

MARCUS J. LO DUCA

NICHOLAS S. AVDIS

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October 2, 2012

Mr. Michael J. Johnson, AICP  
Director  
Community Development/Resource Agency  
County of Placer  
3091 County Center Drive, Suite 140  
Auburn, CA 95603

Re: Orchard at Penryn (PSUB 20070521)

Dear Mr. Johnson:

On behalf of the property owner and applicant for the Orchard at Penryn project ("the Project"), which as you know is scheduled to come before the Board of Supervisors (the "Board") for formal consideration of two appeals of the Project on October 11, 2012, I am writing to offer for the Board's consideration the following analysis and substantial evidence in support of approval of the Project as proposed, and in opposition to approval of any of the Project alternatives outlined in the environmental impact report ("EIR") for the Project. These consist of the following: "No Project/No Build Alternative" (Alternative A); "Reduced Density Alternative" (Alternative B); "Mixed Use Alternative" (Alternative C); and "Mixed Use Reduced Density Alternative" (Alternative D).

The No Project Alternative assumes that the Project is not approved and that no development takes place on the Project site. Under Alternative B, which is called the Reduced Density Alternative, the entire site would be developed with multi-family residential uses, but at a lower density than the Project (6.7 units per acre v. 10 units per acre), providing for the construction of 102 multi-family residential units. Under Alternative C, which is known as the Mixed Use Alternative, the five (5) acre eastern Project site parcel would be developed with 52,000 square feet of commercial land uses, while the western ten (10) acre parcel would develop with multi-family residential units

at the same density as the Project (10 units per acre), for a total of 101 multi-family residential land uses. The Mixed Use Reduced Density Alternative, or Alternative D, would develop the eastern Project site parcel with 32,000 square feet of commercial land use, and the western ten (10) acre parcel would develop with 75 multi-family residential units. (Draft EIR ("DEIR"), pp. 15-7, 15-8.)

As you will see, we offer below specific reasons why we believe that the Board can reject each of these project alternatives as "infeasible" within the meaning of the California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.) ("CEQA"). We base our suggestions in part on the professional opinion of Economics and Planning Systems, Inc. ("EPS"), an expert economics and public finance firm. EPS's expert analysis is found in the exhibit attached hereto. We hope that the Board will find our analysis and reasoning, and the evidence supporting it, to be persuasive as the Board considers denying the appeals and approving the Orchard at Penryn project as proposed.

### ANALYSIS

A memorandum written by Jamie Gomes and Lucas Perretti of EPS is submitted herewith ("EPS Memorandum"). These experts explain why, in their professional judgment, Alternatives B, C, and D are all problematic for various reasons.

We respectfully submit that these expert conclusions, supported in many instances by mathematical calculations, provide the Board with an ample basis for rejecting Alternatives B, C, and D as infeasible. No such evidence would be required, though, to reject Alternative A, the No Project/No Build Alternative, due to its readily apparent failure to meet any of the project objectives undergirding the Project. Most notably, the No Project/No Build Alternative is inconsistent with the objective that seeks to "remediate and reuse contaminated land by developing a use that is consistent with the zoning and land use designation of the site," as well as providing " 'attainable' housing for working families in the Loomis/Penryn area." (See DEIR, pp. 3-6, 3-7, 15-6.)

#### Relevant Legal Principles

Before laying out in detail the expert evidence mentioned above, we will first lay out a few legal principles, so that the Board can consider the evidence in its proper context. These principles will demonstrate that the Board enjoys considerable discretion in determining whether a particular alternative set forth in an EIR is "infeasible" and thus may be rejected without violating the CEQA.

The reason why these issues matter at all under the law is the fact that CEQA contains a general statutory command that public agencies should not approve a project that would cause *significant* environmental effects when there are *feasible* mitigation measures or *feasible* alternatives that can substantially lessen such effects. (Pub. Resources Code, § 21002.) This “substantive mandate”<sup>1</sup> can be met through (i) the adoption of feasible mitigation measures, (ii) the choice of a feasible alternative that lessens or avoids significant effects, or (iii) a combination of mitigation and alternatives. Notably, “alternatives and mitigation measures have the same function – diminishing or avoiding adverse environmental effects.” Stated another way, “alternatives are a type of mitigation.” (*Laurel Heights Improvement Association v. Regents of the University of California* (1988) 47 Cal. 3d 376, 403.)

This substantive mandate is effectuated, in part, through the requirement that, after certifying a final EIR, lead agency decision-makers, as one of the actions needed to approve a project, must adopt *findings* describing the disposition of each significant effect identified in the EIR. The most common finding is that “changes or alterations” (typically mitigation measures) “have been required in, or incorporated into, the project,” with the result that significant effects are “mitigate[d] or avoid[ed].” (Pub. Resources Code, § 21081, subd. (a)(1); see also Cal. Code Regs., tit. 14, div. 6, ch. 3 (“CEQA Guidelines”), § 15091, subd. (a)(1).) Another possible finding is that proposed mitigation measures or alternatives, despite their environmental advantages compared with “the project,” are *infeasible*. (Pub. Resources Code, § 21081, subd. (a); see also CEQA Guidelines, § 15091, subd. (a)(3).) In my own experience, this “infeasibility finding” is used with some frequency with respect to mitigation measures that, for whatever reason, are simply unworkable.<sup>2</sup> The finding is much more common, however, with respect to alternatives to proposed projects.

The CEQA Guidelines define “feasible” as “capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors.” (CEQA Guidelines, § 15365; see also Pub. Resources Code, § 21061.1.) The ultimate determination of whether an alternative is feasible or infeasible must be made by an agency’s decision-making body (here, the Board). Such a task cannot be delegated to staff. (CEQA Guidelines, § 15025, subd. (b)(2).) Thus, the Board is not bound by County staff’s opinion on these issues.

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<sup>1</sup> / See *Mountain Lion Foundation v. Fish & Game Commission* (1997) 16 Cal.4th 105, 134.

<sup>2</sup> / The proponents of the Project are not asking the Board to reject any *mitigation measures* proposed in the EIR as infeasible. Rather, the proponents are prepared to live with each and every mitigation measure set forth in the EIR.

Any decision to reject an alternative, however, must be supported by substantial evidence. (Pub. Resources Code, § 21081.5; CEQA Guidelines, § 15091, subd. (b).)

One legitimate basis for rejecting an alternative to a private development proposal is on pure *economic* grounds. The leading case on this subject is *Uphold Our Heritage v. Town of Woodside* (2007) 147 Cal.app.4th 587, 598-601 (*Uphold Our Heritage*), in which the Court of Appeal rejected a town's CEQA findings prepared in connection with a proposed demolition permit for an historical mansion owned by computer entrepreneur Steve Jobs. The court found fatal problems with the town's CEQA Findings because the town never obtained information from the applicant regarding the costs of building a new home to replace the existing structure proposed for demolition. Without such comparative cost information, the town council could not undertake a complete side-by-side comparison between the proposed "project" (demolition and new construction) and an alternative consisting of renovating the historical structure. After reviewing prior CEQA case law dealing with the rejection of alternatives to private projects on economic grounds, the court announced the applicable legal principles as follows:

If the cost of renovation exceeds the cost of new construction, *it is the magnitude of the difference that will determine the feasibility of this alternative.* [Citation.] There is no evidence in the record on which such a determination can be made.

In requiring such an evaluation, we do not imply any disagreement with appellants that Jobs's personal wealth or ability to shoulder the costs of the proposed alternatives is irrelevant. In *Maintain Our Desert Environment v. Town of Apple Valley* (2004) 124 Cal.App.4th 430 (*MODE*), the court rejected the claim that the financial wherewithal of the project applicant bears upon the feasibility of mitigation measures and project alternatives. (*Id.* at p. 448.) CEQA should not be interpreted to allow discrimination between project applicants for an identical project based upon the financial status of the applicant. (*Id.* at pp. 448-449.) The court explained, "*Economic unfeasibility is not measured by increased cost or lost profit, but upon whether the effect of the proposed mitigation is such that the project is rendered impractical.* [Citation.] The fact that a project costs too much to be profitable or cannot operate at a profit so as to render it impractical does not hinge on the wealth of its proponent. *No proponent, whether wealthy or not, is likely to proceed with a project that will not be economically successful.* But, if the project can be economically successful with mitigation, then CEQA requires that mitigation, regardless of the

proponent's financial status." (*Id.* at p. 449.) Accordingly, the question is not whether Jobs can afford the proposed alternative, but whether the marginal costs of the alternative as compared to the cost of the proposed project are so great that *a reasonably prudent property owner* would not proceed with the rehabilitation. (See *San Franciscans Upholding the Downtown Plan v. City and County of San Francisco*, *supra*, 102 Cal.App.4th at pp. 693-694 [applying prudent person standard to determine economic feasibility of proposed alternatives].)

(*Uphold Our Heritage*, *supra*, 147 Cal.App.4th at pp. 599-600 (emphasis added).)

Distilled to its essence, the legal standard for assessing the *economic feasibility* of an alternative to a proposed private development project is whether "a reasonably prudent property owner" would proceed with the alternative in light of its cost differential compared to the "project" as proposed.

The CEQA concept of "feasibility," however, is sufficiently broad to embrace concerns other than pure private-sector economics. *Fiscal considerations* are also relevant. Thus, evidence indicating that a proposed alternative would generate less tax revenue than a project as proposed may also be a legitimate ground for rejecting the alternative as infeasible. (*Foundation for San Francisco's Architectural Heritage v. City and County of San Francisco* (1980) 106 Cal.App.3d 893, 913 (*Foundation*) (noting that CEQA "specifically provides for the weighing of economic, social and 'other' conditions"); see also Pub. Resources Code § 21002.1, subd. (c).) In *Foundation*, which involved a challenge to a proposed retail project requiring the demolition of an existing historical structure, the respondent lead agency's decision-makers properly rejected project alternatives that called for the rehabilitation of the existing structure. The lead agency's analysis showed that the alternatives would have generated between 15 and 20 percent less sales tax revenue for San Francisco than would have been created by the project as proposed. This information, combined with other data regarding the economic costs of the alternatives, constituted "substantial evidence" supporting the Board of Supervisors' finding that the alternatives were infeasible. (*Foundation*, *supra*, 106 Cal.App.4th at pp. 913-914.)

As the *Foundation* decision makes clear, the broad definition of feasibility under CEQA does not limit the thought process of agency decision-makers to the question of whether a proposed alternative is infeasible due to purely financial considerations. Rather, the definition impliedly recognizes the inevitable need to allow elected officials to legislate or to otherwise consider the policy ramifications of their actions, while

requiring them generally to strive to find means to avoid or reduce significant environmental damage where reasonably possible.

CEQA case law also supports an even broader, more discretionary notion of feasibility. This is particularly true where the project at issue is a land use plan covering a large area, and occurring within a regional context in which continued population growth is foreseeable. Thus, agency decision-makers are free to reject an alternative that they consider undesirable from a policy standpoint, provided that any such decision reflects “a reasonable balancing of the relevant economic, environmental, social, and technological factors.” (*City of Del Mar v. City of San Diego* (1982) 133 Cal.App.3d 401, 417 (*City of Del Mar*)). As the California Supreme Court has emphasized, “[t]he wisdom of approving . . . any development project, a delicate task which requires a balancing of interests, is necessarily left to the sound discretion of the local officials and their constituents who are responsible for such decisions. The law as we interpret and apply it simply requires that those decisions be informed, and therefore balanced.” (*Citizens of Goleta Valley v. Board of Supervisors* (1990) 52 Cal.3d 553, 576 (*Goleta II*)).

In the *City of Del Mar* case, the petitioner municipality (Del Mar), in attempting to force the approval of an alternative development project less dense than what its sister city (San Diego) had proposed and approved, asserted that the respondent lead agency “ha[d] misconstrued the scope of CEQA’s infeasibility requirement” by equating “feasibility” with “desirability.” The Court of Appeal disagreed. Emphasizing that San Diego had attempted to accommodate various economic and social factors in reaching its land use decision, the court reasoned as follows:

“feasibility” under CEQA encompasses “desirability” to the extent that desirability is based on a *reasonable balancing* of the relevant economic, environmental, social, and technological factors.

(133 Cal.App.3d at p. 417 (emphasis added).)

Under *City of Del Mar*, a court reviewing a lead agency’s ultimate assessment as to whether an alternative is “infeasible”—a determination made in findings, not in the EIR—looks only to see whether the agency has *reasonably balanced* competing environmental, economic, social, and technological considerations, and has supported its decision with substantial evidence.

Another leading case, *Sierra Club v. County of Napa* (2004) 121 Cal.App.4th 1490 (*Sierra Club*), upheld a lead agency’s reliance on an applicant’s project objectives in rejecting

alternatives as infeasible in findings. There, a wine-making company submitted to the respondent county an application for a use permit to develop a 1.4 million square foot integrated winery facility on 218 acres of property zoned for industrial uses and located in an industrial park near the county's airport. The applicant identified several objectives related to its desire to consolidate at a single location existing wine-making and warehousing facilities operating at different locations. (*Id.* at p. 1499.) The EIR for the project concluded that, despite mitigation, impacts to wetlands would be significant and unavoidable. The EIR analyzed three project alternatives: a no project alternative, an alternative that avoided all on-site wetlands, and a reduced-scale alternative. Based in large part on the applicant's objectives and information submitted by the applicant, the county board of supervisors, in approving the project, rejected the alternatives as infeasible.

