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September 26, 2006

JOAN R. GALLO
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Evergreen Community Task Force
San Jose City Hall
200 E. Santa Clara Street
San Jose, CA. 95113

Re: Evergreen Community College District – Grocery Store Issue

Dear Task Force Members:

At the Task Force meeting on September 25, 2006, the Evergreen Community College representative suggested that in order to achieve the affordable housing at this site, it is essential to allow the grocery store that they have proposed. This “linkage” on the part of the College should not be accepted by the Task Force.

On behalf of Canyon Creek Plaza, LP, owner of Canyon Creek Plaza, and Shapell Industries of Northern California, owner of the Evergreen Village Center, we ask that you keep the following in mind during your deliberation on this issue.

First of all, the Task Force must make its decision consistent with Evergreen Visioning Project’s Vision and Expected Outcome #7 approved by the City Council on June 21, 2005 that the plan should, “Capture new retail and commercial opportunities **while strengthening all existing retail including the commercial center at the Evergreen Village...**” Your recommendation should further this vision and not support the grocery store proposal out of fear that the affordable housing on the site will not be forthcoming.

Secondly, the Task Force should not sacrifice good land use planning based on the implication by the College that only the grocery store will enable it to provide the housing. As we have previously pointed out, the Planning Staff recommended against retail over-saturation of the area in 1994, 1995 and again in 1996 acknowledging that approving a major grocery store, in this area would be contrary to the General Plan, and would undermine the commercial strategy of the Evergreen Specific Plan. Moreover, the College itself, in 1996, agreed that *“Very importantly, by excluding a full service grocery operation, the revised amendment is intended to complement and not adversely impact the commercial Village Center in the Evergreen planned residential community.”*

The College is very vague about its preference program for the affordable housing. Preference programs are possible. It seems likely that the College will give preferences to its qualifying faculty, staff and student body. This program will benefit the College as well as the community.

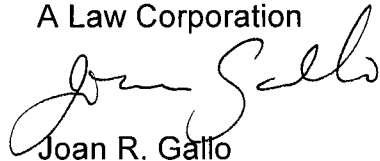
Moreover, the attached report by Alfred Gobar Associates, that we have previously provided, shows that there are other possible anchors for the commercial site such as a family clothing store, a limited price variety store, a bedding & housewares store, a home furnishings store, a sporting goods store, a bookstore or an office supply store.

Therefore, we request that with regard to future commercial development within the Evergreen Valley Community College Opportunity Site, you adopt the policy statement that, "This commercial square footage may be used for either retail or commercial office development, but may not be allocated for development of a grocery store."

Thank you for your consideration.

Sincerely,

HOPKINS & CARLEY
A Law Corporation



Joan R. Gallo

JRG/bm

Enclosure

cc: Laurel Prevetti
Ed Abelite
Kelly Eradi

September 15, 2006

ALFRED GOBAR ASSOCIATES



Mr. Kelly Erardi
SHAPELL INDUSTRIES OF NORTHERN CALIFORNIA
P.O. Box 361169
Milpitas, CA 53035
Sent Via Mail & Email: kerardi@sincal.com

Subject: Low Impact Retail Opportunity in Evergreen Trade Area

Dear Mr. Erardi:

The Evergreen Area includes several attractive hillside neighborhoods of San Jose that have been the focus of considerable planning attention, including the Evergreen – East Hills Vision Strategy, to best serve the needs of existing and future residents as this portion of the City reaches build out. An important planning consideration is providing an ample supply of retail development that adequately serves Evergreen consumer demands but does not result in an excess supply of businesses likely to cause an adverse impact on the vibrant role desired for all retail land use currently serving this area of San Jose.

Retail Setting

The Evergreen Valley Community College District is seeking to develop its property at the corner of Yerba Buena Road and San Felipe Road (College Site) into a community-serving retail center anchored by a major chain supermarket. Eleven supermarkets occupying over 434,000 square feet of building space currently exist within 3.5 miles of the College Site, including Lunardi's in the Evergreen Village Center (located 0.6 miles to the north) and Cosentino's in the Canyon Creek Plaza (located 1.1 miles to the southwest). These existing retail centers, that were integral to prior planning efforts in the area, have expressed significant concern that an additional supermarket in the area, and in particular at the College Site would, not only be contrary to previously approved and publicly-vetted planning efforts, but would severely and adversely impact existing supermarkets and other retail tenants in affected centers, due to an already abundant supply of such food store operations.

