5 ECONOMIC IMPACT AND URBAN DECAY ANALYSIS

5.1 INTRODUCTION

The section incorporates the information contained in the *Rocklin Crossings Revised and Updated Economic Impact and Urban Decay Analysis, Rocklin, California* (Economic Impact and Urban Decay Analysis) prepared for the proposed project by CBRE Consulting, Inc. on August 2, 2010. The complete analysis is included as Appendix C in this SPRDEIR.

CONSIDERATION OF SOCIOECONOMIC IMPACTS

The CEQA Guidelines define the parameters under which the consideration of socioeconomic impacts is included in an environmental evaluation. CEQA Guidelines Section 15131 states that “[e]conomic or social information may be included in an EIR or may be presented in whatever form the agency desires.” Further, Section 15131(a) of the Guidelines states that “[e]conomic or social effects of a project shall not be treated as significant effects on the environment. An EIR may trace a chain of cause and effect from a proposed decision on a project through anticipated economic or social changes resulting from the project to *physical changes* caused in turn by the economic or social changes [emphasis added]. The intermediate economic or social changes need not be analyzed in any detail greater than necessary to trace the chain of cause and effect. The focus of the analysis shall be on the physical changes.” CEQA Guidelines Section 15131(b) also provides that “[e]conomic or social effects of a project may be used to determine the significance of physical changes caused by the project.”

In the case of the proposed project, concern has been expressed that the location of a major new retail establishment could, through its economic effects, result in secondary environmental impacts. “Urban decay” is the term commonly used to describe the physical effects that can result when new retail uses cause existing business closures and physical deterioration of the areas in which such businesses are located.

In recent years, the California Courts have identified the term “urban decay” as the physical manifestation of a project’s potential socioeconomic impacts and have addressed when it is appropriate to analyze the potential for urban decay in environmental documents for large retail projects. The leading case is *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4^{th} 1184, in which the court set aside two environmental impact reports for two proposed Wal-Mart projects that would have been located less than five miles from each other. This was the first court decision to use the term “urban decay”, as opposed to the term “blight”. The court quoted “experts [who] are now warning about land use decisions that cause a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.” (Id. at p. 1204.) 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). The *Bakersfield* court also described the circumstances in which the duty under CEQA to address urban decay issues arises.

Accordingly, there are two pertinent questions to be asked with regard to the effects of the proposed project in terms of this economic impact and urban decay analysis: 1) would the proposed new retail use result in sales losses at existing retail establishments that are sufficiently large to force some to close; and 2) would the affected closed stores stay idle long enough to create physical changes that could be defined as urban decay? The potential environmental impacts of shifts in retail sales from existing retail establishments to the proposed project may be deemed to be significant if the project:

- Is projected to result in economic or social changes from the project that would cause substantial and adverse physical changes; or
- Would cause urban decay.

Unless these criteria are met, impacts such as potential store closures and the potential shift of retail jobs, would not be deemed to be significant under CEQA. While the City may determine outside the context of CEQA that the effects of the proposed project on existing projects need to be taken into consideration in evaluating the overall policy merits of the proposed project, this SPRDEIR does not identify a significant impact under CEQA unless the aforementioned criteria are met.

STUDY BACKGROUND

Rocklin Crossings, LLC is seeking to develop Rocklin Crossings (referred to as “the Center” or “Rocklin Crossings”), a proposed approximately 543,500-square-foot retail shopping center. As of the date of this analysis, Rocklin Crossings, LLC has not identified all of the tenants for the Center. The Center is planned to contain a 231,353-square-foot Superstore (including a 25,353 square-foot garden center) and a 141,038-square-foot Home Improvement store (including a 34,760-square-foot garden center) as the anchor tenants. Walmart is under consideration for the Superstore space and Home Depot is under consideration for the Home Improvement space. Other large tenant spaces available are 30,000 square feet anticipated for a crafts/art goods type retailer (e.g., a Michael’s-type store), 30,000 square feet anticipated for an electronics retailer, and 25,000 square feet anticipated for a pet store (e.g., Petsmart). There are 25,000 square feet of pad sites anticipated for restaurants and 6,600 square feet of pad space anticipated for two banks. Other smaller tenant spaces are incorporated in the plan for the Center including 54,509 square feet where specific tenants have not yet been identified.

Timing of construction and tenant occupancy is uncertain at this time, due primarily to the state of the economy, local real estate market conditions, and related credit market conditions. The developer’s best estimate is that Phase I (two anchors) is anticipated to complete construction and open in Spring 2013. Phase II, planned to include another 108,000 square feet of space, is estimated to be completed in Spring 2015. The final phase of 63,000 square feet is projected for opening in Spring 2017. For the purpose of this analysis, and to be conservative, the first full year of operations is assumed to be 2016 when some 89% of the Center’s gross leasable area is assumed to be occupied. Further discussion and support for this assumption appears in Section 5.2, Projected Sales and Market Area Definition, presented below.

STUDY TASKS

Several steps were performed during the course of preparing the economic impact and urban decay analysis. In brief, these steps included the following:

- Coordinated with traffic consultant LSA Associates ("LSA") to provide mutual assistance for purposes of defining market areas for both the updated economic impact and urban decay analysis and updated traffic study;
- Defined the primary and secondary market areas based on review of prior determinations and assessment of newly available information, including information obtained from LSA;
- Identified major competitive retailers in the market area;
- Conducted fieldwork to evaluate existing market conditions;
- Estimated the planned Center's sales;
- Collected and analyzed market area taxable retail sales;
- Conducted retail sales leakage analysis for the primary market area and the secondary market area;
- Estimated the share of the Center's sales to be generated by the primary and secondary market areas versus tertiary demand;
- Estimated the maximum Center impacts on existing primary market area retailers;
- Estimated the share of the Center's sales likely to be new to the primary market area;
- Assessed the competitiveness of existing primary market area stores and likely Center impacts;
- Identified planned retail projects in the market area;
- Assessed the cumulative impacts of planned retail projects in the primary market area;
- Assessed the extent to which opening of the Center may or may not contribute to urban decay;
- Prepared a first comprehensive draft of the overall economic impact and urban decay analysis;
- Shared the first draft with LSA and City staff to identify any potential differing assumptions or conclusions between preliminary drafts of the economic impact and urban decay analysis and the traffic studies; and
- Made minor revisions to the document based on input received from LSA and City staff.

STUDY RESOURCES

Many resources were relied upon for the economic impact and urban decay analysis, including the cities of Rocklin and Auburn as well as Placer County. Additional study resources included the Sacramento Area Council of Governments for population estimates and projections for the primary market area, and taxable sales data generated by the State of California Board of Equalization. Demographic resources prepared by Claritas, Inc., a national provider of demographic and economic data, were relied upon for mean household income trend data. Claritas also provided population estimates and projections for the unincorporated parts of the secondary market area.

Business-specific data identifying retailers in the market area and beyond were obtained from the Shopping Center Directory for the Western United States, Claritas, Inc., and other sources. Inflationary adjustments were made based upon the Consumer Price Index for all urban consumers in the State of California. Retailer 10-K's on file with the Securities and Exchange Commission were relied upon for individual retailer performance indicators. Retail Maxim's *Perspectives on Retail Real Estate and Finance* was used to determine appropriate sales per square foot data for specific retail categories. Finally, local commercial real estate brokers provided insight and information.

METHODOLOGICAL DISCUSSION REGARDING MARKET AREA DEFINITION

Based on the Court's finding of inconsistency between the EIR's traffic and economic impact and urban decay analysis, CBRE Consulting spoke with LSA Associates and Rocklin Crossings LLC's project management, as well as City staff, in an effort to review all pertinent data and issues that may affect the appropriate assumptions as to the market area definition used in the economic impact and urban decay analysis. The following statement in the Court's ruling was carefully considered: "The Court is persuaded that there is a substantial inconsistency between the Draft EIR's discussion of the 'market area' that will be served by the Project and the (revised) Draft EIR's traffic distribution calculations. Whereas the Draft EIR's market area study essentially concludes that the Project is not expected to generate significant sales from Roseville shoppers, the traffic study nevertheless assumes that significant amounts of the Project-related traffic (approximately 40%) will travel on Interstate 80 to/from the direction of Roseville."[1]

As will be explained in Section 5.2, Projected Sales and Market Area Definition, the market area for economic impact analysis purposes is defined as the area from which the majority of demand (i.e., sales) would be generated for businesses located in the proposed Center. The outline of the market area is intended to only incorporate the residential location of customers who would likely patronize the Center's stores and services. By definition, it does not include the locations of: (a) all employees who would drive to/from the Center; (b) all vendors who would travel to/from the center to deliver merchandise or to provide services during the ongoing operation of the Center; or (c) shoppers who would visit the project site via "pass-by trips" on their way to other destinations. For example, while some future employees of the Center may reside close enough to fall within its market area, others are likely to live further away. The latter group would generate traffic on Interstate 80 and other arterials serving the Center even though, of course, they do not reside within the Center's market area. Pass-by trips, moreover, are very difficult to predict from an economists' standpoint, and probably are a very minor factor in any event with respect to economic and urban decay impact potential.

Interaction with both LSA Associates and retail marketing experts with Rocklin Crossings, LLC, confirmed that substantial percentages (23% to 48% according to Institute of Transportation Engineers Trip Generation Manual 8th Edition) of shoppers do indeed visit successful retail projects (especially those located adjacent to a freeway off-ramp) through pass-by trips. Such persons may be making a temporary departure from travel on I-80 as part of a relatively lengthy trip (for example, from San Francisco to Reno or from employment in Sacramento County to a residence in Auburn) or as part of a much shorter trip (say, Roseville to Auburn).

[1] "Consolidated Ruling After Hearing," Rocklin Residents v. City of Rocklin, February 19, 2010, p. 10.

Thus, it is entirely possible, and indeed very likely, that considerable numbers of people residing outside the defined primary and secondary market areas will stop at the project site on their way somewhere else. Many such persons would not visit the site under a different scenario, where they were leaving their homes with the single purpose of shopping at the most conveniently located comparable Walmart or Home Depot. As LSA Associates explained to CBRE Consulting, traffic models account for these pass-by trips, which are validated by empirical data and reflect the real world experience (and financial data) of retailers. These traffic studies, with their computer models, discern such trips without having to try to account, as an economist would want to try to do, for the economic motivations behind individuals' decisions to make a temporary stop at a Walmart or Home Depot on the way somewhere else. Obvious examples would be winter skiers or summer recreationalists headed to Tahoe stopping to stock up on items related to their trip or commuters stopping to buy groceries or other items on their way to or from work. For all of these reasons, it is not surprising that the market area used in the Rocklin Crossings economic impact and urban decay analysis is more narrowly defined than the "source of traffic generation" area used in the traffic analysis. Simply stated, the traffic impact analysis is concerning itself with a broader set of considerations vis-à-vis the economic analysis.

Furthermore, although CBRE Consulting coordinated as much as possible with LSA Associates and benefited considerably from insights received through such coordination, CBRE Consulting nevertheless had to resist the temptation, which would have required professionally questionable speculation, to try to impose economic analysis on the origins of all vendors, employees, and pass-by trips. There is simply no available methodology or commonly accepted method for doing so. Fortunately, these particular kinds of trips are largely irrelevant to the fundamental task at hand in this economic analysis: determining whether the project will cause or contribute to "urban decay." The Center does not threaten retail outlets in Sacramento or San Francisco, even though some residents of these two cities and points in between may visit the project site, through pass-by trips, from time to time. The amount of competition felt by stores in those cities would be negligible. Nor does CBRE Consulting believe that the number of employee, vendor, or pass-by trips originating in Roseville or in any part of the primary, secondary, or tertiary market areas is significant for purposes of analyzing the urban decay potential of this project.

5.2 PROJECTED SALES AND MARKET AREA DEFINITION

CBRE Consulting's findings relative to the anticipated retail sales for the proposed Center are presented below. These include estimates of the total sales generated by the Center by type of retail. In addition, this section identifies the anticipated primary market area for the Center, i.e., the area from which the majority of retail demand is likely to originate. Also included are definitions of secondary and tertiary market demand.

ROCKLIN CROSSINGS DESCRIPTION

The Center comprises approximately 543,500 square feet of retail space. This new space would be developed on a 49.5-acre site. While the project developer Rocklin Crossings, LLC has not identified all of the specific retail tenants, it has identified a Superstore and Home Improvement store as the proposed anchor tenants. A Walmart and a Home Depot are under consideration for the anchor spaces. Targeted retail sales categories have been identified for much of the remaining shopping center space. The prospective tenants or tenant types are identified in Tables 5-1 and 5-2.

The majority of the retail space, approximately 69 percent, would be dedicated to the two anchor tenants, a Superstore and a Home Improvement store. Mini-anchor tenants with approximately 25,000 to 30,000 square feet each are contemplated to include an art goods/crafts store, an electronics store, and a pet store. Restaurants are projected to make up 25,000 square feet of the total space. The balance, 10 percent of the total, would include additional retail categories.

PROJECTED ROCKLIN CROSSINGS SALES

APPROACH

In order to determine the annual sales performance of the proposed Center, CBRE Consulting developed assumptions based on information available in either individual store 10-K reports filed with the Securities and Exchange Commission or Retail MAXIM's *Perspectives on Retail Real Estate and Finance, July 2009*. The 10-K reports typically include total store square footage and total sales; spreading the sales across the square footage results in national average sales per square foot performance. The Retail MAXIM publication provides average sales per square foot figures for many national retailers and aggregates the data by specific retail categories. While not all retailers for the Center have been identified, targeted retail categories for most of the spaces are proposed. For these, CBRE Consulting prepared sales estimates based on representative retailer information provided by the Retail MAXIM publication. In most cases, this includes the average reported for the retail category. For the unknown retail space, a generally accepted industry standard average sales per square foot was assumed.

Table 5-1
Proposed Rocklin Crossings Type of Retail and Associated Square Feet[1]

Retailer	Retail Space (Sq. Ft.)	Percent Distribution
Superstore 231,35	3	42.6
Home Improvement	141,038	25.9
Gifts, Art Goods, Novelties Stores	30,000	5.5
Electronics Store	30,000	5.5
Pet Store	25,000	4.6
Restaurants 25,000		4.6
Unknown Retail	54,509	10.0
Banks 6,600	_____ 1.2	___
Total	**543,500**	**100.0**

1. Refer to Table 5-28
Sources: CBRE Consulting.

Table 5-2
Development Program Summary[1], Rocklin Crossings

Retail Space		Estimated Square Feet
Anchor Tenants		
	Supercenter (2)	231,353
	Home Improvement (3)	141,038
Other Possible Tenants (4)		
	Gifts, Art Goods, and Novelties Stores	30,000
	Electronics	30,000
	Pet Store	25,000
	Unknown Retail (5)	54,509
Pad Sites (4)		
	Restaurants	25,000
	Two Banks (6)	6,600
Total Development		**543,500**

Notes:

(1) Based on information provided by Rocklin Crossings, LLC.

(2) Walmart is under consideration for this space. Includes garden center at 25,353 square feet.

(3) Home Depot is under consideration for this space. Includes garden center at 34,760.

(4) Specific retail tenants have not been identified for the entire project; however, prospective types of tenants are identified for the majority of space based upon the applicant's marketing goals and efforts for the project.

(5) Unknown retail is assumed to include stores in the California Board of Equalization category of "other retail stores"; which includes packaged liquor stores, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationery and books, jewelry, office supplies, computer stores, second-hand merchandise, farm and garden supply stores, and miscellaneous other retail stores.

(6) Average square feet for banks taken from Dollars & Cents of Shopping Centers: 2008.

Sources: Rocklin Crossings, LLC; Dollars & Cents of Shopping Centers: 2008 by ULI; and CBRE Consulting.

Rocklin Crossings, LLC anticipates that Phase I (two anchors) is estimated to be completed in Spring 2013. Phase II, an additional 108,000 square feet of shop space, would be completed and open by Spring 2015. A final phase of 63,000 square feet is projected for opening in Spring 2017. For the purpose of this analysis, and to be conservative, the first full year of operations is assumed to be in 2016 when some 89% of the Center's gross leasable area is assumed to be occupied. This is conservative because it assumes the near-equivalent of a fully functioning center before such a fully functioning center is likely to be available. Thus, impacts are assumed to start occurring sooner than might be the case. Stabilized sales are usually not expected to occur the first year of store operations, but rather the second or third year, which is typical of new retail operations. With respect to the anchors that could open as soon as 2013, it is quite possible that the two stores could take two to three years to reach the stabilized level of sales per square foot used in this analysis. Because it is necessary to choose a point in time to assess the Center's economic impacts, CBRE Consulting believes, for the reasons stated above, that 2016 represents the best choice of a relevant year. Also, after completing this revised and updated economic impact and urban decay analysis, CBRE Consulting concludes that while there may be some impacts during the 2014-2016 period (i.e., diverted sales from existing retailers in selected retail categories), they are not expected to change this study's conclusions about the likelihood of urban decay. Thus, all sales estimates were projected to 2016 using actual inflation rates where relevant or a projected annual inflation rate of 3.0 percent, as appropriate. CBRE Consulting used the resulting sales per square foot figures to estimate annual sales based on the total square feet for each retailer or targeted retail category.

PROJECTED SALES

CBRE Consulting's estimate of store and Center sales are documented in Table 5-3. Since Walmart and Home Depot are under consideration for the anchor spaces, sales per square foot estimates were taken from those companies' actual average sales results. The results presented indicate a Superstore sales estimate in 2016 of $519 per square foot. As presented in Table 5-3, this results in a Superstore sales estimate of $120.2 million. The Home Improvement store sales estimate in 2016 is $341 per square foot resulting in $48.1 million in sales. The sales at the balance of the Center are anticipated to bring total Center sales to $230.3 million in 2016.

PROJECTED SALES BY CATEGORY

The new sales generated by the Center would be spread across many store merchandising categories due to the range of retailers anticipated. It is necessary to allocate the Center's sales into appropriate retail categories to determine the potential impact on those specific categories. The sales data source for this study is the State of California Board of Equalization ("BOE"), which reports taxable sales by retail category for cities and counties. To maximize the use of these data it is important to use the BOE's defined retail sales categories for analytical purposes. Accordingly, CBRE Consulting's analysis is benchmarked to these categories and the sales reported by the BOE (with some adjustments, as noted in the following section). These categories, as typically reported for cities, include the following:[2]

[2] More refined categories are reported for counties and are available upon special request for cities. For the purpose of this study, the more refined categories were not deemed necessary.

- Apparel Stores
- General Merchandise Stores
- Food Stores
- Eating and Drinking Places
- Home Furnishings and Appliances
- Building Materials
- Motor Vehicles and Parts
- Service Stations
- Other Retail Stores[3]

In general, the BOE records a retailer's sales in only one sales category. However, a more detailed breakdown of sales is optimal for the potential Walmart for analytical purposes. The BOE will record the potential Walmart's sales in the general merchandise category. However, the Walmart's sales will also impact the apparel, food stores, home furnishings and appliances, and other retail stores categories as well. As a result, CBRE Consulting allocated the potential Walmart's sales to those categories based on assumptions detailed in Table 5-4.[4] The additional detail provided by this level of analysis enables better understanding of the types of retail sales to be generated by the Center, and their potential impact on specific retail categories.

Table 5-5 attributes sales to the appropriate categories and sums the total sales of the Center by BOE retail category. The results are summarized in Table 5-6.

The following section discusses the anticipated origin of these sales relative to a defined market area for the Center. This is a prelude to subsequent analysis examining the potential for any of these sales to occur to the detriment of existing retailers and the potential, if any, to result in urban decay pursuant to any resulting vacated retail spaces.

[3] Other retail stores include a wide range of retailers, such as pet supplies, office supplies, garden stores, sporting goods, jewelry, florists, and gifts.
[4] CBRE Consulting matched Walmart sales categories with BOE retail categories based upon published data generated by Walmart, Inc. and the application of select assumptions based upon CBRE Consulting's knowledge of Walmart merchandise categories.

Table 5-3
Estimate of Rocklin Crossings Shopping Center Sales, 2016

Retail Store or Category (1)	Estimated Square Feet	Average Sales Per Sq. Ft. 2008 (2)	Average Sales Per Sq. Ft. 2016 (3)	Estimated Store Sales 2016
RETAILER IDENTIFIED				
Supercenter	231,353	$428 (4)	$519	$120,153,016
Home Improvement	141,038	$281 (5)	$341	$48,117,706
RETAILER NOT IDENTIFIED				
Gift, Art Goods, and Novelties Stores	30,000	$124 (6)	$150	$4,496,762
Electronics	30,000	$508 (7)	$614	$18,422,219
Pet Store	25,000	$179 (8)	$216	$5,409,412
Restaurants	25,000	$375 (9)	$453	$11,332,566
Unknown Retail	54,509	$340	$411	$22,402,893
Bank	6,600	N/A	N/A	N/A
TOTAL	**543,500**		**$424**	**$230,334,574**

Notes:

(1) Rocklin Crossings, LLC provided information on the type and square feet of anticipated retailers.

(2) CBRE Consulting relied on Retail MAXIM's July 2009 report of 2008 retail sales per square foot estimates, which also includes averages for different categories of retailers. For all unidentified retail, CBRE Consulting assumed an average sales of $340 per square foot in 2008 dollars.

(3) Adjusted for inflation based on the consumer price index for all urban consumers in California as defined by the U.S. Department of Labor Bureau of Labor Statistics. Inflation for the 2008-09 period is -0.3 percent; inflation for the February 2009 - February 2010 period is 1.6 percent. Assumed an annual rate of 3.0 percent between 2010 and 2016.

(4) Since Walmart is under consideration for this space, the average sales per square foot is actual for Walmart. Sales per square foot estimated from Walmart 10-K report for fiscal year 2009 and adjusted for inflation based on above assumptions for 2009 onward.

(5) Since Home Depot is under consideration for this space, the average sales per square foot is actual for Home Depot, per the Home Depot Inc. Annual 10-K Report, filed March 25, 2010, as well as per Retail MAXIM, and adjusted for inflation based on above assumptions from 2009 onward.

(6) Average sales per square foot of the gifts, hobbies, fabrics category, per Retail MAXIM.

(7) Average sales per square foot of the electronics category, per Retail MAXIM.

(8) Average sales per square foot of the pet supplies category, per Retail MAXIM.

(9) Average sales per square foot of the casual dining and family dining categories, per Retail MAXIM.

Sources: Table 5-2; Rocklin Crossings, LLC; Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2009; State of California's Division of Labor Statistics and Research; Walmart, Inc. Annual 10-K report for fiscal year 2009; Home Depot Inc. Annual 10-K report for fiscal year 2009; and CBRE Consulting.

