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Via Email and Regular Mail
Email: council@ci.tracy.ca.us

Nora Pimentel, City Clerk, for the
City Council, City of Tracy
333 Civic Center Plaza
Tracy, CA 95376
Attn: Mayor Michael Maciel
Council Member Robert Rickman
Council Member Nancy Young
Council Member Veronica Vargas
Council Member Mary Mitracos

Re: Opposition to Amendment to Edgewood Concept Development Plan; Approval of Tentative Map MS13-0008; Approval of Preliminary and Final Development Plan D13-0017 and Decision to Streamline Environmental Review Pursuant to Public Resources Code Section 21083.3 and CEQA Guidelines Section 15183

Honorable Mayor and Council Members:

This comment letter is submitted on behalf of Horizon Planet, an environmental advocacy group dedicated to protecting, preserving, and conserving agricultural and open space lands throughout the State of California for future generations, and seeking to affect changes in proposed urban projects so that such projects are designed to minimize potential ecological impacts ("Horizon"). Consistent with its mission, Horizon has reviewed the Staff report dated December 15, 2015 advocating City Council approval of an ordinance amending the Edgewood Concept Development Plan, which seeks to change uses previously approved for this development plan from "neighborhood Commercial" to "Multi-Family Residential with Self-Storage".

The proposed modifications to the Edgewood project include apartments and self-storage use on the proposed 10.92 acre parcel to be located at the intersection of Corral Hollow Road and Middlefield Drive. The self-storage is proposed to be located visually across from that portion of Ellis in which the long-anticipated swim center is to be constructed. For a variety of reasons discussed below, this land use site is inconsistent with the goals, policies, and objectives of the Tracy General Plan, one of the primary desires of which is to establish a world-class swim center.

Most importantly, self-storage use <u>is not an allowed use within the Commercial designated areas of the General Plan</u>, and the City cannot legally approve the application as presented. Additionally, while CEQA encourages use of previously prepared environmental documents to streamline environmental review, the provisions of Public Resources Code section 21083.3 and CEQA Guidelines section 15183 do not apply to this project for the reasons set

out below. Horizon urges the City Council to deny this request because approval of the proposed amendment to the Development Plan using a categorical exemption as recommended by City Staff fails to meet the requirements of CEQA, thus amounting to an abuse of discretion per Public Resources Code sections 21168, 21168.5. *Communities for a Better Env't v. South Coast Air Quality Mgmt. Dist.* (2010) 48 Cal. 4th 310 (*CBE*); *Neighbors for Smart Rail v. Exposition Metro Line Const. Auth.* (2013) 57 Cal. 4th 439 (*Smart Rail*).

1. **Lack of Consistency with General Plan.**

The City of Tracy cannot approve the proposed revisions based on CEQA streamlining Guideline 15183, because contrary to statements in the Staff Report, the project is not consistent with the General Plan.

Since the General Plan is the constitution for all future development, any decision by the City affecting land use and development must be consistent with the General Plan. *Friends of Lagoon Valley v. City of Vacaville,* 154 Cal. App. 4th 807. *Lesher Communications v. City of Walnut Creek* (1990) 52 Cal. 3d 531 established the consistency doctrine by holding that any subordinate land use actions such as zoning ordinance amendments, PD modifications, or tentative map approvals that were not consistent with the City's current General Plan were invalid at the time adopted. The Staff Report's discussion of the amendment to the Edgewood CDP acknowledged the requirement that the proposed use must be consistent with the General Plan. The fourth paragraph of the discussion of the CDP Amendment begins with this erroneous statement:

> "The project site is designated Commercial under the General Plan. The proposed multi-family residential and self-storage uses are consistent with the Commercial designation."

The Staff Report is correct that the project site is designated Commercial in the General Plan, but incorrect in the statement that self-storage is consistent with the Commercial designation. There are a number of self-storage facilities located throughout the City, <u>all</u> of which are located in Industrial or General Highway districts in which the unsightly nature of these facilities and the wide and various impacts can be identified and mitigated. Pages 2-23 through 2-25 of the General Plan set out the textual description of uses allowed in the Commercial designation. Nowhere in those descriptions is a self-storage use mentioned. The description of uses allowed in the Industrial designated areas includes warehousing and distribution. The warehouse and distribution use is much closer akin to the self-storage use than is a Commercial use as defined in the General Plan.

Most importantly, the General Plan Draft EIR prepared for the 2006 General Plan examined the General Plan land use categories and determined there existed 482 acres of Commercial designation within the City limits and a small amount more in the sphere of influence. The General Plan EIR discussed those land use designations and stated as follows relating to the Commercial designation:

> "**Commercial**. Sites with one or more types of retail and office facilities are included in this category. Typical parcels contain restaurants, grocery stores, shopping centers and office parks. There are approximately 496 total acres in this category, 482 acres of which are in the City limits and 13 acres of which are in the SOI. Major concentrations are along the Eleventh Street Corridor and in association with the I-205 Regional Commercial Area in the northwest corner of the City.
>
> "**Industrial**. These sites contain uses such as warehouses and distribution facilities, light manufacturing, <u>self-storage facilities</u>, aggregate deposits and extraction operations in automobile garages. There are approximately 1,733 acres containing industrial uses, 849 acres of which are in the City limits and 884 acres of which are in the SOI. Several concentrations of these uses are in and around Tracy, including the northeast industrial area near Tracy Boulevard, West Tracy around Mountain House Parkway and around the airport." (Emphasis added.)

[*See also* the 2010 General Plan EIR, p. 4.1-5 (describing self-storage as an industrial use).] The project is seeking to utilize the CEQA streamlining provisions of Public Resources Code section 21083.3, which require: (1) that an EIR was certified for adoption of the General Plan; (2) that the proposed project is consistent with the General Plan; (3) that there are not impacts peculiar to the project which were not analyzed as significant effects in the prior General Plan EIR; and (4) that there are no potential significant off-site impacts and cumulative impacts, or any previously identified significant effects in the General Plan EIR which might be made more severe because of new information which was not known at the time the General Plan EIR was certified. The project fails to qualify on any of these grounds. Initially and primarily, the proposed self-storage use is not consistent with the Commercial designation in the General Plan. A number of other factors, including the establishment of the proposed Ellis Swim Center now accessing off Corral Hollow and Middlefield Road, preclude use of this CEQA streamlining mechanism, and the project must be required to prepare and circulate a full EIR analyzing all of its potential impacts.

<u>Inconsistency of Project With Goals and Objectives of the General Plan</u>. It has been pointed out above that the General Plan on its face clearly indicates that the appropriate land use designation area for self-storage uses is Industrial. Self-storage use in the Commercial designated areas is not consistent with the General Plan, as evidenced by the analysis contained in the General Plan EIR. This is a crucial planning point upon which the viability of all of the various elements of approval sought by the project hinge. It is mystifying that a project of this scope could get to this stage of the planning process without a more exhaustive discussion of the basic consistency doctrine. However, in addition to the textual provisions in the General Plan which make clear self-storage is not an allowed use in the Commercial district, there are a number of policies, goals and objectives which are violated or not furthered by this project:

Goal CC-1 Superior Design Quality Throughout Tracy. Policy P2 under this heading states that the City shall promote the development of urban green space, including amenities such as community squares, parks and plazas. The inclusion of a self-storage project with its maximization of hardscape could not be further from satisfaction of this basic and commendable precept.

Neighborhoods With a Recognizable Identity and Structure: Objective CC-5.2 Size and Design Neighborhoods to be Walkable. The Edgewood neighborhood identity would be changed and opportunities provided to establish trail and walkway connectivity to allow residences of the apartment project and the Edgewood development in general to walk and bike from their homes to commercial centers. Establishment of an industrial use like the self-storage facility will hamper and limit the options for connectivity.

Goal CIR-1 A Roadway System that Provides Access and Mobility for all of Tracy's Residents and Businesses While Maintaining the Quality of Life in the Community. Objective CIR-1.2 Provides a High Level of Street Connectivity. Policy P-5 provides that new development is to be designed with a grid or modified grid pattern to facilitate traffic flows and provide multiple connections to arterial streets. Middlefield Drive is a minor arterial under the classification contained in the Circulation Element, and the provision of traffic-heavy apartments at the intersection with Corral Hollow Road and adjacent to the proposed Ellis Swim Center hinder or make impossible the provision of the required connectivity.

Objective CIR-1.3 Adopt and Enforce LOS Standards That Provide a High Level of Mobility and Accessibility for all Modes for Residents and Workers. Policy P1 states that the City is to strive for LOS D on all streets and intersections. The access to the Ellis project and Swim Center off of Corral Hollow and Middlefield Road create new traffic patterns that were not analyzed, including a self-storage project and apartments at this site. Based on the existing review of the self-storage project, it is impossible to determine what the LOS will be at the Middlefield Drive/Corral Hollow intersection with the addition of the project traffic to the Swim Center traffic. Policies 1 through 10 specify a number of other policies relating to roadway capacity, the impact of which cannot be fully analyzed unless and until a new traffic study is done measuring the traffic from the project and from the Ellis Swim Center.

Objective CIR-3.1 Achieve a Comprehensive System of Citywide Bikeways and Pedestrian Facilities. Policies P1 through P7 set forth a number of measures to ensure the incorporation of appropriate bicycle and pedestrian facilities on all roadways within the City. The concentration of the self-storage use in a location directly across from the Ellis Swim Center will make the provision of bicycle and pedestrian access to the facility extremely difficult. These impacts are site specific and need to be examined fully in an adequate CEQA document.

Goal OSC-4 Provision of Parks, Open Space and Recreation Facilities and Services That Maintain and Improve the Quality of Life for Tracy Residents. The proposed Ellis Swim Center is virtually certain to be developed, and will provide the crowning jewel in the City's

park and recreation context. None of the policies listed as P1 through P10 will be advanced or enhanced by the approval of the project. The impacts upon the Swim Center require a full and complete CEQA analysis, and to approve the project without such an analysis is absolutely contrary to the provisions and goals of the General Plan.

2. Misuse of PRC 21083.3 to Avoid Full Environmental Review of this Project.

CEQA Streamlining Provision Set Out in Public Resources Code Section 21083.3 Is Not Appropriate for This Project and a Full and Complete Environmental Impact Report Analyzing the Environmental Impacts of the Project Needs to be Prepared, Circulated and Certified Before the Project Can Be Approved. We have already pointed out that the central requirement for utilization of the streamlining provision — i.e., the requirement of conformity with the provisions of the General Plan for which an Environmental Impact Report has been prepared and certified — cannot be met since self-storage use is not an allowed use in the Commercial districts designated in the General Plan. However, there exist a myriad of other reasons why the streamlining provision is not appropriate under the provisions of CEQA.

Nature of the Section 15183 Exemption. Under 14 CCR § 15183 and Public Resources Code section 21083.3, an EIR for a planning or zoning action may be used to eliminate or reduce the scope of environmental review for certain development approvals that are consistent with the planning or zoning action. This mechanism is worded as a CEQA exemption, and not as a procedure for streamlining subsequent environmental review. *Gentry v. City of Murrieta* (1995) 36 Cal. App. 4th 1359, 1374, as modified on denial of reh'g (Aug. 17, 1995); *Wal-Mart Stores, Inc. v. City of Turlock* (2006) 138 Cal. App. 4th 273, overruled on other grounds in *Hernandez v. City of Hanford* (2007) 41 Cal. 4th 279.

Failure to compare the proposed revisions to the actual project means that the City cannot assume that it adequately investigated whether the proposed land use changes affect all possible impacts prior to making a determination regarding the merits of the proposed revisions, or what the magnitude of impacts such changes may have. The City should not assume that a change in use from "Neighborhood Commercial" to residential and mini-storage has such minor impacts that a CEQA 15183 streamlined analysis is appropriate. *American Canyon United for Responsible Growth v. City of Am. Canyon* (2006) 145 Cal. App. 4th 1062. The City here has attempted to satisfy the exemption procedure, thereby avoiding preparation of a negative declaration or EIR for the proposed self-storage facility, with the project's "CEQA 15183 Analysis." The error in this strategy is fatal because:

Analysis under 14 CCR § 15183 obligates a city to undertake analysis of impacts peculiar to a project, off-site impacts, cumulative impacts, and impacts not evaluated in a community plan review; here, the General Plan explicitly did not evaluate impacts (e.g., traffic and noise) near the site of the proposed self-storage facility. The proposed project's environmental analysis relies on project-specific mitigation to ensure impacts are less than significant, where it is a fundamental CEQA rule that one cannot "mitigate into" the proposed exemption unless the City relies on uniformly developed standards or policies.

The environmental analyses for the General Plan and nearby development projects have shown that, in similar circumstances, development in the immediate vicinity will have significant and unavoidable impacts on a variety of resources, thereby warranting preparation of an EIR.

3. **§ 15183 Cannot be Used to Evade Unavoidable Impacts Already Designated in the General Plan EIR.**

The Limitations of Reliance Upon the General Plan EIR. Environmental review under §15183 is not appropriate where a project has effects "not analyzed as significant effects in a prior EIR on the zoning action, general plan or community plan with which the project is consistent." (14 CCR § 15183(b)(2).) Moreover, this qualified exemption does not apply insofar as substantial new information, which was not known at the time of the previous EIR was certified, shows a project may have a more severe adverse impact than what was identified in the prior EIR. (14 CCR § 15183(b)(4).) There are a number of impacts peculiar to the self-storage facility site ("Project site") that were not contemplated, much less evaluated, in the General Plan EIR:

Traffic-Related Noise Impacts. The self-storage facility noise analysis purports to tier off comprehensive analysis in the General Plan EIR, but this latter document never analyzed noise in the vicinity of the Project site. Rather, it only included noise measurements well to the north and east of the Project site and, in those areas it did evaluate, impacts were significant and unavoidable. (See General Plan EIR, p. 4.14-12 [Figure 4.14-2, showing no long-term or short-term noise measurements in vicinity of Project site], p. 4.14-28.) In short, the General Plan EIR is inadequate to cover impacts peculiar to the apartments and self-storage facility.

Insofar as the CEQA 15183 Analysis addresses localized noise impacts (which it should do in an EIR setting, complete with public circulation, public comments, and response to comments), it fails to acknowledge that impacts will be significant and unavoidable. Rather, the proposed project analysis determines that traffic noise will be less-than-significant, on the apparent basis that the project will include acoustical shielding along its own frontages. (CEQA 15183 Analysis, pp. 51-53.) This analysis wholly fails to consider the project's off-site impacts — e.g., its contribution to significant traffic related decibel increases experienced by residential neighbors along Corral Hollow Road and Linne Road, as well as adjacent park uses. (See, e.g., Modified Ellis Specific Plan Draft EIR ["ESPEIR"], p. 4.3-6 [sensitive receptors include residential areas, hospitals, day-care facilities, elder-care facilities, elementary schools, and parks].) As identified in the CEQA document prepared for the Ellis Specific Plan (again, located just across the street), these receptors will experience an increase in noise from cumulative traffic that is significant. (ESPEIR, p 4.10-24.) Moreover, in a cumulative context, the effects of mobile noise were determined to be significant and unavoidable. (ESPEIR, pp. 4.10-33 to 4.10-35.)

To satisfy CEQA, the project analysis must acknowledge both the existence and the severity of this impact in an EIR, and prescribe and recommend adoption of all feasible mitigation. Moreover, in reach environmental determinations, a quantified analysis using roadway noise contours must be prepared consistent with other environmental analyses the City has undertaken. (See ESPEIR, p. 4.10-25 [Mitigation Measure 4.10-1f, requiring acoustical noise analysis to ensure General Plan noise standards are met at all residential and other land uses].)

Construction-Related Noise Impacts. The project's CEQA 15183 Analysis acknowledges that construction noise would be considered potentially significant, but determined that various "project requirements," including restricting construction hours and using noise-reduction technologies, would reduce impacts to a less-than-significant level. Despite their label, these are project-peculiar mitigation measures, and this is a problem. Generally, an agency may not rely on mitigation measures as a basis for concluding that a project is exempt from CEQA. *Azusa Land Reclamation Co., Inc. v. Main San Gabriel Basin Watermaster* (1997) 52 Cal. App. 4th 1165; *Salmon Protection and Watershed Network v. County of Marin* (2004) 125 Cal. App. 4th 1098.) Even when one takes into account that the § 15183 exemption is something of a special creature, it cannot apply where an agency must design project-specific mitigations; rather, it is only when "uniformly applied development policies or standards" mitigate a project's environmental effects that this CEQA process may be used. (Pub. Res. Code § 21083.3(d); 14 CCR § 15183(c)&(e).)

That defect aside, there is no evidence that the identified project-specific mitigation measures will reduce impacts to a less-than-significant level, as the City has undertaken no quantified analysis about the efficacy of these measures. It is telling that, in preparing the EIR for the Ellis Specific Plan, the City determined construction noise impacts would be significant and unavoidable under virtually the same circumstances. (ESPEIR, pp. 4.10-27 to 4.10-29.) That is, construction of the Ellis Specific Plan is expected to occur within 150 feet of sensitive receptors, and that plan's EIR determined the use of standard construction equipment would exceed criterion for speech interference (70 dBA at 500'), ultimately resulting in a significant and unavoidable impact. (*Id.*) Here, the construction of the apartments and self-storage facility will take place within 100 feet of homes on Riverview Avenue and Whirlaway Lane, and yet the conclusion is wholly different. A city cannot modify thresholds on a project-by-project basis to achieve specific results. CEQA and other applicable law forbid such an arbitrary approach.

Traffic Impacts. The General Plan EIR never evaluated impacts of citywide buildout on intersections near the Project site, and so it is beyond comprehension how the City believes it can utilize the § 15183 exemption process to process the project's environmental review without an EIR.

It perhaps is telling that the project's CEQA 15183 Analysis never refers directly to the General Plan EIR, but to the 2012 Citywide Roadway and Transportation Master Plan. We understand that an EIR may have been prepared for this circulation plan in 2012, but it does not appear a transportation plan qualifies as a "community plan" under § 21083.3. As

defined, a community plan is part of a general plan that is adopted to cover a specific geographic area within the general plan area, that includes or references each of the mandatory general plan elements, and that contains specific development policies and measures to implement the policies. (Pub. Res. Code, § 21083.3(e).).

Hence, the scope of previous review is not sufficient to cover the impacts of the proposed self-storage facility. But other flaws, separately and independently, render the project's CEQA review unlawful.

For instance, the CEQA 15183 Analysis fails to acknowledge that it's "Project Requirements" to install turn pockets, a deceleration lane, and other localized infrastructure are in fact project-specific mitigations, intended to remedy traffic impacts peculiar to the self-storage facility. These are the types of mitigations that must be circulated to the public as part of an EIR. (See discussion of construction noise, above.) Labeling them as "Project Requirements" in an informal exemption document does not satisfy CEQA. If it walks like a duck and quacks like a duck, it is indeed a duck.

Further, the CEQA 15183 Analysis fails to acknowledge that the project will contribute, in the long term, vehicle trips to two severely impacted intersections in the immediate vicinity of the Project site: (1) the Corral Hollow Road/Linne Road intersection; and (2) the Tracy Boulevard/Linne Road intersection. (See CEQA 15183 Analysis, p. 62 [attention to only existing traffic impacts].) On this point, the project analysis only discusses existing conditions.

This error is critical. Other environmental analyses, including the General Plan EIR and the Ellis Specific Plan EIR, have found that the foregoing two intersections will be significantly impacted in the 2030-2035 timeframe. The project's CEQA analysis must acknowledge this, and determine whether its contribution to this traffic congestion is cumulatively considerable. To the extent impacts are significant, feasible mitigation must be imposed. It is these types of questions that must be addressed in an EIR, as § 15183 contemplates.

Third, the scope of project review is too narrow. A proper traffic study would evaluate impacts on intersections, roadway segments, and regional roadways, as has been required of other nearby projects. Individual and cumulative impacts, both under existing and long-term conditions, must be studied, and using methodologies the City has utilized for other environmental review documents. The traffic study for the self-storage facility evaluated only six intersections (whereas nearby projects have been required to evaluate more than a dozen), and entirely omitted review of project impacts on roadway and freeway segments, including the Tesla Road and Patterson Pass Road. (See, e.g., ESPEIR 4.13-26-42.) Finally, the project traffic analysis is not current and must account for recent changes to the local circulation system. (See next bullet point.)

<u>The Swim Center</u>. As was discussed above, the Ellis Swim Center is directly across from the Project site, and neither the CEQA 15183 Analysis nor the project's traffic study account for how traffic related to the proposed apartments or self-storage facilities will cumulate with

Swim Center traffic. This omission must be addressed in a Project EIR, as it constitutes substantial new information that was not known at the time the General Plan EIR was finally adopted.

Public Services. According to the Environmental Analysis, the City has a goal of a 5-minute response time for Priority 1 calls (life-threatening situations). (See Attachment F to Staff Report, at p. 58.) However, even without the project, the police response times do not meet this City goal. According to the Environmental Analysis, the current average response time for Priority 1 calls within City limits is approximately 7 to 9 minutes. (See Attachment F to Staff Report, at p. 59.) The Environmental Analysis inappropriately concludes that the project, converting a neighborhood commercial use to 144 residential apartments and storage, would not result in significant new demand for police services, or result in impacts to the existing response times and existing police protection service levels, without offering any discussion or evidence to support this conclusion.

Public Service Impacts – Fire Protection. The project's CEQA 15183 Analysis indicates that fire "[s]ervice to the self-storage facility or any other commercial project would exceed the Fire Department's response time levels of tolerability, and a new fire station will need to be constructed and occupied prior to the occupancy of the self-storage facility." (CEQA 15183 Analysis, p. 58.) And yet the analysis calls the impact less than significant, apparently on the basis that the "project will pay its proportionate fair share toward the construction of a nearby fire station." (Id.) First, the General Plan EIR (see 2006 Amendment to the General Plan Draft EIR) did not evaluate the impacts of a new fire facility in the vicinity of the self-storage site, determining that the "specific environmental impact of constructing new fire and emergency medical response facilities to support the growth allowed under the proposed General Plan cannot be determined at this first-tier level of analysis … As specific fire and emergency response facility expansion projects are identified, additional project-specific, second-tier environmental analysis would be completed pursuant to CEQA." (2006 Amendment to the General Plan Draft EIR, pp. 78-79; see also 2005 General Plan EIR, pp. 4.9-10 to 4.9-11.) The project here is generating a specific need for a local fire facility, and the project-related analysis must evaluate and mitigate this impact in a meaningful way. The mere payment of fair-share fees, without a plan to use such fees to construct the necessary mitigation in a timely manner, does not satisfy CEQA. *Anderson First Coalition v. City of Anderson* (2005) 130 Cal. App. 4th 1173.

The CEQA 15183 Analysis Fails to Properly Identify that the Apartments and Self-Storage Facility will have Significant and Unavoidable Impacts, and an EIR is Required. The project analysis fails to acknowledge that §15183(c) foreshortens environmental review only where an impact "can be substantially mitigated by the imposition of uniformly applied development policies or standards." Thus, a project that has significant and unavoidable impacts cannot properly qualify for exemption under this framework. In addition to the significant and unavoidable traffic, noise, and other impacts listed above, construction and operation of the self-storage facility has or will contribute to the following additional, immitigable impacts".

Agriculture. The General Plan EIR indicates that buildout within the City's limits and sphere of influence will result in the loss of prime agricultural land, and that this impact is significant and unavoidable. (General Plan EIR, p. 2-5.) Accordingly, other nearby development projects have adopted this approach and mitigated accordingly. (*See* ESPEIR, pp. 4.2-2, 4.9-14 [Ellis Specific Plan EIR acknowledging significance of impact and imposing mitigation measures].)

The approach taken in the CEQA 15183 Analysis is inconsistent, and determines that the project will have less than significant impacts because it does not generate impacts more severe than what was evaluated in the General Plan EIR. (CEQA 15183 Analysis, p. 11.) But the qualified exemption under § 15183 does not give a city a license to adopt an elevated baseline and evaluate only incremental impacts. Rather, the qualified exemption merely allows a city to avoid redundant review, and "piggyback" off previous environmental analysis insofar as they demonstrate uniformly applied development standards or policies will reduce impacts of future projects. Here, the General Plan EIR acknowledged that no policy could reduce impacts to less-than-significance, and the project does not overcome this determination. Its impacts are significant and unavoidable, and the applicant must undertake all feasible mitigation available.

Aesthetic Impacts. In past environmental review, the City has determined that impacts on views of agricultural fields are cognizable under CEQA as scenic vistas. (*See, e.g.,* ESPEIR, p. 4.1-1; General Plan EIR, p. 2-5.) The project's CEQA 15183 Analysis omits mention of this impact, and indicates the project would have less-than-significant aesthetic impacts. (CEQA 15183 Analysis, p. 9.) The City may not adjust thresholds of significance on a project-by-project basis, and the City appears to have done so here. This decision is arbitrary and capricious, and unlawful.

Biological Resource Impacts. Parcel-specific biological mitigation, including for the burrowing owl, has been identified as "Project Requirements" in the project's CEQA analysis. (CEQA 15183 Analysis, p. 21.) In EIRs for nearby development projects, the potential for the presence of burrowing owls has been deemed significant, and similar "project requirements" were more appropriately labeled as mitigations. (ESPEIR, p. 4.4-19.) In short, the City is reshaping terms so as to make the project appear eligible for a § 15138 exemption but, at bedrock, the CEQA 15183 Analysis betrays that the project has peculiar, site-specific impacts that warrant mitigation, just as other projects in the immediate vicinity has required.

Greenhouse Gas Impacts. The General Plan EIR determined that buildout of its long-range plans would have significant and unavoidable impacts. The project's CEQA 15183 Analysis acknowledges this fact, but indicates that because the "proposed project is consistent with the overriding considerations that were adopted for the General Plan," the project's impacts are less than significant. (CEQA 15183 Analysis, pp. 35-36.) Again, the City's use of the § 15183 exemption has been misinformed. The qualified exemption does not permit the City to adopt an elevated baseline; the project's impacts are significant and unavoidable, and the City must explore the application of mitigation, including project-specific mitigation.

The project's potential to exacerbate greenhouse gas emissions also has not been acknowledged. Under previous approvals and the General Plan, the project was expected to accommodate commercial development. Placing commercial development at the Project site constituted smart land use planning, as the surrounding Edgewood Development consists of hundreds of homes. Having these complementary uses in close proximity would have reduced vehicle miles traveled. With the project, which contemplates the self-storage facility and five three-story buildings, neighborhood-serving commercial uses are necessarily displaced, increasing vehicle miles traveled and greenhouse gas emissions. This arrangement also inhibits balancing of the City's jobs-housing ratio, which currently falls short of goals established by the California Department of Housing and Community Development. (General Plan EIR, p. 4.2-6.) This increase in the severity of impacts must be addressed in an EIR. Please note, given the General Plan's traffic model made assumptions about internalized trips on the basis of a forecast of the City's jobs-housing ratio, insofar as the project frustrates achievement of a target jobs-housing ratio, the project's traffic analysis must be adjusted to account for its change in land use.

4. **City Cannot Rely on any Type of Streamlining Provision Where no Consideration of the Original Project Plan and Analysis was Conducted; and the Original Plan was Approved on a Negative Declaration.**

The staff report and De Novo Analysis contain no mention of even a preliminary review of the original planning documents as required by *CBE* and *Smart Rail*. A determination of use of the "Streamlined" process is itself dependent on the City's determination that the proposed revisions have been compared to the initial project description and impacts as required by CEQA, or to the General Plan as chosen by the City's consultant. No one can determine whether an impact is significant or not if the original project environmental documents are not compared with the proposed changes.

This approach represents a failure to proceed in a manner required by law. Further, the "impact freeboard" assumed by full build out of the 2025 General Plan makes certain that the cumulative effect of a single 2015 development project will never exceed the threshold of full buildout of the community twelve years in the future. This error reflects a prejudicial abuse of discretion.

The fundamental error in the analysis presented to the City is that Staff assumes that it can approve substantial changes from the original Edgewood Development Plan using a CEQA streamlining analysis which looks to and compares from the City's General Plan for consistency and ignores the significant inconsistencies set forth above (De Novo Planning Group CEQA 15183 Analysis for the Tracy Middlefield Apartments and Self-Storage Project – the "De Novo Analysis"). The De Novo Analysis makes no reference to review the original planning and environmental documents reviewed when the Development Plan was originally adopted. We have just discovered that the entire development was approved by Negative Declaration, and no EIR was ever approved.

As explained in *CBE*, the impacts of a proposed project should be compared to the actual environmental conditions existing at the time of the CEQA analysis, rather than allowable future conditions defined by a general plan. This is because the general plan anticipates greater development over a future time period – (with internal references to *Environmental Planning Information Council v. County of El Dorado, supra,* 131 Cal. App. 3d at p. 354, than what must be considered now, at the time of this proposed approval " 'real conditions on the ground'"; *Save Our Peninsula Committee v. Monterey County Bd. of Supervisors, supra,* 87 Cal. App. 4th at p. 121; see *City of Carmel-by-the-Sea v. Board of Supervisors, supra,* 183 Cal. App. 3d at p. 246) – rather than the level of development or activity that *could* or *should* have been present according to a plan or regulation. *CBE* at 321. The De Novo Analysis ignores that the proposed revisions are to a project designed and analyzed in the mid-1990s using a Negative Declaration, and jumps to assuring the City Council that the project is otherwise consistent with the General Plan, except where supplemented. As shown in the sections above, there is no consistency that would have permitted streamlining. But even if the project as proposed could be seen to be consistent, such reliance violates CEQA.

The De Novo Analysis makes no reference to any review of the original Development Plan or its Negative Declaration in making determinations of whether the proposed land use revisions constitute a material change, or what impacts contrasted to the setting at the time of project approval need to be analyzed. There is no discussion in the staff report or the De Novo Analysis considering whether the proposed land use changes amount to a substantial change in the project, as required by Public Resources Code section 21166.

Before a project can rely upon a general plan or zoning EIR, as is proposed here, the City must first determine whether the development plan was originally adopted with an EIR. The City's evaluation must refer to and compare the proposed changes to the original Development Plan EIR for Edgewood first, before determining that the General Plan EIR is the only relevant document for comparison, and a determination of what impacts not considered in the EIR will be caused in the changes proposed. The City's review must start with a comparison of the original project environmental review, not the City's subsequent general plan and/or zoning EIR. Here there is no EIR to compare to – the Negative Declaration is not referenced and has not been located (at least as of the date of this letter).

Boiled to its essence, City relies on general plan consistency as a shorthand for evaluation of proposed revisions to the original project, itself only partially evaluated, which among other things selectively applies a "future conditions" baseline for certain cumulative impacts rather than an existing conditions baseline, without legal justification. Such approach, absent a showing that the modified baseline will actually offer better environmental protection, runs afoul of *Smart Rail*, 439 at 457. Thus, the problem highlighted is whether the analysis is complete, and all relevant information made available to the public as required by CEQA. *Smart Rail* at 451-457. Until a comparison and analysis is complete, the City cannot make a determination of whether or not any kind of streamlined evaluation would be permissible. The City must evaluate the original plan and the environmental review of the original plan, current on-the-ground impacts, first, and certainly consider general plan information, but not

to the exclusion of current on-the-ground impacts, especially in considering the project's cumulative impacts.

Based "on Guidelines section 15125(a) and CEQA case law…[the baseline] must ordinarily be the *actually* existing physical conditions rather than *hypothetical* conditions that could have existed under applicable permits or regulations." *Smart Rail* at 448 (italics in original). Here the project was originally approved on a Negative Declaration. The City cannot opt to discard an existing conditions baseline and apply a future projected baseline when evaluating environmental effects: "The use of a single future conditions baseline [for example, determining to only look for differentiations from the general plan] is per se a violation of CEQA. This means that the City's determination is not entitled to any deference and is a discretionary choice that cannot be justified by substantial evidence." *Smart Rail* at 450. *Smart Rail* permits a departure from the norm stated in Guidelines section 15125(a) – but only because unusual aspects of the project exist, or only when the agency can "justify its decision by showing an existing conditions analysis would be misleading or without informational value." *Id.* at 457. There is nothing unusual about the developer's desire to change the previously approved use in a long term project. Thus, the City can use the general plan for comparison, but not a substitute method of analysis for existing conditions. *Id.* at 451.

Essentially, City's attempted shortcut prejudices CEQA's primary objective to disclose information and data about environmental effects, because a future conditions baseline omits "short- and medium- term environmental costs of achieving that desirable improvement as originally identified …(*Id.* at 455 and)…sanction the unwarranted omission of information on years or decades of a project's environmental impacts and open the door to gamesmanship in the choice of baselines." *Id.* at 456. This summation is particularly apropos where no prior analysis was performed.

5. <u>The City's 15183 Analysis Substituted Future Conditions to Evaluate Some Cumulative Impacts</u>.

The Environmental Checklist contains a Cumulative Impacts scenario; even comparing only with general plan [future impacts] and cumulative + project scenario, the Checklist identifies LOS F at 3 intersections, and requires signals, lanes, and new timing. Thus the type of shorthand analysis cannot be utilized here until this project plans to correct all three intersections and bring LOC to C. Even trying to apply the general rules from *Smart Rail* to this truncated environmental review, the claim of general plan consistency is invalid. Unless the project undertakes to correct these significant inconsistencies, a determination by the City to override would be required which can only be made by the City in the context of an EIR, not a 15183 Categorical Exemption. Thus, the environmental review relying on an exemption should be scrubbed. The De Novo Analysis misunderstands a rule clearly articulated by the Supreme Court:

> We do not hold or imply agencies enjoy equivalent discretion under CEQA and the CEQA Guidelines to *omit* all analysis of the project's impacts on existing conditions and measure impacts only against conditions projected to prevail 20 or 30 years in the future." *Id.* at 456 (italics in original).

This misunderstanding is littered throughout the De Novo Analysis. For example, the De Novo Analysis dispensed with the existing conditions baseline and did exactly what the Supreme Court explained cannot be done – partially compare traffic and circulation impacts against a future conditions baseline. The existing conditions baseline was discarded without supplying the "unusual circumstances" needed to deviate from the normal procedure outlined in the CEQA Guidelines. Due to the "inherent uncertainty of every long-term prediction, uncertainty that tends to increase with the period of time (*Smart Rail* at 455) a small error…will itself be multiplied and compounded as the project is pushed further into the future." *Id.* at 456. According to the Supreme Court. this "would sanction the unwarranted omission of information on years or decades of the project's environmental impacts." *Id.*

Tracy's Staff's efforts compress and misconstrue the *Smart Rail* rule by making a future conditions baseline a substitute rather than additive method of evaluating cumulative impacts. *Smart Rail* teaches us that both baselines may be used for a single type of impact, but does not authorize an agency to use one type of baseline for an individual impact, and another type of impact for a cumulative impact. Thus, *Smart Rail* could have been satisfied if Tracy applied both the "actual current" and "future conditions" baselines to cumulative impacts, especially if adding a future conditions baseline analysis to an actual current baseline generates additional information and data about the intensity of the environmental effect. But this did not happen. No review of the original Negative Declaration was included.

6. There is no Consideration of Existing Conditions, and in Various Sections the Claim of Project Coordination With the General Plan is Incorrect.

This truncated analysis is also substantively wrong for the following reasons:

A. Traffic/Circulation. The Traffic Study submitted is incomplete and requires revision prior to consideration.

i. The Traffic Study concludes that when Corral Hollow goes to 4-6 lanes, the project driveways will be unsafe for access, and will need to be right-in/right-out. It then states that the "Developer should work with city as to when this improvement should occur in the future." (See Traffic Study, Attachment G, at pp. 17, 19.) This type of uncertainty in timing and/or enforcement and deferred mitigation is not allowed under CEQA.

ii. The Traffic Study concludes that the project driveways are unusually wide – 60 and 60 ½ feet (40' is more typical for commercial and 24' is more

typical for residential). It then states that the wide driveways are unsafe. (See Traffic Study, Attachment G, at p. 12.) It does not appear that the applicant has addressed this safety issue raised by its own Traffic Study. In addition, the southern boundary parking aisle between the apartments and the storage facility is only 22', when 24' is typical, and the Traffic Study suggests widening it to 24' to avoid difficulties for parking maneuvering along this stretch of the development. Has the applicant modified its plans to reflect this suggestion?

iii. Checklist at page 61 doesn't discuss cumulative results. It appears that roadway segments were not analyzed in the Traffic Study, just intersections. Therefore, impacts to roadway segments cannot claim to be less than significant, as stated on p. 61 of the Environmental Analysis, without further analysis.

iv. The Traffic Study concludes in both of its cumulative scenario analyses (with and without project) that three intersections will operate at unacceptable LOS F, requiring signalization, additional lanes, and new signal timing. (See Traffic Study, Attachment G, at pp. 15-16.) The City of Tracy has established LOS D as the minimum acceptable LOS for roadway and overall intersection operations. (Id., at p. 5.) Thus, a claim of general plan consistency appears invalid. Unless the project undertakes to correct these significant inconsistencies, a determination to override would be required, which can only be made by the City in the context of an EIR, not a 15183 Categorical Exemption.

B. Water Evaluation is Inadequate/Failure to Disclose Water Report.

The Environmental Analysis for the project states that a Hydraulic Evaluation was prepared for the project. (See Environmental Analysis, Attachment F to Staff Report, at p. 66; see also "Conditions of Approval," Exhibit 1 to the proposed Resolution included with 12-15-15 Staff Report, at para. C.1.1.b. and C.4.2.2.a. [a "Revised Hydraulic Evaluation of Middlefield Apartments and Self-Storage Facility Project" was prepared by West Yost Associates on March 6, 2015 for the Project].) However, there is no such report attached to the Staff Report for review and consideration by the City Council or the general public, and was also not before the Planning Commission when making its recommendation for the project, as far as we can tell from the City's online resources. Although we have not had a chance to review such report, and request to do so, we have prepared the following general comments relating to concerns over water supply for the project:

The impacts of the drought that the State is facing have compounded, causing the Governor to issue Executive Order B-29-15[1] on April 25, 2014, imposing mandatory water restrictions across the State of a *minimum* 25% reduction in use. In addition to not knowing whether staff has properly evaluated the provisions of water and water impacts of the project due to the unavailability of the water study, the Executive Order and resulting water curtailments

[1] The full text of the Executive order is attached hereto and incorporated herein by reference as **Exhibit A.**

bring into question whether there is any proven water available for the project at all. The Executive Order provides in pertinent part:

- WHEREAS the severe drought conditions continue to present urgent challenges including: drinking water shortages in communities across the state, diminished water for agricultural production, degraded habitat for many fish and wildlife species, increased wildfire risk, and the threat of saltwater contamination to fresh water supplies in the Sacramento-San Joaquin Bay Delta;

- WHEREAS the distinct possibility exists that the current drought will stretch into a fifth straight year in 2016 and beyond; and

- WHEREAS new expedited actions are need to reduce harmful impacts from water shortages and other impacts of the drought; and

- The State Water Resources Control Board (Water Board) shall impose restrictions statewide to achieve a statewide 25% reduction in potable urban water usages through February 2016.

