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## **MEMORANDUM**

**To: Kevin Payne, City of Roseville**

**Kathy Pease, City of Roseville**

**Tricia Stewart, City of Roseville**

**From:** Isabel Domeyko, Jesse Walker, and Tom Martens

**Date:** September 27, 2016

**Re:** WRSP Village Center Retail Market Research

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The West Roseville Specific Plan (WRSP), a master planned community on the west side of Roseville approved in 2004, was originally expected to include over 8,400 residential units and about 160 acres of commercial and industrial development. As of 2016, much of the WRSP has been constructed, largely according to the Specific Plan, albeit with some amendments that expanded the residential capacity to more than 10,000 residential units at buildout.

One of the last remaining undeveloped areas is the 120-acre Village Center, which was envisioned as the heart of the WRSP. The Village Center is bisected by Pleasant Grove Boulevard and would include about 840 medium/high-density residential units, parks, public/quasi-public uses, and community commercial development.<sup>1</sup> To date, St. John's Episcopal Church, Mahan Park, and a variety of residential projects have developed within the Village Center, yet approximately 17 acres of land on both the north and south side of Pleasant Grove remains undeveloped. This area, (hereafter referred to as the "Village Center," or the Project), remains available for a park and some combination of retail, office, and/or residential and is the focus of this study.

Developers of the Village Center have recently expressed a desire to re-zone some, or all, of the Project from commercial to residential, while local residents continue to call for local-serving retail and park development.

The City of Roseville (City), in an effort to understand the economic implications of developing the Village Center according to the approved plan, as well as alternative potential land uses, commissioned market research designed to help inform the likelihood for local-serving retail development to occur within the near-term (2 to 5

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<sup>1</sup> WRSP, Section 10: Village Center Plan.

memorandum synthesizes a market research effort undertaken by New Economics & Advisory to address this issue.

***The Primary Research Goal of this assignment is to identify to the type and scale of local-serving retail development that could reasonably be expected to develop within a 2- to 5-year timeframe within the Village Center of the WRSP.***

## Overall Approach

New Economics & Advisory researched retail market conditions and the potential for the Village Center to support local-serving retail within the next 2- to 5 years. The research approach entailed the following steps:

1. An evaluation of the Village Center's site conditions, including location, adjacencies, traffic volumes, surrounding demographics, and other key criteria sought by retailers.
2. Consideration of national and citywide retail market conditions, particularly pertaining to local-serving retail, including new development trends and current lending criteria in the existing market.
3. Study of four comparison Retail Nodes—concentrations of retail in Roseville that provide primarily neighborhood-serving retail—to identify patterns about performance, demographics, timing, and character that can lend insights about the potential for local-serving retail development in the Village Center.
4. Evaluation of existing and planned retail supply to identify competition faced by the Project.
5. Preparation of an estimate of the amount of local-serving retail that could be supported by the spending existing and future households in the Trade Area.
6. Resulting assessment of the likelihood of local-serving retail development within the Village Center within the next 2 to 5 years.

## Summary of Findings

This section presents the overall Findings that have been derived from this period of Market Research. Further discussion about data, methodologies, and calculations employed, as well as evidence to support these findings, can be found in subsequent sections.

### Overall Findings

- **The Project currently possesses smaller quantities of households, employees, and traffic volumes than four comparison Retail Nodes in the City. The Project also lacks many locational attributes provided to retailers within the comparison Retail Nodes. These demographic and site indicators suggest that the Project is not a viable site to create similar levels of retail development at this time.**

- **While the existing 2-mile Trade Area appears to have a small gap in local-serving retail, planned retail would not only fill this gap but could potentially create an oversupply of 169,100 square feet, even after accounting for projected household growth over the next five years. As shown in Figure 1:**
  - Current household spending within the Project's 2-mile Trade Area generates gross demand for approximately 136,400 square feet; after accounting for existing supply of 121,00 square feet of local-serving retail space, there appears to be net demand for 15,400 more square feet of local-serving retail.
  - Future development in this Trade Area will generate gross demand for about 68,900 additional square feet of local-serving retail, but also potential supply of up to 253,500 square feet of retail space.
  - If all of the growth and competing local-serving retail space is constructed, there is the potential for a net oversupply of local-serving retail space in the Trade Area of about 169,100 square feet.
- **New retail development will be feasible first if it has an anchor tenant, such as a grocery store, pharmacy, or other major user. However, because anchor retailers seeking to enter the Trade Area will first look to other first- and second-tier retail sites, near-term retail development within the Village Center would be vulnerable to high levels of vacancy. An unanchored center would also command significantly lower rents. These factors would make it difficult for retail development to "pencil out" on its own.**
- **While some local-serving retail (such as cafes, small local office spaces) could potentially be constructed at the Project to serve unmet needs, local-serving retail is not recommended to be a focal point of the Project site within the next 2 to 5 years. Some retail could still be planned for the site, potentially as ground-floor retail within larger mixed-use buildings, but the financial feasibility of the remainder of such buildings should be evaluated assuming that the retail not develop over a much longer timeframe (potentially 10+ years).**

#### Project Attributes and Real Estate Market Conditions Findings

- **The Village Center is located in a developing area of Roseville. The Project site is 17 acres in total size, and is located along a relatively "quiet" portion of Pleasant Grove Boulevard.** Because of the site's location near the edge of the City, its relative distance to transportation corridors, employment nodes, and population centers, as well as its modest size and low traffic volumes, it is not a likely candidate for large-scale retail shopping centers, which rely on strong visibility, accessibility, synergies with adjacent uses, and the ability to draw users through "critical mass." Any retail development at the Project would need to be supported by the local residential and daytime employment populations, as opposed to

commuters or visitors. This characterization is consistent with the City's request that New Economics analyze the potential for local-serving retail at the Project.

- **Roseville is viewed as having a strong and continually improving retail market among the Sacramento Region.** This is evidenced by Roseville's retail vacancy rates, which are significantly lower than those of the Region overall. However, average rents are only moderately higher, suggesting that while the city's retail real estate market is stronger than the Region overall, there does not appear to be much pent-up demand for retail space that would result in higher rents.
- **Real estate professionals report that relatively high vacancy rates and low rents are hindering new commercial development generally in the Sacramento Region.** Only projects with strong pre-leasing, highly competitive locations, and national tenants (if retail) are qualifying for financing. This trend is expected to continue until existing vacant space in the region is absorbed and rents increase. Brokers expect that it could take several years to see sufficient improvement in market conditions to justify more substantial levels of new development within the larger Sacramento Region.

#### Village Center Compared to Other Roseville Retail Nodes Findings

- **New Economics assessed four comparison "Retail Nodes" in the City in order to compare the attributes of these areas to the development potential at the Village Center.** The Retail Nodes selected for this study include:
  - Retail Node #1: Baseline Road & Foothills Boulevard
  - Retail Node #2: Pleasant Grove Boulevard & Foothills Boulevard
  - Retail Node #3: Cirby Way & Sunrise Boulevard
  - Retail Node #4: Douglas Boulevard & Harding Boulevard
- **The Village Center site is smaller in size than most of the Retail Nodes selected for this analysis.** At 17 total acres, which may include some parks space and other uses, the Village Center is smaller than three of the four comparison Retail Nodes, which range from 21 to 62 acres in size. These larger retail centers all include major grocery stores, pharmacies, and gas stations, as well as a host of different businesses types in the in-line spaces. The one Retail Node that is similar in size to the Village Center site is an un-anchored shopping center located at Pleasant Grove and Foothills Blvd., which is approximately 11 acres. This small retail center appears to be heavily supported by employee spending from nearby office buildings.
- **The Village Center is located in a more outlying location and experiences lower traffic volumes than the four comparison Retail Nodes, which are generally within 3 miles of a freeway and are also located centrally within developed areas.** In contrast, the Project is located over 5 miles from Highway 65 and nearly

8 miles from I-80, and includes an area that is only partially developed within a 2-mile radius.

- **The number of employees and the traffic volumes within and surrounding the Project are significantly lower than each of the comparison Retail Nodes. In order to reach levels that are commensurate with the comparison Retail Nodes, trip levels at the Project would need to increase by at least 180 percent.** Because of these lower traffic volumes and employment levels, the attractiveness of the Project for retail development is significantly diminished. It is unclear how greatly the traffic and employment figures may increase in the future (as the future traffic and employment conditions were not studied extensively as part of this assignment).
- **The number of households and the associated spending within the 2-mile “Trade Areas” surrounding the four comparison Retail Nodes are significantly higher than what currently exists at the Village Center. However, when accounting for future growth, the WRSP Trade Area may reach levels that are similar to (but still less than) the comparison Retail Nodes within five years.** The 2-mile Trade Areas surrounding the four comparison Retail Nodes possess between 18,000 and 21,000 households, whereas the Project Trade Area possesses only approximately 10,000 households. However, once new development occurs that is planned for the next 2- to 5 years, the number of households in the Project Trade Area is expected to rise to approximately 14,500.
- **The annual taxable sales generally reflect the cyclical decline and rise can be observed over the past ten years. When combined with the real estate performance indicators, this data also suggests that most Retail Nodes are larger and possess viable retail anchors (such as grocery stores and/ or pharmacies). However, non-anchored centers are also surviving, likely owing to a larger presence of daytime employees and a more diverse mix of retail, commercial, and other types of tenants.** Centers in the smallest Retail Node (which do not have an anchor) achieve lower rents compared to the other larger Retail Nodes, which would present financial feasibility implications for new development. Also, these centers have a large proportion of non-taxable businesses such as service-oriented businesses (which is supported by the inventory of businesses within that Retail Node).

