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FINAL

Economic Baseline Report

Citrus Heights 2011
Economic Development Strategy Update

Submitted To:

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City of Citrus Heights

October 28, 2011

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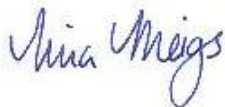
Dear Rhonda and Devon:

Attached, please find the final Economic Baseline report for the Citrus Heights Economic Development Strategy Update. This report incorporates revisions in response to staff and Council member comments offered during the October 13th City Council Meeting. This document will serve as a useful reference for refinement of implementation activities and tracking changes in local economic conditions over time. Please don't hesitate to give us a call if you have any questions.

Sincerely,



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Executive Summary

This Economic Background Report serves as a foundation to update the City of Citrus Heights' Economic Development Strategy, originally adopted in 1999. It presents three basic types of information concerning the local economy: demographic information, information regarding the local employment base, and information concerning local commercial real estate market conditions. Each of these types of information helps to build an understanding of the composition of the local economy, its condition and changes over time, and how the local economy relates to the larger region. This understanding of the current Citrus Heights economic conditions and how trends have evolved over time is critical background for preparation of an updated economic development strategy.

Consultants, the Economic Development Strategy Update Committee, and City staff will draw on the information contained in this report to identify opportunities and challenges for economic development, and to develop a work plan of practical strategies that can guide the City's efforts to help retain and expand local businesses and to attract new businesses, as part of the process of strengthening the local economy.

Demographic and Housing Trends

Between 2000 and 2010, the population and the number of households in Citrus Heights dropped by an average of 0.2 percent annually. This trend can be explained in part by a reduction in average household size and by an increase in residential vacancy rates, from 4.1 percent to 6.8 percent, even though the total number of housing units in Citrus Heights increased during the period. The increasing number of housing unit vacancies may have been caused by a trend of households moving out of Citrus Heights and not being replaced by incoming households, and/or by a rise in the number of bank-owned units during the national foreclosure crisis. Further, the reduction in household size is likely related to the finding that Citrus Heights has experienced a consistent increase in the proportion of the population over 45 years old, exceeding similar aging trends in the Region and in the State. In other words, local households appear to be aging in place and gradually becoming smaller as children move out of the family home for destinations outside of the City.

The proportion of non-families and renters has consistently increased in Citrus Heights over the past two decades, with the largest shift having occurred in the 1990s. This is likely related to the finding that more than 30 percent of new housing units constructed in Citrus Heights in the past decade have been multifamily units. It may also be affected by the tendency of many recently foreclosed homes to be used as rentals rather than re-sold to owner-occupants.

Citrus Heights has remained a community where adult residents are most likely to have attained a high school diploma but halted their higher education prior to obtaining a Bachelor's degree. Household income is highly concentrated in the middle income ranges, between \$25,000 and \$75,000 per year. Median household income has increased at a rate that is slower than inflation, meaning that, as a whole, local residents' standards of living have declined slightly and the Sacramento region has surpassed the City in terms of median household income.

Economic Trends

As was already the case in 1990, the Citrus Heights unemployment rate remains among the lowest in the region; more than 80 percent of employed residents commute to work outside of the City; and the majority of workers employed by local businesses are residents of neighboring jurisdictions. Nevertheless, over time, working residents have diversified their commuting destinations, with an increasing proportion of residents commuting to cities other than the City of Sacramento. The large commuter outflow and inflow patterns are likely related to the fact that Citrus Heights has a relatively low ratio of local jobs to employed residents, indicating that local residents remain especially dependent on employment opportunities created in other communities. Another factor may be that, while the Retail Trade sector and the Accommodation and Food Services sector together account for 46 percent of local business employment and are therefore significant engines in the Citrus Heights economy, only 18 percent of Citrus Heights workers are employed in sales or food preparation/serving occupations. Approximately 50 percent of residents work in office-based occupations.

The Citrus Heights economy shrank by 960 employees between 2001 and 2009, with the most significant job losses occurring in the Construction sector, the Administrative and Support sector, and the Finance and Insurance sector. These trends are likely strongly influenced by the national economic recession that began in 2008. The Retail sector and Arts & Entertainment sector, which were already disproportionately concentrated in the City in 2001 compared to the region, have grown even more prevalent in the intervening years. The local industries deemed most competitive include Educational Services, Health Care, Arts and Entertainment, Accommodation and Food Services, and the Professional, Scientific, and Technical sector. Further, Citrus Heights may have unrealized potential in both the Education sector and the Professional, Scientific, and Technical sector.

The bulk of Citrus Heights employment growth continues to come from medium-sized establishments; those with more than 10 but fewer than 250 employees. There has been an increased concentration of employment in companies on the higher end of that range, which suggests both a need and an opportunity for the City of Citrus Heights to place some emphasis on conducting outreach to local businesses in this size category and above, to ascertain business retention needs that the City may be able to help address.

The retail sector remains the primary source of revenue for municipal services in Citrus Heights, though the General Fund has become marginally less dependent on sales tax revenue since 1999. During that time period, the City suffered a 24 percent drop in retail sales, a drop in activity that exceeded region-wide trends. Although a portion of Citrus Heights' retail sales loss is attributable to the recent economic recession, a portion of this decline was also due to declining competitiveness with other areas.

There has also been a significant spike in the number of home-based businesses on record with the City, with a nearly 60 percent increase in such businesses since 1998. This increase may in part reflect the effects of the recent national recession, in which many businesses downsized their

staff and reduced their leased space. Unlike retail businesses, professional service companies have the option of cutting costs further by eschewing the office real estate market altogether in favor of locating in the home of the owner. Interviews with local office brokers confirm that many of Citrus Heights' smallest office tenants have indeed shifted to home-based business operations in the past two years.

Office and Retail Real Estate Trends

In general, the physical characteristics of the local office and retail market have changed minimally since the original Citrus Heights Economic Development Strategy was prepared. Area real estate broker reports estimate that the Citrus Heights/Orangevale submarket currently contains 1.35 million square feet of net rentable office space and 8 million square feet of retail space, 1.2 million of which is located in the Sunrise Mall. Of all commercial construction permits issued since 2005, 65 percent were for tenant improvements and only about 35 percent for new construction. This trend may reflect an increased need to update aging structures and/or it might reflect landlords' increased use of tenant improvement assistance as a means to attract or retain tenants in a difficult real estate environment.

Citrus Heights commercial vacancy rates have worsened in the past decade, largely as a result of the recent national economic recession. In both real estate markets, the slow economic environment has forced tenant contractions and consolidations and outright failures, which in turn put upward pressure on vacancy rates. In response to business downsizing trends, some landlords are making their spaces available in increasingly small blocks. Nevertheless, because the Citrus Heights commercial real estate market did not become substantially overbuilt in the past decade, it has remained relatively more stable than communities like Roseville or Rocklin. Retail vacancy rates are above 1999 levels but absorption trends improved significantly in late 2010 and Citrus Heights is performing slightly better than the region as a whole. One broker speculated that Citrus Heights' locale, largely removed from direct access to the regional freeway network, has been an advantage, as the local population – with its relatively solid demographics – has remained a captive consumer pool. Sacramento area brokerage reports indicate that, within the region, office vacancy was stabilizing in the latter half of 2010 but will regain equilibrium (with lower vacancy rates) only once employment turns positive and consumer confidence stabilizes. As one broker noted, 2011 is less likely to be a year of recovery than one of stabilization.

The overall regional lack of tenant demand has led to an extremely soft leasing market; all brokers interviewed reported having to be much more competitive with their rents and lease terms in order to land or even retain tenants. Concessions are usually granted in the form of free rent, reduced parking fees, relocation funds, and generous tenant improvement allowances. Brokers interviewed expect lease terms to remain soft throughout 2011, and some speculate that the office market will be the last real estate sector to recover from the national recession. The substantial “overhang” of excess vacant space in the nearby Roseville/Rocklin market can be expected to slow the recovery in Citrus Heights, as landlords compete for a limited pool of tenants.

Of particular concern is Citrus Heights' large inventory of aging commercial buildings, which are challenged by obsolescence issues and have difficulty competing in the current retail

environment. Brokers interviewed have noted that this aging inventory has proven difficult to lease during the economic recession, as leasing terms for newer buildings elsewhere in the region have become substantially more competitive. Vacancy levels in aging, unanchored strip centers appear to be two or three times greater than in larger, anchored shopping centers. The lack of small retail start-ups in the marketplace, hampered by the loss of entrepreneurs' home equity, is having a profound impact on these shopping centers.

There remain few opportunities for larger companies to locate in Citrus Heights, due to both a relative lack of large, vacant blocks of space, and also due to the design of most local office complexes as multi-tenant buildings broken into smaller chunks of space. Additionally, due to the large volume of new office developments in competing areas such as Roseville and Rocklin, the size and technological infrastructure that large tenants require, and the increased willingness of Class B building owners to sweeten leasing terms during a multi-year recession, Citrus Heights continues to be excluded from competing for large tenants and serves mostly locally-based and small business tenants. A notable exception to this trend is the 2004 attraction of the federal Small Business Administration's (SBA) Sacramento District Office to Citrus Heights. Brokers did indicate that larger companies have proven more likely to relocate in response to improving tenant lease terms elsewhere, so in this financial environment Citrus Heights' lack of dependence on such tenants may have had a market stabilizing effect.

In the context of the broader region, one of Citrus Heights' key competitive attributes remains its central location, particularly the location along the I-80 corridor and the high visibility of locations near Sunrise Mall. Other strengths noted were the city's pro-active efforts to retain businesses contemplating a move to a neighboring city. Some of the disadvantages include: the relatively older and increasingly obsolete inventory of commercial spaces; the continued lack of a regional office market identity; and the lack of direct highway visibility.

Introduction

This Economic Background Report serves as a foundation to update the City of Citrus Heights' Economic Development Strategy, originally adopted in 1999. The City of Citrus Heights has worked to implement the existing Economic Development Strategy through numerous projects and programs, and the document has served as a useful tool to City staff and leaders to guide day-to-day activities and decisions concerning local economic development. With the passage of time, the City has recognized the need to review the City's progress, take a fresh look at local economic conditions, and update strategies to reflect current and anticipated opportunities and needs.

This report presents three basic types of information concerning the local economy, including demographic information, information regarding the local employment base, and information concerning local commercial real estate market conditions. Each of these types of information helps to build an understanding of the composition of the local economy, its condition and changes over time, and how the local economy relates to the larger region. This understanding of the current Citrus Heights economic conditions and how trends have evolved over time is critical background for preparation of an updated economic development strategy.

This report will serve as a resource to consultants, City staff, and the economic development advisory committee appointed by the City Council to guide the economic development strategy update in the preparation of the updated strategy. Information contained in this report will help in understanding how the local economy has changed over the last ten years, and to identify economic development challenges and opportunities facing the City in the coming years. By beginning the strategy update process with facts on the local economy, this report will help to ensure that the resulting strategy update is timely and focused on practical measures that the City can implement in order to support the health of the Citrus Heights economy.

Local Demographics

The demographic information presented below compares Citrus Heights with the Sacramento Region (defined as the four counties of Sacramento, Yolo, Placer, and El Dorado), and with the state of California overall. Because only limited data from the 2010 Census are available at the local level, this section relies primarily on Claritas, Inc., for local demographic estimates; discussion of recently released 2010 Census data is included.

Because data became available for the City of Citrus Heights only after incorporation in 1998, this chapter focuses on the demographic trends that have occurred since that year. For reference purposes, Appendix A contains selected demographic data for 1980, 1990, and 1998, which were included in the original Citrus Heights Economic Development Strategy. This information can be helpful to identify whether recent trends were already taking place prior to incorporation. That said, it is important to remember that the earlier data represent a collection of Census Tracts that approximate City boundaries, and not the actual City boundaries themselves. Appendix B contains a map showing the study area represented by the earlier data.

Population

As shown in Table 1, the 2000 City of Citrus Heights population of 85,071 decreased by an estimated 1,680 persons, to 83,391 by 2010. This translates to an annual average population growth rate of -0.2 percent per year, which lagged behind the regional growth rate of 1.9 percent as well as the statewide growth rate of 1.1 percent per year during the same period. The 2010 Citrus Heights population count is an estimate released by Claritas, Inc, a commercial demographic forecasting service. Early figures from the 2010 Decennial Census indicate that Citrus Heights population decreased by 1,770 between 2000 and 2010, to a total of 83,301. The discrepancy between the two population estimates is likely due to the fact that the Claritas forecasting model, which covers the entire U.S., is not able to fully account for population changes at the local level.

Households

Between 2000 and 2010, the Citrus Heights average annual household growth rate of -0.1 percent lagged behind the regional rate of 1.8 percent as well as the statewide growth rate of 1.0 percent. As shown in Table 1, the estimated average Citrus Heights household size of 2.49 persons in 2010 was slightly lower than both the Region and the State averages, which were 2.67 and 2.81 per household, respectively. The 2010 Census provides comparable data to that released by Claritas, indicating that the number of households in Citrus Heights dropped by 792 between 2000 and 2010, which yields an annual average household growth rate of -0.2 percent. Average household sizes have not yet been released. The fact that both the population and the number of households dropped between 2000 and 2010 is likely related to the finding that the vacancy rate for residential housing units increased from 4.1 percent in 2000 to 6.8 percent in 2010. While a net total of 2,211

housing units were added to the Citrus Heights market during that time period, the 2010 Census found that 2,389 housing units are currently vacant. The increasing number of housing unit vacancies may have been caused by a trend of households moving out of Citrus Heights and not being replaced by incoming households, and/or by an rise in the number of units that underwent foreclosure during the national crisis and are a currently bank-owned properties units.

Age Distribution

The Citrus Heights population age distribution and median age indicate a consistent increase in the proportion of the population over 45 years old, exceeding similar aging trends in the Region and in the State. In 2010, 36.9 percent of Citrus Heights residents were over 45 years of age, compared to 36.5 percent in the Region and 35.8 percent in the State. Since 1990, the median age of the Citrus Heights Study Area has risen by 4.2 years, whereas the Regional median age has risen by 3.0 years and the State median age has risen by 3.8 years.

Household Type

Between 2000 and 2010, the local proportion of family households¹ declined, and this trend was more evident in the Citrus Heights Study Area than in the Region or the State. The decline in the proportion of family households from 64.7 percent to 63.4 percent in Citrus Heights represents a dramatic shift in contrast to the Region, which experienced a modest decline of 0.3 percent, and the State, which experienced a modest increase of 0.1 percent. Much of this significant shift in Citrus Heights' household composition occurred between 1980 and 1998, during which the proportion of family households dropped by 9.6 percent.

Tenure

The City of Citrus Heights homeownership rate declined from 57.2 percent to 55.3 percent between 2000 and 2010, a continuation of a downward trend that dates back to the 1980s. In contrast, between 1990 and 2010, homeownership rates increased in the Region by 3.5 percentage points and in the State by 1.8 percentage points. This increase in renter households can be attributed partially to the fact that multifamily housing units represented 35.7 percent of all new residential units authorized by City of Citrus Heights Planning Division between 1999 and 2009, whereas in the Sacramento region and in California they represented only 20.0 percent and 25.0 percent,

¹ According to the Census, a family is a group of two people or more (one of whom is the householder) related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family. A family household is a household maintained by a householder who is in a family, and includes any unrelated people who may be residing there. For example, in a housing unit occupied by a married couple who rent a room to an unrelated tenant, the three individuals residing there would together count as one family household. Non-family households are individuals living alone, or groups of unrelated people sharing a housing unit.

respectively, of all housing units authorized.² Even when one takes into account only the new housing units that were actually constructed between 2000 and 2009, the proportion of multifamily units constructed in Citrus Heights remains elevated at 31.4 percent.³ Multifamily residential units are more likely to be rental properties than single family units. They are also more feasible types of residential construction in fully built-out communities with few vacant parcels remaining. Since physical limitations dictate that future housing construction in Citrus Heights is likely to follow these higher-density trends, the City may see its homeownership rate to continue to drop. Other possible causes for the increasing ratio of renters in the City may include a trend of investors purchasing recently foreclosed single family homes as rental units, or an increased propensity of homeowners who are leaving the area to rent out their homes instead of selling them amidst an extremely weak housing market.

Local Educational Attainment

Table 2 shows that, as of 2000, 88.5 percent of all Citrus Heights residents over 25 years of age hold at least a high school diploma, compared to 84.6 percent in the region and 76.8 percent in the state. However, only 18.2 percent of Citrus Heights residents went on to attain a Bachelor's degree or a higher level of educational attainment, compared with 26.5 percent in the region and 26.6 percent in the state. In other words, in 2000, a disproportionate majority of residents who are likely to constitute Citrus Heights' labor pool have moderate levels of educational attainment. The 2005 - 2009 American Community Survey indicates that this trend has remained consistent throughout the decade, showing that approximately 70 percent of Citrus Heights residents over 25 years have obtained their high school diploma but halted their higher education endeavors prior to obtaining a Bachelor's degree.

