

Draft Report

The Economics of Land Use



Economic Analysis of the US 50/South Shore Community Revitalization Project

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Tahoe Transportation District

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Table of Contents

1.	INTRODUCTION AND SUMMARY OF FINDINGS	1
	Introduction	1
	Methodology, Resources, and Limitations	1
	Key Findings	2
2.	SOUTH SHORE ECONOMIC CONTEXT	6
	Population and Socio-Economics	6
	Employment.....	8
3.	TOURISM AND RETAIL ASSESSMENT	13
	Performance of Tourism and Recreation	13
	Retail Trends	18
	Competitive Assessment and Best Practices	19
	Case Study Examples	23
	Conclusions and Recommendations Related to South Shore’s Tourism Economy	25
4.	OVERVIEW OF US 50/ SOUTH SHORE REVITALIZATION PROJECT AREA AND DISTRICTS	27
	Roadway Alignment Alternatives	28
	Description of Study Area	29
5.	SUMMARY OF RESEARCH FINDINGS: ROADWAY IMPACTS	31
	Case Studies	31
	Additional Research on Roadway Impacts	38
6.	PROJECT STUDY AREA BUSINESS DYNAMICS	40
	Survey Results	40
	Additional Outreach Findings and Conclusions.....	45
7.	ECONOMIC RESPONSE TO HIGHWAY 50 REALIGNMENT	47
	Influence on Visitation	47
	Influence on Shopping Centers	50
	Influence on Capital Investment	55
8.	PRECONDITIONS TO SUPPORT PROJECT SUCCESS	58

List of Appendices

Appendix A: Impact Calculation Methodology

Appendix B: Estimated Influence of the Project on Study Area Shopping Centers

List of Tables

Table 1	Summary of Demographic and Socio-Economic Characteristics.....	8
Table 2	Employment by Sector, South Lake Tahoe and Zephyr Cove CCDs (2010)	10
Table 3	Hotel/Motel Performance by Zone	14
Table 4	South Lake Tahoe Hotel/Motel Performance Comparison	15
Table 5	Overall Summary of Potential Retail Sales Impacts on Stateline Shopping Centers.....	54
Table 6	Prospective Major South Shore Investments	57

List of Figures

Figure 1	Population and Housing Vacancy Rate—City ofg South Lake Tahoe	7
Figure 2	Lake Tahoe Unified School District Enrollment	7
Figure 3	South Shore Employment Trends	9
Figure 4	Summary of Lake Tahoe Basin Payroll Jobs by “Cluster”	12
Figure 5	South Shore Annual Rooms Rented.....	13
Figure 6	Select California Cities Annual TOT Collection	16
Figure 7	South Shore Annual Gaming Revenues.....	17
Figure 8	Lake Tahoe Annual Skier Visits.....	18
Figure 9	Repeat Customers	41
Figure 10	Customer Origin	42
Figure 11	Transportation Mode	43
Figure 12	Drive-By Visibility	44

List of Maps

Map 1	US 50/South Shore Community Revitalization Project Alignment	29
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1. INTRODUCTION AND SUMMARY OF FINDINGS

Introduction

Economic & Planning Systems, Inc. (EPS) has been retained by the Tahoe Transportation District (TTD) to perform an Economic Analysis, which evaluates the potential economic influence of the proposed US 50/South Shore Community Revitalization Project (Project) on the surrounding South Shore community.¹ Because transportation infrastructure is an important component of economic activity in any area, EPS has been requested to analyze the role of a potential realignment of US 50 in the Stateline area, to assess key trends in retail and tourism development that may be influenced by the Project, and to identify and characterize the potential impact (beneficial or negative) the Project could have on the South Shore economy. It should be noted up front that while it is not practical to quantify the exact economic and financial impact of such a roadway realignment project because of the numerous variables and unforeseen circumstances involved, EPS has conducted a thorough evaluation of the Stateline area in an effort to understand the variables that will affect the economic influence of the Project, under defined conditions, to frame the likely short- and long-term implications of the Project.

Methodology, Resources, and Limitations

The Economic Analysis first looks at the current and historical conditions prevalent on the South Shore to identify the community's economic drivers and performance trends and its competitive position as a regional, national, and international tourism destination. This portion of the analysis is based on the most current economic data available and outreach to local and national experts.

Next, a more focused look at the Study Area (defined in **Chapter 4**) is provided to assess the influence that the roadway realignment is likely to have on local economic conditions. EPS has assessed the Project's potential influence on visitation, retail sales, and the area's ability to attract future capital investment. The multi-faceted quantitative and qualitative research and analysis conducted for this study also included a survey distributed to business representatives that was used to help characterize the commercial structure of the Study Area, the customer composition of key business types, and the perceived relations to motorized and non-motorized transportation infrastructure. This comprehensive approach allowed EPS to evaluate how various conditions and private-sector responses to the project affect the overall outcomes of the Project realignment.

¹ The "South Shore" is defined in this memorandum as consisting of the City of South Lake Tahoe and the unincorporated portions of El Dorado County, California, and Douglas County, Nevada, which are located in the Tahoe Basin.

This process resulted in an examination of likely economic benefits, risks, and opportunities related to the Project, for purposes of informing community members, business representatives, public agency staff, elected officials, and other stakeholders.

It should be noted that this Economic Analysis has not been scoped to address the potential relocation of any specific businesses that may be required to accommodate the right-of-way for the roadway realignment. It should also be noted that, although other potential alignments have been evaluated as part of current and past planning efforts, this analysis is predicated on a "mountain-side" alternative under which the roadway realignment generally occurs along the southern portion of the existing commercial district (behind the existing Village Shopping Center along Montreal Avenue/Lake Parkway). This alignment alternative is consistent with the City of South Lake Tahoe (City)'s adopted General Plan and Stateline/Ski Run Community Plan, and EPS views these mountain-side alternatives as superior to northern "lake-side" alignments, from an economic perspective, because they will allow the existing Village Center and Heavenly Village Shopping Center to enjoy better visibility by rerouting traffic to their southern edge and avoids the creation of a barrier from existing commercial uses and the new "main street" district to the lake.

Stateline's current lack of connectivity to the lake is considered a significant drawback of this area that should be improved on in future planning efforts. Creating a wide roadway with fast-moving traffic through this key district under a "lake-side" alignment would not only degrade the appeal its residential and commercial uses, but it would further deter users from venturing toward the lake.

Key Findings

- 1. The South Shore economy, and that of the greater Lake Tahoe region, is driven by the tourism industry, and although the area possesses many qualities that make it a popular tourism draw, visitation is in decline. The South Shore needs to reinvent itself to more effectively compete with other established and emerging mountain/resort areas.***

The tourism and visitor-services cluster is by far the largest economic driver in the basin and accounts for more than 50 percent of total jobs in the Lake Tahoe Basin. However, visitation and tourism statistics for the South Shore have demonstrated substantial declines for years, which is indicative of the lack of investment in tourism-related infrastructure and amenities. The South Shore's market position among western mountain/resort areas has suffered. If regional stakeholders wish to enhance economic conditions based on its largest and most promising economic driver, strategic opportunities must be evaluated to tap into industry best practices and substantially upgrade the overall tourism product.

The Project proposes to realign US 50 to route through traffic around the commercial core and proposes to construct the infrastructure necessary to create a "complete street" or "main street" in the commercial core. This is very compelling as an approach to strengthening the local economy by providing an attractive gathering place for locals and visitors to interact. Many other mountain and tourism-oriented communities have adopted similar approaches to creating a downtown/main street district, which generally have been met with great success. Examples of these efforts can be found in such places as Park City, Utah; Breckenridge, Colorado; Truckee, California; and many others.

- 2. The retail industry has undergone a significant transformation over the past 10 to 15 years throughout the United States, with today's successful center's incorporating principles of walkability and mixed use and offering a variety of shopping, dining, and recreational options.***

In this regard, older automobile-oriented shopping malls and strip centers with vast and poorly-positioned parking lots are considered less desirable than outdoor, walkable shopping districts that offer a variety of shopping, dining, and entertainment options and that cater to a broad range of demographic classes, age groups, and income levels. These "lifestyle-oriented" shopping destinations tend to occur in prime locations. This trend toward outdoor, walkable shopping districts is particularly appropriate in tourism areas because vibrant street-oriented settings lend themselves very well to longer and more lucrative visits among tourists and locals.

The trend toward this type of shopping environment has been even more pronounced in tourism destinations. However, it will be important to assure good visibility, access, and parking for automobile-oriented visitors. Once visitors arrive at a well-regarded and multi-faceted mixed-use "node," they will be more inclined to explore the district on foot, reducing point-to-point automobile use and increasing "drop-in" shopping to businesses by foot that would not otherwise occur.

- 3. A "main street" or "complete streets" district at Stateline is a fundamental component of revitalizing the South Shore and serves as a viable economic development strategy to realize further economic activity.***

Existing retail businesses, hotels, and other enterprises throughout the community stand to benefit greatly from the Project by constructing the infrastructure necessary to establish a "main street" or "complete street" district. Benefits will also accrue from the removal of through traffic from the shopping core, including heavy freight traffic. Creating infrastructure for non-motorized transportation and lowering automobile speed by changing road conditions can improve economic conditions for both business owners and residents. This also has the potential to boost overall tourism and visitation to the South Shore, and it is likely to also increase the use of the Stateline area by local residents. The revitalizing economic benefit of similar effect projects has been observed in many locations throughout the United States.

- 4. To create the "main street" environment described above, fast-moving and daunting pass-through traffic should be removed from the existing US 50 roadway to allow easy pedestrian crossings, facilitate the connection among various subareas, improve overall safety, and ensure the district functions optimally.***

High traffic volumes and lack of adequate pedestrian facilities can be a strong deterrent to an enjoyable experience at outdoor shopping destinations, as well as seasonal "al fresco" dining. Furthermore, the ability for pedestrians to easily cross the street and access the variety of shopping destinations throughout a main street district is a prerequisite to success. Creating a "complete street" also will improve access and mobility for all age groups, as well as those with disabilities, which are lacking in the South Shore area.

5. Should the Project be implemented, EPS estimates that Stateline-area shopping centers could see their total annual retail sales increase by approximately \$16 million to \$25 million.

Increased retail sales will stem from increased levels of tourist visitation, higher levels of visitor spending, and a higher capture of spending from local residents. Along with this increase in retail sales, increased municipal revenues in the form of sales tax and property tax will be captured throughout the South Shore economy. This is an important element to consider, given that sales tax and transient-occupancy tax are the primary funding sources for local municipal services such as street maintenance and police and fire protection.

6. The Project can help to achieve a considerable upgrade in the appeal of the South Shore as a destination for both visitors and local community and could serve to facilitate the market support and capital investment that are required to implement several planned initiatives.

While many of these initiatives are speculative at this point, the potential exists for more than a billion dollars in private construction activity; numerous short-term and long-term employment opportunities; as well as a host of other recreational, environmental, and community benefits.

7. Although the overall economic impact of the Project is likely to be significantly positive, it does present some short-term risk to existing businesses as the area undergoes a transition period. However, it is not anticipated that any potential negative short-term impacts to retail sales will affect the overall long-term economic conditions on the South Shore. It is also anticipated that short-term impacts would constitute less than 2 percent of total retail activity in the City, which would likely be recovered within a very short time period.

These short-term impacts which largely result from construction are more likely to affect certain highway-fronting, automobile-oriented businesses such as gas stations, convenience stores, fast food restaurants (that rely on drive-by traffic), etc. Nonetheless, although fewer cars would travel along the "old" US 50 corridor because of the proposed realignment of the highway, a much higher capture rate is likely to be observed as traffic is slowed and passengers are more easily able to view their surroundings from their vehicles. Furthermore, it is wholly possible that the increased visitation from pedestrian and bicycle traffic could mitigate these negative impacts to a substantial degree, or even exceed current levels of activity within a short period of time.

8. The degree that the Project's opportunities and risks manifest themselves will depend greatly on many factors that are external to the roadway realignment itself.

The success of the Project will rely on the ability to create an appealing streetscape that will enhance the region's competitive position and attract visitors. This is a multi-faceted and complex endeavor that will require comprehensive parking strategies, transit service enhancements, signage/marketing programs, events programming and management efforts, and will chiefly depend on various regional stakeholders coming together to accomplish a common goal that meets the needs of the entire community.

9. While economic conditions on the South Shore have been declining for some time, the opportunities conferred by the Project stand to stem these declines and will serve to benefit the region greatly over the long term.

The South Shore's tourism-based economy has suffered substantial declines in many key categories, including visitation levels, retail sales, hotel occupancy and room rates, gaming revenues, and others. These indicators reflect a structural weakness in the South Shore's tourism economy, which is not likely to be corrected unless substantial steps are undertaken to improve the tourism product. The implementation of the Project would be a considerable step in this direction, and the many initiatives that it supports will enhance the region's position as a tourism destination. While it is possible that some short-term negative impacts may be sustained as the Stateline area and South Shore economy evolve, during initial periods, the prospects for long-term benefits substantially outweigh potential short-term negative impacts by far.

10. The Stateline area possesses many advantages that diminish the potential for any negative impacts that might be caused by a highway realignment and greatly improve the Project's chances for success in revitalizing the Stateline area and the South Shore in general.

EPS has found that businesses in the Stateline area are characterized by a high degree of repeat customers, making it a well-known district that is not susceptible to a change in traffic patterns. Furthermore, the tourist-oriented nature of a large proportion of businesses in this district will likely respond favorably to the pedestrian-friendly and walkable environment the Project intends to achieve.

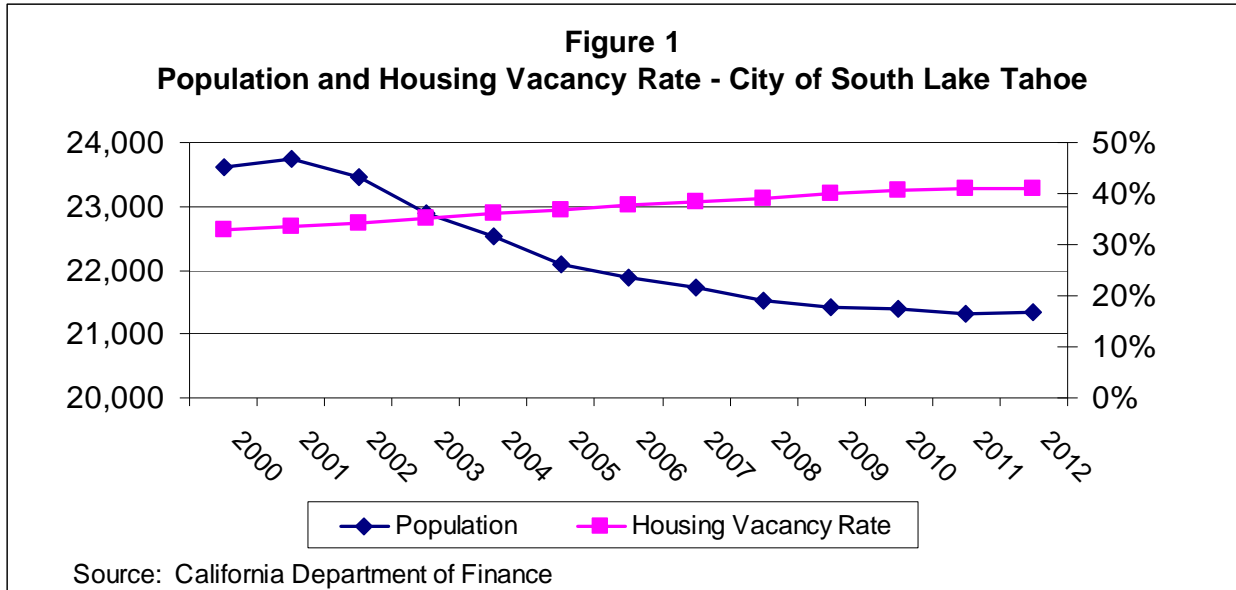
2. SOUTH SHORE ECONOMIC CONTEXT

This Chapter presents an assessment of economic conditions of the South Shore community. EPS conducted intensive economic research and analysis to evaluate past, present, and likely future economic conditions on the South Shore using a variety of data sources and research studies. In addition, qualitative feedback was obtained through a series of interviews with local economic experts and business owners. This economic context is important to define in order to establish a foundation upon which further study of the economic ramifications of the Project can be based.

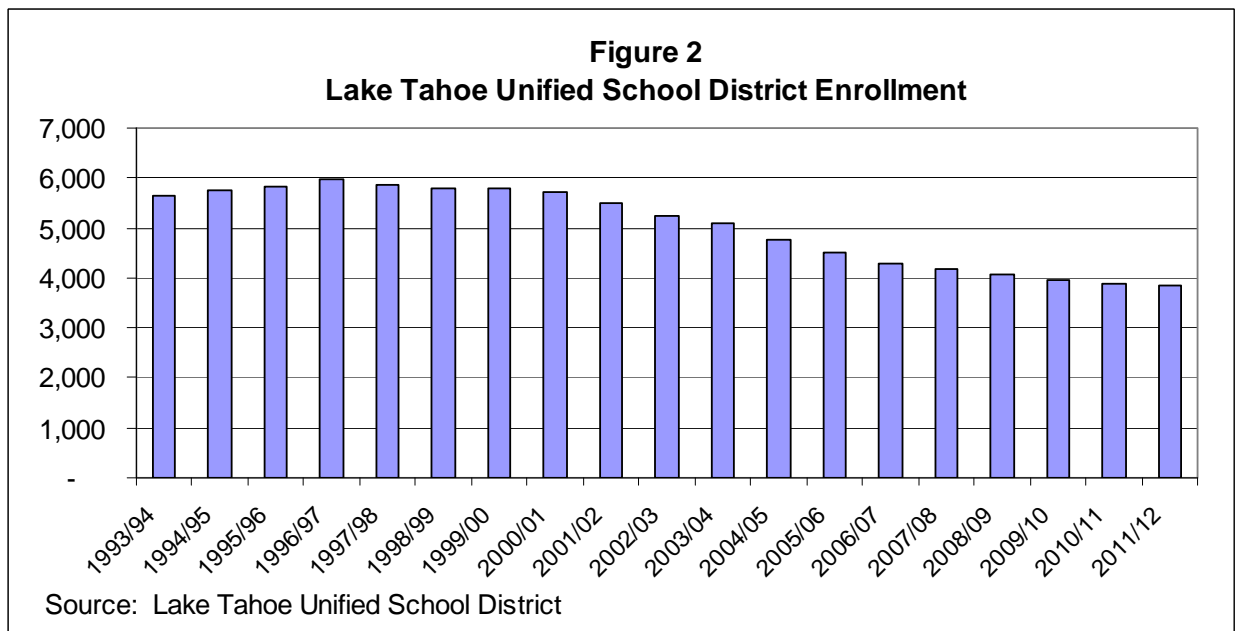
Population and Socio-Economics

The South Shore has been experiencing a steady decline in permanent residents for many years. According to the California Department of Finance, the City of South Lake Tahoe shed approximately 2,250 residents (approximately 10 percent) from 2000 to 2012, as shown in **Figure 1**. During this same period while the community was losing residents, the number of residential housing units actually *increased* by approximately 1,100 units, many of which primarily are used by second homeowners and overnight visitors to the area. Accordingly, the City of South Lake Tahoe has gone from a housing vacancy rate of 33 percent in 2000 to 41 percent in 2012. As a point of comparison, the average housing vacancy rate across the State of California is approximately 8 percent. However, housing vacancy rates generally are much higher in tourism areas because a large portion of the housing stock is used by vacationers and second homeowners. As compared to some other similar mountain/resort cities in California, these figures do not appear quite as poor. For example, the housing vacancy rates in Mammoth Lakes and Truckee are 66 percent and 50 percent, respectively.

There are several infrastructure, governance, and community development issues related to absentee owners. For example, outside of property taxes, second-homeowners tend to pay little in local taxes and support local retail businesses less than full-time residents due to the seasonal and transient nature of their stay. Furthermore, outside residents can escalate prices to levels which precludes many local full-time residents from owning homes, acting as a deterrent in the attraction of a young professional workforce. A potential solution to this issue is the consolidation of retail to compelling mixed-use nodes at prime locations. This is a model that has been proven in many locations throughout the western United States and is a strategic regional planning goal meant to improve Lake Tahoe's natural and human environment.



Concurrent with the observed decline of permanent residents at the South Shore, school enrollment has experienced similar declines, as demonstrated in **Figure 2**, which shows school enrollment in the Lake Tahoe Unified School District.



School enrollment data also can be used to characterize socio-economics and income in the South Shore and the overall social health of a community. According to the California Department of Education, 57 percent of the students in the Lake Tahoe Unified School District were eligible for subsidized school lunches in 2011/2012, which was up from 51 percent from the number eligible 5 years earlier.

Table 1 displays demographic and socio-economic factors such as income, home values, homeownership, etc. in the City of South Lake Tahoe, as compared to statewide averages. As

shown, the South Lake Tahoe population falls below the statewide average in key categories such as home values, per capita income, and household income. In addition, the unemployment rate in the City of South Lake Tahoe is significantly higher than the statewide average.

Table 1
US 50/ South Shore Community Revitalization Project
Summary of Demographic and Socio-Economic Characteristics

Item	City of South Lake Tahoe	State of California
Homeownership Rate	44.60%	57.40%
Median Value of Owner-Occupied Housing Units	\$386,500	\$458,500
Per Capita Income	\$23,448	\$29,188
Median Household Income	\$44,217	\$60,883
Persons Below Poverty Level	17.70%	13.70%
Unemployment Rate (as of Dec. 2012) [1]	12.80%	9.70%

"demog"

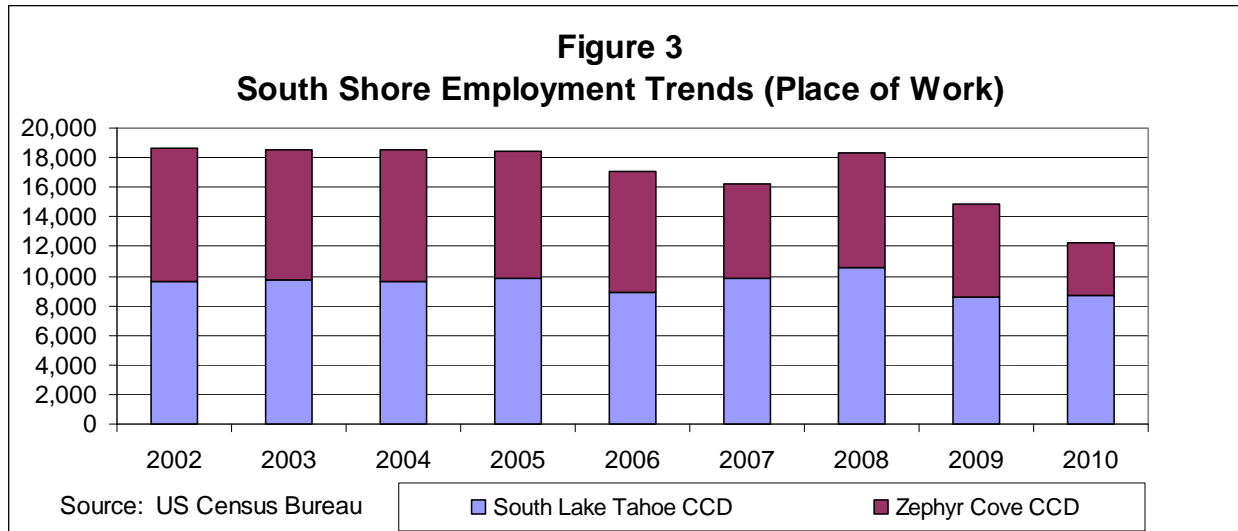
Source: US Census Bureau and American Community Survey, 2006 - 2010; and California EDD.

