APPENDIX G: CANDIDATE FUNDING APPROACHES

DRAFT FOR REVIEW
16 NOVEMBER 2018

MEMORANDUM

To: Jack Paddon and Greg Tonello

From: David Zehnder, Russ Powell, and Frank Refuerzo

Subject: Placer County Government Center Master Plan Update Market Analysis; EPS #152083

Date: October 25, 2018

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The Economics of Land Use

Economic & Planning Systems, Inc. (EPS) has conducted a market analysis for selected land uses to help inform the proposed Placer County Government Center Master Plan Update (PCGC MPU) and its land use options. EPS initiated market profiles for development prospects for the PCGC for retail, medical office, lodging, and market-rate apartments. EPS prepared pro forma models for each land use and conducted interviews with real estate brokers familiar with Auburn and, in particular, the State Route 49 (Highway 49) corridor. EPS also prepared a retail gap analysis to determine underrepresented retail categories and other retail opportunities in the Auburn area.

Summary of Findings

The PCGC site offers a unique opportunity to provide a myriad of services and amenities to the North Auburn area and beyond. Although the PCGC MPU focuses on creating a campus for government uses, the additions of public open space, community amenities, and proposed mix of nongovernmental land uses present the chance to create a town center that is currently missing in the North Auburn area. PCGC is situated between residential neighborhoods and located near existing shopping centers along Highway 49, while also existing in the midst of a larger community with strong ties to agriculture and artisanship. While land uses like retail and residential development may be found nearby, the interplay of these land uses with open space and civic buildings, can allow for the creation of a town center that is not only missing in North Auburn, but one that also enhances the community's own sense of identity amidst the rather nondescript and uninspiring development currently located along the Highway 49 corridor.

Overall improving economic conditions have led to increased market activity, most notably evidenced by declining vacancy rates for the four non-governmental land uses being contemplated for PCGC. These

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vacancy rates are declining mostly due to the absorption of existing supply as very little new development has been delivered in the Greater Auburn area. Although vacancy rates have been steadily (and in some cases sharply) declining for these land uses, rent growth trends vary by land use. Multifamily residential has recorded a strong and consistent rent growth trend post-recession. Hotels in the Roseville-Auburn area have also experienced an increase in their average daily room rates, growing by more than 8 percent from the previous year in both 2014 and 2015. This positive growth contrasts with the recent lease rate history for retail and office uses, whose lease rates have slightly improved since the recession but for the most part are experiencing stagnated growth. However, declining vacancies across the board indicate a promising outlook for future development.

The findings from this market analysis are summarized in **Table 1** on the following page. Various key points regarding overall site and planning considerations are identified below:

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- The mix of government, residential, and commercial uses, is not only in line with placemaking trends that value walkability, public spaces, and mixed uses, but also presents an opportunity to create a town center that enhances and reflects North Auburn's identity.
- Existing and proposed community assets—like nearby medical facilities, the Foothill Farmers Market, and the community itself—should be leveraged to inform development programming.
- The Auburn area is host to many wineries and breweries. These industries could be leveraged to create a unique identity for the North Auburn area with a nod to the agricultural past of the area.
- The site's location off of Highway 49 is a benefit due to its proximity to the high-traffic corridor and existing retail hub, yet also a disadvantage given its lower visibility and lack of direct access, which are less attractive to traditional retail developers and tenants.
- The competitive advantage of PCGC relative to other sites can be improved through the inclusion of onsite amenities such as open space as well as through various placemaking techniques such as creating connections between the land uses.
- A phasing strategy can build demand and mitigate risk by first bringing in uses for which there is higher demand, such as multifamily residential and hotel, to be followed by uses like office whose development prospects will benefit from an improved sense of place.

Table 1
Placer County Government Center
PCGC MPU Market Analysis
Summary of Findings

Item	NON-GOVERNMENTAL LAND USES			
	Multifamily Residential	**Retail**	**Office**	**Hotel**
Plan Options [1]				
Option 1				
Proposed Acreage [2]	14.3	2.0	10.0	2.3
Proposed Units/Square Feet/Rooms [3]	298 units	20,000 square feet	126,984 square feet	100 rooms
Option 2				
Proposed Acreage [2]	10.6	2.0	6.3	2.3
Proposed Units/Square Feet/Rooms [3]	212 units	20,000 square feet	80,000 square feet	100 rooms
Option 3				
Proposed Acreage [2]	15.1	2.0	10.9	2.3
Proposed Units/Square Feet/Rooms [3]	302 units	20,000 square feet	138,413 square feet	100 rooms
Current Market Conditions	Highest rent in ten years; strong rent growth and declining vacancies; new construction is mostly custom single-family homes; aging population, little population growth	Modest rent growth since reaching recent low point in 2012, but still shy of pre-recession peak of $2.34 psf; sharply declining vacancy; greater Auburn well-served by robust and diverse retail offerings	Stagnant rent growth; very little new supply delivered; sharply declining vacancy since 2013; 2016 Q3 vacancy of 4.5% is lowest in 10-year history; increasingly compressed office market likely to lead office rents upward	Roseville-Auburn region posted no net increase in supply of available rooms since 2011; occupancy rates have stayed around 70 percent since 2013; despite increased occupancy, few new major demand generators
New Development Opportunities	Very little new multifamily supply may indicate pent up demand for this product; County-owned land makes for potential site for affordable, workforce, or senior housing; proximity to existing community amenities as well as proposed onsite amenities	Aging retail stock with little new supply; proximity to existing retail hub; many typical strip mall centers; opportunity to create new retail experience; adjacent Home Depot and government center uses generate traffic	Nearby medical facilities and aging population signal potential medical office demand; complement and support existing community assets; adjacency to government uses can be competitive advantage for particular office users; potential educational anchor; potential to serve as professional service hub for communities to the North	Dearth of hotels in area, closest competitive hotel is 96-room Holiday Inn built in 1995; typical local/visitor demand for overnight stays can be supplemented by: hospitals, medical facilities, government uses, and onsite community- conference center
New Development Constraints	Market-rate multifamily residential is marginally feasible at 20 units per acre; high market activity for custom and single-family homes; potential community resistance to affordable housing and higher density development	Current average asking rent unlikely to support new construction; potential competition from existing retail hub; low visibility from Highway 49; over 3 miles from Interstate; alternative sites in the area are more attractive to traditional retail developers and tenants	Stagnant rent growth; declining vacancies result of positive net absorption of existing space as new supply may not be supportable with current achievable rents; high-growth sectors like tech may not be best-suited for site, at least in initial phases	Competitive position of PCGC relative to potential hotel sites closer to Interstate; distance from Interstate may hamper ability to capture mountain tourist demand; new hotel under construction in Bowman can absorb near-term and Interstate pass by demand
Site/Planning Considerations	Higher densities make project more feasible; negotiate equitable land lease agreements to boost viability of market-rate and affordable projects; promote walkability and access to open space and onsite amenities; residential uses near site interior would preserve valuable higher traffic areas for commercial uses	Leverage traffic generated by Home Depot and the site's natural elevation to promote visibility; walkable connections between onsite government uses, residential, and commercial uses; strategic design and programming to create new experiences (e.g. food hall concept; walkability, etc.)	Strategic phasing of office to be delivered in later years can be beneficial as demand for this use will increase as project's sense of place improves; find potential anchors (education/medical) to facilitate planning; create flexible retail/office product to mitigate risk; limit office development, especially in initial phases due to a risky office market relative to other proposed uses	Conference and meeting space is in general short supply in this portion of Placer County, making onsite connections between community-conference center and hotel can bolster demand; an extended-stay concept can fill a current void in the area for this niche product

summary

Source: CoStar Online; Williams + Paddon; EPS.

[1] Proposed plan options provided by Williams + Paddon.
[2] Required acreage could be reduced with increased density (e.g. 212 units on 7.07 acres at 30 units an acre)
[3] Assumes estimated 20 units per acre for residential; 0.25 FAR for retail; 0.3 FAR for office; and 43 rooms per acre for hotel.

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Introduction

The purpose of this memorandum is to present market analysis findings and to offer suggestions for the proper mix of nongovernmental land uses in the PCGC. The majority of the PCGC site will be dedicated to County government functions which will be housed in a combination of existing and new buildings. The programming of the remaining "surplus" acres is being contemplated in this market analysis. This memorandum's findings should be used to refine options for the appropriate amount of space devoted to proposed nongovernmental uses in the Plan.

The concept behind the proposed mixed land use plan revolves around the trend toward activating employment centers. In the recent past, much press has been dedicated to the diversification of single-use business parks and other employment centers toward more dynamic mixed-use projects that reflect the preferences of today's labor force for work environments.[1] [2] [3] This concept is now being explored in light of government centers. For example, the Golden 1 Center in Downtown Sacramento, on a grand scale, seeks to activate perhaps the largest government center in California and is well on its way to doing so.[4] Major business parks in Northern California have employed this strategy, including Hacienda Business Park in Pleasanton and Bishop Ranch in San Ramon.[5] [6] Indeed, the emerging concepts behind knowledge-driven innovation centers are now integrating residential space and amenities to achieve the placemaking attributes preferred by today's labor force, consumers, and residents.

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The PCGC hosts various County functions, but for the most part, it currently operates as a single land use. Situated approximately two blocks west of Highway 49, the site is adjacent to existing stores The Home Depot and Smart & Final, two retailers along the well-established commercial corridor along Highway 49. Across the site's northern border of Bell Road are a myriad of medical facilities, the largest of which is the Sutter Auburn Faith Hospital. Further north, as well as to the west and south of the site, are residential land uses of varying densities from low density single family homes on multi-acre lots, to more compact single family homes and multifamily complexes. Across the Highway 49 corridor to the east is mostly residential development.

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[1] Brass, Kevin. "Outdoor Space, Modern Food Offerings Help Energize Aging Corporate Campuses." Urban Land. November 16, 2016. http://urbanland.uli.org/economy-markets-trends/outdoor-space-modern-food-offerings-help-energize-aging-corporate-campuses/

[2] Fitzgerald, Jay. "Developers take steps to reinvent suburban office parks." Boston Globe. July 27, 2014. http://www.nytimes.com/2008/05/11/realestate/11wczo.html?

[3] Brenner, Elsa. "Parking Space as Living Space?" New York Times. May 11, 2008. http://www.bostonglobe.com/business/2014/07/26/suburban-office-parks-turning-live-work-play-development-compete-with-cities/kYJHwumXiLKU2bFvCvhBeM/story.html

[4] Lillis, Ryan and Bizjak, Tony. "New arena? Check. Now where's the rest of that promised downtown development?" The Sacramento Bee. August 22, 2016. http://www.sacbee.com/news/local/city-arena/article96833117.html

[5] http://www.bishopranch.com/about/history/

[6] http://haciendabusinesspark.com/

Site access from Highway 49 is primarily provided by Bell Road on the north side, Atwood Road on the south, and Willow Creek Drive in between the two. These three roadways are served by traffic signals at their respective intersections with Highway 49. Currently, the main north-south roadways through the site are Richardson Drive on the western portion of the site and 1st Street on the eastern portion. Non-governmental land uses are proposed around the intersection of Willow Creek Drive and 1st Street located in the eastern part of the PCGC.

The site has low visibility from Highway 49. From the intersection of Highway 49 and Willow Creek Drive, The Home Depot is visible as it is only one block removed from the Highway. Although the Willow Creek-1st Street intersection is slightly visible from Highway 49, the rest of the PCGC campus identified for non-governmental uses is not as obviously visible to the passive eye. There is also a slight grade change from Highway 49 up to PCGC.

Despite considerable traffic generated by The Home Depot, through traffic into the PCGC on Willow Creek Drive is light. County employees and visitors to PCGC primarily access the site from Bell Road and Atwood Road. The non-governmental uses proposed in the eastern part of the site are not readily visible from Richardson Drive and will primarily be served by 1st Street. Traffic patterns are likely to change as more governmental buildings are brought to the PCGC campus and as new land uses are introduced over time.

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Key Demographic Trends for North Auburn

EPS prepared a demographic analysis for the City of Auburn and the North Auburn CDP, then contrasted the findings with Loomis, Rocklin, Roseville, Placer County, El Dorado County, Sacramento County, and the State of California. **Table 2** summarizes various demographic comparisons between North Auburn, the City of Auburn, and other jurisdictions.

Age is an important demographic metric to consider for programming future land uses in Greater Auburn. North Auburn generally is younger than the City of Auburn, but overall, the greater Auburn population has an older median age than South Placer and Sacramento Counties. The only exception is the City of Lincoln, which has a large age-restricted community (Lincoln Hills). Nearby areas, such as Lake of the Pines and Meadow Vista, tend to be older than the greater Auburn area.