#### Village Center Supportable Development Capacity

- **The Trade Area is a 2-mile radius that surrounds the Project Site; existing households within the Trade Area can support approximately 136,400 square feet of local-serving retail.** Trade Area households possesses approximately \$59.3 million in annual spending power that could be attributed to neighborhood shopping centers, which could support up to 136,400 square feet of total

neighborhood-serving retail space. When accounting for existing retail supply that within the Trade Area, approximately 15,400 square feet of “net new” neighborhood-serving retail could currently be supported.

- **Over the next five years, the Trade Area is expected to add approximately 4,800 residential units, including 4,000 single-family homes and 800 multifamily units, which would generate demand for an additional 68,900 square feet of local-serving retail.** The residential absorption estimate is based on historical citywide annual average absorption and a capture rate applied to the Trade Area and includes traditional single-family and multifamily development. (The potential Oakmont Senior Facility is included in this estimate.)
- **As the residential areas build out, additional retail space will also likely be constructed elsewhere within the Trade Area to meet the demand that is generated from the new households, and the planned neighborhood-serving retail centers in this area will fully absorb this spending.** The Project Trade Area could support up to 205,300 square feet of new neighborhood-serving retail space over the next 5 years, which accounts existing unmet demand, as well as the spending from newly-developed households within the Trade Area. However, about 253,400 square feet of new neighborhood retail space is planned for key retail sites in this area, in addition to the 121,000 square feet that already exists. As additional retail space in this area builds out, there is strong potential for an oversupply of retail.
- **The Project is, at best, a third-tier retail site that will not likely develop within the next 2 to 5 years.** Retail sites along Fiddymont Road (at the corners of Blue Oaks Boulevard, Pleasant Grove Boulevard, and Baseline Road) are first-tier sites that will likely develop first and can provide neighborhood-serving uses to the WRSP and other Specific Plan areas within the Trade Area. Second-tier sites are located at other key corners in growth areas, (such as along Westbrook Boulevard). Retail users will seek out these sites before they consider locating in the Project for neighborhood-serving retail and/or office development.
- **Although market dynamics do not favor the Village Center location, it remains possible that some local-serving retail (such as cafes, small local office spaces) could be attracted to the Project.** Local-serving retail could be included in the site, potentially as ground-floor retail within larger mixed-use buildings, but the financial feasibility of the remainder of such buildings should be evaluated assuming that the other mixed-use components of the Project would need to subsidize the retail component until retail uses can be secured and stabilized.

## Retail Market Trends

### National Retail Trends

Industry experts have documented a number of permanent market changes that have occurred in the retail industry since the Great Recession that impact land use planning going forward. Some of these trends will affect retail development in the Project area, including these:

- **Retail Anchors Are Shrinking and Adapting.** Prolonged increases in market share by e-commerce businesses are resulting in building footprint reductions for major retail anchors. Further, traditional “big box” department stores (such as Walmart) have ventured into the grocery market, producing both smaller-format traditional grocery stores as well as new, small-format grocery versions of department stores.
- **The success of small-format grocery stores has been mixed.** Small-format grocery stores take a variety of formats, including:
  - 5,000 sq. ft. corner stores (aka micro stores or superettes);
  - 5,000-15,000 square foot neighborhood markets or limited assortment supermarkets (such as Trader Joe’s and Fresh & Easy); and,
  - 20,000-40,000 square foot destination supermarkets.

The profit margins for grocers are relatively small—as little as 2 percent<sup>2</sup>. Some retailers (such as Tesco’s Fresh & Easy) have failed, others are still refining their concepts (such as Whole Foods’ 365), and others have found success (such as Walmart’s Neighborhood Market).

One highly desired small-format grocery store is Trader Joe’s. Current site criteria provided through a third-party data source includes a minimum of 90,000 persons within 5 miles, relatively high household incomes (although not defined), and relatively highly educated population (although not defined). Roseville, with a current city population of 134,000 residents, has a Trader Joe’s at the corner of Douglas Boulevard and Harding, although this store’s easy access to Highway 80 probably also draws from Rocklin, Granite Bay, and Loomis, as well as Roseville’s large employment commuting from all over the Sacramento Region. It is unknown if Trader Joe’s would consider a second store location in Roseville as opposed to elsewhere in the Region.

- **Retail Centers are Diversifying Their Tenant Base.** All types of retail centers are now more likely to expand their tenanting options to include service providers (gyms, post offices, massage, insurance, small appliance repair), medical uses (urgent care centers, physical rehabilitation, radiology/dialysis centers), and other “non-traditional” users

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<sup>2</sup> Food Retailing in the 21st Century: riding a Consumer Revolution ([www.fmi.org/media/bg/FoodRetailing.pdf](http://www.fmi.org/media/bg/FoodRetailing.pdf)). As Cited in “Grocery Store Attraction Strategies” published by PolicyLink, 2008.

including new/ independent retailers that may not have a proven track record of success.<sup>3</sup> Existing centers within the Project Area may be able to accommodate new, locally owned businesses.

- **Retail is Increasingly “Experiential.”** Because shoppers can buy more things on-line that can be delivered in a very short time, shopping is evolving to emphasize an experience, beyond the instant gratification offered by a traditional commercial transaction. For example, these experiences can include outlet/thrift shopping, (finding a unique item for a “steal”), services combined with retail (a bike repair shop with a coffee counter), or a restaurant with exceptional community views.
- **Residential Development is Experiencing a Shift Toward Infill and Higher-Density.** As consumer preferences regarding housing continue to evolve, a shift from low-density residential development in outlying areas (which characterized a predominant paradigm for several decades after World War II), more recently, an emphasis on infill development has strengthened, with smaller homes and lots, closer proximity to jobs, goods, and services, and higher reliance on alternative transportation such as walking, biking, and public transit. Overall, infill comprises an estimated 21 percent of new home construction among the 209 largest U.S. metropolitan areas, and nearly three out of four large metropolitan regions saw an increased share of infill housing development in 2005-2009 compared to 2000-2002.<sup>4</sup> In 2011, 19 percent of respondents to a national survey reported that they would like to live in a City, up from 13 percent from the same survey in 2004.<sup>5</sup>

## Citywide Trends

The overall retail real estate market in Roseville is fairly healthy with an average occupancy rate of about 95 percent, which equates to a normal amount of “frictional” vacancy to allow for churn in the market. Rental rates, however, are fairly moderate on average across the city, at just under \$1.50 per square foot. Much of the retail space inventory that contributes to that average rent is in older construction; whereas new construction typically demands higher rents per square foot to make development feasible and financeable.

Within the City of Roseville there is about 10.7 million square feet of existing retail space, which is about 10 percent of the total retail space within the Sacramento regional market. However, Roseville’s vacancy rate of 4.7 percent is significantly lower than the 8.2 percent vacancy rate in the region as a whole, reflecting a somewhat stronger local market. The

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<sup>3</sup> “Cultivating Independent Tenants can be a Worthwhile Investment, Panel Says,” Shopping Centers Today, International Council of Shopping Centers, published November, 20 2014.

<sup>4</sup> From “Smart Growth and Economic Success: Investing in Infill Development.” United States Environmental Protection Agency, February 2014.

<sup>5</sup> Belden Russonello & Stewart. “National Community Preference Survey, 2004 and 2011” Smart Growth America and National Association of Realtors.



amount of absorption in Roseville during the previous twelve months (of about 40,000 square feet) has been roughly five percent of the region's total retail absorption over the period.

Despite the much lower retail vacancy rate in Roseville than the overall Sacramento market, the average retail rents in Roseville, at \$1.48 per square foot (NNN) are only moderately higher than the regional average retail rents of \$1.36 per square foot. This suggests that there is not significant unmet demand for retail space in the local area, which would be expected to push rents upward.

### Market Insights from Real Estate Professionals

New Economics interviewed commercial lending experts, retail brokers, and an office broker actively engaged in commercial development in Roseville as well as other parts of the Sacramento Region. The interviews produced a number of insights regarding the development of new local-serving retail and/or office:

- **Compared to the last real estate cycle, development of new office and retail projects that rely upon a loan are subject to much more stringent conditions.** During the last cycle, developers could obtain loans for non-anchored retail. Today, projects need to have national credit tenants in place, a substantial level of pre-leasing, and a strong location to secure a construction loan. Further, lenders largely expect developers to bring land to the table in the form of equity.
- **Until existing retail vacancy rates fall and rents increase, lenders are unlikely to fund speculative commercial projects.** Although the financial feasibility of new development is influenced by the land basis (the amount paid for the land), rents may well need to be in the range of \$3.00 per square foot (triple net) in order to secure financing. In-line and pad spaces within grocery-anchored centers command the strongest rents (potentially as much as \$3.00 per building sq. ft.), followed by space within centers across from or next to grocery-centered anchors (in the range of \$2.00). Non-anchored centers located in more outlying areas command the lowest rents (less than \$2.00). In the current market, without a strong anchor tenant, it is not generally possible for developers to get financing terms that would allow new projects to achieve financial feasibility thresholds.
- **The strongest sources of rent and/or sales for retail developers are gas stations and fast food pads.** These uses command the highest rents for local-serving retail and tend to want to be close to anchor uses.
- **There is a lack of small, single-story office space in the City, and there is no such product in the West Roseville area.** Speculative owner-user office space could theoretically occur and owner-user development has been an active source of new commercial development in the current market. However, these users are generally small-scale and would not be a good match for commercial space

available for rent by another developer. Also, even a modest amount of local-serving office development would require some synergistic retail to succeed.