[1] Data from the California Employment Development Department. Not seasonally adjusted.

Employment

EPS used the most recent data available from the US Census Bureau to evaluate the structure of employment and associated trends at the South Shore.² **Figure 3** shows the breakdown in employment trends since 2002 in the South Lake Tahoe Census County Division (CCD) and Zephyr Cove CCD, which are geographic data collection areas defined by the US Census Bureau. The South Lake Tahoe CCD includes the entire City of South Lake Tahoe plus unincorporated areas of El Dorado County within the Tahoe Basin. The Zephyr Cove CCD includes the Stateline, Round Hill, Zephyr Cove, and Glenbrook areas of unincorporated Douglas County, Nevada. These two Census-designated geographic areas comprise the entire South Shore, as defined in this memorandum.

² Employment data for the South Shore is difficult to compile because of jurisdictional issues posed by a community that spans two states, includes unincorporated areas in two counties, and one incorporated city.



As shown in **Figure 3**, the South Shore has shed approximately 6,400 jobs from 2002 to 2010, a decrease of 34 percent. The majority of these jobs lost have been on the Nevada side of the state line, although the California side experienced a significant loss during this period as well. By far, the largest segment to suffer losses was in the Accommodations and Food Service category, which shed more than 5,000 jobs. A large portion of this loss likely represents casino workers who lost their jobs as South Shore’s major casinos suffered drastic losses in revenues and were forced to reduce staffing levels, which can be attributed to the rise of gaming on the major corridors of SR 88, US 50, and Interstate 80 leading to Lake Tahoe. This further justifies South Shore’s need to reinvent itself with a focus on its recreational and tourism amenities other than gaming.

The Nevada and California sides of the state line function as one economic region, with many residents of the California side of the state line being employed on the other, and vice versa. The latest employment data available from the U.S. Census Bureau from 2010 indicate that only 36 percent of employed residents of the South Lake Tahoe CCD are employed at jobs which are also located in the South Lake Tahoe CCD, while the other 64 percent work in other areas. A large portion of these jobs are likely located on the Nevada side of Stateline, as well as at other nearby areas such as Incline Village, Carson City, Minden/Gardnerville, Reno, etc.

Table 2 shows the detailed industry breakdown of employment for the South Shore. As shown, there are just more than 12,000 jobs, spread among various industries. Even though it has lost a large proportion of jobs, the Accommodations and Food Service category is still by far the largest category, accounting for 35 percent of total jobs. As a point of comparison, just 9 percent of employees in the State of California overall are within this employment classification. Interestingly, the Health Care sector has the second-highest number of jobs, which is evidence of the strong health care cluster present in the South Shore. Other prominent employment categories are Retail and Arts, Entertainment, and Recreation, which account for more than 18 percent of total employment (combined). By combining these two tourism-oriented categories with the Accommodations and Food Service category (which also is heavily tourism-oriented), a total of 52 percent of total South Shore employment is accounted for. Clearly, the South Shore economy is dominated by tourism-oriented employment categories.

Table 2
US 50/ South Shore Community Revitalization Project
Employment by Sector, South Lake Tahoe and Zephyr Cove CCDs (2010)

Industry	2002				2010				Gain/ (Loss) 2002 - 2010
	SLT CCD [1]	Zephyr Cove CCD [1]	Total South Shore	Percentage of Total	SLT CCD [1]	Zephyr Cove CCD [1]	Total South Shore	Percentage of Total	
Accommodation and Food Service	2,411	7,011	9,422	50.5%	2,582	1,680	4,262	34.6%	(5,160)
Health Care and Social Assistance	1,156	117	1,273	6.8%	1,066	132	1,198	9.7%	(75)
Retail trade	1,198	288	1,486	8.0%	940	187	1,127	9.2%	(359)
Arts, entertainment, and recreation	767	297	1,064	5.7%	759	348	1,107	9.0%	43
Educational services	1,193	1	1,194	6.4%	929	9	938	7.6%	(256)
Public administration	361	143	504	2.7%	340	222	562	4.6%	58
Real Estate and Rental and Leasing	352	144	496	2.7%	279	245	524	4.3%	28
Other services, except public administration	425	157	582	3.1%	401	87	488	4.0%	(94)
Professional, scientific, and technical services	336	248	584	3.1%	177	277	454	3.7%	(130)
Construction	424	256	680	3.6%	230	104	334	2.7%	(346)
Wholesale trade	110	55	165	0.9%	219	45	264	2.1%	99
Utilities	153	34	187	1.0%	145	34	179	1.5%	(8)
Transportation and warehousing, and utilities:	173	21	194	1.0%	67	44	111	0.9%	(83)
Information	79	68	147	0.8%	44	33	77	0.6%	(70)
Finance and insurance	115	73	188	1.0%	105	66	171	1.4%	(17)
Manufacturing	106	11	117	0.6%	33	3	36	0.3%	(81)
Management of Companies and Enterprises	7	6	13	0.1%	72	33	105	0.9%	92
Admin. and Support, Waste Management and Remediation	305	69	374	2.0%	272	80	352	2.9%	(22)
Agriculture, forestry, fishing, hunting, and mining	0	0	0	0.0%	6	0	6	0.0%	6
Mining, Quarrying, Oil and Gas Extraction	0	0	0	0.0%	6	0	6	0.0%	6
Total	9,671	8,999	18,670	100.0%	8,672	3,629	12,301	100.0%	(6,369)

"2010sector"

Source: US Census Bureau LED/ LEHD OnTheMap Application

[1] The South Lake Tahoe CCD includes the City of South Lake Tahoe, plus unincorporated areas of El Dorado County within the Tahoe Basin. The Zephyr Cove CCD includes the unincorporated communities of Stateline, Round Hill, Zephyr Cove, and Glenbrook in Douglas County, Nevada.

As further evidence of the region's reliance on tourism, EPS has assessed employment data contained in the Lake Tahoe Basin Prosperity Plan, which analyzed the most prominent industry "clusters" that are important to the Basin. According to the Prosperity Plan, the three most important clusters to the Lake Tahoe economy are as follows:

- 1. Tourism and Visitor Services.** The Tourism and Visitor Services cluster is by far the largest of those identified in the Prosperity Plan and accounts for 18,000 jobs throughout the Tahoe Basin, or 55 percent of total employment (in 2007). Tourism and Visitor Services jobs include those in lodging, food service, gaming, recreation, entertainment, etc. Although Tourism and Visitor Services by far is the largest cluster in the basin, it is a relatively stagnant one, which experienced a loss of approximately 1,200 jobs between 2000 and 2007.³ Even so, it is clear that the Tourism and Visitor Services category always will be strong in Lake Tahoe, as the natural and recreational amenities offered to visitors are the region's strongest competitive assets. However, jobs in this category often are associated with lower pay, higher turnover, minimal opportunity for advancement, and a general sense of low job "quality." For this reason, the Lake Tahoe Region is seeking to diversify its economy to grow other sectors that may be more promising avenues to enhanced economic vitality.⁴
- 2. Environmental Innovation.** The Environmental Innovation cluster consists of jobs in green building, environmental restoration, energy efficiency, environmental education and research, etc. This sector contained approximately 3,100 jobs in 2007, which grew by approximately 17 percent from 2000 to 2007. Although it is a much smaller component of total employment, this growing sector is an example of a higher quality jobs and presents a prime prospect for future sustainable economic growth.
- 3. Health and Wellness.** The Health and Wellness cluster is the smallest of the three identified for future study, but it presents very strong growth potential in the coming years. As of 2007, the Lake Tahoe Region had 1,664 jobs in this cluster. Even though the job figure in 2007 was not significantly greater than the figure in 2000, the Prosperity Plan has touted the Lake Tahoe Region's potential for additional capture of this cluster, given its role in athletic training and competition (especially in winter sports), the quality of its medical facilities, and the potential to establish the region as a destination for exclusive wellness and medical care.

³ This loss in jobs likely would be much larger if a longer time horizon were included, as described above.

⁴ The diversification of Lake Tahoe's economy is an important endeavor to ensure long-term economic sustainability. There are various strategies and initiatives to help achieve this goal. Several of these efforts are discussed in greater detail in the conclusions of this memorandum.

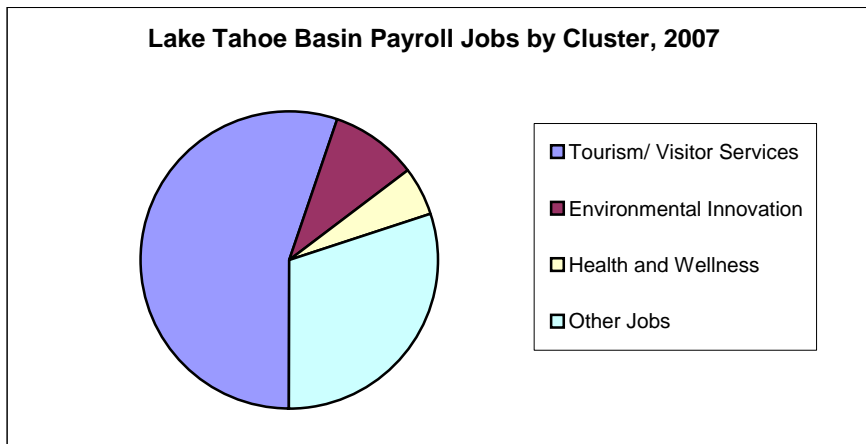
Figure 4 below shows the breakdown among these three clusters, further demonstrating the Lake Tahoe Basin's continued reliance on tourism and visitation to support the regional economy.

Figure 4
US 50/ South Shore Community Revitalization Project
Summary of Lake Tahoe Basin Payroll Jobs by "Cluster," 2007

Item	Payroll Jobs (2007)	% of Total
Tourism/ Visitor Services	18,211	55%
Environmental Innovation	3,135	10%
Health and Wellness	1,664	5%
Other Jobs	9,920	30%
Total	32,930	100%

"clusters"

Source: Lake Tahoe Prosperity Plan, 2010



3. TOURISM AND RETAIL ASSESSMENT

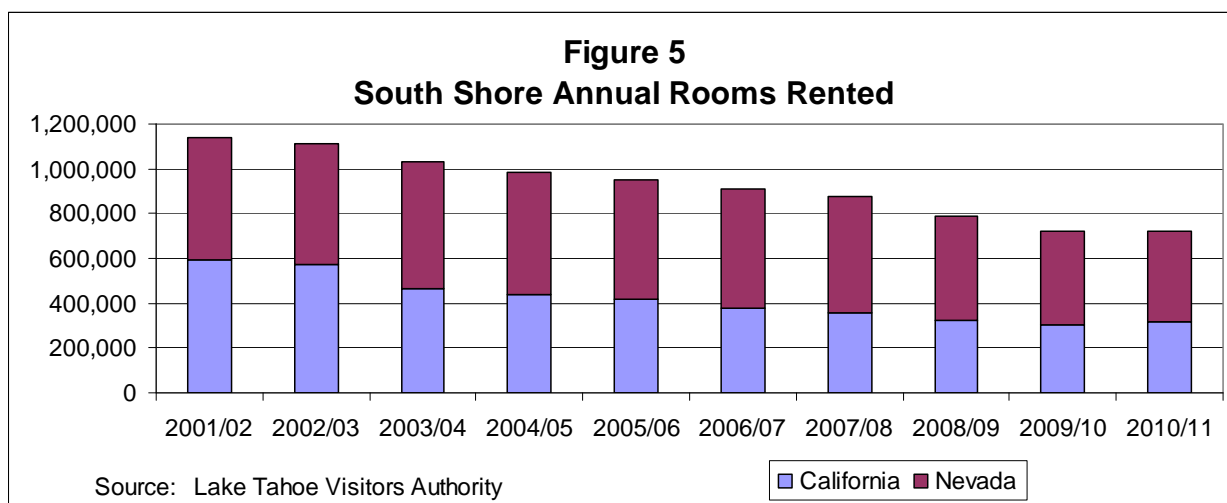
This Chapter evaluates the tourism economy of the South Shore. Since tourism, recreation, and related industries are very important components of the South Shore economy (and that of the Tahoe Basin as a whole), the utmost effort should be applied to ensure that these sectors are performing optimally and provide for opportunities for growth. This optimization will benefit the larger regional economy by providing direct, indirect, and induced spin-off benefits such as jobs and revenues in all supporting sectors, including Health Care, Professional Services, etc. Concentrating tourist-oriented activity into select primary nodes will assist in this endeavor by allowing supporting businesses to more easily relate to and benefit each other and create a more viable network of amenities for visitors to enjoy and consume.

Performance of Tourism and Recreation

Despite the region's heavy reliance on tourism and recreation, performance statistics for these sectors have shown relatively poor results on the South Shore over the past decade, as described in detail below.

Lodging Trends

The lodging industry at the South Shore has experienced substantial difficulties over the past 10 years, as shown in **Figure 5**. The number of annual rooms rented has declined from 1.1 million in 2001/2002 to 720,000 in 2009/2010, a reduction of more than 35 percent. More recently, a slight uptick has been observed in 2010/2011, and reports indicate that 2011/2012 also showed slight improvements. However, these figures are still substantially lower than the levels seen in 2001/2002 and before, which translates into less local revenue generated as well as fewer job opportunities.



The motels and hotels in the South Shore currently exhibit much lower average daily rates and occupancy rates than the state average or than those found in other competing tourism areas.

The average hotel occupancy in the City of South Lake Tahoe was a dismal 43 percent in 2011. Key submarkets of the City are shown in **Table 3**.⁵ The Stateline area in California exhibits the highest average daily rates in the region, resulting largely from the strength of the Embassy Suites and Marriott properties. However, the occupancy rates in this district are extremely low overall, at just 29 percent. On the Nevada side of the state line, the opposite dynamic is observed: room rates are low, but occupancy rates are relatively high. This dynamic occurs as a result of the Nevada hotel/casino properties reducing their daily rates substantially to fill rooms and recoup any potential lost room revenue through gaming and other sources.

Table 3
South Shore Community Revitalization Plan Economic Analysis
Hotel/ Motel Performance by Zone

Area	Occupancy	Average Daily Rate
Stateline, NV	61%	\$60
Sierra Tract/ East Y Area	24%	\$65
Ski Run, Heavenly, Bijou	16%	\$90
Al Tahoe Area	19%	\$116
West Y and Emerald Bay Road Areas	16%	\$120
Stateline, CA	29%	\$124

Sources: Strategic Marketing Group, City of South Lake Tahoe, and EPS

Overall, the occupancy and average daily rates on the South Shore are significantly lower than those observed in other tourism areas. **Table 4** shows occupancy, average daily rate, and revenue per available room (RevPAR) for other key tourism areas as compared to the South Shore. As shown, the South Shore lags far behind these other tourism areas and ranks last in every key category.⁶

⁵ Data according to the City of South Lake Tahoe and the Strategic Marketing Group, 2012.

⁶ The Stateline, Nevada submarket ranks above Breckenridge, Park City, and Mammoth in occupancy, although its average daily rate and RevPAR figures are much lower than these areas. Otherwise, South Lake Tahoe and Stateline rank behind all other tourism areas shown in each category.

Table 4
US 50/ South Shore Community Revitalization Project
South Lake Tahoe Hotel/ Motel Performance Comparison, 2011

Area	Occupancy	Average Daily Rate (ADR)	Revenue per Available Room (RevPAR)
Santa Barbara	71%	\$175	\$124
Monterey County	61%	\$157	\$95
Sonoma County	64%	\$111	\$71
San Luis Obispo	62%	\$113	\$71
Mammoth Lakes	52%	\$158	\$82
Summit County UT (Park City Area)	46%	\$227	\$105
Summit County CO (Breckenridge Area)	50%	\$214	\$106
Napa	65%	\$233	\$150
City of South Lake Tahoe	43%	\$102	\$44
Stateline, NV	61%	\$60	\$36

"lodging_comp"

Sources: Strategic Marketing Group, Smith Travel Research, City of South Lake Tahoe, Nevada Commission on Tourism, Douglas County, NV, and EPS

South Shore accommodations simply are not commanding the room rates that other competing tourism areas are. The reasons for this include (1) the marginal quality of many of the available South Shore accommodations; (2) the sheer volume of rooms, which drives prices and occupancy rates down; and (3) the overall lack of desirability of the South Shore as compared to other tourism areas.

There are more than 10,000 motel/hotel rooms in the South Shore, which were constructed primarily in the 1960s and 1970s when Lake Tahoe transitioned to a year-round recreation destination. A large proportion of these motels and hotels are of substandard quality and exhibit indications that maintenance has been deferred over a substantial period of time. Many have closed their doors altogether or are being used as affordable housing in the form of weekly and monthly rental units (which may provide some residents with a temporary housing solution but does nothing to improve retention of these residents, drive jobs, visitation, or raise the aesthetic profile of the area). Discussions with commercial brokers and other local experts have indicated the resale market for these aging hotels is very soft and there are simply too many hotel rooms to be supported, given changes in visitation and in the quality and amenities desired by today's travelers. Furthermore, the reuse and/ or repurposing potential of these properties is limited. Reducing the "glut" of substandard hotel/motel units will be an important step in helping to restore the supply/demand balance, which will in turn increase average daily rate and occupancy levels and generally help to raise the stature of the South Shore.

Figure 6 below shows annual transient-occupancy tax (TOT) collection over the past decade for South Lake Tahoe as compared to other tourism destinations in California and the statewide figure. As shown, the State of California overall has increased its TOT collection by

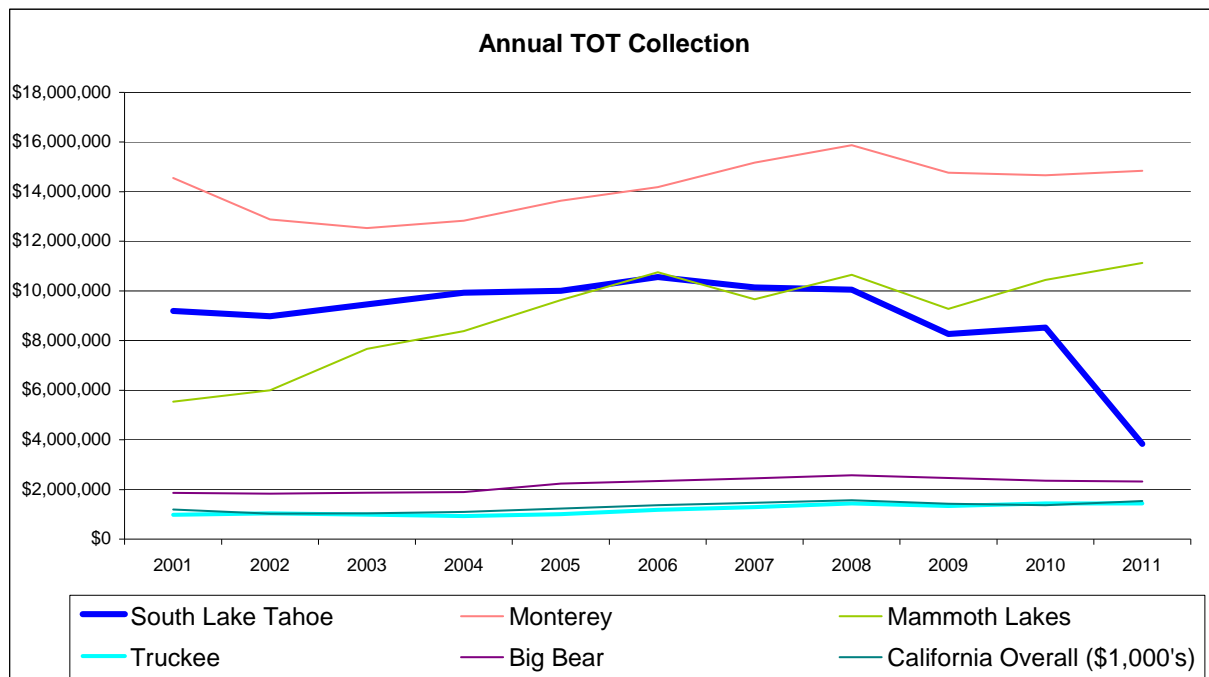
approximately 30 percent during this period. Other comparable tourism areas in the state also have shown increases to varying degrees. For example, while the City of Monterey has seen relatively flat TOT collection during this period, other destinations such as Mammoth Lakes have seen a substantial increase in TOT collections. As shown, the City of South Lake Tahoe is the only city in this comparative data set that has suffered a loss of TOT revenues during this period. Collection of TOT between 2001 and 2011 was dismal for the City of South Lake Tahoe, down nearly 60 percent.

Figure 6
US 50/ South Shore Community Revitalization Project
Select California Cities Annual TOT Collection

Item	2001	2011	% Change 2001 - 2011
South Lake Tahoe	\$9,197,100	\$3,834,100	-58%
Monterey	\$14,550,500	\$14,842,100	2%
Mammoth Lakes	\$5,536,600	\$11,129,800	101%
Truckee	\$978,800	\$1,435,800	47%
Big Bear Lake	\$1,859,300	\$2,321,400	25%
California Overall (\$1,000's)	\$1,187,400	\$1,535,400	29%

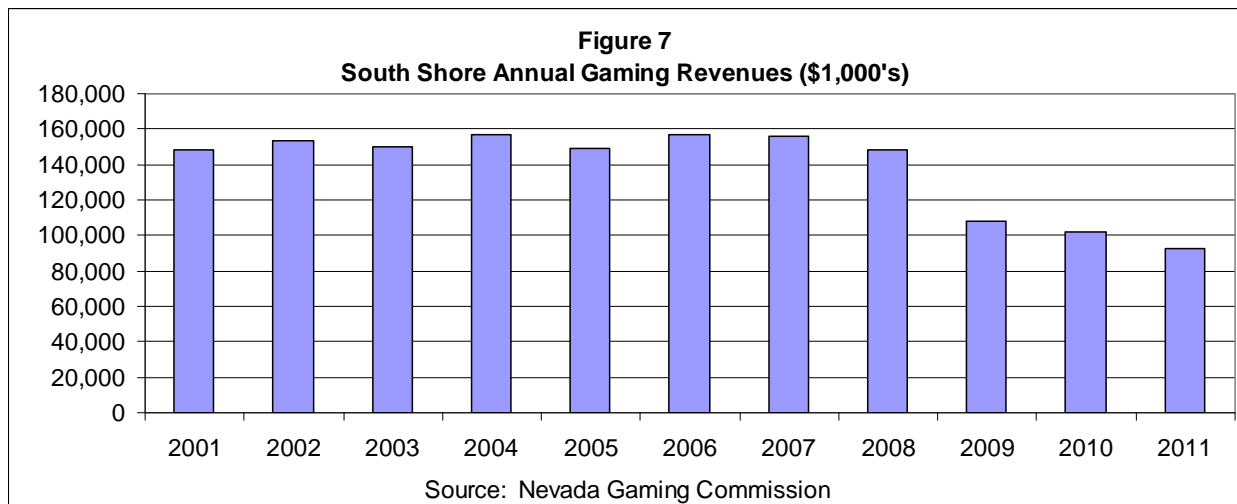
"tot"

Sources: "California Travel Impacts by County," prepared by Dean Runyan Associates, and EPS.



