



**APPENDIX N**  
**URBAN DECAY STUDY**

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**DRAFT**

**SACRAMENTO RAILYARDS:  
URBAN DECAY ASSESSMENT**

*Prepared for:*  
*PBS&J/  
City of Sacramento*

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## **INTRODUCTION**

This urban decay assessment has been prepared pursuant to Keyser Marston Associates (KMA), Inc.'s contract with PBS&J as part of PBS&J's preparation of the Environmental Impact Report (EIR) for the Sacramento Railyards Specific Plan. The analysis of urban decay impacts, through a series of recent court decisions, has been determined to be within the purview of the California Environmental Quality Act (CEQA). Accordingly, KMA was retained by PBS&J and the City of Sacramento to evaluate the existing retail economic conditions of the Sacramento market and to assess whether the development of the proposed Railyards project might create impacts severe and substantial enough to result in urban decay in existing retail concentrations considered most vulnerable to negative impact. These vulnerable areas were agreed with the City and PBS&J to be the Downtown, where four retail concentrations: the Westfield Plaza, Old Sacramento, K-Street Mall, and Midtown Corridor.

The focus of this urban decay assessment is on the retail/entertainment component of the proposed Railyards project, as described in the Specific Plan. For the purpose of the assessment and consistent with the intent of the court decisions, "urban decay" is defined as the closure of retail and other stores in the surrounding area as a result of market competition and disinvestment - leaving decaying building shells in a state of sustained vacancy, long-term abandonment, repeated property damage, and/or deteriorated conditions that significantly impair the proper and safe use of the real estate. Properties in areas with higher than normal market vacancies and which have been empty and/or unused for at least three years or more are assumed to be in prolonged or sustained vacancies. An example in Sacramento would be the K-Street Mall, which has suffered urban decay – and is only now being transformed by coordinated public/private investment back to a state of economic vitality.

## **SECTION I. PROPOSED DEVELOPMENT**

### **A. Overall Concept**

The Sacramento Railyards project, as proposed by the developer/applicant, Thomas Enterprises, Inc., would redevelop approximately 240 acres of an older industrial area at the northwest edge of the Central Business District in downtown Sacramento into a transit-oriented, mixed use development consisting of high-density for-sale and rental housing, complemented by unique cultural opportunities, office, hotel, retail and entertainment uses, and parks and urban plazas, as defined in the Railyards Specific Plan. The development goal of the Railyards is to create an extension to the city's downtown with an activated ground floor retail and a walkable environment.

At build-out, the area is expected to contain an estimated 10,000 to 12,501 residential units, up to 1.38 million square feet of retail/entertainment space (1.54<sup>1</sup> million square feet if the additional .15 million square feet of retail in the historic and cultural component of the Central Shops district is included), 2.83 million square feet of office space, .48 million square feet of historic and cultural space (.33 million square feet if the .15 million square feet of retail space is excluded from this component), 1,100 hotel rooms, and approximately 41.2 acres of parks and open space.<sup>2</sup>

Per the Specific Plan and the applicant's representation, the build-out scenario would be accommodated in five distinct, thematic districts, as briefly summarized below and illustrated on the accompanying map:

- *Depot District:* This district is the connection point of the Railyards site to the downtown, and home of the new Sacramento Intermodal Transit Facility (SITF), a major regional transportation hub and its accompanying transit supportive uses, adjacent office, and ground floor retail uses. The retail component is designed to draw shoppers into the Railyards and create a better link with the Downtown. The historic Southern Pacific Railroad Depot building will be preserved and designed as a focal point of the SITF. It should be noted that while the Depot District is included in the Specific Plan, the development of the SITF parcels are the City's responsibility.
- *Central Shops:* This area represents the historic core of the Railyards, consisting of seven restored and renovated historic brick railyard buildings from the original Central Pacific Railyard constructed between 1868 and 1917 and includes the proposed Museum of Railroad Technology, an expansion of the existing State Railroad Museum in Old Sacramento. Another regional draw is envisioned to be the California Academy of

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<sup>1</sup> Totals may not be equal due to rounding.

<sup>2</sup> Totals for specific land use components, however, may vary differ due to mixed usage (i.e., cultural facilities with ground floor retail/restaurants) and allowance in the development program for possible use conversions (i.e., from office space to residential units) depending on the market at the time of implementation.

the Arts, which is intended to offer a number of performance and display venues, including a 1,600 seat theater for theater and arts groups in the region, and a number of arts educational programs that would be resident at the site. The district will also contain a mixture of shops, museum, jazz clubs, galleries, restaurants and a farmer's market integrated into the historic Central Shops buildings.

- *West End:* This district links the entire Railyards project to the Sacramento River with pedestrian-oriented streets and provides a range of entertainment, cultural, and retail activities that add to the regional draw of the Railyards area. The area is characterized by three key elements:
  - Camille Lane, which cuts across the district and provides access to the entire length of the district, is an urban mixed use street featuring a 24-hour pedestrian-friendly "European" neighborhood feel with ground floor retail and entertainment venues with housing, office and college classrooms above;
  - Lifestyle retail and entertainment venues in the central portion of the district, integrated by a network of pedestrian alleys and plazas, with restaurants, bars and nightclubs; and
  - An approximately 200,000 square foot Bass Pro store on its northwest edge.
- *East End:* This district will be a new residential neighborhood that captures the spirit of the city's traditional open space-oriented neighborhoods with a linear urban park. It will provide an urban open space where residents can gather to walk, exercise and relax. Retail opportunities in this area, which include a significant ground floor component, will be neighborhood serving.
- *Riverfront District:* This area is the location where the Railyards site connects to the waterfront, with restaurants, a hotel, housing, parks and open space, featuring water views.

## **B. Retail Leasing**

As envisioned, the 1.38 million square feet retail and entertainment space in the Railyards project (or 1.54 of million square feet if the additional .15 million square feet of retail space in the historic and cultural component is included) would be distributed in the five above districts. Although there will likely be a mix of different retail tenant types in each of the five districts, it is anticipated that:

- *Comparison Retail* (defined as Apparel, General Merchandise, Home Furniture/ Furnishings, and Specialty Retail) and *Eating and Drinking uses* (inclusive of nightclubs, sports bars, restaurants and other entertainment establishments serving food and drinks;

excludes museums, theaters, and other performance arts venues) would be concentrated primarily in the West End and Central Shops District;

- *Convenience Retail* (Food and Drugs Stores) and *Services* (e.g., dry cleaners, beauty salons, shoe repair, banks, etc.) would dominate in the Depot and East End Districts.

For the purpose of this analysis, KMA has assumed that the retail uses are located primarily on the street level, although it is possible that some of the retail uses may be located on the second floor. Typically, second floor uses such as entertainment and eating & drinking tend to work better than retail stores on the upper levels. However, as the vertical layout of the envisioned retail spaces has not yet been defined for the proposed program, no second floor retail uses are assumed.

The location of the proposed uses by districts within the Railyards are shown on Table 1 and summarized below:

**Table 1a**  
**Retail Entertainment Program**  
**Sacramento Railyards**

<i>(In Sq. Ft.)</i>	<u>West End</u> <sup>3</sup>	<u>Central Shops</u> <sup>4</sup>	<u>Riverfront</u>	<u>Depot</u>	<u>East End</u>	<b>Total</b> (Incl. Central Shops)	<i>% of Total</i>
Comparison Retail	605,000	35,000	--	--	--	640,000	42%
Eating & Drinking	405,000	63,000	15,000	24,000	25,000	532,000	34%
Convenience Retail/Services	53,000	56,000	--	133,000	125,000	367,000	24%
<b>Total (Incl. Central Shops Retail)</b>	<b>1,063,000</b>	<b>154,000</b>	<b>15,000</b>	<b>157,000</b>	<b>150,000</b>	<b>1,539,000</b>	<b>100%</b>
<i>% of Total</i>	<i>69%</i>	<i>10%</i>	<i>1%</i>	<i>10%</i>	<i>10%</i>	<i>100%</i>	
<b>Total (Excl. Central Shops Retail)</b>	<b>1,063,000</b>	--	<b>15,000</b>	<b>157,000</b>	<b>150,000</b>	<b>1,385,000</b>	
<i>% of Total</i>	<i>77%</i>	--	<i>1%</i>	<i>11%</i>	<i>11%</i>	<i>100%</i>	

<sup>3</sup> Given that no breakdown of retail versus entertainment space was provided by applicant for the West End, it is assumed that approximately 5% of the total retail sq.ft. would be Services, and the remainder allocated to Eating & Drinking and Comparison Retail, which would include the 200,000 sq.ft. Bass Pro store.

<sup>4</sup> According to information provided by the applicant, 154,000 sq.ft. of additional space would be available for additional food and beverage (63,000 sq.ft.), retail shops (35,000 sq.ft.), and a market (56,000 sq.ft.) The California Academy of the Arts facility (100,000 sq.ft.) would also be a key anchor in the Central Shops District .

*Comparison Retail.* As shown, of the total 1.54 million square feet of retail and entertainment space (including the additional retail opportunities in Historic/Cultural uses) proposed for the

Railyards, approximately 42%, or about 640,000 square feet, would be Comparison Retail. An estimated 605,000 square feet are assumed to be located in the West End, with the remainder, or 35,000 square feet, located in the Central Shops District.

The 605,000 square feet allocation of Comparison Retail space in the West End is based on an assessment by KMA and the City of the retail concepts identified in the Specific Plan for the five districts – as the applicant has not provided breakdown estimates of the retail space by type (i.e., Comparison Retail, Eating and Drinking, and Convenience Retail/Services.) Thus, for the purpose of this analysis, KMA has assumed that 5%<sup>3</sup> (or approximately 53,000 square feet) of the total retail space in West End would be Services, located primarily between 5<sup>th</sup> and 7<sup>th</sup> streets. Another 405,000 square feet would be Eating and Drinking space to complement the historic/cultural activities envisioned for the neighboring Central Shops District. The remaining, or roughly 605,000 square feet, of the retail space in the West End would be Comparison Retail. The applicant has represented that it has commitment from a Bass Pro store for an estimated 200,000 square feet and has indicated that an additional 300,000 to 400,000 square feet are targeted for large format anchor tenants (as yet unnamed). Less than 100,000 square feet of the remaining Comparison Retail space in the West End, therefore, would be non-anchored, small shop space.

*Eating and Drinking.* Approximately 34%, or 532,000 square feet, of the 1.54 million square feet retail/entertainment space in the Railyards is assumed to be Eating and Drinking – with the bulk of the space again in the West End and the remainder scattered in the other four districts. As envisioned in the Specific Plan, the space would be tenanted by restaurants, nightclubs and other food/entertainment venues.

*Convenience Retail & Services.* The remaining 24%, or 367,000 square feet, would be Convenience Retail and Services, serving residents in the Railyards and nearby neighborhoods. West End would likely have a predominant mix of Services such as banks, beauty salons and dry cleaners, while the Depot and the East End would also include more Convenience Retail stores, such as a grocery store and/or a pharmacy.

### **C. Implementation/Phasing**

As noted above, at least three major, regional destination facilities are proposed for the Railyards Project: a relocated Sacramento Intermodal Transit Facility, the Museum of Railroad Technology, and the California Academy of the Arts, although these facilities are not certainties as they are highly funding-dependent. The three major anchors, which are anticipated to attract large numbers of transit riders and visitors to the Railyards, will require a significant level of non-developer funding (i.e., preliminarily estimated to be in the range of \$500 million or more.) Thus, the implementation of the proposed Railyards concept as embodied in the Specific Plan will be heavily dependent on the ability of the project to secure the necessary capital for the construction of these essential components. In addition, given the dynamic real estate market

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<sup>3</sup> Approximately 5% of space in a shopping center is typically services.

and the estimated 20-year build-out horizon, it must be assumed that actual implementation results will vary from the program and the phasing described herein.

In light of the need to secure capital funding as discussed above and in recognition of the complexity of the project, KMA has modified for the purpose of this urban decay analysis the applicant's estimated phasing schedule to allow for a slightly longer project funding and construction process in the initial phases (Phases 1 and 2) and a shorter timeframe for the later phases when the project has matured (Phases 3 and 4). Construction is assumed to start in 2009/10, with a two- to three-year lag for each subsequent phase. Each phase of the project is assumed to be stabilized (high tenant occupancy and mature level of sales), which typically is expected to occur by the second or third year after construction completion. Completion of the entire project is targeted for 2025, as shown on Table 1 and Exhibit A, and summarized below:

**Table 1b**  
**Projected Railyards Project Program and Timeline**  
**Sacramento Railyards**

	Total Retail Sq. Ft. (Incl. Cental <u>Shops Retail</u> )	Total Retail Sq. Ft. (Excl. Central <u>Shops Retail</u> )	Construction <u>Start</u>	<u>Opening</u>	Stabilized <u>Year</u>
Phases 1A & 1B	1,109,300 <sup>5</sup>	955,300	2009 -10	2011-14	2015
Phase 2	264,500	264,500	2015	2017	2018
Phase 3	40,000	40,000	2018	2020	2021
Phase 4	<u>125,000</u>	<u>125,000</u>	2022	2024	2025
Total	1,538,800	1,384,800			

<sup>5</sup> The higher estimated includes approximately 154,000 sq.ft. of additional retail/entertainment opportunities in the historical/cultural component of the Central Shops District (e.g., museum shops and cafes), as represented by the applicant.

## **SECTION II. PROJECTED MARKET POTENTIAL/SALES REQUIREMENTS (2015, 2025)**

This section summarizes the projected market potential and sales requirement analysis for the retail and eating and drinking components envisioned at the Railyards. The analytical approach basically involves a five-step process: 1) definition of retail trade areas, 2) identification of market support segments for the specific retail concepts, 3) projection of total expenditure retail potential for the specific categories of retail uses proposed, 4) competitive supply and projected retail sales requirements, and 5) projection of net retail expenditure potential based on a comparison of total expenditure potential with projected retail sales requirements for existing and planned retail centers in the trade areas. The projected potential/sales requirement comparison is prepared for two points in time: Year 2015 (at the end of Phase I) - when a substantial percentage of the total retail and eating and drinking space proposed have been built and the operation has stabilized, and Year 2025 (at the end of Phase IV) - when 100% of the proposed retail and eating and drinking space has been completed as proposed and stabilized.

It should be noted that the 200,000 sq.ft. Bass Pro store, which is being planned for the Railyards, is a one-of-kind destination and currently has no competition in the Sacramento region. As such, it would be a major tourist attraction as well as a regional retail store. This is reinforced by the developer/applicant's projection of 2 to 4 million visitors to the store annually. However, plans for another Bass Pro store in the city of Manteca (approximately an hour's drive to the Railyards site) have recently been announced. If built, the Manteca Bass Pro store could reduce the Railyards store's anticipated draw of shoppers from the regional trade area.

### **A. Trade Area Definitions**

Different types of retail uses draw from different trade areas for market support. According to Urban Land Institute's (ULI's) Shopping Center Development Handbook (1999), the *primary trade area* is defined as the "geographical area from which the center derives its largest share of repeat sales. This geographical area typically extends to 1 to 1½-mile for a neighborhood center, 3 to 5 miles for a community center and 8 to 12 miles for a regional mall." An estimated 70% to 80% of the center's regular customers are anticipated to be drawn from this area. The Handbook also states that some newer specialty centers like entertainment centers may draw from even larger trade areas, such as an entire metropolitan area. The *secondary trade area*, which can extend 3 to 7 miles beyond the primary trade area, depending on the center's type and size and the competition, is estimated to generate 15% to 20% of the total sales of an average shopping center. The broadest area from which customers can be drawn is the *tertiary or fringe trade area*. It may represent a small but significant share of the center's customers – particularly from large, specialty center, downtown centers and entertainment centers – and can extend 15 miles or more beyond the primary trade area.

Based on the retail and entertainment concepts represented by the applicant for the proposed Railyards and the above ULI's trade area definitions, it is anticipated that the *Comparison Retail and Eating and Drinking* components at the proposed project can potentially draw from a

regional trade area of approximately 30 miles radius from the subject site. This Regional Trade Area (RTA) is the catchment area for residents seeking a specific market that fits and appeals to their retail needs. For the purpose of this assessment, the boundaries of this area is defined as extending north to almost Marysville, east to the Sierra foothills, south to Lodi, and west to Vacaville. It includes generally the City of Sacramento and the nearby cities of Davis, West Sacramento, and Woodland, and the farther out suburban communities of Lincoln, Rocklin, Roseville, Citrus Heights, Folsom, Elk Grove, Vacaville, Dixon and portions of unincorporated Sacramento, Placer, Solano, Sutter and Yolo counties, as shown in Map 1.

The bulk of the sales for the proposed Railyards project, however, is expected to be drawn from the closer-in, urbanized area (or the primary trade area) within the larger regional trade area. This Primary Trade Area (PTA) is an approximately 10 to 15-mile oval-shaped polygon around the Railyards (inclusive of Downtown Sacramento), extending generally to the cities of Davis and Woodland to the west and midway between the subject site and the cities of Elk Grove to the south, Folsom to the east, and Roseville to the north. (See Map 2.) The boundaries of this trade area are delineated by the location of major existing or planned competitive centers, such as the Roseville Galleria and the Folsom Palladio, which are expected to “split” the market with the proposed Comparison Retail and Eating and Drinking uses envisioned at the Railyards. This is the area, which, according to ULI, is where the majority of a regional retail center’s sales can be expected to be drawn.

For the purpose of this assessment, the remainder of the sales for the proposed Railyards Comparison Retail and Eating and Drinking are assumed to be drawn from the rest of the RTA (defined as the secondary/tertiary trade areas per ULI). This area encompasses basically the suburban communities and the unincorporated area of the counties within the RTA as referenced above.

Thus, the overall trade area defined for the Comparison Retail and Eating and Drinking uses at the Railyards is the RTA, which includes the PTA (and Downtown Sacramento), as shown on Map 1.

For *Convenience Retail and Services* proposed at the Railyards, the primary trade area is defined as the Downtown (DT), the boundaries of which are consistent with those defined by the City’s for its Central Business District: an area bounded by the Sacramento River on the west and north, I-50 on the south, I-5 on the west to I-80 on the east, as shown on Map 3. This area includes four major retail concentrations: Westfield Plaza, Old Sacramento, K-Street Mall and Midtown. The Downtown would be the primary trade area for the Convenience Retail and Services at the Railyards as the types of uses envisioned, i.e., grocery stores/markets, drug stores, resident-serving services, typically draw the bulk of their market support from an area approximately 1 to 1½-mile radius from the subject site.

