

Appendix J
Urban Decay Study

Bogue Stewart Master Plan Urban Decay Study

FINAL REPORT

Prepared by New Economics & Advisory
for the City of Yuba City

August 17, 2018

Table of Contents

| | |
|---|-----|
| Disclosure Statement..... | 3 |
| Section 1: Summary..... | 4 |
| Section 2: Yuba City/Marysville Retail Trends | 20 |
| Section 3: Emerging Retail Trends | 38 |
| Section 4: Project Description & Market Area Definitions..... | 47 |
| Section 5: Projected Market Impact, Proposed Neighborhood Retail Center | 60 |
| Section 6: Projected Market Impacts, Proposed Community Retail Centers | 72 |
| Section 7: Urban Decay Assessment..... | 88 |
| Appendix A: Detailed Calculations | 100 |

Disclosure Statement

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

To prepare this Urban Decay Study, New Economics & Advisory consulted a variety of sources, including: government data sources; private, third-party data sources, interviews with local real estate professionals and staff of local jurisdictions, and other relevant public documents.

The quantitative and qualitative analysis contained herein is based on a series of available and timely data points and assumptions applied by New Economics & Advisory. These inputs informed the resulting projections of retail demand, retail supply, and the corresponding results of the analysis. However, actual growth and/or retail market conditions that occur in the future may differ from the projections in this Study, as the retail market is fluid and a variety of other factors, circumstances, and events may cause one or more unexpected changes in future conditions. As a result, the actual outcomes of development and growth may be different from this study's projected results.

Data and other information was collected primarily during June-September of 2017 and was deemed to be accurate and current for purposes of this study, although New Economics & Advisory does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in information provided by third parties. Further, New Economics & Advisory bears no responsibility to update this study for events and circumstances occurring after the date of this report, which focuses solely on the potential for urban decay or deterioration from the development of proposed retail development sites in the proposed Bogue Stewart Master Plan in the city of Yuba City, California.

Section 1: Summary

Introduction

The proposed Bogue Stewart Master Plan (Project or BSMP) is a master planned community that would annex into the City of Yuba City (City). The Project, located south of the existing City, would include up to 2,517 new residential units, 42.6 acres of commercial development, 8.3 acres of office development, and 54.6 acres of business, technology, and light industrial development.

This Urban Decay Study (Study) considers the potential impacts that the development of the commercial sites are expected to have on other existing retail centers or areas within the respective trade areas (the geographic areas from which the majority or many other customers come) of each retail site.

Urban Decay Overview

Title 14 (Natural Resources), Division 6, Chapter 3 of California's state code contains guidelines for the implementation of the California Environmental Quality Act (CEQA). The guidelines recognize that a project may cause economic and/or social effects; however, these effects should not be treated as significant impacts. Rather, under CEQA economic and/or social effects can be considered as a link in a chain of effects that connect the proposed project to a physical environmental impact, or in connection with the determination of the significance of a physical environmental impact. In other words, any impacts should focus on the physical changes that are related to the economic and/or social effects.

The predominant physical change studied in this Study is the potential for urban decay or deterioration, which is defined as "a chain reaction of store closures and long-term vacancies that ultimately destroy existing neighborhoods and leave decaying shells in their wake."¹

Prior court cases addressing urban decay issues have included the following characteristics to document the potential for urban decay or deterioration:

- Long-Term Vacancies, including spaces that face difficulty in being re-tenanted beyond normal market cycle conditions.
- Deferred Maintenance, including neglect of repair and maintenance.
- Disinvestment, including deterioration of buildings, improvements, and facilities.

¹ *Bakersfield Citizens for Local Control v. City of Bakersfield*, 124 Cal. App. 4th 1184. Part III, Urban Decay.

This Study evaluates the potential for the development of the Project's retail sites to cause Urban Decay at other existing retail centers or spaces within their respective trade areas.

Organization of This Study

In addition to this Summary, the report includes the following sections, each including a text narrative, followed by maps and figures referenced in the text:

- Section 2: Yuba City/Marysville Market Trends
- Section 3: Emerging Retail Trends
- Section 4: Project Description and Market Areas
- Section 5: Projected Market Impact, Proposed Neighborhood Center
- Section 6: Projected Market Impact, Proposed Community Centers
- Section 7: Urban Decay Assessment

Approach

The Urban Decay study entailed the following efforts:

- Study of existing retail trends in Yuba City, Marysville, and other outlying areas of Sutter, Yuba, Butte, and Colusa Counties to identify the appropriate trade area for this retail submarket, review of existing retail demand and supply for the submarket, and consideration of the current performance of existing retail centers and areas.
- Establishment of the character, trade areas, and potential absorption for the Project's retail sites.
- Evaluation of existing and future demand and supply for each project trade area, including an analysis of Existing + Project conditions and Existing + Project + Cumulative (Cumulative) conditions.

Key Caveats

Below is a list of key caveats that are important to consider when reviewing the results of the Urban Decay Study.

- **No super regional retail users are assumed to occur in the Project.** The Project is proposing to include one Neighborhood Retail Site and two Community Retail Sites. Consistent with other documents being prepared for this Project (namely the Traffic Analysis and Environmental Impact Report), no Super Regional retail users are being contemplated for the Project. Please note that this Study defines a "Super Regional" retailer as a big-box retailer that draws a significant share of spending in one or more retail categories from customers throughout an area

larger than Yuba City and Marysville can alone support. Super Regional retail would occur in a Regional Center/Mall, Super Regional Center, and/or Power Center (as described in more detail in **Section 2**).

- **No regional users are assumed to occur in the proposed Neighborhood Center.** Owing to the size and location of the proposed Neighborhood Center site, this Study presumes that only traditional Neighborhood Center uses would be attracted to this site.
- **The development schedule used in this Study was estimated by New Economics, based on information provided by the Developer’s consultant and City staff.** The developer’s consultant provided some high-level information about the timing of development for the retail sites; New Economics tied this information to an estimated year for the initial Community Retail Site and phasing for the other two retail sites. In turn, the City provided direction regarding the overall rate of residential growth expected in the City going forward. The population growth rate for Yuba City and its Sphere of Influence (SOI) was provided by City staff, and is consistent with other planning initiatives underway. Other population growth rates are estimated using SACOG’s anticipated growth rates, or other sources, as shown in **Appendix A**.

Based on this information and the Project’s anticipated proportionate share of future development in the City, New Economics developed an absorption schedule for the Project, the Project’s retail sites, and residential growth in each of the retail trade areas. Actual growth and development timing for the Project (including its retail sites) may differ from the absorption schedule shown in this Study.

- **New Economics has quantified the amount of future development based on its knowledge of the market area and research on planned development available from readily-available sources, such as the individual cities’ and counties’ websites.** The Cumulative Scenario applies a “worst case” scenario in that it presumes that all planned retail will be constructed by the time the Project reaches build out. In reality, actual development, both scale and timing, may differ from what is shown in this Study.

Findings

This section summarizes the most salient points from the Urban Decay Study. Section-Specific Findings, which contain the key conclusions reached for each part of the Urban Decay Study, can be found at the end of each Section in this report.

Existing Market Dynamics

The Yuba City/Marysville retail Submarket acts as a regional hub for the residents of outlying areas (**Figure 1.1**). It draws customers from Plumas Lakes, Linda, Olivehurst, Live Oak, Sutter, Colusa, as well as the smaller towns and communities South and Southeast

of Yuba City including Grimes, Rio Oso, and Nicolaus. These outlying customers would otherwise need to travel to Chico, Roseville, Woodland, or Sacramento to find a similar array of Yuba City's regional retail, located mostly in Community Centers and Regional Centers.

Yuba City's retail market is experiencing stronger performance and resiliency than space in Marysville, but both markets overall are experiencing healthy vacancy rates. Yuba City's retail space is experiencing relatively low vacancy rates (about 7 percent overall), although some local real estate professionals describe the market as soft and having some long-term vacant spaces.

Retail centers in Yuba City contain a blend of traditional retail tenants, tenants that were previously found only in other center types, and an increasing share of non-retail users. This blending reflects the erosion of traditional "capture" of retail demand by specific categories of retail centers and is also suppressing lease rates. Consistent with statewide and national retail trends, retail centers have more office/medical users, regional tenants previously located in larger centers can now fit in a more compact footprint, and service-oriented tenants previously limited to Neighborhood Centers located in Community and/or Regional Centers. This trend is making it more difficult to differentiate between "neighborhood," "community," and "regional" retail centers and more likely for consumers to satisfy a mix of retail spending categories at any given type of retail center. At the same time, while these users help to maintain high levels of occupancy and foot traffic, they have not produced any upward pressure on lease rates; combined with stagnant population growth, Yuba City and Marysville have experienced relatively little new retail space over the last several years.

The relatively small amount of new retail construction that has been occurring in Yuba City in recent years includes numerous projects that are replacing former retail or other uses. These projects provide substantive examples of older retail or other older development in key locations being replaced by newer retail development and refute the notion that older and/or obsolete retail will continue to remain vacant or create conditions consistent with "urban decay." Instead, it reinforces the premise that, over time, development in competitive and/or desirable locations will continue to reinvent itself over time.

At a larger scale, changes in retail shopping trends are likely to reduce the overall demand for brick-and-mortar retail space in the future. Research indicates that the United States has significantly higher levels of retail space per capita compared to many other developed countries; the current amount of space is expected to decrease as electronic commerce captures an increasing share of total retail sales and people continue to prefer services and experiences over retail goods. Based on data available through the end of 2016, this Study presumes brick and mortar retail space demand per capita in the Primary and Secondary Market Areas of 38.1 square feet per person. This amount reflects adjustments for retail spending captured by e-commerce as well as destination and travel-related retail spending.

Project Retail and Market Areas

The proposed BSMP is located on the south side of Yuba City and would have 2,517 residential units and up to about 475,000 square feet of commercial development. **Figure 1.2** shows the land use map for the Project, while **Figure 1.3** identifies the type, amount, and timing of retail components of the Project.

BSMP residents alone cannot support the scale of retail proposed in the Project, as Project residents demand far less retail space than what is proposed by the Project (**Figure 1.4**). The excess demand would need to be supported by spending from outside the Project.

The BSMP includes three retail sites: one Neighborhood Center (Site 33), and two Community Centers (Sites 16 and 10). **Figure 1.3** shows the amount and timing of development for each commercial site in the Project. The Neighborhood Retail Center has a Primary Market Area (1 mile) and Secondary Market Area (3 miles) that differs from the Community Retail Center Primary Market Area (6 mile driving distance) and Secondary Market Area (a larger custom area that includes multiple additional small and/or rural communities outside Yuba City and Marysville).

Of all the market areas in this Study, the **Community Center SMA** is the most relevant market area, given the number of regional retailers and the role of Yuba City's retail stores serving a relatively large trade area. This Community Center SMA is the most scrutinized market area over the course of the Urban Decay Study.

In 2017, the Community Center SMA appears to be in equilibrium, in which supply is 108 percent of demand. In general, a retail real estate market is considered to be in equilibrium when demand is within 10 percent of demand. However, in the future, without any additional residential or commercial development, the area could be slightly oversupplied (by about 2 percent) simply because of anticipated increased pressure from e-commerce and other spending trends (**Figure 1.5**). While the market appears to be in equilibrium (less than 10 percent of excess sales), there is more supply than demand. By 2021, without any growth or changes to the existing supply or occupancy rates, the retail market could be oversupplied by 12 percent. The 2 percent beyond the 10 percent margin equates to about 107,000 square feet.

Future Support for Retail Space

This Study presumes that population growth will occur at a rate of 1.4 percent annually, which equates to about 350 units per year and is consistent with numerous recent planning studies developed by the City. Local real estate professionals consistently pointed to the need for more population growth in the local market area as a precursor for developing substantive levels of new retail space in the future. Since 2010, the City's growth has been less 40 units per year.

Population growth is expected to support 2.6 million square feet of brick-and-mortar retail in the Community Center SMA by Project Buildout (2044).

There is a large amount of identified future retail development (4.9 million square feet) in the SMA for the Community Centers. The timing of these retail projects is unknown;

as a worst-case scenario, this study presumes that all of this retail will develop by the time the Project builds out. Because increases in total retail supply are largely tied to population growth and spending patterns, the actual amount of retail built in the future will be dependent on those factors.

There is sufficient market demand in the proposed *Neighborhood Center PMA and SMA* to accommodate all Project retail in 2045, when the proposed Neighborhood Center would achieve its first year of stabilized operations. The identified supply of retail in 2045 is less than projected demand for retail space under both the Existing + Project Scenario and Cumulative Scenario, as shown in **Figure 1.6**.

Under the Existing + Project Scenario, Project retail would create excess retail supply *in the Community SMA, as shown in Figure 1.7*. This study considers that oversupply of up to 10 percent can be supported by a market area. The high end of this range (350,000 square feet) would most likely occur during the first 13 years of Project Development, during which time Project retail is added to the Community Center SMA at a much faster pace than new residential development can support. By the time the Project builds out and the Neighborhood Center reaches stabilized operations the amount of excess retail supply would be approximately 241,000 square feet.

Under the Cumulative Scenario for the Community SMA, Project retail would contribute to a significant amount of excess retail, which in total amounts to 2.3 million square feet. Other planned development, including residential and retail development, would far outpace demand generated by new residents from the Project and other areas in the Community SMA.

Urban Decay Potential

The findings below describe the key conclusions regarding the likelihood for the Project to cause Urban Decay.

- **Finding 1.1: The definition of Urban Decay/Deterioration includes retail spaces that are experiencing prolonged vacancies, deferred maintenance, and/or physical disinvestment.** These are the physical signs that tend to be exhibited in retail spaces that are no longer financially sustainable and are causing visible impacts on the built environment.
- **Finding 1.2: Development of the Project's retail centers by 2045 is not anticipated to cause any Urban Decay in the Neighborhood PMA or SMA under the Existing + Project Scenario or Cumulative Scenario.** The market analysis indicates that demand for retail space in both the PMA and SMA exceeds supply for retail space.
- **Finding 1.3: In the Community PMA and SMA, under the Existing Plus Project Scenario, Project Retail would result in excess retail supply in the range of 241,000-350,000 square feet.² In the Community PMA and SMA, under the Cumulative**

² While an oversupply is identified in both the Community Center PMA and SMA, only the SMA is the focus of Urban Decay analysis, as the SMA is the appropriate trade area for the proposed Project. The PMA is not

Scenario, Project Retail would contribute to excess retail supply in the range of 695,000-2.3 million square feet.³ While the amount of oversupply in the Community SMA could result in Urban Decay, there are a number of market factors that would tend to avoid or limit the onset of Urban Decay:

- **The extent to which impacts are concentrated versus dispersed among other existing retail centers.** Existing centers in the Community Center SMA, particularly those closest to the Project along Highway 99, have largely exhibited resiliency in a changing retail market. Despite the effects of the Great Recession and growing pressure from e-commerce, retail centers in Yuba City have maintained high levels of occupancy by attracting non-traditional users and attracting regional tenants into Neighborhood and Community retail centers. While non-traditional users may not pay rents that would make it profitable to build new retail space, these existing centers are generally not showing signs of deterioration, disinvestment, or deferred maintenance.
- **The effectiveness of local regulatory controls.** The Community Center SMA includes multiple retail centers in Yuba City, Marysville, and unincorporated Yuba County. Each of these jurisdictions has in place a varying level of codes and implementation practices designed to prevent physical deterioration and deferred maintenance of buildings and properties.

The City of Yuba City has various local municipal code provisions aimed at keeping residents safe by ensuring that properties are adequately maintained. In addition to code sections that address building maintenance (such as the Nuisance Abatement Code), Yuba City actively enforces municipal code sections designed to ensure adequate property maintenance. Since 1997, the City has issued an average of 340 property violations (as shown in **Figure 1.8**); these violations have occurred on residential and non-residential properties. The number of citations has gradually increased since the late 1990's as the City has become more aggressive-- beginning in 2016, the City added staff resources to begin issuing more citations for graffiti, shopping carts, and overgrown weeds. In 2017, the City of Yuba City also adopted a shopping cart ordinance designed to ensure that abandoned shopping carts are promptly returned to retail stores.

Marysville's municipal code contains several sections that deter conditions consistent with urban decay, including: a Health and Sanitation code (which addresses weed and rubbish abatement); a nuisance abatement code (which addresses landscaping, vacant/abandoned buildings, or other aspects of visual blight); and streets and sidewalk code (which addresses defacing of public property).

analyzed for Urban Decay because it is not an appropriate trade area radius for Community Centers, as discussed in the Findings regarding Project Retail and Market Areas in Section 4.

³ Ibid.

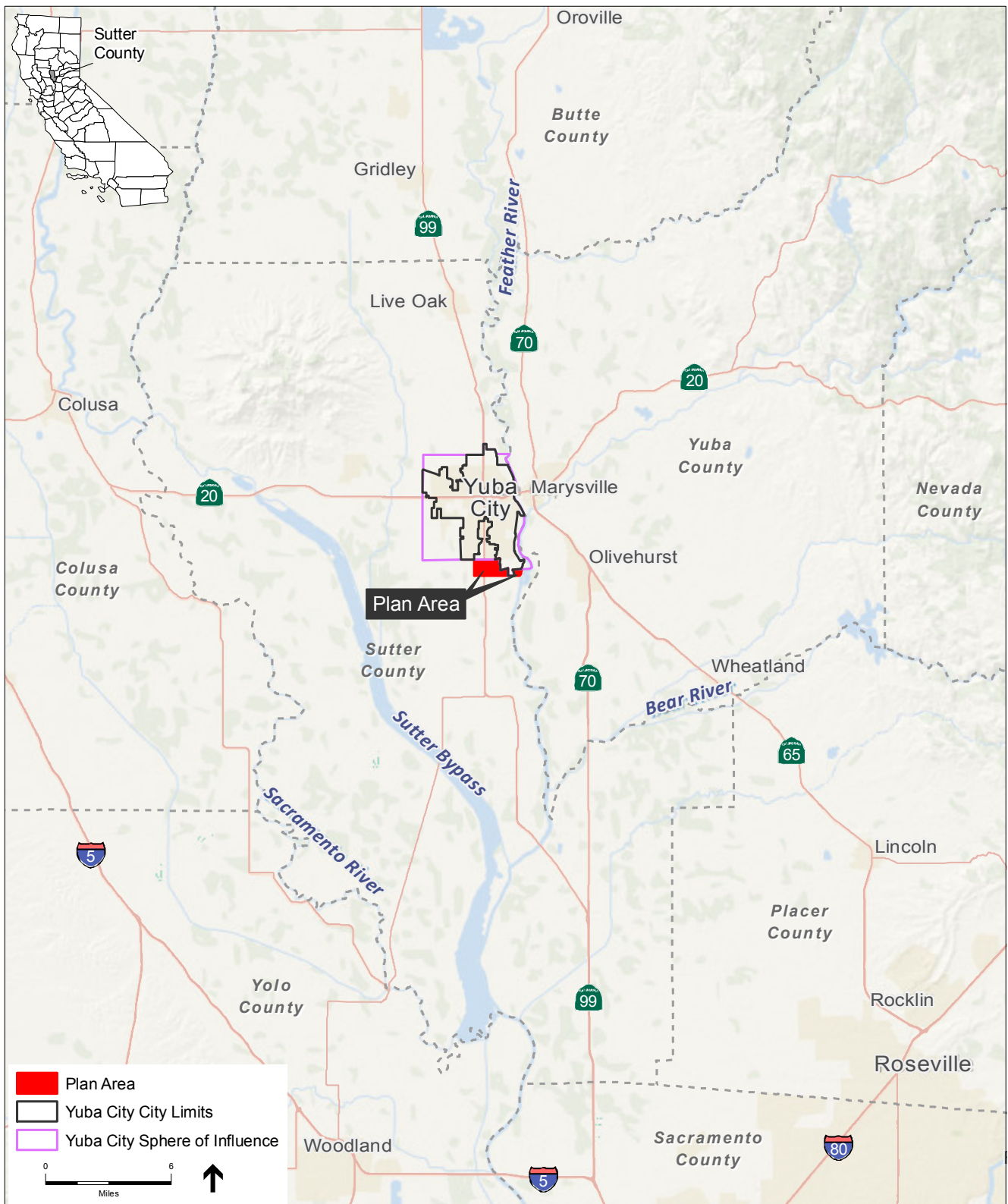
Yuba County's Code of Ordinances similarly identifies property maintenance requirements, public nuisances, and maintenance of vacant properties; these code sections describe the types of violations that can occur, types of abatement required, and administrative procedures (such as appeals, infractions, etc.).

Ongoing enforcement of these codes would serve to deter signs of deterioration, deferred maintenance, and/or disinvestment, the key characteristics of Urban Decay.

- **The ability for property owners to reinvent or repurpose impacted retail centers.** The most likely retail competitors for the Project's Community Centers are other existing Community Centers in Yuba City, particularly those along Highway 99. The centers most vulnerable to Urban Decay, *based on existing conditions*, include the Crossroads Retail Center in Yuba City and the Neighborhood Center at 812 Gray Avenue in Yuba City. These two centers make up 243,000 square feet of retail space. The Neighborhood Center at 812 Gray Avenue (124,000 sq. ft.), however, is being actively considered for a re-use opportunity that would ultimately remove this retail space from the market.

Other underperforming retail centers in the Community SMA include strip centers in Yuba City and Marysville. Three of these strip centers are located in Yuba City, including one near the intersection of Colusa Highway and Highway 99 (12,200 square feet), and the others located north and south of Plumas Street retail. However, as previously described (in **Finding 1.4**), small-scale redevelopment of underperforming retail sites is occurring throughout Yuba City.

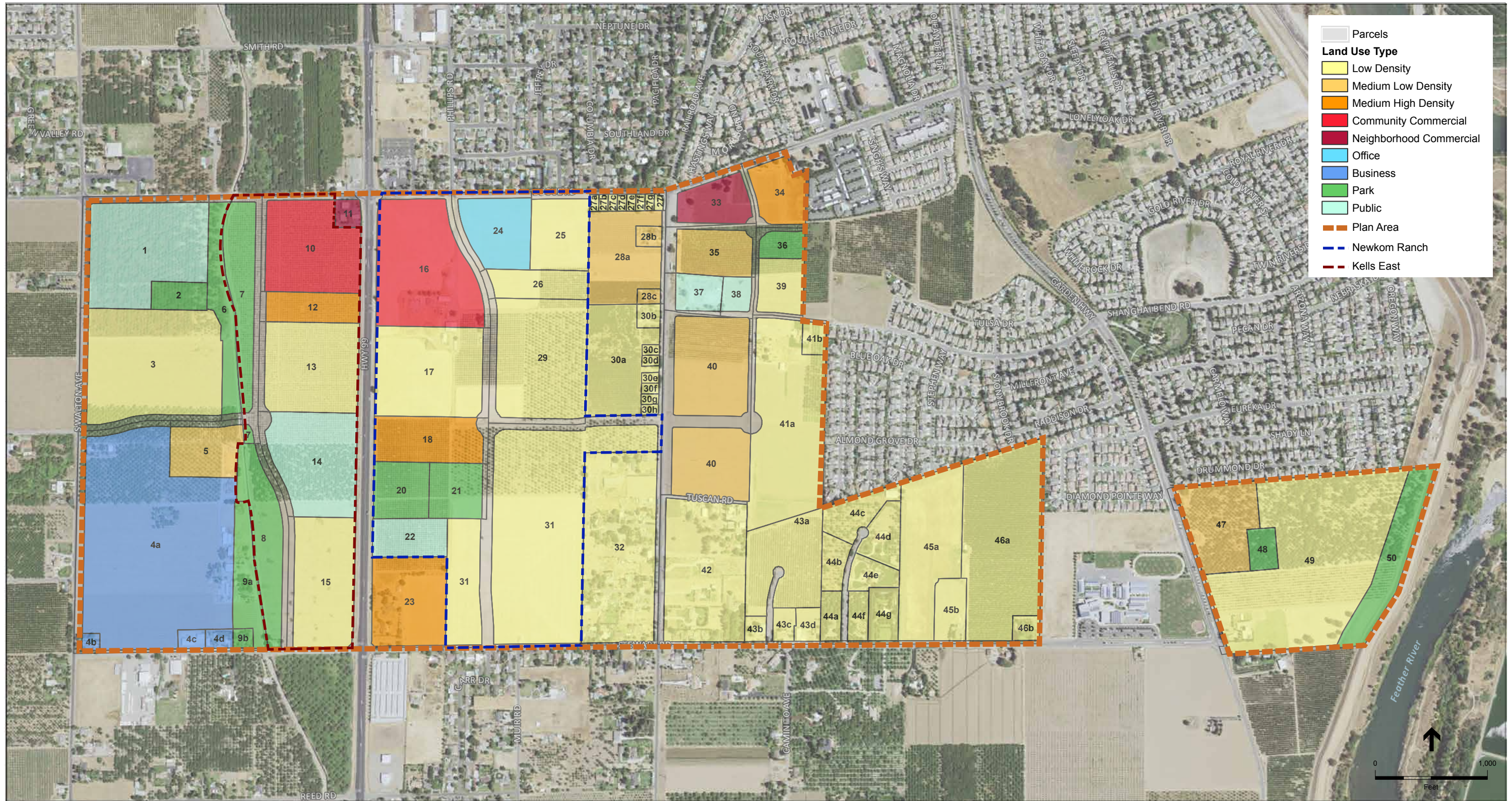
- **The potential for other residential development to occur in the City through Project Buildout.** The Existing + Project Scenario does not contemplate *any* additional residential development; to the extent that additional residential development occurs beyond the Project, the amount of excess supply would be dampened.
- **The amount of planned retail that will actually be built.** While this Study presumes that 4.9 million square feet of additional planned retail is built by the time the Project builds out, the timing or scale of new retail that will actually be built is unknown. For example, the Plumas Lakes Specific Plan contains up to 3 million square feet but has only developed 15,000 square feet to date, despite significant residential development there. New retail development will only occur at the most competitive locations, with high residential densities and household incomes, superior transportation access, and strong branding/place making attributes.
- **Finding 1.4: While there is potential for substantial vacancies leading to Urban Decay to occur in the Existing + Project Scenario and Cumulative Scenario, particularly in the early phases of the BSMP (when commercial development far outpaces residential development), a number of market, demographic, regulatory, and real estate development conditions would tend to avoid or limit these impacts.**



SOURCE: ESRI, 2012; City of Yuba City, 2016; ESA, 2016

Bogue Stewart Master Plan . 140720

Figure 1.1
Area Map



SOURCE: USDA, 2014; City of Yuba City, 2016; MHM, 2016; ESA, 2016

Date: July 14, 2016

Bogue-Stewart Master Plan .
 140720 **Figure 1.2**
 Land Use Plan

1.3

Project Description

Yuba City: Bogue Stewart Urban Decay Study

| Retail Category | Site 16 | Site 10 | Site 33 |
|--|---|---|-----------------------|
| Location | Newkom Ranch | Kells East | Remainder Area |
| Assumed Retail Center Type | Community Ctr | Community Ctr | Neighborhood Ctr |
| Acres | 21.1 | 14.8 | 6.7 |
| Retail Building Sq. Ft. | 229,779 | 161,172 | 83,328 |
| Primary Market Area | 6 mile driving radius | 6 mile driving radius | 1 mile radius |
| Secondary Market Area | Yuba City-Marysville, Outlying Communities | Yuba City-Marysville, Outlying Communities | 3 mile driving radius |
| Estimated Opening | Beginning of P1 | End of P2 | End of P3 |
| Estimated Construction Year | 2020 | 2029 | 2044 |
| Estimated First Year of Stabilized Operations | 2021 | 2030 | 2045 |

Prepared by New Economics & Advisory, August 2018.

1.4

Net Demand from Proposed Project *Yuba City: Bogue Stewart Urban Decay Study*

| Item | 2021 | 2030 | 2045 |
|---|-----------------|-----------------|-----------------|
| Benchmark: First Year of Stabilized Operations | Site 16 | Site 10 | Site 33 |
| Demand | | | |
| Population | 602 | 3,528 | 8,127 |
| Demand (Sq. Ft.) per perso | 38.1 | 38.1 | 38 |
| Total Demand (Sq. Ft.) | 22,905 | 134,305 | 309,363 |
| Supply (Sq. Ft.) | 229,779 | 390,951 | 474,279 |
| Net Demand (Sq. Ft.) | -206,874 | -256,646 | -164,916 |
| Supply as % of Demand | 1003% | 291% | 153% |
| Excess Supply (Portion Beyond 10% Oversupply) | -204,583 | -243,216 | -465,339 |

Prepared by New Economics & Advisory, January 2018.

1.5

Net Demand from Existing Development Community Center SMA

| Item | Existing (2017) | 2021 | 2030 | 2045 |
|---|-----------------|-----------------|-----------------|-----------------|
| Existing Development | | | | |
| Demand | | | | |
| Population | 154,654 | 154,654 | 154,654 | 154,654 |
| Demand (Sq. Ft.) per person | 39.5 | 38.1 | 38.1 | 38.1 |
| Total Demand (Sq. Ft.) | 6,113,520 | 5,886,957 | 5,886,957 | 5,886,957 |
| Supply (Sq. Ft.) | 6,582,476 | 6,582,476 | 6,582,476 | 6,582,476 |
| Net Demand (Sq. Ft.) | -468,956 | -695,519 | -695,519 | -695,519 |
| Supply as % of Demand | 108% | 112% | 112% | 112% |
| | | | | |
| Excess Supply (Portion Beyond 10% Oversupply) | N/A | -106,823 | -106,823 | -106,823 |

Prepared by New Economics & Advisory, August 2018.

1.6 Summary of Net Demand: Neighborhood Retail Center PMA and SMA

| Item | Existing | Existing+ Project | Cumulative |
|-------------------------|----------------|----------------------|----------------|
| Neighborhood PMA | | | |
| Retail Sq. Ft. | <u>2017</u> | <u>2045</u> | <u>2045</u> |
| Demand | 395,817 | 690,511 | 690,511 |
| Supply | 77,689 | 551,968 | 551,968 |
| Net Demand | 318,128 | 138,543 | 138,543 |
| Supply as % of Demand | 20% | 80% | 80% |
| Neighborhood SMA | | | |
| Retail Sq. Ft. | <u>2017</u> | <u>2045</u> | <u>2045</u> |
| Demand | 1,535,871 | 1,788,316 | 2,182,815 |
| Supply | 1,202,429 | 1,676,708 | 1,706,399 |
| Net Demand | 333,442 | 111,608 | 476,417 |
| Supply as % of Demand | 78% | 94% | 78% |

Prepared by New Economics & Advisory, August 2018.

