

Appendix I

Urban Decay Analysis



**Village 5 Specific Plan Area
Urban Decay Analysis**

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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 Village 5 Specific Plan, located adjacent to the western city limit line of the City of Lincoln (the "Project"). The Project comprises approximately 4,785 acres of vacant land. The Village 5 land use plan contains a broad range of residential land uses, including rural residential, country estates, low, medium and high density residential; and employment land uses, including retail commercial, village commercial, office/commercial, business professional and mixed-use, as well as recreational, open space, public and educational land uses. While currently located outside the city limits, the expectation is that Village 5 would be annexed into the City of Lincoln. 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.

The City of Lincoln retained Environmental Science Associates (ESA) 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. Upon full buildout, the land uses planned for the Village 5 Specific Plan include 8,200 residential units, 3.1 million square feet of commercial retail space, 1.4 million square feet of office space, and a 100-room hotel. There is also a planned Village 5 Regional Sports Complex located on approximately 71 acres.

Development of the Village 5 Specific Plan is assumed to occur over an extended time period. Benchmark time periods associated with the various phases include 2022 (Phases 1 and 2), 2024 (Phase 3), 2032 (Phase 4A), and 2042 (Phase 4B). Overall, up to a 25-year buildout is assumed for Village 5, with the construction start anticipated in 2017. The amount of cumulative development completed in Phases 1 and 2 by 2022 will be relatively modest, with 2,417 residential units and 115,000 square feet of retail. Phase 3 development by 2024 will include 916,500 square feet of retail and 62,500 square feet for lodging. Phase 4A by 2032 is assumed to include 5,789 residential units and 1,413,880 square feet of office space. Finally, the 2,073,720 square feet remainder of the retail space is anticipated in Phase 4B by 2042.

There will be a large employment base located at Village 5. This employment base will grow over time as overall development occurs. Employment at the end of Phases 1 and 2 is estimated to total 207, employment by 2024 is estimated to total 1,907, employment by 2032 is estimated to total 7,562, and employment at buildout in 2042 is estimated to total 11,295.

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, office, and hotel 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.

SUMMARY OF FINDINGS

Development Context

Village 5 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, 4.0 million square feet of industrial space, and one hotel. 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 potential for many more millions of square feet of commercial and industrial space in the 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 Village 5 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 an 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 newly 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 17.1% 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 late 2014. 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 retail vacancy rate is generally on par with the Sacramento region's average of 8.7%. These vacancy rates are 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 is operating within industry accepted healthy parameters, 15 leases totaling approximately 34,000 square feet were executed during the bulk of 2014. 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.

Village 5 and Cumulative Retail Project Impacts

Village 5. The Village 5 retail space is assumed to total 3.1 million square feet. Developed in stages, with portions assumed to be completed in 2022 (115,000 square feet), 2024 (916,500 square feet), and 2042 (2.1 million square feet), the space will comprise several different land use designations supporting retail space. These include Village Commercial, providing small to mid-size commercial sites serving multiple neighborhoods or the entire community, Village Mixed Use, providing for integration of residential uses with retail, service commercial, professional office or recreational uses, Commercial, intended to serve the immediate region and the entire Lincoln community, and Office/Commercial, with commercial retail uses including fitness centers, financial institutions, restaurants, and other business services. The largest share of the Village 5 retail space will have the Commercial designation, totaling 1,855,800 square feet, the bulk of which is anticipated to be completed by Project buildout in 2042. Per the Project's Specific Plan, a portion of the retail space is intended to provide a regional retailer that offers a unique and enhanced market opportunity for the Plan Area, including one that cannot be replicated throughout the region, thereby drawing market potential beyond the Plan Area and well into the Greater Sacramento Region.

Given the range of Village 5 Specific Plan Area commercial land uses designations, the retail space at Village 5 is anticipated to serve a wide range of components of demand. These include Village 5 residents, Village 5 employees, Lincoln residents, and more regional demand given the land use designation Commercial near at the Project's intersection with Highway 65. The primary market area for Village 5 retail is assumed to comprise the City of Lincoln, Sheridan, and the City of Wheatland. In anticipation of development of regional-serving retail, Village 5 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 pursuant to the planned Village 5 Regional Sports Complex are anticipated to account for much of this tertiary market area draw. Other major contributors to this 20% of outside market area

draw includes the anticipation of a unique retailer providing an enhanced market opportunity for the region as well as additional drive by traffic along Highway 65.

Table 1 presents a summary of the estimated supply and demand characteristics of the potential retail development at Village 5. Findings are presented for the benchmark years associated with the completion of different phases of Village 5 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 Village 5 Retail Demand and Existing City of Lincoln Retail Base Impacts

Components of Retail Space	Cumulative Results (1)		
	2022	2024	2042
Village 5 Retail Supply (1)	92,000	825,200	2,484,176
Components of Demand			
Project-Generated Demand	76,500	88,700	390,900
Primary Market Area Retail Demand	900,000	1,000,000	1,710,000
Secondary Market Area Demand	710,000	740,000	1,025,000
Sub-total	1,686,500	1,828,700	3,125,900
Remaining Unmet Demand	1,594,500	1,003,500	641,724

Sources: Exhibit 34.

(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 Village 5 retail space at all three benchmark years. There will yet be additional unmet demand remaining. This amount of unmet demand is very high in the early years of Project development and drops by the 2042 buildout year, but remains relatively high at approximately 642,000 square feet by the buildout year. Thus, even with Project absorption, the primary and secondary market area is anticipated to still support development for an additional 642,000 square feet of space by 2042.

Cumulative Retail Projects. In addition to Village 5, there are numerous other retail projects planned in the City of Lincoln as well as the secondary market area. By the same benchmark years, these additional, or cumulative retail projects on a competitive basis total approximately 430,000 square feet by 2022, 690,000 square feet by 2042, and an additional increment of about 380,000 square feet square feet with unknown timeframes, some of which could occur within the 2042 time period. Thus, the total supply of additional retail projects beyond the Project’s 2.8 million square feet anticipated to be supported by primary and secondary market area sources of demand totals about 1.5 million square feet. As with the Project, some of this space is anticipated to satisfy tertiary demand from outside the primary and secondary market areas. Therefore, less this portion of space, the amount of cumulative project space anticipated to be competitive with primary and secondary market area demand is approximately 1.3 million square feet.

There appears to be sufficient demand to absorb Village 5 and the cumulative projects by the 2022 and 2024. However, by the 2042 Project buildout year, as well as with the addition of the projects with unknown timing, demand deficits are projected. These total about 108,000 square feet by 2042, and increasing to 379,000 square feet if all of the projects with unknown development timeframes are also developed by the 2042 time period. This amount of insufficient demand could eventually be reduced to a deficit of demand 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 maximum, the cumulative project impacts generally indicate there could be insufficient demand to support 379,000 square feet of the planned projects, depending upon the timing of full buildout of the City of Lincoln. At worst, 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 Village 5 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 noticeable 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 anticipated 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, Village 5 also has a strong employment-generating component, including up to 1,413,880 square feet of office space. The office component would comprise a dramatic 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 2014 totaling approximately 9,100 square feet. Lincoln's office base is small in general, but also in comparison to other nearby cities, where occupied office spaces average 47 to 167 square feet per capita, compared to 15 square feet in Lincoln. The potential level of Village 5 office development will establish Village 5 as a strong employment node, but also position the city within a regional context for these uses. The employment base provides another measure of how this is very different from current conditions, with employment in Lincoln totaling approximately 9,000 compared to the Placer County total of 154,360.

For the Village 5 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 780,000 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 less than 5,000 between 2014 and 2032, the year the Village 5 office space is anticipated to be completed. This compares to employment growth greater than 46,000 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 Village 5 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 2032, coincident with the anticipated timing of the Village 5 office space. The anticipated employment growth in Placer County is consistent with projected demand for 5.85 million square feet of office space between 2014 and 2032, and yet an additional 1.2 million square feet by 2035, the end of the SACOG projection period. In total, new office demand in Placer County between 2014 and 2035 is projected to total 7.0 million square feet to accommodate the projected growth. Lincoln will need to successfully leverage this demand to support the amount of office space planned at Village 5 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 office space planned at Village 5 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, Class A 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 Class A 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 office space planned for Village 5, as well as the cumulative projects, will not cause or contribute to office-related urban decay.

Hotel Market Context

There are two hotels in or in the immediate vicinity of the City of Lincoln. One is the 87-room Holiday Inn Express adjacent to the Lincoln Crossing Marketplace retail center and the other is the Thunder Valley Casino Resort hotel, with 297 rooms. Both hotels are in good physical condition with no visible signs of litter, graffiti, weeds, or rubbish. ALH Economics considers demand at the Thunder Casino Resort hotel to be relatively fixed, as this facility creates its own hotel room demand, with the majority of overnight guests visiting the casino and resort. Although it is possible that some overflow demand may be expressed for other nearby hotel facilities. The Holiday Inn Express, however, receives more variable demand, which provides a basis for analyzing existing and future hotel demand in Lincoln. Accordingly, ALH Economics analyzed the impacts of the potential Village 5 100-room hotel on the Holiday Inn Express based upon growing out met demand, assuming the Village 5 hotel would be added to the inventory in 2024. The Holiday Inn Express is assumed to have a baseline hotel occupancy rate of 75%.

The hotel demand analysis was based on the existing demand for the Holiday Inn Express, or *met* demand. As such the analysis is very conservative, as it does not take into account demand for room nights that may be satisfied by lodging facilities located outside of Lincoln because the Lincoln supply is constrained, such as the close to 20 hotels in nearby Roseville and Rocklin that serve a range of

market segments. The results based upon a range of annual growth rates based upon demographic growth projections indicate that combined occupancy among the Holiday Inn Express and the Village 5 hotel in 2024, the first year of occupancy for the Village 5 hotel, is estimated to range from 46.9% to 54.2%. This range is projected to increase to 59.4% to 77.1% by 2032. Notably, these occupancy rates are likely suppressed because they are benchmarked to *met* demand in 2014, rather than actual demand that may include hotel stays diverted to other locations due to lack of supply.

These rates at the low end of the range are not too dissimilar from the average occupancy rates in Roseville and Rocklin during the height of the Great Recession in 2009 and 2010, when rates averaged 50.4% and 56.5%, respectively.¹ Rates subsequently rebounded, but during the slower years ALH Economics is not aware of any hotels closing or becoming characterized by poor maintenance and lackluster operations. Thus, market precedence suggests that reduced occupancy in the range of 50% is sustainable for a limited period of time without resulting in existing hotel closure. Moreover, the occupancy rates will likely be higher than these analytically derived rates, given the potential for overflow demand from Thunder Valley and recaptured demand from Roseville and Rocklin.

These findings suggest it is likely that the existing Holiday Inn Express in Lincoln can sustain a short term decline in occupancy without risk of closure following the anticipated 2024 introduction of the Village 5 hotel, and that it should be able to sustain physical conditions in a state of good repair, and thus not contribute to any downward spiral toward urban decay and deterioration.

URBAN DECAY CONCLUSIONS

The study findings suggest that there is no basis to believe that existing office or hotel space in the City of Lincoln would experience negative impacts following the addition of the potential Village 5 office and hotel 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 or hotels will close and exhibit traditional signs of deterioration and decay, such as graffiti, refuse dumping, and dilapidated fencing as a result of Village 5 or other cumulative projects.

Prospects for the retail base are less definitive. Addition of just the Village 5 Project alone is anticipated to result in a modest surplus of demand by the Project's buildout in 2042, meaning there will be demand for yet additional retail space by that time. This is not even taking into account yet additional longer-term demand pursuant to the eventual residential buildout of the City of Lincoln, providing further support for retail beyond the Project's anticipated 2042 buildout. 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 Project's assumed buildout year. This is especially the case if projects with unknown timeframes are also developed by 2042. Therefore, development of the Project and cumulative projects could result in the potential for up to 379,000 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 reduce this level of impact to a nominal level, with no negligible resulting vacancy impacts.

¹ Smith Travel Research, data provided January 2014.

Even if the full estimated 379,000 square feet of impacts occur, however, the result on the retail market has the potential to be within the realm of reasonable market performance. This level of impact at maximum would result in a 6.4% 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, 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

The City of Lincoln, California's General Plan identifies future city growth areas through a series of "Villages" and "Special Use Districts (SUD)", 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. 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. Each Village has different guiding principles and concepts. Each Village is also at a different stage of conceptualization, approval, and annexation into the City of Lincoln. The Villages that have progressed the furthest in their conceptualization include Village 1, Village 7, and Village 5. Village 7 is the first Village to attain annexation into the City of Lincoln, which occurred in April 2014. Specific Plans have been developed for Villages 1 and 7 with the Specific Plan for Village 5 comprising the subject of this study.

The Village 5 Specific Plan Area is located adjacent to the western city limit line of the City of Lincoln (see Exhibit 1). This area has multiple land ownerships, which will likely result in portions of the Project to develop separately and under different timelines. As a result, multiple planning areas have been designated to allow each planning area to initiate development independently, where feasible, while maintaining consistency with the overarching Specific Plan. These are designated by letter, ranging from A – K. The area controlled by Richland Communities, the Specific Plan applicant, is designated as Area A.

The Village 5 Specific Plan land use plan contains a broad range of residential land uses, including rural residential, country estates, low, medium and high density residential; and employment land uses, including retail commercial, village commercial, office/commercial, business professional and mixed-use, as well as recreational, open space, public and educational land uses. The land use plan is estimated to result in approximately 8,200 dwelling units and 4.2 million square feet of employment and commercial services land uses. These are primarily retail and office uses, with the potential for hotel use as an allowable use. The mix of land use types and intensities is intended to provide for a diverse village that complements surrounding and planned land uses within the city.

The environmental impact report (EIR) for the Village 5 Specific Plan (the "Project") is being prepared and coordinated by Environmental Science Associates 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. In deference to the Project's mixed-use nature the analysis also generally assesses whether or not the Project's planned office and prospective hotel components warrant 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 May 2014. The market conditions were most recently assessed visually in January 2015. Other data 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 prospective urban decay impact of the Village 5 Specific Plan. 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, office, and hotel bases
- Project long-term resident and regional retail supportability
- Assess regional supportability remaining after Village 5 development
- Identify urban decay implications of Village 5 retail space
- Assess the context of Village 5's planned and office and hotel 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, Lincoln Village & SUD-B 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 Environmental Science Associates; Richland Communities; Economics Planning Systems, Inc.; 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 Local Context
- IV. Village 5 Specific Plan Internal Demand for Retail Space
- V. Market Area Definition and Retail Base Characterization
- VI. Future Household Retail Demand and Village 5 Implications
- VII. Urban Decay Implications of Village 5 Retail Space
- VIII. Analysis of Office and Hotel Space

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

III. PROJECT DESCRIPTION AND BUILDOUT CONTEXT

LAND USE MIX

Village 5 will have a zoning designation of “Planned Development.” This designation is intended to provide for a creative and flexible use of the land, maximize residential living options, and encourage efficient allocation of common open space. This zoning designation allows the City of Lincoln to adopt a General Development Plan for Village 5, which functions as the Specific Plan’s primary zoning tool. There are a number of Planning Areas within Village 5, including Planning Area A, which is controlled by the Specific Plan Applicant, Richland Communities, and Planning Areas B-K, which are under multiple other ownerships.

The land use mix for the Village 5 Specific Plan includes four key land use designations relevant to the urban decay analysis. These land uses are presented in Exhibit 2 and summarized below in Table 2, and include residential, retail, office, and hotel. A 71+ acre Regional Sports Complex is also planned at Village 5. There are yet other uses planned, such as schools, parks, and natural open space, but 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 collaboratively by the EIR project team based upon the anticipated land use designations in the Specific Plan.

For analytic purposes, the analysis assumes the land uses planned for Village 5 at buildout include 8,206 residential units (including single-family homes, age-restricted units, and apartments), 3,105,220 square feet of commercial retail space, 1,413,880 square feet of office space, and a 100-room hotel with 62,500 square feet. The most relevant associated commercial land use designations include Village Commercial, Village Mixed Use, Commercial, and Office/Commercial.

Table 2. Village 5 Specific Plan Land Uses

Timeframe (1)	Completion Year	Residential Units	Commercial Square Feet		
			Retail	Office	Hotel
Incremental					
Phases 1 & 2	2022	2,417	115,000	0	0
Phase 3	2024	0	916,500	0	62,500
Phase 4A	2032	5,789	0	1,413,880	0
Phase 4B	2042	0	2,073,720	0	0
Cumulative					
Phases 1 & 2	2022	2,417	115,000	0	0
Phase 3	2024	2,417	1,031,500	0	62,500
Phase 4A	2032	8,206	1,031,500	1,413,880	62,500
Phase 4B	2042	8,206	3,105,220	1,413,880	62,500

Source: Exhibit 2.

(1) Each year comprises the end of a phase.

The square footages were based upon the Village 5 Specific Plan as well as input provided by the environmental team preparing the EIR and other Project documents. Generally speaking, the purpose of the different commercial designations and potential users are as follows:²

- ***Village Commercial (VC)*** – To provide small to mid-size commercial sites serving multiple neighborhoods or the entire community. The Specific plan includes an East VC site intended to be community-oriented and a West VC site providing for neighborhood and locally-oriented retail and service uses, including civic, public, and quasi-public uses.
- ***Village Mixed Use (VMU)*** - To provide for a mixed-use commercial site to complement the West Village Center. This land use category provides for integration of residential uses with retail, service commercial, professional office or recreational uses.
- ***Commercial (COMM)*** – To serve the immediate region and the entire Lincoln community, including shopping centers, larger format retailers, hotels/motels and a range of freestanding uses such as banks, restaurants, and offices.
- ***Office/Commercial (OC)*** – To provide for a mix of offices and commercial uses, with target ratio of 60% office and 40% commercial. Uses anticipated within this zone generally include professional offices, fitness centers, financial institutions, restaurants, and other business services.

The hotel use is assumed for environmental review purposes, and the square footage was reallocated from the Specific Plan’s anticipated Commercial (COMM) land use designation.

PHASING ASSUMPTIONS

Development of the Village 5 Specific Plan will occur over an extended time period. Based upon input from one of the primary property owners, Richland Communities, and assumptions developed by the EIR project team, the analysis assumes four incremental time periods of development: Phases 1 and 2, completed by 2022; Phase 3, completed by 2024; Phase 4A, completed by 2032; and Phase 4B, comprising buildout, at 2042. As cited in the Specific Plan, development is anticipated to take up to 25 years. Therefore, ALH Economics assumes Phase 1 development commences by 2017. While the timing of Phases 1 and 2 are identical, Phase 1 will comprise all residential development while Phase 2 will comprise all retail development, i.e., Village Commercial.

The amount of cumulative development completed by each cited time period is presented in Exhibit 2 and Table 2. This information indicates that development in Phases 1 and 2 will be focus primarily on residential development, with 2,417 homes and a small increment of retail space, totaling 115,000 square feet. As noted in Exhibit 2, this retail space will comprise Village Commercial space, and thus will mostly be designed to meet the needs of Village 5 residents. The next phase of development, anticipated to be completed by approximately 2024, will include substantially more retail space, totaling 916,500 square feet. Most of this space, or 689,400 square feet, will be Commercial space, and thus will be more likely to be designed to have a more regional-serving orientation. Phase 4A, completed by 2032, will include the remaining planned residential development, totaling another 5,789 residential units. This phase will also include anticipated buildout of all the potential office space, totaling 1,413,880 square feet, and a 100-room hotel with 62,500 square feet. Finally, the

² See Village 5 Specific Plan, Chapter 4, Land Use Plan.

balance of the potential land uses are assumed to be completed during Phase 4B, anticipated to be completed by 2042. These uses include another 2,073,720 square feet of retail space, comprising 114,300 square feet of Village Mixed Use Commercial, 114,300 square feet of Village Commercial, 1,166,400 square feet of Commercial, and 678,720 square feet of Office/Commercial, all of which is anticipated to effectively function as retail space.

HOUSEHOLD GENERATION

The housing units planned for Village 5 will span a range of densities and product types. As noted in Exhibit 3, the single-family residential land use designations include Residential Rural, Country Estate, Residential Low Density, Residential Low Density – Age Qualified, Residential Medium Density, and Residential Medium Density-Age Qualified. The single-family unit count totals 6,709, or 82% of the total unit count. The EIR project team further assumes a portion of the units will be renter-occupied, including Residential High Density and Village Mixed-Use Residential. These units total 1,497, or 18% of the planned total unit count.

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, or apartment vacancy due to tenant turnover. 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 2014. Applying this vacancy rate to the total housing unit counts in Exhibit 3 results in a total estimated occupied housing unit count of 7,746. This count and the distribution by type of housing unit are presented in Exhibit 4. This exhibit 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, the resulting occupied housing population count is estimated to total 17,261 upon buildout of Village 5.