Median Household Income and Income Distribution

As estimated by Claritas, Inc. and reported in Table 3, the 2010 estimated median annual household incomes for Citrus Heights and the Sacramento Region are \$54,855 and \$62,145, respectively. This marks a reversal since 1990, when the median household income of the Citrus Heights Study Area was 11 percent greater than the Region, and two percent greater than the State. This reversal occurred because the average annual growth of Citrus Heights' median household income has since lagged approximately one percentage point behind the Region since 1990. In other words, median household income in Citrus Heights has actually declined in real terms. As a result, though Citrus Heights' median income was 11 percent higher than the regional median in 1990, it is estimated at only 88 percent of the regional median in 2010.

² U.S. Census Bureau, Manufacturing and Construction Division, Annual New Residential Building Permit Survey.

³ Per records released by the City of Citrus Heights Planning Division.

Table 3 compares the Citrus Heights income distribution to the Regional distribution in 2000 and 2010. The data show that incomes have been rising in both areas, across a broad range of income levels. As of 2010, there were smaller proportions of households in the income categories below \$50,000 per year and greater proportions of households in the income categories of \$50,000 per year and above, when compared to 2000. This held true in both Citrus Heights and the Region. It is important to note that only the median income figures have been adjusted for inflation.

When compared to the Region, the Citrus Heights household income distribution is more concentrated in the middle-income ranges. Citrus Heights has a smaller proportion of households in the lowest and highest income ranges and a greater proportion of households in the income categories ranging from \$25,000 to \$75,000 per year. This concentration of middle income households has been characteristic of the Citrus Heights Study Area since 1990.

Place of Work for Citrus Heights Residents

Table 4 contains data from the 2000 Census concerning the place of work for Citrus Heights residents, as well as the 2006-2008 American Community Survey. Appendix C contains similar data from the 1990 Census. Because exact city data are not available for dates prior to the City's incorporation, Appendix C defines "Citrus Heights" as the Citrus Heights Census Designated Place (CDP), a geographic area that differs from both the current corporate boundaries of the City of Citrus Heights and the Citrus Heights demographic study area defined for other parts of this section. Appendix D contains a map that illustrates the boundaries of the Citrus Heights CDP.

As illustrated by the data contained in the upper part of Table 4, there is a significant jobs-housing mismatch in Citrus Heights. More than 80 percent of employed residents commute to work outside of Citrus Heights, a situation that already existed in 1990. The largest proportion of working residents commutes to jobs in the City of Sacramento, while the remainder of commuters travels to jobs in a range of other locations in Sacramento and Placer Counties and beyond. Since 1990, working residents have diversified their commuting destinations, with an increasing proportion of residents commuting to cities other than the City of Sacramento. Popular alternatives for Citrus Heights employed residents include Roseville, Arden Arcade, and Rancho Cordova.

Local Jobs/Employed Residents Ratio

Based on the data in Table 5, the City of Citrus Heights had an average of 0.46 jobs per employed resident between 2006 and 2008, which represents little change from 1990 and 2000. This is a relatively low figure, indicating that local residents remain especially dependent on employment opportunities created in other communities. For comparison, the City of Sacramento continues to employ a greater number of workers than it has working residents, though it has made notable gains in balancing the number of jobs and employed residents over the past two decades (an average jobs/employed resident ratio of 1.45 between 2006 and 2008, compared to 1.70 in 1990).

Folsom continues to have a reasonably balanced jobs to employed residents ratio (an average of 1.09 between 2006 and 2008, compared to 1.00 in 1990).

By definition, a minimum of at least 50 percent of Citrus Heights employed residents must travel to work outside of Citrus Heights each day. As discussed above, after accounting for the fact that residents from outside Citrus Heights hold numerous local jobs, more than 80 percent of employed Citrus Heights residents commute to locations outside of the community for work.

Occupational Characteristics

Table 6 shows the distribution of occupations in which Citrus Heights residents were employed between 2007 and 2009. Occupations are distinct from Industries, which will be discussed in the next chapter: for example, an individual employed in an administrative support occupation might be employed by the Management industry, the Health Care industry, or the Education industry.

In Citrus Heights, approximately 50 percent of employed residents over 16 years old, or 20,600 persons, work in office-based occupations such as Administrative Support, Management, Business and Finance, and Professional occupations. An additional 18 percent, or 7,600 persons, work in Sales or Food Preparation and Serving occupations. An additional 7,800 residents work in occupations that are often associated with industrially-zoned land, including production, installation and repair, transportation, and construction-based occupations. Given that the Citrus Heights economy is largely based on the Retail Trade industry, residents' choice of occupations may help to explain why a significant number of residents commute outside the City for work.

Local Unemployment Rate

The State Employment Development Department (EDD) estimates unemployment in the City of Citrus Heights at 9.0 percent, or approximately 4,500 people on average during 2010, as documented in Table 7. Continuing the trends of the last decade, the Citrus Heights unemployment rate is comparable to neighboring jurisdictions, but is relatively low compared to the Sacramento region overall, which had an estimated 12.6 percent unemployment rate in 2010. Fair Oaks, Rocklin, and Orangevale had slightly lower unemployment rates, at 7.0 percent, 8.3 percent, and 8.3 percent, respectively. Nearby jurisdictions with higher unemployment rates included Carmichael (10.0 percent), Roseville (11.5 percent), North Highlands (19.6 percent), and Rio Linda (19.8 percent).

Between 1998 and 2007, the Citrus Heights unemployment rate varied between 3.3 percent and 4.1 percent, always slightly lower than the Sacramento Region which varied between 4.3 percent and 5.9 percent during the same period. Starting in 2008, corresponding with the national economic recession, the unemployment rates in Citrus Heights, surrounding jurisdictions, and the Region rose between two and ten percentage points above the norms of the previous decade.

Projected Population and Household Growth

The Sacramento Area Council of Governments (SACOG) produces projections of local population, housing units, and employment by land use. Table 8 reports the most current estimates available for the Citrus Heights area, using 2005 as a base year and projecting growth trends through 2035. The figures are reported by Regional Analysis District (RAD). Appendix E contains a SACOG-produced map that illustrates the relationship between the boundaries of the City of Citrus Heights and the most appropriate RAD. It is important to note that these projections do not take into account the recent national recession and therefore likely overestimate initial job growth trends; however, discussions with SACOG staff in summer of 2010 indicated that the expectation was that long-term growth trends would remain within approximately ten percent of the current projections. SACOG is currently preparing updated projections, which it expects to make available in early 2012.

Table 8 shows that, between 2005 and 2035, Citrus Heights is expected to grow by approximately 10,800 residents and 5,000 housing units, which amounts to a 10.8 percent and a 12.1 percent increase respectively. More significant changes are expected in the Sacramento region during the same period, with the regional population projected to grow by 60.1 percent and the number of housing units projected to grow by 61.6 percent. This disparity between the city and regional growth trends reflects the fact that Citrus Heights is largely built out and likely to remain a relatively stable community in the foreseeable future, with only minor increases in population density.

In terms of employment, the SACOG projections indicate that the Citrus Heights economy is likely to grow by approximately 7,000 jobs between 2005 and 2035, almost 6,000 of which are expected to be office-based. Overall, office-based employment is projected to grow from 9,080 jobs in 2005 to 15,070 jobs in 2035, a 65.9 percent increase that is comparable to the region's projected 68.3 percent growth. Should these trends materialize, by 2035 the office sector would surpass the retail sector as the most significant component of Citrus Heights' economy. The retail sector is expected to grow by 1,112 jobs, or 8.4 percent, which is significantly slower than the region's predicted 47.5 percent retail employment growth. These projections may reflect the fact that Citrus Heights' retail sector has largely reached its potential in terms of population growth in its primary trade area, whereas there remains significant growth potential in the office-based sectors, which are not as dependent on population growth.

In conjunction with the release of its 2035 projections, SACOG prepared a report that further discusses the predicted regional demographic and economic shifts.⁴ Importantly, the report's

⁴ Center for Continuing Study of the California Economy and DB Consulting. 2005. *Projections of*

authors voiced concern over the structure of the region's economic base, noting that the region's economic base is likely to remain heavily concentrated in one sector—state government—and underrepresented in most other sectors. With such a high share, the burden of growth in basic jobs rests on state government and/or the professional and management services sectors, which makes the economy exceptionally vulnerable to short and medium term fluctuations in government hiring. The authors further note that much of the growth in professional services has been tied to the growth in state-government related activities. In other words, even as the national economy begins to recover from the recent recession, current trends of state government hiring freezes, downsizing, and budget emergencies are likely to continue undermining the region's economic recovery and eventual growth, with the Citrus Heights economy feeling spillover effects.

The SACOG report also outlined the demographic shifts that are likely to occur in the region as the baby-boomer generation retires. The baby boomer generation will reach retirement age and increase the share of residents over 65 between 2000 and 2030. The share of SACOG population 65 and older is projected to increase from 11 percent in 2000 to 20 percent in 2030. Nearly half of the projected household growth is expected in households headed by persons aged 65 and older. In 2030, approximately one third of the region's households will be headed by a resident aged 65 and above. One side effect is likely to be a period of labor market tightness, with real wage levels for the remaining workforce rising as skilled workers enter retirement. Given that, between 2000 and 2010, Citrus Heights' aging population trends have already affected the City's population distribution, median household income, and median household size, the City is likely to continue to experience effects similar to those projected for the region during the foreseeable future.

Table 1: Population and Household Trends

	City of Citrus Heights			Sacramento Region (b)			State of California		
	2000	2010 (a)	Annual Growth '00-'10	2000	2010 (a)	Annual Growth '00-'10	2000	2010 (a)	Annual Growth '00-'10
Population	85,071	83,391	-0.2%	1,796,857	2,166,538	1.9%	33,871,648	37,853,430	1.1%
Households	33,478	32,686	-0.2%	665,298	797,203	1.8%	11,502,870	12,653,856	1.0%
Avg. Household Size	2.52	2.49		2.65	2.67		2.87	2.92	
Median HH Income	\$44,567	\$54,855	2.1%	\$46,542	\$62,145	2.9%	\$47,945	\$62,401	2.7%
Age Distribution									
Under 18	25.2%	24.1%		27.1%	24.7%		27.3%	25.5%	
18 - 24	10.2%	9.2%		9.7%	10.0%		9.9%	10.2%	
25 - 34	14.7%	15.9%		13.8%	15.2%		15.4%	14.2%	
35 - 44	15.6%	13.9%		16.3%	13.6%		16.2%	14.3%	
45 - 54	13.0%	13.0%		13.7%	13.9%		12.8%	14.0%	
55 - 64	8.4%	10.2%		8.1%	10.6%		7.7%	10.4%	
65 & Over	12.9%	13.7%		11.3%	12.0%		10.6%	11.4%	
	100.0%	100.0%		100.0%	100.0%		100.0%	100.0%	
Median Age	34.9	35.6		34.6	35.1		33.3	35.1	
Household Type									
Families	64.7%	64.2%		67.0%	67.3%		68.9%	69.0%	
Non-Families	35.3%	35.8%	0.5%	33.0%	32.7%		31.1%	31.0%	
Household Tenure									
Renter	42.8%	44.7%	1.8%	38.7%	37.5%		43.1%	42.6%	
Owner	57.2%	55.3%		61.3%	62.5%		56.9%	57.4%	

Notes:

(a) 2010 data are estimates released by Claritas Inc. At the time of writing, the U.S. Census Bureau has not yet released the pertinent 2010 Census data.

(b) Sacramento Region includes: El Dorado, Placer, Yolo, Sacramento Counties.

Source: U.S Census, 2000; Claritas Inc., BAE, 2011.

Table 2: Educational Attainment for Persons Aged 25 Years and Over

City of Citrus Heights	2000		2005-2009 (a)	
	Number	%	Number	%
Nursery to 8th grade	1,554	2.8%	2,411	4.3%
Some High School, no diploma	4,802	8.7%	3,667	6.5%
High school graduate (includes equivalency)	15,602	28.3%	15,395	27.5%
Some college, no degree	17,386	31.6%	18,177	32.4%
Associate degree	5,697	10.3%	5,844	10.4%
Bachelor's degree	7,138	13.0%	7,533	13.4%
Master's degree	2,105	3.8%	2,233	4.0%
Professional school degree	638	1.2%	491	0.9%
Doctorate degree	165	0.3%	295	0.5%
Total	55,087	100.0%	56,046	100.0%

Sacramento Region (b)	2000		2005-2009 (a)	
	Number	%	Number	%
Nursery to 8th grade	69,380	6.1%	79,760	6.0%
Some High School, no diploma	106,504	9.4%	95,690	7.2%
High school graduate (includes equivalency)	254,069	22.3%	299,526	22.4%
Some college, no degree	306,564	26.9%	338,023	25.3%
Associate degree	100,012	8.8%	123,821	9.3%
Bachelor's degree	200,004	17.6%	265,675	19.9%
Master's degree	64,400	5.7%	85,457	6.4%
Professional school degree	25,743	2.3%	30,820	2.3%
Doctorate degree	12,163	1.1%	15,922	1.2%
Total	1,138,839	100.0%	1,334,694	100.0%

State of California	2000		2005-2009 (a)	
	Number	%	Number	%
Nursery to 8th grade	2,446,324	11.5%	2,419,573	10.4%
Some High School, no diploma	2,496,419	11.7%	2,117,991	9.1%
High school graduate (includes equivalency)	4,288,452	20.1%	5,078,536	21.9%
Some college, no degree	4,879,336	22.9%	4,925,426	21.2%
Associate degree	1,518,403	7.1%	1,771,425	7.6%
Bachelor's degree	3,640,157	17.1%	4,428,328	19.1%
Master's degree	1,287,844	6.0%	1,639,525	7.1%
Professional school degree	492,504	2.3%	520,300	2.2%
Doctorate degree	249,461	1.2%	318,113	1.4%
Total	21,298,900	100.0%	23,219,217	100.0%

Notes:

(a) Based on the 2005-2009 American Community Survey. At the time of writing, the U.S. Census Bureau has not yet released the pertinent 2010 Census data. Because the ACS sample size is smaller than that of the decennial Census, it is necessary to combine multiple survey years to obtain reliable estimates. As such, the data indicate the average over a three year period.

(b) Sacramento Region includes: El Dorado, Placer, Yolo, Sacramento Counties.

Source: U.S. Census, SF3, 2000; American Community Survey, 2005-2009; BAE, 2011.

Table 3: Household Income Distribution

	<u>2000</u>		<u>2010 (a)</u>	
	<u>Households</u>	<u>Pct. of Total</u>	<u>Households</u>	<u>Pct. of Total</u>
City of Citrus Heights				
Less than \$14,999	3,654	10.9%	2,693	8.1%
\$15,000 to \$24,999	4,035	12.1%	3,089	9.3%
\$25,000 to \$34,999	4,912	14.7%	3,473	10.5%
\$35,000 to \$49,999	6,471	19.3%	5,804	17.5%
\$50,000 to \$74,999	7,644	22.8%	7,653	23.1%
\$75,000 to \$99,999	3,936	11.8%	4,942	14.9%
\$100,000 and above	2,805	8.4%	5,436	16.4%
Total Households	33,457	100.0%	33,090	100.0%
Median Income (a)	\$56,669		\$54,855	
% of Regional Median	96%		88%	
Sacramento Region (b)				
Less than \$14,999	89,781	13.5%	74,247	9.3%
\$15,000 to \$24,999	76,258	11.5%	67,089	8.4%
\$25,000 to \$34,999	81,826	12.3%	71,037	8.9%
\$35,000 to \$49,999	110,461	16.6%	110,424	13.9%
\$50,000 to \$74,999	136,833	20.6%	156,041	19.6%
\$75,000 to \$99,999	77,488	11.6%	115,733	14.5%
\$100,000 and above	93,075	14.0%	202,632	25.4%
Total Households	665,722	100.0%	797,203	100.0%
Median Income (a)	\$59,180		\$62,145	

Notes:

(a) 2010 data are estimates released by Claritas Inc. At the time of writing, the U.S. Census Bureau has not yet released the pertinent 2010 Census data.

(b) Inflation Adjusted to 2010 dollars.

(c) Sacramento Region includes: El Dorado, Placer, Yolo, Sacramento Counties.

Sources: State Board of Equalization; Claritas, Inc.; BAE, 2011.

