

APPENDIX B

Economic Impact Analysis

DRAFT

**ROCKLIN CROSSINGS
ECONOMIC IMPACT ANALYSIS
ROCKLIN, CALIFORNIA**

Prepared for:

ROCKLIN CROSSINGS LLC

DECEMBER 2006

December 29, 2006

Mr. Mark Perlberger
2100 Northrup Avenue, #500
Sacramento, CA 95825

**Re: Rocklin Crossings Shopping Center Economic Impact and Urban Decay Analysis -
DRAFT**

Dear Mr. Perlberger:

CBRE Consulting, Inc./Sedway Group ("CBRE Consulting") is pleased to submit this report regarding the economic impact analysis for the planned Rocklin Crossings Shopping Center in the City of Rocklin, California. The report discusses the proposed Rocklin Crossings Shopping Center's anticipated sales, the likely impact of these sales on existing retailers, cumulative impacts of other selected planned developments in the market area, and the extent to which the Center may or may not contribute to urban decay in the market area.

It has been a pleasure working with you on this project. Please let us know if you have any questions or additional needs.

Sincerely,

Elliot R. Stein
Senior Managing Director

Pipi Ray Diamond
Consultant

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I. EXECUTIVE SUMMARY

INTRODUCTION

The purpose of this study is to assess the economic impact of the proposed Rocklin Crossings Shopping Center ("the Center") located in the City of Rocklin, California. The proposed Center is planned to include 543,500 square feet of retail.

The Center is planned to include two anchors: a Supercenter and a Home Improvement store. Wal-Mart and Home Depot are under consideration for the anchor spaces. Other large tenants are planned in the apparel, electronics, and home furnishings categories. There are some pad spaces that are intended for restaurants and banks, but as of the date of this analysis not all tenants or tenant categories have been identified for the Center.

The completion of the Center's construction is expected in late 2008 with full operations assumed in 2009. This study probes the potential impacts of the Center on existing primary market area retailers, especially those offering goods similar to those expected to be sold at the Center. This study also estimates the extent to which the Center may or may not contribute to urban decay in the primary market area.

SUMMARY OF FINDINGS

Center Sales

CBRE Consulting estimates that stabilized Center sales will total \$230.4 million in 2009 dollars, comprised of:

- € \$55.3 million in home furnishings and appliances;
- € \$37.6 million in building materials;
- € \$32.9 million in food store sales;
- € \$30.9 million in general merchandise sales;
- € \$14.2 million in apparel sales;
- € \$5.1 million in eating and drinking places;
- € \$54.5 million in "other retail stores" sales.

Of these Rocklin Crossings Center sales, approximately 95 percent, or \$219.0 million, is estimated to be generated by primary (Rocklin and Loomis) and secondary market area (Auburn and portions of unincorporated Placer County) residents. The remaining 5 percent of sales generated at the Center are expected to comprise tertiary demand, originating from unspecified locations outside the primary and secondary market area. Stabilized sales are not expected to occur the first year of store operations, but rather the second or third year, which is typical of new retail operations. In order to be conservative, the analysis assumes stabilized sales are achieved in 2009. Accordingly, all dollar figures unless otherwise noted are presented in 2009 dollars.

Impacts on Existing Primary Market Area Retailers

For the purposes of this analysis, the City of Rocklin and the Town of Loomis were identified as the Center’s primary market area. A secondary market area was defined as the City of Auburn, and unincorporated parts of Placer County along the Interstate 80 corridor and in the neighborhood of Granite Bay. The City of Roseville was excluded from the market area because it is already served by two Wal-Mart stores, two Home Depots, and a Lowe’s store. Therefore, it is unlikely that residents of Roseville will travel to Rocklin Crossings when they have the same or similar stores nearby. CBRE Consulting conducted analysis to determine the extent to which the Center’s retail sales would impact existing retailers in the primary market area.

Assuming that the new primary and secondary market area sales of Rocklin Crossings occurred at the proportional expense of existing primary market area retailers, then existing retailers would experience a maximum annual impact of \$33.9 million in sales upon stabilization of the Rocklin Crossings in 2009 dollars. Table 1, following, details the potential sales diversion, which includes \$26.9 million in home furnishings and appliances sales and \$7.0 million in “other retail stores” sales. Because there is currently significant leakage in the apparel, general merchandise, food stores, eating and drinking places, and building materials categories, (i.e., residents of the primary market area spend money in those categories outside of Rocklin and Loomis), those categories will have no diverted sales. The total diverted impact, 5.0 percent of total sales, supportable square feet, and number of years for new retail demand to mitigate the diverted sales are broken down by retail category as follows:

Table 1
Rocklin Crossings
Summary of Impacts on Primary Market Area Retailers¹

Retail Category	Diverted Sales (Mil)	Percent of Sales	Supportable Square Feet	Years to Mitigate
Apparel	\$0.0	0.0%	0	N/A
General Merchandise	\$0.0	0.0%	0	N/A
Food Stores	\$0.0	0.0%	0	N/A
Eating and Drinking Places	\$0.0	0.0%	0	N/A
Home Furnishings and Appliances	\$26.9	52.0%	97,700	20+ years
Building Materials	\$0.0	0.0%	0	N/A
“Other Retail Stores”	\$7.0	4.4%	19,500	1 to 2 years
Total	\$33.9	5.0%	117,200	

(1) Refer to Exhibits 20, 21, and 31.
Source: CBRE Consulting.

For “other retail stores” there is 19,500 square feet of retail space at risk. However, some future demand for retail is likely to come from population growth. In fact, population growth is estimated to mitigate sales impacts on “other retail stores” sales within two years after the Center is built.

CBRE Consulting concludes that the only retail sector at risk of sales diversion, and ultimate store closure, is home furnishings and appliances. For home furnishings and appliances, the amount of retail space at risk is 97,700 square feet. Theoretically it could take more than 20 years for population growth to mitigate sales impacts on home furnishings and appliances stores. One reason why the Home Furnishings and Appliances category shows this amount of

diversion is because of the new RC Willey store. However, given RC Willey's location along the Highway 65 corridor, the primary market area for that store likely extends past Rocklin and Loomis to Roseville and Lincoln. A significant proportion of RC Willey's sales are likely to originate with persons living outside of Rocklin and Loomis. Therefore, sales diversions are likely to be shared with Roseville and Lincoln.

Cumulative Impacts

CBRE Consulting identified five other major planned retail projects in the primary market area: Stanford Plaza, Blue Oaks Town Center, Rocklin Pavilions, the Granite Drive project and Rocklin Marketplace. These five projects have the potential to generate retail sales totaling \$497.2 million, in addition to the \$230.4 million projected for the Center.

Assuming all the projects are built, including Rocklin Crossings, the maximum annual impact to primary market area retailers is estimated at \$212.0 million in diverted sales, with the apparel category representing \$38.5 million, the home furnishings and appliances representing \$68.7 million, and "other retail stores" representing \$104.9 million in diverted sales. Assuming the five cumulative projects are built there is a significant increase in diverted sales from primary market area retailers in the home furnishings and appliances and "other retail stores" categories. Without the cumulative projects, there are no impacts on the apparel category, but including the five projects creates a significant impact on apparel stores sales. Because of significant retail leakage in the general merchandise, food stores, eating and drinking places and building materials categories, there are no diverted sales impacts estimated.

Based upon analysis of the market area's retail base, and expectations regarding sales diversions, CBRE Consulting concludes that the following retail square footage in the market area is most at risk due to the cumulative projects (i.e., the Center and the five planned projects):

- € Apparel stores totaling 151,500 square feet;
- € Home furnishings and appliances stores totaling 249,700 square feet; and
- € "Other retail stores" totaling 292,200 square feet.

These figures are highly conservative, as they do not take into account factors such as prospective market corrections or enhancements following the introduction of the cumulative projects into the marketplace or the potential increase in consumer spending pursuant to real income growth. Also, given the large amount of potential retail development that is planned for Rocklin, it is possible that Rocklin could transition to a retail hub serving the secondary market area. In this case, Rocklin would become a city which attracts sales from non-residents, similar to the City of Roseville.

Urban Decay Determination

In recent years, the California Courts of Appeal have addressed the need to address the potential for "urban decay" in environmental documents for large retail projects. The leading case is *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, in which the court set aside two environmental impact reports for two proposed Wal-Mart projects that would have been located less than five miles from each other. This was the first court decision to use the new term "urban decay," as opposed to the similar term "blight," which is a concept from redevelopment law. The court quoted "experts [who] are now warning about land use decisions that cause a chain reaction of store closures and long-term vacancies,

ultimately destroying existing neighborhoods and leaving decaying shells in their wake." (Id. at p. 1204.) The court also discussed prior case law that addressed the potential for large retail projects to cause "physical deterioration of [a] downtown area" or "a general deterioration of [a] downtown area." (Id. at pp. 1206, 1207.) The Bakersfield court also described the circumstances in which the duty to address urban decay issues arise.

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

Against this background, CBRE Consulting assessed the probability of urban decay ensuing from development of the Center and the additional planned projects, with urban decay defined as physical deterioration that is so prevalent and substantial it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. If, for example, any market area stores close due to the Center, the analysis considers if they are likely to remain vacant for a prolonged period of time or be leased to other retailers within a reasonable marketing period.

CBRE Consulting's retail market research indicated that the retail market in Rocklin/Loomis has been strong, with low vacancy rates. This low vacancy is an indication of the market's stable performance and the ability to re-tenant vacancies as they occur. Brokers indicate that local grocery stores are likely to experience negative sales impacts from the proposed Wal-Mart Supercenter at Rocklin Crossings, but none of the brokers expected that impacts would lead to store closures. Brokers also indicated that if stores close, vacancies will eventually be filled, although it might take up to a year in some cases, and the new stores may not be traditional retailers (e.g. an automotive repair/supply use replacing a former supermarket). The closest grocery stores to Rocklin Crossings are the Safeway in the Rocklin Square Shopping Center and the Raley's Supermarket in the Loomis Town Center. These stores are the most likely to experience some sales impacts from the proposed Wal-Mart Supercenter at Rocklin Crossings. However, the opinions of brokers that no grocery store is likely to close is supported by the retail leakage analysis which shows that two recent grocery store closures in the City of Rocklin leave more than enough demand to support the currently operating grocery stores and the projected grocery sales of a Supercenter at Rocklin Crossings.

In conclusion, while it is expected that the Rocklin Crossings project will result in some diverted sales and that some closures of primary market area stores may occur, these events are not expected to lead to physical deterioration so prevalent and substantial that it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Therefore, CBRE Consulting concludes that although development of the Rocklin Crossings center may contribute to further retail vacancies in the primary market area, those vacancies are unlikely to result in urban decay.

II. INTRODUCTION

STUDY BACKGROUND

Rocklin Crossings, LLC is seeking to develop Rocklin Crossings, a planned 543,500-square-foot retail shopping center in Rocklin, California, potentially anchored by a Supercenter and a Home Improvement store. Other, as yet unidentified, retailers are also planned for Rocklin Crossings. The proposed Rocklin Crossings Center ("the Center") is located at the southeast corner of Sierra College Boulevard and Interstate 80.

The Center is anticipated to complete construction in late 2008, with the first full year of operations in 2009. As of the date of this analysis, Rocklin Crossings, LLC has not identified all of the tenants for the Center. The Center is planned to contain a 231,353-square-foot Supercenter (including a 25,353 square foot garden center) and a 141,038-square-foot Home Improvement store (including a 34,760 square foot garden center) as the anchor tenants. Wal-Mart is under consideration for the Supercenter space and Home Depot is under consideration for the Home Improvement space. Other large tenant spaces available are 30,000 square feet anticipated for an apparel retailer, 30,000 square feet anticipated for an electronics retailer, and 25,000 square foot anticipated for a home furnishings retailer. There are 15,000 square feet of pad sites anticipated for restaurants and 6,600 square feet of pad space anticipated for two banks. Many additional tenant spaces are anticipated for the Center including 64,509 square feet where specific tenants have not yet been identified.

Rocklin Crossings, LLC commissioned this economic impact study as a part of the environmental impact report for the Center. The purpose of the study is as follows:

- 1) to probe potential impacts of the Center on existing market area retailers;
- 2) to estimate cumulative impacts of other retail projects in the primary market area; and
- 3) to develop an estimate of the extent to which the opening of the Center may or may not contribute to urban decay in the primary market area.

This report documents CBRE Consulting's research and analysis of the aforementioned issues.

STUDY TASKS

CBRE Consulting performed several steps during the course of this assignment. In brief, these steps included the following:

- € Defined the primary and secondary market areas;
- € Identified major competitive retailers in the market area;
- € Conducted fieldwork to evaluate existing market conditions;
- € Estimated the planned Center's sales;
- € Collected and analyzed market area taxable retail sales;
- € Conducted retail sales leakage analysis for the primary market area and the secondary market area;
- € Estimated the share of the Center's sales to be generated by the primary and secondary market areas versus tertiary demand;
- € Estimated the maximum Center impacts on existing primary market area retailers;
- € Estimated the share of the Center's sales likely to be new to the primary market area;
- € Assessed the competitiveness of existing primary market area stores and likely Center impacts;

- € Identified planned retail projects in the primary market area;
- € Assessed the cumulative impacts of planned retail projects in the primary market area; and
- € Assessed the extent to which opening of the Center may or may not contribute to urban decay in the primary market area.

STUDY RESOURCES

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

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

REPORT ORGANIZATION

This report includes seven chapters, as follows:

- I. Executive Summary
- II. Introduction
- III. Projected Sales and Market Area Definitions
- IV. Retail Sales Leakage Analysis
- V. Sales Impacts
- VI. Cumulative Impacts
- VII. Urban Decay Determination

All the exhibits referenced in the report are included in the Appendix. This report is subject to the appended Assumptions and General Limiting Conditions.

III. PROJECTED SALES AND MARKET AREA DEFINITIONS

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

ROCKLIN CROSSINGS DESCRIPTION

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

Table 2
Proposed Rocklin Crossings
Type of Retail and Associated Square Feet

Retailer	Retail Space (Sq. Ft.)	Percent Distribution
Supercenter	231,353	42.6
Home Improvement	141,038	25.9
Apparel Store	30,000	5.5
Electronics Store	30,000	5.5
Home Furnishings Store	25,000	4.6
Restaurants	15,000	2.8
Unknown Retail	64,509	11.9
Banks	<u>6,600</u>	<u>1.2</u>
Total	543,500	100.0%

Sources: Rocklin Crossings, LLC, and CBRE Consulting.

The majority of the retail space, approximately 68.5 percent, will be dedicated to the two anchor tenants, a Supercenter and a Home Improvement store. Mini-anchor tenants with around 25,000 to 30,000 square feet each are anticipated to include an apparel store, an electronics store, and a home furnishings store. Restaurants are expected to make up 15,000 square feet of the total space. The balance of the space, 11.9 percent of the total, will include many additional unknown retailers.

PROJECTED ROCKLIN CROSSINGS SALES

Approach

In order to determine the annual sales performance of the proposed Center, CBRE Consulting developed assumptions based on information available in either individual store 10-K reports filed with the Securities and Exchange Commission or Retail MAXIM’s *Perspectives on Retail Real Estate and Finance, July 2004*. The 10-K reports typically include total store square footage and total sales; spreading the sales across the square footage results in national average sales per

square foot performance. The Retail MAXIM publication provides average sales per square foot figures for many national retailers and aggregates the data by specific retail categories. While not all retailers for the Center have been identified, targeted retail categories for most of the spaces are proposed. For these, CBRE Consulting prepared sales estimates based on representative retailer information provided by the Retail MAXIM publication. In most cases, this includes the average reported for the retail category. For the unknown retail space a generally accepted industry standard average sales per square foot was assumed.

Rocklin Crossings, LLC anticipates that the Center will be completed in late 2008, with the first full year of sales in 2009. Stabilized sales are not expected to occur the first year of store operations, but rather the second or third year, which is typical of new retail operations. However, for the sake of simplicity, this analysis conservatively assumes stabilized sales are achieved in 2009. Thus, all sales estimates were projected to 2009 using actual inflation rates where relevant or a projected annual inflation rate of 3.0 percent, as appropriate. CBRE Consulting used the resulting sales per square foot figures to estimate annual sales based on the total square feet for each retailer or targeted retail category.

Projected Sales

CBRE Consulting's estimate of store and Center sales are documented in Exhibit 2. Since Wal-Mart and Home Depot are under consideration for the anchor spaces, sales per square foot estimates were taken from those companies' actual average sales results. The results presented indicate a Supercenter store sales estimate in 2009, the first year of store operations, of \$474 per square foot. As presented in Exhibit 2, this results in a total Supercenter sales estimate of \$109.7 million. The Home Improvement store sales estimate in 2009 is \$444 per square foot resulting in \$62.7 million in total sales. The sales at the balance of the Center are anticipated to bring total Center sales to \$230.4 million in 2009.

Projected Sales by Category

The new sales generated by the Center will be spread across many store merchandising categories due to the range of retailers anticipated. It is necessary to allocate the Center's sales into appropriate retail categories to determine the potential impact on those specific categories. The sales data source for this study is the State of California Board of Equalization ("BOE"), which reports taxable sales by retail category for cities and counties. To maximize the use of these data it is important to use the BOE's defined retail sales categories for analytical purposes. Accordingly, CBRE Consulting's analysis is benchmarked to these categories and the sales reported by the BOE (with some adjustments, as noted in the following chapter). These categories, as typically reported for cities, include the following:¹

- € Apparel Stores
- € General Merchandise Stores
- € Food Stores
- € Eating and Drinking Places
- € Home Furnishings and Appliances
- € Building Materials
- € Auto Dealers and Auto Supplies

¹ More refined categories are reported for counties and are available upon special request for cities. For the purpose of this study the more refined categories were not deemed necessary.

- € Service Stations
- € Other Retail Stores²

In general, the BOE records a retailer’s sales in only one sales category. However, a more detailed breakdown of sales is optimal for the potential Wal-Mart Supercenter for analytical purposes. The BOE will record the potential Wal-Mart Supercenter’s sales in the general merchandise category. However, the Wal-Mart Supercenter’s sales will also impact the apparel, food stores, home furnishings and appliances, and other retail stores categories as well. As a result, CBRE Consulting allocated the potential Wal-Mart Supercenter’s sales to those categories based on assumptions detailed in Exhibit 3.³ The additional detail provided by this level of analysis enables better understanding of the types of retail sales to be generated by the Center, and their potential impact on specific retail categories.

Exhibit 4 attributes sales to the appropriate categories and sums the total sales of the Center by BOE retail category. The results are summarized in Table 3, below.

Table 3
Estimated Rocklin Crossings Sales by Retail Category ¹
2009 Dollars, in millions

Retail Category	Estimated Retail Sales
Apparel	\$14.2
General Merchandise	\$30.9
Food Stores	\$32.9
Eating and Drinking Places	\$5.1
Home Furnishings and Appliances	\$55.3
Building Materials	\$37.6
Other Retail Stores	<u>\$54.5</u>
Total²	\$230.4

(1) Based on California Board of Equalization retail categories.

(2) Figures may not total due to rounding.

Source: Exhibit 4.

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

NEW SALES TO THE MARKET AREA

To assess the prospective minimum share of the Center’s sales that would be new to the primary market area and the potential impacts on existing Rocklin retailers, CBRE Consulting defined and estimated the following:

- § Primary market area;

² Other retail stores include a wide range of retailers, such as pet supplies, office supplies, garden stores, sporting goods, jewelry, florists, and gifts.

³ CBRE Consulting matched Wal-Mart sales categories with BOE retail categories based upon published data generated by Wal-Mart, Inc. and the application of select assumptions based upon CBRE Consulting’s knowledge of Wal-Mart merchandise categories.