School enrollment trends also suggest the area is home to an aging population. Enrollment for Kindergarten through 8th Grade in the Auburn Union School District has declined by about one third over the last 20 years, showing a declining percentage of young people and fewer school-age residents. The proportion of kindergarten and first grade students are disproportionately Hispanic, which may indicate a growing trend of Hispanic families with young children. In terms of higher education, fewer people in Auburn (and North Auburn in particular) have college degrees than other jurisdictions.

The greater Auburn area has a higher percentage of renter-occupied households compared to the other jurisdictions, whose median household incomes tend to be higher than communities in greater Auburn. For example, Lake of the Pines and Meadow Vista both have higher median incomes than Auburn.

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Table 2
Placer County Government Center
PCGC MPU Market Analysis
Demographic Comparison

	Population					Housing				Household Income		Education	
Community	Total Population	Median Age	% Under 18 Years	% Over 62 Years	% Over 65 Years	Total Housing Units	% Owner-occupied	% Renter-occupied	Median Gross Rent	Median HH Income	Mean HH Income	% HS or Higher	% Bachelor's or Higher
North Auburn CDP	**14,011**	**40.5**	**21.7%**	**24.4%**	**21.7%**	**5,438**	**61.1%**	**38.9%**	**$959**	**$48,052**	**$64,200**	84.5%	19.3%
City of Auburn	**13,690**	**47.5**	**17.3%**	**24.3%**	**20.6%**	**6,395**	**54.0%**	**46.0%**	**$1,036**	**$54,085**	**$80,798**	94.1%	35.1%
Town of Loomis	6,589	42.1	25.0%	21.1%	14.2%	2,425	76.9%	23.1%	$1,617	$82,813	$93,689	96.2%	29.0%
City of Rocklin	56,974	36.1	27.0%	13.5%	10.8%	22,196	65.7%	34.3%	$1,360	$79,274	$95,743	95.4%	39.6%
City of Roseville	118,788	37.5	25.8%	17.0%	14.3%	48,506	64.6%	35.4%	$1,283	$94,461	$106,077	94.6%	36.7%
City of Lincoln	42,819	42.3	22.6%	30.8%	25.8%	17,717	78.0%	22.0%	$1,525	$70,870	$89,664	93.5%	32.6%
Placer County	361,518	40.7	23.7%	20.4%	16.6%	132,627	70.5%	29.5%	$1,277	$73,747	$93,596	94.0%	35.7%
El Dorado County	181,465	44.4	21.7%	20.8%	16.3%	88,496	74.1%	25.9%	$1,073	$68,507	$91,565	92.6%	32.1%
Sacramento County	1,418,788	35.3	25.0%	15.0%	12.0%	558,694	55.9%	44.1%	$1,035	$55,615	$73,456	86.2%	28.2%
State of California	38,066,920	35.8	24.2%	15.1%	12.1%	13,781,929	54.8%	45.2%	$1,243	$61,489	$86,704	81.5%	31.0%

demographics

Source: US Census Bureau, 2014 American Community Survey

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Market Analysis

EPS undertook a multi-pronged approach to market analysis, consisting of market research, pro forma modeling, and conducting interviews with real estate professionals attuned to the specifics of the Auburn market.

Market research included accessing industry-accepted real estate sources such as CoStar, LoopNet, and Smith Travel Research. These sources provided data regarding real estate inventory, lease rates, vacancy and occupancy, and other performance metrics specific to the Placer County market. EPS also undertook a retail gap analysis using ESRI. Individually, these sources have some limitations and should be viewed as one set among many sets of information on real estate dynamics.

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Findings from this market research informed key assumptions used in pro forma models created for the proposed land uses, which are used as a "screen" by which basic feasibility concerns may be highlighted. To arrive at a price for land, data was gathered from LoopNet, which aggregates information on current land listings. According to this data, the average listing price for land in the Auburn area is $84,951 per acre. A land price of $85,000 per acre was used in the aforementioned pro forma models. More detailed information regarding the LoopNet data can be found in **Appendix A**.

EPS also conducted interviews with various brokers with specific knowledge of the North Auburn market and the greater Auburn area market. EPS interviewed real estate brokers specializing in office, retail, and housing. In order to gain a better understanding of more specific uses, EPS also discussed hospitality/conference uses with the Chief Executive Officer for Placer Valley Tourism, retail uses with a national retail expert, and residential uses with an affordable housing developer.

Residential

Placer County Government Center sits adjacent to residential communities to the north and south. Introducing residential land uses on the project site would offer new and dynamic programming while maintaining consistency with the existing fabric of the greater community. For the purposes of informing the PCGC MPU, the residential market analysis conducted in this report focuses on the multifamily residential sector.

According to CoStar Online, the Auburn multifamily market counts 56 properties and 1,753 units in its current inventory, of which 11 properties consisting of 599 units are affordable.[7] **Appendix A** summarizes the Auburn market-rate multifamily residential market. For the last five consecutive quarters, the vacancy rate for Auburn multifamily properties has been under 3 percent, and it has remained under 5 percent for the last 14 consecutive quarters. This low vacancy is characteristic of a tight market and may be a positive sign that future residential development would be quickly absorbed.

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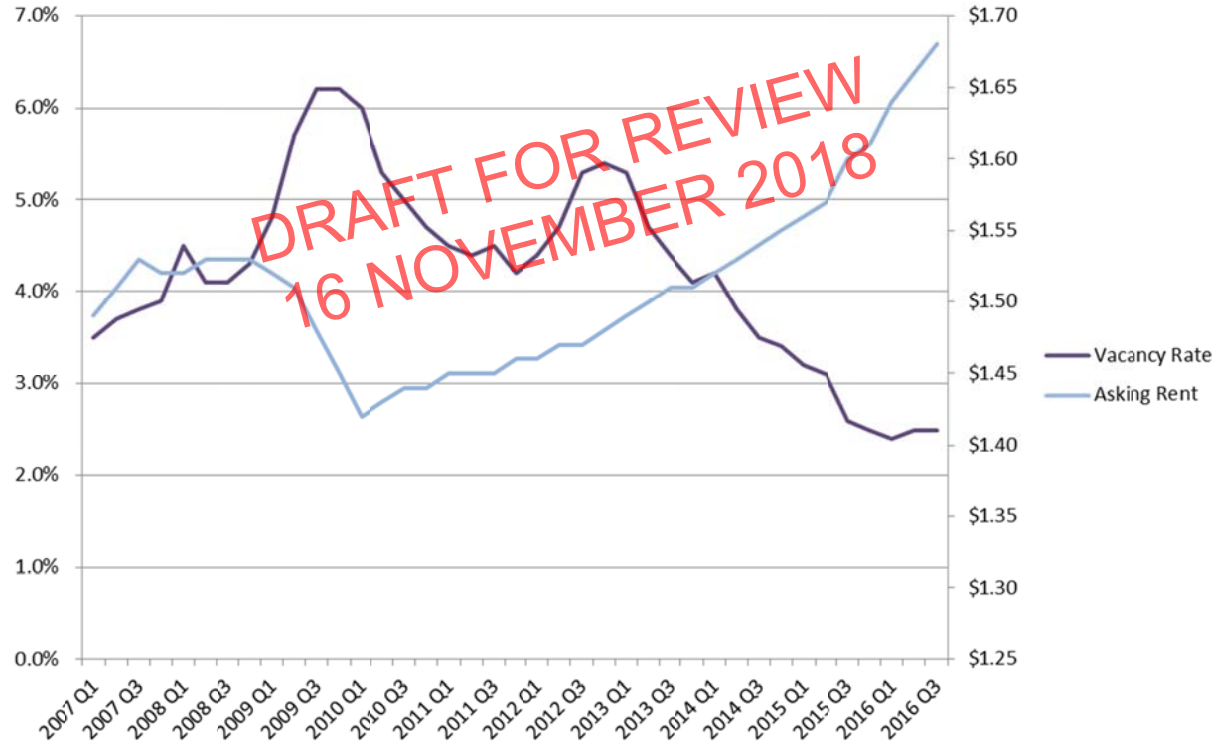
[7] CoStar Online, accessed November 17, 2016. Affordable properties listed by CoStar as either rent restricted or rent subsidized.

Another strong market indicator is the growth in average asking rents, which presents a strong growth trend in Auburn. For market-rate properties in Auburn, the average asking rent for the third quarter of 2016 was $1,354 per unit, an increase of more than 15 percent from the average asking rent 5 years prior of $1,172. **Figure 1** shows the shifts in vacancy rate and asking rent in the overall Auburn market-rate multifamily residential market over the last 10 years. If vacancy rates continue to drop or remain at these low levels, it is likely that rents will continue along its current growth trajectory.

Figure 1
Auburn Market-rate Multifamily Residential Market: Vacancy and Asking Rent



Source: CoStar Online, accessed November 17, 2016.

Income and age levels would indicate a need for more affordable housing along the Highway 49 corridor. EPS interviewed USA Properties Fund, which has a low income development in North Auburn, to see if there would be a need for additional affordable housing located in PCGC and an interest to supply it. USA Properties expressed that there would be very strong interest in pursuing such a project. The tenant profiles for their current project are low wage earners that work in the large retailers nearby, people who may work part-time as a result of having disabilities and retirees with small pensions and social security.

Multifamily residential properties along the Highway 49 Corridor between Dry Creek Road and Interstate 80 comprise a subset of the Auburn inventory with strong multifamily residential market potential, evidenced by low vacancy rates and a lack of new supply. A majority of the units included in this subset were built before 2000. This aging housing stock signals potential opportunities for new housing supply. The low vacancy rates in this market subset further

demonstrate that there may be demand to support new supply. **Table 3** summarizes a sampling of the multifamily inventory along the Highway 49 corridor.

Table 3
North Auburn—Highway 49 Corridor Multifamily Residential Inventory

Multifamily Property	Year Built	Units	Vacancy	Avg. Unit Size (SF)	Land (Sq.Ft.)	Land (Acres)	Units/ Acre	Asking Rent	Asking Rent PSF
Address									
11805 Dry Creek Rd	1979	56	0.2%	950	174,240	4.00	14	$1,189	$1.25
11325 Quarts Dr	1978	96	1.5%	808	400,752	9.20	10	$1,143	$1.41
3540 Snowcap View Circle [3]	1985	80	3.5%	764	335,412	7.70	10	$1,073	$1.41
12085 Rock Creek Rd	1980	20	2.0%	900	444,312	10.20	2	$998	$1.11
1545 Grass Valley Hwy	1965	48	2.1%	708	399,965	9.18	5	$779	$1.10
1115 Evergreen Pl	1989	58	4.7%	929	331,056	7.60	8	$1,061	$1.14
11690 Edgewood Dr	2005	6	1.7%	1,334	43,560	1.00	6	$1,401	$1.05
701 Auburn Ravine Rd [3] [4]	1974	50	2.2%	562	120,550	2.77	18	$943	$1.68
12100 Persimmon Terrace	1979	44	3.9%	892	191,664	4.40	10	$1,119	$1.65
600 Auburn Ravine Rd [3] [4]	1994	60	3.5%	535	87,120	2.00	30	$606	$1.13
781 Mikkelsen Dr	1993	80	2.3%	800	69,696	1.60	50	$1,112	$1.39
788 Mikkelsen Dr	1993	24	7.5%	1,100	69,696	1.60	15	$1,104	$1.00
618-638 Mikkelsen Dr [3] [4]	1978	50	2.2%	665	130,680	3.00	17	$1,049	$1.58
190 Summit St	1964	25	2.0%	800	50,094	1.15	22	$982	$1.23
279-295 Placer St	1964	20	2.0%	906	53,004	1.22	16	$843	$0.93
Total/Weighted Average		**717**	**2.7%**	**791**	**2,901,801**	**66.62**	**11**	**$1,020**	**$1.29**

HW49 mf inventory

Source: CoStar Online, accessed on November 17, 2016.

[1] Multifamily residential inventory includes multifamily CoStar listings along the Highway 49 Corridor between Dry Creek Road and I-80, for which appropriate property, vacancy, and rent information were available. Excludes 3250 Blue Oaks Drive The Oaks at Auburn Retirement Community.
[2] All properties are market-rate unless otherwise noted. Does not include rent-restricted properties.
[3] Rent-subsidized affordable houisng.
[4] Senior housing.

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The 15 multifamily residential properties along the Highway 49 corridor listed in the above Table 3 range from 2 to 50 dwelling units per acre and have a weighted average of 11 dwelling units per acre. The proposed density of 20 units per acre for the site's residential component is within the range of the multifamily densities currently existing along the Highway 49 corridor. Three of the properties analyzed have densities above 20 units an acre. Pending market conditions, a residential density greater than 20 units per acre may be required to achieve desired levels of financial return. The pro forma analysis in the next section describes in greater detail the feasibility of residential development at 20 units per acre under current market conditions.

