

APPENDIX UD-1

URBAN DECAY ANALYSIS



May 13, 2024

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The County of Sacramento (County) is the lead agency preparing an Environmental Impact Report (EIR) for the proposed Upper Westside Specific Plan (UWSP), located just north of the City of Sacramento, in the unincorporated portion of the County. The plan area is envisioned to accommodate a range of land uses, including single-family and multifamily housing units; employment-generating uses, including retail, office, and hotel uses; educational uses; and recreation, open space, and other public/quasi-public land uses.

As part of the EIR, Economic & Planning Systems, Inc. (EPS) evaluated the potential for urban decay resulting from proposed retail development in the UWSP. The Urban Decay Analysis (UDA) report was completed in September 2022 and defined a Market Area for the purpose of evaluating the potential impacts of new retail in the UWSP and the cumulative impacts of UWSP and other new retail outlets in the Market Area. The defined Market Area includes portions of the Cities of Sacramento and West Sacramento and the County and is a thriving submarket in the Sacramento Region. The Market Area is estimated to accommodate substantial growth through 2052, and the analysis indicated support for new retail and retenanting of existing vacant space.

The UDA concluded that the projected impact of new retail development in the UWSP is unlikely to result in conditions conducive to urban decay. Further, the cumulative impacts of new retail development in the UWSP and other planned and proposed projects in the Market Area are unlikely to result in conditions conducive to urban decay. In the unlikely event existing retail establishments close, related to the cumulative impacts of new retail planned in the Market Area, conditions related to urban decay are not estimated to occur as retail market dynamics will continue to function to keep the new retail supply in line with the evolving nature of retail market demand. In addition, the Market Area exhibits strong market fundamentals, and property owners and tenants will have an economic incentive to maintain their properties and businesses.

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The Economics of Land Use



Final Report

Upper Westside Specific Plan Urban Decay Analysis

Prepared for:

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September 2022

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1. EXECUTIVE SUMMARY

Introduction

The County of Sacramento (County) is the lead agency preparing an Environmental Impact Report (EIR) for the proposed Upper Westside Specific Plan (hereafter, referred to as Upper Westside, UWSP, or the Project), located just north of the City of Sacramento in the unincorporated portion of the County. The plan is envisioned to accommodate a range of land uses, including single-family and multifamily housing units; employment-generating uses, including retail, office, and hotel uses; educational uses; and recreation, open space, and other public/quasi-public land uses. As part of the EIR, the Landowners, Upper Westside, LLC (Landowners), retained Economic & Planning Systems, Inc. (EPS) to evaluate the potential for urban decay resulting from proposed retail development in Upper Westside.

Based on State of California (State) case law and precedent established in previous urban decay analyses, urban decay relates to the impact of new retail development on existing retail development and is defined as the substantial and prolonged physical deterioration of properties or structures, resulting in discontinued use and investment, and adversely affecting the health, safety, and welfare of the surrounding community. It is important to note that case law establishes that urban decay is not defined as the closing of one specific or even multiple stores, and new development does not trigger an automatic presumption of urban decay.¹ However, courts have found that lead agencies have an obligation to consider whether land use decisions may cause a chain reaction of store closures, long-term vacancies, and physical manifestations of urban decay, which has the potential to destroy existing neighborhoods.² Manifestations of urban decay may include various signs of physical blight such as abandoned buildings, boarded storefronts, litter, uncontrolled vegetation, vandalism, and graffiti.

This Urban Decay Analysis (Study) estimates the extent to which new retail development in Upper Westside would have competitive impacts on existing retail outlets in the defined Market Area and consequently cause or contribute to urban decay (Project-Specific Impacts).

In addition, in accordance with California Environmental Quality Act (CEQA) Guidelines Section 15130, this Study examines the effects of retail development in Upper Westside *and* other proposed projects in the defined Market Area on existing retail outlets and estimates the likelihood this cumulative development will cause or contribute to urban decay (Cumulative Impacts).³ The Cumulative Impacts analysis is based on the assumption that a portion of planned retail space in the defined Market Area will develop within the defined Study period.

¹ Bakersfield Citizens for Local Control v. City of Bakersfield (2004), 124 Cal. App. 4th 1184.

² Ibid.

³ Title 14 of the California Code of Regulations, Chapter 3, Guidelines for the CEQA Article 9, Section 15130, clarifies that, "cumulative impacts are created as a result of the combination of the project being evaluated in the [EIR] together with other projects causing related impacts."

However, new retail space requires adequate market support and, depending on continued changes in the retail market, may not actually develop to the extent estimated in this Study.

Project Overview

Upper Westside is a new mixed-use community covering nearly 2,000 acres located in the County west of the City of Sacramento (City), north of Interstate 80, southwest of Interstate 5, east of the Sacramento River, and south of the Sacramento International Airport. See **Map 1-1**.

The Project is intended as a sustainable self-contained suburban community with the feel of an urban location provided by a dense, vertical, mixed-use town center, including a one-mile-long recreational canal as the focal point connecting the town center with surrounding suburban-like development including single-family residential uses, park space, and educational facilities. Development is anticipated to occupy about 1,500 acres with about 500 acres allocated as open space/agricultural buffer zone between development and the Sacramento River. Planning for the Project has been underway since 2019 and requires General Plan amendments to move the Urban Services Boundary (USB) and Urban Policy Area (UPA). The most recent iteration of the Project Land Use Plan was prepared in January 2022, as described in more detail below.

Project Land Uses and Study Period

Upper Westside is estimated to comprise approximately 9,356 residential units. About 47 percent of these units will comprise single-family dwelling units, including Very Low, Low, Low/Medium, and Medium Density housing units. The remaining 53 percent of the residential portion of the Project comprises 4,981 multifamily units (including High and Very High density and Mixed-Use housing units).

Upper Westside is also being planned to include about 3.1 million gross building square feet of nonresidential space, including approximately 575,800 square feet of retail, 1.9 million square feet of office, 464,400 square feet of hotel space, and 154,800 square feet of institutional space. Refer to **Figure 1-1** below for a summary of proposed Project land uses, which are used to estimate supply and demand characteristics in this Study.

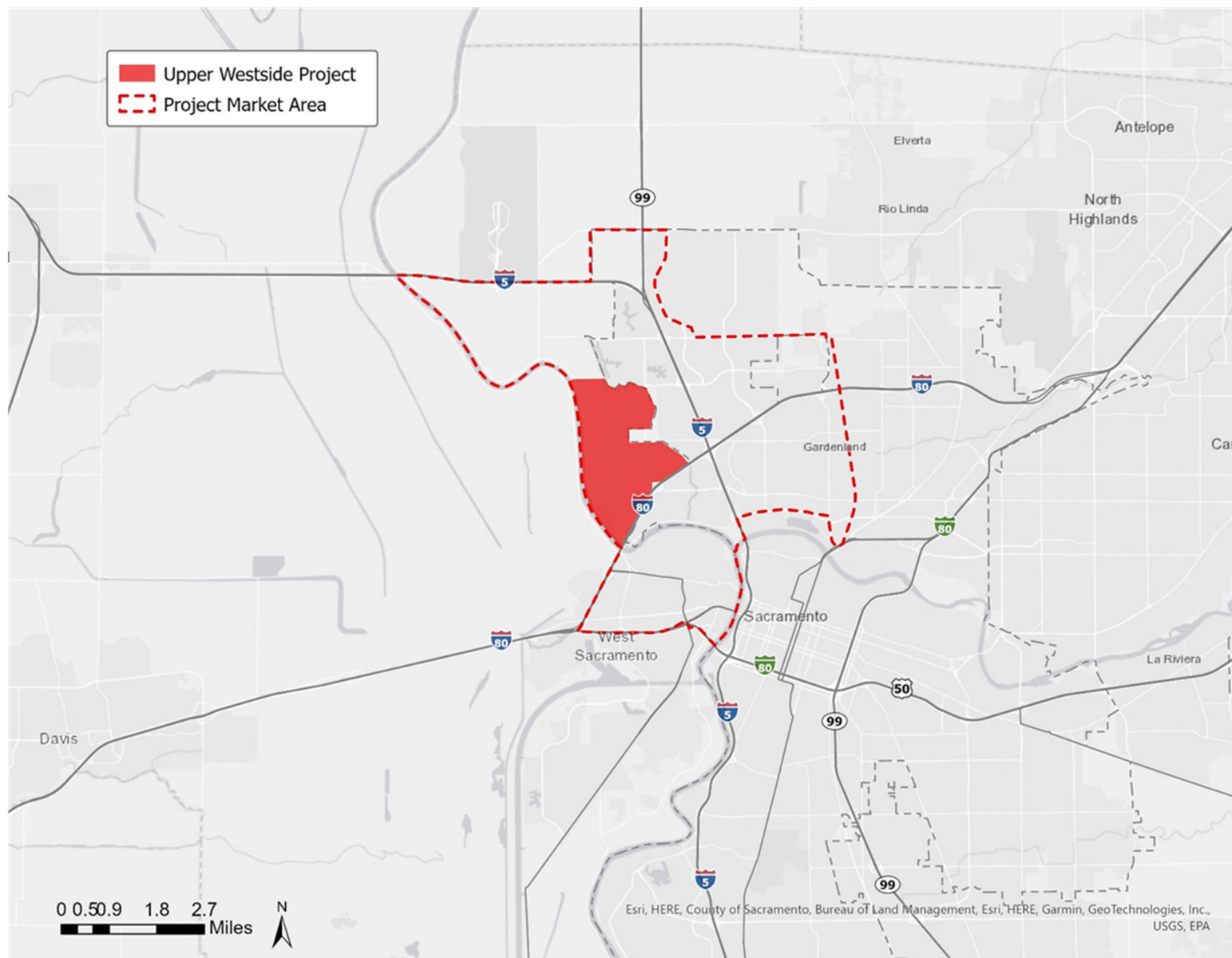
Figure 1-1. Gross Land Use Summary

| Land Use | Total | % of Total |
|-----------------------------------|------------------|-------------|
| Residential Units | | |
| Single Family | 4,375 | 47% |
| Multifamily | 4,981 | 53% |
| Total Units | 9,356 | 100% |
| Nonresidential Sq. Ft. [1] | | |
| Office | 1,901,200 | 61% |
| Retail | 575,800 | 19% |
| Hotel | 464,400 | 15% |
| Institutional | 154,800 | 5% |
| Total Sq. Ft. | 3,096,200 | 100% |

Source: Table 2-1.

[1] Figures rounded.

Map 1-1. Upper Westside Specific Plan Regional Context



Development of Upper Westside is assumed to occur over an extended period. This Study evaluates the impacts of development for an estimated buildout period from 2022 to 2052.

Study Overview

The sections below concisely describe this Study's methodology and key resources used in the analysis.

Study Methodology

The following tasks were involved in evaluating the potential for urban decay from the development of Upper Westside (Project-Specific Impacts), and Upper Westside in combination with other planned projects in the Market Area (Cumulative Impacts):

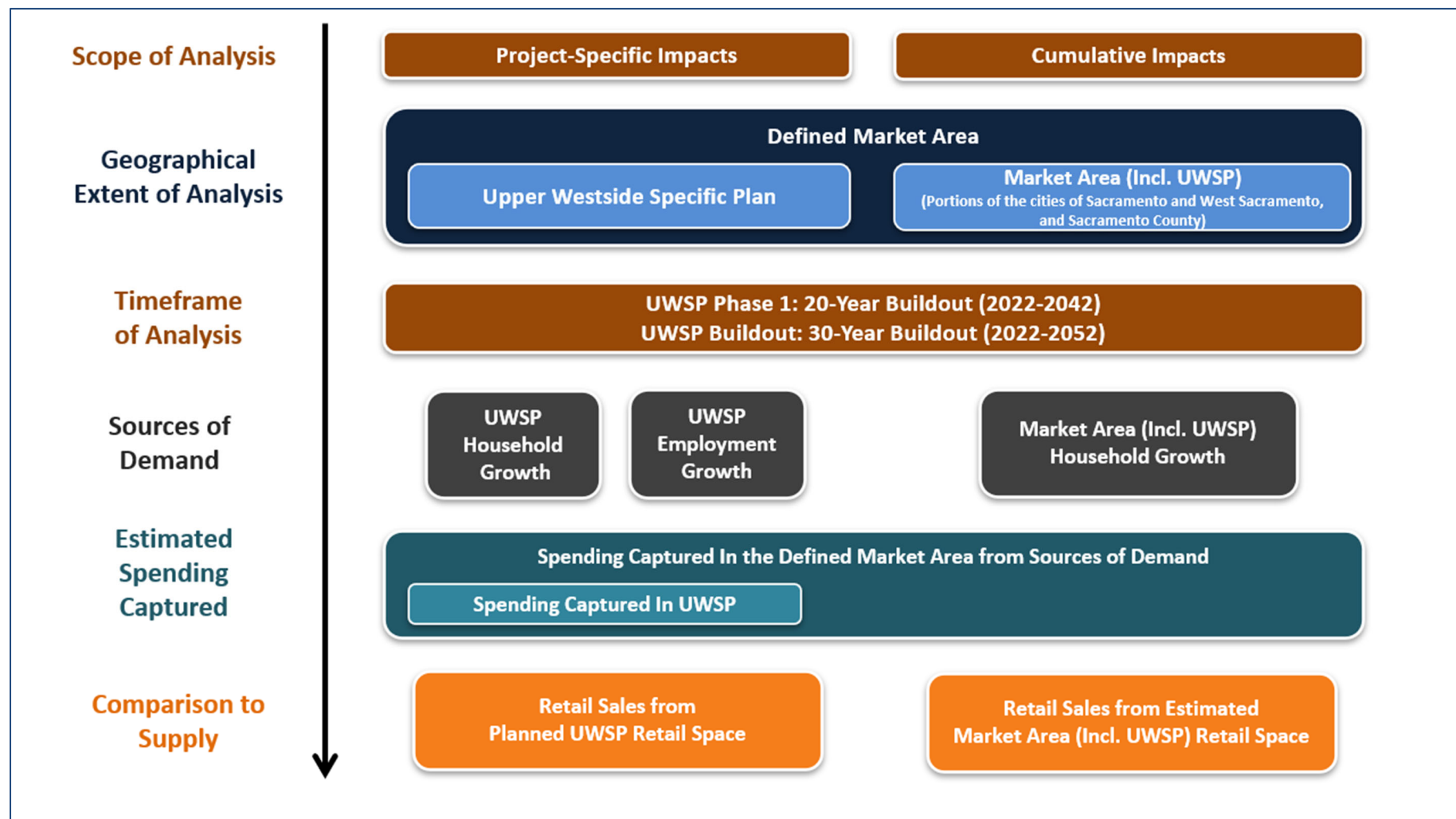
- Estimated gross and occupied land uses and demographic characteristics for the Project.
- Defined a retail market area (Market Area), which encompasses portions of the cities of Sacramento and West Sacramento, and Sacramento County.
- Identified the analytical timeframe of the Study, which extends through the buildout of the Project (2022 to 2052).
- Assessed the existing retail market conditions in the cities of Sacramento and West Sacramento, Sacramento County, and the Market Area.
- Estimated existing and projected Market Area retail demand from sources outside and inside the Project.
- Estimated the potential impact of proposed retail in the Project on existing retail outlets in the Market Area (Project-Specific Impacts).
- Identified planned and proposed retail projects in the Market Area greater than 20,000 square feet (in addition to retail in the Project) and estimated total sales.
- Estimated the potential impact of cumulative retail projects, including the Project, estimated to be absorbed within the Study period, on existing retail outlets in the Market Area (Cumulative Impacts).
- Assessed market supportability and identified the potential for urban decay associated with retail development in the Project and other projects in the Market Area.

The technical analyses for the above tasks are exhibited in the report tables and appendices in this report. Refer to **Figure 1-2** for a graphical representation of the retail analysis methodology.

Study Resources

EPS used many resources for urban decay analysis; these resources are documented in the technical analysis tables and the report and summarized below.

Figure 1-2. Analysis Methodology Flow Chart



Government Resources

EPS used information provided by the cities of Sacramento and West Sacramento; Sacramento County; the California Department of Finance; the Sacramento Area Council of Governments; the California Department of Tax and Fee Administration; the 2020 U.S. Economic Census; the U.S. Census; the U.S. Bureau of Labor Statistics; and the U.S. Census of Retail Trade.

Other Technical Analyses

Additional technical analyses referenced include Wood Rodger's Upper Westside Land Use Summary, received January 14, 2022; Title V: Special Planning Areas and Neighborhood Preservation Areas Chapter 5 Article 3—Metro Air Park Special Planning Area (Amended November 16, 2018); Sutter Pointe Specific Plan Chapter 3: Land Use; and North Natomas Infill Redevelopment Planned Unit Development, dated November 8, 2018.

Third-Party Resources

Other third-party resources used include data from CoStar; The Gregory Group; shopping center broker Web sites; the Sacramento Business Journal; the Sacramento Bee; Esri Business Analyst Online; International Council of Shopping Centers, "U.S. Shopping Center Classification and Typical Characteristics," April 2017; BizMiner 2016; eMarketer 2017; various retail corporation annual 10-K reports; and the Urban Land Institute.

Summary of Findings

Market-Based Findings

- **The national retail market has continued to adapt to a high degree of volatility.**
Since 2009 and with the onset of the COVID-19 Pandemic in 2019/2020, the national retail market has continued to experience turbulence and a high degree of uncertainty regarding tenancing and absorption forecasting. It is widely acknowledged that an oversupply of retail space exists nationally and with an increasing market share of online shopping (e-commerce) and changing consumer preferences, the amount of retail building square footage supportable by the market may decline in the future. The digital shift fast-forwarded by the Pandemic set off a "retail reset" causing retailers to rethink their shopping models. Retailers that survived the Pandemic did so by bolstering their digital presence, providing increased e-commerce options such as "click and collect," reducing the amount of in-store inventory, and decreasing the number of physical stores.⁴

Since the earliest days of retail trade, the retail sector has adapted, with new retail tenants, concepts, and formats continuing to emerge and establish their presence. The large volume of store bankruptcies, closures, and consolidations from the economic downturn and the effects of the Pandemic paved the way for retail-sector adaptations, as well as provided opportunities for replacing retail space with other land uses, including residential, medical office, self-storage, religious institutions, public uses, and experiential uses.

⁴ "Click and collect" is defined as an e-commerce model in which people purchase or select items online and pick them up in-store or at a centralized collection point.

- **Despite changing dynamics in the national retail market, Market Area retail exhibits strong market fundamentals.** The cities of Sacramento and West Sacramento and Sacramento County, portions of which are contained in the Market Area defined in this Study, have maintained a healthy equilibrium since the last economic downturn and during the Pandemic. Supported by population growth and rising household incomes, the retail market has remained stable, in particular for retail development in well-located centers near growing neighborhoods. Retail vacancy in the surrounding jurisdictions has not surpassed 10 percent since emerging from the Great Recession. Vacancy rates in the Market Area have been below or at 5 percent since 2013. A healthy vacancy rate is considered to fall between 5 percent and 10 percent to allow for natural ebbs and flows of the market. A vacancy rate below 5 percent reveals a tight market and indicates the potential for additional supply. Despite the disruptions in the national retail market environment, with continued retail store closures and consolidations, increasing e-commerce market share, and changing consumer preferences, the retail in the three jurisdictions continues to strengthen, showing positive net absorption over the past 5 years.

Market Area Findings

- **The Market Area, composed of portions of the cities of Sacramento and West Sacramento, and Sacramento County, is a thriving submarket in the Sacramento Region.** As of 2022, the Market Area contains an estimated total of 37,700 households, a population of about 100,000 residents, and almost 55,300 jobs. The Market Area contains a total of 5.2 million square feet of neighborhood-, community-, and regional-serving retail predominantly dispersed to the east of Interstate 5 in North and South Natomas and near Interstate 80 in the City of West Sacramento. The Market Area has a retail benchmark of about 52 square feet per capita, consistent with the retail benchmark for the Sacramento Region (Region), which includes Sacramento, El Dorado, Placer, Sutter, Yuba, and Yolo Counties, as a whole.⁵ In comparison, the Project contains a benchmark of 22 retail square feet per capita, aligned with the neighborhood- and community-serving retail benchmark (excluding regional-serving retail space) in the Region.
- **The Market Area and adjacent areas are estimated to accommodate substantial growth through 2052.** In addition to the Project, other major projects in the Market Area include Northlake, Innovation Park & CNU Medical Campus, NorthPointe, and other smaller projects in the City of West Sacramento. Adjacent to the Market Area, other major projects include Metro Air Park, Sutter Pointe, Grandpark, and the buildout of the North Natomas CPA. These projects are estimated to accommodate significant residential and employment growth; by 2052, the Market Area alone is estimated to add about 31,500 households, with 28 percent of these households in the Project and 72 percent in the remainder of the Market Area. This level of growth represents an increase in households of about 84 percent over the current number of households in the Market Area.

⁵ The benchmark survey includes data as of 2020 from the California Department of Finance and CoStar.

The Market Area is also anticipated to add nearly 32,500 new jobs, with about 27 percent of those jobs contained in Upper Westside, and the remaining 73 percent located in the balance of the Market Area. This level of growth equates to an increase in jobs of about 60 percent over existing employment in the Market Area.

The Project is envisioned to contain 575,800 gross square feet of community- and highway-serving retail development. Development of the gross square footage of the planned and proposed projects, including both the Project (**Table 2-1**) and all proposed commercial retail supply in the Market Area (**Table 5-3**), would equate to 1.5 million square feet of new retail development in the Market Area, which represents a 29 percent increase over current retail inventory. Total existing and new retail inventory (about 6.6 million square feet) would result in a benchmark of 53 square feet per capita in the Market Area, an increase of 1 square foot per capita over the current retail benchmark. At the time of this Study, planned and proposed projects elsewhere in the Market Area, excluding the Project, are estimated to contain an additional 912,000 gross square feet of retail development. Because of the significant amount of retail development, EPS has discounted the amount that could be absorbed in the Study period and potentially supported by Market Area residents for the Cumulative Impact analysis, estimating 639,000 square feet will be absorbed through the Study period (though 2052) as described in more detail later in this report (**Table 5-4**).

- **The Market Area retail market fundamentals indicate support for additional retail and the ability to fill existing vacant space.** Current vacancy in the Market Area is estimated at 3.4 percent, indicating a tight market with limited available space. The available space comprises only two spaces larger than 20,000 square feet. One space comprises a former 34,860-square-foot Safeway, vacant since 2018, in the West Capitol Plaza, a 125,700-square-foot community-oriented shopping center built in 2002 located in the central business district adjacent to the City of West Sacramento City Hall in West Sacramento. This area is slowly revitalizing with a recently built hotel, multifamily housing project, and roadway and streetscape infrastructure improvements. The other space is a 28,7200-square-foot former Big Lots, vacant since 2014, in the older, but well-maintained Northgate Shopping Center, a 119,700-square-foot community-oriented shopping center build in 1979 in South Natomas on the outskirts of an established residential area adjacent to other retail centers built in the 2000s.⁶ The outlook for re-tenanting these vacant spaces looks favorable as these centers and areas have very little vacancy, the centers are in good condition and the vacant space is actively being marketed, and the Market Area has demonstrated positive net absorption over the past 3 years as area retail continues to evolve with the changing market and a history of re-tenanting activity as described later in this section.⁷ A 4-mile radius containing the Market Area saw over 70 lease transactions since the beginning of 2019, with 7 transactions greater than 12,000 square feet, as North Natomas continues to grow.⁸

⁶ Data obtained from CoStar, accessed in February 2022.

⁷ Ibid.

⁸ Ibid.

Project-Specific Urban Decay Impacts

- **New retail development in Upper Westside is unlikely to result in conditions conducive to urban decay.** As described in this Study, captured spending from new Project households and Project employees are anticipated to fully support Project retail space planned in Phase I. Spending captured at Project buildout is estimated to require additional sources of demand beyond the Project's estimated capture of internal sources of demand from households and employees. This Study estimates approximately \$65.8 million would be required from external sources to support the Project at buildout, representing approximately 4.6 percent of existing retail sales in the Market Area.

The Project-specific analysis excludes other new sources of demand that will certainly offset the estimated Project sales not captured by new households and employees in the Project. Notably, the project-specific analysis excludes estimates of sales from pass-by traffic for the Project's highway-oriented retail along Interstate 5 and Interstate 80. In addition, the analysis excludes market support from the incremental growth in households and employees in the Market Area, outside of the Project, which will patronize existing and new retail establishments in the Market Area, including the mixed-use retail uses in the Project town center.