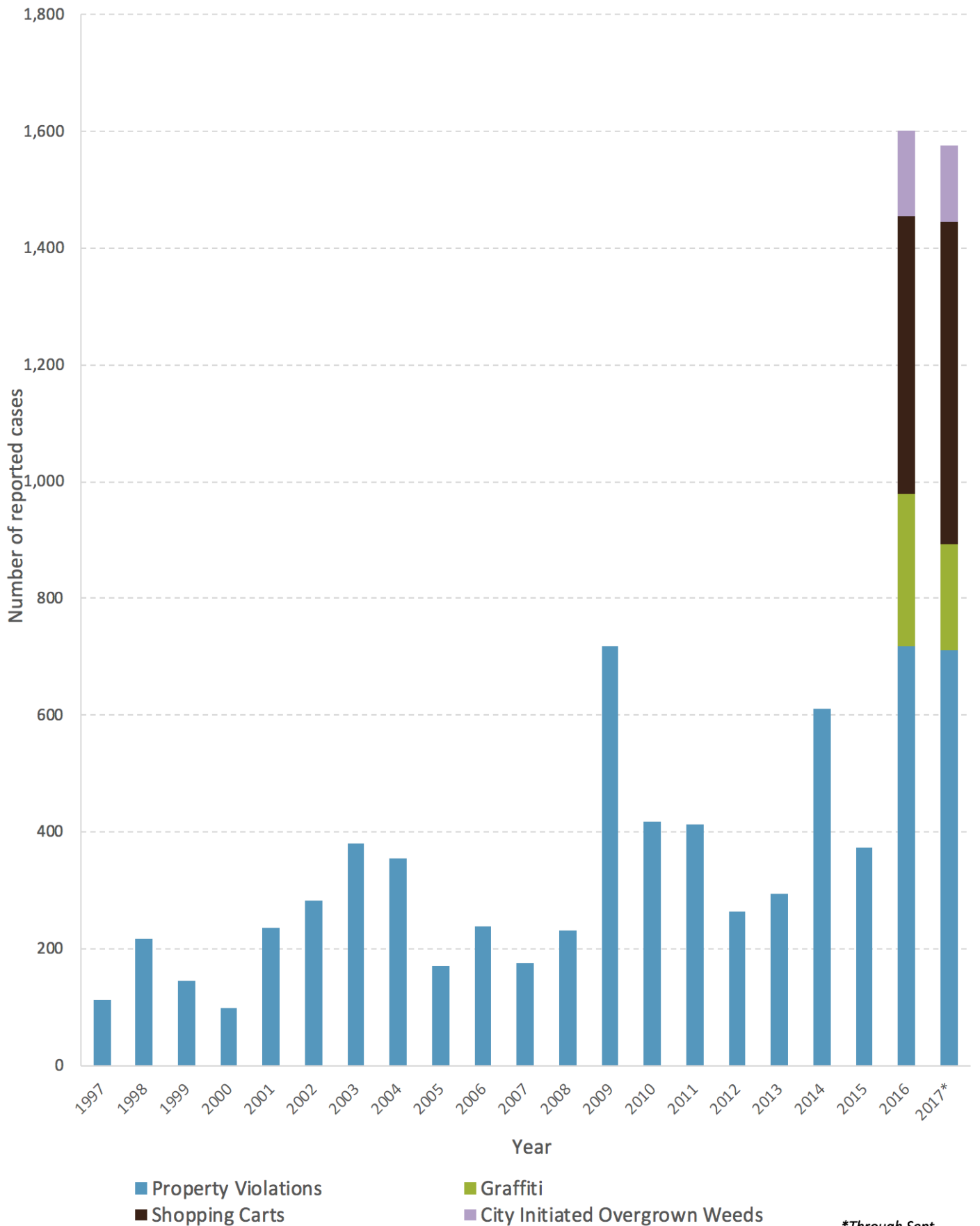
1.7

**Summary of Net Demand: Community Retail Centers
 SMA**

| Item | Existing | | Existing + Project Scenario | | | Cumulative Scenario | | |
|--|-----------|-----------|-----------------------------|---------------|------------|---------------------|------------|--|
| | 2017 | 2021 | 2030 | Community SMA | 2021 | 2030 | 2045 | |
| | | Site 16 | Site 10 | with NC | Site 16 | Site 10 | with NC | |
| Retail Sq. Ft. | | | | | | | | |
| Demand | 6,113,520 | 5,909,862 | 6,021,262 | 6,196,320 | 6,225,422 | 7,069,504 | 8,777,141 | |
| Supply | 6,582,476 | 6,812,255 | 6,973,427 | 7,056,755 | 7,543,321 | 9,349,392 | 11,991,451 | |
| Net Demand | -468,956 | -902,393 | -952,165 | -860,435 | -1,317,899 | -2,279,887 | -3,214,310 | |
| Supply as % of Demand | 108% | 116% | 116% | 114% | 121% | 132% | 137% | |
| Excess Supply (Portion Beyond 10% Oversupply) | N/A | -311,406 | -350,039 | -240,803 | -695,357 | -1,572,937 | -2,336,596 | |

Prepared by New Economics & Advisory, August 2018.

Figure 1.8: New Code Enforcement Cases Reported per Year



Section 2: Yuba City/Marysville Retail Trends

Yuba City and Marysville are located on the west and east side, respectively, of the Sacramento River about 40 miles north of Sacramento. Marysville, which is located along Highway 70 (which travels between Sacramento and Oroville), was the first of the two cities to develop and has essentially reached its “buildout” based on a lack of available land; with a current population count of about 12,100. Marysville’s population base is not expected to increase significantly. Yuba City, in contrast, has experienced tremendous growth and currently has approximately 67,000 persons. Highway 99 passes through Yuba City and the two cities are connected through two crossings over the Sacramento River.

Because of their relative proximity and interconnectivity, this Urban Decay Study evaluates the retail centers and households in Yuba City and Marysville as one submarket for initial consideration (Yuba City/Marysville Submarket). This section studies retail sales and the performance of retail space in the two cities. Any figures referenced in this section can be found at the end of this section.

Retail Market Conditions

Analysis of sales, retail market performance indicators, and interviews with retail estate professionals indicate that the Yuba City/Marysville Submarket enjoys a concentration of retail centers and tenant mix that serves a large regional area that includes not only Yuba City and Marysville, but also captures sales from other smaller and/or more rural communities.

Total Sales and Taxable Sales Trends

New Economics reviewed taxable sales in Yuba City and Marysville on a per-person basis. Compared to the statewide average, Yuba City generates per-capita sales that are significantly higher; even when combined with Marysville, the area’s per-capita sales continue to exceed the statewide average by about 21 percent (**Figure 2.1**). Relatively low household incomes in both Yuba City and Marysville further support the notion that local households alone do not generate enough demand to support the existing inventory of sales. Instead, the data indicates that Yuba City’s retail stores serve a larger area, particularly in the categories of Motor Vehicles & Parts Dealers, Building Materials, and General Merchandise. In contrast, Marysville’s stores mostly appear to underperform compared to the statewide average, with the exception of Gasoline Stations and Food Services and Drinking Places.

To confirm the indication from taxable sales data, New Economics also reviewed total sales leakage for Yuba City and Marysville combined, based on ESRI, a third-party data provider. **Figure 2.2** summarizes the results of this Study, which also suggests that the retail businesses in these two cities are generating far more sales than the consumers in these two cities alone would be able to sustain.

Figure 2.3 shows a Broad Retail Market Area, defined as the area from which retail stores in Yuba City (and Marysville, to a lesser extent) draw most of its customers. Some of these outlying communities, such as Olivehurst, Live Oak, and Colusa, have local-serving retail and look to Yuba City only for regional and super-regional retail outlets. Other communities, such as Plumas Lake, Sutter, Linda, Grimes, Rio Oso, and Nicolaus, have little or no local-serving retail, making Yuba City (and/or Marysville) a primary destination for local and regional retail goods and services. In addition, some of these communities (particularly Gridley, Williams, and Nicolaus) are located approximately halfway between Yuba City/Marysville and another city with major retail, such as Natomas, Woodland, or Chico; in these cases, residents will prefer one location or the other depending on retail availability, traffic, and/or their place of work.

Overall Retail Performance Indicators

Real estate data providers currently classify Yuba City as part of the Outer Sutter County Submarket and Marysville as part of the Yuba County Submarket. New Economics extracted Yuba City and Marysville from their respective submarkets to create the Yuba City/Marysville Submarket for purposes of this Urban Decay Study.

Figure 2.4 provides a snapshot of inventory, rents, and vacancy for the Yuba City-Marysville retail submarket for 2012 and 2017. This data, along with interviews with local real estate professionals, indicates the following trends:

- **Vacancy rates continue to fall below 8 percent.** While real estate brokers active in this Submarket report that some centers have had vacant spaces for multiple years, retail space overall has experienced high levels of occupancy.
- **Relatively little new space has been added to the market, although several new small-scale retail projects suggest a positive uptick in new supply.** While the Regional Mall is undergoing a major renovation and has added some pad space, other existing centers have added virtually no new space. At this time, Yuba City is reporting that several retail projects are underway, including both new and converted spaces; however, these projects are relatively small in scale (as shown in **Figures 2.5** and **2.6**) and only one small new retail center (on Colusa Highway) has been built. Brokers have consistently indicated that the development of more substantial levels of new retail space is not expected to occur until population growth resumes.
- **Rents have rebounded since 2012, but local brokers report that they fall far short of the rates needed to justify new retail center construction.** New retail centers would likely command rates of \$2.50-\$3.00 monthly per square foot (triple net), while the average triple net rent in this submarket remains around \$1.50.

Existing Retail Centers

Retail Center Terminology

Since the Great Recession, retail centers have been reinventing themselves. While this evolution is an ongoing process, as of August of 2017 Co-Star and the International Council of Shopping Centers (ICSC) continue to adhere to a retail typology summarized in **Figure 2.7**. The typology for Neighborhood Centers, Community Centers, and Power Centers is very similar. However, ICSC combines Strip and Convenience Centers while Co-Star identifies Regional Malls as a distinct center type.

Snapshot of Retail Centers

Figure 2.8 summarizes the number and amount of space in retail centers, while **Figure 2.9** illustrates the location of these centers. In addition to traditional retail shopping centers, both cities have additional retail in free-standing buildings and mixed-use areas like Plumas Street (Yuba City) and Downtown Marysville. The location of free-standing retail is not shown in **Figure 2.9**.

The Yuba City/ Marysville Submarket contains approximately 44 retail centers and a total of 6.4 million square feet of retail space, including space outside of retail centers. Yuba City has about three-fourths of the retail centers (and 90 percent of the associated space); Yuba City also has two Regional/Power Centers and 3 Community Centers, while Marysville is limited to Neighborhood Centers and Strip Centers. However, Marysville and Yuba City each have about 1.8 million square feet of retail space outside of retail centers.

New Economics visited 25 retail centers in the Yuba City/Marysville Submarket, which account for approximately 38 percent of the Submarket's retail inventory. **Figure 2.10** summarizes the characteristics and condition of each of these retail centers. The retail centers were found largely to be experiencing high occupancy rates, a variety of traditional and non-traditional retail tenants, and appeared to be in good physical condition. Retail centers and areas that are critical components of the Submarket are described below.

Yuba Sutter Mall (Regional Mall)

The 38-acre Yuba Sutter Mall was built in the early 1980's and has approximately 422,300 leasable square feet of retail space and nearly 2,100 surface parking spaces.

The mall draws customers from a large trade area that reaches Sutter (west), Wheatland (south), and Live Oak (north). Additional customers come from farther away (such as Gridley or Colusa) to the extent that they work in Yuba City. The mall considers its main competitor to be the Roseville Galleria and, to a lesser extent, the Chico Mall.

At the time this report was prepared, the Yuba Sutter Mall was experiencing a 26-percent vacancy level (or 109,000 square feet). The vacancy of one of the anchor spaces accounts

for a majority of this space (74,000 square feet), with in-line spaces accounting for the remaining balance.

An interview with Yuba Sutter Mall staff provided additional information indicating that this center is actively repositioning itself to continue to play an important role in the retail market:

- The mall was acquired by Ethan Conrad properties in late 2016 and is scheduled to undergo facade renovations by the end of 2017;
- The vacant anchor space is being demised into three smaller spaces, all of which have committed users that are new to the Yuba City market and are community or regional in nature;
- Other occupied space will be reconfigured to accommodate a user that provides a gathering space venue;
- While recognizing that services make up a larger portion of in-line space in malls nationwide, Yuba Sutter Mall is courting an increasing number of in-line national retailers interested in coming into the Yuba City market;
- Sears, one of the remaining anchor users, is an unusually strong performer at the national level; and,
- The mall will accommodate a variety of seasonal tenants, including existing retail stores that want to provide a secondary location during the holiday season.

Retail Centers with Regional or Super-Regional Users

Multiple retail centers in Yuba City feature users that are typically found only in Regional, Super Regional, and/or Power Center users, such as:

- **Yuba City Marketplace** (Regional/Power Center): The Home Depot, Marshall's, Michaels, PETCO, and Walmart.
- **Yuba Sutter Mall** (Regional/Power Center): JCPenny, Sears, Ross, and Forever 21.
- **Target Center** (Community Center): Target.
- **Geweke Crossing** (Neighborhood Center): Kohl's.
- **Raley's Shopping Center** (Neighborhood Center): Toys R Us.

Three of these retail centers (Yuba City Marketplace, Target Center, and Geweke Crossing) are 100 percent occupied. As discussed above, the Yuba Sutter Mall is undergoing a renovation and has recruited a combination of destination users, local-serving retail service and local-serving retailers. The Raley's Shopping Center has a few in-line vacancies and attracts a large amount of customers through its anchor grocery tenant, but its regional retailer, Toys R Us, very recently filed Chapter 11 bankruptcy.⁴

⁴ Forbes Magazine, September 20, 2017. "Bankruptcy is no Plaything" by George Schultz.

Plumas Street (Yuba City)

Plumas Street is an active, mixed-use (primarily office and retail) corridor in Yuba City that forms the heart of downtown Yuba City. It is anchored by medical office users, a variety of specialty retailers, including goods and services, front tree-lined streets with diagonal parking. Plumas Street retailers generally include restaurants and drinking establishments, personal services, arts/cultural organizations, and a wide variety of specialty retail ranging from florists to framing to book stores, etc. A windshield survey of Plumas Street, review of existing real estate data, and interviews with local real estate professionals indicate that Plumas Street has established itself as a place-based downtown focused on entertainment, restaurants, and specialty retail. The Yuba City Downtown Business Association organizes events throughout the year that feature late business hours combined with entertainment to attract consumers to the area for holidays and other special events.

The Sutter Theater, on Plumas Street, has also undergone a major renovation to provide a performing arts theater and smaller, black-box theater space.

Downtown Marysville

Downtown Marysville (the area bounded by 9th/10th St., B St., 1st St., and 14th St.) has approximately 1,025,000 retail square feet and a reported vacancy rate of 9.8 percent. Discussions with stakeholders indicate that certain areas of Downtown Marysville are more active than others, but that overall it is becoming known as an antiques-focused district with dining opportunities for visitors. However, because Marysville is largely built out, residential growth (and associated population) has mostly occurred in Yuba City. This trend has motivated new retail development, as well as existing and new businesses, to prefer Yuba City over Marysville as a location.

Yuba County: Feather River Center

The Feather River Shopping Center in Linda, an unincorporated community in Yuba County just outside of Marysville, is a 489,000 retail center originally built in 1970. According to County staff, this mall was fully occupied during the 1980's, until a major flood occurred in 1986. Shortly thereafter, the mall lost its anchor tenants, some of whom relocated to the Yuba Sutter Mall in Yuba City. At one time, the County leased about 100,000 square feet for health and human services office space, but has since relocated those functions to another location.

At this time, Food Maxx, a gas station, and a couple of other small users occupy approximately 68,200 square feet, while the remainder of the mall (420,717 sq.ft.) remains vacant. County staff asserts that the existing unoccupied portions of the mall are structurally obsolete and would require substantial upgrades to accommodate new retailers. In addition, a grocery exclusion provision in Food Maxx's lease agreement has prevented potential users (including Target and Costco) from being able to locate in the center.

Because of these factors, this Study presumes that the vacant portion of this center is no longer viable retail space, and the retail inventory total in **Figure 2.4** includes only the occupied portion of this center.

Key Findings

- **Finding 2.1. The Yuba City/Marysville retail Submarket acts as a regional hub.** This Submarket draws customers from Plumas Lake, Linda, Olivehurst, Live Oak, Sutter, Colusa, as well as the smaller towns and communities South and Southeast of Yuba City including Grimes, Rio Oso, and Nicolaus. These outlying customers would otherwise need to travel to Chico, Roseville, Woodland, or Sacramento to find a similar array of Yuba City’s regional retail offerings, located mostly in Community Centers and Regional Centers.
- **Finding 2.2: Retail centers in Yuba City draw customers from Marysville and beyond, but Marysville centers draw fewer customers from Yuba City and elsewhere.** While Yuba City has experienced both population growth and the development of some new retail centers over the last five years, Marysville is essentially built out. However, both markets exhibit relatively low vacancy rates (less than 8 percent).
- **Finding 2.3: Retail centers in Yuba City contain a blend of traditional retail tenants, tenants that were previously found only in other center types, and an increasing share of non-retail users. This blending is eroding the traditional “capture” of retail demand and is also suppressing lease rates.** Consistent with statewide and national retail trends, retail centers have more office/medical users, regional tenants that previously located in larger centers but can now fit in a more compact footprint, and services-oriented tenants that used to be limited to Neighborhood Centers. This trend is making it more difficult to differentiate between centers. In Yuba City, the distinction between “community” and “regional” retail centers is particularly difficult, as many “regional” tenants are found in “community” centers. Therefore it is more likely for consumers to satisfy a mix of retail spending categories at any given type of retail center. At the same time, while these users help to maintain high levels of occupancy and foot traffic, they have not produced any upward pressure on lease rates; combined with stagnant population growth, Yuba City and Marysville have experienced very little new retail space in recent years.
- **Finding 2.4: While some centers in Yuba City also appear to be experiencing physical disinvestment and/or deferred maintenance, exterior center appearance is not necessarily an indication about financial health of the center(s).** Some centers have consistently offered relatively low rents that have attracted stable users who value low lease rates. These centers have enjoyed high occupancy rates over the years because retail tenants there appear to value low rents more than higher levels of maintenance and/or property reinvestment.

Further, while the center at 850 Gray Avenue appears to be experiencing significant physical deterioration, Sutter County intends to convert this old K-Mart building into a major new Government Services center.

- **Finding 2.5: Downtown Plumas Street, in Yuba City, provides a vibrant, healthy retail setting for small, locally owned businesses, restaurants, entertainment, and specialty retail.** The restoration of the Sutter Theater will provide a renovated setting for performing arts, further cementing Plumas Street as a place-based retail setting in the City.
- **Finding 2.6: Downtown Marysville, while not as active as Plumas Street in Yuba City, appears to be creating a niche for itself as an antique alley with eating and drinking establishments.** Downtown's vacancy rate is currently less than 10 percent.

2.1 Per Capita Taxable Transactions, 2015

Yuba City: Bogue Stewart Urban Decay Study

| Category | California | Yuba City | Marysville | Yuba City + Marysville | |
|---|-----------------|-----------------|-----------------|------------------------|-------------|
| | | | | Amount | % of CA |
| Population (2015, DOF) | 38,907,642 | 67,237 | 12,072 | 79,309 | 0.2% |
| Retail and Food Services | | | | | |
| Motor Vehicle and Parts Dealers | \$2,065 | \$3,415 | \$1,190 | \$3,076 | 149% |
| Home Furnishings and Appliance Stores | \$313 | \$345 | \$324 | \$342 | 109% |
| Bldg. Matrl. and Garden Equip. and Supplies | \$865 | \$1,683 | \$545 | \$1,510 | 175% |
| Food and Beverage Stores | \$718 | \$806 | \$537 | \$765 | 107% |
| Gasoline Stations | \$1,218 | \$764 | \$3,042 | \$1,111 | 91% |
| Clothing and Clothing Accessories Stores | \$988 | \$803 | \$68 | \$691 | 70% |
| General Merchandise Stores | \$1,243 | \$3,186 | \$175 | \$2,728 | 219% |
| Food Services and Drinking Places | \$1,899 | \$1,633 | \$2,597 | \$1,780 | 94% |
| Other Retail Group | \$1,785 | \$1,475 | \$774 | \$1,368 | 77% |
| Total Retail and Food Services | \$11,094 | \$14,111 | \$9,252 | \$13,372 | 121% |
| % of California | 100% | 127% | 83% | 121% | |
| All Other Outlets | \$5,199 | \$2,740 | \$2,940 | \$2,770 | 53% |
| Total All Outlets | \$16,294 | \$16,851 | \$12,192 | \$16,142 | 99% |
| % of California | 100% | 103% | 75% | 99% | |
| Mean Household Income (2015) | \$87,877 | \$66,964 | \$45,198 | \$63,651 | 72% |

Source: Board of Equalization (BOE); California Department of Finance; American Community Survey (ACS) 2011-2015.

Prepared by New Economics & Advisory, August 2018.

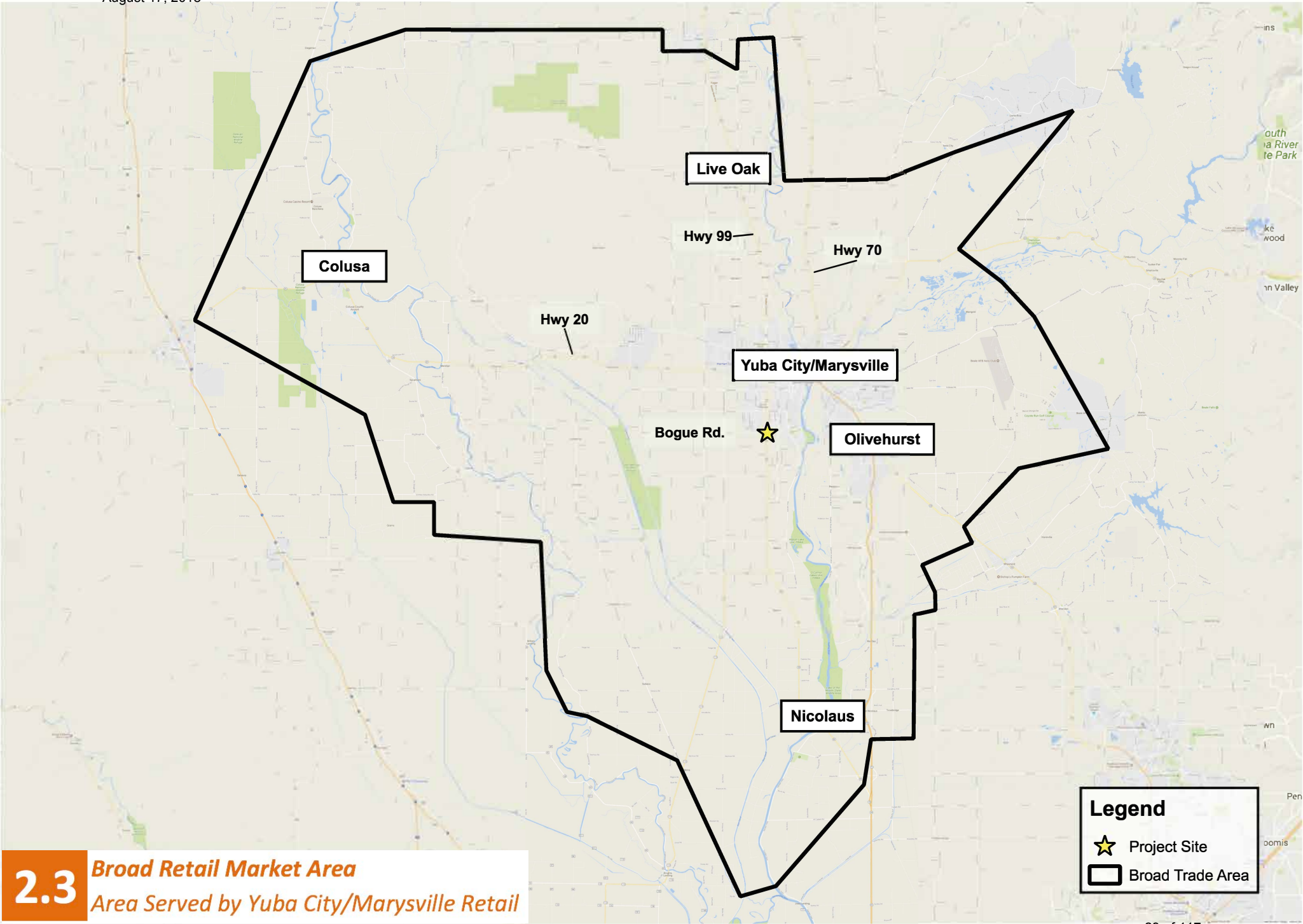
2.2

Retail Gap Analysis: Yuba City and Marysville (2017) Yuba City: Bogue Stewart Urban Decay Study

| Retail Store Category | Demand | Sales | Net Demand |
|---|----------------------|------------------------|------------------------|
| Motor Vehicle & Parts Dealers | \$162,612,507 | \$275,190,601 | (\$112,578,094) |
| Furniture & Home Furnishings Stores | \$28,442,354 | \$27,066,016 | \$1,376,338 |
| Electronics & Appliance Stores | \$28,023,807 | \$21,145,315 | \$6,878,492 |
| Bldg Materials, Garden Equip. & Supply Stores | \$46,824,213 | \$104,669,988 | (\$57,845,775) |
| Food & Beverage Stores | \$125,302,280 | \$219,856,629 | (\$94,554,349) |
| Health & Personal Care Stores | \$53,647,065 | \$86,425,155 | (\$32,778,090) |
| Gasoline Stations | \$69,753,260 | \$58,126,717 | \$11,626,543 |
| Clothing & Clothing Accessories Stores | \$53,975,334 | \$30,664,423 | \$23,310,911 |
| Sporting Goods, Hobby, Book & Music Stores | \$24,158,322 | \$26,757,927 | (\$2,599,605) |
| General Merchandise Stores | \$129,037,338 | \$411,491,858 | (\$282,454,520) |
| Miscellaneous Store Retailers | \$28,884,330 | \$30,317,570 | (\$1,433,240) |
| Nonstore Retailers | \$22,345,175 | \$13,818,443 | \$8,526,732 |
| Food Services & Drinking Places | \$82,761,522 | \$123,401,415 | (\$40,639,893) |
| Restaurants/Other Eating Places | \$79,292,068 | \$120,887,802 | (\$41,595,734) |
| Total | \$935,059,575 | \$1,549,819,859 | (\$614,760,284) |
| Supply as a % of Demand | | | 166% |

Source: Esri Retail Marketplace Profile, 2017.

Prepared by New Economics & Advisory, August 2018.



2.3 *Broad Retail Market Area*
Area Served by Yuba City/Marysville Retail

Legend

- ★ Project Site
- ▭ Broad Trade Area

2.4 Retail Market Indicators (2012, 2017) Yuba City and Marysville [1]

| Item | 2012 | 2017 |
|-----------------------------|-----------|-----------|
| Retail Building Square Feet | 5,951,333 | 5,991,988 |
| Vacancy Rate | 7.6% | 7.1% |
| Net Absorption Square Feet | 90,508 | 58,843 |
| Gross Absorption | 261,743 | 181,284 |
| NNN Rent | \$13.20 | \$17.27 |

[1] Yuba City and Marysville areas predefined in CoStar database. Marysville data includes retail in Linda, along North Beale Rd. and Lindhurst Ave. Feather River Shopping Center in Linda was manually adjusted to only reflect the currently occupied space, as the vacant building space is no longer viable according to County staff.

Source: CoStar Realty Information Inc.

Prepared by New Economics & Advisory, August 2018.

2.5

***New Commercial Projects in Yuba City
Recently Constructed, Under Construction***

| Project Name | Commercial Sq. Ft. | Status [1] |
|-----------------------------------|-------------------------------|-------------------|
| Sullivan Chrysler-Dodge | 18,619 | UC |
| Franklin Pharmacy Phase II | 17,880 | UR |
| Farm West Credit Union | 13,746 | UC |
| Pete's Restaurant & Brewhouse | 6,830 | RC |
| Stanton Optical | 5,055 | RC |
| Surf-Thru Carwash | 5,132 | RC |
| Northpointe Veterinarian Hospital | 9,419 | RC |
| Subtotal | 76,681 | |

[1] UC= Under Construction UR= Under Review RC= Recently Completed

Source: Yuba City Planning Department, October 2017.

Prepared by New Economics & Advisory, August 2018.

2.6 Current and Recent Conversion of Retail Space Yuba City

| New Retail Use | Former Use | Square Feet | Reconfigured | Net New |
|-----------------------------------|--------------------------------|-------------|--------------|---------------|
| | | | Space | |
| | | | Sq. Ft. | Sq. Ft. |
| Ulta Beauty | Office Depot | N/A | 13,491 | 0 |
| Jersey Mike's Subs | Commercial | N/A | 900 | 0 |
| El Pollo Loco | Restaurant | N/A | 2,273 | 0 |
| Dunkin Donuts | Retail | N/A | 2,273 | 0 |
| Planet Fitness | Forever 21 | N/A | 18,252 | 0 |
| Smart and Final | Forever 21 | N/A | 33,026 | 0 |
| Best Collateral | Religious Institutions | N/A | 8,894 | 0 |
| Office Building | Restaurant (was 4,000 sq. ft.) | 4,000 | 4,500 | 500 |
| Panera Bread | Restaurant (was 8,000 sq. ft.) | 8,000 | 3,780 | -4,220 |
| Total Net New Retail Space | | | | -3,720 |

Prepared by New Economics & Advisory, August 2018.

2.7 Retail Typology (mid-2017) Co-Star and International Council of Shopping Centers (ICSC)

| Center Type [1] | Co-Star | | | ICSC | | | Trade Area | |
|-------------------------------|---|--|---|----------------------------|-----------------|---|---|------------|
| | GLA | Tenant Mix | Anchor | GLA | Tenant Mix | Anchor | | |
| Strip Center | N/A | Attached stores or services | N/A | Strip/Convenience Combined | 13,000 | Narrow mix of goods and | Mini-Mart | <1 mile |
| Convenience Center | 6 or less stores focusing on day-to-day necessities | Basic groceries, dry cleaners, liquor store, video rentals, etc. | N/A | | | | | |
| Neighborhood Center | 30,000-50,000 | Convenience Goods, Personal Services | Supermarket | Neighborhood Center | 30,000-125,000 | Convenience oriented | Supermarket | 3 miles |
| Community Center | 100,000-350,000 | Wider range of apparel and other soft goods | Supermarket, Super drugstore, discount dept store. | Community Center | 125,000-400,000 | General merch. or convenience | Discount store, supermarket, drug, large-specialty discount | 3-6 miles |
| Regional Center/Mall Combined | 300,000-1 million | Soft goods full variety | 2+ dept stores | Regional Mall | 400,000-800,000 | | | 5-15 miles |
| Super Regional Center | 750,000 + | | 3+ dept stores | Super Regional Center | 800,000+ | | | 5-25 miles |
| Power Center | 250,000-600,000 | Several unconnected anchors and a minimum amount of small tenants. | Numerous "category killers" [2], discount dept stores, office-price stores, warehouse clubs | Power Center | 250,000-600,000 | Numerous category-dominant anchors, few small tenants | Home improvement, discount dept. warehouse club, off-price stores | 5-10 miles |

[1] Typologies also include Lifestyle, Factory Outlet, Theme/Festival, and Airport retail. Because none of these center types occur in the trade area, they were omitted from this figure.

[2] Category killers are defined as stores that offer great levels of selection in a particular merchandise category at low prices.

Source: http://www.costar.com/about/costar-glossary#go_p (accessed August 2017); "U.S. Shopping-Center Classification and Typical Characteristics", ICSC (April 2017).

Prepared by New Economics & Advisory, August 2018.