## WRSP Relative to Comparison Retail Nodes

In conjunction with the City, New Economics selected four Retail Nodes that were used to compare the attributes of the Project to. These Retail Nodes were selected because they offer a diverse array of neighborhood-serving retail goods and services and to the extent possible are in comparable locations to the Project. In certain instances, Retail Nodes were selected because they offer certain business types or tenants that have been discussed as desirable users for the Project, and this evaluation seeks to determine whether the attributes of the Project are in alignment with the comparison Retail Nodes.

### Description of the Project and Trade Area

The 17-acre Project site is among the last remaining undeveloped areas in the 120-acre WRSP Village Center. New Economics has assessed the attributes of the Project site itself, as well as the 2-mile Trade Area surrounding the Project. Typically, local-serving retailers draw the majority of their patrons from the households between a 1- and 3-mile radius surrounding a particular site, and in this case New Economics selected a 2-mile Trade Area radius because many of the types of retailers considered in this analysis (such as grocery stores, restaurants, etc.) utilize this trade area definition.

**Figures 2 and 3** show attributes of the Project site and the surrounding Trade Area, as well as four comparison Retail Nodes which are described below. As shown, the Project Trade Area has an estimated population of approximately 25,000 residents among 9,700 households. The average household size is 2.54 persons, and the average household income is approximately \$100,000 per year.

### Description of Comparison Retail Nodes

New Economics has analyzed the demographic and socio-economic conditions of the 2-mile Trade Areas surrounding the Project and the comparison Retail Nodes, using data compiled from ESRI, Costar, and the City of Roseville. The Retail Nodes include one or more shopping centers and contiguous free-standing retail located nearby, with the exception of gasoline stations.<sup>6</sup> The locations of the comparison Retail Modes include:

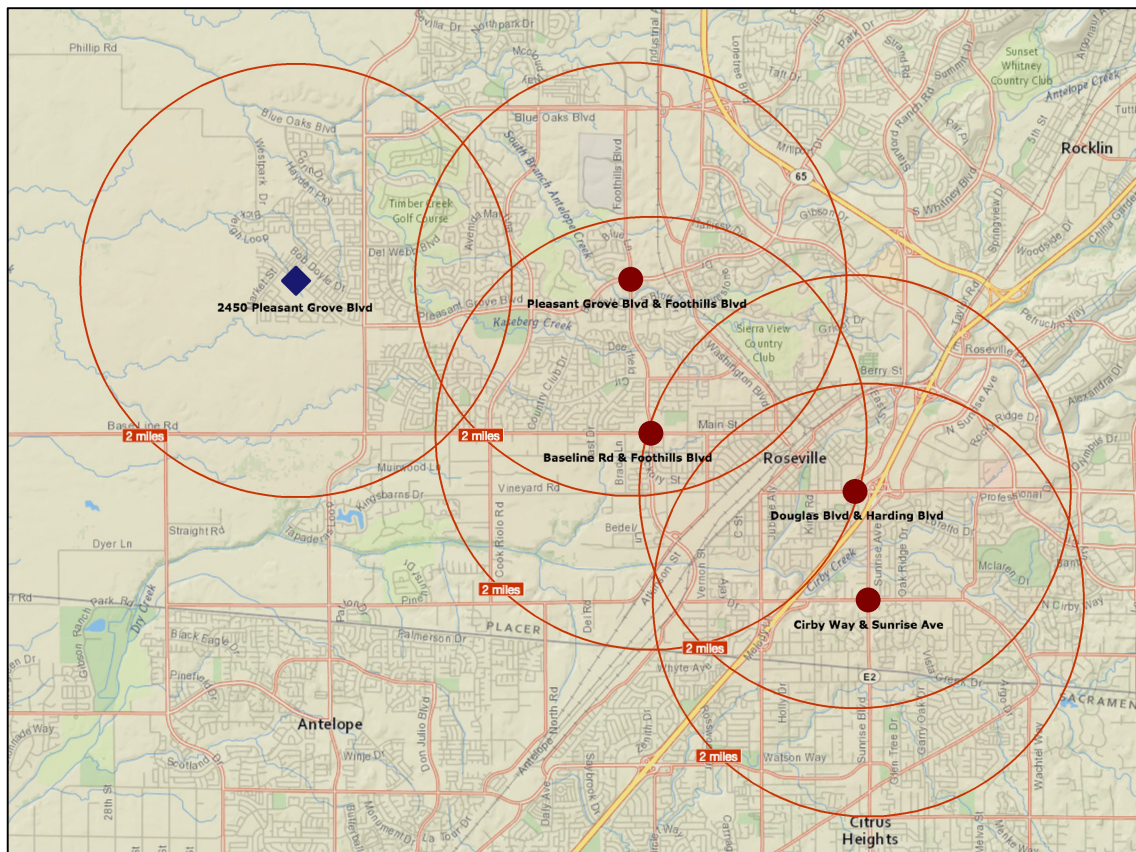
- Retail Node #1: Baseline Road & Foothills Boulevard
- Retail Node #2: Pleasant Grove Boulevard & Foothills Boulevard
- Retail Node #3: Cirby Way & Sunrise Boulevard
- Retail Node #4: Douglas Boulevard & Harding Boulevard

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<sup>6</sup> Since gasoline stations can exhibit sales figures that are not directly correlated to building square footage, and also because gasoline stations are not likely to be a candidate for the Village Center site, this category of retail was excluded from this analysis.

The locations of the Project and the comparable Retail Nodes, along with their 2-mile trade areas are shown on **Map 1**, and the attributes of each center are shown in **Figure 2**.

**Map 1: Site and Comparable Retail Nodes with 2-Mile Primary Trade Areas**



Source: ESRI Business Analyst; National Geographic Society; New Economics & Advisory, September 2016.

Three of the four comparable Retail Nodes selected for this analysis are anchored by grocery stores, with pharmacies and other supporting anchors situated within the retail cluster.<sup>7</sup> The only Retail Node in this analysis without a standard anchor (Retail Node #2 at Pleasant Grove and Foothills Boulevards), has significantly less overall square footage, but also has the highest traffic counts of the comparable intersections.

The comparable Retail Node with the greatest square footage and the highest number of anchors is Retail Node #4, at Douglas Boulevard and Harding Boulevard. While this node has moderate Trade Area household retail spending, it has a much larger daytime population (i.e. jobs) than the other nodes and is essentially adjacent to a freeway on-/off-ramp, which will result in much higher sales from beyond the Trade Area, or in-flow.

<sup>7</sup> For the purposes of this analysis, anchors are assumed to be those tenants with 7,000 square feet of space or more.

## Demographic Comparison

Retail spending at neighborhood-serving retail, such as grocery stores, pharmacies, and other convenience-oriented retailers is highly dependent upon spending from proximate households, as opposed to comparison-shopped goods, such as apparel and home furnishings, which generally rely on retail synergies found in larger retail agglomerations with much larger trade areas.

In **Figure 3**, the household demographics and spending potential within the Trade Area for the Project at 2450 Pleasant Grove Boulevard (defined as a 2-mile radius) are compared to the same size trade areas for four other community and neighborhood-serving Retail Nodes within Roseville.

The demographics for the Project's Trade Area are presented for the current state; however, the key drivers of retail demand, Households, Household Income, and the resulting Household Retail Spending, have also been projected forward five years, based on the anticipated development of approved projects within the Trade Area.

The Project's Trade Area exhibits an average household income of just under \$100,000, while the comparison nodes' trade areas have average household incomes ranging from about \$75,000 to \$96,000. However, while the Project's Trade Area has a higher average household income than the comparison Retail Nodes, the current number of households within the Project's Trade Area are roughly half those found within the Trade Areas of the comparable retail nodes that were surveyed.

The Project's Trade Area currently has just under 10,000 households, while the Trade Areas for the comparable Retail Nodes have between 18,000 and 21,000 households, resulting in significantly higher retail spending potential within those trade areas. However, within five years, it is anticipated that an additional roughly 5,000 households will increase the Project's Trade Area households to about 15,000.

## Total Retail Spending

Based on ESRI-supplied data for retail spending potential, the households within the Trade Area around the subject site generate a bit less than \$200 million in retail spending annually, compared to roughly \$300 to \$400 million annually for the trade areas around the comparable retail nodes as shown in **Figure 4**. However, the total household retail spending estimates includes purchases of general merchandise and other "shoppers" goods, as well as restaurant spending. For general merchandise and other "shoppers" goods like apparel and home furnishings, consumers generally drive further to comparison-shop. Similarly, restaurant spending typically occurs over a relatively wide geographic area, with many drivers impacting where that spending occurs. The neighborhood-serving retail that would be located at the site, as well as that at the comparable nodes, is generally going to be more convenience-oriented and focus on those purchases consumers generally make closer to home, such as groceries as well as housekeeping and personal care goods.

