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Northern California Communities benefit from Lowe's and Target Stores Petaluma retail projects critical to economic recovery and solving city's budget crisis

Petaluma – Today, a newly released study presented to the Petaluma Area Chamber of Commerce revealed that the City of Petaluma's current fiscal crisis clearly demonstrates that the city would be better off financially and commercially with greater retail availability.

The independent and objective analysis prepared for Merlone Geier Partners reveals that without retail diversity within the city, Petaluma residents will continue to spend their retail dollars in neighboring communities with no benefit to their own city's deteriorating fiscal condition.

"Without dramatic changes to the city's revenue streams or resurgence in the local economy, the city will be faced with ongoing budgetary problems and further difficult decisions," said Lon Hatamiya, an economist that authored the study. "Petaluma's current fiscal crisis will remain challenging for the foreseeable future."

Major Findings:

- Petaluma has experienced a significant decline in General Fund revenues, a rapid drop of 34.6% since 2007.
- **A lack of diverse retail options is limiting the city's ability to rebound from the economic downturn at the same rate as the state as a whole.** Sales tax revenues make up the largest share of the City's General Fund Expenditures and sales tax revenues have declined by 20.2% in the last two years which compares with an anticipated increase in statewide sales taxes of 16.8% across California during the same period of time.
- **Had two proposed shopping center projects been in place during the economic downturn, the city's financial crisis would not be so great.** Petaluma's fiscal difficulties could be remedied with the approval and opening of the proposed Deer Creek Village shopping center anchored by a Lowe's Home

Improvement Warehouse and the East Washington Place Shopping Center anchored by Target. If both projects were in operation today, they could add approximately \$1.7 million in annual revenues to the City's General Fund, negating the need for public employee furloughs and cuts to city services.

- Under separate and independent analysis, **the study validates the City's Fiscal and Economic Impact Analysis (FEIA) of both projects** that determined that Petaluma is significantly under-retailed in major retail categories, including *Building Materials* stores and *General Merchandise* stores, among others.
- In a major departure from previous economic analysis, the study evaluated the fiscal impact of Lowe's and Target stores that opened in Northern California communities between 2003-07. Findings are significant given the state of the national recession and a home improvement/building industry sector in California contending with one of the highest home foreclosure rates in the Nation.
 - As demonstrated by the analysis, **taxable retail sales in the category of *Building Material stores* increased by an average of 41.9% the year following the opening of a Lowe's store.** Serving as a local example, Petaluma's neighboring community of Cotati experienced a 67.6% increase in the year following its Lowe's store opening.
 - As demonstrated by the analysis, **taxable retail sales in the category of *General Merchandise stores* increased by an average of 58.9% the year following the opening of a Target store.**
 - In addition, **Building Material stores (Lowe's) and General Merchandise stores (Target) opened in Northern California communities from 2003-2007 were consistently among the top 7 sales tax generators** in their respective communities the year following their opening and continuing in successive years.

"It is clear from our analysis of the current situation that the city can help itself with the approval of the Deer Creek Village Shopping Center and/or East Washington Place Shopping Center. The projects will inject increased sales tax revenues into the City of Petaluma by diversifying the retail base and available choices for consumers. These sales tax revenues would come mainly from retail expenditures already being made by Petaluma residents, but spent in neighboring communities. Most importantly, by providing greater retail choices for its residents, Petaluma will not only benefit from improved convenience and efficiency, but it will also benefit from greater sales tax revenue which will ensure the protection of essential city services and programs during a critical period of budgetary and economic uncertainty," said Hatamiya.

[Lon Hatamiya](#) is a Director with [Navigant Consulting, Inc.](#), in Sacramento. As an economist, Hatamiya specializes in banking and financial institutions, international, national and regional economic analysis, econometrics, intellectual property evaluation, government and public policy, entertainment and sports, and litigation support. He served as the Secretary of the California Technology, Trade and Commerce Agency.

Deer Creek Village, a project of [Merlone Geier Partners](#), will be one of Petaluma's premiere mixed-use centers boasting a unique combination of shopping, anchored by a Lowe's Home Improvement Warehouse. To learn more, visit the project website at www.deercreekproject.com.

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