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MEMORANDUM

DATE: March 21, 2016

TO: Becky Newton, City of Lakewood

FROM: Brian Murphy, Annie Saurwein, and Aaron Raymond, BERK

RE: City of Lakewood Retail Leakage Analysis

The City of Lakewood is interested in catalyzing development on a 35-acre site adjacent to I-5 located along Pacific Highway. The City feels that the site, which currently features a WSDOT fleet maintenance facility and other uses, would be better used for retail purposes. The region's perception of Lakewood would also be further improved through retail redevelopment of the Pacific Highway site and strengthen Lakewood's ability to attract additional desirable development.

To evaluate this assumption, the City of Lakewood has completed both a fiscal benefits analysis of site redevelopment and a cost analysis that reviewed WSDOT relocation options. As part of the fiscal benefits analysis, we identified several redevelopment scenarios ranging from an outlet mall style redevelopment to a high end retail power center. The potential for an auto dealership was also evaluated separately for each scenario redevelopment. The City has identified two scenarios – an outlet mall similar to that in Centralia and a power center with retail such as a Tukwila Nordstrom Rack or Kohl's department store – as the low and high ends of the range of most likely redevelopment scenarios for this site. Given data availability, power centers as a discrete category of analysis has been excluded – as a proxy, department store and outlet mall retail analyses should be referenced.

The scope of this analysis is to evaluate retail leakage across retail sectors and evaluate the market feasibility of key retail sectors. This memo addresses the following:

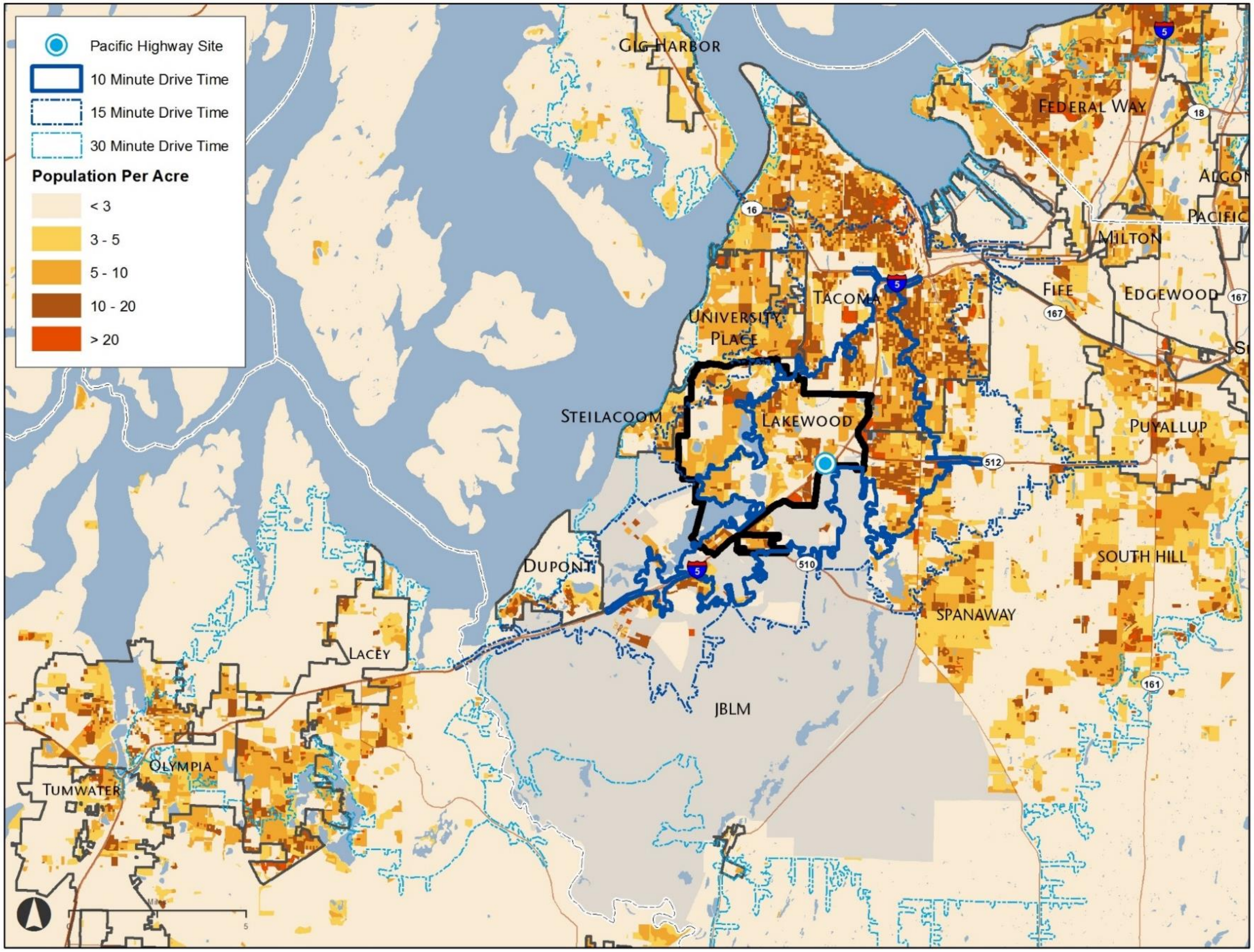
1) **Retail leakage analysis** at the jurisdictional and regional level including pull factor analysis.
2) **Select retail sector analysis** including auto dealership, department stores, furniture and home furnishings, grocery stores, and outlet malls.
3) **Interview feedback** from local stakeholders.
4) **Additional considerations** for further analysis.

Since the previous iteration of this memo in January 2016, mapping of retailers in key market sectors has occurred along with completion of stakeholder interviews with local commercial brokers and developers to better understand the relative strengths and weaknesses of the WSDOT site.

GEOGRAPHIC CONTEXT

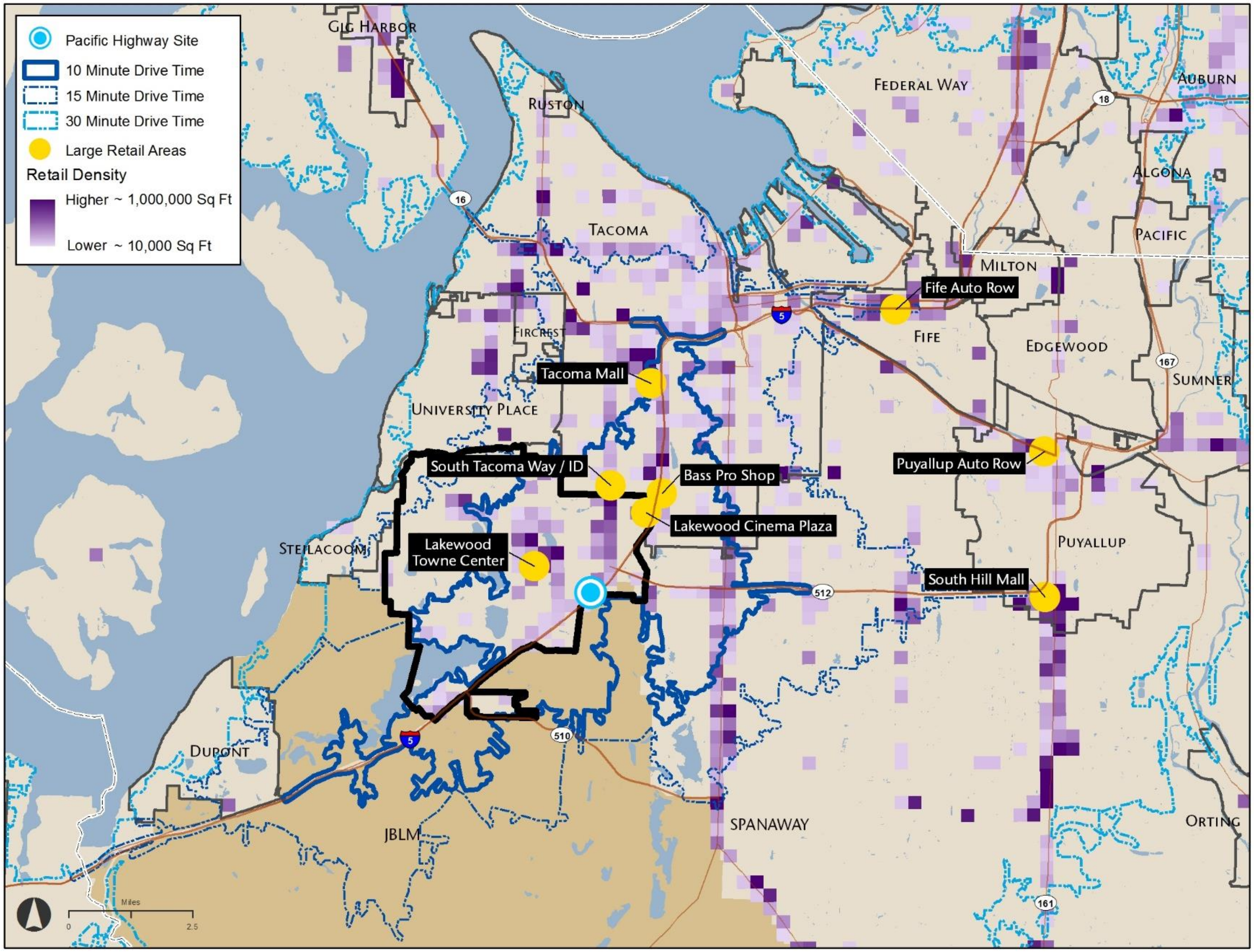
The market potential of the site is based in part on the spending potential of the market area. The market area, which will vary by retail category, refers to the geographic area from which customers will come. As baseline context, **Exhibit 1** and **Exhibit 2** illustrate current population density and retail development.
The market potential of the site is also affected by the potential capture of pass-through traffic traveling on neighboring roads. These traffic volumes are shown in **Exhibit 3** and reflect average daily traffic counts traveling in both directions.

Exhibit 1: Population Density



Source: Office of Financial Management, April 1st Estimates, 2014; and BERK Consulting, 2015.

Exhibit 2: Existing Retail Development



Source: Pierce County Assessor, 2015; BERK Consulting, 2015.