2.8 Summary of Retail Space in Yuba City/Marysville

Yuba City: Bogue Stewart Urban Decay Study

| Category | Yuba City [1] | | | Marysville [1] | | | YC + Marysville (Total) | | |
|---|--------------------------------|----------------------|--------------|--------------------------------|----------------------|--------------|--------------------------------|----------------------|--------------|
| | # of Retail Centers/ Bldgs. | Retail Bldg. Sq. Ft. | Vacancy Rate | # of Retail Centers/ Bldgs. | Retail Bldg. Sq. Ft. | Vacancy Rate | # of Retail Centers/ Bldgs. | Retail Bldg. Sq. Ft. | Vacancy Rate |
| Retail Shopping Centers | | | | | | | | | |
| Regional/Power Centers | 2 | 926,920 | - | 0 | 0 | - | 2 | 926,920 | - |
| Community Centers | 3 | 432,983 | - | 0 | 0 | - | 3 | 432,983 | - |
| Neighborhood Centers | 9 | 874,200 | - | 5 | 248,923 | - | 14 | 1,123,123 | - |
| Strip Centers | 20 | 364,893 | - | 6 | 89,536 | - | 26 | 454,429 | - |
| Total Retail Shopping Centers | 34 | 2,598,996 | 9.4% | 11 | 338,459 | 5.6% | 45 | 2,937,455 | 8.9% |
| Other Retail (Not in Shopping Ctrs.) | 220 | 1,784,638 | 3.6% | 168 | 1,297,072 | 7.0% | 388 | 3,081,710 | 5.0% |
| Total Retail | N/A | 4,383,634 | 7.0% | N/A | 1,635,531 | 6.7% | N/A | 6,019,165 | 6.9% |

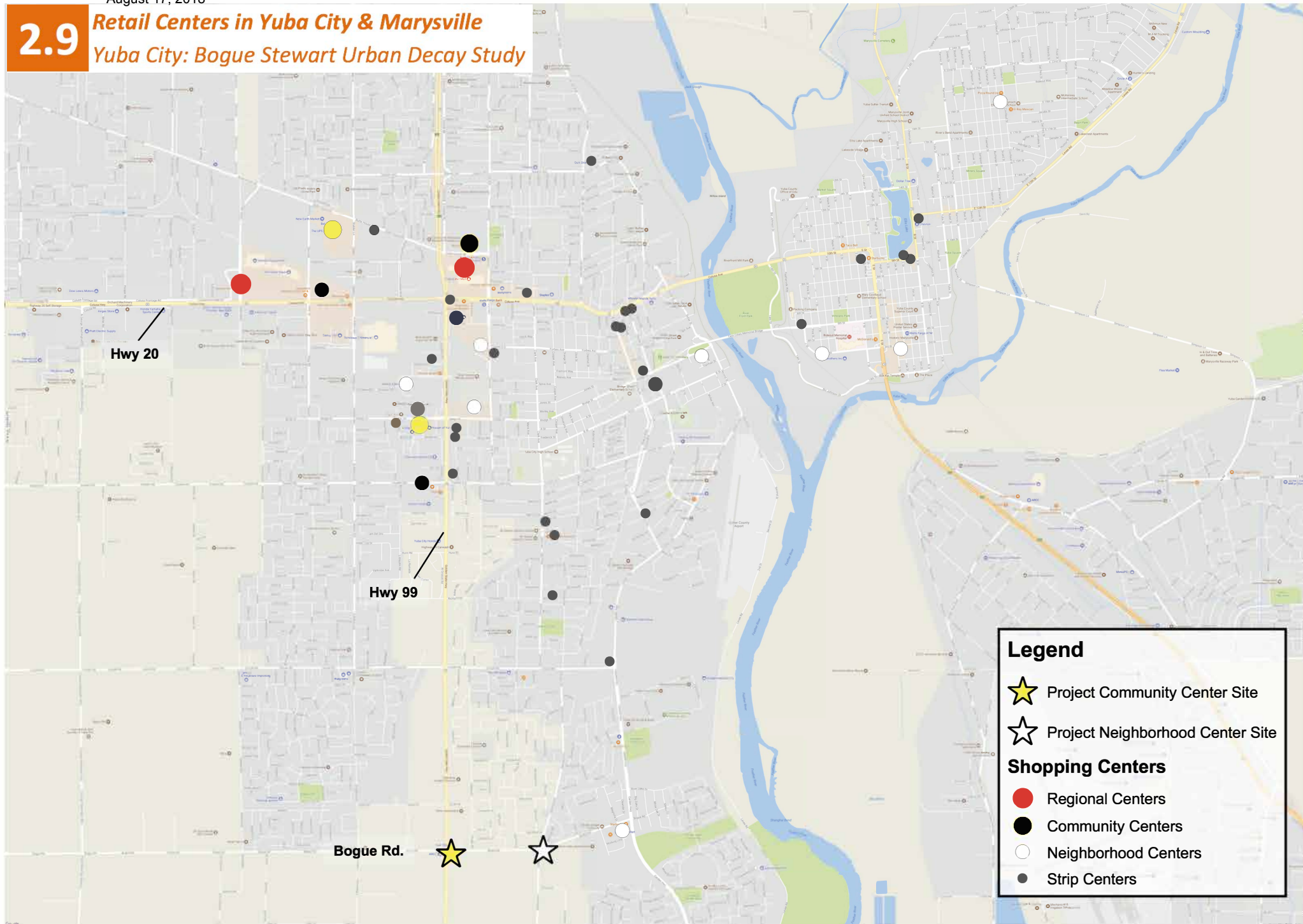
[1] Yuba City and Marysville areas predefined in CoStar database. Marysville data includes retail in Linda, along North Beale Rd. and Lindhurst Ave. Feather River Shopping Center in Linda was manually adjusted to only reflect the currently occupied space, as the vacant building space is no longer viable according to County staff.

Source: CoStar Realty Information

Prepared by New Economics & Advisory, September 2017.

2.9 Retail Centers in Yuba City & Marysville

Yuba City: Bogue Stewart Urban Decay Study



2.10 Existing Retail Center Conditions
Yuba City: Bogue Stewart Urban Decay Study

| Retail Center Name | Center Type | Street Address | Retail Square Feet | Vacancy | | | Deferred Maintenance | Disinvestment | Activity Level [1] | |
|------------------------------|---------------------|---------------------|--------------------|---------|---|---|--|---------------|---|--|
| | | | | Rate | Description | Score (0-100) | | | Comment | |
| Yuba City | | | | | | | | | | |
| Yuba City Marketplace | Power Type | 1060 Harter Road | 504,663 | 0% | Small shops along the outside of center. | None. | None. | 53 | Overall, pretty busy for its size. Big box anchors had a steady stream activity, as did the smaller exterior shops. | |
| Yuba Sutter Mall | Regional Mall | 1215 Colusa Ave | 422,257 | 26% | Vacant large anchor, vacancies scattered throughout, lots of kiosks inside. | None. Little trash. | None. | 20 | Fairly active for a weekday afternoon. | |
| Geweke Crossing | Neighborhood Center | 1480 Sunsweet Blvd | 198,323 | 0% | One pad vacancy. | None. | None. Very clean and well maintained. | 20 | In N Out was active, but Kohl's and Harley Davidson were not. | |
| Feather Down Shopping Center | Community Center | 1282 Stabler Ln | 164,705 | 0% | None. | None. Spotless. | Some of the buildings seemed dirty but nothing was deteriorating. | 30 | Not very crowded. | |
| Target Center | Community Center | 1153 Butte House Rd | 144,395 | 0% | None. | None. | None. | 45 | Target seemed to have 99% of activity. | |
| NA | Neighborhood Center | 812 Gray Ave | 124,037 | 68% | Anchor vacancy. Boarded up. Another smaller vacancy next to Round Table. | Neglect of repair to buildings, parking lot, signage; graffiti, litter. | Missing overhang, buildings cracking, light post cracking. | 5 | Large parking lot was 99% empty. | |
| NA | Community Center | 1410 Bridge Street | 123,883 | 0% | None. | Some trash, loiterers, grass needed to be cut. | Overhang was falling apart. Auto parts store was nice but the Dollar Tree sidewalk, and overhangs were deteriorated. Parking lot was fine. Little Caesars area was quite neglected and outdated. | 15 | Dollar tree had a steady activity, as did gas station. | |
| Raley's Shopping Center | Neighborhood Center | 700 W Onstott Rd | 119,979 | 8% | 2 adjacent vacancies along one edge of center. Well maintained and modern. | None. | Toys R Us looked run down. Everything else looked modern and new. | 51 | Toys R Us had little/no traffic and Raleys seemed to account for 90% of the activity. | |
| Sutter Crossroads | Neighborhood Center | 1232 Colusa Ave | 119,675 | 3% | One boarded up pad, one in line corner vacant. | Litter, overgrown plants, overhangs falling apart. | Overhangs, parking lot paint fading. | 15 | Red Robin was crowded. Food Maxx also had customers. Other shops seemed inactive. | |
| Winco Foods Shopping Center | Neighborhood Center | 1350 Franklin Rd | 93,562 | 0% | None. | None. | None. | 66 | Winco was crowded. Big Lots side was not. Nearby gym looked new and also busy. | |
| Westbridge Village | Neighborhood Center | 1171 Bridge Street | 77,626 | 0% | In line vacancy (former Radio Shack.) | Signage is old and not updated to reflect tenants. | Deteriorating sidewalks, signage. Buildings in good condition. | 17 | Almost all customers at La Superior. | |

[1] Level of activity reflects the portion of occupied parking spaces at the center observed during the windshield survey conducted in August of 2012.
Source: Costar, Windshield Survey, August 2017.
Prepared by New Economics & Advisory, August 2018.

2.10 Existing Retail Center Conditions
Yuba City: Bogue Stewart Urban Decay Study

| Retail Center Name | Center Type | Street Address | Retail Square Feet | Vacancy | | | | Activity Level [1] | |
|----------------------------------|---------------------|-------------------|--------------------|---------|---|--|---|--------------------|---|
| | | | | Rate | Description | Deferred Maintenance | Disinvestment | Score (0-100) | Comment |
| Yuba City | | | | | | | | | |
| Sutter Buttes Marketplace | Neighborhood Center | 1721 Colusa Hwy | 60,363 | 12% | Larger vacant space, poor visibility from 20. | None. | None. | 30 | Restaurants were getting traffic but Grocery Outlet wasn't. |
| Carriage Square | Neighborhood Center | 226 Bridge St | 53,470 | 0% | None. | None. | None. | 10 | This is just 1 large building. Not a retail center. |
| Yuba City Shopping Center | Strip Center | 729 Colusa Ave | 49,791 | 0% | One vacancy (Antonios Quick Lunch). | Well maintained. Few items of trash. Few loiterers. | Parking lot is in rough shape, with cracked and fading paint. Newer strip walkway in front of buildings however. No building disinvestment. | 28 | Activity seems to be focused on edge businesses (bank, Harbor Freight). Easy access from 20. Has dance studio and internet company offices, specialty retailers, dining, and personal services. |
| Hillcrest Plaza | Strip Center | 229 Clark Ave | 33,804 | 0% | 1-2 vacant spaces (10%). | None. | None. | 7 | Largely occupied by tech related businesses, exercise, and restaurant users. |
| Orchard Plaza | Neighborhood Center | 520 Bouge Rd | 27,635 | 26% | 1/2 of pad space, second largest in line anchor, and one in line space. | None. | None. | 50 | High activity at gas station. Other uses mixed. |
| Town Center | Strip Center | 441 Bridge St | 17,384 | 18% | One vacant space, about 20%. | None. | No disinvestment | 30 | None. |
| NA | Strip Center | 432 Colusa Ave | 9,300 | 0% | 2 in line vacant spaces; 15%. | None. | None. | 50 | Parking lot is busy. Not sure for which businesses. |
| Hart Plaza | Strip Center | 787 Plumas St | 7,920 | 0% | No vacancies. | None. | None. | 10 | Mix of office, appliance, services and one other retailer. |
| Marysville | | | | | | | | | |
| College View Center | Neighborhood Center | 1450 N Beale Rd | 44,544 | 0% | 1 in line vacant space. | Litter at anchor store front. Broken glass in parking lot. | Signs of vagrancy. | 5 | Large parking lot, looks very empty. |
| Downtown Plaza | Neighborhood Center | 201 D St | 36,228 | 25% | 2-3 in line spaces. No anchor user. | None. | None. | 25 | PG&E customer service center and Pizza Guys as anchors. |
| Covillaud Street Shopping Center | Neighborhood Center | 1912 Covillaud St | 29,951 | 15% | 2 in line spaces. | None. | Parking lot needs to be resurfaced. | 60 | Neighborhood grocery very active. |

[1] Level of activity reflects the portion of occupied parking spaces at the center observed during the windshield survey conducted in August of 2012.

Source: Costar, Windshield Survey, August 2017.

Prepared by New Economics & Advisory, August 2018.

Section 3: Emerging Retail Trends

Emerging Retail Trends

In recent years, a number of dynamics have been placing additional pressure on brick-and-mortar retail nationwide, particularly in retail centers. These dynamics, described below, are changing the amount and nature of retail goods bought by consumers, as well as where/how retail goods and services are purchased. Many of the trends described here are most prominently visible in urban areas where densities are sufficiently high to facilitate rapid delivery of goods and services. However, many national retailers are also generating on-line sales in suburban areas and other trends have also manifested themselves in suburban markets. For the Yuba City/Marysville Submarket, **Figure 3.1** shows how, despite improvements in regional economic fundamentals (including income and unemployment rates), brick-and-mortar retail market conditions are failing to improve commensurately.

The Impact of E-Commerce

An increasing share of retail sales in the U.S. are occurring on-line, which competes directly with brick-and-mortar sales. In 2017, e-retail comprised about 11.2 percent of total retail sales (excluding gasoline and auto sales); this figure has been rising rapidly in recent years and is expected to continue to grow (**Appendix A-1**). People have increasingly purchased hard goods on-line, such as office supplies, apparel, books/music/videos, etc. However, stores that offer brick and mortar and on-line purchase options are also seeing rapid increases in houseware/home furnishings, specialty, health and beauty, toys/hobbies, etc. (**Appendix A-2**).

While food sales have remained largely solely brick-and-mortar acquisitions, in urban areas grocery delivery services are emerging as a viable alternative and these trends may spread to suburban areas in the future. Moreover, the recent acquisition of Whole Foods by Amazon is expected to test the consumer's inclination to buy food at stores instead of on-line. At the time this report was prepared, the impact of Amazon on the grocery sector was too new to determine; additional time will be needed to determine if/how the grocery industry will be impacted by further changes in e-commerce.

Sales/use tax revenues for many (though not all) on-line sales are directed to County pools (the county of the consumer making the on-line purchase). These revenues are then allocated to the jurisdictions (incorporated cities and unincorporated area) in that County based on each jurisdiction's share of brick-and-mortar taxable sales. Because County pool revenues include other sales (such as third-party auto sales), they do not singularly reflect the performance of on-line sales. Nonetheless, they can provide an indication of the influence of on-line sales. **Appendix A-3** shows the share of County Pool revenues for Yuba City and other jurisdictions in Sutter County— as **Figure 3.1** summarizes, Yuba City's

County Pool revenues have been increasing by an average of 8.2 percent annually while taxable sales overall have only increased at about 4.5 percent annually.

Shift Toward Services

Certain segments of the population are choosing to pay for services instead of do-it-yourself work that requires the acquisition of retail goods. For example, yard maintenance services supplant the need for yard equipment, software subscriptions eliminate the need for CD-Rom's containing software, and apparel loan services for formal events can replace the outright purchase of apparel. As shown in **Figure 3.2**, older segments of the workforce spend a larger share of their income on non-taxable services. **Appendix A-4** contains the detailed calculations supporting this chart.

Preference for Experience over Goods

Since 1987, consumer spending on experiences and events as a portion of total spending has increased by 70 percent.⁵ Research indicates that "Millennials" (those born between 1980 and 1996) prioritize experience-based spending, such as travel, eating out, and entertainment over the purchase of other traditional goods, such as apparel and furniture.

Future Demand for Retail Space (Per Capita)

A review of industry articles, webinars, and interviews with real estate professionals indicate an ongoing belief that the current amount of retail space in the United States continues to exceed the level that can be reasonably supported in the future, given the impacts of e-commerce and other changes in household spending. While the per-capita ratio for the Sacramento Region likely excludes the Yuba City/Marysville Submarket, a calculation shown in **Figure 3.3** indicates that there is currently 45.7 square feet per capita.

Application of the existing vacancy rate yields demand for approximately 39.5 square feet per capita of retail space in the Yuba City/Marysville Submarket; this ratio includes all occupied space, including retail goods, retail services, and any other non-retail uses in retail buildings.

It is difficult to predict what the demand for retail space per capita will ultimately be in the future, particularly since e-commerce and other trends discussed in this report are continuing to affect the market. The Yuba City/Marysville submarket's current vacancy rate (about 7.1 percent) does indicate that there is oversupply, but the entry of non-traditional users into many of these spaces has muted the actual level of oversupply that would otherwise exist, and has helped to maintain the viability of many existing centers into the future.

⁵ Harris Survey. Millennials: Fueling the Experience Economy, 2014.

Third-party data that estimates demand and supply for retail may also reflect outdated shopping patterns. As shown in **Figure 3.4**, the retail sales data for the Broad Market Area indicates only 2 percent of 2017 demand for retail trade (which equates to only 1 percent when excluding autos and gas) occurs within the Nonstore Retailers category, which includes Electronic Shopping as well as Mail-Order Houses, Vending Machine Operators, and Direct Selling Establishments. This metric contradicts the national trend of 11.2 percent captured by e-commerce and probably reflects the fact that third-party data sources are not yet fully tracking the impact of e-commerce at the local level.

New Economics shifted 11.2 percent of sales from other retail categories (excluding Motor Vehicles & Parts Dealers, Gasoline Stations, and Nonstore Retailers) to Nonstore Retailers to more accurately reflect on-line shopping trends. In turn, New Economics applied recent sales per square foot factors by category (whose detailed calculations are shown in **Appendix A-15**) to estimate total retail demand. This Study indicates that the Broad Retail Market Area demands approximately 44.4 square feet per capita of retail space, which remains about 12 percent higher than current demand (39.5 square feet per capita) in the Broad Retail Market Area; this discrepancy could be partially explained by the fact that some retail demand is captured outside the market area.

Real estate professionals at the national and local levels expect on-line shopping to continue to grow (at a range of 8-12 percent annually) and adversely impact the demand for existing brick-and-mortar space. Assuming growth of about 10 percent annually, by 2020 demand for retail space would fall to 38.1 square foot per person.

For purpose of this Study, New Economics has estimated that going forward, a likely amount of sustainable retail space demand per capita *in the Broad Retail Market Area* could be in the range of 38.1 square feet per person, based on occupied space in the Submarket (**Figure 3.5**). This amount accounts for an increasing portion of retail spending that would be captured by e-commerce and another amount spent outside of the Broad Retail Market Area. This figure is lower than the sales approach and more conservative in nature.

Key Findings

- **Finding 3.1: Retail markets across the US have been impacted by a number of emerging retail trends, including e-commerce, a preference for services over goods, and a preference for experience over goods.** These trends are placing additional pressure on retail centers to maintain occupancy levels by attracting non-traditional tenants, including retailers who were previously found only in different types of centers (e.g. big box retailers that now have a more compact footprint that fits in smaller centers and local-serving retailers now found in larger centers), service-oriented users, and medical/office users. The increased competition for tenants is keeping rents low and changing the face of many existing retail centers. It is also limiting new retail development to only the most competitive locations.

- **Finding 3.2: In line with national trends, Yuba City’s retail centers have been filling centers with non-traditional users attracted by competitive rental rates.** Retail centers have been re-tenanting centers with more service-oriented users, who help to maintain high levels of occupancy and foot traffic but have not produced any upward pressure on lease rates.
- **Finding 3.3: These new retail trends are also likely to reduce the demand for new retail space in the future.** Research indicates that the United States has significantly higher levels of retail space per capita compared to many other developed countries. For purpose of this Study, New Economics has estimated that going forward, a potential amount of sustainable per-capita demand for brick-and-mortar retail space *in the Broad Market Area* could be in the range of 38.1 square feet per person. This amount reflects an additional amount of retail that would be captured by e-commerce and another amount spent outside of the Broad Retail Market Area.

3.1 Economic Indicators Compared to Retail Indicators 2011-2017

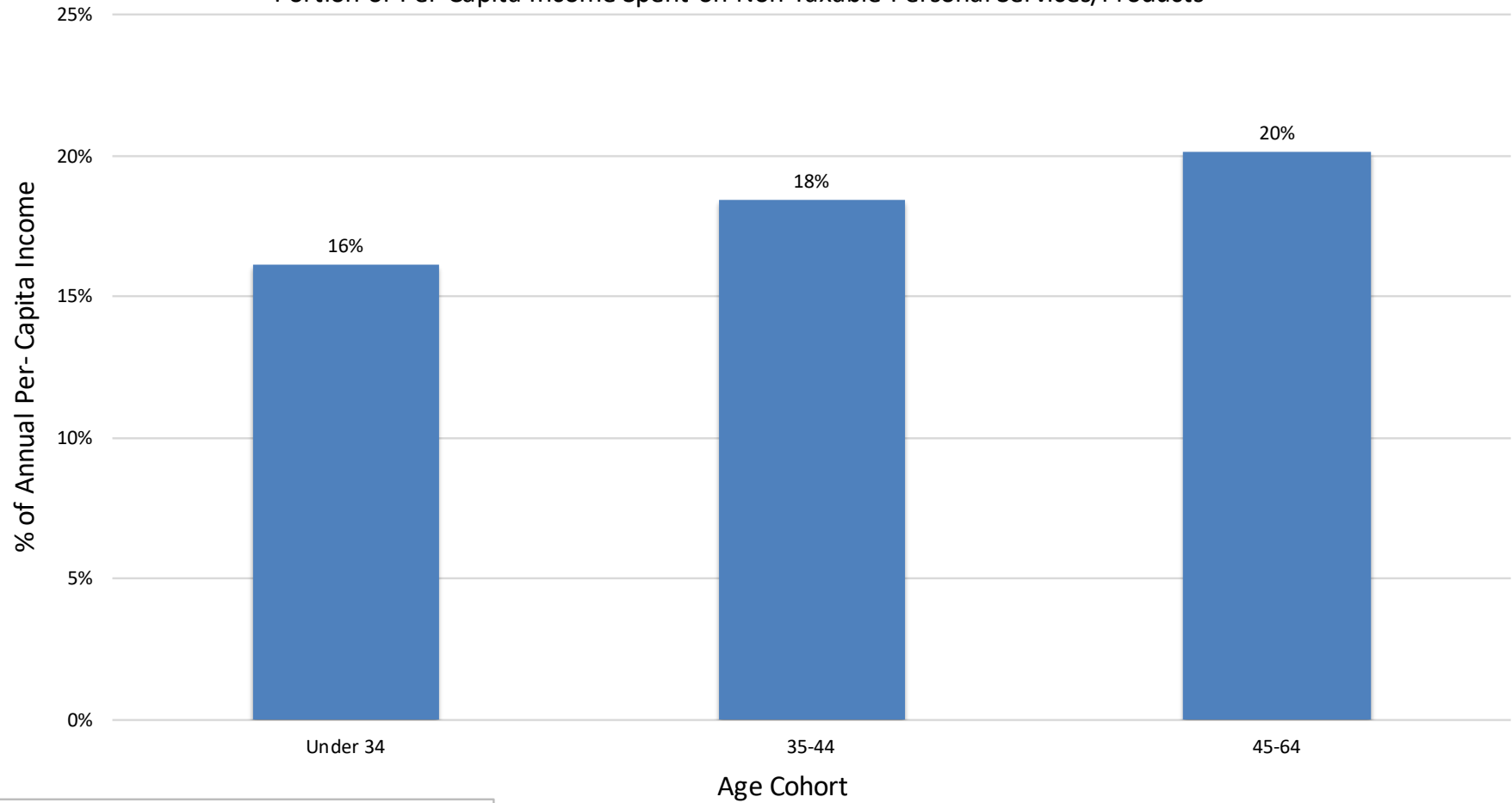
| Item | 2011/2012 | 2016/2017 | Avg Annual Growth |
|--|-------------|-------------|-------------------|
| Demographics (Yuba City) | <u>2012</u> | <u>2017</u> | |
| Household Income | \$50,013 | \$52,105 | 0.8% |
| Unemployment Rate | 16.3% | 9.1% | N/A |
| Retail Brick and Mortar (Yuba City & Marysville) | <u>2012</u> | <u>2017</u> | |
| Retail Inventory | 5,951,333 | 5,991,988 | 0.1% |
| Vacancy Rate | 7.6% | 7.1% | N/A |
| Asking Annual Rent | \$13.20 | \$17.27 | 5.5% |
| E-Commerce (USA) | <u>2011</u> | <u>2016</u> | |
| As a % of Total Retail Sales (USA) [1] | 6.0% | 10.2% | 11.2% |
| Taxable Sales Per Resident (Yuba City & Marysville) | <u>2012</u> | <u>2015</u> | |
| | \$11,732 | \$13,372 | 4.5% |
| County Pool Sales Tax Revenue (Yuba City) | <u>2011</u> | <u>2016</u> | |
| | \$865,830 | \$1,286,238 | 8.2% |

[1] Excluding Auto and Gas. Reflects Q2 data. Data provided by Co-Star.

Source: CoStar Realty Information; Esri; BOE; DOF; BLS; ACS.

Prepared by New Economics & Advisory, August 2018.

Figure 3.2
Portion of Per-Capita Income Spent on Non-Taxable Personal Services/Products



Source: Muni Financial, August 2017

3.3

Retail Square Feet per Capita Trends 2007-2017

| Item | Amount | % of U.S. |
|---|-------------|-----------|
| Retail Sq. Ft. Per Capita | <u>2007</u> | |
| USA Average | 46.0 | 100.0% |
| Sacramento | 40.1 | 87.2% |
| San Francisco | 55.0 | 119.6% |
| Portland | 30.0 | 65.2% |
| Los Angeles | 37.9 | 82.4% |
| Inland Empire | 39.0 | 84.8% |
| | <u>2017</u> | |
| Sacramento Region [1] | 45.7 | |
| Yuba City/Marysville Broad Trade Area (as shown in Figure 2.3) | <u>2017</u> | |
| Retail Sq. Ft. [2] | 6,582,476 | |
| Population | 154,654 | |
| Retail Sq. Ft. per Capita | 42.6 | |
| Occupied Sq. Ft. Per Capita [3] | 39.5 | |

[1] Consists of Sacramento, Placer, El Dorado, Yuba, Yolo, and Sutter Counties.

Calculated by New Economics in September of 2017 using Co-Star and DOF data.

[2] Only includes areas in Yuba, Sutter, and Colusa County. Excludes Butte County.

[3] Adjusted by current vacancy rate in the Yuba City/Marysville market.

Source: The Atlantic (April 10, 2017); City Observatory.org (March 2017); PwC (2015); CoStar (September 2017); LoopNet (September 2017) Esri (2017).

Prepared by New Economics & Advisory, August 2018.

3.4 Demand per Sq. Ft. Alternative Approach
Broad Retail Market Area

| Retail Store Category | Demand | Sales per Sq. Ft. [2] | Gross Demand | % of Total | Adjustment for E-Commerce (Current) | | | | Adjustment for E-Commerce (2020+ Projection) | | | | | |
|--|------------------------|-----------------------|------------------|-------------|-------------------------------------|-----------------------------|------------------------|-----------------------|--|----------------------------------|------------------------|-----------------------|------------------------|--|
| | | | | | % Excl. Auto & Gas | Adjusted for E-Commerce [1] | Net Demand | Sales per Sq. Ft. [2] | Total Demand (Sq. Ft.) | Adjusted for 2020 E-Commerce [3] | Net Demand | Sales per Sq. Ft. [2] | Total Demand (Sq. Ft.) | |
| Store Type | | | | | | | | | | | | | | |
| Motor Vehicle & Parts Dealers | \$344,039,467 | \$220 | 1,562,041 | 18% | | \$0 | \$344,039,467 | \$220 | 1,562,041 | \$0 | \$344,039,467 | \$220 | 1,562,041 | |
| Furniture & Home Furnishings | \$59,396,453 | \$296 | 200,690 | 3% | 4% | -\$9,164,264 | \$50,232,189 | \$296 | 169,725 | -\$12,197,636 | \$47,198,817 | \$296 | 159,476 | |
| Electronics & Appliance | \$58,656,981 | \$1,094 | 53,610 | 3% | 4% | -\$9,050,171 | \$49,606,810 | \$1,094 | 45,339 | -\$12,045,778 | \$46,611,203 | \$1,094 | 42,601 | |
| Bldg Materials, Garden Equip. & Supply | \$100,218,932 | \$514 | 195,115 | 5% | 7% | -\$15,462,754 | \$84,756,178 | \$514 | 165,011 | -\$20,580,926 | \$79,638,006 | \$514 | 155,046 | |
| Food & Beverage | \$261,710,131 | \$138 | 1,902,797 | 13% | 18% | -\$40,379,192 | \$221,330,939 | \$138 | 1,609,215 | -\$53,744,704 | \$207,965,427 | \$138 | 1,512,039 | |
| Health & Personal Care | \$112,526,306 | \$556 | 202,342 | 6% | 8% | -\$17,361,656 | \$95,164,650 | \$556 | 171,123 | -\$23,108,364 | \$89,417,942 | \$556 | 160,789 | |
| Gasoline Stations | \$147,297,748 | N/A | | 8% | | \$0 | \$147,297,748 | N/A | | \$0 | \$147,297,748 | N/A | | |
| Clothing & Clothing Accessories | \$112,282,289 | \$344 | 326,316 | 6% | 8% | -\$17,324,007 | \$94,958,282 | \$344 | 275,969 | -\$23,058,253 | \$89,224,036 | \$344 | 259,304 | |
| Sporting Goods, Hobby, Book & Music | \$50,445,964 | \$36 | 1,382,942 | 3% | 4% | -\$7,783,295 | \$42,662,669 | \$36 | 1,169,568 | -\$10,359,566 | \$40,086,398 | \$36 | 1,098,942 | |
| General Merchandise | \$269,753,489 | \$264 | 1,020,938 | 14% | 19% | -\$41,620,200 | \$228,133,289 | \$264 | 863,417 | -\$55,396,486 | \$214,357,003 | \$264 | 811,278 | |
| Miscellaneous Store Retailers | \$60,752,375 | \$132 | 459,310 | 3% | 4% | -\$9,373,469 | \$51,378,906 | \$132 | 388,443 | -\$12,476,087 | \$48,276,288 | \$132 | 364,986 | |
| Nonstore Retailers | \$46,632,899 | N/A | | 2% | | \$0 | \$266,183,587 | N/A | | \$0 | \$338,854,865 | N/A | | |
| Food Services & Drinking Places | \$172,192,347 | \$275 | 626,154 | 9% | 12% | -\$26,567,515 | \$145,624,832 | \$275 | 529,545 | -\$35,361,362 | \$136,830,985 | \$275 | 497,567 | |
| Restaurants/Other Eating Places | \$165,041,191 | \$525 | 314,224 | 8% | 12% | -\$25,464,165 | \$139,577,026 | \$525 | 265,743 | -\$33,892,803 | \$131,148,388 | \$525 | 249,695 | |
| Total | \$1,960,946,572 | | 8,246,480 | 100% | 100% | -\$219,550,688 | \$1,960,946,572 | | 7,215,140 | -\$292,221,966 | \$1,960,946,572 | \$0 | 6,873,766 | |
| Population (Broad Retail Market Area) | | | 154,654 | | | | | | 154,654 | | | | 154,654 | |
| Demand per Capita | | | 53.3 | | | | | | 46.7 | | | | 44.4 | |
| <i>% of Original Demand</i> | | | 100% | | | | | | 87% | | | | 83% | |

Source: Esri, Retail Marketplace Profile, September 2017.