In response to the Governor's Executive Order, the San Joaquin County Board of Supervisors passed a resolution on May 5, 2015, "Implementing State II Emergency Water Conservation Measures For All Water Districts Governed by the Board of Directors."[2] The Resolution mandates that all County water districts comply with State II Emergency Water Conservation measures as enumerated by Section 5-3412 of the Ordinance Code of San Joaquin County.[3]

The Executive Order and water curtailments underscore the Project's water analysis shortcomings. The Project fails to disclose the uncertainty, possible outcomes, and impacts, and proposes no mitigation measures should the assumed water supply fail to materialize.

7. **<u>Sewer Report/Failure to Disclose</u>**.

The Environmental Analysis for the project states that a Sewer Study was prepared for the project. (See Environmental Analysis, Attachment F to Staff Report, at p. 64; see also "Conditions of Approval," Exhibit 1 to the proposed Resolution included with 12-15-15 Staff Report, at para. C.4.2.1.a [a Sewer Study was prepared by Carlson, Barbee & Gibson, Inc. on August 3, 2013 for the Project].) However, there is no such report attached to the Staff Report for review and consideration by the City Council or the general public, and was also not before the Planning Commission when making its recommendation for the project, as far as we can tell from the City's online resources.

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[2] Resolution R-15-59 is attached hereto and incorporated herein by reference as **Exhibit B.**

[3] Ordinance 5-3402, 5-3411, and 5-3412 are collectively attached hereto and incorporated herein by reference as **Exhibit C.**

8. <u>Planning Consistency Problems</u>.

As a policy matter, exchanging the existing neighborhood shopping center to apartments is problematic. The Environmental Analysis ignores the Basalite batch plant that is constructed directly across the street (W. Linne Road). From a planning perspective, such placement of residential uses close to what can be a noisy, smelly use is very poor planning. There is no discussion as to whether the proposed ministorage – which is intended to be constructed at a future time – provides adequate buffer.

Sincerely,

Brigit S. Barnes

Enclosures:
Exhibits A – C

cc's via email:
Client
Andrew Malik, Director of Development & Engineering Services
Bill Dean, Asst. Director of Development & Engineering Services

Horizon.Edgewood\City Council Letter re Edgewood CDP Amendment Ordinance

ATTACHMENT "A"

Executive Department
State of California

EXECUTIVE ORDER B-29-15

WHEREAS on January 17, 2014, I proclaimed a State of Emergency to exist throughout the State of California due to severe drought conditions; and

WHEREAS on April 25, 2014, I proclaimed a Continued State of Emergency to exist throughout the State of California due to the ongoing drought; and

WHEREAS California's water supplies continue to be severely depleted despite a limited amount of rain and snowfall this winter, with record low snowpack in the Sierra Nevada mountains, decreased water levels in most of California's reservoirs, reduced flows in the state's rivers and shrinking supplies in underground water basins; and

WHEREAS the severe drought conditions continue to present urgent challenges including: drinking water shortages in communities across the state, diminished water for agricultural production, degraded habitat for many fish and wildlife species, increased wildfire risk, and the threat of saltwater contamination to fresh water supplies in the Sacramento-San Joaquin Bay Delta; and

WHEREAS a distinct possibility exists that the current drought will stretch into a fifth straight year in 2016 and beyond; and

WHEREAS new expedited actions are needed to reduce the harmful impacts from water shortages and other impacts of the drought; and

WHEREAS the magnitude of the severe drought conditions continues to present threats beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to combat; and

WHEREAS under the provisions of section 8558(b) of the Government Code, I find that conditions of extreme peril to the safety of persons and property continue to exist in California due to water shortage and drought conditions with which local authority is unable to cope; and

WHEREAS under the provisions of section 8571 of the California Government Code, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay the mitigation of the effects of the drought.

NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, in accordance with the authority vested in me by the Constitution and statutes of the State of California, in particular Government Code sections 8567 and 8571 of the California Government Code, do hereby issue this Executive Order, effective immediately.

IT IS HEREBY ORDERED THAT:

1. The orders and provisions contained in my January 17, 2014 Proclamation, my April 25, 2014 Proclamation, and Executive Orders B-26-14 and B-28-14 remain in full force and effect except as modified herein.

SAVE WATER

2. The State Water Resources Control Board (Water Board) shall impose restrictions to achieve a statewide 25% reduction in potable urban water usage through February 28, 2016. These restrictions will require water suppliers to California's cities and towns to reduce usage as compared to the amount used in 2013. These restrictions should consider the relative per capita water usage of each water suppliers' service area, and require that those areas with high per capita use achieve proportionally greater reductions than those with low use. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services.

3. The Department of Water Resources (the Department) shall lead a statewide initiative, in partnership with local agencies, to collectively replace 50 million square feet of lawns and ornamental turf with drought tolerant landscapes. The Department shall provide funding to allow for lawn replacement programs in underserved communities, which will complement local programs already underway across the state.

4. The California Energy Commission, jointly with the Department and the Water Board, shall implement a time-limited statewide appliance rebate program to provide monetary incentives for the replacement of inefficient household devices.

5. The Water Board shall impose restrictions to require that commercial, industrial, and institutional properties, such as campuses, golf courses, and cemeteries, immediately implement water efficiency measures to reduce potable water usage in an amount consistent with the reduction targets mandated by Directive 2 of this Executive Order.

6. The Water Board shall prohibit irrigation with potable water of ornamental turf on public street medians.

7. The Water Board shall prohibit irrigation with potable water outside of newly constructed homes and buildings that is not delivered by drip or microspray systems.

8. The Water Board shall direct urban water suppliers to develop rate structures and other pricing mechanisms, including but not limited to surcharges, fees, and penalties, to maximize water conservation consistent with statewide water restrictions. The Water Board is directed to adopt emergency regulations, as it deems necessary, pursuant to Water Code section 1058.5 to implement this directive. The Water Board is further directed to work with state agencies and water suppliers to identify mechanisms that would encourage and facilitate the adoption of rate structures and other pricing mechanisms that promote water conservation. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services.

INCREASE ENFORCEMENT AGAINST WATER WASTE

9. The Water Board shall require urban water suppliers to provide monthly information on water usage, conservation, and enforcement on a permanent basis.

10. The Water Board shall require frequent reporting of water diversion and use by water right holders, conduct inspections to determine whether illegal diversions or wasteful and unreasonable use of water are occurring, and bring enforcement actions against illegal diverters and those engaging in the wasteful and unreasonable use of water. Pursuant to Government Code sections 8570 and 8627, the Water Board is granted authority to inspect property or diversion facilities to ascertain compliance with water rights laws and regulations where there is cause to believe such laws and regulations have been violated. When access is not granted by a property owner, the Water Board may obtain an inspection warrant pursuant to the procedures set forth in Title 13 (commencing with section 1822.50) of Part 3 of the Code of Civil Procedure for the purposes of conducting an inspection pursuant to this directive.

11. The Department shall update the State Model Water Efficient Landscape Ordinance through expedited regulation. This updated Ordinance shall increase water efficiency standards for new and existing landscapes through more efficient irrigation systems, greywater usage, onsite storm water capture, and by limiting the portion of landscapes that can be covered in turf. It will also require reporting on the implementation and enforcement of local ordinances, with required reports due by December 31, 2015. The Department shall provide information on local compliance to the Water Board, which shall consider adopting regulations or taking appropriate enforcement actions to promote compliance. The Department shall provide technical assistance and give priority in grant funding to public agencies for actions necessary to comply with local ordinances.

12. Agricultural water suppliers that supply water to more than 25,000 acres shall include in their required 2015 Agricultural Water Management Plans a detailed drought management plan that describes the actions and measures the supplier will take to manage water demand during drought. The Department shall require those plans to include quantification of water supplies and demands for 2013, 2014, and 2015 to the extent data is available. The Department will provide technical assistance to water suppliers in preparing the plans.

13. Agricultural water suppliers that supply water to 10,000 to 25,000 acres of irrigated lands shall develop Agricultural Water Management Plans and submit the plans to the Department by July 1, 2016. These plans shall include a detailed drought management plan and quantification of water supplies and demands in 2013, 2014, and 2015, to the extent that data is available. The Department shall give priority in grant funding to agricultural water suppliers that supply water to 10,000 to 25,000 acres of land for development and implementation of Agricultural Water Management Plans.

14. The Department shall report to Water Board on the status of the Agricultural Water Management Plan submittals within one month of receipt of those reports.

15. Local water agencies in high and medium priority groundwater basins shall immediately implement all requirements of the California Statewide Groundwater Elevation Monitoring Program pursuant to Water Code section 10933. The Department shall refer noncompliant local water agencies within high and medium priority groundwater basins to the Water Board by December 31, 2015, which shall consider adopting regulations or taking appropriate enforcement to promote compliance.

16. The California Energy Commission shall adopt emergency regulations establishing standards that improve the efficiency of water appliances, including toilets, urinals, and faucets available for sale and installation in new and existing buildings.

INVEST IN NEW TECHNOLOGIES

17. The California Energy Commission, jointly with the Department and the Water Board, shall implement a Water Energy Technology (WET) program to deploy innovative water management technologies for businesses, residents, industries, and agriculture. This program will achieve water and energy savings and greenhouse gas reductions by accelerating use of cutting-edge technologies such as renewable energy-powered desalination, integrated on-site reuse systems, water-use monitoring software, irrigation system timing and precision technology, and on-farm precision technology.

STREAMLINE GOVERNMENT RESPONSE

18. The Office of Emergency Services and the Department of Housing and Community Development shall work jointly with counties to provide temporary assistance for persons moving from housing units due to a lack of potable water who are served by a private well or water utility with less than 15 connections, and where all reasonable attempts to find a potable water source have been exhausted.

19. State permitting agencies shall prioritize review and approval of water infrastructure projects and programs that increase local water supplies, including water recycling facilities, reservoir improvement projects, surface water treatment plants, desalination plants, stormwater capture, and greywater systems. Agencies shall report to the Governor's Office on applications that have been pending for longer than 90 days.

20. The Department shall take actions required to plan and, if necessary, implement Emergency Drought Salinity Barriers in coordination and consultation with the Water Board and the Department of Fish and Wildlife at locations within the Sacramento - San Joaquin delta estuary. These barriers will be designed to conserve water for use later in the year to meet state and federal Endangered Species Act requirements, preserve to the extent possible water quality in the Delta, and retain water supply for essential human health and safety uses in 2015 and in the future.

21. The Water Board and the Department of Fish and Wildlife shall immediately consider any necessary regulatory approvals for the purpose of installation of the Emergency Drought Salinity Barriers.

22. The Department shall immediately consider voluntary crop idling water transfer and water exchange proposals of one year or less in duration that are initiated by local public agencies and approved in 2015 by the Department subject to the criteria set forth in Water Code section 1810.

23. The Water Board will prioritize new and amended safe drinking water permits that enhance water supply and reliability for community water systems facing water shortages or that expand service connections to include existing residences facing water shortages. As the Department of Public Health's drinking water program was transferred to the Water Board, any reference to the Department of Public Health in any prior Proclamation or Executive Order listed in Paragraph 1 is deemed to refer to the Water Board.

24. The California Department of Forestry and Fire Protection shall launch a public information campaign to educate the public on actions they can take to help to prevent wildfires including the proper treatment of dead and dying trees. Pursuant to Government Code section 8645, $1.2 million from the State Responsibility Area Fire Prevention Fund (Fund 3063) shall be allocated to the California Department of Forestry and Fire Protection to carry out this directive.

25. The Energy Commission shall expedite the processing of all applications or petitions for amendments to power plant certifications issued by the Energy Commission for the purpose of securing alternate water supply necessary for continued power plant operation. Title 20, section 1769 of the California Code of Regulations is hereby waived for any such petition, and the Energy Commission is authorized to create and implement an alternative process to consider such petitions. This process may delegate amendment approval authority, as appropriate, to the Energy Commission Executive Director. The Energy Commission shall give timely notice to all relevant local, regional, and state agencies of any petition subject to this directive, and shall post on its website any such petition.

26. For purposes of carrying out directives 2–9, 11, 16–17, 20–23, and 25, Division 13 (commencing with section 21000) of the Public Resources Code and regulations adopted pursuant to that Division are hereby suspended. This suspension applies to any actions taken by state agencies, and for actions taken by local agencies where the state agency with primary responsibility for implementing the directive concurs that local action is required, as well as for any necessary permits or approvals required to complete these actions. This suspension, and those specified in paragraph 9 of the January 17, 2014 Proclamation, paragraph 19 of the April 25, 2014 proclamation, and paragraph 4 of Executive Order B-26-14, shall remain in effect until May 31, 2016. Drought relief actions taken pursuant to these paragraphs that are started prior to May 31, 2016, but not completed, shall not be subject to Division 13 (commencing with section 21000) of the Public Resources Code for the time required to complete them.

27. For purposes of carrying out directives 20 and 21, section 13247 and Chapter 3 of Part 3 (commencing with section 85225) of the Water Code are suspended.

28. For actions called for in this proclamation in directive 20, the Department shall exercise any authority vested in the Central Valley Flood Protection Board, as codified in Water Code section 8521, et seq., that is necessary to enable these urgent actions to be taken more quickly than otherwise possible. The Director of the Department of Water Resources is specifically authorized, on behalf of the State of California, to request that the Secretary of the Army, on the recommendation of the Chief of Engineers of the Army Corps of Engineers, grant any permission required pursuant to section 14 of the Rivers and Harbors Act of 1899 and codified in section 48 of title 33 of the United States Code.

29. The Department is directed to enter into agreements with landowners for the purposes of planning and installation of the Emergency Drought Barriers in 2015 to the extent necessary to accommodate access to barrier locations, land-side and water-side construction, and materials staging in proximity to barrier locations. Where the Department is unable to reach an agreement with landowners, the Department may exercise the full authority of Government Code section 8572.

30. For purposes of this Executive Order, chapter 3.5 (commencing with section 11340) of part 1 of division 3 of the Government Code and chapter 5 (commencing with section 25400) of division 15 of the Public Resources Code are suspended for the development and adoption of regulations or guidelines needed to carry out the provisions in this Order. Any entity issuing regulations or guidelines pursuant to this directive shall conduct a public meeting on the regulations and guidelines prior to adopting them.

31. In order to ensure that equipment and services necessary for drought response can be procured quickly, the provisions of the Government Code and the Public Contract Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements, are hereby suspended for directives 17, 20, and 24. Approval by the Department of Finance is required prior to the execution of any contract entered into pursuant to these directives.

This Executive Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 1st day of April 2015.

EDMUND G. BROWN JR.
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

ATTACHMENT "B"

BEFORE THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA

R-15- 59

RESOLUTION IMPLEMENTING STAGE II EMERGENCY WATER CONSERVATION MEASURES FOR ALL WATER DISTRICTS GOVERNED BY THE BOARD OF SUPERVISORS

- - - - -

WHEREAS, Section 5-3409 of the Ordinance Code of San Joaquin County empowers the Board of Supervisors to declare the existence of a water emergency and implement additional conservation measures when necessary and proper to protect and conserve the water supply for human consumption, sanitation, and fire protection; and,

WHEREAS, on August 12, 2014, the Board of Supervisors approved Resolution R-14-130 declaring that a water emergency exists and implementing Stage I Emergency Water Conservation Measures for all Water Districts governed by the Board; and,

WHEREAS, the Governor of the State of California has issued an Executive Order on April 1, 2015, directing additional Statewide water conservation measures to be implemented; and,

WHEREAS, the Board of Supervisors has determined that current drought conditions require additional restrictions on water use to conserve water supply for human consumption, sanitation, and fire protection.

NOW, THEREFORE, IT IS HEREBY DECLARED AND ORDERED that Stage II Emergency Water Conservation Measures, as enumerated in Section 5-3412 of the Ordinance Code of San Joaquin County, are mandatory for all customers of all Water Districts governed by the Board of Supervisors of the County of San Joaquin, State of California.

IT IS FURTHER DECLARED AND ORDERED that said water emergency shall be deemed to continue to exist until its termination is declared by the Board of Supervisors of the County of San Joaquin, State of California.

PASSED AND ADOPTED this 5th day of May, 2015, by the following vote of the Board of Supervisors, to wit:

AYES: **Winn, Elliott, Villapudua, Bestolarides, Miller**

NOES: **None**

ABSENT: **None**

ATTEST: MIMI DUZENSKI
Clerk of the Board of Supervisors
County of San Joaquin,
State of California

By _____
Clerk

KATHERINE M. MILLER, Chair
Board of Supervisors
County of San Joaquin,
State of California

AD-15D024-M3

ATTACHMENT "C"

5-3402 - CONSERVATION OF WATER.

It shall at all times be unlawful for any person within the boundaries of any Water District to use water for any of the following:

(a) For exterior landscape, garden, or pasture irrigation including, but not limited to, public, private and commercial locations as follows:

(1) Irrigation shall be prohibited between the hours of 11:00 a.m. to 6:00 p.m.

(2) Exceptions to the above regulations:

(i) Drip and/or mist irrigation systems.

(ii) Other users which cannot reasonably comply with the above regulations due to normal hours of use or type of use of the area to be irrigated may be excepted upon approval by the Director of a water conservation plan which meets the goals of reduction and conservation.

(b) Fail to repair water leaks, breaks or malfunctions within the water user's plumbing or distribution system for any period of time within which such break or leak should reasonably have been discovered and corrected. It shall be presumed that a period of twenty-four (24) hours after the water user discovers such break, leak or malfunction, or receives notice from the County, any water provider or enforcement authority of such condition, whichever occurs first, is a reasonable time within which to correct such condition or to make arrangements for correction.

(c) To use water for washing vehicles or boats, or cleaning buildings or mobile home exteriors without an automatic shut-off nozzle on the hose.

(d) The operation of any automated commercial car wash unless at least twenty percent (20%) of the soap/water for such use is reclaimed. For existing automated commercial car washes, if a reclaimed water system cannot be installed, the car wash operator shall submit a plan satisfactory to the Director to modify operation of the facility to reduce its usage of water by at least twenty percent (20%) of its usage during the same month of the prior year for comparable business volume. If there is no history of prior use, the operator shall provide to the Director data comparable to such history to establish its base monthly usage.

(e) Serving water to restaurant customers except upon request.

(f) Repealed by Ord. 3833.

(g) Use of water in publicly displayed ornamental fountains in public and commercial establishments, except for recycled or recirculated water.

(h) Use of water to wash driveways, sidewalks, patios, parking lots, aprons and other similar exterior surfaces is prohibited except for sanitation, public health and safety, and fire protection purposes.

(i) The refilling of all existing swimming pools and the filling of new swimming pools, whether public, private or commercial within a Water District, or area that has a nonmetered water system, unless payment of a water use fee equivalent to the current cost to produce water in the Water District (as determined by the Director) for the estimated swimming pool capacity is paid, prior to the refilling or filling of pools, to the District or to the area in which the swimming pool is located.

(j)

The indiscriminate running of water or washing with water not otherwise prohibited above which is without reasonable purpose and which is evidenced by the runoff of water off the property or into drainage facilities for more than ten (10) minutes.

(k) Use of water from fire hydrants without permission from the governing agency or purveyor of water or fire protection agency which has jurisdiction over the hydrant.

(l) Use of water for dust control purposes except for recycled, or other nonpotable water, except for health or safety purposes.

(Ord. No. 4450, § 1, 8-12-2014)

5-3411 - STAGE I EMERGENCY WATER CONSERVATION MEASURES.

During Stage I of a water supply shortage, the shortage is minor, and a ten percent (10%) or greater reduction in water usage is the goal.

(a) All requirements of 5-3402 apply, and in addition, landscape, garden, and pasture irrigation shall be limited to a maximum of three days per week, when necessary, and shall be based on the following odd-even schedule:

(1) Customers with street addresses ending with an even number may irrigate only on Wednesday and/or Friday and/or Sunday;

(2) Customers with street addresses ending with an odd number may irrigate only on Tuesday and/or Thursday and/or Saturday;

(3) No irrigation will be permitted on Mondays.

(4) Watering of landscapes at times and on days other than those specified in this section or during high winds that cause water to blow away from the landscapes being watered is prohibited.

(b) Draining and refilling of pools, spas and ponds shall be allowed for health, maintenance or structural considerations, after approval by the Public Works Director. Customer requests for approval must be in writing to the Director.

(c) Washing of vehicles, boats, equipment, etc. shall be accomplished under the following restrictions:

(1) Water buckets shall be utilized;

(2) Water hoses with automatic shutoff devices may be used for rinsing for duration not to exceed three minutes.

(d) Restrictions in this stage do not apply to recycled water, or water delivered to a site from a source other than a Water District.

(Ord. No. 4450, § 1, 8-12-2014)

5-3412 - STAGE II EMERGENCY WATER CONSERVATION MEASURES.

During Stage II of a water supply shortage, the shortage is moderate, and a twenty percent (20%) or greater reduction in water usage is the goal.

(a) All requirements of 5-3402 and 5-3411 apply, except that:

(1) landscape, garden, and pasture irrigation will be limited to two days per week with street addresses ending in an even number watering on Wednesdays and/or Sundays and street addresses ending in an odd number watering on Tuesdays and/or Saturdays.

(b) The addition of water above the minimum level necessary to comply with the health requirements for pool, hot tub or jacuzzi circulation, public or private (that is, adding water to bring the level to the top, where splash-out occurs) is prohibited.

(c) Restaurants shall post at every table and in restrooms notice of water emergency conditions and water restrictions. Acceptable methods of notification to patrons include notices or table tents placed on the tables or in the menus and in restrooms in a form approved or provided by the Director.

(d) The owner and/or manager of every hotel, motel, inn, guest house, and every other short- term commercial lodging shall post notice of water emergency condition information in every guest room, in a form approved or provided by the Director.

(e) Restrictions in this stage do not apply to recycled water, or water delivered to a site from a source other than a Water District.

(Ord. No. 4450, § 1, 8-12-2014)

HANDOUT - AGENDA ITEM 5

bae urban economics

City of Tracy

DRAFT

I-205 Corridor Retail Demand Study

December 2015

bae urban economics

December 14, 2015

Mr. Andrew Malik
Development Services Director
City of Tracy
333 Civic Center Plaza
Tracy, CA 95376

Dear Andrew:

We are pleased to present this Draft I-205 Corridor Retail Demand Study. We have enjoyed working with you and your staff on this project. I look forward to presenting key findings to Council, and revising the report based on any feedback. Please feel free to call if you have any questions or comments.

Best regards,

Raymond Kennedy

Raymond Kennedy
Director of Research

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SUMMARY OF FINDINGS

Background and Study Purpose

After a period of decline following the onset of the Great Recession that resulted in limited commercial and industrial development, the U.S. and California economies have recovered, as reflected in Tracy in renewed development proposals. Members of the City Council have indicated that the City needs to balance industrial development with the desire to preserve land to meet future retail demand, especially in the I-205 corridor, which provides regional access for businesses and for consumers from other nearby communities. To assess the depth of potential retail demand, the City has requested that BAE undertake a Retail Demand Forecast for the City.

Report Organization

This report contains the following sections, providing background information and addressing issues of concern: this Introduction and Summary of Findings; Demographic Overview; Retail Sales Analysis; Retail Real Estate Market Conditions; and finally, a Comparison of Supply and Demand for retail and commercial land in Tracy.

Study Methodology

The primary purpose of this study is to estimate future demand for retail space in the I-205 Corridor in the City of Tracy.

The methodology utilizes the following steps:

1. Define a Primary Market Area ("PMA") for retailers in Tracy, based on the location of existing and planned competitive supply and shopping patterns of area residents. The focus is on region-serving retailers such as those that might benefit from locations in the I-205 Corridor.
2. Document and analyze basic demographic conditions in Tracy and the PMA, including Tracy's population and income as a percent of the PMA, along with benchmark comparisons to San Joaquin County overall.
3. Document and evaluate historic retail sales trends in Tracy and the PMA, and estimate future retail sales based on local and regional demand.
4. Document and analyze existing retail real estate trends, with an overview of absorption and vacancy trends in Tracy and the PMA, a description of existing retail centers and nodes in Tracy and the PMA, and a discussion of near-term planned and proposed retail development.

5. A comparison of retail land supply and demand in five year increments out to 2030, with demand estimated by converting projected sales to land demand based on benchmarks for sales per square foot and acre, and supply data provided by the City Tracy. The demand for retail in the I-205 Corridor will be focused on region-serving uses. This final step will provide the key findings for the analysis.

Definition of Primary Market Area

The Primary Market Area ("PMA") has been defined as the Cities of Tracy, Lathrop, and Manteca, as well as Mountain House and other nearby unincorporated areas, as shown on the following page. It is important to note that while the majority of Tracy's shoppers are likely to reside within this area, Tracy, and especially the I-205 corridor, will attract other consumers travelling through the City, as well as other shoppers from elsewhere who are attracted to particular retailers in Tracy.

Demographic Overview

Historic Population Trends

Tracy and the PMA experienced strong population growth between 2000 and 2010, both geographies growing at an annual compound rate of 3.8 percent, compared to only 2.0 percent for San Joaquin County overall. This growth slowed considerably over the last five years, which were years of slow recovery from the recession and the housing crisis which impacted the County severely. Tracy's growth rate slowed to only 1.2 percent annually, while the PMA's rate was 1.5 percent and the County's was 0.8 percent. Household growth trends mirrored those of the population overall.

Tracy's households tend to be larger than the PMA's, which in turn are larger than the County's. Household size has been increasing in Tracy, the PMA, and the County.

Tracy's share of the PMA's population, and thus of the PMA's consumer base, has remained relatively unchanged over the last 15 years, at approximately 42 percent of the total.

Population Trends, 2000-2015

Population	2000	2010	Annual Rate of Change 2000-2010	2015	Annual Rate of Change 2010-2015
City of Tracy	56,929	82,922	3.8%	88,019	1.2%
Primary Market Area	134,319	195,536	3.8%	210,630	1.5%
San Joaquin County	563,598	685,306	2.0%	713,388	0.8%
Tracy Population as % of PMA	42%	42%		42%	
Households					
City of Tracy	17,620	24,331	3.3%	25,341	0.8%
Primary Market Area	41,572	58,216	3.4%	61,822	1.2%
San Joaquin County	181,629	215,007	1.7%	221,834	0.6%
Average HH Size					
City of Tracy	3.21	3.40		3.46	
Primary Market Area	3.12	3.28		3.34	
San Joaquin County	3.00	3.12		3.16	

Sources: U.S. Census, 2000 and 2010; Nielsen; BAE, 2015.

Future Population Trends

The PMA's population is projected to increase by slightly more than 25 percent between 2015 and 2030, to a total population of 264,000. Based on the 600 unit per year cap in the Growth Management Ordinance, Tracy's population is projected to increase by 28,000 over the period, to 115,000, with percentage growth slightly higher than for Manteca and Lathrop, but below that of Mountain House. Even with its Growth Management Ordinance in place, Tracy will continue to be the largest city in the PMA; Tracy's share of PMA population is estimated to remain about the same, with a minimal increase in share from 42 to 43 percent.

Assuming no long–term declines in incomes and spending power, this additional population growth will lead to increased retail expenditures by residents of Tracy and the PMA, which in turn may be reflected in increased demand for land to support new retail development.

Long-Term Population Projections

	Total Population				% Growth
	2015	2020	2025	2030	2015-2030
Tracy	87,000	96,000	105,000	115,000	32%
Manteca	71,831	77,018	82,912	88,855	24%
Lathrop	19,487	21,102	22,936	24,786	27%
Mountain House	10,975	12,435	14,094	15,766	44%
Unincorporated PMA	20,000	20,000	20,000	20,000	0%
PMA Total	**209,293**	**226,555**	**244,942**	**264,407**	**26%**
Tracy as Percent of PMA	42%	42%	43%	43%	

Notes:
Estimates here may vary from those found in the previous table, due to use of different sources to develop long-term projections.

Sources: University of the Pacific Business Forecasts for San Joaquin Council of Governments, preliminary estimates provided to City of Tracy; City of Tracy; Nielsen; BAE, 2015.

Resident Income

Consumer buying power is a critical factor in assessing the potential for retail development, and household income provides a measure of the strength of this disposable income. At $71,476, Tracy has a higher 2015 median annual household income than the PMA at $66,930, which in turn has a considerably higher median household income than San Joaquin County at $51,027. Because of Tracy's higher incomes, retailers seeking a retail location, especially higher-end retailers, may prefer to locate in Tracy rather than elsewhere in the PMA.

Tenure

Tenure (owner vs. renter occupancy) impacts the retail mix of an area as well as overall sales volumes. For instance, home owners are more likely to spend money on home improvements, appliances, and furniture; since renters tend to be younger, they may be more likely to spend money on meals away from home, entertainment, or other similar items and services. Renters also tend to have lower incomes, leading to reduced overall retail expenditures.

In 2000, Tracy had a higher proportion of homeowners than the PMA overall, but by 2010, as homeownership rates declined due to the recession and foreclosure crisis, Tracy's homeownership declined to a level slightly below the PMA. Currently, homeowners make up 66.3 percent of all households in Tracy.

Retail Sales and Demand Analysis

Retail Sales Trends in Tracy and the Primary Market Area

The following section presents taxable retail sales data for the City of Tracy and the PMA by major retail store category. For comparative purposes, sales data from San Joaquin County and California are also presented. All data are presented in constant 2014 dollars, adjusted

using the California Consumer Price Index. Data are presented for the period from 2004 through 2nd quarter 2014, which was the most recently published data at the time of this analysis, with additional BAE estimates for 2015 based on more recent data provided by the City of Tracy.

For California, San Joaquin County, the PMA, and Tracy, inflation-adjusted taxable retail sales levels gradually increased between 2004 and 2005, and then began a multi-year decline which accelerated over time, with large drops from 2007 through 2009 as the Great Recession took hold. Total taxable retail sales levels in 2009 were the lowest of the 2004 through 2014 period. Since 2009, sales have recovered gradually, but are still below 2005 levels on an inflation-adjusted basis, despite increases in population over the decade. Generally, the PMA and Tracy did not see declines as great as state- or county-wide, and have recovered farther. For the 3rd Quarter 2013 through 2nd Quarter 2014 period (most recent data available), total taxable retail sales in Tracy were slightly less than $1.2 billion, and in the PMA they were approximately $2.1 billion.

For the most recent period (3rd Quarter 2013 through 2nd Quarter 2014) with reported data, Tracy's share of PMA taxable sales is 57 percent, similar to the 58 percent share of 2004 through 2006. In between those two annual periods, though, the proportion declined to 51 percent in 2009. Much of this can be attributed to a slump in motor vehicle sales, which is a relatively large component of retail in Tracy. Manteca' share of total taxable retail sales has ranged between 35 and 39 percent since 2004, and Lathrop's share has fluctuated between five and ten percent.

Per Capita Taxable Retail Sales

Per capita retail sales are an indicator of the relative strength of a locale as a retail destination; other factors being equal, higher per capita sales relative to a benchmark point toward attraction of shoppers from outside the area, and lower per capita sales indicate that local shoppers are going elsewhere to make their purchases. Inflation-adjusted annual per capita taxable retail sales trends generally mirror those for overall sales, with peak per capita taxable sales for most areas in 2005, after which sales declined through 2009 and then undertook a gradual increase. However, the recovery for per capita sales has not been as strong as for overall taxable retail sales, since population has been increasing over time also, even during the recession.

Tracy had inflation-adjusted per capita taxable retail sales of $15,540 in 2004, and for the most recent four quarters from 3rd Quarter 2013 through 2nd Quarter 2014, the City's inflation-adjusted per capita taxable retail sales are only $13,780, even though total taxable retail sales are higher than in 2004. Even given these declines, however, Tracy still has per capita retail sales greater than California, San Joaquin County, Manteca, or Lathrop. This likely reflects both the higher incomes in Tracy and an attraction of shoppers to the diverse array of

retail shopping opportunities in the City as well as the population base in Mountain House where there is currently almost no retail development.

Per Capita Retail Sales by Major Store Category

Tracy's high per capita sales overall are due to high per capita sales levels for motor vehicles, home furnishings/appliances,[1] gasoline stations, and general merchandise stores. Sales are particularly high for motor vehicles and general merchandise stores, reflecting the strong position of Tracy's cluster in the I-205 corridor of new car dealers and large general merchandise stores ranging from Costco to Walmart to Macy's. The high gasoline station sales are likely linked to Tracy's position on a major commute corridor from the Central Valley to the Bay Area.

Tracy appears particularly weak in clothing and apparel-related stores, as well as the Other Retail Group, which includes a broad range of specialty retail, including office supply stores, pet supply stores, book stores, and sporting goods, as well as pharmacies. For clothing stores, and to a lesser degree the Other Retail Group, per capita sales have been declining since 2004; these declines may be related to the effective failure of the outlet mall, and the limited number of major name-brand retailers in the West Valley Mall other than the anchor department stores.

[1] High sales in this category may be due to the presence of one or more major chain distribution centers in Tracy functioning as the point of sale for online and/or phone sales.

Per Capita Sales by Category in Tracy and the PMA Relative to the State

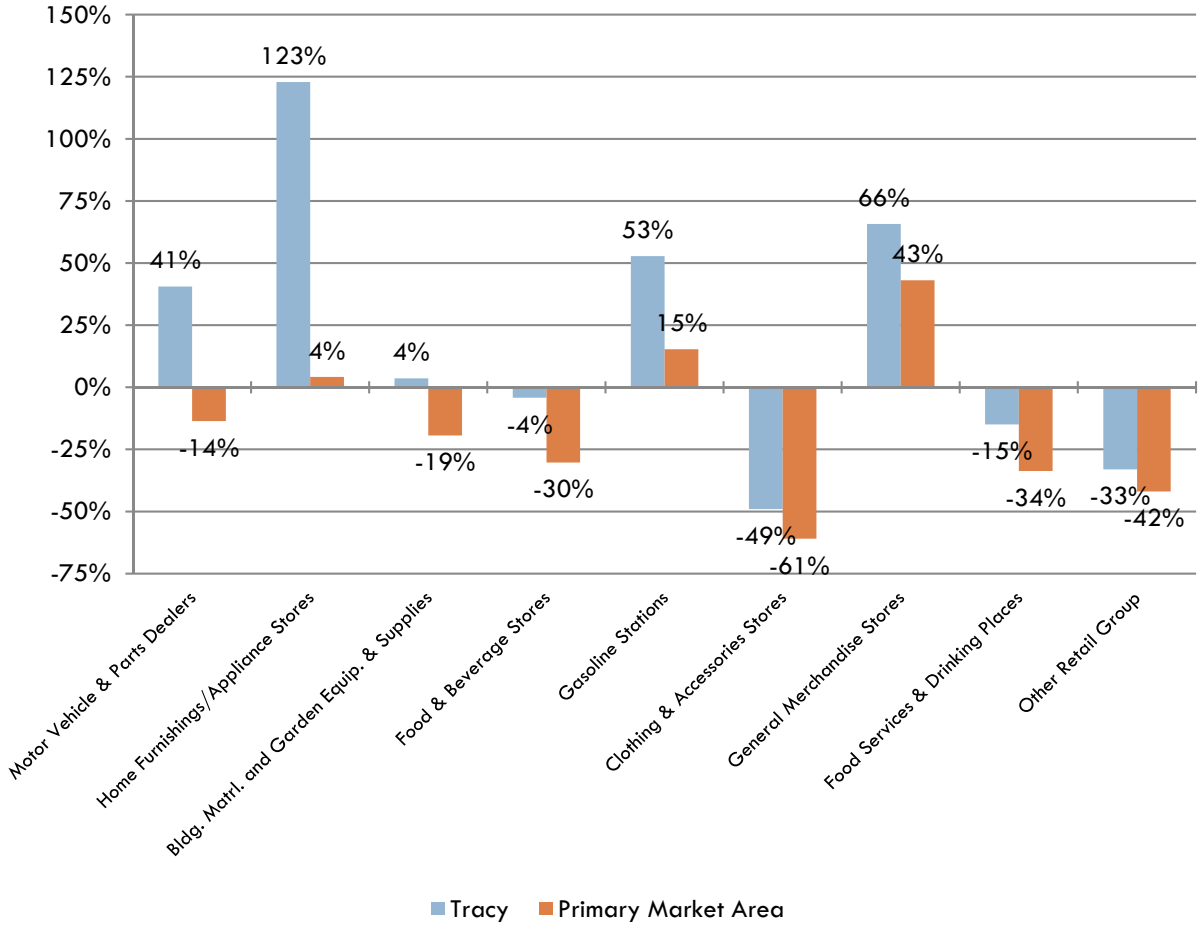


Chart shows 3Q 2013- 2Q 2014 per capita sales for Tracy and the PMA by category relative to California overall; e.g., per capita food and beverage store sales in the Market Area are 30 percent below the statewide benchmark. Includes only taxable sales. For additional detail, see Appendix A.

Sources: State Dept. of Finance; Nielsen; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; 2012 Economic Census; BAE, 2015.

Estimate of Demand for Additional Retail Space in Tracy

Overview of Methodology

This estimate builds on the historic trend information and demographic analysis via the following steps:

- Retail sales for Tracy and the PMA are updated to 2015
- Per capita estimates are derived based on these overall 2015 estimates
- Sales are aggregated into two categories: motor vehicle-related and all other retail
- Future PMA retail sales are estimated by using the population projections along with the per capita sales estimates for these two major categories, using five-year intervals out to 2030

- Tracy's share/capture of PMA sales is derived assuming Tracy's current share of the PMA's retail sales
- Using this share proportion, future Tracy retail sales for the two major retail categories are estimated
- Industry-standard benchmarks for sales per square foot/sales per acre along with typical floor area ratios (FARs), vacancy, and non-retail use of retail space (e.g., beauty salons, insurance offices, banks) are then applied to each five-year increment in sales, to generate an estimate of demand for additional retail land through 2030.

2015 Retail Sales

Tracy's 2015 per capita motor vehicle-related retail sales are estimated at $5,943, with non-automotive retail sales estimated at $10,938. For the PMA, 2015 motor vehicle-related sales per capita are estimated at $4,019 and non-automotive retail sales are estimated at $8,407.