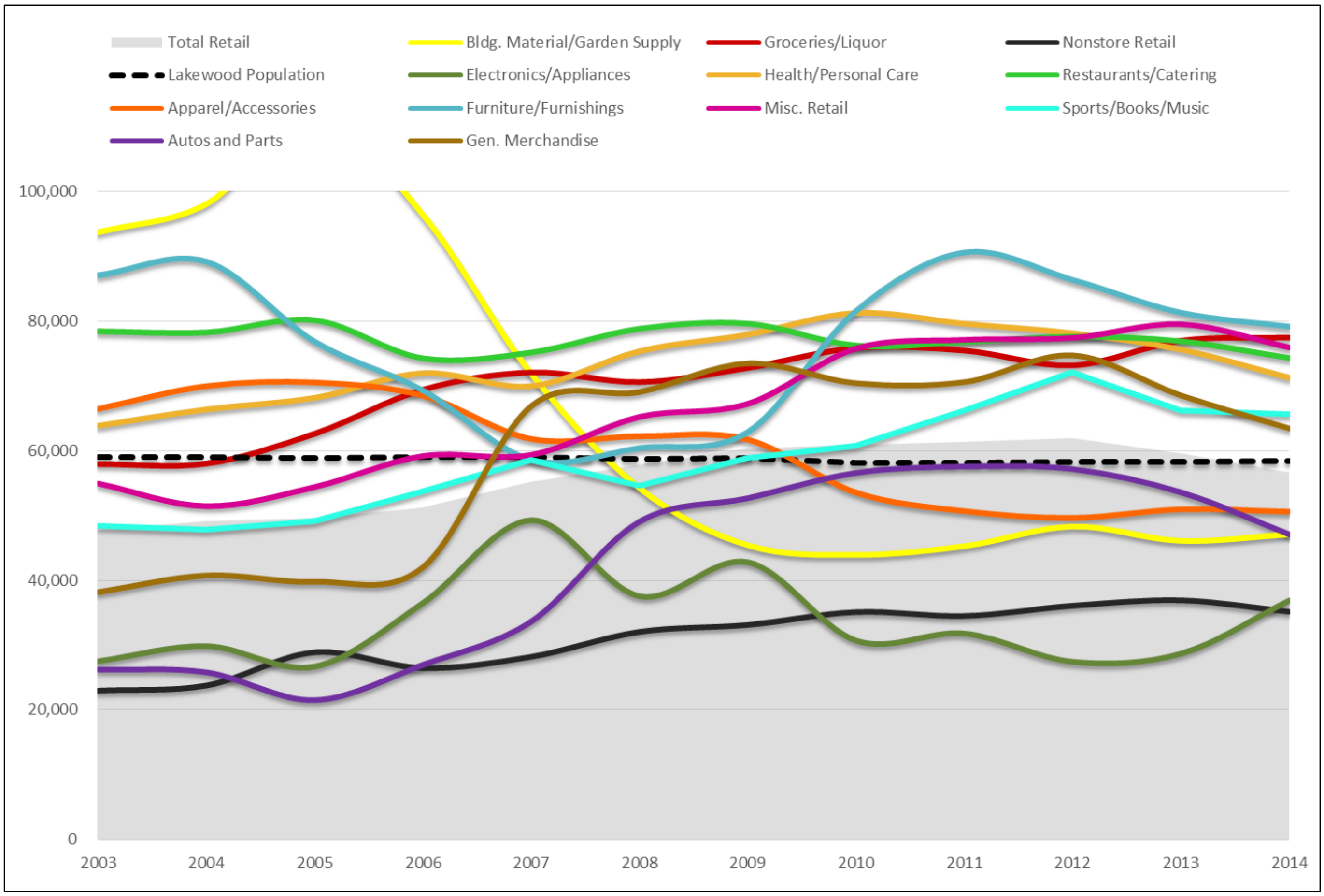
Exhibit 3: Average Daily Traffic Counts (Both Directions)

Source: City of Lakewood, WSDOT, 2014; Google Earth (KSS Fuels), 2012; BERK Consulting, 2015.

LAKEWOOD'S HISTORICAL RETAIL MARKET CAPTURE

Spending per capita (per person expenditures) can be used to translate spending into the number of people supported by the retail market for a good or service. When the number of people purchasing a good of service in an area is higher than its population, a "retail surplus" exists. A surplus may indicate the market is saturated, or constitute a retail opportunity as additional retailers may be attracted to a strong cluster that draws customers from a wider geography. When the number of people purchasing a good or service in an area is lower than the market area population, "retail leakage" may (or may not, depending on the availability of competing shopping options) indicate a market opportunity. **Exhibit 4** shows Lakewood's retail sales over time.

Exhibit 4: Lakewood Historical Retail Market, 2003 to 2014



Source: Department of Revenue, 2015; BERK Consulting, 2015.

- Lakewood has historical retail surplus for groceries and liquor, restaurants and catering, health and personal care, and furniture and furnishings.
- Lakewood has historical retail leakage for electronics and appliances.
- Although non-store retail data suggests historical retail leakage in this sector, this data point is better interpreted as a reflection of less online retail sales than would be expected for Lakewood's population.
- Lakewood's capture for general merchandise and sporting goods/books/hobbies has been increasing.

- Lakewood's market capture for apparel and accessories as well as building materials and garden supply have been decreasing over time. Building materials and garden supply prior to 2006/7 was a strong surplus for the city, while sales now are less than the base population.

PULL FACTOR ANALYSIS FOR LAKEWOOD AND SURROUNDING MARKET AREAS

Pull factor is another way to express the ability of retailers to capture the expected spending (based on population) of a given market area:

- A pull factor of 1.00 indicates that retailers in the market area are capturing the expected retail sales for that good or service.
- A pull factor less than 1 indicates "leakage," with retailers capturing less than the expected retail sales for that good or service.
- A pull factor greater than 1.00, indicates that retailers are capturing the spending of consumers from beyond the market area.

Retail pull factors (inclusive of restaurant sales) for broad categories of goods and services (3-digit NAICS) in Lakewood and specific jurisdictions in Pierce County, as well as the County overall are presented in **Exhibit 5**. This exhibit demonstrates that City of Lakewood retailers, overall, capture more retail spending than the City's population as reflected in their calculated pull factor of 1.25. Pierce County as a whole as an overall retail pull factor of 1.06, meaning that collectively, retailers in incorporated and unincorporated Pierce County capture the majority of spending by Pierce County residents. The following bullets summarize observations for Lakewood and Pierce County retail performance:

History of Retail Surplus

- **Groceries and Liquor.** Lakewood has a significant retail surplus (1.62) in this category, while the County overall has a very small amount of leakage (0.96).
- **Restaurants and Catering.** Lakewood has a significant retail surplus (1.55) in this category, while the County overall has a very small amount of leakage (0.92).
- **Health and Personal Care.** Lakewood has a significant retail surplus (1.49) in this category, while the County overall has a very small amount of leakage (0.94).
- **Furniture and Furnishings.** Lakewood has a significant retail surplus (1.66) in this category, while the County overall has a very small amount of leakage (0.92).

History of Retail Leakage

- **Electronics and Appliances.** Lakewood has some retail leakage (0.77) in this category, while the County overall has a small amount of leakage (0.87).
- **Non-Store Retail.** Lakewood has some retail leakage (0.74) in this category, while the County overall has a small amount of leakage (0.87). However, non-store retail leakage is better interpreted as Lakewood residents not making the anticipated level of online retail purchases that would be expected given its population.

History of Increasing Market Capture

- **General Merchandise.** Lakewood has a significant retail surplus (1.32) in this category, however the County overall also has a small amount of surplus (1.06).
- **Sporting Goods/Books/Hobbies.** Lakewood has a significant retail surplus (1.37) in this category, while the County overall has a small amount of leakage (0.96).

Exhibit 5: Pull Factors for Retail Sales in Lakewood and Other Jurisdictions, 2014

Category	Lakewood	All of Pierce County	DuPont	Edgewood	Fife	Fircrest	Orting	Puyallup	Steilacoom	Sumner	Tacoma	University Place	Unincorporated Pierce County
Furniture/Furnishings	1.66	0.92	0.41	0.41	3.82	0.31	0.74	2.08	0.53	8.95	1.14	0.40	0.33
Groceries/Liquor	1.62	0.96	0.03	0.18	0.11	0.27	2.13	1.24	0.07	2.38	1.34	0.87	0.52
Misc. Retail	1.59	0.98	3.65	0.24	1.64	0.39	0.59	2.57	0.18	2.35	1.46	0.58	0.38
Restaurants/Catering	1.55	0.92	1.12	0.08	2.18	0.40	0.97	2.46	0.21	1.61	1.42	0.52	0.34
Health/Personal Care	1.49	0.94	0.09	0.81	1.29	0.09	0.19	2.44	0.05	0.28	1.51	1.07	0.39
Sports/Books/Music	1.37	0.96	0.12	0.23	6.85	0.07	1.89	3.80	0.08	0.96	1.98	0.12	0.15
Gen. Merchandise	1.32	1.06	0.03	0.02	1.99	0.02	0.04	5.00	0.02	2.14	1.36	0.60	0.32
Apparel/Accessories	1.06	0.79	0.12	0.08	0.17	0.18	0.10	2.73	0.09	0.47	1.92	0.17	0.12
Autos and Parts	0.98	1.44	0.06	0.21	29.90	0.01	0.02	7.59	0.00	7.88	1.94	0.05	0.21
Bldg. Material/Garden Supply	0.98	1.03	0.11	0.22	1.45	0.11	1.26	2.68	0.10	3.90	1.30	0.14	0.46
Electronics/Appliances	0.77	0.87	0.64	0.22	1.12	0.23	0.43	2.35	0.24	1.42	1.97	0.38	0.27
Nonstore Retail	0.74	0.87	0.93	0.64	1.79	0.84	0.99	1.72	0.61	1.86	1.12	0.64	0.60
Total	**1.25**	**1.06**	**0.59**	**0.20**	**7.48**	**0.20**	**0.63**	**3.83**	**0.17**	**3.36**	**1.56**	**0.40**	**0.33**

> 1.1	jurisdiction is capturing **more than the expected** amount of retail sales based upon the population within its boundaries
0.9-1.1	jurisdiction is capturing **near the expected** amount of retail sales based upon the population within its boundaries
< 0.9	jurisdiction is capturing **less than the expected** amount of retail sales based upon the population within its boundaries

Source: Department of Revenue, 2015; BERK Consulting, 2015.

IDENTIFYING MARKET OPPORTUNITIES FOR LAKEWOOD

Several factors influence the ability of a locality to capture market share, including:

- **Existing Market Competition.** The retail market in Pierce County is extremely competitive. There are many existing retail nodes across the County, as shown in **Exhibit 2**.
- **Commute and Shopping Patterns.** People are likely to shop near work as well as near home. They are also likely to combine trips to one or more retailers. The proximity of employment centers and complementary retail offerings can strengthen a site's retail attractiveness.
- **Willingness to Travel.** This factor is assessed qualitatively by retail sector. For example, people might be willing to travel some distance for an auto purchase—they are infrequent and expensive—but less willing to travel for groceries they purchase more frequently and for much less money.
- **Desirability of Retailers.** While this kind of generalized analysis is helpful for planning level estimates of opportunity, it does not provide the level of detail necessary to ascertain whether a store will be successful or not. Some retailers are more desirable than others and their existence in the market will influence the success of others in the same good and service category, whether or not there is retail leakage.