[1] Assigns 10 percent reduction for the capture of e-commerce.

[2] From A-15 Sales Per Square Foot Assumptions

[3] Assumes that e-commerce will grow from 10 percent to 13.3 percent capture (excluding auto and gas).

Prepared by New Economics & Advisory, August 2018.

3.5

Projected Future Demand (Sq. Ft. per Capita) 2020+

| Item | Amount |
|---|-------------|
| Yuba City/Marysville Broad Trade Area (as shown in Figure 2.3) | <u>2017</u> |
| Retail Sq. Ft. [1] | 6,582,476 |
| Population | 154,654 |
| Retail Sq. Ft. per Capita | 42.56 |
| Occupied Sq. Ft. Per Capita [2] | 39.5 |
| Future Occupied Sq. Ft. Per Capita | |
| E-Commerce as a % of Retail Trade | 11.2% |
| Avg Annual Growth | 10.0% |
| Projected E-Commerce as a % of Retail Trade: 2020 | 14.9% |
| Change in Retail Sales Captured by E-Commerce | 3.7% |
| Change in Occupied Sq. Ft. Per Capita [3] | -3.7% |
| Projected Retail Sq. Ft. Per Capita (2020+) | 38.1 |

[1] Only includes areas in Yuba, Sutter, and Colusa County. Excludes Butte County. Feather River Shopping Center in Linda was manually adjusted to only reflect the currently occupied space, as the vacant area is no longer viable retail space.

[2] Adjusted by current vacancy rate in the Yuba City/Marysville market.

[3] This analysis presumes that a change in sales will cause a commensurate change in demand for brick-and-mortar space. The actual impact on space may vary by retail category and could change over time.

Source: The Atlantic (April 10, 2017); City Observatory.org (March 2017); PwC (2015); CoStar (September 2017); LoopNet (September 2017) Esri (2017).

Prepared by New Economics & Advisory, August 2018.

Section 4: Project Description & Market Area Definitions

This section describes the Project and its retail components, and identifies market areas for each retail site. Any figures referenced in this narrative can be found at the end of this section.

Bogue Stewart Master Plan Overview

The BSMP is located on the south side of the City (**Figure 4.1**) and includes areas on both the east and west side of Highway 99, between Bogue Road and Stewart Road (**Figure 4.2**). The BSMP includes up to 2,517 total residential units and 1.29 million square feet of commercial, office, and light industrial building space. The Project Area currently includes 71 existing homes, which will be integrated within the new development in the Project. **A-5** in **Appendix A** contains a more detailed land use plan for the BSMP, while **A-6** shows a potential absorption schedule for the Project.

Commercial Development Sites

The BSMP includes four commercial sites, three of which are the subject of this Urban Decay Study. The fourth site (Parcel 11) is an existing gasoline station and is not expected to experience any change in use, although it will contribute to the overall character of the two larger commercial sites. Since Parcel 11 is not anticipated to change uses, it is not anticipated to cause Urban Decay and is thus excluded from this study.

Figure 4.2 shows the location of the commercial sites, denoted in red.

Character of Commercial Development

The Specific Plan, EIR, and traffic analysis contain key assumptions about the anticipated nature of each commercial site. Based on these technical reports/analyses, input from the developer's consultant, and the composition of retail at comparable existing centers, **Figure 4.3** summarizes the size and type of retail center anticipated for each site:

- **Site 16 is a proposed Community Commercial Center located at the corner of Bogue Road and Highway 99.** With up to about 230,000 square feet of retail space, Site 16's strategic location enables it to draw from surrounding residents and commuters. Given the character of other Community Centers in Yuba City, it is possible (though not certain) that Site 16 would have 1 or more regional tenants, as well as a combination of traditional and non-traditional users.

Also, access to this site will likely improve with the completion of the City's Bridge Street expansion to two lanes in each direction between Highway 99 and the 5th Street overcrossing into Marysville.

- **Site 10 is another proposed Community Commercial Center located at the corner of Bogue Road and Highway 99.** Across the street from Site 16, Site 10 would have up to about 161,000 square feet of retail space and is expected to draw from surrounding residents and commuters. The scale and type of development anticipated to occur in Site 10 is similar to that expected for Site 16.
- **Site 33 is a proposed Neighborhood Commercial Center.** With up to about 83,000 square feet of retail space, Site 33 is expected to draw primarily from surrounding residents. Because of its relatively small size and location away from a major travel corridor, this Urban Decay Study presumes that this center would not have any Regional tenants, but would likely have an array of traditional retailers and non-traditional tenants.

Figure 4.4 estimates the number of daily commuters (not trips) traveling via Highway 99 through the BSMP. These commuters may choose to stop at the Project and/or other existing retail centers along Highway 99 in Yuba City.

This Urban Decay Study does not attempt to break down the amount of total retail space in the proposed retail centers in the BSMP to study the market for subcategories of retail (such as Apparel or Book Stores). Rather, it focuses on the total scale of retail square footage being proposed. The Project developers were unable to provide any information about potential tenants in the planned commercial space. While the developers indicated that the proposed Community Centers might have a configuration similar to the Feather Down Shopping Center in Yuba City, the fact that there are two proposed Community Centers across the street from each other on Highway 99 suggests that it is possible that one or both of the Community Centers will have a greater mix of tenants.

Anticipated Timing of Development

Based upon some preliminary parameters provided by the developers' representative about timing of development for each of the commercial sites, New Economics developed assumed opening dates and stabilization dates (one year after opening) for each of the Commercial Sites.

Figure 4.3 identifies the anticipated timing of key Project phases, which were used for purposes of this Urban Decay Study. Documented in **Appendix A-6** in detail, the timing assumptions were also influenced by the City's expectation for annual residential growth; New Economics presumed that commercial development would occur at the end of each phase of development to provide the maximum opportunity to capture additional spending from new residential development nearby. Anticipated growth projections are discussed more in **Section 5**.

Primary and Secondary Market Area Definitions

Approach to Determining Market Areas

New Economics identified a total of four market trade areas (Retail Market Areas, or “RMA’s”); two RMA’s for the Neighborhood Commercial site and two RMA’s for the proposed Community Commercial Sites. The Primary Market Area (PMA) is the geographic area from which the majority of customers come to generate sales for a retail business; according to ICSC, the PMA is the area from which 60-80 percent of sales are generated. The City also requested that a Secondary Market Area (SMA) be included. While there is no industry-accepted definition for SMA’s, this Study defines the SMA to be the additional geographic area in which the Project competes for customers against other retail centers.

To determine the PMA and/or SMA boundaries, New Economics considered the following dynamics:

- The size and proximity of creating two Community Commercial centers across the street from each other;
- The Project’s traffic model, which indicates an average trip length of 3.6-4.1 for neighborhood center and 3.7-4.2 for the Community Commercial centers (see **Appendix A-7**);
- The Project’s relative distance (3.0-3.5 miles) from other existing retail centers and agglomerations in Yuba City;
- Existing retail center typology currently accepted by the International Council of Shopping Centers and Co-Star (**Figure 2.7**);
- Recognition that in addition to a traditional market area reach for Community Centers, some Community Centers in Yuba City have regional retail tenants that are patronized by customers from areas that are more distant than the typical Community Center reach;
- The Project’s location on Highway 99, a major commute route;

Neighborhood Center Market Area (Site 33)

This Study assigns a PMA of 1-mile radius and SMA of 3-mile driving distance for the Neighborhood Center. The main factors contributing to the PMA and SMA definitions are the standard trade area definitions for a Neighborhood Retail Center, the relatively small supply of existing retail within this area, the amount of new development that would occur within the BSMP, its location on a collector road, and the traffic modeling for the Project. **Figure 4.5** shows the boundaries of the Neighborhood Center PMA, while **Figure 4.6** shows the boundaries of the Neighborhood Center SMA.

Community Center Market Area (Sites 10, 16)

This Study also assigns a PMA and SMA for the Commercial Center sites. The Community Center PMA is the area that represents an approximate 6-mile driving distance, while the

Community Center SMA comprises a much larger trade area that includes a series of small and/or rural communities outside of Yuba City and Marysville, consistent with the Broad Market Area described in **Section 2**. The main factors driving the definition of the PMA boundaries are the standard trade area definitions for Community Retail Centers, the Project's location along a state highway, the ability to create a small retail agglomeration by providing adjacency between the two new Community Centers. The main factors driving the definition of the SMA boundaries are the existing customer base that Yuba City retail centers attract and ability for these proposed centers to similarly contain a regional tenant that would add to the existing mix of regional retailers within the submarket.

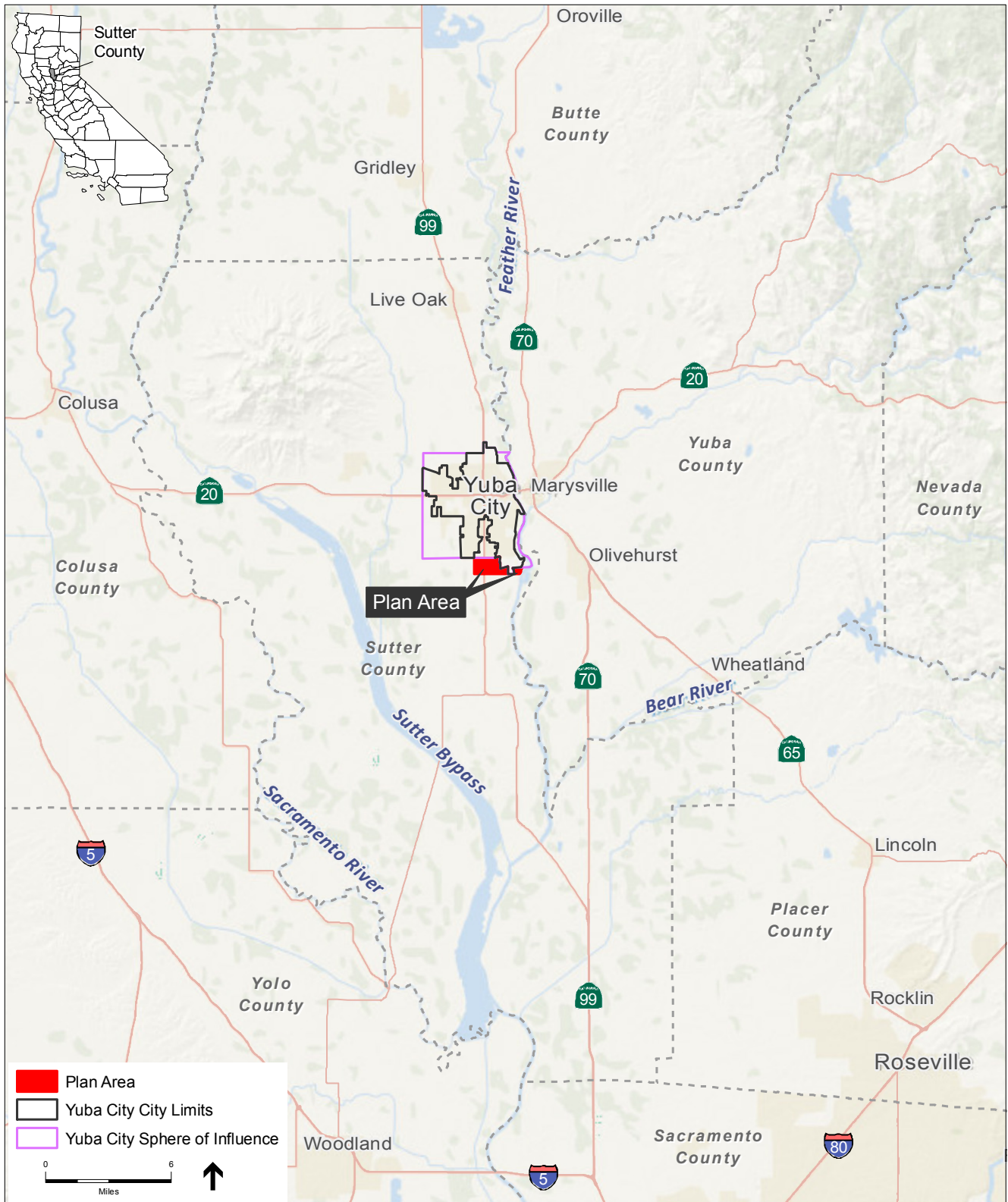
Figure 4.7 shows the boundaries of the Community Center PMA, while **Figure 4.8** shows the boundary of the Community Center SMA. Once again, the Community Center SMA is the same area as the Broad Market Area described in **Section 2**.

Key Findings

- **Finding 4.1: The BSMP includes 2,517 total residential units and 1.29 million square feet of commercial, office, and light industrial building space.** The Project is anticipated to begin development as early as 2020 and build out by 2044.
- **Finding 4.2: The planned retail centers in the BSMP include one Neighborhood Retail Center and two Community Retail Centers. The Community Centers are strategically located and present a competitive location for new retail development.** Not only is Highway 99 a busy transportation corridor that provides access to a large market area, there is also very limited existing retail in this area of Yuba City. Also, although not modeled in this Urban Decay study, access to these sites will likely improve with the completion of the Bridge Street expansion to two lanes in each direction between Highway 99 and the 5th Street overcrossing into Marysville.
- **Finding 4.2: The BSMP includes a proposed Neighborhood Center with a PMA of a 1-mile radius and a SMA of 3 miles driving distance.** This proposed center is expected to be constructed in 2044 and achieve its first year of stabilized operations in 2045.
- **Finding 4.3: The BSMP includes two Community Centers with a PMA that covers approximately a 6-mile driving distance and a SMA that includes multiple additional small and/or rural communities outside Yuba City and Marysville. The SMA boundaries are the same as the Broad Retail Market Area boundaries described in Section 2.** Site 16 is expected to be constructed in 2020 and achieve its first year of stabilized operations in 2021. Site 10 is expected to be constructed in 2029 and achieve its first year of stabilized operations in 2030.
- **Finding 4.4: Similar to other existing retail centers in Yuba City, particularly those along major transportation corridors like Highway 99, the Community**

Centers in the Project may attract one or more regional users; however, this Study presumes that new users will not be super regional in nature. Consistent with the Environmental Impact Report and Traffic Analysis prepared for the BSMP, the trade areas selected for this Study rely on the presumption that regional users will generate average driving distances of 3.7-4.2 miles and that anchor users will be similar in nature to other existing regional retailers (such as Target and The Home Depot). Super regional retailers (such as Walmart) are not contemplated for the Community Center retail sites.

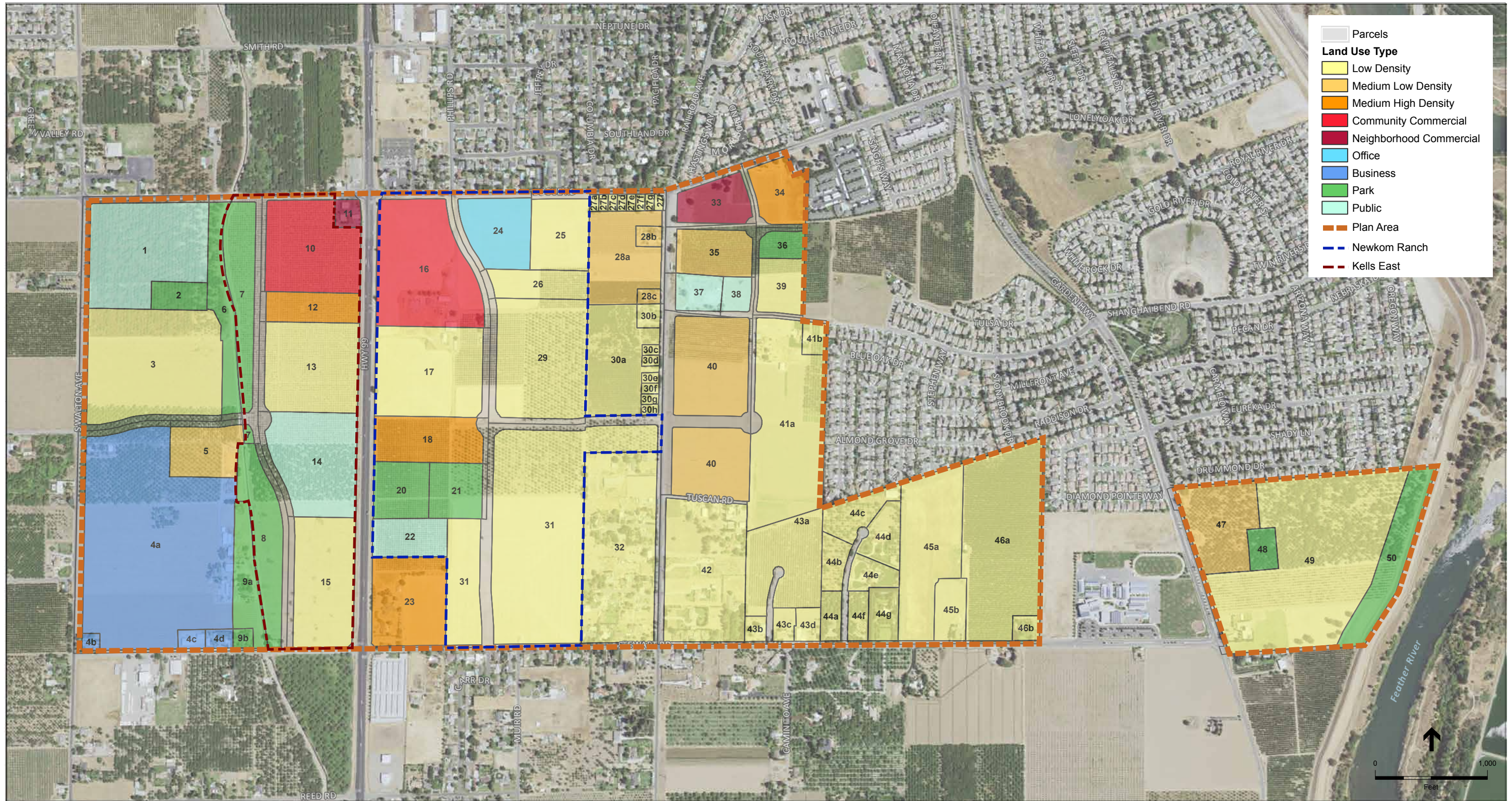
- **Finding 4.5: Project Community Centers are likely to include one or more regional tenants and, similar to other Community Centers in Yuba City, would draw from the Broad Retail Market area.** Local real estate professionals interviewed as a part of this Urban Decay Study consistently stated that the distance between the existing agglomeration of centers with regional or super-regional retail stores would not deter consumers from traveling to the Project's Community Centers for a new or relocated regional user.
- **Finding 4.6: For purposes of this Urban Decay Study, the key Market Trade Areas are the SMA for the proposed Neighborhood Center and the SMA for the Community Centers.** At the City and EIR Consultant's request, this Urban Decay Study includes two trade areas for the proposed Neighborhood Center and proposed Community Centers. However, the research gathered as a result of this Study suggests that a number of recent economic and retail space trends are resulting in an erosion of the current retail center typology. Our professional opinion is that, at most, only one trade area is relevant for the Neighborhood Center and Community Centers each.



SOURCE: ESRI, 2012; City of Yuba City, 2016; ESA, 2016

Bogue Stewart Master Plan . 140720

Figure 4.1
Area Map



SOURCE: USDA, 2014; City of Yuba City, 2016; MHM, 2016; ESA, 2016

Date: July 14, 2016

Bogue-Stewart Master Plan .
 140720 **Figure 4.2**
 Land Use Plan

4.3

Project Description

Yuba City: Bogue Stewart Urban Decay Study

| Retail Category | Site 16 | Site 10 | Site 33 |
|--|--|--|-----------------------|
| Location | Newkom Ranch | Kells East | Remainder Area |
| Assumed Retail Center Type | Community Ctr | Community Ctr | Neighborhood Ctr |
| Acres | 21.1 | 14.8 | 6.7 |
| Retail Building Sq. Ft. | 229,779 | 161,172 | 83,328 |
| Primary Market Area | 6 mile driving radius | 6 mile driving radius | 1 mile radius |
| Secondary Market Area | Yuba City-Marysville, Outlying Communities | Yuba City-Marysville, Outlying Communities | 3 mile driving radius |
| Estimated Opening | Beginning of P1 | End of P2 | End of P3 |
| Estimated Construction Year | 2020 | 2029 | 2044 |
| Estimated First Year of Stabilized Operations | 2021 | 2030 | 2045 |

Prepared by New Economics & Advisory, August 2018.

4.4

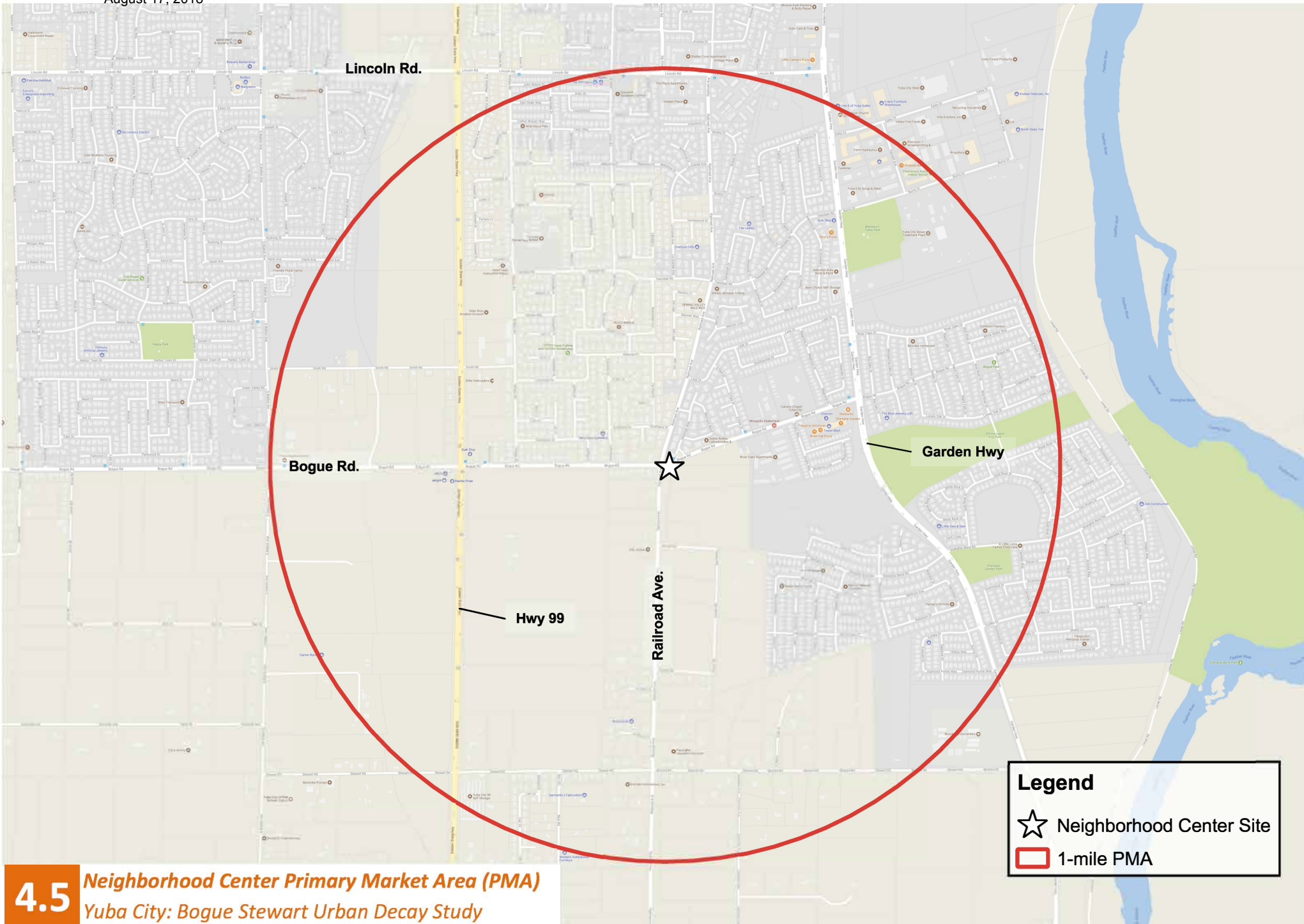
Commute Patterns

Yuba City Employed Residents & Workers, 2014 Data

| Sector | Number | % |
|--|--------------|--------------|
| Employed Residents of Yuba City | | |
| Employed in Sacramento County | 3,460 | 14.5% |
| Employed in Yolo County | 1,064 | 4.9% |
| Employed in Alameda County | 406 | 1.9% |
| Employed in Santa Clara County | 350 | 1.6% |
| Employed in Solano County | 321 | 1.5% |
| Total Likely Commuters on Highway 99 | 5,601 | 24.4% |
| Yuba City Workers | | |
| Reside in Sacramento County | 1,191 | 6.4% |
| Reside in Yolo County | 388 | 2.1% |
| Reside in San Joaquin County | 222 | 1.2% |
| Reside in Solano County | 192 | 1.0% |
| Reside in Contra Costa County | 189 | 1.0% |
| Total Likely Commuters on Highway 99 | 2,182 | 11.7% |
| Total Likely Commuters (Employed Residents and Workers) | 7,783 | |

Source: US Census Bureau LED/ LEHD On-The-Map.

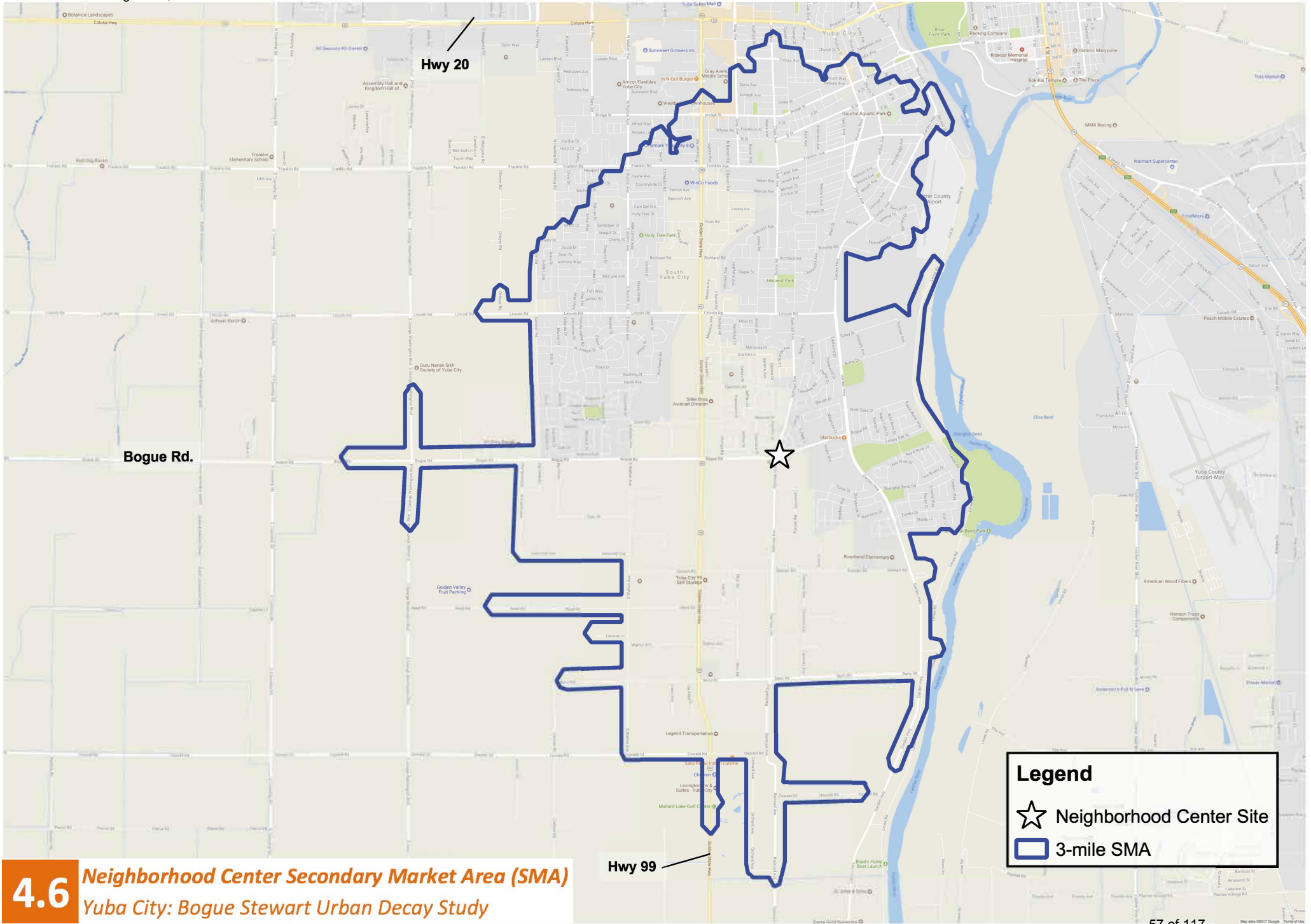
Prepared by New Economics & Advisory, August 2018.



