

*The Economics of Land Use*



## Draft Report

# Missouri Flat Retail Market and Initial Financial Feasibility Analysis

Prepared for:

County of El Dorado

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# 1. EXECUTIVE SUMMARY

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The County of El Dorado (County) retained Economic & Planning Systems, Inc. (EPS) to conduct a retail market analysis and initial cost burden and financial feasibility analysis (Analysis) of the commercial area surrounding the Missouri Flat Road and United States Highway 50 (Hwy 50) interchange identified as the Missouri Flat Project Area (Project Area). This Analysis intends to address the following primary objectives:

- **Evaluate market support for proposed commercial development.** Market support is essential to the feasibility and timing of proposed commercial development, as well as its ability to generate “net fiscal flows” needed to support funding for future transportation improvements in the Project Area. This Analysis will provide an estimate of current and projected retail demand net of existing and proposed retail supply in the Project Area to determine if sufficient demand for retail exists.
- **Examine initial commercial development financial feasibility.** Future commercial development hinges on both market support and favorable land economic conditions. As an initial evaluation, this Analysis estimates the existing infrastructure cost burden and tax and assessment burden on new commercial development for the purpose of identifying any fatal flaws regarding financial feasibility. The analysis contained herein provides a baseline analysis that may be used in subsequent analyses to test the feasibility of potential new sources of funding required to fund infrastructure improvements to support new development in the Project Area.

## Project Background

The County Board of Supervisors (Board) approved the Missouri Flat Master Circulation and Financing Plan (MC&FP) in December 1998. The MC&FP comprised a policy and action framework intended to relieve existing road deficiencies and create additional capacity for planned commercial development in the Project Area. The MC&FP identified the following objectives:

- Alleviate existing traffic congestion.
- Create adequate capacity to meet County General Plan Level of Service (LOS) policy.
- Establish a vital commercial center in the County.
- Improve the County’s fiscal well-being.
- Establish the framework for revenue collection that would fund specific improvements identified in the Project Area.
- Widen portions of Missouri Flat Road.

Originally envisioned as one funding plan, the MC&FP was subsequently divided into two phases after the November 1998 passage of Measure Y, which excluded certain improvements contained in the funding plan. Approval of the initial phase of MC&FP (Phase I) coincided with the approval

of several commercial projects proposed for the Project Area, including Wal-Mart, the El Dorado Villages Shopping Center, and Sundance Plaza. Since approval of these projects in 1998, several retail projects have been constructed in the Project Area, including Wal-Mart and the El Dorado Villages Shopping Center.

MC&FP Phase I limits commercial development in the Project Area to about 730,000 square feet. With approximately 500,000 commercial square feet constructed in the Project Area to date, current approved and proposed commercial projects in the Project Area exceed remaining capacity in Phase I. In addition, additional development in the Project Area—beyond the Phase I threshold—would require an updated evaluation of requisite transportation improvements, including the need for an ultimate highway interchange solution at Missouri Flat Road. These two factors have triggered the potential implementation of MC&FP Phase II.

Encouraging economic development is a key priority for the County, and the Project Area represents a significant opportunity for expanded retail offerings.<sup>1</sup> Based on this policy objective and ongoing concerns regarding estimated annual sales tax leakage and annual operating revenues, the County retained EPS to conduct a retail market analysis to determine the extent of additional demand for retail development in the Project Area. In addition, the County requested EPS prepare initial cost burden and financial feasibility findings related to development in the Project. This report, which represents the initial step in evaluating the need for MC&FP Phase II, summarizes the findings of the retail market analysis and initial feasibility findings.

## Project Area and Methodology Overview

The Project Area, located in the unincorporated County west of the City of Placerville, has been a focal point for retail development over the past 20 years because of its geographical location in the center of the County and availability of developable space. The Project Area boundary was defined as part of MC&FP Phase I and encompasses nearly 5 square miles to the north and south of the Missouri Flat Road/Hwy 50 Interchange.<sup>2</sup> Refer to **Map 2-1** in **Chapter 2** for the MC&FP boundary.

The Project Area currently offers community-serving retail anchored by grocery, drug, and discount clothing stores. At the time of this study, The Crossings at El Dorado (formerly Sundance Plaza) is an approved project in the Project Area that is envisioned to contain regional-serving retail uses and is anticipated to be constructed in the near term. In addition, there are several other community-serving retail centers proposed for the Project Area. Details regarding existing and proposed retail development in the Project Area and defined trade areas are provided in **Chapter 3**.

This study defines two broader retail trade areas for the purpose of evaluating net demand for retail development in the Project Area. The Primary Trade Area (PTA), which includes the Project Area, represents an area where a large percentage of customer patronage is expected to be

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<sup>1</sup> "Missouri Flat Master Circulation and Funding Plan Background Information." County Community Development Agency, Long Range Planning Division, March 11, 2015.

<sup>2</sup> The area used to evaluate market support for retail development corresponds with traffic analysis zones (TAZs) that overlap with the MC&FP boundary. Thus, the "Project Area" referenced in this study is not coterminous with and is slightly larger than the actual MC&FP boundary.

drawn. The Secondary Trade Area (STA) represents an area where a smaller percentage of customer patronage is expected to be drawn. The boundaries and corresponding estimated capture rates associated with the PTA and STA were determined based on several factors, including the quantity of households, transportation patterns, County topography, the location of competitive supply, and input derived through stakeholder interviews.

The exact boundaries of the Project Area and trade areas are based on current Traffic Analysis Zones (TAZs), defined for use in the updated 2013 El Dorado County Travel Demand Model (TDM) and modified in June 2015 for work related to the County Traffic Impact Mitigation (TIM) Fee Program. The purpose of using TAZs to define the boundaries of the trade areas is to connect the trade area boundary with County General Plan household growth projections, which are estimated at the TAZ level. Refer to **Map 2-2** in **Chapter 2** for Project Area and trade area boundaries.

This study concludes with an estimate of retail demand that may be captured in the Project Area, based on data collected related to current market conditions, existing and proposed supply of retail space, and average household expenditures on retail goods and services. This study estimates current market support (2015) as well as near-term (2020) and long-term (2035) market support for retail in the Project Area. Projected market support (in 2020 and 2035) is based on projected household growth, as provided by the County based on the current TDM.

## Comparison of Previous and Current Studies

EPS has prepared multiple studies for the Project Area, including the December 1998 MC&FP Phase I Final Report. As a continuation of the MC&FP Phase I report, EPS conducted a retail demand analysis in March 1997 that evaluated the demand for all types of retail space in the County over a 15-year period from 1995 to 2010. The 1997 study concluded that the Project Area had sufficient demand to support the proposed retail development projects (Walmart, the El Dorado Villages Shopping Center, and Sundance Plaza) and that the County was experiencing an estimated \$250 million in annual retail sales leakage (i.e., taxable retail goods and services purchased outside of the County).

EPS updated and reevaluated the 1997 study in 2007. The 2007 study estimated that there was ample net demand for community and regional retail to support future retail development within the defined primary trade area. Further, the 2007 study noted the County was experiencing approximately \$230 million in annual retail sales leakage. It should be noted that the purpose of the 1997 study was to estimate demand for *all* types of retail—including local, community, and regional-serving retail—in defined primary and secondary trade areas, assuming capture rates applied to households in the *County*.<sup>3</sup> Comparatively, the 2007 study estimated demand for *regional and community retail* (excluding local-serving retail) in the defined primary trade area *only* based on an assumed capture of household incomes for households in the primary and secondary trade areas.<sup>4</sup>

The current Analysis estimates demand for *all types of retail* that may be captured in the *Project Area* based on an assumed capture of household incomes for households in the primary and

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<sup>3</sup> These trade areas differ from the defined PTA and STA used in the current study.

<sup>4</sup> Ibid.

secondary trade areas. This methodology uses the approach of the initial analysis, recognizing that the lines between local, community, and regional-serving retailers are increasingly blurred, and modifies the capture rate to convey specific findings for the Project Area, specifically, rather than the County as a whole. However, based on the differing methodologies and assumptions regarding market capture, the demand estimates of each study cannot be compared directly.

Further explanation of the methodology used in this analysis is provided in **Chapter 4**.

## Summary of Findings

- **The Project Area is well positioned to attract a significant portion of estimated consumer demand in the trade areas.** While retail development in the Project Area will compete with other development in the County, the site characteristics of the Project Area give it a strong competitive edge in the PTA. These site characteristics include direct proximity to Hwy 50 off the Missouri Flat Road/Hwy 50 Interchange, providing convenient highway access to retail development; central location in the County, near the City of Placerville; and an existing retail base that may serve as a catalyst for drawing additional retail expenditures to the Project Area.
- **Despite several advantages, additional retail development in the Project Area may face some challenges.** Discussions with stakeholders suggested that available sites may be difficult to develop because of issues related to the site's topography, in particular in the northern portion of the Project Area, and associated site development costs may be financially infeasible. In addition, the size of the trade area (number of households) and low historical residential growth rates in the County have limited both developers and retailers from pursuing development opportunities. Finally, stakeholders indicated the entitlement process can be lengthy and uncertain, dissuading some developers from pursuing development projects.
- **Market performance indicators suggest pent-up demand for retail development exists in the Project Area.<sup>5</sup>** As of the last quarter of 2014, the Project Area contains about 721,000 square feet of leasable retail square feet, or one-quarter of leasable retail square feet in the PTA and about 11 percent of leasable retail square feet in the County. A minimal amount of new retail construction occurred between 2006 and 2014 in the Project Area (about 53,000 square feet, reflecting an average of 6,000 square feet constructed annually). Most retail development in the County occurred close to growth areas in the STA (El Dorado Hills, Cameron Park), as evidenced by the addition of nearly 500,000 square feet constructed since 2006. However, vacancy rates in the Project Area have remained under 5 percent since 2006, and, on average, are slightly over 3 percent for the 2006 to 2014 period, indicating strong demand for retail space. This is particularly notable because many communities in the Sacramento Region (including the STA) experienced vacancy rates of 10 percent or higher during this period, in particular during the Great Recession. The average triple net lease rate for retail development in the Project Area is \$1.60, as of the last

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<sup>5</sup> Market performance indicator data collected from CoStar for the Project Area represents a 2-mile boundary surrounding the center of the Project Area. Although the boundaries differ, this area is also referred to as the Project Area because most of the retail development reflected in the data is within the Project Area boundary.

quarter of 2014.<sup>6</sup> This lease rate is about \$0.30 per square foot higher than the average lease rate for retail space in the PTA and only slightly lower than the average lease rate for retail space in the STA (\$1.66 per square foot), indicating the strong competitive position of retail space in the Project Area relative to retail space elsewhere in the trade areas. The finding that lease rates for retail space in the Project Area are nearly competitive with retail lease rates in the STA is notable given the substantially greater amount of retail space constructed in the STA since 2006. In summary, minimal construction activity, low vacancy rates, and competitive lease rates for retail space in the Project Area suggests additional demand for retail space in the Project Area.

- **An initial analysis of financial feasibility indicates new retail development falls within the range of feasibility under two infrastructure feasibility measurements but current lease rates may not support new construction.** This analysis uses two methods for evaluating the financial feasibility of a hypothetical new retail development project located in the Project Area: Total Burden of Major Infrastructure; and Total Taxes and Assessments as a Percentage of Sales Price. The purpose of the first method is to assess the financial feasibility of a new retail development project, given all current and proposed fees, and the additional burden of any new infrastructure costs, if any. The purpose of the second method is to ensure current and proposed taxes and assessments do not exceed 1.8 percent of the value of the property.<sup>7</sup> Although potential new infrastructure costs and/or taxes and assessments are unknown, prior to any infrastructure and financing plan analyses, both methods indicate the hypothetical new retail development project is well within the infrastructure feasibility targets. Although not evaluated as part of this study, input from stakeholder interviews indicated that current lease rates for retail space in the Project Area (estimated at about \$1.75 per square foot at the time of this study) may not be sufficient to support construction costs, depending on the cost of land for a particular site. Stakeholders indicated an estimated threshold lease rate of at least \$2.00 per square foot may be required to support new construction, although there is substantial optimism this lease rate could be achieved in the next 3-5 years.
- **The study estimates the County continues to experience retail sales leakage in nearly all retail categories.** As noted in previous EPS studies as well as a recent assessment of economic conditions, the County experiences a “sizable retail gap where potential retail demand exceeds retail sales.”<sup>8</sup> This study includes a comparison of retail demand and retail sales in the PTA, as estimated through ESRI Business Analyst and U.S.

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<sup>6</sup> A “triple net lease” is a lease agreement that designates the lessee (the tenant) as being solely responsible for all of the costs relating to the asset being leased, in addition to the rent fee applied under the lease. The structure of this type of lease requires the lessee to pay for net real estate taxes on the leased asset, net building insurance, and net common area maintenance.

Source: [www.investopedia.com/terms/n/netnetnet.asp#ixzz3ofpsVldN](http://www.investopedia.com/terms/n/netnetnet.asp#ixzz3ofpsVldN)

<sup>7</sup> Although the general rule of thumb is 2 percent, EPS has used a target range of 1.8 percent to allow for a 0.2-percent gap for additional special taxes and assessments.

<sup>8</sup> “El Dorado County Technical Assessment of Economic and Demographic Conditions.” Center for Strategic Economic Research, February 23, 2015.



Census of Retail Trade.<sup>9</sup> This analysis indicates significant leakage in all retail categories with the exception of supermarkets and specialty grocery stores and beer, wine, and liquor stores. The primary retail sectors experiencing the most retail leakage outside of the PTA include clothing and accessories; electronics and appliances; and general merchandise. Input solicited through stakeholder interviews independently confirmed these retail sectors correspond with specific tenants that may be suitable for locating in the Project Area.

- **This study estimates the Project Area could currently support (in 2015) approximately 358,000 to 466,000 additional square feet of local- and regional-serving retail.** As of 2015, the Project Area may support demand for about 955,000 total square feet of local/community- and regional-serving retail. With approximately 489,000 square feet of existing, competitive retail space in the Project Area, the Project Area may support approximately 466,000 square feet of additional retail space (about 31 to 43 acres).<sup>10</sup> As a sensitivity analysis, this study took into consideration the results of the retail sales leakage analysis, as described above, and excluded demand for retail space in the two retail categories estimated to contain sales that exceed demand. The resulting analysis of net demand indicates that the Project Area could currently support approximately 358,000 square feet (24 to 33 acres) of local/community- and regional-serving retail.
- **This study estimates that if The Crossings at El Dorado regional retail center develops by 2020, the Project Area could support retail development of up to 294,000 square feet by 2035.** Development of 375,000 square feet of retail in The Crossings at El Dorado project over the next 5 years (by 2020) is estimated to reduce net demand for retail space in the Project Area to approximately 140,000 square feet. With additional projected household growth and associated buying power, the Project Area is estimated to support additional approved projects in the Project Area (Willow Creek Plaza and the Diamond Dorado Retail Center, totaling approximately 272,000 square feet) by 2035. Further, the Project Area may support an additional 22,000 square feet of retail development beyond the noted approved projects. Excluding estimated demand for supermarket and liquor store space, the Project Area is anticipated to support development of The Crossings at El Dorado and approximately 161,000 square feet of additional retail space by 2035. This finding may indicate insufficient demand by 2035 for both additional approved projects in the Project Area. However, the Project Area may be able to support development of both approved projects if projected household growth exceeds the County's

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<sup>9</sup> ESRI estimates retail supply as sales to consumers by establishments (sales to businesses are excluded), and estimates retail demand as the expected amount spent by consumers at retail establishments. The ESRI Leakage/Surplus Factor measures the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.