Table 4: Journey to Work, Citrus Heights Residents and Workers

<u>Destination (Work Place for Citrus Heights Residents)</u>	2000		2006-2008 (a)	
	<u>All Workers 16+</u>	<u>Pct. of Total</u>	<u>All Workers 16+</u>	<u>Pct. of Total</u>
Citrus Heights	6,110	14.9%	6,850	19.7%
Sacramento City	9,170	22.3%	8,375	24.0%
Roseville	4,585	11.1%	5,590	16.0%
Arden Arcade CDP	2,255	5.5%	1,665	4.8%
Rancho Cordova CDP	2,425	5.9%	1,980	5.7%
North Highlands CDP	1,695	4.1%	1,620	4.6%
Folsom	1,490	3.6%	1,355	3.9%
Carmichael CDP	1,220	3.0%	905	2.6%
West Sacramento	950	2.3%	945	2.7%
Fair Oaks CDP	760	1.8%	855	2.5%
Rocklin City	735	1.8%	1,265	3.6%
All Other Areas (b)	3,636	8.8%	3,440	9.9%
Total Employed Citrus Heights Residents	41,141	100.0%	34,845	100.0%

<u>Origin (Place of Residence for Citrus Heights Workers)</u>	<u>All Workers 16+</u>	<u>Pct. of Total</u>	<u>All Workers 16+</u>	<u>Pct. of Total</u>
Citrus Heights	6,110	34.2%	6,850	42.9%
Sacramento	1,405	7.9%	1,610	10.1%
Roseville	1,055	5.9%	1,610	10.1%
Carmichael CDP	850	4.8%	670	4.2%
Fair Oaks CDP	745	4.2%	680	4.3%
Arden-Arcade CDP	665	3.7%	545	3.4%
Orangevale CDP	585	3.3%	570	3.6%
North Highlands CDP	565	3.2%	265	1.7%
Rancho Cordova CDP	525	2.9%	625	3.9%
Rocklin	415	2.3%	405	2.5%
Folsom	375	2.1%	240	1.5%
All Other Areas (b)	4,589	25.7%	1,895	11.9%
Total Workers	17,884	100.0%	15,965	100.0%

Notes:

- (a) Based on the 2006-2008 American Community Survey. At the time of writing, the U.S. Census Bureau has not yet released the pertinent 2010 Census data. Because the ACS sample size is smaller than that of the decennial Census, it is necessary to combine multiple survey years to obtain reliable estimates. As such, the data indicate the average over a three year period.
- (b) Citrus Heights residents commute to over 30 places not listed in this table, including cities, minor civil divisions, Census Designated Places, unincorporated areas in California and areas outside of California. Similarly, Citrus Heights workers reside in over 20 places not listed in this table. The places aggregated in the "All Other Areas" capture represent a less significant role in overall Citrus Heights' commuting patterns than the places that are listed in the table.

Sources: 2000 U.S. Census, CTPP; 2006-2008 American Community Survey, CTPP; Bay Area Economics, 2011.

Table 5: Local Jobs/Employed Residents Ratios

Jurisdiction/Area	1990			2000			2006-2008 (a)		
	Jobs	Employed Residents	Jobs/Employed Residents Ratio	Jobs	Employed Residents	Jobs/Employed Residents Ratio	Jobs	Employed Residents	Jobs/Employed Residents Ratio
Orangevale (CDP)	4,437	12,525	0.35	4,975	13,005	0.38	4,050	10,130	0.40
Fair Oaks (CDP)	7,437	13,930	0.53	5,975	14,270	0.42	7,270	11,515	0.63
Citrus Heights (b)	23,427	55,051	0.43	17,895	41,150	0.43	15,965	34,845	0.46
Carmichael (CDP)	12,130	23,811	0.51	11,900	23,585	0.50	8,899	20,860	0.43
Rocklin	5,170	9,566	0.54	10,505	18,355	0.57	16,665	23,290	0.72
Arden Arcade (CDP)	36,689	46,128	0.80	43,470	44,660	0.97	40,020	37,770	1.06
Folsom	11,505	11,527	1.00	26,840	23,055	1.16	30,390	27,965	1.09
North Highlands (CDP)	30,430	18,567	1.64	20,730	16,845	1.23	14,740	13,385	1.10
Roseville	27,749	21,397	1.30	48,950	36,665	1.34	55,850	49,825	1.12
Sacramento City	269,891	159,203	1.70	268,055	166,420	1.61	257,335	177,545	1.45
Rancho Cordova (CDP)	23,201	24,360	0.95	41,155	24,045	1.71	40,880	22,825	1.79
West Sacramento	18,317	11,171	1.64	25,615	11,605	2.21	24,265	19,140	1.27

Notes:

(a) Based on the 2006-2008 American Community Survey. At the time of writing, the U.S. Census Bureau has not yet released the pertinent 2010 Census data. Because the ACS sample size is smaller than that of the decennial Census, it is necessary to combine multiple survey years to obtain reliable estimates. As such, the data indicate the average over a three year period.

(b) Because the City of Citrus Heights was incorporated in 1998, data pertaining to prior years reflects the CDP boundaries, not the City boundaries. Please refer to Appendix D for a map of Citrus Heights CDP boundaries.

Sources: CTPP, U.S. Census, 1990, 2000; CTPP, American Community Survey, 2006-2008; Bay Area Economics, 2011.

Table 6: Occupations of Employed Citrus Heights Residents, 2007-2009 (a)

Occupation Category	Employed Residents Age 16+	% of Total	Margin of Error (+/-)
Office and Administrative Support	7,661	18.4%	1,177
Management, Business, and Finance	6,789	16.3%	1,039
Professional	6,176	14.9%	1,003
Sales	4,981	12.0%	881
Construction and extraction	3,482	8.4%	822
Food Preparation and Serving	2,636	6.3%	976
Personal Care and Service	1,945	4.7%	641
Transportation and Material Moving	1,717	4.1%	442
Building, Grounds Cleaning, and Maintenance	1,606	3.9%	513
Installation, Maintenance, and Repair	1,447	3.5%	424
Production	1,188	2.9%	482
Healthcare Support	1,119	2.7%	449
Protective Service	700	1.7%	345
Fishing and Hunting, and Forest and Logging	77	0.2%	293
Agricultural Workers including Supervisors	61	0.1%	238
Total	41,585	100.0%	1,446

Notes

(a) Because the American Community Survey sample size is smaller than that of the decennial Census, it is necessary to combine multiple survey years to obtain reliable estimates. As such, the data indicate the average number of residents employed in each occupation category over a two year period.

Source: U.S. Census Bureau, American Community Survey, 2007-2009; BAE 2011.

Table 7: Local Unemployment Rates (a)

Jurisdiction/Area Name	Annual Average Unemployment											
	1998	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Rocklin	3.6%	2.4%	2.7%	3.3%	3.5%	3.3%	3.1%	2.9%	3.4%	4.6%	7.6%	8.3%
Roseville	4.0%	3.6%	4.0%	5.0%	5.1%	4.8%	4.4%	4.2%	4.8%	6.5%	10.6%	11.5%
Carmichael (CDP)	3.6%	3.1%	3.3%	4.1%	4.3%	4.1%	3.8%	3.6%	4.1%	5.5%	8.8%	10.0%
Fair Oaks (CDP)	3.6%	2.3%	2.4%	3.1%	3.2%	3.0%	2.6%	2.5%	2.8%	3.8%	6.1%	7.0%
Arden-Arcade (CDP)	3.8%	4.2%	4.4%	5.5%	5.7%	5.4%	4.9%	4.7%	5.4%	7.1%	11.3%	12.7%
Citrus Heights	3.9%	4.1%	3.1%	3.9%	4.1%	3.9%	3.4%	3.3%	3.7%	5.0%	8.0%	9.0%
Orangevale (CDP)	4.3%	3.0%	3.2%	4.0%	4.1%	4.0%	3.3%	3.2%	3.6%	4.8%	7.7%	8.8%
Foothill Farms (CDP)	5.0%	5.6%	5.9%	7.3%	7.6%	7.3%	7.0%	6.7%	7.5%	9.9%	15.4%	17.3%
Rio Linda (CDP)	6.8%	6.6%	6.9%	8.5%	8.9%	8.50%	8.1%	7.8%	8.8%	11.5%	17.7%	19.8%
North Highlands (CDP)	7.0%	6.6%	6.9%	8.6%	8.9%	8.5%	8.0%	7.7%	8.7%	11.4%	17.5%	19.6%
<i>Placer County Overall</i>	4.1%	3.6%	4.0%	4.9%	5.1%	4.8%	4.3%	4.2%	4.7%	6.4%	10.6%	11.5%
<i>Sacramento County Overall</i>	4.9%	4.3%	4.5%	5.7%	5.9%	5.6%	5.0%	4.8%	5.4%	7.2%	11.3%	12.8%
<i>4-County Sacramento Region (b)</i>	4.8%	4.3%	4.5%	5.5%	5.8%	5.5%	4.9%	4.7%	5.3%	7.0%	11.2%	12.6%

Notes:

(a) Annual average rates, not seasonally adjusted.

(b) Sacramento Region includes: El Dorado, Placer, Yolo, Sacramento Counties.

Source: State of California, Employment Development Department, 2011; BAE 2011.

Table 8: SACOG Population, Housing Unit, and Employment by Land Use Projections, 2005 to 2035

	2005	2013	2018	2035	Average Annual Increase 2005-2013	Absolute Change 2005-2035	Absolute Pct. Change 2005-2035	Average Annual Increase 2013-2035
Citrus Heights RAD (a)								
Population	100,159	101,068	103,010	110,951	0.1%	10,792	10.8%	0.5%
Housing Units	41,000	41,378	42,287	45,948	0.1%	4,948	12.1%	0.6%
Employment								
Retail	13,253	13,551	13,722	14,366	0.3%	1,112	8.4%	0.4%
Office	9,083	9,935	10,617	15,073	1.1%	5,990	65.9%	2.6%
Industrial	2,400	2,399	2,399	2,264	0.0%	(135)	-5.6%	-0.3%
Public	4,868	4,864	4,864	4,870	0.0%	3	0.1%	0.0%
Total Employment	29,604	30,749	31,602	36,573	0.5%	6,969	23.5%	1.1%
Sacramento Region (b)								
Population	1,910,600	2,260,425	2,428,626	3,058,770	2.1%	1,148,170	60.1%	2.4%
Households	753,092	887,414	957,338	1,216,959	2.1%	463,867	61.6%	2.4%
Employment								
Retail	292,068	329,213	350,583	430,936	1.5%	138,868	47.5%	2.0%
Office	399,508	484,287	529,599	672,463	2.4%	272,955	68.3%	2.6%
Industrial	139,216	156,992	162,235	183,889	1.5%	44,673	32.1%	1.4%
Public	120,044	135,039	141,072	159,729	1.5%	39,685	33.1%	1.4%
Total Employment	950,835	1,105,530	1,183,489	1,447,016	1.9%	496,180	52.2%	2.1%

Notes:

- (a) These projections relate to Regional Analysis District #4, the 2006 boundaries of which approximate City of Citrus Heights boundaries.
(b) Sacramento Region includes: El Dorado, Placer, Yolo, Sacramento Counties.

Sources: Sacramento Area Council of Governments, RAD-level Projections, 2005-2035; BAE, 2011.

Local Economic Base

This section of the baseline report presents basic data pertaining to the local economy, as measured by the total number of jobs in the local community, the distribution of these jobs among major industry sectors, and the changes that have occurred over time.

The information source for most employment data included in this report is the Quarterly Census of Employment and Wages (QCEW), as produced by the California Economic Development Department. Though the assessment of current conditions uses data that reflect City boundaries, analyses of trends across time rely on ZIP Code-level data, because Census tract-level data are not available and Census place-level data only became available in 2005. In such cases, QCEW data for ZIP Codes 95610 and 95621 were used. As illustrated by Figure 1, these two ZIP Codes closely approximate the City boundaries but do not capture the relatively small proportion of Citrus Heights economic activity that occurs in ZIP Codes 95611 and 95662.

2010 Employment Statistics

Table 9 summarizes QCEW data from the first quarter of 2010, showing current employment statistics by industry category. Based on current data, the total number of business establishments in Citrus Heights is 924, with a workforce of 12,106 employees.⁵ The average number of employees per establishment is 13.1. The major employers by category include Retail Trade with 31.2 percent, Accommodation and Food Services with 14.9 percent, and Health Care and Social Assistance with 14.1 percent. The above categories account for 60.2 percent of the workforce in Citrus Heights currently. The Arts, Entertainment, and Recreation category boasts the largest average number of employees with 33.7, with Management, Accommodation and Food Services, and Retail Trade following with 31.3, 20.5, and 20.4, respectively. It should be noted that, because the data in Table 9 reflect only the first quarter trends in 2010, they do not reflect any possible seasonal fluctuations in employment.

Job Growth

Table 10 contains data from the 2001 and 2009 QCEW. As mentioned above, these data reflect a slightly different geographic area from that measured by Table 9. During this time, the Citrus Heights economy shrank by 960 employees, which yields an overall local job decline of 5.7 percent. The most significant job losses occurred in the Construction sector (635 jobs, or 50.0 percent of total sector employment), the Administrative and Support sector (573 jobs, or 45.8 percent), and the Finance and Insurance sector (530 jobs, or 44.7 percent). Somewhat

⁵ The term "Citrus Heights workforce" refers to all individuals who are employed at establishments located in Citrus Heights, regardless of their place of residence. As described below, a significant portion of Citrus Heights' workforce does not live in the City.

counterbalancing these shrinking industries, the Health Care sector grew by 567 jobs, which represented a growth rate of 41.3 percent.

Though some of the job loss trends in Citrus Heights likely capture the effect of the recent national recession, it is important to note that, during the same period, Sacramento County achieved a 0.1 percent growth rate. Overall, Citrus Heights' share of regional employment fell from 2.93 percent in 2001 to 2.76 percent in 2009.

Location Quotient and Shift Share Analysis

Table 11 summarizes Citrus Heights industry sector location quotients and a shift-share analysis for the 2001 to 2009 time period and Figure 2 illustrates the results. Location quotients measure whether an industry is particularly concentrated in the local economy compared to Regional trends. A location quotient of 1.0 indicates that a particular industry is comparably represented between the local economy and the region. Significantly lower location quotients signal that the industry is underrepresented in the local economy, while significantly higher location quotients signal a disproportionate concentration locally. In Citrus Heights, a disproportionate concentration of the Retail Trade and Arts and Entertainment⁶ sectors has become more pronounced between 2001 and 2009, with the Retail sector's location quotient increasing from 2.9 to 3.2 and the Arts and Entertainment sector's increasing from 2.0 to 2.5. In contrast, the Citrus Heights economy continues to be ever more underrepresented in Wholesale Trade, Transportation and Warehousing, and Information (all have location quotients below 0.5 that continued to decrease between 2001 and 2009). In the bubble graph contained in Figure 2, the size of the points denotes the magnitude of each industry's 2009 location quotient; as such, with a location quotient of 3.2, the Retail Trade bubble is significantly larger than the Construction bubble, which symbolizes a sector with a location quotient of 1.2 .

Shift share analysis measures the performance of various sectors in the local economy in relation to overall local and regional economic trends. Sectors that out-performed the rest of the local economy as well as the same sector in the larger regional economy are deemed the most competitive. Based on the shift share analysis, these competitive sectors include Educational Services, Health Care, Arts and Entertainment, Accommodation and Food Services, and the

⁶ According to the U.S. Census Bureau, the Arts and Entertainment sector includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons. This sector comprises (1) establishments that are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest; and (3) establishments that operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests. Note that this sector does not include accommodation or restaurant establishments.

Professional, Scientific, and Technical sector. Sectors that under-performed both in the local economy and the same sectors in the larger regional economy included Construction, Manufacturing, Information, Finance and Insurance, Management, and the Administration and Support sector. Further, the shift share model indicates that local factors played a more significant role than regional factors in determining whether employment grew between 2001 and 2009. This is evidenced by the fact that, for any given sector, the magnitude of the differential shift is larger than that of the proportional shift. Potential explanations include the possibility that local business sector trends have all been significantly influenced by the City's built environment, such as the absence of vacant land, ongoing attempts to reuse aging shopping centers, and the relative low levels of new construction.

Particularly promising industries are those that are both competitive on the regional and local level, as well as currently underrepresented in Citrus Heights. More simply, these are the industries that are symbolized by a smaller point in Figure 2 and are located in the top right corner of that graph. Both the Education sector and the Professional, Scientific, and Technical sector meet these criteria, indicating that Citrus Heights may have unrealized potential in both industries.

Employment Changes by Establishment Size

Table 12 contains employment data regarding the size of local business establishments, as determined by the County Business Patterns data set, a product of the Bureau of the Census. Like the shift share analysis, this table relies upon ZIP Code level data for reasons of data availability as well as geographic consistency over time.

During the past twenty years, the bulk of the employment growth in Citrus Heights has consistently come from medium-sized establishments - those with more than 10 but fewer than 250 employees. These establishments have grown from 65.2 percent of the economy in 1988 to 73.0 percent in 2008. The overall number of local business establishments has also remained relatively constant, averaging around 1,400, with the local economy gaining 128 establishments between 1995 and 2000, and losing 79 establishments between 2000 and 2008. The biggest change has been the increase in the share of employees working in establishments with 100 to 249 employees. In 1988, these establishments represented 9.6 percent of the workforce, but by 2008 they represented 22.8 percent. This increased concentration of employment in larger companies suggests both a need and an opportunity for the City of Citrus Heights to place some emphasis on conducting outreach to local businesses in this size category and above, to ascertain business retention needs that the City may be able to help address.

Place of Residence for Citrus Heights Workers

Data from the Census Transportation Planning Package (CTPP) provide the best indication of the commute patterns for people living or working within Citrus Heights. The CTPP data used in this

assessment can be found in Table 4.

The largest portion of the Citrus Heights workforce lives within the City. In 2000, this population consisted of 6,110 workers, or 34.2 percent of all persons working in Citrus Heights; by the end of the decade, that proportion had increased by approximately ten percentage points, meaning that increasing numbers of Citrus Heights residents are working closer to home. This may be related to the increasing quantity of home-based businesses, a trend described below. The neighboring cities of Roseville and Folsom experienced similar increases in the proportion of residents working closer to home. In Roseville, the proportion of employed residents working within the city rose from 36 percent to 42 percent, while in Folsom the proportion increased from 33 percent to 41 percent. Elk Grove experienced the most significant increase of all jurisdictions examined, with the proportion of employed residents working within the city rising from 14 percent to 56 percent.