EMPLOYMENT GENERATION

Given the volume of land uses planned for the Village 5 Specific Plan there will be a large 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 5, and summarized below in Table 3. The assumed employment densities include 500 square feet per retail employee, 225 square feet per office employee, and 0.5 employees per hotel room.

Table 3. Village 5 Specific Plan Employment Generation

Timeframe	Completion				
	Year	Retail	Office	Hotel	Total
Incremental					
Phases 1 & 2	2022	207	0	0	207
Phase 3	2024	1,650	0	50	1,700
Phase 4A	2032	0	5,656	0	5,656
Phase 4B	2042	3,733	0	0	3,733
Cumulative					
Phases 1 & 2	2022	207	0	0	207
Phase 3	2024	1,857	0	50	1,907
Phase 4A	2032	1,857	5,656	50	7,562
Phase 4B	2042	5,589	5,656	50	11,295

Source: Exhibit 5.

As noted in Table 3, employment at the end of Phases 1 and 2, or the year 2022, is estimated to be relatively low, at 207. An additional 1,700 jobs are estimated to be created between the end of Phases 2 and 3, or the year 2024. The largest increment of new jobs is anticipated to be generated during Phase 4A, or by the year 2032, following the office development, with an additional 5,656 jobs. Finally, yet an additional 3,733 jobs are estimated to be formed by buildout, or the year 2042.

Cumulatively, these employment figures total 5,589 retail jobs, 5,656 office jobs, and 50 hotel jobs, for a grand total of 11,295 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 V. Village 5 Components of Commercial Space.

LAND USE CONTEXT

Existing Land Use Inventory

Because development of the Village 5 Specific Plan is occurring over a very prolonged time period the sizes of Lincoln's existing land use bases are relevant. Understanding the size of the existing bases supports analysis of Village 5 in the context of existing and future demand. Estimates of the existing sizes of Lincoln's inventories are based real estate inventories maintained by major brokerage or real estate services firms. These inventories are presented in Exhibit 6, and total 1,578,457 square feet for retail, 319,099 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 7. 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 8 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 8).

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, all of which are Village 5 land use designations.

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 Village 5 Specific Plan Area will be developed against a backdrop of substantial physical growth potential within existing City of Lincoln General Plan policies.

Village 5 Specific Plan Area Buildout Context

Buildout of the Village 5 Specific Plan Area will increase the City of Lincoln’s supply of retail and office space. Based on the current inventory estimates, Village 5 will increase the retail supply by 197% and the office supply by over 400%. These figures are presented in Table 4, below. These figures are quite 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 Village 5 over the Project’s 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 Village 5 will play only a modest role in Lincoln’s overall buildout.

Table 4. City of Lincoln Existing Land Use Inventory, Buildout Capacity, and Village 5 Specific Plan Context

Land Use Characteristic	Retail		Office	Industrial	
Existing Inventory (sq. ft.)	1,578,457		319,099	4,027,465	
Lincoln Buildout Capacity (sq. ft.)	35,065,800	-	39,683,160	9,997,020	63,162,000
Village 5 Specific Plan Area Buildout (1)					
Square Feet	3,105,220		1,413,880	0	
Percent Increase Over Existing Base	197%		443%	0%	
Percent of City Buildout Capacity	8%	-	9%	14%	0%

Sources: Exhibits 2, 6, and 8; and ALH Urban & Regional Economics.

(1) Does not include the square footage anticipated for a prospective hotel.

The following chapters provide additional context regarding the planned Village 5 Specific Plan Area commercial, office, and hotel components, including consideration of the Project’s planned supply relative to long-term demand forecasts for key land uses.

IV. VILLAGE 5 SPECIFIC PLAN INTERNAL DEMAND FOR RETAIL SPACE

COMPONENTS OF VILLAGE 5 SPECIFIC PLAN INTERNAL RETAIL DEMAND

Given the range of Village 5 Specific Plan Area commercial land uses designations, the retail space at Village 5 is anticipated to serve a wide range of components of demand. These include Village 5 residents, Village 5 employees, Lincoln residents, and more regional demand given the land use designation Commercial near at the Project's intersection with Highway 65. This chapter's analysis focuses on estimates of the share of Village 5 Specific Plan Area retail that the Project's internal components can support, i.e., residents and employees. The analysis further identifies the amount of space planned for Village 5 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.

VILLAGE 5 SPECIFIC PLAN AREA 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 same 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 the Village 5 households based upon anticipated home purchase prices or rental rates and mortgage assumptions. Pursuant to information estimated by Economic Planning Systems, consultant to the City of Lincoln on various municipal finance topics, the anticipated unit prices in current dollars range from \$300,000 to \$575,000. Apartment rental rates are assumed to average \$1,150 per month. Analysis of the annual household incomes required to support these residential pricing assumptions is presented in Exhibit 9. This includes assumptions for mortgage interest rate, loan term, mortgage insurance, home owners' association dues, etc. The results presented in Exhibit 10 indicate that annual household incomes for Village 5 households are assumed to average in the \$40,000s for renters, in the \$60,000s to \$80,000s for owners of medium and low density residential units, and approximately \$105,000 to \$115,000 for the lowest density products of residential rural and country estate.

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 \$70,000 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). ALH Economics anticipates that this income parameter is the most appropriate Consumer Expenditures Survey match for the lowest density housing products at Village 5. 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, ALH Economics assumes that Village 5 households with projected incomes between \$70,000 and \$90,000 are assumed to spend 33% of income on retail, households with incomes between \$50,000 and \$69,999 are assumed to spend 36% of income on retail, and households with incomes between \$40,000 - \$50,000, which comprises the rental households, are assumed to spend 40% of income on retail.

As a proxy for household spending patterns, ALH Economics analyzed statewide taxable sales trends for 2012 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 5.3% on home furnishings & appliances to a high of 17.4% on food & beverage stores.

Resident retail spending projections for the Village 5 Specific Plan buildout households were estimated based upon the 25% to 40% 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 2012. The figures are then averaged and presented in 2014 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 \$283 per square foot for general merchandise stores to a high of \$579 per square foot for food and beverage stores (e.g., grocery stores). In addition, Exhibit 11 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 each Village 5 phase with residential development and buildout and absorption of the Project's 8,206 housing units, of which 7,746 are estimated to be occupied.

Residential Retail Demand Findings

The Village 5 resident retail demand estimates are presented in Exhibit 11. Taking into account anticipated household incomes and retail spending, achievable retail sales performance and an allowance for vacancy, ALH Economics estimates that at the completion of Phase 1, the Village 5 households will be able to support approximately 150,000 square feet of retail space. The largest component of this allocation, or approximately 34,000 square feet, will be for general merchandise store goods, followed by about 19,000 square feet of food and beverage store space, i.e., grocery store space. The Project's Phase 1 households are also estimated to support close to 16,000 square feet each in restaurant space and other retail space, which comprises a broad range of retailers.

The Phase 4A housing units are anticipated to generate an even greater level of demand for retail, totaling an additional 340,000 square feet by 2032, when the balance of Village 5 residential units are anticipated to be developed. Therefore, the grand total level of demand estimated to be

generated by Village 5 households totals 490,000 square feet of retail space by the completion of Phase 4A, or 2032.

These square footage estimates reflect 100% of resident demand, regardless of the location of retail venues where spending occurs. Retailers that locate at Village 5 are unlikely to capture all of the retail demand generated by Project households. Therefore, the amount of retail supportable at Lincoln 5 by the Project residents is conservatively adjusted downward in subsequent analysis.

VILLAGE 5 INTERNAL EMPLOYMENT DEMAND

The Project is anticipated to comprise a significant employment location. As estimated earlier, at Buildout Village 5 will have an employment base totaling 11,295. This does not include other employment that may be associated with schools not yet articulated in the Project plans. These workers will generate demand for restaurant and retail purchases made before, during, and after work hours. This consumer group, therefore, will provide additional sales support for Village 5 retail in addition to the Project's residents. Some of the area employees may live in Village 5, 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 12. This exhibit indicates that office workers on a national average basis spend approximately \$7,400 per year in suburban locations and a higher \$12,930 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 Village 5 worker retail spending on an annual basis. Estimates were generated for the three categories summarized on Exhibit 12 - 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 \$7,400 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 Village 5 employees at the Village 5 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 Village 5 workers. These proportional rates are based on the proportion of average wages in other industries, such as retail and hotel, to office. 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 13, these wages are \$74,000 for office workers, \$30,000 for retail workers, and \$19,000 for hotel workers. Thus, the retail wages are 41% of the average office wages and the hotel wages are 26% of the average office wages. Thus, average annual Village 5 employee-retail spending is estimated at

\$7,400 for office workers, \$2,900 for retail workers, and \$1,900 for hotel 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 13.

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 each of the employment-generating Project phases, 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 14 and summarized below in Table 5.

Table 5. Village 5 Specific Plan Cumulative Employment Supportable Retail Sq. Ft.

Timeframe	Completion			Other	Total
	Year	Restaurant	Grocery		
Phases 1 & 2	2022	333	111	1,444	1,889
Phase 3	2024	2,556	1,333	13,222	17,111
Phase 4A	2032	21,556	13,000	113,778	148,333
Phase 4B	2042	26,556	15,778	140,000	182,333

Source: Exhibit 14.

As these estimates indicate, on a rounded basis, the Village 5 employment base is estimated to generate support for approximately 2,000 square feet of retail space by Phases 1 and 2, or 2022; 17,000 square feet by the end of Phase 3, or 2024; almost 150,000 square feet by the end of Phase 4A, or 2032; and just over 180,000 square feet by the end of Phase 4B/Buildout, or 2042.

Overall, the employment-based retail support analysis suggests strong variability in demand by type of space. Based upon the worker retail demand estimates presented in Exhibit 14, ALH Economics estimates that the average Project retail worker generates demand for approximately 9 square feet of retail space a year. This figure increases to 23 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	5,589	51,111	9
Office	5,656	131,222	23

Sources: Exhibits 5 and 14.

(1) Supportable Sq. Ft. Figures derived from demand estimates in Exhibit 14.

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

VILLAGE 5 DEMAND-BASED COMPONENTS OF RETAIL SPACE

The preceding analysis identified two general components of support for Village 5 retail space. These include resident demand and employment base demand. ALH Economics assumes that households living in Village 5 will shop in Village 5 as well as other shopping locations in Lincoln and outside the city boundaries. Therefore, the analysis conservatively assumes that Village 5 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, Village 5 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 Village 5 retail will capture 80% of employment-generated demand.

The combined level of demand from the adjusted household and employee-generated retail demand estimates comprises 76,500 square feet by the end of Phases 1 & 2, or 2022; 88,700 square feet by the end of Phase 3, or 2024; 363,700 square feet by the end of Phase 4A, or 2032; and 390,900 square feet by the end of 4B, or Buildout in 2042. These figures are summarized in Exhibit 15 and presented in Table 6, below.

Table 7. Village 5 Specific Plan Retail Components (Sq. Ft.)

Demand Generator	Phases 1 & 2	Phase 3	Phase 4A	Phase 4B
	2022	2024	2032	2042
Residential	75,000	75,000	245,000	245,000
Employment	1,500	13,700	118,700	145,900
Total	76,500	88,700	363,700	390,900
Balance of Other Demand	38,500	942,800	667,800	2,714,320

Source: Exhibit 15.

This analysis suggests that internally generated demand will not be sufficient to support the total amount of commercial retail space planned at Village 5. This is to be expected given that one of the Project’s land use designations is Commercial, which indicates an expectation that the space will serve the immediate region and the entire Lincoln community, with shopping centers, larger format retailers, and other regional-serving uses. In order for this to happen, the figures in Exhibit 15 and Table 6 indicate that the level of additional demand needed to support the Village 5 planned retail space will total 38,500 by 2022; 942,800 square feet by 2034; 667,800 square feet by 2032, and 2.7 million square feet by 2042. The additional demand figure is lower by the year 2032 compared to 2024 is due to internally-generated demand experiencing a strong increase between 2024 and 2032 due to the anticipated development of much of the Project’s housing units and employment-generated uses.

For the remaining balances of commercial space to be absorbed they 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 Village 5 Specific Plan

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 Village 5 Implications.

Meanwhile, the Village 5 resident- and employment-generated demand not met by Village 5 retail has the potential to support other retail in the City of Lincoln. ALH Economics assumes that 40% 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 16, and total 60,000 square feet by 2022; 63,400 square feet by 2024; just over 225,000 square feet by 2032, and just over 230,000 square feet by Buildout in 2042.

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."³

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."⁴

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.

³ Shopping Center Development Handbook, Third Edition, Urban Land Institute, 1999, page 44.

⁴ 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, per the Project's Specific Plan, a portion of the retail space is intended to provide a regional retailer that offers a unique and enhanced market opportunity for the Plan Area, including one that cannot be replicated throughout the region, thereby drawing market potential beyond the Plan Area and well into the Greater Sacramento Region. Also of consideration is the large volume of sports enthusiasts who come to Lincoln for sports events, and the even greater number of sports enthusiasts who will come to Lincoln after the Village 5 Regional Sports Complex is built. Finally, the Project site is located along Highway 65. Therefore, drive by traffic along Highway 65 can provide a ready source of demand.

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.⁵ 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.

The Village 5 Specific Plan includes a Regional Sports complex located on 71+ acres. Partnered with Placer United Soccer Club and Richland Developers, the City of Lincoln wants to provide a soccer/sports complex with city park features to the community and the region as a whole. The complex will comprise 12 soccer fields, training fields, a Fieldhouse with locker rooms, civic plaza, restrooms, picnic area, playground, and on-site parking. In addition, the complex will connect with nearby open space and an adjacent lake, neighboring commercial services, and nearby

⁵ Community Development Department, Recreation Supervisor, City of Lincoln; interview conducted April 2015.

neighborhoods and parks. In addition to providing a soccer facility to Placer United as well as a multitude of uses for the community uses, the complex is expected to draw high-profile tournaments and other revenue-producing events.⁶ This could include an estimated 8-10 major tournament events a year, with an equal number of minor events.⁷ These will include drawing players and observers from beyond the Lincoln area who can make retail and restaurant expenditures in Lincoln before and after tournament games.

In addition to the Village 5 Regional Sports Park, 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 fields, and one soccer field (potentially with all-weather turf).⁸

All of these sports venues and historic and planned tournament and other play indicate that Lincoln will become a significant locale for sports-related tourism. Accordingly, this, along with the Specific Plan intention for the Project to provide a regional retailer that offers a unique and enhanced market opportunity for the Plan Area, 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 Village 5 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 Village 5 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 Village 5 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 Village 5 site are the closest major shopping node. 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 17. 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.

⁶ City of Lincoln, "Village 5 Specific Plan," page 6-2.

⁷ Richland Communities e-mail communication, April, 2015.

⁸ Community Development Department, Recreation Supervisor, City of Lincoln; interview conducted April 2015.

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 Village 5 (see Exhibit 18). This time period is the initial benchmark period of 2014 (pursuant to the NOP date of May 2014) through 2042, the anticipated Village 5 Buildout year. Among the many demographic resources identified, projections prepared by the Sacramento Area Council of Governments (SACOG) was 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 Village 5 as well as other Villages, such as Village 1 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 Project. 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 18. 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 18, the primary market area is estimated to have a 2014 household count of 22,573. For the study's key years, this household count is anticipated to be as follows:

- 27,353 in the year 2022
- 28,762 in the year 2024
- 34,727 in the year 2032
- 44,660 in the year 2042

Based upon review of the planned housing unit counts in Village 5, Village 1, 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 through buildout of the city. Based upon the estimates and projections presented in Exhibit 18, 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 Village 5 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 Village 5 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 3rd Quarter 2012 through 2nd 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 19. 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 19 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 2nd Quarter 2012 through 3rd Quarter 2014, to generate sales adjustment factors by category to result in an estimated 2014 retail sales base. These data were provided by the City of Lincoln via the City’s tax consultant, MUNI Services. Once an approximately 2014 sales base was prepared, adjustments were made based sales increment estimates for the balance of the primary market area. The result is a 2014 primary market area retail sales estimate of \$465.0 million (see Exhibit 20).

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 Village 5 primary market area are as follows:

- 22,573 households in 2014
- Average household income of \$77,166
- Estimated household retail spending rate of 33% of average income

The 2014 household count is based upon the household projections prepared in Exhibit 18. 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, Village 5 Specific Plan 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 21, the Village 5 primary market area has retail leakage in most retail categories. The exceptions are the gasoline stations category with about \$75 million in attraction, the food and beverage category with an estimated \$30 million in attraction, and building materials and garden equipment, with the least amount of attraction at \$17 million. Leakage is very strong in all other categories, exceeding 50% of resident spending potential in more than half the remaining categories. The categories with the greatest leakage include the following:

- Motor vehicles & parts dealers with (\$66.2) million in leakage, or 87.7% of resident spending;
- General merchandise with (\$57.6) million in leakage, or 65.0% of resident spending;
- Clothing & clothing accessories with (\$29.5) million in leakage, or 74.4% of resident spending;
- Home furnishings & appliances with (\$27.0) million in leakage, or 89.2% of resident spending;
- Other retail with (\$26.2) million in leakage, or 41.1% of resident spending; and
- Food service and drinking places with (\$26.1) million in leakage, or 36.0% of resident spending;

Overall, the Retail Demand, Sales Attraction, and Spending Leakage estimate in Exhibit 21 clearly indicates that much of the primary market area's retail spending potential leaves the primary market area and is spent elsewhere. As such, the primary market area is a leakage retail market. This 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.

As noted in Table 7 on the next page, 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.⁹ 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.

**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	\$12,702	1,578,457	9.1%
Roseville	46,665	\$71,420	10,418,535	5.3%
Rocklin	21,265	\$24,931	3,543,945	16.8%
Yuba City	21,602	\$36,516	4,103,435	6.8%
Marysville	4,680	\$27,394	2,010,077	31.9%
Placer County	135,470	\$41,441	NA	NA

Sources: "Taxable Sales in California, During 2012", State of California Board of Equalization; SACOG, "Population, Housing and Household Estimates 1990 - 2014," 5/5/2014; Costar; and ALH Urban & Regional Economics.

(1) Taxable retail sales for retail and food services for 2012.

(2) Household count for 2013.

(3) Third quarter, 2014.

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 22, which demonstrates that the amount of primary market area leakage in 2014 is equivalent to support for about 730,000 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 638,000 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.

⁹ 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.

VI. FUTURE HOUSEHOLD RETAIL DEMAND AND VILLAGE 5 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 Village 5 retail space not supported by Project residents and employees. The growth projections were prepared for the time periods coincident with anticipated retail development at Village 5. These time periods are 2022, 2024, and 2042. The amount of retail development forecasted to be developed by these times periods on an incremental and cumulative basis are summarized in Table 9, below. This table includes all the 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 Village 5
Specific Plan Retail Development (Sq. Ft.)**

Type of Development	Phases 1 & 2	Phase 3	Phase 4B
	2022	2024	2042
Total Project Retail Space			
Incremental	115,000	916,500	2,073,720
Cumulative	115,000	1,031,500	3,105,220
Space Supported by Defined Market Areas (1)			
Incremental	92,000	733,200	1,658,976
Cumulative	92,000	825,200	2,484,176

Source: Exhibit 2.

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

The corresponding primary market area household growth increments, excluding the Village 5 households, starting with the 2014 baseline are as follow:

- 2014 – 2022, 2,498 households
- 2022 – 2024, 1,408 households
- 2024 – 2042, 10,434 households

The total number of new households anticipated in the primary market area between 2014 and 2042 excluding Village 5 is 14,340. Adding in the 7,746 Village 5 households brings the primary market area growth from 2014 to 2042 to 22,086.

New Household Retail Demand

Household Demand to 2042. 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 \$25,465 per household. This level of spending is tied to the existing average primary market area income of \$77,166, with all the analysis conducted in constant 2014 dollars. Based upon these retail spending assumptions, the primary market area household growth excluding Village 5 between 2014 and 2022 will generate demand for approximately \$63.6 million in retail spending. The household growth between 2022 and 2024 will generate an additional \$35.9 million in new retail demand, and the household growth between 2024 and 2042 will generate \$265.7 million in new retail demand. These demand estimates are presented in Exhibit 23.

On a cumulative basis, as shown in Exhibit 24, the primary market area growth excluding Village 5 is anticipated to total \$63.6 million by 2022, \$99.5 million by 2024, and \$365.2 million by 2042. 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 Village 5 is 170,000 square feet by 2022; 270,000 square feet by 2024; and 980,000 square feet by 2042, or Project Buildout (see Exhibit 25). Village 5 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 730,000 square feet (see Exhibit 22). This therefore provides a retail sales recapture opportunity for Village 5, or other future Lincoln retail development. Combining this recaptured sales opportunity with demand generated by Village 5’s residents and employees and the primary market area growth indicates the maximum potential primary market area demand for 1.0 million square feet by 2022; 1.2 million square feet by 2024; and 2.3 million square feet by 2042. These findings are presented in Exhibit 26 and summarized below in Table 10.