Pro Forma

According to CoStar, multifamily residential properties that have sold in the Auburn area since 2014 have traded at cap rates ranging from 4.8 percent to 7.1 percent. These properties have been sold at prices ranging from $70,000 per unit to $207,000 per unit, a spread that reflects the variety of multifamily properties in the area. Properties commanding prices above $100,000 per unit have been smaller properties with less than 10 units.

The pro forma in the following **Table 4** models a market-rate residential development for the site and shows a project that is marginally feasible. Changes in market conditions, such as increased construction costs or lower than expected rents could render the new residential development infeasible. At 20 units per acre, residential development is risky when compared to building in markets that could command higher rents. Increasing density (units per acre) would help to boost profit margins and mitigate project risk. The densest multifamily residential property along Highway 49 is 50 units per acre. An increased density from 30-35 units per acre would make the project more attractive to potential developers while retaining densities similar to those found in the surrounding residential neighborhoods.

Interviews

The primary buyers of homes in Auburn now are older retirees that have cashed out their equity in areas such as the Bay Area and are using that equity to buy homes in Auburn[8]. Most purchases are cash deals. There are few younger families purchasing homes in Auburn. Most of the new construction is for custom homes.

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EPS discussed affordable housing with a local broker and USA Properties, an affordable housing developer. USA Properties' Terracina Oaks project is located just east of the PCGC, one block off of Highway 49, behind Michael's. Given the success of this Auburn project, they believe that affordable housing would work well at PCGC. A local broker who has advocated for affordable housing noted the strong resistance to this kind of project recently, so indicated it should be marketed in a positive way so as to avoid some of the pitfalls that befell the project near Raley's.

Opportunities/Constraints

From an economic standpoint, market-rate multifamily residential development is a marginally feasible land use. Residential development would be in line with the residential character of the existing neighborhoods to the north and south of the site. Several market fundamentals point to strong potential for residential development, including very low vacancy rates and a consistent growth trend in asking rent. With custom homes comprising a large portion of new residential construction and few deliveries of market-rate multifamily residential development in recent years, there may be pent up demand for market-rate multifamily housing.

Aside from market-rate housing, workforce, affordable, and senior housing are three market segments that show particular promise unique to residential development on this site. Given the County's ownership of the land, unique land leasing and development arrangements can be contemplated in order to make these residential uses viable on this site, providing housing products that are in short supply and/or high demand in Auburn, but which may not be financially feasible to build on land with less amenable land arrangements.

Although it appears that the market would support new residential development, there are a number of constraints. One such constraint is the high cost of new construction relative to achievable rents. Should construction costs rise considerably, certain housing products may be

[8] From an interview with Dave Hungerford, a real estate broker with Lyon Real Estate, Auburn.

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Table 4
Placer County Government Center
PCGC MPU Market Analysis
Multifamily Residential Land Use Pro Forma

Item	Assumption		Total
DEVELOPMENT ASSUMPTIONS			
Site Area	5.0	acres	
Floor to Area Ratio	0.85		
Gross Building Area	185,294	square feet	
Efficiency Ratio	85.0%		
Gross Leasable Area	157,500	square feet	
Average Unit Size	900	square feet	
Number of Units	175		
Dwelling Units per Acre	35		
Parking	1	space per unit	175
REVENUE ASSUMPTIONS			
Average Lease Rate	$1,620	per unit/month	
Average Lease Rate	$1.80	per square foot/month	$3,402,000
Less Vacancy	5.0%		($170,100)
Effective Gross Income			$3,231,900
Less Operating Expenses	20.0%	of Effective Gross Income	($646,380)
Other income (parking revenue?)	50.00	per space/month	$105,000
Net Operating Income (NOI)			**$2,585,520**
Capitalization Rate	6.0%		
Capitalized Building Value		NOI/Capitalization Rate	$43,092,000
Less Disposition Cost	3.0%		($1,292,760)
Total Building Value			**$41,799,240**
COST ASSUMPTIONS			
Land Costs [1]	$85,000	per acre	**($425,000)**
Direct Costs			
Basic site work	10	per land square foot	($2,178,000)
Hard Construction Costs	130	per gross square foot	($24,088,235)
Parking Costs	10,000	per space	($1,750,000)
Subtotal Direct Costs			**($28,016,235)**
Indirect Costs			
Soft Costs			
Predevelopment	1.0%	of Direct Costs	($280,162)
A&E	5.0%	of Direct Costs	($1,400,812)
Pre-opening/Marketing	1.5%	of Direct Costs	($420,244)
Legal	1.0%	of Direct Costs	($280,162)
Other Professional Services	1.0%	of Direct Costs	($280,162)
Subtotal Soft Costs	9.5%	of Direct Costs	**($2,661,542)**
Other Costs			
Contingency	10.0%	of Direct and Soft Costs	($3,067,778)
Real Estate Taxes	1.1%	12 months, construction/value	(308,179)
Permit Costs	0.0%	of Direct Costs	
Impact Fees [2]	$30,000	per unit	($5,250,000)
Developer Fee	3.0%	of Direct and Soft Costs	($920,333)
Subtotal Other Costs			**($9,546,290)**
Subtotal Indirect Costs			**($12,207,832)**
Total Project Costs			**($40,649,067)**
Total Project Costs per unit			**($232,280)**
DEVELOPER PROFIT			
Project Value			$41,799,240
Total Project Costs			($40,649,067)
Profit		Value - Project Costs	$1,150,173
Profit Margin		Profit/Project Costs	**2.8%**

pro forma MFres

Source: LoopNet; CoStar.

[1] Average of current land listed for sale in the Greater Auburn area according to LoopNet, accessed on November 30, 2016. See Table A-1.
[2] Placeholder figure used for illustrative purposes only.

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rendered infeasible. Developing at higher densities, negotiating land lease rates, and lowering development impact fees would help the financial prospects of residential development. Other constraints include potential resistance to dense residential development and negative public perception of affordable housing.

Retail

When EPS first initiated market research for potential retail uses, Placer County (County) was amidst negotiations with Costco for a potential ground lease on PCGC land near the existing Home Depot. Subsequently Costco has notified the County that it will no longer look to the PCGC as a potential store site and a site in Loomis has been identified.[9] The Loomis site being contemplated is at the intersection of Brace Road and Sierra College Boulevard, near two large retail centers located at the Sierra College Boulevard exit off Interstate 80—Rocklin Commons and Rocklin Crossings. These two shopping centers present a diverse mix of retail offerings anchored by the likes of Walmart, Target, Bass Pro Shops, and a movie theater. In this sense, the Loomis site is similar to the PCGC site given its proximity to existing retail centers. However, the Loomis site is advantageous in that it is near Interstate 80 and in close to proximity to a larger population pool, making it an easy alternative to Costco's busy Roseville store. With this "big box" no longer a strong possibility, EPS has turned its attention to identify other retail market opportunities potentially applicable to the Auburn area, the North 49 Corridor, and the site.

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Performing a preliminary retail gap analysis on the Auburn and North Auburn area revealed that limited retail opportunities exist in the area. For the retail market study area outlined in **Figure 2**, data from ESRI's Retail MarketPlace showed a retail surplus of approximately $471 million across all retail industry groups. **Table 5** details the leakage and surplus of the retail market study area by industry group. Despite the overall retail surplus in Auburn, there are seven industry groups that show retail gaps, amounting to a total retail gap of $39 million.

The retail market study area also shows significant surplus across many retail sectors (e.g., home improvement, food and beverage, motor vehicle). Large surpluses may not necessarily indicate a true oversupply of services, but rather that the market area represents a hub to which consumers from outside the area are drawn. The surplus in home improvement is probably a result of the Home Depot located next to the Government Center in addition to smaller home improvement retailers found throughout the study area. This surplus may indicate that the area could possibly attract a junior anchor store whose services would complement existing retailers, such as barbecue stores (Barbecues Galore), flooring services, and nurseries.

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[9] Van der Meer, Ben. "Exclusive: Costco looking at possible Loomis Store." November 17, 2016. http://www.bizjournals.com/sacramento/news/2016/11/17/exclusive-costco-looking-at-possible-loomis-store.html

