

Appendix J: Urban Decay Analysis

EPS

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FINAL DRAFT REPORT

SAN RAMON URBAN DECAY ANALYSIS

Prepared for:

City of San Ramon

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I. INTRODUCTION AND SUMMARY OF FINDINGS

INTRODUCTION

Economic & Planning Systems, Inc. (EPS) has been retained by the Sunset Development Company as a subconsultant to Brandman & Associates to evaluate whether the economic impact of the proposed City Center Project located at the crossroads of Camino Ramon and Bollinger Canyon Road may lead to a physical change in the environment through urban decay. Brandman & Associates is preparing the Draft EIR for the project. The project site would be comprised of approximately 635,000 square feet of retail space, which includes a six-screen cinema. In addition to retail, the project will include a 169-room hotel, residential development totaling 551,000 square feet, 682,000 (159,000 net new) square feet of Class A office space, a city hall for San Ramon and a new library. At least nine parking structures totaling 6,657 spaces and a future shared reserve parking structure totaling 539 spaces are proposed for the Project.

A project of this size and scope has a variety of economic effects, both positive and negative. Because of that, this analysis is included in the Draft EIR. The key issues addressed in this Report include the following:

- How will the proposed City Center project affect the retail sector in San Ramon and related markets over both the short and long term?
- How will the potential economic impacts estimated above manifest themselves in the physical environment within San Ramon and related markets? Specifically, does the City Center Project have the potential to start an economic chain reaction that could lead to physical deterioration and urban decay?

REPORT ORGANIZATION

This report consists of four chapters and a detailed technical appendix. Following this introductory chapter, **Chapter II** provides additional background on the City Center Project and provides a general overview of the economic and demographic trends within the market area. **Chapter III** evaluates the existing market conditions within the retail sector relevant to the City Center Project. **Chapter IV** evaluates the economic impacts of the City Center Project and the prospect for urban decay.

PRIMARY DATA SOURCES

This report relies on a variety of data sources, cited as appropriate, throughout the text. In addition to the primary sources of information listed below, the findings are also based on completed EPS research and in-house data from other retail studies. The primary information sources include, but are not limited to, the following:

- Demographic and economic data from the Association of Bay Area Governments (ABAG), the U.S. Census Bureau, the California State Board of Equalization (SBE), the U.S. Bureau of Labor Statistics, and other publicly available sources;
- Land use and planning data from the City of San Ramon;
- Interviews with local real estate professionals and City staff;¹
- Operational and project description information from the developer, Sunset Development Company; and
- Online, Internet-based information.

SUMMARY OF FINDINGS

The key findings from this analysis are summarized below.

- **Current retail market conditions in the Trade Area relevant to this analysis are highly favorable with population and income growth expected to continue to provide a healthy source of new retail demand.** Demographic projections indicate a steady annual increase in population (3.3 percent), employment (2.0 percent), and incomes (0.6 percent) in the City Center Trade Area (defined as San Ramon, Dublin, and Danville) over the next ten years. In addition, existing retail vacancy rates across the Trade Area are about three (3) percent, indicating extremely tight market conditions (the vacancy rate in San Ramon alone is about 3.75 percent). Projected retail demand is based on growth in households instead of growth in the workforce, generating a more conservative outlook for the retail sector in the Trade Area.
- **The City of San Ramon currently captures about 80 percent of the retail expenditures of its local residents, with significant leakage in areas of apparel, home furnishings and electronics, and service stations, suggesting an un-filled market niche.** Most of the existing retail is traditional grocery-anchored centers. The potential effect of a “lifestyle” center would be to reverse this leakage trend. The market orientation of the City Center Project is designed to capture this market niche rather than compete against existing retailers in the City or Trade Area.

¹ Interviews included Sandra Weck of Colliers International, Patric Davis of Lee & Associates, Mike Bassett of Terranomics, Leigh Boyd of Boyd & Associates, Nancy Casale with Asset Management Group, Christopher Foss with the City of Dublin, Steve Lake with the City of Danville, and Mark Fontes with the City of San Ramon.

- **Although overall market conditions in the Trade Area are healthy, a significant amount of new retail space is expected to come on line within the 2010 to 2012 time frame, providing increased competition for existing retailers.** In addition to the completion of the City Center Project in 2010, Dublin will see several large retail developments completed during the same time. The City Center Project will expand total retail inventory in San Ramon by nearly 50 percent and total proposed development in Dublin exceeds 1 million square feet over the next several years. Overall, about 1.8 million square feet of new retail space is expected to be introduced into the Trade Area within the next five years.
- **As new retail space is added to the Trade Area supply inventory, there will be a temporary imbalance in the retail demand and supply conditions relative to the “status quo”, but this imbalance is expected to reverse itself within about two years, and is consistent with normal business cycle fluctuations.** In the short term, the growth in retail supply is expected to exceed the growth in retail demand within the Trade Area, creating a temporary market imbalance relative to existing conditions. In order to accommodate this increased supply, existing retail establishments would need to experience a decrease in their annual sales by an average of seven (7) percent over four years, assuming no additional market capture from adjacent Trade Areas (e.g. Pleasanton, Livermore, and Walnut Creek). This is a conservative assumption because the City Center Project may actually attract customers from beyond the San Ramon, Danville, and Dublin markets. But even under this conservative approach, continued growth in retail demand associated with increased Trade Area population and income will minimize the impact of any sales shift from existing businesses that might result from new development in a relatively short timeframe. Specifically, by 2014, four years after the opening of the City Center Project, the decline in retail sales of existing establishments needed to accommodate new development would be eliminated because of expanding population and income.
- **Given strong market conditions and continued growth in population and income within the Trade Area, the City Center Project has a low probability of creating conditions conducive to urban decay.** Because of strong and growing retail market conditions in the Trade Area, properties that are adversely affected by increased competition from the City Center Project are likely to successfully reposition themselves in a relatively short time, thus avoiding conditions conducive to urban decay. Specifically, the potential sales shift of between 6 and 7 percent, lasting about four years, is neither deep nor prolonged enough to lead property owners to neglect their properties. The potential decrease in sales over this period is no more severe than the normal fluctuations of a typical business cycle. Thus, property owners will have a financial incentive to maintain their properties with the realistic expectation of benefiting from a generally healthy and growing market. Moreover, the potential sales shift represents a “worse-case” outcome because it assumes the City Center project does not stem the existing retail sales leakage to cities outside the Trade Area

(e.g., Pleasanton, Livermore, or Walnut Creek) or capture residents spending from these areas. In fact, the expected orientation of the City Center project is designed to fill a market niche not currently available in the Trade Area.

II. PROJECT AND MARKET AREA OVERVIEW

This chapter provides a detailed overview of the City Center Project and its local and regional context based on information from the developer and pertinent demographic data and trends.

PROJECT BACKGROUND

PROJECT DESCRIPTION

San Ramon City Center is envisioned as a mixed-use development in the City of San Ramon within the Bishop Ranch Business Park, as shown in **Figure 1**. Located at the crossroads of Camino Ramon and Bollinger Canyon Road, San Ramon City Center sits at the entrance to Bishop Ranch Business Park and is centrally located in the City, adjacent to Central Park and its Community Center. The major components are: residential, a lifestyle retail center including an arts cinema, restaurants, a premium “boutique” hotel, three Bishop Ranch class A office buildings, a new City Hall with Council Chamber and Library for San Ramon, and a “transit hub”. The four Project parcels total 39.09 acres, for a total square footage of 1,702,760.

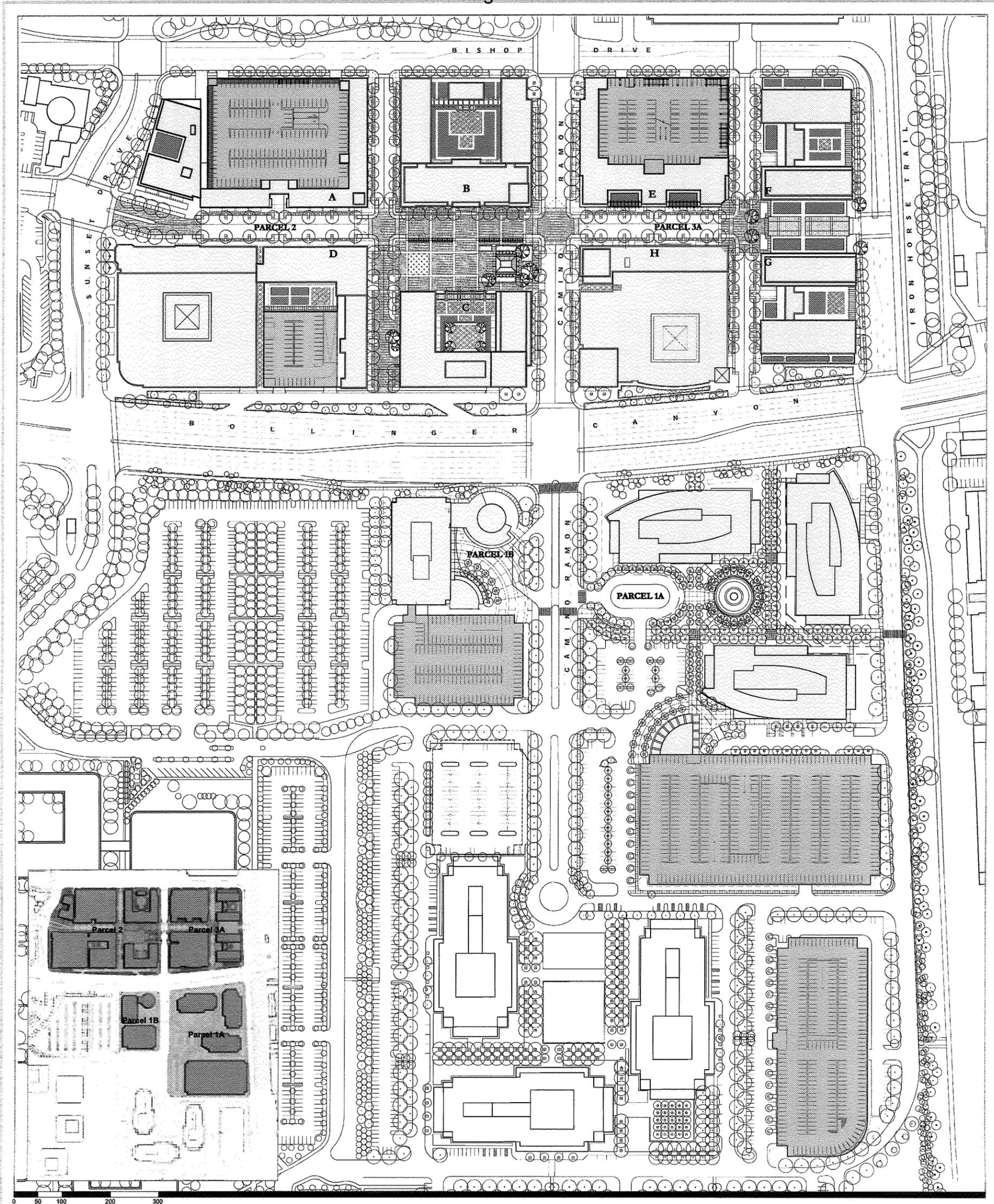
The Project will have the following development:

▪ Retail	613,000	square feet
▪ Six-screen Cinema	22,000	square feet
▪ Hotel	169	rooms
▪ Retail Flex	50,142	square feet
▪ Residential	488	dwelling units
▪ Class A Office	681,769	(net new 158,897) square feet
▪ City Hall/Library	110,490	square feet
▪ Total	2,167,979	square feet

In addition to the above, nine parking structures totaling 6,657 spaces and a future shared reserve parking structure net of 539 spaces are proposed for the Project. As currently envisioned, the residential portion of the project is expected to be a multifamily condominium or apartment complex.