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

Demand Base	2014 Baseline	2014 - 2022	2014 - 2024	2014 - 2042
Lincoln Village 5				
Project-Supported	0	76,500	88,700	390,900
Balance of Lincoln Retail Support	0	60,400	63,400	232,500
Balance of Market Area	730,000	900,000	1,000,000	1,710,000
Primary Market Area Total	730,000	1,036,900	1,152,100	2,333,400

Source: Exhibit 26.

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 2042 Project buildout assumption, 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 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 18 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. 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 27, ALH Economics estimates that these remaining City of Lincoln buildout households will have the potential to support an additional 510,000 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 vision for Village 5 is to serve a more regional market beyond the City of Lincoln and its general environs. This corresponds with the nearly 1.9 million square feet of Village 5 retail planned with the Commercial (COMM) designation (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 Village 5's more regional-oriented retail is developed there will most assuredly be new concepts and new retailers active in the marketplace. As noted in Exhibit 2, the first increment of almost 690,000 square feet of regional-serving retail is anticipated to be developed by 2024, with the remaining close to 1.2 million square feet developed by 2042.

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 under \$25,000 per household in Table 7. Thus, compared to the other cityed 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 Village 5 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 29, with the same source and approach used for the primary market area. Exhibit 30A presents the incremental retail demand estimates for the time periods associated with Village 5 retail development, i.e., 2014-2022, 2022-2024, and 2024-2042. These findings are then presented on a cumulative basis in Exhibit 31A, which indicates total retail demand associated with new households in the Marysville and Yuba City areas totaling \$122.3 million by 2022, \$140.5 million by 2024, and \$324.7 million by 2042. These demand findings are then converted to supportable square feet of space in Exhibit 32A, which indicates support for 330,000 square feet of retail by 2022, an additional 50,000 square feet by 2024, and an additional 500,000 by 2042, for a total of 880,000 square feet of retail space.

The same series of analyses for the Rocklin portion of the secondary market area are presented in Exhibits 30B through 32B, with zip codes 95677 and 95765 used to define Rocklin in Exhibit 29. This analysis indicates total retail demand associated with new households in totaling \$77.7 million by

2022, \$83.1 million by 2024, and \$109.4 million by 2042 (see Exhibit 31B). These demand findings are then converted to supportable square feet of space in Exhibit 32B, which indicates support for 210,000 square feet of retail by 2022, an additional 10,000 square feet by 2024, and an additional 70,000 by 2042, for a total of 290,000 square feet of retail space.

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 33A, 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 270,000 square feet of regional-serving retail space. Similar analysis and assumptions for the City of Rocklin in Exhibit 33B estimates Lincoln capture of 170,000 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 VILLAGE 5

Exhibit 34 includes a summary of the estimated components of retail demand for Village 5 retail in particular, as well as more regional retail demand. The demand estimates are compared to the Village 5 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 households 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 34 indicate that sufficient primary and secondary market area demand is projected for the Village 5 retail space at all three benchmark years. There will yet be additional unmet demand remaining. This amount of unmet demand is high in the early years of Project development and drops by the 2042 buildout year, but still at a relatively high level. Thus, even with Project absorption, the primary and secondary market area is anticipated to still support development for an approximate additional 640,000 square feet of space by 2042.

VII. URBAN DECAY IMPLICATIONS OF VILLAGE 5 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 Village 5 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 Village 5 Specific Plan’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%.¹⁰ According to the United States Census Bureau, Lincoln’s population as of 2013 is over 45,000.¹¹

¹⁰ <http://www.census.gov/prod/cen2010/briefs/c2010br-01.pdf>

¹¹ <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 an 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. The largest vacancy in the Downtown District is the Beerman Building at 645 5th Street (the former historic Beerman's Brewery is an estimated 12,000 square feet). However, 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 was a victim of 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 Wendy's, 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.

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. This center appears almost fully leased, with a pad space for a drive through restaurant available. An Arco gas station was under construction as of January 2015.

Closer to downtown, 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.

Another major retail node is Lincoln Crossing Marketplace at Ferrari Ranch and Joiner Parkway, which abuts the new 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 is the 39,000-square-foot public library that was built in 2007 and a new Walgreens completed in 2011, which exemplifies the recovering economy.

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 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 35. 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 17.1% during 1st quarter 2009. The retail market then proceeded to experience a very slow and gradual recovery, with vacancy reaching a low of 8.0% by third quarter 2013. In the ensuing year vacancy increased modestly, to a 9.1% figure by the end of 3rd quarter 2014. 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 generally on par with the Sacramento region's average of 8.7%.¹² 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 15 retail leases executed in Lincoln for previously occupied spaces from January 1, 2014 through December 22, 2014. These 15 leases totaled 33,908 square feet of retail space. The largest lease transaction during this time period was for 4,650 square feet, while the average transaction was for 2,261 square feet. Notably, 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. 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

¹² CoStar Property.

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.¹³ 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.

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.¹⁴ 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.¹⁵ 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.¹⁶ According to the Code Enforcement Department the majority of violations are resolved within 2-3 weeks.¹⁷

¹³ City of Lincoln, "Municipal Code," http://docs.ci.lincoln.ca.us/lincoln/Lincoln_tree.htm (accessed December 18, 2014).

¹⁴ Code Enforcement Department, Code Enforcement Office II, City of Lincoln; interview conducted December 2014.

¹⁵ 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%20%3E%20%270%27%20%20And%20}&sort=Title%20Number%20asc&sun=public (accessed December 18, 2014).

¹⁶ 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%20%3E%20%270%27%20%20And%20}&sort=Title%20Number%20asc&sun=public (accessed December 18, 2014).

¹⁷ Code Enforcement Department, Code Enforcement Office II, City of Lincoln; interview conducted December 2014.

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.¹⁸

During the fieldwork conducted in January 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 a window boarded up with plywood, and the partially built Terra Cotta Village project located at the intersection of Colonnade and Twelve Bridges Drive. 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 Village 5 retail components.

VILLAGE 5 RETAIL IMPACTS AND URBAN DECAY DETERMINATION

The retail demand analysis reflected in the preceding analysis assumes that the Village 5 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. Preparation of the demand capture rate analysis assumed that the Project's retail space would become the dominant regional-serving retail node in Lincoln as intended by the Project proponent. This means the Project will need to attract retailers not already present in Lincoln as well as Yuba City, Marysville, or Rocklin, ensuring the ability to draw demand from these secondary market area locations. Based on these assumptions, the Village 5 demand analysis presented in Exhibit 34 indicated that inclusive of all demand components, successful absorption of the Village 5 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

¹⁸ Code Enforcement Department, Code Enforcement Office II, City of Lincoln; interview conducted December 2014.

planned retail projects in Lincoln, as the core of the primary market area, and Marysville and Yuba City, 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 Village 5. A summary of these projects is presented in Exhibit 36. As with the demand projections, the timeframes for anticipated development are presented consistent with the anticipated timeframe for Village 5 development, i.e., 2022, 2024, and 2042. These projects are located in Lincoln or the city's Sphere of Influence, with the potential for annexation similar to Village 5.

As noted in Exhibit 36, there are nine projects identified in Lincoln with prospective retail development by the year 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 Village 5 for the Office/Commercial land use designation). The City of Lincoln approved this assumption.

The planned projects represent development near existing retail nodes in Lincoln as well as more peripheral locations, such as the existing Village 5 location. An example of a development near existing nodes include projects 1 and 2 on Exhibit 36. 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 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 133,040 square feet of potential retail space, are anticipated to be completed by 2022, when Village 5's first 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; 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; and Stone Tower Plaza, an approved project with the estimated potential for 10,380 square feet in addition to existing retail development. 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 2022.

Projects 6 and 7 include two other planned Lincoln Villages. These include Village 7, located within the City of Lincoln's Sphere of Influence and contiguous with the southeast edge of the City, and Village 1, also located within the City of Lincoln's Sphere of Influence but along the City's eastern boundary. The development process of these projects is further along than the process for Village 5, 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 seven projects total approximately 300,500 square feet of retail space, with 193,717 square feet assumed to be developed by 2022 and an additional 106,733 square feet developed by 2042. In addition to these seven projects, however, there are two other known projects with prospective retail development potential.

These two additional projects are listed as projects 8 and 9 on Exhibit 36, and include Lincoln 270 and Special Use District B (SUD-B) Northeast Quadrant. Lincoln 270, 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 has not abandoned the project and is formulating development plans. Yet without more specific development plans ALH Economics considers the prospective timing of this development to be "Unknown." 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 36 indicates the potential for 379,625 square feet of retail space to be developed at some point in time at Lincoln 270.

SUD-B Northeast Quadrant is at the opposite end of the development planning spectrum from Lincoln 270, and slightly lagging Village 5. This project, located adjacent to Village 5 to the east, is just beginning the environmental review process. As such, project specificity is still in progress, and will become clearer over time. However, at this juncture, ALH Economics understands the project proposal includes 971,000 square feet of commercial space, which includes retail and office space. There are hundreds of residential units also included in the development program. Applying the study assumption that 60% of the commercial space could comprise retail space results in an estimate of 582,600 square feet of potential retail space. Although this project is at the early stages of conceptualization, initial indications from the environmental review process are that a 10-year development timeframe is anticipated for the project. Assuming development occurs as early as 2017, buildout of this project could occur by 2027 or thereafter. Since this timeframe is between the 2024 and 2042 benchmarks for the Project's development timeframe, the analysis assumes SUD-B Northeast Quadrant development will occur by 2042, similar to the Project's buildout assumption.

Altogether, the nine projects listed in Exhibit 36 have the potential for 1,262,675 square feet of retail space.

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 Village 5, 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 Village 5. 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 37 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 five 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 114,470 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 2022, which is the first retail benchmark period for Village 5. 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.

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 1,262,675 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. Thus, ALH Economics assumes that 20% of the SUD-B Northeast Quadrant 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 1.1 million square feet.

The secondary market area including the Marysville and Yuba City areas has a total of 57,235 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 Village 5. 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 Village 5.

Per the benchmark periods associated with Village 5, an estimated 432,155 square feet of retail projects are anticipated to be complete by 2022, another 572,813 square feet of space competitive with primary and secondary market area demand are anticipated to be complete by 2042, and 341,663 square feet competitive with primary and secondary market area demand are planned with an unknown timeline. The majority of all this future retail is planned for the City of Lincoln and its Sphere of Influence.

The supply and demand analyses relevant to analysis of the cumulative retail (including Village 5) are consolidated and summarized in Exhibit 39. This exhibit pulls together the retail supply figures for Village 5 and the identified cumulative retail projects by the time periods relevant to the timing of Village 5’s retail development. There is also an entry for the supply additions with unknown timing. 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 Village 5 (see Exhibit 16). Yet another component of demand included in Exhibit 39 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 11,300 square feet of retail space by 2042, increasing to 20,800 inclusive of the unknown timeframe (see Exhibit 40). Employees at Lincoln’s cumulative office projects are estimated to generate another 72,600 square during a similar timeframe. Thus, the cumulative retail and office projects in Lincoln are estimated to generate support for about 93,000 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 Village 5’s retail development.

** Table 11 below summarizes the findings of Exhibit 39. These cumulative retail analysis results indicate that based on the projects with estimated completion dates consistent with the estimated Village 5 timing, there will be sufficient demand to absorb Village 5 and the cumulative projects by 2022 and 2024. These will be a modest deficit of demand of about 108,000 square feet by 2042. However, with the addition of the projects with unknown timing, e.g., Lincoln 270, there could be a projected demand deficit of about 379,000 square feet if this project is built by 2042. This means that there may not be sufficient demand to absorb up to 379,000 square feet of the planned primary and secondary market area supply at Project buildout, depending upon the timing of the projects with unknown timelines.

Table 11. Cumulative Impacts of Village 5 and Cumulative Retail Projects

Supply and Demand Characteristic	Village 5 Retail Development Timing				Total
	2022	2024	2042	Unknown	
Village 5 and Cumulative Project Additions to Supply	524,155	1,257,355	3,489,144	3,830,807	3,830,807
Cumulative Retail Demand	1,750,089	1,895,289	3,381,289	NA	3,451,771
Additional Demand Needed to Support New Supply	0	0	107,855	NA	379,036

Source: Exhibit 39.

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 379,000 square feet of the planned projects. This 379,000-square-foot figure comprises the amount of retail space that could experience sales impacts if Village 5 and the cumulative projects perform at the sales levels projected in the analysis (see Exhibit 22 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 Village 5 and cumulative project development is slower, or if the amount of Village 5 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 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 Project’s 2042 buildout year. 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 6.4%.

Table 12. Worst Case Lincoln Market Performance by Project Buildout Year

Supply and Demand Characteristic	Figure
Existing and Planned Supply	
Existing Lincoln Retail Base	1,578,457
Village 5 Additions to Supply	3,105,220
Other City of Lincoln Additions to Supply	1,262,675
Total	5,946,352
Additional Demand Needed to Support New Supply	379,036
Effective Increase in Vacancy Rate of Retail Supply (1)	6.4%

Sources: Exhibit 6, Exhibit 34, Exhibit 38, and Exhibit 39.

(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 buildout year of 2042.

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 Project's 2042 buildout year. Thus, the cumulative project impacts may not comprise an excessive impact on the market. Further, in the long run, the estimated 379,000-square-foot level of retail market impacts could be offset by additional retail demand generated by accelerated full residential buildout of Lincoln, which was previously estimated to generate yet additional demand for 510,000 square feet of retail space (see Exhibit 27). As shown in Table 13, consideration of this long-term demand would more than offset the demand deficit, resulting in a modest amount of unmet demand, totaling approximately 131,000 square feet, 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	379,036
Additional Lincoln Demand Through Buildout	510,000
Additional Demand Requirements	(130,964)

Sources: Exhibits 27 and 39.

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 Village 5 retail space, as well as other cumulative retail developments.

ALH Economics believes the cumulative project findings indicate that more retail is planned in Lincoln than will likely be sustainable by 2042, the Project's assumed buildout year. This is especially the case if the project with an unknown timeframe is also developed by 2042. Therefore, if the cumulative projects are developed based upon the project definitions included herein, the result will be the potential for a large increment of retail space in Lincoln to become vacant, or stay vacant prior to stabilization. The analysis suggests this increment could be about 533,500 square feet. If Village 5 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 Project's tenant mix, the potential for this to occur is indeterminate at this juncture.

Future demand offsets resulting from accelerated General Plan population buildout could reduce this level of impact to a nominal level, with no negligible resulting vacancy impacts. Even if the full estimated 379,000 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 6.4% 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.

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.

VIII. ANALYSIS OF OFFICE AND HOTEL SPACE

EMPLOYMENT-GENERATING USES

In addition to providing a new community for homes and retail-serving uses, Village 5 also has a strong employment-generating component. This includes up to 1,413,880 square feet of office space and a 100-room hotel. This level of development will establish Village 5 as a strong employment node, but also position the City of Lincoln within a regional context for these uses. Currently, employment in Lincoln totals approximately 9,000.¹⁹ As depicted in Exhibit 41, employment throughout Placer County in 2014 totaled an estimated 154,360. Thus, Lincoln's employment base comprises a scant 5.8% of the county total.

The information included in Exhibit 41 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 2014 employment base, retail and office sectors with 17% of the employment base, medical with 13% of the employment base, and industrial with 14% of the employment base. The three remaining industry sectors in Exhibit 41 all comprise less than 10% 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 Village 5. Based on SACOG's employment projections, employment in Placer County is projected to increase by 30% between 2014 and 2032, or the time period coincident with the prospective office development at Village 5. This reflects a 1.5% annual average growth rate.

These growth figures indicate that the Village 5's office and hotel space will be developed in a growth-oriented environment. It is difficult to assess how Lincoln and Village 5 will be positioned relative to the county as a whole, or other regional growth trends, especially given the long time horizon involved in the anticipated development of Village 5. However, the following analyses for office and hotel development provide context for assessing the regional context of the prospective office and hotel space at Village 5.

VILLAGE 5 OFFICE DEVELOPMENT CONTEXT

Village 5 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 42). 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 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 and under ten years old, and are also primarily occupied by medical services as well as personal services. Lincoln's existing office inventory appears to be in good to moderately good condition, with no visible signs of decay or deterioration.

¹⁹ Estimated based on SACOG Regional Land Use estimates for 2008 and 2035.

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 12, 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 167 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 47 square feet in Yuba City to 96 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	319,099	23.1%	15
Roseville	46,665	9,341,483	16.4%	167
Rocklin	21,265	2,362,560	15.5%	94
Yuba City	21,602	1,164,239	12.6%	47
Marysville	4,680	519,829	13.7%	96

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

(1) Household count for 2013.

(2) Third quarter, 2014.

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 January 1, 2014 through mid-December, 2014. These five leases totaled approximately 9,100 square feet of space, with the average comprising approximately 1,800 square feet and the largest comprising 3,300 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.²⁰ At the City of Lincoln’s 0.45 FAR for this land use, this results in maximum development of almost 10.0 million square feet of building area (See Exhibit 8). 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 Village 5 office space buildout of 1.4 million square feet will comprise a substantial addition to the City of Lincoln, this level of development is well

²⁰ City of Lincoln, “City of Lincoln General Plan Update Final EIR,” February 2008, page 6-2. Also see Exhibit 7.

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. However, Village 5 does not include any planned industrial space, thus this market has limited relevancy to the Village 5 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. Village 5 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.²¹ 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 Village 5 office space is assumed to be developed by the end of Phase 4(A), or 2032. 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 43. 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 43 estimates that office-using employment in 2014 in Placer County totals 56,600. This figure is estimated to increase to 80,000 in 2032, and 84,700 in 2035, the last year for which employment is projected by the source, SACOG. The office 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 5.85 million square feet of new demand for Placer County between 2014 and 2032, the time when the Village 5 office space is anticipated to be completed. An additional 1.2 million square feet of demand is projected between 2032 and 2035, the end of the employment projection period. In total, new office demand in Placer County between 2014 and 2035 is projected to total 7.0 million square feet to accommodate the projected growth.

²¹ <http://www.gcr1.com/5010web/airport.cfm?Site=LHM>

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 41, office employment in Lincoln is estimated at 2,000 in 2014. Based upon SACOG's projections, this level of employment is projected to increase to 4,600 by 2032 and to 5,300 by 2035. The amounts of office space associated with these levels of growth total 650,000 square feet by 2032 and an additional 175,000 square feet by 2035, for a total of 825,000 net new square feet between 2014 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 5, the Village 5 office employment estimate totals 5,656 office employees by 2032. This level of employment growth substantially exceeds the SACOG-based projection of 4,600 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

Village 5 is not the only planned project that could change the nature of Lincoln's office base. Exhibit 44 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 SUD-B project adjacent to Village 5 with the assumed potential for approximately 388,400 square feet of office space.²² The first four projects listed in Exhibit 44 are anticipated to be completed by 2032, concurrent with the time the Village 5 office space is complete. These projects total 90,000 square feet, which is a relatively small increment, especially in comparison to Village 5. However, the two larger projects potentially totaling about 690,000 square feet have unknown time frames, which could or could not occur within the timeframe of Village 5's anticipated development. Altogether, the six identified projects total approximately 782,000 square feet of potential office space.

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.²³ As noted in the General Plan, a key 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."²⁴ 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

²² This figure will likely change over time as plans for this project become more refined.

²³ City of Lincoln General Plan, March 2008, page 3-1.

²⁴ Ibid, page 3-3.

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.*²⁵

Lincoln will need to achieve this mission if the planned Village 5 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 2032, coincident with the anticipated timing of the Village 5 office space. Lincoln will need to successfully leverage this demand to support the amount of office space planned at Village 5 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 office space planned at Village 5 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 resulting in urban decay and deterioration is unlikely and not foreseen. As newer, Class A 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 Class A 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 office space planned for Village 5, as well as the cumulative projects, will not cause or contribute to office-related urban decay.

VILLAGE 5 HOTEL DEVELOPMENT CONTEXT

There are essentially two hotels in the City of Lincoln. One is the 87-room Holiday Inn Express adjacent to the Lincoln Crossing Marketplace retail center and the other is the Thunder Valley Casino Resort hotel, with 297 rooms. Because this resort is an Indian Casino it is technically not located in the City of Lincoln, but given its location west of Highway 65 near Twelve Bridges Drive it is effectively located immediately adjacent to the City of Lincoln.

Information about the occupancy rate at the Holiday Inn Express is not available, but ALH Economics assumes occupancy is 75%, which is consistent with the average annual occupancy rate for the wider market that includes Lincoln, as well as Roseville and Rocklin. Visual observation, including an overnight stay at the facility, indicates that the hotel is in good physical condition with no visible signs of litter, graffiti, weeds or rubbish. The Thunder Valley Casino Resort hotel reports that its hotel sells out virtually every night, with an effective occupancy rate of 98%. This hotel is also in good physical condition.

²⁵ City of Lincoln, Economic Development Committee 12 to 18 Month Strategic Action Plan for Economic Growth, February 12, 2013, page 3.