<sup>10</sup> Competitive retail supply in the Project Area (about 489,000 square feet) differs from the retail square feet of inventory collected from CoStar (about 721,000 square feet) for two reasons: 1) as noted, the CoStar inventory was collected from a 2-mile boundary surrounding the center of the Project Area and thus, contains some square footage outside of the Project Area; and 2) the competitive supply figure captures square footage of known competitive centers and omits retail supply that may be older or obsolete.

forecast or the Project Area is able to capture a greater portion of trade area household income than estimated in this study.

## Report Organization

This report is organized into three chapters excluding this initial chapter, which introduces the study and reports the summary of findings:

- **Chapter 2** describes the trade areas used to examine current and proposed estimates of supply and consumer demand; market performance indicators in the trade areas, broader County, and competitive markets; and general retail market trends.
- **Chapter 3** presents existing and proposed retail supply in the Project area and trade areas.
- **Chapter 4** presents an analysis of potential demand and net demand for retail development in the Project area.

This report also contains two appendices. **Appendix A** provides a listing of stakeholder interviews conducted for this study. **Appendix B** presents the preliminary cost burden and financial feasibility analysis pertaining to retail development in the Project Area.

## 2. *TRADE AREA OVERVIEW*

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This chapter provides a detailed explanation of the Project Area and defined trade areas (the PTA and STA) used to examine current and proposed estimates of supply and consumer demand. The PTA includes the Project Area; the STA is a distinct trade area adjacent to the PTA. In addition, the chapter provides a general overview of trends occurring in the regional and community retail sectors that likely will impact future retail development in the Project Area.

### **Trade Area Delineation**

A trade area represents an area surrounding a retail center in which a large percentage of patronage is expected to be drawn. In this analysis, the trade areas for retail shopping centers have been defined based on several factors, including quantity of households, transportation patterns, County topography, the location of competitive supply, and the expertise of stakeholders familiar with retail trends in the County.

The exact boundaries of the PTA and STA are based on current TAZs defined for use in the updated 2013 El Dorado County TDM. The purpose for using TAZs to define the boundaries of the trade areas is to easily estimate County General Plan household growth projections, which are estimated at the TAZ level.

It should be noted that even though Hwy 50 represents a major transportation arterial into and out of the County, this study uses a conservative approach by only evaluating consumer demand from households inside the trade areas. If excess demand is determined to exist without accounting for demand from outside of the trade areas, additional demand from outside the trade areas only will increase estimated demand for retail space. This approach of estimating demand from households within the defined trade areas was corroborated through input from stakeholder interviews conducted as part of this study. Specifically, stakeholders indicated their understanding that drive-by patronage constituted a minimal amount of demand for retail in the Project Area.

### **Primary Trade Area (Includes Project Area)**

The Project Area, located in the unincorporated County west of the City of Placerville, has been a focal point for retail development over the past 20 years because of its geographical location in the center of the County and availability of developable space. The Project Area boundary was defined as part of MC&FP Phase I and encompasses nearly 5 square miles to the north and south of the Missouri Flat Road/Hwy 50 Interchange. Refer to **Map 2-1** for the Project Area boundary.

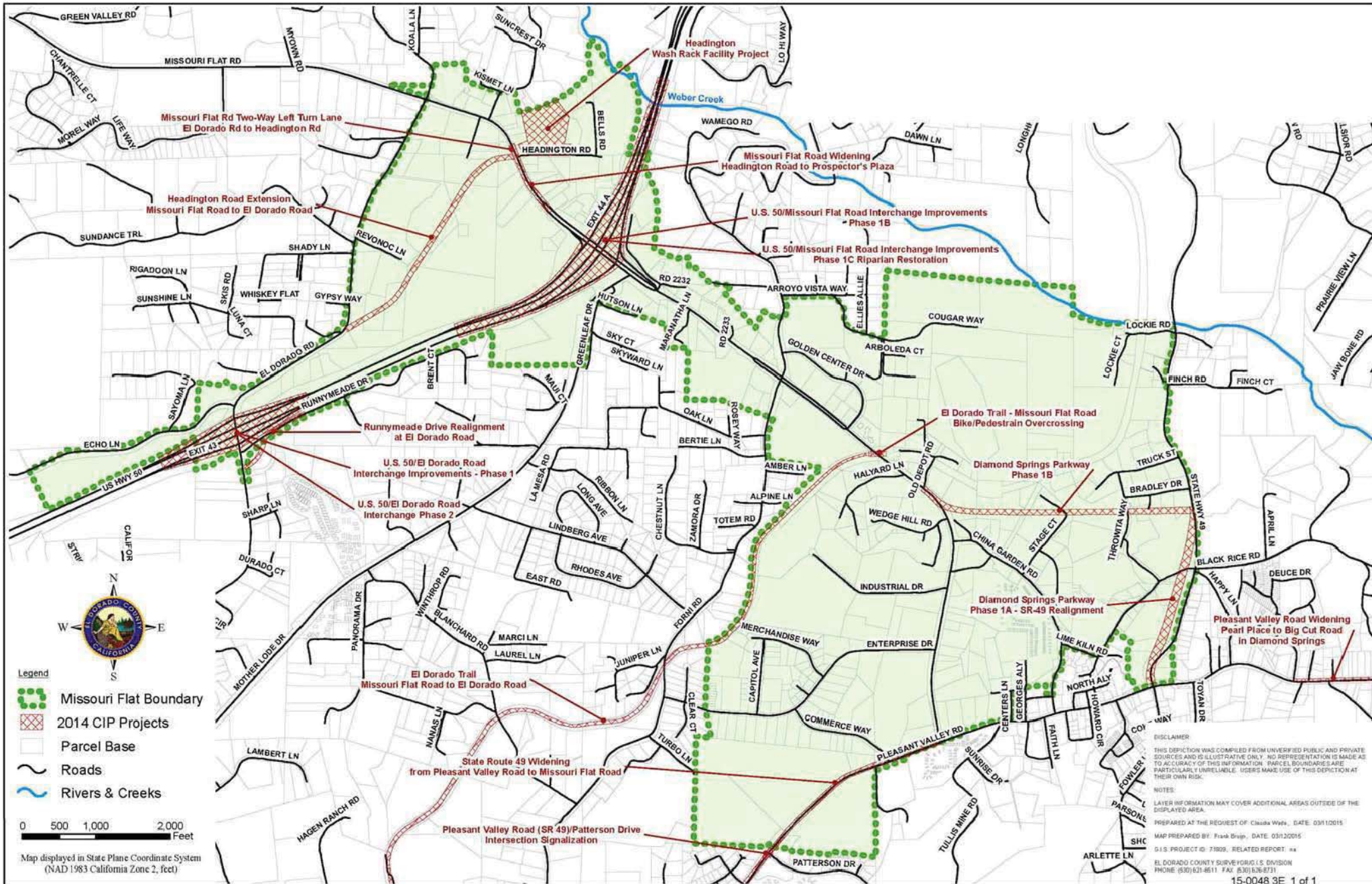
As shown in **Map 2-2**, EPS defined the PTA to include a significant portion of the County surrounding the Project Area, including the City of Placerville, the communities of Diamond Springs, Pollock Pines, and Shingle Springs, and other portions of the unincorporated County. The defined PTA used in this analysis has been modified from the PTA used in the 2007 study. The PTA now includes additional households in the east side of the County and excludes the community of Cameron Park. The PTA runs along Hwy 50, from Shingle Springs in the west (8 miles or about a 10-minute drive to the Project Area) to the community of Kyburz in the east,

# Map 2-1

## Missouri Flat Master Circulation and Financing Plan Phase II

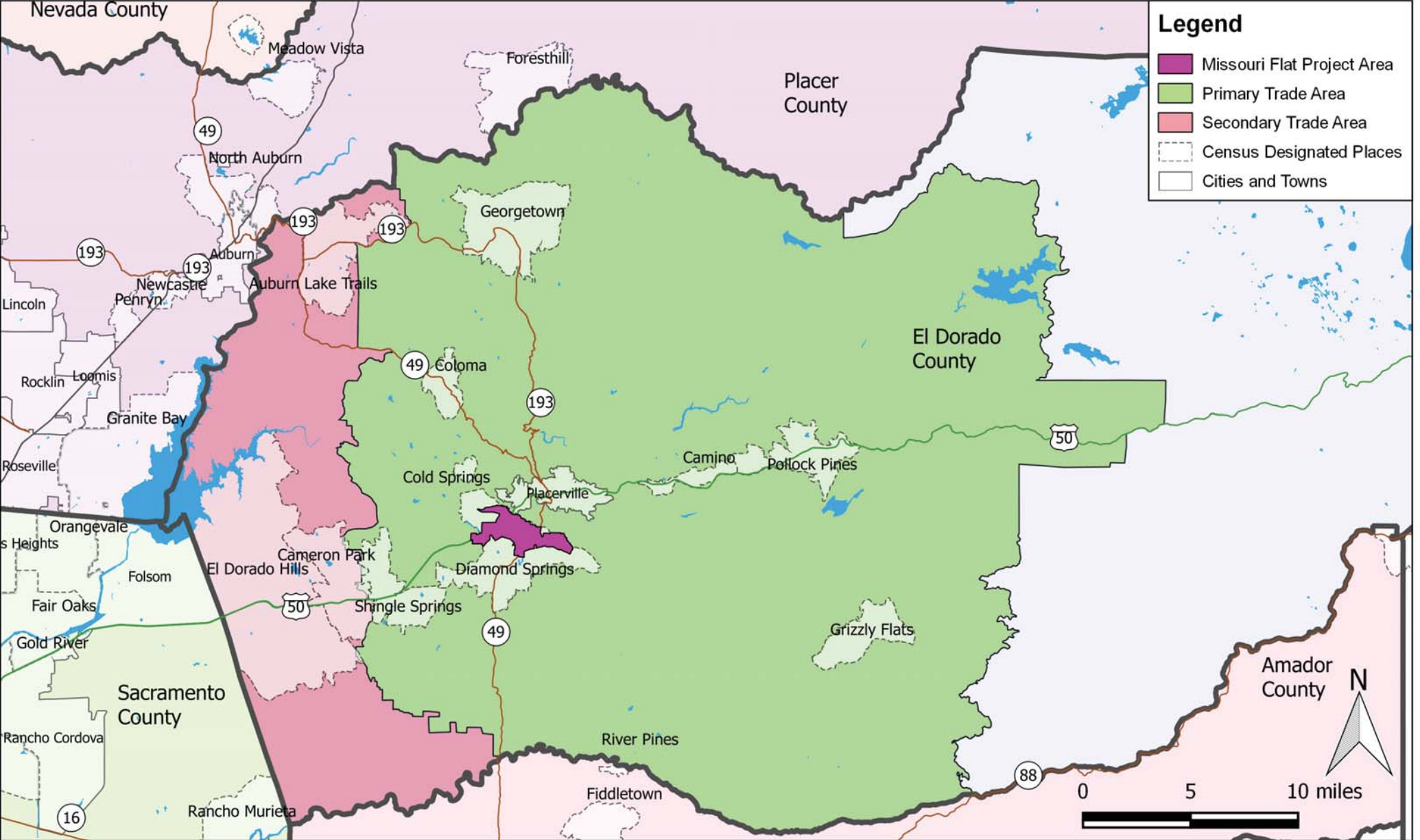
### Retail Market and Feasibility Analysis

#### Project Area Boundary





**Map 2-2**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Primary and Secondary Trade Area Boundaries**



Source: El Dorado County; EPS.

Prepared by EPS 10/15/2015

which is approximately 35 miles or a 40-minute drive to the Project Area. The modifications to the PTA stem directly from stakeholder interviews with those who have had or are currently in discussions with retailers evaluating opportunities in the Project Area.

## Secondary Trade Area

**Map 2-2** illustrates the STA boundary used in this study, which extends from the County border to the west, north, and south, and the eastern boundary of Cameron Park to the east.

As mentioned in the 2007 study, the Project Area faces primary competition from retail development in the western portion of the County, including El Dorado Hills and Cameron Park, as well as the City of Folsom in Sacramento County. Interviews with stakeholders suggest that the draw of these competing centers is even stronger now that they have become more established. Several other related conditions limit the Project's ability to capture potential retail expenditures from households within the STA. On average, households in the STA have higher household incomes and higher demand for upscale retail products relative to households in the PTA. Retail offerings in El Dorado and Folsom fulfill this market niche and are more conveniently located for households in the STA than retail located in the Project Area. In addition, many residents in the County commute west to Sacramento and Placer counties. These households are unlikely to travel past their residences to the retail offerings in the Project Area when they can stop at retail centers with a wide variety of retail outlets before reaching home. Similarly, even when not commuting, stakeholders indicated the topography of the region presents a psychological barrier that limits eastern travel uphill. These factors resulted in assuming retail outlets in the Project Area would capture only a minimal amount of consumer expenditures from households in the STA. Capture rates and their use in this study are described in detail in **Chapter 4**.

**Table 2-1** provides a summary of the current residential population, households, and other demographic indicators contained in the Project area, PTA (including the Project area), and STA defined in this study.

## Retail Market Trends

This section evaluates market area trends at a national and regional level, including local analysis of market performance indicators, such as vacancy, absorption, and lease rates.

### National Trends

The 2007 study indicated that retail centers have been in the process of evolving, reflecting a change in retail consumer demand. For decades, regional retail centers developed as enclosed shopping malls, anchored by large department stores selling clothing and related apparel and basic housewares. Regional shopping centers then began to evolve, with many centers developing as open-air clusters of retail outlets situated along a "main street." Further, regional-serving retail concepts have focused on offering entertainment and a range of retail goods and services (i.e., retail offerings typically associated with local-serving outlets such as food and other daily-use items) to enhance consumers' shopping trips.

**Table 2-1**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Social Indicator Summary**

Item [1]	Missouri Flat Project Area [2] [3]	Primary Trade Area (PTA) (Including Project Area) [3]	Secondary Trade Area (STA) [3]	Total/ Weighted Average
<b>Population</b>	3,586	81,389	70,250	151,639
<b>Households</b>				
Number of Households	1,453	31,841	24,225	56,066
Persons per Households	2.47	2.56	2.90	2.70
Median Owner Occupied Housing Value	\$282,530	\$301,218	\$430,027	\$360,277
<b>Employment [4]</b>				
Civilian Population Unemployed	8.7%	7.0%	3.9%	5.6%
<b>Income and Poverty [5]</b>				
Median Household Income	\$47,970	\$59,543	\$100,815	\$75,276
Average Household Income	\$62,204	\$77,277	\$121,494	\$96,382
Income at or Above Poverty Level	87.4%	90.4%	95.4%	92.6%
Income Below Poverty Level	12.6%	9.6%	4.6%	7.4%
<b>Education Level [6]</b>				
Non-High School Graduate	8.0%	7.1%	3.3%	5.4%
High School Graduate [7]	31.8%	26.2%	16.1%	21.8%
Bachelor's Degree or Higher	18.5%	24.5%	44.8%	33.4%

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Source: ESRI Business Analyst Online; EPS.

Note: Dollars presented in this table are in 2013\$.