Estimated Retail Sales by Major Retail Store Category, 2015

Sales in 2014 $000 (a) (b) (c)	**Tracy**	**Lathrop**	**Manteca**	**Market Area** (d)
Motor Vehicle and Parts Dealers	$338,280	$37,055	$134,050	$509,386
Home Furnishings and Appliance Stores	$143,743	$0	$20,868	$164,612
Bldg. Matrl. and Garden Equip. & Supplies	$72,483	$13,860	$51,821	$138,164
Food and Beverage Stores	$187,182	$24,578	$121,822	$333,582
Gasoline Stations	$178,755	$64,603	$87,137	$330,496
Clothing & Clothing Accessories Stores	$39,852	$105	$34,870	$74,827
General Merchandise Stores	$258,415	$31,439	$256,715	$546,568
Food Services and Drinking Places	$147,361	$19,737	$114,311	$281,409
Other Retail Group	$102,571	$4,588	$110,705	$217,864
Retail Stores Total	**$1,468,644**	**$195,963**	**$932,300**	**$2,596,907**
Automotive	$517,036	$101,658	$221,188	$839,882
Non-Automotive	$951,608	$94,305	$711,112	$1,757,026

Sales per Capita in 2014 $ (a) (b) (c)	**Tracy**	**Lathrop**	**Manteca**	**Market Area (d)**
Motor Vehicle and Parts Dealers	$3,888	$1,855	$1,874	$2,437
Home Furnishings and Appliance Stores	$1,652	$0	$292	$788
Bldg. Matrl. and Garden Equip. & Supplies	$833	$694	$724	$661
Food and Beverage Stores	$2,152	$1,231	$1,703	$1,596
Gasoline Stations	$2,055	$3,235	$1,218	$1,581
Clothing & Clothing Accessories Stores	$458	$5	$487	$358
General Merchandise Stores	$2,970	$1,574	$3,589	$2,615
Food Services and Drinking Places	$1,694	$988	$1,598	$1,346
Other Retail Group	$1,179	$230	$1,548	$1,042
Retail Stores Total	**$16,881**	**$9,811**	**$13,034**	**$12,425**
Automotive	$5,943	$5,090	$3,092	$4,019
Non-Automotive	$10,938	$4,722	$9,941	$8,407
Population	87,000	19,973	71,531	209,000

(a) Retail sales have been adjusted to 2014 dollars based on the California Consumer Price Index, derived by the State Department of Industrial Relations based on data from BLS. Totals may not sum from components due to independent rounding.
(b) Analysis excludes all non-retail outlets (business and personal services).
(c) Per capita sales calculated based on sales divided by population. Population from Nielsen.
(d) Due to data availability issues, PMA data only includes sales for incorporated places within the PMA. Population for Tracy and PMA from Table 2. Land use patterns indicated very limited retail sales in the unincorporated areas.

Sources: Nielsen; State Board of Equalization; City of Tracy; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Future Retail Sales

Using population projections and the per capita sales estimates from above, the following table shows the projections of future retail sales in the PMA, assuming constant per capita sales by major retail category.

Estimated Retail Sales by Major Retail Store Category, 2015

	Baseline				
Per Capita Retail Sales	**2015**				
Motor Vehicle-Related	$4,019				
All Other Retail	$8,407				
Total Retail	$12,425				
	2015	**2020**	**2025**	**2030**	
Tracy Population	87,000	96,000	105,000	115,000	
PMA Population	209,000	227,000	245,000	264,000	
Tracy Population as % of PMA	41.6%	42.3%	42.9%	43.6%	
Total Primary Market Area Retail Sales ($000)					
Motor Vehicle-Related	$839,882	$912,216	$984,550	$1,060,903	
All Other Retail	$1,757,026	$1,908,349	$2,059,671	$2,219,401	
All Retail	$2,596,907	$2,820,564	$3,044,222	$3,280,304	
Increment in Primary Market Area Retail Sales ($000)		**2015 - 2020**	**2020 - 2025**	**2025-2030**	**2015 - 2030**
Motor Vehicle-Related		$72,334	$72,334	$76,353	$221,021
All Other Retail		$151,323	$151,323	$159,730	$462,375
All Retail		$223,657	$223,657	$236,082	$683,397

Note: Sales estimates are in 2015 dollars assuming no inflation from 2014 to 2015. Per capita sales calculated based on sales divided by population.

Sources: Nielsen; State Board of Equalization; San Joaquin Council of Governments; City of Tracy; 2012 Economic Census; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Tracy's Share of PMA Sales

Tracy garners a high proportion of retail sales in the PMA relative to its population base, indicating its historic position as an attractor of retail shoppers. While this proportion has fluctuated over the last 10 years, Tracy's share in 2014 was nearly the same as in 2004, even as Manteca and Lathrop have grown and added to their own region-serving retail inventory, and Mountain House approaches the required critical mass for additional retail development. While further growth in population and new retail options elsewhere in the PMA may lead to a decline in Tracy's share of sales, the analysis here uses the current proportions for estimates of Tracy's retail sales in the future. Given that the purpose of this analysis is to ensure that Tracy has enough land available for future retail demand, it is important to have the capacity to maintain this existing share rather than potentially constrain future retail development by assuming a declining share.

Tracy's current share of motor vehicle-related sales is estimated at 62 percent of the PMA, with all other retail at a 54 percent share. By comparison, Tracy's population makes up only approximately 42 percent of the PMA total.

Projected Future Retail Sales in Tracy

Applying the proportions above to the PMA, Tracy's retail sales are projected to reach approximately $1.9 billion annually by 2030. Motor vehicle related sales will reach $0.7 billion, and all other retail will reach $1.2 billion.

Future Estimated Retail Sales in Tracy, 2015 - 2030

Tracy Retail Sales ($000)	**2015**	**2020**	**2025**	**2030**
Motor Vehicle-Related	$517,036	$565,574	$610,421	$657,760
All Other Retail	$951,608	$1,030,508	$1,112,222	$1,198,476
All Retail	$1,468,644	$1,596,082	$1,722,644	$1,856,236

Increment in Tracy Retail Sales ($000)	**2015 - 2020**	**2020 - 2025**	**2025-2030**	**2015 - 2030**
Motor Vehicle-Related	$48,538	$44,847	$47,339	$140,724
All Other Retail	$78,900	$81,714	$86,254	$246,868
All Retail	$127,438	$126,562	$133,593	$387,592

Sources: Nielsen; State Board of Equalization; San Joaquin Council of Governments; City of Tracy; 2012 Economic Census; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Retail Real Estate Market Conditions

Overview of Existing Retail Real Estate Market

In any retail market, existing retail space is vacated on a regular basis due to functional obsolescence and the general cycle of retail closures and openings over time. Existing obsolete space is sometimes replaced by newer retail space or by other land uses, including mixed-use development. Furthermore, any retail market will have a certain amount of vacant space due to normal turnover as businesses come and go.

CoStar, a national online database of office, industrial, and retail/commercial space, estimates the total retail inventory of Tracy at approximately 4.5 million square feet. Overall, the PMA has a total of approximately 8.5 million square feet. Tracy thus contains slightly over half the space, with the percentage dropping slightly over the 2007 through 2015 period, as Tracy's inventory has grown at a slightly slower pace than the PMA overall.

Retail vacancy trends in Tracy and the PMA overall track with the overall economy much as do taxable sales. In 2007, vacancy rates were at the lowest of the 2007 to 2015 period, at 4.5 percent in Tracy and 5.2 percent in the PMA overall. Rates climbed steeply to a peak in 2009,

at 12.6 percent in Tracy and 11.1 percent in the PMA. For the most parts, rates decreased gradually into 2015, with year-to-date vacancy rates of 7.7 percent and 5.7 percent in Tracy and the PMA, respectively.

Retail rents declined in Tracy during the recession, but have partially recovered since 2010; triple net rents averaged $25.39 per square foot in 2007, decreased to $18.88 in 2010, and for 2015 year-to-date average $23.51. Manteca has fared poorly with 2015 rents still near the low for the 2007 through 2015 period; rents in 2007 at $25.76 per square foot were actually slightly higher than Tracy, but for 2015 the average rent is reported at $16.55, only 70 percent of Tracy levels. Rents in Lathrop have generally been higher than either Tracy or Manteca, but the supply is much more limited, at only about four percent of the PMA total retail square footage reported by CoStar.

In summary, the retail real estate market in Tracy and the PMA is in recovery from the recession, with slightly more growth in total retail space in the PMA overall than in Tracy. Following a period of higher vacancies, current levels are in the range appropriate for a stabilized market, although Tracy's vacancy rate is slightly higher than the PMA overall. Rents in Tracy in 2015 have rebounded to nearly the levels seen prior to the depths of the recession, but rents in Manteca remain weak.

Key Competitive Retail Nodes in the Market Area

Tracy contains a large and diverse variety of retail nodes, ranging from Downtown Tracy to old strip commercial centers to a regional mall. The three largest centers, West Valley Mall, Tracy Marketplace, and Tracy Pavilion, are clustered near the Grant Line Road interchange in the I-205 Corridor, and contain approximately 1.9 million square feet of space. In addition to these and other smaller shopping centers, there is a substantial amount of space Downtown and along 11th Street and Tracy Boulevard either as stand-alone space or in smaller strip centers.

Most centers reported vacancy rates below 10 percent, within industry norms for a stable market and mirroring the CoStar data, but several centers showed high or even extremely high vacancies. Most notably for the I-205 Corridor, the Shops at Northgate Village, the former outlet mall, is largely vacant, but the property has come under new ownership which is working on re-tenanting the center with more local businesses. This center falls within the I-205 corridor, but is largely isolated from the other retail along the corridor. While the vacancy rate for the mall was not available, the anchor spaces are all occupied by major national chains, and in addition to the anchor tenants there is a movie theater complex, a Sports Authority, and a free-standing Best Buy electronics store and several restaurants. In its tour, BAE noted several smaller vacancies within the mall itself, but most of the spaces were occupied, largely by businesses focused on middle-income shoppers. Overall in its area tour, BAE found most of Tracy's existing shopping centers and retail areas to have limited vacancies, with the available shops tending to be smaller spaces.

Manteca and Lathrop include a number of additional shopping centers, many of them local-serving neighborhood centers, often anchored by supermarkets. For region-serving centers competitive with Tracy, Lathrop has just one region-serving center competitive with Tracy, the Lathrop Marketplace, where the only store is a 127,000 square foot Target. Phase 1 of this center has space for one additional store of similar size (or multiple stores totaling a similar square footage), and several smaller free-standing pads. Land is also available for a second phase when/if market conditions attract additional retailers. Manteca has four large retail centers/nodes competitive with Tracy. The Stadium Center is anchored by Costco and Kohl's, with a number of other national chain retailers present. The Promenade Shops at Orchard Valley is the largest center in Manteca, and was originally conceived as a lifestyle center. Aside from its large anchor tenants (JC Penney, Bass Pro, and AMC Theatres), however, the center is largely vacant or undeveloped. The Bass Pro store, originally the only store for this sporting goods chain in Northern California and drawing shoppers from throughout the larger region because of its large size and wide array of products, now faces competition from Bass Pro outlets in Rocklin and San Jose which are within the major population concentrations in the northern part of the state.

There are two other major retail concentrations in Manteca, one including a Walmart and Safeway at State Route 120 and South Main Street, and Spreckels Park at State Route 99 and East Yosemite Avenue, anchored by Target and Home Depot. While vacancy rates were not available for these two areas, BAE's area tour showed few unoccupied spaces in these centers.

Planned and Proposed Retail Development in Tracy and the Primary Market Area

There are several small retail projects in Tracy currently underway. None of these near-term projects involves a substantial increase in the overall retail inventory, such as a large big-box store. Most significant are the improvements at the Shops at Northgate Village, as the new owner attempt to reposition this largely vacant former outlet center. As a rehabilitation effort, this will not add any additional square footage to the inventory, but will make the center more competitive with existing retail space.

There are several additional long-term projects in the planning process. The largest of these is the Tracy Hills project, which includes land for up to 758,944 square feet of space designated as general highway commercial. This project is currently in the application process, with the Specific Plan and its EIR under review. According to the Draft Specific Plan, "[f]ull development of the Tracy Hills Specific Plan area may take up to 20 years or more to complete, depending on market conditions." Most of the general highway commercial development will occur in the long term rather than the early phases, and will occur near interchanges with I-580, serving local residents and highway travelers.

Other developments include the Ellis project, which includes a mix of residential and commercial uses, with retail development in or near the "village center" area. This project

recently broke ground on its first residential portion. There is also an expansion/second phase at Red Maple Village which includes 22,500 square feet of proposed retail space.

Manteca has no major near-term retail projects currently underway. Longer term in Manteca, the City has been working with a developer to establish a "Family Entertainment Zone" adjacent to the Stadium Center and the Big League Dreams baseball facility, consisting of tourism-related development including a hotel, conference facilities, some restaurant space, an indoor and outdoor water park, and other recreational facilities, as well as 360,000 square feet of retail and restaurant uses serving patrons of the other parts of the project as well as local residents. The development timing for the project is currently up in the air.

Lathrop has two small projects currently in process, a truck stop and a fast food restaurant. Longer term, the Lathrop Marketplace project is entitled for up to 800,000 square feet of retail and commercial space including the existing Target. Phase 1, which includes the Target, is slated for a total of up to 300,000 square feet of space.

Mountain House has almost no retail development, but recently revised their town center plans to better reflect current retail trends and resident needs. Currently, the master developer is seeking a grocery store and a gas station, and the Town Center plan calls for areas of pedestrian-oriented retail and mixed use development, along with additional public uses. Development will depend in part on continued growth in Mountain House, in order to reach the critical mass of a large enough population base to attract retailers; because of the Town Center location, any retail in Mountain House will be largely dependent on local residents.

Comparison of Supply and Demand

Projected Demand for Retail Land in Tracy

This estimate of demand is derived by taking the projected increment in retail sales over each five-year period, and applying several industry benchmarks for sales per square foot or acre, floor area ratios, shopping center tenant mix, and vacancy to derive future land demand.

The results of the analysis are shown below, with projected demand for approximately 16 acres of land for future motor vehicle-related demand, and approximately 670,000 square feet of built space or 72 acres of land for all other retail types.

Demand for Retail Land in Tracy, 2015 - 2030

Annual Sales per Square Foot/Acre (2015 $)	
Motor Vehicle-Related (per acre)	$9,000,000
All Other Retail (per square foot)	$400
FAR for All Other Retail	0.25
Service Business Factor for Other	15.0%
Vacancy Factor for Other Retail	7.5%

Demand for New Non-Motor Vehicle-Related Building Space	2015 - 2020	2020 - 2025	2025-2030	Total 2015 - 2030
	250,874	204,286	215,635	670,794

New Land Demand in Acres	2015 - 2020	2020 - 2025	2025-2030	Total 2015 - 2030
Motor Vehicle-Related	5.39	4.98	5.26	15.64
All Other Retail	23.04	23.86	25.18	72.08
Total Land Demand	28.43	28.84	30.44	87.72

Sources: Nielsen; State Board of Equalization; San Joaquin Council of Governments; City of Tracy; 2012 Economic Census; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Projected Demand for Retail Land in the I-205 Corridor

The I-205 Corridor is the primary location for region-serving retail in Tracy, encompassing the cluster of new car dealers, the mall, and numerous big-box stores. The analysis here assumes that future demand for region-serving retail will be met in the Corridor, along with some local demand (e.g., food stores, such as WinCo or the Walmart expansion).

New car dealers (either representing additional brands or expansion of existing brands) seeking to meet growth in demand will seek locations near the current dealers along Naglee Road. These dealers make up the bulk of motor vehicle-related demand for new retail land. Gasoline stations (often with convenience stores) will serve both local and regional drivers; two thirds of all land demand for this retail subcategory has been assumed to be suited for the I-205 Corridor. For the entire motor-vehicle related category, the analysis assumes 90% of demand will be in the I-205 Corridor.

All Other Retail

This includes a broad range of retail categories, some of which are primarily region-serving (e.g., department stores and big box stores), and others having a more local orientation (e.g., supermarkets). However, the lines between some of these categories are blurred; for instance, the WinCo food store functions as a regional draw as well as serving local Tracy shoppers. Overall, BAE has assumed that 70 percent of overall demand for all other retail will be in the I-205 Corridor. Table 15 shows the results of the analysis, with demand in the I-205 Corridor for approximately 470,000 square feet of non-automotive retail space and 65 total acres of retail-serving land uses.

Table 1: Demand for Retail Land in the I-205 Corridor, 2015 - 2030

Regional Proportion of Overall Demand	
Motor Vehicle-Related	90%
All Other Retail	70%

Demand for New Non-Motor Vehicle-Related Building Space	2015 - 2020	2020 - 2025	2025-2030	Total 2015 - 2030
	175,612	143,000	150,944	469,556

New Land Demand in Acres	2015 - 2020	2020 - 2025	2025-2030	Total 2015 - 2030
Motor Vehicle-Related	4.85	4.48	4.73	14.07
All Other Retail	16.13	16.70	17.63	50.46
Total Land Demand	20.98	21.19	22.36	64.53

Sources: Nielsen; State Board of Equalization; San Joaquin Council of Governments; City of Tracy; 2012 Economic Census; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Available Developable Land in the I-205 Corridor

According to City staff, there are approximately 616 acres of vacant or underutilized commercial land[2] in the City portion of the I-205 Corridor, with an additional 265 acres in unincorporated areas within the City Sphere of Influence. While a number of these are very small parcels and may not be suitable for development unless consolidated, there are numerous larger parcels, many of them adjacent to or within currently developed areas. There is additional acreage designated for commercial development in the Urban Reserve 2 and 3 areas, the Gateway PUD area, and Cordes Ranch Specific Plan areas.

Analysis

Based on the above supply information, there appears to be ample land in the I-205 corridor to meet future demand for retail/commercial development over the next 10 to 15 years. Demand is estimated at 65 acres through 2030, and there are over 800 total acres of potentially developable commercial land. While this report has focused on the retail sector, there is ample available land to meet demand for other commercial uses, including hotels and service businesses; demand for these uses is likely to grow at a rate similar to retail demand. In the short term, there are no major new retail projects currently underway in the corridor.

Furthermore, even though a number of the parcels are small and would be difficult to consolidate into a marketable property, there are numerous larger parcels located within or near the existing retail concentrations of motor vehicle dealers, Tracy Pavilion, Tracy

[2] Available land consists of vacant or underutilized properties that are either designated by the General Plan as commercial, have current zoning of commercial, or are within an Urban Reserve and Specific Plan with a set amount of future commercial.

Marketplace, and the West Valley Mall. There are additional large properties available in the nearby Urban Reserve Areas, and to the west in the Gateway PUD and the Cordes Ranch Specific Plan area.

Another qualitative factor to consider in the demand for new retail is that shopper preferences change over time, and existing retail may become functionally obsolete or unable to compete with newer centers. An example of this in Tracy is the outlet mall. While the current owners are attempting to repurpose and re-tenant the center, if this effort does not succeed, the property could see long-term vacancy, and might be best suited for redevelopment in another retail configuration or in a different use. An additional potential concern might be the long-term viability of the mall; across the U.S., the number of malls is declining, with the most successful malls being upscale centers such as the Stanford Shopping Center in Palo Alto or Westfield Valley Fair in San Jose, with anchors such as Nordstrom and Bloomingdales. Nationally, Macy's, JC Penney, and especially Sears, have struggled lately to attract shoppers; even Target has had difficulties, including a major security breach and the closure of all its Canadian outlets.

It is also important to seek out retailers suitable for the area's population and employment base. In Manteca, the Promenade Shops at Orchard Valley, originally envisioned as a lifestyle center built around the Bass Pro outlet and its other anchors, suffers from extremely high vacancies as it has failed to attract other tenants to the center, and while the Bass Pro for many years was the chain's only store in Northern California, it now faces competition from Bass Pro stores in Rocklin and San Jose.

In summary, Tracy appears to have ample land available for new retail and commercial development that would permit the City to maintain its share of PMA sales, but it is also important to be aware that existing retail will face challenges with the need to recycle, renew, and reposition itself as consumer spending patterns evolve over time.

DEMOGRAPHIC OVERVIEW

This section presents an overview of historic, current, and projected demographic conditions in the City of Tracy and the City's Primary Market Area for retail, as defined below. Developing a demographic profile of these areas helps in identifying key factors influencing future retail sales in the areas. Data sources for this demographic overview include the U.S. Census Bureau, the San Joaquin Council of Governments, the California State Department of Finance, and Nielsen, a private vendor providing estimates of current and future demographic conditions.

Definition of Primary Market Area

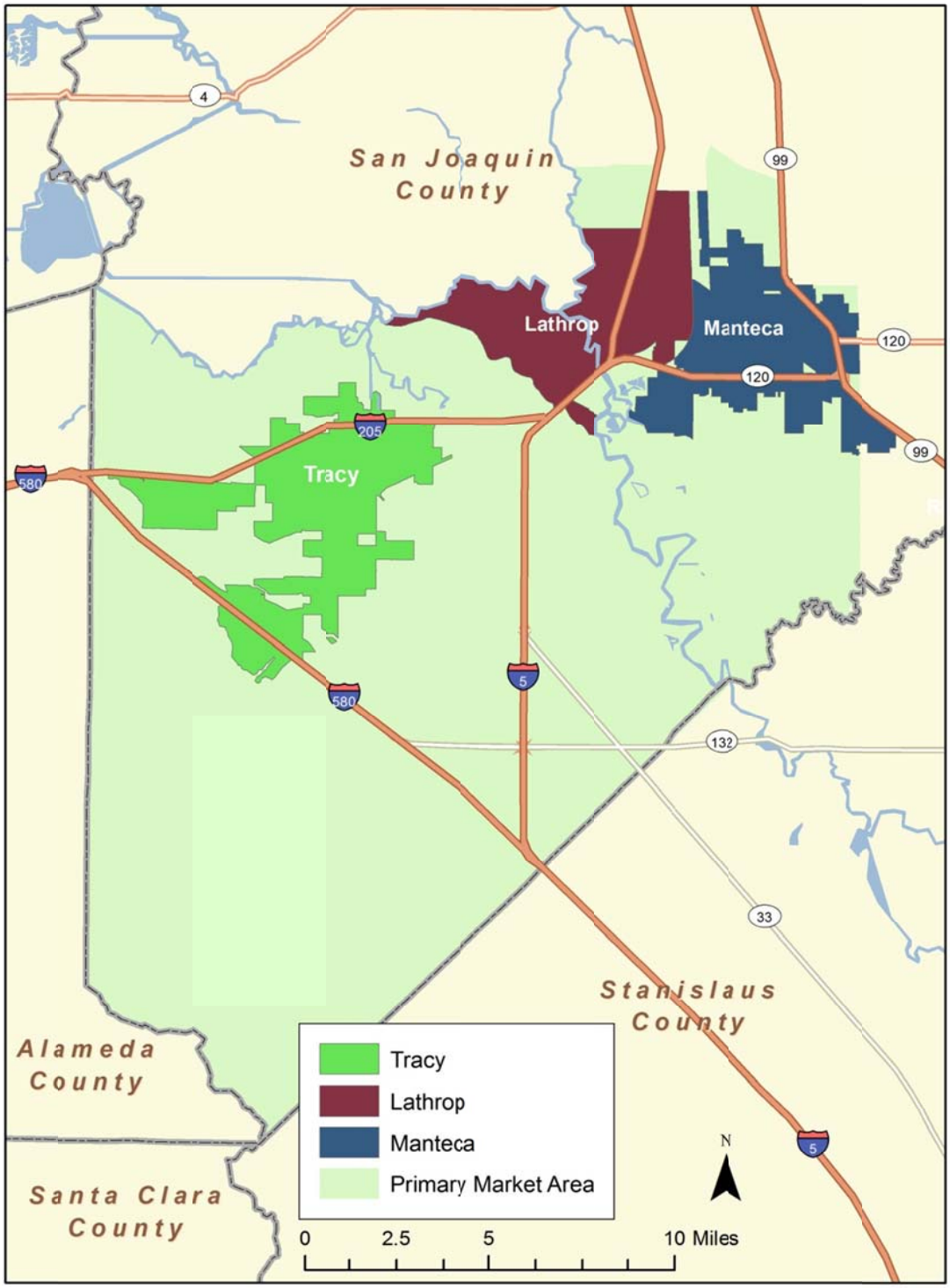
A market area is the geographic region that encompasses most of a retail outlet's customers. BAE defined the Primary Market Area (PMA), based on:

- A physical tour of Tracy and nearby communities including Mountain House, Lathrop, and Manteca.
- BAE knowledge of and mapping of potentially competitive nodes in other nearby communities such as Stockton and Livermore.
- Since this study encompasses all types of retail, the area has been defined based on region-serving retail types such as motor vehicle dealer sales and "big box" general merchandise stores.

The PMA has been defined as the Cities of Tracy, Lathrop, and Manteca, as well as Mountain House and other nearby unincorporated areas, as shown in Figure 1. This area has been defined using Census Tract boundaries; while in cases these boundaries extend a considerable distance beyond Tracy, these more-distant areas (such as the hills southwest of I-580) are very lightly populated and thus are not a significant source of retail demand for Tracy or any other retail node.

This area is limited by distance to Tracy and the presence of other duplicative retail nodes beyond the PMA. To the west, the Tri-Valley cities of Livermore, Pleasanton, and Dublin have a wide array of retail, includes types not found in the PMA (e.g., the new outlet mall in Livermore); additionally, traffic congestion over the Altamont Pass provides a significant barrier to the attraction of shoppers to Tracy. To the south along I-5, the nearest substantial population center is Patterson, which has limited retail (but has a recently opened Walmart Supercenter) and while some shoppers may travel to Tracy, Patterson has good access to major retail nodes in Modesto and Turlock. To the north is Stockton, which offers a full range of shopping opportunities similar to those found in Tracy. The areas to the east of the PMA (i.e., east of Manteca) are largely agricultural; the cities of Ripon and Escalon are closer to Modesto than Tracy.

Figure 1: Primary Market Area



It is important to note that while the majority of Tracy's shoppers are likely to reside within this area, Tracy, and especially the I-205 corridor, will attract shoppers travelling through the City, as well as other shoppers from elsewhere who are attracted to particular retailers in Tracy.

The following demographic overview provides data for the City of Tracy and the Primary Market Area, as well as San Joaquin County and the state for comparison purposes.

Population Trends

An analysis of population and household growth trends is crucial in assessing current and future retail demand for a given market area. In cities with continued growth, increased demand for retail space would in turn drive demand for additional land on which to develop this new retail space. In the absence of available properties, retail developers may shift their focus to other nearby communities, leading to consumers spending their retail dollars in communities other than their own.

As shown in Table 1, Tracy and the PMA experienced strong population growth between 2000 and 2010, both geographies growing at an annual compound rate of 3.8 percent, compared to only 2.0 percent for San Joaquin County overall. This growth slowed considerably over the last five years, which were years of slow recovery from the recession and the housing crisis which impacted the County severely. Tracy's growth rate slowed to only 1.2 percent annually, while the PMA's rate was 1.5 percent and the County's was 0.8 percent. Household growth trends mirrored those of the population overall.

Tracy's households tend to be larger than the PMA's, which in turn are larger than the County's (also in Table 1). Household size has been increasing for all three areas.

Tracy's share of the PMA's population, and thus of the PMA's consumer base, has remained relatively unchanged over the last 15 years, at approximately 42 percent of the total.

Table 2: Population Trends, 2000-2015

Population	2000	2010	Annual Rate of Change 2000-2010	2015	Annual Rate of Change 2010-2015
City of Tracy	56,929	82,922	3.8%	88,019	1.2%
Primary Market Area	134,319	195,536	3.8%	210,630	1.5%
San Joaquin County	563,598	685,306	2.0%	713,388	0.8%
Tracy Population as % of PMA	42%	42%		42%	
Households					
City of Tracy	17,620	24,331	3.3%	25,341	0.8%
Primary Market Area	41,572	58,216	3.4%	61,822	1.2%
San Joaquin County	181,629	215,007	1.7%	221,834	0.6%
Average HH Size					
City of Tracy	3.21	3.40		3.46	
Primary Market Area	3.12	3.28		3.34	
San Joaquin County	3.00	3.12		3.16	

Sources: U.S. Census, 2000 and 2010; Nielsen; BAE, 2015.

For projections of future population growth in the City and the PMA, BAE consulted several sources, including projections for Tracy based on the overall limit of 600 housing units a year per Tracy's Growth Management Ordinance, preliminary projections from the University of the Pacific Business Forecast for the San Joaquin County Council of Governments, and 2015 and 2020 estimates from Nielsen, a private vendor of U.S. demographic and economic data. The resulting projections shown here rely on Tracy projections linked to and limited by the Growth Management Ordinance, with UOP data used for Lathrop, Manteca, and Mountain House. The share in other unincorporated portions of the PMA is assumed to remain constant over the 15-year period. Note that due to the use of different sources, the numbers may vary slightly from those found in Table 1, which are based on the decennial Census for 2000 and 2010 and Nielsen estimates for 2015.

The PMA's population is projected to increase by slightly more than 25 percent between 2015 and 2030, to a total population of 264,000. Tracy's population is projected to increase by 28,000 over the period to 115,000, with percentage growth slightly higher than for Manteca and Lathrop, but below that of Mountain House. Even with its Growth Management Ordinance in place, Tracy will continue to be the largest city in the PMA; Tracy's share of PMA population is estimated to remain about the same, with a minimal increase in share from 42 to 43 percent.

Assuming no major decline in incomes and spending power, this additional population growth will lead to increased retail expenditures by residents of Tracy and the PMA,

which in turn may be reflected in increased demand for land to support new retail development.

Table 3: Long-Term Population Projections

	Total Population				% Growth
	2015	2020	2025	2030	2015-2030
Tracy	87,000	96,000	105,000	115,000	32%
Manteca	71,831	77,018	82,912	88,855	24%
Lathrop	19,487	21,102	22,936	24,786	27%
Mountain House	10,975	12,435	14,094	15,766	44%
Unincorporated PMA	20,000	20,000	20,000	20,000	0%
PMA Total	**209,293**	**226,555**	**244,942**	**264,407**	**26%**
Tracy as Percent of PMA	42%	42%	43%	43%	

Notes:
Estimates here may vary from those found in Table 1, due to different sources required for long-term projections.

Sources: University of the Pacific Business Forecasts for San Joaquin Council of Governments, preliminary estimates provided to City of Tracy; City of Tracy; Nielsen; BAE, 2015.

Resident Income

Consumer buying power is a critical factor in assessing the potential for retail development, and household income provides a measure of the strength of this disposable income. At $71,476, Tracy has a higher 2015 median annual household income than the PMA at $66,930, which in turn has a considerably higher median household income than San Joaquin County at $51,027 (see Table 3). On a per capita basis, Tracy is also still higher than the PMA even though average household size is larger. Because of Tracy's higher incomes, retailers seeking a new retail location, especially higher-end retailers, may prefer sites in in Tracy over sites elsewhere in the PMA.

Table 4: 2015 Household Income

	City of Tracy	Primary Market Area	San Joaquin County
Median Income	**$71,476**	**$66,930**	**$51,027**
Income per HH Member	**$25,222**	**$23,854**	**$21,150**

Sources: Nielsen; BAE, 2015.

Tenure

Tenure (owner vs. renter occupancy) impacts the retail mix of an area as well as overall sales volumes. For instance, home owners are more likely to spend money on home improvements, appliances, and furniture; since renters tend to be younger, they may spend more money on meals away from home, entertainment, and other similar goods and services. Renters also tend to have lower incomes, leading to reduced overall retail expenditures.

In 2000, Tracy had a higher proportion of homeowners than the PMA overall, but by 2010, as homeownership rates declined due to the recession and foreclosure crisis, Tracy's homeownership declined to a level slightly below the PMA (see Table 4). Currently, homeowners make up 66.3 percent of all households in Tracy. Both Tracy and the PMA have higher homeownership rates than San Joaquin County.

Table 5: Household Tenure Trends

City of Tracy	2000		2010		2015	
	Number	Percent	Number	Percent	Number	Percent
Owner-Occupied	12,717	72.2%	16,163	66.4%	16,797	66.3%
Renter-Occupied	4,903	27.8%	8,168	33.6%	8,544	33.7%

Primary Market Area	2000		2010		2015	
	Number	Percent	Number	Percent	Number	Percent
Owner-Occupied	28,691	69.0%	38,733	66.5%	41,302	66.8%
Renter-Occupied	12,881	31.0%	19,483	33.5%	20,520	33.2%

San Joaquin County	2000		2010		2015	
	Number	Percent	Number	Percent	Number	Percent
Owner-Occupied	109,667	60.4%	127,270	59.2%	132,105	59.6%
Renter-Occupied	71,962	39.6%	87,737	40.8%	89,729	40.4%

Sources: U.S. Census; Nielsen, BAE, 2015.

RETAIL SALES AND DEMAND ANALYSIS

The purpose of this section is to provide the basis for the estimate of future demand for retail space and acreage in Tracy, particularly in the I-205 corridor. In order to achieve this, the analysis first examines retail sales trends in Tracy and the Primary Market Area. Data from Tracy, Manteca, Lathrop, and the PMA are presented and discussed, along with comparative data for San Joaquin County and California. This historic data will provide context and benchmarks for future per capita sales and market share for Tracy. These benchmark sales levels will then be applied to projected population growth to generate estimates of future sales levels, and finally, typical sales per acre or per square foot will be applied in order to generate an estimate of the potential need for additional retail space and land in the City of Tracy.

The primary source of information on general retail expenditures in California is the taxable retail sales data published by the State Board of Equalization (SBOE). SBOE publishes *Taxable Sales in California*, a quarterly and annual publication that reports taxable sales by major store categories by city and county. With adjustments made to take into account nontaxable sales such as food for home consumption and prescriptions, this source is the best baseline data for jurisdictions for which it is available. The most recent published annual data available at the time of this analysis were from 2013, with additional data from the first two quarters of 2014 also available. Additionally, the City supplemented the published data with additional data through first quarter 2015.

SBOE switched to a new grouping of businesses at the beginning of 2009, making comparisons with earlier data and a continued time series problematic. For example, beverage stores such as wine shops were previously classified with other retail but are now grouped with food stores; thus what might appear to be a jump in food store sales between 2008 and 2009 may actually be due to beverage stores being added to the major category (which has been renamed “food and beverage stores”). The lag of over one year between the most recent published data and today’s date must also be taken into consideration, given the ongoing recovery of the regional and national economies. The more recent data provided by the City indicates that sales have continued to recover from the recession.

Reported taxable sales data do not include nontaxable sales, which consist largely of food items for consumption at home and prescription drugs. To complete the retail analysis, a factor is applied to the taxable sales to generate an estimate of overall sales that includes non-taxable items. This adjustment factor is based on a comparison by major retail category of 2012 Economic Census data on total sales with SBOE data on taxable sales. It is also important to note that SBOE data is provided by type of retail

store, not by type of good. For example, apparel is sold in clothing stores, but is also sold in general merchandise stores such as department stores.

As noted above, the published SBOE data are for incorporated cities, counties, and the state. The Primary Market Area (PMA) includes three incorporated cities: Tracy, Lathrop, and Manteca. As shown above in Figure 1, the PMA also includes unincorporated areas which are not densely populated, as well as the growing Mountain House community. These areas, however, have extremely limited retail; even though Mountain House has dedicated land for retail development, to date there has been almost no retail space built, the most notable outlet being a convenience store. This has worked to Tracy's benefit as it provides the closest shopping for Mountain House residents. If Mountain House develops additional retail as its population base grows to the point where it can support such development, this may impact Tracy's ability to attract Mountain House shoppers in the future. Currently, however, the amount of retail found in Mountain House and other unincorporated parts of the PMA is negligible and is not considered in the following analysis.

SBOE publishes different levels of detail for different jurisdictions. The most detail is available for the state and the 36 largest counties; for the smaller counties and the 272 largest cities, taxable sales data are available for nine retail categories and one category for all other outlets.[3] Tracy and Manteca have data available at this level of detail, but categorized data were not published for Lathrop due to its smaller size. BAE placed a special order with SBOE and obtained the Lathrop data for 2013 and the first two quarters of 2014. For the two categories in Lathrop where sales by category were not disclosed by SBOE, BAE has estimated sales by category based on the retail mix of the area or based on data from the 2012 Economic Census[4] and on typical sales for a Target store such as the one in Lathrop, capped by the amount shown overall in the "Other Retail Group" category where the Target sales have been compiled for Lathrop. Neither Tracy nor Manteca had data disclosure issues.

Retail Sales Trends in Tracy and the Primary Market Area

The following section presents SBOE-derived retail sales data from the City of Tracy and the PMA by major retail store category. For comparative purposes sales data from the San Joaquin County and California are also presented. All data are presented in constant 2014 dollars, adjusted using the California Consumer Price Index. Data are

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[3] SBOE disclosure/confidentiality rules restrict the publication of data in any category where that would disclose the sales of an individual firm or establishment in a given jurisdiction. Generally, if taxable sales for a given category are not disclosed, sales are combined into a higher-level category or into the "Other Retail Group" category.

[4] Economic Census, *Retail Trade Geographic Series, 2012: California*. U.S. Census Bureau. BAE used the most recent Economic Census data available at time of analysis.

presented for the period from 2004 through 2nd quarter 2014, which was the most recently published data at the time of this analysis, with additional BAE estimates for 2015 based on data provided by the City of Tracy.

