase of 28.96 million square feet is 183% of the existing base of office/life science space. Projected demand derived from employment growth totals about 17.4 million square feet over the next 27 years for San Mateo County overall. Thus, potential supply in just Brisbane and South San Francisco (plus Hunters Point in San Francisco) exceeds projected Countywide demand by 66%. Of course, this assumes that all planned projects materialize, which may not be the case given the potential for a significant oversupply of space.

With this potential surplus of supply, the most likely scenario is that some of the projects not currently under construction (i.e., approved or under review) would delay construction until such time as demand supports construction. Further, they would more than likely wait until they had a major tenant commitment for space. This is a reasonable assumption as most of the future supply projects are sponsored by well-established corporate developer/investors and other knowledgeable and reputable developers. These sponsors/developers would keep a close watch on economic and market conditions and time their projects so that the completed buildings do not sit empty for an extended period of time.

Retail Market Impacts

The Baylands's proposed retail component totals 102,200 square feet of space, estimated to be located on the ground floor of multiple mixed-use buildings throughout the Project's West Area. This space is estimated to generate $33.1 million in total retail sales, plus additional service-related sales. Given the size of the space and its location, it is anticipated to be primarily neighborhood- and Project-serving. Thus, the retail market area for the space is defined as the Project itself, plus all of Brisbane, a small portion of Daly City to the north, approximately the Visitacion Valley neighborhood of San Francisco, and other areas of San Francisco.

The retail market area is overwhelmingly characterized by neighborhood-serving retail options, oriented toward serving neighborhood residents and some daytime employee commercial needs. There is only one shopping center in the retail market area, Brisbane Village Shopping Center on Old County Road, with all other retail offerings generally comprising stand-alone stores or shop space along older commercial corridors. The retail market area retailers include a discount grocery store, a mid-sized discount general merchandise store, a hardware store, several smaller markets, numerous restaurants, including fast food, bakeries, liquor stores, coffee houses, laundromats and dry cleaners, a couple apparel stores, a custom garment maker, a mattress outlet, and a mix of services, including personal, business, and medical.

There are some retail vacancies in the retail market area, with the largest concentration located in the Brisbane Village Shopping Center. These vacancies are primarily related to the retail market impacts of the COVID-19 pandemic. There are other vacancies scattered throughout the retail market area,

but not a significant number, and some show evidence of renovation and/or pending occupancy. The bulk of the retail market area's retail properties are generally in fair to moderate condition, and do not exhibit any existing signs of urban decay.

Brick and mortar retail demand estimates for existing retail market area households and The Baylands households, employees, and hotel guests total 1.4 million square feet of retail space. Of this amount, approximately 800,000 square feet are estimated to be generated by consumers associated with The Baylands. Given the relatively small, and neighborhood orientation of the Project's retail space, much of this demand will be directed to other, more community- and regional-oriented retail outlets.

Over the recent four year period, Brisbane's taxable retail base has averaged about $245 million. The Project's estimated sales of $33.1 million comprise about a 12% increase over this annual average. The percentage would be less, and possibly much less, if non-taxable sales and sales in the portions of the retail market area outside the City of Brisbane were taken into consideration. However, the amount of these sales is indeterminant from available information.

Absent the generation of any new retail demand, the project sales would be considered a potential negative impact on the existing retail sales base. However, The Baylands includes several components that will generate new demand for retail, including the Project residents, Project employees, and hotel guests. The Project's retail space would need to capture 11.5% of the newly generated demand in order to meet with market success and not result in a negative impact on existing retail market area retailers through reduced sales. This is a reasonable capture rate, requiring only a minimal share of new demand to be directed to the Project's retail space. Moreover, after the Project achieves its estimated sales, the Project's retail demand generators will be able to support an additional 700,000 square feet of retail space at full buildout, much of which, as noted above, would most likely comprise community- and regional-oriented retail outlets. Thus, if any sales are diverted away from existing retailers, other sales support will be available to backfill those diverted sales. Based on these supply and demand findings, ALH Urban & Regional Economics concludes that the Project's retail space is not likely to be detrimental to the commercial real estate sector, and hence the physical environment of the Project's retail market area. Accordingly, the Project's retail space is not anticipated to contribute to or cause urban decay.

There are a few identified cumulative retail projects planned for the Project's retail market area, plus cumulative residential and office/life science projects that will generate additional retail demand. Consideration of this demand indicates that the Project and the cumulative projects will require a 12.9% capture rate of new brick and mortar retail demand. This is a relatively low capture rate, leaving almost an additional 1.0 million square feet of demand available for other local and regional retail venues. This suggests that not only will existing retail outlets not experience any negative sales impacts due to development of The Baylands and the cumulative retail projects, but that yet additional demand will be generated to support a range of existing retail and service providers. In conclusion, existing retailers are not anticipated to incur any vacancy impacts, and development of The Baylands and the cumulative retail projects are not anticipated to be detrimental to the commercial retail market. Therefore, ALH Economics concludes that the cumulative projects, inclusive of The Baylands, are unlikely to result in negative impacts contributing to the potential for urban decay to occur.

URBAN DECAY CONCLUSIONS

The study findings suggest that existing office/life science properties and retail properties in the Project's relevant market areas are not anticipated to experience significant adverse physical impacts

related to economic and social changes and/or effects leading to urban decay or deterioration following the addition of the planned The Baylands Project or cumulative projects.

The study found that it is unlikely for the Project's office/life science space alone or in combination with cumulative office/life science projects to cause existing competitive properties to become vacant. The competitive properties are relatively new with a concentrated ownership profile, and the office/life science market area exhibits a trend of continual property investment, especially with respect to the more recent trend of renovating existing office buildings to attract life science tenants. While the potential cumulative supply of space is extensive, much of the future development would only take place when there is sufficient demand. The existing under-construction buildings would serve as an indicator as to whether future phases should proceed apace or be delayed until demand catches up with supply. For these reasons, ALH Economics believes that urban deterioration or decay would not result from the identified increase in the office/life science inventory. ALH Economics therefore concludes that the office/life science component of the Project and cumulative projects are not anticipated to cause adverse physical impacts leading to urban decay.

The study found that it is unlikely for the Project's office/life science component, alone or in combination with cumulative office/life science projects, to cause existing competitive office/life science properties to become vacant, all of which are in excellent condition. With vacancy unlikely to occur, there is no reason to believe that urban deterioration or decay would result from the identified increase in the office/life science inventory. Moreover, there are limited to no examples of competitive office/life science properties being retenanted upon the occasion of their vacancy as a need for retenanting in the competitive market has not emerged. This is attributable to the relatively young tenure of the competitive properties, which are very large with high ceilings and often include significant tenant investment, leading to low turnover and prolonged tenancy. ALH Economics therefore concludes that the office/life science component of the Project and cumulative projects are not anticipated to cause adverse physical impacts leading to urban decay.

The retail analysis found that it is unlikely for the Project's retail space, alone or in combination with other cumulative retail projects, to cause or contribute to urban decay. The Project's retail space is relatively small, and as a result will have a neighborhood- and Project-serving orientation. Consequently, it is unlikely to be highly competitive with existing retail outlets in the retail market area, and new demand generated by the Project as well as other new residential developments in the retail market area will provide much of the support for the Project's retailers. The Project's retail sales impact is therefore likely to be very minimal, if at all, lacking the potential to cause existing retailers to lose sales to such an extent that store closures would result. With no vacancy-related impact, neither physical impacts nor urban decay are anticipated to occur.

ALH Economics concludes that development of the office/life science and retail components of The Baylands and the identified cumulative projects are not anticipated to cause or contribute to urban decay, e.g., the physical deterioration of other properties resulting from economic impacts.

II. INTRODUCTION

STUDY BACKGROUND

The City of Brisbane has retained the services of Metis Environmental Group to prepare an Environmental Impact Report for The Baylands Project ("Project"). To support this effort and comply with the California Environmental Quality Act ("CEQA"), ALH Urban & Regional Economics ("ALH Economics") was asked to analyze the potential for the Project's office/ life science and retail components to cause or contribute to urban decay. The initial impetus for urban decay analysis within the context of environmental review stems from the decision by the Fifth District Court of Appeal in *Bakersfield Citizens for Local Control v. The City of Bakersfield,* which was a case pertaining to the environmental review of planned Walmart and other associated retail development in the City of Bakersfield. This court decision suggested that in some circumstances, CEQA may require a lead agency to consider and analyze the potential for the introduction of planned retailers to result in adverse physical impacts on the environment by causing a chain reaction of store closures and long-term vacancies, otherwise referred to as a condition of "urban decay." Consequently, urban decay analyses are often prepared for retail development, or the retail components of large-scale mixed-use projects. Some environmental impact reports also conservatively extend the urban decay analysis to other land uses, including office, hotel, and industrial land uses. Such is the case for this current analysis for The Baylands, which includes office/life science space in addition to retail.

For the purpose of this analysis, and to support CEQA's impact threshold requirements,[1] urban decay is defined as extended long-term business vacancies, directly or indirectly resulting in physical deterioration to properties or structures that is so prevalent, substantial, and long lasting that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. Physical deterioration includes abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth.

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

PROJECT DESCRIPTION [2]

The Baylands Project ("Project") site comprises 641.8 gross acres situated between U.S. Highway 101 and Bayshore Boulevard in the City of Brisbane, California. Just east of U.S. Highway 101 and the Bay Trail is the shoreline of San Francisco Bay. The site is long, extending southward from the Brisbane City Limits and Beatty Avenue to the convergence of U.S. Highway 101 and Sierra Point

[1] CEQA Guidelines Section 15064(e), 15064(f)(6), 15131, and 15182.

[2] The information in this section is based on "Baylands Specific Plan Administrative Draft Environmental Impact Report" Dated January 31, 2023, Chapter 3: Project Description, as well as information provided by Fehr & Peers, traffic consultants for the EIR.

Parkway with the Caltrain right-of-way. The site is bisected by the Caltrain right-of-way, which creates two development areas – the West Area and the East Area. Map 1 depicts the Project's location.

The site is largely vacant, with the 121.8-acre Brisbane Lagoon defining its southern triangular area. Historic uses of the property include a former Southern Pacific railyard and a sanitary landfill that closed in 1967. Industrial-related uses that have taken place include storage of construction materials and recycling of materials. Currently, the site includes part of a Recology operation and some light industrial uses along Industrial Way. The site also surrounds two smaller properties that are not part of the Project, a Golden State Lumber yard and an oil tank farm operated by Kinder Morgan Energy Partners, L.P.

The Project's development plans include four components – up to 6,397,800 square feet of office and life science space in both the West and East Areas, ground floor retail space of approximately 102,200 square feet located primarily in the West Area's mixed-use buildings, 500,000 square feet of hotel use, and 2,200 residential units. The hotel component and residential units, both located in the West Area, are not part of this urban decay analysis.

STUDY TASKS

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

- Conduct site and field reconnaissance
- Identify a competitive office/life science market area for the Project's office/life science component and assess existing conditions
- Estimate demand for office/life science space in the market area
- Identify a retail market area from which the bulk of the Project's retail demand is estimated to originate and assess existing conditions
- Estimate existing and future retail market area retail demand
- Assess Project impacts by land use
- Identify and assess cumulative project impacts by land use
- Identify urban decay implications of the planned Project components

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

STUDY RESOURCES AND REPORT ORGANIZATION

Study Resources

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

- ***City of Brisbane resources***. These include representatives from the City's Planning Department; Current Projects page of the City's website; and the City of Brisbane Municipal Code.



Map 1: The Baylands Project Site Location

- ***Other governmental resources***. These sources include the State of California Employment Development Department; planning department websites for the cities of Daly City, San Francisco, and South San Francisco; State of California Department of Tax and Fee Administration; U.S. Census Bureau; U.S. General Services Administration; U.S. Bureau of Labor Statistics, Consumer Expenditures Survey; U.S. Economic Census; State of California Department of Finance; and California Department of Transportation.

- ***Third party resources***. These sources include Metis Environmental Group; Fehr & Peers; Biocom California; Newmark; brokerage firm, real estate investment trust, and developer websites; Loopnet; Claritas, a national resource for demographic estimates and projections; HdL ECONSolutions; emarketer.com; ecommercedb; Cushman & Wakefield; ICSC; local commercial real estate brokers; and GoogleMaps.

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

Report Organization

This report includes five chapters, as follows:

I. Executive Summary
II. Introduction
III. Office/Life Science Development Analysis
IV. Retail Space Analysis
V. Urban Decay Implications

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

III. OFFICE/LIFE SCIENCE DEVELOPMENT ANALYSIS

CONTEXT FOR THE BAYLANDS OFFICE/LIFE SCIENCE SPACE

Study Context

The Baylands Project plans include up to 6.4 million square feet of office and life science space located in three development areas. Preliminarily, it is anticipated that 525,000 square feet in the West Area will be mostly office using, with the remaining 5,872,800 square feet primarily life science (e.g., lab, research and development, etc.). According to the draft Baylands Specific Plan, the land use designations and development standards are intended to be flexible to allow for future vertical developers to respond to market conditions at the time of construction. From a market perspective, office and life science, as well as tech research and development buildings, have evolved over the past few decades into building typologies that resemble one another. Accordingly, this section will examine the office and life science real estate markets together.[3]

An urban decay analysis must look at a Project's impacts on existing conditions, which in this context is the existing office/life science base. Thus, this chapter examines information about San Mateo County's economic base, the strength of office/life science sectoral employment, and the existing office/life science real estate base in the Brisbane market area, including estimates of the share of the base that could experience vacancy impacts if existing tenants relocate to the Project. Because an urban decay analysis must also look at cumulative impacts, this chapter closes with analysis pertaining to the projected impact of other planned office/life science projects in the office/life science market area in addition to the Project on the existing base of office/life science space.

Economic Base

San Mateo County Employment. Historic information about San Mateo County's employment base from 1990 through 2021 is presented in Exhibit 2. This information indicates that County employment totaled 280,660 in 1990, increasing to 373,595 in 2021. This growth reflects a 0.93% compound annual average growth rate (CAGR), meaning year over year the County experienced average growth of 0.93%. Notably, employment reached 350,425 in 2000, the height of the dot.com boom, but fell to 276,037 during the economic trough of the Great Recession in 2010. Looking at the past 11 years from 2010, the employment CAGR was 2.4%. Over this time frame, most of the major industry sectors experienced growth, but five did not – Natural resources and mining; Manufacturing; Trade, transportation, and utilities; Leisure and hospitality, and Other services. However, within the Manufacturing sector, two of the subsectors that align with life science space for which subsector information is reported experienced growth while the overall sector declined - Electronic instrument manufacturing and Medical equipment and supplies manufacturing. While 2010 subsector employment data were not provided and thus a growth rate could not be calculated, Pharmaceutical and medicine manufacturing is a key subsector within Manufacturing. This subsector represents 44% of all manufacturing jobs. A longer-term CAGR calculated between 2000 and 2021 for this subsector is 5.7%, substantially higher than that for the overall County's employment at 0.3%. Without the growth of these life science-using subsectors, the decline in the overall Manufacturing sector would have been greater.

[3] The breakdown of the office versus life science space will be retained for employee count and future space demand purposes.

San Mateo Couty's top employment sectors, in order of number of jobs, are: Professional and business services; Trade, transportation, and utilities; Information; Education and health services; and Leisure and hospitality. Of these five sectors, three (Professional and business services; Information; and Education and health services) experienced compounded annual average growth rates in excess of the overall County rate. The Trade, transportation, and utilities sector experienced declining employment over the time period presented in Exhibit 2, shrinking by 30% since 1990. An important subsector within Professional and business services is Scientific research and development services, which represents 30% of all jobs in this sector. This subsector Is a key occupant of life sciences space.

State of California Comparison. Exhibit 3 presents employment trends for all of California paralleling the information presented for San Mateo County in Exhibit 2. Overall, employment grew 0.84% on an annual average basis throughout California from 1990 to 2021. This rate is slightly below San Mateo County's 0.93% annual average growth rate. Therefore, growth in San Mateo County over this period slightly outpaced the California state average, indicating the comparative strength of San Mateo County's overall economy.

Exhibit 4 presents a summarized comparison of San Mateo County's economy to the overall State of California. As shown in this exhibit, San Mateo County has a significantly higher share of Information jobs (14.7% vs. 3.8%, respectively) and Professional and Business Services jobs (24.1% vs. 18.6%). Looking at key subsectors shows that San Mateo County has higher shares of Scientific research and development services employment (7.2% vs. 1.2%) and Pharmaceutical and medicine manufacturing (3.0% vs. 0.3%),

San Mateo County Information, Financial Activities, and Professional & Business Services Employment Trends. Table 1 below presents San Mateo County's growth in sectors typically associated with office space.

Table 1
San Mateo County Information, Financial Activities, and Professional & Business Services Employment Trend
1990-2021

Employment Characteristic	1990	2000	2010	2021	CAGR (1) 1990-2021	CAGR (1) 2010-2021
Total Private Industry Employment	280,660	350,425	287,037	373,595	0.9%	2.4%
Office-using Sectors						
Information	8,188	24,311	17,517	54,954	6.3%	11.0%
Financial activities	24,180	24,793	18,617	22,619	-0.2%	1.8%
Professional & business services	40,291	80,894	59,856	89,929	2.6%	3.8%
Total	72,659	129,998	95,990	167,502	2.7%	5.2%
Share of All Industry Employment	25.9%	37.1%	33.4%	44.8%	NA	NA

Sources: Exhibit 2; and ALH Urban & Regional Economics.
(1) CAGR is an acronym for Compound Annual Growth Rate.

As shown in Table 1, these three sectors have increased from 26% of the County's industry employment to 45% between 1990 and 2021. Of the three, Information has experienced the greatest CAGR – 11.0% since 2010 and 6.3% looking back 31 years to 1990. By contrast, Financial activities has grown slightly since 2010, but overall employment is lower than that in 1990. Professional & business services has shown solid growth – with a CAGR of 3.8% since 2010 and 2.6% since 1990. This sector shows a boom and bust cycle, doubling from 1990 to 2000, then shrinking by about 25% between 2000 and 2010, and then growing by 50% since 2010.

San Mateo County Life Science Employment. As suggested by the employment data presented in Exhibit 2, San Mateo County has a substantial number of jobs in subsectors associated with the life science industry. Exhibit 5 presents a breakout of Bay Area life science employment by county, as presented in Biocom California's report "Life Science Economic Impact Report 2022." As shown in Exhibit 5, Biocom California estimates that the nine-county region has 146,130 life science jobs. San Mateo County has the highest share of regional employment with 40,349 jobs, or a 28% regional share. The next highest number of jobs are in Santa Clara County at 38,506 jobs, followed by Alameda County at 36,525 jobs. The life science sector with the most jobs is Biotechnology, followed by Biopharmaceutical. This high concentration of life science jobs supports a substantial life science real estate market.

San Mateo County Office and Life Science Employment. In comparing the office and life science employment estimates for San Mateo County for 2021, there are about 3.5 times more jobs in office-using sectors than in life science subsectors. There are about 140,530 jobs in Financial activities, Information, and Business, Technical, and Professional Services (excluding Scientific research and development services) compared to 40,349 jobs in life-science space employment subsectors.

OFFICE/LIFE SCIENCE MARKET OVERVIEW

Office/Life Science Market Area Definition

Based on examination of the existing distribution of office/life science space, and consideration of market trends, the primary market area for the Project's office and life science space is identified as the Cities of Brisbane and South San Francisco. Existing office and life science development in Brisbane is primarily located in the very southern portion of the City, adjacent to the City of South San Francisco's office and life science projects. South San Francisco is considered the birthplace of biotechnology with the formation of Genentech in the late 1970s. Genentech, which is now part of Roche, has a substantial presence in South San Francisco. Its November 2020 Master Plan identifies the Genentech campus as encompassing 207 acres of land and 4.7 million square feet of building space in five distinct campuses. Genentech is a tremendous draw for life science companies, with this locational synergy resulting in a strong life sciences hub in the eastern area of South San Francisco, which is east of U.S. Highway 101 and generally bounded on three sides by San Francisco Bay.

Based on statistics focusing on the Life Science sector prepared by Newmark, an established commercial brokerage firm, not only does South San Francisco have the largest concentration of life science space in the Bay Area at 11.65 million square feet, the City's inventory is larger than all competitive Bay Area submarkets, as shown in Table 2.

Combined with Brisbane, this concentration of life science space, at 13.05 million square feet, represents 36.5% of the Bay Area inventory of 35.76 million square feet. As life sciences development has migrated to more southerly cities in San Mateo County, there is now a significant supply of life science space in the remainder of the County, estimated at 6.9 million square feet according to Newmark. In all, San Mateo County has 19.95 million square feet of life science space, or 55.8% of the Bay Area total.

Table 2
Bay Area Life Science Market Inventory
Year-End 2022

Bay Area Market Areas	Inventory (SF)	Market Share
Brisbane	1,403,458	
South San Francisco	11,647,412	
Subtotal Market Area	**13,050,870**	36.5%
San Mateo County Remainder	6,902,220	19.3%
Santa Clara County (1)	2,876,508	8.0%
San Francisco	1,380,490	3.9%
East Bay	11,548,871	32.3%
Total Bay Area Market	**35,758,959**	100.0%

Sources: Newmark San Francisco Bay Area Life Science Market 4Q2022; and ALH Urban & Regional Economics.
(1) Represents Palo Alto and Mountain View in Santa Clara County.

The next largest life science market area is the East Bay with 11.55 million square feet, or 32.3% of the Bay Area total. The main cities in the East Bay market are Emeryville and Alameda. Smaller hubs exist in San Francisco adjacent to the University of California San Francisco Mission Bay campus and in Palo Alto and Mountain View in Santa Clara County. Thus, the combination of South San Francisco and Brisbane is the top Bay Area life science market. This area has the lowest vacancy rate (after accounting for San Francisco's 0% vacancy on its small inventory) and the highest average asking rents in the region.

Office/Life Science Market Trends

Office/Life Science Inventory. Market statistics prepared by Newmark for the office and life science markets in Brisbane and South San Francisco are presented in Exhibit 6. This exhibit presents annual fourth quarter data for 2019 through 2022. As shown, the cities' combined inventory of space has grown from 14.5 million at the end of 2019 to 15.8 million square feet at the end of 2022, or by 1.3 million square feet. The office component of the market has actually been shrinking, with a reduction of nearly 600,000 square feet, while the life science component added 1.9 million square feet, for an overall increase of 17.4%. Thus, office represents a declining proportion of the combined market – 23% in 2019, falling to 17% in 2022. About 12% of the market is within Brisbane's City Limits, while 88% of the space is located in South San Francisco.

With regard to office space, the 2,754,009 square feet of office space in Brisbane and South San Francisco represents about 6.7% of the County's total inventory of 41,124,983 square feet. Thus, while Brisbane and South San Francisco dominate the life sciences real estate market, their combined office market is relatively small compared to other San Mateo County cities such as San Mateo (9.2 million square feet), Menlo Park (6.5 million square feet), and Redwood City (6.1 million square feet).