According to the ESRI-supplied spending data, the current households within the Project's Trade Area spend about \$57 million on groceries (listed as Food & Beverages At Home in **Figure 4**). This compares to between \$89 million and \$109 million that households within the comparable node trade areas currently spend annually on groceries.

Spending on Other Personal Goods (including housekeeping and personal care items) is somewhat less than half of the spending that households make on groceries, but the same patterns noted above for grocery spending between the site's trade area households and those in the comparable nodes' trades areas remains the same.

## Employment

Employment levels within the Project's Trade Area are significantly lower than those found in the comparison Retail Node Trade Areas. New Economics utilized two sources of data for employment. The first source is ESRI, a third-party private data vendor commonly-used in market analysis, and the second is the City's own business license data, in which all businesses that hold licenses within the City are asked to report the number of employees. The City's business license data includes all types of businesses (including home-based businesses), but does not include government or certain non-profits or institutional users who are not required to hold a business license. The private data company that processes the City's business license data (HdL Companies) has stated that this source can be notoriously unreliable, since there is no requirement that businesses report accurately, and no subsequent vetting is undertaken. Furthermore, as businesses expand or contract, the employment data may not be updated to account for temporal changes. Therefore, the business license data should perhaps be considered as a general "indicator" of employment levels, but users should bear in mind that a large margin of error may exist.

The two sources of employment data show significantly different values for the Trade Area surrounding the Village Center and each comparison Retail Node, however, the relative trends observed are fairly consistent. As shown in **Figure 3**, the four Retail Nodes have between 17,000 and 40,000 employees within a 2-mile radius as reported by ESRI, and between 5,700 and 13,000 using the City's business license data. The Village Center site shows only 1,500 employees by ESRI, and 200 with the City's business license data, a substantially lower amount than the comparison Retail Nodes.

This is an important finding, since employee spending can support retail development, and is often associated with local serving retail specifically, such as restaurants and convenience-oriented services such as dry-cleaners and office supply stores. Many national and/or franchise-based restaurants have site criteria that include a minimum presence of 10,000 daytime workers (i.e. lunchtime customer potential) to justify a restaurant; it is very difficult to sustain a restaurant without a sufficient lunch crowd.

It should be noted that New Economics did not assess the potential future employment surrounding the Village Center site, although this area is not expected to be a significant jobs center. A more focused assessment of the potential for future job growth and associated future employee spending could be undertaken as a separate effort.

## Traffic Volumes

New Economics assessed traffic volumes at key intersections surrounding the Village Center and each comparison Retail Node, since traffic volumes are a key criterion that are desired by retailers and is weighted heavily during the site selection process since vehicle traffic is closely associated with retail sales. As shown in **Figure 2**, the Village Center site exhibits average daily traffic volumes of approximately 16,000 trips. In contrast, the four comparison Retail Nodes show traffic volumes that are significantly higher, ranging from 45,000 at Retail Node #4 to 70,000 at Retail Node #2. Trips would need to increase by at least 180 percent to reach the bottom end of the range at the comparison Retail Nodes.

## Taxable Sales

**Figure 5** shows taxable sales data collected by New Economics for the four comparison Retail Nodes selected for this study, which was analyzed in order to shed light on the performance of each center over time. As shown, each of these centers experienced a decline in retail sales between 2006 and 2011, as the national economy grappled with the doldrums of the Great Recession. After 2011, the Retail Nodes generally have improved and show positive trajectories as of the end of 2015.

Interestingly, the smallest comparable (Retail Node #2 at Pleasant Grove and Foothills) has displayed much lower taxable sales rates (on a per-square foot basis), but it has also shown the most prominent increase in taxable sales during this period, growing at an average annual rate of over 10 percent from 2011 to 2015. This may be explained by the fact that the center may have shifted tenants from those that are “less taxable,” i.e., Food Stores and service-oriented businesses, to those that are “more taxable,” such as restaurants. This center is nearby several jobs centers (as evidenced by the employment numbers shown in **Figure 3**), so it is likely that this Retail Node is drawing from the spending of these employees to support restaurants and other businesses there.

## Real Estate Market Indicators

**Figure 7** shows market indicators for the City of Roseville overall and for the four comparison Retail Nodes. Interestingly, of the Retail Nodes surveyed, the relatively mature inventory located near the intersection of Douglas and Harding (Retail Node #4) has the highest average rent, at \$1.91 per square foot per month, due to a combination of proximity to the freeway, nearby employment, and the synergies created by multiple anchor retailers. Nearby Retail Node #3 (at Cirby and Sunrise), however, with two grocery anchors and high traffic counts, has the lowest average rent of the centers studied, at \$1.25 per square foot, potentially indicating an oversupply of space at this intersection. The other two Retail Nodes displayed average rents of \$1.62 and 1.70 per month.

Occupancy rates were in the high-80s to low-90s for three of the comparable retail nodes; however, the node around Baseline and Foothills had an occupancy rate of nearly 99% at the time of data gathering.

## Planned Development in the Project Trade Area: Residential

This section describes the total remaining capacity within the Village Center Trade Area, identifies the scale of residential absorption within Roseville over the last eighteen years, and estimates the portion of future absorption that the Trade Area can realistically expect to capture over the next five years.

### Trade Area Development Capacity

The Trade Area contains portions of five specific plan areas: the WRSP, the Creekview Specific Plan (CSP), the Sierra Vista Specific Plan (SVSP), Regional University Specific Plan (RUSP) and the Placer Vineyards Specific Plan (PVSP). **Figure 6** summarizes the remaining development capacity, within each of these specific plan areas, which falls within the Project's Trade Area boundaries. The total remaining development capacity amounts to nearly 17,000 residential units.

### Citywide Residential Absorption Patterns

**Figure A-1** in **Appendix A** documents the number of single-family and multifamily building permits pulled in Roseville dating back to 1997. Over this timeframe, which includes multiple market and economic cycles, the City absorbed an average of 1,373 units each year, including a combination of single-family and multifamily units.

Over a five-year period, the average annual absorption would equate to 6,866 residential units, including 5,340 single-family units and 1,526 multifamily units. This amount is far less than the total capacity within the Trade Area, which suggests that it will take longer than 5 years (potentially up to 12 years) for all new residential development to absorb within the Trade Area.

### Trade Area Capture

New residential development in Roseville is expected to occur largely in the western areas, although other new development is occurring in pockets elsewhere, such as Stoneridge, Downtown, and other infill locations.

Within the western areas (including the Trade Area), the timing of development within individual specific plan areas remains somewhat uncertain. For example, the CSP is beginning to process tentative maps, while the SVSP is still working to obtain its 404 permit and has only been able to develop a small portion (processed through a different 404 permit), although it does have approved tentative maps. In the meantime, the WRSP is continuing to build out.

This analysis applies one single-family and one multifamily capture rate to the Trade Area instead of estimating capture rates by specific plan area. New Economics assigned these planning-level capture rates based on a high-level understanding of remaining development areas within the City. These rates recognize that most new residential development in the City will occur in the West Roseville area, although some of it will occur just outside the Trade Area boundaries (within portions of the WRSP, PVSP, CSP,



etc.), as well as other areas of the City, such as Downtown, Stoneridge, and other infill areas. For purposes of this analysis, New Economics has applied these capture rates to the 5-Year Absorption schedule:

- 75% of single-family development, or 4,005 units; and
- 50% of multi-family development, or 763 units.

**Figure 7** summarizes the capture rates and resulting residential development anticipated to occur over the next five years. Actual development could be higher or lower, depending on market conditions in the West Roseville area and other parts of the City and/or Sacramento Region.