Figure 2
Auburn/North Auburn Retail Market Study Area

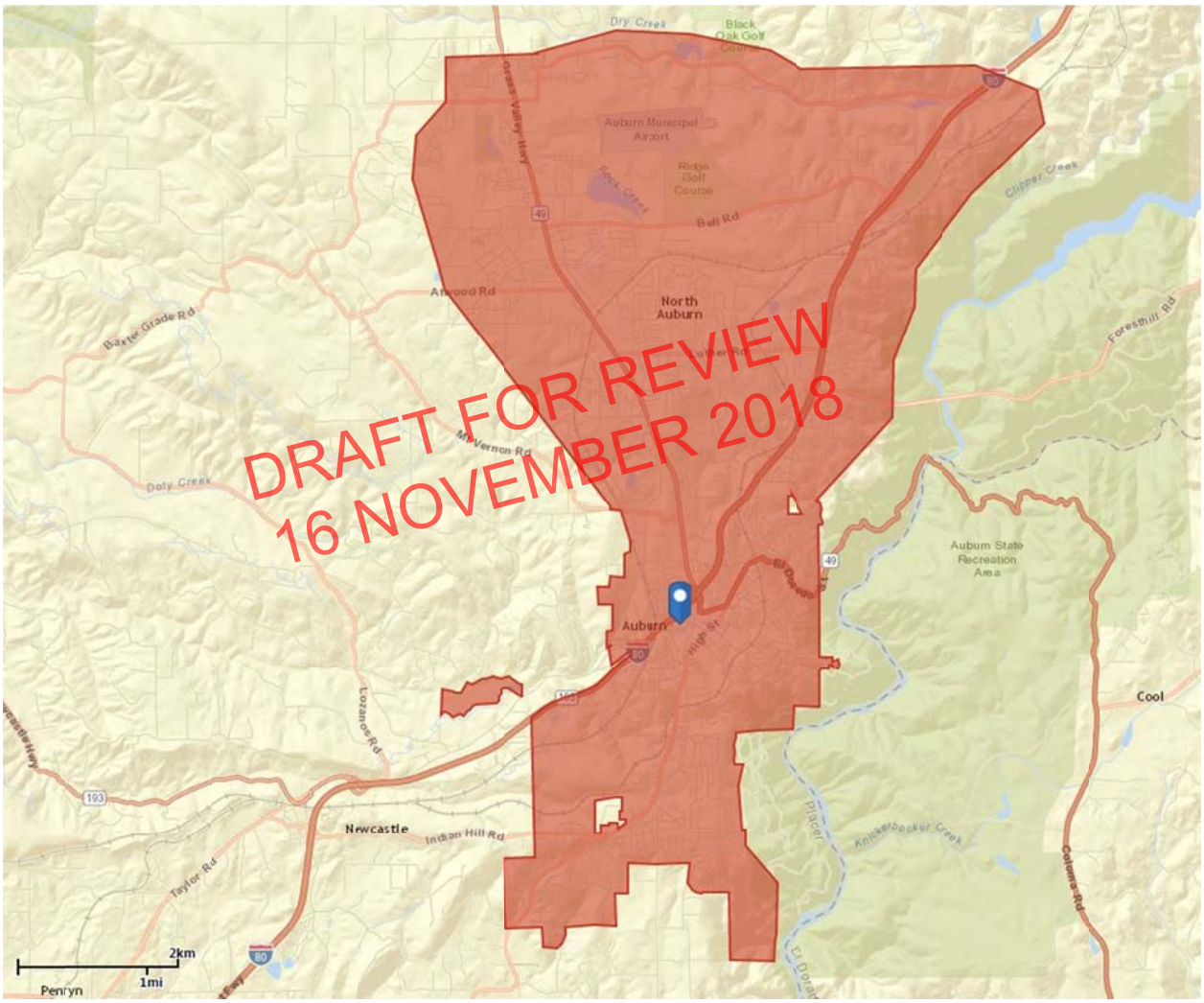

Image Source: ESRI Business Analyst Online

Table 5
ESRI Retail MarketPlace Profile—Greater Auburn Study Area

Industry Group [1]	Demand (Retail Potential)	Supply Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	**$93,233,835**	**$266,789,563**	**($173,555,728)**	**(48.2)**	**47**
Automobile Dealers	$76,729,752	$226,675,040	($149,945,288)	(49.4)	22
Other Motor Vehicle Dealers	$10,834,350	$23,049,799	($12,215,449)	(36.1)	9
Auto Parts, Accessories & Tire Stores	$5,669,733	$17,064,724	($11,394,991)	(50.1)	16
Furniture & Home Furnishings Stores	**$14,036,970**	**$7,396,447**	**$6,640,523**	**31.0**	**13**
Furniture Stores	$7,665,841	$4,397,567	$3,268,274	27.1	4
Home Furnishings Stores	$6,371,129	$2,998,880	$3,372,249	36.0	9
Electronics & Appliance Stores	**$22,106,405**	**$56,410,095**	**($34,303,690)**	**(43.7)**	**27**
Bldg Materials, Garden Equip. & Supply Stores	**$20,326,808**	**$50,729,931**	**($30,403,123)**	**(42.8)**	**40**
Bldg Material & Supplies Dealers	$18,095,757	$40,896,253	($22,800,496)	(38.7)	33
Lawn & Garden Equip & Supply Stores	$2,231,051	$9,833,678	($7,602,627)	(63.0)	7
Food & Beverage Stores	**$79,941,727**	**$145,269,884**	**($65,328,157)**	**(29.0)**	**36**
Grocery Stores	$68,628,836	$131,779,604	($63,150,768)	(31.5)	12
Specialty Food Stores	$7,323,198	$6,529,085	$794,113	5.7	17
Beer, Wine & Liquor Stores	$3,989,693	$6,961,195	($2,971,502)	(27.1)	7
Health & Personal Care Stores	**$28,781,316**	**$68,409,654**	**($39,628,338)**	**(40.8)**	**30**
Gasoline Stations	**$25,378,573**	**$51,349,787**	**($25,971,214)**	**(33.8)**	**18**
Clothing & Clothing Accessories Stores	**$27,579,588**	**$18,311,026**	**$9,268,562**	**20.2**	**39**
Clothing Stores	$19,902,437	$6,820,729	$13,081,708	49.0	22
Shoe Stores	$2,901,221	$2,772,025	$129,196	2.3	5
Jewelry, Luggage & Leather Goods Stores	$4,775,930	$8,718,272	($3,942,342)	(29.2)	12
Sporting Goods, Hobby, Book & Music Stores	**$11,926,867**	**$21,699,268**	**($9,772,401)**	**(29.1)**	**34**
Sporting Goods/Hobby/Musical Instr Stores	$10,297,437	$18,263,079	($7,965,642)	(27.9)	26
Book, Periodical & Music Stores	$1,629,430	$3,436,189	($1,806,759)	(35.7)	8
General Merchandise Stores	**$63,839,201**	**$94,293,414**	**($30,454,213)**	**(19.3)**	**6**
Department Stores Excluding Leased Depts.	$42,299,170	$90,695,239	($48,396,069)	(36.4)	4
Other General Merchandise Stores	$21,540,031	$3,598,175	$17,941,856	71.4	2
Miscellaneous Store Retailers	**$22,016,142**	**$45,927,793**	**($23,911,651)**	**(35.2)**	**66**
Florists	$896,819	$693,656	$203,163	12.8	4
Office Supplies, Stationery & Gift Stores	$3,142,243	$10,716,154	($7,573,911)	(54.7)	16
Used Merchandise Stores	$1,451,924	$5,509,976	($4,058,052)	(58.3)	21
Other Miscellaneous Store Retailers	$16,525,156	$29,008,007	($12,482,851)	(27.4)	25
Food Services & Drinking Places	**$43,400,734**	**$97,506,060**	**($54,105,326)**	**(38.4)**	**136**
Full-Service Restaurants	$24,318,065	$47,141,557	($22,823,492)	(31.9)	77
Limited-Service Eating Places	$17,418,294	$48,075,692	($30,657,398)	(46.8)	51
Special Food Services	$910,248	$1,216,634	($306,386)	(14.4)	4
Drinking Places - Alcoholic Beverages	$754,127	$1,072,177	($318,050)	(17.4)	4
Total	**$452,568,166**	**$924,092,922**	**($471,524,756)**	**N/A**	**492**

retail gap detail

Source: ESRI Business Analyst Online, Retail Market Place Profile; EPS.

[1] Nonstore retailers such as mail-order houses and direct selling establishments are not included.

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Provided the existing $39 million retail gap, and using a conservative assumption of $300 in retail sales per square foot, EPS estimates nearly 130,000 square feet of retail space can be supported in the market area. As summarized in **Table 6**, EPS estimates that if the retail market area can capture between approximately 15 and 25 percent of those sales, resulting development would be an additional 20,000 to 33,000 square feet of retail development. The Auburn/North Auburn area has leakage of retail in furniture stores; clothing stores; and specialty general merchandise stores. However, this location may not be ideally suited to accommodate these types of retailers. Since Auburn may serve as a central location for other communities to the north, additional retail beyond the 20,000-33,000 square feet may be supportable. However, Auburn is generally well-served by a wide-range of types of retail.

Table 6
Preliminary Retail Market Area Gap Analysis

Item	Retail Gap	Estimated Supportable Square Feet [1]	Estimated Capture Rate 15%	Estimated Capture Rate 25%
Formula	*A*	*B = A / $300*	*B * 15%*	*B * 25%*
Industry Group				
Furniture Stores	$3,268,274	10,894	1,634	2,724
Home Furnishings Stores	$3,372,249	11,241	1,686	2,810
Specialty Food Stores	$794,113	2,647	397	662
Clothing Stores	$13,081,708	43,606	6,541	10,901
Shoe Stores	$129,196	431	65	108
Other General Merchandise Stores	$17,941,856	59,806	8,971	14,952
Florists	$203,163	677	102	169
Total	**$38,790,559**	**129,302**	**19,395**	**32,325**
				retail gap sf

Source: ESRI Business Analyst Online, Retail Market Place Profile; EPS.

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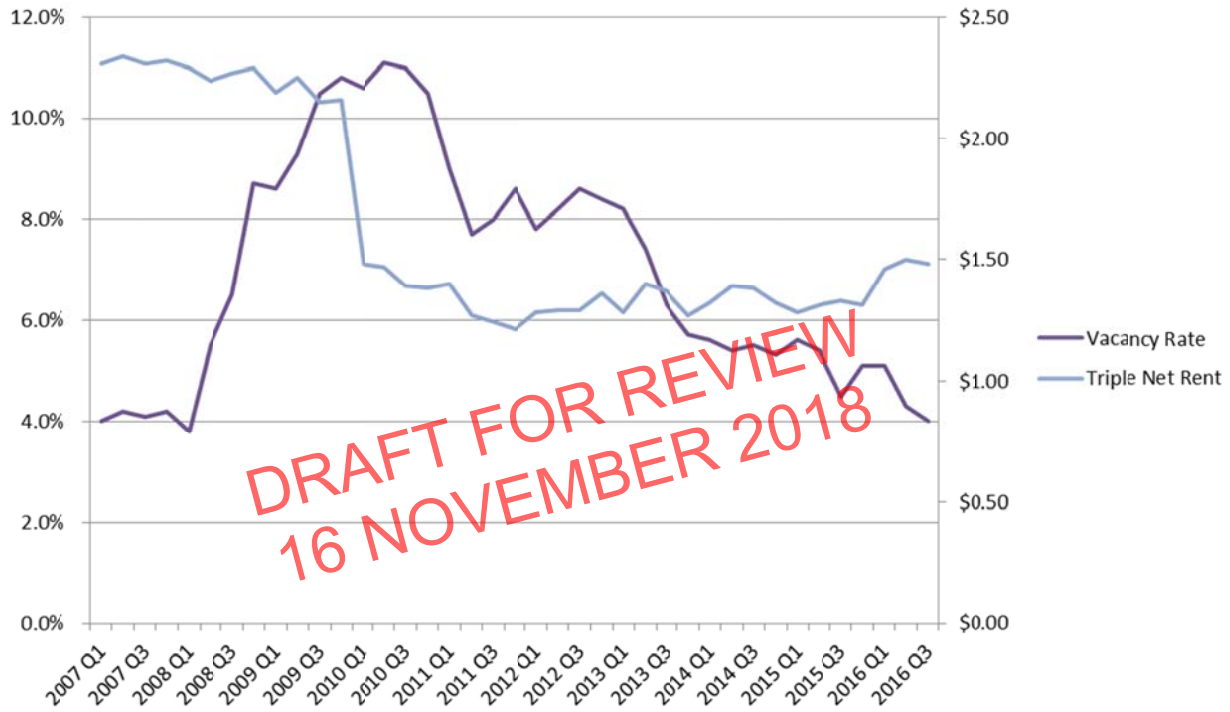
The retail market has shown positive signs, including decreased vacancy rates and positive net absorption over several consecutive quarters. For the overall Auburn retail inventory, vacancy has stayed below 6 percent since the fourth quarter of 2013, dropping to 4.0 percent in the third quarter of 2016. There has been very little supply added to the inventory—approximately 58,000 square feet has been added since 2010, bringing the current retail stock to just over 2.8 million square feet. A quarterly summary of the Auburn retail market over the last ten years can be found in **Appendix A**.

The 10-year trends for retail vacancy and rent are demonstrated in **Figure 3**. Although rent for retail space has slightly improved over the last several quarters, they are a far cry from pre-recession rents. Despite rather stagnant rent growth, the steadily declining vacancy rate signals promise—as vacancy rates decline, rents are likely to increase and make their way back towards levels capable of sustaining new construction.

Over the last four quarters, retail space in the area has commanded between $1.30 and $1.50 per square foot. According to initial pro forma analysis, new construction would not be feasible with these rents, as new retail development is typically comprised of anchor tenants who may be able to negotiate rents within this range, but which would be much lower than the lease rates charged to the smaller in-line retailers who benefit from the traffic generated by anchor tenants. Furthermore, rent growth for both retail and office has stagnated in the area, posing additional concerns about the viability of new construction on the site. Of additional concern is the site's location relative to competing retail locations that are either located directly along Highway 49 or closer to Interstate 80.

Figure 3
Auburn Retail Market: 10-Year Vacancy Rate and Rent Trends



CoStar Online, accessed on November 17 2016.

Strategic retail programming would be helpful in achieving above average rates for the new retail that are capable of supporting new development. For example, new retail to support demographics and/or to complement existing community amenities (e.g. adjacent retailers, medical facilities) could prove successful given the presence of an already robust retail sector in Auburn. Considering the age levels and income levels of this area, discount retail could be a viable retail product. As previously discussed, the creation of a "town center" concept on the site would offer the site a competitive place-based advantage over other sites along the Highway 49 corridor, which may benefit from direct access and visibility from the Highway, but whose more traditional strip mall development may lack in character and ambiance. The town center concept has the potential to make up for less ideal site characteristics by creating a unique mixed-use retail environment that can offer new experiences within the already well-served retail sector that surrounds the site.

Pro Forma

For all retail property sales over the last 5 years, the average cap rate is 6.99 percent and the median cap rate is 6.89 percent. The average sales price per building square foot over the same 5-year period is $129.17 compared to the median sales price per building square foot of $143.18

A 5-year history of retail properties larger than 10,000 square feet reveals an average cap rate of 7.1 percent and a median cap rate of 7.2 percent. On a sales price per building square foot basis, the history revealed an average of $193.38 per square foot and a median of $110.46 per square foot.

Table 7 shows a pro forma that models a flexible retail/office product. Under current market conditions, this product may not seem feasible—the average Auburn rents are not high enough to support new construction. The pro forma model shows a negative 2.9 percent profit margin using the $1.81 per square foot in rent taken from the average of new retail construction in Auburn in the third quarter of 2016. However, declining vacancy rates and improving rent growth indicate that these uses may be supportable in the future. In order to achieve a profit margin of 6 percent, rents must increase by 9.1 percent to reach $1.98 per square foot. Decreasing development impact fees and making favorable land agreements are two options for making retail/office product more appealing to potential developers.

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Interviews

Brokers stated that the overall Auburn retail market is well served by all retail sectors. They do not feel there are under-served niches. The general view is that the Auburn market serves primarily Auburn and outlying areas, like Grass Valley and Colfax. Businesses locating in Auburn often are established by people who live in the Auburn area, or want to relocate to the Auburn area to be near their homes. There was general skepticism regarding being able to attract a retailer such as Costco. One broker observed that retailers with impacted Roseville stores are locating in Rocklin before they would look farther up Interstate 80, like Wal-Mart did at Sierra College Boulevard.

Brokers suggested that grocery-anchored retail centers could help to attract strong retail co-locators. But North Auburn may already be well-served by Safeway and Bel Air. EPS explored the possibilities of a Trader Joe's or Whole Foods Market with one broker, who did not believe Trader Joe's would be interested. Although the size of a typical Trader Joe's seems like a good fit for PCGC, the company seems to be focusing on urban locations and expansion on the East Coast. However, there is agreement that grocery retailers could serve as a major draw for prime retail.