San Ramon City Center is a joint project between Sunset Development Company, developers of Bishop Ranch Business Park, and the City of San Ramon. The Class A Office will replace 194,652 square feet of the existing Bishop Ranch 2 to be torn down. The expected year of completion for the Project is 2010, assuming planning and construction schedules are kept. The precise tenanting for all portions of the Project is currently unknown; however, apparel will comprise one of the major retail categories.

Figure 1



PROGRAM SUMMARY									
	Lot Size (ac)	Lot Size (sf)	Civic (net)	Retail	Office	Hotel	Residential	D.U. (approximate)	Total Net
Parcel 1A	14.27	621,601	0	0	681,769	0	0	0	681,769
Parcel 1B	3.52	153,331	110,490	0	0	0	0	0	110,490
Parcel 2	13.30	579,348	0	364,031	0	139,867	284,808	260	788,966
Parcel 3A	9.25	402,959	0	271,011	50,142	0	265,861	227	587,241
Total	40.32	1,756,339	110,490	635,042	731,911	139,867	550,669	487	2,168,466

PARKING SUMMARY						
	Retail/Office Parking Demand	Retail/Office Parking Provided	Residential/Hotel Parking Demand	Residential/Hotel Parking Provided	Total Parking Demand	Total Parking Provided
Parcel 1A	2,371	2,390	0	0	2,371	2,390
Parcel 1B	387	422	0	0	387	422
Parcel 2	1,720	1,753	638	675	2,358	2,428
Parcel 3A	1,276	1,328	409	424	1,685	1,752
Total	5,754	5,893	1,047	1,099	6,801	6,992

PARKING RATIOS
 Retail: 4 spaces / 1,000 sf
 Restaurant: 8 spaces / 1,000 sf
 Cinema: 10 spaces / 1,000 sf
 Hotel: 1 space / room
 Residential: 1.8 spaces / unit
 Office Not Shared (Parcels 1A, 1B): 3.5 spaces / 1,000 sf
 Office Not Shared (Parcel 3A): 1.5 spaces / 1,000 sf
 Office Shared (Parcel 3A): 2 spaces / 1,000 sf

LOCAL CONTEXT

The area immediately surrounding the City Center Project is comprised of commercial and retail uses. The primary access to the site is provided through Interstate 680 (I-680), which runs north to south through the center of the commercial district of the City. The Project is situated in the heart of the Bishop Ranch Business Park. Bishop Ranch includes in excess of 475 businesses spread across 30 buildings and 9 million square feet of office space². A relatively new shopping center ("The Shops at Bishop Ranch") is located about a block west of the site while a new office complex (Lennar Homes and Chevron) is across the street. Downtown San Ramon is relatively concentrated with office park developments and retail shopping centers. The land use outside the Bishop Ranch area is predominantly residential, comprising nearly 75 percent single-family homes and 25 percent apartment dwellings.³

TRADE AREA DESCRIPTION

A Retail Trade Area is defined as a geographic area that contains the elements of demand and supply that will determine the performance of a particular retail store or project. A Retail Trade Area is influenced by a variety of factors, including the location and density of the targeted residential population, the location of key competitors, the relative distance or travel time for each of the above, geographic and psychological barriers, and existing commute and shopping patterns. Retail establishments outside of a given Trade Area are not considered to be at risk of urban decay from development within the Trade Area.

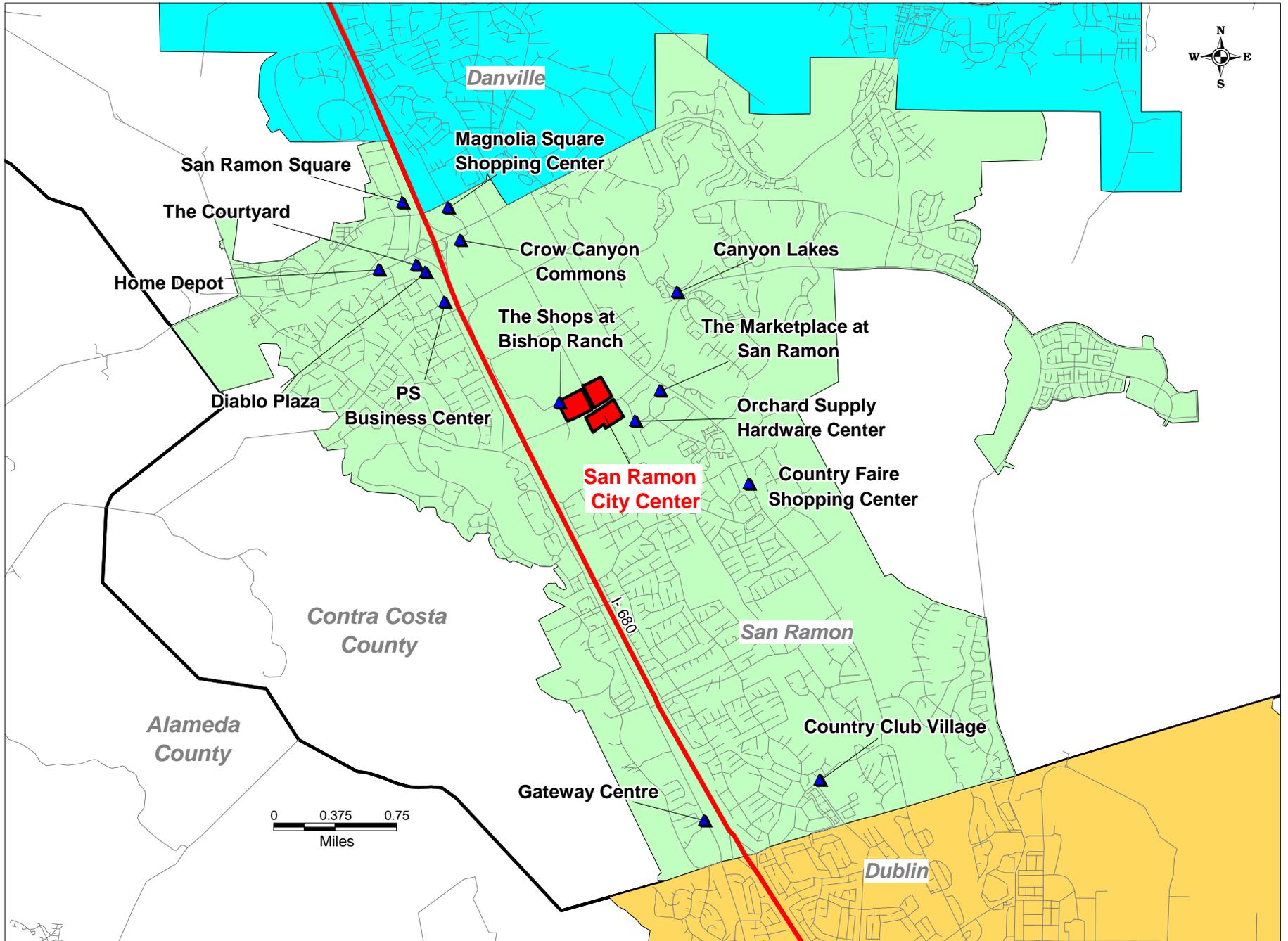
Figure 2 depicts the Trade Area as assumed for this study. As shown, the Trade Area includes the cities of Danville, San Ramon, and Dublin. Despite the relative proximity of such retail centers such as Walnut Creek and Pleasanton, this study assumes the City Center project will not be expected to capture significant demand from the residents of these cities. This assumption is based on the fact that shoppers in these neighboring markets will be less likely to travel to San Ramon from Walnut Creek or Pleasanton as their local retail options are of much greater scale and scope. However, residents of Danville, San Ramon, and Dublin, many of whom currently commute to Pleasanton and Walnut Creek for shopping, are likely to be attracted by the relative proximity of the City Center project.

It is important to note that a Trade Area is also influenced by the type of tenant. Although future tenants for the City Center Project have yet to be determined, there are a few project characteristics of note. Although the precise tenanting of the City Center Project is not known, the concept is "lifestyle"-oriented, catering to smaller retailers and local and regional shoppers. This type of product is not currently available in the Trade

² Based on data from Bishop Ranch website, <http://www.bishopranch.com>.

³ US Census Bureau.

**Figure 2:
San Ramon Neighborhood Shopping Centers**



Area, but does exist in the neighboring markets of Pleasanton and Walnut Creek. This further reinforces Danville, San Ramon, and Dublin as the appropriate Trade Area for this study.

The exclusion of Pleasanton and/or Walnut Creek from the market area is a conservative approach and justified based on several factors. First, the larger an assumed trade area, the less significant the impact of a single project is likely to be since it will represent a smaller proportion of the total larger market and thus be overshadowed by larger economic and demographic trends. The retail markets in Walnut Creek and Pleasanton are considerably large, with the Stoneridge Shopping Center in Pleasanton totaling 1.3 million square feet of retail space⁴ and Walnut Creek's Broadway Plaza covering nearly 700,000 square feet. With the inclusion of these two cities in the Trade Area, the impact of the City Center Project would appear to be quite small on a relative scale, thus overshadowing the potential impact of the project on the retail markets immediately surrounding San Ramon.

Second, the retail markets in both Pleasanton and Walnut Creek are currently very strong and thus unlikely to be vulnerable to urban decay from supply changes in a peripheral location. By way of example, annual sales of retail space at Broadway Plaza in Walnut Creek are approximately \$800 per square foot and the center draws customers from throughout the Bay Area, including San Francisco and even remote areas of Solano and Alameda counties.⁵ The Stoneridge Shopping Center in Pleasanton, in turn, generates nearly \$500 per square foot in sales revenue per year, indicating a very healthy demand. Both centers have announced plans for expansion.⁶

SOCIO-ECONOMIC CONTEXT

Located in central Contra Costa County along the I-680 corridor midway between Walnut Creek and Pleasanton, San Ramon has been significantly affected by growth trends throughout the larger San Francisco Bay Area. Overall San Ramon is located in a relatively affluent market with strong population and employment growth.

⁴ Ben Semmes, Oakland Tribune, 2006.

⁵ According to a spokesperson from the Macerich Company, owner and manager of Broadway Plaza, approximately 20 percent of the retail demand is derived from customers outside of the San Francisco Bay Area.

⁶ Amendment to Walnut Creek General Plan to increase Broadway Plaza. Mills Corporation announced plans to expand shopping center with new department and specialty retail.