Gaming Revenues

Gaming historically has been a major driver of visitation to the South Shore because it was one of the few places in the western United States that offered legalized gambling and high quality year-round outdoor recreation within an easy driving distance from major population centers such as Sacramento and the Bay Area. Since the proliferation of legalized gaming in California and the national recession that began in 2007, gaming revenues have decreased from \$155 million in 2007 to \$92 million in 2011 (see **Figure 7**)—a reduction of more than 40 percent.⁷ Related to this reduction in revenues, the number of employees at South Shore casinos has declined by approximately half over the past decade, from 7,000 total employees in 2001 to 3,500 in 2011.⁸



This reduction in gaming revenue is not unique to the South Shore; indeed the entire Nevada gaming industry has suffered similar declines and is struggling to deal with the prospects of increased competition from Native American gaming options located throughout California (and other areas of the United States). To combat this decline, many destinations that have historically included gaming as the primary draw have diversified their overall product to attract a wide range of visitors and appeal to a larger demographic. A similar diversification with an increased focus on recreation is a shift that would serve the South Shore well.

Skier Visits

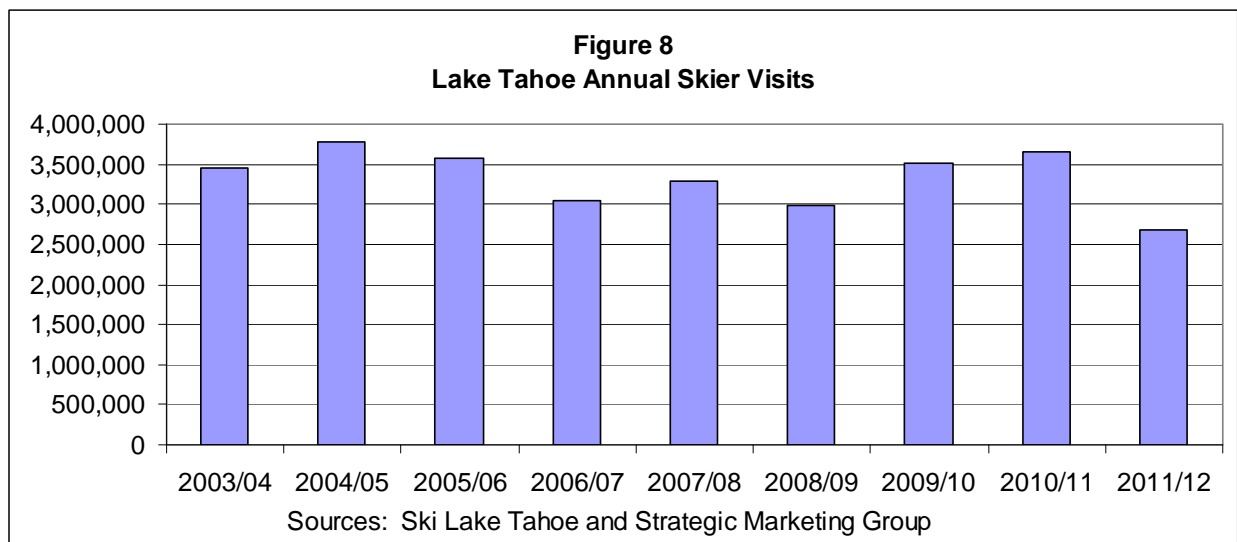
Even during the most challenging economic periods during the last decade, the number of annual skier visits held relatively steady at Lake Tahoe ski resorts, as shown in **Figure 8**. Skier visitation in Lake Tahoe is known to be closely linked with weather patterns, including both ski conditions and roadway conditions, which likely explain the high degree of variability in the number of annual skier visits and the considerable drop-off in 2011/2012 (which was a poor winter).

⁷ Data is from the Lake Tahoe Visitors Authority.

⁸ From Strategic Marketing Group.

Despite this variability in skier visitation around the basin, Lake Tahoe's ski resorts remain a popular attraction and are known for their high-quality and diverse skiable terrain as well as their relatively easy access for a population base of several million people within a 3- to 4-hour drive. In addition, local ski resorts have continued to upgrade the quality of their offerings to drive visitation, as indicated by Heavenly Mountain Resort's newly constructed, 15,000-square-foot Tamarack Lodge, which opened in 2010, and several million dollars' worth of additional planned on-mountain improvements which will directly benefit efforts to revitalize the area surrounding the gondola, located in the heart of the US 50 Project. This also includes the expansion of summer on-mountain activities which is intended to boost year round visitation and associated employment opportunities.

Furthermore, Heavenly Mountain Resort has been aggressive in advertising and marketing efforts to attract a new audience of young adults in a manner that complements activities in the casino core and other nearby attractions. Heavenly has also achieved success devising daily ticket and season pass pricing strategies that have allowed them to remain a popular attraction that continue to be large drivers of the local South Shore economy. Heavenly's success complements other South Shore alpine and cross-country areas, as well as backcountry and snowmobile recreation areas, which are popular attractions for South Shore visitors in the winter months.



Retail Trends

Retail sales also are an important component of economic activity and employment in the South Shore. Like many other places in the United States, the retail sector has been challenged in the South Shore over the past several years, and annual retail sales in the City of South Lake Tahoe have declined by 19 percent from 2005 to 2012.⁹

⁹ Figures from the California Board of Equalization and only includes retail sales in the City of South Lake Tahoe. Retail sales figures for the unincorporated area of the South Shore in El Dorado and Douglas Counties are not available.

It should be noted that the South Shore area's building stock and overall built environment has remained relatively unchanged for several decades (with the notable exception of the redevelopment of the Heavenly Village area), while the nation's retail shopping and development patterns have gone through substantial changes over the past 10 to 15 years. Nationally, many retail developers and property managers have recognized that consumer preferences are changing, and they have worked to reposition their retail product to meet this change. Whereas most retail development constructed in the 1970s and 1980s were auto-oriented "strip" shopping centers with huge parking lots and linear buildings, over the past decade or so, this has become a generally outdated model in the United States. In fact, of all major shopping centers constructed in the United States since 2005, only two have been traditional enclosed "malls."¹⁰ Most shopping centers constructed or redeveloped today tend to adhere to a trend toward outdoor, walkable districts that offer a variety of shopping and dining options that appeal to all demographic and socio-economic cohorts as well as small venues for public performances. Some prominent regional examples of shopping centers of this type include the Palladio at Broadstone shopping center in Folsom, California, and the Summit shopping center in Reno, Nevada.

This trend toward lively, outdoor, walkable shopping districts has been even more pronounced in tourism areas, where the retail experience has a strong correlation with visitation, and can be a key reason that a visitor chooses one area over another. Most new or repositioned development follows this trend, while the aging and "old" auto-oriented shopping centers tend to languish resulting in lower commercial lease rates for the property owner and lower retail sales for tenants.

In the South Shore, much of the retail building supply (especially in outlying areas) is old and of marginal quality, and new retail development activity has been minimal for many years. While some of the South Shore's neighborhood shopping centers have been redeveloped or repositioned, the Heavenly Village has been the only large-scale new retail product built in the South Shore area over the past 30 years. This area has been extremely successful, commands very high lease rates (as compared to other areas of the South Shore), and attracts many visitors and local residents who patronize local and national retailers. The grocery-anchored Village Shopping Center located next to (and benefitting from synergy with) the Heavenly Village also is a successful retail center that commands strong lease rates, occupancy levels above 95 percent, and caters to a healthy mix of local residents and visitors. It is clear that newly constructed or rehabilitated retail product in these primary shopping locations are performing much better on the South Shore than the aging retail stock in other areas of the city and unincorporated areas.

Competitive Assessment and Best Practices

This section highlights several very successful tourism-oriented mountain/resort communities that the Tahoe Region—and the South Shore area in particular—can incorporate in its creation of a strategy that meets the needs and desires of both the visitor and residents. EPS has researched current literature, as well as studied a host of tourist destinations, to identify "best practices" in mountain/resort destinations, and to assess how the South Shore compares in terms of the package of amenities that guests can experience and enjoy.

¹⁰ Retail Development, Fourth Edition. Urban Land Institute, 2009.

EPS applied some lessons learned from these national examples and recommended ways in which the South Shore may leverage similar initiatives to enhance and improve future economic conditions. Through this process of research, EPS has identified some important trends, issues, and elements of a successful mountain/resort area. Some of the most pertinent and applicable lessons with respect to the South Shore include these:

- **Provision of a Complete Range of Dining, Shopping, Recreational, and Entertainment Options.** Resort areas should strive to offer a range of choices for all segments. People will be more attracted to a resort near a local town or village that contains a cluster of restaurants and locally owned stores. This will allow them the ability to find their own way through an authentic resort area.¹¹ Furthermore, it is imperative that the recreational amenities and shopping options cater to all generational cohorts, including Baby Boomers, Generation X, Generation Y (also known as “Millennials”), as well as the youth of today.
- **Creation of Town Centers.** Ski resorts and other recreational attractions can be used to serve as “Town Centers” to serve surrounding residential neighborhoods, as well as visitor population. The Heavenly Village and surrounding area is emerging as the center of activity and energy at the South Shore, and EPS believes that the potential exists to build on this momentum to create even more vibrancy along a larger area. The Project would help to support this endeavor by creating a more viable draw for both residents and visitors, and providing a stronger connection among various recreational, lodging, and shopping district along a well-located and functional “node” of activity.

These concepts are expanded upon and additional “best practices” in mountain/ resort communities are described by the Urban Land Institute (ULI), which is a leading international organization studying all issues related to land use and development. A recent article published by ULI identified top trends affecting mountain resorts in the U.S, many of which have direct implications for the South Shore, as discussed below:¹²

1. **Redeveloping Older Resorts.** To those in the tourism industry, it is generally quite clear that aging resorts have a competitive disadvantage as compared to newer resorts, as the visitors are interested in discovering something new and unique. The following quote from ULI is particularly cogent and relevant to the market position of the South Shore:

“Older resorts are faced with the need to reinvent themselves to compete, not only with the likes of the Aspens and Vails, but with other family vacation offerings. Many older resorts can no longer rely on their image as a small homey local mountain resort to sustain themselves. Without high-speed lifts, off-slope dining, lodging, retail amenities, and family entertainment options, these older resorts will flounder.”

As such, planners, policy makers, and business leaders in aging resort areas such as the South Shore must work especially hard to upgrade facilities and attractions, create new and exciting events, and implement marketing strategies to raise the profile of the area in hopes

¹¹ From “Resorts 2.0: The New Normal,” Urban Land, Fall 2010.

¹² From “Ten Trends Affecting Mountain Resorts,” Urban Land, April 2006.

of remaining competitive. Without an updated and enhance product to market, South Shore will continue to be classified and perceived as one of these “older resorts”.

2. **Going Upscale.** As related to item number 1 above, resort areas should work to offer a variety of upscale accommodations, fine dining, shopping, and other attractions to entice trips from the prized “destination” visitor that has a tendency to be more affluent and spend more time and money in the visiting area. The South Shore has a very limited inventory of high-end accommodations, although the planned luxury Edgewood Lodge (which is anticipated to begin construction in 2014) will add to this mix and will likely encourage more affluent visitors to the area during both winter and summer seasons.
3. **Keeping Beds “Hot.”** Fractional real estate products have emerged in many mountain/resort communities as a way to keep owners/users of the properties visiting during all weeks of the year, as opposed to single-ownership vacation homes which are unoccupied (and not generating any economic activity) for much of the year. The South Shore has already tapped into this trend by way of fractional/timeshare properties such as the two Marriott-branded properties at Stateline known as the Timber Lodge and Grand Residence, and several others located in various areas throughout the South Shore. Continued efforts to keep rooms occupied in this manner would benefit future economic conditions, although this may require reuse or redevelopment of a large portion of the more than 10,000 lodging units (rooms) currently on the South Shore.
4. **Events/Venues for the Younger Crowd.** To attract families and younger visitors, many ski resorts have focused on efforts such as adding terrain parks that cater to these segments, expanding terrain for beginners, increasing ski school offerings, and adding diverse retail shops or youth-related recreational opportunities. Heavenly has effectively tapped into this trend, by introducing several terrain parks, providing holiday packages, enhancing the ski school programs, and gearing its marketing efforts toward a younger demographic. Other amenities in the Heavenly Village (such as a movie theater and winter ice skating rink) also enhance the appeal to a younger or family-oriented demographic. The creation of a “main street” that is locally operated and maintained would provide a pedestrian friendly and vibrant venue for existing and future events to be located.
5. **Maintaining Community Identity.** Planners, policy makers, business owners, and community advocates must fight to maintain the unique charm that brings visitors to a resort community to begin with. This can be difficult when pressure comes from outside interests who wish to bring “known quantities” such as large chain stores, which can degrade the authenticity and appeal of the area. Although difficult, working to establish and maintain a community identity is an important endeavor in any mountain/resort community, and it can be accomplished even with pressure from outside corporate interests as a place is popularized. Examples can be seen in resort destinations such as Telluride and Park City, which both began as historic mining towns and grew to be world-class skiing destinations, while still maintaining their community identity and sense of place.
6. **Public Transit Options.** Many viable mountain communities—such as Park City, Jackson Hole, Sun Valley, and Aspen—provide free transit service to connect residents and visitors to destination within and (in some cases) outside of town. These services have shown to help greatly in enhancing the tourism experience, as visitors can explore their surroundings without having to undertake the hassle of getting into an automobile, navigating unfamiliar

roads, finding parking, etc. This is especially appealing to the international visitor who often expects this level of service in other resort communities and/or is not licensed to drive in the United States. The South Shore and Lake Tahoe Region in general has been working to plan and implement a more efficient and comprehensive transit system, which is no simple endeavor in a place as large and disjointed (both politically and geographically) as the Lake Tahoe Region. Working toward the goal of providing an efficient, seamless, and free transit system will be continue to be an important issue for South Shore leaders to work toward if they hope to elevate the area to a nationally competitive destination.

- 7. Providing Affordable Housing.** While affordable housing continues to be an important issue at the South Shore, the so-called "Great Recession" brought formerly inflated home values down to much lower levels that are more in line with surrounding incomes. That said, ensuring that housing options are available to families and households of all income levels remains an important endeavor in the South Shore to ensure a viable class of middle income residents, as well as clean and safe housing (and reliable transit connections) for lower income service-sector employees.
- 8. Open Space/Parks.** The provision of open space and parks for residents and visitors to enjoy can be a key component of economic development strategy in mountain/resort communities by providing users with recreational options and allowing a full program of events to drive visitation, especially in the shoulder seasons. While the South Shore has a plethora of open space in surrounding public lands, the region should work to ensure that parks facilities are sufficient to meet both local and tourist demand, and that they are accessible to all and marketed properly. The recent construction of the "Lakeview Commons" outdoor park and event facility has been an astounding success and demonstrates a pent up demand for such facilities. Further efforts in this regard would help to create additional options for gathering, recreating, and attending events for both locals and visitors alike.
- 9. Regional Resort Planning.** Like any other community, mountain/resort communities do not exist in a "closed system," and impacts from other neighboring areas (such as traffic, housing, employment, etc.) should be considered and planned for accordingly. In this respect, the Lake Tahoe Region has had a leg up on many other mountain/resort communities, as the Tahoe Regional Planning Agency (TRPA) has planning jurisdiction over the entire basin (which covers two states and numerous local jurisdictions). Even so, by working more closely with leaders in other neighboring urban population centers (such as Reno , Sacramento, and the Bay Area) to plan and manage the transportation system and other infrastructure elements, the Lake Tahoe Region can help to alleviate issues associated with traffic, air quality, water quality, etc.
- 10. Intermountain Connections.** By incorporating the principles of European "mega-resorts" such as the Alps resorts of Italy, France, and Austria, ski resort operators in the United States have been studying the potential to combine two or more adjacent resorts. This trend does bear some relevance to the Lake Tahoe Region, as of the concept of connecting Squaw Valley and Alpine Meadows ski resorts have persisted for decades, and with the recent acquisition of both ski areas by KSL Capital, this prospect may be closer than ever to becoming a reality. Because Heavenly is the only ski resort technically located within the South Shore of the Lake Tahoe Basin (and is significantly removed from other resorts), this trend does not specifically apply to the South Shore. However, at more than 4,800 acres,

Heavenly is one of North America's largest ski resorts, and its connections among four base areas in two states present an opportunity to think through how these four areas relate to each other, how they relate to the broader community, and how they are linked both by on-mountain connections and shuttle/transit facilities local and state roadways. Furthermore, Vail Resorts' acquisition of Kirkwood in early 2012 likely will create additional "critical mass" and help to drive additional visitation to South Shore ski resorts by providing for season pass and/or multi-day tickets that can be in used interchangeable between resorts. The overall concept of connecting major recreational uses can be further applied in the South Shore by considering ways to more effectively link the lake with the mountain and other recreational and entertainment uses in a compact, mixed use, walkable setting. Realignment of US 50 would allow for a more direct connection to Heavenly, public lands, and Lake Tahoe by removing an existing physical barrier that impedes pedestrian circulation and would allow South Shore to fill the vision of a true world class resort area.

Case Study Examples

EPS assessed the economic performance and tourism appeal of comparable resort areas to see how the South Shore compares and to provide some specific examples of best practices that have been achieved in successful destinations. Park City and Breckenridge are two such examples that were evaluated, although there are many more that the South Shore can look to during its future planning efforts.

Park City

Park City, Utah, often is cited as a pre-eminent example of a walkable mountain resort destination and is considered to be on the "leading edge" of mountain/resort communities. Located approximately 35 miles from Salt Lake City along Interstate 80, Park City is a fully functioning year-round community that has a full-time population of approximately 7,500 residents, whose median household income is approximately \$99,000 per year.

The Park City economy is heavily reliant on tourism and is home to approximately 6,000 rooms of various types (including hotel, condominium-hotel units, and other prototypes). These visitors stay for an average of 6 nights and spend on average \$190 per person, per day. These affluent (and often liberally spending) visitors are drawn to Park City for various reasons, not the least of which is its top-notch alpine skiing and winter sports activities. Park City's three local ski resorts (Park City Mountain Resort, Canyons Resort, and Deer Valley) consistently rank among the top ski resorts in the United States, and Deer Valley has been ranked Number 1 on Ski Magazine's list of Top Ski Resorts for the past 3 years running. Park City is a 4-season resort community and has a plethora of summer activities to offer visitors to enjoy, including the popular outdoor summer concert series at Deer Valley, farmer's markets, Art Walks, mountain biking, hiking, and fishing.

Besides the skiing and other recreational options, another leading reason to visit Park City is its variety of high-quality shopping and dining options. These activities complement each other quite well, and enhance the overall visitor experience, making Park City among the top winter visitor destinations in the United States. Park City's downtown is easily walkable and accessible from the area's three ski resorts. To further accommodate this pedestrian-friendly and vibrant feel, Park City offers a free transit system that allows users to move freely in and out of the downtown area and access outlying accommodations, ski resorts, and other nearby attractions.

Below are some photographs showing Park City's downtown shopping environment and local event facilities.



Breckenridge

The Town of Breckenridge is the county seat of Summit County, Colorado, and is home to approximately 3,500 full-time residents. The town is a very popular tourist destination, and visitors choose to stay in accommodations of various types, including Breckenridge's approximately 2,500 hotel-condominiums and 400 hotel rooms.¹³

The Town of Breckenridge itself is 7 miles long and largely is oriented around a major state highway (Colorado Highway 9). Originally a mining town first settled in the mid-1800s, Breckenridge has been arranged around a rather compact, walkable grid street pattern, which nicely accommodates strolling, shopping, and dining along Breckenridge's Main Street. Travelers generally are able to access a variety of shopping and dining options within walking distance of downtown accommodations, and a free transit service is available to allow visitors and locals alike to access their destination without having to use a car, find parking, etc. This transit service was first implemented in 1997 and has been extremely successful, hosting more than 6.4 million riders since its inception.¹⁴

¹³ From www.breckenridge.com.

¹⁴ SustainableBreck 2012 Annual Report.

Breckenridge is well-known for its very popular ski resort, which hosts up to 1.6 million skier-days per year, making it one of the most visited ski resorts in the world.¹⁵ Currently, the number of annual skier visits is up 5.5 percent over the past 10 years, has been growing fairly steadily for many years, and are projected to increase 1 to 2 percent per year into the future.¹⁶

The town and surrounding area offers a full menu of outdoor recreational options for visitors to experience in the non-winter months, including hiking, wildflower viewing, fly-fishing, mountain biking, boating, white water rafting, and more. In addition, Breckenridge is renowned for its full roster of community events, festivals, and attractions, which attract a large number of visitors throughout the year. Popular winter events include the International Snow Sculpture Championships, the Winter Dew Tour, and the annual winter Ullr Fest parade. During the summer, Breckenridge is host to the National Repertory Orchestra and the Breckenridge Music Institute, which holds concerts three to four nights a week. Additional summertime programs and events include the Breckenridge Festival of Film and numerous cycling and mountain-biking events.

Some photographs of Breckenridge's downtown area are shown on the following page.



Conclusions and Recommendations Related to South Shore's Tourism Economy

The South Shore clearly has the ingredients to be a world-class destination, including top-notch ski resorts, unparalleled scenic beauty, numerous recreational amenities, access to massive population centers, etc. However, even given these attributes, the South Shore has languished in recent years and has fallen far behind other resort areas in terms of its desirability, visitation, and economic activity.

¹⁵ Skier visits figure from Vail Resorts.

¹⁶ SustainableBreck.

To increase visitation and more effectively compete with other tourist areas, the South Shore needs to upgrade its recreational, entertainment, and shopping/dining amenities; its building stock; and its economic infrastructure. To do so, the South Shore can seek to incorporate best practices in mountain/resort areas and trends observed in other successful tourism areas, such as those described above. EPS believes it would be particularly beneficial for the South Shore to take advantage of some of the following specific trends and initiatives:

- Redevelop established but aging tourism areas to allow visitors to discover “something new” and feel they are part of a unique experience.
- Create enhanced walkability, allowing visitors to explore unique and authentic recreational and shopping options.
- Provide a more complete roster of visitor amenities, including secondary and tertiary attractions appealing to all age groups.
- Provide high-end accommodations, dining, and shopping options.
- Enhance 4-season appeal, including options for visitors during all months of the year.
- Provide events and programs that cater to a wide range of visitors.
- Create a sense of place through the creation of a “main street,” complete with gateway features, public art, and streetscaping.
- Provide for a gathering place for both visitors and residents that features and enhances the area’s natural attributes.