EPS asked brokers if they knew of any junior anchors that liked to locate near Home Depot stores, but none offered primary examples. EPS has noted that Lowe's often locates near Home Depot, as they have done in Roseville and Lincoln. EPS looked at nearby Home Depot stores to see what kind of other junior anchor retailers have co-located near stores in Roseville. One is near the Fry's Electronics along I-80. Interestingly, the one along Highway 65 has a Sprouts Farmers Market. This would be a unique retail business opportunity for Auburn and could fill the market niche that Trader Joe's or Whole Foods would have filled. It could be complimentary to Smart and Final near Home Depot. However, by and large, there seem to be no major trends in the types of retailers surrounding existing Home Depots, as they are collectively surrounded by a diverse array of junior anchors and smaller in-line retailers.

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Table 7
Placer County Government Center
PCGC MPU Market Analysis
Retail/Office Land Use Pro Forma

Item		Assumption	Total
DEVELOPMENT ASSUMPTIONS			
Site Area	5.0	acres	
Floor to Area Ratio	0.25		
Gross Building Area	54,450	square feet	
Efficiency Ratio	90.0%		
Gross Leasable Area	49,005	square feet	
Parking	1	space per 1,000 square feet	54
REVENUE ASSUMPTIONS			
Average Lease Rate	$1.81	per square foot/month	
Average Lease Rate	$21.72	per square foot/year	$1,064,389
Less Vacancy	10.0%		($106,439)
Effective Gross Income			$957,950
Less Operating Expenses	25.0%		($239,487)
Net Operating Income (NOI)			**$718,462**
Capitalization Rate	6.9%		
Capitalized Building Value		NOI/Capitalization Rate	$10,412,497
Less Disposition Cost	3.0%		($312,375)
Total Building Value			**$10,100,122**
COST ASSUMPTIONS			
Land Costs [1]	$85,000	per acre	($425,000)
Direct Costs			
Basic site work	5	per square foot	($1,089,000)
Hard Construction Costs	110	per square foot	($5,989,500)
Tenant Improvements	0		$0
Parking Costs	10,000	per space	($544,500)
Subtotal Direct Costs			**($7,623,000)**
Indirect Costs			
Soft Costs			
Predevelopment	1.0%	of Direct Costs	($76,230)
A&E	5.0%	of Direct Costs	($381,150)
Pre-opening/Marketing	1.5%	of Direct Costs	($114,345)
Legal	1.0%	of Direct Costs	($76,230)
Other Professional Services	1.0%	of Direct Costs	($76,230)
Subtotal Soft Costs	9.5%	of Direct Costs	**($724,185)**
Other Costs			
Contingency	10.0%	of Direct and Soft Costs	($834,719)
Real Estate Taxes	1.1%	12 months, construction/value	
Permit Costs	0.0%	of Direct Costs	
Impact Fees [2]	$10.00	per building square foot	($544,500)
Developer Fee	3.0%	of Direct and Soft Costs	($250,416)
Other Costs Subtotal			**($1,629,634)**
Indirect Costs Subtotal			**($9,976,819)**
Total Project Costs			**($10,401,819)**
Total Project Costs per gross bldg. sq. ft.			**($191)**
DEVELOPER PROFIT			
Project Value			$10,100,122
Total Project Costs			($10,401,819)
Profit		Value - Project Costs	($301,697)
Profit Margin		Profit/Project Costs	**(2.9%)**

pro forma office

Source:

[1] Average of current land listed for sale in the Greater Auburn area according to LoopNet, accessed on November 30, 2016. See Table A-1.
[2] Placeholder figure used for illustrative purposes only.

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Opportunities / Constraints

As previously discussed, the Greater Auburn area is generally well-serviced by a wide range of retailers. This holds true to the specific location of the site. The area around the intersection of Highway 49 and Bell Road is an active retail node. It hosts many major retail anchors, including The Home Depot, Target, Safeway, and Kmart, as well as smaller in-line retailers and food and beverage businesses. Aside from The Home Depot, all have direct access and high visibility from either Highway 49 or Bell Road.

This existing retail node presents both strengths and weaknesses for new retail development on the Site. The Site's location adjacent to an active retail node can be leveraged to draw from the consumer base who shops at the existing retailers. In this sense, new development can add to the critical mass of retailers, collectively functioning as a regional retail center. New development would also have to compete with existing development on two fronts. First, new development will have to compete for consumer spending. New retailers that offer complementary goods and services to existing retailers would help build a more positive synergy and enhance the overall retail hub as a destination. New development will also have to compete with vacant space within existing developments for tenants, as new retailers may prefer space within existing shopping centers shared with major anchors.

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Retail on this site is more likely to be successful if it offers experiences that are different than current offerings in nearby shopping centers. These unique experiences can take the form of retailers that provide products and services that are currently lacking in the area (or that are perhaps complementary to existing retail offerings), but placemaking can also create new experiences that are currently missing from the typical strip mall development that exists in abundance along Highway 49. New and exciting typologies such as a food hall concept, retail that is interconnected with mixed uses and open space, and other programmatic strategies can be employed to create a new retail experience for North Auburn.

A major constraint to new retail development on the Site is low visibility from Highway 49. Although direct access to the major thoroughfares would be ideal for retail development, The Home Depot has shown that retail located off the Highway can be successful. The Home Depot's success is due to its characteristic as a major anchor. The ability to attract anchor and junior anchor tenants to the Site is critical to offset the negative effects of low visibility from Highway 49. Attracting high quality tenants to pre-lease space will also be critical in securing financing. To the extent that many high-quality tenants already have presence in the area, it may be more difficult to find new high-quality tenants to pre-lease, and thus may be more difficult to underwrite the retail project.

There are additional site-specific characteristics that offer opportunities for new retail development. Potential onsite demand generators would benefit new development. The presence of Placer County government functions onsite can translate into a consistent customer base of County employees and visitors, who currently lack access to walkable retail and food and beverage options. New onsite residents serve as another potential customer base, one that is likely to frequent the new retail at different times of the day and week than the County employees and visitors, extending the potential business hours for retailers. Retail options would also serve as an amenity to onsite residential and non-residential uses, which could have a positive effect on rents for other land uses, to the extent that the walkability goals of the PCGC MPU are achieved. However, retail rents in Auburn have not shown strong growth in recent

years, raising concerns about the overall financial feasibility of this land use, especially provided the high cost of new construction. One way to mitigate such concerns is to develop a flexible retail/office product.

Office

Widespread growth across the Sacramento Valley has contributed to an improving office market. In its 2016 Q2 Office Snapshot, Cushman & Wakefield reported that the office vacancy rate for the Sacramento Valley has dropped 110 basis points from the previous year, dropping to 12.6 percent from 13.7 percent.

The outlook for office space in Auburn has greatly improved in recent years. From 2008-2010, vacancy rates hovered between 10 and 12 percent, before starting a steady increase to its peak of 15 percent at the end of 2012. Since then, office vacancy has sharply declined, posting a 4.5 percent vacancy rate in the third quarter of 2016. This has been the result of many quarters of positive net absorption over the last three years, with no new supply being delivered to market since 2012. Since 2010, only one building (about 23,000 square feet) has been added to the office inventory. These office market characteristics are outlined in greater detail in **Appendix A**. The average office vacancy and gross rent rates for the last ten years are charted in **Figure 4**. **Figure 4** shows the sharp decline in vacancy rates over the last few years, which will likely result in a corresponding rise in rents, despite a rather stagnant rent growth response in recent quarters.

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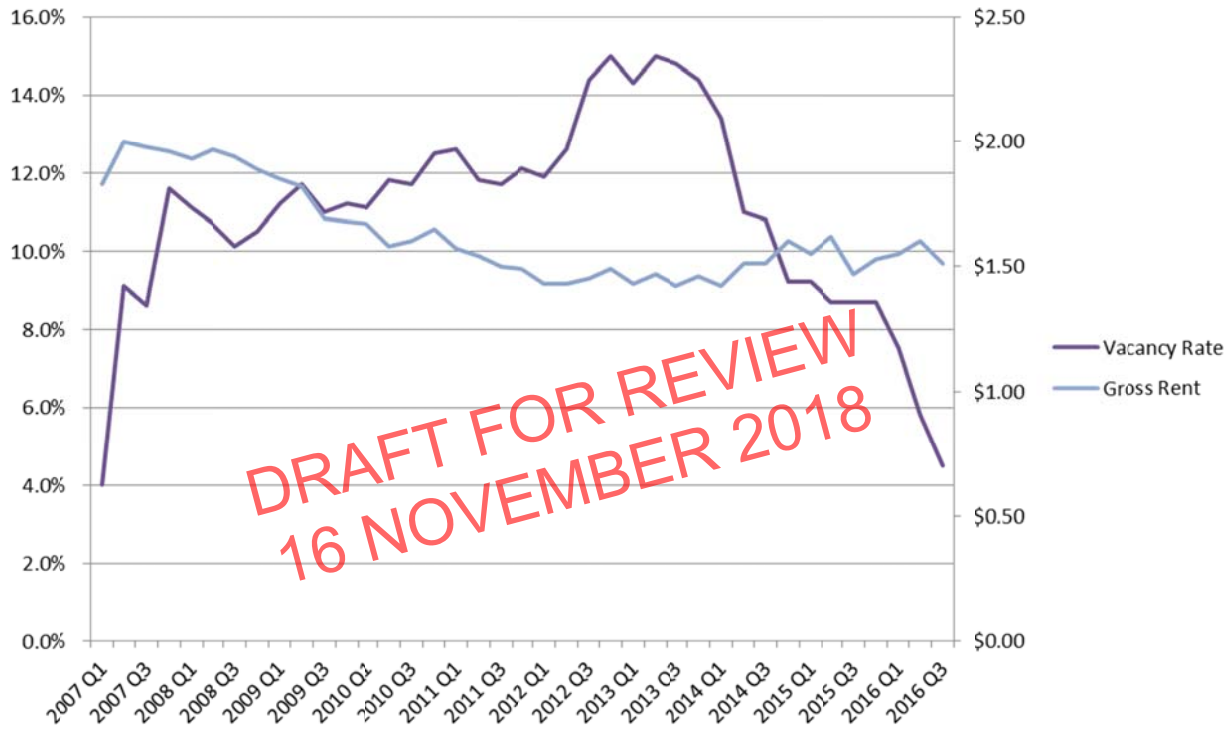
Much of the office inventory in Auburn is older. Out of 205 office buildings, only 20 have been built since 2000. The ten year average vacancy rate for buildings constructed since 2000 is 15.5 percent, which is higher than same average for the overall Auburn office inventory. This may be explained by the higher gross rents that this newer construction is commanding. For the third quarter of 2016, the newer buildings averaged $1.81 per square foot in gross rent compared to $1.51 for the overall office market.

The lack of new supply, along with low vacancy rates, could signal the need for more office space in Auburn. Commercial real estate interests from the Auburn area have suggested that the office market is driven by businesses who serve the local population, including professional services that serve Auburn and proximate communities (e.g., medical office), rather than catering to regional-serving industries or business sectors. However, Auburn has an opportunity to serve as a center for smaller nearby communities like Grass Valley. A medical tenant who expanded from Grass Valley into Auburn was cited as an example of this activity.

Technology space may not be a primary product in the Auburn area, as such users often seek closer proximity to research institutions and more urban settings. There was a more positive outlook for more general flex office space, with sites such as the Auburn airport having some success in this regard (currently about 20,000 square feet available). However, the PCGC site would not be the most appropriate location for these uses.

Figure 4
Auburn Office Market: 10-Year Vacancy Rate and Rent Trends



Source: CoStar Online, accessed on November 17, 2016.

The concentration of an older population in the greater Auburn area could encourage growth in medical office space and age-related service providers. Educational uses are another potential growth sector, as Sierra College and CSU Sacramento have both expanded into Placer County. The introduction of ancillary educational facilities to larger institutions would provide an additional demand generator for office and retail uses on the site, and may even have a positive impact on occupancy and lease rates of the adjacent residential development.

The Sierra College district encompasses Placer and Nevada counties primarily. Along with campuses in Rocklin and Grass Valley, they have a nurses program in Roseville. Auburn is approximately 20 miles from the Rocklin campus. PCGC could become a site for vocational uses, which the community college is embracing more broadly. There is still a strong ag presence in the greater Auburn area and North Auburn is home to many wineries. There are ag uses on the Rocklin campus, but an extension to Auburn may be the type of educational use that could thrive on PCGC.

