

Appendix C

Existing Conditions Memo



Antelope Crossing Transformation Project

Existing Conditions Evaluation



Fehr & Peers Transportation Consultants
BAE Urban Economics

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1 *CONTEXT, LAND USE, AND URBAN DESIGN*

The Antelope Crossing Transformation Project in the City of Citrus Heights is funded by an Infill Streamlining Program Grant awarded to the City of Citrus Heights by the Sacramento Metropolitan Air Quality Management District. The goal of the grant program is to help local jurisdictions to facilitate community planning projects in infill locations, and to improve air quality through land use measures that help reduce vehicle miles traveled. The goal of this project is to revitalize the shopping centers in the short-term, while developing a vision for the long-term that fulfills the Project Area's infill and Transit-Oriented Development (TOD) potential.

The Existing Conditions Evaluation provides the background information that will be used to inform the community about the existing opportunities and constraints, and develop a vision for the Project Area.

A. Context

The Antelope Crossing Project Area is bounded by Zenith Drive to the north, Zenith Drive/Tupelo Drive to the west, the I-80 freeway to the south, and the I-80 freeway and exit ramps and Brimstone Drive to the east, as illustrated in **Figure 1-1**. The Project Area is a total of approximately 46 acres, and is bisected by Antelope Road. The Project Area consists of two shopping centers, Summerhill Plaza Shopping Center in the north, and Antelope Plaza Shopping Center in the south.

1. Surrounding Context

The City of Citrus Heights is a community centrally located along Interstate 80 between Sacramento and Roseville. The City encompasses 14 square miles and is home to a population of 83,301 people.¹ The Antelope Crossing Project Area is located to the west of Interstate 80, adjacent to the City's only freeway exit, exit 100, as illustrated in **Figure 1-2**.

The Project Area is in the northwestern portion of the City of Citrus Heights and cut off from the rest of Citrus Heights by Interstate 80. The shopping centers are the only commercial uses within the City that are west of the

¹ <http://quickfacts.census.gov/qfd/states/06/0613588.html>. accessed on January 3, 2012

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Figure 1-1 Project Area

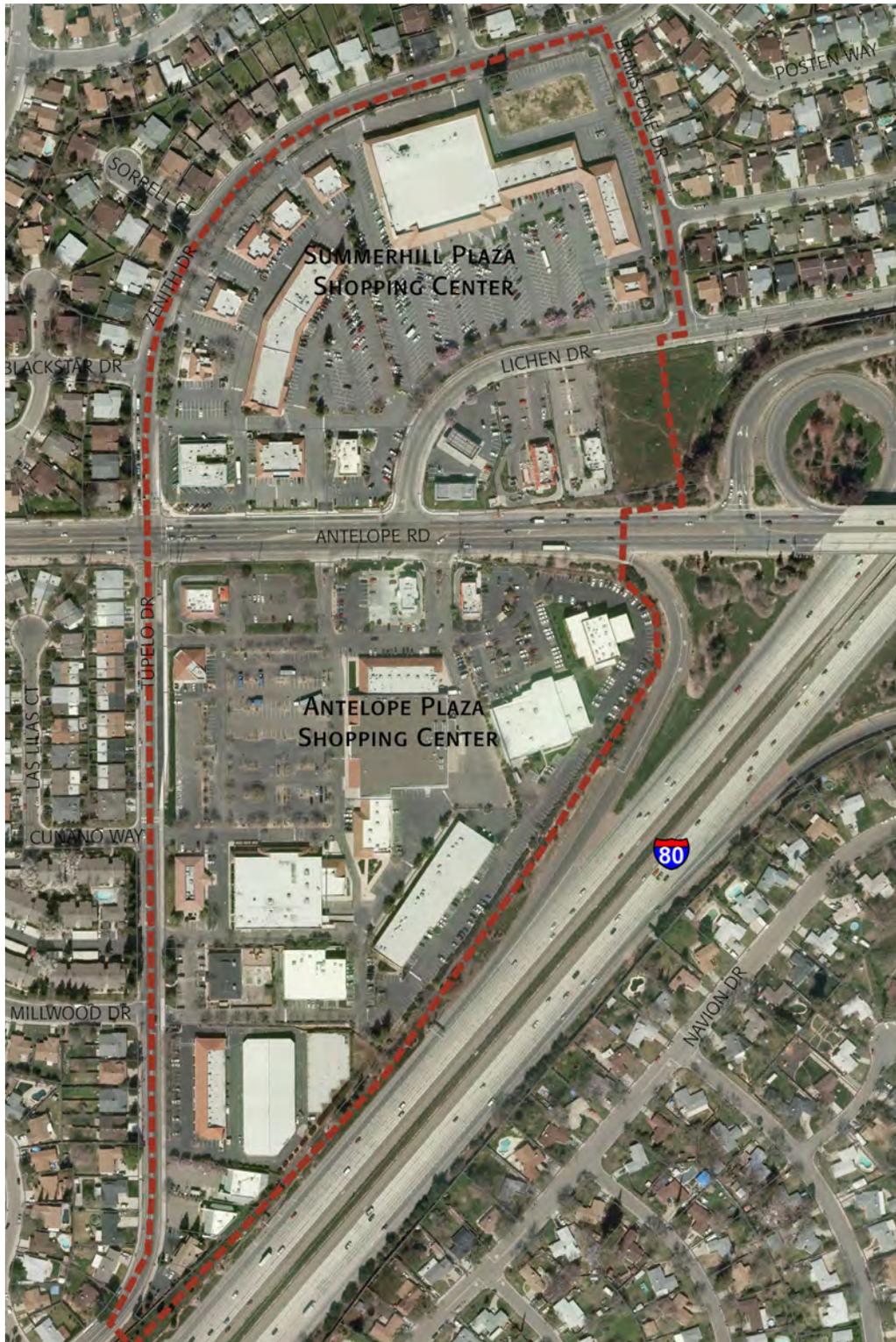
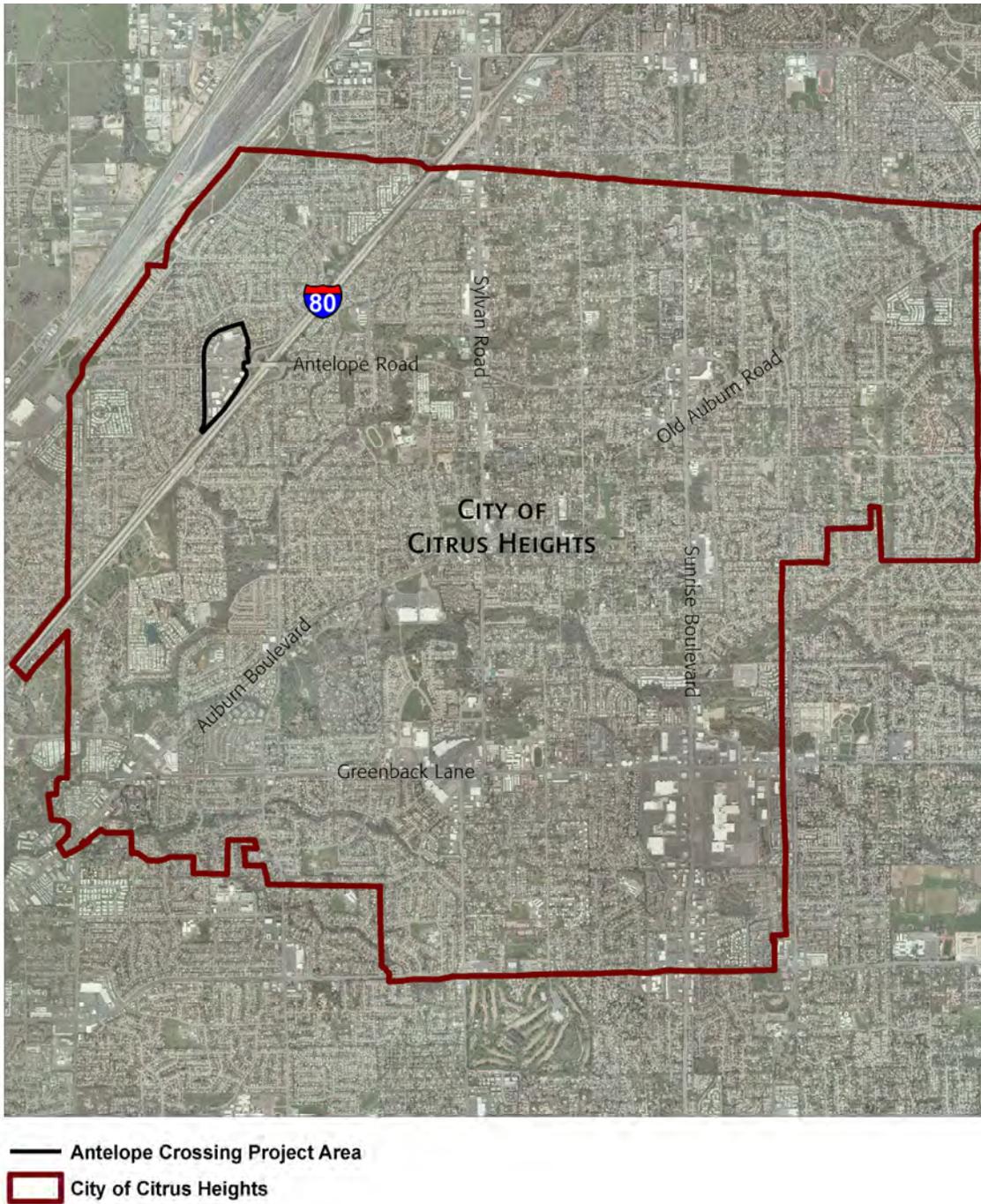


Figure 1-2 Surrounding Context



freeway. There are multiple large big box retail shopping centers, which contain a Home Depot and Wal-Mart, located approximately one mile west of the Project Area within unincorporated Sacramento County. The Project Area is surrounded by residential neighborhoods that are part of the City of Citrus Northwest Neighborhood (Area #1).

2. Land Ownership

The ownership scenario of the two shopping centers differs by the number of property owners and is illustrated in **Figure 1-3**. Summerhill Plaza Shopping Center consists of 16 parcels, which are owned by six different property owners. The majority of the land is owned and operated by one property owner and manager, the Weingarten Group.

Antelope Plaza Shopping Center consists of 20 separate parcels, which are owned by 19 different property owners. These properties have associated covenants, conditions, and restrictions (CC&R) that regulate the use of the land and require property owners to abide by certain restrictions.

Additionally, as a result of the shopping center's proximity to Interstate 80 there are four properties that do not have direct access to a public road. Reciprocal Easement Agreements (REAs) allow the owners and users of these properties to access public roads via easements across adjacent properties. The complex property ownership and the easement agreements of the Antelope Plaza Shopping Center make revitalization of the shopping center difficult because of the necessity to coordinate with so many involved parties. As a result of the ownership structure it has been difficult for all of the owners to coordinate planning and redevelopment efforts.

3. Previous Planning Efforts

There are a number of recent City of Citrus Heights planning efforts that pertain to the Project Area and are discussed below.

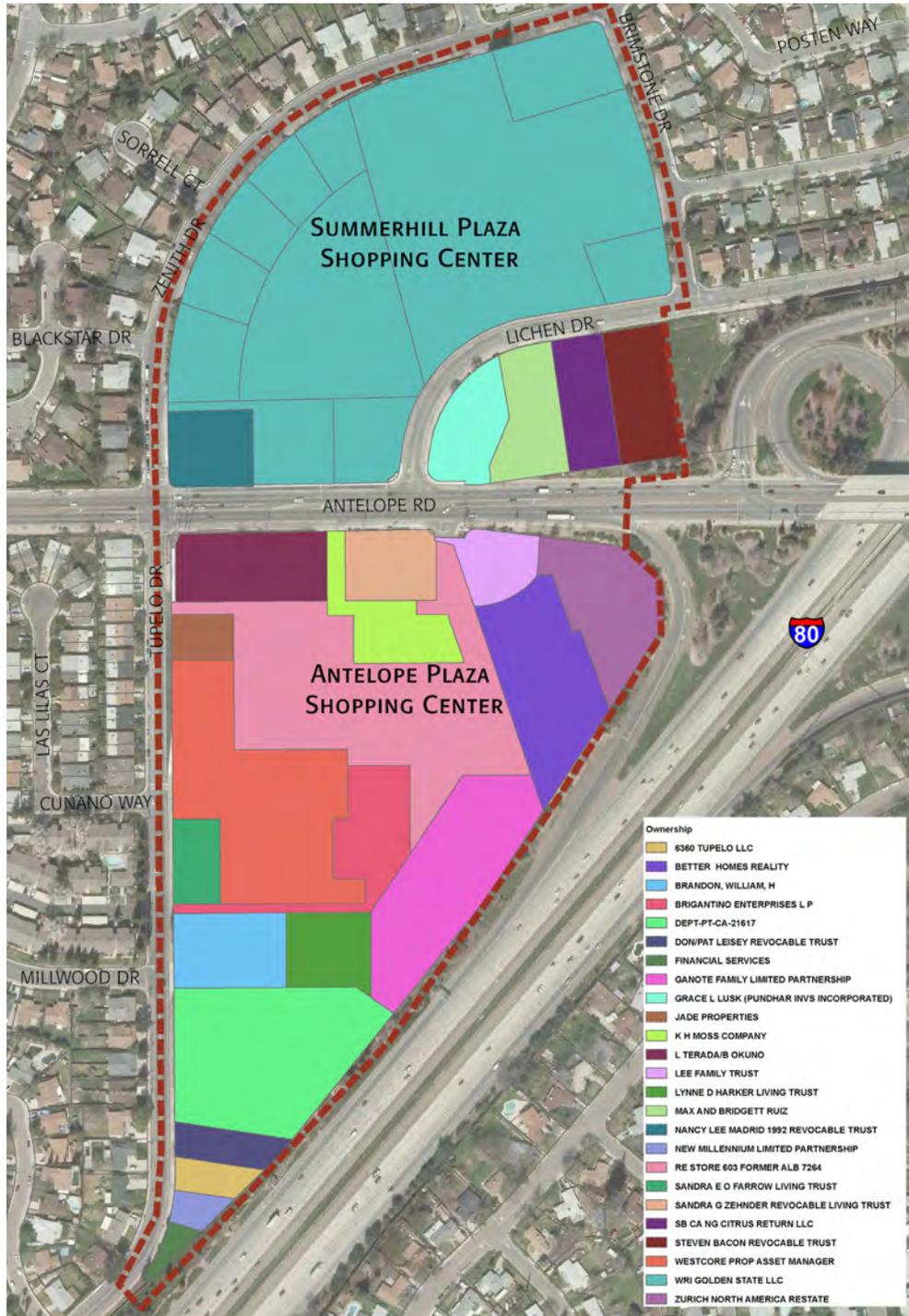
a. Antelope Road Improvements Project

Streetscape improvements were implemented along Antelope Road in 2009. The project widened Antelope Road between Lichen Drive and Roseville Road/ Daly Avenue to accommodate three vehicular traffic lanes in either direction with a center median/turn lane. The full roadway reconstruction