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

Market Area Definitions

Primary Market Area Definition. CBRE Consulting conducted research to develop an estimate of the primary market area for the Center, i.e., the area from which the majority of shoppers will originate. This was primarily accomplished by mapping existing Wal-Mart, Home Depot, and Lowe's stores, as well as other major general merchandise and home improvement warehouse stores, under the assumption that the Supercenter and Home Improvement stores as the anchors will be the primary draw to the Center.

The map results are presented in Exhibit 5. The map indicates there are many existing Wal-Mart, Lowe's and Home Depot stores within the immediate region surrounding Rocklin, though none in Rocklin or the adjacent town of Loomis. The Wal-Mart stores closest to Rocklin are both in Roseville; one, a Supercenter, is located along Highway 65 and the other, a discount store, is located east of Interstate 80. There are also two Home Depot stores and one Lowe's store in Roseville. One Home Depot is east of Interstate 80. The other Home Depot and the Lowe's store are along Highway 65. Because of the prevalence of retail in Roseville, Rocklin Crossings is not expected to generate significant sales from residents of Roseville. Therefore, Roseville was excluded from the primary market area.

Loomis is located adjacent to Rocklin to the northeast. The Center's site is located near the border of Rocklin and Loomis and therefore will be convenient for Loomis and Rocklin residents. Loomis currently does not have any major home improvement or Supercenter stores. The only major home improvement or general merchandise store in Rocklin is K-Mart. Lincoln, although it is adjacent to Rocklin on the north, is 10 miles away from the Center. Lincoln has a Home Depot, but no Wal-Mart. However, most residents of Lincoln are unlikely to drive past the large concentration of retail located in Roseville on the Highway 65 corridor to shop at the Center.⁴ These findings lead CBRE Consulting to conclude that the primary market area for the planned Supercenter and associated Center retailers will comprise the City of Rocklin and the Town of Loomis. CBRE Consulting's retail leakage analysis documented in the next chapter (see Retail Leakage Analysis) indicates that resident spending represents the equivalent of 63.6 percent of sales in the primary market area.

Secondary Market Area Definition. CBRE Consulting conducted research to develop an estimate of the secondary market area for the Center, i.e., the area from which the largest balance of shoppers outside the primary market area will originate. While Rocklin and Loomis comprise the primary market area, some sales will still originate from outside this area, especially from areas nearby which lack major retail such as the Interstate 80 corridor to the northeast of Loomis, the City of Auburn, and the neighborhood of Granite Bay. Consequently, the analysis assumes there will be demand originating from a secondary market area.

⁴ Although residents of Lincoln's east side could take Sierra College Boulevard South to Interstate 80 to reach Rocklin Crossings, the majority of that city's residents are more likely to use Highway 65 to access the retail centers in that corridor.

CBRE Consulting identified a secondary market area for the proposed Rocklin Crossings center defined as the City of Auburn and a portion of the unincorporated areas of Placer County to the east and southeast of Rocklin and to the northeast of Loomis along the Interstate 80 corridor. This secondary market area definition reflects the existing nature and mix of retailing in the primary market area and the location of other major general merchandise and home improvement retailers in the region. CBRE Consulting identified all major general merchandise and home improvement retailers in Placer and Sacramento Counties. The boundaries of the secondary market area, as depicted in Exhibit 5, are reflective of the area from which the proposed Rocklin Crossings will most likely draw the largest balance of its customers.

CBRE Consulting assumed that residents of Lincoln, in addition to shopping in Lincoln, are likely to patronize retail centers along the Highway 65 corridor which provides numerous opportunities for shopping. Therefore, Lincoln was excluded from the secondary market area. Given the dearth of retail in Auburn, and the Center's location as the first large retail center on Interstate 80 south of Auburn, Rocklin Crossings is likely to attract residents from Auburn and the Interstate 80 corridor northeast of Loomis. Roseville was excluded from the secondary market area because it is already very well served by retail along the Highway 65 corridor.

There are very few major competitive general merchandise and home improvement retailers in the secondary market area. The only such stores are a K-Mart and a Target in Auburn. In addition, there is a proposed Home Depot store near the City of Auburn that has been approved. The location of other major general merchandise and home improvement retailers may change as new development occurs within the secondary market area. These issues will be addressed in the cumulative impacts section.

CBRE Consulting estimates that primary and secondary market area residents will generate 95 percent of the Center's sales. Thus, residents coming from tertiary markets will generate the remaining 5 percent of sales or \$11.5 million of the total \$230.4 million in Center sales. This tertiary market is likely to come from travelers passing through Rocklin on Interstate 80.

The concept of a percentage share allocation of demand from a market area is consistent with general real estate market analysis principles, which recognize that regional retailers have primary, secondary, and often even tertiary market areas. It is also consistent with discussions CBRE Consulting had with retail brokerage professionals.

IV. RETAIL SALES LEAKAGE ANALYSIS

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

METHODOLOGY

Approach

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

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

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

The purpose of including a control area is to compare the market area to a geographic area with similar characteristics, so as to be representative of, or "control," the spending patterns of the study area.⁵ The use of the control area accounts for characteristics unique to individual markets that might artificially inflate or deflate the calculated area spending pattern. Therefore, a control area is chosen carefully, with the goal being the selection of an area within which there is a relative balance between the inflow and outflow of retail spending. The CBRE Consulting Retail Sales Leakage Analysis uses the control area sales by retail category as a dominant variable in the regression analysis, to impute the study area spending potential by category.

⁵ For the purposes of this study, the control area has been defined as the area covered by the Sacramento Area Council of Governments: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.

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

Population Estimates

CBRE Consulting relied on the Sacramento Area Council of Governments (SACOG) population estimates and projections through 2015 for the primary market area leakage analysis. Figures reported by the SACOG are presented in Exhibit 6. The SACOG population figures were provided for 2000, 2005, 2010, and 2015. To generate estimates for the study years of 2004 and 2009 CBRE Consulting interpolated by using the appropriate interim year compound annual growth rates.⁶ The results indicate population estimates in the primary market area of 54,571 in 2004, growing to 62,678 in 2009, when the Center is fully operational. The primary market area population is projected to grow to 69,467 by 2015, six years after full operations of the Center begin.

While CBRE Consulting relied on SACOG population estimates and projections for Auburn, the one major city located in the secondary market area, the secondary market area contains unincorporated areas for which population is not specifically tracked by SACOG. For estimation of the population of unincorporated areas that were included in the secondary market area definition, CBRE Consulting relied on data obtained from Claritas Inc., a national provider of demographic and economic data. The unincorporated population estimate was projected forward using the compound average population growth rate as calculated from Claritas projected population data. Exhibits 7 and 8 show the population estimates of the total unincorporated areas in Placer County, the unincorporated areas in the secondary market area, and the primary and secondary market areas combined.

Income Estimates

The primary market area average household income in 2004 was estimated as \$89,966, pursuant to Claritas. The secondary market area had an average household income in 2004 estimated at \$92,914. This compares to the control area's (counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba) average of \$65,310 in 2004, also estimated by Claritas.

Sales Estimates

BOE publishes taxable sales numbers for counties and major cities; its most recent full-year taxable sales numbers are from 2004. CBRE Consulting used BOE's numbers for cities located in the secondary market area as published in its publication, Taxable Sales in California – 2004. However, CBRE Consulting also included in its secondary market area portions of Placer

⁶ Population estimates for 2004 were used in order to match the year of the California Board of Equalization's latest annual sales data.

County that contain small cities and unincorporated areas for which BOE does not publish data.⁷ To that end, sales in these unincorporated portions of Placer county were estimated as part of the retail leakage analysis.

CBRE Consulting believes that the best approach to estimate sales in the unincorporated areas is to estimate unincorporated per capita sales figures in Placer county and multiply them by the secondary market area's unincorporated population. To derive an unincorporated per capita sales estimate, CBRE Consulting took the total sales of Placer county and deducted sales from major cities in the county, as presented in Exhibit 9. Exhibit 10 then takes 2004 unincorporated sales and divides by 2004 unincorporated population estimates (refer to Exhibits 7 and 8). The result represents a countywide unincorporated sales per capita estimate. Applying the countywide unincorporated sales per capita estimate to the 2004 secondary market area's unincorporated population yields an estimate for the unincorporated portions of Placer county that are included in the secondary market area.

Adjustment Required Due to Confidentiality

When BOE publicly reports data, it will not report data for a sales category if it does not meet certain disclosure requirements. For example, if there are only one or two stores in a category or if one retailer dominates the category sales in a single city, then the sales in that category will not be released. Instead, BOE generally combines those sales with the sales in the "Other Retail Sales" category. This is more prone to occur in retail markets where the number of retailers is small or one large retailer makes up most of the sales in a category. This issue arose for some categories in the cities of Auburn, Loomis, and Rocklin. Exhibit 9 details how CBRE Consulting made adjustments to avoid understating the non-disclosed retail categories and overstating the "other retail stores" category.

FINDINGS

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

The leakage analyses were conducted using 2004 sales data and extrapolated to 2009, reflecting the sales estimates for Rocklin Crossings assuming the first full year of store operations in that year. The per capita expenditure trends from 2004 were assumed to be equivalent to the per capita expenditure trends for 2009, with adjustments for interim population growth and inflation. The purpose of this adjustment was to maximize comparison

⁷ Major cities are defined as those that appear in Table 5 in BOE's *Taxable Sales in California – 2004*. Table 5 presents the 272 largest California cities by taxable retail sales. For the purpose of this analysis, "unincorporated area" comprises all areas not listed in this BOE publication. In order to calculate sales in unincorporated areas, CBRE Consulting took total Placer County sales and deducted the reported cities' sales. If an incorporated city was not reported, it is not deducted and treated instead as an unincorporated area. As an exception, CBRE Consulting obtained from BOE taxable sales numbers for the Town of Loomis, which was not listed in BOE's Table 5. Loomis was added due to its location in the primary market area. CBRE Consulting requested this information as part of its background research in determining the primary market area.

with Rocklin Crossings' anticipated net additional primary market area sales during its first full year of operations in 2009.

The leakage results for the primary market area, the secondary market area, and the combined primary and secondary market area are located in the Appendix (see Exhibits 11 and 12 for primary market area results, Exhibits 13 and 14 for secondary market area results, and Exhibits 15 and 16 for combined primary and secondary market area results). For benchmark purposes, detailed results for all retail categories are presented in each market area.

The primary market area has overall leakage in retail sales of 36.4 percent or \$305.1 million in 2004. Nearly all of the retail categories, with the exception of food stores and "other retail stores," experienced leakage in sales. The categories with the most leakage, as a percent of sales, were as follows:

- € auto dealers and auto supplies with 81.5 percent leakage;
- € general merchandise with 76.8 percent leakage;
- € building materials with 48.8 percent leakage;
- € apparel stores with 38.2 percent; and
- € eating and drinking places with 36.9 percent leakage.

These leakage categories identify opportunities for new retailing to meet the needs of market area residents. This pattern of retail weakness is partially offset by demonstrated strength in other categories, categorized by attraction. These attraction categories, and their respective shares of gained non-resident sales dollars, include the following:

- € food stores with 10.4 percent attraction; and
- € other retail stores (which includes a wide array of retailers) with 0.9 percent attraction.

In addition, CBRE Consulting estimated the leakage/attraction of the secondary market area, in Exhibits 13 and 14. Consistent with the results of the primary market area leakage analysis discussed above, the secondary market area has overall sales leakage of 45.6 percent. Unlike the primary market area, however, there is sales leakage in every category. The combined sales leakage of those categories totals an estimated \$423.8 million in 2004 dollars.

Finally, the results of the first two analyses are combined to reflect the total primary and secondary market area (see Exhibits 15 and 16). The combined primary and secondary market area has leakage in every category, overall sales leakage of 41.2 percent, and total leakage of \$728.9 million in 2004.

While the 2004 Retail Sales Leakage Analysis findings are informative, they do not reflect the situation that will prevail when the Center becomes operational. Thus, CBRE Consulting prepared a 2009 Retail Sales Leakage Analysis projection in Exhibits 12, 14, and 16. However, this projection assumes no new interim development or loss of stores, which is not an accurate portrayal of the market. Therefore, the following section provides adjustments to this projection, incorporating information on newly opened or recently closed retail in the primary market area.

Leakage Adjustments for Major New Retail Developments

CBRE Consulting made adjustments to the projected Retail Sales Leakage Analysis findings to account for major new retail developments that have opened in the market area since 2004. Also relevant to the adjustment process is stores that have closed since 2004, as this also has

an impact on the retail base. The purpose of these adjustments is to more appropriately estimate the size of the primary market area retail base at the time the Center becomes fully operational in order to more realistically estimate the Center's impacts.

CBRE Consulting surveyed the City of Rocklin, City of Auburn, Placer County, industry specialists, and news publications to identify retail projects new to the primary and secondary market areas since 2004. The same sources were also queried regarding closed retail stores in the primary and secondary market areas. The City of Rocklin City Manager's Office was able to provide the size of the closed and opened stores in Rocklin. CBRE Consulting estimated sales performance based on averages for categories published in Retail MAXIM's 2004 publication *Perspectives on Retail Real Estate and Finance*. There were no competitive projects newly opened or recently closed in unincorporated areas of Placer County that are part of the secondary market area. A grocery store in Auburn closed recently but that was not included in the analysis.

New Retail Projects. The survey results identified one major project new to Rocklin, an RC Willey store (see Exhibit 17). RC Willey is a large warehouse style store selling furniture, flooring, electronics, and appliances. The store is an estimated 165,000 square feet, with anticipated 2009 sales totaling \$45.5 million. However, given RC Willey's location along the Highway 65 corridor, the primary market area for that store extends past Rocklin and Loomis to Roseville and Lincoln. As a result, a significant proportion of RC Willey's sales will originate with persons living outside of Rocklin and Loomis. Therefore, sales diversions are likely to be shared with Roseville and Lincoln. The RC Willey store's primary market area is estimated to be a five mile radius around the store. Only 40 percent of the population within this radius lives in the City of Rocklin and the Town of Loomis. Therefore, the net sales for the store are adjusted by 40 percent, down to \$18.2 million, to account for the share of impact on Rocklin and Loomis.

Anticipated Retail Losses. The sales addition is counterbalanced by the losses of two grocery stores this year in the City of Rocklin: an Albertson's and a Food Source store (see Exhibit 17). Pursuant to known or estimated square footages, these two stores are anticipated to total 140,000 square feet of vacated grocery space resulting in a net decline in sales equivalent to \$56.3 million in 2009.⁸

Net Changes in Retail Base. The distribution of the new or closed retail sales by retail category is presented in Exhibit 18. The purpose of this distribution is to accurately assess the impact of the store additions or deletions on the market area retail base. The results indicate that the greatest net change by retail category will be the \$56.3 million loss in food store sales. A gain of \$18.2 million will occur in the home furnishings and appliances category.

Adjusted Retail Sales Leakage Analysis

The primary market area adjusted retail sales attraction/leakage figures for 2009 are presented in Exhibit 19. The only categories with changes are the food stores and home furnishings and appliances. For food stores, the unadjusted leakage analysis showed \$22.3 million in 2009 attraction. Once the two closed grocery stores are taken into account, the food stores category shows \$34.0 million in leakage. For home furnishings and appliances, the unadjusted leakage analysis showed \$9.4 million in leakage in 2009. Once the new RC Willey store is taken into

⁸ In addition, a 34,400 square foot Ralph's grocery store closed in the City of Auburn. This store was not included in the analysis however because it is not in the primary market area.

account, the category has \$8.8 million in attraction. The overall findings indicate total anticipated primary market area sales of \$676.6 million, with \$446.5 million in leakage.

The combined primary and secondary market area adjusted retail sales attraction/leakage figures for 2009 are also presented in Exhibit 19. Once the two closed grocery stores are taken into account, the food stores category shows \$72.2 million in leakage. In contrast to the primary market area only, once the new RC Willey store is taken into account, the home furnishings and appliances category has leakage of \$18.1 million, or about half of the leakage that was estimated without considering the new store. The overall findings indicate total anticipated combined primary and secondary market area sales of \$1,280.7 million, with \$952.2 million in leakage.

V. SALES IMPACTS

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

APPROACH

CBRE Consulting has developed an analytic approach that conservatively estimates the maximum impact of retailers such as those proposed for the Center on existing retailers. For this analysis, the approach assumes that if the Center is adding sales to a category in an amount greater than any primary market area and secondary market area leakage in the category, **then at worst**, the amount of Center sales in that category in excess of any leakage will be diverted away from existing primary market area retailers. In other words, the negative economic impacts of the Center's sales will be spread proportionally among all the like retailers in the primary market area.

Exhibit 20 documents the diverted sales estimate and methodology. The approach takes into account the following factors for the most relevant retail sales categories:

- € Center sales by major category;
- € Estimated Center sales by major category generated by primary and secondary market area residents versus tertiary demand;
- € The primary market area as a percentage of the combined primary and secondary market area;
- € Leakage, if any, occurring in the primary market area and secondary market area;
- € The portion of leakage, if any, in the primary and secondary market area that might be absorbed by Center sales;
- € The share of Center sales estimated, at maximum, to be diverted from existing primary market area retailers upon stabilization; and
- € The minimum new sales achieved by the Center **not** diverted away from existing primary market area retailers (i.e., sales resulting from recaptured leakage).

This is a conservative approach, in that it assumes there will be no net increase in primary market area sales after the Center achieves market stabilization. Such increases commonly happen as residents shift their shopping patterns or increase their expenditures based upon the enhanced availability of consumer goods. This is why CBRE Consulting considers the resulting existing retailer impacts **maximum estimates** upon stabilization, and the resulting new sales to the primary market area **minimum estimates**.

SALES IMPACTS ON EXISTING PRIMARY MARKET AREA RETAILERS

The sales impact results, derived in Exhibit 20 and summarized in Table 4 on the following page, indicate that, at worst, \$33.9 million in sales generated at the Center upon stabilization will be diverted away from existing primary market area retailers. Thus, the balance of new sales, or \$196.6 million, is the minimum estimate of Center sales new to the primary market area. These new sales will come from a combination of recaptured sales (in select categories) and new sales from primary market, secondary market, and tertiary market demand.

Table 4
Maximum Rocklin Crossings Center Retailers Sales Impacts Upon Stabilization
Primary Market Area
2009 Dollars, in millions

Retail Category	Center Sales	Maximum Sales Diverted From Primary Market Area Retailers	Minimum New Sales to Primary Market Area
Apparel	\$14.2	\$0.0	\$14.2
General Merchandise	30.9	0.0	30.9
Food Stores	32.9	0.0	32.9
Eating and Drinking	5.1	0.0	5.1
Home Furnishings & Appliances	55.3	26.9	28.4
Building Materials	37.6	0.0	37.6
"Other Retail Stores"	<u>54.5</u>	<u>7.0</u>	<u>47.5</u>
Total	\$230.5	\$33.9	\$196.6

Sources: Exhibit 20.

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

Absent any market adjustments, the maximum sales diverted from primary market area retailers represent 5.0 percent of the estimated total market area sales (see Exhibit 21). Only two categories are estimated to have possible sales diversions: home furnishings and appliances; and "other retail stores." There is estimated to be a possible \$26.9 million of sales diversions in the home furnishings and appliances category. This represents 52.0 percent of total retail sales in that category. The "other retail stores" category is estimated to have a possible \$7.0 million in sales diversions which represents 4.4 percent of sales in that category. The maximum diverted sales as a percent of estimated market area sales by category is displayed in Table 5 on the following page.

Table 5
Maximum Diverted Sales as a percent of Primary Market Area Sales
2009 Dollars

Retail Category	Diverted Sales as a percent of Primary Market Area Sales
Apparel	0.0%
General Merchandise	0.0%
Food Stores	0.0%
Eating and Drinking Places	0.0%
Home Furnishings and Appliances	52.0%
Building Materials	0.0%
Other Retail	<u>4.4%</u>
Average – All Categories	5.0%

Source: Exhibit 21.