Much of the life science inventory in this market is relatively new, having been built since 2000. While some of the more traditional office buildings in the office/life science market area date to the mid- to

late-1980s, they are well-maintained. As discussed in the development trends section below, some of these buildings are planned to be updated and converted to attract life science tenants.

Office/Life Science Availability. The combined Brisbane and South San Francisco markets have an average availability rate between 6.7% and 8.4% over the time period reported. The availability rate for the office space is much higher than for the life science space, but due to its relatively small size its overall impact is moderated. The most extreme example is at the end of 2021, when the life science availability rate was 4.5% while the office space availability rate was more than triple at 15.1%. The vacancy rate for office space in San Mateo County has historically exceeded 10%.

Office/Life Science Rental Rates. With regard to rental rates, average asking rental rates are much higher for life science space than for offices. Newmark indicates in its fourth quarter 2022 North Peninsula Office Market and Bay Area Life Science Market reports that the average asking rate for life science space in Brisbane and South San Francisco is in the $7.00 per square foot per month range ($7.75 in Brisbane ad $7.21 in South San Francisco, respectively), with triple net expenses, meaning that tenants pay their pro rata share of operating expenses. By contrast, asking rates for office space are in the $4.00 per square foot per month range ($4.95 in Brisbane and $4.16 in South San Francisco, respectively), on a full service basis. Full service means that the first year of operating expenses are included in the rent with tenants responsible for their pro rata share of increases in those expenses over the first year.

Office/Life Science Market Conditions. Demand for office space was severely impacted by the COVID-19 pandemic due to stay at home orders. Although the pandemic has subsided, remote work has remained very popular. Consequently, demand for office space continues to be weak. As a result of many employees working from home part or all of the workweek, companies have been re-examining their space needs, consolidating footprints, and downsizing space. As it appears that most companies' "return to work" plans are settled for the long-term, it is unclear what will be the future demand drivers for office space.

By contrast, life science space is less impacted by hybrid work as many of the work activities need to take place in person, such as lab experiments, research, manufacturing, etc. Over the past few years, life science has seen strong tenant demand, and supply has increased accordingly. Newmark statistics indicate that the Bay Area life science market added 8.1 million square feet since the end of 2019, for a 29% increase. Since the end of 2015, when the market was about 20 million square feet in size, it has grown by 15.8 million square feet, or 79%. However, as reported by Newmark and other industry sources, the life science market in early 2023 appears to be slowing due to economic uncertainties associated with the impact of continued rising interest rates. Venture capital funding has been decreasing, making it difficult for smaller companies to raise money and thus commit to space. The slowdown is not only taking place in the Bay Area, but nationwide.

Office/Life Science Development and Ownership Trends

Brisbane's main office/life science cluster is located on previously undeveloped land at the City's southern edge next to the Brisbane Marina, along Marina Boulevard, Sierra Point Parkway, and Shoreline Court.[4] This area is distinct and separate from Brisbane's industrial neighborhood, which is centered on Valley Drive. The oldest buildings in the office/life science cluster date to the late 1980s,

[4] There is additionally the three-building Brisbane Technology Park on Bayshore Boulevard owned by BioMed Realty.

with a traditional suburban office style; both of these buildings are designated for upgrades to accommodate life science tenants.

By contrast, the office/life science buildings in South San Francisco are located in an area that has evolved with former industrial properties redeveloped into office/life science uses. The industrial buildings, warehouses, and manufacturing plants that gave the city its nickname as "The Industrial City" have given way to offices and labs. There are still industrial uses throughout this area, from large distribution facilities to smaller business center buildings. Many companies in this area include freight and delivery companies attracted by the area's proximity to San Francisco International Airport. While some properties are targeted for redevelopment to office/life science, most are likely to remain in industrial use.

Both Brisbane and South San Francisco have examples of more recent development trends that include intensification of densities, with surface parking replaced by garages and new buildings, as well as conversion of office buildings into life science space. In Brisbane, Healthpeak Properties, Inc. has proposed a project that combines both trends – renovating and upgrading the 1980s-era office building at 2000 Sierra Point Parkway for life science use, and demolishing the site's existing parking garage and surface parking lots to accommodate three new life science buildings and a new parking garage.

Ownership of office/life science space in the Brisbane and South San Francisco market is highly concentrated with large, established companies and real estate investment trusts commanding the market. Table 3 presents a summary of major owners of office/life science space in Brisbane and South San Francisco.

Table 3
Major Owners - Brisbane/South San Francisco Office/Life Science Market

Major Corporate Owner	Brisbane	South San Francisco	Total
Healthpeak Properties, Inc.	1,067,000	3,420,000	4,487,000
Alexandria Real Esatate Equities	0	2,994,840	2,994,840
BioMed Realty	183,344	1,511,887	1,695,231
Kilroy Realty Corporation	0	806,109	806,109
Genentech (1)	0	3,285,000	3,285,000
Total	**1,250,344**	**12,017,836**	**13,268,180**
Total with 75% of Genentech (2)	**1,250,344**	**11,196,586**	**12,446,930**
Office/Life Science Inventory 4Q22	**1,900,319**	**13,914,560**	**15,814,879**
Percentage Major Corporate Ownership	**65.8%**	**80.5%**	**78.7%**

Sources: Healthpeak Properties, Inc. 4Q2022 Property Listing; Alexandria Real Estate Equities 2022 10-K; BioMed Realty website; Kilroy Realty Corporation 2022 10-K; Genentech Master Plan, November 2020; and ALH Urban & Regional Economics.
(1) Office and lab space in existing buildings as noted in November 2020 Master Plan. Does not include amenity, manufacturing or warehouse space. According to Newmark, about 75% of the Genentech space is included in their inventory figures.
(2) According to Newmark, their South San Francisco inventory figures include about 75% of Genentech's space. Therefore, this line represents a reduction of 25% of Genentech's space to match what is tracked by the brokerage.

As shown by Table 3, the four major investor owners of office/life science space, along with Genentech as a corporate owner/user[5], control nearly 80% of the office/life science market area. Healthpeak Properties, Inc.[6], Alexandria Real Estate Equities, and Kilroy Realty Corporation are all real estate investment trusts. While Healthpeak and Alexandria specialize in life science properties nationwide, Kilroy has a more diversified property base focused on the West Coast. BioMed Realty was previously a real estate investment trust, but was acquired by Blackstone in 2015.

For just the life science space, the percentage of major ownership is a substantial 95% across both Brisbane and South San Francisco. The implication of these high ownership rates is that the Brisbane and South San Francisco office/life science market is controlled by established, experienced, and stable owners who have the resources to operate and maintain their properties. For the four investor owners, this includes established relationships with major life sciences companies across their property portfolios. As these owners build and add new product to the market, they would likely manage the supply increases to avoid cannibalizing their existing buildings through rampant development of new product.

Implications for Project and Potential Absorption

Within the competitive landscape of the Brisbane and South San Francisco office/life science market, The Baylands is a bit isolated, situated north of the closest cluster by about two miles. This separation could be a competitive disadvantage, but could also be an opportunity for a large company to establish a cohesive campus. The Project, estimated to total nearly 6.4 million square feet of space, would represent a 40.5% increase in the market inventory. The Project is expected to be phased over a 10-year period, with about 3.4 million square feet in the West Area's Icehouse Hill area developed first. Even then, this first phase is about 21% of the market inventory. As development would occur based on market conditions and tenant demand, it is quite likely that the Project's development timeframe will be extended.

FORECASTED OFFICE/LIFE SCIENCE BUILDING DEMAND

The degree to which absorption of the Project's office/life science buildings will impact the existing competitive market will be dependent upon growth in demand for office/life science product in Brisbane, South San Francisco, and broader San Mateo County. Therefore, this section presents employment projections for the employment sectors most likely to generate demand for office/life science space. The employment projections are then converted to office/life science space demand estimates. These estimates provide a context for absorption of the Project as well as additional planned developments addressed later in the cumulative office/life science project analysis. Because city-level employment projections are not available, ALH Economics used projections for San Mateo County in its analysis.

Forecasted Office/Life Science Employment

Due to the scale of the Project's proposed office/life science development and the potential for a long-term development horizon, ALH Economics forecast employment applicable to this space to 2050. ALH Economics used two different approaches for forecasting employment because office space users

[5] As indicated in Table 3, the space owned by Genentech is reduced by 25% to account for the indication by Newmark that they include about 75% of Genentech's space in its market inventory statistics.
[6] Healthpeak Properties was previously known as Healthcare Properties.

tend to tie directly to major employment sectors while industry subsectors generally comprise uses for life science space.

Forecast Methodology and Employment - Office. For the office use, ALH Economics developed current year 2023 estimates of employment in the Financial activities, Information, and Business, Technical, and Professional Services sectors, and then forecasted employment out to the year 2050. These estimates and forecasts were developed for San Mateo County. The base year 2023 estimate was prepared by starting with the State of California Employment Development Department (EDD) year 2021 estimate and then growing it out two years to 2023. The growth rate used is the San Mateo County growth rate deduced from EDD sectoral employment projections from 2018 to 2028. [7]

The 2023 estimates were then grown out to the year 2050 to provide an estimated range of future employment using two different metrics, which are presented in Exhibit 7. One of these metrics is the base and projected industry employment prepared by Caltrans, which provides county-level projections to the year 2050. The second metric comprises the 2018 to 2028 EDD projections, with the 10-year CAGR extended into the future up to the year 2050. This is a study assumption that the 10-year rate will apply equally to the subsequent decades, as EDD does not project beyond the 2028 timeframe. Exhibit 8 presents the Caltrans projections to 2050, while Exhibit 9 presents the EDD employment data for 2018 and projections to 2028. As shown in Exhibit 7, the two data sources yield different employment increases between 2023 and 2050, with the amount derived by the EDD data (67,086 jobs) over four times higher than that forecast by Caltrans (15,666 jobs).

Forecast Methodology and Employment – Life Science. For the life science use, ALH Economics focused on the industry subsectors that most commonly comprise the employment base for this type of space. As previously shown in Exhibit 5 and based on a study prepared by Biocom California, the broad categories of employment include Research & Manufacturing, Medical Devices & Equipment, Biopharmaceutical, Biotechnology, Scientific/Research Tools, and Food & Ag Biotechnology. Exhibit 5 also indicates that San Mateo County captures 28% of the Bay Area's life science employment. Exhibit 10 presents the forecast for Bay Area life science employment to 2050, with 2021 employment based on figures presented in the Biocom California study. San Mateo County's capture rate varies from 28% (as presented in Biocom's study) up to 40%. At the 2021 capture rate of 28%, San Mateo County is estimated to add 8,971 jobs, while if the capture rate increases to 40%, the increase would be 30,406 jobs between 2021 and 2050.

The Bay Area employment forecasts are based upon a CAGR derived from national life science employment projections prepared by the Bureau of Labor Statistics (BLS). These forecasts are presented in Exhibit 11 and are tied to the industry subsectors identified in the Biocom California report. These include such subsectors as "Pharmaceutical and medicine manufacturing," "Medical equipment and supplied manufacturing," and "Scientific research and development services," to name a few. The BLS projects these jobs out to 2031, with the "Percent of Industry Sector" applied to the totals. From these estimates, a CAGR from 2021 to 2031 is calculated and applied to Bay Area life science employment. This growth rate is carried out to 2050. This is a study assumption that the 10-year growth rate will apply equally to subsequent decades, as the BLS does not project beyond 2031.

[7] The EDD projection data combine both San Francisco and San Mateo counties. ALH Economics calculated the CAGR for the overall employment growth in these two counties and applied it to the San Mateo County employment figure.

Combined Forecasted Office/Life Science Employment and Building Demand

Projection to 2050. Exhibit 7 presents forecast employment for office-using space between 2023 and 2050, while Exhibit 10 presents forecast employment for life-science using space over the same period.[8] These exhibits also respectively forecast office and life science space demand based upon the employment densities at 310 square feet per employee for office use and 350 square feet per employee for life science use, and market-derived vacancy rates (10.0% for office and 7.5% for life science). These parameters were presented in Exhibit 1. These employment and space demand forecasts are combined in Table 4.

Table 4
San Mateo County, 2023-2050
Office and Life Science Employment Projections & Net New Space Demand

Demand Characteristic	2023-2025	2025-2030	2030-2035	2035-2040	2040-2045	2045-2050	Total
Employment Increase							
Office							
Caltrans (1)	8,161	2,792	1,275	1,601	1,087	750	15,666
CA EDD (1)	4,140	10,877	11,673	12,527	13,443	14,426	67,086
Average	6,150	6,834	6,474	7,064	7,265	7,588	41,376
Life Science (2)	570	1,461	1,513	1,566	1,621	1,678	8,409
Vacancy-Adjusted Incremental Space Demand							
Office Average	2,118,496	2,354,081	2,229,877	2,433,134	2,502,439	2,613,704	14,251,731
Life Science	215,831	552,835	572,307	592,464	613,332	634,934	3,181,703
Total	2,334,327	2,906,916	2,802,184	3,025,598	3,115,770	3,248,638	17,433,433
Annual Average Demand per Year							
Office Average	1,059,248	470,816	445,975	486,627	500,488	522,741	527,842
Life Science	107,916	110,567	114,461	118,493	122,666	126,987	117,841
Total	1,167,164	581,383	560,437	605,120	623,154	649,728	645,683

Sources: Exhibits 7 and 10; and ALH Urban & Regional Economics.
(1) See Exhibit 7.
(2) See Exhibit 10.

As shown in Table 4, because there is more office-using than life science employment in San Mateo County, there is forecast to be more demand for office space countywide at 14.25 million square feet through 2050. The amount of forecasted demand for life science space to 2050 is 3.2 million square feet. The combined total is 17.4 million square feet. Given the long-term nature of the projections, the forecasts are somewhat speculative.

The findings summarized in Table 4 result in an annual average demand of 645,700 square feet of office and life science space. San Mateo County has an existing inventory of approximately 41.1 million square feet of office space and 19.95 million square feet of life science space, for a total of 61.05 million square feet. Thus, if the projected level of demand is realized, and the demand is indeed expressed for office/life science space, the newly absorbed space would comprise a near 28.5% increase over San Mateo County's existing inventory.

[8] The office-using employment presented in Exhibit 7 adjusts the employment in the Professional, business, and technical services sector to exclude employment in the Scientific research and development services subsector, recognizing that some employment in this subsector occupies life science space versus office space.

Limitations of Forecasted Demand. The preceding demand projections are intended to provide a general sense of the projected office/life science demand in San Mateo County. The figures are not precise estimates, and actual results achieved during the projection period will likely vary from the demand projections. Changes would occur if employment growth varied from the levels deduced from currently available economic data and other relevant information. Key economic data central to the demand projections include employment growth rates derived from Caltrans, EDD, and BLS economic forecasts, as well as the capture rate of San Mateo County's life sciences sector. For example, if San Mateo County illustratively captured 34%[9] of all future Bay Area life science job growth instead of its 2021 ratio of 28%, then another 10,717 jobs would be added supporting an additional 4.1 million square feet of space. ALH Economics does not warrant the accuracy of these growth rates and employment growth could vary from the levels associated with these forecasts, which in turn would alter the demand forecasts. Some of the variations may be material to the conclusions of the analysis. However, the demand projections comprise an indicator useful to the urban decay analysis and generally indicate a likely trend toward future growth and associated office/life science demand. [10]

PROJECT IMPACT ON EXISTING OFFICE/LIFE SCIENCE BASE

The Project's office/life science component totals 6,397,800 square feet of new office/life science space. This amount of space comprises a 40.5% addition to the existing 15.8 million square-foot inventory in San Mateo County. Considering the countywide inventory of office and life science space of 61.1-million-square-foot, the Project represents a 10.5% supply increase.

As just forecasted, the San Mateo County economy as a whole is projected to experience demand for office/life science space in the near- and long-term future. For example, the demand projected from 2023 to 2025 totals 2.3 million square feet, or close to 1.0 million square feet per year. Over the next 5-year period, the incremental space demand is forecasted at 2.9 million square feet. At an average annual estimated demand of 645,683, the Project's office/life science space would require absorption of approximately 10 years' demand for office/life science space in San Mateo County. This is on par with the Project's proposed development time horizon of about 12 years.

For the Project's office/life science space to potentially have a negative impact on the market, it would need to draw tenants away from existing buildings without the potential for that space to be re-tenanted, thus increasing the vacancy rate to an unhealthy level. There are major factors that suggest these circumstances are unlikely to happen.

The current availability rate is low in the office/life science market area, at 8.1% for office and life science combined, which is favorable in contrast to other areas. For example, it is widely reported that the vacancy rate in San Francisco's downtown office market is near 30%. Future employment-based demand projections suggest that existing companies will be growing and other new tenants would be interested in locating in the competitive office/life science market area. At worst, interception of this demand by the Project would slow development and absorption of the competitive office/life science buildings, but not create widespread vacancies.

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[9] This 34% figure is the midpoint of the range illustratively presented on Exhibit 10, benchmarked to the prevailing 28% share in 2021.

[10] Additionally, due to the lasting impact of the pandemic on working patterns for office space, it is quite possible that new office jobs may not necessarily result in demand for new office buildings. The "new normal" of hybrid work-from-home policies could mean that more office jobs may translate into less office space than indicated by the historic density metric of 310 square feet per employee.

Development of the Project itself will occur in phases and be driven by market conditions and tenant demand. To the extent that demand for the Project's office/life science buildings is less robust than expected, then construction will slow to better align with demand. This may mean that development timing of later phases would be pushed further out into the future.

The existing inventory of space in Brisbane and South San Francisco is relatively new, with many buildings less than 20 to 25 years old. Additionally, the market has a highly concentrated ownership pattern, with large, experienced companies controlling most of the space. This suggests that these landlords have the wherewithal to successfully maintain, market, and re-tenant large vacancies due to tenant movement to the Project.

In conclusion, development and absorption of the proposed 6,397,800 square feet of The Baylands office/life science space is not anticipated to result in a sustained negative impact on the existing office/life science base in the competitive market area that would lead to urban decay.

CUMULATIVE OFFICE/LIFE SCIENCE PROJECTS ANALYSIS

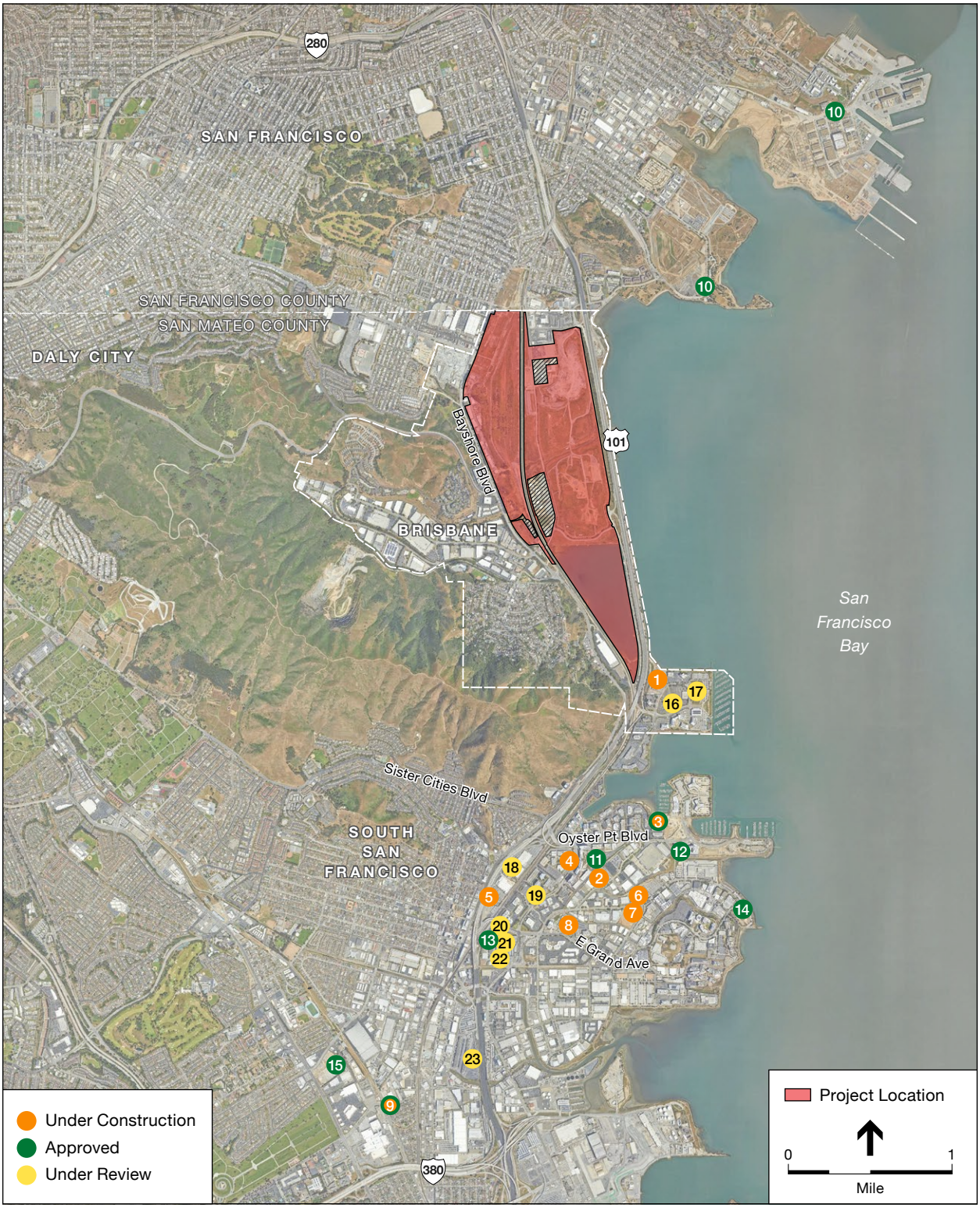
Planned Future Supply of Office/Life Science Space

It is imperative that urban decay analysis for environmental review purposes take into consideration development of cumulative projects in addition to the project under study. To identify potential future projects for the cumulative analysis, ALH Economics reviewed a cumulative supply list prepared by the City of Brisbane and updated it with information available on the Planning Department website pages for the cities of Brisbane, Daly City, San Francisco, and South San Francisco.[11] The results of the update are presented in Exhibit 12, which includes 23 projects (50,000 square feet or larger) that are under construction, approved, or under review. Map 2 identifies the location of these projects.

As shown in Exhibit 12, there are nine projects under construction, with a total of 3.47 million square feet of space. This includes Genesis Marina in Brisbane (422,000 square feet) and phases of three large multi-phase projects in South San Francisco: Gateway of Pacific; Oyster Point; and Southline. Oyster Point Phase 2 is the largest of the under construction projects, at 865,000 square feet, followed by Southline at 670,000 square feet.