## Planned Development in the Project Trade Area: Retail

### Trade Area Development Capacity

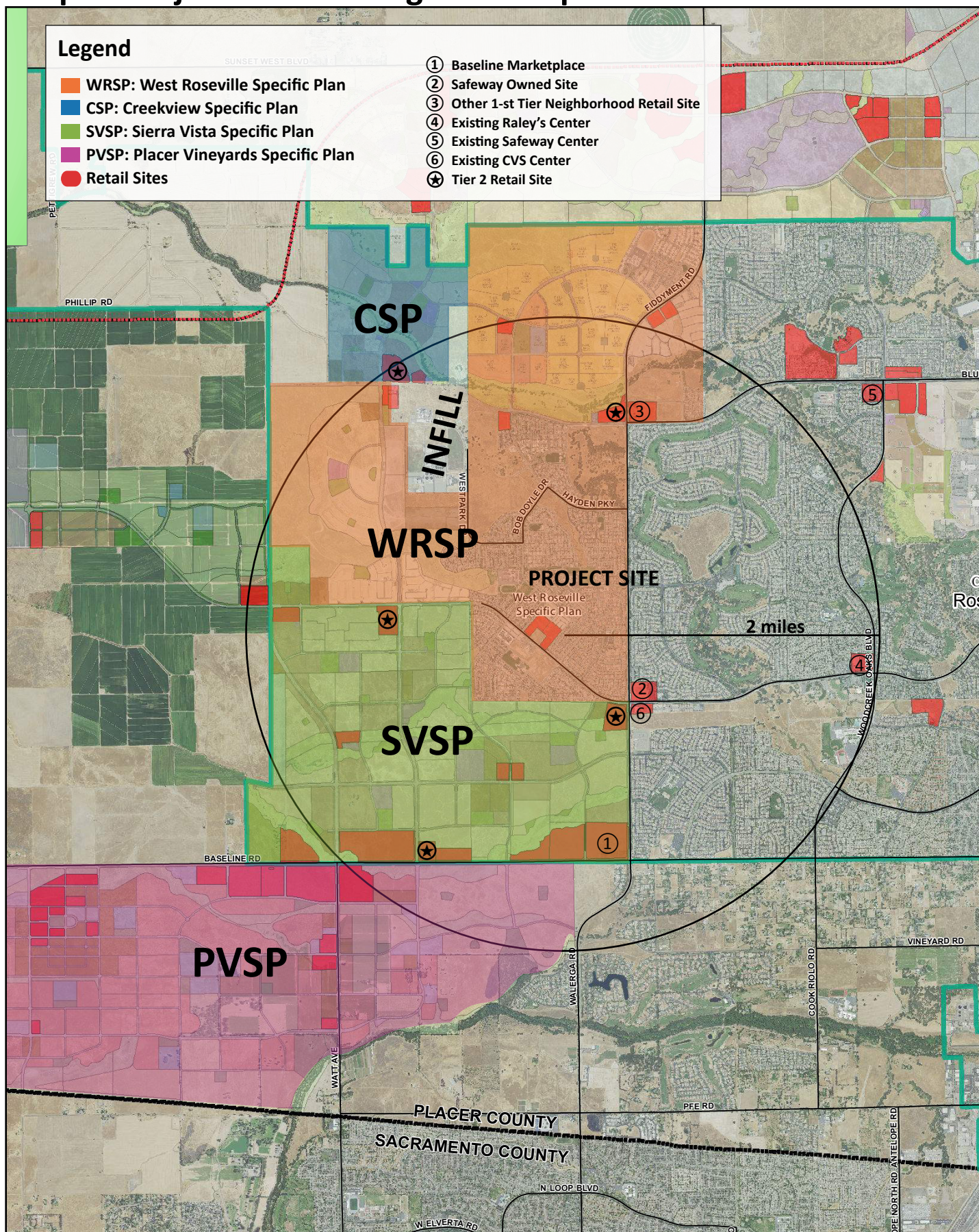
The Project Trade Area contains multiple parcels zoned for retail development. **Map 2** shows the location of these parcels, while **Figures 7** and **9** identify the total building capacity of these parcels for retail and/or office development.

Following a review of the zoning for each non-residential parcel in each respective Specific Plan, New Economics assigned these parcels to neighborhood/community mixed-use retail, other retail (regional retail), or office space. New Economics then applied a standard floor-area-ratio (FAR) of 0.30 to estimate the amount of building square footage that could reasonably fit within that site. In limited cases, such as the Baseline Marketplace, more precise information was available, which New Economics used instead to estimate and assign building square footage by type.

As **Figure 9** indicates, there is a total additional capacity for development of 294.89 commercial acres, of which 143.05 acres could be developed as neighborhood and/or commercial mixed-use retail. This figure *excludes* the Project parcels studied in this analysis.



## Map 2: Project Surrounding Area Map



MacKay & Soms (prepared August 2016)

Additional Adjustments Made by

New Economics & Advisory, August 2016



## Trade Area Capture

**Figure 9** also identifies retail sites that have the strongest likelihood of developing within the next two to five years. These sites were identified using various criteria, including entitlement and/or building approvals, land ownership entity, competitiveness of location, and insights gained from interviews with local real estate professionals.

### *Parcel F-31 (WRSP): 174,458 Square Feet*

This parcel, located at the northeast corner of Blue Oaks Boulevard and Fiddymment Road, is positioned at the corner of two major arterial roads, close to both existing development and new development. The City expects to receive a proposal to develop this neighborhood retail center within the next year.

### *Parcels DF-40-42-- Baseline Marketplace (SVSP): 745,000 Square Feet*

This retail project at the northwest corner of Fiddymment Road and Baseline Road already has approvals and is waiting solely for the 404 Permit associated with the larger specific plan area. It is planned to include 3 big-box retailers of more than 100,000 square feet each (e.g. for department stores, home improvement stores, etc.), a grocery store, three in-line spaces, 14 retail pads, 12 restaurant pads, 1 financial pad, and 3 gas stations. Interviews with local real estate brokers indicated that the Baseline Marketplace will be a regional retail center, but will, de facto, also serve to provide neighborhood retail (grocery, gas station, restaurants, etc.) for nearby residents. This analysis allocates approximately 79,000 square feet—the space associated with the grocery store and ancillary in-line space—to neighborhood retail, although the restaurants, financial space, and other retail pads may well also meet local demand for neighborhood retail within the Project's Trade Area.

### *Parcel DW-21 (Sun City): 107,158 Square Feet*

While the Sun City area is built out, one of the commercial parcels, located at the SE corner of Fiddymment Road and Blue Oaks Boulevard remains vacant. This parcel is owned by Safeway and could develop as a grocery store at any time. In combination with the adjacent CVS (drug store), this site would pose strong competition against local-serving retail at the Project site.

### *Other Competitive Retail Sites*

The Trade Area contains a number of other sites that have highly competitive site attributes:

- C-70 in the CSP is a 15.37-acre site located at the corner of Westbrook and Blue Oaks Boulevard.
- JM-41 in the SVSP is a 15.14-acre site, zoned CC/BP, at the southwest corner of Fiddymment Road and Pleasant Grove.
- WB-42 in the SVSP is a 14.50-acre site located at the southwest corner of Westbrook and Pleasant Grove.

These three sites are all placed at the corner of high-traffic arterial roads that will likely be part of local residents' commute patterns. The size of these sites will also be attractive for small retail users who want to benefit from the synergy generated by a commercial anchor that might include a grocery store, pharmacy, health/fitness, and/or major medical office user.

### *Insights From Real Estate Professionals*

Interviews with real estate professionals also provided the following insights regarding the development of new, local-serving retail in the Project's Trade Area:

- **Gas stations and fast-food pads, which command the highest sources of rent, will likely occur first somewhere else in the Project's Trade Area.** Within the Project's Trade Area, the Baseline Marketplace (at the corner of Baseline and Fiddymont) is the furthest along in terms of development; if new retail development occurs there first it will need to fill up before other neighborhood-serving uses can be added.
- **New commercial development in the West Roseville area remains premature.** New Economics did not disclose the location of the Project site to lenders interviewed for this research effort. Nonetheless, one lender specifically referred to the West Roseville area as a location that it would unlikely participate in retail projects, given the relatively low concentration of households at this time. This statement applied to all types of retail, not just neighborhood retail.
- **There are multiple other sites zoned for commercial development that have stronger locations in the Trade Area.** Retail sites along Fiddymont Road (at the corners of Blue Oaks Boulevard, Pleasant Grove Boulevard, and Baseline Road), as well as other key corners in key growth areas, (such as along Westbrook Boulevard). Brokers asserted that retail users will seek out these sites before they consider locating in the Project.

## **Assessment of Retail Demand and Supply**

New Economics has estimated total retail spending that is generated by households within the Village Center Trade Area (and the square footage that this spending supports) as compared to the existing supply of neighborhood shopping centers within this 2-mile Trade Area. **Figure 10** shows that existing households support approximately 136,400 square feet of neighborhood-serving retail.

Future households in the Trade Area could support an additional 68,900 square feet. These households are expected to be larger (consistent with the City's General Plan estimate of 2.61 persons per household), which is about 2.8 percent larger than the existing average household size (2.54 persons per household). New Economics increased spending per household by 2.8 percent to account for this difference. In addition, Figure 10 shows the development of the potential Oakmont Senior Living Facility, which would

add 80 units of housing for seniors (and could include independent living, assisted living, and or memory care).

In total, existing and planned development provides support for up to 205,0300 square feet of neighborhood-serving commercial space in the Village Center Trade Area.

This retail spending is accommodated by a small amount of retail that already exists within the Village Center Trade Area. Currently, approximately 121,000 square feet of neighborhood-serving retail exists within this area, which includes a CVS Pharmacy at Pleasant Grove Blvd. and Fiddymment Road, and a Raley's-anchored shopping center at Pleasant Grove Blvd. and Woodcreek Oaks Blvd.

As described previously, there is a significant amount of planned retail space that will eventually absorb this unmet demand. As shown in **Figure 10**, approximately 253,500 square feet of neighborhood-serving retail is planned for this area and could develop within a 2- to 5-year time period. Therefore, the demand for retail goods by existing and future households will be more than satisfied by the future shopping centers in the Village Center Trade area, and in fact the potential for a major oversupply of retail exists if all of this retail space comes to fruition. Should all of this household and retail space growth occur, there would be an oversupply of up to 169,100 square feet of local-serving retail space.