ALH Economics prepared a hotel and supply demand analysis, assuming the addition of the Village 5 prospective 100-room hotel by 2024. This analysis is presented in Exhibit 45, and is predicated upon estimates of supply, existing occupancy, and a range of projected demand growth rates. This analysis is very conservative, as it is based upon just the upper midscale Holiday Inn Express hotel. This analysis excludes the more upscale Thunder Creek because Thunder Creek creates its own hotel room demand, with the majority of overnight guests visiting the casino and resort. As such, it does not seem appropriate to grow this demand over time, as the Thunder Creek hotel is a fixed facility with no current plans to expand. However, it is possible that some overflow demand may be expressed for other nearby hotel facilities.

Based on the 87 Holiday Inn Express hotel rooms in Lincoln, there is an annual supply of 31,755 room nights in Lincoln. Applying the assumed 75% occupancy rate results in an annual demand estimate of 23,816 room nights in 2014. This room nights of demand estimate is very conservative, as it does not take into account demand for room nights that may be satisfied by lodging facilities located outside of Lincoln because the Lincoln supply is constrained. This is instead a measure of *met* demand, as the hotel room supply is very limited. Thus, hotel patrons seeking a different type of lodging experience yet desiring to stay near Lincoln will seek other lodging options, most likely in Roseville. Notably, there are close to 20 hotels in Roseville and Rocklin that serve a range of market segments, all of which are relatively close to Lincoln. Thus it is highly likely that hotel guests seeking either a more upscale or more economy accommodation than is available in Lincoln will direct their demand to nearby Roseville or Rocklin hotels.

ALH Economics prepared three different hotel demand trends, each based upon a different economic or demographic growth projection. These rates are 3.0%, 3.8%, and 4.5%. The 3.0% rate is considered a baseline rate, and reflects the average annual household growth rate for Lincoln as presented in Exhibit 18. Hotel demand comprises several segments, including leisure, business, and tourist. Demand can be driven by household growth as well as area employment growth. Accordingly it would be relevant to consider Lincoln's employment growth rate in the forecasted hotel demand growth rate. However, as demonstrated above, the employment growth rate reflected in SACOG's employment estimates appears low, and does not even reflect the anticipated growth at Village 5. Thus, for analytical purposes ALH Economics assumes employment growth will further increase the demand growth rate, and thus Exhibit 45 also includes demand estimates based upon a growth rate 75% higher than the base line rate and 150% higher than the baseline growth rate, resulting in the 3.8% and 4.5% growth estimates. These three rates were applied to the estimated 2014 demand figure of 20,958 to result in annual demand projections from 2015 through 2032. The 2032 year was selected because it comprises the first benchmark year for Village 5 following the 2024 benchmark year when the hotel is assumed to be added to the supply.

The resulting annual demand estimates range from 32,007 to 36,986 room nights of demand in 2024, when the Village 5 hotel is added to the supply, increasing to 40,546 to 52,598 room nights of demand in 2032. Per the comment above regarding the analysis being benchmarked to *met* demand, these figures should be considered minimum estimates that do not fully take into account demand that would occur if more hotel options were available in Lincoln. Moreover, additional demand may be generated by overflow demand from Thunder Valley Casino Resort.

The projected annual estimated occupancy rates by year are also depicted in Exhibit 45. As these figures indicate, by 2024, the first year of occupancy for the Village 5 hotel, annual average occupancy among the two competitive hotels, including the Project, is estimated to range from 46.9% to 54.2%. This range is projected to increase to 59.4% to 77.1% by 2032. The low rates in 2024

suggest that introduction of a 100-room hotel in 2024 may be ahead of the market demand. However, the estimated occupancy rates in 2023, ranging from 97.9% to 111.5%, are a strong indicator that some additional hotel development would be warranted, as these are rates that are not sustainable for a single hotel, especially when the average exceeds 100%, which means that prospective guests would be turned away on nights characterized by high demand. Moreover, these occupancy rates are likely suppressed because they are benchmarked to *met* demand in 2014, rather than actual demand that may include hotel stays diverted to other locations due to lack of supply.

In 2009 and 2010, at the height of the Great Recession, hotels in Roseville and Rocklin operated at average occupancy rates of 50.4% and 56.5%, respectively.²⁶ These rates are not too dissimilar from the conservatively projected rates in Lincoln during the initial years of the Village 5 hotel operations, especially assuming growth at the higher end of the analytical range. Occupancy in Roseville and Rocking increased after 2010, but was maintained below 65% through 2012, and only recently reached the above-cited 75% average occupancy rate. During this time, especially the 2009 and 2010 timeframe, ALH Economics is not aware of any hotels closing or becoming characterized by poor maintenance and lackluster operations. Thus, market precedence suggests that reduced occupancy in the range of 50% is sustainable for a limited period of time without resulting in existing hotel closure. Moreover, the occupancy rates will likely be higher than these analytically derived rates, given the potential for overflow demand from Thunder Valley.

Based on these findings, ALH Economics concludes that it is likely that the existing Holiday Inn Express in Lincoln can sustain a short term decline in occupancy without risk of closure following the anticipated 2024 introduction of the Village 5 hotel, and that it should be able to sustain physical conditions in a state of good repair, and thus not contribute to any downward spiral toward urban decay and deterioration. Moreover, as cited repeatedly above, the overall occupancy following introduction of the Village 5 hotel is very likely to be higher than projected, due to the increase in demand resulting from more lodging options. Based on the preceding description of urban decay, therefore, ALH Economics concludes that the proposed Village 5 hotel as well as cumulative projects, of which none were identified in Lincoln, will not cause or contribute to hotel-related urban decay.

²⁶ Smith Travel Research, data provided January 2014.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

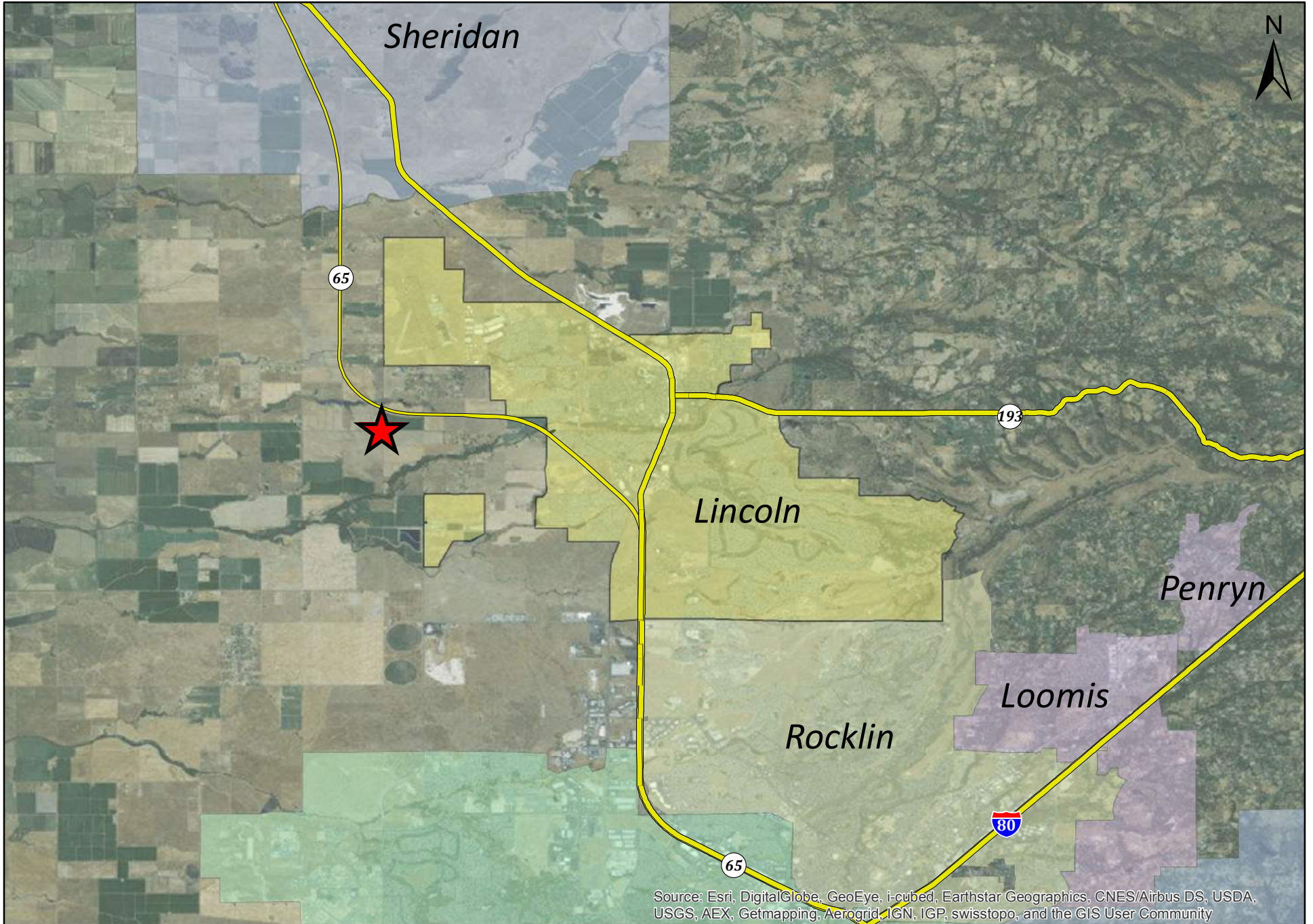
ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties 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: Village 5 Specific Plan Site



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

0 1.25 2.5 5 Miles

This map contains information from sources we believe to be reliable, but we make no representation, warranty, or guarantee of its accuracy. This map is published for the use of ALH Urban & Regional Economics and its clients only. Redistribution in whole or part to any third party without the prior written consent of ALH Urban & Regional Economics is strictly prohibited.

**Exhibit 2
Village 5 Specific Plan
Project Description
Key Land Use Designations Summary**

Timeframe (1)	Completion Year	Residential Units	Commercial				Retail Total	Office (2)	Hotel (3)
			Retail			Office/Commercial (OFF/COMM) - Commercial			
			Village Mixed Use (VMU) - Commercial	Village Commercial (VC)	Commercial (COMM)				
cells									
Incremental									
Phase 1	2022	2,417	0	0	0	0	0	0	0
Phase 2	2022	0	0	115,000	0	0	115,000	0	0
Phase 3	2024	0	0	227,100	689,400	0	916,500	0	62,500
Phase 4A (4)	2032	5,789	0	0	0	0	0	1,413,880	0
Phase 4B (4)	2042	0	114,300	114,300	1,166,400	678,720	2,073,720	0	0
Cumulative									
Phase 1	2022	2,417	0	0	0	0	0	0	0
Phase 2	2022	2,417	0	115,000	0	0	115,000	0	0
Phase 3	2024	2,417	0	342,100	689,400	0	1,031,500	0	62,500
Phase 4A (4)	2032	8,206	0	342,100	689,400	0	1,031,500	1,413,880	62,500
Phase 4B (4)	2042	8,206	114,300	456,400	1,855,800	678,720	3,105,220	1,413,880	62,500

Sources: 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) Timeframes estimated by Richland Communities and EPS with a start date of 2017. Phase 1 comprises all of Area A residential, Phase 2 comprises one third of Area A commercial square footage. Phase 3 includes the remainder of Area A commercial square footage.
- (2) The Commercial Office component comprises the land use designations of Business and Professional and 60% of Office / Commercial.
- (3) The hotel is assumed to comprise 100 rooms. This land use allocation was deducted from the Specific Plan Commercial (COMM) land use designation.
- (4) Phases 4A and 4B reflect planning areas B-K.

**Exhibit 3
Village 5 Specific Plan
Residential Land Use Designations Summary
Project Housing Units**

Timeframe (1)	Completion Year	Owner-Occupied (2)					Renter-Occupied (2)			Total
		Residential Rural (RR)	Country Estate (CE)	Residential Low Density (LDR)	Residential Low Density (LDR) - Age Qualified	Residential Medium Density (MDR)	Residential Medium Density (MDR) - Age Qualified	Residential High Density (HDR)	Village Mixed Use (VMU) - Residential	
Incremental										
Phase I	2022	0	96	138	771	1,183	229	0	0	2,417
Phase 2	2022	0	0	0	0	0	0	0	0	0
Phase 3	2024	0	0	0	0	0	0	0	0	0
Phase 4A	2032	320	773	1,781	0	1,418	0	1,441	56	5,789
Phase 4B	2042	0	0	0	0	0	0	0	0	0
Buildout	0	320	869	1,919	771	2,601	229	1,441	56	8,206
Cumulative										
Phase I	2022	0	96	138	771	1,183	229	0	0	2,417
Phase 2	2022	0	96	138	771	1,183	229	0	0	2,417
Phase 3	2024	0	96	138	771	1,183	229	0	0	2,417
Phase 4A	2032	320	869	1,919	771	2,601	229	1,441	56	8,206
Phase 4B	2042	320	869	1,919	771	2,601	229	1,441	56	8,206
Buildout	2042	320	869	1,919	771	2,601	229	1,441	56	8,206

Sources: Lincoln Village 5 & SUD-B Specific Plan; Richland Communities; Economic Planning Systems (EPS); State of California Department of Finance, "Table 2: E-5 City/County Population and Housing Estimates, 1/1/2014"; and ALH Urban & Regional Economics.

(1) Timeframes estimated by Richland Communities and EPS with a start date of 2017.

(2) Unit distribution information provided by EPS.

**Exhibit 4
Village 5 Specific Plan
Residential Land Use Designations Summary
Estimated Occupied Project Households and Population (1)**

Timeframe (2)	Completion Year	Owner-Occupied						Renter-Occupied		Total
		Residential Rural (RR)	Country Estate (CE)	Residential Low Density (LDR)	Residential Low Density (LDR) - Age Qualified	Residential Medium Density (MDR)	Residential Medium Density (MDR) - Age Qualified	Residential High Density (HDR)	Village Mixed Use (VMU) - Residential	
Incremental										
Phase I	2022	0	91	130	728	1,117	216	0	0	2,282
Phase 2	2022	0	0	0	0	0	0	0	0	0
Phase 3	2024	0	0	0	0	0	0	0	0	0
Phase 4A	2032	302	730	1,681	0	1,339	0	1,360	53	5,465
Phase 4B	2042	0	0	0	0	0	0	0	0	0
Buildout	2042	302	820	1,812	728	2,455	216	1,360	53	7,746
Cumulative										
Phase I	2022	0	91	130	728	1,117	216	0	0	2,282
Phase 2	2022	0	91	130	728	1,117	216	0	0	2,282
Phase 3	2024	0	91	130	728	1,117	216	0	0	2,282
Phase 4A	2032	302	820	1,812	728	2,455	216	1,360	53	7,746
Phase 4B (3)	2042	302	820	1,812	728	2,455	216	1,360	53	7,746
Buildout	2042	302	820	1,812	728	2,455	216	1,360	53	7,746
Residential Household Vacancy (1)	5.6%									
Persons Per Household (4)		2.86	2.86	2.86	1.50	2.00	1.50	1.80	1.80	--
Total Estimated Population at Buildout (5)		864	2,346	5,181	1,092	4,911	324	2,449	95	17,261

Sources: Lincoln Village 5 & SUD-B Specific Plan; Richland Communities; Economic Planning Systems (EPS); State of California Department of Finance, "Table 2: E-5 City/County Population and Housing Estimates, 1/1/2014"; and ALH Urban & Regional Economics.

(1) Resident population is based on occupied housing units, assuming a 5.6% vacancy rate per DOF Population and Housing Estimates for 1/1/2014. See Exhibit 3 for total housing unit counts.

(2) Timeframes estimated by Richland Communities and EPS with a start date of 2017.

(3) Through Phase 4B is a proxy for Buildout.

(4) Persons per household figures provided by City of Lincoln staff to be consistent with Lincoln Village 1 Fiscal Impact Analysis and other fiscal impact analysis prepared for the City of Lincoln.

(5) Total estimated population at buildout is calculated by multiplying the number of occupied households by persons per household figure.

Exhibit 5
Village 5 Specific Plan
Retail and Office Land Use Designations Summary
Project On-Site Employees

Timeframe	Year	Retail (1)	Office (1)	Hotel (1)	Total
		[500 Sq. Ft. / Employee] (2)	[225 Sq. Ft. / Employee] (2)	[0.5 Employee / Room] (2)	
Vacancy Rate (3)	NA	10%	10%	NA	NA
Incremental					
Phase I	2022	0	0	0	0
Phase 2	2022	207	0	0	207
Phase 3	2024	1,650	0	50	1,700
Phase 4A	2032	0	5,656	0	5,656
Phase 4B	2042	3,733	0	0	3,733
Buildout	2042	5,589	5,656	50	11,295
Cumulative					
Phase I	2022	0	0	0	0
Phase 2	2022	207	0	0	207
Phase 3	2024	1,857	0	50	1,907
Phase 4A	2032	1,857	5,656	50	7,562
Phase 4B	2042	5,589	5,656	50	11,295
Buildout	2042	5,589	5,656	50	11,295
Total at Buildout		5,589	5,656	50	11,295

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, excepting hotel, which is based upon an assumption of a 100-room hotel.

(3) Industry standard vacancy rates assumed by ALH Urban & Regional Economics.

**Exhibit 6
Existing Inventory by Land Use
Retail and Office
City of Lincoln
2014 (Third Quarter)**

Land Use	Gross Sq. Ft.
<u>Retail</u>	
CoStar	1,578,457
Colliers	1,161,405
CBRE	1,189,747
Existing Retail Total (1)	1,578,457
<u>Office</u>	
CoStar	319,099
Existing Office Total	319,099
<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 - Q3 2014 - Retail" and "Research and Forecast Report - Sacramento - Q3 2014 - Office"; CBRE, "Sacramento Retail Market View Q3 2014"; 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 7
 General Plan Land Use Designations for Buildout
 City of Lincoln, Sphere of Influence, and Additional
 Unincorporated Land
 Land Use by Acres**

Land Use	Acres
Residential	
Rural Residential	1,190
Country Estates	1,350
Low-Density Residential	7,610
Medium-Density Residential	1,740
High-Density Residential	750
Commercial / Industrial	
Neighborhood Commercial	180
Commercial	2,120
Business Park	510
Industrial	1,240
Industrial Planned Development	1,660
Agriculture / Open Space	
Agriculture	430
Open Space	12,700
Public / Other	
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 8
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 7. The figures presented reflect total capacity, and do not take into account the volume of existing development.

(2) See Exhibit 7.

(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 9
Village 5 Specific Plan
Residential Land Use Designations Summary
Projected Household Income (1)
2014 Dollars

Residential Land Use	Purchase Price / Mo. Rent Price (2)	Amount Financed	Annual Mortgage	Other Expenses	Monthly Expense	Income Required
Residential Rural	\$575,000	\$460,000	\$25,957	\$9,563	\$2,960	\$114,579
Country Estate	\$535,000	\$428,000	\$24,151	\$9,023	\$2,764	\$107,013
Residential Low Density	\$390,000	\$312,000	\$17,606	\$7,065	\$2,056	\$79,583
Residential Low Density - Age Qualified	\$430,000	\$344,000	\$19,411	\$7,605	\$2,251	\$87,150
Residential Medium Density	\$300,000	\$240,000	\$13,543	\$5,850	\$1,616	\$62,558
Residential Medium Density - Age Qualified	\$330,000	\$264,000	\$14,897	\$6,255	\$1,763	\$68,233
Residential High Density (3)	\$1,150	NA	NA	NA	\$1,150	\$41,400
Village Mixed Use (VMU) - Residential (3)	\$1,150	NA	NA	NA	\$1,150	\$41,400
<u>Mortgage Assumptions</u>						
Interest Rate	3.875% (4)					
Loan Term	30					
Down Payment	20.0%					
Home Insurance	0.15% of home price					
Mortgage Insurance	0.90% of loan amount					
Property Taxes (5)	1.20% of home price					
Maximum PITI (6)	31%					
HOA/Month	\$150					

Sources: Economic Planning Systems (EPS) Fiscal Impact Analysis for Village 5; Wells Fargo, "Today's Mortgage Rates and Refinance Rates " as of January 16, 2015; RealQuest property database; FHA Guidelines; and ALH Urban & Regional Economics.

(1) The above calculations are based on a 20% down payment and a 3.875% interest rate.

(2) Residential purchase prices and HOA figures per the EPS fiscal analysis.

(3) Monthly rental prices per EPS fiscal analysis. ALH Urban & Regional Economics assumes annual income as three times this amount.

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

(5) 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.

