

APPENDIX H

Urban Decay

**Lincoln Special Use District-B (SUD-B)
Northeast Quadrant Specific Plan
Urban Decay Analysis**

PUBLIC REVIEW DRAFT

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I. EXECUTIVE SUMMARY

INTRODUCTION

The purpose of this study is to assess the potential for urban decay resulting from development of the Lincoln SUD-B Northeast Quadrant Specific Plan, located adjacent to the western city limit line of the City of Lincoln (the “Project”). The Project comprises approximately 186.2 acres of vacant land, which is just a portion of the larger SUD-B area. The Lincoln SUD-B Northeast Quadrant land use plan contains two types of low-density owner-occupied residential land uses, including low purchase price and high purchase price, and employment-generating land uses, including commercial space assumed to include retail and office/flexible space commercial, as well as recreational and open space land uses. While currently most of the Project site is located outside the city limits, the expectation is that the Lincoln SUD-B Northeast Quadrant would be annexed into the City of Lincoln.

Project development is assumed to occur over ten years with the construction start anticipated in 2017, leading to a 2027 buildout. Upon full buildout, the land uses planned for the Project include 452 low density residential units and up to 971,000 square feet of commercial space. This space is assumed to be split 60% retail and 40% office or other non-retail commercial uses, including office, business professional, and service industry.¹ There will be a moderate employment base located at the Project. This employment base will grow over time as overall development occurs. Employment at buildout in 2027 is estimated to total 2,214.

The City of Lincoln retained Dudek to prepare an Environmental Impact Report (EIR) for the Project. ALH Urban & Regional Economics (“ALH Economics”) is part of the environmental team responsible for conducting the EIR’s urban decay analysis to be incorporated into the EIR. Generally speaking, urban decay is characterized by physical deterioration to properties or structures that is so prevalent, substantial, and lasting a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community.

This study estimates the extent to which development of the Project may or may not contribute to urban decay pursuant to potential impacts on retail and office space. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in the context of an urban decay analysis includes the commercial real estate base and other germane real estate conditions, as measured by the current baseline. Characteristics of physical deterioration contributing to urban decay include abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth.

¹ The study conservatively analyzes this non-retail commercial space as office space.

SUMMARY OF FINDINGS

Development Context

The Project is planned against an existing backdrop in Lincoln of 1.6 million square feet of retail space, approximately 320,000 square feet of office space, and 4.0 million square feet of industrial space. These existing land use inventories comprise just a portion of the City's long-term potential development based on current General Plan land use designations for the City of Lincoln and its Sphere of Influence. Pursuant to the current General Plan land use designations and FAR assumptions, ALH Economics estimates the buildout capacity in Lincoln and its Sphere of Influence to comprise 2.7 million square feet of Neighborhood Commercial, 32.3 to 37.0 million square feet of Commercial, 10.0 million square feet of Business Park, 27.0 million square feet of Industrial, and 36.2 million square feet of Industrial Planned Development. These figures were calculated based upon the maximum FAR's included in the General Plan, which includes 0.35 - 0.40 for Commercial. At a lower, more typical FAR ratio range of 0.20 to 0.25, the potential Commercial space drops to 18.5 to 23.1 million, which is still a far greater amount than is currently built. Thus, there is yet regulatory potential for many more millions of square feet of commercial and industrial space in the City of Lincoln and its Sphere of Influence. These figures indicate that the City of Lincoln has substantial growth potential relative to its developable land inventory, and that the Project will be developed against a backdrop of substantial physical growth potential within existing City of Lincoln General Plan policies.

Prevailing Retail Market Conditions and Regulatory Controls

Lincoln's retail base totals about 1.6 million square feet. The City of Lincoln was recognized as the nation's Fastest Growing City from 2000 to 2010, growing more than 200%. Much of Lincoln's retail inventory was built during this time, although the City has a Historic Downtown District with buildings dating from the late 1800s. This district is characterized by specialty merchants and small-town charm, and few retail vacancies. The Downtown consists of many civic and community uses, restaurants, services, offices, and a mix of both "mom and pop" and chain retail. The bulk of Lincoln's retail space is concentrated in neighborhood and community shopping centers in several commercial nodes, including along Lincoln Boulevard and in the Twelve Bridges area. Generally speaking, the retail properties are in good physical and clean condition, with only scant exception. Even these exceptions are minor, with one vacant property available for sublease characterized by one boarded up window, and another partially constructed property surrounded by a chain link fence. Thus, in general, Lincoln's existing retail real estate is in moderate to good physical condition with limited evidence of trash or other conditions contributing to urban decay and deterioration.

Lincoln experienced rapid expansion of its retail base between 2006 and 2009, increasing by nearly 50% over this time period. This rapid growth ultimately came to a halt with the Great Recession, with retail vacancy peaking at 16.6% during 1st quarter 2009. The retail market then proceeded to experience a very slow and gradual recovery, with the most recent vacancy rate measured at 9.1% in early 2015. During the aftermath of the recession a number of retail properties in Lincoln fell into foreclosure, with new parties assuming ownership and working on stabilizing the properties. Lincoln's current retail vacancy rate is slightly more favorable than the Sacramento region's average of 10.5%. These vacancy rates fall within and close to between 5.0% and 10.0%, which is typically considered to be indicative of a healthy retail market. In addition to Lincoln's retail market operating within industry accepted healthy parameters, 20

leases totaling approximately 50,000 square feet were executed during the second half of 2014 and the first half of 2015. In addition, one of the larger relatively recent retail lease transactions in Lincoln - Big 5's occupancy of the former Fresh and Easy space in the Parkway Plaza shopping center - occurred prior to this time period, even though the store did not open until November 2014. This strong example of retail backfilling and the more recent leasing activity demonstrate that Lincoln's retail market is characterized by a modest amount of momentum, generally maintaining market stability.

The Municipal Code in Lincoln requires property owners to maintain their properties so as to avoid nuisances by creating a condition that reduces property values and promotes blight and neighborhood deterioration. Enforcement of these ordinances can help prevent physical deterioration due to long-term closures of retail spaces. According to the Code Enforcement Department the majority of violations are resolved within 2-3 weeks. The typical types of violations that occur are for zoning, inoperable vehicles, RV boats and trailers, blight, and anything within the municipal code. Of the annual 650-700 complaints received, 90% occur on residential property and 10% on Commercial property. Project-related fieldwork revealed no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes and corridors in the City of Lincoln. All vacant properties were well-maintained with no signs or decay or deterioration. Two exceptions include one closed restaurant with a window boarded up with plywood, and a partially built retail project surrounded by chain link fencing. Even these two properties, however, are well-maintained. Thus, ALH Economics concludes that existing measures to maintain private commercial property in good condition in the City of Lincoln are effective.

Lincoln SUD-B Northeast Quadrant and Cumulative Retail Project Impacts

The Project. The Project's retail space is assumed to total 582,600 square feet and is anticipated to serve a wide range of components of demand. These include Project residents, Project employees, Lincoln residents, and regional demand given the Project's location bordered by the Highway 65 Bypass to the south. The primary market area for Project retail is assumed to comprise the City of Lincoln, Sheridan, and the City of Wheatland. Given the size of the Project's retail component, the Project is also assumed to capture secondary market area demand from Marysville, Yuba City, and Rocklin. In addition, up to 20% of the Project's retail space is anticipated to be supported by shoppers originating from outside these market areas, comprising a tertiary market area. The City of Lincoln's existing sports tourism and additional planned tourism are anticipated to account for much of this tertiary market area draw, as well as drive by traffic along the Highway 65 Bypass.

Table 1 presents a summary of the estimated supply and demand characteristics of the Project's potential retail development. Select nuances included in the analysis include demand generated by Wheatland growth included in the Wheatland General Plan but not accounted for in growth projections prepared by the Sacramento Area Council of Governments, which provided the basis for the growth projections. Another nuance includes recapture of sales leakage from Lincoln households, as analysis suggests that Lincoln loses household retail sales potential to other communities.

Table 1. Summary of Lincoln SUD-B Northeast Quadrant Specific Plan Retail Demand and Existing City of Lincoln Retail Base Impacts

Components of Retail Space	Cumulative Results 2027 (1)
SUD-B Northeast Quadrant Retail Supply (1)	466,080
Components of Demand	
Project-Generated Demand	44,100
Primary Market Area Retail Demand	1,350,000
Secondary Market Area Demand	780,000
Sub-total	2,174,100
Remaining Unmet Demand	1,708,020

Sources : Exhibit 30.

(1) Reflects the space assumed to be supported by the primary and secondary market areas .

The demand analysis results in Table 1 indicate that sufficient primary and secondary market area demand is projected for the Project’s retail space. There will yet be additional unmet demand remaining. Thus, even with Project absorption, the primary and secondary market area are anticipated to still support development for an additional 1.7 million square feet of space by 2027.

Cumulative Retail Projects. In addition to the Project, there are numerous other retail projects planned in the City of Lincoln as well as the secondary market area. By 2027 and 2042, the estimated buildout year for other major retail projects in the City of Lincoln, these additional or cumulative retail projects on a competitive basis total approximately 1.3 million square feet by 2027 and 2.1 million square feet by 2042. Thus, the total supply of retail projects including the Project’s 466,080 square feet anticipated to be supported by primary and secondary market area sources of demand totals 1.7 million square feet by 2027 and 3.8 million square feet by 2042. There appears to be sufficient demand to absorb the planned retail space at the Project and the cumulative projects by 2027. However, by 2042 demand deficits are projected. This totals about 219,000 square feet by 2042. This amount of insufficient demand could eventually be completely absorbed, actually increasing the area demand an additional 321,000 square feet pursuant to more long-term retail demand projections associated with full population buildout of the City of Lincoln, but the timing of this buildout is unknown.

At worst, the cumulative project impacts generally indicate there could be insufficient demand to support 219,000 square feet of the planned projects by 2042, depending upon the timing of full buildout of the City of Lincoln. If this impact was all experienced by the Lincoln retail base, this would be the amount of retail space that would need to be vacated to provide sufficient support for the Project and all the identified cumulative projects, or not initially achieve full stabilization. While not all of this impact would be felt in Lincoln given the market area definition, still a large portion of this would occur in Lincoln, and thus comprise a large share of the retail base existing at the time. Yet, if sales performance is lower than assumed in the demand analysis, then the amount of sales impact would decline. The impact would also decline if the rate of cumulative project development is slower or projects are downscaled. Given the Project’s probable regional-serving retail orientation, these impacts are likely to occur

among regional- or sub-regional serving retailers, and not the smaller specialty type retailers such as are located in Downtown Lincoln.

Office Market Context

In addition to providing a new community for homes and retail-serving uses, the Project also has a moderate employment-generating component, including up to 388,400 square feet of office space, if all the non-retail commercial space is developed as office.² If all this space is developed as office, it would comprise a substantial change from current conditions in Lincoln, where the office base is estimated to total just over 300,000 square feet. This limited inventory appears to be in good to moderately good condition, with no visible signs of decay or deterioration. Leasing activity is relatively modest, with five leases executed in the second half of 2014 and first half of 2015, totaling approximately 3,400 square feet. Lincoln's office base is small in general, but also in comparison to other nearby cities, where occupied office spaces average 48 to 172 square feet per capita, compared to 15 square feet in Lincoln. The potential level of Project office development would establish the Project as an employment node. The employment base provides another measure of how this is very different from current conditions, with employment in Lincoln totaling approximately 9,200 compared to the Placer County total of 156,600.

For the Project's potential office space to be absorbed, Lincoln would need to capture an increasing share of Placer County employment. There are yet other office projects in the pipeline during the same overall development horizon, with projects totaling up to about 1.8 million additional square feet of office space. Current SACOG projections do not reflect the shifting employment base that would support substantial new office space, with Lincoln employment projected to increase by approximately 2,800 between 2015 and 2027, the year the Project's office space is anticipated to be completed. This compares to employment growth of almost 30,000 in Placer County over the same time period. However, a shifting share of regional employment is consistent with the City of Lincoln's long-term vision for Lincoln to become more of an employment center, with the General Plan capacity for almost 10.0 million square feet of Business Park building area. The city's General Plan anticipates Lincoln comprising a financially self-sustaining community of over 100,000 people, with supportive commercial and industrial development.

Following the Great Recession, the City of Lincoln formed an Economic Development Committee that prepared a "Strategic Economic Development Action Plan." The Action Plan was created to help guide the city as it grows and emerges from the Great Recession, and included the vision for Lincoln to be the regional hub of economic growth for South Placer County and the mission to promote a strong economic environment that encourages business retention and expansion, and new commercial and industrial growth. Lincoln will need to achieve this mission if the planned Project office space is developed and achieves occupancy. There is no local market precedent to support the development of this amount of space. However, the region as a whole is projected to require a substantial amount of new office space by 2027, coincident with the anticipated timing of the Project's office space. The anticipated employment growth in

² The Project's non-retail commercial space, including office, business professional, and service industry, was conservatively analyzed as office space, as this is the smallest real estate base in Lincoln. Thus, new space additions comprise a larger share of this real estate base than any other Lincoln real estate base.

Placer County is consistent with projected demand for 3.75 million square feet of office space between 2015 and 2027, and yet an additional 3.0 million square feet by 2035, the end of the SACOG projection period. In total, new office demand in Placer County between 2015 and 2035 is projected to total 6.75 million square feet to accommodate the projected growth. Lincoln will need to successfully leverage this demand to support the potential amount of office space planned at the Project as well as the cumulative projects. The degree to which Lincoln can achieve this will depend upon the city's economic development efforts and the overall health of the regional economy.

The most likely scenario if Lincoln does not attract the number of businesses and amount of employment necessary to support the potential planned Project office space and the cumulative projects is that these projects will be downscaled or delayed, as warranted by market conditions. Given the cost of new office construction it is unlikely that such development will occur on a speculative basis. The existing office base in Lincoln is so small and centrally located (especially relative to all future Village development that surrounds the existing core) that negative impacts on these properties to the point of a result of urban decay and deterioration is unlikely and not foreseen. As newer office space is built, the older, smaller properties will continue to be attractive to small, price sensitive operations. Such properties will provide opportunities for new businesses to evolve and incubate, at which point growth could support relocation to some of the newer office space in Lincoln, enabling businesses to stay local while achieving business success. Based on the preceding description of urban decay, therefore, ALH Economics concludes that the maximum potential office space planned for the Project, as well as the cumulative projects, will not cause or contribute to office-related urban decay.

URBAN DECAY CONCLUSIONS

The study findings suggest that there is no basis to believe that existing office space in the City of Lincoln would experience negative impacts following the addition of the Project's potential office space that would contribute to closure of existing facilities. The existing stock appears well-maintained and there is no evidence to suggest that existing office buildings will close and exhibit traditional signs of deterioration and decay, such as graffiti, refuse dumping, and dilapidated fencing as a result of Project or other cumulative projects.

With regard to the retail land use, addition of just the Project alone is anticipated to result in a modest surplus of demand by the Project's buildout in 2027, meaning there will be demand for yet additional retail space by that time. Thus, the Project's retail space in isolation is not anticipated to have negative impacts on the retail base and is not anticipated to contribute to urban decay and deterioration.

In contrast, the cumulative project findings indicate that more retail is planned in Lincoln than will likely be sustainable by 2042, the assumed buildout year for development of other major retail projects in the City of Lincoln. Therefore, development of the Project and cumulative projects could result in the potential for up to 319,000 square feet of retail space to become vacant, or stay vacant prior to stabilization. At worst, these impacts would occur in Lincoln, given the City's retail market dominance and relative growth prospects. Future demand offsets resulting from accelerated General Plan population buildout could more than offset this level of impact, with no negligible resulting vacancy impacts.

Even if the full estimated 319,000 square feet of impacts occur by 2042, the result on the retail market has the potential to be within the realm of reasonable market performance. This level of impact at maximum would result in a 3.6% increase in Lincoln's retail vacancy rate, applied to all retail space built at that time. This amount of vacancy in itself is lower than the realm of market performance indicative of a healthy retail market, which is 5% to 10%. Thus, if the underlying vacancy rate at the time the Project and all cumulative projects are developed is relatively low, there is no reason to anticipate that urban decay would result.

Moreover, while Lincoln is a relatively new retail market, and the market has limited experience with long-term vacancies, the larger vacancies that have occurred in recent years appear to backfill quickly, with new tenants operational within approximately one year. Thus, at least the current retail market in Lincoln has demonstrated resiliency and the ability to backfill vacant retail spaces. While the future retail market will have a very different composition and distribution of retail space, this current performance is an indicator of the inherent ability of the Lincoln retail market to backfill vacancies and maintain properties in good physical condition. In addition, the Municipal Code in Lincoln requires property owners to maintain their properties so as to avoid nuisances and by creating a condition that reduces property values and promotes blight and neighborhood deterioration. Enforcement of these ordinances can help prevent physical deterioration due to any long-term closures of retail spaces. Presently such enforcement appears effective in Lincoln, with little-to-no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes in Lincoln, and with most violations resolved within 2-3 weeks. This suggests if the City of Lincoln maintains a long-term commitment to code enforcement, with the requisite staffing, that code enforcement will continue to help ensure that urban decay does not occur in Lincoln.

Overall, in light of the findings of this study, ALH Economics believes it is likely that some of the planned retail space may not get built, as there may be insufficient demand to support the space. However, the analysis suggests that if these reasonably foreseeable approved and entitled projects are built within the timeframe identified, including the Project, urban decay will not result, since the impacts on the future retail market are within the realm of reasonable expectations for a healthy retail market.

II. INTRODUCTION

STUDY BACKGROUND

Introduction to the Project

The General Plan for the City of Lincoln identifies future city growth areas through a series of “Villages” and “Special Use Districts (SUDs)”, which comprise geographic areas in the City’s Sphere of Influence that will be individually planned to foster orderly buildout of the city. These include seven Villages and three SUDs. Each Village and SUD has different guiding principles and concepts. The Villages and SUDs are also at different stages of conceptualization, approval, and annexation into the City of Lincoln. These Villages and SUDs generally hug the eastern and western boundaries of the City of Lincoln. There are differences in how allowable land uses are prescribed for the Villages and the SUDs, but both designations facilitate development of larger, undeveloped portions of the city’s General Plan area.

SUD-B is a large Special Use District, totaling 1,844 acres. The Lincoln SUD-B Northeast Quadrant, which is the subject of this study, comprises 186.2 acres (the “Project”). The Project is located adjacent to the western city limit line of the City of Lincoln within the Sphere of Influence (see Exhibit 1). The Project site is bordered by three major roadways, including Nelson Lane to the west, Nicolaus Road to the north, and the Highway 65 Bypass to the south. Consistent with the proposed City of Lincoln General Plan, the Project proposes a mix of land uses that include low density residential, commercial, parks and recreation, and open space.

The Specific Plan for the SUD-B Northeast Quadrant includes a community vision for the area, which involves creating a high quality smart growth community compatible with its surroundings. There are many key aspects to this vision, including, among others:

- Provision of flexible commercial zone to meet the needs of Lincoln for offices, retail, services, professional, and related uses;
- Traditional neighborhood design that fosters a sense of place and enhances quality of life³

There are also guiding principles established to help realize the community vision and guide the formulation of the Specific Plan.

The Project’s land use plan contains two types of low-density owner-occupied residential land uses, including low purchase price and high purchase price. These units will be developed on approximately 84.4-acres at a density of 3.0 to 5.9 dwelling units per acre. The commercial component will account for approximately 74.3 acres, and would be designed to comply with the City of Lincoln guidelines. This component is proposed to include, but not be limited to, retail, business professional, and office uses.⁴ Approximately 20 acres of land will be developed as open space and 3.0 would be dedicated for park/active recreation uses. An additional 4.4 acres of land would be used for collector roads to facilitate circulation.

³ Draft Special Use District B Northeast Quadrant Specific Plan, page 7.

⁴ Ibid, page 1.

Urban Decay Analysis

The environmental impact report (EIR) for the Project is being prepared and coordinated by Dudek for the City of Lincoln. To support this effort and comply with the California Environmental Quality Act ("CEQA"), ALH Urban & Regional Economics ("ALH Economics") was asked to analyze the potential for the Project to cause or contribute to urban decay. The decision by the Fifth District Court of Appeal in *Bakersfield Citizens for Local Control v. The City of Bakersfield* suggests that in some circumstances, CEQA may require a lead agency to consider and analyze the potential for the introduction of planned retailers to result in adverse physical impacts on the environment by causing a chain reaction of store closures and long-term vacancies, otherwise referred to as a condition of "urban decay." Urban decay analyses are often prepared for retail development, or the retail components of large-scale mixed-use projects.

For the purpose of this analysis, urban decay is defined as extended long-term business vacancies, directly or indirectly resulting in physical deterioration to properties or structures that is so prevalent, substantial, and long lasting that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. Physical deterioration includes abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth.

This study analyzes the potential impact of the Project's retail components on the physical environment as represented by the commercial real estate base. Since a portion of the Project's planned commercial space will likely comprise office space (among other complementary commercial uses), the analysis also generally assesses whether or not prospective Project office space warrants consideration of urban decay impacts. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in the context of an urban decay analysis includes existing stores and commercial and other germane real estate conditions, as measured by the current baseline.

The Notice of Preparation (NOP) for the EIR was published in April 2015. The market conditions were most recently assessed visually in June 2015. Other key data points included in the report were the most recently available at the time of the NOP or thereafter.

STUDY TASKS

ALH Economics engaged in numerous tasks to complete this assignment assessing the Project's prospective urban decay impact. These tasks included the following:

- Conduct site and field reconnaissance
- Estimate volume of existing Lincoln retail and office inventory
- Identify Lincoln General Plan-based maximum retail, office, and industrial potential
- Estimate internally-generated retail demand
- Characterize Lincoln's retail and office bases
- Project long-term resident and regional retail supportability
- Assess regional supportability remaining after Project development

- Identify urban decay implications of the Project's retail space
- Assess the context of the Project's planned office space

The findings pertaining to these tasks are reviewed and summarized in this report, with analytical findings presented in the exhibits in Appendices A and B.

STUDY RESOURCES AND REPORT ORGANIZATION

Study Resources

The urban decay analysis relied upon a number of key resources. These resources are all identified in the sources and notes to the exhibits developed to support the analysis. These resources are as follows:

- **City of Lincoln resources.** These include representatives from the City's Community Development, Economic Development, and Code Enforcement functions; city documents such as the City of Lincoln General Plan 2008, City of Lincoln General Plan Update Draft and Final Environmental Impact Reports, Draft Special Use District B Northeast Quadrant Specific Plan, Strategic Economic Development Action Plan (February 2012), Current Project List, and City of Lincoln Municipal Code; and Gruen + Gruen, "Market Analysis and Strategic Action Plan For Downtown Lincoln - A Report to the City of Lincoln and the City of Lincoln Redevelopment Agency," May 2010.
- **Other governmental resources.** These sources include the State of California Board of Equalization; State of California Department of Finance Demographic Research Unit; the U.S. Census Bureau, American Community Survey; US Census TIGER/Line® Shapefiles; the United States Bureau of Labor Statistics, Consumer Price Index; United States Census Bureau, County Business Patterns; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States and States: 2007; Planning Department representatives for the cities of Wheatland, Marysville, and Yuba City; City of Wheatland General Plan Policy Document, Adopted July 11, 2006; Draft EIR, City of Wheatland General Plan Update, December 2005; and Sacramento Area Council of Governments.
- **Third party resources.** These sources include Dudek; ArcGIS; CB Richard Ellis; CoStar; Colliers; Urban Land Institute; Wells Fargo; RealQuest; Nielson, a national resource for demographic estimates and projections; Retail Maxim, a retail industry performance resource; Local commercial real estate brokers; and International Council of Shopping Centers.

All of these resources are identified as warranted in the text and/or the series of exhibits found in Appendices A and B that document the study analysis.

Report Organization

This report includes nine chapters, as follows:

- I. Executive Summary
- II. Introduction
- III. Project Description and Buildout Context
- IV. Project Internal Demand for Retail Space
- V. Market Area Definition and Retail Base Characterization
- VI. Future Household Retail Demand and Project Implications
- VII. Urban Decay Implications of Project Retail Space
- VIII. Analysis of Office Space

This report is subject to the appended Assumptions and General Limiting Conditions.

III. PROJECT DESCRIPTION AND BUILDOUT CONTEXT

LAND USE MIX

Lincoln SUD-B Northeast Quadrant (the “Project”), is part of a larger planning area, Lincoln SUD-B, which is held by multiple owners. The Project’s proposed land use plan is intended to provide for a mixed-use village concept. This land use plan includes two key land use designations relevant to the urban decay analysis, as well as other land uses designed to create a mixed-use environment. The uses germane to the urban decay analysis are presented in Exhibit 2 and summarized below in Table 2, and include Low Density Residential (LDR) and Commercial (C). There are other uses planned, such as Open Space (OS) and Parks (P), including active recreation areas; however, these uses are not material to urban decay analysis and thus are not summarized in Exhibit 2 and Table 2. The information included in this table was developed based upon the anticipated land use designations in the Specific Plan. For analytic purposes, the analysis assumes the Project’s planned land uses include 452 low density residential units, including low and high purchase price single-family homes, and up to 971,000 square feet of commercial space.

For the sake of analysis, the Project’s maximum 971,000 square feet of commercial space is assumed to be divided into retail and non-retail space, with the retail space comprising 60% of the space and the non-retail space comprising 40% of the space. This is a generic assumption regarding the potential division of space.⁵ Thus, the Project is assumed to have 582,600 square feet of retail space and 388,400 square feet of non-retail space. Pursuant to the Project’s Specific Plan the commercial space would be located along the western boundary of the Plan Area along Nelson Lane and Nicolaus Road, providing a general opportunity for a critical mass of space. This volume of retail space, i.e., over 500,000 square feet, is sufficient to meet the general definition of regional-serving retail.

**Table 2. Lincoln SUD-B Northeast Quadrant
Specific Plan Land Uses**

Land Use	Units / Sq. Ft.
Residential Units	
Owner-Occupied Low Purchase Price	226
Owner-Occupied High Purchase Price	226
Total	452
Commercial	
Retail	582,600
Non-Retail (Office/Bus. Prof./ Service Industry)	388,400
Total	971,000

Source: Exhibit 2.

⁵ Assumption vetted and reviewed by Dudek.

This Project's non-retail space could comprise a mix of uses, including office, business professional, or service industry. As a most conservative approach, the analysis assumes this space will primarily comprise office space. This is a conservative assumption because the size of Lincoln's office base is limited. Thus, analyzing the space as office space will comprise the potential for the maximum impact on existing conditions.

Commercial development in the Specific Plan area will offer a mixture of larger and smaller commercial venues, and professional uses. Proximity to major roadways and residential neighborhoods is intended to create a jobs-housing balance that will encourage economic growth and stimulate integrated commercial endeavors. Commercial Zoning provides an environment that serves the need for business and enterprise space within the community or the region. This zoning district is characterized by medium and large lots designed to promote the development of retail and service-oriented establishments such as shopping centers, restaurants, offices, entertainment enterprises, and similar services as envisioned in the City's General Plan.⁶

The Project lies to the south of the Lincoln Regional Airport. As a result, the Project area lies in the zone of restricted use according to the Placer County Airport Land Use Compatibility Plan. Restrictions include specific characteristics such as height, density, and use.

TIMING ASSUMPTIONS

Project development will occur over an extended time period, assumed to comprise up to 10 years pursuant to the NOP, which states that "development within the Specific Plan Area would occur over a 2 to 10 year period with multiple phases."⁷ Given the timeframe necessary to support the Project's entitlement, ALH Economics assumes development commences by 2017. Thus, the development horizon for the Project is assumed to be 2017 to 2027, with 2027 comprising the buildout year. Given the timing of the NOP the base year is assumed to be 2015. The Project land use plan is arrayed in phases, but Project timing will not necessarily occur concurrent with these phases. Thus, the analysis is conducted based upon the 2027 buildout year.

HOUSEHOLD GENERATION

The housing units planned for the Project will comprise single-family homes with the assumption that 50% will be positioned at a low purchase price and 50% will be positioned at a high purchase price. The single-family unit count totals 452. The analysis assumes that not all housing units will be occupied 100% of the time, due to interim vacancy due to sale or owner relocation. The assumed vacancy rate is 5.6%, which is consistent with State of California Department of Finance estimated housing unit vacancy rate for the City of Lincoln as of January 2015. Applying this vacancy rate to the total housing unit counts in Exhibit 2 results in a total estimated occupied housing unit count of 427. Exhibit 2 also presents occupied housing unit population counts. With counts estimated by type of housing unit consistent with other analyses that have been conducted for the City of Lincoln (i.e., 2.64 persons per household), the

⁶ Draft Special Use District B Northeast Quadrant Specific Plan, page 21.

⁷ SUD-B Northeast Quadrant Specific Plan, City of Lincoln, Notice of Preparation, April 1, 2015, page 5.

resulting occupied housing population count is estimated to total 1,126 upon buildout of the Project’s residential units.

EMPLOYMENT GENERATION

Given the volume of land uses planned for the Lincoln SUD-B Northeast Quadrant Specific Plan there will be a sizable employment base located at the Project. This employment base will grow over time, as overall development occurs. The estimated size of the employment base, pursuant to industry-specific metrics, is presented in Exhibit 3, and summarized below in Table 3. The assumed employment densities include 500 square feet per retail employee and 300 square feet per office or other non-retail commercial use employee. This 300-square-foot figure is conservative, and allows for more space per employee than a more common figure of 225 square feet per employee for back office or other densely occupied office space (which is incorporated later in a long-term office demand estimate). This larger square feet per employee figure accommodates a range of uses for the Project’s non-retail space, including office, business professional, and service industry, for example.

These figures were applied to the occupied commercial space calculated in Exhibit 2 based on an industrial standard vacancy rate of 10%. The total occupied space is estimated to be 524,340 square feet of retail and 349,460 square feet of office or other non-retail commercial use space.

**Table 3. Lincoln SUD-B Northeast Quadrant Specific Plan
Employment Generation**

Commercial Land Use	Employees
Retail	1,049
Non-Retail (Office/Bus. Prof./ Service Industry)	1,165
Total	2,214

Source: Exhibit 3.

As noted in Table 3, cumulatively, these employment figures total 1,049 retail jobs and 1,165 non-retail commercial jobs (e.g., office, business professional, or service industry) for a total of 2,214 employees at buildout. These employment estimates are germane to the urban decay analysis because area employees are a frequent source of demand for retail sales, as discussed and estimated in Chapter IV. Project Internal Demand for Retail Space.

LAND USE CONTEXT

Existing Land Use Inventory

Because Project development is assumed to occur over a 10-year time period the sizes of Lincoln’s existing land use bases are relevant. Understanding the size of the existing bases supports analysis of the Project in the context of existing and future demand. Estimates of the existing sizes of Lincoln’s inventories are based upon real estate inventories maintained by major brokerage or real estate services firms. These inventories are presented in Exhibit 4, and

total 1,630,314 square feet for retail, 318,819 square feet for office, and 4,027,465 square feet for industrial. There were multiple sources available for retail size estimates. ALH Economics opted to represent the largest figure as the size of the retail base, as most likely the sources reporting smaller inventories were not as comprehensive.

Lincoln Buildout Capacity

Lincoln's existing land use inventories comprise just a portion of the city's long-term potential development based on current General Plan land use designations. ALH Economics developed an estimate of the City of Lincoln's long-term commercial and industrial development potential pursuant to analysis of the land use designations included in the General Plan, presented in Exhibit 5. This exhibit presents all General Plan designations and the acreage allocations within the City limits as well as Lincoln's Sphere of Influence. These land use allocations are converted in Exhibit 6 to maximum buildout capacity for the uses designated as Commercial/Industrial land uses in the General Plan EIR based upon floor area ratio (FAR) assumptions consistent with the City of Lincoln's General Plan Land use designations and development standards in the Land Use and Community Design Element. These maximum assumptions include an FAR of 0.35 for Neighborhood Commercial, 0.35 – 0.40 for Commercial (inclusive of mixed-use), 0.45 for Business Park, and 0.50 for Industrial and Industrial Planned Development. Business Park is the category most associated with office space. Given that most commercial development is typically not built at the 0.35 to 0.40 maximum allowable FAR, ALH Economics also estimated maximum buildout potential applying a more typical 0.20 to 0.25 FAR for the Commercial land use designation (see footnote 4 in Exhibit 6).