These jurisdictional level retail leakage calculations are a good initial screen for narrowing down retail opportunities for the WSDOT site. Additionally, based on our understanding of the City's desire to redevelop the WSDOT site with uses that help substantially strengthen the City's retail position, we exclude some categories that may be *feasible* but are not *desirable* uses.

There are two primary ways in which the City of Lakewood can increase overall market capture for specific goods and services: building on strengths or addressing retail gaps. Building on the 3-digit NAICS analysis shown in **Exhibit 5**, we conducted additional analysis at the 5-digit level to hone in on the specific goods and services in these two categories (see **Appendix A**):

1) **Capitalize on Strengths by Becoming a Destination Provider.** This strategy is most feasible in retail categories where Lakewood already has a significant retail surplus and the broader market area has some leakage. Qualitatively, we also considered how willing people might be to travel for this good or service, privileging retail categories for which customers may be willing to travel. We identified the following opportunity categories (and their pull factors):

   Groceries and Liquor

   - Fruit and Vegetable Markets (8.71).
   - Other specialty food markets (3.26).

   Restaurants and Catering

   - Restaurants (1.66).

   Health and Personal Care

   - Cosmetics, Beauty Supplies, and Perfume Stores (2.14).

   Furniture and Furnishings

   - Furniture Stores (1.55).
   - Home Furnishing Stores (2.14).

General Merchandise

- Department Stores (2.12).

2) **Address Weaknesses, Reducing Current Leakage.** This is most feasible in retail categories where Lakewood has significant retail leakage and the market area overall has some leakage. Qualitatively, we also considered how unwilling people might be to travel for this good—as this would be most feasible for goods people are less willing to travel for. The goods and services for which this may be possible (and their pull factors) are:

Sporting Goods/Books/Hobbies

- Sewing, needle work, and piece goods (0.14).

SELECT RETAIL SECTOR ANALYSIS

Based on our market analysis and discussions with City staff, the following retail sectors were identified for additional detailed analysis and mapping:

- Auto dealers
- Department Stores.
- Furniture and Home Furnishing Stores.
- Specialty/High End Grocery Offerings.
- Outlet Malls.

Findings for each of the above retail sectors have been summarized within respective retail sector sheets as part of **Appendix B**. Contents of the retail sector sheets include regional retail mapping, jurisdictional retail pull factor results and mapping, interview feedback, and summary analysis.

STAKEHOLDER INTERVIEWS

As part of the analysis, a total of five stakeholder interviews with brokers, developers, and a local urbanist took place in February 2016. Stakeholders were asked about the potential redevelopment of the WSDOT location overall as well their thoughts about specific retail sectors. The following stakeholders were interviewed:

- Dan Durr, First Western Properties
- Jeff Habersetzer, Principal Real Estate Investors
- Ron Irwin, Reeder Management
- Tim Johnson, Johnson Commercial
- Ali Modarres, UW Tacoma Urban Studies Program

In addition to the interview feedback noted within each of the retail sector sheets (see **Appendix B**), the following are additional highlights garnered from the interview process:

Strengths:

- Site location is excellent from a vehicular perspective – i.e. the intersection of I-5 and SR 512 is widely considered one of the sites leading advantages.
- Most respondents felt that the large volume of vehicular traffic would positively affect retailers located at the site.

Challenges:

- The configuration of the site may detract from certain retailers pursuing redevelopment given the narrow lots and a developer preference for larger, more uniform square lots for development.
- The price of land has gone up significantly in the past 5-7 years making parcel aggregation more expensive and potentially more difficult.
- The location of JBLM nearby may hinder the location of certain retailers (i.e. Trader Joe's) given the location of a commissary on base.
- The Lacey Gateway project being developed at I-5 & Marvin Road in Lacey may negatively impact Lakewood's retail market share capture to the south

Relationship to Lakewood Towne Center:

- Response was mixed as to whether retail development at the site would "cannibalize" retail dollars from Lakewood Towne Center (LTC). Overall, the sentiment expressed was that it would depend on the type of retailer.
- One respondent suggested that Lakewood Towne Center should be refocused as a mixed-use development and area citing the success of restaurants at LTC as an indicator of demand for mixed-use type development.

Retail Suggestions:

- Having a key anchor such as a Nordstrom Rack can go far in influencing the type of other retailers that may be interested in the site.
- Some felt that an auto dealer would be an ideal use of the site in that it could bring in large tax revenues for the City. Others questioned the ability of a car dealership to perform well in the role of an anchor store for different types of retail redevelopment on the site.
- Focus should be made to include a retailer that is unique to the region (i.e. "one of a kind") that could act as a regional draw for shoppers. Nordstrom Rack was referenced often by many respondents as the ideal candidate.

Potential City Actions:

- The City should consider investing in the appropriate infrastructure and streetscape improvements to increase the desirability of the site for potential retailers.
- Many respondents indicated that the City should continue to reach out to local developers and land owners to more fully gauge interest in redevelopment of the site as well as land owner interest in potentially selling their properties.

Miscellaneous:

- Freeway signage would be an important consideration as the freeway exits to access the site are located north and south of the site itself.
- Some called for consideration of making the site more of a destination through the inclusion of entertainment uses (e.g. movie theater, bowling alley) to enhance the potential of the site to become a "lingering" place.
- One respondent suggested that SR 99 should be rerouted east to Halcyon Rd and then back south to create a larger, more regular shape area for redevelopment. Recent rerouting of SR 522 in Bothell was noted as an example.

ADDITIONAL CONSIDERATIONS FOR FURTHER ANALYSIS

As the City further considers moving forward with redevelopment of the Pacific Highway site, there are additional avenues of analysis that can be perused to help better inform future decisions and directions for next steps. The alternatives listed below can be pursued either independently or in combination with one another where appropriate.

Zoning

Currently, the majority of the parcels on the site are located south of 108th Street SW and zoned Transit Oriented Commercial (TOD). The few parcels north of 108th Street SW are zoned Commercial (C2). As the vision and planned uses for the site become more defined, underlying zoning should be examined and updated if needed to better align planned and allowable uses. Additionally, the City may want to consider if there are any zoning incentives that could be put into place that would make the development at the site more attractive (e.g. density bonuses).

Master Plan

If parcel aggregation is completed by the City establishing under public ownership of the site, the City may consider drafting a master plan that details the type of development and uses the City envisions. This would enable the City to better show what they plan for the site is reasonable. Additionally, the City could get help to draft the design of the sit at a high level.

Surplus Property

As an alternative to creating a master plan, if the City were to acquire the site parcels the City could then consider to "surplus" the property. This would entail the City selling the aggregated properties via an RFP to developers. The RFP would outline types of uses, design guidelines, and development criteria to better ensure the City's vision for the property is ultimately built by private developers.

Aggregation

To facilitate private aggregation of parcels instead of public aggregation, the City may consider waiving fees for lot consolidation. This may help incentivize private parcel aggregation and combined with zoning incentives may make redevelopment of the site more attractive for private developers.

Site Specific Studies

The City may consider creating either stand alone studies or drafting a Planned Action EIS to remove potential disincentives for private development. For example, the City may draft a hazardous clean-up study that could more clearly articulate the extent of clean-up needed including listed mitigation steps. This could potentially alleviate hesitation on the part of developers to pursue redevelopment related to undefined risks and costs.

Additionally, the City could draft a planned action EIS for the site. This would more fully define current conditions at the site, document anticipated environmental impacts, and list associated steps for mitigation. The planned action EIS would reduce costs for developers by establishing an envelope within which developers could redevelop the site without triggering SEPA/EIS requirements. As a result, private developers may likely be incentivized to pursue redevelopment. The recent Shoreline Community Renewal Area effort for Aurora Square was cited as a project that Lakewood may consider as an example.

APPENDIX A: DETAILED PULL FACTOR ANALYSIS (5 DIGIT NAICS)