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

Exhibit 10
Village 5 Specific Plan
Residential Land Use Designations Summary
Total Estimated Income and Spending on Retail from Project Households (1)
2014 Dollars

Residential Land Use	Estimated Income per Occupied Household (2)	Percent Spent on Retail (3)	Phase 1 (2022)			Phase 4A (2032)			Buildout (2042)		
			Occupied Project HH (4)	Total Estimated Income from Project Households	Estimated Income Spent on Retail	Occupied Project HH (4)	Total Estimated Income from Project Households	Estimated Income Spent on Retail	Occupied Project HH (4)	Total Estimated Income from Project Households	Estimated Income Spent on Retail
Residential Rural	\$114,579	25%	0	\$0	\$0	302	\$34,612,119	\$8,596,565	302	\$34,612,119	\$8,596,565
Country Estate	\$107,013	25%	91	\$9,697,901	\$2,408,655	730	\$78,088,309	\$19,394,687	820	\$87,786,211	\$21,803,342
Residential Low Density	\$79,583	33%	130	\$10,367,414	\$3,421,247	1,681	\$133,799,742	\$44,153,915	1,812	\$144,167,156	\$47,575,162
Residential Low Density - Age Qualified	\$87,150	33%	728	\$63,429,596	\$20,931,767	0	\$0	\$0	728	\$63,429,596	\$20,931,767
Residential Medium Density	\$62,558	36%	1,117	\$69,861,224	\$24,945,709	1,339	\$83,738,982	\$29,901,112	2,455	\$153,600,206	\$54,846,821
Residential Medium Density - Age Qualified	\$68,233	36%	216	\$14,750,254	\$5,266,950	0	\$0	\$0	216	\$14,750,254	\$5,266,950
Residential High Density	\$41,400	40%	0	\$0	\$0	1,360	\$56,316,586	\$22,449,062	1,360	\$56,316,586	\$22,449,062
Village Mixed Use (VMU) - Residential	\$41,400	40%	0	\$0	\$0	53	\$2,188,570	\$872,413	53	\$2,188,570	\$872,413
Total	--		2,282	\$168,106,389	\$56,974,326	5,465	\$388,744,308	\$125,367,754	7,746	\$556,850,697	\$182,342,081

Source: ALH Urban & Regional Economics.

(1) Phases 2, 3 and 4B are not included in the exhibit as they do not include any residential development.

(2) See Exhibit 9.

(3) This estimate utilizes the assumption that households with an income \$90,000 and greater will spend 25% of their total income on BOE type retail, households with incomes between \$70,000 and \$90,000 will spend 33% of their total income on BOE type retail, and households with incomes between \$50,000-\$69,999 will spend 36%, and households with incomes between \$40,000-\$50,000 will spend 40% . See Exhibit B-1.

(4) See Exhibit 4.

Exhibit 11
Village 5 Specific Plan
Retail Demand Generated by Occupied Housing Units (1)
2014 Dollars

Type of Retailer	Total Retail Demand (2)	Sales Per Sq. Ft. (3)	Supportable Sq. Ft.	
			Amount (4)	Vacancy Adjusted (5)
Phase 1 Only				
Food and Beverage Stores	\$9,929,250	\$590	16,830	18,699
Food Services and Drinking Places	\$7,174,484	\$495	14,491	16,101
Home Furnishings and Appliance Stores	\$2,999,458	\$320	9,383	10,426
Building Materials and Garden Equip (6)	\$3,334,401	\$297	11,221	12,467
Clothing and Clothing Accessories Stores	\$3,932,233	\$382	10,306	11,451
General Merchandise Stores	\$8,772,211	\$285	30,823	34,248
Other Retail Group (7)	\$6,303,541	\$428	14,734	16,372
Motor Vehicles and Parts Dealers	\$7,479,575	\$800	9,349	10,388
Gasoline Stations	\$7,049,174	N/A	N/A	N/A
Subtotal	\$56,974,326		117,137	130,152
Additional Service Increment (15% of total) (8)	N/A	N/A	20,671	19,848
Total (9)	N/A	N/A	137,808	150,000
Phase 4A Only				
Food and Beverage Stores	\$21,848,575	\$590	37,032	41,147
Food Services and Drinking Places	\$15,786,917	\$495	31,885	35,428
Home Furnishings and Appliance Stores	\$6,600,084	\$320	20,648	22,942
Building Materials and Garden Equip (6)	\$7,337,100	\$297	24,690	27,434
Clothing and Clothing Accessories Stores	\$8,652,585	\$382	22,677	25,196
General Merchandise Stores	\$19,302,595	\$285	67,824	75,360
Other Retail Group (7)	\$13,870,472	\$428	32,422	36,024
Motor Vehicles and Parts Dealers	\$16,458,246	\$800	20,573	22,859
Gasoline Stations	\$15,511,181	\$0	N/A	N/A
Subtotal	\$125,367,754		257,751	286,390
Additional Service Increment (15% of total) (8)	N/A	N/A	45,485	53,610
Total (9)	N/A	N/A	303,237	340,000
Buildout, All Phases Cumulative (2042)				
Food and Beverage Stores	\$31,777,825	\$590	53,862	59,846
Food Services and Drinking Places	\$22,961,401	\$495	46,376	51,529
Home Furnishings and Appliance Stores	\$9,599,542	\$320	30,031	33,368
Building Materials and Garden Equip (6)	\$10,671,501	\$297	35,911	39,901
Clothing and Clothing Accessories Stores	\$12,584,817	\$382	32,982	36,647
General Merchandise Stores	\$28,074,806	\$285	98,647	109,608
Other Retail Group (7)	\$20,174,014	\$428	47,156	52,396
Motor Vehicles and Parts Dealers	\$23,937,821	\$800	29,922	33,247
Gasoline Stations	\$22,560,354	\$0	N/A	N/A
Subtotal	\$182,342,081		374,888	416,542
Additional Service Increment (15% of total) (8)	N/A	N/A	66,157	73,458
Total (9)	N/A	N/A	441,045	490,000

Source: ALH Urban & Regional Economics.

(1) See Exhibit 4.

(2) The total household retail spending estimates for Village 5 households were generated by ALH Urban & Regional Economics, see Exhibit 10. 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

(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 12
Average Annual Estimated Daytime Retail Spending
Office Workers in Suburban Locations
2014 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	\$30.30	\$52.99	\$1,454.61	\$2,543.58
Goods and Services				
Groceries	\$22.66	\$39.62	\$1,087.68	\$1,901.95
All Other (5)	\$100.89	\$176.42	\$4,842.64	\$8,468.01
Total	\$153.85	\$269.03	\$7,384.93	\$12,913.55

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 November 2011 to November 2014, resulting in a 1.05% (rounded) adjustment.

(2) Excludes spending on transportation and online purchases.

(3) Reflects an increase in spending by office workers in location 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 2 weeks for holidays and 2 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 13
Village 5 Specific Plan
Retail Demand Generated by On-Site Employees
2014 Dollars

	Type of Village 5 Employee		
	Office	Retail	Hotel
Average Wage (1)			
Annual Average Wage	\$74,000	\$30,000	\$19,000
Wage Benchmarked to Office Wage (2)	100%	41%	26%
Average Annual Spending (3)			
Restaurants/Fast Food	\$1,500	\$600	\$400
Groceries	\$1,100	\$400	\$300
All Other	\$4,800	\$1,900	\$1,200
Total Spending	\$7,400	\$2,900	\$1,900

Sources: United States Census Bureau, County Business Patterns, Placer County 2012; 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 12. Figures rounded to the nearest \$100.

Exhibit 14
Village 5 Specific Plan
On-Site Employment Retail Demand Generation
Incremental Demand (1)
2014 Dollars

Development Timing (2)	Retail Demand (3)				Sales Per Sq. Ft. (4)	Supportable Sq. Ft. Vacancy	
	Office	Retail	Hotel	Total Demand		Amount (5)	Adjusted (6)
Phase 2 (2022)							
Restaurants	\$0	\$124,200	\$0	\$124,200	\$495	300	333
Grocery	\$0	\$82,800	\$0	\$82,800	\$590	100	111
Other	\$0	\$393,300	\$0	\$393,300	\$300 (7)	1,300	1,444
Sub-total						1,700	1,889
Phase 3 (2024)							
Restaurants	\$0	\$989,820	\$20,000	\$1,009,820	\$495	2,000	2,222
Grocery	\$0	\$659,880	\$15,000	\$674,880	\$590	1,100	1,222
Other	\$0	\$3,134,430	\$60,000	\$3,194,430	\$300 (7)	10,600	11,778
Sub-total						13,700	15,222
Phase 4A (2042)							
Restaurants	\$8,483,280	\$0	\$0	\$8,483,280	\$495	17,100	19,000
Grocery	\$6,221,072	\$0	\$0	\$6,221,072	\$590	10,500	11,667
Other	\$27,146,496	\$0	\$0	\$27,146,496	\$300 (7)	90,500	100,556
Sub-total						118,100	131,222
Phase 4B (2042)							
Restaurants	\$0	\$2,239,618	\$0	\$2,239,618	\$495	4,500	5,000
Grocery	\$0	\$1,493,078	\$0	\$1,493,078	\$590	2,500	2,778
Other	\$0	\$7,092,122	\$0	\$7,092,122	\$300 (7)	23,600	26,222
Sub-total						30,600	34,000
Grand Total							182,333

Source: ALH Urban & Regional Economics.

- (1) The findings for each phase reflect demand generated by employees added only during that phase.
- (2) Phase 1 is not included because it does not comprise any commercial uses.
- (3) Comprises demand by type of worker multiplied by the cumulative workers by phase, see Exhibits 5 and 13.
- (4) 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.
- (5) Reflects the total estimated project-generated spending on retail divided by the achievable sales per square foot estimate. Figures rounded to nearest 100.
- (6) Includes a 10% vacancy allowance for all categories of retail space. Figures rounded to the nearest 100.
- (7) Reflects a generated average sales per square foot assumption reflecting a range of prospective retailers.

Exhibit 15
Village 5 Specific Plan
Components of Prospective Retail Demand
Cumulative Demand (1)
Through Buildout in 2042

Components of Retail Space	Cumulative Findings (1)				
	Phase 1 (2022)	Phase 2 (2022)	Phase 3 (2024)	Phase 4A (2032)	Phase 4B (2042)
Planned Square Footage (2)	0	115,000	1,031,500	1,031,500	3,105,220
Components of Space					
Village 5 Residents (50% capture of demand) (3)	75,000	75,000	75,000	245,000	245,000
Village 5 Employees (80% capture of demand) (4)	0	1,500	13,700	118,700	145,900
Sub-total	<u>75,000</u>	<u>76,500</u>	<u>88,700</u>	<u>363,700</u>	<u>390,900</u>
Balance of Other Demand Needed to Support Village 5 (5)	NA	38,500	942,800	667,800	2,714,320

Source: ALH Urban & Regional Economics.

(1) The findings are cumulative, such that each phase includes the findings from the prior phases.

(2) See Exhibit 2.

(3) ALH Urban & Regional Economics assumes no more than 50% of resident demand will be captured by retail space located at Village 5. The balance of resident demand will support retail elsewhere in Lincoln and the general region. See Exhibit 11 for resident demand estimates.

(4) See Exhibit 14. The analysis assumes 80% of employee demand will accrue to Village 5 retailers. The balance of employee retail demand will benefit other Lincoln retailers. Figures rounded to nearest 100.

(5) Comprises "Planned Square Footage" less the sub-total of "Components of Space." Numerous other sources of demand could absorb prospective Village 5 retail space. These include space allocated to other highway serving commercial uses to complement the hotel, retail supported by other new Lincoln area employees, such as the office employment base at other planned Villages, generalized demand from other Lincoln and regional residents, and demand generated from beyond the regional environs.

Exhibit 16
Village 5 Specific Plan
Project-Generated Retail Demand for Other Lincoln Retailers (1)
Cumulative Demand (2)
Through Buildout in 2042

Components of Retail Space	Cumulative Findings (2)				
	Phase 1 (2022)	Phase 2 (2022)	Phase 3 (2024)	Phase 4A (2032)	Phase 4B (2042)
Components of Space					
Village 5 Residents (40% capture of demand) (3)	60,000	60,000	60,000	196,000	196,000
Village 5 Employees (20% capture of demand) (4)	0	400	3,400	29,700	36,500
Sub-total	60,000	60,400	63,400	225,700	232,500

Source: ALH Urban & Regional Economics.

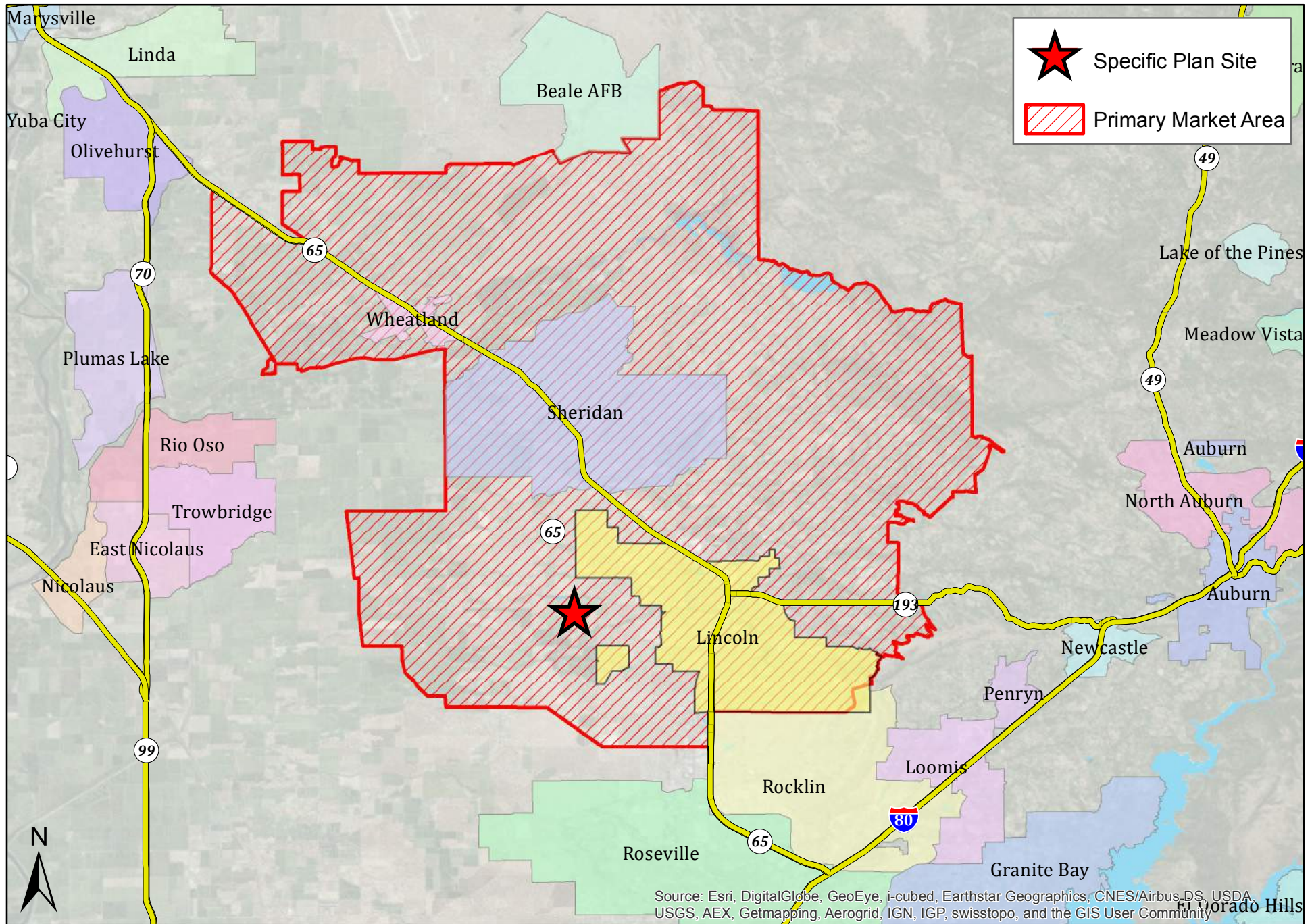
(1) This reflects the retail demand generated by Village 5 residents and employees that is assumed to accrue to Lincoln retailers located outside of Village 5.

(2) The findings are cumulative, such that each phase includes the findings from the prior phases.

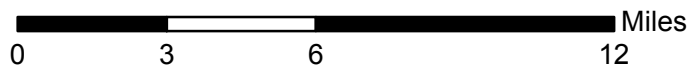
(3) ALH Economics assumes that a 40% share of Village 5 resident demand will be captured by retailers located in Lincoln but not in Village 5. This allows for the balance of demand (10%) to be met by retailers located outside Lincoln. See Exhibit 11 for resident demand estimates. Figures rounded to nearest 100.

(4) See Exhibit 14. The analysis assumes 20% of employee demand will accrue to retailers located in Lincoln but not in Village 5.

Exhibit 17: Village 5 Specific Plan Site Primary Market Area



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 18
Village 5 Specific Plan
Primary Market Area Housing Units and Household Estimates and Projections (1)
2014-2042**

Geographic Area	2005	2008	2014	2015	2020	2022	2024	2032	2035	2042	2050
Housing Units											
City of Lincoln (2)	11,930										44,940
Primary Market Area Zip Codes (3)											
95648 (Lincoln)		19,234	21,502	21,905	24,037	24,890	25,773	29,631	31,223	37,007	
95681 (Sheridan)		413	413	413	413	413	414	414	415	416	
95692 (Wheatland)		1,755	1,998	2,041	2,274	2,351	2,431	2,778	2,920	3,281	
Sub-total			21,402	23,913	24,359	26,724	27,655	28,618	32,823	34,557	40,703
Wheatland General Plan Supplement (4)			0	0	793	1,321	1,850	3,964	4,756	6,606	
Primary Market Area Households (5)			22,573	22,995	25,976	27,353	28,762	34,727	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) Estimates and projections for 2008, 2020, and 2035 were provided by SACOG. 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 projection for zip code 95648, which primarily includes the City of Lincoln, is based upon the compound annual growth rate between SACOG's 2035 projection for the zip code and the General Plan-based estimate for the City of Lincoln in the preceding row (i.e., 44,940). The 2042 projections for zip codes 95681 and 95692 were projected based upon the compound annual growth rate between 2020 and 2035 for each zip code.

(4) The Wheatland General Plan, with buildout projected 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 the Village 5 horizon in 2042. Further, ALH Economic assumes this incremental growth would not begin until 2018. This growth was then allocated equally across each of the intervening year, comprising 264 units per year from 2018 to 2042. This is the basis for the added figures for the benchmark years.

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

Exhibit 19
City of Lincoln BOE Taxable Sales Estimate
in Current Dollars
Third Quarter 2012 Through Second Quarter 2013
(in \$000s)

Type of Retailer	BOE Taxable Sales Estimate in \$000s (1)				Total Taxable Sales City of Lincoln [E = A + B + C + D]	City of Lincoln Taxable Sales Adjusted to Total Retail
	Q3 2012 [A]	Q4 2012 [B]	Q1 2013 [C]	Q2 2013 [D]		
Motor Vehicle & Parts Dealers	\$1,933	\$1,829	\$1,856	\$1,894	\$7,512	\$7,512
Home Furnishings & Appliances	\$698	\$852	\$883	\$837	\$3,270	\$3,270
Building Materials & Garden Equipment	\$9,652	\$8,579	\$11,858	\$12,947	\$43,036	\$43,036
Food & Beverage Stores	\$7,653	\$8,013	\$6,991	\$7,314	\$29,971	\$99,903 (2)
Gasoline Stations	\$9,799	\$8,859	\$8,519	\$9,353	\$36,530	\$36,530
Clothing & Clothing Accessories	\$2,546	\$3,199	\$2,330	\$2,515	\$10,590	\$10,590
General Merchandise Stores	\$5,346 (3)	\$7,154 (3)	\$5,583 (3)	\$6,031 (3)	\$24,113	\$32,150 (4)
Food Services & Drinking Places	\$10,086	\$9,989	\$9,775	\$10,529	\$40,379	\$40,379
Other Retail Group	\$5,185 (3)	\$6,671 (3)	\$6,239 (3)	\$8,196 (3)	\$26,292	\$31,128 (5)
Total (6)	\$52,898	\$55,145	\$54,034	\$59,616	\$221,693	\$304,499

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax)" reports, for Third Quarter 2012, Fourth Quarter 2012, First Quarter 2013, and Second 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-X 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 Q3 2012, Q4 2012, Q1 2013, and Q2 2013 represented approximately 9.06% 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 20
Village 5 Specific Plan
Adjusted Primary Market Area Retail Sales Base (1)
2014 Estimate

Type of Retailer	City of Lincoln Sales Base			Other Primary Market Area Increment (5)	Total Primary Market Area Sales (6)	Sales per Household 2014 (7)
	2012/2013 (2) (3)	Increase to Q3 2014 (4)	Approx. 2014 Estimate			[D = C / # of HH]
	[A]	[B]	[C = A x (1+ B)]			
Motor Vehicles & Parts Dealers	\$7,512,000	7.2%	\$8,050,707	15.1%	\$9,265,480	\$410
Home Furnishings & Appliance Stores	\$3,270,000	(0.2%)	\$3,262,157	0.0%	\$3,263,699	\$145
Building Materials & Garden Equipment	\$43,036,000	3.6%	\$44,568,126	14.0%	\$50,825,878	\$2,252
Food & Beverage Stores	\$99,903,333	1.0%	\$100,904,058	29.1%	\$130,272,379	\$5,771
Gasoline Stations	\$36,530,000	-1.9%	\$35,827,182	308.9%	\$146,498,796	\$6,490
Clothing & Clothing Accessories Stores	\$10,590,000	(4.9%)	\$10,073,655	0.8%	\$10,155,576	\$450
General Merchandise Stores	\$32,150,436	(10.6%)	\$28,755,387	7.6%	\$30,949,057	\$1,371
Food Services & Drinking Places	\$40,379,000	6.9%	\$43,155,980	7.3%	\$46,320,372	\$2,052
Other Retail Group	\$31,128,428	19.3%	\$37,140,058	0.8%	\$37,442,607	\$1,659
Total	\$304,499,198	2.3%	\$311,737,310	15.7%	\$464,993,844	\$20,599

Sources: City of Lincoln, Quarterly Sales Tax Data 2Q 2013 - 3Q 2014; City of Lincoln; and ALH Urban & Regional Economics.