Following is a description of the demographic characteristics of these trade areas:

*1. Comparison Retail and Eating and Drinking*

*Regional Trade Area (RTA)* – Market support in the larger metropolitan area has grown considerably in the last decade, reflecting the expansion of the Greater Sacramento region, driven particularly by fast-growing cities such as Elk Grove and Roseville. As shown on Table 2, the RTA population increased 18% between 2000 and 2007, from 1.7 million to about 2.0 million. It is projected to continue growing at a faster rate than the State as a whole in the next two decades, with population projected to reach 2.3 million by 2015 and 2.7 million by 2025. Average per capita income of residents in this regional trade area is estimated at \$26,900.

*Primary Trade Area (PTA)* – The estimated 2007 resident population in the closer-in trade area, or the PTA, is slightly over 1.0 million, an 11% increase over the 2000 population of 970,000. This trade area is projected to grow modestly – to 1.2 million residents by 2015 and nearly 1.4 million by 2025. The average per capita income within the PTA is similar to that for Downtown, at approximately \$23,300. This area is expected to generate the bulk of sales support for the proposed project.

*2. Convenience Retail*

*Downtown Sacramento (DT)* - As shown on Table 2, the residential population in the Downtown is estimated by Claritas, a U.S. Census-based data source, at about 33,347 for 2007, an approximately 5% increase from 2000. However, there are an estimated 4,700 residential units under construction or being planned in the Downtown, plus an additional 10,000 to 12,000 units proposed for the Railyards alone. Thus, assuming these units are realized, the residential population in Downtown Sacramento could potentially increase from its 2007 total of 33,347 to an estimated 44,347 by 2015 and to 77,347 by 2025, an increase of 11,000 and 44,000 residents respectively. The household size for the Downtown population is estimated at 2.1 persons per household, which is smaller than that for the City of Sacramento overall; based on the experiences in other downtowns, in-town households tend to be heavily comprised of singles, childless couples and empty-nesters. The estimated 2007 per capita income of Downtown residents is in the range of \$23,200.

**B. Market Support Segments**

The following four major segments of the market would be logical targets for the proposed retail and entertainment complex at the Railyards:

- Residents (Downtown, Primary Trade Area, Regional Trade Area). As shown on Table 3, an estimated total of 2.3 million and 2.7 million total residents are projected in these three trade areas, respectively, for 2015 and 2025. Of the approximately 2.3 million total residents projected for 2015, an estimated 44,000 residents would be located in the Downtown; approximately 1.2 million additional residents in the PTA, and the remainder of approximately 1.1 million residents in the RTA. For 2025, the number of total residents is projected to increase to 2.7 million, with the largest gain expected Downtown – 77,000

residents. An additional 1.3 million and 1.4 million are projected to locate, respectively, in the PTA and RTA. (Source: Claritas, extrapolated by KMA based on trends and/or known residential developments – such as in the Downtown.)

- Downtown Office Employees. Based on information from the Downtown Sacramento Partnership (DSP) and Sacramento Area Council of Governments (SACOG), the total number of office employees in Downtown Sacramento is estimated to be in the range of 91,000 by 2015, increasing to 106,000 by 2025. These estimates were adjusted downwards by approximately 50% to 46,000 and 53,000, respectively, for 2015 and 2025 to avoid double-counting of employees who may also be trade area residents. (See Table 3.)
- Downtown Visitors. According to data provided by DSP, a total of 4.6 million visitors attended various downtown events and attractions in 2005. In the absence of any more definitive statistical data, an adjustment of 50% reduction has also been made to this total to eliminate multiple visits to events/venues by the same visitor(s) and to avoid overlaps with the trade area resident and employee counts above. As shown on Table 3, an estimated 2.4 million visitors to Downtown Sacramento is projected for 2015, rising to approximately 2.7 million visitors for 2025. These projections are in the same range as the 2 to 4 million annual visitors per year projected by the applicant for the proposed Bass Pro store at the Railyards.
- Special Use-Generated Visitors (i.e., to museums, playhouse, other live-performance venues). As shown on Table 3, an estimated 175,000 are projected to be visitors to the proposed Museum of Railroad Technology. This number is extrapolated from the estimates in the 2000 Market Overview study prepared by the CA State Railroad Museum and Foundation. The projected 500,000 annual attendees (2015) and 700,000 attendees (2025) to the entertainment venues envisioned for the Railyards, such as a playhouse, live-performances, etc., are an estimate for the purpose of this analysis only as the precise number of attendees will be contingent upon the size and nature of the entertainment offered at the proposed project. This level of project information is not yet available with a high degree of certainty.

For the *Convenience Retail and Service* uses proposed at the Railyards, Downtown residents would be the primary segment of market support. Other downtown segments, such as downtown employees and visitors, are expected to represent secondary support for the local retail uses proposed.

For *Comparison Retail and Eating and Drinking*, residents in the Primary Trade Area (inclusive of Downtown) would be the primary market support segments. Others, including residents from the Regional Trade Area, downtown employees and visitors, and visitors generated by the special uses, are anticipated to represent secondary and tertiary support for the comparison retail and eating and drinking entertainment uses envisioned at the Railyards.

### **C. Projected Total Retail Expenditure Potential**

The projection of per capita and total market demand is based on an assessment of each support segment's expenditure pattern for the selected types of retail goods and the projected growth of the segments to 2015 and 2025, as shown on Tables 4a and b and Table 5a and b. These assumptions and the analytical results for the selected types of retail and entertainment uses proposed at the Railyards are summarized as follows:

#### *1. Comparison Retail Expenditure Potential*

Based on the taxable retail sales from the State Board of Equalization (SBE), residents in the state spent an average of 14.5%, or about \$3,700, of their 2005 per capital income on Comparison Retail goods (Apparel, General Merchandise excluding Drugs, Specialty Retail, and Home Furnishings and Appliances). Downtown employees are estimated to spend in the range of \$1,600 per year and Downtown Visitors expenditures are estimated to spend approximately \$34 per day for this category of retail goods<sup>4</sup>. (See Tables 4a and b.)

Assuming the above patterns, the total Comparison Retail expenditure potential available from all the market segments is projected to be in the range of \$9.2 billion, as shown on Table 5a, for 2015. Over 98% of this total, or approximately \$9.0 billion would be generated from trade area residents. An additional \$60 million are projected to be generated from Downtown Employees, \$83 million from Downtown visitors and the remainder, or about \$11 million from Special-Uses in the Railyards. The total Comparison Retail expenditure potential is projected to increase to \$12.1 billion by 2025, as shown on Table 5b.

#### *2. Eating and Drinking Expenditure Potential*

Similarly, taxable retail sales from the State Board of Equalization indicates that the average California resident spent 4.9%, or about \$1,300, in 2005 on Eating and Drinking. Downtown employees are estimated to spend in the range of \$1,800 per year and Downtown Visitors expenditures are estimated to spend approximately \$23 per day for this category of retail goods. (See Tables 4a and b.)

Assuming these spending patterns, the total expenditure potential available from all the market segments for Eating and Drinking is projected to be about \$3.2 billion, as shown on Table 5a, for 2015. Of this total, approximately \$3.1 billion are expected to be generated from trade area residents. An additional \$69 million are projected to be generated from Downtown Employees, \$56 million from Downtown visitors and the remainder, or about \$8 million from Special-Uses in the Railyards. The total Eating and Drinking expenditure potential is projected to grow to \$4.2 billion by 2025 (See Table 5b.)

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<sup>4</sup> These estimates are based on industry publications, such as the 2004 Office Worker Spending Patterns from the International Council of Shopping Centers, Dean Runyan Associates and Smith Travel Research reports, adjusted to 2007.

*3. Convenience Retail and Services Expenditure Potential*

Given that not all sales are typically taxable in grocery and drug stores, SBE's taxable sales data were adjusted to reflect total Convenience Retail sales. Based on this adjustment (at 30% for Food and 65% for Drugs stores), the average resident in the state spent about 8.2%, or \$2,100, in 2005 on Convenience Retail goods. Services, such as beauty salons, shoe repairs, dry cleaners, banks, etc., do not generally generate any meaningful levels of retail sales or their sales are included in other retail categories; they also tend to represent only a small portion, i.e., around 5%, of total retail space in a center. Thus, expenditure potential for Services is not include in this analysis. (See Tables 4a and b.)

Assuming the spending patterns above, the total Convenience Retail expenditure potential projected from all the Downtown market support segments (Downtown residents, office workers and visitors) for is projected to be about \$141 million, as shown on Table 5a for 2015. Of this total, approximately \$91 million would be generated from Downtown residents, \$42 million from Downtown Employees, and \$7 million from Downtown visitors. Of just these three segments, the total expenditure potential is projected to increase to \$242 million by 2025 for Convenience Retail (See Table 5b.)

*4. Aggregated Expenditure Potential*

In summary, the aggregated expenditure potential available to Downtown Sacramento from the four segments of support (applicable trade area residents, downtown employees and visitors, including special uses generated visitors) is projected to be \$12.6 billion for 2015 and \$16.6 billion for 2025, as summarized below:

<b><u>Projected Total Expenditure Potential</u></b>	<b><u>Estimated 2015</u></b>	<b><u>Projected 2025</u></b>
<b>Comparison Retail</b>		
Trade Area Residents	\$ 9,056 M	\$11,890 M
Downtown Office Workers	\$ 60 M	\$ 74 M
Downtown Visitors	\$ 83 M	\$ 106 M
Special Use Generated	<u>\$ 11 M</u>	<u>\$ 17 M</u>
Total RTA (Incl. DT, PTA) <sup>5</sup>	\$ 9,211 M	\$12,088 M
<b>Eating and Drinking</b>		
Trade Area Residents	\$ 3,092 M	\$ 4,055 M
Downtown Office Workers	\$ 69 M	\$ 90 M
Downtown Visitors	\$ 56 M	\$ 70 M
Special Use Generated	<u>\$ 8 M</u>	<u>\$ 11 M</u>
Total RTA (Incl. DT, PTA) <sup>5</sup>	\$ 3,225 M	\$ 4,226 M
<b>Convenience Retail/Services</b>		
Downtown Residents	\$ 91 M	\$ 176 M
Downtown Office Workers	\$ 42 M	\$ 58 M
Downtown Visitors	<u>\$ 7 M</u>	<u>\$ 8 M</u>
Total Downtown <sup>5</sup>	\$ 141 M	\$ 242 M

**D. Competitive Supply**

Given that there is no database for a comprehensive inventory of existing retail space in the City of Sacramento as well as in the PTA and RTA, KMA has estimated competitive supply based on information provided by the City, PBS&J, DSP, the applicant, and industry publication on known existing, under construction, and planned retail projects in the three trade areas: Downtown, PTA and RTA. Projects which are in early planning or conceptual stage with no known specifics, such as the Stone Lock project in West Sacramento and the proposed expansion at Arden Fair in Sacramento, have not been included at this time. The assumptions on the size and timing of existing, under-construction, and planned major retail projects (typically 500,000 square feet) or more outside of Downtown) are shown on Table 6a. Additional centers,<sup>6</sup> such as less directly competitive and/or smaller centers (i.e., under 500,000 square feet outside of Downtown in the remainder of the PTA or RTA) are aggregated on Worksheet 1. These totals are further adjusted on Tables 6a and b by a 25% allowance for other retail not listed, such as stand alone, upper-level, and/or scattered retail uses and/or retail in smaller centers/cities/unincorporated county areas.

<sup>5</sup> Totals may not equal due to rounding.

<sup>6</sup> Provided by applicant, amended by KMA based on additional/updated project information available.

## 1. *Downtown*

As shown, there are an estimated 2.1 million square feet of competitive supply existing in the Downtown, with over 1.7 million concentrated in four major retail areas within Downtown (Westfield Plaza, Old Sacramento, K-Street Mall, and Midtown Corridor) as of 2007. The salient retail characteristics of each of these areas are briefly described below:

- *Westfield Downtown Plaza* (est. 981,000 sq.ft.), a 2-level, regional retail center now anchored by Macy's and a multi-plex cinema. Plans have been proposed for an approximately 332,000 sq.ft. (or 110,000 sq. ft. of net new space after renovation of existing center) expansion, with a Target store and an upscale grocer. Residents comprised the major market support segment for this center;
- *Old Sacramento* (est. 410,000 sq.ft.), a visitor-oriented, historic-themed center, comprised mainly of restaurants/entertainment and small specialty retail shops;
- *K Street Mall* (est. 132,000 sq.ft.), a pedestrian/light rail mall, currently with a large amount of vacancy as it is in transition; city plans call for transformation of the area to a higher-end retail, restaurant/ entertainment downtown destination for both residents and visitors. An additional 450,000 sq.ft. of new retail space are under construction or planned in this area;
- *Midtown Corridor* (est. 150,000 sq.ft.), a local retail district which has emerged alongside the large number of new housing units recently been built in the area, it is anchored by small neighborhood restaurants/bars and one-of-a-kind boutiques. Another 50,000 sq.ft. of retail have been proposed for the Corridor.

A 25% allowance, or approximately 418,000 sq.ft., is estimated for the rest of the retail (i.e., not in the four concentrated locations) in the remainder of Downtown.

If the proposed Railyards is built, it would add approximately 1.5 million sq.ft., or nearly double the amount of existing retail space currently existing in the four concentrated locations within Downtown Sacramento. As shown on Table 6a, the retail space planned for the Railyards by 2015 would represent approximately 26% of total existing, under construction and planned inventory in the Downtown; by 2025, the Railyards project would represent an estimated 32% of the Downtown retail inventory.

## 2. *Remainder of PTA*

Outside of Downtown, there are an additional 9.8 million square feet of retail, of which an estimated 7.7 million square feet are in 10 existing retail centers, with the largest being the 1.1 million square foot Arden Fair. Other centers are Natomas Marketplace, Sacramento Gateway – Promenade and the Village, Florin Town Center, County Club Plaza, Country Club Plaza, Southgate (Sacramento), Riverpoint Marketplace (West Sacramento), and Woodland Gateway

Center. In addition, approximately 3.1 million square feet of retail are estimated for the remainder of the PTA. This additional space includes retail uses located in smaller centers and uses not located in centers, as shown on Worksheet 1.

On the PTA level (inclusive of Downtown), the proposed Railyards project would represent only about 7% of the total 2015 PTA inventory of existing, under-construction and planned retail space and 9% of the 2025 PTA inventory, as shown on Table 6a.

### *3. Remainder of RTA*

There is anticipated to be another 9.1 million square feet of competitive retail space existing in the remainder of the Trade Area, as summarized in Table 6a. The most competitive would be the approximately 1.0 million sq.ft. Roseville Galleria, a Nordstrom-anchored, upper-end center and the 1.2 million sq.ft. Sunrise Mall in Citrus Heights, an older traditional department-store anchored retail center, as the least comparable.

However, over 5.0 million sq.ft. of new retail space are being planned in the remainder of the RTA, including expansions of the existing Roseville Galleria and Sunrise Mall and development of new centers in outlying communities such as Elk Grove (Laguna Ridge and the Promenade), Folsom (Palladio), Rocklin (Rocklin Crossing), and an yet unnamed regional mall south of Highway 50. An additional 9.6 million square feet of smaller retail centers and an allowance for other retail are estimated to be located in the rest of the RTA (See Table 6a.)

Thus, for the RTA (inclusive of PTA and DT), the proposed Railyards project, if built, would constitute only a small percentage of the total retail space in the region: in the range of 3% by 2015 and 4% by 2025.

### *4. Allocation by Retail Types*

The estimated retail space inventory in Table 6a are also broken down by the same retail components (Comparison Retail, Eating and Drinking, and Convenience Retail and Services) as those proposed for the Railyards. These breakdowns are estimated based on square footage of retail space use information available for a specific project or, if such information is not readily available, on KMA's estimates, taking into account the type of retail project (if known) and/or by typical space usage within specific types of shopping centers. For example, typical space use in traditional comparison shopping centers is approximately 80% Comparison Retail, 15% Eating and Drinking, and 5% Services. In a lifestyle retail center, the space allocation tends to be lower in Comparison Retail (about 67%) and Services (about 4%), and higher in Eating and Drinking (i.e., 29%). Thus, centers for which the space usage is unknown are broken down based on typical rates as above.

These breakdowns are shown on Tables 6b, c, and d and summarized below (excluding and including the Railyards):

<b><u>Competitive Retail Supply</u></b> <b><u>(Excluding the Railyards)</u></b>	<b><u>Estimated 2007</u></b>	<b><u>Projected 2015</u></b>	<b><u>Projected 2025</u></b>
Total			
Downtown	2.1 M Sq.Ft.	3.1 M Sq.Ft.	3.2 M Sq.Ft.
Total PTA (Incl. DT)	9.8 M Sq.Ft.	15.2 M Sq.Ft.	15.3 M Sq.Ft.
Total RTA (Incl. DT, PTA)	18.9 M Sq.Ft.	33.3 M Sq.Ft.	33.4 M Sq.Ft.
Comparison Retail			
Downtown	1.4 M Sq.Ft.	2.2 M Sq.Ft.	2.3 M Sq.Ft.
Total PTA (Incl. DT)	7.9 M Sq.Ft.	11.8 M Sq.Ft.	11.9 M Sq.Ft.
Total RTA (Incl. DT, PTA)	15.2 M Sq.Ft.	26.2 M Sq.Ft.	26.3 M Sq.Ft.
Eating and Drinking			
Downtown	0.5 M Sq.Ft.	0.8 M Sq.Ft.	0.8 M Sq.Ft.
Total PTA (Incl. DT)	1.8 M Sq.Ft.	2.6 M Sq.Ft.	2.6 M Sq.Ft.
Total RTA (Incl. DT, PTA)	3.1 M Sq.Ft.	5.4 M Sq.Ft.	5.4 M Sq.Ft.
Convenience Retail & Services			
Downtown	.1 M Sq.Ft.	.2 M Sq.Ft.	.2 M Sq.Ft.
<b><u>(Including the Railyards)</u></b>			
Total			
Downtown	2.1 M Sq.Ft.	4.2 M Sq.Ft.	4.8 M Sq.Ft.
Total PTA (Incl. DT)	9.8 M Sq.Ft.	16.3 M Sq.Ft.	16.8 M Sq.Ft.
Total RTA (Incl. DT, PTA)	18.9 M Sq.Ft.	34.4 M Sq.Ft.	35.0 M Sq.Ft.
Comparison Retail			
Downtown	1.4 M Sq.Ft.	2.7 M Sq.Ft.	2.9 M Sq.Ft.
Total PTA (Incl. DT)	7.9 M Sq.Ft.	12.3 M Sq.Ft.	12.5 M Sq.Ft.
Total RTA (Incl. DT, PTA)	15.2 M Sq.Ft.	26.7 M Sq.Ft.	26.9 M Sq.Ft.
Eating and Drinking			
Downtown	0.5 M Sq.Ft.	1.2 M Sq.Ft.	1.3 M Sq.Ft.
Total PTA (Incl. DT)	1.8 M Sq.Ft.	3.0 M Sq.Ft.	3.2 M Sq.Ft.
Total RTA (Incl. DT, PTA)	3.1 M Sq.Ft.	5.8 M Sq.Ft.	5.9 M Sq.Ft.
Convenience Retail & Services			
Downtown	.1 M Sq.Ft.	.3 M Sq.Ft.	.5 M Sq.Ft.