Pursuant to the General Plan land use designations and FAR assumptions, ALH Economics estimates the buildout capacity in Lincoln and its Sphere of Influence to comprise 2.7 million square feet of Neighborhood Commercial, 32.3 to 37.0 million square feet of Commercial at the maximum FAR, 10.0 million square feet of Business Park, 27.0 million square feet of Industrial, and 36.2 million square feet of Industrial Planned Development. Applying the lower, more typical FAR for the Commercial land use, results in a maximum buildout estimate of 18.5 to 23.1 million square feet. The acreage within the Commercial land use designation cited in the buildout portion of the General Plan EIR was not further broken down into the City of Lincoln's specific commercial land use designations. As such, this category is broad, and includes the designations of Community Commercial, Regional Commercial, and Mixed Use.

Regardless of which Commercial land use maximum potential square footage figures are considered, these figures indicate that Lincoln's current commercial, office, and industrial inventories comprise just a scant portion of the city's buildout capacity for the three generalized land uses of commercial, office, and industrial. These portions are well below 10% for all three generalized land uses, regardless of Commercial FAR assumption. Thus, the City of Lincoln has substantial growth potential relative to its developable land inventory. While the buildout estimates are based upon real estate commercial brokerage firm inventory figures, with potential for a margin of error, the results indicate that the Project will be developed against a backdrop of physical growth potential within existing City of Lincoln General Plan policies.

Lincoln SUD-B Northeast Quadrant Specific Plan Buildout Context

Project buildout will increase the City of Lincoln’s supply of retail and office space. Based on the current inventory estimates, the Project will increase the retail supply by 36% and the office supply by over 122%.⁸ These figures are presented in Table 4, below. These figures are substantial, especially the office increment, but this is mostly attributable to Lincoln’s current relatively small base of office inventory. Moreover, as more development occurs elsewhere in Lincoln, the shares attributable to the Project over its buildout period will lessen. However, what these figures mostly emphasize is the tremendous buildout capacity in Lincoln pursuant to the General Plan land use designations, indicating that the Project will play only a modest role in Lincoln’s overall buildout.

Table 4. City of Lincoln Existing Land Use Inventory, Buildout Capacity, and Lincoln SUD-B Northeast Quadrant Specific Plan Context

Land Use Characteristic	Retail	Office	Industrial
Existing Inventory (sq. ft.)	1,630,314	318,819	4,027,465
Lincoln Buildout Capacity (sq. ft.)	35,065,800 - 39,683,160	9,997,020	63,162,000
Lincoln SUD-B Northeast Quadrant Specific Plan Area Buildout			
Square Feet	582,600	388,400	0
Percent Increase Over Existing Base	36%	122%	0%
Percent of City Buildout Capacity	1% - 2%	4%	0%

Sources: Exhibits 2, 4, and 6; and ALH Urban & Regional Economics.

The following chapters provide additional context regarding the Project’s planned retail and maximum potential office space, including consideration of the Project’s planned supply relative to long-term demand forecasts for key land uses.

⁸ Assuming all non-retail commercial space is developed as office, which is a maximum assumption.

IV. PROJECT INTERNAL DEMAND FOR RETAIL SPACE

COMPONENTS OF PROJECT INTERNAL RETAIL DEMAND

Given the amount of Project retail space, it is anticipated to serve a wide range of components of demand. These include SUD-B Northeast Quadrant residents, SUD-B Northeast Quadrant employees, Lincoln residents, and regional demand given the Project's location near the Highway 65 Bypass. This chapter's analysis focuses on estimates of the share of Project retail that the Project's internal components can support, i.e., residents and employees. The analysis further identifies the amount of space planned for the Project that exceeds internally-generated demand. This remaining balance of space would therefore need to be supported by other demand sectors in order to achieve full buildout of the planned retail space.

PROJECT RESIDENT DEMAND

Approach to Estimating Residential Retail Demand

ALH Economics prepared a potential retail spending analysis, or demand analysis, for the Project's residential households. This spending analysis takes into consideration the number of occupied housing units by type and pricing, average household income required by type of housing unit, the percent of household income spent on retail goods, and prospective spending in the retail categories used by the State of California Board of Equalization (BOE), which collects and reports business counts and taxable sales data by retail category.

ALH Economics estimated household incomes for Project households based upon anticipated home purchase prices and mortgage assumptions. Pursuant to information provided by Frayji Design Group, Inc. and Newmark Cornish & Carey, the anticipated unit prices in current dollars range from \$390,000 to \$450,000. Analysis of the annual household incomes required to support these residential pricing assumptions is presented in Exhibit 7. This includes assumptions for mortgage interest rate, loan term, mortgage insurance, home owners' association dues, etc. The results presented in Exhibit 8 indicate that annual household incomes for Project households are assumed to average in the \$80,000s for the low purchase priced homes and in the \$90,000s for the high purchase price homes.

Pursuant to data published by the U.S. Bureau of Labor Statistics, 2013 Consumer Expenditures Survey, households in the income group with annual household incomes over \$90,000 throughout the United States spent an average of 25% of household income on the type of retail goods tracked by the BOE. This is the highest income bracket analyzed by the Consumer Expenditures Survey, and these households had average household incomes of \$131,945 before taxes (see Exhibit B-1). The share of household income spent on retail increases as household incomes decrease, with the Consumer Expenditure findings suggesting that households with incomes in the \$50,000 to \$69,999 range spend 36% of income on retail and households in the \$40,000 to \$49,999 range spend 40% of income on retail.

Based on these findings, and general interpolation of the percent of spending on retail findings by income band, ALH Economics assumes that the owners of the Project's low purchase price

homes, with estimated incomes in the low \$80,000s, will spend 33% of household income on retail, while the owners of the Project's high purchase price homes, with estimated incomes in the low \$90,000s, will spend 31% of income on retail (see Exhibit 8).

As a proxy for household spending patterns, ALH Economics analyzed statewide taxable sales trends for 2013 and converted them to estimated total sales. The results, presented in Exhibit B-2, indicate that household spending by retail category ranges from a low of 5.2% on home furnishings & appliances to a high of 17.1% on food & beverage stores.

Resident retail spending projections for the Project's households were estimated based upon the 31% to 33% share of income spent on retail and estimated distribution of retail spending pursuant to Exhibit B-2. The resulting estimates were converted to supportable square feet based upon the following: industry average assumptions regarding store sales performance; an adjustment to allow for a minimum stabilized vacancy allowance of 10%; and an allocation of additional space for services, such as banks, personal services, and business services. ALH Economics refers to an industry resource to develop per square foot sales estimates. This resource, Retail Maxim, prepares an annual publication that culls reports for numerous retailers and publishes their annual retail sales on a per square foot basis. This type of information for a range of retailers or type of retailers is presented in Exhibit B-3 annually from 2010 through 2013. The figures are then averaged and presented in 2015 dollars as a generalized estimate of sales per square foot per year applicable to the retail categories for which Lincoln's retail demand is estimated. The resulting sales per square foot range from a low of \$287 per square foot for general merchandise stores to a high of \$595 per square foot for food and beverage stores (e.g., grocery stores). In addition, Exhibit 9 indicates an estimate of \$800 per square foot for motor vehicles and parts, which is an estimate prepared by ALH Economics for analytical purposes to drive the analysis. The 10% vacancy factor reflects a minimum vacancy allowance to allow for market fluidity. Finally, the analysis assumes 15% of retail space will be occupied by uses whose sales are not reflected in the major BOE categories, yet which require commercial space. This typically includes service retail, such as finance, personal, and business services.

ALH Economics calculated the demand estimate based upon building and absorption of the Project's 452 housing units, of which 427 are estimated to be occupied.

Residential Retail Demand Findings

The Project's resident retail demand estimates are presented in Exhibit 9. Taking into account anticipated household incomes and retail spending, achievable retail sales performance and an allowance for vacancy, ALH Economics estimates that at buildout the SUD-B Northeast Quadrant households will be able to support approximately 30,000 square feet of retail space, the size of a small neighborhood-oriented shopping center. The allocations range from approximately 2,100 up to 6,400 square feet for each retail category.

These square footage estimates reflect 100% of resident demand, regardless of the location of retail venues where spending occurs. Retailers that locate at the Project are unlikely to capture all of the retail demand generated by Project households. Therefore, the amount of retail supportable at the SUD-B Northeast Quadrant by the Project residents is conservatively adjusted downward in subsequent analysis.

PROJECT INTERNAL EMPLOYMENT DEMAND

The Project is anticipated to comprise a moderate employment location. As estimated earlier, at buildout the Project will have an estimated employment base totaling 2,214. These workers will generate demand for restaurant and retail purchases made before, during, and after work hours. This consumer group, therefore, will provide Project retail sales support in addition to the Project's residents. Some of the area employees may live in the Project, and thus their retail sales may already be accounted for in the preceding demand estimate, but yet others may not, or they may increase their spending profile because of the Project's availability adjunct to their primary purpose for being in the Project's vicinity.

A key retail industry resource, the International Council of Shopping Centers (ICSC), periodically publishes a survey of office worker retail spending. The survey estimates daytime retail spending by workers, including by workers in urban locations versus suburban locations, and then also locations with ample retail offerings and without. Inflation-adjusted results of this survey, last administered in 2011, are presented in Exhibit 10. This exhibit indicates that office workers on a national average basis spend approximately \$7,500 per year in suburban locations and a higher \$13,100 per year in suburban locations with ample retail offerings. Of this spending, approximately 20% is spent on restaurant sales. These types of sales are likely to occur close to the place of work, as they typically include daytime lunch expenditures as well as after hour drinks or dining. Other expenditures can be made near work, but primarily include expenditures made during the work day before or after work.

ALH Economics estimated daytime Project worker retail spending on an annual basis. Estimates were generated for the three categories summarized on Exhibit 10 - restaurants and fast food, groceries, and all other. The "all other" category includes a range of retail purchases, such as personal care shops, office supplies, department stores, drug stores, electronics, clothing, etc. For this analysis, ALH Economics assumed spending consistent with the suburban location for all sales, or \$7,500 per office worker. This figure was conservatively selected instead of the higher figure corresponding to ample suburban retail locations because Lincoln's retail base will likely be distributed among several major nodes in Lincoln by the time the Project's employment base reaches its peak, and because the purpose of the analysis is to estimate the purchases made by SUD-B Northeast Quadrant employees at the SUD-B Northeast Quadrant retail offerings.

Because office workers tend to earn more than some types of workers and less than others, ALH Economics assumed a proportional rate of spending for other SUD-B Northeast Quadrant workers. These proportional rates are based on the proportion of average wages in other industries, such as retail. The wages used for this analysis are generalized averages for Placer County, based upon analysis of County Business Patterns for the County (see Exhibit B-4). As summarized in Exhibit 11, these wages are \$81,000 for office/flex workers and \$29,000 for retail workers. Thus, the retail wages are 36% of the average office wages. Thus, average annual Project employee-retail spending is estimated at \$7,500 for office workers and \$2,700 for retail workers (all figures rounded to the nearest \$100). These estimates and the composition of the estimates relative to spending on restaurants/fast food, groceries, and other spending are presented in Exhibit 11.

ALH Economics converted the worker retail spending estimates to supportable square feet of retail space. These estimates are based on the estimated worker-based retail spending, the

number of workers by sector estimated for the employment-generating land uses, the generalized retail sales figures presented previously in Exhibit B-3, and the same 10% vacancy adjustment estimated for resident retail spending. The estimates of supportable retail space based on anticipated worker spending are presented in Exhibit 12 and summarized below in Table 5.

**Table 5. Lincoln SUD-B Northeast Quadrant Specific Plan
Cumulative Employment Supportable Retail Sq. Ft.**

Timeframe	Restaurant	Grocery	Other	Total
2027	5,000	3,222	28,111	36,333

Source: Exhibit 12.

As these estimates indicate, on a rounded basis, the Project’s employment base is estimated to generate support for approximately 36,300 square feet by buildout in 2027.

Overall, the employment-based retail support analysis suggests variability in demand by type of space. Based upon the worker retail demand estimates presented in Exhibit 12, ALH Economics estimates that the average Project retail worker generates demand for approximately 8 square feet of retail space a year. This figure increases to 24 square feet per office worker given the income differentials. These figures are both presented in Table 6, below.

Table 6. Supportable Retail Sq. Ft. per Employee (1)

Land Use	Project Employees	Supportable Retail Sq. Ft.	Sq. Ft. Per Employee
Retail	1,049	8,889	8
Office	1,165	27,444	24

Sources: Exhibits 3 and 12.

(1) Supportable Retail Sq. Ft. figures derived from demand estimates in Exhibit 12.

This information provides a useful benchmark for analyzing retail demand generated by yet other planned projects in the City of Lincoln.

PROJECT DEMAND-BASED COMPONENTS OF RETAIL SPACE

The preceding analysis identified two general components of support for the Project’s retail space. These include resident demand and employment base demand. ALH Economics assumes that households living in the Project will shop at the Project retail space as well as other shopping locations in Lincoln and outside the city boundaries. Therefore, the analysis conservatively assumes that Project retail will capture only 50% of the Project’s household retail demand. This figure is conservative because it blends convenience-oriented spending, which is

typically spent close to home for items such as groceries and drug store sales, with more comparison shopping items, such as clothing, furniture, and general merchandise. With sufficient retail shopping opportunities available, residents typically choose to make retail purchases closer to home, thereby minimizing associated travel time.

In similar fashion, the Project is not anticipated to capture 100% of employment-generated demand for retail space. However, a percentage higher than the residential 50% share of demand is anticipated to be captured because employees have less time and opportunity to go shopping. Thus, ALH Economics assumes that the Project’s retail will capture 80% of employment-generated demand.

The combined level of demand from the adjusted household and employee-generated retail demand estimates comprises 44,100 square feet by buildout in 2027. These figures are summarized in Exhibit 13 and presented in Table 7, below.

**Table 7. Lincoln SUD-B Northeastern Quadrant Specific
Plan Retail Components (Sq. Ft.)**

Demand Generator	2027
Residential	15,000
Employment	29,100
Total	44,100
Balance of Other Demand	538,500

Source: Exhibit 13.

This analysis suggests that internally generated demand will not be sufficient to support the total amount of commercial retail space planned at the Project. This is to be expected given the volume of prospective retail space, which at over 500,000 square feet is sufficient to meet the definition of regional retail, even if not all the space is contiguous. In order for the Project’s prospective retail space to be absorbed, the figures in Exhibit 13 and Table 7 indicate that the level of additional demand needed to support the Project’s planned retail space will total 538,500 square feet by 2027.

For the remaining balance of commercial space to be absorbed it will need to be supported by other sources of demand, such as demand generated by other Lincoln households or more regional sources of demand. Research and analysis regarding how the balance of the Project’s commercial space pertains to these sources of demand is presented in the following two chapters: Chapter V. Market Area Definition and Retail Base Characterization; and Chapter VI. Future Household Retail Demand and Project Implications.

Meanwhile, the Project’s resident- and employment-generated demand not met by Project retail has the potential to support other retail in the City of Lincoln. ALH Economics assumes that 40% of the remaining resident demand will be available to support other Lincoln retailers. ALH Economics further assumes that the balance of all employment-generated demand, equivalent to 20% of total employment demand, will support other Lincoln retailers. The resulting cumulative levels of demand for other Lincoln retailers are presented in Exhibit 14, and total 19,300 by buildout in 2027.

V. MARKET AREA DEFINITION AND RETAIL BASE CHARACTERIZATION

MARKET AREA CONCEPTUAL DESCRIPTION

Industry Resources

In developing a primary market area, ALH Economics strives to identify the area from which the majority of demand for a shopping center or retail district will originate, typically at least 70%, based upon the following industry resources.

Materials published by major industry organizations indicate that a retail store's trade area generally supplies 70% to 90% of the store's sales, while the remaining 10% to 30% of sales are attributed to consumers residing outside of the store's market area. In its Shopping Center Development Handbook, Third Edition, the Urban Land Institute (ULI) states the following:

"A site generally has a primary and a secondary trade area, and it might have a tertiary area. The primary trade area should generally supply 70 to 80 percent of the sales generated by the site. These boundaries are set by geographical and psychological obstacles."⁹

ULI is a nonprofit research and education organization representing the entire spectrum of land use and real estate development disciplines. Among real estate, retail, and economic development professionals, this organization is considered a preeminent educational forum.

Information published by the International Council of Shopping Centers (ICSC), a trade association for the shopping center industry, also provides instructional information about market area definitions. In the recent publication Developing Successful Retail in Secondary & Rural Markets, the ICSC says:

"A trade area is the geographic market that you will be offering to potential retailers as a consumer market. ... Defining a retail trade area is an art and a science. In general, a trade area should reflect the geography from which 75-90 percent of retail sales are generated. Different stores can have different trade areas based on their individual drawing power and the competitive market context."¹⁰

In summary, these industry resources suggest that a retail project's trade area, or market area, typically is defined as the geographic area from which at least 70% of demand is anticipated to originate.

⁹ Shopping Center Development Handbook, Third Edition, Urban Land Institute, 1999, page 44.

¹⁰ Developing Successful Retail in Secondary & Rural Markets, International Council of Shopping Centers in cooperation with National Association of Counties, 2007, page 7.

Project Market Area Conclusion

In keeping with the approach toward market area definition, ALH Economics concludes that the majority of demand for the Project's retail space will originate from a defined market area, the core of which will include the City of Lincoln given the Project's location in Lincoln. Yet, as recognized by the industry resources, there will be other areas that generate a portion of project demand. The above citations collectively recognize that 10% to 25% or slightly more of demand for many retail areas or concentrations can originate from beyond a defined market area. Based on this industry information, ALH Economics concludes that 80% of Project demand will originate from defined areas including primary and secondary market areas, with 20% originating from other, less well-defined areas. The basis for this distribution of market demand follows.

In the case of retail located in Lincoln, there can be several components to the 20% increment of outside of market area demand. First, the size of the Project's retail component is sufficient to meet the definition of regional retail, which, depending upon the tenants attracted, could draw market potential beyond the Plan Area and into the Greater Sacramento Region. Also of consideration is the Project site location along the Highway 65 Bypass. Therefore, drive by traffic along the Highway 65 Bypass can provide a ready source of demand. Perhaps most importantly, the City of Lincoln is a strong sports tourism location, with numerous sports events held in the City of Lincoln. There are both existing and planned sports venues in Lincoln.

The City of Lincoln currently has four parks that offer sports facilities, all of which have the ability to host tournaments. These sports facilities include Foskett Regional Park, a 42-acre park that offers Eleanor Carnesecca Softball Complex with four lighted-ball fields, four lighted-soccer fields, concessions, a pedestrian and bike path, restrooms, and three spots with children's play equipment. Foskett Regional Park annually hosts approximately 30 softball and baseball tournaments and two-to-three soccer tournaments. Wilson Park has two softball fields and hosts approximately 12 tournaments annually. Peter Signer Park offers two balls fields and hosts one annual tournament. The fourth facility is the Lincoln Community Center, which provides an indoor basketball court that is the host for approximately 10 Hardwood Palace tournaments annually.¹¹ All of these facilities attract players, families, and observers from outside Lincoln and its immediate environs, with estimates suggesting that 80% of the teams/participants travel to Lincoln from outside the immediate geographical area. This includes teams based in the Sacramento area (but with players living in other geographies, such as Woodland, Sacramento, Folsom, and Elk Grove), as well as from the Central Valley, Bay Area, Reno, and even Oregon, Utah, and Southern California for bigger events. Lincoln has also hosted a few Western Nationals over the years that attract teams from all the western states including Hawaii. And this year Lincoln is hosting an ASA National that will bring teams from throughout the country. Thus, all these players and their families who attend tournaments provide a source of potential retail demand.

In addition, there is one other planned facility in the City of Lincoln that will be capable of hosting sports tourism. The 17.3-acre Chief Robert Jimenez Park is currently under construction and will provide the community with four-to-five tennis courts, two basketball courts, two ball

¹¹ Community Development Department, Recreation Supervisor, City of Lincoln; interview conducted April 2015.

fields, and one soccer field (potentially with all-weather turf).¹² There is also a 71-acre Regional Sports Complex planned for the Village 5 project in Lincoln, which is a large-scale planned mixed use project also planned for annexation into the City of Lincoln. This project will be located near the SUD-B Northeast Quadrant.

All of these sports venues and historic and planned tournaments indicate that Lincoln will become an increasingly significant locale for sports-related tourism. Accordingly, this, along with the earlier references to the amount of planned retail and the Project site location, supports the estimation that 20% of Project demand will originate from geographic locations outside the Project's defined market areas. These defined market areas are discussed below for the primary market area and in the next report chapter for the secondary market area.

PRIMARY MARKET AREA DESCRIPTION

Geographic Description

ALH Economics defined a primary market area for the Lincoln SUD-B Northeast Quadrant for the purpose of analyzing the prospective urban decay impacts. The market area definition is based on the principle that most consumers will travel to the shopping destination most convenient to their homes given the type of goods available. Several tasks were completed to identify the market area, foremost of which included mapping the location of the Lincoln SUD-B Northeast Quadrant relative to major retail shopping nodes and examining travel time and distance from various communities to Lincoln and other major shopping locales.

Because of the Project's location in Lincoln, Lincoln residents are assumed to comprise a strong consumer base for the Project's retail. Thus, all of Lincoln is included in the primary market area. However, the Project site is also proximate to other locations in Placer County for which Lincoln and the Project area are among the closest major shopping nodes. These locations primarily include Sheridan, an unincorporated area to the northwest of Lincoln along Highway 65, and Wheatland, a small city also located northwest of Lincoln along Highway 65. Because Lincoln is anticipating long-term growth through annexation, the market area was defined based on zip codes that encompass the City of Lincoln, its Sphere of Influence, and these other nearby areas. This includes the following three zip codes: 95648 (Lincoln), 95681 (Sheridan), and 95692 (Wheatland). A map demonstrating the geography of this area is presented in Exhibit 15. An advantage of using zip codes in this context is that the market area definition is easily defined, easily replicable, and key demographic estimates and projections are readily available in this format.

Demographics

ALH Economics conducted extensive research to develop a household projection for the primary market area for the time period relevant to urban decay analysis of the Project (see Exhibit 16). This time period is the initial benchmark period of 2015 (pursuant to the NOP date of April 2015) through 2027, the anticipated Project buildout year. The year 2042 is included, as it is the projected buildout year for other major planned retail and other developments in Lincoln and is used for the cumulative analysis.

¹² Community Development Department, Recreation Supervisor, City of Lincoln; interview conducted April 2015.

Among the many demographic resources identified, the projections prepared by the Sacramento Area Council of Governments (SACOG) were deemed the most relevant and appropriate. An important consideration to the analysis was the extensive amount of annexation planned as part of the City's future growth pattern, especially with the City's planned expansion through development of the Project as well as the Villages, such as Village 1, Village 5, and Village 7. For benchmark purposes, the SACOG projections were compared for reasonableness to a City of Lincoln projection based upon information in the Lincoln General Plan, with a minor modification based upon discussion with City of Lincoln Community Development Department staff. This modification is a reduction in the anticipated amount of new household growth projected in the General Plan because of expected changes in the amount of residential development associated with Village 1.

Another modification to the demographic projection includes an additional allocation of growth for the City of Wheatland. The SACOG projections for Wheatland growth are relatively modest. However, the Wheatland General Plan references buildout of the City at 9,887 housing units by 2025, the General Plan buildout year. The SACOG projections include total Wheatland housing units of 3,281 by 2042, the Project's buildout year. The balance between the Wheatland General Plan buildout and SACOG's projection is 6,606 housing units. To best reflect the Wheatland General Plan buildout ALH Economics added in these additional housing units. However, to be conservative these units were assumed to be added by 2042, the same buildout year as the far-off cumulative projects. Units were added at the same rate per year, which is an addition of 264.2 units per year for 25 years, starting with 2018.

The results of the primary market area demographic projection are presented in Exhibit 16. The footnotes to this exhibit explain the overall methodology in preparing the projections, which is driven by analyzing and preparing housing unit projections, and then converting the housing units to households based upon the City of Lincoln's estimated housing occupancy rate. The primary reason for conducting the analysis in this manner is because the City of Lincoln projection presented for benchmark purposes is a housing unit projection, and not a household projection.

As shown in Exhibit 16, the primary market area is estimated to have a 2015 household count of 22,995. For the study's key years, this household count is anticipated to be as follows:

- 23,863 in the year 2017
- 30,934 in the year 2027
- 44,660 in the year 2042

Based upon review of the planned housing unit counts in the Project, Village 1, Village 5, and Village 7, ALH Economics believes these figures to be reasonable approximations of future household counts in the primary market area. Notably, there is additional projected household growth in the City of Lincoln from 2042 through buildout of the city in 2050. Based upon the estimates and projections presented in Exhibit 16, this totals 7,933 housing units, equivalent to 7,489 households based upon the assumed housing occupancy rate.

PRIMARY MARKET AREA RETAIL BASE CHARACTERIZATION

Approach

For the purpose of this study, ALH Economics characterized the retail sales base of the Project's primary market area with regard to the extent to which it attracts or leaks retail demand generated by its household base. Toward this end, ALH Economics uses a retail model that estimates retail spending potential for an area based upon household counts, income, and consumer spending patterns. The model then computes the extent to which the area is or is not capturing this spending potential based upon taxable sales data published by the State of California Board of Equalization (BOE) or provided by local government municipal tax consultants. This analysis can be most readily conducted for cities, groupings of cities, or counties, consistent with the geographies reported by the BOE.

For any study area, retail categories in which spending by locals is not fully captured are called "leakage" categories, while retail categories in which more sales are captured than are generated by residents are called "attraction" categories. This type of analysis is generically called a retail demand, sales attraction, and spending leakage analysis, or retail gap analysis. Generally, attraction categories signal particular strengths of a retail market while leakage categories signal particular weaknesses. ALH Economics' model, as well as variations developed by other urban economic and real estate consultants and economic analysts, compares projected spending to actual sales.

There are two primary inputs for conducting this type of analysis. These include estimated retail sales for the area under study and estimated retail demand generated by the area households. With regard to estimated retail sales, The BOE publishes taxable sales data for cities and counties. The Project's primary market area includes additional areas for which the BOE does not publish taxable sales data. Therefore, ALH Economics developed an approach to estimating the sales in the full primary market area, inclusive of the zip codes encompassing areas outside of Lincoln. This approach, which is documented in Exhibits B-7 through B-10, entailed obtaining retail sales estimates in the three primary market area zip codes from Nielson, a national resource for demographic estimates and projections, and then benchmarking the Sheridan and Wheatland zip code areas to the Lincoln zip code area, to obtain estimates of the share of sales in the Sheridan and Wheatland zip codes relative to the Lincoln zip code. The resulting increments by retail sector were applied to the Lincoln retail sales base predicated upon BOE data to derive an estimate of total primary market area sales.

To develop the estimate of Lincoln's retail sales base, ALH Economics obtained taxable retail sales data for 1st Quarter 2013 through 4th Quarter 2013 as reported by the BOE. These were the most recent BOE data available at the time this study was initiated. These data are presented in Exhibit 17. These retail sales were adjusted upward to adjust for nontaxable sales in key sales categories, including food & beverage stores and the drug store component of other retail sales (see explanatory footnotes to Exhibit 17 regarding these adjustments). Notably, ALH Economics also engaged in an estimation procedure to estimate Lincoln sales in General Merchandise, since these data were not disclosed by the BOE due to concerns about confidentiality. Pursuant to data provided by the City of Lincoln, the portion of the sales estimate pertaining to Lincoln was updated to reflect a more current time period than measured by the BOE data. This included analyzing sales tax trend data in Lincoln from 1st Quarter 2013 through 4th Quarter 2014, to generate sales adjustment factors by category to result in an

estimated 2015 retail sales base. These data were provided by the City of Lincoln via the City's tax consultant, MUNI Services. Adjustments were made to the City of Lincoln 2015 sales base, utilizing incremental estimates for the balance of the primary market area beyond the city. The result is a 2015 primary market area retail sales estimate of \$466.1 million (see Exhibit 18).

Demographic Characteristics

ALH Economics' Retail Demand, Sales Attraction, and Spending Leakage Analysis requires household count, average household income, and percent of income spent on retail inputs for the area of analysis. This pertains to the demand portion of the analysis. These data inputs or assumptions for the Project's primary market area are as follows:

- 22,995 households in 2015
- Average household income of \$81,647
- Estimated household retail spending rate of 33% of average income

The 2015 household count is based upon the household projections prepared in Exhibit 16. The average household income was estimated by Nielson, a national resource for demographic estimates and projections. Finally, the 33% of household income spent on retail assumption was discussed earlier in Chapter IV. Project Internal Demand for Retail Space, based upon analysis of 2013 Consumer Expenditure Survey data. This percentage of income spent on retail is estimated by ALH Economics based upon the findings pertaining to the \$70,000 or more income bracket in Exhibit B-1.

Retail Demand, Sales Attraction, and Spending Leakage Findings

As shown in Exhibit 19, the Project's primary market area has retail leakage in most retail categories. The exceptions are in the building materials and garden equipment sales category, where the primary market area experienced attraction estimated at \$19.7 million, in the food and beverages category with \$25.8 million attraction, and gasoline stations, where the primary market area experienced substantial attraction estimated at \$68.5 million. Leakage is very strong in all other categories, exceeding approximately 50% of resident spending potential in all but one of the remaining categories. The categories with the greatest amount of leakage include the following:

- Motor vehicles & parts dealers with (\$76.2) million in leakage, or 89.0% of resident spending;
- General merchandise with (\$53.5) million in leakage, or 62.0% of resident spending;
- Other retail with (\$42.9) million in leakage, or 55.2% of resident spending;
- Clothing & clothing accessories with (\$33.3) million in leakage, or 75.7% of resident spending;
- Food service and drinking places with (\$32.7) million in leakage, or 41.4% of resident spending; and
- Home furnishings & appliances with (\$28.8) million in leakage, or 90.2% of resident spending.

Overall, the Retail Demand, Sales Attraction, and Spending Leakage estimate in Exhibit 19 indicates that the primary market is considered a retail leakage market. This is because much of the primary market area's retail spending potential leaves the primary market area and is spent

elsewhere. However, there is still a substantial amount of sales in the three categories that show attraction. This is because two of the three categories comprise retail that most people shop for near home, i.e., gasoline and groceries. The leakage that is occurring is due to the relative wealth of retail offerings not far from Lincoln, especially in the City of Roseville. As the following text table indicates, Roseville has a very large retail base, and achieves average household sales well in excess of any of the other communities with some proximity to Lincoln.

**Table 8. Average Household Taxable Sales and Retail Base (1)
Communities Near Lincoln**

City	Number of Households (2)	Per Household Taxable Sales	Retail Inventory (3)	
			Amount	% Vacant
Lincoln	16,793	\$13,531	1,630,314	9.1%
Roseville	46,665	\$76,262	10,453,759	5.3%
Rocklin	21,265	\$26,150	3,665,959	13.5%
Yuba City	21,602	\$37,765	4,103,802	7.1%
Marysville	4,680	\$27,390	2,017,577	28.8%
Placer County	135,470	\$44,661	NA	NA

Sources: "Taxable Sales in California, During 2013", State of California Board of Equalization; SACOG, "Population, Housing and Household Estimates 1990 - 2014," 5/5/2014; Costar First Quarter 2015; and ALH Urban & Regional Economics.