Success Of A New Grocery Store At The College Site Would Be At The Expense Of Others

An independent study by MapInfo determined that although the College Site is an attractive location for a retail anchor, any successful supermarket operator will likely capture away a substantial share of sales that now flows to existing markets (as much 30% to 35% from the closest supermarkets).

Similarly, we performed an independent analysis last year and found that residual sales potential at the College Site was not adequate to support another major-chain supermarket within the Evergreen trade area (without taking away a substantial share of sales support at existing supermarkets) — even with build-out of the additional residential development proposed by the Evergreen - East Hills Vision Strategy. The study used a 2.0-mile radius to estimate sale potential, accounting for geographic

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distribution of existing supermarkets and their impact on sales support at the College Site. Several prospective target store platforms were evaluated for the site from 20,000 to 60,000 square feet. In every instance, site-specific performance fell short of a threshold profitability requirement due to competitive interaction of the site and surrounding markets. While the College Site is a relatively attractive venue for retail merchandising, the Evergreen trade area is already served by an ample supply of food store supermarkets.

Additional Grocery Store Would Negatively Affect Non-Anchor Tenants In Nearby Centers

Potential adverse impacts associated with an additional supermarket at the College Site is not strictly limited to existing supermarkets alone, but is also a real threat to all retail tenants in each affected shopping center. Anchor stores are critical to the success of retail concentrations exceeding 25,000 to 30,000 square feet because they most often generate repeat shopping visits that drive sales support in many of the adjacent non-anchor shops (in-line stores, pad retailers, etc.). Non-anchor tenants invariably depend on a viable supermarket operation for their own success, and would be adversely impacted if the existing market to which their prospects are tied were to go out of business as a result of over-saturation of the market. The success of a new 50,000-square-foot supermarket at the College Site would be at the expense of nearby retailers and would significantly dilute sales that currently flow to existing stores such as Lunardi's and Cosentino's.

Opportunity Exists For Non-Grocery Anchors At The College Site

Our market study was not limited to the analysis of supermarket potential alone. Within the scope of the June 2005 retail analysis, over 2.7 million square feet of anchor retail space within the Evergreen trade area was identified, measured, and classified according to 12 distinct store-type categories (including grocery stores). The supply of existing anchor stores competing within a neighborhood- (2-mile) and regional-oriented (5-mile) trade area surrounding the College Site ("Evergreen Marketplace") is significant and yet market opportunity for additional selected types of anchor stores also exists.

In performing our analysis, we identify marketable potential as residual sales support likely to be captured at the identified site after first accounting for the competitive influence of existing stores. In other words, we determine what sales exist for a retailer at a specific location, taking into account the competition. This conservative approach reflects the viewpoint that an existing anchor store near the site will have a greater impact on sales potential than a similar store located some distance from the site. Also, existing retailers will vigorously defend store sales (loyalty clubs, promotions, etc.) to minimize a potential shift in support to a new operator. In addition, the residual level of sales support (i.e., sales per square foot) must be sufficiently high to attract serious interest from a chain-store or strong independent operator. (Different threshold levels exist for a different store type activity.) The results of this analysis are summarized in Exhibit A attached hereto.

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The analysis demonstrates that no realistic potential exists for a supermarket at the College Site without necessarily capturing customers currently using existing stores. However, strong near-term potential exists for the following non-grocery anchor store activities at the College Site:

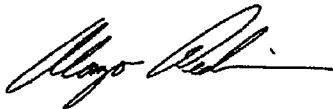
Anchor Store Type Activity	Notable Exemplar Chain-Store Operations
Family Clothing	Stein Mart; Old Navy, Nordstrom Rack
Limited Price Variety Store	Big Lots, Dollar Tree; Tuesday Afternoon
Bedding & Housewares	Bed-Bath-Beyond; Williams-Sonoma; Crate & Barrel
Home Furnishings Stores	Simmons Mattress; Pier 1 Imports; Bombay
Sporting Goods Store	Big 5 Sporting Goods; REI; North Face
Bookstores	Borders; Barnes & Noble
Office Supply Store	Staples; Office Max; Office Depot
Misc/Specialty Retail Stores	Michael's; Petco; Party City

These types of anchor stores represent realistic existing opportunity to better serve retail needs within southeast San Jose without adversely impacting existing neighborhood centers that perform a critical function in serving the day-to-day consumption needs of the Evergreen community, and that were approved pursuant to a comprehensive planning process.

