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**COUNTY OF EL DORADO
COMMUNITY DEVELOPMENT AGENCY
DEVELOPMENT SERVICES DIVISION**

INTEROFFICE MEMORANDUM

Date: January 15, 2014
To: Planning Commission
From: Peter N. Maurer, Principal Planner *PNM*
Subject: **BAE Urban Economics Report
TM12-1506, West Valley Village Lot W**

Please find attached an economic analysis prepared by BAE Urban Economics relating to the proposed specific plan amendment for Lots V, W, and X in the Valley View Specific Plan. The applicant has requested that this be provided to you. Staff reviewed this information as a part of its review and consideration during the preparation of the EIR Addendum and the Specific Plan amendment.

bae urban economics

Memorandum

To: Aaron Sussman, The New Home Company
Bob Shattuck, Lennar

From: Matt Kowta, M.C.P., Principal

Date: September 27, 2013

Re: Blackstone Lots X and W Rezone Proposal

Background

Blackstone Lots X and W are located within the Valley View Specific Plan area in the El Dorado Hills community of El Dorado County, CA. Lots X and W are two parcels located on the west side of the Specific Plan area, flanking Clubview Drive at the intersection with Blackstone Parkway. Lot X (8.3 acres) lies to the north of Clubview Drive and Lot W (9.7 acres) lies to the south of Clubview Drive. The two lots are zoned Village Center, which is intended to be developed with residential and commercial uses. This would translate to approximately 150 homes, and approximately 58,800 square feet of commercial space.¹

The New Home Company and Lennar wish to rezone these parcels for exclusive residential development. The purpose of this memo is to present information and analysis regarding the economic rationale for such a change in the allowable use of the property. Essentially, Lots X and W are situated such that they would not be suitable for retail development at present or in the future and, if developed as such, the properties would likely struggle to attract tenant interest. The primary limitation of the properties is lack of a sufficient nearby base of potential patrons who would be likely to frequent the commercial establishments on a regular basis. This base of patrons does not exist now, nor is it likely to exist in the future. Further, the way Lots X and W are situated, along with the fact that there are several other shopping centers in close proximity that are better positioned to capture consumer demand, and which offer a wide range of retail goods and services, means that businesses will find Lots X and W to be an inferior and thus, undesirable location.

Aside from concerns about the appropriateness of these sites as a business location, another consideration is that in the El Dorado Hills area in general, there is more than adequate land designated to accommodate commercial development to serve the local shopping needs of local residents, meaning that if the Village Center development is excluded from the Valley View Specific Plan, this will not represent a lost opportunity for El Dorado County to capture the

¹ These figures, from the Valley View Specific Plan, assume that 70 percent of the total acreage within the Village Center district will be developed with residential uses and 30 percent with commercial uses. The unit total is based on a gross density estimate of 12 units per acre, while the commercial square footage estimate assumes a gross floor area ratio (FAR) of 0.25 (i.e. commercial floor area will equal one-quarter of the total commercial site acreage).

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retail expenditures from Valley View Specific Plan residents or residents in other nearby developments. Rather, these expenditures will occur in other El Dorado Hills area establishments, much the same as they would even if Lots X and W were developed with commercial space.

Finally, although one of the key functions envisioned for the development at Lots X and W at the time of Specific Plan adoption was to provide a community gathering place for the West Valley Village, this function is being fulfilled by the clubhouse with its swimming pools, spa/exercise facilities, play areas, kitchen and indoor and outdoor common areas, and snack bar.

Project Setting

The Valley View Specific Plan lies at the southeastern edge of the El Dorado Hills community. The Valley View Specific Plan is a primarily residential Specific Plan of just over 2,000 acres, planned for a maximum of 2,840 residential units. The overall Specific Plan site covers rolling hills, with Lots X and W occupying one of the lower parts of the property. Lots X and W are approximately 1.8 miles south from the intersection of Highway 50 and Latrobe Road. In addition to the Village Center area, other non-residential land uses included in the plan include the recreation center, which is located at the intersection of Clubview Drive and Blackstone Parkway, opposite lots X and W, school sites, open space, and a small site in the southwestern portion of the property designated for mixed-use development.