NAICS Category & Description	Lakewood Potential Retail Sales (2014)	Lakewood Actual Retail Sales (2014)	Pull Factor
441 Motor Vehicle and Parts Dealers	**$ 92,971,389**	**$ 91,524,847**	**0.98**
4411 Automobile Dealers	$ 73,909,551	$ 50,779,519	0.69
44111 New Car Dealers	$ 62,968,926	$ 35,222,547	0.56
44112 Used Car Dealers	$ 10,940,625	$ 15,556,972	1.42
4412 Other Motor Vehicle Dealers	$ 7,673,798	$ 7,435,638	0.97
44121 Recreational Vehicle Dealers	$ 2,627,413	D	-
44122 Motorcycle, Boat, and Other Motor Vehicle Dealers	$ 5,046,385	$ 7,423,997	1.47
4413 Automotive Parts, Accessories, and Tire Stores	$ 11,388,040	$ 33,309,690	2.92
44131 Automotive Parts and Accessories Stores	$ 5,695,022	$ 22,307,777	3.92
44132 Tire Dealers	$ 5,693,019	$ 11,001,913	1.93
442 Furniture and Home Furnishings Stores	**$ 14,860,928**	**$ 24,598,927**	**1.66**
4421 Furniture Stores	$ 8,246,350	$ 12,744,194	1.55
44211 Furniture Stores	$ 8,246,350	$ 12,744,194	1.55
4422 Home Furnishings Stores	$ 6,614,578	$ 11,854,733	1.79
44221 Floor Covering Stores	$ 2,920,068	$ 3,963,730	1.36
44229 Other Home Furnishings Stores	$ 3,694,510	$ 7,891,003	2.14
443 Electronics and Appliance Stores	**$ 22,338,988**	**$ 17,193,153**	**0.77**
4431 Electronics and Appliance Stores	$ 22,338,988	$ 17,193,153	0.77
44314 Electronics and Appliance Stores	$ 22,338,988	$ 17,193,153	0.77
444 Building Material and Garden Equipment and Supplies Dealers	**$ 36,723,839**	**$ 36,118,701**	**0.98**
4441 Building Material and Supplies Dealers	$ 32,709,027	$ 35,920,821	1.10
44411 Home Centers	$ 19,133,747	$ 23,538,755	1.23
44412 Paint and Wallpaper Stores	$ 1,131,229	$ 342,163	0.30
44413 Hardware Stores	$ 5,240,235	$ 7,206,217	1.38
44419 Other Building Material Dealers	$ 7,203,816	$ 4,833,686	0.67
4442 Lawn and Garden Equipment and Supplies Stores	$ 4,014,812	$ 197,880	0.05
44421 Outdoor Power Equipment Stores	$ 824,672	$ 33,660	0.04
44422 Nursery, Garden Center, and Farm Supply Stores	$ 3,190,140	$ 164,220	0.05
445 Food and Beverage Stores	**$ 25,485,474**	**$ 41,250,773**	**1.62**
4451 Grocery Stores	$ 22,989,577	$ 36,400,599	1.58
44511 Supermarkets and Other Grocery (except Convenience) S	$ 19,618,099	$ 25,083,945	1.28
44512 Convenience Stores	$ 3,371,478	$ 11,316,654	3.36
4452 Specialty Food Stores	$ 1,128,840	$ 3,764,772	3.34
44521 Meat Markets	$ 88,198	D	-
44522 Fish and Seafood Markets	$ 32,351	D	-
44523 Fruit and Vegetable Markets	$ 76,758	$ 668,919	8.71
44529 Other Specialty Food Stores	$ 931,532	$ 3,037,829	3.26
4453 Beer, Wine, and Liquor Stores	$ 1,367,058	$ 1,085,402	0.79
44531 Beer, Wine, and Liquor Stores	$ 1,367,058	$ 1,085,402	0.79
446 Health and Personal Care Stores	**$ 12,443,704**	**$ 18,540,379**	**1.49**
4461 Health and Personal Care Stores	$ 12,443,704	$ 18,540,379	1.49
44611 Pharmacies and Drug Stores	$ 6,201,738	$ 9,621,842	1.55
44612 Cosmetics, Beauty Supplies, and Perfume Stores	$ 1,796,830	$ 3,606,244	2.01
44613 Optical Goods Stores	$ 140,047	$ 4,955	0.04
44619 Other Health and Personal Care Stores	$ 4,305,088	$ 5,307,338	1.23
447 Gasoline Stations	**$ 11,093,743**	**$ 13,921,043**	**1.25**
4471 Gasoline Stations	$ 11,093,743	$ 13,921,043	1.25
44711 Gasoline Stations with Convenience Stores	$ 9,105,826	$ 10,716,302	1.18
44719 Other Gasoline Stations	$ 1,987,917	$ 3,204,741	1.61
448 Clothing and Clothing Accessories Stores	**$ 28,153,304**	**$ 29,785,368**	**1.06**
4481 Clothing Stores	$ 22,400,473	$ 23,579,014	1.05
44811 Men's Clothing Stores	$ 688,579	$ 108,821	0.16
44812 Women's Clothing Stores	$ 2,384,129	$ 4,481,005	1.88
44813 Children's and Infants' Clothing Stores	$ 576,551	$ 1,389	0.00
44814 Family Clothing Stores	$ 15,501,543	$ 17,537,667	1.13

NAICS Category & Description		Lakewood Potential Retail Sales (2014)		Lakewood Actual Retail Sales (2014)	Pull Factor
44815 Clothing Accessories Stores	$	1,376,853	$	247,654	0.18
44819 Other Clothing Stores	$	1,872,818	$	1,202,478	0.64
4482 Shoe Stores	$	2,338,184	$	3,423,739	1.46
44821 Shoe Stores	$	2,338,184	$	3,423,739	1.46
4483 Jewelry, Luggage, and Leather Goods Stores	$	3,414,647	$	2,782,615	0.81
44831 Jewelry Stores	$	2,774,379	$	778,336	0.28
44832 Luggage and Leather Goods Stores	$	640,268	$	2,004,279	3.13
451 Sporting Goods, Hobby, Book, and Music Stores	**$**	**15,942,768**	**$**	**21,877,601**	**1.37**
4511 Sporting Goods, Hobby, and Musical Instrument Stores	$	13,914,050	$	13,574,766	0.98
45111 Sporting Goods Stores	$	9,676,840	$	3,792,627	0.39
45112 Hobby, Toy, and Game Stores	$	2,467,054	$	9,025,166	3.66
45113 Sewing, Needlework, and Piece Goods Stores	$	957,005	$	135,286	0.14
45114 Musical Instrument and Supplies Stores	$	813,151	$	621,687	0.76
4512 Book Stores and News Dealers	$	2,028,718	$	8,302,835	4.09
45121 Book Stores and News Dealers	$	2,028,718	$	8,302,835	4.09
452 General Merchandise Stores	**$**	**73,550,558**	**$**	**97,416,920**	**1.32**
4521 Department Stores	$	20,343,656	$	43,089,193	2.12
45211 Department Stores	$	20,343,656	$	43,089,193	2.12
4529 Other General Merchandise Stores	$	53,206,902	$	54,327,727	1.02
45291 Warehouse Clubs and Supercenters	$	49,552,368	$	50,647,087	1.02
45299 All Other General Merchandise Stores	$	3,654,534	$	3,680,640	1.01
453 Miscellaneous Store Retailers	**$**	**31,321,922**	**$**	**49,706,999**	**1.59**
4531 Florists	$	560,196	$	596,218	1.06
45311 Florists	$	560,196	$	596,218	1.06
4532 Office Supplies, Stationery, and Gift Stores	$	5,843,184	$	7,826,795	1.34
45321 Office Supplies and Stationery Stores	$	4,242,428	$	6,721,291	1.58
45322 Gift, Novelty, and Souvenir Stores	$	1,600,756	$	1,105,504	0.69
4533 Used Merchandise Stores	$	2,385,948	$	3,579,666	1.50
45331 Used Merchandise Stores	$	2,385,948	$	3,579,666	1.50
4539 Other Miscellaneous Store Retailers	$	22,532,594	$	37,704,320	1.67
45391 Pet and Pet Supplies Stores	$	2,978,102	$	8,059,107	2.71
45392 Art Dealers	$	359,406	$	83,084	0.23
45393 Manufactured (Mobile) Home Dealers	$	360,573	D		-
45399 All Other Miscellaneous Store Retailers	$	18,834,514	$	29,115,503	1.55
454 Nonstore Retailers	**$**	**21,867,431**	**$**	**16,082,977**	**0.74**
4541 Electronic Shopping and Mail-Order Houses	$	14,379,020	$	8,915,859	0.62
45411 Electronic Shopping and Mail-Order Houses	$	14,379,020	$	8,915,859	0.62
4542 Vending Machine Operators	$	173,107	$	137,699	0.80
45421 Vending Machine Operators	$	173,107	$	137,699	0.80
4543 Direct Selling Establishments	$	7,315,304	$	7,029,419	0.96
45431 Fuel Dealers	$	1,598,848	$	570,901	0.36
45439 Other Direct Selling Establishments	$	5,716,456	$	6,458,518	1.13
721 Accommodation	**$**	**19,723,768**	**$**	**8,393,273**	**0.43**
7211 Traveler Accommodation	$	19,356,595	$	8,393,273	0.43
72111 Hotels (except Casino Hotels) and Motels	$	18,425,752	$	7,515,370	0.41
72112 Casino Hotels	$	13,971	$	-	-
72119 Other Traveler Accommodation	$	916,871	$	877,903	0.96
7212 RV (Recreational Vehicle) Parks and Recreational Camps	$	271,233	$	-	-
72121 RV (Recreational Vehicle) Parks and Recreational Camps	$	271,233	$	-	-
7213 Rooming and Boarding Houses	$	95,940	$	-	-
72131 Rooming and Boarding Houses	$	95,940	$	-	-
722 Food Services and Drinking Places	**$**	**78,912,044**	**$**	**122,486,100**	**1.55**
7223 Special Food Services	$	3,960,969	$	818,101	0.21
72231 Food Service Contractors	$	2,613,916	$	119,722	0.05
72232 Caterers	$	1,079,777	$	619,385	0.57
72233 Mobile Food Services	$	267,277	$	78,994	0.30
7224 Drinking Places (Alcoholic Beverages)	$	4,956,751	$	5,607,364	1.13
72241 Drinking Places (Alcoholic Beverages)	$	4,956,751	$	5,607,364	1.13
7225 Restaurants and Other Eating Places	$	69,994,323	$	116,060,635	1.66
72251 Restaurants and Other Eating Places	$	69,994,323	$	116,060,635	1.66

APPENDIX B: RETAIL SECTOR SHEETS

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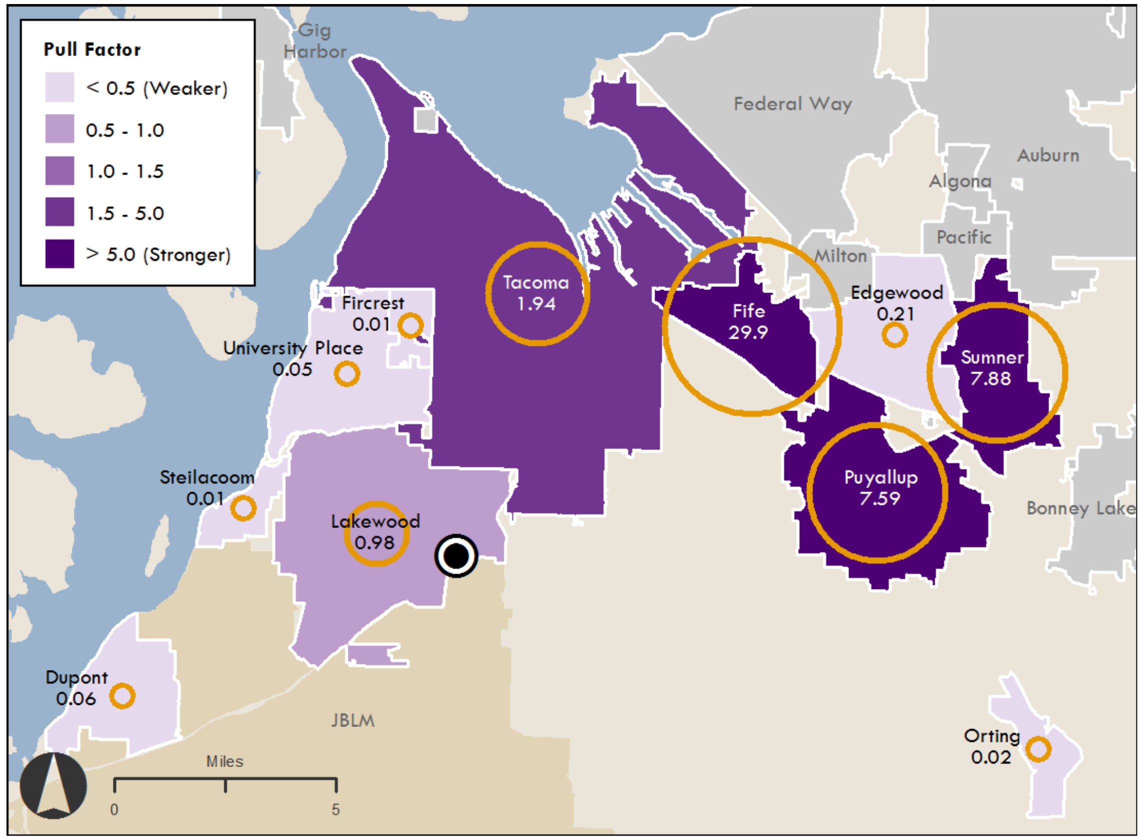
Auto Sector



Retail Pull Factors

Retail pull factors are another way to express the ability of retailers to capture the expected spending (based on population) of a given market area:

> A pull factor of about 1.00 indicates that retailers in the market area are capturing the expected retail sales for that good or service.