Overall Retail Sales

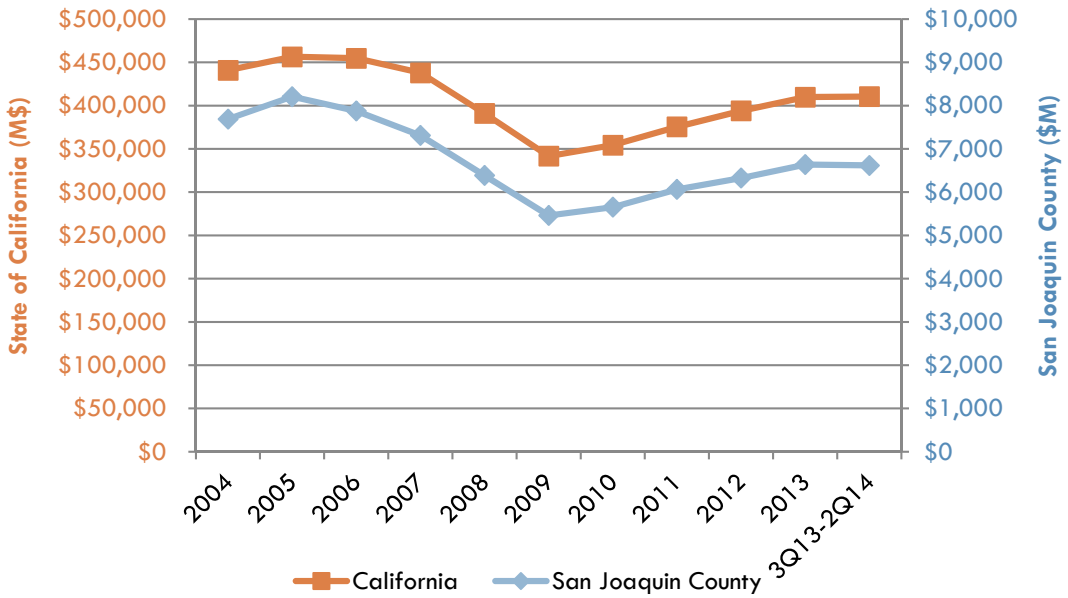
Regional Context: California

Inflation-adjusted taxable retail sales levels for California gradually increased between 2004 and 2005, and then began a multi-year decline which accelerated over time, with large drops from 2007 through 2009 as the Great Recession took hold. Total taxable retail sales levels in 2009 were the lowest of the 2004 through 2014 period, dropping to only three quarters of 2005 peak levels. Since 2009, sales have recovered gradually, but are still only 90 percent of 2005 levels on an inflation-adjusted basis, despite the increase in population over the decade. For the 3rd Quarter 2013 through 2nd Quarter 2014 period (most recent data available), California's total annual taxable retail sales were approximately $411 billion.

Regional Context: San Joaquin County

Taxable retail sales trends for San Joaquin County generally followed those statewide, with an earlier and deeper decline and a less robust recovery. Inflation-adjusted sales peaked in 2005, bottomed out at only $5.5 billion (two-thirds of the 2005 peak) in 2009, and have recovered to only 81 percent of peak levels, to $6.6 billion, in the 3rd Quarter 2013 through 2nd Quarter 2014 annual period.

Figure 2: Taxable Retail Sales Trends in California and San Joaquin County, 2004-2014



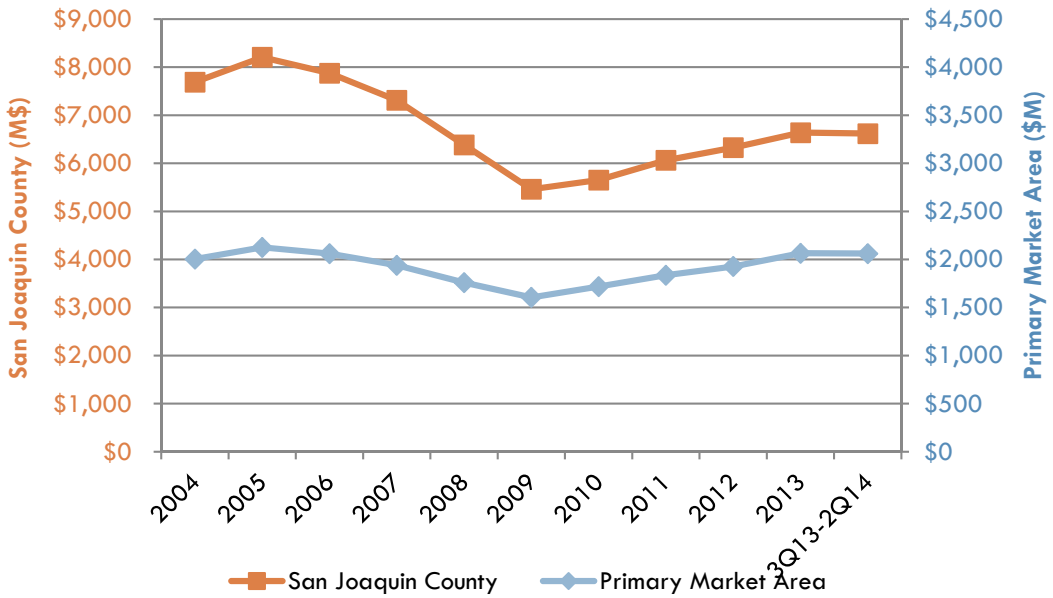
Notes: All sales shown in millions of 2014 dollars. For details, see Appendix A.

Source: BAE 2015, based on sources as noted in Appendix A.

Subregional Context: Primary Market Area

The PMA has experienced greater resiliency in retail sales over the last decade in the face of a strong recession and slow recovery. For the most recent period available, the PMA accounts for approximately 30 percent of taxable retail sales in the County; this proportion has increased gradually from 26 percent in 2004. The PMA's inflation-adjusted taxable sales follow the same pattern as the County and the State with a peak in 2005, a substantial decline to 2009, followed by a gradual recovery. However, the PMA showed a smaller proportional decline, and a stronger recovery than San Joaquin County overall. Annual taxable retail sales in the PMA peaked at $2.1 billion in 2005, declined nearly 25 percent to $1.6 billion in 2009, and recovered to back to almost $2.1 billion for the 3rd Quarter 2013 through 2nd Quarter 2014 period, or 97 percent of the peak levels. In contrast, countywide sales declined by one-third between 2005 and 2009, and have only recovered to 81 percent of the peak 2005 level as of the most recent four quarters reported.

Figure 3: Taxable Retail Sales Trends in San Joaquin County and the PMA, 2004-2014



Notes: All sales shown in millions of 2014 dollars. For details, see Appendix A.

Source: BAE 2015, based on sources as noted in Appendix A.

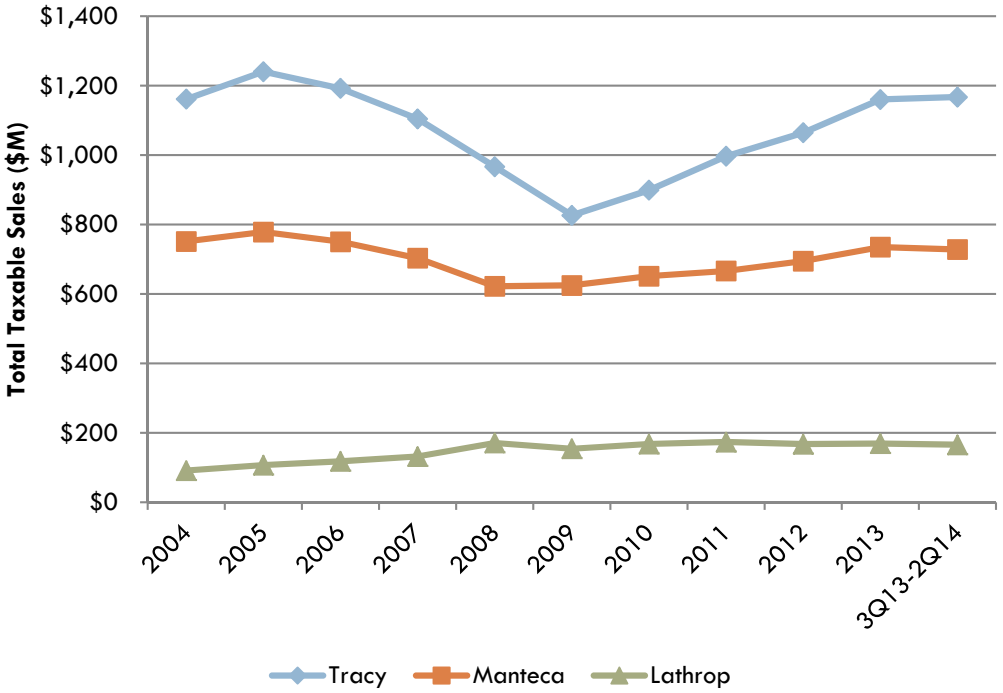
Local Context: Cities of Tracy, Manteca, and Lathrop

Retail sales trends in Tracy have also generally followed county and state trends. Inflation-adjusted taxable retail sales peaked in 2005 at $1.2 billion, then declined one-third to $0.8 billion in 2009, then recovered to slightly less than $1.2 billion in the 3rd Quarter 2013 through 2nd Quarter 2014 period, or 94 percent of 2005 levels. Proportionally, the declines were not as great as state- or county-wide.

Manteca followed a similar pattern, with peak sales of $0.8 million in 2005, but with a smaller percentage decline (20 percent) and a recovery starting a year earlier in 2008. Over the period, Manteca has developed substantial region-serving retail along Highway 120, in the Stadium Center and the Promenade Shops at Orchard Valley. Nevertheless, on an inflation-adjusted basis, taxable retail sales are still slightly below 2005 levels.

Lathrop has much lower overall retail sales, but has not exhibited the same trends linked to the recession and recovery, due in large part to the opening of Target in 2008. However, inflation-adjusted retail sales peaked in 2011, declining slightly since then.

Figure 4: Taxable Retail Sales Trends in Tracy, Manteca, and Lathrop, 20043-2014

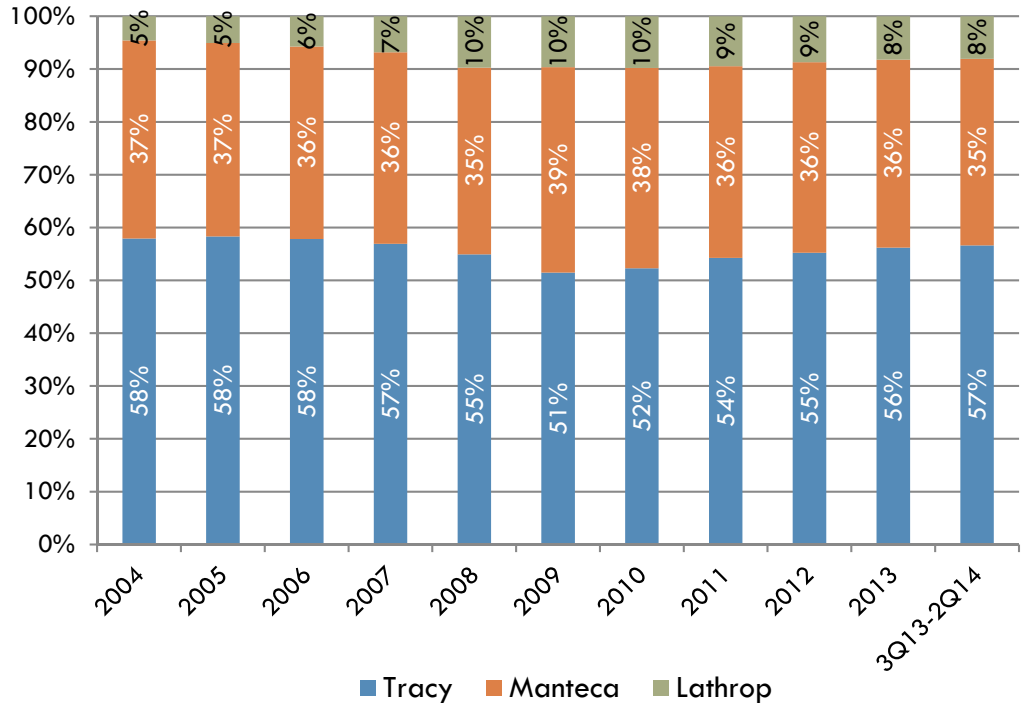


Notes: All sales shown in millions of 2014 dollars. For details, see Appendix A.

Source: BAE 2015, based on sources as noted in Appendix A.

For the most recent period (3rd Quarter 2013 through 2nd Quarter 2014) with available data, Tracy's share of PMA taxable sales is 57 percent, similar to the 58 percent share of 2004 through 2006. But in between those two annual periods, the proportion declined to 51 percent in 2009. Much of this can be attributed to a slump in motor vehicle sales, which is a relatively strong retail sector in Tracy (see discussion below). Manteca' share has ranged between 35 and 39 percent since 2004, and Lathrop's share has fluctuated between five and ten percent.

Figure 5: Share of PMA Taxable Retail Sales, 2004-2014



Source: BAE 2015, based on sources as noted in Appendix A.

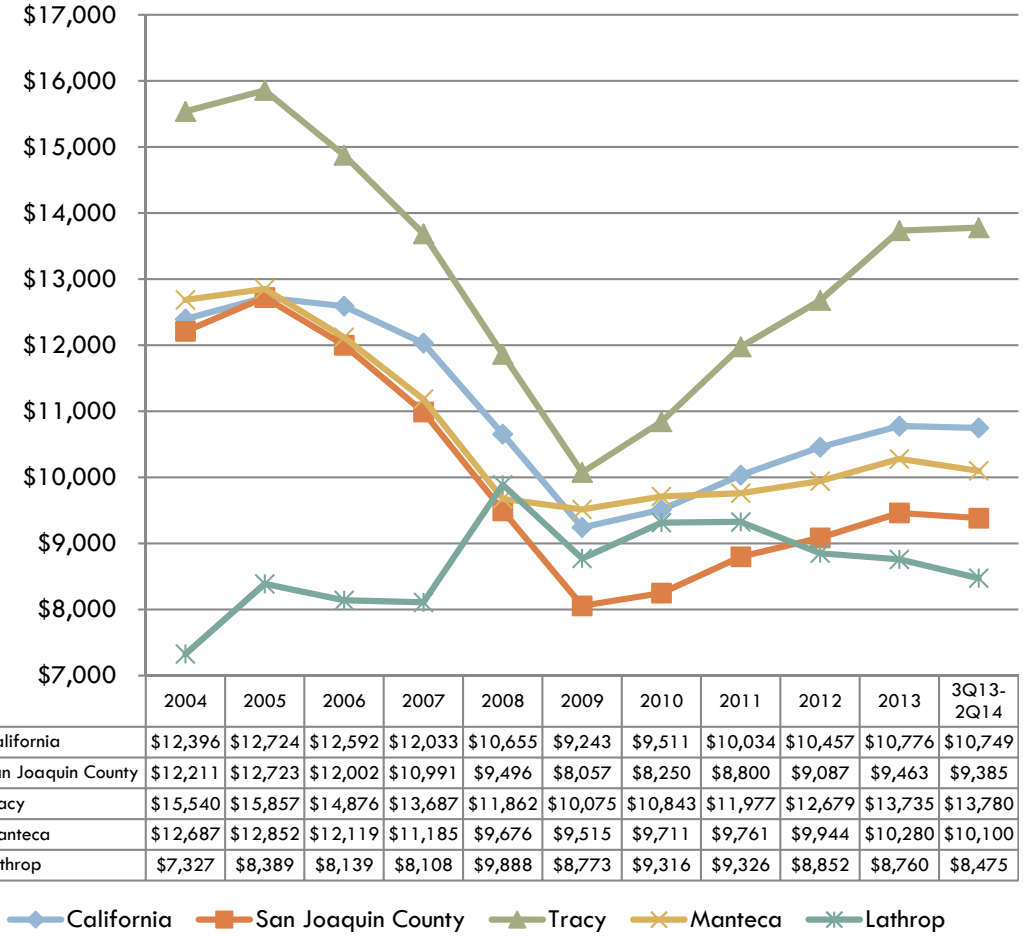
Per Capita Taxable Retail Sales

Total Per Capita Taxable Retail Sales

Per capita retail sales are an indicator of the relative strength of a locale as a retail destination; other factors being equal, higher per capita sales point toward attraction of shoppers from outside the area, and lower per capita sales indicate that local shoppers are going elsewhere to make their purchases. As shown in Figure 6, inflation-adjusted annual per capita taxable retail sales trends generally mirror those for overall sales, with peak per capita taxable sales for most areas in 2005, after which sales declined through 2009 and then undertook a gradual increase. However, the recovery for per capita sales has not been as strong as for overall taxable retail sales, since population has been increasing over time, even during the recession. For example, Tracy had inflation-adjusted per capita taxable retail sales of $15,540 in 2004, and for the most recent four quarters from 3rd Quarter 2013 through 2nd Quarter 2014, the City's per capita retail sales were only $13,780, even though total taxable retail sales are higher than in 2004.

Even given these declines, however, Tracy still has per capita retail sales greater than California, San Joaquin County, Manteca, or Lathrop. This likely reflects both the higher incomes in Tracy and the attraction of shoppers to the diverse array of retail available in the City, as well as the population base in Mountain House, which currently has almost no retail development.

Figure 6: Per Capita Taxable Retail Sales Trends, 2004-2014



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	3Q13-2Q14
California	$12,396	$12,724	$12,592	$12,033	$10,655	$9,243	$9,511	$10,034	$10,457	$10,776	$10,749
San Joaquin County	$12,211	$12,723	$12,002	$10,991	$9,496	$8,057	$8,250	$8,800	$9,087	$9,463	$9,385
Tracy	$15,540	$15,857	$14,876	$13,687	$11,862	$10,075	$10,843	$11,977	$12,679	$13,735	$13,780
Manteca	$12,687	$12,852	$12,119	$11,185	$9,676	$9,515	$9,711	$9,761	$9,944	$10,280	$10,100
Lathrop	$7,327	$8,389	$8,139	$8,108	$9,888	$8,773	$9,316	$9,326	$8,852	$8,760	$8,475

Notes: All sales shown in 2014 dollars. PMA not shown as population estimates are not available for most years. For details, see Appendix A.

Source: BAE 2015, based on sources as noted in Appendix A.

Per Capita Retail Sales by Major Store Category

Tracy has high per capita sales overall, due to high per capita sales levels for motor vehicles, home furnishings/appliances,[5] gasoline stations, and general merchandise stores. Sales are particularly high for motor vehicles and general merchandise stores, reflecting the strong position of Tracy's cluster in the I-205 corridor of new car dealers and large general merchandise stores ranging from Costco to Walmart to Macy's. The high gasoline station sales are likely linked to Tracy's position on a major commute corridor from the Central Valley to the Bay Area.

Tracy appears particularly weak in clothing and apparel-related stores, as well as in the Other Retail Group, which includes a broad range of specialty retail, including office supply stores, pet supply stores, book stores, and sporting goods, as well as pharmacies. For clothing/apparel stores, and to a lesser degree other retail group, per capita sales have been declining since 2004; these declines may be related to the effective failure of the outlet mall, and the limited number of major name-brand retailers in the West Valley Mall other than the anchor department stores.

PMA per capita sales by major store category are generally closer to statewide averages than Tracy's, but are high and low in many of the same categories as Tracy, with relatively high sales for home furnishings/appliances (due largely to Tracy's extremely high per capita sales in this category), gasoline stations, and general merchandise stores, and low per capita sales for clothing/apparel and the other retail group. The low sales in clothing/apparel and the other retail group may reflect a gap in the PMA's retail mix, due in part to the area's lack of high-end specialty retail. Interestingly, Manteca shows low per capita sales in the other retail group category, even with the Bass Pro store, likely indicating very limited additional retail in this category. The lower levels of sales in these categories may also relate to different shopping patterns in the area; for instance, consumers could be buying more clothing at the general merchandise stores.

[5] High sales in this category may be due to the presence of one or more major chain distribution centers in Tracy functioning as the point of sale for online and/or phone sales.

Table 6: Comparative Per Capita Retail Sales by Major Retail Store Category, 3Q 2013 - 2Q 2014

Sales per Capita in 2014 $ (a) (b) (c)	**Tracy**	**Lathrop**	**Manteca**	**PMA** (d)	**San Joaquin County**	**California**
Motor Vehicle and Parts Dealers	$3,896	$1,849	$1,813	$2,394	$1,898	$2,771
Home Furnishings and Appliance Stores	$1,510	$0	$258	$706	$449	$677
Bldg. Matrl. and Garden Equip. & Supplies	$823	$682	$691	$641	$817	$795
Food and Beverage Stores	$2,145	$1,220	$1,640	$1,560	$1,834	$2,237
Gasoline Stations	$2,281	$3,572	$1,306	$1,721	$1,842	$1,492
Clothing & Clothing Accessories Stores	$476	$5	$490	$365	$409	$934
General Merchandise Stores	$2,976	$1,569	$3,473	$2,569	$2,015	$1,795
Food Services and Drinking Places	$1,611	$935	$1,468	$1,256	$1,157	$1,894
Other Retail Group	$1,144	$222	$1,451	$992	$1,408	$1,708
Retail Stores Total	**$16,862**	**$10,055**	**$12,589**	**$12,204**	**$11,830**	**$14,304**
Population	84,706	19,546	72,108	207,521	705,149	38,193,865

(a) Retail sales have been adjusted to 2014 dollars based on the California Consumer Price Index, derived by the State Department of Industrial Relations based on data from BLS. Totals may not sum from components due to independent rounding. Includes an estimate of non-taxable sales, based on a comparison of 2012 SBOE and Economic Census data.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) Per capita sales calculated based on sales divided by population. Population from CA State Dept. of Finance.
(d) Due to data availability issues, Market Area sales include only sales for incorporated places within the Market Area. Land use patterns indicated very limited retail sales in the unincorporated areas. Totals may vary from other tables, due to BAE's estimates by category for Lathrop where disclosure problems limited available data. Population estimate from Nielsen, assuming a constant rate of growth between 2010 and 2015 (see Table 1).

Sources: State Dept. of Finance; Nielsen; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; 2012 Economic Census; BAE, 2015.

Figure 7: Per Capita Sales by Category in Tracy and the PMA Relative to the State

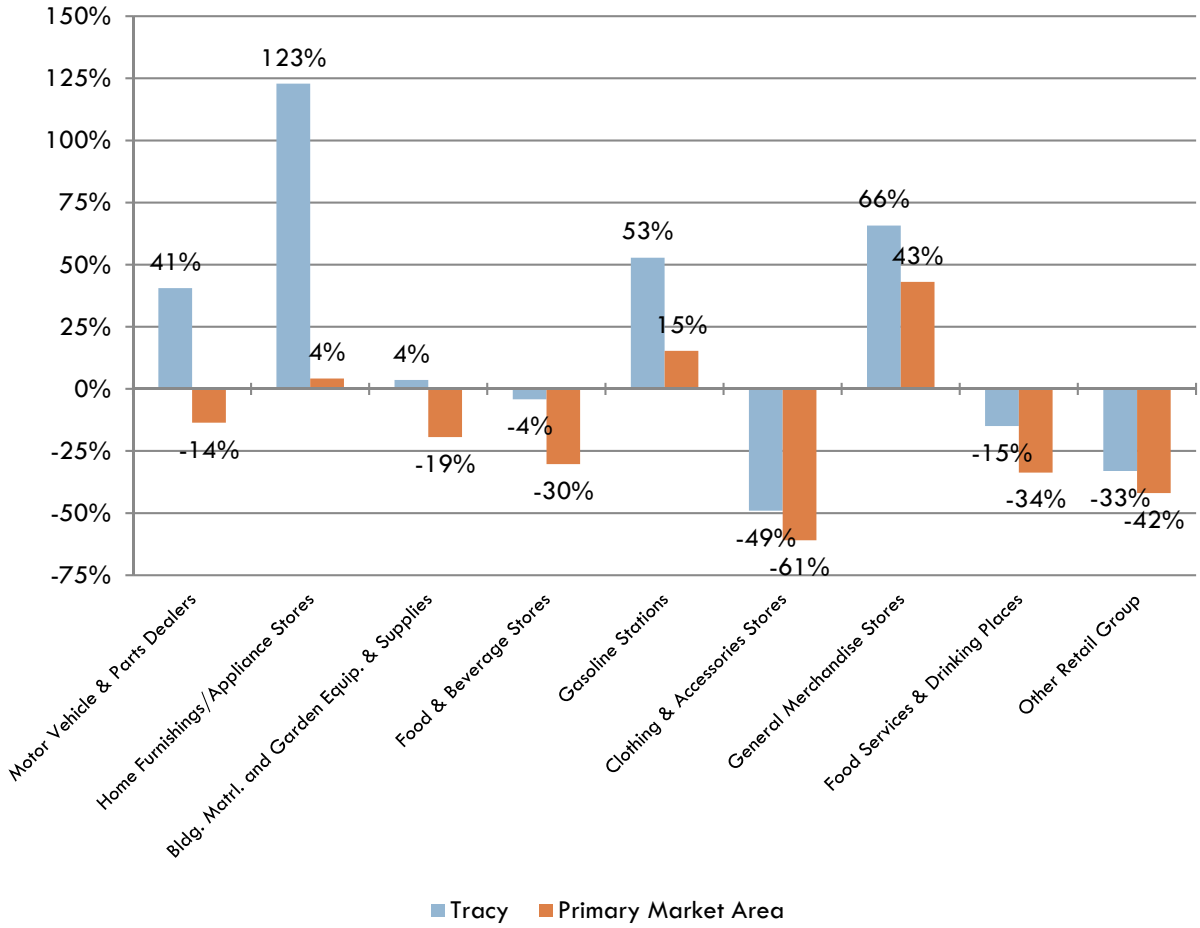


Chart shows 3Q 2013- 2Q 2014 per capita sales for Tracy and the PMA by category relative to California overall; e.g., per capita food and beverage store sales in the PMA are 30 percent below the statewide benchmark. For additional detail, see Table 6.

Sources: State Dept. of Finance; Nielsen; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; 2012 Economic Census; BAE, 2015.

Estimate of Future Retail Sales in Tracy

Overview of Methodology

The purpose of this subsection is to arrive at an estimate of demand for additional retail demand in the City of Tracy in the next 15 years. The estimate begins by building on the historic trend information and demographic analysis via the following steps:

- Retail sales for Tracy and the PMA are updated to 2015
- Per capita estimates are derived based on these 2015 estimates
- Sales are aggregated into two categories: motor vehicle-related and all other retail

- Future PMA retail sales are estimated by using the population projections along with the per capita sales estimates for these two major categories, using 5-year intervals out to 2030
- Tracy's share/capture of PMA sales is derived assuming Tracy's current share of the PMA's retail sales
- Using this share proportion, future Tracy retail sales for the two major retail categories are estimated
- Industry-standard benchmarks for sales per square foot/sales per acre along with typical floor area ratios (FARs), vacancy, and non-retail use of retail space (e.g., beauty salons, insurance offices, banks) are then applied to each five-year increment in sales, to generate an estimate of demand for additional retail land through 2030.

2015 Retail Sales

Using more recent unpublished taxable sales information from the City of Tracy, BAE has updated estimates of retail sales to 2015, and then used current population estimates to derive per capita sales by major retail category. The baseline information is total sales for 3rd Quarter 2013 through 2nd Quarter 2014 as shown above in Table 6. Comparison of this unpublished information permits an adjustment by major retail category to derive 2015 estimates. Since more recent data for Manteca and Lathrop is not available, it is assumed that retail growth by category for both of those cities mirrors Tracy's growth. This involves a reasonable assumption that the current economic growth cycle applies equally across the region, and also assumes there have been no major changes in the retail mix in Tracy and the PMA during 2014 and 2015.

As shown in Table 6 below, Tracy's 2015 per capita automotive retail sales are estimated at $5,943, with non-automotive retail sales estimated at $10,938. For the PMA, 2015 automotive sales per capita are estimated at $4,019 and non-automotive retail sales are estimated at $8,407.

Table 7: Estimated Retail Sales by Major Retail Store Category, 2015

Sales in 2014 $000 (a) (b) (c)	**Tracy**	**Lathrop**	**Manteca**	**Market Area** (d)
Motor Vehicle and Parts Dealers	$338,280	$37,055	$134,050	$509,386
Home Furnishings and Appliance Stores	$143,743	$0	$20,868	$164,612
Bldg. Matrl. and Garden Equip. & Supplies	$72,483	$13,860	$51,821	$138,164
Food and Beverage Stores	$187,182	$24,578	$121,822	$333,582
Gasoline Stations	$178,755	$64,603	$87,137	$330,496
Clothing & Clothing Accessories Stores	$39,852	$105	$34,870	$74,827
General Merchandise Stores	$258,415	$31,439	$256,715	$546,568
Food Services and Drinking Places	$147,361	$19,737	$114,311	$281,409
Other Retail Group	$102,571	$4,588	$110,705	$217,864
Retail Stores Total	**$1,468,644**	**$195,963**	**$932,300**	**$2,596,907**
Automotive	$517,036	$101,658	$221,188	$839,882
Non-Automotive	$951,608	$94,305	$711,112	$1,757,026

Sales per Capita in 2014 $ (a) (b) (c)	**Tracy**	**Lathrop**	**Manteca**	**Market Area (d)**
Motor Vehicle and Parts Dealers	$3,888	$1,855	$1,874	$2,437
Home Furnishings and Appliance Stores	$1,652	$0	$292	$788
Bldg. Matrl. and Garden Equip. & Supplies	$833	$694	$724	$661
Food and Beverage Stores	$2,152	$1,231	$1,703	$1,596
Gasoline Stations	$2,055	$3,235	$1,218	$1,581
Clothing & Clothing Accessories Stores	$458	$5	$487	$358
General Merchandise Stores	$2,970	$1,574	$3,589	$2,615
Food Services and Drinking Places	$1,694	$988	$1,598	$1,346
Other Retail Group	$1,179	$230	$1,548	$1,042
Retail Stores Total	**$16,881**	**$9,811**	**$13,034**	**$12,425**
Automotive	$5,943	$5,090	$3,092	$4,019
Non-Automotive	$10,938	$4,722	$9,941	$8,407
Population	87,000	19,973	71,531	209,000

(a) Retail sales have been adjusted to 2014 dollars based on the California Consumer Price Index, derived by the State Department of Industrial Relations based on data from BLS. Totals may not sum from components due to independent rounding.
(b) Analysis excludes all non-retail outlets (business and personal services).
(c) Per capita sales calculated based on sales divided by population. Population from Nielsen.
(d) Due to data availability issues, PMA data only includes sales for incorporated places within the PMA. Population for Tracy and PMA from Table 2. Land use patterns indicated very limited retail sales in the unincorporated areas.

Sources: Nielsen; State Board of Equalization; City of Tracy; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Future Retail Sales

Using population projections as shown in Table 2 above and the per capita sales estimates from Table 6, Table 7 shows the derivation of the projections of future retail sales in the PMA.

Table 8: Estimated Retail Sales by Major Retail Store Category, 2015

	Baseline				
Per Capita Retail Sales	**2015**				
Motor Vehicle-Related	$4,019				
All Other Retail	$8,407				
Total Retail	$12,425				
	2015	**2020**	**2025**	**2030**	
Tracy Population	87,000	96,000	105,000	115,000	
PMA Population	209,000	227,000	245,000	264,000	
Tracy Population as % of PMA	41.6%	42.3%	42.9%	43.6%	
Total Primary Market Area Retail Sales ($000)					
Motor Vehicle-Related	$839,882	$912,216	$984,550	$1,060,903	
All Other Retail	$1,757,026	$1,908,349	$2,059,671	$2,219,401	
All Retail	$2,596,907	$2,820,564	$3,044,222	$3,280,304	
Increment in Primary Market Area Retail Sales ($000)		**2015 - 2020**	**2020 - 2025**	**2025-2030**	**2015 - 2030**
Motor Vehicle-Related		$72,334	$72,334	$76,353	$221,021
All Other Retail		$151,323	$151,323	$159,730	$462,375
All Retail		$223,657	$223,657	$236,082	$683,397

Note: Sales estimates are in 2015 dollars assuming no inflation from 2014 to 2015. Per capita sales calculated based on sales divided by population.

Sources: Nielsen; State Board of Equalization; San Joaquin Council of Governments; City of Tracy; 2012 Economic Census; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Tracy's Share of PMA Sales

As previously discussed, Tracy garners a high proportion of retail sales in the PMA relative to its population base, indicating its historic position as an attractor of retail shoppers. While this proportion has fluctuated over the last 10 years, Tracy's share in 2014 was nearly the same as in 2004, even as Manteca and Lathrop have grown and added to their own region-serving retail inventory, and Mountain House approaches the required critical mass for additional retail development. While further growth in population and new retail options elsewhere in the PMA may lead to a decline in Tracy's share of sales, the analysis here uses the current share for estimates of Tracy's retail sales in the future. Given that the purpose of this analysis is to ensure that Tracy has enough land available for future retail demand, it is important to have the capacity to maintain this existing share rather than potentially constrain future retail development by assuming a declining share.

As shown in Table 9, Tracy's current share of motor vehicle-related sales is estimated at 62 percent of the PMA, with other retail with a 54 percent share. By comparison, Tracy's population makes up approximately 42 percent of the PMA total.

Table 9: Tracy Share of Primary Market Area Retail Sales

Tracy Share of PMA Sales	2015
Motor Vehicle-Related	62%
All Other Retail	54%

Sources: Nielsen; State Board of Equalization; San Joaquin Council of Governments; City of Tracy; 2012 Economic Census; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Projected Future Retail Sales in Tracy

Applying the proportions above to the PMA, Tracy's retail sales are project to reach approximately $1.9 billion annually by 2030 (in 2015 dollars). Motor vehicle related sales will reach $0.7 billion, and all other retail will reach $1.2 billion.

Table 10: Future Estimated Retail Sales in Tracy, 2015 - 2030

Tracy Retail Sales ($000)	2015	2020	2025	2030
Motor Vehicle-Related	$517,036	$565,574	$610,421	$657,760
All Other Retail	$951,608	$1,030,508	$1,112,222	$1,198,476
All Retail	$1,468,644	$1,596,082	$1,722,644	$1,856,236

Increment in Tracy Retail Sales ($000)	2015 - 2020	2020 - 2025	2025-2030	2015 - 2030
Motor Vehicle-Related	$48,538	$44,847	$47,339	$140,724
All Other Retail	$78,900	$81,714	$86,254	$246,868
All Retail	$127,438	$126,562	$133,593	$387,592

Sources: Nielsen; State Board of Equalization; San Joaquin Council of Governments; City of Tracy; 2012 Economic Census; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

RETAIL REAL ESTATE MARKET CONDITIONS

This chapter profiles existing retail real estate conditions in Tracy and the Primary Market Area. The profile is based on published retail real estate data sources, previous reports, and additional research including area tours and online searches.

Overview of Existing Retail Real Estate Market

In any retail market, existing retail space is vacated on a regular basis due to functional obsolescence or the general cycle of retail closures and openings over time. For instance, for decades there was a trend in the supermarket industry toward larger stores and consolidation, with older stores reused by "second generation" tenants such as dollar stores, furniture outlets, and even non-retail uses such as fitness centers. More recently, smaller stores, such as Sprouts and Trader Joe's, have reappeared. Existing obsolete space is sometimes replaced by newer retail space or by other land uses, including mixed-use development. Furthermore, any retail market will have a certain amount of vacant space due to normal turnover as businesses come and go. Following is an analysis of overall retail real estate conditions in the region, based on data from CoStar, a national online database tracking office, industrial, and retail/commercial space, including total inventory, vacancies, absorption, and rental rates.

Total Retail Space

CoStar, a national online database of office, industrial, and retail/commercial space, estimates the total retail inventory of Tracy at approximately 4.5 million square feet. Overall, the PMA has a total of approximately 8.5 million square feet. Tracy thus contains slightly over half the space, with the percentage dropping slightly over the 2007 through 2015 period, as Tracy's inventory has grown at a slightly slower pace than the PMA overall.

Table 11: Total Retail Inventory in Square Feet, 2007 - 2015 YTD

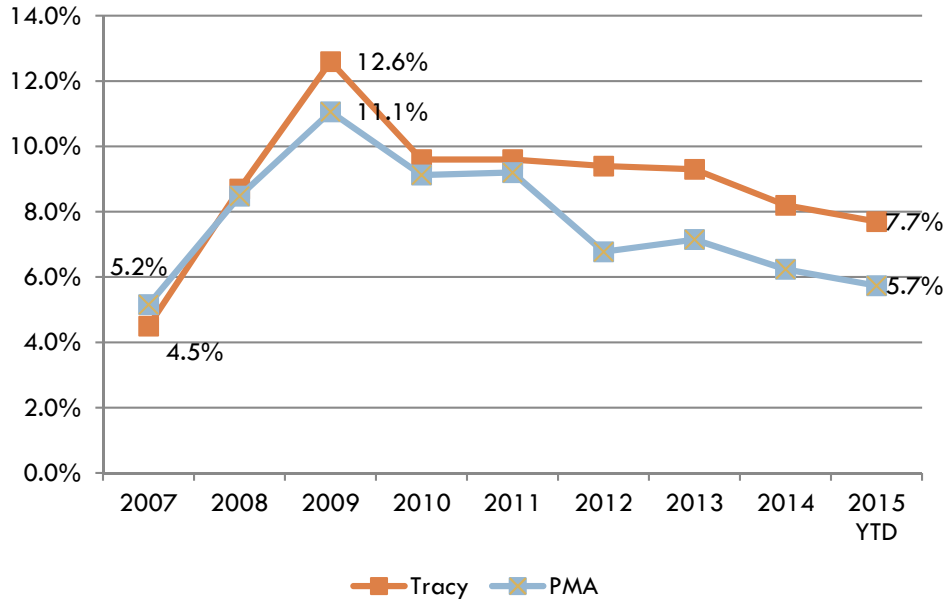
Year	Tracy	PMA	Tracy as % of PMA
2007	4,203,058	7,657,097	55%
2008	4,245,868	8,179,122	52%
2009	4,353,459	8,416,541	52%
2010	4,451,539	8,514,621	52%
2011	4,451,539	8,498,257	52%
2012	4,464,039	8,510,757	52%
2013	4,467,943	8,505,373	53%
2014	4,467,943	8,509,873	53%
2015 YTD	4,469,778	8,525,708	52%
Change, 2007-2015			
Square Feet	266,720	868,611	
Percent	6.3%	11.3%	

Source: CoStar, 2015.

Vacancy Trends

Retail vacancy trends in Tracy and the PMA overall track with the overall economy much as do taxable sales (see previous chapter). In 2007, vacancy rates were at the lowest of the 2007 to 2015 period, at 4.5 percent in Tracy and 5.2 percent in the PMA overall. Rates climbed steeply to a peak in 2009, at 12.6 percent in Tracy and 11.1 percent in the PMA. For the most parts, rates decreased gradually into 2015, with year-to-date vacancy rates of 7.7 percent and 5.7 percent in Tracy and the PMA, respectively.