The Valley View Specific Plan is divided into three different “villages”, including the East Ridge Village, which lies on the eastern part of the Specific Plan; the White Rock village, which lies on the northern part of the Specific Plan, and the West Valley Village, covering the western 638 acres of the Specific Plan, including Lots X and W. A total of approximately 1,480 housing units could be constructed in the West Valley Village area under the existing zoning.

Latrobe Road runs along the western edge of the Valley View Specific Plan and connects the western part of the Specific Plan to White Rock Road and the Town Center to the north. South of the Specific Plan area, Latrobe Road continues through rural areas and connects to Amador County. Blackstone Parkway is a north-south collector roadway within the Specific Plan, and it connects interior parts of the West Valley Village with White Rock Village to the north and the El Dorado Hills Town Center area, via Valley View Parkway. Valley View Parkway extends south through West Valley Specific Plan area and connects the East Ridge Village to White Rock Road and the Town Center area.

Intent of Village Center Zoning. According to the Valley View Specific Plan, “The Village Center will function as a thematic center-point, be both pedestrian and vehicle-accessible, architecturally distinctive and provide an informal place for gathering and community events. The size and type of the retail component will depend upon needs and will be structured to complimentary to the commercial services offered in larger, nearby centers such as Town Center.”² The Specific Plan’s West Valley Village Policies further go on to state that the desire to “Create a village center consisting of neighborhood commercial, and office uses and acting as a major node of activity.”³

² Valley View Specific Plan, page 18.

³ Ibid, page 22.

Adjacent Development Areas

The El Dorado Hills Town Center is the centerpiece of an approximately 260-acre commercial area that lies to the north of the Specific Plan area and could accommodate up to about 2.4 million square feet of commercial space. This is part of the El Dorado Hills Specific Plan area, most of which lies to the north of Highway 50. To the west of the Valley View Specific Plan area is the 880-acre El Dorado Hills Business Park. At buildout, this area could physically accommodate up to 14 million square feet of commercial space and up to 30,000 employees, according to the Valley View Specific Plan; however, General Plan Policy TC-1y establishes an employment cap of 10,045 employees for this area through 2025. Areas to the south area more rural in nature.

Commercial Market Context

The hub of commercial activity for the El Dorado Hills market area is the intersection of Latrobe Road and Highway 50. This is a logical location for commercial development to serve this community because property in this area enjoys excellent visibility and access to regional traffic traveling on Highway 50, and these properties are also accessed locally via Latrobe Road, which serves as a local thoroughfare that connects the adjacent developments to Highway 50.

El Dorado Hills Commercial Area - As mentioned previously, the El Dorado Hills Town Center shopping center is the centerpiece of a large commercial district that is located near the intersection of Highway 50 and Latrobe Road. The following summarizes several distinct properties in this area, including:

Town Center – This development, is centered on Town Center Boulevard, between Latrobe Road and Vine Street, in multiple buildings. According to the El Dorado Hills Specific Plan, this area, which is also known as Lots U and T, totals approximately 256 acres and could accommodate approximately 2.4 million square feet of retail and service commercial floor space.⁴ Major anchors include Target, a 14-screen Regal movie theater with IMAX, Mercedes Benz auto dealer, Holiday Inn Express, and El Dorado Health Club. In addition to the anchor tenants, this development includes a wide array of specialty retail, sit-down restaurants, casual and fast-food restaurants, and personal services and business services establishments.

There is additional commercial development planned in the Town Center area. According to a commercial leasing brochure produced by CBRE, the Town Center area has about 400,000 square feet remaining for development.

Marketplace at Town Center – Marketplace at Town Center is a sub-area in the northwest portion of the Town Center area that is anchored by a Nugget supermarket, plus a number of smaller in-line tenants, such as Starbucks, Togo's/Baskin Robbins, Supercuts, and Massage Envy. This center is configured as a typical neighborhood retail center, addresses everyday convenience shopping needs for residents on the south side of Highway 50.

⁴ El Dorado Hills Specific Plan, page 41.