In EPS's professional opinion, new retail outlets in the Project are not likely to lead to conditions conducive to urban decay (substantial and prolonged physical deterioration of properties or structures resulting in discontinued use and investment). Although there is no absolute rule, most establishments usually can withstand a short-term sales shift of 5 percent to 7 percent over a 3- to 5-year timeframe, as this typically represents a business cycle downturn.⁹ The percentage shift away from existing retail establishments at buildout is well below the threshold at which an otherwise healthy retail sector could recover and is expected to be offset with other sources of demand conservatively excluded from this Study. The percentage shift of sales from existing retail outlets is estimated to decline as population and employment growth continue in the Market Area.

With the Market Area exhibiting strong market fundamentals, property owners and tenants will have an economic incentive to maintain their properties and businesses as demonstrated by the existing physical conditions of retail centers in and adjacent to the Market Area, which appear clean and well-maintained as shown in **Appendix B**.

⁹ This metric is based on decades of retail market research conducted by EPS, including an evaluation of retail sales and total establishment data collected from the California State Board of Equalization and Department of Tax and Fee Administration.

Cumulative Urban Decay Impacts

- **All new planned and proposed retail development in the Market Area is unlikely to absorb within this Study's period of analysis (2022-2052) and may not ever develop.** EPS estimates that all of the cumulative projects will absorb by 2052, except for the NorthPointe project, which is in its early planning stages but is still assumed to be 50 percent developed by 2052. Using the same method of Market Area capture estimated for the Project, EPS estimates that 80 percent of planned retail sales will be captured by households in the Market Area, with the remaining 20 percent drawn from consumers outside of the defined Market Area. All that considered, the amount of future cumulative planned retail assumed in this Study may represent a conservatively high estimate of supportable retail space in the Market Area, given trends occurring in the retail sector.

It is also important to note that some of the other projects in the Market Area included in the Cumulative Impacts analysis have not yet achieved full project entitlement, have speculative development timelines, or may be in the process of submitting applications to change land uses. Planned and proposed retail space may not ever develop or may develop at a lower density and intensity than currently planned. Therefore, conclusions regarding the Cumulative Impacts analysis should be considered conservative.

- **The Cumulative Impacts of new retail development in Upper Westside and other planned and proposed projects in the Market Area are unlikely to result in conditions conducive to urban decay.** The Cumulative Impact analysis examines the estimated impact of retail development in Upper Westside and other planned and proposed projects in the Market Area, through the buildout of the Project, on existing retail outlets. Identification of the retail supply pipeline indicates there is a large amount of retail planned in the Market Area (about 912,000 square feet), although approximately 70 percent of this potential supply is anticipated to be absorbed through 2052 (about 639,000 square feet). This estimated amount of retail absorption is commensurate with estimated residential absorption in planned and proposed projects in the Market Area. This Study also applies an adjustment factor to the amount of estimated retail space absorbed through 2052 to account for the estimated proportion of supportable retail space from Market Area households and Project employment. That is, other sources of demand are not estimated in this analysis that will support new community- and highway-serving retail development (e.g., new employees in the Market Area outside the Project, residents outside the Market Area).

With these adjustments and an average retail market vacancy rate, the Cumulative Impacts of retail development in the Project and other planned and proposed projects in the Market Area are estimated to provide an estimated 4.1 percent increase in demand to support existing Market Area retailers in Phase 1 and essentially break even at buildout, with an estimated 0.3 percent increase in demand for existing Market Area retailers. Thus, it is EPS's professional opinion that the estimated increase in available demand is unlikely to lead to conditions conducive to urban decay. With the Market Area exhibiting strong market fundamentals, property owners and tenants will have an economic incentive to maintain their properties and businesses. Furthermore, retail market dynamics will continue to function to keep the new retail supply in line with the evolving nature of retail market demand.

- **Conditions conducive to urban decay are not estimated to occur in the unlikely event existing retail establishments close related to the cumulative impacts of new retail planned in the Market Area.** Property owners and tenants have an economic incentive to maintain their businesses and properties if long-term market conditions are expected to be favorable. Even during the lengthy economic downturn, when vacancy rates rose higher than 13 percent over 3 years in the Market Area, the retail sector did not experience conditions related to urban decay because of the expectation that market conditions would improve. The retail sector is inherently very competitive and dynamic with tenants adapting formats to meet changing consumer preferences or other market trends. In the event vacancies occur, either as a result of new retail space or other changing market dynamics, vacated spaces have the potential to be re-tenanted or repositioned with another retail or nonretail specialization or use, such as the former 25,000-square-foot Borders (North Natomas) and the 20,740-square-foot Big Lots (West Sacramento), both of which were re-tenanted by a Planet Fitness, the 19,991-square-foot OfficeMax (North Natomas) filled by Boot Barn, and the former 155,000-square-foot Fry's (North Natomas), which is being redeveloped as industrial space. Furthermore, jurisdictions in the Market Area have ordinances and code enforcement tools to address blight and signs of deferred property maintenance that assist in mitigating conditions that lead to urban decay.

Report Organization

This report contains 6 chapters. Following this initial introductory chapter and summary of findings, **Chapter 2** provides an overview of the Project. **Chapter 3** assesses the existing retail market conditions and socio-economic characteristics in the Market Area. **Chapter 4** estimates projected new retail demand. **Chapter 5** identifies the cumulative retail supply in the Market Area and the estimated sales. **Chapter 6** evaluates the potential impacts of the Project on the existing retail market, as well as the potential impacts of the cumulative retail projects, including the Project, on existing retail and the potential for urban decay.

2. INTRODUCTION AND PROJECT DESCRIPTION

The County is the lead agency preparing an EIR for the proposed Project, located in the northwest unincorporated County area. The approximately 1,530-acre Project is envisioned to accommodate a range of land uses, including single-family and multifamily housing; employment-generating uses including retail, office, and hotel uses; educational uses; and recreation, open space, and other public/quasi-public land uses. As part of the EIR, the Landowners retained EPS to evaluate the potential for urban decay resulting from the retail component of Upper Westside.

This Study estimates the extent to which new retail development in Upper Westside would have competitive impacts on existing retail outlets in the defined Market Area and consequently cause or contribute to urban decay (Project-Specific Impacts). This Study also examines the effects of other proposed retail projects in the defined Market Area, in conjunction with Upper Westside, on existing retail outlets and estimates the likelihood this cumulative development will cause or contribute to urban decay (Cumulative Impacts).¹⁰

Following an overview of the definition of urban decay, the remainder of this chapter provides an overview of the Project, including proposed land uses and estimated demographic characteristics of the Project. Subsequent chapters assess existing retail market conditions and evaluate Project-Specific Impacts and Cumulative Impacts.

Overview of Urban Decay

Based on State case law and precedent established in previous urban decay analyses, urban decay is defined as the substantial and prolonged physical deterioration of properties or structures, resulting in discontinued utilization and investment, and adversely affecting the health, safety, and welfare of the surrounding community. It is important to note that case law establishes that urban decay is not defined as the closing of one specific or even multiple stores, and new development does not trigger an automatic presumption of urban decay.¹¹ However, courts have found that lead agencies have an obligation to consider whether land use decisions may cause or contribute to a chain reaction of store closures, long-term vacancies, and physical manifestations of urban decay, which has the potential to destroy existing neighborhoods.¹² Manifestations of urban decay may include various signs of physical blight such as abandoned buildings, boarded storefronts, litter, uncontrolled vegetation, vandalism, and graffiti. Additional information regarding the case law underpinning urban decay is described in **Chapter 6**.

¹⁰ Title 14 of the California Code of Regulations, Chapter 3, Guidelines for the California Environmental Quality Act (CEQA) Article 9, Section 15130, clarifies that, “cumulative impacts are created as a result of the combination of the project being evaluated in the [Environmental Impact Report] together with other projects causing related impacts.”

¹¹ *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004), 124 Cal. App. 4th 1184.

¹² *Ibid*.

Project Overview

Upper Westside Specific Plan

Planning for development in the northwest County, in which the Project is located, has been underway for more than 20 years. In the late 1990s, the City and the County endeavored to urbanize a substantial portion of the Natomas Basin, which spans from the American River to the south, the Sacramento River to the west, Steelhead Creek to the east, and the Cross Canal to the north, extending into Sutter County.

In 2001, the City and the County coordinated efforts and initiated the Joint Vision for Natomas (now called the Natomas Vision Plan), which focused on the unincorporated County portion of the Natomas Basin. The Natomas Vision Plan was a comprehensive planning process that integrated urban planning and design, open space and habitat preservation, agricultural preservation, municipal service delivery, and environmental sustainability considerations.

Project Description

The Project Administrative Draft Specific Plan, prepared in February 2021, proposes a new mixed-use community in the Natomas Vision Plan area. The Project encompasses a little over 1,530 acres west of Highway 99, south of Interstate 5, and is bordered by Interstate 80 to the south, and the Sacramento River to the west. There is existing freestanding retail within the Project located near the Interstate 80 interchange at W. El Camino Avenue comprising highway-oriented retail with a couple of gas stations, fast food, diners, a truck stop, and a hotel.¹³ The Project is connected directly to the regional transportation network along Interstate 80 as well as indirect access to Interstate 5, providing direct access to key proximate employment, service, and retail centers along Interstate 5 and Interstate 80 such as the Sacramento International Airport, North and South Natomas, West Sacramento, and Downtown Sacramento. Further, the Project is located near major development projects—both proposed and in progress—including the Grandpark Specific Plan to the north; Metro Air Park and the Northlake development project, both about 3 miles to the north above Interstate 5; the Northpointe development project located less than 3 miles north from the Project below Interstate 5; The Innovation Park and CNU development located east of the Project; the Highway 99-Interstate 5 Interchange; the dense Railyards development north of Downtown Sacramento; and West Sacramento's Bridge District. **Map 1-1** displays the Upper Westside area within the context of the greater Sacramento Region.

The Project is intended to develop as a sustainable self-contained suburban community with the feel of an urban location provided by a dense, vertical, mixed-use town center, including a one-mile-long recreational canal as the focal point connecting the town center with surrounding suburban-like development including single-family residential uses, park space, and educational facilities. Overall, the Project will provide a range of housing choices, employment opportunities, schools, parks, shopping, and services. The Project is expected to provide residential and retail

¹³ The retail sales for the existing development are assumed to be accounted for in the analysis within existing Market Area sales and is therefore excluded from the retail square footage of the Project and corresponding sales estimates.

land uses to accommodate growth in a location adjacent to existing and planned infrastructure, urban services, transportation corridors, and regional job centers. The Project is planned to maintain flexibility to adapt and adjust to changing economic and market conditions, given the Project's long-term buildout period.

Study Period

This Study is based on an estimated 30-year Project buildout period, commencing in 2022 and ending in 2052. The analysis includes an examination of Phase 1 of the Project, which comprises a 20-year buildout. These timeframes are generally consistent with buildout assumptions used in the EIR. Note that demand from future development outside the Project within the defined Market Area commences from the time of this Study (2022) and ends in the same year as the proposed Project buildout, 2052.

Land Use Summary

The full urban uses in the Specific Plan include housing units with a range of types and densities, retail and general commercial uses, mixed-use, and substantial open space and recreational uses. Based on the Specific Plan land use summary, prepared by Upper Westside LLC in October 2021, the Project is planned for approximately 9,356 residential units and 3.1 million square feet of nonresidential uses, including 575,760 square feet of retail space. The proposed land uses are summarized in **Table 2-1**. **Table 2-2** provides the estimated residential and employee populations for the Project. Additional information regarding residential and nonresidential development in the Project is provided below.

Upper Westside Residential Uses

Total and Occupied Residential Units

The Project is envisioned to include about 9,356 residential units, comprising about 4,375 single-family homes (including Very Low, Low, Low/Medium, and Medium Density housing units) and 4,981 multifamily units (including High and Very High density and Mixed-Use housing units). Overall, planned housing in the Project reflects a proportion of 47 percent single-family units and 53 percent multifamily units, as reflected in **Table 2-1**.

To account for normal fluctuations in the market, this Study applies a 3 percent vacancy rate to total single-family residential units and an 8 percent vacancy rate to total multifamily residential units. Based on these vacancy rates, the Project is estimated to contain a total of 8,830 occupied residential units.

Table 2-1. Proposed Land Use Summary

| Land Use | Nonres. Acreage Allocation [2] | Land Use Density | Gross Development | | | | | | | | |
|--|---|---------------------|-----------------------------|-------------------|--------------------|----------------------------------|-------------------|--------------------|--------------------------------------|-------------------|--------------------|
| | | | Phase 1 20-Year Buildout | | | Phase 2 Remaining Development | | | Cumulative Total 30-Year Buildout | | |
| | | | Acreage | Dwelling Units | Nonres. Sq. Ft. | Acreage | Dwelling Units | Nonres. Sq. Ft. | Acreage | Dwelling Units | Nonres. Sq. Ft. |
| Developable Uses | | | | | | | | | | | |
| Residential Uses | | DU/acre | | | | | | | | | |
| Very Low Density Residential (VLDR) | | 1.2 | 164.4 | 197 | - | - | - | - | 164.4 | 197 | - |
| Low Density Residential (LDR) | | 5.5 | 429.2 | 2,366 | - | - | - | - | 429.2 | 2,366 | - |
| Low / Medium Density Residential (LMDR) | | 8.0 | 133.0 | 1,063 | - | - | - | - | 133.0 | 1,063 | - |
| Medium Density Residential (MDR) | | 12.0 | 62.5 | 749 | - | - | - | - | 62.5 | 749 | - |
| High Density Residential (HDR) | | 25.0 | 36.4 | 911 | - | - | - | - | 36.4 | 911 | - |
| Very High Density Residential (VHDR) | | 35.0 | 22.6 | 791 | - | - | - | - | 22.6 | 791 | - |
| Commercial Mixed-Use (CMU) [1] | | 40.0 | 83.6 | 3,279 | - | - | - | - | 83.6 | 3,279 | - |
| Subtotal Residential Uses | | | 931.6 | 9,356 | - | - | - | - | 931.6 | 9,356 | - |
| Nonresidential Uses | | | | | | | | | | | |
| Commercial Mixed-Use | | FAR [3] | | | | | | | | | |
| Office | 62.0% | 0.6 | 36.3 | - | 946,435 | 15.5 | - | 401,765 | 51.8 | - | 1,348,199 |
| Retail | 18.0% | 0.6 | 10.5 | - | 274,771 | 4.5 | - | 116,641 | 15.0 | - | 391,413 |
| Hotel | 15.0% | 0.6 | 8.8 | - | 228,976 | 3.7 | - | 97,201 | 12.5 | - | 326,177 |
| Institutional | 5.0% | 0.6 | 2.9 | - | 76,325 | 1.2 | - | 32,400 | 4.2 | - | 108,726 |
| Subtotal Commercial Mixed-Use | 100.0% | | 58.6 | - | 1,526,508 | 25.0 | - | 648,008 | 83.6 | - | 2,174,515 |
| Employment / Highway Commercial | | FAR [3] | | | | | | | | | |
| Office | 60.0% | 0.4 | 17.5 | - | 305,349 | 14.2 | - | 247,689 | 31.8 | - | 553,038 |
| Retail | 20.0% | 0.4 | 5.8 | - | 101,783 | 4.7 | - | 82,563 | 10.6 | - | 184,346 |
| Hotel | 15.0% | 0.4 | 4.4 | - | 76,337 | 3.6 | - | 61,922 | 7.9 | - | 138,260 |
| Institutional | 5.0% | 0.4 | 1.5 | - | 25,446 | 1.2 | - | 20,641 | 2.6 | - | 46,087 |
| Subtotal Employment / Highway Commercial | 100.0% | | 29.2 | - | 508,915 | 23.7 | - | 412,815 | 52.9 | - | 921,730 |
| Subtotal Nonresidential Uses | | | 87.8 | - | 2,035,423 | 48.7 | - | 1,060,823 | 136.5 | - | 3,096,245 |
| Total Developable Uses | | | 1,019.5 | 9,356 | 2,035,423 | 48.7 | - | 1,060,823 | 1,068.2 | 9,356 | 3,096,245 |
| Non-Developable Uses | | | | | | | | | | | |
| Public/Quasi-Public | - | | 8.1 | - | - | 138.0 | - | - | 146.1 | - | - |
| Open Space | - | | 25.8 | - | - | 116.0 | - | - | 141.8 | - | - |
| Ag - Cropland | - | | 0.0 | - | - | 410.2 | - | - | 410.2 | - | - |
| Ag - Residential | - | | 0.0 | - | - | 84.1 | - | - | 84.1 | - | - |
| Urban Farm / Green Belt | - | | 7.9 | - | - | 37.0 | - | - | 44.9 | - | - |
| Park | - | | 20.5 | - | - | 53.0 | - | - | 73.5 | - | - |
| Water (Canal) | - | | 3.6 | - | - | 11.4 | - | - | 15.0 | - | - |
| Landscape Corridor | - | | 6.6 | - | - | 29.0 | - | - | 35.6 | - | - |
| Major Roads | - | | 25.0 | - | - | 101.6 | - | - | 126.6 | - | - |
| Subtotal Non-Developable Uses | - | | 97.6 | - | - | 980.3 | - | - | 1,077.9 | - | - |
| Total All Land Uses | | | 1,117.0 | 9,356 | 2,035,423 | 1,029.0 | - | 1,060,823 | 2,146.1 | 9,356 | 3,096,245 |

land use

Source: Wood Rodgers Phase Unit Summary, January 14, 2022; The Gregory Group; EPS.

[1] Residential Commercial Mixed-Use acreage and Commercial Square Footage included in the nonresidential portion.

[2] Nonresidential land use percentage allocations per the County and Wood Rodgers as of January 14, 2022.

[3] Floor Area Ratio (FAR).

Table 2-2. Estimated Residential and Employee Population

| Item | Vacancy Rate [1] | Population / Employment Density [2] | Occupied Development | | | | | | | | |
|---|---------------------|---|-----------------------------|-------------------------|--------------------------|----------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|------------------|
| | | | Phase 1 20-Year Buildout | | | Phase 2 Remaining Development | | | | | |
| | | | Gross Development | Occupied Development | Population/ Employees | Gross Development | Occupied Development | Population/ Employees | Occupied Development | Population/ Employees | |
| Residential Uses | | | <u>Persons/Unit</u> | <u>Units</u> | <u>Units</u> | <u>Residents</u> | <u>Units</u> | <u>Units</u> | <u>Residents</u> | <u>Units</u> | <u>Residents</u> |
| Very Low Density Residential (VLDR) | 3.0% | 3.00 | | 197 | 191 | 573 | - | - | - | 191 | 573 |
| Low Density Residential (LDR) | 3.0% | 3.00 | | 2,366 | 2,295 | 6,885 | - | - | - | 2,295 | 6,885 |
| Low / Medium Density Residential (LMDR) | 3.0% | 3.00 | | 1,063 | 1,031 | 3,093 | - | - | - | 1,031 | 3,093 |
| Medium Density Residential (MDR) | 3.0% | 3.00 | | 749 | 727 | 2,180 | - | - | - | 727 | 2,180 |
| High Density Residential (HDR) | 8.0% | 2.50 | | 911 | 838 | 2,095 | - | - | - | 838 | 2,095 |
| Very High Density Residential (VHDR) | 8.0% | 2.50 | | 791 | 728 | 1,819 | - | - | - | 728 | 1,819 |
| Commercial Mixed-Use (CMU) [3] | 8.0% | 2.50 | | 3,279 | 3,017 | 7,542 | - | - | - | 3,017 | 7,542 |
| Subtotal Residential Uses | | | | 9,356 | 8,826 | 24,187 | 0 | 0 | 0 | 8,826 | 24,187 |
| NONRESIDENTIAL USES [3] | | | | | | | | | | | |
| | | | <u>Sq. Ft/Employee</u> | <u>Bldg. Sq. Ft.</u> | <u>Bldg. Sq. Ft.</u> | <u>Employees</u> | <u>Bldg. Sq. Ft.</u> | <u>Bldg. Sq. Ft.</u> | <u>Employees</u> | <u>Bldg. Sq. Ft.</u> | <u>Employees</u> |
| Commercial-Mixed Use | | | | | | | | | | | |
| Office | 6.0% | 250 | | 946,435 | 889,649 | 3,559 | 401,765 | 377,659 | 1,511 | 1,267,307 | 5,069 |
| Retail | 6.0% | 450 | | 274,771 | 258,285 | 574 | 116,641 | 109,643 | 244 | 367,928 | 818 |
| Hotel | - | 600 | | 228,976 | 228,976 | 382 | 97,201 | 97,201 | 162 | 326,177 | 544 |
| Institutional | - | 900 | | 76,325 | 76,325 | 85 | 32,400 | 32,400 | 36 | 108,726 | 121 |
| Subtotal Commercial Mixed-Use | - | - | | 1,526,508 | 1,453,235 | 4,599 | 648,008 | 616,903 | 1,952 | 2,070,138 | 6,551 |
| Employment / Highway Commercial | | | | | | | | | | | |
| Office | 6.0% | 300 | | 305,349 | 287,028 | 957 | 247,689 | 232,828 | 776 | 519,856 | 1,733 |
| Retail | 6.0% | 500 | | 101,783 | 95,676 | 191 | 82,563 | 77,609 | 155 | 173,285 | 347 |
| Hotel | - | 600 | | 76,337 | 76,337 | 127 | 61,922 | 61,922 | 103 | 138,260 | 230 |
| Institutional | - | 900 | | 25,446 | 25,446 | 28 | 20,641 | 20,641 | 23 | 46,087 | 51 |
| Subtotal Employment / Highway Commercial | - | - | | 508,915 | 484,487 | 1,304 | 412,815 | 393,000 | 1,057 | 877,487 | 2,361 |
| Total Nonresidential | | | | | | | | | | | |
| Office | - | - | | 1,251,784 | 1,176,677 | 4,515 | 649,454 | 610,486 | 2,287 | 1,787,163 | 6,802 |
| Retail | - | - | | 376,554 | 353,961 | 765 | 199,204 | 187,252 | 399 | 541,213 | 1,164 |
| Hotel | - | - | | 305,313 | 305,313 | 509 | 159,123 | 159,123 | 265 | 464,437 | 774 |
| Institutional | - | - | | 101,771 | 101,771 | 113 | 53,041 | 53,041 | 59 | 154,812 | 172 |
| Total Nonresidential Uses | - | - | | 2,035,423 | 1,937,722 | 5,903 | 1,060,823 | 1,009,903 | 3,010 | 2,947,625 | 8,912 |

pop emp

Source: Wood Rodgers; EPS.

[1] EPS applied standard frictional vacancy rate assumptions to gross development totals.

[2] Population density assumptions provided by the UWSP, employment density assumptions per EPS based industry standards. The UWSP estimated population figures do not match EPS's estimates due to an updated mix of residential units by type.

[3] Residential Commercial Mixed-Use acreage and Commercial Square Footage included in the nonresidential portion.

Residential Households and Population

Project residential population is included for informational purposes but is not used; this Study estimates demand for retail space based on households and household spending on retail goods and services. In this analysis, EPS assumes that housing units serve as a proxy for households. Based on population density assumptions for each residential land use type, this analysis estimates that the Project's 8,830 occupied housing units will house approximately 24,200 residents.¹⁴ Refer to **Table 2-2** for details regarding total and occupied housing units and the estimated residential population in the Project.

Upper Westside Nonresidential Uses

Total and Occupied Nonresidential

Upper Westside includes 3.1 million gross building square feet of nonresidential land uses on approximately 137 gross developable acres, as shown in **Table 2-1**. Nonresidential development includes retail, office, hotel, and institutional land uses.

Total retail development is estimated to comprise 575,760 gross square feet while the remaining nonresidential development (office, hotel, and institutional) is planned for 2.5 million square feet. This Study applies a 6 percent frictional vacancy rate to account for normal fluctuations of occupied space in the real estate market.¹⁵ As such, total occupied nonresidential development is estimated to equal about 2.9 million building square feet, with about 541,200 square feet of occupied retail development. **Table 2-2** details both total and occupied nonresidential building square feet proposed in the Project.

The estimate of 541,200 square feet of occupied retail in the Project is composed of the following assumed types of occupied space:

- Approximately 367,900 square feet of Commercial Mixed-Use Retail.
- Approximately 173,300 square feet of Employment/Highway Commercial Retail.

The Mixed-use retail development is estimated to include a combination of neighborhood- and community-serving retail comprising restaurants, shops, services, entertainment uses, and a small grocery store to provide convenience goods and personal services for the daily needs of the immediate neighborhood. The Employment/Highway Commercial-serving retail development services the immediate neighborhood as well as pass-by freeway traffic with envisioned tenants comprising a conventional grocery store, drive-thru fast food restaurants, fast-casual restaurants, specialty stores, movie theater, and/or fitness. The Project is not envisioned to

¹⁴ Total residential population differs from the UWSP dated February 2021 because EPS used an updated land use plan from Wood Rodgers with a different mix of residential units by type, however the density remains the same as the SP.

