

## **APPENDIX B**

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CBRE Letter





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March 17, 2011

Mr. David Mohlenbrok  
City of Rocklin  
3970 Rocklin Road  
Rocklin, CA, 95677

Dear Mr. Mohlenbrok:

In light of comments received on the Second Partially Recirculated Draft EIR ("SPRDEIR") and the additional traffic analysis prepared by LSA Associates ("LSA") to address the comments, CBRE Consulting submits the following additional review and economic impact analysis for the Rocklin Crossings Shopping Center (the "Center").

As a result of a lawsuit and subsequent Superior Court of Sacramento proceedings, CBRE Consulting revised and updated its **2006 Rocklin Crossings Economic Impact Analysis** to address specific issues raised by the Court ruling. In its revised report included as Appendix C to the SPRDEIR, CBRE Consulting reexamined the previous economic impact and urban decay analysis in light of the court's determination that the conclusions of that earlier analysis were seemingly in conflict with the FEIR's traffic distribution analysis, which indicated that 40% of Center traffic will travel to/from the Center site along the I-80 corridor from points south of Rocklin Road, including from Roseville.

In particular, as the Draft EIR analysis prepared in 2006 had simply identified travelers passing through Rocklin on Interstate 80 as the tertiary market, CBRE Consulting re-examined and redefined the tertiary market area to specifically include residents of Roseville and portions of Rocklin, as well as other travelers passing through Rocklin on I-80 and shoppers via pass-by trips. Based on this refined tertiary market, CBRE Consulting assumed that residents coming from tertiary markets will generate 10% of the Center's sales, whereas the Draft EIR analysis prepared in 2006 assumed the tertiary market area represented 5% of sales. Such a revised assumption was consistent with the revised traffic analysis, which indicated that many shoppers do visit retail projects (especially those located adjacent to a freeway off-ramp) by pass-by trips. Ultimately, moreover, CBRE Consulting and the City concluded that, based on factors such as current market conditions, potential for and duration of diverted sales and backfilling potential of vacant stores, the development of Rocklin Crossings is not expected to lead to urban decay, which is physical deterioration so prevalent and substantial that it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community (see SPRDEIR, p. 5-89).

The SPRDEIR's revised traffic analysis also specifically focused on responding to the Superior Court's concern and thus revisited the prior analysis regarding traffic traveling to/from the Center site *along*

the I-80 corridor from points south of Rocklin Road. The revised analysis indicated that 10% of those trips would most likely end or originate in the City of Roseville. Two commenters (attorney Keith G. Wagner and traffic engineer Daniel T. Smith), however, writing on behalf Rocklin Residents for Responsible Growth, pointed out that some of the 19% of model distributed Center oriented southward on Sierra College Boulevard would also be destined south of the Rocklin City limits (see Comment 5-53). As noted by LSA and confirmed by the City, such an assumption was correct; and the City is revising both the text in the SPRDEIR related to trip distribution and Exhibit 4.2-6 from the SPRDEIR in order to show details of the sources of this traffic south of Rocklin City limits on Sierra College Boulevard. As the modified exhibit shows, a total of 6% of project trips will originate in that portion of Roseville that would access the Center site via Sierra College Boulevard rather than I-80. When this figure (6%) is added to the 10% of project trips coming from portions of Roseville that would access the project site from the I-80 corridor, the resulting *total* number of project trips coming from *anywhere* in Roseville is 16%.

We have reviewed the proposed revisions to the trip distribution discussion in the SPRDEIR and the revised Exhibit 4.2-6, which shows that some of the trips reaching the Center site by traveling north along Sierra College Boulevard do originate in Roseville. We find that this clarification does not alter the conclusions of the Economic/Urban Decay analysis. The conclusion in the Economic/Urban Decay analysis that the tertiary market would account for 10% of the Center's sales includes consideration of shoppers and economic activity; but, unlike the traffic analysis, it does not consider other traffic categories such as employees or vendors. Thus, it is logical and likely that the traffic analysis would identify more trips originating in Roseville than can or must be accounted for in the economic analysis on this basis. Furthermore, because the traffic distribution modeling process does not recognize specific brands of retailers (e.g., Walmart and Home Depot), it is logical and likely that the traffic analysis could show more shoppers drawn from the Roseville area than the economic analysis, which determines the effect of the various existing and reasonably anticipated locations of specific brands and tenants on the likelihood of potential shoppers patronizing the Center.