- (1) Taxable retail sales for retail and food services for 2013.
- (2) Household count for 2013.
- (3) First quarter, 2015.

As noted in Table 8, Lincoln's retail base of 1.6 million square feet of retail is the smallest of all the cited cities, even smaller than Marysville, which has a much smaller household count (these are 2013 household counts for illustrative purposes). Average household taxable sales are also presented for illustrative purposes.¹³ These figures further demonstrate that Lincoln achieves relatively low taxable sales per household. In contrast, Roseville's retail base is nearly 10 times the size of Lincoln's, with less than three times the number of households. Moreover, Roseville's retail base is performing with very low vacancy, indicating that within this region Roseville has a very large and well-performing retail base.

LEAKAGE SUPPORTABLE RETAIL SPACE

Given the high level of retail sales leakage in the primary market area, ALH Economics converted the category specific findings to estimates of supportable square feet. This conversion is based upon retail sales per category estimates, as described earlier, and a 10% retail vacancy adjustment. This analysis is presented in Exhibit 20, which demonstrates that the amount of primary market area leakage in 2015 is equivalent to support for about 810,000

¹³ Note that in the primary market area leakage analysis, retail sales were grossed up to include non-taxable sales, thus the sales figure reported here is not comparable to the sales figure pertaining to the retail sales and leakage analysis.

square feet of retail. A good portion of this estimate comprises space for motor vehicles and part sales. Absent this square footage the amount of space supportable by the estimated primary market area leakage totals about 704,000 square feet of retail space. This provides a strong opportunity for new, regional-serving retail outlets to recapture sales leakage and increase the local retail base.

VI. FUTURE HOUSEHOLD RETAIL DEMAND AND PROJECT IMPLICATIONS

PRIMARY MARKET AREA GROWTH IN RETAIL DEMAND

Market Area Growth in Households

ALH Economics prepared a projection of primary market area retail growth for the purpose of determining the extent to which primary market area demand could support the portion of the Project's retail space not supported by Project residents and employees. The growth projections were prepared for the 2027 time period coincident with the Project's anticipated buildout. The amount of retail development forecasted to be developed by this time is summarized in Table 9, below. This table includes the total amount of planned Project retail space and also the amount of Project retail space that would require support from defined market areas to achieve absorption, i.e., less the 20% assumed to be supported by the tertiary market area.

**Table 9. Incremental and Cumulative Lincoln SUD-B Northeast
Quadrant Specific Plan Retail Development (Sq. Ft.)**

Type of Development	2027
Total Project Retail Space	582,600
Space Supported by Defined Market Areas (1)	466,080

Source: Exhibit 2.

(1) Is less the 20% allocation for the tertiary market area demand.

The corresponding primary market area household growth increment excluding the Project's households, starting with the 2015 baseline to 2027, is 7,512 households. Adding in the 427 Project households brings the primary market area growth from 2015 to 2027 to 7,939.

New Household Retail Demand

Household Demand to 2027. ALH Economics assumes that future primary market area households will make similar retail expenditures to the primary market area's existing households, which is estimated at \$26,943 per household. This level of spending is tied to the existing average primary market area household income of \$81,647, with all the analysis conducted in constant 2015 dollars. Based upon these retail spending assumptions, the primary market area household growth excluding the Project between 2015 and 2027 is estimated to generate demand for approximately \$202.4 million in retail spending as presented in Exhibit 21.

Household Demand to 2042. Various development projects are in the cumulative pipeline for the City of Lincoln. For analytical purposes, ALH Economics is assuming a buildout date of 2042 for many of these projects. The projects and their timeframes will be discussed more in depth in Chapter VII. Based upon the retail spending assumptions mentioned above, the primary market area household growth between 2027 and 2042 is estimated to generate demand for \$369.8 million in retail spending, and \$572.2 million cumulatively (i.e., 2015 to 2042), as presented in Exhibit 21.

Pursuant to the supportable retail space analysis described earlier, the amount of retail space estimated to be supported by the primary market area’s new households excluding the Project is 540,000 square feet by 2027, i.e., Project buildout, and 1.5 million square feet by 2042 (see Exhibit 22). Project household and employee retail demand will be in addition to these estimates.

As noted earlier, the primary market area experiences a high volume of retail leakage, equivalent to support for 810,000 square feet (see Exhibit 20). This therefore provides a retail sales recapture opportunity for the Project or other future Lincoln retail development. Combining this recaptured sales opportunity with demand generated by Project residents and employees and the primary market area growth indicates the maximum potential primary market area demand 1.4 million square feet by 2027 and 2.4 million square feet by 2042. These findings are presented in Exhibit 23 and summarized below in Table 10.

Table 10. Cumulative Project and Primary Market Area Retail Space Demand

Demand Base	2015 Baseline	2015- 2027	2027- 2042
Lincoln SUD-B Northeast Quadrant			
Project-Supported	0	44,100	44,100
Balance of Lincoln Retail Support	0	19,300	19,300
Balance of Market Area	<u>810,000</u>	<u>1,350,000</u>	<u>2,330,000</u>
Primary Market Area Total	<u>810,000</u>	<u>1,413,400</u>	<u>2,393,400</u>

Source: Exhibit 23.

These figures pertain to only retail space supported by the primary market area.

Additional Household Demand to City of Lincoln Buildout. In the long term, beyond the 2027 Project buildout assumption and 2042, the estimated date for buildout of other projects, there will be the potential for generation of yet more primary market area demand. Using the same assumptions regarding retail demand generation as for the primary market area growth to 2027 and 2042, ALH Economics estimated the additional amount of retail demand that could be generated as a result of full population buildout of the City of Lincoln. As Exhibit 16 indicates, housing unit buildout of Lincoln is estimated to total 44,940 housing units. Through 2042, the analysis assumes there will be 37,007 housing units in Lincoln. This leaves a balance of 7,933 housing units remaining. Pursuant to the study’s occupancy assumption this is equivalent to 7,489 households. As depicted in Exhibit 24, ALH Economics estimates that these remaining City of Lincoln buildout households will have the potential to support an additional 540,000 square feet of retail space. The timing of this demand is unknown, but this estimation procedure suggests more long-term demand for retail space in Lincoln beyond the Project’s anticipated buildout.

SECONDARY MARKET AREA RETAIL DEMAND

Household Growth Retail Demand

The Project is likely anticipated to serve a more regional market beyond the City of Lincoln and its general environs corresponding with the over 500,000 square feet of anticipated retail space (see Exhibit 2). This type of retail could provide Lincoln an opportunity to capture demand from other locations further west on Highway 65. This most likely includes Marysville, which has a small retail base, and Yuba City, which has a larger base, but is limited in scope. Information from commercial retail brokers knowledgeable about the retail market suggests that shoppers from these locations are already passing by Lincoln on their way to take advantage of the large regional-serving retail base in Roseville. The Roseville retail base is so large that some retailers have multiple locations in this one city.

For regional retail in Lincoln to be successful it will need to intercept shoppers from Marysville and Yuba City before they travel to Roseville. While Lincoln might be too close to Roseville for some retailers to be willing to establish yet another location in the immediate region, retail is a very dynamic industry, and by the time the Project's retail is developed there will most assuredly be new concepts and new retailers active in the marketplace.

In addition, Lincoln shares a border to the east with the City of Rocklin. This means there are some portions of the City of Rocklin that are closer to the commercial nodes in Lincoln than in Rocklin. Moreover, with the distribution of roads and regional transportation patterns, it can take less time for Rocklin residents to travel to Lincoln than to other commercial shopping nodes. In addition, Rocklin achieves the second lowest estimate of taxable sales per household among nearby cities, estimated at just over \$26,000 per household in Table 8. Thus, compared to the other citted communities, Rocklin appears to serve resident shopping needs to a lesser extent than other nearby cities, suggesting shopping in nearby communities is already happening. ALH Economics therefore concludes that households in the City of Rocklin will also comprise a secondary market area source of demand for the Project, as well as other regional-serving retail in the City of Lincoln.

Similar to the approach for the primary market area, ALH Economics defined a secondary market area for the Project by identifying and aggregating zip codes. For the Marysville/Yuba City area, these zip codes include zip codes 95901 for Marysville, 95961 for Olivehurst and Plumas Lake CDPs, and 95991 and 95993 for Yuba City. Demographic estimates and projections for this combined area are presented in Exhibit 26, with the same source and approach used for the primary market area. Exhibit 27A presents the incremental retail demand estimates for the time period associated with the Project's retail development and other City of Lincoln development, i.e., 2015-2027 and 2027-2042. The findings indicate total retail demand associated with new households in the Marysville and Yuba City areas totals \$161.8 million by 2027 and another \$166.5 million between 2017 and 2042, for a total of \$328.3 million by 2042. These demand findings are then converted to supportable square feet of space in Exhibit 28A, which indicates support for 430,000 square feet of retail by 2027 and another 440,000 square feet between 2027 and 2042. These figures total 870,000 square feet.

The same series of analyses for the Rocklin portion of the secondary market area are presented in Exhibits 27B and 28B, with zip codes 95677 and 95765 used to define Rocklin in Exhibit 26. This analysis indicates total retail demand associated with new households in totaling \$72.9

million by 2027 and another \$22.2 million between 2027 and 2042, for a total of \$95.1 million in new retail demand (see Exhibit 27B). These demand findings are then converted to supportable square feet of space in Exhibit 28B, which indicates support for 190,000 square feet of retail by 2027 and another 60,000 square feet between 2027 and 2042. These figures total 250,000 square feet.

Existing Households Retail Demand Capture

In addition to capturing a share of new secondary market area growth in retail demand, ALH Economics anticipates that the establishment of a strong regional retail node in Lincoln will also serve to attract demand from the secondary market area's existing households. While Yuba City and Marysville achieve higher per household retail sales than Lincoln and select other communities, their retail bases lack significant regional retail shopping opportunities, especially of a more upscale nature. Therefore, households seeking these kinds of shopping opportunities are already likely shopping elsewhere. As cited previously, Rocklin's capture of per average household retail sales is on the low side for the region. The development of a critical mass of regional-serving retail in Lincoln could therefore induce existing secondary market area households to change their spending patterns and thus divert a portion of their retail purchases to Lincoln rather than other regional-serving retail locations.

In Exhibit 29A, ALH Economics conservatively assumes that existing secondary market area households in the Marysville/Yuba City Area could redirect 10% of their total retail spending to new regional-serving outlets in Lincoln. This level of sales could support 290,000 square feet of regional-serving retail space. Similar analysis and assumptions for the City of Rocklin in Exhibit 29B estimates Lincoln capture of 180,000 square feet of demand generated by existing Rocklin households. These amounts of retail demand are factored into the secondary market area demand analysis for the Project.

IMPLICATIONS OF NEW AND OTHERWISE CAPTURED DEMAND FOR PROJECT

Exhibit 30 includes a summary of the estimated components of retail demand for Project retail as well as more regional retail demand. The demand estimates are compared to the Project's retail supply, especially the portion anticipated to require support from the primary and secondary market areas (i.e., excluding the 20% anticipated to be supported by the tertiary market area). The demand components include Project-generated household and employee demand, primary market area retail recapture and net new demand, demand generated by additional growth in Wheatland, and secondary market area demand. This exhibit includes up to 50% of the net new secondary market area demand, recognizing that Lincoln is not likely to absorb 100% of new retail demand generated by the secondary market area, given the range of other existing retail options available to the secondary market area households, such as existing retail in Yuba City, Marysville, Rocklin, and even Roseville. This exhibit also includes only 10% capture from the existing household base in the secondary market area, assuming some existing spending will be directed toward Lincoln's assumed critical mass of regional-serving retail.

The results in Exhibit 30 indicate that sufficient primary and secondary market area demand is projected for Project retail space by 2027. There will yet be additional unmet demand remaining. Thus, even with Project absorption, the primary and secondary market area is

anticipated to still support development for an approximate additional 1.7 million square feet of space by 2027 and cumulatively 2.9 million square feet by 2042.

VII. URBAN DECAY IMPLICATIONS OF PROJECT RETAIL SPACE

STUDY DEFINITION OF URBAN DECAY AND CONTRIBUTING CAUSES

For the purpose of this analysis, and as presented earlier, urban decay is defined as extended long-term business vacancies, directly or indirectly resulting in physical deterioration to properties or structures that is so prevalent, substantial, and lasting a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. Physical deterioration includes abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth.

Before considering how the Project might affect the market and environs, it is useful to focus on what constitutes the *environmental* impact known as urban decay. In *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, 1204, the court described the phenomenon as “a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.” The court also discussed prior case law that addressed the potential for large retail projects to cause “physical deterioration of [a] downtown area” or “a general deterioration of [a] downtown area.” (Id. at pp. 1206, 1207). When looking at the phenomenon of urban decay, it is also helpful to note economic impacts that do not constitute urban decay. For example, a vacant building is not urban decay, even if the building were to be vacant over a relatively long time. Similarly, even a number of empty storefronts would not constitute urban decay. Based on the preceding descriptions regarding urban decay, therefore, ALH Economics’ analysis examined whether there was sufficient market demand to support the Project’s planned retail space without affecting other retailers so severely such as to lead to a downward spiral toward decay of the existing physical environment.

THE CURRENT ENVIRONMENT

Prevailing Retail Market Conditions

ALH Economics conducted retail market fieldwork in Lincoln, Sheridan, and Wheatland. The purpose of this fieldwork was to identify and visit existing primary market area retail nodes, examine the physical condition of major shopping centers and commercial shopping corridors, and identify existing retail vacancies and assess their condition and appearance. These observations are complemented by historical and current retail market performance data, demonstrating the underlying strength or weakness of the local commercial retail market.

City of Lincoln. Once a sleepy bedroom community, Lincoln experienced unprecedented growth in the late 1990s and early 2000s and was recognized as the nation’s Fastest Growing City from 2000 to 2010, growing over 200%.¹⁴ According to the United States Census Bureau, Lincoln’s population as of 2013 is over 45,000.¹⁵

¹⁴ <http://www.census.gov/prod/cen2010/briefs/c2010br-01.pdf>

¹⁵ <http://quickfacts.census.gov/qfd/states/06/0641474.html>

Much of this growth was sparked by the development of Del Webb Sun City Lincoln Hills. Breaking ground in 1999, this community for residents 55 and older now contains over 6,500 homes. In addition, city annexation and new home construction in parts of South Lincoln spurred population growth.

Like many older towns in California, Lincoln boasts a Historic Downtown District. This node stretches from First Street to Seventh Street between G and E streets, with buildings dating from the late 1800s. Plaques on many of Lincoln's older buildings celebrate and trace the history and historic building occupants. This district is characterized by specialty merchants and small-town charm. The Downtown consists of many civic and community uses, restaurants, services, offices, and a mix of both "mom and pop" and chain retail. The heart of downtown is the relinquished Highway 65, now Lincoln Boulevard, or "G" Street. The construction of the Highway 65 Bypass in 2012 alleviated much of the congestion off the Historic District and created a more pedestrian friendly experience. The Downtown District reflects much of the rustic small town feel of the 1800s, and many of the buildings have been maintained or renovated into mixed uses. In 2002, a successful re-use was completed of the 20,000-square-foot former Lincoln Brand Feeds building (between 4th and 5th streets on Lincoln Boulevard) into a mix of restaurants, offices, and retail space. Also along the Lincoln Boulevard retail node, the mixed-use Lincoln Plaza building was completed in 2004 in the northern section of Downtown. This offers ground floor retail and office spaces in the second and third floors. Overall, there are very few vacancies in the retail and office market in the Downtown District, indicating a strong market. During the time of fieldwork (June 2015), the largest vacancy in the Downtown District is the Beerman Building at 645 5th Street (the former historic Beerman's Brewery is an estimated 12,800 square feet). This site, however, is being filled by a new restaurant and brewery and estimated to be opened in fall 2015.¹⁶ This large backfill and other retail activities in downtown point at a strengthening retail market, such as the backfill of the former retail Rainbow Market that lost its lease in 2008, in the southern part of downtown. This space was filled by a Walmart Neighborhood market in late 2012.

The retail stock in South Lincoln is newer, spurred by the development of the 2000s. The first major retail development outside of downtown is Lincoln Hills Town Center, located at Lincoln Boulevard and Ferrari Ranch Road. This approximately 120,000-square-foot retail center opened in 2000 and is anchored by Safeway and has a high occupancy rate of over 95 percent. Further south on Lincoln Boulevard and Sterling Parkway is the Sterling Pointe Shopping Center, a major mixed-use retail center anchored by a Raley's grocery store. Some of this development fell victim to the Great Recession and has been slow to fill select retail spaces poorly sited within this relatively large center. Moreover, this center fell into foreclosure, with the current owner acquiring the property from the bank in December 2013. At that time, the property had 14 vacant units. Since then, the property is down to seven vacancies, with recent new tenants including Taco Bell – which opened in April 2015, taking over the former Wendy's space), Baskin Robbins, Hooked on Solar, and other neighborhood services. At least half of the remaining vacancies include smaller, poorly sited spaces totaling about 7,500 square feet. However, the majority of the center's larger spaces and restaurants are occupied and overall the development is well maintained with the positioning of prime frontage on Lincoln Boulevard.

¹⁶ Sacramento Business Journal, "New owner plans brewery, restaurant in former Beerman's in Lincoln," July 7, 2015.

Parkway Plaza is also located on Lincoln Boulevard situated across East Joiner Parkway from Sterling Pointe Shopping Center. This approximately 220,000-square-foot shopping center is anchored by Lowe's Home Improvement Warehouse, Dollar Tree, Red Robin, and Big 5 Sporting Goods. Occupying approximately 14,000 square feet, Big 5 is an example of retail backfilling in Lincoln. This space was the former site of Fresh & Easy. Big 5 committed to the space shortly after the closure of Fresh & Easy in November 2013, and was one of several retailers immediately interested in the space. Big 5 opened one year after the closure of Fresh & Easy, in November 2014, during which time lease negotiations ensued, a building permit was pulled, and the space was renovated for Big 5. Dollar Tree comprises another example of successful backfilling at this shopping center, taking down multiple spaces for a cumulative total of approximately 9,500 square feet. This lease was negotiated in 2012 and the store opened in 2013. An Arco gas station that was under construction in January 2015 is open as of June 2015. This center appears almost fully leased, with a 6,000-square-foot pad space for a drive-through-restaurant available. In addition, Beach Hut Deli is moving from a 1,400-square-foot space at Sterling Point into a 4,608-square-foot space including a 500-square-foot patio at the Gateway Center, discussed below, in summer 2015.

Closer to Downtown Lincoln, the mixed-use 74,000-square-foot Gateway Center at 140 Lincoln Boulevard, constructed in 2008, was nominated as the Sacramento Business Journal's "2008 Project of the Year." This project offers mixed-use retail and office opportunities. This is the center to which Beach Hut Deli is relocating.

Another major retail node is Lincoln Crossing Marketplace at Ferrari Ranch and Joiner Parkway, which abuts the Highway 65 Bypass. This major retail hub was constructed in 2006 and boasts over 380,000 square feet of retail space anchored by Target, Home Depot, PetSmart, and Ross. As part of a national downsizing, Staples recently consolidated stores creating a junior box vacancy here in mid-2014. This space is actively being marketed and overall center occupancy remains strong at roughly 90 percent. The overall appearance of the center, including the vacant Staples, is well maintained.

Lincoln Village at Twelve Bridges, located at 805 Twelve Bridges Drive, is a retail node serving Del Webb. This is a 50,000-square-foot neighborhood-serving retail center development. Across the street there is a 39,000-square-foot public library, which was built in 2007 and a new Walgreens completed in 2011, which exemplify the recovering economy. Two vacant spaces at Lincoln Village are undergoing renovations and will be filled during summer 2015. These include Infusion Taproom, a craft beer shop (opening July 25),¹⁷ and Twelve Bridges Vision Care.

There are yet other examples of existing retail and retail nodes in Lincoln. All are in good condition, with the only physical mar comprising a plywood board on the front door of the closed Mimi's Café at Lincoln Crossing Marketplace. Although vacated, this property is still being leased by Mimi's Café, but is available on a sub-lease basis.

In summary, with the exception of Downtown Lincoln, the overall retail market generally comprises new retail under 15 years of age. Accordingly, properties are well-kept and

¹⁷<http://www.bizjournals.com/sacramento/news/2015/07/13/craft-beer-shop-opening-soon-in-lincoln.html>

vacancies are well maintained, lacking any signs of decay. There are a wide range of retailers in Lincoln, but the prior retail sales attraction and leakage analysis suggests that not all primary market area shopping needs are being met. The city lacks specialty retailers, department stores, or even significant men's apparel shopping, among others. Building materials retailers are the only category of retail not insufficiently available.

Sheridan and Wheatland. Sheridan is a small census designated place approximately eight miles northwest of Lincoln. This is a relatively rural community with no commercial center. There is one small convenience store in Sheridan with a range of general merchandise including groceries, a meat and deli counter, hardware, sporting goods, and auto supplies. There is also a possibly defunct taqueria in Sheridan, with no other retail offerings. Wheatland, which is 11.5 miles northwest of Lincoln, has more substantial retail offerings, but all primarily local serving. There is a small, well-equipped and well-appointed grocery store in Wheatland located in Downtown Wheatland, with a full service meat counter and numerous gourmet and traditional food offerings. Wheatland's Downtown offerings also include personal and medical services, auto services, a pharmacy, and a thrift store, among other limited offerings. The area also includes select retail located along Highway 65, which passes through Wheatland. This primarily includes an approximately 43,000-square-foot shopping center, Settlers Village Center, with a relatively new Dollar General store, a fitness club, a florist, numerous restaurants, and approximately eight small shop vacancies. While numerous, these Wheatland vacancies are in good physical condition and do not exhibit any signs of urban decay or deterioration.

Retail Market Statistics and Lease Transactions

Information about the size and performance of Lincoln's retail base is presented in Exhibit 31. As noted in this exhibit, Lincoln's retail base expanded by nearly 50% between 1st quarter 2006 and 1st quarter 2009. This rapid growth ultimately came to a halt with the Great Recession, with retail vacancy peaking at 16.6% during 1st quarter 2009. The retail market then proceeded to experience a very slow and gradual recovery, with vacancy reaching a low of 7.8% by third quarter 2013. In the ensuing year, vacancy increased modestly, to a 9.1% figure by the end of 1st quarter 2015. Much of this increase is likely attributable to the closure of Staples in the Lincoln Crossing shopping center.

During the aftermath of the recession a number of retail properties in Lincoln fell into foreclosure, with new parties assuming ownership and working on stabilizing the properties. One of these properties is the aforementioned Sterling Pointe Shopping Center. Yet another property that was foreclosed upon that has not experienced a market recovery is called Terra Cotta Village. This property is located at the intersection of Colonnade Drive and Twelve Bridges Drive and fell into foreclosure while under construction. This project consists of four legal parcels, two of which have nearly completed structures totaling 12,000 square feet. The current owner purchased the partially constructed project from the bank and has not resumed work on the project. The property is surrounded by a chain link fence, and there are no known plans to complete or redevelop the property. As this project has never been completed, it is not included in the city's existing retail inventory.

Notably, Lincoln's 9.1% vacancy rate is slightly more favorable than the Sacramento region's average of 10.5%.¹⁸ As noted in Table 7 presented earlier in Chapter V, Market Area Definition and Retail Base Characterization, the city's retail vacancy rate is lower than in Rocklin and Marysville, both of which have larger retail bases, but is higher than the vacancy rate in nearby Roseville and somewhat more distant Yuba City, both of which also have larger retail bases, considerably larger in the case of Roseville. Thus, within the immediate region, Lincoln's retail base is within the mid-range of market performance. Moreover, a vacancy rate between 5.0% and 10.0% is typically considered to be indicative of a healthy retail market. Therefore, with a vacancy rate of 9.1%, Lincoln's market appears to be overall operating within industry accepted healthy parameters. Commercial real estate brokers, however, generally indicate that market momentum is somewhat subdued.

In addition to the information from active commercial brokers regarding recent market activity, commercial real estate market data from CoStar, a commercial real estate information company, reinforces the information shared by commercial real estate brokers, which is that retail vacancies in Lincoln are finding new tenants, but at a moderate pace. According to CoStar, there were 20 retail leases executed in Lincoln for previously occupied spaces from June 5, 2014 through June 5, 2015. These 20 leases totaled 49,510 square feet of retail space. The largest lease transaction during this time period was for 13,969 square feet, while the average transaction was for 2,476 square feet. The large lease transaction reflected Big 5's occupancy of the former Fresh and Easy space in the Parkway Plaza shopping center, with the store opening in November 2014. Overall, these lease transactions demonstrate that Lincoln's retail market is characterized by a modest amount of momentum, generally maintaining market stability.

REGULATORY CONTROLS

Owners of commercial retail properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new retail tenants. Based upon visual observation this appears to be the case in Lincoln. If property owners lag in their maintenance, however, and the property begins to show signs of disrepair, the City of Lincoln has regulatory controls that can be implemented to avoid the onset of deterioration or decay. A review of these regulations and information about code compliance in Lincoln follows.

City ordinances, such as the City of Lincoln Municipal Code of Ordinances Chapter 8.08 on Nuisance Abatement, Chapter 8.12 on Weed and Rubbish Abatement, Chapter 8.14 on Graffiti Abatement, Chapter 8.20 on Tire Storage, Chapter 8.44 on Trailer Coaches, and Chapter 9.40 on Camping on Public Property require property owners to maintain their properties so as not to create a nuisance by creating a condition that reduces property values and promotes blight and neighborhood deterioration.¹⁹ Enforcement of these ordinances can help prevent physical deterioration due to any long-term closures of retail spaces. The City of Lincoln's Code Enforcement Department is part of the Development Services Department and currently has one Code Enforcement Officer.

¹⁸ CBRE, "MarketView – Sacramento Retail, Q1 2015."

¹⁹ City of Lincoln, "Municipal Code," http://docs.ci.lincoln.ca.us/lincoln/Lincoln_tree.htm (accessed December 18, 2014).

Code enforcement within the City of Lincoln is done on both a proactive basis by the Code Enforcement Department and a complaint basis by the public.²⁰ Public complaints can be made to the City by calling the Code Enforcement Department directly, emailing the Code Enforcement Department, or mailing them a written letter. The Code Enforcement Department works with residents, neighborhood associations, public service agencies, and other City departments to help resolve any violations on a voluntary basis, as well as to establish community priorities for enforcement programs. The City of Lincoln Municipal Code Section 8.08.06 on Resolution and Order to Abate and Section 8.08.07 on Service of Resolution, state that once a nuisance has been determined the property owner will receive in-person or by registered mail, as well as posted conspicuously on the property, a written notice to abate the nuisance or show cause within a given amount of time.²¹ In addition, according to Section 8.08.09 on Failure to Abate – City Abatement, “In the event a nuisance is not abated as ordered by the hearing board, the City may cause the nuisance to be abated,” as well as Section 8.08.10 on Assessment for City Abatement –Determination, which states that the City shall keep a record of the expenses accrued to abate the violation and if the amount is not paid by the property owner within 10 days it becomes a special assessment against the property and may be collected in any manner provided by law.²² According to the Code Enforcement Department the majority of violations are resolved within 2-3 weeks.²³

On average the Code Enforcement Department typically receives and closes 650-700 complaints per year, equaling a closure rate of approximately 100%. The typical types of violations that occur are for zoning, inoperable vehicles, RV boats and trailers, blight, and anything within the municipal code. Of the annual 650-700 complaints received, 90% occur on residential property and 10% on commercial property. When graffiti violations occur property owners are required to remove graffiti within 72 hours after notice is received from the Code Enforcement Department and public services removes any graffiti on City property.²⁴

During fieldwork conducted in June 2015 there were no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes and corridors in the City of Lincoln. All vacant properties were well-maintained with no signs or decay or deterioration. There were, however, two properties with characteristics that could be considered precursor indicators of deterioration. These include the closed Mimi’s Café in the Sterling Pointe Shopping Center, with

²⁰ Code Enforcement Department, Code Enforcement Office II, City of Lincoln; interview conducted December 2014.

²¹ City of Lincoln, “Municipal Code 8.08.06 on Resolution and Order to Abate and 8.08.07 on Service of Resolution,”

http://docs.ci.lincoln.ca.us//sire/documents/results.aspx?searchtype=Advanced&Municipal_Code={Title_Number%203E%20270%27%20%20And|}&sort=Title%20Number%20asc&sun=public (accessed December 18, 2014).

²² City of Lincoln, “Municipal Code 8.08.09 on Failure to Abate – City Abatement and 8.08.10- Assessment for City Abatement –Determination,”

http://docs.ci.lincoln.ca.us//sire/documents/results.aspx?searchtype=Advanced&Municipal_Code={Title_Number%203E%20270%27%20%20And|}&sort=Title%20Number%20asc&sun=public (accessed December 18, 2014).

²³ Code Enforcement Department, Code Enforcement Office II, City of Lincoln; interview conducted December 2014.

²⁴ Code Enforcement Department, Code Enforcement Office II, City of Lincoln; interview conducted December 2014.

a window boarded up with plywood, and the partially built Terra Cotta Village project located at the intersection of Colonnade and Twelve Bridges drives. Even these two properties, however, are well-maintained. Thus, ALH Economics concludes that existing measures to maintain private commercial property in good condition in the City of Lincoln are effective and would serve to preclude the potential for urban decay and deterioration in the event any existing area retailers close following development of the Project's retail component.

PROJECT RETAIL IMPACTS AND URBAN DECAY DETERMINATION

The retail demand analysis reflected in the preceding analysis assumes that the Project's regional-serving retail space successfully meets the regional shopping needs of Lincoln, other primary market area, as well as secondary market area households. It further assumes that development in both Wheatland and Lincoln occurs consistent with respective General Plan provisions. Based on these assumptions, the Project's demand analysis presented in Exhibit 30 indicated that, inclusive of all demand components, successful absorption of the Project's retail space could result in yet additional market area demand remaining that could be satisfied by other regional-serving retail outlets. If this occurs, then development of the Project alone is not anticipated to negatively impact existing retailers to the extent that increased retail vacancy will occur, especially vacancy sustained over a long period of time. Accordingly, development of the Project alone is not anticipated to cause or contribute to urban decay and deterioration.

CUMULATIVE PROJECTS AND URBAN DECAY DETERMINATION

Project-based urban decay analyses typically also consider cumulative impacts associated with other planned and proposed projects. They generally include consideration of projects that are under construction, approved for development, or engaged in the entitlements process. These are the type of projects that generally have a foreseeable expectation of being developed during the same development horizon as the project under study given knowledge and information about their development cycle status. For the purpose of this section, ALH Economics obtained information about planned retail projects in Lincoln, as the core of the primary market area, and Marysville, Yuba City, and Rocklin comprising the secondary market area.

City of Lincoln

ALH Economics researched the City of Lincoln's current projects list and queried staff to identify other retail projects in the development pipeline. This includes projects with approvals or environmental documentation under existing or imminent preparation, such as for the Lincoln SUD-B Northeast Quadrant. A summary of these projects is presented in Exhibit 32. These projects are located in Lincoln or the city's Sphere of Influence, with the potential for annexation similar to the Lincoln SUD-B Northeast Quadrant. As with the demand projections, the timeframes for anticipated development are presented consistent with the anticipated timeframe for the Project and other major retail development in Lincoln, i.e., 2027 and 2042. Ultimately, the year 2042 was selected because this is the anticipated buildout year for the largest retail project planned in Lincoln, Village 5, with just over 3.0 million square feet of planned retail

space. This is the buildout year anticipated in the Village 5 environmental documents under preparation.²⁵

As noted in Exhibit 32, there are 10 projects identified in Lincoln with prospective retail development by the years 2027 and 2042. Some of these projects are further along in the conceptualization process than others. For projects lacking specificity regarding the composition of the prospective commercial space ALH Economics applied the assumption that 60% of such square footage would comprise retail space while 40% would comprise office space (this is the same as the assumption for the Project).