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

(2) See Exhibit 19.

(3) Reflects sales for 3rd Quarter 2012 through 2nd Quarter 2013.

(4) The sales base is adjusted pursuant to analysis of recent retail sales trends for the City of Lincoln (i.e., through third quarter 2014 or for five 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 19.

(7) The Village 5 market area had an estimated 22,573 households in early 2014. See Exhibit 18.

Exhibit 21
Village 5 Specific Plan
Retail Demand, Sales Attraction, and Spending Analysis (1)
Primary Market Area (2)
2014

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	\$3,343	\$410	\$75,462,736	\$9,265,480	(\$66,197,256)	(87.7%)
Home Furnishings and Appliance Stores	\$1,341	\$145	\$30,262,056	\$3,263,699	(\$26,998,358)	(89.2%)
Building Materials and Garden Equip (6)	\$1,490	\$2,252	\$33,641,352	\$50,825,878	\$17,184,526	33.8%
Food and Beverage Stores	\$4,438	\$5,771	\$100,177,940	\$130,272,379	\$30,094,439	23.1%
Gasoline Stations	\$3,151	\$6,490	\$71,120,344	\$146,498,796	\$75,378,452	51.5%
Clothing and Clothing Accessories Stores	\$1,758	\$450	\$39,672,982	\$10,155,576	(\$29,517,406)	(74.4%)
General Merchandise Stores	\$3,921	\$1,371	\$88,504,367	\$30,949,057	(\$57,555,310)	(65.0%)
Food Services and Drinking Places	\$3,207	\$2,052	\$72,384,621	\$46,320,372	(\$26,064,249)	(36.0%)
Other Retail Group (7)	\$2,817	\$1,659	\$63,597,529	\$37,442,607	(\$26,154,922)	(41.1%)
Total	\$25,465	\$20,599	\$574,823,928	\$464,993,844	(\$109,830,084)	(19.1%)

Source: ALH Urban & Regional Economics.

(1) All figures are expressed in 2014 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 2014 area household income figure of \$77,166 for 2014 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 20.

(5) Represents per household spending multiplied by the respective household count for Market Area of 22,573.

(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 22
Village 5 Specific Plan
Supportable Square Feet from Existing Households
Primary Market Area
2014 Dollars

Retail Category	Primary Market Area Retail Leakage (1)	Sales Per Sq. Ft. (2)	Supportable Sq. Ft.	
			Amount (3)	Vacancy Adjusted (4)
Motor Vehicles and Parts	\$66,197,256	\$800 (5)	82,747	91,941
Home Furnishings and Appliances	\$26,998,358	\$320	84,461	93,845
Building Materials and Garden Equip.	\$0	\$297	0	0
Food and Beverage Stores	\$0	\$590	0	0
Gasoline Stations	\$0	N/A (6)	N/A (6)	N/A (6)
Clothing and Clothing Accessories	\$29,517,406	\$382	77,360	85,955
General Merchandise Stores	\$57,555,310	\$285	202,234	224,704
Food Services and Drinking Places	\$26,064,249	\$495	52,643	58,492
Other Retail Group	\$26,154,922	\$428	61,137	67,929
Subtotal	\$232,487,501	--	560,581	622,867
Additional Service Increment (15% of total) (7)	N/A	N/A	98,926	109,918
Total	N/A	N/A	659,507 (8)	732,785
Total Rounded to Nearest 10,000			660,000	730,000 (9)

Source: ALH Urban & Regional Economics.

(1) See Exhibit 21 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 \$225 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 23
Village 5 Specific Plan
Incremental Retail Demand Generated by Primary Market Area Household Growth
Excludes Village 5 Households
2014-2022, 2022-2024, 2024-2042 (1)
2014 Dollars

Type of Retailer	Per Household Demand (2)	Incremental Demand (3)		
		New Growth 2014-2022	New Growth 2022-2024	New Growth 2024-2042
Motor Vehicles and Parts Dealers	\$3,343	\$8,351,733	\$4,707,402	\$34,879,356
Home Furnishings and Appliance Stores	\$1,341	\$3,349,211	\$1,887,762	\$13,987,315
Building Materials and Garden Equip .	\$1,490	\$3,723,209	\$2,098,564	\$15,549,247
Food and Beverage Stores	\$4,438	\$11,087,053	\$6,249,148	\$46,302,881
Gasoline Stations	\$3,151	\$7,871,144	\$4,436,521	\$32,872,275
Clothing and Clothing Accessories Stores	\$1,758	\$4,390,752	\$2,474,820	\$18,337,105
General Merchandise Stores	\$3,921	\$9,795,097	\$5,520,945	\$40,907,281
Food Services and Drinking Places	\$3,207	\$8,011,067	\$4,515,387	\$33,456,632
Other Retail Group	\$2,817	\$7,038,567	\$3,967,244	\$29,395,182
Total	\$25,465	\$63,617,833	\$35,857,792	\$265,687,274

Source: ALH Urban & Regional Economics.

(1) Year increments represent time periods coincident with anticipated Village 5 retail development.

(2) See Exhibit 21 for estimated primary market area household demand.

(3) Represents per household spending multiplied by the respective increase in households, excluding the Village 5 households. These balance of primary market area households counts are 2,498 between 2014 and 2022, 1,408 between 2022 and 2024, and 10,434 between 2024 and 2042. See Exhibit 18 for household projections.

Exhibit 24
Village 5 Specific Plan
Cumulative Future Primary Market Area Retail Demand by Category
Excludes Village 5 Households
2022, 2024, and 2042 (1)
2014 Dollars

Type of Retailer	Future Demand Due to New Growth (2)		
	2022	2024	2042
Motor Vehicles and Parts Dealers	\$8,351,733	\$13,059,134	\$47,938,490
Home Furnishings and Appliance Stores	\$3,349,211	\$5,236,972	\$19,224,287
Building Materials and Garden Equip.	\$3,723,209	\$5,821,773	\$21,371,020
Food and Beverage Stores	\$11,087,053	\$17,336,201	\$63,639,082
Gasoline Stations	\$7,871,144	\$12,307,666	\$45,179,941
Clothing and Clothing Accessories Stores	\$4,390,752	\$6,865,571	\$25,202,676
General Merchandise Stores	\$9,795,097	\$15,316,042	\$56,223,323
Food Services and Drinking Places	\$8,011,067	\$12,526,454	\$45,983,086
Other Retail Group	\$7,038,567	\$11,005,812	\$40,400,994
Total	\$63,617,833	\$99,475,624	\$365,162,899

Source: ALH Urban & Regional Economics.

(1) Year increments represent time periods coincident with anticipated Village 5 retail development.

(2) See Exhibit 23.

Exhibit 25
Village 5 Specific Plan
Cumulative Primary Market Area Household-Supported Retail Space for New Households
Excluding Village 5 Households
2022, 2024, and 2042 (1)
2014 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)
2014 - 2022				
Motor Vehicles and Parts	\$8,351,733	\$800	10,440	11,600
Home Furnishings and Appliances	\$3,349,211	\$320	10,478	11,642
Building Materials and Garden Equip.	\$3,723,209	\$297	12,529	13,921
Food and Beverage Stores	\$11,087,053	\$590	18,792	20,880
Gasoline Stations	\$7,871,144	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$4,390,752	\$382	11,507	12,786
General Merchandise Stores	\$9,795,097	\$285	34,417	38,242
Food Services and Drinking Places	\$8,011,067	\$495	16,180	17,978
Other Retail Group	\$7,038,567	\$428	16,452	18,281
Subtotal	\$63,617,833	--	130,796	145,329
Additional Service Increment (15% of total) (7)	NA	NA	23,082	25,646
Total	NA	NA	153,877	170,975
Total Rounded to Nearest 10,000			150,000	170,000
2014 - 2024, Inclusive				
Motor Vehicles and Parts	\$13,059,134	\$800	16,324	18,138
Home Furnishings and Appliances	\$5,236,972	\$320	16,383	18,204
Building Materials and Garden Equip.	\$5,821,773	\$297	19,591	21,768
Food and Beverage Stores	\$17,336,201	\$590	29,384	32,649
Gasoline Stations	\$12,307,666	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$6,865,571	\$382	17,993	19,993
General Merchandise Stores	\$15,316,042	\$285	53,816	59,796
Food Services and Drinking Places	\$12,526,454	\$495	25,300	28,111
Other Retail Group	\$11,005,812	\$428	25,726	28,584
Subtotal	\$99,475,624	--	204,518	227,242
Additional Service Increment (15% of total) (7)	NA	NA	36,091	40,102
Total	NA	NA	240,609	267,344
Total Rounded to Nearest 10,000			240,000	270,000
2014 - 2042, Inclusive				
Motor Vehicles and Parts	\$47,938,490	\$800	59,923	66,581
Home Furnishings and Appliances	\$19,224,287	\$320	60,141	66,823
Building Materials and Garden Equip.	\$21,371,020	\$297	71,916	79,907
Food and Beverage Stores	\$63,639,082	\$590	107,865	119,850
Gasoline Stations	\$45,179,941	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$25,202,676	\$382	66,052	73,391
General Merchandise Stores	\$56,223,323	\$285	197,554	219,504
Food Services and Drinking Places	\$45,983,086	\$495	92,874	103,193
Other Retail Group	\$40,400,994	\$428	94,436	104,929
Subtotal	\$365,162,899	--	750,760	834,178
Additional Service Increment (15% of total) (7)	NA	NA	132,487	147,208
Total	NA	NA	883,247	981,386
Total Rounded to Nearest 10,000			880,000	980,000

Source: ALH Urban & Regional Economics.

(1) Reflects households new to the primary market area between the increments during which Village 5 retail is anticipated to be developed, i.e., by 2022, 2024, and 2042.

(2) See Exhibit 24.

(3) See Exhibit 22.

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

(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 26
Village 5 Specific Plan
Cumulative Project and Primary Market Area Household-Supported Retail Space
2014 Baseline, 2022, 2024, and 2042 (1)

Demand Base	2014 Baseline	2022	2024	2042
Lincoln Village 5				
Project-Supported (2)	0	76,500	88,700	390,900
Balance of Lincoln Retail Support (3)	0	60,400	63,400	232,500
Balance of Market Area (4)	<u>730,000 (4)</u>	<u>900,000 (5)</u>	<u>1,000,000 (5)</u>	<u>1,710,000 (5)</u>
Primary Market Area Total	730,000	1,036,900	1,152,100	2,333,400

Source: ALH Urban & Regional Economics.

(1) The year 2014 comprises the benchmark year. The years 2022, 2024, and 2042 comprise the end of Lincoln Village 5 phases where retail development is assumed to occur.

(2) See Exhibit 15. These figures comprise the amount of Lincoln Village 5 retail anticipated to be supported by the Project's residents and employment base.

(3) See Exhibit 16. This is the amount of demand for retail in Lincoln outside Village 5 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 22.

(5) See Exhibit 25. These figures comprise estimates of primary market area retail demand generated by new household growth.

Exhibit 27
Village 5 Specific Plan
Additional City of Lincoln Retail Demand to City Buildout (1)
2014 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	\$3,343	\$25,035,945	\$800	31,295	34,772
Home Furnishings and Appliances	\$1,341	\$10,039,911	\$320	31,409	34,898
Building Materials and Garden Equip.	\$1,490	\$11,161,045	\$297	37,558	41,731
Food and Beverage Stores	\$4,438	\$33,235,601	\$590	56,333	62,592
Gasoline Stations	\$3,151	\$23,595,288	NA (7)	NA (7)	NA (7)
Clothing and Clothing Accessories	\$1,758	\$13,162,133	\$382	34,496	38,328
General Merchandise Stores	\$3,921	\$29,362,710	\$285	103,173	114,636
Food Services and Drinking Places	\$3,207	\$24,014,732	\$495	48,504	53,893
Other Retail Group	\$2,817	\$21,099,477	\$428	49,320	54,799
Subtotal	\$25,465	\$190,706,843	--	392,086	435,651
Additional Service Increment (15% of total) (8)		NA	NA	67,914	74,349
Total				461,277	512,530
Total Rounded to Nearest 10,000				460,000	510,000

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 18 for the buildout assumptions.

(2) See Exhibit 21.

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

(4) See Exhibit 22.

(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 29
Village 5 Specific Plan
Marysville, Yuba City, and Rocklin Areas Household Estimates and Projections (1)
2008-2042 (2)

Geographic Area	2008	2014	2020	2022	2024	2035	2042
Marysville and Yuba City Area Zip Codes							
Marysville - Zip code 95901	10,935	12,235	13,689	13,850	14,012	14,940	15,562
Olivehurst and Plumas Lake CDPs - Zip code 95961	7,632	8,929	10,446	10,764	11,091	13,077	14,522
Yuba City - Zip code 95991	13,352	13,978	14,633	14,642	14,650	14,697	14,727
Yuba City - Zip code 95993	11,838	13,059	14,406	14,761	15,124	17,288	18,824
Total	43,757	48,200	53,174	54,015	54,877	60,002	63,635
Rocklin Area Zip Codes							
Rocklin - Zip code 95677	9,189	9,705	10,251	10,367	10,483	11,150	11,596
Rocklin - Zip code 95765	11,694	13,561	15,725	15,707	15,689	15,589	15,526
Total	20,883	23,266	25,976	26,073	26,172	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 Village 5.

(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 30A**Incremental Retail Demand Generated by Marysville and Yuba City Area Household Growth****2014-2022, 2022-2024, 2024-2042 (1)****2014 Dollars**

Type of Retailer	Per Household Demand (2)	Incremental Demand (3)		
		New Growth 2014-2022	New Growth 2022-2024	New Growth 2024-2042
Motor Vehicles and Parts Dealers	\$2,762	\$16,060,198	\$2,379,491	\$24,190,488
Home Furnishings and Appliance Stores	\$1,108	\$6,440,458	\$954,223	\$9,700,866
Building Materials and Garden Equip	\$1,231	\$7,159,650	\$1,060,779	\$10,784,140
Food and Beverage Stores	\$3,667	\$21,320,159	\$3,158,811	\$32,113,244
Gasoline Stations	\$2,603	\$15,136,037	\$2,242,567	\$22,798,482
Clothing and Clothing Accessories Stores	\$1,452	\$8,443,319	\$1,250,968	\$12,717,652
General Merchandise Stores	\$3,239	\$18,835,756	\$2,790,720	\$28,371,140
Food Services and Drinking Places	\$2,649	\$15,405,105	\$2,282,432	\$23,203,761
Other Retail Group	\$2,328	\$13,535,010	\$2,005,357	\$20,386,953
Total	\$21,039	\$122,335,692	\$18,125,348	\$184,266,727

Source: ALH Urban & Regional Economics.

(1) Year increments represent time periods coincident with anticipated Village 5 retail development.

(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 2014 area household income figure of \$58,919 for 2014 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

(3) Represents per household spending multiplied by the respective increase in households. These household counts are 5,815 between 2014 and 2022, 862 between 2022 and 2024, and 8,759 between 2024 and 2042. See Exhibit 29 for household projections. Figures comprise the amount of new annual demand by the end of the projection period.

Exhibit 30B
Incremental Retail Demand Generated by Rocklin Area Household Growth
2014-2022, 2022-2024, 2024-2042 (1)
2014 Dollars

Type of Retailer	Per Household Demand (2)	Incremental Demand (3)		
		New Growth 2014-2022	New Growth 2022-2024	New Growth 2024-2042
Food and Beverage Stores	\$4,822	\$13,536,962	\$945,168	\$4,581,078
Food Services and Drinking Places	\$3,484	\$9,781,274	\$682,941	\$3,310,106
Home Furnishings and Appliance Stores	\$1,457	\$4,089,287	\$285,519	\$1,383,866
Building Materials and Garden Equip	\$1,619	\$4,545,928	\$317,402	\$1,538,399
Clothing and Clothing Accessories Stores	\$1,910	\$5,360,977	\$374,310	\$1,814,222
General Merchandise Stores	\$4,260	\$11,959,522	\$835,029	\$4,047,253
Other Retail Group	\$3,061	\$8,593,882	\$600,036	\$2,908,278
Motor Vehicles and Parts Dealers	\$3,632	\$10,197,217	\$711,983	\$3,450,866
Gasoline Stations	\$3,423	\$9,610,433	\$671,013	\$3,252,291
Total	\$27,669	\$77,675,484	\$5,423,401	\$26,286,360

Source: ALH Urban & Regional Economics.

(1) Year increments represent time periods coincident with anticipated Village 5 retail development.

(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 2014 area household income figure of \$89,254 for 2014 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 2,807 between 2014 and 2022, 196 between 2022 and 2024, and 950 between 2024 and 2042. See Exhibit 29 for household projections. Figures comprise the amount of new annual demand by the end of the projection period.

Exhibit 31A
Cumulative Future Marysville and Yuba City Areas Retail Demand by Category
2022, 2024, and 2042 (1)
2014 Dollars

Type of Retailer	Future Demand Due to New Growth (2)		
	2022	2024	2042
Motor Vehicles and Parts Dealers	\$16,060,198	\$18,439,689	\$42,630,177
Home Furnishings and Appliance Stores	\$6,440,458	\$7,394,682	\$17,095,548
Building Materials and Garden Equip (5)	\$7,159,650	\$8,220,429	\$19,004,569
Food and Beverage Stores	\$21,320,159	\$24,478,970	\$56,592,214
Gasoline Stations	\$15,136,037	\$17,378,604	\$40,177,086
Clothing and Clothing Accessories Stores	\$8,443,319	\$9,694,287	\$22,411,939
General Merchandise Stores	\$18,835,756	\$21,626,475	\$49,997,615
Food Services and Drinking Places	\$15,405,105	\$17,687,537	\$40,891,298
Other Retail Group (6)	\$13,535,010	\$15,540,368	\$35,927,321
Total	\$122,335,692	\$140,461,040	\$324,727,767

Source: ALH Urban & Regional Economics.

- (1) Year increments represent time periods coincident with anticipated Village 5 retail development.
(2) See Exhibit 30A.

Exhibit 31B
Cumulative Future Rocklin Area Retail Demand by Category
2022, 2024, and 2042 (1)
2014 Dollars

Type of Retailer	Future Demand Due to New Growth (2)		
	2022	2024	2042
Motor Vehicles and Parts Dealers	\$10,197,217	\$10,909,200	\$14,360,066
Home Furnishings and Appliance Stores	\$4,089,287	\$4,374,806	\$5,758,672
Building Materials and Garden Equip (5)	\$4,545,928	\$4,863,331	\$6,401,730
Food and Beverage Stores	\$13,536,962	\$14,482,130	\$19,063,209
Gasoline Stations	\$9,610,433	\$10,281,446	\$13,533,738
Clothing and Clothing Accessories Stores	\$5,360,977	\$5,735,288	\$7,549,510
General Merchandise Stores	\$11,959,522	\$12,794,551	\$16,841,804
Food Services and Drinking Places	\$9,781,274	\$10,464,215	\$13,774,321
Other Retail Group (6)	\$8,593,882	\$9,193,917	\$12,102,195
Total	\$77,675,484	\$83,098,885	\$109,385,244

Source: ALH Urban & Regional Economics.

- (1) Year increments represent time periods coincident with anticipated Village 5 retail development.
(2) See Exhibit 30B.