After local residents, Citrus Heights commute patterns indicate a broad distribution of local workers coming from neighboring jurisdictions. Those communities that supply Citrus Heights businesses with significant numbers of workers include Sacramento, Roseville, Carmichael, and Fair Oaks.

Home-Based Businesses

According to City business license records, there are 1,713 home-based businesses currently operating in Citrus Heights, which represents a 58.1 percent increase from the 996 home-based businesses on record with the City in 1998. This increase may in part reflect the effects of the recent national recession, in which many businesses downsized their staff and reduced their leased space. Unlike retail businesses, professional service companies have the option of cutting costs further by eschewing the office real estate market altogether in favor of locating in the home of the owner. Interviews with local office brokers confirm that many of Citrus Heights' smallest office tenants have indeed shifted to home-based business operations in the past two years.

In general, the overwhelming majority of Citrus Heights home-based businesses are classified as service establishments. Their services range from personal services (pet care, locksmiths) to arts and crafts, to building maintenance and energy consulting.

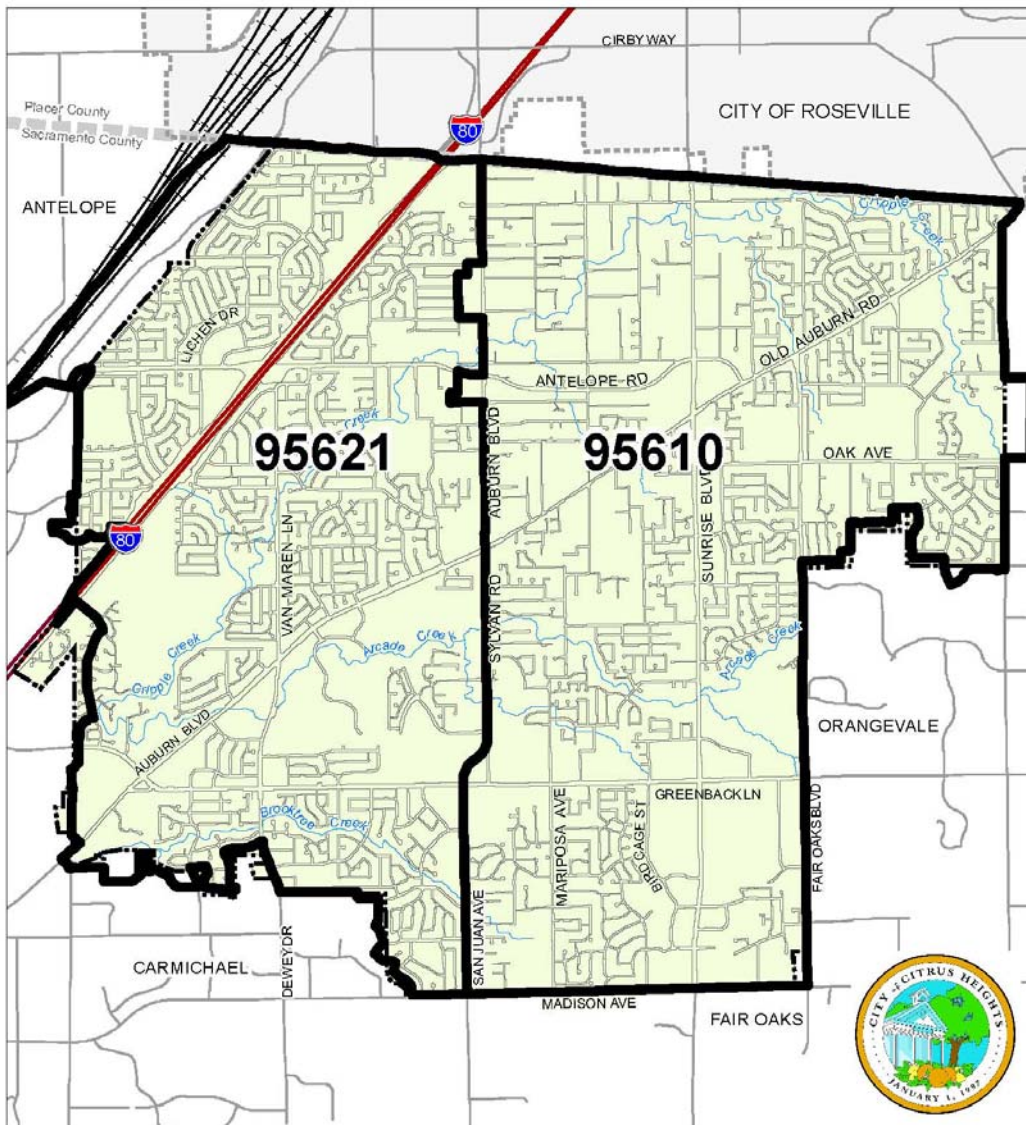
Industry Employment Projections

Table 13 depicts changes in Sacramento regional employment by industrial sector, as forecast by the EDD. It is important to note that these predictions were calculated in March 2009, and therefore take into account only the first 15 months of the national economic recession.

Between 2008 and 2018, EDD expects the Sacramento regional economy to grow by 9.5 percent, or 1.0 percent on average every year. This is a more aggressive growth rate than that the 0.1

percent growth experienced by Sacramento County between 2001 and 2009, as documented in Table 10. The Retail Trade industry is expected to gain 7,600 jobs; Health Care and Social Assistance sectors are expected to gain 22,500; and Professional and Business services are expected to gain 19,600. The most aggressive growth rates are projected to occur in the Education industry (21.3 percent), the Health Care industry (20.6 percent), and Professional and Business services (15.1 percent). These trends bode well for Citrus Heights, since the shift share analysis identified both the Professional sector and the Education sector as opportunity industries. In contrast, the Manufacturing industry is expected to lose 3,100 jobs, a shift that is not likely to affect Citrus Heights businesses but may put pressure on the unemployment rate of the local population, since a significant number of residents are currently employed in occupations related to that field.

Figure 1: Map of Citrus Heights ZIP Codes included in the Economic Analysis.



LEGEND

City of Citrus Heights	Zip Code Boundary
Other Cities	Creeks
County Boundary	Interstate 80
Railroad	Streets

Source:
SACOG

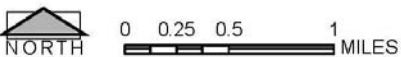


FIGURE 1

Citrus Heights Zip Codes

CITY OF CITRUS HEIGHTS
Community and Economic Development Department

Table 9: Summary of Employment by Industry in the City of Citrus Heights, First Quarter 2010

Employment Industry	# of		# of		Average # of
	Establishments	% of Total	Employees	% of Total	Employees Per Establishment
Agriculture, Forestry, Fishing & Hunting	1	0.1%	*** (a)	***	***
Construction	84	9.1%	398	3.3%	4.73
Manufacturing	7	0.8%	11	0.1%	1.62
Wholesale Trade	19	2.1%	84	0.7%	4.42
Retail Trade	185	20.0%	3,773	31.2%	20.39
Transportation & Warehousing	10	1.1%	66	0.5%	6.63
Information	8	0.9%	38	0.3%	4.75
Finance & Insurance	85	9.2%	538	4.4%	6.33
Real Estate, Rental & Leasing	52	5.6%	302	2.5%	5.81
Professional, Scientific, & Technical Skills	96	10.4%	692	5.7%	7.21
Management of Companies and Enterprises	5	0.5%	156	1.3%	31.27
Admin, Support, Waste Mgmt. & Remediation	46	5.0%	498	4.1%	10.82
Educational Services	15	1.6%	207	1.7%	13.82
Health Care & Social Assistance	131	14.2%	1,710	14.1%	13.05
Arts, Entertainment, & Recreation	12	1.3%	404	3.3%	33.69
Accommodation & Food Services	88	9.5%	1,801	14.9%	20.47
Other Services	60	6.5%	493	4.1%	8.21
Non-Classified Establishments	1	0.1%	*** (a)	***	***
Government	19	2.1%	935	7.7%	49.19
Total of all Industries	924	100.0%	12,106	100.0%	13.10

Note:

(a) Data suppressed for confidentiality reasons.

Sources: California Employment Development Department, Q1 2010; BAE, 2011.

Table 10: Citrus Heights and Sacramento County Employment Trends by Major Industry

Employment Category (a)	2001		2009		Change '01-'09
	Jobs	Pct. Of Total	Jobs	Pct. Of Total	
Citrus Heights Study Area (b)					
Agriculture, Forestry, Fishing & Hunting	***	***	***	***	***
Construction	1,270	7.6%	635	4.0%	-50.0%
Manufacturing	195	1.2%	28	0.2%	-85.6%
Wholesale Trade	103	0.6%	98	0.6%	-4.9%
Retail Trade	5,078	30.4%	4,902	31.1%	-3.5%
Transportation & Warehousing	141	0.8%	48	0.3%	-66.0%
Information	187	1.1%	48	0.3%	-74.3%
Finance & Insurance	1,185	7.1%	655	4.2%	-44.7%
Real Estate, Rental & Leasing	350	2.1%	391	2.5%	11.7%
Professional, Scientific, & Technical Skills	657	3.9%	836	5.3%	27.2%
Managment of Companies and Enterprises	341	2.0%	155	1.0%	-54.5%
Admin & Support & Waste Management & Remediation	1,250	7.5%	677	4.3%	-45.8%
Educational Services	157	0.9%	238	1.5%	51.6%
Health Care & Social Assistance	1,372	8.2%	1,939	12.3%	41.3%
Arts, Entertainment, & Recreation	380	2.3%	511	3.2%	34.5%
Accomodation & Food Services	2,307	13.8%	2,305	14.6%	-0.1%
Other Services	713	4.3%	1,216	7.7%	70.5%
Non-Classified Establishments	***	***	***	***	***
Government	1,005	6.0%	1,005	6.4%	0.0%
Total of All Industries	16,703	99.9%	15,744	99.6%	-5.7%
	Percent of County		Percent of County		Change In Share (pts.)
Agriculture, Forestry, Fishing & Hunting	***		***		***
Construction	3.5%		2.4%		-1.1
Manufacturing	0.6%		0.1%		-0.5
Wholesale Trade	0.6%		0.7%		0.1
Retail Trade	8.4%		8.9%		0.5
Transportation & Warehousing	1.2%		0.4%		-0.8
Information	1.0%		0.3%		-0.7
Finance & Insurance	3.8%		2.2%		-1.6
Real Estate, Rental & Leasing	4.0%		5.0%		1.0
Professional, Scientific, & Technical Skills	2.2%		2.2%		0.0
Managment of Companies and Enterprises	4.2%		2.3%		-1.9
Admin & Support & Waste Management & Remediation	3.7%		2.3%		-1.4
Educational Services	2.3%		2.5%		0.2
Health Care & Social Assistance	2.9%		3.2%		0.4
Arts, Entertainment, & Recreation	5.9%		6.9%		1.0
Accomodation & Food Services	6.0%		5.4%		-0.6
Other Services	3.6%		6.0%		2.5
Non-Classified Establishments	***		***		***
Government	0.6%		0.6%		0.0
Total of All Industries	2.9%		2.8%		-0.2
		Pct. Of Total		Pct. Of Total	Change '01-'09
Sacramento County	Jobs		Jobs		
Agriculture, Forestry, Fishing & Hunting	3,300	0.6%	2,900	0.5%	-12.1%
Construction	36,100	6.3%	26,600	4.7%	-26.3%
Manufacturing	31,500	5.5%	20,600	3.6%	-34.6%
Wholesale Trade	17,600	3.1%	14,600	2.6%	-17.0%
Retail Trade	60,100	10.5%	55,000	9.6%	-8.5%
Transportation & Warehousing & Utilities	11,900	2.1%	12,900	2.3%	8.4%
Information	18,100	3.2%	14,100	2.5%	-22.1%
Finance & Insurance	31,000	5.4%	29,200	5.1%	-5.8%
Real Estate, Rental & Leasing	8,800	1.5%	7,800	1.4%	-11.4%
Professional, Scientific, & Technical Skills	29,800	5.2%	38,700	6.8%	29.9%
Management of Companies and Enterprises	8,100	1.4%	6,800	1.2%	-16.0%
Admin & Support & Waste Management & Remediation	33,700	5.9%	29,500	5.2%	-12.5%
Educational Services	6,800	1.2%	9,550	1.7%	40.4%
Health Care & Social Assistance	48,100	8.4%	59,950	10.5%	24.6%
Arts, Entertainment, & Recreation	6,400	1.1%	7,400	1.3%	15.6%
Accomodation & Food Services	38,300	6.7%	42,700	7.5%	11.5%
Other Services	20,000	3.5%	20,200	3.5%	1.0%
Government	160,500	28.1%	172,000	30.1%	7.2%
Total of All Industries	570,200	100.0%	570,700	100.0%	0.1%

Notes:

- (a) The Current Employment Statistics Survey does not include self-employed persons, unpaid family workers, or private household employees.
 (b) Citrus Heights defined as ZIP Codes 95610 and 95621. This table uses zip code data in lieu of city-level data because city-level data became available only in 2005, and the purpose of Table 10 is to document change over a significant period of time as part of the shift share analysis.

Sources: California Employment Development Department, Current Employment Statistics Survey, 2001 and 2009; BAE, 2011.

Table 11: Location Quotient and Shift-Share Analysis for Citrus Heights Major Industry Groups, 2001 to 2009.

Citrus Heights Study Area	Location Quotient 2001	Location Quotient 2009	Regional Growth Factor (a)	Proportional Shift (b)	Differential Shift (c)	Total Change '01-'09
Construction	1.2	0.9	0.1%	-26.4%	-44.3%	-70.6%
Manufacturing	0.2	0.0	0.1%	-34.7%	-79.9%	-114.5%
Wholesale Trade	0.2	0.2	0.1%	-17.1%	0.9%	-16.2%
Retail Trade	2.9	3.2	0.1%	-8.6%	2.3%	-6.2%
Transportation & Warehousing	0.4	0.1	0.1%	8.3%	-60.2%	-51.8%
Information	0.4	0.1	0.1%	-22.2%	-68.6%	-90.7%
Finance & Insurance	1.3	0.8	0.1%	-5.9%	-39.0%	-44.8%
Real Estate, Rental & Leasing	1.4	1.8	0.1%	-11.5%	17.5%	6.1%
Professional, Scientific, & Technical Skills	0.8	0.8	0.1%	29.8%	33.0%	62.9%
Manament of Companies and Enterprises	1.4	0.8	0.1%	-16.1%	-48.8%	-64.9%
Admin & Support & Waste Management & Remediation	1.3	0.8	0.1%	-12.6%	-40.1%	-52.6%
Educational Services	0.8	0.9	0.1%	40.4%	57.3%	0.0%
Health Care & Social Assistance	1.0	1.2	0.1%	24.5%	47.1%	71.7%
Arts, Entertainment, & Recreation	2.0	2.5	0.1%	15.5%	40.2%	55.8%
Accomodation & Food Services	2.1	2.0	0.1%	11.4%	5.7%	17.1%
Other Services	1.2	2.2	0.1%	0.9%	76.3%	77.3%
Government	0.1	0.1	0.1%	7.1%	5.7%	12.9%

Notes:

Disaggregated components of sectoral changes in employment:

- (a) Regional economic growth component is the overall change in the larger regional economy.
- (b) Proportional shift component is the measure of the regional growth of the industry relative to the overall regional economic growth.
- (c) Differential shift component is the measure of the growth of the particular sector in the local economy relative to the same sector in the regional economy.

Sources: California Employment Development Department, 2001 and 2009; BAE, 2011.