4.5 Neighborhood Center Primary Market Area (PMA)
Yuba City: Bogue Stewart Urban Decay Study

Legend

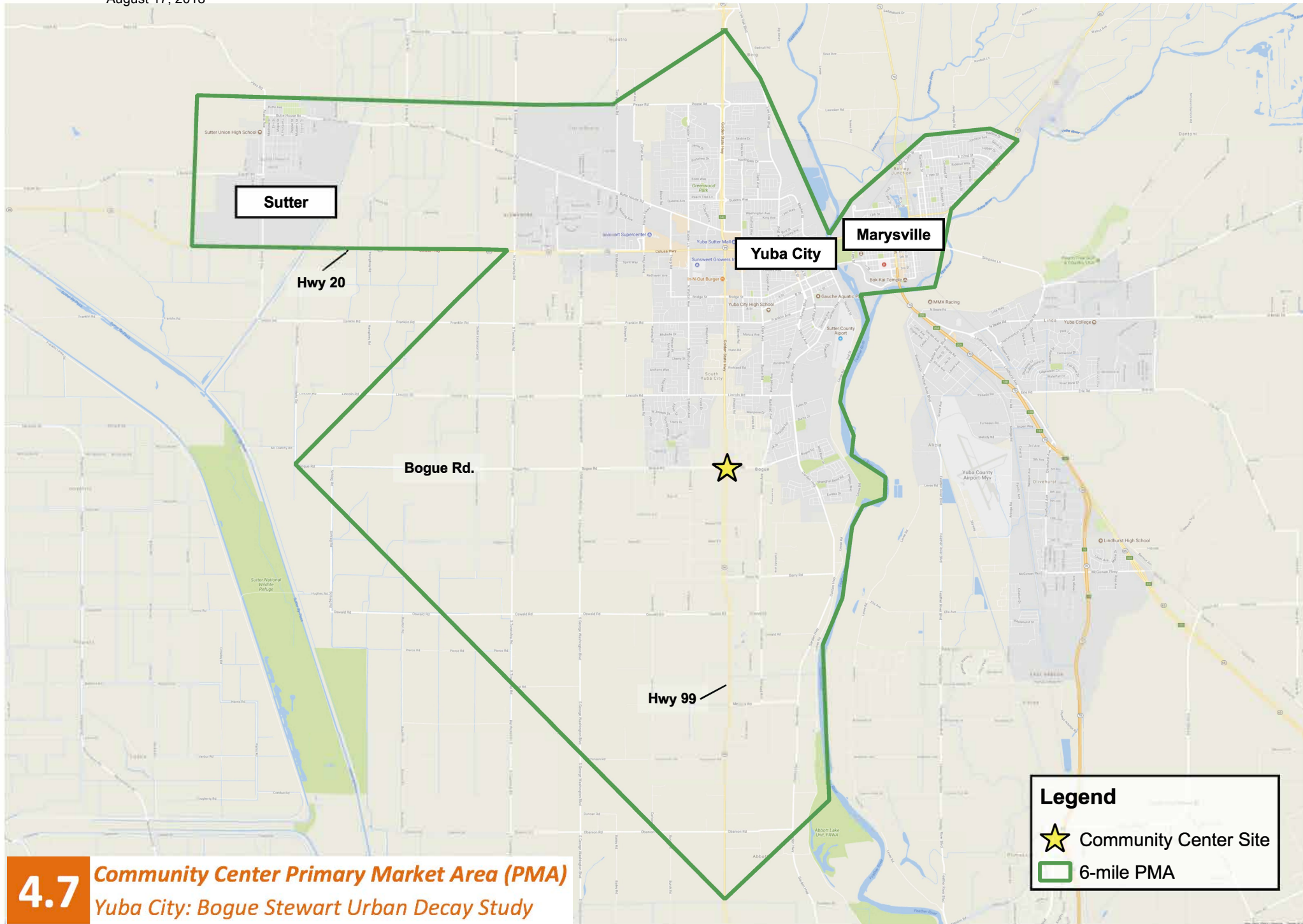
- ☆ Neighborhood Center Site
- 1-mile PMA

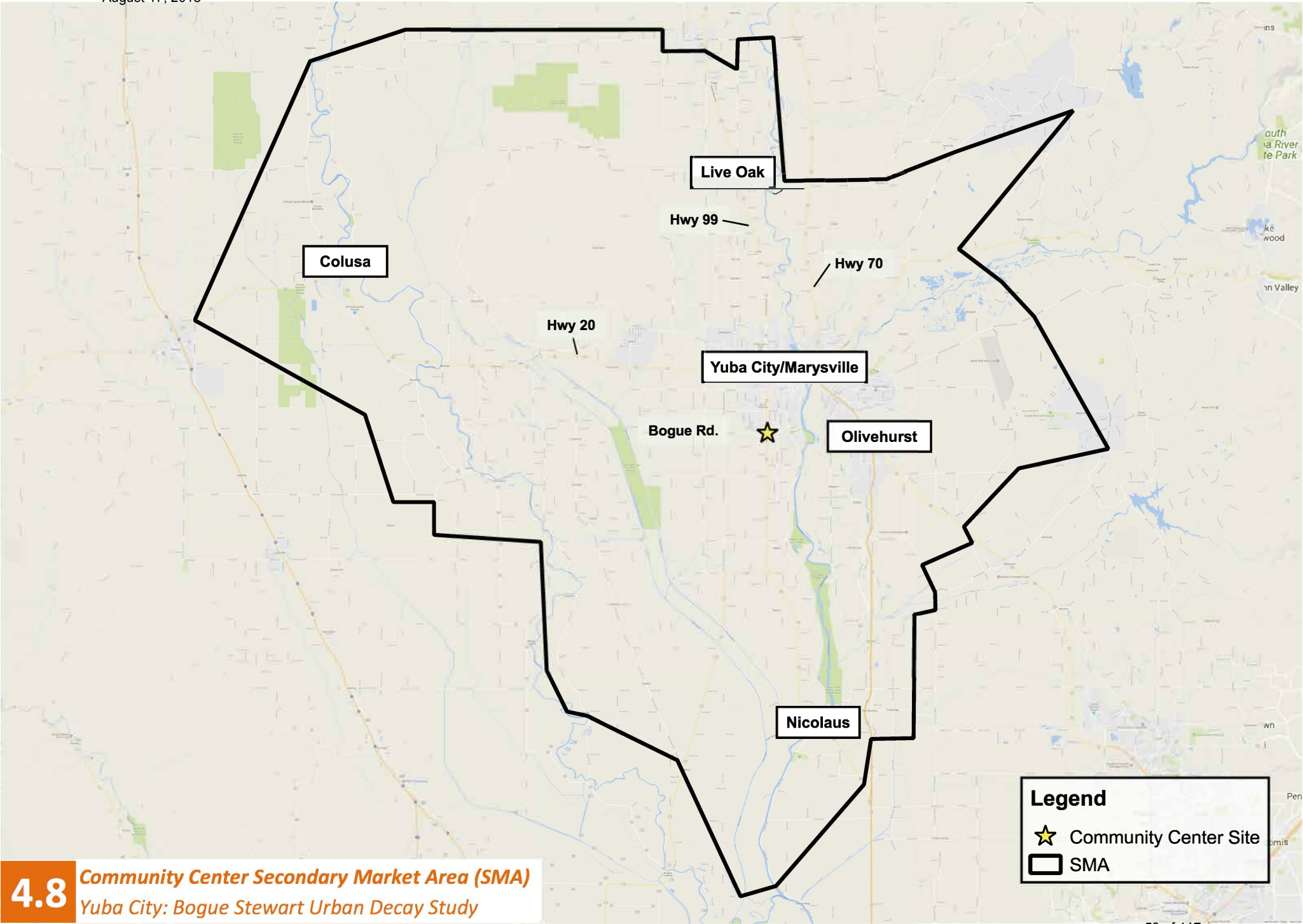


4.6 Neighborhood Center Secondary Market Area (SMA)
Yuba City: Bogue Stewart Urban Decay Study

Legend

- ☆ Neighborhood Center Site
- 3-mile SMA





Legend

- ★ Community Center Site
- SMA

4.8 *Community Center Secondary Market Area (SMA)*
Yuba City: Bogue Stewart Urban Decay Study

Section 5: Projected Market Impact, Proposed Neighborhood Retail Center

This section quantifies the anticipated demand for retail compared to the anticipated supply of retail at key benchmarks; 2021, 2030, and 2045. These are the years that each retail center reaches stabilized operations. Of note, the proposed Neighborhood Retail Center is expected to be built in 2044, which is when the Project reaches buildout.

Existing Demand and Supply (2017)

Using third-party data sources, New Economics analyzed the demand for retail trade relative to the supply of retail trade in the Neighborhood Center PMA and SMA. This analysis, summarized in **Figure 5.1**, indicates that demand far exceeds supply in both the PMA and SMA.

PMA Retail Supply

A review of existing centers within the PMA and SMA, whose locations are shown in **Figure 5.2** and **Figure 5.3**, respectively, indicates that there are only a few retail shopping centers in South Yuba City. Within the 1-mile PMA, there is only one existing retail center: Orchard Plaza, a Neighborhood Center. Orchard Plaza currently experiences vacancy of about 26 percent and is anchored by Power Mart, a convenience store. Starbucks, a credit union, a wireless store, a few restaurants, and a Chevron gas station occupy the rest of Orchard Plaza. While the vacant space comprises a large in-line space, there were no signs of deferred maintenance, disinvestment, or physical deterioration.

SMA Retail Supply

Within the 3-mile SMA, existing centers include one Community Center at 1410 Bridge Street, four Neighborhood Centers, and nine Strip Centers. All of these centers, besides the previously discussed Orchard Plaza, are located North of Lincoln Road.

The Community Center at 1410 Bridge Street is anchored by a Dollar Tree, and features an auto parts store and a QuikStop gas station. This center exhibits noticeable signs of disinvestment, although it has 0% vacancy. Interviews with local real estate professionals indicate that this center was built at a relatively low cost of construction, which has enabled the center to charge cost-effective rents and has attracted users that value the low rent over the physical appearance of the center. As a result, this center has experienced high levels of occupancy, and continues to do so today.

The four existing Neighborhood Centers within the SMA are all anchored by grocery stores and have low vacancy rates and little or no sign of disinvestment.

Future Residential Growth within the Neighborhood RMAs

New Economics estimated the amount of new population growth that is anticipated to occur in the four RMAs defined for this Study up until the estimated buildout of the BSMP. The RMA descriptions are included in **Section 4**, and maps of these geographic areas are shown in **Figures 4.5, 4.6, 4.7 and 4.8**.

These growth projections rely on a variety of sources, including Yuba City staff, SACOG and other Councils of Government, and other growth projections. Yuba City's growth has been uneven in recent decades. The growth projections for Yuba City take a measured approach to predicting growth in the City, which falls somewhere between the rapid pace of growth that was experienced in the City between 2000 and 2005, and the much slower growth rates that have occurred since.⁶ For purposes of this Study, the City is assumed to achieve an average annual growth rate of 1.4 percent, a rate which was provided by the City and is consistent with other projections that City is using for other planning initiatives.

This population growth rate is important as it pertains to both the future residential growth within each of the RMAs selected for this study, and for the timing of BSMP's absorption. As previously described, the Neighborhood Center PMA consists of a one-mile radius around the corner of Bogue Road and Railroad Avenue. It is assumed that the BSMP will comprise all of the future population growth within the Neighborhood Center PMA during the time period considered in this Study. Population growth projections for the BSMP were calculated by analyzing the total anticipated future residential growth citywide. Next, New Economics evaluated the portion of the City's total growth that is likely to occur within the BSMP. Since New Economics was not provided with any information regarding the timing of residential development in the BSMP, we assumed it will develop according to its proportionate share of the City's planned future growth. Based on a review of planned projects (as shown in **Appendix A-9**), we have determined that the BSMP comprises approximately 25 percent of the total planned residential development in the City. Thus, the BSMP is attributed 25 percent of the City's overall residential growth, until the time at which the BSMP reaches buildout in 2044. The calculations that support the estimated buildout timeline are shown in **Appendix A-6**, and the estimated population growth in the Neighborhood Center PMA is shown in **Appendix A-10**.

For the Neighborhood Center SMA (shown in **Figure 5.4**), New Economics determined the existing population of the area using ESRI, and applied a 1.4 percent average annual growth rate to this population until 2044. The estimated population growth in the Neighborhood Center SMA during this period is shown in **Appendix A-10**.

⁶ Appendix A-8 shows annual building permits pulled in Yuba City over the past 20 years, which provides some perspective on long-term trends and the growth rates utilized in this analysis.

Future Demand for Retail Space

Figure 5.5 shows the estimated demand for retail space within the PMA and SMA of the proposed Neighborhood Center. As explained in **Section 3**, the demand metric per capita includes demand for *all* brick-and-mortar retail (excluding the portion captured outside of the Broad Retail Market Area—i.e. travel or online shopping), not simply Neighborhood-serving retail.

Gross demand includes the following scenarios:

- Existing Retail (2017)
- Existing + Project (2045, the year after the Neighborhood Retail Site is anticipated to develop)
- Cumulative (2045). This third scenario includes all other projected residential development.

Future Retail Supply within the Neighborhood Center RMAs

To determine how the amount of retail sales driven by resident spending compares with the supply of retail in the future, New Economics quantified the amount of planned retail development within the RMAs, which is shown in **Appendix A-9**.

According to City records and New Economics' knowledge of planned development, there is currently no planned commercial development within the Neighborhood Center PMA except for the proposed commercial space in the BSMP. However, there are two additional projects that are located within the Neighborhood Center SMA boundary: Yuba Crossings and the Lincoln East Specific Plan. The Yuba Crossings is a relatively small project that is fully-approved by the City and is expected to begin construction within the next two years. The Lincoln East Specific Plan is a larger project, with up to 370,000 square feet of commercial space, which has not yet received approval from the City. The Lincoln East Specific Plan is located only partially within the Neighborhood SMA boundary; thus New Economics attributed only 50 percent of the planned retail square footage in this project to the Neighborhood SMA. The total amount of existing and planned retail building space in the Neighborhood PMA and SMA is shown in **Figure 5.6**.

Retail Market Support: Neighborhood Center RMAs

Figure 5.7 summarizes the demand and supply of retail in the Neighborhood Center RMAs in 2017 and 2045. The analysis shows that the supply of retail is less than the projected demand for retail space, suggesting that there is sufficient demand in the PMA and SMA to accommodate the Neighborhood Center, even with the development of both of the proposed Community Centers in the Project and other planned commercial development within the PMA and SMA.

Findings

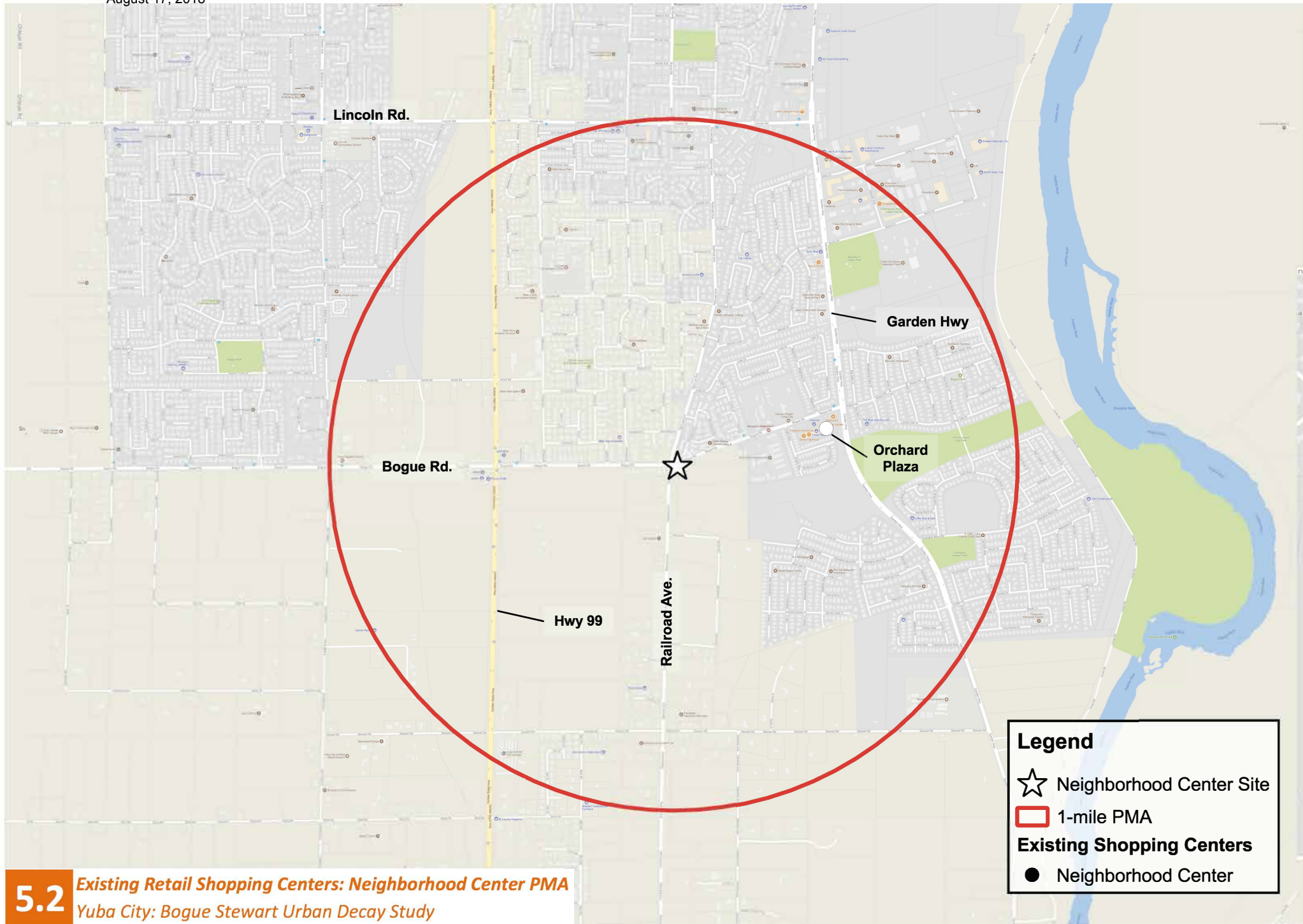
- **Finding 5.1: Sales data for the proposed Neighborhood Center PMA (1-mile radius) and SMA (3-mile driving distance) suggests that both RMAs are currently undersupplied.** An analysis of the demand compared to sales for retail trade indicates that the PMA supply provides 14 percent of demand, while the SMA supply provides only 65 percent of demand. A relatively small number of retail businesses in the PMA and SMA account for the lack of sales.
- **Finding 5.2: Population growth assumed for this Study is based on an assumed rate of 1.4 percent annually, which equates to about 350 units per year and is consistent with numerous recent planning studies developed by the City. Local real estate professionals consistently pointed to the need for more population growth in the local market area as a precursor for developing any new retail space in the future.** Since 2010, the City has experienced average annual growth of less than 40 units per year.
- **Finding 5.3: The Neighborhood Center PMA is anticipated to add approximately 8,127 residents between 2017 and 2045 (the first year of stabilized operations for the proposed Neighborhood Center), while the Neighborhood Center SMA is anticipated to add approximately 18,491 residents during this same period.**
- **Finding 5.4: The PMA for the proposed Neighborhood Center is anticipated to generate demand for approximately 691,000 square feet of retail in 2045.** This level of demand, which is the same under the Existing + Project Scenario and the Cumulative Scenario, assumes per-capita demand of approximately 38.1 square feet of retail space and population levels of 18,100.
- **Finding 5.5: Under the Existing + Project Scenario, the SMA for the proposed Neighborhood Center is anticipated to generate demand for approximately 1.8 million square feet of retail, while for the Cumulative Scenario the SMA generates demand for 2.2 million square feet of retail.**
- **Finding 5.6: Approximately 200,000 square feet of additional commercial development is planned within the Neighborhood Center SMA.** The majority of this square footage is in the planned Lincoln East Specific Plan, which is not yet an approved project. Lincoln East is not within the Neighborhood Center PMA but is situated partially within the Neighborhood Center SMA, and for the purpose of this Study it is assumed that 50 percent of the retail in Lincoln East is developed within the Neighborhood Center SMA.
- **Finding 5.7: There appears to be sufficient capacity for the Neighborhood Center PMA and SMA to accommodate all Project retail in 2045, when the proposed Neighborhood Center would achieve its first year of stabilized operations.** The identified supply of retail in 2045 is less than projected demand for retail space, suggesting that there is sufficient capacity in the PMA and SMA to accommodate the

Neighborhood Center, under both the Existing + Project Scenario and Cumulative Scenario.

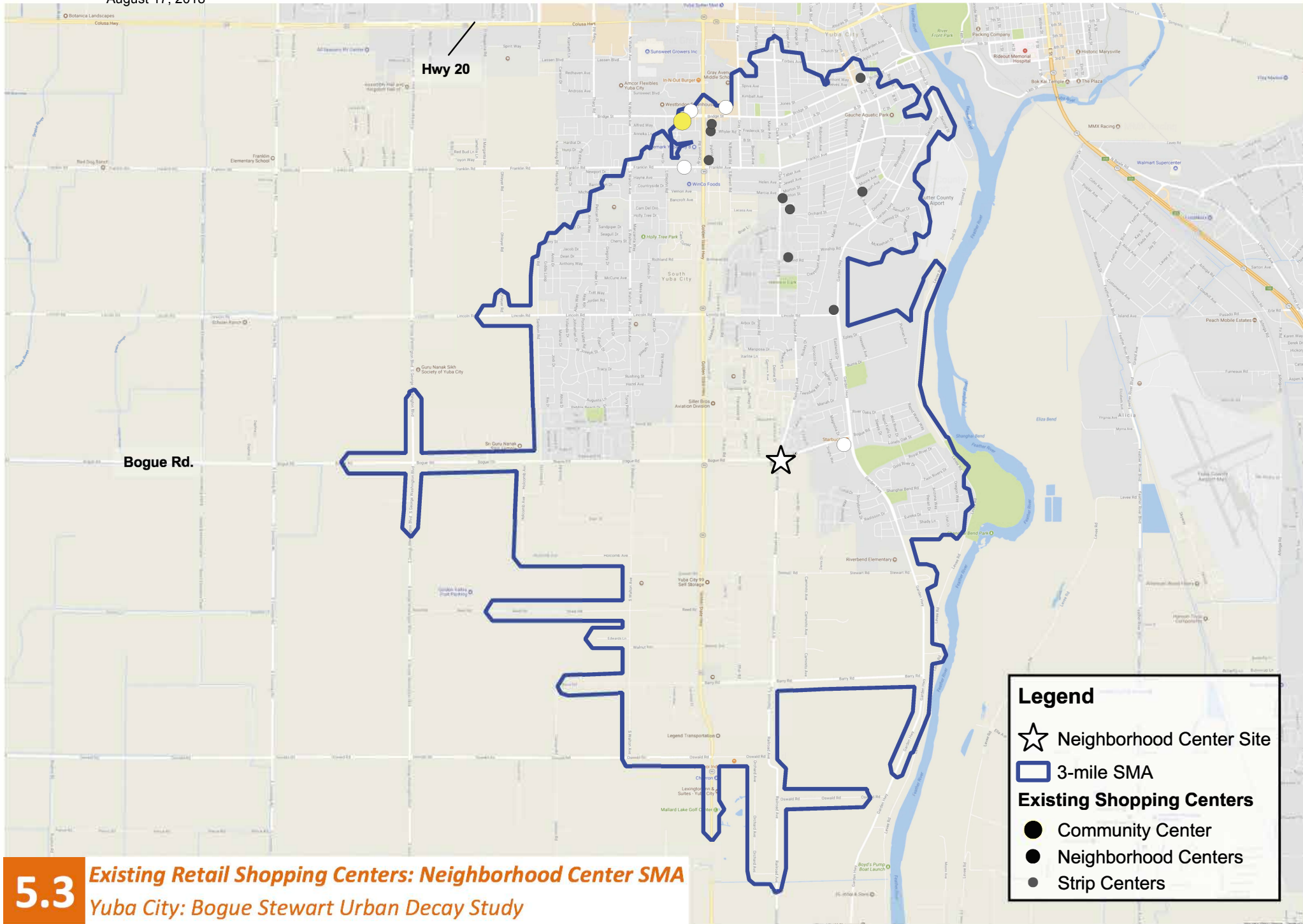
5.1 Summary of Retail Sales Proposed Neighborhood Retail Center- Primary & Secondary Market Areas

| Retail Store Category | Primary Market Area | | | | Secondary Market Area | | | |
|--|---------------------|----------------------|---------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | # Of Businesses | Demand | Sales | Net Demand | # Of Businesses | Demand | Sales | Net Demand |
| Store Type | | | | | | | | |
| Motor Vehicle & Parts Dealers | 2 | \$23,833,124 | \$1,083,563 | \$22,749,561 | 19 | \$78,848,086 | \$85,924,226 | -\$7,076,140 |
| Furniture & Home Furnishings | 3 | \$4,238,132 | \$903,585 | \$3,334,547 | 8 | \$14,076,297 | \$5,155,488 | \$8,920,809 |
| Electronics & Appliance | 0 | \$4,129,787 | \$0 | \$4,129,787 | 6 | \$13,887,918 | \$2,468,981 | \$11,418,937 |
| Bldg Materials, Garden Equip. & Supply | 1 | \$7,011,495 | \$894,786 | \$6,116,709 | 6 | \$23,086,152 | \$9,440,096 | \$13,646,056 |
| Food & Beverage | 4 | \$17,836,165 | \$5,080,411 | \$12,755,754 | 31 | \$60,545,906 | \$76,260,341 | -\$15,714,435 |
| Health & Personal Care | 1 | \$7,580,647 | \$95,173 | \$7,485,474 | 7 | \$25,697,689 | \$9,513,152 | \$16,184,537 |
| Gasoline Stations | 1 | \$10,111,053 | \$1,082,390 | \$9,028,663 | 5 | \$33,861,963 | \$7,253,054 | \$26,608,909 |
| Clothing & Clothing Accessories | 0 | \$7,872,715 | \$0 | \$7,872,715 | 15 | \$26,719,415 | \$3,093,179 | \$23,626,236 |
| Sporting Goods, Hobby, Book & Music | 1 | \$3,539,912 | \$275,203 | \$3,264,709 | 10 | \$11,929,841 | \$3,437,773 | \$8,492,068 |
| General Merchandise | 1 | \$18,627,466 | \$5,046,440 | \$13,581,026 | 9 | \$62,867,891 | \$37,536,406 | \$25,331,485 |
| Miscellaneous Store Retailers | 2 | \$4,150,062 | \$1,104,102 | \$3,045,960 | 27 | \$13,913,976 | \$7,720,147 | \$6,193,829 |
| Nonstore Retailers | 0 | \$3,178,820 | \$0 | \$3,178,820 | 2 | \$10,882,530 | \$3,305,369 | \$7,577,161 |
| Food Services & Drinking Places | 4 | \$12,182,226 | \$1,958,702 | \$10,223,524 | 43 | \$40,762,917 | \$22,059,240 | \$19,703,677 |
| Restaurants/Other Eating Places | 4 | \$11,675,153 | \$1,958,702 | \$9,716,451 | 40 | \$39,061,593 | \$21,590,170 | \$17,471,423 |
| Total (Rounded) | 24 | \$135,966,000 | \$19,483,000 | \$116,486,000 | 228 | \$456,143,000 | \$294,755,000 | \$162,385,000 |
| Supply as a % of Demand | | | | 14% | | | | 65% |

Source: Esri, Retail Marketplace Profile, September 2017.
Prepared by New Economics & Advisory, August 2018.



5.2 Existing Retail Shopping Centers: Neighborhood Center PMA
Yuba City: Bogue Stewart Urban Decay Study



5.3 Existing Retail Shopping Centers: Neighborhood Center SMA
 Yuba City: Bogue Stewart Urban Decay Study

Legend

- ☆ Neighborhood Center Site
- ▭ 3-mile SMA
- Existing Shopping Centers**
- Community Center
- Neighborhood Centers
- Strip Centers

5.4 Summary of Projected Population Growth Neighborhood Center PMA, SMA

| City/ Community | 2017 | 2021 | 2030 | 2045 |
|--|--------|--------|--------|--------|
| Neighborhood Retail PMA (1-Mile Radius) | | | | |
| <u>Project</u> | | | | |
| Annual Population Growth | 0 | 303 | 343 | 0 |
| Cumulative Population Growth | 0 | 602 | 3,528 | 8,127 |
| <u>Outside Project (Within Market Area)</u> | | | | |
| Annual Population Growth | 0 | 0 | 0 | 0 |
| Cumulative Population Growth | 0 | 0 | 0 | 0 |
| <u>Total</u> | | | | |
| Total Annual Population Growth | 0 | 303 | 343 | 0 |
| Cumulative New Population | 0 | 602 | 3,528 | 8,127 |
| Cumulative Total Population | 10,013 | 10,615 | 13,541 | 18,140 |
| Neighborhood Retail SMA (3-Mile Drive) | | | | |
| <u>Project</u> | | | | |
| Annual Population Growth | 0 | 303 | 343 | 0 |
| Cumulative Population Growth | 0 | 602 | 3,528 | 8,127 |
| <u>Outside Project (Within Market Area)</u> | | | | |
| Annual Population Growth | 0 | 264 | 299 | 792 |
| Cumulative Population Growth | 0 | 1,620 | 4,169 | 10,364 |
| <u>Total</u> | | | | |
| Total Annual Population Growth | 0 | 567 | 643 | 792 |
| Cumulative New Population | 0 | 2,222 | 7,697 | 18,491 |
| Cumulative Total Population | 38,853 | 41,075 | 46,550 | 57,344 |

Prepared by New Economics & Advisory, August 2018.

5.5 Proposed Neighborhood Center: Projected Gross Demand for Retail Space Primary and Secondary Market Areas

| Item | Primary Market Area (1-Mile Radius) | | | Secondary Market Area (3-Mile Radius) | | |
|--------------------------------|-------------------------------------|--------------------------|--------------------|---------------------------------------|--------------------------|--------------------|
| | Existing (2017) | Existing+ Project (2045) | +Cumulative (2045) | Existing (2017) | Existing+ Project (2045) | +Cumulative (2045) |
| Population | | | | | | |
| Existing [1] | 10,013 | 10,013 | 10,013 | 38,853 | 38,853 | 38,853 |
| Project | 0 | 8,127 | 8,127 | | 8,127 | 8,127 |
| Other | 0 | 0 | 0 | | | 10,364 |
| Total Population | 10,013 | 18,140 | 18,140 | 38,853 | 46,980 | 57,344 |
| Future Demand (Sq. Ft.) | | | | | | |
| Sq. Ft. per Capita [2] | 39.5 | 38.1 | 38.1 | 39.5 | 38.1 | 38.1 |
| Total Demand (Sq. Ft.) | 395,817 | 690,511 | 690,511 | 1,535,871 | 1,788,316 | 2,182,815 |

Source: Esri, Retail Marketplace Profile, September 2017.

[1] From ESRI.

[2] From Figure 3.5, which shows existing and future demand per capita.

Prepared by New Economics & Advisory, August 2018.

5.6 *Proposed Neighborhood Center: Supply of Competing Retail Space* *Primary Market Area, Secondary Market Area*

| Item | Primary Market Area | | | Secondary Market Area | | |
|-------------------------------|---------------------|--------------------------------|----------------------|-----------------------|--------------------------------|----------------------|
| | Existing (2017) | Existing+ Project (2045) | Cumulative (2045) | Existing (2017) | Existing+ Project (2045) | Cumulative (2045) |
| Retail Supply | | | | | | |
| Existing Supply (Sq. Ft.) [1] | 77,689 | 77,689 | 77,689 | 1,202,429 | 1,202,429 | 1,202,429 |
| Project Retail Supply [2] | 0 | 474,279 | 474,279 | 0 | 474,279 | 474,279 |
| Other Retail Supply [3] | 0 | 0 | 0 | 0 | 0 | 29,691 |
| Total Retail Supply | 77,689 | 551,968 | 551,968 | 1,202,429 | 1,676,708 | 1,706,399 |

Source: Esri, ESA, City of Yuba City, and New Economics.

[1] Existing retail supply obtained from CoStar as of October 2017.

[2] 2045 project retail supply includes Parcels 10, 16, and 33.

[3] Other Retail Supply includes planned retail in the respective Neighborhood Retail Market Areas. See Figure A-14.

Prepared by New Economics & Advisory, August 2018.

5.7 *Proposed Neighborhood Commercial Ctr Projected Net Demand for Retail Space
 Primary and Secondary Market Areas*

| Item | Primary Market Area | | | Secondary Market Area | | |
|----------------------------------|---------------------|--------------------------------|----------------------|-----------------------|-----------------------------|----------------------|
| | Existing (2017) | Existing+ Project (2045) | Cumulative (2045) | Existing (2017) | Existing+ Project (2045) | Cumulative (2045) |
| Square Feet | | | | | | |
| Demand | 395,817 | 690,511 | 690,511 | 1,535,871 | 1,788,316 | 2,182,815 |
| Supply | 77,689 | 551,968 | 551,968 | 1,202,429 | 1,676,708 | 1,706,399 |
| Net Demand | 318,128 | 138,543 | 138,543 | 333,442 | 111,608 | 476,417 |
| Supply as % of Demand | 20% | 80% | 80% | 78% | 94% | 78% |

Prepared by New Economics & Advisory, August 2018.

Section 6: Projected Market Impacts: Proposed Community Retail Centers

This section quantifies the anticipated demand for retail compared to the anticipated supply of retail for the years 2021 and 2030, the year following the development of each Community Center retail site.