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Figure 1-3 Ownership



includes new sound walls, ADA improvements, including new curb ramps and enhanced signal modifications, landscaping and streetscape amenities.

b. 2009 Economic Study

At the request of business and property owners, the City of Citrus Heights spearheaded a planning effort in 2009 to identify opportunities to increase economic productivity of the shopping centers. The planning effort included community involvement, a retail market analysis, and an analysis of the strengths and weaknesses of the shopping centers.

The study achieved four stated goals: (1) created a group that can speak for the owners group; (2) selected a name for the area; (3) built an identity and (4) began programming the spaces to bring people into the centers.

All four goals were met through a combined effort of the owners, tenants, City of Citrus Heights and support from the neighborhood association. An owners group has been created and is on-going. The name "Antelope Crossing" was chosen from several choices. An identity has been created and banners with the name are now placed along Antelope Road. Programming, via a successful Halloween event has begun and is on-going. The efforts thus far should be considered "first starts" and efforts in all four categories are continuing.

c. Preliminary Assessment of Potential New or Amended Redevelopment Project Areas

In 2010 as part of the bi-annual Strategic Plan, the City Council requested an analysis of potential new or amended Redevelopment Project Areas. To be eligible an area must be predominantly urbanized and include blight conditions that prevent proper utilization of the area and results in an economic burden to the community, which cannot be assumed to be alleviated without Redevelopment². The study found that the Antelope Crossing shopping centers has the following physical and economic blight conditions: 1) the building layout limits access and visibility, 2) the building spaces do not accommodate contemporary tenant demands, 3) the multiple ownership is an obstacle to development, and 4) the shopping centers have

² City of Citrus Heights, 2010. Preliminary Assessment of Potential New or Amended Redevelopment Project Areas. October 26.

an abnormally high vacancy rate. The study concluded that the Antelope Crossing shopping centers would be eligible to be included in a new or amended Redevelopment Project Area.

City staff was in the process of further studying the Proposed Redevelopment Project Area and determining the costs of adopting the revised Project Area, when in early 2011 the Governor of California proposed eliminating Redevelopment Agencies as a means of helping to balance the State budget. In late 2011 a State Supreme Court ruling upheld the elimination of Redevelopment Agencies. As an outcome, the City of Citrus Height's Redevelopment Agency will be eliminated, thus eliminating the possibility of including Antelope Crossing in a Redevelopment Project Area

B. Land Use

The land use analysis summarizes existing land use and the regulatory context governing the Antelope Crossing Project Area.

1. Existing Land Use

Summerhill Plaza Shopping Center includes retail, restaurant, physical fitness, health and beauty, and medical and office uses as Illustrated in **Figure 1-4**. The shopping center is anchored by a Raley's, a national chain grocery store. Other major retail uses include a Dollar Tree, 7-Eleven, and an auto parts store. There are a number of small national chain restaurants in the plaza, including Round Table Pizza, Wendy's, and a McDonalds. In addition to other small retail businesses related to fitness, health and beauty, the shopping center also includes a U.S. Post Office (slated to be closed), a veterinary clinic, and a gas station. There is a vacant parcel at the intersection of Zenith and Brimstone drives, and a few vacant storefronts within the existing development.

Antelope Plaza Shopping Center includes, retail, restaurant, office, storage, medical and office, and vacant land uses as illustrated in **Figure 1-4**. The two major anchor locations of the shopping center, which in the past housed an Albertsons/SaveMart and a Rite Aid Pharmacy, are currently vacant. The small, national chain restaurants in the plaza include a Subway, Taco Bell, and



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Figure 1-4 Existing Land Use



a Popeye's. There are also a few small independent restaurants. A number of the retail uses are very specialized, and include a hydroponics store, a store that sells fans, and a store that sells guns and ammunition. The shopping center also includes a dialysis center, a veterinary clinic, a storefront being used by a church, and a Farmers Insurance office building.

2. Regulatory Context

a. General Plan Land Use

The Citrus Heights General Plan includes land use designations for the entire City. The General Plan land use designations are intended to communicate the City's long-term vision for future development. The General Plan designations for the Project Area are illustrated in **Figure 1-5**. As shown, the majority of the Project Area is designated as General Commercial, with the exception of five parcels along Zenith Drive in the Summerhill Plaza Shopping Center, which are designated Public. The official General Plan description of the designations are described below.

- ◆ The General Commercial designation "provides for retail uses, services, restaurants, professional and administrative offices, hotels and motels, mixed-use projects, multi-family, residences, public and quasi-public uses, and similar and compatible uses. The FAR for residential and nonresidential uses shall not exceed 0.6. Residential densities shall not exceed 20 units per net acre.³"
- ◆ The Public designation "applies to public and quasi-public facilities such as schools, hospitals, libraries, government offices, religious places of worship, meeting halls, and similar and compatible uses. The FAR shall not exceed 0.54."

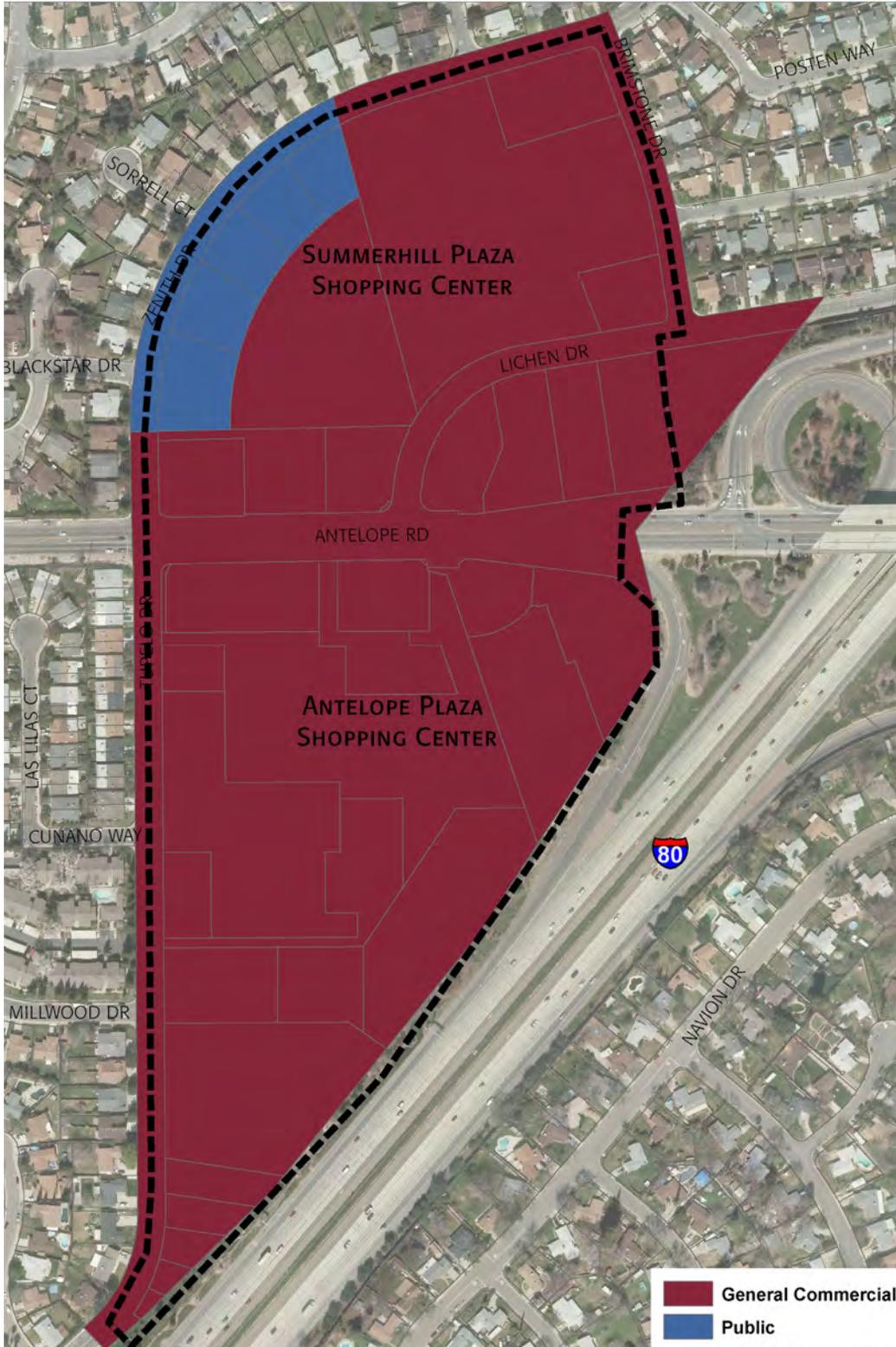
b. Zoning

The City's Zoning Code is the primary tool for the City to implement the General Plan. The zoning code establishes rules regarding the use of property and site development standards consistent with the land use policies established within the General Plan. The zoning code provides detailed guidance such as allowable building heights, setbacks, parking standards, signage requirements, etc.

³ City of Citrus Heights, 2011, Citrus Heights General Plan, pages 2-6.

⁴ City of Citrus Heights, 2011, Citrus Heights General Plan, pages 2 -7.

Figure 1-5 General Plan Land Use Designation



The Zoning districts for the Project Area are illustrated in **Figure 1-6**. The majority of the Project Area is zoned as the Antelope Road/I-80 Special Planning Area (SPA); with the exception of the four parcels zoned General Commercial (GC) and three parcels zoned Limited Commercial (LC). The zoning districts as defined by the Citrus Heights Zoning Code⁵ are described below.

- ◆ **Antelope Road/ I-80 SPA.** The SPA identifies the purpose of the Antelope Road/I-80 SPA as to ensure that the area is “developed in a manner that will be compatible with existing residential uses in the vicinity in terms of land use and design, and that will present an attractive appearance from the I-80 freeway.”

The Antelope Road/I-80 SPA includes development standards that are more restrictive than the standards of other retail zoning, particularly in terms of sign height and development intensities.

- ◆ **Limited Commercial District.** The LC zoning district is applied to areas appropriate for a mixture of land uses, with primarily small-scale retail and pedestrian-oriented office uses on the ground floors of commercial structures, and residential units allowed on upper floors. The LC zoning district is consistent with and implements the General Commercial land use designation of the General Plan.
- ◆ **General Commercial District.** The GC zoning district is applied to areas appropriate for the general commercial and heavier types of commercial uses that would not be appropriate in the more restrictive commercial zones. Multi-unit housing and mixed-use projects may be allowed. The GC zoning district is consistent with the General Commercial land use designation of the General Plan.

The Antelope Crossing Business Association has requested that the City rezone the Project Area from the Antelope Road/I-80 SPA to a Shopping Center District. The Business Association feels that the SPA is a hindrance to the economic development of the shopping centers. They perceive that the more restrictive zoning prevents potential new businesses from locating within the Project Area.



⁵ <http://www.citrusheights.net/home/index.asp?page=1020>, accessed on Dec 12, 2011

Figure 1-6 Zoning Districts



As a result of their request, the City Council asked City staff to research the implications of rezoning the area as Shopping Centers or developing a new SPA. The conclusion of the staff report is that the SPA contains outdated development standards that should be changed. The report indicates that developing a new SPA would be the most beneficial in attracting new development. Ultimately, the outcome of this Antelope Crossing Transformation Project will influence the City's decision about how to move forward regarding future zoning changes for the Project Area.

C. Urban Design

The urban design analysis identifies various aspects of the urban form including, built form, building conditions, connectivity, streetscape conditions, views, and landscape conditions.

1. Architecture

The majority of the buildings within the Summerhill Plaza Shopping Center have a cohesive architectural style that leads to the conclusion that they were all built at the same time by the same developer. The buildings are typical of strip retail centers built in the 1980s. The buildings are single story with a covered pedestrian walkway. The buildings are concrete block construction and have a clay tile parapet that is meant to evoke a mission style roof. Within the shopping center, the exceptions to this architectural style are the fast food restaurants and businesses along the Antelope Road, which have been built more recently. All of the buildings appear well maintained, which in conjunction with the similar architecture creates a cohesive feel for the shopping center.