The planned projects represent development near existing retail nodes in Lincoln as well as more peripheral locations. An example of development near existing nodes, include projects 1 and 2 on Exhibit 32. Project 1, Ferrari Pavilion, has been approved for development of a movie theater, restaurant pads, in-line shop space, and a drug store building, all totaling 231,897 square feet. Of this amount, 47,475 square feet are anticipated to comprise retail space appropriate for analysis (theater space is not included in the retail demand estimates, and thus is not considered in the cumulative projects retail supply). This project is located at the northeast corner of Highway 65 and Ferrari Ranch Road. Also nearby, Lincoln Square, which is denoted as project 2, has been approved for development of six commercial buildings with 60,400 square feet of commercial space, which for the sake of analysis ALH Economics assumes will include 36,240 square feet of retail space based on the aforementioned 60% retail assumption. Both of these projects, which total 83,715 square feet of potential retail space, are anticipated to be completed by 2027, when the Project's retail space is anticipated to be completed.

In the City's Twelve Bridges area there are several prospective projects with new retail development. These include projects 3, 4, and 5, comprising the following:

- Lincoln Commercial Center, an approved project with an estimated potential for 59,382 square feet (project 3);
- Terra Cotta Village, the partially constructed project that has new ownership following its foreclosure that is currently surrounded by chain link fence, with 40,240 square feet (project 4); and
- Stone Tower Plaza, an approved project with the estimated potential for 10,380 square feet in addition to existing retail development (project 5).

For the sake of analysis, these three projects, with a total of 110,002 square feet of potential retail space, are also assumed to be completed by 2027.

Also located in the Twelve Bridges area listed as project 10 on Exhibit 32 and is another prospective project called Lincoln 270. The Lincoln 270 project, located between Highway 65 and Industrial Boulevard along Twelve Bridges Drive, has a certified EIR, and adopted Specific Plan, both of which occurred in 2004. This project subsequently lost momentum and has not yet proceeded with development. However, City of Lincoln staff indicate the property's developer recently granted a portion of the property to Dignity Health, with the associated medical facilities estimated to be developed by 2018-2019. Despite the construction of the medical facilities, there are no immediate plans to develop the commercial space. Therefore, the

²⁵ See "Village 5 Specific Plan Area Urban Decay Analysis," Prepared for Environmental Science Associates, April 2015.

analysis assumes such development may not occur until the 2042 timeframe. Given the overall assumption of 60% of commercial acreage developed as retail, and a relatively common 0.25 FAR, which is lower than the General Plan maximum FAR, Exhibit 32 indicates the potential for 379,625 square feet of retail space to be developed at Lincoln 270.

Projects six through nine include three of the planned Lincoln Villages all located within the City of Lincoln's Sphere of Influence. These include the following:

- Phases 2, 3, and 4B of Village 5 – the phases containing retail development, which are located contiguous along the western boundary of the City (project 6);
- Village 7 contiguous with the southeast edge of the City (project 7); and
- Village 1 located along the City's eastern boundary (project 8).

Village 5 is in the entitlement process with the EIR being prepared at the time of this report. Phases 2 and 3 of Village 5 include a little over 1.0 million square feet of retail and are anticipated to be developed by or before 2027. Phase 4B of Village 5 includes almost 2.7 million square feet of retail and is estimated to be complete by 2042. The development process for the Village 1 and Village 7 projects is further along than the process for Lincoln SUD-B Northeast Quadrant, with, for example, an approved Specific Plan in place for Village 1. Based on discussions with the City of Lincoln, the Village 7 project is assumed to include approximately 73,333 square feet of retail space and the Village 1 project is assumed to include 33,400 square feet of retail space. These square footages may change as the project plans evolve, but for current study purposes these estimates total 106,733 square feet. The exact timing of Village 7 and Village 1 development are undetermined. Thus, for analytical purposes, their buildout is assumed to occur concurrent with the Village 5 retail buildout, which is estimated for 2042.

Altogether, the preceding 10 projects total approximately 3.8 million square feet of retail space, with 1.2 million square feet assumed to be developed by 2027 and an additional 2.6 square feet developed by 2042.

Other Primary Market Area

The balance of the primary market area includes Sheridan and Wheatland. There are no known retail projects planned for the Sheridan area of Placer County. There are some pending and approved development projects in Wheatland, but these comprise mostly residential projects, such as Jones Ranch, a 190.8-acre development project for which a 3rd Development Agreement Amendment was approved by the Wheatland City Council on October 28, 2014. Other projects, such as the approved Johnson Rancho project with thousands of potential single-family residential units and multifamily residential units, include acreage designated for commercial. However, discussions with Wheatland Planning officials suggest that any retail space that might be developed at Johnson Rancho would likely be local-serving. As such, the long-term retail demand projection for Wheatland, and the portion of demand included in the analysis for the Project, is more regional-retail oriented, and thus any retail development included in identifiable projects currently known to the City of Wheatland would not comprise cumulative projects relative to the Lincoln SUD-B Northeast Quadrant. There may be future potential for more regional-serving retail development in Wheatland, depending upon the type and timing of future transportation improvements, but such development is speculative at present, and thus does not warrant consideration in this analysis.

Secondary Market Area

Exhibit 33 includes available information on planned retail projects in the secondary market area locations of Marysville, Yuba City, and Rocklin. Pursuant to information from the City of Marysville Planning Department, there are no known projects with retail components planned in the City of Marysville. In Yuba City, there are four projects identified. The majority of these projects are smaller restaurants or delis, with two projects comprising retail centers. The project sizes range from 6,000 to 55,814 square feet, and total 108,070 square feet. Development dates for most of these projects are unknown. However, because of the project specificity, and status of the planning efforts, ALH Economics assumes the projects will all be developed by 2027, which is the retail benchmark period for the Project. In Rocklin, there are six projects identified, ranging from 5,000 to 177,410 square feet and totaling 362,407 square feet. Many of these include additions to existing shopping centers, such as Rocklin Crossings and Rocklin Commons. Most of these projects are already under construction or approved, with completion anticipated in the near-term, by 2016 for all projects. The grand total square footage of all secondary market area retail projects total 470,477 square feet.

Cumulative Projects Impacts

A summary of the primary and secondary market area cumulative retail projects is presented in Exhibit 34. This summary indicates that the City of Lincoln and its Sphere of Influence have a total estimate of 3.8 million square feet of prospective retail development planned excluding the project. However, several adjustments were made to this figure to obtain an estimate of the amount of cumulative space competitive with the Project. These adjustments include the exclusion of a portion of project space for two projects anticipated to serve a tertiary market, similar to the Project. Specifically, ALH Economics assumes that 20% of the Village 5 retail space will also be supported by the tertiary market area, given the large size of this project and its obvious regional retail orientation. In like manner, given its size over 300,000 square feet, ALH Economics assumes that a lesser portion of the Lincoln 270 project (10%) will also be supported by tertiary market support. With these adjustments, the competitive planned retail space in Lincoln and its Sphere of Influence totals 3.1 million square feet.

The secondary market area including the Marysville and Yuba City areas has a total of 54,035 square feet of prospective competitive retail development. This figure is equal to 50% of the planned supply – because the demand analysis assumes a 50% capture rate for new Marysville and Yuba City demand, the supply analysis likewise assumes only 50% of the cumulative retail in this area will be competitive with the Project. The secondary market area portion of Rocklin has a total of 181,204 square feet of prospective competitive retail development. Similar to the Marysville and Yuba City analysis this assumes 50% of the planned supply will be competitive with the Project.

Per the benchmark periods associated with the Project and other Lincoln development, an estimated 1.3 million square feet of competitive retail project space are anticipated to be complete by 2027 and another 2.1 million square feet are anticipated to be complete by 2042 (i.e., excluding the portion of cumulative projects anticipated to be supported by tertiary market area demand). Excluding the Project, this brings the total competitive square footage estimate to 3.4 million square feet.

The supply and demand analyses relevant to analysis of the cumulative retail (including the Project) are consolidated and summarized in Exhibit 35. This exhibit pulls together the retail supply figures for the Project and the identified cumulative retail projects by the time periods relevant to the timing of the Project’s retail development and other Lincoln development. The exhibit also pulls together the demand estimates, which include the Project-based demand, primary market area demand, and secondary market area demand. This demand also includes Project-generated demand anticipated to be directed toward local retail outlets not located in the Project (see Exhibit 14). Yet another component of demand included in Exhibit 35 includes retail demand generated by the employees of the cumulative retail projects located in Lincoln as well as cumulative office projects in Lincoln, which are discussed in the following report chapter. Based on the employment generation assumptions and retail support figures estimated for the Project, the employees of the cumulative retail projects in Lincoln are estimated to generate support for about 57,800 square feet of retail space by 2042 (see Exhibit 36). Employees at Lincoln’s cumulative office projects are estimated to generate another 127,700 square during a similar timeframe. Thus, the cumulative retail and office projects in Lincoln are estimated to generate support for 185,500 square feet of retail space to meet employee shopping needs. These demand estimates are also presented in the time periods relevant to the timing of the Project’s retail development and other development in Lincoln.

Table 11 below summarizes the findings of Exhibit 35, which focuses on the supply of retail space anticipated to attract demand from the primary and secondary market areas (i.e., excluding the tertiary market). These cumulative retail analysis results indicate that based on the projects with estimated completion dates consistent with the estimated Project and other Lincoln development timing, there will be sufficient demand to absorb the Project and the cumulative projects by 2027, the Project’s buildout year. However, with the addition of projects with the anticipated buildout date of 2042, there could be a projected demand deficit of 218,729 square feet by 2042. This means that there may not be sufficient demand to absorb up to 218,729 square feet of the planned primary and secondary market area retail supply.

Table 11. Cumulative Impacts of Lincoln SUD-B Northeast Quadrant and Cumulative Retail Projects

Supply and Demand Characteristic	Timing		Total
	2027	2042	
SUD-B Northeast Quadrant and Cumulative Project Additions to Supply (1)	1,720,235	3,827,607	3,827,607
Cumulative Retail Demand	2,212,093	3,608,878	3,608,878
Additional Demand Needed to Support New Supply	0	218,729	218,729

Source: Exhibit 35.

(1) Includes retail space anticipated to attract demand from the primary and secondary market areas.

Regardless of which mix of planned projects and demand is considered in the analysis, the cumulative project impacts generally indicate there could be insufficient demand to support about 218,729 square feet of the planned projects. This 218,729-square-foot figure comprises the amount of retail space that could experience sales impacts if the Project and the cumulative projects perform at the sales levels projected in the analysis (see Exhibit 21 for retail sales

estimates). If sales performance is lower, then the amount of sales impact would decline, meaning that demand would be expressed over a larger volume of retail space. In addition, if the rate of Project and cumulative project development is slower, or if the amount of Project retail developed is less, then these impacts would also decline. Alternatively, some of this vacancy could comprise unfilled space at any of the planned retail projects, pending stabilized occupancy. Of note, given the Project’s anticipated regional-serving retail orientation, any of the impacts that occur are likely to be among regional- or sub-regional serving retailers, and not the smaller specialty type retailers such as are located in Downtown Lincoln. In this context, Downtown is relatively insulated, both in terms of the composition of its retail base as well as its location central to the existing and future population base of Lincoln.

Not all these impacts will necessarily be experienced in Lincoln, as not all of the cumulative additions to retail supply are located in Lincoln. However, including the Project, over 90% of the competitive portion of the planned supply of new retail included in the analysis will be located in Lincoln. This, therefore, suggests that the bulk of the impacts will likewise be experienced in Lincoln. Other factors contributing to the majority of these impacts likely being experienced in Lincoln include the relative distribution of household growth, with Lincoln comprising the highest growth area, and the Project’s anticipated regional-serving retail orientation, with ultimately the bulk of this type of space being located in Lincoln relative to the market area, especially the primary market area.

By the time the Project and other planned supply are developed, Lincoln’s retail base will be much greater than the current 1.6 million square feet. As noted in Table 12, with the addition of the Project and the identified planned supply in Lincoln, the retail base in Lincoln could increase to close to 6.0 million square feet. It is speculative to estimate what the vacancy rate will be for this retail base by the year 2042. However, figures presented in Table 12 indicate that if all of the Project’s impacts are experienced in Lincoln, then the retail vacancy rate in Lincoln could increase by a modest 3.6%.

Table 12. Worst Case Lincoln Market Performance by Project Buildout Year (2027) and 2042

Supply and Demand Characteristic	2027	2042
Existing and Planned Supply		
Existing Lincoln Retail Base	1,630,314	1,630,314
SUD-B Northeast Quadrant Additions to Supply	582,600	582,600
Other City of Lincoln Additions to Supply	<u>1,225,217</u>	<u>3,785,295</u>
Total	3,438,131	5,998,209
Additional Demand Needed to Support New Supply	0	218,729
Effective Increase in Vacancy Rate of Retail Supply (1)	0.0%	3.6%

Sources: Exhibits 4, 30, 34, and 35.

(1) Comprises the vacancy rate that would result if the additional demand needed to support the new supply of retail resulted in displacement of existing and planned retail space in just the City of Lincoln by the Project's assumed 2027 buildout year as well as 2042, when the major cumulative retail development in Lincoln is assumed to be built out.

Typically, a retail vacancy rate of 5% to 10% is considered indicative of a healthy retail market, with space available to facilitate movement and expansion within the marketplace. Vacancy rates in excess of 10% are not optimal, as they indicate potential market weaknesses. However, vacancy rates above 10% are not necessarily indicators of a struggling or eroding retail market, as many other factors are also relevant to this determination, such as the underlying condition of the real estate base and its functionality.

As the figures in Table 12 indicate, even with the potential increase in retail market vacancy attributable to the Project’s and cumulative project’s additions to the retail supply, the Lincoln retail market could be operating within traditional expectations of a healthy retail market by the year 2042. Thus, the cumulative project impacts may not comprise an excessive impact on the market. Further, in the long run, the estimated 218,729-square-foot level of retail market impacts could be more than offset by additional retail demand generated by accelerated full residential buildout of Lincoln, which was previously estimated to generate yet additional demand for 540,000 square feet of retail space (see Exhibit 24). As shown in Table 13, consideration of this long-term demand would reduce the demand deficit to relieve any potential impacts, resulting in approximately 320,000 square feet of unmet demand, thus resulting in no space at risk of vacancy.

Table 13. Deficit of Demand at Population Buildout of City of Lincoln and Cumulative Retail Projects Buildout

Demand Base	Demand
Additional Demand Needed to Support New Supply	218,729
Additional Lincoln Demand Through Buildout	540,000
Additional Demand Requirements	(321,271)

Sources: Exhibits 24 and 35.

With this General Plan offset, therefore, the estimate of unmet demand results in no significant impact, and thus no hardship for the retail base.

Urban Decay Determination

In developing a conclusion regarding the potential for urban decay, ALH Economics relied on the definition presented earlier in this chapter, which focused on determining whether or not physical deterioration would likely result from the development of the Lincoln SUD-B Northeast Quadrant retail space, as well as other cumulative retail developments.

ALH Economics’ conclusion is based on consideration of long-term demand estimates, current market conditions, and regulatory controls, as summarized below:

Long-term Retail Demand Estimates. ALH Economics anticipates that the retail at Lincoln SUD-B will be developed against a backdrop of sustained long-term demand for retail space. Lincoln does not currently serve as a regional retail market; however, with almost 4.4 million square feet of planned retail, the city has the potential to become a regional shopping destination. Perpetuation of the regional retail characteristic will enable the Project retail to be absorbed with sufficient demand remaining for other retail development throughout Lincoln

over the expected duration of planned buildout for the SUD-B Northeast Quadrant Specific Plan in 2027.

With the cumulative projects, ALH Economics believes the cumulative project findings indicate that more retail is planned in Lincoln than will likely be sustainable by 2042. Therefore, if the cumulative projects are developed based upon the project definitions included herein, the result will be the potential for a moderate increment of retail space in Lincoln to become vacant, or stay vacant prior to stabilization. The analysis suggests this increment could be about 219,000 square feet. If the Project or any of the cumulative projects achieves a larger regional demand base than assumed in this study, the increment of potential vacant space will decline. While this may be possible depending upon the tenant mixes, the potential for this to occur is indeterminate at this juncture.

Future demand offsets resulting from accelerated General Plan population buildout could remove this level of impact with no negligible resulting vacancy impacts. Even if the full estimated 219,000 square feet of impacts occur, however, the result on the retail market has the potential to be within the realm of reasonable market performance. If all cumulative retail developments and the Project are developed consistent with the study assumptions, the maximum impact coincident with the Project's buildout year would be a 3.6% increase in Lincoln's retail vacancy rate, applied to all retail space built at that time. This amount of vacancy in itself is within the realm of market performance indicative of a healthy retail market. Thus, if the underlying vacancy rate at the time the Project and all cumulative projects are developed is relatively low, there is no reason to anticipate that urban decay would result.

Current Market Conditions: Moreover, while Lincoln is a relatively new retail market, and the market has limited experience with long-term vacancies, the larger vacancies that have occurred in recent years appear to backfill quickly, with new tenants operational within approximately one year. Thus, at least the current retail market in Lincoln has demonstrated resiliency and the ability to backfill vacant retail spaces. While the future retail market will have a very different composition and distribution of retail space, this current performance is an indicator of the inherent ability of the Lincoln retail market to backfill vacancies and maintain properties in good physical condition.

Regulatory Controls: In addition, the Municipal Code in Lincoln requires property owners to maintain their properties so as to avoid nuisances and by creating a condition that reduces property values and promotes blight and neighborhood deterioration. Enforcement of these ordinances can help prevent physical deterioration due to any long-term closures of retail spaces. Presently such enforcement appears effective in Lincoln, with little-to-no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes in Lincoln, and with most violations resolved within 2-3 weeks. This suggests if the City of Lincoln maintains a long-term commitment to code enforcement, with the requisite staffing, that code enforcement will continue to help ensure that urban decay does not occur in Lincoln.

Overall, in light of the findings of this study, ALH Economics believes it is likely that some of the planned retail space may not get built, as there may be insufficient demand to support the space. However, the analysis suggests that if these reasonably foreseeable approved and entitled projects are built within the timeframe identified, including the Project, urban decay will not result, since the impacts on the future retail market are within the realm of reasonable expectations for a healthy retail market.

VIII. ANALYSIS OF OFFICE SPACE

EMPLOYMENT-GENERATING USES

In addition to providing a new community for homes and retail-serving uses, the Project is also anticipated to have a moderate employment-generating component. This includes up to the assumed amount of 388,400 square feet of non-retail space, including office, business professional, and service industry space.²⁶ For the sake of analysis, this space is analyzed for urban decay purposes as office space. This is because most of the referenced non-retail uses typically use office space. In addition, this is a conservative assumption as Lincoln's office base is the smallest real estate base in Lincoln, thus new space additions comprise a larger share of this real estate base than any other Lincoln real estate base

Currently, employment in Lincoln totals approximately 9,200.²⁷ As depicted in Exhibit 37, employment throughout Placer County in 2015 totaled an estimated 156,600. Thus, Lincoln's employment base comprises a scant 5.9% of the county total. The information included in Exhibit 37 for the county as a whole indicates that several key industry sectors dominate the county's economy. These include service industries with 21% of the 2015 employment base, retail and office sectors with 35% of the employment base, medical with 13% of the employment base, and industrial with 11% of the employment base. The three remaining industry sectors in Exhibit 37 all comprise less than 20% of the county's employment base, including food at 8%, and government and education at 6% each. Employment in all these sectors requires different types of space to conduct operations, including the type of office space that could be developed at the Project. Based on SACOG's employment projections, employment in Placer County is projected to increase by 19% between 2015 and 2027, or the time period coincident with the prospective office development at the Project. This reflects a 1.5% annual average growth rate.

These growth figures indicate that the Project's office space will be developed in a growth-oriented environment. It is difficult to assess how Lincoln and the Project will be positioned relative to the county as a whole, or other regional growth trends. However, the following analysis for office development provides information for assessing the regional context of the Project's prospective office space.

PROJECT OFFICE DEVELOPMENT CONTEXT

Project Office Component

The City of Lincoln currently has a limited supply of office space, estimated to total just over 300,000 square feet (see Exhibit 38). This market focuses on small offices and medical services, none of which is Class A office space. Lincoln has no large, high rise, or corporate style office space options. The downtown corridor offers mixed-use options, but is primarily limited to niche type office space or medical services of a few thousand square feet. The largest available contiguous space in Lincoln is roughly 11,656 square feet in the Sun City development at 985

²⁶ Draft Special Use District B Northeast Quadrant Specific Plan, page 1.

²⁷ Estimated based on SACOG Regional Land Use estimates for 2008 and 2035.

Sun City Lane. The office space near Sun City is primarily focused on medical and financial services. The other major office nodes are the Sterling Pointe and Lincoln Gateway developments. These nodes are mixed-use options, under 10 years old, and are also primarily occupied by medical services and personal services. Lincoln’s existing office inventory appears to be in good to moderately good condition, with no visible signs of decay or deterioration.

Lincoln’s office market is also small in comparison to other nearby communities, as demonstrated in Table 14, below. The information in this table, including the occupied square feet of office space per household, highlights Lincoln’s relative status as primarily a residential community, with a limited employment base, especially office-oriented. For example, as noted in Table 14, Lincoln’s office base is equivalent to an average of 15 occupied square feet of office space per household. In contrast, Roseville, with the most substantial office base in the nearby region, averages 172 occupied square feet of office space per household. While this figure is an extreme outlier, all the other cities included in Table 14 also have substantially more occupied office space than Lincoln, ranging from 48 square feet in Yuba City to 113 square feet in Marysville.

Table 14. Office Inventory for Communities Near Lincoln

City	Number of Households (1)	Office Inventory (2)		Occupied Sq. Ft./HH
		Amount	% Vacant	
Lincoln	16,793	318,819	22.6%	15
Roseville	46,665	9,427,741	14.7%	172
Rocklin	21,265	2,363,360	14.9%	95
Yuba City	21,602	1,167,840	11.6%	48
Marysville	4,680	634,019	16.4%	113

Sources: SACOG, "Population, Housing and Household Estimates 1990 - 2014," 5/5/2014; Costar; and ALH Urban & Regional Economics.

(1) Household count for 2013.

(2) First quarter, 2015.

Consistent with Lincoln comprising a relatively small and minor office market, lease transaction data from CoStar indicates that there were five executed office leases in Lincoln from June 5, 2014 through June 5, 2015. These five leases totaled approximately 3,400 square feet of space, with the average comprising approximately 680 square feet and the largest comprising 1,450 square feet.

While Lincoln’s existing office base is limited, the City of Lincoln has a long-term vision for Lincoln to become more of an employment center. Given existing land use designations, there is a great deal of potential for future office development from a land use perspective, totaling in the millions of square feet. Specifically, with regard to Lincoln’s long-term vision, the most recent General Plan for the City of Lincoln indicates 510 acres designated for the “Business Park” land use.²⁸ At the City of Lincoln’s 0.45 FAR for this land use, this results in maximum

²⁸ City of Lincoln, “City of Lincoln General Plan Update Final EIR,” February 2008, page 6-2. Also see Exhibit 7.

development of almost 10.0 million square feet of building area (See Exhibit 6). This land use is in addition to other land uses that support office or industrial development, such as the City's Commercial, Industrial, and Industrial Planned Development land use designations. Thus, while the Project's maximum office space buildout of 388,400 square feet will comprise a substantial addition to the City of Lincoln, this level of development is well within the envelope of the City of Lincoln's prospective vision regarding office development and office-based employment growth.

Lincoln also has an industrial base, totaling an estimated 4.0 million square feet of manufacturing, warehouse, and R&D/flex space according to CoStar. The non-retail commercial space within Lincoln SUD-B Northeast Quadrant has the greatest potential to include office, business professional, and service industry space, and not industrial space. Therefore, Lincoln's industrial market has limited relevancy to the Lincoln SUD-B Northeast Quadrant urban decay analysis. However, it is worth noting that most of Lincoln's existing industrial space is located near the Lincoln Regional Airport, which is a public use airport three miles west of Lincoln that was a former auxiliary military training airfield in World War II. The Project is located to the south of the Airport, and thus can have strong synergy with this industrial base. The Airport is owned by the City of Lincoln, covers approximately 725 acres, and has one runway.²⁹ The airfield is fully automated and accommodates general aviation and general business, including single-engine aircraft and a broad contingent of large and small-business aircraft. Surrounding the Airport are two industrial parks - the Aviation Business Park and the Lincoln Air Center. Vacancy in this area is presently relatively high, in large part due to a substantial amount of warehouse space vacated by Hewlett Packard over a decade ago, which has not since been fully backfilled. Yet, the market is characterized by recent positive absorption of the Lincoln industrial base, with close to 200,000 net square feet absorbed since the beginning of 2013. Some of these leases include recent transactions at the Aviation Business Park and Lincoln Air Center. This industrial base and the Airport are perceived by the City of Lincoln's Economic Development Manager to be some of Lincoln's greatest assets supporting the city's economic development.

Long-term Projected Office Demand

As delineated in Exhibit 2, the Project's office space (i.e., non-retail commercial space) is assumed to be developed by 2027. ALH Economics prepared estimates of office space demand associated with this timeframe and through 2035, which is the period supported by SACOG's employment projections. These projections were prepared for Placer County, providing regional context, as well as for the City of Lincoln. The office demand projection is presented in Exhibit 39. The projected space demands are derived from employment forecasts in several key office-using industry sectors. These sectors include government, office, and medical. There are yet other industry sectors whose employees use office space. These especially include education and industrial sectors; however, these sectors are conservatively excluded since not all their employment is office-using.

The office demand projection in Exhibit 39 estimates that office-using employment in 2015 in Placer County totals 57,700. This figure is estimated to increase to 72,700 in 2027 and 84,700 in 2035, the last year for which employment is projected by the source, SACOG. The office

²⁹ <http://www.gcr1.com/5010web/airport.cfm?Site=LHM>

space projection assumes the industry standard assumptions of 225 square feet per employee and a stabilized vacancy rate of 10%.

The office demand projection totals 3.75 million square feet of new demand for Placer County between 2015 and 2027, the time when the Project's non-retail commercial space is anticipated to be completed. An additional 3.0 million square feet of demand is projected between 2027 and 2035, the end of the employment projection period. In total, new office demand in Placer County between 2015 and 2035 is projected to total 6.75 million square feet to accommodate the projected growth.

While the Placer County office growth and associated space demand is substantial, the projections for Lincoln are much more modest. For example, as noted in Exhibit 39, office employment in Lincoln is estimated at 2,100 in 2015. Based upon SACOG's projections, this level of employment is projected to increase to 3,600 by 2027 and to 5,300 by 2035. The amounts of office space associated with these levels of growth total 375,000 square feet by 2027 and an additional 425,000 square feet by 2035, for a total of 800,000 net new square feet between 2015 and 2035. While based upon SACOG projections, these levels of growth do not appear to take planned Lincoln development into account. For example, as noted in Exhibit 3, the Project's non-retail commercial (e.g., office, business professional, and service industry) employment estimate totals 1,165 office employees by 2027. This level of employment for just the SUD-B Northeast Quadrant office employment equates almost 80% of the SACOG-based projection of 1,500 over the same time period. Thus, if growth occurs as projected by SACOG, Lincoln will need to substantially increase its share of Placer County growth, or change the trajectory of growth for the whole county.

Office Pipeline

The Lincoln SUD-B Northeast Quadrant is not the only planned project that could change the nature of Lincoln's office base. Exhibit 40 includes information on office projects in various stages of development conceptualization. These range from relatively small projects, such as the approved Lincoln Square project at the southeast corner of Highway 65 and Sterling Parkway with the assumed potential for about 24,000 square feet of office space, to relatively large projects, such as the Village 5 Specific Plan Phase 4A project adjacent to the Project with the assumed potential for approximately 1.4 million square feet of office space. The six projects listed in Exhibit 44 are anticipated to be completed by 2042, which is beyond the time the Project's office space is to be developed, but concurrent with buildout of other area development. These projects total 1.8 million square feet.

Implications for Urban Decay

The City of Lincoln General Plan, prepared March 2008, anticipates a financially self-sustaining community of over 100,000 people, with supportive commercial and industrial development. Toward this end, the General Plan's Economic Development Element established the goals, policies, and implementation programs for directing economic growth toward targeted city objectives, including increasing the jobs to housing balance, attracting targeted business, and providing for a financially self-sustaining community.³⁰ As noted in the General Plan, a key

³⁰ City of Lincoln General Plan, March 2008, page 3-1.

factor in shaping the future for Lincoln will be the niche within the regional economy Lincoln chooses to fill regarding its future development.

The City of Lincoln General Plan's Economic Development Element includes six economic development goals. One of these six goals is as follows: "Goal ED-3, To promote a diverse and balanced mix of employment and residential opportunities within the City."³¹ A parallel goal includes "Goal ED-4, To retain existing businesses and attract new businesses to provide jobs for current and future residents." Recognizing that the Great Recession hampered growth in the City of Lincoln, the City's Economic Development Committee (EDC) prepared a "Strategic Economic Development Action Plan" in February 2013. The Action Plan was created to help guide the City as it grows and emerges from the Great Recession. As stated in this plan, Lincoln's EDC had the following vision and mission:

*Our **Vision** is to be the regional hub of economic growth for South Placer County. We will achieve this Vision through leveraging our physical and geographical assets, and our community's quality of life. We will build upon our historic downtown, the Regional Airport, in-place infrastructure, our transportation grid and our capacity for growth. Our economic **Mission** is to promote a strong economic environment that encourages business retention and expansion, and new commercial and industrial growth.*³²

Lincoln will need to achieve this mission if the planned office projects in Lincoln, including the Project are developed and achieve occupancy. There is no local market precedent to support the development of this amount of space. However, the region as a whole is projected to require a substantial amount of new office space by 2035, close to but slightly beyond the anticipated timing of the Project's non-retail commercial space (e.g., office, business professional, and service industry). Lincoln will need to successfully leverage this demand to support the potential amount of office space planned at the Project as well as the cumulative projects. The degree to which Lincoln can achieve this will depend upon the city's economic development efforts and the overall health of the regional economy.

The most likely scenario if Lincoln does not attract the number of businesses and amount of employment necessary to support the potential office space planned at the Project and the cumulative projects is that these projects will be downscaled or delayed, as warranted by market conditions. Given the cost of new office construction it is unlikely that such development will occur on a speculative basis. The existing office base in Lincoln is so small and centrally located that negative impacts on these properties to the point of resulting in urban decay and deterioration is unlikely and not foreseen. As newer, better class space is built, the older, smaller properties will continue to be attractive to small, price sensitive operations. Such properties will provide opportunities for new businesses to evolve and incubate, at which point growth could support relocation to some of the newer office space in Lincoln, enabling businesses to stay local while achieving business success. Based on the preceding description of urban decay, therefore, ALH Economics concludes that the potential office space planned for the Project, as well as the cumulative projects, will not cause or contribute to office-related urban decay.

³¹ Ibid, page 3-3.