In addition to serving as a bedroom community for commuters working in larger employment hubs such as Oakland and San Francisco, San Ramon continues to be a significant job center. Some major private employers in the City include AT&T, Chevron, IBM, Lennar Homes, and Target.⁷ Bishop Ranch alone has a workforce of 30,000 people.

The significant growth pressures in Contra Costa County and the metropolitan regions of San Francisco have created new opportunities for retail development serving both the local population and workforce. As households and incomes increase, demand for new retail development is likely to continue to be strong over the coming decade. A further description of population, employment, and income trends in the Trade Area is provided below.

POPULATION AND HOUSEHOLD TRENDS

Population and household characteristics are a key determinant in the type and amount of retail demand in a particular area. Assuming average household incomes remain constant or improve over time, a growing population base will generally result in increased retail demand, providing additional market support for new and existing establishments.

Historic and projected population and household trends are shown in **Table 1** using ABAG *Projections 2005* data and the San Ramon General Plan 2020. Despite the economic downturn of the early 1990s, Contra Costa County as a whole has continued to grow. Significant residential growth has occurred in the Trade Area and Contra Costa County as a whole over the last ten years, and this trend is expected to continue. As shown, the population in the Trade Area (Danville, San Ramon, and Dublin) grew by about 17 percent over the last five years and is expected to add an additional 41,900 residents between 2005 and 2020, a 30 percent increase. The trend in household growth is similar, with an expected increase of 34 percent over the same time frame.

The ABAG and the City of San Ramon use different assumptions about the growth in population and employment over the projected time period. The San Ramon General Plan projects population to grow at an average annual rate of 3.3 percent between 2007 and 2020. ABAG, on the other hand, has projected an average population growth of 2.0 percent over the same period for San Ramon. This report provides an assessment of retail market supply and demand projections based on two different population assumptions.

⁷ Based on information from the City of San Ramon.

Table 1
Household and Population Growth
San Ramon Urban Decay Analysis, EPS #16090

Item	Year									Avg. Annual Growth Rate (2007 - 20)
	2000	2005	2007	2009	2010	2011	2012	2015	2020	
<u>San Ramon General Plan Projections</u> ¹										
Households										
San Ramon	17,991	21,121	22,520	24,012	24,795	25,603	26,437	29,108	34,171	3.3%
RTA ²	42,592	48,608	51,246	54,027	55,474	56,959	58,484	63,309	72,251	2.7%
Population										
San Ramon	50,555	59,349	63,281	67,473	69,673	71,944	74,289	81,792	96,020	3.3%
RTA ²	123,520	145,249	154,872	165,133	164,873	170,247	175,796	184,292	204,920	2.2%
<u>ABAG Projections</u>										
Households										
San Ramon	16,981	19,590	20,647	21,761	22,340	22,852	23,376	25,020	27,430	2.2%
RTA ²	41,582	48,850	51,268	53,805	55,120	56,169	57,239	60,570	65,510	1.9%
Population										
San Ramon	44,834	52,000	54,583	57,294	58,700	59,909	61,143	65,000	70,900	2.0%
RTA ²	117,799	137,900	144,090	150,558	153,900	156,529	159,202	167,500	179,800	1.7%

¹ Household and population projections from San Ramon General Plan 2020.

² Retail Trade Area includes Dublin, San Ramon, and Danville.

Source: Economic & Planning Systems, Inc.

INCOME AND EMPLOYMENT TRENDS

Income and employment play an important role in consumer demand for retail goods. For example, higher-income households typically demand more and a different type of retail goods than lower-income households. In addition, employment growth can have an independent effect on the type and amount of retail goods demanded through increased employee and business-related purchases.

Income

As shown in **Table 2**, the 2005 mean household income in the Trade Area of \$140,434 is projected to grow to \$153,008 by 2020 in real terms (i.e., adjusted for inflation), increasing by 9 percent, or more than \$12,000 per household, according to ABAG. Overall, this represents a relatively healthy growth rate, which could significantly boost demand for retail goods. Specifically, as household incomes continue to increase, buying power and expenditures of local households will increase as well, supporting future growth in the retail sector. In subsequent chapters, these income growth projections are combined with household growth projections to estimate growth in retail sales.

Employment Growth

As shown in **Table 2**, employment in San Ramon is projected to grow 24 percent by 2020 and the Trade Area is expected to grow 29 percent over the same period⁸. The total market area is expected to gain 22,646 jobs over the next 13 years. If realized, this employment growth will have positive implications for the retail sector, especially if it increases in-commute from other regions.

Although important, we do not use employment to derive future retail demand. Instead, this analysis relies on growth in households to project retail demand, in part to avoid double counting demand locally employed residents. To the extent that strong employment growth attracts residents from outside the Trade Area our estimates are conservative. Based on the 2000 Census, about 25 percent of jobs in San Ramon are filled with people who live outside the Trade Area.⁹ Using employment growth to derive retail demand would include spending that is not actually taking place in San Ramon or the Trade Area. Using household growth measures the retail expenditures of the residents of the Trade Area instead of commuters.

⁸ ABAG, measured from 2007.

⁹ U.S. Census Bureau, Journey-To-Work & Migration Statistics.

Table 2
Income and Employment Projections ¹
San Ramon Urban Decay Analysis, EPS #16090

Item	Year									Avg. Annual Growth Rate (2007 - 2020)
	2005	2007	2008	2009	2010	2013	2015	2018	2020	
Income										
San Ramon	\$137,700	\$ 139,011	\$ 139,671	\$ 140,334	\$ 141,000	\$ 143,446	\$ 145,100	\$ 148,435	\$ 150,700	0.6%
RTA ²	\$140,434	\$ 141,490	\$ 142,021	\$ 142,554	\$ 143,088	\$ 145,744	\$ 147,542	\$ 150,798	\$ 153,008	0.6%
Employment										
San Ramon	40,110	41,577	42,331	43,099	43,880	46,099	47,640	50,007	51,650	1.7%
RTA ²	74,720	77,864	79,485	81,140	82,830	87,587	90,910	96,554	100,510	2.0%

¹ Projections provided by ABAG.

² Mean household income in real 2005 dollars, RTA income weighted by households.

Source: Economic & Planning Systems, Inc.

III. RETAIL MARKET ANALYSIS

This chapter reviews retail market demand and supply conditions in San Ramon and related markets. Based on population and household forecasts, the potential growth in retail demand is estimated for the 2005 to 2020 time period and compared with market supply. The market factors and conditions affecting regional retail development and sales patterns provide the basis for evaluating economic impacts in subsequent chapters.

MARKET AREA SUPPLY TRENDS

This section evaluates retail supply trends for the Trade Area, as defined in **Chapter II**. It is the understanding of EPS that apparel and home furnishings will be some of the primary retail categories in the Project. However, given that the precise tenant mix in the proposed City Center Project is unknown, for the most part this report does not differentiate between types of retail. Instead, an overall retail supply is calculated and compared to expected demand for retail services.

EXISTING TRADE AREA SUPPLY

The overall market conditions for retail in the Trade Area are very strong. According to brokers active in the market, vacancy rates across San Ramon, Dublin, and Danville are under 3 percent, reflecting relatively tight market supply conditions¹⁰. A summary of existing supply conditions and centers is provided in **Table 3** and further described below by city. In general, the presence of numerous shopping centers in the Trade Area is indicative of a relatively mature retail sector. It should be noted that each city also contains a substantial amount of additional retail not located in large shopping centers.

San Ramon

San Ramon has a relatively large retail sector consisting of a number of shopping centers clustered along I-680. Most shopping centers in San Ramon are grocery store anchored centers supported by smaller and often local “in-line” retailers and merchants. In addition, there are several larger shopping centers with major national merchandisers including Home Depot, Target, Whole Foods, Office Depot, among others. The current inventory of shopping centers in San Ramon is approximately 1,288,000 square feet.

In addition to the listed shopping centers in the Trade Area, there is some amount of smaller retail centers and strip malls with local retailers and small shops. Individually, these shopping centers do not contribute a significant portion of retail square footage or

¹⁰ Based on discussions with Sandra Weck of Colliers International, Patric Davis of Lee & Associates, and Leigh Boyd of Boyd & Associates.

Table 3
Trade Area Retail Centers ¹
San Ramon Urban Decay Analysis, EPS #16090

Shopping Center	Select Tenants	Estimated Sq. Ft.
San Ramon		
Country Club Village	Ralph's Grocery, Longs Drugs	111,250
The Courtyard Center / Crow Canyon	Bighorn Grill, AutoMart, Nations, 7-11	70,000
Crow Canyon Commons	Albertsons Supermarket, Rite Aid Pharmacy,	211,500
Diablo Plaza	Jo-Ann Fabrics, Longs Drugs, Safeway, Crow Canyon Cinemas	142,000
Gateway Centre	Albertsons, Walgreens	110,500
Magnolia Square Shopping Center	Office Depot, Petco	67,000
The Marketplace Shopping Center	Longs Drugs	182,500
The Shops at Bishop Ranch	Target, Whole Foods, Borders, 24 Hour Fitness	96,000
San Ramon Square ²	Curves, City of D'Lights, European Deli	33,000
Home Depot Center ³	Home Depot	105,000
Orchard Supply Hardware Center ³	Orchard Supply	40,000
Country Faire Shopping Center	Local area retail	94,510
PS Business Center	Erik's Deli, Park Avenue Cleaners	24,600
Canyon Lakes ²	Sergio's Trattoria, Yang's, Country Club Cleaners	<u>33,325</u>
<i>Subtotal</i>		1,321,185
Dublin		
Hacienda Crossings	Best Buy, Barnes & Noble, Babies R Us, Old Navy,	470,000
Waterford Place Shopping Center	Safeway	134,000
Dublin Place Shopping Center	Target, Expo Design Center, Burlington Coat Factory	206,425
Safeway Center	Safeway	55,000
Dublin Crossroads Center	Carl's Jr, Post Tools	32,527
Dublin Retail Center	Marshalls, Michaels, Orchard Supply, Ross	154,728
San Ramon Village	Albertson's Furniture	49,683
Shamrock Village	Dollar Tree, World of Shoes, Gallagher's Pub	85,000
Strouds Plaza	Strouds Linen Warehouse	56,000
Lamps Plus Center	Lamps Plus, Hana Japan, Country Waffle	54,000
Dublin Corners	Sheldan's Bakery Café, Washington Mutual, Papa	46,200
Other non-anchored retail		<u>1,334,737</u>
<i>Subtotal</i>		2,678,300
Danville		
Danville Livery	Piatte Restaurant, Women CL Fashion, Sweet Potato	95,429
Sycamore Square	Albertsons, Longs	78,379
The Village ²	Walgreens, ACE, Wells Fargo	25,350
Crossroads	Radio Shack, Sushi	25,000
Danville Square	Trader Joe's	30,000
Iron Horse Plaza	Lanardi Market, Pete's Coffee, Supercuts, Blockbuster Video	14,206
Danville Garden Shopping Center	Safeway	35,000
Danville Town & Country	McCaulou's Department Store, Safeway	55,200
Tassajara Crossing	Long's Drugs, Safeway	146,188
Railroad Centre	Lyons Restaurant	25,000
Castle Square ³	Costco, Marshalls	152,000
The Village at Tassajara	Subway, Baskin Robbins, UPS Store	<u>30,835</u>
<i>Subtotal</i>		712,587

¹ Based on existing retail in 2005.