- [1] All information is derived from ESRI Business Analyst Online utilizing American Community Survey 5-year 2013 figures, except where noted otherwise.
- [2] The area used to evaluate market support for retail development corresponds with traffic analysis zones (TAZs) that overlap with the MC&FP boundary. Thus, the "Project Area" referenced in this study is not coterminous with and is slightly larger than the actual MC&FP boundary.
- [3] For Illustration of the Project Area and trade area boundaries, see Map 2-2.
- [4] Employment figures reflect 2015 data for the population aged 16 and older.
- [5] The poverty level is a range based on the number of adults and children within a household.
- [6] Based on the population 25 years and older. Residents with some college or an Associate Degree are excluded from this table.
- [7] High School graduates include residents with a GED.

In addition to the continuation of these retail trends, a major consideration is the integration of technology and retail sales. Online retail sales are gaining market share in most retail categories, spurring traditional brick and mortar stores to creatively launch new tech-oriented marketing tactics and rethink delivery and distribution operations.<sup>11</sup>

Retail developers are seeking to incorporate retail establishments that are less susceptible to losing market share to online sales. These establishments include fitness centers and gyms; hair salons and personal care services; specialty restaurants and gourmet food stands; and grocery stores.<sup>12</sup> In addition, many retail formats, including grocery stores, drug stores, and department stores, have begun to converge in a trend commonly referred to as “channel blurring”. Items that were previously available in only one retail format are now available in many formats, and as a result, many of these formats are beginning to be indistinguishable to the average consumer. Examples of channel blurring include department stores like Walmart and Target carrying groceries, and drug stores like Walgreens and CVS providing larger household items.<sup>13</sup>

### Regional Trends

Retail projects in the Sacramento region have incorporated the open-air, pedestrian-friendly design features seen in lifestyle centers, shopping centers that combine the traditional retail functions of a shopping mall with leisure amenities oriented towards upscale consumers. The Fountains at Roseville, the El Dorado Hills Town Center, and Palladio at Broadstone in Folsom are examples of centers that include some characteristics of lifestyle and hybrid retail centers, including open-air layout and a combination of department and big box stores.

The greater Sacramento region is experiencing continued job growth and declining unemployment rates, strengthening prospects for the retail sector as consumer purchasing power increases. Over 27,200 jobs have been added to the region over the past year and the unemployment level dropped 30 basis points from the previous quarter to 6.0 percent.<sup>14</sup>

Retail market indicators for the greater Sacramento region are moving in the right direction, though at a moderate pace, to encourage new retail development. Vacancy is low, but has been in a very slow decline. It has been trending downward for the past three years, but remained close to 11 percent for the past five consecutive quarters. The healthiest market is the “Power Regional Centers” market, which has an overall vacancy of 2.8 percent as compared to 11.8 percent for all other retail formats combined. Most vacancy is in Class B and C projects and

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<sup>11</sup> The Washington Post, “Five retail trends to watch in 2014”, February 2014.  
[http://www.washingtonpost.com/business/capitalbusiness/five-retail-trends-to-watch-in-2014/2014/02/21/fca8180e-99ab-11e3-b931-0204122c514b\\_story.html](http://www.washingtonpost.com/business/capitalbusiness/five-retail-trends-to-watch-in-2014/2014/02/21/fca8180e-99ab-11e3-b931-0204122c514b_story.html)

<sup>12</sup> Strategy&, “2015 Retail Trends”, <http://www.strategyand.pwc.com/perspectives/2015-retail-trends>

<sup>13</sup> Journal of Marketing, “Channel Blurring: A Study of Cross-Retail Format Shopping among U.S. Households”, 2013. <http://mays.tamu.edu/center-for-retailing-studies/wp-content/uploads/sites/18/2015/04/Channel-Blurring-1-20-14-Final-Clean.pdf>

<sup>14</sup> Colliers Sacramento Retail Research & Forecast Report Q1 2015, <http://www.colliers-sacramento.com/MarketReports/RetailReport.pdf>.



tenant demand is concentrated on new, Class A space.<sup>15</sup> Currently the development pipeline consists primarily of expansions at existing centers, with 80 percent of this space already having lease commitments in place. This means there are few Class A options available for tenants in the market in the near term.<sup>16</sup>

## Local Retail Market Indicators

This study includes an overview of retail market conditions in the Project Area, PTA, STA, and competitive markets in the surrounding Sacramento Region. As mentioned previously, the PTA, which comprises the Project Area, the incorporated city of Placerville and surrounding unincorporated communities, is characterized by small-town and rural development patterns, with no regional-serving retail and limited community-serving retail establishments concentrated in the Project Area. Much of the existing retail supply in the PTA comprises smaller, local/community-serving retail businesses. The STA contains primarily grocery-anchored local/community-serving shopping centers in El Dorado Hills and Cameron Park.

As shown in **Table 2-2**, the PTA contains about 2.8 million leasable retail square feet as of fourth quarter 2014, which equates to about 40 percent of leasable square feet in the County. The Project Area, represented by a 2-mile concentric boundary surrounding the Project Area center instead of the Project Area boundary, contains approximately 721,000 leasable retail square feet, or about 26 percent of leasable square feet in the PTA and 11 percent of leasable square feet in the County.

Minimal additional retail space has been added to the PTA since 2006, the earliest year retail data was available, as shown in **Table 2-3**. Since 2006, the County has added about 694,000 square feet, with over 70 percent occurring within the STA and just 16 percent (about 110,000 square feet) occurring in the PTA. It is important to note that an overwhelming majority of this retail growth in the County (82 percent) occurred before 2010. Between 2010 and 2014, the County added about 124,000 square feet of retail space. By comparison, Folsom added 510,000 square feet during this same period.

A review of the annual net absorption for the retail sector shows a positive, but relatively nominal, average annual absorption for the Project Area, PTA and STA, as shown in **Table 2-4**.

The retail sector in the Project Area has been exceptionally stable from 2006 through 2014 with an average annual fourth quarter vacancy rate of 3.2 percent, as shown in **Table 2-5**. Retail in the PTA has also remained stable during that time period, with an average vacancy rate of

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<sup>15</sup> Realty Mogul (realtymogul.com/) defines three classes of properties. Class A properties represent the highest quality buildings in their market and area; they are generally newer properties built within the last 15 years with top amenities, high-income earning tenants and low vacancy rates. Class B properties are generally older than Class A, tend to have lower income tenants and may or may not be professionally managed; rental income is typically lower than Class A along with some deferred maintenance issues. Class C properties are typically more than 20 years old and located in less than desirable locations; the property is generally in need of renovation, including updating the building infrastructure to bring it up to date.

<sup>16</sup> DTZ Retail Terranomics Sacramento Retail Market Summary 1Q 2015.

**Table 2-2**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Retail Market Inventory: Leasable Square Feet (2006-2014)**

Retail -- Leasable Sq. Ft.

Market	Retail Inventory: Leasable Sq. Ft. [1]									Difference 2006-2014	Average Annual % Change
	2006 Q4	2007 Q4	2008 Q4	2009 Q4	2010 Q4	2011 Q4	2012 Q4	2013 Q4	2014 Q4		
<b>Missouri Flat [2]</b>	<b>689,307</b>	<b>696,855</b>	<b>696,855</b>	<b>705,855</b>	<b>720,675</b>	<b>720,675</b>	<b>720,675</b>	<b>720,675</b>	<b>720,675</b>	<b>31,368</b>	<b>0.6%</b>
<b>Primary Trade Area (PTA) [3]</b>	<b>2,680,097</b>	<b>2,706,854</b>	<b>2,706,854</b>	<b>2,723,354</b>	<b>2,738,174</b>	<b>2,753,274</b>	<b>2,753,274</b>	<b>2,753,274</b>	<b>2,753,274</b>	<b>73,177</b>	<b>0.3%</b>
<b>Secondary Trade Area (STA) [4]</b>	<b>1,531,242</b>	<b>1,756,679</b>	<b>1,799,024</b>	<b>1,810,464</b>	<b>1,810,464</b>	<b>1,837,378</b>	<b>1,847,778</b>	<b>1,847,778</b>	<b>1,847,778</b>	<b>316,536</b>	<b>2.4%</b>
<b>El Dorado County</b>	<b>6,112,585</b>	<b>6,366,303</b>	<b>6,441,353</b>	<b>6,469,293</b>	<b>6,470,194</b>	<b>6,500,712</b>	<b>6,511,112</b>	<b>6,493,230</b>	<b>6,541,731</b>	<b>429,146</b>	<b>0.9%</b>
<b>Competitive Markets</b>											
Folsom	5,374,259	5,521,247	5,543,247	5,538,462	5,593,462	5,937,520	6,048,472	6,046,683	6,046,683	<b>672,424</b>	<b>1.5%</b>
Rancho Cordova	3,689,837	3,839,404	3,893,903	3,960,232	3,973,414	3,905,925	3,869,747	3,874,007	3,884,517	<b>194,680</b>	<b>0.6%</b>
Roseville	9,843,559	9,992,429	10,324,050	10,370,113	10,367,616	10,390,486	10,401,155	10,405,974	10,418,535	<b>574,976</b>	<b>0.7%</b>
City of Sacramento	36,827,325	37,083,499	37,539,206	37,910,862	37,899,729	37,922,438	37,865,461	37,753,659	37,649,893	<b>822,568</b>	<b>0.3%</b>
Sacramento County	64,822,148	65,758,588	66,623,890	67,135,943	67,278,004	67,577,282	67,623,816	67,674,378	67,699,453	<b>2,877,305</b>	<b>0.5%</b>
<b>Sacramento Region [5]</b>	<b>101,968,473</b>	<b>104,573,824</b>	<b>106,344,351</b>	<b>107,376,493</b>	<b>107,579,824</b>	<b>107,930,383</b>	<b>108,034,282</b>	<b>108,274,975</b>	<b>108,726,951</b>	<b>6,758,478</b>	<b>0.8%</b>

inventory

Source: CoStar; EPS.

[1] Reflects data as of the fourth quarter of each year. The first year data for retail in the Missouri Flat Project Area is available is 2006.

[2] Reflects a 2-mile concentric boundary surrounding the center of the Missouri Flat Project Area.

[3] The PTA includes a significant portion of the County surrounding Missouri Flat, including the City of Placerville, the communities of Diamond Springs, Pollock Pines, and Shingle Springs, and other portions of the unincorporated County. Data provided for the PTA includes Missouri Flat area.

[4] The STA includes the far western portion of the County, including the communities of El Dorado Hills and Cameron Park.

[5] The defined Sacramento Region includes the counties of El Dorado, Placer, Sacramento, Solano, Sutter, Yolo, and Yuba.

**Table 2-3**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Retail Market Annual Rentable Building Area (RBA) Delivered (2006-2014)**

Retail -- Bldg. Sq. Ft. Constructed

Market	Annual Rentable Building Area (RBA) Delivered [1]									Total Bldg. Sq. Ft. Constructed	Annual Average (2006-2014)
	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Missouri Flat [2]	21,903	7,548	0	9,000	14,820	0	0	0	0	53,271	5,919
Primary Trade Area (PTA) [3]	36,289	26,757	0	16,500	14,820	15,100	0	0	0	109,466	12,163
Secondary Trade Area [4]	174,206	225,437	42,345	11,440	0	26,914	18,900	0	0	499,242	55,471
El Dorado County	212,884	253,718	75,050	27,940	14,820	42,014	18,900	0	48,501	693,827	77,092
<b>Competitive Markets</b>											
Folsom	207,883	146,988	22,000	0	55,000	344,058	110,952	0	0	886,881	98,542
Rancho Cordova	129,124	135,197	54,499	50,729	13,182	0	5,000	26,720	10,510	424,961	47,218
Roseville	210,074	148,870	349,973	46,063	0	22,870	16,406	13,800	15,000	823,056	91,451
City of Sacramento	1,019,851	765,990	516,701	515,918	132,467	42,685	51,475	168,508	241,939	3,455,534	383,948
Sacramento County	1,838,840	1,421,114	951,540	713,770	285,661	386,743	210,667	378,408	386,844	6,573,587	730,399
<b>Sacramento Region [5]</b>	<b>3,440,938</b>	<b>3,055,948</b>	<b>1,876,653</b>	<b>1,217,148</b>	<b>381,071</b>	<b>453,621</b>	<b>281,627</b>	<b>649,702</b>	<b>807,778</b>	<b>12,164,486</b>	<b>1,351,610</b>

Source: CoStar; EPS.

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[1] Reflects data as of the fourth quarter of each year. The first year data for retail in the Missouri Flat Project Area is available is 2006.

[2] Reflects a 2-mile concentric boundary surrounding the center of the Missouri Flat Project Area.

[3] The PTA includes a significant portion of the County surrounding Missouri Flat, including the City of Placerville, the communities of Diamond Springs, Pollock Pines, and Shingle Springs, and other portions of the unincorporated County. Data provided for the PTA includes Missouri Flat area.

[4] The STA includes the far western portion of the County, including the communities of El Dorado Hills and Cameron Park.

[5] The defined Sacramento Region includes the counties of El Dorado, Placer, Sacramento, Solano, Sutter, Yolo, and Yuba.

**Table 2-4**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Historical Retail Annual Net Absorption -- Sq. Ft. (2006-2014)**

**Retail -- Net Absorption**

Market	Net Absorption (Sq. Ft.) [1]									Average (2006-2014)
	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<b>Missouri Flat [2]</b>	<b>21,409</b>	<b>9,047</b>	<b>2,050</b>	<b>(4,760)</b>	<b>8,207</b>	<b>7,095</b>	<b>4,155</b>	<b>(9,171)</b>	<b>16,021</b>	<b>6,006</b>
<b>Primary Trade Area (PTA) [3]</b>	<b>(34,751)</b>	<b>2,428</b>	<b>(42,198)</b>	<b>1,118</b>	<b>29,351</b>	<b>(54,626)</b>	<b>50,014</b>	<b>(4,961)</b>	<b>54,259</b>	<b>70</b>
<b>Secondary Trade Area (STA) [4]</b>	<b>85,904</b>	<b>211,216</b>	<b>(33,703)</b>	<b>16,186</b>	<b>26,002</b>	<b>46,852</b>	<b>20,430</b>	<b>(21,778)</b>	<b>19,708</b>	<b>41,202</b>
<b>El Dorado County</b>	<b>37,430</b>	<b>201,983</b>	<b>(58,162)</b>	<b>(64,653)</b>	<b>39,964</b>	<b>4,073</b>	<b>63,000</b>	<b>(45,206)</b>	<b>133,227</b>	<b>34,628</b>
<b>Competitive Markets</b>										
Folsom	(187,358)	297,952	(76,829)	(54,245)	89,298	89,507	205,784	56,692	52,300	52,567
Rancho Cordova	15,457	49,496	(171,216)	52,566	(133,191)	14,343	(90,488)	149,716	97,859	(1,718)
Roseville	120,559	288,274	70,986	(175,755)	(118,613)	166,203	193,245	136,529	83,473	84,989
City of Sacramento	420,447	1,324,853	(382,047)	(553,718)	(85,783)	32,312	(57,756)	(169,127)	55,417	64,955
Sacramento County	346,191	2,235,542	(910,828)	(1,073,540)	(22,004)	357,637	(42,010)	299,043	575,868	196,211
<b>Sacramento Region [5]</b>	<b>1,650,956</b>	<b>3,805,252</b>	<b>(1,198,769)</b>	<b>(1,900,010)</b>	<b>(130,255)</b>	<b>628,274</b>	<b>669,107</b>	<b>735,021</b>	<b>1,563,251</b>	<b>646,981</b>

*absorb*

Source: CoStar; EPS.