Sierra Club sued, arguing that the county had insufficient bases to reject the reduced-scale alternative as infeasible. The reduced-scale alternative would have reduced the size of the project by 50 percent, thereby reducing the impacts of the project, including those relating to the wetlands. Rejecting this challenge, the appellate court found that substantial evidence supported the conclusion in the county's findings that this alternative would frustrate the objectives of consolidating winery operations and thereby reducing the existing traffic and air quality impacts occurring from the existing, fragmented operations. (*Id.* at pp. 1506–1509.)

Another instructive decision here is *California Native Plant Society v. City of Santa Cruz* (2009) 177 Cal.App.4th 957. The case is one of a few that have considered feasibility determinations made based on the "economic, legal, social, technological or other considerations" cited in Public Resources Code sections 21061.1 and 21081, subdivision (a)(3), as permissible factors to consider in making a feasibility determination. In that case, the city approved a master plan for a city-owned greenbelt property. The planning process for the master plan included provisions for resources enhancement and a trail system that would include an east-west multi-use trail, among other things. One of the key goals was to preserve and restore coastal prairie habitat, particularly Santa Cruz tarplant populations. The city prepared a draft EIR, which acknowledged that the project would have a significant effect on tarplant habitat due to the chosen alignment of the multiuse trail, which would be paved, compliant with the Americans with Disabilities Act, and connect the communities adjacent to the greenbelt property. The EIR analyzed four project alternatives to the multiuse trail that might reduce or eliminate the plan's significant impacts: a no project alternative; an alternative that was similar to the project, but in which the east-west trail would not travel through a portion of the property; an alternative that was also similar to the project, but in which all trails were unpaved; and an alternative that provided an unpaved trail system

without an east-west connector trail. In its CEQA findings addressing the feasibility of the alternatives outlined in the EIR, the city council concluded that all the alternatives were infeasible based on policy grounds and for failure to satisfy project objectives.

The California Native Plant Society sued, challenging the city's infeasibility findings on procedural and substantive grounds. As to the city's feasibility analysis, the court clarified the difference between a determination of "potential feasibility" justifying the inclusion of an alternative in an EIR and a finding of "actual feasibility" made by agency decision-makers at the end of the CEQA process. As stated by the court, while it is up to the EIR preparer to identify alternatives as potentially feasible, the decision-making body may or may not reject those alternatives as being actually feasible at the time of project approval. Agency decision-makers must necessarily weigh and balance the pros and cons of different courses of action, taking account of a broad range of factors. The court concluded that the city council had properly engaged in such balancing.

Citing *City of Del Mar, supra*, 133 Cal.App.3d 401, the court concluded that the city was legally justified in rejecting environmentally superior alternatives as infeasible on the basis of its determination that the alternatives were undesirable from a policy standpoint because they failed to achieve primary objectives of the project, and because substantial evidence supported this finding. The court explained its reasoning here as follows (citations omitted; italics in original):

Here, the City's infeasibility findings likewise are based on policy considerations, particularly the City's interest in promoting transportation alternatives as well as access to its open space for persons with disabilities. Such policy considerations are permissible under the relevant statute, which calls for a determination that "economic, legal, *social*, technological, or other considerations . . . make infeasible the mitigation measures or alternatives identified in the environmental impact report." Under this authority, an alternative that "is impractical or undesirable from a policy standpoint" may be rejected as infeasible. Additionally, an alternative "may be found infeasible on the ground it is inconsistent with the project objectives as long as the finding is supported by substantial evidence in the record."

Appellants nevertheless attack the infeasibility determination in this case, asserting that the City "rejected the alternatives simply because they did not like them, not because they were truly infeasible." As we see it, however, appellants' assertion represents nothing more than a "policy

disagreement with the City.” In making its infeasibility findings, the City determined “how the numerous competing and necessarily conflicting interests should be resolved.” At bottom, appellants’ disagreement is “with the nature of the balance struck between those interests.” This is not a case involving straightforward questions of legal or economic infeasibility. Arguably, such cases may present brighter lines for judicial review. Whether or not that is so, this much is clear: it is wholly improper for us to “arrogate to ourselves a policy decision which is properly the mandate of the City.” In this case, the City’s determination was consistent with permissible statutory factors. And it was justified under relevant case law, including *Del Mar, supra*, 133 Cal.App.3d 401.

(177 Cal.App.4th at pp. 1001-1002.)

Importantly, a decision-making body’s findings on the feasibility of the alternatives may be supported by *any* “substantial evidence in the record.” (Pub. Resources Code, § 21081.5; CEQA Guidelines, § 15091, subd. (b); see also *Sequoiah Hills Homeowners Association v. City of Oakland* (1993) 23 Cal.App.4th 704, 715 (in assessing the feasibility of alternatives in findings, “the agency may receive such information in whatever form it desires”); CEQA Guidelines, § 15131, subd. (c).) Thus, the courts have consistently upheld agency decisions to rely on substantial information submitted by project applicants in rejecting project alternatives set forth in EIRs. (See, e.g., *San Franciscans Upholding the Downtown Plan v. City and County of San Francisco* (2002) 102 Cal.App.4th 656, 690-693; *Association of Irrigated Residents v. County of Madera* (2003) 107 Cal.App.4th 1383, 1400-1401; and *Sierra Club, supra*, 121 Cal.App.4th at pp. 1507-1508.)

In short, the kind of substantial evidence discussed below provides legitimate grounds upon which the Board may reject as infeasible Alternatives B, C, and D. We will now address that evidence in detail for each alternative.

#### Expert Opinions of Jamie Gomes and Lucas Perretti of EPS

The Project applicant believes that the Board has ample bases for rejecting each project alternative for the reasons discussed in the EPS Memorandum. The EPS Memorandum specifically compares each alternative against the Project in light of infrastructure burden, economic impacts, and ability to address the Project’s economic objectives.

*Alternative B: Reduced Density Alternative*

In their review of Alternative B, Jamie Gomes and Lucas Perretti conclude that this alternative would not be economically feasible. Under Alternative B, the proposed land uses would (as with any of the alternative buildout scenarios considered in the EIR) need to remediate the soil contamination on site, at a cost of approximately \$850,000. (EPS Memorandum, Table 2). Alternative B would also require additional costs of \$1,100,000 for restoration of the eastern swale and a floodplain overcrossing. (*Ibid.*) The EPS Memorandum analysis demonstrates that the profit from the reduced unit count measured against the fixed development costs of land, site remediation, site work, engineering, and construction as well as fixed operating costs would result in a -12.4% return on investment. (EPS Memorandum, Table 1). A reasonably prudent investor would not pursue such a project. (EPS Memorandum, page 3).

In addition, Mr. Gomes and Mr. Perretti found that Alternative B would generate \$9,910,000 less of economic output compared to the Project, \$900,000 less in labor income, and 50 fewer construction jobs than the Project. (EPS Memorandum, Table C-1). Furthermore, Alternative B would generate nearly \$1.5 million less in development impact fees than would the Project. (EPS Memorandum, Table B-1).

*Alternative C: Mixed Use Alternative*

In the professional judgment of Jamie Gomes and Lucas Perretti, Alternative C is ultimately infeasible for economic reasons. As shown in the EPS Memorandum, the commercial uses in Alternative C are highly unlikely to achieve acceptable occupancy levels within the next five (5) to seven (7) years. Even were quicker commercial occupancy to be assumed, the value of the commercial component of Alternative C would be significantly constrained due to the depressed state of the commercial real estate market now and for the foreseeable near-term future. These factors combine to produce a negative return on investment, ranging from -11.8% to -14.0%, and a significantly reduced value relative to the Project. (EPS Memorandum, Tables 1, 3 and 4). Based on those factors, a reasonably prudent developer would not pursue this alternative. (EPS Memorandum, page 3).

Moreover, Mr. Gomes and Mr. Perretti found that Alternative C would generate \$630,000 less in total economic output and \$200,000 less in labor income than the Project. (EPS Memorandum, Table C-1), as well as over \$250,000 less in development impact fee revenue. (EPS Memorandum, Table B-1).

According to the Institute of Transportation Engineers ("ITE") Trip Generation Manual, 7<sup>th</sup> Edition, Alternative C would also generate far more vehicle trips than the Project, with just the commercial component alone generating 4,439 vehicle trips per day compared to the 989 trips per day generated by the Project. Adding the vehicle trips per day that the 101 apartment units would be expected to generate would, when added to the commercial component's daily vehicle trips, generate nearly 5,100 trips per day, or over five (5) times than would be generated by the Project.

*Alternative D: Mixed Use Reduced Density Alternative*

The EPS Memorandum explains economic considerations that would allow the Board to reasonably conclude that Alternative D is infeasible. The same remediation cost of \$850,000 and additional \$1,100,000 for restoration of the eastern swale and for an overcrossing of the floodplan involved with Alternative B would also be found in Alternative D, which, with its commercial land use component, would face the same highly unlikely ability to achieve acceptable occupancy levels in five (5) to seven (7) years as was the case with Alternative C. These factors combine to produce a negative return on investment for Alternative D ranging from -23.5% to -25.1%, and a significantly reduced value relative to the Project. (EPS Memorandum, Tables 1, 3 and 4). Once again, a reasonably prudent developer would not pursue Alternative D. (EPS Memorandum, page 3).

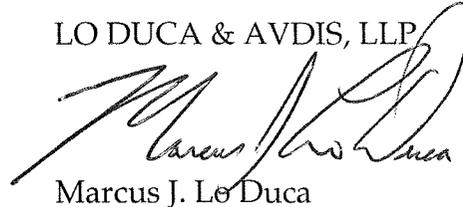
CONCLUSION

As a result of the very detailed analysis reflecting the professional expertise and considerable experience, Mr. Gomes and Mr. Perretti conclude that none of the alternatives presents a viable, practical, and economically sound substitute for the Project as proposed. Moreover, none of the alternatives would be successful in fully meeting the stated Project objectives.

For the foregoing reasons, the Board can, and we believe should, reject as infeasible within the meaning of CEQA the No Project/No Build Alternative, the Reduced Density Alternative, the Mixed Use Alternative, and the Mixed Use Reduced Density Alternative.

Very truly yours,

LO DUCA & AVDIS, LLP

A handwritten signature in black ink, appearing to read "Marcus J. Lo Duca", is written over the printed name below.

Marcus J. Lo Duca

Enclosure

cc: E. J. Ivaldi (by email)

Penryn Development, LLC (by email)

## MEMORANDUM

To: Michael Mahoney, Penryn Development, LLC

From: Jamie Gomes and Lucas Perretti

Subject: Environmental Impact Report Alternatives Analysis for the Orchards at Penryn Project, EPS #122025

Date: August 8, 2012

*The Economics of Land Use*



The Orchards at Penryn (Project) is a 150-unit multifamily development proposed to be located along Penryn Road in the community of Penryn in Placer County, California. The Project applicant, Penryn Development, LLC (Penryn Development), is proceeding through the entitlement and environmental review process. Penryn Development requested that Economic & Planning Systems, Inc. (EPS), prepare a feasibility analysis of the Project and alternatives identified in the Project's Final Environmental Impact Report (FEIR), prepared in January 2012.

The Project's proposed development consists of 32 residential buildings plus a 3,900-square-foot recreation building. The Project is proposed for 150 market-rate rental units arranged in 3-plex and 6-plex building designs resulting in an average density of approximately 10 units per acre.

This analysis provides a quantitative evaluation of the financial feasibility of the proposed Project and three of the four alternatives described in Section 2.6 of the FEIR:

1. **Alternative A—No Project/No Build.** Because this alternative does not result in positive economic activity, this alternative was not evaluated.
2. **Alternative B—Reduced Density.** This alternative comprises all residential development constructed at a lower average density of 6.7 units per acre, resulting in 102 units.
3. **Alternative C—Mixed Use (Mixed Use C).** This alternative would include approximately 52,000 square feet of commercial uses ( $\pm 5$  acres) and 101 residential units on  $\pm 10.1$  acres at an average density of approximately 10 units to the acre. Commercial

Economic & Planning Systems, Inc.  
 2295 Gateway Oaks Drive, Suite 250  
 Sacramento, CA 95833-4210  
 916 649 8010 tel  
 916 649 2070 fax

Berkeley  
 Denver  
 Los Angeles  
 Sacramento

[www.epsys.com](http://www.epsys.com)

development typically absorbs at a slower pace than residential development. To evaluate this distinction, this analysis includes Alternative C1—with commercial development achieving stabilized occupancy in Year 3, and Alternative C2—with stabilized occupancy in Year 5.