The approved projects category totals 13.7 million sq. ft., comprising about 61% of the total future supply. This includes portions of Gateway of Pacific, Oyster Point, and Southline that are not currently under construction. Other major projects on this list include the Genentech Master Plan, which was adopted in November 2020 and provides for the company's growth over a 20-year time span. The nearly 4.0 million sq. ft. of space does not include amenity space. Most of the future buildings represent densification of the existing campus – redevelopment of existing low-density structures, construction on parking lots, etc. Construction of this space would be timed to meet the company's future needs. Another significant project is the 4.9 million square feet of office/life science space approved at Hunters Point Shipyard/Candlestick Point. This 700-acre redevelopment of the former Naval shipyard and Candlestick Park stadium site includes over 10,000 residential units, 705,000 sq. ft. of retail space, a hotel, arena, film arts center, artist studios, and other uses. This development has been stalled due to issues regarding proper testing and reporting of the site's environmental

[11] There are no office/life science projects in the eastern part of Daly City, which is the portion of this city that would be competitive with the Project.



Map 2: Cumulative Office/Life Science Supply

contamination.[12] Genentech and Hunters Point Shipyard/Candlestick Point represent 65% of the approved space.

There are eight projects, with a total of about 5.4 million square feet of space, under review. These include Sierra Point Towers and the 9000 Marina Hotel/Biotech project in Brisbane. Given that these projects have yet to receive entitlements, this group is the most speculative component of future supply.

The planned projects identified in Exhibit 12 total approximately 22.56 million square feet of office/life science space with the potential to be added to the office/life science market area's inventory. Including the Project, the potential amount of office/life science space that could be added to the office/life science market area totals 28.96 million square feet. This amount of space represents nearly two times the market's existing office/life science base. The large amount of space reflects the high development interest in life science buildings over the past few years. With offices languishing since the onset of the pandemic, with limited prospect of improvement due to remote work, developers have focused on life science buildings – both new construction and conversion of existing office buildings.

Cumulative Office/Life Science Projects Impacts Conclusion

Approach. The purpose of an urban decay analysis is not to conduct a market study to determine the degree to which demand for a planned project does or does not exist, but rather to assess what impact the planned project could have on the existing real estate base ***assuming*** it is built. The same applies to analysis under the cumulative projects scenario. Sometimes demand analysis is a component of the urban decay analysis, to assess the degree to which future demand may provide overall market support and thus offset any negative impacts that might be attributable to the project and cumulative projects under study. Such is the case in this analysis, where this section examines the relationship between projected cumulative project supply, including the Project, and office/life science space demand in San Mateo County.

San Mateo County Supply and Demand Projection. As depicted in Table 4, projected demand in San Mateo County totals approximately 2.3 million square feet during the 2023-2025 timeframe, another 2.9 million square feet during in the subsequent 2025-2030 timeframe, 2.8 million square feet in the 2030-2035 timeframe, and yet another 9.4 million square feet to 2050. These total about 17.4 million square feet over the next 27 years for San Mateo County as a whole. The planned supply among all the projects identified in the office/life science market area, including The Baylands, totals approximately 28.96 million square feet. Thus, potential supply in just Brisbane and South San Francisco (plus Hunters Point in San Francisco) exceeds projected countywide demand by 66%. This assumes all planned projects materialize, which may not be the case given the potential for a significant oversupply of space.

Cumulative Project Impacts Conclusion. With this potential surplus of supply, the most likely scenario is that some of the projects not currently under construction (i.e., approved or under review) would delay construction until such time as demand supports construction. The project sponsors would wait until they had a major tenant commitment for space. This is a reasonable scenario as most of the future supply projects are sponsored by well-established corporate developer-investors, such as the

[12] While located in San Francisco, Hunters Point Shipyard/Candlestick Point is distant from the City's employment and office nodes. This project would likely pioneer a new office location that could be competitive with Brisbane and South San Francisco.

major building owners previously described, and other reputable developers. These developers would likely keep a close watch on economic and market conditions and time their projects such that the completed buildings do not sit empty for an extended period of time.

Another possible scenario is that demand exceeds the study projection, and is generated in sufficient volume to absorb the planned supply. On the one hand, this study conservatively assumes that San Mateo County retains its current capture rate of Bay Area life science employment. A more aggressive assumption of a 34% capture rate as previously noted, which is the midpoint of the range shown on Exhibit 10, would support an additional 4.1 million square feet of space in San Mateo County. However, other considerations, such as the cost of real estate in San Mateo County, limited housing production, and regional traffic congestion, suggest that this scenario is less likely.

If either of these scenarios occurred, with the first scenario involving a slowdown in the development of new supply and the second involving an increase in demand, there would be no detrimental impact on the existing office/life science inventory. The implications of these findings on urban decay affecting the existing office/life science base are discussed in Chapter V. Urban Decay Implications.

IV. RETAIL SPACE ANALYSIS

PROJECT CONCEPT AND RETAIL SALES ESTIMATION

Space Distribution by Type of Retail

The Baylands's retail component is proposed to include 102,200 square feet of retail space. This space is anticipated to be distributed among the ground floor of multiple mixed-use buildings, primarily in the West Area. The Project space and tenant composition is relatively undefined at this stage of conceptualization.

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

The estimated retail space distribution by category is presented in Exhibit 13, and summarized in Table 5. This distribution was prepared based on input from the Project Sponsor, professional judgment, and ALH Economics experience in the retail industry. The guidance provided by the Sponsor included the expectation that the Project would not include a grocery store, as another planned retail project nearby is anticipated to include a food market of some sort (see Cumulative Retail discussion). ALH Economics further assumed the Project would not include used or new motor vehicle sales or auto parts dealers as well as a gas station.

Table 5. Baylands Retail Project Space Distribution by Retail Category

Retail Sales Category	Occupied Square Feet
Motor Vehicle & Parts Dealers	0
Home Furnishings & Appliances	10,000
Building Materials & Garden Equipment	0
Food & Beverage Stores	0
Gasoline Stations	0
Clothing & Clothing Accessories	16,000
General Merchandise Stores	12,000
Food Services & Drinking Places	26,000
Other Retail Group	10,000
Non-Retail Uses	17,980
Total	**91,980**

Source: Exhibit 13.

As can be seen in Table 5, the largest category of space is Food Services & Drinking Places at 26,000 square feet (28% of space), followed by Non-Retail Uses at 17,980 square feet (20%). Non-retail uses include tenant types such as banks, financial services, insurance, postal services, and personal

services, such as hair and nail salons. The third-largest category is assumed to be Clothing & Clothing Accessories at 16,000 square feet (17%).

The balance of space is assumed to divided between General Merchandise Stores, Home Furnishings & Appliances, and Other Retail Group. The Other Retail Group category includes retailers selling a wide range of goods, including drug stores, health and personal care, gifts, art goods and novelties, sporting goods, pet supply, toy stores, florists, photographic equipment and supplies, musical instruments, stationary and books, office and school supplies, and miscellaneous other retail stores.

Projected Retail Sales

Exhibit 14 includes projections of retail sales for the Project's retail component. Because sales per square foot performance varies by type of retailer, ALH Economics estimated sales per square figures for each assumed Project retail sales category. As shown in Exhibit 14, these category estimates ranged from $300 to $600 per square foot. The individual category estimates are consistent with industry standard sales as reported by various resources, including HdL ECON Solutions and emarkter.com (see the exhibit sources).

The resulting total projected retail sales by category are summarized in Table 6. As noted, the Project's projected retail sales total $33.1 million. This figure does not include sales for non-retail uses. The sales at such uses are not readily tracked by the CDTFA, and thus are not as readily analyzed as the sales in categories reported by CDTFA.

Table 6. Summary Retail Sales

Retail Sales Category	Occupied Sq. Ft.	Annual Retail Sales
Motor Vehicle & Parts Dealers	0	$0
Home Furnishings & Appliances	10,000	$3,500,000
Building Materials & Garden Equipment	0	$0
Food & Beverage Stores	0	$0
Gasoline Stations	0	$0
Clothing & Clothing Accessories	16,000	$6,400,000
General Merchandise Stores	12,000	$3,600,000
Food Services & Drinking Places	26,000	$15,600,000
Other Retail Group	10,000	$4,000,000
Non-Retail Uses	17,980	$0
Total	**91,980**	**$33,100,000**

Source: Exhibit 14.

Consistent with the assumed distribution of the Project's retail space, projected sales are greatest in Food Services & Drinking Places, totaling $15.6 million, distantly followed by Clothing & Clothing Accessories at $6.4 million, Other Retail Group at $4.0 million, General Merchandise Stores at $3.6 million, and Home Furnishings & Appliances at $3.5 million. These sales estimates are in 2023 dollars.

RETAIL MARKET AREA DEFINITION AND RETAIL CHARACTERIZATION

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

Project Retail Market Area Definition

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

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

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

> "A site generally has a primary and a secondary trade area, and it might have a tertiary area. The primary trade area should generally supply 70 to 80 percent of the sales generated by the site. These boundaries are set by geographical and psychological obstacles."[13]

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

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

> "A trade area is the geographic market that you will be offering to potential retailers as a consumer market. … Defining a retail trade area is an art and a science. In general, a trade area should reflect the geography from which 75-90 percent of retail sales are generated. Different stores can have different trade areas based on their individual drawing power and the competitive market context."[14]

[13] Shopping Center Development Handbook, Third Edition, Urban Land Institute, 1999, page 44.
[14] Developing Successful Retail in Secondary & Rural Markets, International Council of Shopping Centers in cooperation with National Association of Counties, 2007, page 7.

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

The Baylands Retail Market Area. ALH Economics conducted research to develop an estimate of the retail market area for the Project, i.e., the area from which the majority of shoppers will originate. This retail market area took into consideration the size and nature of the Project's retail component, the location of other retail nodes where consumers can shop, the location of population nodes, distance from the Project site, and drive time from the Project site. In general, based upon the existing distribution pattern of shopping nodes, and the typical distance driven by consumers to satisfy basic shopping needs, the parameters deemed most relevant to determine the retail market area geography included site access via Bayshore Boulevard, the relatively small size of the retail component, which is sized most akin to a neighborhood-oriented shopping center, and the proximity of select future planned retail development.

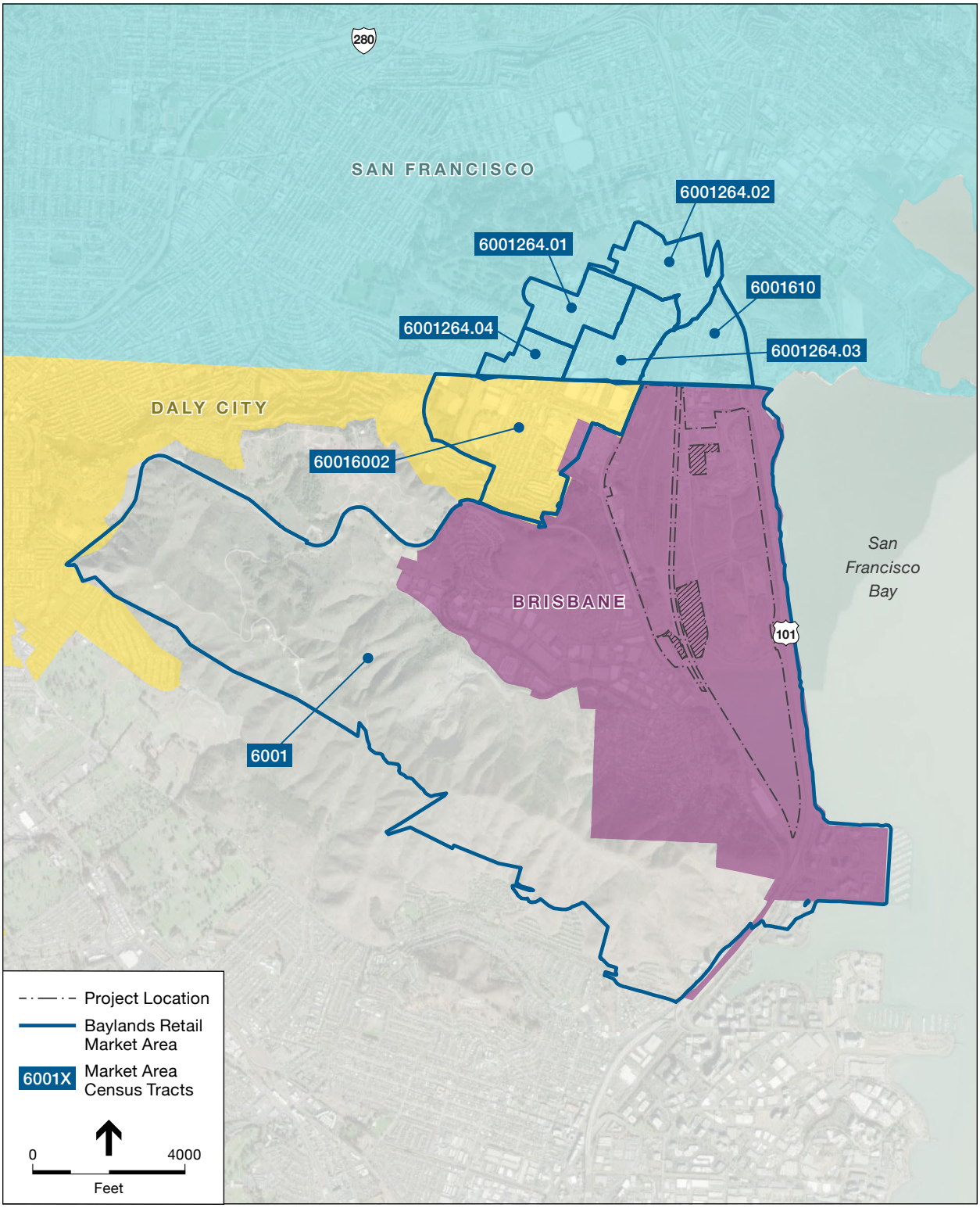
To best define the area in a manner that can be replicated by others, ALH Economics examined the distribution of census tracts around the Project site and selected the tracts from which the Project retail is most likely to attract demand for neighborhood-oriented retail. These tracts include the City of Brisbane and also proximate portions of the cities of Daly City and San Francisco. Because of how the census tracts are shaped, the one immediately to the north of the Project site extends to the east of Highway 101. ALH Economics believes the highway will comprise a physical barrier, limiting consumer draw east of Highway 101. Therefore, the retail market area is estimated to comprise only a portion of this census tract.

The Baylands retail market area is graphically depicted in Map 3. This area includes the following census tracts:

- 6001 (City of Brisbane and unincorporated areas)
- 6002 (City of Daly City)
- 264.01 (City of San Francisco)
- 264.02 (City of San Francisco)
- 264.03 (City of San Francisco)
- 264.04 (City of San Francisco)
- 610 (City of San Francisco, partial)

This area includes all of Brisbane, San Francisco's Visitacion Valley neighborhood, and small portions of Daly City (e.g., Geneva Avenue), and other San Francisco areas.

As noted above, an advantage of using census tracts is that the retail market area definition is easily defined, easily replicable, and key demographic estimates and projections can often be readily available in this format.



Map 3: Baylands Retail Market Area

Retail Market Area Support of Project Sales

For study purposes, ALH Economics anticipates there will be several sources of demand for the Project's retail space. These sources include the following:

- Existing retail market area households
- The Project's future planned households
- Employees working in the Project
- Guests of the Project hotel

Estimated retail demand generated by these sources is probed later in this report chapter.

There are other planned residential and employment-generating uses in the retail market area. These uses are also likely to generate some demand for the Project, as well as for existing retail outlets. Demand generated by these sources is also estimated.

Retail stores or shopping centers typically attract some portion of demand from outside a defined primary retail market area. This is especially the case for large, well-located retail venues. However, given the size, nature, and location of the Project's retail space, this analysis conservatively does not make allowance for demand generated from outside the retail market area.

Retail Market Area Orientation and Physical Condition

Retail Orientation. As evidenced by field visits to the Project's retail market area in April and May 2023, the retail market area is overwhelmingly characterized by neighborhood-serving retail options, oriented toward serving neighborhood residents and some daytime employee commercial needs. The existing retail is located in downtown Brisbane on Old County Road and Visitacion Avenue, and then along some of the retail market area arterials, such as Geneva Avenue in Daly City, and Bayshore Boulevard, Sunnydale Avenue, and Leland Avenue in San Francisco, to the north of Brisbane. There is only one shopping center in the retail market area, Brisbane Village Shopping Center on Old County Road, with all other retail offerings generally comprising stand-alone stores or shop space along older commercial corridors.

Brisbane Retail Offerings. Brisbane Village Shopping Center is a small strip center in Brisbane with mostly restaurants and personal services on the ground floor and additional services on the second floor. Existing services at the center include a coin laundry, dry cleaner, spa, and hair and nail salons. The restaurants and food stores include a Subway, a donut shop, and ethnic cuisine restaurants (e.g., hot pot and Japanese restaurants). Additional tenants include a jewelry store and a church. Downtown Brisbane is a few blocks away from the shopping center, and mostly comprises stores along a four-block stretch on Visitacion Avenue. This walkable stretch is anchored by Brisbane Hardware & Supply, at the foot of Visitacion Avenue by San Bruno Avenue. This is a well-equipped store providing a comprehensive mix of hardware and general merchandise supplies, with strong customer service. The mix of commercial businesses along Visitacion Avenue includes retailers, restaurants, and personal, business, and medical services. Some of the retailers include a woman's boutique, a liquor & deli store, and a market - Midtown Market. This market is a long established retailer that carries basic food selections, including some upscale items, along with alcohol and wine, but limited fresh protein such as meat or seafood. There are a number of food and beverage establishments in this area, including a taqueria, Chinese restaurants, a pizzeria, a bubble tea store, a vegan restaurant that also provides catering, and a coffee house. Some of the services on Visitacion Avenue include beauty salons, an accountancy, a chiropractor, and a custom garment maker. There is at least one non-profit

also located on Visitacion Avenue, Lyrical Opposition, which is an arts organization opposing injustice through lyrical arts.

Other Retail Market Area Retail Offerings. Elsewhere in the retail market area there are additional neighborhood-serving retailers, restaurants, and services along several of the main arterials. Geneva Avenue in Daly City is closest in proximity to the Project. Customer-serving uses located on the portion of Geneva Avenue between Bayshore Boulevard and the Cow Palace include a Dollar Tree general merchandise store, several fast food restaurants (e.g., McDonald's and KFC/Taco Bell), a couple bakeries, two pizzerias, an Asian restaurant, a couple mini-markets selling alcohol and limited groceries, a mattress outlet, a Polynesian clothing store, and a laundromat.

Further north of the Project site, in San Francisco's Visitacion Valley neighborhood, there is a Grocery Outlet grocery store at Bayshore Boulevard and Sunnydale Avenue; there is also a donut shop located nearby. The next most significant cluster of commercial establishments is further north on Leland Avenue. On Bayshore Avenue, approaching Leland Avenue, existing commercial uses include a real estate services company, a beauty salon, and a cannabis store. There is a Bank of America bank located at the corner of Leland Avenue and Bayshore Boulevard. Leland Avenue has a significant cluster of businesses in the first three blocks west of Bayshore Boulevard. This walkable stretch features many local-serving retailers and services, including several small markets, laundromats and dry cleaners, hair and nail salons, a credit union, a pharmacy, a chocolate shop, bakeries and restaurants (to go and dine-in), an electronics store, and a dog grooming parlor.

There are other scattered commercial establishments within the Project's retail market area, but they are sparsely distributed, and primarily include small markets or liquor stores. In general, the retail market area's northern boundary ends around Mansell Street. San Bruno Avenue is perpendicular to Mansell Avenue. North of the intersection of the two roads, San Bruno Avenue is lined with a range of small retailers, restaurants, and service providers, extending about 10 blocks to Silver Avenue, out of the Visitacion Valley neighborhood and into the Portola neighborhood. However, as noted, these establishments are not located in the Project's retail market area.

Retail Vacancy and Physical Condition. There are scattered pockets of retail vacancies in the retail market area. In Brisbane, the retail vacancy is largely located at the Brisbane Village Shopping Center. Among the approximately 13 ground floor spaces, three were vacant at the time field reconnaissance was conducted in April and May 2023. One of the spaces has been vacant for a number of years (at least 5), while two of the spaces became vacant during the COVID-19 pandemic. These two spaces were former restaurants - a taqueria and a Vietnamese BBQ restaurant. Anecdotal information from other retailers in the shopping center as well as shoppers indicates that these two restaurants could not weather the pandemic-induced shutdown, especially with the drop-off of lunch traffic typically generated by nearby employers. The current Japanese restaurant at the shopping center, however, opened during this period, and appears to be faring well. There appear to be some second floor commercial space vacancies at Brisbane Village Shopping Center; these types of spaces are typically occupied by office-based users.

The Brisbane Village Shopping Center was built in 1979/1980.[15] The center is in good physical condition. One of the vacant restaurant spaces has ripped butcher block paper inside the exterior windows, but other than this, there are no indicators suggestive of urban decay. Hence, the center's existing vacancies, including the more long-term vacancy, have not resulted in physical decline of the property.

[15] See https://calisphere.org/item/ark:/13030/kt167nc9xh/

The commercial spaces in Downtown Brisbane appear to be almost all occupied. During field reconnaissance in April 2023 ALH Urban and Regional Economics noted only one obvious small vacancy, in a building that has not been well-maintained. The recent sale of a downtown commercial building comprises a positive real estate market indicator, suggestive of demand for downtown Brisbane commercial spaces.

In the Daly City portion of the retail market area, along Geneva Avenue, most of the commercial properties are older, and in generally fair to good condition. At the edge of the retail market area, the new Pacific Place apartment project has ground floor retail space still in the lease up phase, so some spaces are vacant. As these spaces are in a newly constructed project, they are in very good physical condition.

In the portion of the retail market area in San Francisco's Visitacion Valley neighborhood, the commercial retail properties are in generally fair to moderate condition. While some consider this area to be one of San Francisco's most overlooked neighborhoods, [16] its core neighborhood shopping district has a good mix of retailers with very little vacancy. While one major vacancy has butcher block paper covering all the windows, many of the existing vacancies show signs of renovation and/or pending occupancy, demonstrating market interest in serving this neighborhood.

Overall Summary. In summary, the Project's retail market area comprises almost all neighborhood-serving retailers. There are some retail vacancies, with the largest concentration located in the Brisbane Village Shopping Center. These vacancies are primarily related to the retail market impacts of the COVID-19 pandemic. Overall, while some existing retail market area commercial retail vacancies are in older buildings, they are generally in reasonable condition with no signs of urban decay.

RETAIL MARKET AREA DEMOGRAPHICS AND RETAIL SPENDING POTENTIAL

This section identifies the retail market area's demographic characteristics, and estimates retail demand generated by the population groups most likely served by the Project's retail tenants.