Figure 2: Shift Share for Citrus Heights Major Industry Groups, 2001 to 2009

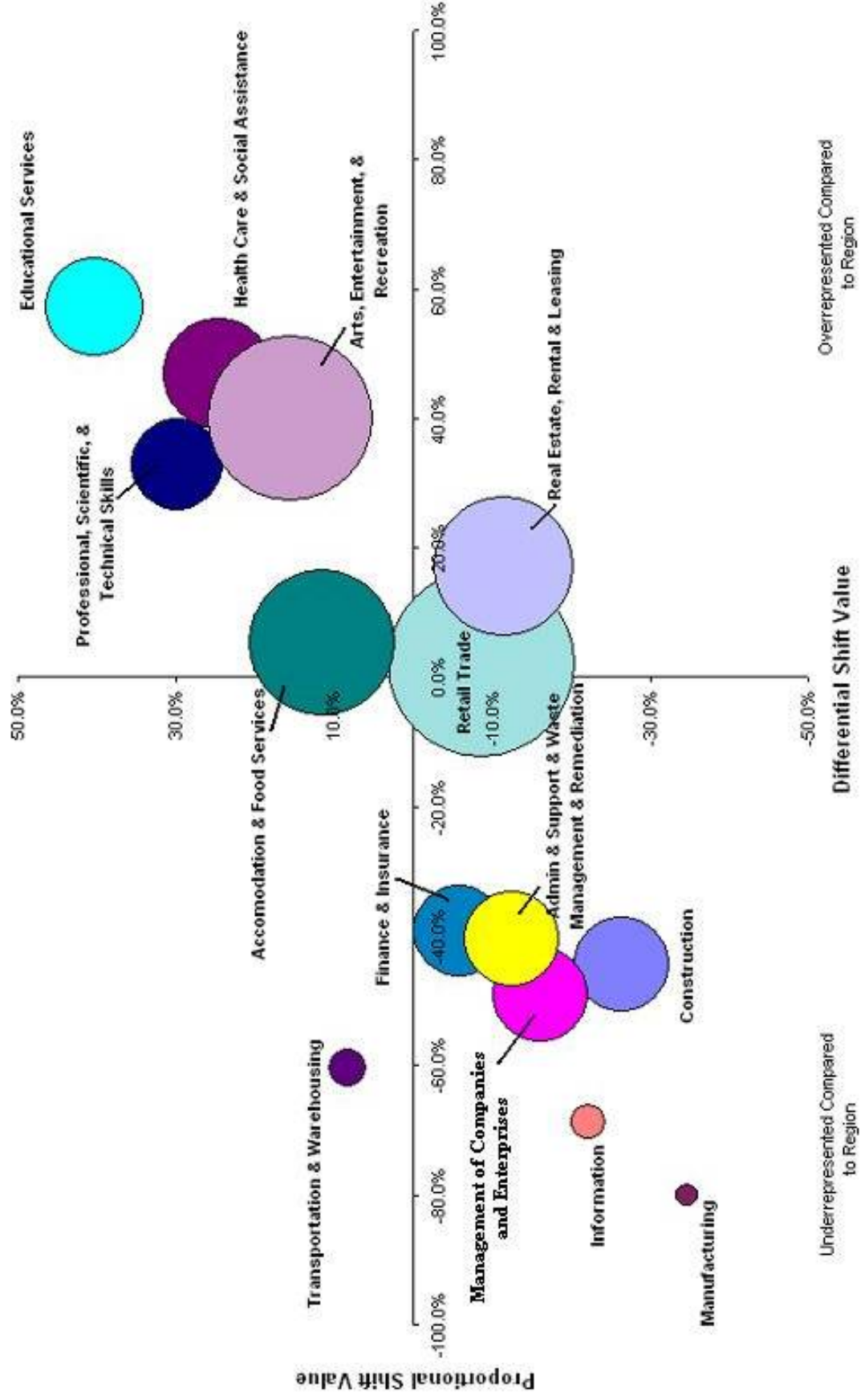


Table 12: Citrus Heights Employment by Size of Establishment, 1988-2008 (a)

Establishment Size	1988			1995			2000			2008		
	Number of Estab.	Estimated Employees	Percent of Total Emp.	Number of Estab.	Estimated Employees	Percent of Total Emp.	Number of Estab.	Estimated Employees	Percent of Total Emp.	Number of Estab.	Estimated Employees	Percent of Total Emp.
1 to 4	720	1,212	7.8%	679	1,137	6.8%	730	1,825	9.6%	723	1,808	9.5%
5 to 9	325	2,146	13.8%	263	1,736	10.4%	298	2,086	11.0%	265	1,855	9.7%
10 to 19	200	2,697	17.4%	192	2,596	15.6%	227	3,292	17.3%	195	2,828	14.8%
20 to 49	119	3,601	23.2%	125	3,785	22.8%	138	4,761	25.1%	120	4,140	21.7%
50 to 99	34	2,333	15.0%	38	2,615	15.7%	34	2,533	13.3%	35	2,608	13.7%
100 to 249	10	1,496	9.6%	16	2,387	14.4%	15	2,618	13.8%	25	4,363	22.8%
250 to 499	4	1,359	8.8%	3	1,021	6.1%	3	1,124	5.9%	4	1,498	7.8%
500 to 999	1	684	4.4%	2	1,348	8.1%	1	750	3.9%	0	-	0.0%
1,000+	0	-	0.0%	0	-	0.0%	0	-	0.0%	0	-	0.0%
Total Establishments	1,413	15,528	100.0%	1,318	16,625	100.0%	1,446	18,987	100.0%	1,367	19,098	100.0%
<i>Avg. Establishment Size (# Employees)</i>		11.0		12.6			13.1			14.0		

(a) Citrus Heights defined as ZIP Codes 95610 and 95621, as city-level data is unavailable for years prior to the City's incorporation.

Sources: U.S. Department of Commerce, Bureau of the Census, County Business Patterns, 1988, 1995, 2000, and 2008; BAE, 2011.

Table 13: Sacramento Region Employment by Industry, 2008 to 2018 (a)

Employment by Industry	2008	2018	Gross Change 2008 to 2018	Average Annual Change	Absolute Change
Farm	8,200	8,300	100	0.1%	1.2%
Nonfarm	882,100	882,100	-	0.0%	0.0%
Private	746,900	831,300	84,400	1.1%	10.2%
Mining	700	700	-	0.0%	0.0%
Construction	56,200	60,900	4,700	0.8%	7.7%
Manufacturing	38,700	35,600	(3,100)	-0.8%	-8.7%
Durable goods	26,400	24,100	(2,300)	-0.9%	-9.5%
Nondurable goods	12,400	11,500	(900)	-0.8%	-7.8%
Transportation and public utilities	25,100	27,300	2,200	0.8%	8.1%
Wholesale trade	26,500	28,700	2,200	0.8%	7.7%
Retail trade	95,100	102,700	7,600	0.8%	7.4%
Information	19,200	18,800	(400)	-0.2%	-2.1%
Finance, insurance, and real estate	57,500	57,800	300	0.1%	0.5%
Professional and Business Services	110,100	129,700	19,600	1.7%	15.1%
Education, Health Care, Social Assistance	99,400	125,400	26,000	2.4%	20.7%
Educational Services	12,900	16,400	3,500	2.4%	21.3%
Health Care and Social Assistance	86,500	109,000	22,500	2.3%	20.6%
Leisure and Hospitality	85,900	97,400	11,500	1.3%	11.8%
Government and government enterprises	238,200	257,200	19,000	0.8%	7.4%
Federal, civilian	12,500	12,500	-	0.0%	0.0%
State and local	225,700	244,700	19,000	0.8%	7.8%
Total Employment	985,100	1,088,500	103,400	1.0%	9.5%

Notes:

(a) Region defined as Sacramento, Placer, Yolo, and El Dorado County

Source: California Employment Development Department, 2008-2018 Industry Employment Projections; BAE, 2011.

Taxable Retail Sales Activity

According to the 2010/2011 Citrus Heights City Budget, retail sales taxes will account for 32.9 percent of the City's General Fund revenues this fiscal year.⁷ The General Fund pays for basic City services, such as police protection, general government, and planning and building. Thus, not only is the retail sector an important source of local employment, but it is also the primary source of revenue to fund municipal services in Citrus Heights. That said, the General Fund has become marginally less dependent on retail sales taxes over time. During the 1998-1999 fiscal year, retail sales taxes accounted for approximately 37.6 percent of the General Fund. This decreased dependency over the past decade is due in part to a \$3 million decrease in inflation-adjusted sales tax revenues, and in part to disproportionate increases in revenues from utility user taxes, franchise fees, business license fees, vehicle fines, returns on investments, and other revenues.

Table 14 summarizes data regarding taxable retail sales transactions in the City of Citrus Heights from 1999 through 2009, as compiled by the City's sales tax consultant, Hinterliter deLlamas Associates. Based on the information available, Citrus Heights has suffered a significant decline in retail sales volumes, after adjusting for inflation. Citrus Heights' 1999 to 2009 inflation-adjusted change in overall retail sales was -24.3 percent, compared to a decline of 8.7 percent in Sacramento and Placer Counties combined, and a 10.2 percent decline in California. All geographies experienced a more severe decline in retail sales than that experienced between 1989 and 1996, during which time retail sales in Citrus Heights, Sacramento and Placer Counties, and California declined by 22.3 percent, 0.1 percent, and 7.5 percent, respectively. Figure 3 maps the locations of the various sub-areas for which sales tax data are reported in Tables 14 and 15. Appendix F includes two tables with data on Citrus Heights retail sales transactions from 1989 through 1996, which were included in the City's original Economic Development Strategy baseline report.

A portion of Citrus Heights' retail sales loss is attributable to the economic recession that began in 2008; that said, this decline is also due to declining competitiveness with other areas. For example, Citrus Heights' overall share of Sacramento and Placer County retail sales fell from 9.4 in 1989 to 7.3 percent in 1996, and fell further to 4.9 percent in 1999 before stabilizing around 4.0 percent in 2005. In 2009, Citrus Height's per capita retail sales were \$10,060, down from an estimated \$13,675 (inflation adjusted) in 1999. This represents a 26.4 percent decline between 1999 and 2009, compared to a 21.0 percent decline in Sacramento and Placer Counties, and a 16.7 percent decline in California during the same period. Nevertheless, Citrus Heights still maintains per capita retail sales that are higher than the region and the state. By 2009, the per capita figure for Sacramento and Placer Counties combined was \$8,859, and the statewide average was \$8,135.

⁷ If one discounts the property tax revenues that the City must return to the County, retail sales taxes account for 38.6 percent of the City's General Fund revenues in FY 2010/2011, and 41.3 percent in FY 1998/1999.

Another significant contributor to Citrus Heights' retail sales loss is the fact that, unlike in the region as a whole, the Citrus Heights population did not increase at a rate comparable to that of the region. Indeed, between 1999 and 2009, the Citrus Heights population increased by 3.1 percent, compared to a 21.1 percent rate in Sacramento and Placer counties. The population growth that occurred elsewhere in the region resulted in increased demand for goods and services, and only a limited quantity of these expenditures took place in Citrus Heights. In fact, on a per capita basis, the Citrus Heights retail sales dropped by 26.4 percent, compared to a relatively similar 21.2 percent drop in the region. This finding indicates that the City's slow population growth is a primary factor in its negative sales growth, a relationship that should be addressed in formulating economic development strategies for the future.

Within the City of Citrus Heights, the retail sales categories that increased between 1999 and 2009 were Building Materials and Farm Implements (101.5 percent) and Packaged Liquor (11.9 percent). The largest percentage decreases were in Non-Retail Sales (-53.6 percent), Auto Dealers/Auto Supplies (-44.7 percent), Other Retail (-44.6 percent), and Home Furnishings and Appliances (-40.3 percent).

Taxable Sales by Sub-Area

Table 15 summarizes taxable retail sales for the last three fiscal years, by selected retail areas of the City. To preserve confidentiality, only total retail sales and the share of citywide sales within each sub-area are provided. It should be noted that some of the selected sub-areas have overlapping boundaries, such as Sunrise Mall and Sunrise MarketPlace.

As shown in Table 15, all but one of the displayed Citrus Heights retail sub-areas experienced declines in both taxable sales and declines in share of citywide retail sales. This reflects the severity of the recent national economic recession, particularly its dampening effect on consumer spending. The most significant decline in taxable sales occurred in Sunrise Mall, which lost approximately 23.2 percent of its inflation-adjusted retail sales or \$49 million in 2009 dollars between FY07/08 and FY09/10. As a whole, Sunrise MarketPlace lost \$122 million in annual sales during the same period, a decline that prompted its share of citywide sales to drop from 58.9 percent to 48.7 percent. This decline between FY07/08 and FY09/10 may be related to the opening of the Auburn Boulevard Wal-Mart in early 2007, which may have captured some retail sales that would otherwise have occurred in stores located in the Sunrise Marketplace area.

Retail Sales within the Citrus Heights Commercial Corridor Redevelopment Project Area, a Citrus Heights Redevelopment Area, fell by \$111 million during the same time period, a 16.5 percent decline. During this period, the Project Area's share of total retail activity dropped from 71.1 percent to 62.7 percent; however, it should be noted that this area still represents a higher share of

overall Citrus Heights retail sales than it did in FY97/98, when it accounted for 44.1 percent of the City's taxable city retail activity. Area 1, representing Auburn Boulevard from Interstate 80 to Sylvan Corners, declined by \$12 million, which brought with it a slight 0.9 percentage point decrease in the area's share of citywide sales. The Antelope Area along I-80 remains a relatively small source of city sales tax revenues, representing only 2.9 percent of the citywide total. It experienced a 17.7 percent decline in annual sales, or \$5.5 million, over the last three fiscal years. The Sylvan Corners area was the only retail area in which taxable retail sales increased between FY07/08 and FY08/09, growing by \$630,000 or 16 percent, but sales levels dropped by \$150,000 the following fiscal year.

Citywide, total retail sales continue to decline and during the FY 07/08 to FY 09/10 time period declined by 5.5 percent. It is worth noting that this decline is less significant than that experienced between FY05/06 and FY97/99, during which time the City's retail sales decreased by 5.5 percent.

Table 14: Regional Taxable Retail Sales Trends, 1999 to 2009 (Inflation Adjusted to 2009 \$)

Citrus Heights, Estimated (\$1,000's)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change '99-'09
Apparel	\$79,371	\$79,345	\$75,828	\$79,539	\$81,296	\$79,884	\$79,336	\$72,672	\$69,228	\$64,245	\$66,859	-15.8%
Department Stores	\$359,955	\$343,711	\$295,814	\$267,554	\$283,615	\$341,777	\$344,280	\$331,450	\$345,077	\$308,388	\$286,661	-20.4%
Food	\$52,916	\$55,813	\$54,251	\$52,829	\$49,964	\$46,596	\$44,181	\$42,786	\$39,686	\$37,924	\$35,361	-33.2%
Drugs	\$19,022	\$21,519	\$23,718	\$25,109	\$24,411	\$22,877	\$22,221	\$20,978	\$19,873	\$19,402	\$17,362	-8.7%
Packaged Liquor	\$11,062	\$12,199	\$13,053	\$13,307	\$13,148	\$13,875	\$12,882	\$13,744	\$13,283	\$12,862	\$12,375	11.9%
Eating and Drinking	\$112,444	\$117,644	\$122,443	\$125,975	\$129,528	\$130,314	\$130,834	\$128,399	\$121,406	\$112,221	\$104,828	-6.8%
Home Furnishings and Appliances	\$109,287	\$113,028	\$115,787	\$152,050	\$151,921	\$140,761	\$133,201	\$109,117	\$92,418	\$84,061	\$65,220	-40.3%
Building Materials and Farm Implements	\$26,919	\$30,975	\$31,677	\$24,290	\$66,511	\$96,697	\$109,075	\$99,918	\$84,167	\$66,391	\$54,239	101.5%
Auto Dealers / Auto Supplies	\$96,577	\$89,538	\$98,851	\$97,359	\$100,302	\$101,106	\$93,442	\$90,387	\$82,206	\$67,160	\$53,436	-44.7%
Service Stations	\$69,805	\$82,779	\$78,662	\$68,194	\$77,051	\$73,834	\$78,571	\$87,129	\$82,375	\$79,017	\$60,880	-12.8%
Other Retail Stores	\$224,253	\$223,780	\$196,625	\$196,993	\$192,421	\$188,835	\$185,625	\$186,741	\$166,583	\$144,756	\$124,196	-44.6%
Non-Retail Sales	\$28,142	\$31,448	\$26,867	\$27,814	\$35,776	\$21,732	\$18,274	\$16,550	\$16,985	\$12,495	\$13,071	-53.6%
Total Sales	\$1,189,752	\$1,201,782	\$1,133,575	\$1,131,014	\$1,205,943	\$1,258,289	\$1,251,920	\$1,199,874	\$1,133,288	\$1,008,922	\$894,488	-24.8%
<i>Population</i>	84,942	85,071	86,363	87,708	87,729	87,686	87,464	86,988	86,951	87,321	87,615	3.1%
<i>Per Capita Retail Sales</i>	\$13,675.3	\$13,757.1	\$12,814.6	\$12,578.1	\$13,338.4	\$14,102.1	\$14,104.6	\$13,603.3	\$12,838.3	\$11,411.1	\$10,060.1	-26.4%
<i>Per Capita Non-Retail Sales</i>	\$331.3	\$369.7	\$311.1	\$317.1	\$407.8	\$247.8	\$208.9	\$190.3	\$195.3	\$143.1	\$149.2	-55.0%
<i>Citrus Heights Retail as % of two-county area (a)</i>	7.1%	6.5%	5.9%	5.7%	5.8%	5.7%	5.5%	5.4%	5.4%	5.6%	5.6%	-1.5
<i>Citrus Heights Non-Retail as % of two-county area (a)</i>	0.3%	0.4%	0.3%	0.3%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	-0.2
<i>Citrus Heights Total as % of two-county area (a)</i>	4.9%	4.5%	4.2%	4.1%	4.2%	4.1%	4.0%	3.9%	3.9%	3.9%	4.0%	-0.9
Sacramento and Placer Counties (\$1,000's)												
Retail Stores	\$16,413,957	\$18,011,238	\$18,770,113	\$19,378,905	\$20,198,150	\$21,539,924	\$22,356,391	\$21,840,996	\$20,494,650	\$17,919,405	\$15,705,505	-4.3%
Non-Retail Sales	\$8,087,718	\$8,569,537	\$8,393,747	\$8,201,370	\$8,344,930	\$8,911,483	\$8,949,828	\$8,670,519	\$8,468,616	\$7,954,868	\$6,654,992	-17.7%
Total Sales	\$24,501,675	\$26,580,775	\$27,163,861	\$27,580,276	\$28,543,080	\$30,451,407	\$31,306,219	\$30,511,515	\$28,963,266	\$25,874,273	\$22,360,497	-8.7%
<i>Population</i>	1,463,931	1,471,898	1,510,975	1,558,112	1,601,426	1,641,663	1,675,845	1,705,269	1,731,299	1,757,816	1,772,764	21.1%
<i>Per Capita Retail Sales</i>	\$11,212	\$12,237	\$12,423	\$12,437	\$12,613	\$13,121	\$13,340	\$12,808	\$11,838	\$10,194	\$8,859	-21.0%
<i>Per Capita Non-Retail Sales</i>	\$5,525	\$5,822	\$5,555	\$5,264	\$5,211	\$5,428	\$5,340	\$5,085	\$4,891	\$4,525	\$3,754	-32.0%
State of California (\$1,000's)												
Retail Stores	\$329,131,933	\$357,646,008	\$356,095,709	\$359,683,153	\$373,360,903	\$397,697,184	\$412,825,129	\$414,033,607	\$400,455,307	\$356,047,168	\$311,214,606	-5.4%
Non-Retail Sales	\$179,184,572	\$192,842,494	\$178,753,826	\$166,165,153	\$163,094,075	\$170,248,676	\$176,964,248	\$181,532,637	\$180,063,911	\$173,714,868	\$145,278,340	-18.9%
Total Sales	\$508,316,505	\$550,488,502	\$534,849,536	\$525,848,306	\$536,454,978	\$567,945,859	\$589,789,377	\$595,566,244	\$580,519,219	\$529,762,035	\$456,492,946	-10.2%
<i>Population</i>	33,721,583	33,871,648	34,430,970	35,063,959	35,652,700	36,199,342	36,675,346	37,114,598	37,559,440	38,049,462	38,255,508	13.4%
<i>Per Capita Sales</i>	\$9,760	\$10,559	\$10,342	\$10,258	\$10,472	\$10,986	\$11,256	\$11,156	\$10,662	\$9,357	\$8,135	-16.7%
<i>Per Capita Non-Retail Sales</i>	\$5,314	\$5,693	\$5,192	\$4,739	\$4,575	\$4,703	\$4,825	\$4,891	\$4,794	\$4,566	\$3,798	-28.5%

Notes:

(a) The two-county area includes Sacramento County and Placer County.