Exhibit 32A
Marysville and Yuba City Areas Household-Supported Retail Space for New Households
2022, 2024, and 2042 (1)
2014 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)
2014 - 2022				
Motor Vehicles and Parts	\$16,060,198	\$800	20,075	22,306
Home Furnishings and Appliances	\$6,440,458	\$320	20,148	22,387
Building Materials and Garden Equip.	\$7,159,650	\$297	24,093	26,770
Food and Beverage Stores	\$21,320,159	\$590	36,136	40,152
Gasoline Stations	\$15,136,037	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$8,443,319	\$382	22,128	24,587
General Merchandise Stores	\$18,835,756	\$285	66,184	73,538
Food Services and Drinking Places	\$15,405,105	\$495	31,114	34,571
Other Retail Group	\$13,535,010	\$428	31,638	35,153
Subtotal	\$122,335,692	--	251,517	279,464
Additional Service Increment (15% of total) (7)	NA	NA	44,385	49,317
Total	NA	NA	295,903	328,781
Total Rounded to Nearest 10,000			300,000	330,000
2022 - 2024				
Motor Vehicles and Parts	\$2,379,491	\$800	2,974	3,305
Home Furnishings and Appliances	\$954,223	\$320	2,985	3,317
Building Materials and Garden Equip.	\$1,060,779	\$297	3,570	3,966
Food and Beverage Stores	\$3,158,811	\$590	5,354	5,949
Gasoline Stations	\$2,242,567	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$1,250,968	\$382	3,279	3,643
General Merchandise Stores	\$2,790,720	\$285	9,806	10,895
Food Services and Drinking Places	\$2,282,432	\$495	4,610	5,122
Other Retail Group	\$2,005,357	\$428	4,687	5,208
Subtotal	\$18,125,348	--	37,265	41,406
Additional Service Increment (15% of total) (7)	NA	NA	6,576	7,307
Total	NA	NA	43,841	48,712
Total Rounded to Nearest 10,000			40,000	50,000
2024 - 2042				
Motor Vehicles and Parts	\$24,190,488	\$800	30,238	33,598
Home Furnishings and Appliances	\$9,700,866	\$320	30,348	33,720
Building Materials and Garden Equip.	\$10,784,140	\$297	36,290	40,322
Food and Beverage Stores	\$32,113,244	\$590	54,430	60,478
Gasoline Stations	\$22,798,482	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$12,717,652	\$382	33,331	37,034
General Merchandise Stores	\$28,371,140	\$285	99,689	110,765
Food Services and Drinking Places	\$23,203,761	\$495	46,866	52,073
Other Retail Group	\$20,386,953	\$428	47,654	52,949
Subtotal	\$184,266,727	--	378,845	420,939
Additional Service Increment (15% of total) (7)	NA	NA	66,855	74,283
Total	NA	NA	445,700	495,222
Total Rounded to Nearest 10,000			450,000	500,000
Grand Total				880,000

Source: ALH Urban & Regional Economics.

- (1) Reflects households new to the Marysville/Yuba City area between the increments during which Village 5 retail is anticipated to be developed, i.e., by 2022, 2024, and 2042.
- (2) See Exhibit 30A.
- (3) See Exhibit 22.
- (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 32B
Rocklin Area Household-Supported Retail Space for New Households
2022, 2024, and 2042 (1)
2014 Dollars

Time Period/Retail Category	Rocklin Household Retail Demand (2)	Sales Per Sq. Ft. (3)	Supportable Sq. Ft.	
			Amount (4)	Vacancy Adjusted (5)
2014 - 2022				
Motor Vehicles and Parts	\$10,197,217	\$800	12,747	14,163
Home Furnishings and Appliances	\$4,089,287	\$320	12,793	14,214
Building Materials and Garden Equip.	\$4,545,928	\$297	15,298	16,997
Food and Beverage Stores	\$13,536,962	\$590	22,944	25,494
Gasoline Stations	\$9,610,433	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$5,360,977	\$382	14,050	15,611
General Merchandise Stores	\$11,959,522	\$285	42,023	46,692
Food Services and Drinking Places	\$9,781,274	\$495	19,756	21,951
Other Retail Group	\$8,593,882	\$428	20,088	22,320
Subtotal	\$77,675,484	--	159,698	177,442
Additional Service Increment (15% of total) (7)	NA	NA	28,182	31,313
Total	NA	NA	187,880	208,755
Total Rounded to Nearest 10,000			190,000	210,000
2022 - 2024				
Motor Vehicles and Parts	\$711,983	\$800	890	989
Home Furnishings and Appliances	\$285,519	\$320	893	992
Building Materials and Garden Equip.	\$317,402	\$297	1,068	1,187
Food and Beverage Stores	\$945,168	\$590	1,602	1,780
Gasoline Stations	\$671,013	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$374,310	\$382	981	1,090
General Merchandise Stores	\$835,029	\$285	2,934	3,260
Food Services and Drinking Places	\$682,941	\$495	1,379	1,533
Other Retail Group	\$600,036	\$428	1,403	1,558
Subtotal	\$5,423,401	--	11,150	12,389
Additional Service Increment (15% of total) (7)	NA	NA	1,968	2,186
Total	NA	NA	13,118	14,576
Total Rounded to Nearest 10,000			10,000	10,000
2024 - 2042				
Motor Vehicles and Parts	\$3,450,866	\$800	4,314	4,793
Home Furnishings and Appliances	\$1,383,866	\$320	4,329	4,810
Building Materials and Garden Equip.	\$1,538,399	\$297	5,177	5,752
Food and Beverage Stores	\$4,581,078	\$590	7,765	8,627
Gasoline Stations	\$3,252,291	NA (6)	NA (6)	NA (6)
Clothing and Clothing Accessories	\$1,814,222	\$382	4,755	5,283
General Merchandise Stores	\$4,047,253	\$285	14,221	15,801
Food Services and Drinking Places	\$3,310,106	\$495	6,686	7,428
Other Retail Group	\$2,908,278	\$428	6,798	7,553
Subtotal	\$26,286,360	--	54,044	60,049
Additional Service Increment (15% of total) (7)	NA	NA	9,537	10,597
Total	NA	NA	63,581	70,645
Total Rounded to Nearest 10,000			60,000	70,000
Grand Total				290,000

Source: ALH Urban & Regional Economics.

- (1) Reflects households new to the City of Rocklin between the increments during which Village 5 retail is anticipated to be developed, i.e., by 2022, 2024, and 2042.
- (2) See Exhibit 30B.
- (3) See Exhibit 22.
- (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 33A
Existing Retail Demand Generated by Marysville and Yuba City Area Households
Lincoln Capture Rate and Supportable Lincoln Retail Space (1)
2014 Dollars

Type of Retailer	Per Household Demand (2)	Total Demand 2014 (3)	Lincoln 10% Capture (4)	Sales Per Sq. Ft. (5)	Supportable Sq. Ft.	
					Amount (6)	Vacancy Adjusted (7)
Food and Beverage Stores	\$3,667	\$176,728,012	\$17,672,801	\$590	29,954	33,283
Food Services and Drinking Places	\$2,649	\$127,696,678	\$12,769,668	\$495	25,791	28,657
Home Furnishings and Appliance Stores	\$1,108	\$53,386,534	\$5,338,653	\$320	16,701	18,557
Building Materials and Garden Equip	\$1,231	\$59,348,088	\$5,934,809	\$297	19,971	22,190
Clothing and Clothing Accessories Stores	\$1,452	\$69,988,734	\$6,998,873	\$382	18,343	20,381
General Merchandise Stores	\$3,239	\$156,134,182	\$15,613,418	\$285	54,861	60,957
Other Retail Group	\$2,328	\$112,195,009	\$11,219,501	\$428	26,225	29,139
Motor Vehicles and Parts Dealers	\$2,762	\$133,126,906	\$13,312,691	\$800	16,641	18,490
Gasoline Stations	\$2,603	\$125,466,315	\$12,546,631	NA (8)	NA	NA
	\$21,039	\$1,014,070,458	\$101,407,046	NA	208,489	231,654
Additional Service Increment (15% of total) (9)					<u>36,792</u>	<u>40,880</u>
Total					245,281	272,534
Total Rounded to Nearest 10,000					250,000	270,000

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 2014 area household income figure of \$58,919 for 2014 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 48,200 as of 2014.

(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 22.

(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 33B
Existing Retail Demand Generated by Rocklin Area Households
Lincoln Capture Rate and Supportable Lincoln Retail Space (1)
2014 Dollars

Type of Retailer	Per Household Demand (2)	Total Demand 2014 (3)	Lincoln 10% Capture (4)	Sales Per Sq. Ft. (5)	Supportable Sq. Ft. Vacancy	
					Amount (6)	Adjusted (7)
Food and Beverage Stores	\$4,822	\$112,189,211	\$11,218,921	\$590	19,015	21,128
Food Services and Drinking Places	\$3,484	\$81,063,491	\$8,106,349	\$495	16,373	18,192
Home Furnishings and Appliance Stores	\$1,457	\$33,890,457	\$3,389,046	\$320	10,602	11,780
Building Materials and Garden Equip	\$1,619	\$37,674,928	\$3,767,493	\$297	12,678	14,087
Clothing and Clothing Accessories Stores	\$1,910	\$44,429,747	\$4,442,975	\$382	11,644	12,938
General Merchandise Stores	\$4,260	\$99,115,983	\$9,911,598	\$285	34,827	38,696
Other Retail Group	\$3,061	\$71,222,832	\$7,122,283	\$428	16,648	18,498
Motor Vehicles and Parts Dealers	\$3,632	\$84,510,669	\$8,451,067	\$800	10,564	11,738
Gasoline Stations	\$3,423	\$79,647,627	\$7,964,763	NA (8)	NA	NA
	\$27,669	\$643,744,946	\$64,374,495	NA	132,351	147,057
Additional Service Increment (15% of total) (9)					<u>23,356</u>	<u>25,951</u>
Total					155,707	173,008
Total Rounded to Nearest 10,000					160,000	170,000

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 2014 area household income figure of \$89,254 for 2014 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 23,266 as of 2014.

(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 22.

(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 34
Village 5 Specific Plan
Prospective Retail Demand for Village 5 Retail (Square Feet)
Cumulative Findings (1)
Through Buildout in 2042

Components of Retail Space (2)	Cumulative Results (1)		
	Phase 2 (2022)	Phase 3 (2024)	Phase 4B (2042)
Planned Village 5 Retail Space Supply			
Square Footage, Cumulative Total (3)	115,000	1,031,500	3,105,220
Square Footage Supported by Primary and Secondary Market Areas, Cumulative (4)	92,000	825,200	2,484,176
Components of Primary and Secondary Market Area Demand			
Project-Generated Demand (3)	76,500	88,700	390,900
Primary Market Area Retail Demand (5)	900,000	1,000,000	1,710,000
Secondary Market Area Yuba City/Marysville Demand Existing Households Capture (6)	270,000	270,000	270,000
Secondary Market Area Yuba City/Marysville Demand from New Growth, 50% (7)	165,000	190,000	440,000
Secondary Market Area Rocklin Demand Existing Households Capture (6)	170,000	170,000	170,000
Secondary Market Area Rocklin Demand from New Growth, 50% (7)	105,000	110,000	145,000
	1,686,500	1,828,700	3,125,900
Supply and Demand Findings			
Remaining Unmet Demand (8)	1,594,500	1,003,500	641,724

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/phases when Village 5 retail is anticipated to be developed.

(2) Does not include Village 5 resident and employee demand estimated to support Lincoln retail located other than at Village 5, as this exhibit is intended to demonstrate prospective demand for retail at Village 5.

(3) See Exhibit 15.

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

(5) See Exhibit 26. 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 33A.

(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 32A.

(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 35
City of Lincoln Retail Vacancy Trends
2006 Through Q3 2014

Period	Rentable Building Area				Total Net Absorption	Leasing Activity		New Construction			
	# Bldgs	Total SF	Percent Vacant	Occupied SF		Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2014 3Q	168	1,578,457	9.1%	1,434,118	13,364	3	9,313	0	0	0	0
2014 2Q	168	1,578,457	10.0%	1,420,754	(8,874)	8	17,249	0	0	0	0
2014 1Q	168	1,578,457	9.4%	1,429,628	(19,259)	1	986	0	0	0	0
2013 4Q	168	1,578,457	8.2%	1,448,887	(2,762)	4	5,678	0	0	0	0
2013 3Q	168	1,578,457	8.0%	1,451,649	23,474	12	22,018	0	0	0	0
2013 2Q	168	1,578,457	9.5%	1,428,175	(13,370)	7	7,576	0	0	0	0
2013 1Q	168	1,578,457	8.7%	1,441,545	1,241	4	5,661	0	0	0	0
2012 4Q	168	1,578,457	8.8%	1,440,304	38,377	7	14,411	0	0	0	0
2012 3Q	168	1,578,457	11.2%	1,401,927	34,978	11	25,029	0	0	0	0
2012 2Q	168	1,578,457	13.4%	1,366,949	(2,859)	3	4,980	0	0	0	0
2012 1Q	168	1,578,457	13.2%	1,369,808	1,460	7	18,476	0	0	0	0
2011 4Q	168	1,578,457	13.3%	1,368,348	8,488	2	2,588	0	0	0	0
2011 3Q	168	1,578,457	13.8%	1,359,860	(2,512)	7	16,030	0	0	0	0
2011 2Q	168	1,578,457	13.7%	1,362,372	3,934	2	1,544	0	0	0	0
2011 1Q	168	1,578,457	13.9%	1,358,438	1,897	3	5,206	1	14,490	0	0
2010 4Q	167	1,563,967	13.3%	1,356,541	20,945	4	6,198	0	0	1	14,490
2010 3Q	167	1,563,967	14.6%	1,335,596	(6,641)	2	4,200	0	0	1	14,490
2010 2Q	167	1,563,967	14.2%	1,342,237	22,691	8	19,690	0	0	0	0
2010 1Q	167	1,563,967	15.6%	1,319,546	(14,486)	4	6,308	0	0	0	0
2009 4Q	167	1,563,967	14.7%	1,334,032	10,576	3	10,008	0	0	0	0
2009 3Q	167	1,563,967	15.4%	1,323,456	17,451	2	950	0	0	0	0
2009 2Q	167	1,563,967	16.5%	1,306,005	10,138	4	15,570	0	0	0	0
2009 1Q	167	1,563,967	17.1%	1,295,867	(48,606)	4	12,235	1	6,100	0	0
2008 4Q	166	1,557,867	13.7%	1,344,473	(19,595)	0	0	0	0	1	6,100
2008 3Q	166	1,557,867	12.4%	1,364,068	(28,768)	2	0	1	7,005	1	6,100
2008 2Q	165	1,550,862	10.2%	1,392,836	(24)	4	5,501	1	10,800	2	13,105
2008 1Q	164	1,540,062	9.6%	1,392,860	(2,538)	0	0	0	0	3	23,905
2007 4Q	164	1,540,062	9.4%	1,395,398	28,593	4	11,275	4	39,201	3	23,905
2007 3Q	159	1,482,431	7.8%	1,366,805	183,077	2	2,880	4	231,797	8	81,536
2007 2Q	155	1,250,634	5.3%	1,183,728	66,347	0	0	1	8,800	12	313,333
2007 1Q	153	1,201,357	7.0%	1,117,381	88,367	0	0	6	80,303	10	310,824
2006 4Q	146	1,145,884	10.2%	1,029,014	73,639	2	3,600	0	0	17	366,297
2006 3Q	145	1,106,905	13.7%	955,375	12,300	2	8,040	0	0	17	364,799
2006 2Q	145	1,106,905	14.8%	943,075	(4,728)	0	3,150	1	4,040	10	90,927
2006 1Q	140	1,079,093	12.2%	947,803	121,968	0	0	9	203,008	10	59,958

Sources: Costar; and CB Richard Ellis.

Exhibit 36
Identified Planned and Proposed Retail Projects (1)
City of Lincoln and Lincoln SOI
January 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	2022
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	2022
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	2022
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	2022 (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	2022
6 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

**Exhibit 36
Identified Planned and Proposed Retail Projects (1)
City and SOI of Lincoln
January 2015**

7 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 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	Unknown (8)
9 SUD-B Northeast Quadrant	This project includes 452 low density dwelling units, 74.3 acres of commercial space (maximum of 971,000 square feet), 3.0 acres of park space, 20.0 acres of open space, and 4.4 acres of roads.	186.10	582,600 (7)	EIR under preparation	Within the City of Lincoln's Sphere of Influence (SOI) along the western boundary	2027
RETAIL TOTAL		3,053.32	1,262,675			

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; 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 phased timing of Village 5 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. 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 Lincoln 270 project was approved more than 10 years, and there has since been no movement toward development of the project. However, the City of Lincoln reports that the Project developer has not abandoned the project and is formulating development plans.

Exhibit 37
Identified Planned and Proposed Retail Projects (1)
Secondary Market Area Cities
January 2015 and March 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 Buffalo Wild Wings	This project is a 6,400-square-foot restaurant.	--	6,400	Approved	1086 Harter Rd	2015
2 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
3 1395 Sunsweet Blvd	This project is a 13,256-square-foot Mexican Market/Bakery/Deli.	--	13,256	In planning stages	1395 Sunsweet Blvd	Unknown
4 1275 Colusa Ave	This project is a 6,000-square-foot restaurant.	--	6,000	In planning stages	1275 Colusa Ave	Unknown
5 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			114,470			
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	476,877			

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 2022, the first retail benchmark period for Village 5.

Exhibit 38
Village 5 Specific Plan
Summary of Retail Pipeline (1)
Primary and Secondary Market Areas
Through Buildout in 2042

Location	Village 5 Retail Development Timing (2)				Total
	Phase 2 (2022)	Phase 3 (2024)	Phase 4B (2042)	Unknown	
Total Sq. Ft. Planned Retail					
City of Lincoln/SOI (3)					
All Project Square Footage	193,717	0	689,333	379,625	1,262,675
Square Feet Exc. Tertiary Demand	193,717	0	572,813	341,663 (4)	1,108,193
Marysville/Yuba City Area (5)	57,235 (6)	0	0	0	57,235
Rocklin Area	181,204 (7)	0	0	0	181,204
Total (8)	432,155	0	572,813	341,663	1,346,631

Source: ALH Urban & Regional Economics.

(1) See Exhibit 36 for Lincoln/SOI and Exhibit 37 For Marysville/Yuba City Area and Rocklin Area.

(2) The phasing figures match the timing of Village 5 retail development.

(3) Includes an allocation for 20% of the planned SUD-B retail space to meet demand generated from outside the primary and secondary market areas, similar to the assumption for the Project. See Exhibit 34 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) Project timing unknown, although the project could be developed within the 2022 to 2042 time period corresponding with development of the Village 5 planned retail space.

(5) 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 Village 5. This is lower than the market area capture rate to reflect the greater distance of Yuba City retail from Lincoln relative to Marysville demand.

(6) 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 2022, the first retail benchmark period for Village 5.

(7) 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 Village 5.

(8) 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 39
Village 5 Specific Plan
Cumulative Retail Impacts (1)
Through Buildout in 2042

Supply and Demand Characteristic	Village 5 Retail Development Timing (2)				Total
	Phase 2 (2022)	Phase 3 (2024)	Phase 4B (2042)	Unknown (3)	
Retail Supply					
Village 5 Retail Space Supported by Primary and Secondary Market Areas (4)	92,000	733,200	1,658,976	0	2,484,176
Cumulative Retail (5)	<u>432,155</u>	<u>0</u>	<u>572,813</u>	<u>341,663</u>	<u>1,346,631</u>
	524,155	733,200	2,231,789	341,663	3,830,807
Cumulative Additions to Supply (6)	524,155	1,257,355	3,489,144	3,830,807	3,830,807
Forecasted Retail Demand					
Project and Market Area Demand (4)	1,686,500	1,828,700	3,125,900	NA	3,125,900
Residual Project Demand (7)	60,400	63,400	232,500	NA	232,500
Cumulative Lincoln Retail and Office Projects Employee Retail Demand (8)	<u>3,189</u>	<u>3,189</u>	<u>22,889</u>	<u>70,482</u>	<u>93,371</u>
Sub-Total	1,750,089	1,895,289	3,381,289	NA	3,451,771
Supply and Demand Findings (9)					
Additional Demand Needed to Support Cumulative Retail	0	0	107,855	NA	379,036 (10)

Source: ALH Urban & Regional Economics.

(1) Considers impacts of Village 5 retail as well as other identified primary and secondary market area planned retail development within the timeframe similar to Village 5.

(2) The phasing figures match the timing of Village 5 retail development.

(3) Project timing unknown, although some projects could be developed within the 2022 to 2042 time period corresponding with development of the Village 5 planned retail space.

(4) See Exhibit 34.

(5) See Exhibit 38.

(6) Aggregates figures by phase, so each subsequent phase (or year) includes the supply additions from all prior phases (or years).

(7) Includes demand generated by Village 5 households and employees estimated to be captured by local retail outlets not located in Village 5. See Exhibit 16.

(8) See Exhibit 39.

(9) Comprises the remaining demand needed to support the Village 5 retail space and cumulative projects.

(10) 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 27 to total 510,000 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 -130,964 square feet.