¹⁵ Frictional vacancy is the amount of vacant space needed in a market for its orderly operation. In a stabilized market, where supply and demand are in balance, frictional vacancy allows for short-term changes in occupancy, the 6 percent vacancy is also the average vacancy rate for the Market Area from 2010 through 2021.

contain any Regional-Serving retail development, which contains a greater amount of building square footage and comprises multiple general merchandise stores, home furnishings, and apparel anchors. Refer to **Table A-1** in **Appendix A** for more details regarding general retail centers type.

Nonresidential Employee Population

The Project's nonresidential land uses are assumed to have varying employee density assumptions (occupied building square feet per employee). Based on these assumptions, the total employee population for Upper Westside at buildout is estimated to be approximately 8,900. About 13 percent of these employees will be employed at the Project's retail development, while the remainder will be employed in the Project's office, hotel, and institutional uses. **Table 2-2** exhibits the employee density assumptions, as well as the estimated Project employee population, based on occupied nonresidential land uses.¹⁶

¹⁶ EPS's employment density assumptions are based on average industry standards and differ from the employment density assumptions provided in Fehr & Peer's traffic analysis. The square feet per employee assumptions in the traffic analysis are generally lower than EPS's assumptions and therefore provide a higher estimate of 11,857 total employees generated by the Project compared to EPS's estimate of 8,912 employees. EPS's employment density assumptions provide a more conservative analysis as the traffic study's higher employment count would increase estimated demand from new Project employees reducing the overall impacts of the Project.

3. EXISTING RETAIL CONDITIONS

This chapter provides a detailed overview of the defined Upper Westside Market Area used to examine current and proposed estimates of supply and consumer demand.

Market Area Description

A retail market area represents the area surrounding proposed retail uses from *which the majority of* customer patronage is expected to be drawn. A retail market area is influenced by a variety of factors, including the location and density of the targeted residential population, the location of key competitors, the relative distance or travel time for each of the above, geographic and psychological barriers, and existing commute and shopping patterns. Retail establishments outside a given retail market area are not considered to be at risk of urban decay from development in the retail market area based on a nominal set of overlapping supply and demand dynamics.¹⁷ The defined Market Area, the boundaries of which are shown in **Map 3-1**, corresponds with Sacramento Area Council of Government (SACOG) Traffic Analysis Zones (TAZ), located in the following subareas:¹⁸

- North Natomas (County).
- NW Vision Area.
- South Natomas
- West Sacramento (Yolo County).

The boundaries of the Market Area were defined based on an evaluation of existing population density within TAZ boundaries surrounding the Project, a maximum of 10-minute drive times to and from the center of the Project during high traffic times to the boundaries, existing retail centers as provided in **Table 3-1** and **Map 3-2**, the physical barrier of the Sacramento River, and perceived barriers of major highways including Interstate 5 and Interstate 80 as shown in **Map 3-1**.^{19 20}

A complete list of TAZs and their associated subarea in the defined Market Area can be found in **Appendix A, Table A-2**.

¹⁷ More information regarding the rationale for excluding the impacts to retail outlets adjacent but outside of the Market Area defined for this Study is provided later in this chapter under the section entitled "Retail Market Performance Indicators."

¹⁸ A TAZ is a unit of geography used in transportation planning models.

¹⁹ The EPS analysis generally concurs with the traffic study data prepared by Fehr & Peers.

²⁰ A 10-minute drive time is reflective of the estimated time it would take to drive within the typical trade area mileage size defined by the International Council of Shopping Centers specific to the type of retail within the Project. Neighborhood-serving retail space has a typical trade area boundary of about 3 miles and the community commercial has a typical trade area of approximately 3 to 6 miles.

Map 3-1. Upper Westside Specific Plan Defined Retail Market Area

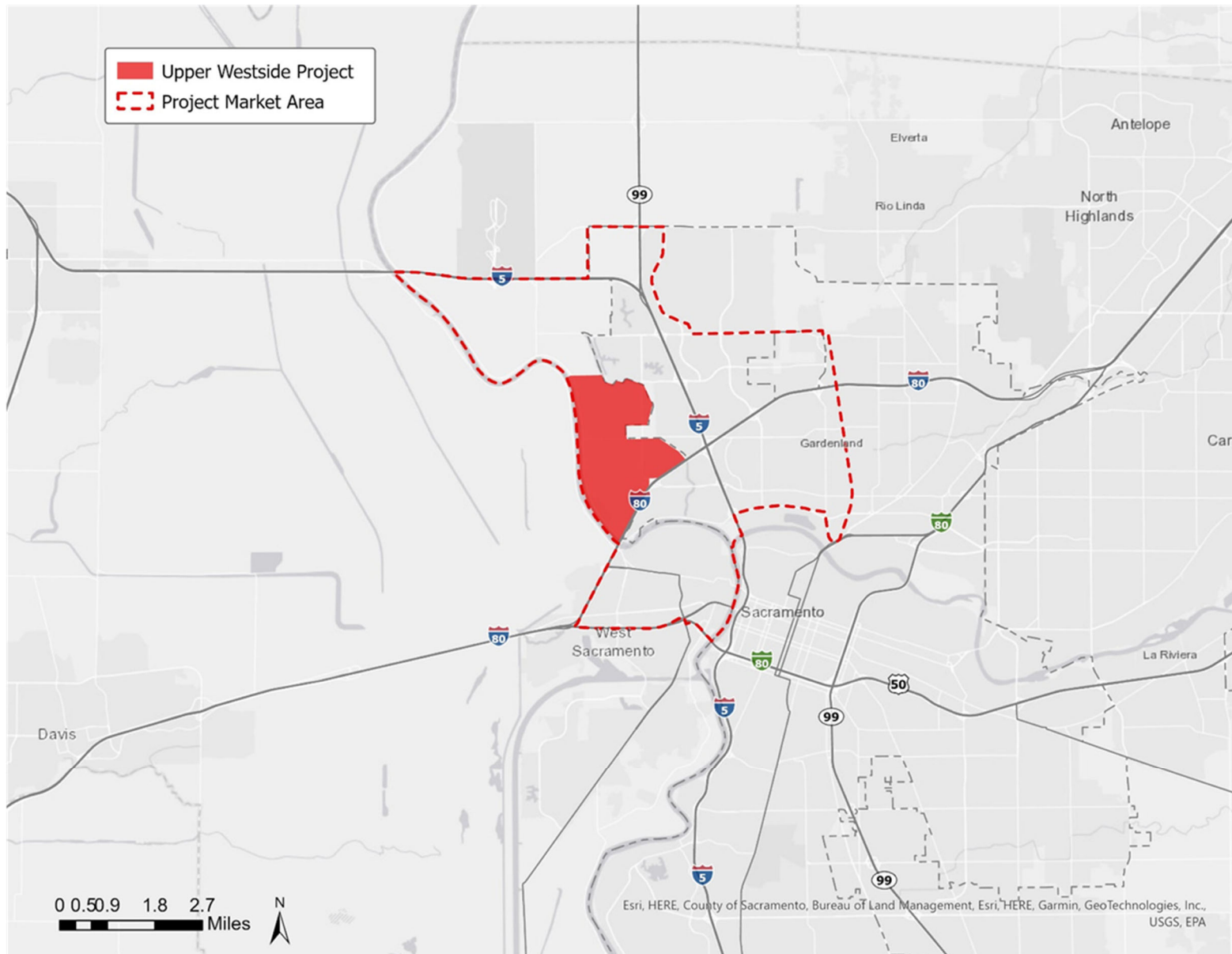


Table 3-1. Existing Retail Supply Located In and Near the Market Area (2 pages)

| Map Ref. | Project Name | Gross Retail Sq. Ft. | Year Built | Description [1] | Location | City |
|--------------------------------|---|----------------------|------------|--|-------------------------------|-----------------|
| MARKET AREA [2] | | | | | | |
| Neighborhood Commercial | | | | | | |
| 1 | Northgate Shopping Center | 125,555 | 1980 | 99 Cents Store, furniture store, hardware store, small restaurants | 2301-2439 Northgate Blvd | Sacramento |
| 2 | San Juan Village | 118,414 | 1980 | FoodMaxx, restaurants, dental office | 3291 Truxel Rd | Sacramento |
| 3 | Country West Shopping Center | 113,358 | 1975 | Goodwill, Dollar Tree, supermarket, urgent care, small restaurants | 2901-3071 W Capitol Ave | West Sacramento |
| 4 | Natomas Gardens | 97,559 | 2003 | Foods Co., Dollar Tree, dental offices, small commercial | 3615-3645 Northgate Blvd | Sacramento |
| 5 | Riverbend Shopping Plaza | 92,604 | 1958 | Supermarket, U.S. Postal Service, small retail | 900-974 Sacramento Ave | West Sacramento |
| 6 | Discovery Plaza | 90,235 | 1986 | Small restaurants, small commercial | 1500-1590 W El Camino Ave | Sacramento |
| 7 | Fitness Evolution Plaza | 63,500 | 2004 | Elements Health Club, restaurants, local retail | 4571 Gateway Park Blvd | Sacramento |
| 8 | Farmco Shopping Center | 60,000 | unknown | Raley's, Wells Fargo, small commercial | 1601 W Capitol Ave | West Sacramento |
| 9 | Del Paso Marketplace | 59,787 | 2006 | Sprouts, medical offices, restaurants, small commercial offices | 2800-2860 Del Paso Rd | Sacramento |
| 10 | Truxel Station | 51,043 | 2006 | Restaurants, local retail | 2051-2087 Arena Blvd | Sacramento |
| 11 | Park Plaza | 49,783 | 1986 | Grocery Outlet, Mezcal Grill | 1600 W El Camino Ave | Sacramento |
| 12 | Natomas Village Center | 49,756 | 2005 | Chili's, Chase Bank, restaurants | 3810-3890 Truxel Rd | Sacramento |
| 13 | Stone Creek Center | 43,686 | 1992 | CVS, Chase Bank, spa/salon, restaurants | 1583-1589 W El Camino Ave | Sacramento |
| 14 | Westlake Village Shopping Center | 41,540 | 2007 | Walgreens, Chase Bank | 3501-3521 Del Paso Rd | Sacramento |
| 15 | City Central Shopping Center | 36,718 | 1991 | Walgreens, La Bou, Little Caesars | 817-849 Jefferson Blvd | West Sacramento |
| 16 | North Natomas Place | 29,630 | 2003 | Oshima Sushi, spa, dental office | 2051-2121 Natomas Crossing Dr | Sacramento |
| 17 | My Mart Shopping Center | 25,000 | unknown | Bank of America | 1511 W Capitol Ave | West Sacramento |
| 18 | Harbor Central | 24,973 | 1992 | UPS Store, restaurants, local retail | 805 Harbor Blvd | West Sacramento |
| 19 | Gateway Plaza | 23,590 | 1988 | Jack-n-the-box, Golden 1 Credit Union, local retail | 2550 W El Camino Ave | Sacramento |
| 20 | Arena Marketplace II | 20,709 | 2004 | Signature Dental, Custom Fitness, restaurants, local retail | 4301-4331 Truxel Rd | Sacramento |
| 21 | Goldenland Business Park | 19,915 | 2005 | Auto shop, small retail | 4381-4391 Gateway Park Blvd | Sacramento |
| 22 | Natomas Landing | 16,945 | unknown | Natomas Food & Liquor, local retail, restaurants | 4000 E Commerce Way | Sacramento |
| 23 | 2300-2330 Northgate Blvd | 16,720 | 2010 | Local retail | 2300-2330 Northgate Blvd | Sacramento |
| 24 | Garden Plaza | 16,225 | 1987 | Zen Garden, local retail | 2201 Northgate Blvd | Sacramento |
| 25 | River's End Plaza | 14,750 | 2008 | Starbucks, Mountain Mikes, gas station, Jamba Juice, Carl's Jr. | 2606-2610 Gateway Oaks Dr | Sacramento |
| 26 | 3270-3290 Northgate Blvd | 12,260 | 1988 | Fiji Mart, Long John Silver's, local retail | 3270-3290 Northgate Blvd | Sacramento |
| 27 | Natomas Plaza | 10,852 | 2004 | Local retail | 2850 Northgate | Sacramento |
| 28 | 4000 Truxel | 10,000 | 2002 | Local retail | 4000 Truxel Rd | Sacramento |
| 29 | Northgate Plaza | 9,800 | 1983 | Local retail | 2251 Northgate Blvd | Sacramento |
| 30 | Gateway Central | 9,687 | 2003 | Local retail | 2600 Gateway Oaks Dr | Sacramento |
| 31 | Northgate Retail Center | 7,844 | unknown | Wendy's, restaurants, hair salon | 4160 Northgate Blvd | Sacramento |
| 32 | 2700-2706 Northgate Blvd | 6,500 | unknown | Local retail | 2700-2706 Northgate Blvd | Sacramento |
| 33 | 2868 Northgate Blvd | 6,000 | 2007 | Local retail | 2868 Northgate Blvd | Sacramento |
| 34 | 2261-2267 Northgate Blvd | 4,784 | unknown | Local retail | 2261-2267 Northgate Blvd | Sacramento |
| 35 | 2690-2694 Northgate Blvd | 4,678 | unknown | Local retail | 2690-2694 Northgate Blvd | Sacramento |
| | Subtotal Neighborhood Commercial | 1,384,400 | | | | |
| Community Commercial | | | | | | |
| 36 | Market West Shopping Center | 133,373 | 2005 | Bel-Air Markets, banks/credit unions, restaurants | 3200-3290 Arena Blvd | Sacramento |
| 37 | Natomas Town Center | 129,751 | 2004 | Safeway, Rite Aid, AAA, restaurants, insurance offices | 2701-2851 Del Paso Rd | Sacramento |
| 38 | West Capitol Plaza | 125,727 | 2002 | Planet Fitness, Rite Aid, small retail | 1250-1298 W Capitol Ave | West Sacramento |
| 39 | Park Place I [2] | 122,350 | 2002 | Raley's, Wells Fargo, restaurants | 4640-4726 Natomas Blvd | Sacramento |
| 40 | Northgate Shopping Center | 119,669 | 1979 | DD's Discounts, Smart & Final, small retail | 3305-3315 Northgate Blvd | Sacramento |
| | Subtotal Community Commercial | 630,870 | | | | |

Table 3-1. Existing Retail Supply Located In and Near the Market Area (page 2)

| Map Ref. | Project Name | Gross Retail Sq. Ft. | Year Built | Description [1] | Location | City |
|--|--|----------------------|------------|---|-----------------------------|-----------------|
| MARKET AREA [2] | | | | | | |
| Regional Commercial | | | | | | |
| 41 | Riverpoint Marketplace | 813,851 | 2001 | IKEA, Walmart, Home Depot, Ross Dress for Less | 700-780 Ikea Ct | West Sacramento |
| 42 | Promenade at Sacramento Gateway | 702,760 | 2005 | Target, Burlington Stores, Best Buy, Bed, Bath & Beyond, Old Navy | 3511-3698 N Freeway Blvd | Sacramento |
| 43 | Natomas Marketplace | 499,392 | 1997 | Walmart, Home Depot, Ross, Michaels, Staples | 3501-3711 Truxel Rd | Sacramento |
| 44 | Park Place II [3] | 247,740 | 2004 | Kohl's, Marshalls, Planet Fitness, restaurants | 4700-4790 Natomas Blvd | Sacramento |
| | Subtotal Regional Commercial | 2,016,003 | | | | |
| NA | Freestanding Retail [4] | 915,144 | NA | California Family Fitness, Pep Boys, El Rancho | Various locations | |
| | TOTAL MARKET AREA RETAIL [5] | 5,068,602 | | | | |
| | UWSP RETAIL AS % OF MA RETAIL | 9.6% | | | | |
| OTHER RETAIL NEAR THE MARKET AREA [6] | | | | | | |
| Neighborhood Commercial | | | | | | |
| 45 | R Street Market | 114,872 | 2008 | Safeway, Wells Fargo, small restaurants | 1800-1900 R St | Sacramento |
| 46 | Norwood Center | 87,882 | 1990 | Family Dollar, Rite Aid, restaurants and small retail | 4201-4221 Norwood Ave | Sacramento |
| 47 | The Hardin | 72,000 | 2019 | Restaurants | 700-730 K St | Sacramento |
| 48 | Del Paso | 55,146 | 1988 | O'Reilly Auto Parts, Little Caesars | 2419-2456 Del Paso Blvd | Sacramento |
| 49 | 1025 Alhambra | 47,043 | 1980 | Safeway, local retail | 1001-1025 Alhambra Blvd | Sacramento |
| 50 | 400-480 El Camino Ave | 41,603 | 1991 | King's Supermarket, Thrift Town | 400-480 El Camino Ave | Sacramento |
| 51 | Natomas Park Retail Center | 40,726 | 2007 | CVS, Dollar Tree, daycare, small commercial | 2010-2060 Club Center Dr | Sacramento |
| 52 | The Building | 33,588 | 1928 | Fox & Goose, local retail | 1015-1021 R St | Sacramento |
| 53 | Ice Blocks | 29,555 | 2016 | West Elm, Mendocino Farms, restaurants | 1812 17th St | Sacramento |
| 54 | Crown Market Center | 26,880 | 1965 | T&Y Market, hair salon | 2815-2885 Norwood Ave | Sacramento |
| 55 | 1022 K St | 24,000 | 1920 | Restaurants | 1022 K St | Sacramento |
| 56 | 2711 Fairfield St | 22,611 | unknown | Super X Market, restaurants | 2711 Fairfield St | Sacramento |
| | Subtotal Neighborhood Commercial | 595,906 | | | | |
| Community Commercial | | | | | | |
| 57 | Southport Town Center | 252,756 | 2005 | Target, Nugget Markets, Dollar Tree, restaurants | 2000-2155 Town Center Plaza | West Sacramento |
| 58 | Westbridge Plaza | 199,593 | unknown | Lowe's, small restaurants and retail | 2250 Lake Washington Blvd | Sacramento |
| 59 | Expo 160 Center | 172,405 | 2006 | Costco, REI, Starbucks | 1790 Expo Pky | Sacramento |
| | Subtotal Community Commercial | 624,754 | | | | |
| Regional Commercial | | | | | | |
| 60 | Downtown Commons | 587,601 | 2022 | Macys, Century Theatres, Urban Outfitters, 24 Hr Fitness, restaurants | 577 L St | Sacramento |
| | TOTAL OTHER RETAIL NEAR THE MARKET AREA | 1,808,261 | | | | |

existing supply

Source: CoStar; EPS.

NOTE: This list reflects data available through a subscription-based resource, CoStar as of March 2022. All shopping center and freestanding retail space within the Market Area may not be depicted.

[1] The list of tenants is not exhaustive, it is given to provide insight into center type.

[2] The Market Area is depicted in Map 3-2. This area follows a radius ranging from about 3 to 4 miles from the center of the UWSP area.

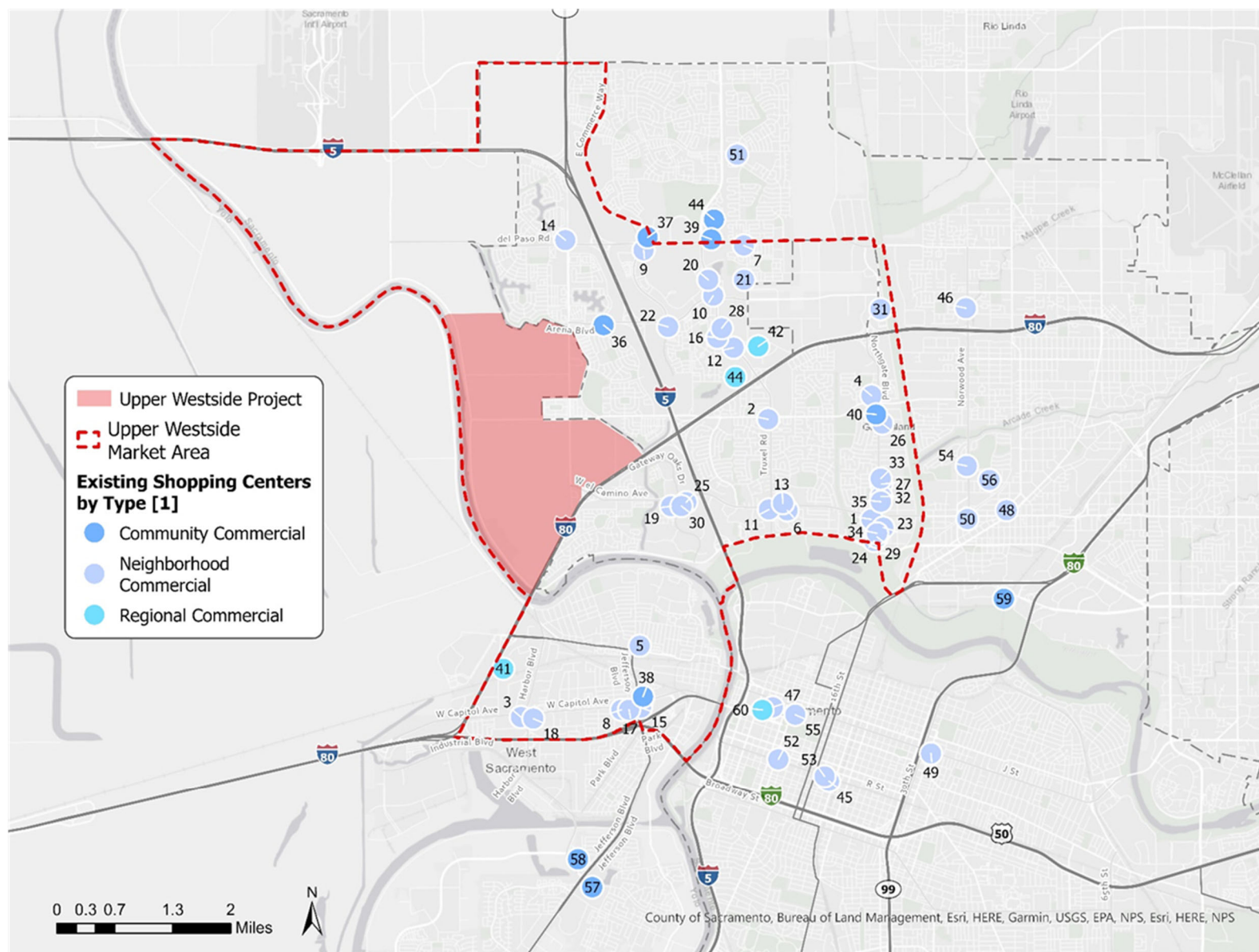
[3] Park Place I and II are not geographically in the Market Area; however they are included because they are located along the Market Area boundary. Park Place II is categorized as a Regional Shopping Center because of the tenant types.

[4] Includes freestanding retail locations including existing retail within the Project Specific Plan. Freestanding retail is not included in Map 3-2.

[5] The list of Market Area shopping centers is not exhaustive as it excludes many small retail types less than 4,500 square feet.

[6] This list of other retail near the Market Area includes retail outside of the Market Area boundaries, but within an approximate 6-mile radius from the center of the UWSP. This list excludes retail with less than 20,000-square-feet and freestanding retail.

Map 3-2. Market Area Existing Shopping Center Retail Supply



[1] See Table 3-1 for detail on each shopping center based on the corresponding number.

Retail Market Conditions

National Retail Market Conditions

The retail market has been continuously adapting to change over the past 10 to 15 years, adjusting to shifts in economic, social, and environmental conditions, first with the effects of the 2009 economic downturn, consistent advancements in online and omnichannel shopping, also known as e-commerce, and most recently the global effects of the COVID-19 Pandemic.

The economic downturn, which spread across national and global markets beginning in 2009, had a significant effect on the retail sector. At the national level, the combination of increased unemployment rates, reduced consumer credit, and an oversupply of retail space resulted in bankruptcies, store closures, and consolidations among a wide range of formerly successful retail chains, including Mervyn's, Sharper Image, and KB Toys (bankruptcy); Linens 'N Things, Circuit City, Office Depot, Home Expo, and Starbucks (closures); and CVS's acquisition of Long's Drugs (consolidation). Almost 6,700 stores announced closures in 2017, including national retailers such as JCPenney, Sears, Kmart, Gap, RadioShack, Macy's, and Staples.²¹ Thousands more closures occurred in 2018, vacating a record 145 million square feet of retail space nationwide, and the trend continued in 2019 and 2020 with the closure of an estimated 17,600 stores.^{22 23}

At the beginning of 2020, the COVID-19 Pandemic caused abrupt and severe economic impacts, including mass unemployment and major disruptions to retail and office markets with many state and local governments instilling stay-at-home orders, and companies allowing non-essential employees to work remotely from home. The switch to remote work during the Pandemic drove many households in expensive urban areas to search for housing in the more affordable suburbs of these same regions, which was a factor in the shuttering of many urban amenities, such as restaurants, theaters, and museums. With much of the population stuck at home, the Pandemic caused a surge in e-commerce sales, with a corresponding positive shift for brick-and-mortar retailers with store openings finally outpacing closures in 2021.²⁴

²¹ CNNMoney, "Bankruptcies continue to pile up in the retail industry," dated June 13, 2017, <http://money.cnn.com/2017/06/13/news/companies/retail-bankruptcies/index.html> (accessed December 2017).