Conclusion

As noted above, development of a new supermarket at the College Site would have significant adverse impacts not only to existing nearby supermarkets due to over-saturation, but to all retail tenants in affected neighboring retail centers whose viability is tied to their grocery anchors. However, our analysis has concluded that ample opportunity exists to support a variety of non-grocery anchor stores at the College Site without causing significant harm to surrounding retail centers, thereby better serving the demands of the Evergreen area while avoiding a conflict with prior planning efforts that gave rise to existing centers such as Evergreen Village and Canyon Creek Plaza.

Very truly yours,
 ALFRED GOBAR ASSOCIATES



Alonzo Pedrin
 Principal
 (714) 772-8900 x310

EXHIBIT A

RETAIL SALES POTENTIAL FOR ADDITIONAL ANCHOR STORE MERCHANDISERS
 EVERGREEN MARKETPLACE* --- SAN JOSE, CA
 JUNE 2005

Anchor Store Type	Floor Space Parameters (Sq Ft)			Near-Term Market		Within 5 Years		Threshold Market	
	Typical Size Range Of Merchandisers	Relevant Trade Area	Target Store Size	Effective Sales/Sq Ft	Anchor Feasibility	Effective Sales/Sq Ft	Anchor Feasibility	Min Threshold Population	Population
Grocery Stores: Option 1	20,000 - 65,000	2-Mile	20,000	\$202	Not Feasible	\$288	Not Feasible	90,000	2-Mile
Option 2	20,000 - 65,000	2-Mile	30,000	\$193	Not Feasible	\$275	Not Feasible	95,000	2-Mile
Option 3	20,000 - 65,000	2-Mile	40,000	\$185	Not Feasible	\$263	Not Feasible	100,000	2-Mile
Option 4	20,000 - 65,000	2-Mile	60,000	\$170	Not Feasible	\$242	Not Feasible	105,000	2-Mile
General Merchandise	90,000 - 250,000	3 to 5-Mile	90,000	\$140	Not Feasible	\$147	Not Feasible	520,000	5-Mile
<input checked="" type="checkbox"/> Family Clothing	10,000 - 30,000	3 to 5-Mile	15,000	\$338	Very Strong	\$353	Very Strong	Existing Pop.	Existing Pop.
<input checked="" type="checkbox"/> Limited Price Variety Store	10,000 - 22,000	3 to 5-Mile	20,000	\$416	Very Strong	\$420	Very Strong	Existing Pop.	Existing Pop.
<input checked="" type="checkbox"/> Bedding & Housewares	15,000 - 30,000	3 to 5-Mile	20,000	\$586	Very Strong	\$613	Very Strong	Existing Pop.	Existing Pop.
Home Electronics & Appliances	15,000 - 50,000	3 to 5-Mile	30,000	\$239	Not Feasible	\$235	Not Feasible	510,000	5-Mile
<input checked="" type="checkbox"/> Home Furnishings Stores	10,000 - 40,000	3 to 5-Mile	20,000	\$191	Very Strong	\$199	Very Strong	Existing Pop.	Existing Pop.
Home Improvement Store	90,000 - 140,000	3 to 5-Mile	110,000	\$271	Competitive	\$275	Competitive	350,000	5-Mile
<input checked="" type="checkbox"/> Sporting Goods Store	10,000 - 40,000	3 to 5-Mile	20,000	\$272	Very Strong	\$284	Very Strong	Existing Pop.	Existing Pop.
<input checked="" type="checkbox"/> Bookstores	12,000 - 35,000	3 to 5-Mile	25,000	\$685	Very Strong	\$715	Very Strong	Existing Pop.	Existing Pop.
<input checked="" type="checkbox"/> Office Supply Store	15,000 - 40,000	3 to 5-Mile	20,000	\$978	Very Strong	\$1,022	Very Strong	Existing Pop.	Existing Pop.
<input checked="" type="checkbox"/> Misc/Specialty Retail Stores	10,000 - 40,000	3 to 5-Mile	20,000	\$1,775	Very Strong	\$912	Very Strong	Existing Pop.	Existing Pop.
				Feasible Anchor Supply:		160,000 Sq. Ft.			
				Current/Projected Population:		2-Miles 59,100**			
						3-Miles 112,800			
						5-Miles 325,200			

* Located at 4850 San Felipe Road, San Jose, Ca.

** Includes optimistic population increase expected from residential development

Source: Alfred Gobar Associates