5. *Estimated Sales (2007) and Projected Sales Requirements (2015 and 2025)*

Tables 7a, b and c provide sales estimates for the competitive retail supply identified on Tables 6b, c, and d. The purpose of these estimates is to quantify the total retail sales requirement for the competitive retail supply for comparison with the estimated total expenditure potential within the respective trade areas for the selected types of retail uses. The sales requirement estimates are based on the following: *(Note, for confidentiality purpose, sales for specific projects are not shown.)*

- For major Sacramento retail projects – The sales estimates for 2007 are based on 2006 taxable sales data provided by the City (escalated at 1% per year for real appreciation to 2007). All 2007 sales are escalated at 1% per year for real appreciation to 2015 and 2025.
- For sales in the remainder of the PTA and RTA outside of the major projects identified, the 2005 taxable sales from the State Board of Equalization for the cities within the trade areas are used if available. As in the inventory of retail space, a 25% allowance is included in the sales estimates to account for retail sales outside of cities (i.e., in unincorporated areas) and for sales in localities where no SBE taxable sales breakdowns are available (e.g., Galt, Cameron Park and Lincoln.)
- For projects for which existing sales are not available, the estimated 2007 sales are based on average per square foot sales requirement in the range of \$250/sq.ft. for Comparison Retail, \$350/sq.ft. Eating and Drinking, and \$325/sq.ft. for Convenience Retail, or average sales per store for existing space as published in industry publications (as noted next, higher averages would be expected of new space.)
- For projects which are anticipated to be completed by 2015 and 2025, target industry averages (\$350/sq.ft., \$450/sq.ft. and \$425/sq.ft.) are used to project future sales requirements. The average target sales requirements for new space are typically higher than those for existing stores as they reflect sales at presumably newer and more efficient facilities, which generally translate to higher cost requirements for market entry.

The sales requirement assumptions for the remainder of PTA and RTA are shown on Worksheets 2 and 3 in the Appendix of this report.

The target sales for the proposed Railyards project are shown on Table 8. As shown, the project is expected to have total sales requirements in the range of \$428 million by 2015, comprised of an estimated \$198 million would be for Comparison Retail, \$185 million would be for Eating & Drinking and \$45 million would be for Convenience Retail. A nominal amount is estimated for Services. By 2025, the total target sales requirement is projected to reach \$669 million, with \$256 million in Comparison Retail, \$271 million for Eating & Drinking/Entertainment, and \$142 million for Convenience Retail.

The aggregation of the estimated and projected sales for the selected retail categories (excluding and including the target sales requirements for the proposed Railyards) is shown on Tables 7a, b, and c, and summarized as follows:

<b><u>Estimate/Projected Retail Sales Requirements (\$0M)</u></b>	<b><u>Estimated 2007 Sales</u></b>	<b><u>Projected 2015 Sales Reqmts</u></b>	<b><u>Projected 2025 Sales Reqmts</u></b>
<b><u>(Excluding the Railyards)</u></b>			
Comparison Retail			
Downtown	\$ 170 M	\$ 480 M	\$ 530 M
Total PTA (Incl. DT)	\$2,780 M	\$ 4,520 M	\$ 4,890 M
Total RTA (Incl. DT, PTA)	\$5,250 M	\$ 9,780 M	\$10,810 M
Eating and Drinking			
Downtown	\$ 120 M	\$ 260 M	\$ 280 M
Total PTA (Incl. DT)	\$1,070 M	\$ 1,600 M	\$1,760 M
Total RTA (Incl. DT, PTA)	\$1,720 M	\$ 2,960 M	\$3,270 M
Convenience Retail & Services			
Downtown	\$30 M	\$60 M	\$70 M
<b><u>(Including the Railyards)</u></b>			
Comparison Retail			
Downtown	\$ 170 M	\$ 680 M	\$ 750 M
Total PTA (Incl. DT)	\$2,780 M	\$ 4,710 M	\$ 5,210 M
Total RTA (Incl. DT, PTA)	\$5,250 M	\$ 9,980 M	\$11,030 M
Eating and Drinking			
Downtown	\$ 120 M	\$ 440 M	\$ 560 M
Total PTA (Incl. DT)	\$1,070 M	\$ 1,780 M	\$2,040 M
Total RTA (Incl. DT, PTA)	\$1,720 M	\$3,150 M	\$3,540 M
Convenience Retail & Services			
Downtown	\$30 M	\$110 M	\$210 M

**E. Projected Net Retail Expenditure Potential (Projected Total Potential Comparison with Projected Sales Requirements)**

The purpose of estimating the net expenditure potential (the comparison of the total expenditure potential projected generated from the applicable market segments with existing and projected sales requirements projected for the selected categories of retail) is to assess whether sufficient retail market support exist within the respective trade areas relative to the projected retail sales requirements of the existing, under-construction and planned supply.

The net expenditure potential is calculated by subtracting the projected sales requirements (shown on Tables 7a, b, and c) from the total estimated expenditure potential (shown on Tables 5a and b) for the specific retail categories. The results are summarized on Tables 9a (excluding target sales requirements from the proposed Railyard project) and 9b (including target sales requirements from the proposed Railyard project). The net expenditure potential is projected for 2015 (the year of projected substantial Railyards retail completion and stabilization) and 2025 (the year of projected 100% Railyards retail completion and stabilization). As shown, the net potential available in the respective trade areas with and without the Railyards is projected as follows:

<b><u>Projected Net Expenditure Potential</u></b> <b><u>(Total Potential minus Sales Reqmts) (\$0M)</u></b>	<b><u>Estimated 2015</u></b>	<b><u>Projected 2025</u></b>
<i>(Excluding the Railyards – Table 9a)</i>		
Comparison Retail		
Total PTA (Incl. DT)	\$ 1 M	\$ 680 M
Total RTA (Incl. DT, PTA)	(\$ 580 M)	\$ 1,250 M
Eating and Drinking		
Total PTA (Incl. DT)	\$ 30 M	\$ 270 M
Total RTA (Incl. DT, PTA)	\$ 260 M	\$ 940 M
Convenience Retail & Services		
Downtown	\$ 80 M	\$170 M
 <i>(Including the Railyards – Table 9b)</i>		
Comparison Retail		
Total PTA (Incl. DT)	(\$ 180 M)	\$ 500 M
Total RTA (Incl. DT, PTA)	(\$ 770 M)	\$1,060 M
Eating and Drinking		
Total PTA (Incl. DT)	(\$ 150 M)	\$ 10 M
Total RTA (Incl. DT, PTA)	\$ 80 M	\$ 680 M
Convenience Retail & Services		
Downtown	\$ 30 M	\$ 30 M

1. *Analytic Findings*

As shown above, the analytical findings of KMA's market assessment indicate the following:

a. Excluding the Railyards (Table 9a.)

- *Comparison Retail* – Assuming real growth of existing retail center sales at 1% per year and the projected Comparison Retail sales requirements of known under-construction and planned projects in the PTA and RTA (inclusive of Downtown), the results of the net potential analysis indicates that there is projected to be sufficient support for Comparison Retail growth in the PTA in both 2015 and 2025. However, in the larger regional trade

area due to the addition of a number of new retail projects in the outlying communities, such as Elk Grove and Rocklin, the sales requirement will likely exceed the expenditure potential available in the RTA by 2015. By 2025, however, growth of the key market segments (residents, office workers and visitors) is projected to be sufficient to support future Competitive Retail supply as currently known in both the PTA and RTA.

- *Eating and Drinking and Convenience Retail and Services* – The analysis indicates that there is ample opportunity for the continued addition of new Eating and Drinking and Convenience Retail and Services in their respective trade areas (PTA and RTA for Eating and Drinking, Downtown for Convenience Retail and Services) in both 2015 and 2025.

b. Including the Railyards (Table 9b.)

- *Comparison Retail* – With the inclusion of the proposed Railyards, supply is expected to exceed demand in both the PTA and RTA by 2015, due to the introduction of a number of major retail projects into the trade areas. By 2025, however, growth of the key market segments (residents, office workers and visitors) is expected to be sufficient to support future Competitive Retail supply in both the PTA and RTA.
- *Eating and Drinking* – Supply is projected to exceed demand slightly in the PTA in 2015, but is anticipated to be in balance with demand by 2025. In the larger RTA, overall, market growth is expected to be able to support both the 1% real sales growth of the existing Eating and Drinking supply and the sales requirements of new additions to the inventory in both 2015 and 2025.
- *Convenience Retail* – As in the case of Convenience Retail excluding the projected Railyards project, the potential for Convenience Retail Downtown is expected to be sufficient to meet the sales requirements of the existing and new supply in the Downtown in both 2015 and 2025.

### **SECTION III. ECONOMIC IMPACT LESSONS LEARNED FROM TWO SELECTED RETAIL PROJECTS**

In order to better understand the economic impacts which may result from the introduction of a major new shopping center into an existing central business area, two specific case studies were analyzed. The first is the Gateway Center (650,000 sq.ft.) in Downtown Salt Lake City; the second is Bay Street (400,000 sq.ft. + expansion) in the City of Emeryville. Both these projects are significant retail and entertainment developments introduced into a weakening retail location. Thus, the economic environment at the time the Gateway and Bay Street were introduced has similarities to that of Downtown Sacramento – with Downtown Sacramento having the added advantage of being poised for an upturn with a number of new projects proposed or planned in the area. For this reason, the lessons learned from these two case studies have relevancy in terms of assessing the possibility that the proposed Railyards project will cause urban decay in Downtown Sacramento.

#### **A. Gateway, Salt Lake City**

The Gateway is a \$375 million mixed use development that was completed in November 2001. The project was centered on the historic Pacific rail depot in the 650-acre Gateway District, a once vibrant and prosperous area that has become forgotten and neglected older industrial, warehousing, and transportation area west of downtown. In 1998, the Depot District Redevelopment Project was created to revitalize the area in anticipation of the 2002 Olympic Games, leading to the development of the Gateway project. Following is a summary of the project profile, the similarities and differences between the Sacramento Railyards and the Salt Lake City Gateway projects, the lessons learned from Gateway's experience and their implications for the Railyards.

##### *1. Project Profile*

The total project is a 2.5 million sq.ft. mixed use development, located on a 40-acre site in the Gateway District. Covering three whole blocks, the project includes approximately 650,000 sq.ft. of retail/entertainment uses, consisting of about 590,000 sq.ft. of retail and eating and drinking, plus a 60,000 sq.ft. 12-screen theater. Other components of the project include 3 Class A office buildings, a renovated train depot, cultural attractions (e.g., Children's Museum), a public plaza, parking, 500 residential units and a hotel. This open-air center was conceived as a major urban destination, with retail tenants that are largely national chains that had not previously been in the Salt Lake City market.

The project is located approximately a mile from two existing retail centers along South Temple Street, the historic major retail street in the Downtown Salt Lake City: the 622,000 sq.ft. Crossroads Plaza, which at the time that Gateway was introduced, was anchored by Nordstrom's and a Mervyn's, and the ZCMI Center Mall, which was anchored by a Macy's. (These two malls have since closed and are being merged into a new center – City Creek Center.) The Gateway is visually and physically separated from these other centers by the Delta

Center and the Salt Palace Convention Center. It is also about a block away from the intermodal hub and a 44-mile commuter rail and light rail station, which are expected to be completed by 2008. South of the site is the Pierpoint Art District, including a Farmer's Market and a concentration of new restaurants. Northeast of the site is the Utah State Capitol.

## *2. Similarities and Differences between Railyards and Gateway*

- Both the Gateway and the proposed Railyards projects were conceived as a catalyst project to stimulate the revitalization of Downtown. The Gateway was envisioned as an intervention element that could potentially stem the hemorrhaging of retail dollars to the malls and big boxes in the suburbs and reverse the downward economic "spiral" in downtown Salt Lake City, which has yet to recover from recession of the late 1990's. The Railyards is envisioned as an injection element that could accelerate and fuel the upward momentum of a downtown that is on the verge of a renaissance – as evidenced by the scores of new development under construction, planned or proposed for the downtown.
- Like the Gateway, the Railyards project, as proposed, includes a mix of offices, a renovated depot building, cultural facilities, public open spaces and housing. However, the Gateway's retail and entertainment component (650,000 sq.ft.) is substantially smaller than the 1.4 million sq.ft. contemplated for the Railyards.
- The Railyard will also locate in similar urban context as the Gateway, that is, in the proximity of major competitive retail concentrations, existing cultural facilities, the State capitol, public plazas, possibly an arena, a farmer's market, and an intermodal center. The Gateway is an isolated, stand-alone project. This isolation from the retail focus of the historic downtown on South Temple Street and Main Street is further reinforced by the City's large downtown blocks (660' x 660'), wide streets, and extreme weathers – all of which discourages pedestrian flow. The Railyards, on the other hand, is represented by the applicant as within walking distance to most of the existing retail and cultural facilities in Downtown Sacramento.
- In the case of both developments, their large scale, retail tenancy, and downtown location raised concerns about potential impacts on existing retailers. In Salt Lake City, both the Crossroads Plaza and ZCMI Center were becoming functionally and physically obsolete when Gateway was introduced. In the case of Sacramento, the Westfield Downtown Plaza appears to be currently under-achieving, but is planning a major repositioning.

## *3. Before and After Gateway*

- According to Salt Lake City's economic development staff, Gateway is now thriving (particularly after the closure of the two malls, Crossroad Plaza and CZMI). Sales have grown every year since it opened in 2001, tenant turnover has been modest, its theater

and restaurants have been very popular; its planetarium and Children's Museum have attracted visitors from the metro area. Light rail line is being extended along the center and further west to the Amtrak station, where a new intermodal hub is planned. Gateway is more popular with suburban residents and has a suburban design/suburban aesthetic (akin to an open air mall).

- According to a June 2005 report prepared for The Downtown Alliance, economic conditions in Salt Lake's Central Business District have improved between 2002 and 2005, for example:
  - The CBD have not only recovered the 1,200 jobs lost during the recession, but showed a net job gain of about 295 jobs in 2005.
  - No new office space has been developed in the CBD since 2001; however, office vacancy rates have declined recently (Class A vacancy rate is estimated by city staff at less than 2%), accompanied by announcements of plans for three new office buildings totaling over 600,000 sq.ft.
  - CBD retail sales have increased by 12% or \$81 million between 2001 and 2004, the second best year ever for downtown.
- Despite these positive indicators, a study by the University of Utah concluded that the opening of Gateway did impact the downtown malls in the following ways:
  - Gateway captured a share of their retail sales dollars. (According to one interviewee, the project has "sucked a lot of retail, office, and cultural energy out of downtown.")
  - Brokers interviewed also confirmed that some existing retail tenants did relocate from three separate Main Street locations in the downtown: from inside the downtown malls, from other Main Street buildings, and also from inside mall but with street frontage.
  - Office tenants also either have migrated or were targeted by Gateway. Fidelity Investments, a relocate from Main Street, is an anchor tenant at new office building constructed at Gateway. Morgan Stanley is cited as another tenant that relocated.
  - Retail vacancies have been noted along Main Street. However, some of the spaces appeared to have been converted to other/non-retail uses, such as offices and financial services.
- Although there was also significant concern expressed by those interviewed in Salt Lake City regarding the potential impacts of the Gateway development, the consensus is that the two downtown malls were on the slide anyway and that Gateway has generated

some positive results; for instance, it has spurred new residential and restaurant developments in the CBD.

- There is also general feeling from those interviewed that ultimately the competition is good for downtown, i.e., by forcing the owner (LDS) of the existing malls to reposition the malls, which has been long overdue. As evidence of this competition, the older Crossroads and the ZCMI centers are now being combined and updated into a new 900,000 sq.ft. City Creek Center, anchored to Nordstrom, Macy, and a new 150,000 sq.ft. Dillards, to better compete for the retail dollars downtown.

#### *4. Lessons Learned (Implications for Sacramento Railyards)*

When a major project is introduced into a weak retail environment, special efforts will need to be made to protect and preserve the existing retail. Examples include the following:

- To prevent Gateway from luring away existing tenants in the CBD, specific clauses were included in the Gateway's development agreement with the City to specify that, for the first four years, existing Main Street merchants would make up no more than 10% of the retailers at the Gateway or occupy more than 10% of the retail space. (Originally, the agreement specified no tenants over 90,000 sq.ft.). Violations of this clause would cost the developer a portion of the \$18 million reimbursements that the City was allocating for public roads and sidewalks constructed by the developer. To comply with these provisions, the Gateway developers aggressively sought new tenants unique to Salt Lake Area and Utah in general – so that they are “not just creating another shopping center”. Similar types of strategies can be developed by the City of Sacramento to discourage the cannibalization of tenants from existing retail concentrations Downtown by the Railyards.
- In addition, there has to be a willingness to invest significantly in the downtown. For example, LDS has announced that the Church is planning to invest \$1.0 billion into merging the two malls into the new City Creek Center. Dillard has committed to locating a store in the new Center. A new office tower is being constructed in the downtown. Additional new office and residential developments have been proposed. The Salt Lake Chamber and Downtown Alliance unveiled a vision for the Downtown that, if realized, would result in about \$2 billion dollar of investment within a 10-block area of Downtown in the next 5 years.

These efforts should reduce the possibility of urban decay occurring and could result in a stronger CBD in the longer term.

#### **B. Bay Street, Emeryville**

Opened in late 2002, Bay Street is an eclectic urban village, consisting of a mix of life style retail, residential, hotel, and entertainment uses connecting three city blocks in the City of

Emeryville. Located adjacent to I-80, north of the IKEA store on Shellmound Street, the area was once occupied by heavy industrial operations. The City of Emeryville invested over \$27 million to assemble the property, remediate the soil, and select a developer for the project. Following is a summary of the project profile, the similarities and differences between the Sacramento Railyards and the Emeryville Bay Street projects, the lessons learned from Bay Street's experience and their implications for the Railyards.

### *1. Project Profile*

The project is an open-air, mixed use development on 26 acres in Downtown Emeryville, consisting of 400,000 sq.ft. of retail and entertainment, 346 residential units, a 230-room hotel, a 16-screen Cineplex and a 2000-car parking garage. Covering three whole city blocks, the project represents the first lifestyle center in the East Bay. Instead of a traditional department store, it has a 3,300-seat stadium seating cinema, a Barnes and Noble bookstore, Old Navy, and a collection of eateries and retailers. Other components of the project include approximately 3.8 million square feet of Class A office space, a renovated train depot, and a public plaza. The development is linked by a Main Street over 3-city blocks.