Existing Retail Market Area Demographic Characteristics

ALH Economics obtained demographic estimates for the population base of the retail market area census tracts from Claritas, which is a leader in the United States in providing demographic and economic data, including modeled data. These demographic data are presented in Exhibit 15, which highlights the City of Brisbane (1 census tract), and the census tracts associated with both Daly City (1 census tract) and San Francisco (5 census tracts). Figures for one of the San Francisco census tract are adjusted to account for a portion of the census tract deemed to be outside the retail market area. In total there are six census tracts estimated to be totally within the retail market area, and one census tract where 50% of the area is within the retail market area.

Per Claritas, there are an estimated 26,257 people and 7,765 households in The Baylands retail market area in 2023, with an average household size of 3.4 persons. The average household income for these households is about $165,000, with a median of $114,000. These income figures are most heavily influenced by the households in the Brisbane census tract, which at 27% of all retail market

[16] https://www.sfchronicle.com/sf/article/Visitacion-Valley-historical-landmarks-16636614.php

area households comprise the largest share of households. Approximately two-thirds of Brisbane households have average incomes over $100,000, compared to approximately half in the balance of the retail market area. Brisbane also includes the smallest sized households, averaging 2.5 persons per household, and oldest population, with the median age of 43.4.

Retail Market Area Retail Demand Generators

As noted earlier, the Project's retail space is anticipated to serve several market segments. These include existing retail market area households, future planned Project households, employees working in the Project, and guests of the Project hotel. This section presents retail demand estimates for these different market segments. The Project's retail will also serve existing area employees, but this market segment is not included in the analysis, in large part because of the difficulty in assessing the size of this segment. Other market segments served by the Project are evaluated later in the context of the cumulative project analysis.

Household Retail Demand Estimates. ALH Economics maintains a retail demand model that estimates household spending on retail. The model is based upon analysis of taxable statewide retail sales combined with an estimate of household spending on retail by income. The model assumes that households in a retail market area will make retail expenditures comparable to the pattern of retail sales in the State of California. Exhibit B-1 presents the results of this analysis. This exhibit indicates that among the nine major retail categories tracked by the State of California Department of Tax and Fee Administration, household spending in 2021 was anticipated to be greatest for Food & Beverage sales at 15.5% of all retail spending and lowest for Home Furnishings & Appliances at 5.0% of all retail spending.

Pursuant to data published by the U.S. Bureau of Labor Statistics, 2021 Consumer Expenditure Survey, households in different income brackets in the United States spend different percentages of their household income on retail goods. Typically, the percentage is highest in the lowest income brackets and decreases as incomes increase. This relationship is depicted in Exhibit B-2, which summarizes the Consumer Expenditure Survey findings. For example, households with annual incomes in 2021 between $15,000 to $29,999 spent an average of 61% of household income on the type of retail goods tracked by the State of California Department of Tax and Fee Administration. At the far extreme, this percentage dropped to 17% for households earning over $200,000 a year. The corresponding percentages for all other intervening income brackets are presented in Exhibit B-2, which shows that the percentage of income spent on retail decreases as income increases. This information is used to estimate retail demand for existing retail market area households, as well as households in cumulative residential projects located in the retail market area.

- ***Existing Retail Market Area Households.*** The income bracket presented in Exhibit B-2 that best matches The Baylands retail market area demographics is the $150,000 to $199,999 bracket, where the average household income is $171,570 and the percentage of income spent on retail is 23%. Because the average retail market area household income of about $165,000 is relatively close to the average within the bracket, ALH Economics estimates that the retail market area households will on average spend 23% of income on retail goods based on interpolation of the data findings.

  Retail market area household retail demand was estimated based upon this 23% share of income spent on retail and the estimated distribution of retail spending pursuant to Exhibit B-1. Results for the existing 2023 household base are presented in Exhibit 16. These figures

indicate total retail market area retail demand potential for brick and mortar stores of nearly $220 million in 2023.[17]

Using average sales per square foot estimates, and a retail vacancy allowance, the household retail demand figures are converted to estimates of supportable square feet of retail space, including services. Thus, the existing retail market area households are estimated to have the capacity to support approximately 606,000 square feet of retail and services space. The largest shares of this demand comprise approximately 113,000 square feet each in the General Merchandise and Other Retail Groups, where Other Retail includes goods such as drug stores, sporting goods, and pet supply, among others. The next largest categories of supportable retail space include Food and Beverage Stores, with approximately 82,000 square feet, followed by 66,000 square feet of restaurant and bar demand (e.g., Food Services and Drinking Places), and 62,000 square feet of Building Materials and Garden Equipment.

- ***The Baylands Households.*** The residents of the 2,200 planned The Baylands housing units will also generate demand for retail space. The unit types and pricing are as yet unspecified. Thus, to estimate an average household income for The Baylands units ALH Urban & Regional Economics deferred to the assumptions in a fiscal impact analysis prepared for the Project by Economic Planning Systems, Inc., in 2022. This study was prepared for the Project developer, with an approximate weighted annual average household income of $350,000 for new Project households. As shown in Exhibit 17, households at this average income level are estimated to spend approximately 17% of income on retail, comprising $58,600 on average.

  Based on these assumptions, and the approach to estimating demand for the existing retail market area households, the demand estimate for the occupied Project housing units is presented in Exhibit 18. This exhibit indicates that across all the Project households, spending on brick and mortar retail is estimated to total $91.5 million per year. Using the industry standard sales per square foot figures estimated earlier, this amount of demand converts to a supportable square foot of retail and services estimate totaling approximately 253,000 square feet.

The Baylands Employees. For employee daytime retail demand estimates, ALH Economics drew upon findings from the International Council of Shopping Centers (ICSC) regarding office worker retail spending during the workday. The office worker spending patterns were adapted to life science, hotel, and retail workers based on income proportionality between San Mateo County's office-based workers and the type of workers most likely to work at The Baylands.

- ***Employee Retail Spending Potential.*** For the purpose of the underlying analysis, ICSC conducts its office worker retail spending survey on a recurring basis, with the most recent survey findings released in early 2012. This survey includes analysis of office worker spending near their work location, including analysis by type of retail good (e.g., restaurants and fast food, groceries, and all other goods and services), as well as spending patterns in urban and

[17] The demand analysis makes adjustments for e-commerce spending as a percent of retail demand by retail category, recognizing the increasing propensity over time for on-line retail shopping. The remaining demand net of e-commerce comprises demand for brick and mortar stores.

suburban areas, including areas with or without ample retail.[18] These spending estimates include retail sales made during the workday, including near the work location as well as some before and after work as well. For this Project analysis, given the location of The Baylands, the figures are benchmarked to suburban locations without ample retail. The resulting estimate is approximately $9,425 per year in office worker daytime spending near the work location in 2023 dollars (see Exhibit B-3). This figure rounds up to $9,500 when the main constituent spending categories of restaurants/fast food, groceries, and all other are rounded to the nearest $100.

Since employees at The Baylands will include more than traditional office employees, ALH Economics adjusted the office worker spending estimate on a pro rata basis in accordance with the differential in annual average wages for office workers in San Mateo County and select other types of workers anticipated at the Project. The relative wages for office workers and select other types of workers in San Mateo County are derived from United States Bureau of Labor Statistics employment data and payroll for San Mateo County for 2021 and inflated to 2023 dollars (see Exhibit B-4). Pursuant to the pro rata wage adjustments, the estimated daytime spending estimate is $12,300 for The Baylands life science workers, $1,900 for hotel workers, and $2,900 for retail workers (see Exhibit 19).

Total annual employee daytime retail spending is estimated based on the anticipated number of on-site employees by land use. These employee counts are presented in Exhibit 19, and include 1,524 office workers, 15,521 life science workers, 800 hotel workers, and 184 retail workers. With these employee counts, and the estimated annual retail spending by type of employee, the annual retail spending generated by all employees totals just over $200 million, including $42 million for Restaurants and Fast Food, $30 million for Groceries, and $135 million for All Other. Notably, these are maximum figures, reflecting purchases across several areas, including locations to and from the work location.

- ***Supportable Commercial Space.*** ALH Economics converted The Baylands employee retail spending estimate to supportable square feet based upon the previously estimated sales per square foot by type of space. With a vacancy adjustment, the resulting square footage demand estimates by type of good are presented in Exhibit 19. The supportable square feet findings across all employees total approximately 509,000 square feet, of which 78,000 square feet are for Restaurants and Fast Food, 56,000 square feet are for Groceries, or convenience store shopping, and 375,000 square feet are for All Other, which could include yet additional sundries along with other goods.

The Baylands Hotel Guests. Additional retail and restaurant sales are anticipated to be generated by hotel guests of the Project's planned 800-room hotel. Assuming an industry-standard 65% occupancy rate, and 1.5 average guests per room, the Project hotel is estimated to generate 284,700 annual average guests (see Exhibit 20). Incorporating a governmental allowance assumption of $74 per guest on food and incidentals, the hotel guests are estimated to generate $21 million in food and traveler-related incidental sales. This amount of demand translates into 39,000 square feet of supportable space for restaurants as well as stores selling incidentals.

[18] Ample retail locations would include major shopping centers or significant retail nodes near the office location.

Consolidated Demand and Supportable Retail Space

Figures presented in Exhibit 21 summarize the preceding retail market area supportable retail space estimates, including for existing retail market area households and The Baylands households, employees, and hotel guests. In all, these demand estimates total 1.4 million square feet of retail space, excepting for Motor Vehicles & Parts Dealers and Gasoline Stations, which are excluded from the analysis. Of this amount, approximately 800,000 square feet are generated by consumers associated with The Baylands.

Of the total 1.4 million square foot supportable retail estimate, the largest increment is for the Other Retail Group, with over 500,000 square feet, comprising 38% of the total. There are four additional categories with greater than 100,000 square feet of demand, including Food Services and Drinking Places (15%), Food and Beverage Stores (12%), General Merchandise (11%), and Services (9%).

Notably, these are total demand estimates for brick and mortar retail, regardless of the location of the retail outlets. Thus, given the relatively small, and neighborhood orientation of the Project's retail space, much of this demand will be directed to other, more community- and regional-oriented retail outlets.

PROJECT RETAIL SALES IMPACT ANALYSIS

This section examines whether the Project's sales may potentially result in a negative sales impact on the existing retail sales base. For the Project, the relevant existing sales base includes retail sales in the retail market area. As demonstrated previously, the retail market area's retail base is not very large. Consequently, it is not significant enough to warrant the public dissemination of taxable retail sales by retail category, as is typical among most California cities. However, total retail sales are reported for the Brisbane portion of the retail market area, albeit collapsed into only a few categories.

As with most locales, retail and food services taxable retail sales in Brisbane has varied over the time period spanning the COVID-19 pandemic. In like manner, the number of outlets has also varied. Over the 2019 through 2022 period, Brisbane's taxable retail sales base comprised the following:

- In 2019, 120 outlets with $178.3 million in taxable retail sales;
- In 2020, 116 outlets with $288.2 million in taxable retail sales;
- In 2021, 112 outlets with $316.5 million in taxable retail sales; and
- In 2022, 137 outlets with $204.3 million in taxable retail sales.

The four-year average of these sales totals about $245 million.

These sales do not include non-retail taxable sales, such as taxable sales made by direct selling manufacturers or wholesalers that also conduct retail sales. These sales are collapsed into a different taxable retail sales category labeled "All Other Outlets." This category also includes taxes on taxable items sold by personal and business services that often locate in traditional retail spaces, with the value of these services not otherwise reported. As the cited sales comprise taxable sales only, the total figure would be higher after taking into consideration non-taxable retail sales, such as non-taxable food items (generally 30% of grocery store sales, and even a percentage of general merchandise store sales) and pharmaceutical drug sales.

The Project's sales (excluding services) are estimated to total $33.1 million. This amount comprises about a 12% increase over the recent City of Brisbane four-year average taxable sales figure of $245 million. The percentage would be less if non-taxable sales and sales in the portions of the retail market area outside the City of Brisbane were taken into consideration (e.g., portions of Daly City and San Francisco). However, the amount of these sales is indeterminant from available information.

Absent the generation of any new retail demand, the Project sales would be considered a potential negative impact on the existing retail sales base. However, The Baylands includes several components that will generate new demand for retail, including the Project residents, Project employees, and hotel guests. The supply and demand relationship between the Project's retail space and new demand generators is summarized in Table 7. Here, the Project's 91,980 square feet of occupied retail space is shown to comprise 11.5% of the supportable retail square feet generated by The Baylands.

Table 7. Project Market Area Retail Demand Capture Rate

Retail Supply and Demand Characteristic	Figure
Project Occupied Retail Space	91,980
The Baylands Supportable Retail Square Feet (1)	801,175
Project Retail Demand Capture Rate	11.5%
Demand Remaining for Other Retail Venues (sq. ft.)	709,195

Sources: Exhibit 1 and Exhibit 21.
(1) Comprises demand generated only by the Baylands households, employees, and hotel guests.

This 11.5% capture rate means that The Baylands retail space would need to capture 11.5% of the newly generated demand in order to meet with market success and not result in a negative impact on existing retail market area retailers through reduced sales. This is a reasonable capture rate, requiring only a minimal share of new demand to be directed to the Project's retail space. Moreover, after the Project achieves its estimated sales, the Project's retail demand generators will be able to support an additional 700,000 square feet of retail space at full buildout, much of which would comprise community- and regional-oriented retail outlets (see Table 7). Thus, if any sales are diverted away from existing retailers, other sales support will be available to backfill those diverted sales.

Based on these supply and demand findings, ALH Urban & Regional Economics concludes that the Project's retail space is not likely to be detrimental to the commercial real estate sector, and hence the physical environment of the Project's retail market area, which includes the City of Brisbane. Accordingly, the Project's retail space is not anticipated to contribute to or cause urban decay.

CUMULATIVE RETAIL PROJECT ANALYSIS

Identification of Cumulative Projects

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

For the purpose of preparing a cumulative retail projects analysis, ALH Economics obtained information about planned retail projects in The Baylands retail market area and beyond. These projects are listed and identified in Exhibit 22, and plotted geographically in Map 4. In addition to projects with planned retail space, this list includes select projects with other land use components as well, as other land uses are retail demand generators. There are a total of 22 projects identified. Table 8 presents a summary of these 22 cumulative projects by development status, land use, square feet or size, and location in The Baylands retail market area.

Table 8. Summary of Cumulative Projects with Retail Space or Select Projects with Retail Demand Generators (1)

Development Status	Retail Sq. Ft.	Residential Units	Hotel Rooms	Office/Life Science Sq. Ft.
Under Construction	147,050	5,708	0	720,000
Approved	793,000	13,606	225	0
Under Review	3,700	820	958	657,620
Total	943,750	20,134	1,183	1,377,620
Total in Retail Market Area	50,400	2,234	608	657,620

Source: Exhibit 22.
(1) Select projects located in Brisbane, South San Francisco, southern portion of San Francisco, and eastern Daly City, excluding Baylands. Primarily includes projects with residential units.

Cumulative Projects with Retail Space. The cumulative projects list in Exhibit 22 includes five future retail supply projects under construction (project numbers 1-5), four future retail supply projects approved (project numbers 6-9), and one project under review (project number 10). In all, these 10 projects have a total of 943,750 square feet of planned retail space.

As noted in Table 8, only a small portion of this planned retail space is located in The Baylands retail market area. This portion comprises 50,400 square feet distributed among two projects, the largest of which totals 46,700 square feet at the Schlage/Locke Redevelopment site in San Francisco located less than 1.0 mile from The Baylands. This largely residential project is under construction, and it is generally understood that a food store will be among the uses occupying this retail space. The other retail component includes 3,700 square feet of retail incorporated into an office/life science and hotel project that is under review in Brisbane, over 2.0 miles from The Baylands.

A large portion of the balance of the identified cumulative retail space is located in projects that are on hold (73,000 square feet in the Executive Park Subarea Plan in San Francisco) or are pending environmental remediation prior to development (705,500 square feet at Hunters Point Shipyard-Candlestick Point in San Francisco). The on hold status of these projects renders them speculative at this time.

Cumulative Projects with Residential Units. Of the 22 projects included in Exhibit 22, all but four of the projects include a residential component. These projects have a total of more than 20,000 planned residential units, with more than one-quarter already under construction. The households that will live in these residential units will all generate demand for retail goods in and around their local communities. Approximately 10% of these planned residential units are located in The Baylands retail market area. These units are planned for two projects – 1,679 in the Schlage Lock project under construction, and 555 in the Midway Village Redevelopment project, also under construction. The



Map 4: Cumulative Retail Supply and Retail Demand Generators

Schlage Lock project is located 0.75 miles from The Baylands in San Francisco and the Midway Village project, an affordable housing development, is located 0.3 miles from The Baylands in Daly City. As mentioned above, the Schlage Lock project includes a retail component. The Midway Village project, however, does not. Depending upon the nature of the occupied retail spaces at The Baylands, residents of both these projects are likely to conduct some of their brick and mortar shopping needs at The Baylands.

Cumulative Retail Projects with Other Land Uses. As highlighted in Table 8, the identified cumulative projects additionally include plans for 1,183 hotel rooms and almost 1.4 million square feet of office or life science space. One of the planned hotels, with 608 rooms, is located in Brisbane within The Baylands retail market area. As this project is located 2.2 miles from The Baylands and includes a small increment of retail space, it is unlikely that the future guests of this hotel will generate much demand for the retail component of The Baylands. However, this project also is planned for approximately 650,000 square feet of office or life science space. Because workers are more mobile and tend to spend their retail dollars to and from work as well as during the work day, the future employees of this planned employment-generating use could generate demand for retail at The Baylands as well as the other cumulative retail projects.

Cumulative Projects Retail Demand

As noted above, in addition to adding 50,400 square feet of retail space to The Baylands retail market area, the cumulative projects will also add 2,234 housing units and over 650,000 square feet of office or life science space, whose residents and employees are likely to generate demand for retail outlets in The Baylands retail market area. ALH Economics prepared estimates of this retail demand to augment the retail demand base estimated for just The Baylands. Therefore, supportable square feet of retail demand was estimated for the cumulative residential unit households and cumulative retail project and life science or office space employees located in The Baylands retail market area.

Cumulative Retail Market Area New Residential Unit Retail Demand. The cumulative residential unit retail demand is estimated in Exhibit 23, with the household income assumptions required to drive the demand estimated in Table 9. The average annual household income assumption for The Baylands developed earlier was applied to the planned Schlage Lock Redevelopment Plan households. An annual average affordable household income estimate of $96,000 for Midway Village Redevelopment was developed based on unit pricing information identified on the project website.

Table 9. Annual Retail Spending by New Baylands Retail Market Area Cumulative Project Households

New Retail Market Area Housing Projects	No. of Units	Average Household Income	Percent Spent On Retail (1)	Annual HH Spending On Retail	All HH Retail Spending
Baylands North/Schlage Lock Redevelopment Plan	1,679	$350,000 (2)	17%	$58,605	$93,477,263
Midway Village Redevelopment	555	$96,000 (3)	30%	$28,850	$15,211,083
Total	2,234				$108,688,345

Sources: Exhibit 22; Exhibit 17; Exhibit B-2; Midway-Village-Property-Profile-1.pdf (midpen-housing.org); and ALH Urban & Regional Economics.
(1) See Exhibit B-2.
(2) The analysis assumes household incomes for this development comparable to the Baylands Project.
(3) Overall average household income based upon analysis of project market orientation and unit pricing.

These household income estimates were incorporated into the same type of household retail demand analysis that was prepared earlier for The Baylands households. This demand analysis is presented in Exhibit 23, which estimates that these new retail market area households will have the potential to support just over 210,000 square feet of brick and mortar retail space.

Cumulative Retail Market Area New Employee Retail Demand. Exhibit 24 presents the supportable retail space demand estimate for the non-residential employees of the cumulative projects located in The Baylands retail market area. These include the employees of the planned retail space and the planned office and life science space. Because the majority of the latter space in the market primarily comprises life science space, the assumptions developed earlier in Exhibit 19 for life science employees were incorporated into this analysis. The retail employee assumptions are also comparable to this earlier retail employee analysis. The Exhibit 24 findings indicate the new retail market area employee retail demand is estimated to total just over 53,000 square feet of brick and mortar retail space. The largest share of this space is in the All Other retail category.

Consolidated Retail Market Area Retail Demand. The total estimated supportable retail space demand assuming cumulative retail market area development is consolidated and presented in Exhibit 25. This exhibit includes the existing approximately 600,000 square feet of supportable brick and mortar space estimated earlier for the retail market area population, the support generated by the new The Baylands residents and employees (see Exhibit 21), and the incremental demand generated by the residents and employees of cumulative projects in the retail market area. The new incremental demand generated by The Baylands (800,000 square feet) and the cumulative projects (265,000 square feet) is estimated to total almost 1.1 million square feet. Thus, the grand total estimate is just short of 1.7 million square feet. As stated earlier, this is a total demand estimate, regardless of the location of the retail outlets. Therefore, not all of this demand will be directed to the relatively small The Baylands and cumulative retail project retail components. However, if the spaces are tenanted with retailers and service providers that meet basic needs while facilitating shopping convenience, these retail locations would be well-positioned to capture a good share of the estimated retail demand.

Cumulative Projects Impact

The cumulative project supply and demand analyses (including the Project) are consolidated and summarized in Table 10. This table pulls together the occupied retail supply figures for the Project and the identified cumulative retail in the Project's retail market area. The exhibit also includes the incremental retail market area retail demand estimate generated by The Baylands and the cumulative projects presented as supportable square feet.

The cumulative retail analysis results indicate that assuming all the identified cumulative retail projects are developed within the same time horizon as The Baylands, they will require a 12.9% capture rate of new brick and mortar retail demand to achieve a 90% occupancy rate. This is a relatively low capture rate, leaving almost an additional 1.0 million square feet of demand available for other local and regional retail venues. This suggests that not only will existing retail outlets not experience any negative sales impacts due to development of The Baylands and the cumulative retail projects, but that yet additional demand will be generated to support a range of existing retail and service providers.

Table 10. Project and Cumulative Supply Market Area Retail Demand Capture Rate

Retail Supply and Demand Characteristic	Figure
Project Occupied Retail Space	91,980
Market Area Cumulative Retail Supply	50,400
Vacancy Rate	10%
Occupied Cumulative Retail Supply	45,360
Total New Occupied Market Area Cumulative Retail Supply	137,340
Total New Market Area Supportable Square Feet (1)	1,067,057
Project and Cumulative Retail Demand Capture Rate	12.9%
Demand Remaining for Other Retail Venues (sq. ft.)	929,717

Sources: Exhibit 1; Exhibit 22; and Exhibit 25.
(1) Comprises demand generated only by new development, i.e., the Baylands and cumulative projects in the Baylands retail market area.