Figure 8: Retail Vacancy Rates, 2007- YTD 2015

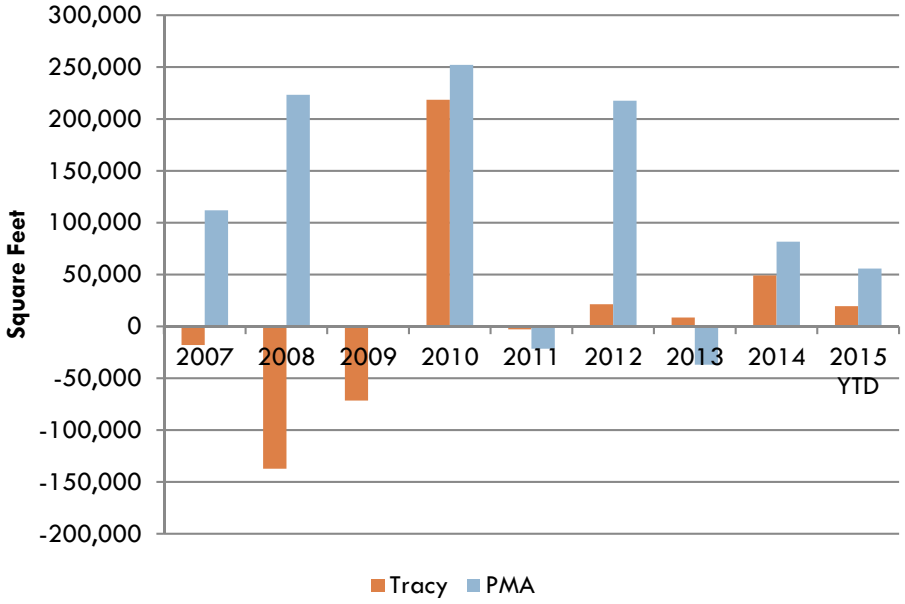


Source: CoStar, 2015.

Absorption Trends

As the recession deepened, Tracy showed negative net absorption, with more space being vacated as the inventory increased slowly. In 2010, however Tracy showed net positive absorption of over 200,000 square feet, and limited positive absorption since then. The PMA showed substantial positive absorption in several years even during the recession, even as vacancies increased, indicating additions to the inventory, such as the Target in Lathrop in 2008.

Figure 9: Net Absorption of Retail Space, 2007 – 2015 YTD

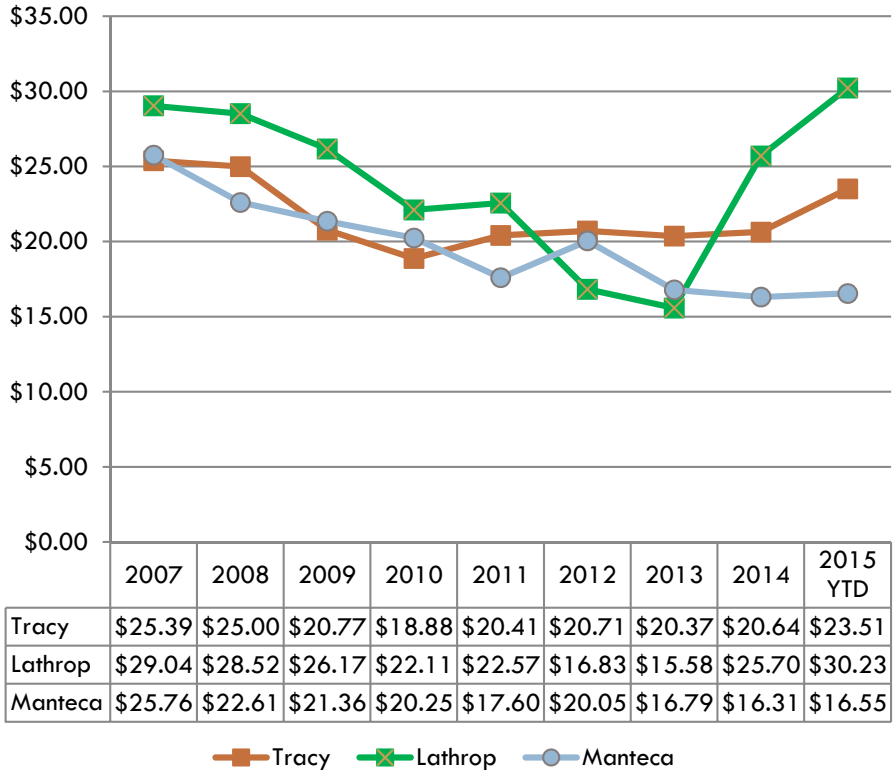


Source: CoStar, 2015.

Rent Trends

Retail rents declined in Tracy during the recession, but have partially recovered since 2010; triple net rents averaged $25.39 per square foot in 2007, decreased to $18.88 in 2010, and for 2015 year-to-date average $23.51. Manteca has fared poorly with 2015 rents still near the low for the 2007 through 2015 period; rents in 2007 at $25.76 per square foot were actually slightly higher than Tracy, but for 2015 the average rent is reported at $16.55, only 70 percent of Tracy levels. Rents in Lathrop have generally been higher than either Tracy or Manteca, but the supply is much more limited, at only about four percent of the PMA total retail square footage reported by CoStar.

Figure 10: Triple Net Retail Rents, 2007 – 2015 YTD



	2007	2008	2009	2010	2011	2012	2013	2014	2015 YTD
Tracy	$25.39	$25.00	$20.77	$18.88	$20.41	$20.71	$20.37	$20.64	$23.51
Lathrop	$29.04	$28.52	$26.17	$22.11	$22.57	$16.83	$15.58	$25.70	$30.23
Manteca	$25.76	$22.61	$21.36	$20.25	$17.60	$20.05	$16.79	$16.31	$16.55

Source: CoStar, 2015.

In summary, the retail real estate market in Tracy and the PMA are in recovery from the recession, with slightly more growth in total retail space in the PMA overall than in Tracy. Following a period of higher vacancies, current levels are in the range appropriate for a stabilized market, although Tracy's vacancy rate is slightly higher than the PMA overall. Rents in Tracy in 2015 have rebounded to nearly the levels seen prior to the depths of the recession, but rents in Manteca remain weak.

Key Competitive Retail Nodes in the Market Area

City of Tracy

Tracy contains a large and diverse variety of retail nodes, ranging from Downtown Tracy to old strip commercial centers to a regional mall. Table 12 provides a listing for the major retail nodes. The three largest centers, West Valley Mall, Tracy Marketplace, and Tracy Pavilion, are clustered near the Grant Line Road interchange with I-205 and include 1.9 million of the total 3.1 million square feet of space in the listed shopping centers. In addition to the shopping centers, there is a substantial amount of space Downtown and along 11th Street and Tracy Boulevard either as stand-alone space or in smaller strip centers.

Table 12: Shopping Centers in Tracy

Shopping Centers	Square Feet	Percent Vacant	Major Tenants
Corral Hollow Shopping Center	167,184	0.0%	Safeway, Orchard Supply
Tracy Pavilion	330,000	2.7%	Home Depot, Winco, Marshalls
Tracy Marketplace	700,000	<1%	Walmart, Costco
Gateway Plaza	120,282	0.7%	Food Maxx, Walgreens
SaveMart	86,000	5.2%	Save Mart
Red Maple Village	97,600	1.3%	Raley's, Walgreens
McKinley Village	158,000	na	Anchor Spaces Vacant (Closed Save Mart)
Grantline and Tracy	67,800	4.6%	Big Lots, Ace Hardware, Dollar Tree
Tracy Corners	86,150	3.2%	Mi Pueblo, Harbor Freight, O'Reilly Auto Parts
West Valley Mall	875,000	na	Macy's, Sears, JCPenney, Target
Shops at Northgate Village	153,695	79.6%	Largely vacant
Westgate Plaza	90,000	21.5%	Autozone, 99 Cents Only Store
Orchard Shopping Center	26,400	6.0%	
Grantline & Naglee	30,000	0.0%	Jamba Juice, Round Table Pizza
Grant Line Station	33,000	19.0%	Rite Aid
Valley Shopping Center	98,000	na	CVS, City Furniture
Rite Aid/Valpico Town Center	15,000	na	Rite Aid
Total Square Feet	3,134,111		
Other Retail Nodes			
Downtown Tracy	na		
11th Street Corridor	na		
Tracy Boulevard	na		

Source: BAE, based on information from City of Tracy, online research, Google Earth Pro, field research, and various broker fliers.

Where data were available, most centers had vacancy rates below 10 percent, within industry norms for a stable market and mirroring the CoStar data, but several centers showed high or even extremely high vacancies. Most notably, the Shops at Northgate Village, the former outlet mall, is largely vacant. According to City staff, this property has come under new ownership which is working on re-tenanting the center with more local businesses. During their area tour, BAE noted renovation work underway and at least one new tenant preparing to open. This center falls within the I-205 corridor, but is largely isolated from the other retail along the corridor. The other center with extremely high vacancy is McKinley Village, with a closed Save Mart and one other vacant larger space, along with numerous other vacancies in the center. According to City staff, Save Mart holds a long-term lease and is unwilling to sublease to another a potential competitor to their remaining stores in Tracy (Save Mart and Food Maxx), thus limiting the potential occupancy pool; the center could benefit from facade improvements and other remodeling efforts. Westgate Plaza has a vacancy rate of over 20 percent, due to the closure of Smart & Final. For the major retail cluster at Grant Line and I-205, vacancies are generally lower. While the vacancy rate for the mall was not available, the anchor spaces are all occupied by major national chains, and in addition to the

anchor tenants there is a movie theater complex, a Sports Authority, and a free-standing Best Buy big box electronics store and several restaurants. In its tour, BAE noted several smaller vacancies within the mall itself, but most of the spaces were occupied, largely by businesses focused on middle-income shoppers. Overall in its area tour, BAE found most of Tracy's existing shopping centers and retail areas to have limited vacancies, mostly in smaller spaces.

Remainder of Primary Market Area

Manteca and Lathrop include a number of additional shopping centers, many of the local-serving neighborhood centers, often anchored by supermarkets. The discussion here focuses on the larger centers that are most competitive with the region-serving retail in Tracy. This should not be considered a complete list of retail centers in Manteca and Lathrop.

At this time, Lathrop only has one such center, Lathrop Marketplace, where the only store built is a 127,000 square foot Target which opened in 2008 (see Table 13). Phase 1 of this center has space for one additional store of similar size (or multiple stores totaling a similar square footage), and several smaller free-standing pads. Land is also available for a second phase when/if market conditions attract additional retailers.

Manteca has four large retail centers/nodes competitive with Tracy. The Stadium Center is anchored by Costco and Kohl's, with a number of other retailers present. The Promenade Shops at Orchard Valley is the largest center in Manteca, and was originally conceived as a lifestyle center. Aside from its large anchor tenants (JC Penney, Bass Pro, and AMC Theatres), however, the center is largely vacant or undeveloped. A fourth large retailer, Best Buy, closed their store in this center in 2012. The Bass Pro store, originally the only store for this sporting goods chain in Northern California and drawing shoppers from throughout the larger region because of its large size and wide array of products, now faces competition from Bass Pro outlets in Rocklin and San Jose which are closer to the major population concentrations in the northern part of the state.

Table 13: Major Shopping Centers in Lathrop and Manteca

Shopping Centers	Square Feet	Percent Vacant	Major Tenants
Lathrop			
Lathrop Marketplace	127,000	0.0%	Target (only store built)
Manteca			
Stadium Center	420,000	6.0%	Costco, Kohl's
Promenade Shops at Orchard Valley	617,750	>50%	JC Penney, Bass Pro, AMC Theatres
Walmart/Safeway/Mission Ridge Plaza	290,775	na	Walmart, Safeway
Target/Home Depot/Spreckels Park	442,600	na	Target, Home Depot

Source: BAE, based on information from online research, Google Earth Pro, field research, and various broker fliers.

There are two other major retail concentrations in Manteca, one including a Walmart and Safeway at State Route 120 and South Main Street, and Spreckels Park at State Route 99 and East Yosemite Avenue, anchored by Target and Home Depot. While vacancy rates were not available for these two areas, BAE's area tour showed few vacancies in these centers.

Planned and Proposed Retail Development in Tracy and the Primary Market Area

Tracy

Currently the City of Tracy reports several small retail projects in progress (see Appendix B for details). None of these near-term projects involves a substantial increase in the overall retail inventory, such as a large big-box store. Most significant are the improvements at the Shops at Northgate Village, as the new owner attempt to reposition this large vacant former outlet center. As a rehabilitation effort, this will not add any additional square footage to the inventory, but will make the center more competitive with existing retail space.

There are several additional projects in the planning process. The largest of these is the Tracy Hills project, which includes land for up to 758,944 square feet of space designated as general highway commercial, which includes most types of retail except motor vehicle sales, eating and drinking places, personal services, and business offices including banks, medical and dental clinics, and general administrative offices.[6] This project is currently in the application process, with the Specific Plan and its EIR under review. The first commercial development is slated for Phase 1b, and according to the Draft Specific Plan, "[f]ull development of the Tracy Hills Specific Plan area may take up

[6] Source: Tracy Hills Specific Plan, City of Tracy

to 20 years or more to complete, depending on market conditions." Most of the general highway commercial development will occur in the long term rather than the early phases, and will occur near interchanges with I-580, thus serving local residents and highway travelers.

Other developments include the Ellis development, which proposes a mix of residential and commercial uses. Any retail development will occur in or near the "village center" areas, with a maximum of 60,000 square feet of commercial space in the Village Center and up to 40,000 square feet in an adjacent commercial area. Retail is permitted, but other permitted uses include office (but only on upper floors), and lodging, live/work with ground floor residential by CUP only. Most of the retail is envisioned as primarily neighborhood-serving uses in smaller spaces. This project recently broke ground on a residential portion of 156 homes. There is also an expansion/second phase at Red Maple Village which includes 22,500 square feet of proposed retail space.

Remainder of PMA

Manteca has no major near-term retail projects currently underway. Longer term in Manteca, the City has been working with a developer to establish a "Family Entertainment Zone" adjacent to the Stadium Adjacent to stadium center and the Big League Dreams baseball facility, consisting of tourism-related development including a hotel, conference facilities, some restaurant space, an indoor and outdoor water park, and other recreational facilities, as well as 360,000 square feet of retail and restaurant uses serving patrons of the other parts of the project as well as local residents. The city recently approved a conceptual EIR for the entire project, and a project-specific EIR for the hotel and entertainment-related portions of the project. Recently, the currently proposed operator of the facility announced that they were also looking at other sites in the Bay Area, so the development timing for the project is currently up in the air.

Lathrop has two projects currently in process, a truck stop and a fast food restaurant. Longer term, the Lathrop Marketplace project is entitled for up to 800,000 square feet of retail and commercial space including the existing Target. Phase 1, which includes the Target, is slated for a total of up to 300,000 square feet of space, including the potential for one large store or a group of smaller stores of up to 135,000 square feet, along with smaller shops and pads.

Mountain House has almost no retail development, but recently revised their town center plans originally conceived in the 1990s to better reflect current retail trends and resident needs. Currently, the master developer is seeking a grocery store and a gas station, and the Town Center plan calls for areas of pedestrian-oriented retail and mixed use development, along with public uses such as recreational facilities and parkland, a community center, senior center, and library. Development will depend in part on continued growth in Mountain House, in order to offer a large enough population base

to attract retailers; because of the location, any retail in Mountain House will likely be largely local-serving.

COMPARISON OF SUPPLY AND DEMAND

Projected Demand for Retail Land in Tracy

This estimate of demand is derived by taking the estimated increment in retail sales over each five-year period, and applying several industry benchmarks for sales, floor area ratios, shopping center tenant mix, and vacancy to derive future land demand.

First, industry benchmarks for sales performance are applied. For the motor vehicle-related retail, the estimate is applied on a per-acre basis since most automotive retail sales are at car dealers and gasoline stations, where the size of the structures is not as important as the total space for vehicle display, storage, and for gas stations, the fuel pump area. In some cases, the structures are minimal (e.g., a self-service gas station with no convenience store, or a used car lot with no service facility). BAE analyzed the land footprint of new car dealers in Tracy, took estimates of sales based on available taxable sales and the 2012 Economic Census, and derived an estimate of $9 million in annual sales per acre for motor vehicle-related retail.

For all other retail, BAE assumed annual sales at $400 per square foot, based on review of multiple sources, including reports from sales tax consultants, company annual reports, and other sources. As a point of reference, this number is lower than Walmart's reported company-wide sales per square foot, and above Target's. It may be above current levels in Tracy, but higher levels of sales are required to feasibly support new retail construction.

For all other retail, a floor area ratio of 0.25 is assumed, to allow for adequate parking. It is assumed that 15 percent of the new retail space will be occupied by uses such as beauty salons, storefront medical and dental clinics, insurance offices, fitness centers, banks, and other types of non-retail uses. Finally, a vacancy factor of 7.5 percent is applied, to allow for normal movement in the market such as entry of new retailers, or expansion and relocation of existing retailers.

The results of the analysis are shown below, with projected demand for approximately 16 acres of land for future motor vehicle-related demand, and approximately 670,000 square feet of built space or 72 acres of land for all other retail types.

Table 14: Demand for Retail Land in Tracy, 2015 - 2030

Annual Sales per Square Foot/Acre (2015 $)	
Motor Vehicle-Related (per acre)	$9,000,000
All Other Retail (per square foot)	$400
FAR for All Other Retail	0.25
Service Business Factor for Other	15.0%
Vacancy Factor for Other Retail	7.5%

Demand for New Non-Motor Vehicle-Related Building Space	2015 - 2020	2020 - 2025	2025-2030	Total 2015 - 2030
	250,874	204,286	215,635	670,794

New Land Demand in Acres	2015 - 2020	2020 - 2025	2025-2030	Total 2015 - 2030
Motor Vehicle-Related	5.39	4.98	5.26	15.64
All Other Retail	23.04	23.86	25.18	72.08
Total Land Demand	28.43	28.84	30.44	87.72

Sources: Nielsen; State Board of Equalization; San Joaquin Council of Governments; City of Tracy; 2012 Economic Census; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Projected Demand for Retail Land in the I-205 Corridor

The I-205 Corridor is the primary location for region-serving retail in Tracy, including the cluster of new car dealers, the mall, and numerous big-box stores. The analysis here assumes that future demand for region-serving retail will be met in the Corridor, along with some local demand (e.g., food stores, such as WinCo or the Walmart expansion).

Motor Vehicle-Related Retail

New car dealers (either representing additional brands or expansion of existing brands) slated to meet the growth in demand will seek locations near the current dealers along Naglee Road. These dealers make up the bulk of motor vehicle-related demand for new retail land. Gasoline stations (often with convenience stores) will serve both local and regional drivers; two thirds of all land demand for this retail category has been assumed to be suited for the I-205 Corridor. For the entire motor-vehicle related category, the analysis assumes 90% of demand will be in the I-205 Corridor.

All Other Retail

This includes a broad range of retail categories, some of which are primarily region-serving (e.g., department stores and big box stores), and others with a more local orientation (e.g., supermarkets). However, the lines between some of these categories are blurred; for instance, the WinCo food store functions as a regional draw as well as serving local Tracy shoppers. Overall, BAE has assumed that 70 percent of overall demand for all other retail will be in the I-205 Corridor. Table 15 shows the results of

the analysis, with demand in the I-205 Corridor for approximately 470,000 square feet of non-automotive retail space and 65 total acres of retail-serving land uses.

Table 15: Demand for Retail Land in the I-205 Corridor, 2015 - 2030

Regional Proportion of Overall Demand	
Motor Vehicle-Related	90%
All Other Retail	70%

Demand for New Non-Motor Vehicle-Related Building Space	2015 - 2020	2020 - 2025	2025-2030	Total 2015 - 2030
	175,612	143,000	150,944	469,556

New Land Demand in Acres	2015 - 2020	2020 - 2025	2025-2030	Total 2015 - 2030
Motor Vehicle-Related	4.85	4.48	4.73	14.07
All Other Retail	16.13	16.70	17.63	50.46
Total Land Demand	20.98	21.19	22.36	64.53

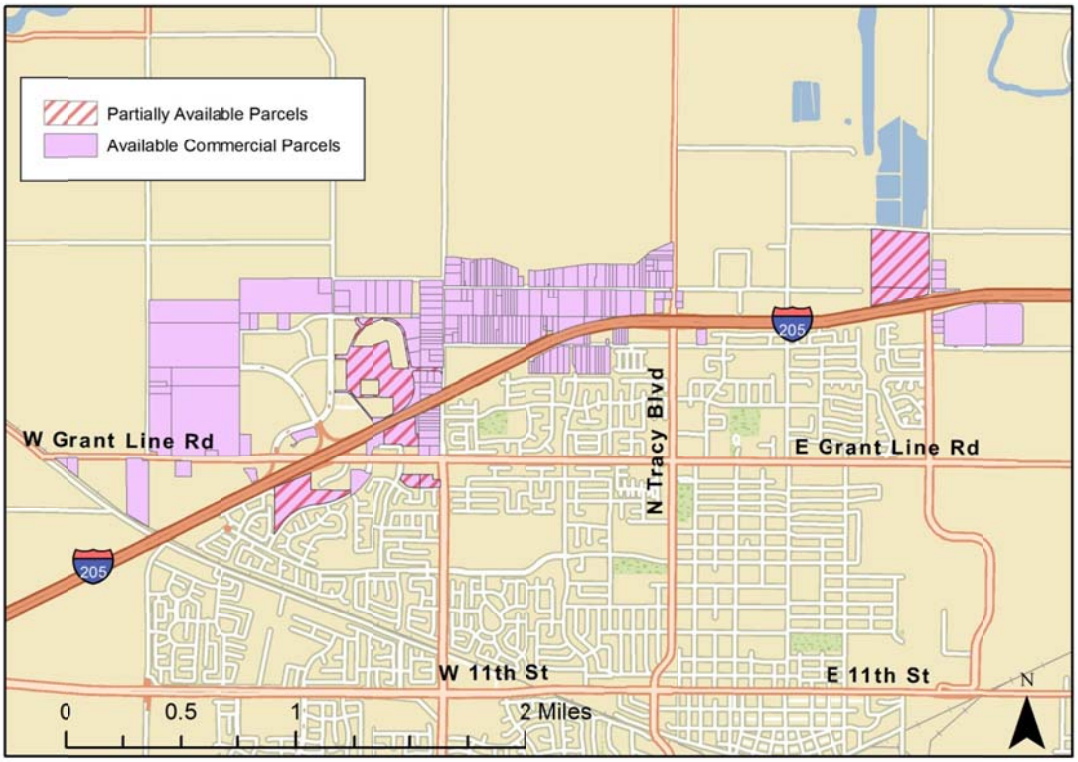
Sources: Nielsen; State Board of Equalization; San Joaquin Council of Governments; City of Tracy; 2012 Economic Census; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Available Developable Land in the I-205 Corridor

According to City staff, there are approximately 616 acres of vacant or underutilized commercial land[7] in the City portion of the I-205 Corridor, with an additional 265 acres in unincorporated areas within the City Sphere of Influence (a listing of parcels can be found in Appendix C). Figure 11 shows the distribution of the specifically designated parcels in the I-205 Corridor. While a number of these are very small parcels and may not be suitable for development unless consolidated, there are numerous larger parcels, many of them adjacent to or within currently developed areas. In addition to the parcels shown in the figure, there is additional acreage designated for commercial development in the Urban Reserve 2 and 3 areas, the Gateway PUD area, and Cordes Ranch Specific Plan areas.

[7] Available land consists of vacant or underutilized properties that are either designated by the General Plan as commercial, have current zoning of commercial, or are within an Urban Reserve and Specific Plan with a set amount of future commercial.

Figure 11: Vacant and Underutilized Commercial Parcels in the I-205 Corridor



Note: Map excludes Urban Reserve areas, Gateway PUD, and Cordes Ranch Specific Plan areas.

Sources: City of Tracy; ESRI; BAE, 2015.

Analysis

Based on the above, there appears to be ample land in the I-205 corridor to meet future demand for retail/commercial development over the next 10 to 15 years. Demand is estimated at 65 acres through 2030, and total available acreage is over 800 acres. While this report has focused on the retail sector, there is ample available land to meet demand for other commercial uses, including hotels and service businesses; demand for these uses is likely to grow at a rate similar to retail demand. In the short term, there are no major retail projects currently underway in the corridor.

Furthermore, even though a number of the parcels are small and would be difficult to consolidate into a marketable property, particularly between Corral Hollow Road and Tracy Boulevard and in the unincorporated area along Larch Road and Clover Road, there are numerous larger parcels located in or near the existing retail concentrations of motor vehicle dealers, Tracy Pavilion, Tracy Marketplace, and the West Valley Mall. These properties are likely to prove more attractive to retailers than more peripheral parcels, such as those east of Corral Hollow Road and even those large parcels farther to the east at the MacArthur Drive exit. This would especially be the case for motor-

vehicle dealers, the primary source for approximately 14 acres of land demand over the 15-year period. There are also additional large properties available in the nearby Urban Reserve Areas, and to the west in the Gateway PUD and the Cordes Ranch Specific Plan area.

The properties more distant from the existing large concentration of regional retail are less likely to be the focus of retail development, but there may still be retail uses that would consider locating there, possibly disruptive new retail concepts that may emerge in the next 15 years, or a unique destination retail user that does not depend on the synergies created by proximity to other retailers.

Given the large surplus of potentially developable land, the City does not necessarily need to preserve all of this property or any additional sites specifically for retail or other commercial uses, but the City should not necessarily turn away potential users expressing interest in properties east of Corral Hollow Road or near the MacArthur Drive interchange. For instance, City staff report potential interest in building a hotel next to the Shops at Northgate Village. On the other hand, if approached by other non-commercial potential use types, especially ones providing fiscal benefits to the City, jobs to local residents, or from industries the City wishes to attract as part of its long-term economic development, the City does not need to hold back approvals in order to preserve the land for retail or related uses.

Another qualitative factor to consider in the demand for new retail is that shopper preferences change over time, and existing retail may become functionally obsolete or unable to compete with newer centers. An example of this in Tracy is the outlet mall. While the current owners are attempting to repurpose and re-tenant the center, if this effort does not succeed, the property could see long-term vacancy, and might be suitable for redevelopment in another retail configuration or in a different use. An additional potential concern might be the long-term viability of the mall; across the U.S., the number of malls is declining, with the more successful malls being upscale centers such as the Stanford Shopping Center in Palo Alto or Westfield Valley Fair in San Jose, with anchors such as Nordstrom and Bloomingdales. Nationally, Macy's, JC Penney, and especially Sears, have struggled lately to attract shoppers; even Target has had difficulties, including a major security breach and the closure of all its Canadian outlets.

It is also important to encourage retailers suitable for the area's population and employment base. In Manteca, the Promenade Shops at Orchard Valley, originally envisioned as a lifestyle center built around the Bass Pro outlet and its other anchors, suffers from extremely high vacancies as it has failed to attract other tenants to the center, and while the Bass Pro for many years was the chain's only store in Northern California, it now faces competition from Bass Pro stores in Rocklin and San Jose.

In summary, Tracy appears to have ample land available for new retail and commercial development that would permit the City to maintain its share of PMA sales, but it is also important to be aware that existing retail will face challenges with the need to recycle, renew, and reposition itself as consumer spending patterns evolve over time.

APPENDICES

Appendix A: Retail Sales Trends, 2004 to 2014

California Taxable Retail Sales Trends, 2004-2008

Sales in 2014 $000 (a) (b) (c)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts	$89,115,262	$89,387,888	$83,664,329	$80,100,483	$59,695,124
Home Furnishings and Appliances	$20,658,228	$21,118,349	$20,319,642	$18,922,701	$18,824,797
Building Materials	$46,755,783	$48,163,548	$46,536,003	$36,956,600	$29,165,592
Food Stores	$24,965,354	$25,660,244	$25,557,200	$25,418,794	$23,536,822
Service Stations	$41,252,152	$46,838,559	$50,940,654	$53,285,216	$56,931,555
Apparel Stores	$21,353,062	$22,725,626	$23,178,750	$23,602,252	$24,210,810
General Merchandise Stores	$67,922,679	$68,967,241	$69,275,171	$67,784,800	$61,758,618
Eating and Drinking Places	$54,493,549	$56,367,784	$57,544,629	$58,461,121	$56,971,127
Other Retail Stores	$74,434,498	$77,184,721	$77,766,402	$73,457,682	$59,996,515
Retail Stores Total	**$440,950,567**	**$456,413,960**	**$454,782,781**	**$437,989,649**	**$391,090,960**

Sales per Capita in 2014 $ (d)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts	$2,505	$2,492	$2,317	$2,201	$1,626
Home Furnishings and Appliances	$581	$589	$563	$520	$513
Building Materials	$1,314	$1,343	$1,289	$1,015	$795
Food Stores	$702	$715	$708	$698	$641
Service Stations	$1,160	$1,306	$1,410	$1,464	$1,551
Apparel Stores	$600	$634	$642	$648	$660
General Merchandise Stores	$1,910	$1,923	$1,918	$1,862	$1,683
Eating and Drinking Places	$1,532	$1,571	$1,593	$1,606	$1,552
Other Retail Stores	$2,093	$2,152	$2,153	$2,018	$1,635
Retail Stores Total	**$12,396**	**$12,724**	**$12,592**	**$12,033**	**$10,655**

Population	35,570,847	35,869,173	36,116,202	36,399,676	36,704,375

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

California Taxable Retail Sales Trends, 2009-2014

Sales in 2014 $000 (a) (b) (c)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers	$48,844,512	$51,349,046	$56,306,773	$63,589,493	$69,233,486	$70,565,036
Home Furnishings and Appliance Stores	$24,006,429	$24,388,747	$24,906,547	$25,500,651	$25,877,113	$25,873,751
Bldg. Matrl. and Garden Equip. & Supplies	$26,326,285	$26,838,097	$27,532,973	$28,348,250	$30,224,463	$30,347,578
Food and Beverage Stores	$24,754,032	$24,709,061	$24,936,169	$25,324,809	$25,753,073	$25,634,808
Gasoline Stations	$42,904,362	$49,040,426	$58,320,770	$59,930,329	$57,903,557	$56,988,824
Clothing & Clothing Accessories Stores	$28,152,083	$29,566,883	$31,267,809	$33,430,869	$35,558,525	$35,662,233
General Merchandise Stores	$49,320,396	$50,230,274	$50,935,816	$51,654,917	$52,374,475	$51,429,244
Food Services and Drinking Places	$54,809,893	$55,607,085	$57,841,051	$60,995,687	$63,927,843	$65,098,088
Other Retail Group	$42,570,955	$42,605,149	$43,501,035	$45,248,593	$48,968,985	$48,937,230
Retail Stores Total	**$341,688,947**	**$354,334,768**	**$375,548,942**	**$394,023,597**	**$409,821,519**	**$410,536,792**

Sales per Capita in 2014 $ (d)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers	$1,321	$1,378	$1,504	$1,688	$1,820	$1,848
Home Furnishings and Appliance Stores	$649	$655	$665	$677	$680	$677
Bldg. Matrl. and Garden Equip. & Supplies	$712	$720	$736	$752	$795	$795
Food and Beverage Stores	$670	$663	$666	$672	$677	$671
Gasoline Stations	$1,161	$1,316	$1,558	$1,590	$1,523	$1,492
Clothing & Clothing Accessories Stores	$762	$794	$835	$887	$935	$934
General Merchandise Stores	$1,334	$1,348	$1,361	$1,371	$1,377	$1,347
Food Services and Drinking Places	$1,483	$1,493	$1,545	$1,619	$1,681	$1,704
Other Retail Group	$1,152	$1,144	$1,162	$1,201	$1,288	$1,281
Retail Stores Total	**$9,243**	**$9,511**	**$10,034**	**$10,457**	**$10,776**	**$10,749**

Population	36,966,713	37,253,956	37,427,946	37,680,593	38,030,609	38,193,865

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

San Joaquin County Taxable Retail Sales Trends, 2004-2008

Sales in 2014 $000 (a) (b) (c)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts	$1,651,769	$1,707,697	$1,551,775	$1,485,292	$1,048,288
Home Furnishings and Appliances	$208,892	$219,243	$199,174	$167,792	$172,976
Building Materials	$1,160,618	$1,251,938	$1,102,365	$715,966	$500,840
Food Stores	$504,197	$515,270	$487,455	$487,317	$424,153
Service Stations	$881,291	$1,027,881	$1,086,829	$1,141,049	$1,269,911
Apparel Stores	$230,661	$246,690	$255,915	$258,818	$249,273
General Merchandise Stores	$1,231,206	$1,279,931	$1,251,906	$1,180,270	$1,106,011
Eating and Drinking Places	$675,661	$704,429	$706,121	$711,549	$693,681
Other Retail Stores	$1,146,259	$1,254,135	$1,234,761	$1,164,040	$920,710
Retail Stores Total	**$7,690,555**	**$8,207,213**	**$7,876,300**	**$7,312,093**	**$6,385,843**

Sales per Capita in 2014 $ (d)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts	$2,623	$2,647	$2,365	$2,233	$1,559
Home Furnishings and Appliances	$332	$340	$304	$252	$257
Building Materials	$1,843	$1,941	$1,680	$1,076	$745
Food Stores	$801	$799	$743	$732	$631
Service Stations	$1,399	$1,593	$1,656	$1,715	$1,888
Apparel Stores	$366	$382	$390	$389	$371
General Merchandise Stores	$1,955	$1,984	$1,908	$1,774	$1,645
Eating and Drinking Places	$1,073	$1,092	$1,076	$1,070	$1,032
Other Retail Stores	$1,820	$1,944	$1,882	$1,750	$1,369
Retail Stores Total	**$12,211**	**$12,723**	**$12,002**	**$10,991**	**$9,496**
Population	629,787	645,059	656,247	665,304	672,492

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

San Joaquin County Taxable Retail Sales Trends, 2009-2014

Sales in 2014 $000 (a) (b) (c)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers	$815,437	$833,518	$914,406	$1,032,699	$1,160,730	$1,204,841
Home Furnishings and Appliance Stores	$224,660	$244,478	$278,428	$285,362	$317,185	$316,875
Bldg. Matrl. and Garden Equip. & Supplies	$452,397	$447,793	$460,887	$487,608	$580,105	$575,824
Food and Beverage Stores	$402,314	$416,680	$416,092	$404,881	$392,533	$387,989
Gasoline Stations	$954,532	$1,106,441	$1,343,407	$1,363,352	$1,334,442	$1,298,912
Clothing & Clothing Accessories Stores	$275,656	$273,896	$273,037	$283,904	$290,523	$288,553
General Merchandise Stores	$963,597	$980,601	$1,009,225	$1,059,813	$1,082,133	$1,065,696
Food Services and Drinking Places	$678,278	$663,663	$671,317	$696,359	$723,523	$734,304
Other Retail Group	$694,665	$686,604	$697,611	$713,497	$757,948	$744,612
Retail Stores Total	**$5,461,537**	**$5,653,675**	**$6,064,409**	**$6,327,475**	**$6,639,122**	**$6,617,606**

Sales per Capita in 2014 $ (d)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers	$1,203	$1,216	$1,327	$1,483	$1,654	$1,709
Home Furnishings and Appliance Stores	$331	$357	$404	$410	$452	$449
Bldg. Matrl. and Garden Equip. & Supplies	$667	$653	$669	$700	$827	$817
Food and Beverage Stores	$594	$608	$604	$581	$559	$550
Gasoline Stations	$1,408	$1,615	$1,949	$1,958	$1,902	$1,842
Clothing & Clothing Accessories Stores	$407	$400	$396	$408	$414	$409
General Merchandise Stores	$1,422	$1,431	$1,464	$1,522	$1,542	$1,511
Food Services and Drinking Places	$1,001	$968	$974	$1,000	$1,031	$1,041
Other Retail Group	$1,025	$1,002	$1,012	$1,025	$1,080	$1,056
Retail Stores Total	**$8,057**	**$8,250**	**$8,800**	**$9,087**	**$9,463**	**$9,385**
Population	677,833	685,306	689,160	696,328	701,620	705,149

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Tracy Taxable Retail Sales Trends, 2004-2008

Sales in 2014 $000 (a) (b) (c)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts	$321,658	$334,563	$301,568	$250,462	$190,133
Home Furnishings and Appliances	$26,520	$27,887	$27,143	$23,746	$32,635
Building Materials	$132,894	$154,624	$133,926	$87,498	$57,526
Food Stores	$58,921	$56,325	$54,075	$52,048	$46,418
Service Stations	$114,709	$136,777	$150,991	$176,718	$186,781
Apparel Stores	$62,510	$61,877	$58,976	$55,214	$48,343
General Merchandise Stores	$222,514	$232,641	$236,507	$225,089	$208,657
Eating and Drinking Places	$99,757	$104,754	$106,870	$109,016	$105,673
Other Retail Stores	$122,076	$131,027	$122,299	$124,784	$90,489
Retail Stores Total	**$1,161,557**	**$1,240,475**	**$1,192,356**	**$1,104,576**	**$966,655**

Sales per Capita in 2014 $ (d)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts	$4,303	$4,277	$3,762	$3,104	$2,333
Home Furnishings and Appliances	$355	$356	$339	$294	$400
Building Materials	$1,778	$1,977	$1,671	$1,084	$706
Food Stores	$788	$720	$675	$645	$570
Service Stations	$1,535	$1,748	$1,884	$2,190	$2,292
Apparel Stores	$836	$791	$736	$684	$593
General Merchandise Stores	$2,977	$2,974	$2,951	$2,789	$2,561
Eating and Drinking Places	$1,335	$1,339	$1,333	$1,351	$1,297
Other Retail Stores	$1,633	$1,675	$1,526	$1,546	$1,110
Retail Stores Total	**$15,540**	**$15,857**	**$14,876**	**$13,687**	**$11,862**

Population	74,745	78,228	80,152	80,700	81,490

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Tracy Taxable Retail Sales Trends, 2009-2014

Sales in 2014 $000 (a) (b) (c)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers	$157,531	$165,423	$181,089	$222,410	$282,239	$296,992
Home Furnishings and Appliance Stores	$43,867	$75,774	$111,536	$116,537	$129,165	$127,900
Bldg. Matrl. and Garden Equip. & Supplies	$50,518	$52,668	$56,995	$62,898	$69,298	$69,735
Food and Beverage Stores	$47,985	$50,892	$51,570	$58,768	$54,780	$54,499
Gasoline Stations	$139,603	$165,041	$195,114	$193,180	$197,324	$193,201
Clothing & Clothing Accessories Stores	$48,461	$46,961	$46,691	$45,824	$41,436	$40,360
General Merchandise Stores	$168,658	$176,356	$185,371	$187,106	$190,872	$189,051
Food Services and Drinking Places	$106,280	$104,988	$107,797	$110,434	$118,549	$122,815
Other Retail Group	$63,681	$61,012	$60,843	$67,624	$76,581	$72,686
Retail Stores Total	**$826,585**	**$899,113**	**$997,007**	**$1,064,782**	**$1,160,245**	**$1,167,238**