Montano De El Dorado – This is a specialty shopping center located at the intersection of White Rock Road and Latrobe Road. The major anchor in this center is Pottery World, and other tenants include food service (Peet's, Relish Burger Bar), clothing (Bella Talloni, Runway Boutique), home decor (Our House Art Gallery, BI Design), specialty retail (We Olive), personal services (Morgan Taylor Salon), business services (Fedex Kinkos), and financial services (U.S. Bank). A second phase of this project is currently under design.

El Dorado Hills Village Center – This is a commercial node located just to the north of Highway 50, off of El Dorado Hills Boulevard (northern extension of Latrobe Road). This area is anchored by a Raley's supermarket and a Walgreen's drugstore, and includes a range of other commercial uses, such as a gas station, restaurants, banks, personal services, and real estate offices. This area includes a specialty retail center called La Borgata, which has fine-dining and casual restaurants, boutique retail and services, and offices. There is vacant land remaining in this area to accommodate additional commercial tenants.

Travel Patterns

The nature of the El Dorado Hills area is that it is primarily a bedroom community for residents who commute to jobs in Sacramento County and elsewhere to the west. For example, according to commute data from the U.S. Census Bureau's On the Map online application, about 80 percent of the employed residents living in the El Dorado Hills Census Designated Place (this includes people living on the north side of Highway 50) travel to work in locations that are either to the west, north, or east of El Dorado Hills. Over 45 percent of the employed residents commute to Sacramento County destinations. Only about 11.2 percent of the employed residents work in El Dorado Hills itself and only about 0.7 percent of employed El Dorado Hills residents travel to work to the south, in Amador County. This means that very few of the people who live in the general El Dorado Hills area, other than those who live in the immediate vicinity of Lots X and W, would be likely to travel past those parcels on a regular basis. As a result, there would be limited drive-by traffic to support commercial development at this location. For example, as of 2012, average daily traffic on Latrobe Road at just north of Investment Boulevard (just south of Clubview Drive), the average daily traffic is only 8,508 cars per day. By comparison, the average daily traffic on Latrobe Road in the vicinity of the Town Center (300 feet north of White Rock Road) is 25,845 vehicles per day.

Within the Valley View Specific Plan area itself, only a portion of residents are likely to travel past lots X and W on a regular basis, also. Assuming that the commute patterns of Valley View Specific Plan residents are similar to those of El Dorado Hills CDP residents as a whole, most of the employed residents will tend to drive in the direction of Latrobe Road and Highway 50 in order to reach their commute destinations in locations to the west, north, or east. Within the Valley View Specific Plan area, residents of both the East Ridge Village and the White Rock Village sub areas will likely drive north via Valley View Parkway and access Highway 50 for their daily commutes via either the Latrobe interchange or planned Silva Valley Parkway interchange, if commuting out of the area. For non-work shopping trips, residents of these areas will also likely find that traveling to the Town Center area will be more convenient and provide a much wider array of shopping choices than driving to Clubview and Blackstone.

Only some residents of the West Valley Village sub-area of the Specific Plan are likely to pass by Lots X and W via Blackstone Parkway on a regular basis. The further to the north residents live in West Valley Village, the more likely they are to use Valley View Parkway to access destinations to the north, and east. With a planned overall buildout of about 1,500 residential

units in West Valley Village as a whole, these travel patterns mean that commercial development at Clubview and Blackstone would expect market support from considerably less than West Valley Village's 1,500 households. In BAE's opinion, this will not be a sufficient volume of residents to support a commercial node at the location in question.

With its planned large inventory of office and industrial space and associated employment, the El Dorado Hills Business Park was anticipated to be a potential source of market support for commercial development at Lots X and W; however, the traffic patterns are such that only a portion of the business park's employees are likely to find commercial space at Lots X and W a convenient shopping or dining option. As mentioned previously, traffic counts drop precipitously moving south of Latrobe Road south of White Rock Road. One reason for this is that the Business Park can be accessed in numerous locations, including via Windfield Way off of White Rock Road, via Golden Foothill Parkway from Latrobe, north of Clubview, and via Suncast Lane from Latrobe north of Clubview. Access to the business park from the southern end of Golden Foothill Parkway, opposite Clubview Drive, would likely only be attractive to commuters who work in the most southern part of the development, and come from destinations further south on Latrobe Road, or from West Valley Specific Plan. Given that the southern end of Golden Foothill Parkway serves only the southernmost part of the business park, and most commuters will be coming from the north (as opposed to from areas south on Latrobe Road), most business park commuters will likely find access to their workplaces easier from one of the other access points mentioned.