4. **Alternative D—Mixed Use Reduced Density (Mixed Use D).** This alternative is similar to Mixed Use C but would develop approximately 32,000 square feet of commercial land uses and 75 residential units. Similar to Mixed Use C, this analysis evaluates two variations on this alternative: Alternative D1—stabilized occupancy for commercial development in Year 3, and Alternative D2—with full stabilized occupancy in Year 5.

In addition to comparing financial feasibility results, EPS also examined and compared the estimated fee revenue and economic impacts generated by the proposed Project and FEIR alternatives. These revenues and economic impacts rely on the EPS memorandum, "Economic Impacts of Orchards at Penryn" (May 16, 2012,) that estimated development impact fee revenue and economic impacts resulting from the proposed Project. Using the model and assumptions in the previous memorandum, EPS evaluated the proposed Project and each alternative for similar impacts. These results are contrasted to those expected by the Project as proposed to identify gained or lost impacts and revenues. The quantitative analyses are included as **Appendix B** and **Appendix C** of this memorandum.

## Financial Feasibility Evaluation

Prepared during the Project's environmental review, the FEIR offers four alternatives to the proposed Project that may reduce the Project's environmental impacts. The alternatives range from no development, to reduced density, to reduced densities with a commercial component. Each of these alternatives creates a separate set of financial risks and economic costs.

Typically, proposed development occurs only when such proposals indicate financial feasibility is likely (i.e., indicating adequate financial returns are anticipated commensurate with the level of risk being assumed). In addition, developers typically will not commence development without adequate potential profitability (return), given a specific set of assumed revenues, costs, and risks.

EPS evaluated the proposed Project and alternatives for financial feasibility within a given set of constraints and assumptions. There are several metrics that can be used to evaluate financial feasibility such as internal rate of return (IRR), both leveraged and unleveraged; net present value (NPV); return on cost; cash-on-cash return; and developer profit.

For purpose of this analysis, EPS evaluates the total development profit, which compares and calculates the total value of a project to the total development costs. As described herein, the total value of the Project is calculated assuming stabilized operations (measured as net operating income at stabilized occupancy) and a market-based capitalization rate (cap rate). Developer costs include land, environmental remediation, permitting, and horizontal and vertical construction costs.

## Conclusion

**Table 1** summarizes the estimated feasibility of the Project and each alternative evaluated. As proposed, the Project could deliver positive financial returns (approximately \$1.3 million or 3.7 percent of total cost), indicating a financially feasible project. In comparison, EPS concludes that none of the alternatives could generate positive development profits, with results ranging from negative \$3.5 million to negative \$7.3 million. Stated another way, the FEIR alternatives would not be financially feasible to develop.

The use of development profit allows the reader to compare a given investment to other investments such as those with lower risk/return profiles (e.g., governmental bonds, certificates of deposit) and higher risk/return profiles (e.g., business or real estate development). While investor requirements for development profit will vary from investor to investor, it is unrealistic to assume that any developer would undertake one of the FEIR alternatives, given the findings of infeasibility.

## Summary of Methodology and Assumptions

This analysis is based on the assumption that the Project will not commence construction until such time that market conditions indicate financial feasibility, with Year 1 indicating the year of "stabilized occupancy"<sup>1</sup> for the primary land use, which in this case is residential multifamily development.

As described in the following section, the inclusion of commercial development in Mixed Use C and Mixed Use D requires additional consideration regarding full absorption, or how quickly the commercial space would reach stabilized occupancy. Although highly unlikely to achieve acceptable occupancy levels any earlier than the next 5 to 7 years, this feasibility analysis examines the impact on Project financial results if the commercial development were to absorb as quickly as Year 3 or Year 5 (i.e., 2 to 4 years after stabilized residential occupancy). If financial returns are unacceptable under a more rapid absorption assumption, then it is not necessary to do more extensive market research to determine when new Project commercial development might absorb.

**Table 2** summarizes the land use plan and estimated costs for the proposed Project and each alternative. The alternatives will require additional cost categories because of greater need to remediate environmental areas or clean up after remediation and to recover sunk costs. In addition, EPS understands Alternative B and Mixed Use D require remediation and protection of both the eastern and western swales that will require construction of an automobile overcrossing to provide necessary access.

Using an income-based approach to value, **Tables 3** and **4** estimate the value of the residential and commercial components respectively using a static cash flow analysis. **Table 5** estimates

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<sup>1</sup> "Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those that are expected to continue over the economic life of the property..."—The Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, produced by the Appraisal Institute.

the value of the commercial component in Mixed Use C and Mixed Use D in years after the residential component reaches stabilized occupancy. As shown, the analysis assumes annual lease rate escalation and then discounts the estimated value to a present Year 1 value (i.e., the value of the commercial component in Year 'X' would be worth 'Y' in Year 1 after discounting).

Commercial development has dramatically slowed in the Greater Sacramento Region as employment growth continues to struggle and existing office and retail buildings continue to struggle to reach adequate levels of occupancy and profitability. Commercial development is not anticipated to fully recover until the region experiences a strong and continuous period of increased job growth, income growth, and consumer demand. As a result, any proposed commercial development likely either will be (a) not constructed, (b) constructed and will compete with existing vacant space by offering aggressive incentives and tenant-favorable terms, or (c) constructed and will remain vacant over an extended period of time. For instance, the proposed commercial development located on Penryn Road, with excellent visibility to Interstate 80 and located just south of the proposed Project, has not been constructed in more than 4 years, despite initial site development having already been completed.

Any commercial development on the proposed Project site also will need to compete aggressively with existing vacant lower cost space located within ¼-mile of the Project—along the freeway in Penryn and the Town of Loomis, along Taylor Road in the City of Rocklin, etc.—and with significant additional anchored (i.e., national chains including Target) commercial development already planned within a 2-mile radius of the subject.

It is based on these summary-level market observations that EPS does not believe a commercial component in the Project could be absorbed in the market within a 5- to 7-year time horizon or greater. However, as described above, the financial analysis in this memorandum assumes a more aggressive absorption in either Year 3 or Year 5 to test whether it would have any favorable impact on the Project's estimated financial returns.

### **Base Assumptions**

This analysis uses the information contained in the FEIR and a set of assumptions provided by Penryn Development. The assumptions used in the analysis are described in this section. The individual assumptions are summarized on **Table A-1**:

- **Year Convention:** Different developers require different hurdle rates. This analysis is based on the assumption that no development will occur until appropriate returns result, given the Project's risk. Therefore, EPS assumed no specific years for construction or stabilized occupancy. Alternatively, the analysis uses a convention based on generic years (e.g., Year 1, Year 2, Year 3, etc.). Year 1 represents the year the residential component would be assumed to reach stabilized occupancy.
- **Land Use Plan Assumptions:** Specific residential and nonresidential building, apartment size, and apartment mix were provided by Penryn Development. The number of units and square feet of commercial development for the individual alternatives are derived from the FEIR. The estimated residential square feet for the alternatives are based on the unit sizes in the proposed Project.

- **Land Costs:** It is appropriate to assume an allowance for land costs. Based on information provided by Penryn Development, EPS assumed \$4.2 million for the cost of land acquisition.
- **Environmental Remediation Costs:** Penryn Development estimates the site will require \$850,000 in remediation costs, primarily consisting of removing contaminated soil.

For Alternative B and Mixed Use D, the FEIR contemplates reduced density and restoring the property's eastern swales. Penryn Development estimates additional restoration costs of \$100,000 for the eastern swale. In addition, access to the site and protection of the restored lands will require an overcrossing to span the floodplain, at an estimated cost of \$1.0 million.

- **Sitework:** Sitework is estimated to cost \$3.5 million, including \$300,000 to widen Penryn Road. Additional sitework costs may result from commercial developments such as additional paving, striping, signage, etc. However, no additional infrastructure costs for the commercial component are included in this analysis at this time.
- **Vertical Construction Costs:** The analysis reflects direct construction costs for vertical construction of the various components proposed. Based on research with builders, architects, engineers, and planners, apartment construction ranges between \$70 per square foot (PSF) for on-grade development and \$180 PSF for podium development. These vertical costs will further reflect the relative quality of finishings and complexity of design.

Commercial uses range between \$82 PSF for big box retail and up to \$180 PSF for mixed use podium retail. These costs include shell construction and would result in additional tenant improvement (TI) costs ranging between \$0 and \$90 PSF, paid by the landlord (with additional TI costs paid by a tenant). Additional exterior enhancements or higher quality materials increase these costs. EPS's research with builders indicates construction costs for commercial development appropriate for the Project site range from \$110 to \$150 PSF.

This analysis assumes consistent cost assumptions for all alternatives. This includes \$75 PSF for residential and clubhouse development and \$120 PSF for commercial development.

- **Soft Costs:** Soft costs include predevelopment planning costs, builder fees, development impact fees, costs of various consultants and reports, legal and title support, insurance, and taxes. In addition, builders typically include a contingency to account for unexpected hard or soft costs. These costs vary based on the complexity and location of a project. Depending on the complexity of the physical or political environment and the size and scope of the project, it is common to see soft costs totaling between 15 percent and as high as 50 percent of hard costs. This analysis assumes approximately 30 to 40 percent total soft costs identified for this analysis:
  - **Estimated Development Fees:** EPS estimated the total amount of building fees and development impact fees due for each land use type: residential apartments, clubhouse, and commercial development. These fees were estimated on a PSF basis as shown in **Table B-2** in **Appendix B**.
  - **Other Baseline Costs:** In addition to the estimated development fees, this analysis includes an allowance for soft costs beyond development fees such as preplanning and entitlement costs, architectural and other technical work, insurance, overhead, contingencies, etc. Most of these costs will be approximately similar regardless of

ultimate project design. For instance, the cost of the FEIR will not vary significantly for the proposed Project or any of the alternatives. Therefore, this analysis assumes \$1,900,000 of fixed soft costs for each alternative, based on the cost estimates provided by Penryn Development.

- **Other Soft Costs:** Some costs will vary with each alternative. For instance, marketing expenses may be greater with a larger project. To capture a variable component of soft costs, this analysis assumes 5 percent of costs are variable, ranging from \$600,000 to \$1.4 million.

For purposes of this analysis, total soft costs shown for the proposed Project are from the May 16, 2012, memorandum, "Economic Impacts of Orchards at Penryn." Variable soft costs for each alternative are rounded to the nearest \$10,000.

- **Additional Costs:** If the developer proceeds with one of the FEIR alternatives, some costs already incurred become sunk costs (non-recoverable) and must be incurred again. For instance, new architectural maps and engineering plans must be generated or several entitlement documents and plans must be resubmitted. Therefore, additional costs will apply to the alternatives. This analysis assumes \$300,000 in additional costs for each alternative.
- **Financing Costs:** This analysis assumes no financing costs.
- **Apartment Rent Assumptions:** This Project is located in a small community not containing multiple new rental products. Therefore, the income assumptions represent potential feasible rental rates, based on neighboring cities plus evaluation of other secondary sources of information.

The "Draft Orchard at Penryn Fiscal Impact Analysis," prepared by Hausrath Economics Group (February 8, 2012), indicates a range of \$1,375 to \$1,700, with an average of \$1,565 per residential unit. This indicates a residential rental rate of \$1.19 to \$1.22 PSF. This is within a typical range for newer apartments. It is reasonable to assume a slight increase of average rental rates over the next few years. Thus, this analysis assumes (a) newer product in the market could command average monthly rental rates at the upper end of the fiscal study estimates, and (b) some appreciation between the date of the fiscal study and construction and absorption of the units using a monthly average of \$1,700 per unit.

- **Commercial Lease Assumptions:** A review of existing listings, discussions with listing brokers, field visit of the proposed Project and nearby commercial projects, and evaluation of broker-provided information was conducted for the commercial component.

There is little commercial development and a significant lack of transactional data in the immediate Penryn area. There is plentiful commercial space within 5 miles of the Project site and located in the City of Rocklin and the Town of Loomis, which are considered relatively similar to potential commercial development. In addition, there is the extensive commercial development of all types located in the Cities of Auburn and Roseville, both within approximately 10 miles of the site.

According to Loopnet, a commercial lease listing service, listings for development located nearby indicate a wide range: from \$0.80 PSF to \$2.00 PSF. The listings indicate a central range of \$1.00 to \$1.50 PSF. The higher end typically indicated for space with increased tenant improvements in place (i.e., a former restaurant site). In addition, CBRE Market Report (First Quarter 2012) indicates an average triple-net (NNN) lease in Rocklin of \$1.42 and Loomis/Auburn of \$1.79. Further, discussions with brokers resulted in identification of available space. One broker offered retail or office space approximately ¼-mile south of the Project site for \$0.80 PSF on a NNN basis, with an estimated \$0.28 PSF in common area expenses, resulting in an estimated \$1.08 PSF gross lease.

Several considerations regarding commercial lease rates include these:

- **Asking vs. Contract Lease Rates:** Typically additional concessions or rent discounts are applied to asking rents to complete transactions. This typically results in significantly lower actual lease revenue to a developer.
- **Regional Market and Location:** The region's commercial market continues to struggle. During periods like these, new lease transactions typically occur in the premium and high visibility locations such as those with freeway visibility, high vehicle traffic, adjacency to other successful commercial businesses, or quality anchored centers. As a result, there are a few select and specific markets that are weathering the recession better than others. Others, such as the smaller strip-style development likely to occur on the Project site, typically experience slower leasing activity.