³² City of Lincoln, Economic Development Committee 12 to 18 Month Strategic Action Plan for Economic Growth, February 12, 2013, page 3.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

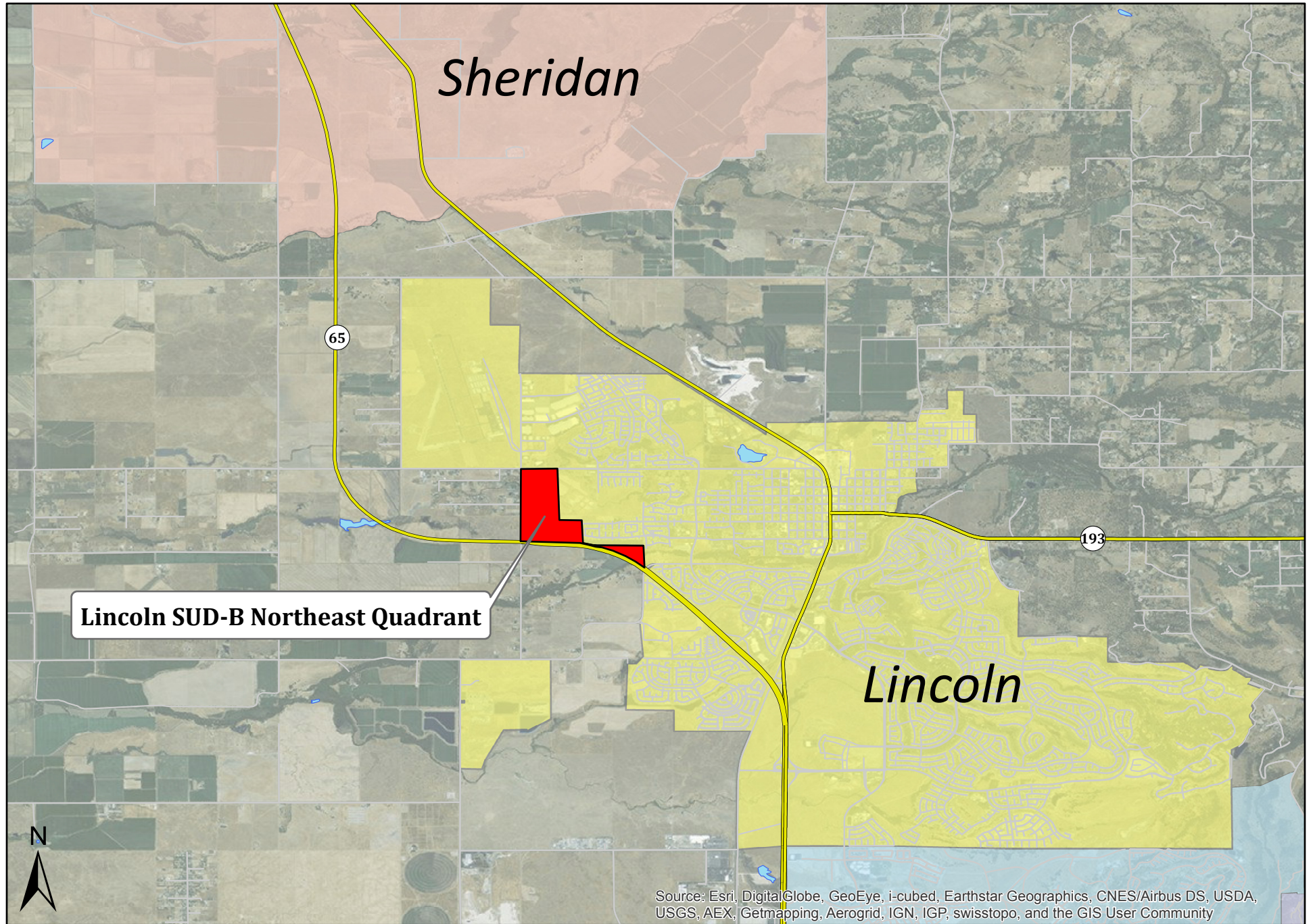
ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although ALH Urban & Regional Economics believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

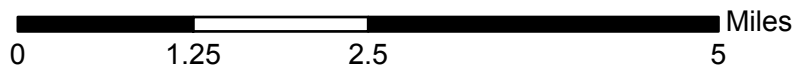
APPENDIX A: EXHIBITS

Exhibit 1: Lincoln SUD-B Northeast Quadrant Specific Plan Site



Lincoln SUD-B Northeast Quadrant

Source: Esri, DigitalGlobe, GeoEye, i-cubed, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community



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Exhibit 2
Lincoln SUD-B Northeast Quadrant Specific Plan
Project Description
Key Land Use Designations Summary and Estimated Occupied Project Households and Population and Commercial Space
2027 (1)

Land Use	Units / Square Footage	Vacancy Rate (2)	Estimated Occupied Households / General Commercial Space	Persons per Household (2)	Total Estimated Population at Buildout (3)
Residential Units (4)					
Owner-Occupied: Low Purchase Price	226	5.6%	213	2.64	563
Owner-Occupied: High Purchase Price	226		213		563
Total	452		427		1,126
<hr/>					
Commercial (5)					
Retail	582,600	10.0%	524,340		
Non-retail (Office /Other)	388,400		349,560		
Total	971,000		873,900		

Sources: SUD-B Northeast Quadrant Specific Plan City of Lincoln Notice of Preparation dated April 1, 2015; Dudek; State of California Department of Finance, "Table 2: E-5 City/County Population and Housing Estimates, 1/1/2015"; Special Use District B Northeast Quadrant Specific Plan, Draft; and ALH Urban & Regional Economics.

- (1) The project start date is assumed to be 2017, with a 10-year buildout period (2027), as suggested by Dudek.
- (2) Resident population is based on occupied housing units, assuming a 5.6% vacancy rate and persons per household of 2.64 per DOF Population and Housing Estimates for 1/1/2015. Commercial vacancy based on industry standard vacancy rates assumed by ALH Urban & Regional Economics
- (3) Total estimated population at buildout is calculated by multiplying the number of occupied housing units by persons per household figure.
- (4) Unit distribution information provided by Dudek.
- (5) The Commercial component is assumed to comprise 60% retail and 40% non-retail (i.e., office, business professional, service industry).

Exhibit 3
Lincoln SUD-B Northeast Quadrant Specific Plan
Retail and Office Land Use Designations Summary
Project On-Site Employees

Buildout Year	Retail (1)	Office/Non-Retail (1)	Total
	[500 Sq. Ft. / Employee] (2)	[300 Sq. Ft. / Employee] (2)	
2027	1,049	1,165	2,214

Source: ALH Urban & Regional Economics.

(1) See Exhibit 2 for total square feet.

(2) Employment densities reflect industry standard assumptions, applied to estimated occupied square feet of space by land use. The figure for office/non-retail commercial is a hybrid figure to accommodate a potential range of uses.

**Exhibit 4
Existing Inventory by Land Use
Retail, Office , and Industrial
City of Lincoln
2015 (First Quarter)**

Land Use	Gross Sq. Ft.
<u>Retail</u>	
CoStar	1,630,314
Colliers	1,219,126
CBRE	1,189,747
Existing Retail Total (1)	1,630,314
<u>Office</u>	
CoStar	318,819
Existing Office Total	318,819
<u>Industrial</u>	
CoStar	4,027,465
Existing Industrial Total	4,027,465

Sources: CoStar, "City of Lincoln Retail, Office, and Industrial + Flex History"; Colliers, "Research and Forecast Report - Sacramento - Q1 2015 - Retail"; CBRE, "Sacramento Retail Market View Q1 2015"; and ALH Urban & Regional Economics.

(1) While multiple sources for total retail were evaluated, ALH Urban & Regional Economics utilized the data from CoStar since it reflects the largest estimate, suggesting that other inventories are less complete and that the CoStar inventory is the most comprehensive.

**Exhibit 5
 General Plan Land Use Designations for Buildout
 City of Lincoln, Sphere of Influence, and Additional
 Unincorporated Land
 Land Use by Acres**

<u>Land Use</u>	<u>Acres</u>
<u>Residential</u>	
Rural Residential	1,190
Country Estates	1,350
Low-Density Residential	7,610
Medium-Density Residential	1,740
High-Density Residential	750
<u>Commercial / Industrial</u>	
Neighborhood Commercial	180
Commercial	2,120
Business Park	510
Industrial	1,240
Industrial Planned Development	1,660
<u>Agriculture / Open Space</u>	
Agriculture	430
Open Space	12,700
<u>Public / Other</u>	
Park	690
Public	840
Future Expansion Area (or) Urban Reserve	0
Total Area	33,010
Total Population	132,000

Sources: City of Lincoln, "City of Lincoln General Plan Update Final EIR," February 2008, page 6-2; and ALH Urban & Regional Economics.

Exhibit 6
Buildout Capacity for Commercial/Industrial Land Uses (1)
City of Lincoln, Sphere of Influence, and Additional Unincorporated Land

Land Use	Land Area (Acres) (2)	Maximum FAR (3)	Maximum Potential Square Feet of Building Space
Neighborhood Commercial (4)	180	0.35	2,744,280
Commercial (4) (5)	2,120	0.35 - 0.40	32,321,520 - 36,938,880
Business Park	510	0.45	9,997,020
Industrial	1,240	0.50	27,007,200
Industrial Planned Development	1,660	0.50	36,154,800

Sources: City of Lincoln General Plan 2050 - March 2008, page 4-4; and ALH Urban & Regional Economics.

(1) The figures in this exhibit comprise maximum buildout capacity in Lincoln, its Sphere of Influence, and additional unincorporated land based upon the General Plan land use designations in Exhibit 5. The figures presented reflect total capacity, and do not take into account the volume of existing development.

(2) See Exhibit 5.

(3) Maximum FARs per the City of Lincoln General Plan 2050 - March 2008, page 4-4.

(4) In all likelihood commercial retail development will occur at lower overall FAR's, as these levels are maximums, and observations of retail development in similar types of suburban communities in Northern California suggest retail FAR's at lower levels, such as 0.20 to 0.25. At this level of FAR the potential square feet of building space would range from 18.5 million to 23.1 million.

(5) The acreage within the Commercial land use designation given in the buildout portion of the General Plan EIR was not further broken down into the city's specific commercial land use designations. ALH Urban & Regional Economics estimated the square feet of building space using the maximum FARs given in the City of Lincoln 2050 General Plan for the designations of Community Commercial, Regional Commercial, and Mixed Use.

Exhibit 7
Lincoln SUD-B Northeast Quadrant Specific Plan
Residential Land Use Designations Summary
Projected Household Income (1)
2015 Dollars

Residential Land Use	Purchase Price (2)	Amount Financed	Annual Mortgage	Other Expenses	Monthly Expense	Income Required
Owner-Occupied Low Purchase Price	\$390,000	\$312,000	\$18,145	\$7,065	\$2,101	\$81,324
Owner-Occupied High Purchase Price	\$450,000	\$360,000	\$20,937	\$7,875	\$2,401	\$92,942

Mortgage Assumptions

Interest Rate (3)	4.125%
Loan Term	30
Down Payment	20.0%
Home Insurance	0.15% of home price
Mortgage Insurance	0.90% of loan amount
Property Taxes (4)	1.20% of home price
Maximum PITI (5)	31%
HOA/Month (1)	\$150

Sources: Dudek; Wells Fargo, "Today's Mortgage Rates and Refinance Rates" as of June 3, 2015; RealQuest property database; FHA Guidelines; and ALH Urban & Regional Economics.

(1) Income calculations are based on a 20% down payment, a 4.125% interest rate, and a monthly HOA fee of \$150.

(2) Residential purchase price figures forwarded by Dudek, but provided to Dudek by Frayji Design Group, Inc., and Newmark Cornish & Carey.

(3) Mortgage interest rate based on current rates per Wells Fargo; however, interest rates are anticipated to increase in the future.

(4) Assumption prepared by ALH Urban & Regional Economics based upon examination of total property tax rates for a range of properties in the City of Lincoln.

(5) Assumption prepared by ALH Urban & Regional Economics based upon examination of FHA Guidelines.

Exhibit 8
Lincoln SUD-B Northeast Quadrant Specific Plan
Residential Land Use Designations Summary
Total Estimated Income and Spending on Retail from Project Households
2027
2015 Dollars

Residential Land Use	Estimated Income per Occupied Household (1)	Percent Spent on Retail (2)	Occupied Project HH (3)	Total Estimated Income from Project Households	Estimated Income Spent on Retail
Owner-Occupied Low Purchase Price	\$81,324	33%	213	\$17,349,881	\$5,725,461
Owner-Occupied High Purchase Price	\$92,942	31%	213	\$19,828,514	\$6,146,839
Total	--	--	427	\$37,178,395	\$11,872,300

Source: ALH Urban & Regional Economics.

(1) See Exhibit 7.

(2) These estimates are based upon analysis of average household spending on retail by income band. The percentage estimates are based upon interpolation of average household income by percent of household spending on BOE-type retail. See Exhibit B-1.

(3) See Exhibit 2.

Exhibit 9
Lincoln SUD-B Northeast Quadrant Specific Plan
Retail Demand Generated by Occupied Housing Units (1)
2015 Dollars

Type of Retailer	Total Retail Demand (2)	Sales Per Sq. Ft. (3)	Supportable Sq. Ft.	
			Amount (4)	Vacancy Adjusted (5)
Food and Beverage Stores	\$2,032,840	\$595	3,415	3,794
Food Services and Drinking Places	\$1,513,859	\$500	3,031	3,367
Home Furnishings and Appliance Stores	\$612,789	\$323	1,900	2,111
Building Materials and Garden Equip (6)	\$715,738	\$300	2,387	2,652
Clothing and Clothing Accessories Stores	\$842,052	\$385	2,187	2,430
General Merchandise Stores	\$1,653,689	\$287	5,759	6,399
Other Retail Group (7)	\$1,490,631	\$432	3,454	3,837
Motor Vehicles and Parts Dealers	\$1,639,501	\$800	2,049	2,277
Gasoline Stations	\$1,371,200	NA	NA	NA
Subtotal	\$11,872,300		24,182	26,869
Additional Service Increment (15% of total) (8)	N/A	N/A	4,267	3,131
Total (9)	N/A	N/A	28,450	30,000

Source: ALH Urban & Regional Economics.

(1) See Exhibit 2.

(2) The total household retail spending estimates for the SUD-B Northeast Quadrant Specific Plan households were generated by ALH Urban & Regional Economics, see Exhibit 8. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-2.

(3) These figures reflect achievable sales per square foot estimates for each respective retail category except as noted. The figures reflect general industry averages as well as national averages reported in the Retail MAXIM publication "Alternative Retail Risk Analysis for Alternative Capital." See Exhibit B-3.

(4) Reflects the total estimated project-generated spending on retail divided by the achievable sales per square foot estimate.

(5) Includes a 10% vacancy allowance for all categories of retail space.

(6) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

(7) Other Retail Group includes drug stores, electronics, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, electronics, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

(8) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

(9) Vacancy adjusted figures rounded to nearest 10,000.

Exhibit 10
Average Annual Estimated Daytime Retail Spending
Office Workers in Suburban Locations
2015 Dollars (1)

Category of Spending (2)	Weekly Spending		Annual Spending (4)	
	Suburban Locations	Suburban Ample Locations (3)	Suburban Locations	Suburban Ample Locations (3)
Full-Service Restaurants and Fast Food	\$30.84	\$53.94	\$1,480.52	\$2,588.89
Goods and Services				
Groceries	\$23.06	\$40.33	\$1,107.06	\$1,935.84
All Other (5)	\$102.69	\$179.56	\$4,928.91	\$8,618.87
Total	\$156.59	\$273.83	\$7,516.49	\$13,143.60

Sources: Office-Worker Retail Spending in a Digital Age," International Council of Shopping Centers; United States Bureau of Labor Statistics, CPI for Urban West; and ALH Urban & Regional Economics.

(1) The data were reported for 2011. ALH Urban & Regional Economics inflated the figures to 2014 by using the Urban West CPI Index, with adjustments from May 2011 to May 2015, resulting in a 0.94% (rounded) adjustment.

(2) Excludes spending on transportation and online purchases.

(3) Reflects an increase in spending by office workers in locations with more ample retail, restaurant, and services offerings in the vicinity of the office building. This adjustment is based upon analysis reflected in the cited International Council of Shopping Centers source document. In suburban locations the increment was approximately 75% more.

(4) Reflects a 48-year work week, allocating two weeks for holidays and two weeks for vacation.

(5) All other includes a range of retail purchases, such as personal care shops, office supplies, department stores, drug stores, electronics, jewelry stores, entertainment, clothing, and other goods.

Exhibit 11
Lincoln SUD-B Northeast Quadrant Specific Plan
Retail Demand Generated by On-Site Employees
2015 Dollars

	Type of SUD-B Northeast Quadrant Employee	
	Office/Flex	Retail
Average Wage (1)		
Annual Average Wage	\$81,000	\$29,000
Wage Benchmarked to Office Wage (2)	100%	36%
Average Annual Spending (3)		
Restaurants/Fast Food	\$1,500	\$500
Groceries	\$1,100	\$400
All Other	\$4,900	\$1,800
Total Spending	<u>\$7,500</u>	<u>\$2,700</u>

Sources: United States Census Bureau, County Business Patterns, Placer County 2013; and ALH Urban & Regional Economics.

(1) See Exhibit B-4. Figures rounded to the nearest \$1,000.

(2) Wages are benchmarked relative to office wages, since workers are assumed to make retail purchases in a pattern similar to office workers, but in proportion to their wages relative to office worker wages.

(3) See Exhibit 10. Figures rounded to the nearest \$100.

Exhibit 12
Lincoln SUD-B Northeast Quadrant Specific Plan
On-Site Employment Retail Demand Generation
2015 Dollars

Retail Category	Retail Demand (1)			Sales Per Sq. Ft. (2)	Supportable Sq. Ft.	
	Office / Light Industrial	Retail	Total Demand		Amount (3)	Vacancy Adjusted (4)
Restaurants	\$1,747,800	\$524,340	\$2,272,140	\$500	4,500	5,000
Grocery	\$1,281,720	\$419,472	\$1,701,192	\$595	2,900	3,222
Other	\$5,709,480	\$1,887,624	\$7,597,104	\$300 (5)	25,300	28,111
Total	\$8,739,000	\$2,831,436	\$11,570,436		32,700	36,333

Source: ALH Urban & Regional Economics.

(1) Comprises demand by type of worker multiplied by the cumulative workers, see Exhibits 3 and 11.

(2) These figures reflect achievable sales per square foot estimates for each respective retail category except as noted. The figures reflect general industry averages as well as national averages reported in the Retail MAXIM publication "Alternative Retail Risk Analysis for Alternative Capital." See Exhibit B-3.

(3) Reflects the total estimated project-generated spending on retail divided by the achievable sales per square foot estimate. Figures rounded to nearest 100.

(4) Includes a 10% vacancy allowance for all categories of retail space. Figures rounded to the nearest 100.

(5) Reflects a generated average sales per square foot assumption reflecting a range of prospective retailers.

Exhibit 13
Lincoln SUD-B Northeast Quadrant Specific Plan
Components of Prospective Retail Demand
Through Buildout in 2027

Components of Retail Space	Square Feet
Planned Square Footage (1)	582,600
<u>Components of Space</u>	
SUD-B Northeast Quadrant Residents (50% capture of demand) (2)	15,000
SUD-B Northeast Quadrant Employees (80% capture of demand) (3)	29,100
Sub-total	<u>44,100</u>
Balance of Other Demand Needed to Support SUD-B Northeast Quadrant (4)	538,500

Source: ALH Urban & Regional Economics.

(1) See Exhibit 2.

(2) ALH Urban & Regional Economics assumes no more than 50% of resident demand will be captured by retail space located at SUD-B Northeast Quadrant. The balance of resident demand will support retail elsewhere in Lincoln and the general region. See Exhibit 9 for resident demand estimates.

(3) See Exhibit 12. The analysis assumes 80% of employee demand will accrue to SUD-B Northeast Quadrant retailers. The balance of employee retail demand will benefit other Lincoln retailers. Figures rounded to nearest 100.

(4) Comprises "Planned Square Footage" less the sub-total of "Components of Space." Numerous other sources of demand could absorb prospective SUD-B Northeast Quadrant retail space. These include retail supported by other new Lincoln area employees, such as the office employment base at the planned Villages, generalized demand from other Lincoln and regional residents, and demand generated from beyond the regional environs.

Exhibit 14
Lincoln SUD-B Northeast Quadrant Specific Plan
Project-Generated Retail Demand for Other Lincoln Retailers (1)
Through Buildout in 2027

Components of Retail Space	Square Feet
Components of Space	
SUD-B Northeast Quadrant Residents (40% capture of demand) (2)	12,000
SUD-B Northeast Quadrant Employees (20% capture of demand) (3)	7,300
Total	19,300

Source: ALH Urban & Regional Economics.

(1) This reflects the retail demand generated by SUD-B Northeast Quadrant residents and employees that is assumed to accrue to Lincoln retailers located outside of SUD-B Northeast Quadrant.

(2) ALH Economics assumes that a 40% share of SUD-B Northeast Quadrant resident demand will be captured by retailers located in Lincoln but not in SUD-B Northeast Quadrant. This allows for the balance of demand (10%) to be met by retailers located outside Lincoln. See Exhibit 9 for resident demand estimates. Figures rounded to nearest 100.

(3) See Exhibit 12. The analysis assumes 20% of employee demand will accrue to retailers located in Lincoln but not in SUD-B Northeast Quadrant.

15 Exhibit 15

City of Lincoln SUD-B Northeast Quadrant
Primary Market Area Map

Exhibit 16
Lincoln SUD-B Northeast Quadrant Specific Plan
Primary Market Area Housing Units and Household Estimates and Projections (1)
2015-2042

Geographic Area	2005	2008	2015	2017	2020	2027	2035	2042	2050
Housing Units									
City of Lincoln (2)	11,930								44,940
Primary Market Area Zip Codes									
95648 (Lincoln)		19,234	21,905	22,734	24,037	27,157	31,223	37,007	
95681 (Sheridan)		413	413	413	413	414	415	416	
95692 (Wheatland)		1,755	2,041	2,132	2,274	2,556	2,920	3,281	
Sub-total		21,402	24,359	25,279	26,724	30,127	34,557	40,703	
Wheatland General Plan Supplement (3)		0	0	0	793	2,642	4,756	6,606	
Primary Market Area Households (4)			22,995	23,863	25,976	30,934	37,112	44,660	

Sources: SACOG, "Forecasting - 2008 Base Year, 2020 Projected Year, 2035 Projected Year, 2008-2035 Growth," for the City of Lincoln and zip codes 95648, 95681, and 95692; City of Lincoln, "General Plan Update Draft Environmental Impact Report," page 2-18; City of Lincoln, "General Plan Background Report, March 2008," page 2-5; City of Wheatland "General Plan Policy Document," Adopted July 11, 2006; "Draft EIR, City of Wheatland General Plan Update, December 2005," Chapter 4.15 - Transportation and Circulation, page 4.15-15; and ALH Urban & Regional Economics.

(1) Figures intentionally not provided or estimated for areas marked in gray. Such figures are not material to the analysis. Figures in bold are figures provided by the cited data sources.

(2) Housing unit estimates pursuant to the City of Lincoln, "General Plan Background Report, March 2008," pages 2-4 and 2-5 and City of Lincoln General Plan Update Draft Environmental Impact Report, page 2-18. The projection for additional housing units by 2050 was given as 34,010 additional housing units from 2005. This figure was subsequently downward adjusted by 1,000 units by ALH Urban & Regional Economics pursuant to information provided by the City of Lincoln indicating that this is the likely amount by which the Village 1 unit count is anticipated to be reduced because of planned land use changes to the Specific Plan for Village 1.

(3) The Wheatland General Plan, with buildout projected for 2025, includes buildout assumptions for more dwelling units than reflected in the SACOG forecasts for the Wheatland zip code. This dwelling unit count is 9,887, or a net increase of 6,606 units over the SACOG projection by 2042. Because this growth is in the city's General Plan, ALH Economics prepared a manual adjustment to the growth projections to accommodate this growth. While the General Plan buildout is for 2025 ALH Economics conservatively assumed a longer development horizon, comparable to other developments of 2042. Further, ALH Economic assumes this incremental growth would not begin until 2018. This growth was then allocated equally across each of the intervening years, comprising 264 units per year from 2018 to 2042. This is the basis for the added figures for the benchmark years.

(4) The household estimate applies a housing vacancy rate estimate to the housing units. See Exhibit 2 for the vacancy rate estimate.

Exhibit 17
City of Lincoln BOE Taxable Sales Estimate
in Current Dollars
First Quarter 2013 Through Fourth Quarter 2013
(in \$000s)

Type of Retailer	BOE Taxable Sales Estimate in \$000s (1)				Total Taxable Sales City of Lincoln	City of Lincoln Taxable Sales Adjusted to Total Retail
	Q1 2013 [A]	Q2 2013 [B]	Q3 2013 [C]	Q4 2013 [D]	[E = A + B + C +D]	
Motor Vehicle & Parts Dealers	\$1,856	\$1,894	\$2,063	\$1,775	\$7,588	\$7,588
Home Furnishings & Appliances	\$883	\$837	\$916	\$743	\$3,379	\$3,379
Building Materials & Garden Equipment	\$11,858	\$12,947	\$11,608	\$9,405	\$45,818	\$45,818
Food & Beverage Stores	\$6,991	\$7,314	\$7,070	\$8,667	\$30,042	\$100,140 (2)
Gasoline Stations	\$8,519	\$9,353	\$9,073	\$8,373	\$35,318	\$35,318
Clothing & Clothing Accessories	\$2,330	\$2,515	\$2,491	\$3,164	\$10,500	\$10,500
General Merchandise Stores	\$5,583 (3)	\$6,031 (3)	\$5,357	\$7,293	\$24,264	\$32,351 (4)
Food Services & Drinking Places	\$9,775	\$10,529	\$10,046	\$10,612	\$40,962	\$40,962
Other Retail Group	\$6,239 (3)	\$8,196 (3)	\$7,430	\$7,500	\$29,365	\$34,585 (5)
Total (6)	\$54,034	\$59,616	\$56,054	\$57,532	\$227,236	\$310,641

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax)" reports, for First Quarter 2013, Second Quarter 2013, Third Quarter 2013, and Fourth Quarter 2013; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States: 2007"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the State of California Board of Equalization (BOE).

(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

(3) The BOE omits certain sales because their publication would result in the disclosure of confidential information. ALH Urban & Regional Economics estimated the missing category sales figures. See Exhibit B-6 for calculations.

(4) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 26% of General Merchandise Stores sales to food.

(5) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In Placer County, drug store sales in Q1 2013, Q2 2013, Q3 2013, and Q4 2013 represented approximately 8.75% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

(6) Totals may not add up due to rounding.

Exhibit 18
Lincoln SUD-B Northeast Quadrant Specific Plan
Adjusted Primary Market Area Retail Sales Base (1)
2015 Estimate

Type of Retailer	City of Lincoln Sales Base			Other Primary Market Area Increment (5)	Total Primary Market Area Sales (6)	Sales per Household 2015 (7)
	2013 (2) (3)	Increase to Q1 2015 (4)	Approx. 2015 Estimate			[D = C / # of HH]
	[A]	[B]	[C = A x (1+ B)]			
Motor Vehicles & Parts Dealers	\$7,588,000	7.3%	\$8,141,383	15.1%	\$9,369,838	\$407
Home Furnishings & Appliance Stores	\$3,379,000	(6.9%)	\$3,144,732	0.0%	\$3,146,218	\$137
Building Materials & Garden Equipment	\$45,818,000	9.2%	\$50,016,487	14.0%	\$57,039,236	\$2,480
Food & Beverage Stores	\$100,140,000	2.0%	\$102,122,148	29.1%	\$131,844,997	\$5,734
Gasoline Stations	\$35,318,000	(3.0%)	\$34,242,822	308.9%	\$140,020,286	\$6,089
Clothing & Clothing Accessories Stores	\$10,500,000	0.8%	\$10,584,651	0.8%	\$10,670,727	\$464
General Merchandise Stores	\$32,351,402	(5.8%)	\$30,485,180	7.6%	\$32,810,811	\$1,427
Food Services & Drinking Places	\$40,962,000	5.4%	\$43,160,706	7.3%	\$46,325,445	\$2,015
Other Retail Group	\$34,584,665	0.0%	\$34,585,250	0.8%	\$34,866,988	\$1,516
Total	\$310,641,067	1.8%	\$316,483,360	15.7%	\$466,094,547	\$20,269

Sources: City of Lincoln, Quarterly Sales Tax Data for 2013; City of Lincoln; and ALH Urban & Regional Economics.

(1) The market area includes the zip codes serving Lincoln, Sheridan, and Wheatland.

(2) See Exhibit 17.

(3) Reflects sales for first Quarter 2013 through 4th Quarter 2013.

(4) The sales base is adjusted pursuant to analysis of recent retail sales trends for the City of Lincoln (i.e., through fourth quarter 2014 or for four quarters). This is the most recent sales performance data available through the City's tax consultant.

(5) See Exhibit B-10 for the increment estimated based on data generated by Nielson Reports.

(6) Assumes that total Market Area sales are equivalent to the City of Lincoln and the Other Primary Market Area increment as a share of Lincoln sales as deduced in Exhibit 17.

(7) The Lincoln SUD-B Northeast Quadrant market area had an estimated 22,995 households in early 2015. See Exhibit 16.

Exhibit 19
Lincoln SUD-B Northeast Quadrant Specific Plan
Retail Demand, Sales Attraction, and Spending Analysis (1)
Primary Market Area (2)
2015

Type of Retailer	Per Household		Market Area Household Spending (5)	Primary Market Area Sales (4)	Retail Sales Attraction/(Leakage)	
	Spending (2)	Sales (3) (4)			Amount	Percent
Motor Vehicles and Parts Dealers	\$3,721	\$407	\$85,559,540	\$9,369,838	(\$76,189,702)	(89.0%)
Home Furnishings and Appliance Stores	\$1,391	\$137	\$31,979,234	\$3,146,218	(\$28,833,016)	(90.2%)
Building Materials and Garden Equip (6)	\$1,624	\$2,480	\$37,351,740	\$57,039,236	\$19,687,496	34.5%
Food and Beverage Stores	\$4,613	\$5,734	\$106,086,483	\$131,844,997	\$25,758,514	19.5%
Gasoline Stations	\$3,112	\$6,089	\$71,557,884	\$140,020,286	\$68,462,403	48.9%
Clothing and Clothing Accessories Stores	\$1,911	\$464	\$43,943,634	\$10,670,727	(\$33,272,907)	(75.7%)
General Merchandise Stores	\$3,753	\$1,427	\$86,299,974	\$32,810,811	(\$53,489,163)	(62.0%)
Food Services and Drinking Places	\$3,436	\$2,015	\$79,002,766	\$46,325,445	(\$32,677,320)	(41.4%)
Other Retail Group (7)	\$3,383	\$1,516	\$77,790,595	\$34,866,988	(\$42,923,608)	(55.2%)
Total	\$26,943	\$20,269	\$619,571,849	\$466,094,547	(\$153,477,303)	(24.8%)

Source: ALH Urban & Regional Economics.

(1) All figures are expressed in 2015 dollars.

(2) Includes the zip codes serving Lincoln, Sheridan, and Wheatland. This includes zip codes 95648, 95681, and 95692.

(3) The per household spending estimates for the Market Area were generated by ALH Urban & Regional Economics by taking the estimated average 2015 area household income figure of \$81,647 for 2015 from Nielson Reports and multiplying by 33%, utilizing the assumption that 33% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-2.

(4) See Exhibit 18.

(5) Represents per household spending multiplied by the respective household count for Market Area of 22,995.