This open-air center was conceived as a major urban destination, with retail tenants that are largely national chains, such as Chico, Abercrombie & Fitch, Aerosoles, Ann Taylor Loft, Talbot, Williams-Sonoma, and Coach, that had not previously been in the close-in East Bay market.

The project is located approximately a mile from three existing retail centers along the I-80 corridor: Powell Street Plaza (a 170,000 sq.ft. promotional center), Emeryville Marketplace (190,000 sq.ft. complex with a public market, a 12-screen UA theater, a book store, and other retail/entertainment), and East Bay Bridge Center (a 397,000 sq.ft. power center). Bay Street is also adjacent to a 275,000 sq.ft. IKEA store, which opened in 2000. It is also located within a mile of the Amtrak Station.

A second phase of Bay Street, with a hotel and additional residential and retail use, is being planned. As envisioned, the new retail would include a mid- to upscale department store and/or a mix 10,000± sq. ft. stores, totaling in the usage of 82,000 to 100,000 sq. ft. Completion and occupancy of the second phase is targeted for 2010/2011.

### *2. Similarities and Differences between Railyards and Bay Street*

- Whereas the Railyards is envisioned as an injection element for accelerating the renaissance of Downtown Sacramento, Bay Street was viewed as opportunity to help continue the economic revitalization of the City that has significantly transformed a heavy industrial-based economy into one fueled by high technology/biotechnology. Bay Street is envisioned to further enhance the dramatic regional shoppers draw and retail recovery begun by the newly opened IKEA store and the original Powell Street Plaza.

- The proposed Railyards project and the Bay Street development both include a mix of offices, a major transit station, public open spaces and housing. However, Bay Street's retail and entertainment component (400,000 sq.ft. to 500,000 sq.ft. with expansion) is substantially smaller (30% to 40%) than the 1.3 million sq.ft. contemplated for the Railyards.
- The Railyard will also locate in similar urban context as Bay Street, that is, in close proximity to competitive retail concentrations, theaters, a public market and a major transit facility.
- In the case of both developments, their large scale, retail tenancy, and downtown location raised concerns about potential impacts on existing retailers. In Emeryville, the nearby Powell Street Plaza and Emeryville Marketplace were becoming a bit dated. In the case of Sacramento, as noted above, the Westfield Downtown Plaza appears to be under-achieving but is poised for an expansion.

### 3. *Before and After Bay Street*

- Bay Street appears to be successful as an expansion of the center is being planned. Since 2002 (when the project was completed), apparel sales in the City have nearly doubled, increasing from \$2.6 million to over \$5.0 million, and are continuing to grow every year. There have been some tenant turnovers, which, according to the city staff interviewed, is expected for a new center until it reaches stability. The 16-screen AMC cinema and restaurants reportedly are doing well – especially on weekends. As a lifestyle center, the retail at Bay Street was initially targeted more towards the affluent East Bay communities, but now has also become a shopping attraction for San Francisco customers.
- According to city staff interviewed in Emeryville, the three major nearby centers (Powell Street Plaza, Emeryville Marketplace, East Bay Bridge) are doing well. Store closures that have occurred at Powell Street Plaza were the result of corporate decisions unrelated to Bay Street: Copeland Sports (purchased by Sports Authority) Diamond Jewelers and Tower Records (chain liquidations). These vacated spaces have been successfully released. Vacancy at the Emeryville Marketplace has been typical of small business/entrepreneurs. The only discernable impact was on the older and smaller 12-screen UA Theater. However, it has recovered sufficiently to renew its lease at the Marketplace.
- Overall, the city staff's impression is that there was no significant economic impact on existing retailer concentrations nearby as a result of the Bay Street project (other than a worsening of the traffic congestion in the area – the cause of which extends way beyond Bay Street alone). In fact, there were a number of positive developments, such as an increase in pedestrian activities due to both the retail and the housing projects above.

The impression of Emeryville city staff is that the Bay Street project has opened up the market and brought additional people to Emeryville.

*4. Lessons Learned (Implications for Sacramento Railyards)*

Given the strong demand in both Emeryville and Sacramento, the parallels that can be drawn from the Bay Street project to improve the proposed Railyards' probability of success and minimize potential negative impacts on vulnerable existing retail in the Downtown are as follows:

- Bay Street is a much smaller retail center, i.e., 30% to 40% smaller than the 1.3 million sq. ft. proposed for the Railyards project. As such, the smaller amount of retail space created less of an impact on the existing retail.
- Bay Street introduced a upscale, lifestyle retail concept which is differentiated from the promotional retail at Powell Street Plaza, the public market at Emeryville Marketplace and the power center anchors at East Bay Bridge. As a result of this special niche, there has been no relocation of tenants from the existing centers to Bay Street and its leasing plan is not likely to conflict with those of the other centers. By reinforcing the different retail niches, Emeryville anticipates that the city will more likely be able to sustain its future retail growth. Similarly, the proposed Railyards project will need define its own niche in the Sacramento retail market to minimize potential negative impacts on vulnerable retail areas in the Downtown and to increase the overall retail draw of Downtown Sacramento (so that "the whole becomes greater than its parts".)

#### **SECTION IV: CONCLUSIONS/IMPLICATIONS**

The salient conclusions of the market analysis and the implications for urban decay resulting from the proposed Railyard project are as follows:

- **With or without the proposed Railyards project, the results of the net expenditure potential analysis are as follows:**
  - Projected Comparison Retail sales requirements in the RTA will likely be greater than projected total Comparison Retail expenditure potential in the trade area by 2015 as known projects under construction or planned are completed, but will be less than projected demand growth by 2025 as projected population and employment growth in the trade area catches up with projected future supply;
  - Projected Eating and Drinking and Convenience Retail market demand growth is expected to exceed future Eating and Drinking and Convenience Retail supply in the RTA by both 2015 and 2025; thus opportunities appear to exist for continued growth in these two categories of retail in the future.
  
- **The imbalance in projected Comparison Retail sales requirements and projected potential in the RTA in 2015 will likely have a negative impact on existing, under-construction and planned retail in the trade area.** The extent and nature of the negative impacts on individual existing developments will depend on the relative strength of existing and planned Comparison Retail locations within the RTA - including the four retail concentrations Downtown (Westfield Plaza, Old Sacramento, K-Street Mall, and Midtown Corridor).
  
- **This imbalance between future Comparison Retail supply and future demand is expected to be corrected as market growth (of residents, office employees and visitors) in the Comparison Retail trade areas catches up with sales requirement in the longer term, i.e., by 2025 – unless additional supply continues to be added to exceed projected demand.**
  
- **KMA's judgement is that, until future Comparison Retail market growth is sufficient to support future sales requirement, the more vulnerable retail locations in the trade area may experience an interim period of economic instability that could potentially lead to vacancies, which, if unmitigated, could be prolonged.** Prolonged vacancies (assumed to be space left empty and unused for three or more years), combined with a lack of investment and/or building maintenance, could ultimately lead to decaying building shells in long-term abandonment and/or in deteriorated conditions that significantly impair the proper and safe use of the real estate, or "urban decay" as defined in recent court decisions, and, for example, as has occurred in past years on sections of K Street in Downtown Sacramento.

- **However, with a coordinated public and private strategy, Downtown Sacramento has already demonstrated its ability to eliminate vacancy by having space evolve to uses that are supported by the market.** Through aggressive public and private investment, there are now renovations and/or conversions of existing buildings, which, when completed, will reinforce the competitiveness of Downtown and forestall or eliminate vacancies. For example, Westfield Plaza is undergoing plans to add a Target and an upscale grocer to its mix to better position the shopping center in the competitive Downtown retail market. These changes are also occurring on a smaller scale and on a scattered basis in the Downtown, such as the conversion of rental office spaces to office condominiums at 13<sup>th</sup>/I Street, automotive-based retail spaces to restaurant/residential mixed use along 16<sup>th</sup> Street, and warehouse to residential, retail and office in the R Street corridor in Downtown Sacramento. In most cases, these projects have been undertaken with a combination of private and public investments.
  
- **Thus, to avoid and/or minimize the negative effects that could potentially lead to prolonged vacancies as a result of the imbalance between future Comparison Retail supply and demand in the years around 2015, there needs to be an intensive and coordinated public and private strategy and investments to protect and preserve the more vulnerable retail locations in the Downtown.** The commitment of significant public and private dollars is likely to be necessary given the higher costs of developing in the downtown relative to the suburbs. For retail concentrations Downtown to remain competitive with those in the suburbs and/or the farther-out trade areas, this strategy should include at minimum the following:
  - Reinforcement and enhancement of the differentiated retail offerings of the four retail concentrations in the Downtown, i.e., repositioned regional shopping center for Westfield Plaza, specialty retail and eating and drinking/entertainment for K-Street Mall, visitor-oriented retail for Old Sacramento, and neighborhood-oriented retail/eating and drinking for Midtown Corridor.
  - Identification of a special, unrepresented retail niche for the proposed Railyards project to create a separate identity and destination to minimize overlaps with the other four existing retail concentrations in the Downtown.
  - Development of physical linkages between the proposed Railyards project and other retail concentrations in the Downtown to create retail synergy and a large draw for the Downtown so that, again like Bay Street in Emeryville, the “whole is larger than its parts.”
  - Development of a significant amount of private and public amenities, such as parks, plaza, and streetscapes, and the infrastructure needed to support future improvements in the Downtown so that it can truly become a desirable and attractive “place-to-be” for residents and visitors alike.
  - Continued development of new residential projects in the Downtown to transform the area into both a vibrant and attractive retail destination and living/working community in the Greater Sacramento region.

**SECTION V. CAVEATS AND LIMITATIONS**

1. The analysis contained in this document is based principally on the development program and implementation schedule represented by the applicant and the Sacramento Railyards Specific Plan. The demographic data were obtained from secondary sources such as the U.S. Census, state and local government, planning agencies, real estate brokers, and other third parties, such as Claritas. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that the economy will not experience any major and sudden market fluctuations and that it will continue to improve from its current conditions – albeit at a slow rate.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.
5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
6. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

TABLE 1.  
PROJECTED RAILYARDS RETAIL BUILD-OUT  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA

ESTIMATED RETAIL MIX	(At Build-Out) <sup>1</sup> TOTAL SF	Ph. 1A		Ph. 1B		Ph. 2		Ph. 3		Ph. 4						
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
<b>Comparison Retail</b>																
West End	605,000 <sup>2</sup>	200,000			315,000 <sup>2</sup>											
Central Shops	35,000 <sup>3</sup>	(Bass Pro)			35,000 <sup>3</sup>											
Riverfront District	0															
Depot District	0															
East End	0															
Subtotal Comparison Retail	640,000	200,000	200,000	200,000	550,000	550,000	640,000	640,000	640,000	640,000	640,000	640,000	640,000	640,000	640,000	640,000
Cumulative																
<b>Eating &amp; Drinking<sup>2</sup></b>																
West End	405,000 <sup>3</sup>				315,000 <sup>3</sup>											
Central Shops	63,000 <sup>4</sup>				63,000 <sup>4</sup>											
Riverfront District	15,000															
Depot District <sup>5</sup>	24,000	24,000														
East End <sup>5</sup>	25,000															
Subtotal E&D	532,000	24,000	24,000	24,000	378,000	402,000	402,000	492,000	492,000	492,000	507,000	507,000	507,000	507,000	507,000	532,000
Cumulative																
<b>Convenience Retail/Services</b>																
West End	52,600 <sup>3</sup>				34,100 <sup>3</sup>											
Central Shops	56,000 <sup>4</sup>				56,000 <sup>4</sup>											
Riverfront District	0															
Depot District <sup>5</sup>	133,200	67,200														
East End <sup>5</sup>	125,000															
Subtotal Convenience Retail	366,800	67,200	67,200	67,200	157,300	157,300	157,300	241,800	241,800	241,800	266,800	266,800	266,800	266,800	266,800	366,800
Cumulative																
<b>GRAND TOTAL</b>																
West End	1,062,600	200,000			664,100											
Central Shops	154,000 <sup>3</sup>	0			154,000											
Riverfront District	15,000	0			0											
Depot District <sup>5</sup>	157,200	91,200			0											
East End <sup>5</sup>	150,000	0			0											
TOTAL (incl. Central Shops) <sup>4</sup>	1,538,800	291,200	291,200	291,200	1,109,300	1,109,300	1,109,300	1,373,800	1,373,800	1,373,800	1,413,800	1,413,800	1,413,800	1,413,800	1,413,800	1,538,800
<b>CUMULATIVE</b>																
TOTAL (Excl. Central Shops)	1,384,800	291,200	291,200	291,200	955,300	955,300	955,300	1,219,800	1,219,800	1,219,800	1,259,800	1,259,800	1,259,800	1,259,800	1,259,800	1,384,800
<b>CUMULATIVE</b>																
TOTAL (Excl. Central Shops and Bass Pro Store)	1,184,800	91,200	91,200	91,200	755,300	755,300	755,300	1,019,800	1,019,800	1,019,800	1,059,800	1,059,800	1,059,800	1,059,800	1,059,800	1,184,800
<b>CUMULATIVE</b>																

1 Based on applicant's proposed phasing, modified to allow slightly longer initial periods for securing funding and approvals.  
 2 Includes nightclubs, sportsbar, etc., which serve food and/or beverage. Does not include entertainment venues, such as theaters, performing arts centers, etc.  
 3 As no breakdown of space by retail types was provided by applicant, West End space is assumed to include approximately 5% for Services, with the remainder in E&D.  
 4 and Comparison Retail (including 200,000 sq.ft. Bass Pro store.)  
 5 Includes additional retail opportunities under Historic/Cultural uses in the Railyards program, as represented by applicant.  
 6 Assumes approximately 15% in E&D and remainder in Convenience Retail/Services - per city staff.

**EXHIBIT A  
RETAIL AND ENTERTAINMENT PLANNING TIMELINE  
SACRAMENTO RAILYARDS** **WORKING DRAFT ASSUMPTIONS**

	Phase 1 (A&B)	Phase 2	Phase 3	Phase 4
▪	Intermodal Relocated Facility*			
▪	California Academy of Arts*			
▪	Museum of Railroad Technology* (expansion of State RR Museum)			
▪	Bass Pro Store*			
	Phase 1B 664,100 818,100 **	Phase 2 264,500	Phase 3 40,000	Phase 4 125,000
	Phase 1A 291,200			
<b>Cumulative:</b>	<b>955,300</b>	<b>1,219,800</b>	<b>1,259,800</b>	<b>1,384,800</b>
<b>Cumulative**:</b>	<b>1,109,300</b>	<b>1,373,800</b>	<b>1,413,800</b>	<b>1,538,800</b>
Construction start	2009-10	2015	2018	2022
Opening	2011-14	2017	2020	2024
Stabilized Year	2012-15	2018	2021	2025

\* These uses are funding dependent and thus, their implementation timing is highly uncertain.

\*\* Includes 154,000 square feet of retail space in Historic/Cultural component.

**TABLE 2.  
DEMOGRAPHICS AND EMPLOYMENT CHARACTERISTICS  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA**

**PRELIMINARY DRAFT - CONFIDENTIAL  
FOR DISCUSSION ONLY**

	<u>Downtown Sacramento <sup>1</sup></u>	<u>Primary Trade Area <sup>2</sup></u>	<u>Sacramento County</u>	<u>Regional Trade Area <sup>3</sup></u>	<u>State of California</u>
<b>POPULATION</b>					
2000	31,723	969,644	1,223,499	1,671,975	33,871,648
Est. 2007	33,347	1,074,585	1,399,888	1,968,049	37,075,982
% Change ('00-'07)	5%	11%	14%	18%	9%
Projected 2012	38,847 <sup>4</sup>	1,158,173	1,532,998	2,185,050	39,684,022
% Change ('07-'12)	16%	8%	10%	11%	7%
Projected 2015 <sup>5</sup>	44,347 <sup>4</sup>	1,208,000	1,613,000	2,315,000	41,249,000
Projected 2025 <sup>5</sup>	77,347 <sup>4</sup>	1,375,000	1,879,000	2,749,000	46,465,000
Median Age (2007)	37.68	33.45	34.24	34.40	34.56
<b>2007 ETHNICITY</b>					
White	66.7%	62.0%	63.6%	69.2%	65.9%
Black	11.8%	12.6%	12.0%	9.2%	9.4%
Asian & Pacific Islander	14.8%	18.3%	17.4%	15.2%	19.9%
Other	6.8%	7.1%	7.0%	6.3%	4.8%
Hispanic Origin	19.8%	22.0%	19.2%	18.8%	35.8%
<b>NUMBER OF HOUSEHOLDS</b>					
2000	17,274	368,526	453,602	613,228	11,502,870
Est. 2007	18,595	406,987	515,783	719,427	12,461,651
% Change ('00-'07)	8%	10%	14%	17%	8%
Projected 2012	19,981	438,202 <sup>2</sup>	563,508	797,885	13,275,749
% Change ('07-'12)	7%	8%	9%	11%	7%
Persons Per Household	2.10 <sup>6</sup>	2.59	2.72	2.69	2.89
<b>Est. 2007 AVG. HOUSEHOLD INCOME</b>	\$39,373	\$60,838	\$68,082	\$72,747	\$76,956
<b>Est. 2007 PER CAPITA INCOME</b>	\$23,180	\$23,343	\$25,392	\$26,878	\$26,250

Source: Claritas ( U.S. Census 2000 based), unless otherwise indicated.

<sup>1</sup> Defined generally as the area generally bounded by Sacramento River, I-50, I-5 and I-80. Estimate from Claritas is lower than the 45,000 residents estimate by SACOG, which assumes 18,000 households and the county average of 2.5 person/HH. The lower and more conservative estimate by Claritas is used for this analysis.

<sup>2</sup> Based on a polygon of roughly 10 to 15 miles from the railyard site.

<sup>3</sup> Based on an approximately 30-mile radius ring from the site, including most of Davis and Woodland, and about halfway between the site and fast-growing cities of Roseville and Elk Grove.

<sup>4</sup> Assumed completion of planned/proposed units in the downtown and 2.1 persons/HH (as in-town residents tend to be smaller households):

	<u>Railyard (per Applicant)</u>	<u>Rest of DT (DSP '06 report)</u>	<u>TOTAL</u>	<u>Est. New Pop. @ 2.10 /HH</u>
2007 - 2015 (Avg.)	537	4,700 (Est.)	5,237	11,000
2018 (Avg.)	1,835		1,835	4,000
2021 (Avg.)	4,222		4,222	9,000
2025 (Avg.)	4,438		4,438	9,000
	<u>11,031</u>		<u>15,731</u>	<u>33,000</u>

<sup>5</sup> Extrapolated by KMA based on straight-line projection of population for the PTA, Sacramento County, RTA, and the State.