Given these factors and market information, the analysis assumes a monthly lease rate of \$1.25 PSF on a NNN basis. Although current data and published reports do not support a clear trend for annual lease escalation, for purposes of this analysis, EPS has assumed rental rates will rise 3 percent per year.

- **Occupancy and Absorption:** The commercial component of the proposed Project will require a period of time to reach stabilized occupancy. This analysis assumes stabilized occupancy of the residential portion occurs in Year 1. However, commercial space typically reaches stabilization over a longer period of time.

As previously discussed, real estate construction, and commercial development in particular, has dramatically slowed in the Greater Sacramento Region as employment growth and market demand continue to struggle. Further, commercial development is not anticipated to fully recover until the region experiences a strong and continuous period of increased job growth, income growth, and consumer demand, causing existing office and retail buildings to struggle to reach adequate levels of occupancy and profitability.

As a result, any proposed commercial development likely will be (a) not constructed, (b) constructed and will compete with existing vacant space by offering aggressive incentives and tenant-favorable terms, or (c) constructed and will remain vacant over an extended period of time. Given recent market performance; existing commercial vacancies in nearby Rocklin, Loomis, and other areas; planned development in place; unclear market potential; and anticipated slow demand over the next 3 to 4 years; there does not appear to be an adequate market to build additional unanchored commercial development in the near future for the proposed site.

It is reasonable to assume an extended absorption period requiring active marketing for the commercial component. It remains highly unlikely to achieve acceptable occupancy levels any earlier than the next 5 to 7 years. However, for purposes of this analysis, two scenarios for each mixed use alternative were included. These scenarios measure the impact on Project financial results if the commercial development were to absorb as quickly as Year 3 or Year 5 (i.e., 2 to 4 years following stabilized residential occupancy). If financial returns are unacceptable under these absorption scenarios, then it is not necessary to do more extensive market research to determine when new Project commercial development might absorb.

- **Vacancy and Collection Loss Allowance:** This assumption reflects the amount of time space is vacant before a tenant's move-in. It also reflects the losses generated when a tenant fails to make a rent payment.

EPS has found apartment complexes are generally experiencing fairly healthy occupancy in the region, ranging from 85 percent to near 100 percent. Based on market reports and historical data, the market context for the Project typically experiences approximately 5-percent vacancy. While vacancy likely will vary for the next few years as the local economy and residential markets recover, a stabilized vacancy and collection loss allowance of 5.0 percent appears appropriate for residential development for this analysis.

Based on market reports, the South Placer commercial market experienced approximately 9- to 20-percent vacancy in First Quarter 2012. In particular, Rocklin is experiencing significant vacancy. Except during times of robust economic growth or tightened supply, typical commercial vacancy rates are 10 to 15 percent. Therefore, a stabilized vacancy rate plus collection loss allowance (2 to 3 percent), consistent with historical trends of 15.0 percent, is used for commercial development for this analysis.

- **Operating Expenses:** This analysis is based on an assumed leasing arrangement consistent with practices prevalent in the current market. For residential, that means the majority of utility expenses are paid by the resident. As discussed previously, the commercial analysis assumes a NNN lease, where the majority of costs are passed through to the tenant. However, in all cases, there are operating expenses paid by the landlord.

Residential expenses include taxes, insurance, management, maintenance, repairs, utilities, etc. Typical residential operating costs are 25 to 45 percent of total revenue. Actual operating costs will vary with higher cost shares with smaller projects. For instance, the cost of management and taxes are relatively fixed.

Based on the Apartment Operating Expense Guide 2011/12, prepared by Gregory P. Winger Associates, a conservative residential operating cost allowance is 30 percent of revenue.

Commercial space leased on a NNN basis implies few costs are paid by the operator. However, during weaker financial times, true NNN leases are difficult to secure. More typical is a "difference over base" arrangement, where all costs greater than some base level is paid by the tenant. For instance, base year taxes might be paid by the landlord with increases over base paid by the tenant. Or there may be a maintenance allowance included in the lease with additional costs over the allowance paid by the tenant. As a result, the typical operating costs paid by the landlord for commercial development exists within a wide range, from 5 to 25 percent.

This analysis assumes 30 percent for operating costs for residential and 10 percent for commercial development. In addition, replacement reserves of 2 percent are included regardless of use to prepare for the cost of repairing things such as roofs, air conditioning units, carpets, appliances, etc.

- **Reversion Cap Rate:** The process of converting one year's income expectancy into an estimate of value in one direct step is called direct capitalization.<sup>2</sup> With development projects, a cap rate is applied to the Net Operating Income to estimate the potential value of the property. Cap rates reflect all potential cash flows and associated risk. Similar to any investment, a higher risk project will require a correspondingly higher return. Therefore, given any defined level of revenue (achievable lease rates), a higher cap rate will indicate lower value and vice versa. Therefore, the lower the cap rate required, the greater a potential investor will pay to acquire the asset. All things being equal, a decline in lease rates or a lack of investors causes cap rates to climb. Conversely, when lease rates are increasing rapidly, investment activity generally accelerates, resulting in significantly aggressive pricing (i.e., lower cap rates).

Several sources were reviewed for estimated cap rates that indicate cap rates have been moving upward for commercial development. In all cases, residential multifamily development indicates lower cap rates, with a range of 5.0 to 6.0 percent, and retail or service commercial development indicating relatively higher cap rates, with a range of 7.5 to 8.5 percent. According to Korpacz Investor Survey First Quarter 2012, prepared by Price Waterhouse Coopers, multifamily development is approximately 5.21 percent (Pacific Region), with commercial development at approximately 7.18 to 7.32 percent (National). For further support, Integra Realty Resources Real Estate Value Trends 2012 indicates a Sacramento Area residential cap rate of 6.0 percent and commercial development cap rate of 7.5 to 8.5 percent.

For this analysis, a cap rate of 5.25 percent is assumed for residential development and 8.00 percent for commercial development.

- **Discount Rate:** This analysis assumes commercial development will reach stabilized occupancy up to 2 to 4 years following the residential component. Therefore, a discount rate must be employed to bring all future commercial cash flows back to Year 1 dollars. Typically the discount rate is closely related to the investor's required return. Because an investor can identify several investment opportunities, financial theory suggests that an investor will employ capital in projects that generate the greatest overall return reflecting the associated level of risk. A discount rate of 10 to 25 percent or more is appropriate to reflect the risk inherent in the site's market and the pioneering nature of the proposed development. The higher the discount rate, the less value that income will indicate in Year 1.

Given the relatively small amount of income attributable to the commercial component and the short time line between periods (e.g., Year 1 to Year 5), this analysis uses a relatively low discount rate of 10 percent. In reality, commercial development is likely to require more years to reach stabilized occupancy. This risk should be accompanied by a higher discount rate.

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<sup>2</sup> The Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, produced by the Appraisal Institute.

## Summary of Findings

Given these assumptions and constraints, the Project as proposed could deliver positive financial returns (approximately \$1.3 million, or 3.7 percent of total cost), indicating a financially feasible project. In comparison, EPS concludes that none of the alternatives could generate positive development profits, with results ranging from negative \$3.5 million to negative \$7.3 million. Stated another way, the FEIR alternatives would not be financially feasible to develop.

## Development Impact Fee Revenue and Economic Impacts by Alternative

In the May 16, 2012, memorandum, "Economic Impacts of Orchards at Penryn," EPS estimated the development impact fee revenue and economic impacts resulting from the proposed Project. Using the model and assumptions in the previous memorandum, EPS evaluated the proposed Project and each alternative for similar impacts and included the technical analysis summarized below and in **Appendices B** and **C**.

### Development Impact Fee Revenue

Development impact fee programs fund a variety of infrastructure improvements needed to serve the Project. This memorandum includes a summary-level analysis of the total fees the Project and its alternatives would pay into existing development impact fee programs for Placer County, special districts, and other public agencies. These findings are included in **Appendix B**.

As shown in **Table B-1**, at building permit stage, the Project is estimated to pay approximately \$4.6 million into various development fee programs for Placer County, special districts, and other public agencies. Of the total estimated fees, Placer County development fee programs are expected to receive approximately \$1.4 million, while other fee programs (special districts, school districts, and other agencies) will receive approximately \$3.2 million.

The following table approximates the revenues generated by the proposed Project and each alternative.

<b>Jurisdiction</b>	<b>Proposed Project</b>	<b>Alt. B: Reduced Density</b>	<b>Alt. C: Mixed Use C</b>	<b>Alt. D: Mixed Use D</b>
Placer County	\$1.4 million	\$1.0 million	\$1.3 million	\$1.0 million
Other Agencies	\$3.2 million	\$2.2 million	\$3.0 million	\$2.1 million
<b>Total Revenue</b>	<b>\$4.6 million</b>	<b>\$3.2 million</b>	<b>\$4.3 million</b>	<b>\$3.1 million</b>
<i>Difference (Rounded)</i>	-	<i>(\$1.4 million)</i>	<i>(\$250,000)</i>	<i>(\$1.5 million)</i>

Supporting fee calculations are shown in **Table B-2** through **Table B-6**. In all cases, the proposed Project generates more fee revenue for Placer County and special agencies than any FEIR alternative.

## Economic Impact by Alternative

Industries in a geographic region are interdependent in the sense they purchase outputs from and supply inputs to other industries (e.g., restaurants purchase goods from producers, which in turn purchase raw materials from suppliers, which will stimulate an increase/decrease in output and employment in the interdependent secondary industries).

This regional economic impact analysis relies on IMPLAN (Impact Analysis for Planning) software, an Input/Output (I/O) model. Regional economic impact analysis and I/O models in particular provide a means to estimate total regional effects stemming from a particular industry or activity, such as the initial change in one sector of the economy and the effect of that change on economic output, income, or employment in other local industries. These effects are commonly described as direct, indirect, or induced effects and are generally defined as follows:

- The **direct effect** represents the change in output or employment attributable to a change in demand or increased supply.
- The **indirect effect** results from industry-to-industry transactions required to satisfy the direct effect. This effect is a measure of the change in the output of suppliers linked to the industry that is directly affected.
- The **induced effect** consists of impacts from employee spending in the local economy. Specifically, the employees of directly and indirectly affected businesses generate this effect by purchasing goods and services in the local economy. *Note: The Project's economic impacts primarily are considered one-time impacts to Placer County associated with construction of the Project, which is considered relatively short; therefore, this analysis assumes no significant induced effects. Both Mixed Use Alternatives (B and D) include a commercial component that will have an unknown induced economic impact. Because additional economic analysis beyond that included in the May 16, 2012, memorandum is required for evaluation, this analysis excludes induced effects for all alternatives.*

The total impact is the sum of the direct, indirect, and induced effects. The total effect measures the impact of an activity as it "ripples" throughout the regional economy. In the next section, the regional economic effects described above are reported in three categories:

- **Output:** The estimated value of total production. The Project's total production is measured by total costs of Project construction.
- **Employment:** The estimated total number of jobs, both full-time and part-time, created as a result of the Project.
- **Labor Income:** The sum of total compensation (wages and benefits) received by employees and proprietors. Income represents a portion of the Project's value added and is one component of the Project's total output described above.

### Summary of One-Time Economic Impact

Based on the construction cost estimates used in the alternatives analysis, Project construction is estimated to generate a one-time impact of approximately \$41.0 million in total output and 240 total jobs for the duration of the construction period, as shown in **Table C-1**. In addition, total income earned by employees, proprietors, and corporations is estimated to be \$4.8 million.

The following table summarizes the revenues generated by the proposed Project and each alternative.

<b>Economic Impact</b>	<b>Proposed Project</b>	<b>Alt. B: Reduced Density</b>	<b>Alt. C: Mixed Use C</b>	<b>Alt. D: Mixed Use D</b>
Total Output	\$41.0 million	\$31.1 million	\$40.4 million	\$32.5 million
Total Employment	240	190	235	190
Labor Income	\$4.8 million	\$3.9 million	\$4.6 million	\$4.2 million

Supporting impact calculations are shown in **Table C-2** through **Table C-9**. In terms of economic impact, each alternative produces inferior results in comparison to the proposed Project. While still inferior, Mixed Use C substitutes a portion of more costly commercial development for the proposed Project's residential development and closely compares to the proposed Project in terms of economic impact (though not in terms of project feasibility). Alternative B and Mixed Use D produce significantly inferior economic impacts in comparison to the proposed Project. As discussed previously, there will be an unknown additional induced effect for Mixed Use C and Mixed Use D; however, none of the alternatives are feasible and are unlikely to be constructed. Therefore, the potential economic impacts remain infeasible.

If you have questions regarding this analysis, please call either Jamie Gomes or Lucas Perretti at (916) 649-8010.