(6) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

(7) Other Retail Group includes drug stores, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

Exhibit 20
Lincoln SUD-B Northeast Quadrant Specific Plan
Supportable Square Feet from Existing Households
Primary Market Area
2015 Dollars

Retail Category	Primary Market	Sales Per Sq. Ft. (2)	Supportable Sq. Ft.	
	Area Retail Leakage (1)		Amount (3)	Vacancy Adjusted (4)
Motor Vehicles and Parts	\$76,189,702	\$800 (5)	95,237	105,819
Home Furnishings and Appliances	\$28,833,016	\$323	89,404	99,338
Building Materials and Garden Equip.	\$0	\$300	0	0
Food and Beverage Stores	\$0	\$595	0	0
Gasoline Stations	\$0	NA (6)	N/A (6)	N/A (6)
Clothing and Clothing Accessories	\$33,272,907	\$385	86,430	96,033
General Merchandise Stores	\$53,489,163	\$287	186,285	206,983
Food Services and Drinking Places	\$32,677,320	\$500	65,417	72,686
Other Retail Group	\$42,923,608	\$432	99,449	110,499
Subtotal	\$267,385,715	--	622,222	691,358
Additional Service Increment (15% of total) (7)	N/A	N/A	109,804	122,004
Total	N/A	N/A	732,026 (8)	813,363
Total Rounded to Nearest 10,000			730,000	810,000 (9)

Source: ALH Urban & Regional Economics.

(1) See Exhibit 19 for the amount of estimated primary market area retail sales leakage.

(2) These figures reflect achievable sales per square foot estimates for each respective retail category except as noted. The figures reflect general industry averages as well as national averages reported in the Retail MAXIM publication "Alternative Retail Risk Analysis for Alternative Capital." See Exhibit B-3.

(3) Reflects the estimated supportable square feet of retail for each category with leakage.

(4) Includes a 10% vacancy allowance for all categories of retail space.

(5) The cited source for sales per square foot, Retail Maxim (see Exhibit B-3), does not include sales figures for auto dealers. Sales figures for auto parts stores are included, and average \$227 per square foot. However, auto dealer sales greatly outweigh these sales in the overall category. Such sales are typically very high, especially relative to the amount of building area required to support their sales. For analytical purposes ALH Urban & Regional Economics assumes such sales are high, and overall average \$800 for the category.

(6) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from this analysis.

(7) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

(8) Excludes Gasoline Stations.

(9) Reflects the total amount of retail space supportable by 100% of the estimated primary market area retail leakage.

Exhibit 21
Lincoln SUD-B Northeast Quadrant Specific Plan
Retail Demand Generated by Primary Market Area Household Growth
Excludes SUD-B Northeast Quadrant Households
2015-2027 and 2027-2042 (1)
2015 Dollars

Type of Retailer	Per Household Demand (2)	Incremental Demand (3)		Total New Growth 2015-2042
		New Growth 2015-2027 (3)	New Growth 2027-2042 (3)	
Motor Vehicles and Parts Dealers	\$3,721	\$27,951,801	\$51,069,448	\$79,021,249
Home Furnishings and Appliance Stores	\$1,391	\$10,447,429	\$19,088,016	\$29,535,444
Building Materials and Garden Equip .	\$1,624	\$12,202,595	\$22,294,799	\$34,497,394
Food and Beverage Stores	\$4,613	\$34,657,833	\$63,321,731	\$97,979,564
Gasoline Stations	\$3,112	\$23,377,542	\$42,712,030	\$66,089,572
Clothing and Clothing Accessories Stores	\$1,911	\$14,356,128	\$26,229,421	\$40,585,549
General Merchandise Stores	\$3,753	\$28,193,696	\$51,511,404	\$79,705,100
Food Services and Drinking Places	\$3,436	\$25,809,741	\$47,155,789	\$72,965,531
Other Retail Group	\$3,383	\$25,413,732	\$46,432,260	\$71,845,992
Total	\$26,943	\$202,410,498	\$369,814,897	\$572,225,395

Source: ALH Urban & Regional Economics.

(1) The year increments represent the base time period and the anticipated SUD-B Northeast Quadrant retail buildout of 2027, as well as other development in the City of Lincoln estimated by 2042, consistent with long-term plans of other major retail developments.

(2) See Exhibit 19 for estimated primary market area household demand.

(3) Represents per household spending multiplied by the respective increase in households, excluding the SUD-B Northeast Quadrant households. The balance of primary market area households counts is 7,512 between 2015 and 2027 and 13,726 between 2027 and 2042. See Exhibit 16 for household projections.

Exhibit 22
Lincoln SUD-B Northeast Quadrant Specific Plan
Cumulative Primary Market Area Household-Supported Retail Space for New Households
Excluding SUD-B Northeast Quadrant Households
2027 and 2042
2015 Dollars

Time Period/Retail Category	Primary Market Area Household Retail Demand (2)	Sales Per Sq. Ft. (3)	Supportable Sq. Ft.	
			Amount (4)	Vacancy Adjusted (5)
2015-2027				
Motor Vehicles and Parts	\$27,951,801	\$800	34,940	38,822
Home Furnishings and Appliances	\$10,447,429	\$323	32,395	35,994
Building Materials and Garden Equip.	\$12,202,595	\$300	40,699	45,221
Food and Beverage Stores	\$34,657,833	\$595	58,222	64,691
Gasoline Stations	\$23,377,542	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$14,356,128	\$385	37,291	41,435
General Merchandise Stores	\$28,193,696	\$287	98,189	109,099
Food Services and Drinking Places	\$25,809,741	\$500	51,669	57,410
Other Retail Group	\$25,413,732	\$432	58,881	65,423
Subtotal	\$202,410,498	--	412,286	458,096
Additional Service Increment (15% of total) (7)	NA	NA	72,756	80,840
Total	NA	NA	485,043	538,936
Total Rounded to Nearest 10,000			490,000	540,000
2015-2042, Inclusive				
Motor Vehicles and Parts	\$79,021,249	\$800	98,777	109,752
Home Furnishings and Appliances	\$29,535,444	\$323	91,582	101,758
Building Materials and Garden Equip.	\$34,497,394	\$300	115,059	127,843
Food and Beverage Stores	\$97,979,564	\$595	164,596	182,884
Gasoline Stations	\$66,089,572	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$40,585,549	\$385	105,425	117,139
General Merchandise Stores	\$79,705,100	\$287	277,586	308,429
Food Services and Drinking Places	\$72,965,531	\$500	146,071	162,301
Other Retail Group	\$71,845,992	\$432	166,459	184,955
Subtotal	\$572,225,395	--	1,165,556	1,295,062
Additional Service Increment (15% of total) (7)	NA	NA	205,686	228,540
Total	NA	NA	1,371,242	1,523,602
Total Rounded to Nearest 10,000			1,370,000	1,520,000

Source: ALH Urban & Regional Economics.

(1) Reflects households new to the primary market area during the time which the SUD-B Northeast Quadrant retail is anticipated to be developed by 2027 and between 2027 and 2042, when other major Lincoln retail development is estimated to be completed.

(2) See Exhibit 21.

(3) See Exhibit 9.

(4) Reflects the total estimated project-generated spending on retail divided by the achievable sales per square foot estimate.

(5) Includes a 10% vacancy allowance for all categories of retail space.

(6) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from this analysis.

(7) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

Exhibit 23
Lincoln SUD-B Northeast Quadrant Specific Plan
Cumulative Project and Primary Market Area Household-Supported Retail Space (Square Feet)
2015 Baseline, 2027, and 2042 (1)

Demand Base	2015 Baseline	2027	2042
SUD-B Northeast Quadrant			
Project-Supported (2)	0	44,100	44,100
Balance of Lincoln Retail Support (3)	0	19,300	19,300
Subtotal	0	63,400	63,400
Balance of Market Area			
Recaptured Leakage (4)	810,000	810,000	810,000
New Primary Market Area Demand (5)	0 (4)	540,000 (5)	1,520,000 (5)
Subtotal	810,000	1,350,000	2,330,000
Primary Market Area Total	810,000	1,413,400	2,393,400

Source: ALH Urban & Regional Economics.

(1) The year 2015 comprises the benchmark year, 2027 comprises the estimated buildout of the SUD-B Northeast Quadrant retail development, and 2042 comprises the estimated buildout for other major Lincoln retail development.

(2) See Exhibit 13. These figures comprise the amount of SUD-B Northeast Quadrant retail anticipated to be supported by the Project's residents and employment base.

(3) See Exhibit 14. This is the amount of demand for retail in Lincoln outside the SUD-B Northeast Quadrant anticipated to be supported by the Project's residents and employment base.

(4) This is the level of retail supported by the primary market area's estimated baseline retail sales leakage, assuming 100% recapture. See Exhibit 20.

(5) See Exhibit 22. These figures comprises estimates of primary market area retail demand generated by new household growth.

Exhibit 24
Lincoln SUD-B Northeast Quadrant Specific Plan
Additional City of Lincoln Retail Demand to City Buildout (1)
2015 Dollars

Retail Category	Per Household Demand (2)	Total Household Retail Demand (3)	Sales Per Sq. Ft. (4)	Supportable Sq. Ft.	
				Amount (5)	Vacancy Adjusted (6)
Motor Vehicles and Parts	\$3,721	\$27,865,038	\$800	34,831	38,701
Home Furnishings and Appliances	\$1,391	\$10,415,000	\$323	32,294	35,883
Building Materials and Garden Equip.	\$1,624	\$12,164,718	\$300	40,573	45,081
Food and Beverage Stores	\$4,613	\$34,550,255	\$595	58,041	64,490
Gasoline Stations	\$3,112	\$23,304,978	NA (7)	NA (7)	NA (7)
Clothing and Clothing Accessories	\$1,911	\$14,311,567	\$385	37,176	41,306
General Merchandise Stores	\$3,753	\$28,106,183	\$287	97,884	108,760
Food Services and Drinking Places	\$3,436	\$25,729,627	\$500	51,509	57,232
Other Retail Group	\$3,383	\$25,334,848	\$432	58,698	65,220
Subtotal	\$26,943	\$201,782,212	--	411,007	456,674
Additional Service Increment (15% of total) (8)		NA	NA	68,993	83,326
Total				483,537	537,263
Total Rounded to Nearest 10,000				480,000	540,000

Source: ALH Urban & Regional Economics.

(1) Reflects an additional 7,489 City of Lincoln households attributable to long-term growth anticipated under the City's General Plan. See Exhibit 16 for the buildout assumptions.

(2) See Exhibit 19.

(3) Comprises per household demand multiplied by the number of new households referenced in footnote 1.

(4) See Exhibit 20.

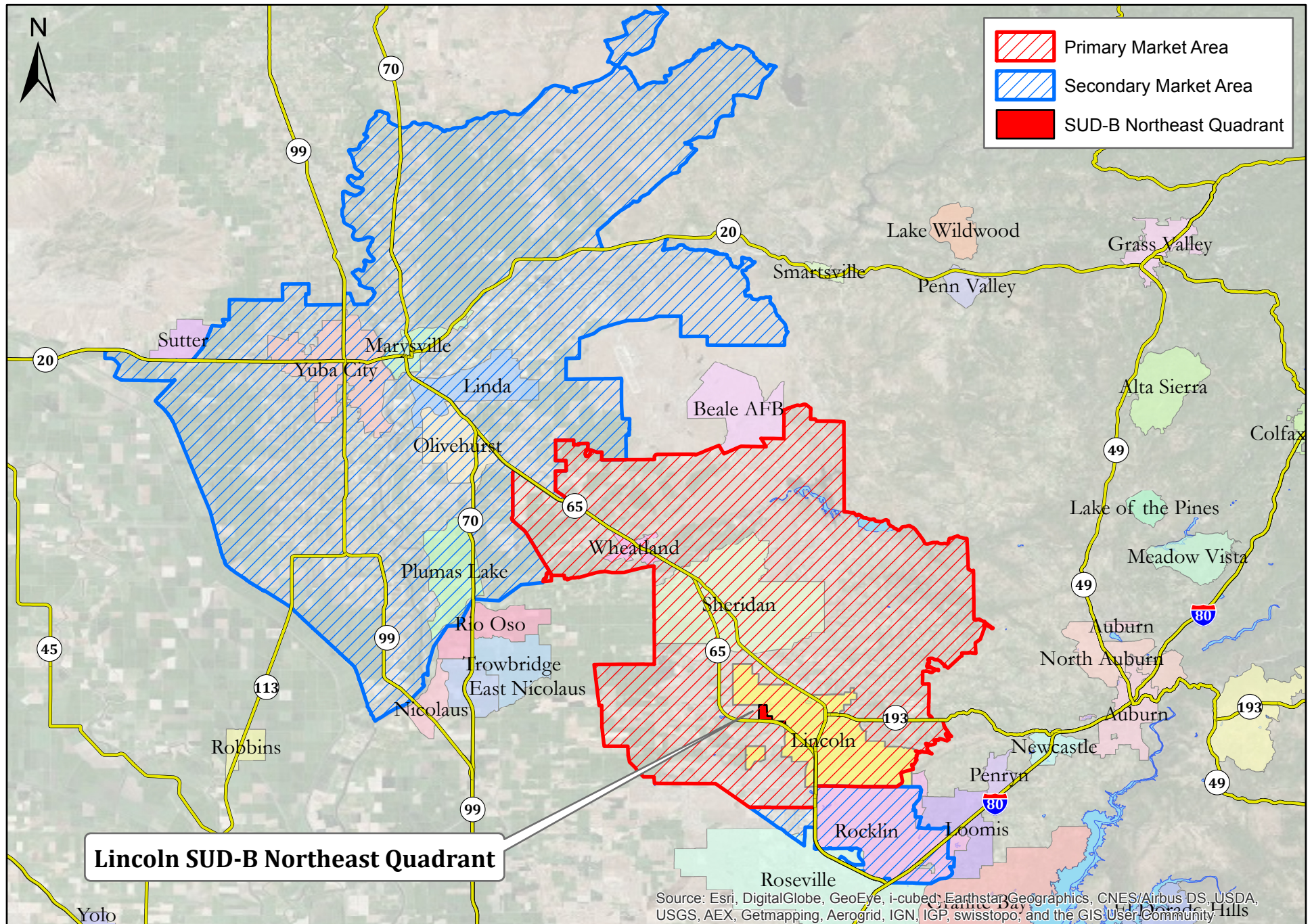
(5) Reflects the total estimated project-generated spending on retail divided by the achievable sales per square foot estimate.

(6) Includes a 10% vacancy allowance for all categories of retail space.

(7) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from this analysis.

(8) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

Exhibit 25: Lincoln SUD-B Northeast Quadrant Specific Plan Primary and Secondary Market Areas



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Exhibit 26
Lincoln SUD-B Northeast Quadrant Specific Plan
Marysville, Yuba City, and Rocklin Areas Household Estimates and Projections (1)
2008-2042 (2)

Geographic Area	2008	2015	2020	2027	2035	2042
Marysville and Yuba City Area Zip Codes						
Marysville - Zip code 95901	10,935	12,466	13,689	14,259	14,940	15,562
Olivehurst and Plumas Lake CDPs - Zip code 95961	7,632	9,165	10,446	11,601	13,077	14,522
Yuba City - Zip code 95991	13,352	14,085	14,633	14,663	14,697	14,727
Yuba City - Zip code 95993	11,838	13,274	14,406	15,686	17,288	18,824
Total	43,757	48,991	53,174	56,208	60,002	63,635
Rocklin Area Zip Codes						
Rocklin - Zip code 95677	9,189	9,794	10,251	10,661	11,150	11,596
Rocklin - Zip code 95765	11,694	13,899	15,725	15,661	15,589	15,526
Total	20,883	23,694	25,976	26,323	26,739	27,122

Sources: SACOG, "Forecasting - 2008 Base Year, 2020 Projected Year, 2035 Projected Year, 2008-2035 Growth," for the City of Lincoln; and ALH Urban & Regional Economics.

(1) The Marysville, Yuba City, and Rocklin areas comprise a secondary market area for SUD-B Northeast Quadrant.

(2) Estimates and projections for 2008, 2020, and 2035 were provided by SACOG. These years are designated in bold type. Interim year projections were prepared by ALH Urban & Regional Economics based upon the compound growth rate between the benchmark years. SACOG projections do not extend past 2035. Therefore, the 2042 projections were prepared based upon the compound annual growth rate between 2020 and 2035 for each zip code.

Exhibit 27A
Retail Demand Generated by Marysville and Yuba City Area Household Growth
2015-2027 and 2027-2042 (1)
2015 Dollars

Type of Retailer	Per Household Demand (2)	Incremental Demand		Total New Growth 2015-2042 (3)
		New Growth 2015-2027 (3)	New Growth 2027-2042 (3)	
Motor Vehicles and Parts Dealers	\$3,096	\$22,347,016	\$22,995,848	\$45,342,864
Home Furnishings and Appliance Stores	\$1,157	\$8,352,551	\$8,595,063	\$16,947,614
Building Materials and Garden Equip	\$1,352	\$9,755,778	\$10,039,032	\$19,794,810
Food and Beverage Stores	\$3,839	\$27,708,381	\$28,512,877	\$56,221,258
Gasoline Stations	\$2,590	\$18,689,969	\$19,232,621	\$37,922,590
Clothing and Clothing Accessories Stores	\$1,590	\$11,477,494	\$11,810,736	\$23,288,230
General Merchandise Stores	\$3,123	\$22,540,407	\$23,194,855	\$45,735,262
Food Services and Drinking Places	\$2,859	\$20,634,473	\$21,233,583	\$41,868,056
Other Retail Group	\$2,815	\$20,317,871	\$20,907,788	\$41,225,659
Total	\$22,421	\$161,823,940	\$166,522,403	\$328,346,343

Source: ALH Urban & Regional Economics.

(1) The year increments represent the base time period and the anticipated SUD-B Northeast Quadrant retail buildout of 2027, as well as other major retail development in the City of Lincoln estimated to be completed by 2042.

(2) The per household spending estimates for the Yuba City and Marysville portion of the Secondary Market Area were generated by ALH Urban & Regional Economics by taking the estimated average 2015 area household income figure of \$62,791 for 2015 from Nielson Reports and multiplying by 36%, utilizing the assumption that 36% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-2.

(3) Represents per household spending multiplied by the respective increase in households. These household counts are 7,217 between 2015 and 2027 and 7,427 between 2027 and 2042, see Exhibit 26 for household projections. Figure comprise the amount of new annual demand by the end of the projection period.

Exhibit 27B
Retail Demand Generated by Rocklin Area Household Growth
2015-2027 and 2027-2042 (1)
2015 Dollars

Type of Retailer	Per Household Demand (2)	Incremental Demand		Total New Growth 2027-2042 (3)
		New Growth 2015-2027 (3)	New Growth 2027-2042 (3)	
Motor Vehicles and Parts Dealers	\$3,831	\$10,070,398	\$3,062,809	\$13,133,208
Home Furnishings and Appliance Stores	\$1,432	\$3,763,971	\$1,144,774	\$4,908,745
Building Materials and Garden Equip	\$1,672	\$4,396,317	\$1,337,095	\$5,733,413
Food and Beverage Stores	\$4,750	\$12,486,429	\$3,797,621	\$16,284,050
Gasoline Stations	\$3,204	\$8,422,397	\$2,561,586	\$10,983,983
Clothing and Clothing Accessories Stores	\$1,968	\$5,172,187	\$1,573,068	\$6,745,255
General Merchandise Stores	\$3,864	\$10,157,548	\$3,089,315	\$13,246,863
Food Services and Drinking Places	\$3,537	\$9,298,663	\$2,828,094	\$12,126,757
Other Retail Group	\$3,483	\$9,155,990	\$2,784,701	\$11,940,691
Total	\$27,741	\$72,923,899	\$22,179,064	\$95,102,963

Source: ALH Urban & Regional Economics.

(1) The year increments represent the base time period and the anticipated SUD-B Northeast Quadrant retail buildout of 2027, as well as other major retail development in the City of Lincoln estimated to be completed by 2042.

(2) The per household spending estimates for the Rocklin portion of the Secondary Market Area were generated by ALH Urban & Regional Economics by taking the estimated average 2015 area household income figure of \$89,486 for 2015 from Nielson Reports and multiplying by 31%, utilizing the assumption that 31% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-2 for the information from which this percentage was interpolated.

(3) Represents per household spending multiplied by the respective increase in households. These household counts are 2,629 between 2015 and 2027 and 800 between 2027 and 2042, see Exhibit 26 for household projections. Figure comprises the amount of new annual demand by the end of the projection period.

Exhibit 28A
Marysville and Yuba City Areas Household-Supported Retail Space for New Households
2015-2027 and 2027-2042 (1)
2015 Dollars

Time Period/Retail Category	Marysville/Yuba City Household Retail Demand (2)	Sales Per Sq. Ft. (3)	Supportable Sq. Ft.	
			Amount (4)	Vacancy Adjusted (5)
2015-2027				
Motor Vehicles and Parts	\$22,347,016	\$800	27,934	31,038
Home Furnishings and Appliances	\$8,352,551	\$323	25,899	28,777
Building Materials and Garden Equip.	\$9,755,778	\$300	32,538	36,154
Food and Beverage Stores	\$27,708,381	\$595	46,547	51,719
Gasoline Stations	\$18,689,969	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$11,477,494	\$385	29,814	33,127
General Merchandise Stores	\$22,540,407	\$287	78,501	87,223
Food Services and Drinking Places	\$20,634,473	\$500	41,309	45,898
Other Retail Group	\$20,317,871	\$432	47,074	52,305
Subtotal	\$161,823,940	--	329,616	366,240
Additional Service Increment (15% of total) (7)	NA	NA	58,168	64,631
Total	NA	NA	387,784	430,871
Total Rounded to Nearest 10,000			390,000	430,000
2027-2042				
Motor Vehicles and Parts	\$22,995,848	\$800	28,745	31,939
Home Furnishings and Appliances	\$8,595,063	\$323	26,651	29,612
Building Materials and Garden Equip.	\$10,039,032	\$300	33,483	37,204
Food and Beverage Stores	\$28,512,877	\$595	47,899	53,221
Gasoline Stations	\$19,232,621	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$11,810,736	\$385	30,680	34,088
General Merchandise Stores	\$23,194,855	\$287	80,780	89,755
Food Services and Drinking Places	\$21,233,583	\$500	42,508	47,231
Other Retail Group	\$20,907,788	\$432	48,441	53,823
Subtotal	\$166,522,403	--	339,186	376,874
Additional Service Increment (15% of total) (7)	NA	NA	59,856	66,507
Total	NA	NA	399,043	443,381
Total Rounded to Nearest 10,000			400,000	440,000

Source: ALH Urban & Regional Economics.

(1) Reflects households new to the Marysville/Yuba City area by 2027, when the SUD-B Northeast Quadrant retail is anticipated to be developed and between 2027 and 2042, when other Lincoln development is estimated to be completed.

(2) See Exhibit 27A.

(3) See Exhibit 20.

(4) Reflects the total estimated project-generated spending on retail divided by the achievable sales per square foot estimate.

(5) Includes a 10% vacancy allowance for all categories of retail space.

(6) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from this analysis.

(7) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

Exhibit 28B
Rocklin Area Household-Supported Retail Space for New Households
2015-2027 and 2027-2042 (1)
2015 Dollars

Time Period/Retail Category	Rocklin Household Retail Demand (2)	Sales Per Sq. Ft. (3)	Supportable Sq. Ft.	
			Amount (4)	Vacancy Adjusted (5)
2015-2027				
Motor Vehicles and Parts	\$10,070,398	\$800	12,588	13,987
Home Furnishings and Appliances	\$3,763,971	\$323	11,671	12,968
Building Materials and Garden Equip.	\$4,396,317	\$300	14,663	16,292
Food and Beverage Stores	\$12,486,429	\$595	20,976	23,307
Gasoline Stations	\$8,422,397	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$5,172,187	\$385	13,435	14,928
General Merchandise Stores	\$10,157,548	\$287	35,375	39,306
Food Services and Drinking Places	\$9,298,663	\$500	18,615	20,684
Other Retail Group	\$9,155,990	\$432	21,213	23,570
Subtotal	\$72,923,899	--	148,537	165,042
Additional Service Increment (15% of total) (7)	NA	NA	26,212	29,125
Total	NA	NA	174,750	194,166
Total Rounded to Nearest 10,000			170,000	190,000
2027-2042				
Motor Vehicles and Parts	\$3,062,809	\$800	3,829	4,254
Home Furnishings and Appliances	\$1,144,774	\$323	3,550	3,944
Building Materials and Garden Equip.	\$1,337,095	\$300	4,460	4,955
Food and Beverage Stores	\$3,797,621	\$595	6,380	7,088
Gasoline Stations	\$2,561,586	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$1,573,068	\$385	4,086	4,540
General Merchandise Stores	\$3,089,315	\$287	10,759	11,954
Food Services and Drinking Places	\$2,828,094	\$500	5,662	6,291
Other Retail Group	\$2,784,701	\$432	6,452	7,169
Subtotal	\$22,179,064	--	45,176	50,196
Additional Service Increment (15% of total) (7)	NA	NA	7,972	8,858
Total	NA	NA	53,148	59,054
Total Rounded to Nearest 10,000			50,000	60,000

Source: ALH Urban & Regional Economics.

(1) Reflects households new to the City of Rocklin by 2027, when the SUD-B Northeast Quadrant retail is anticipated to be developed and between 2027 and 2042, when other Lincoln development is estimated to be completed.

(2) See Exhibit 27B.

(3) See Exhibit 20.

(4) Reflects the total estimated project-generated spending on retail divided by the achievable sales per square foot estimate.

(5) Includes a 10% vacancy allowance for all categories of retail space.

(6) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from this analysis.

(7) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

Exhibit 29A
Existing Retail Demand Generated by Marysville and Yuba City Area Households
Lincoln Capture Rate and Supportable Lincoln Retail Space (1)
2015 Dollars

Type of Retailer	Per Household Demand (2)	Total Demand 2015 (3)	Lincoln 10% Capture (4)	Sales Per Sq. Ft. (5)	Supportable Sq. Ft.	
					Amount (6)	Vacancy Adjusted (7)
Motor Vehicles and Parts Dealers	\$3,096	\$151,686,960	\$15,168,696	\$800	18,961	21,068
Home Furnishings and Appliance Stores	\$1,157	\$56,695,406	\$5,669,541	\$323	17,580	19,533
Building Materials and Garden Equip	\$1,352	\$66,220,224	\$6,622,022	\$300	22,086	24,540
Food and Beverage Stores	\$3,839	\$188,078,807	\$18,807,881	\$595	31,595	35,106
Gasoline Stations	\$2,590	\$126,863,677	\$12,686,368	NA (8)	NA	NA
Clothing and Clothing Accessories Stores	\$1,590	\$77,906,874	\$7,790,687	\$385	20,237	22,486
General Merchandise Stores	\$3,123	\$152,999,662	\$15,299,966	\$287	53,285	59,205
Food Services and Drinking Places	\$2,859	\$140,062,574	\$14,006,257	\$500	28,039	31,155
Other Retail Group	\$2,815	\$137,913,539	\$13,791,354	\$432	31,953	35,503
	\$22,421	\$1,098,427,724	\$109,842,772	NA	223,737	248,596
Additional Service Increment (15% of total) (9)					39,483	43,870
Total					263,220	292,466
Total Rounded to Nearest 10,000					260,000	290,000

Source: ALH Urban & Regional Economics.

(1) Analysis assumes that the development of a regional-serving retail base in Lincoln will attract a modest amount of spending from existing secondary market area households in the Yuba City and Marysville areas.

(2) The per household spending estimates for the Yuba City and Marysville portion of the Secondary Market Area were generated by ALH Urban & Regional Economics by taking the estimated average 2015 area household income figure of \$62,791 for 2015 from Nielson Reports and multiplying by 36%, utilizing the assumption that 36% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-2.

(3) Represents per household spending multiplied by the existing base of households. This household count is 48,991 as of 2015.

(4) The analysis assumes that the existing households will modestly change their spending patterns upon development of a critical mass of regional-serving retail space in the City of Lincoln. The analysis assumes that households will make 10% of their retail purchases in Lincoln rather than other regional-serving retail locations.

(5) See Exhibit 20.

(6) Reflects the total estimated project-generated spending on retail divided by the achievable sales per square foot estimate.

(7) Includes a 10% vacancy allowance for all categories of retail space.

(8) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from this analysis.

(9) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

Exhibit 29B
Existing Retail Demand Generated by Rocklin Area Households
Lincoln Capture Rate and Supportable Lincoln Retail Space (1)
2015 Dollars

Type of Retailer	Per Household Demand (2)	Total Demand 2015 (3)	Lincoln 10% Capture (4)	Sales Per Sq. Ft. (5)	Supportable Sq. Ft.	
					Amount (6)	Vacancy Adjusted (7)
Motor Vehicles and Parts Dealers	\$3,831	\$90,766,348	\$9,076,635	\$800	11,346	12,606
Home Furnishings and Appliance Stores	\$1,432	\$33,925,361	\$3,392,536	\$323	10,519	11,688
Building Materials and Garden Equip	\$1,672	\$39,624,816	\$3,962,482	\$300	13,216	14,685
Food and Beverage Stores	\$4,750	\$112,542,479	\$11,254,248	\$595	18,906	21,007
Gasoline Stations	\$3,204	\$75,912,608	\$7,591,261	NA (8)	NA	NA
Clothing and Clothing Accessories Stores	\$1,968	\$46,617,867	\$4,661,787	\$385	12,109	13,455
General Merchandise Stores	\$3,864	\$91,551,842	\$9,155,184	\$287	31,884	35,427
Food Services and Drinking Places	\$3,537	\$83,810,555	\$8,381,056	\$500	16,778	18,642
Other Retail Group	\$3,483	\$82,524,617	\$8,252,462	\$432	19,120	21,245
	\$27,741	\$657,276,494	\$65,727,649	NA	133,879	148,755
Additional Service Increment (15% of total) (9)					23,626	26,251
Total					157,505	175,006
Total Rounded to Nearest 10,000					160,000	180,000

Source: ALH Urban & Regional Economics.

(1) Analysis assumes that the development of a regional-serving retail base in Lincoln will attract a modest amount of spending from existing secondary market area households in the Rocklin area.

(2) The per household spending estimates for the Rocklin portion of the Secondary Market Area were generated by ALH Urban & Regional Economics by taking the estimated average 2015 area household income figure of \$89,486 for 2015 from Nielson Reports and multiplying by 31%, utilizing the assumption that 31% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Building Materials & Garden Equipment for the information from which this percentage was interpolated.

(3) Represents per household spending multiplied by the existing base of households. This household count is 23,694 as of 2015.

(4) The analysis assumes that the existing households will modestly change their spending patterns upon development of a critical mass of regional-serving retail space in the City of Lincoln. The analysis assumes that households will make 10% of their retail purchases in Lincoln rather than other regional-serving retail locations.

(5) See Exhibit 20.

(6) Reflects the total estimated project-generated spending on retail divided by the achievable sales per square foot estimate.

(7) Includes a 10% vacancy allowance for all categories of retail space.

(8) Gasoline sales are highly volatile, and gasoline stations do not typically require large increments of built space. Therefore, estimates for gasoline stations are excluded from this analysis.

(9) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

Exhibit 30
Lincoln SUD-B Northeast Quadrant Specific Plan
Prospective Retail Demand for SUD-B Northeast Quadrant Retail (Square Feet)
Cumulative Findings (1)
Through 2042

Components of Retail Space (2)	Cumulative Results (1)	
	2027	2042
Planned SUD-B Northeast Quadrant Retail Space Supply		
Square Footage, Cumulative Total (3)	582,600	582,600
Square Footage Supported by Primary and Secondary Market Areas, Cumulative (4)	466,080	466,080
Components of Primary and Secondary Market Area Demand		
Project-Generated Demand (3)	44,100	44,100
Primary Market Area Retail Demand (5)	1,350,000	2,330,000
Secondary Market Area Yuba City/Marysville Demand Existing Households Capture (6)	290,000	290,000
Secondary Market Area Yuba City/Marysville Demand from New Growth, 50% (7)	215,000	435,000
Secondary Market Area Rocklin Demand Existing Households Capture (6)	180,000	180,000
Secondary Market Area Rocklin Demand from New Growth, 50% (7)	95,000	125,000
	2,174,100	3,404,100
Supply and Demand Findings		
Remaining Unmet Demand (8)	1,708,020	2,938,020

Source: ALH Urban & Regional Economics.