Medical office seems to hold the most positive prospects for serving the area and may build on the existing presence of medical facilities near Government Center. Incubator space should be developed with more caution, as these are most successful when located near universities, large talent pools, and/or other institutions. While some unassuming geographies like Grass Valley and Nevada City boast relatively robust tech/innovation/maker communities, they have emerged from a highly-educated and business savvy resident population who are drawn to these places

for various quality of life reasons. In order to attract these types of enterprises to occupy incubator space, a certain quality of life criterion has to be met—although they may eventually want to locate in a functioning and well-planned mixed-use campus, it will be challenging to attract them as part of the first phase of development.

Pro Forma

For the five year history of office sales transactions for properties larger than 10,000 square feet, the average cap rate was 9.01 percent and the median cap rate was 9.5 percent. The average sales price per building square foot was $106.82 whereas the median was $92.72 per building square foot.

For all Auburn office property sales, both the average and median cap rate was 8.06 percent. The average sales price per building square foot was $129.17 whereas the median was $143.18 per building square foot.

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Interviews

The broker with the best knowledge of the office market in Auburn noted there is approximately 1.0 million square foot of office space in Auburn with a 15 percent vacancy rate. The Auburn office market primarily serves Auburn and surrounding communities. Primary uses are medical offices and professional services. The broker noted that medical office space for practitioners is shrinking as technology allows for smaller footprints for medical offices. Recently, Western Sierra Medical Center sought additional space in the Auburn area and the broker indicated another medical group is interested in office space in Auburn.

EPS inquired about flex space in Auburn and the overall demand. They indicated that this space is currently provided at the airport and there is only 20,000 square foot of space currently available, so there could be demand for this type of use; however, they were not sure if PCGC was the appropriate location for this land use as its users are typically looking for a combination of office and warehouse in one location. The presence of emerging technology hubs in Auburn and Grass Valley hints at a possibility of future expansion, but if space is designated at PCGC to meet serve these users, it may take a long time to absorb.

Opportunities/Constraints

The Office market in Auburn is improving in regards to vacancy rates. Although vacancy rates have dropped in recent years, there has not been a strong rent growth pattern. Stagnant rent growth appears to be the biggest constraint for developing new office product in the area. Currently, the relatively small population appears to be well-served in terms office space. Brokers indicated that there are not many business sectors that find Auburn to offer a strategic location advantage. This presents another potential barrier to the viability of new office development, as business sectors with large space needs may look to more competitive submarkets that are strategically located near larger talent bases.

There are several site characteristics that present opportunities for office development, particularly leveraging existing community assets and demographics for future uses. A clear benefit to potential office development is the proximity to the many County government functions onsite. Businesses that support or complement existing and future County uses may find this to be a strategic location. Surrounding medical facilities also provide another opportunity to provide complementary businesses and services to existing uses. Medical office

and other medical-related businesses may similarly find this location to be strategic. The ageing demographic of Auburn may create further demand for health-related services and businesses. With little office space delivered in recent years, new businesses as well as existing businesses in older buildings may look to locate or relocate in newer construction.

Opportunities for additional office development will likely be owner/user driven. With the ageing population there may opportunities for healthcare providers to expand clinics and associated medical uses into smaller, 10,000 to 15,000 square office buildings. Additions of smaller office inventory may also attract other office uses affiliated with government uses, service providers for disadvantaged populations, and perhaps small service providers catering to the daytime PCGC population. The office market should be monitored to see if existing larger medical office users are looking to expand in the North Auburn Area.

Despite the aforementioned opportunities that may exist for new office development in the Auburn area, stagnant rent growth coupled with high construction costs remain the largest barrier to project feasibility.

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Lodging

According to a Smith Travel Research Trend Report on select hotels[10] in the Roseville-Auburn Region, there has been a steady rise in lodging demand from 2010 to 2015. Supply, on the other hand, has stagnated, with no new net increase in the supply of available rooms since 2011. The effects of the general increase in demand and stagnant supply in the local hotel market can be seen in the average occupancy and room rates of the hotels in the trend report. Average annual occupancy rates in 2010 were at approximately 56 percent and have risen steadily each year until 2013 when they reached 70 percent. Annual occupancy rates have since hovered around 70 percent. Average daily rates (ADR) have also increased on an annual basis since 2010 when the annual ADR was $86.93. In recent years, this rise in ADR has accelerated, growing by more than 8 percent from the previous year in both 2014 and 2015. The ADR for 2015 is reported at $109.06.

For hotels in and between Roseville and Auburn, there are no properties with more than 2,000 square feet of total meeting space. Many of the lodging properties offered small scale meeting space between 500 and 1,500 square feet. The absence of a hotel-conference center concept in the current market may indicate an opportunity for new supply.

While the supply of new hotel rooms has stagnated, there has been some evidence that the supply is beginning to respond to the strong performance indicators for lodging as several projects are reportedly in the pipeline. The Springhill Suites by Marriott hotel currently under construction at Bowman Road and Luther Road must be considered when analyzing the prospects for a hotel-conference center concept on the Government Center site. The Springhill Suites will

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[10] For the purposes of this analysis, selections for the Smith Travel Research Trend Report for hotels in the County were filtered according to ZIP code and hotel class. Hotel classes included in this trend report are Upper Midscale Class, Midscale Class, and Upscale Class. Hotels in the following ZIP codes were included in the trend report: 95602, 95603, 95658, 95663, 95650, 95677, 95678, and 95661. Hotels opened before January 1995 were excluded from the trend report. A total of 18 hotels were selected as part of the Smith Travel Research Trend Report.

offer 128 rooms and 2,000 square feet of meeting space.[11] The hotel site is located just off of Interstate-80 and is reported to cost $18.5 million, which is approximately $145,000 per room.[12]

Although a hotel-conference center concept would offer a unique product in this particular market, other non-hotel venues that are serving the demand for meeting/conference space must be considered. The competitive position of the Government Center site for hotel-conference center uses must also be considered relative to other potential Auburn area sites. In late 2015, an 80-room boutique hotel with a 200-person conference center had been proposed in Old Town Auburn on a parking lot across the street from the historic courthouse.[13]

The presence of a County-operated community/conference center on the PCGC site would improve the economic prospects of an adjacent hotel project as it would offload the cost burden associated with building and maintaining the space from potential developers. The conference center would provide a community service while simultaneously acting as a demand generator for an on-site hotel.

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Interviews

EPS interviewed David Attaway, of Placer Valley Tourism, an organization tasked with promoting Placer County as an overnight destination. David Attaway admitted that their focus is on the South Placer hotel market and did not have strong knowledge of the Auburn market. However, he offered insights into the South Placer market. The focus of Placer Valley Tourism is to fill rooms in off-seasons. Currently, they are emphasizing their efforts on attracting youth sports tournaments and faith-based organization as event space users with the intention of creating more lodging demand. David Attaway indicated that they do not have demand for conference space, which is expected as conferences tend to gravitate to urban or resort locations. He did confirm that there is very little conference space in South Placer given the low demand, but noted that the City of Rocklin has the Sunset Center that is quite busy, primarily with weddings, but offers meeting space for various groups. There is no associated or nearby lodging for this center.

Pro Forma

The pro forma model in **Table 8** shows that lodging is a feasible land use. Using conservative capitalization rate and occupancy assumptions, a hotel project of 100 rooms returns an attractive profit margin. An average daily room rate of $110 is used, consistent with data provided in the

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[11] Thomson, Gus. "Auburn's New Hotel: 10 Things That May Surprise You." September 23, 2016. http://www.auburnjournal.com/article/9/23/16/auburn%E2%80%99s-new-hotel-10-things-may-surprise-you

[12] Anderson, Mark. "Construction to begin on $18.5 million hotel near Auburn." Sacramento Business Journal. September 21, 2016. http://www.bizjournals.com/sacramento/news/2016/09/21/construction-to-begin-on-18-5-million-hotel-near.html

[13] Caspers, Tricia. "Boutique hotel in store for Old Town Auburn?" Auburn Journal. November 11, 2015. http://www.auburnjournal.com/article/11/11/15/boutique-hotel-store-old-town-auburn

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Table 8
Placer County Government Center
PCGC MPU Market Analysis
Hotel Land Use Pro Forma

Item		Assumption	Total
ASSUMPTIONS			
DEVELOPMENT ASSUMPTIONS			
Site Area	2.3	acres	
Floor to Area Ratio	0.80		
Gross Building Area	80,000	square feet	
Efficiency Ratio	85.0%		
Gross Leasable Area	68,000	square feet	
Gross Square feet per room	800	square feet	
Number of Hotel Rooms	100		
Parking	1	space per room	100
REVENUE ASSUMPTIONS			
Average Daily Rate	110	per night	$4,015,000
Occupancy Rate	60.0%		$2,409,000
Effective Gross Income			$2,409,000
Less Operating Expenses	30.0%		($722,700)
Other income (F&B, retail, mtg)	0.00	per room	$0
Net Operating Income (NOI)			**$1,686,300**
Capitalization Rate	8.0%		
Capitalized Building Value		NOI/Capitalization Rate	$21,078,750
Less Disposition Cost	3.0%		($632,363)
Total Building Value			**$20,446,388**
COST ASSUMPTIONS			
Land Costs [1]	$85,000	per acre	($195,500)
Direct Costs			
Basic site work	10	per square foot	($1,001,880)
Hard Construction Costs	130	per square foot	($10,400,000)
Parking Costs	10,000	per space	($1,000,000)
Subtotal Direct Costs			**($12,401,880)**
Indirect Costs			
Soft Costs			
Predevelopment	1.0%	of Direct Costs	($124,019)
A&E	5.0%	of Direct Costs	($620,094)
Pre-opening/Marketing	1.5%	of Direct Costs	($186,028)
Legal	1.0%	of Direct Costs	($124,019)
Other Professional Services	1.0%	of Direct Costs	($124,019)
Subtotal Soft Costs	9.5%	of Direct Costs	**($1,178,179)**
Other Costs			
Contingency	10.0%	of Direct and Soft Costs	($1,358,006)
Real Estate Taxes	1.1%	12 months, construction/value	
Permit Costs	0.0%	of Direct Costs	
Impact Fees []2	$ 5,000	per room	($500,000)
Developer Fee	3.0%	of Direct and Soft Costs	($407,402)
Subtotal Other Costs			**($2,265,408)**
Subtotal Indirect Costs			**($3,443,586)**
Total Project Costs			**($16,040,966)**
Total Project Costs per room			**($160,410)**
DEVELOPER PROFIT			
Project Value			$20,446,388
Total Project Costs			($16,040,966)
Profit		Value - Project Costs	$4,405,421
Profit Margin		Profit/Project Costs	27%

pro forma hotel

Source:

[1] Average of current land listed for sale in the Greater Auburn area according to LoopNet, accessed on November 30, 2016. See Table A-1.
[2] Placeholder figure used for illustrative purposes only.

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Smith Travel Research (STR) report on nearby hotels. The STR report provided steadily increasing average room rates and occupancy rates over the years, the latter of which has reached 70 percent. Given that the site is located off Highway 49 and relatively removed from Interstate 80, a conservative occupancy rate of 60 percent is used in the pro forma model. The model assumes no income from other sources that might be found in other hotels, such as food and beverage spending, recreation and leisure activities, and parking. This pro forma does not model a meeting/conference space component to the hotel since it is assumed that this amenity would be provided in a nearby County building.

Opportunities/Constraints

Hotel development is a promising land use for the PCGC site. The Greater Auburn area has low lodging inventory as well as a low supply of conference/meeting space. Smith Travel Research data on hotels within the Auburn-Roseville region shows increasing demand, rising room rates, and very little new development. An onsite hotel/conference center concept has the capacity to create an attraction with conference center space as well as increasing lodging capacity of the greater region. The region is in particularly short supply of conference/meeting space, and providing such space would be a benefit to the greater community. The potential for the County to build and operate the conference/community center would alleviate some of the cost burden from the hotel. Government-related functions and other community and private events at the conference center would also serve as a demand generator for the hotel. Additionally, nearby hospitals and medical facilities may also create future demand for overnight stays.

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There are several site and market constraints to hotel development. The Site's location off of Highway 49 offers limited visibility, which is a constraint, although not as significant of a constraint for hotel development as it is for retail uses. More significant constraints are the market considerations regarding new hotel development. Although lodging demand has steadily increased over the years, new hotel development has not been delivered.

Response to the increased lodging demand has been growing, most explicitly evidenced by the Springhill Suites project currently under construction along Interstate 80 near Bowman. The Springhill Suites project is well-located on the Interstate with high visibility, and is likely to gain a large share of the pass-by market. The Springhill Suites project is also providing 2,000 square feet of meeting space, catering to gatherings looking to take advantage of its hilltop vistas. This poses competition for the limited meeting and event market in Auburn. Discussion of a new boutique hotel across from the historic Auburn courthouse is further evidence of a growing supply-side response. Although these projects can be considered as competition, they are also indicative of a strengthening hotel market with no penetration since the Holiday Inn was built in Auburn 20 years ago.