Finally, although market dynamics do not favor the Village Center, it remains possible that some local-serving retail could be attracted to the Project. These users would probably be locally- or regionally-based users instead of national tenants and could be included in the site, potentially as ground-floor retail within larger mixed-use buildings. However, the nature of likely tenants and probability of achieving relatively low rents would affect the financial feasibility of the *remainder* of such mixed-use projects. The financial feasibility should be evaluated assuming that the remaining mixed-use components of the Project would need to subsidize the retail component until retail uses can be secured and stabilized.

# Table Set

---

1

**Summary of Neighborhood Retail Market Support**  
**2-Mile Project Trade Area Surrounding the Village Center**

Item	Existing Households Within Project Trade Area	Planned Development Within Project Trade Area	Total Existing and Planned Development
<b>Demand for Local-Serving Retail</b>			
Trade Area Households [1]	9,764	4,848	14,612
Demand for Local Retail Space Within The Trade Area	\$44,462,117	\$22,475,099	<b>\$66,937,216</b>
Average Annual Sales Per Square Foot [2]	\$326	\$326	\$326
<b>Total Supportable Square Feet in the Trade Area</b>	<b>136,387</b>	<b>68,942</b>	<b>205,329</b>
<b>Competing Neighborhood Retail Supply [3]</b>	<b>(120,964)</b>	<b>(253,458)</b>	<b>(374,422)</b>
<b>Net Deficit (Surplus) of Neighborhood Retail</b>	<b>15,423</b>	<b>(184,516)</b>	<b>(169,093)</b>

[1] Planned development households includes the 80-unit Oakwood senior care facility.

[2] Assumes average annual sales-per-square foot factor of \$326, which is the average for neighborhood shopping centers in the U.S., according to the Urban Land Institute. This figure is the latest published from this source (in 2008), but has not been inflated since retail sales have been largely flat since the Great Recession. Planning-level assumption, subject to refinement.

[3] Future retail supply within a 2-mile radius has been quantified with assistance with the City, and is shown in Figure 9.

Source: City of Roseville, Claritas, Costar, Loopnet, US Bureau of Labor Statistics, and the Urban Land Institute

Prepared by New Economics & Advisory, August 2016.

## 2

**Retail Node Attributes**  
*Village Center and Select Comparison Areas*

Category	WRSP Village Center	Retail Node #1 Baseline & Foothills	Retail Node #2 Pleasant Grove & Foothills	Retail Node #3 Cirby & Sunrise	Retail Node #4 Douglas & Harding
Retail Square Footage within Node		204,007	114,598	226,143	379,877
Retail Acreage within Node		34.6	11.2	21.3	62.6
Year Primary Centers Built (Renovated) [1]		1988, 2004	2000, 2006	1983, 2003	1962 (1990), 1971, 1978
Retail Anchors					
Grocery		Bel Air	NA	Safeway; Bel Air	Grocery Outlet; Smart & Final; Trader Joe's
Pharmacy		Rite Aid; Walgreens	NA	Rite Aid	Rite Aid
Other Anchors [2]		O'Reilly Auto Parts	NA	Goodwill	Ace Hardware; The Strum Shop; Any Mountain; Dollar Tree; Incredible Pets; Freestyle Clothing Exchange
Daily Traffic Counts (ADT) [3]	15,911	51,172	69,587	67,117	44,816
Visibility/Adjacency	Interior Site	1.18 mi to Downtown Roseville	Major Neighborhood Intersection	Regional North/South Artery	Adjacent to Freeway on-/off-ramps
Freeway Access	5.39 mi to Rt. 65; 7.61 mi to I-80	Non-Direct Access; 2.71 mi to I-80	2.05 mi to Rt. 65	0.89 / 1.33 mi to I-80	0.20 mi to I-80

[1] Construction years reflect when the primary centers within the retail node were built; some nodes contain multiple properties of varying size and construction dates. Renovation year for a primary center within a node is shown in parenthesis, following the original construction year.

[2] Other Anchors includes retailers of 7,000 SF or more.

[3] ADT shown for WRSP is for the intersection at Pleasant Grove Blvd. and Kirkhill Drive, which is the signalized intersection to the West of the project. A nearby signalized intersection at Pleasant Grove Blvd. and Market Street (to the East of the project) demonstrated ADT of 9,653.

Source: Costar, Google Earth, City of Roseville, and New Economics.

Prepared by New Economics & Advisory, September 2016

3

**Demographics Comparison**

*Village Center and Select Comparison Areas: 2-Mile Radius Trade Areas*

	<u>WRSP Village Center</u>			<u>Retail Node #1</u>	<u>Retail Node #2</u>	<u>Retail Node #3</u>	<u>Retail Node #4</u>
	Current	5-Year		Baseline &	Pleasant Grove		
Category	Conditions	Projected		Foothills	& Foothills	Cirby & Sunrise	Douglas & Harding
Demographic Characteristics: 2-Mile Radius							
Population	24,894	37,928	[1]	47,269	51,222	54,600	46,155
Households	9,764	14,532		17,615	18,746	21,312	18,337
Average Household Size	2.54	2.61	[1]	2.67	2.72	2.52	2.48
Average HH Income	\$99,748	\$100,000		\$81,915	\$95,895	\$74,716	\$77,366
Total Household Retail Spending	\$197.6 M	\$297.5 M		\$301.8 M	\$371.6 M	\$333.1 M	\$298.4 M
Jobs - ESRI Data	1,490	NA		17,485	19,117	31,624	39,940
Jobs - City Business Permit Data	206	NA		5,690	13,132	8,568	11,717

Source: ESRI Business Analyst.

[1] Estimated by New Economics & Advisory by applying the City's General Plan average household size of 2.61.

Prepared by New Economics & Advisory, September 2016



4

**Primary Trade Area Total Household Retail Spending**  
*Village Center and Select Comparison Areas*

		<u>Retail Node #1</u>	<u>Retail Node #2</u>	<u>Retail Node #3</u>	<u>Retail Node #4</u>
<b>Category</b>	<b>WRSP Village Center</b>	<b>Baseline &amp; Foothills</b>	<b>Pleasant Grove &amp; Foothills</b>	<b>Cirby &amp; Sunrise</b>	<b>Douglas &amp; Harding</b>
<b>Household Retail Spending: 2-Mile Radius, Millions [1]</b>					
Food & Beverages Away From Home	\$38.6 M	\$59.2 M	\$73.1 M	\$64.6 M	\$58.2 M
Food & Beverages At Home	\$57.0 M	\$89.1 M	\$108.7 M	\$98.9 M	\$88.6 M
General Merchandise/Apparel/Furnishings/Other	\$76.6 M	\$115.0 M	\$142.6 M	\$126.7 M	\$113.2 M
Other Convenience Goods [2]	\$25.4 M	\$38.4 M	\$47.1 M	\$42.9 M	\$38.3 M
<b>Total Household Retail Spending</b>	<b>\$197.6 M</b>	<b>\$301.8 M</b>	<b>\$371.6 M</b>	<b>\$333.1 M</b>	<b>\$298.4 M</b>

[1] Total retail spending anywhere by households residing within a 2-mile radius.

[2] Other Convenience Goods includes housekeeping supplies, personal care products, 50% of reading materials (50% in Gen Merch), smoking products, and non-prescription drugs and vitamins.

Source: ESRI Business Analyst.

Prepared by New Economics & Advisory, September 2016

## 5

### Annual Taxable Sales per Square Foot Comparison Retail Nodes: 2006 - 2015

List	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Avg. Ann. Change 2006 - 2015	Avg. Ann. Change 2011 - 2015
Retail Node #1: Baseline/ Foothills % Change YOY	\$106.06	\$108.66 2%	\$101.45 -7%	\$98.75 -3%	\$94.90 -4%	\$91.36 -4%	\$91.88 1%	\$93.00 1%	\$94.76 2%	\$104.60 10%	<b>-0.15%</b>	<b>3.44%</b>
Retail Node #2: Pleasant Grove/ Foothills % Change YOY	\$33.41	\$37.93 14%	\$40.53 7%	\$39.79 -2%	\$43.83 10%	\$43.78 0%	\$47.38 8%	\$54.44 15%	\$60.16 11%	\$66.09 10%	<b>7.87%</b>	<b>10.85%</b>
Retail Node #3: Cirby and Sunrise % Change YOY	\$169.07	\$165.02 -2%	\$150.72 -9%	\$140.51 -7%	\$142.37 1%	\$145.03 2%	\$154.45 6%	\$155.30 1%	\$144.24 -7%	\$137.74 -5%	<b>-2.25%</b>	<b>-1.28%</b>
Retail Node #4: Douglas/ Harding Taxable Sales per Sq. Ft.	\$129.66	\$111.73 -14%	\$98.21 -12%	\$97.59 -1%	\$95.56 -2%	\$98.53 3%	\$102.18 4%	\$97.35 -5%	\$101.36 4%	\$107.86 6%	<b>-2.03%</b>	<b>2.29%</b>
<b>AVERAGE</b>	<b>\$109.55</b>	<b>\$105.83</b> -3%	<b>\$97.73</b> -8%	<b>\$94.16</b> -4%	<b>\$94.16</b> 0%	<b>\$94.67</b> 1%	<b>\$98.97</b> 5%	<b>\$100.02</b> 1%	<b>\$100.13</b> 0%	<b>\$104.07</b> 4%	<b>-0.57%</b>	<b>2.39%</b>

Source: City of Roseville.