Table 5-4
Estimated Distribution or Walmart Store Sales by Board of Equalization (BOE) Category, 2009

Walmart Sales Categories	Percent of Sales (2)	BOE Sales Categories (1) Allocation of Walmart Sales into State Board of Equalization Categories (2)				
		Apparel	General Merchandise (3)	Food Stores	Home Furnishings and Appliances	Other Retail
Grocery (4)	51.0%	-	6.0%	45.0%	-	-
Health and Wellness	10.0%	-	10.0%	-	-	-
Apparel, Shoes, & Jewelry (5)	10.0%	9.0%	-	-	-	1.0%
Home	5.0%	-	-	-	5.0%	-
Entertainment, Electronics, & Toys	13.0%	-	6.5%	-	-	6.5%
Seasonal and Hardlines	11.0%	-	5.5%	-	-	5.5%
Total	**100.0%**	**9.0%**	**28.0%**	**45.0%**	**5.0%**	**13.0%**

Notes:

(1) Sales categories reported by the California State BOE. CBRE Consulting allocated the Walmart sales categories across the BOE retail categories. Sales categories that are not relevant to this distribution (Eating and Drinking Places, Building Materials, Motor Vehicles and Parts, and Service Stations) are not presented here. If the type of good was believed to span more than one BOE category, CBRE Consulting apportioned the percentage of sales based upon examination of merchandising at representative Walmart stores and professional judgment.

(2) The percentages are based on distribution of sales published in Walmart's 10-K filing for the fiscal year ending January 31, 2009. Walmart presents the percentage of sales for all U.S. Walmart stores combined (i.e., not broken out by store format) in its 10-K filing.

(3) When reporting data for cities, the BOE's General Merchandise category includes drug store sales.

(4) In prior 10-K filings, Walmart presented Health and Beauty Aids as separate from the Grocery category. In FY 2009, it appears that the two categories were combined. CBRE Consulting estimates that 6 percent of total sales are for goods that were previously classified as Health and Beauty Aids based on historical averages, and that these revenues are most appropriately classified as General Merchandise sales according to the BOE designations. The remaining 45 percent of Grocery sales are allocated to the BOE's Food Stores category. In FY 2008, Walmart reported that 41 percent of its revenues came from Grocery products and 6 percent were related to Health and Beauty Aids sales. Walmart has since been increasing the amount of grocery sales in their stores.

(5) According to the BOE, jewelry falls into the "Other Retail" category.

Sources: United States Securities and Exchange Commission, Walmart Stores, Inc. Fiscal Year 2009 Form 10-K; California Board of Equalization; and CBRE

Table 5-5
Estimated Sales by Retail Category, Rocklin Crossings, 2010 Dollars

Type of Retail	Rocklin Crossings (1) Total Square Feet	Rocklin Crossings (1) 2016 Estimated Sales	Sales Category: Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Other Retail Stores
Supercenter	231,353	$120,153,016	$10,813,771	$33,642,844	$54,068,857	$0	$6,007,651	$0	$15,619,892
As % of estimated store sales			9.0%	28.0%	45.0%	0.0%	5.0%	0.0%	13.0%
Home Improvement (2)	141,038	$48,117,706	$0	$0	$0	$0	$9,238,599	$38,879,106	$0
As % of estimated store sales			0.0%	0.0%	0.0%	0.0%	19.2%	80.8%	0.0%
Gift, Art Goods, and Novelties Stores	30,000	$4,496,762	$0	$0	$0	$0	$0	$0	$4,496,762
As % of estimated store sales			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Electronics	30,000	$18,422,219	$0	$0	$0	$0	$18,422,219	$0	$0
As % of estimated store sales			0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Pet Store	25,000	$5,409,412	$0	$0	$0	$0	$0	$0	$5,409,412
As % of estimated store sales			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Restaurant	25,000	$11,332,566	$0	$0	$0	$11,332,566	$0	$0	$0
As % of estimated store sales			0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Unknown Retail	54,509	$22,402,893	$0	$0	$0	$0	$0	$0	$22,402,893
As % of estimated store sales			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Total	536,900	$230,334,574	$10,813,771	$33,642,844	$54,068,857	$11,332,566	$33,668,470	$38,879,106	$47,928,959
New Development Sales Originating from Project Market Area Residents (3)		**$207,301,117**	**$9,732,394**	**$30,278,560**	**$48,661,971**	**$10,199,309**	**$30,301,623**	**$34,991,196**	**$43,136,063**

Notes:
(1) Refer to Table 5-3.
(2) The home improvement sales were divided into appropriate retail categories based on the mix presented in the Home Depot Inc. Annual 10-K report for 1/31/10.
(3) CBRE Consulting estimates that 10 percent of sales at Rocklin Crossings will be attributed to consumers residing outside of the market areas. This estimate is based on industry standards for defining shopping center market areas.

Sources: Rocklin Crossings, LLC; Retail Maxim's Perspectives on Retail Real Estate and Finance, July 2009; Home Depot, Inc. Annual 10-K for 1/31/10; and CBRE Consulting.

Table 5-6
Estimated Rocklin Crossings Sales by Retail Category [1] 2009 Dollars, in millions

Retail Category	Estimated Retail Sales
Apparel	$10.8
General Merchandise	33.6
Food Stores	54.1
Eating and Drinking Places	11.3
Home Furnishings and Appliances	33.7
Building Materials	38.9
Other Retail Stores	47.9
Total	**$230.3**

(1) Based on California Board of Equalization retail categories.
Source: Table 5-5.

NEW SALES TO THE MARKET AREA

To assess the prospective minimum share of the Center's sales that would be new to the primary market area and the potential impacts on existing retailers, CBRE Consulting defined and estimated the following with input from LSA Associates, as noted earlier:

- Primary market area;
- Secondary market area;
- Tertiary demand;
- Maximum share of the Center's sales likely to be initially diverted from existing retailers on a worst case basis; and
- Impact of population growth and other factors on sales impacts.

MARKET AREA DEFINITIONS

This section discusses the market area for the proposed Center. Based on current market conditions and consideration of the traffic impact analysis conducted by LSA Associates, the original definition of the Center's market area (from the December 2006 report) has been reviewed and modified. The changes are described and supported below.

For the purpose of analyzing the prospective economic impacts of Rocklin Crossings, CBRE Consulting defined market areas for the Center. This includes a primary and secondary market area. Shopping center trade area definition draws on a range of factors including but not limited to the location of competitive supply, prevailing commute patterns in the region, and physical barriers (both topographical and psychological). The International Council of Shopping Centers (ICSC), widely considered the retail real estate industry's pre-eminent research organization, states:

> "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."[5]

While geographic considerations and the location of competitive retail centers are a major determinant of a planned center's market area, each shopping center has a unique market draw based on its format and mix of tenants. Literature published by the Urban Land Institute (ULI), a non-profit research and educational organization with the mission of providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide, supports the idea that a shopping center's format is another major determinant of its market area:

> "The trade area traditionally is the geographic area that provides the majority of the steady customers necessary to support a shopping center. The delineation of trade areas is more complex than in the past as a result of the proliferation in the variety and volume of shopping centers already present in most trade areas. It is further complicated by the existence of multiple consumer markets attracted to a center by their affinity for the type of goods sold and the environment in which they are sold rather than because the center is located within a prescribed distance of home or office."[6]

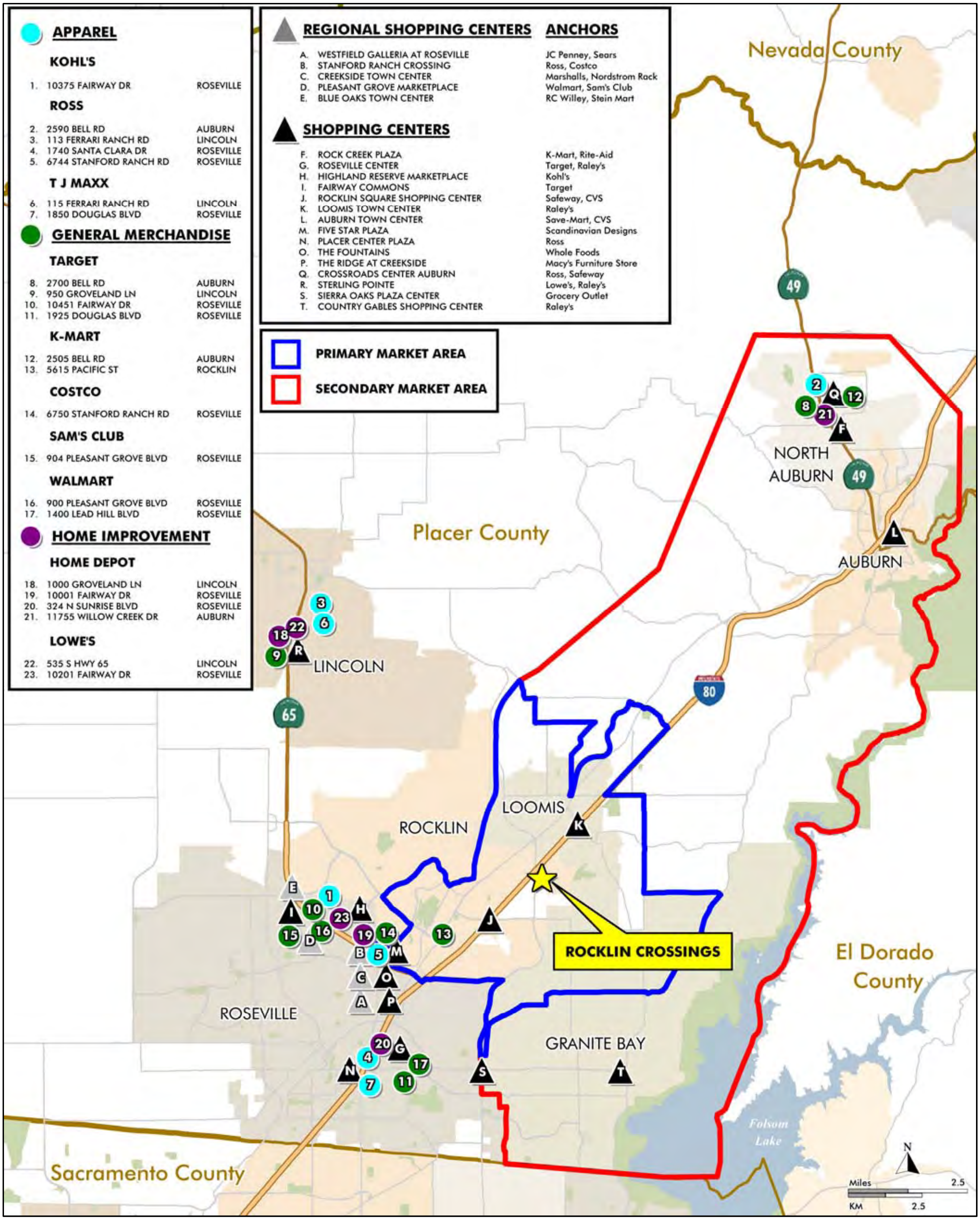
Consistent with industry definitions of shopping center market areas, however, it represents the geographic area in which the estimated majority of the shopping center's repeat customers reside.

Primary Market Area Definition

CBRE Consulting conducted research to develop an estimate of the primary market area for the Center. This was primarily accomplished by mapping existing Walmart, Home Depot, and Lowe's stores, as well as other major general merchandise stores, under the assumption that the Superstore and Home Improvement stores as the anchors would be the primary draw to the Center. This mapping is very useful because most individuals contemplating single-purpose shopping trips (as opposed to shopping excursions made as "pass-by trips" en route to other destinations) would choose to do business with the most conveniently located stores of those kinds.

The map results are presented in Exhibit 5-1. The map indicates there are many existing Walmart, Home Depot, and Lowe's stores within the immediate region surrounding Rocklin, although none in Rocklin or the adjacent town of Loomis. The Walmart stores closest to Rocklin are both in Roseville; one, a "Superstore," is located along Highway 65 at Pleasant Grove Boulevard and the other, a discount store, is located east of Interstate 80 at Lead Hill Boulevard and Rocky Ridge Drive. There are also two Home Depot stores and one Lowe's store in Roseville. One Home Depot is east of Interstate 80 on N. Sunrise Avenue. The other Home Depot and the Lowe's store are along Highway 65.

[5] International Council of Shopping Centers (ICSC), Developing Successful Retail in Secondary & Rural Markets, 2007, p. 7.
[6] *Urban Land Institute, Shopping Center Development Handbook, Third Edition, 1999, p. 46.*



Source: CBRE 2010

Primary and Secondary Market Areas, Competitive Centers and Retailers Exhibit 5-1

Because of the prevalence of retail in Roseville—including conveniently located Walmart and Home Depot stores—Rocklin Crossings is not expected to generate significant sales from residents of Roseville. For this reason, Roseville is not considered a part of the Center's primary market area. This is not to say that no Roseville residents would patronize Rocklin Crossings. Some Roseville residents would still 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. There would also be sales to Roseville residents from pass-by trips to destinations not very close to Rocklin Crossings, though these trips are very hard, if not impossible, to identify with the tools of economic analysis, and in any event are almost certainly insignificant for the purpose of identifying urban decay potential. Even so, these sales are taken into considerations in the tertiary market area (see discussion below).

Similarly, there are areas within Rocklin's city limits—specifically the northernmost and northwestern most neighborhoods—where residents are more likely to patronize the existing Roseville Walmart, Home Depot, and Lowe's stores or the existing Lincoln Lowe's store or Home Depot than the proposed Walmart and Home Depot stores in Rocklin Crossings. The existing stores are located closer and within a shorter driving time for these residents vis-à-vis the Rocklin Crossings site. Therefore, they can be expected to continue to patronize the existing Walmart and Home Depot stores, while making occasional visits to Rocklin Crossings, just as residents of Roseville would. A few residents of northwestern Rocklin might choose to make a longer trip to Rocklin Crossings than a shorter trip to a store in Roseville or Lincoln solely for the purpose of ensuring the generation of sales tax in Rocklin, though such public-spirited motivation is comparatively rare, as convenience and consumer preferences are usually the primary considerations behind the choice of where to shop.

Loomis is located adjacent to Rocklin to the northeast. The Center's site is located very close to the border of Rocklin and Loomis and therefore would be convenient for both Loomis and Rocklin residents. Loomis currently does not have any major home improvement or Superstores. The only major home improvement or general merchandise store in Rocklin is K-Mart. Lincoln, although it is adjacent to Rocklin on the north, is 10 miles away from the Center. Lincoln has a Home Depot and a Lowe's store, but no Walmart at this time. However, most residents of Lincoln are unlikely to drive past the large concentration of retail located in Roseville on the Highway 65 corridor in order to shop at the Center.[7] For reasons discussed earlier with respect to residents of San Francisco, Sacramento, Roseville, and points in between, however, some Lincoln residents would surely visit Rocklin Crossings from time to time through pass-by trips. It is also possible that Lincoln residents could work at the Rocklin Crossings site, or that Lincoln vendors could serve the Center.

These findings lead CBRE Consulting to conclude that the primary market area for the Center would comprise a portion of the City of Rocklin and all of the Town of Loomis, as illustrated in Exhibit 5-1. The portions of Rocklin <u>excluded</u> from the market area include: the neighborhoods northeast of Sunset Boulevard and generally north of Midas Avenue; and the neighborhoods between Sunset Boulevard and Highway 65, and north of Whitney Boulevard.

[7] Although residents of Lincoln's east side could take Sierra College Boulevard South to Interstate 80 to reach Rocklin Crossings, the majority of that city's residents are more likely to use Highway 65 to access the retail centers in that corridor.

These boundaries are consistent with the discussion above; they also coincide with Census Block Group boundaries established by the U.S. Bureau of the Census, which is the source of population data for this portion of the City of Rocklin. Census Blocks are the smallest divisible areas for which reliable demographic information is available for this area. As a result of using the Census Blocks, which sometimes overlap city limits, a small portion of Granite Bay is also included in the primary market area. That portion lies north of Cavitt Stallman Road, west of Auburn Folsom Road, and south of Wells Avenue. It is a very low-density residential area with fewer than 1,000 persons per square mile.

Note that in the December 2006 Economic Impact Analysis, the primary market area was defined more broadly to include all of the City of Rocklin and the Town of Loomis. This current analysis takes a more conservative view after greater study of travel times and further coordination with the traffic consultant, LSA Associates.

Secondary and Tertiary Market Area Definition

CBRE Consulting conducted research to develop an estimate of the secondary market area for the Center, i.e., the area from which the largest balance of shoppers outside the primary market area would originate. While a portion of Rocklin and all of Loomis comprise the primary market area, some sales would originate from outside this area, especially from areas nearby that lack major retail such as the Interstate 80 corridor to the northeast of Loomis, the City of Auburn, and the neighborhood of Granite Bay. Consequently, the analysis assumes there would be demand originating from a secondary market area. Shoppers from these areas may be willing to drive considerable distances to save substantial sums on “big ticket items” that can be purchased at Walmart or Home Depot at lower cost than at more conveniently located, smaller-scale retailers.

CBRE Consulting identified a secondary market area for the proposed Rocklin Crossings center defined as the City of Auburn and a portion of the unincorporated areas of Placer County to the east and southeast of Rocklin and to the northeast of Loomis along the Interstate 80 corridor. This secondary market area definition reflects the existing nature and mix of retailing in the primary market area and the location of other major general merchandise and home improvement retailers in the region. CBRE Consulting identified all major general merchandise and home improvement retailers in Placer and Sacramento counties. The boundaries of the secondary market area, as depicted in Exhibit 5-1, are reflective of the area from which the proposed Rocklin Crossings would most likely draw the largest balance of its customers. There are very few major competitive general merchandise and home improvement retailers in the secondary market area. The only existing such stores are a K-Mart, Target, and Home Depot in Auburn. This secondary market area is virtually identical to the one defined in the December 2006 Economic Impact Analysis.

CBRE Consulting assumed that residents of Lincoln, in addition to shopping in Lincoln, are likely to patronize retail centers along the Highway 65 corridor, which provides numerous opportunities for shopping, although, as noted earlier, some Lincoln residents may find their way to Rocklin Crossings via pass-by trips en route to more distant destinations or as employees or vendors. Therefore, Lincoln was excluded from the secondary market area. Given the dearth of retail in Auburn, and the Center’s location as the first large retail center on Interstate 80 south of Auburn, Rocklin Crossings is likely to attract residents from Auburn and the Interstate 80 corridor northeast of Loomis. People from these areas would likely be very willing to make comparatively long drives to save substantial sums on large items, or to purchase large numbers of items where substantial cumulative savings are possible (e.g., groceries). Roseville was excluded from the secondary market area because it is already very well served by retail along Highway 65 and elsewhere in the city. Roseville residents making single purpose trips would have no need to drive past existing Walmarts and Home Depots in order to buy large items or large numbers of items at the Walmart or Home Depot at Rocklin Crossings.

CBRE Consulting estimates that primary and secondary market area residents would generate 90 percent of the Center's sales. This finding is consistent with the International Council of Shopping Centers (ICSC) guideline and is, in fact, at the conservative end of the 75-90 percent range cited by ICSC for a retail trade area.[8] By assuming that primary and secondary market area residents would comprise 90 percent of the Center's sales, rather than a lower percentage, this analysis is making a higher estimate of the potential for diverted sales than would be the case with a lower percentage. Thus, it is assumed that residents coming from tertiary markets would generate the remaining 10 percent of sales, or $23.1 million of the total $230.3 million in Center sales. This tertiary market is likely to come from travelers passing through Rocklin on Interstate 80, from residents of Roseville and portions of Rocklin, and from shoppers on pass-by trips. In the December 2006 Economic Impact Analysis, the tertiary market area was assumed to represent only 5 percent of sales. For this revised and updated analysis, that proportion was increased to 10 percent in an effort to acknowledge assumptions in the traffic impact analysis, particularly those related to pass-by trips and the estimated proportion of trips to/from zones in Roseville.

The concept of a percentage share allocation of demand from a market area is consistent with general real estate market analysis principles, which recognize that regional retailers have primary, secondary, and often even tertiary market areas. It is also consistent with discussions CBRE Consulting had with retail brokerage professionals. It should be noted that this concept, while generally accepted, cannot account precisely for every trip to/from the Center. Such precision is simply not possible. Notwithstanding this limitation, CBRE Consulting believes it presents the most appropriate approach to assessing the retail market for the Center.

CBRE Consulting's definition of the Center's market area was reviewed with, and confirmed by, real estate professionals knowledgeable about the retail sector in the Roseville/Rocklin and Loomis/Auburn submarkets of the Sacramento region. These professionals included retail leasing brokers and a shopping center investor/developer active in the area. In addition, City staff was consulted.

5.3 RETAIL SALES LEAKAGE ANALYSIS

This section analyzes the retail sales leakage and attraction profile of the primary market area and the combined primary and secondary market areas. It measures the extent to which these areas capture resident spending on retail goods as well as sales generated by residents from outside the respective areas. This provides a characterization of the sales performance of the local retail base. CBRE Consulting conducts this analysis as a building block in its analysis identifying the extent to which the Center may or may not divert sales away from existing market area retailers.

[8] See ICSC quote and reference earlier in this section.

METHODOLOGY

APPROACH

CBRE Consulting operates a statistical regression-based model that estimates retail spending potential for a market area based upon population, income, and consumer spending patterns. For the purpose of this study, the market area is the geographic area from which the majority of Center demand is anticipated to originate.

Generally referred to as a "Retail Sales Leakage Analysis," or similar nomenclature by real estate-based economic consulting firms comparable to CBRE Consulting, the model determines the extent to which a market area is or is not capturing its sales potential based upon reported taxable sales data. In California, these data are generally published by BOE or provided by municipal tax consultants. Retail categories in which spending is not fully captured are called "leakage" categories, while categories in which more sales are captured than are generated by market area residents are called "attraction" categories. Generally, attraction categories signal particular strengths of a retail market, while leakage categories signal weaknesses.

Several data points are included in CBRE Consulting's Retail Sales Leakage Analysis. These include per capita figures and aggregate figures. Per capita figures are presented for the sales achieved by retail category for a study control area and the primary market area under study, as well as an estimate of spending by retail category generated from within the primary market area. Only the per capita spending figures (as a proxy for all area spending) in the Retail Sales Leakage Analysis are the result of detailed methodological calculations. All other per capita figures simply reflect actual area sales divided by estimated population, with some disclosed adjustments for taxable versus nontaxable sales.

The purpose of including a control area is to compare the market area to a geographic area with similar characteristics, so as to be representative of, or "control," the spending patterns of the study area.[9] The use of the control area accounts for characteristics unique to individual markets that might artificially inflate or deflate the calculated area spending pattern. Therefore, a control area is chosen carefully, with the goal being the selection of an area within which there is a relative balance between the inflow and outflow of retail spending. The CBRE Consulting Retail Sales Leakage Analysis uses the control area sales by retail category as a dominant variable in the regression analysis, to impute the study area spending potential by category.

In addition to being benchmarked to a control area, the market area per capita spending figures are benchmarked to the Consumer Expenditures Survey, a publicly available data resource published periodically by the United States Department of Labor, Bureau of Labor Statistics. This resource provides regional- and income-based estimates regarding spending patterns of households throughout the United States. The data presented in the Consumer Expenditures Survey are for different income brackets, reflecting different expenditure patterns by household income. The regression basis of CBRE Consulting's Retail Sales Leakage Analysis takes these varying household income expenditure patterns into account, especially

[9] For the purposes of this study, the control area has been defined as the area covered by the Sacramento Area Council of Governments: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.

when there are income disparities between the control area and the study area. CBRE Consulting's Retail Sales Leakage Analysis is conducted for all retail sales in an area, including taxable and nontaxable.