In conclusion, the cumulative project analysis suggests that existing retailers are not anticipated to incur any vacancy impacts, and development of The Baylands and the cumulative retail projects are not anticipated to be detrimental to the commercial retail market. Accordingly, the market is anticipated to operate within healthy parameters following development of the Project and the other identified cumulative retail projects. Therefore, ALH Economics concludes that the cumulative projects, inclusive of The Baylands, are unlikely to result in negative impacts contributing to the potential for urban decay to occur. Further support for these findings is presented in the following report chapter.

V. URBAN DECAY IMPLICATIONS

STUDY DEFINITION OF URBAN DECAY AND CONTRIBUTING CAUSES

Definition of Urban Decay

For the purpose of this analysis, and in accordance with CEQA, urban decay is defined as extended long-term business vacancies, directly or indirectly resulting in physical deterioration to properties or structures that is so prevalent, substantial, and lasting a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. Physical deterioration includes abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth. Typically, pursuant to the Fifth District Court of Appeal in decision in *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, 1204, urban decay analyses are primarily prepared for retail development, or the retail components of large-scale mixed-use projects. Over time, some environmental impact reports also conservatively extend the urban decay analysis to other land uses, including hotel, office, and office/life science land uses. Such is the case for this current analysis, which includes office/life science space in addition to the more common retail space. However, the Project's hotel and residential uses are not part of the study.

Contributing Causes of Urban Decay

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

REGULATORY CONTROLS

Owners of office/life science and commercial retail properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new tenants. This appears to generally be the case in the market areas where the competitive office/life science and retail properties are located, as evidenced by the overall positive prevailing physical condition of the market areas' office/life science and retail vacancies. If property owners lag, however, and property maintenance begins to show signs of deferred maintenance or other disrepair, the City of Brisbane, as

the core portion of the market areas, has regulatory controls that can be implemented to avoid the onset of deterioration or decay. Some of the key associated regulations follow.

City ordinances such as the City of Brisbane Municipal Code of Ordinances **Chapter 8.16 - Litter-Handbill Distribution, Section 8.16.060** requires owners of private property to maintain premises free of litter. If any litter is found to be dangerous to public health, safety, or welfare and the owner does not dispose of the litter within thirty days after receiving written notice, the City is authorized to remove the litter and the cost of the removal will be assessed as a lien on the property to be collected with the next regular tax bill. [19]

Perhaps most directly pertinent to the risk of urban decay, **Chapter 8.36 – Abatement of Public Nuisances**, addresses conditions deemed a threat or detrimental to the public health, safety, or general welfare, and thus declared a public nuisance. Examples of conditions identified as a nuisance include "Any building or structure, or portion therof, which is in substandard, dilapidated, or dangerous condition or state of disrepair as to be unfit, unsafe, or unsuitable for human occupancy."[20] Additional conditions cited in the Municipal Code comprising a nuisance include "Any property maintained in such condition as to become so defective, unsightly, or in a state of such deterioration, disrepair or neglect that the same causes, or may cause, a health, safety or fire hazard, or a blight upon the aesthetic quality or appearance of the neighborhood, or an attractive nuisance to children, including, but not limited to, any of the following: accumulation of debris, junk, garbage or refuse."[21] The code further provides for measures to redress these issues with property owners.

In addition, **Chapter 9.30 – Graffiti** addresses the abatement of graffiti that is visible from a public street or other public or private property, once the property owner and/or tenant is noticed by the chief of police or his or her designee of said graffiti. Graffiti is referenced by the city as creating a condition of blight within the city which results in deterioration of property and business values for adjacent and surrounding properties, all to the detriment of the city (**Section 9.30.010 – Findings, purpose and intent**). The city provides a 15-day window for the removal of the graffiti, unless the property owner requests an extension. City provisions allow for reimbursement of documented labor and supply costs for removal up to $150 for the first incident and $100 for repeat incidents. ALH Economics finds this to be a relatively unique and generous provision, providing incentive to property owners to abate the graffiti.

As demonstrated by the above sections of the city's Code of Ordinances, Brisbane has measures in place to minimize the potential for urban deterioration and decay to occur among office/life science or retail properties. The other municipalities across which the market areas span also have Municipal Codes of Ordinances with similar provisions.

THE BAYLANDS URBAN DECAY DETERMINATION

In developing a conclusion regarding the potential for urban decay, ALH Economics relied on the definition presented earlier in this chapter, which focused on determining whether or not economic and social changes and/or effects resulting from development of the Project as well as other cumulative projects would cause significant adverse physical impacts and result in urban decay.

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[19] City of Brisbane, "Municipal Code," Chapter 8.16 Litter-Handbill Distribution, Section 8.16.060. See https://library.municode.com/ca/brisbane/codes/municipal_code?nodeId=TIT8HESA_CH8.16LIANDI

[20] City of Brisbane, "Municipal Code," Section 8.36.010 Nuisance defined, A.

[21] City of Brisbane, "Municipal Code," Section 8.36.010 Nuisance defined, C.

During Project-related field reconnaissance conducted in April and May 2023, ALH Economics found there were no visible signs of litter, graffiti, or rubbish associated with the two market areas most competitive to the Project. Some industrial properties appeared to have a few weeds, but these are more likely to be attributable to the Bay Area's excessively wet weather conditions in early 2023, rather than to neglect. The retail properties were all in reasonably good repair, with only a couple properties having windows covered with butcher paper, lending them a slightly disheveled appearance. However, the conditions of these areas indicate that existing regulatory measures to maintain private office/life science and retail properties are effective, and would serve to help preclude the potential for urban decay and deterioration following development of the Project's office/life science and retail components and the cumulative projects.

Office/Life Science Component

The office/life science analysis found that it is unlikely for the Project alone or in combination with cumulative office/life science projects to cause existing competitive properties in the office/life science market area to become vacant. As noted in the office/life science analysis section, the competitive properties are relatively new with a concentrated ownership profile, and the office/life science market area exhibits a trend of continual property investment, especially with respect to the more recent trend of renovating existing office buildings to attract life science tenants. While the potential cumulative supply of space is extensive, much of the future development would only take place when there is sufficient demand. The existing under-construction buildings would serve as an indicator as to whether future phases should proceed apace or be delayed until demand catches up with supply. For these reasons, ALH Economics believes that urban deterioration or decay would not result from the identified increase in the office/life science inventory. ALH Economics therefore concludes that the office/life science component of the Project and cumulative projects are not anticipated to cause adverse physical impacts leading to urban decay.

Retail Component

The retail analysis found that it is unlikely for the Project's retail space, alone or in combination with other cumulative retail projects, to cause or contribute to urban decay. The Project's retail space is relatively small, and as a result will have a neighborhood- and Project-serving orientation. Consequently, it is unlikely to be highly competitive with existing retail outlets in the retail market area, and new demand generated by the Project as well as other new residential and employment-generating developments in the retail market area will provide much of the support for the Project's retailers. The Project's retail sales impact is therefore likely to be very minimal, if at all, without the potential to cause existing retailers to lose sales to such an extent that store closures would result. With no vacancy-related impact, neither physical impacts nor urban decay are therefore anticipated to occur.

Overall Conclusion

Based upon the preceding findings, ALH Economics concludes that development of the office/life science and retail components of The Baylands and the identified cumulative projects are not anticipated to cause or contribute to urban decay, e.g., the physical deterioration of other properties resulting from economic impacts.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

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

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

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

APPENDIX A: EXHIBITS

Exhibit 1
The Baylands
Project Description

Location Land Use	Dwelling Units	Square Feet	Number of Rooms	Vacancy Rate (1)	Occupied Units or Square Feet	Employee Density (2)	Number of Employees (3)
West Area							
Residential	2,200	NA	NA	5%	2,090	NA	NA
West Area							
Commercial							
Office		525,000	NA	10%	472,500	310	1,524
Life Science		3,372,800	NA	7.5%	3,119,840	350	8,914
Ground Floor Retail (4)		102,200	NA	10%	91,980	500 (5)	184
Hotel		500,000	800	NA	NA	1 per room (5)	800
East Area							
Life Science		2,500,000	NA	7.5%	2,312,500	350	6,607
Non-residential Total		7,000,000			5,996,820		18,029 (3)

Sources: The Baylands Specific Plan, City of Brisbane, California, January 2023 Draft Submittal, Chapter 2, Land Use Program and Definitions, Table 2-1 Land Use & Development Program; Fehr & Peers; and ALH Urban & Regional Economics.

(1) Industry-standard vacancy rates pertaining to respective use.
(2) The employee density assumptions are equivalent to the number of gross square feet of space per employee. These assumptions were provided by Fehr & Peers, the transportation consultant to the Baylands Environmental impact Analysis (EIR).
(3) Employee figures are lower than estimated in other components of the Baylands environmental impact analysis, because this analysis conservatively takes into consideration stabilized occupancy assumptions. Absent the vacancy assumptions employment would total 19,477, rounding to 19,480.
(4) Amount of active ground floor retail anticipated as part of the Project. While the East Area may have some ground floor retail/services, the vast majority of this space is expected to be in the West Area.
(5) These employee density figures are general industry-standard assumptions.

Exhibit 2
San Mateo County Private Employment Trends
1990, 2000, 2010, and 2021

	Employment (1)				Percent of All Employment				CAGR (2)		
Industry Sector	**1990**	**2000**	**2010**	**2021**	**1990**	**2000**	**2010**	**2021**	**1990-2000**	**2000-2010**	**2010-2021**
All Private Industry Employment	280,660	350,425	287,037	373,595	NA	NA	NA	NA	2.2%	-2.0%	2.4%
Industry Sectors (3)											
Goods Producing	52,737	58,629	40,822	45,870	18.8%	16.7%	14.5%	12.3%	1.1%	-3.6%	1.1%
Natural resources and mining	3,135	3,070	1,769	1,591	*1.1%*	*0.9%*	*0.6%*	*0.4%*	-0.2%	-5.4%	-1.0%
Construction	15,370	19,410	12,499	19,093	*5.5%*	*5.5%*	*4.5%*	*5.1%*	2.4%	-4.3%	3.9%
Manufacturing	34,232	36,149	26,554	25,186	*12.2%*	*10.3%*	*9.5%*	*6.7%*	0.5%	-3.0%	-0.5%
Basic chemical manufacturing (4)	*265*	*95*	*(D)*	*23*	*0.1%*	*0.0%*	NA	*0.0%*	-9.7%	NA	NA
Agricultural chemical manufacturing (4)	*(D)*	*(D)*	*(D)*	*(D)*	NA	NA	NA	NA	NA	NA	NA
Pharmaceutical and medicine manufacturing (4)	*2,000*	*3,838*	*(D)* (5)	*11,179* (6)	*0.7%*	*1.1%*	NA	*3.0%*	6.7%	NA	NA
Glass and glass product manufacturing (4)	*(D)*	*632*	*(D)*	*(D)*	NA	*0.2%*	NA	NA	NA	NA	NA
Commercial and service industry machinery (4)	*311*	*246*	*(D)*	*(D)*	*0.1%*	*0.1%*	NA	NA	-2.3%	NA	NA
Electronic instrument manufacturing (4)	*3,569*	*3,034*	*1,766*	*2,218*	*1.3%*	*0.9%*	*0.6%*	*0.6%*	-1.6%	-5.3%	2.1%
Medical equipment and supplies manufacturing (4)	*841*	*1,371*	*980*	*1,325*	*0.3%*	*0.4%*	*0.3%*	*0.4%*	5.0%	-3.3%	2.8%
Service-Providing	*227,923*	*291,796*	*246,215*	*327,725*	81.2%	83.3%	87.7%	87.7%	2.5%	-1.7%	*2.6%*
Trade, transportation, and utilities	*91,825*	*90,085*	*68,758*	*64,376*	32.7%	25.7%	24.5%	17.2%	-0.2%	-2.7%	-0.6%
Information (7)	*8,188*	*24,311*	*17,517*	*54,954*	2.9%	6.9%	6.2%	14.7%	11.5%	-3.2%	11.0%
Financial activities (7)	*24,180*	*24,793*	*18,617*	*22,619*	8.6%	7.1%	6.6%	6.1%	0.3%	-2.8%	1.8%
Professional and business services (7)	*40,291*	*80,894*	*59,856*	*89,929*	14.4%	23.1%	21.3%	24.1%	7.2%	-3.0%	3.8%
Scientific research and development services (4)	*4,300*	*8,431*	*11,186*	*26,972*	*1.5%*	*2.4%*	*4.0%*	*7.2%*	7.0%	2.9%	8.3%
Education and health services	*22,585*	*27,625*	*33,052*	*50,859*	8.0%	7.9%	11.8%	13.6%	2.0%	1.8%	4.0%
Medical and diagnostic laboratories (4)	*866*	*547*	*838*	*3,201*	*0.3%*	*0.2%*	*0.3%*	*0.9%*	-4.5%	4.4%	13.0%
Leisure and hospitality	*29,090*	*30,533*	*33,763*	*33,027*	10.4%	8.7%	12.0%	8.8%	0.5%	1.0%	-0.2%
Other services	*11,709*	*13,533*	*13,945*	*11,957*	4.2%	3.9%	5.0%	3.2%	1.5%	0.3%	-1.4%

Sources: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Annual Data, 1990-2021 for San Mateo County; "Life Science Economic Impact Report 2022," Biocom California; and ALH Urban & Regional Economics.

(1) The notation (D) indicates that the employment figure for this year was not disclosed, likely due to concerns about confidentiality if one or two establishments dominated the industry.
(2) CAGR is an acronym for Compound Annual Growth Rate.
(3) Comprises major industry sectors, each of which has numerous sub-sectors, some of which are included herein.
(4) These subsectors comprise some of the industries most associated with Life Science industries in the San Francisco Bay Area (see Exhibit 11). For some of these sectors, only a portion of employment is deemed to be in life sciences.
(5) In this year there were 29 establishments in this economic sub-sector. However, the employment data were not disclosed, likely because one or two establishments dominated the industry.
(6) The CAGR for this industry from 2010-2021 cannot be calculated because the employment count for 2010 is not disclosed. Therefore, the more long-term CAGR from 1990-2021 was calculated. This figure is 5.7%. This is substantially greater than the comparable CAGR for the State of California of 2.1%, as calculated from state data presented in Exhibit 3.
(7) These subsectors comprise some of the industries most associated with office-using industries.

Exhibit 3
State of California Private Employment Trends
1990, 2000, 2010, and 2021

	Employment				Percent of All Employment				CAGR (1)		
Industry Sector	**1990**	**2000**	**2010**	**2021**	**1990**	**2000**	**2010**	**2021**	**1990-2000**	**2000-2010**	**2010-2021**
All Private Industry Employment	11,242,658	12,670,994	12,044,614	14,575,306	NA	NA	NA	NA	1.2%	-0.5%	1.7%
Industry Sectors (2)											
Goods Producing	3,173,688	3,020,815	2,198,059	2,588,922	28.2%	23.8%	19.6%	17.8%	-0.5%	-3.1%	1.5%
Natural resources and mining	*411,937*	*428,550*	*407,302*	*428,041*	*3.7%*	*3.4%*	*3.6%*	*2.9%*	0.4%	-0.5%	0.5%
Construction	*691,795*	*731,176*	*556,110*	*883,326*	*6.2%*	*5.8%*	*4.9%*	*6.1%*	0.6%	-2.7%	4.3%
Manufacturing	*2,069,956*	*1,861,089*	*1,234,647*	*1,277,555*	*18.4%*	*14.7%*	*11.0%*	*8.8%*	-1.1%	-4.0%	0.3%
Basic chemical manufacturing (3)	*10,252*	*7,262*	*4,209*	*5,861*	*0.1%*	*0.1%*	*0.0%*	*0.0%*	-3.4%	-5.3%	3.1%
Agricultural chemical manufacturing (3)	*2,921*	*2,929*	*1,815*	*2,998*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	0.0%	-4.7%	4.7%
Pharmaceutical and medicine manufacturing (3)	*25,941*	*37,902*	*43,157*	*49,205*	*0.2%*	*0.3%*	*0.4%*	*0.3%*	3.9%	1.3%	1.2%
Glass and glass product manufacturing (3)	*16,169*	*12,744*	*6,700*	*7,052*	*0.1%*	*0.1%*	*0.1%*	*0.0%*	-2.4%	-6.2%	0.5%
Commercial and service industry machinery (3)	*21,937*	*27,009*	*10,694*	*9,774*	*0.2%*	*0.2%*	*0.1%*	*0.1%*	2.1%	-8.8%	-0.8%
Electronic instrument manufacturing (3)	*175,096*	*118,651*	*89,209*	*94,001*	*1.6%*	*0.9%*	*0.8%*	*0.6%*	-3.8%	-2.8%	0.5%
Medical equipment and supplies manufacturing (3)	*45,236*	*51,818*	*50,154*	*56,606*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	1.4%	-0.3%	1.1%
Service-Providing	*8,068,971*	*9,650,180*	*9,846,555*	*11,986,384*	71.8%	76.2%	87.6%	82.2%	1.8%	0.2%	*1.8%*
Trade, transportation, and utilities	*2,551,271*	*2,712,552*	*2,599,479*	*3,026,395*	22.7%	21.4%	23.1%	20.8%	0.6%	-0.4%	1.4%
Information (4)	*418,100*	*545,564*	*423,397*	*560,370*	3.7%	4.3%	3.8%	3.8%	2.7%	-2.5%	2.6%
Financial activities (4)	*878,486*	*796,382*	*758,502*	*828,512*	7.8%	6.3%	6.7%	5.7%	-1.0%	-0.5%	0.8%
Professional and Business Services (4)	*1,443,155*	*2,281,608*	*2,060,999*	*2,712,873*	12.8%	18.0%	18.3%	18.6%	4.7%	-1.0%	2.5%
Scientific research and development services (3)	*92,831*	*89,271*	*118,366*	*173,542*	*0.8%*	*0.7%*	*1.1%*	*1.2%*	-0.4%	2.9%	3.5%
Education and health services	*1,114,825*	*1,362,199*	*1,740,489*	*2,733,125*	9.9%	10.8%	15.5%	18.8%	2.0%	2.5%	4.2%
Medical and diagnostic laboratories (3)	*19,184*	*18,794*	*30,540*	*41,681*	*0.2%*	*0.1%*	*0.3%*	*0.3%*	-0.2%	5.0%	2.9%
Leisure and hospitality	*1,180,758*	*1,349,078*	*1,494,209*	*1,642,208*	10.5%	10.6%	13.3%	11.3%	1.3%	1.0%	0.9%
Other services	*462,667*	*566,294*	*718,490*	*480,799*	4.1%	4.5%	6.4%	3.3%	2.0%	2.4%	-3.6%

Sources: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Annual Data, 1990-2021 for State of California; "Life Science Economic Impact Report 2022," Biocom California; and ALH Urban & Regional Economics.

(1) CAGR is an acronym for Compound Annual Growth Rate.
(2) Comprises major industry sectors, each of which has numerous sub-sectors, some of which are included herein.
(3) These subsectors comprise some of the industries most associated with Life Science industries in the San Francisco Bay Area (see Exhibit 11).
(4) These subsectors comprise some of the industries most associated with office-using industries.

Exhibit 4
State of California and San Mateo County
Summary of Private Employment Trends
1990-2021

	State of California			San Mateo County		
	Percent of All Employment		CAGR	Percent of All Employment		CAGR
Industry Sector	**1990**	**2021**	**1990-2021**	**1990**	**2021**	**1990-2021**
All Private Industry Employment	NA	NA	0.8%	NA	NA	0.9%
Industry Sectors						
Goods Producing	28.2%	17.8%	-0.7%	18.8%	12.3%	-0.4%
Natural resources and mining	*3.7%*	*2.9%*	0.1%	1.1%	0.4%	-2.2%
Construction	*6.2%*	*6.1%*	0.8%	5.5%	5.1%	0.7%
Manufacturing	*18.4%*	*8.8%*	-1.5%	12.2%	6.7%	-1.0%
Basic chemical manufacturing	*0.1%*	*0.0%*	-1.8%	0.1%	0.0%	-7.6%
Agricultural chemical manufacturing	*0.0%*	*0.0%*	0.1%	NA	NA	NA
Pharmaceutical and medicine manufacturing	*0.2%*	*0.3%*	2.1%	0.7%	3.0%	5.7%
Glass and glass product manufacturing	*0.1%*	*0.0%*	-2.6%	NA	NA	NA
Commercial and service industry machinery	*0.2%*	*0.1%*	-2.6%	0.1%	NA	NA
Electronic instrument manufacturing	*1.6%*	*0.6%*	-2.0%	1.3%	0.6%	-1.5%
Medical equipment and supplies manufacturing	*0.4%*	*0.4%*	0.7%	0.3%	0.4%	1.5%
Service-Providing	71.8%	82.2%	1.3%	81.2%	87.7%	1.2%
Trade, transportation, and utilities	22.7%	20.8%	0.6%	32.7%	17.2%	-1.1%
Information	3.7%	3.8%	0.9%	2.9%	14.7%	6.3%
Financial activities	7.8%	5.7%	-0.2%	8.6%	6.1%	-0.2%
Professional and Business Services	12.8%	18.6%	2.1%	14.4%	24.1%	2.6%
Scientific research and development services	*0.8%*	*1.2%*	2.0%	1.5%	7.2%	6.1%
Education and health services	9.9%	18.8%	2.9%	8.0%	13.6%	2.7%
Medical and diagnostic laboratories	*0.2%*	*0.3%*	2.5%	0.3%	0.9%	4.3%
Leisure and hospitality	10.5%	11.3%	1.1%	10.4%	8.8%	0.4%
Other services	4.1%	3.3%	0.1%	4.2%	3.2%	0.1%

Sources: Exhibit 3 and Exhibit 2; and ALH Urban & Regional Economics.

Exhibit 5
Life Science Employment by County (1)
San Francisco Bay Area
2021

	County Employment (2)									
Life Science Sector (1)	**Alameda**	**Contra Costa**	**Marin**	**Napa**	**San Francisco**	**San Mateo**	**Santa Clara**	**Solano**	**Sonoma**	**Total**
Research & Manufacturing	15,558	1,196	346	85	10,273	7,801	17,210	472	975	53,916
Medical Devices & Equipment	6,953	946	94	78	536	2,294	5,215	557	1,242	17,915
Biopharmaceutical	3,216	685	2,035	24	628	11,902	5,549	1,376	369	25,784
Biotechnology	6,830	1,317	558	23	5,001	16,792	4,310	123	22	34,976
Scientific/Research Tools	3,920	631	45	118	544	1,552	6,215	33	339	13,397
Food & Ag Biotechnology	48	21	2	0	18	8	7	5	33	142
Total	36,525	4,796	3,080	328	17,000	40,349	38,506	2,566	2,980	146,130
Regional Share	25%	3%	2%	0%	12%	28%	26%	2%	2%	100%

Sources: "Life Science Economic Impact Report 2022," Biocom California; and ALH Urban & Regional Economics.