Prepared by New Economics &amp; Advisory, September 2016

6

**Retail Real Estate Market Indicators**  
*Roseville and Select Comparison Areas*

Sector	<u>Retail Node #1   Retail Node #2   Retail Node #3   Retail Node #4</u>				
	City of Roseville	Baseline & Foothills	Pleasant Grove & Foothills	Cirby & Sunrise	Douglas & Harding
Total Retail Inventory	10,684,725	204,007	114,598	226,143	379,877
12-Month Absorption	40,110	3,229	(1,984)	4,756	4,841
Average NNN Lease Rate	\$1.48	\$1.70	\$1.62	\$1.25	\$1.91
Occupancy	95.3%	98.8%	91.7%	92.0%	88.0%

Source: CoStar, as of August 2016.

*Prepared by New Economics & Advisory, September 2016*

## 7 Remaining Development Capacity Within Village Center Trade Area

Item	Location	TOTAL DEVELOPMENT CAPACITY							
		Residential Uses			Non-Residential Uses				
		SF Units	MF Units	Total	Neighborhood/ CMU Retail	Other Retail	Office Sq. Ft.	Industrial Sq. Ft.	Total
Approved (But Not Yet Built/Remaining Capacity)									
West Roseville Specific Plan (WRSP) [1]	West Roseville	3,683	2,145	5,828	421,966	0	0	1,341,800	1,763,766
Creekview Specific Plan (CSP) [2]	West Roseville	1,020	520	1,540	200,855	0	49,266	0	250,122
Sierra Vista Specific Plan (SVSP) [3]	West Roseville	6,124	2,270	8,394	904,375	1,502,352	1,145,149	0	3,551,876
Placer Vineyards Specific Plan (PVSP) [4] [5]	Uninc. Placer Co.	1,084	105	1,189		326,700	780,160	0	1,106,860
Subtotal Approved [6]		11,911	5,040	16,951	1,527,196	1,829,052	1,974,575	1,341,800	6,672,623
Proposed Projects									
Baseline Marketplace West	part of SVSP				incl. above	incl. above			
Baseline Marketplace East	part of SVSP				incl. above	incl. above			0
Subtotal Proposed		0	0	0	0	0	0	0	0
Planned Projects									
F-31 Parcel Development	part of WRSP				incl. above	incl. above			0
Subtotal Planned		0	0	0	0	0	0	0	0
TOTAL		11,911	5,040	16,951	1,527,196	1,829,052	1,974,575	1,341,800	6,672,623
Years of Absorption at Annual Rate	1370 units/yr citywide			12					

[1] Remaining development as of July 31, 2016. Assumes, as a starting point, that the WRSP Village Center will include 40 HDR units. Non-residential uses are assigned as follows: 48.74 acres of CC with an applied FAR of 0.30 assigned to Neighborhood Retail; no CMU is assigned, as it is the subject of this analysis; and 88.01 acres of industrial and light industrial have an applied FAR of 35%.

[2] There is a segment of the CSP that falls outside of the 2-mile radius surrounding the WRSP Village Center. This figures shows only the portion within the 2-mile radius of the WRSP Village Center.

[3] A small portion of the SVSP has already developed; New Economics coordinated with City staff to identify the number of single-family permits that were finalized as of July 31, 2016. The amount shown here reflects the remaining developable portion. Non-residential uses are assigned as follows: 366,000 square feet of CMU plus one-half of 350,000 square feet of CC/BP to neighborhood/CMU retail; one-half of 350,000 square feet of CC/BP to Office, and 3.1 million square feet of CC to Other Retail.

[4] Includes Phases 1A, 3, and 4A within the approved PVSP Specific Plan. These areas most closely align with the portion of the PVSP within 2 miles of the WRSP Village Center. Retail and office square footage are based on acreage provided in the PVSP Land Use Chapter; New Economics applied a Floor-Area-Ratio of 0.30 for purposes of this analysis.

[5] Although the Placer Vineyards commercial parcels are near the edge of the 2-mile radius from the Project (depending upon the exact point of origin selected), they are included in this analysis since they will likely represent viable competitive retail supply to the Project.

[6] The Regional University Specific Plan (RUSP) is another approved specific plan whose eastern edge falls into the Trade Area. This project is excluded from the analysis because very little of the RUSP falls within the Trade Area and it is expected that this project requires a university partner; the timing of this project remains unknown.

Source: SVSP Specific Plan Chapter 4, Adopted 2010;

Prepared by New Economics & Advisory, September 2016

8

**Estimated New Residential Development Within 5 Years**  
**Within Village Center Trade Area**

**PORTION EXPECTED TO DEVELOP  
WITHIN 5 YEARS**

Item	Location	SF Units	MF Units	Total
<b>RESIDENTIAL DEVELOPMENT</b>				
Total Trade Area Remaining Development Capacity		11,911	5,040	16,951
Average Annual Citywide Absorption (1997-2015)		1,068	305	1,373
5 Years of Citywide Absorption Based on Annual Average		5,340	1,526	6,866
Portion Captured by Trade Area [1]		75%	50%	
<b>Amount Captured by Trade Area [2]</b>		<b>4,005</b>	<b>763</b>	<b>4,768</b>
<b>As a % of Trade Area Remaining Capacity</b>		<b>34%</b>	<b>15%</b>	<b>28%</b>

Source: SVSP Specific Plan Chapter 4, Adopted 2010;

[1] New Economics assigned these planning-level capture rates based on a high-level understanding of remaining development areas within the City. These rates recognize that most new residential development in the City will occur in the West Roseville area, although some of it will occur just outside the Trade Area boundaries (within portions of the WRSP and CSP), as well as other areas of the City, such as Downtown, Stoneridge, and other infill areas. Subject to refinement.

[2] This capture does not include the Oakmont Senior Living Facility, which is a specialized type of development. See Figure 10 for inclusion of this project within the Trade Area.

*Prepared by New Economics & Advisory, September 2016*

# 9 Estimated New Retail Development Within 5 Years Within Village Center Trade Area

Item	Zoning	Acres	TOTAL CAPACITY								RETAIL EXPECTED TO DEVELOP WITHIN 5 YEARS		
			Neighborhood/ CMU				Other (Retail/Office)				Neighborhood/ CMU Retail	Other Retail	Total
			Acres	Sq. Ft.	Other Retail	Other Retail	Office	Office					
					Acres	Sq. Ft.	Acres	Sq. Ft.					
<b>RETAIL DEVELOPMENT</b>													
<b>West Roseville Specific Plan (WRSP) Retail Sites</b>													
Parcel F-6D	CC	5.18	5.18	67,692	-	-	-	-	-	-	-	-	0
Parcel F-30	CC	8.46	8.46	110,555	-	-	-	-	-	-	-	-	0
Parcel F-31 (Community Commercial)	CC	13.35	13.35	174,458	-	-	-	-	-	174,458 [7]	-	-	174,458
Parcel F34	CC	5.30	5.30	69,260	-	-	-	-	-	-	-	-	0
<b>Subtotal WRSP [1]</b>		<b>32.29</b>	<b>32.29</b>	<b>421,966</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>174,458</b>	<b>0</b>	<b>0</b>	<b>174,458</b>
<b>Creekview Specific Plan (CSP)</b>													
C-70	CC	15.37	15.37	200,855	-	-	-	-	-	-	-	-	0
C-71	CC/BP	3.77	0.00	-	-	-	3.77	49,266	-	-	-	-	0
<b>Subtotal CSP [2]</b>		<b>19.14</b>	<b>15.37</b>	<b>200,855</b>	<b>0</b>	<b>0</b>	<b>3.77</b>	<b>49,266</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Sierra Vista Specific Plan (SVSP)</b>													
DF40/41: Baseline Marketplace West [3]	GC	44.85	6.05	79,000	38.80	271,000	-	-	-	79,000	271,000	-	350,000
DF-42: Baseline Marketplace East [3]	GC	40.25	-	-	40.25	395,000	-	-	-	0	395,000	-	395,000
FD-40	CC	7.46	7.46	97,487	-	-	-	-	-	-	-	-	0
FD-41	CMU/SA	5.75	2.88	37,571	-	-	2.88	37,571	-	-	-	-	0
JM-40	CC/CMU	5.67	2.84	37,048	-	-	2.84	37,048	-	-	-	-	0
JM-41	CC/BP	15.14	7.57	98,925	-	-	7.57	-	-	-	-	-	0
KT 40A/B	CMU/SA	23.59	11.80	154,137	-	-	11.80	154,137	-	-	-	-	0
KT-41A/B	GC	55.24	-	-	55.24	721,876	-	-	-	-	-	-	0
KT-42	GC	8.76	-	-	8.76	114,476	-	-	-	-	-	-	0
KT-43	CC-SA	12.25	6.13	80,042	-	-	6.13	80,042	-	-	-	-	0
WB-41	CC	10.00	10.00	130,680	-	-	-	-	-	-	-	-	0
WB-42	CC	14.50	14.50	189,486	-	-	-	-	-	-	-	-	0
<b>Subtotal SVSP</b>		<b>243.46</b>	<b>69.21</b>	<b>904,375</b>	<b>143.05</b>	<b>1,502,352</b>	<b>31.20</b>	<b>1,145,149</b>	<b>79,000</b>	<b>666,000</b>	<b>745,000</b>	<b>745,000</b>	<b>745,000</b>
<b>Placer Vineyards Specific Plan (PVSP) [4] [5]</b>													
Parcel 3	COM	25.00	-	-	25.00	326,700	-	-	-	-	-	-	0
Parcel 4A	PC	59.70	-	-	-	-	59.70	780,160	-	-	-	-	0
<b>Subtotal PVSP</b>		<b>84.70</b>	<b>0.00</b>	<b>0</b>	<b>25.00</b>	<b>326,700</b>	<b>59.70</b>	<b>780,160</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Areas within the PTA</b>													
Sun City Parcel S-58 [6]	COM	8.20	8.20	107,158	-	-	-	-	-	107,158	-	-	107,158
<b>Subtotal</b>		<b>8.20</b>	<b>8.20</b>	<b>107,158</b>	<b>8.20</b>	<b>0</b>	<b>8.20</b>	<b>0</b>	<b>107,158</b>	<b>0</b>	<b>107,158</b>	<b>107,158</b>	<b>107,158</b>
<b>TOTAL RETAIL DEVELOPMENT</b>		<b>294.89</b>	<b>116.87</b>	<b>1,459,504</b>	<b>143.05</b>	<b>1,502,352</b>	<b>34.97</b>	<b>1,194,415</b>	<b>253,458</b>	<b>666,000</b>	<b>919,458</b>	<b>919,458</b>	<b>919,458</b>