Sales per Capita in 2014 $ (d)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers	$1,920	$1,995	$2,175	$2,648	$3,341	$3,506
Home Furnishings and Appliance Stores	$535	$914	$1,340	$1,388	$1,529	$1,510
Bldg. Matrl. and Garden Equip. & Supplies	$616	$635	$685	$749	$820	$823
Food and Beverage Stores	$585	$614	$619	$700	$648	$643
Gasoline Stations	$1,702	$1,990	$2,344	$2,300	$2,336	$2,281
Clothing & Clothing Accessories Stores	$591	$566	$561	$546	$491	$476
General Merchandise Stores	$2,056	$2,127	$2,227	$2,228	$2,260	$2,232
Food Services and Drinking Places	$1,295	$1,266	$1,295	$1,315	$1,403	$1,450
Other Retail Group	$776	$736	$731	$805	$907	$858
Retail Stores Total	**$10,075**	**$10,843**	**$11,977**	**$12,679**	**$13,735**	**$13,780**

Population	82,040	82,922	83,246	83,983	84,475	84,706

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Manteca Taxable Retail Sales Trends, 2004-2008

Sales in 2014 $000 (a) (b) (c)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts	$187,240	$190,878	$168,108	$184,086	$113,572
Home Furnishings and Appliances	$12,761	$15,793	$15,541	$20,132	$15,451
Building Materials	$100,675	$100,642	$94,584	$69,651	$55,768
Food Stores	$50,759	$48,587	$45,365	$45,267	$38,190
Service Stations	$74,056	$78,064	$77,841	$74,165	$79,874
Apparel Stores	$5,760	$10,200	$23,439	$31,778	$26,316
General Merchandise Stores	$159,438	$159,756	$150,583	$139,573	$152,339
Eating and Drinking Places	$66,740	$72,917	$74,165	$78,353	$79,088
Other Retail Stores	$94,172	$101,955	$100,870	$60,266	$61,698
Retail Stores Total	**$751,600**	**$778,792**	**$750,496**	**$703,270**	**$622,296**

Sales per Capita in 2014 $ (d)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts	$3,161	$3,150	$2,715	$2,928	$1,766
Home Furnishings and Appliances	$215	$261	$251	$320	$240
Building Materials	$1,699	$1,661	$1,527	$1,108	$867
Food Stores	$857	$802	$733	$720	$594
Service Stations	$1,250	$1,288	$1,257	$1,180	$1,242
Apparel Stores	$97	$168	$378	$505	$409
General Merchandise Stores	$2,691	$2,636	$2,432	$2,220	$2,369
Eating and Drinking Places	$1,127	$1,203	$1,198	$1,246	$1,230
Other Retail Stores	$1,590	$1,682	$1,629	$958	$959
Retail Stores Total	**$12,687**	**$12,852**	**$12,119**	**$11,185**	**$9,676**

Population	59,240	60,598	61,926	62,875	64,316

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Manteca Taxable Retail Sales Trends, 2009-2014

Sales in 2014 $000 (a) (b) (c)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers	$89,700	$90,012	$91,398	$99,433	$117,046	$117,689
Home Furnishings and Appliance Stores	$24,654	$25,584	$26,215	$16,915	$18,396	$18,568
Bldg. Matrl. and Garden Equip. & Supplies	$44,258	$44,889	$46,832	$47,544	$51,169	$49,856
Food and Beverage Stores	$35,771	$35,983	$35,554	$36,056	$35,841	$35,469
Gasoline Stations	$69,217	$79,598	$87,775	$98,192	$96,581	$94,179
Clothing & Clothing Accessories Stores	$28,843	$28,785	$27,611	$31,402	$35,647	$35,314
General Merchandise Stores	$176,767	$184,690	$183,641	$190,005	$190,812	$187,807
Food Services and Drinking Places	$79,729	$82,124	$83,620	$88,155	$93,829	$95,270
Other Retail Group	$75,749	$79,911	$83,707	$87,206	$95,842	$94,140
Retail Stores Total	**$624,688**	**$651,576**	**$666,353**	**$694,908**	**$735,163**	**$728,293**

Sales per Capita in 2014 $ (d)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers	$1,366	$1,342	$1,339	$1,423	$1,637	$1,632
Home Furnishings and Appliance Stores	$376	$381	$384	$242	$257	$258
Bldg. Matrl. and Garden Equip. & Supplies	$674	$669	$686	$680	$716	$691
Food and Beverage Stores	$545	$536	$521	$516	$501	$492
Gasoline Stations	$1,054	$1,186	$1,286	$1,405	$1,351	$1,306
Clothing & Clothing Accessories Stores	$439	$429	$404	$449	$498	$490
General Merchandise Stores	$2,692	$2,753	$2,690	$2,719	$2,668	$2,605
Food Services and Drinking Places	$1,214	$1,224	$1,225	$1,261	$1,312	$1,321
Other Retail Group	$1,154	$1,191	$1,226	$1,248	$1,340	$1,306
Retail Stores Total	**$9,515**	**$9,711**	**$9,761**	**$9,944**	**$10,280**	**$10,100**

Population	65,652	67,096	68,267	69,884	71,514	72,108

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Lathrop Taxable Retail Sales Trends, 2004-2008

Sales in 2014 $000 (a) (b) (c)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts					
Home Furnishings and Appliances					
Building Materials					
Food Stores					
Service Stations					
Apparel Stores					
General Merchandise Stores					
Eating and Drinking Places					
Other Retail Stores					
Retail Stores Total	**$91,457**	**$107,113**	**$117,929**	**$131,923**	**$170,877**

Sales per Capita in 2014 $ (d)	**2004**	**2005**	**2006**	**2007**	**2008**
Motor Vehicles and Parts					
Home Furnishings and Appliances					
Building Materials					
Food Stores					
Service Stations					
Apparel Stores					
General Merchandise Stores					
Eating and Drinking Places					
Other Retail Stores					
Retail Stores Total	**$7,327**	**$8,389**	**$8,139**	**$8,108**	**$9,888**

Population	12,482	12,768	14,489	16,271	17,282

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.
(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Lathrop Taxable Retail Sales Trends, 2004-2008

Sales in 2014 $000 (a) (b) (c)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers					$31,462	$32,532
Home Furnishings and Appliance Stores					#	#
Bldg. Matrl. and Garden Equip. & Supplies					$12,059	$13,334
Food and Beverage Stores					$7,046	$7,156
Gasoline Stations					$73,599	$69,824
Clothing & Clothing Accessories Stores					$129	$106
General Merchandise Stores					#	#
Food Services and Drinking Places					$17,013	$16,449
Other Retail Group					$27,804	$26,251
Retail Stores Total	**$154,314**	**$167,896**	**$173,462**	**$167,551**	**$169,112**	**$165,652**

Sales per Capita in 2014 $ (d)	**2009**	**2010**	**2011**	**2012**	**2013**	**3q13-2q14**
Motor Vehicle and Parts Dealers					$1,630	$1,664
Home Furnishings and Appliance Stores					#	#
Bldg. Matrl. and Garden Equip. & Supplies					$625	$682
Food and Beverage Stores					$365	$366
Gasoline Stations					$3,812	$3,572
Clothing & Clothing Accessories Stores					$7	$5
General Merchandise Stores					#	#
Food Services and Drinking Places					$881	$842
Other Retail Group					$1,440	$1,343
Retail Stores Total	**$8,773**	**$9,316**	**$9,326**	**$8,852**	**$8,760**	**$8,475**
Population	17,589	18,023	18,600	18,927	19,306	19,546

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
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(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Primary Market Area Taxable Retail Sales Trends, 2004-2008

Sales in 2014 $000 (a) (b) (c)	2004	2005	2006	2007	2008
Retail Stores Total	**$2,004,614**	**$2,126,380**	**$2,060,780**	**$1,939,768**	**$1,759,829**

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
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(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

Primary Market Area Taxable Retail Sales Trends, 2009-2014

Sales in 2014 $000 (a) (b) (c)	2009	2010	2011	2012	2013	3q13-2q14
Retail Stores Total	**$1,605,588**	**$1,718,585**	**$1,836,822**	**$1,927,240**	**$2,064,520**	**$2,061,182**

(a) Retail sales have been adjusted to 2014 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009 and later data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.
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(d) Per capita sales calculated based on sales divided by population. 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2015.

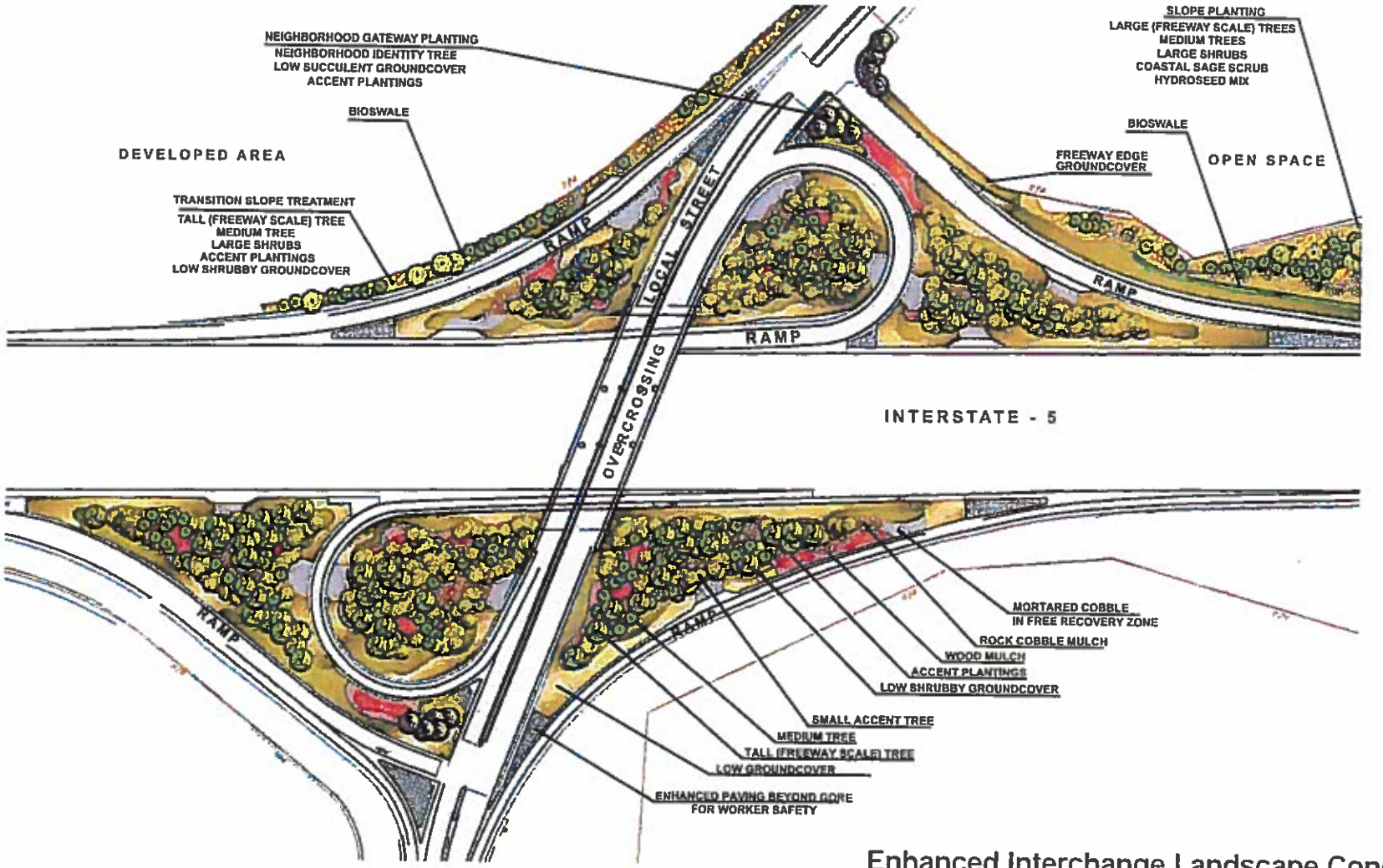
Appendix B: Planned and Proposed Retail Projects in Tracy and the PMA

To be added

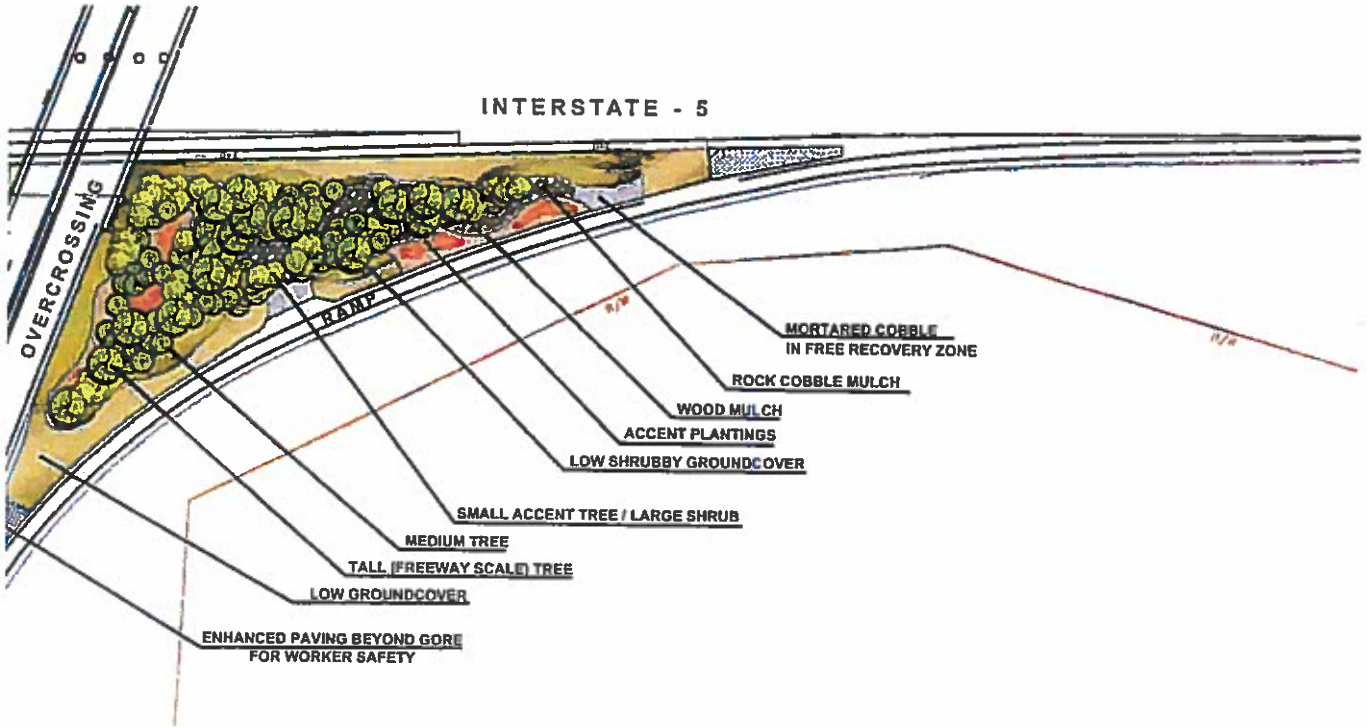
Appendix C: Available Commercial Land in the I-205 Corridor

To be added

Item 5



Enhanced Interchange Landscape Concept



CATEGORY IV

ENHANCED LANDSCAPE PLANT PALETTE
(CALIFORNIA NATIVES & CULTIVARS)
Common Name (Botanical Name)

TALL (FREEWAY SCALE) TREE:
Torrey Pine (Pinus torreyana)
California sycamore (Plantanus recemosa)
Western Cottonwood (Populus fremontii)
California Fan Palm (Washingtonia filifera)

MEDIUM ACCENT TREE:
Coast Live Oak (Quercus agrifolia)

SMALL ACCENT TREE/LARGE SHRUB)
Toyon (Heteromeles arbutifolia)

ACCENT PLANTINGS
Saint Catherine's Lace (Eriogonum giganteum)
Island Snapdragon Cultivars (Galvezia speciosa)
California Fuchsia Cultivars (Epilobium canum)
Canyon Silver Yarrow (Eriophyllum 'Canyon Silver')
Allen Chickering Sage (Salvia clevelandii 'Allen Chickering')

LOW SHRUBBY GROUNDCOVER
Dwarf Coyote Brush (Baccharis pilularis 'Pigeon Point')

LOW GROUNDCOVER
Little Sur Manzanita (Arctostaphylos 'Little Sur')

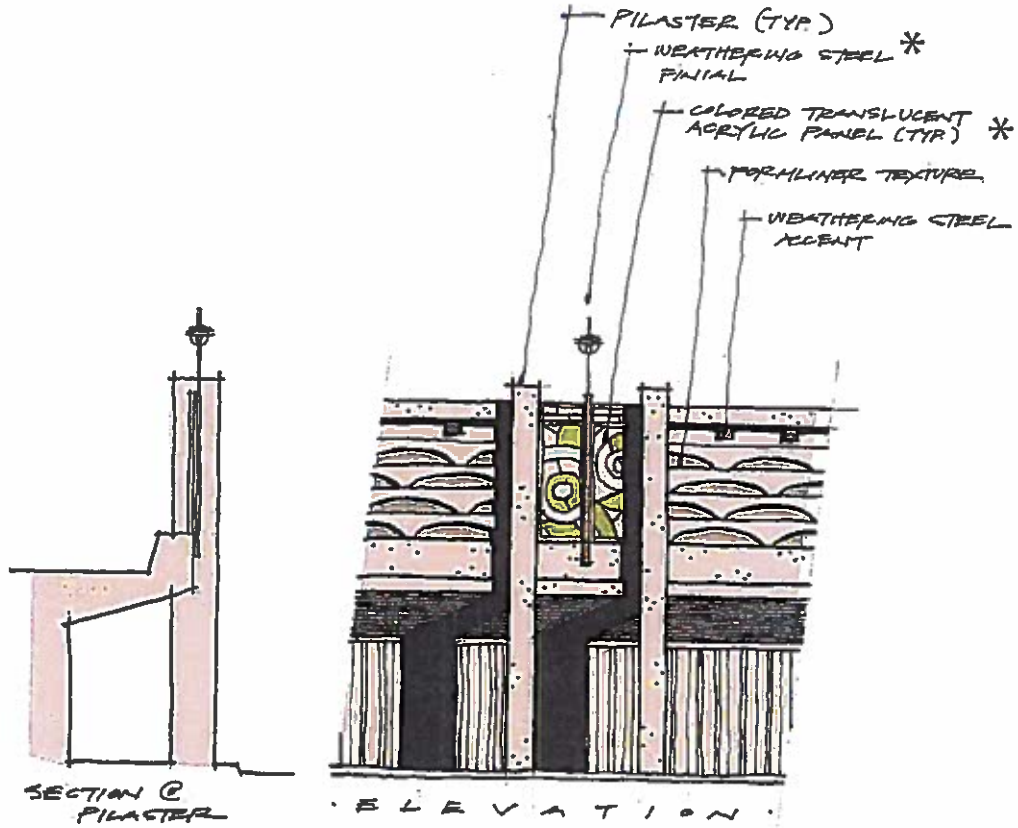
BIOSWALES
White Yarrow (Achillea Millefolium)
California Meadow Sedge (Carex Pansa)

Enhanced Interchange Landscape Concept

Viaduct Retaining Walls (Coastal Mesa Theme Unit)

In areas where insufficient space exists to include planting buffers between freeway retaining walls and adjacent community features such as frontage roads, the use of viaduct retaining walls would be considered. Viaduct retaining walls would cantilever the roadway to form a wall recess in which spatial articulation and planting can occur.

The view from Pio Pico in Carlsbad where a viaduct wall would be used



USE TRACY — Theme Unit

Cantilevered Retaining Wall/Noise Wall at Pio Pico
Secondary Plaster Unit

* Enhanced feature, requires maintenance agreement from local cities.

GOOD WAY TO CONNECT NEIGHBORHOODS.

A. Bridges

General Bridge Design Issues

Throughout history, bridges have provided connectivity between people and places. They have the potential to define cities, such as the Golden Gate Bridge has done in San Francisco. Highway bridges have long had the ability to create memorable driving experiences and create visual landmarks for the freeway traveler.

The West Lilac Road Bridge over Interstate 15

In addition, where the construction of freeway bridges has divided communities, a good bridge design can help heal those separate connections. As seen to the right, an excellent example of a bridge helping to reconnect a neighborhood is the El Cajon Boulevard bridge overcrossing at SR-15 in San Diego.

NEW BRIDGES, TRACY HILLS, I-205

A simple widening of a bridge can help to reconnect neighborhoods

Most bridges within the I-5 corridor will need to be reconstructed due to the expanded width of the freeway. After the visual dominance of the walls within the corridor, the aesthetic appearance of the bridges will be the next most memorable feature as one travels the I-5 corridor. As such, the proposed bridges have been evaluated using the following factors:

- Type (overcrossing, undercrossing, lagoon, etc)
- Location along the corridor (significance/gateway)
- Shape (box, haunched box, other)

The I-5 Corridor has three basic bridge types that are described in these design guidelines:

- Lagoon bridges (high clearance and shallow clearance)
- Gateway bridges
- Non-gateway bridges

The lagoon type bridges include those listed in the chart below. All lagoon bridges to be replaced will see a reduction in the frequency of columns. Reducing columns and obstructions in the lagoons is a goal, however the extent of this may be limited due to freeboard requirements. In the case of San Dieguito, opportunities to enhance the widening will be studied.

	Clearance				
Lagoon Bridge	High	Shallow	Pedestrian Facility	Replaced	Widened
San Dieguito Lagoon		●	●		●
San Elijo Lagoon	●		●	●	
Batiquitos Lagoon		●	●	●	
Agua Hedionda Lagoon		●	●	●	
Buena Vista Lagoon		●		●	

C. Design Principles

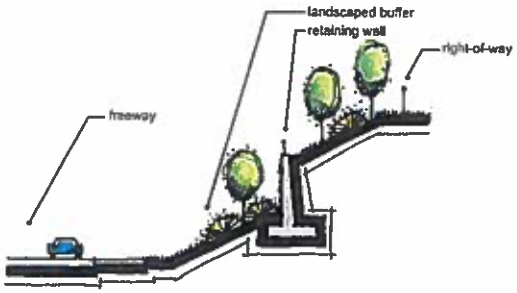
Prioritize Spatial Quality

A. Separate Walls from Viewers

The use of mid slope cut retaining, mid slope fill retaining, noise berm/wall combo, and transparent noise walls should be encouraged.

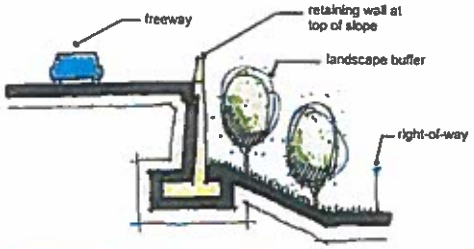
Mid-slope Retaining Walls in Cut Sections

Retaining walls should be located at mid slope wherever possible in cut sections to provide a buffer area for landscape screening between the wall and freeway.



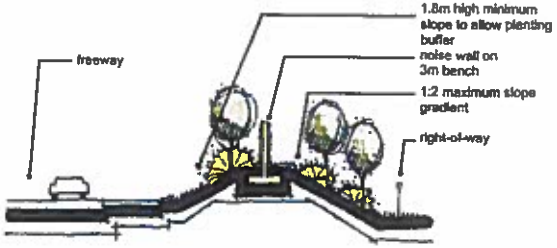
Top-of-slope Retaining Walls in Fill Sections

Retaining walls should be located at the top of slope wherever possible in fill sections to provide a buffer area for landscape screening between the wall and the community.



Noise Berm/Wall Combinations

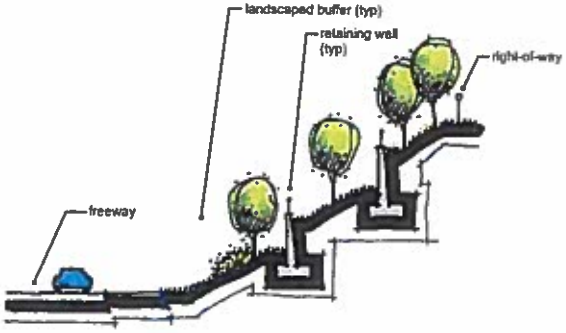
This barrier configuration is preferable in situations where a tall retaining wall at the toe of slope would create a visual impact to an adjacent property. To be effective, this option should incorporate a berm with a 1:2 slope on the freeway side that is 1.8m (6 ft.) high (minimum). This size berm should allow enough space to provide screening shrubs in front of the wall.



B. Create Buffers and Planting Strips

Terraced Retaining Walls

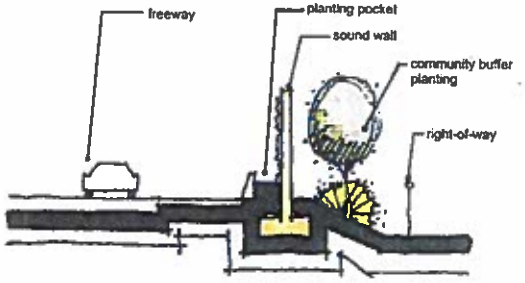
Where site conditions are favorable, retaining walls over 6m (20 ft.) in height should be divided into separate structures sufficiently offset from one another to create a planting area between the two.



These walls should not be constructed in one vertical plane. The use of terracing forms that curve with the landform and disappear into the slope help accentuate the smooth flowing rhythms of the corridor and avoid abrupt conflicts with the contours. This is keeping with the overall theme of blending in with the unique natural environment of the I-5 corridor. Retaining walls and sound walls are the most important elements that will establish what a traveler within the corridor experiences and remembers.

Noise Wall Planting Pockets

Where right-of-way is too narrow to employ the configurations listed above, a minimum 1.5m (5 ft.) wide planting area "planting pocket" should be provided between the back of the barrier and the face of the wall.



11th Street at MacArthur Drive Intersection Improvement Project
Site Address: 516 East 11th Street, Tracy, CA 95376 (APN: 235-190-11)

"A public entity may exercise the power of eminent domain *only* if it has adopted a resolution of necessity *that meets the requirements of Article 2 (commencing with Section 1245.210)* of Chapter 4" [CCP § 1240.040; Gov. Code § 7267.2(a)]. In addition to other requirements imposed by law, the resolution of necessity *must* contain a declaration that the *governing body* of the public entity *has found and determined* that *"the offer required by Section 7267.2 of the Government Code has been made to the owner* or owners of record ..." [CCP § 1245.230].

Government Code § 7267.2 is part of the California Relocation Assistance Law (CRAL) [Gov. Code §§ 7260 - 7277]. By their express terms, the implementing regulations of the CRAL [25 CCR § 6000 *et seq.*] are applicable to this acquisition [25 CCR § 6004(a)]. The purposes of these "requirements" is "to encourage and expedite the acquisition of real property by agreements with owners, to avoid litigation and relieve congestion in the courts, to assure consistent treatment for owners in the public programs, and to promote public confidence in public land acquisition practices" [Gov. Code § 7267; 25 CCR § 6002(b)(2)].

25 CCR § 6182 (i)(1) provides that "Prior to commencement of an eminent domain proceeding the public entity shall make reasonable efforts to discuss with the owner its offer to purchase the owner's real property. *The owner shall be given a reasonable opportunity to present material which he believes to be relevant as to the question of value and to suggest modification in the proposed terms and conditions of the purchase, and the public entity shall carefully consider the owner's presentation.*" [see also: 49 CFR § 24.102(f)]

Your responsibility is to "find and determine" whether those requirements, as they relate to the required written offer to purchase have been met *before* you adopt the resolution of necessity [CCP § 1240.040; Gov. Code § 7267.2(a)]. As the California Code of Regulations states, "*No public entity may proceed with* any phase of a project or *any other activity which will result in the acquisition of real property until* it determines that with respect to such acquisition and to the greatest extent practicable, [¶] (1) Adequate provisions have been made to be guided by the provisions of Article 6 of the Guidelines ..." [25 CCR § 6010(b); 25 CCR § 6182]

"A gross abuse of discretion occurs where the public agency acts arbitrarily or capriciously, ***renders findings that are lacking in evidentiary support***, or ***fails to follow the required procedures*** . . ." [*City of Stockton v. Marina Towers LLC* (2009) 171 Cal.App.4th 93, 115 (bold italics added)] Failure to comply with Gov. Code § 7267.2 is a basis for the later dismissal of the condemnation action [*City of San Jose v. Great Oaks Water Co.* (1987) 192 Cal.App.3d 1005, 1013]

My clients respectfully submit that your offer has not met the requirements of Gov. Code §7267.2 and the aforementioned regulations implementing the CRAL or implementing the corresponding federal act [see 49 CFR § 24.101(b) and 49 CFR § 24.101(d)] for the reasons detailed in my previous correspondence: (a) to the City Manager dated September 17, 2014; (b) to the City Engineer dated April 27, 2015; and (c) to you dated November 18, 2015 (copies of which are attached hereto), and elaborated herein. The City's failure to follow the required procedures is plainly evident, and your

adoption of the resolution of necessity would be "lacking in evidentiary support," and therefore a "gross abuse of discretion."

What has been apparent, almost from the beginning of the process, is that the City has ***not*** *"carefully consider[ed] the owner's presentation"* [25 CCR 6182(i)(1); 49 CFR § 24.103(f)], indeed it has not considered the information presented by my clients *at all*, except to ignore requested information from my clients or to omit from its later "summary statements" any reference to the comparable data presented by my clients in an apparent effort to avoid conceding an increase in the offer was warranted:

1) When my clients' pointed out that the most comparable "as if vacant" sale was the Fisher to Tracy East LLP sale (about 3 blocks east of the subject property at the corner of 11th and F Streets) [see my letters dated 9/17/2014 and 4/27/2015], and that the unit value of about $46.87 per square foot (including demolition costs) would indicate an "as if vacant" value of the subject property of $604,300, the City simply *omitted* the "as if vacant" analysis from the last "summary statement" dated in November of 2015.

2) When my clients' pointed out that the City's appraisal failed to follow it's own logic, and that the most comparable sale with the closest "floor area ratio" (FAR) to the subject in the November, 2014 "summary statement" would indicate a value in the range from $536,000 to $585,000 (depending on whether the basement was include in the floor space), those comparable sales were *omitted* from the "updated appraisal" with is the subject of the November, 2015 "summary statement." Substituted were other sales having FARs that were *not* comparable (i.e., 0.92 vs. 0.19), or in communities where land values (as indicated by property tax revenues in those cities when compared to those in Tracy) were significantly less than land values in Tracy.

3) When my clients pointed out that the size of their lot was 12,894 square feet, and that the City's "summary statement" said it was only 12,841 and repeatedly requested the City to correct that error. The request was repeatedly ignored. Attached hereto is the letter dated December 14, 2015, from Michael Quartaroli, a licensed land surveyor, which confirms that the actual lot size is indeed 12, 894 square feet.

   The letter from the City's condemnation counsel dated December 4, 2015, continues the trend. In it Mr. Amspoker states: "We are in receipt of your letter dated November 18, 2015, regarding, among other things, the area of the subject parcel. The overall size used in the City's appraisal was based upon survey information provided by the City to the appraiser. We do not think your comments about the overall size of the property justify any modification to the City's offer. As you know, the City's appraisal of $350,000 is based on the rentable size of the building. The overall size of the land would hve no impact on this. In any event, we appreciate that you have brought this issue to our attention, and the correct amount of the square footage will be subject to later verification."

> You will note that the 25 CCR § 6182(d)(2) requires ***the summary statement*** contain: "A description of the location ***and extent*** *of the property to be taken*, with sufficient detail for reasonable identification, and the interest to be acquired." [see 49 CFR 24.102(e)(2) as well]
>
> You will also note that the "cost approach" as set forth in the City's summary statement of November, 2014 (which included the cost approach) contains a line wherein the total lot size is multiplied by the "land" value as shown by the sales (see p. 2 of 7 therein).

In addition, the last "summary statement" received from the City in November of 2015 does *not* apply a "cost approach" or an "income" approach to valuation. Gov. Code § 7267.2(b) indicates that the summary statement must contain at a minimum, "The principal transactions [i.e., the "comparable sales"], reproduction or replacement cost analysis, or capitalization analysis, supporting the determination of value."

The CAL TRANS Right of Way Manual states that "The Cost Approach is required in the valuation of improved properties where income and market data are nonexistent, *limited*, or inconclusive." And, it is only when, "In the valuation of improved properties where there is sufficient comparable data to estimate the value of the property by the market *and* income approaches, the Cost Approach is optional." [CALTRANS Right of Way Manual, § 7.05.04.00]

The City's current summary statement (dated in November of 2015) relies on *only* the "sales comparison" approach. [see p. 2 thereof], while conceding at p. 4 that there are "A limited number of recent comparable sales were discovered in Tracy ..." Thus, at a minimum a "cost approach" is required in addition to the "sales" approach. (The first summary statements dated in November of 2014 contained a "cost approach" in addition to the "sales comparison" approach. Because *the current* summary statement omits the "cost approach" it fails to meet the requirements of the aforementioned statutes and regulations.

CONCLUSION

For the foregoing reasons this resolution of necessity should ***not*** be adopted. You should at least consider the information presented by my clients and make a good faith effort to address their concerns and then revise your summary statement again so as to comply with the applicable statutes and guidelines. The failure to do so may result in the Court dismissing, or conditionally dismissing a subsequent condemnation action based upon the proposed resolution of necessity, and result in an award of "litigation expenses" (i.e., attorney fees, expert fees, and costs) to my clients.

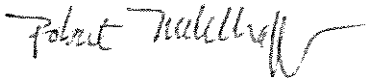
Finally, I would urge you to look at Sale No. C-01 in your own latest Summary Statement (it is an 8/6/2015 sale of the commercial building of 2,550 square feet (the subject property's ground floor is 2,509 square feet), on a lot that is 19,094 square feet (the subject property's lot is 12,894 square feet), and ask yourself if that is not the most comparable improved sale. That property sold for $561,000. Based upon the indicated price per square foot of improvement ($220.00/s.f.) the subject property's

indicated market value is $551,980. Then look at the appraisal prepared for my clients, which is also attached. It's conclusion of value is $552,000.

Because of the City's flawed analysis in its appraisals to date, and because the foregoing Sale No. C-01 is so comparable to the subject property, I sincerely doubt that the City's current appraiser will be the valuation witness testifying for the City at the trial of the condemnation action. I expect that the City will instead find yet another appraiser who will come in with an even lower value than its current appraiser in hopes that the jury will "split the difference" between the valuation testimony of my clients' appraiser and the City's ultimate appraiser. Such conduct would, in my view, clearly violate the purposes of these statutes and regulations, but I expect it nonetheless.

In hopes that you consider this objection and the attachments and do the reasonable thing, my clients and I remain,

Very truly yours,



Robert Mehlhaff
Attorney for Albert and Robert Bogetti, owners

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September 17, 2014

City Manager
City of Tracy
333 Civic Center Plaza
Tracy, CA 95376

re: City of Tracy – 11th Street at MacArthur Drive Intersection Improvement Project
Site Address: 516 East 11th Street, Tracy, CA 95376
APN: 235-190-11

Dear Mr. Brown,

I represent Albert and Robert Bogetti, the owners of the above-referenced parcel. This letter is written in reply to the letter from Maria A. Hurtado, Interim City Manager, addressed to my clients and dated August 29, 2014 (hereafter "the City's letter").

My clients are prepared, as always, to meet and discuss with representatives of the City of Tracy the acquisition of their property. However, the "offer" contained in the City's letter is unacceptable.

As the "Appraisal Summary Statement and Summary of the Basis for Just Compensation" enclosed with the City's letter (hereafter "Summary Statement") indicates, "fair market value" as defined in Code of Civil Procedure § 1263.320, ". . . is the ***highest*** price on the date of valuation that would be agreed to by a seller . . . and a buyer . . . ." [bold italics added] It is plainly evident that this definition was *not* applied to value the proposed "taking."

The highest price paid by a knowledgeable buyer to a knowledgeable seller is reflected in the sale on 7/24/2012 from the Fisher family to Tracy East Limited Partnership, of the property located at 208 E.11th Street (closer to the subject than any of the purported "comparable sales" in the Summary Statement), San Joaquin County APN 235-175-01, containing 22,800 s.f., at a price of $1,055,000.00, a "unit value" of $46.27 per square foot.

At $46.27 the "fair market value" of the subject property is $612,615.00. My clients are willing to sell the entire property to the City for that price.

If that price is agreeable to the City, the "hazardous waste" clause contained in the proposed "property purchase agreement" will have to be deleted. My clients certainly did not contaminate the property during their ownership of it. They are aware, however, that prior to the City's repair or reconstruction (about 5 or 6 years ago) of the storm drainage collector line in MacArthur Drive adjacent to the property, that line leaked and was the apparent cause of seepage of storm water into the basement area of the subject property. Any contamination that may be found to

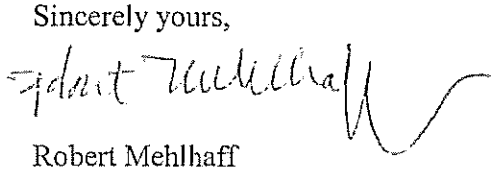
exist would likely be the result of the leaking storm water collector line, which is properly the City's responsibility, not my clients'.

If the City persists in offering less than the "highest" price as required by C.C.P. § 1263.320, then my clients intend to obtain an independent appraisal and seek reimbursement for the cost of that appraisal up to $5,000 under C.C.P. § 1263.025(a) as the Summary Statement suggests at para. 6 on p. 1 of 2. In order to do so, however, my clients will need from the City a "statement that the public entity may take the property by eminent domain" (see: C.C.P. 1263.025(b)(3)). I have looked through the City's letter and its enclosures, including the Summary Statement, and the statement that the City "may take the property by eminent domain" is nowhere to be found. Since the City has not yet filed an eminent domain action or filed a "resolution of necessity," the other two ways to establish "threat of eminent domain" (see: C.C.P. § 1263.025(b)(1) & (2)), which is a requisite to reimbursement of the $5,000 under C.C.P. § 1263.025(a), we request that you provide the necessary statement so that we may proceed to obtain that independent appraisal.

Parenthetically, the county assessor's records indicate the size of the subject parcel is 13,240 s.f., not 12,841 s.f., as indicated in the Summary Statement. And, there were ***no*** "legal descriptions" attached to the deed, the temporary construction easement, or the public utility easement. We will need *specific* descriptions of these areas to provide to our independent appraiser in order to obtain the necessary appraisal, so please provide the specific descriptions (including the basis upon which the City asserts that the total area is less than 13,240 square feet) to this office at your earliest convenience.

Should the City or its agents wish to discuss this matter is face-to-face meetings, my clients and I will be happy to attend. Just call and we will set up a mutually convenient time and place.