Sources: State Board of Equalization; Hinderliter de Llamas and Associates; California Dept of Finance E-5 Population and Housing Estimates; BAE, 2011.

Table 15: Taxable Retail Sales for Selected Retail Areas, FY2007/2008 to FY 2009/2010 (a)

	Fiscal Year 2007/2008	Fiscal Year 2008/2009	Fiscal Year 2009/2010	% Change (07/08 - 09/10)
Antelope/I-80				
Taxable Sales	\$31,342,910	\$31,007,399	\$25,795,800	-17.7%
Share of Citrus Heights Total (b)	3.3%	3.2%	2.9%	
Area 1 - Auburn Specific Plan				
Taxable Sales	\$68,540,437	\$63,494,173	\$56,660,200	-17.3%
Share of Citrus Heights Total (b)	7.2%	6.6%	6.3%	
Sylvan Corners				
Taxable Sales	\$3,950,678	\$4,585,501	\$4,433,800	12.2%
Share of Citrus Heights Total (b)	0.4%	0.5%	0.5%	
Redevelopment Project Area				
Taxable Sales	\$673,387,753	\$614,948,575	\$562,021,500	-16.5%
Share of Citrus Heights Total (b)	71.1%	63.8%	62.7%	
Sunrise Mall				
Taxable Sales	\$212,436,452	\$187,426,398	\$163,100,900	-23.2%
Share of Citrus Heights Total (b)	22.4%	19.4%	18.2%	
Sunrise Marketplace				
Taxable Sales	\$558,311,999	\$495,750,957	\$436,577,500	-21.8%
Share of Citrus Heights Total (b)	58.9%	51.4%	48.7%	
Citrus Heights				
Total Retail Sales	\$947,729,978	\$963,968,071	\$895,988,800	-5.5%

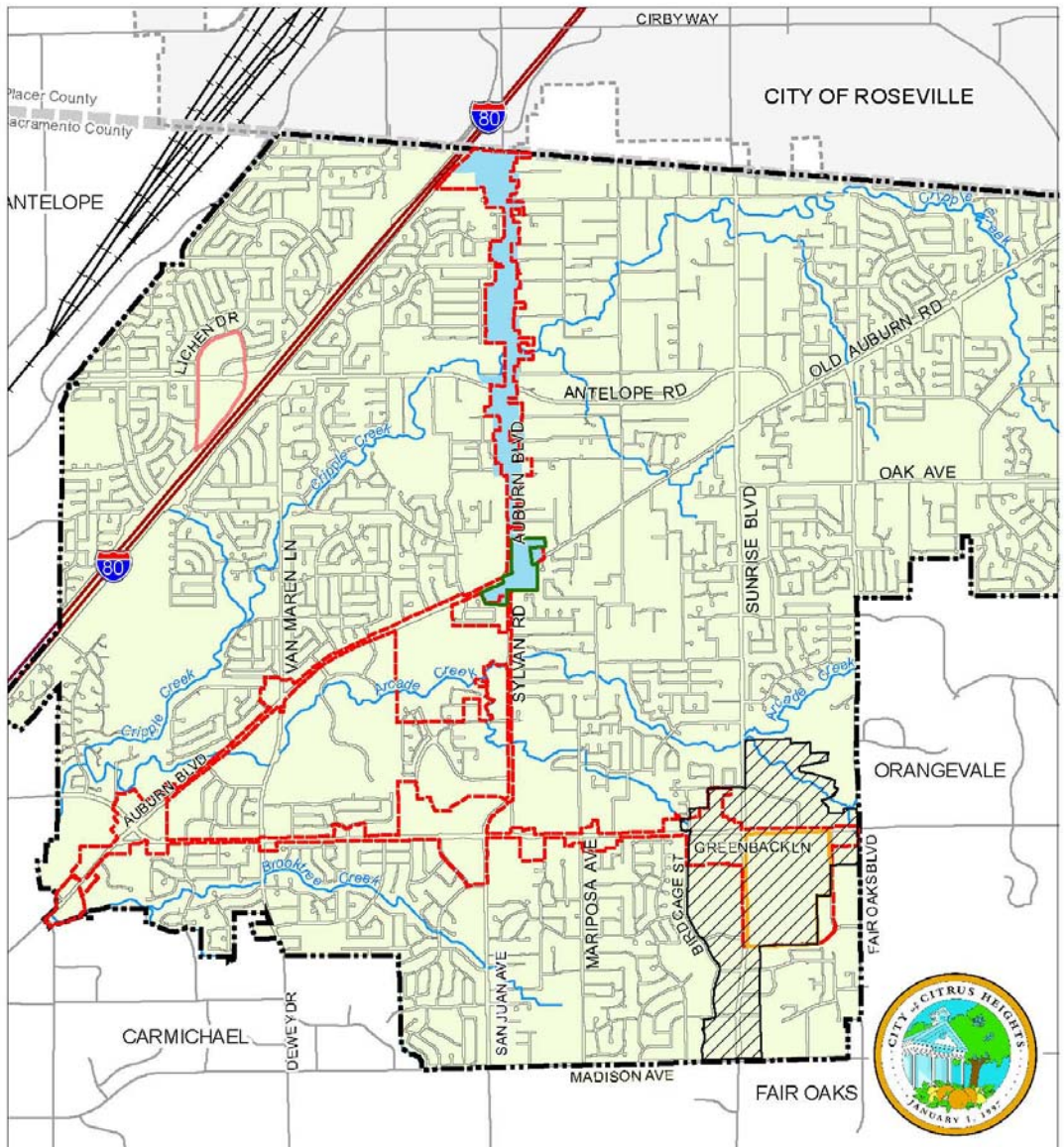
Notes:

(a) Taxable sales are in 2010 dollars.

(b) Some of the selected sub-areas have overlapping boundaries. As a result, the shares of Citrus Heights do not sum to 100%.

Sources: Hinderliter de Llamas and Associates, 2011; BAE, 2011.

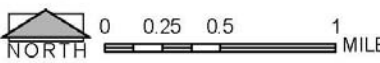
Figure 3: Map of Retail Sub-Areas



LEGEND

- | | | |
|------------------------|---------------------|--------------------------------|
| City of Citrus Heights | Antelope / I-80 | Redevelopment Project Boundary |
| Other Cities | Sunrise Mall | Auburn Boulevard Plan Boundary |
| County Boundary | Sunrise Marketplace | Creeks |
| Railroad | Sylvan Corners | Interstate 80 |

Source:
HDL Companies



Retail Sub-Areas

CITY OF CITRUS HEIGHTS
Community and Economic Development Department

Commercial Real Estate Market Conditions

The purpose of this section is to analyze the different segments of the Citrus Heights commercial real estate market. Commercial real estate within the City of Citrus Heights is almost exclusively composed of office and retail developments. Industrial space is not present in Citrus Heights in any significant quantity and is unlikely to increase unless in the future unless the City decides to expand its North-West boundaries, a proposal that has been deemed financially unsustainable at the present time by an analysis commissioned by the City in 2006. The following section analyzes the Citrus Heights office and retail markets and how developments within Citrus Heights relate to the competitive regional real estate marketplace.

In general, the physical characteristics of the local office and retail market have changed minimally since the original Citrus Heights Economic Development Strategy was prepared. As shown in Table 16, only 58 of all 922 commercial construction permits issued since 2000 were for new construction; the remainder were for tenant improvements. As reported on construction permit documentation, the average tenant improvement project was valued at \$101,162, and the average new construction project was valued at \$1,199,411. Since a peak in 2003, when 13 new construction permits were issued, the number of new construction permits has dwindled to fewer than four per year as the national recession took hold, whereas the tenant improvement permits issued per year exceeded 100 in both 2008 and 2010. This trend may reflect the presence of significant numbers of vacant, older buildings, and an increased need for property owners to update aging structures. It might also reflect landlords' increased use of tenant improvement assistance as a means to attract or retain tenants in a difficult real estate environment. The permit records indicate that 48.8 percent of all tenant improvement expenditures were associated with sites along Sunrise Boulevard, in Sunrise Mall, or in the Birdcage Center. Permits issued to projects located in these areas had reported values of \$121,665, significantly above the citywide average of \$101,162. Other locations that experienced significant tenant improvement investments were Auburn Boulevard and Greenback Lane, for which 116 and 180 tenant improvement permits were issued at an average reported value of \$68,876 and \$64,301 respectively.

The opportunities for new construction in Citrus Heights are limited by the small remaining supply of vacant commercial land, which consists of 42 small infill lots scattered throughout the City. Together, these lots constitute 42 acres, with individual parcels ranging in size from 0.02 acres to 3.99 acres. A significant quantity of vacant land is located along Auburn Boulevard (17.2 acres divided across 15 parcels), while Fair Oaks Boulevard represents the corridor with the second largest quantity of vacant land (5.4 acres across 3 parcels)⁸. The sixth chapter of this study

⁸ The three vacant parcels along Fair Oaks Boulevard area include land features such as a creek and heavily

includes the identification and analysis of several key opportunity sites that could be targeted for strategic commercial development.

In late summer 1998, in conducting baseline analysis for preparation of the City's 1999 Economic Development Strategy, Bay Area Economics surveyed 16 office and 26 retail properties with vacant space. Rather than replicate the detailed survey of vacant commercial properties in preparation of the 2011 Strategy Update, Bay Area Economics conducted a windshield survey of commercial corridors and strip centers with available space during January 2011, monitored online for-lease announcements, and interviewed seven commercial real estate brokers who are active in the area. The findings confirm that the built environment has changed minimally during the past decade, but also reveal that the national economic recession has had a profound effect on local commercial real estate vacancies, lease terms, and demand patterns.

Office

As in 1998, a number of office spaces ranging in size, monthly rents, locations, and amenities are available in Citrus Heights. Concentrations of office space are located along main arteries and nearby, in proximity to retail activity. The areas most populated with office buildings are found along Auburn Boulevard, Sunrise Boulevard, Greenback Lane, and Madison Avenue near Sunrise Boulevard. The small supply of Class A offices are generally located near major intersections or near shopping or commerce centers. The Class B and C offices are generally located along less traveled streets and not near major areas of commerce.⁹

City staff estimate that Citrus Heights contains approximately one million square feet of office space. This figure is consistent with Voit Real Estate Services' estimate that the larger Citrus Heights/Orangevale regional sub-market currently totals 1.35 million square feet of net rentable office space, which accounts for approximately 1.66 percent of the roughly 81.3 million square foot Sacramento County office market.¹⁰ Table 17 summarizes regional office market data published by Voit Real Estate for the fourth quarter of 2010.

wooded acres, and therefore may not be conducive to short- and medium-term development.

⁹ Classes A, B, and C are common categories used to characterize the quality of a particular office building. Class A denotes the most prestigious buildings competing for premier office users with rents above average for the region. Buildings have high quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence. Class B buildings are those that complete for a wide range of users, with rents in the average range for the region, finishes that are fair to good for the area, and systems that are adequate. Class B buildings cannot compete with Class A buildings of the same price. Class C buildings are those that compete for tenants requiring functional space at rents below the regional average.

¹⁰ Office data released by Voit brokerage reports represent only office properties that are 10,000 square feet and larger in size.

Local Citywide Vacancy Rate

According to the Voit brokerage reports, the Citrus Heights/Orangevale area is currently experiencing a 17.8 percent vacancy rate.¹¹ For comparison, Roseville/Rocklin is currently experiencing a 29.0 vacancy rate. The regional office vacancy rate was approximately 16.8 percent, based on the same reports. This is a dramatic increase from 1998, when brokerage reports estimated that the Citrus Heights/Carmichael/Orangevale/Fair Oaks area was experiencing a 14 percent vacancy rate, while the regional office vacancy rate was approximately nine percent.

A windshield survey found that the majority of vacancies are located on Sunrise Boulevard, Greenback Lane, and Madison Avenue, where the majority of office space is located. Leasing agents contacted as part of this study indicated that there is very little prospective tenant interest in older Class B and C offices spaces along Auburn Boulevard and other secondary streets, despite unprecedented favorable terms. Several brokers interviewed noted that the soft real estate market allows office tenants to “upgrade” to a newer building with better amenities for a negligible increase in lease rate. As a result, several tenants are moving to the competing areas of Roseville and Rocklin, which have sizable inventories of vacant spaces that are relatively new and higher quality.

Overall, Citrus Heights’ office vacancy has worsened in the past decade, largely as a result of the recent national economic recession. Across the region, the slow economic environment has forced tenant contractions and consolidations and outright failures, which in turn put upward pressure on vacancy rates. Nevertheless, because the Citrus Heights office market did not become substantially overbuilt in the past decade, it has remained relatively more stable than communities like Roseville or Rocklin. Sacramento area brokerage reports indicate that, within the region, office vacancy was stabilizing in the latter half of 2010 but will regain equilibrium (with lower vacancy rates) only once employment turns positive and consumer confidence stabilizes.

Lease Terms

Lease rates are a function of location, amenities/building quality, tenant improvements, size of space leased, and overall balance of supply and demand. All other things being equal, smaller spaces tend to command a price per square foot premium over larger spaces, due to the greater potential pool of tenants seeking smaller spaces and the fact that price sensitivity tends to increase as businesses occupy larger quantities of space. Within Citrus Heights in early 2011, asking office rents range from a low of \$0.75 per foot (triple net lease) to as high as \$2.30 for spaces in Class A buildings with many amenities and premium locations. An example of the latter is 6060 Sunrise

¹¹ If City estimates are correct, Citrus Heights office space represents the bulk of the Citrus Heights/Orangevale inventory, or approximately 75 percent of all office square footage captured in Citrus Heights/Orangevale submarket estimates. As a result, it is reasonable to assume that the City of Citrus Heights is currently experiencing a similar office vacancy rate.

Vista Drive. Within the Sacramento Region, based on brokerage reports from Voit Real Estate, typical asking lease rates range from \$1.10 to \$2.32, with a countywide average of \$1.86. The same reports indicate that the Citrus Heights/Orangevale area average is on the lower end of that countywide range, at around \$1.20 per square foot. Downtown Sacramento, the Davis/Woodland area, Midtown, and Roseville Rocklin currently command the highest lease rates.

As in the region as a whole, the lack of tenant demand and the looming possibility of tenant failure has prompted many Citrus Heights landlords to grant concessions in the form of free rent, reduced parking fees, relocation funds, and generous tenant improvement allowances. Brokers interviewed expect lease terms to remain soft throughout 2011, and some speculate that the office market will be the last real estate sector to recover from the national recession. The substantial “overhang” of excess vacant office space in the nearby Roseville/Rocklin market can be expected to slow the recovery in Citrus Heights, as landlords compete for a limited pool of tenants.

Overall Quality and Amenities

Most Citrus Heights office buildings were constructed between 1970 and the early 1990s. The overall quality of office space in Citrus Heights remains Class B and Class C space. There are a number of buildings designed as Class A, but most are at least ten to 15 years old and their number and size limitations and the fact that they are scattered across a number of locations impedes Citrus Heights from being considered as a distinctive office market within the region. Brokers interviewed have noted that this aging inventory has proven difficult to lease during the economic recession, as leasing terms for newer buildings elsewhere in the region have become substantially more competitive. Due to the relatively small size of most office complexes in Citrus Heights, the amenities are limited. Typical amenities for local Class A office space are on-site management, security, workout facilities, and conference rooms. Most Class B office space did not include amenities other than parking and lobbies.