Population Estimates

CBRE Consulting relied on Sacramento Area Council of Governments (SACOG) population estimates and projections through 2035 for the primary market area leakage analysis. Figures reported by SACOG are presented in Table 5-7. The SACOG population figures were provided for 2000, 2005, and 2035. To generate estimates for the intermediate study years, CBRE Consulting interpolated by using the appropriate interim year compound annual growth rates. The results indicate population estimates in the primary market area of 21,632 in 2008, growing to 25,483 in 2016, which this study conservatively assumes, as explained earlier, will be the Center's first year of operations.[10]

While CBRE Consulting relied on SACOG population estimates and projections for Auburn, the one major city located in the secondary market area, the secondary market area contains unincorporated areas for which population is not specifically tracked by SACOG. For estimation of the population of unincorporated areas that were included in the secondary market area definition, CBRE Consulting relied on data obtained from Claritas Inc., a national provider of demographic and economic data. The unincorporated population estimate was projected forward using the compound average population growth rate as calculated from Claritas projected population data. Tables 5-8 and 5-9 show the population estimates of the total unincorporated areas in Placer County, the unincorporated areas in the secondary market area, and the primary and secondary market areas combined.

When the December 2006 Economic Impact Analysis was prepared, SACOG population estimates reflected the comparatively favorable economic conditions of the time. For this updated and revised analysis, the most current SACOG estimates were used.

Income Estimates

The primary market area average household income in 2008 was estimated as $77,700, pursuant to Claritas. The secondary market area had an average household income in 2008 estimated at $104,057. This compares to the control area's (counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba) average of $74,533 in 2008, also estimated by Claritas.

[10] Population estimates for 2008 were used in order to match the year of the California Board of Equalization's latest annual sales data.

Table 5-7
Population Assumptions, Primary and Secondary Market Areas, 2000-2035

			Estimate			Projection			Average Annual Growth Rate				
	2000	#	2005	2008	2009	2014	2016	2035	'00-'05	'05-'09	'09-'14	'14-'16	16-'35
Primary Market Area (1)	17,220		20,763	21,632	21,930	24,413	25,483 #	38,305	3.8%	1.4%	2.2%	2.2%	2.2%
Secondary Market Area													
City of Auburn (2)	12,600		13,942	14,302	14,424	15,049	15,307	17,985	2.0%	0.9%	0.9%	0.9%	0.9%
Unincorporated Area (3)	47,739		48,029	48,204	48,262	50,133	50,902	58,817	0.1%	0.1%	0.8%	0.8%	0.8%
Total	60,339		61,971	62,506	62,686	65,182	66,208	76,802	0.5%	0.3%	0.8%	0.8%	0.8%
Total Primary and Secondary Market Areas	**77,559**		**82,734**	**84,138**	**84,616**	**89,595**	**91,691**	**115,107**	**1.3%**	**0.6%**	**1.2%**	**1.2%**	**1.2%**

Notes:
(1) Population for the primary market area is derived by benchmarking Claritas data to SACOG figures. Please see Appendix C (Appendix B of CBRE report) for calculations. See Exhibit 5-1 for map of the market areas.
(2) Population estimates for the City of Auburn are provided by SACOG. SACOG estimates years 2000 and 2005 and pr ojects the year 2035. Intermediate years are estimated by CBRE Consulting using average annual growth rates.
(3) Population estimates for the unincorporated areas of the secondary market area area estimated using Claritas. Claritas reports population for 2000, 2009, and 2014. Intermediate years estimated by CBRE Consulting using average annual growth rates. Future years estimated using the growth rate for 2009-2014.

Sources: Sacramento Area Council of Governments (SACOG), "MTP2035 Population, Housing and Employment Projections", July 2008; Claritas; and CBRE Consulting.

Table 5-8
Derivation of Population in Unincorporated Areas of Placer County, 2000 – 2035[1]

		Placer County Major Incorporated Areas (2)					
Year	Placer County [A]	Auburn [B]	Loomis [C]	Rocklin [D]	Roseville [E]	Total [F=B+C+D+E]	Unincorporated [G=A-F]
2000	248,700	12,600	6,325	38,650	80,100	137,675	111,025
2005	299,872	13,942	6,910	50,251	102,215	173,318	126,554
2008	312,422	14,302	7,041	52,354	106,493	180,190	132,232
2009	316,721	14,424	7,085	53,075	107,958	182,542	134,180
2014	352,580	15,049	7,310	56,828	117,797	196,985	155,595
2016	368,035	15,307	7,402	58,403	121,979	203,091	164,944
2035	570,709	17,985	8,336	75,719	172,500	274,540	296,169
Avg. Annual Growth Rate 2000 to 2009	2.72%	1.51%	1.27%	3.59%	3.37%	3.18%	2.13%
Avg. Annual Growth Rate 2009 to 2016	2.17%	0.85%	0.63%	1.38%	1.76%	1.54%	2.99%
Avg. Annual Growth Rate 2016 to 2035	2.34%	0.85%	0.63%	1.38%	1.84%	1.60%	3.13%

Notes:
(1) Relied on Sacramento Area Council of Governments (SACOG) data for relevant geographic areas to deduce unincorporated population. SACOG provides estimates for 2000, 2005, and 2035. Intermediate years were estimated by CBRE Consulting using the calculated average annual growth rates.
(2) Represents the major cities reported in the California State Board of Equalization "Taxable Sales in California, Sales & Use Tax, 2008, Forty-eighth Annual Report" publication.

Sources: Sacramento Area Council of Governments (SACOG), "MTP2035 Population, Housing and Employment Projections", July 2008; and CBRE Consulting.

Table 5-9
Population of Primary and Secondary Market Area, Placer County, 2000 – 2035

Year	Auburn [A]	PMA [B]	Unincorporated (1) [C]	Total PMA & SMA [D=A+B+C]
2000	12,600	17,220	47,739	77,559
2005	13,942	20,763	48,029	82,734
2008	14,302	21,632	48,204	84,138
2009	14,424	21,930	48,262	84,616
2014	15,049	24,413	50,133	89,595
2016	15,307	25,483	50,902	91,691
2035	17,985	38,305	58,817	115,107
Avg. Annual Growth Rate 2000 to 2009	1.51%	2.72%	0.12%	0.97%
Avg. Annual Growth Rate 2009 to 2016	0.85%	2.17%	0.76%	1.16%
Avg. Annual Growth Rate 2016 to 2035	0.85%	2.17%	0.76%	1.20%

Notes:
(1) The unincorporated area of the secondary market area was estimated using Claritas data. Intermediate years were estimated by CBRE Consulting using the calculated average annual growth rate between periods. The Exhibit 6 Claritas data were checked for accuracy by comparing 2009 population numbers published by SACOG to 2009 population numbers by Claritas for relevant census tracts in Placer County. The difference was only 1.0 percent and therefore the Claritas data were considered accurate.

Sources: Table 5-7; and CBRE Consulting.

Sales Estimates

BOE publishes taxable sales figures for counties and major cities; its most recent full-year taxable sales figures are from 2008. CBRE Consulting used BOE's figures for cities located in the secondary market area as published in its publication, Taxable Sales in California – 2008. However, CBRE Consulting also included in its secondary market area portions of Placer County that contain small cities and unincorporated areas for which BOE does not publish data.[11] To that end, sales in these unincorporated portions of Placer County were estimated as part of the retail leakage analysis.

[11] Major cities are defined as those that appear in Table 5 in BOE's *Taxable Sales in California – 2008.* Table 5 presents the 272 largest California cities by taxable retail sales. For the purpose of this analysis, "unincorporated area" comprises all areas not listed in this BOE publication. In order to calculate sales in unincorporated areas, CBRE Consulting took total Placer County sales and deducted the reported cities' sales. If an incorporated city was not reported, it is not deducted and treated instead as an unincorporated area. As an exception, CBRE Consulting obtained from BOE taxable sales figures for the Town of Loomis, which was not listed in BOE's Table 5. Loomis was added due to its location in the primary market area. CBRE Consulting requested this information as part of its background research in determining the primary market area.

CBRE Consulting believes that the best approach to estimate sales in the unincorporated areas is to estimate unincorporated per capita sales figures in Placer County and multiply them by the secondary market area's unincorporated population. To derive an unincorporated per capita sales estimate, CBRE Consulting took the total sales of Placer County and deducted sales from major cities in the county, as presented in Table 5-10. Table 5-11 then takes 2008 unincorporated sales and divides by 2008 unincorporated population estimates (refer to Tables 5-8 and 5-9). The result represents a countywide unincorporated sales per capita estimate. Applying the countywide unincorporated sales per capita estimate to the 2008 secondary market area's unincorporated population yields an estimate for the unincorporated portions of Placer County that are included in the secondary market area. Table 5-12 identifies the primary market area taxable sale in 2008 and 2009 dollars.

Adjustment Required Due to Confidentiality

When BOE publicly reports data, it will not report data for a sales category if it does not meet certain disclosure requirements. For example, if there are only one or two stores in a category or if one retailer dominates the category sales in a single city, then the sales in that category will not be released. Instead, BOE generally combines those sales with the sales in the "Other Retail Sales" category. This is more prone to occur in retail markets where the number of retailers is small or one large retailer makes up most of the sales in a category. This issue arose for some categories in the cities of Auburn, Loomis, and Rocklin. Table 5-10 details how CBRE Consulting made adjustments to avoid understating the non-disclosed retail categories and overstating the "other retail stores" category.

FINDINGS

Three leakage analyses were conducted to assess the state of the primary market area and secondary market area's retail climate. The first leakage analysis examines the primary market area's sales performance relative to its own population base in order to assess the degree to which the primary market area is serving the retail needs of its resident population. A second leakage analysis examines the sales performance of Rocklin Crossings' secondary market area. Finally, the primary and secondary market area leakage analyses are combined to reflect the combined primary and secondary market area. The combined primary and secondary market area is defined in Section 5.2 and shown on a map in Exhibit 5-1.

The leakage analyses were conducted using 2008 sales data and extrapolated to 2016, reflecting the sales estimates for Rocklin Crossings assuming the first full year of stabilized store operations in that year. The per capita expenditure trends for 2016 were assumed to resemble per capita expenditure trends in 2008, with adjustments for interim population growth and inflation. The purpose of this adjustment was to maximize comparison with Rocklin Crossings' anticipated net additional primary market area sales during its first full year of operations in 2016. CBRE Consulting realizes that retail sales have declined since 2008 and that it would be useful to know the magnitude of that decline for the market area. However, since BOE data have not yet been published for 2009, the 2008 figures represent the best available data, and were used accordingly. CBRE Consulting believes that the 2008 data are a reasonable proxy for future spending patterns; by 2016 the most dramatic impact of the recent recession will likely be over and the economy will likely return to a more stable level.

Table 5-10
Derivation of Sales in Unincorporated Areas of Placer County, 2008

Type of Retailer	Placer County [A]	Auburn [B]		Loomis [C]		Rocklin [D]	Roseville [E]	Total [F=B+C+D+E]	Unincorporated [G=A-F]
		Placer County Major Incorporated Areas (1)							
Apparel Stores	$233,314,000	$3,145,000		$3,452,279	(3)	$4,867,000	$189,345,000	$200,809,279	$32,504,721
General Merchandise stores	$676,353,000	$23,945,000		$3,452,279	(3)	$35,542,000	$511,157,000	$574,096,279	$102,256,721
Food stores	$259,925,000	$15,512,000		$9,000,000	(3)	$30,920,000	$100,766,000	$156,198,000	$103,727,000
Eating and Drinking Places	$553,232,000	$24,844,000		$6,819,000		$55,150,000	$274,771,000	$361,584,000	$191,648,000
Home Furnishings and Appliances	$316,245,000	$3,478,000		$1,870,000		$99,099,000	$169,969,000	$274,416,000	$41,829,000
Building Materials	$361,449,000	$11,503,000		$5,539,000		$22,452,000	$187,998,000	$227,492,000	$133,957,000
Motor Vehicles and Parts	$1,235,986,000	$30,979,000		$3,452,279	(3)	$76,710,000	$921,843,000	$1,032,984,279	$203,001,721
Service Stations	$712,808,000	$50,119,313	(2)	$3,452,279	(3)	$82,289,000	$215,678,000	$351,538,591	$361,269,409
Other Retail stores	$660,537,000	$172,014,688	(2)	$5,624,886	(3)	$61,077,000	$352,245,000	$590,961,573	$69,575,427
Total	**$5,009,849,000**	**$335,540,000**		**$42,662,000**		**$468,106,000**	**$2,923,772,000**	**$3,770,080,000**	**$1,239,769,000**

Notes:

(1) Represents the major cities reported in the California State Board of Equalization "Taxable Sales in California (Sales & Use Tax), During 2008, Forty-eighth Annual Report" publication.

(2) The California State Board of Equalization (BOE) omitted these sales because their publication would result in the disclosure of confidential information. Instead, the BOE includes them in an "other retail stores" BOE category. To avoid overstating the "other retail stores" category's taxable sales and understating those categories where information was not disclosed by BOE, CBRE Consulting made adjustments to the sales data. CBRE Consulting calculated the city's "other retail sales" as a percent of its total taxable sales. Then, CBRE Consulting calculated the county's average sales per service station by number of permits and then applied this number as an estimate for the nine service station permits listed for the City of Auburn. The service station sales were then subtracted from the "other retail sales" category.

(3) For Loomis, the BOE does not publish sales data in the following categories: apparel, general merchandise, food stores, auto dealers, and service stations. It omits these sales because their publication would result in the disclosure of confidential information. Instead, the BOE included them in the "other retail stores" category. For the retail leakage analysis, it is necessary to estimate sales in each category. To adjust for the BOE omission, the local businesses in those categories were checked using Claritas Business Points. The only major or national brand store in those categories was the Raley's grocery store. Sales for that store were estimated using Retail Maxim's sales per square foot estimate for supermarkets of $490 in 2008. That estimate was applied to the size of the store, which is 61,000 square feet. Since only approximately 30 percent of grocery store sales are taxable, the total sale estimate was discounted to reflect that. This resulted in a taxable sales estimate for the food store category in Loomis of $9.0 million. Sales for food stores was then taken out of the other retail category. Other retail sales for Loomis were calculated such that they would be the same share of total sales that occurs in Placer County. That share is 13.2 percent. The rest of the sales taken out of the other retail category were evenly divided among the other five categories.

Sources: California State Board of Equalization; and CBRE Consulting.

Table 5-11
Estimated Sales in Unincorporated Areas in the Secondary Market Area, Placer County, 2008

Type of Retailer	Placer County Unincorporated Areas: Sales (1) [A]	Population (2) [B]	Sales Per Capita [C=A/B]	Secondary Market Area Unincorporated Population (3) [D]	Estimated Secondary Market Area Unincorporated Sales [E=C*D]
Apparel stores	$32,504,721	132,232	$246	48,204	$11,849,178
General merchandise stores	$102,256,721	132,232	$773	48,204	$37,276,372
Food stores	$103,727,000	132,232	$784	48,204	$37,812,343
Eating and drinking places	$191,648,000	132,232	$1,449	48,204	$69,862,812
Home furnishings/appliance	$41,829,000	132,232	$316	48,204	$15,248,224
Building Materials	$133,957,000	132,232	$1,013	48,204	$48,832,300
Motor Vehicles and Parts	$203,001,721	132,232	$1,535	48,204	$74,001,665
Service stations	$361,269,409	132,232	$2,732	48,204	$131,696,113
Other retail stores	$69,575,427	132,232	$526	48,204	$25,362,826
Total	**$1,239,769,000**		**$9,376**		**$451,941,832**

Notes:
(1) See Table 5-10, "Derivation of Sales in Unincorporated Areas of Placer."
(2) See Table 5-8, "Derivation of Population in Unincorporated Areas of Placer County," Year 2008.
(3) See Tabel 5-9, "Population of Secondary Market Area, Placer County Portion," Year 2008.

Sources: Tables 5-8, 5-9 and 5-10; and CBRE Consulting.

Table 5-12
Calculation of the Primary Market Area Taxable Sales, in 2008 and 2009 Dollars

Retail Category	2009 Claritas Data (1): Cities of Rocklin and Loomis Sales	2009 Claritas Data (1): Primary Market Area Sales	Ratio of Market Area Portion to cities of Rocklin and Loomis	2008 BOE Data (2): Cities of Rocklin and Loomis Taxable Sales (3)	2008 BOE Data (2): Total Retail Sales in Rocklin and Loomis	2008 BOE Data (2): Primary Market Area Sales
	[A]	[B]	[C = B / A]	D	[E]	[F = E * C]
Apparel Stores	$4,900,000	$2,200,000	44.9%	$8,319,279	$8,319,279	$3,735,186
General Merchandise Stores	$147,200,000	$72,200,000	49.0%	$38,994,279	$54,819,811 (4)	$26,888,521
Food Stores	$264,800,000	$62,800,000	23.7%	$39,920,000	$133,066,667 (4)	$31,558,107
Eating and Drinking Places	$117,700,000	$52,200,000	44.4%	$61,969,000	$61,969,000	$27,483,278
Home Furnishings and Appliances	$92,700,000	$59,100,000	63.8%	$100,969,000	$100,969,000	$64,371,822
Building Materials	$107,300,000	$57,600,000	53.7%	$27,991,000	$27,991,000	$15,025,924
Motor Vehicles and Parts	$98,000,000	$97,800,000	99.8%	$80,162,279	$80,162,279	$79,998,682
Service Stations	$51,000,000	$25,100,000	49.2%	$85,741,279	$85,741,279	$42,198,159
Other Retail Stores	$271,000,000	$104,000,000	38.4%	$66,701,886	$66,701,886	$25,597,772
Totals	**$1,154,600,000**	**$533,000,000**	**46.2%**	**$510,768,000**	**$619,740,199**	**$316,857,450**

Notes:

(1) Claritas data are in 2009 dollars and include taxable and non-taxable sales. See Appendix C of this report for translation of Claritas to BOE categories.

(2) BOE data are in 2008 Dollars.

(3) See Table 5-10 for the cities of Rocklin and Loomis BOE sales.

(4) Column E represents all retail sales (taxable and non-taxable) based on upward adjustments to the General Merchandise and Food Store amounts in Column D to reflect the non-taxable sales in those categories. CBRE Consulting estimates that 30.0 percent of food store sales and 33.0 percent 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 2008 represented approximately 20.0 percent of all general merchandise store sales, and CBRE Consulting applied that percentage to the market area calculation in Column D and then adjusted upward for non-taxable sales. In addition, CBRE Consulting estimates that a minimum of 10.0 percent of the remaining non-drug store General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on the analyses of the 2007 U.S. Economic Census (see Appendix D), which attributes 21.0 percent of General Merchandise Stores sales to food. This 21.0 percent of food sales was then adjusted downward to account for the portion that is taxable.

Sources:Table 5-10; Appendices D-1, C-2, and D in Appendix C of this report; Claritas; California State Board of Equalization, "Taxable Sales in California" 2008; and CBRE Consulting, Inc.

Table 5-13
Retail Sales Leakage Analysis,[1] Primary Market Area, 2008

Type of Retailer	Per Capita (2)			Total			
	SACOG's Six County Area Avg. Sales (3)	PMA Spending (4)	PMA Sales	PMA Spending	PMA Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores	$446	$457	$173	$9,891,345	$3,735,186	($6,156,159)	-62.2%
General Merchandise Stores	$1,697	$1,742	$1,243	$37,682,447	$2,688,521	($10,793,926)	-28.6%
Food Stores	$2,182	$2,208	$1,459	$27,138,159	$31,558,107	($16,197,290)	-33.9%
Eating and Drinking Places	$1,219	$1,255	$1,270	$47,755,397	$27,483,278	$345,119	1.3%
Home Furnishings and Appliances	$464	$476	$2,976	$10,292,916	$64,371,822	$54,078,906	84.0%
Building Materials	$789	$815	$695	$17,625,811	$15,025,924	($2,599,887)	-14.8%
Motor Vehicles and Parts	$273	$281	$3,698	$6,076,641	$79,998,682	$73,922,041	92.4%
Service Stations	$1,403	$1,439	$1,951	$31,117,927	$42,198,159	$11,080,232	26.3%
Other Retail Stores (5)	$1,496	$1,523	$1,183	$32,938,584	$25,597,772	($7,340,812)	-22.3%
Totals $9,970		$10,194	$14,648	$220,519,226	$316,857,450	$96,338,224	30.4%

Notes:
(1) All figures are expressed in constant 2008 dollars.
(2) Population figures per SACOG. See Table 5-7.
(3) Control area defined as the area covered by SACOG: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.
(4) Analysis assumes 2008 average household income of $77,700 in the primary market area, per Claritas, Inc.
(5) Other retail stores includes gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationery and books, jewelry, office supplies and computer stores, packaged liquor stores, second-hand merchandise, farm and garden supply stores, fuel and ice dealers, and miscellaneous other retail stores.

Source: California State Board of Equalization 2008 Annual Sales; Exhibit 6; Claritas, Inc.; and CBRE Consulting.

The leakage results for the primary market area, the secondary market area, and the combined primary and secondary market area are discussed below. See Tables 5-13 and 5-14 for primary market area results, Tables 5-15 and 5-16 for secondary market area results, and Tables 5-17 and 5-18 for combined primary and secondary market area results. For benchmark purposes, detailed results for all retail categories are presented in each market area.

The primary market area had overall attraction in retail sales of 30.4 percent, or $96.3 million in 2008. However, a large proportion of this attraction was due to two categories: Motor Vehicles and Parts, which is driven by the presence of several new automobile dealerships in the primary market area; and Home Furnishings and Appliances. Several of the retail categories relevant to Rocklin Crossings experienced leakage in sales. The categories with the most leakage, as a percent of sales, were as follows:

- apparel stores with 62.2 percent leakage;
- food stores with 33.9 percent leakage;
- general merchandise with 28.6 percent leakage;
- other retail stores (which includes a wide array of retailers) with 22.3 percent leakage; and
- building materials with 14.8 percent leakage.

These leakage categories identify opportunities for new retailing to meet the needs of primary market area residents.

CBRE Consulting also estimated the leakage/attraction of the secondary market area, as shown in Tables 5-15 and 5-16. The secondary market area had overall sales attraction of 17.6 percent. Like the primary market area, car sales in the Motor Vehicles category were responsible for a large portion of the attraction. The combined sales leakage and attraction totaled an estimated $160.5 million of attraction in 2008 dollars.

Finally, the results of the first two analyses were combined to reflect the total primary and secondary market area (see Tables 5-17 and 5-18). The combined primary and secondary market area had leakage in the categories of apparel, general merchandise, eating and drinking places, and building materials, and attraction in each of the other five BOE categories. Overall, the combined market area had sales attraction of 20.9 percent, or $256.8 million in 2008.