The architectural style and quality of the existing buildings in the Antelope Plaza Shopping Center varies. Given the ownership structure, the buildings were likely built at different times by different developers. The retail buildings are all single story strip retail centers, however there is no cohesive architectural style amongst them and they have varying color palettes. The majority of the retail building facades are glass windows and doors, and there is a large amount of transparency into the shops from the street. The Farmers Insurance and Salvation Army buildings are both two story, 1980s



steel frame modern office buildings, which are likely Class B office buildings based upon their size and age.

2. Shopping Center Organization

The organization of the buildings within the shopping centers affects the visibility, connectivity and ease of access, which influences customers' decisions about where to shop. The layout of the two shopping centers is very different.

a. Summerhill Plaza Shopping Center



The Summerhill Plaza Shopping Center has a clear organization and hierarchical circulation network that is typical of a strip retail development. The retail buildings are setback from the main road, Lichen Drive, and separated from the roadway by a large parking area that is shared by all of the surrounding retail uses. The shopping center has one large anchor retail space (approximately 60,000 s.f.), which is book-ended on either side by a strip of small retail tenant spaces.

All of the retail buildings within the Summerhill Plaza Shopping Center are oriented toward the central parking area. In addition, there are ten smaller buildings that are located around the periphery of the shopping center along Zenith Drive and Antelope Road, which contain predominately office, medical uses and restaurants. With the exception of the three commercial buildings on Antelope Road east of Linchen Drive, all of these buildings are accessible from the main parking area and the adjacent roadways.

b. Antelope Plaza Shopping Center



The Antelope Plaza Shopping Center is not clearly organized and there is no hierarchy of circulation within the shopping center. The two vacant anchor retail buildings have a typical strip retail relationship and are oriented toward one another and the associated shared parking area. They are located at the center of the shopping center and frame a large shared parking lot, which separates them from Tupelo Drive.

The location and layout of the surrounding buildings does not relate to the organization of the anchor buildings. The rest of the buildings within the Antelope Plaza Shopping Center are not oriented to any specific roadway or overall organization. The remainder of the buildings are sited according to

their internal access. The access roads to the buildings are focused on connecting the buildings to the peripheral roadways, rather than the rest of the shopping center. All of the other buildings have their own segregated and private parking.

3. Parking

There is a significant amount of parking within the two shopping centers, especially because there is a high vacancy rate. The residential streets within the surrounding neighborhood have on-street parking throughout.

The Summerhill Plaza Shopping Center has one central parking lot that is shared for the whole center. In addition, the peripheral medical and office buildings along Zenith Drive, and the retail buildings along Antelope Road all have their own small parking lots. The Shopping Center has approximately 300 parking spaces in the shared parking lot, and includes an additional approximately 350 parking spaces that surround the peripheral buildings.

The Antelope Plaza Shopping Center has one large shared parking lot which is currently underutilized because the majority of the adjacent businesses are vacant. The other buildings within the shopping center have private parking located adjacent to the buildings. The shared parking lot includes approximately 227 parking spots, and the other buildings have a total of approximately 490 parking spots, which are distributed throughout the shopping center, adjacent to the individual buildings.

4. Connectivity

a. Vehicular Circulation

The vehicular circulation pattern of Summerhill Plaza Shopping Center has a clear hierarchy that separates primary customer vehicular circulation from the secondary delivery circulation. The Summerhill Plaza has two primary access points off of Lichen Drive, and eight secondary access points. Within the parking areas there is a clear differentiation between vehicular travel lanes and parking.

Antelope Plaza Shopping Center was developed at different times by a number of different property owners, and as a result the shopping center does not have a clear circulation pattern and it lacks an internal hierarchy of roads. A number of the parcels within the Antelope Plaza Shopping Center



do not have direct access to the peripheral streets; instead they have easements across adjacent properties. As a result, some of the interior parcels are served by access roads that are not direct because they are snaking across the adjacent properties.



Although the entry into Antelope Plaza Shopping Center from Antelope Road is designed as the major entry to the shopping center, the roadway leads to the delivery areas of the anchor buildings and backs of the adjacent buildings. There are three additional main access points from Tupelo Drive that provide access to the internal parcels. The parcels at the southern end of the Project Area are accessible only from Tupelo Drive and are not connected to the rest of the shopping center by any internal circulation.

b. Pedestrian

Pedestrian connectivity along Antelope Road, Lichen Drive and Zenith Drive/Tupelo Drive has recently been improved with the installation of new sidewalks and crosswalks on Antelope Road. The addition of new sidewalks on Tupelo Drive, along the western edge of the Antelope Plaza Shopping Center has also improved pedestrian connectivity.



The pedestrian connectivity within the shopping centers is incomplete. Both shopping centers lack accessible and safe pedestrian connections between buildings and within the parking lots. There have been recent attempts to create pedestrian pathways within the shopping centers by painting crosswalks and pathways across the parking lots and access roads. The purpose of crosswalks is to highlight key pedestrian locations for motorists so that they can be aware of potential pedestrians. The painted crosswalks do not fulfill that purpose because they are not formal and in many instances are faded.

c. Bicycle

Class II Bicycle lanes extend eastbound and westbound the entire length of Antelope Road within the Project Area. The Class II Bicycle lanes are contiguous along Antelope Road west of the Project Area. The bicycle lanes do not extend east on Antelope Road onto the freeway overpass. This inhibits bicycle connectivity between the Project Area and the rest of the City. There are Class II bicycle lanes in the north and south direction on Tupelo



Drive. The bicycle lanes do not continue north of Antelope Road on Zenith Drive.

5. Visibility

Visibility of the shopping centers is limited by a number of factors. From the southwest-bound through lanes (toward Sacramento and San Francisco) the centers are not visible except after the interchange has been passed. From the northeast-bound through lanes, the centers are not visible at all except for glimpses of structures on the left hand side, about the same time an exit movement is required.

Landscaping along the freeway is overgrown and limits the visibility of both shopping centers from the freeway. The landscaping is on Caltrans property and Caltrans has trimmed and maintained some of the landscaping but not enough to improve the visibility of the businesses.

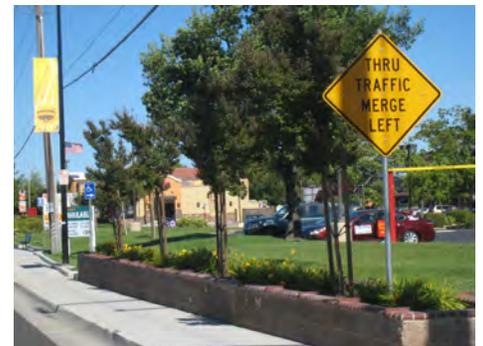
Both shopping centers face and front Antelope Road. Stores are visible from Antelope Road and there is signage for the stores within the centers on both sides of the road. The adjacent figure illustrates the frontage zone along Antelope Road for the shopping centers. The visibility to some buildings is limited because of the great distances between the roadway and the building. The anchor retail buildings have over 200 foot setbacks from the public roadways, and some parcels are not adjacent to public roadways at all.

6. Streetscape

In 2009 streetscape improvements were implemented along Antelope Road, including new sidewalks, pedestrian crossings, ADA improvements, landscaping, and bike lanes. These streetscape improvements increased the pedestrian and bicycle safety of the streets and helped to beautify the area. The improvements include a consistent palette of landscape and hardscape materials, which work to unify the roadway and the adjacent shopping centers.

7. Landscape Character

Landscaping within the Project Area is scattered and inconsistent. Along Antelope Road there is some low, well-manicured landscaping that was installed as part of the recent Antelope Road Improvements. There are few trees and little landscaping within either of the shopping centers. Summerhill





Plaza Shopping Center has some mature trees sporadically planted throughout the parking lot and along the periphery. In addition, there are some landscaped areas that define the edge of parking. The landscaping of Summerhill Plaza Shopping Center is well maintained.

The Antelope Plaza Shopping Center has a number of mature trees that are planted adjacent to the buildings. There are smaller trees planted within tree islands within the shared parking lot. The trees are planted in bare earth without much maintenance. Overall, there is less continuity in the type of landscape materials and the level of maintenance of landscaping within the Antelope Plaza Shopping Center.

8. Signage

In order to help create a destination for marketing purposes a preliminary package of banners, project signage, directional signage, additional landscaping and two Special Event areas were proposed as part of the 2009 Study. Banners, as recommended by the 2009 Study, were created and are currently placed on light poles along Antelope Road.

Typically, commercial developments depending on highway traffic rely on freeway signage, such as large pylon signs, to give passing motorists the knowledge that the shopping opportunities are there and to list the major tenants in the centers. This type of sign does not exist for Antelope Crossing. The 2009 Study proposed a location along the freeway property line southwest of Antelope Road.



9. Special Events

One of the major achievements of the Antelope Crossing Business Association is Spooktacular, a Halloween event they have hosted since 2009. The event takes place in the parking lot of one of the shopping centers and includes food, games, fun and prizes. The event was held this year on October 22nd and there was a successful community turnout.

2 TRANSPORTATION AND TRAFFIC

EXISTING CONDITIONS

This section describes the existing transportation system in the vicinity of Antelope Crossing.

A. Roadway System

The project site, shown in **Figure 2-1**, is approximately 46 acres and is located in the northwest portion of the City of Citrus Heights. The study area roadways are described below¹.

Antelope Road is an east-west 4- to 6-lane arterial that connects Citrus Heights to North Highlands, and has an interchange with Interstate 80. In the vicinity of the project, the roadway is a six-lane arterial.

Lichen Drive is a curving roadway that runs from Antelope Road to Roseville Road, providing access to the residential neighborhood north of Antelope Road. It is generally a two-lane collector roadway.

Zenith Drive is a north-south two-lane roadway that extends north from Antelope Road to Butternut Drive. It provides access to the residential neighborhood north of Antelope Road. Access to Summerhill Plaza Shopping Center is off of Zenith Drive.

Tupelo Drive is a north-south roadway that extends south from Antelope Road to Roseville Road that provides access to the residential neighborhood south of Antelope Road. Access to Antelope Plaza Shopping Center is off of Tupelo Drive.

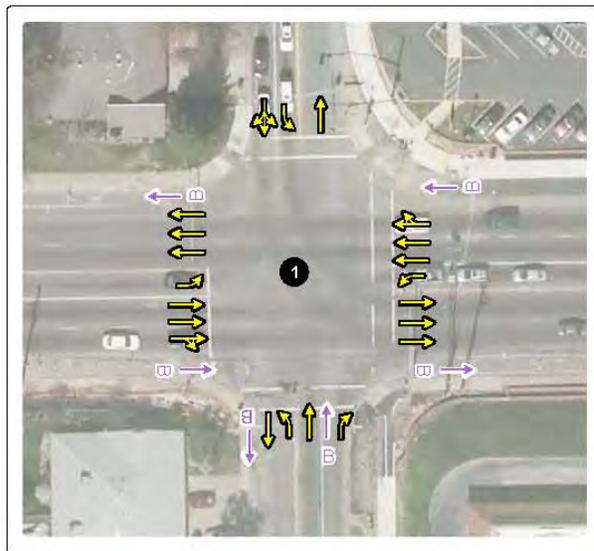
Brimstone Drive is a north-south two-lane residential roadway that connects Zenith Drive and Lichen Drive. Access to Summerhill Plaza Shopping Center is off of Brimstone Drive.

Figure 2-1, illustrates the number of lanes and existing intersection lane designations in the project vicinity.

¹ City of Citrus Heights. 2011. City of Citrus Heights General Plan.

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Figure 2-1 Roadway Lane Configurations



B. Transit Facilities

1. Sacramento Regional Transit

Currently there are no active transit routes in the project vicinity. There are four existing Regional Transit bus stops within the project area, but service to these locations was discontinued June 20, 2010. **Figure 2-2** illustrates the locations of “No Service” bus stops in the project vicinity.