² Visual estimate of square feet.

³ Square feet based on average size of national retail outlet.

⁴ Total retail based on information from Christopher Foss, Economic Development Director for the City of Dublin.

Source: City of Danville; City of San Ramon; City of Dublin; Economic & Planning Systems, Inc.

retail sales to the larger Trade Area, but taken as a whole they can play a modest role in the market. Given vacancy rates across the Trade Area, even relatively small retail building space is in high demand.

Overall, the retail market in San Ramon is comprised of local, neighborhood, and community shopping centers, primarily attracting customers from the local Trade Area and not from the region as a whole. The City does not currently possess a “lifestyle” center or other regional destination establishment capable of attracting customers from the broader region. Nor does San Ramon offer an expanded retail center catering to entertainment and the higher-end consumption tastes of local residents. This existing composition was the basis of a conclusion by a recent report by Bay Area Economics (BAE) citing a need for this type of product. As stated in that Report:

“...a growing retail product type that may have potential for development in San Ramon is the ‘lifestyle center,’ which offers high-quality merchandise, services, and restaurant/entertainment venues in a contemporary setting.”¹¹

Dublin

With approximately 2.7 million square feet of retail space,¹² Dublin is the largest retail center within the Trade Area. Most of this development is clustered within and around the three major shopping centers in Dublin: Hacienda Crossing, Waterford Place, and Dublin Place Shopping Center (see **Table 3**). Also, there is a large collection of automobile malls and plazas, making Dublin a Trade Area draw for automotive-related expenditures. Where noted, EPS has excluded automobile related expenditures from our analysis to create a more accurate comparison of the retail markets within the Trade Area and the type of retail categories most relevant to the City Center Project.

Danville

The retail market in the City of Danville is mostly comprised of small shops and restaurants clustered in the downtown area and along San Ramon Boulevard. There are several larger retail outlets, such as Castle Square shopping center, which includes Costco and Marshalls, and the Tassajara Crossing shopping center near Blackhawk. The Downtown also includes a mix of “Mom & Pop” establishments as well as a number of niche retail chains (e.g., Trader Joe’s and Lenardi Market). Nonetheless, the retail inventory in Danville is considerably smaller than its Trade Area competitors, comprising only 712,000 square feet of space.

¹¹ “San Ramon Economic Development Strategic Plan: Economic Trends and Opportunities,” Bay Area Economics, 2005.

¹² City of Dublin.

FUTURE TRADE AREA SUPPLY

As part of this analysis, EPS gathered information on projected future retail projects in the Trade Area. **Table 4** provides summary information on major development projects in the pipeline in the Trade Area based on information from the cities of Danville, San Ramon, and Dublin, as well as other sources. Projected supply includes all projects built since 2005 since this is the most recent year for which baseline demand and supply data are available.

As shown, a total of approximately 1,868,000 square feet of competitive commercial space is in the pipeline in the Retail Trade Area, which represents a significant increase over current levels. By way of example, the addition of the City Center Project raises the amount of retail space in the City by nearly 50 percent. In addition, the proposed retail developments in Dublin over the next several years approach nearly 1 millions square feet of space.

In addition to the City Center Project, the Plaza at Gale Ranch shopping center is expected to open later this year (in 2007). The majority of projected new retail development will be in Dublin over the next five years, particularly in 2010 - 2012. After the City Center Project comes on-line in San Ramon, Dublin will see nearly 800,000 square feet of new retail between 2010 and 2012. The City of Danville, with a development approach that discourages large shopping centers and national retail outlets, will not see any large new construction within the projection horizon. The one current exception is the Rose Garden, a "mixed-use lifestyle center" of nearly 45,000 square feet just off I-680 on Sycamore Valley Road¹³.

In order to project the value of retail supply in San Ramon and the Retail Trade Area, EPS used taxable sales data from the California State Board of Equalization (SBE).¹⁴ As new developments come on-line in the years ahead, the total level of retail in these areas will increase accordingly. Based on EPS research of similar retail establishments, the average revenue of new retail is projected to be \$375 per square foot. EPS calculated the estimated sales per square foot in the Trade Area and estimated that existing establishments sell about \$365 per square foot.¹⁵ However, given that new retail establishments historically outperform existing retail, we have increased the estimate to \$375 in order to evaluate the impact of future development under more conservative assumptions. Beginning with 2005 data, **Table 5** shows the timeline of new retail

¹³ Main Street Property Services, Inc.

¹⁴ Because of the exclusion of non-taxable "food at home" sales in SBE data, the taxable sales figures have been increased to reflect the average percent spent on food at home, based on BLS data. Business-to-business sales have also been excluded from SBE taxable sales data.

¹⁵ Based on total estimated sales in the market area in 2005 (excluding auto sales) divided by total estimated square feet of retail in the market area 4.7 million (see Table 3).

Table 4
Retail Trade Area Future Supply
San Ramon Urban Decay Analysis, EPS #16090

Project Name / Location	Square Feet	Expected Completion	Type
San Ramon			
San Ramon City Center	613,042	2010	Lifestyle center
The Plaza at Gale Ranch	126,000	2007	Community center
Dublin			
Dublin Corners	46,200	2006	Shopping center
Ulferts Center	50,500	2007	Shopping center
Grafton Station & Lowe's	318,000	2010	Shopping center & home improvement
Hacienda Drive	300,000	2011	Lifestyle center
Emerald Place	140,155	2008	Lifestyle center
Promenade at Dublin Ranch	230,000	2011-2012	Lifestyle center
Danville			
The Rose Garden	44,500	2008	Lifestyle center
<i>Total:</i>	1,868,397		

Source: City of San Ramon; City of Danville; City of Dublin; Economic & Planning Systems, Inc.

Table 5
Projected Retail Supply
San Ramon Urban Decay Analysis, EPS #16090

Item	Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2018	2020
New Retail Square Feet ⁽¹⁾										
San Ramon	0	0	126,000	0	0	613,042	0	0	0	0
Dublin	0	46,200	50,500	140,155	0	318,000	415,000	115,000	0	0
Danville	0	0	0	44,500	0	0	0	0	0	0
<i>Total:</i>			176,500	184,655	0	931,042	415,000	115,000	0	0
Projected Retail Supply										
San Ramon	\$554,090,000	\$554,000,000	\$601,000,000	\$601,000,000	\$601,000,000	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000
RTA	\$1,705,000,000	\$1,722,000,000	\$1,788,000,000	\$1,857,000,000	\$1,857,000,000	\$2,207,000,000	\$2,362,000,000	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000

(1) Based on an average sales estimate of \$375 per square foot for new retail.

Source: Economic & Planning Systems, Inc.

development and its effect on supply in San Ramon and the Trade Area. Between 2010 and 2012, the retail supply in San Ramon increases nearly 50 percent from 2006 and the Trade Area retail supply increases over 30 percent.

TRADE AREA RETAIL DEMAND

As part of this analysis, EPS has estimated current and projected household retail expenditures in San Ramon and the broader Trade Area. The estimates of total demand are compared to estimates of existing retail sales to characterize the current level of retail capture or leakage in San Ramon and the Trade Area. Estimates of retail expenditures are based on projected households, mean household income, and the percent of household income spent on retail goods.

Table 6 shows the estimated expenditures on retail goods per year, based on household growth assumptions and income growth. As the number of households and household income grows in San Ramon and the Retail Trade Area, so does the amount of expenditures on retail goods¹⁶. Currently, the only source of increased demand for retail expenditures is the growth in the number of households and the increased real income of those households. EPS does not assume any change in the percentage amount spent on retail goods and services, currently 27.0 percent¹⁷. Also, to be conservative, EPS assumes no change in demand from growth in households and income outside the Trade Area.

Using projections from ABAG, **Table 6** shows that households in San Ramon are estimated to spend approximately \$620 million on retail goods in 2007. Retail expenditures are projected to grow to approximately \$1.167 billion in San Ramon by 2020, based on increased population and growing real incomes. Incorporating population projections from the City of San Ramon instead of ABAG changes these numbers to \$635 million in 2007 and \$1.420 billion in 2020.

TRADE AREA MARKET CAPTURE

The market capture of a trade area is a good indicator of its relative strength and ability to capture sales from its own residents as well as sales from residents of in related markets. A Trade Area capture rate is defined as total actual retail sales (from SBE data) divided by the total estimated retail expenditures of local residents. It essentially compares market demand with market supply.

¹⁶ Excluding automobile expenditures.

¹⁷ Bureau of Labor Statistics, Consumer Expenditure Survey 2005, excludes automobile expenditures.

Table 6
Projected Retail Demand
San Ramon Urban Decay Analysis, EPS #16090

Item	2005	2006	2007	2008	Year 2009	2010	2012	2015	2018	2020
San Ramon General Plan Projections³										
Households										
San Ramon	21,121	21,809	22,520	23,254	24,012	24,795	26,437	29,108	32,048	34,171
RTA ²	48,608	49,909	51,246	52,618	54,027	55,474	58,484	63,309	68,532	72,251
Income										
San Ramon	\$137,700	\$138,354	\$139,011	\$139,671	\$140,334	\$141,000	\$142,626	\$145,100	\$148,435	\$150,700
RTA ²	\$140,434	\$140,961	\$141,490	\$142,021	\$142,554	\$143,088	\$144,854	\$147,542	\$150,798	\$153,008
Projected Local Demand³										
San Ramon	\$554,090,000	\$593,614,193	\$634,620,430	\$677,164,285	\$721,303,412	\$767,097,632	\$871,150,500	\$1,042,752,944	\$1,259,987,923	\$1,419,849,432
RTA ²	\$1,705,000,000	\$1,780,149,853	\$1,857,601,456	\$1,937,425,311	\$2,019,694,074	\$2,104,482,633	\$2,321,106,487	\$2,673,671,113	\$3,096,500,760	\$3,403,091,550
ABAG Projections										
Households										
San Ramon	19,590	20,111	20,647	21,196	21,761	22,340	23,376	25,020	26,439	27,430
RTA ²	48,850	50,044	51,268	52,521	53,805	55,120	57,239	60,570	63,487	65,510
Income										
San Ramon	\$137,700	\$138,354	\$139,011	\$139,671	\$140,334	\$141,000	\$142,626	\$145,100	\$148,435	\$150,700
RTA ²	\$140,434	\$140,961	\$141,490	\$142,021	\$142,554	\$143,088	\$144,854	\$147,542	\$150,798	\$153,008
Projected Local Demand³										
San Ramon	\$554,090,000	\$586,377,627	\$619,682,126	\$654,035,523	\$689,470,851	\$726,022,187	\$802,533,940	\$925,764,539	\$1,067,220,395	\$1,167,834,959
RTA ²	\$1,705,000,000	\$1,776,191,578	\$1,849,397,150	\$1,924,673,693	\$2,002,079,793	\$2,081,675,695	\$2,262,509,285	\$2,551,282,659	\$2,869,543,266	\$3,094,224,821

¹ Household projections from San Ramon General Plan 2020.