While the 2008 Retail Sales Leakage Analysis findings are informative, they do not reflect the situation that would prevail when the majority of the Center becomes operational. Thus, CBRE Consulting prepared a 2016 Retail Sales Leakage Analysis projection in Tables 5-14, 5-16, and 5-18. However, this projection assumes no new interim development or loss of stores, which is not an accurate portrayal of the market. Therefore, the following section provides adjustments to this projection, incorporating information on newly opened or recently closed retail in the primary market area.

Table 5-14
Projected Retail Sales Leakage, Primary Market Area, 2016

Type of Retailer	Primary Market Area Annual Per Capita				2016 Estimated Total (3)			
	2008 (1)		2016 (2)		PMA Spending	PMA Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
	Spending	Sales	Spending	Sales				
Apparel Stores	$457	$173	$553	$209	$1,409,264	$5,321,506	$(8,770,659)	-62.2%
General Merchandise Stores	$1,742	$1,243	$2,107	$1,503	$53,686,048	$38,307,980	$(15,378,068)	-28.6%
Food Stores (4)	$2,208	$1,459	$2,670	$1,764	$68,036,945	$44,960,723	$(23,076,222)	-33.9%
Eating and Drinking Places	$1,255	$1,270	$1,517	$1,537	$38,663,639	$39,155,329	$491,690	1.3%
Home Furnishings and Appliances	$476	$2,976	$575	$3,599	$14,664,280	$91,710,306	$77,046,026	84.0%
Building Materials	$815	$695	$985	$840	$25,111,430	$21,407,381	$(3,704,050)	-14.8%
Motor Vehicles and Parts	$281	$3,698	$340	$4,473	$8,657,369	$113,973,838	$105,316,469	92.4%
Service Stations	$1,439	$1,951	$1,740	$2,359	$44,333,600	$60,119,567	$15,785,967	26.3%
Other Retail Stores (5)	$1,523	$1,183	$1,842	$1,431	$46,927,483	$36,469,055	$(10,458,429)	-22.3%
Totals $10,19	4	$14,648	$12,329	$17,715	$314,172,958	$451,425,684	$137,252,725	30.4%

Notes:
(1) Refer to 2008 leakage Table 5-13.
(2) Adjusted for inflation based on the consumer price index for all urban consumers in California as defined by the California Department of Industrial Relations, Division of Labor Statistics and Research. Inflation for 2008-2009 (-0.3%) and for 2009-2010 (1.6%). Inflation for the periods 2010-2016 estimated to be 3.0% per year.
(3) Estimated 2016 primary market area population of 25,483. See Exhibit 6.
(4) Includes estimated taxable and non-taxable sales.
(5) Other retail stores includes gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationery and books, jewelry, office supplies and computer stores, packaged liquor stores, second-hand merchandise, farm and garden supply stores, fuel and ice dealers, and miscellaneous other retail stores.
Source: California State Board of Equalization 2008 Annual Sales; Exhibit 6; Claritas, Inc.; and CBRE Consulting.

Table 5-15
Retail Sales Leakage Analysis,[1] Secondary Market Area, 2008

Type of Retailer	Per Capita (2)			Total			
	SACOG's Six County Area Avg. Sales (3)	PMA Spending (4)	PMA Sales	PMA Spending	PMA Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores	$446	$550	$240	$34,356,349	$14,994,178	($19,362,171)	-56.4%
General Merchandise Stores	$1,697	$2,113	$1,020	$132,102,800	$63,751,979	($68,350,821)	-51.7%
Food Stores	$2,182	$2,420	$2,844	$151,250,578	$177,747,810	$26,497,232	14.9%
Eating and Drinking Places	$1,219	$1,548	$1,515	$96,779,438	$94,706,812	($2,072,626	-2.1%
Home Furnishings and Appliances	$464	$572	$300	$35,739,041	$18,726,224	($17,012,817)	-47.6%
Building Materials	$789	$1,030	$965	$64,399,474	$60,335,300	($4,064,174)	-6.3%
Motor Vehicles and Parts	$273	$349	$1,680	$21,810,024	$104,980,665	$83,170,641	79.2%
Service Stations	$1,403	$1,732	$2,196	$108,234,149	$137,264,913	$29,030,764	21.1%
Other Retail Stores (5)	$1,496	$1,748	$3,870	$109,276,931	$241,928,026	$132,030,764	54.8%
Totals $9,970		$12,062	$14,630	$753,948,784	$914,435,907	$160,487,123	17.6%

Notes:
(1) All figures are expressed in constant 2008 dollars.
(2) Population figures per SACOG. See Table 5-7.
(3) Control area defined as the area covered by SACOG: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.
(4) Analysis assumes 2008 average household income of $104,057 in the secondary market area, per Claritas, Inc.
(5) Other retail stores includes gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationery and books, jewelry, office supplies and computer stores, packaged liquor stores, second-hand merchandise, farm and garden supply stores, fuel and ice dealers, and miscellaneous other retail stores.

Source: California State Board of Equalization 2008 Annual Sales; Exhibit 6; Claritas, Inc.; and CBRE Consulting.

Table 5-16
Projected Retail Sales Leakage, Secondary Market Area, 2016

Type of Retailer	Primary Market Area Annual Per Capita				2016 Estimated Total (3)			
	2008 (1)		2016 (2)		PMA Spending	PMA Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
	Spending	Sales	Spending	Sales				
Apparel Stores	$550	$240	$665	$290	$44,011,303	$19,207,900	$(24,803,403)	-56.4%
General Merchandise Stores	$2,113	$1,020	$2,556	$1,234	$169,226,840	$81,667,807	$(87,559,033)	-51.7%
Food Stores (4)	$2,420	$2,844	$2,926	$3,439	$193,755,602	$227,699,188	$33,943,586	14.9%
Eating and Drinking Places	$1,548	$1,515	$1,873	$1,832	$123,976,770	$121,321,687	($2,655,083)	-2.1%
Home Furnishings and Appliances	$572	$300	$691	$362	$45,782,565	$23,988,740	$(21,793,825)	-47.6%
Building Materials	$1,030	$965	$1,246	$1,167	$82,497,263	$77,290,960	$(5,206,304)	-6.3%
Motor Vehicles and Parts	$349	$1,680	$422	$2,031	$27,939,162	$134,482,738	$106,543,576	79.2%
Service Stations	$1,732	$2,196	$2,094	$2,656	$138,650,529	$175,839,630	$37,189,102	21.1%
Other Retail Stores (5)	$1,748	$3,870	$2,114	$4,681	$139,986,358	$309,915,577	$169,189,102	54.8%
Totals $12,06	2	$14,630	$14,588	$17,693	$965,826,391	$1,171,414,226	$205,587,835	17.6%

Notes:
(1) Refer to 2008 leakage Table 5-15.
(2) Adjusted for inflation based on the consumer price index for all urban consumers in California as defined by the California Department of Industrial Relations, Division of Labor Statistics and Research. Inflation for 2008-2009 (-0.3%) and for 2009-2010 (1.6%). Inflation for the periods 2010-2016 estimated to be 3.0% per year.
(3) Estimated 2016 secondary market area population of 66,208. See Exhibit 6.
(4) Includes estimated taxable and non-taxable sales.
(5) Other retail stores includes gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationery and books, jewelry, office supplies and computer stores, packaged liquor stores, second-hand merchandise, farm and garden supply stores, fuel and ice dealers, and miscellaneous other retail stores.
Source: California State Board of Equalization 2008 Annual Sales; Exhibit 6; Claritas, Inc.; and CBRE Consulting.

Table 5-17
Retail Sales Leakage Analysis[1], Primary and Secondary Market Areas, 2008

Type of Retailer	TOTAL Primary and Secondary Market Areas Spending	Primary and Secondary Market Areas Sales	Attraction/ (Leakage)	Percent Attraction (Leakage)
Apparel Stores	$44,247,694	$18,729,364	($25,518,330)	(57.7%)
General Merchandise Stores	$169,785,246	$90,640,499	($79,144,747)	(46.6%)
Food Stores	$199,005,976	$209,305,917	$10,299,941	4.9%
Eating and Drinking Places	$123,917,597	$122,190,090	($1,727,507)	(1.4%)
Home Furnishings and Appliance	$46,031,957	$83,098,046	$37,066,089	44.6%
Building Materials	$82,025,285	$75,361,224	($6,664,061)	(8.1%)
Motor Vehicles and Parts	$27,886,665	$184,979,347	$157,092,682	84.9%
Service Stations	$139,352,076	$179,463,072	$40,110,996	22.4%
Other Retail Stores	$142,215,515	$267,525,798	$125,310,283	46.8%
Total	**$974,468,010**	**$1,231,293,357**	**$256,825,346**	**20.9%**

Notes:
(1) The numbers in this exhibit are calculated by adding Table 5-13 results to Table 5-15 results.

Sources: Table 5-13 and 5-15; and CBRE Consulting.

Table 5-18
Projected Retail Sales Leakage[1], Primary and Secondary Market Areas, 2016

Type of Retailer	TOTAL Primary and Secondary Market Areas Spending	Primary and Secondary Market Areas Sales	Attraction/ (Leakage)	Percent Attraction (Leakage)
Apparel Stores	$58,103,467	$24,529,405	($33,574,062)	(57.8%)
General Merchandise Stores	$222,912,888	$119,975,786	($102,937,101)	(46.2%)
Food Stores	$261,792,547	$272,659,911	$10,867,364	4.0%
Eating and Drinking Places	$162,640,409	$160,477,016	($2,163,393)	(1.3%)
Home Furnishings and Appliance	$60,446,845	$115,699,046	$55,252,201	47.8%
Building Materials	$107,608,693	$98,698,340	($8,910,353)	(8.3%)
Motor Vehicles and Parts	$36,596,530	$248,456,576	$211,860,046	85.3%
Service Stations	$182,984,129	$235,959,198	$52,975,069	22.5%
Other Retail Stores	$186,913,841	$346,384,632	$159,470,790	46.0%
Total	**$1,279,999,349**	**$1,622,839,910**	**$342,840,560**	**21.1%**

Notes:
(1) The numbers in this exhibit are calculated by adding Table 5-13 results to Table 5-15 results.

Sources: Table 5-13 and 5-15; and CBRE Consulting.

ADJUSTMENTS FOR MAJOR NEW RETAIL DEVELOPMENTS

CBRE Consulting made adjustments to the projected Retail Sales Leakage Analysis findings to account for major new retail developments that have opened in the market area since the end of 2008. Also relevant to the adjustment process is stores that have closed since 2008, as this also has an impact on the retail base. The purpose of these adjustments is to more appropriately estimate the size of the primary market area retail base at the time the Center becomes fully operational in order to more realistically estimate the Center's impacts.

CBRE Consulting surveyed the City of Rocklin, City of Auburn, Placer County, industry specialists, and news publications to identify retail projects new to the primary and secondary market areas since 2008. The same sources were also queried regarding closed stores in the primary and secondary market areas. CBRE Consulting estimated sales performance based on averages for categories published in Retail MAXIM's 2008 publication *Perspectives on Retail Real Estate and Finance*.

New Retail Stores

The survey results identified only one major new store (greater than 20,000 square feet) in the primary and secondary market area opened since January 1, 2009 (see Table 5-19). It is a Home Depot in Auburn, estimated at 128,000 square feet with estimated 2016 sales of $43.7 million. The store opened in 2009.

Closed Retail Stores

A Gottschalk's store in Auburn closed in 2009. Based on an estimated store size of 44,600 square feet, this closure would result in an estimated decline in sales of $7.1 million in 2016. In all likelihood, Gottschalk's sales were redistributed to existing stores in the market area. It is recognized that many smaller stores in the market area closed since January 2009. However, for the purpose of this analysis, it is assumed that their sales were also redistributed to other existing stores in the market area. Therefore, a further adjustment to the leakage analysis is not necessary.

Net Changes in Retail Base

The distribution of the new or closed retail sales by retail category is presented in Table 5-20. The purpose of this distribution is to assess the impact of major store additions or deletions on the market area retail base. The results indicate that the greatest net change by retail category will be the $35.3 million increase in building materials sales. The combined impact of the opening of Home Depot and closing of Gottschalk's, both in Auburn, will be $36.6 million in additional sales. This adjustment to the 2016 sales base of the secondary market area is incorporated into the analysis of sales impacts, presented in the next section.

Table 5-19
Adjusted Sales for Newly Opened and Recently Closed Stores[1], Estimated 2016 Sales Adjustment

Store Assumptions	Average Sales Per Sq. Ft. 2008 (2)	Average Sales Per Sq. Ft. 2016 (3)	Estimated Square Feet (4)	Estimated Net Sales 2016
NEW STORES				
Home Depot - Auburn	$281	$341	128,000	$43,669,552
CLOSED STORES				
Gottschalk's - Auburn	$131	$158	(44,600)	($7,062,576)
TOTAL (NET)			**83,400**	**$36,606,976**

Notes:
(1) Includes stores larger than 20,000 square feet that have opened or closed since 2009, in the primary and secondary market areas.
(2) CBRE Consulting relied on Retail Maxim's July, 2009 report of 2008 retail sales per square foot estimates, which also include averages for different categories of retailers.
(3) Adjusted for inflation based on the consumer price index for all urban consumers in California as defined by the U.S. Department of Labor Bureau of Labor Statistics. Inflation for the 2008-09 period is -0.3 percent; inflation for the February 2009 - February 2010 period is 1.6 percent. Assumed an annual rate of 3.0 percent between 2010 and 2016.
(4) Information on the Home Depot square footage from the Auburn Journal article, "New Home Depot Enters Finishing Phase," dated 11/7/08. The Gottschalk's store square footage is from CoStar.

Sources: Retail Maxim's 2009 publication "Perspectives on Retail Real Estate and Finance"; City of Rocklin; Auburn Journal, "New Home Depot Enters Finishing Phase," dated 1/7/08; CoStar; and CBRE Consulting.

Table 5-20
Estimated Distribution of New/Closed Store Sales by Category, Estimated 2016 Sales Adjustment

Store	Estimated Sales (2)	Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Other Retail
		Allocation of New/Closed Store Sales into State Board of Equalization Categories (1)						
NEW STORES								
Home Depot (3)	$43,669,552	-	-	-	-	$8,384,554	$35,284,998	-
CLOSED STORES								
Gottschalk's (4)	($7,062,576)	($4,583,612)	($649,757)	-	-	($1,179,450)	-	($649,757)
TOTAL (NET)	**$36,606,976**	**($4,583,611)**	**($649,757)**	**$0**	**$0**	**$7,205,104**	**$35,284,999**	**($649,757)**

Notes:
(1) Sales categories reported by State of California BOE.
(2) See Table 5-19.
(3) Home Depot's retail allocations based on the mix presented in the Home Depot Inc. Annual 10-K report for 1/31/10.
(4) Gottschalk's retail allocations based on the mix presented in the Gottschalk's Inc. Annual 10-K report for 2/2/08.

Sources: Table 5-19; California Board of Equalization; Home Depot Inc. Annual 10-K for 1/31/10; Gottschalks Inc. Annual 10-K for 2/2/08; and CBRE Consulting.

5.4 SALES IMPACTS

This section examines whether the Center would attract new sales to the primary market area or divert sales from existing retailers. If sales are diverted, the degree of impact on existing retailers is identified.

POTENTIAL RETAIL SALES IMPACTS WITHIN THE PROJECT MARKET AREAS

The following analysis examines the extent to which the Center is likely to attract new sales to the primary market area and/or divert sales from existing retailers. For sales that may be diverted, the maximum level of impact on existing retailers is identified. To determine potential sales impacts on existing stores, the analysis evaluates existing supply and demand for retail sales within each BOE category. Projected population growth and the recapture of existing leakage are also considered as sources of potential demand that may offset the potential sales impacts associated with the Project. For this analysis, the approach assumes that if the Center will add sales to a retail category in an amount greater than the combination of estimated recaptured leakage in the category and the expected demand from new population, then at worst, the remaining amount of sales will be diverted away from existing retailers.

NEW DEMAND FROM POPULATION GROWTH

The addition of new population and households to the Center's market areas is one major source of demand for Rocklin Crossings. New households will be formed as each market area's population grows between 2009 and 2016. These new households will in turn bolster the demand for retail goods in the region.

New Population Retail Demand

As shown in Table 5-7 and in Table 5-21 below, CBRE Consulting estimates that approximately 7,076 new residents will be added to the combined primary and secondary market areas between 2009 and 2016. This estimate is based on the most current SACOG projections as well as Claritas Inc. for unincorporated portions of the market area not tracked by SACOG. These figures are believed to be the most reliable available. The City of Rocklin also relies upon SACOG for population projections.

Table 5-21
Population Growth Projections 2009-2016

Characteristic	Primary Market Area	Secondary Market Area	Total Market Areas
Estimated Population 2009	21,930	62,686	84,616
Total Projected Population by 2016	25,483	66,208	91,691
Net New Population 2009-2016	**3,553**	**3,523**	**7,076**

Source: Table 5-7.

To help estimate the demand from these new residents, CBRE Consulting estimated the percentage of new demand that may be captured by the Center. Capture rates were developed for new demand generated from population growth in each of the Center's market areas by comparing the share of the new development's projected sales to the total retail sales in each of the market areas. It is likely that not all of the Rocklin Crossings sales would be new to the market areas; however, this is a conservative approach to provide minimum capture rate assumptions for the Center, assuming that all sales are diverted from existing retailers. These capture rates are calculated in Tables 5-22 and 5-23. Across all retail categories, it is estimated that the Center would capture approximately 31.5 percent of demand from new population in the primary market area, and 14.6 percent of demand from new population added to the secondary market area.

Using the total household spending for each relevant BOE retail sales category, CBRE Consulting calculated the aggregate new demand by retail sales category that would be generated by the addition of new population to the Center's market areas. Table 5-24 shows that the 3,553 residents added to the primary market area by 2016 are projected to generate $43.8 million in new retail demand in 2016 spread across the BOE retail categories. Table 5-25 shows that the 3,523 residents added to the secondary market area by 2016 are projected to generate $51.4 million in new retail demand across all BOE retail categories.

Rocklin Crossings Capture of Demand from New Population

CBRE Consulting developed assumptions for the share of new population retail demand that would be captured by Rocklin Crossings, utilizing a two-step process. First, the share of new demand that all retailers in the market area will collectively capture was estimated. Then, Rocklin Crossings' share of this demand was estimated.

As shown in Table 5-24, CBRE Consulting assumes that primary market area retailers could reasonably expect to capture approximately 61.0 percent of the new population retail demand. The capture rates were estimated for each category. For example, food stores in the primary market area are estimated to capture 90 percent of new demand, whereas apparel stores are projected to capture only 40 percent. Food stores tend to retain local spending because grocery sales are more apt to occur close to a shopper's residence than other types of retail sales. This is, in part, because some grocery items are perishable, and also because trips to the grocery store are more frequent for the average household than, for instance, trips to clothing stores. The apparel stores category has a lower capture rate of 40 percent, reflecting that there are a more limited supply of retailers in the primary market area and new residents are more likely to travel outside its boundaries to make apparel store purchases.

CBRE Consulting also developed capture rates by retail category for Rocklin Crossings. These capture rates were calculated in Tables 5-22 and 5-24 by dividing the share of the new development's projected sales by the total retail sales in each of the market areas. The Center capture rates are a subset of the market area's 61.0 percent capture of new demand already calculated. Of the 61.0 percent capture rate for the collective primary market area stores, Rocklin Crossings is estimated to capture 31.5 percent of new demand across all retail categories.

Table 5-22
Estimated Center Capture Rates
for New Population Demand in the Primary Market Area, 2016

Retail Category	2016 PMA Sales Base (1)	2016 Estimated Center Sales (2)	2016 Total Sales Base	Estimated Center Capture Rates (3)
	[A]	[B]	[C = A + B]	[D = B / C]
Apparel Stores	$5,321,506	$9,732,394	$15,053,900	64.7%
General Merchandise Stores	$38,307,980	$30,278,560	$68,586,540	44.1%
Food Stores	$44,960,723	$48,661,971	$93,622,694	52.0%
Eating & Drinking Places	$39,155,329	$10,199,309	$49,354,638	20.7%
Home Furnishings & Appliances	$91,710,306	$30,301,623	$122,011,929	24.8%
Building Materials	$21,407,381	$34,991,196	$56,398,576	62.0%
Motor Vehicles & Parts	$113,973,838	$0	$113,973,838	0.0%
Service Stations	$60,119,567	$0	$60,119,567	0.0%
Other Retail Stores	$36,469,055	$43,136,063	$79,605,118	54.2%
Total	**$451,425,684**	**$207,301,117**	**$658,726,800**	**31.5%**

Notes:

(1) See Table 5-14.
(2) See Table 5-5.
(3) Represents the assumed percentage of new demand that may be captured by the proposed Rocklin Crossings within the Primary Market Area. Capture rates were developed based on comparing the share of the Center's estimated sales generated by Primary Market Area residents with the Primary Market Area retail sales base. In other words, the analysis assumes that the Center will capture a proportional share of the Primary Market Area retail sales for each relevant category.

Sources: Tables 5-5 and 5-14; and CBRE Consulting.

Table 5-23
Estimated Center Capture Rates
for New Population Demand in the Secondary Market Area, 2016

Retail Category	2016 SMA Sales Base (1)	2016 Estimated Center Sales (2)	2016 Total Sales Base	Estimated Center Capture Rates (3)
	[A]	[B]	[C = A + B]	[D = B / C]
Apparel Stores	$14,624,289	$9,732,394	$24,356,683	40.0%
General Merchandise Stores	$81,018,050	$30,278,560	$111,296,610	27.2%
Food Stores	$227,699,188	$48,661,971	$276,361,159	17.6%
Eating & Drinking Places	$121,321,687	$10,199,309	$131,520,996	7.8%
Home Furnishings & Appliances	$31,193,844	$30,301,623	$61,495,467	49.3%
Building Materials	$112,575,958	$34,991,196	$147,567,154	23.7%
Motor Vehicles & Parts	$134,482,738	$0	$134,482,738	0.0%
Service Stations	$175,839,630	$0	$175,839,630	0.0%
Other Retail Stores	$309,265,820	$43,136,063	$352,401,883	12.2%
Total	**$1,208,021,204**	**$207,301,117**	**$1,415,322,321**	**14.6%**

Notes:

(1) See Tables 5-16 and 5-20.
(2) See Table 5-5.
(3) Represents the assumed percentage of new demand that may be captured by the proposed Rocklin Crossings within the Secondary Market Area. Capture rates were developed based on comparing the share of the Center's estimated sales generated by Secondary Market Area residents with the Secondary Market Area retail sales base. In other words, the analysis assumes that the Center will capture a proportional share of the Secondary Market Area retail sales for each relevant category.

Sources: Tables 5-5, 5-16 and 5-20; and CBRE Consulting.