[1] Excludes parcels F-32, F-33, and F-81, which fall outside of the Trade Area.

[2] Excludes parcels C-1 through C-4, C-6, C-7, C-50 through C-52, and C-81, all of which fall outside the Trade Area.

[3] For this retail parcel, there are existing site plans. Square footage estimates were taken from these site plans. Parcels 1/ and 10 are assumed to be neighborhood-serving uses for purposes of this analysis (as they have a grocery and adjoining retail user). The site plans for this project, which includes East and West component, show three big-box retailers with a size of over 100,000 square feet each, 3 in-line spaces, 14 retail pad spaces, 12 restaurants, 1 financial pad space, and 3 gas station pads.

For purposes of this analysis, only the grocery space and 1 in-line space attached to the grocery store, are classified as "local-serving." In reality, the restaurants and other retail pads could also be local-serving, depending on the actual retailers that

[4] The Trade Area includes only three parcels of the PVSP: Parcel 1A, 3, and 4A. The remainder of the PVSP falls outside the PTA.

[5] Although the Placer Vineyards commercial parcels are near the edge of the 2-mile radius from the Project (depending upon the exact point of origin selected), they are included in this analysis since they will likely represent viable competitive retail supply to the Project.

[6] This site, located at Blue Oaks/Pleasant Grove (NW Corner), is owned by Safeway. It is possible that Safeway could decide to open a store at this location as more development occurs in the western area of Roseville.

[7] City staff identified the CC parcel at the NE corner of Blue Oaks and Fiddymant as a parcel expected to submit a proposal for neighborhood-based retail development. This analysis assigns an FAR of 0.30 to the F-31 parcel within the WRSP.

Source: SVSP Specific Plan Chapter 4, Adopted 2010;

Prepared by New Economics & Advisory, September 2016

## 10 Summary of Neighborhood Retail Market Support 2-Mile Trade Areas Surrounding the Village Center

Item	Existing Households Within Project Trade Area	Planned Development Within Project Trade Area	Total Existing and Planned Development
<b>Demand for Local-Serving Retail</b>			
Households	9,764	4,768	14,532
Assumed Persons-Per Household	2.54	2.61	
<b>Total Retail Expenditures</b>			
From MF and SF Households [1]	\$197,609,408	\$99,153,330 [2]	<b>\$296,762,738</b>
Oakmont Senior Care Facility [3]	\$0	\$736,000	<b>\$736,000</b>
<b>Subtotal Retail Expenditures</b>	<b>\$197,609,408</b>	<b>\$99,889,330</b>	<b>\$297,498,738</b>
Assumed Percentage at Neighborhood Centers [4]	30%	30%	<b>30%</b>
Amount at Neighborhood Commercial Centers	\$59,282,822	\$29,966,799	<b>\$89,249,621</b>
Assumed Capture Rate [5]	75%	75%	
Expenditures at Neighborhood Centers in Trade Area	\$44,462,117	\$22,475,099	<b>\$66,937,216</b>
Average Annual Sales Per Square Foot [6]	\$326	\$326	<b>\$326</b>
<b>Total Supportable Square Feet in the Trade Area</b>	<b>136,387</b>	<b>68,942</b>	<b>205,329</b>
<b>Competing Neighborhood Retail Supply</b>			
Existing Supply			
Raley's Shopping Center @ 4051 Woodcreek Oaks	(88,053)	0	<b>(88,053)</b>
CVS @ Pleasant Grove Blvd. and Fiddymont Rd.	(17,120)	0	<b>(17,120)</b>
2050 Blue Oaks Road	(15,791)	0	<b>(15,791)</b>
<b>Subtotal Existing Supply</b>	<b>(120,964)</b>	0	<b>(120,964)</b>
Future Supply [7]			
	0	(253,458)	<b>(253,458)</b>
<b>Total Competing Neighborhood Supply</b>	<b>(120,964)</b>	<b>(253,458)</b>	<b>(374,422)</b>
<b>Net Deficit (Surplus) of Neighborhood Retail</b>	<b>15,423</b>	<b>(184,516)</b>	<b>(169,093)</b>

Prepared by New Economics & Advisory, August 2016.

[1] Household spending figures from ESRI. Assumes that future households spend at the same levels as existing households.

[2] Future household spending is adjusted upward by 2.8 percent in order to account for the larger household sizes assumed in future households.

[3] Assumes 80 senior care units, with its residents averaging \$40,000 annual income. Assumes 23 percent of annual income is spent on retail, per the Bureau of Labor Statistics' Consumer Expenditure Survey, 2014.

[4] Assumes retail expenditures and neighborhood shopping centers represent 30% of total retail expenditures. Remaining 70% of expenditures elsewhere, such as community, regional, super-regional shopping centers, or other formats such as online shopping. This is a conservative assumption that has been commonly-accepted in retail market studies for project throughout the West, but is subject to refinement since supporting data is not readily-available.

[5] Assumes that 75% of Trade Area households' retail spending at neighborhood shopping centers occur within the Trade Area.

[6] Assumes average annual sales-per-square foot factor of \$326, which is the average for neighborhood shopping centers in the U.S., according to the Urban Land Institute. This figure is the latest published from this source (in 2008), but has not been inflated since retail sales have been largely flat since the Great Recession. Planning-level assumption, subject to refinement.

[7] Future retail supply within a 2-mile radius has been quantified with assistance with the City, and is shown in Figure 8.

Source: City of Roseville, Claritas, Costar, Loopnet, US Bureau of Labor Statistics, and the Urban Land Institute

## **Appendix A – Supporting Technical Tables**



# A-1

## Annual Residential Absorption City of Roseville, 1997-2015

Item	Residential Units		
	SF	MF	Total
1997	1,688	330	2,018
1998	2,034	440	2,474
1999	1,204	609	1,813
2000	1,393	1,116	2,509
2001	1,456	762	2,218
2002	2,300	914	3,214
2003	1,467	474	1,941
2004	1,015	93	1,108
2005	826	165	991
2006	752	48	800
2007	1,050	103	1,153
2008	676	308	984
2009	602	49	651
2010	635	0	635
2011	411	0	411
2012	663	0	663
2013	528	224	752
2014	664	164	828
2015	927	0	927
Average	1,068	305	1,373
5 Years at Average Pace	5,340	1,526	6,866

Source: CIRB/CHF

Prepared by New Economics & Advisory, September 2016

## A-2

### Consumer Price Index Changes

Year	Annual Average	Annual Change (Starting 2005)			Annual Change (Starting 2015)	
		Amount	%	Cumulative	Starting 2015	Cumulative
2005	195.3	N/A	N/A	N/A	-3.23%	-17.60%
2006	201.6	6.3	3.23%	3.23%	-2.85%	-14.94%
2007	207.342	5.742	2.85%	6.17%	-3.84%	-12.52%
2008	215.303	7.961	3.84%	10.24%	0.36%	-9.16%
2009	214.537	-0.766	-0.36%	9.85%	-1.64%	-9.48%
2010	218.056	3.519	1.64%	11.65%	-3.16%	-8.00%
2011	224.939	6.883	3.16%	15.18%	-2.07%	-5.10%
2012	229.594	4.655	2.07%	17.56%	-1.46%	-3.13%
2013	232.957	3.363	1.46%	19.28%	-1.62%	-1.71%
2014	236.736	3.779	1.62%	21.22%	-0.12%	-0.12%
2015	237.017	0.281	0.12%	21.36%	N/A	N/A
<b>Average Annual Growth Rate</b>			<b>1.95%</b>			

Source: Consumer Price Index

Prepared by New Economics & Advisory, 2015.