<sup>6</sup> Estimated per BPS&J and KMA to reflect the likely higher proportion of single/childless couples/empty nester households in the Downtown.

**TABLE 3.  
RETAIL MARKET DEMAND SEGMENTS  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA**

**PRELIMINARY DRAFT - CONFIDENTIAL  
FOR DISCUSSION ONLY**

<b>COMPONENTS OF RETAIL DEMAND:</b>	Est. 2015	Proj. 2025
1. Residents		
Downtown (DT)	44,000	77,000
Primary Trade Area (Excluding DT)	1,164,000	1,298,000
Regional Trade Area (Exclusive of PTA and DT)	1,107,000	1,374,000
Total Trade Area Residents	2,315,000	2,749,000
2. Downtown Office Employees	46,000 <sup>1</sup>	53,000 <sup>1</sup>
3. Visitors (to Downtown)		
Total Visitors	2,370,000 <sup>2</sup>	2,720,000 <sup>2</sup>
4. Special Use-Generated (Additional to Above)		
Museum Visitors	175,000 <sup>3</sup>	175,000 <sup>3</sup>
Playhouse/Live-Performance Venue(s)	500,000 <sup>4</sup>	700,000 <sup>4</sup>
Total Special Use-Generated		

<sup>1</sup> Projected from Downtown Sacramento Partnership's 2005 Annual Report (based on SACOG).

Reduced by approximately 50% to adjust for overlaps between residents, employees & visitors.

<sup>2</sup> Assumes 50% of the total 4.6 million visitors to Downtown attractions in 2006 estimated by Downtown Partnership to reflect visits to multiple sites and overlaps with residents and employees. Growth rate is estimated at 3% per year, which is based on Cal Trade report's visitor growth projections.

<sup>3</sup> Based on 2000 Market Overview for the Railroad Technology Museum prepared by CA State Railroad Museum and Foundation. Reduced by 50% to avoid overlaps with residents and employees. Projection assumes no further increase.

<sup>4</sup> Assumes 1,000,000 attendees per year. Projection assumes modest 2% growth per year.

**TABLE 4a. PER CAPITAL RESIDENT RETAIL SALES - CITY, COUNTY & STATE  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA**

**PRELIMINARY DRAFT - CONFIDENTIAL  
FOR DISCUSSION ONLY**

Selected Retail Categories	City of Sacramento		Sacramento County		State of California	
	457,514		1,385,607		37,172,015	
	Total Sales (\$'000)	Per Capita	Total Sales (\$'000)	Per Capita	Total Sales (\$'000)	Per Capita
<b>Population</b> (Dept. of Finance - 1/1/06)						
<b>Comparison Goods</b>						Sales As % of State PCI of \$25,500 <sup>3</sup>
Apparel Stores	\$258,749	\$570	\$625,454	\$450	\$17,966,000	\$480 1.9%
General Merchandise (Excl. Drugs)	\$658,674	\$1,440	\$2,163,395	\$1,560	\$50,489,000	\$1,360 5.3%
Specialty Stores	\$694,880	\$1,520	\$2,160,396	\$1,560	\$51,575,000	\$1,390 5.5%
Home Furnishings & Appliances	\$275,816	\$600	\$750,226	\$540	\$17,381,000	\$470 1.8%
<b>Total Comparison Categories</b>	<b>\$1,888,119</b>	<b>\$4,130</b>	<b>\$5,699,471</b>	<b>\$4,110</b>	<b>\$137,411,000</b>	<b>\$3,700 14.5%</b>
<b>Eating &amp; Drinking</b>						
	\$650,516	\$1,420	\$1,574,702	\$1,140	\$46,923,603	\$1,260 4.9%
<b>Convenience Retail/Services</b> <sup>1</sup>						
Food	\$910,000	\$1,990	\$3,014,000	\$2,180	\$68,407,000	\$1,840 7.2%
Drugs	\$99,000	\$220	\$12,000	\$10	\$9,569,000	\$260 1.0%
<b>Total Convenience Retail/Services</b>	<b>\$1,009,000</b>	<b>\$2,210</b>	<b>\$3,026,000</b>	<b>\$2,190</b>	<b>\$77,976,000</b>	<b>\$2,100 8.2%</b>
<b>GRAND TOTAL</b>	<b>\$3,547,635</b>	<b>\$7,760</b>	<b>\$10,300,173</b>	<b>\$7,440</b>	<b>\$262,310,603</b>	<b>\$7,060 27.7%</b>

Source: California Retail Survey, Eureka Group 2006.

<sup>1</sup> Adjusted for total sales - as taxable sales typically represent an estimated 65% of Drug store sales and 30% of Grocery Sales.

<sup>2</sup> 2006 taxable sales data not yet available for county and state (per SBE Research Dept.)

<sup>3</sup> Based on 2004 per capita income estimate from Claritas, escalated at 1%/yr. (Differs from BEA as it is based on money-income, excluding in-kind income.)

**TABLE 4b.**  
**OTHER MARKET SEGMENT RETAIL EXPENDITURE POTENTIAL -**  
**DOWNTOWN OFFICE EMPLOYEES & VISITORS**  
**SACRAMENTO RAILYARDS PROJECT**  
**SACRAMENTO, CA**  
**PRELIMINARY DRAFT - CONFIDENTIAL**  
**FOR DISCUSSION ONLY**

<b>SELECT RETAIL CATEGORIES</b>	<b>Per Downtown Office Employee <sup>1</sup></b>		<b>Per Downtown Visitor</b>
	<b>Est. 2007 Retail Expenditure Potential</b>	<b>As % of HH Income \$66,000</b>	
<b>Comparison Goods</b>			
Apparel Stores	(Included)		(Included)
General Merchandise (Excl. Drugs)	(Included)		(Included)
Specialty Stores	(Included)		(Included)
Sporting Goods	(Included)		(Included)
Home Furnishings & Appliances	(Included)		(Included)
<b>Total Comparison Categories</b>	<b>\$1,600 /Yr.</b>	<b>2.4%</b>	<b>\$34 /Day</b>
<b>Eating &amp; Drinking</b>	<b>\$1,800 /Yr.</b>	<b>2.7%</b>	<b>\$23 /Day</b>
<b>Convenience Retail/Services <sup>3</sup></b>			
Food	\$700 /Yr.		\$3 /Day
Drugs	\$400 /Yr.		(Included)
<b>Total Convenience Retail</b>	<b>\$1,100 /Yr.</b>	<b>1.7%</b>	<b>\$3 /Day</b>
<b>GRAND TOTAL</b>	<b>\$4,500 /Yr.</b>	<b>6.8%</b>	<b>\$60 /Day</b>

<sup>1</sup> Office Worker Spending Patterns, ICSC, Spring 2004. Assumed real appreciation at 1% per year from 2003 (date of data).

<sup>2</sup> Based on California Travel Impacts by County 1992-05, 2005 Preliminary State Estimate, prepared by Dean Runyan Assoc. for Sacramento County and Smith Travel Research's 2005 per visitor domestic visitor spending in the Gold Country.

<sup>3</sup> Adjusted to reflect total sales as taxable sales typically represent an estimated 65% of Drug Store sales and 30% of Grocery Sales.

**PRELIMINARY DRAFT - CONFIDENTIAL  
FOR DISCUSSION ONLY**

**TABLE 5a.  
PROJECTED TOTAL EXPENDITURE POTENTIAL - 2015  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA**

	Total Trade Area Residents		Downtown Office Employees <sup>2</sup>	Downtown Visitors <sup>3</sup>	Special Uses - Generated <sup>4</sup>		TOTAL
	Downtown	Remainder PTA			Remainder RTA	Total	
	44,000	1,164,000	46,000	2,370,000	175,000	500,000	
Real Appreciation:							
Est. 2015 Per Capita Income <sup>1</sup>	\$25,100	\$25,000	\$29,100				\$27,000
<b>PROJECTED PER CAPITA EXPENDITURE POTENTIAL (2015)</b>							
<b>Comparison Retail</b>							
Apparel	\$470	\$470	\$550	(Included)	(Included)	(Included)	
General Merchandise	\$1,340	\$1,330	\$1,550	(Included)	(Included)	(Included)	
Home Furnishings & Accessories	\$1,370	\$1,360	\$1,590	(Included)	(Included)	(Included)	
Specialty Retail	\$460	\$460	\$540	(Included)	(Included)	(Included)	
<b>Total Comparison Retail</b>	<b>\$3,640</b>	<b>\$3,620</b>	<b>\$4,230</b>	<b>\$34 /Day</b>	<b>\$34 /Day</b>	<b>\$34 /Day</b>	
<b>Eating &amp; Drinking 2</b>	<b>\$1,240</b>	<b>\$1,240</b>	<b>\$1,440</b>	<b>\$23 /Day</b>	<b>\$23 /Day</b>	<b>\$23 /Day</b>	
<b>Convenience Retail</b>							
Food	\$1,810	\$1,800	\$2,100	\$3 /Day	NA	NA	
Drugs	\$260	\$250	\$300	NA	NA	NA	
<b>Total Convenience Retail</b>	<b>\$2,070</b>	<b>\$2,050</b>	<b>\$2,400</b>	<b>\$3 /Day</b>	<b>NA</b>	<b>NA</b>	
<b>PROJECTED TOTAL EXPENDITURE POTENTIAL (2015)</b>							
<b>Comparison Retail</b>							
Apparel	\$20,680,000	\$547,080,000	\$608,850,000	NA	NA	NA	1,176,610,000
General Merchandise	\$58,960,000	\$1,548,120,000	\$1,715,850,000	NA	NA	NA	3,322,930,000
Home Furnishings & Accessories	\$60,280,000	\$1,583,040,000	\$1,760,130,000	NA	NA	NA	3,403,450,000
Specialty Retail	\$20,240,000	\$535,440,000	\$597,780,000	NA	NA	NA	1,153,460,000
<b>Total Comparison Retail</b>	<b>\$160,160,000</b>	<b>\$4,213,680,000</b>	<b>\$4,682,610,000</b>	<b>\$82,997,000</b>	<b>\$2,975,000</b>	<b>\$8,500,000</b>	<b>9,210,722,000</b>
<b>Eating &amp; Drinking</b>	<b>\$54,560,000</b>	<b>\$1,443,360,000</b>	<b>\$1,594,080,000</b>	<b>\$56,145,000</b>	<b>\$2,013,000</b>	<b>\$5,750,000</b>	<b>3,224,908,000</b>
<b>Convenience Retail</b>							
Food	\$79,640,000	NA	NA	\$7,323,000	NA	NA	114,563,000
Drugs	\$11,440,000	NA	NA	NA	NA	NA	26,383,000
<b>Total Convenience Retail</b>	<b>\$91,080,000</b>	<b>\$0</b>	<b>\$42,543,000</b>	<b>\$7,323,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$140,946,000</b>
<b>PROJECTED TOTAL EXPENDITURE POTENTIAL (2015)</b>	<b>\$305,800,000</b>	<b>\$5,657,040,000</b>	<b>\$6,276,690,000</b>	<b>\$146,465,000</b>	<b>\$4,988,000</b>	<b>\$14,250,000</b>	<b>\$12,576,576,000</b>

<sup>1</sup> Assumes 1% real appreciation per year adjustment from 2007 per capita income.

<sup>2</sup> Discounted by about 25% to reflect typically lower expenditure patterns of government workers. Government jobs represent roughly 25% of total jobs in the County, according to Cal State University, Sacramento Forecast Project, July 2005.

<sup>3</sup> Based on visitor data from D.K. Shifflet & Assoc. (2006), the average length of stay for all visitor trips is 1.3 nights. Assumes approximately 50% of day-trippers (54% of total visitors) are also residents/employees.

<sup>4</sup> Assumes museum visitors, and entertainment venue visitors are day visitors only and that no expenditure for Convenience Retail. Deduct 50% to allow for inclusion in other categories, i.e., downtown visitors, residents, and/or employees.

TABLE 5b.  
PROJECTED EXPENDITURE POTENTIAL - 2025  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA

PRELIMINARY DRAFT - CONFIDENTIAL  
FOR DISCUSSION ONLY

Real Appreciation: 1%/Yr.

	Downtown		Total Trade Area Residents		Downtown Office Employees <sup>2</sup>	Downtown Visitors	Special Uses - Generated <sup>3</sup>		TOTAL
	Remainder PTA	Remainder RTA	Total	Museum Visitors			Enter. Visitors		
	77,000	1,298,000	1,374,000	2,749,000	53,000	2,720,000	175,000	700,000	
	\$27,700	\$27,600	\$32,700	\$29,900					
Est. 2025 Per Capita Income <sup>1</sup>									
	\$520	\$520	\$600		(Included)	(Included)	(Included)	(Included)	
Apparel	\$1,480	\$1,470	\$1,710		(Included)	(Included)	(Included)	(Included)	
General Merchandise	\$1,510	\$1,500	\$1,750		(Included)	(Included)	(Included)	(Included)	
Home Furnishings & Accessories	\$510	\$510	\$590		(Included)	(Included)	(Included)	(Included)	
Specialty Retail	\$4,020	\$4,000	\$4,650		\$1,400	\$38 /Day	\$38 /Day	\$38 /Day	
<b>Total Comparison Retail</b>									
<b>Eating &amp; Drinking</b>	\$1,370	\$1,360	\$1,590		\$1,700	\$25 /Day	\$25 /Day	\$25 /Day	
<b>Convenience Retail</b>	\$2,000	\$1,990	\$2,320		\$700	\$3 /Day	NA	NA	
Food	\$280	\$280	\$330		\$400	NA	NA	NA	
Drugs	\$2,280	\$2,270	\$2,650		\$1,100	\$3 /Day	\$0	\$0	
<b>Total Convenience Retail</b>									
	\$40,040,000	\$674,960,000	\$824,400,000	\$1,539,400,000	NA	NA	NA	NA	1,539,400,000
Apparel	\$113,960,000	\$1,908,060,000	\$2,349,540,000	\$4,371,560,000	NA	NA	NA	NA	4,371,560,000
General Merchandise	\$116,270,000	\$1,947,000,000	\$2,404,500,000	\$4,467,770,000	NA	NA	NA	NA	4,467,770,000
Home Furnishings & Accessories	\$39,270,000	\$661,980,000	\$810,660,000	\$1,511,910,000	NA	NA	NA	NA	1,511,910,000
Specialty Retail	\$309,540,000	\$5,192,000,000	\$6,389,100,000	\$11,890,640,000	\$74,200,000	\$106,461,000	\$3,325,000	\$13,300,000	12,087,926,000
<b>Total Comparison Retail</b>									
<b>Eating &amp; Drinking/Entertainment</b>	\$105,490,000	\$1,765,280,000	\$2,184,660,000	\$4,055,430,000	\$90,100,000	\$70,040,000	\$2,188,000	\$8,750,000	4,226,508,000
<b>Convenience Retail</b>	\$154,000,000	NA	NA	\$154,000,000	\$37,100,000	\$8,405,000	NA	NA	199,505,000
Food	\$21,560,000	NA	NA	\$21,560,000	\$21,200,000	NA	NA	NA	42,760,000
Drugs	\$175,560,000	\$0	\$0	\$175,560,000	\$58,300,000	\$8,405,000	\$0	\$0	\$242,265,000
<b>Total Convenience Retail</b>									
<b>PROJECTED TOTAL EXPENDITURE POTENTIAL (2025)</b>	<b>\$590,590,000</b>	<b>\$6,957,280,000</b>	<b>\$8,573,760,000</b>	<b>\$16,121,630,000</b>	<b>\$222,600,000</b>	<b>\$184,906,000</b>	<b>\$5,513,000</b>	<b>\$22,050,000</b>	<b>\$16,556,699,000</b>

<sup>1</sup> Assumes 1% real appreciation per year adjustment from 2007 per capita income.

<sup>2</sup> Discounted by about 25% to reflect typically lower expenditure patterns of government workers. Government jobs represent roughly 25% of total jobs in the County, according to Cal State University, Sacramento Forecast Project, July 2005.

<sup>3</sup> Based on visitor data from D.K. Shiffet & Assoc. (2006), the average length of stay for all visitor trips is 1.3 nights. Assumes approximately 50% of day-trippers (54% of total visitors) are also residents/employees.

TABLE 6a.