² Retail Trade Area includes Dublin, San Ramon, and Danville.

³ For 2005 demand estimated from State Board of Equalization sales tax data, excluding business-to-business sales. Subsequent years based on percentage of income spent on retail, estimated at 27.0% (BLS Consumer Expenditure Survey 2005).

Source: Economic & Planning Systems

As shown in **Table 7**, the Trade Area as a whole captures about 98 percent of the retail expenditures of its local residents. The highest capture rate is in Dublin because of the large number of retail establishments. The capture rate would be higher still if automobile sales were included, as Dublin is a major draw for automobile related expenditures. Capture rates in San Ramon and Danville are relatively lower as many residents travel outside these cities for retail purchases at 80 percent and 73 percent, respectively.

To better illustrate the types of retail offered in San Ramon relative to the purchase of local residents, **Table 8** lists the major retail categories and the amounts supplied based on sales data from the SBE. These calculations illustrate the concept of retail leakage by showing how much of a particular category is demanded based on certain income and demographic characteristics and whether the local market is meeting this demand. As shown, there are several categories of retail in San Ramon where local market supply does not adequately meet local demand. In particular, most automobile related expenditures take place outside the City, and a significant amount of spending on apparel and home furnishing are done at retailers outside San Ramon. As noted above, this leakage suggests a market opportunity for retail space offering apparel and home furnishings.

Future gains in Trade Area sales will be derived from (1) growth in Trade Area population, (2) growth in Trade Area real income, and (3) increased capture from neighboring jurisdictions. To be conservative, this analysis assumes future demand is derived only from growth in population and income and not from an increased capture rate. This assumption is supported by the fact that the Trade Area as a whole is already performing at a relatively balanced level with 98 percent capture rate. However, given the "lifestyle" orientation of the City Center project, it may in fact capture sales currently leaking to neighboring jurisdictions.

Table 7
RTA Capture Rates
San Ramon Urban Decay Analysis, EPS #16090

City	Actual Retail Sales ¹	Estimated Local Retail Expenditures ²	Capture Rate
San Ramon	\$554,090,000	\$696,762,428	79.5%
Dublin	\$739,366,857	\$478,023,840	154.7%
Danville	\$411,393,571	\$562,673,895	73.1%
Trade Area Total	\$1,704,850,429	\$1,737,460,163	98.1%

¹ Based on SBE data, adjusted for expenditures on food based on BLS estimates, excluding automobile expenditures.

² Based on BLS, Consumer Expenditure Survey 2005, excluding automobile expenditures.

Source: Economic & Planning Systems

Table 8
San Ramon Retail Capture
San Ramon Urban Decay Analysis, EPS #16090

Retail Category	Actual Retail Sales (Supply) ¹	Estimated Retail Expenditures (Demand) ²	Capture	
			(Dollars)	(Percent)
Apparel stores	\$6,817,000	\$69,995,070	(\$63,178,070)	10%
General merchandise	\$77,197,000	\$52,716,690	\$24,480,310	146%
Food stores ³	\$115,440,000	\$100,927,680	\$14,512,320	114%
Eating & drinking places	\$78,234,000	\$112,407,420	(\$34,173,420)	70%
Home furnishings & appliances	\$22,665,000	\$56,242,890	(\$33,577,890)	40%
Building materials & farm implements	\$89,205,000	\$17,498,768	\$71,706,233	510%
Services stations	\$57,449,000	\$150,000,630	(\$92,551,630)	38%
Other retail stores	<u>\$107,083,000</u>	<u>\$136,973,280</u>	<u>(\$29,890,280)</u>	<u>78%</u>
<i>Total</i> ⁴	\$554,090,000	\$696,762,428	-\$142,672,428	80%

¹State Board of Equalization, Taxable Sales, 2005 data.

²Bureau of Labor Statistics, 2005 data.

³Adjusted to reflect both taxable and non-taxable food expenditures

⁴Automobile expenditures excluded from both supply and demand calculations.

Source: Economic & Planning Systems, Inc.

IV. ECONOMIC IMPACT ANALYSIS

This chapter analyzes the potential effect of the retail portion of the City Center Project on the retail sector in San Ramon. The results of this analysis are used to evaluate the project's potential to result in urban decay.

METHODOLOGY AND ASSUMPTIONS

The proposed City Center Project will potentially capture retail sales from three major sources:

1. Demand historically captured by existing establishments in the Trade Area;
2. Newly created demand (e.g., from increased purchasing power); and
3. Demand that has been "leaked" to establishments outside the Trade Area.

The proposed Project is planned to open for operations in 2010. By this time, local population and income growth will increase market demand beyond current levels, providing additional market support for the retail portion of the proposed Project. However, it is also likely that by this time, additional retail projects will be developed in the Trade Area, providing increased competition to local businesses.

BASELINE MARKET ASSUMPTIONS

EPS estimates the impact of the proposed City Center Project based on the baseline or "status quo" market conditions described in **Chapter III**. Not only do existing market conditions provide the context for understanding potential impacts, they also serve as the basis for several key assumptions used in this analysis, as described below.

- A. **Trade Area Vacancy Rate.** The previous chapter found that current conditions in the Trade Area retail market are extremely favorable with an overall vacancy rate equal to or less than three (3) percent. The vacancy rate in San Ramon is estimated at about 3.75 percent. A vacancy rate of this level suggests that available retail space is a result of frictional changes in the retail market, typically caused by normal tenant turn-over rather than structural over-supply. It is not unusual for retail businesses to expand or contract in response to changing market conditions and thus seek out retail space that better accommodates customer demands. A high vacancy rate, in contrast, would suggest a market more vulnerable to conditions that lead to urban decay (e.g., physical deterioration of property because of deferred maintenance and abandonment).

- B. Trade Area Capture Rate.** As described in the previous chapter, the Trade Area is currently exhibiting a relatively balanced market capture rate. Specifically, Trade Area retail establishments are capturing about 98 percent of taxable retail sales potential of its local residents, excluding auto purchases. The market impact calculations provided in this analysis assume that the Trade Area retail capture from other jurisdictions will remain constant. The capture rate in San Ramon is approximately 80 percent.
- C. Average Trade Area Sales per Square Foot.** This analysis relies on a single average annual sales per square foot assumption, based on retail sales in the Trade Area and the total square feet of retail inventory. As of 2005, the most recent year for which adequate data is available, the overall sales per square foot in the Trade Area is about \$365. In order to better measure the impact of new retail development in the Trade Area, EPS assumes that new retail will yield \$375 per square foot. This assumption is based on the notion that new retail will slightly outperform the existing inventory.
- D. Future Trade Area Retail Development.** The City Center Project evaluates the impact of new retail assuming this project and other already approved and/or under construction retail projects represent the only new retail added to the Trade Area inventory through 2020. Based on EPS research and information provided by Trade Area cities, there will be about 1.9 million new square feet of retail in the Trade Area over the next 10 years, including the 635,000 square feet of retail in the San Ramon City Center project.

MARKET IMPACT OF CITY CENTER PROJECT

The impact of the City Center Project is evaluated based on comparison of long-term market demand and supply projections using the assumptions described above. EPS has calculated future Trade Area demand and supply balances for retail sales as a whole rather than by retail category given the lack of information on the precise tenant mix in the City Center Project.

Table 9 summarizes the potential effects of the proposed City Center Project on the Trade Area retail market by adding its additional sales and square feet to the status quo demand and supply balance for select years between 2005 and 2020. The “status quo” 2005 demand level is based on actual sales data adjusted to real 2005 dollars, as reported by the SBE for 2005. Incremental growth in demand beyond 2005 is assumed to come from population growth and income in the Trade Area only and not additional capture from other jurisdictions, as noted above. As population and income increase, the total amount of disposable income in the Trade Area generates increased taxable sales for all retail categories. Additional demand is calculated by multiplying the Trade Area population and income growth by the estimated expenditures per household.

Table 9
Supply and Demand Comparison
San Ramon Urban Decay Analysis, EPS #16090

Item	Amount by Year (in real 2005\$)								
	2005	2008	2009	2010	2011	2012	2013	2015	2020
City of San Ramon Projections									
Projected Retail Supply									
San Ramon	\$554,090,000	\$601,000,000	\$601,000,000	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000
RTA ¹	\$1,705,000,000	\$1,857,000,000	\$1,857,000,000	\$2,207,000,000	\$2,362,000,000	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000
Projected Retail Demand ²									
San Ramon	\$554,090,000	\$677,164,285	\$721,303,412	\$767,097,632	\$818,140,691	\$871,150,500	\$926,202,838	\$1,042,752,944	\$1,419,849,432
RTA ¹	\$1,705,000,000	\$1,937,425,311	\$2,019,694,074	\$2,104,482,633	\$2,211,031,709	\$2,321,106,487	\$2,434,823,632	\$2,673,671,113	\$3,403,091,550
Supply & Demand Balance									
San Ramon	\$0	\$76,164,285	\$120,303,412	-\$63,902,368	-\$12,859,309	\$40,150,500	\$95,202,838	\$211,752,944	\$588,849,432
RTA ¹	\$0	\$80,425,311	\$162,694,074	-\$102,517,367	-\$150,968,291	-\$83,893,513	\$29,823,632	\$268,671,113	\$998,091,550
Required Sales Reduction of Existing Establishments									
San Ramon		13.75%	21.71%	-11.53%	-2.32%	7.25%	17.18%	38.22%	106.27%
RTA ¹		4.72%	9.54%	-6.01%	-8.85%	-4.92%	1.75%	15.76%	58.54%
ABAG Projections									
Projected Retail Supply									
San Ramon	\$554,090,000	\$601,000,000	\$601,000,000	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000
RTA ¹	\$1,705,000,000	\$1,857,000,000	\$1,857,000,000	\$2,207,000,000	\$2,362,000,000	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000
Projected Retail Demand ²									
San Ramon	\$554,090,000	\$654,035,523	\$689,470,851	\$726,022,187	\$763,735,019	\$802,533,940	\$842,450,226	\$925,764,539	\$1,167,834,959
RTA ¹	\$1,705,000,000	\$1,924,673,693	\$2,002,079,793	\$2,081,675,695	\$2,170,962,885	\$2,262,509,285	\$2,356,372,060	\$2,551,282,659	\$3,094,224,821
Supply & Demand Balance									
San Ramon	\$0	\$53,035,523	\$88,470,851	-\$104,977,813	-\$67,264,981	-\$28,466,060	\$11,450,226	\$94,764,539	\$336,834,959
RTA ¹	\$0	\$67,673,693	\$145,079,793	-\$125,324,305	-\$191,037,115	-\$142,490,715	-\$48,627,940	\$146,282,659	\$689,224,821
Required Sales Reduction of Existing Establishments									
San Ramon		9.57%	15.97%	-18.95%	-12.14%	-5.14%	2.07%	17.10%	60.79%
RTA ¹		3.97%	8.51%	-7.35%	-11.20%	-8.36%	-2.85%	8.58%	40.42%

¹ The Retail Trade Area (RTA) includes the Cities of San Ramon, Danville, and Dublin.