Conclusion

There are three site configurations under consideration for the PCGC-MPU. Non-governmental uses are proposed for the areas along Willow Creek Drive near The Home Depot and along First Street. Each site option has a residential use planned for the southwest corner of the PCGC campus, off of Atwood Road. New government uses are located near the center of the campus. A large open space is planned for the center of the campus. Some of the non-governmental uses will abut or be nearby the open space.

The location of non-governmental uses in each option will suffer from a lack of proximity and visibility from Highway 49. The project is not likely to provide "destination" retail opportunities, as its retail component is likely to be comprised of neighborhood-serving retail will be best suited to serve nearby uses. These retail uses would seem to benefit most from being positioned in close proximity to The Home Depot and adjacent Smart & Final. Residential and office uses on the other hand, are less reliant on traffic than retail and would find just as much success being located towards the interior of the site. Placing these uses towards the interior of the site would bring traffic past the retailers and into the site, while also generating onsite demand for retailers. The strategic placement of non-governmental uses can help shape future traffic patterns in ways that are beneficial to those uses and the community as a whole.

General Comments

Retail is sized appropriately across the three options, proposing approximately 20,000 square feet of retail space.

The three options are described in greater detail below.

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Option 1

Major traffic circulation for Option 1 is planned for Willow Creek Drive, 1st Street, B Avenue, C Avenue, and Richardson Drive. The County Administrative Center is located at Bell Road and 1st Avenue. The location of the most frequented County buildings in this option will encourage traffic movements along Richardson Drive and Bell Road. Under this use plan, government buildings would not necessarily generate new traffic near Willow Creek Drive and 1st Street, where non-governmental uses are planned. A proposed hotel with approximately 100 rooms is planned for an area south of the Willow Creek Drive and 1st Street roundabout. Commercial office and retail are additional uses surrounding this roundabout.

There are residential uses are located adjacent to these non-governmental uses. If residential is the first use to develop in this area, the main traffic generation to this area will be driven by residential uses. Of the proposed 298 residential units under Option 1, approximately 180 will be adjacent to the non-governmental uses (retail, office, and hotel). Retail uses under each option are planned for approximately 21,000 square foot within the Willow Creek/1st Street vicinity. If development of this retail use relies upon a certain amount of traffic generation through this intersection, it is uncertain if there will be sufficient traffic to encourage development of this use.

Office uses are planned for approximately 130,000 square feet within this area. Sutter Auburn Faith Hospital is located two blocks to the north of PCGC and there are many medical offices located nearby, with some medical providers looking to expand in the North Auburn area. If this area were activated by addition of various office uses related to the medical industry, this could activate traffic along Willow Creek and perhaps generate sufficient visibility for neighborhood commercial that could serve residents on PCGC, County employees, and office employees. Again, this area is not readily visible from the Highway 49 corridor so residential and office uses will bring the visitors to Willow Creek Drive/1st Street and encourage retail development.

Option 2

Major circulation for Option 2 will be along Willow Creek Drive, 1st Street, Richardson Avenue, and County Center Drive off of Bell Road. Office, retail, residential, and the hotel are all heavily planned along Willow Creek Drive to County Center Drive. This configuration may encourage

more traffic trips along Willow Creek Drive. There is approximately 83,000 square foot of office planned for this option, with 212 residential units. The County Administrative Centre moved towards the interior of the campus. A community center is planned in each option near the open space. In this option, the County Administrative Center also abuts the open space. The office and retail are closer to the open space in this option. The combination of uses bordering on the open space and community center may better activate this space for non-governmental uses. This option also concentrates more uses south of The Home Depot, which generates significant traffic all days of the week. This option may best utilize the proximity to The Home Depot.

Option 3

Option 3 eliminated Willow Creek Drive as a major access to the center of the campus. Willow Creek Drive terminates at 1st Street where non-governmental uses are concentrated along Willow Creek and 1st Street. There are a planned 302 residential units located along 1st Street and adjoining the open space and community center. Retail uses are primarily south of The Home Depot, with office uses along the roundabout at Willow Creek Drive and 1st Street. There is approximately 140,000 square foot of office planned for the area around the roundabout. The County Administrative Center is along Bell Road between 1st Street and County Center Drive.

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Professional Drive will provide access to the center of the campus, along with County Center Drive. Professional Drive will give the most direct access for residential uses, but will also pass near the non-governmental uses. This land use option seems to create unique districts for governmental, non-governmental uses, and residential uses. It is conceivable that Willow Creek Drive will be the access point for non-governmental uses, Professional Drive for residential uses, and County Center Drive for governmental uses. Retail will be highly visible from Highway 49. The neighborhood commercial would not necessarily be with walking distance for County employees, but would be reasonably close to residential uses.

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APPENDIX A:

Additional Market Data

Table A-1 Auburn Multifamily Residential Inventory – All Market-rate Buildings A-1

Table A-2 Auburn Retail Market Fundamentals – All Buildings A-2

Table A-3 Auburn Retail Market Fundamentals – Buildings Constructed Since 2000 ..... A-3

Table A-4 Auburn Office Market Fundamentals – All Buildings A-4

Table A-5 Auburn Office Market Fundamentals – Buildings Constructed Since 2000 ..... A-5

Table A-6 Comparable Land Listing in the Auburn Area A-6

Table A-1
Placer County Government Center
PCGC MPU Market Analysis
Auburn Multifamily Residential Inventory - All Market-rate Buildings [1]

Period	Inventory			Vacant Units	Vacancy Rate	Net Absorption Units	Deliveries Units	Asking Rent	
	Buildings	Units	Avg. Unit SF					Per Unit	Per Sq. Ft.
2007 Q1	30	998	799	35	3.5%	2	-	$1,201	$1.49
2007 Q2	30	998	799	37	3.7%	(2)	-	$1,221	$1.51
2007 Q3	30	998	799	38	3.8%	(2)	-	$1,232	$1.53
2007 Q4	30	998	799	39	3.9%	(1)	-	$1,228	$1.52
2008 Q1	31	1,007	799	45	4.5%	3	9	$1,228	$1.52
2008 Q2	32	1,023	808	42	4.1%	3	16	$1,235	$1.53
2008 Q3	32	1,023	808	41	4.1%	1	-	$1,238	$1.53
2008 Q4	32	1,023	808	43	4.3%	(2)	-	$1,231	$1.53
2009 Q1	32	1,023	808	48	4.8%	(5)	-	$1,224	$1.52
2009 Q2	32	1,023	808	57	5.7%	(9)	-	$1,217	$1.51
2009 Q3	32	1,023	808	63	6.2%	(5)	-	$1,196	$1.48
2009 Q4	32	1,023	808	63	6.2%	-	-	$1,171	$1.45
2010 Q1	32	1,023	808	61	6.0%	2	-	$1,147	$1.42
2010 Q2	32	1,023	808	54	5.3%	7	-	$1,153	$1.43
2010 Q3	32	1,023	808	50	5.0%	4	-	$1,162	$1.44
2010 Q4	32	1,023	808	47	4.7%	3	-	$1,165	$1.44
2011 Q1	32	1,023	808	46	4.5%	2	-	$1,169	$1.45
2011 Q2	32	1,023	808	44	4.4%	1	-	$1,170	$1.45
2011 Q3	33	1,029	808	45	4.5%	5	6	$1,172	$1.45
2011 Q4	33	1,029	808	43	4.2%	3	-	$1,174	$1.46
2012 Q1	33	1,029	808	44	4.4%	(2)	-	$1,180	$1.46
2012 Q2	33	1,029	808	47	4.7%	(3)	-	$1,187	$1.47
2012 Q3	33	1,029	808	53	5.3%	(6)	-	$1,190	$1.47
2012 Q4	33	1,029	808	54	5.4%	(1)	-	$1,191	$1.48
2013 Q1	33	1,029	808	53	5.3%	1	-	$1,200	$1.49
2013 Q2	33	1,029	808	47	4.7%	6	-	$1,213	$1.50
2013 Q3	33	1,029	808	45	4.4%	2	-	$1,218	$1.51
2013 Q4	33	1,029	808	41	4.1%	4	-	$1,220	$1.51
2014 Q1	33	1,029	808	42	4.2%	(1)	-	$1,225	$1.52
2014 Q2	33	1,029	808	39	3.8%	3	-	$1,232	$1.53
2014 Q3	33	1,029	808	36	3.5%	3	-	$1,240	$1.54
2014 Q4	33	1,029	808	34	3.4%	2	-	$1,247	$1.55
2015 Q1	33	1,029	808	32	3.2%	2	-	$1,260	$1.56
2015 Q2	33	1,029	808	31	3.1%	1	-	$1,267	$1.57
2015 Q3	33	1,029	808	27	2.6%	4	-	$1,289	$1.60
2015 Q4	33	1,029	808	25	2.5%	2	-	$1,302	$1.61
2016 Q1	33	1,029	808	25	2.4%	1	-	$1,320	$1.64
2016 Q2	33	1,029	808	26	2.5%	(1)	-	$1,342	$1.66
2016 Q3	33	1,029	808	25	2.5%	-	-	$1,354	$1.68
Average					**4.3%**			**$1,186**	**$1.47**

MF trend all

Source: CoStar Online, accessed on November 17 2016.

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Table A-2
Placer County Government Center
PCGC MPU Market Analysis
Auburn Retail Market Fundamentals - All Buildings [1]

Period	Inventory Buildings	Inventory Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Net Absorption	Deliveries Sq. Ft.	Triple Net Rent
2007 Q1	295	2,676,225	107,586	4.0%	26,066	-	$2.31
2007 Q2	297	2,691,382	112,462	4.2%	25,181	15,157	$2.34
2007 Q3	297	2,691,382	109,136	4.1%	3,326	-	$2.31
2007 Q4	298	2,700,382	114,302	4.2%	3,834	9,000	$2.32
2008 Q1	299	2,722,397	104,570	3.8%	30,262	22,015	$2.29
2008 Q2	300	2,763,698	151,893	5.5%	(9,037)	41,301	$2.24
2008 Q3	301	2,769,198	178,973	6.5%	(25,760)	5,500	$2.27
2008 Q4	301	2,769,198	240,412	8.7%	(61,439)	-	$2.29
2009 Q1	301	2,769,198	238,132	8.6%	10,960	-	$2.19
2009 Q2	303	2,789,940	260,691	9.3%	(1,817)	20,742	$2.25
2009 Q3	303	2,789,940	294,238	10.5%	(33,547)	-	$2.15
2009 Q4	303	2,789,940	299,969	10.8%	(12,231)	-	$2.16
2010 Q1	303	2,789,940	295,454	10.6%	11,015	-	$1.48
2010 Q2	304	2,792,459	309,630	11.1%	(17,657)	2,519	$1.47
2010 Q3	304	2,792,459	307,104	11.0%	2,766	-	$1.39
2010 Q4	303	2,790,749	293,653	10.5%	12,901	-	$1.38
2011 Q1	303	2,790,749	251,004	9.0%	2,649	-	$1.40
2011 Q2	303	2,790,749	215,749	7.7%	78,055	-	$1.27
2011 Q3	303	2,790,749	222,665	8.0%	(5,116)	-	$1.24
2011 Q4	303	2,790,749	240,907	8.6%	(18,242)	-	$1.21
2012 Q1	303	2,790,749	216,487	7.8%	22,977	-	$1.28
2012 Q2	303	2,790,749	229,915	8.2%	(14,385)	-	$1.29
2012 Q3	303	2,790,749	240,562	8.6%	(8,247)	-	$1.29
2012 Q4	303	2,790,749	233,989	8.4%	6,573	-	$1.36
2013 Q1	303	2,790,749	227,610	8.2%	1,802	-	$1.28
2013 Q2	302	2,768,749	205,392	7.4%	3,395	-	$1.40
2013 Q3	303	2,771,158	175,831	6.3%	1,039	2,409	$1.37
2013 Q4	303	2,771,158	157,640	5.7%	16,867	-	$1.27
2014 Q1	303	2,771,158	153,808	5.6%	34,787	-	$1.32
2014 Q2	303	2,771,158	148,588	5.4%	3,284	-	$1.39
2014 Q3	303	2,771,158	152,828	5.5%	(1,164)	-	$1.38
2014 Q4	303	2,771,158	146,180	5.3%	6,348	-	$1.32
2015 Q1	303	2,771,158	154,981	5.6%	(13,361)	-	$1.28
2015 Q2	302	2,764,738	149,361	5.4%	3,886	-	$1.31
2015 Q3	302	2,764,738	124,656	4.5%	17,439	-	$1.33
2015 Q4	306	2,817,553	143,092	5.1%	33,874	52,815	$1.31
2016 Q1	306	2,817,553	142,517	5.1%	8,580	-	$1.46
2016 Q2	306	2,817,553	120,094	4.3%	13,901	-	$1.50
2016 Q3	306	2,817,553	112,178	4.0%	10,410	-	$1.48
Average				**7.0%**			**$1.59**

retail trend all

Source: CoStar Online, accessed on November 17 2016.