Further to the south on Latrobe Road, beyond Valley View Specific Plan, the El Dorado County General Plan designates most of the land for low intensity uses, like agriculture, or agricultural-residential with minimum lot sizes of 20 to 80 acres. This type of low density development will generate relatively little in the way of a potential shopper base and drive-by traffic to support commercial development at Lots X and W.

All of this means that commercial development at Lots X and W will have limited market support from future development located in Valley View Specific Plan itself and from development in adjacent areas that would generate traffic in the vicinity of Latrobe Road and Clubview Drive.

Pedestrian and Bicycle Access

Although Blackstone Parkway is designed to include Class 2 bike lanes, the topography and layout of the West Valley Village area is such that it will not be particularly conducive to residents accessing the shopping areas by walking or by bicycle. The layout of the development, with open space interspersed with relatively low density residential development and clusterings of homes on roadway networks that funnel travelers onto Blackstone Parkway at limited locations means that bicyclists and pedestrians have to travel further in order to reach Lots X and W than they would if they were located in a higher density neighborhood with a grid street network that would allow them to travel more directly to their destinations. For example, in many planning studies that seek to encourage pedestrian access to nearby amenities, a distance of ¼ mile is often taken as the distance beyond which significant numbers of people will be willing to travel by foot. In the example of West Valley Village, it is an approximately 0.3 mile distance from the intersection of Clubview Drive and Blackstone Parkway to the intersection of Blackstone Parkway and Opal, which is the entrance to the first pod of housing units (Blackstone Unit 2) to the south of Lot W on the west side of Blackstone Parkway. This means that most residents in this subdivision would have to travel well over ¼

mile to reach the commercial area. Unfortunately, this means that only a limited number of the West Valley Village who live closest to Lots W and X will find it convenient to travel to this location without a vehicle, and for residents beyond Unit 18, Unit 1, or Unit 2, the greater distances and topography will discourage non-motorized travel to Lots X and W even further. The limited number of housing units in Units 1, 2, and 18 (388 units) and the limited potential patronage from Business Park employees is not sufficient to support even a small amount of commercial space.

Similarly, access for pedestrians and bicyclists coming from the El Dorado Hills Business Park to Lots X and W is also limited. It is an approximately ¼-mile trip from the entrance to the nearest commercial building in the El Dorado Hills Business Park, on Robert J. Mathews Parkway, to the intersection of Clubview Drive and Blackstone Parkway. In addition to the distance, the barrier or crossing Latrobe Road will be a disincentive to non-motorized travel. Latrobe Road at this intersection has four lanes, and lacks any type of center island refuge for pedestrian safety. In addition, the lack of appropriate non-vehicular transportation amenities, such as lack of sidewalks and bike lanes, will discourage alternative modes of transit in the business park. Thus, it can be expected that relatively few people working within the business park would travel by foot or by bicycle to commercial development at Lots X and W.

Long-Term Growth - El Dorado Hills Market Area

As mentioned in the introduction to this memo, one of the concerns raised in relation to the proposed rezoning of Lots X and W is the impact on El Dorado County's ability to capture jobs and retail sales, if the County's commercial land supply is reduced. The County desires to provide local job opportunities and local shopping opportunities for County residents, so that residents do not need to travel outside of the county for work or shopping. In both cases, travel outside the county has environmental impacts such as traffic congestion and air pollution due to increased vehicle miles traveled. In the case of the latter, there is also a fiscal concern, due to the loss of taxable sales, which generates sales tax revenues for the County. Thus, the County wishes to ensure that it provides adequate opportunities for the development of retail facilities and other land uses that will accommodate residents' retail shopping needs and provide opportunities for residents to work close to where they live.