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Table 5-24
New Demand Generated by Population Growth,
Rocklin Crossings Primary Market Area, 2009-2016, in 2016 Dollars[(1)]

Retail Category	Per Capita Demand (2) [A]	Demand From New Population 2009-2016 (3) [B = A * 3,553]	Primary Market Area Capture Rate (4) [C]	Primary Market Area Sales Captured [D = B * C]	Center's Capture Rate of PMA Sales (5) [E]	Estimated Capture of Demand from New Population [F = D * E]	Remaining Potential Demand (Captured By Other Stores) [G = D - F]
Apparel Stores	$553	$1,964,813	40.0%	$785,925	64.7%	$508,103	$277,822
General Merchandise Stores	$2,107	$7,485,228	50.0%	$3,742,614	44.1%	$1,652,233	$2,090,381
Food Stores	$2,670	$9,486,115	90.0%	$8,537,504	52.0%	$4,437,511	$4,099,992
Eating & Drinking Places	$1,517	$5,390,714	75.0%	$4,043,036	20.7%	$835,508	$3,207,528
Home Furnishings & Appliances	$575	$2,044,581	50.0%	$1,022,291	24.8%	$253,886	$768,405
Building Materials	$985	$3,501,185	40.0%	$1,400,474	62.0%	$868,892	$531,582
Motor Vehicles & Parts	$340	$1,207,062	20.0%	$241,412	0.0%	$0	$241,412
Service Stations	$1,740	$6,181,254	75.0%	$4,635,940	0.0%	$0	$4,635,940
Other Retail Stores	$1,842	$6,542,908	35.0%	$2,290,018	54.2%	$1,240,905	$1,049,113
Total	**$12,329**	**$43,803,860**	**61.0%**	**$26,699,214**	**31.5%**	**$9,797,037**	**$16,902,176**

Notes:

(1) Figures are in 2016 dollars unless otherwise noted.
(2) See Table 5-14.
(3) As shown in Table 5-7, an estimated increase in population by 3,553 is projected to be added to the Primary Market Area between 2009 and 2016.
(4) CBRE Consulting estimated the Primary Market Area capture rates based on shopping patterns as indicated by the demand leakage/attraction estimates, available retail within the market area, and professional judgment. For example, the Food Stores category tends to retain local spending based on the leakage/attraction analysis and there are a range of choices in the Primary Market Area such that 90 percent of new population demand is projected to be captured. The Building Materials Stores category, by contrast, has a more limited supply of retailers versus the surrounding area such that new residents are more likely to travel outside the Primary Market Area for these types of purchases.
(5) See Table 5-22.

Sources: Tables 5-7, 5-14 and 5-22; and CBRE Consulting.

Table 5-25
New Demand Generated by Population Growth,
Rocklin Crossings Secondary Market Area, 2009-2016, in 2016 Dollars[1]

Retail Category	Per Household Demand (2) [A]	Demand From New Population in the SMA 2009-2016 (3) [B = A * 3,523]	Secondary Market Area Capture Rate (4) [C]	Secondary Market Area Sales Captured [D = B * C]	Center's Capture Rate of Market Area Sales (5) [E]	Estimated Capture of Demand from New Population [F = D * E]	Remaining Potential Demand (Captured By Other Stores) [G = D - F]
Apparel Stores	$665	$2,341,563	44.0%	$1,030,288	40.0%	$411,680	$618,608
General Merchandise Stores	$2,556	$9,003,491	48.0%	$4,321,676	27.2%	$1,175,724	$3,145,952
Food Stores	$2,926	$10,308,512	90.0%	$9,277,661	17.6%	$1,633,620	$7,644,040
Eating & Drinking Places	$1,873	$6,596,021	95.0%	$6,266,220	7.8%	$485,938	$5,780,281
Home Furnishings & Appliances	$691	$2,435,801	50.0%	$1,217,901	49.3%	$600,115	$617,785
Building Materials	$1,246	$4,389,158	90.0%	$3,950,242	23.7%	$936,683	$3,013,559
Motor Vehicles & Parts	$422	$1,486,466	20.0%	$297,293	0.0%	$0	$297,293
Service Stations	$2,094	$7,376,719	75.0%	$5,532,539	0.0%	$0	$5,532,539
Other Retail Stores	$2,114	$7,447,790	55.0%	$4,096,284	12.2%	$501,409	$3,594,875
Total	**$14,588**	**$51,385,522**	**70.0%**	**$35,990,104**	**14.6%**	**$5,745,171**	**$30,244,933**

Notes:

(1) Figures are in 2016 dollars unless otherwise noted.
(2) See Table 5-16.
(3) As shown in Table 5-7 an estimated increase in population by 3,523 is projected to be added to the Secondary Market Area between 2009 and 2016.
'(4) CBRE Consulting estimated the Secondary Market Area capture rates based on shopping patterns as indicated by the demand leakage/attraction estimates, available retail within the market area, and professional judgment. For example, the Food Stores category tends to retain local spending based on the leakage/attraction analysis and there are a range of choices in the Secondary Market Area such that 90 percent of new population demand is projected to be captured. The Home Furnishings and Appliances Stores category, by contrast, has a
(5) See Table 5-23.

Sources: Table 5-7, 5-16 and 5-23; and CBRE Consulting.

Tables 5-23 and 5-25 present a similar analysis for the secondary market area. On average across all retail categories, it is estimated that the secondary market area stores will capture 70.0 percent of new demand from the added secondary market area households. Of this 70.0 percent, Rocklin Crossings is estimated to capture 14.6 percent of demand from new households formed in the secondary market area, as shown in Table 5-25.

Applying the capture rates described, the analysis concludes that $62.7 million in new demand is likely to be satisfied by either Rocklin Crossings directly or by other retailers in the primary and secondary market areas. This comprises $26.7 million in demand from the primary market area new population and $36.0 million in demand from new secondary market area population. Tables 5-24 through 5-27 show how this new demand is allocated between the Center and other stores based on the Center's capture rates. Of the $62.7 million, the Center is estimated to capture $15.5 million. Table 5-26 summarizes the allocation of new household demand to the Primary and Secondary market area stores.

Table 5-26
Rocklin Crossings Capture of New Population Demand Combined Primary and Secondary Market Areas, 2016 Dollars, in Millions

Retail Category	Total New Population Demand	New Demand Captured by All Primary & Secondary Market Area Stores	New Demand Captured by Rocklin Crossings	Remaining New Demand (Captured by Other Market Area Stores)[1]
Apparel	$4.3 $1.	8	$0.9	$0.9
General Merchandise	$16.5	$8.1	$2.8	$5.2
Food Stores	$19.8	$17.8	$6.1	$11.7
Eating and Drinking	$12.0	$10.3	$1.3	$9.0
Home Furnishings	$4.5	$2.2	$0.9	$1.4
Building Materials	$7.9	$5.4	$1.8	$3.5
Motor Vehicles and Parts	$2.7	$0.5	$0.0	$0.5
Service Stations	$13.6	$10.2	$0.0	$10.2
Other	$14.0	$6.4	$1.7	$4.6
Total	**$95.2**	**$62.7**	**$15.5**	**$47.1**

Source Table 5-27.
(1) The remaining new demand to be captured by both primary and secondary market area stores.

There is $95.2 million in demand associated with new population growth within the combined primary and secondary market areas, of which $62.7 million is likely to be captured by all market area retailers. Rocklin Crossings is forecasted to attract $15.5 million of this total, while the remaining $47.1 million are estimated to go to other stores within the market areas.

MAXIMUM POTENTIAL SALES IMPACTS

Table 5-28 shows the resulting Maximum Potential Sales Impacts. In essence, the impact on existing retailers was estimated by taking projected 2016 Rocklin Crossings' sales, considering the effect of population growth, and assuming the recapture of a portion of existing leakage.

Table 5-27
New Demand Generated by Population Growth, Rocklin Crossings Primary and Secondary Market Areas Combined, 2009-2016, in 2016 Dollars

	Primary and Secondary Market Areas Combined			
Retail Category	New Demand (1)	Captured Market Area Sales (2)	Demand Captured Rocklin Crossings (3)	Remaining Potential Demand From New Households (4)
Apparel	$4,306,377	$1,816,213	$919,784	$896,430
General Merchandise	$16,488,719	$8,064,290	$2,827,957	$5,236,332
Food Stores	$19,794,627	$17,815,164	$6,071,132	$11,744,032
Eating & Drinking	$11,986,735	$10,309,255	$1,321,446	$8,987,809
Home Furnishings & Appliances	$4,480,382	$2,240,191	$854,001	$1,386,190
Building Materials	$7,890,343	$5,350,716	$1,805,575	$3,545,141
Motor Vehicles & Parts	$2,693,528	$538,706	$0	$538,706
Service Stations	$13,557,973	$10,168,480	$0	$10,168,480
Other Retail	$13,990,698	$6,386,302	$1,742,314	$4,643,988
Totals (5)	**$95,189,382**	**$62,689,318**	**$15,542,209**	**$47,147,109**

Notes:

(1) See Tables 5-24 and 5-25. These figures were derived by adding together the estimated new demand from the primary and secondary market areas.
(2) See Tables 5-24 and 5-25. These figures were derived by adding together the estimated captured market area sales for the primary and secondary market areas.
(3) See Table 5-24 and 5-25. These figures were derived by adding together the estimated sales captured by Rocklin Crossings from the primary and secondary market areas.
(4) Comprises demand available for capture by other market area retailers besides the stores at Rocklin Crossings.
(5) Figures may not total due to rounding.

Sources: Tables 5-24 and 5-25; and CBRE Consulting.

Table 5-28
Potential Sales Impacts, Rocklin Crossings Primary and Secondary Market Areas, in 2016 Dollars

Retail Category	Rocklin Crossings Market Area Sales (1) [A]	Rocklin Crossings Capture of New Demand (2) [B]	Potential Sales Impacts [C = A - B]	Estimated Leakage (3) [D]	Potential Absorbed Leakage (4) [E = D x 50%]	Intermediary Potential Sales Impacts [F = C + E]	Remaining Potential Demand from New Population (2) [G]	Sales Diverted From Existing Retailers Amount [H = F - G]
Apparel Stores	$9,732,394	$919,784	$8,812,611	$ (33,574,061.64)	$ (8,812,610.72)	$0	$896,430	$0
General Merchandise Stores	$30,278,560	$2,827,957	$27,450,603	$ (102,937,101.45)	$ (27,450,602.61)	$0	$5,236,332	$0
Food Stores	$48,661,971	$6,071,132	$42,590,840	$ -	$ -	$42,590,840	$11,744,032	$30,846,807
Eating & Drinking Places	$10,199,309	$1,321,446	$8,877,863	$ (2,163,393.32)	$ (1,081,696.66)	$7,796,167	$8,987,809	$0
Home Furnishings & Appliances	$30,301,623	$854,001	$29,447,622	$ -	$ -	$29,447,622	$1,386,190	$28,061,432
Building Materials	$34,991,196	$1,805,575	$33,185,620	$ (8,910,353.08)	$ (4,455,176.54)	$28,730,444	$3,545,141	$25,185,303
Other Retail Stores	$43,136,063	$1,742,314	$41,393,749	$ -	$ -	$41,393,749	$4,643,988	$36,749,761
Total	**$207,301,117**	**$15,542,209**	**$191,758,908**	**$ (147,584,909.49)**	**$(41,800,086.52)**	**$149,958,822**	**$36,439,924**	**$120,843,302**

Notes:

(1) See Table 5-5.
(2) See Table 5-27.
(3) See Table 5-18.
(4) CBRE Consulting estimates that Rocklin Crossings will capture approximately 50 percent of the estimated leakage. If the Potential Sales Impacts from Rocklin Crossings are less than 50 percent of the Estimated Leakage, however, the Project will only capture leakage amounting to the total Potential Sales Impacts shown in Column C.

Sources: Tables 5-5, 5-18 and 5-27; and CBRE Consulting.

The effect of population growth was quantified in Table 5-27 and explained above. The assumptions used to estimate recaptured leakage are presented below.

RECAPTURED LEAKAGE

Across all retail categories, there is estimated to be $147.6 million in retail demand by market area residents occurring outside the market area boundaries. Of that amount, it is estimated that Rocklin Crossings has the potential to recapture $41.8 million in sales, mostly in the General Merchandise category, but also in the Apparel, Eating and Drinking Places, and Building Materials categories. To calculate the Center's share of recaptured leakage, the estimated leakage in the market areas was multiplied by 50 percent, under the assumption that Rocklin Crossings could reasonably expect to recapture half—not all—of the available leakage. This assumption recognizes that consumers generally allocate at least a small fraction of their retail spending to stores relatively far away from their residence. It also takes into account that there are other retail options in the region and that Rocklin Crossings is unlikely to satisfy the entirety of unmet demand.

The potential recaptured leakage of $41.8 million represents sales currently occurring outside the Center's market areas, and therefore any recapture that the Center achieves would be to the detriment of stores located outside the primary and secondary market areas. Because these stores are spread across a very large area, the effects to such stores from Rocklin Crossings would likely be very diffuse and thus minimal on any particular individual retailer. These impacts may be considered in terms of their retail square foot impacts by dividing the recaptured leakage by an estimated average retail store sales per square foot figure of $411 (from Table 5-3). When the $41.8 million in recaptured leakage are divided by $411 per square foot, it is found that approximately 102,000 square feet of retail space outside the primary and secondary market areas may be susceptible to impacts. Spread across such a large geography and a multitude of retailers, these $41.8 million are estimated to cause some minor reduction in sales at stores in the region, but are unlikely to cause specific store closures or urban decay.

Table 5-29 below summarizes the maximum potential sales impacts findings. After adjusting for recapture of leakage, the remaining potential demand from new population is also deducted from the maximum potential sales impacts. Underlying this calculation is the assumption that any new retail demand from new population that is captured by market area retailers, but ***not*** captured by Rocklin Crossings, would be dispersed among other stores. This allocation of additional retail demand has an offsetting effect on the potential sales impacts. After the remaining potential demand from new population is considered, the sales impacts total $120.8 million. That is, the analysis indicates that, at worst, about $121 million in sales generated at the Center upon stabilization would be diverted away from existing primary and secondary market area retailers. The impacts would occur in the categories of food stores, home furnishings and appliances, building materials, and other retail stores.

Table 5-29
Rocklin Crossings Recaptured Leakage and Estimated Sales Diversions Combined Primary and Secondary Market Areas 2016 Dollars (in Millions)

Retail Category	Maximum Potential Sales Impacts	Less Potential Recaptured Leakage	Less Remaining Potential Demand for New Population	Sales Diverted from Existing Retailers
Apparel	$8.8	$(8.8)	$0.9	$0.0
General Merchandise	$27.5	$(27.5)	$5.2	$0.0
Food Stores	$42.6	$0.0	$11.7	$30.8
Eating and Drinking Places	$8.9	$(1.1)	$9.0	$0.0
Home Furnishings and Appliances	$29.4	$0.0	$1.4	$28.1
Building Materials	$33.2	$(4.5)	$3.5	$25.2
Other Retail Stores	$41.4	$0.0	$4.6	$36.7
Totals (1)	$**191.8**	**($41.8)**	**$36.4**	**$36.7**
Sources: Table 5-28 (1) Sum of figures may not equal total due to rounding.				

These figures are conservative and are presented as an analytical benchmark. They are considered conservative for several reasons. First, they assume the maximum diversion away from existing retailers upon stabilization of the Center. Thus, they do not take into account any prospective market corrections or enhancements following the introduction of the Center to the marketplace, including competitive retailer repositioning. They also do not account for potential real growth in income among the market area's population, resulting in an increase in per capita spending. More importantly, they do not take into consideration population growth in the market area following introduction of the Center.

IDENTIFICATION OF AFFECTED RETAIL CATEGORIES

The analysis indicates that some market area retail categories appear more vulnerable than others as a result of development of the Center. The most vulnerable category is other retail sales. However, three additional categories are also likely to experience relatively large sales diversions: food stores; home furnishings and appliances; and building materials. Based on general industry performance data, and sales performance data estimated elsewhere in this study, the square footage equivalents of the sales diversions in these four categories are as follows:

- Food Stores: 52,100 square feet (at $592 per square foot)
- Home Furnishings and Appliances: 83,800 square feet (at $335 per square foot);
- Building Materials: 74,500 square feet (at $338 per square foot); and
- Other Retail Stores: 89,400 square feet (at $411 per square foot).

These findings suggest that at worst, stores totaling these respective square footages are at risk of closing due to the sales impacts of the Center. This is more fully discussed below, by retail category. This finding is worst case because the impacts are most likely to be spread among many stores, rather than just one or a few stores. If many or all of the market area stores in an impacted category share the burden of diverted sales, then that should reduce the impact on any one store and thereby reduce the occurrence of closures. In all likelihood, some existing stores may have a difficult time coping with increased competition, and a significant decline in sales may lead them to closure. In summary, some stores would be able to withstand a sales loss for a short period of time, until such sales are replaced by new demand, while others may not.

The following section considers the extent to which these maximum sales impacts could affect existing market area stores competing in the above categories based on their store characteristics.

STORE IMPACTS BY CATEGORY

CBRE Consulting visited the primary and secondary market areas as well as the adjacent cities of Roseville and Lincoln in April 2010 to visually assess retail market performance, to determine market niches, and to qualitatively assess the degree to which stores might incur lost sales due to the addition of the Center. CBRE Consulting identified competitive shopping centers based on their size and retail focus relative to Rocklin Crossings. CBRE Consulting located existing competitive stores via store location information provided by Claritas and CoStar as well as local brokers. The major competitive shopping centers and stores will be discussed according to their category of sales. Shopping centers and selected store locations are mapped on Exhibit 5-1.

COMPETITIVE SHOPPING CENTERS

The primary market area contains several shopping centers. CBRE Consulting toured the shopping centers considered most competitive with Rocklin Crossings. There are other smaller, more neighborhood and community serving shopping centers in the primary market area as well. Most neighborhood centers consist of a grocery store or drug store anchor and small local stores, such as nail salons and dry cleaners that cater to the local population and offer convenience goods and services. In contrast, the large big box chain stores planned for the Center offer discount prices and draw comparison shoppers from a larger market area. Note that in the 2006 Economic Impact Analysis, Blue Oaks Town Center was included in the discussion of primary market area competitive shopping centers. Because of the newly defined primary and secondary market areas, Blue Oaks Town Center no longer falls within the Center's market areas. Therefore, it is not discussed in this section. The primary market area's major shopping centers are described below, followed by a discussion by store type.

- **Rocklin Square Shopping Center** is a community-serving shopping center located at Interstate 80 and Rocklin Road in the City of Rocklin. It is located approximately 1.5 miles southwest of the proposed Center. The center opened in 1982 and has approximately 190,000 square feet of gross leasable area. Major anchor tenants include Safeway and CVS. During fieldwork in April 2010, CBRE Consulting noted three vacant shop spaces, most of which were located in space on the side of the center at its southern end, an area lacking visibility to many shoppers. The size, age, and tenant orientation of this center indicate that the center as a whole would not compete directly with Rocklin Crossings' big box stores and their regional draw. However, because of its close proximity to the Rocklin Crossings' site, the Safeway itself would compete with the proposed Walmart at Rocklin Crossings.

- **Loomis Town Center** is a neighborhood-serving shopping center located at Interstate 80 and Horseshoe Bar Road in the Town of Loomis. It is located approximately 1.5 miles northeast of the proposed Center. Loomis Town Center opened in 1996 and has approximately 70,000 square feet of gross leasable area, most of which is taken up by a Raley's Supermarket. This center was 100 percent occupied when visited by CBRE Consulting in April 2010. The size and orientation of this center suggest that the center as a whole would not compete directly with Rocklin Crossings' big box stores and their regional draw. However, because of its close proximity to the Rocklin Crossings' site, the Raley's Supermarket itself would compete with the proposed Walmart at Rocklin Crossings.
- **K-Mart Center** is a community-serving shopping center located along Pacific Street near Farron Street in Rocklin. It opened in 1993 and has a total of 147,500 square feet. It is located approximately 2.7 miles southwest of the proposed Center. K-Mart is the anchor store. The other anchor space, a former Albertson's grocery store, closed in 2006 and has been vacant ever since.
- **Five Star Plaza** is a community-serving shopping center located at the intersection of Five Star Boulevard and Destiny Drive in Rocklin. It is located approximately 5 miles southwest of the Center. It opened in 1993. Total square footage is 153,000. The center was formerly anchored by a Walmart store until Walmart relocated to a new location in Roseville. This center has approximately 62,000 square feet of vacant space which were formerly Your Outdoor Resort and Bellach's Leather Furniture, both of which closed in 2008.

The secondary market area does not contain any regional shopping centers. There are smaller, neighborhood and community serving shopping centers in the secondary market area. CBRE Consulting toured those shopping centers considered most competitive with the Rocklin Crossings Center.

- **Rock Creek Plaza** is a community-serving shopping center located at 2505 Bell Road right off Highway 49 in the unincorporated area of North Auburn. It is located approximately 13.7 miles northeast of the proposed Center. The center opened in 1980 and has approximately 342,380 square feet of gross leasable area. The anchor tenant is a 136,700-square-foot K-Mart store. This center had no apparent vacancy in April 2010 during CBRE Consulting's field work visit.
- **Auburn Town Center** is a community-serving shopping center located at Interstate 80 and Elm Avenue in the City of Auburn. It is located approximately 10.5 miles northeast of the proposed Center. The center opened in 1980 and has approximately 146,350 square feet of gross leasable area. Major anchor tenants include Save-Mart and CVS. There is a 44,600-square-foot vacancy that used to be a Gottschalk's store.
- **Sierra Oaks Plaza Center** is a neighborhood shopping center located at 4000 Douglas Boulevard in Granite Bay. It is located approximately 4.5 miles southwest of the proposed Center, contains 161,568 square feet, and was built in 1987. The center is anchored by a 50,000-square-foot Grocery Outlet; other tenants include La Bou Bakery, Extreme Pizza, and other neighborhood-serving retail and services such as a dry

cleaners, nail and hair salons, and eating and drinking places. According to CoStar, there are 41,000 square feet of vacant space.

- **Country Gables Shopping Center** is a 121,724-square-foot neighborhood-serving shopping center located at 6847 Douglas Boulevard in Granite Bay approximately 5.5 miles southeast of the proposed Center. It is anchored by a 60,114-square-foot Raley's. Other tenants include Starbucks, Carl's Jr., Taco Bell, H&R Block, Tuesday Morning (a closeout gift chain), and other neighborhood-type retail shops and services such as alterations, dentists, real estate brokerage services, and nail salon. Dollar Tree recently signed a lease for 9,138 square feet with a planned opening in July 2010.

Although some stores in the secondary market area may experience negative sales impacts due to stores at the Center, their distance from Rocklin Crossings will help keep them viable as they are located closer to their core customers than to the Center.

Downtown Shopping Districts

The primary market area contains two downtown shopping districts, one in the City of Rocklin and another in the Town of Loomis. Neither is competitive with the type of retail proposed at Rocklin Crossings.