(1) The findings are cumulative, such that each phase includes the findings from the prior phases. The years cited include the years when Lincoln SUD-B Northeast Quadrant retail is anticipated to be developed and other City of Lincoln development.

(2) Does not include SUD-B Northeast Quadrant resident and employee demand estimated to support Lincoln retail located other than at SUD-B Northeast Quadrant, as this exhibit is intended to demonstrate prospective demand for retail at SUD-B Northeast Quadrant.

(3) See Exhibit 13.

(4) Figures are 80% of the cumulative totals by time period, comprising the portion of the Project space anticipated to be supported by the primary and secondary market areas.

(5) See Exhibit 23. This includes retail leakage as of 2014 and new retail demand generated by primary market area growth.

(6) Includes a modest amount of demand supportable from the existing base of secondary market area households, assuming that the presence of regional-serving retail in Lincoln will attract spending from the existing households. See Exhibit 29A.

(7) Assumes 50% capture of new secondary market area demand, reflecting the ability of new households to establish shopping patterns not influenced by past history. See Exhibit 28A.

(8) Comprises the amount of demand remaining after absorption of the portion of the Project's retail space anticipated to serve the primary and secondary market areas, i.e., less the 20% allocated to meet tertiary market area demand.

Exhibit 31
City of Lincoln Retail Vacancy Trends
2006 Through Q1 2015

Period	Rentable Building Area					Total Net Absorption	Leasing Activity		New Construction			
	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF		Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2015 1Q	168	1,630,314	148,361	9.1%	1,481,953	12,171	3	4,150	0	0	0	0
2014 4Q	168	1,630,314	160,532	9.8%	1,469,782	3,837	7	22,389	0	0	0	0
2014 3Q	168	1,630,314	164,369	10.1%	1,465,945	13,864	4	7,693	0	0	0	0
2014 2Q	168	1,630,314	178,233	10.9%	1,452,081	(28,874)	9	18,649	0	0	0	0
2014 1Q	168	1,630,314	149,359	9.2%	1,480,955	(19,789)	1	986	0	0	0	0
2013 4Q	168	1,630,314	129,570	7.9%	1,500,744	(2,762)	4	5,678	0	0	0	0
2013 3Q	168	1,630,314	126,808	7.8%	1,503,506	23,474	12	22,018	0	0	0	0
2013 2Q	168	1,630,314	150,282	9.2%	1,480,032	(12,870)	7	7,576	0	0	0	0
2013 1Q	168	1,630,314	137,412	8.4%	1,492,902	1,241	4	5,661	0	0	0	0
2012 4Q	168	1,630,314	138,653	8.5%	1,491,661	38,377	7	14,411	0	0	0	0
2012 3Q	168	1,630,314	177,030	10.9%	1,453,284	34,978	11	25,029	0	0	0	0
2012 2Q	168	1,630,314	212,008	13.0%	1,418,306	(2,859)	3	4,980	0	0	0	0
2012 1Q	168	1,630,314	209,149	12.8%	1,421,165	1,760	7	18,476	0	0	0	0
2011 4Q	168	1,630,314	210,909	12.9%	1,419,405	8,488	2	2,588	0	0	0	0
2011 3Q	168	1,630,314	219,397	13.5%	1,410,917	(2,512)	7	16,030	0	0	0	0
2011 2Q	168	1,630,314	216,885	13.3%	1,413,429	4,334	2	1,544	0	0	0	0
2011 1Q	168	1,630,314	221,219	13.6%	1,409,095	1,297	3	5,206	1	14,490	0	0
2010 4Q	167	1,615,824	208,026	12.9%	1,407,798	21,145	4	6,198	0	0	1	14,490
2010 3Q	167	1,615,824	229,171	14.2%	1,386,653	(6,841)	2	4,200	0	0	1	14,490
2010 2Q	167	1,615,824	222,330	13.8%	1,393,494	22,691	8	19,690	0	0	0	0
2010 1Q	167	1,615,824	245,021	15.2%	1,370,803	(14,586)	4	6,308	0	0	0	0
2009 4Q	167	1,615,824	230,435	14.3%	1,385,389	10,576	3	10,008	0	0	0	0
2009 3Q	167	1,615,824	241,011	14.9%	1,374,813	17,451	2	950	0	0	0	0
2009 2Q	167	1,615,824	258,462	16.0%	1,357,362	10,138	4	15,570	0	0	0	0
2009 1Q	167	1,615,824	268,600	16.6%	1,347,224	(48,606)	4	12,235	1	6,100	0	0
2008 4Q	166	1,609,724	213,894	13.3%	1,395,830	(19,595)	0	0	0	0	1	6,100
2008 3Q	166	1,609,724	194,299	12.1%	1,415,425	(28,768)	2	0	1	7,005	1	6,100
2008 2Q	165	1,602,719	158,526	9.9%	1,444,193	(24)	4	5,501	1	10,800	2	13,105
2008 1Q	164	1,591,919	147,702	9.3%	1,444,217	(2,538)	0	0	0	0	3	23,905
2007 4Q	164	1,591,919	145,164	9.1%	1,446,755	28,593	4	11,275	4	39,201	3	23,905
2007 3Q	159	1,534,288	116,126	7.6%	1,418,162	183,077	2	2,880	4	231,797	8	81,536
2007 2Q	155	1,302,491	67,406	5.2%	1,235,085	66,347	0	0	1	8,800	12	313,333
2007 1Q	153	1,253,214	84,476	6.7%	1,168,738	88,367	0	0	6	80,303	10	310,824
2006 4Q	146	1,197,741	117,370	9.8%	1,080,371	131,460	2	3,600	0	0	17	366,297
2006 3Q	145	1,101,041	152,130	13.8%	948,911	12,400	2	8,040	0	0	17	422,520
2006 2Q	145	1,101,041	164,530	14.9%	936,511	(4,828)	0	3,150	1	4,040	10	148,648
2006 1Q	140	1,073,229	131,890	12.3%	941,339	121,368	0	0	9	203,008	10	59,958

Sources: Costar; and CB Richard Ellis.

Exhibit 32
Identified Planned and Proposed Retail Projects (1)
City of Lincoln and Lincoln SOI
June 2015

Project	Description	Total Acreage (2)	Potential Retail Sq. Ft.	Status	Location	Expected Opening / Completion (3)
1 Ferrari Pavilion	Approved for development of a 11-screen movie theatre, restaurant pads, in-line shop space, and a drug store building. Totals 231,897 square feet, of which 47,475 square feet will comprise retail space.	--	47,475	Approved	NE corner Hwy 65 and Ferrari Ranch Rd	2027
2 Lincoln Square	Approved for development of six commercial buildings on 8.4-acre site with 60,400 square feet of commercial space.	8.40	36,240 (4)	Approved	SE corner Hwy 65 and Sterling Pkwy	2027
3 Lincoln Commercial Center	This project has a Specific Development Plan and Development Permit for a 118,763-square-foot shopping center with in-line shops, drive-thru restaurant, gas station and several satellite buildings. No construction has taken place on the project, though the City recently approved plans for an assisted living senior care facility, which is estimated to occupy 50% of the space.	13.30	59,382	Approved	Northwest corner of Twelve Bridges Drive and East Lincoln Parkway	2027
4 Terra Cotta Village	Shopping center project has a Tentative Parcel Map and Specific Development Plan/Development Permit for four buildings including a drive-thru pharmacy, located within the Twelve Bridges Specific Plan Area A with 40,240 square feet.	5.14	40,240	Partially Constructed, but halted due to Great Recession and foreclosure	NE Corner Twelve Bridges Dr and Colonnade Dr	2027 (possibly)
5 Stone Tower Plaza	Commercial/Office Shopping Center Project has a Tentative Parcel Map and a Specific Development Plan/Development Permit for two buildings located within the Twelve Bridges Specific Plan Area A on. Early development plans totaled 27,300 square feet, inclusive of a 10,000-square-foot Walgreen's currently on-site, leaving capacity for 17,300 square feet.	3.28	10,380 (4)	Approved	NW corner Twelve Bridges Dr and Fieldstone Dr	2027

**Exhibit 32
Identified Planned and Proposed Retail Projects (1)
City and SOI of Lincoln
June 2015**

6 Village 5 Specific Plan Phases 2 & 3	This project includes five phases over 5 years. The project comprises 3.1 million square feet of retail, 1.4 million square feet of office space, a 100-room hotel, and 8,206 residential units.	--	1,031,500 (7)	EIR under preparation	Within the City of Lincoln's Sphere of Influence (SOI) along the western boundary	2027
7 Village 7	Four planning areas with 3,285 homes, parks, public facilities, an elementary school, 12.2 acres of commercial (105,000 square feet of Village Mixed Use Commercial and 5,000 square feet of Community Center Commercial) and a community center recreational facility.	703.00	73,333 (5)	Approved	Within the City of Lincoln's Sphere of Influence (SOI), and contiguous with the southwest edge of the City	2042 (8)
8 Village 1 (6)	This project includes nine phases over 15-20 years and is estimated to comprise 4,639 dwelling units, John Adams Academy Charter School on 18.18 acres, 55,667 square feet of commercial and office development, 97.8 acres of public parkland, 222.5 acres of golf course (existing), 393.7 acres of open space, and 73.7 acres of major roadways.	1,832.10	33,400 (4)	Approved Specific Plan	Within the City of Lincoln's Sphere of Influence (SOI) along the eastern boundary	2042 (8)
9 Village 5 Specific Plan Phase 4B	This project includes five phases over 5 years. The project comprises 3.1 million square feet of retail, 1.4 million square feet of office space, a 100-room hotel, and 8,206 residential units.		2,073,720 (7)	EIR under preparation	Within the City of Lincoln's Sphere of Influence (SOI) along the western boundary	2042
10 Lincoln 270	Planned Development. Project has certified EIR, Specific Plan, General Plan Amendment, Large Lot Tentative Parcel Map, and approved annexation of 278 acres of land. The project provides for 47.9 acres of Business Professional, 32.0 acres of Medical Campus, 58.1 acres of General Commercial, and 37.8 acres of Light Industrial uses. Site is vacant with no foreseeable development in the near term.	302.00	379,625 (7)	Approved (in 2004)	Between Hwy 65 and Industrial Blvd, along Twelve Bridges Dr	2042 (9)
RETAIL TOTAL		2,867.22	3,785,295			

Exhibit 32
Identified Planned and Proposed Retail Projects (1)
City and SOI of Lincoln
June 2015

Sources: City of Lincoln Planning Department; City of Lincoln, "Current Projects List - April 2014"; Gruen + Gruen, "Market Analysis and Strategic Action Plan For Downtown Lincoln - A Report to the City of Lincoln and the City of Lincoln Redevelopment Agency," May 2010; Lincoln Village 5 & SUD-B Specific Plan; Richland Communities; Economic Planning Systems (EPS) Fiscal Impact Analysis for Village 5; and ALH Urban & Regional Economics.

- (1) Includes retail development projects with development plans in progress. Projects are generally listed in descending order of development timeframe. The project descriptions and figures in this exhibit have been sanctioned by the City of Lincoln Community Development and Economic Development departments.
- (2) Includes total project acreage, not just acreage anticipated for retail development.
- (3) Timeframes presented corresponding with the timing of SUD-B Northeast Quadrant as well as other retail planned in Lincoln. Estimated by ALH Urban & Regional Economics based upon input from the City of Lincoln.
- (4) Commercial land uses with an unknown breakdown between retail and office space are assumed to comprise 60% retail and 40% office.
- (5) Per discussions with the City of Lincoln Planning Department, this commercial portion of the project is assumed to comprise 1/3 office and 2/3 retail. Thus the retail estimate is 110,000 *2/3.
- (6) Per the City of Lincoln Planning Department this project is estimated to include one third of the original 167,000 square feet of commercial space in consideration of the Charter School and the viability of the site location and 1,000 less housing units than the original 5,639.
- (7) Assumes the commercial acreage will be developed as 60% retail and 40% office. This is a working assumption given the lack of project detail. Assumes a 0.25 FAR. Anticipated timing is approximately a 10-year buildout, commencing as early as 2016.
- (8) The year 2042 represents the buildout for the Lincoln Village 5 retail development and is used by ALH Economics as a benchmark year for other far off retail development.
- (9) The Lincoln 270 project was approved more than 10 years. However, the City of Lincoln reports that the Project developer has granted a portion of the property to Dignity Health and the associated medical facilities are estimated to be developed within the next three years. The retail and office development still has no immediate plans; however, with the medical facility in the works, ALH Urban & Regional Economics is assuming that the commercial space will eventually follow.

Exhibit 33
 Identified Planned and Proposed Retail Projects (1)
 Secondary Market Area Cities
 June 2015

Project	Description	Total Acreage (2)	Potential Retail Sq. Ft.	Status	Location	Expected Opening / Completion (3)
City of Marysville						
No projects identified	Not Applicable (NA)	0	0	NA	NA	NA
City of Yuba City						
1 Yuba Crossings	This project will be developed in phases and comprises: Retail Building A - 20,000 square feet, Retail Building B - 15,600 square feet, a 14,614-square-foot pharmacy, 5,600-square-foot restaurant, and 39,662 square feet for a self storage facility. Potential Retail sq. ft. estimate excludes the self storage facility.	6.70	55,814	In the entitlement process	1363 Franklin Rd	Unknown
2 1395 Sunsweet Blvd	This project is a 13,256-square-foot Mexican Market/Bakery/Deli.	--	13,256	In planning stages	1395 Sunsweet Blvd	Unknown
3 1275 Colusa Ave	This project is a 6,000-square-foot restaurant.	--	6,000	In planning stages	1275 Colusa Ave	Unknown
4 Civic Center Blvd	This project is a 33,000-square-foot retail center.	--	33,000	In planning stages	Civic Center Blvd, north of Tri Counties Bank	Unknown
Yuba City/Marysville Sub-total			108,070			
City of Rocklin						
1 Rocklin Crossings Part 1	This project includes 219,648 square feet that is already completed, which includes Walmart, PetSmart, Starbucks, Great Clips, pizza place, Beach Hut Deli, Dickey's BBQ, Panda Express, plus shell space that has yet to be occupied as of March 2015. Under Construction as of March 2015: Pad 9 – AT&T + shell space – 4,560 square feet and Bass Pro – 101,100 square feet.	--	105,660	Under construction	Northeast corner of Interstate 80 and Sierra College Boulevard	2015
2 Center at Secret Ravine	This project includes a 3,000-square-foot Shell Gas Station, which is under construction as of March 2015, as well as 17,520 square feet of additional retail space that has been approved.	--	20,520	Under construction / approved	Northeast corner of Interstate 80 and Sierra College Boulevard	2015
3 Blue Oaks Town Center	This project includes a 6,482-square-foot Goodyear Tire.	--	6,482	Approved	6600 Lone Tree Boulevard	2015
4 Blue Oaks Marketplace	This project includes a 5,000-square-foot Applebee's restaurant.	--	5,000	In planning stages	Blue Oaks and Lone Tree boulevards	2015
5 Rocklin Crossings Part 2	This portion of the Rocklin Crossing Shopping Center includes an 85,435-square-foot Green Acres Nursery & Supply, two major tenants totaling 51,325 square feet, and 40,650 square feet of pad space.	--	177,410	Approved	Northeast corner of Interstate 80 and Sierra College Boulevard	2016
6 Rocklin Commons	This project includes 304,034 square feet that are already completed, which includes Target, Maurices, Famous Footwear, Styles for Less, Ross, Steinmart, Ulta, Studio Movie Grill, Chipotle, Menchie's Yogurt, Verizon, Supercuts, Subway, Mooyah Burger, Noodles & Co., T-Mobile, Blast 825 Pizza, Pacific Dental, Panera, plus shell space that has not yet been occupied as of March 2015. The project also includes an additional 47,335 square feet of space that is approved.	--	47,335	Approved	Northwest corner of Interstate 80 and Sierra College Boulevard	2016
Rocklin Sub-total			362,407			
RETAIL GRAND TOTAL		NA	470,477			

Sources: City of Marysville Planning Department; City of Yuba City Planning Department, "Building Projects Status Report – Week of February 2, 2015"; City of Rocklin Planning Department; Governor's Office of Planning and Research, "Summary of Postings - June 1 – 15, 2013"; and ALH Urban & Regional Economics.

(1) Includes retail development projects with development plans in progress. Projects are generally listed in descending order of development timeframe by jurisdiction. Per the City of Marysville Planning Department there are currently no retail or office projects in their planned supply.

(2) Includes total project acreage, not just acreage anticipated for retail development.

(3) Dates are unknown but because of the project specificity ALH Urban & Regional Economics assumes the projects will all be developed by 2027, the buildout timeframe for Lincoln SUD-B Northeast Quadrant.

Exhibit 34
Summary of Retail Pipeline, Excluding the Project (1)
Primary and Secondary Market Areas
Through 2042 (2)

Location	2027	2042	Total
Total Sq. Ft. Planned Retail			
City of Lincoln/SOI (3)			
All Project Square Footage	1,225,217	2,560,079	3,785,295
Square Feet Exc. Tertiary Demand	1,018,917	2,107,372	3,126,289
Marysville/Yuba City Area (4)	54,035 (5)	0	54,035
Rocklin Area	<u>181,204 (6)</u>	<u>0</u>	<u>181,204</u>
Total Competitive Space (7)	1,254,155	2,107,372	3,361,527

Source: ALH Urban & Regional Economics.

(1) See Exhibit 32 for Lincoln/SOI and Exhibit 33 For Marysville/Yuba City Area and Rocklin Area.

(2) The year 2042 represents the buildout for the Lincoln Village 5 retail development and is used by ALH Economics as a benchmark year for other long-term planned retail development.

(3) Includes an allocation for 20% of the planned Village 5 retail space to meet demand generated from outside the primary and secondary market areas, similar to the assumption for the Project. See Exhibit 30 for this Project assumption. Also includes an allocation of 10% of the Lincoln 270 space to meet demand generated from outside the primary and secondary market areas. The lower figure corresponds with the lower project size, but still a size sufficient to attract regional demand depending upon the tenant composition.

(4) Because the demand analysis assumes a 50% capture rate for new Marysville and Yuba City demand, the supply analysis similarly assumes 50% of the cumulative retail in this area will be competitive with SUD-B Northeast Quadrant. This is lower than the market area capture rate to reflect the greater distance of Yuba City retail from Lincoln relative to Marysville demand.

(5) Dates for many of the Yuba City planned retail projects are unknown. However, because of the project specificity ALH Urban & Regional Economics assumes the projects will all be developed by 2027, the buildout time for SUD-B Northeast Quadrant.

(6) Because the demand analysis assumes a 50% capture rate for new Rocklin demand, the supply analysis similarly assumes 50% of the cumulative retail in this area will be competitive with SUD-B Northeast Quadrant.

(7) Includes space anticipated to attract demand from the primary and secondary market areas, and excludes space anticipated to be supported by the tertiary market area, as noted in footnote (3).

Exhibit 35
Lincoln SUD-B Northeast Quadrant Specific Plan
Cumulative Retail Impacts (1)
Through 2042

Supply and Demand Characteristic	Retail Development Timing (2)		
	2027	2042	Total
Retail Supply			
SUD-B Northeast Quadrant Retail Space Supported by Primary and Secondary Market Areas (3)	466,080	0	466,080
Cumulative Retail Supported by the Primary and Secondary Market Areas (4)	<u>1,254,155</u>	<u>2,107,372</u>	<u>3,361,527</u>
Sub-Total	1,720,235	2,107,372	3,827,607
Cumulative Additions to Supply (5)	1,720,235	3,827,607	3,827,607
Forecasted Retail Demand			
Project and Market Area Demand (3)	2,174,100	3,404,100	3,404,100
Residual Project Demand (6)	19,300	19,300	19,300
Cumulative Lincoln Retail and Office Projects Employee Retail Demand (7)	<u>18,693</u>	<u>185,478</u>	<u>185,478</u>
Sub-Total	2,212,093	3,608,878	3,608,878
Supply and Demand Findings (8)			
Additional Demand Needed to Support Cumulative Retail	0	218,729	218,729 (9)

Source: ALH Urban & Regional Economics.

(1) Considers impacts of SUD-B Northeast Quadrant retail as well as other identified primary and secondary market area planned retail development within the timeframe similar to the SUD-B Northeast Quadrant.

(2) The phasing figures match the timing of SUD-B Northeast Quadrant and other more long-term planned retail developments in Lincoln.

(3) See Exhibit 30.

(4) See Exhibit 34.

(5) Aggregates figures by period so 2042 includes the supply additions through 2027.

(6) Includes demand generated by SUD-B Northeast Quadrant households and employees estimated to be captured by local retail outlets not located in SUD-B Northeast Quadrant 5. See Exhibit 14.

(7) See Exhibit 36.

(8) Comprises the remaining demand needed to support the SUD-B Northeast Quadrant retail space and cumulative projects.

(9) There will be yet additional demand for retail space in the City of Lincoln associated with full buildout of Lincoln. This increment of demand is estimated in Exhibit 24 to total 540,000 square feet. Thus, once the City of Lincoln buildout occurs the "Additional Demand Needed to Support Cumulative Retail" in Lincoln will decline by this amount to total -321,271 square feet.

Exhibit 36
City of Lincoln Cumulative Retail and Office Projects
Retail Space Supported by Cumulative Project Workers
Through 2042

Cumulative Retail and Office Characteristic	Retail Development Timing		Total
	2027	2042	
Lincoln Cumulative Retail Supply			
Square Feet (1)	1,225,217	2,560,079	3,785,295
Retail Vacancy (2)	10%	10%	10%
Occupied Square Feet (3)	1,102,695	2,304,071	3,406,766
Employment Density (Sq. Ft./Worker (2))	500	500	500
Supportable Sq. Ft. per Worker (4)	8	8	8
Supportable Retail Space (5)	18,693	39,060	57,753
Lincoln Cumulative Office Supply			
Square Feet (6)	0	1,807,594	1,807,594
Office Vacancy (2)	10%	10%	10%
Occupied Square Feet (3)	0	1,626,834	1,626,834
Employment Density (Sq. Ft./Worker (2))	300	300	300
Supportable Sq. Ft. per Worker (4)	24	24	24
Supportable Retail Space (5)	0	127,725	127,725
Total Supportable Retail Space	18,693	166,785	185,478

Sources: Exhibits 2, 3, 34, and 40; Table 6; and ALH Urban & Regional Economics.

(1) See Exhibit 34.

(2) See Exhibits 2 and 3.

(3) Comprises the planned square footage less the vacancy factor.

(4) See Table 6.

(5) Comprises the occupied square feet divided by the employment density, to derive employees, all of which is then multiplied by the square feet of retail space assumed per workers.

(6) See Exhibit 40.

Exhibit 37
Sectoral Employment History and Projections
City of Lincoln and Placer County
2008-2035

Industry (1)	City of Lincoln			Placer County			2015 Estimates (2)		2027 Estimates (2)	
	2008	2035	Average Annual Growth	2008	2035	Average Annual Growth	Lincoln	Placer County	Lincoln	Placer County
Education	765	840	0.3%	8,098	10,804	1.1%	784	8,727	817	9,919
Food	672	1,000	1.5%	11,195	15,720	1.3%	745	12,225	889	14,216
Government	547	1,798	4.5%	8,453	13,184	1.7%	744	9,486	1,263	11,558
Office	845	2,042	3.3%	23,623	42,293	2.2%	1,062	27,473	1,572	35,590
Other	0	0	NA	0	0	NA	NA	NA	NA	NA
Retail	1,803	2,452	1.1%	24,794	35,174	1.3%	1,953	27,147	2,238	31,712
Service	1,795	2,964	1.9%	30,857	42,490	1.2%	2,044	33,525	2,554	38,647
Medical	184	1,483	8.0%	18,396	29,269	1.7%	317	20,750	800	25,506
Industrial	1,374	2,097	1.6%	16,197	20,742	0.9%	1,533	17,270	1,850	19,277
Total, all sectors (2)	7,985	14,677	2.3%	141,613	209,677	1.5%	9,182	156,602	11,985	186,425

Sources: SACOG 2008 Regional Land Use by City and County; SACOG 2035 Regional Land Use by City and County; and ALH Urban & Regional Economics.

(1) Industry sectors defined by SACOG.

(2) Employment figures for 2015 and 2027 are projected based upon the average annual growth rates for the respective industry and jurisdiction.

Exhibit 38
City of Lincoln Office Vacancy Trends
2006 Through Q1 2015

Period	Rentable Building Area					Total Net Absorption	Leasing Activity		New Construction			
	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF		Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2015 1Q	47	318,819	72,201	22.6%	246,618	918	3	2,224	0	0	0	0
2014 4Q	47	318,819	73,119	22.9%	245,700	474	1	305	0	0	0	0
2014 3Q	47	318,819	73,593	23.1%	245,226	1,500	1	887	0	0	0	0
2014 2Q	47	318,819	75,093	23.6%	243,726	4,998	2	4,804	0	0	0	0
2014 1Q	47	318,819	80,091	25.1%	238,728	(6,122)	3	4,293	0	0	0	0
2013 4Q	47	318,819	73,969	23.2%	244,850	4,686	2	1,116	0	0	0	0
2013 3Q	47	318,819	78,655	24.7%	240,164	3,299	0	0	0	0	0	0
2013 2Q	47	318,819	81,954	25.7%	236,865	4,150	9	4,380	0	0	0	0
2013 1Q	47	318,819	86,104	27.0%	232,715	(193)	3	2,264	0	0	0	0
2012 4Q	47	318,819	85,911	26.9%	232,908	1,234	3	9,221	0	0	0	0
2012 3Q	47	318,819	87,145	27.3%	231,674	(4,199)	2	1,520	0	0	0	0
2012 2Q	47	318,819	82,946	26.0%	235,873	600	2	1,300	0	0	0	0
2012 1Q	47	318,819	83,546	26.2%	235,273	(7,073)	1	1,100	0	0	0	0
2011 4Q	47	318,819	76,473	24.0%	242,346	(2,144)	0	0	0	0	0	0
2011 3Q	47	318,819	74,329	23.3%	244,490	1,940	2	2,200	0	0	0	0
2011 2Q	47	318,819	76,269	23.9%	242,550	(652)	2	2,500	0	0	0	0
2011 1Q	47	318,819	75,617	23.7%	243,202	1,589	8	9,202	0	0	0	0
2010 4Q	47	318,819	77,206	24.2%	241,613	260	0	0	0	0	0	0
2010 3Q	47	318,819	77,466	24.3%	241,353	(2,310)	0	0	0	0	0	0
2010 2Q	47	318,819	75,156	23.6%	243,663	1,025	1	2,616	0	0	0	0
2010 1Q	47	318,819	76,181	23.9%	242,638	4,250	1	1,667	0	0	0	0
2009 4Q	47	318,819	80,431	25.2%	238,388	(11,443)	2	2,014	0	0	0	0
2009 3Q	47	318,819	68,988	21.6%	249,831	5,329	4	3,200	0	0	0	0
2009 2Q	47	318,819	74,317	23.3%	244,502	5,696	3	3,566	0	0	0	0
2009 1Q	47	318,819	80,013	25.1%	238,806	(5,882)	3	4,368	0	0	0	0
2008 4Q	47	318,819	74,131	23.3%	244,688	100	2	1,350	0	0	0	0
2008 3Q	47	318,819	74,231	23.3%	244,588	2,750	0	0	4	22,800	0	0
2008 2Q	43	296,019	54,181	18.3%	241,838	266	3	4,177	0	0	4	22,800
2008 1Q	43	296,019	54,447	18.4%	241,572	1,867	3	3,534	0	0	4	22,800
2007 4Q	43	296,019	56,314	19.0%	239,705	(5,763)	2	2,416	1	12,000	4	22,800
2007 3Q	42	284,019	38,551	13.6%	245,468	(5,352)	0	0	0	0	5	34,800
2007 2Q	42	284,019	33,199	11.7%	250,820	(3,145)	0	1,500	1	5,500	5	34,800
2007 1Q	41	278,519	24,554	8.8%	253,965	8,265	0	0	1	7,168	2	17,500
2006 4Q	40	271,351	25,651	9.5%	245,700	4,040	0	0	0	0	3	24,668
2006 3Q	39	262,094	20,434	7.8%	241,660	5,823	2	4,394	0	0	4	33,925
2006 2Q	38	254,094	18,257	7.2%	235,837	23,453	2	4,285	0	0	4	36,425
2006 1Q	36	242,494	30,110	12.4%	212,384	22,763	0	0	5	58,165	5	40,857

Sources: Costar; and CB Richard Ellis.

Exhibit 39
Office Space Demand Projection
City of Lincoln and Placer County
2015, 2027, and 2035 (1)

Jurisdiction/Office Characteristic	2015	2027	2035
Placer County			
Office-Using Employment (2)	57,700	72,700	84,700
Incremental Office-Using Employment over Prior Time Period (3)	-	15,000	12,000
Office Demand (4)			
Net New	-	3,750,000	3,000,000
Cumulative	-	3,750,000	6,750,000
City of Lincoln			
Office-Using Employment (2)	2,100	3,600	5,300
Incremental Office-Using Employment over Prior Time Period (3)	-	1,500	1,700
Office Demand (4)			
Net New	-	375,000	425,000
Cumulative	-	375,000	800,000

Source: ALH Urban & Regional Economics.

(1) The year 2015 comprises the baseline, the year 2027 comprises the buildout year for SUD-B Northeast Quadrant office space, and 2035 comprises the end year for the SACOG projection.

(2) Reflects the following industry sectors from Exhibit 37, which are anticipated to be primarily office-using: Government; Office; and Medical. Yet additional office use is reflected in the Education and Industrial sectors, but these sectors are conservatively excluded since not all employment in these sectors are office-using. Figures are rounded to the nearest 100.

(3) Reflects the increase in office-using employment over the prior noted time period.

(4) Assumes office employment at a density of 225 square feet per office worker plus a 10% vacancy rate for market fluidity. Figures rounded to the nearest 1,000. This is an industry standard assumption for generalized office space; premium office space would have a higher square footage allocation per worker.

Exhibit 40
Identified Planned and Proposed Office Projects (1)
City of Lincoln and Lincoln SOI
June 2015

Project	Description	Total Acreage (2)	Potential Office Sq. Ft.	Status	Location	Expected Opening / Completion (3)
1 Lincoln Square	Approved for development of six commercial buildings on 8.4-acre site with 60,400 square feet of commercial space.	8.40	24,160 (4)	Approved	SE corner Hwy 65 and Sterling Pkwy	2042
2 Stone Tower Plaza	Commercial/Office Shopping Center Project has a Tentative Parcel Map and a Specific Development Plan/Development Permit for two buildings located within the Twelve Bridges Specific Plan Area A on. A 10,000-square-foot Walgreen's is currently on-site.	3.28	6,920 (4)	Approved	NW corner Twelve Bridges Dr and Fieldstone Dr	2042
3 Village 7	Four planning areas with 3,285 homes, parks, public facilities, an elementary school, 12.2 acres of commercial (105,000 square feet of Village Mixed Use Commercial and 5,000 square feet of Community Center Commercial) and a community center recreational facility.	703.00	36,667 (5)	Approved	Within the City of Lincoln's Sphere of Influence (SOI), and contiguous with the southwest edge of the City	2042
4 Village 1 (6)	This project includes nine phases over 15-20 years and is estimated to comprise 4,639 dwelling units, John Adams Academy Charter School on 18.18 acres, 55,667 square feet of commercial and office development, 97.8 acres of public parkland, 222.5 acres of golf course (existing), 393.7 acres of open space, and 73.7 acres of major roadways.	1,832.10	22,267 (6)	Approved Specific Plan	Within the City of Lincoln's Sphere of Influence (SOI) along the eastern boundary	2042
5 Village 5 Phase 4A	This project includes five phases over 5 years. The project comprises 3.1 million square feet of retail, 1.4 million square feet of office space, a 100-room hotel, and 8,206 residential units.	--	1,413,880	EIR under preparation	Within the City of Lincoln's Sphere of Influence (SOI) along the western boundary	2042
6 Lincoln 270	Planned Development. Project has certified EIR, Specific Plan, General Plan Amendment, Large Lot Tentative Parcel Map, and approved annexation of 278 acres of land. The project provides for 47.9 acres of Business Professional, 32.0 acres of Medical Campus, 58.1 acres of General Commercial, and 37.8 acres of Light Industrial uses. Site is vacant with no foreseeable development in the near term.	302.00	303,700 (7)(8)	Approved	Between Hwy 65 and Industrial Blvd, along Twelve Bridges Dr	2042 (9)
OFFICE TOTAL		2,848.78	1,807,594			

Sources: City of Lincoln Planning Department; City of Lincoln, "Current Projects List - April 2014"; City of Marysville Planning Department; Gruen + Gruen, "Market Analysis and Strategic Action Plan For Downtown Lincoln - A Report to the City of Lincoln and the City of Lincoln Redevelopment Agency," May 2010; Draft SUD-B Specific Plan, submitted to the City of Lincoln in January 2015; Lincoln Village 5 & SUD-B Specific Plan; Richland Communities; Economic Planning Systems (EPS) Fiscal Impact Analysis for Village 5; and ALH Urban & Regional Economics.