MITIGATING EFFECTS OF POPULATION GROWTH

In addition to the existing demand, additional demand will be generated by primary and secondary market area population growth in the years immediately following the Center's first full year of operations. The new demand from anticipated population growth will further support new sales at the Center.

For example, between 2009 and 2014, the primary market area's population is anticipated to grow by 5,629 and the combined primary and secondary market area is anticipated to grow by 7,368 (see Exhibits 22 and 23). Given the estimated per capita spending for the primary market area residents and for the combined primary and secondary market area residents, this new population is estimated to generate new sales by 2014, as summarized in Table 6. These figures indicate that by 2014, primary market area residents are estimated to generate an additional \$73.5 million in retail sales demand. Combined primary and secondary market area residents are estimated to generate a \$97.0 million in retail sales demand.

Table 6
Retail Demand from Population Growth, 2009 – 2014,
2009 Dollars, in millions

Retail Category	Primary Market Area	Combined Primary and Secondary Market Area
Apparel	\$3.2	\$4.3
General Merchandise	\$14.2	\$18.7
Food Stores	\$17.1	\$22.5
Eating and Drinking Places	\$9.4	\$12.4
Home Furnishings and Appliances	\$3.9	\$5.1
Building Materials	\$11.5	\$15.4
Other Retail	\$14.2	\$18.6
Total	\$73.5	\$97.0

Source: Exhibit 23.

This demand from new population growth will play a significant role in mitigating the Center’s sales impacts in the “other retail stores” category.

IDENTIFICATION OF AT RISK RETAIL CATEGORIES

Comparing the new population demand figures with the estimated sales diversions identifies the retail sales categories most at long-term risk from the Center’s development. This comparison is provided below, in Table 7.

Table 7
Rocklin Crossings Center Maximum Diversions Compared to Growth in Demand
Combined Primary and Secondary Market Area
2009 Dollars, in millions

Retail Category	Estimated Center Diversions in 2009	Demand from New Population Growth, 2009-2014	Estimated Length of Time Required for Mitigation¹
Apparel	\$0.0	\$4.3	N/A
General Merchandise	0.0	\$18.7	N/A
Food Stores	0.0	\$22.5	N/A
Eating and Drinking	0.0	\$12.4	N/A
Home Furnishings & Appliances	26.9	\$5.1	20+ years
Building Materials	0.0	\$15.4	N/A
Other Retail	7.0	\$18.6	1-2 years
Total	\$33.9	\$97.0	Varies

Notes:

(1) Based on level of demand averaged over the five-year period.

Sources: Exhibits 21 and 23; and CBRE Consulting.

This comparative analysis indicates that some market area retail sectors appear more at risk than others by the development of the Center. The sector most at risk is home furnishings and appliances. The only other retail sector with any impact is the “other retail stores” category. In all likelihood, the stores in the “other retail stores” category can withstand temporary sales declines until replaced by new population demand. However, the home furnishings sector may struggle with an initial 52.0 percent diversion in sales (as cited in Table 5). This is partly due to the new RC Willey store. Based on general industry performance data, and sales performance

data estimated elsewhere in this study, the square footage equivalent of the sales diversions in these two at risk categories are as follows:

- € Home Furnishings and Appliances, 97,700 square feet (at \$275 per square foot per Exhibit 2); and
- € Other retail stores, 19,500 square feet (at the \$359 per square foot estimated for unknown retail in Exhibit 2).

These findings suggest that at worst, stores totaling these respective square footages are at risk of closing due to the sales impacts of the Center. This is more fully discussed below, by retail category. This finding is worst case because the impacts are most likely to be spread among many stores, rather than just one or a few stores. Some stores will be able to withstand a sales loss for a short period of time, until such sales are replaced by new demand, while others may not.

The remaining sections of this chapter consider the extent to which these maximum sales impacts could affect existing primary market area stores competing in the above categories based on their store characteristics.

STORE IMPACTS FOR AT RISK RETAIL CATEGORIES

CBRE Consulting visited the primary market area as well as the adjacent city of Roseville in August 2006 to visually assess retail market performance, to determine market niches, and to qualitatively assess the degree to which stores might incur lost sales due to the addition of the Center. CBRE Consulting identified competitive shopping centers based on their size and retail focus relative to Rocklin Crossings. CBRE Consulting located existing competitive stores via store location information provided by InfoUSA. The major competitive shopping center and stores will be discussed according to their category of sales. Shopping centers and selected store locations are mapped on Exhibit 24. The map also depicts the location of the proposed Rocklin Crossings Center.

Competitive Shopping Centers

The primary market area contains several competitive shopping centers. There are other smaller, more neighborhood serving shopping centers in the primary market area. However, CBRE Consulting toured those shopping centers considered most competitive with the Rocklin Crossings Center. These shopping centers are identified in Exhibit 24 and described below, followed by a discussion by store type.

- § **Rocklin Square Shopping Center** is a community-serving shopping center located at Interstate 80 and Rocklin Road in the City of Rocklin. It is located approximately 2.0 miles southwest of the proposed Center. The center opened in 1982 and has approximately 190,000 square feet of gross leaseable area. Major anchor tenants include Safeway and Longs Drugs.
- § **Loomis Town Center** is a neighborhood-serving shopping center located at Interstate 80 and Horseshoe Bar Road in the Town of Loomis. It is located approximately 1.5 miles northeast of the proposed Center. The center opened in 1996 and has approximately 70,000 square feet of gross leaseable area, most of which is taken up by a Raley's Supermarket.

- § **K-Mart Center** is a community-serving shopping center located along Pacific Street near Farron Street in the City of Rocklin. It opened in 1993 and has a total of 147,500 square feet. It is located approximately 2.7 miles southwest of the proposed Center. K-Mart is the anchor store. The other anchor, an Albertson's grocery store, closed this year and is currently vacant.
- § **Five Star Plaza** is a community-serving shopping center located at the intersection of Five Star Blvd and Destiny Drive in the City of Rocklin. It is located approximately 5.1 miles southeast of the Center. It opened in 1993. Total square footage is 153,000, and it has 43 stores. The anchor used to be a Wal-Mart store. The Wal-Mart moved to a better location in Roseville. The space was retenanted by three furniture stores.
- § **Blue Oaks Town Center** is a community-serving shopping center located at the intersection of Blue Oaks Boulevard and Lonetree Boulevard in the City of Rocklin. It is located approximately 7.5 miles west of the proposed Center along the Highway 65 corridor. This center is still under construction, but a 165,000 square foot RC Willey has already opened. The total center will be 528,000 square feet. Other planned tenants include Petco, Dress Barn, Stein Mart, Mervyn's, and Sportsman's Warehouse.

Downtown Shopping Districts

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

- § **Rocklin's Downtown Area** is located along Pacific Street near the intersection with Rocklin Road. The Downtown Rocklin Plan⁹ examines the areas surrounding Pacific Street and Rocklin Road. Although Pacific Street is considered the "main street" of Rocklin, there are many parcels of undeveloped land scattered along the corridor. These breaks in development make it more difficult to have a walkable shopping district. Typical existing businesses include independent restaurants and auto repair shops. The Downtown Rocklin Plan presents a vision for this area that has not yet been fully realized. As it exists now, Rocklin's Downtown Area is not competitive with the type of development planned for Rocklin Crossings. If the vision of the Downtown Rocklin Plan is implemented, and infill development makes this area a pedestrian-oriented shopping district, it is unlikely that the types of stores built will compete directly with big box and chain stores at Rocklin Crossings. Stores in the Downtown Area are likely to be small and cater to residents from the nearby neighborhoods whereas Rocklin Crossings will have large chain stores that will draw shoppers from a larger area.
- § **Loomis Historic Shopping District.** The Loomis Town Center Master Plan¹⁰ defines the downtown core of Loomis as located along Taylor Road and Horseshoe Bar Road. Taylor Road is considered the "main street" of the Town of Loomis. Horseshoe Bar Road intersects with Taylor and also with Interstate 80. The Master Plan describes this downtown core area as a shopping district that is evolving into a specialty retail destination serving residents and tourists. This area is historic with many buildings that are architecturally significant. This district is compact and walkable with mainly one-story buildings. There are many small

⁹ *Downtown Rocklin Plan Regulating Code Draft* by RBF Consulting/Urban Design Studio, February 10, 2006.

¹⁰ *Loomis Town Center Master Plan: Land Use Plan and Design Guidelines, an Element of the Loomis General Plan*, by Calthorpe Associates, adopted December 5, 1992.

independent restaurants and coffee shops as well as chain stores such as Subway. This type of shopping district offers an experience that is not competitive with the big box and chain stores that are expected at Rocklin Crossings. This shopping district is not likely to be negatively impacted by the new Center.

Apparel Stores

Overview. The primary and secondary market area does not contain very many major brand name apparel stores. By contrast, the nearby City of Roseville has many major apparel stores.

Center Impacts. The analysis indicates there are approximately \$13.8 million of primary market area sales leakage in the apparel category estimated in 2009 and \$33.8 million of secondary market area sales leakage in the apparel category (see Exhibit 19). New apparel sales generated by the Center, \$14.2 million, can be satisfied entirely by the existing leakage (see Exhibit 20). As a result, the Center will have no negative impact on existing primary market area apparel retailers.

General Merchandise

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

Center Impacts. The analysis indicates there are approximately \$120.8 million of primary market area sales leakage in the general merchandise category and \$118.3 million of secondary market area sales leakage (see Exhibit 19). New general merchandise sales generated by the Center, \$30.9 million, can be satisfied entirely by the existing leakage (see Exhibit 20). As a result, from a supply/demand perspective, the Center should not have a negative impact on existing primary market area general merchandise retailers.

Given that K-Mart is the only major general merchandise store in the primary market area, it would be the most likely to experience negative sales impacts, if any, from the new Center, and especially if a Wal-Mart was built because their product lines overlap. K-Mart is located in a center that recently lost its other anchor, Albertsons. If Albertsons is not replaced, that may have negative impacts on the K-Mart store and could contribute to store closure. However, the leakage analysis shows that K-Mart is not currently serving all the demand for general merchandise products in the primary market area. In fact, there is more than enough demand in the general merchandise category to support the currently operating K-Mart store and the projected sales of a Wal-Mart at Rocklin Crossings. Notwithstanding these considerations, it should be noted that in order to compete effectively with Wal-Mart, K-Mart will have to reassess its current store and make appropriate changes to meet customer demand.

Food Stores

Overview. The major grocery stores located near the Center's site are the Raley's located in the Loomis Town Center in the Town of Loomis and the Safeway located in Rocklin Square Shopping Center in the City of Rocklin. In addition, there was an Albertson's store located in the K-Mart center in the City of Rocklin. However, the Albertson's store closed recently and is currently vacant. Another grocery store in the City of Rocklin, Food Source, also closed this year.

Center Impacts. The analysis indicates there are approximately \$34.0 million of primary market area sales leakage in the food stores category and \$38.2 million of secondary market area sales leakage. This is after adjusting for two grocery stores in Rocklin (Albertson's and Food Source) that have closed since the sales data for 2004 was published (see Exhibits 18 and 19). Without this adjustment the primary market area actually has attraction in the food stores category. But given recent store closures, there is currently enough leakage in the category such that new food sales generated by the Center, \$32.9 million, can be satisfied entirely by the existing leakage. As a result, the Center will have no negative impact on existing primary market area food retailers (see Exhibits 19 and 20).

Eating and Drinking Places

The analysis indicates there are approximately \$38.6 million of primary market area sales leakage in the eating and drinking places category estimated in 2009 and \$34.0 million of secondary market area sales leakage in the eating and drinking places category. New eating and drinking places sales generated by the Center, \$5.1 million, can be satisfied entirely by the existing leakage. As a result, the Center will have no negative impact on existing primary market area eating and drinking places (see Exhibits 19 and 20).

Home Furnishings & Appliances / Building Materials

Overview. CBRE Consulting considers these categories together since some retailers overlap in these areas. There are no major home improvement warehouses such as Home Depot or Lowe's in the primary market area. However, there is one large store that recently opened in the Blue Oaks Town Center called RC Willey. This is a 165,000 square foot store which sells furniture, flooring, electronics and appliances. RC Willey is located in the Highway 65 corridor. This corridor comprises the majority of the City of Roseville's regional retail centers as shown on Exhibit 24.

Without adjusting for the RC Willey store, the primary market area has overall leakage in the home furnishings category (see Exhibit 12). After adjusting for this new store, the analysis indicates there will be approximately \$8.8 million of primary market area sales attraction in the home furnishings and appliances category estimated in 2009 and \$26.9 million of secondary market area sales leakage in the home furnishings and appliances category. For the combined primary and secondary market area, there will be an estimated \$18.1 million in sales leakage. However, the location of the RC Willey store on the Highway 65 corridor suggests that its competitors are more likely to be other home furnishings and appliances stores in that corridor. Small local stores such as Nelthorpe & Sons Appliances in Loomis could experience negative sales impacts. However, Nelthorpe & Sons' location in the historic shopping district of Loomis suggests that its orientation is to local residents who want to buy appliances from a small local business. Clearly, significant competitors to local appliance stores already exist in the Highway 65 corridor. These types of small stores can differentiate themselves from big box stores with high levels of customer service, custom products, and a wide selection. Larger stores such as RC Willey are the main competitors to the types of home furnishings and appliance stores that will be at Rocklin Crossings. Although some smaller home furnishings and appliance stores in the primary market area may experience negative sales impacts from the RC Willey store, the bulk of the impacts are likely to be on stores located on the Highway 65 corridor, i.e. outside the primary market area.

Center Impacts. The adjusted leakage analysis indicated that in 2009 dollars, a maximum of \$26.9 million in sales may be diverted away from existing home furnishings and appliances

stores in the primary market area, comprising 52.0 percent of estimated 2009 home furnishings and appliances sales of \$51.7 million (see Exhibit 21). This level of diverted sales and the associated percentage share of sales assume the Center achieves full stabilization in 2009, which is unlikely. This level of sales is equivalent to support for approximately 97,700 square feet of home furnishings and appliances store space.¹¹ The extent to which this will negatively impact existing stores will depend upon their ability to sustain a downturn in sales. This downturn will diminish over time as new market area residents generate additional sales. The cumulative retail demand estimates due to population growth documented in Exhibit 23 indicate that it will take more than twenty years to generate \$30.4 million in home furnishings and appliances sales from new growth following the assumed 2009 full year operation of the Center. If stores cannot withstand this downturn in sales, it is possible that a maximum of 97,700 square feet of existing home furnishings and appliances store space is at risk of closing. This square footage, however, may come not just from City of Rocklin stores, but also from City of Roseville stores located along the Highway 65 corridor.

The building materials category has enough leakage to absorb all the new sales at the Center. This means that there is enough demand to support local building materials retailers such as Meek's The Builders Choice store in Rocklin or Hardware Emporium in Loomis. Other types of stores in the building materials category include lumber yards, plumbing and electrical supplies stores, and stores that primarily sell paint, glass or wallpaper. Of course, it would be advantageous for small local stores to differentiate themselves from big box stores by having high levels of customer service, distinctive product lines and more selection. Still the leakage analysis shows no negative sales impacts to building materials retailers in the primary market area.

"Other Retail Stores"

Overview. "Other retail stores" is a broad category that includes sales in office supplies, gardening, or other specialty retail offerings. As a result, it is difficult to precisely identify the "other retail stores" in the primary market area without first knowing all of the "other retail stores" tenants at the proposed Center.

Center Impacts. The adjusted leakage analysis indicated that in 2009 dollars, a maximum of \$7.0 million in sales may be diverted away from existing other retail stores in the primary market area, comprising 4.4 percent of estimated 2009 other retail stores sales of \$158.6 million (see Exhibit 21). This level of diverted sales and the associated percentage share of sales assume the Center achieves full stabilization in 2009, which is unlikely. This level of sales is equivalent to support for approximately 19,500 square feet of other retail stores space.¹² The extent to which this will negatively impact existing stores will depend upon their ability to sustain a downturn in sales. This downturn will diminish over time as new market area residents generate additional sales. The cumulative retail demand estimates due to population growth documented in Exhibit 23 indicate that it will take one to two years to generate \$7.6 million in other retail stores sales from new growth following the assumed 2009 full year operation of the Center. There may be short term impacts to some existing retailers, although they are not expected to lead to store closures. However, if stores cannot withstand this

¹¹ Assuming average retail sales of \$230 per square foot in 2003 dollars, which after inflation adjustment is equivalent to \$275 in 2009 dollars.

¹² Assuming average retail sales of \$300 per square foot in 2003 dollars, which after inflation adjustment is equivalent to \$359 in 2009 dollars.

downturn in sales it is possible that a maximum of 19,500 square feet of existing “other retail stores” space is at risk of closing.

The findings from this chapter are summarized in the following Table 8.

Table 8
Proposed Rocklin Crossings
Summary of Impacts¹

Retail Category	Diverted Sales	Percent of Sales	Supportable Square Feet	Years to Mitigate
Apparel	\$0.0	0.0%	N/A	N/A
General Merchandise	0.0	0.0	N/A	N/A
Food Stores	0.0	0.0	N/A	N/A
Eating and Drinking Places	0.0	0.0	N/A	N/A
Home Furnishings and Appliances	26.9	52.0	97,700	20+ years
Building Materials	0.0	0.0	N/A	N/A
“Other Retail Stores”	<u>7.0</u>	<u>4.4</u>	<u>19,500</u>	1 to 2
Total	\$33.9	5.0%	117,200	

(1) Refer to Exhibits 20, 21, and 31.
Source: CBRE Consulting.

Table 8 provides a summary of the diverted sales impact discussed in this chapter. Assuming Rocklin Crossings’ new primary and secondary market area sales occurred at the proportional expense of existing primary market area retailers, then existing retailers would experience a maximum annual impact of \$33.9 million in sales upon stabilization of the Center in 2009 dollars. In total, the maximum diverted sales represent 5.0 percent of the primary market area’s estimated 2009 sales in relevant Center sales categories. New population growth is anticipated to help recoup a portion of the lost store sales. In addition, retailers could successfully reposition their stores and primary market area sales could increase overall due to the enhanced regionalism of the primary market area. This is a conservative approach, in that it assumes there will be no net increase in combined primary and secondary market area sales after the Center achieves market stabilization. This is why CBRE Consulting considers the resulting existing retailer impacts maximum estimates upon stabilization.

VI. CUMULATIVE IMPACTS

This chapter analyzes the Center in the context of other currently planned retail projects in the primary market area. This includes five projects that are either currently approved (Stanford Plaza), under construction (Blue Oaks Town Center), under review (Rocklin Pavilions), or, in the case of two projects, are expected to file applications within the next few months (the Granite Drive project and Rocklin Marketplace). These represent the major developments that could impact the primary market area in a significant way via additional retail sales. Other, smaller retail developments of less than 40,000 square feet were excluded because they are not competitive with a shopping center like Rocklin Crossings, both in terms of size and tenant mix. Smaller shopping centers usually have a neighborhood orientation with restaurants and convenience stores such as dry cleaners and nail salons. Rocklin Crossings, however, will be a destination center, i.e., it will attract customers that want to comparison shop for larger purchases. For convenience items, customers are likely to continue to shop at their local neighborhood centers. Also not included in this analysis were several developments which are at a very early stage of planning and were deemed to be too speculative to include in this cumulative impact analysis.

IDENTIFIED PROJECTS

Primary Market Area

CBRE Consulting identified major planned, approved or under construction retail projects in the primary market area. There were no projects of significance identified in the Town of Loomis, but five projects of significance identified in the City of Rocklin. These identified retail projects are presented in Exhibit 25. The reader should note that the primary market area is defined for the subject property Rocklin Crossings and that the projects below may have somewhat different market areas depending on their location in Rocklin and the location of their major competitors. CBRE Consulting does not define a separate market area for each project or store.