Regional Transit Bus Stop, Eastbound Antelope Road

Future transit facilities in the project vicinity include restoration of bus service along Antelope Road, with service between Auburn Boulevard to the east and Roseville Road to the west. Long-range conceptual plans set forth in the Regional Transit Master Plan include a new Hi-Bus route along Antelope Road from Watt Avenue to Sunrise Marketplace. This system is envisioned to also connect with the proposed light rail extension along Auburn Boulevard.²

2. Bicycle Facilities

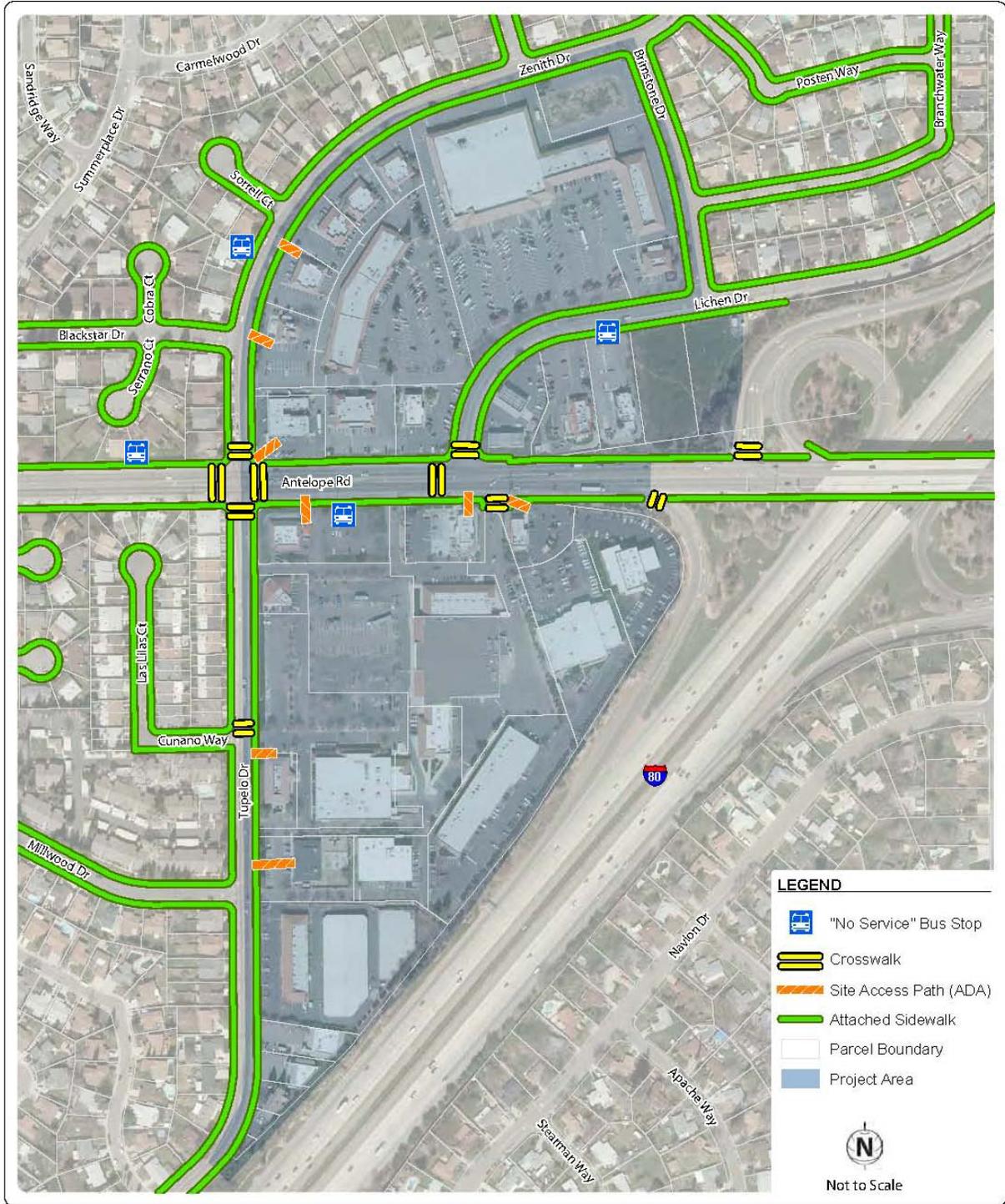
The *City of Citrus Heights Bikeway Master Plan*³ adopted by the City of Citrus Heights in 2009 identifies existing and planned bikeway facilities in the study area. Bicycle facilities are defined as follows:

² Sacramento Regional Transit District, 2009. Transit Action Plan.

³ City of Citrus Heights. 2009. City of Citrus Heights Bikeway Master Plan.

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Figure 2-2 Pedestrian and Transit Facilities



- ◆ **Class I Bikeway (Bike Path)** – Provides a completely separated right of way for the exclusive use of bicycles and pedestrians with cross-flow minimized.
- ◆ **Class II Bikeway (Bike Lane)** – Provides a six inch striped lane with a 4-5 foot paved shoulder for one-way travel on a street or highway.
- ◆ **Class III Bikeway (Bike Route)** – Are signed and provide for shared use with pedestrian or motor vehicle traffic within the same right-of-way.

Figure 2-3 illustrates existing bike facilities in the study area consistent with published City of Citrus Heights Bikeway Master Plan, City of Citrus Heights General Plan, and field observations. The study area has no Class I facilities. Class II bicycle lanes exist on Antelope Road, Lichen Drive, and Tupelo Drive.

3. Pedestrian Facilities

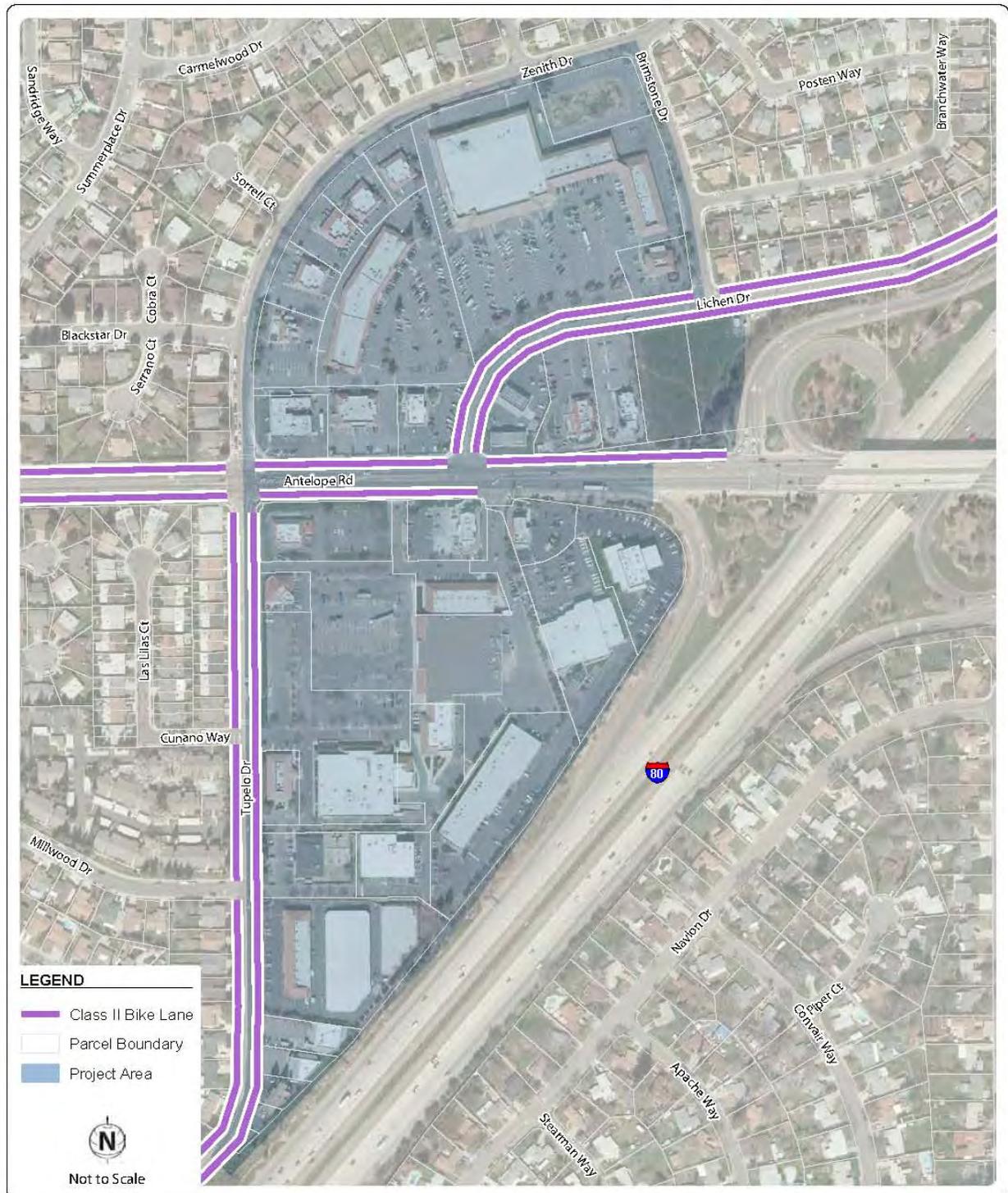
In general, sidewalks measuring 3 to 5 feet in width are present along all of the study area roadways. There is one gap in sidewalk connectivity on the south side of Lichen Drive east of the project site. The rest of study area roadways have attached sidewalks coincident to the curb. Several pedestrian friendly connections are made from the adjacent sidewalk directly to the



ADA Accessible Pedestrian Path, Zenith Drive

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Figure 2-3 Bicycle Facilities



project site. Many of these pedestrian paths are also ADA accessible. **Figure 2-2** identifies sidewalk presence on study roadways near the site, as well as pedestrian paths to the site.

POTENTIAL IMPROVEMENTS

A. *Freeway Interchange*

The existing Antelope Road/Interstate 80 interchange provides two vehicular lanes in each direction, and a five foot sidewalk on both sides of the roadway. No bike lanes are provided across the interchange to connect the existing Class II bike lanes on Antelope Road on either side of I-80. Cyclists wishing to travel from the project site to neighborhoods east of I-80 are forced to share roadway with vehicles, or encroach on pedestrian space in the sidewalk.

Total reconstruction of the interchange would provide opportunity to enhance pedestrian facilities and add bicycle facilities, but would be very costly. This reconstruction project currently has no funding identified. A lower cost alternative to total reconstruction could be to make use of the existing paved median, which varies in width from fifteen to eight feet. Vehicle capacity could be maintained at the existing level, and bicycle facilities may be added with relatively minor improvements to striping, pavement, curb, and gutter.

1. **Park-n-Ride**

The feasibility of providing a park-n-ride lot on the project site would primarily depend on two independent factors. A shared parking agreement would have to be reached between business owners within the project area, which could be difficult given the quantity and diversity of owners. Additionally, the total existing parking spaces would have to exceed the existing demand for parking spaces. The surplus space within the site could then be dedicated as a park-n-ride lot. If the property owners feel that they cannot “give up” parking spaces without impacting the ability for their customers to easily find a parking space, then adding a park-n-ride facility is not feasible.

2. On-Site Circulation

Vehicle and pedestrian site circulation varies greatly between the project site north of Antelope Road and south of Antelope Road, thus this discussion is divided accordingly.

a. Summerhill Plaza Shopping Center

The northern site has 10 vehicle driveways and 3 pedestrian paths connecting to adjacent roadways/sidewalks. All buildings have contiguous sidewalk adjacent to the store-front, with cross-hatched ADA paths connecting each building group. Pedestrian circulation could be improved on-site with the addition of raised sidewalks buffered with landscaping through the large areas of parking between adjacent roadways and retail entrances.

Vehicle speeds on-site are controlled with numerous speed bumps and stop signs. Traffic control and on-site circulation could be enhanced with the addition of concrete bulb-outs at key intersections within the site. This would serve to reduce vehicle speeds and reduce pedestrian exposure to vehicles in the roadway. This site also provides a mix of 90 degree and 45 degree parking spaces, potentially confusing drivers as to whether they are on a one-way or two-way segment. This could be improved by providing all 45 degree parking spaces along with one-way travel, which would create a predictable flow of traffic through the site.



Open Asphalt Area, Antelope Plaza Shopping Center

b. Antelope Plaza Shopping Center

The southern site has 5 vehicle driveways, including one signalized approach, and 5 pedestrian paths connecting to adjacent roadways/sidewalks. Note this does not include the three parcels furthest south, as each of these parcels

have isolated building and driveways that do not connect to each other or the rest of the site. Both pedestrian and vehicle circulation on-site circulation suffers due to the lack of visibility of store-fronts from the roadway. This could be improved with the addition of simple informative way finding signage throughout the site. Related to this, some areas of the site have large, open areas comprised of nearly all asphalt. This creates an environment that makes drivers comfortable to exceed the speed limit, and thus, uninviting to pedestrians. These areas could benefit from the addition of designated pedestrian paths, along with impediments to the open vehicle travel way, such as landscaping or a roundabout.

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3 DEVELOPMENT OPPORTUNITIES

This memorandum evaluates the potential to develop various local and region-serving retail, office, and lodging uses at Antelope Crossing, drawing upon background research conducted for the Citrus Heights Economic Development Strategy Update as well as Interstate 80 corridor office and lodging market research previously conducted by BAE for another land use study in the Interstate 80 corridor. The intent is to provide guidance on the types of new non-residential development that could be targeted for the Antelope Crossing area. This memorandum is organized in four sections: a demographic profile of the Antelope Crossing neighborhood and community trade areas; an overview of the existing office market conditions and opportunities; an overview of the existing retail market conditions and opportunities; and an evaluation of the potential for developing a hotel in the Antelope Crossing area.

A. Trade Area Profile

This section of the report compiles information on local demographics from Claritas Inc, a private data vendor. Two potential trade areas are analyzed: the “neighborhood” area within a 1-mile radius of the center of Antelope Crossing,¹ and a larger “community” trade area within a 5-mile radius of Antelope Crossing. In order to contextualize these data, the corresponding figures for combined Sacramento and Placer County area are also provided.

Tables 3-1 and 3-2 contain detailed data on the population and households that reside within the 1-mile, 5-mile, and Sacramento/Placer County areas. **Figure 3-1** provides a map of the two smaller trade areas.

B. Population and Housing Units

As shown in Table 3-1, approximately 17,100 residents and 6,250 households reside within 1 mile of Antelope Crossing, and approximately 360,500 residents and 134,500 households reside within 5 miles. In other words, approximately 20 percent of the population residing in Sacramento and

¹ Defined here as the latitude and longitude point at 38.707326, -121.313445.