- (1) Includes office development projects with development plans in progress. Projects are generally listed in descending order of development timeframe by jurisdiction.
- (2) Includes total project acreage, not just acreage anticipated for retail/office development.
- (3) Timeframes presented corresponding with the timing of SUD-B Northeast Quadrant retail space. Estimated by ALH Urban & Regional Economics based upon input from the City of Lincoln.
- (4) Commercial land uses with an unknown breakdown between retail and office space are assumed to comprise 60% retail and 40% office.
- (5) Per discussions with the City of Lincoln Planning Department, this commercial portion of the project is assumed to comprise 1/3 office and 2/3 retail.
- (6) Per the City of Lincoln Planning Department this project is estimated to include one third of the original 167,000 square feet of commercial space in consideration of the Charter School and the viability of the site location and 1,000 less housing units than the original 5,639.
- (7) Assumes the commercial square feet will be developed as 60% retail and 40% office. This is a working assumption given the lack of project detail.
- (8) Analysis assumes an office FAR of 0.30, which is generally typical for suburban office space in parts of Northern California.
- (9) The Lincoln 270 project was approved more than 10 years. However, the City of Lincoln reports that the Project developer has granted a portion of the property to Dignity Health and the associated medical facilities are estimated to emerge within the next three years. The retail and office development still has no immediate plans; however with the medical facility in the works, ALH is assuming that the commercial space will eventually follow.

APPENDIX B: SUPPORT EXHIBITS

Exhibit B-1
Household Income Spent on Retail (1)
United States
in Current Dollars
2013

Characteristic	All Consumer Units	Household Income Range		
		\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 and more
Average HH Income	\$63,784	\$44,576	\$59,101	\$131,945
Amount Spent on Retail (2)	\$20,555	\$17,769	\$21,104	\$32,771
Percent Spent on Retail (3)	32%	40%	36%	25%

Sources: Table 1202. Income before taxes: Annual expenditure means, shares, standard errors, and coefficient of variation, Consumer Expenditure Survey, 2013, U.S. Bureau of Labor Statistics; and ALH Urban & Regional Economics.

(1) Includes retail categories estimated to be equivalent to the retail sales categories compiled by the State of California, Board of Equalization.

(2) Includes the Consumer Expenditures categories of: food; alcoholic beverages; laundry and cleaning supplies; other household products; household furnishings and equipment; apparel and services; vehicle purchases, cars and trucks, new; vehicle purchases, cars and trucks, used; vehicle purchases, other vehicles; gasoline and motor oil; 1/2 of maintenance and repairs (as a proxy for taxable parts); drugs; medical supplies; audio and visual equipment and services; pets, toys, hobbies, and playground equipment; other entertainment supplies, equipment, and services; personal care products and services; and reading; tobacco products and smoking supplies.

(3) Percentages may be low as some expenditure categories may be conservatively undercounted by ALH Economics.

Exhibit B-2**State of California BOE Taxable Retail Sales Estimate by Retail Category
in Current Dollars****2013****(in \$000s)**

Type of Retailer	Total Taxable Sales (1)	State of California Taxable Sales Adjusted to Total Retail	% of Total
Food & Beverage Stores	\$25,289,203	\$84,297,343 (2)	17.1%
Food Services & Drinking Places	\$62,776,360	\$62,776,360	12.8%
Home Furnishings & Appliances	\$25,411,008	\$25,411,008	5.2%
Building Materials & Garden Equipment	\$29,680,053	\$29,680,053	6.0%
Clothing & Clothing Accessories	\$34,918,036	\$34,918,036	7.1%
General Merchandise Stores	\$51,431,094	\$68,574,792 (3)	13.9%
Other Retail Group	\$48,086,943	\$61,813,158 (4)	12.6%
Motor Vehicle & Parts Dealers	\$67,986,436	\$67,986,436	13.8%
Gasoline Stations	\$56,860,585	\$56,860,585	11.5%
	<hr/>	<hr/>	<hr/>
Total (5)	\$402,439,718	\$492,317,771	100%

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax) during 2013; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States and States: 2007"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the BOE.

(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes approximately 26% of General Merchandise Stores sales to food.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In California, drug store sales in 2013 represented approximately 14.06% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

(5) Totals may not add up due to rounding.

Exhibit B-3
Calculation of Sales Per Square Foot Estimates
Select Retail Stores and Store Types
2010 Through 2013, and 2015 Projected (1)

Store or Category (2)	2010		2011		2012		2013		Average
	In 2010\$'s	In 2015\$'s	In 2011\$'s	In 2015\$'s	In 2012\$'s	In 2015\$'s	In 2013\$'s	In 2015\$'s	In 2015\$'s
Apparel									
Apparel - Specialty	\$405	\$444	\$447	\$476	\$472	\$492	\$451	\$463	\$469
Women's' Apparel	\$365	\$400	\$455	\$485	\$515	\$537	\$473	\$486	\$477
Shoe Stores	\$371	\$406	\$454	\$484	\$487	\$508	\$475	\$488	\$471
Ross Dress for Less	\$324	\$355	\$195	\$208	\$195	\$203	\$362	\$372	\$284
Kohl's	\$229	\$251	\$215	\$229	\$209	\$218	\$190	\$195	\$223
Discount Stores									
Target	\$196	\$215	\$212	\$226	\$213	\$222	\$202	\$208	\$218
	\$282	\$309	\$290	\$309	\$304	\$317	\$297	\$305	\$310
Wal-Mart	\$422	\$462	\$499	\$532	\$456	\$475	\$376	\$386	\$464
Department Stores Category									
Sears	\$252	\$276	\$276	\$294	\$274	\$286	\$285	\$293	\$287
	\$206	\$226	\$205	\$218	\$210	\$219	\$161	\$165	\$207
Domestics Category	\$294	\$322	\$288	\$307	\$268	\$279	\$300	\$308	\$304
Furniture Category	\$198	\$217	\$290	\$309	\$361	\$376	\$449	\$461	\$341
Average of Domestics & Furniture	\$246	\$269	\$289	\$308	\$315	\$328	\$375	\$385	\$323
Neighborhood Center Category									
Supermarkets	\$535	\$586	\$533	\$568	\$575	\$600	\$611	\$628	\$595
Specialty/Organic	\$510	\$559	\$658	\$701	\$698	\$728	\$756	\$777	\$691
Drug Stores	\$724	\$793	\$657	\$700	\$667	\$695	\$629	\$646	\$709
Rite Aid	\$421	\$461	\$560	\$596	\$549	\$572	\$556	\$571	\$550
CVS	\$802	\$878	\$806	\$858	\$883	\$921	\$875	\$899	\$889
Restaurants Category	\$429	\$470	\$496	\$528	\$480	\$501	\$486	\$499	\$500
Casual Dining	\$431	\$472	\$578	\$616	\$563	\$587	\$567	\$583	\$564
Fast Food Chains	\$431	\$472	\$507	\$540	\$492	\$513	\$543	\$558	\$521
Home Improvement	\$269	\$295	\$278	\$296	\$287	\$299	\$301	\$309	\$300
Auto - DIY Stores (3)	\$205	\$225	\$218	\$232	\$220	\$229	\$217	\$223	\$227
Other Retail Categories									
Accessories	\$778	\$852	\$978	\$1,042	\$1,191	\$1,242	\$1,032	\$1,060	\$1,049
HBA, Home Fragrances	\$541	\$593	\$474	\$505	\$531	\$554	\$519	\$533	\$546
Electronics & Appliances	\$686	\$751	\$1,171	\$1,247	\$821	\$856	\$946	\$972	\$957
Office Supplies	\$263	\$288	\$270	\$288	\$262	\$273	\$283	\$291	\$285
Sports	\$226	\$248	\$239	\$255	\$252	\$263	\$253	\$260	\$256
Pet Supplies	\$185	\$203	\$188	\$200	\$218	\$227	\$234	\$240	\$218
Book Superstores	\$180	\$197	\$247	\$263	\$210	\$219	\$189	\$194	\$218
Toys	\$320	\$351	\$333	\$355	\$312	\$325	\$220	\$226	\$314
Music Superstores	\$318	\$348	\$317	\$338	\$314	\$327	\$292	\$300	\$328
Gifts, Hobbies & Fabrics	\$124	\$136	\$136	\$145	\$137	\$143	\$151	\$155	\$145
Average of Other Retail Categories	\$362	\$397	\$435	\$464	\$425	\$443	\$412	\$423	\$432

Sources: Retail MAXIM, "Alternative Retail Risk Analysis for Alternative Capital" 2011, 2012, 2013, and 2014 (all publications present figures in the prior year dollars); United States Bureau of Labor Statistics Consumer Price Index - All Urban Consumers; and ALH Urban & Regional Economics.

(1) Figures are adjusted to 2015 pursuant to the April CPI Index for all urban consumers.

(2) Includes industry-and category-representative stores.

(3) Average reflects a four-year trend.

Exhibit B-4
Annual Average Salaries for Select Industries
Placer County
2013

NAICS code	Industry code description	Number of employees	Annual Payroll	Avg. Salary (2013)	Avg. Salary (2015) (1)
44-45	Retail trade	1,595,788	\$45,108,875,000	\$28,267	\$29,085
51	Information	582,259	\$69,917,258,000	\$120,079	
52	Finance & Insurance	590,753	\$59,060,229,000	\$99,974	
53	Real estate and rental and leasing	277,273	\$14,540,031,000	\$52,439	
54	Professional, scientific, and technical services	1,148,692	\$99,591,551,000	\$86,700	
55	Management of companies and enterprises	288,820	\$33,832,258,000	\$117,140	
56	Administrative and Support and Waste Mang and Remediation Srvs	1,261,891	\$50,907,388,000	\$40,342	
Combined		4,149,688	\$327,848,715,000	\$79,006	\$81,292

Sources: United States Census Bureau, County Business Patterns, San Joaquin County 2013; U.S. Department of Labor, Consumer Price Index, through April 2015; and ALH Urban & Regional Economics.

(1) Inflated to 2015 based upon CPI for April 2013 to April 2015. Inflation factor is 1.03.

**Exhibit B-5
Office Worker Spending
Average Weekly and Annual Expenditure
ICSC 2012 Study
in 2011 dollars**

Frequency and Category of Spending (1)	Urban Spending Patterns				Suburban Spending Patterns			
	Urban		Urban Ample Adjustment (3)		Suburban		Suburban Ample Adjustment (3)	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Weekly Spending								
Full-Service Restaurants and Fast Food	\$26.29	22.7%	\$37.57	22.7%	\$ 28.86	19.7%	\$50.47	19.7%
Goods and Services								
Groceries	\$15.98	13.8%	\$22.84	13.8%	\$ 21.58	14.7%	\$37.74	14.7%
All Other (2)	\$73.33	63.4%	\$104.80	63.4%	\$ 96.08	65.6%	\$168.01	65.6%
Total	\$115.60	100.0%	\$165.21	100.0%	\$ 146.52	100.0%	\$256.21	100.0%
	Urban Spending Patterns				Suburban Spending Patterns			
	Non-Ample		Ample		Non-Ample		Ample	
Annualized Spending (4)								
Full-Service Restaurants and Fast Food	\$1,261.92		\$1,803.48		\$1,385.28		\$2,422.35	
Goods and Services								
Groceries	\$767.04		\$1,096.22		\$1,035.84		\$1,811.31	
All Other	\$3,519.84		\$5,030.39		\$4,611.84		\$8,064.42	
Total	\$5,548.80		\$7,930.08		\$7,032.96		\$12,298.08	

Sources: "Office-Worker Retail Spending in a Digital Age," International Council of Shopping Centers, page 26; and ALH Urban & Regional Economics.

(1) Excludes spending on transportation and online purchases.

(2) All other includes a range of retail purchases, such as personal care shops, office supplies, department stores, drug stores, electronics, jewelry stores, entertainment, clothing, and other goods.

(3) Reflects an increase in spending by office workers in locations with more ample retail, restaurant, and services offerings in the vicinity of the office building. This adjustment is based upon analysis reflected in the cited International Council of Shopping Centers source document. In urban locations the increment was approximately 43% more and in suburban locations it was approximately 75% more.

(4) Reflects a 48-year work week, allocating 2 weeks for holidays and 2 weeks for vacation.

Exhibit B-6
BOE Omitted Taxable Sales Estimates for the City of Lincoln
Using Placer County Sales Percentages
in Current Dollars
First Quarter 2013 Through Fourth Quarter 2013
(in \$000s)

Type of Retailer	Placer County		Lincoln	
	Amount [A]	% of Total [B]	Given [C]	Calculated [E = B * D]
<u>Q1 2013</u>				
General Merchandise	\$144,301	10.3%	#	\$5,583
Other Retail Group	--	--	\$11,822	\$6,239 (1)
Total	\$1,396,703	--	\$54,034	--
<u>Q2 2013</u>				
General Merchandise	\$152,254	10.1%	#	\$6,031
Other Retail Group	--	--	\$14,227	\$8,196 (1)
Total	\$1,505,024	--	\$59,616	--
<u>Q3 2013</u>				
General Merchandise	\$148,479	9.6%	#	\$5,357
Other Retail Group	--	--	\$12,787	\$7,430 (1)
Total	\$1,553,493	--	\$56,053	--
<u>Q4 2013</u>				
General Merchandise	\$202,179	12.7%	#	\$7,293
Other Retail Group	--	--	\$14,793	\$7,500 (1)
Total	\$1,594,978	--	\$57,531	--

Sources: California State Board of Equalization (BOE), "Taxable Sales in California" reports, for First Quarter 2013, Second Quarter 2012, Third Quarter 2012, and Fourth Quarter 2012; and ALH Urban & Regional Economics.

(1) The BOE omits certain sales because their publication would result in the disclosure of confidential information; the omitted sales are included in the Other Retail Group sales. The Other Retail Group is calculated by taking the figure given by the BOE and subtracting the new estimated for the categories that had been omitted.

Exhibit B-7
Translation of Nielson Retail Sales Categories to BOE Categories
Lincoln Zip Code 95648
in 2014 Dollars (millions)

Claritas Sales Category	Nielson Retail Sales 2014 2014 \$'s	BOE Category
Motor Vehicle & Parts Dealers		
- Automotive Dealers	\$2,860,615	Motor Vehicles & Parts
- Other Motor Vehicle Dealers	\$3,863,282	
- Automotive Parts, Accessories, & Tire Stores	\$3,632,149	
Furniture & Home Furnishings Stores		
- Furniture Stores	\$440,475	
- Home Furnishing Stores	\$4,595,077	
Electronics & Appliance Stores		
- Appliance, Television, and Other Electronics	\$6,016,100	Home Furnishings & Appliances
- Household Appliances Stores	\$248,484	
- Radio Television and Other Electronics	\$5,767,616	
- Computer and Software Stores	\$0	
- Camera & Photographic Equipment Stores	\$0	
Building Material & Garden Equipment & Supply Dealers		
- Building Material & Supply Dealers	\$44,123,967	Building Materials and Garden Equip. & Supplies
- Home Centers	\$28,927,281	
- Paint and Wallpaper Stores	\$0	
- Hardware Stores	\$1,753,395	
- Other Building Materials Dealers	\$13,443,291	
- Building Materials, Lumberyards	\$5,030,947	
- Lawn and Garden Equipment and Supplies	\$1,193,824	
- Outdoor Power Equipment Stores	\$0	
- Nursery and Garden Centers	\$1,193,824	
Food & Beverage Stores		
- Grocery Stores	\$31,977,173	Food and Beverage Stores
- Supermarkets and Other Grocery Stores	\$31,863,102	
- Convenience Stores	\$114,071	
- Specialty Food Stores	\$958,655	
- Beer, Wine, & Liquor Stores	\$144,643	
Health & Personal Care Stores		
- Pharmacies and Drug Stores	\$31,369,879	Other Retail Group
- Cosmetics, Beauty Supplies and Perfume Stores	\$607,032	
- Optical Goods Stores	\$427,108	
- Other Health and Personal Care Stores	\$2,449,792	
Gasoline Stations		
- Gasoline Stations with Convenience Stores	\$0	Service Stations
- Other Gasoline Stations	\$5,857,774	
Clothing & Clothing Accessories Stores		
- Clothing Stores	\$835,339	Clothing & Clothing Accessories
- Men's Clothing Stores	\$0	
- Women's Clothing Stores	\$450,885	
- Children's and Infants' Clothing Stores	\$9,751	
- Family Clothing Stores	\$149,138	
- Clothing Accessories Stores	\$0	
- Other Clothing Stores	\$225,565	
- Shoe Stores	\$201,988	
- Jewelry, Luggage, & Leather Goods Stores	\$3,667,913	
- Jewelry Stores	\$3,667,913	
- Luggage, & Leather Goods Stores	\$0	
Sporting Goods, Hobby, Book, & Music Stores		
- Sporting Goods, Hobby, & Musical Instruments	\$1,471,477	Other Retail Group
- Sporting Goods Stores	\$923,320	
- Hobby, Toys and Games Stores	\$514,532	
- Sew, Needlework, Piece Goods Stores	\$29,361	
- Musical Instrument and Supplies Stores	\$4,264	
- Book, Periodical, & Music Stores	\$0	
- Book Stores and News Dealers	\$0	
- Book Stores	\$0	
- News Dealers and Newsstands	\$0	
- Pre-recorded Tape, Compact Disc, & Records	\$0	
General Merchandise Stores		
- Department Stores excluding Leased Dept Stores	\$17,498,717	General Merchandise Stores
- Other General Merchandise Stores	\$4,872,813	
Miscellaneous Store Retailers		
- Florists	\$506,043	Other Retail Group
- Office Supplies, Stationery, & Gift Stores	\$4,408,014	
- Office Supplies and Stationery Stores	\$4,228,567	
- Gift, Novelty, and Souvenir Stores	\$179,447	
- Used Merchandise Stores	\$605,636	
- Other Miscellaneous Store Retailers	\$2,984,963	
Non-store Retailers		
Foodservice & Drinking Places		
- Full-Service Restaurants	\$26,295,773	Food Services & Drinking Places
- Limited-service Eating Places	\$28,057,638	
- Special Foodservices	\$2,856,683	
- Drinking Places - Alcoholic Beverages	\$448,225	
TOTAL RETAIL STORES	\$268,789,625	
Calculations		
BOE Category	In Millions	
Motor Vehicles & Parts	\$10,356,046	
Home Furnishings and Appliances	\$11,051,652	
Building Materials and Garden Equip	\$45,317,791	
Food and Beverage Stores	\$33,080,471	
Gasoline Stations	\$5,857,774	
Clothing and Clothing Accessories	\$4,705,240	
General Merchandise	\$22,371,530	
Food Services and Drinking Places	\$57,658,319	
Other Retail Group	\$78,390,802	
Retail Total	\$268,789,625	

Sources: Nielson Reports; State of California Board of Equalization; and ALH Urban & Regional Economics.

Exhibit B-8
Translation of Nielson Retail Sales Categories to BOE Categories
Sheridan Zip Code 95681
in 2014 Dollars (millions)

Claritas Sales Category	Nielson Retail Sales 2014 2014 \$'s	BOE Category
Motor Vehicle & Parts Dealers		
- Automotive Dealers	\$1,368,121	Motor Vehicles & Parts
- Other Motor Vehicle Dealers	\$0	
- Automotive Parts, Accessories, & Tire Stores	\$0	
Furniture & Home Furnishings Stores		
- Furniture Stores	\$0	
- Home Furnishing Stores	\$0	
Electronics & Appliance Stores		
- Appliance, Television, and Other Electronics	\$0	Home Furnishings & Appliances
- Household Appliances Stores	\$0	
- Radio Television and Other Electronics	\$0	
- Computer and Software Stores	\$0	
- Camera & Photographic Equipment Stores	\$0	
Building Material & Garden Equipment & Supply Dealers		
- Building Material & Supply Dealers	\$3,722,200	Building Materials and Garden Equip. & Supplies
- Home Centers	\$0	
- Paint and Wallpaper Stores	\$0	
- Hardware Stores	\$56,561	
- Other Building Materials Dealers	\$3,665,639	
- Building Materials, Lumberyards	\$1,371,810	
- Lawn and Garden Equipment and Supplies	\$984,450	
- Outdoor Power Equipment Stores	\$0	
- Nursery and Garden Centers	\$984,450	
Food & Beverage Stores		
- Grocery Stores	\$0	Food and Beverage Stores
- Supermarkets and Other Grocery Stores	\$0	
- Convenience Stores	\$0	
- Specialty Food Stores	\$51,627	
- Beer, Wine, & Liquor Stores	\$0	
Health & Personal Care Stores		
- Pharmacies and Drug Stores	\$0	Other Retail Group
- Cosmetics, Beauty Supplies and Perfume Stores	\$0	
- Optical Goods Stores	\$0	
- Other Health and Personal Care Stores	\$0	
Gasoline Stations		
- Gasoline Stations with Convenience Stores	\$0	Service Stations
- Other Gasoline Stations	\$0	
Clothing & Clothing Accessories Stores		
- Clothing Stores	\$0	Clothing & Clothing Accessories
- Men's Clothing Stores	\$0	
- Women's Clothing Stores	\$0	
- Children's and Infants' Clothing Stores	\$0	
- Family Clothing Stores	\$0	
- Clothing Accessories Stores	\$0	
- Other Clothing Stores	\$0	
- Shoe Stores	\$0	
- Jewelry, Luggage, & Leather Goods Stores	\$0	
- Jewelry Stores	\$0	
- Luggage, & Leather Goods Stores	\$0	
Sporting Goods, Hobby, Book, & Music Stores		
- Sporting Goods, Hobby, & Musical Instruments	\$0	Other Retail Group
- Sporting Goods Stores	\$0	
- Hobby, Toys and Games Stores	\$0	
- Sew, Needlework, Piece Goods Stores	\$0	
- Musical Instrument and Supplies Stores	\$0	
- Book, Periodical, & Music Stores	\$0	
- Book Stores and News Dealers	\$0	
- Book Stores	\$0	
- News Dealers and Newsstands	\$0	
- Pre-recorded Tape, Compact Disc, & Records	\$0	
General Merchandise Stores		
- Department Stores excluding Leased Dept Stores	\$0	General Merchandise Stores
- Other General Merchandise Stores	\$0	
Miscellaneous Store Retailers		
- Florists	\$0	Other Retail Group
- Office Supplies, Stationery, & Gift Stores	\$0	
- Office Supplies and Stationery Stores	\$0	
- Gift, Novelty, and Souvenir Stores	\$0	
- Used Merchandise Stores	\$0	
- Other Miscellaneous Store Retailers	\$110,815	
	\$0	
Non-store Retailers		
Foodservice & Drinking Places		
- Full-Service Restaurants	\$0	Food Services & Drinking Places
- Limited-service Eating Places	\$0	
- Special Foodservices	\$0	
- Drinking Places - Alcoholic Beverages	\$181,713	
TOTAL RETAIL STORES	\$6,418,926	
Calculations		
BOE Category	In Millions	
Motor Vehicles & Parts	\$1,368,121	
Home Furnishings and Appliances	\$0	
Building Materials and Garden Equip	\$4,706,650	
Food and Beverage Stores	\$51,627	
Gasoline Stations	\$0	
Clothing and Clothing Accessories	\$0	
General Merchandise	\$0	
Food Services and Drinking Places	\$181,713	
Other Retail Group	\$110,815	
Retail Total	\$6,418,926	

Sources: Nielson Reports; State of California Board of Equalization; and ALH Urban & Regional Economics.

Exhibit B-9
Translation of Nielson Retail Sales Categories to BOE Categories
Wheatland Zip Code 95692
in 2014 Dollars (millions)

Claritas Sales Category	Nielson Retail Sales 2014 2014 \$'s	BOE Category	
Motor Vehicle & Parts Dealers			
- Automotive Dealers	\$5,831	Motor Vehicles & Parts	
- Other Motor Vehicle Dealers	\$0		
- Automotive Parts, Accessories, & Tire Stores	\$188,674		
Furniture & Home Furnishings Stores			
- Furniture Stores	\$2,427		
- Home Furnishing Stores	\$2,795		
Electronics & Appliance Stores			
- Appliance, Television, and Other Electronics	\$0	Home Furnishings & Appliances	
- Household Appliances Stores	\$0		
- Radio Television and Other Electronics	\$0		
- Computer and Software Stores	\$0		
- Camera & Photographic Equipment Stores	\$0		
Building Material & Garden Equipment & Supply Dealers			
- Building Material & Supply Dealers	\$171,969	Building Materials and Garden Equip. & Supplies	
- Home Centers	\$0		
- Paint and Wallpaper Stores	\$0		
- Hardware Stores	\$0		
- Other Building Materials Dealers	\$171,969		
- Building Materials, Lumberyards	\$64,358		
- Lawn and Garden Equipment and Supplies	\$1,484,392		
- Outdoor Power Equipment Stores	\$0		
- Nursery and Garden Centers	\$1,484,392		
Food & Beverage Stores			
- Grocery Stores	\$333,707	Food and Beverage Stores	
- Supermarkets and Other Grocery Stores	\$333,707		
- Convenience Stores	\$0		
- Specialty Food Stores	\$9,242,801		
- Beer, Wine, & Liquor Stores	\$0		
Health & Personal Care Stores			
- Pharmacies and Drug Stores	\$461,576	Other Retail Group	
- Cosmetics, Beauty Supplies and Perfume Stores	\$0		
- Optical Goods Stores	\$0		
- Other Health and Personal Care Stores	\$0		
Gasoline Stations			
- Gasoline Stations with Convenience Stores	\$15,846,951	Service Stations	
- Other Gasoline Stations	\$2,247,950		
Clothing & Clothing Accessories Stores			
- Clothing Stores	\$36,330	Clothing & Clothing Accessories	
- Men's Clothing Stores	\$0		
- Women's Clothing Stores	\$0		
- Children's and Infants' Clothing Stores	\$0		
- Family Clothing Stores	\$0		
- Clothing Accessories Stores	\$0		
- Other Clothing Stores	\$36,330		
- Shoe Stores	\$0		
- Jewelry, Luggage, & Leather Goods Stores	\$1,934		
- Jewelry Stores	\$1,934		
- Luggage, & Leather Goods Stores	\$0		
Sporting Goods, Hobby, Book, & Music Stores			
- Sporting Goods, Hobby, & Musical Instruments	\$20,471	Other Retail Group	
- Sporting Goods Stores	\$20,471		
- Hobby, Toys and Games Stores	\$0		
- Sew, Needlework, Piece Goods Stores	\$0		
- Musical Instrument and Supplies Stores	\$0		
- Book, Periodical, & Music Stores	\$0		
- Book Stores and News Dealers	\$0		
- Book Stores	\$0		
- News Dealers and Newsstands	\$0		
- Pre-recorded Tape, Compact Disc, & Records	\$0		
General Merchandise Stores			
- Department Stores excluding Leased Dept Stores	\$0		General Merchandise Stores
- Other General Merchandise Stores	\$1,706,663		
Miscellaneous Store Retailers			
- Florists	\$16,461	Other Retail Group	
- Office Supplies, Stationery, & Gift Stores	\$3,548		
- Office Supplies and Stationery Stores	\$0		
- Gift, Novelty, and Souvenir Stores	\$3,548		
- Used Merchandise Stores	\$3,016		
- Other Miscellaneous Store Retailers	\$16,312		
Non-store Retailers			
Foodservice & Drinking Places			
- Full-Service Restaurants	\$1,011,264	Food Services & Drinking Places	
- Limited-service Eating Places	\$984,387		
- Special Foodservices	\$2,000,554		
- Drinking Places - Alcoholic Beverages	\$49,852		
TOTAL RETAIL STORES	\$35,846,251		
Calculations			
BOE Category	In Millions		
Motor Vehicles & Parts	\$194,505		
Home Furnishings and Appliances	\$5,222		
Building Materials and Garden Equip	\$1,656,361		
Food and Beverage Stores	\$9,576,508		
Gasoline Stations	\$18,094,901		
Clothing and Clothing Accessories	\$38,264		
General Merchandise	\$1,706,663		
Food Services and Drinking Places	\$4,046,057		
Other Retail Group	\$527,770		
Retail Total	\$35,846,251		

Sources: Nielson Reports; State of California Board of Equalization; and ALH Urban & Regional Economics.

Exhibit B-10**Retail Sales Estimates in Zip Codes Serving Lincoln, Sheridan, and Wheatland
in 2015 Dollars (millions)**

Type of Retailer	Nielson Retail Sales Estimates for 2015 (1)				
	Lincoln Zip Code [A]	Sheridan Zip Code [B]	Wheatland Zip Code (2) [C]	Sub-Total Sheridan & Wheatland Zip Codes [D]	Sales Increment Over Lincoln Zip Code [E = D / A]
Motor Vehicles & Parts	\$10,479,495	\$1,384,430	\$196,824	\$1,581,253	15.1%
Home Furnishings and Appliances	\$11,183,393	\$0	\$5,284	\$5,284	0.0%
Building Materials and Garden Equip	\$45,857,999	\$4,762,755	\$1,676,106	\$6,438,861	14.0%
Food and Beverage Stores	\$33,474,805	\$52,242	\$9,690,664	\$9,742,907	29.1%
Gasoline Stations	\$5,927,601	\$0	\$18,310,600	\$18,310,600	308.9%
Clothing and Clothing Accessories	\$4,761,329	\$0	\$38,720	\$38,720	0.8%
General Merchandise	\$22,638,209	\$0	\$1,727,007	\$1,727,007	7.6%
Food Services and Drinking Places	\$58,345,632	\$183,879	\$4,094,288	\$4,278,167	7.3%
Other Retail Group	\$79,325,255	\$112,136	\$534,061	\$646,197	0.8%
Total	\$271,993,718	\$6,495,442	\$36,273,554	\$42,768,997	15.7%

Sources: Nielson Reports; California State Board of Equalization; United States Bureau of Labor Statistics, CPI for Urban West; and ALH Urban & Regional Economics.

(1) Nielson data are in 2014 dollars. See Exhibits B-7, B-8, and B-9 for translation of Nielson to BOE categories.

(2) To estimate 2015 sales the 2014 figures were adjusted based on the CPI of 1.19%, per the United States Bureau of Labor Statistics, CPI for Urban West for May 2014 - to May 2015, the most recent data available at the time of this report.