(1) These sectors are defined as a mix of industries based on their 6-digit NAICS Codes. These definitions are presented in the Biocom California study "Life Science Economic Impact Report 2022," in Appendix B, page 47.
(2) These figures are presented in the Biocom California study "Life Science Economic Impact Report 2022," in Figure 17, page 27.

Exhibit 6
Office and Life Science
Inventory and Availability Rates
4Q 2019 to 4Q 2022
Brisbane and South San Francisco

	Square Feet of Space			
Space Type/City	**4Q 2019**	**4Q 2020**	**4Q 2021**	**4Q 2022**
Inventory				
Office				
Brisbane	672,600	568,265	568,265	496,861
South San Francisco	2,678,080	2,693,548	2,555,148	2,267,148
Subtotal Office	3,350,680	3,261,813	3,123,413	2,764,009
Life Science				
Brisbane	614,919	997,793	997,793	1,403,458
South San Francisco	10,503,441	10,743,429	11,330,207	11,647,412
Subtotal Life Science	11,118,360	11,741,222	12,328,000	13,050,870
Total	**14,469,040**	**15,003,035**	**15,451,413**	**15,814,879**
Availability Rate (1)				
Office				
Brisbane	16.4%	20.5% (2)	17.1%	11.5%
South San Francisco	12.8%	16.1% (2)	14.7%	10.7%
Average Office	13.5%	16.9% (2)	15.1%	10.9%
Life Science				
Brisbane	29.8%	6.3%	7.2%	13.1%
South San Francisco	5.2%	6.1%	4.2%	6.8%
Average Life Science	6.5%	6.1%	4.5%	7.5%
Total	**8.1%**	**8.4%**	**6.6%**	**8.1%**

Sources: Newmark (previously Newmark Knight Frank) North Peninsula Office Market and San Francisco Bay Area Life Science Market reports - 4Q2019, 4Q2020, 4Q2021, and 4Q2022; and ALH Urban & Regional Economics.

(1) The availability rate reflects space that is marketed for direct lease or sublease that is occupied, as well as vacant space marketed for lease. The availability rate is higher than the vacancy rate.
(2) For the 4Q2020 North Peninsula Office Market report, Newmark only indicated the vacancy rate.

Exhibit 7
Financial Activities, Information, and Business, Technical, and Professional Services (1)
Employment Projections and Office Space Demand
2020-2050
San Mateo County

	CAGR (3)	2020	2021	2023	2025	2030	2035	2040	2045	2050
Projection Source (2)										
Caltrans	1.028302	**130,742**		142,160	**150,321**	153,112	154,387	155,988	157,076	157,826
CA EDD (4)	1.014220		**140,530**	144,555	148,695	159,573	171,245	183,772	197,215	211,641

	2023-2025	2025-2030	2030-2035	2035-2040	2040-2045	2045-2050	Total
Employment Increase							
Caltrans	8,161	2,792	1,275	1,601	1,087	750	15,666
CA EDD	4,140	10,877	11,673	12,527	13,443	14,426	67,086
Occupied Space Demand (5)							
Caltrans	2,529,789	865,440	395,217	496,381	337,067	232,503	4,856,396
CA EDD	1,283,504	3,371,906	3,618,562	3,883,261	4,167,323	4,472,164	20,796,719
Projected Demand Inclusive of 10% Vacancy Factor (6)							
Caltrans	2,810,877	961,600	439,130	551,534	374,519	258,337	5,395,996
CA EDD	1,426,116	3,746,562	4,020,624	4,314,734	4,630,358	4,969,071	23,107,465
Annual Average Demand, 2023 - 2050							
Caltrans							199,852
CA EDD							855,832

Sources: Caltrans, California Department of Transportation (https://dot.ca.gov/programs/transportation-planning/division-of-transportation-planning/data-analytics-services/transportation-economics/long-term-socio-economic-forecasts-by-county); Employment Development Department, State of California, Labor Market Information Division, Industry Employment & Labor Force - by Annual Average, Through 2021, San Mateo County; Employment Development Department, State of California, 2018-2028 Industry Employment Projections, San Francisco and San Mateo Counties (https://labormarketinfo.edd.ca.gov/data/employment-projections.html); Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Annual Data, 1990-2021 for San Mateo County; and ALH Urban & Regional Economics.

(1) For analytical purposes, these three industry sectors are correlated with non-governmental office use and associated office space projections. The Financial Activities sector is also sometimes labeled Finance and Insurance. For this analysis, the Professional, Business, and Technical Services sector has been adjusted to exclude employment in the scientific research and development services subsector, in recognition that some employment in this subsector occupies life science space versus office space. Based upon the San Mateo County employment data presented in Exhibit 2, this sectoral analysis excludes 30.0% of the employment in the scientific research and development services subsector.
(2) See Exhibit 8 for Caltrans data and Exhibit 9 for CA EDD data from which the CA EDD CAGR were derived.
(3) CAGR is an acronym for Compound Annual Growth Rate. The CAGR for Caltrans is based on the combined sectoral employment projections from 2020 to 2025, solely for the purpose of estimating baseline 2023 employment, while the CAGR for CA EDD is based on projections prepared by the Employment Development Department (EDD), State of California, for the Information, Financial Activities, and Professional and Business Services industry sectors for 2018 to 2028. The CAGRs were estimated based upon projections prepared by each source. For EDD, the CAGR was derived from combined projections for San Mateo and San Francisco counties, as EDD's projections are not disaggregated by these two counties. The CAGR, however, was applied to base employment data for San Mateo County only.
(4) The projections are benchmarked to the Bureau of Labor Statistics, Quarterly Census of Employment and Wages industry sector employment for Information, Financial Activites, and Professional and Business Services for San Mateo County in 2021. See Exhibit 2.
(5) The Space Demand estimate is based on an average square foot estimate for office employees. For analytical purposes, this estimate is based on the Project assumption of 310 square feet per office worker.
(6) This is the same vacancy factor assumed for the Baylands office space in Exhibit 1.

Exhibit 8
Base and Projected Industry Employment
Caltrans
San Mateo County
2000 - 2050
Figures in 1,000's

Year (1)	Total Wage & Salary Emp.	Farm	Construction	Manufacturing	Transportation, Utilities	Wholesale & Retail Trade	Financial Activities (2)	Professional Services (2)	Information	Health & Education	Leisure	Government
2000	378.9	2.9	19.7	36.4	35.5	54.7	25.5	73.0	26.3	30.0	31.7	32.5
2005	331.3	1.9	17.4	28.7	27.5	47.4	21.2	59.5	20.5	32.4	31.7	32.1
2010	317.8	1.7	12.7	26.3	24.4	44.0	18.6	60.0	17.5	36.1	33.8	31.3
2015	377.0	1.8	17.4	25.4	28.2	45.9	21.6	76.2	27.9	44.1	42.2	32.3
2020	386.1	1.4	19.6	24.5	23.0	39.8	22.6	82.0	50.7	50.5	30.9	30.3
2025	436.7	1.4	17.9	24.8	27.3	43.3	24.2	94.8	59.8	55.0	42.7	32.3
2030	443.5	1.3	17.7	24.8	27.8	42.9	24.4	95.4	61.9	56.5	44.6	32.4
2035	447.1	1.3	17.5	24.4	28.1	42.3	24.7	95.7	62.7	58.0	45.6	32.5
2040	451.8	1.3	17.6	24.1	28.4	41.9	24.8	97.0	63.3	59.3	46.5	32.6
2045	455.2	1.3	17.5	23.9	28.6	41.5	24.7	98.1	63.7	60.5	47.3	32.7
2050	457.7	1.3	17.2	23.6	28.7	41.1	24.5	99.0	64.0	61.6	48.1	32.8
Change (Amount)												
2000 - 2050	78.8	-1.7	-2.5	-12.8	-6.8	-13.7	-1.0	26.1	37.7	31.6	16.5	0.4
2020 - 2050	71.6	-0.1	-2.4	-0.8	5.7	1.3	1.8	17.1	13.3	11.0	17.2	2.5
Change (Percent)												
2000 - 2050	20.8%	-56.9%	-12.5%	-35.1%	-19.2%	-25.0%	-4.0%	35.7%	143.3%	105.4%	51.9%	1.1%
2020 - 2050	18.5%	-6.4%	-12.4%	-3.3%	24.8%	3.3%	8.1%	20.8%	26.2%	21.8%	55.6%	8.2%

Sources: https://dot.ca.gov/programs/transportation-planning/division-of-transportation-planning/data-analytics-services/transportation-economics/long-term-socio-economic-forecasts-by-county; and ALH Urban & Regional Economics.

(1) The years 2000 through 2020 are reported employment figures, and the years 2025 - 2050 are projected employment figures.
(2) For this data source, these two employment sectors are most aligned with the use of office space.

Exhibit 9
Base and Projected Industry Employment
California Employment Development Department
San Francisco and San Mateo Counties
2018 - 2028

NAICS Code	Type of Employment	Employment Estimate 2018	Employment Estimate 2028	Numeric Change 2018-2028	Percentage Change 2018-2028
	Total	1,235,300	1,355,500	120,200	8.9%
	Self	91,300	99,700	9,400	10.2%
	Private	5,100	3,300	-1,800	-35.3%
	Total	1,600	1,100	-500	-31.3%
	Total	1,137,300	1,251,400	114,100	10.0%
	Industry Sector				
1133,21	Mining	100	100	0	0.0%
23	Construction	42,400	43,400	1,000	2.4%
31-33	Manufacturing	39,000	36,100	-2,900	-7.4%
321,327,331-339	Durable Goods Manufacturing	18,600	16,500	-2,100	-11.3%
311-316,322-326	Nondurable Goods Manufacturing	20,400	19,600	-800	-3.9%
22,42-49	Trade, Transportation, and Utilities	154,100	153,600	-500	-0.3%
42	Wholesale Trade	26,500	26,600	100	0.4%
423	Merchant Wholesalers, Durable Goods	12,500	12,400	-100	-0.8%
424	Merchant Wholesalers, Nondurable Goods	11,500	12,600	1,100	9.6%
44-45	Retail Trade	80,300	79,500	-800	-1.0%
22,48-49	Transportation, Warehousing, and Utilities	47,300	47,500	200	0.4%
22	Utilities	5,200	4,500	-700	-13.5%
48-49	Transportation and Warehousing	42,100	43,000	900	2.1%
51	Information	85,400	117,600	32,200	37.7%
52-53	Financial Activities (1)	83,200	83,600	400	0.5%
52	Finance and Insurance	61,000	60,900	-100	-0.2%
53	Real Estate and Rental and Leasing	22,200	22,700	500	2.3%
54-56	Professional and Business Services (1)	277,900	310,000	32,100	11.6%
54	Professional, Scientific, and Technical Services	190,600	215,200	24,600	12.9%
5411	Legal Services	17,600	17,600	0	0.0%
5412	Accounting, Tax Preparation, Bookkeeping, and Payroll Services	12,400	13,200	800	6.5%
5413	Architectural, Engineering, and Related Services	14,900	14,400	-500	-3.4%
5415	Computer Systems Design and Related Services	74,100	87,400	13,300	17.9%
55	Management of Companies and Enterprises	28,600	33,500	4,900	17.1%
56	Administrative and Support and Waste	58,800	61,300	2,500	4.3%
561	Administrative and Support Services	56,100	58,200	2,100	3.7%
5613	Employment Services	18,100	19,300	1,200	6.6%
5616	Investigation and Security Services	10,500	11,200	700	6.7%
5617	Services to Buildings and Dwellings	14,200	15,000	800	5.6%
61	Educational Services (Private)	28,200	34,400	6,200	22.0%
62	Health Care and Social Assistance	110,700	132,300	21,600	19.5%
71	Arts, Entertainment, and Recreation	20,200	23,000	2,800	13.9%
72	Accommodation and Food Services	123,400	138,600	15,200	12.3%
81	Other Services (excludes 814-Private Household	41,400	43,600	2,200	5.3%
	Government	131,400	135,100	3,700	2.8%
	Federal Government	16,900	14,700	-2,200	-13.0%
	State and Local Government	114,500	120,400	5,900	5.2%

Source: https://labormarketinfo.edd.ca.gov/data/employment-projections.html

(1) For this data source, these two employment sectors are most aligned with the use of office space.

Exhibit 10
Projected Life Sciences Employment
San Francisco Bay Area and San Mateo County
2021 - 2050

Year	Projected Bay Area Employment (1)	San Mateo County Capture Rates (2)						
2021	146,130	28%	30%	32%	34%	36%	38%	40%
2023	148,167	28%	30%	32%	34%	36%	38%	40%
2025	150,233	28%	30%	32%	34%	36%	38%	40%
2030	155,525	28%	30%	32%	34%	36%	38%	40%
2035	161,003	28%	30%	32%	34%	36%	38%	40%
2040	166,673	28%	30%	32%	34%	36%	38%	40%
2045	172,544	28%	30%	32%	34%	36%	38%	40%
2050	178,621	28%	30%	32%	34%	36%	38%	40%
		San Mateo County Employment (3)						
2021		40,349	43,272	46,194	49,117	52,039	54,962	57,885
2023		40,912	43,875	46,838	49,802	52,765	55,728	58,692
2025		41,482	44,487	47,491	50,496	53,501	56,505	59,510
2030		42,943	46,054	49,164	52,275	55,385	58,496	61,606
2035		44,456	47,676	50,896	54,116	57,336	60,556	63,776
2040		46,021	49,355	52,688	56,022	59,355	62,689	66,022
2045		47,642	51,093	54,544	57,995	61,446	64,897	68,348
2050		49,320	52,893	56,465	60,038	63,610	67,182	70,755
		Increase in San Mateo County Demand for Life Science Space (4)						
2023 - 2025		199,644	214,104	228,565	243,026	257,487	271,948	286,408
2025 - 2030		511,372	548,412	585,453	622,493	659,533	696,573	733,614
2030 - 2035		529,384	567,728	606,073	644,418	682,763	721,108	759,453
2035 - 2040		548,029	587,725	627,420	667,116	706,811	746,506	786,202
2040 - 2045		567,332	608,425	649,519	690,613	731,706	772,800	813,893
2045 - 2050		587,314	629,855	672,396	714,937	757,478	800,019	842,560
Total		**2,943,075**	**3,156,251**	**3,369,426**	**3,582,602**	**3,795,778**	**4,008,954**	**4,222,130**
Vacancy Adjustment at 7.5% (5)		**3,181,703**	**3,412,163**	**3,642,623**	**3,873,083**	**4,103,544**	**4,334,004**	**4,564,464**
Annual Average 2023-2050		**117,841**	**126,376**	**134,912**	**143,448**	**151,983**	**160,519**	**169,054**

Sources: Fehr & Peers; and ALH Urban & Regional Economics.

(1) See Exhibit 5 for the estimated 2021 base employment level. The projections for 2023 onward are grown out based on the national life science employment CAGR multiplier of 1.006947 derived in Exhibit 11.
(2) As identified in Exhibit 5, San Mateo County's 2021 capture rate of Bay Area Life Sciences employment is 28%. This figure is assumed to comprise a future floor. For analytical purposes, a maximum share is estimated at 40%, increasing by increments of 2%.
(3) These figures are the product of the Projected Bay Area Employment figures by year and the San Mateo County Captures Rates.
(4) These figures are the product of the projected San Mateo County Employment figures multiplied by the assumed square feet of space per Life Science employee. The square feet of space figure is 350, which matches the employee density assumption used by Fehr & Peers, Transportation Consultant to the Baylands EIR for Biotech Campus space (see Table C-4, Employment Land Uses Trip Generation Approach, in Project analysis prepared by Fehr & Peers.
(5) This is the same vacancy factor assumed for the Baylands life science space in Exhibit 1.

Exhibit 11
Life Science Industry Sector Growth Trends (1)
2011, 2021, and 2031
United States

NAICS	Industry Description	Year 2011	2021	2031
		Total U.S. Industry Sector Employment (in 1,000s)		
3251	Basic chemical manufacturing	142.2	147.9	152.4
3253	Pesticide, fertilizer, and other agricultural chemical manufacturing	35.8	38.4	35.1
3254	Pharmaceutical and medicine manufacturing	269.6	332.1	360.9
3272	Glass and glass product manufacturing	79.9	79.3	82.6
3333	Commercial and service industry machinery mfg, including digital camera mfg	92.0	86.7	82.2
3345	Navigational, measuring, electromedical, and control instruments mfg	404.2	416.8	416.0
3391	Medical equipment and supplies manufacturing	307.7	326.6	341.7
5413	Architectural, engineering, and related services	1,294.4	1,545.0	1,573.7
5417	Scientific research and development services	630.3	823.2	923.8
6215	Medical and diagnostic laboratories	231.6	305.9	343.3
		Percent of Industry Sector in Life Sciences (2)		
3251	Basic chemical manufacturing	100%	100%	100%
3253	Pesticide, fertilizer, and other agricultural chemical manufacturing	15%	15%	15%
3254	Pharmaceutical and medicine manufacturing	15%	15%	15%
3272	Glass and glass product manufacturing	15%	15%	15%
3333	Commercial and service industry machinery mfg, including digital camera mfg	15%	15%	15%
3345	Navigational, measuring, electromedical, and control instruments mfg	100%	100%	100%
3391	Medical equipment and supplies manufacturing	100%	100%	100%
5413	Architectural, engineering, and related services	12%	12%	12%
5417	Scientific research and development services	100%	100%	100%
6215	Medical and diagnostic laboratories	100%	100%	100%
		National Employment in Life Sciences (in 1,000's) (3)		
3251	Basic chemical manufacturing	142.2	147.9	152.4
3253	Pesticide, fertilizer, and other agricultural chemical manufacturing	5.4	5.8	5.3
3254	Pharmaceutical and medicine manufacturing	40.4	49.8	54.1
3272	Glass and glass product manufacturing	12.0	11.9	12.4
3333	Commercial and service industry machinery mfg, including digital camera mfg	13.8	13.0	12.3
3345	Navigational, measuring, electromedical, and control instruments mfg	404.2	416.8	416.0
3391	Medical equipment and supplies manufacturing	307.7	326.6	341.7
5413	Architectural, engineering, and related services	155.3	185.4	188.8
5417	Scientific research and development services	630.3	823.2	923.8
6215	Medical and diagnostic laboratories	231.6	305.9	343.3
		1,942.9	2,286.3	2,450.2

Growth 2021 - 2031	
Number	163,889
Percent Change	7.2%
Compound Annual Growth Rate	0.69%
CAGR Multiplier	1.0069

Sources: "Life Science Economic Impact Report 2022," Biocom California; U.S. Bureau of Labor Statistics, Employment Projections, Table 2.11 Employment and output by industry; and ALH Urban & Regional Economics.

(1) Life Science sectors identified by NAICS Code in the Biocom California "Life Science Economic Impact Report 2022," Appendix B, page 47.
(2) Percentage share of industry subsector employment in the Life Sciences as identified in Appendix B of the Biocom California "Life Science Economic Impact Report 2022."
(3) Figures are derived by multiplying the "Total U.S. Industry Sector Employment" figures by the corresponding "Percent of Industry Sector in Life Sciences" figures.

Exhibit 12
Office and R&D (Life Science) Space Future Supply
Buildings 50,000 Square Feet (SF) and Larger
Cities of Brisbane and South San Francisco, and Southern Portion of San Francisco
Compiled March 2023

Map No. (1)	Status / Project Name	Size (Sq. Ft.)	Location/City	Miles from Project Site (2)	Developer	Comments
	Under Construction					
1	Genesis Marina	422,000	3000-3500 Marina Boulevard Brisbane	2.0	Phase 3 Real Estate Partners	Biotechnology campus with three buildings above a two-level podium parking garage; mid-2023 completion.
2	Gateway of Pacific Phase 5	306,000	475 Eccles Avenue South San Francisco	2.8	BioMed Realty	Developer materials indicate 306,000 SF while planning information indicates 262,287 SF.
3	Oyster Point Phase 2	865,000	379 Oyster Point Blvd South San Francisco	2.8	Kilroy Realty Corporation	Up to 1.865 million SF of Office/R&D buildings in Phases 2-4. Phase 2 is under construction with estimated 2025 completion.
4	Alexandria Technology Center - Gateway	230,592	751 Gateway Boulevard South San Francisco	2.9	Alexandria Real Estate Equities;	Owners website indicates 230,592 SF while planning information indicates 208,000 SF. Part of larger established project; ready for interior improvements early 2023.
5	580 Dubuque Avenue	355,000	580 Dubuque Avenue South San Francisco	3	IQHQ	9 story with 4 levels of underground parking; completion 2024
6	499 Forbes Blvd Office Project	128,737	499 Forbes Boulevard South San Francisco	3.1	Aralon Properties	5 story office/R&D building with completion late 2023
7	Vantage	342,000	494 Forbes Boulevard South San Francisco	3.2	Healthpeak Properties Inc.	Marketing materials indicate 342,000 SF while planning information indicates 326,000 SF; completion late 2023.
8	Nexus on Grand	148,500	233 East Grand Ave/328 Roebling Rd South San Francisco	3.2	Healthpeak Properties Inc.	Marketing materials indicate 148,500 square feet while planning information indicates 130,000 square feet.
9	Southline Development	670,000	30 Tanforan Avenue South San Francisco	4.1	Lane Partners	Six office/R&D buildings ranging in heights up to 7 stories; Phase 1 totals 670,000 SF of office/life science space plus a 30,000-SF amenities building.
	Subtotal	**3,467,829**				
	Approved					
10	Hunters Point Shipyard-Candlestick Point	4,896,500	Hunters Point Expwy, Spear Avenue San Francisco	1.6 to 3.0	Lennar	700-acre site encompassing Candlestick Point and Hunters Point Shipyard, including 10,335 units, 705,000 SF of retail/maker space, 395-room hotel, 5,000-seat arena, film art center, artist studios, other uses. Pending remediation.
3	Oyster Point Phases 3 and 4	1,000,000	379 Oyster Point Blvd South San Francisco	2.8	Kilroy Realty Corporation	Four buildings in Phases 3 and 4; construction TBD.
11	Gateway of Pacific Phase 4	370,000	850-900 Gateway Boulevard South San Francisco	2.9	BioMed Realty	Developer materials indicate 370,000 SF while planning information indicates 182,000 SF.
12	101 Gull Drive Project	166,613	101 Gull Drive South San Francisco	3.0	Sanfo Group	Nine-story office/R&D building with parking garage.
13	100 East Grand Avenue	543,294	100 East Grand Avenue South San Francisco	3.2	Prologis	Demolish existing industrial building and build new campus.
14	Genentech Master Plan	3,988,000	1 DNA Way South San Francisco	3.2 to 3.7	Genentech	Master plan approved November 2020 calls for 4.3 million SF of new building space within the existing Genentech Campus. Net of amenity space, total is 3.988 million SF. 20-year time horizon.
15	Safeway Shopping Center Redevelopment	720,000	180 El Camino Real South San Francisco	4.0	Steelwave	Demolition of vacant Safeway store and adjacent retail and replace with 74,500 SF new Safeway with ancillary space. Parking lot to be developed with three, 6-story office/R&D buildings totaling 720,000 SF and 160-unit residential building. The retail is under construction with the rest TBD.
9	Southline Development	2,030,000	30 Tanforan Avenue South San Francisco	4.1	Lane Partners	Future phases of Southline project.
	Subtotal	**13,714,407**				

Continued
Exhibit 12
Office and R&D (Life Science) Space Future Supply
Buildings 50,000 Square Feet (SF) and Larger
Cities of Brisbane and South San Francisco, and Southern Portion of San Francisco
Compiled March 2023

Map No. (1)	Status / Project Name	Size (Sq. Ft.)	Location/City	Miles from Project Site (2)	Developer	Comments
	Under Review					
16	Sierra Point Towers	823,220	2000 Sierra Point Parkway/8000 Marina Boulevard; Brisbane	2.2	Healthpeak Properties Inc.	Demolition of an existing parking structure and surface parking lot to construct two new life sciences towers, 40,000 square-foot amenity building, and an 11-story parking structure.
17	9000 Marina Hotel/Biotech Project	657,620	9000 Marina Boulevard Brisbane	2.2	Baylands Development Inc.	Project includes a 12-story office/life science building with 3,700 square feet of retail/food space, a 12-story hotel with 608 rooms, 20,000 square feet of event space and 11,600 square feet of meeting
18	800-890 Dubuque Avenue	900,000	800-890 Dubuque Avenue South San Francisco	2.8	IQHQ	Demolish the three-building South San Francisco Business Center and construct 9-story, 5-story, and 10-story buildings with below-grade
19	555 Gateway Boulevard	296,748	555 Gateway Boulevard South San Francisco	3.0	Trammell Crow Company	Construction of a 7-story building with an 8-level parking garage
20	121 East Grand Avenue	940,717	121 East Grand Avenue South San Francisco	3.1	Phase 3 Real Estate Partners	Demolish existing Comfort Inn and construct a 17-story building.
21	120 East Grand Avenue	504,000	120 East Grand Avenue South San Francisco	3.2	Trammell Crow Company	R&D campus with 11-story, 5-story, and amenity buildings, and a 5-story parking garage
22	175 Sylvester Road	550,000	175 Sylvester Road South San Francisco	3.3	Prologis	Demolish three industrial buildings and construct a campus with 10-story building and 8-story buildings, and garage.
23	101 Terminal Court	710,000	101 Terminal Court South San Francisco	3.9	Steelwave	R&D campus with two 7-story buildings, and a 3-story amenity building; developer is resubmitting plans that will include an adjacent property.
	Subtotal	**5,382,305**				
	Total Cumulative Future Supply	**22,564,541**				
	Baylands Space (3)	**6,397,800**				
	Grand Total Cumulative Supply	**28,962,341**				

Sources: City of Brisbane Current Projects; City of South San Francisco Development and Construction Map; City of San Francisco Planning: Major Development Agreements and Projects; developer and project web sites and marketing materials; and ALH Urban & Regional Economics.