Existing Demand and Supply (2017)

New Economics analyzed the existing demand for retail trade relative to the supply of retail trade in the Community Center PMA and SMA. This analysis, summarized in **Figure 6.1**, indicates that supply exceeds demand in the PMA, while the SMA appears to be in equilibrium.⁷

PMA

In the PMA, excess supply in General Merchandise Stores accounts for half of the oversupply. A review of existing centers within the PMA, shown in **Figure 6.2**, indicates that all existing retail centers in Yuba City and Marysville are included in the 6-mile PMA.

A review of existing centers within the PMA, shown in **Figure 6.2**, show a variety of existing retail centers. These centers comprise of two Regional/Power Centers, three Community Centers, 13 Neighborhood Centers, and around 24 Strip Centers, as well as additional free-standing retail outside of retail centers (such as Plumas Street).

Community Centers are performing well with little or no vacancies while Neighborhood Centers are experiencing generally low but varied vacancy rates. Five Strip Centers are experiencing significant vacancies, including North Pointe Shopping Center, Towne Center, and the center at 1352 Colusa Avenue, but the average occupancy rate is still greater than 90 percent for the 24 Strip Centers overall.

As described in **Section 2**, many of the retail centers in the PMA have regional users that draw from a much broader market area. As such, the PMA analysis does not portray an accurate depiction of market conditions.

⁷ Equilibrium is defined supply that is within 10 percent of demand, including 10 percent more or 10 percent less supply than demand.

SMA

In the SMA, there also appears to be a small level of potential oversupply (6 percent) for retail sales in the SMA, although sales that fall within 10 percent of demand are often considered to be in equilibrium.

An excess supply of sales exists only in 3 categories, again most notably in General Merchandise. Without the excess supply of General Merchandise, the SMA would have supply that was only 88 percent of demand—in other words, there would be capacity in the market to capture additional retail sales.

A review of existing centers within the SMA, shown in **Figure 6.3**, shows a variety of existing retail centers. These centers comprise two Regional/Power Centers, three Community Centers, 14 Neighborhood Centers, and around 24 Strip Centers, as well as additional free-standing retail outside of retail centers (such as Plumas Street). Within the SMA, there are three additional Neighborhood Centers (located in Linda, Olivehurst, and Colusa) and seven additional Strip Centers (located in Linda and Olivehurst).

Future Residential Growth Within the Community Center RMAs

The RMAs for the proposed Community Centers cover a larger geographic area than the proposed Neighborhood Center, as this type of retail and the size of the centers can draw shoppers who travel from longer distances. The Community Center PMA (shown in **Figure 6.2**) consists essentially of the entirety of the cities of Yuba City and Marysville. Population growth in this area was projected by taking the anticipated growth rates of each City, which are 1.4 percent annually for Yuba City (as supplied by the City), and 0.28 percent annually for Marysville (from SACOG's MTP growth projections). The estimated population growth in the Community Center PMA is shown in **Appendix A-12**.

The Community Center SMA (shown in **Figure 6.3**) spans to several neighboring communities, including Live Oak, Linda, Plumas Lake, Colusa, and Gridley. As with the other RMA population projections used in this Study, the projected population growth for Yuba City was supplied by the City (at 1.4 percent annually), and the projections for Marysville and the unincorporated communities in Yuba County were provided by SACOG. Projections for the City of Colusa were taken from Colusa's General Plan and represent an average historical rate of growth that it has experienced over time, and the projections for the City of Gridley were taken from the Butte County Council of Governments. The estimated population growth in the Community Center SMA is shown in **Appendix A-13**.

Figure 6.4 summarizes the total population growth within Community Center PMA and SMA.

Future Demand for Retail Space

Figures 6.5 and **6.6** show the estimated demand for retail space within the Community Center PMA and SMA. As explained in **Section 3**, the demand metric per capita includes demand for *all* retail (excluding the portion captured outside of the Broad Retail Market Area—i.e. travel and online shopping), not simply Community-serving retail.

Gross demand includes the following scenarios:

- Existing Retail (2017)
- Existing + Project (2021, the year after Site 16 is anticipated to develop)
- Existing + Project + Cumulative (2021). This third scenario includes all other projected residential development.
- Existing + Project (2030, the year after Site 10 is anticipated to develop)
- Cumulative (2030). This third scenario includes all other projected residential development.

Future Retail Supply within the Community Center RMAs

Figure 6.7 summarizes the existing and future supply of retail space in the Community Center PMA, while **Figure 6.8** shows similar information for the Community Center SMA. There is significant planned commercial development within the Community Center PMA and SMA, although this planned retail supply is in various stages of the entitlement process. **Appendix A-14** itemizes future commercial development projects that are in the Community Center PMA and SMA. That appendix table identifies a total approximately 200,000 square feet of commercial development planned for Yuba City that falls within the PMA and SMA. Since it is unclear when the planned retail will actually be developed, this study assumes that all currently planned retail will be constructed by the end of the time horizon of this study, which is 2045.

The Community Center SMA planned supply is largely concentrated within the Plumas Lake Specific Plan, an approved project with commercial components that have been slow to develop. Including Plumas Lake and all additional planned development in Yuba City and Yuba County, the total amount of future planned retail development within the SMA is approximately 4.9 million square feet (**Figure 6.7**).

Retail Market Support: Community Centers RMAs

Figure 6.9 summarizes the demand and supply in the Community Center PMA, while **Figure 6.10** summarizes demand and supply in the Community Center SMA.

PMA Market Support

For the PMA (**Figure 6.9**), the analysis shows that the supply of retail exceeds projected demand for retail space in 2017, 2021, 2030, and 2045. The analysis suggests that the existing market is in equilibrium (less than 10 percent oversupply), but oversupply occurs under the Existing + Project Scenario and the Cumulative Scenario. The oversupply grows for these reasons:

- There appears to be more supply than demand in the existing market.
- It is expected that existing demand will *decrease* as e-commerce and other trends lessen the demand for brick and mortar sales
- It is expected that new residential development will demand brick and mortar retail space at a *lower* ratio.
- It takes until after 2030 for Existing Population plus population growth (Existing + Project Scenario) to return to the 2017 level of demand.
- New planned supply (Project and other retail) exceeds demand.

As described in **Section 4**, the PMA is not as relevant as the SMA because retail centers in Yuba City, likely including the Proposed Community Centers, tend to have regional users that draw from the Broad Retail Market Area (which is the same as the Community Center SMA), an area that is substantially larger than the PMA.

SMA Market Support

For the Community Center SMA (**Figure 6.10**), the analysis also indicates that retail supply is in equilibrium in 2017 but exceeds projected demand in 2017, 2021 (stabilized operations for Site 16), 2030 (stabilized operations for Site 20), and 2045.

The analysis suggests that there is excess supply in the existing market, and that the oversupply becomes larger under the Existing + Project Scenario and the Cumulative Scenario. The oversupply grows for these reasons:

- It is expected that existing demand will *decrease* as e-commerce and other trends lessen the demand for brick and mortar sales
- It is expected that new residential development will demand brick and mortar retail space at a *lower* ratio.
- Even in 2030 Existing Population plus population growth (Existing + Project Scenario) is not anticipated to return to the 2017 level of demand. In the Cumulative Scenario, 2017 levels of demand are achieved by 2021.
- New planned supply (Project and other retail) exceeds demand.

Under these two development scenarios the proposed Community Centers could only develop at the expense of other existing retail centers. Under the Existing + Project Scenario, there would be an oversupply in the range of 241,000-350,000 square feet. Under the Cumulative Scenario, excess supply amounts to 695,000-2.3 million square feet.

Key Findings

- **Finding 6.1: Based on retail trade data, the Community Center PMA (6-mile drive time) appears to be oversupplied while the SMA (custom trade area) is at market equilibrium.** Because many of the retail centers in the PMA include regional retailers that draw from the Broad Market Area, the SMA provides a more accurate reflection of existing conditions.
- **Finding 6.2: Under the Existing + Project Scenario, the PMA for the proposed Community Centers is anticipated to generate demand for approximately 3.4-3.7 million square feet of retail.** These levels of demand are based on population estimates that include growth from the Project as well as other planned residential development in the PMA, and per-capita demand of approximately 38.1 square feet of retail space.
- **Finding 6.3: Under the Cumulative Scenario, the PMA for the proposed Community Centers is anticipated to generate demand for approximately 3.6-4.8 million square feet of retail.** These levels of demand are based on population estimates that include growth from the Project as well as other planned residential development in the PMA, and per-capita demand of approximately 38.1 square feet of retail space.
- **Finding 6.4: Under the Existing + Project Scenario, the SMA for the proposed Community Centers is anticipated to generate demand for approximately 5.9-6.2 million square feet of retail when the proposed Community Centers achieve stabilized operations.** These levels of demand are based on per-capita demand of approximately 38.1 square feet of retail space and population levels of 152,000-154,000.
- **Finding 6.5: Under the Existing + Project + Cumulative Scenario, the SMA for the proposed Community Centers is anticipated to generate demand for approximately 6.2-8.8 million square feet of retail when the proposed Community Centers achieve stabilized operations.** These levels of demand are based on per-capita demand of approximately 38.1 square feet of retail space and population levels of 160,000-181,000.
- **Finding 6.6: The total amount of other additional future planned retail development within the Community Center PMA is approximately 1.1 million square feet, of which approximately 167,000 square feet will be developed by 2021, and 543,000 square feet will be developed by 2030.**

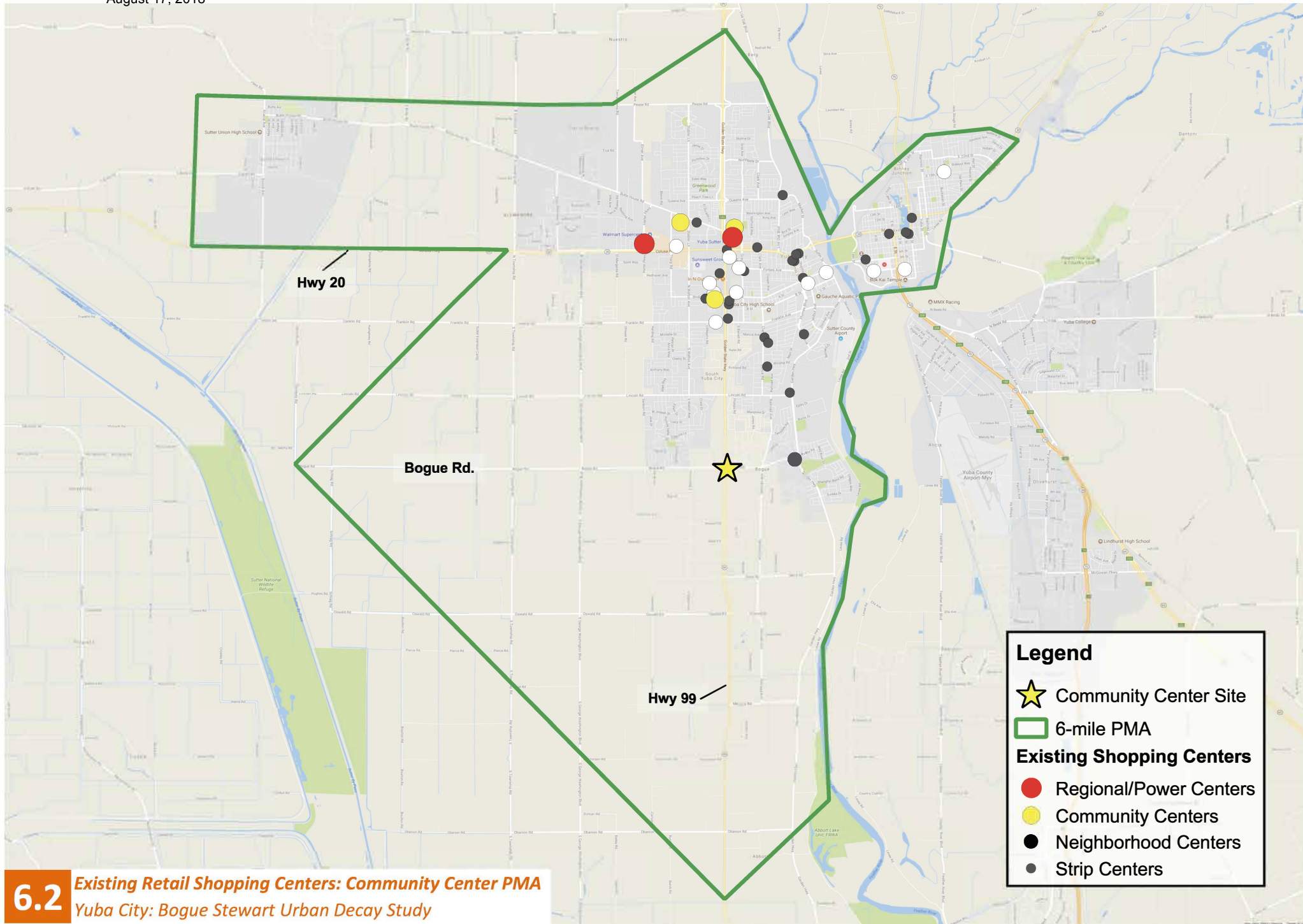
- **Finding 6.7:** The total amount of additional future planned retail development within the Community Center SMA is approximately 4.9 million square feet, of which approximately 731,000 square feet will be developed by 2021, and 2.4 million square feet will be developed by 2030.
- **Finding 6.8:** In the Community Center PMA, total anticipated supply is expected to greatly exceed total demand by 2021, 2030, and 2045 under the Existing + Project Scenario and Cumulative Scenario. However, this oversupply is somewhat misleading, mainly because the existing retail businesses capture sales from consumers who live outside the PMA for the proposed Community Centers.
- **Finding 6.9:** In the Community Center SMA, total anticipated supply is expected to exceed total demand by 2021, 2030, and 2045 under the Existing + Project Scenario and Cumulative Scenario. This oversupply ranges from 695,000 to 2.3 million square feet of retail space if the Project and/or all other planned development occurs.

6.1 Summary of Retail Sales (2017) Proposed Community Retail Center- Primary and Secondary Market Areas

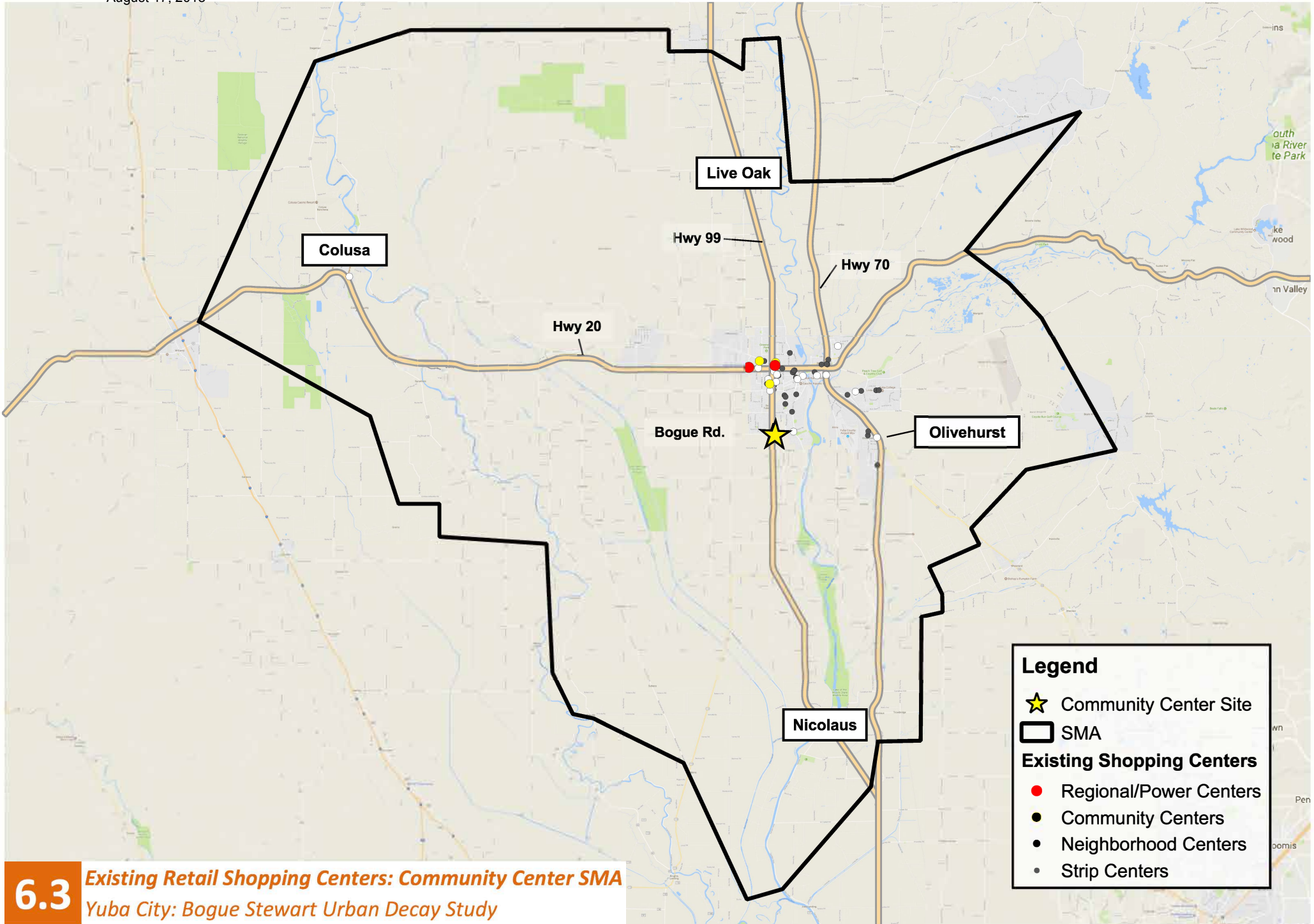
| Retail Store Category | Primary Market Area | | | | Secondary Market Area | | | |
|--|---------------------|------------------------|------------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|
| | # Of Businesses | Demand | Sales | Net Demand | # Of Businesses | Demand | Sales | Net Demand |
| Store Type | | | | | | | | |
| Motor Vehicle & Parts Dealers | 60 | \$201,679,363 | \$277,848,924 | -\$76,169,561 | 84 | \$344,039,467 | \$317,076,499 | \$26,962,968 |
| Furniture & Home Furnishings | 27 | \$35,325,128 | \$27,843,261 | \$7,481,867 | 36 | \$59,396,453 | \$30,341,149 | \$29,055,304 |
| Electronics & Appliance | 23 | \$34,717,503 | \$21,316,072 | \$13,401,431 | 27 | \$58,656,981 | \$22,506,988 | \$36,149,993 |
| Bldg Materials, Garden Equip. & Supply | 48 | \$58,890,771 | \$127,655,936 | -\$68,765,165 | 73 | \$100,218,932 | \$162,120,628 | -\$61,901,696 |
| Food & Beverage | 72 | \$154,617,958 | \$228,404,841 | -\$73,786,883 | 119 | \$261,710,131 | \$281,179,986 | -\$19,469,855 |
| Health & Personal Care | 35 | \$66,627,958 | \$86,599,186 | -\$19,971,228 | 52 | \$112,526,306 | \$114,668,983 | -\$2,142,677 |
| Gasoline Stations | 21 | \$86,050,206 | \$68,364,360 | \$17,685,846 | 34 | \$147,297,748 | \$115,023,019 | \$32,274,729 |
| Clothing & Clothing Accessories | 55 | \$66,769,145 | \$30,734,001 | \$36,035,144 | 60 | \$112,282,289 | \$31,804,893 | \$80,477,396 |
| Sporting Goods, Hobby, Book & Music | 26 | \$29,873,420 | \$27,352,734 | \$2,520,686 | 35 | \$50,445,964 | \$33,388,775 | \$17,057,189 |
| General Merchandise | 28 | \$159,398,080 | \$420,409,070 | -\$261,010,990 | 38 | \$269,753,489 | \$614,250,669 | -\$344,497,180 |
| Miscellaneous Store Retailers | 95 | \$35,839,642 | \$31,542,912 | \$4,296,730 | 116 | \$60,752,375 | \$34,593,649 | \$26,158,726 |
| Nonstore Retailers | 6 | \$27,765,555 | \$13,818,441 | \$13,947,114 | 10 | \$46,632,899 | \$15,465,115 | \$31,167,784 |
| Food Services & Drinking Places | 185 | \$102,371,296 | \$126,025,754 | -\$23,654,458 | 254 | \$172,192,347 | \$152,126,426 | \$20,065,921 |
| Restaurants/Other Eating Places | 175 | \$98,069,095 | \$123,512,143 | -\$25,443,048 | 239 | \$165,041,191 | \$149,205,500 | \$15,835,691 |
| Total | 856 | \$1,157,995,120 | \$1,611,427,635 | -\$453,432,515 | 1177 | \$1,960,946,572 | \$2,073,752,279 | -\$112,805,707 |
| <i>Supply as a % of Demand</i> | | | | 139% | | | | 106% |

Source: Esri, Retail Marketplace Profile, September 2017.

Prepared by New Economics & Advisory, August 2018.



6.2 Existing Retail Shopping Centers: Community Center PMA
 Yuba City: Bogue Stewart Urban Decay Study



6.3 Existing Retail Shopping Centers: Community Center SMA
Yuba City: Bogue Stewart Urban Decay Study

6.4 Summary of Projected Population Growth Community PMA, SMA

| City/Community | 2017 | 2021 | 2030 | 2045 |
|---|---------|---------|---------|---------|
| Community Center PMA (Modified 6-Mile Drive) | | | | |
| <u>Project</u> | | | | |
| Annual Population Growth | 0 | 303 | 343 | 0 |
| Cumulative Population Growth | 0 | 602 | 3,528 | 8,127 |
| <u>Outside Project (Within Market Area)</u> | | | | |
| Annual Population Growth | 0 | 856 | 967 | 1,608 |
| Cumulative Population Growth | 0 | 3,942 | 12,189 | 29,560 |
| <u>Total</u> | | | | |
| Total Annual Population Growth | 0 | 1,159 | 1,310 | 1,608 |
| Cumulative New Population | 0 | 4,544 | 15,718 | 37,687 |
| Cumulative Total Population | 89,115 | 93,659 | 104,833 | 126,802 |
| Community Center SMA (Custom Geography) | | | | |
| <u>Project</u> | | | | |
| Annual Population Growth | 0 | 303 | 343 | 0 |
| Cumulative Population Growth | 0 | 602 | 3,528 | 8,127 |
| <u>Outside Project (Within Market Area)</u> | | | | |
| Annual Population Growth | 0 | 1,972 | 2,280 | 3,343 |
| Cumulative Population Growth | 0 | 8,290 | 27,538 | 67,800 |
| <u>Total</u> | | | | |
| Total Annual Population Growth | 0 | 2,275 | 2,623 | 3,343 |
| Cumulative New Population | 0 | 8,892 | 31,066 | 75,927 |
| Cumulative Total Population | 154,654 | 163,546 | 185,720 | 230,581 |

Sources: City of Yuba City, SACOG MTP/ SCS, and CA DOF.
Prepared by New Economics & Advisory, August 2018.

6.5

Proposed Community Centers: Projected Gross Demand for Retail Space Primary Market Area (+/- 6 Mile Drive Time)

| Item | Existing (2017) | Existing+Project | | | Cumulative | | |
|--------------------------------|------------------|------------------|------------------|-----------------------|------------------|------------------|-----------------------|
| | | 2021 | 2030 | 2045 | 2021 | 2030 | 2045 |
| Population | | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> |
| Existing [1] | 89,115 | 89,115 | 89,115 | 89,115 | 89,115 | 89,115 | 89,115 |
| Project | 0 | 602 | 3,528 | 8,127 | 602 | 3,528 | 8,127 |
| Other | 0 | 0 | 0 | 0 | 3,942 | 12,189 | 29,560 |
| Total Population | 89,115 | 89,717 | 92,643 | 97,242 | 93,659 | 104,833 | 126,802 |
| Future Demand (Sq. Ft.) | | | | | | | |
| Sq. Ft. per Capita [2] | 39.5 | 38.1 | 38.1 | 38.1 | 38.1 | 38.1 | 38.1 |
| Total Demand (Sq. Ft.) | 3,522,743 | 3,415,098 | 3,526,498 | 3,701,556 | 3,565,161 | 3,990,494 | 4,826,757 |

[1] From Esri and California Department of Finance.

[2] From Figure 3.5, which shows existing and future demand per capita.

Source: Esri, Retail Marketplace Profile, September 2017.

Prepared by New Economics & Advisory, August 2018.

6.6 Proposed Community Centers: Projected Gross Demand for Retail Space Secondary Market Area (Custom Trade Area)

| Item | Existing (2017) | Existing+Project | | | Cumulative | | |
|--------------------------------|--------------------|------------------|------------------|-----------------------|------------------|------------------|-----------------------|
| | | 2021 | 2030 | 2045 | 2021 | 2030 | 2045 |
| Population | | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> |
| Existing [1] | 154,654 | 154,654 | 154,654 | 154,654 | 154,654 | 154,654 | 154,654 |
| Project | 0 | 602 | 3,528 | 8,127 | 602 | 3,528 | 8,127 |
| Other | 0 | 0 | 0 | 0 | 8,290 | 27,538 | 67,800 |
| Total Population | 154,654 | 155,256 | 158,182 | 162,781 | 163,546 | 185,720 | 230,581 |
| Future Demand (Sq. Ft.) | | | | | | | |
| Sq. Ft. per Capita [2] | 39.5 | 38.1 | 38.1 | 38.1 | 38.1 | 38.1 | 38.1 |
| Total Demand (Sq. Ft.) | 6,113,520 | 5,909,862 | 6,021,262 | 6,196,320 | 6,225,422 | 7,069,504 | 8,777,141 |

Source: Esri, Retail Marketplace Profile, September 2017.

[1] From ESRI.

[2] From Figure 3.5, which shows existing and future demand per capita.

Prepared by New Economics & Advisory, August 2018.

6.7 Proposed Community Centers: Supply of Competing Retail Space Primary Market Area

| Item | Existing (2017) | Existing+Project | | | Cumulative | | |
|----------------------------|------------------|------------------|------------------|-----------------------|------------------|------------------|-----------------------|
| | | 2021 | 2030 | 2045 | 2021 | 2030 | 2045 |
| Retail Supply | | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> |
| Existing Supply (Sq. Ft.) | 5,505,233 [3] | 5,505,233 | 5,505,233 | 5,505,233 | 5,505,233 | 5,505,233 | 5,505,233 |
| Project Retail Supply [1] | 0 | 229,779 | 390,951 | 474,279 | 229,779 | 390,951 | 474,279 |
| Other Retail Supply [2] | 0 | 0 | 0 | 0 | 167,144 | 543,219 | 1,128,224 |
| Total Retail Supply | 5,505,233 | 5,735,012 | 5,896,184 | 5,979,512 | 5,902,156 | 6,439,403 | 7,107,736 |

Source: Esri, ESA, CoStar, City of Yuba City, and New Economics.

[1] 2030 project retail supply includes both Community Commercial parcels.

[2] Other retail supply includes planned retail throughout the Primary Market Area. See Figure A-14.

[3] Existing supply (5,505,233 square feet) from CoStar as of December 2017. This estimate was adjusted to include projects recently completed and under construction (76,681 square feet) and also to exclude net loss of retail space through conversion projects (-3,720 square feet) described in Section 2.

Prepared by New Economics & Advisory, August 2018.

6.8 Proposed Community Centers: Supply of Competing Retail Space Secondary Market Area

| Item | Existing (2017) | Existing+Project | | | Cumulative | | |
|-------------------------------|------------------|------------------|------------------|-----------------------|------------------|------------------|-----------------------|
| | | 2021 | 2030 | 2045 | 2021 | 2030 | 2045 |
| Retail Supply | | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> |
| Existing Supply (Sq. Ft.) [1] | 6,582,476 | 6,582,476 | 6,582,476 | 6,582,476 | 6,582,476 | 6,582,476 | 6,582,476 |
| Project Retail Supply | 0 | 229,779 | 390,951 | 474,279 | 229,779 | 390,951 | 474,279 |
| Other Retail Supply | 0 | 0 | 0 | 0 | 731,066 | 2,375,965 | 4,934,696 |
| Total Retail Supply | 6,582,476 | 6,812,255 | 6,973,427 | 7,056,755 | 7,543,321 | 9,349,392 | 11,991,451 |

Source: CoStar, Esri, LoopNet, ESA, City of Yuba City, and New Economics.

[1] Existing supply from CoStar as of October 2017. Only includes areas in Yuba, Sutter, and Colusa County. Excludes Butte County. This estimate was adjusted to include projects recently completed and under construction (76,681 square feet) and also to exclude net loss of retail space through conversions projects (-3,720 square feet) described in Section 2. Feather River Shopping Center in Linda was manually adjusted to only reflect the currently occupied space, as the vacant area is no longer viable retail space.

Prepared by New Economics & Advisory, August 2018.

6.9 Proposed Community Centers: Projected Net Demand for Retail Space Primary Market Area

| Item | Existing (2017) | Existing+Project | | | Cumulative | | |
|-----------------------|-----------------|------------------|----------------|-----------------------|----------------|----------------|-----------------------|
| | | 2021 | 2030 | 2045 | 2021 | 2030 | 2045 |
| Square Feet | | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> |
| Demand | 3,522,743 | 3,415,098 | 3,526,498 | 3,701,556 | 3,565,161 | 3,990,494 | 4,826,757 |
| Supply | 5,505,233 | 5,735,012 | 5,896,184 | 5,979,512 | 5,902,156 | 6,439,403 | 7,107,736 |
| Net Demand | -1,982,490 | -2,319,914 | -2,369,686 | -2,277,956 | -2,336,996 | -2,448,909 | -2,280,979 |
| Supply as % of Demand | 156% | 168% | 167% | 162% | 166% | 161% | 147% |

Prepared by New Economics & Advisory, August 2018.

6.10 Proposed Community Centers: Projected Net Demand for Retail Space Secondary Market Area

| Item | Existing (2017) | Existing+Project | | | Cumulative | | |
|--|--------------------|------------------|-----------------|-----------------------|-------------------|-------------------|-----------------------|
| | | 2021 | 2030 | 2045 | 2021 | 2030 | 2045 |
| Square Feet | | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> |
| Demand | 6,113,520 | 5,909,862 | 6,021,262 | 6,196,320 | 6,225,422 | 7,069,504 | 8,777,141 |
| Supply | 6,582,476 | 6,812,255 | 6,973,427 | 7,056,755 | 7,543,321 | 9,349,392 | 11,991,451 |
| Net Demand | -468,956 | -902,393 | -952,165 | -860,435 | -1,317,899 | -2,279,887 | -3,214,310 |
| Supply as % of Demand | 107.7% [1] | 115% | 116% | 114% | 121% | 132% | 137% |
| Excess Supply (Portion Beyond 10% Oversupply) | N/A | -311,406 | -350,039 | -240,803 | -695,357 | -1,572,937 | -2,336,596 |

[1] This result differs from the analysis shown in Figure 6.1.

[2] New Economics adjusted the demand for space in order to achieve an oversupply rate that is consistent with existing retail vacancy rates.

[3] Demand decreased by X percent, consistent with the X percent decrease identified in Figure 6.6.

[4] Reflecting the current vacancy rate shown in Figure 3.2.

Prepared by New Economics & Advisory, August 2018.

Section 7: Urban Decay Assessment

Introduction

This final section of the Urban Decay study provides an evaluation of the likelihood for the Project to cause Urban Decay under the Existing + Project Scenario and Cumulative Scenario. After providing a description of Urban Decay as it pertains to an Environmental Impact Report (EIR), this section provides a professional opinion regarding the potential for Urban Decay to occur as a result of the development of the Project's retail sites, including a variety of factors that could dampen the amount of excess retail supply that was identified in **Section 6**.