Exhibit 40**City of Lincoln Cumulative Retail and Office Projects
Retail Space Supported by Cumulative Project Workers
Through Buildout in 2042**

Cumulative Retail and Office Characteristic	Village 5 Retail Development Timing				Total
	2022	2024	2042	Unknown	
Lincoln Cumulative Retail Supply					
Square Feet (1)	193,717	0	689,333	379,625	1,262,675
Retail Vacancy (2)	10%	10%	10%	10%	10%
Occupied Square Feet (3)	174,345	0	620,400	341,663	1,136,408
Employment Density (Sq. Ft./Worker (2))	500	500	500	500	500
Supportable Sq. Ft. per Worker (4)	9	9	9	9	9
Supportable Retail Space (5)	3,189	0	11,346	6,249	20,783
Lincoln Cumulative Office Supply					
Square Feet (6)	0	0	90,013	692,100	782,114
Office Vacancy (2)	10%	10%	10%	10%	10%
Occupied Square Feet (3)	0	0	81,012	622,890	703,902
Employment Density (Sq. Ft./Worker (2))	225	225	225	225	225
Supportable Sq. Ft. per Worker (4)	23	23	23	23	23
Supportable Retail Space (5)	0	0	8,354	64,234	72,588
Total Supportable Retail Space	3,189	0	19,700	70,482	93,371

Sources: Exhibits 5, 38, and 44; Table 7; and ALH Urban & Regional Economics.

(1) See Exhibit 38.

(2) See Exhibit 5.

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

(4) See Table 7.

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

(6) See Exhibit 44.

Exhibit 41
Sectoral Employment History and Projections
City of Lincoln and Placer County
2008-2035

Industry (1)	City of Lincoln			Placer County			2014 Estimates (2)		2032 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%	781	8,634	832	10,463
Food	672	1,000	1.5%	11,195	15,720	1.3%	734	12,072	957	15,138
Government	547	1,798	4.5%	8,453	13,184	1.7%	712	9,331	1,575	12,549
Office	845	2,042	3.3%	23,623	42,293	2.2%	1,028	26,887	1,852	39,643
Other	0	0	NA	0	0	NA	NA	NA	NA	NA
Retail	1,803	2,452	1.1%	24,794	35,174	1.3%	1,930	26,798	2,370	33,834
Service	1,795	2,964	1.9%	30,857	42,490	1.2%	2,006	33,130	2,803	41,006
Medical	184	1,483	8.0%	18,396	29,269	1.7%	293	20,396	1,177	27,797
Industrial	1,374	2,097	1.6%	16,197	20,742	0.9%	1,510	17,112	2,001	20,180
Total, all sectors (2)	7,985	14,677	2.3%	141,613	209,677	1.5%	8,995	154,360	13,566	200,611

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 2014 and 2032 are projected based upon the average annual growth rates for the respective industry and jurisdiction.

Exhibit 42
City of Lincoln Office Vacancy Trends
2006 Through Q3 2014

Period	Rentable Building Area				Total Net Absorption	Leasing Activity		New Construction			
	# Bldgs	Total SF	Percent Vacant	Occupied SF		Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2014 3Q	47	319,099	23.1%	245,506	1,500	0	0	0	0	0	0
2014 2Q	47	319,099	23.5%	244,006	4,998	2	4,804	0	0	0	0
2014 1Q	47	319,099	25.1%	239,008	(6,122)	3	4,293	0	0	0	0
2013 4Q	47	319,099	23.2%	245,130	4,686	2	1,116	0	0	0	0
2013 3Q	47	319,099	24.6%	240,444	3,299	0	0	0	0	0	0
2013 2Q	47	319,099	25.7%	237,145	4,150	9	4,380	0	0	0	0
2013 1Q	47	319,099	27.0%	232,995	(193)	3	2,264	0	0	0	0
2012 4Q	47	319,099	26.9%	233,188	1,234	3	9,221	0	0	0	0
2012 3Q	47	319,099	27.3%	231,954	(4,199)	2	1,520	0	0	0	0
2012 2Q	47	319,099	26.0%	236,153	600	2	1,300	0	0	0	0
2012 1Q	47	319,099	26.2%	235,553	(7,073)	1	1,100	0	0	0	0
2011 4Q	47	319,099	24.0%	242,626	(2,144)	0	0	0	0	0	0
2011 3Q	47	319,099	23.3%	244,770	1,940	2	2,200	0	0	0	0
2011 2Q	47	319,099	23.9%	242,830	(652)	2	2,500	0	0	0	0
2011 1Q	47	319,099	23.7%	243,482	1,589	8	9,202	0	0	0	0
2010 4Q	47	319,099	24.2%	241,893	260	0	0	0	0	0	0
2010 3Q	47	319,099	24.3%	241,633	(2,310)	0	0	0	0	0	0
2010 2Q	47	319,099	23.6%	243,943	1,025	1	2,616	0	0	0	0
2010 1Q	47	319,099	23.9%	242,918	4,250	1	1,667	0	0	0	0
2009 4Q	47	319,099	25.2%	238,668	(11,443)	2	2,014	0	0	0	0
2009 3Q	47	319,099	21.6%	250,111	5,329	4	3,200	0	0	0	0
2009 2Q	47	319,099	23.3%	244,782	5,696	3	3,566	0	0	0	0
2009 1Q	47	319,099	25.1%	239,086	(5,882)	3	4,368	0	0	0	0
2008 4Q	47	319,099	23.2%	244,968	100	2	1,350	0	0	0	0
2008 3Q	47	319,099	23.3%	244,868	2,750	0	0	4	22,800	0	0
2008 2Q	43	296,299	18.3%	242,118	266	3	4,177	0	0	4	22,800
2008 1Q	43	296,299	18.4%	241,852	1,867	3	3,534	0	0	4	22,800
2007 4Q	43	296,299	19.0%	239,985	(5,763)	2	2,416	1	12,000	4	22,800
2007 3Q	42	284,299	13.6%	245,748	(5,352)	0	0	0	0	5	34,800
2007 2Q	42	284,299	11.7%	251,100	(3,145)	0	1,500	1	5,500	5	34,800
2007 1Q	41	278,799	8.8%	254,245	8,265	0	0	1	7,168	2	17,500
2006 4Q	40	271,631	9.4%	245,980	4,040	0	0	0	0	3	24,668
2006 3Q	39	262,374	7.8%	241,940	5,823	2	4,394	0	0	4	33,925
2006 2Q	38	254,374	7.2%	236,117	23,453	2	4,285	0	0	4	36,425
2006 1Q	36	242,774	12.4%	212,664	22,763	0	0	5	58,165	5	40,857

Sources: Costar; and CB Richard Ellis.

Exhibit 43
Office Space Demand Projection
City of Lincoln and Placer County
2014, 2032, and 2035 (1)

Jurisdiction/Office Characteristic	2014	2032	2035
Placer County			
Office-Using Employment (2)	56,600	80,000	84,700
Incremental Office-Using Employment over Prior Time Period (3)	-	23,400	4,700
Office Demand (4)			
Net New	-	5,850,000	1,175,000
Cumulative	-	5,850,000	7,025,000
City of Lincoln			
Office-Using Employment (2)	2,000	4,600	5,300
Incremental Office-Using Employment over Prior Time Period (3)	-	2,600	700
Office Demand (4)			
Net New	-	650,000	175,000
Cumulative	-	650,000	825,000

Source: ALH Urban & Regional Economics.

(1) The year 2014 comprises the baseline, the year 2032 comprises the buildout year for the Lincoln Village 5 office space (i.e., assumed to be built between 2024 and 2032), and 2035 comprises the end year for the SACOG projection.

(2) Reflects the following industry sectors from Exhibit 41, 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 44
Identified Planned and Proposed Office Projects (1)
City of Lincoln and Lincoln SOI
January 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	2032
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	2032
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	2032
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	2032
5 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	Unknown (9)
6 SUD-B	This project includes 391 low density dwelling units, 74.3 acres of commercial space (with a maximum of 971,000 square feet), 3.0 acres of park space, 20.0 acres of open space, and 4.4 acres of roads.	186.10	388,400 (7)	EIR under preparation	Within the City of Lincoln's Sphere of Influence (SOI) along the western boundary	Unknown
OFFICE TOTAL		3,034.88	782,114			

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; 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 development.
- (3) Timeframes presented corresponding with the phased timing of Village 5 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, and there has since been no movement toward development of the project. However, the City of Lincoln reports that the Project developer has not abandoned the project and is formulating development plans.

Exhibit 45
Village 5 Specific Plan
Projected Future Competitive Hotel Supply and Demand Trends (1)
City of Lincoln
2014 - 2032

Year	No. of Rooms	Annual Supply (2)	Demand per Annual Growth Rate in Demand (3)			Occupancy per Annual Growth Rate in Demand (4)		
			3.0%	3.8%	4.5%	3.0%	3.8%	4.5%
2014	87	31,755	23,816	23,816	23,816	75.0%	75.0%	75.0%
2015	87	31,755	24,531	24,709	24,888	77.3%	77.8%	78.4%
2016	87	31,755	25,267	25,636	26,008	79.6%	80.7%	81.9%
2017	87	31,755	26,025	26,597	27,178	82.0%	83.8%	85.6%
2018	87	31,755	26,805	27,595	28,401	84.4%	86.9%	89.4%
2019	87	31,755	27,610	28,630	29,679	86.9%	90.2%	93.5%
2020	87	31,755	28,438	29,703	31,015	89.6%	93.5%	97.7%
2021	87	31,755	29,291	30,817	32,411	92.2%	97.0%	102.1%
2022	87	31,755	30,170	31,973	33,869	95.0%	100.7%	106.7%
2023	87	31,755	31,075	33,172	35,393	97.9%	104.5%	111.5%
2024 (5)	187	68,255	32,007	34,416	36,986	46.9%	50.4%	54.2%
2025	187	68,255	32,967	35,706	38,650	48.3%	52.3%	56.6%
2026	187	68,255	33,956	37,045	40,390	49.7%	54.3%	59.2%
2027	187	68,255	34,975	38,434	42,207	51.2%	56.3%	61.8%
2028	187	68,255	36,024	39,876	44,106	52.8%	58.4%	64.6%
2029	187	68,255	37,105	41,371	46,091	54.4%	60.6%	67.5%
2030	187	68,255	38,218	42,922	48,165	56.0%	62.9%	70.6%
2031	187	68,255	39,365	44,532	50,333	57.7%	65.2%	73.7%
2032	187	68,255	40,546	46,202	52,598	59.4%	67.7%	77.1%

Sources: Holiday Inn Express, Lincoln California; and ALH Urban & Regional Economics.

(1) Includes the existing Holiday Inn Express with 87 rooms and the prospective Village 5 100-room hotel.

(2) Comprises annual number of rooms multiplied by 365 days in a year.

(3) Forecasted demand based on the estimated 2014 level of demand grown out at a range of annual average growth rates. The baseline growth rate of 3.0% generally matches Lincoln's forecasted annual average household growth rate between 2008 and 2050 based upon projections presented in Exhibit 18. Since growth may also occur based upon employment growth rates, the analysis explores forecasted demand assuming the actual growth rate is 1.25 to 1.5 times the base rate.

(4) Annual occupancy comprises annual demand divided by annual supply. The existing 2014 baseline occupancy rate is assumed to be 75%. This is an assumption selected for the purpose of the analysis, as the Holiday Inn Express would not divulge this information. This occupancy rate is based on average annual occupancy for hotels in Lincoln, Rocklin, and Roseville.

(5) Reflects the anticipated first full year of operations of the Village 5 hotel, which is assumed to comprise 100 rooms.

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 \$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****2012****(in \$000s)**

Type of Retailer	Total Taxable Sales (1)	State of California Taxable Sales Adjusted to Total Retail	% of Total
Food & Beverage Stores	\$24,511,714	\$81,705,713 (2)	17.4%
Food Services & Drinking Places	\$59,037,320	\$59,037,320	12.6%
Home Furnishings & Appliances	\$24,681,910	\$24,681,910	5.3%
Building Materials & Garden Equipment	\$27,438,083	\$27,438,083	5.9%
Clothing & Clothing Accessories	\$32,357,516	\$32,357,516	6.9%
General Merchandise Stores	\$54,138,509	\$72,184,679 (3)	15.4%
Other Retail Group	\$39,653,754	\$51,870,516 (4)	11.1%
Motor Vehicle & Parts Dealers	\$61,547,848	\$61,547,848	13.1%
Gasoline Stations	\$58,006,168	\$58,006,168	12.4%
Total (5)	\$119,554,016	\$468,829,753	100%

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax) during 2012; 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 2012 represented approximately 15.2% 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 2014 Projected (1)

Store or Category (2)	2010		2011		2012		2013		Average
	In 2010\$'s	In 2014\$'s	In 2011\$'s	In 2014\$'s	In 2012\$'s	In 2014\$'s	In 2013\$'s	In 2014\$'s	In 2014\$'s
Apparel									
Apparel - Specialty	\$405	\$439	\$447	\$473	\$472	\$488	\$451	\$459	\$465
Women's' Apparel	\$365	\$396	\$455	\$481	\$515	\$532	\$473	\$482	\$473
Shoe Stores	\$371	\$402	\$454	\$480	\$487	\$503	\$475	\$484	\$467
Ross Dress for Less	\$324	\$351	\$195	\$206	\$195	\$202	\$362	\$369	\$282
Kohl's	\$229	\$248	\$215	\$227	\$209	\$216	\$190	\$193	\$221
Discount Stores									
Target	\$196	\$212	\$212	\$224	\$213	\$220	\$202	\$206	\$216
Wal-Mart	\$282	\$306	\$290	\$307	\$304	\$314	\$297	\$302	\$307
	\$422	\$458	\$499	\$528	\$456	\$471	\$376	\$383	\$460
Department Stores Category									
Sears	\$252	\$273	\$276	\$292	\$274	\$283	\$285	\$290	\$285
	\$206	\$223	\$205	\$217	\$210	\$217	\$161	\$164	\$205
Domestics Category	\$294	\$319	\$288	\$304	\$268	\$277	\$300	\$305	\$301
Furniture Category	\$198	\$215	\$290	\$307	\$361	\$373	\$449	\$457	\$338
Average of Domestics & Furniture	\$246	\$267	\$289	\$306	\$315	\$325	\$375	\$381	\$320
Neighborhood Center Category									
Supermarkets	\$535	\$580	\$533	\$563	\$575	\$594	\$611	\$622	\$590
Specialty/Organic	\$510	\$553	\$658	\$696	\$698	\$722	\$756	\$770	\$685
Drug Stores	\$724	\$785	\$657	\$695	\$667	\$689	\$629	\$640	\$702
Rite Aid	\$421	\$456	\$560	\$592	\$549	\$568	\$556	\$566	\$546
CVS	\$802	\$869	\$806	\$852	\$883	\$913	\$875	\$891	\$881
Restaurants Category	\$429	\$465	\$496	\$524	\$480	\$496	\$486	\$495	\$495
Casual Dining	\$431	\$467	\$578	\$611	\$563	\$582	\$567	\$577	\$559
Fast Food Chains	\$431	\$467	\$507	\$536	\$492	\$509	\$543	\$553	\$516
Home Improvement	\$269	\$292	\$278	\$294	\$287	\$297	\$301	\$306	\$297
Auto - DIY Stores (3)	\$205	\$222	\$218	\$230	\$220	\$227	\$217	\$221	\$225
Other Retail Categories									
Accessories	\$778	\$843	\$978	\$1,034	\$1,191	\$1,231	\$1,032	\$1,051	\$1,040
HBA, Home Fragrances	\$541	\$587	\$474	\$501	\$531	\$549	\$519	\$528	\$541
Electronics & Appliances	\$686	\$744	\$1,171	\$1,238	\$821	\$849	\$946	\$963	\$948
Office Supplies	\$263	\$285	\$270	\$285	\$262	\$271	\$283	\$288	\$282
Sports	\$226	\$245	\$239	\$253	\$252	\$260	\$253	\$258	\$254
Pet Supplies	\$185	\$201	\$188	\$199	\$218	\$225	\$234	\$238	\$216
Book Superstores	\$180	\$195	\$247	\$261	\$210	\$217	\$189	\$192	\$216
Toys	\$320	\$347	\$333	\$352	\$312	\$323	\$220	\$224	\$311
Music Superstores	\$318	\$345	\$317	\$335	\$314	\$325	\$292	\$297	\$325
Gifts, Hobbies & Fabrics	\$124	\$134	\$136	\$144	\$137	\$142	\$151	\$154	\$143
Average of Other Retail Categories	\$362	\$393	\$435	\$460	\$425	\$439	\$412	\$419	\$428

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 2014 pursuant to the mid-year 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
2012

NAICS code	Industry code description	Number of employees	Annual Payroll	Avg. Salary (2012)	Avg. Salary (2014) (1)
31-33	Manufacturing	3,946	\$202,238,000	\$51,251	
42	Wholesale trade	5,497	\$323,059,000	\$58,770	
48-49	Transportation & warehousing	1,759	\$87,418,000	\$49,698	
Combined		11,202	\$612,715,000	\$54,697	\$56,342
61	Educational services	2,113	\$54,889,000	\$25,977	\$26,758
44-45	Retail trade	21,214	\$615,210,000	\$29,000	\$29,872
72	Accommodation and food services	18,309	\$339,194,000	\$18,526	\$19,083
51	Information	NA	NA	NA	
52	Finance & Insurance	8,039	\$657,382,000	\$81,774	
53	Real estate and rental and leasing	3,306	\$147,709,000	\$44,679	
54	Professional, scientific, and technical services	11,822	\$1,098,094,000	\$92,886	
55	Management of companies and enterprises	2,081	\$184,322,000	\$88,574	
56	Administrative and Support and Waste Mang and Remediation Svcs	6,341	\$192,104,000	\$30,296	
Combined		31,589	\$2,279,611,000	\$72,165	\$74,335

Sources: United States Census Bureau, County Business Patterns, San Joaquin County 2012; U.S. Department of Labor, Consumer Price Index, through July 2014; and ALH Urban & Regional Economics.

(1) Inflated to 2014 based upon CPI for July 2012 and July 2014. Inflation factor is 1.04.

**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
Third Quarter 2012 Through Second Quarter 2013
(in \$000s)

Type of Retailer	Placer County		Lincoln	
	Amount [A]	% of Total [B]	Given [C]	Calculated [E = B * D]
<u>Q3 2012</u>				
General Merchandise	\$144,625	10.1%	#	\$5,346
Other Retail Group	--	--	\$10,531	\$5,185 (1)
Total	\$1,431,160	--	\$52,898	--
<u>Q4 2012</u>				
General Merchandise	\$196,711	13.0%	#	\$7,154
Other Retail Group	--	--	\$13,825	\$6,671 (1)
Total	\$1,516,389	--	\$55,146	--
<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	--

Sources: California State Board of Equalization (BOE), "Taxable Sales in California" reports, for First Quarter 2012, 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		Home Furnishings & Appliances
- Furniture Stores	\$440,475	
- Home Furnishing Stores	\$4,595,077	
Electronics & Appliance Stores	\$6,016,100	
- Appliance, Television, and Other Electronics		
- 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	
- 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	\$33,560,858	Other Retail Group
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		Home Furnishings & Appliances
- Furniture Stores	\$0	
- Home Furnishing Stores	\$0	
Electronics & Appliance Stores		
- Appliance, Television, and Other Electronics	\$0	
- 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	
- 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	
Non-store Retailers		Other Retail Group
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 Furnishings & Appliances	
- Home Furnishing Stores	\$2,795		
Electronics & Appliance Stores			
- Appliance, Television, and Other Electronics	\$0		
- 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 2014 Dollars, in millions**

Nielson Retail Sales Estimates for 2014 (1)					
Type of Retailer	Lincoln Zip Code	Sheridan Zip Code	Wheatland Zip Code	Sub-Total Sheridan & Wheatland Zip Codes	Sales Increment Over Lincoln Zip Code
	[A]	[B]	[B]	[B]	[C = A / B]
Motor Vehicles & Parts	\$10,356,046	\$1,368,121	\$194,505	\$1,562,626	15.1%
Home Furnishings and Appliances	\$11,051,652	\$0	\$5,222	\$5,222	0.0%
Building Materials and Garden Equip	\$45,317,791	\$4,706,650	\$1,656,361	\$6,363,011	14.0%
Food and Beverage Stores	\$33,080,471	\$51,627	\$9,576,508	\$9,628,135	29.1%
Gasoline Stations	\$5,857,774	\$0	\$18,094,901	\$18,094,901	308.9%
Clothing and Clothing Accessories	\$4,705,240	\$0	\$38,264	\$38,264	0.8%
General Merchandise	\$22,371,530	\$0	\$1,706,663	\$1,706,663	7.6%
Food Services and Drinking Places	\$57,658,319	\$181,713	\$4,046,057	\$4,227,770	7.3%
Other Retail Group	\$78,390,802	\$110,815	\$527,770	\$638,585	0.8%
Total	\$268,789,625	\$6,418,926	\$35,846,251	\$42,265,177	15.7%

Sources: Nielson Reports; California State Board of Equalization; 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.