[1] Reflects data as of the fourth quarter of each year. The first year retail data is available through CoStar is 2006.

[2] Reflects a 2-mile concentric boundary surrounding the center of the Missouri Flat Project Area.

[3] The PTA includes a significant portion of the County surrounding Missouri Flat, including the City of Placerville, the communities of Diamond Springs, Pollock Pines, and Shingle Springs, and other portions of the unincorporated County. Data provided for the PTA includes Missouri Flat area.

[4] The STA includes the far western portion of the County, including the communities of El Dorado Hills and Cameron Park.

[5] The defined Sacramento Region includes the counties of El Dorado, Placer, Sacramento, Solano, Sutter, Yolo, and Yuba.

Table 2-5  
Missouri Flat Master Circulation and Financing Plan Phase II  
Retail Market and Feasibility Analysis  
Historical Retail Market Vacancy (2006-2014)

Retail -- Vacancy

Market	Vacancy [1]																		Average	
	2006 Q4		2007 Q4		2008 Q4		2009 Q4		2010 Q4		2011 Q4		2012 Q4		2013 Q4		2014 Q4			
	Sq. Ft.	%	Sq. Ft.	%	Sq. Ft.	%	Sq. Ft.	%	Sq. Ft.	%	Sq. Ft.	%	Sq. Ft.	%	Sq. Ft.	%	Sq. Ft.	%	Sq. Ft.	%
Missouri Flat [2]	17,924	2.6%	15,050	2.2%	14,375	2.1%	28,135	4.0%	30,748	4.3%	27,653	3.8%	23,498	3.3%	32,669	4.5%	16,648	2.3%	22,967	3.2%
Primary Trade Area (PTA) [3]	92,670	3.5%	115,624	4.3%	154,947	5.7%	174,579	6.4%	156,048	5.7%	228,674	8.3%	179,760	6.5%	184,721	6.7%	130,462	4.7%	157,498	5.8%
Secondary Trade Area (STA) [4]	136,757	8.9%	150,978	8.6%	215,197	12.0%	210,365	11.6%	185,770	10.3%	176,340	9.6%	165,010	8.9%	184,988	10.0%	168,380	9.1%	177,087	9.9%
El Dorado County	252,985	4.1%	303,345	4.8%	421,853	6.5%	509,259	7.9%	476,954	7.4%	515,601	7.9%	464,007	7.1%	487,066	7.5%	407,905	6.2%	426,553	6.6%
Competitive Markets																				
Folsom	488,903	9.1%	351,880	6.4%	449,509	8.1%	498,169	9.0%	461,195	8.2%	689,402	11.6%	616,752	10.2%	555,032	9.2%	497,019	8.2%	511,985	8.9%
Rancho Cordova	367,924	10.0%	466,195	12.1%	693,710	17.8%	707,473	17.9%	786,357	19.8%	738,256	18.9%	817,724	21.1%	672,868	17.4%	551,425	14.2%	644,659	16.6%
Roseville	596,700	6.1%	481,396	4.8%	740,468	7.2%	960,465	9.3%	1,029,979	9.9%	908,772	8.7%	643,754	6.2%	601,730	5.8%	549,603	5.3%	723,652	7.0%
City of Sacramento	2,464,543	6.7%	2,188,633	5.9%	2,951,603	7.9%	3,859,197	10.2%	3,959,545	10.4%	3,892,880	10.3%	3,941,668	10.4%	3,938,925	10.4%	3,427,629	9.1%	3,402,736	9.0%
Sacramento County	4,616,939	7.1%	4,140,854	6.3%	5,835,403	8.8%	7,299,558	10.9%	7,514,006	11.2%	7,398,878	10.9%	7,576,436	11.2%	7,216,519	10.7%	6,292,541	9.3%	6,432,348	9.6%
Sacramento Region [5]	6,477,438	6.4%	6,130,292	5.9%	9,022,896	8.5%	11,770,473	11.0%	12,096,915	11.2%	11,778,102	10.9%	11,225,293	10.4%	10,712,891	9.9%	9,670,932	8.9%	9,876,137	9.3%

Source: CoStar; EPS. vacancy

[1] Reflects data as of the fourth quarter of each year. The first year retail data is available through CoStar is 2006.  
[2] Reflects a 2-mile concentric boundary surrounding the center of the Missouri Flat Project Area.  
[3] The PTA includes a significant portion of the County surrounding Missouri Flat, including the City of Placerville, the communities of Diamond Springs, Pollock Pines, and Shingle Springs, and other portions of the unincorporated County. Data provided for the PTA includes Missouri Flat area.  
[4] The STA includes the far western portion of the County, including the communities of El Dorado Hills and Cameron Park.  
[5] The defined Sacramento Region includes the counties of El Dorado, Placer, Sacramento, Solano, Sutter, Yolo, and Yuba.

5.8 percent. Retail in the Project Area and PTA fared better than surrounding markets, such as the STA, Folsom, and Rancho Cordova where vacancy rates were 9.9 percent, 8.9 percent and 16.6 percent, respectively.

Average asking lease rates for retail building space in the Project have hovered around \$1.60 per square foot per month for a triple net lease since 2011. This is about 30 cents higher (or a 60-percent premium) over average rents in the PTA and the Sacramento Region as a whole (see **Table 2-6**).

## **Initial Cost Burden and Financial Feasibility Findings**

This study includes an initial evaluation of financial feasibility of potential new retail development in the Project Area. Specifically, EPS utilized the following two methods for evaluating financial feasibility:

- Total Burden of Major Infrastructure.
- Total Taxes and Assessments as a Percentage of Sales Price.

It is important to note that these feasibility metrics, described in further detail below, should be considered initial diagnostics, offering a general indicator of whether or not a project is likely to meet financial feasibility criteria, or whether measures should be taken to improve viability, either through a reduction in cost burdens, identification of other funding sources, or other approaches.

The purpose of the Total Burden of Major Infrastructure feasibility test is to assess the financial feasibility of a potential retail project, given all current and proposed fees. This feasibility test, however, does not include any modifications to the County TIM Fee or any additional project-specific (or Project Area-specific) infrastructure costs.

The purpose of the Total Taxes and Assessments as a Percentage of Sales Price feasibility test is to ensure current and proposed taxes and assessments do not exceed 1.8 percent of the value of the property.<sup>17</sup> A Mello-Roos CFD (special tax) or assessment will fund infrastructure costs not covered by existing or proposed financing programs; this feasibility test assesses the additional special tax/assessment burden on a retail development project. The estimated preliminary maximum special tax amount that could be implemented as part of a Mello-Roos CFD or Assessment District is included in this feasibility test.

### **Missouri Flat Infrastructure Cost Feasibility Summary**

**Table B-1** shows the total infrastructure cost burden for retail development in the Project Area. The cost burden is shown per building square foot for retail development. The cost burden per square foot is 8.9 percent of the building sales price for a potential retail project in the Project

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<sup>17</sup> Although the general rule of thumb is 2 percent, EPS has used a target range of 1.8 percent to allow a 0.2-percent gap for additional special taxes and assessments as needed.

**Table 2-6**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Historical Retail Market Average Asking Lease Rates (2006-2014)**

Retail -- Lease Rates

Market	Average Asking Lease Rate [1] [6]									Average Annual % Change (2006-2014)	Difference
	2006 Q4	2007 Q4	2008 Q4	2009 Q4	2010 Q4	2011 Q4	2012 Q4	2013 Q4	2014 Q4		
Missouri Flat [2]	\$2.28	\$2.49	\$2.07	\$1.97	\$1.76	\$1.63	\$1.63	\$1.58	\$1.60	-4.37%	(\$0.69)
Primary Trade Area (PTA) [3]	\$1.77	\$1.94	\$1.31	\$1.27	\$1.18	\$1.20	\$1.23	\$1.22	\$1.27	-4.07%	(\$0.50)
Secondary Trade Area [4]	\$1.91	\$2.62	\$2.11	\$2.18	\$1.97	\$1.93	\$2.00	\$1.80	\$1.66	-1.72%	(\$0.25)
El Dorado County	\$1.94	\$2.39	\$1.94	\$2.12	\$1.75	\$1.66	\$1.73	\$1.58	\$1.54	-2.80%	(\$0.39)
<b>Competitive Markets</b>											
Folsom		\$2.71	\$2.23	\$1.85	\$1.63	\$1.65	\$1.59	\$1.65	\$1.75	#DIV/0!	\$1.75
Rancho Cordova	\$1.69	\$1.66	\$1.54	\$1.35	\$1.36	\$1.08	\$1.04	\$1.06	\$1.08	-5.41%	(\$0.61)
Roseville	\$2.18	\$2.48	\$2.11	\$1.91	\$1.75	\$1.51	\$1.39	\$1.42	\$1.38	-5.56%	(\$0.80)
City of Sacramento	\$1.55	\$1.67	\$1.57	\$1.54	\$1.48	\$1.33	\$1.31	\$1.28	\$1.33	-1.82%	(\$0.21)
Sacramento County	\$1.81	\$1.87	\$1.68	\$1.55	\$1.44	\$1.32	\$1.29	\$1.27	\$1.33	-3.75%	(\$0.48)
Sacramento Region [5]	\$1.90	\$1.96	\$1.75	\$1.65	\$1.49	\$1.37	\$1.33	\$1.30	\$1.34	-4.21%	(\$0.55)

lease

Source: CoStar; EPS.

[1] Reflects data as of the fourth quarter of each year. The first year retail data is available through CoStar is 2006.

[2] Reflects a 2-mile concentric boundary surrounding the center of the Missouri Flat Project Area.

[3] The PTA includes a significant portion of the County surrounding Missouri Flat, including the City of Placerville, the communities of Diamond Springs, Pollock Pines, and Shingle Springs, and other portions of the unincorporated County. Data provided for the PTA includes Missouri Flat area.

[4] The STA includes the far western portion of the County, including the communities of El Dorado Hills and Cameron Park.

[5] The defined Sacramento Region includes the counties of El Dorado, Placer, Sacramento, Solano, Sutter, Yolo, and Yuba.

[6] Reflects price per square foot on a monthly triple net lease rate, which requires the lessee to pay for net real estate taxes, net building insurance, and net common area maintenance.

Area. In general, if the total cost burden is less than 15 percent of the building sales price, then a project is considered to be financially feasible. Again, any modifications to the County TIM Fee or any additional project-specific (or Project Area-specific) infrastructure costs may impact these results.

### **Missouri Flat Two-Percent Feasibility Summary**

**Table B-2** summarizes the Two-Percent Test for retail development in the Project Area. After accounting for all taxes on **Table B-2**, retail land use has a total tax burden of approximately 1.1 percent. This is less than 1.8 percent threshold, indicating it would be considered feasible.

More information on these feasibility analyses can be found in **Appendix B**.

### **Retail Project Feasibility**

Although a retail project pro forma evaluating the development costs and revenues of a specific or prototypical project was not evaluated as part of this study, it should be noted that input from real estate professionals interviewed for this study indicated that current lease rates for retail space in the Project Area may not be sufficient to support construction costs, depending on the cost of land for a particular site. Stakeholders estimated average retail lease rates for new space in the Project Area are approximately \$1.75 per square foot, an increase of about 10 percent since the last quarter of 2014. Stakeholders indicated an estimated threshold lease rate of at least \$2.00 per square feet may be required to support new construction, and there is substantial optimism this lease rate could be achieved in the next 3-5 years.

That being said, there are numerous costs – principally, the cost basis of the land and backbone infrastructure (including environmental mitigation) costs – that play a significant role in evaluating the financial feasibility of an individual project. Some projects may have the ability to move forward more quickly depending on the extent of these costs. By way of example, The Crossings at El Dorado is moving forward with an initial phase of retail development over the next year, as described in more detail in the following chapter.



### 3. *EXISTING AND PROPOSED RETAIL SUPPLY*

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This study identifies the existing and proposed retail centers that are anticipated to compete with new retail development in the Project. Centers both in and directly outside the PTA and STA are included to gain an overall understanding of the competitive market supply. The locations of competitive retail supply in the Project Area, PTA, STA, and directly adjacent to the STA are illustrated in **Map 3-1**.

#### **Retail Supply in the Primary Trade Area**

This section summarizes the existing and proposed retail centers in the PTA shown in **Table 3-1**.

##### **Existing Retail Centers in the PTA**

The PTA does not contain any regional-serving retail centers. However, the PTA comprises ten existing local/community retail centers totaling approximately 1.1 million square feet. Five of these centers are also located in the Project Area, accounting for approximately 489,000 square feet. The PTA includes the following retail centers.

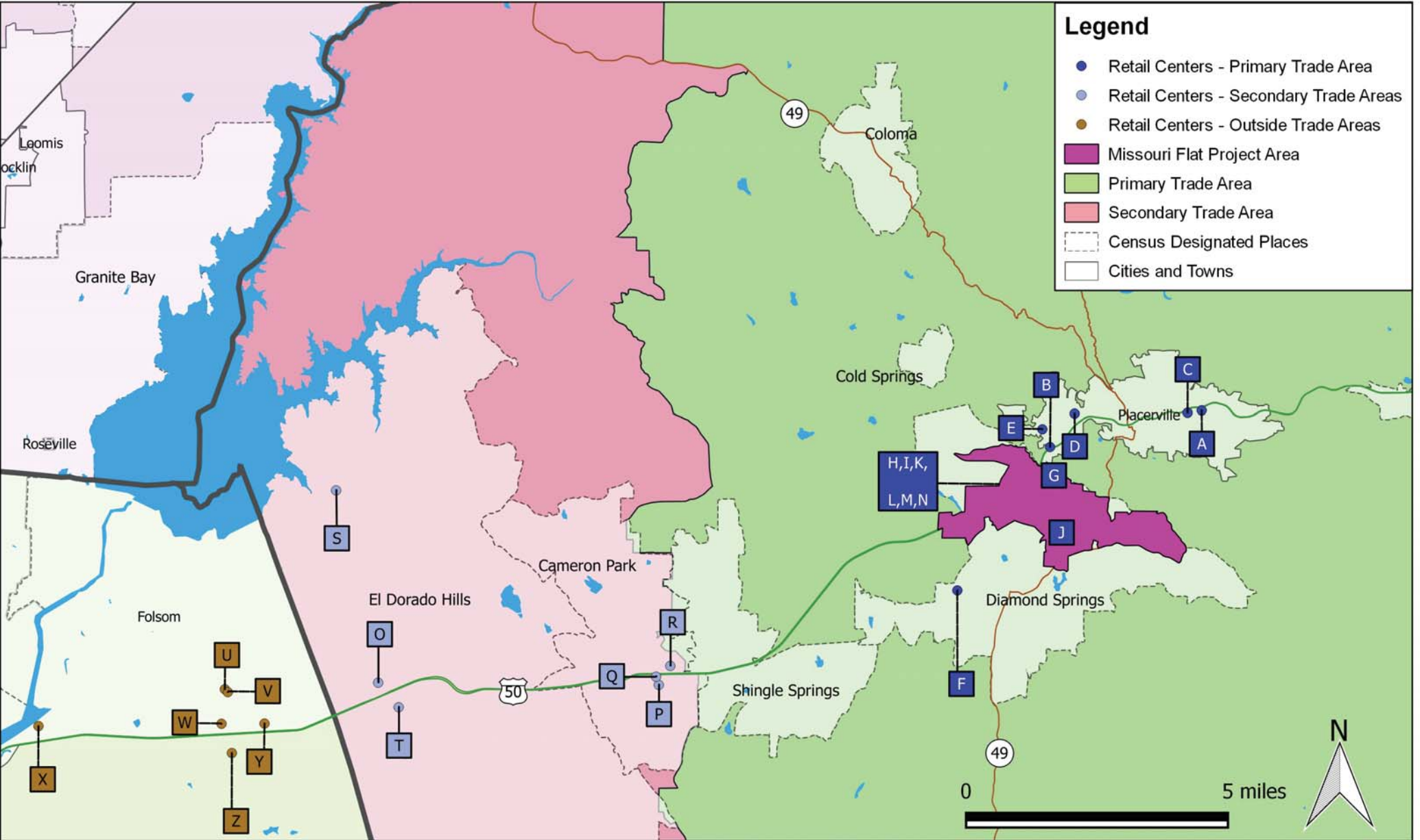
##### *Inside the Project Area*

- **5785 Pleasant Valley Road Center:** Over 100,000 square-foot center housing food, automobile, and miscellaneous local-serving retail.
- **Walgreens Center:** Approximately 15,000 square feet pad housing a Walgreens pharmacy.
- **Missouri Flat Village:** An 114,000 square-foot community center anchored by a Safeway and T.J. Maxx store.
- **Prospector's Plaza:** A 231,000 square-foot community center featuring Save Mart, Kmart, and CVS Pharmacy.
- **Walmart Center:** A 129,000 Walmart with small fast food restaurants adjacent to the site, located on Missouri Flat Road, south of Hwy 50.