²² Whiteman, Doug, "These Chains are Closing Tons More Stores in 2019." MoneyWise, February 19, 2019, <https://moneywise.com/a/retailers-closing-stores-in-2019> (accessed February 2019).

²³ Meisenzahl, Mary, "Nearly 3,000 stores are closing in 2021 as the retail apocalypse drags on. Here's the full list." Business Insider, March 17, 2021, <https://www.businessinsider.com/stores-closing-in-2021-list-2021-3#:~:text=In%202020%2C%20more%20than%208%2C300,on%20brick%20and%20mortar%20retailers.> (accessed April 2022).

²⁴ Miranda, Leticia, "2021 was a turning point for retailers, with store openings outpacing store closures." NBC News, December 29, 2021, <https://www.nbcnews.com/business/business-news/2021-was-turning-point-retailers-store-openings-outpacing-store-closures-rcna10051> (accessed April 2022).

Businesses that survived the Pandemic shifted their model with online options, delivery, and curbside pickup models.²⁵ With a switch to more online ordering, the Pandemic accelerated e-commerce growth by a few years, but also led to a deviation in spending patterns. The trend that was occurring pre-Pandemic according to retail research group, Cowen and Company, as well as the Urban Land Institute (ULI), reflected buyers purchasing less material items and spending more on experiential retail, such as restaurants, grooming services, and health and wellness services.²⁶ After the Pandemic hit and the stay-at-home orders were put into place, the opportunity for experiential retail was no longer an option and consumers converted their expenditures to improve and occupy their time at home, including spending money to fix up their homes, increasing sales in Building Materials and Garden Equipment and Supplies and Home Furnishings and Appliances Stores, as well as Food and Beverage Stores with more consumers eating at home.²⁷

According to the Bureau of Labor Services, nationwide e-commerce sales surpassed 10 percent of total retail sales in 2019 increasing to 14 percent in 2020 with an estimate of 13 percent for 2021.²⁸ "One-stop-shops" such as online retail giants, Amazon, Target, and Walmart were experiencing growth pre-Pandemic with consumers already increasingly opting for online purchases and in-store pickup options, only to see sales skyrocket during the Pandemic with Target reporting a 195 percent increase in online sales from 2019 to 2021, Walmart reported a 90 percent increase in online sales for the same period, and Amazon reported a 95 percent increase in their North American sales, also for the same period.^{29, 30, 31}

²⁵ Thomas, Lauren, "5 ways the coronavirus pandemic is reshaping the future of retail stores," CNBC, December 17, 2020, <https://www.cnbc.com/2020/12/17/coronavirus-is-reshaping-retail-stores-for-good.html> (accessed May 2022).

²⁶ Cowen and Company, "Retail's Disruption Yields Opportunities—Store Wars!" dated April 6, 2017, https://distressions.com/wp-content/uploads/2017/04/Retail_s_Disruption_Yields_Opportunities_-_Ahead_of_the_Curve_Series_Video_-_Cowen_and_Company.pdf (accessed December 2017).

²⁷ Berthene, April, "Coronavirus pandemic adds \$219 billion to US e-commerce sales in 2020-2121." Digitalcommerce360.com, March 15, 2022, <https://www.digitalcommerce360.com/article/coronavirus-impact-online-retail/> (accessed April 2022).

²⁸ Bureau of Labor Services, "Estimated Quarterly U.S. Retail Sales (Adjusted): Total and E-Commerce," <https://www.census.gov/retail/index.html> (accessed April 2022).

²⁹ Melton, James, "Target's online sales grow \$13 billion over 2 years." Digitalcommerce360.com, March 1, 2022, <https://www.digitalcommerce360.com/article/target-online-sales/> (accessed April 2022).

³⁰ Melton, James, "Walmart's online sales grow 11% in fiscal 2022." Digitalcommerce360.com, February 17, 2022, <https://www.digitalcommerce360.com/article/walmart-online-sales/> (accessed April 2022).

³¹ Davis, Don, "Amazon's North America revenue ticks up 18.4% in 2021." Digitalcommerce360.com, February 3, 2022, <https://www.digitalcommerce360.com/article/amazon-sales/> (accessed April 2022).

Despite a changing retail market landscape and the effects of a recession, the number of shopping centers in the United States grew by more than 20 percent and gross leasable area (GLA) grew by almost 30 percent from pre-recession 1995 to post-recession 2015, while the population increased by less than 14 percent.³² This is primarily a result of investor expectations and demands of shareholders outpacing the growth of the real economy.³³ Despite initial concern, the Pandemic is helping to rectify the retail market by causing retailers to consolidate their merchandise and store inventory, reducing the number of stores and associated debt from money-losing locations.³⁴ As of 2019, there was close to 25 square feet of retail space per capita in the United States (about 50 square feet per capita, if small shopping centers and independent retailers are added). In contrast, Canada has about 16 retail square feet per capita, Australia has about 11 square feet per capita, and Europe has about 2.5 retail square feet per capita.^{35 36} The retail reset may help the United States reduce the overcapacity of retail space, including obsolete buildings such as Class B and Class C space, which have the potential to be repurposed now or in the near future with nonretail uses.

The national retail market continues to experience turbulence and a high degree of uncertainty regarding tenanting and absorption forecasting. Although, it should be noted that retail has adapted and persisted since the earliest days of commerce. Artisans were disrupted by merchants, who were disrupted by open-air bazaars. The Sears Roebuck catalog of 1893 disrupted the first era of brick-and-mortar retail. Malls disrupted the town square; superstores and category-killers disrupted the local five-and-dime. And now, off-price, dollar stores, fast-fashion, and online players are shaking up the industry.³⁷ As new retail tenants, concepts, and formats continue to emerge and establish their presence, it remains to be seen how future demand for retail space will evolve.

Retail Market Conditions in Market Area

Retail Market Inventory

As of the end of 2021, the Market Area had an estimated 5.1 million square feet of retail space. **Table 3-1** details retail supply in the Market Area. See **Map 3-2** for the location of existing retail centers in the Market Area. Refer to **Appendix B** for documentation of physical conditions of existing retail centers in the Market Area.

³² Forbes, "Retail in 2015: A Reality Check," dated March 17, 2015, Forbes Web Site (accessed December 2017).

³³ Ibid.

³⁴ Kapner, Suzanne, "The Great Shopping Reset: How the Pandemic Helped Fix the Retail Industry," The Wall Street Journal, dated November 19, 2021, <https://www.wsj.com/articles/retail-industry-shopping-change-pandemic-11637331502> (accessed May 2022).

³⁵ The New York Times, "Why We Should Be Optimistic About Retail," dated April 13, 2018, New York Times Web Site (accessed February 2019).

³⁶ Forbes, "Retail in 2015: A Reality Check," dated March 17, 2015, Forbes Web Site (accessed December 2017).

³⁷ The New York Times, "Why We Should Be Optimistic About Retail," dated April 13, 2018, New York Times Web Site (accessed February 2019).

The northern portion of the Project Market Area is located in the North Natomas area of the County and contains the largest concentration of retail space. This segment of the Market Area boasts a sizable mixture of neighborhood-, community-, and regional-serving retail shopping centers with major shopping destinations such as the Promenade at Sacramento Gateway, Natomas Marketplace, Park Place II regional centers, Park Place I, Natomas Town Center, and Market West Shopping Center community centers. Most of these centers are concentrated along Del Paso Road, Truxel Boulevard, and Arena Boulevard and were built between 14 and 19 years ago, except for Natomas Marketplace, which was built in 1997, about 22 years ago. Many of the neighborhood-oriented shopping centers are located along Northgate Boulevard, W. El Camino Avenue, and tend to be older, built in the 1980s.

The southern portion of the Market Area, comprising the northern portion of the City of West Sacramento in southeast Yolo County, also contains a smaller mixture of neighborhood-, community-, and regional-serving retail shopping centers with major shopping destinations such as the Riverpoint Marketplace and West Capitol Plaza. There are several neighborhood-serving shopping centers concentrated on W. Capitol Avenue, Jefferson Boulevard, and Harbor Boulevard on the southern edge of the defined Market Area.

In addition to shopping center retail, the Market Area includes approximately 1.1 million square feet of freestanding retail buildings. The majority of this square footage comprises food and beverage tenants, gas stations, and service retail such as daycare centers and car rental businesses. Two of the larger spaces include a former Fry's Electronics, which is in the process of being converted into an industrial park, and a California Family Fitness.

Note that total estimated retail sales used to estimate Project-specific and cumulative urban decay impacts in this Study comprise all reported sales from both shopping centers and freestanding retail tenants in the Market Area (discussed further in **Chapter 4** and **Appendix A**).

Retail Market Performance Indicators

The Market Area's current estimated retail supply of about 5.1 million leasable square feet is dominated by existing inventory located in Sacramento County (70 percent), with the remaining 30 percent located in the West Sacramento portion of the Market Area. The Market Area contains about 1.4 million square feet of neighborhood-serving retail, 630,900 square feet of community-serving retail, 2.0 million square feet of regional-serving retail, and 1.1 million square feet of freestanding retail as shown in **Table 3-1** and **Map 3-2**. While the Park Place I and II shopping centers are not physically in the Market Area, they are included as part of the Market Area since they land just outside of the boundary. **Table 3-1** and **Map 3-2** also show other retail outlets outside the periphery of the defined Market Area for informational purposes only. EPS determined that the retail centers located outside the defined Market Area within downtown Sacramento, North Sacramento, and the southern portion of West Sacramento below Interstate 5 are not likely directly competitive with the Project. The neighborhood-serving retail space in these areas is located beyond the typical neighborhood/community trade area boundary of 3 to 6 miles. In addition, the community commercial and regional commercial shopping centers in these areas are dissimilar to the type of retail estimated to locate within the Project and are separated by both physical and psychological barriers that may prevent consumers from

shopping at both locations. These retail outlets are located approximately 4 to 6 miles from the Project and serve residents to the east in the Del Paso Heights, Robla, downtown Sacramento, and south City of West Sacramento areas.

Table 3-2 presents current and historical retail trends for the Market Area, the cities of Sacramento and West Sacramento, and Sacramento County. The bulk of the Market Area is located in the City of Sacramento. The Market Area comprises almost 13 percent of the City of Sacramento's retail inventory and less than 1 percent of the County's total retail supply and has increased by only about 91,400 square feet over the past 11 years, an average addition of about 8,300 square feet per year. Vacancy rates have experienced declines since 2010 in the Market Area, the City, and County with a sharp decline in the Market Area between 2012 to 2013 from 9.2 percent down to 5.5 percent, and current rates reflect very little vacancy around 3.4 percent compared to 7 percent within the City and 6.5 percent within the County. A vacancy rate of 3.4 percent reveals a tight market with very little room for movement for existing and new businesses indicating the potential for additional supply. The retail market in the Market Area is relatively healthy as evidenced by market performance indicators noted above, corroborated by information obtained from real estate broker reports, and examples of re-tenanting as shown below in **Table 3-3**.³⁸

In the County, more than 4.8 million square feet of new retail has come to market over the past 11 years, and the City contributed to almost a quarter of the new supply. The County has shown strong positive net absorption since 2010 in conjunction with the market rebounding from the Great Recession with a total of almost 7.5 million square feet; the Market Area has had positive net absorption over the past 3 years and a total positive net absorption of more than 337,000 square feet since 2010 with only 3 years of negative net absorption, all under 65,000 square feet. Average annual lease rates for the Market Area have fluctuated from a low of \$17.00 per square foot up to \$21.88 per square foot (over the past 11 years) and fell to around \$19.89 per square foot for 2021. Lease rates for the City and County have fluctuated as well and fall a little more than \$2.00 less per square foot than in the Market Area, achieving rates around \$17.90 and \$17.40 in 2021.³⁹

Overall the Market Area also appears to maintain a healthy, but tight retail market with only 2 available spaces comprising more than 20,000 square feet, including a former 34,860-square-foot Safeway in West Capitol Plaza (vacant since 2018) and a 28,700-square-foot former Big Lots (vacant since 2014) in the Northgate Shopping Center.⁴⁰ The re-tenanting outlook for these vacant spaces looks favorable as the Market Area has demonstrated positive net absorption over the past 3 years, as area retail continues to evolve with the changing market.⁴¹

³⁸ CoStar Retail Submarket Report, Natomas and West Sacramento reports pulled April 2022; and CBRE Marketview, Sacramento Retail, Q4 2021.

³⁹ Data obtained from CoStar, accessed in February 2022.

⁴⁰ Ibid.

⁴¹ Ibid.

Table 3-2. Commercial Real Estate Trends: Retail

| Item [1] | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Difference (2010-2021) | Average Annual % Change (2010-2021) |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------------------|--|
| Inventory (Sq. Ft.) | | | | | | | | | | | | | | |
| Market Area | 4,887,676 | 4,887,676 | 4,909,684 | 4,927,239 | 4,927,239 | 4,927,239 | 4,927,239 | 4,942,258 | 4,971,554 | 4,971,554 | 4,975,149 | 4,979,067 | 91,391 | 0.2% |
| City of Sacramento | 38,144,189 | 38,198,831 | 38,250,155 | 38,194,244 | 38,106,922 | 37,465,962 | 37,656,838 | 38,390,512 | 38,950,538 | 39,011,561 | 39,119,938 | 39,264,581 | 1,120,392 | 0.3% |
| Market Area as % of City | 12.8% | 12.8% | 12.8% | 12.9% | 12.9% | 13.2% | 13.1% | 12.9% | 12.8% | 12.7% | 12.7% | 12.7% | 8.2% | -- |
| Sacramento County | 66,385,198 | 66,817,334 | 67,143,783 | 67,516,556 | 67,935,835 | 68,304,013 | 68,668,562 | 69,736,004 | 70,506,595 | 70,675,645 | 70,904,099 | 71,195,824 | 4,810,626 | 0.6% |
| City of West Sacramento | 2,403,754 | 2,399,653 | 2,420,817 | 2,438,372 | 2,391,872 | 2,391,872 | 2,391,872 | 2,391,872 | 2,391,872 | 2,391,872 | 2,391,872 | 2,391,872 | (11,882) | 0.0% |
| Inventory (Buildings) | | | | | | | | | | | | | | |
| Market Area | 339 | 339 | 343 | 344 | 344 | 344 | 344 | 345 | 346 | 346 | 347 | 349 | 10 | 0.3% |
| City of Sacramento | 3,598 | 3,602 | 3,592 | 3,577 | 3,585 | 3,569 | 3,576 | 3,600 | 3,624 | 3,623 | 3,628 | 3,633 | 35 | 0.1% |
| Market Area as % of City | 9.4% | 9.4% | 9.5% | 9.6% | 9.6% | 9.6% | 9.6% | 9.6% | 9.5% | 9.6% | 9.6% | 9.6% | -- | -- |
| Sacramento County | 5,685 | 5,711 | 5,729 | 5,743 | 5,773 | 5,786 | 5,815 | 5,862 | 5,902 | 5,921 | 5,938 | 5,956 | 271 | 0.4% |
| City of West Sacramento | 185 | 181 | 184 | 185 | 184 | 184 | 184 | 184 | 184 | 184 | 184 | 184 | (1) | 0.0% |
| Vacancy Rate (Percent) | | | | | | | | | | | | | | |
| Market Area | 9.8% | 9.2% | 9.2% | 5.5% | 4.6% | 5.2% | 4.6% | 4.2% | 5.0% | 4.4% | 3.5% | 3.4% | (6.4%) | (9.2%) |
| City of Sacramento | 10.3% | 10.2% | 10.3% | 10.5% | 10.0% | 8.7% | 9.0% | 7.5% | 6.4% | 6.6% | 7.3% | 7.0% | (3.3%) | (3.5%) |
| Sacramento County | 10.8% | 10.5% | 10.8% | 10.3% | 9.1% | 8.3% | 8.5% | 7.2% | 6.7% | 6.6% | 6.8% | 6.5% | (4.3%) | (4.5%) |
| City of West Sacramento | 6.8% | 6.2% | 5.4% | 4.7% | 4.1% | 3.8% | 3.7% | 3.1% | 4.9% | 4.3% | 4.4% | 4.4% | (2.4%) | (3.9%) |
| Vacant Space (Sq. Ft.) | | | | | | | | | | | | | | |
| Market Area | 481,142 | 449,917 | 450,668 | 269,342 | 226,438 | 254,132 | 225,271 | 207,328 | 249,215 | 218,053 | 175,137 | 171,042 | (310,100) | (9.0%) |
| City of Sacramento | 3,939,861 | 3,900,335 | 3,955,526 | 4,020,179 | 3,821,549 | 3,272,363 | 3,375,778 | 2,895,013 | 2,498,006 | 2,559,537 | 2,858,881 | 2,734,282 | (1,205,579) | (3.3%) |
| Market Area as % of City | 12.2% | 11.5% | 11.4% | 6.7% | 5.9% | 7.8% | 6.7% | 7.2% | 10.0% | 8.5% | 6.1% | 6.3% | -- | -- |
| Sacramento County | 7,161,889 | 7,020,771 | 7,267,694 | 6,946,230 | 6,154,583 | 5,664,471 | 5,856,347 | 5,014,823 | 4,691,967 | 4,644,045 | 4,808,629 | 4,623,099 | (2,538,790) | (3.9%) |
| City of West Sacramento | 162,856 | 149,912 | 131,355 | 114,273 | 98,459 | 90,068 | 88,403 | 73,743 | 117,365 | 103,903 | 92,589 | 104,629 | (58,227) | (3.9%) |
| Net Absorption [2] | | | | | | | | | | | | | | |
| Market Area | (64,304) | 31,225 | 21,257 | 198,881 | 42,904 | (27,694) | 28,861 | 32,962 | (12,591) | 31,162 | 46,511 | 8,013 | -- | -- |
| City of Sacramento | (107,169) | 94,168 | (8,867) | (115,564) | 112,959 | (91,774) | 87,461 | 1,214,439 | 957,033 | (508) | (190,967) | 269,242 | -- | -- |
| Sacramento County | 116,862 | 573,254 | 79,525 | 694,237 | 1,212,577 | 858,290 | 172,673 | 1,897,966 | 1,093,447 | 216,972 | 63,870 | 477,255 | -- | -- |
| City of West Sacramento | 47,435 | 8,843 | 39,721 | 34,637 | (30,686) | 8,391 | 1,665 | 14,660 | (43,622) | 13,462 | 11,314 | (12,040) | -- | -- |
| Lease Rate NNN/Sq. Ft./Year | | | | | | | | | | | | | | |
| Market Area | \$21.88 | \$21.02 | \$20.23 | \$19.48 | \$19.49 | \$20.41 | \$19.66 | \$18.81 | \$17.00 | \$19.49 | \$20.13 | \$19.89 | (\$1.99) | (0.9%) |
| City of Sacramento | \$17.67 | \$16.00 | \$15.77 | \$15.31 | \$16.06 | \$15.71 | \$17.49 | \$15.37 | \$15.45 | \$16.30 | \$17.26 | \$17.90 | \$0.23 | 0.1% |
| Sacramento County | \$17.33 | \$15.72 | \$15.42 | \$15.23 | \$15.84 | \$15.76 | \$16.51 | \$15.53 | \$16.18 | \$16.49 | \$17.39 | \$17.38 | \$0.05 | 0.0% |
| City of West Sacramento | \$20.57 | \$20.53 | \$16.42 | \$17.53 | \$17.30 | \$14.02 | \$14.92 | \$14.13 | \$15.09 | \$11.88 | \$12.41 | \$12.57 | (\$8.00) | (4.4%) |

retail trends

Source: CoStar data retrieved February 2022; EPS.

[1] Unless otherwise noted, data reflects Q4 of each year.

[2] Net absorption is for the entire calendar year.

Table 3-3. Market Area (4-Mile Radius) Retail Lease Transactions

| Item | Number of Transactions [1] | Total Square Feet | Average Size | Largest Transactions | |
|--------------------------|----------------------------|-------------------|--------------|----------------------|----------------|
| | | | | Sq. Ft. | Tenant |
| Market Area Jurisdiction | | | | | |
| Sacramento | 52 | 202,135 | 3,887 | 25,000 | Planet Fitness |
| West Sacramento | 19 | 94,955 | 4,998 | 27,384 | Ross |
| Total | 71 | 297,090 | 4,184 | - | - |
| Annual Average | 22 | 92,841 | - | - | - |

retail lease

Source: CoStar; EPS.

[1] Data reflect lease transactions that occurred between 01/01/2019 and 03/08/2022 for a 4-mile radius that generally follows the Market Area boundary around the Project site.

A survey of retail lease transactions within a 4-mile radius from the Project found about 70 lease transactions from the beginning of 2019 through March 2022. The 70 lease transactions reflect an equivalent to about 22 transactions per year, with a cumulative total of more than 297,000 square feet, or about 92,840 square feet per year.⁴² The majority of the transactions occurred in the Natomas area; however, the largest transactions were a 27,400-square-foot Ross occupying a space in the City of West Sacramento and a 25,000-square-foot Planet Fitness in Natomas. The average-size transaction was approximately 4,200 square feet. See **Table 3-3**.

The consistent low vacancy rates, positive net absorption, and steady lease rates in the Market Area indicate a healthy retail market with the ability to sustain new retail growth commensurate with new household growth and additional sources of demand, such as new employees.

Socioeconomic Conditions in the Market Area

The following section provides background information on the estimated existing (as of 2022) and projected demographic conditions for the subareas based on TAZ in the Market Area. The demographic projections discussed below encompass future development in the Market Area, excluding the proposed Project.

Demographic Trends and Projections

Population and household characteristics play a vital role in determining the type and amount of retail demand in a particular area. Assuming average household incomes remain constant or improve over time, a growing population base generally will result in increased retail demand, providing additional market support for existing and new establishments.

Historical population, household, and employment trends are shown in **Appendix A Table A-2** with estimated existing conditions and projections shown in **Table 3-4** using estimates and projections from SACOG.⁴³ As previously discussed, the Market Area is made up of 4 Market Subareas: North Natomas, NW Vision Area, South Natomas, and West Sacramento. Projected development in each of these Market Subareas is described below. Additional information regarding projected retail development in the Market Area (outside of the Project) will be discussed in detail in **Chapter 5**.

⁴² This period includes the onset of the Pandemic.

⁴³ SACOG "ZIP Code Tabulation Areas (ZCTA) and Traffic Analysis Zone (TAZ) level Summary 2016 Estimate and 2040 Projections." SACOG provides population, household, and employment data for years 2016 and 2040; SACOG data are not available beyond 2040. However, buildout of the Project is anticipated to be completed in 2052. Thus, EPS used the average annual growth rate between 2016 and 2040 to interpolate the base year of 2022. EPS estimated growth through Project buildout (2052), using the average annual growth rate from 2016 to 2040 from SACOG's projections, with adjustments, as necessary, based on the land use programs of approved and planned development projects in the Market Area.

**Table 3-4. Population, Household, and Employment Estimates and Projections—
Defined Market Area**

| Item | Estimated Existing Conditions [1] | Estimated Demographic Projections [1] | | Incremental New Housing Units, Households, Population, and Jobs | |
|-------------------------------------|---|--|----------------|---|-----------------------------|
| | 2022 | 2042 | 2052 | Phase 1 2022-2042 | Total Buildout 2022-2052 |
| Households [2] | | | | | |
| North Natomas [3] | 10,353 | 22,198 | 23,138 | 11,844 | 12,785 |
| South Natomas | 17,226 | 19,418 | 19,644 | 2,191 | 2,417 |
| West Sacramento | 10,090 | 16,929 | 17,586 | 6,839 | 7,496 |
| Total Market Area Households | 37,670 | 58,545 | 60,368 | 20,875 | 22,698 |
| <i>UWSP as % of MA HH</i> | - | 13.1% | 12.8% | 29.7% | 28.0% |
| Population | | | | | |
| North Natomas | 27,367 | 54,824 | 57,134 | 27,456 | 29,767 |
| South Natomas | 47,017 | 53,040 | 53,441 | 6,023 | 6,424 |
| West Sacramento | 25,631 | 39,145 | 40,577 | 13,514 | 14,946 |
| Total Market Area Population | 100,016 | 147,009 | 151,152 | 46,993 | 51,136 |
| <i>Persons per Household</i> | 2.66 | 2.51 | 2.50 | 2.25 | 2.25 |
| <i>UWSP as % of MA Pop.</i> | - | 14.1% | 13.8% | 34.0% | 32.1% |
| Jobs | | | | | |
| North Natomas | 25,210 | 38,527 | 39,614 | 13,317 | 14,405 |
| South Natomas | 17,239 | 19,380 | 19,935 | 2,140 | 2,695 |
| West Sacramento | 12,844 | 18,713 | 19,319 | 5,869 | 6,475 |
| Total Market Area Jobs | 55,293 | 76,619 | 78,868 | 21,327 | 23,575 |
| <i>UWSP as % of MA HH</i> | - | 7.2% | 10.2% | 21.7% | 27.4% |

Source: Sacramento Area Council of Governments (SACOG) MTP/SCS, "ZIP Code Tabulation Areas (ZCTA) and Traffic Analysis Zone (TAZ) level Summary 2016 Estimate and 2040 Projections"; State of California Department of Finance (DOF), Table E-5 2021; EPS.