Available details for the five projects included in the cumulative impacts analysis are as follows:

- § **Blue Oaks Town Center:** Blue Oaks Town Center is a 528,000-square-foot center which is currently under construction. It is located in the City of Rocklin along the Highway 65 corridor at the northwest corner of Blue Oaks Boulevard and Lonetree Boulevard. The anchor store, a 165,000-square-foot RC Willey, opened recently and sells flooring, appliances, furniture, and electronics. Other stores that are scheduled to open include Dress Barn, Petco, Stein Mart, Mervyn's, and Sportsman's Warehouse. It is estimated to be completed in Spring of 2007.
- § **Stanford Plaza:** Stanford Plaza is an approximately 120,600-square-foot shopping center that was approved by the City of Rocklin. Construction is expected to begin October 1, 2006 at the intersection of Sunset Boulevard and Stanford Ranch Road. No tenants have been identified yet, and it is not expected to have an anchor store, however it is anticipated that the project will consist of neighborhood serving retail (restaurants, personal services, etc.). It is estimated to be completed in 2008.
- § **Rocklin Pavilions:** The City of Rocklin has received an application for the Rocklin Pavilions shopping center and is reviewing it. The site is at the northwest corner of Sierra College Boulevard and Interstate 80, directly across the freeway from the Rocklin Crossings site. Total square feet is expected to be 373,797. No leases have been

signed, but possible anchor tenants could include Target, Kohl's, and Linen & Things. Other categories of retailers include a fabric and hobby store, specialty grocer, home furnishings, apparel, restaurants, and banks. This project is estimated to be completed in 2009.

- § **Granite Drive (Granite Bay Ventures):** The City of Rocklin is expecting to receive an application for this shopping center in early 2007. It is located in the same area as Rocklin Crossings and Rocklin Pavilions, near the intersection of Interstate 80 and Sierra College Boulevard. This center is a 250,000-square-foot power center with a regional draw. Possible anchor tenants include a home improvement warehouse and a national theatre chain with 10 plus screens. No specific tenants have been identified, but it is anticipated that the project will consist of regional serving retail. This "pre-application" project has been included in the cumulative impact analysis based on the City of Rocklin's belief that an application is likely to be filed soon.
- § **Rocklin Marketplace:** Rocklin Marketplace is a 300,000-square-foot shopping center planned at Highway 65 and Sunset Boulevard in the Highway 65 corridor. The City of Rocklin is expecting to receive an application for this project in early 2007. Tenants and anchors have not been identified, but it is anticipated that the project will consist of regional serving retail. This "pre-application" project has been included in the cumulative impact analysis based on the City of Rocklin's belief that an application is likely to be filed soon.

Secondary Market Area

Within the secondary market area, CBRE Consulting identified several retail projects in the planning stages or approved. Specific projects of note include: a new Home Depot store in the City of Auburn, planned for 129,295 square feet including a garden center; a subdivision called Brady Estates in the City of Auburn which includes 53,490 square feet of retail; and an expansion of the Rock Creek Plaza Shopping Center in the City of Auburn. The economics of retail development are such that the impacts of the proposed center will be greatest within the center's primary market area. Retailers in a primary market area compete primarily with other retailers of like kind within the primary market area. That is why the analysis focuses on the potential for diverted sales, if any, away from other primary market area retailers. Assessing potential impacts on existing retailers in the secondary market area would be problematic and speculative because the secondary market area is made up of several submarkets, each one of which has its own primary market area and, therefore, its own unique characteristics in terms of such factors as current market conditions, competition (existing and planned), market area population growth potential, etc. For these reasons, cumulative impacts resulting from secondary market area projects are not analyzed in this report.

SALES ESTIMATES FOR PLANNED RETAIL DEVELOPMENTS

CBRE Consulting estimated sales for the planned market area retail developments in Exhibit 26. As with the Center itself, sales were estimated using available 10-K's or the Retail MAXIM publication. For Stanford Plaza, Rocklin Marketplace, and the Granite Drive projects, tenants or tenant types are not identified for the planned space. For these allocations of space, CBRE Consulting assumed a generic sales performance estimate, and assigned the sales to an appropriate mix of categories given the center type. The generic sales performance estimate is derived from an average for mall-based retailers. While at least one of these projects will likely enter the market in advance of the Center, their sales are forecasted to 2009 to assess the

prospective impact of the Center in combination with these projects. The results in Exhibit 26 indicate that by 2009, these planned projects are anticipated to generate an additional \$497.2 million in retail sales potentially competitive with the Center.

Exhibit 27 identifies estimates of sales by retail category for the identified planned retail projects in the market area. For analytical purposes, the sales are distributed as follows:

- € \$55.3 million in apparel;
- € \$141.4 million in general merchandise;
- € \$33.0 million in food stores;
- € \$37.4 million in restaurants;
- € \$52.6 million in home furnishings and appliances;
- € \$21.1 million in building materials;
- € \$156.4 million in other retail.

Of these new sales, 95 percent, or \$472.3 million are estimated to be generated by primary and secondary market area residents, per the previous market split assumptions. The remaining sales are expected to comprise tertiary market demand, originating from undefined areas outside the primary and secondary market areas (e.g. motorists traveling along Interstate 80 through Rocklin).

CUMULATIVE SALES IMPACTS

Approach

Utilizing the same methodology discussed in Chapter V, Sales Impacts, CBRE Consulting estimated the maximum 2009 impact of the planned retail developments on existing retailers in the primary market area in combination with the Center. This approach, presented in Exhibits 28 through 31, considered the following factors:

- € New primary market area sales base which includes minimum new sales to the primary market area resulting from Rocklin Crossings;
- € New combined primary and secondary market area sales base which includes minimum new sales to the primary market area resulting from Rocklin Crossings;
- € The primary market area sales as a percentage of the combined primary and secondary market area sales;
- € New sales in the primary market area from the five cumulative projects;
- € The portion of new cumulative projects' sales that will come from the primary and secondary market area;
- € Unabsorbed leakage in the primary market area and in the secondary market area;
- € Maximum cumulative sales diversions for the Center and the planned projects;
- € Sales diversions as a percentage of estimated sales.

Exhibit 31 summarizes the diverted sales impacts resulting from development of the Center and all five primary market area cumulative projects.

Findings

The cumulative sales impact results indicate that, assuming development of all five projects, at worst, \$212.0 million in sales will comprise sales diverted away from existing primary market area retailers (see Exhibit 31). The diverted sales impact estimate is \$38.5 million on apparel

stores, \$68.7 million on home furnishings and appliances stores, and \$104.9 million on “other retail stores.” There are no diverted sales anticipated in the general merchandise, food stores, restaurants, or building materials stores categories. The fact that there is estimated to be no diverted sales in the general merchandise category indicates that there is enough demand to support current sales at the Rocklin K-Mart and projected sales at Rocklin Crossings without negative sales impacts to K-Mart.

- § **Apparel.** The estimated \$38.5 million in diverted apparel store sales is equivalent to approximately 151,500 square feet of supportable space. The primary market area is projected to require more than twenty years to generate this level of additional demand.¹³ Thus, it appears approximately 151,500 square feet of apparel store space in the primary market area is at risk of closing unless the primary market area is able to transition to become an area that attracts more retail sales than its residents generate (e.g., like Roseville).
- § **Home Furnishings and Appliances.** The estimated \$68.7 million in diverted home furnishings and appliances store sales is equivalent to approximately 249,700 square feet of supportable space. The primary market area is projected to require more than twenty years to generate this level of additional demand. Thus, it appears approximately 249,700 square feet of home furnishings and appliances store space in the primary market area is at risk of closing unless the primary market area is able to transition to become an area that attracts more retail sales than its residents generate (e.g., like Roseville).
- § **Other Retail Stores.** The estimated \$104.9 million in diverted other retail store sales is equivalent to approximately 292,200 square feet of supportable space. The primary market area is projected to require more than twenty years to generate this level of additional demand. Thus, it appears approximately 292,200 square feet of other retail store space in the primary market area is at risk of closing unless the primary market area is able to transition to become an area that attracts more retail sales than its residents generate (e.g., like Roseville).

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

¹³ The exact number of years is difficult to estimate. CBRE Consulting’s demand estimates due to population growth only extend out as far as 2014. It is difficult to project beyond this period because of the uncertainties associated with forecasting population growth and changes in spending patterns so far into the future.

The five cumulative projects total 1.6 million square feet of planned retail space. Given the large amount of potential retail development that is planned for Rocklin, and particularly the retail planned for the Interstate 80 corridor, it is possible that Rocklin could transition to a retail hub serving the secondary market area. In this case, Rocklin would become a city which attracts a significant amount of sales from non-residents, similar to the City of Roseville.

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

VII. URBAN DECAY DETERMINATION

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

STUDY DEFINITION OF URBAN DECAY

In recent years, the California Courts of Appeal have addressed the need to address the potential for "urban decay" in environmental documents for large retail projects. The leading case is *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, in which the court set aside two environmental impact reports for two proposed Wal-Mart projects that would have been located less than five miles from each other. This was the first court decision to use the new term "urban decay," as opposed to the similar term "blight," which is a concept from redevelopment law. The court quoted "experts [who] are now warning about land use decisions that cause a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake." (Id. at p. 1204.) The court also discussed prior case law that addressed the potential for large retail projects to cause "physical deterioration of [a] downtown area" or "a general deterioration of [a] downtown area." (Id. at pp. 1206, 1207.) The Bakersfield court also described the circumstances in which the duty to address urban decay issues arise.

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

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

APPROACH TO DETERMINING URBAN DECAY POTENTIAL

CBRE Consulting engaged in several tasks to assess the probability of urban decay ensuing from development of the Center. These tasks revolved around assessing the potential for closed primary market area store spaces, if any, to remain vacant for a prolonged period of time or to

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

RETAILER DEMAND IN THE PRIMARY MARKET AREA

CBRE Consulting conducted telephone interviews with several real estate brokers experienced in the Rocklin/Loomis/Roseville retail market. The real estate brokers represented a mix of independent commercial brokerage houses. All of the brokers contacted have experience working with tenants and landlords in the market area. In the course of the interviews, the real estate brokers shared their candid thoughts and some proprietary information with CBRE Consulting. Findings from these interviews are summarized below.

Market Characterization

The real estate brokers contacted for this study all spoke favorably about the Rocklin retail market. They indicated that the market is strong, with an estimated retail vacancy of between 1 and 4 percent in 2006. The area has experienced a lot of housing growth, although recently that housing growth has been slowing. Retail growth also has slowed down in response. One weakness has been unanchored shopping centers which have a harder time leasing than centers with a pre-determined anchor. One broker indicated that the primary market area was overbuilt with unanchored centers.

The Rocklin/Loomis retail market is split primarily into two areas. The Stanford Ranch area is in the northwest section of the City of Rocklin along Highway 65. Parts of the area have been recently annexed into the city from unincorporated Placer County. Many new housing developments are being built in this area and along Highway 65. Most of the stores in this area are new. Because of the strong population growth projected in the Stanford Ranch area, this retail market has the attention of many national retailers, who have recently opened or are currently looking to open locations in the area. Many of these retailers have located in the City of Roseville which also lies on the Highway 65 corridor. Testament to this strength is the construction of Blue Oaks Town Center in the City of Rocklin along the Highway 65 corridor. The main anchor in this center, RC Willey, opened its doors recently and reportedly has been doing very well. Brokers believe that the Rocklin Crossings development would not impact the retail in the Stanford Ranch area because that retail is new, healthy, and draws on residents of neighboring Roseville and areas of unincorporated Placer County, as well as residents of Rocklin.

The other major retail area in Rocklin is along Interstate 80. This area is older and has not seen much recent development. There are two grocery anchored centers in this area. The Loomis Town Center is located at the intersection of Horseshoe Bar Road and Interstate 80 in the Town of Loomis. This 10-year old center has a Raley's store as an anchor and several chain restaurants (Taco Bell, Quiznos, Round Table Pizza, and Starbucks). There is also a Wells Fargo bank and a hair salon in the center. The Rocklin Square Shopping Center is also located in this area. It is anchored by a Safeway and Longs Drugs. Although this area is older, there are quite a few developments being planned. The Interstate 80 interchange at Sierra College Boulevard is going to be rebuilt by Caltrans and the City of Rocklin. This has sparked interest for development at the interchange. The site for Rocklin Crossings is located there as are two sites

for other proposed retail centers listed in the pipeline in Exhibit 25. The area to the east of Interstate 80 includes areas where new homes are being developed, especially in the Granite Bay neighborhood. Brokers indicated that the areas east of Interstate 80 would supply many of the customers to Rocklin Crossings.

Brokers stated that grocery stores in this older area would be impacted by the grocery sales of a Wal-Mart supercenter, but none of the brokers believes that the impacts would lead to store closures. The closest grocery stores to Rocklin Crossings are the Safeway in the Rocklin Square Shopping Center and the Raley's Supermarket in the Loomis Town Center. These stores are the most likely to experience some sales impacts from the proposed Wal-Mart Supercenter at Rocklin Crossings. However, the opinions of brokers that no grocery store is likely to close is supported by the retail leakage analysis which shows that two recent grocery store closures in the City of Rocklin leave more than enough demand to support the currently operating grocery stores and the projected grocery sales of a Supercenter at Rocklin Crossings. As is often the case when new competition enters the market, the existing grocery stores will likely need to remodel and possibly reposition themselves to remain competitive.

In addition to Rocklin's two primary retail areas, there is also a third commercial area along Pacific Street. Part of this area, between Midas Avenue and Farron Street, is designated by the City of Rocklin as part of the Downtown Plan. This area is primarily residential. Most businesses are old and well established. Typical businesses are small independent restaurants and auto repair shops. Brokers interviewed did not consider this area to have significant retail and therefore did not think that the Downtown area would compete at all with Rocklin Crossings nor be impacted by Rocklin Crossings. On Pacific Street near Farron Street is a shopping center with a Big K-Mart as an anchor. The other anchor, an Albertson's grocery store, closed recently and is vacant. Brokers believe that a national grocery store is unlikely to retenant the Albertson's space. More likely tenants would be a local grocery, specialty grocery, or automotive use such as a motorcycle dealership.

This third commercial area was considered a "no-man's land" by one broker who stated that it is not an ideal area for retail. Another broker believes that this area is transitioning from retail to auto services and light industrial uses. There is one new retail building along Pacific Street that is currently vacant. The broker leasing that property stated that the likely tenants would be quasi-retailers such as hair salons, automotive services, or restaurants. The broker expects to be able to lease all the space within 6 months.

Re-Tenancing Potential

The real estate brokers collectively believe that if any existing retail operations close due to the introduction of the Center, then it would be possible to re-tenant the space. The current environment of slowing retail growth, however, indicates that it may take longer to retenant space than it has in the past. The most recent experience in re-tenancing large spaces comes from a Wal-Mart store that formerly anchored the Five Star Plaza in the City of Rocklin. The Wal-Mart closed when it relocated to a more prominent location in the City of Roseville. It took less than a year to retenant the space. The space was divided into three parts and furniture stores moved in. In general, it is easier to retenant smaller spaces since there are many more types of business that can fit into a small space and fewer stores that truly need and can afford a large space. The one caution is that small stores often depend on anchors for customer traffic. If a shopping center has lost an anchor, it may be more difficult to retenant the small spaces until a new anchor moves in. Overall, the existing market area has a low vacancy rate,

which is an indication of the market area's stable performance and ability to re-tenant vacancies as they occur.

URBAN DECAY CONCLUSION

While there may be alternative definitions of what constitutes urban decay, CBRE Consulting relied on the definition presented earlier in this section, which focused on determining whether or not prevalent and substantial physical deterioration in the primary market area would likely result from the development of Rocklin Crossings. CBRE Consulting's conclusion is based on consideration of current primary market area conditions, findings regarding diverted sales, and re-tenanting potential, as summarized below.

- § Current Market Conditions—In general, the primary market area's retail market is healthy with low vacancy (less than or equal to 5 percent) and evidence of retenanting capability. The new Stanford Ranch area is especially unlikely to be negatively impacted by Rocklin Crossings. The older Interstate 80 corridor is more vulnerable to negative sales impacts. Brokers believe that grocery stores in this area would be negatively impacted by the potential Wal-Mart supercenter, but none of the brokers expected that impacts would lead to store closures. In between these two retail areas lies the Downtown area. Because the stores in the Downtown area are smaller independent stores, brokers did not think that they would directly compete with the types of stores that will go into Rocklin Crossings. This area does currently have large vacancies such as the empty Albertson's store, but brokers indicated that vacant spaces would eventually be retenanted, although not necessarily with traditional retail stores.
- § Diverted Sales—The opening of the Rocklin Crossings may result in some existing primary market area store closures due to diverted sales. In certain categories, such as home furnishings and appliances, it could take twenty or more years to generate additional primary market area sales from new population growth to offset the diverted sales in those specific categories. However, it is quite likely that the duration of this diverted sales impact would be reduced if vacated stores are re-tenanted by other types of retail, restaurant, and/or service establishments (e.g. a jewelry store, gift shop, restaurant, auto repair or supplies store, etc.), which is a common occurrence in most shopping centers. The Downtown area seems especially likely to transition from retail to more services-oriented corridor.
- § Re-tenanting Potential—Except for the newly vacant Albertson's store, the existing primary market area shopping centers have low vacancy rates, which is an indication of the primary market area's stable performance and ability to re-tenant smaller vacancies as they may occur. Therefore, vacated retail spaces have the potential to be successfully re-tenanted. Such re-tenanting would benefit the market and expand local and regional shopping opportunities.

In conclusion, while it is expected that the Rocklin Crossings project will result in some diverted sales and that some closures of primary market area stores may occur, these events are not expected to lead to physical deterioration so prevalent and substantial that it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Therefore, CBRE Consulting concludes that although development of the Rocklin Crossings center may contribute to further retail vacancies in the primary market area, those vacancies are unlikely to result in urban decay.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

Please note that the fieldwork for this analysis was completed in August 2006. Accordingly, CBRE Consulting assumes no responsibility for market events pertinent to the City of Rocklin or the Rocklin Crossings Shopping Center site occurring after that date.

CBRE Consulting has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although CBRE Consulting believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

This report may not be used for any purpose other than that for which it is prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through publication advertising media, public relations, news media, sales media, or any other public means of communication without prior written consent and approval of CBRE Consulting.

APPENDIX: EXHIBITS

**DRAFT EXHIBIT 1
DEVELOPMENT PROGRAM SUMMARY (1)
ROCKLIN CROSSINGS**

Retail Space	Estimated Square Feet
Anchor Tenants	
Supercenter (2)	231,353
Home Improvement (3)	141,038
Other Possible Tenants (4)	
Apparel	30,000
Electronics	30,000
Home Furnishings	25,000
Unknown Retail (5)	64,509
Pad Sites (4)	
Restaurants	15,000
Two Banks (6)	6,600
Total Development	543,500

Notes:

- (1) Based on information provided by Donahue Schriber.
(2) Wal-Mart is under consideration for this space. Includes garden center at 25,353 square feet.
(3) Home Depot is under consideration for this space. Includes garden center at 34,760.
(4) Specific retail tenants have not been identified for the entire project; however, prospective types of tenants are identified for the majority of space based upon the applicant's marketing goals and efforts for the project.
(5) Unknown retail is assumed to include stores in the California Board of Equalization category of "other retail stores" which includes packaged liquor stores, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationary and books, jewelry, office and school supplies, second-hand merchandise, farm and garden supply stores, mobile homes/trailers and campers, boat and motorcycle dealers, and miscellaneous other retail stores.
(6) Average square feet for banks taken from Dollars & Cents of Shopping Centers: 2004.