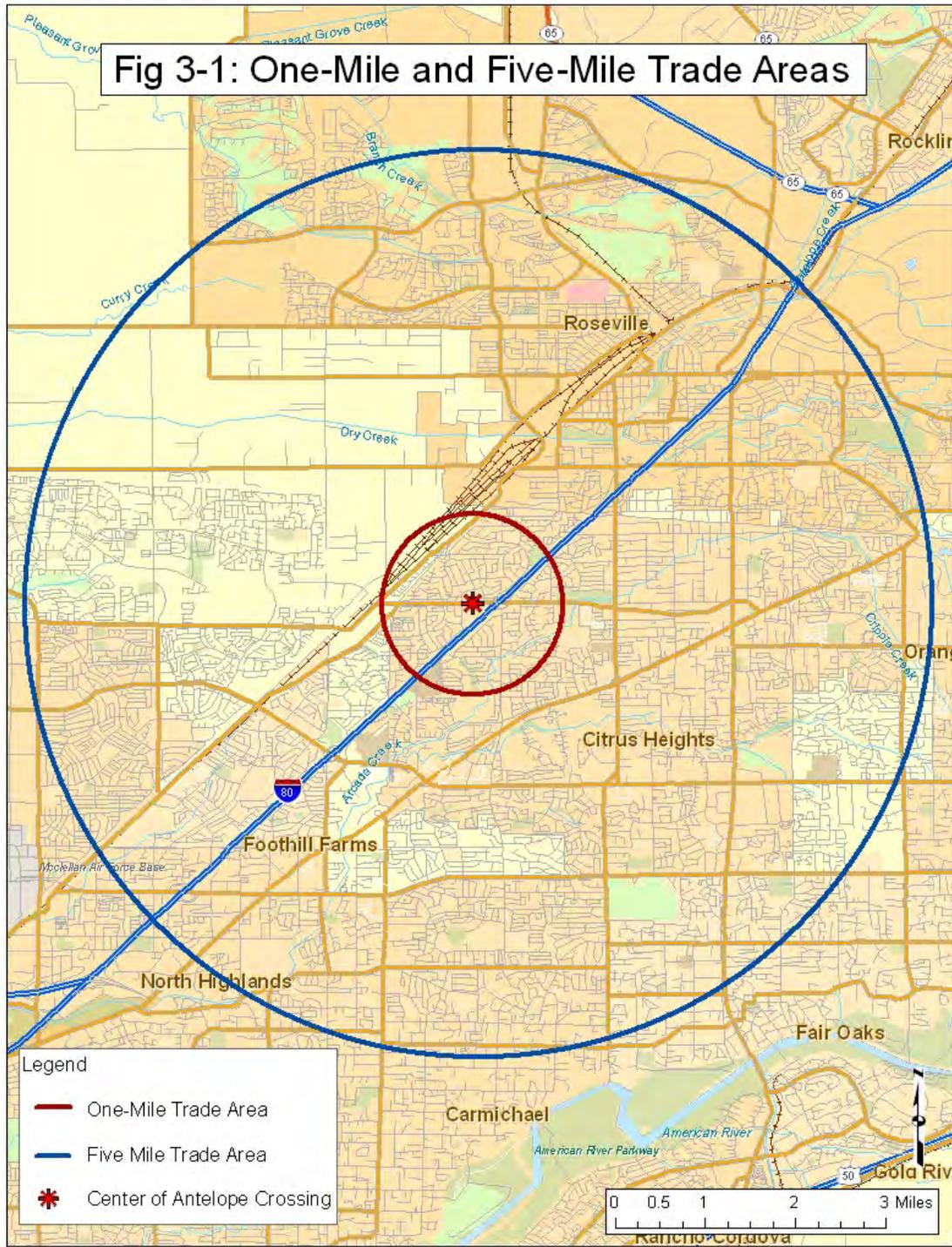


Table 3-1: Population and Household Characteristics, 2011

	<u>Within 1 mile of Antelope Crossing</u>	<u>Within 5 miles of Antelope Crossing</u>	<u>Placer County and Sacramento County</u>
Population	17,127	360,494	1,767,432
Avg. Annual Growth (2000-2011)	-0.6%	0.8%	1.7%
Households	6,252	134,513	650,183
Avg. Household Size	2.74	2.68	2.72
Age Distribution			
Under 18	26.0%	25.6%	25.5%
18 - 24	9.2%	9.1%	9.0%
25 - 34	14.7%	14.3%	14.2%
35 - 44	13.5%	13.7%	13.5%
45 - 54	13.5%	13.9%	14.2%
55 - 64	10.4%	10.7%	11.2%
65 & Over	12.8%	12.6%	12.4%
Median Age	35.1	35.7	35.9
Households with Children under 18yrs	38.8%	37.0%	36.0%
Household Type			
Families	71.4%	68.6%	67.2%
Non-Families	28.6%	31.4%	32.8%
Housing Type			
Single-Family	79.9%	70.5%	72.1%
Multifamily	9.7%	26.8%	25.1%
Mobile Homes	10.4%	2.6%	2.7%
Other	0.0%	0.1%	0.1%
Household Tenure			
Renter-occupied	27.2%	38.3%	38.2%
Owner-occupied	72.8%	61.7%	61.8%
Housing Unit Occupancy Status			
Occupied	97.4%	95.8%	92.6%
Vacant	2.6%	4.2%	7.4%

Source: Claritas Inc., 2011; BAE, 2011.

Placer County live within 5 miles of Antelope Crossing. The 1-mile trade area contains a sufficient quantity and density of population to support basic convenience shopping and services, such as grocery stores, drugstores, fast-food and casual restaurants, drycleaners, service stations, and other everyday shopping items. The 5-mile radius contains an adequate quantity and density of residents to support the full spectrum of retail and services, including comparison shopping and specialty goods, including various big-box retailers. These goods and services may be provided at any number of locations within the two different trade areas.

Between 2000 and 2011, the average annual population growth rate for the 1-mile and 5-mile trade areas was -0.6 percent and 0.8 percent, respectively. During this time, the population in the 1-mile trade area decreased by 1,100 persons and the 5-mile trade area increased by 28,800 persons. By comparison, 1.767 million persons and 650,000 households currently reside in the combined Sacramento/Placer County area, which had an average annual population growth of 1.7 percent.

1. Household Size

In 2011, the average household size is 2.74 persons in the 1-mile trade area, and 2.68 persons in the 5-mile trade area. In other words, an occupied housing unit located within 1-mile of Antelope Crossing is likely to host at least two persons. The average household size in the Sacramento/Placer County area is comparable at 2.72 persons.

2. Age Distribution

The age distribution and median age data indicate that the population residing within 1-mile of Antelope Crossing is very similar to that residing within 5 miles, or to the Sacramento/Placer County area as a whole. In all cases, approximately half of the population is younger than 35 years, and children represent approximately a quarter of all residents. Individuals over 55 years represent another quarter of the population.

It is worth noting that children represent a slightly higher proportion of the population within the 1-mile trade area (26.0 percent, vs. 25.6 percent in the 5-mile trade area and 25.5 percent in the Sacramento/Placer County area). In general, large proportions of households within the 1-mile and 5-mile trade areas include children (38.8 percent and 37.0 percent in the 1- and 5-mile

areas, respectively, compared to 36.0 percent in the Sacramento/Placer County area). Further, as many as 71.4 percent of households living within the 1-mile trade area are families, compared to 68.6 percent of households within the 5-mile trade area and 67.2 percent of households in the two-county area. This information, combined with the slightly larger average household size, indicates that Antelope Crossing planning efforts may choose to assign special weight to the needs of families with children, including streetscape safety features, youth mobility needs, and retail selection preferences.

Antelope Crossing planning efforts may also choose to devote special attention to the needs of retired and aging members of the community. In 2011, 12.8 percent of residents within the 1-mile trade area were 65 years old or older, compared to 12.6 percent in the 5-mile trade area and 12.4 percent in the two-county area. Further, the Citrus Heights Economic Development Strategy Update study found that, since 1990, the City's median age 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. Combined with the nearby presence of several mobile home retirement communities, these data indicate that the older segment of the population represents an important component of the market, which has grown notably over the last two decades.

3. Housing Type

According to Table 3-1, the area within 1 mile of Antelope Crossing has an exceptionally small supply of multifamily housing. Only 9.7 percent of the housing units are located in multifamily buildings, compared to 26.8 percent within the 5-mile trade area and 25.1 percent within the Sacramento/Placer County area. Further, there is a disproportionately large supply of mobile home housing (10.4 percent) located within 1 mile of Antelope Crossing, due to the close proximity of the Meadowbrook Mobile Home Park, the Sierra Meadows Mobile Estates, the Lakeview Village Mobile Homes, and the Stonagate Mobile Home estates. This is a suburban bedroom community so the low percentage of multifamily housing is not surprising; however, given the recent and expected economic and demographic changes for the region and the nation, the addition of more multifamily units to better balance the housing stock may be beneficial in the long term.

4. Household Tenure

Housing units located within 1 mile of Antelope Crossing are more likely to be owner-occupied (72.8 percent) than those located within the 5-mile trade area (61.7 percent) or those located within the two-county area as a whole (61.8 percent). This finding is likely correlated to the low prevalence of apartments and other types of multifamily units in the area.

5. Occupancy Status

In 2011, the housing vacancy rate within 1 mile of Antelope Crossing was 2.6 percent, almost half the vacancy rate within the 5-mile trade area (4.2 percent) and a third of the vacancy rate within the two-County area (7.4 percent), based on data from Claritas, Inc. In contrast to some areas that are experiencing very high residential vacancy rates due to the foreclosure crisis, a lower supply of vacant housing could translate into earlier demand for new home construction within the immediate area once the housing market recovers. The lack of large numbers of vacant bank- or investor-owned single-family units to compete for tenants may also bode well for potential multifamily construction in the area. With these conditions, a sustained regional economic recovery may trigger demand for construction of new housing more quickly in the Antelope Crossing area than in other areas.

6. Median Household Income and Income Distribution

As reported in Table 3-2, the estimated median annual household income within the 1-mile trade area is \$56,700, slightly higher than the comparable figure for the 5-mile trade area (\$55,370) but lower than the median in Sacramento and Placer Counties (\$57,400). Though all three areas have household income distributions which are more concentrated in the middle income ranges (\$35,000-\$100,000), there are proportionally fewer households with incomes below \$25,000 living within a mile of Antelope Crossing. These are "middle class" income levels, indicating that the project area will not be particularly attractive to retailers involved in higher end or specialty goods.

7. Employment

According to Claritas Inc, the 2011 unemployment rate within the 1-mile trade area was 7.3 percent, a rate lower than the unemployment rates in both the 5-mile trade area (9.0 percent) and the two-county area (9.8 percent).

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Table 3-2: Select Economic Characteristics, 2011

	Within 1 mile of Antelope Crossing		Within 5 miles of Antelope Crossing		Placer County and Sacramento County	
	Number	%	Number	%	Number	%
Annual Household Income						
Less than \$14,999	425	6.8%	11,454	8.5%	66,188	10.2%
\$15,000 to \$24,999	490	7.8%	12,318	9.2%	59,026	9.1%
\$25,000 to \$34,999	641	10.3%	14,257	10.6%	63,510	9.8%
\$35,000 to \$49,999	1163	18.6%	22,879	17.0%	97,564	15.0%
\$50,000 to \$74,999	1520	24.3%	29,552	22.0%	131,158	20.2%
\$75,000 to \$99,999	994	15.9%	18,715	13.9%	87,996	13.5%
\$100,000 to \$149,999	809	12.9%	17,769	13.2%	93,790	14.4%
\$150,000 and above	211	3.4%	7,569	5.6%	50,951	7.8%
Total Households	6,252	100.0%	134,513	100.0%	650,183	100.0%
Median Income	\$56,699		\$55,370		\$ 57,396	
Employment						
Employed Population over 16yrs	8,245	92.7%	170,446	91.0%	797,930	90.2%
Unemployed Population over 16yrs	650	7.3%	16,901	9.0%	86,780	9.8%
Total Labor Force (over 16yrs)	8,895	100.0%	187,347	100.0%	884,710	100.0%
Most Frequent Mode of Transit for Commute to Place of Employment (a)						
Work at Home	294	3.5%	8,021	4.6%	41,874	5.1%
Walk	108	1.3%	2,458	1.4%	15,401	1.9%
Bicycled	30	0.4%	1,079	0.6%	7,912	1.0%
Carpool	910	10.9%	19,582	11.2%	98,478	12.1%
Drive Alone	6,745	80.8%	137,504	78.8%	618,789	76.0%
Public Transit	162	1.9%	3,819	2.2%	21,982	2.7%
Taxicab, Motorcycle or Other Means	94	1.1%	2,024	1.2%	9,728	1.2%
Total Employed Workers Over 16 yrs	8,343	100.0%	174,487	100.0%	814,164	100.0%
Average Commuter Travel Time (a)						
Less than 15 minutes	1,587	19.5%	37,701	22.4%	189,142	24.2%
Between 15 and 29 minutes	3,425	42.2%	64,401	38.3%	307,235	39.3%
Between 30 and 44 minutes	1,889	23.3%	42,616	25.3%	176,896	22.7%
Between 45 and 59 minutes	625	7.7%	12,290	7.3%	53,653	6.9%
60 minutes or more	593	7.3%	11,247	6.7%	54,032	6.9%
Total Employed Workers Over 16 yrs	8,119	100.0%	168,255	100.0%	780,958	100.0%

Source: Claritas Inc., 2011; BAE, 2011.