Furthermore, the assumption that the tertiary market area will only comprise 10% of the Center's sales results in a more conservative (i.e., higher) estimate of the potential for diverted sales (i.e., impact on existing retailers) than would be the case if a higher tertiary market percentage was assumed. The following explanation supports this statement. Based on the assumption that the tertiary market area represents only 10% of demand at Rocklin Crossings, CBRE Consulting's methodology assumed that the primary and secondary market areas will have to generate 90% of the Center's sales (\$230.3 million total Center sales x 90% = \$207.3 million in 2016 dollars, as shown on Exhibit 4 of the Economic/Urban Decay analysis). Then, in order to estimate the potential diverted sales, CBRE Consulting subtracted from the \$207.3 million: (1) the Center's potential capture of new demand from population growth; and (2) recapture of 50% of the existing leakage. The resulting remainder is shown in Exhibit 25 of the Economic/Urban Decay analysis where "sales diverted from existing retailers" was estimated at \$120.8 million (2016 dollars).

By comparison, if CBRE Consulting had assumed instead that the tertiary market was a higher percentage of total demand, say 15%, that would mean the primary and secondary market areas would have to generate only 85% of total Center sales (\$230.3 million x 85% = \$195.8 million, compared to the \$207.3 million used in the Economic/Urban Decay analysis). If one were to substitute that assumption in Exhibit 25, the sales diverted from existing retailers would decline to \$112.1 million (from \$120.8 million). In other words, at 90%, the primary and secondary market will need to be the source of more sales at the Center than if an 85% assumption was used. And, when

there is an oversupply of retail space (as is the case), this means there would be a greater potential for diverted sales from existing primary and secondary market area retailers (at 90% vs. 85%). The Economic/Urban Decay analysis used the higher diverted sales amount (\$120.8 million) and was still able to conclude that urban decay is not likely to occur.

An underlying assumption here is that consumers in the tertiary market reside in a relatively large area, ranging from nearby Roseville and portions of Rocklin, to points much further away such as in the San Francisco Bay Area where travelers to Reno/Tahoe on I-80 may stop to patronize the Center on their way to/from their destination. In effect, 10% of the Center's sales will originate from customers coming from such a broad region that their impact on existing retailers where they live should be highly diluted and therefore minimal.

Therefore, notwithstanding the traffic analysis' indication of additional traffic from Roseville on Sierra College Boulevard, by employing a 10% tertiary market, the Economic/Urban Decay analysis is appropriately conservative (that is, on the high-side) in its assessment of likely impacts on existing market area retailers.

The relative handful of trips coming from Roseville along Sierra College Boulevard, therefore, does not change any of CBRE Consulting's conclusions, as set forth in the SPRDEIR. Some Roseville residents would shop at the Center for various reasons, including: (a) they want to visit a new center to find out what it looks like and what it has to offer; (b) they are attracted to its non-anchor tenants, such as restaurants or specialty shops not found closer to home; or (c) they are already traveling to a destination that takes them close enough to Rocklin Crossings to make it convenient to stop at the Center. But due to the prevalence of retail in Roseville, the Center is not expected to generate significant sales from residents of Roseville. In light of these conclusions, the acknowledgement of project traffic trips originating in Roseville due to trips on Sierra College Boulevard does not change the ultimate conclusion of the Economic/Urban Decay analysis that development of the Project is unlikely to lead to urban decay.

Sincerely,



Elliot R. Stein, Principal  
Stein Consulting



Amy L. Herman, AICP  
Senior Managing Director