[1] Based on SACOG projections at the Traffic Analysis Zone (TAZ)-level geography between 2022-2040 and extrapolated growth between 2040-2052, estimated by EPS. See Table A-2 for more details.

[2] Households are determined by applying an estimated vacancy rate to the housing units based on the 2021 rate for Sacramento County per DOF (5.4%). See Table A-2 for housing unit totals.

[3] The NW Vision Area estimates and projections are minimal and thus have been combined into the totals for North Natomas, see Table A-2 for details.

Demographic Methodology and Projections

As shown in **Table 3-4**, the Market Area as a whole currently contains about 100,000 residents, almost 37,700 households, and 55,300 jobs (as of 2022). SACOG provides residential and employment projection data through 2040. EPS used SACOG's TAZ-level growth rates between 2016 and 2040 to extrapolate projections through 2042. To remain conservative while extrapolating growth between 2040 and 2042, EPS adjusted development totals to align with the projected and historical average for the TAZs projected by SACOG to have significant amount of growth. In addition, EPS applied a conservative 0.5 percent average annual growth rate to

project growth in population, household, and employment between 2042 and 2052, excluding TAZs that are mostly built out.⁴⁴

With these adjustments, the Market Area is estimated to add more than 51,100 new residents, 22,700 new households, and 23,600 new jobs by 2052. This level of growth is estimated to increase the Market Area population by almost 51 percent, households by about 60 percent, and jobs by about 43 percent. The majority of the projected residential and employment growth is in the North Natomas area and occurs over a 30-year span between 2022 and 2052. See below for more detailed information on major growth areas within the Market Area. These growth projections do not account for any growth from the Project. Projected household and employment growth in the Project is estimated separately (refer to **Chapter 2** for Project population and household estimates).

North Natomas

The North Natomas portion located north of Interstate 80 in the Market Area contains about 27 percent of the estimated 2022 households. This portion of the Market Area includes future growth areas in the City, including the Northlake Specific Plan, NorthPointe Specific Plan (formerly Greenbriar), and the Innovation Park and CNU project. There are also many projects adjacent including the Panhandle Planned Unit Development (PUD), Metro Air Park Specific Plan, Grandpark Specific Plan, and continued buildout of the North Natomas CPA, which includes North Natomas Town Square and Town Center East. All development outlined below is assumed to be absorbed in the Market Area through the period of this analysis (2052).

Northlake is a master-planned community with an estimated 2,275 single-family residential units, 500 multifamily units, a 295,119-square-foot regional commercial center, a 16,335-square-foot neighborhood commercial center, community center, light rail station, and an elementary school.⁴⁵ Because portions of the Northlake project are under construction this project is estimated to be fully absorbed by 2052.

The Innovation Park & California Northstate University (CNU) Medical Center Campus comprises a hospital campus with a 14-story, 730,000-square-foot teaching hospital, 2,017 residential units, and 1.2 million square feet of gross commercial space. EPS assumes full absorption of the project by 2052.

NorthPointe south of the Sacramento International Airport is proposed to annex into the City of Sacramento and will comprise up to 6.6 million square feet of industrial and 250,470 square feet of commercial space. EPS assumes 50 percent absorption of the project's commercial space by 2052.

⁴⁴ EPS assumes the TAZ with less than 1.0 percent of growth projected between 2016 and 2040 are mostly built out and therefore projected no additional growth in order to remain conservative.

⁴⁵ Per the Greenbriar Development Project Environmental Checklist dated January 6, 2017. Project is now known as Northlake.

South Natomas

The South Natomas portion in the Market Area includes the largest share of the current 2022 Market Area population, containing almost half of the 2022 households. This area is already mostly built out and contains only about 10 percent of projected household growth in the Market Area.

NW Vision Area

The NW Vision Area portion of the Market Area falls in the northwest corner of the Market Area boundary below the airport. There is very little existing development and no proposed future growth projects within this area. As shown in **Appendix A Table A-2**, SACOG projects that housing units will remain static between 2016 to 2040 and that there will be a decrease in population. Because of the minimal amount of Market Area housing units, population, and jobs within this area, the demographics have been combined with the North Natomas figures in **Table 3-4**.

West Sacramento

The West Sacramento portion of the Market Area comprises 27 percent of current 2022 Market Area households. The waterfront of this Market Area portion has been experiencing growth and contains two major projects. All development outlined below is assumed to be absorbed in the Market Area through the period of this analysis (2052).

Raley's Landing is a partially built project that at buildout is anticipated to include approximately 900 multifamily residential units, 845,000 gross square feet of office space, 102,000 square feet of commercial/retail uses, and possibly 100–300 hotel rooms with a 7,000- to 15,000-square-foot conference center; it would provide between 4,351 and 4,651 on-site parking spaces, including surface and multilevel parking spaces.

The 681 West Capitol project is located in the Bridge District of West Sacramento and as proposed comprises a 6-story, 27,000-square-foot building with office and retail.

4. MARKET ANALYSIS

This chapter reviews retail sales trends in the Market Area, including an examination of retail supply and demand conditions, to estimate supportable retail in the Market Area. The Study estimates that the Project has the ability to capture demand from the following demographic elements:

- Projected Market Area household growth (excluding Project households).
- Estimated Project-generated demand, including demand from households and employees.

The Market Area is projected to capture a certain percentage of each of the above elements of demand. This Study applies a uniform assumption of 80 percent of spending captured in the defined Market Area to each element of demand. This capture rate is based on the existing relationship between household spending and retail sales (i.e., current household spending on retail goods and services is about 80 percent of total retail sales in the Market Area). This relation serves as a proxy for a reasonable capture of future spending for each element of demand.

Of the captured Market Area demand, Upper Westside is estimated to capture a certain percentage of retail spending. Upper Westside capture-rate assumptions are intended to be conservative but reasonable and are based on the type of retail that may locate in the Project, as well as the relative proportion of Project retail to total Market Area retail space. The capture rates also take into account the retail options located directly adjacent to the Market Area, as well as the greater Sacramento Region. The actual capture rate will be based on numerous factors including the specific tenant mix, local and broader economic conditions, and continued trends in the retail sector.

Projected Incremental New Retail Demand

The Project is estimated to capture newly created demand from residential growth in the Market Area.⁴⁶ Two components of residential growth in the Market Area are estimated separately: Project households and households outside of the Project. In addition, the Project will generate new retail demand from Project employees. These components of net new demand are described in further detail below.

⁴⁶ To remain conservative, this Study does not estimate demand from the growth of Market Area employees (outside of the Project) with the assumption that demand for retail space already may be accounted for in household demand projections.

Project-Generated Demand

Demand from Occupied Households

An estimated 8,830 new occupied Project households will generate demand for retail development in the Project itself, as well as in and outside the Market Area. In this analysis, occupied housing units are assumed to be a proxy for households. To estimate retail spending from new Project households, EPS estimated average household income by unit type based on the estimated assessed value of the unit. See **Table 4-1**. EPS applied an estimated percentage of income spent on retail based on income levels to each of the different household/income types and then multiplied that by the estimated occupied households. This resulted in total estimated annual spending by occupied Project households of \$204.4 million.

Table 4-2 estimates how much Project household spending will be captured in the Market Area and by the Project itself. This Study is based on estimates that 80 percent of Project household expenditures will occur inside the Market Area (\$163.5 million). Of the \$163.5 million spent in the Market Area, a portion of Project household spending is estimated to be captured by retail outlets in Upper Westside, which is estimated by applying capture rates based on each retail category to estimate how much will be spent at retail establishments located in Upper Westside. EPS estimates that Project households will spend \$104.6 million within retail outlets in the Project, representing 64 percent of spending in the Market Area and 51 percent of total Project household spending on all retail goods and services (e.g. spending at any retail outlet in or outside of the Market Area including e-commerce outlets). See **Table 4-2**.

Demand from Project Employees

The Project is estimated to generate demand from new Project employees who work in the proposed nonresidential uses. Upper Westside is anticipated to generate jobs for approximately 6,802 office employees and 2,110 employees at the other nonresidential uses at buildout. To avoid overcounting employees who also may reside in the Project, this Study assumes nonresident employees comprise 85 percent of the Upper Westside employee population.⁴⁷ See **Table 4-3**. Based on a 48-week per year work schedule and average weekly spending of \$153 per office employee, derived from data on office-worker retail spending from the International Council of Shopping Centers (ICSC), Project office employees will generate an estimated \$34.0 million in demand for retail space at buildout. Total estimated spending by Project employees is then broken down by retail category, also based on office-worker spending data from the ICSC.⁴⁸

⁴⁷ This assumption is based on Census-based research through OnTheMap, a web-based mapping and reporting application that shows where workers are employed and where they live. EPS examined the percentage of employees that live in the North Natomas and northern portion of West Sacramento areas. This area offers a reasonable proxy for the Project based on similarities in land uses and based on its location relative to the Project and other employment centers in the Sacramento Region. OnTheMap data revealed that about 13 percent of workers both lived and worked in the above areas in 2019, the most recent data available. As a conservative approach, this study rounds up the potential for Project employees who also reside in the Project.

⁴⁸ Refer to **Appendix A, Table A-3** for worker spending calculations.

Table 4-1. Total Retail Demand Generated from Occupied Project Households (2022\$)

| Item | PROJECT RESIDENT RETAIL DEMAND | | | | | | | Total Estimated Annual Spending by Occupied Project HH [1] |
|---|-------------------------------------|-------------------------------|---|----------------------------------|--------------------------------|--------------------------------------|----------------------------|--|
| | Per Household Spending | | | | | | | |
| | Single-Family Units | | | | Multifamily Units | | | |
| | Very Low Density Residential (VLDR) | Low Density Residential (LDR) | Low / Medium Density Residential (LMDR) | Medium Density Residential (MDR) | High Density Residential (HDR) | Very High Density Residential (VHDR) | Commercial Mixed Use (CMU) | |
| Estimated Assessed Valuation (rounded) [2] | \$850,000 | \$740,000 | \$660,000 | \$570,000 | \$435,000 | \$400,000 | \$400,000 | - |
| Estimated Average Annual Household Income [3] | \$191,000 | \$172,000 | \$145,000 | \$131,000 | \$87,000 | \$80,000 | \$80,000 | - |
| Estimated Percent of Income Spent on Retail [4] | 15% | 15% | 20% | 20% | 24% | 24% | 24% | - |
| Total Occupied Households [5] | 191 | 2,295 | 1,031 | 727 | 838 | 728 | 3,017 | 8,826 |
| Retail and Food Services [6] | | | | | | | | |
| Motor Vehicle and Parts Dealers | \$1,259 | \$1,134 | \$1,272 | \$1,149 | \$909 | \$909 | \$836 | \$8,934,611 |
| Home Furnishings and Appliance Stores | \$2,364 | \$2,129 | \$2,388 | \$2,158 | \$1,707 | \$1,707 | \$1,570 | \$16,777,869 |
| Bldg. Matrl. and Garden Equip. and Supplies | \$1,556 | \$1,401 | \$1,572 | \$1,420 | \$1,124 | \$1,124 | \$1,033 | \$11,043,899 |
| Food and Beverage Stores | \$7,142 | \$6,432 | \$7,216 | \$6,519 | \$5,158 | \$5,158 | \$4,743 | \$50,688,296 |
| Gasoline Stations | \$2,329 | \$2,098 | \$2,353 | \$2,126 | \$1,682 | \$1,682 | \$1,547 | \$16,532,017 |
| Clothing and Clothing Accessories Stores | \$2,502 | \$2,254 | \$2,528 | \$2,284 | \$1,807 | \$1,807 | \$1,662 | \$17,760,318 |
| General Merchandise Stores | \$4,531 | \$4,080 | \$4,578 | \$4,136 | \$3,273 | \$3,273 | \$3,009 | \$32,157,073 |
| Food Services and Drinking Places | \$4,238 | \$3,817 | \$4,282 | \$3,869 | \$3,061 | \$3,061 | \$2,815 | \$30,080,258 |
| Other Retail | \$2,873 | \$2,587 | \$2,903 | \$2,622 | \$2,075 | \$2,075 | \$1,908 | \$20,390,894 |
| Total Project Household Spending [6] | \$28,795 | \$25,931 | \$29,091 | \$26,283 | \$20,798 | \$19,125 | \$19,125 | \$204,365,235 |

demand from project hh

Source: The Gregory Group; EPS.

[1] Totals equal the sum of spending per household for each housing type and retail category.

[2] Average assessed values are based on research obtained from the Gregory Group and Costar as of February 2022.

[3] Market Rate household income assumptions:

Assumes that annual mortgage payments, plus property taxes and insurance are 30% of income. Mortgage payments assume a 20% down payment, 30-year term, 4% fixed interest. Taxes and insurance are assumed to equal 2% of home value. Includes a \$150/month estimate for HOA dues. Estimated household income for the market rate high density units is based on a third of income being spent on rent.

[4] Estimated percentage of income spent on retail based on data from the Bureau of Labor Statistics for the U.S, see Table A-4. Excludes spending on e-commerce retail goods and services.

[5] See Table 2-2 for occupied Project households.

[6] The estimated percentage of income spent per retail category is based on average retail spending by category for the State of California, see Table A-5.

Table 4-2. Project Household-Generated Demand for Market Area and UWSP Retail (2022\$)

| Item | Project Household Total Estimated Spending [1] | Estimated Project HH Spending Captured in the Market Area [2] | UWSP as % of Market Area | | |
|---|--|---|--------------------------|---------------------------|------------------------|
| | | | Capture Rate [3] | Total Captured in UWSP | % of Total Spending |
| <i>Formula</i> | <i>a</i> | <i>b = a * 80%</i> | <i>c</i> | <i>d = b * c</i> | <i>e = d / a</i> |
| | | <u>Capture Rate</u> 80% | | | |
| Retail and Food Services | | | | | |
| Motor Vehicle and Parts Dealers | \$8,934,611 | \$7,147,689 | 50% | \$3,573,844 | 40% |
| Home Furnishings and Appliance Stores | \$16,777,869 | \$13,422,295 | 25% | \$3,355,574 | 20% |
| Bldg. Matrl. and Garden Equip. and Supplies | \$11,043,899 | \$8,835,119 | 25% | \$2,208,780 | 20% |
| Food and Beverage Stores | \$50,688,296 | \$40,550,637 | 90% | \$36,495,573 | 72% |
| Gasoline Stations | \$16,532,017 | \$13,225,614 | 90% | \$11,903,052 | 72% |
| Clothing and Clothing Accessories Stores | \$17,760,318 | \$14,208,254 | 25% | \$3,552,064 | 20% |
| General Merchandise Stores | \$32,157,073 | \$25,725,659 | 75% | \$19,294,244 | 60% |
| Food Services and Drinking Places | \$30,080,258 | \$24,064,207 | 50% | \$12,032,103 | 40% |
| Other Retail | \$20,390,894 | \$16,312,715 | 75% | \$12,234,536 | 60% |
| Total Resident Demand for Project Retail | \$204,365,235 | \$163,492,188 | 64% | \$104,649,770 | 51% |

Source: EPS.

[1] See Table 4-1. All Project households are estimated to develop in Phase 1.

[2] This analysis assumes 80% of Market Area household spending will be captured by retail within the Market Area. Conversely 20% will be captured by retail outside of the Market Area.

[3] Capture rate assumptions reflect the portion of retail spending leakage the Market Area and Upper Westside retail may be able to capture and are based on the type of retail that may locate in the Market Area and Project as well as the relative proportion of Project retail to total Market Area retail space.

Table 4-3. Project New Office Employee-Generated Demand for Market Area and UWSP Retail (2022\$)

| Item | TOTAL PROJECT NEW OFFICE EMPLOYEE DEMAND | | | | | | | | | |
|--|--|---|--------------------------|---------------------|------------------------|--------------------------|---|--------------------------|---------------------|------------------------|
| | Phase 1: 20-Year Buildout | | | | | Total Buildout | | | | |
| | Assumption | Total Spending Captured in the MA | UWSP as % of Market Area | | | Assumption | Total Spending Captured in the MA | UWSP as % of Market Area | | |
| | | | Capture Rate | Total in UWSP | % of Total Spending | | | Capture Rate | Total in UWSP | % of Total Spending |
| Estimated New Office Employee Spending | | | | | | | | | | |
| Estimated Project Office Employees [1] | 4,515 | | | | | 6,802 | | | | |
| Average Weekly Spending per New Employee [2] | \$153 | | | | | \$153 | | | | |
| Work Weeks per Year | 48 | | | | | 48 | | | | |
| Average Annual Spending per Employee [3] | \$7,337 | | | | | \$7,337 | | | | |
| Percentage of Nonresident Employees [4] | 85% | | | | | 85.0% | | | | |
| Total New Employee Spending | \$28,161,341 | | | | | \$42,423,191 | | | | |
| Market Area Capture [5] | | | | | | | | | | |
| Percentage | 80% | | | | | 80.0% | | | | |
| Total New Employee Spending Captured in the Market Area | \$22,529,073 | a | | | | \$33,938,553 | g | | | |
| <i>Formula</i> | <i>b</i> | <i>c = a * b</i> | <i>d</i> | <i>e = c * d</i> | <i>f = e / a</i> | <i>h</i> | <i>i = g * h</i> | <i>j</i> | <i>k = i * j</i> | <i>l = k / g</i> |
| Estimated New Employee Market Area Sales | <u>% of spending [4]</u> | | | | | <u>% of spending [4]</u> | | | | |
| Motor Vehicle and Parts Dealers | 2.2% | \$501,252 | 90.0% | \$451,127 | 1.6% | 2.2% | \$755,103 | 90.0% | \$679,593 | 1.6% |
| Home Furnishings and Appliance Stores | 5.3% | \$1,188,262 | 90.0% | \$1,069,436 | 3.8% | 5.3% | \$1,790,038 | 90.0% | \$1,611,034 | 3.8% |
| Bldg. Matrl. and Garden Equip. and Supplies | 0.0% | \$0 | 90.0% | \$0 | 0.0% | 0.0% | \$0 | 90.0% | \$0 | 0.0% |
| Food and Beverage Stores | 12.7% | \$2,871,522 | 90.0% | \$2,584,370 | 9.2% | 12.7% | \$4,325,757 | 90.0% | \$3,893,182 | 9.2% |
| Gasoline Stations | 20.0% | \$4,511,270 | 90.0% | \$4,060,143 | 14.4% | 20.0% | \$6,795,929 | 90.0% | \$6,116,336 | 14.4% |
| Clothing and Clothing Accessories Stores | 4.6% | \$1,041,891 | 90.0% | \$937,702 | 3.3% | 4.6% | \$1,569,540 | 90.0% | \$1,412,586 | 3.3% |
| General Merchandise Stores | 19.3% | \$4,348,533 | 90.0% | \$3,913,680 | 13.9% | 19.3% | \$6,550,776 | 90.0% | \$5,895,698 | 13.9% |
| Food Services and Drinking Places | 17.0% | \$3,840,228 | 90.0% | \$3,456,205 | 12.3% | 17.0% | \$5,785,049 | 90.0% | \$5,206,544 | 12.3% |
| Other Retail | 18.8% | \$4,226,114 | 90.0% | \$3,803,503 | 13.5% | 18.8% | \$6,366,360 | 90.0% | \$5,729,724 | 13.5% |
| Total New Employee Market Area Demand | 100.0% | \$22,529,073 | 90.0% | \$20,276,166 | 72.0% | 100.0% | \$33,938,553 | 90.0% | \$30,544,697 | 72.0% |

Source: U.S. Census OnTheMap 2019; EPS.

[2] Estimates are for Office workers only. See Table 2-2.

[2] See Table A-3 for estimated office worker spending.

[3] Average annual spending per employee is calculated by multiplying the average weekly spending per new employee by the number of work weeks per year.

[4] This analysis assumes nonresident employees comprise 85% of the Upper Westside employee population based on Census-based research through OnTheMap for North Natomas and the northern portion of West Sacramento, which had less than 15% of all workers both living and working in the area in 2019.

[5] This analysis assumes 80% of Market Area household spending will be captured by retail within the Market Area, conversely 20% will be captured by retail outside of the Market Area.

Given the size of the Market Area, the location of competitive retail, and the amount of planned retail in the Project, it is estimated that Project employees likely will stay close to their place of employment for their weekly spending. EPS estimates the Market Area will capture 80 percent of Upper Westside office employee demand, and Upper Westside retail will capture a portion of this office employee spending in the Market Area. After applying the capture rates by category, the Project is estimated to capture \$30.5 million of Project-generated new office employee spending, equating to about 90 percent of spending captured in the Market Area and 72 percent of total office employee spending as shown in **Table 4-3**.⁴⁹

Spending by employees at the other nonresidential land uses in the Project including retail, hotel, and institutional is estimated by benchmarking these employees' salaries to office employee salaries.⁵⁰ Other nonresidential land use Project employees will generate an estimated \$5.2 million in demand for retail space at buildout. See **Table 4-4**. Total estimated spending by Project other nonresidential employees is then broken down by retail category, also based on office-worker spending data from the ICSC.⁵¹

Similar to Project office employees, it is estimated that other nonresidential Project employees will likely stay close to their place of employment for their weekly spending. EPS estimates the Market Area will capture 80 percent of Upper Westside other nonresidential employee demand, and Upper Westside retail will capture a portion of this employee spending in the Market Area. After applying the capture rates by category, the Project is estimated to capture \$3.8 million of Project-generated new other nonresidential employee spending, equating to about 90 percent of spending captured in the Market Area and 72 percent of total employee spending as shown in **Table 4-4**.⁵²

As mentioned previously in the Study, EPS's employment density assumptions are based on average industry standards and differ from the employment density assumptions provided in the traffic analysis. The square feet per employee in the traffic analysis are generally lower than EPS's assumptions and therefore provide a higher estimate of 11,857 total employees compared to EPS's estimate of 8,912 employees generated by the Project. EPS's employment density assumptions provide a more conservative analysis as the traffic study's higher employment count increases estimated demand from new Project employees. Applying the traffic study assumptions reflects that an estimated \$43.6 million in spending from new Project office and other nonresidential employees will be captured by the Project at buildout compared to the \$34.3 million estimated by EPS.

⁴⁹ EPS estimates that 90 percent of weekly spending by net new Project office employees will occur within the Market Area.

⁵⁰ Refer to **Appendix A, Table A-6** for estimated other nonresidential employee salaries benchmarked to office worker salaries. Other nonresidential employee spending are based on office worker spending patterns as there are no readily available data on retail, hotel, and institutional worker spending.

⁵¹ Refer to **Appendix A, Table A-3** for worker spending calculations.

⁵² EPS estimates that 90 percent of weekly spending by net new other nonresidential Project employees will occur within the Market Area.