##### *Outside the Project Area*

- **Carriage Trade Shopping Center:** An 110,000 square-foot community center, including a Grocery Outlet and Dollar Tree store.
- **County Fair Shopping Center:** A 101,000 square-foot community center with a Rite Aid Pharmacy and Big Lots store.
- **Untitled Shopping Center:** A 100,000 square-foot community center located on Broadway near Mosquito Road and is anchored by a Save Mart and Rite Aid Pharmacy.
- **Home Depot:** A 97,000 square foot Home Depot store.
- **Raley's Shopping Center:** Approximately 82,000 square feet center housing a Raley's grocery store and two financial institutions.

Map 3-1  
Missouri Flat Master Circulation and Financing Plan Phase II  
Retail Market and Feasibility Analysis  
Existing and Proposed Retail Supply [1]



Sources: National Research Bureau Shopping Center Database; CoStar; El Dorado County Planning Services Department; Sacramento Business Journal; EPS. Prepared by EPS 10/15/2015

[1] Refer to Table 3-1, Table 3-2, and Table 3-3 for the details regarding each retail center in the PTA, STA, and adjacent to the STA, respectively. 15-0048 4C 26 of 55

**Table 3-1**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Existing and Proposed Retail Supply: Primary Trade Area**

**Primary Trade Area:**  
**Regional and Community Retail**

Map Ref. [1]	Center Name	Inside Project Area	Approved	Location	Estimated GLA (Sq. Ft.)	Anchor Tenants
<b>EXISTING SUPPLY</b>						
<b>Local/Community Centers Inside the PTA</b>						
A	Carriage Trade Shopping Center	No	-	Placerville	110,000	Grocery Outlet, Dollar Tree
B	County Fair Shopping Center	No	-	Placerville	101,145	Big Lots, Rite Aid Pharmacy
C	Untitled Shopping Center [2]	No	-	Placerville	100,000	Save Mart, Rite Aid Pharmacy
D	Home Depot Shopping Center	No	-	Placerville	97,000	Home Depot
E	Raley's Shopping Center	No	-	Placerville	82,076	Raley's, Wells Fargo, El Dorado Bank, etc.
F	5785 Pleasant Valley Road	No	-	El Dorado County	102,429	Café El Dorado, auto service, and misc. retail
G	Walgreens	Yes	-	El Dorado County	14,700	Walgreens
H	Missouri Flat Village	Yes	-	El Dorado County	114,171	Safeway, T.J. Maxx
I	Prospector's Plaza	Yes	-	El Dorado County	230,735	Save Mart, Kmart, CVS Pharmacy
J	Wal-Mart Center [3]	Yes	-	El Dorado County	129,000	Wal-Mart
<b>Regional Centers Inside the PTA</b>		-	-	-	-	-
<b>Total Existing Retail Sq. Ft. Inside the PTA</b>					<b>1,081,256</b>	
<b>Total Inside the Missouri Flat Project Area [4]</b>					<b>488,606</b>	
<b>PROPOSED SUPPLY</b>						
<b>Local/Community Centers Inside the PTA</b>						
K	Willow Creek Plaza (formerly Creekside Plaza)	Yes	No	El Dorado County	30,560	Unavailable
L	Diamond Dorado Retail Center	Yes	Yes	El Dorado County	241,515	Unavailable
M	El Mirage Plaza	Yes	No	El Dorado County	NA	Unavailable
<b>Regional Centers Inside the PTA</b>						
N	The Crossings at El Dorado (formerly Sundance Plaza) [5]	Yes	Yes	El Dorado County	375,000	Unavailable
<b>Total Proposed Retail Sq. Ft. Inside the PTA</b>					<b>647,075</b>	
<b>Total Inside the Missouri Flat Project Area</b>					<b>647,075</b>	
<b>Total Existing &amp; Proposed Retail Sq. Ft. (Supply)</b>					<b>2,216,937</b>	
<b>Total Inside the Missouri Flat Project Area</b>					<b>1,135,681</b>	

pta supply

Sources: National Research Bureau Shopping Center Database; CoStar; El Dorado County Planning Services Department; the Sacramento Business Journal; and EPS.

[1] See Map 3-1 for locations of existing and proposed centers in the PTA.

[2] Represents an untitled shopping center on Broadway Street off of the Mosquito/Main St. Hwy 50 exit. Square footage was estimated based on standard industry square footage requirements by tenant and the square footage of similar shopping centers within the area.

[3] From the Missouri Flat Area Hearing Report, CFD No. 2002-01 Financing Plan, prepared by EPS for the El Dorado County Board of Supervisors, March 2002.

[4] Square footage differs from CoStar inventory shown in Table 2-2 because of variances in geographic boundaries. The area used to evaluate market support for retail development corresponds with traffic analysis zones (TAZs) that overlap with the MC&FP boundary. Thus, the "Project Area" referenced in this study is not coterminous with and is slightly larger than the actual MC&FP boundary.

[5] The Crossings at El Dorado is approved for 535,000 square feet of commercial development. Recent conversations with the project applicant indicates retail square footage is approximately 375,000, with remaining capacity reserved for hotels or other uses.

### **Proposed Retail Centers**

Based on data obtained from County staff and stakeholder interviews, the PTA contains three proposed community centers and one proposed regional center. One of the three community retail centers - the Diamond Dorado Retail Center - is located south of the Missouri Flat Road/Hwy 50 interchange, has received development approvals, and will include approximately 241,500 square feet of community retail space. The other two proposed community retail centers have not received development approvals. These include the Willow Creek Plaza center (formerly Creekside Plaza), located at the intersection of Missouri Flat Road and Forni Road and proposed for 30,500 square feet of retail; and the El Mirage Plaza, located in the southeast quadrant of the El Dorado Road interchange and Runnymede Drive (specific proposed square footage is unknown at the time of this study).

The proposed regional retail center consists of The Crossings at El Dorado (formerly Sundance Plaza), which is bordered by Missouri Flat Road and Prospector's Plaza to the east and Hwy 50 to the south and is approved for 535,000 square feet of commercial development. A recent conversation with the project applicant indicates planned retail development will total 375,000 square feet, with remaining development capacity reserved for hotels or other non-retail uses. The first phase, which is anticipated to be completed in the late summer of 2016, will consist of 110,000 square feet of community/regional retail tenants, including Petco; Sports Authority; Michaels; Ulta; and Verizon Wireless. The project applicant is also in negotiations with several fast-food retailers and other anchor tenants. The design of this project is intended to include lifestyle center features, consistent with recent national and regional trends, including several retail buildings surrounding a "town center event square."<sup>18</sup>

**Table 3-1** lists the proposed community and regional centers inside the defined PTA including those within the Project Area boundary.

## **Retail Supply in the Secondary Trade Area**

This section summarizes the existing and proposed regional-serving retail centers in the STA, as shown in **Map 3-1**. Analysis of demand for local/community-serving retail was not included in this study because local/community-serving retail trade areas typically serve an area with a radius of 1 to 5 miles from the center. Based on this definition, it is concluded that residents in the STA will purchase goods at local/community centers in the STA, which, because of distance, do not compete with community centers in the Project.

### **Existing Regional Retail Centers**

There is one existing regional retail center in the STA. The **El Dorado Hills Town Center**, located south of US-50 at the Latrobe Road exit, includes 570,000 square feet of regional retail. This center is designed to be a Lifestyle Center that hosts a variety of retailers including anchor stores such as Target and Nugget Market, entertainment venues such as Regal Cinemas IMAX and the Steven Young Amphitheater, boutique stores, and wellness spas.

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<sup>18</sup> "Why this El Dorado County retail center took two decades to break ground." Sacramento Business Journal, October 21, 2015.

## Existing Local/Community Retail Centers

As previously mentioned, analysis of demand for local/community-serving retail was not included in this study; however, general information regarding these centers is provided to support the capture rates assumed in this study. There are four local/community-serving retail centers in the STA in the communities of El Dorado Hills and Cameron Park, including the El Dorado Hills Village Center, Cameron Park Plaza, an untitled shopping center, Goldorado Shopping Center, and Green Valley Marketplace.<sup>19</sup>

**Table 3-2** lists the existing local/community and regional centers in the defined STA. **Map 3-1** displays the locations of these centers.

## Proposed Regional Retail Centers

Currently there are no proposed regional retail centers inside the STA.

## Retail Supply Outside of the STA

This section describes the existing and proposed competitive regional retail centers directly outside of the STA in the City of Folsom to provide additional information on regional-serving retail that, while not a part of the identified trade area, is competitive with retail development in the Project Area and has a significant impact on assumed capture rates, in particular for households in the STA.

## Existing Regional Retail Centers

Outside the STA, there are five existing regional retail centers totaling approximately 2.0 million square feet, including these:

- **Broadstone Plaza:** A 450,000 square-foot center that includes Home Depot, Marshalls, and Ross.
- **Palladio at Broadstone:** A 485,000 square-foot lifestyle retail center featuring Nordstrom Rack, H&M clothing store, Sports Authority, and various salons and spas.
- **Folsom Gateway Mall:** A 387,000 square-foot retail center anchored by Sam's Club, REI, and Best Buy.
- **Folsom Premium Outlets:** A 555,000 square-foot retail center featuring over 80 outlet stores.
- **Costco:** Nearly 150,000 square-foot Costco store.

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<sup>19</sup> Refers to an untitled shopping center anchored by Forklift by Nugget, located south of US-50 at the Cameron Park Drive interchange.

**Table 3-2**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Existing and Proposed Retail Supply: Secondary Trade Area**

**Secondary Trade Area:**  
**Regional and Community Retail**

Map Ref. [1]	Center Name	Approved	Location	Estimated GLA (Sq. Ft.)	Anchor Tenants
<b>EXISTING SUPPLY</b>					
<b>Local/Community Centers Inside the STA</b>					
O	El Dorado Hills Village Center (North of 50)		El Dorado Hills	135,000	Raley's, Walgreens
P	Cameron Park Plaza		Cameron Park	165,000	Safeway
Q	Untitled Shopping Center [2]		Cameron Park	85,000	Forklift by Nugget
R	Goldorado Shopping Center		Cameron Park	185,000	Bel Air, CVS Pharmacy, Petco
S	Green Valley Marketplace		El Dorado Hills	106,332	Safeway
<b>Regional Centers Inside the STA</b>					
T	El Dorado Hills Town Center (South of 50)		El Dorado Hills	570,000	Target, Regal Cinemas IMAX, Nugget Market, Mercedes Benz of El Dorado Hills
<b>Total Existing Retail Sq. Ft. Inside the STA</b>				<b>1,246,332</b>	
<b>PROPOSED SUPPLY [3]</b>					
<b>Local/Community Centers Inside the STA</b>				N/A	
<b>Regional Centers Inside the STA</b>				N/A	
<b>Total Proposed Retail Sq. Ft. Inside the STA</b>				N/A	
<b>Total Existing &amp; Proposed Retail Sq. Ft. (Supply)</b>				<b>1,246,332</b>	

Sources: National Research Bureau Shopping Center Database; CoStar; El Dorado County Planning Services Department; the Sacramento Business Journal; and EPS.

sta supply

[1] See Map 3-1 for locations of existing and proposed community and regional centers within the STA.  
 [2] Represents an untitled shopping center on Coach Lane off of the Cameron Park Drive Hwy 50 exit.  
 [3] As of this study, there are no proposed retail projects in the STA.

### ***Proposed Regional Retail Centers***

The Folsom Plan Area Specific Plan, adopted in 2011, covers 3,500 acres south of US-50 between Prairie City Road and the Sacramento County line. Approximately 1.0 million square feet is planned for regional retail. The exact timing of an initial phase of development, envisioned to commence with residential development only, is unknown at the time of this study. Future retail development in the Folsom Plan Area is likely a longer-term prospect.

**Table 3-3** lists the existing regional centers both inside and outside the defined STA.

**Table 3-3**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Key Retail Supply Outside of the Trade Areas**

**Adjacent to/Outside of Trade Areas:**  
**Regional Retail**

Map Ref. [1]	Center Name	Approved	Location	Estimated GLA (Sq. Ft.)	Anchor Tenants
<b>EXISTING SUPPLY</b>					
<b>Regional Centers Outside the STA</b>					
U	Broadstone Plaza		Folsom	450,000	Home Depot, Marshalls, Ross
V	Palladio at Broadstone		Folsom	485,000	Nordstrom Rack, H&M, Sports Authority
W	Folsom Gateway Mall		Folsom	387,000	Sam's Club, REI, Best Buy
X	Folsom Premium Outlets		Folsom	555,000	N/A
Y	Costco		Folsom	148,663	Costco
<b>Total Existing Retail Sq. Ft. Outside of Trade Areas</b>				<b>2,025,663</b>	
<b>PROPOSED SUPPLY</b>					
<b>Regional Centers Outside the STA</b>					
Z	Regional Retail in the Folsom Plan Area [2]	No	Folsom	1,000,000	Unavailable
<b>Total Existing &amp; Proposed Retail Sq. Ft. (Supply)</b>				<b>3,025,663</b>	

*outside trade areas*

Sources: City of Folsom; Specific Plan land use plans; CoStar; EPS.

[1] See Map 3-1 for locations of existing and proposed regional centers outside of the Primary Trade Areas (includes Folsom and Folsom Plan Area).

[2] Estimates are preliminary and a rough approximation based on the Folsom Plan Area Specific Plan adopted in June, 2011.



## 4. *GROSS AND NET RETAIL DEMAND*

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This chapter contains an analysis of estimated demand for retail in the Project Area based on household income levels, household growth projections, and the Project's estimated capture of retail sales from each of the three trade areas (Project Area, PTA, and STA).