4. *OVERVIEW OF US 50/ SOUTH SHORE REVITALIZATION PROJECT AREA AND DISTRICTS*

The Project will create a “main street” atmosphere near the state line of California and Nevada, which would be accomplished by realigning US 50 to an alternative route that would allow a large portion of through-traffic to proceed around the main street area. This Project is envisioned to accomplish the goals of alleviating vehicular congestion, improving air and water quality, improving transit, pedestrian, and bicycle operations and safety, and constructing the infrastructure necessary to support a pedestrian-friendly, vibrant, and amenitized main street or “town center” environment. In addition to solving traffic and safety issues, this type of revitalized commercial area would respond to current industry best practices by improving the aesthetic appeal and functionality of the commercial district to effectively satisfy market demand among tourists and local residents.

These are some additional community goals that have been identified for the Project:

- Reduce traffic congestion and improve traffic flow in the commercial core to encourage people to spend time at businesses, events, and restaurants in the area.
- Improve pedestrian and bicycle access.
- Create safer streets that are inviting to residents and visitors.
- Improve access to amenities and businesses.
- Provide pedestrian amenities, such as public art, gathering places, street trees, benches, and decorative paving.
- Fulfill requirements of the TRPA Compact and local plans.
- Provide enhanced pedestrian lighting.
- Advance multi-modal transportation opportunities.
- Encourage opportunities for special events, such as festivals, parades, farmers markets, etc.
- Enhance community identity and tourism experience.
- Provide for an inviting “gateway” to South Shore.
- Improve water and air quality.
- Promote the economic vitality of the area, while balancing transportation needs.

These goals are consistent with industry best practices, and significant positive effects from similar initiatives have been seen in many cases throughout the United States. This type of main street improvement program can provide many community benefits and enhance the overall quality of life for its residents.

The photos below illustrate the type of main street district that can be achieved when traffic is slowed; pedestrian and bicycle paths are enhanced; landscaping is improved; street furniture and other amenities are added; and a mixture of shopping, dining, recreational, lodging, and entertainment options are provided.



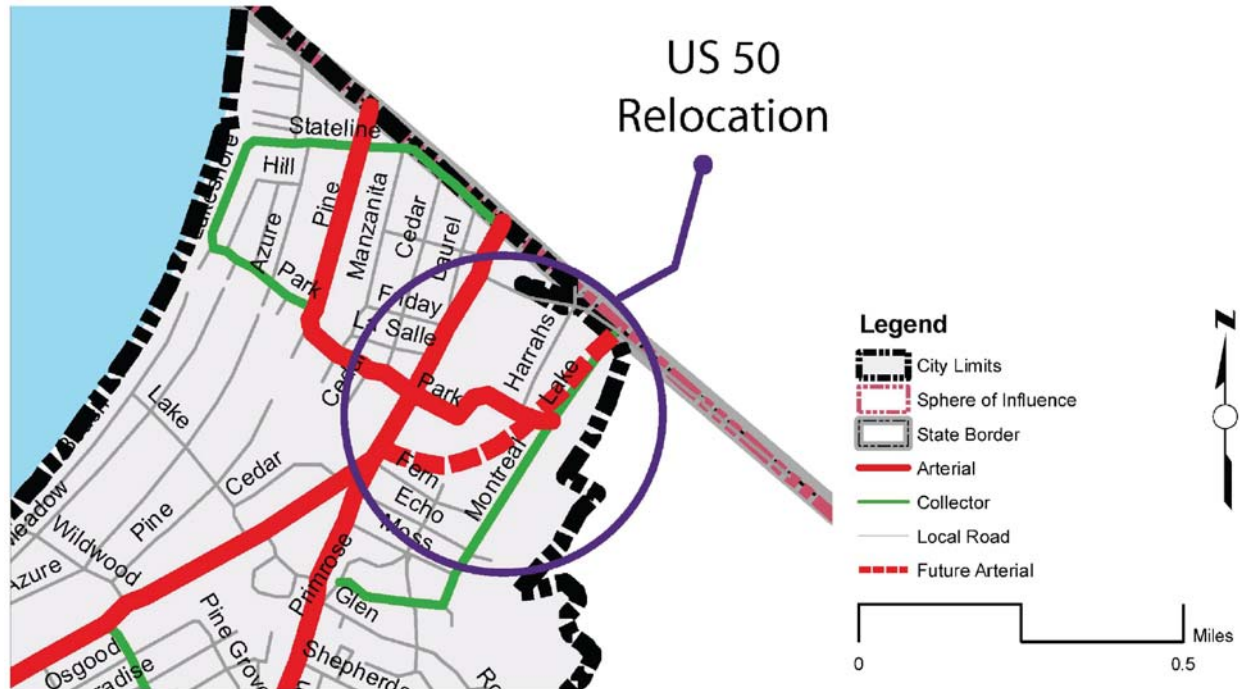
Roadway Alignment Alternatives

Various alignments to Highway 50 are being considered for further study as related to the Project. This Economic Analysis focuses on the "mountain-side" alternatives, under which the "new" Highway 50 would be routed along the back side of the existing Village Shopping Center and would reconnect with existing Highway 50 to the east of the Montbleu and Horizon casino properties. These alternatives comprise the so-called Alternatives 2, 3, and the "Triangle Alternative."

A mountain side alignment is consistent with the City's existing General Plan, and EPS views this alternative as superior to northern "lake-side" alignments from an economic perspective, as it will allow the existing Village Center and Heavenly Village shopping centers to enjoy better visibility and access by rerouting traffic to their southern edge. Furthermore, a lake-side alternative would create a physical and psychological barrier from existing commercial uses and the new "main street" district to the lake. Stateline's current lack of connectivity to the lake is

considered a significant drawback of this area that should be improved on in future planning efforts. Creating a wide roadway with fast-moving traffic through this key district will not only degrade the appeal of the residential and commercial uses that currently exist there, but it will also deter users from venturing toward the lake.

Map 1 below shows the general alignment considered in this Economic Analysis.



Map source: Figure TC-1, City of South Lake Tahoe General Plan Update, Adopted May 17, 2011

Description of Study Area

For the purposes of conducting this Economic Analysis, EPS defined the Project Study Area (Study Area) to encompass the geographic district that is most likely to realize direct impacts resulting from construction of the Project. This district generally follows the existing alignment of US 50 and the businesses that are oriented along the highway, from Midway Road in the City of South Lake Tahoe to Kingsbury Grade in Douglas County, Nevada. In total, this business district is approximately 1.3 miles long and comprises a multitude of retail, recreational, hotel, and gaming businesses.

Major sub-districts in the Study Area include these:

- **Village Shopping Center (formerly, the "Crescent V").** The Village Shopping Center is a community shopping center consisting of approximately 150,000 square feet of commercial space anchored by a Raley's Supermarket. The Village Center underwent a substantial redevelopment initiative in the late 1990s and early 2000s, which led to construction of new commercial space and revitalization of existing buildings. Currently, the rear portion of the property accommodates parking for employees of the Village Center and other businesses in nearby areas.

- **Heavenly Village Shopping Center.** The 17-acre Heavenly Village was created through a comprehensive redevelopment effort undertaken by the City and a variety of other stakeholders. The first phase of the project was opened in 2001, with a second phase completed in 2006. The Heavenly Village is anchored by the Heavenly gondola, which has become a popular and convenient access point for Heavenly Mountain Resort, and two Marriott fractional/timeshare properties known as the Timber Lodge and Grand Residence Club. In addition, many popular supporting businesses occupy the Heavenly Village, including a variety of restaurants, apparel stores, tourist-oriented retailers, and an 8-screen movie theater. Heavenly is reportedly considering expending significant additional capital to enhance its summer-time recreational options on the mountain, which could serve to greatly increase the non-winter visitation of the Heavenly Village. While the Heavenly Village is a very popular attraction, the parking garage that serves the property appears to be greatly underutilized. Patrons of this district are known to park in other locations and walk to their destination at the Heavenly Village property.
- **Other Highway 50 Commercial.** Aside from the two major shopping centers, the Highway 50 corridor near the state line accommodates a modest amount of commercial development of various types. Several large hotel properties and retail shops occupy this space, including restaurants, convenience stores, a gas station, sporting goods/equipment rental shops, and some national retail chains such as Carrow's and Applebee's restaurants and Holiday Inn Express. Although these buildings are primarily of older vintage constructed in the 1960s and 1970s, many of them have incurred substantial investment in recent years to attract tenants/customers and have remained viable.
- **Lakeside Park.** A diverse neighborhood exists north of Highway 50, which is primarily made up of residential and hotel properties of mixed character and quality, with high-end homes and lodging properties often located next door to small family cabins or substandard hotels. Much of the substandard hotel stock appears to be used as low-income daily or weekly housing. Nonetheless, many of the properties in this area have received or are undergoing substantial capital outlays to enhance the quality of hotel product offerings. Despite the neighborhood's uneven and somewhat "rough" exterior, its impeccable location near the lake and near the state line commercial district imply the area's potential for extensive revitalization stimulated by improving market conditions and enhanced connections and aesthetics that may be brought about by the Project.
- **Casino Corridor.** The Casino Corridor consists of four major casino properties (Harrah's, Harveys, Montbleu, and the Horizon), which provide gaming and entertainment facilities, more than 2,000 hotel rooms, and 45,000 square feet of retail/commercial space located in the former Bill's Casino. These businesses will continue to be important anchors for the Project, and are likely to respond by investing in improvements as a direct result of the Project, if implemented.

5. SUMMARY OF RESEARCH FINDINGS: ROADWAY IMPACTS

EPS has analyzed existing professional and academic research and conducted original case studies of other areas that have implemented major roadway realignments or “bypass” projects to assess the impact on local economic conditions. A key distinction should be made here, in that the Project as currently envisioned does not constitute a “bypass project,” per se, because a bypass nomenclature indicates that traffic is removed from an area entirely, often to an outlying location. In contrast, the Project as currently envisioned and as analyzed in this report will not remove traffic from the existing developed area. In fact, the proposed realignment of the highway analyzed in this Economic Analysis simply shifts a short portion of vehicular traffic from one side of the Stateline commercial district to another side. No net loss in vehicular trips would result from this realignment; in fact, the total net change in total trips (counting all potential routes) is predicted to increase substantially over the long term.¹⁷ As such, the range of potential impacts primarily depends on how key properties are adapted to recognize and capitalize on new traffic and pedestrian dynamics.

While recognizing that there are important differences between a formal “bypass” and a realignment as described here, there are some lessons that can be learned from roadway realignment and “main street” type projects in other areas. Bypass or realignment projects have been found to have extremely varying results from one location to another, resulting from a myriad of political and economic dynamics, land use- and transportation-related factors, and a multitude of other variables. Therefore, caution should be exercised when attempting to compare the effect of one bypass area to another, or a bypass to a highway realignment. Although a bypass constructed in one geographic area may have appeared to increase retail sales in the surrounding district by some specific percentage (for example), however does not predict that the exact same effect will be observed in another geographic area (or vice-versa). That said, EPS has evaluated bypass impacts observed in other areas and from available professional and academic research and has identified lessons learned for consideration, as related to the Project and its possible influence on the South Shore economy.

Case Studies

EPS has researched several roadway realignment projects in other areas of the United States to evaluate some practical examples that will provide a better understanding of the positive and negative effects that these types of projects can have on their surroundings, some of the primary reasons for these impacts, and lessons learned that can be applied to the South Shore. This section summarizes the results of this research, which is based on published articles/reports, analysis of sales tax and other economic data, and discussions with community leaders in the affected areas.

¹⁷ See “US 50/Stateline Project Study Report Traffic Forecasting and Operations Analysis,” prepared by Wood Rodgers in 2009.

City of Livermore, State Route 84

Located in the suburban outskirts of the San Francisco Bay Area, the City of Livermore is a mid-sized community of approximately 82,000 residents, located in the foothills of the “Tri-Valley” near the cities of San Ramon, Pleasanton, and Dublin. Livermore’s population has been growing at a healthy rate of approximately 1 percent per year over the past decade and diversifying its economy into the technology-related sectors. Also, Livermore is an emerging wine destination and has more than 40 wineries located in the rural southern area of the city. City leaders and private-sector parties have been working to enhance the downtown area through development or redevelopment of key parcels.

The heart of Livermore’s downtown area was bisected by a busy 4-lane state highway, which detracted from its appeal as a place to stop, shop, dine, and recreate, and the downtown area had been suffering from high vacancy rates and blighted conditions. The City of Livermore embarked on a revitalization process after it became apparent that the high traffic volumes and speeds in the downtown area were causing several negative consequences such as noise, pollution, dust, etc., and generally impeded the appeal of the district as a shopping, dining, and/or recreational destination. Several

planning initiatives ensued, including the implementation of a Downtown Specific Plan. To facilitate the desired downtown environment, a highway bypass was designed that would reroute a substantial portion of pass-through traffic from the city’s downtown area to a less critical nearby location, which allowed the remaining roadway to be reconfigured as a “complete” or “main” street more amenable to parking, pedestrian traffic, and shopping space.



The City of Livermore and other stakeholders implemented the Highway 84 bypass project, which was completed in 2006, allowing trucks and other regional pass-through traffic to bypass the city’s downtown core. The remaining roadway then was available to undergo significant improvements resulting in a vibrant, landscaped, walkable downtown district containing a host of amenities such as an attractive streetscape program, wider sidewalks, and additional bicycle lanes. The City of Livermore even went so far as to allow some parking spaces to be converted and used for outdoor dining. The project has been touted as a tremendous success in terms of increasing quality-of-life for residents and visitors alike. Livermore Mayor John Marchand states, “Since the relocation of SR-84 from downtown Livermore to Isabel Avenue on the city’s western edge, Livermore’s city center is thriving.”¹⁸

This effect can be seen by the numerous new shops and restaurants that have been created in Livermore since the highway realignment, and the city’s emergence as a viable destination for shopping, dining, and strolling for residents of the entire East Bay and Tri-Valley Areas. In fact, the City of Livermore has seen its commercial property vacancy rate decrease from 26 percent

¹⁸ “At Last, Highway 84 Bypass Opens,” Pleasanton Weekly, July 27, 2012.

when the program began to just 9 percent today. During this same period, downtown Livermore's annual retail sales grew by 15 percent, all at a time when statewide sales tax receipts were declining by approximately 10 percent. The downtown area has seen 194 new businesses created, and the \$55 million public investment has so far spurred more than \$112 million in private investment, including the creation of a substantial performing arts center.¹⁹

New community events have made downtown Livermore an even more popular attraction, including a year-round Sunday Farmer's Market, the Livermore Wine Country Festival, holiday events, the Amgen Tour of California bicycle race, and many more. Some of the primary reasons cited for the success of Livermore's State Route 84 realignment include the attractive and walkable quality of the streetscape, the appealing mix of restaurants and shops that were attracted to the area, the ease of access for patrons, and the innovative parking solutions.



¹⁹ From the National Trust for Historic Preservation.

Sutter Creek

The City of Sutter Creek is a small historic mining town of 2,500 residents, located in the gold country foothills in Amador County, approximately 50 miles from the Sacramento Metropolitan Area. The town historically has been oriented along Highway 49, which ran through the middle of its historic central downtown area. Highway 49 is a fast-moving roadway with a high degree of commuter and truck traffic that contributed to a heavily congested area in downtown Sutter Creek. This condition caused the downtown area to suffer as issues related to parking, noise, congestion, and other factors created a busy yet uninviting streetscape. State highway officials, community leaders, business representatives, and residents came together over many years to create a plan to reroute traffic on Highway 49 to a new alignment that bypassed Sutter Creek altogether. Through-traffic on Highway 49 was planned to be redirected to a newly constructed highway alignment more than a mile from downtown Sutter Creek. This was a controversial plan, and city officials noted that the local business community along Highway 49 was particularly vocal about its opposition to this project, for fear that the lack of pass-through traffic would be detrimental to patronage at their establishments.

Nonetheless, the highway bypass was constructed and completed in 2007, which served to reroute a large degree of highway traffic completely around the town, such that vehicles would not be required to drive through if traveling to destinations along the Highway 49 corridor. Subsequent planning efforts ensued to create a more appealing downtown environment in the downtown area once the traffic issues were resolved. This more-tranquil setting facilitated the expansion of events in the downtown area, such as a summer music series, music festivals, culinary competitions, car shows, and the popular Great Sutter Duck Races.

Like most of California, Sutter Creek did suffer substantial declines in retail sales, as indicated by a 30-percent decrease in taxable sales from 2007 to 2010. However, the timing and magnitude corresponds closely with the onset of the "Great Recession," which had a marked negative impact on the city's retail sales. It is very difficult to separate the impact of regional and national economic conditions to that of the roadway realignment, and many noted that their businesses actually benefitted greatly from the bypass overall. Community leaders have noted that Sutter Creek is stronger than ever, thanks in large part to the more appealing environment that was achieved through the recreation of downtown.

Interestingly, at the same time that sales tax activity was declining in Sutter Creek, visitation to the city was actually growing substantially, as evidenced by the 45-percent increase in annual transient-occupancy tax (TOT) collections from 2005 to 2008.

Over time, Sutter Creek has been working to establish itself as more of a tourism destination, not simply a waypoint along a heavily traveled highway. Although this has been a somewhat slow and arduous process, many positive results have been realized through a variety of efforts, such as establishing a tourism improvement district to market the area and draw visitors, as well as working to establish a more vibrant mix of visitor-serving amenities such as lodging, restaurants, shopping options, parks, etc.

Some photographs depicting downtown Sutter Creek are shown below.



Lancaster

The City of Lancaster, California, has been cited as a pre-eminent example of a small, struggling downtown area that was able to reinvent itself as a local and regional destination by constructing many of the same types of improvements that are envisioned for the South Shore by way of the Project. Although the existing transportation network was able to accommodate a streetscape project without a realignment, Lancaster example is a very good one in that it demonstrates the amenities and economic impacts that can be achieved with “main street” type improvements.

The City of Lancaster is located approximately 70 miles north of the Los Angeles Metropolitan Area. The city was incorporated in 1977 and is characterized by a largely suburban quality. The city has undergone significant growth over the past 30 years and has approximately 150,000 residents. Lancaster’s economy historically has been centered on the aerospace industry and population-supporting sectors such as retail, but has fallen on difficult times in recent years as the aerospace industry evolved, recessionary forces put downward pressure on population and employment growth, and major job losses have been sustained in growth-serving industries.

The retail development patterns in Lancaster have tended to follow broad national trends during its relatively short history as a city, with much of its retail development activity being contained in outlying big box locations on the region’s periphery, leaving the downtown area to flounder.

More recently, a movement to bring economic activity back to the downtown has emerged, a major component of which was the award-winning BLVD Transformation Project, which took one of the city’s historic main streets in the central portion of town and created a more walkable, “complete street” or “main street” area with a series of amenities, new and existing uses, and programs for users to enjoy. The project stretched for 9 blocks and included a variety of traffic-calming measures, narrower traffic lanes, increased trees and landscaping, and other community amenities. The photographs below demonstrate the lively and appealing



environment that was created, as well as a comparison photograph of the old street and downtown environment that existed before the project.

The BLVD project was successful in transforming the downtown area to a hub of recreational, shopping, and cultural activity for the city and is among the most popular attractions in the entire Antelope Valley. Existing businesses flourished and new businesses were attracted to the area and retail sales in downtown Lancaster had doubled one year after the project was opened. Although only a couple of years old, the \$41 million public investment in the project has, to date, resulted in more than \$270 million in economic output, more than 800 permanent jobs, 1,100 construction jobs, hundreds of new housing units, and more than \$13 million in state and local revenues.²⁰ Property values in the surrounding area have risen by 10 percent, at a time when the rest of the city saw values decline by 1.25 percent.

More than 40 new businesses have flocked to the BLVD since its creation, and it has quickly become the Antelope Valley's premier destination for shopping, dining, and entertainment. It also serves as a major center of community activity, with regular special events and a wide variety of businesses ready to serve Lancaster's residents and visitors.

Photographs depicting conditions before and after the BLVD Transformation Project are shown below.



²⁰ The City of Lancaster.



Photo sources: City of Lancaster, and Moule & Polyzoides Architects

Additional Research on Roadway Impacts

Other communities throughout the United States have demonstrated similar positive impacts resulting from roadway enhancements, and the strengthening of retail districts that can be achieved by increasing pedestrian activity. The City of Lodi, for example, experienced a 30 percent increase in downtown sales tax revenues resulting from the retrofit of five main street blocks in which sidewalks were widened, curbs were bulbed out at intersections, gateway features were constructed, and trees, lighting, benches, and other streetscape amenities were added.²¹ Other examples from a Study prepared by the New York Department of Transportation further demonstrated the positive impacts that better walking infrastructure provides upon retail sales. This study showed an increase in retail sales of 49 percent in a case study neighborhood after bicycle traffic was enhanced through the addition of separated bike lanes, and over 170 percent increase in sales adjacent to a former parking lot that was converted to a walkable pedestrian plaza.²²

In addition to the case-study research described above, EPS consulted several academic and professional studies that evaluated the influence of bypass and roadway realignment projects on their surrounding local and regional economies.²³

From this case study, professional and academic research, EPS distilled several key findings that can be applied to assess the potential impact of the Project. Key findings from this research include the following items:

- In general, roadway realignment projects very rarely have acute impacts on their local economies, except in very small communities with less than 1,000 population.
- Non-descript highway-oriented towns have a much more difficult time transitioning their local economies after realignments are constructed than those that cater to local residents or offer tourist attractions.
- Towns that serve as residential communities or as tourist destinations can benefit from reduced traffic and improved safety as a result of highway realignments.
- Gas stations and quick service or fast food restaurants cater the most to pass-through traffic. These types of convenience-oriented uses are the most likely to be impacted by the diversion of traffic due to realignments.

²¹ From "The Economic Benefits of Walkable Communities," California Local Government Commission, Center for Local Communities.

²² From "Measuring the Streets," New York Department of Transportation, 2012.

²³ Studies consulted during this process include: California Bypass Study: The Economic Impacts of Bypasses, Volume 1 (2006); The Economic Impacts of Highway Bypasses on Communities (1998); The Impacts of Bypasses on Small- and Medium-Sized Communities: and Econometric Analysis (2002); The Impact of a New Bypass Route on the Local Economic and Quality of Life (2001); The Economic Impact Analysis of the St. Croix River Crossing, (2004), and others.

- Other visitor-serving businesses, such as motels, art galleries, antique stores, and curio shops, cater more to visitors attracted to the community as a destination rather than those simply passing through. These businesses are less likely to be negatively impacted by realignments and may find that business improves as the downtown is turned into a destination.
- Businesses that serve local residents, such as drug stores, banks, and grocery stores, are generally not impacted by realignments.
- While realignments can often have short-term (and negative) impacts on the local economy, sales often improve in the longer term.
- Reducing traffic volumes in tourist areas often helps to improve the attractiveness of the area and can lead to higher sales activity in the affected area and other economic benefits, including added jobs, municipal revenues, higher incomes, etc.
- Tourist-oriented retail is among the least vulnerable categories of retail to a loss in visibility. In fact, these types of retailers often become more successful when traffic is slowed and pedestrian activity is increased.

6. PROJECT STUDY AREA BUSINESS DYNAMICS

EPS has carefully analyzed the Project Study Area to gain a better understanding of retail and hotel trends, customer composition, shoppers' behavior, and other business dynamics. In addition, EPS has assessed the ways in which each major property in the commercial district relates to other areas in and outside of the area and how major properties and user categories relate to transportation networks.