**Table 1**  
**Orchards at Penryn Alternatives Analysis**  
**Estimated Development Profit**

Item	Proposed Project	Alt. A No Project	Alt. B Reduced Density	Alt. C - Mixed Use [2]		Alt. D - Mixed Use [2]		
				C1	C2	D1	D2	
Year of Stabilization (Res.) [1]	Year 1	Not Evaluated	Year 1	Year 1	Year 1	Year 1	Year 1	
Year of Stabilization (Comm'l)	-		-	Year 3	Year 5	Year 3	Year 5	
<b>Estimated Project Cost</b>								
Residential	\$35,402,502			\$28,510,249	\$23,614,605	\$23,614,605	\$20,724,573	\$20,724,573
Commercial	\$0			\$0	\$11,496,402	\$11,496,402	\$8,296,311	\$8,296,311
<b>Total</b>	<b>\$35,402,502</b>			<b>\$28,510,249</b>	<b>\$35,111,008</b>	<b>\$35,111,008</b>	<b>\$29,020,884</b>	<b>\$29,020,884</b>
<b>Estimated Value (Year 1)</b>								
Residential	\$36,720,000			\$24,969,600	\$24,724,800	\$24,724,800	\$18,360,000	\$18,360,000
Commercial [3]	\$0			\$0	\$6,240,459	\$5,471,490	\$3,840,283	\$3,367,071
<b>Total</b>	<b>\$36,720,000</b>			<b>\$24,969,600</b>	<b>\$30,965,259</b>	<b>\$30,196,290</b>	<b>\$22,200,283</b>	<b>\$21,727,071</b>
<b>Development Profit</b>	<b>\$1,317,498</b>		<b>(\$3,540,649)</b>	<b>(\$4,145,748)</b>	<b>(\$4,914,717)</b>	<b>(\$6,820,601)</b>	<b>(\$7,293,813)</b>	
Total Return	3.7%		-12.4%	-11.8%	-14.0%	-23.5%	-25.1%	

"return\_summ"

[1] Year 1 represents the first year that the residential portion of any given alternative reaches stabilized occupancy.

[2] For the mixed use alternatives, this analysis evaluates two potential absorption periods to reflect the difference between residential and nonresidential absorption. The analysis assumes that the commercial component will absorb 2 and 4 years longer than the residential component, denoted as C1/D1 (2 years) and C2/D2 (4 years).

[3] See Table 5 for estimated Year 1 value for commercial development.

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**Table 2**  
**Orchards at Penryn Alternatives Analysis**  
**Estimated Cost of Development**

Item	Source	Proposed Project	Alt. A No Project	Alt. B Reduced Density	Alt. C Mixed Use C	Alt. D Mixed Use D
<b>LAND USE ASSUMPTIONS</b>						
Land Acreage	FEIR	15.0	0.0	15.0	15.0	15.0
Residential	FEIR	15.0	-	15.0	10.0	10.0
Commercial Acreage	FEIR	0.0	-	0.0	5.0	5.0
Residential Buildings						
Total Units	FEIR	150	-	102	101	75
Total Residential Sq. Ft. (Est.)	Con Am	252,100	-	168,000	167,000	124,000
Clubhouse (Sq. Ft.)	Con Am	3,900	-	3,900	3,900	3,900
Nonresidential Sq. Ft.	FEIR	0	-	0	52,000	32,000
<b>Land (estimated)</b>		<b>\$4,200,000</b>	<b>\$4,200,000</b>	<b>\$4,200,000</b>	<b>\$4,200,000</b>	<b>\$4,200,000</b>
<b>Environmental Remediation</b>						
Base Remediation	Con Am	\$850,000	-	\$850,000	\$850,000	\$850,000
Restoration of Eastern Swale	Con Am	\$0	-	\$100,000	\$0	\$100,000
Floodplain Overcrossing	Con Am	\$0	-	\$1,000,000	\$0	\$1,000,000
<b>Total</b>		<b>\$850,000</b>	<b>\$0</b>	<b>\$1,950,000</b>	<b>\$850,000</b>	<b>\$1,950,000</b>
<b>Sitework and Roadway Widening</b>	Con Am	<b>\$3,472,502</b>	-	<b>\$3,472,502</b>	<b>\$3,472,502</b>	<b>\$3,472,502</b>
<b>Vertical Construction Costs</b>						
Residential	EPS / Con Am	\$18,907,500	-	\$12,600,000	\$12,525,000	\$9,300,000
Clubhouse	EPS / Con Am	\$292,500	-	\$292,500	\$292,500	\$292,500
Commercial	EPS	\$0	-	\$0	\$6,240,000	\$3,840,000
<b>Total</b>		<b>\$19,200,000</b>	<b>\$0</b>	<b>\$12,892,500</b>	<b>\$19,057,500</b>	<b>\$13,432,500</b>

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**Table 2**  
**Orchards at Penryn Alternatives Analysis**  
**Estimated Cost of Development**

Item	Source	Proposed Project	Alt. A No Project	Alt. B Reduced Density	Alt. C Mixed Use C	Alt. D Mixed Use D
<b>Development Fees</b>	EPS	<b>\$4,635,524</b>	-	<b>\$3,155,247</b>	<b>\$4,381,006</b>	<b>\$3,095,882</b>
<b>Other Soft Costs</b>						
Baseline Soft Costs [1]	Con Am	\$1,900,000	-	\$1,900,000	\$1,900,000	\$1,900,000
Other Soft Costs/Contingencies [2]	EPS	\$1,144,476	-	\$640,000	\$950,000	\$670,000
Additional Costs [3]	EPS / Con Am	\$0	-	\$300,000	\$300,000	\$300,000
<b>Subtotal</b>		<b>\$3,044,476</b>		<b>\$2,840,000</b>	<b>\$3,150,000</b>	<b>\$2,870,000</b>
<b>Total Cost</b>		<b>\$35,402,502</b>	<b>\$4,200,000</b>	<b>\$28,510,249</b>	<b>\$35,111,008</b>	<b>\$29,020,884</b>
Allocated to Residential Component [4]	EPS	\$35,402,502	\$4,200,000	\$28,510,249	\$23,614,605	\$20,724,573
Allocated to Commercial Component [4]	EPS	\$0	\$0	\$0	\$11,496,402	\$8,296,311

"costs"

Source: Penryn Development LLC, Orchard at Penryn Final Environmental Impact Report (January 2012), EPS Memorandum "Economic Impacts of the Orchards at Penryn Project" (May 16, 2011), and EPS.

[1] Costs associated with any project located on the site. Costs shown are rounded.

[2] This cost category captures remaining soft costs that are considered variable (excluding development fees). Includes approximately 5% of site development and vertical costs for each alternative based on similar costs for the proposed project. The cost shown for the proposed project are from the prior May 16, 2011 memorandum. Costs for the Alternatives are rounded.

[3] Includes costs of revised maps and plans resulting from revised alternatives' land use plan.

[4] Total costs allocated to residential and commercial components based on building valuation.

**Table 3**  
**Orchards at Penryn Alternatives Analysis**  
**Estimated Operations and Value for Residential Development**

<b>Residential</b>
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Item	Source	Proposed Project	Alt. A No Project	Alt. B Reduced Density	Alt. C Mixed Use C	Alt. D Mixed Use D
Residential Buildings (Units)	FEIR	150	-	102	101	75
Est. Avg. Residential Rent (\$/month)	EPS	\$1,700	-	\$1,700	\$1,700	\$1,700
<b>Gross Income</b>						
Rental Revenue		\$3,060,000	-	\$2,080,800	\$2,060,400	\$1,530,000
Less: Vacancy & Collection Loss	Table A-1	(\$153,000)	-	(\$104,040)	(\$103,020)	(\$76,500)
<b>Potential Gross Income</b>		<b>\$2,907,000</b>	<b>\$0</b>	<b>\$1,976,760</b>	<b>\$1,957,380</b>	<b>\$1,453,500</b>
<b>Expenses</b>						
Operating Expenses	Table A-1	(\$918,000)	-	(\$624,240)	(\$618,120)	(\$459,000)
Replacement Reserves	Table A-1	(\$61,200)	-	(\$41,616)	(\$41,208)	(\$30,600)
<b>Total</b>		<b>(\$979,200)</b>	<b>\$0</b>	<b>(\$665,856)</b>	<b>(\$659,328)</b>	<b>(\$489,600)</b>
<b>Net Operating Income</b>		<b>\$1,927,800</b>	<b>\$0</b>	<b>\$1,310,904</b>	<b>\$1,298,052</b>	<b>\$963,900</b>
Estimated Cap Rate	Table A-1	5.25%	-	5.25%	5.25%	5.25%
<b>Estimated Value</b>		<b>\$36,720,000</b>	<b>\$0</b>	<b>\$24,969,600</b>	<b>\$24,724,800</b>	<b>\$18,360,000</b>

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**Table 4**  
**Orchards at Penryn Alternatives Analysis**  
**Estimated Operations and Value for Commercial Development**

**Commercial  
(Stabilized)**

<b>Item</b>	<b>Source</b>	<b>Proposed Project</b>	<b>Alt. A No Project</b>	<b>Alt. B Reduced Density</b>	<b>Alt. C Mixed Use C</b>	<b>Alt. D Mixed Use D</b>
Commercial Sq. Ft.	FEIR	-	-	-	52,000	32,000
Est. Commercial Lease (\$/Sq. Ft./Mo)	Table A-1	-	-	-	\$1.25	\$1.25
<b>Gross Income</b>						
Rental Revenue		-	-	-	\$780,000	\$480,000
Less: Vacancy & Collection Loss	Table A-1	-	-	-	(\$117,000)	(\$72,000)
<b>Potential Gross Income</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$663,000</b>	<b>\$408,000</b>
<b>Expenses</b>						
Operating Expenses	Table A-1	-	-	-	(\$78,000)	(\$48,000)
Replacement Reserves	Table A-1	-	-	-	(\$15,600)	(\$9,600)
<b>Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$93,600)</b>	<b>(\$57,600)</b>
<b>Net Operating Income</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$569,400</b>	<b>\$350,400</b>
Estimated Cap Rate	Table A-1	-	-	-	8.00%	8.00%
<b>Estimated Value</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,117,500</b>	<b>\$4,380,000</b>

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**Table 5**  
**Orchards at Penryn Alternatives Analysis**  
**Estimated Present Value of Commercial Development in Year 1 [1]**