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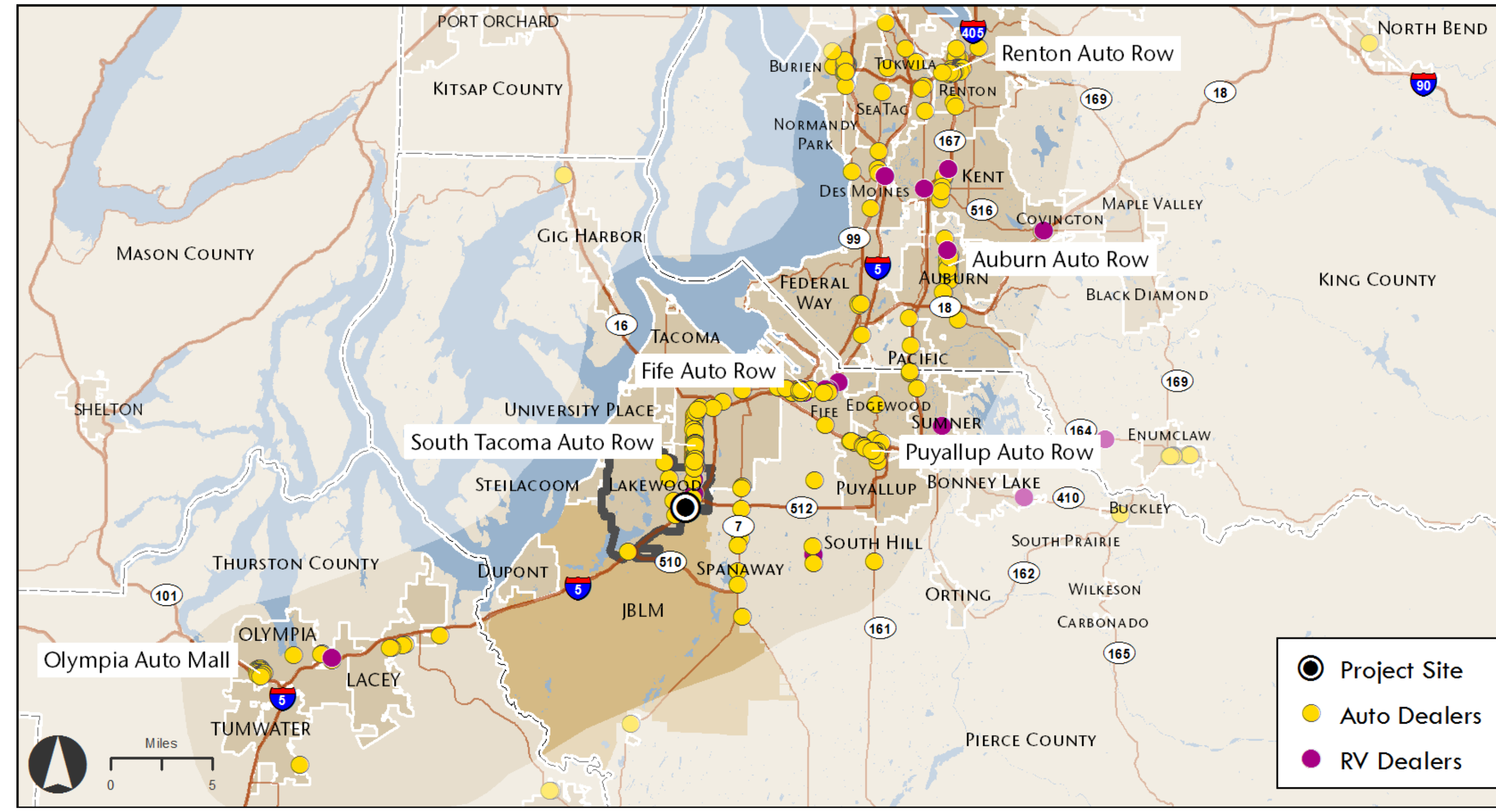
> A pull factor greater than 1.00, indicates that retailers are capturing the spending of consumers from beyond their market area.

Regional Retail Pull Factor

Jurisdiction	Auto & Auto Parts
Lakewood	**0.98**
DuPont	0.06
Edgewood	0.21
Fife	29.90
Fircrest	0.01
Orting	0.02
Puyallup	7.59
Steilacoom	0.00
Sumner	7.88
Tacoma	1.94
University Place	0.05
Unincorporated Pierce County	0.21
Pierce County	1.44

Lakewood: Detailed Retail Pull Factors

Retail Sectors & Subsectors	Pull Factor
Motor Vehicle &Parts Dealers	**0.98**
Automobile Dealers	0.69
New Car Dealers	0.56
Used Car Dealers	1.42
Other Motor Vehicle Dealers	0.97
Recreational Vehicle Dealers	0.00
Motorcycle, Boat, and Other	1.47
Auto Parts, Accessories & Tires	2.92
Auto Parts and Accessories	3.92
Tire Dealers	1.93



Local Retail Analysis: Overall, Lakewood meets its relative local market demand for auto and auto part retailers as indicated by its auto retail pull factor (PF) of 0.98. At the subsector level, Lakewood is over-performing in three segments: auto parts and accessories (3.92 PF); motorcycles and boats (1.47 PF); and used cars (1.42 PF). Retail analysis suggests potential market opportunity in the new car segment with a 0.56 PF or within the RV segment as there are currently not any RV dealers in Lakewood.

Regional Context: The location of nearby auto dealers and auto rows suggest that the regional strength of these nearby competitors may mitigate the market opportunity suggested by local retail analysis. In particular, Fife is a large regional player in the auto market with an overwhelmingly strong 29.90 PF. Puyallup is also a strong regional auto center with a 7.59 PF while Sumner's high PF of 7.88 reflects its strength in the RV sector. For Lakewood, the concentration of new auto dealers, just north of the City in South Tacoma as well as Olympia, to the south also act as a potential mitigating factor for the market potential of a new car dealership in Lakewood.

Interview Feedback: All respondents indicated that a new car dealership may be successful at the project location with many citing Lakewood Ford as a successful example. The location of the site next to and visible from the highway was also cited as a strength. Although many respondents mentioned that a new car dealer would be a bonus to the City in terms of tax revenue, some expressed doubt as to whether this would be the best use of the site either from an image enhancement perspective for the City or whether a car dealership could perform as an effective anchor, drawing visitors who would do more than purchase a vehicle at the site.

Summary: *A new car dealer at the site may be successful and provide a sizable new retail tax revenue stream for the City. However, a new car dealership at the site may present challenges from an image enhancement perspective or from being able to perform as an effective anchor capable of drawing visitors to the site who would purchase more than a new vehicle at adjacent retailers.*

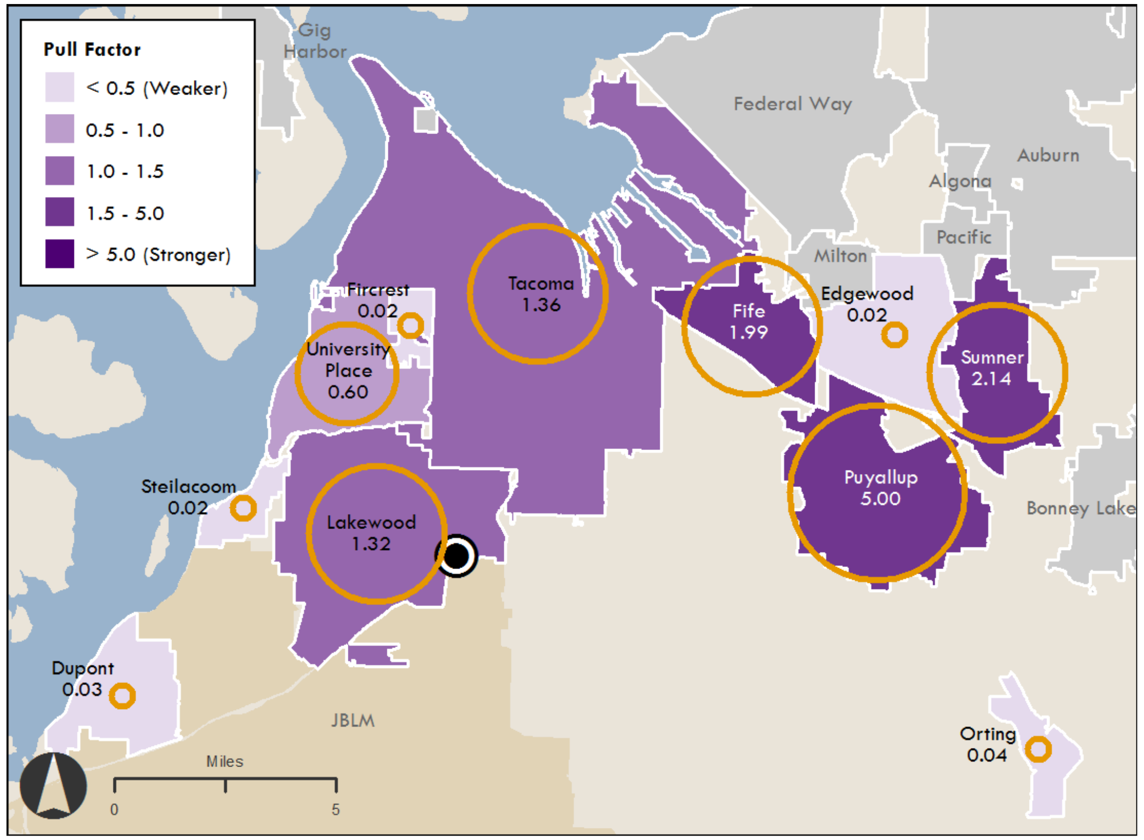
Auto Sector Pros

- Both retail analysis and stakeholder interviews suggest that the location of a new car dealership at the site would be successful.
- A new car dealership would be a large benefit the city in terms of generating retail tax revenues.
- The location and visibility of the site itself are positive factors that would aid in making a new car dealer successful.
- A car dealership would not provide competition to current retailers at the current Lakewood Towne Center.