- Rocklin's Downtown Area is located along Pacific Street near the intersection with Rocklin Road. The Downtown Rocklin Plan[12] examines the areas surrounding Pacific Street and Rocklin Road. Although Pacific Street is considered the "main street" of Rocklin, there are many parcels of undeveloped land scattered along the corridor. These breaks in development make it more difficult to have a walkable shopping district. Typical existing businesses include independent restaurants and auto repair shops. The Downtown Rocklin Plan presents a vision for this area that has not yet been fully realized. As it exists now, Rocklin's Downtown Area is not competitive with the type of development planned for Rocklin Crossings. If the vision of the Downtown Rocklin Plan is implemented, and infill development makes this area a pedestrian-oriented shopping district, it is unlikely that the types of stores built will compete directly with big box and chain stores at Rocklin Crossings. Stores in the Downtown Area are likely to be small and cater to residents from the nearby neighborhoods whereas Rocklin Crossings would have large chain stores that would draw shoppers from a larger area. The area along Pacific Street is becoming an area for auto services and light industrial uses. Between March 2009 and May 2010, leases were signed for approximately 25,000 square feet of industrial and retail space along Pacific Street, according to CoStar. CoStar also shows a vacancy rate of approximately 20 percent along Pacific Street, not including the vacant Albertson's, which would increase the vacancy to about 37 percent.
- Loomis Historic Shopping District. The Loomis Town Center Plan[13] defines the downtown core of Loomis as located along Taylor Road and Horseshoe Bar Road. Taylor Road is considered the "main street" of the Town of Loomis. Horseshoe Bar Road intersects with Taylor and also with Interstate 80. The Plan describes wanting to maintain its two "main streets" as key elements of expressing the heart of the community and providing a vital and active Town Center. This area is historic with many

[12] *Downtown Rocklin Plan Regulating Code Draft* by RBF Consulting/Urban Design Studio, February 10, 2006.
[13] *Loomis Town Center Implementation Plan, Phase 1, April 2010 by MIG, Inc*.

buildings that are architecturally significant. This district is compact and walkable with mainly one-story buildings. There are many small independent restaurants and coffee shops as well as chain stores such as Subway. This type of shopping district offers an experience that is not competitive with the big box and chain stores that are expected at Rocklin Crossings. Hence, this shopping district is not likely to be negatively impacted by the new Center.

Apparel Stores

The combined primary and secondary market area does not contain very many major brand name apparel stores. By contrast, Roseville has many major stores in this category. The analysis indicates that the $9.7 million in Rocklin Crossings apparel sales to the primary and secondary market area can be satisfied entirely by a combination of the recapture of existing leakage and the Center's capture of new population demand (see Table 5-28). As a result, the Center would likely have no negative impact on existing market area apparel retailers.

General Merchandise

CBRE Consulting researched major general merchandise stores in the primary and secondary market area. The only major general merchandise store in the primary market area is the K-Mart. In the secondary market area, the only major general merchandise stores are a Target and a K-Mart located in the City of Auburn.

Center Impacts

There is substantial leakage in the general merchandise category for the combined primary and secondary market area. Therefore, this analysis finds that new general merchandise sales generated by the Center, $30.3 million to primary and secondary market area consumers, can be satisfied entirely by the recapture of existing leakage (see Table 5-28). As a result, from a supply/demand perspective, the Center is not expected to have a negative impact on existing market area general merchandise retailers.

Given that K-Mart is the only major general merchandise store in the primary market area, it would be the most likely to experience negative sales impacts, if any, from the new Center, and especially if a Walmart was built because their product lines overlap. K-Mart is located in a center that lost its other anchor, Albertsons. If Albertsons is not replaced, that may have negative impacts on the K-Mart store and could contribute to store closure. However, the leakage analysis shows that K-Mart is not currently serving all the demand for general merchandise products in the primary market area. In fact, there is more than enough demand in the general merchandise category to support the currently operating K-Mart store and the projected sales of a Walmart at Rocklin Crossings. K-Mart is apparently not providing potential customers in the area with the kinds of shopping opportunities they want. This is not surprising, however, as the K-Mart brand has lost consumer loyalty in recent years, and can be expected to continue to struggle unless it finds a way to adapt to changing consumer preferences. In order to compete effectively with Walmart, K-Mart will have to reassess its current store and make appropriate changes to meet customer demand. Such changes would be advisable even in the absence of Rocklin Crossings.

Food Stores

The major grocery stores located near the Center's site are the Raley's located in the Loomis Town Center and the Safeway located in Rocklin Square Shopping Center. As noted previously, there was an Albertson's store located in the K-Mart center in Rocklin. However, the Albertson's store closed in about 2006 and is currently vacant. Another grocery store in Rocklin, Food Source, also closed in 2006.

Center Impacts

In the food stores category, the analysis indicates that in 2016 dollars, a maximum of $30.8 million may be diverted away from existing grocery stores in the market area. This level of diverted sales is equivalent to support for approximately 52,000 square feet of grocery store space. The extent to which this will negatively impact existing stores will depend on their ability to sustain a downturn in sales. Figures of this magnitude suggest if stores cannot withstand this downturn in sales, it is possible that a maximum of 52,000 square feet of existing food store space is at risk of closing. However, the more likely scenario is that multiple food stores will share the impact of the diverted sales and that, should one or more stores close, their sales will be redistributed among the remaining stores, thereby offsetting some of the negative impacts on those remaining stores.

Ultimately, many factors will determine whether the region's grocery stores will be susceptible to potential sales diversions or closure directly attributable to Rocklin Crossings. These factors include, but are not limited to, the quality of each competitive shopping center's management and its ability to respond to changing market conditions, the speed at which the Center achieves stabilized sales, the rate of new population growth in the market areas, and the broader national economic recovery. Overall, CBRE Consulting believes that the sales impacts would be felt most noticeably by Raley's in Loomis Town Center and Safeway in Rocklin Square Shopping Center. These are the grocery stores that would compete most directly with the Rocklin Crossings Walmart. It should be noted that Raley's occupies a strong competitive position in Loomis as a result of its successful brand, its central and highly accessible location, and the very good condition of its Loomis store. The Safeway at Rocklin Square appears to have a strong market position as well. It was extensively remodeled approximately two years ago and is well located with good proximity to neighborhoods in southern Rocklin and easy access to I-80 at Rocklin Road. Safeway also benefits from being a large corporation with financial resources to withstand the impact of new competition. It often does so by remodeling, adjusting store formats, and offering a broad range of merchandise and store services.

Eating and Drinking Places

In the eating and drinking category, the analysis indicates that the $10.2 million in Rocklin Crossings sales to the primary and secondary market area can be satisfied primarily by new population demand and secondarily by the recapture of existing leakage (see Table 5-28). As a result, the Center would likely have no negative impact on existing market area eating and drinking establishments.

Home Furnishings & Appliances

Center Impacts. The analysis indicated that in 2016 dollars, a maximum of $28.1 million in sales may be diverted away from existing home furnishings and appliances stores in the market area (see Table 5-28). This level of diverted sales assumes the Center achieves full stabilization in 2016, which is unlikely. Therefore, the impact could be less in 2016. This level of sales is equivalent to support for approximately 83,800 square feet of home furnishings and appliances store space. The extent to which this would negatively impact existing stores would depend upon their ability to sustain a downturn in sales. If stores cannot withstand this downturn in sales, it is possible that a maximum of 83,800 square feet of existing home furnishings and appliances store space is at risk of closing.

Small local stores such as Nelthorpe & Sons Appliances in Loomis could experience negative sales impacts. However, Nelthorpe & Sons' location in the historic shopping district of Loomis suggests that its orientation is to local residents who want to buy appliances from a small local business, not consumers looking for the best available prices. Clearly, significant competitors to local appliance stores already exist in the Highway 65 corridor. These types of small stores can differentiate themselves from big box stores with high levels of customer service, custom products, and a wide selection. Larger stores such as RC Willey in the Blue Oaks Town Center are the main competitors to the types of home furnishings and appliance stores that would be at Rocklin Crossings.

Building Materials

Center Impacts. In the building materials category, the analysis indicates that in 2016 dollars, a maximum of $25.2 million may be diverted away from existing stores in the market area. This level of diverted sales is equivalent to support for approximately 74,500 square feet of building materials store space. The extent to which this would negatively impact existing stores would depend on their ability to sustain a downturn in sales. However, figures of this magnitude suggest if stores cannot withstand this downturn in sales, it is possible that a maximum of 74,500 square feet of existing space is at risk of closing.

Existing stores in this category include Meek's The Builders Choice in Rocklin. Hardware Emporium, which operated at a location on Taylor Road in Loomis for 38 years, is now out of business after its owner decided to retire. According to an article in the Sacramento Bee, Cynthia Forcier, daughter of the original owner, said that her decision had nothing to do with the prospect of big box stores coming to the Loomis-Rocklin area.[14] She also acknowledged that the economy had a significant impact on her business. Other types of stores in the building materials category include lumber yards, plumbing and electrical supplies stores, and stores that primarily sell paint, glass or wallpaper. Of course, it would be advantageous for small local stores to differentiate themselves from big box stores by having high levels of customer service, distinctive product lines and more selection. Actions of this type would help to offset the negative impacts of new competition in the market area.

[14] "After 38 Years It's Closing Time for Loomis Hardware Store," Sacramento Bee, November 23, 2008.

“Other Retail Stores”

“Other retail stores” is a broad category that includes sales in office supplies, gardening, or other specialty retail offerings. As a result, it is difficult to precisely identify the “other retail stores” in the primary market area without first knowing all of the “other retail stores” tenants at the proposed Center. Therefore, the impacts noted below should be interpreted as a best order-of-magnitude estimate of the impacts in this category.

Center Impacts. In other retail stores category, the analysis indicates that in 2016 dollars, a maximum of $36.7 million may be diverted away from existing stores in the market area. This level of diverted sales is equivalent to support for approximately 89,400 square feet of other retail stores space. The extent to which this would negatively impact existing stores would depend on their ability to sustain a downturn in sales. However, figures of this magnitude suggest if stores cannot withstand this downturn in sales, it is possible that a maximum of 89,400 square feet of existing space is at risk of closing.

Summary of Impacts by Category

The findings from this section are summarized in Table 5-30.

Table 5-30
Proposed Rocklin Crossings
Summary of Impacts[1]

Retail Category	Diverted Sales(1)	Supportable Square Feet
Apparel	$0.0 N/A	
General Merchandise	0.0 N/A	
Food Stores	30.8 52,10	0
Eating and Drinking Places	0 N/A	
Home Furnishings and Appliances	28.1 83,80	0
Building Materials	25.2 74,50	0
“Other Retail Stores”	36.7 89,40	0
Total	**$120.8**	**299,800**

(1) Refer to Table 5-28
Source: CBRE Consulting.

Table 5-30 provides a summary of the diverted sales impact discussed in this section. Assuming Rocklin Crossings’ new sales generated by primary and secondary market area consumers occurred at the proportional expense of existing primary and secondary market area retailers, then existing retailers would experience a maximum annual impact of $120.8 million in sales upon stabilization of the Center in 2016 dollars. New population growth beyond 2016 can be expected to help recoup a portion of the lost store sales. In addition, retailers could successfully reposition their stores and market area sales could increase overall due to the enhanced regionalism of the primary market area. This is a conservative approach, in that it assumes there will be no net increase in combined primary and secondary market area sales after the Center achieves market stabilization. This is why CBRE Consulting considers the resulting existing retailer impacts maximum estimates upon stabilization.

IMPACTS ON RETAILERS IN THE CITY OF ROSEVILLE

Although Roseville was not included in the primary or secondary market areas for Rocklin Crossings, retailers located in Roseville near the border with Rocklin may be impacted by the new retail at Rocklin Crossings, as some shoppers within Rocklin Crossings' primary and secondary market areas (e.g., Rocklin, Loomis, and Auburn) currently shop in Roseville, and likely would switch some of their purchases to Rocklin Crossings. The City of Roseville has a very large concentration of retail near its border with Rocklin including several large regional malls and one super regional mall.

COMPETITIVE SHOPPING CENTERS

There are two main retail areas in Roseville that may compete with Rocklin Crossings. East of Interstate 80 along Douglas Boulevard, Rocky Ridge Boulevard, and Lead Hill Boulevard, there are several centers along with large stand-alone stores such as Walmart. The second area is along Highway 65 on Roseville Parkway, Galleria Boulevard, Pleasant Grove Boulevard, and Fairway Drive. These shopping centers are described below.

- **Placer Center Plaza,** located on Douglas Boulevard east of Interstate 80, is a community-serving shopping center with approximately 137,000 square feet of gross leasable area. It is located approximately 5.9 miles southwest of the proposed Center. Placer Center Plaza opened in 1983 and was anchored by a now-vacant Mervyn's.
- **Roseville Center** is a 262,000-square-foot community-serving shopping center located on Rocky Ridge Drive east of Interstate 80. It is located approximately 5.4 miles southwest of the proposed Center. It opened in 1988 and is anchored by a 111,000-square-foot Target and a 60,000-square-foot Raley's grocery store. At the time of CBRE Consulting's fieldwork in April 2010, there was one small shop space vacant.
- **Fairway Crossings** is a community-serving shopping center located at Fairway Drive west of Interstate 80 and north of Highway 65. It is located approximately 6.4 miles west of the proposed Center. It opened in 2004 and has approximately 179,000 square feet of gross leasable area. The anchor store is a 135,000-square-foot Target. As of April 2010, there was no apparent vacancy.
- **Fairway Commons** is a community-serving shopping center located at Fairway Drive west of Interstate 80 and north of Highway 65. It is located approximately 6.3 miles west of the proposed Center. At the time of CBRE Consulting's fieldwork in April 2010, the former Circuit City store was vacant, the U.S. Furniture Outlet was having a closing sale, and there was a vacant pad space.
- **Westfield Galleria** is a super regional shopping center located at Galleria Boulevard and Highway 65. It is located approximately 4.7 miles southwest of the proposed Center. It opened in 2000 and has approximately 1.5 million square feet of gross leasable area. The anchor stores are Macy's, Nordstrom, Sears, and JC Penney. The center went through two phases of renovation and expansion in 2008 and 2009, adding stores from Louis Vuitton, Crate & Barrel, Pottery Barn and Restoration Hardware.

- **Stanford Ranch Crossing** is a regional power center located at Stanford Ranch Road and Highway 65. It is located approximately 4.8 miles southwest of the proposed Center. It opened in 1996 and has approximately 373,000 square feet of gross leasable area. The main stores include Costco, Staples, Sports Authority, Ross Dress for Less, and World Market. As of April 2010, one anchor and three small spaces were vacant.
- **Creekside Town Center** is a regional power center located at Galleria Boulevard and Highway 65. It is located approximately 4.8 miles southwest of the proposed Center. It opened in 1999 and has approximately 570,000 square feet of gross leasable area. The main stores include Marshalls, Bed Bath & Beyond, and Babies “R” Us. As of April 2010, there was one mid-sized vacancy.
- **Pleasant Grove Marketplace** is a regional power center located at Pleasant Grove Blvd. and Highway 65. It is located approximately 5.9 miles southwest of the proposed Center. It opened in 1993 and was renovated in 2005. This center has approximately 402,000 square feet of gross leasable area. The anchor stores are a Walmart and a Sam’s Club. As of April 2010, there was no apparent vacancy.
- **Highland Reserve Marketplace** is a community-serving shopping center located at Fairway Drive and Pleasant Grove Boulevard. It is located approximately 6.0 miles west of the proposed Center. It opened in 2004 and has approximately 206,000 square feet of gross leasable area. The anchor store is a Kohl’s.
- **The Fountains** is a regional lifestyle center located at Roseville Parkway next to the Westfield Galleria. It is located approximately 4.9 miles southwest of the proposed Center. The Fountains opened in 2008 and has approximately 391,000 square feet of gross leasable area. It is anchored by a Whole Foods grocery store. As of April 2010, there was one vacant shop space.
- **The Ridge at Creekside** is a regional power center with almost 700,000 square feet of leasable space. It is located at Galleria Boulevard and Roseville Parkway, approximately 4.8 miles southwest of the proposed Center. It is anchored by a Macy’s Furniture store. At the time of CBRE Consulting’s fieldwork in April 2010, there was one vacant anchor (former Expo Design Center) and one vacant pad space.

In summary, during a site visit to Roseville in April 2010, it was observed that most of the large shopping centers had only a few vacancies in small shop spaces. The large vacancies include stores that either filed for bankruptcy such as Mervyn’s and Circuit City, or Expo Design Center (closed by its parent Home Depot).

Roseville Retail Sales Leakage Analysis and Sales Impacts

A retail sales leakage analysis was completed for the City of Roseville using the most recent 2008 California Board of Equalization sales data. As shown in Table 5-31, the City of Roseville attracts a very large proportion of its retail sales in all categories. In total, 64.1 percent of sales in Roseville are estimated to originate from outside the city. Given Rocklin’s proximity to Roseville, and the retail sales leakage evident in Rocklin and Loomis, it is logical to assume that some of the sales attraction in Roseville comes from residents of Rocklin and Loomis. Roseville is probably also attracting residents from other areas including Lincoln to the north, portions of Sacramento County to the south and west, and portions of Placer County.

In order to quantify potential impacts on Roseville retailers, Table 5-32 was prepared to show a worst case example of the impact of leakage recapture on Roseville. Of course, for reasons cited above, not all of the leakage recaptured would be expected to come at the expense of Roseville retailers. For example, some of the sales leakage from Rocklin and Loomis may also be due to their residents traveling to Sacramento to do some of their comparison shopping. Overall, the retail sales leakage estimated to be recaptured from Roseville represents only 1.0 percent of total estimated sales in Roseville in 2016. The sales impacts range from 0.3 percent in the eating and drinking places category to 4.0 percent in the general merchandise category. There is a 2.0 percent impact in the building materials category and 3.6 percent in apparel stores. There are no impacts in the food stores, home furnishings and appliances, motor vehicles and parts, services stations, and other retail categories. However, as explained below, it is expected that much of the negative sales impacts in Roseville would affect large chain stores that are not likely to close.

The stores in Roseville most likely to experience negative sales impacts from the planned stores at Rocklin Crossings are the two Walmart stores and the two Home Depots since Rocklin Crossings would offer these same stores. However, it is unlikely that any of these stores would close as a result of Rocklin Crossings. When chain stores deliberately open new stores that are likely to divert sales from existing stores in the chain, this retail strategy is called sales cannibalization. According to retailers, it is used to alleviate crowds at popular stores, assure cleanliness, offer adequate stock on hand, and serve as a convenience for customers. The assumption is not that new stores in a chain would put existing stores in the chain out of business, but rather that the marketplace would support both the old and the new stores, with the new stores taking from the old ones a volume of sales that can be lost without the need for closure. The retail strategy of sales cannibalization is well known and documented in many articles. For example, one article on Walmart noted that Wall Street analysts consider the effects of sales cannibalization when they make sales estimates for the company.[15] The article also mentioned that Walmart has acknowledged the effects of sales cannibalization. Another article written in 2003 notes that a Lowe's spokesperson stated that sales cannibalization has a 1 to 1.5 percent effect on total sales at Lowe's stores.[16] The same article mentions that in 2002, one in five existing Home Depot stores experienced cannibalization of sales from new stores. When chain stores plan their expansions they take into account possible sales declines at their existing stores and this does not necessarily lead to store closures. In conclusion, the development of Rocklin Crossings is unlikely to be the cause of store closures in Roseville, and, therefore, unlikely to induce urban decay in Roseville.

[15] "Taking Aim at Wal-Mart: Under fire, the world's No.1 retailer tries to soothe its critics and update its strategy," by Curt Hazlett, RetailTraffic, February 2005.
[16] "Cannibalization feeds Home Depot growth," by Lisa R. Schoolcraft, Atlanta Business Chronicle, May 9, 2003.

Table 5-31
Retail Sales Leakage Analysis, City of Roseville, 2008

Type of Retailer	Per Capita (2)			Total			
	SACOG's Six County Area Avg. Sales (3)	Roseville Spending (4)	Roseville Sales	Roseville Spending	Roseville Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores	$446	$483	$1,778	$51,464,273	$189,345,000	$137,880,727	72.8%
General Merchandise Stores	$1,697	$1,847	$4,998	$196,644,200	$532,285,852	$335,641,651	63.1%
Food Stores	$2,182	$2,267	$3,154	$241,456,743	$335,886,667	$94,429,923	28.1%
Eating and Drinking Places	$1,219	$1,337	$2,580	$142,406,611	$274,771,000	$132,364,389	48.2%
Home Furnishings and Appliances	$464	$503	$1,596	$53,547,819	$169,969,000	$116,421,181	68.5%
Building Materials	$789	$875	$1,765	$93,230,776	$187,998,000	$94,767,224	50.4%
Motor Vehicles and Parts	$273	$300	$8,656	$31,953,957	$921,843,000	$889,889,043	96.5%
Service Stations	$1,403	$1,521	$2,025	$161,977,235	$215,678,000	$53,700,765	24.9%
Other Retail Stores (5)	$1,496	$1,586	$3,308	$168,917,232	$352,245,000	$183,327,768	52.0%
Totals $9,970		$10,720	$29,861	$1,141,598,847	$3,180,021,518	$2,038,422,672	64.1%

Notes:
(1) All figures are expressed in constant 2008 dollars.
(2) Population figures per SACOG. See Table 5-8.
(3) Control area defined as the area covered by SACOG: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.
(4) Analysis assumes 2008 average household income of $85,119 in the City of Roseville, per Claritas, Inc.
(5) Includes general merchandise and drug stores. Drug stores are assumed to comprise 9.6 of total general merchandise sales based on CBRE Consulting's analysis of control area averages. Taxable transactions for drug stores have been adjusted by 0.70, to account for non-taxable sales. Therefore 70 percent of all drug store sales are taxable.
(6) Other retail stores includes gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationery and books, jewelry, office supplies and computer stores, packaged liquor stores, second-hand merchandise, farm and garden supply stores, fuel and ice dealers, and miscellaneous other retail stores.

Source: California State Board of Equalization 2008 Annual Sales; SACOG; Claritas, Inc.; and CBRE Consulting.

Table 5-32
Rocklin Crossings Sales Leakage Recapture as a Share of Total City of Roseville Sales, in 2016 Dollars (Millions)

Type of Retailer	2016 Total Rocklin Crossings Sales (1) [A]	Leakage Estimated to be Recaptured from Roseville (2) [B]	Estimated 2016 City of Roseville BOE Sales (3) [C]	Rocklin Crossings Sales Leakage Recapture as a Share of Roseville Sales [D=B/C]
Apparel Stores	$9.7	$8.8	$228.9	3.9%
General Merchandise Stores	$30.3	$27.5	$643.4	4.3%
Food Stores (4)	$48.7	$0.0	$406.0	N/A
Eating and Drinking Places	$10.2	$1.1	$332.1	0.3%
Home Furnishings and Appliances	$30.3	$0.0	$205.5	N/A
Building Materials	$35.0	$4.5	$227.3	2.0%
Motor Vehicles and Parts	$0.0	$0.0	$1,114.3	N/A
Service Stations	$0.0	$0.0	$260.7	N/A
Other Retail Stores	$43.1	$0.0	$425.8	N/A
Total	**$207.3**	**$41.8**	**$3,844.0**	**1.1%**

Notes:
(1) See Table 5-5.
(2) See Table 5-28, columns A and E.
(3) See Tbel 5-31 for 2008 Roseville sales. Adjusted for inflation based on the consumer price index for all urban consumers in California as defined by the U.S. Department of Labor Bureau of Labor Statistics. Inflation for the 2008-09 period is -0.3 percent; inflation for the February 2009 - February 2010 period is 1.6 percent. Assumed an annual rate of 3.0 percent between 2010 and 2016.