Sources: Donahue Schriber; Dollars & Cents of Shopping Centers: 2004 by ULI; and CBRE Consulting.

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**DRAFT EXHIBIT 2
ESTIMATE OF ROCKLIN CROSSINGS SHOPPING CENTER SALES
2009**

Retail Store or Category (1)	Estimated Square Feet	Average Sales Per Sq. Ft. 2003 (2)	Average Sales Per Sq. Ft. 2009 (3)	Estimated Store Sales 2009
<u>RETAILER IDENTIFIED</u>				
Supercenter	231,353	\$396 (4)	\$474	\$109,677,482
Home Improvement	141,038	\$371 (5)	\$444	\$62,665,924
<u>RETAILER NOT IDENTIFIED</u>				
Apparel	30,000	\$212 (6)	\$254	\$7,616,905
Electronics	30,000	\$426 (7)	\$510	\$15,305,667
Home Furnishings	25,000	\$230 (8)	\$275	\$6,886,352
Restaurants	15,000	\$285 (9)	\$341	\$5,119,853
Unknown Retail	64,509	\$300	\$359	\$23,177,306
Bank	6,600	N/A	N/A	N/A
TOTAL	543,500		\$424	\$230,449,488

Notes:

- (1) Donahue Schriber provided information on the type and square feet of anticipated retailers.
- (2) CBRE Consulting relied on Retail MAXIM's July 2004 report of 2003 retail sales per square foot estimates, which also includes averages for different categories of retailers. For all unidentified retail, CBRE Consulting assumed the generally accepted industry standard average sales of \$300 per square foot in 2003 dollars.
- (3) Adjusted for inflation based on the consumer price index for all urban consumers in California as defined by the U.S. Department of Labor Bureau of Labor Statistics. Inflation for the 2003-04 period is 2.6 percent; inflation for the 2004-05 period is 3.7 percent. Assumed an annual rate of 3.0 percent between 2005 and 2009.
- (4) Since Wal-Mart is under consideration for this space, the average sales per square foot is actual for Wal-Mart. Sales per square foot estimated from Wal-Mart 10-K report for fiscal year 2005 and adjusted for inflation based on above assumptions.
- (5) Since Home Depot is under consideration for this space, the average sales per square foot is actual for Home Depot, per Retail MAXIM.
- (6) Average sales per square foot of the family/women's apparel category, per Retail MAXIM.
- (7) Average sales per square foot of the electronics category, per Retail MAXIM.
- (8) Average sales per square foot of Bed Bath and Beyond, Cost-Plus, Home Goods, Kirklands, Linens 'N Things, Pier One, and Sears Great Outdoors, per Retail MAXIM.
- (9) Average sales per square foot of the casual dining and family dining categories per Retail MAXIM.

Sources: Donahue Schriber; Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2004; State of California's Division of Labor Statistics and Research; and CBRE Consulting.

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DRAFT EXHIBIT 3
ESTIMATED DISTRIBUTION OF WAL-MART STORE SALES BY BOARD OF EQUALIZATION (BOE) CATEGORY
2006

All Wal-Mart Stores (1)		Allocation of Wal-Mart Sales into State Board of Equalization Categories (2)				
Type of Goods	Percent of Sales	Apparel	General Merchandise	Food Stores	Home Furnishings and Appliances	Other Retail
Grocery, candy and tobacco	30.0%	-	-	30.0%	-	-
Hard goods	19.0%	-	4.8%	-	4.7%	9.5%
Soft goods and domestics	15.0%	5.0%	5.0%	-	5.0%	-
Electronics	10.0%	-	3.3%	-	3.3%	3.3%
Pharmaceuticals	8.0%	-	8.0%	-	-	-
Health and beauty aids	7.0%	-	7.0%	-	-	-
Sporting goods and toys	5.0%	-	-	-	-	5.0%
Stationery and books	3.0%	-	-	-	-	3.0%
Photo processing	1.0%	-	-	-	-	1.0%
Jewelry	1.0%	-	-	-	-	1.0%
Shoes	1.0%	1.0%	-	-	-	-
Total	100.0%	6.0%	28.1%	30.0%	13.0%	22.8%

Notes:

(1) United States Securities and Exchange Commission, Wal-Mart Stores, Inc. Fiscal Year Ended January 31, 2006, Form 10-K.

(2) Sales categories reported by State of California BOE. CBRE Consulting matched the Wal-Mart sales categories with the BOE categories. Only those BOE sales categories relevant to this analysis are presented here. If the type of good was believed to span more than one BOE category, CBRE Consulting apportioned the percentage of sales based upon professional judgement and examination of merchandising at representative Wal-Mart stores. Wal-Mart presents the percentage breakdown of sales for its Discount Stores and Supercenter Stores combined in its 10-K.

Sources: United States Securities and Exchange Commission, Wal-Mart Stores, Inc. Fiscal Year 2005 Form 10-K; California Board of Equalization; and CBRE Consulting.
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DRAFT EXHIBIT 4
ESTIMATED SALES BY RETAIL CATEGORY
ROCKLIN CROSSINGS
2009 DOLLARS

Type of Retail	Rocklin Crossings (1) 2009 Estimated Sales	Sales Category						
		Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Other Retail Stores
Supercenter As % of estimated store sales	231,353 \$109,677,482	\$6,580,649 6.0%	\$30,855,932 28.1%	\$32,903,245 30.0%	\$0 0.0%	\$14,294,632 13.0%	\$0 0.0%	\$25,043,025 22.8%
Home Improvement (2) As % of estimated store sales	141,038 \$62,665,924	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$18,799,777 30.0%	\$37,599,554 60.0%	\$6,266,592 10.0%
Apparel As % of estimated store sales	30,000 \$7,616,905	\$7,616,905 100.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Electronics As % of estimated store sales	30,000 \$15,305,667	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$15,305,667 100.0%	\$0 0.0%	\$0 0.0%
Home Furnishings As % of estimated store sales	25,000 \$6,886,352	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$6,886,352 100.0%	\$0 0.0%	\$0 0.0%
Restaurant As % of estimated store sales	15,000 \$5,119,853	\$0 0.0%	\$0 0.0%	\$5,119,853 100.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Unknown Retail As % of estimated store sales	64,509 \$23,177,306	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$23,177,306 100.0%
Total	536,900 \$230,449,488	\$14,197,554	\$30,855,932	\$32,903,245	\$5,119,853	\$55,286,428	\$37,599,554	\$54,486,923

Notes:

(1) Refer to Exhibit 2.

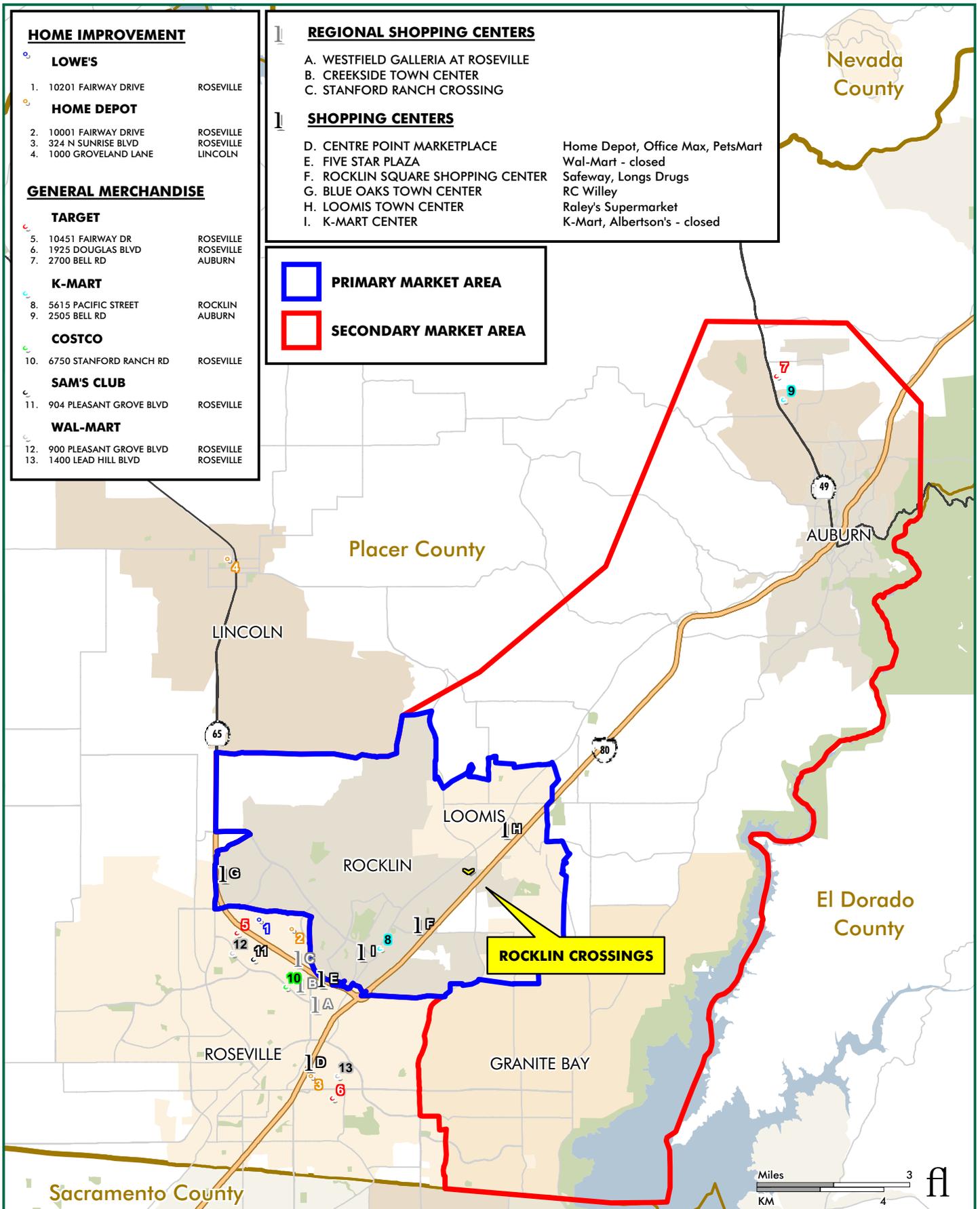
(2) The home improvement sales were divided into appropriate retail categories to determine the potential impact on those categories. Based on breakdown of sales at Lowe's and Home Depot stores provided for in the relevant Form 10-Ks on file with the United States Securities and Exchange Commission.

Sources: Donahue Schriber; Retail Maxim's Perspectives on Retail Real Estate and Finance, July 2004; Lowes, 2004 Form 10-K; Home Depot, 2004 Form 10-K; and Sedway Group.

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Exhibit 5: Primary and Secondary Market Areas, Competitive Centers and Retailers



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DRAFT EXHIBIT 6
POPULATION ASSUMPTIONS
PRIMARY AND SECONDARY MARKET AREAS (1)
2000 - 2015 (2) (3)

	Estimate		Calculated		Estimate		Calculated		Estimate		Average Annual Growth Rate				
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	'00-'05	'05-'10	10-'15
City of Rocklin	36,330	39,037	41,945	45,070	48,427	52,035	52,948	53,878	54,823	55,786	56,765	61,338	7.4%	1.8%	1.6%
Town of Loomis	6,260	6,231	6,202	6,173	6,144	6,115	6,301	6,492	6,689	6,892	7,101	8,129	-0.5%	3.0%	2.7%
Primary Market Area	42,590	45,267	48,146	51,242	54,571	58,150	59,249	60,370	61,512	62,678	63,866	69,467	6.4%	1.9%	1.7%
City of Auburn	12,462	12,506	12,550	12,594	12,638	12,683	12,912	13,146	13,384	13,626	13,872	15,027	0.4%	1.8%	1.6%
Unincorporated Area (3)	47,113	47,007	46,901	46,796	46,691	46,586	46,699	46,813	46,927	47,041	47,156	47,733	-0.2%	0.2%	0.2%
Secondary Market Area	59,575	59,513	59,451	59,390	59,329	59,269	59,612	59,959	60,311	60,667	61,028	62,760	-0.1%	0.6%	0.6%
Total Primary and Secondary Market Areas	102,165	104,780	107,598	110,632	113,900	117,419	118,861	120,329	121,823	123,345	124,894	132,227	2.8%	1.2%	1.1%

Notes:

- (1) The primary market area is defined as the city of Rocklin and the town of Loomis. See Exhibit 5 for map of the secondary market area.
- (2) Population estimates for the primary market area and for the City of Auburn are provided by SACOG. SACOG estimates years 2000, 2005, 2010, and 2015. Intermediate years (2001 to 2004, 2006 to 2009) estimated by CBRE Consulting.
- (3) Population estimates for the unincorporated areas of secondary market estimated using Claritas. Claritas reports population for 2000, 2005, and 2010. Intermediate years (2001 to 2004, 2006 to 2009) estimated by CBRE Consulting. Future years (2011 - 2015) estimated using the growth rate for 2005-2010.

Sources: Sacramento Area Council of Governments (SACOG); Claritas; and CBRE Consulting.

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DRAFT EXHIBIT 7
DERIVATION OF POPULATION IN UNINCORPORATED AREAS OF PLACER COUNTY
2000 - 2010 (1)

Year	Placer County Major Incorporated Areas (2)						Total [F=B+C+D+E]	Unincorporated [G=A-F]
	Placer County [A]	Auburn [B]	Loomis [C]	Rocklin [D]	Roseville [E]			
2000	248,399	12,462	6,260	36,330	79,921	134,973	113,426	
2001	258,223	12,506	6,231	39,037	84,265	142,038	116,184	
2002	268,435	12,550	6,202	41,945	88,846	149,542	118,893	
2003	279,051	12,594	6,173	45,070	93,675	157,512	121,540	
2004	290,087	12,638	6,144	48,427	98,767	165,977	124,111	
2005	301,560	12,683	6,115	52,035	104,136	174,969	126,591	
2006	307,116	12,912	6,301	52,948	104,710	176,871	130,244	
2007	312,774	13,146	6,492	53,878	105,287	178,803	133,971	
2008	318,536	13,384	6,689	54,823	105,868	180,764	137,772	
2009	324,404	13,626	6,892	55,786	106,451	182,754	141,650	
2010	330,381	13,872	7,101	56,765	107,038	184,776	145,605	
Avg. Annual Growth Rate 2000 to 2005	3.95%	0.35%	-0.47%	7.45%	5.44%	5.33%	2.22%	
Avg. Annual Growth Rate 2005 to 2010	1.84%	1.81%	3.03%	1.76%	0.55%	1.10%	2.84%	

Notes:

(1) Relied on Sacramento Area Council of Governments (SACOG) data for relevant geographic areas to deduce unincorporated population. SACOG provides estimates for 2000, 2005, and 2010. Intermediate years were estimated by CBRE Consulting using the calculated average annual growth rates.
(2) Represents the major cities reported in the California State Board of Equalization "Taxable Sales in California, Sales & Use Tax, 2004, Forty-fourth Annual Report" publication. The one exception is the Town of Loomis which is not one of the major cities reported, but is included because it is part of the primary market area.

**DRAFT EXHIBIT 8
POPULATION OF PRIMARY AND SECONDARY MARKET AREA
PLACER COUNTY
2000 - 2010**

Year	Auburn [A]	Loomis [B]	Rocklin [C]	Unincorporated (1) [D]	Total PMA & SMA [E=A+B+C+D]
2000	12,462	6,260	36,330	47,113	102,165
2001	12,506	6,231	39,037	47,007	104,780
2002	12,550	6,202	41,945	46,901	107,598
2003	12,594	6,173	45,070	46,796	110,632
2004	12,638	6,144	48,427	46,691	113,900
2005	12,683	6,115	52,035	46,586	117,419
2006	12,912	6,301	52,948	46,699	118,861
2007	13,146	6,492	53,878	46,813	120,329
2008	13,384	6,689	54,823	46,927	121,823
2009	13,626	6,892	55,786	47,041	123,345
2010	13,872	7,101	56,765	47,156	124,894
Avg. Annual Growth Rate					
2000 to 2005	0.35%	-0.47%	7.45%	-0.22%	2.76%
Avg. Annual Growth Rate					
2005 to 2010	1.81%	3.03%	1.76%	0.24%	1.61%

Notes:

(1) The unincorporated area of the secondary market area was estimated using Claritas data. Intermediate years were estimated by CBRE Consulting using the calculated average annual growth rate between periods. The Claritas data was checked for accuracy by comparing 2000 population numbers published by SCAG to 2000 population numbers by Claritas for relevant census tracts in Placer County. The difference was only 3 percent and therefore the Claritas data was considered accurate.

Sources: Claritas; Sacramento Area Council of Governments; and CBRE Consulting.
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**DRAFT EXHIBIT 9
DERIVATION OF SALES IN UNINCORPORATED AREAS OF PLACER COUNTY
2004**

Type of Retailer	Placer County Major Incorporated Areas (1)						Total [F=B+C+D+E]	Unincorporated [G-A-F]
	Placer County [A]	Auburn [B]	Loomis [C]	Rocklin [D]	Roseville [E]			
Apparel stores	\$ 182,781,000	\$ 3,168,000	\$ 2,839,006 (3)	\$ 13,852,042 (2)	\$ 158,633,000	\$ 178,492,048	\$ 4,288,952	
General merchandise stores	\$ 692,463,000	\$ 25,396,000	\$ 2,839,006 (3)	\$ 23,294,000	\$ 561,058,000	\$ 612,587,006	\$ 79,875,994	
Food stores	\$ 256,228,000	\$ 13,861,000	\$ 6,600,000 (3)	\$ 41,139,000	\$ 95,389,000	\$ 156,989,000	\$ 99,239,000	
Eating and drinking places	\$ 464,769,000	\$ 24,055,000	\$ 5,786,000	\$ 43,576,000	\$ 235,917,000	\$ 309,334,000	\$ 155,435,000	
Home furnishings/appliance	\$ 205,139,000	\$ 8,431,000	\$ 2,839,006 (3)	\$ 22,212,000	\$ 136,822,000	\$ 170,304,006	\$ 34,834,994	
Bldg. mat'l./farm implements	\$ 492,760,000	\$ 7,542,000	\$ 7,203,000	\$ 42,218,000	\$ 288,940,000	\$ 345,903,000	\$ 146,857,000	
Auto dealers and auto supply	\$ 1,519,350,000	\$ 57,491,000	\$ 2,839,006 (3)	\$ 28,173,000	\$ 1,201,552,000	\$ 1,290,055,006	\$ 229,294,994	
Service stations	\$ 368,851,000	\$ 57,201,921 (2)	\$ 2,839,006 (3)	\$ 54,603,000	\$ 130,953,000	\$ 245,596,927	\$ 123,254,073	
Other retail stores	\$ 841,812,000	\$ 39,681,079 (2)	\$ 6,799,972	\$ 111,687,958 (2)	\$ 446,106,000	\$ 604,275,008	\$ 237,536,992	
Total	\$ 5,024,153,000	\$ 236,827,000	\$ 40,584,000	\$ 380,755,000	\$ 3,255,370,000	\$ 3,913,536,000	\$ 1,110,617,000	

Notes:
(1) Represents the major cities reported in the California State Board of Equalization "Taxable Sales in California (Sales & Use Tax), During 2004, Forty-fourth Annual Report" publication. The one exception is the Town of Loomis which is included because it is part of the primary market area.
(2) The California State Board of Equalization (BOE) omitted these sales because their publication would result in the disclosure of confidential information. Instead, the BOE includes them in an "other retail stores" BOE category. To avoid overstating the "other retail stores" category's taxable sales and understating those categories where information was not disclosed by BOE, CBRE Consulting made adjustments to the sales data. CBRE Consulting calculated the city's "other retail sales" as a percent of its total taxable sales. Then, CBRE Consulting calculated the county's "other retail" as a percent of its total taxable sales to serve as a benchmark. If the city's percentage exceeded the county benchmark, the difference was used as an estimate for the city's overstatement of "other retail". CBRE Consulting took the estimated overstatement of sales in "other retail" and distributed them to the categories with disclosure issues. An exception was made for the apparel category in Rocklin. Using the above method overstated apparel such that the total apparel sales in the three cities were greater than the county's apparel sales. Therefore, the share of apparel sales in the county (3.6 percent) was used to estimate Rocklin's apparel sales.
(3) For Loomis, the BOE does not publish sales data in the following categories: apparel, general merchandise, food stores, home furnishings and appliances, auto dealers, and service stations. It omits these sales because their publication would result in the disclosure of confidential information. Instead, the BOE included them in the "other retail stores" category. For the retail leakage analysis, it is necessary to estimate sales in each category. To adjust for the BOE omission, the local businesses in those categories were checked using Claritas Business Points. The only major or national brand store in those categories was the Riley's grocery store. Sales for that store were estimated using Retail Maxim's sales per square foot estimate for supermarkets of \$348 in 2003. That estimate was adjusted for inflation and applied to the size of the store, which is 61,000 square feet. Since only 30 percent of grocery store sales are taxable, the total sale number was discounted to reflect that. This resulted in a taxable sales estimate for the food store category in Loomis of \$6.6 million. Sales for food stores was then taken out of the other retail category. Other retail sales for Loomis was calculated such that it would be the same share of total sales that is true in Placer County. That share is 1.68 percent. The rest of the sales taken out of the other retail category was evenly divided among the other five categories.