Auto Sector Cons

- A car dealership would likely not enhance or improve the image and perception of Lakewood within the region.
- An auto or RV dealer would likely not act as a strong anchor that would bring in shoppers for other retailers located at a redeveloped site.
- As many car brands have dealerships located nearby, it may be a challenge to bring a new car dealer to the site that is not already represented in the market area.

Department Stores & Large Format Retail



Retail Pull Factors

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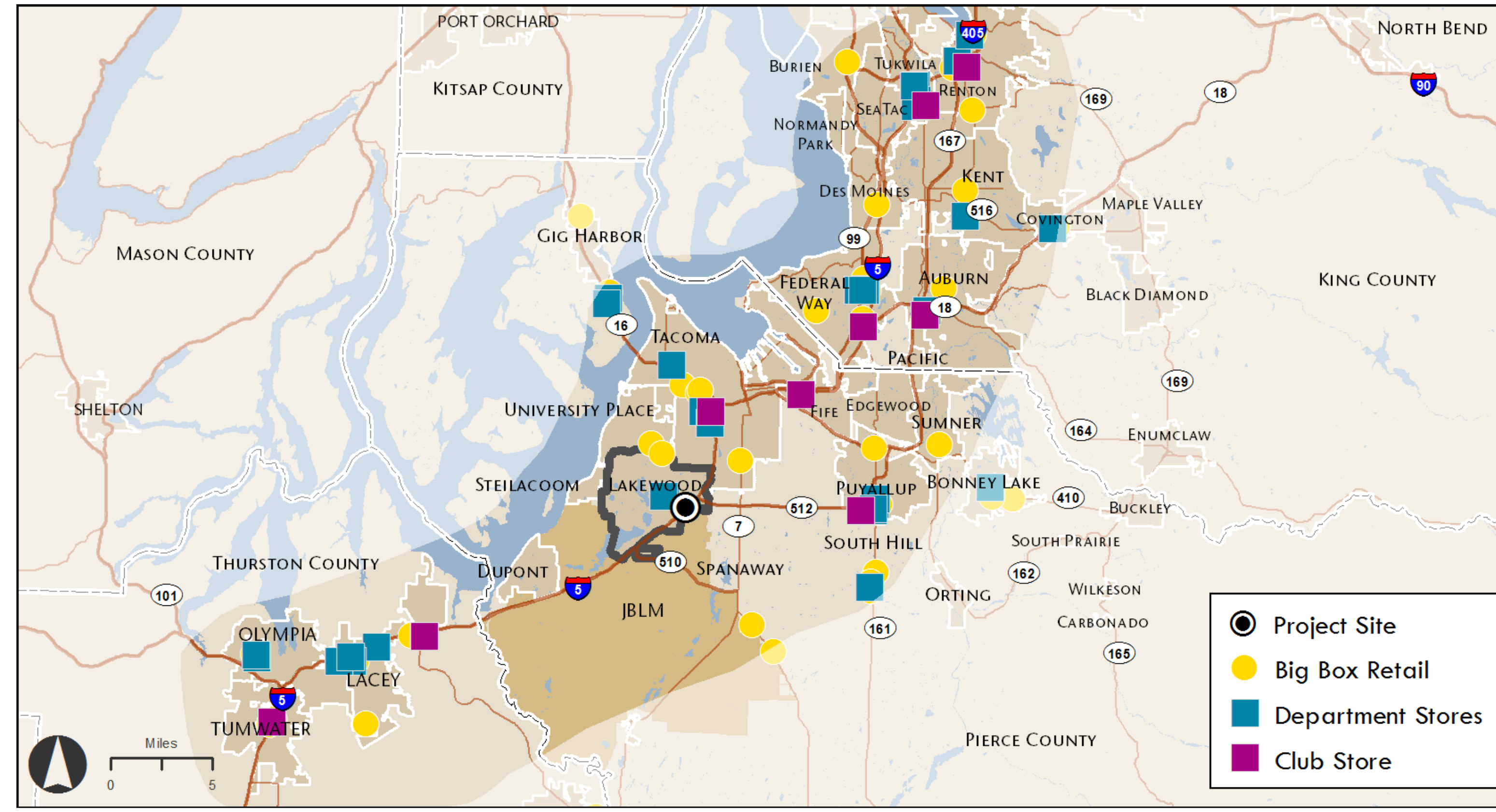
Regional Retail Pull Factor

Jurisdiction	General Merchandise
Lakewood	**1.32**
DuPont	0.03
Edgewood	0.02
Fife	1.99
Fircrest	0.02
Orting	0.04
Puyallup	5.00
Steilacoom	0.02
Sumner	2.14
Tacoma	1.36
University Place	0.60
Unincorporated Pierce County	0.32
Pierce County	1.06

Lakewood: Detailed Retail Pull Factors

Retail Sectors & Subsectors	Pull Factor
General Merchandise Stores	**1.32**
Department Stores	2.12
Department Stores	2.12
Other General Merchandise	1.02
Warehouse Clubs & Supercenter	1.02
All Other General Merchandise	1.01



Local Retail Analysis: Lakewood's overall retail pull factor (PF) of 1.32 for department stores suggests that the City enjoys a relatively moderate strength in this sector. In particular, for department stores alone Lakewood enjoys a pull factor of 2.0 capturing more than its local market share and drawing shoppers in from nearby jurisdictions in the region. In the warehouse club retail subsector, Lakewood is performing at market level with a 1.02 PF. Local retail analysis does not suggest any particular subsectors as an area for potential market expansion.

Regional Context: There are a variety of department, big box retail, and warehouse club retail stores located in the nearby region including Tacoma Mall. Puyallup in particular enjoys strength in this retail sector with a pull factor of 5.00. As shown in the map, there is a relatively uniform distribution of department stores across the region with concentrations in Tacoma, Puyallup, Federal Way, Tukwila, and Renton.

Interview Feedback: Although most respondents indicated that retail in general would be successful at the site, many respondents indicated that a key to successful redevelopment of the site is having the right commercial anchor that would act both as a draw for shoppers across the region and as a catalyst for bringing more desirable retailers to the site. In particular, Nordstrom Rack and its current retail setting in Tukwila was mentioned as a successful model that should be pursued.

Some respondents indicated that narrow parcel widths at the site could act as deterrent for large format retailers as these types of retailers prefer broader, unconfined parcels for development. Others expressed concern that large scale retail development at the site may compete with established retailers at Lakewood Towne Center.

Summary: *Opportunities for large scale retail development of the site would likely be more successful if a leading, key anchor such as Nordstrom Rack could be located at the site. Potential obstacles for large scale retail development at the site include shallow parcel configuration and the possibility of creating new competition for established retailers at Lakewood Towne Center.*

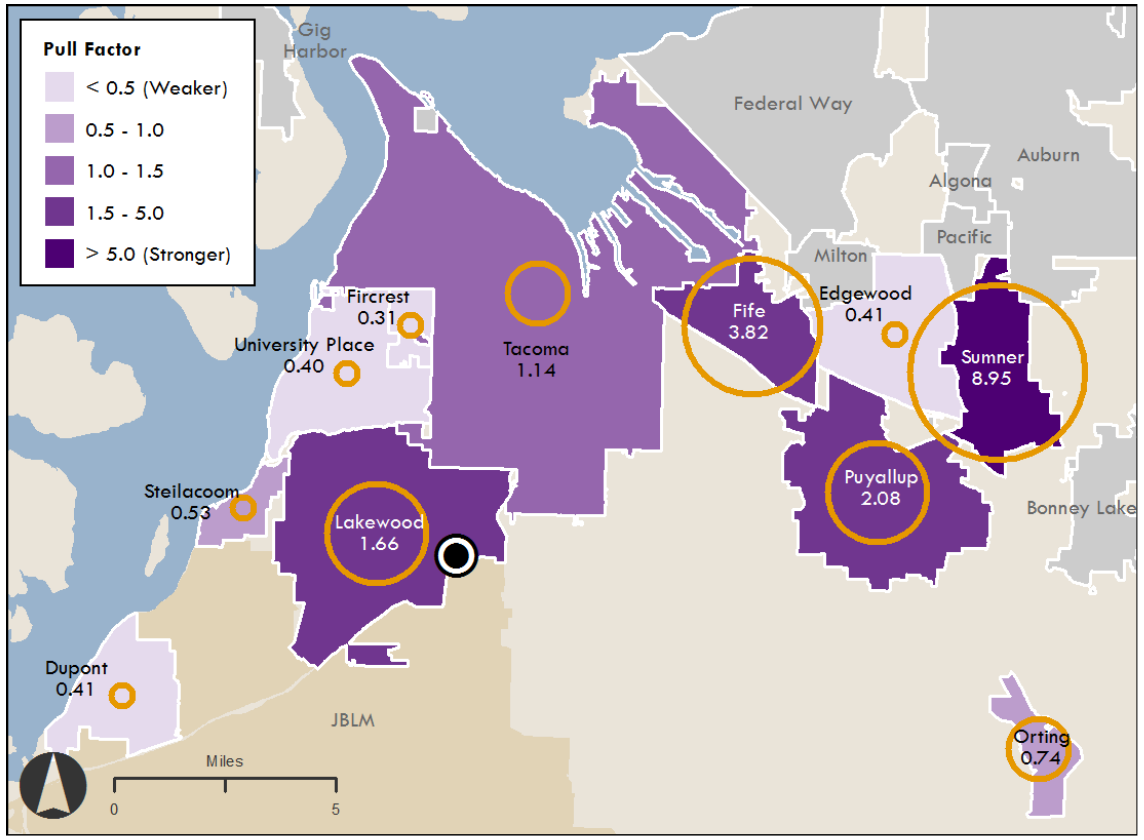
Department Stores & Large Format Sector Pros

- If a leading key anchor for the site can be obtained, the likelihood of attracting more desirable complementary retailers and achieving overall retail success at the site increases.
- Site location at the juncture of I-5 and SR 512 provides a significant benefit to future retailers due to cross traffic volumes.