Sincerely yours,



Robert Mehlhaff

Attorney for Albert Bogetti and Robert Bogetti

cc. Joe Magdaleno (AR/WS)

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April 27, 2015

Kuldeep Sharma
City Engineer
City of Tracy
333 Civic Center Plaza
Tracy, CA 95376

re: City of Tracy – 11th Steet at MacArthur Drive Intersection Improvement Project
Site Address: 516 East 11th Street, Tracy CA 95376
APN: 235-190-11

Dear Mr. Sharma,

It was, as always, a pleasure to meet with you and your staff to discuss the City of Tracy's proposed acquisition of my clients' property (referenced above) for the project (also referenced above).

As promised, I submit the following comments in response to the City's last offer to purchase. Please consider this letter and its contents as an "offer of compromise" under California Evidence Code sections 1152 and 1154, which precludes its admissibility in any later eminent domain proceedings.

Please refer to the City's "Appraisal Summary Statement And Summary Of The Basis For Just Compensation (Pursuant to Government Code Section 7267.2)," which was enclosed with the City Manager's letter dated November 4, 2014, a copy of which is attached (as ***Ex. A***), hereafter simply called "the Summary Statement."

1) The Area Of The Entire Subject Parcel Needs Correction

The Summary Statement on its first page states that the area of my clients' property is, "0.29 acres, or 12,8<u>41</u> square feet (sf)" (underlined emphasis added).

Attached hereto (as ***Ex. B***) is the legal description which was attached to both the proposed contract and the proposed deed enclosed with the City Manager's letter of 11/4/2015. The grant deed to the City of Tracy (recorded as Instrument No. 90022825 on 3/8/1990) that is referred to in the "exception" in that legal description is also attached (as ***Ex. C***). The plat attached (as ***Ex. D***) plots the bearings from the City's legal description and excludes the area described in the "exception" (shown as the hatched area), and results in a total area of 12,8<u>94</u>.14 sf for the subject property.

I cannot explain how the area of the corner acquired by the City in 1990 was calculated to be 85.8 sf as stated in that deed (***Ex. C***). It clearly is only 85.2 sf as shown on ***Ex. D***.

Incidentally, in the Summary Statement at p. 5 in the table entitled "Sales Data Summary," the correct area, rounded to the nearest square foot – 12,894, is set forth on the line labeled "Subject," so somebody eventually got it right.

The total area of the subject property should be changed throughout the appraisal and the Summary Statement (for example, the wrong area of 12,841 is used in the cost approach – para. 2 at p. 2 of the Summary Statement).

2) The Sales Approach In The Summary Statement Fails To Apply Its Own Reasoning

The Summary Statement indicates that the City's appraiser used floor area ratio (FAR) and parking space ratio as the basis for comparison of the subject property to the comparable sales (see "Sales Data Summary" on p. 5 of the Summary Statement).[1] At p. 4 the Summary Statement says:

> "A limited number of recent comparable sales were discovered in the subject's market area, so the search was expanded to include competing markets in other parts of San Joaquin County, in addition to Stanislaus County. Emphasis was placed on properties with a low floor area ration [*sic.*] and improved with a retail building of similar vintage to the subject's built-out for a single user. Those found to be most comparable are displayed on the summary table below." [underlined emphasis added]

A review of the sales listed in the table at p. 5 entitled "Sales Data Summary" discloses that *the most comparable* sale is C-04, which has an FAR of 0.17 (the closest the subject property at 0.19) and a parking ratio of 7.27 (again the closest to the subject property at 9.96) of all the comparable sales shown in that table.

This comparison *should* result in the use of a comparable "price per square foot" of improvement (psf) that is close to that of C-04 comparable – i.e., $213.64/psf. Instead, the appraiser inexplicably chose $125.00/psf of building area (see para. 1 on p. 2 of the Summary Statement).

Had the City's appraiser chosen *the* most comparable sale as disclosed by his own analysis, the resulting indicated value based on the 1st floor improvements would have been: $213.64/psf × 2,509 sf (improved 1st floor of the subject property) = **$536,022.76.**

---

[1] "In the sales comparison approach, an opinion of market value is developed by comparing properties similar to the subject property . . . . A major premise of the sales comparison approach is that an opinion of the market value of a property can be supported by studying the market's reaction to comparable and competitive properties." ("The Sales Comparison Approach", at p. 297, The Appraisal of Real Estate (13th Ed.), The Appraisal Institute (2008). "Land-to-building ratios and overall site configuration are usually quite important to a site's appeal and ability to support specific uses. The space allotted for parking influences a site's value for business and commercial use, so the parking space-to-building ratio in a commercial and industrial property must be analyzed." [*Id.*, "Land and Site Analysis," at p. 221] "Like units must be compared, so each sale price should be stated in terms of appropriate units of comparison. . . . Appraisers use units of comparison to facilitate comparison of the subject and comparable properties. The sales should be analyzed to determine which unit of comparison has the closest correlation with the comparable sales." [*Id.* "The Sales Comparison Approach," at p. 305]

3) There Is No Basis For The Appraiser's Conclusion That The 1,320 sf Unfinished Basement In The Subject Property Contributes No Value

The City's appraiser attributed no value to the unfinished basement area (see para. 1 on p. 2 of the Summary Statement). But basement space need not be "finished" to provide "utility" [2] to a retail owner or tenant. The unfinished basement in the subject property has in fact been used for storage in the past, which has "utility" to all commercial retail establishments.

If the basement area is added, the size of the improvement on the subject property increases to 3,829 sf, which would increase the FAR to about 0.29, and place the subject *between* comparables C-03 and C-04 on the Sales Data Summary table on p. 5 of the Summary Statement. We believe that the parking space to building ratio of the subject would still be higher than the ratios for comparable C-03 and perhaps higher than comparable C-04, so the indicated price should be higher than comparable C-03 and still approach that of C-04. If a "psf" midway between these two comparables is used, i.e., ($213.64 + $91.91 ÷ 2 =) $152.78/psf (which is near comparable C-01 on that table), then the indicated value for the subject property would be: $152.78/psf × 3,829 sf = **$584,994.62.**

We have not analyzed the "cost approach" because City's own Summary Statement considers the sales comparison approach as the appropriate approach and, as the Summary Statement states, "The cost approach conclusion is less reliable, due to the age of the subject improvements and the subjectivity in estimating depreciation" [Summary Statement at p. 4], with which we agree.

4) The City's Appraiser Completely Ignored *The* Most Comparable Sale

On July 24, 2012, the Fishers sold APN 235-175-01 (now a part of 235-175-17) located at 208 E. 11th Street (about 3 blocks west of the subject and also a corner lot – 11th Street and North F Street) to Tracy East LP for the price of $1,055,000.00. That lot contained 22,800 sf. The price paid was therefore $46.27 per square foot of lot area. (Parenthetically the traffic counts on the two streets fronting the subject property are *higher* than the traffic counts on both of the streets bounding the Fisher sale, which should make the subject property more desirable and thus more valuable to a commercial developer.)

The auto parts building on the Fisher comparable sale did *not* contribute any value because it was demolished almost immediately following the sale, and it cost the developer *additional* sums to demolish the building.

The effect of this circumstance on the analysis of this comparable sale is discussed in "Comparative Analysis," at pp. 331-332, in The Appraisal of Real Estate (13th Ed), The Appraisal Institute (2008) as follows:

> "A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs affect the price the buyer agrees to pay. Such expenditures include
>
> - . . .
> - Cost to demolish and remove any portion of the improvements

[2] "All properties must have utility to tenants, owner-investors, or owner-occupants." ["The Nature of Value", at p. 25, The Appraisal of Real Estate (13th Ed.), The Appraisal Institute (2008)]

- Environmental remediation costs
- . . ." [*Id.* at p. 331]

"In sales comparison analysis, costs incurred by the new owners of comparable properties are reflected as *positive* adjustments to the sales price of those properties." [*Id.* at p. 332 (italics added)]

The following example is then given:

"For example, a buyer bought a property that included a 6.75-acre site improved with a 122,000-sq.-ft. industrial building with many environmental problems. The buyer told the appraiser the cost of removing the environmental problems was $750,000. The sale price of the property was only $225,000. The appraiser is considering using this as a comparable land sale, but the buyer actually has $975,000 ($750,000 + $225,000) invested in the property, not just the $225,000 sale price. In the sequence of adjustments, an adjustment for expenditures made immediately after purchase is shown above the market conditions line, which means the market conditions adjustment would be made on the $975,000 price, not the $225,000 price." [*Id.* at p. 332]

We do not have the buyer's actual demolition costs of the Fisher auto parts store. Attached (as ***Ex. E***) is the "median" demolition cost from the BuildingJournal.com demolition cost calculator for a 10,000 sf building (the old auto parts store on the Fisher property) in the Sacramento area ($13,617.43). Attached (as ***Ex. F***) is the median demolition cost from the same journal for the Oakland area ($14,494.74).

Using the Sacramento area indicated demolition cost, $13,617.43, and *adding* that to the purchase price paid by Tracy East LP (the buyer) – as in the example from The Appraisal of Real Estate above – results in a "comparable sales price" "as vacant" for the Fisher sale, as follows:

$1,055,000 + $13,617.43 = $1,068,617.43 ÷ 22,800 sf (lot size of comparable lot) = $46.87 per square foot "as vacant."

Applying that same "as vacant" unit value to the subject lot (and real estate values have generally increased since the time of the Fisher sale so the market history would suggest even a higher price per square foot) produces an indicated value as follows: 12,894 sf × $46.87/sf = **$604,341.78** – or in round figures, **$604,300.**

CONCLUSIONS

Thus, we believe that the City's own market data, when properly interpreted, results in values ranging between **$536,000** and **$585,000**. And, we believe the best comparable sale is the Fisher sale based on an "as vacant" approach to the highest and best use of the subject property which would indicate a value of **$604,300**.

As I stated in my initial letter to the City Manager dated 9/17/2014, responding to the City's initial offer to purchase my clients' property, "fair market value" as defined in Code of Civil Procedure § 1263.320, ". . . is the ***highest*** price on the date of valuation that would be agreed to by a seller . . . and a buyer . . . ." [bold italics added] My clients continue to believe that the last offer made by the City falls short of that definition of "fair market value."

My clients understand, however, that if an agreement cannot be reached, and eminent domain proceedings are commenced by the City, a significant portion of that "fair market value" will be spent on their attorney's fees.

As an offer of compromise, my clients will accept payment of **$560,000.00** for the City's acquisition of their property, with the City paying all expenses related to recordation of the deed and cancellation of taxes. In addition, as I indicated in my prior letter of 9/17/2014, the "hazardous waste" clause contained in the proposed "property purchase agreement" will have to be deleted. And, finally, my clients have paid **$5,000** to their appraiser (who has not yet produced an appraisal of the property), and that sum must be reimbursed to them under Code of Civil Procedure § 1263.025(a).

Please advise at your earliest convenience if this proposal of settlement is acceptable to the City.

Sincerely yours,

Robert Mehlhaff

cc. clients

CITY OF TRACY
APPRAISAL SUMMARY STATEMENT AND
SUMMARY OF THE BASIS FOR JUST COMPENSATION
(Pursuant to Government Code Section 7267.2)

APN: 235-190-11

BASIC PROPERTY DATA

OWNER:	Robert and Albert Bogetti
PROJECT:	11th Street at MacArthur Drive Intersection Improvement Project
PROPERTY ADDRESS:	516 East 11th Street, Tracy, CA
DATE PROPERTY ACQUIRED BY OWNER:	More than five years ago
ZONING:	GHC-General Highway Commercial
GENERAL PLAN DESIGNATION:	Commercial
PRESENT USE:	Thrift shop
HIGHEST AND BEST USE①:	
As If Vacant:	Develop the site with a retail use
As Improved:	Continue interim use of the existing improvement until redevelopment of the site becomes feasible
TOTAL PROPERTY AREA:	0.29 acres, or 12,841 square feet (sf)
PRINCIPAL IMPROVEMENTS:	2,509 square foot one-story masonry building and unfinished storage basement measuring 1,320 square feet
PROPERTY RIGHTS PROPOSED TO BE ACQUIRED:	Fee Simple Interest of Entire Property
DATE OF THIS VALUATION:	May 25, 2014

BASIS OF VALUATION

The just compensation being offered by the City of Tracy (City) is not less than the City approved appraisal of the fair market value of the property. The fair market value of the property proposed for acquisition is based on a fair market value appraisal prepared according to accepted appraisal procedures. Where appropriate, sales of comparable properties and income data are utilized. Principal transactions of comparable properties, where evaluated, are included herein (Page 5). The appraiser has given full and careful consideration to the highest and best use for development of the property and to all features inherent in the property, including, but not limited to, zoning, development potential and the income the property is capable of producing.

California Code of Civil Procedure Section 1263.320 defines fair market value as follows:

a.) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

b.) The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable.

INCLUDING THE FOLLOWING IMPROVEMENTS:

A. Fee Simple Land and included Improvements:	$ 310,000.00	
B. Improvements Pertaining to the Realty②:	$ N/A	
C. Permanent Easement:	$ N/A	
D. Temporary Construction Easement:	$ N/A	
		$ 310,000.00 *(Sum of items A – D)*
Severance Damages ③:	$ N/A	

Severance damages do not apply. This is a proposed full acquisition.

Benefits④:	$ N/A	

JUST COMPENSATION FOR ACQUISITION: $ **310,000.00** **Reconciliation**

CONSTRUCTION CONTRACT WORK (No cost to owner)

None

THE FOLLOWING APPRAISAL APPROACHES WERE CONSIDERED IN DERIVING THE VALUE OF THE ENTIRE PROPERTY.

1. The Sales Comparison Approach is based on the consideration of comparable land and improved sales.

   Indicated value of the larger parcel by Sales Comparison Approach $ 314,000.00 (rounded)
   2,509 sf (total rentable area) x $125/psf = $313,625
   (See Page 5 for principal transactions)

2. The Cost Approach is based in part on a replacement cost new of improvements less depreciation. Cost information was obtained from cost service publications and/or knowledgeable vendors.

Total Replacement Cost New (building)	$ 435,359.00
Value of Improvements in Place	$ 58,934.00
Depreciation from all causes (building & site improvements)	$ (402,469.00)
Land *(estimated by Sales Comparison)*	$ 212,000.00
12,841/sf x $16.50/psf = $211,877	
(See Page 5 for principal transactions)	
Indicated Value of the larger parcel by Cost Approach	$ 305,000.00 (rounded)

3. The Income Approach is based on an analysis of income and expenses to the property.

   Indicated value of the larger parcel by Income Approach $ N/A

SUMMARY OF THE BASIS FOR JUST COMPENSATION
Narrative summary of the valuation process supporting compensation:

The purpose of the proposed project is to improve traffic safety and relieve traffic congestion at the intersection of Eleventh Street and MacArthur Drive. Eleventh Street will be widened to accommodate two right hand turn pockets and a left hand turn lane. Traffic signals will be relocated. Curb, gutter and sidewalk will be reconfigured or added.

The property is located on the southwest corner of the three-way intersection of Eleventh Street and MacArthur Drive in the City of Tracy. The property address is 516 East Eleventh Street. Eleventh Street is a major east-west commercial corridor that bisects the city and was the principal highway prior to the construction of I-205, which opened in 1970. MacArthur Drive is a major north-south arterial that defines the eastern boundary of the downtown area near the subject. I-205 is the closest freeway to the subject located about 1.5 miles to the north, which connects to I-5 about 4 miles to the east. The property is near the edge of town and land uses change quickly to agricultural traveling east on Eleventh Street from the property.

The total square footage of the property provided by the City is 12,841. The property is mostly rectangular in shape. It is flat, level, and at street grade. Curb cuts on Eleventh Street and MacArthur Drive give access to the property, in addition to the rear alley. Curb, gutter and sidewalk are improved along both street frontages. Local utility companies supply electricity, gas, and telephone to the larger parcel and the municipality supplies water and sewer services.

The property is improved with a one-story building of masonry construction and partial unfinished basement. The building is in average condition, but has had minimal updating. The ground floor is 2,509 square feet, based on the Appraiser's measurements. The basement measures 1,320 (24' × 55') square feet. The exterior walls of the building are mostly exposed redbrick, except for one wall, which is finished with stucco that has been painted. The main entrance to the building is located on the side facing East Eleventh Street. A 14 foot square metal overhang extends off the corner of the building, an improvement that remains from its prior use as a restaurant.

The property is paved with asphalt or concrete. The asphalt paving has been recently sealed and striped for 25 parking spaces. There is no landscaping. There is an enclosed area off the back of the building secured with chain link fencing that has privacy slats.

The zoning category for the subject is **GHC – General Highway Commercial**. According to the municipal zoning code, "The GHC zoning district is to provide areas for commercial activities which are automobile-oriented or for those uses which seek independent locations outside shopping centers or other business clusters.

The subject zoning permits a wide variety of commercial uses. Multi-family uses may be permitted with the issuance of a conditional use permit. The property consists of a 12,841 square foot lot, and physically the size would be the most limiting factor in the development of the site. The subject has a corner location and fronts on a major commercial thoroughfare (Eleventh Street). Of the uses permitted under the subject zoning, the location of the site is more conducive for retail use. Vacancy levels for retail in the subject market appear to have stabilized and market participants report that the supply of retail space is starting to tighten, which opens opportunities for new construction. The most recent land comparables used were purchased for immediate

development with a retail use. Based on this market data, retail development appears to be financially feasible. It has therefore been concluded that the highest and best use (as if vacant) is to develop the larger parcel with a retail use. The concluded highest and best use of the subject (as improved) is for Interim continued use of the existing improvements until redevelopment of the site becomes feasible.

In the sales comparison approach, the Appraiser examined data that was discovered by talking to brokers, agents, property owners, and market participants from within the subject market; reviewing RealQuest.com, CoStar.com, and Loopnet.com databases for recent sales; searching Loopnet.com and broker data bases for current listings; inspecting the subject environs; and searching for properties that compete with the subject with improvements ranging in size from 50% to 200% of the size of the subject's improvements and that sold within the last several years. A limited number of recent comparable sales were discovered in the subject's market area, so the search was expanded to include competing markets in other parts of San Joaquin County, in addition to Stanislaus County. Emphasis was placed on properties with a low floor area ration and improved with a retail building of similar vintage to the subject's built-out for a single user. Those found to be most comparable are displayed on the summary table below.

The Cost Approach to value utilizes the estimated replacement cost of the improvements, less accrued depreciation from all causes, plus the estimated indirect costs such as interest, financing carrying costs and entrepreneurial incentive. The estimated land value is then added to the estimated value of the improvements to determine the value of the property being appraised.

The first step of the cost approach is to establish land value for the subject property. This is accomplished through the sales comparison approach. The subject's highest and best use is for retail development.

A search was conducted for the sale of vacant commercial lots, and sites not being utilized to their highest and best use with a proposal to tear down the improvements, throughout San Joaquin County. The properties considered most comparable are summarized in the table below.

The sales comparison approach was given the most weight due to the quality and quantity of the data found in the market. The cost approach conclusion is less reliable, due to the age of the subject improvements and the subjectivity in estimating depreciation. However, the cost approach lends support to the sales comparison approach. The income approach was not applied, due to a lack of market data. In conclusion, the estimated market value of the subject property after reconciling the two approaches to value is $310,000.00.

Land Sales Data Summary

	Address / APN	Recording Date	Size (Acres/ Sq. Ft.)	Zoning / General Plan	Sales Price / $/Sq. Ft.
CL-01	1755 West 11th Street Tracy, CA 232-170-27	9/6/2013	1.32 57,520	GHC Commercial	$1,034,500 $17.99
CL-02	3837 Tracy Boulevard Tracy, CA 212-170-50	3/21/2013	0.76 33,168	HS Commercial	$450,000 $13.57
CL-03	1450 West Eleventh Street Tracy, CA 234-050-03, -04	2/21/2013	0.50 21,917	GHC Commercial	$250,000 $11.41
CL-04	West Eleventh Street Tracy, CA 232-170-20 (portion)	4/13/2012	0.91 39,613	GHC Commercial	$712,764 $17.99
CL-05	187 East Eleventh Street Tracy, CA 233-366-17	3/8/2011	0.26 11,283	CBD Downtown	$165,000 $14.62
Subject	516 East Eleventh Street Tracy, CA 235-190-11	DOV= 5/25/2014	0.30 12,894	GHC Commercial	

Sales Data Summary

	Address / APN	Recording Date	Building Area (Sq. Ft.) / Year Built	Lot Size (Sq. Ft.)	FAR / Parking Ratio	Zoning / General Plan	Sales Price / $/Sq. Ft.
C-01	1015 N. Central Avenue Tracy 235-055-18	5/8/2014	1,582 Pre-1950s	2,100	0.75 0.00	CBD Downtown	$245,000 *$154.87*
C-02	311-313 Oak Street Brentwood 013-091-005-2	3/24/2014	2,700 1940	3,500	0.77 0.00	DT DSP: Downtown Core	$275,000 *$101.85*
C-03	322-326 W. Lodi Avenue Lodi 045-020-06	11/26/2013	3,264 1970	9,563	0.34 3.37	MUC Mixed Use Corridor	$300,000 *$91.91*
C-04	620 E. Yosemite Avenue Manteca 221-110-03	10/25/2013	1,100 See Narrative	6,510	0.17 7.27	CMU Commercial Mixed Use	$235,000 *$213.64*
C-05	204 Sylvan Avenue Modesto 013-005-002	6/21/2013	2,128 1962	3,915	0.54 1.88	R-1 Commercial	$160,000 *$75.19*
Subject	516 E. Eleventh Street Tracy, CA 235-190-11	DOV= 5/25/2014	2,509 Pre-1950s	12,894	0.19 9.96	GHC Commercial	

DEFINITIONS*

① Highest and Best Use Analysis

Highest and best use is defined as the reasonably probable use of land which is legally permissible, physically possible, and financially feasible that results in the highest value. Highest and best use analysis is used in the appraisal process to identify comparable properties and, where applicable, to determine whether the existing improvements should be retained, renovated, or demolished.

② Improvements Pertaining to the Realty (if any)

Machinery, Fixtures and Equipment identified here were separately valued as improvements pertaining to the realty. Prior to escrow close, owner and lessee must agree (and confirm in writing) as to ownership of said improvements pertaining to the realty.

③ Severance Damages (Applies to Proposed Partial Acquisitions)

The appraisal also determines whether or not the City's proposed acquisition results in damages to the remaining property. The basis for this determination is whether or not the value of the remainder is diminished by reason of the anticipated acquisition of the property Interest being acquired and the construction of the improvement in the manner proposed. (Cost to Cure) Severance Damages may be mitigated or entirely eliminated by estimating the cost to cure the damages.

④ Benefits (Applies to Proposed Partial Acquisitions)

Benefit to the remainder is the benefit, if any, caused by the construction and use of the project for which the property is acquired in the manner proposed.

* *These definitions are general and provided to assist in the discussion related to the proposed acquisition. They are not intended to be legal definitions.*

An owner-occupant of a residential property containing four (4) units or less has a right to review the appraisal on which the written offer to purchase is based.

Appraisal Summary and Offer of Just Compensation
Authorized and Approved for Presentation:

CITY OF TRACY

By: _____

Title: City Manager

Date: 11/10/17

EXHIBIT A

The land referred to is situated in the County of San Joaquin, City of Tracy, State of California, and is described as follows:

A tract of land situated in the Northeast Quarter of Section 28, Township 2 South, Range 5 East, Mount Diablo Base and Meridian, and more particularly described as follows:

Beginning at the intersection of the South line of the State Highway known as Eleventh Street with the West line of the Carbona Road, said intersection being 30 feet South of the North line of said Section 28, and 30 feet West of the East line of said Section 28; thence North 89 degrees 49' West along the South line of said Eleventh Street, 81.14 feet; thence South 0 degrees 11' West 169.08 feet; thence North 76 degrees 55' East 83.86 feet to the West line of said Carbona Road, thence due North along the West line of said Carbona Road, 149.84 feet to the point of beginning.

EXCEPTING THEREFROM any portion lying within the property as conveyed to the City of Tracy in Grant Deed recorded March 8, 1990 Recorder's Serial No 90022825, Official Records.

APN No. 235-190-11

90022825

SAN JOAQUIN COUNTY
RECORDER'S OFFICE
YVONNE T. UDALL

90 MAR -8 AM 10: 10

RECORDED AT REQUEST OF
CITY SHOWN

FEE EXEMPT FROM FEE

City Clerk
City of Tracy
P.O. Box 1929
Tracy, CA 95376

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED

DOCUMENTARY TRANSFER TAX $ 0
computed on full value of property conveyed.
or computed on full value less liens and encumbrances remaining at time of sale.
Robert Bogetti Cty of Tracy
SIGNATURE OF DECLARANT FIRM NAME

For a valuable consideration, receipt of which is hereby acknowledged,

ROBERT BOGETTI

hereby grant(s) to CITY OF TRACY, a municipal corporation

the following described real property in the City of Tracy, County of San Joaquin, State of California:

BEGINNING AT THE NORTHEAST CORNER OF PARCEL 235-190-011 ALSO KNOWN AS 516 ELEVENTH STREET, TRACY, CALIFORNIA: THENCE WESTERLY ALONG THE SOUTH RIGHT-OF-WAY OF ELEVENTH STREET A DISTANCE OF 20 FEET: THENCE ON A CURVE TO THE LEFT ON A RADIUS OF 20.0 FEET TO THE WEST RIGHT-OF-WAY OF MACARTHUR AVE: THENCE NORTHERLY A DISTANCE OF 20.0 FEET TO THE TRUE POINT OF BEGINNING; CONTAINING 85.8 SQ. FT. MORE OR LESS.

Dated 3-5-90

Robert Bogetti
ROBERT BOGETTI

STATE OF CALIFORNIA
COUNTY OF San Joaquin ss
On 3-5-90 before me, the undersigned, a Notary Public in and for said State, personally appeared

Robert Bogetti

known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same.
WITNESS my hand and official seal.

Signature Paulette Bogetti
Paulette Bogetti
Name (Typed or Printed)

OFFICIAL SEAL
PAULETTE BOGETTI
NOTARY PUBLIC - CALIFORNIA
SAN JOAQUIN COUNTY
My Comm. Expires Nov. 19, 1991

(This area for official notarial seal)

CERTIFICATE OF ACCEPTANCE

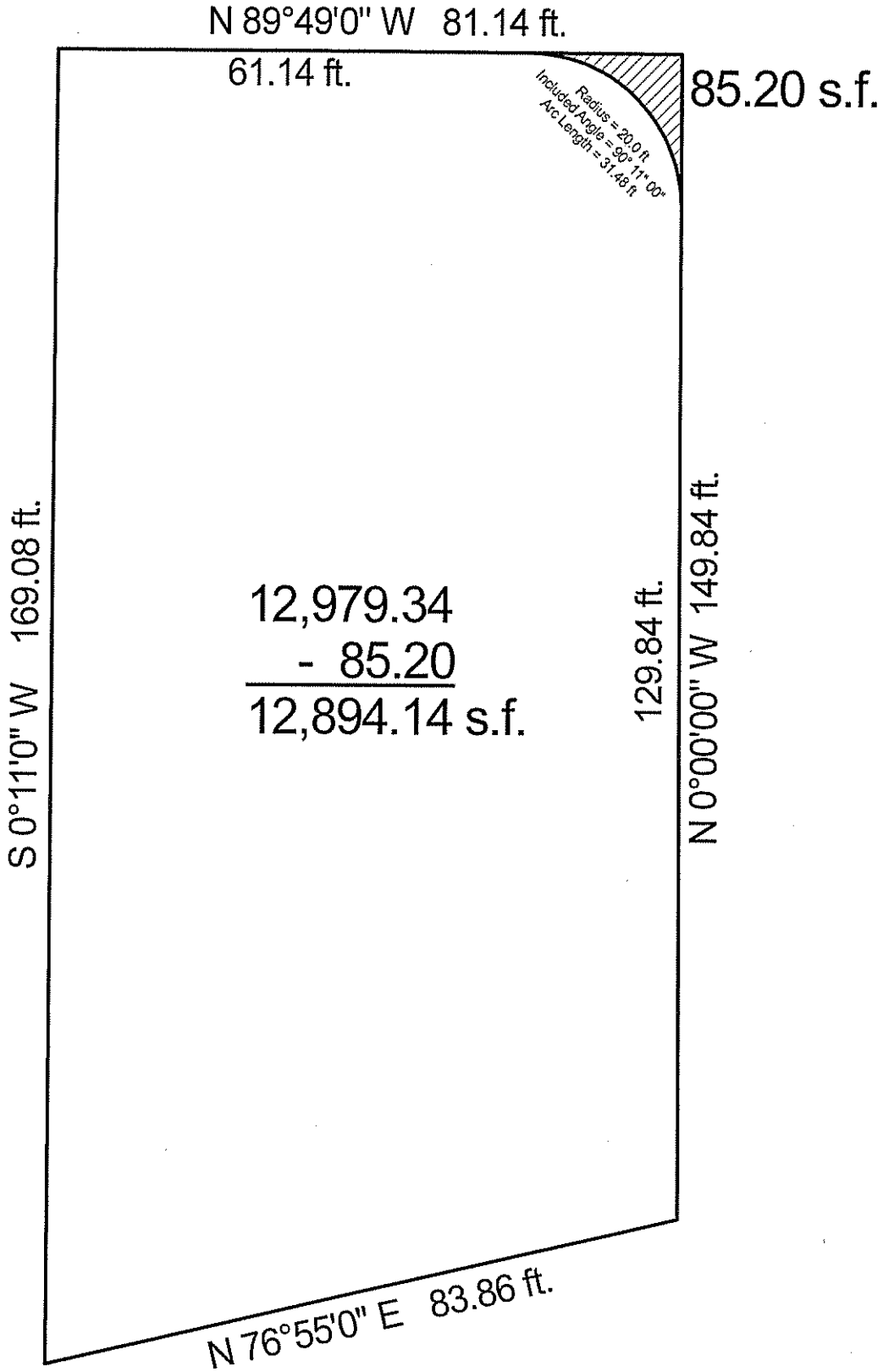
This is to certify that the interest in real property conveyed by this Deed or Grant is hereby accepted by the undersigned City Clerk of the City of Tracy, pursuant to authority conferred by Resolution No. 1670 of the Tracy City Council, adopted on August 6, 1968, and recorded with the San Joaquin County Recorder on August 14, 1968, Book 3231, pages 581 through 583, and the grantee consents to recordation thereof by its duly authorized officer.

Betty J. Dani
City Clerk, City of Tracy, California

3-7-90
Date

5/84

Ex. C


N 89°49'0" W 81.14 ft.
61.14 ft.
Radius = 20.0 ft
Included Angle = 90° 11' 00"
Arc Length = 31.48 ft
85.20 s.f.
S 0°11'0" W 169.08 ft.
12,979.34
- 85.20
12,894.14 s.f.
129.84 ft.
N 0°00'00" W 149.84 ft.
N 76°55'0" E 83.86 ft.

Ex. D

BuildingJournal.com

"Online construction demolition estimating. Quickly estimate the cost of residential and commercial demolition projects in over 160 US. Cities"

Independent Estimator

astraestimating.com

Use one of our plumbing estimators to avoid losing as many bids

Free Electrical Estimator

BP- Construction & Maint.

Handyman Work

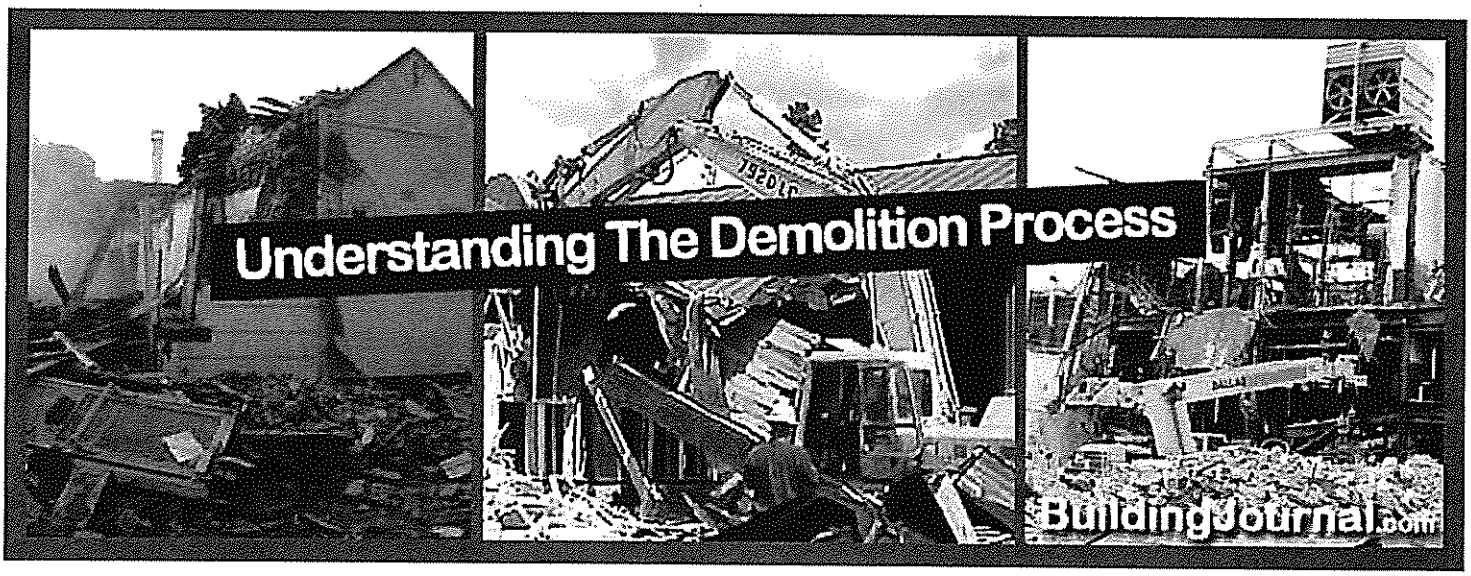
Search

Type of Building		Retail Store
Project Location		California-Sacramento
Type of Work		Demolition
Cost Index		Median
Square Feet		10,000.00
Subtotal		11,739.16
Overhead	10.00%	1,173.92
Profit	5.00%	586.96
Bonding	1.00%	117.39
Total Budget		13,617.43
Per Square Foot		1.36

Estimate Project

By using this calculator you agree to our terms and conditions

Understanding The Demolition Process



If you have a building that needs to be demolished that is a very big project. There could be several different reasons why you may need to demolish a building. The most common and important one is that you have an old building that is a safety hazard. Of course demolishing a building is not always a real safe thing to do either. Another reason for demolishing a building is that you might be developing some land to put a new structure on it.

Whatever your reasons may be, if you have a building that needs to be torn down the best thing to do is to hire a demolition expert who has experience in assessing the situation and who will know what to do.

Probably the most common way of going about demolishing a building is doing it manually. Workers use saws, hammers, and pry bars for pulling things apart. The materials and debris are then placed into large dumpsters to be carried off the site. This is the type of demolition you normally see on remodeling and home improvement jobs.

There is also mechanical demolition which involves using machinery to tear the structure down. The debris is then put into either dump trucks or large dumpsters to be hauled off site.

Ex. D

If the demolition project is a really big one such as an industrial or business building, large machinery such as wrecking balls or a crane might be needed. This type of machinery is needed for demolishing large buildings that can't be torn apart by hand.

Another good reason for bringing in professionals for a demolition job is liability and insurance factors. If you decide to hire an odd job or handy man to do your demolition work they could end up getting injured or someone else could get injured or there could be some property damage. You could be held responsible if your handy man was not properly insured. If you hire a professional company with the proper liability insurance, they will be the ones responsible for any potential injuries or damages that occur while on the job.

Demolition experts are also more likely to recognize any types of hazardous materials that they encounter while on the job. Asbestos is a type of material which may cause cancer, particularly if the particles are inhaled. It is very important if there is asbestos present that it be properly identified as well as contained as soon as possible.

Demolition specialists also have the equipment that is needed to do the job. If you were to try to do the job yourself, you would need to rent expensive equipment. Using the proper equipment also helps to ensure that the job is done safely.

As you can see there are several advantages to hiring a demolition company to do your demolition work for you. It's a good idea to have a contractor visit your site and discuss with you what will be required in terms of the demolition process. This will help you determine what your plan of action should be.

Ex. D

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Free Electrical Estimator

hardhatis.com/

Software Free 30 Day Trial Act Now. Electrical Estimating Software

BP- Construction & Maint.

Handyman Work

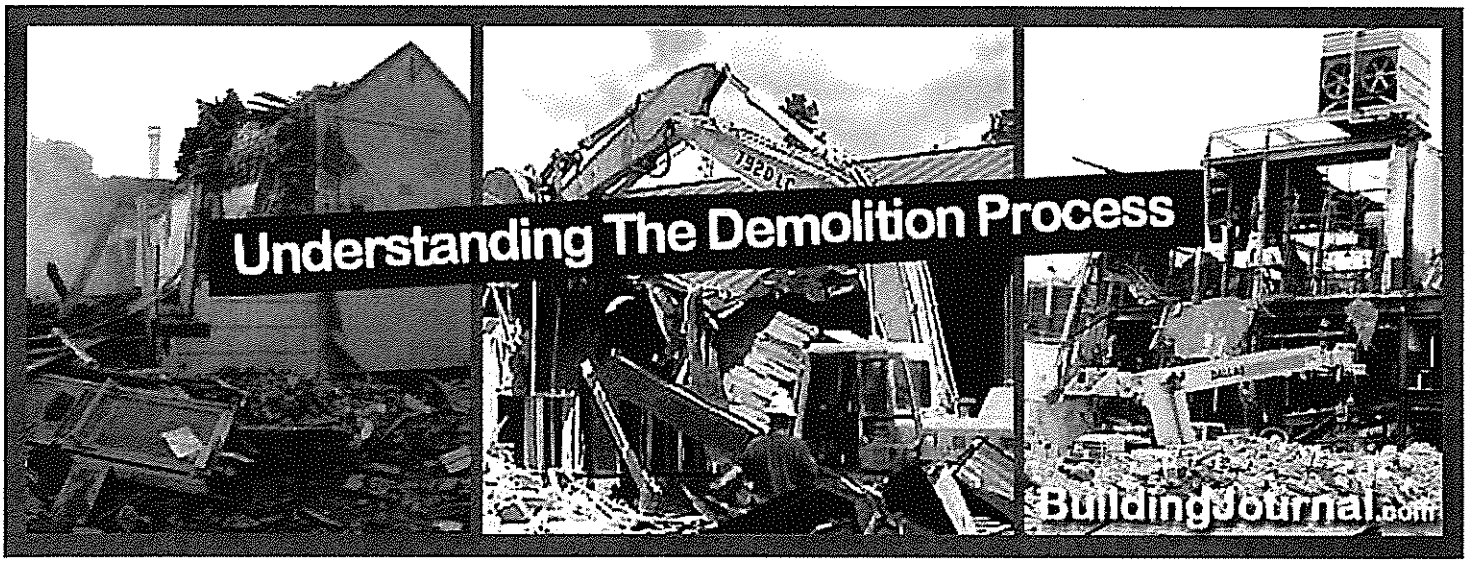
Type of Building		Retail Store
Project Location		California-Oakland
Type of Work		Demolition
Cost Index		Median
Square Feet		10,000.00
Subtotal		12,495.47
Overhead	10.00%	1,249.55
Profit	5.00%	624.77
Bonding	1.00%	124.95
Total Budget		14,494.74
Per Square Foot		1.45

Estimate Project

By using this calculator you agree to our terms and conditions

Search

Understanding The Demolition Process



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Ex. F

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Demolition experts are also more likely to recognize any types of hazardous materials that they encounter while on the job. Asbestos is a type of material which may cause cancer, particularly if the particles are inhaled. It is very important if there is asbestos present that it be properly identified as well as contained as soon as possible.