Item	Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Commercial (\$/Sq. Ft./Mo)	Annual Incr. 3%	\$1.25	\$1.29	\$1.33	\$1.37	\$1.41	\$1.45	\$1.49	\$1.54	\$1.58	\$1.63
<b>Alternative C. Mixed Use</b>											
Commercial Sq. Ft.		52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000
<b>Gross Income</b>	% of Revenue										
Rental Revenue		\$780,000	\$803,400	\$827,502	\$852,327	\$877,897	\$904,234	\$931,361	\$959,302	\$988,081	\$1,017,723
Less: Vacancy & Collection Loss	15%	(\$117,000)	(\$120,510)	(\$124,125)	(\$127,849)	(\$131,685)	(\$135,635)	(\$139,704)	(\$143,895)	(\$148,212)	(\$152,658)
<b>Potential Gross Income</b>		<b>\$663,000</b>	<b>\$682,890</b>	<b>\$703,377</b>	<b>\$724,478</b>	<b>\$746,212</b>	<b>\$768,599</b>	<b>\$791,657</b>	<b>\$815,406</b>	<b>\$839,869</b>	<b>\$865,065</b>
<b>Expenses</b>											
Operating Expenses	10%	(\$78,000)	(\$80,340)	(\$82,750)	(\$85,233)	(\$87,790)	(\$90,423)	(\$93,136)	(\$95,930)	(\$98,808)	(\$101,772)
Replace. Reserves	2%	(\$15,600)	(\$16,068)	(\$16,550)	(\$17,047)	(\$17,558)	(\$18,085)	(\$18,627)	(\$19,186)	(\$19,762)	(\$20,354)
<b>Total</b>		<b>(\$93,600)</b>	<b>(\$96,408)</b>	<b>(\$99,300)</b>	<b>(\$102,279)</b>	<b>(\$105,348)</b>	<b>(\$108,508)</b>	<b>(\$111,763)</b>	<b>(\$115,116)</b>	<b>(\$118,570)</b>	<b>(\$122,127)</b>
<b>Net Operating Income</b>		<b>\$569,400</b>	<b>\$586,482</b>	<b>\$604,076</b>	<b>\$622,199</b>	<b>\$640,865</b>	<b>\$660,091</b>	<b>\$679,893</b>	<b>\$700,290</b>	<b>\$721,299</b>	<b>\$742,938</b>
Estimated Cap Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
<b>Estimated Value</b>	Discount Rate	<b>\$7,117,500</b>	<b>\$7,331,025</b>	<b>\$7,550,956</b>	<b>\$7,777,484</b>	<b>\$8,010,809</b>	<b>\$8,251,133</b>	<b>\$8,498,667</b>	<b>\$8,753,627</b>	<b>\$9,016,236</b>	<b>\$9,286,723</b>
<i>Discounted to Year 1</i>	10%	<i>\$7,117,500</i>	<i>\$6,664,568</i>	<i>\$6,240,459</i>	<i>\$5,843,339</i>	<i>\$5,471,490</i>	<i>\$5,123,305</i>	<i>\$4,797,276</i>	<i>\$4,491,995</i>	<i>\$4,206,141</i>	<i>\$3,938,477</i>
<b>Alternative D. Mixed Use</b>											
Commercial Sq. Ft.		32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
<b>Gross Income</b>	% of Revenue										
Rental Revenue		\$480,000	\$494,400	\$509,232	\$524,509	\$540,244	\$556,452	\$573,145	\$590,339	\$608,050	\$626,291
Less: Vacancy & Collection Loss	15%	(\$72,000)	(\$74,160)	(\$76,385)	(\$78,676)	(\$81,037)	(\$83,468)	(\$85,972)	(\$88,551)	(\$91,207)	(\$93,944)
<b>Potential Gross Income</b>		<b>\$408,000</b>	<b>\$420,240</b>	<b>\$432,847</b>	<b>\$445,833</b>	<b>\$459,208</b>	<b>\$472,984</b>	<b>\$487,173</b>	<b>\$501,789</b>	<b>\$516,842</b>	<b>\$532,347</b>
<b>Expenses</b>											
Operating Expenses	10%	(\$48,000)	(\$49,440)	(\$50,923)	(\$52,451)	(\$54,024)	(\$55,645)	(\$57,315)	(\$59,034)	(\$60,805)	(\$62,629)
Replace. Reserves	2%	(\$9,600)	(\$9,888)	(\$10,185)	(\$10,490)	(\$10,805)	(\$11,129)	(\$11,463)	(\$11,807)	(\$12,161)	(\$12,526)
<b>Total</b>		<b>(\$57,600)</b>	<b>(\$59,328)</b>	<b>(\$61,108)</b>	<b>(\$62,941)</b>	<b>(\$64,829)</b>	<b>(\$66,774)</b>	<b>(\$68,777)</b>	<b>(\$70,841)</b>	<b>(\$72,966)</b>	<b>(\$75,155)</b>
<b>Net Operating Income</b>		<b>\$350,400</b>	<b>\$360,912</b>	<b>\$371,739</b>	<b>\$382,892</b>	<b>\$394,378</b>	<b>\$406,210</b>	<b>\$418,396</b>	<b>\$430,948</b>	<b>\$443,876</b>	<b>\$457,193</b>
Estimated Cap Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
<b>Estimated Value</b>	Discount Rate	<b>\$4,380,000</b>	<b>\$4,511,400</b>	<b>\$4,646,742</b>	<b>\$4,786,144</b>	<b>\$4,929,729</b>	<b>\$5,077,620</b>	<b>\$5,229,949</b>	<b>\$5,386,848</b>	<b>\$5,548,453</b>	<b>\$5,714,907</b>
<i>Discounted to Year 1</i>	10%	<i>\$4,380,000</i>	<i>\$4,101,273</i>	<i>\$3,840,283</i>	<i>\$3,595,901</i>	<i>\$3,367,071</i>	<i>\$3,152,803</i>	<i>\$2,952,170</i>	<i>\$2,764,305</i>	<i>\$2,588,394</i>	<i>\$2,423,678</i>

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[1] Year 1 represents the first year that the residential portion of any given alternative reaches stabilized occupancy.

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APPENDICES:

Appendix A: Summary of Assumptions

Appendix B: Development Impact Fee Revenue

Appendix C: Economic Impact Analysis



APPENDIX A:  
Summary of Assumptions



**Table A-1**  
**Orchards at Penryn Alternatives Analysis**  
**Summary of Alternative Characteristics and Assumptions**

Item	Source	Assumption	Proposed Project	Alt. A No Project	Alt. B Reduced Density	Alt. C Mixed Use C	Alt. D Mixed Use D
<b>LAND USE ASSUMPTIONS</b>							
Land Acreage	FEIR		15.0	15.0	15.0	15.0	15.0
Residential	FEIR		15.0	-	15.0	10.0	10.0
Commercial Acreage	FEIR		0.0	-	0.0	5.0	5.0
Residential Buildings							
Tenancy			Rental	-	Rental	Rental	Rental
Total Units	FEIR		150	-	102	101	75
Total Gross Residential Sq. Ft. (Est.)	Con Am	1,650 sqft/unit	252,100	-	168,000	167,000	124,000
Clubhouse (Sq. Ft.)	Con Am		3,900	-	3,900	3,900	3,900
Nonresidential Sq. Ft.	FEIR		0	-	0	52,000	32,000
<b>DEVELOPMENT ASSUMPTIONS</b>							
<b>Land (estimated)</b>	Con Am		\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000
<b>Environmental Remediation [1]</b>							
Base Remediation	Con Am		\$850,000	-	\$850,000	\$850,000	\$850,000
Restoration of Eastern Swale	Con Am		\$0	-	\$100,000	\$0	\$100,000
Floodplain Overcrossing	Con Am		\$0	-	\$1,000,000	\$0	\$1,000,000
<b>Total</b>			<b>\$850,000</b>	<b>\$0</b>	<b>\$1,950,000</b>	<b>\$850,000</b>	<b>\$1,950,000</b>
<b>Sitework and Roadway Widening [1]</b>	Con Am		\$3,472,502	-	\$3,472,502	\$3,472,502	\$3,472,502
<b>Vertical Construction Costs</b>							
Residential	EPS / Con Am	per sq. ft.	\$75.00	-	\$75	\$75	\$75
Clubhouse	EPS / Con Am	per sq. ft.	\$75.00	-	\$75	\$75	\$75
Commercial	EPS	per sq. ft.	\$120.00	-	\$120	\$120	\$120
<b>Development Fees</b>	EPS	see Table B-1	\$4,635,524	-	\$3,155,247	\$4,381,006	\$3,095,882
<b>Other Estimated Soft Costs</b>							
Baseline Soft Costs [2]	Con Am		\$1,900,000	-	\$1,900,000	\$1,900,000	\$1,900,000
Other Soft Costs/Contingencies [2]	EPS	% of costs	5%	-	5%	5%	5%
Additional Costs [3]	EPS / Con Am		\$0	-	\$300,000	\$300,000	\$300,000

A-1

**Table A-1**  
**Orchards at Penryn Alternatives Analysis**  
**Summary of Alternative Characteristics and Assumptions**

Item	Source	Assumption	Proposed Project	Alt. A No Project	Alt. B Reduced Density	Alt. C Mixed Use C	Alt. D Mixed Use D
<b>OPERATING ASSUMPTIONS</b>							
<b>Revenue</b>							
Avg. Residential (\$/month)	EPS		\$1,700	-	\$1,700	\$1,700	\$1,700
Commercial (\$/Sq. Ft./Mo)	EPS	NNN Lease	-	-	-	\$1.25	\$1.25
<b>Vacancy and Collection Loss</b>							
Residential	EPS		5.0%	-	5.0%	5.0%	5.0%
Commercial	EPS		-	-	-	15.0%	15.0%
<b>Expenses</b>							
Operating Expenses (Residential)	EPS [4]	% of Revenue	30%	-	30.0%	30.0%	30.0%
Operating Expenses (Commercial)	EPS	% of Revenue	10%	-	-	10%	10%
Replacement for Reserves	EPS	% of Revenue	2%	-	2.0%	2.0%	2.0%
<b>Reversion Assumption</b>							
<b>Capitalization Rate [5]</b>							
Residential	EPS		5.25%	-	5.25%	5.25%	5.25%
Commercial	EPS		-	-	-	8.00%	8.00%
Discount Rate [6]			10.00%	10.00%	10.00%	10.00%	10.00%

"matrix"

Source: Penryn Development LLC, Orchard at Penryn Final Environmental Impact Report (January 2012), Korpacz Investor Survey, Gregory P. Winger Associates, Integra Realty Resources, and EPS.

- [1] Cost assumptions provided by Con Am. Assumes all direct and indirect (soft) costs are included. The inclusion of commercial development in Alternatives C and D may require additional sitework (e.g. parking, stripage, etc.). This analysis assumes no additional cost.
- [2] Baseline costs include fixed non-construction Project costs such as overhead, technical reports, insurance, etc. Other soft costs represents any remaining soft costs that are considered variable given the cost of a given project.
- [3] Represents the cost of additional architectural and engineering expenses to draw revised maps and plans resulting from revised alternatives' land use plan.
- [4] Conservative assumption for new apartment units in California, based on Apartment Operating Expense Guide, 2011/12 prepared by Gregory P. Winger Associates.
- [5] Capitalization rate assumptions based on Korpacz Investor Survey prepared by PwC, 1st Quarter, 2001 and Integra Realty Resources Viewpoint 2012.
- [6] Typical discount rates range from 10-20%. This analysis assumes a lower investor return consistent with current discount rates.

APPENDIX B:  
Development Impact Fee Revenue



**Table B-1**  
**The Orchards at Penryn**  
**Summary of Estimated Gross Fee Revenue by Jurisdiction**

Item	Proposed Project	Alt. A No Project	Alt. B Reduced Density	Alt. C Mixed Use C	Alt. D Mixed Use D	
Residential Units	150	Not Evaluated	102	101	75	
Clubhouse (sq. ft.)	3,900		3,900	3,900	3,900	
Commercial (sq. ft)	0		0	52,000	32,000	
<b>Placer County</b>						
Parks Fee	\$386,105			\$262,551	\$259,977	\$193,053
Traffic Fee	\$426,791			\$290,218	\$604,487	\$408,543
County/City Traffic Fee	\$3,408			\$2,317	\$4,827	\$3,262
Capital Facilities Fee	\$404,624			\$275,793	\$299,109	\$219,326
All Other Fees	\$203,739			\$139,503	\$181,013	\$129,738
<b>Subtotal</b>	<b>\$1,424,666</b>			<b>\$970,382</b>	<b>\$1,349,412</b>	<b>\$953,921</b>
<b>Other Agency Fees</b>						
South Placer Regional Traffic Fee	\$128,756		\$87,554	\$182,364	\$123,250	
Penryn Fire District Fire Fee	\$94,720		\$64,871	\$83,490	\$59,922	
Loomis Union School District	\$345,817		\$235,542	\$249,365	\$183,433	
Placer Union High School District	\$231,125		\$157,402	\$165,746	\$122,013	
SPMUD Sewer Fee	\$1,357,050		\$922,794	\$1,223,045	\$868,862	
PCWA Water Fee (Domestic & Irrigation)	\$1,053,390		\$716,700	\$1,127,584	\$784,480	
<b>Subtotal</b>	<b>\$3,210,858</b>		<b>\$2,184,864</b>	<b>\$3,031,594</b>	<b>\$2,141,961</b>	
<b>TOTAL</b>	<b>\$4,635,524</b>		<b>\$3,155,247</b>	<b>\$4,381,006</b>	<b>\$3,095,882</b>	
<b>Difference From Proposed Project</b>	<b>\$0</b>		<b>(\$1,480,278)</b>	<b>(\$254,518)</b>	<b>(\$1,539,643)</b>	

"alt\_summ"

B-1

**Table B-2**  
**The Orchards at Penryn**  
**Summary of Estimated Gross Fee Rates per Unit or Square Foot**

Item	Estimated Fees		
	Residential [1]	Clubhouse	Commercial
	<i>per Unit</i>	<i>per Sq. Ft.</i>	<i>per Sq. Ft.</i>
<b>Placer County</b>			
Parks Fee	\$2,574	\$0.00	\$0.00
Traffic Fee	\$2,845	\$0.00	\$6.10
County/City Traffic Fee	\$23	\$0.00	\$0.05
Capital Facilities Fee	\$2,684	\$0.52	\$0.50
All Other Fees	\$1,338	\$0.77	\$0.82
<b>Subtotal</b>	<b>\$9,464</b>	<b>\$1.29</b>	<b>\$7.47</b>
<b>Other Agency Fees</b>			
South Placer Regional Traffic Fee	\$858	\$0.00	\$1.84
Penryn Fire District Fire Fee	\$622	\$0.37	\$0.37
Loomis Union School District	\$2,297	\$0.31	\$0.31
Placer Union High School District	\$1,536	\$0.19	\$0.19
SPMUD Sewer Fee	\$9,047	\$0.00	\$5.95
PCWA Water Fee (Domestic & Irrigation)	\$7,014	\$0.32	\$8.04
<b>Subtotal</b>	<b>\$21,375</b>	<b>\$1.19</b>	<b>\$16.69</b>
<b>TOTAL</b>	<b>\$30,839</b>	<b>\$2.48</b>	<b>\$24.17</b>

"alt\_fees"

Source: Penryn Development LLC, Placer County and agencies shown, and EPS.

[1] Average for residential units based on the weighted average of each fee per unit for the proposed project.