Department Stores & Large Format Sector Cons

- Narrow and shallow parcel configuration at the site may hinder the ability to fully accommodate development requirements of some large scale retailers.
- Large scale retail development at the site may create competition with established retailers at the Lakewood Towne Center.

Furniture & Home Furnishings



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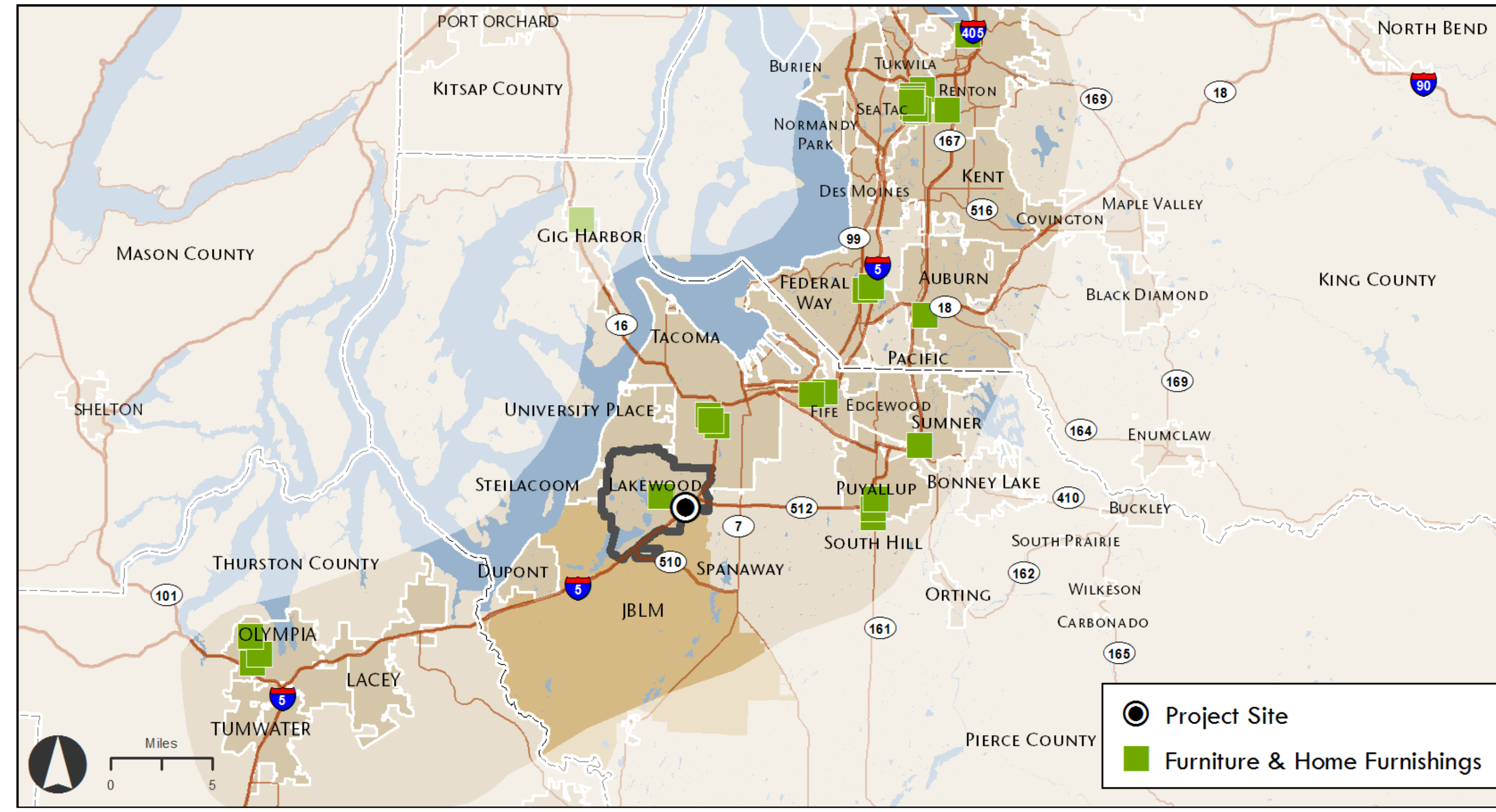


Local Retail Analysis: Overall Lakewood performs well in the furniture and home furnishings retail sector exhibiting a retail pull factor (PF) of 1.66. This indicates that Lakewood is providing more than the local demand for furniture and is moderately drawing shoppers from adjacent jurisdictions in the region. At the subsector level, although retail analysis suggests that there may be little opportunity in this sector, there may be market opportunities to further enhance Lakewood's position in the furniture sector in the overall region.

Regional Context: In the immediate region, there are stronger jurisdictions in the furniture and home furnishings sector including Sumner (8.95 PF), Fife (3.82 FP), and Puyallup (2.08 PF). Across the broader region, there are furniture and home furnishing retail concentrations in Olympia to the south and Tukwila and Renton to the north. Most retailers in this sector are located along major highways and thoroughfares.

Interview Feedback: Respondents expressed a range of enthusiasm for development of furniture and home furnishing retailers at the site. More optimistic respondents suggested that furniture retail at the site could be successful either in conjunction with a strong non-furniture retail anchor or in combination with other furniture retailers which in turn would form a critical mass. One suggested that the recent placement of Mor Furniture in Tacoma could have definitely been located at the Lakewood site. Others questioned the viability of a furniture retailer on the site and mentioned that this type of retail is not a strong revenue generator. Another respondent suggested that furniture retail would not be a good use of the site as other more dynamic retailers would be a more attractive draw for shoppers.

Regional Retail Pull Factor

Jurisdiction	Furniture & Home Furnishings
Lakewood	**1.66**
DuPont	0.41
Edgewood	0.41
Fife	3.82
Fircrest	0.31
Orting	0.74
Puyallup	2.08
Steilacoom	0.53
Sumner	8.95
Tacoma	1.14
University Place	0.40
Unincorporated Pierce County	0.33
Pierce County	0.92

Lakewood: Detailed Retail Pull Factors

Retail Sectors & Subsectors	Pull Factor
Furniture & Home Furnishings	**1.66**
Furniture Stores	1.55
Furniture Stores	1.55
Home Furnishings Stores	1.79
Floor Covering Stores	1.36
Other Home Furnishings Store	2.14

Summary: *There are limited and mixed opportunities in the furniture and home furnishings retail sector. Although furniture retailers may be more successful with key anchors or in combination with clusters of other furniture retailers, there is a potential for higher opportunity costs associated with forgoing more dynamic retail sectors in terms of both revenue and regional appeal.*

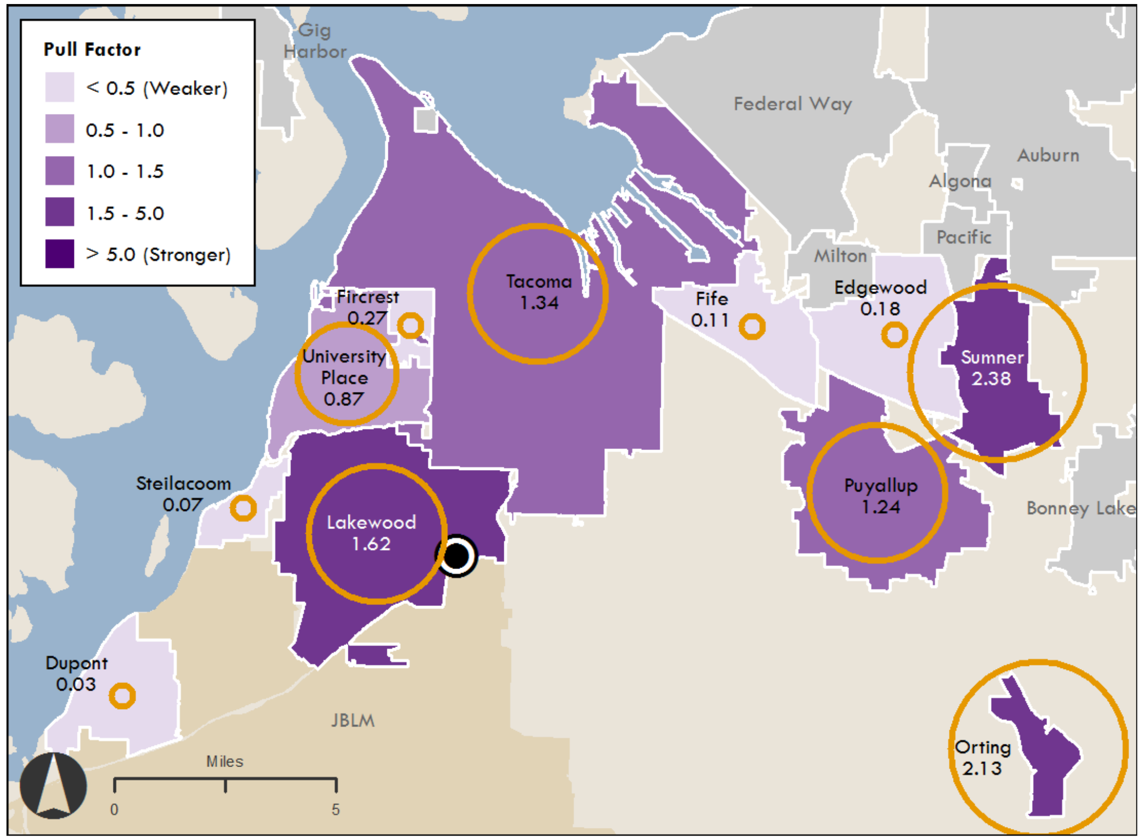
Furniture and Home Furnishings Sector Pros:

- Furniture retailers would likely be successful at the site given its location at the intersection of I-5 and SR 512.
- Additionally, furniture and home furnishing retailers would likely be more successful either in conjunction with a key anchor or with other furniture retailers forming a critical mass.

Furniture and Home Furnishings Cons

- Possibility that furniture retailers may not be a large draw for shoppers.
- Revenues generated in the furniture and home furnishings sector are potentially lower than in other retail sectors.
- Locating furniture retailers at the site presents the risk of potentially forgoing more dynamic retail uses of the site.