Table 4-4. Project New Other Nonresidential Employee-Generated Demand for Market Area and UWSP Retail (2022\$)
(2 pages)

| Item | Source | Assumption | OTHER NONRESIDENTIAL EMPLOYEES | | | | | | | |
|--|--------------------------|------------|--------------------------------------|--------------------|------------------|------------------|--------------------|------------------|------------------------|--------------|
| | | | Phase 1 20-Year Buildout | | | | | | | |
| | | | Total Spending Captured in the MA | | | | UWSP as % of MA | | | |
| | | | Retail | Hotel | Institutional | Total | Capture Rate | Total in UWSP | % of Total Spending | |
| Estimated New Other Nonres. Employee Spending | | | | | | | | | | |
| Average Annual Office Worker Spending per Employee | Table 4-3 | a | \$7,337 | | | | | | | |
| Spending Benchmarked to Office Salary | Table A-6 | b | - | 41% | 26% | 90% | - | - | - | |
| Percentage of Nonresident Employees | Table 4-3 | c | 85% | - | - | - | - | - | - | |
| Estimated Project Employees | Table 2-2 | d | - | 765 | 509 | 113 | 1,387 | - | - | |
| Total New Employee Annual Spending | e = a * b * c * d | | - | \$1,967,493 | \$834,519 | \$635,135 | \$3,437,147 | - | - | |
| Market Area Capture [1] | | | | | | | | | | |
| Percentage | | | 80% | | | | | | | |
| Total New Employee Spending Captured in the Market Area | | | | \$1,573,995 | \$667,615 | \$508,108 | \$2,749,718 | - | - | |
| Estimated New Employee Market Area Sales | | | | | | | | | | |
| | | | <u>% of spending [2]</u> | | | | | | | |
| Motor Vehicle and Parts Dealers | - | - | 2.2% | \$35,020 | \$14,854 | \$11,305 | \$61,179 | 90.0% | \$55,061 | 1.6% |
| Home Furnishings and Appliance Stores | - | - | 5.3% | \$83,018 | \$35,212 | \$26,799 | \$145,030 | 90.0% | \$130,527 | 3.8% |
| Bldg. Matrl. and Garden Equip. and Supplies | - | - | 0.0% | \$0 | \$0 | \$0 | \$0 | 90.0% | \$0 | 0.0% |
| Food and Beverage Stores | - | - | 12.7% | \$200,619 | \$85,093 | \$64,763 | \$350,475 | 90.0% | \$315,427 | 9.2% |
| Gasoline Stations | - | - | 20.0% | \$315,180 | \$133,685 | \$101,745 | \$550,609 | 90.0% | \$495,548 | 14.4% |
| Clothing and Clothing Accessories Stores | - | - | 4.6% | \$72,792 | \$30,875 | \$23,498 | \$127,165 | 90.0% | \$114,448 | 3.3% |
| General Merchandise Stores | - | - | 19.3% | \$303,810 | \$128,862 | \$98,074 | \$530,747 | 90.0% | \$477,672 | 13.9% |
| Food Services and Drinking Places | - | - | 17.0% | \$268,298 | \$113,799 | \$86,610 | \$468,707 | 90.0% | \$421,837 | 12.3% |
| Other Retail | - | - | 18.8% | \$295,258 | \$125,234 | \$95,313 | \$515,805 | 90.0% | \$464,225 | 13.5% |
| Total New Employee Market Area Demand | - | - | 100.0% | \$1,573,995 | \$667,615 | \$508,108 | \$2,749,718 | 90.0% | \$2,474,746 | 72.0% |

Source: EPS.

[1] This analysis assumes 80% of Market Area employee spending will be captured by retail within the Market Area, conversely 20% will be captured by retail outside of the Market Area.

[2] Other nonresidential employees spending by retail category based on office worker spending patterns. See Table A-3 for estimated office worker spending.

**Table 4-4. Project New Other Nonresidential Employee-Generated Demand for Market Area and UWSP Retail (2022\$)
(page 2)**

| OTHER NONRESIDENTIAL EMPLOYEES | | | | | | | | | | |
|---|-------------------|------------|--------------------------------------|-------------|---------------|-----------|-----------------|------------------|------------------------|-------|
| Cumulative Total 30-Year Buildout | | | | | | | | | | |
| Item | Source | Assumption | Total Spending Captured in the MA | | | | UWSP as % of MA | | | |
| | | | Retail | Hotel | Institutional | Total | Capture Rate | Total in UWSP | % of Total Spending | |
| Estimated New Other Nonres. Employee Spending | | | | | | | | | | |
| Average Annual Office Worker Spending per Employee | Table 4-3 | a | \$7,337 | | | | | | | |
| Spending Benchmarked to Office Salary | Table A-6 | b | - | 41% | 26% | 90% | - | - | - | |
| Percentage of Nonresident Employees | Table 4-3 | c | 85% | - | - | - | - | - | - | |
| Estimated Project Employees | Table 2-2 | d | - | 1,164 | 774 | 172 | 2,110 | - | - | |
| Total New Employee Annual Spending | e = a * b * c * d | | - | \$2,992,912 | \$1,269,453 | \$966,155 | \$5,228,521 | - | - | |
| Market Area Capture [1] | | | | | | | | | | |
| Percentage | | | 80% | | | | | | | |
| Total New Employee Spending Captured in the Market Area | | | | \$2,394,330 | \$1,015,563 | \$772,924 | \$4,182,817 | - | - | - |
| Estimated New Employee Market Area Sales | | | | | | | | | | |
| | | | % of spending [2] | | | | | | | |
| Motor Vehicle and Parts Dealers | - | - | 2.2% | \$53,272 | \$22,595 | \$17,197 | \$93,064 | 90.0% | \$83,758 | 1.6% |
| Home Furnishings and Appliance Stores | - | - | 5.3% | \$126,285 | \$53,564 | \$40,767 | \$220,616 | 90.0% | \$198,555 | 3.8% |
| Bldg. Matrl. and Garden Equip. and Supplies | - | - | 0.0% | \$0 | \$0 | \$0 | \$0 | 90.0% | \$0 | 0.0% |
| Food and Beverage Stores | - | - | 12.7% | \$305,178 | \$129,442 | \$98,516 | \$533,136 | 90.0% | \$479,822 | 9.2% |
| Gasoline Stations | - | - | 20.0% | \$479,446 | \$203,358 | \$154,772 | \$837,576 | 90.0% | \$753,819 | 14.4% |
| Clothing and Clothing Accessories Stores | - | - | 4.6% | \$110,729 | \$46,966 | \$35,745 | \$193,441 | 90.0% | \$174,097 | 3.3% |
| General Merchandise Stores | - | - | 19.3% | \$462,150 | \$196,023 | \$149,189 | \$807,362 | 90.0% | \$726,626 | 13.9% |
| Food Services and Drinking Places | - | - | 17.0% | \$408,129 | \$173,109 | \$131,750 | \$712,989 | 90.0% | \$641,690 | 12.3% |
| Other Retail | - | - | 18.8% | \$449,140 | \$190,504 | \$144,989 | \$784,633 | 90.0% | \$706,170 | 13.5% |
| Total New Employee Market Area Demand | - | - | 100.0% | \$2,394,330 | \$1,015,563 | \$772,924 | \$4,182,817 | 90.0% | \$3,764,535 | 72.0% |

Source: EPS.

[1] This analysis assumes 80% of Market Area employee spending will be captured by retail within the Market Area, conversely 20% will be captured by retail outside of the Market Area.

[2] Other nonresidential employees spending by retail category based on office worker spending patterns. See for estimated office worker spending.

Summary of Project-Generated Retail Demand

As shown in **Table 4-5**, the total Project-generated demand for Project retail at buildout is \$139.0 million for Upper Westside. This amount of retail spending is based on estimated demand from new Project households and employees. Project-generated demand in the remainder of the Market Area is \$58.5 million. The total Project-generated demand for retail space in the Market Area (including the Project) is estimated to be \$197.4 million.

Existing Retail Demand

Existing Household Spending in the Market Area

In addition to demand from incremental Project households, the Project can capture demand from existing household spending within the Market Area. To quantify the retail demand of existing Market Area households, EPS developed an analytical model that relies on current Market Area households, household income, and consumer spending patterns.⁵³ Assumptions underlying each component of existing Market Area household demand can be found in **Appendix A**.⁵⁴ Similar to the estimate for Project households from **Table 4-2**, **Table 4-6** shows expenditure estimates per Market Area household. EPS estimates that, on average, Market Area households have a household income of approximately \$82,000 and spend about 24 percent of their income on retail goods and services (approximately \$19,600 per year).⁵⁵ The total annual retail spending estimate from existing Market Area households is \$444.4 million.

Project Capture of Market Area Demand (Excluding Project-Based Sources)

The Project is estimated to be built over a 30-year time frame, from 2022 to 2052. During this time, the Market Area will experience residential growth outside of the Project as described in **Chapter 3** (refer to **Table 3-4**). As shown in **Table 4-7**, this Study is based on estimates there will be about 22,700 new households in the Market Area, excluding new households in the Project, through 2052. Using average estimated Market Area spending per household of approximately \$19,600, new households in the Market Area are estimated to add \$444.4 million in spending power by 2052. Existing and new retail development in the Market Area is estimated to capture 80 percent of incremental new Market Area household spending for a total of \$355.6 million at buildout. Of the \$355.5 million spent in the Market Area, a portion of Market Area household spending is estimated to be captured by retail outlets in Upper Westside.

⁵³ Consumer spending patterns exclude spending on e-commerce retail goods and services, which are, as a conservative assumption, not anticipated to contribute to demand for physical retail space. This analysis subtracts the estimated “click and collect” e-commerce sales from total e-commerce as these sales are local and do contribute to demand for physical retail space.

⁵⁴ **Table A-7** calculates the projected weighted average household income for the Market Area. **Table A-4** estimates the household retail expenditures based on income level. **Table A-5** estimates the percentage of spending at retail stores by retail category.

⁵⁵ Includes retail spending on physical retail outlets only; excludes spending on e-commerce retail goods and services.

Table 4-5. Total Project-Generated Demand from Project Populations for Market Area Retail (2022\$)

| Item | PROJECT GENERATED DEMAND FOR MARKET AREA RETAIL [1] | | | | | | | | |
|---|---|--------------------------|---------------------------------|----------------------|--------------------------------|--------------------------|---------------------------------|----------------------|------------------|
| | Phase 1: 20-Year Buildout | | | | | | | | |
| | Project Generated Demand for Market Area Retail | | | | UWSP as % of Total MA Spending | | | | |
| | Project Households | Project Employees Office | Project Employees Other Nonres. | Total | Project Households | Project Employees Office | Project Employees Other Nonres. | Total | % |
| <i>Formula</i> | <i>a</i> | <i>b</i> | <i>c</i> | <i>d = a + b + c</i> | <i>e</i> | <i>f</i> | <i>g</i> | <i>h = e + f + g</i> | <i>i = h / d</i> |
| Retail and Food Services | | | | | | | | | |
| Motor Vehicle and Parts Dealers | \$7,147,689 | \$501,252 | \$61,179 | \$7,710,120 | \$3,573,844 | \$451,127 | \$55,061 | \$4,080,032 | 52.9% |
| Home Furnishings and Appliance Stores | \$13,422,295 | \$1,188,262 | \$145,030 | \$14,755,587 | \$3,355,574 | \$1,069,436 | \$130,527 | \$4,555,536 | 30.9% |
| Bldg. Matrl. and Garden Equip. and Supplies | \$8,835,119 | \$0 | \$0 | \$8,835,119 | \$2,208,780 | \$0 | \$0 | \$2,208,780 | 25.0% |
| Food and Beverage Stores | \$40,550,637 | \$2,871,522 | \$350,475 | \$43,772,634 | \$36,495,573 | \$2,584,370 | \$315,427 | \$39,395,370 | 90.0% |
| Gasoline Stations | \$13,225,614 | \$4,511,270 | \$550,609 | \$18,287,493 | \$11,903,052 | \$4,060,143 | \$495,548 | \$16,458,744 | 90.0% |
| Clothing and Clothing Accessories Stores | \$14,208,254 | \$1,041,891 | \$127,165 | \$15,377,311 | \$3,552,064 | \$937,702 | \$114,448 | \$4,604,214 | 29.9% |
| General Merchandise Stores | \$25,725,659 | \$4,348,533 | \$530,747 | \$30,604,938 | \$19,294,244 | \$3,913,680 | \$477,672 | \$23,685,596 | 77.4% |
| Food Services and Drinking Places | \$24,064,207 | \$3,840,228 | \$468,707 | \$28,373,142 | \$12,032,103 | \$3,456,205 | \$421,837 | \$15,910,145 | 56.1% |
| Other Retail | \$16,312,715 | \$4,226,114 | \$515,805 | \$21,054,634 | \$12,234,536 | \$3,803,503 | \$464,225 | \$16,502,264 | 78.4% |
| Total | \$163,492,188 | \$22,529,073 | \$2,749,718 | \$188,770,978 | \$104,649,770 | \$20,276,166 | \$2,474,746 | \$127,400,682 | 67.5% |
| Total Buildout | | | | | | | | | |
| Item | Project Generated Demand for Market Area Retail | | | | UWSP as % of Total MA Spending | | | | |
| | Project Households | Project Employees Office | Project Employees Other Nonres. | Total | Project Households | Project Employees Office | Project Employees Other Nonres. | Total | % |
| | <i>j</i> | <i>k</i> | <i>l</i> | <i>m = j + k + l</i> | <i>n</i> | <i>o</i> | <i>p</i> | <i>q = n + o + p</i> | <i>r = q / m</i> |
| Retail and Food Services | | | | | | | | | |
| Motor Vehicle and Parts Dealers | \$7,147,689 | \$755,103 | \$93,064 | \$7,902,792 | \$3,573,844 | \$679,593 | \$83,758 | \$4,337,195 | 54.9% |
| Home Furnishings and Appliance Stores | \$13,422,295 | \$1,790,038 | \$220,616 | \$15,212,333 | \$3,355,574 | \$1,611,034 | \$198,555 | \$5,165,162 | 34.0% |
| Bldg. Matrl. and Garden Equip. and Supplies | \$8,835,119 | \$0 | \$0 | \$8,835,119 | \$2,208,780 | \$0 | \$0 | \$2,208,780 | 25.0% |
| Food and Beverage Stores | \$40,550,637 | \$4,325,757 | \$533,136 | \$44,876,394 | \$36,495,573 | \$3,893,182 | \$479,822 | \$40,868,577 | 91.1% |
| Gasoline Stations | \$13,225,614 | \$6,795,929 | \$837,576 | \$20,021,543 | \$11,903,052 | \$6,116,336 | \$753,819 | \$18,773,207 | 93.8% |
| Clothing and Clothing Accessories Stores | \$14,208,254 | \$1,569,540 | \$193,441 | \$15,777,795 | \$3,552,064 | \$1,412,586 | \$174,097 | \$5,138,747 | 32.6% |
| General Merchandise Stores | \$25,725,659 | \$6,550,776 | \$807,362 | \$32,276,435 | \$19,294,244 | \$5,895,698 | \$726,626 | \$25,916,568 | 80.3% |
| Food Services and Drinking Places | \$24,064,207 | \$5,785,049 | \$712,989 | \$29,849,255 | \$12,032,103 | \$5,206,544 | \$641,690 | \$17,880,337 | 59.9% |
| Other Retail | \$16,312,715 | \$6,366,360 | \$784,633 | \$22,679,075 | \$12,234,536 | \$5,729,724 | \$706,170 | \$18,670,430 | 82.3% |
| Total | \$163,492,188 | \$33,938,553 | \$4,182,817 | \$197,430,740 | \$104,649,770 | \$30,544,697 | \$3,764,535 | \$138,959,002 | 70.4% |

Source: EPS.

[1] See Table 4-2, Table 4-3, and Table 4-4.

[2] Project generated demand in the "Remainder" of the Market Area is derived by taking the total Project generated demand in the Market Area from Project households from Table 4-2 and Project new employees from Table 4-3 and Table 4-4.

Table 4-6. Estimated 2022 Retail Spending from Market Area Households (2022\$)

| Item | Percent Spent on Retail by Category [1] | Total Annual Retail Spending per Household [2] | Total Current MA Household Spending on Retail |
|---|---|--|---|
| Assumptions | | | |
| 2022 Market Area Households [3] | 22,698 | | |
| Weighted Average Household Income [4] | \$81,906 | | |
| Estimated Percent of HH Income Spent in Retail Stores [5] | 24% | | |
| Estimated Annual HH Spending in Retail Stores | \$19,580 | | |
| Retail and Food Services | | | |
| Motor Vehicle and Parts Dealers [6] | 4.4% | \$856 | \$19,429,948 |
| Home Furnishings and Appliance Stores | 8.2% | \$1,607 | \$36,486,549 |
| Bldg. Matrl. and Garden Equip. and Supplies | 5.4% | \$1,058 | \$24,016,981 |
| Food and Beverage Stores | 24.8% | \$4,856 | \$110,230,984 |
| Gasoline Stations | 8.1% | \$1,584 | \$35,951,899 |
| Clothing and Clothing Accessories Stores | 8.7% | \$1,702 | \$38,623,065 |
| General Merchandise Stores | 15.7% | \$3,081 | \$69,931,445 |
| Food Services and Drinking Places | 14.7% | \$2,882 | \$65,415,031 |
| Other Retail | 10.0% | \$1,954 | \$44,343,733 |
| Total Retail and Food Services | 100.0% | \$19,580 | \$444,429,635 |

ma hh spending

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2021; SACOG; U.S. Bureau of Labor Statistics, "Table 1203. Income before taxes: Annual expenditure means, shares, standard errors, and coefficients of variation, Consumer Expenditure Survey, 2020"; U.S. Retail Trade Sales - Total and E-commerce (1992-2020); Sales for U.S. Electronic Shopping and Mail-Order Houses (NAICS 4541) - Total and E-commerce by Primary Business Activity (2019); U.S. Bureau of Labor Statistics, "Table 1203. Income before taxes: Annual expenditure means, shares, standard errors, and coefficients of variation, Consumer Expenditure Survey, 2019"; U.S. Census of Retail Trade, "Estimated Quarterly U.S. Retail Sales: Total and E-commerce"; EPS.

[1] See Table A-5 for estimated spending by retail category.

[2] Total Market Area spending is derived by multiplying the estimated Market Area average household income of \$81,906 by the estimated percentage of household income spent on retail of 24% and then multiplied by the percentages spent on retail for each category.

[3] See Table 3-4.

[4] See Table A-7.

[5] See Table A-13. Excludes spending on e-commerce retail goods and services.

[6] Percent spent on Motor Vehicles and Parts Dealers only pertains to motor vehicle parts (omits spending at new and used vehicle dealers).

Table 4-7. Projected Capture of New Market Area Demand (Excluding Project Households) (2022\$)

| Item | Spending per HH [1] | PHASE 1: 20-YEAR BUILDOUT | | | | | TOTAL BUILDOUT | | | | |
|--|------------------------|---|---------------------------|--|----------------------|---------------------------|---|---------------------------|--|----------------------|---------------------------|
| | | Net New MA Household Spending (Demand) | | Estimated Project Capture of MA HH Spending (UWSP as % of MA) [3] | | | Net New MA Household Spending (Demand) | | Estimated Project Capture of MA HH Spending (UWSP as % of MA) [3] | | |
| | | Total [2] | Inside the Market Area | Capture Rate | Total [4] | % of Total Market Area | Total [2] | Inside the Market Area | Capture Rate | Total [4] | % of Total Market Area |
| | | | | | | | | | | | |
| Formula | a | b = a * 20,875 | c = b * 80% | d | e = c * d | f = e / b | g = a * 22,698 | h = g * 80% | i | j = h * i | k = j / g |
| Projected New Households (excluding Project) [4] | | 20,875 | Capture Rate [5] 80% | | | | 22,698 | Capture Rate [5] 80% | | | |
| Retail and Food Services | | | | | | | | | | | |
| Motor Vehicle and Parts Dealers | \$856 | \$17,869,665 | \$14,295,732 | 5% | \$714,787 | 4% | \$19,429,948 | \$15,543,958 | 5% | \$777,198 | 4% |
| Home Furnishings and Appliance Stores | \$1,607 | \$33,556,570 | \$26,845,256 | 15% | \$4,026,788 | 12% | \$36,486,549 | \$29,189,239 | 15% | \$4,378,386 | 12% |
| Bldg. Matrl. and Garden Equip. and Supplies | \$1,058 | \$22,088,345 | \$17,670,676 | 15% | \$2,650,601 | 12% | \$24,016,981 | \$19,213,585 | 15% | \$2,882,038 | 12% |
| Food and Beverage Stores | \$4,856 | \$101,379,105 | \$81,103,284 | 50% | \$40,551,642 | 40% | \$110,230,984 | \$88,184,787 | 50% | \$44,092,393 | 40% |
| Gasoline Stations | \$1,584 | \$33,064,854 | \$26,451,883 | 50% | \$13,225,942 | 40% | \$35,951,899 | \$28,761,519 | 50% | \$14,380,760 | 40% |
| Clothing and Clothing Accessories Stores | \$1,702 | \$35,521,517 | \$28,417,213 | 15% | \$4,262,582 | 12% | \$38,623,065 | \$30,898,452 | 15% | \$4,634,768 | 12% |
| General Merchandise Stores | \$3,081 | \$64,315,741 | \$51,452,593 | 50% | \$25,726,296 | 40% | \$69,931,445 | \$55,945,156 | 50% | \$27,972,578 | 40% |
| Food Services and Drinking Places | \$2,882 | \$60,162,008 | \$48,129,606 | 25% | \$12,032,402 | 20% | \$65,415,031 | \$52,332,025 | 25% | \$13,083,006 | 20% |
| Other Retail | \$1,954 | \$40,782,798 | \$32,626,239 | 50% | \$16,313,119 | 40% | \$44,343,733 | \$35,474,986 | 50% | \$17,737,493 | 40% |
| Total | \$19,580 | \$408,740,603 | \$326,992,482 | 37% | \$119,504,159 | 29% | \$444,429,635 | \$355,543,708 | 37% | \$129,938,620 | 29% |

Source: EPS.

[1] See Table 4-6.

[2] The demand from Market Area household growth is derived by multiplying total households by the amount of spending per household for each retail category.

[3] Capture rate assumptions reflect the portion of retail spending leakage the Market Area and Upper Westside retail may be able to capture and are based on the type of retail that may locate in the Market Area and Project as well as the relative proportion of Project retail to total Market Area retail space.

[4] See Table 3-4.

[5] This analysis assumes 80% of Market Area household spending will be captured by retail within the Market Area. Conversely 20% will be captured by retail outside of the Market Area.

Applying a 37 percent capture rate, which is the average of the estimated capture rates by retail category, the total estimated new Market Area household spending captured by the Project is \$130.0 million, equating to about 29 percent of new Market Area household spending (excluding Project households).

5. COMPETITIVE RETAIL SUPPLY

This chapter provides an overview of the existing and proposed supply of competitive retail outlets in the Market Area.

Existing Competitive Retail Supply

As discussed in **Chapter 3**, the Market Area has a current estimated retail supply of nearly 5.2 million leasable square feet. See **Table 3-1** and **Map 3-2** in **Chapter 3**. The Market Area contains about 1.4 million square feet of neighborhood-serving retail, 879,000 square feet of community-serving retail, 2.0 million square feet of regional-serving retail, and 1.1 million square feet of freestanding retail.

Existing Retail Sales in the Market Area

EPS obtained estimated total retail sales as of 2017 for the Market Area boundary from Esri Business Analyst Online (BAO).⁵⁶ Esri BAO data were used in lieu of publicly available sources of data such as the California Department of Tax and Fee Administration (CDTFA) because data from Esri could be aligned with the defined Market Area boundary, whereas CDTFA data are consistent with broader jurisdictional boundaries only (i.e., City of Sacramento, City of West Sacramento, and Sacramento County).⁵⁷ EPS validated the Esri BAO retail sales data by estimating and comparing total retail sales per capita with data from CDTFA.⁵⁸ This comparison revealed consistency across the two data sources, supporting the usage of BAO data in this Analysis.⁵⁹

Total retail sales for the Market Area were allocated to each retail category based on the proportion of estimated retail sales by retail category in the County, based on data from the most recently available taxable sales report for the County from CDTFA including 4th quarter 2020 through 3rd quarter 2021. Specific retail categories, including Food and Beverage Stores, General Merchandise, and the Health and Personal Care Stores portion of the Other Retail Stores

⁵⁶ **Table A-18** and **Table A-9** comprise Esri BAO sales estimates by category for 2017 for the Market Area portion of the cities of Sacramento and West Sacramento.

⁵⁷ The CDTFA took over the management of the State of California's taxable sales data in 2016 from the State of California Board of Equalization (BOE).

⁵⁸ Note that the two data sources differ in the data reflected: BAO data reflects total retail sales whereas CDTFA data reflects taxable retail sales (omitting nontaxable retail sales). EPS compared the two data sources after adjusting CDTFA data to include estimated nontaxable retail sales, as described in the following paragraph of this section.

⁵⁹ Following a thorough review of BAO and CDTFA data sources, EPS determined that BAO data, which reflect retail sales in the Market Area, and CDTFA data, which reflect an estimate of Market Area retail sales based on Sacramento County data, resulted in no material difference in the conclusions of this Study.

category, are estimated to sell a significant portion of nontaxable goods. Thus, the taxable sales in these categories were adjusted to account for nontaxable items using the countywide

proportional difference between taxable and total sales from CDTFA (taxable sales) and the U.S. Economic Census (total sales). EPS used the approach of allocating the proportion of adjusted retail sales by retail category from County-level CDTFA data in lieu of using Esri's estimated retail sales by retail category based on an evaluation of both data sources. Calculations supporting this methodology for estimating retail sales in the Market Area can be found in **Appendix A.**⁶⁰

As shown in **Table 5-1**, after escalating the 2017 estimated retail sales to 2022 dollars using the Bureau of Labor Statistics (BLS) Consumer Price Index for the West Urban Region between 2017 and 2022, total retail sales in the Market Area are estimated at approximately \$1.4 billion.

Projected Project Sales

The Project as planned is anticipated to comprise approximately 338,900 occupied retail square feet in Phase 1 and a remaining 179,300 occupied retail square feet at buildout for a total of 518,200 square feet of occupied retail space, as shown in **Table 2-2**. **Table 5-2** estimates sales for the Project by assigning each retail shopping center type an estimated sales-per-square-foot figure in 2022 dollars based on information from BizMiner, eMarketer, corporation annual 10-K reports, and ULI, which can be found in **Appendix A.**⁶¹ The total projected sales for the Project at buildout are approximately \$263.3 million. These projected sales are anticipated to increase existing Market Area retail sales by about 18 percent.