(1) Map numbers correspond to the locations identified on Map 2 in the report. Projects are listed in order of development status and distance.
(2) For mapping purposes, the Project site is mapped at the intersection of Bayshore Boulevard and Main Street in Brisbane, CA.
(3) See Exhibit 1.

Exhibit 13
The Baylands
Hypothetical Retail Space Programming

	Tenant Assumptions		
	Space Increment (2)		
Type of Tenant (1)	**Net Sq. Ft.**	**Percent**	**Retail Category (3)**
Furniture and Housewares	10,000	11%	Home Furnishings & Appliances
Apparel	16,000	17%	Clothing & Clothing Accessories
Target/Dollar Store/ etc.	12,000	13%	General Merchandise Stores
Restaurants/Bars	26,000	28%	Food Services & Drinking Places
Various	10,000	11%	Other Retail Group
Sub-total	74,000	80%	
Services (4)	17,980	20%	All Other Outlets
Hair and Nail Salons			
Postal Services			
Offices (insurance, tax, etc.)			
Medical			
Total Occupied Square Feet	**91,980**	**100%**	

Source: ALH Urban & Regional Economics.

(1) General types of potential tenants anticipated by ALH Urban & Regional Economics to be appropriate for the amount and location of the Baylands retail space.
(2) See Exhibit 1 for the total net square feet of retail space. This square footage is distributed among the different types of tenants based on typical tenant space requirements as identified by various industry and internet resources about retail space needs by tenant.
(3) The Baylands retail tenants are matched with the relevant California Department of Tax and Fee Administration (CDTFA) retail category, to support Project analysis based upon sales tax data reported by the CDTFA.
(4) A portion of the retail space is anticipated to be tenanted by personal, business, and medical services. The services listed here are representative or illustrative services that could be compatible with the preceding tenant types.

Exhibit 14
The Baylands
Retail Space Distribution Assumptions and Estimated Sales
By Type of Retail

Retail Sales Category (1)	Occupied Sq. Ft. (2)	Annual Taxable Sales Per Sq. Ft. (3)	Annual Taxable Sales Total
Motor Vehicle & Parts Dealers	0	NA	$0
Home Furnishings & Appliances (4)	10,000	$350	$3,500,000
Building Materials & Garden Equipment	0	NA	$0
Food & Beverage Stores	0	NA	$0
Gasoline Stations	0	NA	$0
Clothing & Clothing Accessories (5)	16,000	$400	$6,400,000
General Merchandise Stores	12,000	$300	$3,600,000
Food Services & Drinking Places	26,000	$600	$15,600,000
Other Retail Group (6)	10,000	$400	$4,000,000
All Other Outlets (7)	17,980	$0	$0
Total/Weighted Average	**91,980**	$360	$33,100,000

Sources: "California Retail Analytics: Expanding Retailers and Retail Stores Sales Estimate," page 4, HdL ECONSolutions, 2019; emarketer.com (2018 retail sales per square foot); and ALH Urban & Regional Economics.

(1) Retail categories pursuant to the State of California Department of Tax and Fee Administration. Use of these categories facilitates analysis of prospective sales at The Baylands relative to different sources of demand.
(2) See Exhibit 13.
(3) The sales per square foot estimates are based on industry standards.
(4) Includes retailers selling home furnishings and appliances, such as home décor, kitchenware, bedding, small and large appliances, furniture, and mattresses.
(5) Includes retailers selling a wide range of clothing, shoes, and accessories such as purses and hats.
(6) The Other Retail Group includes a range of retail goods, such as drug stores, health and personal care, gifts, art goods and novelties, sporting goods, pet supply, toy stores, florists, photographic equipment and supplies, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.
(7) All Other Outlets includes non-retail uses such as bank/financial, fitness facilities, daycare facilities, repair services, and personal services, such as hair and nail salons.

Exhibit 15
Demographic Characteristics
The Baylands Retail Market Area (1)
2023

	Retail Market Area Census Tracts (2)							
Demographic Characteristic	**All City of Brisbane CT 6001 (3)**	**City of Daly City CT 6002 (4)**	**City of San Francisco CT 264.01 (5)**	**City of San Francisco CT 264.02 (5)**	**City of San Francisco CT 264.03 (5)**	**City of San Francisco CT 264.04 (5)**	**City of San Francisco CT 610 (6)**	**Total/Wtd Average**
2023 Demographics								
Population	5,282	4,249	3,677	3,901	3,778	2,935	2,435	26,257
Households	2,100	1,135	962	1,074	1,007	711	776	7,765
Average HH Size	2.5	3.7	3.8	3.6	3.8	4.1	3.1	3.4
Average HH Income	$224,091	$146,232	$128,244	$177,427	$110,418	$132,248	$161,854	$165,011
Median HH Income	$144,694	$111,883	$84,810	$137,824	$86,987	$82,478	$97,741	$113,657
2023 Households by Income	**Number %**	**Number %**	**Number %**	**Number %**	**Number %**	**Number %**	**Number %**	**Number %**
< $15,000	61 3%	65 6%	26 3%	39 4%	74 7%	63 9%	40 5%	368 5%
$15,000 - $24,999	23 1%	58 5%	117 12%	47 4%	137 14%	62 9%	37 5%	481 6%
$25,000 - $34,999	44 2%	43 4%	56 6%	35 3%	17 2%	43 6%	42 5%	280 4%
$35,000 - $49,999	183 9%	54 5%	39 4%	40 4%	34 3%	56 8%	67 9%	473 6%
$50,000 - $74,999	164 8%	121 11%	177 18%	111 10%	153 15%	106 15%	128 16%	960 12%
$75,000 - $99,999	199 9%	149 13%	155 16%	137 13%	177 18%	76 11%	82 11%	975 13%
$100,000 - $124,999	208 10%	159 14%	85 9%	85 8%	95 9%	55 8%	59 8%	746 10%
$125,000 - $149,999	208 10%	117 10%	52 5%	84 8%	88 9%	48 7%	43 6%	640 8%
$150,000 - $199,999	207 10%	125 11%	87 9%	175 16%	114 11%	71 10%	76 10%	855 11%
$200,000 - $249,999	152 7%	99 9%	57 6%	116 11%	55 5%	34 5%	57 7%	570 7%
$250,000 - $499,999	257 12%	89 8%	66 7%	118 11%	46 5%	55 8%	74 9%	705 9%
Income $500,000+	394 19%	56 5%	45 5%	87 8%	17 2%	42 6%	74 10%	715 9%
2023 Population by Age								
Age 0-17	999 19%	795 19%	724 20%	647 17%	620 16%	666 23%	444 18%	4,895 19%
Age 18 - 20	144 3%	130 3%	92 3%	102 3%	99 3%	97 3%	57 2%	721 3%
Age 21 - 24	182 3%	187 4%	147 4%	172 4%	171 5%	147 5%	80 3%	1,086 4%
Age 25 - 34	592 11%	652 15%	722 20%	770 20%	713 19%	589 20%	521 21%	4,559 17%
Age 35 - 44	869 16%	718 17%	463 13%	544 14%	481 13%	400 14%	377 15%	3,852 15%
Age 45 - 54	786 15%	559 13%	407 11%	468 12%	451 12%	331 11%	296 12%	3,298 13%
Age 55 - 64	797 15%	510 12%	446 12%	503 13%	500 13%	310 11%	284 12%	3,350 13%
Age 65 - 74	609 12%	414 10%	403 11%	430 11%	450 12%	255 9%	228 9%	2,789 11%
Age 75 and over	304 6%	284 7%	273 7%	265 7%	293 8%	140 5%	151 6%	1,710 7%
Median Age	43.4	39.9	37.9	39.4	40.7	34.4	37.8	39.6
2028 Demographics								
Population	5,184	4,200	3,581	3,816	3,689	2,905	2,451	25,826
Households	2,045	1,120	950	1,065	995	712	785	7,672

Sources: Claritas, Demographic Trends, Census Tracts, generation date May 30, 2023; and ALH Urban & Regional Economics.

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

(2) CT designates Census Tract.

(3) This census tract corresponds with the boundaries of the City of Brisbane; 100% of this census tract is assumed to be in the Retail Market Area.

(4) This census tract is located immediately to the west of the Project site; 100% of this census tract is assumed to be in the Retail Market Area.

(5) These census tracts are generally located immediately to the north of the Project site; 100% of these census tracts are assumed to be in the Retail Market Area.

(6) A large portion of this census tract is located east of Highway 101. Accordingly, Highway 101 is assumed to limit direct and easy acces to the site. Therefore, to match the general division of the census tract between the areas east and west of Highway 101, the analysis assumes that 50% of this census tract is included in the Retail Market Area. These figures correspond with this percentage estimate.

Exhibit 16
Market Area Households Supportable Retail Square Feet (1)
2023 Dollars

Retail Category	Per Household Retail Spending (2)(3)	Percent E-Commerce (4)	Projected Brick & Mortar Spending Per Household (5)	Total Project Household Brick & Mortar Spending (6)	Sales Per Sq. Ft. (7)	Supportable Sq. Ft. Amount (8)	Supportable Sq. Ft. Vacancy Adjusted (9)
Home Furnishings and Appliances	$1,877	25%	$1,407	$10,928,383	$350	31,224	34,693
Building Materials and Garden Equip.	$2,676	12.5%	$2,342	$18,180,639	$325	55,940	62,156
Food and Beverage Stores	$5,852	3%	$5,676	$44,070,988	$600	73,452	81,613
Gasoline Stations	$2,964	0%	$2,964	$23,010,297	NA (10)	NA (10)	NA (10)
Clothing and Clothing Accessories	$2,509	20%	$2,007	$15,582,526	$400	38,956	43,285
General Merchandise Stores	$4,652	15%	$3,954	$30,702,227	$300	102,341	113,712
Food Services and Drinking Places	$4,622	0%	$4,622	$35,887,627	$600	59,813	66,459
Other Retail Group	$6,995	25%	$5,246	$40,733,902	$400	101,835	113,150
Subtotal	$32,145	**12%**	$28,218	$219,096,589	--	463,561 (11)	515,067 (11)
Additional Service Increment (15% of total) (12)					NA	81,805	90,894
Total						545,365	605,962

Sources: Retail Indicators Branch, U.S. Census Bureau, "Table 1. Supplemental Estimated Quarterly US Retail Trade Sales: Total and E-Commerce, 2022Q4"; ecommercedb (a partner of Statista, see https://ecommercedb.com/insights/ecommerce-shares-in-top-product-categories); "U.S. Retail Market Outlook," March 2021, page 7, Cushman & Wakefield; "California Retail Analytics: Expanding Retailers and Retail Stores Sales Estimate," page 4, HdL ECONSolutions, 2019; emarketer.com (retail sales per square foot); and ALH Urban & Regional Economics.

(1) Excludes Motor Vehicles and Parts Dealers as auto dealer space needs could distort the analysis, and an overall average sales per square foot figure is difficult to estimate given the mix of uses in this category.
(2) Total household spending by retail category is based upon average Retail Market Area household income estimate of $165,011 (see Exhibit 15) and average household spending of 23% (see Exhibit B-2). The total excludes the share of spending anticipated for motor vehicles, since this is a unique use unlikely to locate at the Baylands retail space.
(3) Household spending by retail category is derived based on information presented in Exhibit B-1, which estimates percent of household retail spending by category for households in California.
(4) Percentages estimated based on review of governmental data sources and various retail and e-commerce industry publications (see Sources).
(5) Comprises the balance of household demand anticipated to be expressed for brick and mortar stores, after deducting the percent of demand assumed to be satisfied by internet sales.
(6) Comprises projected spending multiplied by the Retail Market Area's estimated 7,765 households (See Exhibit 15).
(7) These figures reflect achievable sales per square foot estimates for each respective retail category except as noted. The figures reflect general industry averages as well as national averages reported in the HdL ECON Solutions publication "Expanding Retailers and Retail Stores Sales Estimate". Additional considerations included historic data reported by emarketer.com.
(8) Reflects the "Total Project Household Brick & Mortar Spending" divided by the "Sales Per Sq. Ft.".
(9) Includes a 10% vacancy allowance for all categories of retail space.
(10) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from this analysis.
(11) Excludes gas stations.
(12) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

Exhibit 17
The Baylands
Projected Household Annual Spending on Retail
2023 Dollars

Unit Type	No. of Occupied Units (1)	Assumed Average Household Income	Percent Income Spent on Retail (3)	Per Household Retail Spending
Mixed	2,090	$350,000 (2)	17%	$58,600

Sources: "Draft Memorandum," Fiscal Impact Analysis of The Baylands Specific Plan, Prepared by Economic & Planning Systems, Inc., January 5, 2022; and ALH Urban & Regional Economics.

(1) The number of occupied units is derived from Project information in Exhibit 1.
(2) The unit types and pricing are as yet unspecified. To drive the analysis, ALH Urban & Regional Economics deferred to the assumptions in a fiscal impact analysis prepared for the Project by Economic Planning Systems, Inc., in 2022. This study was prepared for the Project developer. The cited figure is the approximate weighted average household income based on EPS average household income assumptions by type of unit.
(3) Percent of income spent on retail is based on analysis of the U.S. Bureau of Labor Statistics Consumer Expenditure Survey, summarized in Exhibit B-2, which demonstrates that as incomes increase the percent of income spent on retail decreases. The selected percentage was identified based upon interpolation of the findings summarized in Exhibit B-2.

Exhibit 18
The Baylands
Project Households Supportable Retail Square Feet (1)
2023 Dollars

Retail Category	Per Household Retail Spending (2)	Percent E-Commerce (3)	Projected Brick & Mortar Spending Per Household (4)	Total Project Household Brick & Mortar Spending (5)	Sales Per Sq. Ft. (6)	Supportable Sq. Ft. Amount (7)	Supportable Sq. Ft. Vacancy Adjusted (8)
Home Furnishings and Appliances	$2,912	25%	$2,184	$4,564,200	$350	13,041	14,490
Building Materials and Garden Equip.	$4,152	12.5%	$3,633	$7,593,078	$325	23,363	25,959
Food and Beverage Stores	$9,079	3%	$8,807	$18,406,089	$600	30,677	34,085
Gasoline Stations	$4,598	0%	$4,598	$9,610,167	NA (9)	NA (9)	NA (9)
Clothing and Clothing Accessories	$3,892	20%	$3,114	$6,507,986	$400	16,270	18,078
General Merchandise Stores	$7,218	15%	$6,135	$12,822,674	$300	42,742	47,491
Food Services and Drinking Places	$7,171	0%	$7,171	$14,988,338	$600	24,981	27,756
Other Retail Group	$10,853	25%	$8,140	$17,012,367	$400	42,531	47,257
Subtotal	$49,876	**12%**	$43,782	$91,504,898	--	193,604 (10)	215,116 (10)
Additional Service Increment (15% of total) (11)					NA	34,165	37,962
Total						227,770	253,078

Sources: Retail Indicators Branch, U.S. Census Bureau, "Table 1. Supplemental Estimated Quarterly US Retail Trade Sales: Total and E-Commerce, 2022Q4"; ecommercedb (a partner of Statista, see https://ecommercedb.com/insights/ecommerce-shares-in-top-product-categories); "U.S. Retail Market Outlook," March 2021, page 7, Cushman & Wakefield; "California Retail Analytics: Expanding Retailers and Retail Stores Sales Estimate," page 4, HdL ECONSolutions, 2019; emarketer.com (retail sales per square foot); and ALH Urban & Regional Economics.

(1) Excludes Motor Vehicles and Parts Dealers as auto dealer space needs could distort the analysis, and an overall average sales per square foot figure is difficult to estimate given the mix of uses in this category.
(2) See Exhibit 17 for average Project household retail spending. The total excludes the share of spending anticipated for motor vehicles, since this is a unique use unlikely to locate at the Baylands retail space.
(3) Percentages estimated based on review of governmental data sources and various retail and e-commerce industry publications (see Sources).
(4) Comprises the balance of household demand anticipated to be expressed for brick and mortar stores, after deducting the percent of demand assumed to be satisfied by internet sales.
(5) Comprises projected spending multiplied by the Project's estimated 2,090 occupied households (See Exhibit 1).
(6) These figures reflect achievable sales per square foot estimates for each respective retail category except as noted. The figures reflect general industry averages as well as national averages reported in the HdL ECON Solutions publication "Expanding Retailers and Retail Stores Sales Estimate". Additional considerations included historic data reported by emarketer.com.
(7) Reflects the "Total Project Household Brick & Mortar Spending" divided by the "Sales Per Sq. Ft.".
(8) Includes a 10% vacancy allowance for all categories of retail space.
(9) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from this analysis.
(10) Excludes gas stations.
(11) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

Exhibit 19
The Baylands
Daytime Retail Demand Generated by On-Site Employees
2023 Dollars

Parameter and Spending Category	Employee Annual Earnings, Retail Spending, and Supportable Square Feet				
	Office-Using Sectors	Life Science Sectors	Hotel Workers	Retail Workers	Total
The Baylands Employees (1)	1,524	15,521	800	184	18,029
Average Earnings					
Annual Average Earnings (2)	$222,000	$287,000	$42,000	$67,000	NA
Wage Benchmarked to Office Salary (3)	100%	129%	19%	30%	NA
Average Annual Spending (4)					
Restaurants/Fast Food	$1,900	$2,500	$400	$600	NA
Groceries	$1,400	$1,800	$300	$400	NA
All Other	$6,200	$8,000	$1,200	$1,900	NA
Total Spending	$9,500	$12,300	$1,900	$2,900	NA
Total Annual Spending					
Restaurants/Fast Food	$2,895,968	$38,802,429	$320,000	$110,376	$42,128,772
Groceries	$2,133,871	$27,937,749	$240,000	$73,584	$30,385,204
All Other	$9,450,000	$124,167,771	$960,000	$349,524	$134,927,295
Total Spending	$14,479,839	$190,907,949	$1,520,000	$533,484	$207,441,271
Sales Per Square Foot (5)					
Restaurants/Fast Food	$600	$600	$600	$600	NA
Groceries	$600	$600	$600	$600	NA
All Other	$400	$400	$400	$400	NA
Supportable Square Feet (6)					
Restaurants/Fast Food	5,363	71,856	593	204	78,016
Groceries	3,952	51,737	444	136	56,269
All Other	26,250	344,910	2,667	971	374,798
Total	35,565	468,503	3,704	1,312	509,083

Source: ALH Urban & Regional Economics.

(1) See Exhibit 1 for employment counts by land use.As noted on this exhibit, employee figures are lower than estimated in other components of the Baylands environmental impact analysis, because this analysis conservatively takes into consideration stabilized occupancy assumptions.
(2) See Exhibit B-4 for employment counts by land use. Figures are rounded to the nearest $1,000.
(3) Earnings are benchmarked relative to office earnings, since workers are assumed to make retail purchases in a pattern similar to office workers, but in proportion to their earnings relative to office worker earnings.
(4) See Exhibit B-3. As noted in Exhibit B-3, spending estimates vary depending upon the retail characterization of the surrounding area, i.e., ample or not-ample. Because of the nature of the nearby retail, the spending estimate for all of the retail categories is benchmarked to the spending estimate for a suburban location without ample retail. Figures are rounded to the nearest $100.
(5) See Exhibit 18.
(6) Includes a 10% vacancy allowance for all categories of retail space.

Exhibit 20
The Baylands
Estimated Hotel Guest Retail Spending
2023 Dollars

Hotel and Guest Characteristic	Value
Number of Rooms (1)	800
Estimated Average Occupancy (2)	65%
Room Nights/Year	189,800
Average Number Guests/Room (3)	1.5
Average Annual Number of Guests	284,700
Average Guest Spending on Food and Incidentals/Day (4)	$74
Annual Guest Spending on Food and Incidentals	$21,067,800
Sales per Square Foot (5)	$600
Retail vacancy rate (6)	10%
Supportable Square Feet (7)	39,014

Sources: U.S. General Services Administration, 2023 Per Diem Rates for San Mateo/Foster City/Belmont; and ALH Urban & Regional Economics.