Grocery Sector



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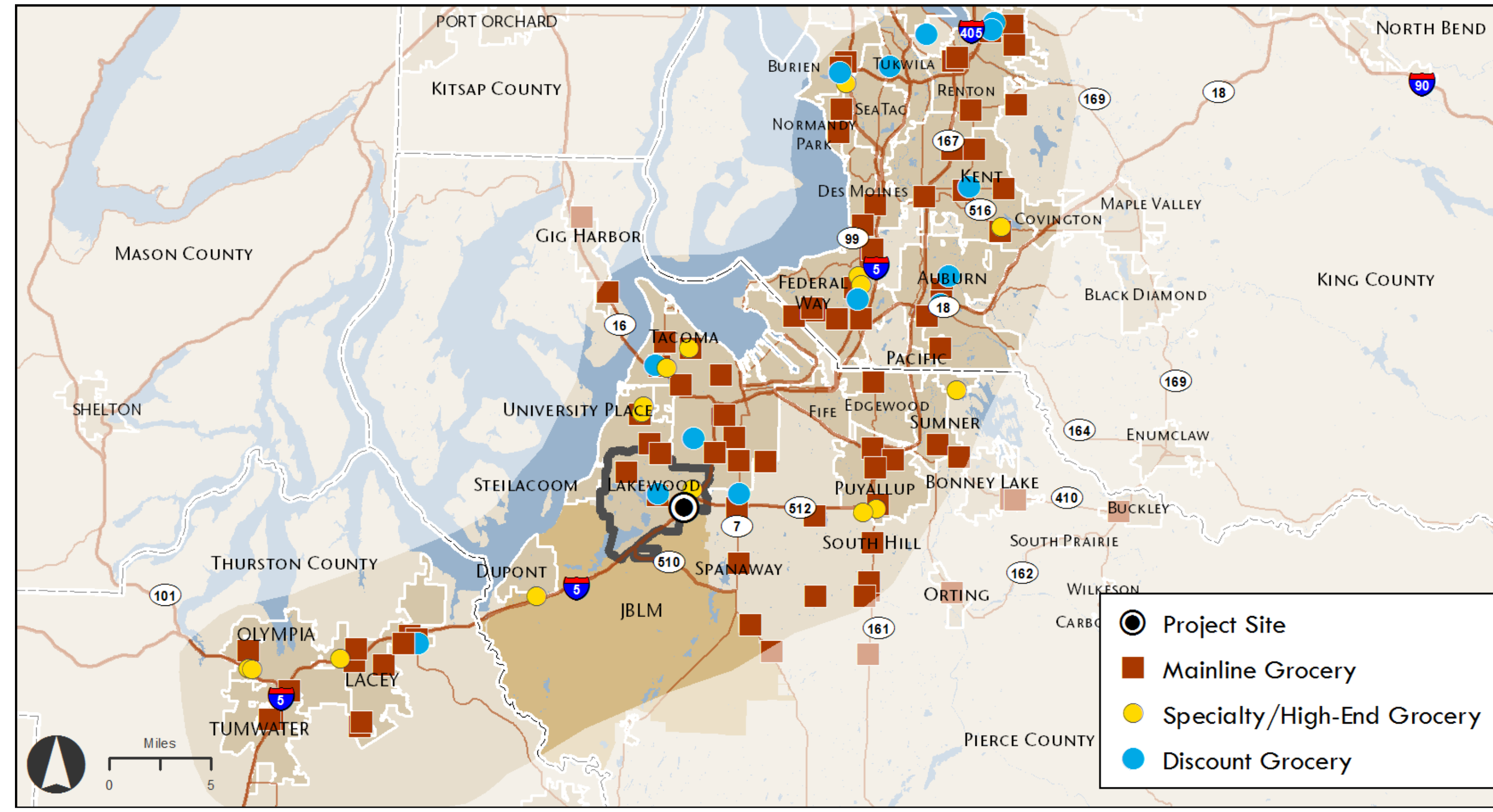
Regional Retail Pull Factor

Jurisdiction	Groceries/Liquor
Lakewood	**1.62**
DuPont	0.03
Edgewood	0.18
Fife	0.11
Fircrest	0.27
Orting	2.13
Puyallup	1.24
Steilacoom	0.07
Sumner	2.38
Tacoma	1.34
University Place	0.87
Unincorporated Pierce County	0.52
Pierce County	0.96

Lakewood: Detailed Retail Pull Factors

Retail Sectors & Subsectors	Pull Factor
Food and Beverage Stores	**1.62**
Grocery Stores	1.58
Supermarkets & Grocery	1.28
Convenience Stores	3.36
Specialty Food Stores	3.34
Meat Markets	0.00
Fish and Seafood Markets	0.00
Fruit and Vegetable Markets	8.71
Other Specialty Food Stores	3.26
Beer, Wine, and Liquor Stores	0.79
Beer, Wine, and Liquor Stores	0.79



Local Retail Analysis: Retail analysis at the city scale suggests that Lakewood is slightly exceeding its local demand for grocery stores and beverage retailers with a pull factor (PF) of 1.62. At the subsector level, Lakewood enjoys a strong retail position in both convenience stores (3.36 PF) and fruit and vegetable retailers (8.71 PF). At the grocery store level, Lakewood has a pull factor of 1.28 indicating that it is performing at slightly above local market demand for groceries. Compared with other jurisdictions, Lakewood has a relatively higher concentration of discount grocers and a relatively lower concentration of mainline grocers. Currently, there are no high-end grocery stores located in Lakewood which may signal a potential market opportunity.

Regional Context: In urban areas, grocery stores generally serve nearby populations and may serve shoppers from adjacent rural and smaller jurisdictions. At the regional level, Lakewood is a relatively stronger player in this sector with only Sumner and Orting scoring higher pull factors. University Place has the nearest concentration of high end grocery stores with both a Trader Joe's and Whole Foods. Another high-end grocery retailer, Metropolitan Market, has a location in Tacoma.

Interview Feedback: Some respondents indicated that a mainline or discount supermarket would likely be successful at the site. However, a consensus emerged that a high end grocery store would not likely be located at the site both because: 1) Lakewood demographics do not provide a market for a high end grocer and 2) the regional market for high end grocers is already being met in University Place. Additionally, some respondents mentioned that the condition of the area immediately around the site would not be attractive to a high-end grocer.

***Summary**: Local retail analysis suggests that there may be a market opportunity for a high end grocer at the site. However, local demographics, the location of high end grocers in nearby communities, and the physical conditions of the area immediately surrounding the site combine to act as a mitigating force against this potential market opportunity.*

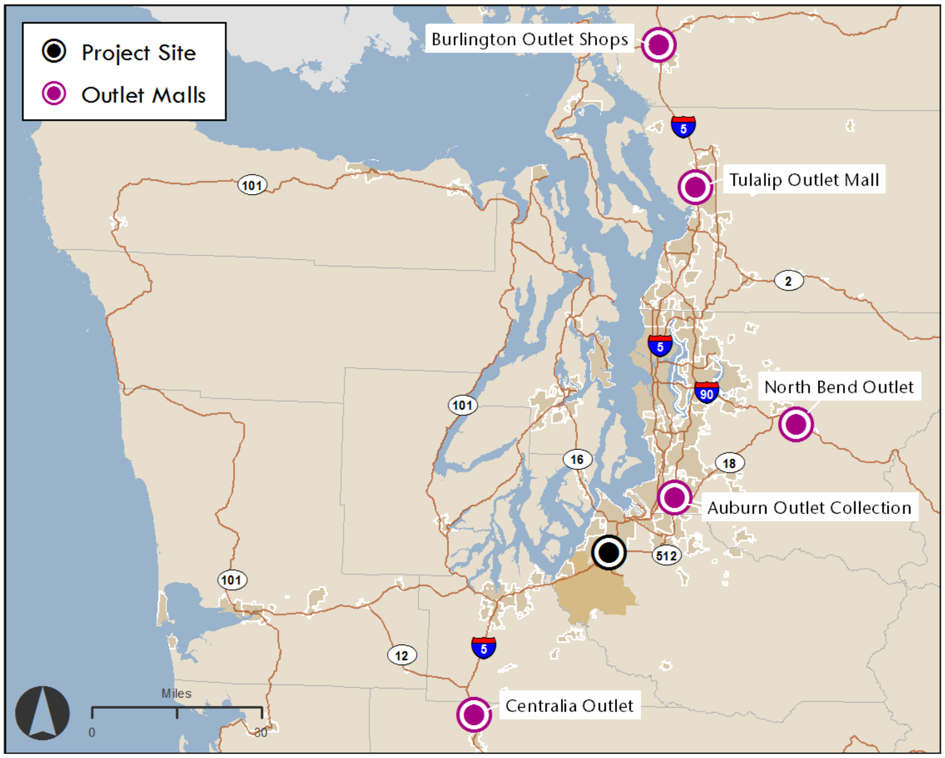
Grocery Sector Pros

- Lakewood enjoys a strong regional position in the produce retail and convenience store retail sectors.
- Relative to other jurisdictions in the region, Lakewood's grocery sector is comparably strong.

Grocery Sector Cons

- Lakewood demographics and the location of JBLM near the site may act as inhibitors for locating a high-end grocery store.
- Additionally, the physical and aesthetic condition of the area immediately surrounding the site may also negatively impact the ability to attract a high-end grocer to the site.
- The location of high-end grocery stores in nearby jurisdictions may also undermine the high-end grocery store market potential of the site.

Outlet Mall Sector



Regional context: There are currently five outlet malls located within the Puget Sound region located between Centralia and Bellingham. The outlet malls range in quality of design and traffic with the North Bend outlet mall representing the lower end and the Tulalip outlet mall representing the higher end. All of the outlet malls are located adjacent to main interstates that traverse the state: I-5 and I-90.

Interview Feedback: A few respondents indicated that an outlet mall may perform well at the site due to its prime location at the intersection of two major freeways. One respondent mentioned that a high-end outlet mall combined with an entertainment venue (e.g. movie theater) would help foster the creation of a "lingering place" where visitors would be incentivized to spend more time at the site. Good design of an outlet was mentioned as having potential to help generate traffic, improve site appeal, and enhance the image of the City. Another respondent mentioned the narrow parcel configuration as potential challenge to the development of an outlet mall. One respondent mentioned the recent revamp of the Auburn Outlet Collection, the nearest outlet mall to the site, as a potential mitigating factor.

S***ummary***: *An outlet mall has the potential for success especially due to the site's location at the intersection of two main freeways. The addition of good design or the incorporation of entertainment venues may add to the overall attractiveness of the site and may also offer the potential to enhance the City's image. The narrow site configuration and the location of a newly revamped outlet mall in nearby Auburn may pose challenges to locating an outlet mall at the site.*

Outlet Mall Pros

- Potential to generate high volume of tax revenue.
- Opportunity to create a destination space beyond retail that may generate broader appeal across the nearby region.

Outlet Mall Cons

- Recent remodel and upgrades to the Auburn Outlet Collection has potentially captured the regional demand for outlet malls.
- Long and narrow site configuration of the site parcels may present challenges in construction of an outlet mall.