Definition of Urban Decay

Title 14 (Natural Resources), Division 6, Chapter 3 of California's state code contains guidelines for the implementation of the California Environmental Quality Act (CEQA). These guidelines establish the framework for analyzing how economic and/or social effects should be addressed in an EIR. The guidelines recognize that a project may cause economic and/or social effects; however, these effects should not be treated as significant impacts. Rather, under CEQA economic and/or social effects can be considered as a link in a chain of effects that connect the proposed project to a physical environmental impact, or in connection with the determination of the significance of a physical environmental impact. In other words, any impacts focus on the physical changes that are related to the economic and/or social effects should be addressed in an EIR.

The predominant physical change studied in this Study is the potential for urban decay or deterioration, which is defined as "a chain reaction of store closures and long-term vacancies that ultimately destroy existing neighborhoods and leave decaying shells in their wake."⁸ A key question to be considered when contemplating the potential for urban decay is: is it likely that the development of the new retail sites will oversaturate the market area, causing existing stores to close and creating a situation in which existing centers cannot be re-tenanted in a reasonable amount of time (beyond the normal market cycle timeframe)?

Prior court cases addressing urban decay issues have included the following characteristics to document the potential for urban decay or deterioration:

- **Long-Term Vacancies, including spaces that face difficulty in being re-tenanted beyond normal market cycle conditions.** This Study considers how vacancies may

⁸ *Bakersfield Citizens for Local Control v. City of Bakersfield*, 124 Cal. App. 4th 1184. Part III, Urban Decay.

be adversely affected owing to center/store size, location, physical condition, and/or market lease rates.

- **Deferred Maintenance, including neglect of repair and maintenance.** This Study considers parking lot resurfacing/repair, lighting, graffiti, painting, and signage.
- **Disinvestment, including deterioration of buildings, improvements, and facilities.** This Study considers any visual signs of structural integrity of buildings and/or parking/access.

Urban Decay Assessment: Neighborhood Retail Center

Existing + Project Scenario

The technical analysis summarized in **Figure 5.7** in **Section 5** shows that retail supply will be less than demand in the PMA and SMA for the proposed Neighborhood Center, suggesting that there is enough demand in the PMA and SMA to accommodate the Project.

A review of existing retail in the PMA and SMA indicate that retail centers in the PMA and SMA, discussed in Section 5, appear to have relatively low vacancy rates and little sign of deferred maintenance and/or disinvestment.

New Economics & Advisory concludes that development of the proposed Neighborhood Center would not cause any urban decay in the Neighborhood Center under the Existing + Project Scenario PMA or SMA.

Cumulative Scenario

The technical analysis summarized in **Figure 5.1** in **Section 5** shows that supply will be less than demand in the PMA and SMA for the proposed Neighborhood Center, suggesting that there is enough demand in the PMA and SMA to accommodate the Project. Under the Cumulative Scenario, the PMA would still have about 12 percent of unmet demand and the SMA would only have about 5 percent of unmet demand, after accounting for all the residential and commercial development in the Project and other planned projects.

Similar to the Existing + Project Scenario, this Urban Decay Study finds that development of the proposed Neighborhood Center would not cause any urban decay in the PMA or SMA under the Cumulative Scenario.

Urban Decay Assessment: Community Centers

Existing +Project Scenario

As described in **Section 6**, the Study suggests a substantial amount of oversupply under the Existing + Project Scenario, in both the PMA and SMA, for the proposed Community

Centers in 2021, 2030, and 2045. However, this level of oversupply is not likely to create Urban Decay, as described in this section.

Cumulative Scenario

Under the Cumulative Scenario, the net market impact (shown in **Figure 7.1**) is larger than the Existing + Project Scenario because there is even more planned supply relative to planned relative residential growth. In the PMA, total supply is projected to be 184-188 percent of demand, while in the SMA total retail supply is projected to be 191-232 percent of demand.

There is a substantial amount of additional planned and proposed retail space in the Community Center SMA, primarily in Yuba County. For instance, the Plumas Lake Specific Plan in southern Yuba County includes the potential to add approximately 3.0 million square feet of retail space. While the Plumas Lake Specific Plan was approved by the County Board of Supervisors in 2005, only around 15,000 square feet of retail space has actually been developed. This rate of absorption indicates a lack of demand for new retail, and the degree to which all of this prospective retail space is actually developed remains to be seen.

As the two Community Commercial parcels (Sites 10 and 16) have a stronger locational advantage than the Neighborhood site. The Community Commercial parcels are located along Highway 99 and are, therefore, likely to develop first. The Neighborhood Commercial parcel (Site 33) has an inferior location as it pertains to transportation, access, and visibility, it is a smaller parcel that could only accommodate one relatively small shopping center, and furthermore has additional competition from the existing Orchard Plaza Shopping Center on Bogue Road and Garden Highway. Therefore, the timing of the development of Site 33 will depend upon the amount of households that are developed. Depending upon the amount of households that materialize in this area, and the continuing change to retail dynamics (i.e., fewer retail space per capita), it is possible that this parcel will cease to be a viable commercial site and could convert to some other use type. This study presumes that it will develop in 2044, the last year of Project absorption.

As discussed previously, the Neighborhood Center at 812 Gray Avenue and Sutter Crossroads are potential candidates to experience urban decay. Based on existing occupancy conditions, strip Centers with already high vacancy rates, including the strip center at Colusa Highway and Highway 99 (1352 Colusa Avenue), could also be vulnerable to Urban Decay.

Major Factors Causing Oversupply

Oversupply is created by two factors: decreasing demand for retail by existing development, and the Project's proposed supply of retail space exceeding demand created by the Project residents.

Less Demand for Existing Retail Space in the Future

Existing development is unlikely to be able to maintain its existing demand for retail space as e-commerce and other spending trends cause consumers to sustain less brick and mortar retail space, as discussed in **Section 3** of this study. **Figure 7.1** shows how demand from Existing Development is anticipated to produce *less* demand over time for retail space.

Of the retail centers and areas studied by New Economics, the following were identified as exhibiting the weakest conditions and potential candidates to experience Urban Decay:

- **812 Gray Avenue in Yuba City**— this 124,000 square foot Neighborhood Center in Yuba City is the home of the former K-Mart. However, it is also being pursued by Sutter County for conversion into a government services building and, if converted, would be removed from the retail inventory of the Yuba City/Marysville Submarket.
- **College View Center in Marysville**— this 45,000 square foot Neighborhood Center is entirely occupied and is anchored by an ethnic grocery store. There are noticeable signs of disinvestment, deferred maintenance, vagrancy, etc. This center is relatively far away from the Proposed Project, and its location in Marysville, far from Highway 99 and Highway 70, make it unlikely competition for the Proposed Project’s retail development.
- **Sutter Crossroads at 1232 Colusa Avenue in Yuba City**—this 119,000 square foot Neighborhood Center is anchored by Food Maxx and Big 5 and also features a Red Robin restaurant. While the vacancy rate is low (3 percent), there is a boarded up building and another vacant in-line space, homeless activity, and other signs of deferred maintenance. This center has a competitive location, and regional tenants that draw customers from throughout the Community Center SMA. It is unclear why this center has fallen behind on landscaping and building repairs.

Project Retail is Larger in Scale than Project Demand

Finally, the Project is proposing to add more retail supply than it can reasonably sustain on its own. As shown in **Figure 7.1**, residential population from the Project is expected to support about 23,000 retail square feet by 2021, 134,000 square feet by 2030, and 309,000 square feet by 2045 based on anticipated Project absorption. In contrast, the Project is proposing to provide about 475,000 square feet (including the Neighborhood Center and two Community Centers). Because the existing PMA and SMA do not have any existing capacity for this space, Project retail would create more excess supply.

Factors That Can Dampen Projected Retail Oversupply or Its Effects

Existing Centers May Be Able to Withstand Dispersed Impacts

The potential for Urban Decay in the Existing + Project Scenario will be largely influenced by whether impacts to the retail market occur in a concentrated or dispersed manner. Existing centers in the SMA, particularly those closest to the Project along Highway 99, have largely exhibited resiliency in a changing retail market. Despite the effects of the Great Recession and growing pressure from e-commerce, retail centers in Yuba City have maintained high levels of occupancy by attracting non-traditional users and attracting regional tenants into Neighborhood and Community retail centers. As a result, existing centers are generally not showing signs of deterioration, disinvestment, or deferred maintenance. This pattern suggests that if existing commercial centers experience more vacancy over time, they can continue to evolve their tenant base, although there is a limit to the amount of long-term vacancy that any particular center can withstand.

Concentrated Impacts May Lead to Re-Use

To the extent that oversupply occurs and impacts are concentrated on particular retail centers, there could be opportunities to reposition underperforming retail centers entirely. For example, the retail center at 812 Gray Avenue, which is largely vacant, is actively being considered for conversion into a government building for Sutter County. Another historic example of re-use is the former Montgomery Ward building in Marysville that was redeveloped for County use in the late 1990's. Typically, these opportunities are not explored until a center has faced significant challenges continuing to operate feasibly according to its existing zoning. This process can take multiple years, during which the existing building can experience disinvestment, deferred maintenance, and/or deterioration. The devaluation in price associated with these effects is often needed to make re-use financially feasible.

Regulatory and Standard Municipal Practices Regarding Vacant and/or Underutilized Buildings

To the extent that impacts are dispersed or concentrated, regulatory controls can also avoid or limit the onset of physical conditions associated with Urban Decay. The Community SMA contains multiple retail centers in Yuba City, Marysville, and unincorporated Yuba County.

Yuba County's Code of Ordinances identifies property maintenance requirements, public nuisances, and maintenance of vacant properties; these code sections describe the types of violations that can occur, types of abatement required, and administrative procedures (such as appeals, infractions, etc.).

Ongoing enforcement of these codes would serve to avoid or limit the onset of signs of deterioration, deferred maintenance, and/or disinvestment, the key characteristics of Urban Decay.

Yuba City: Municipal Code

The City's Development Services Department utilizes proactive code enforcement practices to promote and maintain quality of life for existing residents and businesses. The goal of Code Enforcement is to eliminate environments that create or support public health or safety hazards as well as promote a minimum standard of living throughout the City.

To accomplish such goals, the City employs the Nuisance Abatement Code (§ 4-8.010 of the Yuba City Municipal Code), which outlines minimum standards and processes to ensure compliance. Said section of the Municipal Code:

- defines minimum maintenance standards, including public nuisance, blighted properties and buildings, dangerous buildings, unlawful property conditions, etc.
- identifies responsible parties
- articulates processes for identifying, notifying, and remedying purported violations; and
- describes administrative penalties for code violations

In 2017, the City also adopted a Shopping Cart Retrieval Ordinance to ensure that abandoned shopping carts are promptly returned to retail stores.

Yuba City: Standard Practices

Moreover, Code Enforcement staff ensures that vacant property and/or buildings are actively maintained, monitored, and secured in compliance with City standards. These efforts include:

- Maintaining all yards clear of overgrown weeds, trash and debris, etc.
- Maintaining the exterior finish of the buildings, but not limited to paint, roofing materials, siding, etc.
- Taking reasonable steps to prevent criminal activity
- Securing and maintaining structures and the property against trespassers, including maintaining windows and doors with locks, replacing broken windows, etc.
- Removing graffiti in a timely manner
- Maintaining the property free of fire hazards

While the City historically pursued voluntary compliance with State and Local Code, the City has recently taken a more proactive approach. Beginning in 2016, the City added staff resources to begin issuing more citations for graffiti, shopping carts, and overgrown weeds. Other examples of this renewed proactive approach includes implementing the City's YC311 public portal. The YC311 is a geo-data based system that allows constituents

to report violations. The web-based system allows City staff to communicate with constituents until the case is resolved.

Since 1997, the City has issued an average of 340 property violations (as shown in **Figure 1.8** in **Section 1**); these violations have occurred on residential and non-residential properties. The number of citations has gradually increased since the late 1990's as the City has become more aggressive.

Marysville City Municipal Code

Marysville's municipal code contains several sections that deter conditions consistent with urban decay, including:

- The Health and Sanitation code (Section 6.12.010), which addresses weed and rubbish abatement;
- Nuisance abatement code (Sections 9.50.010-9.50.280), which addresses landscaping, vacant/abandoned buildings, or other aspects of visual blight; and,
- Streets and sidewalk code (Section 11.14.010), which prohibits defacing of public property, including sidewalks and streets.

A telephone interview with Yuba City staff indicated that the City must contend with limited staff to be able to enforce code violations.

Yuba County Municipal Code

Yuba County's Code of Ordinances similarly identifies property maintenance requirements, public nuisances, and maintenance of vacant properties:

- The Property Maintenance Code (Section 7.36) seeks to reverse any blighting influences on properties.

Less Construction of Planned Retail Development

While this Study includes a worst-case scenario in which 4.9 million square feet of additional planned retail is built by the time the Project builds out, the timing or scale of new retail that will actually be built is unknown. For example, the Plumas Lakes Specific Plan is approved to contain up to 3 million square feet but has only developed 15,000 square feet to date, despite significant residential development there. New retail development will only occur at the most competitive locations, with high residential densities and household incomes, superior transportation access, and strong branding/place making attributes.

Figure 7.2 projects new retail supply at a rate of 50,000 square feet per year, which reflects an 11-year average historic absorption for the Community SMA (2006-2017). At this rate, no excess retail supply would occur during the benchmark years, including at Project buildout. This alternative reflects a pace of new retail development that is more in line with anticipated population growth.

More Rapid Population Growth Rates

This Study relies on growth projection rates identified by Yuba City and other planning documents. To the extent that population growth outpaces the projections, the amount of excess retail supply would decrease.

Findings

- **Finding 7.1: The definition of Urban Decay/Deterioration includes retail spaces that are experiencing prolonged vacancies, deferred maintenance, and/or physical disinvestment.** These are the physical signs that tend to be exhibited in retail spaces that are no longer financially sustainable and are causing visible impacts on the built environment.
- **Finding 7.2: Development of the Project's retail centers by 2045 is not anticipated to cause any Urban Decay in the Neighborhood PMA or SMA under the Existing + Project Scenario or Cumulative Scenario.** The market analysis indicates that demand for retail space in both the PMA and SMA exceeds supply for retail space.
- **Finding 7.3: If all planned retail development in the Community Center SMA is constructed, there will be a substantial amount of retail oversupply under both the Existing + Project Scenario and Cumulative Scenario.⁹ While these amounts of oversupply could result in substantial vacancies leading to Urban Decay, there are a number of factors that would tend to avoid or limit the onset of Urban Decay:**
 - **The extent to which impacts are concentrated versus dispersed among other existing retail centers.** Existing centers in the Community Center SMA, particularly those closest to the Project along Highway 99, have largely exhibited resiliency in a changing retail market. Despite the effects of the Great Recession and growing pressure from e-commerce, retail centers in Yuba City have maintained high levels of occupancy by attracting non-traditional users and attracting regional tenants into Neighborhood and Community retail centers. While non-traditional users may not pay rents that would make it profitable to build new retail space, these existing centers are generally not showing signs of deterioration, disinvestment, or deferred maintenance.
 - **The effectiveness of local regulatory controls.** The Community Center SMA includes multiple retail centers in Yuba City, Marysville, and unincorporated Yuba County. Each of these jurisdictions has in place a varying level of codes and implementation practices designed to prevent physical deterioration and deferred maintenance of buildings and properties.

⁹ While an oversupply is identified in both the Community Center PMA and SMA, only the SMA is the focus of Urban Decay analysis, as the SMA is the appropriate trade area for the proposed Project. The PMA is not analyzed for Urban Decay because it is not an appropriate trade area radius for Community Centers, as discussed separately in this Study.

The City of Yuba City has various local municipal code provisions aimed at keeping residents safe by ensuring that properties are adequately maintained. In addition to code sections that address building maintenance (such as the Nuisance Abatement Code), Yuba City actively enforces municipal code sections designed to ensure adequate property maintenance. Since 1997, the City has issued an average of 340 property violations (as shown in **Figure 1.8**); these violations have occurred on residential and non-residential properties. The number of citations has gradually increased since the late 1990's as the City has become more aggressive-- beginning in 2016, the City added staff resources to begin issuing more citations for graffiti, shopping carts, and overgrown weeds. In 2017, the City of Yuba City also adopted a shopping cart ordinance designed to ensure that abandoned shopping carts are promptly returned to retail stores.

Marysville's municipal code contains several sections that deter conditions consistent with urban decay, including: a Health and Sanitation code (which addresses weed and rubbish abatement); a nuisance abatement code (which addresses landscaping, vacant/abandoned buildings, or other aspects of visual blight); and streets and sidewalk code (which addresses defacing of public property).

Yuba County's Code of Ordinances similarly identifies property maintenance requirements, public nuisances, and maintenance of vacant properties; these code sections describe the types of violations that can occur, types of abatement required, and administrative procedures (such as appeals, infractions, etc.).

Ongoing enforcement of these codes would serve to deter signs of deterioration, deferred maintenance, and/or disinvestment, the key characteristics of Urban Decay.

- **The ability for property owners to reinvent or repurpose impacted retail centers.** The most likely retail competitors for the Project's Community Centers are other existing Community Centers in Yuba City, particularly those along Highway 99. The centers most vulnerable to Urban Decay, *based on existing conditions*, include the Crossroads Retail Center in Yuba City and the Neighborhood Center at 812 Gray Avenue in Yuba City. These two centers make up 243,000 square feet of retail space. The Neighborhood Center at 812 Gray Avenue (124,000 sq. ft.), however, is being actively considered for a re-use opportunity that would ultimately remove this retail space from the market.

Other underperforming retail centers in the Community SMA include strip centers in Yuba City and Marysville. Three of these strip centers are located in Yuba City, including one near the intersection of Colusa Highway and Highway 99 (12,200 square feet), and the others located north and south of Plumas Street retail. However, as previously described (in **Finding 1.4**), small-scale redevelopment of underperforming retail sites is occurring throughout Yuba City.

- **The potential for other residential development to occur in the City through Project Buildout.** The Existing + Project Scenario does not contemplate *any* additional residential development; to the extent that additional residential development occurs beyond the Project, the amount of excess supply would be dampened.
- **The amount of planned retail that will actually be built.** While this Study presumes that 4.9 million square feet of additional planned retail is built by the time the Project builds out, the timing or scale of new retail that will actually be built is unknown. For example, the Plumas Lakes Specific Plan can contain up to 3 million square feet of retail space, yet it has only developed 15,000 square feet to date, despite significant residential development there. New retail development will only occur at the most competitive locations, with high residential densities and household incomes, superior transportation access, and strong branding/place making attributes.

7.1 Net Demand from Existing Development (2017, 2021, 2030) Community Center Secondary Market Area

| Item | Existing (2017) | Existing+Project | | | Cumulative | | |
|---|-----------------|------------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| | | 2021 | 2030 | 2045 | 2021 | 2030 | 2045 |
| Existing Development | | <u>Site 16</u> | <u>Site 10</u> | <u>Site 33</u> | <u>Site 16</u> | <u>Site 10</u> | <u>Site 33</u> |
| Demand | | | | | | | |
| Population | 154,654 | 154,654 | 154,654 | 154,654 | 154,654 | 154,654 | 154,654 |
| Demand (Sq. Ft.) per pers | 39.5 | 38.1 | 38.1 | 38.1 | 38.1 | 38.1 | 38.1 |
| Total Demand (Sq. Ft.) | 6,113,520 | 5,886,957 | 5,886,957 | 5,886,957 | 5,886,957 | 5,886,957 | 5,886,957 |
| Supply (Sq. Ft.) | 6,582,476 | 6,582,476 | 6,582,476 | 6,582,476 | 6,582,476 | 6,582,476 | 6,582,476 |
| Net Demand (Sq. Ft.) | -468,956 | -695,519 | -695,519 | -695,519 | -695,519 | -695,519 | -695,519 |
| Supply as % of Demand | 108% | 112% | 112% | 112% | 112% | 112% | 112% |
| Other Development | | | | | | | |
| Project Alone | | | | | | | |
| Demand | | | | | | | |
| Population | | 602 | 3,528 | 8,127 | 602 | 3,528 | 8,127 |
| Demand (Sq. Ft.) per person | | 38.1 | 38.1 | 38.1 | 38.1 | 38.1 | 38.1 |
| Total Demand (Sq. Ft.) | | 22,905 | 134,305 | 309,363 | 22,905 | 134,305 | 309,363 |
| Supply (Sq. Ft.) | | 229,779 | 390,951 | 474,279 | 229,779 | 390,951 | 474,279 |
| Net Demand (Sq. Ft.) | | -206,874 | -256,646 | -164,916 | -206,874 | -256,646 | -164,916 |
| Supply as % of Demand | | 1003% | 291% | 153% | 1003% | 291% | 153% |
| Cumulative (Other Planned Development Alone) | | | | | | | |
| Demand | | | | | | | |
| Population | | | | | 8,290 | 27,538 | 67,800 |
| Demand (Sq. Ft.) per person | | | | | 38.1 | 38.1 | 38.1 |
| Total Demand (Sq. Ft.) | | | | | 315,560 | 1,048,242 | 2,580,821 |
| Supply (Sq. Ft.) | | | | | 731,066 | 2,375,965 | 4,934,696 |
| Net Demand (Sq. Ft.) | | | | | -415,506 | -1,327,722 | -2,353,875 |
| Supply as % of Demand | | | | | 232% | 227% | 191% |
| Total | | | | | | | |
| Demand (Sq. Ft.) | | | | | 6,225,422 | 7,069,504 | 8,777,141 |
| Supply (Sq. Ft.) | | | | | 7,543,321 | 9,349,392 | 11,991,451 |
| Net Demand (Sq. Ft.) | | | | | -1,317,899 | -2,279,887 | -3,214,310 |

[1] Demand per person has been re-calculated to reflect reductions associated with on-line shopping and other demographic spending preferences, as shown in Figure 3.5.

Prepared by New Economics & Advisory, August 2018.

7.2

Alternative Scenario: Projected Net Demand for Retail Space Secondary Market Area

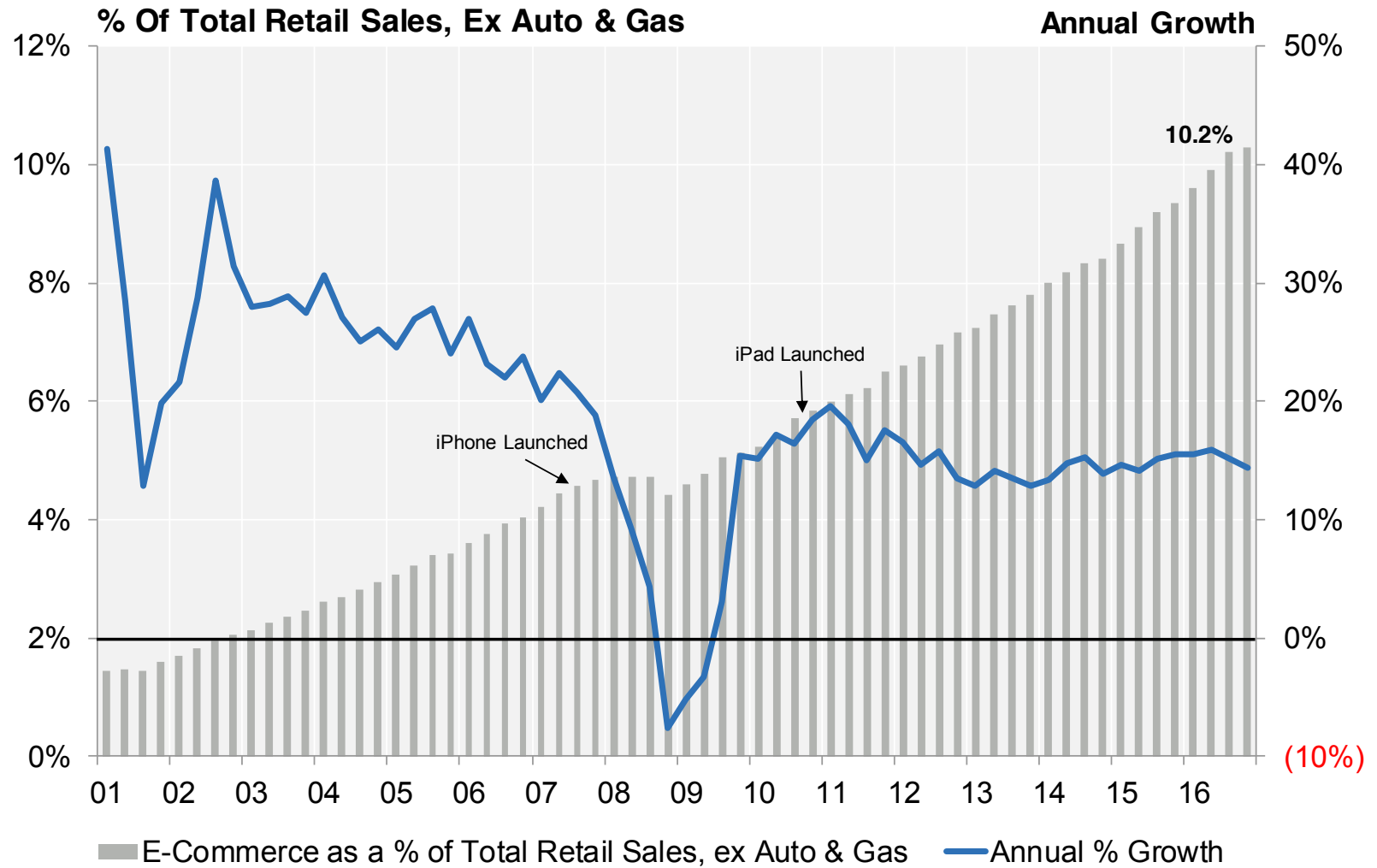
| Item | Cumulative | | |
|---------------------------------------|------------------|------------------|-----------------------|
| | 2021 | 2030 | 2045 |
| First Year Stabilized Operations For: | <u>Site 16</u> | <u>Site 10</u> | <u>Entire Project</u> |
| Demand (Sq. Ft.) | 6,225,422 | 7,069,504 | 8,777,141 |
| Supply (Sq. Ft.) | | | |
| Existing | 6,582,476 | 6,582,476 | 6,582,476 |
| Project | 200,000 | 390,951 | 474,279 |
| Other - Alternative Scenario [1] | 0 | 259,049 | 925,721 |
| Total Supply | 6,782,476 | 7,232,476 | 7,982,476 |
| Net Demand (Sq. Ft.) | -557,054 | -162,972 | 794,665 |
| Supply as % of Demand | 109% | 102% | 91% |

[1] Other retail supply shown in this table is based on an average of 50,000 square feet absorbed per year, as shown in Figure 7.2.

Prepared by New Economics & Advisory, August 2018.

Appendix A: Detailed Calculations

A-1 *E-Commerce As A % Of Retail Sales*
Yuba City: Bogue Stewart Urban Decay



Sources: CoStar Portfolio Strategy; U.S. Department of Commerce

As of 16Q4

A-2 E-Commerce Primary Products Sales and Growth (2015)

| Item | Total E-Commerce Sales | | Annual Growth [1] | Est. Brick and Mortar Avg Annual Sales Growth [1], [3] |
|--|------------------------------|-------------|-------------------|--|
| | Amount | % | | |
| Total Sales | \$341,729,000,000 [4] | 100% | 15% | -100% |
| Primary Product Categories | [2] | | | |
| Mass Merchandise | \$135,125,178,036 | 40% | 16% | -2% |
| Apparel/Accessories | \$48,828,755,086 | 14% | 14% | 0% |
| Computers/Electronics | \$36,659,217,619 | 11% | 3% | -6% |
| Books/Music/Video | \$31,584,086,963 | 9% | 18% | -50% |
| Office Supplies | \$18,358,437,962 | 5% | 2% | -14% |
| Hardware/Home Improvement | \$14,935,846,575 | 4% | 22% | 4% |
| Other High Growth Product Types | [2] | | | |
| Housewares/Home Furnishings | \$10,647,658,501 | 3% | 22% | 4% |
| Specialty | \$5,386,147,375 | 2% | 22% | 3% |
| Health and Beauty | \$5,548,011,324 | 2% | 16% | 4% |
| Toys/Hobbies | \$3,682,302,290 | 1% | 15% | 6% |
| Sporting Goods | \$4,681,102,019 | 1% | 13% | 5% |
| Automotive Parts/Accessories | \$2,830,199,398 | 1% | 12% | 0% |
| Food/Drug | \$6,311,807,616 | 2% | 11% | 3% |
| Jewelry | \$2,225,078,733 | 1% | 11% | 6% |

[1] Compared to 2014.

[2] Reflects sales of the top 500 E-Retailers, which comprised approximately 85 percent of all e-commerce sales in the United States in 2015.

[3] Excludes fuel and auto sales, restaurants and bars. Includes store sales, direct marketers, TV retailers, and other merchant types. Auto, fuel, and restaurant sales are thought to generate \$2.19 trillion in sales in 2015.

[4] Reflects total e-commerce sales generated by shoppers in the U.S.

Source: Internet Retailer, 206 Edition Top 500 Guide.

Prepared by New Economics & Advisory, August 2018.

A-3 *Sutter County Pool Revenues
 2011, 2016*

| Item | Year 2011 2011 | Year 2016 2016 | Annual Average 2011, 2016 |
|-----------------------------------|--------------------|--------------------|------------------------------|
| Yuba City | | | |
| County Pool Revenues | \$865,830 | \$1,286,238 | 8.24% |
| Live Oak | | | |
| County Pool Revenues | \$21,668 | \$30,212 | 6.87% |
| Unincorporated Area-Sutter County | | | |
| County Pool Revenues | \$243,358 | \$300,750 | 4.33% |
| Total Sutter County | \$1,130,856 | \$1,617,200 | 7.42% |

Sources: Countywide Pool Allocations from: <http://www.boe.ca.gov/sutax/localdist.htm>, September 2017.
 Prepared by New Economics & Advisory, August 2018.

A-4 *BLS Annual Spending Survey: Taxable v. Non-Taxable*
 2016

| Category | Under 34 | | 35-44 | | 45-64 | |
|--|----------|-------|----------|-------|-----------|-------|
| | Amount | % | Amount | % | Amount | % |
| Household Income | \$80,183 | | \$58,452 | | \$114,049 | |
| Personal Services/Products (Taxable) | \$891 | 1.1% | \$781 | 1.3% | \$1,878 | 1.6% |
| Personal Services/Products (Non-Taxable) | \$12,948 | 16.1% | \$10,746 | 18.4% | \$22,956 | 20.1% |
| Other (Taxable) | \$26,761 | 33% | \$18,356 | 31% | \$34,158 | 30% |
| Other (Non-Taxable) | \$39,583 | 49% | \$28,528 | 49% | \$55,057 | 48% |

Source: Muni Financial Services, Inc. (August 2017).

Prepared by New Economics & Advisory, August 2018.