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Table A-3
Placer County Government Center
PCGC MPU Market Analysis
Auburn Retail Market Fundamentals - Buildings Constructed Since 2000 [1]

Period	Inventory Buildings	Inventory Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Net Absorption	Deliveries Sq. Ft.	Triple Net Rent
2007 Q1	9	208,572	4,400	2.1%	1,400	-	$2.74
2007 Q2	11	223,729	17,980	8.0%	1,577	15,157	$2.74
2007 Q3	11	223,729	19,980	8.9%	(2,000)	-	$2.74
2007 Q4	12	232,729	27,480	11.8%	1,500	9,000	$2.61
2008 Q1	13	254,744	21,162	8.3%	28,333	22,015	$2.59
2008 Q2	14	296,045	60,065	20.3%	2,398	41,301	$2.58
2008 Q3	15	301,545	78,930	26.2%	(22,045)	5,500	$2.61
2008 Q4	15	301,545	80,734	26.8%	(1,804)	-	$2.60
2009 Q1	15	301,545	77,270	25.6%	12,144	-	$2.63
2009 Q2	17	322,287	80,989	25.1%	17,023	20,742	$2.28
2009 Q3	17	322,287	80,489	25.0%	500	-	$2.28
2009 Q4	17	322,287	80,689	25.0%	(200)	-	$2.28
2010 Q1	17	322,287	85,074	26.4%	(4,385)	-	$1.99
2010 Q2	18	324,806	90,374	27.8%	(2,781)	2,519	$2.01
2010 Q3	18	324,806	83,313	25.7%	4,211	-	$1.98
2010 Q4	18	324,806	79,063	24.3%	2,500	-	$1.91
2011 Q1	18	324,806	79,912	24.6%	3,751	-	$1.97
2011 Q2	18	324,806	79,576	24.5%	336	-	$1.65
2011 Q3	18	324,806	76,546	23.6%	3,030	-	$1.71
2011 Q4	18	324,806	77,014	23.7%	(468)	-	$1.66
2012 Q1	18	324,806	70,783	21.8%	4,788	-	$1.64
2012 Q2	18	324,806	71,814	22.1%	412	-	$1.59
2012 Q3	18	324,806	72,990	22.5%	(1,176)	-	$1.63
2012 Q4	18	324,806	72,990	22.5%	-	-	$1.68
2013 Q1	18	324,806	72,003	22.2%	987	-	$1.67
2013 Q2	18	324,806	72,638	22.4%	(635)	-	$1.67
2013 Q3	19	327,215	42,057	12.9%	659	2,409	$1.65
2013 Q4	19	327,215	39,290	12.0%	2,767	-	$1.64
2014 Q1	19	327,215	39,909	12.2%	31,712	-	$1.43
2014 Q2	19	327,215	43,667	13.3%	(3,758)	-	$1.43
2014 Q3	19	327,215	43,849	13.4%	(182)	-	$1.43
2014 Q4	19	327,215	39,524	12.1%	4,325	-	$1.23
2015 Q1	19	327,215	42,405	13.0%	(2,881)	-	$1.18
2015 Q2	19	327,215	45,027	13.8%	(2,622)	-	$1.23
2015 Q3	19	327,215	23,637	7.2%	12,390	-	$1.23
2015 Q4	22	375,665	40,201	10.7%	38,256	48,450	$1.20
2016 Q1	22	375,665	38,747	10.3%	4,084	-	$1.20
2016 Q2	22	375,665	35,561	9.5%	3,186	-	$1.33
2016 Q3	22	375,665	28,922	7.7%	3,611	-	$1.31
Average				**17.8%**			**$1.82**

retail trend new

Source: CoStar Online, accessed on November 17 2016.

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Table A-4
Placer County Government Center
PCGC MPU Market Analysis
Auburn Office Market Fundamentals - All Buildings [1]

Period	Inventory Buildings	Inventory Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Net Absorption	Deliveries Sq. Ft.	Gross Rent
2007 Q1	200	1,700,527	68,840	4.0%	41,954	38,336	$1.83
2007 Q2	202	1,759,085	159,817	9.1%	(32,419)	58,558	$2.00
2007 Q3	202	1,759,085	151,576	8.6%	7,623	0	$1.98
2007 Q4	204	1,808,108	210,207	11.6%	(9,240)	49,023	$1.96
2008 Q1	204	1,808,108	199,971	11.1%	10,486	0	$1.93
2008 Q2	204	1,808,108	192,697	10.7%	7,274	0	$1.97
2008 Q3	204	1,808,108	183,053	10.1%	9,644	0	$1.94
2008 Q4	204	1,808,108	190,239	10.5%	(7,186)	0	$1.89
2009 Q1	204	1,808,108	202,457	11.2%	(12,219)	0	$1.85
2009 Q2	204	1,808,108	212,271	11.7%	(12,048)	0	$1.82
2009 Q3	204	1,808,108	198,426	11.0%	16,079	0	$1.69
2009 Q4	204	1,808,108	201,707	11.2%	(4,715)	0	$1.68
2010 Q1	204	1,808,108	200,808	11.1%	(42)	0	$1.67
2010 Q2	204	1,808,108	213,213	11.8%	(10,030)	0	$1.58
2010 Q3	204	1,808,108	211,062	11.7%	(474)	0	$1.60
2010 Q4	204	1,808,108	226,674	12.5%	(12,987)	0	$1.65
2011 Q1	204	1,808,108	228,087	12.6%	(1,413)	0	$1.57
2011 Q2	204	1,808,108	212,531	11.8%	15,556	0	$1.54
2011 Q3	204	1,808,108	211,463	11.7%	(902)	0	$1.50
2011 Q4	204	1,808,108	218,630	12.1%	(6,477)	0	$1.49
2012 Q1	204	1,808,108	214,261	11.9%	2,189	0	$1.43
2012 Q2	204	1,808,108	228,692	12.6%	(12,353)	0	$1.43
2012 Q3	205	1,830,704	263,079	14.4%	(10,409)	22,596	$1.45
2012 Q4	205	1,830,704	273,845	15.0%	(10,766)	0	$1.49
2013 Q1	205	1,830,704	262,025	14.3%	11,820	0	$1.43
2013 Q2	205	1,830,704	274,672	15.0%	(13,707)	0	$1.47
2013 Q3	205	1,830,704	270,331	14.8%	5,401	0	$1.42
2013 Q4	205	1,830,704	264,330	14.4%	1,199	0	$1.46
2014 Q1	205	1,830,704	245,544	13.4%	19,577	0	$1.42
2014 Q2	205	1,830,704	202,202	11.0%	42,019	0	$1.51
2014 Q3	205	1,830,704	198,581	10.8%	6,721	0	$1.51
2014 Q4	205	1,830,704	169,027	9.2%	27,370	0	$1.60
2015 Q1	205	1,830,704	167,642	9.2%	3,682	0	$1.55
2015 Q2	205	1,830,704	159,857	8.7%	8,868	0	$1.62
2015 Q3	205	1,830,704	159,338	8.7%	(6,434)	0	$1.47
2015 Q4	205	1,830,704	159,693	8.7%	7,636	0	$1.53
2016 Q1	205	1,830,704	136,779	7.5%	18,414	0	$1.55
2016 Q2	205	1,830,704	105,522	5.8%	31,525	0	$1.60
2016 Q3	205	1,830,704	82,151	4.5%	20,087	0	$1.51
Average				**10.9%**			**$1.59**

office trend all

Source: CoStar Online, accessed on November 17 2016.

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Table A-5
Placer County Government Center
PCGC MPU Market Analysis
Auburn Office Market Fundamentals - Buildings Constructed Since 2000 [1]

Period	Inventory Buildings	Inventory Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Net Absorption	Deliveries Sq. Ft.	Gross Rent
2007 Q1	15	311,005	9,936	3.2%	35,600	38,336	$2.01
2007 Q2	17	369,563	66,512	18.0%	1,982	58,558	$2.24
2007 Q3	17	369,563	60,071	16.3%	6,441	0	$2.26
2007 Q4	19	418,586	101,630	24.3%	7,464	49,023	$2.23
2008 Q1	19	418,586	85,130	20.3%	16,500	0	$2.25
2008 Q2	19	418,586	84,656	20.2%	474	0	$2.25
2008 Q3	19	418,586	75,983	18.2%	8,673	0	$2.23
2008 Q4	19	418,586	71,859	17.2%	4,124	0	$2.23
2009 Q1	19	418,586	73,833	17.6%	(1,974)	0	$2.23
2009 Q2	19	418,586	71,599	17.1%	0	0	$2.23
2009 Q3	19	418,586	66,376	15.9%	7,457	0	$1.99
2009 Q4	19	418,586	66,399	15.9%	(23)	0	$1.91
2010 Q1	19	418,586	67,735	16.2%	(1,336)	0	$1.94
2010 Q2	19	418,586	67,735	16.2%	0	0	$1.83
2010 Q3	19	418,586	67,735	16.2%	0	0	$1.83
2010 Q4	19	418,586	71,613	17.1%	(3,878)	0	$1.86
2011 Q1	19	418,586	73,367	17.5%	(1,754)	0	$1.84
2011 Q2	19	418,586	71,778	17.1%	1,589	0	$1.82
2011 Q3	19	418,586	69,508	16.6%	300	0	$1.76
2011 Q4	19	418,586	59,799	14.3%	11,679	0	$1.73
2012 Q1	19	418,586	68,836	16.4%	(9,037)	0	$1.72
2012 Q2	19	418,586	68,969	16.5%	(133)	0	$1.72
2012 Q3	20	441,182	80,169	18.2%	11,396	22,596	$1.74
2012 Q4	20	441,182	75,737	17.2%	4,432	0	$1.80
2013 Q1	20	441,182	80,353	18.2%	(4,616)	0	$1.78
2013 Q2	20	441,182	82,187	18.6%	(2,894)	0	$1.84
2013 Q3	20	441,182	86,282	19.6%	(3,035)	0	$1.83
2013 Q4	20	441,182	90,273	20.5%	(5,449)	0	$1.82
2014 Q1	20	441,182	72,862	16.5%	18,869	0	$1.83
2014 Q2	20	441,182	69,731	15.8%	3,131	0	$1.83
2014 Q3	20	441,182	68,486	15.5%	1,245	0	$1.81
2014 Q4	20	441,182	50,019	11.3%	18,467	0	$1.80
2015 Q1	20	441,182	48,611	11.0%	1,408	0	$1.81
2015 Q2	20	441,182	44,228	10.0%	3,345	0	$1.80
2015 Q3	20	441,182	43,599	9.9%	1,667	0	$1.84
2015 Q4	20	441,182	43,599	9.9%	0	0	$1.80
2016 Q1	20	441,182	45,802	10.4%	(2,203)	0	$1.82
2016 Q2	20	441,182	28,510	6.5%	17,292	0	$1.81
2016 Q3	20	441,182	24,599	5.6%	3,911	0	$1.81
Average				**15.5%**			**$1.87**

office trend new

Source: CoStar Online, accessed on November 17 2016.

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Table A-6
Placer County Government Center
PCGC MPU Market Analysis
Comparable Land Listings in the Auburn Area

Address	Zip Code	Price	Size (acres)	Price per Acre	Notes
Blue Oaks and Education Street	95602	$599,000	1.3	$460,769	Corner parcel zoned for medical office or senior care.
NEC Plaza and Gateway Court	95603	$900,000	3.4	$264,706	Infill site with flexible zoning; adjacent to kmart, Michael's, and petco.
Atwood Road and Atwood Lane	95603	$5,785,000	80.0	$72,313	Tentative map approved with lot sies from 0.5 to 0.75 acres
Kemper Road	95603	$2,397,000	24.4	$98,238	47 tentative map lots; lot size 55'x101' and 50'x110'
3130 Professional Drive	95603	$1,100,000	1.1	$1,000,000	Ready to build ±11,500 sf of office/medical office; includes active building permit, permits fees paid
1080 Highway 49	95603	$1,299,000	32.0	$40,594	Auburn infill parcel zoned for 10 units per acre.
Average				$84,951	

land sale comp

Source: LoopNet, accessed on November 30, 2016

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