Sources: California State Board of Equalization; and CBRE Consulting.
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DRAFT EXHIBIT 10
SALES IN UNINCORPORATED AREAS IN THE SECONDARY MARKET AREA
PLACER COUNTY
2004

Type of Retailer	Placer County Unincorporated Areas			Secondary Market Area Unincorporated	
	Sales (1) [A]	Population (2) [B]	Sales Per Capita [C=A/B]	Population (3) [D]	Unincorporated Sales [E=C*D]
Apparel stores	\$4,288,952	124,111	\$35	46,691	\$1,613,519
General merchandise stores	\$79,875,994	124,111	\$644	46,691	\$30,049,637
Food stores	\$99,239,000	124,111	\$800	46,691	\$37,334,069
Eating and drinking places	\$155,435,000	124,111	\$1,252	46,691	\$58,475,207
Home furnishings/appliance	\$34,834,994	124,111	\$281	46,691	\$13,105,050
Bldg. matrl./farm implements	\$146,857,000	124,111	\$1,183	46,691	\$55,248,133
Auto dealers and auto supply	\$229,294,994	124,111	\$1,848	46,691	\$86,261,603
Service stations	\$123,254,073	124,111	\$993	46,691	\$46,368,626
Other retail stores	\$237,536,992	124,111	\$1,914	46,691	\$89,362,272
Total	\$1,110,617,000		\$8,949		\$417,818,117

Notes:

- (1) See Exhibit 9, "Derivation of Sales in Unincorporated Areas of Placer," Column G.
- (2) See Exhibit 7, "Derivation of Population in Unincorporated Areas of Placer County," Column G.
- (3) See Exhibit 8, "Population of Secondary Market Area, Placer County Portion," Column D.

Source: CBRE Consulting.

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December 29, 2006

**DRAFT EXHIBIT 11
ROCKLIN CROSSINGS
RETAIL SALES LEAKAGE ANALYSIS (1)
PRIMARY MARKET AREA (PMA)
2004**

Type of Retailer	PER CAPITA (2)			TOTAL				
	SACOG's Six County Area Avg. Sales (3)	PMA Spending (4)	PMA Sales	PMA Spending	PMA Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)	
Apparel Stores	\$405	\$495	\$305	\$27,021,882	\$16,691,048	(5)	\$10,330,834	-38.2%
General Merchandise Stores (6)	\$1,743	\$2,151	\$499	\$117,506,954	\$27,246,531	(5)	(\$90,260,422)	-76.8%
Food Stores (7)	\$2,363	\$2,608	\$2,912	\$142,505,581	\$159,130,000	(5)	\$16,624,419	10.4%
Eating and Drinking Places	\$1,138	\$1,431	\$903	\$78,199,780	\$49,362,000	(5)	(\$28,837,780)	-36.9%
Home Furnishings and Appliances	\$481	\$588	\$458	\$32,109,499	\$25,051,006	(5)	(\$7,058,494)	-22.0%
Building Materials (8)	\$1,368	\$1,767	\$905	\$96,520,892	\$49,421,000	(5)	(\$47,099,892)	-48.8%
Auto Dealers and Auto Supplies	\$2,428	\$3,075	\$568	\$168,005,174	\$31,012,006	(5)	(\$136,993,169)	-81.5%
Service Stations	\$893	\$1,093	\$1,051	\$59,698,517	\$57,442,006	(5)	(\$2,256,511)	-3.8%
Other Retail Stores (9)	<u>\$1,850</u>	<u>\$2,148</u>	<u>\$2,169</u>	<u>\$117,369,613</u>	<u>\$118,487,929</u>	<u>(5)</u>	<u>\$1,118,316</u>	<u>0.9%</u>
Totals	\$12,671	\$15,354	\$9,770	\$838,937,891	\$533,843,526		(\$305,094,365)	-36.4%

Notes:

- (1) All figures are expressed in constant 2004 dollars.
- (2) Population figures per SACOG.
- (3) Control area defined as the area covered by SACOG: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.
- (4) Analysis assumes 2004 average household income of \$89,966 in the primary market area, per Claritas, Inc.
- (5) Due to disclosure issues, per BOE, some sales categories in Rocklin and Loomis are combined with the "other retail stores" category. Refer to Exhibit 6 for how sales in non-disclosed categories were estimated.
- (6) Includes general merchandise and drug stores. Drug stores are assumed to comprise 9.9 percent of total general merchandise sales based on CBRE Consulting's analysis of control area averages. Taxable transactions for drug stores have been adjusted by 0.70, to account for non-taxable sales. Therefore, 70 percent of all drug store sales are taxable.
- (7) Taxable transactions for grocery stores have been adjusted by 0.30, to account for non-taxable sales. Therefore, 30 percent of all food store sales are taxable.
- (8) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.
- (9) Other retail stores includes packaged liquor stores, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationary and books, jewelry, office and school supplies, second-hand merchandise, farm and garden supply stores, mobile homes/trailers and campers, boat and motorcycle dealers, and miscellaneous other retail stores.

Sources: State Board of Equalization; SACOG; Claritas, Inc.; and CBRE Consulting.

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**DRAFT EXHIBIT 12
ROCKLIN CROSSINGS
PROJECTED RETAIL SALES LEAKAGE
PRIMARY MARKET AREA (PMA)
2009 PROJECTION**

Type of Retailer	City of Rocklin and Town of Loomis Annual Per Capita		2009 Estimated Total (3)				
	2004 (1)		2009 Estimate (2)		Percent Attraction/ (Leakage)		
	Spending	Sales	Spending	Sales			
Apparel Stores	\$495	\$305	\$577	\$356	\$22,344,469	(\$13,829,988)	-38.2%
General Merchandise	\$2,151	\$499	\$2,510	\$582	\$36,475,198	(\$120,832,511)	-76.8%
Food Stores (4)	\$2,608	\$2,912	\$3,044	\$3,399	\$213,028,889	\$22,255,273	10.4%
Eating and Drinking Places	\$1,431	\$903	\$1,670	\$1,054	\$66,081,393	(\$38,605,418)	-36.9%
Home Furnishings and Appliances	\$588	\$458	\$686	\$535	\$33,536,026	(\$9,449,275)	-22.0%
Building Materials (5)	\$1,767	\$905	\$2,062	\$1,056	\$66,160,376	(\$63,053,086)	-48.8%
Auto Dealers and Auto Supplies	\$3,075	\$568	\$3,588	\$662	\$41,516,076	(\$183,394,096)	-81.5%
Service Stations	\$1,093	\$1,051	\$1,275	\$1,227	\$76,898,175	(\$3,020,814)	-3.8%
Other Retail Stores (6)	\$2,148	\$2,169	\$2,507	\$2,531	\$158,620,951	\$1,497,101	0.9%
Totals	\$15,354	\$9,770	\$17,918	\$11,402	\$714,661,553	(\$408,432,813)	-36.4%

Notes:

- (1) Refer to 2004 leakage Exhibit 11.
- (2) Adjusted for inflation based on the consumer price index for all urban consumers in California, as defined by the California Department of Industrial Relations, Division of Labor Statistics and Research. Inflation for the mid-year period 2004-2005 (3.68%). Inflation for the periods 2005-2009 estimated to be 3.00% per year.
- (3) Estimated 2009 City of Rocklin and Town of Loomis population of 62,679, based on SCAG 2005-10 growth rate projections, applied to 2005 SACOG estimate of 58,150.
- (4) Includes estimated taxable and non-taxable sales.
- (5) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.
- (6) Other retail stores includes packaged liquor stores, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationary and books, jewelry, office and school supplies, second-hand merchandise, farm and garden supply stores, mobile homes/trailers and campers, boat and motorcycle dealers, and miscellaneous other retail stores.

Sources: State Board of Equalization; SACOG; Claritas, Inc.; and CBRE Consulting.
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**DRAFT EXHIBIT 13
ROCKLIN CROSSINGS
RETAIL SALES LEAKAGE ANALYSIS (1)
SECONDARY MARKET AREA
2004**

Type of Retailer	PER CAPITA (2)				TOTAL		
	SACOG's Six County Area Avg. Sales (3)	Secondary Market Area Spending (4)	Secondary Market Area Sales	Secondary Market Area Spending	Secondary Market Area Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores	\$405	\$505	\$27	\$29,977,019	\$1,613,519	(\$28,363,500)	-94.6%
General Merchandise Stores (5)	\$1,743	\$2,199	\$528	\$130,484,791	\$31,330,050	(\$99,154,741)	-76.0%
Food Stores (6)	\$2,363	\$2,637	\$2,098	\$156,479,970	\$124,446,898	(\$32,033,072)	-20.5%
Eating and Drinking Places	\$1,138	\$1,466	\$986	\$86,990,906	\$58,475,207	(\$28,515,699)	-32.8%
Home Furnishings and Appliances	\$481	\$600	\$221	\$35,619,746	\$13,105,050	(\$22,514,695)	-63.2%
Building Materials (7)	\$1,368	\$1,814	\$931	\$107,636,875	\$55,248,133	(\$52,388,742)	-48.7%
Auto Dealers and Auto Supplies	\$2,428	\$3,152	\$1,454	\$187,015,419	\$86,261,603	(\$100,753,816)	-53.9%
Service Stations	\$893	\$1,116	\$782	\$66,236,907	\$46,368,626	(\$19,868,281)	-30.0%
Other Retail Stores (8)	\$1,850	\$2,184	\$1,506	\$129,559,726	\$89,362,272	(\$40,197,453)	-31.0%
Totals	\$12,671	\$15,675	\$8,532	\$930,001,357	\$506,211,359	(\$423,789,998)	-45.6%

Notes:

- (1) All figures are expressed in constant 2004 dollars.
- (2) Population figures per SACOG.
- (3) Control area defined as the area covered by SACOG; the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.
- (4) Analysis assumes 2004 average household income of \$92,914, per Claritas, Inc.
- (5) Includes general merchandise and drug stores. Drug stores are assumed to comprise 9.9 percent of total general merchandise sales based on CBRE Consulting's analysis of control area averages. Taxable transactions for drug stores have been adjusted by 0.70, to account for non-taxable sales. Therefore, 70 percent of all drug store sales are taxable.
- (6) Taxable transactions for grocery stores have been adjusted by 0.30, to account for non-taxable sales. Therefore, 30 percent of all food store sales are taxable.
- (7) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.
- (8) Other retail stores includes packaged liquor stores, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationary and books, jewelry, office and school supplies, second-hand merchandise, farm and garden supply stores, mobile homes/trailers and campers, boat and motorcycle dealers, and miscellaneous other retail stores.

Sources: State Board of Equalization; SACOG; Claritas, Inc.; and CBRE Consulting.

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**DRAFT EXHIBIT 14
ROCKLIN CROSSINGS
PROJECTED RETAIL SALES LEAKAGE
SECONDARY MARKET AREA
2009 PROJECTION**

Type of Retailer	Secondary Market Area Annual Per Capita		2009 Estimated Total (3)		Percent Attraction/ (Leakage)		
	2004 (1)		2009 Estimate (2)				
	Spending	Sales	Spending	Sales			
Apparel Stores	\$505	\$27	\$590	\$32	(\$33,845,924)	-94.6%	
General Merchandise	\$2,199	\$528	\$2,567	\$616	\$37,385,883	\$118,320,513	-76.0%
Food Stores (4)	\$2,637	\$2,098	\$3,078	\$2,448	\$148,501,430	(\$38,224,794)	-20.5%
Eating and Drinking Places	\$1,466	\$986	\$1,711	\$1,150	\$69,777,970	(\$34,027,542)	-32.8%
Home Furnishings and Appliances	\$600	\$221	\$701	\$258	\$42,504,741	(\$26,866,595)	-63.2%
Building Materials (5)	\$1,814	\$931	\$2,117	\$1,087	\$65,927,129	(\$62,515,043)	-48.7%
Auto Dealers and Auto Supplies	\$3,152	\$1,454	\$3,679	\$1,697	\$102,935,241	(\$120,228,676)	-53.9%
Service Stations	\$1,116	\$782	\$1,303	\$912	\$55,331,290	(\$23,708,651)	-30.0%
Other Retail Stores (6)	\$2,184	\$1,506	\$2,548	\$1,758	\$106,635,243	(\$47,967,281)	-31.0%
Totals	\$15,675	\$8,532	\$18,293	\$9,957	\$604,057,731	(\$505,705,019)	-45.6%

Notes:

- (1) Refer to 2004 leakage Exhibit 1.1 for this city.
- (2) Adjusted for inflation based on the consumer price index for all urban consumers in California, as defined by the California Department of Industrial Relations, Division of Labor Statistics and Research. Inflation for the annual period 2004-2005 (3.68%). Inflation for the periods 2005-2009 estimated to be 3.00% per year.
- (3) Estimated 2009 secondary market area population of 60,667, based on SCAG 2005-10 growth rate projections, applied to 2005 SACOG estimate of 59,269.
- (4) Includes estimated taxable and non-taxable sales.
- (5) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.
- (6) Other retail stores includes packaged liquor stores, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationary and books, jewelry, office and school supplies, second-hand merchandise, farm and garden supply stores, mobile homes/trailers and campers, boat and motorcycle dealers, and miscellaneous other retail stores.

Sources: State Board of Equalization; SACOG; Claritas, Inc.; and CBRE Consulting.

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DRAFT EXHIBIT 15
RETAIL SALES LEAKAGE ANALYSIS (1)
PRIMARY AND SECONDARY MARKET AREAS
2004

Type of Retailer	TOTAL		
	Primary and Secondary Market Areas Spending	Primary and Secondary Market Areas Sales	Attraction/ (Leakage)
			Percent Attraction (Leakage)
Apparel Stores	\$56,998,900	\$18,304,567	(\$38,694,333) (67.9%)
General Merchandise Stores	\$247,991,744	\$58,576,581	(\$189,415,163) (76.4%)
Food Stores	\$298,985,551	\$283,576,898	(\$15,408,653) (5.2%)
Eating and Drinking Places	\$165,190,686	\$107,837,207	(\$57,353,479) (34.7%)
Home Furnishings and Appliances	\$67,729,245	\$38,156,056	(\$29,573,189) (43.7%)
Building Materials	\$204,157,766	\$104,669,133	(\$99,488,634) (48.7%)
Auto Dealers and Auto Supplies	\$355,020,593	\$117,273,609	(\$237,746,984) (67.0%)
Service Stations	\$125,935,424	\$103,810,632	(\$22,124,792) (17.6%)
Other Retail Stores	\$246,929,339	\$207,850,202	(\$39,079,137) (15.8%)
Total	\$1,768,939,248	\$1,040,054,885	(\$728,884,364) (41.2%)

Notes:

(1) The numbers in this exhibit are calculated by adding Exhibit 11 results to Exhibit 13 results

Source: CBRE Consulting.

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December 29, 2006

**DRAFT EXHIBIT 16
PROJECTED RETAIL SALES LEAKAGE (1)
PRIMARY AND SECONDARY MARKET AREAS
2009**

Type of Retailer	TOTAL		
	Primary and Secondary Market Areas Spending	Primary and Secondary Market Areas Sales	Attraction/ (Leakage)
			Percent Attraction (Leakage)
Apparel Stores	\$71,945,780	\$24,269,868	(\$47,675,912) (66.3%)
General Merchandise Stores	\$313,014,106	\$73,861,082	(\$239,153,024) (76.4%)
Food Stores	\$377,499,839	\$361,530,319	(\$15,969,521) (4.2%)
Eating and Drinking Places	\$208,492,323	\$135,859,362	(\$72,632,960) (34.8%)
Home Furnishings and Appliances	\$85,490,042	\$49,174,172	(\$36,315,870) (42.5%)
Building Materials	\$257,655,634	\$132,087,506	(\$125,568,129) (48.7%)
Auto Dealers and Auto Supplies	\$448,074,088	\$144,451,317	(\$303,622,771) (67.8%)
Service Stations	\$158,958,930	\$132,229,465	(\$26,729,465) (16.8%)
Other Retail Stores	\$311,726,374	\$265,256,194	(\$46,470,180) (14.9%)
Total	\$2,232,857,116	\$1,318,719,284	(\$914,137,832) (40.9%)

Notes:

(1) The numbers in this exhibit are calculated by adding Exhibit 12 results to Exhibit 14 results

Source: CBRE Consulting.

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December 29, 2006

DRAFT EXHIBIT 17
ADJUSTED SALES FOR NEWLY OPENED AND RECENTLY CLOSED STORES (1)
ESTIMATED 2009 SALES ADJUSTMENT

Store Assumptions	Average Sales Per Sq. Ft. 2005 (2)	Average Sales Per Sq. Ft. 2009 (3)	Estimated Square Feet (4)	Estimated Net Sales 2009	Adjustment for Location (5)	Adjusted Estimated Net Sales 2009
<u>NEW STORES</u>						
RC Willey (Rocklin)	\$245	\$276	165,000	\$45,498,694	40%	\$18,199,478
<u>CLOSED STORES</u>						
Albertson's (Rocklin)	\$402	\$453	(70,000)	(\$31,688,965)	N/A	(\$31,688,965)
Food Source (Rocklin)	\$312	\$351	(70,000)	(\$24,563,140)	N/A	(\$24,563,140)
Subtotal - Closed Stores			(140,000)	(56,252,105)	N/A	(56,252,105)
TOTAL (NET)			25,000	(10,753,411)		(38,052,627)

Notes:

- (1) Includes stores larger than 40,000 square feet that have opened or closed since 2004, in Rocklin, Loomis, Auburn and areas of unincorporated Placer County in the secondary market area.
- (2) CBRE Consulting relied on Retail Maxim's July, 2004 report of 2003 retail sales per square foot estimates, which also include averages for different categories of retailers. Sales were adjusted for inflation based on the consumer price index. See Exhibit 2 footnote 2 for details.
- (3) Assumed an annual rate of 3.0 percent inflation between 2005 and 2009.
- (4) Information on the size of closed stores in Rocklin comes from Rob Braulik, Assistant City Manager of the City of Rocklin.
- (5) Because the RC Willey store is located on the western side of Rocklin along Highway 65, its primary market area is different from Rocklin Crossings' primary market area. For the purpose of this analysis, the RC Willey store's primary market area is estimated to be a five mile radius around the store. Only 40 percent of the population within this radius lives in the City of Rocklin and the Town of Loomis. Therefore, the net sales for the store is adjusted by 40 percent to account for the share of impact on Rocklin and Loomis.