Table B-3  
The Orchards at Penryn  
Estimated Development Impact Fees

3-Plex

Fee Category	Total Gross Fee	Comments
<b>Development Assumptions</b>	5,042	gross square feet
	3,872	living area square feet
	0.30	est. acres per building
	\$383,011	Valuation for Type V wood frame with sprinklers
	3	Number of Units
<b>Building Permit Fees</b>		
<b>Existing County Fees</b>		
Building Permit	\$1,341	50% of building permit cost of \$2,681
Plan Check	\$1,341	50% of building permit cost of \$2,681
Plumbing Permit Fee	\$383	0.001 of building permit valuation
Electrical Permit Fee	\$383	0.001 of building permit valuation
Mechanical Permit Fee	\$383	0.001 of building permit valuation
Strong Motion Instrumentation Fee	\$38	0.0001 of building permit valuation
Energy Compliance Fee	\$105	per application
Accessibility Compliance Fee	\$105	per application
Building Standards Commission Fee	\$16	\$1.00 per \$25,000 of valuation
Parks Fee	\$7,895	A portion is due at Final Map
Placer County Traffic Fee	\$8,536	Assumes apartment DUE factor of 0.614
Placer County/City Traffic Fee	\$68	Assumes apartment DUE factor of 0.614
Placer County Capital Facilities Fee	\$8,052	\$2,683.97 per multifamily unit
<b>Subtotal County Fees</b>	<b>\$28,646</b>	
<b>Other Agency/Special District Fees</b>		
South Placer Regional Traffic Fee	\$2,575	Assumes apartment DUE factor of 0.614
Penryn Fire District Fire Fee	\$1,866	\$0.37 per living area sq. ft.
Loomis Union School District	\$6,892	\$1.78 per living area sq. ft. [1]
Placer Union High School District	\$4,608	\$1.19 per living area sq. ft.
SPMUD Sewer Fee	\$27,141	\$9,047 per multifamily unit
PCWA Water Fee - Domestic	\$19,447	\$16,206 per DUE; 40% of a DUE per MFR unit
PCWA Water Fee - Irrigation	\$1,596	Allocated portion of 1.5" irrigation [2]
<b>Subtotal Other Fees</b>	<b>\$64,125</b>	
<b>Total Permit Fees</b>	<b>\$92,771</b>	
Per Residential Unit (Average)	\$30,924	
Per Gross Building Square Foot	\$18.40	

"3-plex"

[1] Loomis Union School District is currently increasing fees. The analysis assumes current rates

[2] According to PCWA, the proposed 1.5" irrigation line for the project will incur a total connection charge of \$81,030. The cost was allocated to each building based on estimated acreage

Table B-4  
The Orchards at Penryn  
Estimated Development Impact Fees

6-Plex

Fee Category	Total Gross Fee	Comments
<b>Development Assumptions</b>	10,084	gross square feet
	7,744	living area square feet
	0.59	est. acres per building
	\$766,023	Valuation for Type V wood frame with sprinklers
	6	Number of Units
<b>Building Permit Fees</b>		
<b>Existing County Fees</b>		
Building Permit	\$2,681	50% of building permit cost of \$5,362
Plan Check	\$2,681	50% of building permit cost of \$5,362
Plumbing Permit Fee	\$766	0.001 of building permit valuation
Electrical Permit Fee	\$766	0.001 of building permit valuation
Mechanical Permit Fee	\$766	0.001 of building permit valuation
Strong Motion Instrumentation Fee	\$77	0.0001 of building permit valuation
Energy Compliance Fee	\$105	per application
Accessibility Compliance Fee	\$105	per application
Building Standards Commission Fee	\$31	\$1.00 per \$25,000 of valuation
Parks Fee	\$15,335	A portion is due at Final Map
Placer County Traffic Fee	\$17,072	Assumes apartment DUE factor of 0.614
Placer County/City Traffic Fee	\$136	Assumes apartment DUE factor of 0.614
Placer County Capital Facilities Fee	\$16,104	\$2,683.97 per multifamily unit
<b>Subtotal County Fees</b>	<b>\$56,625</b>	
<b>Other Agency/Special District Fees</b>		
South Placer Regional Traffic Fee	\$5,150	Assumes apartment DUE factor of 0.614
Penryn Fire District Fire Fee	\$3,731	\$0.37 per living area sq. ft.
Loomis Union School District	\$13,784	\$1.78 per living area sq. ft. [1]
Placer Union High School District	\$9,215	\$1.19 per living area sq. ft.
SPMUD Sewer Fee	\$54,282	\$9,047 per multifamily unit
PCWA Water Fee - Domestic	\$38,894	\$16,206 per DUE; 40% of a DUE per MFR unit
PCWA Water Fee - Irrigation	\$3,192	Allocated portion of 1.5" irrigation [2]
<b>Subtotal Other Fees</b>	<b>\$128,249</b>	
<b>Total Permit Fees</b>	<b>\$184,875</b>	
Per Residential Unit (Average)	\$30,812	
Per Gross Building Square Foot	\$18.33	

"6-plex"

[1] Loomis Union School District is currently increasing fees. The analysis assumes current rates

[2] According to PCWA, the proposed 1.5" irrigation line for the project will incur a total connection charge of \$81,030. The cost was allocated to each building based on estimated acreage

Table B-5  
The Orchards at Penryn  
Estimated Development Impact Fees

Recreation Building
------------------------

Fee Category	Total Gross Fee	Comments
<b>Development Assumptions</b>	3,900	gross square feet
	0.23	est. acres per building
	\$275,067	Valuation for Type V wood frame with sprinklers
<b>Building Permit Fees</b>		
<b>Existing County Fees</b>		
Building Permit	\$963	50% of building permit cost of \$1,925
Plan Check	\$963	50% of building permit cost of \$1,925
Plumbing Permit Fee	\$275	0.001 of building permit valuation
Electrical Permit Fee	\$275	0.001 of building permit valuation
Mechanical Permit Fee	\$275	0.001 of building permit valuation
Strong Motion Instrumentation Fee	\$28	0.0001 of building permit valuation
Energy Compliance Fee	\$105	per application
Accessibility Compliance Fee	\$105	per application
Building Standards Commission Fee	\$12	\$1.00 per \$25,000 of valuation
Parks Fee	\$0	Applies only to residential units
Placer County Traffic Fee	\$0	Assumes traffic generated by residents [1]
Placer County/City Traffic Fee	\$0	Assumes traffic generated by residents [1]
Placer County Capital Facilities Fee	\$2,028	\$0.52 per square foot
<b>Subtotal County Fees</b>	<b>\$5,029</b>	
<b>Other Agency/Special District Fees</b>		
South Placer Regional Traffic Fee	\$0	Assumes traffic generated by residents [1]
Penryn Fire District Fire Fee	\$1,443	\$0.37 per living area sq. ft.
Loomis Union School District	\$1,209	\$0.31 per sq. ft. [2]
Placer Union High School District	\$741	\$0.19 per sq. ft.
SPMUD Sewer Fee	\$0	Applies only to residential units
PCWA Water Fee - Domestic	\$0	Included with residential units
PCWA Water Fee - Irrigation	\$1,234	Allocated portion of 1.5" irrigation [3]
<b>Subtotal Other Fees</b>	<b>\$4,627</b>	
<b>Total Permit Fees</b>	<b>\$9,656</b>	
Per Gross Building Square Foot	\$2.48	

- [1] Assumes the recreation center is a community amenity available to residents only. Therefore, no additional traffic is generated nor fees justified.
- [2] Loomis Union School District is currently increasing fees. The analysis assumes current rates
- [3] According to PCWA, the proposed 1.5" irrigation line for the project will incur a total connection charge of \$81,030. The cost was allocated to each building based on estimated acreage

"rec"

Table B-6  
The Orchards at Penryn  
Estimated Development Impact Fees

**Commercial**  
(Per 10,000 sq. ft.)

Fee Category	Total Gross Fee	Comments
<b>Development Assumptions</b>	10,000	gross square feet
	0	living area square feet
	0.66	est. acres per building (assumes 0.35 FAR)
	\$791,800	Valuation for Type VB wood frame with sprinklers & AC
<b>Building Permit Fees</b>		
<b>Existing County Fees</b>		
Building Permit	\$2,771	50% of building permit cost of \$5,543
Plan Check	\$2,771	50% of building permit cost of \$5,543
Plumbing Permit Fee	\$792	0.001 of building permit valuation
Electrical Permit Fee	\$792	0.001 of building permit valuation
Mechanical Permit Fee	\$792	0.001 of building permit valuation
Strong Motion Instrumentation Fee	\$79	0.0001 of building permit valuation
Energy Compliance Fee	\$105	per application
Accessibility Compliance Fee	\$105	per application
Building Standards Commission Fee	\$32	\$1.00 per \$25,000 of valuation
Parks Fee	\$0	Applies to residential only
Placer County Traffic Fee	\$60,983	Shopping Center <200K sq. ft. DUE factor of 1.316/1K sq. ft.
Placer County/City Traffic Fee	\$487	Shopping Center <200K sq. ft. DUE factor of 1.316/1K sq. ft.
Placer County Capital Facilities Fee	\$5,000	\$0.50 per sq. ft.
<b>Subtotal County Fees</b>	<b>\$74,710</b>	
<b>Other Agency/Special District Fees</b>		
South Placer Regional Traffic Fee	\$18,398	Shopping Center <200K sq. ft. DUE factor of 1.316/1K sq. ft.
Penryn Fire District Fire Fee	\$3,700	\$0.37 per sq. ft.
Loomis Union School District	\$3,100	\$0.31 per sq. ft. [1]
Placer Union High School District	\$1,900	\$0.19 per sq. ft.
SPMUD Sewer Fee	\$59,480	\$8,931 at 2/3 DUE per 1K sq. ft. for Commercial/Retail
PCWA Water Fee - Domestic	\$80,365	Assumes one 1.5" meter per 10K square feet
PCWA Water Fee - Irrigation	\$0	Allocated to remaining development
<b>Subtotal Other Fees</b>	<b>\$166,943</b>	
<b>Total Permit Fees</b>	<b>\$241,654</b>	
Per Gross Building Square Foot	\$24.17	

"comm1"

[1] Loomis Union School District is currently increasing fees. The analysis assumes current rates

APPENDIX C:  
Economic Impact Analysis



**Table C-1**  
**The Orchards at Penryn**  
**Summary of Project Economic Impacts (2012\$)**

One Time Construction Impacts	Direct	Indirect	Induced	Total	Difference From Proposed
[1]					
<b>PROPOSED PROJECT</b>					
Output	\$31,200,000	\$9,780,000	-	<b>\$40,980,000</b>	\$0
Total Employment (Job Years)	160	80	-	<b>240</b>	0
Labor Income	\$3,500,000	\$1,300,000	-	<b>\$4,800,000</b>	\$0
<b>Alternative A - No Project</b>					
Output	Not Evaluated				
Total Employment (Job Years)	Not Evaluated				
Labor Income	Not Evaluated				
<b>Alternative B - Reduced Density</b>					
Output	\$23,770,000	\$7,300,000	-	<b>\$31,070,000</b>	(\$9,910,000)
Total Employment (Job Years)	135	55	-	<b>190</b>	(50)
Labor Income	\$2,900,000	\$1,000,000	-	<b>\$3,900,000</b>	(\$900,000)
<b>Alternative C - Mixed Use C</b>					
Output	\$30,910,000	\$9,440,000	-	<b>\$40,350,000</b>	(\$630,000)
Total Employment (Job Years)	160	75	-	<b>235</b>	(5)
Labor Income	\$3,400,000	\$1,200,000	-	<b>\$4,600,000</b>	(\$200,000)
<b>Alternative D - Mixed Use D</b>					
Output	\$24,820,000	\$7,690,000	-	<b>\$32,510,000</b>	(\$8,470,000)
Total Employment (Job Years)	130	60	-	<b>190</b>	(50)
Labor Income	\$3,100,000	\$1,100,000	-	<b>\$4,200,000</b>	(\$600,000)

"impact\_summ"

[1] Because the construction period is relatively short, this analysis assumes that no significant induced effects will occur; therefore, induced impacts have not been estimated.

**Table C-2**  
**The Orchards at Penryn**  
**Estimated Project Construction Cost (2012\$) [1]**

Proposed

Land Uses	IMPLAN Sector	Building Sq. Ft.	Est. Cost per Sq. Ft.	Total Project
<b>Environmental Remediation</b>	Sector #390 Waste Management and Remediation			\$850,000
<b>Infrastructure &amp; Site Improvements</b>	Sector #36 - Other New Nonresidential			
Other Site Improvements				\$3,172,502
Construction of Overpass				\$0
Widening of Penryn Road				\$300,000
<b>Subtotal Infrastructure and Site Improvements</b>				<b>\$3,472,502</b>
<b>Vertical Construction [2]</b>				
Residential	Sector #37 - New Residential Construction	252,100	\$75	\$18,907,500
Recreation Building	Sector #36 - Other New Nonresidential	3,900	\$75	\$292,500
Commercial Development	Sector #36 - Other New Nonresidential		-	\$0
Develop. Impact Fees (approx. 15%) [3]	Sector #37 - New Residential Construction		-	\$3,840,000
<b>Subtotal Vertical Construction</b>		<b>256,000</b>		<b>\$23,040,000</b>
<b>Estimated Soft Costs</b>				
Develop. Impact Fees (approx. 85%)	See Note [4]			\$795,524
Other Soft Costs [4]	See Note [4]			\$3,044,476
<b>Subtotal Soft Costs</b>				<b>\$3,840,000</b>
<b>Total</b>		<b>256,000</b>		<b>\$31,202,502</b>

"cost\_prop"

Source: Penryn Development LLC; MIG, Inc. 2010; and EPS.