**ESTIMATED EXISTING, UNDER CONSTRUCTION & PROPOSED RETAIL SUPPLY (TOTAL)  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA**

**PRELIMINARY DRAFT - CONFIDENTIAL  
FOR DISCUSSION ONLY**

	2007				2015				2025			
	Est. Total Retail SF	% DT	% PTA	% RTA	Est. Total Retail SF	% DT	% PTA	% RTA	Est. Total Retail SF	% DT	% PTA	% RTA
<b>DOWNTOWN SACRAMENTO</b>												
<i>(Proposed) Railyards<sup>1</sup></i>	0	0%	0%	0%	1,109,300	26%	7%	3%	1,538,800	32%	9%	4%
Westfield Downtown Plaza	981,000	47%	10%	5%	824,000	19%	5%	2%	824,000	17%	5%	2%
<i>Proposed Expansion (Gross, excl. Theater)</i>					266,000	6%	2%	1%	266,000	6%	2%	1%
Old Sacramento	410,000	20%	4%	2%	410,000	10%	3%	1%	410,000	9%	2%	1%
K Street Mall	132,000	6%	1%	1%	132,000	3%	1%	0%	132,000	3%	1%	0%
<i>Under Constr./Planned/Proposed</i>					450,000	11%	3%	1%	450,000	9%	3%	1%
Midtown Corridor	150,000	7%	2%	1%	150,000	4%	1%	0%	150,000	3%	1%	0%
<i>Under Constr./Planned/Proposed</i>					50,000	1%	0%	0%	50,000	1%	0%	0%
Remainder of DT <sup>2</sup>	418,000	20%	4%	2%	848,000	20%	5%	2%	955,000	20%	6%	3%
<b>TOTAL DOWNTOWN SACRAMENTO</b>	<b>2,091,000</b>	<b>100%</b>	<b>21%</b>	<b>11%</b>	<b>4,239,300</b>	<b>100%</b>	<b>26%</b>	<b>12%</b>	<b>4,775,800</b>	<b>100%</b>	<b>28%</b>	<b>14%</b>
<b>TOTAL DOWNTOWN SACRAMENTO (Excluding RY)</b>	<b>2,091,000</b>				<b>3,130,000</b>				<b>3,237,000</b>			
<b>REMAINDER OF PTA</b>												
Arden Fair, Sacramento	1,110,000		11%	6%	1,110,000		7%	3%	1,110,000		7%	3%
<i>Proposed Expansion<sup>3</sup></i>	NA		NA	NA	NA		NA	NA	NA		NA	NA
Delta Shores (Proposed), Sacramento					1,200,000		7%	3%	1,200,000		7%	3%
Natomas Marketplace, Sacramento	492,000		5%	3%	492,000		3%	1%	492,000		3%	1%
Sacramento Gateway												
Promenade at Gateway (Big Box)	600,000		6%	3%	600,000		4%	2%	600,000		4%	2%
Village at Gateway (lifestyle)	64,000		1%	0%	64,000		0%	0%	64,000		0%	0%
Florin Mall (rebuild as Florin Towne Centre)					850,000		5%	2%	850,000		5%	2%
Country Club Plaza, Sacramento	600,000		6%	3%	600,000		4%	2%	600,000		4%	2%
Country Club Centre, Sacramento	594,000		6%	3%	594,000		4%	2%	594,000		4%	2%
Southgate Plaza, Sacramento	569,000		6%	3%	569,000		3%	2%	569,000		3%	2%
Riverpoint Marketplace, W. Sacramento (U.C.)	602,000		6%	3%	660,000		4%	2%	660,000		4%	2%
Woodland Gateway Center, Woodland					525,000		3%	2%	525,000		3%	2%
Remainder of PTA <sup>2</sup>	3,109,000		32%	16%	4,767,000		29%	14%	4,767,000		28%	14%
<b>TOTAL REMAINDER OF PTA</b>	<b>7,740,000</b>				<b>12,031,000</b>				<b>12,031,000</b>			
<b>TOTAL PTA (Including DT)</b>	<b>9,831,000</b>		<b>100%</b>	<b>52%</b>	<b>16,270,300</b>		<b>100%</b>	<b>47%</b>	<b>16,806,800</b>		<b>100%</b>	<b>48%</b>
<b>TOTAL PTA (Including DT, Excluding RY)</b>	<b>9,831,000</b>				<b>15,161,000</b>				<b>15,268,000</b>			
<b>REMAINDER OF RTA</b>												
Galleria, Roseville (Existing)	1,033,000			5%	1,033,000			3%	1,033,000			3%
<i>Proposed Expansion</i>					335,000			1%	335,000			1%
Laguna Ridge, Elk Grove (Proposed)					1,000,000			3%	1,000,000			3%
Promenade, Elk Grove (Approved)					1,200,000			3%	1,200,000			3%
Palladio at Broadstone, Folsom (Planned)					860,000			2%	860,000			2%
Broadstone Plaza, Folsom	533,000		5%	3%	533,000			3%	533,000		3%	2%
Sunrise Mall, Citrus Heights (Existing)	1,160,000			6%	1,160,000			3%	1,160,000			3%
Rocklin Crossing, Rocklin					544,000			2%	544,000			2%
Blue Oaks Town Center, Rocklin	599,000		6%	3%	599,000			4%	599,000		4%	2%
The Ridge at Creekside, Roseville	694,000		7%	4%	694,000			4%	694,000		4%	2%
Regional Mall (S. of Hwy 50)					1,200,000			3%	1,200,000			3%
Remainder of RTA <sup>2</sup>	5,092,000			27%	9,012,000			26%	9,012,000			26%
<b>TOTAL REMAINDER OF RTA</b>	<b>9,111,000</b>				<b>18,170,000</b>				<b>18,170,000</b>			
<b>GRAND TOTAL (DT, PTA &amp; RTA)</b>	<b>18,942,000</b>		<b>100%</b>		<b>34,440,300</b>		<b>100%</b>		<b>34,976,800</b>		<b>100%</b>	
<b>GRAND TOTAL, Excluding Railyards</b>	<b>18,942,000</b>				<b>33,331,000</b>				<b>33,438,000</b>			

<sup>1</sup> Includes an approximately 200,000 sq.ft. Bass Pro store, Central Shops retail and entertainment and services.

<sup>2</sup> Includes other centers in remainder of trade area + an allowance for other retail uses, i.e., stand-alone, in smaller centers/cities/unincorp. areas, etc.

<sup>3</sup> No plans known.

**TABLE 6b.**  
**ESTIMATED EXISTING, UNDER CONSTRUCTION & PLANNED COMPARISON RETAIL SUPPLY**  
**SACRAMENTO RAILYARDS PROJECT**  
**SACRAMENTO, CA**

**PRELIMINARY DRAFT - CONFIDENTIAL**  
**FOR DISCUSSION ONLY**

	2007				2015				2025			
	Est. Total Retail SF	% DT Total	% PTA Total	% RTA Total	Est. Total Retail SF	% DT Total	% PTA Total	% RTA Total	Est. Total Retail SF	% DT Total	% PTA Total	% RTA Total
<b>DOWNTOWN SACRAMENTO</b>												
<i>(Proposed) Railyards<sup>1</sup></i>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>550,000</b>	<b>20%</b>	<b>4%</b>	<b>2%</b>	<b>640,000</b>	<b>22%</b>	<b>5%</b>	<b>2%</b>
Westfield Downtown Plaza	800,000	55%	10%	5%	673,000	25%	5%	3%	673,000	23%	5%	3%
<i>Proposed Expansion</i>					<i>175,000</i>	<i>6%</i>	<i>1%</i>	<i>1%</i>	<i>175,000</i>	<i>6%</i>	<i>1%</i>	<i>1%</i>
Old Sacramento	246,000	17%	3%	2%	246,000	9%	2%	1%	246,000	8%	2%	1%
K Street Mall	53,000	4%	1%	0%	53,000	2%	0%	0%	53,000	2%	0%	0%
<i>Under Constr./Planned/Proposed (Est. 70%)</i>					<i>315,000</i>	<i>12%</i>	<i>3%</i>	<i>1%</i>	<i>315,000</i>	<i>11%</i>	<i>3%</i>	<i>1%</i>
Midtown Corridor	23,000	2%	0%	0%	23,000	1%	0%	0%	23,000	1%	0%	0%
<i>Under Constr./Planned/Proposed (Est. 30%)</i>					<i>15,000</i>	<i>1%</i>	<i>0%</i>	<i>0%</i>	<i>15,000</i>	<i>1%</i>	<i>0%</i>	<i>0%</i>
Remainder of DT <sup>2</sup>	334,000	23%	4%	2%	678,000	25%	5%	3%	764,000	26%	6%	3%
<b>TOTAL DOWNTOWN SACRAMENTO</b>	<b>1,456,000</b>	<b>100%</b>	<b>18%</b>	<b>10%</b>	<b>2,728,000</b>	<b>100%</b>	<b>22%</b>	<b>10%</b>	<b>2,904,000</b>	<b>100%</b>	<b>23%</b>	<b>11%</b>
<b>TOTAL DOWNTOWN SACRAMENTO (Excluding RY)</b>	<b>1,456,000</b>				<b>2,178,000</b>				<b>2,264,000</b>			
<b>REMAINDER OF PTA</b>												
Arden Fair, Sacramento	888,000		11%	6%	888,000		7%	3%	888,000		7%	3%
<i>Proposed Expansion<sup>3</sup></i>	<i>NA</i>		<i>NA</i>	<i>NA</i>	<i>NA</i>		<i>NA</i>	<i>NA</i>	<i>NA</i>		<i>NA</i>	<i>NA</i>
Delta Shores (Proposed), Sacramento					960,000		8%	4%	960,000		8%	4%
Natomas Marketplace, Sacramento	394,000		5%	3%	394,000		3%	1%	394,000		3%	1%
<i>Sacramento Gateway</i>												
Promenade at Gateway (Big Box)	480,000		6%	3%	480,000		4%	2%	480,000		4%	2%
Village at Gateway (lifestyle)	43,000		1%	0%	43,000		0%	0%	43,000		0%	0%
Florin Mall (rebuild as Florin Towne Centre)					680,000		6%	3%	680,000		5%	3%
Country Club Plaza, Sacramento	480,000		6%	3%	480,000		4%	2%	480,000		4%	2%
Country Club Centre, Sacramento	475,000		6%	3%	475,000		4%	2%	475,000		4%	2%
Southgate Plaza, Sacramento	455,000		6%	3%	455,000		4%	2%	455,000		4%	2%
Riverpoint Marketplace, W. Sacramento (U.C.)	740,000		9%	5%	528,000		4%	2%	528,000		4%	2%
Woodland Gateway Center, Woodland					420,000		3%	2%	420,000		3%	2%
Remainder of PTA <sup>2</sup>	2,487,000		31%	16%	3,814,000		31%	14%	3,814,000		30%	14%
<b>TOTAL REMAINDER OF PTA</b>	<b>6,442,000</b>				<b>9,617,000</b>				<b>9,617,000</b>			
<b>TOTAL PTA (Including DT)</b>	<b>7,898,000</b>		<b>100%</b>	<b>52%</b>	<b>12,345,000</b>		<b>100%</b>	<b>46%</b>	<b>12,521,000</b>		<b>100%</b>	<b>47%</b>
<b>TOTAL PTA (Including DT, Excluding RY)</b>	<b>7,898,000</b>				<b>11,795,000</b>				<b>11,881,000</b>			
<b>REMAINDER OF RTA</b>												
Galleria, Roseville (Existing)	826,000			5%	826,000			3%	826,000			3%
<i>Proposed Expansion</i>					<i>268,000</i>			<i>1%</i>	<i>268,000</i>			<i>1%</i>
Laguna Ridge, Elk Grove (Proposed)					800,000			3%	800,000			3%
Promenade, Elk Grove (Approved)					960,000			4%	960,000			4%
Palladio at Broadstone, Folsom (Planned)					576,000			2%	576,000			2%
Broadstone Plaza, Folsom	426,000		5%	3%	426,000			3%	426,000			3%
Sunrise Mall, Citrus Heights (Existing)	928,000			6%	928,000			3%	928,000			3%
Rocklin Crossing, Rocklin					435,000			2%	435,000			2%
Blue Oaks Town Center, Rocklin	450,000		6%	3%	450,000			4%	450,000			4%
The Ridge at Creekside, Roseville	555,000		7%	4%	555,000			4%	555,000			4%
Regional Mall (S. of Hwy 50)					960,000			4%	960,000			4%
Remainder of RTA <sup>2</sup>	4,074,000			27%	7,210,000			27%	7,210,000			27%
<b>TOTAL REMAINDER OF RTA</b>	<b>7,259,000</b>				<b>14,394,000</b>				<b>14,394,000</b>			
<b>GRAND TOTAL (DT, PTA &amp; RTA)</b>	<b>15,157,000</b>			<b>100%</b>	<b>26,739,000</b>			<b>100%</b>	<b>26,915,000</b>			<b>100%</b>
<b>GRAND TOTAL, Excluding Railyards</b>	<b>15,157,000</b>				<b>26,189,000</b>				<b>26,275,000</b>			

<sup>1</sup> Includes an approximately 200,000 sq.ft. Bass Pro store, Central Shops retail and entertainment and services.

<sup>2</sup> Includes other centers in remainder of trade area + an allowance for other retail uses, i.e., stand-alone, in smaller centers/cities/unincorp. areas, etc.

<sup>3</sup> No plans known.

TABLE 6c.

ESTIMATED EXISTING, UNDER CONSTRUCTION & PLANNED EATING & DRINKING SUPPLY  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA

PRELIMINARY DRAFT - CONFIDENTIAL  
FOR DISCUSSION ONLY

	2007				2015				2025			
	Est. Total Retail SF	% DT	% PTA	% RTA	Est. Total Retail SF	% DT	% PTA	% RTA	Est. Total Retail SF	% DT	% PTA	% RTA
<b>DOWNTOWN SACRAMENTO</b>												
<i>(Proposed) Railyards</i>	0	0%	0%	0%	402,000	34%	13%	7%	532,000	40%	17%	9%
Westfield Downtown Plaza	150,000	27%	8%	5%	120,000	10%	4%	2%	120,000	9%	4%	2%
<i>Proposed Expansion</i>					30,000	3%	1%	1%	30,000	2%	1%	1%
Old Sacramento	164,000	30%	9%	5%	164,000	14%	5%	3%	164,000	12%	5%	3%
K Street Mall	66,000	12%	4%	2%	66,000	6%	2%	1%	66,000	5%	2%	1%
<i>Under Constr./Planned/Proposed (Est. 30%)</i>					135,000	11%	4%	2%	135,000	10%	4%	2%
Midtown Corridor	105,000	19%	6%	3%	105,000	9%	3%	2%	105,000	8%	3%	2%
<i>Under Constr./Planned/Proposed (Est. 70%)</i>					35,000	3%	1%	1%	35,000	3%	1%	1%
Remainder of DT <sup>1</sup>	63,000	11%	4%	2%	127,000	11%	4%	2%	143,000	11%	5%	2%
<b>TOTAL DOWNTOWN SACRAMENTO</b>	<b>548,000</b>	<b>100%</b>	<b>31%</b>	<b>18%</b>	<b>1,184,000</b>	<b>100%</b>	<b>39%</b>	<b>20%</b>	<b>1,330,000</b>	<b>100%</b>	<b>42%</b>	<b>22%</b>
<b>TOTAL DOWNTOWN SACRAMENTO (Excluding F</b>	<b>548,000</b>				<b>782,000</b>				<b>798,000</b>			
<b>REMAINDER OF PTA</b>												
Arden Fair, Sacramento	166,000		9%	5%	166,000		5%	3%	166,000		5%	3%
<i>Proposed Expansion <sup>2</sup></i>	NA		NA	NA	NA		NA	NA	NA		NA	NA
Delta Shores (Proposed), Sacramento					180,000		6%	3%	180,000		6%	3%
Natomas Marketplace, Sacramento	98,000		5%	3%	98,000		3%	2%	98,000		3%	2%
Sacramento Gateway												
Promenade at Gateway (Big Box)	90,000		5%	3%	90,000		3%	2%	90,000		3%	2%
Village at Gateway (lifestyle)	19,000		1%	1%	19,000		1%	0%	19,000		1%	0%
Florin Mall (rebuild as Florin Towne Centre)					128,000		4%	2%	128,000		4%	2%
Country Club Plaza, Sacramento	90,000		5%	3%	90,000		3%	2%	90,000		3%	2%
Country Club Centre, Sacramento	90,000		5%	3%	90,000		3%	2%	90,000		3%	2%
Southgate Plaza, Sacramento	89,100		5%	3%	89,100		3%	2%	89,100		3%	2%
Riverpoint Marketplace, W. Sacramento (U.C.)	139,000		8%	5%	99,000		3%	2%	99,000		3%	2%
Woodland Gateway Center, Woodland					79,000		3%	1%	79,000		2%	1%
Remainder of PTA <sup>1</sup>	466,000		26%	15%	715,000		24%	12%	715,000		23%	12%
<b>TOTAL REMAINDER OF PTA</b>	<b>1,247,100</b>				<b>1,843,100</b>				<b>1,843,100</b>			
<b>TOTAL PTA (Including DT)</b>	<b>1,795,100</b>		<b>100%</b>	<b>58%</b>	<b>3,027,100</b>		<b>100%</b>	<b>52%</b>	<b>3,173,100</b>		<b>100%</b>	<b>53%</b>
<b>TOTAL PTA (Including DT, Excluding RY))</b>	<b>1,795,100</b>				<b>2,625,100</b>				<b>2,641,100</b>			
<b>REMAINDER OF RTA</b>												
Galleria, Roseville (Existing)	155,000			5%	155,000			3%	155,000			3%
<i>Proposed Expansion</i>					50,000			1%	50,000			1%
Laguna Ridge, Elk Grove (Proposed)					150,000			3%	150,000			3%
Promenade, Elk Grove (Approved)					180,000			3%	180,000			3%
Palladio at Broadstone, Folsom (Planned)					249,000			4%	249,000			4%
Broadstone Plaza, Folsom	89,100		5%	3%	89,100		3%	2%	89,100		3%	2%
Sunrise Mall, Citrus Heights (Existing)	174,000			6%	174,000			3%	174,000			3%
Rocklin Crossing, Rocklin					82,000			1%	82,000			1%
Blue Oaks Town Center, Rocklin	20,000		1%	1%	20,000		1%	0%	20,000		1%	0%
The Ridge at Creekside, Roseville	85,350		5%	3%	85,350		3%	1%	85,350		3%	1%
Regional Mall (S. of Hwy 50)					180,000			3%	180,000			3%
Remainder of RTA <sup>1</sup>	764,000			25%	1,352,000			23%	1,352,000			23%
<b>TOTAL REMAINDER OF RTA</b>	<b>1,287,450</b>				<b>2,766,450</b>				<b>2,766,450</b>			
<b>GRAND TOTAL (DT, PTA &amp; RTA)</b>	<b>3,082,550</b>		<b>100%</b>		<b>5,793,550</b>		<b>100%</b>		<b>5,939,550</b>		<b>100%</b>	
<b>GRAND TOTAL, Excluding Railyards</b>	<b>3,082,550</b>				<b>5,391,550</b>				<b>5,407,550</b>			

<sup>1</sup> Includes other centers in remainder of trade area + an allowance for other retail uses, i.e., stand-alone, in smaller centers/cities/unincorp. areas, etc.

<sup>2</sup> No plans known.

TABLE 6d.

ESTIMATED EXISTING, UNDER CONSTRUCTION & PROPOSED CONVENIENCE RETAIL SUPPLY  
 SACRAMENTO RAILYARDS PROJECT  
 SACRAMENTO, CA

PRELIMINARY DRAFT - CONFIDENTIAL  
 FOR DISCUSSION ONLY

	2007		2015		2025	
	Est. Total Retail SF	% DT Total	Est. Total Retail SF	% DT Total	Est. Total Retail SF	% DT Total
<b>DOWNTOWN SACRAMENTO</b>						
<i>(Proposed) Railyards</i> <sup>1</sup>	0	0%	102,300	38%	289,800	62%
Westfield Downtown Plaza	31,000	36%	31,000	11%	31,000	7%
<i>Proposed Expansion</i>			61,000	22%	61,000	13%
Old Sacramento	0	0%	0	0%	0	0%
K Street Mall	13,000	15%	13,000	5%	13,000	3%
<i>Under Constr./Planned/Proposed</i>			0	0%	0	0%
Midtown Corridor	22,000	25%	22,000	8%	22,000	5%
<i>Under Constr./Planned/Proposed</i>			0	0%	0	0%
Remainder of DT <sup>2</sup>	21,000	24%	42,000	15%	48,000	10%
<b>TOTAL DOWNTOWN SACRAMENTO</b>	<b>87,000</b>	<b>100%</b>	<b>271,300</b>	<b>100%</b>	<b>464,800</b>	<b>100%</b>
<b>TOTAL DOWNTOWN SACRAMENTO, excluding Railyards</b>	<b>87,000</b>		<b>169,000</b>		<b>175,000</b>	

<sup>1</sup> Includes Services.