Sources: Tables 5-5, 5-28 and 5-31; and CBRE Consulting.

5.5 CUMULATIVE IMPACTS

This section analyzes the Center in the context of other currently planned competitive retail projects, or "cumulative projects." This includes three primary market area projects that are either currently approved (I-80 Center—Petrovich Development and Rocklin Commons) or on hold (The Village at Loomis, which is currently filing for an extension). These represent the major developments that could impact the market area in a significant way via additional retail sales. Other, smaller retail developments of less than 40,000 square feet were excluded because they are not competitive with a shopping center like Rocklin Crossings, both in terms of size and tenant mix. Smaller shopping centers usually have a neighborhood orientation with restaurants and convenience stores such as dry cleaners and nail salons. Rocklin Crossings, however, would be a destination center, i.e., it would attract customers that want to comparison shop for larger purchases. For convenience items, customers are likely to continue to shop at their local neighborhood centers.

IDENTIFIED PROJECTS

PRIMARY MARKET AREA

CBRE Consulting identified major planned, approved, or under construction retail projects in the primary market area. There are two projects of significance identified in the City of Rocklin portion of the primary market area and one project identified in the Town of Loomis. These identified retail projects are presented in Table 5-33. The reader should note that the primary market area is defined for the subject property Rocklin Crossings and that the projects below may have somewhat different market areas depending on their location and the location of their major competitors. CBRE Consulting did not specifically define a separate market area for each project or store.

Available information for each project is summarized below:

- **I-80 Center—Petrovich Development:** This project is a proposed 170,393-square-foot center that was approved in August of 2008. It is located near Rocklin Crossings and the intersection of Interstate 80 and Sierra College Boulevard. The project is planned to include a 138,684-square-foot home improvement warehouse store and a related 31,709-square-foot garden center. According to the City of Rocklin, this project is not moving forward to construction at this time and is considered to be on-hold.
- **Rocklin Commons:** Rocklin Commons is a 415,000-square-foot shopping center that has been approved by the City of Rocklin. It is planned to be located at the northwest corner of Interstate 80 and Sierra College Boulevard. It is estimated that the center will include both a general merchandise anchor store and an apparel anchor store, and may include a 60,000-square-foot grocery store, 30,000 square feet of restaurant space, and a 28,000-square-foot home furnishings retailer. Construction has not yet started and no tenants are currently committed to this project. However, for purposes of this analysis the project is estimated to be completed in 2013.
- **The Village at Loomis:** The application for this project was originally submitted in June 2007. It is currently on hold, but is in the process of filing for an extension. The proposed project consists of 54 acres to possibly include: a live-work district, residential district, retail district, office district, multifamily district, single-family district, and an open space and parks district. The commercial area (retail and office) is proposed to be 12.4 acres. Reportedly there may be problematic zoning issues with the California Department of Housing and Community Development regarding affordable housing and the district may need to be zoned completely residential.

SECONDARY MARKET AREA

Within the secondary market area, CBRE Consulting identified four retail projects in the pipeline, all of which are not yet developed. Specific projects of note include:

- an 84,655-square-foot commercial retail center in the unincorporated area of North Auburn for which the tenants types are unknown;
- a 155,000-square-foot big box retail store to be located in North Auburn;
- a 153,475-square-foot Costco in the City of Auburn; and
- an expansion of the existing Target located in North Auburn—the expansion would include 42,566 square feet of additional retail space.

The three primary market area cumulative projects total 630,000 square feet while the four secondary market area projects comprise another 436,000 square feet. The recessionary economy has slowed new construction to a virtual standstill. However, developers of the seven projects are either seeking entitlements or, in the case of two projects already approved (Rocklin Commons and I-80 Center), are attempting to secure tenants and financing before they can proceed with construction. In this regard, two of the proposed Auburn projects (new Costco and expansion of an existing Target) are reportedly on hold, pending improvement in the economy and decisions by the retailers to move forward.

SALES ESTIMATES FOR PLANNED RETAIL DEVELOPMENTS

CBRE Consulting estimated sales for the planned market area retail developments in Table 5-34. As with the Center itself, sales were estimated using available 10-K's or the Retail MAXIM publication. For The Village at Loomis and Auburn Creekside Center, tenants or even tenant types have not been identified for the planned space. For these allocations of space, CBRE Consulting assumed a generic sales performance estimate, and assigned the sales to an appropriate mix of categories given the center type as shown in Appendix C (Appendix E in the CBRE Consulting report). While at least one of these projects may enter the market in advance of the Center, their sales are forecasted to 2016 to assess the prospective cumulative impact of the Center in combination with these projects. The results in Table 5-34 indicate that by 2016, these planned projects are anticipated to generate an additional $388.1 million in retail sales originating from the primary and secondary market areas.

Table 5-35 identifies estimates of sales by retail category for the identified planned retail projects in the market area. For analytical purposes, the sales are distributed as follows:

- $53.6 million apparel
- $81.8 million general merchandise
- $101.2 million food stores
- $22.8 million restaurants
- $33.3 million home furnishings and appliances
- $51.9 million building materials
- $43.6 million other retail

Table 5-33
Survey of Other Potential Major Retail Development Activity, Primary and Secondary Market Areas, July 2010

Area/Project	Location	Acres	New Sq. Ft.	Status	Estimated Completion	Status/Information
Primary Market Area						
City of Rocklin						
I-80 Center - Petrovich Development	Near Interstate 80 and Sierra College Blvd.	13.00	170,393 A	pproved	N/A	Project approved August 2008. This project comprises 170,393 square-foot home improvement warehouse which includes a 31,709-square foot garden center. Lowe's was interested but is not moving forward to construction at this time.
Rocklin Commons	Northwest corner of Interstate 80 and Sierra College Blvd.	40.86	415,000 A	pproved	2013	The Center was originally planned to include a 159,170-square-foot Target and a 92,596-square-foot Kohl's store. Both stores are no longer slated for the project, but it is estimated that similar retail types will go into the center. Other types of retailers planned are a grocery store of up to 60,000 square feet, restaurant space totaling 30,000 square feet, and a 28,000-square-foot home furnishings retailer.
Town of Loomis						
The Village at Loomis	Day Ave., Horseshoe Bar Rd., Sun Knoll, and Interstate 80	54.00	45,000 N	Deposit is on hold, filing for an extension	/A	Application originally submitted in June 2007, the project is currently on hold, but filing for an extension. The proposed project consists of 54 acres to possibly include: a live-work district, residential district, retail district, office district, multifamily district, single-family district, and an open space and parks district. The commercial area (retail and office) is proposed to be 12.4 acres. There may be possible zoning issues with the California Department of Housing and Community Development regarding affordable housing and the district may need to be zoned completely residential.
Subtotal - Primary Market Area			**630,393**			
Secondary Market Area (Auburn and areas of Unincorporated Placer County)						
Auburn Creekside Center (Unincorporated Placer County)	Highway 49 and Rock Creek	13.20	84,655 N	Additional information required before 1st ADEIR can be prepared	/A	Proposed commercial retail center. Phase I will be 19,000 square feet, Phase II will be 14,400 square feet, and Phase III will be 51,265 square feet. The ADEIR is estimated to be ready in July 2010 with the entitlement hearing in the winter of 2010.
Big Box Retail (Unincorporated Placer County)	Highway 49 and Luther Rd	18.60	155,000	Awaiting appeal to Board of Supervisors	N/A	Proposed big box retail (possibly Walmart or Costco) on the site of the former Bohemia Lumber Company. Approved by the Planning Commission on July 8, 2010. On appeal to the Board of Supervisors; no date scheduled. The Landlord does not have an anchor signed up yet.
Costco (Auburn)	555 Nevada St.	N/A	153,475	Application Submitted	On Hold	Proposal for a 148,275-square-foot store and a 5,200-square-foot tire and lube center.
Target Expansion (Unincorporated Placer County)	NE Corner of Bell Rd. and Highway 49	10.04	42,566 A	pplication Submitted, awaiting EIR	On Hold	Proposed expansion and remodel of existing Target by 42,566 square feet.
Subtotal - Secondary Market Area			**435,696**			

Note:

(1) CBRE Consulting excluded those developments that would not be considered substantial additions to the new retail sales base.

Sources: City of Rocklin Community Development and Planning Departments; City of Rocklin," Development Activity Report, January 2009"; City of Loomis Planning Department; Placer County Planning Department; Placer County, "CEQA Active Projects, April 2010"; City of Auburn Planning Department; and CBRE Consulting.

Table 5-34
Sales Estimates for Major Planned Retail Developments, Primary and Secondary Market Areas, in 2016 Dollars

Store Assumptions	Average Sales Per Sq. Ft. 2008 (1)	Average Sales Per Sq. Ft. 2016 (2)	Estimated Square Feet (3)	Percent of Sales Originating from the Market Areas (4)	Total Store Sales Originating from Market Areas 2016
	[A]	[B=(A*(-0.3)*(1.6)*(1.03)^6)]	[C]	[D]	[E=B*C*D]
Primary Market Area					
City of Rocklin					
I-80 Center - Petrovich Development					
Home Improvement Store	$280 (5)	$338	170,393	90%	$51,905,000
Rocklin Commons					
Anchor 1 - GM	$209 (6)	$253	159,170	90%	$36,191,500
Anchor 2 - Apparel	$266 (7)	$322	92,596	90%	$26,796,200
Grocery	$490 (8)	$592	60,000	90%	$31,985,000
Restaurants	$431 (9)	$521	30,000	90%	$14,066,900
Home Furnishings	$277 (10)	$335	28,000	90%	$8,438,000
Other Retail	$340 (11)	$411	45,234	90%	$16,731,800
Subtotal			415,000		$134,209,400
Town of Loomis					
The Village at Loomis	$340 (11)	$411	45,000	95%	$17,570,000
Subtotal - Primary Market Area			**630,393**		**$203,684,400**
Secondary Market Area (Auburn and areas of Unincorporated Placer County)					
Auburn Creekside Center (Unincorporated Placer County)	$340 (11)	$411	84,655	75%	$26,094,500
Big Box Retail (Unincorporated Placer County)	$209 (6)	$253	155,000	70%	$27,411,500
Costco (Auburn)	$929 (12)	$1,127	153,475	70%	$121,068,800
Target Expansion (Unincorporated Placer County)	$273 (13)	$332	42,566	70%	$9,881,400
Subtotal - Secondary Market Area			**435,696**		**$184,456,200**
Grand Total			**1,066,089**		**$388,140,600**

Notes:
(1) CBRE Consulting relied on Retail MAXIM's July 2009 report of 2008 retail sales per square foot estimates, which includes averages for different stores and categories of retailers.
(2) Adjusted for inflation based on the consumer price index for all urban consumers in California as defined by the U.S. Department of Labor Bureau of Labor Statistics. Inflation for the 2008-09 period is -0.3 percent; inflation for the February 2009 - February 2010 period is 1.6 percent. Assumed an annual rate of 3.0 percent between 2010 and 2016.
(3) See Table 5-33 for estimated square feet.
(4) The percentage of sales originating from market area residents was estimated by CBRE Consulting based on the type of shopping center planned.
(5) Average sales per square foot of the Home Improvement (DIY) category, per Retail MAXIM.
(6) Average sales per square foot of the Discounter Stores category, per Retail MAXIM.
(7) Average sales per square foot of the Department Stores category, per Retail MAXIM.
(8) Average sales per square foot of the Supermarkets category, per Retail MAXIM.
(9) Average sales per square foot of the Restaurants category, per Retail MAXIM.
(10) Average sales per square foot of the Décor/Domestics category, per Retail MAXIM.
(11) For all unidentified retail, CBRE Consulting assumed an average sales of $340 per square foot in 2008 dollars based on the average of Other Retail categories, per Retail MAXIM.
(12) Average sales per square foot for Costco, per their annual 10-K for fiscal year ending August 30, 2009 Sales inflated based on Footnote 2 from year 2009 to 2016.
(13) Average sales per square foot for Target, per their annual 10-K for fiscal year ending January 30, 2010. Sales inflated based on Footnote 2 from year 2009 to 2016.

Sources: Table 5-33; Retail Maxim's "Perspectives on Retail Real Estate and Finance," July 2009; Costco Wholesale Corp. Annual 10-K for fiscal year ending August 30, 2009; Target Corp. Annual 10-K for fiscal year ending January 30, 2010; and CBRE Consulting.

Table 5-35
Categorization of Major Planned Retail Development Sales, Primary and Secondary Market Areas, in 2016 Dollars

Shopping Center / Store	Estimated Sales 2016 (2)	Sales Category (1) Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Other Retail
Primary Market Area								
City of Rocklin								
I-80 Center - Petrovich Development								
Home Improvement Store	$51,905,000	$0	$0	$0	$0	$0	$51,905,000	$0
Rocklin Commons								
Anchor 1 - GM (3)	$36,191,500	$7,238,300	$16,286,175	$5,790,640	$0	$6,876,385	$0	$0
Anchor 2 - Apparel	$26,796,200	$26,796,200	$0	$0	$0	$0	$0	$0
Grocery	$31,985,000	$0	$0	$31,985,000	$0	$0	$0	$0
Restaurants	$14,066,900	$0	$0	$0	$14,066,900	$0	$0	$0
Home Furnishings	$8,438,000	$0	$0	$0	$0	$8,438,000	$0	$0
Other Retail	$16,731,800	$0	$0	$0	$0	$0	$0	$16,731,800
Subtotal	$134,209,400							
Town of Loomis								
The Village at Loomis (4)	$17,570,000	$0	$3,514,000	$7,028,000	$3,514,000	$0	$0	$3,514,000
Subtotal - Primary Market Area	**$203,684,400**	**$34,034,500**	**$19,800,175**	**$44,803,640**	**$17,580,900**	**$15,314,385**	**$51,905,000**	**$20,245,800**
Secondary Market Area (Auburn and areas of Unincorporated Placer County)								
Auburn Creekside Center (Unincorporated Placer County) (4)	$26,094,500	$0	$5,218,900	$10,437,800	$5,218,900	$0	$0	$5,218,900
Big Box Retail (Unincorporated Placer County) (3)	$27,411,500	$5,482,300	$12,335,175	$4,385,840	$0	$5,208,185	$0	$0
Costco (Auburn) (5)	$121,068,800	$12,106,880	$39,952,704	$39,952,704	$0	$10,896,192	$0	$18,160,320
Target Expansion (Unincorporated Placer County) (6)	$9,881,400	$1,976,280	$4,446,630	$1,581,024	$0	$1,877,466	$0	$0
Subtotal - Secondary Market Area	**$184,456,200**	**$19,565,460**	**$61,953,409**	**$56,357,368**	**$5,218,900**	**$17,981,843**	**$0**	**$23,379,220**
Grand Total	**$388,140,600**	**$53,599,960**	**$81,753,584**	**$101,161,008**	**$22,799,800**	**$33,296,228**	**$51,905,000**	**$43,625,020**

Notes:
(1) Sales categories reported by State of California BOE.
(2) Estimated sales figures are fromTable 5-34.
(3) CBRE Consulting utilized the Target Corp. Annual 10-K report for fiscal year ending January 30, 2010, as an illustrative distribution of a typical general merchandise big box retailer.
(4) For projects with unknown retail, see the estimated retail sales categories in Appendix E. The Village at Loomis and Auburn Creekside Center are categorized as Neighborhood Retail.
(5) Costco's retail allocations based on the mix presented in the Costco Wholesale Corp. Annual 10-K report for fiscal year ending August 30, 2009.
(6) Target's retail allocations based on the mix presented in the Target Corp. Annual 10-K report for fiscal year ending January 30, 2010.

Sources: Table 5-34; Costco Wholesale Corp. Annual 10-K for fiscal year ending August 30, 2009; Target Corp. Annual 10-K for fiscal year ending January 20, 2010; and CBRE Consulting.

See Table 5-36 below for new market area sales base, which includes new sales to the market areas resulting from Rocklin Crossings and the cumulative projects.

Table 5-36
Estimated Net Sales from Cumulative Retail Projects 2016 Dollars (in Millions)

Retail Category	Market Area Sales from Rocklin Crossings	Market Area Sales from Other Cumulative Projects
Apparel	$9.7 $53.	6
General Merchandise	$30.3	$81.8
Food Stores	$48.7	$101.2
Eating and Drinking	$10.2	$22.8
Home Furnishings	$30.3	$33.3
Building Materials	$35.0	$51.9
Other	$43.1	$43.6
Total	**$207.3**	**$388.1**

Sources: Tables 5-5 and 5-35

In deriving these sales estimates, assumptions were made about the proportion of each proposed project's sales that would be generated by primary and secondary market area residents. For the I-80 Center and Rocklin Commons projects in Rocklin, 90 percent was used, consistent with the market split assumption used earlier in this analysis. For the Village at Loomis, a relatively small retail center at 45,000 square feet that will likely have a smaller market area, it was assumed that 95 percent of its sales would come from the more immediate area (i.e., from within the primary and secondary market areas). Three of the Auburn projects are big box-oriented, and while they can be expected to draw most of their customers from Rocklin Crossings' secondary market area, it is also expected that they will attract sales from residents of the larger area surrounding Auburn and outside the secondary market area (e.g., from Grass Valley, Nevada City and other small communities in Placer and Nevada counties). Therefore, 70 percent was used as the proportion of sales from those projects that would originate from the Rocklin Crossings market areas. Finally, a slightly higher 75 percent was used for Auburn Creekside Center in recognition of its small size, three-phase development plan, and what appears to be a more neighborhood-center orientation.

CUMULATIVE SALES IMPACTS

APPROACH

Utilizing the same methodology discussed in Section 5.4, Sales Impacts, CBRE Consulting estimated the maximum 2016 impact of the planned retail developments on existing retailers in the market area in combination with the Center. This approach, presented in Tables 5-37 and 5-38, considered the following factors:

- New market area sales base which includes new sales to the market areas resulting from Rocklin Crossings and the other cumulative projects;
- Rocklin Crossings capture of a portion of population growth from 2009-2016;
- Recapture of a portion of primary and secondary market area leakage;
- Remaining potential demand from new population growth (other than that which was assumed to be captured by Rocklin Crossings); and
- Square footage of retail space impacted by the cumulative projects.

FINDINGS

The cumulative sales impact results indicate that, assuming development of all seven projects, at worst, there would be $469.7 million in sales diverted away from existing market area retailers (see Table 5-37). The diverted sales impact estimate is $44.7 million on apparel stores, $52.5 million on general merchandise stores, $132.0 million on food stores, $21.6 million on eating and drinking places, $61.4 million on home furnishings and appliances stores, $77.1 million on building materials, and $80.4 million on other retail stores. Table 5-39 below summarizes these impacts.

The magnitude of these diverted sales figures, and oversupply that would result, indicate it is unlikely that all of the cumulative projects will be developed as currently planned. This is especially true in light of current economic conditions and tight credit for real estate development projects. The more likely scenario is that projects will be delayed until demand returns, anchor tenants determine it is prudent to commit to leasing in new centers, and lenders and investors are once again willing to fund new development projects.

- **Apparel Stores.** The estimated $44.7 million in diverted apparel sales is equivalent to approximately 139,000 square feet of supportable space. This is the maximum potential impact; if some of the cumulative projects are not built, impacts would be smaller. If all the projects are built and the amount of new space devoted to apparel stores is approximately the same as assumed in this analysis, then 139,000 square feet of apparel space is at risk of closure.
- **General Merchandise.** The estimated $52.5 million in diverted general merchandise sales is equivalent to approximately 208,000 square feet of supportable space. This is the maximum potential impact; if some of the cumulative projects are not built, impacts would be smaller. If all the projects are built and the amount of new space devoted to general merchandise is approximately the same as assumed in this analysis, then 208,000 square feet of such space is at risk of closure.
- **Food Stores.** The estimated $132.0 million in diverted food stores sales is equivalent to approximately 223,000 square feet of supportable space. This is a very large oversupply of space. The typical size of a new full-service grocery store is about 50,000-60,000 square feet; therefore, the 223,000 square feet represent about four standard-sized grocery stores at risk of closure. Although impacts may be spread over a large group of stores, minimizing the potential closure of any one or more particular stores, it appears that if all the cumulative projects are built and the amount of new space devoted to food stores is approximately the same as assumed in this analysis, then 223,000 square feet of food store space is at risk of closure.

Table 5-37
Potential Sales Impacts from Cumulative Projects in the Market Areas, in 2016 Dollars

Retail Category	Market Area Sales From Other Cumul. Retail Developments Including Rocklin Crossings (1) [A]	Rocklin Crossings Capture of New Demand (2) [B]	Potential Sales Impacts [C = A - B]	Estimated Leakage (3) [D]	Potential Absorbed Leakage (4) [E]	Intermediary Potential Sales Impacts [F = C + E]	Remaining Potential Demand from New Population (2) [G]	Sales Diverted from Existing Retailers Amount [H = F - G]
Apparel Stores	$63,332,354	$919,784	$62,412,571	(33,574,061.64)	(16,787,030.82)	$45,625,540	$896,430	$44,729,110
General Merchandise Stores	$112,032,144	$2,827,957	$109,204,187	(102,937,101.45)	(51,468,550.72)	$57,735,636	$5,236,332	$52,499,304
Food Stores	$149,822,979	$6,071,132	$143,751,848	0.00	0.00	$143,751,848	$11,744,032	$132,007,815
Eating & Drinking Places	$32,999,109	$1,321,446	$31,677,663	(2,163,393.32)	(1,081,696.66)	$30,595,967	$8,987,809	$21,608,157
Home Furnishings & Appliances	$63,597,851	$854,001	$62,743,850	0.00	0.00	$62,743,850	$1,386,190	$61,357,660
Building Materials	$86,896,196	$1,805,575	$85,090,620	(8,910,353.08)	(4,455,176.54)	$80,635,444	$3,545,141	$77,090,303
Other Retail Stores	$86,761,083	$1,742,314	$85,018,769	0.00	0.00	$85,018,769	$4,643,988	$80,374,781
Total	**$595,441,717**	**$15,542,209**	**$579,899,508**	**(147,584,909.49)**	**(73,792,454.74)**	**$506,107,053**	**$36,439,924**	**$469,667,129**

Notes:

(1) See Table 5-5 and 5-35. Includes cumulative projects located inside the Market Areas, as well as Rocklin Crossings.
(2) See Table 5-27.
(3) See Table 5-18.
(4) Calculated as 50 percent of the potential absorbed leakage shown in Exhibit 17.