The County previously retained BAE to prepare long-term growth residential and employment growth projections for El Dorado County market areas, to support updating the County's traffic model as a result of the County's targeted General Plan Update and Zoning Ordinance update. For the El Dorado Hills Market Area, BAE projected that job growth would entail about 7,900 new employees between 2010 and 2035. This translated into a need for about 320 acres of commercial land, including land for retail/services, business park type uses, and office/medical uses. Of this, about 80 acres was identified as needed for retail and services land uses. According to the available land supply data furnished to BAE by the County and its consultants, there was a total of about 720 vacant acres zoned for commercial development⁵ in the El Dorado Hills Market Area. This information means that within the El Dorado Hills area, there is about nine times as much vacant land zoned to allow retail/services uses than there is projected demand through 2035. To the extent that there is consumer demand for new retail and services development, there will be more than sufficient land available to capture that demand, even with the development of Lots X and W with residential uses exclusively. In addition, development of Lots X and W with residential units will increase the

⁵ This includes land zoned Community Commercial, General Commercial, and Limited Commercial.

pool of consumer demand to better support development of retail uses on the remaining commercially-zoned land.

Suitability of Lots X and W for Commercial Development

Based on the contextual information presented above, the following provides an analysis of the suitability of Lots X and W for commercial development. This suitability analysis must be conducted both from the perspective of prospective businesses, who will seek locations for their establishments that give them the best chance for success in the highly competitive retail marketplace, as well as from the perspective of potential shoppers, who will determine if businesses that choose to operate at this location can be successful on an ongoing basis. Lots X and W are evaluated relative to a number of criteria, which are standard site suitability criteria employed within the retail industry by retailers themselves, and by BAE and other similar consultants who advise businesses and planning agencies on the appropriate sites to select for commercial development. The analysis that follows is also consistent with the analysis that Greg Paquin of The Gregory Group has provided in a letter to Lennar Homes detailing the shortcomings of Lots X and W for commercial development.

Ease of Access - The access to Lots X and W was designed with access via either Clubview Drive or via Blackstone Parkway in mind. The site plan does not envision direct access via Latrobe Road. Although commercial buildings at Lots X and W would likely be visible from Latrobe Road, the orientation of the buildings would be such that the view from Latrobe Road would be primarily to the side or rear of the commercial buildings, which is far from ideal, from a retail site location standpoint. The median between the eastbound and westbound lanes of Clubview Drive will prevent shoppers from easily moving between the retail development on the two sides of the street, whether by foot or by vehicle. In addition, shoppers who might access the commercial development at this location from Latrobe Road via Clubview Drive would not have the ability to make a left turn into the development on the north side of Clubview, nor would they have the ability to make a left turn onto Clubview when exiting commercial development on the south side of Clubview, when returning to Latrobe Road.

Volume of Drive-By Traffic - As discussed previously, the volume of drive-by traffic on Latrobe Road is limited, due to the traffic patterns in the area. Even with buildout of the surrounding area, because of the location of these sites at the southeast edge of the areas slated for development, most of the increased traffic will be concentrated to locations further to the north along Latrobe Road. Further, because of the layout of the site and lack of direct access from Latrobe Road, Lots X and W will rely on the drive-by traffic along Blackstone Parkway and Clubview for their primary visibility and access to shoppers. At best, these properties will benefit from the daily trips generated by only a portion of the households living in the West Valley Village portion of the Valley View Specific Plan.

Presence of Activity Nodes - Commercial facilities can benefit from adjacency to other activity nodes that can serve to attract people to the area who might also take advantage of shopping opportunities. In the case of Lots X and W, the only adjacent activity node is the recreation center, which fulfills a key policy objective for the Village Center district of West Valley Village, which is to provide a community gathering place. However, by its nature, this facility will be limited to attracting residents of the West Valley Village, and it offers a limited range of activities and services. Of those that it does offer, several would potentially compete with commercial uses at Lots X and W, such as health and fitness facilities, snack bar, coffee service, and community gathering spaces.

Bicycle and Pedestrian Activity - As discussed previously, bicycle and pedestrian traffic can be expected to contribute relatively limited amounts of shoppers to development at Lots X and W, because of the transportation network design and topography of the area, which is not conducive to non-motorized transportation.