A-5 *Bogue Stewart Master Plan: Land Use Plan Summary*
Yuba City: Bogue Stewart Urban Decay Study

| Land Use | Total Plan Area | | | | | | Newkom | | | Kells East | | | Final Phase | | | |
|-----------------------------------|-----------------------------------|----------------------------|---|--------------------|--------------------------------|-----------------------------------|------------------|----------------|------------------|-----------------------------------|----------------|------------------|-----------------------------------|----------------|------------------|-----------------------------------|
| | Land Area (Gross Acres) [1] | Percent Land Allocation | Min./Max. Density & Intensity [2] | Assumed Density | Total Proposed Units [3] | Assumed Intensity (Sq. Ft.) | Total Sq. Ft. | Total Units | Total Sq. Ft. | Land Area (Gross Acres) [1] | Total Units | Total Sq. Ft. | Land Area (Gross Acres) [1] | Total Units | Total Sq. Ft. | Land Area (Gross Acres) [1] |
| Residential | | | <i>DU/Acre</i> | | | | | | | | | | | | | |
| Low Density | 381.6 | 51% | 2 to 8 | 4 | 1,329 | | 428 | | | | 147 | | | | 754 | |
| Low/Medium Density | 49.4 | 7% | 6 to 14 | 9 | 430 | | - | | | | - | | | | 430 | |
| Medium/High Density | 31.6 | 4% | 13 to 36 | 24 | 758 | | 216 | | | | 122 | | | | 420 | |
| Subtotal Residential | 462.6 | 62% | | | 2,517 | | 644 | | | | 269 | | | | 1,604 | |
| Non-Residential | | | <i>FAR</i> | | | | | | | | | | | | | |
| Neighborhood Commercial | 6.7 | 1% | 0.5 max. | | | 0.35 | 83,328 | | | | | | | | 83,328 | 6.7 |
| Community Commercial | 35.9 | 5% | 0.5 max. | | | 0.25 | 390,951 | 229,779 | 21.1 | | 161,172 | 14.8 | | | | |
| Office & Office Park | 8.3 | 1% | 1.0 max. | | | 0.30 | 108,464 | 108,464 | | | | | | | | |
| Business, Technology, & Light Ind | 54.6 | 7% | 0.75 max. | | | 0.25 | 574,992 | | | | | | | | 574,992 | |
| Subtotal Non-Residential | 69.6 | 14% | | | | | 1,157,735 | 338,243 | | | 161,172 | | | | 658,320 | |
| Other Land Uses | | | <i>FAR</i> | | | | | | | | | | | | | |
| Parks, Recreation, & Open Space | 58.8 | 8% | 1.0 max | | | 0.15 | - | | | | | | | | | |
| Public Facilities [4] | 45.6 | 6% | 1.0 max | | | 0.15 | - | | | | | | | | | |
| Roads and Circulation | 68.8 | 9% | 1.0 max | | | 0.15 | - | | | | | | | | | |
| Subtotal Other Land Uses | 173.2 | 23% | | | | | 131,987 | | | | | | | | | |
| Total | 705.4 | 100% | | | 2,517 | | 1,289,722 | 644 | 338,243 | | 269 | 161,172 | | 1,604 | 658,320 | |

[1] Gross acreage is calculated as the total number of acres dedicated to a particular land use parcel as measured from the centerline of proposed or dedicated streets bounding the parcel. Gross acreage includes the acreage dedicated for internal right-of-ways within a land use parcel.

[2] Average Density and Assumed Intensity relates to the density/FAR assumed for development under each land use category, with the intent that the development does not go below allowed minimum density/FAR or exceed maximum density/FAR per land use.

[3] 71 homes currently existing on the site will be included within the total BSMP development, but are not included under "Total Proposed Units" count. Therefore, at full build out the total residential unit count should be 2,588 units including proposed and existing homes.

[4] A 20-acre site has been identified for K-8 school. In the event that the parcel is not acquired for the K-8 school, other potential appropriate land uses include single family and multifamily residential, but any changes would require a Master Plan Amendment subject to CEQA review.

Source: Bogue-Stewart Master Plan, Table 3-1, City of Yuba City.

Prepared by New Economics & Advisory, August 2018.

A-6 *Conceptual Absorption Schedule for BSMP*
 Yuba City: Bogue Stewart Urban Decay Study

| Item | Item | | 2017 | 2018 | 2019 | Select Years | | | | | | | | | |
|--|------------------------|-----|---------------|---------------|---------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|----------------|----------------|----------------|
| | | | | | | 2020 | 2021 | 2026 | 2027 | 2028 | 2029 | 2030 | 2043 | 2044 | 2045 |
| Retail Construction Timing | | | | | | <u>Site 16</u> | | | <u>Site 10</u> | | | <u>Site 33</u> | | | |
| Population Growth Projections | | | | | | | | | | | | | | | |
| Yuba City & SOI Population | 1.40% Avg. Ann. Growth | [1] | 77,142 | 78,222 | 79,317 | 80,428 | 81,554 | 87,424 | 88,648 | 89,889 | 91,148 | 92,424 | 110,733 | 112,283 | 113,855 |
| Subtotal Population | | | 77,142 | 78,222 | 79,317 | 80,428 | 81,554 | 87,424 | 88,648 | 89,889 | 91,148 | 92,424 | 110,733 | 112,283 | 113,855 |
| Housing Unit Growth Projections | 3.0 PPH | | 25,714 | 360 | 365 | 370 | 375 | 402 | 408 | 414 | 419 | 425 | 510 | 517 | 524 |
| Cumulative Housing Unit Growth Projections | | | 0 | 360 | 725 | 1,095 | 1,471 | 3,427 | 3,835 | 4,249 | 4,669 | 5,094 | 11,197 | 11,714 | 12,238 |
| Potential Growth Attributed to BSMP | 25% | [2] | 6,429 | 0 | 0 | 93 | 94 | 101 | 102 | 103 | 105 | 106 | 127 | 129 | 131 |
| Cumulative Growth Attributed to BSMP | | | 0 | 0 | 0 | 93 | 186 | 676 | 778 | 840 | 945 | 1,042 | 2,568 | 2,697 | 2,828 |
| | | | | | | Phase 1 | | | Phase 2 | | | Phase 3 | | | |
| BSMP Absorption: 25% of Citywide Growth to BSMP | | | | | | | | | | | | | | | |
| Phase 1 (Newkom Ranch) | 644 | | | 0 | 0 | 93 | 94 | 69 | | | 32 | | | | |
| Phase 2 (Kells East) | 269 | | | | | | | 32 | 102 | 103 | | | | | |
| Phase 3 (Remainder Area) | 1,604 | | | | | | | | | | 73 | 106 | 26 | 0 | 0 |
| Subtotal | 2,517 | | | 0 | 0 | 93 | 94 | 101 | 102 | 103 | 105 | 106 | 26 | 0 | 0 |
| Cumulative | | | | 0 | 0 | 93 | 186 | 676 | 778 | 881 | 986 | 1,093 | 2,517 | 2,517 | 2,517 |

[1] Yuba City and SOI population figures from ESRI, 2017.

[2] BSMP is assumed to be approximately 25% of the City's overall growth beginning in 2020. 25% factor is based on the Project's share of total future planned development, as shown in Figure A-9.

Source: City of Yuba City, ESRI, ESA, and New Economics.

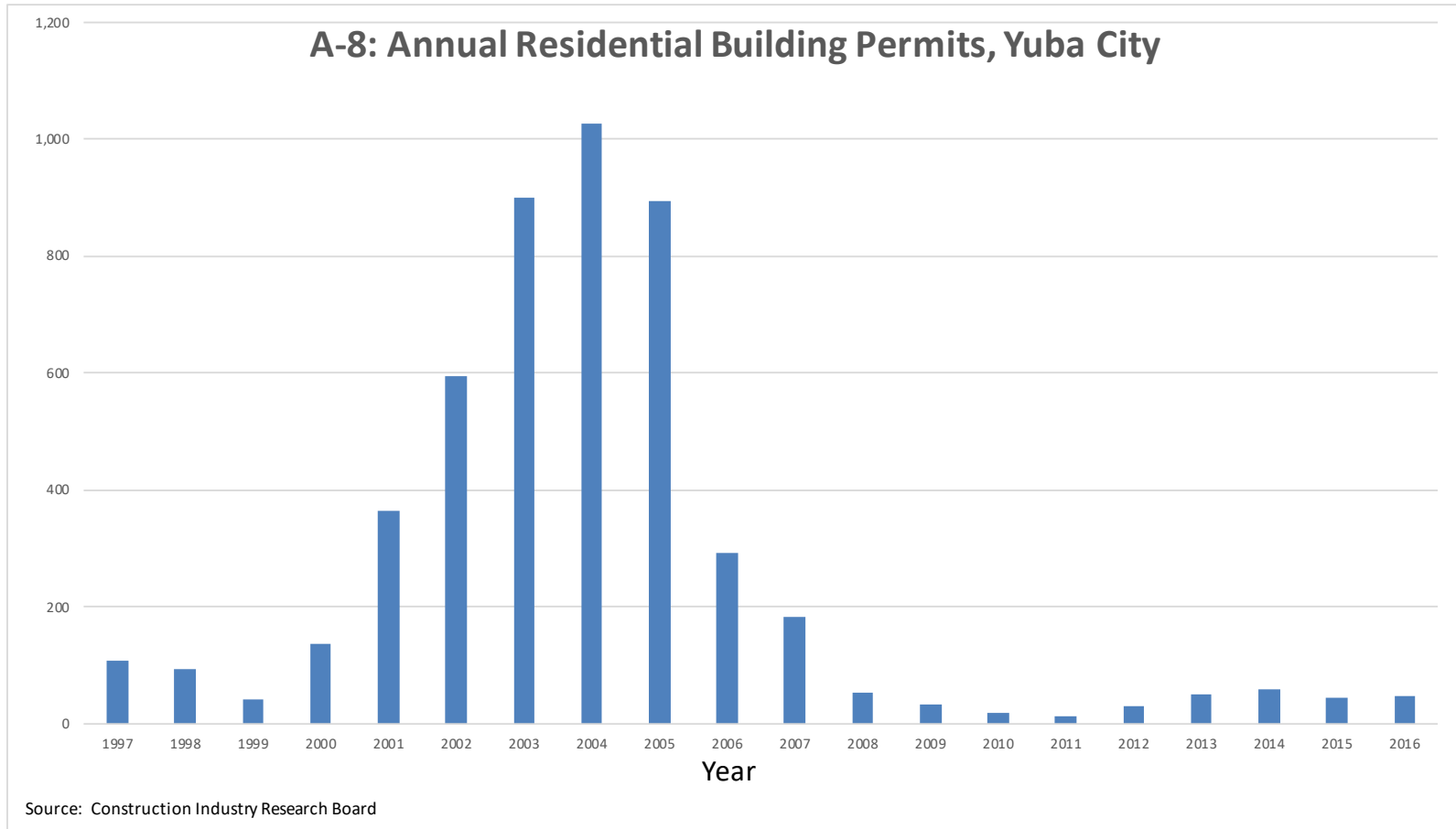
Prepared by New Economics & Advisory, August 2018.

A-7 *Average Retail Traffic Trip Length-Bogue Stewart*
Existing Plus Project & Cumulative Plus Project

| TAZ | Land Use | Existing + Project Avg Trip Length | Cumulative + Project Avg Trip Length |
|------------|--|---|---|
| 1122 | Within KER (west of 99) Community Commercial 161.2 KSF | 3.7 | 4.2 |
| 1125 | Within NR (east of 99) Community Commercial 229.8 KSF | 3.7 | 4.1 |
| 1144 | East of Railroad Ave. Neighborhood 82.4 KSF | 3.6 | 4.1 |

Source: Fehr & Peers, August 2017.

Prepared by New Economics & Advisory, August 2018.



A-9 *Summary of Planned Residential Development in Yuba City*
Yuba City: Bogue Stewart Urban Decay Study

| Sector | Residential Units | Status Notes |
|--|----------------------|--|
| Near-Term Projects: | | |
| Yuba Crossings | 86 | Approved by City Council. |
| Valencia Estates | 39 | Approved; infrastructure improvements underway. |
| Sutter Heritage | 162 | |
| Walnut Park West | 277 | |
| Harter Specific Plan | 148 | |
| Sutter Heritage Part 2 | 24 | |
| Emery Village | 10 | |
| Faith Christian Single Family Subdivision | 10 | |
| Lincoln Avenue Apts | 172 | |
| Regency Park | 4 | |
| Tharp Avenue Apts | 42 | |
| Subtotal | 974 | |
| Other Major Project: | | |
| El Margarita Master Plan | 1,510 | Does not appear to be approved. Need City to confirm. |
| Lincoln East Specific Plan | 5,307 | FEIR has been submitted (2009). Unclear if project approved. |
| Subtotal | 6,817 | |
| Planned Development (Not Including BSMP) | 7,791 | |
| Planned BSMP Residential Units | 2,517 | |
| Total Planned Residential Units | 10,308 | |
| BSMP as a Percentage of Total Planned Development (Approx.) | 25% | |

Source: City of Yuba City
 Prepared by New Economics & Advisory, August 2018.

A-10 *Projected Population Growth, Proposal Neighborhood Center - PMA*
Yuba City: Bogue Stewart Urban Decay Study

| City/ Community | Assumption | 2017 | 2045 |
|---|-------------------|---------------|----------------|
| Proposal Neighborhood Retail Primary Market Area (1-Mile Radius) | | | <u>Site 33</u> |
| Bogue-Stewart Master Plan | | | |
| Annual New Housing Units | 1.4% AAG [1] | 0 | 0 |
| Annual New Households | 108% [2] | 0 | 0 |
| Annual Population Growth | 3.0 PPH [3] | 0 | 0 |
| Cumulative Population | | 0 | 8,127 |
| Existing Population in N. Retail PMA (Outside BSMP) | 0.00% [4] | 10,013 | 10,013 |
| Total Population | | 10,013 | 18,140 |
| Cumulative NEW Population | | | 8,127 |

[1] See Figure A-6.

[2] "Housing units" are converted to "households" using the existing ratio observed in Yuba City, according to the California Department of Finance, 2017.

[3] Persons per household figures provided by the City of Yuba City.

[4] Assumes that all new growth in the Neighborhood Retail Primary Market Area is absorbed by BSMP. No additional growth is assumed.

Sources: City of Yuba City, DOF, ESA, and New Economics.

Prepared by New Economics & Advisory, August 2018.

A-11 *Projected Population Growth, Proposed Neighborhood Center - SM*
Yuba City: Bogue Stewart Urban Decay Study

| City/ Community | Average Annual Growth Rate | | 2017 | 2045 |
|--|-----------------------------------|-----|---------------|----------------|
| Neighborhood Retail SMA (3-Mile Drive) | | | | <u>Site 33</u> |
| Population - Sutter County | | | | |
| Yuba City and SOI (Including BSMP) | 1.40% | [1] | 38,853 | 57,344 |
| Subtotal Sutter County | | | 38,853 | 57,344 |
| Total | | | 38,853 | 57,344 |
| Annual NEW Population | | | | 792 |
| Cumulative NEW Population | | | | 18,491 |

[1] Annual growth rate assumption provided by the City. 2017 population data from Esri.

Sources: City of Yuba City, SACOG MTP/ SCS, and CA DOF.

Prepared by New Economics & Advisory, August 2018.

A-12 *Projected Population Growth, Proposed Community Center - PMA*
Yuba City: Bogue Stewart Urban Decay Study

| City/ Community | Average Annual Growth Rate | | 2017 | 2021 | 2030 | 2045 |
|--|-----------------------------------|-----|---------------|----------------|----------------|----------------|
| Community Center PMA (Modified 6-Mile Drive) | | | | <u>Site 16</u> | <u>Site 10</u> | |
| Population Sutter County | | | | | | |
| Yuba City and SOI (Including BSMP) | 1.40% | [1] | 77,142 | 81,554 | 92,424 | 113,855 |
| Subtotal Sutter County | | | 77,142 | 81,554 | 92,424 | 113,870 |
| Population Yuba County | | | | | | |
| Marysville | 0.28% | [2] | 11,973 | 12,105 | 12,409 | 12,931 |
| Subtotal Yuba County | | | 11,973 | 12,105 | 12,409 | 12,931 |
| Total Population | | | 89,115 | 93,659 | 104,833 | 126,802 |
| Annual NEW Population | | | | 1,159 | 1,310 | 1,608 |
| Cumulative NEW Population | | | | 4,544 | 15,718 | 37,687 |

[1] Annual growth rate assumption provided by the City. 2017 population data from ESRI.

[2] Growth rate from SACOG MTP/ SCS, Draft Preferred Scenario, April 16, 2015. 2017 population from California Department of Finance.

Sources: City of Yuba City, ESRI, SACOG MTP/ SCS, and CA DOF.

Prepared by New Economics & Advisory, August 2018.

A-13 *Projected Population Growth, Proposed Community Center - SMA*
Yuba City: Bogue Stewart Urban Decay Study

| City/ Community | Average Annual Growth Rate | | 2017 | 2021 | 2030 | 2045 |
|--|----------------------------|-----|----------------|----------------|----------------|----------------|
| Community Center SMA (Custom Geography) | | | | | | |
| Population Sutter County | | | | | | |
| Yuba City and SOI (Including BSMP) | 1.40% | [1] | 77,142 | 81,554 | 92,424 | 113,855 |
| Live Oak | 1.60% | [2] | 8,636 | 9,202 | 10,614 | 13,465 |
| Subtotal Sutter County | | | 85,778 | 90,755 | 103,038 | 127,321 |
| Population Yuba County | | | | | | |
| Marysville | 0.28% | [2] | 11,973 | 12,105 | 12,409 | 12,931 |
| Other Communities | 1.46% | [3] | 43,859 | 46,484 | 52,980 | 65,886 |
| Subtotal Yuba County | | | 55,832 | 58,590 | 65,389 | 78,818 |
| Population Colusa County | | | | | | |
| Colusa | 1.08% | [4] | 6,340 | 6,617 | 7,285 | 8,553 |
| Subtotal Colusa County | | | 6,340 | 6,617 | 7,285 | 8,553 |
| Population Butte County | | | | | | |
| Gridley | 3.13% | [5] | 6,704 | 7,584 | 10,008 | 15,890 |
| Subtotal Butte County | | | 6,704 | 7,584 | 10,008 | 15,890 |
| Total Population | | | 154,654 | 163,546 | 185,720 | 230,581 |
| Annual NEW Population | | | | 2,275 | 2,623 | 3,343 |
| Cumulative NEW Population | | | | 8,892 | 31,066 | 75,927 |

[1] Annual growth rate assumption provided by the City. 2017 population data from Esri. Finance.

[3] Includes Beale AFB, East Linda, North Arboga Study Area, Plumas Lake, and other unincorporated areas within the Secondary Market Area. The applied growth rate is an average of these areas, as taken from SACOG MTP/ SCS, Draft Preferred Scenario, April 16, 2015. 2017 population from ESRI.

[4] Represents the average annual growth rates in the 1970's, 1980's, 1990's, and 2000 - 2006, according to the City's General Plan DMEIR, July 2007.

[5] From Butte County Council of Governments. Projections for the unincorporated area of the County, 2014 - 2040, medium scenario. 2017 population from California Department of Finance.

Sources: City of Yuba City, SACOG MTP/ SCS, ESRI, and CA DOF.

Prepared by New Economics & Advisory, August 2018.

A-14 *Summary of Planned Commercial Development*
Yuba City: Bogue Stewart Urban Decay Study

| Project | Square Feet | | | | | |
|---|--------------|------------------|------------------|------------------|------------------|------------------|
| | Retail Acres | Total Retail | Neighb. Ctr. PMA | Neighb. Ctr. SMA | Comm. Ctr. PMA | Comm. Ctr. SMA |
| Yuba City Projects | | | | | | |
| <u>Yuba Crossings</u> | | | | | | |
| Retail/ Commercial | | 15,281 | 0 | 15,281 | 15,281 | 15,281 |
| <u>Harter Specific Plan</u> | | | | | | |
| Neighborhood Commercial [1] | 2.0 | 21,780 | 0 | 0 | 21,780 | 21,780 |
| Community Commercial [1] | 42.7 | 465,003 | 0 | 0 | 465,003 | 465,003 |
| <u>Lincoln East Specific Plan</u> | | | | | | |
| Community Commercial [2] | 34.0 | 370,260 | 0 | 185,130 | 370,260 | 370,260 |
| <u>El Margarita Master Plan</u> | | | | | | |
| Neighborhood Commercial | 2.5 | 29,400 | 0 | 0 | 29,400 | 29,400 |
| Regional Commercial | 26.0 | 226,500 | 0 | 0 | 226,500 | 226,500 |
| Subtotal Primary Market Area | 107.2 | 1,128,224 | 0 | 200,411 | 1,128,224 | 1,128,224 |
| Other Jurisdiction Projects (Yuba County) | | | | | | |
| <u>Plumas Lake [1]</u> | | | | | | |
| Neighborhood Commercial [3] | 15.0 | 148,521 | 0 | 0 | 0 | 148,521 |
| Community Commercial | 60.0 | 653,400 | 0 | 0 | 0 | 653,400 |
| Highway Commercial | 206.0 | 2,243,340 | 0 | 0 | 0 | 2,243,340 |
| Subtotal Plumas Lake | 281.0 | 3,045,261 | 0 | 0 | 0 | 3,045,261 |
| North Arboga Study Area Commercial [1] [| 10 - 20 | 163,350 | 0 | 0 | 0 | 163,350 |
| East Linda Specific Plan Commercial [1] | 54.9 | 597,861 | 0 | 0 | 0 | 597,861 |
| Total Other Jurisdictions | 350.9 | 3,806,472 | 0 | 0 | 0 | 3,806,472 |
| Grand Total | 458.1 | 4,934,696 | 0 | 200,411 | 1,128,224 | 4,934,696 |
| Potential Sq. Ft. Developed Per Year (assumes buildout 2044) | | | | 7,423 | 41,786 | 182,767 |
| 2021 Sq. Ft. | | | 0 | 29,691 | 167,144 | 731,066 |
| 2030 Sq. Ft. | | | 0 | 96,494 | 543,219 | 2,375,965 |
| 2044 Sq. Ft. | | | 0 | 200,411 | 1,128,224 | 4,934,696 |

Sources: City of Yuba City, Yuba County, CoStar, and New Economics.

[1] Building square foot figures estimated by using a 0.25 average FAR.

[2] Approximately half of the Lincoln East Specific Plan is within the Neighborhood Retail SMA boundary. Therefore, only half of the planned retail space for this project is included in the Neighborhood Retail SMA. All of the retail in Lincoln East is included in the Community Retail Market Areas, since these cover larger geographic areas.

[3] Omits 14,829 square feet of development which has already occurred, per CoStar.

[4] Since a range of acreage is provided for the North Arboga Study Area, the square footage is based on the midpoint, and applied a 0.25 FAR.

Prepared by New Economics & Advisory, August 2018.

A-15 Sales Per Square Foot Assumptions
California 2016

| Retail Store Category | Category Type | Size (in 000s) | | | Sales/Sq. Ft. | | | |
|---|----------------------------|--|------|----------|-----------------------------------|--------------|------------------|--------------|
| | | Low | High | Midpoint | Low | High | Midpoint | |
| Motor Vehicle & Parts Dealers | | | | | | | \$220 [1] | |
| Furniture & Home Furnishings Stores | Furniture/Bedroom | 5 | 7 | 6 | \$355 | \$560 | \$458 | |
| | Furniture/General | 10 | 50 | 30 | \$85 | \$445 | \$265 | |
| | Weighted Average | | | | | | \$296 | |
| Electronics & Appliance Stores | Small Electronics | 1 | 6 | 4 | \$5,320 | \$32,000 | \$5,320 [2] | |
| | Cell Phones | 1 | 4 | 3 | \$300 | \$1,200 | \$750 | |
| | Volume Elect. / Appliances | 10 | 180 | 95 | \$95 | \$1,800 | \$948 | |
| | Weighted Average | | | | | | \$1,094 | |
| Bldg Materials, Garden Equip. & Supply Stores | Paint | 4 | 10 | 7 | \$175 | \$450 | \$313 | |
| | Home Décor / Accessories | 10 | 45 | 28 | \$125 | \$575 | \$350 | |
| | Hardware | 4 | 63 | 34 | \$80 | \$1,300 | \$690 | |
| | Weighted Average | | | | | | \$514 | |
| Food & Beverage Stores | Specialty Markets | 10 | 30 | 20 | \$150 | \$460 | \$305 | |
| | Chain Supermarket | 40 | 55 | 48 | \$125 | \$175 | \$150 | |
| | Warehouse Grocery | 45 | 60 | 53 | \$85 | \$115 | \$100 | |
| | Ethnic Market | 25 | 50 | 38 | \$55 | \$115 | \$85 | |
| | Weighted Average | | | | | | \$138 | |
| Health & Personal Care Stores | Bath & Beauty | 2 | 12 | 7 | \$405 | \$2,125 | \$1,265 | |
| | Drug Store/Pharmacy | 13 | 15 | 14 | \$175 | \$200 | \$188 | |
| | Bath & Beauty | 2 | 12 | 7 | \$405 | \$2,125 | \$1,265 | |
| | Drug Store/Pharmacy | 13 | 15 | 14 | \$175 | \$200 | \$188 | |
| | Weighted Average | | | | | | \$556 | |
| Gasoline Stations | | | | | <u>Per Station</u> \$7,000,000 | \$15,000,000 | \$11,000,000 [3] | |
| Clothing & Clothing Accessories Stores | Women's Apparel Stores | Accessories | 1 | 3 | 2 | \$220 | \$670 | \$445 |
| | | Small Format | 2 | 3 | 2 | \$500 | \$1,000 | \$750 |
| | | Mid-Size Format | 4 | 5 | 4 | \$295 | \$425 | \$360 |
| | | Large Format | 6 | 9 | 7 | \$275 | \$450 | \$363 |
| | | Bargain Chic | 8 | 20 | 14 | \$200 | \$530 | \$365 |
| | Men's Apparel | Casual | 3 | 10 | 6 | \$155 | \$495 | \$325 |
| | | Business Attire | 4 | 6 | 5 | \$305 | \$460 | \$383 |
| | Family Apparel | Children | 3 | 5 | 4 | \$295 | \$490 | \$393 |
| | | Casual | 4 | 30 | 17 | \$125 | \$1,100 | \$613 |
| | Shoe Stores | Discount | 30 | 80 | 55 | \$135 | \$360 | \$248 |
| | | Mid-Sized | 3 | 4 | 3 | \$280 | \$330 | \$305 |
| | | Large | 5 | 30 | 18 | \$80 | \$500 | \$290 |
| | | Weighted Average (All Apparel Categories) | | | | | | \$344 |

[1] Average of Major 4 Auto Parts Stores.

[2] New Economics applied the low end of the range to be conservative.

[3] Based on Internal Research by New Economics.

[4] New Economics applied the same sales per square foot as Miscellaneous.

[5] This category includes on-line sales, mail order sales, vending machines, and direct selling establishments. New Economics conservatively assumes \$0 per square foot in brick and mortar sales.

[6] Based on Internal Research by New Economics.

Source: Econ Solutions By HdL, Retailers Expanding in California, 2017; Esri, Retail Marketplace Profile, September 2017; New Economics, 2017.

Prepared by New Economics & Advisory, August 2018.

A-15 Sales Per Square Foot Assumptions
California 2016

| Retail Store Category | Category Type | Size (in 000s) | | | Sales/Sq. Ft. | | |
|--|---------------------------|----------------|------|----------|---------------|------------------|--------------|
| | | Low | High | Midpoint | Low | High | Midpoint |
| Sporting Goods, Hobby, Book & Music Stores | Miscellaneous (Pet Store) | 6 | 13 | 9 | \$20 | \$45 | \$33 [4] |
| | Sporting Goods | 15 | 55 | 35 | \$20 | \$55 | \$38 |
| | Weighted Average | | | | | | \$36 |
| General Merchandise Stores | Closeout/Dollar Store | 10 | 30 | 20 | \$55 | \$165 | \$110 |
| | Discount Department | 125 | 140 | 133 | \$280 | \$295 | \$288 |
| | Weighted Average | | | | | | \$264 |
| Miscellaneous Store Retailers | Pet Supplies | 6 | 13 | 9 | \$20 | \$45 | \$33 |
| | Office Supplies | 18 | 25 | 22 | \$160 | \$225 | \$193 |
| | Party Supplies | 10 | 15 | 13 | \$80 | \$125 | \$103 |
| | Weighted Average | | | | | | \$132 |
| Nonstore Retailers | | | | | | \$0 [5] | |
| Food Services & Drinking Places | | | | \$150 | \$400 | \$275 [6] | |
| Restaurants/Other Eating Places | Coffee House | 1 | 3 | 2 | \$115 | \$290 | \$203 |
| | Fast Food- Hispanic | 2 | 3 | 3 | \$500 | \$755 | \$628 |
| | Fast Food- Asian | 2 | 3 | 2 | \$525 | \$930 | \$728 |
| | Fast Casual | 2 | 8 | 5 | \$255 | \$1,290 | \$773 |
| | Fast Casual- Pizza | 2 | 3 | 3 | \$400 | \$600 | \$500 |
| | Fast Food- Burger | 2 | 4 | 3 | \$610 | \$1,225 | \$918 |
| | Buffet | 8 | 15 | 11 | \$175 | \$445 | \$310 |
| | Family Dining | 6 | 12 | 9 | \$355 | \$715 | \$535 |
| Weighted Average | | | | | | \$525 | |

[1] Average of Major 4 Auto Parts Stores.

[2] New Economics applied the low end of the range to be conservative.

[3] Based on Internal Research by New Economics.

[4] New Economics applied the same sales per square foot as Miscellaneous.

[5] This category includes on-line sales, mail order sales, vending machines, and direct selling establishments. New Economics conservatively assumes \$0 per square foot in brick and mortar sales.

[6] Based on Internal Research by New Economics.

Source: Econ Solutions By HdL, Retailers Expanding in California, 2017; Esri, Retail Marketplace Profile, September 2017; New Economics, 2017.

Prepared by New Economics & Advisory, August 2018.

A-16 *Alternative Projection of Future Commercial Development*
Yuba City: Bogue Stewart Urban Decay Study

| Project | Value | Square Feet | | | | |
|--------------------------------------|---------------|------------------|------------------|------------------|----------------|----------------|
| | | Total Retail | Neighb. Ctr. PMA | Neighb. Ctr. SMA | Comm. Ctr. PMA | Comm. Ctr. SMA |
| Average Annual Absorption [1] | 50,000 | | | | | |
| <i>Percent of Total [2]</i> | | | 1.2% | 18.3% | 83.6% | 100.0% |
| 2021 Sq. Ft. | | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Project [3] | | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Other | | 0 | 0 | 0 | 0 | 0 |
| 2030 Sq. Ft. | | 650,000 | 7,672 | 118,736 | 543,625 | 650,000 |
| Project | | 390,951 | 390,951 | 390,951 | 390,951 | 390,951 |
| Other | | 259,049 | 3,057 | 47,321 | 216,655 | 259,049 |
| 2045 Sq. Ft. | | 1,400,000 | 16,523 | 255,740 | 1,170,886 | 1,400,000 |
| Project | | 474,279 | 474,279 | 474,279 | 474,279 | 474,279 |
| Other | | 925,721 | 10,926 | 169,103 | 774,224 | 925,721 |

Sources: City of Yuba City, Yuba County, CoStar, and New Economics.

[1] Represents approximate annual absorption in the Community SMA from 2006 to 2017. Actual historical absorption figures were adjusted by future population growth to represent a reasonable estimate.

[2] Projected future retail space is attributed to the four Market Areas based on their proportionate share of total existing retail space

[3] Assumes that only a portion of the project is constructed, up to the 50,000 square feet per year threshold, and assumes that the Project will account for all future growth in the City by 2021.

Prepared by New Economics & Advisory, August 2018.