Size and Configuration

Citrus Heights offers the mix of local serving professional office tenants a variety of sizes and classes of office space. Configurations vary from single story office plazas to multistory (two and three story) buildings. Most office buildings are designed to be shared by more than one tenant. Based on information available online and via leasing flyers, available contiguous spaces ranged in size from a low of 120 square feet to a high of 14,527 square feet; however, fewer than five properties were identified that offered blocks of space of more than 10,000 square feet.

With little significant construction in the past decade, there remain few opportunities for larger companies to locate in Citrus Heights due to both a relative lack of large, vacant blocks of space, and also due to the design of most local office complexes as multi-tenant buildings broken into smaller chunks of space. However, brokers indicate that larger companies have proven more likely

to relocate in response to improving tenant lease terms elsewhere, so in this financial environment Citrus Heights' lack of dependence on such tenants may have had a market stabilizing effect.

A notable exception to this trend is the 2004 attraction of the Federal Small Business Administration's (SBA) Sacramento District Office to Citrus Heights. The SBA built an 81,000 square foot office building at the intersection of Sylvan Road and Stock Ranch Road, just off Greenback Lane to construct a large office complex in Citrus Heights to accommodate its regional headquarters. During the second phase of the Economic Development Strategy Update, BAE hopes to interview SBA-affiliated persons who were involved in the decision to move to Citrus Heights, to better understand what factors influenced their decision. City staff have indicated that an important consideration was Citrus Heights' central location within SBA's office search area.

Types of Existing Tenants

Typical office tenants in Citrus Heights include real estate sales and leasing offices; law offices; insurance offices; marketing companies; data processing and other business support services, and; a variety of medical services such as chiropractors, dentists, as well as general and specialized medical practitioners. Most of the tenants are relatively small, with 20 or fewer employees, and therefore require smaller office spaces. Brokers indicated that Citrus Heights is more competitive among small office tenants that have local ties and serve the local market, as opposed to larger tenants that serve the broader region and therefore require excellent highway visibility and access. In response to business downsizing trends, some landlords are making their spaces available in increasingly small blocks. There is some concern that national health care legislation will prompt the downsizing of medical/health care tenants in the future, which currently represent a reasonably stable demand for high visibility Citrus Heights office space.

Regional Positioning

Although Citrus Heights continues to suffer from the lack of a regional market identity, there is a moderately diverse inventory of local serving office buildings. Key competitive attributes noted during the study are Citrus Heights' central location within the region, particularly the ease of access to I-80 and the high visibility of locations near Sunrise Mall. Also noted were the city's pro-active efforts to retain businesses contemplating a move to a neighboring city. Some of the disadvantages include: the relatively older and increasingly obsolete inventory of office spaces; the lack of a regional market identity or a major employer that could serve as a regional draw; and the lack of highway visibility. One broker suggested that the City could improve outcomes by pro-actively engaging with brokers in order to attract employers and fill spaces, in addition to responding to threats of business departure. City staff note that they have made inroads in conducting such outreach to brokers, and hope to intensify these efforts in the future.

Due to the large volume of new office developments in competing areas such as Roseville and

Rocklin, the size and technological infrastructure that large tenants require, and the increased willingness of Class B building owners to sweeten leasing terms during a multi-year recession, Citrus Heights continues to be excluded from competing for large tenants and serves mostly locally-based and small business tenants. The small supply of large vacant sites further precludes Citrus Heights from competing regionally for larger office tenants seeking new space within the area.

Table 16: Commercial Construction Activity in Citrus Heights, 1/2000 - 2/2011 (a)

Year	New Construction				Tenant Improvements			
	# of Permits	%	Valuation	Average Value Per Permit	# of Permits	%	Valuation	Average Value Per Permit
2000	6	10.3%	\$1,586,310	\$264,385	50	5.7%	\$3,975,794	\$79,516
2001	4	6.9%	\$4,956,296	\$1,239,074	65	7.4%	\$6,820,218	\$104,926
2002	9	15.5%	\$16,252,800	\$1,805,867	76	8.6%	\$5,777,529	\$76,020
2003	13	22.4%	\$19,076,879	\$1,467,452	94	10.7%	\$9,020,754	\$95,965
2004	6	10.3%	\$5,269,964	\$878,327	103	11.7%	\$6,676,558	\$64,821
2005	6	10.3%	\$9,385,580	\$1,564,263	62	7.0%	\$6,470,514	\$104,363
2006	4	6.9%	\$1,633,000	\$408,250	65	7.4%	\$5,299,444	\$81,530
2007	4	6.9%	\$3,870,285	\$967,571	89	10.1%	\$8,399,850	\$94,380
2008	2	3.4%	\$1,500,000	\$750,000	100	11.3%	\$18,048,906	\$180,489
2009	3	5.2%	\$5,759,750	\$1,919,917	64	7.3%	\$7,698,725	\$120,293
2010	1	1.7%	\$275,000	\$275,000	101	11.5%	\$10,503,991	\$104,000
Jan-Feb 2011	-	-	-	-	13	1.5%	\$532,740	\$40,980
Total	58	100.0%	\$69,565,864	\$1,199,411	882	100%	\$89,225,023	\$101,162

Notes:

(a) Includes permits issued for projects that have not yet been constructed, but excludes permits without project valuation records.

Source: City of Citrus Heights Planning Department, February 2011; BAE 2011.

Table 17: Sacramento Region Office and Retail Real Estate Market Summary, Fourth Quarter 2010

Office Submarket (a)	Net Rentable Square Feet	Vacant Square Feet	% Vacant	Net Absorption 2010	Square Feet Planned	Average Asking Rates \$/Sq Ft (b)
Auburn/Lincoln	1,164,693	172,836	14.84%	(4,228)	95,921	\$1.10
Campus Commons	1,309,648	262,308	20.03%	(5,357)	120,000	\$1.89
Carmichael/Fair Oaks	1,172,582	134,008	11.43%	3,820	-	\$1.33
Citrus Heights/Orangevale	1,355,861	240,789	17.76%	13,802	-	\$1.20
Davis/Woodland	1,792,948	208,974	11.66%	28,774	48,290	\$2.14
Downtown	17,877,875	1,608,659	9.00%	(104,257)	-	\$2.32
East Sacramento	1,821,563	300,665	16.51%	60,543	-	\$1.77
Folsom	4,591,337	618,963	13.48%	70,242	107,687	\$1.89
Highway 50	15,531,705	2,780,054	17.90%	(386,128)	1,253,600	\$1.70
Howe Ave/Fulton Ave	2,607,900	435,079	16.68%	(31,466)	-	\$1.65
Midtown	4,140,069	287,502	6.94%	61,966	63,600	\$1.92
Natomas/Northgate	5,942,472	1,406,765	23.67%	89,510	437,725	\$1.83
Point West	2,678,359	875,018	32.67%	(82,510)	-	\$1.79
Rio Linda/North Highlands	1,051,708	303,069	28.82%	(71,241)	-	\$1.27
Roseville/Rockling	10,524,463	3,050,212	28.98%	117,898	925,533	\$1.91
South Sacramento	3,581,368	654,850	18.28%	(68,546)	307,493	\$1.85
Watt Ave	2,453,182	218,942	8.92%	(40,393)	-	\$1.47
West Sacramento	2,205,322	199,174	9.03%	147,730	-	\$1.50
Sacramento Region Total	81,803,055	13,757,867	16.82%	1,355	3,359,849	\$1.86

Retail Submarket	Net Rentable Square Feet	Vacant Square Feet	% Vacant	Net Absorption 2010	Square Feet Planned	Average Asking Rates \$/Sq Ft (c)
Arden/Watt/Howe	11,278,442	1,155,595	10.25%	(29,322)	24,000	\$1.63
Auburn/Loomis	3,202,003	289,267	9.03%	31,683	44,182	\$1.41
Carmichael	2,460,768	288,165	11.71%	(36,350)	-	\$1.14
Citrus Heights/Orangevale	8,086,284	967,641	11.97%	52,368	148,678	\$1.43
Davis	1,930,979	177,362	9.19%	(34,212)	38,950	\$1.42
Downtown/Midtown/East Sac.	9,358,887	365,290	3.90%	146	4,311,420	\$1.43
El Dorado	3,598,105	311,414	8.65%	67,704	122,844	\$1.92
Elk Grove	5,243,544	647,977	12.36%	98,473	2,386,902	\$1.68
Folsom	5,575,511	416,651	7.47%	25,682	30,000	\$1.62
Highway 50	4,662,855	827,239	17.74%	(60,386)	315,620	\$1.36
Lincoln	1,596,377	167,724	10.51%	20,204	-	\$1.95
Natomas	4,267,161	422,427	9.90%	(130,806)	92,570	\$1.88
Outer El Dorado	2,143,684	195,773	9.13%	(27,665)	-	\$1.79
Outer Placer	1,026,488	18,840	1.84%	3,950	-	\$1.00
Outer Sacramento	876,568	50,545	5.77%	(5,414)	163,584	\$1.43
Outer Yolo	237,328	11,000	4.63%	380	-	-
Rio Linda/North Highlands	5,339,419	647,880	12.13%	(54,475)	20,450	\$1.18
Roseville/Rocklin	13,559,279	1,743,497	12.86%	93,816	274,735	\$1.69
South Sacramento	10,956,217	1,668,180	15.23%	(6,730)	944,630	\$1.40
West Sacramento	2,149,428	149,625	6.96%	42,147	63,747	\$1.75
Woodland	3,393,775	397,084	11.70%	(26,374)	192,644	\$1.71
Sacramento Region Total	126,102,889	12,963,298	10.28%	304,113	10,731,232	\$1.49

Notes

(a) Data captures properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings.

(b) Lease rates are based on a full-service gross basis.

(c) Lease rates based on a triple net basis.

Source: Voit Real Estate Services, Sacramento Region Office Market Report and Retail Market Report, Fourth Quarter 2010; BAE 2011.

Retail

Citrus Heights offers a variety of retail space, ranging from the region-serving Sunrise Mall to numerous neighborhood-serving strip centers with less than 10,000 total square feet. While retail centers are scattered throughout the City, large retail centers remain clustered around major intersections. Three of the largest retail centers, Sunrise Mall, Birdcage Center, and Sunrise Festival, are located at the intersection of Sunrise and Greenback Lane. In the same vicinity, a number of smaller community and neighborhood centers capitalize on their proximity to the larger regional shopping destinations. A nearly continuous assortment of strip retail, community centers, and neighborhood centers front on Greenback as it extends east/west through the City. Small neighborhood and community centers exist near the intersection of Auburn Boulevard and Greenback Lane. Auburn Boulevard is characterized by small, older strip retail centers, each having approximately 20,000 to 30,000 square feet of space. North of Greenback, on Sunrise Boulevard, there are also a number of community and neighborhood centers. These centers are newer and in relatively good condition.

Shortly after the release of the 1999 Citrus Heights Economic Development Strategy was released, property owners in the vicinity of the Sunrise Mall, Birdcage Center, and Sunrise Festival came together and formed the Sunrise MarketPlace (SMP) a property-based business improvement district (PBID). With an annual budget of approximately \$700,000, the organization is an alliance between businesses, property owners, and the City of Citrus Heights, and aims to create awareness and increase the attractiveness of the area, thereby driving traffic to local businesses. Over the past ten years, SMP has conducted significant marketing of the area through signage and landscaping improvements, events, and media outreach to potential shoppers as well as to real estate brokers and businesses. Surveys conducted by SMP found that individuals who travel to the area for SMP events are more likely to subsequently frequent dining establishments than retail shopping. SMP has also found that its strongest competitor is the Roseville Galleria area, which may be favored by higher income households. Less significant competitors include retail centers in Folsom, Arden Fair, and Downtown/Midtown Sacramento.

There are approximately 8 million square feet of retail space in the Citrus Heights/Orangevale area. Sunrise Mall accounts for almost 1.2 million square feet of the City's total retail inventory. Sunrise Mall and the adjacent Birdcage Center attract heavy retail traffic into the southwest section of Citrus Heights. The intersections of Madison/Sunrise and Greenback/Sunrise generate some of the highest traffic counts within the City, which in turn supports premium lease rates for nearby retail centers.

Vacancy Rate Trends

According to the Voit Real Estate brokerage report, the vacancy rate for large retail centers in Citrus Heights/Orangevale was 11.97 percent in the fourth quarter of 2010. The Sacramento

regional retail vacancy rate was 13.1 percent for 2010 overall, and 10.28 percent in the fourth quarter. These data indicate that absorption rates improved significantly in late 2010, and Citrus Heights benefited from such trends. Nevertheless, the City's vacancy rates remain above 1999 levels, when Grubb & Ellis estimated vacancy rates for large retail centers located in the City at an extremely low 6.95 percent.

Regional shopping centers are over 400,000 to 1,000,000 square feet with one or more full-line department store anchors. Sunrise Mall, technically, is considered a super-regional shopping center with 1.2 million square feet of retail space anchored by Macy's, JC Penney, and Sears. Birdcage Center can be considered a "lifestyle" shopping center or "power center" with over 500,000 square feet of space, including Target and Lowe's, but lacking a full-line department store. Within City sub-areas, the retail centers on Auburn and the West Greenback area have significant amounts of vacant space.

Most retail brokers indicated that Citrus Heights' retail vacancy rate has paralleled that of the broader Sacramento region, dropping significantly during the past two years and stabilizing in the past three months. However, aging, unanchored shopping centers boast the highest vacancy levels. With today's diminished pool of tenants, few are even touring aging shopping centers challenged by obsolescence issues. Brokers report that vacancies that are filled in unanchored centers are almost exclusively value-driven, usually with small, family-owned tenants. The lack of small retail start-ups in the marketplace is having a profound impact on these shopping centers, though one broker noted that the stimulus and recent SBA loan packages have sparked additional activity in recent months. As one broker noted, 2011 is less likely to be a year of recovery than one of stabilization.

Lease Terms

As noted in Table 17, the average lease rate for retail space in the Citrus Heights/Orangevale area is \$1.43 per square foot, triple net. This rate is comparable to the Sacramento County average, which is \$1.49 a square foot. A survey of properties for lease in early 2011 found that asking triple net rates in Citrus Heights range from \$0.60 a square foot for spaces in older, unanchored strip centers, to \$2.00 per square foot in the heart of the Sunrise MarketPlace area. Lease rates vary due to a variety of factors that include the center's traffic counts, location, condition, market area, and tenant improvements offered. Tenant improvement allowances are negotiable and based on the tenant's lease period, credit rating, total space to be occupied, and the type of retail. Smaller strip retail centers offer more affordable rates with better terms.

Based on a windshield survey and interviews with brokers, strip retail vacancy levels appear to be two or three times greater than in larger, anchored shopping centers. Brokers interviewed as part of the study noted that the extremely soft leasing market has rendered it extremely difficult to lease a

space without a prime location, strong anchors and tenant mix, attractive design/architecture and finishes, top quality property management, and superior leasing terms. Two brokers reported separately that the deals that they have seen have been at lease rates 30 to 40 percent below the peak levels of 2006/2007. Everyone interviewed reported having to be much more competitive with their rents and lease terms in order to land or even retain tenants. Even so, vacancies in older, unanchored centers remain elevated and rental rates are unlikely to grow at all during the next year.

Overall Quality and Amenities

Overall, most Citrus Heights retail centers have sufficient parking and signage, but a few areas have limited street visibility and landscaping. Of particular concern is Citrus Heights' large inventory of aging non-anchored retail centers, which are outdated and have difficulty competing in the current retail environment. Several examples of these centers can be found along Greenback Lane and particularly along Auburn Boulevard, and are often characterized by a sufficient supply of parking but sparse landscaping, reflecting lower site development standards imposed on older developments versus more modern standards. The Antelope Crossing area faces challenges similar to those of aging, non-anchored commercial centers, albeit because of an inability to attract anchor tenants and not because the centers at that intersection lack spaces designed for such anchors. In addition, Auburn Boulevard continues to lack the underground utilities and landscaping that are common on other retail corridors in Citrus Heights and elsewhere in the region. While research conducted by Bay Area Economics in 1999 found that new retail centers' lease and vacancy rates did not vary significantly from other retail centers, brokers interviewed in 2011 indicated serious difficulties associated with securing tenants for these properties. As with the local office market, this trend is likely due to the increasingly soft market and the motivation of property owners in other areas to offer highly competitive rates for newer spaces, in light of the high prevailing vacancy rates.

Types of Existing Tenants

Citrus Heights has a wide variety of retail goods and services offered at its retail centers, which range from neighborhood oriented strip centers to the Sunrise Mall regional center. Small businesses tend to locate at strip centers where lease rates are lower. These businesses include martial arts training centers, hair stylists, small restaurants, nail and hair salons, and a plethora of other small business types. Sunrise Mall houses the majority of apparel retail stores for Citrus Heights. Community centers in Citrus Heights are anchored by, among others, Marshall's, Rite Aid, Staples, PetSmart and large grocery chains. Most auto-related retail is located on Auburn and Greenback, while family restaurant chains tend to reside near Sunrise Mall. Fast food and other community restaurants are distributed throughout the City.