Estimated Pipeline Supply

The identified competitive Market Area projects are listed and classified by shopping center type based on the project square footage in **Table 5-3**. These include Northlake located along the north boundary of the Market Area near the Highway 99-Interstate 5 Interchange; Northpointe located southwest of Northlake below Interstate 5; Innovation Park and CNU Campus located east of the Project on the other side of Interstate 5; and 681 W. Capitol Ave and Raley's Landing located south of the Project and Interstate 80 in West Sacramento as shown in **Map 5-1**. Projects located outside of the Market Area are included to reflect the continued expansion of the City's North Natomas CPA including Metro Air Park, Grandpark, the Panhandle, Town Center East, and North Natomas Square, as well as Sutter Pointe located within Sutter County just north of the Sacramento County boundary as shown in **Map 5-1** and **Table 5-3.**⁶²

⁶⁰ **Table A-10** and **Table A-11** reflect calculations made to estimate total retail sales data for the Market Area based on data obtained from Esri BAO, CDTFA (formerly accessible through the BOE), and the U.S. Economic Census.

⁶¹ **Table A-12** estimates 2022 retail sales per square foot based on retail categories and shopping center types.

⁶² The Panhandle is excluded from **Table 5-3** as this project proposes residential units only; no commercial retail uses are proposed at this time.

Table 5-1. Estimated Market Area Total Retail Sales (2022\$)

| Item | Total Market Area Retail Sales | | |
|---|--------------------------------|--------------------------|---------------|
| | Market Area (2017\$) [1] [2] | Market Area (2022\$) [3] | % of Total |
| CPI Adjustment from 2017\$ to 2022\$ [3] | | 12.9% | |
| Retail and Food Services | | | |
| Motor Vehicle and Parts Dealers [4] | \$7,590,350 | \$8,566,370 | 0.6% |
| Home Furnishings and Appliance Stores | \$82,912,555 | \$93,574,033 | 6.5% |
| Bldg. Matrl. and Garden Equip. and Supplies | \$133,064,185 | \$150,174,512 | 10.5% |
| Food and Beverage Stores | \$243,483,097 | \$274,791,862 | 19.2% |
| Gasoline Stations | \$122,761,414 | \$138,546,938 | 9.7% |
| Clothing and Clothing Accessories Stores | \$60,884,319 | \$68,713,252 | 4.8% |
| General Merchandise Stores | \$172,694,574 | \$194,900,855 | 13.6% |
| Food Services and Drinking Places | \$193,847,999 | \$218,774,336 | 15.3% |
| Other Retail | \$251,273,155 | \$283,583,621 | 19.8% |
| Total Retail and Food Services | \$1,268,511,648 | \$1,431,625,779 | 100.0% |

retail sales

Source: Esri BAO Retail MarketPlace Profile 2017, accessed February 2022; California Department of Tax and Fee Administration; Labor Statistics Consumer Price Index for the West Urban Region; EPS.

- [1] Represents estimated total retail sales in the Market Area based on the most recent available sales data from Esri BAO, calendar year 2017. Only a small fraction of retail was added to the supply comprising less than 1 percent of the total inventory between 2017 and 2021. The method for estimating Market Area sales is provided in Table A-10 through Table A-14.
- [2] See Table A-10 for the calculation of retail sales for the portion of the Market Area that falls in the City and County of Sacramento and Table A-11 for the portion of the Market Area that is in the City of West Sacramento.
- [3] The 2017 estimated retail sales have been escalated to 2022 dollars using the Bureau of Labor Statistics Consumer Price Index for the West Urban Region for annual year-end 2017 and annual year-end 2021 of 12.9%.
- [4] Sales estimates for Motor Vehicles and Parts Dealers pertains to motor vehicle parts only (omits sales at new and used vehicle dealers).

Table 5-2. UWSP Nonresidential Commercial Retail Project Sales (2022\$)

| Item | Retail Type | Projected Total Sales per Sq. Ft. [1] | Phase 1 20-Year Buildout | | Phase 2 Remaining Development | | Total Project at Buildout (2022-2052) | |
|---------------------------------|-----------------------------|--|--------------------------------------|---|----------------------------------|---|--|--------------------------|
| | | | Total Occupied Square Feet [2] | Projected Project Sales (2022-2042) | Total Occupied Square Feet | Projected Incremental Project Sales (2042-2052) | Total Occupied Square Fee [2] | Total Projected Sales |
| | | | | | | | | |
| Retail Land Use | | | | | | | | |
| Commercial Mixed Use | Community Commercial Retail | \$460 | 247,294 | \$113,755,339 | 104,977 | \$48,289,519 | 352,271 | \$162,044,858 |
| Employment / Highway Commercial | Highway Commercial | \$610 | 91,605 | \$55,878,867 | 74,307 | \$45,327,087 | 165,911 | \$101,205,954 |
| Total Retail | | \$501 | 338,899 | \$169,634,206 | 179,284 | \$93,616,606 | 518,183 | \$263,250,812 |

project sales

Source: Bureau of Labor Statistics Consumer Price Index for the West urban region, All Urban Consumers; BizMiner 2016; ULI Dollars & Cents of Shopping Centers: 2008; EPS.

[1] Estimated using retail sales information from BizMiner and ULI's Dollars & Cents of Shopping Centers. Values inflated to 2018 dollars using the CPI for the West urban region, All Urban Consumers, see Table A-12.

[2] See Table 2-2.

Table 5-3. Proposed Commercial Retail Supply in and Near the Market Area (Excluding UWSP) (3 Pages)

| Project Name [1] | Jurisdiction/ Area | Commercial Acreage | Retail Square Feet | Description | Location | Status |
|--|--|-----------------------|-----------------------|--|---|---|
| MARKET AREA | | | | | | |
| Community Commercial | | | | | | |
| Northlake (Community Commercial Portion) | City of Sacramento | 27.1 | 295,119 [2] | A master planned community with 2,275 single-family units, 500 multifamily units, including a 189-unit affordable senior project, a 295,119-square-foot community commercial center, a 16,335-square-foot neighborhood shopping center, a light rail station, and an elementary school. | I-5, Highway 99, and Metro Air Park | Infrastructure Under Construction |
| Innovation Park & CNU Medical Center Campus (former Sleep Train Arena) (Community Commercial Portion) | City of Sacramento | 183.0 | 177,090 [3] [4] | This project will be anchored by a California Northstate University hospital campus with a 14-story, 730,000-square-foot teaching hospital. The mixed-use urban village with 1.2 million square feet of gross commercial space and 2,017 residential units. | Del Paso Rd, East Commerce Way, Arena Blvd and Truxel Rd | Entitled |
| Community Commercial Total | | | 472,209 | | | |
| Neighborhood Commercial | | | | | | |
| Innovation Park & CNU Medical Center Campus (former Sleep Train Arena) (Neighborhood Commercial Portion) | City of Sacramento | 183.0 | 177,090 [3] [4] | This project will be anchored by a California Northstate University hospital campus with a 14-story, 730,000-square-foot teaching hospital. The mixed-use urban village with 1.2 million square feet of gross commercial space and 2,017 residential units. | Del Paso Rd, East Commerce Way, Arena Blvd and Truxel Rd | Entitled |
| Raley's Landing | City of West Sacramento | - | 102,000 | At buildout, the proposed project would contain approximately 900 multifamily residential units, 845,000 gross square feet of office space, 102,000 square feet of commercial/retail uses, and possibly 100–300 hotel rooms with a 7,000- to 15,000-square-foot conference center; it would provide between 4,351 and 4,651 on-site parking spaces, including surface and multilevel parking spaces. | 707 Third St | Approved |
| NorthPointe | County of Sacramento / City of Sacramento | 23.0 | 125,235 [5] | This 450-acre project is proposed to annex into the City of Sacramento and will comprise up to 6.6 million square feet of industrial and 250,470 square feet of commercial. | Southeast of Powerline Rd and I- 5 | Early Planning Stages |
| 681 West Capitol | City of West Sacramento | - | 19,166 | This project in the Bridge District comprises a 6-story, 27,000-square-foot building with office and retail. | 681 West Capitol | Under Review |
| Northlake (Neighborhood Commercial Portion) | City of Sacramento | 1.5 | 16,335 [2] | A master planned community with 2,275 single-family units, 500 multifamily units, including a 189-unit affordable senior project, a 295,119-square-foot community commercial center, a 16,335-square-foot neighborhood shopping center, a light rail station, and an elementary school. | I-5, Highway 99, and Metro Air Park | Infrastructure Under Construction |
| Neighborhood Commercial Total | | | 439,826 | | | |
| TOTAL PROPOSED SUPPLY IN THE MARKET AREA | | | 912,035 | | | |
| UWSP RETAIL AS % OF TOTAL PROPOSED MA SUPPLY | | | 37.2% | | | |

Table 5-3. Proposed Commercial Retail Supply in and Near the Market Area (Excluding UWSP) (page 2)

| Project Name [1] | Jurisdiction/ Area | Commercial Acreage | Retail Square Feet | Description | Location | Status |
|--|-----------------------|-----------------------|-----------------------|---|---|--------------|
| OTHER RETAIL NEAR THE MARKET AREA | | | | | | |
| Regional Commercial | | | | | | |
| Sutter Pointe (Regional Commercial Portion) | Sutter County | 171.2 | 500,000 [6] [7] | A master planned community with 17,500 residential units, 4.3 million square feet of office, 41.4 million square feet of industrial, a K-8 school, and a high school, plus 1.9 million square feet of gross planned retail. | Highway 99 and Sankey Rd | Entitled |
| Metro Air Park (Regional Commercial Portion) | Sacramento County | 65.0 | 368,082 [8] [9] | Special Planning Area near the Sacramento Metro Airport allows the development of a multi-use, commercial and industrial business park with 20.8 million square feet of commercial and industrial space. Retail, Sales, and Service uses are limited to a 65-acre maximum per the Metro Air Park Special Planning Area Process Guide. | Bounded by Elverta Rd, Lone Tree Rd, I-5, and Power Line Rd | Entitled |
| Regional Commercial Total | | | 868,082 | | | |
| Community Commercial | | | | | | |
| Grandpark (Community Commercial Portion) | Sacramento County | 700.0 | 1,494,065 [10] | Grandpark is a master-planned community that will accommodate a range of land uses, including single-family and multifamily housing units; employment-generating uses, including retail, office, medical, and hotel uses; educational uses; and recreation, open space, and other public/quasi-public land uses. | Elkhorn Blvd, Highway 99, Sacramento/Sutter County line | Under Review |
| Metro Air Park (Community Commercial Portion) | Sacramento County | 65.0 | 368,082 [8] [9] | Special Planning Area near the Sacramento Metro Airport allows the development of a multi-use, commercial and industrial business park with 20.8 million square feet of commercial and industrial space. Retail, Sales, and Service uses are limited to a 65-acre maximum per the Metro Air Park Special Planning Area Process Guide. | Bounded by Elverta Rd, Lone Tree Rd, I-5, and Power Line Rd | Entitled |
| Sutter Pointe (Community Commercial Portion) | Sutter County | 171.2 | 170,625 [6] [7] | A master planned community with 17,500 residential units, 4.3 million square feet of office, 41.4 million square feet of industrial, a K-8 school, and a high school, plus 1.9 million square feet of gross planned retail. | Highway 99 and Sankey Rd | Entitled |
| Community Commercial Total | | | 2,032,772 | | | |

Table 5-3. Proposed Commercial Retail Supply in and Near the Market Area (Excluding UWSP) (page 3)

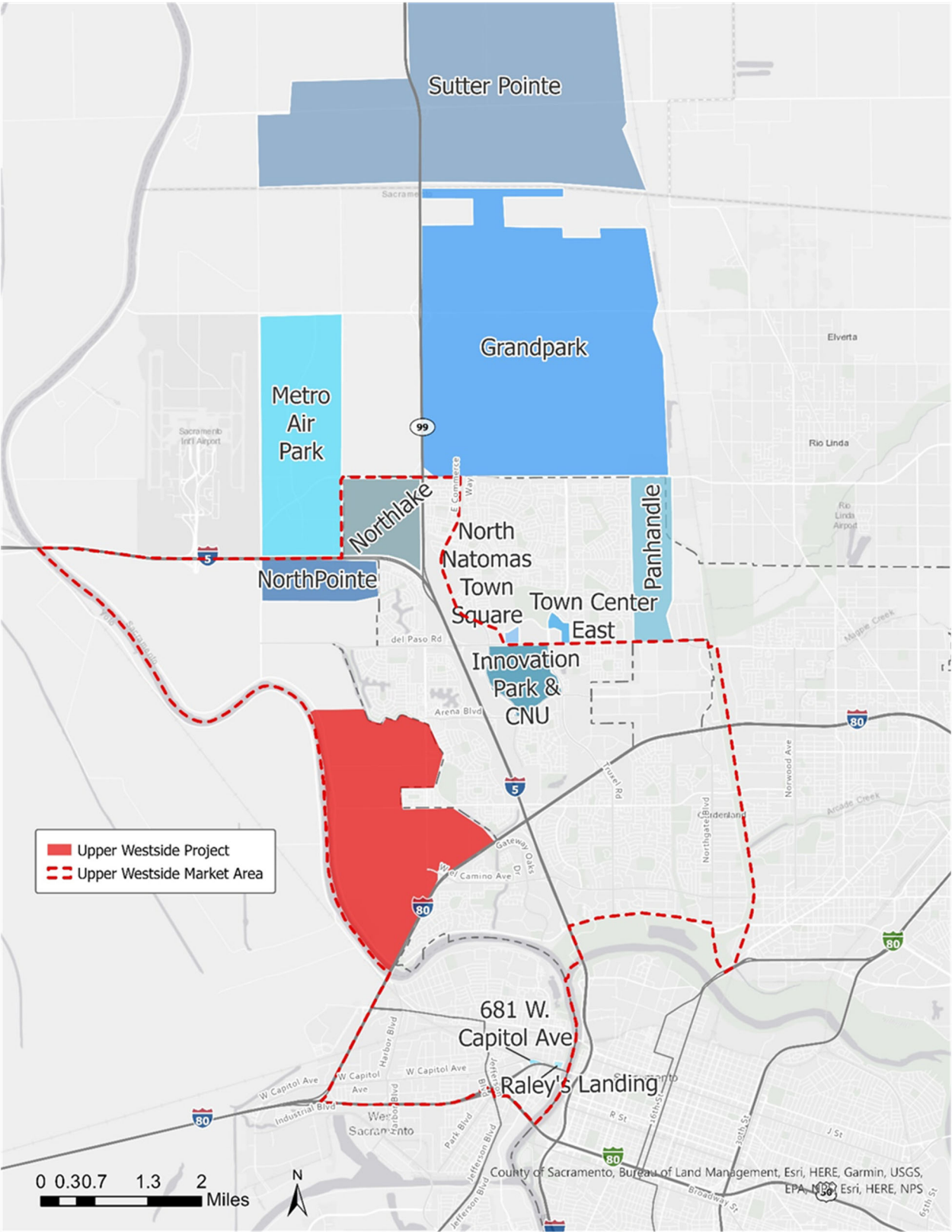
| Project Name [1] | Jurisdiction/ Area | Commercial Acreage | Retail Square Feet | Description | Location | Status |
|--|-----------------------|-----------------------|-----------------------|--|--|--------------|
| OTHER RETAIL NEAR THE MARKET AREA | | | | | | |
| Neighborhood Commercial | | | | | | |
| Grandpark (Neighborhood Commercial Portion) | Sacramento County | 700.0 | 710,667 [10] | Grandpark is a master-planned community that will accommodate a range of land uses, including single-family and multifamily housing units; employment-generating uses, including retail, office, medical, and hotel uses; educational uses; and recreation, open space, and other public/quasi-public land uses. | Elkhorn Blvd, Highway 99, Sacramento/Sutter County line | Under Review |
| Sutter Pointe (Neighborhood Commercial Portion) | Sutter County | 171.2 | 170,625 [6] [7] | A master planned community with 17,500 residential units, 4.3 million square feet of office, 41.4 million square feet of industrial, 4.0 million gross square feet of retail, a K-8 school, and a high school, plus 1.9 million square feet of gross planned retail. | Highway 99 and Sankey Rd | Entitled |
| Town Center East | City of Sacramento | 11.6 | 77,553 [11] | Prospective tenants include a 38,295-square-foot gym, 12,000 square-foot child care center, bank, and 6 retail buildings ranging from 2,400-8,005 square feet. | Del Paso Rd and Town Center Dr | Under Review |
| North Natomas Town Square | City of Sacramento | - | 69,470 | This proposed project is the commercial portion of Creekside Natomas Master Planned Community and is anticipated to include a 38,000-square-foot anchor and remaining space for restaurants and other local retail. | 2631 Del Paso Rd | Proposed |
| Neighborhood Commercial Total | | | 1,028,315 | | | |
| TOTAL OTHER RETAIL NEAR THE MARKET AREA | | | 3,929,169 | | | |

Source: Planning Departments in the cities of Sacramento and West Sacramento and the County of Sacramento; Sacramento Business Journal; Sacramento Bee; EPS.

retail supply

- [1] Identified projects comprising 20,000 or more square feet of commercial space organized by classification of center based on square footage, see Table A-1 for commercial space that has not been classified by project descriptions.
- [2] Project information per the Sacramento Business Journal and the Wood Rodgers Public Facilities Financing Plan dated May 2017.
- [3] For projects that give only acreage for development size, square footages are calculated based on maximum Floor-Area-Ratios or Lot Coverage from the respective jurisdiction's municipal code.
- [4] EPS assumes a 50/50 split between Community and Neighborhood Commercial for the retail portion of the project.
- [5] For projects with ambiguous commercial designations, EPS assumes that 50% will comprise retail and 50% will comprise office.
- [6] Project information per the Sutter Pointe Specific Plan Chapter 3: Land Use, Table 3-4, page 3-22.
- [7] EPS assumes Regional Commercial comprises 500,000 square feet and Community and Neighborhood Commercial split the remainder 50/50 with an applied FAR of 0.25 per the Specific Plan.
- [9] Metro Air Park applied the County-given .26 FAR to the maximum Retail, Sales, and Services uses square footage.
- [9] EPS assumes a 50/50 split between Regional and Community Commercial for the retail portion of the project.
- [10] Project information per EPS's Grandpark Specific Plan Urban Decay Analysis Draft Report, October 2020, including shopping center type designations.
- [11] Project information per the City of Sacramento, Natomas Town Center II (East) Intimal Study/Mitigated Negative Declaration for Anticipated Subsequent Projects under the 2035 General Plan Master EIR.

Map 5-1. Proposed Commercial Retail Supply



Many approved and proposed projects contain broad project descriptions that provide a gross amount of commercial or retail acreage. The provided commercial retail acreage generally is shown as the maximum allowable square footage and also includes other land uses beyond the building square footage such as parking, landscaping, etc. To better estimate the amount of commercial retail space for these projects, EPS applied the project's respective jurisdictional FAR or Maximum Lot Coverage from their municipal code to the total acreage to estimate potential future development square footage. In addition, many of the projects include a large amount of commercial retail square footage located in large geographic areas, which are likely to comprise a multitude of shopping center types in different locations within the plan boundary. To better estimate retail buildout, EPS applied an estimated allocation of commercial retail space between regional, community, and neighborhood designations based on project descriptions and locations (as shown in **Table 5-3**) using shopping center classifications as shown in **Appendix A**.⁶³ For projects with ambiguous commercial designations, EPS assumed a 50 percent split between retail and office space. Detailed assumptions for each project can be found in **Table 5-3**.

The commercial retail supply pipeline is projected to total almost 912,000 square feet of retail in the Market Area, excluding proposed retail development in the Project. This amount of retail space, which includes 472,200 square feet of community retail and 440,000 square feet of neighborhood retail, would increase the existing retail supply in the Market Area (5.2 million square feet) by about 18 percent. It is important to note that some of these projects have not been approved or have speculative development timelines and the buildout of all proposed acreage will be dependent on a variety of factors, including the dynamic retail sector, the pace and extent of various sources of demand, and other future market conditions. EPS assumes the projected square footage of the planned retail in Northlake, Invocation Park & CNU Medical Campus, Raley's Landing, and 681 West Capitol will be fully developed by 2052 and that approximately 50 percent of the NorthPointe project will be developed as this is a newly proposed project, see **Table 5-4**.

The community-serving projects of Northlake and Innovation Park & CNU will likely have other sources of demand beyond project households and employees and Market Area households beyond the defined Upper Westside Market Area (e.g., pass-by traffic, including airport patrons; employees outside of the Project but within the Market Area; households outside of the Market Area). EPS applied a market adjustment factor of 80 percent to account for external sources of demand outside of the Market Area. Following these adjustments, as well as a 6 percent frictional vacancy rate assumption, the total proposed retail supply in the Market Area estimated to be absorbed by 2052 is 638,800 square feet—or an increase of about 13 percent in occupied retail space—with 355,100 square feet of community retail and 283,700 square feet of neighborhood retail.

⁶³ Shopping center classifications given by the ICSC can be found in **Table A-11**.

Table 5-4. Proposed Commercial Retail Supply Summary

| Item | Cumulative Retail Completed by 2052 | | | | | |
|---|-------------------------------------|---|----------------|---|---------------------------------------|----------------------|
| | Total Sq. Ft. [1] | Estimated Built and Absorbed by 2052 [2] | | Market Area Adjustment Factor [3] | Estimated Adj. Occupied Sq. Ft. | Estimated Sales |
| | | % | Total Sq. Ft. | | | |
| Estimated Vacancy [4] | | | | | 6.0% | |
| Estimated Sales per Sq. Ft. [5] | | | | | | |
| Community Commercial | | | | | | \$460 |
| Neighborhood Commercial | | | | | | \$430 |
| Regional Commercial | | | | | | \$430 |
| MARKET AREA | | | | | | |
| Community Commercial | | | | | | |
| Northlake | 295,119 | 100% | 295,119 | 80% | 221,929 | \$102,087,564 |
| Innovation Park & CNU Medical Center Campus | 177,090 | 100% | 177,090 | 80% | 133,172 | \$61,259,025 |
| Total | 472,209 | - | 472,209 | - | 355,101 | \$163,346,589 |
| Neighborhood Commercial | | | | | | |
| Innovation Park & CNU Medical Center Campus | 177,090 | 100% | 177,090 | 80% | 133,172 | \$57,263,871 |
| Raley's Landing | 102,000 | 100% | 102,000 | 80% | 76,704 | \$32,982,720 |
| NorthPointe [6] | 125,235 | 50% | 62,618 | 80% | 47,088 | \$20,247,995 |
| 681 West Capitol | 19,166 | 100% | 19,166 | 80% | 14,413 | \$6,197,518 |
| Northlake | 16,335 | 100% | 16,335 | 80% | 12,284 | \$5,282,086 |
| Total | 439,826 | - | 377,209 | - | 283,661 | \$121,974,189 |
| TOTAL MARKET AREA | 912,035 | - | 849,418 | - | 638,762 | \$285,320,778 |

cumulative sales

Source: EPS.

[1] See Table 5-3 for retail square feet.

[2] It is important to note that some of these projects have not been approved or have speculative development timelines and buildout of all proposed acreage will be dependent on a variety of factors, including the dynamic retail sector, the pace and extent of various sources of demand, and other future market conditions. Square footaged estimated to build and absorb by 2042, and therefore by 2052.

[3] The Market Adjustment Factor reflects the estimated percentage of retail demand from households and other sources of demand within the defined Market Area. The remaining sources of demand will be derived from other sources not accounted for in this analysis (e.g., pass-by traffic from business and airport travel; households outside of the defined Market Area).

[4] The vacancy rate assumption applied to gross development totals is based on the average vacancy rate in the Market Area since 2010, as well as a standard frictional vacancy rate.

[5] Estimated using retail sales information from BizMiner, ULI's Dollars & Cents of Shopping Centers, and other sources listed in detail in Table A-12. Values inflated to 2018 dollars using the CPI for the West urban region, All Urban Consumers.

[6] The Northpointe project is anticipated to only partially absorb by 2052 as this project in the very early planning stages compared to the other projects that have been entitled or have infrastructure under construction.

Pipeline Sales

Table 5-4 estimates sales for estimated new retail projects in the Market Area, excluding the Project. To project total sales, each retail shopping center type is assigned an estimated sales-per-square-foot figure in 2022 dollars based on information from BizMiner, eMarketer, corporation annual 10-K reports, and ULI, which can be found in **Appendix A**.⁶⁴ The total projected sales for cumulative retail projects are approximately \$273.2 million. These projected sales, excluding the Project, are anticipated to increase existing Market Area retail sales by about 17 percent.