² Demand in 2005 based on actual retail sales. Demand in subsequent years equals 2005 demand plus new retail expenditures by local residents because of population and income growth.

Source: California State Board of Equalization; BLS; State Department of Finance; Economic & Planning Systems, Inc.

The calculations shown in **Table 9** assume 2005 is the “status quo” or base year against which future impacts to the market are compared. As noted earlier, the Trade Area is capturing approximately 98 percent of the sales potential in this year (excluding autos), although San Ramon’s capture rates is significantly lower than this. When the City Center Project enters the market in 2010 and further retail developments in Dublin come on the market, the supply and demand balance changes. In 2009, households in the Trade Area will demand \$2.0 billion in retail goods, while the supply of retail goods in the Trade is only \$1.857 billion, implying a small supply deficit, or about \$145 million in unmet demand. As more retail establishments come on the market through 2012, the amount of retail supplied will exceed the amount demanded, assuming no additional capture from outside the Trade Area, such as Pleasanton, Livermore, or Walnut Creek. (As noted, this is a conservative assumption since in reality the City Center Project may attract customers from neighboring markets).

One year after the City Center Project is completed the Trade Area will have \$191 million of excess supply. This means certain stores may lose business until there are more people (and income) in the Trade Area. Based on our analysis of retail demand, retail establishments in the Trade Area may have an average decrease in sales of 6.6 percent over three years (General Plan) or 7.4 percent over four years (ABAG) beginning in 2010 in order to absorb new retail in the City. However, this possible short-term imbalance in the retail market will be mitigated in a relatively short time, about three to four years following the construction of the City Center Project, at which time demand far exceeds supply. Also, our analysis calculates retail demand based on the growth in households in San Ramon. Projecting retail demand based on employment growth would result in a rosier picture for retail demand in San Ramon.

PROSPECTS FOR URBAN DECAY

This section evaluates the degree to which the potential economic impacts estimated in the previous section might manifest themselves in the physical environment of the Trade Area. Specifically, it examines whether the City Center Project has the potential to start an economic chain reaction that leads to physical deterioration and urban decay. It is designed to comply with the requirement under the California Environmental Quality Act (CEQA) that economic impacts that may cause a physical change in the environment, such as urban decay, be fully analyzed.¹⁸

¹⁸ A legal precedent for an “urban decay” analysis pursuant to CEQA was set in *Bakersfield Citizens for Local Control vs. City of Bakersfield, et. al.* in 2004.

URBAN DECAY DESCRIPTION AND ASSUMPTIONS

Urban decay is a compounding effect that can result from extended vacancy, deferred maintenance, and abandonment. The Bay Area Economic Forum in its study entitled *Supercenters and the Transformation of the Bay Area Grocery Industry: Issues, Trends, and Impacts* describes the process as follows:

“Vacant buildings, along with their large parking lots, can attract litter, graffiti, and vandalism, as well as loiterers and homeless populations. A decaying building both worsens its own prospects for refurbishment and weakens the vitality of the buildings around it. And big box stores, which are built quickly and cheaply, often have a lower quality construction than other buildings, meaning they tend to deteriorate faster.”¹⁹

The initial impetus for urban decay often originates from financial conditions faced by individual property owners; if a landlord is no longer collecting rent on a vacant property and does not believe that it can be re-leased, s/he may lose the incentive to maintain it. The effect can spread to adjacent properties and become a self-fulfilling prophecy as customers start to avoid an area and other property owners or tenants perceive an area as no longer vital. Urban decay can be reinforced by a reduction in the fiscal resources of local governing entities because of declining sales and property revenue.

The urban decay process generally takes a number of years to fully materialize and is reinforced by declining economic conditions in a broader market area. It is generally not the result of a single property standing vacant for one or two years in an otherwise vibrant market.

It is worth noting that the freestanding big box retail building that has been abandoned, also known as a “ghost box,” or declining regional mall, known as a “grayfield,” can pose a particularly strong risk for urban decay if not re-leased quickly. Not only are these facilities bigger and thus generally more difficult to quickly re-lease or reuse compared to small “infill” sites, they are also more visually significant and thus provide a more widespread signal of decay and negative business climate. In contrast, a number of smaller parcels with varied building types often have a better chance of being adapted and reused simply because they can host a greater number of potential tenants.

¹⁹ See “Supercenters and the Transformation of the Bay Area Grocery Industry,” by Bay Area Economic Forum, January 2004, p. 70 (<http://www.bayeconfor.org/pdf/PPRSCscreen11.2.pdf>).

URBAN DECAY ASSUMPTIONS

Given the multi-dimensional nature of urban decay, its likelihood can be difficult to predict or quantify with precision. This analysis focuses on three indicators to assess its probability:

- **Existing Condition of Retail Sector:** All other things being equal, a weak or faltering retail sector will be more susceptible to urban decay. Conversely, a new competitive retail project is less likely to precipitate urban decay if existing market conditions are relatively strong. In the existing Trade Area, most of the districts exhibit very healthy market conditions.
- **Duration and Size of Sales Shift:** Urban decay is more likely if a new competitive project results in a relatively large and prolonged shift in retail sales away from existing establishments. For example, a shift in retail sales away from existing establishments of greater than ten (10) percent and lasting longer than four (4) years may be large enough to lead to the physical abandonment of buildings. Most establishments can usually withstand a temporary sales shift of 5 to 7 percent as this is equivalent to a typical business cycle downturn. This is especially true in an otherwise healthy and strong retail sector such as the San Ramon Trade Area.
- **Attributes and Reuse Options of Affected Properties:** The type, location, and parcel configuration of affected properties as well as the range of potential reuse options will also play a role in their susceptibility to urban decay. As noted above, an abandoned “ghost box” poses a particularly strong risk for urban decay because of the difficulty in finding an appropriate replacement tenant. Given the size and configuration of the big box center, finding viable replacement uses can be difficult and prolonged.

ESTIMATED IMPACT OF CITY CENTER PROJECT

The proposed City Center Project will add additional supply to the retail market in San Ramon and the Trade Area. The more net square feet that are added to the Trade Area above baseline conditions, the greater the sales shift from existing retailers, and the greater the potential for retail stores to close. Consequently, a number of existing retail tenants, especially those that compete directly with the as yet unknown tenants in City Center Project, will face competitive pressures. However, these pressures are mitigated in a relatively short period of time, with retail demand and supply balancing within one to two years. Based on the analysis of the previous chapters and the urban decay assumptions described above, the City Center Project is unlikely to precipitate urban decay in San Ramon or the Trade Area. This conclusion is supported by the following considerations:

- (1) **Strong Retail Market Conditions in the Trade Area:** Retail market conditions in the Trade Area are very strong, as discussed in previous chapters. Total annual retail demand in the Trade Area is expected to reach about \$2.62 billion by 2012, two years after retail opens at the City Center Project, an increase of about 22 percent from 2007 levels.
- (2) **Supportable Sales Shift Impact:** The analysis in **Chapter IV** suggests that the net impact of the shift of sales required to support the City Center Project would be nearly eliminated by 2013, or within about three years after the opening of the project, because of steadily rising population and income in the Trade Area (see **Table 7**). The overall strength in the retail market suggests that any short-term vacancies that result should be absorbed by other tenants in a relatively short time. Thus, property owners will have a financial incentive to maintain their properties and avoid conditions conducive to urban decay.
- (3) **Increased Capture from Adjacent Markets:** The above analysis assumes that the Trade Area capture rate from adjacent markets remains constant over the study period. This assumption is conservative because the Trade Area currently captures about 98 percent of local demand and San Ramon captures nearly 80 percent of retail sales. To the extent that particular retail tenants can attract a significant proportion of their customers from adjacent markets, the impact on existing Trade Area businesses might be reduced.
- (4) **Repositioning of Properties to Non-retail Uses:** The analysis presented herein relates to the demand for property currently used and zoned for retail uses only. However, individual landowners may be able to avoid conditions conducive to urban decay (e.g., long-term vacancies) if they can readily convert their property to other more marketable or lucrative uses (e.g., residential, industrial, or office). Currently, the zoning of retail property in San Ramon is mixed-use, meaning it can be used for non-retail purposes. In other words, these properties would be relatively easy to convert to alternative uses in the unlikely event that the local retail market experiences prolonged decline.
- (5) **Entrepreneurialism and Market Adaptation:** Retail is a highly competitive and adaptable sector that is affected by a variety of evolving trends, including consumer preferences, demographics, travel patterns, technology and innovation (e.g., on-line shopping), as well as commodity production and distribution markets. Individual tenants or property owners will respond to these trends with varying degrees of success, depending upon their entrepreneurial skills, local planning and business development efforts, and other factors. These factors, although intangible and difficult to predict, can improve the performance of the retail sector beyond what might be expected based on population and income growth projections alone.

To conclude, the above findings suggest that the risk of urban decay from the City Center Project is minimal. Even if the potential impacts described above manifest themselves, the effect is short-lived and relatively modest (average of 7.4 percent over 4 years), under the “worse-case” scenario. Urban decay becomes a possibility when sales declines are deep and last for a prolonged period of time, typically five years or more. This is not the case with the City Center Project as the excess retail supply will be overcome by increased demand from population and income growth in a very short period of time, in this case about four years.

EPS

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Public Finance
Real Estate Economics
Regional Economics
Land Use Policy

APPENDIX

DETAILED CALCULATION AND ASSUMPTIONS

**Appendix A - Table 1
Annual Household and Population Projections
San Ramon Urban Decay Analysis, EPS #16090**

Item	2000	2001	2002	2003	2004	2005
<u>San Ramon General Plan Projections¹</u>						
Households						
San Ramon	17,991	18,578	19,183	19,808	20,454	21,121
RTA ²	42,592	43,733	44,904	46,106	47,340	48,608
Population						
San Ramon	50,555	52,203	53,904	55,661	57,476	59,349
RTA ²	123,520	127,546	131,703	135,996	140,429	145,249
<u>ABAG Projections</u>						
Households						
San Ramon	16,981	17,473	17,980	18,501	19,038	19,590
RTA ²	41,582	42,943	44,350	45,802	47,301	48,850
Population						
San Ramon	44,834	46,183	47,574	49,006	50,481	52,000
RTA ²	117,799	121,570	125,462	129,478	133,623	137,900

¹Household and population projections from San Ramon General Plan 2020.

²Retail Trade Area includes Dublin, San Ramon, and Danville.

Source: Economic & Planning Systems, Inc.

**Appendix A - Table 1
Annual Household and Population Projections
San Ramon Urban Decay Analysis, EPS #16090**

Item	2006	2007	2008	2009	Year					
					2010	2011	2012	2013	2014	2015
<u>San Ramon General Plan Projections¹</u>										
Households										
San Ramon	21,809	22,520	23,254	24,012	24,795	25,603	26,437	27,299	28,189	29,108
RTA ²	49,909	51,246	52,618	54,027	55,474	56,959	58,484	60,050	61,658	63,309
Population										
San Ramon	61,283	63,281	65,344	67,473	69,673	71,944	74,289	76,710	79,210	81,792
RTA ²	149,983	154,872	159,920	165,133	164,873	170,247	175,796	181,526	187,443	184,292
<u>ABAG Projections</u>										
Households										
San Ramon	20,111	20,647	21,196	21,761	22,340	22,852	23,376	23,911	24,459	25,020
RTA ²	50,044	51,268	52,521	53,805	55,120	56,169	57,239	58,328	59,439	60,570
Population										
San Ramon	53,276	54,583	55,922	57,294	58,700	59,909	61,143	62,403	63,688	65,000
RTA ²	140,961	144,090	147,289	150,558	153,900	156,529	159,202	161,921	164,687	167,500

¹Household and population projections from San Ramon General Plan 2020.