Sources: Retail Maxim's 2004 publication "Perspectives on Retail Real Estate and Finance"; City of Rocklin; and CBRE Consulting.
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December 29, 2006

DRAFT EXHIBIT 18
ESTIMATED DISTRIBUTION OF NEW/CLOSED STORE SALES BY CATEGORY
ESTIMATED 2009 SALES ADJUSTMENT

Allocation of New/Closed Store Sales into State Board of Equalization Categories (1)						
Store	Estimated Sales (2)	Apparel	General Merchandise	Food Stores	Home Furnishings and Appliances	Other Retail
RC Willey	\$18,199,478	-	-	-	\$18,199,478	-
Albertsons	(\$31,688,965)	-	-	(\$31,688,965)	-	-
Food Source	(\$24,563,140)	-	-	(\$24,563,140)	-	-
Total	(\$38,052,627)	\$0	\$0	(\$56,252,103)	\$18,199,479	\$0

Notes:

(1) Sales categories reported by State of California BOE.

(2) See Exhibit 17.

Sources: California Board of Equalization and CBRE Consulting.

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December 29, 2006

DRAFT EXHIBIT 19
ADJUSTED SALES AND ATTRACTION (LEAKAGE) RESULTS
PRIMARY MARKET AREA AND COMBINED PRIMARY AND SECONDARY MARKET AREAS
2009 DOLLARS (IN MILLIONS)

Type of Retailer	Primary Market Area (City of Rocklin and Town of Loomis)			Primary and Secondary Market Areas			Secondary Market Area			
	New/Closed Store Sales (1) [A]	Model Result Sales (2) [B]	Model Result Attraction (Leakage) (2) [C]	Adjusted Sales [D-F+A-B]	Adjusted Attraction (Leakage) [E-F+C]	Model Result Sales (3) [F]	Model Result Attraction (Leakage) (3) [G]	Adjusted Sales [H-A+F]	Adjusted Attraction (Leakage) [I-A+G]	Area Adjusted Attraction (Leakage) [J-I+E]
Apparel Stores	-	\$22.3	(\$13.8)	\$22.3	(\$13.8)	\$24.3	(\$47.7)	\$24.3	(\$47.7)	(\$33.8)
General Merchandise Stores	-	\$36.5	(\$120.8)	\$36.5	(\$120.8)	\$73.9	(\$239.2)	\$73.9	(\$239.2)	(\$118.3)
Food Stores	(\$56.3)	\$213.0	\$22.3	\$156.8	(\$34.0)	\$361.5	(\$16.0)	\$305.3	(\$72.2)	(\$38.2)
Eating and Drinking Places	-	\$66.1	(\$38.6)	\$66.1	(\$38.6)	\$135.9	(\$72.6)	\$135.9	(\$72.6)	(\$34.0)
Home Furnishings and Appliances	\$18.2	\$33.5	(\$9.4)	\$51.7	\$8.8	\$49.2	(\$36.3)	\$67.4	(\$18.1)	(\$26.9)
Building Materials	-	\$66.2	(\$63.1)	\$66.2	(\$63.1)	\$132.1	(\$125.6)	\$132.1	(\$125.6)	(\$62.5)
Auto Dealers and Auto Supplies	-	\$41.5	(\$183.4)	\$41.5	(\$183.4)	\$144.5	(\$303.6)	\$144.5	(\$303.6)	(\$120.2)
Service Stations	-	\$76.9	(\$3.0)	\$76.9	(\$3.0)	\$132.2	(\$26.7)	\$132.2	(\$26.7)	(\$23.7)
Other Retail Stores	-	\$158.6	\$1.5	\$158.6	\$1.5	\$265.3	(\$46.5)	\$265.3	(\$46.5)	(\$48.0)
Total	(\$38.1)	\$714.7	(\$408.4)	\$676.6	(\$446.5)	\$1,318.7	(\$914.1)	\$1,280.7	(\$952.2)	(\$505.7)

Notes:

- (1) See Exhibit 18, "Estimated Distribution of New/Closed Store Sales by Category."
- (2) See Exhibit 12, "Projected Retail Sales Leakage (Primary Market Area)."
- (3) See Exhibit 16, "Projected Retail Sales Leakage (Primary and Secondary Market Areas)."

Source: CBRE Consulting.

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DRAFT EXHIBIT 20
MAXIMUM CENTER SALES IMPACTS ON PRIMARY MARKET AREA RETAIL SALES
2009 DOLLARS (IN MILLIONS)

Type of Retailer	New Rocklin Crossings Sales (1)		Source of Sales (2)		Retail Sales (3)		Absorbed Leakage (4)		Maximum Sales Diverted From Primary Market Area Retailers (5)		Minimum New Sales to Primary Market Area (6)	
	[A]	[C=A*0.05]	[B=A*0.95]	Tertiary Demand	Primary Market Area	Secondary Market Areas	Primary Market Area Leakage	Secondary Market Area Leakage	[I=BxI+G+H]	[J=A+I]		
Apparel Stores	\$14.2	\$0.7	\$13.5	\$0.7	\$22.3	\$24.3	(\$6.9)	(\$16.9)	\$0.0	\$0.0	\$14.2	
General Merchandise Stores	\$30.9	\$1.5	\$29.4	\$1.5	\$36.5	\$73.9	(\$60.4)	(\$59.2)	\$0.0	\$0.0	\$30.9	
Food Stores (6)	\$32.9	\$1.6	\$31.3	\$1.6	\$156.8	\$305.3	(\$17.0)	(\$19.1)	\$0.0	\$0.0	\$32.9	
Eating and Drinking Places	\$5.1	\$0.3	\$4.8	\$0.3	\$66.1	\$135.9	(\$19.3)	(\$17.0)	\$0.0	\$0.0	\$5.1	
Home Furnishings and Appliances	\$55.3	\$2.8	\$52.5	\$2.8	\$51.7	\$67.4	\$0.0	(\$13.4)	(\$26.9)	\$0.0	\$28.4	
Building Materials	\$37.6	\$1.9	\$35.7	\$1.9	\$66.2	\$132.1	(\$31.5)	(\$31.3)	\$0.0	\$0.0	\$37.6	
Auto Dealers and Auto Supplies	\$0.0	\$0.0	\$0.0	\$0.0	\$41.5	\$144.5	(\$91.7)	(\$60.1)	\$0.0	\$0.0	\$0.0	
Service Stations	\$0.0	\$0.0	\$0.0	\$0.0	\$76.9	\$132.2	(\$1.5)	(\$11.9)	\$0.0	\$0.0	\$0.0	
Other Retail Stores	\$54.5	\$2.7	\$51.8	\$2.7	\$158.6	\$265.3	\$0.0	(\$24.0)	(\$7.0)	\$0.0	\$47.5	
Total	\$230.5	\$11.5	\$219.0	\$11.5	\$676.6	\$1,280.7	(\$228.4)	(\$252.9)	(\$33.9)	\$196.6		

Notes:

- (1) See Exhibit 4, "Estimated Sales by Retail Category."
- (2) CBRE Consulting estimates that 95 percent of sales will be generated from the primary and secondary market area residents, with 5 percent of sales generated by tertiary market demand.
- (3) See Exhibit 19.
- (4) Calculated as 50 percent of leakage amounts from Exhibit 19. The new retail opportunities at Rocklin Crossings will attract some but not all spending that is currently leaked out of the primary market area. In addition, the new retail stores at Rocklin Crossings will attract some of the secondary market area spending leakage. Thus, CBRE Consulting estimates that 50 percent of leakage in the primary market area and secondary market area would be absorbed by Rocklin Crossings.
- (5) The figures in this column comprise the maximum amount of new sales diverted from existing primary market area retailers, assuming sales in excess of any leakage will be diverted away from existing primary market area retailers in proportion to the primary market area retailers' estimated contribution to combined primary and secondary market area sales. This approach implies that any negative impacts of the Center will be spread proportionally among all the like retailers in the primary market area.
- (6) The calculation represents total new center sales less the maximum sales diverted from primary market area retailers. Figures may not total due to rounding.

Source: CBRE Consulting.
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December 29, 2006

DRAFT EXHIBIT 21
MAXIMUM DIVERTED SALES AS A PERCENT
OF ESTIMATED PRIMARY MARKET AREA SALES
2009 ESTIMATE (IN MILLIONS)

Type of Retailer	Maximum Sales Diverted From PMA Retailers (1) [A]	Primary Market Area Retail Sales (2) [B]	Diverted Sales as a Percent of Total Retail Sales [C=A/B]
Apparel Stores	\$0.0	\$22.3	0.0%
General Merchandise Stores	\$0.0	\$36.5	0.0%
Food Stores (3)	\$0.0	\$156.8	0.0%
Eating and Drinking Places	\$0.0	\$66.1	0.0%
Home Furnishings and Appliances	\$26.9	\$51.7	52.0%
Building Materials	\$0.0	\$66.2	0.0%
Auto Dealers and Auto Supplies	\$0.0	\$41.5	0.0%
Service Stations	\$0.0	\$76.9	0.0%
Other Retail Stores	\$7.0	\$158.6	4.4%
Total (4)	\$33.9	\$676.6	5.0%

Note:

(1) See Exhibit 20, "Maximum Rocklin Crossings Shopping Center Sales Impacts on Primary Market Area Retail Sales," Column I.

(2) See Exhibit 20, "Maximum Rocklin Crossings Shopping Center Sales Impacts on Primary Market Area Retail Sales," Column D.

Source: CBRE Consulting.

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December 29, 2006

DRAFT EXHIBIT 22
NEW POPULATION RETAIL DEMAND (ANNUAL)
PRIMARY MARKET AREA AND COMBINED PRIMARY AND SECONDARY MARKET AREA
2009 DOLLARS (IN MILLIONS)
2009 - 2014

Area	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014
<u>Primary Market Area, Additional Sales From Population Growth</u>					
<i>Annual Population Growth (1)</i>	<u>1,188</u>	<u>1,081</u>	<u>1,100</u>	<u>1,120</u>	<u>1,140</u>
<i>Estimated Additional Sales (2)</i>					
Apparel stores	\$0.7	\$0.6	\$0.6	\$0.6	\$0.7
General merchandise stores	\$3.0	\$2.7	\$2.8	\$2.8	\$2.9
Food stores	\$3.6	\$3.3	\$3.3	\$3.4	\$3.5
Eating and drinking places	\$2.0	\$1.8	\$1.8	\$1.9	\$1.9
Home furnishings/appliance	\$0.8	\$0.7	\$0.8	\$0.8	\$0.8
Bldg. matrl./farm implements	\$2.4	\$2.2	\$2.3	\$2.3	\$2.3
Other retail stores	<u>\$3.0</u>	<u>\$2.7</u>	<u>\$2.8</u>	<u>\$2.8</u>	<u>\$2.9</u>
Total Additional Sales	\$15.5	\$14.0	\$14.4	\$14.6	\$15.0
<u>Primary and Secondary Market Area, Additional Sales From Population Growth</u>					
<i>Annual Population Growth (1)</i>	<u>1,549</u>	<u>1,420</u>	<u>1,443</u>	<u>1,466</u>	<u>1,490</u>
<i>Estimated Additional Sales (3)</i>					
Apparel stores	\$0.9	\$0.8	\$0.8	\$0.9	\$0.9
General merchandise stores	\$3.9	\$3.6	\$3.7	\$3.7	\$3.8
Food stores	\$4.7	\$4.3	\$4.4	\$4.5	\$4.6
Eating and drinking places	\$2.6	\$2.4	\$2.4	\$2.5	\$2.5
Home furnishings/appliance	\$1.1	\$1.0	\$1.0	\$1.0	\$1.0
Bldg. matrl./farm implements	\$3.2	\$3.0	\$3.0	\$3.1	\$3.1
Other retail stores	<u>\$3.9</u>	<u>\$3.6</u>	<u>\$3.6</u>	<u>\$3.7</u>	<u>\$3.8</u>
Total Additional Sales	\$20.3	\$18.7	\$18.9	\$19.4	\$19.7

Notes:

- (1) See Exhibit 6, "Population Assumptions." Interim population numbers not indicated on Exhibit 6 are estimated using the calculated growth rates.
- (2) Calculated by multiplying per capita expenditures for each category by population growth for each given year. Relied on annual per capita expenditures as of 2009 in Exhibit 12, "Projected Retail Sales Leakage (Primary Market Area)."
- (3) Calculated by multiplying per capita expenditures for each category by population growth for each given year. Relied on annual expenditures as of 2009 in Exhibit 16, "Projected Retail Sales Leakage (Primary and Secondary Market Area)" divided by population assumptions in Exhibit 6.

Source: CBRE Consulting.

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December 29, 2006

DRAFT EXHIBIT 23
NEW POPULATION RETAIL DEMAND (CUMULATIVE)
PRIMARY MARKET AREA AND COMBINED PRIMARY AND SECONDARY MARKET AREA
2009 DOLLARS (IN MILLIONS)
2009 - 2014

Area	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014
<u>Primary Market Area, Additional Sales From Population Growth</u>					
<i>Annual Population Growth (1)</i>	<u>1,188</u>	<u>2,269</u>	<u>3,370</u>	<u>4,490</u>	<u>5,629</u>
<i>Estimated Additional Sales (2)</i>					
Apparel stores	\$0.7	\$1.3	\$1.9	\$2.5	\$3.2
General merchandise stores	\$3.0	\$5.7	\$8.5	\$11.3	\$14.2
Food stores	\$3.6	\$6.9	\$10.2	\$13.6	\$17.1
Eating and drinking places	\$2.0	\$3.8	\$5.6	\$7.5	\$9.4
Home furnishings/appliance	\$0.8	\$1.5	\$2.3	\$3.1	\$3.9
Bldg. matrl./farm implements	\$2.4	\$4.6	\$6.9	\$9.2	\$11.5
Other retail stores	<u>\$3.0</u>	<u>\$5.7</u>	<u>\$8.5</u>	<u>\$11.3</u>	<u>\$14.2</u>
Total Additional Sales	\$15.5	\$29.5	\$43.9	\$58.5	\$73.5
<u>Primary and Secondary Market Area, Additional Sales From Population Growth</u>					
<i>Annual Population Growth (1)</i>	<u>1,549</u>	<u>2,969</u>	<u>4,412</u>	<u>5,878</u>	<u>7,368</u>
<i>Estimated Additional Sales (2)</i>					
Apparel stores	\$0.9	\$1.7	\$2.5	\$3.4	\$4.3
General merchandise stores	\$3.9	\$7.5	\$11.2	\$14.9	\$18.7
Food stores	\$4.7	\$9.0	\$13.4	\$17.9	\$22.5
Eating and drinking places	\$2.6	\$5.0	\$7.4	\$9.9	\$12.4
Home furnishings/appliance	\$1.1	\$2.1	\$3.1	\$4.1	\$5.1
Bldg. matrl./farm implements	\$3.2	\$6.2	\$9.2	\$12.3	\$15.4
Other retail stores	<u>\$3.9</u>	<u>\$7.5</u>	<u>\$11.1</u>	<u>\$14.8</u>	<u>\$18.6</u>
Total Additional Sales	\$20.3	\$39.0	\$57.9	\$77.3	\$97.0

Notes:

(1) See Exhibit 6, "Population Assumptions." Interim population numbers not indicated on Exhibit 6 are estimated using the calculated growth rates.

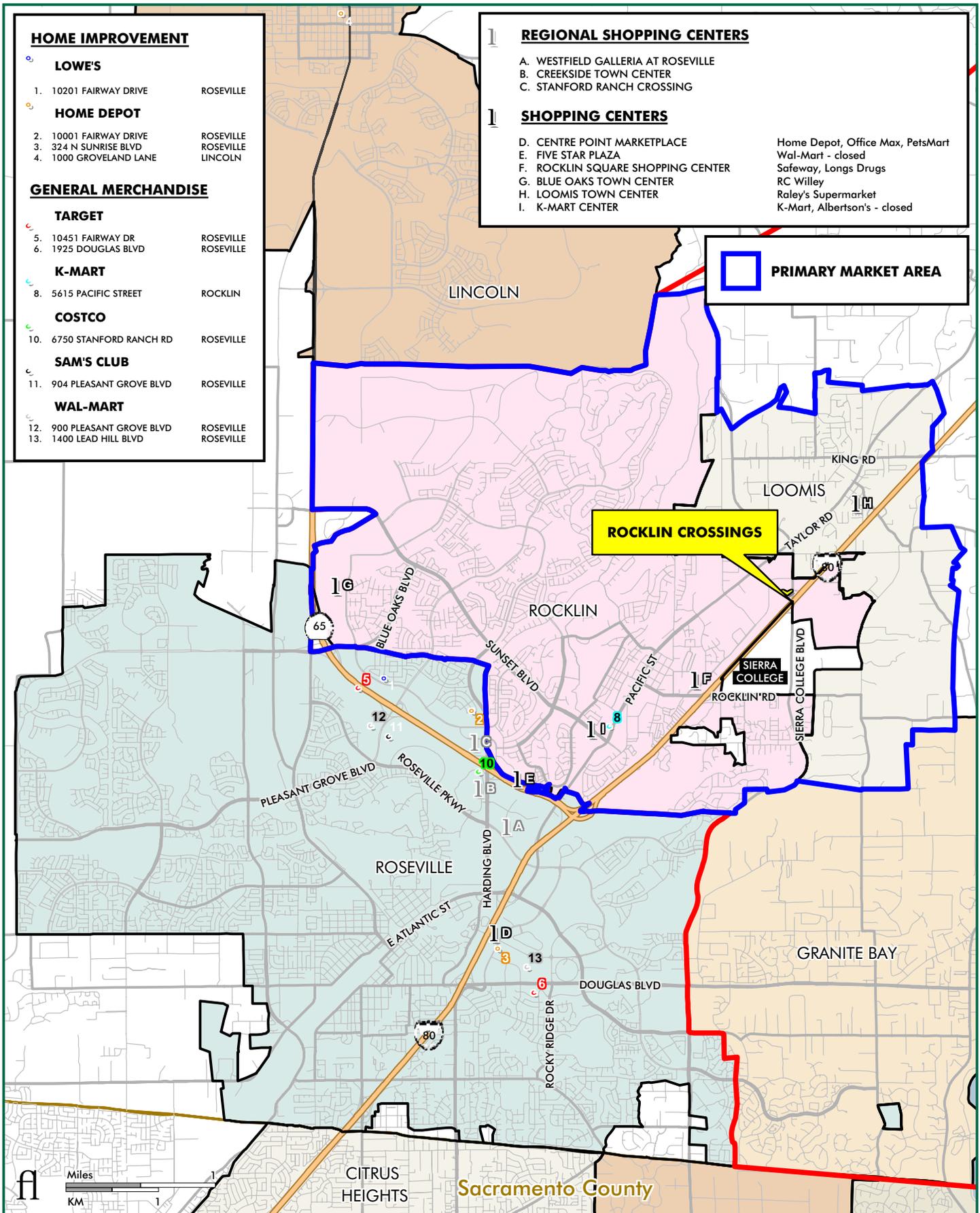
(2) The summation of figures in Exhibit 22.

Source: CBRE Consulting.