EPS's evaluation has considered available empirical data such items as sales tax, TOT, and other factors. In order to "drill down" on this topic and gain a better understanding of the important factors listed above, EPS has also conducted outreach to local business representatives to obtain exclusive information regarding business and marketing practices, primary revenue sources, customer behavior, etc. Finally, EPS has created and distributed a survey to business representatives, which has facilitated an improved understanding of business dynamics in the Study Area.

Survey Results

The district is defined, characterized, and analyzed in this chapter to assist in the evaluation of likely economic impacts. As a key element of this effort, EPS distributed a survey to Study Area business representatives. These questions were geared toward evaluating shopping and visitation trends, the relationship among key business types to transportation networks, and general business trends and practices common of businesses located at the directly-affected area surrounding the Project.

To ensure as many responses as possible, the business survey was distributed in both a hard-copy format, as well as through the use of a Web-based electronic survey. To ensure consistency, the questions asked in the hard-copy and electronic surveys were identical. In total, EPS received 37 survey responses. This section describes the results of the survey.

Baseline Data. Of respondents who filled out the survey, approximately 31 percent are located in the Heavenly Village, 44 percent are located in the Village Shopping Center, and the remaining 25 percent are located in other nearby locations. Of respondents who filled out the survey, approximately 66 percent are characterized as retail, 14 percent as visitor accommodations, 9 percent as an office, another 9 percent as "other," and 3 percent which declined to state.

Business Longevity. Of respondents who filled out the survey, approximately 7 percent identified as having been operating at the South Shore for fewer than 2 years, 20 percent between 6 and 10 years, and 73 percent for more than 10 years. This longevity is telling, in that even during challenging economic times, the vast majority of businesses in the Study Area have been operating for at least a decade. This lends support to the assertion that the Study Area is a primary commercial node composed of well-known businesses.

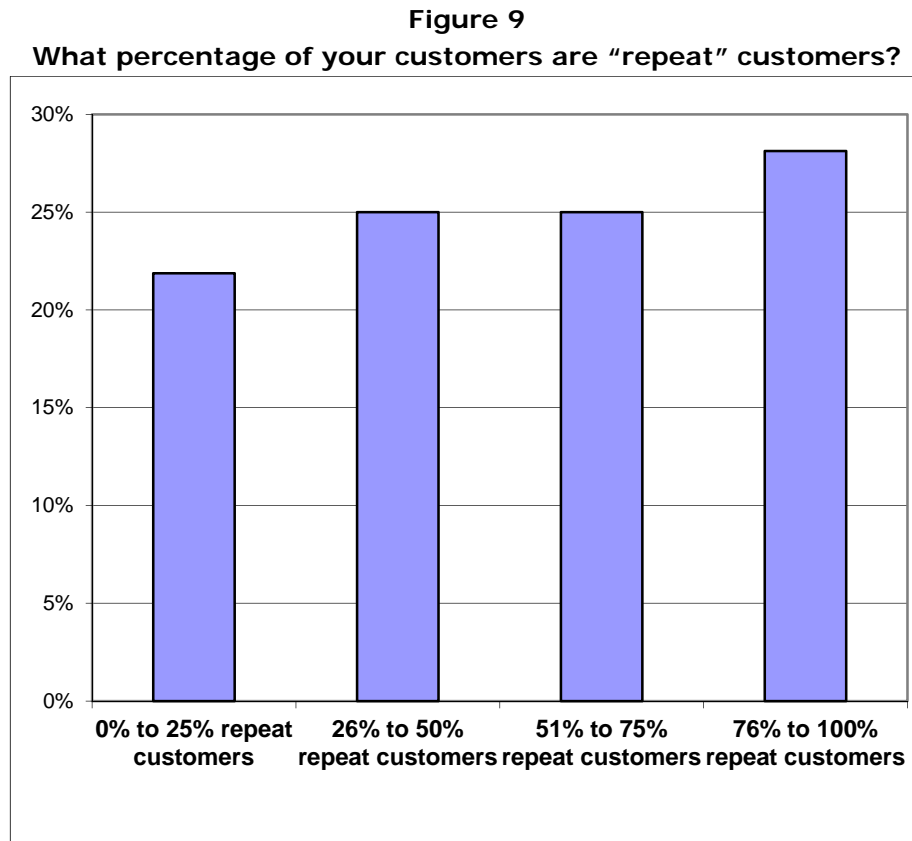
Customer Composition. To predict the likely effects of an increase or decrease in visitation, it is important to have an understanding of the composition of the customer base of various business types. EPS asked each survey respondent to estimate the approximate percentage of visitor customers versus local customers and found that, on average, approximately 76 percent

of customers in the Study Area are “visitors” to the area, while the remaining 24 percent are local residents.²⁴

Change in Customer Composition. EPS asked whether any change in customer composition has been observed over the past 10 years. Of the respondents who answered this question, approximately 46 percent reported no change, while 29 percent reported a change toward more locals, and 25 percent reported a change toward more visitors.

Customer Spending. In an effort to discern the influence of local spending versus visitor spending in the Stateline area, EPS asked survey-takers whether—on average—visitors or locals tend to spend more at each business. Overwhelmingly, 97 percent of businesses responded that visitors account for the bulk of customer spending.

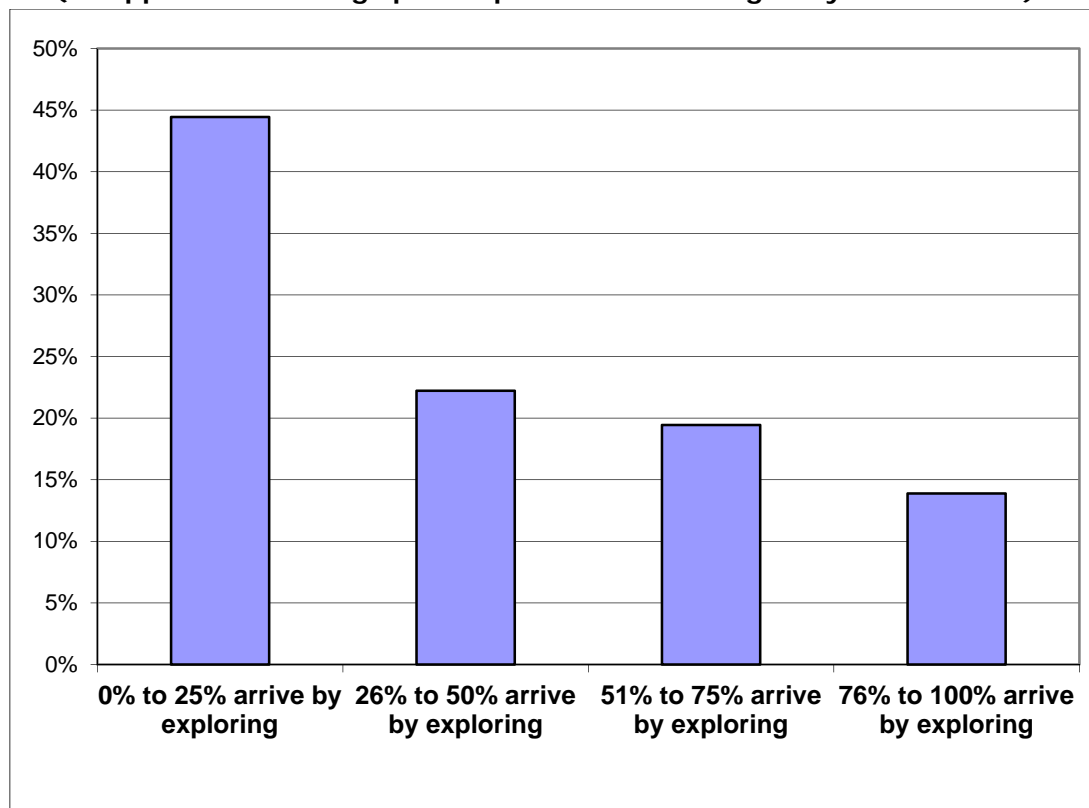
Repeat Customers. Survey-takers were asked to assess the percentage of repeat customers that make up their customer base. As shown below in **Figure 9**, these responses were fairly mixed among the categories provided, indicating a robust and diverse customer base. Overall, it does appear that a large degree of business owners rely on repeat business.



²⁴ Note that a “visitor” is defined here as any customer who is not a full-time resident of the South Shore.

Customer Origin. Similarly, EPS is interested in gaining an understanding of the degree to which businesses gain a large portion of their sales from travelers who are exploring their surroundings, versus customers who have a specific destination in mind. Figure 10 below summarizes these data. Most businesses did not report a large percentage of customers who found their business through exploration. Most customers appear to have a specific destination in mind and patronize Study Area businesses as such. This is indicative of the limitations of the Stateline commercial district in its ability to function cohesively among its various sub-areas. Clearly, there are many visitors who are staying at nearby accommodations (in the Embassy Suites, Marriott properties, and various nearby hotels/ motels, as well as the room base located in the Casino Corridor). Yet these potential customers are not using the Study Area as a walkable commercial district, where patrons would browse, dine, and recreate. This type of shopping behavior is critical to today's evolving shopping centers, but is not demonstrated in the Study Area.

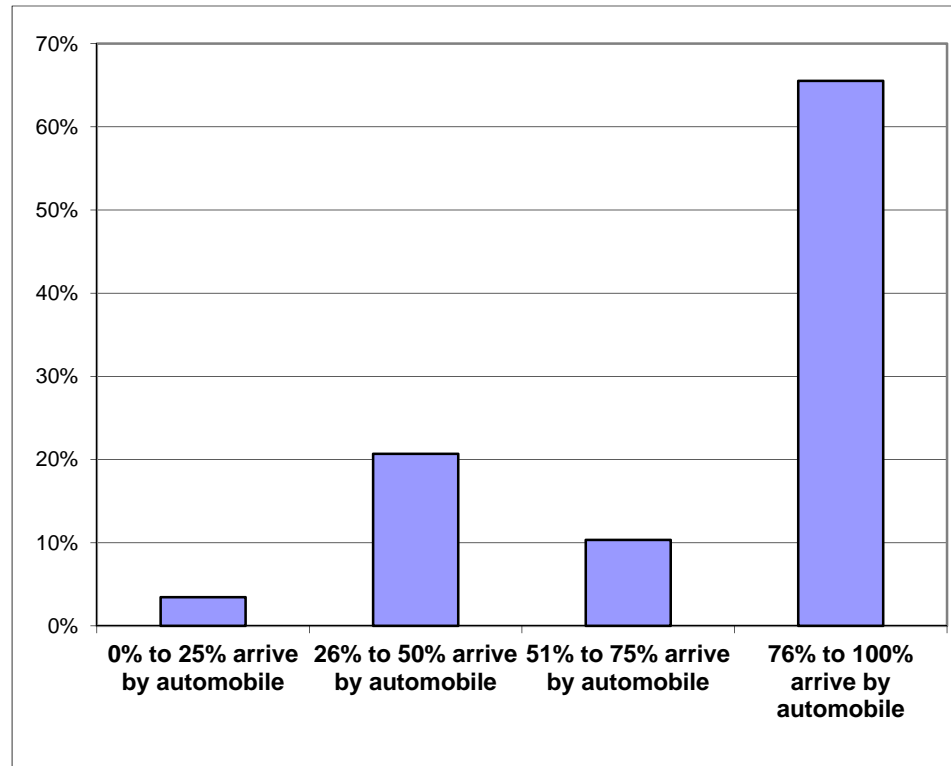
Figure 10
Of the visitors who patronize your business, approximately how many frequent your business as a result of "exploring" the surrounding area (as opposed to having specific previous knowledge of your business)?



Transportation Mode. EPS attempted to determine the degree of walkability and mobility in the area by means other than automobile and the effect that pedestrians, bicyclists, and non-motor-vehicle users have on the Study Area. As such, EPS asked each survey-taker to assess the approximate percentage of their customers that arrive to their business by automobile, as opposed to by other means (such as by foot, bicycle, public transit, or other means). The survey results indicate a very high instance of arrival by automobile, as shown in **Figure 11**. Again, a successful "complete street" concept would exhibit less single purpose shopping behavior; in this

case, the district is operating below its potential, as business owners have indicated that Customers are automobile-oriented and not necessarily utilizing other aspects of the District during their shopping activities.²⁵

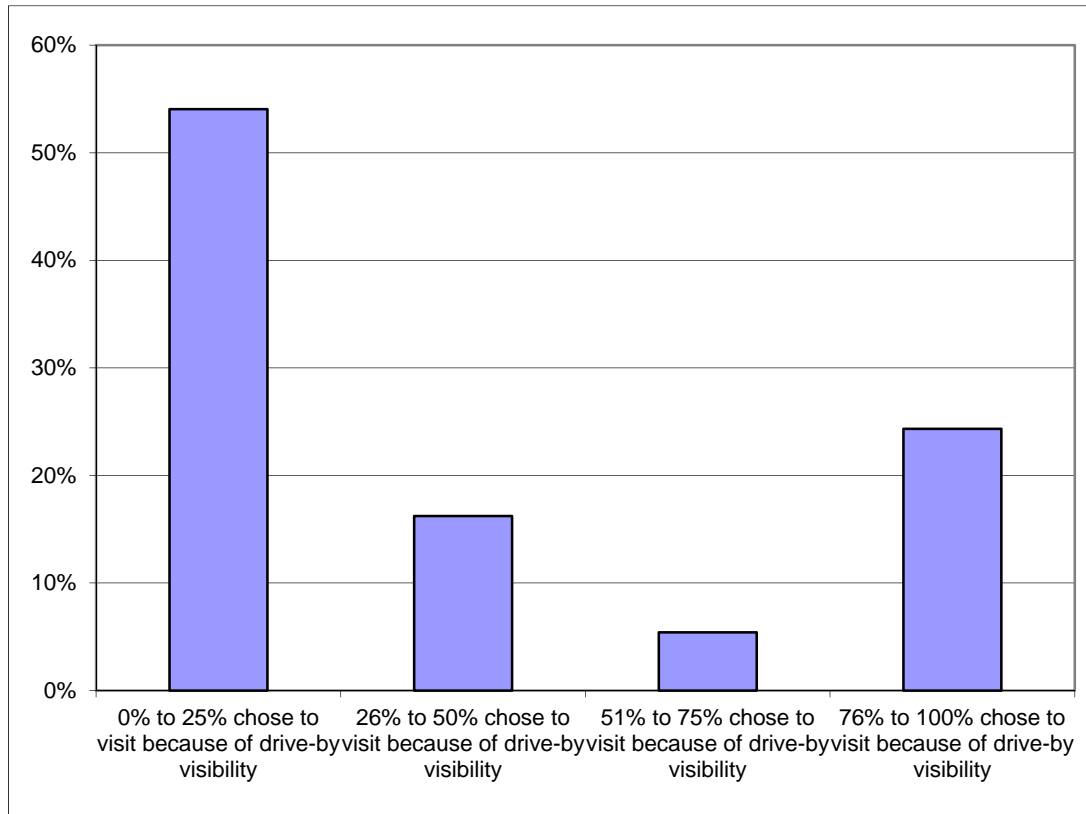
Figure 11
Approximately what percentage of your customers do you estimate arrive to your business by automobile, as opposed to by foot, bicycle, public transit, or other means?



Drive-By Visibility. EPS used the survey to assess the degree to which Study Area businesses specifically rely on their visibility from the highway. **Figure 12** below shows that more than half of survey respondents reported that roadway visibility has a relatively minor impact on their ability to attract customers. This has obvious implications as related to the Project, in that physical roadway visibility is not as important to Study Area retailers as some suggest, and that changes to the roadway alignment would not imply negative results on sales. However, there is a significant percentage (24 percent) that reports that its drive-by visibility does account for at least 75 percent of its customer patronage.

²⁵ It should be noted that survey respondents may have misinterpreted the question posed in the survey, since most customers in the Heavenly Village walk to their shopping/ dining destination, yet this dynamic was not reflected in survey results.

Figure 12
Of the customers that were previously unaware of your business, what percentage were “captured” as a result of vehicular pass-by visibility. In other words, what percentage chose to visit because they saw it while driving by?



Additional Findings

To gain some additional and more qualitative feedback in the business survey, the final three questions allowed respondents to write in their responses based on open-ended questions.

First, EPS asked what the most commonly expressed complaint regarding the local area is. By far, the survey respondents reported that the most common complaint from customers is related to parking. Respondents have noted that existing parking options are generally insufficient, and that other parking resources (such as the adjacent parking garage) are not properly utilized. Other complaints included poor access to the lake, a lack of recreational and entertainment options (especially for children), perceived blighted conditions along the South Shore, traffic/congestion, lack of sidewalks, lack of commercial airline services, and weather.

Next, respondents were asked what customers generally liked most about the local area. These answers were diverse and varied, but the most common theme that emerged was the visual beauty and scenery of the area. Other positive attributes of the Stateline area include the Lake, the mountains, the host of recreational outdoor activities, the variety of stores, and the village shopping environment. The Heavenly Mountain Resort and gondola in particular were stated

several times as a positive attribute and, indeed, appear to be the most critical attraction in the Study Area, particularly during the winter.²⁶

Finally, respondents were asked what types of new businesses or activities would benefit the district most. Again, the answers received were very diverse; however, below is a sample of some of the common responses received:

- Providing additional recreational options, and upgrading the amenities that are in place.
- High-end accommodations.
- Sports complex, events center, entertainment, or convention center.
- More restaurants, including fine-dining and more “world-class” eateries.
- More options for children and families.

Additional Outreach Findings and Conclusions

To round out the inputs used in this study (such as existing professional research, case studies, quantifiable economic data, and survey solicitation), EPS conducted interviews with several business owners from a variety of business types to learn about their concerns and desires related to their businesses. While unable to speak with every business owner in the Study Area, EPS did speak with approximately 20 business representatives. EPS has attempted to distill the most prominent conclusions learned during the business outreach process, and these findings are discussed below:

- **Need to Reinvent the South Shore.** Most respondents acknowledge the need to reinvent the South Shore, enhance the tourism experience, and create a more viable tourism destination.
- **Concerns about Roadway Visibility.** Many business representatives interviewed expressed concern about losing visibility from the existing Highway 50 and associated loss of exposure that may result from decreases in pass-by traffic. With particular concern expressed regarding vulnerability of key convenience-related tenants on the corner of Highway 50 and Park Avenue/Heavenly Village Way.
- **Construction Impacts.** There is a strong desire to minimize construction impacts that may be caused by the Project. Many of these businesses have noted that their profit margins are thin, and they would be unable to withstand a loss of sales, even for a short period of time.
- **Parking Issues.** As noted in the survey results above, the issue of parking has been identified as a major concern from business owners/operators and their customers. While adequate parking is deemed to exist in the area overall, a large portion of the parking stock is in the Heavenly Village Parking garage, which is considered difficult to find and too costly for many users. Therefore, it is common that users often park in other areas and walk to their destination. The Heavenly Village in some ways is a victim of its own success in that its popularity causes some users to park and walk to their destination in the Heavenly Village.

²⁶ Please note that the business survey was distributed in December 2012 and January 2013, which may have caused results to be slanted toward winter recreational pursuits.

While visitors do not appear to be deterred by parking (with most tending to park at their hotel), local patrons have a clear issue with the amount of available free parking. To further strengthen the connection between the Heavenly Village and Raley's Village Shopping Center, and to make locals feel more welcome shopping at Heavenly Village, parking improvements are imperative.

- **Community Events.** Many business owners were very interested in the possibility of additional events, concerts, festivals, and similar programs, both to draw additional visitors and to give locals a reason to come to the Stateline area.
- **Capital Investment.** Some high-quality and costly development projects, building rehabilitations, and recreational initiatives are planned for areas in or near the Study Area but may require a transformation of the district to attract the market support and outside capital required to move forward. If built, these projects will confer a very large economic benefit on the region, including increases in spending, visitation, population, and jobs.

7. ECONOMIC RESPONSE TO HIGHWAY 50 REALIGNMENT

EPS has synthesized the research and analysis provided throughout this report to evaluate potential economic benefits, risks, and opportunities that the Project could confer on the local community. The economic context data, tourism market analysis, bypass research, and study of Stateline business dynamics are all important components of this synthesis.

Overall, EPS is confident that the Project will confer substantial economic benefit to the South Shore area. However, the magnitude of this impact primarily will depend on the Project's ability to create a viable "main street" pedestrian-oriented commercial district along the existing Highway 50 alignment once through traffic is rerouted. This will be a complex, multifaceted endeavor involving many public and private stakeholders, and it is very difficult to predict the certainty of this outcome.²⁷

In this section, EPS evaluates the Project's potential influence on visitation to the South Shore, the risks, opportunities, and potential positive and negative consequences of the Project on local businesses and retail properties, and the potential investments and economic benefits that the Project could help to facilitate. **Appendix A** includes more detailed description regarding the methods EPS used to arrive at these results.

Influence on Visitation

As described earlier in this report, the South Shore lags behind other mountain/resort areas in terms of its amenities and the ability to deliver the overall experience that today's tourists have come to expect. However, it is clear that the South Shore has the preconditions required to be a world-class visitor destination (including top-notch ski resorts, unparalleled scenic beauty, numerous recreational amenities, access to massive population centers, etc.) To achieve this status, several initiatives need to be carried out to enhance the tourism product, and the Project can assist greatly in this effort by helping to create a more viable tourism environment at the South Shore.

More specifically, South Shore can look to enhance visitation by incorporating several "best practices" in mountain/resort destinations, which were discussed in an earlier chapter of this report and are reiterated in further detail below:

- **Established but aging tourism areas need to reinvent themselves to allow visitors to discover "something new" and feel they are part of a unique experience.** The South Shore is largely a "known quantity" because it has been established and largely unchanged for decades. Although the Heavenly Village and other rehabilitation efforts around the city represent a very good start in changing perceptions, more comprehensive redevelopment efforts should occur to help raise the aesthetic appeal of the South Shore and allow visitors to experience new and compelling attractions.

²⁷ Chapter 8 lists several important considerations and initiatives that will influence the success of the Project in its ability to enhance economic conditions.

- **Tourism destinations should create enhanced walkability, allowing visitors to explore unique and authentic recreational and shopping options.** Today's tourists are known to prefer areas where they can explore their surroundings without having to drive an automobile, navigate unfamiliar roadways, find parking, etc. The success of the highly walkable Heavenly Village Center in the South Shore is testament to this fact, and available evidence indicates that more similar and complementary options would be well-received by new and existing visitors to the South Shore. Furthermore, this district can be a gathering place for local residents to dine; recreate; shop; and enjoy community events, gatherings, festivals; etc.
- **Provide a more complete roster of visitor amenities, including secondary and tertiary attractions that appeal to all age groups.** Although recreational options are fairly well-represented, the South Shore should take stock of its assets and identify any missed opportunities. Furthermore, leaders should seek to identify where additional marketing efforts could help increase awareness of recreational opportunities, and coordination among various recreational providers and supporting organizations can help to "package" several amenities and attractions and increase visitation.

Other amenities, including shopping, dining, and unique entertainment options, should be bolstered to provide the "full-service" package that visitors have come to expect from tourism areas. The Project presents an opportunity to provide a more compelling district that provides these types of amenities.