Brokers report that recent leasing activity has been initiated by discounters, off-price apparel retailers, franchise restaurant operators, liquor stores, and smaller format grocery store chains.

However, the mom-and-pop sector is unlikely to return to the marketplace in significant numbers until the housing market begins to recover, as home equity loans are the initial line of funding for many of these start-ups. This has particularly affected the unanchored shopping centers, as noted earlier.

During the past decade, notable new retail developments include a Costco that opened on the Stock Ranch site just off Auburn Boulevard in early 2004, and a 155,000 square foot WalMart store that opened on the same site in early 2007. In addition, commercial developers constructed approximately a dozen retail buildings on vacant lots that were later filled by large national chains including Walgreens, Staples, Rite Aid, Michaels, Sports Authority and Best Buy. Dynamic retail sector evolution on the national level has profoundly affected the Citrus Heights retail landscape, as numerous bankruptcies, consolidations, and start-ups have led to local store closures, which in turn have prompted remodels of existing buildings to accommodate new tenants, and renovations to refresh the look of established retail centers.

Regional Positioning

Since Citrus Heights' original Economic Development strategy was completed in 1999, Roseville's Galleria mall and Creekside Commercial Center added 2.5 million square feet of super-regional center space to the market. These and other new retail developments in Roseville and Rocklin enjoy good freeway visibility and access, whereas Sunrise Mall connects to I-80 via a busy and often congested surface street. Despite increased regional competition, Citrus Heights' regional retail area managed to stay stable, with fewer vacancies than its counterparts. One broker speculated that Citrus Heights' relatively isolated locale has been an advantage. The local population – with its relatively solid demographics – has remained a captive consumer pool, continuing to frequent Sunrise MarketPlace despite the national recession and the center's increasing age. However, the same informant noted that Sunrise Mall would not remain competitive unless it addressed its looming obsolescence issues.

Opportunity Sites

During the process of developing the Economic Development Strategy Update, five key opportunity sites were identified as possible locations for future development or redevelopment. With input from City staff, BAE developed a draft list of possible opportunity sites, focusing on large contiguous commercial areas that are currently underutilized. The Economic Development Strategy Update Steering Committee, a group of local business representatives and other stakeholders that provided feedback throughout the Strategy Update process, then refined the initial list of opportunity sites and discussed current impediments to development as well as potential future uses. The following section is the outcome of these deliberations. Figure 4 maps the locations of the five opportunity sites; Appendices G through K include site-specific maps.

Site 1. Antelope Crossing

The first opportunity site consists of two aging, underutilized shopping centers, Summerhill Plaza Shopping Center and Antelope Plaza Shopping Center, which are bounded by Antelope Road, Interstate 80, and the surrounding residential neighborhoods to the North, South and West. Altogether, the targeted area consists of 46 acres. As shown in Figure 3, this opportunity site is the only part of the City located west of I-80. Due in part to obsolete design and poor circulation, the area is not currently capitalizing on its commercial potential and its proximity to one of the region's principal freeway routes for regional and inter-regional travelers.

Antelope Crossing is currently zoned as a Special Planning Area (SPA) with a few parcels zoned as Limited and General Commercial. The SPA includes more restrictive requirements than the City's current Shopping Center zoning, such as restricting it to only one-story by right, therefore limiting the shopping centers' ability to capitalize on its freeway access. The design of this area has contributed to its decline, due to lack of synergy among the different tenants and awkward circulation.

In 2009, business owners, property owners, and the City collaborated on a study to identify opportunities for increased economic productivity in the area. Among other factors, the study found that annual sales tax activity from the Antelope Crossing area as a percentage of the annual sales tax activity for the City had continually declined from 4.03% in 1997 to 2.69% in 2008.

Potential Uses

Antelope Crossing has the potential to become an employment hub with a diverse array of economic sectors and uses, including office, residential, and possibly a hotel. With certain key cityscape improvements, the commercial district could become more walkable, safe and attractive. For example, the Antelope Crossing area could accommodate transit-oriented development, smart-growth principles, and sustainability by improving pedestrian access and orienting buildings

toward the street. With increased density, public transportation to the area might be restored and other transit options might be expanded to capitalize on freeway access. Since the area is surrounded by residential neighborhoods and is considered an infill area, mixed-use could develop organically where zoning flexibility is allowed.

Next Steps

Based on the physical and economic conditions within the Antelope Crossing area, the City is pursuing a rezone, inclusion in a Redevelopment Area, and future public improvement projects to revitalize the area. In April 2011, the Sacramento Regional Air Quality Management District's Infill Streamlining Program awarded the City of Citrus Heights a technical assistance grant, which will allow the City to draw on consultant assistance to develop an updated revitalization strategy for the opportunity site, which may include new zoning, design guidelines, and land uses. There is also potential to collaborate with Caltrans to enhance the City's image from the freeway via signage and landscaping improvements.

Site 2. Auburn Boulevard

Unlike the other five opportunity sites, the Auburn Boulevard site consists of several non-contiguous, underutilized commercial properties located along a main transit corridor, bound by Antelope Road to the north and Sylvan Corners to the south. This commercial corridor is included in a Redevelopment project area and zoning is defined by the Auburn Boulevard Specific Plan, the overall goal of which is to transform the corridor into an attractive commercial destination.

Potential Uses

The City is currently implementing Phase 1 of a "complete streets" plan for Auburn Boulevard, which involves streetscape improvements between Rusch Park and Sycamore Drive along Auburn Boulevard. Though these efforts lay the groundwork for the area's transformation, a catalyst development, perhaps a destination restaurant or activity space, could help to jump start commercial investment in the area. There is also potential need for formation of a new business association, Business Improvement District, or Property-Based Business Improvement District, organizations which could spearhead marketing the corridor, and ongoing organization of local business and property owner interests for the planning and implementation of further improvements to the corridor business environment. Aging, underutilized commercial sites in this corridor have potential to be redeveloped for a number of uses consistent with *The Boulevard Plan*, adopted in 2005.

Next Steps

During the timeline for implementation of the updated Economic Development Strategy, the City should finish the "complete streets" project, which will substantially improve the overall feel of the corridor and heighten its attractiveness to potential shoppers and investors alike. City staff may

also choose to review the zoning for the corridor, to ensure that the zoning code does not unnecessarily impede development that could help to diversify the local economy. Finally, the City might work with local property owners and brokers to identify a site, use, and financial incentives for a catalyst development project. The management of the Sunrise Marketplace has offered to provide technical assistance as well as to explore potential for shared administrative functions, to assist with the feasibility of establishing a business improvement district or property-based business improvement district along the corridor.

Site 3. Stock Ranch

Located in the central portion of the City, the Stock Ranch opportunity site consists of two non-contiguous areas: the 12.8-acre Auburn Commercial Area and the 11.08-acre Stock Ranch Triangle. The Auburn Commercial Area is bounded to the north by Auburn Boulevard, an important transportation corridor, and by a Wal-Mart-Supercenter, a Costco, and their associated parking lots to the south. The opportunity site is included in the 129 acre Stock Ranch Special Planning Area (SPA), which provides for the development of 13 acres of commercial areas, 43 acres for residential development, and 32 acres of open space. The site is currently “shovel-ready” for commercial development.

The Stock Ranch Triangle site is bounded by Stock Ranch Road to the north, Fountain Square Drive to the west, multifamily housing to the east and commercial development including a Sam’s Club and post office to the south. Although currently zoned for multifamily residential development, this parcel has attracted attention for its potential as a site to develop additional employment-generating uses that would help to diversify the local economy.

Potential Uses

The natural use for the Auburn Commercial area is additional retail uses that would compliment the existing Wal-Mart and Costco stores. The Triangle site could potentially accommodate larger scale office spaces and/or medical services facilities, and therefore offers a rare opportunity to diversify the Citrus Heights economy. Possible users include local medical institutions (e.g., Mercy, Sutter, UC Davis), physicians groups and private medical clinics, and federal or state government agencies. Located within walking distance of the City’s Conference Center, the Stock Ranch Triangle might also be a viable location for a hotel; though such a hotel would not have highway visibility and would not be located immediately adjacent to restaurants or other retail.

Next Steps

The Auburn Commercial site is shovel ready for retail development, and there is little for the City to do in order to facilitate its development other than maintaining communication with the property owner and real estate brokerage representatives to ensure timely and appropriate follow-up on interest expressed by prospective developers and/or tenants.

In order to ensure that the Triangle site is “shovel-ready” for office or medical facilities development, the City may choose to pursue a rezone and a General Plan amendment in order to allow commercial uses. Other key steps could include actively strategizing development opportunities with the owner, partnering with brokers and developers to market site to users, and identifying incentives for development/business attraction.

Site 4. Mitchell Properties

The fourth opportunity site encompasses approximately 48 acres along Arcade Creek, in close proximity to Sunrise Mall and the intersection of Greenback Lane and Sunrise Boulevard. The various parcels that constitute this opportunity site are zoned “Limited Commercial,” “Shopping Center,” or “Commercial Recreation.” The site is currently being used as a nine-hole golf course. Though it does not directly abut either Greenback Lane or Sunrise Boulevard, the site’s close proximity to the City’s main commercial area creates potential for catalytic development in the future. The property owner has demonstrated interest in redesigning and developing the site and has indicated continued interest in working with the City on plans for redevelopment.

Potential Uses

The Mitchell properties represent an opportunity to supplement and support the economic activity in the Sunrise MarketPlace, by introducing a diversity of commercial and residential uses. Potential uses include a horizontal mixed-use development, which could locate residents within walking distance to the jobs and retail options available along nearby commercial corridors, thereby creating spillover benefits for surrounding businesses. The site configuration and location along the less traveled Arcadia Drive results in relatively low visibility, which could be an impediment to retail development but could facilitate the preservation of a buffer area between existing commercial and future residential developments. Additionally, the site is one of few in the City that could accommodate a relatively large, new office building, which might prove attractive to office-based businesses due to its close proximity to the Sunrise MarketPlace commercial hub.

Next Steps

The various parcels that constitute this opportunity site are zoned “Limited Commercial,” “Shopping Center,” or “Commercial Recreation.” Any large-scale redevelopment effort in the future would require a rezone, a relatively time-consuming process which would entail a General Plan amendment, as well as a property Master Plan. The City could facilitate development by initiating these planning actions, and could also identify any future infrastructure needs. By completing this pre-development work, the development timeline for this site could be reduced, making the site more competitive for future development opportunities, such as new State Department of General Services or federal General Services Administration office space requirements. In its current state, the site is not competitive for these types of projects, because of the uncertainty of the approvals process and undetermined infrastructure needs.

Site 5. Sunrise Mall

The Sunrise Mall is the economic engine for the City of Citrus Heights and serves as the centerpiece for the Sunrise MarketPlace area. It is located at the south-east intersection of Greenback Lane and Sunrise Boulevard, and hosts several large scale retailers, including Macy’s, JC Penney, and Sears. The mall is surrounded on four sides by large parking fields, which remain underutilized most of the time. During the summer months, the Sacramento Capitols set up a temporary stadium in the mall parking lot and hold tournaments there, an attraction which both raises the regional profile of Citrus Heights and the Sunrise MarketPlace, and attracts visitors from outside the MarketPlace’s primary trade area who may also opt to patronize nearby retail options.

Potential Uses

The Sunrise Mall is an aging structure, and could be utilized more intensively and effectively to attract shoppers to the Mall property itself, as well as to the larger Sunrise MarketPlace area. A Sunrise MarketPlace Vision Plan and a Sunrise Mall Master Plan both lay out goals and expectations for the future of the larger MarketPlace and the Mall itself, respectively. The City will continue to work with the Sunrise MarketPlace management and Sunrise Mall owners to review these guiding documents, update them as appropriate to respond to changing economic conditions and, ultimately, to collaborate on projects to implement the plans and work towards achieving the long-term visions for the area that anchors Citrus Heights’ commercial activity.

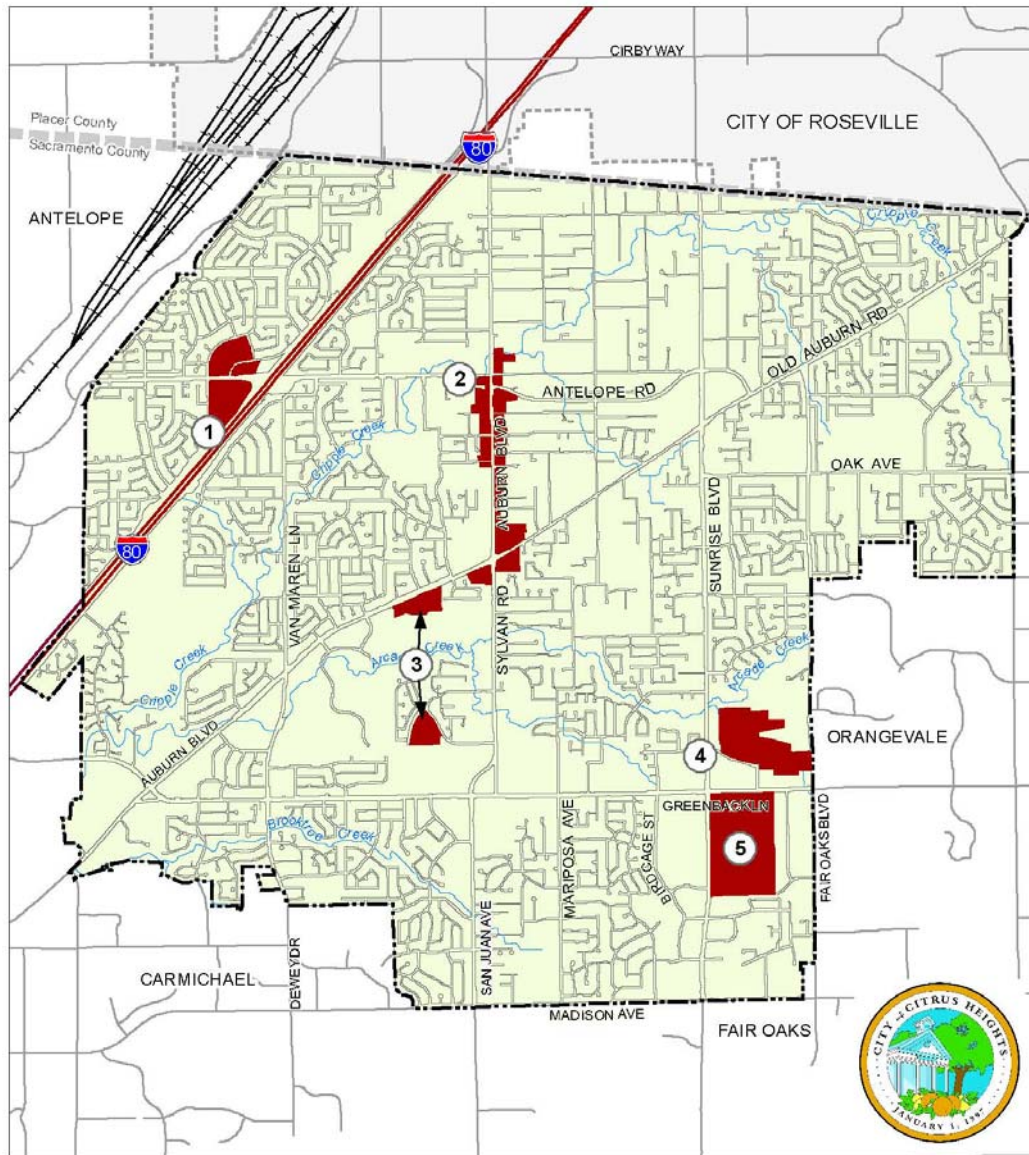
In addition, having recently attracted the Sacramento Capitols tennis organization to return its tennis stadium to the Sunrise Mall site, the City can work to leverage the presence of this facility, and the visitors and media coverage that it attracts, to promote the surrounding area to shoppers and visitors who reside outside of the Sunrise MarketPlace’s primary trade area. In addition to cooperative marketing that is coordinated with the Capitols’ tennis matches, this could also involve utilizing the stadium to host additional activities, such as other sporting events, concerts, or performing arts. Such efforts could leverage existing resources and showcase both the retail

district and Citrus Heights as a City, particularly amidst strong competition from newer regional shopping centers.

Next Steps

The City should work with the Sunrise Mall property owner as well as with the Sunrise MarketPlace to identify ways to raise the profile of the mall, including possible tenant assistance or building upgrade assistance. Another possible task could include revisiting the Sunrise Mall Master Plan to determine its feasibility in the current economic climate and making any necessary adjustments to be able to accommodate anticipated demand for various tenant types.

Figure 4: Opportunity Sites Overview Map



LEGEND

- City of Citrus Heights
- Other Cities
- County Boundary
- Railroad
- Opportunity Site
- Creeks
- Interstate 80
- Streets
- 1 Antelope Crossing
- 2 Auburn Blvd Phase 1
- 3 Stock Ranch
- 4 Mitchell Properties
- 5 Sunrise Mall

Economic Development Opportunity Site Map

CITY OF CITRUS HEIGHTS

Community and Economic Development Department