⁶⁴ **Table A-12** estimates 2018 retail sales per square foot based on retail categories and shopping center types.

6. URBAN DECAY IMPLICATIONS OF PROPOSED RETAIL

This chapter defines urban decay, describes the analysis methodology and assumptions, and evaluates the potential impact of the retail portion of the proposed Upper Westside, as well as other known major retail projects planned in the defined Market Area. The results of this analysis are used to evaluate the degree to which the potential impacts might result in the physical deterioration of the environment in the Market Area and to examine whether Project retail has the potential to start an economic chain reaction that leads to physical deterioration and urban decay.

Urban Decay Description

Urban decay is defined as the substantial and prolonged physical deterioration of properties or structures, resulting in discontinued use and investment, and adversely affecting the health, safety, and welfare of the surrounding community. Manifestations of urban decay may include various signs of physical blight such as abandoned buildings, boarded storefronts, litter, uncontrolled vegetation, vandalism, and graffiti.

State case law has determined that environmental documents must consider the potential for “urban decay” for projects that include retail development, “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”.⁶⁵ In *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004), experts warned “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.”⁶⁶ It is important to note that case law establishes that urban decay is not defined as the closing of one specific or even multiple stores, and new development does not trigger an automatic presumption of urban decay; 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.⁶⁷

The primary impetus of urban decay often stems from financial conditions faced by the individual property owners; if a landlord is unable to collect rent on a vacant property with minimal likelihood that it can be leased again, the landlord may lose the incentive to maintain it. The effect can spread to adjacent properties and become a self-fulfilling prophecy as customers start to avoid an area and other property owners or tenants perceive an area as no longer vital or safe. Urban decay can be reinforced by a reduction in the fiscal resources of local governing entities because of declining sales and property revenue.

⁶⁵ *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004), 124 Cal. App. 4th 1184.

⁶⁶ Ibid.

⁶⁷ Ibid.

The urban decay process generally takes several years to fully materialize and is reinforced by declining economic conditions in a broader area. It is generally not the result of a single property standing vacant for 1 or 2 years in an otherwise vibrant market.

Estimated Project-Specific Retail Impacts

As described previously, the Project is estimated to add more than 8,800 households (roughly 24,200 residents) from now until the anticipated buildout of the Project (2022 through 2052). This household growth, as well as new Project employment, will generate demand for retail space both in and outside the Project and Market Area. The Project is anticipated to add about 541,200 occupied building square feet of retail space at buildout, comprising community- and highway-serving retail.

This Study estimates the proposed additional occupied space in Upper Westside will contribute approximately \$170.0 million in annual retail sales to the Market Area for Phase 1 and \$263.3 million at buildout.⁶⁸ Estimated Upper Westside retail sales represent an approximate 12 percent increase over the existing normalized supply for Phase 1, increased to 18 percent at buildout, measured in terms of sales. Of projected sales in Upper Westside, this Study estimates that about \$127.4 million (75 percent of UWSP retail sales) in Phase 1 and \$139.0 million (53 percent of UWSP retail sales) at buildout represent the estimated Project's capture of the new Project development spending (from new households and employees within the Project).

The remaining Project sales that will need to be captured by external sources of demand outside of the Upper Westside are \$42.2 million in Phase 1 and \$124.3 million at buildout. The Market Area is estimated to capture \$61.4 million in Phase 1, and \$58.5 million at buildout, of the new Upper Westside household spending, excluding the spending captured within the Project itself.

There is an estimated surplus of demand from Project households and new Market Area households of \$19.1 million (1.3 percent of current Market Area sales) for Phase 1, stemming from the projected total buildout of residential units within the Project during Phase 1. The addition of the remainder of the nonresidential development at buildout creates an estimated deficit of about \$65.8 million in sales (4.6 percent of current Market Area sales) that will need to be captured from households and other sources of demand outside of the Market Area. The remaining \$65.8 million of total retail sales generated by Upper Westside would be attributable to a shift of sales from existing retail establishments in the Market Area. The estimated impact of retail development proposed in Upper Westside on total retail sales in the Market Area through Phase 1 (2042) and at Project buildout (2052) is shown in **Table 6-1**.

The Project-specific analysis excludes other new sources of demand that will certainly offset the estimated Project sales not captured by new households and employees in the Project. Notably, the project-specific analysis excludes estimates of sales from pass-by traffic for the Project's highway-oriented retail along Interstate 5 and Interstate 80. In addition, the analysis excludes market support from the incremental growth in households and employees in the Market Area, outside of the Project, which will patronize existing and new retail establishments in the Market Area, including the mixed-use retail uses in the Project town center.

⁶⁸ Refer to **Table 5-2** for information on estimated Project sales.

Table 6-1. Project-Specific Impacts on Existing Retail Supply

| Item | | | Phase 1: 20- Year Buildout (2022-2042) | Total Project Buildout (2022-2052) |
|---|-----------|-----------|--|--|
| | Source | Formula | | |
| Current Market Area Retail Sales (2022) | Table 5-1 | a | \$1,431,625,779 | \$1,431,625,779 |
| Estimated Project Retail Sales (Supply) | | | | |
| Estimated Projected UWSP Retail Sales (New Development Only) [1] | Table 5-2 | b | \$169,634,206 | \$263,250,812 |
| UWSP as % of Current Market Area Retail Sales | | c = b / a | 11.8% | 18.4% |
| UWSP Capture of New Project Development Spending (Demand) | Table 4-5 | d | \$127,400,682 | \$138,959,002 |
| % of UWSP Sales Supported by UWSP Development | | e = b / d | 75.1% | 52.8% |
| Remaining Project Retail Sales Requiring External Sources of Demand | | f = d - b | \$42,233,524 | \$124,291,809 |
| Less Market Area Capture of New Project Development Spending (Excl. UWSP Capture) | Table 4-5 | g | \$61,370,297 | \$58,471,738 |
| Estimated Net Project-Specific Retail Sales Impact Surplus/(Deficit) | | h = g - f | \$19,136,772 | (\$65,820,072) |
| Estimated Net Project-Specific Impact as % of Current Market Area Sales | | i = h / a | 1.3% | (4.6%) |

impact

Source: EPS.

[1] Excludes retail sales of existing uses in the Project, which are captured in current Market Area retail sales.

As shown, while Upper Westside would capture most of the incremental new demand, it would also result in a nominal sales deficit of about 4.6 percent from existing establishments in the Market Area. Although there is no absolute rule, most establishments usually can withstand a short-term sales shift of 5 percent to 7 percent over a 3- to 5-year timeframe, as this typically represents a business cycle downturn.⁶⁹ EPS estimates this nominal sales shift will decline as population and employment growth continues in the Market Area.

In EPS's professional opinion, the estimated nominal shift from existing retail establishments is unlikely to create conditions in the Market Area conducive to urban decay, defined as the substantial and prolonged physical deterioration of properties or structures resulting in discontinued use and investment. This is because the degree to which the market would be affected does not exceed thresholds in which a healthy retail sector could recover. In other words, property owners and tenants are likely to have an economic incentive to maintain their businesses (and properties) with the expectation that longer-term market trends are likely to be favorable. As mentioned, EPS estimates the sales shift will continue to decline as demand in the Market Area continues to expand based on population growth.

That being said, there are uncertainties regarding how the retail sector will continue to respond to changing dynamics, as discussed in **Chapter 3**. The retail sector has a history of dynamism and flexibility but the technological changes in the sector are unprecedented. EPS estimates that any impacts related to the long-term health of the retail sector in and outside the Market Area will be based on structural sector changes rather than the introduction of new Project retail.

Estimated Cumulative Retail Impacts

There is a moderate amount of retail space in future planned and proposed projects located in the Market Area. As described in **Chapter 5**, planned and proposed projects in the Market Area (excluding the Project) are estimated to comprise 912,000 gross building square feet of retail space. Approximately 93 percent of this retail space (849,400 gross building square feet) is anticipated to absorb by 2052, concurrent with buildout of the Project. Applying a Market Area adjustment rate to the community- and neighborhood-oriented shopping centers and the same vacancy rate applied to Project retail space, this Study estimates that about 638,800 square feet of cumulative occupied space, excluding the Project, is planned to serve Market Area households by 2052. Adding in the estimated occupied retail space in the Project, the total net new occupied retail space planned by 2052 is 1.2 million square feet. The 1.2 million square feet of net new absorbed space, including the Project, represents an approximate 23 percent increase relative to existing inventory in the Market Area. In comparison, total households in the Market Area, including the Project, are estimated to increase by about 84 percent.

In estimating the cumulative impacts of the Project and other future planned retail in the Market Area on existing retail outlets, this Study applies a similar methodology used to examine Project-specific impacts. In addition to the Upper Westside retail sales estimate of approximately \$263.3 million at buildout (2052), other future planned retail space in the Market Area will add

⁶⁹ This metric is based on decades of retail market research conducted by EPS, including an evaluation of retail sales and total establishment data collected from the California BOE and Department of Tax and Fee Administration.

approximately \$285.3 million in annual retail sales to the Market Area, for total new retail sales of nearly \$548.6 million annually with Upper Westside accounting for 48 percent of the future pipeline supply at buildout in the Market Area. The Market Area is estimated to capture \$327.0 million in Phase 1 (2042) and \$355.5 million at buildout (2052) of net new Market Area spending, excluding net new Upper Westside household and employee spending. Retail within Upper Westside is estimated to capture Project-generated household and employee spending of \$186.0 million in phase 1 and \$197.4 million at buildout. Total estimated net new spending in the Market Area is estimated to be \$513.0 million in Phase 1 and \$553.0 million at buildout. After accounting for the net new spending captured in the Market Area for the Project and the other cumulative Market Area retail projects there is an estimated surplus of demand available to support existing Market Area retailers from Project households and new Market Area households of \$58.1 million (4.1 percent of current Market Area sales) for Phase 1 and \$4.4 million at buildout (0.3 percent of current Market Area sales) as shown in **Table 6-2**.

The small percentage of available spending for Market Area retailers after the absorption of the Project and the cumulative projects indicates an appropriate amount of retail planned for future household growth. As the Sacramento Region, including the Market Area, continues to experience residential and employment growth, this percentage is expected to increase over time and indicates that development within the Market Area is unlikely to result in existing retail outlets becoming vacant or remaining vacant for a sustained period. Thus, it is EPS's professional opinion that this percentage of available spending is unlikely to lead to conditions conducive to urban decay. With the Market Area exhibiting strong market fundamentals, property owners and tenants will have an economic incentive to maintain their properties and businesses.

Further, with much of the existing supply of retail space in the Market Area being relatively new and well maintained as shown in **Appendix B**, there is no evidence to suggest that the existing retail space would be susceptible to vacancies based on the sole introduction of new retail space elsewhere in the Market Area.

The character of new retail space planned in the Market Area, including the Project, primarily is either community- (61 percent of total) or neighborhood-serving (25 percent of total), with the remainder identified as highway-serving (14 percent of total). New neighborhood-serving retail is developed to serve proximate new residents and will be financed and developed only when sufficient surrounding residential support exists, ensuring that impacts on existing retail outlets in the Market Area are minimal. With the plentiful inventory of existing community- and regional-serving retail in the Market Area and adjacent jurisdictions and the larger Sacramento Region, new community- and regional-serving retail also will be financed and developed only if sufficient net new market support exists. This type of retail space will require differentiation from the existing community and regional retail outlets in and beyond the Market Area to successfully attract sufficient consumer demand. With the Market Area exhibiting strong market fundamentals, it is unlikely existing retail space would be susceptible to vacancies based on the sole introduction of identified new retail space elsewhere in the Market Area.

Table 6-2. Cumulative Impacts on Existing Retail Supply

| Item | | | Phase 1: 20-Year Buildout (2022-2042) | Total Project Buildout (2022-2052) |
|--|-------------------------|------------------|---|--|
| | Source | Formula | | |
| Estimated Current Market Area Retail Sales (2022) | Table 5-1 | a | \$1,431,625,779 | \$1,431,625,779 |
| Estimated Cumulative Projected Retail Sales (Supply) | | | | |
| Estimated Projected Retail Sales of Proposed New Retail in Market Area | Table 5-4 | b | \$285,320,778 | \$285,320,778 |
| Estimated Projected UWSP Retail Sales (New Development Only) [1] | Table 5-2 | c | \$169,634,206 | \$263,250,812 |
| Total Cumulative Projected Retail Sales | | d = b + c | \$454,954,984 | \$548,571,590 |
| <i>UWSP as % of Projected New Retail</i> | | <i>e = c / d</i> | 37.3% | 48.0% |
| Estimated Net New Spending in the Market Area (Demand) | | | | |
| Net New Market Area Demand (Excluding Project) | Table 4-7 | f | \$326,992,482 | \$355,543,708 |
| Project Market Demand Captured in Market Area | Table 4-2 and Table 4-3 | g | \$186,021,261 | \$197,430,740 |
| Total Estimated Net New Spending in the Market Area | | h = f + g | \$513,013,743 | \$552,974,448 |
| Remaining Cumulative Demand to Support Existing Market Area Retailers | | i = h - d | \$58,058,759 | \$4,402,858 |
| <i>Estimated Cumulative Impact as % of Current Market Area Sales</i> | | <i>k = j / a</i> | 4.1% | 0.3% |

cumul impact

Source: EPS.

[1] Excludes retail sales of existing uses in the Project, which are captured in current Market Area retail sales.

Further, it is important to note that the estimate of net new sales excludes other sources of demand for retail space in the Market Area, including demand from employment growth in the Market Area outside of the Project, and demand from residents and pass-by trips originating from outside the Market Area. These additional sources of demand would bolster the estimated demand for existing retail businesses in the Market Area.

Urban Decay Conclusions

This Study evaluates whether the proposed Upper Westside has the potential to cause or contribute to urban decay, defined as the substantial and prolonged physical deterioration of properties or structures, resulting from extended vacancy, deferred maintenance, and abandonment.

This analysis concludes that the prospects for urban decay are unlikely based on development of the Project or the cumulative development of the Project and other planned retail projects in the Market Area, based on the level of absorption estimated in this Study. The conclusions drawn in this Study rely on current retail market conditions in the Market Area, findings regarding the capture of and demand for sales, the ability of landowners to adapt to changing market conditions, and jurisdictions' ability to address any instances of physical deterioration stemming from discontinued use and investment. These factors are discussed further below.

Existing Conditions of Retail Sector. All other things being equal, a weak or faltering retail sector will be more susceptible to urban decay. Conversely, a new competitive retail project is less likely to precipitate urban decay if existing market conditions are strong. Based on market performance indicators and corroborated with information obtained from real estate broker reports, the retail market in the Market Area is relatively healthy, with a consistently expanding inventory and a 3.4 percent vacancy rate, as described in detail in **Chapter 3.**⁷⁰

Extent of Demand. Urban decay is more likely if a new competitive project results in a relatively large quantity of oversupplied retail space in the affected market area, which can contribute to increased vacancy. It is noteworthy that during the Great Recession, the Market Area experienced higher than usual year-over-year vacancy rates—reaching about 9 to 10 percent over three years (2010-2012). During economic recovery from the Great Recession (2013-2018), vacancy rates declined, and the retail market never experienced a long-standing chain reaction of store closures, long-term vacancies, or other physical manifestations of urban decay as evidenced by re-tenanting activity (see **Table 6-3**) and stabilized vacancy rates within 4 to 5 percent (see **Table 3-2**). The vacancy rates since 2019 have fallen below the healthy range of 5 to 10 percent, higher vacancy rates provide prospective renters and buyers with more options when searching for space, helping to stabilize prices. Below this 5.0 percent rate, those looking for space have fewer options, allowing landlords to charge higher prices. Research has consistently found that a vacancy rate below this 5.0 percent threshold leads to increasing rents and sales prices. To that end, the current vacancy rate of 3.4 percent and the estimated

⁷⁰ CoStar Retail Submarket Report, Natomas and West Sacramento reports pulled April 2022; and CBRE Marketview, Sacramento Retail, Q4 2021.

Table 6-3. Re-Tenanted Spaces in the Market Area

| Item | Transaction Year [1] | Square Feet | Former Tenant | Shopping Center / Address |
|--------------------------------------|----------------------|-------------|---------------------------------------|---------------------------|
| Current Tenant | | | | |
| La Terra Development Industrial Park | 2022 | 155,000 | Fry's Electronics | 4100 Northgate Blvd |
| Ross | 2020 | 27,384 | NA | 735 Riverpoint Ct |
| Planet Fitness | 2019 | 25,000 | Borders | 4750 Natomas Blvd |
| Michaels | 2019 | 24,000 | Sports Authority (space split into 2) | The Promenade |
| Planet Fitness | 2019 | 20,738 | BigLots | 1250 W Capitol Ave |
| Boot Barn | 2020 | 19,991 | OfficeMax | 3678 N Freeway Blvd |
| Big 5 Sporting Goods | 2019 | 11,000 | Sports Authority (space split into 2) | The Promenade |
| Five Below | 2020 | 10,800 | Pier 1 Imports | The Promenade |
| Yue Huang Restaurant | 2021 | 6,842 | Re-lease | 3860 Truxel Rd |
| Victory Heating and A/C | 2023 | 6,000 | Dominos | 1500 W El Camino Ave |
| Mr. Crab Seafood Grill & Bar | 2020 | 5,203 | Sketchers | 3551 Truxel Rd |
| Kesa Sushi & Grill Buffet | 2021 | 4,000 | Hooters | 3541 Truxel Rd |
| The Pizza Press | 2019 | 4,000 | Corner Bakery Café | 2281 Del Paso Rd |
| Wingstop | 2019 | 2,760 | - | The Promenade |
| Gracie Brazilian Jiu-Jitsu Academy | 2019 | 2,500 | - | 4000 Truxel Rd |
| Panera Bread | 2021 | 1,800 | - | 2731 Del Paso Rd |
| My Kid's Dentist & Orthodontics | 2019 | 1,680 | - | 4690 Natomas Blvd |
| Smart & Final | 2020 | 1,485 | - | 3307 Northgate Blvd |
| Dames Beauty Salon | 2020 | 1,450 | - | 316 3rd St |
| Railroad Fish & Chips | 2019 | 1,400 | - | 1035 Drever St |
| Dickey's BBQ Pit | 2019 | 1,400 | - | 4630 Natomas Blvd |
| Pigtails and Crewcuts | 2019 | 1,397 | - | The Promenade |
| Curves | 2019 | 1,289 | - | 4331 Truxel Blvd |
| Q is Your Barber | 2020 | 1,140 | - | 1600 W El Camino |
| Dutch Brothers Coffee | 2032 | 900 | - | 764 IKEA Ct |

Source: CoStar; respective business websites; EPS.

[1] The length of vacancy ranges from less than one year up to 11 years.

remaining additional cumulative demand to support existing Market Area retailers of 0.3 percent indicate enough retail demand in the Market Area to support the cumulative projects, including the Project and thus not estimated to result in conditions conducive to urban decay.

Reuse Options of Affected Properties. Retail is a highly competitive and adaptable sector that is affected by a variety of evolving trends, including consumer preferences, demographics, travel patterns, technology, and innovation (e.g., e-commerce), as well as commodity production and distribution markets. Individual tenants or property owners will respond to these trends with varying degrees of success, depending on their entrepreneurial skills, local planning, business development efforts, and other factors. In the event vacancies occur in the market, either as a result of new retail space in the market or changing market dynamics, vacated spaces have the potential to be re-tenanted or repositioned with another specialization or use, see **Table 6-3** for examples of re-tenanting in and adjacent to the Market Area.

Regulatory Controls. Commercial property owners ordinarily want to maintain their property in a state that will attract and retain tenants. In addition, most municipalities have regulations that require private property owners to maintain their properties to prevent signs of disrepair. In the Market Area, both cities and Sacramento County require property owners to maintain their

properties by preventing poor property conditions and nuisances that may lead to blight. In addition, both the cities of Sacramento and West Sacramento have municipal ordinances to address the myriad physical manifestations related to urban decay.

The City of Sacramento's relevant ordinances include Municipal Code Chapters 8.04 Nuisances Generally, 8.04.060 Responsibility for proper property maintenance, 8.16 Abatement Procedure for Abandoned, Wrecked, Dismantled or Inoperative Vehicles, 8.04.360—Summary abatement of graffiti., 8.28 Weed and Rubbish Abatement, 8.76 Securing Unimproved or Unoccupied Real Property, 8.136 Registration of Vacant Lots, 12.32 Sidewalk Repair, Maintenance and Liability, and 8.96 Dangerous Buildings Code.⁷¹ In particular, the City of Sacramento's Nuisance Code Ordinance is intended to prevent anything that "constitutes visual blight or reduces the aesthetic appearance of the neighborhood, is offensive to the senses, or is detrimental to nearby real property or property value." Sacramento's Code Enforcement Division comprises the Code and Housing Enforcement Chief, 2 Supervising Building Inspectors, 1 Principal Building Inspector, 3 Senior Code Enforcement Offices, 1 Code Enforcement Manager, 2 Code Liaisons, 1 Program Manager, and 1 Customer Service Supervisor. City staff process around 4,200 cases per year for the Natomas-area zip codes (95833, 95834, and 95835). Approximately 99 percent of the opened cases are resolved each year. Commercial complaints typically include development standards and signage.⁷² The regulations in place would ameliorate any potential physical impacts leading to urban decay.

The City of West Sacramento's relevant ordinances includes Municipal Code Chapter 19 Nuisance Abatement Code which includes Section 19.05 Property Maintenance, and 19.10 Abandoned, Wreck, Dismantled, or Inoperative Vehicles.⁷³ In particular, the City of West Sacramento's Nuisance Code Ordinance is intended to "Provide for the protection of life, limb, health, safety, property or welfare of the general public and occupants of, and neighbors to, properties or conditions constituting public nuisances," and, "Provide the citizens of the city with an attractive community and protect property values."⁷⁴ West Sacramento's Code Enforcement Division comprises a Code Enforcement Manager, 4 Code Enforcement Officers, and 1 administrative support staff. The City of West Sacramento staff processes around 1,200 cases per year with an average of about 60 days to resolve the cases. ⁷⁵ The regulations in place would ameliorate any potential physical impacts leading to urban decay.

⁷¹ Sacramento, California City Code, https://library.qcode.us/lib/sacramento_ca/pub/city_code (accessed May 2022).

⁷² Data provided by the City of Sacramento Office of the City Clerk – Records Division, June 2022.

⁷³ West Sacramento Municipal Code, <https://qcode.us/codes/westsacramento/> (accessed May 2022).

⁷⁴ Ibid.

⁷⁵ Data provided by the City of West Sacramento Community Development Department, July 2022.



APPENDICES:

- Appendix A: Retail Urban Decay Analysis
Support Tables
- Appendix B: Physical Conditions of Existing
Retail Centers in the Market Area



APPENDIX A:

Retail Urban Decay Analysis Support Tables

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APPENDIX B:

Physical Conditions of Existing Retail Centers in the Market Area



Recently, the County inquired about the potential changes to the UDA findings, given the time that has passed and the development that has occurred since completion of the study.

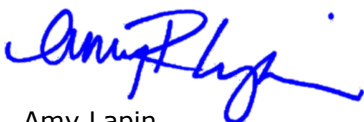
The UDA projects population, household, and employment growth in the Market Area from 2022 to the estimated buildout at the time of the report of 2052. In response to the County's inquiry regarding the 2 years that have passed, EPS estimates that updating the study period from 2024 to 2054 would not significantly change the UDA's key findings.

EPS's cumulative retail analysis projected an addition of about 849,400 square feet of retail by 2052, reflecting an annual average of 28,300 square feet of new retail space added to the Market Area, excluding the UWSP. Since 2022, the Market Area experienced net new absorption of 197,272 square feet of retail, reflecting an average of 84,545 square feet per year. However, more than 80 percent of this new retail space comprises a new Costco, a unique community-serving bulk-retail establishment that will not compete with most of the existing or new neighborhood- and community-serving retail establishments in the Market Area, and the remainder includes small retail stand-alone strip-center developments with a median square footage of 2,700 square feet. Further, there has been significant residential growth in the Market Area, bolstering continued demand for retail space in the Market Area.

In the previous decade (including the most recent development in the last 2 years), the Market Area added an average of about 26,000 net new square feet of retail space. EPS estimates it is reasonable to assume over the long-term, 30-year study period, average annual retail absorption will likely follow historical trends as residential development absorbs similar to historical trends. In response to the County's inquiry regarding new retail space constructed in the Market Area between 2022 and 2024, although the specific tenants in the retail space recently constructed in the Market Area were not identified in the UDA, EPS concludes it is reasonable to assume the recent retail space constructed in the Market Area is accounted for in the cumulative portion of the analysis.

Sincerely,

ECONOMIC & PLANNING SYSTEMS, INC. (EPS)



Amy Lapin
Principal