It also includes a retail gap analysis, or comparison of existing retail demand and sales, in the PTA, as estimated through ESRI Business Analyst and the U.S. Census of Retail Trade. This data indicates that two retail categories are generating higher retail sales than consumer demand can support. EPS ran a sensitivity analysis to evaluate the impacts if the demand for retail space in the two retail categories is excluded.

### **Total Personal Income**

The retail demand analysis is based on household growth projections for the trade areas, Census-derived 2013 per capita income levels escalated to 2015 dollars, and spending habits for consumers in California as reported by the 2012 Census of Retail Trade.

To estimate retail demand for each trade area, the total personal income (TPI) is calculated by multiplying the County's General Plan household projections for 2015, 2020, and 2035 by the 2015 average household income for each trade area. See **Table 4-1** for household growth projections and refer to **Table 4-2** for TPI calculations.

TPI is used to estimate retail expenditure potential – the amount of money that the average household spends on retail goods. The Project Area currently has an estimated 1,500 households, with an average annual household income of approximately \$63,000, yielding an estimated TPI of \$95.1 million for all households in the Project Area. This is anticipated to grow to 2,100 households by 2035, resulting in a TPI figure of \$131.2 million. This spending potential then informs the amount of potentially new retail square footage that can be supported without taking business away from existing establishments.

**Table 4-1**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Household Projections**

Item	General Plan Projected Households			2015-2020			2015-2035		
	2015 [1]	2020	2035	Total Change	Annual Change	Avg. Annual % Change	Total Change	Annual Change	Avg. Annual % Change
Market Trade Area									
Primary Trade Area									
Missouri Flat Project Area	1,501	1,626	2,070	126	25	1.62%	569	28	1.62%
Remaining Area	30,943	32,373	37,058	1,430	286	0.91%	6,115	306	0.91%
Total Primary Trade Area	32,443	33,999	39,128	1,556	311	0.94%	6,685	334	0.94%
Secondary Trade Area	24,948	26,850	33,474	1,903	381	1.48%	8,526	426	1.48%
Total Trade Area	57,391	60,849	72,602	3,458	692	1.18%	15,211	761	1.18%
El Dorado County	58,170	62,052	75,324	3,882	776	1.30%	17,154	858	1.30%

*proj*

Source: El Dorado County General Plan projections, amended June 2015, El Dorado County; EPS.

[1] Reflects 2013 American Community Survey 5-Year data, as shown in Table 2-1, increased to 2015 households using the average annual General Plan projection growth rate.

**Table 4-2**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Trade Area Total Personal Income (TPI) Estimates (2015\$)**

Trade Area	Source	Year		
		2015	2020	2035
Missouri Flat Project Area				
Households	Table 4-1	1,501	1,626	2,070
Average HH Income [1]	Table 2-1	\$63,362	\$63,362	\$63,362
Estimated Total Household Income		\$95,075,629	\$103,039,110	\$131,159,810
Primary Trade Area (Excl. Project Area)				
Households	Table 4-1	30,943	32,373	37,058
Average HH Income [1]	Table 2-1	\$78,716	\$78,716	\$78,716
Estimated Total Household Income		\$2,435,678,142	\$2,548,242,961	\$2,917,054,106
Secondary Trade Area				
Households	Table 4-1	24,948	26,850	33,474
Average HH Income [1]	Table 2-1	\$123,756	\$123,756	\$123,756
Estimated Total Household Income		\$3,087,438,806	\$3,322,901,057	\$4,142,614,911

TPI

Source: ESRI Business Analyst Online; El Dorado County; EPS.

[1] Reflects 2013 American Community Survey 5-Year data, as shown in Table 2-1 escalated to 2015\$ using the Consumer Price Index (CPI). The CPI for this analysis includes the West region, all urban consumers, all items, and is not seasonally adjusted.

## Retail Expenditure Potential

Retail expenditure potentials can be estimated based on the percent of household income spent on average within the state. The TPI of the trade area is used to estimate how much trade area residents spend on retail purchases. EPS used statewide 2012 Census of Retail Trade data for California and estimated statewide TPI, in order to derive the percent of TPI spent on retail goods for each category. Statewide, households spend an average of approximately 32 percent of TPI on retail purchases. The percent of TPI spent at each store type is shown in **Table 4-3**.

## Retail Store Categories

For purposes of analysis, retail stores are categorized based on shopping and trade area characteristics listed below. Each is described with examples to clarify the types of retail stores included in each of the categories.

- **Convenience Goods**—This category includes supermarkets and other grocery stores, convenience stores, as well as liquor, drug, other specialty food stores, and coffee shops. In addition, this category includes convenience services such as laundry, mail, hair/barber, and copies. These stores generally sell frequently purchased, low cost items with little product differentiation. The primary locations for convenience goods stores are the supermarket-anchored neighborhood shopping centers and smaller convenience centers, as these items are most often bought close to home.
- **Shoppers Goods**—This category includes general merchandise, apparel, furniture, appliance, and specialty goods stores. General merchandise stores include traditional department stores (such as Macy and Sears) as well as discount department stores (Walmart and Target). The product lines of these stores are generally more expensive, less frequently purchased items. In general, people are more likely to comparison shop for shopper's goods and are often more willing to travel farther to buy them. The primary locations for regional shopper's goods are traditional downtown shopping districts, regional shopping centers, free-standing discount department and membership warehouse stores, and power centers dominated by mass merchandise tenants.
- **Eating and Drinking Establishments**—This category covers restaurants including conventional sit-down and fast food, and bars. Businesses in this category exhibit some of the characteristics of convenience stores in that many restaurant expenditures are made at establishments close to home and on a frequent basis. However, some higher quality restaurants, unique in the marketplace, can have a regional draw.
- **Building Materials/Nurseries**—This category is made up of stores selling lumber, paint, glass, hardware, plants and garden supplies, and other retail items related to home improvement. Home improvement centers such as Home Depot and Lowe's are the largest stores in this category.

**Table 4-3**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Retail Expenditures by Store Type, California 2012**

Store Type	NAICS1 [5]	NAICS2 [5]	Gross Retail Sales	% of TPI [6]
<b>State of California TPI [1]</b>			<b>\$1,111,962,637,387</b>	<b>100.0%</b>
<b>Convenience Goods</b>				
Supermarkets & Specialty Grocery Stores	44511	4452	\$75,335,506,000	6.8%
Convenience Stores (incl. Gas Stations) [2]	44512	44711	\$13,511,653,700	1.2%
Beer, Wine, & Liquor Stores	4453		\$3,500,477,000	0.3%
Health and Personal Care	446		\$29,997,552,000	2.7%
<b>Total Convenience Goods</b>			<b>\$122,345,188,700</b>	<b>11.0%</b>
<b>Shopper's Goods</b>				
<b>General Merchandise</b>				
Traditional Department Stores	452111		\$7,939,349,000	0.7%
Discount Department Stores	452112		\$20,471,503,000	1.8%
Other General Merchandise Stores [3]	4529		\$38,150,269,000	3.4%
<b>Subtotal</b>	<b>452</b>		<b>\$66,561,121,000</b>	<b>6.0%</b>
<b>Other Shopper's Goods</b>				
Clothing & Accessories	448		\$33,137,984,000	3.0%
Furniture & Home Furnishings	442		\$10,352,524,000	0.9%
Electronics & Appliances	443		\$14,226,210,000	1.3%
Sporting Goods, Hobby, Book, & Music Stores	451		\$8,367,312,000	0.8%
Miscellaneous Retail	453		\$11,985,784,000	1.1%
<b>Subtotal</b>			<b>\$78,069,814,000</b>	<b>7.0%</b>
<b>Total Shopper's Goods</b>			<b>\$144,630,935,000</b>	<b>13.0%</b>
<b>Eating and Drinking</b>	<b>722</b>		<b>\$65,761,059,000</b>	<b>5.9%</b>
<b>Building Material &amp; Garden</b>				
Building material & supplies dealers				
Home Centers and Paint & Wallpaper Stores	44411	44412	\$13,772,260,000	1.2%
Hardware Stores	44413		\$2,314,230,000	0.2%
Other Building Material Dealers	44419		\$7,715,831,000	0.7%
Lawn & Garden Equipment	4442		\$1,792,465,000	0.2%
<b>Total Building Material &amp; Garden</b>			<b>\$25,594,786,000</b>	<b>2.3%</b>
<b>Total Retail Goods [4]</b>			<b>\$358,331,968,700</b>	<b>32.2%</b>

NAICS

Source: 2012 U.S. Census of Retail Trade; EPS.

- [1] Derived from 2009-2013 ACS 5-Year Estimates for State of California. Per capita income of \$29,500 from ACS Table DP03 and total population of approximately 37.7 million from ACS Table S0101.
- [2] Convenience Stores w/Gas (NAICS Code: 44711) are multiplied by 30% to exclude gas sales based on the Association for Convenience & Fuel Retailing (NACS) State of the Industry Report of 2014 Data.
- [3] Includes Warehouse Clubs & Supercenters and All Other General Merchandise Stores. Data for more specific store categories withheld to avoid disclosing data for individual companies.
- [4] Excludes the following categories: Motor Vehicle & Parts Dealers, Gasoline Stations, and Nonstore retailers.
- [5] The North American Industry Classification System (NAICS) classifies business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. NAICS codes are used in this analysis to identify retail categories that are expected to generate retail sales in the Project area.
- [6] Reflects percent of Total Personal Income (TPI) spent on each retail category.

NAICS codes<sup>20</sup> were used to define each retail store type. This analysis excludes Non-store Retailers, Motor Vehicle & Parts Dealers, and Gasoline Stations. Non-store retailers include online sales and generally have little to no demand for traditional retail building space or storefronts. Motor Vehicle & Parts Dealers and Gasoline Stations also have been excluded in order to focus on demand for traditional retail space.

Retail stores listed in **Table 4-3** were grouped into two categories, local/community-serving and regional-serving, based on the typical location and frequency of purchase. Local/community-serving retail includes grocery, convenience, liquor, health and 50 percent of Eating and Drinking sales, and regional serving includes General Merchandise, Clothing and Accessories, Furniture, Electronics and Appliances, Miscellaneous Retail, 50 percent of Eating and Drinking, and Building Materials. EPS maintained the percent of TPI spent at each store type statewide and applied that percentage to each trade area's respective estimated TPI to derive the estimated retail expenditure potential.

An estimated retail capture rate was applied to the estimated total expenditure potential to determine the expenditure potential from each trade area that could be captured by retail development in the Project Area. Local/community-serving stores in the Project Area are estimated to capture 80 percent of the Project Area's expenditure potential and 60 percent of the Project Area's expenditure potential for regional serving retail goods. It should be noted that the capture rate for the PTA is for the portion of the trade area that does not include the Project Area. The capture rate for the STA applies to sales coming from residents in the STA only. A summary of the capture rates used in this analysis are shown in **Table 4-4**. These capture rates are based on a qualitative assessment of retail offerings in and outside of the trade area boundaries, traffic and commute patterns, and input derived from stakeholder interviews.

**Table 4-5** shows the estimated total expenditure potential by trade area for years 2015, 2020, and 2035. After accounting for the respective capture rates, the Project Area is currently estimated to have the potential to capture approximately \$21.0 million in retail sales from households within the Project Area. This amount is estimated to increase to \$29.0 million by 2035 based on estimated household growth in the Project Area. The total expenditure potential captured in the Project Area for each of the three trade areas (Project Area, PTA, and STA) are added together to determine the Project Area's total retail expenditure potential across all trade areas. This equates to an estimated \$339.8 million in 2015 and increasing to \$412.4 million in 2035, based on estimated household growth in the trade areas.

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<sup>20</sup> The North American Industry Classification System (NAICS) classifies business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. NAICS codes are used in this analysis to identify retail categories that are expected to generate retail sales in the Project area.

**Table 4-4**  
**Project Area Expenditure Potential Capture Rates by Trade Area**

Item	Project Area Capture Rate [1]		
	Project Area	PTA	STA
Local/Community Serving	80%	25%	0%
Regional Serving	60%	50%	2%

Source: EPS.

cap

[1] Estimated capture of spending in Missouri Flat Project Area based on assessment of retail offerings in and outside of the trade area boundaries, traffic and commute patterns, and input derived from stakeholder interviews.

**Table 4-5**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Estimated Expenditure Potential Captured in Project Area, 2015-2035 (2015\$)**

Item	% of TPI [6]	Estimated Total Expenditure Potential			Capture Rate [7]	Estimated Total Expenditure Potential Captured in Project Area		
		2015	2020	2035		2015	2020	2035
<i>formula</i>	<i>a</i>	<i>b = a * TPI</i>	<i>c = a * TPI</i>	<i>d = a * TPI</i>	<i>e</i>	<i>f = b * e</i>	<i>g = c * e</i>	<i>h = d * e</i>
<b>Missouri Flat Project Area</b>								
<b>Total Personal Income (TPI) [1]</b>	<b>100.0%</b>	<b>\$95,075,629</b>	<b>\$103,039,110</b>	<b>\$131,159,810</b>				
<b>Local/Community Serving</b>								
Supermarkets & Specialty Grocery	6.8%	\$6,441,377	\$6,980,903	\$8,886,082	80%	\$5,153,102	\$5,584,723	\$7,108,865
Convenience Stores [3]	1.2%	\$1,155,281	\$1,252,046	\$1,593,746	80%	\$924,225	\$1,001,637	\$1,274,997
Beer, Wine, & Liquor Stores	0.3%	\$299,300	\$324,369	\$412,893	80%	\$239,440	\$259,495	\$330,315
Health and Personal Care	2.7%	\$2,564,867	\$2,779,699	\$3,538,314	80%	\$2,051,893	\$2,223,759	\$2,830,651
Eating and Drinking [4]	3.0%	\$2,811,369	\$3,046,847	\$3,878,371	80%	\$2,249,095	\$2,437,478	\$3,102,697
<b>Subtotal</b>	<b>14.0%</b>	<b>\$13,272,193</b>	<b>\$14,383,864</b>	<b>\$18,309,406</b>	<b>80%</b>	<b>\$10,617,754</b>	<b>\$11,507,092</b>	<b>\$14,647,525</b>
<b>Regional Serving</b>								
General Merchandise	6.0%	\$5,691,145	\$6,167,832	\$7,851,113	60%	\$3,414,687	\$3,700,699	\$4,710,668
Clothing & Accessories	3.0%	\$2,833,382	\$3,070,704	\$3,908,739	60%	\$1,700,029	\$1,842,423	\$2,345,243
Furniture & Home Furnishings	0.9%	\$885,167	\$959,308	\$1,221,116	60%	\$531,100	\$575,585	\$732,669
Electronics & Appliances	1.3%	\$1,216,377	\$1,318,260	\$1,678,030	60%	\$729,826	\$790,956	\$1,006,818
Miscellaneous Retail [5]	1.8%	\$1,740,241	\$1,886,003	\$2,400,718	60%	\$1,044,145	\$1,131,602	\$1,440,431
Eating and Drinking [4]	3.0%	\$2,811,369	\$3,046,847	\$3,878,371	60%	\$1,686,821	\$1,828,108	\$2,327,023
Building Material & Garden	2.3%	\$2,188,419	\$2,371,720	\$3,018,993	60%	\$1,313,052	\$1,423,032	\$1,811,396
<b>Subtotal</b>	<b>18.3%</b>	<b>\$17,366,100</b>	<b>\$18,820,675</b>	<b>\$23,957,079</b>	<b>60%</b>	<b>\$10,419,660</b>	<b>\$11,292,405</b>	<b>\$14,374,248</b>
<b>Total Retail Goods</b>	<b>32.2%</b>	<b>\$30,638,293</b>	<b>\$33,204,539</b>	<b>\$42,266,486</b>	<b>69%</b>	<b>\$21,037,414</b>	<b>\$22,799,497</b>	<b>\$29,021,773</b>