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December 29, 2006

Exhibit 24: Competitive Centers and Retailers in the Primary Market Area



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DRAFT EXHIBIT 25
SURVEY OF OTHER POTENTIAL MAJOR RETAIL DEVELOPMENT ACTIVITY (1)
PRIMARY MARKET AREA AND SECONDARY MARKET AREA
SEPTEMBER 2006

Area/Project	Location	Acres	New Sq. Ft.	Status	Estimated Completion	Status/Information
Primary Market Area (Rocklin and Loomis)						
<i>City of Rocklin</i>						
Blue Oaks Town Center	NW Corner of Blue Oaks Blvd. & Lonetree Blvd.	61.02	528,000	Under Construction	Spring 2007	Currently 178,000 square feet have been completed and another 350,000 square feet are under construction. R.C. Willey building is currently open (165,000 sq. ft.). Other tenants include Dress Barn, Petco, Stein Mart, Mervyns and Sportsman's Warehouse.
Stanford Plaza	Sunset Blvd. & Stanford Ranch Rd.	11.00	120,600	Approved	2008	The project, which consists of eight buildings, was approved in April 2005. Construction is expected to begin by October 1, 2006. This center will not have an anchor. Tenants have not been identified, however it is anticipated that the project will consist of neighborhood serving retail (food store, restaurants, hair salon, ice cream shop, etc.).
Rocklin Pavilions	NW Corner of Sierra College & I-80	45.90	373,797	Application Submitted	2009	No leases have been signed, but possible anchor tenants could include Target, Kohls, and Linens & Things. Other types of retailers include a fabric and hobby store, specialty grocer, home furnishings, apparel, restaurants, and financial institutions.
Granite Drive (Granite Bay Ventures)	Corner of Sierra College & I-80	63.00	250,000	Pre-Application	N/A	Application expected to be filed in early 2007. Possible tenants include a home improvement warehouse and a national chain theatre with 10 plus screens. No specific tenants have been identified, however it is anticipated that the project will consist of regional serving retail (large name brand stores, department store, etc.)
Rocklin Marketplace	I-65 and Sunset Blvd.	30.00	300,000	Pre-Application	N/A	Application expected to be filed by early 2007. There are three spaces of 45,000 square feet each which could be combined for one big box store. Tenants and anchors have not been identified, however, it is anticipated that the project will consist of regional serving retail (large name brand stores, department store, etc.)
Subtotal - Primary Market Area			1,572,397			

Continued . . .

DRAFT EXHIBIT 25
SURVEY OF OTHER POTENTIAL MAJOR RETAIL DEVELOPMENT ACTIVITY (1)
PRIMARY MARKET AREA AND SECONDARY MARKET AREA
SEPTEMBER 2006

Area/Project	Location	Acres	New Sq. Ft.	Status	Estimated Completion	Status/Information
Secondary Market Area (Auburn and areas of Unincorporated Placer County)						
Home Depot	NW of Hwy 49 & F Ave., Auburn	10.64	129,295	Approved	N/A	Includes a 24,304 square foot garden center. The project was approved in April, 2006.
Brady Estates	SE Corner of Brady Ln. & Baseline Rd., Auburn	4.80	53,490	Application Submitted	N/A	Proposed subdivision of 9 lots with a retail space building of 53,490 square feet. Tenants have not been identified, however it is anticipated that the project will consist of neighborhood serving retail (food store, restaurants, hair salon, ice cream shop, etc.).
Rock Creek Plaza Shopping Center	Hwy 49 & Bell Rd., Auburn	22.00	50,608	Application Submitted	N/A	Proposed remodeling and expansion of existing community serving shopping center. Existing anchor tenants include Big K-Mart, Payless ShoeSource, Ralph's Grocery and Rite Aid Pharmacy.
Subtotal - Secondary Market Area			233,393			
Other Excluded Potential Developments (1)						
Villages at Pavilion	Granite Dr. near Sierra College Blvd., Rocklin	6.76	61,000	Application Submitted	N/A	Project will consist of four buildings, one two stories tall with office space on the second floor. The development is adjacent to Rocklin Pavilions. This center will have no anchor. Tenants have not been identified, however it is anticipated that the project will consist of community serving retail (apparel, general merchandise, food store, restaurants, specialty stores, etc.). Currently the project is on hold awaiting further information from the developer.
Hanzlick Property	Lower Granite Drive, Rocklin	20.00	150,000	Pre-Application	N/A	No application has been submitted. It will be developed in the next 3 to 5 years with a grocery anchor.
I-80 Center	Near Interstate 80 and Sierra College Blvd, Rocklin	13.00	200,000	Pre-Application	N/A	Application is expected in 2007. Planned to have a home improvement warehouse anchor.
Whitney Ranch SC	Whitney Ranch Parkway and Wildcat Way, Rocklin	25.00	200,000	Pre-Application	N/A	Planned to be anchored by a grocery store and contain a gas station and drug store. Application is not expected until 2008.
Subtotal - Other Excluded Potential Developments			611,000			

Note:

(1) CBRE Consulting excluded those developments with less than 40,000 square feet that would not be competitive. In addition, the following projects were identified, but were not included because they are at a very early stage of planning and were deemed to be too speculative to include in this cumulative analysis: Villages at Pavilion, the Hanzlick property (Granite Bay Ventures), the I-80 Center (developer Paul Petrovich), and the Whitney Ranch SC (Taylor Properties).

Sources: City of Rocklin Development Activity Report, June 2006; City of Loomis 2006 Active Projects Planning Status Report, August 15, 2006; Sacramento Business Journal; Placer County Current Development Report; City of Rocklin Community Development Department; City of Rocklin Planning Department; City of Auburn Planning Department; Placer County Planning Department; and CBRE Consulting.

**DRAFT EXHIBIT 26
SALES ESTIMATES FOR MAJOR PLANNED RETAIL DEVELOPMENTS
PRIMARY MARKET AREA
2009 DOLLARS**

Store Assumptions	Average Sales Per Sq. Ft. 2005 (1)	Average Sales Per Sq. Ft. 2009 (2)	Estimated Square Feet (3)	Estimated Net Sales 2009
	[A]	[B=(A*(1.03)^4)]	[C]	[D=B*C]
Primary Market Area (Rocklin and Loomis)				
City of Rocklin				
Blue Oaks Town Center (4)				
Petco	\$198	\$223	13,500	\$3,008,500
Dress Barn	\$245	\$276	31,868	\$8,787,600
Stein Mart	\$202	\$227	37,000	\$8,412,100
Mervyn's	\$285	\$321	50,000	\$16,038,500
Sportsman's Warehouse	\$255	\$287	60,000	\$17,245,700
Other Retail	\$342	\$384	170,632	\$65,597,000
Stanford Plaza	\$342 (5)	\$384	120,600	\$46,362,900
Rocklin Pavilions				
General Merchandise (eg. Target)	\$300	\$338	127,000	\$42,891,500
General Merchandise (eg. Kohl's)	\$285	\$321	89,000	\$28,565,600
Domestics (eg. Linen & Things)	\$169	\$190	28,000	\$5,331,800
Fabric and Hobby	\$168	\$189	24,000	\$4,541,400
Specialty Grocer	\$536	\$604	12,000	\$7,243,200
Home Furnishings	\$245	\$275	18,000	\$4,958,100
Apparel	\$226	\$254	25,000	\$6,347,400
Restaurants	\$414	\$466	10,000	\$4,658,700
Other retail	\$343	\$386	40,797	\$15,732,700
Granite Drive (Granite Bay Ventures)	\$342 (5)	\$384	250,000	\$96,108,800
Rocklin Marketplace	\$342 (5)	\$384	300,000	\$115,330,600
Total			1,407,397	\$497,162,100

Notes:

(1) Average store sales per square foot are based on the national averages from the respective retailers' 2005 10-K Annual Report filled with the U.S. Securities and Exchanges Commission. Figures for other retailers were based on Retail Maxim's 2004 publication, "Perspectives on Real Estate and Finance," which calculates 2003 estimated of average sales per square foot for different retailers. CBRE Consulting grew the 2003 sales per square foot figures to 2005 numbers using the statewide 2003-2004 average inflation rate of 2.63 percent and the 2004-2005 inflation rate of 3.68 percent.

(2) CBRE Consulting assumed an average growth rate of 3.0 percent from 2005 to 2009.

(3) See Exhibit 25 for estimated square feet. When a tenant was known, but the estimated store size was not available, CBRE Consulting used an average store size from the retailer's 10-K Annual Report.

(4) The 165,000 square foot R.C. Willey is excluded here. It is included in Exhibit 16 under newly opened stores.

(5) The average sales per square foot for Stanford Plaza, the Granite Drive project, and Rocklin Marketplace were taken from the Retail Maxim's 2003 estimate of and average of \$321 per square foot for all mall-based stores, and then escalated to 2005 per inflation factors in footnote 1.

Sources: Petco's 2005 10-K Annual Report; Stein Mart's 2005 10-K Annual Report; Internetretailer.com; Retail Maxim's July 2004 Perspectives on Retail Real Estate and Finance; and CBRE Consulting.

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December 29, 2006

**DRAFT EXHIBIT 27
CATEGORIZATION OF MAJOR PLANNED RETAIL DEVELOPMENT SALES
PRIMARY MARKET AREA
2009 DOLLARS**

Shopping Center / Store	Estimated Sales 2009 (2)	Sales Category (1)						
		Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Other Retail
Primary Market Area								
City of Rocklin								
Blue Oaks Town Center								
Petco	\$3,008,500	-	-	-	-	-	-	\$3,008,500
Dress Barn	\$8,787,600	\$8,787,600	-	-	-	-	-	-
Stein Mart	\$8,412,100	\$8,412,100	-	-	-	-	-	-
Mervyn's	\$16,038,500	-	\$16,038,500	-	-	-	-	-
Sportsman's Warehouse	\$17,245,700	-	-	-	-	-	-	\$17,245,700
Other retail	\$65,597,000	-	-	-	-	-	-	\$65,597,000
Stanford Plaza	\$46,362,900	-	11,590,725	4,636,290	11,590,725	-	-	18,545,160
As % of estimated store sales		0%	25%	10%	25%	0%	0%	40%
Rocklin Pavilions								
General Merchandise (eg. Target)	\$42,891,500	-	\$42,891,500	-	-	-	-	-
Family Apparel (eg. Kohls)	\$28,565,600	-	\$28,565,600	-	-	-	-	-
Domestics (eg. Linen & Things)	\$5,331,800	-	-	-	-	5,331,800	-	-
Fabric and Hobby	\$4,541,400	-	-	-	-	-	-	\$4,541,400
Specialty Grocer	\$7,243,200	-	-	\$7,243,200	-	-	-	-
Home Furnishings	\$4,958,100	-	-	-	-	\$4,958,100	-	-
Apparel	\$6,347,400	\$6,347,400	-	-	-	-	-	-
Restaurants	\$4,658,700	-	-	-	\$4,658,700	-	-	-
Other retail	\$15,732,700	-	-	-	-	-	-	\$15,732,700
Rocklin Marketplace	\$115,330,600	17,299,590	23,066,120	11,533,060	11,533,060	23,066,120	11,533,060	17,299,590
As % of estimated store sales		15%	20%	10%	10%	20%	10%	15%
Granite Drive (Granite Bay Ventures)	\$96,108,800	14,416,320	19,221,760	9,610,880	9,610,880	19,221,760	9,610,880	14,416,320
As % of estimated store sales		15%	20%	10%	10%	20%	10%	15%
Total Primary Market Area	\$497,162,100	\$55,263,010	\$141,374,205	\$33,023,430	\$37,393,365	\$52,577,780	\$21,143,940	\$156,386,370

Notes:

- (1) Sales categories reported by State of California BOE.
- (2) Estimated sales figures are from Exhibit 26, "Sales Estimates for Major Planned Retail Developments."

DRAFT EXHIBIT 28
RETAIL SALES BASE ADJUSTMENT FOR CUMULATIVE SALES IMPACTS
PRIMARY MARKET AREA (PMA) AND COMBINED PRIMARY AND SECONDARY MARKET AREA (P&SMA)
2009 ESTIMATE (IN MILLIONS)

Type of Retailer	New Primary Market Area (PMA) Sales Base			New Primary and Secondary Market Areas (P&SMA) Sales			PMA as a Percent of P&SMA [G=C/F]
	PMA Retail Sales (1) [A]	Minimum New Sales to PMA (2) [B]	New PMA Retail Sales Base [C=A+B]	P&SMA Retail Sales (3) [D]	Minimum New Sales to PMA (2) [E]	New P&SMA Retail Sales Base [F=D+E]	
Apparel Stores	\$22.3	\$14.2	\$36.5	\$24.3	\$14.2	\$38.5	95.0%
General Merchandise	\$36.5	\$30.9	\$67.4	\$73.9	\$30.9	\$104.8	64.3%
Food Stores	\$156.8	\$32.9	\$189.7	\$305.3	\$32.9	\$338.2	56.1%
Eating and Drinking Places	\$66.1	\$5.1	\$71.2	\$135.9	\$5.1	\$141.0	50.5%
Home Furnishings and Appliances	\$51.7	\$28.4	\$80.2	\$67.4	\$28.4	\$95.8	83.7%
Building Materials	\$66.2	\$37.6	\$103.8	\$132.1	\$37.6	\$169.7	61.1%
Auto Dealers and Auto Supplies	\$41.5	\$0.0	\$41.5	\$144.5	\$0.0	\$144.5	28.7%
Service Stations	\$76.9	\$0.0	\$76.9	\$132.2	\$0.0	\$132.2	58.2%
Other Retail Stores	\$158.6	\$47.5	\$206.1	\$265.3	\$47.5	\$312.8	65.9%
Total	\$676.6	\$196.6	\$873.2	\$1,280.7	\$196.6	\$1,477.3	59.1%

Notes:

- (1) Refer to Exhibit 20, Column D.
- (2) Minimum new sales resulting from the Rocklin Crossings project. Refer to Exhibit 20, Column J.
- (3) Refer to Exhibit 20, Column E.

Source: CBRE Consulting.

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DRAFT EXHIBIT 29
CUMULATIVE IMPACTS OF MAJOR RETAIL DEVELOPMENTS
ON PRIMARY MARKET AREA (PMA) RETAILERS
2009 DOLLARS (IN MILLIONS)

	2009 Estimated New Sales (1)	Retail Sales Category						Other Retail Stores
		Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	
Total New Sales in PMA (2) Blue Oaks Town Center, Stanford Plaza, Rocklin Pavilions, Granite Drive (Granite Bay Ventures), and Rocklin Marketplace	\$497.2	\$55.3	\$141.4	\$33.0	\$37.4	\$52.6	\$21.1	\$156.4
Portion of New Sales from P&SMA at 95% (3) Blue Oaks Town Center, Stanford Plaza, Rocklin Pavilions, Granite Drive (Granite Bay Ventures), and Rocklin Marketplace	\$472.3	\$52.5	\$134.3	\$31.4	\$35.5	\$49.9	\$20.1	\$148.6
Sales Generated in PMA <i>PMA as a Percent of P&SMA (4)</i> Blue Oaks Town Center, Stanford Plaza, Rocklin Pavilions, Granite Drive (Granite Bay Ventures), and Rocklin Marketplace		95.0%	64.3%	56.1%	50.5%	83.7%	61.1%	65.9%
Unabsorbed Leakage Unabsorbed PMA & SMA Leakage (5)	\$323.8	\$49.9	\$86.4	\$17.6	\$17.9	\$41.8	\$12.3	\$97.9
Max Sales Diverted from PMA Retailers (6) Blue Oaks Town Center, Stanford Plaza, Rocklin Pavilions, Granite Drive (Granite Bay Ventures), and Rocklin Marketplace	(\$215.4)	(\$11.4)	(\$105.1)	(\$20.0)	(\$34.0)	\$0.0	(\$44.9)	\$0.0
	\$178.2	\$38.5	\$0.0	\$0.0	\$0.0	\$41.8	\$0.0	\$97.9

Notes:

- (1) Reflects the sum of the retail categories.
- (2) Refer to Exhibit 27.
- (3) Primary and secondary market area estimated at 95 percent of total sales. Refer to Exhibit 20, footnote 2.
- (4) Percentage calculated in Exhibit 28 to account for Rocklin Crossings sales in the retail base.
- (5) The analysis assumes that up to 50 percent of leakage in the primary market area and the secondary market area will be absorbed before sales impacts occur. Accounts for primary and secondary market area leakage already absorbed by new sales at the Rocklin Crossings in Exhibit 20.
- (6) The maximum sales diverted from primary market area retailers is equivalent to the sales generated in the primary market area, less any unabsorbed leakage.

Sources: CBRE Consulting.

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DRAFT EXHIBIT 30
CUMULATIVE IMPACTS OF MAJOR RETAIL DEVELOPMENTS (1)
MAXIMUM DIVERTED SALES AS A PERCENT OF
TOTAL ESTIMATED SALES IN THE PRIMARY MARKET AREA
ASSUMING SALES ADJUSTMENT FOR ROCKLIN CROSSINGS
2009 ESTIMATE (IN MILLIONS)

Retail Category	Maximum Center Sales Diverted from PMA Retailers (2) <u>[A]</u>	New PMA Retail Sales Base (3) <u>[B]</u>	Additional Diverted Sales as a % of Estimated Sales <u>[C=A/B]</u>
Apparel Stores	(\$38.5)	\$36.5	105.3%
General Merchandise	\$0.0	\$67.4	0.0%
Food Stores	\$0.0	\$189.7	0.0%
Eating and Drinking Places	\$0.0	\$71.2	0.0%
Home Furnishings and Appliances	(\$41.8)	\$80.2	52.1%
Building Materials	\$0.0	\$103.8	0.0%
Other Retail Stores	(\$97.9)	\$206.1	47.5%
Total	<u>(\$178.2)</u>	<u>\$754.8</u>	

Notes:

- (1) Includes Blue Oaks Town Center, Stanford Plaza, Rocklin Pavillion, Granite Drive (Granite Bay Ventures), and Rocklin Marketplace
- (2) Refer to Exhibit 29.
- (3) Refer to Exhibit 28, column C.

Sources: CBRE Consulting.

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DRAFT EXHIBIT 31
 MAXIMUM DIVERTED SALES IMPACTS
 ROCKLIN CROSSINGS
 CUMULATIVE PRIMARY MARKET AREA PROJECTS
 2009 ESTIMATE (IN MILLIONS)

Project Retail Category	Maximum Sales Diversion (1) [A]	Number of Years to Mitigate (2) [B]	Sales Average (2009 Dollars) (3) [C]	Impacted Square Feet (Rounded) [D=A/C]
Rocklin Crossings Only				
Apparel Stores	\$0.0	N/A	N/A	N/A
General Merchandise	\$0.0	N/A	N/A	N/A
Food Stores	\$0.0	N/A	N/A	N/A
Eating and Drinking Places	\$0.0	N/A	N/A	N/A
Home Furnishings and Appliances	(\$26.9)	20+ years	\$275	97,700
Building Materials	\$0.0	N/A	N/A	N/A
Other Retail Stores	(\$7.0)	1 to 2 years	\$359	19,500
Total	(\$33.9)			117,200
Rocklin Crossings and All Primary Market Area Cumulative Projects				
Apparel Stores	(\$38.5)	20+ years	\$254	151,500
General Merchandise	\$0.0	N/A	N/A	N/A
Food Stores	\$0.0	N/A	N/A	N/A
Eating and Drinking Places	\$0.0	N/A	N/A	N/A
Home Furnishings and Appliances	(\$68.7)	20+ years	\$275	249,700
Building Materials	\$0.0	N/A	N/A	N/A
Other Retail Stores	(\$104.9)	20+ years	\$359	292,200
Total	(\$212.0)			693,400

Notes:

(1) Refer to Exhibits 21 and 30.

(2) Estimated based on the cumulative retail demand in Exhibit 23.

(3) Estimates for 2009 sales per square foot by category for home furnishings and appliances, apparel, and other retail stores from Exhibit 2. Sales per square foot estimate for general merchandise is an average of the two estimates for general merchandise on Exhibit 26.

Sources: CBRE Consulting.

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