8. Commuter Characteristics

Since one of the objectives of the Antelope Crossing Transformation Project is to reduce vehicle miles traveled, and the existing commercial establishments located in the area primarily seek to capture Interstate 80 traffic, Table 3-2 includes information regarding the commutes undertaken by workers who reside in the 1-mile trade area, the 5-mile trade area, and the Sacramento/Placer County area. According to these data, employed residents over 16 years of age who live within 1 mile of Antelope Crossing are more likely to drive alone to work, and less likely to use any alternative mode of transit, than their counterparts who reside in the 5-mile trade area or in the Sacramento/Placer County area. Of the residents within the 1-mile trade area who choose alternative modes of transit to commute to work, 10.9 percent car-pool, 1.9 percent use public transit, 1.3 percent walk, 1.1 percent use a taxi-cab, motorcycle, or other means, and 0.4 percent bicycle. From this we can infer the workers who live near Antelope Crossing are particularly auto-dependent, which is likely due to a lack of public transit options, the need to commute outside of the city for jobs, habit and preferences. Indeed, the addition of new employment centers near Antelope Crossing could help to limit local residents' need to commute elsewhere for work, and thereby could assist in reducing VMT.

C. Office Market Area Conditions and Opportunities

Within the Antelope Crossing area, there are a small number of office tenants, the most notable of which is the Farmers Insurance regional claims office, located in the Antelope Plaza Shopping Center. Additional office tenants are primarily small professional services firms, including medical, dental, and veterinary services, and property management offices.

1. Existing Market Area Conditions

The following information is excerpted from the baseline economic conditions report, prepared in 2011 as part of the City of Citrus Heights' Economic Development Strategy Update. The City of Citrus Heights as a whole, like Antelope Crossing, contains a moderately diverse inventory of local serving office buildings. The overall quality of office space in the City is Class B and Class C

space;² most office buildings are shared by more than one tenant and were constructed between 1970 and the early 1990s. Based on information available online and via leasing flyers in spring/summer 2011, 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. There are a number of buildings designed as Class A located near Sunrise MarketPlace in the south-western portion of the City, but most are at least ten to 15 years old and their limited number, 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 as part of the Citrus Heights Economic Development Strategy Update 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 oversupply in areas such as Roseville and Rocklin. 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 local Class B office space does not include amenities other than parking and lobbies.

Key competitive attributes noted by brokers include Citrus Heights' central location within the region, particularly the ease of access to Interstate 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. Any potential new office development or rehabilitation project in the Antelope Crossing area would benefit from these assets, particularly from the

² 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.

proximity to Interstate 80. Some of the City's and Antelope Crossing's 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. Of all locations in Citrus Heights, the Antelope Crossing site offers some of the best potential to address the latter.

2. Current Office 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, and 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; however, at present, Mercy San Juan Medical Center expects to expand and anticipates that the medical center itself as well as its affiliated doctor's groups will need additional space. In addition, the citywide Economic Development Strategy Update seeks to work with the other regional medical providers (Kaiser, Sutter Health, and UC Davis Medical Center) to accommodate their needs for expansion space within the City.

There are few opportunities for larger companies to locate in Citrus Heights, due to both a relatively lack of large, vacant blocks of space, and also due to the design of most local office complexes as multi-tenant buildings are 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, which occupies an 81,000-square-foot office building at the intersection of Sylvan Road and Stock Ranch Road, just off Greenback Lane. Brokers did indicate that larger companies have proven more likely to relocate in response to improving tenant lease terms elsewhere, so in this economic environment Citrus Heights' lack of dependence on such tenants may have had a market stabilizing effect.

3. Local Vacancy Rate Trends and Lease Terms

As reported in Table 3-3, the Citrus Heights/Orangevale area experienced an 18.6 percent office vacancy rate in the third quarter of 2011.³ For comparison, Roseville/Rocklin experienced a 29.6 vacancy rate, and the regional office vacancy rate was approximately 17.7 percent. This represents a dramatic increase from 1998, when brokerage reports estimated that the Citrus Heights/Carmichael/Orangevale/Fair Oaks area experienced a 14 percent vacancy rate, while the regional office vacancy rate was approximately nine percent.

Citrus Heights office vacancy rates have worsened in the past decade, largely as a result of the recent national economic recession. 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.

The overall regional lack of tenant demand has led to an extremely soft leasing market. All brokers interviewed at part of the Economic Development Strategy Update reported having to be much more competitive with their rents and lease terms in order to land or even retain tenants. Concessions

³ 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.

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Table 3-3: Sacramento Region Office and Retail Real Estate Market Summary, Third Quarter 2011

<u>Office Submarket (a)</u>	<u>Net Rentable Square Feet</u>	<u>Vacant Square Feet</u>	<u>% Vacant</u>	<u>Net Absorption 2011</u>	<u>Square Feet Planned</u>	<u>Average Asking Rates \$/Sq Ft (b)</u>
Auburn/Lincoln	1,178,379	141,399	12.00%	12,353	163,277	\$1.21
Campus Commons	1,278,146	291,005	22.77%	(28,697)	120,000	\$1.90
Carmichael/Fair Oaks	1,152,298	141,609	12.29%	(7,601)	-	\$1.29
Citrus Heights/Orangevale	1,418,024	263,957	18.61%	(11,569)	-	\$1.20
Davis/Woodland	1,814,882	212,291	11.70%	(5,892)	48,290	\$2.10
Downtown	18,290,869	1,998,546	10.93%	(38,335)	-	\$2.18
East Sacramento	1,811,442	252,290	13.93%	48,375	-	\$1.72
Folsom	4,655,067	692,574	14.88%	16,744	172,894	\$1.91
Highway 50	15,646,356	2,794,837	17.86%	41,797	1,282,058	\$1.63
Howe Ave/Fulton Ave	2,503,364	475,656	19.00%	(40,577)	-	\$1.56
Midtown	4,163,804	319,650	7.68%	(43,076)	63,600	\$1.91
Natomas/Northgate	6,007,342	1,515,837	25.23%	82,013	437,725	\$1.73
Point West	2,675,125	661,338	24.72%	209,701	1,500	\$1.68
Rio Linda/North Highlands	1,064,010	446,757	41.99%	(5,605)	-	\$1.27
Roseville/Rocklin	10,380,877	3,070,284	29.58%	(33,907)	872,023	\$1.75
South Sacramento	3,550,002	777,052	21.89%	(87,457)	322,873	\$1.78
Watt Ave	2,418,836	297,027	12.28%	(78,085)	53,058	\$1.35
West Sacramento	2,241,989	199,702	8.91%	(528)	110,000	\$1.59
Sacramento Region Total	82,250,812	14,551,811	17.69%	29,654	3,647,298	\$1.76

<u>Retail Submarket</u>	<u>Net Rentable Square Feet</u>	<u>Vacant Square Feet</u>	<u>% Vacant</u>	<u>Net Absorption 2011</u>	<u>Square Feet Planned</u>	<u>Average Asking Rates \$/Sq Ft (c)</u>
Arden/Watt/Howe	11,190,319	1,125,564	10.06%	55,645	31,000	\$1.47
Auburn/Loomis	2,959,807	229,103	7.74%	62,064	70,377	\$1.38
Carmichael	2,511,374	319,358	12.72%	(30,693)	-	\$1.14
Citrus Heights/Orangevale	7,975,490	896,210	11.24%	56,079	159,178	\$1.31
Davis	1,969,985	189,154	9.60%	(1,030)	23,080	\$1.34
Downtown/Midtown/East Sac.	8,931,271	376,419	4.21%	(43,174)	1,439,388	\$1.37
El Dorado	3,728,328	309,438	8.30%	9,454	112,679	\$1.74
Elk Grove	5,264,968	504,130	9.58%	144,857	710,920	\$1.67
Folsom	5,437,074	633,666	11.65%	33,883	111,008	\$1.68
Highway 50	4,571,710	796,649	17.43%	42,675	421,160	\$1.09
Lincoln	1,655,846	226,279	13.67%	3,938	-	\$1.76
Natomas	4,101,501	406,112	9.90%	14,515	70,570	\$1.85
Outer El Dorado	2,187,665	152,628	6.98%	19,761	-	\$1.64
Outer Placer	1,292,689	40,291	3.12%	(2,951)	-	\$1.00
Outer Sacramento	873,182	67,931	7.78%	(10,386)	44,684	\$1.12
Outer Yolo	243,207	5,000	2.06%	6,500	-	-
Rio Linda/North Highlands	5,290,508	589,484	11.14%	65,096	42,890	\$1.14
Roseville/Rocklin	13,817,166	1,713,483	12.40%	143,197	262,505	\$1.52
South Sacramento	10,934,854	1,498,935	13.71%	96,212	975,087	\$1.82
West Sacramento	2,362,104	153,274	6.49%	4,650	63,747	\$1.72
Woodland	3,495,864	405,143	11.59%	(6,559)	187,144	\$1.65
Sacramento Region Total	126,821,847	12,737,563	10.04%	491,986	6,294,124	\$1.50

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, Third Quarter 2011; BAE 2011.

are usually granted in the form of free rent, reduced parking fees, relocation funds, and generous tenant improvement allowances. In early 2011, Citrus Heights asking office rents ranged from a low of \$0.75 per foot (triple net lease) to a high of \$2.30 for spaces in Class A office buildings located in the Sunrise MarketPlace. As noted in Table 3-3, typical asking lease rates in the Sacramento Region range from \$1.20 to \$2.18, with a regional average of \$1.76. 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, Downtown Sacramento, and Midtown currently command the highest lease rates.

Leasing agents contacted as part of the Economic Development Strategy Update process indicated that, despite unprecedented favorable terms, there is very little prospective tenant interest in older Class B and C offices spaces. 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 have moved to the competing areas of Roseville and Rocklin, which have sizable inventories of vacant spaces that are relatively new and higher quality. Some interviewees speculated that the office market will be the last real estate sector to recover from the national recession, noting that 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.

4. Projected Future Demand for Professional Office Space

Employment projections prepared by the Sacramento Area Council of Government (SACOG) provide a gauge of the potential demand for office space in the broader Sacramento Region market area. For the purposes of this study, BAE utilized SACOG’s projections which are detailed at the Transportation Analysis Zone (TAZ) level of geography so that a series of TAZs could be defined which approximate an Interstate 80 corridor office market area. The area thus defined is shown in **Figure 3-2** and roughly covers the Cities of Citrus Heights, Foothill Farms, North Highland, Rocklin, and Roseville.

SACOG estimates that office employment in the Interstate 80 corridor area was approximately 50,500 jobs as of 2005. SACOG projects steady growth

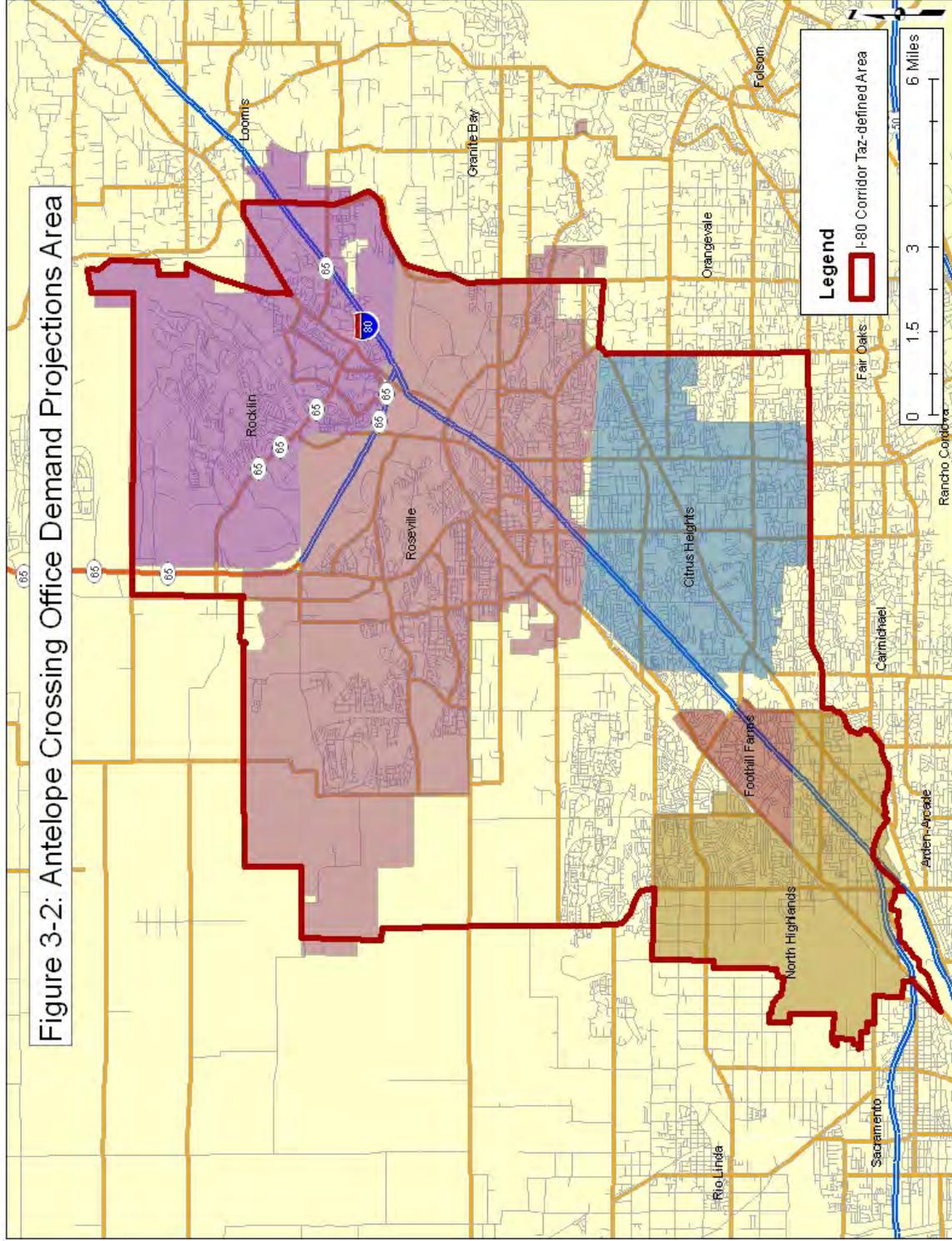


Figure 3-2: Antelope Crossing Office Demand Projections Area

in the area, increasing to just over 73,800 by 2013, 77,600 by 2018, and nearly 101,300 by 2035. The economic slowdown since 2008 may well have reduced the short term job potential that was anticipated in these projections; however, on a regional level, the long-term employment growth outlook has not been reduced drastically and the 2035 projection likely still provides a reasonable indicator of the magnitude of potential growth in office employment and office demand over the long-term.