(1) See Exhibit 1.
(2) Industry standard minimum occupancy rate.
(3) Hotel guest assumption prepared by ALH Urban & Regional Economics.
(4) This figure is the daily U.S. General Services Administration allowance for Meals and Incidental Expense (ME&IE) rate for 2023 for the San Mateo/Foster City/Belmont market.
(5) See Exhibit 16.
(6) Includes a % vacancy allowance for retail space.
(7) Reflects vacancy allowance.

Exhibit 21
The Baylands Retail Market Area
Supportable Retail Square Feet by Demand Source

Retail Category	Existing Residential Base in Market Area (1)	The Baylands				Total Supportable Retail Space	
		The Baylands Households (2)	The Baylands Employees (3)	The Baylands Hotel Guests (4)	The Baylands Total Demand	Square Feet	Percent
Home Furnishings and Appliance Stores	34,693	14,490			14,490	49,183	3%
Building Materials and Garden Equip	62,156	25,959			25,959	88,115	6%
Food and Beverage Stores	81,613	34,085	56,269		90,354	171,967	12%
Clothing and Clothing Accessories Stores	43,285	18,078			18,078	61,363	4%
General Merchandise Stores	113,712	47,491			47,491	161,203	11%
Food Services and Drinking Places	66,459	27,756	78,016	39,014	144,787	211,245	15%
Other Retail Group	113,150	47,257	374,798		422,055	535,204	38%
Service Increment	90,894	37,962			37,962	128,856	9%
Total	**605,962**	**253,078**	**509,083**	**39,014**	**801,175**	**1,407,137**	**100%**

Source: ALH Urban & Regional Economics.

(1) See Exhibit 16.
(2) See Exhibit 18.
(3) See Exhibit 19.
(4) See Exhibit 20.

Exhibit 22
Retail Future Supply in Projects 10,000 Square Feet and Larger (1)
Residential Future Supply in Projects with 50 or More Units and Hotel Future Supply Without Retail Components that Support Retail Demand
Cities of Brisbane and South San Francisco, plus Southern Portion of San Francisco and Eastern Daly City
Compiled March 2023

Map # (2)	Project Status/ Project Name	Retail Square Feet	Other Uses Type Units/Rooms/SF	Address/City	Miles from Project Site (3)	In/Out of MA (4)	Developer/Broker	Planning Status and Project Tenancy Information
Retail Future Supply								
	Under Construction							
1	Baylands North/ Schlage Lock Redevelopment Plan	46,700	Residential 1,679	Bayshore Blvd/Leland Ave San Francisco	0.75	**In**	Baylands Development Inc.	Phase 1 construction began in early 2020; earliest anticipated residential occupancy would be in 2025.
2	Sunnydale HOPE SF Master Plan	16,200	Residential 1,700	Sunnydale Ave/Santos St San Francisco	1.0	Out	Mercy Housing CA and Related Companies of CA	Demolition of the Sunnydale public housing and construction of replacement and new market rate housing, off-street parking, 72,500 SF of community, recreation and education facilities, and 16,200 SF of neighborhood retail; under construction with 2026 completion.
3	201-219 Grand Avenue	6,000	Residential 476	201-219 Grand Avenue South San Francisco	3.1	Out	ROEM Development Corp.	Five -story mixed-use building with 476 apartments and 6,000 SF of commercial space; estimated completion in Q2 2023.
4	200 Airport Boulevard	3,650	Residential 94	200 Airport Boulevard South San Francisco	3.2	Out	Fairfield Residential	Construction of a 7-story mixed-use building with 94 units, 3,650 SF of retail, and two levels of parking; completion expected Q1 2023.
5	Safeway Shopping Center Redevelopment	74,500	Residential 160 Office/Life Science 720,000	180 El Camino Real South San Francisco	4.0	Out	Steelwave	Demolition of vacant Safeway store and adjacent retail space and replace with 74,500 SF new Safeway with ancillary space. Parking lot to be developed with three, 6-story office/R&D buildings and a 7-story residential building; retail component under construction.
	Subtotal	**147,050**						
	Approved							
6	Executive Park Subarea Plan	73,000	Residential 1,600	Executive Park Boulevard/ Thomas Mellon Circle San Francisco	1.1	Out	Universal Paragon Corp.	Demolition of 1980s-era office buildings with 320,000 SF and construction of 1,600 residential units with 73,000 SF of retail; on hold.
7	Hunters Point Shipyard- Candlestick Point	705,500	Residential 10,335	Hunters Point Expwy Spear Avenue San Francisco	1.6 to 3.0	Out	Lennar	700-acre site encompassing Candlestick Point and Hunters Point Shipyard, including 10,335 units, 705,000 SF of retail/maker space, 395-room hotel, 5,000-seat arena, film art center, artist studios, other uses. Pending remediation.
8	Bertolucci's Redevelopment	1,500	Residential 99	421 Cypress Avenue South San Francisco	3.0	Out	Peter Sodini	Construction of a 7-story mixed-use building with 1,500 SF restaurant, corner plaza, ground-floor parking, and 99 residential units.
9	Former SFPUC Site	13,000	Residential 800	1051 Mission Road South San Francisco	3.2	Out	AGI Kasa Partners	Mixed-use development and public open space on a 5.9-acre portion of the former San Francisco Public Utilities Commission land.
	Subtotal	**793,000**						

Continued
Exhibit 22

Map # (2)	Project Status/ Project Name	Retail Square Feet	Other Uses Type Units/Rooms/SF	Address/City	Miles from Project Site (4)	In/Out of MA	Developer/Broker	Planning Status and Project Tenancy Information
Retail Future Supply, continued								
	Under Review							
10	9000 Marina Hotel/Biotech Project	3,700	Hotel 608 Office/Life Science 657,620	9000 Marina Boulevard Brisbane	2.2	**In**	Baylands Development Inc.	Proposed 12-story hotel with 608 rooms, 20,000 SF of event space and 11,600 SF of meeting rooms, plus a 12-story 657,620 SF office/life science building with 3,700 SF of retail and food space. A parking structure would provide 1,200 parking spaces.
	Subtotal	**3,700**						
	Planned Retail Supply	**943,750**						
	Planned Retail Supply in the Retail Market Area (5)	**50,400**						
Residential Future Supply in Projects with 50 or More Units and Hotel Future Supply Without Retail Components that Support Retail Demand								
	Under Construction							
11	Midway Village Redevelopment		Residential 555	45 Midway Drive Daly City	0.3	**In**	Mid-Pen Housing	Affordable units with flats and townhomes; completion in 2023.
12	Point Martin Phases 1 and 2		Residential 133	Steve Courter Way/Martin Daly City	1.0	Out	KB Home	Single-family detached homes.
13	Cadence Phase 2		Residential 195	405 Cypress Avenue South San Francisco	3.0	Out	Sares Regis Group	Apartment units; estimated completion 2024.
14	418 Linden Avenue		Residential 378	418 Linden Avenue South San Francisco	3.0	Out	ROEM Development Corp.	Apartment units; estimated completion Q2 2023.
15	410 Noor Avenue		Residential 338	410 Noor Avenue South San Francisco	4.0	Out	Syufi Properties, LLC	Demolition of a movie theater for residential building; estimated completion 2024.
	Approved							
16	Genesis Hotel		Hotel 110	One and Two Tower Place South San Francisco	2.4	Out	Genesis	The hotel has been approved since 2017.
17	915 Airport Boulevard		Hotel 115	915 Airport Boulevard South San Francisco	2.6	Out	Shree Hospitality LP	5-story hotel.
18	40 Airport Boulevard		Residential 292	40 Airport Boulevard South San Francisco	3.4	Out	Blake Grigg Properties	
19	124 Airport Boulevard		Residential 480	124 Airport Boulevard South San Francisco	3.5	Out	The Hanover Company	Two, 7-story apartment buildings. Secondary address is 100 Produce Avenue.

Continued
Exhibit 22

Map # (2)	Project Status/ Project Name	Retail Square Feet	Other Uses Type Units/Rooms/SF	Address/City	Miles from Project Site (4)	In/Out of MA	Developer/Broker	Planning Status and Project Tenancy Information
Residential Future Supply in Projects with 50 or More Units and Hotel Future Supply Without Retail Components that Support Retail Demand, continued								
	Under Review							
20	Oyster Point Hotel		Hotel 350	367 Marina Boulevard South San Francisco	3.1	Out	Ensemble Real Estate Investments	
21	7 South Linden Avenue		Residential 558	7 South Linden Avenue South San Francisco	3.4	Out	Essex Property Trust, Inc.	
22	1477 Huntington Avenue		Residential 262	1477 Huntington Avenue South San Francisco	4.0	Out	Infill Land Partners, LLC	
	Planned Residential Units		**20,134**					
	Planned Resid Units in the Retail Market Area (6)		**2,234**					
	Planned Hotel Rooms		**1,183**					
	Future Hotel Supply in the Retail Market Area (7)		**608**					
	Planned Office/Life Science Space (not yet built)		**1,377,620**					
	Planned Off/LS Space in the Retail Market Area (8)		**657,620**					

Sources: City of Brisbane Current Projects; City of South San Francisco Development and Construction Map; City of San Francisco Planning: Major Development Agreements and Projects; City of Daly City Current Residential Projects List, Current as of 3/3/2023; and ALH Urban & Regional Economics.

(1) A retail project size threshold of 10,000 square feet was selected because any higher threshold would rule out a large percentage of the projects with planned retail space.
(2) Map numbers correspond to the locations identified on Map 4 in the report. Projects with retail components are generally ordered by project status, and then size (net new square feet).
(3) For mapping purposes, the Project site is mapped at the intersection of Bayshore Boulevard and Main Street in Brisbane, CA.
(4) This column refers to the cumulative project's location in or out of the Baylands Retail Market Area (MA). As noted, just a few projects are located "In" the retail market area.
(5) Reflects the cumulative supply of retail space planned among the cumulative projects located in the retail market area.
(6) Reflects the cumulative supply of residential units planned among the cumulative projects located in the retail market area.
(7) Reflects the cumulative supply of hotel rooms planned among the cumulative projects located in the retail market area.
(8) Reflects the cumulative supply of office/life science space planned among the cumulative projects located in the retail market area.

Exhibit 23
New Retail Market Area Cumulative Project Households Supportable Retail Square Feet (1)
Planned Residential Units Located in the Baylands Retail Market Area
2023 Dollars

Retail Category	Total New MA Household Retail Spending (2)	Percent E-Commerce (3)	Total New MA Household Brick & Mortar Spending (4)	Sales Per Sq. Ft. (3)	Supportable Sq. Ft. Amount (5)	Supportable Sq. Ft. Vacancy Adjusted (6)
Home Furnishings and Appliances	$5,400,605	25%	$4,050,454	$350	11,573	12,182
Building Materials and Garden Equip.	$7,701,031	13%	$6,738,402	$325	20,734	21,825
Food and Beverage Stores	$16,839,487	3%	$16,334,302	$600	27,224	28,657
Gasoline Stations	$8,528,448	0%	$8,528,448	NA (7)	NA (7)	NA (7)
Clothing and Clothing Accessories	$7,219,310	20%	$5,775,448	$400	14,439	15,199
General Merchandise Stores	$13,387,478	15%	$11,379,356	$300	37,931	39,928
Food Services and Drinking Places	$13,301,253	0%	$13,301,253	$600	22,169	23,336
Other Retail Group	$20,129,944	25%	$15,097,458	$400	37,744	39,730
Subtotal	$108,688,345 (8)	**12%**	$81,205,121	--	171,812 (9)	180,855 (9)
Additional Service Increment (15% of total) (10)				NA	30,320	31,916
Total					202,132	212,771

Source: ALH Urban & Regional Economics.

(1) This includes two residential projects in the market area, Baylands North/Schlage Lock Redevelopment Plan and Midway Village Redevelopment, totaling 2,234 units. See Exhibit 22 for project information.
(2) See Exhibit 17 for average Project household retail spending. The total excludes the share of spending anticipated for motor vehicles, since this is a unique use unlikely to locate at the Baylands retail space. See footnote (8) for the total source.
(3) See Exhibit 18.
(4) Comprises the balance of household demand anticipated to be expressed for brick and mortar stores, after deducting the percent of demand assumed to be satisfied by
(5) Reflects the "Total New MA Household Brick & Mortar Spending" divided by the "Sales Per Sq. Ft.".
(6) Includes a 5% vacancy allowance for all categories of retail space.
(7) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from
(8) See Table 7.
(9) Excludes gas stations.
(10) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

Exhibit 24
New Non-Residential Cumulative Project Employees Supportable Retail Square Feet (1)
Planned Non-Residential Uses Located in the Baylands Retail Market Area (2)
2023 Dollars

Parameter and Spending Category	Retail Space	Office/Life Science Space	Total
Square Feet in Retail Market Area (3)	50,400	657,620	708,020
Estimated Employment (4)	91	1,738	1,829
Annual Expenditures on Retail (5)			
Restaurants/Fast Food	$600	$2,500	NA
Groceries	$400	$1,800	NA
All Other	$1,900	$8,000	NA
Total Expenditures on Retail			
Restaurants/Fast Food	$54,600	$4,345,000	$4,399,600
Groceries	$36,400	$3,128,400	$3,164,800
All Other	$172,900	$13,904,000	$14,076,900
Total	$263,900	$21,377,400	$21,641,300
Sales per Square Foot (6)			
Restaurants/Fast Food	$600	$600	$600
Groceries	$600	$600	$600
All Other	$400	$400	$400
Supportable Square Feet (7)			
Restaurants/Fast Food	101	8,046	8,147
Groceries	67	5,793	5,861
All Other	480	38,622	39,103
Total	649	52,462	53,111

Source: ALH Urban & Regional Economics.

(1) Reflects daytime retail spending potential for employees of cumulative projects located in the Baylands retail market area.
(2) Excludes the planned hotel in the Baylands retail market area because this project includes a small component of retail space, likely to draw demand from hotel guests. This project also features the office/life science space planned within the retail market area, but the amount of project retail is not sufficient to meet estimated daytime employee retail supply needs.
(3) See Exhibit 22.
(4) See Exhibit 1 for employment estimation assumptions, e.g., occupancy rates and square feet per employee by land use.
(5) See Exhibit 19 for per employee annual retail spending estimates by land use.
(6) See Exhibit 19 for retail sales per square foot estimates.
(7) Supportable square feet calculated in the same manner as in Exhibit 19.

Exhibit 25
The Baylands Retail Market Area
Supportable Retail Square Feet by Demand Source Including Cumulative Housing Units

Retail Category	Existing Residential Base in Market Area (1)	New Project Development: The Baylands Total Demand (1)	Cumulative Projects: New Market Area Households (2)	Cumulative Projects: New Market Area Non-Resi Employees (3)	Cumulative Projects: Total Cumulative Projects	Baylands and Cumulative	Total Supportable Square Feet
Home Furnishings and Appliance Stores	34,693	14,490	12,182		12,182	26,671	61,365
Building Materials and Garden Equip	62,156	25,959	21,825		21,825	47,784	109,940
Food and Beverage Stores	81,613	90,354	28,657	5,861	34,517	124,872	206,485
Clothing and Clothing Accessories Stores	43,285	18,078	15,199		15,199	33,276	76,561
General Merchandise Stores	113,712	47,491	39,928		39,928	87,419	201,131
Food Services and Drinking Places	66,459	144,787	23,336	8,147	31,483	176,270	242,728
Other Retail Group	113,150	422,055	39,730	39,103	78,833	500,887	614,037
Service Increment	90,894	37,962	31,916		31,916	69,877	160,771
Total	**605,962**	**801,175**	**212,771**	**53,111**	**265,881**	**1,067,057**	**1,673,018**

Source: ALH Urban & Regional Economics.

(1) See Exhibit 21. Includes existing market area households, Baylands households, Baylands employees, and Baylands hotel guests.
(2) See Exhibit 23.
(3) See Exhibit 24.

APPENDIX B: SUPPORT EXHIBITS

Exhibit B-1
State of California Department of Tax and Fee Administration Taxable Retail Sales Estimate by Retail Category
2021

Type of Retailer	Total Taxable Sales (1)	State of California Taxable Sales Adjusted to Total Retail	Percent of Total
Motor Vehicle & Parts Dealers	$106,686,237,970	$106,686,237,970	14.9%
Home Furnishings & Appliances	$35,608,291,679	$35,608,291,679	5.0%
Building Materials & Garden Equipment	$50,775,894,055	$50,775,894,055	7.1%
Food & Beverage Stores	$33,308,785,191	$111,029,283,970 (2)	15.5%
Gasoline Stations	$56,231,375,008	$56,231,375,008	7.8%
Clothing & Clothing Accessories	$47,599,716,027	$47,599,716,027	6.6%
General Merchandise Stores	$66,201,633,381	$88,268,844,508 (3)	12.3%
Food Services & Drinking Places	$87,700,329,269	$87,700,329,269	12.2%
Other Retail Group	$114,691,196,514	$132,724,543,754 (4)	18.5%
Total (5)	**$598,803,459,094**	**$716,624,516,240**	**100%**

Sources: California Department of Tax and Fee Administration (CDTFA), "Table 1. Taxable Sales in California, By Type of Business, 2021"; U.S. Economic Census, "Retail Trade: Summary Statistics for the U.S., States, and Selected Geographies: 2017"; and ALH Urban & Regional Economics.

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

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

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

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the former California BOE and examination of U.S. Census data. In California, drug store sales in 2021 represented approximately 7.74% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

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

Exhibit B-2
Household Income Spent on Retail (1)
United States
2021

Characteristic	All Consumer Units	Household Income Range							
		$15,000 to $29,999	$30,000 to $39,999	$40,000 to $49,999	$50,000 to $69,999	$70,000 to $99,999	$100,000 to $149,999	$150,000 to $199,999	$200,000 and more
Average HH Income	$87,432	$22,355	$34,780	$44,683	$59,210	$83,658	$121,162	$171,570	$316,328
Amount Spent on Retail (2)	$25,348	$13,540	$18,071	$19,752	$22,313	$26,814	$32,175	$39,269	$52,967
Percent Spent on Retail (3)	29%	61%	52%	44%	38%	32%	27%	23%	17%

Sources: Table 1203. Income before taxes: Annual expenditure means, shares, standard errors, and coefficient of variation, Consumer Expenditure Survey, 2021, U.S. Bureau of Labor Statistics; and ALH Urban & Regional Economics.

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

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

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

Exhibit B-3
Average Annual Estimated Daytime Retail Spending
Office Workers in Suburban Locations
2023 Dollars (1)

Category of Spending (2)	Weekly Spending: Suburban Locations	Weekly Spending: Suburban Ample Locations (3)	Percent Distribution	Annual Spending: Suburban Locations	Annual Spending: Suburban Ample Locations (3)
Full-Service Restaurants and Fast Food	$35.70	$62.42	19.7%	$1,856.34	$3,246.07
Goods and Services					
Groceries	$26.69	$46.68	14.7%	$1,388.08	$2,427.24
All Other (4)	$118.85	$207.82	65.6%	$6,180.09	$10,806.73
Total	$181.24	$316.92	100.0%	$9,424.51	$16,480.03
Taxable (5)					
Total	$162.55	$284.25	NA	$8,452.86	$14,780.97
Percent	90%	90%	NA	90%	90%

Sources: International Council of Shopping Centers "Office-Worker Retail Spending in a Digital Age"; United States Bureau of Labor Statistics, CPI for Urban West; and ALH Urban & Regional Economics.

(1) The data were reported for 2011. ALH Urban &28:29Regional Economics inflated the figures to 2023 by using the Urban West CPI Index, with adjustments from October 2011 to April 2023, resulting in a 1.41% (rounded) adjustment.
(2) Excludes spending on transportation and online purchases.
(3) Reflects an increase in spending by office workers in location with more ample retail, restaurant, and services offerings in the vicinity of the office building, such as major shopping centers. This adjustment is based upon analysis reflected in the cited International Council of Shopping Centers source document. In suburban locations the increment was approximately 75% more.
(4) All other includes a range of retail purchases, such as personal care shops, office supplies, department stores, drug stores, electronics, jewelry stores, entertainment, clothing, and other goods.
(5) Sales for Groceries have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

Exhibit B-4
Annual Average Salaries for Select Industries
San Mateo County
2021
2023 Dollars

NAICS Code (1)	Industry Code Description (1)	Number of Employees	Annual Avg. Pay (2021)	Annual Avg. Pay (2023) (2)	Annual 2023 Payroll
Life Science					
325	Chemical Manufacturing	11,313	$282,192	$320,693	$3,627,995,262
3272	Glass and glass product manufacturing	NA	NA	NA	NA
3333	Commercial and service industry machinery mfg, including digital camera mfg	17	$75,018	$85,253	$1,449,301
3345	Navigational, measuring, electromedical, and control instruments mfg	2,218	$178,633	$203,005	$450,264,244
3391	Medical equipment and supplies manufacturing	1,325	$199,090	$226,253	$299,784,760
5413	Architectural, engineering, and related services	3,188	$138,576	$157,482	$502,054,149
5417	Scientific research and development services	26,972	$274,400	$311,837	$8,410,880,925
6215	Medical and diagnostic laboratories	3,201	$661,941	$752,252	$2,407,959,524
	Combined - Total	48,234		$325,505	$15,700,388,165
	Combined - Excluding Two High Outliers (3)	33,720		$286,608	9,664,433,379
Retail					
44-45	Retail trade	30,016	$58,818	$66,843	$2,006,352,772
Office-Using Sectors					
51	Information	54,954	$467,302	$531,058	$29,183,755,336
52	Finance and Insurance	16,307	$373,239	$424,161	$6,916,801,541
53	Real Estate and Rental and Leasing	6,311	$93,274	$106,000	$668,964,403
54	Professional and Technical Services	60,737	$246,728	$280,390	$17,030,053,087
55	Management of Companies and Enterprises	6,203	$196,790	$223,639	$1,387,231,793
561	Administrative and Support Services	22,047	$83,952	$95,406	$2,103,414,074
	Combined - Total	166,559		$343,964	$57,290,220,234
	Combined - Excluding Two High Outliers (3)	95,298		$222,352	$21,189,663,357
Lodging					
72	Leisure and Hospitality	33,027	$37,353	$42,449	$1,401,970,389

Sources: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, San Mateo County, 2021; U.S. Department of Labor, Consumer Price Index, West Urban through April 2023; and ALH Urban & Regional Economics.

(1) See Exhibit 11 for identification of the Life Science NAICS codes and Exhibit 9 for most other NAICS codes.
(2) Inflated to 2023 based upon CPI for April 2021 and April 2023. Inflation factor is 1.13643.
(3) The two highest outliers are excluded to result in a more moderate income estimate.