- **Provide high-end accommodations, dining, and shopping options.** Although low- and middle-tier accommodations are plentiful, the South Shore is known to lack high-end accommodations and the ancillary facilities and amenities that support them. Although the planned upscale Edgewood Lodge (scheduled to begin construction in 2014) likely will help to close this gap, additional facilities will help to capture the sought-after affluent visitor who tends to stay longer and spend more freely. Once these users are "captured" at high-end accommodations, the key for the South Shore will be to ensure that these consumers have ample opportunities to patronize a host of surrounding businesses.
- **Enhance 4-season appeal, including options for visitors during all months of the year.** The Lake Tahoe Region has an advantage that many other similar mountain destinations do not in that it offers very popular amenities in both winter and summer. However, more effort can be done to entice visitors during the "off-season" shoulder months, which consist of March through June and October through December. One of the primary methods to attract these visitors would be an enhanced program of events, which the Project could facilitate by providing a central gathering point, and which is described in more detail below.
- **Provide events and programs that cater to a wide range of visitors and local residents.** This can be an especially useful strategy to attract visitors in the slower months of the shoulder season, especially in the late spring and early fall. This item has particular relevance to the Project because the walkable streetscape program that is envisioned for the Project is exactly the type that can accommodate these types of events and programs by temporarily closing the street to automobile traffic, while through traffic would be able to utilize the realigned U.S. 50.

The Project can be used as a means to facilitate the provision of these items through both direct and indirect means. If these initiatives can be successfully implemented by way of the Project, the positive impact on the South Shore economy would be substantial. While it is very difficult to predict the magnitude of this effect, EPS believes that a 20 percent increase in visitation could reasonably be expected to be achieved.²⁸ This is a long-term estimate that is conceptual in nature, and depends on several conditions. First, this potential growth in visitation assumes that national economic conditions continue to recover at their current rates, and that no major “shocks” to the national economy occur. Tourism spending was known to decline significantly during the Great Recession, which began in 2007, but has been slowly responding to the national recovery as unemployment rates have subsided and household spending has begun to return to previous levels.

This potential increase is consistent with other professional opinions and research, including a comprehensive consumer research study prepared in 2010, which indicated the potential visitation growth of approximately 30 percent at the South Shore if certain redevelopment concepts were carried out.²⁹ This study conducted a rigorous survey and outreach program, and found that various market segments would be willing to make a certain amount of additional trips and/ or stay additional nights if a redevelopment concept were implemented in the Stateline area. When this consumer research and responses were quantified, the study concluded that a conservative estimate of the potential growth in annual visits could amount to 30 percent.

Other jurisdictions have observed similar levels of growth in visitation when they have enhanced their downtown areas and overall visitor appeal. As described previously, the town of Sutter Creek experienced a 45-percent increase in TOT revenue from 2005 to 2008, after the Highway 49 bypass was constructed (and this was at a very difficult economic period nationally, when tourism spending was generally in decline). This drastic increase may be partially explained by the fact that Sutter Creek grew from a relatively small tourism basis. Nonetheless, Sutter Creek clearly sustained a major increase in its overall level of visitation, largely as a result of the revitalization of its downtown area, made possible by the reduction of pass-by traffic and other measures intended to create a more walkable, vibrant, and tourist-friendly environment.

Further justification pertaining to the assumed increase of visitation in the South Shore involves looking back at the area’s history. As described previously in this report—the South Shore’s overall visitation level has *declined* by more than 30 percent over the past 10 years. If the area is able to re-establish itself as a premier destination (through the amenities afforded by the Project, as well as through other regional efforts), it stands to recapture its previous level of visitation. Under a more optimistic view, visitation potentially could *exceed* prior levels.

²⁸ A marked increase in hotel room revenue would likely occur as the result of increased visitation; however, more specific analysis of hotel operating conditions and each hotel’s ability to absorb increased visitation would be necessary to specifically quantify this impact. Some of the available product in the Project area may require improvement in order to capture the enhanced clientele and the potential demand.

²⁹ From South Shore Consumer Market Research Executive Summary. Prepared by MarketTools, June, 2010.

Assuming then that this 20 percent growth in visitation is attainable, the South Shore area would see similar growth in TOT revenue and visitor spending (which would be spread throughout the community), and the various hotel, gaming, and recreational businesses on the South Shore would stand to benefit greatly, leading to substantive increases in the quantity *and quality* of jobs, household income, and many other economic benefits. If this rise in visitation is accompanied by (or supplemented with) and a shift in the demographics, income, and spending ability of visitors who are attracted to the South Shore area's appeal, the economic effect could be considerably greater.

Influence on Shopping Centers

The Heavenly Village and Village Shopping Center make up a large and important portion of the economic activity in the Stateline area, and EPS has performed a focused evaluation of the Project's potential impact on retail sales on these two major centers.

On balance, EPS believes the existing retailers in these shopping centers have much to gain from the Project, in that the Project can help the South Shore to re-establish itself as a pre-eminent tourism destination, thus attracting additional visitors to the Stateline area and the South Shore in general. In addition, the Project can be a popular community amenity for local residents, attracting these users to the Stateline area for festivals, events, shopping, recreational amenities, and to experience desirable and unique uses that are not found elsewhere in the community. Through qualitative research and outreach to local community members, EPS has found that many local residents desire a new and noteworthy cultural and community-oriented venue that can be used to bring various community members together and enjoy recreational amenities, shopping/ dining options, or leisure activities. The extraordinary success of the recent "Lakeview Commons" park and open space project within the City is sound evidence of the potential that this type of endeavor can have at the South Shore.

This increased local patronage and tourist visitation could substantially improve conditions for the area's existing retailers, as well as the surrounding hotels, casinos, and other commercial enterprises located in the Stateline area.

In this section, EPS provides general estimates of the amount of the change in retail sales that could be achieved by way of the Project. This assessment assumes that the highway realignment is successful in allowing the development of a "complete street" that transforms the Stateline area into a more vibrant, walkable, and attractive business district catering to tourists and local residents, and that visitation is increased appreciably. Because these eventualities are impossible to predict with exact precision, the estimates are provided as a range of likely circumstances. These should be taken as an "order of magnitude" change in retail sales that that is likely to occur as the result of the implementation of the Project. More information and a more thorough description of the calculation methodology and data sources used can be found in **Appendices A and B**.

Village Shopping Center

Located at the intersection of Highway 50 and Heavenly Village Way, the "Village Shopping Center" (formerly the "Crescent V") is a 150,000 square foot center anchored by a Raley's supermarket. Whereas traditional shopping centers typically cater to a stable local population and rely on convenient positioning near its customers and along well-traveled transportation

routes, the Village Shopping Center is rather unique in that it also caters heavily to a visitor population to sustain itself. Many of its customers are not residents of the surrounding area, which is reflected by the types of tenants that are included in the Shopping Center. These tenants are quite different than those found in a typical neighborhood- or community-serving shopping center, which are generally more geared toward convenience-oriented goods and services.

EPS has carefully analyzed the customer base of stores in the Village Center to assess which cater to primarily to locals, which cater primarily to visitors, and which are a hybrid that cater to both. This distinction is important in the evaluation of potential shopping center impacts, since locals and visitors shop for goods and services in much different ways. For example, local residents typically shopping for everyday or specialty goods are known to be much more easily swayed by a real or perceived lack of convenience than non-local shoppers are. If such items as parking or accessibility are deemed too difficult or onerous to resolve, local shoppers will often choose to patronize another nearby shopping center that is more convenient. Local shoppers are also generally already aware of the retail mix and offerings of retailers, and do not rely upon its roadway visibility per se.

Tourists are not quite as easily swayed by issues of parking and convenience and are much more willing to walk to shopping destinations than locals are. This fact is supported by observed dynamics at the Village Shopping Center, in which large numbers of visitors can be seen walking back and forth from the Village Center to the Heavenly Village and other eastward properties.

Potential Sales Impact on Village Center

EPS has created a high-level estimate of likely change in retail sales that may be observed for both local spending and visitor spending at the Village Center, based upon a careful analysis of the retail sales dynamics at the shopping center. However, the degree to which retail sales impacts are truly realized will rely upon the successful implementation of the Project, and its ability to draw visitors and local users to the Study Area. The degree to which this outcome is realized will depend upon several external factors, such as the availability and ease of parking, the adoption by pedestrian users, effectiveness of signage and marketing campaigns, the ability that public transit can be used to bring people in and out of the Study Area, and many other factors related to the design and execution of the main street district.

Since there are so many diverse factors which are likely to affect the success of the Project, it is impractical to attempt to calculate the Project's financial impact upon existing retailers with precision. Therefore, the most appropriate method to evaluate the quantitative impact of such an endeavor is to present it as a prospective range. EPS strongly believes that market forces support favorable conditions, under which significant positive impacts will occur and existing retailers are able to reap the benefit of additional patronage brought about by a more functional commercial district. However, interim negative effects are also possible and are discussed in order to demonstrate the order-of-magnitude effects that might be incurred during the initial periods of construction and as the Project is adopted. It is important to note that any potential negative impacts shown will be short-term in nature, and are likely to diminish as the Project is adopted and the area is transformed to a more contemporary future use.

The Village Center is a very successful shopping center that enjoys considerable patronage, low vacancy, and is an established and popular shopping destination for both local residents and visitors to the South Shore and Stateline area. The Village Center is able to effectively capitalize

on its strategic location next to popular visitor amenities, while remaining a convenient destination for local shoppers and visitors who wish to utilize the center's easy access, park their automobile, and either purchase goods/ services or remain on the property to explore other retailers.

However, the potential decrease in pass-by trips along the front portion of the center that the Project may generate has created some concern among the property's owner and its tenants. It is possible that in order to address changes in traffic patterns, some capital outlay would be required in order to create new signage facilities, re-orient parking and access, and other initiatives required to allow the Village Center to continue to be viewed accessed easily by potential patrons. An alternative that the owner may wish to adopt is to make physical adaptations to the center, reorienting the layout slightly to create a more attractive entrance from the back, perhaps with some changes to buildings. This is likely to present a larger cost and some potential interruption in revenue to tenants (especially those affected by physical changes), but also facilitates an "inflection point" whereby increased appeal and improved design to fit into the revitalized corridor brings better connections, increased pedestrian traffic, and higher sales, providing an opportunity to realize return on investment.

An overall increase in traffic volume, and the introduction of traffic on multiple sides of the center could translate to an increase in sales assuming existing capture rates. If capture rates can be improved, sales would increase accordingly. Further benefit to the center would likely be provided by the ability to create a walkable district which facilitates additional sales from patrons who are attracted to the area and are more free to move from one location to another. The prospect for additional investment in other areas presents the true upside for the Village Center, as from which all businesses would likely prosper. More visitor amenities and an enhanced perception of the region will bring more visitors, long-term stays, and additional spending which can be captured at the Village Center. Further rationale for the sales impact estimates used in this report is provided in **Appendices A and B**.

Heavenly Village

The Heavenly Village Shopping Center is comprised of a number of assorted tenants and a variety of business types, including, wine shops, sporting goods stores, and restaurants, and a movie theater. In total, the Heavenly Village contains approximately 130,000 square feet of retail space, the gondola used to access the Heavenly Ski Resort and two Marriott timeshare/ hotel properties. The robust mixture of anchor uses and complementary shops, restaurants, services, and other retailers in the Heavenly Village work very well together and have created a very popular tourist destination.

Through our outreach and survey process, EPS has analyzed the customer base of stores in the Heavenly Village to assess the customer composition of the center. As discussed above, this distinction is important in the evaluation of potential shopping center impacts, since locals and visitors shop for goods and services in much different ways.

EPS's research has found the Heavenly Village primarily caters to non-local customers, although the local patronage is a small yet important component of several key businesses. In EPS's view, this dynamic makes the center less susceptible to the potential loss in pass-by trips on the adjacent existing Highway 50 that the roadway realignment may cause.

EPS has created a high-level estimate of likely change in retail sales that may be observed at the Heavenly Village. Like the estimates provided for the Village Center (above), these estimates are based upon EPS's careful analysis of the retail sales dynamics at the shopping center. The degree to which retail sales impacts are truly realized will rely upon the successful implementation of the Project and its ability to draw visitors and local users to the Study Area and will depend upon several external factors, such as the availability and ease of parking, the adoption by pedestrian users, effectiveness of signage and marketing campaigns, the ability that public transit can be used to bring people in and out of the Study Area, and many other factors related to the design and execution of the main street district. The estimate of potential retail sales impacts are presented as a range, in order to account for external factors and to avoid false precision associated with such a prospective endeavor as the Project.

The Heavenly Village is a very well-designed and popular tourist destination and successful shopping center that enjoys low vacancy and high lease rates. It is able to capitalize on its strategic location near outdoor recreational amenities and a large number of tourist accommodations, its walkable and inviting design, and the complementary roster of tenants which include popular eateries, boutiques, visitor services, and recreational and entertainment amenities.

Given its strong market performance, its visitor-oriented composition of tenants, EPS does not believe that the Heavenly Village is at risk for negative impacts to retail sales should the Project be implemented. To the contrary, the type of walkable main street district that is envisioned for the Project will complement the existing property extremely well, and have much to gain by the Project if it can a) entice an increase in visitation by creating a shopping and recreational district, and b) draw more local South Shore residents to the Stateline area.

Although the traffic counts along the center's northern boundary are predicted to decline under the alternatives considered in this Economic Analysis, the "capture rate" of the occupants of these vehicles is likely to increase, as the vehicles' speeds are reduced and occupants drawn toward the compelling environment and appeal that the Project can bring to the area.

Total Shopping Center Impacts

EPS has estimated that over the long term, these conditions are likely to provide additional retail sales of approximately \$16 million to \$25 million per year to the businesses located on the Heavenly Village and Village Shopping Center properties. During the short-term transitional period of Project adoption, potential negative impacts to retail sales could range from approximately \$900,000 to \$5.5 million per year. However, these potential negative consequences are short-term in nature, and if the high end of the range was realized, it would account for just 1.6 percent of total citywide retail sales. Therefore, even under pessimistic circumstances, the overall shopping center impacts are not likely to have a significant influence on retail activity at the South Shore, while the potential positive benefits are much greater, and outweigh the potential negative impacts by far, as shown in **Table 5**.

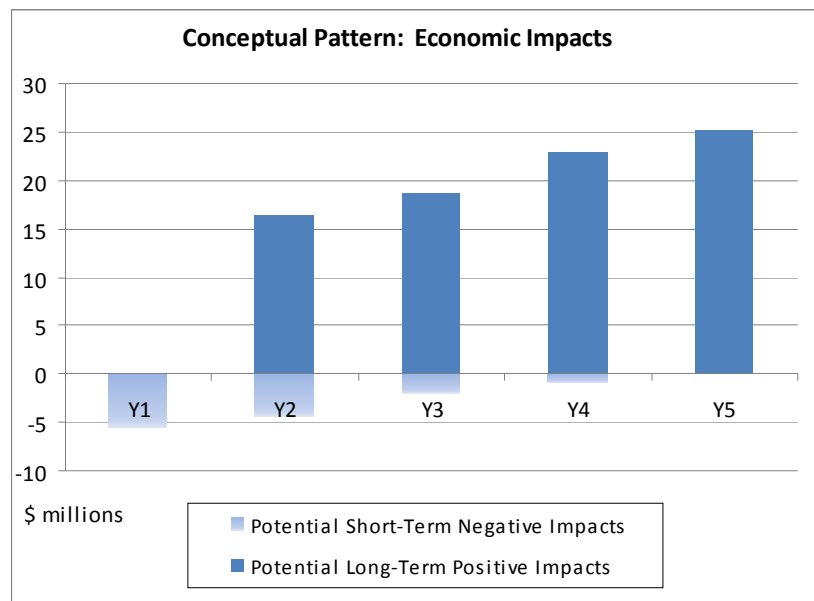
Table 5
US 50/ South Shore Community Revitalization Project
Overall Summary of Potential Retail Sales Impacts on Stateline Shopping Centers

Item	Estimated Existing Annual Retail Sales	Potential Change in Annual Sales		
Potential Long-Term Retail Growth	\$100,040,000	\$16,390,000	to	\$25,220,000
<i>Potential Change as % of Total Citywide Retail Sales [1]</i>		4.7%	<i>to</i>	7.2%
Potential Short-Term Transitional Impacts	\$100,040,000	(\$920,000)	to	(\$5,510,000)
<i>Potential Change as % of Total Citywide Retail Sales [1]</i>		-0.3%	<i>to</i>	-1.6%

"retail_summ_lt"

[1] Estimated annual retail sales for the City of South Lake Tahoe is from 2010's "Taxable Sales in California" report from the State Board of Equalization. Assumes non-taxable goods account for 20-percent of retail sales.

The chart below demonstrates the potential timing and magnitude of any short-term declines as compared to the long-term growth estimated in this Economic Analysis.³⁰ As shown, potential negative impacts would begin at their highest values as construction accessibility issues hinder sales, signage and marketing campaigns ramp up, and other factors cause short-term reductions in sales. Over time, these issues will be resolved and negative impacts will diminish while the positive effects begin to occur. The positive impacts are likely to far outweigh the negative, and will and grow over time as the Project succeeds in transforming the Study Area to a more viable, contemporary use.



³⁰ Please note that this chart is a demonstrative example only.

Other Stateline Retail

Other non-shopping center retail also exists along Highway 50 up to the state line, including a gas station, convenience stores, restaurants, sporting goods stores, and a small amount of tourist-oriented retail. This includes retail located near the intersection of Highway 50 and Pioneer Trail, as well as the small amount of retail located along the north side of Highway 50 from Pioneer Trail to the state line. EPS has estimated that retail properties outside of the two major shopping centers account for less than 5 percent of total retail sales in the Study Area. In reality, some of the "convenience-oriented" retailers may be at risk of experiencing declines in retail sales if most of their pass-by traffic is rerouted.

Influence on Capital Investment

In addition to tourism and retail impacts, the Project presents a substantial upside for the local South Shore economy if or when it is able to encourage further private investment in the community. EPS is aware of several pending initiatives that the Project may facilitate, including the stalled "Chateau at Heavenly Village" convention center and condominium project, on-mountain non-winter improvements at Heavenly Mountain Resort, the approved Tahoe Beach Club residential project, the approved Edgewood Lodge hotel project, the prospective redevelopment of the Horizon Casino property, and others. These projects (and others like them) are likely to inject more than one billion dollars of private investment into the local economy over the coming years.

A public investment in the Project will help facilitate these endeavors in many ways. First, it will help to create a much more attractive and appealing tourism and commercial district, thus attracting visitors and the associated spending power that can be used to support such endeavors. In addition, it will send a signal to private sector capital markets that the South Shore is a potential investment opportunity.

Lakeside Park Response

The north side of Highway 50 (or "Lakeside Park") is a very diverse, multifaceted neighborhood composed of residential units, numerous hotels, and a small amount of existing retail space, including Tahoe Tom's Gas Station, Powderhouse sporting goods store, and McP's Irish Pub.

This district is dominated by the property that was planned to accommodate the now-defunct "Chateau" redevelopment project, which was envisioned to include 350 units of hotel, fractional, and full-ownership accommodations; 70,000 square feet of convention center space; and a 30,000-square-foot collection of shops and restaurants similar to the existing Heavenly Village. As EPS understands, the Chateau project was overtaken by a myriad of factors, including the bursting of the real estate "bubble" in the mid- to late-2000s and the loss of available financing resulting from the national and associated "credit crunch" that tightened lending practices and made obtaining outside financing very difficult for several years.

The unfortunate timing of this project's stalled development has created a bleak "dead zone" of activity, which has weighed negatively on the surrounding properties for years. Now that national conditions have stabilized somewhat and financing has become more readily available, the property represents a prime opportunity to create substantial local- and visitor-serving uses such as shopping, dining, restaurant, entertainment, and a host of other uses. The character of roadway frontage and streetscape improvements that are envisioned as part of the Project are

exactly the type of improvements that could attract outside capital and spur development at this underutilized site. Implementation of the Project could help facilitate future use of this property, which would invariably cause significant positive impacts to the local economy.

In addition, several aging hotels and motels located in this district are beginning to invest in upgrades to their product offerings. The strategic location of Lakeside Park district stands to benefit greatly from the Project to the extent that it can leverage and enhance the pedestrian, shopping, and recreational activity and become a more viable destination for locals and visitors to spend time.

Casino Corridor Response

The Casino Corridor consists of four major casino properties (Harrah's, Harveys, Montbleu, and the Horizon), which include more than 2,000 hotel rooms and approximately 45,000 square feet of retail/commercial space located in the newly redeveloped building that formerly housed the old Bill's Casino. In addition, there is a small amount of retail located in each casino building, although these largely serve the casino/hotel patrons.

Because the casino buildings themselves are highly visible from various areas of Stateline, these users do not appear to depend heavily on visibility from Highway 50 specifically. However, they are reliant on the highway to allow their customers to easily access their property and the surrounding area as their guests choose to explore the other recreational options the South Shore and surrounding region provides.

It is EPS's conclusion that the casino properties are not vulnerable from the Project. Indeed, these properties have much to gain from the Project if they are able to reposition their properties to capture the activity created by a walkable, diverse, main street environment. By incorporating gaming along with a pedestrian-friendly shopping district, recreational amenities, and a series of programs/events, a very popular tourist attraction could be created that would benefit the entire South Shore by creating jobs, revenues, and sales tax and would "spin-off" to other areas of the South Shore and the entire Lake Tahoe Region.

While these impacts are very difficult to measure with any level of precision, it is conservatively estimated that an increase in visitation of 20- to 30-percent could reasonably be achieved by implementing these endeavors (as described elsewhere in this report).

Summary of Investment Impacts

Table 6 shows various planned and proposed investments in the Stateline area, their relation to the Project, and the potential investment and economic activity that could be injected into the local economy. As shown, more than one billion dollars' worth of investment exists, which will provide the entire South Shore economy with jobs; sales tax, property tax, and TOT; and other economic, environmental, and community benefits.

Table 6
US 50/ South Shore Community Revitalization Project
Prospective Major South Shore Investments

Potential Investment	Potential Influence of the US 50 Community Revitalization Project	Estimated Construction Cost	Notes/ Other Economic Benefits
<u>US 50/ Stateline Avenue Redevelopment</u>	US 50 Project is likely to encourage development of village retail, lodging, and/ or other uses at the stalled "Chateau" property.	Unknown. Initial phase of retail (25,000 sqft) likely within \$5 and \$10 million. Previous proposal was for \$420 million total.	- Construction jobs and permanent jobs - Sales tax (and possible TOT) to City of SLT
<u>Heavenly On-Mountain Improvements</u>	US 50 Project will help to attract visitation to Stateline and increase the use of the Heavenly Gondola and on-mountain facilities, especially during non-winter months.	Unknown	- Increased visitation and visitor spending
<u>Tahoe Beach Club</u>	US 50 Project will create a more appealing downtown environment, helping to attract affluent buyers/ investors for Tahoe Beach Club.	Up to \$200 million	- Construction jobs and permanent jobs - Retail spending from residential owners and guests - Property tax
<u>Horizon Property</u>	US 50 Project could influence future redevelopment of Horizon property.	Unknown, but likely to be several hundred million.	- Construction jobs and permanent jobs - Retail spending - Property tax
<u>Edgewood Lodge</u>	US 50 Project will create a more appealing downtown environment, helping attract high-end visitors to patronize Edgewood Lodge. Edgewood Lodge and US 50 Project will be complementary.	Up to \$100 million	- \$24 million in annual guest spending - \$1.7 million in annual sales tax - \$2 million in annual TOT
<u>Other Casino Corridor Improvements</u>	Once established, other casino properties likely to build upon the success of US 50 Project and improve external connection to streetscape, and improve internal operations to capture boost in visitation.	Unknown	- Construction jobs and permanent jobs - Retail spending - Property tax

"inv"

8. *PRECONDITIONS TO SUPPORT PROJECT SUCCESS*

As described throughout this report, the overall financial and economic impact of the Project depends on several important factors that are external to the physical highway realignment itself. The positive impacts of the Project will depend heavily on the overall ability of the Study Area to transform itself to much more compelling attraction that will draw local residents to patronize the area, as well as foster a substantial increase in visitation.