As indicated in Table 3-4, if the office employment growth projections are converted to potential increases in office space demand using an assumption of approximately 200 square feet of office space required for each additional employee, the cumulative growth in demand for office space within the Interstate 80 corridor area may be as high as 10 million square feet between 2005 and 2035.

The potential long-term office demand of 10 million square feet does not translate directly into a need for construction of 10 million additional square feet of office buildings. This is because there is unused capacity in existing vacant office space. Ideally, existing office buildings would achieve office occupancy rates of 90 percent or greater before additional supply is added to the marketplace. As of the third quarter of 2011, there were significant vacancies in the Interstate 80 corridor area office market. Unfortunately, there are no readily available office vacancy statistics for the Interstate 80 corridor area as defined by Figure 3-2; however, as shown in Table 3-3, Voit Real Estate Services publishes office vacancy statistics for several sub-markets that, when taken together, approximate the boundaries of the Interstate 80 corridor: the Roseville/Rocklin submarket, the Citrus Heights/Orangevale submarket, and the Rio Linda/North Highlands market. Together, these submarkets encompass the Interstate 80 corridor but also include Orangevale and extend into Rio Linda. Within this area, Voit identified approximately 13 million square feet of office space, of which 3.8 million square feet was vacant in third quarter of 2011, which represented a 29.4 percent vacancy rate. This vacancy rate significantly exceeds that of the Sacramento Region, which was 17.7 percent during the same time period.

Table 3-4: Projected Increase in the I-80 Corridor Area Office Demand, 2005-2035 (a)

<u>Year</u>	<u>Office Employment</u>	<u>Increase from 2005</u>	<u>Cumulative Increase in Office Demand from 2005 (b)</u>
2005	50,507	-	-
2013	73,810	23,303	4,660,600 sqft
2018	77,622	27,115	5,423,000 sqft
2035	101,291	50,784	10,156,800 sqft

Notes:

(a) Area roughly defined by the boundaries of Citrus Heights, Foothill Farms, North Highland, Rocklin, and Roseville. See Figure 2.

(b) Assumes an average of 200 square feet of office space per employee.

Source: Sacramento Area Council of Governments Projections, 2013-2005; BAE, 2011

5. Antelope Crossing Area Office Potential

Considering the large quantities of existing vacant office space, Antelope Crossing will face stiff competition for office tenants along the Interstate 80 corridor in the coming years. Antelope Crossing office developments benefit from a central location within the region and immediate access to Interstate 80. However, 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 have made it difficult to promote the area and secure tenants in a weak economy. For example, the Antelope Plaza Shopping Center might be a potential office location, but the low density, low quality, and lack of amenities reduce the area's attractiveness to potential tenants. While existing vacant office spaces may be able to compete for tenants seeking relatively low-cost space, it is likely that Antelope Crossing would not be competitive if it built new office space in the near term or medium term future, given that landlords in other areas with high vacancy rates will likely offer space for lease at costs below what would be necessary to support new construction. This situation will persist at least until the excess vacancies are absorbed.

The exception to this outlook would be if developers could identify a business or businesses with a strong affinity for being located in the Citrus Heights area, with specific long-term building needs that could be addressed by a

build to suit opportunity. In this regard, the City's Economic Development Strategy Update targets regional medical services and state or federal government office facilities, because these types of users may be attracted to the City's central location and good accessibility to the rest of the region. A location at Antelope Crossing could prove particularly attractive due to the immediate Interstate 80 access.

D. Retail Market Area Conditions and Opportunities

The existing Antelope Crossing retail base is a mixture of tenant types that is weighted toward neighborhood oriented convenience retail and services. With the vacancy of the Albertson's grocery store and the Rite Aid in the Antelope Plaza Shopping Center, the area's retail anchor is the Raley's supermarket in the Summerhill Plaza Shopping Center. An array of fast food restaurants front both sides of Antelope Road. Other retail options are located in the small specialty retail strip center that faces Interstate 80, including Fan-Man, Freestyle Clothing Exchange, and Green Thumb Hydroponics. A Dollar Tree store and Fitness 19 are two of the larger tenants in the Summerhill Plaza Shopping Center, after the Raley's store.

There is an important retail hub located approximately 1 mile west of the Antelope Crossing, with a Wal-Mart Supercenter, Home Depot, and Kohl's. Though these stores do not have Interstate 80 signage, a freeway traveler would need to traverse Antelope Crossing in order to reach these major retailers.

1. Existing Market Area Conditions

Citrus Heights overall 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 the Citrus Town Center, are located at the intersection of Sunrise Boulevard and Greenback Lane, the City's dominant retail hub. Of the approximately 8 million square feet of retail space that is located in the Citrus Heights/Orangevale area, Sunrise Mall accounts for almost 1.2 million square feet. 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 retail centers, and neighborhood retail 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.

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. 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. Brokers interviewed 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.

Citrus Heights' regional retail options face significant competition from Roseville's Galleria mall, the Fountains, and Creekside Commercial Center, which have added over 3 million square feet of super-regional center space to the market during the past decade. These and other new retail developments in Roseville and Rocklin enjoy good freeway visibility and access.

Since 1999, the local retail market has been influenced by the Sunrise MarketPlace (SMP), a property-based business improvement district (PBID) that was formed by property owners in the vicinity of the Sunrise Mall, Birdcage Center, and Citrus Town Center. 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. The success of SMP has prompted discussions regarding whether a PBID might be a promising tool for Antelope Crossing. During the process of developing the Citrus Heights Economic Development Strategy Update, SMP and City staff offered to work with the Antelope Crossing Business Association to evaluate the potential for introducing a similar mechanism into the Antelope Crossing area.

2. Types of Existing Retail Tenants

Citrus Heights has a wide variety of retail goods and services offered at its neighborhood and community retail centers. 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. Community shopping 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 Wal-Mart store that opened on the same site in early 2007. 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, and an additional 100,000 square feet of retail space is currently entitled. Dynamic

retail sector evolution on the national level has profoundly affected the Citrus Heights retail landscape, as numerous bankruptcies, and consolidations have lead to local store closures, which in turn have prompted remodels of existing buildings to accommodate new tenants from start-ups to expansions, and renovations to refresh the look of established retail centers.

3. Vacancy Rate Trends and Lease Terms

As noted in Table 3-3, the vacancy rate for large retail centers in Citrus Heights/Orangevale was 11.2 percent in the third quarter of 2011. 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 6.9 percent. Most retail brokers interviewed indicated that Citrus Heights' retail vacancy rate has paralleled that of the broader Sacramento region, dropping significantly since 2008. Aging, unanchored shopping centers struggle with 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.

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 Economic Development Strategy Update 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. In spring 2011, 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; by December 2011, lease rates may currently represent 50 to 60 percent less than peak 2006/2007 levels. 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 in the short term.

As noted in Table 3-3, the average lease rate for retail space in the Citrus Heights/Orangevale area in the third quarter of 2011 was \$1.31 per square

foot, triple net. This rate is slightly lower than the Sacramento Region average, which is \$1.50 a square foot. A survey of properties for lease in early 2011 found that asking triple net rates in Citrus Heights ranged 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. Within Sunrise Mall itself, lease rates can exceed \$4.00 a square foot for premium locations near the central food court. 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.

4. Taxable Retail Sales Activity

According to sales tax data compiled by the City's sales tax consultant, Hinterliter deLlamas Associates, the Antelope Crossing area represents a relatively small source of city sales tax revenues, representing only 2.9 percent of the citywide total. The area has experienced a 17.7 percent decline in annual sales, or \$5.5 million, over the last three fiscal years. The City's Economic Development Strategy Update found that this drop is due to the economic recession that began in 2008, to declining competitiveness with other regional shopping destinations, and to the City's slow population growth.

Table 3-5 summarizes data regarding citywide taxable retail sales transactions from 1999 through 2009. 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.

A portion of Citrus Heights' retail sales loss is attributable to the economic recession that began in 2008; however, Citrus Heights has also experienced 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. Nevertheless, Citrus Heights still maintains per capita retail sales of \$10,060, which are higher than the region

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Table 3-5: Regional Taxable Retail Sales Trends, 1999 to 2009 (Inflation Adjusted to 2009 \$)

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Citrus Heights, Estimated (\$1,000's)									
Apparel	\$79,371	\$79,345	\$75,828	\$79,539	\$81,236	\$79,884	\$79,336	\$72,672	\$69,228
Department Stores	\$359,955	\$343,711	\$295,814	\$267,554	\$293,615	\$341,777	\$344,280	\$345,077	\$345,077
Food	\$52,916	\$55,813	\$54,251	\$52,829	\$49,964	\$46,596	\$44,181	\$42,786	\$39,686
Drugs	\$19,022	\$21,519	\$23,718	\$25,109	\$24,411	\$22,877	\$22,221	\$20,978	\$19,873
Packaged Liquor	\$11,062	\$12,199	\$13,053	\$13,307	\$13,148	\$13,875	\$12,882	\$13,744	\$13,283
Eating and Drinking	\$112,444	\$117,644	\$122,443	\$125,975	\$129,528	\$130,314	\$130,834	\$128,399	\$121,406
Home Furnishings and Appliances	\$109,287	\$113,028	\$115,787	\$125,050	\$151,921	\$140,314	\$133,201	\$109,117	\$92,418
Building Materials and Farm Implements	\$26,919	\$30,975	\$31,677	\$24,290	\$66,511	\$96,697	\$109,075	\$99,918	\$84,167
Auto Dealers /Auto Supplies	\$96,577	\$89,538	\$98,851	\$97,359	\$100,302	\$101,106	\$93,442	\$90,387	\$82,206
Service Stations	\$69,805	\$82,779	\$78,662	\$88,194	\$77,051	\$73,834	\$78,571	\$87,129	\$82,375
Other Retail Stores	\$224,253	\$223,780	\$196,625	\$196,993	\$192,421	\$188,835	\$185,625	\$186,741	\$166,563
Non-Retail Sales	\$28,142	\$31,448	\$26,867	\$27,814	\$35,776	\$21,732	\$18,274	\$16,550	\$16,985
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
Population	84,942	85,071	86,363	87,708	87,729	87,686	87,464	86,988	86,951
Per Capita Retail Sales	\$13,765	\$13,757	\$12,815	\$12,578	\$13,338	\$14,102	\$14,105	\$13,603	\$12,838
Per Capita Non-Retail Sales	\$331	\$370	\$311	\$317	\$408	\$248	\$209	\$190	\$195
Citrus Heights Retail as % of two-county area (a)	7.1%	6.5%	5.9%	5.7%	5.8%	5.7%	5.5%	5.4%	5.4%
Citrus Heights Non-Retail as % of two-county area (a)	0.3%	0.4%	0.3%	0.3%	0.4%	0.2%	0.2%	0.2%	0.2%
Citrus Heights Total as % of two-county area (a)	4.9%	4.5%	4.2%	4.1%	4.2%	4.1%	4.0%	3.9%	3.9%
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
Non-Retail Sales	\$8,087,718	\$8,569,537	\$8,393,747	\$8,201,370	\$8,344,930	\$9,911,483	\$8,949,828	\$8,670,519	\$8,488,616
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	\$28,983,266
Population	146,931	147,898	151,097	158,112	160,126	164,663	167,584	170,529	173,299
Per Capita Retail Sales	\$112,212	\$122,337	\$124,243	\$124,337	\$126,133	\$131,121	\$133,340	\$128,008	\$118,838
Per Capita Non-Retail Sales	\$5,525	\$5,822	\$5,555	\$5,264	\$5,211	\$5,428	\$5,340	\$5,085	\$4,891
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
Non-Retail Sales	\$179,184,572	\$192,842,494	\$178,753,826	\$166,165,153	\$163,094,075	\$170,248,676	\$176,694,248	\$181,532,637	\$180,063,911
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
Population	33,721,583	33,871,648	34,433,097	35,063,959	35,652,700	36,199,342	36,675,346	37,114,598	37,599,440
Per Capita Sales	\$9,760	\$10,342	\$10,258	\$10,258	\$10,472	\$10,986	\$11,256	\$11,156	\$10,662
Per Capita Non-Retail Sales	\$5,314	\$5,693	\$5,192	\$4,739	\$4,575	\$4,703	\$4,825	\$4,891	\$4,794

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

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

and the state averages. By 2009, the per capita figure for Sacramento and Placer Counties combined was \$8,859, and the statewide average was \$8,135.