Sources: Tables 5-5, 5-18, 5-27, 5-28 and 5-35; and CBRE Consulting.

Table 5-38
Cumulative Project Impacts Indicated Square Feet Impacted, in 2016 Dollars

Retail Category	Potential Cumulative Sales Impacts (1) Amount [A]	Category Sales Per Sq. Ft. (2) [B]	Indicated Sq. Ft. Impacted [C = A / B]
Apparel Stores	$44,729,110	$322	139,108
General Merchandise Stores	$52,499,304	$253	207,802
Food Stores	$132,007,815	$592	222,867
Eating & Drinking Places	$21,608,157	$521	41,475
Home Furnishings & Appliances	$61,357,660	$335	183,245
Building Materials	$77,090,303	$338	227,764
Other Retail Stores	$80,374,781	$411	195,562
Total/Average	**$469,667,129**	**$396**	**1,186,116**

Notes:

(1) See Table 5-37.
(2) See Table 5-34.

Sources: Tables 5-34 and 5-37; and CBRE Consulting.

Table 5-39
Maximum Potential Cumulative Sales Impacts 2016 Dollars, in Millions

Retail Category	Estimated Cumulative Sales Generated from Market Areas	Captured Demand from Growth in Market Area Population	Potential Absorbed Leakage	Potential Sales Diverted from Existing Retailers
Apparel	$63.3 $	0.9	($16.8)	$44.7
General Merchandise	$112.0	$2.8	($51.5)	$52.5
Food Stores	$149.8 $6.	1	$0.0	$132.0
Eating and Drinking Places	$33.0	$1.3	($1.1)	$21.6
Home Furnishings and Appliances	$63.6	$0.9	$0.0	$61.4
Building Materials	$86.9	$1.8	($4.5)	$77.1
Other Retail Stores	$86.8	$1.7	$0.0	$80.4
Total	**$595.4**	**$15.5**	**($73.8)**	**$469.7**

Source: Table 5-37

- **Eating and Drinking Places.** The estimated $21.6 million in diverted eating and drinking places sales is equivalent to approximately 41,000 square feet of supportable space. This is the maximum potential impact; if some of the cumulative projects are not built, impacts would be smaller. If all the projects are built and the amount of new space devoted to eating and drinking places is approximately the same as assumed in this analysis, then 41,000 square feet of such space is at risk of closure.
- **Home Furnishings and Appliances.** The estimated $61.4 million in diverted home furnishings and appliances store sales is equivalent to approximately 183,000 square feet of supportable space. This is the maximum potential impact; if some of the cumulative projects are not built, impacts would be smaller. If all the projects are built and the amount of new space devoted to home furnishings and appliances is approximately the same as assumed in this analysis, then 183,000 square feet of such space is at risk of closure.
- **Building Materials.** The estimated $77.1 million in diverted building materials sales is equivalent to approximately 228,000 square feet of supportable space. This is the maximum potential impact; if some of the cumulative projects are not built, impacts would be smaller. If all the projects are built and the amount of new space devoted to building materials is approximately the same as assumed in this analysis, then 228,000 square feet of such space is at risk of closure.
- **Other Retail Stores.** The estimated $80.4 million in diverted other retail store sales is equivalent to approximately 196,000 square feet of supportable space. This is the maximum potential impact; if some of the cumulative projects are not built, impacts would be smaller. If all the projects are built and the amount of new space devoted to other retail stores is approximately the same as assumed in this analysis, then 196,000 square feet of other retail space is at risk of closure.

These cumulative impact figures are conservative and are presented as an analytical benchmark. They are considered conservative for several reasons. Foremost, they assume the maximum diversion away from existing retailers upon stabilization of the Rocklin Crossings shopping center and the seven proposed retail developments. Thus, they do not take into account any prospective market corrections or enhancements following the introduction of these centers into the marketplace, including competitive retailer repositioning. Also, it is unlikely that the full magnitude of the negative impacts would be experienced by just one or several stores in the market area. Therefore, the impacts could be more realistically spread among a wider number of stores. If this occurs, then some store sales declines may not be severe enough to trigger store closure, reducing the magnitude of impacted square footage. This is also a conservative analysis in that it assumes the stores achieve stabilized sales in year one. However, retail stores typically achieve stabilized sales after about two to three years. Therefore the initial impact is overstated.

Of all the cumulative projects, the three Rocklin and Loomis developments total 630,000 square feet of planned retail space. Given the large amount of potential retail development that is planned for Rocklin and, to a lesser extent, for Loomis, and particularly the retail planned for the Interstate 80 corridor, it is possible that Rocklin could transition to a retail hub serving the secondary market area. In this case, Rocklin would become a city that attracts a significant amount of sales from non-residents, similar to the City of Roseville.

The extent to which these potential store closures become problematic for the primary market area's retail sector depends upon the strength of that market. This strength, and the resulting likelihood of the potential vacancies causing urban decay, is discussed in the following section.

5.6 URBAN DECAY DETERMINATION

The purpose of this section is to assess the degree to which development of the Center would or would not contribute to urban decay. Urban decay could theoretically result from development of the Center and other known market area planned retail developments due to closure of other stores resulting from negative economic impacts. However, while urban decay could result from such store closures, it does not always result. To make this determination, it is necessary to consider whether, if stores remained closed, urban decay would likely result. This section discusses the definition of urban decay, the study's approach to determining urban decay potential, retailer demand in the market area, and CBRE Consulting's urban decay determination.

STUDY DEFINITION OF URBAN DECAY

In recent years, the California Courts of Appeal addressed the need to consider the potential for "urban decay" in environmental documents for large retail projects. As described in the introduction to this chapter, the leading case is *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184. The *Bakersfield* court described the circumstances in which the duty to address urban decay issues arise.

It is apparent from the case law that proposed new shopping centers do not trigger a conclusive presumption of urban decay. However, when there is evidence suggesting that the economic and social effects caused by the proposed shopping center ultimately could result in urban decay or deterioration, then the lead agency is obligated to assess this indirect impact. Many factors are relevant, including the size of the project, the type of retailers and their market areas and the proximity of other retail shopping opportunities. The lead agency cannot divest itself of its analytical and informational obligations by summarily dismissing the possibility of urban decay or deterioration as a "social or economic effect" of the project.

Against this background and for the purpose of this study, urban decay is defined as physical deterioration that is so prevalent and substantial it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Physical deterioration includes, but is not limited to, abnormally high business vacancies, abandoned buildings and commercial sites, boarded doors and windows, parked trucks and long term unauthorized use of properties and parking lots, extensive gang or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees or shrubbery and uncontrolled weed growth or homeless encampments.

APPROACH TO DETERMINING URBAN DECAY POTENTIAL

Several tasks were conducted to assess the probability of urban decay ensuing from development of the Center and the identified cumulative developments. These tasks revolved around assessing the potential for closed store spaces, if any, to either (a) remain vacant for a prolonged period of time such that they contribute to the multitude of causes that could eventually lead to urban decay, or (b) to be leased to other retailers within a reasonable marketing period.

Several sources with many years of activity in the market area were contacted regarding the health of the Rocklin/Loomis retail market and the depth of prospective demand for retail space. The purpose of this research was to determine if sufficient retailer demand exists to absorb vacated space in the event existing retailers close due to any negative impacts of the Center and other identified planned projects.

RETAILER DEMAND IN THE PRIMARY MARKET AREA

CBRE Consulting conducted telephone interviews with several real estate brokers experienced in the Rocklin, Loomis, and Roseville retail market. The real estate brokers represent a mix of independent commercial brokerage houses and investors. All of the brokers contacted have experience working with tenants and landlords in the market areas. In the course of the interviews, the real estate brokers shared their professional opinions with CBRE Consulting. In addition, CBRE Consulting researched and evaluated economic and retail market data relevant to the Sacramento region. The sources of this information were Moody's Economy.com Précis reports, CB Richard Ellis, and CoStar Group. Findings are summarized below.

MARKET CHARACTERIZATION

This discussion is divided into two parts, beginning with an overview of what is happening at the regional level in the larger Sacramento market. Then the presentation turns to summarizing findings from interviews with brokers knowledgeable about Rocklin Crossings' market area.

Regional Considerations

The Sacramento retail market and most, if not all, of California is suffering under the weight of a recession and a housing market that is still struggling to recover from the subprime mortgage debacle and the related crisis in financial and credit markets. The regional retail vacancy rate in the Sacramento retail market is in the range of 14 to 15 percent, depending upon the source.[17] In the Roseville/Rocklin submarket, the vacancy rate stands at about 17 percent.

The region enjoyed strong population growth during the middle-years of the past decade, which generated demand for retail goods and services. Roseville and Rocklin were beneficiaries of this demand as many new shopping centers were built within city limits when times were good. Over the past two years, however, retail sales declined, chains pulled back on plans to open new stores, and a number of retailers filed for bankruptcy. To varying degrees, all retailers in the local area have been negatively impacted by the recession. Some were able to weather the decline in sales while others were not and store closures resulted. In general, discount chains and off-price retail stores fared better than other types of stores during this period. It is reasonable to expect that some other large stores will close either due

[17] CoStar Group reports 13.8 percent vacancy across 48.4 million square feet of retail space market wide as of the end of the first quarter of 2010. CB Richard Ellis reports 14.9 percent for its database of 46.5 million square feet for the same period. Both sources indicate 17 percent vacancy in the Roseville/Rocklin submarket.

to bankruptcy or general underperformance during the current recession. Of course, if this happens, it would be entirely independent of the Center's impacts.

Forecasts of timing for a recovery vary. However, some observers believe that Sacramento will be slower to recover from its deep recession than the rest of the nation. Reasons for this, as cited by Moody's Economy.com, include California's massive fiscal problems that will weigh heavily on job and income growth in the metro area's large public sector, and the high mortgage foreclosure rate, which is likely to drive house prices lower and weigh on consumer spending. Offsetting considerations that bode well for the Sacramento region include comparatively low costs, a well-diversified economy, a productive workforce, and forecasts of continued population growth.[18]

CB Richard Ellis' Sacramento area retail specialists forecast that during 2010 vacancy will begin to decrease in anchored-properties above 50,000 square feet. Speculative construction will be non-existent, creating opportunities for current vacancies to be filled, in part, by new tenants entering the northern California market. Because of the large amount of vacant space in unanchored shopping centers, which are at a disadvantage vis-à-vis anchored centers, vacancy is expected to remain at approximately its current level in 2010.

Rocklin/Loomis Area

All of the real estate brokers contacted for this study spoke favorably about the long-term prospects of the Rocklin/Loomis retail market. They acknowledged the current problems in the economy and the resulting negative impacts on the retail sector. One broker indicated his company's database shows 23 percent current vacancy in Rocklin. However, he was quick to note that Rocklin's fundamentals (e.g., demographics; growth projections for its market area; and location, visibility and access of several large undeveloped retail sites in the city) indicate that in two to three years, the retail sector is expected to improve significantly.

Several brokers noted that space in unanchored shopping centers is typically the most difficult to lease and that there is quite a bit of this type of space in Rocklin. One broker indicated that the primary market area is overbuilt with space in unanchored centers. Space of this type is often the most difficult to backfill during periods of high vacancy.

The Rocklin/Loomis retail market is split primarily into two areas: the Whitney Ranch/Stanford Ranch/Sunset West area and the I-80 Corridor. The Whitney Ranch, Stanford Ranch, and Sunset West community planning areas are in the northwestern and western sections of the City of Rocklin close to Highway 65. Whitney Ranch was annexed into the city during the 2000's from unincorporated Placer County. Many new housing developments were built in this area and along Highway 65 during the last decade. Most of the retail centers in this area are relatively new. Because of the population growth anticipated for Whitney Ranch/Stanford Ranch/Sunset West and the surrounding area, many national retailers opened stores during the past decade. Many of these retailers located in the City of Roseville along the Highway 65 corridor. Brokers believe that the Rocklin Crossings development would not impact existing retail in the Whitney Ranch/Stanford Ranch/Sunset West area because that retail is relatively new and draws on residents of neighboring Roseville, Lincoln, and areas of unincorporated Placer County, as well as residents of Rocklin outside of Rocklin Crossings' market area.

[18] Moody's Economy.com, Précis Metro, Sacramento, April 2010.

The other major retail area in Rocklin is along Interstate 80. This area is older but has seen new development over the past decade or so, including new car dealerships (Mercedes Benz, Porsche, and Land Rover) with visibility from Interstate 80. There are two grocery-anchored centers in this area. The Loomis Town Center is located at the intersection of Horseshoe Bar Road and Interstate 80 in Loomis. This 15-year old center has a Raley's store as an anchor, several chain restaurants (Burger King, Taco Bell, Quiznos, Round Table Pizza, and Starbucks), a Wells Fargo bank, and a dry cleaner. As of early April 2010, there were no vacancies in this center. The Rocklin Square Shopping Center is also located in this area, at Rocklin Road and I-80 with frontage on Granite Drive. It is anchored by a Safeway and CVS Pharmacy. Based on a site visit in April 2010, the Safeway appeared to be doing well; the store interior was fully renovated about two years ago. There are currently 3 vacant shops in this center.

There are a few retail development sites being planned in the I-80 corridor. The interchange at Sierra College Boulevard was recently redesigned and rebuilt by Caltrans and the City of Rocklin to improve traffic flow. The site for Rocklin Crossings is located at this intersection, as is the site of the proposed Petrovich retail project and Rocklin Commons (see Table 5-28). The area to the east of Interstate 80 includes neighborhoods where new homes have been developed in recent years, especially in Granite Bay. Brokers indicated that the areas east of Interstate 80 would supply many of the customers to Rocklin Crossings.

Brokers stated that grocery stores in this older area would be impacted by the grocery sales of a Walmart, but none of the brokers believes that the impacts would lead to store closures. The closest grocery stores to Rocklin Crossings are the Safeway in the Rocklin Square Shopping Center and the Raley's Supermarket in the Loomis Town Center. These stores are the most likely to experience sales impacts from the proposed Walmart at Rocklin Crossings. If some current Raley's and Safeway customers transfer a portion or even all of their grocery spending to Walmart, sales are likely to decline at these two stores. However, both retailers are large, successful chains with extensive experience dealing with new competition, including Walmart stores that sell groceries. Given the good size, format and physical condition of both the Raley's and Safeway stores, it is very likely that they would be able to remain open in the face of competition from Rocklin Crossings. As is often the case when new competition enters the market, the existing grocery stores would likely need to remodel and possibly reposition themselves to remain competitive.

In addition to Rocklin's two primary retail areas, there is also a third commercial area along Pacific Street. A portion of this area, between Midas Avenue and Farron Street, is designated by the City of Rocklin as part of the Downtown Plan. This area is primarily residential. Most businesses are old and well established. Typical businesses are small independent restaurants and auto repair shops. Brokers interviewed did not consider this area to have significant retail and therefore did not think that the Downtown area would compete at all with Rocklin Crossings nor be impacted by Rocklin Crossings. On Pacific Street south of Farron Street is a shopping center with Big K-Mart as an anchor. The other anchor was Albertson's grocery store until it closed in about 2006; the space has been vacant ever since. Brokers believe that a national grocery store is unlikely to backfill the Albertson's space. More likely tenants would be a local grocery, specialty grocery, automotive use such as a motorcycle dealership, or a non-retail use. Another possibility would be redevelopment of the entire building to accommodate multiple tenancy by smaller stores.

Pacific Street was labeled a “no-man’s land” by one broker who stated that it is not an ideal area for retail. Another broker believes that this area is transitioning from retail to auto services and light industrial uses. Between March 2009 and May 2010, leases were signed for approximately 25,000 square feet of industrial and retail space along Pacific Street, according to CoStar. CoStar also shows a vacancy rate of approximately 20 percent along Pacific Street, not including the vacant Albertson’s, which would increase the vacancy to about 37 percent.

Backfilling Potential

If any existing retail businesses close due to the opening of the Center, the ability to backfill those spaces (i.e., to find replacement tenants to occupy vacated space) in a timely manner would depend on several factors including: the condition of the economy and the retail market at that time (2013-2016); whether or not the properties the affected retailers occupy are anchored or unanchored shopping centers; and other characteristics of the centers and the individual vacated spaces (e.g., visibility, availability of parking, access, appearance of the center, size and configuration of the space, etc.).

In the currently depressed retail environment, the brokers interviewed observed that it is taking longer to backfill space than it did when the economy was stronger and there was less vacancy. Leasing activity, referred to as absorption by the real estate community, has been very slow for the last few years. However, brokers are anticipating an increase in absorption in 2011 and, as they look out 2-3 years to when the first phase of Rocklin Crossings would open for business, they expect the market to be in much better condition with lower vacancy, higher rental rates, and resumption in retail construction activity.

In general, it is easier to backfill smaller spaces since there are many more types of businesses that can fit into a small space and fewer stores that need and can afford a large space. The one caution is that small stores often depend on anchors for customer traffic. If a shopping center has lost an anchor, it may be more difficult to backfill the small spaces until a new anchor moves in.

Another possible outcome of retail store closures and prolonged vacancies is that existing property owners, or buyers, might decide to redevelop these spaces with other uses, thereby preventing physical deterioration and the threat of urban decay. The market areas have already seen this trend with new leases signed in 2009 for reuse of retail space by gyms and movie theaters. While the declining economic conditions may in turn limit the rate of growth of these alternate uses, nonetheless the potential will exist, with properties positioned for alternate use when market demands pick up concurrent with the return of economic growth.

Recent examples of successful backfilling include the former Mervyn’s store in Blue Oaks Town Center (to be occupied, in part, by SR Entertainment, a multi-screen cinema) and the former Shoe Pavilion also in Blue Oaks Town Center (to be occupied, in part, by Crunch Fitness).

A March 2009 article published by Costar discusses alternative tenant uses and strategies for filling retail vacancies, even absent a significant turnaround in the economy. This article cites many prospective non-traditional tenants that are proven alternatives for traditional tenants, including government uses, educational uses, medical uses, recreational/family fun uses, fitness uses, second-hand/overstock uses, and seasonal/temporary uses. In addition, the article cites some traditional tenants that are still in expansion mode. This Costar article proceeds to list examples of leases executed by these uses in the prior six months nationwide, including at least 60 university/college/vocational school leases and countless preschools/day care centers, 120 leases for medical uses, 30 leases for recreational/family fun uses, 350 leases for fitness uses, almost 100 leases for consignment stores, thrift shops, Goodwill and antique stores, and even many traditional tenants such as 350 wireless phone/mobile device retail leases, 800 quick-service restaurant leases, 50 hobby/craft retailer leases, 60 pet care/supplies leases, 375 salon/spa leases, and 80 beauty supply store leases.[19] While this lease activity is on a national basis, and not specific to the Sacramento area, it nevertheless demonstrates how existing retail uses can be backfilled in down periods by non-traditional uses, dispelling the expectation that only traditional retail uses can fill larger vacant store spaces. In fact, such use of retail space by non-traditional uses is a phenomenon that is also common during periods of favorable economic conditions. Therefore, this analysis is conservative, in that it has only quantified demand from sales tax generating retail uses and has not specifically accounted for the non-traditional uses.

URBAN DECAY CONCLUSION

IMPACT 5-1 Urban Decay. *Implementation of the proposed project would result in some diverted sales and some closures of market area stores may occur. However, these diverted sales and possible closures are unlikely to lead to 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, thus leading to urban decay. This would be considered a* ***less-than-significant*** *impact.*

The focus of the urban decay analysis is on determining whether or not prevalent and substantial physical deterioration would likely result from the development of the proposed project. The conclusion is based on the consideration of current primary market area conditions, findings regarding diverted sales, and backfilling potential, as summarized below.

- **Current Market Conditions—**The current retail market is clearly depressed, experiencing very high vacancy rates by historical standards. It is taking unusually long to backfill vacant space but this condition is expected to improve over the next few years as the area recovers from the recession. While forecasters may disagree on how long recovery will take, as we have seen in the past following every recession, conditions will eventually improve and retail demand will increase to support new businesses.

  The Whitney Ranch, Stanford Ranch, and Sunset West areas of Rocklin (generally the northwestern and western portions of the city) are unlikely to be negatively impacted by the proposed project. However, the older Interstate 80 corridor is more vulnerable to negative sales impacts. Grocery stores in this area—specifically the Raley's at Loomis Town Center and the Safeway at Rocklin Square Shopping Center, each located only 1.5 miles from the Center—would likely be negatively affected by the potential Walmart, but it is not expected that impacts would lead to store closures. Raley's occupies a strong competitive position in Loomis as a result of its successful brand, its central and highly accessible location, and the very good condition of its Loomis store. The

[19] ""Filling Vacant Retail Boxes Requires Thinking Outside the Box,"" by Sasha M. Pardy, March 4, 2009, www.costar.com.

Safeway at Rocklin Square appears to have a strong market position as well. It was extensively remodeled approximately two years ago and is well located with good proximity to neighborhoods in southern Rocklin and easy access to I-80 at Rocklin Road. Safeway also benefits from being a large corporation with financial resources to withstand the impact of new competition. It often does so by remodeling, adjusting store formats, and offering a broad range of merchandise and store services.

In between these two retail areas lies the Rocklin Downtown area, which is not a well developed retail district. Because the stores in the Downtown area are smaller independent stores, they would not directly compete with the types of stores that are proposed for Rocklin Crossings.

- **Diverted Sales—**The opening of Rocklin Crossings could result in some existing market area store closures due to diverted sales. This is particularly likely if all seven cumulative projects are developed in addition to Rocklin Crossings. This scenario – that all seven cumulative projects are actually built and opened for business – is highly unlikely until the market recovers fully. However, it is quite likely that the duration of this diverted sales impact would be reduced if vacated stores are backfilled by other types of retail, restaurant, and/or service establishments (e.g., a jewelry store, gift shop, restaurant, auto repair or supplies store, etc.), which is a common occurrence in most shopping centers.
- **Backfilling Potential—**Because the Center is expected to open no sooner than three years from now (2013-2016), the worst of the current retail market conditions should be over. The most appropriate approach from today's perspective is to take a longer-term view about Rocklin's retail potential and recognize the positive characteristics that make this market area economically viable. Existing centers that are fundamentally sound, but currently have high vacancy, are likely to rebound in the next few years. If new competition created by Rocklin Crossings' tenants and the cumulative projects results in some store closures in the future, the vacated spaces would have the potential to be successfully backfilled. Such backfilling would benefit the market and expand local and regional shopping opportunities. This is the natural cycle of retail development and market expansion over time.

In conclusion, while it is expected that the Rocklin Crossings project would result in some diverted sales and that some closures of market area stores may occur, these events are not expected or likely to lead to 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. Therefore, although development of the Rocklin Crossings center has some potential to contribute to further retail vacancies in the market area, those vacancies are unlikely to result in urban decay and this impact would be considered less than significant.

Mitigation Measure 5-1: Urban Decay.

No mitigation measures would be necessary.

Level of Significance after Mitigation

The project's urban decay impacts would be considered less than significant.