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## Retail Leakage Update

*By Andrea A. Firth*

The infusion of residential space in Orinda's downtown districts won't have a significant impact on local retail sales according to a sales leakage study update. "Not much," was analyst Stephen Wahlstrom's answer to the City Council's question regarding the impact of downtown housing on local retail sales.

The sales leakage study report was presented to the City Council in early September and Wahlstrom was back before the Council on October 19th to provide an update to address the housing/local spending question and fielding questions from Council Members Amy Worth, Victoria Smith, and Sue Severson. Mayor Tom McCormick recused himself from the presentation and discussion of the retail leakage study this time around pending advice from the California Fair Political Practices Commission on his participation due to the proximity of his home to downtown. Council Member Steve Glazer, who arrived late to the meeting, participated in the tail end of the discussion. Wahlstrom explained that the addition of 200 housing units in the downtown would generate another \$1.6 million a year in local sales revenue, a modest 2% increase in the annual sales captured by local businesses. This would translate to approximately \$16,000 in sales tax revenue for the City annually. Currently, sales tax comprises 9% of the City's annual operating revenue of just over \$11 million.

Wahlstrom's conclusion was based on the assumption that the earnings of these downtown housing units would be consistent with Orinda's average household income of \$177,000, which he acknowledged was optimistic. And like Orinda's existing residents, he assumed 70% of their retail spending would continue to leak away to Lafayette, Walnut Creek, and other locations with more shopping options.

"You are not realistically going to gain more sales tax revenue without adding retail space," stated Wahlstrom. He identified the long empty Phairs building as a potential site for an apparel store, a sporting goods store, a home furnishings store, or a Trader Joe's. Other than the Phairs building he noted that additional open retail space was limited, "You don't really have that many vacancies."

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