Therefore, it will be imperative that a variety of continued efforts to revitalize the Stateline area are carried out, should the Project be implemented and the highway realignment be constructed to reroute through-traffic. To simply create a highway realignment that directs traffic around the shopping district while neglecting to create and nurture a compelling main street draw would Project, and could prove harmful to the local economy. To avoid this fate, the success of the Project largely will rely on the following initiatives:

1. *Implementation of a Clear and Cogent Signage and Marketing Campaign*

It will be very important to implement not just a signage program but also a concerted marketing effort to alert new customers and those that are “used to” the current arrangement to business locations, new shopping and recreational opportunities, etc. This will be especially important during the preliminary stages of construction and roadway realignment, when existing businesses are most vulnerable. Funding for this type of program is yet to be identified but could come from new funding sources such as TOT, increment tax, a Business Improvement District, or others as appropriate.

2. *Reorientation of Retail*

Certain commercial properties are more vulnerable to the realignment of Highway 50, as described throughout this report. Many of the properties and businesses have oriented themselves toward the traffic and visibility afforded by the vehicular flow along the current alignment of Highway 50. If the roadway is rerouted, properties may need to reposition or re-orient themselves to capture potential customers. This may or may not require physical modification to buildings.

3. *Programming and Management of District*

To achieve the vibrant commercial district that has been envisioned, issues related to the programming and management of the district will need to be resolved. A comprehensive program of events, concerts, competitions, outdoor festivals, etc., would help to attract all types of users to Stateline, and all businesses in the district—including hotels, restaurants, retailers, casinos, etc.—stand to gain substantially from these types of activities. For this function to occur most efficiently, a single organization may need to be established to manage these events and programs, as well as to ensure that operations and maintenance of the district is handled carefully. This may be difficult given the variety of property owners, business types, and public jurisdictions involved along the corridor, but it will serve to greatly enhance the district’s success as a shopping, recreation, and visitor destination.

4. Regional Cooperation and Participation

Because the main street Stateline district would occur in separate states and local jurisdictions, it will be important that stakeholders on the two sides work together to ensure a seamless district that functions optimally among the two sides of the state line. The uses, activities, and operations should be complementary to provide users with the most positive experience possible. This outcome might be best facilitated through the use of an alternative governance or management structure, such as a bi-state business improvement district, Joint Powers Authority, Economic Development Corporation, or other similar organization. These possible structures should be evaluated for possible strengthening of the main street district.

5. Eliminate "Gaps" in the Urban Fabric

Large gaps at street level will significantly hinder the ability to construct a successful urban district. Every effort must be taken to ensure that these gaps are minimized and eliminated over the long term. In particular, the so-called "hole" at the corner of Highway 50 and Stateline Avenue currently creates a "dead zone," which limits the appeal of the district as a whole. While it weighs down the appeal of the district, an opportunity exists to transform the property to a compelling future use.

Besides this large, undeveloped parcel at the state line, some of the larger casino structures themselves present a barrier of the built environment that is not necessarily welcoming to pedestrians, bicyclists, and other non-motorized users. For the district to function ideally, some of these parcels should bring activity to the reconstructed streetscape to allow for a more active, vibrant, and exciting district that will draw visitors and locals alike.

6. Phasing Strategy

Construction of the roadway realignment will need to be carefully planned and phased to eliminate potential negative impacts from construction. Many of the small businesses that populate the Highway 50 corridor in the Study Area (especially those in the Village Center) will be unable to sustain any prolonged decrease in revenue resulting from significant barriers to access the center or parking. Therefore, the timeframe for construction activities that limit a potential customer's ability to access shopping options should be kept to a minimum and should be planned to occur during the shoulder seasons or outside busy visitation periods, to the extent practical.

7. Ensure Funding of Key Streetscape Projects

It will be important that a comprehensive and coordinated long-term strategy be prepared that ensures that funding is in place to complete key infrastructure improvements and programs required to bring the main street district an appealing draw. In certain other cases throughout the United States, communities that have constructed roadway bypass projects have failed to "backfill" the remaining district with the amenities, programs, and uses required to draw users and create a compelling destination, proving harmful to economic conditions.

8. Alleviate Seasonal Concerns

Community leaders working to implement the project will need to work to ensure that the district functions in all months of the year, including the winter months when poor weather can impede one's ability to enjoy an outdoor shopping experience. Leaders should look to other mountain/resort destinations that have solved these issues by use of intelligent design

and equipment such as use of heaters and heated sidewalks, compact placement of popular uses, etc.

Furthermore, it is very important that the district appeals to both visitors and locals alike to ensure that it captures the highest possible sales activity and can survive during the “lean” months of the shoulder season. Ensuring that the district achieves a robust mix of tenants, uses, and activities is paramount to this effort.

9. *Provide Parking and Public Transit Solutions*

As discussed throughout this report, parking is an important issue in the Stateline area, and it will have important ramifications for the success of the Project. While it appears that the overall amount of parking is adequate to the area, users often park at the most “desirable” locations and walk elsewhere. Furthermore, paid parking options have not been widely used, by most accounts. Parking is an important factor in any land use planning endeavor, and the complex nature of the Project requires that innovative solutions be explored to ensure the district functions optimally.

The use of public transportation can help solve this issue and can enhance the overall experience of a “town center” or “main street” district by encouraging visitors and residents in outlying areas to visit, as well as facilitating movement from one end of the corridor to the other. Other mountain/resort locations such as Aspen, Park City, Breckenridge, and others have found public transit to be a key component of the success of their downtown districts. Such transit services should be offered reliably, safely, conveniently, and at little or no cost to be the most effective.



APPENDIX A: Impact Calculation Methodology

APPENDIX A: IMPACT CALCULATION METHODOLOGY

Given the unique nature of the US 50 Project and the numerous variables which are likely to influence its impact on surrounding commercial enterprises, EPS has undertaken a comprehensive and multi-faceted approach to quantifying potential impacts.

This process has involved collection, review, and analysis of several data sources, case study research, industry best practices, survey/outreach results, and other inputs. This section provides additional information regarding the methods, data sources, and assumptions that EPS has used to calculate potential impacts on businesses in the Study Area.

Approach 1: Traffic Behavior

Analysis of Traffic Flows. EPS has analyzed the predicted traffic flow based on detailed traffic studies provided by the Project's transportation engineer, Wood Rodgers. These studies have indicated that total Average Daily Trips adjacent to primary retail areas are projected to increase by approximately 20 percent over the next several years, assuming the Project is constructed.¹

Analysis of Traffic Capture. Vehicular traffic is likely to experience increased capture among retailers overall for the following reasons:

1. Traffic electing to use the new "Main Street" self-selects interest in area using the route over "new Highway 50." This group will be much more actively involved in reviewing surroundings and much more likely to patronize local businesses. Capture rate will increase substantially from previous levels along "old Highway 50."
2. Retailers will continue to have direct exposure to retail centers from the realigned Highway 50 and should maintain current capture. Note: this requires that owners of affected properties make modifications to signage and ingress/egress.

Discussion: A baseline increase in traffic of 20 percent, with potentially higher capture rates, facilitates improved patronage and spending levels.

Approach 2: Empirical Observations from Bypass/Realignment Case-Study Research

- Livermore Example. Downtown Livermore indicates a 15-percent increase in retail sales since realignment of Highway 84, and retail vacancy rates have declined from 26 percent to lower than 10 percent.
- Sutter Creek Example. Sutter Creek indicates a 40-percent increase in receipts from visitor accommodations after it revamped its downtown area through a bypass and other measures.
- Lancaster Example. The BLVD Community Transformation Project has transformed downtown Lancaster and led directly to doubling of retail sales in the downtown district

¹ Source: Wood Rodgers Traffic Forecasting and Operations Analysis; April, 2009.

1 year after the project opened. The economic benefits from this project are further demonstrated by the creation of 800 permanent jobs, 1,100 construction jobs, and more than \$270 million in economic output, and surrounding property values have increased by 10 percent.

- Other Examples. Other communities throughout the U.S. have demonstrated similar positive impacts resulting from roadway enhancements and the strengthening of retail districts that can be achieved by increasing pedestrian activity. The City of Lodi, for example, experienced a 30-percent increase in downtown sales tax revenues resulting from the retrofit of five main street blocks in which sidewalks were widened; curbs were bulbed out at intersections; gateway features were constructed; and trees, lighting, benches, and other streetscape amenities were added. Other examples from a study prepared by the New York Department of Transportation further demonstrated the positive impacts that better walking infrastructure provides on retail sales. This study showed an increase in retail sales of 49 percent in a case-study neighborhood after bicycle traffic was enhanced through the addition of separated bike lanes and an increase of more than 170 percent in sales adjacent to a former parking lot that was converted to a walkable pedestrian plaza.

Conclusions and Discussion: A variety of factors will influence the degree that retail sales impacts are realized, including design aspects, availability of parking, success of event programming, etc. However, using general indicators observed in other areas, it is reasonable to assume that spending among local residents within the Project Area could very conservatively increase by 5 to 10 percent, as the Stateline area is transformed and is able to capture market share within the South Shore and nearby areas. This 5- to 10-percent increase in retail sales is less than what was observed in case study jurisdictions and is likely a conservative estimate.

Visitor spending is likely to experience greater improvement, as a) additional visitors are attracted to the South Shore to experience its revitalization, and b) the Stateline area increases its capture of these visitors. The project's contribution to improved overall competitive position among national and international destinations could improve the number of multi-day visits, which tend to produce higher average per capita visitor spending.

Approach 3: Business Survey Data

All available research indicates that established shopping districts are less susceptible to negative impacts resulting from the roadway realignment, which bodes well for Stateline because of its well-known and recognized character. Research further illustrates that shopping districts that cater to a tourist population are very well positioned to prosper from the creation of a walkable environment. To the extent that these shopping districts cater to both locals and tourists, the Project's effect in helping to create an environment inducing customers to stay longer, frequenting multiple establishments while parked at a central location, can provide a substantial lift to retail sales.

Survey data and outreach to local businesses have assisted in EPS's characterization of the Study Area, which reflects the established and visitor-serving nature of the district.

- Business Duration. 73 percent of businesses in the Study Area are estimated to have been in business for more than ten years.

- Repeat Customers. Repeat customers are known to be a major proportion of retail sales activity, as indicated in survey data shown in **Chapter 6**.
- Visitor vs. Local Customers. On average, EPS has found that the Stateline area retailers' customers are approximately 75 percent visitors, and 25 percent locals. Overwhelmingly, 97 percent of survey respondents noted that visitor customers tend to spend more per visit.
- Existing Reliance on Highway. While the highway infrastructure is important in getting users to and from Study Area businesses, the actual existing roadway visibility of businesses is not a major driver of overall retail sales. Most survey respondents did not indicate roadway visibility as being a major factor in their sales (see **Chapter 6**).

Approach 4: Literature Review and Resort Case Studies

- Analysis of four-season resort areas indicates considerable attraction of domestic and international visitation with corresponding expenditure increases as percent of multi-day stays increased.
 - Park City observed Annual Skier Visits increase by approximately 40 percent from 2000 to 2010, as it has enhanced its visitor appeal and emerged as a world-class winter resort destination. Annual visitor-nights in Park City increased by over 30 percent from 2000 to 2010.²
 - The State of Colorado has seen overnight trips increase by over 40 percent from 1994 to 2011, resulting from a combination of marketing efforts, continual upgrade of tourism amenities, and a variety of other factors.³
- A comprehensive market analysis obtained by EPS indicates a 30-percent increase in visitation is likely, if a significant transformation of the Stateline area can be achieved.⁴

Discussion: Case study research indicates that proactive steps to enhance an area's visitor amenities and tourist appeal can produce significant changes in annual visitation. In many respects, the South Shore is better-positioned than the case study resorts for this type of upsurge in visitation, in that the South Shore has greater four-season appeal, better recreational amenities (arguably), and a much larger California-based population base from which to pull for year-round access.

² Source: Park City Chamber of Commerce Economic Profile, 2011.

³ Source: "Colorado Travel Year, 2011," prepared by Longwoods International.

⁴ Source: South Shore Consumer Market Research Executive Summary. Prepared by MarketTools, June 2010.

Approach 5: Historical Sales/Visitation Performance Review

- City of South Lake Tahoe retail sales receipts have declined approximately 30 percent from the peak (in 2006) to the trough (in 2010), according to the City's 2012/2013 Annual Budget. Visitation to the South Shore has declined by about 30 percent over the past decade (see **Chapter 2**). By incorporating industry best practices and providing a tourism product that more effectively competes with other visitor destinations, the South Shore may be able to recapture market share, or exceed previous levels.
- Since 2000, population in the City of South Lake Tahoe has declined by approximately 10 percent, and new retail formats introduced in other areas have produced leakage. As the revitalization of the Stateline area by way of the Project is likely to create a stronger shopping district through the strengthening of existing retail and the introduction of possible future retail, some portion of current retail sales leakage may be stemmed.

Overall Estimate of Visitation and Retail Sales Impacts

Based on the five-pronged research methodology described above, EPS estimates that sufficient evidence exists to posit a 20 percent or greater increase in visitation as a result of implementation of industry best practices. With any increase in per capita visitor expenditures, as discussed above, and/or improvement in regional, State, and national market share, an estimated 20- to 30-percent increase in retail expenditure potential is conservatively estimated.

Incidence of a 20- to 30-percent increase in spending would occur first within existing shopping centers, then "spill-over" in the form of demand for new shopping venues in the area. More specific and detailed market analysis would be required to precisely define the real estate demand implications of the increase.

This assessment also indicates the potential to increase annual retail sales from local residents in the range of 5 to 10 percent, as the Stateline area becomes more attractive to local shoppers and increases market share among regional shopping options (both within the South Shore and in nearby areas).

Description of Methodology to Calculate Shopping Center Retail Sales Impacts

EPS estimated the breakdown in tenant types of each shopping center, based upon input obtained from property owners.

1. **Identify Building Square Footage Among Each Major Category.** EPS has used information provided by major shopping center property owners and brokers to estimate the square footage of commercial building space among each major category.
2. **Estimate Annual Retail Sales.** EPS applied standard sales factors (as published by the Urban Land Institute and International Council of Shopping Centers) to each retail category in order to provide an estimate of the total annual retail sales for each major shopping center (actual sales data were not made available).

- 3. Estimate Visitor vs. Local Spending.** EPS used survey/outreach results to estimate the percentage retail sales that occur to visitors versus local shoppers among each retail type at each shopping center. EPS then applied these percentages to the estimated spending at each retail category.

- 4. Estimate Change in Annual Retail Sales among Each Retail and Customer Category.** Based on comprehensive research described in this section, EPS multiplied estimated percentage changes of retail sales described above to each property, retail category, and customer type to arrive at a range of total estimated annual sales impacts.

APPENDIX B:

Estimated Influence of the Project on Study Area Shopping Centers



ESTIMATED INFLUENCE OF THE PROJECT ON STUDY AREA SHOPPING CENTERS

This section provides the detailed rationale and supporting information related to the estimation of potential impacts for shopping centers located within the Study Area. The estimates presented in this section are based on EPS's judgment, given its understanding of retail performance and shopping behavior, as informed by the process that was undertaken to understand the business dynamics of the Study Area.

However, the degree to which retail sales impacts are truly realized will rely on the successful implementation of the overall "main street" concept and construction of the Project and its ability to draw visitors and local users to the Study Area. This will depend on several external factors, such as the availability and ease of parking, streetscape appeal and adoption by pedestrian users, effectiveness of signage and marketing campaigns, public transit opportunities, and many other factors related to the design and implementation of the main street district.

Because there are so many diverse factors that are likely to affect the success of the Project, it is impractical to attempt to calculate the Project's financial impact on existing retailers with exact precision. Therefore, the most appropriate method to evaluate the quantitative impact of such an endeavor is to present it as a prospective range that brackets results under favorable or unfavorable conditions over the short and long term. EPS strongly believes that market forces support favorable conditions, under which significant positive impacts will occur and existing retailers are able to reap the benefit of additional patronage brought about by a more functional commercial district.

Potential negative effects were also evaluated and it was determined that the area may experience a temporary short-term negative impact related to construction activities and during an adjustment period that will occur while awareness of the new Stateline main street district occurs. It is important to note that any potential negative impacts shown will be short term in nature and are likely to diminish as the Project is adopted and the area is transformed into a more contemporary future use.

Village Shopping Center

Located at the southwest intersection of Highway 50 and Heavenly Village Way, the "Village Shopping Center" (formerly the "Crescent V") is a 150,000-square-foot center anchored by a Raley's supermarket. Whereas traditional shopping centers typically cater to a stable local population and rely on convenient positioning near its customers and along well-traveled transportation routes, the Village Shopping Center is rather unique in that it also caters heavily to a tourist population to sustain itself. Many of its customers are not residents of the surrounding area, which is reflected by the types of tenants included in the shopping center. These tenants are quite different than those found in a typical neighborhood- or community-serving shopping center, which are generally more geared toward convenience-oriented goods and services.

Land Use Breakdown

As shown in **Table B-1** below, the Village Shopping Center is composed of several diverse tenants and a variety of business types. More than 40 percent of the total floor area of the Village Shopping Center is in use by the Raley's Supermarket, 5 percent comprises various art galleries, 7 percent is restaurant space (mostly fast/casual), 10 percent is made up of apparel stores, and the remaining 36 percent contains a variety of uses (which are primarily of visitor-oriented retail).

Table B-1
US 50/ South Shore Community Revitalization Project
Summary of Village Center Tenants

Business Type	Overall Sq. Ft.	Percent of Total
Supermarket	63,000	42%
Art Gallery	7,000	5%
Apparel	16,000	11%
Restaurant	10,000	7%
Other General Retail	54,000	36%
Total	150,000	100%

"village_lu"

Source: Hackett Management Corporation

Customer Composition

EPS has analyzed the customer base of stores in the Village Shopping Center to assess which cater primarily to locals, which cater primarily to visitors, and which are a hybrid that cater to both. This distinction is important in evaluating potential shopping center impacts because locals and visitors shop for goods and services in much different ways. For example, local residents shopping for everyday or specialty goods are known to be much more easily swayed by a real or perceived lack of convenience than are non-local shoppers. If such items as parking or accessibility are deemed too difficult or onerous to resolve, local shoppers often will choose to patronize another nearby shopping center that is more convenient. Local shoppers also are generally already aware of the retail mix and offerings of retailers, and do not rely on roadway visibility per se.

Tourists are not as easily swayed by issues of parking and convenience and are much more willing to walk to shopping destinations to explore their surroundings and patronize a variety of retail types. This fact is supported by observed dynamics at the Village Shopping Center, in which large numbers of visitors can be seen walking back and forth from the Village Shopping Center to the Heavenly Village and other eastward properties.

EPS has used the results of an extensive outreach and survey process (described in **Chapter 6**) to assess the breakdown in customer composition at the Village Shopping Center for each major business type. **Table B-2** below summarizes these estimates.

Table B-2
US 50/ South Shore Community Revitalization Project
Village Shopping Center - Estimated Customer Composition

Business Type	Estimated Customer Composition	
	Visitors	Locals
Supermarket	65%	35%
Art Gallery	95%	5%
Apparel	70%	30%
Restaurant	80%	20%
Other General Retail	75%	25%

"village_cust"

Traffic Assessment

Under the "mountain-side" alternatives, there will be no net-loss in drive-by trips; in fact the *total* adjacent traffic volumes are predicted to increase above existing conditions under the "Project Constructed" scenario, as shown in **Table B-3**. However, a large portion of traffic will be diverted from the "front" of the center to the "rear" of the center. It is highly probable that an effective signage program or re-orientation of buildings will help to mitigate any potential loss in business activity resulting from the roadway realignment. In fact, many of the tenants may experience better visibility from the proposed realignment because the southern portion of the center would face the realigned highway and be located much closer to the road, potentially making it more visible to passers-by. To realize this capture, it will be imperative to ensure that turn movements into the Village Center are easily made from the realigned U.S. 50.

Table B-3
US 50/ South Shore Community Revitalization Project
2015 Projected Traffic Conditions

Item	Existing Conditions (no project)	Project Constructed (alternative D)
ADT On Existing US 50 betw. Pioneer and Park	42,100	20,600
ADT New US 50 betw. Pioneer and Park	0	30,100
Total ADT Adjacent to Village Center	42,100	50,700

"village_traffic"

Source: Wood Rodgers Traffic Forecasting and Operations Analysis, 2009.

Rationale for Potential Retail Sales Impacts

EPS used the results of its case-study research, examination of roadway impacts on retail sales, outreach to local business owners, and survey results to estimate the potential impacts that may be observed on both local and visitor spending as the result of roadway realignment among each retail category.

Rationale that supports the calculation of potential impacts on the supermarket anchor and in-line retailers follows below.

Village Shopping Center Supermarket Retail: EPS does not believe that the Village Shopping Center is vulnerable to undergo a significant decline in retail sales if the Project is implemented, and a potential increase in sales can be achieved with a corresponding rise in visitation. Additional information regarding the implications for supermarket retail at the Village Center follows below.

- The supermarket enjoys a very strong market position for tourist spending because it is the only supermarket within walking distance or a short drive of many tourist accommodations at Stateline. EPS does not believe its market position would change if the Project were implemented.
- Under the realignment alternatives evaluated in this Economic Analysis, the supermarket stands to maintain its overall visibility and daily traffic levels, as long as a strong signage program and possible re-orientation of buildings allows drivers on all sides to view and access the property. Through careful design, it is possible the visibility of the Village Shopping Center could be increased overall.
- Local shoppers are already well-aware of the supermarket's existence, product offerings, quality of service, and other relevant factors and will continue to patronize it at existing levels as long as convenience issues such as ingress, egress, parking, etc. are satisfied.
- If the Project can facilitate a more appealing environment where locals are drawn to shop, meet with friends, attend events, etc., local patronage may see an increase.