Configuration of Potential Commercial Development at Lots X and W - With two sites combining for potential commercial development of around 58,800 square feet of space, separated by Clubview Drive, the likely form of commercial development would be two small unanchored strip retail centers. Anchor tenants, which have the drawing power to attract shoppers from a distance greater than one to two miles in a location such as this, are not likely to be attracted to these sites because the physical space will preclude the development of a center large enough to accommodate an anchor tenant plus smaller in-line tenants. In order to entice anchor tenants such as grocery stores or larger discount stores, developers often have to provide building sites at very low cost to the anchor tenants, who know that their presence will enable the developer to attract smaller inline tenants at premium rents. In the case of development at Lots X and W, there most likely would not be sufficient space to accommodate an anchor tenant and provide adequate additional space for inline tenants to cover project costs. At the same time, because of the deficiencies already mentioned in regard to access and surrounding population density, Lots X and W would most likely not be successful locations for smaller retail tenants, since the project size would not be sufficient to generate a critical mass of shopper activity and synergies between smaller tenants, to create a successful retail area.

Potential Market Support from Primary Trade Area - A key question for prospective retailers is how much demand can be captured from people in the surrounding trade area. A primary market area is the area from which the retailer will draw most of its shoppers. In the case of a small, unanchored commercial center, the primary market area is typically considered to be 1.5 miles or less, but this is subject to further analysis of how this area will be affected by the presence of other competitive shopping facilities nearby. The preceding discussions had shown that the primary market area for commercial facilities at Lots X and W would most likely be limited to the West Valley Village portion of the Valley View Specific Plan, plus potentially some employees in the southern part of the El Dorado Hills Business Park.

Exhibit 1 provides a simple retail demand analysis to illustrate the challenges in capturing sufficient retail demand to support the retail space assumed in the Valley View Specific Plan for Lots X and W.

Sales Needed to Support Retail Space - The Valley View Specific Plan anticipates approximately 58,800 square feet of commercial space at Lots X and W. Of this space, 15 percent could be assumed to be occupied by non-taxable services. Assuming that annual sales of \$300 per square foot would be needed to support retail operations that are capable of paying the types of rents that would justify construction of new retail space at this location, the total annual sales needed to support this space would be about \$15 million.

Potential Employee Demand - Based on the current development cap, per General Plan Policy TC-1y, the business park is limited to no more than 10,045 employees. Business park workers may contribute some demand for retail space at Lots X and W; however, it is unlikely that employees working in the northern part of the business park would go to this location instead

of the Town Center area, which will offer a much greater selection of stores and which would be more convenient to them. It is assumed that a maximum of 50% of the business park employees would provide primary trade area demand for the Lots X and W commercial. A common assumption regarding employee daytime expenditures is that workers spend about \$7 per work day in nearby retail establishments. Assuming that 100% of this was on taxable goods, this would generate \$8.8 million in annual employee expenditures to support retail establishments in the area.

Potential Employee Purchases Captured at Lots X and W – Given the limited selection of goods and services that would be available at a small retail complex at Lots X and W, it should be assumed that only a portion of employees' daytime expenditures would be captured at this location. If a maximum of 50 percent of expenditures are captured at Lots X and W, this would equate to a maximum of \$4.4 million in annual expenditures to support retail establishments there.

Sales Needed from Residents – With a taxable sales target of \$15 million per year, and a maximum potential of \$4.4 million in employee expenditures per year, this would mean that the commercial establishments at Lots X and W would need to capture about \$10.6 million in purchases from local residents each year.

Sales Needed Per Household – With 1,480 housing units planned for West Valley Village, this is the maximum number of households that would be assumed to provide consistent shopper support for commercial space at Lots X and W. This would result in the need for Lot X and W retail establishments to capture about \$7,162 in sales each year from each West Valley Village household, on average.