<sup>2</sup> Includes other centers in remainder of trade area + an allowance for other retail uses, i.e., stand-alone, in smaller centers/cities/unincorp. areas, etc.

**TABLE 7a.**  
**PROJECTED EXISTING, UNDER CONSTRUCTION & PLANNED COMPARISON RETAIL SALES REQUIREMENTS**  
**SACRAMENTO RAILYARDS PROJECT**  
**SACRAMENTO, CA**

**PRELIMINARY DRAFT - CONFIDENTIAL**  
**FOR DISCUSSION ONLY**

Real Appreciation:

1%/Yr.

	<u>Estimated 2007 Sales</u>				<u>Projected 2015 Sales Requirements</u>				<u>Projected 2025 Sales Requirements</u>			
	Est. Total Retail Sales <sup>1,2</sup>	% DT	% PTA	% RTA	Est. Total Sales Reqmts <sup>2</sup>	% DT	% PTA	% RTA	Est. Total Sales Reqmts <sup>2</sup>	% DT	% PTA	% RTA
<b>DOWNTOWN SACRAMENTO</b>												
<i>(Proposed) Railyards</i>	\$0	0%	0%	0%	\$198,000,000	29%	4%	2%	\$218,715,000	29%	4%	2%
Westfield Downtown Plaza (Est.)												
<i>Proposed Expansion</i>												
Old Sacramento (Est.)												
K Street Mall (Est.)												
<i>Under Constr./Planned/Proposed</i>												
Midtown Corridor (Est.)												
<i>Under Constr./Planned/Proposed</i>												
Remainder of DT												
<b>TOTAL DOWNTOWN SACRAMENTO</b>	<b>\$166,500,000</b>	<b>100%</b>	<b>6%</b>	<b>3%</b>	<b>\$680,264,000</b>	<b>100%</b>	<b>14%</b>	<b>7%</b>	<b>\$751,434,000</b>	<b>100%</b>	<b>14%</b>	<b>7%</b>
<b>TOTAL DOWNTOWN SACRAMENTO (Excluding RY)</b>	<b>\$166,500,000</b>				<b>\$482,264,000</b>				<b>\$532,719,000</b>			
<b>REMAINDER OF PTA</b>												
Arden Fair, Sacramento												
<i>Proposed Expansion<sup>4</sup></i>												
Delta Shores (Proposed), Sacramento												
Natomas Marketplace, Sacramento												
Sacramento Gateway												
Promenade at Gateway (Big Box)												
Village at Gateway (lifestyle)												
Florin Mall (rebuild as Florin Towne Centre)												
Country Club Plaza, Sacramento												
Country Club Centre, Sacramento												
Southgate Plaza, Sacramento												
Riverpoint Marketplace, W. Sacramento (U.C.)												
Woodland Gateway Center, Woodland												
Remainder of PTA <sup>3,5</sup>												
<b>TOTAL REMAINDER OF PTA</b>	<b>\$2,613,600,000</b>				<b>\$4,033,480,000</b>				<b>\$4,455,472,000</b>			
<b>TOTAL PTA (Including DT)</b>	<b>\$2,780,100,000</b>		<b>100%</b>	<b>53%</b>	<b>\$4,713,744,000</b>		<b>100%</b>	<b>47%</b>	<b>\$5,206,906,000</b>		<b>100%</b>	<b>47%</b>
<b>TOTAL PTA (Including DT, Excluding RY)</b>	<b>\$2,780,100,000</b>				<b>\$4,515,744,000</b>				<b>\$4,988,191,000</b>			
<b>REMAINDER OF RTA</b>												
Galleria, Roseville (Existing)												
<i>Proposed Expansion</i>												
Laguna Ridge, Elk Grove (Proposed)												
Promenade, Elk Grove (Approved)												
Palladio at Broadstone, Folsom (Planned) <sup>6</sup>												
Broadstone Plaza, Folsom <sup>6</sup>												
Sunrise Mall, Citrus Heights (Existing)												
Rocklin Crossing, Rocklin												
Blue Oaks Town Center, Rocklin												
The Ridge at Creekside, Roseville												
Regional Mall (S. of Hwy 50)												
Remainder of RTA <sup>3,7</sup>												
<b>TOTAL REMAINDER OF RTA</b>	<b>\$2,469,100,000</b>				<b>\$5,268,694,000</b>				<b>\$5,819,916,000</b>			
<b>GRAND TOTAL (DT, PTA &amp; RTA)</b>	<b>\$5,249,200,000</b>		<b>100%</b>		<b>\$9,982,438,000</b>		<b>100%</b>		<b>\$11,026,822,000</b>		<b>100%</b>	
<b>GRAND TOTAL, Excluding Railyards</b>	<b>\$5,249,200,000</b>				<b>\$9,784,438,000</b>				<b>\$10,808,107,000</b>			

<sup>1</sup> Based on 2006 sales data for Sacramento and 2005 State Board of Equalization Taxable Sales data for W. Sacramento, escalated at 1% per year to 2007.

Data not shown for Sacramento centers due to confidentiality issues.

<sup>2</sup> Where sales are unknown, assumes average per sq. ft. sales of \$250 /yr. for existing retail space & \$350 /yr. for new retail space, escalated @ 1% per year.

<sup>3</sup> Includes additional allowance (+25%) for other retail not in cities included above, in unincorporated county areas, and/or not reported separately due to confidentiality issues.

<sup>4</sup> No plans known.

<sup>5</sup> Includes the cities of Sacramento, West Sacramento, Davis (1/2), and Woodland (1/2). Assumes only 1/2 of the retail sales near edge + 25% for sales not included above.

Also assumes an estimated 85% of Other Retail sales reported is Specialty Retail Sales (no breakdowns provided; thus estimate is based on statewide sales ratio.)

<sup>6</sup> Assumes only 1/2 of the retail sales are drawn from the trade area given their locations near the edge of trade area.

<sup>7</sup> Includes the cities of Davis, Vacaville (1/2), Elk Grove, Folsom (1/2), Roseville, Rocklin, Lincoln (1/2) and Auburn (1/2). Assumes only 1/2 of the retail sales near edge of trade area.

**TABLE 7b.**  
**PROJECTED EXISTING, UNDER CONSTRUCTION & PLANNED EATING & DRINKING SALES REQUIREMENTS**  
**SACRAMENTO RAILYARDS PROJECT**  
**SACRAMENTO, CA**

**PRELIMINARY DRAFT - CONFIDENTIAL**  
**FOR DISCUSSION ONLY**

Real Appreciation:

1%/Yr.

	<u>Estimated 2007 Sales</u>				<u>Projected 2015 Sales Requirements</u>				<u>Projected 2025 Sales Requirements</u>			
	Est. Total Retail Sales <sup>1,2</sup>	% DT Total	% PTA Total	% RTA Total	Est. Total Sales Reqmts <sup>2</sup>	% DT Total	% PTA Total	% RTA Total	Est. Total Sales Reqmts <sup>2</sup>	% DT Total	% PTA Total	% RTA Total
<b>DOWNTOWN SACRAMENTO</b>												
<i>(Proposed) Railyards</i>	\$0	0%	0%	0%	\$184,900,000	42%	10%	6%	\$271,320,000	49%	13%	8%
Westfield Downtown Plaza												
<i>Proposed Expansion</i>												
Old Sacramento												
K Street Mall												
<i>Under Constr./Planned/Proposed</i>												
Midtown Corridor												
<i>Under Constr./Planned/Proposed</i>												
Remainder of DT <sup>3</sup>												
<b>TOTAL DOWNTOWN SACRAMENTO</b>	<b>\$123,810,000</b>	<b>100%</b>	<b>12%</b>	<b>7%</b>	<b>\$443,746,000</b>	<b>100%</b>	<b>25%</b>	<b>14%</b>	<b>\$557,246,000</b>	<b>100%</b>	<b>27%</b>	<b>16%</b>
<b>TOTAL DOWNTOWN SACRAMENTO (Excluding RY)</b>	<b>\$123,810,000</b>				<b>\$258,846,000</b>				<b>\$285,926,000</b>			
<b>REMAINDER OF PTA</b>												
Arden Fair, Sacramento												
<i>Proposed Expansion</i> <sup>4</sup>												
Delta Shores (Proposed), Sacramento												
Natomas Marketplace, Sacramento												
Sacramento Gateway												
Promenade at Gateway (Big Box)												
Village at Gateway (lifestyle)												
Florin Mall (rebuild as Florin Towne Centre)												
Country Club Plaza, Sacramento												
Country Club Centre, Sacramento												
Southgate Plaza, Sacramento												
Riverpoint Marketplace, W. Sacramento (U.C.)												
Woodland Gateway Center, Woodland												
Remainder of PTA <sup>3,5</sup>												
<b>TOTAL REMAINDER OF PTA</b>	<b>\$949,776,000</b>				<b>\$1,338,385,000</b>				<b>\$1,478,412,000</b>			
<b>TOTAL PTA (Including DT)</b>	<b>\$1,073,586,000</b>	<b>100%</b>	<b>62%</b>		<b>\$1,782,131,000</b>	<b>100%</b>	<b>57%</b>		<b>\$2,035,658,000</b>	<b>100%</b>	<b>57%</b>	
<b>TOTAL PTA (Including DT, Excluding RY))</b>	<b>\$1,073,586,000</b>				<b>\$1,597,231,000</b>				<b>\$1,764,338,000</b>			
<b>REMAINDER OF RTA</b>												
Galleria, Roseville (Existing)												
<i>Proposed Expansion</i>												
Laguna Ridge, Elk Grove (Proposed)												
Promenade, Elk Grove (Approved)												
Palladio at Broadstone, Folsom (Planned) <sup>6</sup>												
Broadstone Plaza, Folsom <sup>6</sup>												
Sunrise Mall, Citrus Heights (Existing)												
Rocklin Crossing, Rocklin												
Blue Oaks Town Center, Rocklin												
The Ridge at Creekside, Roseville												
Regional Mall (S. of Hwy 50)												
Remainder of RTA <sup>3,7</sup>												
<b>TOTAL REMAINDER OF RTA</b>	<b>\$650,416,000</b>				<b>\$1,364,334,000</b>				<b>\$1,507,074,000</b>			
<b>GRAND TOTAL (DT, PTA &amp; RTA)</b>	<b>\$1,724,002,000</b>		<b>100%</b>		<b>\$3,146,465,000</b>		<b>100%</b>		<b>\$3,542,732,000</b>		<b>100%</b>	
<b>GRAND TOTAL, Excluding Railyards</b>	<b>\$1,724,002,000</b>				<b>\$2,961,565,000</b>				<b>\$3,271,412,000</b>			

<sup>1</sup> Based on 2006 sales data for Sacramento and 2005 State Board of Equalization Taxable Sales data for W. Sacramento, escalated at 1% per year to 2007.

Data not shown for Sacramento centers due to confidentiality issues.

<sup>2</sup> Where sales are unknown, assumes average per sq.ft. sales of \$350 /yr. for existing retail space & \$450 /yr. for new retail space, escalated @ 1% per year.

<sup>3</sup> Includes additional allowance (+25%) for other retail not in cities included above, in unincorporated county areas, and/or not reported separately due to confidentiality issues.

<sup>4</sup> No plans known.

<sup>5</sup> Includes the cities of Sacramento, West Sacramento, Davis (1/2), and Woodland (1/2). Assumes only 1/2 of the retail sales near edge + 25% for sales not included above.

<sup>6</sup> Assumes only 1/2 of the retail sales are drawn from the trade area given their locations near the edge of trade area.

<sup>7</sup> Includes the cities of Davis, Vacaville (1/2), Elk Grove, Folsom (1/2), Roseville, Rocklin, Lincoln (1/2) and Auburn (1/2). Assumes only 1/2 of the retail sales near edge of trade area.

**TABLE 7c.  
 PROJECTED EXISTING, UNDER CONSTRUCTION & PLANNED CONVENIENCE RETAIL SALES REQUIREMENTS  
 SACRAMENTO RAILYARDS PROJECT  
 SACRAMENTO, CA**

**PRELIMINARY DRAFT - CONFIDENTIAL  
 FOR DISCUSSION ONLY**

Real Appreciation:

1%/Yr.

	<u>Estimated 2007 Sales</u>		<u>Projected 2015 Sales Requirements</u>		<u>Projected 2025 Sales Requirements</u>	
	Est. Total Retail Sales <sup>1</sup>	% DT Total	Est. Total Sales Requirements <sup>1</sup>	% DT Total	Est. Total Sales Requirements <sup>1</sup>	% DT Total
<b>DOWNTOWN SACRAMENTO</b>						
<i>(Proposed) Railyards<sup>2</sup></i>	\$0	0%	\$45,000,000	41%	\$142,002,000	66%
Westfield Downtown Plaza						
<i>Proposed Expansion</i>						
Old Sacramento						
K Street Mall						
<i>Under Constr./Planned/Proposed</i>						
Midtown Corridor						
<i>Under Constr./Planned/Proposed</i>						
Remainder of DT <sup>3</sup>	\$25,744,000	100%	\$110,614,000	100%	\$214,481,000	100%
<b>TOTAL DOWNTOWN SACRAMENTO</b>	<b>\$25,744,000</b>	<b>100%</b>	<b>\$110,614,000</b>	<b>100%</b>	<b>\$214,481,000</b>	<b>100%</b>
<b>TOTAL DOWNTOWN SACRAMENTO, Excluding Railyards</b>	<b>\$25,744,000</b>		<b>\$65,614,000</b>		<b>\$72,479,000</b>	

<sup>1</sup> 2007 Sales tax data for food are adjusted at 30% to reflect total (taxable and non-taxable) sales typical of food stores, escalated at 1% per year to 2015 and 2025. Where sales are unknown, assumes average per sq.ft. sales of \$425 /sq.ft.

Data not shown for Sacramento centers due to confidentiality issues.

<sup>2</sup> Excludes Services, which typically have nominal retail sales.

<sup>3</sup> Allowance for other retail not in centers.

**TABLE 8.  
PROJECTED PROPOSED RAILYARD PROJECT SALES REQUIREMENT  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA**

*Real Appreciation: 1%/Yr.*

ILLUSTRATIVE RETAIL MIX	Target Sales/ Per SF (\$2007)	EST. PROJECT SALES REQUIREMENT (2015)			EST. PROJECT SALES REQUIREMENT (2025)		
		Total SF	Per SF	Total Sales	Total SF	Per SF	Total Sales
<i>Comparison Retail</i>	\$350	550,000	\$360	\$198,000,000	640,000	\$400	\$256,000,000
<i>Eating &amp; Drinking (Incl. Food Hall)</i>	\$450	402,000	\$460	\$184,900,000	532,000	\$510	\$271,320,000
<i>Convenience Retail</i> <sup>1</sup>	\$425	102,300	\$440	\$45,000,000	289,800	\$490	\$142,002,000
<b>TOTAL</b>		<b>1,054,300</b>	<b>\$406</b>	<b>\$427,900,000</b>	<b>1,461,800</b>	<b>\$458</b>	<b>\$669,322,000</b>
<i>Services</i> <sup>1</sup>	Nominal	55,000	(Nominal)	(Nominal)	77,000	(Nominal)	(Nominal)
<b>GRAND TOTAL</b>		<b>1,109,300</b>	<b>\$386</b>	<b>\$427,900,000</b>	<b>1,538,800</b>	<b>\$435</b>	<b>\$669,322,000</b>

<sup>1</sup> Assumes that Services represent approximately 5% of total square footage in proposed Railyards project, so that the remainder of the Convenience Retail/Services category of the development program would be Convenience Retail.



**TABLE 9b.**  
**PROJECTED NET EXPENDITURE POTENTIAL (Total Potential Comparison with Sales Requirements)**  
**- INCLUDING PROPOSED RAILYARD PROJECT**  
**SACRAMENTO RAILYARDS PROJECT**  
**SACRAMENTO, CA**

PRELIMINARY DRAFT - CONFIDENTIAL  
 FOR DISCUSSION ONLY

Real Appreciation: 1%/Yr.