²Retail Trade Area includes Dublin, San Ramon, and Danville.

Source: Economic & Planning Systems, Inc.

**Appendix A - Table 1
Annual Household and Population Projections
San Ramon Urban Decay Analysis, EPS #16090**

Item	2016	2017	2018	2019	2020	Avg. Annual Growth Rate (2007 - 2020)
<u>San Ramon General Plan Projections¹</u>						
Households						
San Ramon	30,056	31,036	32,048	33,092	34,171	3.3%
RTA ²	65,004	66,745	68,532	70,367	72,251	2.7%
Population						
San Ramon	84,458	87,211	90,054	92,989	96,020	3.3%
RTA ²	190,299	196,502	202,907	209,521	204,920	2.2%
<u>ABAG Projections</u>						
Households						
San Ramon	25,484	25,957	26,439	26,930	27,430	2.2%
RTA ²	61,527	62,500	63,487	64,491	65,510	1.9%
Population						
San Ramon	66,139	67,299	68,478	69,679	70,900	2.0%
RTA ²	169,891	172,316	174,775	177,270	179,800	1.7%

¹Household and population projections from San Ramon General Plan 2020.

²Retail Trade Area includes Dublin, San Ramon, and Danville.

Source: Economic & Planning Systems, Inc.

Appendix A -Table 2
Annual Income and Employment Projections¹
San Ramon Urban Decay Analysis, EPS #16090

Item	2005	2006	2007	2008
Income				
San Ramon	\$137,700	\$ 138,354	\$ 139,011	\$ 139,671
RTA ²	\$140,434	\$ 140,961	\$ 141,490	\$ 142,021
Employment				
San Ramon	40,110	40,837	41,577	42,331
RTA ²	74,720	76,276	77,864	79,485

¹Projections provided by ABAG.

²Mean household income in real 2005 dollars, RTA income weighted by households.

Source: Economic & Planning Systems, Inc.

Appendix A -Table 2
Annual Income and Employment Projections¹
San Ramon Urban Decay Analysis, EPS #16090

Item	2009	2010	2011	2012	2013
Income					
San Ramon	\$ 140,334	\$ 141,000	\$ 141,811	\$ 142,626	\$ 143,446
RTA ²	\$ 142,554	\$ 143,088	\$ 143,968	\$ 144,854	\$ 145,744
Employment					
San Ramon	43,099	43,880	44,607	45,347	46,099
RTA ²	81,140	82,830	84,386	85,972	87,587

¹Projections provided by ABAG.

²Mean household income in real 2005 dollars, RTA income weighted by households.

Source: Economic & Planning Systems, Inc.

Appendix A -Table 2
Annual Income and Employment Projections¹
San Ramon Urban Decay Analysis, EPS #16090

Item	2014	2015	2016	2017
Income				
San Ramon	\$ 144,271	\$ 145,100	\$ 146,203	\$ 147,315
RTA ²	\$ 146,641	\$ 147,542	\$ 148,620	\$ 149,705
Employment				
San Ramon	46,863	47,640	48,416	49,205
RTA ²	89,233	90,910	92,754	94,635

¹Projections provided by ABAG.

²Mean household income in real 2005 dollars, RTA income weighted by households.

Source: Economic & Planning Systems, Inc.

Appendix A -Table 2
Annual Income and Employment Projections¹
San Ramon Urban Decay Analysis, EPS #16090

Item	2018	2019	2020	Avg. Annual Growth Rate (2007 - 2020)
Income				
San Ramon	\$ 148,435	\$ 149,563	\$ 150,700	0.6%
RTA ²	\$ 150,798	\$ 151,899	\$ 153,008	0.6%
Employment				
San Ramon	50,007	50,822	51,650	1.7%
RTA ²	96,554	98,512	100,510	2.0%

¹Projections provided by ABAG.

²Mean household income in real 2005 dollars, RTA income weighted by households.

Source: Economic & Planning Systems, Inc.

Appendix A - Table 3
Annual Retail Supply Projections
San Ramon Urban Decay Analysis, EPS #16090

Item	2005	2006	2007	2008	2009
New Retail Square Feet¹					
San Ramon	0	0	126,000	0	0
Dublin	0	46,200	50,500	140,155	0
Danville	0	0	0	44,500	0
<i>Total:</i>			176,500	184,655	0
Projected Retail Supply					
San Ramon	\$583,000,000	\$583,000,000	\$633,000,000	\$633,000,000	\$633,000,000
RTA	\$2,268,000,000	\$2,286,000,000	\$2,357,000,000	\$2,430,000,000	\$2,430,000,000

(1) Based on an average sales estimate of \$400 per square foot for new retail.

Source: Economic & Planning Systems, Inc.

**Appendix A - Table 3
Annual Retail Supply Projections
San Ramon Urban Decay Analysis, EPS #16090**

Item	Year				
	2010	2011	2012	2013	2014
New Retail Square Feet¹					
San Ramon	613,042	0	0	0	0
Dublin	318,000	415,000	115,000	0	0
Danville	0	0	0	0	0
<i>Total:</i>	931,042	415,000	115,000	0	0
Projected Retail Supply					
San Ramon	\$878,000,000	\$878,000,000	\$878,000,000	\$878,000,000	\$878,000,000
RTA	\$2,803,000,000	\$2,969,000,000	\$3,015,000,000	\$3,015,000,000	\$3,015,000,000

(1) Based on an average sales estimate of \$400 per square foot for new retail.

Source: Economic & Planning Systems, Inc.

Appendix A - Table 3
Annual Retail Supply Projections
San Ramon Urban Decay Analysis, EPS #16090

Item	2015	2016	2017	2018	2019	2020
New Retail Square Feet¹						
San Ramon	0	0	0	0	0	0
Dublin	0	0	0	0	0	0
Danville	0	0	0	0	0	0
<i>Total:</i>	0	0	0	0	0	0
Projected Retail Supply						
San Ramon	\$878,000,000	\$878,000,000	\$878,000,000	\$878,000,000	\$878,000,000	\$878,000,000
RTA	\$3,015,000,000	\$3,015,000,000	\$3,015,000,000	\$3,015,000,000	\$3,015,000,000	\$3,015,000,000

(1) Based on an average sales estimate of \$400 per square foot for new retail.

Source: Economic & Planning Systems, Inc.

**Appendix A - Table 4
Annual Retail Demand Projections
San Ramon Urban Decay Analysis, EPS #16090**

Item	2005	2007	2008	2009
<u>San Ramon General Plan Projections</u>				
Households				
San Ramon	21,121	22,520	23,254	24,012
RTA ²	48,608	51,246	52,618	54,027
Income				
San Ramon	\$137,700	\$139,011	\$139,671	\$140,334
RTA ²	\$140,434	\$141,490	\$142,021	\$142,554
Projected Local Demand³				
San Ramon	\$583,000,000	\$674,000,000	\$722,000,000	\$772,000,000
RTA ²	\$2,268,000,000	\$2,440,000,000	\$2,530,000,000	\$2,623,000,000
<u>ABAG Projections</u>				
Households				
San Ramon	19,590	20,647	21,196	21,761
RTA ²	48,850	51,268	52,521	53,805
Income				
San Ramon	\$137,700	\$139,011	\$139,671	\$140,334
RTA ²	\$140,434	\$141,490	\$142,021	\$142,554
Projected Local Demand³				
San Ramon	\$583,000,000	\$656,000,000	\$694,000,000	\$734,000,000
RTA ²	\$2,268,000,000	\$2,430,000,000	\$2,515,000,000	\$2,602,000,000

¹Household projections from San Ramon General Plan 2020.

²Retail Trade Area includes Dublin, San Ramon, and Danville.

³For 2005 demand estimated from State Board of Equalization sales tax data. Subsequent years based on percentage of income spent on retail, estimated at 32.2% (BLS Consumer Expenditure Survey 2005).

Source: Economic & Planning Systems

**Appendix A - Table 4
Annual Retail Demand Projections
San Ramon Urban Decay Analysis, EPS #16090**

Item	Year					
	2010	2011	2012	2013	2014	2015
<u>San Ramon General Plan Projections</u>						
Households						
San Ramon	24,795	25,603	26,437	27,299	28,189	29,108
RTA ²	55,474	56,959	58,484	60,050	61,658	63,309
Income						
San Ramon	\$141,000	\$141,811	\$142,626	\$143,446	\$144,271	\$145,100
RTA ²	\$143,088	\$143,968	\$144,854	\$145,744	\$146,641	\$147,542
Projected Local Demand³						
San Ramon	\$824,000,000	\$881,000,000	\$940,000,000	\$1,001,000,000	\$1,065,000,000	\$1,131,000,000
RTA ²	\$2,719,000,000	\$2,837,000,000	\$2,959,000,000	\$3,085,000,000	\$3,215,000,000	\$3,349,000,000
<u>ABAG Projections</u>						
Households						
San Ramon	22,340	22,852	23,376	23,911	24,459	25,020
RTA ²	55,120	56,169	57,239	58,328	59,439	60,570
Income						
San Ramon	\$141,000	\$141,811	\$142,626	\$143,446	\$144,271	\$145,100
RTA ²	\$143,088	\$143,968	\$144,854	\$145,744	\$146,641	\$147,542
Projected Local Demand³						
San Ramon	\$775,000,000	\$816,000,000	\$859,000,000	\$903,000,000	\$948,000,000	\$994,000,000
RTA ²	\$2,691,000,000	\$2,788,000,000	\$2,888,000,000	\$2,990,000,000	\$3,095,000,000	\$3,202,000,000

¹Household projections from San Ramon General Plan 2020.

²Retail Trade Area includes Dublin, San Ramon, and Danville.

³For 2005 demand estimated from State Board of Equalization sales tax data. Subsequent years based on percentage of income spent on retail, estimated at 32.2% (BLS Consumer Expenditure Survey 2005).