**Table 4-5**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Estimated Expenditure Potential Captured in Project Area, 2015-2035 (2015\$)**

Item	% of TPI [6]	Estimated Total Expenditure Potential			Capture Rate [7]	Estimated Total Expenditure Potential Captured in Project Area		
		2015	2020	2035		2015	2020	2035
<i>formula</i>	<i>a</i>	<i>b = a * TPI</i>	<i>c = a * TPI</i>	<i>d = a * TPI</i>	<i>e</i>	<i>f = b * e</i>	<i>g = c * e</i>	<i>h = d * e</i>
<b>Primary Trade Area</b>								
<b>Total Personal Income (TPI) [1][2]</b>	<b>100.0%</b>	<b>\$2,435,678,142</b>	<b>\$2,548,242,961</b>	<b>\$2,917,054,106</b>				
<b>Local/Community Serving</b>								
Supermarkets & Specialty Grocery	6.8%	\$165,017,276	\$172,643,546	\$197,630,514	25%	\$41,254,319	\$43,160,887	\$49,407,628
Convenience Stores [3]	1.2%	\$29,596,354	\$30,964,149	\$35,445,638	25%	\$7,399,088	\$7,741,037	\$8,861,409
Beer, Wine, & Liquor Stores	0.3%	\$7,667,556	\$8,021,912	\$9,182,935	25%	\$1,916,889	\$2,005,478	\$2,295,734
Health and Personal Care	2.7%	\$65,707,587	\$68,744,262	\$78,693,725	25%	\$16,426,897	\$17,186,065	\$19,673,431
Eating and Drinking [4]	3.0%	\$72,022,552	\$75,351,073	\$86,256,750	25%	\$18,005,638	\$18,837,768	\$21,564,188
<b>Subtotal</b>	<b>14.0%</b>	<b>\$340,011,324</b>	<b>\$355,724,941</b>	<b>\$407,209,562</b>	<b>25%</b>	<b>\$85,002,831</b>	<b>\$88,931,235</b>	<b>\$101,802,391</b>
<b>Regional Serving</b>								
General Merchandise	6.0%	\$145,797,585	\$152,535,618	\$174,612,334	50%	\$72,898,793	\$76,267,809	\$87,306,167
Clothing & Accessories	3.0%	\$72,586,489	\$75,941,072	\$86,932,141	50%	\$36,293,244	\$37,970,536	\$43,466,070
Furniture & Home Furnishings	0.9%	\$22,676,496	\$23,724,490	\$27,158,172	50%	\$11,338,248	\$11,862,245	\$13,579,086
Electronics & Appliances	1.3%	\$31,161,540	\$32,601,670	\$37,320,161	50%	\$15,580,770	\$16,300,835	\$18,660,080
Miscellaneous Retail [5]	1.8%	\$44,582,065	\$46,642,425	\$53,393,055	50%	\$22,291,033	\$23,321,212	\$26,696,528
Eating and Drinking [4]	3.0%	\$72,022,552	\$75,351,073	\$86,256,750	50%	\$36,011,276	\$37,675,536	\$43,128,375
Building Material & Garden	2.3%	\$56,063,629	\$58,654,609	\$67,143,781	50%	\$28,031,815	\$29,327,304	\$33,571,890
<b>Subtotal</b>	<b>18.3%</b>	<b>\$444,890,357</b>	<b>\$465,450,956</b>	<b>\$532,816,393</b>	<b>50%</b>	<b>\$222,445,179</b>	<b>\$232,725,478</b>	<b>\$266,408,197</b>
<b>Total Retail Goods</b>	<b>32.2%</b>	<b>\$784,901,681</b>	<b>\$821,175,898</b>	<b>\$940,025,956</b>	<b>39%</b>	<b>\$307,448,010</b>	<b>\$321,656,714</b>	<b>\$368,210,587</b>

**Table 4-5**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Estimated Expenditure Potential Captured in Project Area, 2015-2035 (2015\$)**

Item	% of TPI [6]	Estimated Total Expenditure Potential			Capture Rate [7]	Estimated Total Expenditure Potential Captured in Project Area		
		2015	2020	2035		2015	2020	2035
<i>formula</i>	<i>a</i>	<i>b = a * TPI</i>	<i>c = a * TPI</i>	<i>d = a * TPI</i>	<i>e</i>	<i>f = b * e</i>	<i>g = c * e</i>	<i>h = d * e</i>
<b>Secondary Trade Area</b>								
<b>Total Personal Income (TPI) [1]</b>	<b>100.0%</b>	<b>\$3,087,438,806</b>	<b>\$3,322,901,057</b>	<b>\$4,142,614,911</b>				
<b>Local/Community Serving</b>								
Supermarkets & Specialty Grocery	6.8%	\$209,174,083	\$225,126,658	\$280,662,299	0%	\$0	\$0	\$0
Convenience Stores [3]	1.2%	\$37,516,012	\$40,377,156	\$50,337,643	0%	\$0	\$0	\$0
Beer, Wine, & Liquor Stores	0.3%	\$9,719,309	\$10,460,548	\$13,041,021	0%	\$0	\$0	\$0
Health and Personal Care	2.7%	\$83,290,214	\$89,642,308	\$111,755,829	0%	\$0	\$0	\$0
Eating and Drinking [4]	3.0%	\$91,294,994	\$98,257,570	\$122,496,357	0%	\$0	\$0	\$0
<b>Subtotal</b>	<b>14.0%</b>	<b>\$430,994,613</b>	<b>\$463,864,239</b>	<b>\$578,293,149</b>	<b>0%</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Regional Serving</b>								
General Merchandise	6.0%	\$184,811,415	\$198,905,981	\$247,973,343	2%	\$3,696,228	\$3,978,120	\$4,959,467
Clothing & Accessories	3.0%	\$92,009,834	\$99,026,926	\$123,455,503	2%	\$1,840,197	\$1,980,539	\$2,469,110
Furniture & Home Furnishings	0.9%	\$28,744,477	\$30,936,663	\$38,568,311	2%	\$574,890	\$618,733	\$771,366
Electronics & Appliances	1.3%	\$39,500,026	\$42,512,479	\$52,999,721	2%	\$790,001	\$850,250	\$1,059,994
Miscellaneous Retail [5]	1.8%	\$56,511,735	\$60,821,580	\$75,825,424	2%	\$1,130,235	\$1,216,432	\$1,516,508
Eating and Drinking [4]	3.0%	\$91,294,994	\$98,257,570	\$122,496,357	2%	\$1,825,900	\$1,965,151	\$2,449,927
Building Material & Garden	2.3%	\$71,065,639	\$76,485,431	\$95,353,332	2%	\$1,421,313	\$1,529,709	\$1,907,067
<b>Subtotal</b>	<b>18.3%</b>	<b>\$563,938,120</b>	<b>\$606,946,629</b>	<b>\$756,671,990</b>	<b>2%</b>	<b>\$11,278,762</b>	<b>\$12,138,933</b>	<b>\$15,133,440</b>
<b>Total Retail Goods</b>	<b>32.2%</b>	<b>\$994,932,733</b>	<b>\$1,070,810,869</b>	<b>\$1,334,965,139</b>	<b>1%</b>	<b>\$11,278,762</b>	<b>\$12,138,933</b>	<b>\$15,133,440</b>
<b>Total All Trade Areas</b>		<b>\$1,810,472,707</b>	<b>\$1,925,191,306</b>	<b>\$2,317,257,580</b>		<b>\$339,764,186</b>	<b>\$356,595,143</b>	<b>\$412,365,800</b>

res\_exp

Source: 2012 U.S. Census of Retail Trade; EPS.

- [1] Total Personal Income (TPI) based on average household income from Table 2-1 multiplied by El Dorado County General Plan household projections from Table 4-1.  
[2] Total Personal Income (TPI) shown for the Primary Trade Area is net of household income in the Project Area.  
[3] Convenience Stores w/Gas (NAICS Code 44711) are multiplied by 30% to exclude gas sales based on data from the Association for Convenience & Fuel Retailing (NACS).  
[4] Assumes 50% of Eating and Drinking Expenditures occur in local/community-serving retail establishments and 50% occur in regional-serving establishments.  
[5] Includes Sporting Goods, Hobby Supplies, Books and Music.  
[6] Percent of Total Personal Income by retail category derived from Statewide average as shown in Table 4-3 and applied to total household income to derive expenditure potential.  
[7] Capture rate reflects the percent of household income within the boundary specified that may be captured by retail development in the Missouri Flat Project Area.

## Supportable Retail Square Feet

The total expenditure potential captured in the Project Area is converted to demand for retail building square feet using average sales per building square foot for each retail category. Since actual retail sales data for the County was not available, EPS used an industry standard range based on several sources of data.<sup>21</sup> The methodology used to arrive at total retail square foot demanded in the Project Area is depicted in **Table 4-6**.

Currently, the Project Area is estimated to support 243,000 square feet of local/community-serving retail and 712,000 square feet of regional serving retail, for a total of 955,000 square feet. By 2035, the total supportable retail building space in the Project Area is estimated to increase to 1.2 million square feet, an approximately 21-percent increase.

## Comparison of Retail Supply and Demand

Comparing estimated retail supply and demand is used to estimate potential retail development opportunity in the Project Area. This study translated demand for retail square footage into a demand for land acreage using a low (0.35) and high (0.25) FAR assumption.

**Table 4-7** summarizes total retail supply and demand in the Project Area and suggests there is a current undersupply of approximately 466,000 square feet (31 to 43 acres) of retail space. Based on conversations with the project developer and other interviewees, it appears that The Crossings at El Dorado shopping center is the most likely retail development project to develop next. Completion of this project will reduce the current undersupply significantly, leaving a remaining undersupply of about 140,000 square feet (9 to 13 acres) by 2020. Assuming full buildout of all proposed projects from **Table 3-1** occurs within the next 20 years, the Project Area is anticipated to support demand for an additional 22,000 square feet (approximately 2 acres).

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<sup>21</sup> Sources of data used to estimate average sales per building square foot by retail category include the U.S. Business Reporter, RetailSails, Urban Land Institute (ULI)/International Council of Shopping Centers (ICSC), and proprietary jurisdictional sales information from recent, previous market studies.

**Table 4-6**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Estimated Supportable Square Feet, 2015-2035**

Item	Estimated Total Expenditure Potential Captured in Project Area [1]			Total Sales per Bldg. Sq. Ft. [2]	Total Retail Sq. Ft. Demanded		
	2015	2020	2035		2015	2020	2035
<i>formula</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e = a / d</i>	<i>f = b / d</i>	<i>g = c / d</i>
<b>Local/Community Serving</b>							
Supermarkets & Specialty Grocery	\$46,407,421	\$48,745,609	\$56,516,494	\$450	103,000	108,000	126,000
Convenience Stores	\$8,323,313	\$8,742,674	\$10,136,406	\$400	21,000	22,000	25,000
Beer, Wine, & Liquor Stores	\$2,156,329	\$2,264,973	\$2,626,048	\$400	5,000	6,000	7,000
Health and Personal Care	\$18,478,790	\$19,409,824	\$22,504,083	\$400	46,000	49,000	56,000
Eating and Drinking [3]	\$20,254,733	\$21,275,246	\$24,666,885	\$300	68,000	71,000	82,000
<b>Subtotal</b>	<b>\$95,620,585</b>	<b>\$100,438,327</b>	<b>\$116,449,916</b>		<b>243,000</b>	<b>256,000</b>	<b>296,000</b>
<b>Regional Serving</b>							
General Merchandise	\$80,009,708	\$83,946,628	\$96,976,301	\$400	200,000	210,000	242,000
Clothing & Accessories	\$39,833,470	\$41,793,497	\$48,280,424	\$350	114,000	119,000	138,000
Furniture & Home Furnishings	\$12,444,238	\$13,056,563	\$15,083,122	\$300	41,000	44,000	50,000
Electronics & Appliances	\$17,100,597	\$17,942,041	\$20,726,893	\$300	57,000	60,000	69,000
Miscellaneous Retail [4]	\$24,465,412	\$25,669,246	\$29,653,467	\$250	98,000	103,000	119,000
Eating and Drinking [3]	\$39,523,997	\$41,468,796	\$47,905,325	\$400	99,000	104,000	120,000
Building Material & Garden	\$30,766,179	\$32,280,045	\$37,290,353	\$300	103,000	108,000	124,000
<b>Subtotal</b>	<b>\$244,143,601</b>	<b>\$256,156,816</b>	<b>\$295,915,884</b>		<b>712,000</b>	<b>748,000</b>	<b>862,000</b>
<b>Total Retail Goods</b>	<b>\$339,764,186</b>	<b>\$356,595,143</b>	<b>\$412,365,800</b>		<b>955,000</b>	<b>1,004,000</b>	<b>1,158,000</b>
<b>Total Retail Goods Excluding Supermarkets &amp; Liquor Stores [5]</b>					<b>847,000</b>	<b>890,000</b>	<b>1,025,000</b>

*tot\_sf*

Source: 2012 U.S. Census of Retail Trade; EPS

[1] Total retail expenditure potential for the Project Area is derived by adding total expenditure potential for the Project Area, PTA, and STA. See Table 4-5.

[2] Sales per building square foot based on U.S. Business Reporter, RetailSails, Urban Land Institute (ULI)/International Council of Shopping Centers (ICSC), and proprietary jurisdictional sales information.

[3] Assumes 50% of Eating and Drinking Expenditures occur in local/community-serving retail establishments and 50% occur in regional-serving establishments.

[4] Includes Sporting Goods, Hobby Supplies, Books and Music.

[5] Excludes demand for Supermarkets & Specialty Grocery and Beer, Wine, & Liquor Stores because ESRI data suggests an oversupply in these two categories, as illustrated in Figure 4-1.

**Table 4-7**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Retail Supply and Demand Comparison: Missouri Flat Project Area**

Year	Demand (Retail Sq. Ft.) [1]	Existing/Proposed Supply (Retail Sq. Ft.) [2]	Difference: Oversupply/(Undersupply)		
			Retail Sq. Ft.	Acres	
				.35 FAR (Low Estimate)	.25 FAR (High Estimate)
<i>Formula</i>	<i>a</i>	<i>b</i>	<i>c = b - a</i>	<i>d = c / .35 / 43560</i>	<i>e = c / .25 / 43560</i>
<b>Base Scenario</b>					
2015	955,000	488,606	(466,394)	(30.6)	(42.8)
2020	1,004,000	863,606	(140,394)	(9.2)	(12.9)
2035	1,158,000	1,135,681	(22,319)	(1.5)	(2.0)
<b>Sensitivity Analysis Excluding Demand for Supermarkets &amp; Liquor Stores [3]</b>					
2015	847,000	488,606	(358,394)	(23.5)	(32.9)
2020	890,000	863,606	(26,394)	(1.7)	(2.4)
2035	1,025,000	1,135,681	110,681	7.3	10.2

*net\_demand\_PTA*

Source: 2012 U.S. Census of Retail Trade; EPS

[1] See Table 4-6 for estimated demand calculations.

[2] Estimated existing and proposed supply is based on the following assumptions (See Table 3-1):

2015 - Total estimated existing square footage from Table 3-1 .