Sales Needed Per Capita - The average sales per household figure can be converted into an annual sales per capita figure by dividing the annual sales per household figure by the 2011 El Dorado County average household size of 2.54 persons. This results in \$2,820 per capita. To put this into perspective, total taxable retail sales in El Dorado County in 2011 were \$1,189,421,000, according to the State Board of Equalization. This is the most recent year for which a full year's sales data are publicly available. In 2011, there were 180,483 residents in El Dorado County, according to the State Department of Finance. This equates to \$6,590 in taxable retail sale per capita. This would mean that the commercial space at Lots X and W would need to capture taxable sales from West Valley Village residents equal to approximately 43 percent of the average total per capita taxable retail sales in El Dorado County. This is very unlikely, given that the limited retail selection that could be offered at Lots X and W would only address a very small portion of a typical resident's annual retail shopping needs.

Even substituting the 2011 statewide per capita retail sales figure of \$9,643, acknowledging that El Dorado County's current per capita taxable figure reflects significant leakage of resident expenditures from the County, the required capture of resident expenditures would still equate to about 29 percent of annual taxable expenditures. Again, this is highly unlikely to occur, given the limited retail selection that would be offered at the site.

Exhibit 1: Retail Demand Calculations, Lots X and W

Sales Needed to Support Retail Space

58,800 commercial square feet expected at Lots X and W
15% assumed non-taxable sales
49,980 square feet of retail space
\$300 average annual sales per square foot
\$14,994,000 total annual retail sales needed to support retail space

Potential Employee Expenditures

10,045 employees allowed in EDHBP per General Plan Policy TC-1y
50% maximum percentage of business park employees who would use lot X and W commercial, based on proximity
250 days of work per year
\$7.00 estimate of average retail expenditures per worker per day
\$8,789,375 annual work day retail expenditures of EDHBP employees likely to shop Lots X and W

Potential Employee Expenditures Captured at Lots X and W

\$8,789,375 annual work day retail expenditures of EDHBP employees likely to shop Lots X and W
50% assured maximum capture rate at Lots X and W
\$4,394,688 estimated annual capture of EDHBP employee expenditures at Lots X and W

Sales Needed from West Valley Village Residents

\$14,994,000 total annual retail sales needed to support retail space
\$4,394,688 estimated annual capture of EDHBP employee expenditures at Lots X and W
\$10,599,313 total annual expenditures needed from residents

Sales Needed Per Household

\$10,599,313 total annual expenditures needed from residents
1,480 total housing units planned for West Valley Village
\$7,162 retail expenditures needed per household

Sales Needed Per Capita

\$7,162 retail expenditures needed per household
2.54 persons per household
\$2,820 retail expenditures needed per capita

Sources: State Board of Equalization 2011; State Department of Finance, 2011; BAE, 2013.

Availability of Other More Competitive Retail Centers - El Dorado Hills Town Center and Montano De El Dorado already provide a wide array of convenience retail, services, and dining options, as well as specialty retail options, and they provide a critical mass and environment that will be more attractive, both to business owners seeking a place to establish their stores, and to shoppers. In short, any business that would consider Lots X and W would consider locating at one of these two other centers first, because they could more effectively serve not only the Valley View Specific Plan area, but other development in the larger El Dorado Hills area from a location closer to Highway 50 and White Rock Road where overall visibility and access is far superior. There is additional development capacity in the Town Center/White Rock Road area to accommodate more retail and service businesses; thus, this area will compete directly and more successfully with Lots X and W for commercial tenants.

Exhibit 2 lists the non-residential uses allowed by the Valley View Specific Plan for the Village Center area. It also shows that almost all of the uses allowed in the Village Center are also either already present, or allowed in the more competitively located shopping centers in the Town Center area. These same uses would also be allowed per the Draft El Dorado County Code section 17.23.020 (R&D zoning), which is applicable to the El Dorado Hills Business Park. The only use permitted in the Village Center which is not listed as an allowable use in either the R&D zoning or the Town Center area is Private Clubs, Lodges, and Fraternal Organizations, and this use is already represented by the Blackstone clubhouse.

Exhibit 2: Representation of Village Center Uses in Larger El Dorado Hills Area

An "X" designates a use that is currently represented and/or allowed within a given location.