Whereas declines in per-capita spending were mitigated in the region as a whole by significant increases in the population base, this was not the case in Citrus Heights. 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.

These findings indicate that the drop in residents living within 1 mile of Antelope Crossing during the past decade could be a cause for concern. Over the long term, such trends could limit Antelope Crossing's viability as a neighborhood shopping center, increasing the importance of attracting through-traffic and Interstate 80 commuters.

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).

5. Retail Potential at Antelope Crossing

Within the Antelope Crossing area, many basic neighborhood convenience shopping needs are being met by the Raley's grocery store plus other existing retail, services, and fast food. With the closure of Albertsons, one backfill possibility would be a smaller grocery concept such as Fresh & Easy. In addition, particularly given the strong senior population in the nearby mobile home parks, the area may support a freestanding drugstore. With the area's accessibility to the larger 5-mile trade area and the freeway visibility, other potential uses would be discount apparel (e.g., Ross, Marshalls) and other value oriented merchants. Given the competition up and down Interstate 80, and the space constraints, there is not much potential to accommodate regional draw merchants or other big boxes. Additional service commercial users are also good targets.

There is likely an opportunity to make the area more attractive to shoppers from the surrounding neighborhoods by creating more of a community focus by concentrating neighborhood retail uses around a public gathering place could help to create a better sense of place for this community which is isolated from the rest of Citrus Heights due to Interstate 80.

The retail development opportunities in this area will require that revitalization plans balance the fact that much of the site's value as a retail location will stem from its potential to attract shoppers who will arrive by car and the desire to reduce overall community wide auto use. A strategy to accomplish this could involve concentrating on attracting new uses that could receive needed market support from pass-by traffic on Antelope Road and Interstate 80, but which would provide goods and services needed by residents from the nearby neighborhoods, who could be encouraged to walk or bicycle to the site through various streetscape improvements.

E. Hotel Market Area Conditions and Opportunities

This section explores lodging conditions in the Interstate 80 corridor, focusing on North Sacramento, Roseville, and Natomas. It includes data on current conditions as well as historic trends for hotels with the ability to draw from Interstate 80 traffic and within reasonable proximity to Antelope Crossing. Keeping in mind the type of accommodations that would have the greatest synergy with the current and planned future Antelope Crossing environment, this lodging analysis focuses on freeway-oriented hotels with amenities and services that cater to business travelers, while excluding motels and other lodging options at the lower end of the market and those that are not freeway-oriented. The data used in this analysis was collected in 2010, as part of a land use study completed for the McClellan Park Special Planning Area, at the former McClellan Air Force base.

1. Existing Market Area Conditions

There are currently no hotels in the City of Citrus Heights, only one budget motel, the Ranch Motel, located near the intersection of Greenback Lane and Auburn Boulevard. The nearest freeway-oriented hotels are located 4 miles away at the Interstate 80/Douglas Boulevard interchange in Roseville, or 5 miles away at the Interstate 80/Madison Ave interchange in North Sacramento. During the community outreach process conducted as part of the

2011 Citrus Heights Economic Development Strategy Update, stakeholders, City staff, and members of the public articulated interest in attracting a hotel to Citrus Heights, which might serve freeway travelers, business travelers, and individuals attending conferences hosted at the City's new Community Center.

In order to learn more about the prevailing lodging market conditions in the Antelope area market, BAE purchased a report from Smith Travel Research (STR) on operating statistics for business-oriented hotels in the area, which would likely serve a market that is similar to that which would be targeted by a new hotel in the Antelope Crossing area. The list of 14 hotels included in the STR database of hotel operating statistics may be found in Table 3-6, which also summarizes the average operating statistics for the group as a whole. All 14 hotels in the STR database are in close proximity to Interstate 80 and generally have the ability to draw from freeway travelers. The hotels also cater to business travelers and provide the commensurate services and amenities for this class of traveler. Just over half of the hotels are located in Roseville while the remaining hotels are split between North Sacramento and Natomas area hotels that are located along the Interstate 80 corridor, but east of State Highway 99. **Figure 3-3** maps the locations of the hotels. As part of the McClellan study, BAE also obtained operating information on the Lions Gate Hotel, which is located in McClellan Park. These statistics are discussed separately.

2. Room Supply

From 1999 to 2006, the number of rooms available in this area held steady, at nearly 1,500, across 12 hotels that existed at the beginning of the period. Towards the end of 2007, nearly 120 rooms were added with the opening of the Natomas Staybridge Suites, and the inventory expanded again in the summer of 2008 when another 85 rooms were added with the opening of The Hampton Inn Suites in Roseville.

3. Room Demand

According to STR, the demand for rooms (number of room nights sold annually) has dropped since a peak in 2005 of over 388,000 room nights, but this has not been a steady decline. A decline in demand from the prior year occurred in both 2006 and 2007. However, in 2008 there was an increase in demand to over 371,500 (higher than 2007 levels but lower than 2006). This increase in 2008 corresponds with the opening of the Hampton Inn

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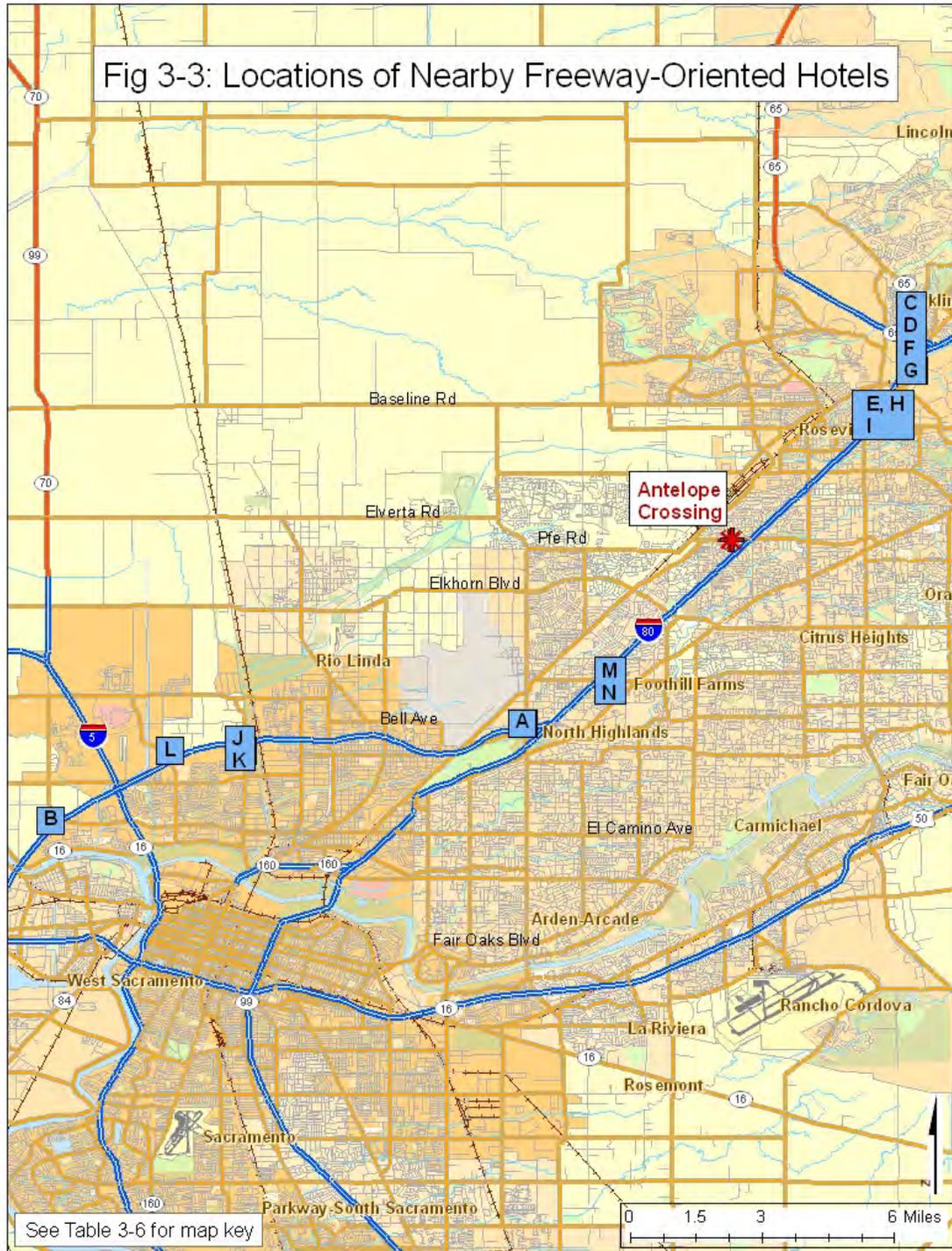


Table 3-6: Lodging Market Performance Indicators

<u>Year</u>	<u>Supply (a)</u>	<u>Demand</u>	<u>Occupancy Rate</u>	<u>Revenues per Available Room</u>	<u>Average Daily Rate</u>
2004	1,484	385,070	71%	\$56.40	\$79.33
2005	1,484	388,362	72%	\$56.46	\$78.74
2006	1,484	374,465	69%	\$59.23	\$85.68
2007	1,484	366,519	67%	\$57.98	\$86.82
2008	1,601	371,553	62%	\$54.40	\$88.21
2009	1,686	336,267	55%	\$40.38	\$73.90

Note:

(a) Room inventory in January of each year. Excludes Lions Gate Hotel. Properties reflected in the data include:

<u>Name of Hotel</u>	<u>Map Key</u>	<u>Date Opened</u>	<u>Rooms</u>
Days Inn Sacramento	A	November 1972	145
Fairfield Inn and Suites Sacramento Airport	B	November 1998	82
Residence Inn Roseville	C	November 1998	90
Courtyard Roseville	D	July 1998	90
Hampton Inn Suites Roseville	E	June 2008	85
Larkspur Landing Roseville	F	May 1999	90
Hilton Garden Inn Roseville	G	March 1999	131
Best Western Roseville Inn	H	June 1974	126
Extended Stay America Roseville	I	August 1998	122
Extended Stay America Sacramento Northgate	J	March 1997	120
Quality Inn Natomas Sacramento	K	November 1986	132
Staybridge Suites Sacramento Natomas	L	November 2007	117
Holiday Inn Sacramento Northeast	M	August 1980	230
La Quinta Inn Sacramento North	N	May 1985	126
Total			1,686

Sources: Smith Travel Research, 2010; BAE, 2010.

Suites in Roseville. In 2009, room demand hit its lowest level since 2004, with only 336,000 rooms sold over the entire year.

4. Occupancy Rates

The average occupancy rate for the 14 hotels, the number of rooms sold divided by the number of rooms available, between 2004 and 2009 peaked at over 70 percent in 2005. Since 2005, occupancy rates have been steadily declining, with the greatest year to year drop occurring between 2008 and

2009. The 2009 annual average occupancy rate for the selected hotels was 54.6 percent, an 11.5 percent decrease from 2008. A portion of the decline in occupancy rate can be linked to the additional rooms added to the inventory with the opening of the Hampton Inn Suites in mid-2008. However, the drop in occupancy rates in 2009 was primarily driven by the 9.5 percent decline in demand for rooms between 2008 and 2009.

5. Revenues per Available Room

Average revenues per Available Room, or RevPAR (total revenues divided by total room nights available) for the group of 14 hotels has hovered in the mid- to high-\$50 range between 2004 and 2008. RevPAR declined slightly in 2007 and 2008; however, in 2009, RevPAR dropped to \$40.

6. Average Daily Rate

The Average Daily Rate (ADR), or nightly revenues per room sold for the group of 14 hotels as a whole, reached a peak in 2008 at \$88 and then dropped to \$74 in 2009. The 2009 rate was lower than the 2004 rate of \$79. ADR for January through April of 2010 continued this downward pricing trend, with an average of \$69 over the first four months of the year.

7. Antelope Crossing Area Lodging Potential

The significant recent declines in market area occupancy, average daily room rates and revenues per available room all underscore the tight competition for lodging dollars along the Interstate 80 Corridor. However, as the economy rebounds, travel activities will also rise. The construction of new hotels in Natomas and Roseville in 2007 and 2008 also highlights that, prior to the economic recession, conditions were ripe for the expansion of lodging offerings in the area.

Once lodging market conditions improve, there may be a potential opportunity for a hotel use in the Antelope/ Interstate 80 district with close proximity, easy accessibility, and visibility from Interstate 80. There are currently few synergistic uses or attractions in the immediate area aimed at travelers, and the relatively small citywide employment base will likely create limited demand for business-related travel, but a situation with good freeway visibility and access could create an advantage for luring highway travelers relative to some existing market area hotels that are further from the freeway. Moreover, in addition to catering to business users in transit along Interstate 80, and those with business at or near Citrus Heights, a hotel in this area could

find a way to capitalize on nearby attractions, such as Sunrise MarketPlace and the Citrus Heights Community Center.

Within Antelope Crossing, a site on the south side of project area, where a 3- to 4-story building might be visible to both directions of freeway traffic, would be most desirable. Because a limited service hotel is most likely in a location such as this, it would be important for this area to offer a sit-down family style restaurant as a convenient dining option for hotel visitors.

ANTELOPE CROSSING TRANSFORMATION PROJECT
EXISTING CONDITIONS EVALUATION
DEVELOPMENT OPPORTUNITIES