- [1] Project construction cost estimates exclude land and are based on pro forma cost estimates, which are subject to adjustment, change orders and other actual expenses. However, for purposes of this analysis, these estimates approximate the expected cost of development.
- [2] Includes all costs of vertical construction including materials, labor, construction management, impact and other fees, etc. See note [3].
- [3] For economic impact purposes, this analysis assumes approximately 15% of fees would relate to infrastructure construction with the remainder assumed to relate to design and implementation of fee-funded facilities.
- [4] Includes estimated costs for all services including architectural, legal, engineering, environmental reporting, geo-technical studies, and other related costs. Actual costs will vary based on actual needs and findings. This analysis assumes an average of the following IMPLAN sectors to reflect various economic activities:
- Sector #367 - Legal Services
  - Sector #369 - Architecture, Engineering and Related Services
  - Sector #375 - Environmental and Other Technical Consulting Services

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**Table C-3**  
**The Orchards at Penryn**  
**Estimated Economic Impact of Project Construction (2012\$)**

<b>Proposed Overall</b>
-----------------------------

Impacts (Rounded)	Indirect Multiplier	Annual Impacts [1]		Total Impact
		Direct	Indirect	
<b>Output</b>	0.31	\$31,200,000	\$9,780,000	<b>\$40,980,000</b>
<b>Total Employment (Job Years)</b>	0.50	160	80	<b>240</b>
<i>Average Annual Jobs [2]</i>		107	53	<b>160</b>
<b>Labor Income [3]</b>	0.37	\$3,500,000	\$1,300,000	<b>\$4,800,000</b>

*"const\_prop"*

Source: Penryn Development LLC; MIG, Inc. 2010; and EPS.

- [1] Because the construction period is relatively short, this analysis assumes that no significant induced effects will occur; therefore, induced impacts have not been estimated.
- [2] Assumes an 18-month construction timeline.
- [3] Includes employee compensation and proprietors income.

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**Table C-4**  
**The Orchards at Penryn**  
**Estimated Project Construction Cost (2012\$) [1]**

Alternative B
---------------

Land Uses	IMPLAN Sector	Building Sq. Ft.	Est. Cost per Sq. Ft.	Total Project
<b>Environmental Remediation</b>	Sector #390 Waste Management and Remediation			\$950,000
<b>Infrastructure &amp; Site Improvements</b>	Sector #36 - Other New Nonresidential			
Other Site Improvements [4]				\$3,172,502
Construction of Overpass				\$1,000,000
Widening of Penryn Road				\$300,000
<b>Subtotal Infrastructure and Site Improvements</b>				<b>\$4,472,502</b>
<b>Vertical Construction [2]</b>				
Residential	Sector #37 - New Residential Construction	168,000	\$75	\$12,600,000
Recreation Building	Sector #36 - Other New Nonresidential	3,900	\$75	\$292,500
Commercial Development	Sector #36 - Other New Nonresidential		-	\$0
Develop. Impact Fees (approx. 15%) [3]	Sector #37 - New Residential Construction		-	\$541,535
<b>Subtotal Vertical Construction</b>		<b>171,900</b>		<b>\$13,434,035</b>
<b>Estimated Soft Costs</b>				
Develop. Impact Fees (approx. 85%)	See Note [4]			\$2,613,712
Other Soft Costs [4]	See Note [4]			\$2,840,000
<b>Subtotal Soft Costs</b>				<b>\$5,453,712</b>
<b>Total</b>		<b>171,900</b>		<b>\$24,310,249</b>

"cost\_B"

Source: Penryn Development LLC; MIG, Inc. 2010; and EPS.

- [1] Project construction cost estimates exclude land and are based on pro forma cost estimates, which are subject to adjustment, change orders and other actual expenses. However, for purposes of this analysis, these estimates approximate the expected cost of development.
- [2] Includes all costs of vertical construction including materials, labor, construction management, impact and other fees, etc. See note [3].
- [3] For economic impact purposes, this analysis assumes approximately 15% of fees would relate to infrastructure construction with the remainder assumed to relate to design and implementation of fee-funded facilities.
- [4] Includes estimated costs for all services including architectural, legal, engineering, environmental reporting, geo-technical studies, and other related costs. Actual costs will vary based on actual needs and findings. This analysis assumes an average of the following IMPLAN sectors to reflect various economic activities:
  - Sector #367 - Legal Services
  - Sector #369 - Architecture, Engineering and Related Services
  - Sector #375 - Environmental and Other Technical Consulting Services

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**Table C-5**  
**The Orchards at Penryn**  
**Estimated Economic Impact of Project Construction (2012\$)**

<b>Alternative B:</b> Overall
----------------------------------

Impacts (Rounded)	Indirect Multiplier [1]	Annual Impacts [2]		Total impact
		Direct	Indirect	
<b>Output</b>	0.31	\$23,770,000	\$7,300,000	<b>\$31,070,000</b>
<b>Total Employment (Job Years)</b>	0.41	135	55	<b>190</b>
<i>Average Annual Jobs [3]</i>		90	37	<b>127</b>
<b>Labor Income [4]</b>	0.34	\$2,900,000	\$1,000,000	<b>\$3,900,000</b>

"constr\_B"

Source: Penryn Development LLC; MIG, Inc. 2010; and EPS.

- [1] Includes impacts associated with known sitework only. Additional onsite and offsite improvements and backbone infrastructure have not been estimated at this time.
- [2] Because the construction period is relatively short, this analysis assumes that no significant induced effects will occur; therefore, induced impacts have not been estimated.
- [3] Assumes an 18-month construction timeline.
- [4] Includes employee compensation and proprietors income.

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**Table C-6**  
**The Orchards at Penryn**  
**Estimated Project Construction Cost (2012\$) [1]**

Alternative C

Land Uses	IMPLAN Sector	Building Sq. Ft.	Est. Cost per Sq. Ft.	Total Project
<b>Environmental Remediation</b>	Sector #390 Waste Management and Remediation			\$850,000
<b>Infrastructure &amp; Site Improvements</b>	Sector #36 - Other New Nonresidential			
Other Site Improvements [4]				\$3,172,502
Construction of Overpass				\$0
Widening of Penryn Road				\$300,000
<b>Subtotal Infrastructure and Site Improvements</b>				<b>\$3,472,502</b>
<b>Vertical Construction [2]</b>				
Residential	Sector #37 - New Residential Construction	167,000	\$75	\$12,525,000
Recreation Building	Sector #36 - Other New Nonresidential	3,900	\$75	\$292,500
Commercial Development	Sector #36 - Other New Nonresidential	52,000	\$120	\$6,240,000
Develop. Impact Fees (approx. 15%) [3]	Sector #37 - New Residential Construction			\$3,629,094
<b>Subtotal Vertical Construction</b>		<b>222,900</b>		<b>\$22,686,594</b>
<b>Estimated Soft Costs</b>				
Develop. Impact Fees (approx. 85%)	See Note [4]			\$751,912
Other Soft Costs [4]	See Note [4]			\$3,150,000
<b>Subtotal Soft Costs</b>				<b>\$3,901,912</b>
<b>Total</b>		<b>222,900</b>		<b>\$30,911,008</b>

"cost\_C"

Source: Penryn Development LLC; MIG, Inc. 2010; and EPS.

- [1] Project construction cost estimates exclude land and are based on pro forma cost estimates, which are subject to adjustment, change orders and other actual expenses. However, for purposes of this analysis, these estimates approximate the expected cost of development.
- [2] Includes all costs of vertical construction including materials, labor, construction management, impact and other fees, etc. See note [3].
- [3] For economic impact purposes, this analysis assumes approximately 15% of fees would relate to infrastructure construction with the remainder assumed to relate to design and implementation of fee-funded facilities.
- [4] Includes estimated costs for all services including architectural, legal, engineering, environmental reporting, geo-technical studies, and other related costs. Actual costs will vary based on actual needs and findings. This analysis assumes an average of the following IMPLAN sectors to reflect various economic activities:
  - Sector #367 - Legal Services
  - Sector #369 - Architecture, Engineering and Related Services
  - Sector #375 - Environmental and Other Technical Consulting Services

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**Table C-7**  
**The Orchards at Penryn**  
**Estimated Economic Impact of Project Construction (2012\$)**

<b>Alternative C:</b> <b>Overall</b>
---

Impacts (Rounded)	Indirect	Annual Impacts [2]		Total Impact
	Multiplier [1]	Direct	Indirect	
<b>Output</b>	0.31	\$30,910,000	\$9,440,000	<b>\$40,350,000</b>
<b>Total Employment (Job Years)</b>	0.47	160	75	<b>235</b>
<i>Average Annual Jobs [3]</i>		107	50	<b>157</b>
<b>Labor Income [4]</b>	0.35	\$3,400,000	\$1,200,000	<b>\$4,600,000</b>

"const\_C"

Source: Penryn Development LLC; MIG, Inc. 2010; and EPS.

- [1] Includes impacts associated with known sitework only. Additional onsite and offsite improvements and backbone infrastructure have not been estimated at this time.
- [2] Because the construction period is relatively short, this analysis assumes that no significant induced effects will occur; therefore, induced impacts have not been estimated.
- [3] Assumes an 18-month construction timeline.
- [4] Includes employee compensation and proprietors income.

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**Table C-8**  
**The Orchards at Penryn**  
**Estimated Project Construction Cost (2012\$) [1]**

Alternative D

Land Uses	IMPLAN Sector	Building Sq. Ft.	Est. Cost per Sq. Ft.	Total Project
<b>Environmental Remediation</b>	Sector #390 Waste Management and Remediation			\$1,950,000
<b>Infrastructure &amp; Site Improvements</b>	Sector #36 - Other New Nonresidential			
Other Site Improvements [4]				\$3,172,502
Construction of Overpass				\$0
Widening of Penryn Road				\$300,000
<b>Subtotal Infrastructure and Site Improvements</b>				<b>\$3,472,502</b>
<b>Vertical Construction [2]</b>				
Residential	Sector #37 - New Residential Construction	124,000	\$75	\$9,300,000
Recreation Building	Sector #36 - Other New Nonresidential	3,900	\$75	\$292,500
Commercial Development	Sector #36 - Other New Nonresidential	32,000	\$120	\$3,840,000
Develop. Impact Fees (approx. 15%) [3]	Sector #37 - New Residential Construction			\$2,564,535
<b>Subtotal Vertical Construction</b>		<b>159,900</b>		<b>\$15,997,035</b>
<b>Estimated Soft Costs</b>	See Note [3]			
Develop. Impact Fees (approx. 85%)	See Note [4]			\$531,346
Other Soft Costs [4]	See Note [4]			\$2,870,000
<b>Subtotal Soft Costs</b>				<b>\$3,401,346</b>
<b>Total</b>		<b>159,900</b>		<b>\$24,820,884</b>

*"cost\_D"*

Source: Penryn Development LLC; MIG, Inc. 2010; and EPS.

- [1] Project construction cost estimates exclude land and are based on pro forma cost estimates, which are subject to adjustment, change orders and other actual expenses. However, for purposes of this analysis, these estimates approximate the expected cost of development.
- [2] Includes all costs of vertical construction including materials, labor, construction management, impact and other fees, etc. See note [3].
- [3] For economic impact purposes, this analysis assumes approximately 15% of fees would relate to infrastructure construction with the remainder assumed to relate to design and implementation of fee-funded facilities.
- [4] Includes estimated costs for all services including architectural, legal, engineering, environmental reporting, geo-technical studies, and other related costs. Actual costs will vary based on actual needs and findings. This analysis assumes an average of the following IMPLAN sectors to reflect various economic activities:
  - Sector #367 - Legal Services
  - Sector #369 - Architecture, Engineering and Related Services
  - Sector #375 - Environmental and Other Technical Consulting Services

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**Table C-9**  
**The Orchards at Penryn**  
**Estimated Economic Impact of Project Construction (2012\$)**

<b>Alternative D:</b> <b>Overall</b>
---

Impacts (Rounded)	Indirect	Annual Impacts [2]		Total Impact
	Multiplier [1]	Direct	Indirect	
<b>Output</b>	0.31	\$24,820,000	\$7,690,000	<b>\$32,510,000</b>
<b>Total Employment (Job Years)</b>	0.46	130	60	<b>190</b>
<i>Average Annual Jobs [3]</i>		87	40	<b>127</b>
<b>Labor Income [4]</b>	0.35	\$3,100,000	\$1,100,000	<b>\$4,200,000</b>

"constr\_D"

Source: Penryn Development LLC; MIG, Inc. 2010; and EPS.

- [1] Includes impacts associated with known sitework only. Additional onsite and offsite improvements and backbone infrastructure have not been estimated at this time.
- [2] Because the construction period is relatively short, this analysis assumes that no significant induced effects will occur; therefore, induced impacts have not been estimated.
- [3] Assumes an 18-month construction timeline.
- [4] Includes employee compensation and proprietors income.

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