Allowable Non-Residential Uses (a)	Village Center	EDH Business Park	Town Center Area (b)
Art Galleries and gift shops	X	X (d)	X
Bakeries	X	X (d)	X
Convenience stores	X	X (d)	X
Food stores and markets	X	X (d)	X
General merchandise	X	X (d)	X
Hardware stores	X	X (d)	X
Liquor stores	X	X (d)	X
Restaurants and cafes (c)	X	X	X
Video and other rental businesses	X	X (d)	X
Other similar retail uses	X	X (d)	X
Business services	X	X	X
Day care centers	X	X	X
Medical offices and laboratories	X	X	X
Personal services	X	X	X
Private clubs, lodges, and fraternal organizations	X		
Professional offices and financial institutions	X	X	X
Veterinary offices	X	X	X

Note:

- (a) Includes allowed uses, and uses permissible with an administrative permit, minor use permit, or a conditional use permit.
- (b) Commercial areas in the vicinity of Latrobe and Highway 50 (e.g., Town Center, Montano de El Dorado, El Dorado Hills Village Center, etc).
- (c) The VC district in Valley View Specific Plan excludes fast food.
- (d) Per Draft El Dorado Code Table 17.23.020, Retail Sales and Service, Indoor Sales, are a permitted use in the R&D zone.

Sources: El Dorado County Code (Draft); Valley View Specific Plan, El Dorado Hills Specific Plan, BAE, 2013.

Conclusions

There is unlikely to be sufficient demand to support the commercial development envisioned in the Valley View Specific Plan for Lots X and W. Even if the strategy were to reduce the commercial space to a smaller size, so that it would need to capture less overall market demand, it is unlikely to be successful, since a smaller selection of commercial offerings would be even less attractive for residents and business park employees to patronize the area on a regular basis.

Aside from the lack of sufficient demand to support commercial development, the site characteristics of Lots X and W do not conform to site selection criteria that retailers use in determining which sites they will be willing to occupy, due to factors such as limited access and visibility, low traffic counts, low population and employment density, limited presence of other activity nodes in the vicinity, and availability of superior competitive locations nearby.

The substitution of residential uses for the originally planned commercial space at Lots X and W will likely have little effect in terms of a reduction in the number of people who might walk or bike to commercial space, either from within the Valley View Specific Plan or the El Dorado Hills Business Park, rather than drive in cars. This is because even if commercial space were provided at Lots X and W, there will be relatively few housing units or businesses within an

easy walk or bike ride from the commercial site and, further, the topography, circulation routes, and transportation facilities in the area are such that they will not encourage meaningful numbers of people to walk or bicycle to the site.

The substitution of residential uses for the originally planned commercial space at Lots X and W will likely have little effect on the amount of taxable retail expenditures that will occur or employment that would be created within El Dorado County. The analysis has demonstrated that current and future residents of Valley View Specific Plan and people who work in the El Dorado Hills Business park will find it convenient to access retail and services in the El Dorado Hills Town Center area, where they will find a much larger array of goods and services, ranging from convenience goods and fast foods to fine-dining and specialty retail, than they would at Lots X and W, if the parcels were developed with commercial space. To the extent that Valley View residents or employees in the business park are looking for retail items that are not available in the Town Center area, these are most likely the types of goods like home furnishings or building materials and home improvements, electronics, or other specialty items that would not be offered in small commercial space at Lots X and W in any event.

If commercial space were developed at Lots X and W, it would most likely struggle to attract quality commercial tenants. Market rents, reflecting the site's poor locational attributes, may not be sufficient to justify the cost of constructing the space and/or might not be sufficient to create an incentive for the property owner to invest in adequate maintenance and upkeep of the property. This would be a detriment to the larger West Valley Specific Plan if it occurred. If tenants could be attracted to the space, they would likely struggle on an ongoing basis to attract sufficient business to economically justify their operations, meaning tenant turnover and vacancies would likely be excessive. Any commercial tenants that would be attracted to Lots X and W is likely to be development that would otherwise have located in either the business park or the Town Center area; thus, any retail activity and jobs that would be attracted to this location would not represent a net gain to the County, but rather a relocation of activity within the County.