	Projected 2015		Projected 2025	
	Total Expend. Pot.	Sales Requirements (With Railyards)	Total Expend. Pot.	Sales Requirements (With Railyards)
<b>COMPARISON RETAIL</b>				
Downtown Residents	\$160,160,000		\$309,540,000	
Downtown Office Employees	\$59,800,000		\$74,200,000	
Downtown Visitors	\$82,997,000		\$106,461,000	
Special Use-Generated	\$11,475,000		\$16,625,000	
Remainder PTA Residents	\$4,213,680,000		\$5,192,000,000	
Total PTA (Including DT)	\$4,528,112,000	\$4,713,744,000	\$5,698,826,000	\$5,206,906,000
Remainder of RTA Residents	\$4,682,610,000	\$5,268,694,000	\$6,389,100,000	\$5,819,916,000
Total RTA (Including DT & PTA)	\$9,210,722,000	\$9,982,438,000	\$12,087,926,000	\$11,026,822,000
				\$569,184,000
				\$1,061,104,000
<b>EATING &amp; DRINKING</b>				
Downtown Residents	\$54,560,000		\$105,490,000	
Downtown Office Employees	\$69,000,000		\$90,100,000	
Downtown Visitors	\$56,145,000		\$70,040,000	
Special Use-Generated	\$7,763,000		\$10,938,000	
Remainder PTA Residents	\$1,443,360,000		\$1,765,280,000	
Total PTA (Including DT)	\$1,630,828,000	\$1,782,131,000	\$2,041,848,000	\$2,035,658,000
Remainder of RTA Residents	\$1,594,080,000	\$1,364,334,000	\$2,184,660,000	\$1,507,074,000
Total RTA (Including DT & PTA)	\$3,224,908,000	\$3,146,465,000	\$4,226,508,000	\$3,542,732,000
				\$677,586,000
				\$683,776,000
<b>CONVENIENCE RETAIL &amp; SERVICES</b>				
Downtown Residents	\$91,080,000		\$175,560,000	
Downtown Office Employees	\$42,543,000		\$58,300,000	
Downtown Visitors	\$7,323,000		\$8,405,000	
Total Downtown	\$140,946,000	\$110,614,000	\$242,265,000	\$214,481,000
				\$27,784,000

**WORKSHEET 1.  
REMAINDER OF PTA AND RTA RETAIL SUPPLY  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA**

**PRELIMINARY DRAFT - CONFIDENTIAL  
FOR DISCUSSION ONLY**

<b>Existing Centers</b>	<b>Year</b>	<b>Renovated</b>	<b>City</b>	<b>SF</b>	<b>Trade Area</b>
Market Square at Arden Fair	1957	2003	Arden	123,093	PTA
Truxel Station			Natomas	110,000	PTA
Park Place	2003		Natomas	108,000	PTA
Rancho Cordova Town Center	1987	1991	Rancho	280,000	PTA
Town & Country Village	1951	2006	Sacramento	232,914	PTA
Pavillions	1985		Sacramento	103,000	PTA
IKEA (Included in Riverpoint Mktplace)	2006		West Sac	N.A.	PTA
Westbridge Plaza Phase 1			West Sac	201,000	PTA
Country Fair Mall	1986	2006	Woodland	403,119	PTA
Subtotal PTA				<u>1,561,126</u>	
Marketplace at Birdcage	1976	2001	Citrus Heights	314,000	RTA
Elk Grove Commons	2004		Elk Grove	241,911	RTA
Laguna Crossroads	1996		Elk Grove	433,179	RTA
Laguna Gateway East and West	2001		Elk Grove	207,494	RTA
Marketplace 99	1993	2001	Elk Grove	248,540	RTA
Folsom Premium Outlets (@ 50%) <sup>1</sup>	1987	1999	Folsom	149,639	RTA
Madison Mall	1962	1998	Orangevale	260,199	RTA
Creekside Ranch Crossing	1996		Roseville	330,000	RTA
Creekside Town Center	2001		Roseville	370,300	RTA
Roseville Center	1985	1991	Roseville	271,010	RTA
Roseville Square	1962	1990	Roseville	219,212	RTA
Vacaville Premium Outlets (@ 50%) <sup>1</sup>	1988	1993	Vacaville	224,000	RTA
Subtotal RTA				<u>3,269,484</u>	
<i>Total Existing in Remainder of PTA &amp; RTA</i>				<i>4,830,610</i>	
<b>Planned Centers</b>	<b>Year</b>		<b>City</b>	<b>SF</b>	<b>Trade Area</b>
The Landing			Rancho	400,000	PTA
Ose Properties			Sacramento	400,000	PTA
Subtotal PTA				<u>800,000</u>	
Roseville Crossing			Roseville	220,000	RTA
Fountains, Roseville (Under Constr.)			Roseville	360,000	RTA
Sunset West			Rocklin	130,000	RTA
Rocklin Pavillions			Rocklin	361,000	RTA
Granite Plaza			Placer Co	170,000	RTA
Trimm Pavillions			Placer Co	61,000	RTA
Lowe's Home Improvement			Placer Co	137,000	RTA
Vineyard at Madera			Elk Grove	103,380	RTA
College Sqr Marketplace			Sac Co (near Elk Gr)	270,000	RTA
Lincoln Crossing Marketplace (@ 50%) <sup>1</sup>			Lincoln	184,500	RTA
Sterling Point (@ 50%) <sup>1</sup>			Lincoln	111,537	RTA
Subtotal RTA				<u>2,108,417</u>	
<i>Total In Planning 2007-2010</i>				<i>2,908,417</i>	

Source: Applicant (Integra Realty Resources, Inc., adjusted to include/exclude competitive centers under 500,000 sq.ft.)

<sup>1</sup> Assumes an estimated 50% of sales for these centers are drawn from the proposed Railyards project's RTA.

**WORKSHEET 2.**  
**2005/06 TAXABLE SALES FOR CITIES REPORTING IN PTA**  
**SACRAMENTO RAIL YARDS PROJECT**  
**SACRAMENTO, CA**

Real Appreciation: 1.0%

**EXISTING RETAIL SALES**

	Apparel	General Merchandise	Specialty Retail	Home Furnishing	Total	Eating & Drinking
<b>Unadjusted Taxable Sales<sup>1</sup></b>						
City of Sacramento <sup>2</sup>	\$258,749,400	\$658,674,400	\$694,880,000	\$275,816,300	\$1,888,120,100	\$650,516,100
West Sacramento	\$3,018,000	\$10,739,000	\$58,319,000	NA.	\$72,076,000	\$32,857,000
Subtotal	\$261,767,400	\$669,413,400	\$753,199,000	\$275,816,300	\$1,960,196,100	\$683,373,100
Woodland	\$12,302,000	\$114,889,000	\$53,516,000	\$10,751,000	\$191,458,000	\$50,557,000
Davis	\$9,958,000	\$24,802,000	\$65,325,000	\$6,879,000	\$106,964,000	\$73,530,000
Subtotal	\$22,260,000	\$139,691,000	\$118,841,000	\$17,630,000	\$298,422,000	\$124,087,000
Subtotal (@ 50%) <sup>3</sup>	\$11,130,000	\$69,845,500	\$59,420,500	\$8,815,000	\$149,211,000	\$62,043,500
<b>Total Unadjusted Taxable Sales</b>	\$272,897,400	\$739,258,900	\$812,619,500	\$284,631,300	\$2,109,407,100	\$745,416,600
<b>Adjusted Taxable Sales<sup>4, 5, 6</sup></b>						
City of Sacramento <sup>2</sup>	\$261,337,000	\$665,261,000	\$701,829,000	\$278,574,000	\$1,907,001,000	\$657,021,000
West Sacramento	\$3,079,000	\$9,859,000	\$50,568,000	NA.	\$63,506,000	\$33,517,000
Subtotal	\$264,416,000	\$675,120,000	\$752,397,000	\$278,574,000	\$1,970,507,000	\$690,538,000
Woodland	\$12,549,000	\$105,478,000	\$46,403,000	\$10,967,000	\$175,397,000	\$51,573,000
Davis	\$10,158,000	\$22,770,000	\$56,642,000	\$7,017,000	\$96,587,000	\$75,008,000
Subtotal	\$22,707,000	\$128,248,000	\$103,045,000	\$17,984,000	\$271,984,000	\$126,581,000
Subtotal (@ 50%) <sup>3</sup>	\$11,353,500	\$64,124,000	\$51,522,500	\$8,992,000	\$135,992,000	\$63,290,500
<b>Total Adjusted Taxable Sales</b>	\$275,769,500	\$739,244,000	\$803,919,500	\$287,566,000	\$2,106,499,000	\$753,828,500

<sup>1</sup> 2006 sales for City of Sacramento. All others are based on 2005 SBE Taxable Sale (not yet available for 2006).

<sup>2</sup> Based on 2006 taxable sales data breakdowns provided by City.

<sup>3</sup> Assumes 50% of sales of cities at edge of PTA come from within and remainder from outside of trade area.

<sup>4</sup> Assumes an estimated 10% are sales from Drugstores (based on statewide ratio as no breakdown available in SBE Report.)

<sup>5</sup> Assumes an estimated 85% are Specialty Retail sales (based on statewide ratios as no breakdown available in SBE Report.)

<sup>6</sup> Escalated at 1% per year to 2007.

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**WORKSHEET 3.  
2005/06 TAXABLE SALES FOR CITIES REPORTING IN RTA  
SACRAMENTO RAILYARDS PROJECT  
SACRAMENTO, CA**

Real Appreciation: 1.0%

	EXISTING RETAIL SALES					Eating & Drinking
	Apparel	Merchandise	Specialty Retail	Home Furnishing	Total	
<b>Unadjusted Taxable Sales<sup>1</sup></b>						
Elk Grove	\$59,715,000	\$188,921,000	\$223,128,000	\$59,633,000	\$531,397,000	\$139,161,000
Roseville	\$167,693,000	\$599,179,000	\$495,148,000	\$135,036,000	\$1,397,056,000	\$258,486,000
Rocklin	\$9,958,000	\$24,802,000	\$65,325,000	\$6,879,000	\$106,964,000	\$46,935,000
Subtotal	\$237,366,000	\$812,902,000	\$783,601,000	\$201,548,000	\$2,035,417,000	\$444,582,000
Vacaville	\$133,350,000	\$233,607,000	\$127,292,000	\$50,445,000	\$544,694,000	\$111,140,000
Woodland	\$12,302,000	\$114,889,000	\$53,516,000	\$10,751,000	\$191,458,000	\$50,557,000
Davis	\$9,958,000	\$24,802,000	\$65,325,000	\$6,879,000	\$106,964,000	\$73,530,000
Folsom	\$94,238,000	\$267,446,000	\$235,679,000	\$32,476,000	\$629,839,000	\$117,814,000
Auburn	\$3,269,000	\$25,854,000	\$189,076,000	\$8,285,000	\$226,484,000	\$24,829,000
Subtotal	\$253,117,000	\$666,598,000	\$670,888,000	\$108,836,000	\$1,699,439,000	\$377,870,000
Subtotal (@ 50%) <sup>2</sup>	\$126,558,500	\$333,299,000	\$335,444,000	\$54,418,000	\$849,719,500	\$188,935,000
<b>Total Unadjusted Taxable Sales</b>	\$363,924,500	\$1,146,201,000	\$1,119,045,000	\$255,966,000	\$2,885,136,500	\$633,517,000
<b>Adjusted Taxable Sales<sup>3, 4, 5</sup></b>						
Elk Grove	\$60,915,000	\$173,446,000	\$193,471,000	\$60,832,000	\$488,664,000	\$141,958,000
Roseville	\$171,064,000	\$550,100,000	\$429,335,000	\$137,750,000	\$1,288,249,000	\$263,682,000
Rocklin	\$10,158,000	\$22,770,000	\$56,642,000	\$7,017,000	\$96,587,000	\$47,878,000
Subtotal	\$242,137,000	\$746,316,000	\$679,448,000	\$205,599,000	\$1,873,500,000	\$453,518,000
Vacaville	\$136,030,000	\$214,472,000	\$110,373,000	\$51,459,000	\$512,334,000	\$113,374,000
Woodland	\$12,549,000	\$105,478,000	\$46,403,000	\$10,967,000	\$175,397,000	\$51,573,000
Davis	\$10,158,000	\$22,770,000	\$56,642,000	\$7,017,000	\$96,587,000	\$75,008,000
Folsom	\$96,132,000	\$245,539,000	\$204,354,000	\$33,129,000	\$579,154,000	\$120,182,000
Auburn	\$3,335,000	\$23,736,000	\$163,945,000	\$8,452,000	\$199,468,000	\$25,328,000
Subtotal	\$258,204,000	\$611,995,000	\$581,717,000	\$111,024,000	\$1,562,940,000	\$385,465,000
Subtotal (@ 50%) <sup>2</sup>	\$129,102,000	\$305,997,500	\$290,858,500	\$55,512,000	\$781,470,000	\$192,732,500
<b>Total Adjusted Taxable Sales</b>	\$371,239,000	\$1,052,313,500	\$970,306,500	\$261,111,000	\$2,654,970,000	\$646,250,500

<sup>1</sup> 2005 SBE Taxable Sale. Not available for Galt, Cameron Park and Lincoln.

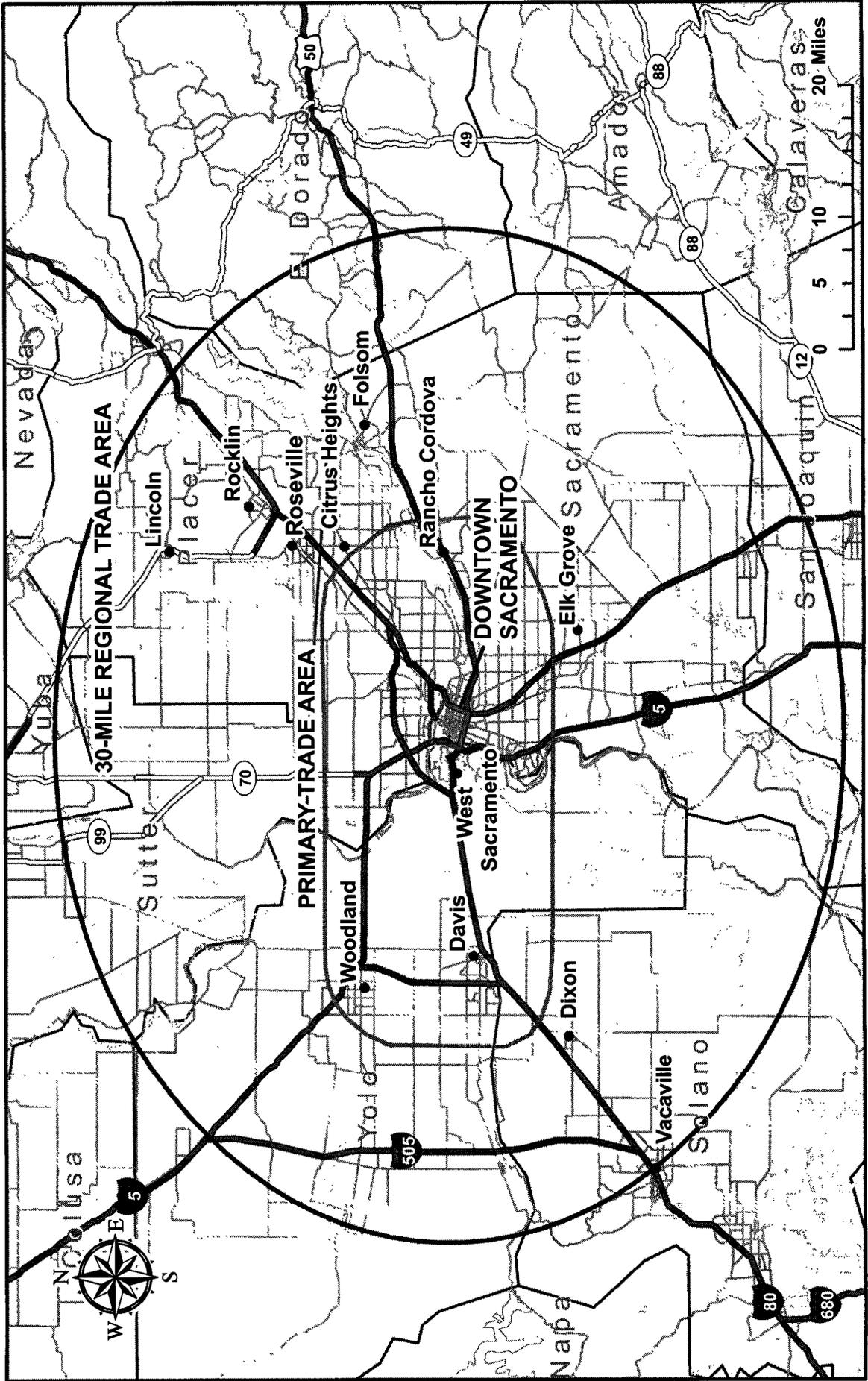
<sup>2</sup> Assumes 50% of sales of cities at edge of RTA come from within and remainder from outside of trade area.

<sup>3</sup> Assumes an estimated 10% are sales from Drugstores (based on statewide ratio as no breakdown available in SBE Report.)

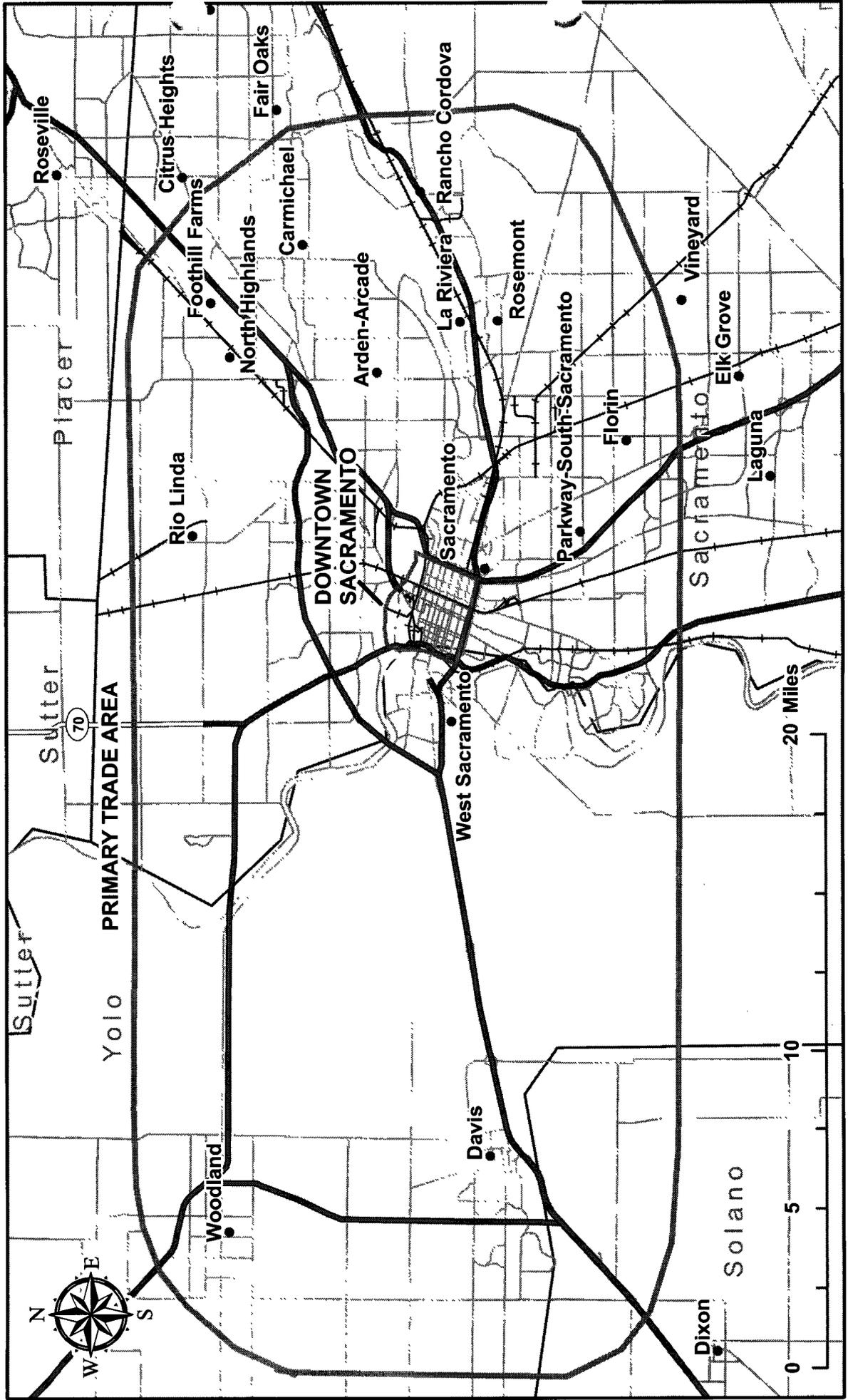
<sup>4</sup> Assumes an estimated 85% are Specialty Retail sales (based on statewide ratios as no breakdown available in SBE Report.)

<sup>5</sup> Escalated at 1% per year to 2007.

Map 1  
Proposed Sacramento Railyards Project  
Thirty Mile Regional Trade Area (RTA)



Map 2  
Proposed Sacramento Railyards Project  
Primary Trade Area (PTA)



Map 3  
Proposed Sacramento Railyards Project  
Downtown Trade Area (DT)