- *The potential increase in sales to visitors could be in the range of 20 to 30 percent, which would be achieved through a combination of a 20-percent increase in overall visitation to the South Shore, increased regional market share at the Stateline area, and/ or the incidence of increased spending-per-visitor associated with a more affluent clientele.*
- *Local sales to the supermarket could increase by between 5 and 10 percent, assuming Stateline becomes more attractive to local shoppers as a result of the attributes the Project brings to bear.*
- *EPS estimates that any potential short-term decline in visitor sales at the supermarket under such a scenario would be very small and any decrease observed would be no more than 5 to 10 percent.³¹*
- *If issues related to parking, construction, access, etc. experienced, a small short-term dip in local patronage could occur as these issues are resolved. EPS estimates that these potential temporary short-term negative impacts would be no more than 5 percent of total annual sales, and could be as little as 0 percent.*

Village Shopping Center In-Line Retail: In-line (or non-anchor) retail stores largely draw their patronage from the gravity that is afforded by the supermarket and other complementary uses. Thus, EPS believes that in-line retail will be affected similarly to the supermarket and does not find these tenants to be especially vulnerable to a significant decrease in sales if the Project is implemented. There is potential for a sustained increase in sales along with a corresponding rise in visitation. Further rationale related to potential impacts to the Village Shopping Center's in-line retail is included below:

- Local shoppers will probably not significantly change their behavior unless the Project creates a real or perceived loss of convenience. However, Village Shopping Center in-line retailers stand to see a moderate *increase* in local patronage if Project is successful in facilitating the creation of a "main street" type district that has a more appealing environment to shop, meet, recreate, attend events, etc.
- Because locals generally are aware of the retailers that exist in the Village Shopping Center, issues related to pass-by visibility are not likely to be difficult to overcome. However, although unlikely, issues related to parking, construction, access, etc. could cause a small temporary decline in local patronage to occur, especially for convenience-oriented retailers.
- Visitors are prone to exploring their surroundings and discovering the shopping, dining, and recreational businesses nearby. The successful implementation of the Project will not only create the potential to increase total visitors to the South Shore overall, but it will encourage a larger "capture rate" of visitors at Stateline.
- *Once the Project is successful in facilitating the creation of a more vibrant and appealing district, positive impacts related to local spending will conservatively range between 5 and 10 percent over the long-term.*

³¹ One could present the argument that the negative impact estimated should remain at zero, but EPS has used a 5-percent reduction here to be conservative and to demonstrate the impact of this scenario.

- *In the short term, negative impacts related to a decrease in local spending to in-line retailers may be observed, but would be no more than between 5 and 10 percent of current sales overall over a short period (less than three years). This negative impact would be related to the perceived inconvenience associated with construction activity within the area.*
- *The potential increase in sales to visitors could be in the range of 20 to 30 percent, which would be achieved through a combination of a 20-percent increase in overall visitation to the South Shore, increased regional market share at the Stateline area, and/ or the incidence of increased spending-per-visitor associated with a more affluent clientele.*
- *In the short term, negative impacts related to construction or a loss of drive-by visibility could cause a minor decline in visitor sales, but this decline likely would be no more than 5 to 10 percent of current sales, and would be short term in nature.*

Estimated Retail Sales Impacts at Village Shopping Center

EPS has estimated the potential impact of the Project on annual retail sales at the Village Shopping Center, based on the estimated retail sales volumes, the composition of local and retail shoppers, and several other key assumptions. First, EPS has approximated the annual retail sales activity that occurs at the Village Shopping Center under the existing condition. Because single-property taxable sales data are unavailable, the total annual sales activity of the center has been calculated, based on average-sales-per-square foot factors for the various retail types, as provided by ULI. **Table B-4** shows the estimated \$54 million in annual sales that occur at the Village Shopping Center among the various retail categories.³²

³² These are generic assumptions applied to a specific retail center, and therefore are likely off by some margin. However, these data are being applied in order to “frame” the possible order-of-magnitude impacts as an example. As discussed earlier, these data are not appropriate as a basis for actual mitigation-related application.

Table B-4
US 50/ South Shore Community Revitalization Project
Summary of Estimated Sales (Existing): Village Shopping Center

Business Type	Overall Sq. Ft.	Average Annual Sales/ Sq. Ft.	Total Estimated Annual Sales
Supermarket	63,000	\$485	\$30,555,000
Art Gallery	7,000	\$285	\$1,995,000
Apparel	16,000	\$225	\$3,600,000
Restaurant	10,000	\$300	\$3,000,000
Other General Retail	54,000	\$285	\$15,390,000
Total	150,000		\$54,540,000

"village_sales"

Sources: Hackett Management Corp., ULI's Dollars & Cents of Shopping Centers, and EPS

Next, EPS has estimated the percentage of sales for each retail category that occur to local customers versus visitors. This estimate is largely based on the outreach and survey research conducted and takes into account the shopping patterns of various retail types. Using the assumed distribution of spending among visitors and locals for key retail categories (shown in **Table B-2**), **Table B-5** shows the estimated annual sales from both visitors and locals for each retail category in the Village Shopping Center. As shown, visitor spending accounts for an estimated \$38 million annually, which comprises the vast majority of spending at the Village Shopping Center overall.

Table B-5
US 50/ South Shore Community Revitalization Project
Village Shopping Center - Estimated Breakdown of Existing Annual Sales

Retail Type Source	Estimated Annual Sales Table B-4	Estimated Customer Composition	
		Visitors Table B-2	Locals Table B-2
Supermarket	\$30,555,000	65% \$19,860,750	35% \$10,694,250
Art Gallery	\$1,995,000	95% \$1,895,250	5% \$99,750
Apparel	\$3,600,000	70% \$2,520,000	30% \$1,080,000
Restaurant	\$3,000,000	80% \$2,400,000	20% \$600,000
Other General Retail	\$15,390,000	75% \$11,542,500	25% \$3,847,500
Total	\$54,540,000	\$38,218,500	\$16,321,500

"village_sales_sum"

Table B-6 calculates the potential change in annual retail sales for each retail category at the Village Shopping Center, assuming the range of potential impacts described above. **Please note that this is not intended to be an exact prediction of retail sales impacts but is meant to show the order-of-magnitude change that is likely to be achieved as the result of the successful implementation of the Project over the long term.** As shown, EPS estimates that total retail sales at the Village Shopping Center could increase by approximately \$8.4 million to \$13.1 million under these conditions.

Table B-6
US 50/ South Shore Community Revitalization Project
Village Shopping Center - Potential Change in Annual Sales

Project Impact Scenario Testing

Business Type	Total Estimated Annual Sales	Assumed Percentage Change in Sales		Potential Long-Term Change in Sales	
		Low End of Range	High End of Range	Low End of Range	High End of Range
Supermarket	\$30,555,000			\$4,500,000	- \$7,030,000
Visitor Spending	\$19,860,750	20%	- 30%	\$3,970,000	- \$5,960,000
Local Spending	\$10,694,250	5%	- 10%	\$530,000	- \$1,070,000
Art Gallery	\$1,995,000			\$380,000	- \$580,000
Visitor Spending	\$1,895,250	20%	- 30%	\$380,000	- \$570,000
Local Spending	\$99,750	5%	- 10%	\$0	- \$10,000
Apparel	\$3,600,000			\$550,000	- \$870,000
Visitor Spending	\$2,520,000	20%	- 30%	\$500,000	- \$760,000
Local Spending	\$1,080,000	5%	- 10%	\$50,000	- \$110,000
Restaurant	\$3,000,000			\$510,000	- \$780,000
Visitor Spending	\$2,400,000	20%	- 30%	\$480,000	- \$720,000
Local Spending	\$600,000	5%	- 10%	\$30,000	- \$60,000
Other General Retail	\$15,390,000			\$2,500,000	- \$3,840,000
Visitor Spending	\$11,542,500	20%	- 30%	\$2,310,000	- \$3,460,000
Local Spending	\$3,847,500	5%	- 10%	\$190,000	- \$380,000
Total	\$54,540,000			\$8,440,000	- \$13,100,000

"village_impacts"

Potential Short-Term Negative Impacts

The positive retail impacts described above depend on the ability of the Project to facilitate the creation of a viable, walkable, main street destination that attracts tourists to the area and also is able to capture additional spending from existing residents who might not currently visit the Stateline area but who would now be attracted to the shopping, dining, recreation, entertainment, and events the area provides. All available evidence supports this expected outcome. However, there is the potential for negative short-term sales impacts to occur at the existing shopping center related to construction activities, change in drive-by visibility, and a temporary adjustment period related to the establishment of the "main street" district. EPS believes these potential impacts can be mitigated if appropriate signage, marketing, construction phasing, traffic handling, and building orientation strategies are implemented.

During this transition period, negative impacts may be sustained among various retail categories based on the effects of construction and/ or loss of drive-by visibility, and EPS has conducted an analysis to quantify this potential short-term financial impact.

In EPS's view, this circumstance may represent a "worst-case scenario." Mitigation of short-term losses could be achieved based on existing patronage, even under unfavorable circumstances related to roadway construction, potential loss of drive-by visibility, or other forces. Moreover, the rapid adoption of signage and marketing efforts would further reduce these impacts. Overall, these potential effects could cause a short-term decline in retail sales that could be between 0 and 5 percent for supermarket retail and between 5 and 10 percent for other in-line retailers. It is anticipated that this estimated decline could be decreased if appropriate mitigation strategies are implemented that address: signing, way finding, marketing, construction phasing, traffic handling, and building orientation are evaluated specific to each retail category.

EPS has calculated the potential change in annual sales for each key retail category in the Village Shopping Center and has found that under these conditions, total short-term retail sales in the Village Shopping Center would decline by \$1.0 million to \$3.6 million during the short term. If the high end of this range were to occur, the potential short-term negative impact would account for **just 1 percent** of total citywide retail sales.

Heavenly Village

The Heavenly Village area is a vibrant, walkable redevelopment project located along U.S. Highway 50, southeast of Heavenly Village Way. Heavenly Village includes two major timeshare properties and a significant amount of retail space, which accommodates a variety of restaurants, apparel shops, sporting goods stores, and other primarily visitor-serving retailers. The Heavenly Mountain Resort's gondola is a major attraction that brings a large degree of foot traffic to the area, especially in the winter months. It should be noted that Heavenly Mountain Resort is reportedly in the planning stages to bring much more non-winter recreational facilities to the mountain in the near term, which will likely serve to increase the number of visitors to the Heavenly Village during the time of year when the ski resort is not operating.

The Heavenly Village property is a popular regional attraction and is often found to have a high degree of visitorship, even during non-peak seasons. In addition to its robust mix of interesting and popular retailers and attractions, this can be at least partially attributed to the Marriott timeshare product itself, which encourages timeshare owners or club participants to use the facilities throughout the year. Even when rooms are left unused by owners, they can be rented on a short-term basis by members of the public.

Land Use Breakdown

The Heavenly Village Shopping Center is composed of several assorted tenants and a variety of business types, including wine shops, sporting goods stores, restaurants, and a movie theater. In total, the Heavenly Village contains approximately 130,000 square feet of retail space. **Table B-7** below shows a breakdown of the approximate square footage among major tenant types. As shown, approximately 10,000 square feet comprises service businesses (such as spas/salons, visitor centers, etc.), 40,000 square feet is made up of apparel stores, 35,000 square feet are restaurants, and the remaining 45,000 square feet is a mixture of various types of visitor-oriented retail (including an 8-screen movie theater).

Although its influence is not adequately accounted for in the building square footage, the gondola used to access the Heavenly Mountain Resort clearly is a very important driver of the shopping center and is indeed the primary anchor of the district, at least in the winter months. The movie

theater presents another compelling draw for both locals and visitors and is another supplemental anchor to the Heavenly Village that helps to keep the area vital. The robust mixture of anchor uses and complementary shops, restaurants, services, and other retailers in the Heavenly Village work very well together and allow the shopping center to function optimally and sustain itself as a primary draw of the Stateline area.

Table B-7
US 50/ South Shore Community Revitalization Project
Summary of Tenant Square Footage: Heavenly Village

Business Type	Overall Sq. Ft.	Percent of Total
Services	10,000	8%
Apparel	40,000	31%
Restaurants	35,000	27%
Other General Retail	45,000	35%
Total	130,000	100%

"hv_lu"

Sources: Trans-Sierra Investments, Retail Brokers, and EPS.

Customer Composition

EPS has analyzed the customer base of stores in the Village Shopping Center to assess which of them cater primarily to locals, which cater primarily to visitors, and which cater to hybrid of both. As discussed above, this distinction is important in the evaluation of potential shopping center impacts because locals and visitors shop for goods and services in much different ways.

EPS has used the results of its outreach process and findings gained through a review of survey data to assess the breakdown in customer composition at the Heavenly Village for each major business type. Clearly, the Heavenly Village property is much more heavily geared toward the tourist customer, and **Table B-8** below summarizes these estimates.

Table B-8
US 50/ South Shore Community Revitalization Project
Heavenly Village Estimated Customer Composition

Business Type	Estimated Customer Composition	
	Visitors	Locals
Services	80%	20%
Apparel	90%	10%
Restaurants	80%	20%
Other General Retail	80%	20%

"hv_customers"

Traffic Assessment

The vehicular traffic volumes along the existing U.S. 50 directly in front of the Heavenly Village are predicted to decrease substantially under the realignment alternatives considered in this Economic Analysis. A major goal of the Project is to allow through-traffic to circumvent the downtown area and continue along the new highway alignment at a higher rate of speed. Overall, traffic counts on the existing U.S. 50 roadway adjacent to Heavenly Village retail may decline by as much as 50 percent.³³ However, it is anticipated that the vehicles that continue to utilize the existing U.S. 50 roadway will include occupants that have self-selected into a group that is interested in reviewing the area, taking in the sights, and assessing their surroundings. These users will be more "active" in their review of the surroundings than those that would now be using the "new" U.S. 50. For these reasons, EPS believes that a much higher capture rate will be achieved along the "old" roadway. Furthermore, the Heavenly Village would still be visible to those vehicles who utilize the "new" U.S. 50 at the intersection of Heavenly Village road (and including the prominent gondola overhead), and especially if enhanced signage is created. Heavenly Village's capture rate of these vehicles will likely be similar—or perhaps greater—than current levels along existing U.S. 50. To realize this capture, it will be imperative to ensure that turn movements into the centers are easily made from the realigned U.S. 50.

Rationale for Potential Retail Sales Impacts

As with the Village Shopping Center above, EPS has created an estimate of the plausible retail sales impact of the Project on the Heavenly Village. As with the assessment for the Village Shopping Center property, this assessment is based on EPS's best judgment, given its expertise in retail development and tourism and the extensive process that has been undertaken to understand the business dynamics of the Study Area. Note that these estimates do not attempt to provide an exact quantification of impacts but should be considered as a more general indicator of the likely order of magnitude that could be observed under a set of defined

³³ According to Wood Rodgers Traffic Forecasting and Operations Analysis, 2009.

conditions. As has been mentioned throughout this report, computing precise impacts is complicated by the variety of external factors and constantly changing variables that drive results.

EPS has used this information to create estimates of the potential sales impacts of each retail category. This estimate is based on the outreach, survey results, and research endeavors described throughout this memorandum and takes into account the shopping patterns of various retail types.

As with the evaluation of the Village Shopping Center above, this assessment is based on the determination that the roadway realignment will be successful in facilitating the creation of a main street district that will transform the Stateline area into a more vibrant, walkable, attractive business district catering to tourists and local residents. It has been determined that an increase in visitation to the area may be increased by approximately 20 percent or more. EPS's case study research, industry projections, and input received from local tourism experts and business operators support the assertion that this level of increase in visitation is indeed a reasonable outcome if the South Shore area truly can capitalize on revamping the Stateline area and substantially enhance the tourism experience.

Further explanation regarding the estimated change in sales at Heavenly Village is provided below:

- The Heavenly Village already is a very strong and well-known attraction that is among the most popular visitor amenities in the South Shore. EPS does not believe this dynamic would change if the Project were implemented.
- The primary drivers of the Heavenly Village are the Heavenly Mountain Resort gondola and the two Marriott properties. These work well with the movie theater and other complementary retail uses in the center. The primary drivers of this district do not rely on highway visibility as a major factor in drawing patrons.
- Heavenly Village stands to benefit significantly from Heavenly Mountain Resort's on-mountain improvements, which will bring additional visitors to the property, especially in non-winter months.
- The Heavenly Village is already a very walkable district, which is a leading factor in its appeal. The Project would build on this status and make the area an even more vibrant and attractive location, from which the Heavenly Village stands to benefit greatly.
- While the overall number of vehicular trips that run along the front of the property is likely to decrease, the capture rate of the occupants of these vehicles is likely to increase, as the vehicles' speeds are reduced and occupants drawn toward the compelling environment and appeal that the Project can bring to the area.
- *The potential increase in sales to visitor shoppers could be as high as 20 to 30 percent, through a combination of a 20-percent increase in overall visitation to the South Shore, increased regional market share at the Stateline area, and/ or the incidence of increased spending per visitor associated with a more affluent clientele.*

- Local shoppers are aware of the offerings at the Heavenly Village and will continue to patronize it at existing levels as long as convenience issues such as access and parking remain the same. EPS believes that a likely increase in local patronage can be achieved at Heavenly Village retail stores if the Project is successful in transforming the district to one where locals are more prone to come to experience the appeal of the area, patronize shops and restaurants, and attend events, festivals, programs, etc. This potential upside from spending by local residents is conservatively estimated to be in the range of 5 to 10 percent of total existing sales.

Estimated Retail Sales Impacts at Heavenly Village

EPS has estimated the potential impact of the Project on annual retail sales at Heavenly Village, based on the estimated retail sales volumes at the property, the composition of local and retail shoppers, and several other key assumptions. This calculation is meant to demonstrate the overall effect of the Project on retail sales at Heavenly Village over the long term and is based on several key assumptions.

EPS has estimated annual sales activity of the Heavenly Village retail based on sales-per-square-foot factors for the various retail types, as provided by ULI. As shown in **Table B-9**, EPS estimates that the Heavenly Village retailers produce approximately \$45 million annually among the categories shown below.

Table B-9
US 50/ South Shore Community Revitalization Project
Heavenly Village Summary of Land Use and Estimated Sales (Existing)

Business Type	Heavenly Village Total Sq. Ft.	Average Annual Sales/ Sq. Ft. [1]	Total Estimated Annual Sales
Services	10,000	\$350	\$3,500,000
Apparel	40,000	\$350	\$14,000,000
Restaurants	35,000	\$350	\$12,250,000
Other General Retail	45,000	\$350	\$15,750,000
Total	130,000		\$45,500,000

"hv_sales"

Sources: ULI's Dollars & Cents of Shopping Centers and EPS

[1] Average sales per square foot for regional shopping centers in the West, according to ULI's Dollars & Cents of Shopping Centers.

Next, EPS has estimated the percentage of sales for each retail category that occurs to local customers versus visitors. This estimate is based on the outreach and survey research endeavors described throughout this report and takes into account the shopping patterns of various retail types. Using the assumed distribution of spending among visitors and locals for key retail categories (shown in **Table B-8**), **Table B-10** shows the estimated annual sales from both visitors and locals for each retail category in Heavenly Village retail stores, under existing conditions. As shown, visitor spending is estimated to account for approximately \$38 million in annual sales at the Heavenly Village, while local spending accounts for approximately \$8 million.

Table B-10
US 50/ South Shore Community Revitalization Project
Heavenly Village - Estimated Breakdown of Existing Annual Sales

Business Type	Total Estimated Annual Sales Table B-9	Estimated Customer Composition	
		Visitors Table B-8	Locals Table B-8
Services	\$3,500,000	80% \$2,800,000	20% \$700,000
Apparel	\$14,000,000	90% \$12,600,000	10% \$1,400,000
Restaurants	\$12,250,000	80% \$9,800,000	20% \$2,450,000
Other General Retail	\$15,750,000	80% \$12,600,000	20% \$3,150,000
Total	\$45,500,000	\$37,800,000	\$7,700,000

"hv_sales_sum"

Table B-11 shows the potential change in annual retail sales for each retail category that could occur at Heavenly Village once the Project is implemented and the main street district is created, using the assumed range of potential impacts described above. **Please note that this should not be used as an exact prediction of retail sales impacts but is meant to show the order-of-magnitude change that is likely to be achieved as the result of the successful implementation of the Project and the creation of a viable main street district over the long term.** As shown, EPS estimates that total annual retail sales at the Heavenly Village could increase by approximately \$8 million to \$12 million under these conditions.

Table B-11
US 50/ South Shore Community Revitalization Project
Heavenly Village Retail - Potential Impacts

Project Impact Scenario Testing

Business Type	Total Estimated Annual Sales	Assumed Percentage Change in Sales		Potential Long-Term Change in Sales	
		Low End of Range	High End of Range	Low End of Range	High End of Range
<i>Source</i>	<i>Table B-10</i>				
Services	\$3,500,000			\$600,000	- \$910,000
Visitor Spending	\$2,800,000	20%	- 30%	\$560,000	- \$840,000
Local Spending	\$700,000	5%	- 10%	\$40,000	- \$70,000
Apparel	\$14,000,000			\$2,590,000	- \$3,920,000
Visitor Spending	\$12,600,000	20%	- 30%	\$2,520,000	- \$3,780,000
Local Spending	\$1,400,000	5%	- 10%	\$70,000	- \$140,000
Restaurants	\$12,250,000			\$2,080,000	- \$3,190,000
Visitor Spending	\$9,800,000	20%	- 30%	\$1,960,000	- \$2,940,000
Local Spending	\$2,450,000	5%	- 10%	\$120,000	- \$250,000
Other General Retail	\$15,750,000			\$2,680,000	- \$4,100,000
Visitor Spending	\$12,600,000	20%	- 30%	\$2,520,000	- \$3,780,000
Local Spending	\$3,150,000	5%	- 10%	\$160,000	- \$320,000
Total	\$45,500,000			\$7,950,000	- \$12,120,000

"hv_high"

Potential Short-Term Negative Impacts

As with the Village Shopping Center impact scenarios estimated above, the positive retail impacts described above depend on the ability of the Project to facilitate the creation of a viable, walkable, main street destination that attracts tourists to the area and also is able to capture additional spending from existing residents who might not currently visit the Stateline area but who would now be attracted to the shopping, dining, recreation, entertainment, and events the area provides. All available evidence supports this expected outcome. However, there is the potential for negative short-term sales impacts to occur at the existing shopping center related to construction activities, change in drive-by visibility, and a temporary adjustment period related to the establishment of the "main street" district. EPS believes these potential impacts can be mitigated if appropriate signage, marketing, construction phasing, traffic handling, and building orientation strategies are implemented.

During this transition period, negative impacts may be sustained among various retail categories based on the effects of construction and/ or loss of drive-by visibility, and EPS has conducted an analysis to quantify this potential short-term financial impact.

EPS does not believe the Project will have any noticeable negative affect on patronage from local residents at the Heavenly Village. However, in the short term, visitor spending could decline by up to 5 percent if construction impacts or issues related to highway visibility are indeed realized. In EPS's view, this circumstance may represent a "worst-case scenario." Mitigation of short-term losses could be achieved based on existing patronage, even under unfavorable circumstances related to roadway construction, potential loss of drive-by visibility, or other forces. Moreover, the rapid adoption of signage and marketing efforts would further reduce these impacts.

EPS has calculated the potential short-term change in annual sales for each key retail category in the Heavenly Village Shopping Center. Under these conditions, total retail sales in the Heavenly Village could decline by up to \$1.8 million annually during the short term. If this decline were to occur, the potential short-term negative impact would account for **just less than one half of one percent** of total citywide retail sales. It is anticipated that this estimated decline could be decreased if appropriate mitigation strategies are implemented that address: signing, way finding, marketing, construction phasing, and traffic handling are evaluated specific to each retail category.