2020 - Assumes full buildout of The Crossings at El Dorado proposed project (375,000 sq. ft.), based on conversations with project developer.

2035 - Assumes full buildout of all proposed projects (647,000 sq. ft.) in the Project Area (except for El Mirage Plaza, whose sq. ft. is unknown).

[3] Excludes demand for Supermarkets & Specialty Grocery and Beer, Wine, & Liquor Stores because ESRI data suggests an oversupply in these two categories, as illustrated in Figure 4-1.

## Retail Sales Leakage

EPS conducted a retail sales leakage analysis using ESRI Business Analysis and U.S. Census of Retail Trade data to measure the relationship between estimated supply and demand by retail category in the PTA.<sup>22</sup> The results in **Figure 4-1** show that most retail categories included in this analysis are experiencing a shortage (demand exceeds supply.) This shortage results in retail sales leakage, a situation that occurs when households' demand for retail goods is not met within the trade area, and sales occur elsewhere outside the trade area. The primary retail sectors experiencing the most retail leakage outside of the PTA include clothing and accessories; electronics and appliances; and general merchandise. According to the third-party data, the two categories in which supply may exceed demand are supermarkets and specialty grocery and beer, wine, and liquor stores.

## Sensitivity Analysis: Reduced Demand

Taking into account the possibility of an oversupply of supermarket and liquor stores, EPS included a sensitivity analysis to determine impacts on net demand for retail space in the PTA if demand for these two categories was excluded. Specifically, as shown in **Table 4-6**, the exclusion of these two categories results in a reduced demand for retail square footage, including about 847,000 square feet of retail currently (reflecting a reduction of about 100,000 square feet) to about 1.0 million square feet of retail in 2035 (reflecting a reduction of about 133,000 square feet).

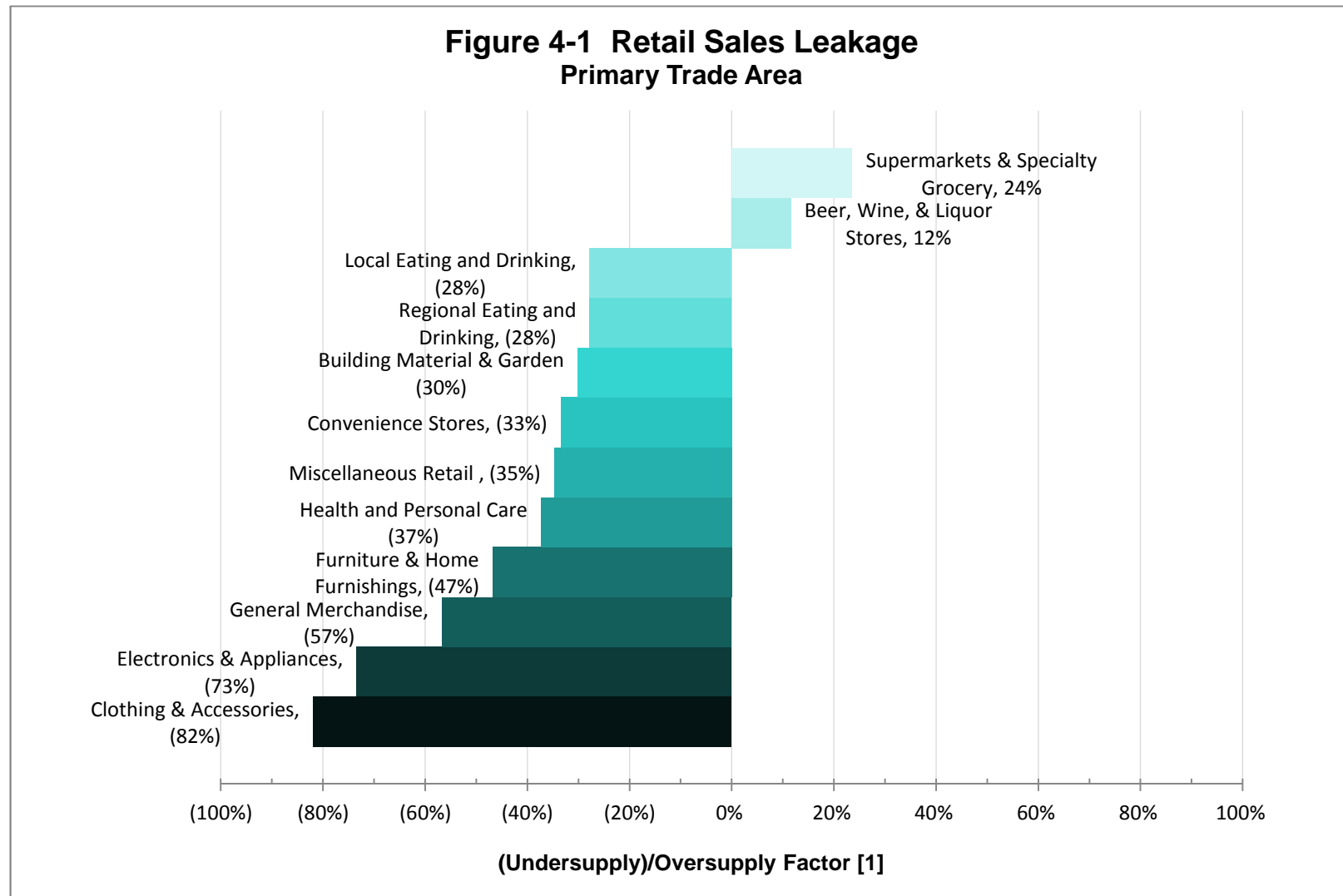
With this reduced demand, the sensitivity analysis in **Table 4-7** indicates that the Project Area could currently support approximately 358,000 square feet (24 to 33 acres) of local/community- and regional-serving retail. This represents 108,000 building square feet less than the 466,000 square feet reported in the base scenario, which equates to a 23 percent reduction in net demand for retail space.

After excluding estimated demand for supermarket and liquor store space, the Project Area is anticipated to support development of The Crossings at El Dorado and approximately 26,000 square feet of additional retail space by 2035. This finding indicates potentially insufficient demand by 2035 for the two other proposed projects in the Project Area. The Diamond Dorado Retail Center and Willow Creek Plaza combined total approximately 272,000 square feet. If this amount of square footage is constructed in addition to The Crossings at El Dorado, the PTA is estimated to experience an oversupply of about 111,000 square feet of retail.

However, the Project Area may be able to support development of both approved projects if projected household growth exceeds the County's forecast or the Project Area is able to capture a greater portion of trade area household income than shown in this study.

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<sup>22</sup> ESRI estimates retail supply as sales to consumers by establishments (sales to businesses are excluded), and estimates retail demand as the expected amount spent by consumers at retail establishments. The ESRI Leakage/Surplus Factor measures the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.



Leak\_cht

Source: ESRI Business Analyst Online; 2012 U.S. Census of Retail Trade; EPS

[1] Represents a measure of the relationship between supply and demand in the Primary Trade Area (supply as a percent of demand). This factor ranges from total undersupply (100%) to total oversupply 100%, with 0% representing equilibrium.



## APPENDICES:

Appendix A: Stakeholder Interviews

Appendix B: Initial Cost Burden and Financial  
Feasibility Analysis





## APPENDIX A: Stakeholder Interviews

Table A-1	Stakeholder Interview List .....	A-1
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**Table A-1**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Stakeholder Interview List**

Entity	Name
<b>County of El Dorado</b>	
Economic Development	Jeff McLaughlin
Community and Economic Development Advisory Committee (CEDAC) and TIM/CIP economic development focus group	Maryann Argyres
Former County Supervisor	Jack Sweeney
<b>El Dorado County Chamber of Commerce</b>	Laurel Brent-Bumb
<b>Real Estate Professionals</b>	
Palos Verdes Properties, Inc.	Leonard Grado
El Dorado County Association of Realtors	Kimberly Beal
Foothill Partners, Inc.	Douglas Wiele
ProEquity Asset Management Corporation	Mike Turner

*stake*

Source: EPS.



## APPENDIX B:

### Initial Cost Burden and Financial Feasibility Analysis

Table B-1	Backbone Infrastructure Cost as a % of Sales Price— Retail .....	B-3
Table B-2	Test of 2% Sales Price—Retail .....	B-4

## *APPENDIX B: INITIAL COST BURDEN AND FINANCIAL FEASIBILITY ANALYSIS*

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### **Infrastructure Cost Feasibility Test**

The infrastructure cost burden of development to a builder can be used to assess the financial feasibility for development of the finished products of a project. The total infrastructure cost burden consists of all backbone infrastructure and public facilities costs allocated to the development plus applicable fees, including building permit processing fees, County fees, and regional fees.

The Infrastructure Cost Burden Feasibility Test provides a performance indicator of a project's feasibility. In general, if the total cost burden is less than 15 to 20 percent of the finished product price, then a project is considered to be financially feasible:

- Projects with a cost burden percentage below 15 percent clearly are financially feasible.
- Projects with a cost burden percentage between 15 to 20 percent probably are financially feasible.
- Projects with a cost burden percentage above 20 percent may be financially feasible.

These feasibility benchmarks are based on EPS's experience in conducting financial feasibility analyses for numerous projects throughout the Sacramento Region and Central Valley over the last 2 decades. The 15- to 20-percent test is merely a tool that can be used—along with other tools—as a general measure of financial feasibility. This measure should not be taken to mean that if a product exceeds the threshold, the project definitely is infeasible. There are ways in which a development project can mitigate against a high cost burden. In addition, the infrastructure costs will be fine-tuned and possibly reduced as engineering studies are completed closer to actual construction.

### **Project Infrastructure Cost Feasibility Summary**

**Table B-1** shows the total infrastructure cost burden for development in the Project. The cost burden is shown per square foot. As shown, the cost burden per square foot is 8.9 percent of the project sales price, indicating potential development is clearly financially feasible.

### **Two-Percent Test**

The Two-Percent Test is another measure of the financial feasibility to a project's builders of developing the finished products. The Two-Percent Test is a general rule for the feasibility of proposed annual special taxes and assessments. In general, if the sum of property taxes, other ad valorem taxes, and all annual special taxes and assessments is less than 2 percent of the

project sales price, then the burden of annual taxes and assessments is considered financially feasible. In the Sacramento Region, generally there is a target rate for the total of these taxes to be less than 1.8 percent of the finished project sales price.

### **Two-Percent Feasibility Summary**

**Table B-2** summarizes the Two-Percent Test for a retail project in the Project. After accounting for all taxes on **Table B-2**, a potential retail development has a total tax burden of less than 1.8 percent.

**Table B-1**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Backbone Infrastructure Cost as a % of Sales Price - Retail (2015\$)**

	Retail Product
<b>Land Use Assumptions</b>	
Acres	5
Building Square Feet (Rounded)	76,000
Floor Area Ratio (FAR)	0.35
Stories	1
<b>Estimated Sales Price per Square Foot</b>	<b>\$200</b>
<b>Estimated Sales Price</b>	<b>\$15,200,000</b>
<b>Missouri Flat Infrastructure Burden per Building Square Foot</b>	
<b>El Dorado County</b>	
Building Permit	\$1.01
Planning Review	\$0.01
Encroachment (County Roads)	\$0.00
Grading [1]	\$0.03
California Building Standards Commission (CBSC) Fee	\$0.00
Strong Motion Instrumentation Fee	\$0.03
Rare Plant Mitigation Fee (Area 2)	\$0.28
Safety Fee	\$0.03
Surveyors Office Addressing Fee	\$0.00
Missouri Flat Reimbursement Fee	\$0.45
<b>Subtotal El Dorado County</b>	<b>\$1.85</b>
<b>El Dorado Co. Dept. of Transportation</b>	
<b>El Dorado County Traffic Impact Mitigation (TIM) Fee (Zone 3)</b>	
Local County Roadways	\$8.71
Highway 50	\$1.78
<b>Subtotal El Dorado Co. Dept. of Transportation TIM Fee</b>	<b>\$10.49</b>
<b>El Dorado Irrigation District</b>	
Water Fee [2]	\$2.46
Wastewater Fee [2]	\$1.73
<b>Subtotal El Dorado Irrigation District</b>	<b>\$4.19</b>
<b>Diamond Springs/El Dorado Fire Protection District</b>	
Plan Review Fee [3]	\$0.11
Development Impact Fee	\$0.77
<b>Subtotal Fire District</b>	<b>\$0.88</b>
<b>El Dorado Union High School District [4]</b>	
School Fee	\$0.47
<b>Total Infrastructure Burden per Building Square Foot</b>	<b>\$17.87</b>
<b>Total Infrastructure Burden as a Percentage of Estimated Sales Price [5]</b>	
	<b>8.9%</b>

fees

Source: El Dorado County; Diamond Springs/El Dorado Fire District; El Dorado Irrigation District; El Dorado Union High School District; and EPS.

Note: Fee amounts are current as of June 2015.

[1] Calculated as 2% of engineer's estimate, or \$2,500 minimum. This analysis assumes \$2,500 minimum.

[2] Assumes two 2-inch meters.

[3] Does not include fire sprinkler system review.

[4] Includes fee for Mother Lode Union School District.

[5] As a guideline, a target range for total infrastructure burden is 15-20% of the building sales price.

**Table B-2**  
**Missouri Flat Master Circulation and Financing Plan Phase II**  
**Retail Market and Feasibility Analysis**  
**Test of 2% Sales Price - Retail (2015\$)**

	Retail Product
<b>Assumptions</b>	
Acres	5
Building Square Feet (Rounded)	76,000
Floor Area Ratio (FAR)	0.35
Stories	1
Finished Land Valuation	\$4,220,000
<b>Finished Product Selling Price</b>	<b>\$15,200,000</b>
<b>Property Taxes</b>	
General Property Tax	\$152,000
El Dorado UHS Bond - Election 1997	\$730
El Dorado UHS Bond - Election 2008	\$2,295
Los Rios College Bond 2002	\$1,125
Los Rios College Bond 2008	\$593
<b>Total Ad Valorem Taxes Range</b>	<b>\$156,742</b>
<b>Likely Special Annual Taxes/Assessments</b>	
CFD No. 2006-01 (Fire Services) [1]	\$9,880
EID G/O Land Only [2]	\$430
CSA #10 Solid Waste [3]	\$238
CSA #10 Liquid Waste [3]	\$210
CSA #10 Hazard Waste [3]	\$42
CSA #7 Ambulance West Slope [4]	\$75
<b>Total Likely Special Annual Taxes/Assessments</b>	<b>\$10,875</b>
<b>Total Annual Taxes and Assessments</b>	<b>\$167,618</b>
<b>Taxes &amp; Assessments as % of Sales Price [5]</b>	<b>1.10%</b>

2% test

Source: El Dorado County; EPS.

- [1] Based on building square footage. Rate is \$0.13 per square foot.  
 [2] Based on land valuation.  
 [3] The rate for this assessment is based on the equivalent dwelling unit (EDU) factor (14) for improved commercial/retail stores, supermarket, etc. Below lists the cost per EDU for each CSA fee.  
Solid Waste: \$17 per EDU  
Liquid Waste: \$15 per EDU  
Hazard Waste: \$3 per EDU  
 [4] Preliminary estimate.  
 [5] Although the State guideline is 2%, this analysis uses a target range of 1.7%-1.8% for evaluating feasibility, to allow for additional taxes and assessments as needed (e.g. future school district general obligation bond).