Source: Economic & Planning Systems

**Appendix A - Table 4
Annual Retail Demand Projections
San Ramon Urban Decay Analysis, EPS #16090**

Item	2016	2017	2018	2019	2020
<u>San Ramon General Plan Projections</u>					
Households					
San Ramon	30,056	31,036	32,048	33,092	34,171
RTA ²	65,004	66,745	68,532	70,367	72,251
Income					
San Ramon	\$146,203	\$147,315	\$148,435	\$149,563	\$150,700
RTA ²	\$148,620	\$149,705	\$150,798	\$151,899	\$153,008
Projected Local Demand³					
San Ramon	\$1,208,000,000	\$1,288,000,000	\$1,371,000,000	\$1,457,000,000	\$1,547,000,000
RTA ²	\$3,498,000,000	\$3,652,000,000	\$3,812,000,000	\$3,977,000,000	\$4,148,000,000
<u>ABAG Projections</u>					
Households					
San Ramon	25,484	25,957	26,439	26,930	27,430
RTA ²	61,527	62,500	63,487	64,491	65,510
Income					
San Ramon	\$146,203	\$147,315	\$148,435	\$149,563	\$150,700
RTA ²	\$148,620	\$149,705	\$150,798	\$151,899	\$153,008
Projected Local Demand³					
San Ramon	\$1,043,000,000	\$1,094,000,000	\$1,146,000,000	\$1,199,000,000	\$1,254,000,000
RTA ²	\$3,313,000,000	\$3,427,000,000	\$3,543,000,000	\$3,662,000,000	\$3,784,000,000

¹Household projections from San Ramon General Plan 2020.

²Retail Trade Area includes Dublin, San Ramon, and Danville.

³For 2005 demand estimated from State Board of Equalization sales tax data. Subsequent years based on percentage of income spent on retail, estimated at 32.2% (BLS Consumer Expenditure Survey 2005).

Source: Economic & Planning Systems

**Appendix - Table 5
Annual Supply and Demand Comparison
San Ramon Urban Decay Analysis, EPS #16090**

Item	2005	2006	2007
City of San Ramon Projections			
Projected Retail Supply			
San Ramon	\$554,090,000	\$554,000,000	\$601,000,000
RTA ¹	\$1,705,000,000	\$1,722,000,000	\$1,788,000,000
Projected Retail Demand²			
San Ramon	\$554,090,000	\$593,614,193	\$634,620,430
RTA ¹	\$1,705,000,000	\$1,780,149,853	\$1,857,601,456
Supply & Demand Balance			
San Ramon	\$0	\$39,614,193	\$33,620,430
RTA ¹	\$0	\$58,149,853	\$69,601,456
Required Sales Reduction of Existing Establishments			
San Ramon		6.67%	5.30%
RTA ¹		3.27%	3.75%
ABAG Projections			
Projected Retail Supply			
San Ramon	\$554,090,000	\$554,000,000	\$601,000,000
RTA ¹	\$1,705,000,000	\$1,722,000,000	\$1,788,000,000
Projected Retail Demand²			
San Ramon	\$554,090,000	\$586,377,627	\$619,682,126
RTA ¹	\$1,705,000,000	\$1,776,191,578	\$1,849,397,150
Supply & Demand Balance			
San Ramon	\$0	\$32,377,627	\$18,682,126
RTA ¹	\$0	\$54,191,578	\$61,397,150
Required Sales Reduction of Existing Establishments			
San Ramon		5.52%	3.01%
RTA ¹		3.05%	3.32%

¹ The Retail Trade Area (RTA) includes the Cities of San Ramon, Danville, and Dublin.

² Demand in 2005 based on actual retail sales. Demand in subsequent years equals 2005 demand plus new retail expenditures by local residents because of population and income growth.

Source: California State Board of Equalization; BLS; State Department of Finance; Economic & Planning Systems, Inc.

**Appendix - Table 5
Annual Supply and Demand Comparison
San Ramon Urban Decay Analysis, EPS #16090**

Item	2008	2009	2010
City of San Ramon Projections			
Projected Retail Supply			
San Ramon	\$601,000,000	\$601,000,000	\$831,000,000
RTA ¹	\$1,857,000,000	\$1,857,000,000	\$2,207,000,000
Projected Retail Demand²			
San Ramon	\$677,164,285	\$721,303,412	\$767,097,632
RTA ¹	\$1,937,425,311	\$2,019,694,074	\$2,104,482,633
Supply & Demand Balance			
San Ramon	\$76,164,285	\$120,303,412	-\$63,902,368
RTA ¹	\$80,425,311	\$162,694,074	-\$102,517,367
Required Sales Reduction of Existing Establishments			
San Ramon	11.25%	16.68%	-8.33%
RTA ¹	4.15%	8.06%	-4.87%
ABAG Projections			
Projected Retail Supply			
San Ramon	\$601,000,000	\$601,000,000	\$831,000,000
RTA ¹	\$1,857,000,000	\$1,857,000,000	\$2,207,000,000
Projected Retail Demand²			
San Ramon	\$654,035,523	\$689,470,851	\$726,022,187
RTA ¹	\$1,924,673,693	\$2,002,079,793	\$2,081,675,695
Supply & Demand Balance			
San Ramon	\$53,035,523	\$88,470,851	-\$104,977,813
RTA ¹	\$67,673,693	\$145,079,793	-\$125,324,305
Required Sales Reduction of Existing Establishments			
San Ramon	8.11%	12.83%	-14.46%
RTA ¹	3.52%	7.25%	-6.02%

¹ The Retail Trade Area (RTA) includes the Cities of San Ramon, Danville, and Dublin.

² Demand in 2005 based on actual retail sales. Demand in subsequent years equals 2005 demand plus new retail expenditures by local residents because of population and income growth.

Source: California State Board of Equalization; BLS; State Department of Finance;
Economic & Planning Systems, Inc.

Appendix - Table 5
Annual Supply and Demand Comparison
San Ramon Urban Decay Analysis, EPS #16090

Item	Amount by Year (in real 2005\$)		
	2011	2012	2013
City of San Ramon Projections			
Projected Retail Supply			
San Ramon	\$831,000,000	\$831,000,000	\$831,000,000
RTA ¹	\$2,362,000,000	\$2,405,000,000	\$2,405,000,000
Projected Retail Demand²			
San Ramon	\$818,140,691	\$871,150,500	\$926,202,838
RTA ¹	\$2,211,031,709	\$2,321,106,487	\$2,434,823,632
Supply & Demand Balance			
San Ramon	-\$12,859,309	\$40,150,500	\$95,202,838
RTA ¹	-\$150,968,291	-\$83,893,513	\$29,823,632
Required Sales Reduction of Existing Establishments			
San Ramon	-1.57%	4.61%	10.28%
RTA ¹	-6.83%	-3.61%	1.22%
			-3.52%
ABAG Projections			
Projected Retail Supply			
San Ramon	\$831,000,000	\$831,000,000	\$831,000,000
RTA ¹	\$2,362,000,000	\$2,405,000,000	\$2,405,000,000
Projected Retail Demand²			
San Ramon	\$763,735,019	\$802,533,940	\$842,450,226
RTA ¹	\$2,170,962,885	\$2,262,509,285	\$2,356,372,060
Supply & Demand Balance			
San Ramon	-\$67,264,981	-\$28,466,060	\$11,450,226
RTA ¹	-\$191,037,115	-\$142,490,715	-\$48,627,940
Required Sales Reduction of Existing Establishments			
San Ramon	-8.81%	-3.55%	1.36%
RTA ¹	-8.80%	-6.30%	-2.06%

¹ The Retail Trade Area (RTA) includes the Cities of San Ramon, Danville, and Dublin. -5.795%

² Demand in 2005 based on actual retail sales. Demand in subsequent years equals 2005 demand plus new retail expenditures by local residents because of population and income growth.

Source: California State Board of Equalization; BLS; State Department of Finance;
Economic & Planning Systems, Inc.

**Appendix - Table 5
Annual Supply and Demand Comparison
San Ramon Urban Decay Analysis, EPS #16090**

Item	2014	2015	2016	2017
City of San Ramon Projections				
Projected Retail Supply				
San Ramon	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000
RTA ¹	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000
Projected Retail Demand²				
San Ramon	\$983,376,409	\$1,042,752,944	\$1,112,313,319	\$1,184,687,050
RTA ¹	\$2,552,303,669	\$2,673,671,113	\$2,809,892,322	\$2,950,782,202
Supply & Demand Balance				
San Ramon	\$152,376,409	\$211,752,944	\$281,313,319	\$353,687,050
RTA ¹	\$147,303,669	\$268,671,113	\$404,892,322	\$545,782,202
Required Sales Reduction of Existing Establishments				
San Ramon	15.50%	20.31%	25.29%	29.85%
RTA ¹	5.77%	10.05%	14.41%	18.50%
ABAG Projections				
Projected Retail Supply				
San Ramon	\$831,000,000	\$831,000,000	\$831,000,000	\$831,000,000
RTA ¹	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000
Projected Retail Demand²				
San Ramon	\$883,516,057	\$925,764,539	\$971,697,581	\$1,018,838,938
RTA ¹	\$2,452,609,820	\$2,551,282,659	\$2,654,943,795	\$2,761,012,033
Supply & Demand Balance				
San Ramon	\$52,516,057	\$94,764,539	\$140,697,581	\$187,838,938
RTA ¹	\$47,609,820	\$146,282,659	\$249,943,795	\$356,012,033
Required Sales Reduction of Existing Establishments				
San Ramon	5.94%	10.24%	14.48%	18.44%
RTA ¹	1.94%	5.73%	9.41%	12.89%

¹ The Retail Trade Area (RTA) includes the Cities of San Ramon, Danville, and Dublin.

² Demand in 2005 based on actual retail sales. Demand in subsequent years equals 2005 demand plus new retail expenditures by local residents because of population and income growth.

Source: California State Board of Equalization; BLS; State Department of Finance;
Economic & Planning Systems, Inc.

**Appendix - Table 5
Annual Supply and Demand Comparison
San Ramon Urban Decay Analysis, EPS #16090**

Item	2018	2019	2020
City of San Ramon Projections			
Projected Retail Supply			
San Ramon	\$831,000,000	\$831,000,000	\$831,000,000
RTA ¹	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000
Projected Retail Demand²			
San Ramon	\$1,259,987,923	\$1,338,334,325	\$1,419,849,432
RTA ¹	\$3,096,500,760	\$3,247,213,488	\$3,403,091,550
Supply & Demand Balance			
San Ramon	\$428,987,923	\$507,334,325	\$588,849,432
RTA ¹	\$691,500,760	\$842,213,488	\$998,091,550
Required Sales Reduction of Existing Establishments			
San Ramon	34.05%	37.91%	41.47%
RTA ¹	22.33%	25.94%	29.33%
ABAG Projections			
Projected Retail Supply			
San Ramon	\$831,000,000	\$831,000,000	\$831,000,000
RTA ¹	\$2,405,000,000	\$2,405,000,000	\$2,405,000,000
Projected Retail Demand²			
San Ramon	\$1,067,220,395	\$1,116,874,576	\$1,167,834,959
RTA ¹	\$2,869,543,266	\$2,980,594,689	\$3,094,224,821
Supply & Demand Balance			
San Ramon	\$236,220,395	\$285,874,576	\$336,834,959
RTA ¹	\$464,543,266	\$575,594,689	\$689,224,821
Required Sales Reduction of Existing Establishments			
San Ramon	22.13%	25.60%	28.84%
RTA ¹	16.19%	19.31%	22.27%

¹ The Retail Trade Area (RTA) includes the Cities of San Ramon, Danville, and Dublin.

² Demand in 2005 based on actual retail sales. Demand in subsequent years equals 2005 demand plus new retail expenditures by local residents because of population and income growth.

Source: California State Board of Equalization; BLS; State Department of Finance;
Economic & Planning Systems, Inc.