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As you can see there are several advantages to hiring a demolition company to do your demolition work for you. It's a good idea to have a contractor visit your site and discuss with you what will be required in terms of the demolition process. This will help you determine what your plan of action should be.

Ex. F

Robert Mehlhaff

Law Offices Of
ROBERT MEHLHAFF
4600 S. Tracy Blvd., Ste. 114
PO Box 1129
Tracy, CA 95378-1129

Telephone: (209) 835-3232
Facsimile: (209) 835-7251

November 18, 2015

City Council
City of Tracy
333 Civic Center Plaza
Tracy, CA 95376

re: City of Tracy – 11th Street at MacArthur Drive Intersection Improvement Project
Site Address: 516 East 11th Street, Tracy, CA 95376 (APN: 235-190-11)

Ladies and Gentlemen,

I represent Albert and Robert Bogetti, the owners of the above-referenced parcel. I am writing in response to the letter dated November 4, 2015 from the City Manager, enclosing updated "summary statements" related to the appraisal and acquisition of the above-referenced property.

Pursuant to 25 California Code of Regulations § 6182(i)(1) and 49 Code of Federal Regulations § 24.102(f) my clients present the following material which they believe to be relevant to the question of value, and suggest modification in the proposed terms and conditions of the purchase:

1) **The Area Of The Subject Parcel Still Needs Correction:**

The current Summary Statement on its first page states that the area of my clients' property is 12,841 square feet.

Attached hereto (as ***Ex. B***) is the legal description which is attached to both the proposed contract and the proposed deed prepared by the City. The grant deed to the City of Tracy (recorded as Instrument No. 90022825 on 3/8/1990) that is referred to in the "exception" in that legal description is also attached (as ***Ex. C***). The plat attached (as ***Ex. D***) plots the bearings from the City's legal description and excludes the area described in the "exception" (shown as the hatched area), and results in a total area of 12,894.14 s.f. for the subject property.

I called this to the City Engineer's attention in my letter of April 27, 2015. 43 square feet of land at "as vacant land values" of about $47.00 per square foot results in a difference of about $2,000.00. This is not an insignificant difference. If the City will not correct the area taken, please advise of the facts upon which it bases its conclusion that a lesser area is encompassed by the description in the deed.

2) **Based Upon The City's Most Recent Appraisal Summary, It Appears That The City Is Deliberately Omitting Comparable Data And Relevant Analysis In An Apparent Effort To Justify A Value Which Is Less Than "Fair Market Value":**

   a. **The Omission Of The "As If Vacant" Approach In Determining The "Highest And Best Use."**

The City's previous appraisal summary statement dated 11/10/14, at pp. 3 – 4, concluded the "highest and best use" of the subject property was development "as if vacant" to a retail use.

After my clients responded by pointing out that the best "as if vacant" comparable sale was the sale by the Fishers to Tracy East LP of the property located about 2 blocks west of the subject property at F and 11th Streets, a corner location like the subject property, which had a lower traffic count than the subject property (higher traffic counts being more desirable to commercial tenants and owners), for $46.87 per square foot of land including demolition costs (i.e., an indicated value for the subject property of about **$604,300.00** "as if vacant"), ***the City's current appraisal summary entirely omitted retail development "as if vacant" from the discussion of the "highest and best use."*** This, despite the fact that the current appraisal summary, like its predecessor a year ago, concluded that "market participants report that the supply of retail space has tightened which opens opportunities for new construction" and "considering all the market data, retail development is financially feasible."

"Highest and best use" is defined in the CALTRANS *Right of Way Manual* as follows: "The property will be appraised at its highest and best use, considering its legal and economic utility and desirability. Highest and best use is considered to be the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, ***and results in the highest value.***" [see CALTRANS Right of Way Manual, § 7.04.01.00 (bold italics added here)]

The City's own appraisal summary (see: current summary at p. 5) contains essentially the same definition, i.e. "... the reasonably probable use of land which is legally permissible, physically possible, and financially feasible ***that results in the highest value.***" [bold italics added]

The *Uniform Appraisal Standards for Federal Land Acquisitions* [UASFLA] addresses "highest as best use" as follows:

> "The appraiser's determination of highest and best use is one of the most important elements of the entire appraisal process. Therefore, the appraiser must apply his or her skill with great care and clearly justify the highest and best use conclusion in the appraisal report.
>
> ***The highest and best use of the land, as if vacant, is first estimated.*** If the land is improved, the highest and best use of the property, as improved, is then estimated. In some cases, the highest and best use of property cannot be reliably estimated without extensive marketability and/or feasibility studies, which in complex cases may call for the assistance of special consultants. Before it can be concluded that any use for the property is its highest and best use, that use must be physically possible, legally permissible, financially feasible, ***and must result in the highest value.*** Each of these four criteria must be addressed in the appraisal report."

[UASFLA, p. 17, bold italics and underlined emphasis added]

Here, the "as if vacant" approach, based on the most comparable (i.e., the Fisher to Tracy East LP) sale, results in the highest value, and is by definition the "highest and best use."

Please provide the factual data analyzed and the reasoning employed by your appraiser which led him to conclude that an "as if vacant" approach to "highest and best use" is no longer necessary.

Parenthetically, a lot does not need to be an acre in size and have a drive through to be feasibly developed for retail "food" and "fast food" uses. For small lot commercial "food" or "fast food" developments, see: Domino's Pizza, SW corner, 11th St. & Tracy Blvd., 10,134 square foot lot (no drive thru); former KFC (now Five Star Burger), 400 W 11th St., 18,800 square foot (with drive thru); La Villa Mexican Restaurant, 57 E. 11th St., 8,930 square foot (no drive thru); Taco Bell, 2320 N. Tracy Blvd., 16,600 square foot lot (with drive thru); Foster's Freeze, 28 E. Grant Line Rd., 17,968 square foot lot (no drive thru); Bonfaire Market and gasoline service station, 15 E. Grant Line Road, 13,800 square foot lot (drive through gasoline

pump bay); Bottom's Up Espresso (long term lease), NW corner Grant Line Rd & Joe Pombo Pkwy., ±14,500 square foot leasehold (with drive thru).

Finally, please note that the discussion in the current appraisal summary of the 2-acre parcel East of the subject property, for which a proposed 7-Eleven was suggested and which fell through, is ***not*** a discussion about comparable "as if vacant" ***sales*** data. I call your attention to Sec. A-15 of the UASFLA, at p. 19:

> "The appraiser shall estimate the value of the land for its highest and best use, as if vacant and available for such use. In doing so, the appraiser's opinion of value shall be supported ***by confirmed sales of comparable or nearly comparable lands*** having like optimum uses. Differences shall be weighed and explained to show how they indicate the value of the land being appraised. Items of comparison shall include property rights conveyed, financing terms, conditions of sale, market conditions, location, and physical characteristics. The appraiser shall provide adequate information concerning each comparable sale used and the comparative analysis to enable the reader of the report to follow the appraiser's logic." [bold italics added]

b. The Apparently Contrived Use Of Floor Area Ratios From Other Communities.

The City used "floor area ratio" (FAR) as a basis for comparison in its previous appraisal summary of 11/10/14 purportedly because:

> "A limited number of recent comparable sales were discovered in the subject's market area, so the search was expanded to include competing markets in other parts of San Joaquin County, in addition to Stanislaus County. Emphasis was placed on properties with a low floor area ration [*sic.*] and improved with a retail building of similar vintage to the subject's built-out for a single user." [underlined emphasis added]

My clients pointed out that sale No. C-04 in Manteca had an FAR of 0.17, and was the most comparable sale based on that method of comparison. The other FARs were 0.34, 0.54, 0.75 and 0.77, when the subject's FAR was 0.19. Using the "unit value" of $213.64 per square foot of improvement for previous sale No. C-04, and applying it to the subject property, indicated a value of the subject (based on the first floor footage of 2,509 s.f. alone) of **$536,000.00.**

The City's current appraisal summary (at p. 4) once again relies on the "floor area ratio" as a basis for comparison:

> "A limited number of recent comparable sales were discovered in Tracy, so the search was expanded to include competing markets in other parts of San Joaquin County. Emphasis was placed on properties with a low FAR and improved with a retail building of similar vintage to the subject's and built-out for a single user."

But, the most comparable sale in the City's previous summary (No. C-04 in the 11/10/14 summary), located in Manteca and having and FAR of 0.17, with its comparable value of $213.64 per square foot of improvement, is ***now excluded.*** Instead, a different sale in Manteca (also numbered C-04 in the current summary dated 11/4/15) which has an FAR of 0.92 (i.e., a commercial building occupying almost all of a small lot with no on-site parking) was chosen. There is no explanation of why the previous Manteca sale is no longer applicable, or why a sale with no parking is now considered more "comparable" than the previous sale which had parking, or why a high FAR (0.92 for the Manteca comparable) is considered comparable to the subject's low FAR (0.19). Frankly, it appears that the current Manteca sale (No. C-04 in the 11/4/15 summary) was chosen for no reason other than its low value per square foot of improvement. This appears to be the motivating factor behind the City's choice of the Lodi sale (No. C-05) as well. While the latter sale has an appropriate FAR (0.20), it is not "built-out for a single user" as the narrative of the

current appraisal summary proclaims. And, the only imaginable reason for going to a city some 40 miles away was to pick a sale with low value per square foot of improvement.

The following table compares the "property tax revenues" for the cities of Lodi, Manteca and Tracy for the fiscal years 2012/13, 2013/14 and 2014/15. You will note what is obvious, and what any appraiser with any integrity will surely admit, that the property values (as reflected in the property tax revenues) are much higher in Tracy than in those other two cities, and the trend since 2012 (the time of the Fisher to Tracy East LP sale) has been upward, suggesting an upward adjustment in "as if vacant" value would now be appropriate:

City	Year	Property Tax Revenues ($)	Area (Ac.)	Unit Value ($/Ac)	% Gain
Lodi	2012/13	7,861,085	8710.4	902	
	2013/14	7,954,487	8710.4	913	1.2%
	2014/15	8,254,830	8710.4	948	3.8%
Manteca	2012/13	8,901,066	11347.2	784	
	2013/14	10,694,783	11347.2	943	20.2%
	2014/15	11,051,871	11347.2	974	3.3%
Tracy	2012/13	41,393,131	14080	2,940	
	2013/14	44,261,779	14080	3,144	6.9%
	2014/15	48,712,980	14080	3,460	10.1%

Notes: Property Tax Revenues Taken From Final City Budgets at end of year
Area taken from 2010 Census Data (Sq. Miles converted to Acres)

Using the most comparable FAR for the sales ***in Tracy***, 0.13 in the City's summary statement (Sale No. C-01 in the statement dated 11/4/15), the value per square foot of improvement ($220.00/s.f.) indicates a value for the subject property of **$552,000.00.**

Your staff, and perhaps you, will recognize the latter value as the "fair market value" of the taking "as improved" and reported by the appraiser hired by my clients for which the City has provide partial reimbursement under C.C.P. § 1263.025(a).

CONCLUSION

The foregoing discussion does not address ***all*** of the deficiencies in the City's appraisal or violations of acquisition policies required by the state and federal statutes and regulations identified above. My clients will address the other deficiencies at the appropriate time and in the appropriate forum.

While none of the foregoing will be admissible at trial in a condemnation action to determine the value of the property taken, whether the City has complied with the acquisition policies contained in the federal and state statutes and regulations cited herein ***is*** relevant to three issues:

1) The Right To Take

"*No public entity may proceed with* any phase of a project or *any other activity which will result in the acquisition of real property until* it determines that with respect to such acquisition and to the greatest extent practicable, [¶] (1) Adequate provisions have been made to be guided by the provisions of Article 6 of the Guidelines ..." [25 CCR § 6010(b)]

"A public entity may exercise the power of eminent domain *only* if it has adopted a resolution of necessity *that meets the requirements of Article 2 (commencing with Section 1245.210)* of Chapter 4." [CCP § 1240.040; CCP § 1245.220: Gov. Code § 7267.2(a)] Section 1245.230 (in Article 2) provides in pertinent part: ". . . the resolution of necessity shall contain . . . (c) A declaration that the governing body of the public entity has found and determined . . .: (4) That . . . the offer required by Section 7267.2 of the Government Code has been made to the owner or owners of record . . . ." [CCP § 1245.230]

"A person having an interest in the property described in a resolution of necessity adopted by the governing body of the public entity pursuant to this article may obtain judicial review of the validity of the resolution" either before or after commencement of the eminent domain proceeding. [CCP § 1245.255(a)]

"A resolution of necessity does not have the effect prescribed in Section 1245.250 [conclusive presumption as to the elements stated in CCP 1240.030 (public interest and necessity require project; planning of project is compatible with public good; and property is required for project)] to the extent that its adoption or contents were ***influenced or affected by gross abuse of discretion*** by the governing body." [CCP § 1245.255(b) (bold italics added)]

"A gross abuse of discretion occurs where the public agency ***acts arbitrarily or capriciously, renders findings that are lacking in evidentiary support,*** or ***fails to follow the required procedures*** and give the required notices before condemning the property." [*City of Stockton v. Marina Towers LLC* (2009) 171 Cal.App.4th 93, 115 (bold italics added)] Failure to comply with Gov. Code § 7267.2 is a basis for dismissal of the action [*City of San Jose v. Great Oaks Water Co.* (1987) 192 Cal.App.3d 1005, 1013]

The effect of such failure is either complete dismissal of the condemnation action [CCP § 1260.120(c)(1)], in which case "litigation expenses" (attorneys fees, expert fees and costs) ***must*** be awarded the defendant/landowners [CCP § 1268.610(a)], or conditional dismissal [CCP § 1260.120(c)(2)], in which case the court ***may*** award litigation expenses in whole or in part. [CCP § 1260.120(c)(2)]

2) The Possible Award Of "Litigation Expenses" For Failure to Follow Gov. Code § 7267.2

After the trial of the condemnation action, the defendant/landowners may seek "litigation expenses" even if the action was not dismissed or conditionally dismissed. The pertinent language of the statute states, "In determining the amount of litigation expenses allowed under this section the court ***shall consider*** the offer required to be made by the plaintiff pursuant to Section 7267.2 of the Government Code . . .." [CCP § 1250.410(c); bold italics added]

3) The Possible Effect on Federal Funding.

42 United States Code § 4655 provides in pertinent part:

> "(a) Notwithstanding any other law, the head of a Federal agency shall not approve any program or project or any grant to, or contract or agreement with, an acquiring agency under which Federal financial assistance will be available to pay all or part of the cost of any program or project which will result in the acquisition of real property on and after January 2, 1971, unless he receives satisfactory assurances from such acquiring agency that—
>
> (1) in acquiring real property it will be guided, to the greatest extent practicable under State law, by the land acquisition policies in section 4651 of this title and the provisions of section 4652 of this title, and . . ."

These acquisition policies are largely identical to those contained in Gov. Code §§ 7260 – 7277 (which

includes Gov. Code § 7267.2). Compare the language of 25 CCR § 6010(b) to the foregoing requirement of federal law.

As my clients have repeatedly asserted, the offer made by the City fails to meet the requirements of Gov. Code § 7267.2 and fails to offer the "fair market value" which *by definition* is "the ***highest*** price on the date of valuation that would be agreed to by a seller ... and a buyer ..." [CCP § 1263.320]. Based upon the foregoing, my clients again propose that the "fair market value" is **$552,000.**

My clients hope that you will "carefully consider the owner's presentation" [25 Cal. Code of Regulations 6182(i)(1); 49 CFR 24.102(f)], and look forward to your response.

Sincerely yours,

Robert Mehlhaff

cc. clients

EXHIBIT A

The land referred to is situated in the County of San Joaquin, City of Tracy, State of California, and is described as follows:

A tract of land situated in the Northeast Quarter of Section 28, Township 2 South, Range 5 East, Mount Diablo Base and Meridian, and more particularly described as follows:

Beginning at the intersection of the South line of the State Highway known as Eleventh Street with the West line of the Carbona Road, said intersection being 30 feet South of the North line of said Section 28, and 30 feet West of the East line of said Section 28; thence North 89 degrees 49' West along the South line of said Eleventh Street, 81.14 feet; thence South 0 degrees 11' West 169.08 feet; thence North 76 degrees 55' East 83.86 feet to the West line of said Carbona Road, thence due North along the West line of said Carbona Road, 149.84 feet to the point of beginning.

EXCEPTING THEREFROM any portion lying within the property as conveyed to the City of Tracy in Grant Deed recorded March 8, 1990 Recorder's Serial No 90022825, Official Records.

APN No. 235-190-11

90022825

SAN JOAQUIN COUNTY
RECORDER'S OFFICE
YVONNE ROSALL

90 MAR -8 AM 10: 10

RECORDED AT REQUEST OF
CITY SHOWN
FEE EXEMPT FROM FEE

City Clerk
City of Tracy
P.O. Box 1622
Tracy, CA 95376

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED

DOCUMENTARY TRANSFER TAX $ 0
computed on full value of property conveyed,
or computed on full value less liens and encumbrances remaining at time of sale.
Paulette Bogetti City of Tracy
SIGNATURE OF DECLARANT

For a valuable consideration, receipt of which is hereby acknowledged,

ROBERT BOGETTI

hereby grant(s) to CITY OF TRACY, a municipal corporation

the following described real property in the City of Tracy, County of San Joaquin, State of California:

BEGINNING AT THE NORTHEAST CORNER OF PARCEL 235-190-011 ALSO KNOWN AS 516 ELEVENTH STREET, TRACY, CALIFORNIA: THENCE WESTERLY ALONG THE SOUTH RIGHT-OF-WAY OF ELEVENTH STREET A DISTANCE OF 20 FEET: THENCE ON A CURVE TO THE LEFT ON A RADIUS OF 20.0 FEET TO THE WEST RIGHT-OF-WAY OF MACARTHUR AVE: THENCE NORTHERLY A DISTANCE OF 20.0 FEET TO THE TRUE POINT OF BEGINNING; CONTAINING 85.8 SQ. FT. MORE OR LESS.

Dated 3-5-90

Robert Bogetti
ROBERT BOGETTI

STATE OF CALIFORNIA
COUNTY OF San Joaquin ss
On 3-5-90 before me, the undersigned, a Notary Public in and for said State, personally appeared

Robert Bogetti

known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same.
WITNESS my hand and official seal.

Signature Paulette Bogetti
Paulette Bogetti
Name (Typed or Printed)

OFFICIAL SEAL
PAULETTE BOGETTI
NOTARY PUBLIC - CALIFORNIA
My Comm. Expires Nov 19, 1991

(This area for official notarial seal)

CERTIFICATE OF ACCEPTANCE

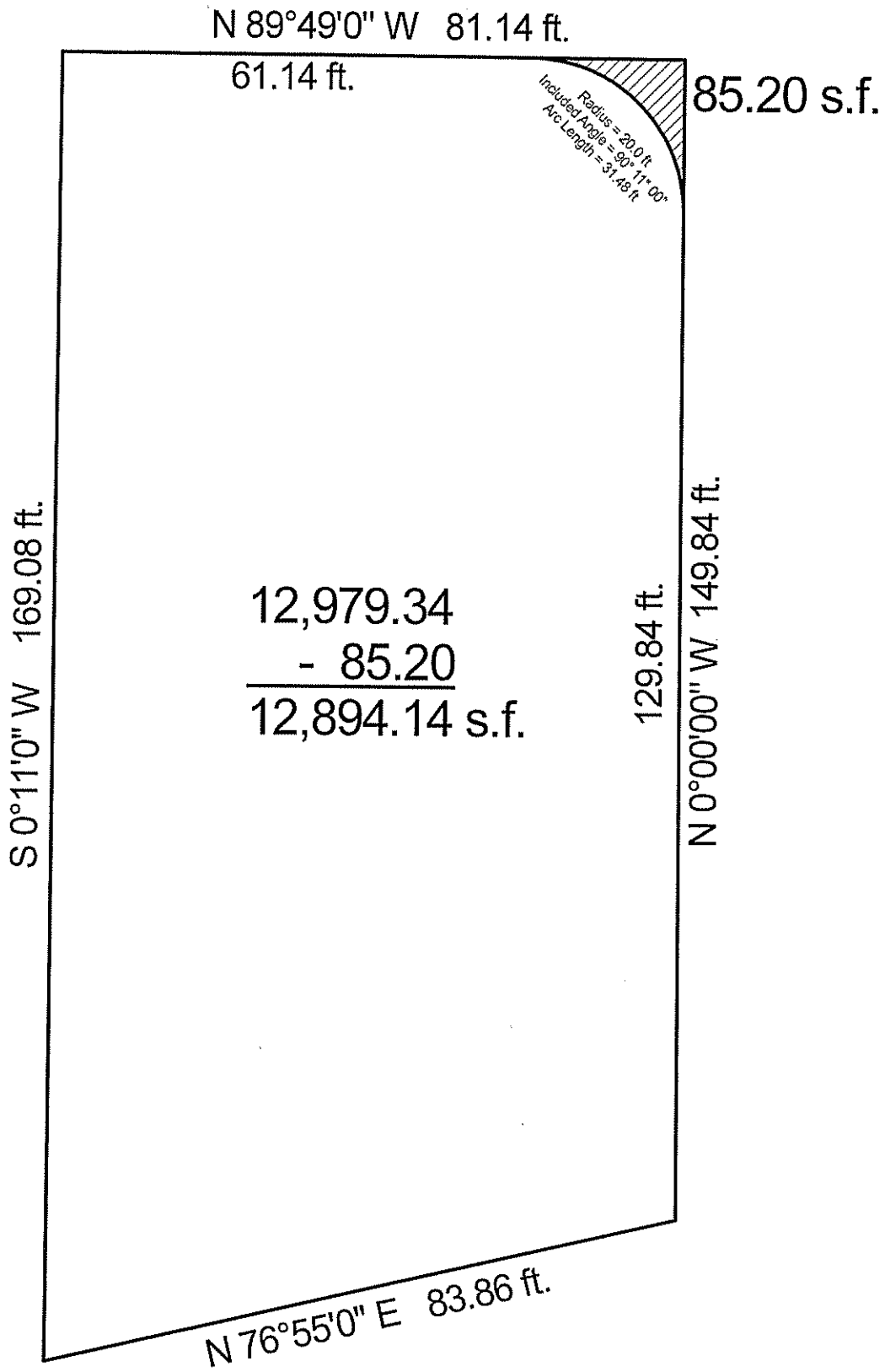
This is to certify that the interest in real property conveyed by this Deed or Grant is hereby accepted by the undersigned City Clerk of the City of Tracy, pursuant to authority conferred by Resolution No. 1670 of the Tracy City Council, adopted on August 6, 1958, and recorded with the San Joaquin County Recorder on August 14, 1968, Book 3231, pages 581 through 583, and the grantee consents to recordation thereof by its duly authorized officer.

Betty J. Dani
City Clerk, City of Tracy, California

3-7-90
Date

5/84

Ex. C


N 89°49'0" W 81.14 ft.
61.14 ft.
Radius = 20.0 ft
Included Angle = 90° 11' 00"
Arc Length = 31.48 ft
85.20 s.f.
S 0°11'0" W 169.08 ft.
12,979.34
- 85.20
12,894.14 s.f.
129.84 ft.
N 0°00'00" W 149.84 ft.
N 76°55'0" E 83.86 ft.

Ex. D

QUARTAROLI & ASSOCIATES

LAND SURVEYING • LAND PLANNING

December 14, 2015 Job No. 2015-264

Mehlhaff & Mehlhaff
4600 South Tracy Boulevard, Ste. 114
Tracy, CA 95377

Atten.: Robert Mehlhaff

Re: 516 East 11th Street, Tracy
APN 235-190-11

Dear Mr. Mehlhaff,

The subject property is owned by Robert Bogetti and Albert Bogetti as evidence by Grant Deed recorded as Instrument No. 89005071, San Joaquin County Records.

A 20-foot fillet was granted to the City of Tracy as described in Grant Deed recorded as Instrument No. 90022825, San Joaquin County Records.

The Bogetti Parcel contained a calculated gross area of 12,979.34 s.f. before the fillet was granted to the City of Tracy. The fillet area contains a calculated area of 85.20 s.f. Therefore, the net Bogetti area equals 12,894.14 s.f.

Sincerely,

Michael L. Quartaroli
Licensed Land Surveyor No. 4450

PROFESSIONAL LAND SURVEYOR
Michael L. Quartaroli
No. 4450
STATE OF CALIFORNIA

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310 Sun West Place Suite A • Manteca, California • 95337 • 209/239-4908 • Fax 209/239-6235

RESTRICTED APPRAISAL REPORT

FULL FEE TAKING
516 E. 11TH STREET
TRACY, CA

AS OF JULY 30, 2015
AGI FILE NO.: 15-01-006

PREPARED FOR

ROBERT MEHLHAFF, ESQ.

PREPARED BY

AGI VALUATIONS

A·G·I
VALUATIONS

August 7, 2015

Robert & Albert Bogetti
c/o Robert Mehlhaff, Esq.
Law Offices of Robert Mehlhaff
4600 S. Tracy Blvd., Suite 114
P.O. Box 1129
Tracy, CA 95378-1129

Re: City of Tracy vs. Bogetti
516 E. 11th Street, Tracy, CA
Full Fee Taking
AGI File No.: 15-01-006

Gentlemen,

In accordance with your request, we have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled us to form a restricted use opinion of the fair market value of the above-captioned property, which is subject to a full fee eminent domain taking by the City of Tracy.

This appraisal report is prepared in compliance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation. It is in a restricted appraisal format for eminent domain purposes in accordance with USPAP Standard 2-2(b), Evidence Code 816 of the State of California and the California Civil Code of Procedures, CCP-1263.32. Please refer to the work file for supporting data and analysis.

The value stated herein is based on our understanding of the site descriptions as represented to us by the client and/or the client's representatives and professional consultants as well as other available sources. Please read the report and inform the appraiser of any errors or omissions you are aware of prior to utilizing it.

Based on an inspection of the property and the investigation and analyses undertaken, we have formed the opinion, subject to the assumptions and limiting conditions set forth in this report that as of July 30, 2015, the date of value of this report, the subject real property and had the following fair market value:

FIVE HUNDRED FIFTY TWO THOUSAND DOLLARS
($552,000)

Offices in Northern & Southern California
Corporate Office ◊ 75 Magnolia Avenue ◊ Petaluma, CA 94952
Tel: 415-945-1650 ◊ Fax: 707-772-5165
e-mail: agi@arthurgimmy.com

The restricted appraisal report that follows sets forth the identification of the property, property rights appraised, assumptions and limiting conditions, a brief description of the subject property and comparable data.

Respectfully submitted,

AGI VALUATIONS

Arthur E. Gimmy, MAI
President
State Certificate No. AG009703

RESTRICTED APPRAISAL

Client/Intended User

The client, Robert Mehlhaff, represents the property owners, Robert & Albert Bogetti in a full fee taking by the City of Tracy.

Intended Use and Users

The analysis of just compensation is for eminent domain proceedings. The users are the client and legal counsel.

Identification of the Real Estate

The subject property is located at 516 E. 11th Street within the incorporated area of the City of Tracy, San Joaquin County, California. The property is further identified as San Joaquin County Assessor Parcel Number 235-190-11. The site totals 12,894 square feet, and is improved with a 2,509 square foot commercial one-story masonry building and an unfinished storage basement of approximately 1,320 square feet. Zoning is GHC-General Highway Commercial. The full fee take comprises the entire parcel.

Highest and Best Use

The highest and best use of the subject property is continued use as a commercial retail site.

Real Property Interest Valued

Fee Simple is defined by the Appraisal Institute as absolute ownership unencumbered by any other interest or estate subject only to the limitations of eminent domain, escheat, police power, and taxation.

Purpose of the Assignment

To develop an opinion of fair market value in a condemnation context.

Effective date of Value Opinion

July 30, 2015

Date of Report

The date of the report is the date of the letter of transmittal.

Definition of Fair Market Value

California Code of Civil Procedure, Section 1263.320(a) states, "The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available."

Extraordinary Assumptions

An extraordinary assumption is defined by the Appraisal Institute as:

"An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions."

This analysis does not include any extraordinary assumptions.

Hypothetical Conditions

A hypothetical condition is defined by the Appraisal Institute as:

"That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions."

This report does not include any hypothetical conditions.

Report Option

This report is a restricted use appraisal in accordance with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. As such, it presents no discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analyses is retained the appraiser's file.

Scope of Work

In preparing this appraisal, we did the following:

- Inspected the subject property
- Gathered information on the subject neighborhood and market conditions
- Analyzed the zoning and general plan designations of the subject property as well as relevant planning documents and considered their implications on the highest and best use
- Estimated the depreciated replacement cost of the improvements
- Researched numerous transactions of properties for use as comparison in the sales comparison analysis both of land and land with retail improvements.
- Analyzed the market data and applied the sales comparison approach
- Concluded to an overall value opinion
- Reported our conclusions in a restricted format suitable for litigation
- Exposure time of six months

Opinion of Value

Total just compensation calculates to $552,000.

CERTIFICATION

I certify that, to the best of my knowledge and belief,

1. The statements of fact contained in this appraisal report, upon which the analysis, opinions, and conclusions expressed herein are based, are true and correct.

2. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analysis, opinions, and conclusion.

3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved. I have not previously appraised this property and have not worked for the owners.

4. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. Furthermore, the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

5. I certify that, to my best knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

6. A personal inspection of the property that is the subject of this report was made by Arthur E. Gimmy, MAI.

7. No one provided significant professional assistance to the person signing this report.

8. The report and analysis, opinions, and conclusions were developed and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

10. As of the date of this report, Arthur E. Gimmy, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

11. I have the knowledge and experience to complete this appraisal assignment and have previously appraised this property type. I have met the competency provision contained in USPAP. Please see Appraiser's Qualifications included in the Addenda to this report for additional information about work and educational experience.

AGI VALUATIONS

Appraisal Prepared and Reviewed by:

Arthur E. Gimmy, MAI
President
Certified General Appraiser No. AG009703

STATEMENT OF VALUATION DATA OF ARTHUR E. GIMMY, MAI

I, Arthur E. Gimmy, MAI, am an appraiser and President of AGI Valuations with offices at 75 Magnolia Ave, Petaluma, CA, 94952, telephone (415) 945-1650.

1. I have appraised the fee simple interest in the property located at 516 East 11th Street, Tracy, San Joaquin County, California. The subject parcel totals 12,894 square feet and is improved with a 2,509 square foot commercial one-story masonry building and unfinished storage basement of approximately 1,320 square feet. The property is further identified as San Joaquin County Assessor Parcel Number 235-190-11.

2. The taking comprises APN 235-190-11 in its entirety. This analysis does not include any permanent or temporary easement takings.

3. Total just compensation calculates to $552,000.

4. This appraisal is of the real property and does not take into consideration personal property or goodwill.

5.

6. The date of value is July 30, 2015.

7. The highest and best use of the subject property is continued use as a commercial retail property.

8. The zoning designation of the subject property is GHC – General Highway Commercial. A change in zoning is not needed to achieve the highest and best use.

9. I have used the sales comparison approach to reach the above value conclusion.

10. The attached list of comparable transactions supports my opinion.

11. The above opinion is based entirely on my own work, experience, and consideration.

12. The value conclusions, as well as the most pertinent market data and analysis are included in this appraisal report. More detailed subject property data, market data and the results of associated analysis are retained in the appraiser's files. A complete and proper understanding of this restricted appraisal report would require the additional data and information that is retained in the appraiser's work file.

I have read the foregoing Statement of Valuation Data and it fairly and correctly states my opinion and knowledge as to matters stated.

Arthur Gimmy

Arthur E. Gimmy, MAI
State Certification No. AG009703
Dated: August 7, 2015

PRELIMINARY
SUMMARY - IMPROVED SALES

No.	Address	APN	Grantee	Grantor	Doc. #	Sale Date	Sale Price	Bldg. Area SF	Price / SF Bldg.	Land Area SF	Price / SF Land	Corner Location	Zoning	Traffic Count	Comments
1	1160-1162 Tracy Blvd., Tracy, San Joaquin Co.	232-290-64	Jasvinder S. Sidhu	Alfred J. Barichello Trust	6415	1/16/2015	$469,000	4,440	$105.63	8,786	$53.38	yes	GHC	21,600	freestanding retail (2 bldgs.) with common wall, pylon sign, 9 parking spaces, FAR of 0.59
2	504 W. Grant Line Rd., Tracy, San Joaquin Co.	233-030-25	pending	PWA Properties LLC	pending	pending	$560,000	2,550	$219.61	19,094	$29.33	yes	GHC	19,350	remodeled interior, pylon sign, all cash purchase from a San Francisco Investor, 10 parking spaces, FAR of 0.12
3	504 & 508 W. Grant Line, Tracy, San Joaquin Co.	233-030-25 & 233-030-10	PWA Properties LLC	Olomari Properties LLC	80154	8/14/2014	$385,000	2,550	$150.98	33,844	$11.38	yes + interior lot	GHC	19,350	same property as No. 3 with the addition of 14,750 s.f. of adacent vacant land. Sale price was $400,000 for both parcels with a credit of $15,000 for a roof replacement., FAR of 0.75
4	450 W. Grant Line Rd., Tracy, San Joaquin Co.	233-030-17	Ajay & Pinki Kumari	David A. & Mrgarete A. Monetti	62750	6/1/2015	$295,000	1,236	$238.67	19,998	$14.75	no	GHC	16,000	Auto Sales, multiple parking spaces, with building set back in rear of property, FAR of 0.06
5	275 E Grant Line Rd., Tracy, San Joaquin Co.	214-320-80	Jaspal S. & Bijinder K. Garcha	John Pestana QTip Trust	28186	3/13/2015	$305,000	1,260	$242.06	34,848	$8.75	yes	GHC	12,500	Auto and tire repair with canopy. May have a lift outside the building in rear. Two service bays. Marketed as "lots of potential for redevelopment". No lined parking but will accommodate at least 10 vehicles. FAR of 0.04
Subject	516 E. 11th Street, Tracy, San Joaquin Co.	235-190-11	N/A	Robert and Albert Bogetti	N/A	N/A	N/A	2,509	N/A	12,894	N/A	yes	GHC	28,000	freestanding retail bldg., 25 parking spaces, FAR of 0.19

PRELIMINARY LAND SUMMARY SALES

No.	Address	APN	Grantee	Grantor	Sale Date	Corner Location	Land Area SF	Zoning	Sale Price	Price / SF	Doc. #	Traffic Count
1	208 E 11th Street, Tracy, San Joaquin County	235-175-010-000	Tracy East LP	Fisher Living 1999 Trust	7/24/2012	yes	22,651	CBD	$1,055,000	$46.58	92875	20,700
2	224 E 11th Street, Tracy, San Joaquin County	235-175-020-000	Tracy East LP	Wilson Trust	8/10/2012	no	7,405	CBD	$145,000	$19.58	101921	20,700
3	224 E 11th Street, Tracy, San Joaquin County	235-175-030-000	Tracy East LP	Wilson Trust	8/10/2012	no	7,405	CBD	$145,000	$19.58	101922	20,700
4	1755 W 11th Street, Tracy, San Joaquin County	232-170-27	Valdez Family Trust	Ernest J Pombo	8/26/2013	no	57,499	GHC	$1,034,280	$17.99	114675	25,000
5	1755 W 11th Street, Tracy, San Joaquin County	232-170-20 portion aka 230-170-28	Tracy Porges Properties LLC	Ernest J Pombo Jr., et al.	4/13/2012	no	39,613	GHC	$720,000	$18.18	45849	25,000
Subject	516 E. 11th Street, Tracy, San Joaquin County	235-190-11	N/A	Robert and Albert Bogetti	N/A	yes	12,894	GHC	N/A	N/A	N/A	28,000

COST APPROACH*

	Sq. Ft.	Cost Per S.F. or Linear Foot or Number		Calculated Costs
Parcel Size (completely paved)	12,894			
Retail Building (S13 P16)	2,509	$78.82	Average Class C Retail Bldg.	$197,759.38
Total paved area (S66 P2)	10,385	$2.82	2' asphalt	$29,285.70
Unfinished Basement (S13 P30)	1,320	$32.10	Retail Basement - Storage	$42,372.00
Steel Frame Canopy; 14' x 14' (S13 P40)	196	$38.00	Average Steel Frame	$7,448.00
	Linear Ft.			
6 ft. chain link fence with privacy slats & gate				
Fence perimeter (less 10 ft. gate)	55	$18.50	2" Mesh, #7 wire, 6 ft. high	$1,017.50
Privacy Slats	65	$9.62	privacy slats 6 ft. high	$625.30
Gate	1	$660.00	10 ft. wide gate 6 ft. high	$660.00
25 Parking Spaces				
9 with concrete bumpers (3 ft. x 9)	27	$8.50	3 foot wide parking bumpers precast concrete cost per linear	$229.50
	Number of			
Regular lined spaces	24	$12.20	parking lot striping per car	$292.80
Handicap lined space	1	$20.75	handicap striping per stall	$20.75
Handicap sign	1	$100.00	painted on ground surface	$100.00

Total	$279,811
Times current cost multiplier 1.01	$282,609
Times local cost multiplier (San Joaquin/Stockton) 1.23	$347,609
Adjusted Total for Improvements (rounded)	$347,600
Depreciation estimated at 50%	-$173,800
Adjusted Total of Improvements Less Depreciation	$173,800
Land Value (12,894 sf x $32/sf)rounded	$412,600
Value of Subject by Cost Approach	$586,400

* Source of replacemnt cost and depreciation data is Marshall Valuation Service